

Upping the Ante

CAB Natural licensee doubles natural premium to a dime per pound.

by **Lance Zimmerman**

You've considered raising cattle that would fit the *Certified Angus Beef®* (CAB®) Natural market. Well, maybe you gave it a passing thought.

However, the cost of going natural — mainly lost performance — never seemed to outweigh the benefits. Although many producers found they could afford to skip growth implants and ionophores, most held out for more incentive. Their waiting period ends Sept. 1.

That's when BC Natural (BCN) Foods, the licensed packer for CAB Natural, will raise the premium offered for natural cattle from \$5 per hundredweight (cwt.) to \$10 per cwt. Neal Odom, BCN director of calf and feeder procurement, says the demand for natural beef products is growing so fast that it is difficult to satisfy everyone at current production levels.

"We needed to create a financial incentive for producers to help us fill consumer needs," Odom says. "That is what value-based marketing is all about — creating value and then creating the incentive mechanism to communicate that need."

The all-natural production criteria are simple: no implants, no antibiotics (including fed antibiotics) and no fed animal byproducts. The first and last requirements are simple. "If a calf needs [to be] treated, we definitely want producers to give it the attention it needs," Odom says. "Producers just need to identify it so that we know it no longer qualifies. We can market it through other channels."

Marketing network

The current price volatility in the cattle market can lead many producers away from the high-risk option of retained ownership. BCN offers tools to help producers manage this risk.



► Neal Odom, BCN director of calf and feeder procurement, says demand for natural beef product is growing at a rapid pace.

"With cattle prices this high, we needed to develop pricing opportunities so producers can feel comfortable retaining ownership," Odom says. "We can put a base under the grid that leaves the upside in the market, along with all the component premiums and discounts. It's a high enough base to allow retained ownership with very little risk."

BCN will work with producers in marketing their cattle, even if retained ownership is not in their plans. "We are continually building a network of stocker operators and cattle feeders that are interested in partnering or purchasing any cattle that will fit into our natural program," Odom says.

Despite the growing network, he says finding the cattle to supply company needs can be difficult. "We looked long and hard for a solution to handle the large number of people with cattle for sale," Odom says. Part of the solution has been the addition of three new field representatives in Iowa, the Southeast and the Central Plains to work with producers interested in sales, partnering and retained ownership.

BCN also selected Capitol Land & Livestock Co., Schwertner, Texas, to help

identify cattle that can be bought and traded. Jim Schwertner, company president, says the increase in the Natural premium is helping them find more livestock that fit BCN's requirements in today's narrowing cattle market.

"As the concept of natural cattle production progresses, I think you will see more changes in supply," Schwertner says. "It just takes time for producers to adjust their production practices."

It also takes a little time for Schwertner and BCN field staff to help producers market cattle into the natural system. "The further people plan ahead, the more successful they will be in our program," Odom says. "They need to plan more in advance than if they were just going to the sale."

"It will not do any good if they call me and say, 'I want to sell my cattle tomorrow — what will you give me for them?'"

It takes a little more time to lay the groundwork," he explains. "There are questions we need to ask to get accurate information to the buyer, stocker or feedlot."

Producers can fill out a Natural affidavit for a group of cattle at any time, but, again, the sooner the better, Odom says.

Switching over

Dickie Hill, Fairfield, Texas, is one producer who planned.

"About a half dozen years ago, we were at the point where we wanted to market our cattle on a grid of some kind," Hill says. "My sister was interested in the all-natural route so we worked with the B3R plant." B3R Country Meats, Childress, Texas, is now part of BCN Foods.

Initially, Hill and his family sent one pen of cattle to B3R; today, they market half of the calves from their 1,400-cow ranch through the natural program. The first thing they noticed was the quality of the natural-raised product.

"The most pleasant surprise for us, since going to the natural program, has been the increased taste, tenderness and juiciness," Hill says. "Our grandchildren represent the seventh generation on our ranch, and it is nice to have a quality product like we raised



50 years ago prior to when we started implanting.”

Since switching to a natural program, Hill says the premium payment makes up for any difference lost in average daily gain (ADG) when compared to an implant-based production system. “Our cattle generally gain from 2.5 pounds to 3 pounds per day in an all-natural program,” he says. That’s about half a pound less than the implanted rate.

To increase profitability Hill’s commercial Angus herd utilizes carcass data to make culling decisions in the herd and increase profits from year to year. “We also run a three-phase

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—Neal Odom

profit center that allows us to trace all of the expenses from the cow-calf, background and feedlot operations back to the individual cow,” Hill says. “The data we receive is an asset we could not do without.”

Data and premiums

Odom agrees with Hill. “The data is just as much a bonus as the premiums. It allows a ranch to make herd management decisions

based on real numbers rather than just perceptions,” he says.

The real numbers lead to improved aim on grid requirements other than the natural component. Hide brand location; quality grade; carcass weight; ribeye area; backfat thickness; kidney, pelvic and heart

(KPH) fat percentage; and Angus influence

create additional premiums or discounts.

“Our Angus premium is unique in comparison to other programs,” Odom says. “If cattle have 50% or more Angus genetics, you automatically receive the \$1.50-per-hundredweight (cwt.) Angus premium, regardless of their CAB acceptance. That’s a pretty safe incentive to start working toward the CAB Natural target,” he adds.

While the latest premium increase only affects the natural grid area, Odom says it can make a big difference on net profits. “With the 5¢ increase, a 750-pound carcass can receive an additional \$75 just for showing up at the dance,” he points out. “That speaks volumes for a lot of producers.”



Editor’s Note: Zimmerman is an industry information assistant for CAB, which supplied this article.