



The Alliance Angle



Ken Conway and GeneNet earn CAB Progressive Partner Award for marketing innovation.

Story & photos by **Steve Suther**, Certified Angus Beef LLC

It was always about genetics and networking — hence the name — but when the marketing alliance known as GeneNet was just an idea in the 1990s, few besides founder Ken Conway thought it would get a chance to work.

Looking back, Conway says, “Being naïve was my greatest asset then, to think I was going to have an impact on an industry that harvested 30 million head each year. Realizing that scope and knowing what I know today, I probably wouldn’t have tried it.”

Anyone who knows the history of the Certified Angus Beef® (CAB®) brand can see the commonality. Both ideas aimed to change that industry for the good of ranchers and consumers, and both succeeded in part because founders “didn’t know it couldn’t be done.”

Conway was named the 2015 CAB Progressive Partner. He and wife Charlotte



planned to accept the award at the brand’s annual conference in San Antonio, Texas, Sept. 26.

That’s *Doctor* Ken Conway to those who might not otherwise have let him in the door to talk business in 1996.

Classroom and experience

Twenty-eight years earlier, being an FFA state officer and Star Farmer had lifted the Plainville, Kan., native’s sights above farming, 140 miles east to Kansas State University (K-State).

“K-State opened a new vision of what all was out there,” he says. “What I would do the rest of my life, I didn’t even know existed then.”

Four years later, Conway wanted to stay around as herdsman for K-State, but the only opening was at the beef research unit. So, he helped coordinate and care for research cattle on feed for two years before the purebred herdsman post opened, and he stayed another three years.

Professors Miles McKee and Jack Riley convinced him to take courses along the way, so he’d earned a master’s degree in beef nutrition by 1976. He even began to think

about a doctorate and teaching classes, but Conway's favorite professors all had "real world" experience.

He had developed a keen interest in the purebred Angus business and show cattle, so he signed on that year with an oil company executive's upstart R&J Ranch near Austin, Texas.

"Most herdsmen for big-money ranches last three to five years, so I thought this would be great fun before going for my Ph.D.," he says. R&J made things plenty interesting with embryo transfers that dramatically boosted female prices while generating uniform bull batteries for large commercial ranches (see sidebar).

That fun lasted nearly 18 years, until Conway, then 44 and well-known in the purebred Angus arena, decided to go for his doctorate at last. Maybe he could still be a professor. Yet what really caught his attention in 1993 was the beef industry's Strategic Alliances Demonstration Project.

The doctoral program at Texas A&M University was under Bill Mies, already famous for having set up the project that would launch dozens of "strategic alliances"



across the beef cattle community in the next five years.

Conway had seen the showing give ground to data-based selection, but wondered why commercial operators paid more for better bulls when 95% of finished

cattle all sold for the same price each week.

"I'd seen the pig and chicken boys set up integrated systems from genetics to the finished product, but figured it was not possible until I saw the alliance idea," he said.

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R&J: More than a flash in the pan

In 1976, Houston oilman Ray Plumb asked Ken Conway to start and manage his R&J Ranch registered-Angus herd near Briggs, Texas. Conway was just finishing his master's degree at Kansas State University (K-State) and had experience with embryo transfer (ET) there.

"We decided to go the ET route, the first outfit to do that on-ranch," Conway recalls. "So we bought some of the very best females we could get. In those days, if you could buy any female you could get her for \$15,000 to \$20,000 tops, because you could only get one calf a year — and most of the really good ones were not even for sale."

R&J had a new paradigm for the industry: What if a female could produce 20 or 30 calves? They bought the 1975 and 1976 Denver champion heifers for \$25,000 and \$26,000. Their \$7,500 purchase of a K-State Angus heifer in 1977 still stands as the all-time record at the university.

The stage was set for something big. At least bigger frame, and that meant Canadian Angus genetics. R&J imported cows and used Canadian bulls to add frame.

"When our first embryo calves hit the ground everyone wanted to see them," Conway says. "The next year we had champion bull and champion female at the national show in Fort Worth, which kind of set the embryo transfer thing on fire. Everybody realized what was possible. We showed and won the best six head at Denver, and they were all out of the '75 Denver champion cow."

Soon, female prices were hitting \$50,000 and \$75,000 and \$100,000 — with buyers reasoning that you could justify paying more for a female if you could get 20 calves per year vs. one per year. The economics totally changed, and people started selling half interest in cows, flushes and embryos.

Those heady, transitional times were a link between the

showing and selection criteria based on performance and expected progeny differences (EPDs).

"When I first started paying those prices for females, people thought, 'Well, we have an idiot loose in Texas,'" Conway says. "But those were two of our first ET calves that won Fort Worth champion bull and heifer, both from the same Denver champion. In a few years, we sold half interest in a heifer for \$250,000."

Of course, performance became increasingly important at such prices.

"EPDs and measurements were important as soon as we could use them, and we knew carcass was becoming more of a factor," Conway says. "CAB added a premium for anything with black in those days. It helped sell Angus bulls because the commercial industry was seeing a surge in demand for black hides. There really was a commercial evolution toward the Angus breed."

Not all R&J bulls were selling for five or six figures, as full-brother bulls and relatives of ET champions were becoming more popular with large commercial outfits like 6666 Ranch and Wagner Estate.

"I spent a lot of time on those commercial cow-calf operations and learned that side of it. Some of them were starting to feed their calves," Conway recalls. "I was feeling burned out in the purebred business after 17 or 18 years. Ray and I both felt like we had done all we could do."

Some dispersal sales are a mark of failure or giving up after a few years and realizing there was some problem.

"Nobody ever disperses when their cattle are on top," Conway says. "There was amazement when it went through the industry that R&J was dispersing, as we were one of the most successful ranches out there in 1993. But we went out on top with a multi-million-dollar dispersal sale."

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Top of mind for Conway then was how to put children through college while transitioning careers. He'd been near the top as a high-profile seedstock Angus herd manager. He was looking at moving into the commercial industry where he would be "low dog on the totem pole."

Weighing the entry-level salary as a professor against prospects for a startup business that could change that industry, he decided to go for the doctorate with a mission to develop an emerging vision.

"I saw a grid where cattlemen could get more money for higher-quality cattle," Conway said. "I wanted to organize a group of breeders that had enough of those cattle that I could go to a beef packer and ask them to pay more than average money on a grid or formula."

He knew hundreds of Angus producers, both purebred and commercial, and started communicating with them even before he had the doctorate. On that front, he took "as many meats classes as I could," to understand the product side all the way to retail and restaurant customers.

Conway says having a card that said "doctor" opened doors at the big feedlots and packing plants, "but most of them still thought I was crazy."

Creating change

One was different. Beef America, Norfolk, Neb., was unique in expanding its high-quality niche by going after a specific breed type. It founded Angus America to incorporate much of Conway's vision.



► Ken Conway revisited his packing connections and found a new home for the concept he incorporated as GeneNet with Monfort, later Conagra, then Swift and now JBS. Through it all, since 1998 GeneNet has helped producers earn premiums for 1.48 million of their best cattle, returning \$30 million in premiums and carcass data to make better cattle next time around.

He moved from Texas to South Dakota for a time and then to the current headquarters in Hays, Kan., spending countless hours on the road to build up the business.

It didn't happen overnight, but the grid idea caught on fast for the traditionally slow-to-change cattle market.

"All of a sudden, we were getting these really good cattle to go through Beef America on the grid," Conway says. "Other buyers were wondering how we corralled the best ones, and then they realized we were paying a premium on them — so it kind of forced the

packers to compete for the good cattle. Most of the guys, once they get a good premium for their calves, they aren't going to go out and sell them on a flat bid again."

A larger manifestation of the sea of change was U.S. Premium Beef (USPB), created in 1996 and opened the next year for business. Meanwhile, Beef America, caught up in the legal and media ramifications of *E. coli* in ground beef and a meat-cutters strike, closed in 1997.

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incorporated as GeneNet with Monfort, later Conagra, then Swift and now JBS. Through it all, since 1998 GeneNet has helped producers earn premiums for 1.48 million of their best cattle, returning \$30 million in premiums and carcass data to make better cattle next time around.

A recent GeneNet newsletter notes a history of working with producers of other premium quality cattle, as well. It gives all due credit to JBS and the packer's interest in "acquiring top cattle, helping to develop relationships with feeders and producers."

Conway used to spend days and weeks on the road, explaining value-based marketing and the importance of sorting cattle sold on a grid. A classic illustration still presented by many in producer education shows three successive calf crops born in 1995, 1996 and 1997, with the first year sold in the traditional way, all at once. The next year the cattle were sold in two drafts a month apart. In 1997 the cattle were sold in three groups across 70 days. CAB and Prime grades moved up from 40% to 72% while yield grade (YG) 4s fell from nearly 5% to zero.

Across 17 years, a significant share of all premiums was paid for achieving CAB brand acceptance, which averaged 30%, but moved up over time.

Conway's dream-come-true has produced more than 70 million pounds — 35,000 tons — of CAB brand product so far. The GeneNet grid features the highest fixed CAB premium in the market at \$5 per hundredweight (cwt.) of carcass, offset by discounts for overfinished and poor-grading cattle.

The marketing alliance membership has included more than 1,550 farms, ranches and feedlots. Conway never really left the production side, though he did not pursue it full-time like his brother Greg. Today, the two operate a farm with cow-calf and backgrounding enterprises on the land where they grew up. They lease cows from an Iowan who has been a GeneNet customer since 1999, although that's a separate deal.

Of course, not all of those customers are active, but many hundreds are.

Lyle "Butch" Billips and his brother Ace



► Rancher/farmer/feeder, Steave Harmon, finishes calves on his Fontanelle, Neb., farm from his commercial-Angus cow herds located 120 miles away in southwest Iowa and 190 miles the other way in the Nebraska Sandhills west of Burwell. His ties to Conway go all the way back to Beef America, spanning 19 years and thousands of cattle.

manage 900 cows and have finished up to 1,000 head on their farm near Hill City, Kan., each year since 1995. He started selling through GeneNet partly for age- and source-verification premiums and market access in 2003. Carcass data also helped Billips cull from the bottom end to where 80% of calves can reach the CAB target.

Even though their farms are barely 50 miles apart, they've only met a few times.

"I feel like I know him though, and he's a good guy to know," Billips says. "Sometimes there's an issue to explain or something, and Ken always goes to bat for us, takes care of our interests."

Another rancher/farmer/feeder, Steave Harmon, finishes calves on his Fontanelle, Neb., farm from his commercial-Angus cow herds located 120 miles away in southwest Iowa and 190 miles the other way in the Nebraska Sandhills west of Burwell. His ties to Conway go all the way back to Beef America, spanning 19 years and thousands

of cattle. Yet the two only met once near the start of their relationship at a Hat Ranch customer field day in Iowa.

"Feeding for quality was totally foreign to us in the mid-1990s," Harmon says. "We had a totally mixed up herd and used to just feed 'em, put weight on 'em and sell 'em. The Hat Ranch and Ken helped us think all that through."

As a relatively small player in the greater beef community, Harmon figured the quality niche made sense. The first target was simply to improve beyond 55% Choice and limit the yield grade (YG) 4s.

"We could accelerate progress by gathering data, getting permanent ID on all cows and finding our best bulls," Harmon says. "We'd try them for two or three years and they were gone if they did not move us toward our goals."

Group data showed the big picture, but he credits individual data for moving quality up to where calves from the Sandhills ranch made 98% Choice or better with 70% CAB, including 13% Prime a couple of years ago.

"We have not gotten individual data the last couple of years because we ultrasound 100% of our fat cattle and know they are on track as we get 90% Choice or better and

55% or more CABs and Prime."

Just one face-to-face meeting started a friendship and business connection.

"Ken may be out on a tractor or in his office, but he always has time to discuss," Harmon says. "He is such a positive guy and full of information on the market; he's got a great overview."

For his part, Conway keeps the alliance going by giving it top priority every day, mainly maintaining relationships.

"I still appreciate all the new business and finding more great cattle, but have a core group of producers that are just the nicest set of people," he says. "It still amazes me when I meet guys I have dealt with for 15 years and have their voice down on the phone. Then I'll meet them and they don't match the picture in my head, but it's always fun when new lights are going off."

Editor's Note: Steve Suther is director of industry information for Certified Angus Beef LLC.