

New Realities

Source and age verification come to the forefront.

by Eric Grant

John Butler is blunt when it comes to talking about the future of the beef business. While the opportunities for producers to add value to their cattle today are greater than ever before, he says, if you're not maintaining source and age verification, you will limit your ability to market your products.

"Source and age verification will become a cost of doing business for everybody," says

Butler, chief executive officer (CEO) for the Beef Marketing Group (BMG).

For the average cow-calf producer, he continues, that means they will have to do a better job of maintaining production records on their cow herds — and most likely they will have to become associated with a U.S. Department of Agriculture (USDA)-certified Process Verified Program, or PVP.

The USDA negotiates the rules for foreign

trade and sets the standards with which U.S. companies must comply in order to export. The program is called Export Verification or EV. The USDA has negotiated rules for Japanese trade that require the cattle be age- and source-verified through either a Quality Systems Assessment (QSA) program, a PVP, or a combination of both.

Producers can seek out packing and feeding companies with USDA-certified

QSAs that allow them to meet the EV requirements and bolster their ability to label products as natural or organic here at home.

Butler's Kansas-based BMG is one of those USDA-certified QSA production networks, and it is in the process of pursuing PVP approval. BMG includes 14 feeding and growing operations that specialize in production of naturally raised source- and age-verified cattle.

BMG procures, feeds and markets cattle for *Certified Angus Beef*® (CAB®) Natural as well as Star Ranch™ Natural Angus Beef, a 2005 initiative of Tyson Foods. The cattle are certified on the ranch for age and source and what processes have been used. The feedlots then adhere to the same strict protocol: No implants. No antibiotics. And individual animal identification (ID) must be maintained through the feeding period.

"Because each calf is identified with EID (electronic ID), and because every animal is source- and age-verified, it allows us to sort cattle by size and commingle them with



PHOTO BY MICKY WILSON

► Without source and age verification, producers could be limiting their profits and marketability.

CONTINUED ON PAGE 210

similar cattle from other ranches,” Butler says. “It allows us tremendous marketing and production efficiencies.

“Our commitment to animal ID and [to] source and process verification provides us with a unique ability to track individual animals from the ranch to the retail outlet,” Butler says. “It allows us to share information with everyone involved, and it facilitates traceback from the end user back to the farm.”

For ranchers, Butler adds, maintaining proper records is the easy part. All they need to do is maintain an effective individual animal ID program, record birth dates, and keep information on treatments of sick animals.

“It’s not that much more than what they’re already doing,” he says. “But producers also need to be aware that they will have to participate in on-site and off-site evaluations. They will have to conduct extra

paperwork, gain an understanding of all the lingo, choose a USDA-certified company to verify their production practices, and not commingle their cattle with other producers’ animals.”

Leveraging information into export dollars

The benefits of PVP or QSA compliance, however, outweigh many of the drawbacks, adds Mike Smith of California-based Harris Ranch Beef Co. Harris Ranch is the leading beef producer on the West Coast, and a leading exporter of U.S. beef to Japan.

“The one issue that dominated the attention of the U.S. beef industry last year was export market accessibility,” Smith says. “With the abrupt halt of major beef export markets, it’s estimated the U.S. beef industry was losing \$3.5 billion per year, or roughly \$150 for every fed steer and heifer marketed each year.”

A key component to recapturing, holding and expanding export markets, Smith says, is through enhanced recordkeeping systems by all involved in beef production — and preventing problems before they get shipped overseas.

Japan in particular requires all beef imported into its country to be processed by companies that meet specific product requirements under the EV Program through an approved QSA. To ensure no beef enters its borders that originates from cattle older than 20 months of age at harvest, the cattle have to be designated A⁴⁰ maturity or younger or be age-verified through a QSA or PVP.

“Without question, the most restrictive export requirements imposed on us are from Japan,” Smith says. “Not only are detailed and descriptive processing procedures and recordkeeping required, but all beef and beef products marketed to Japan must be obtained from cattle determined to be 20 months of age or younger at harvest.”

Source and age verification

Source and age verification requirements for a Process Verified Program (PVP) begin with calving records.

“You must be able to explain how you know when your animals were born, and what your process is for writing this information down,” says Leann Saunders of IMI Global. “That’s your process. You write the birth date down when the calf is born. The minimum requirement for most systems are dates for when your first and last calf are born.”

But you must be able to explain that process, too. You have to have standardized processes and procedures, she adds.

Next, you need to have animal identification (ID) for age verification, such as radio-frequency identification (RFID) tags. And, you must be willing to transfer information on your cattle forward to your buyers.

“Animal ID is the driver’s license for the animal,” Saunders says. “It becomes a unique identifier — ‘send me anywhere.’ Once they’re in the system, the information ties that animal to a birth date and a source. The buyer’s responsibility is to access this information for their use. Ultimately, this helps the packer know what the oldest animal is.”

Third, you need to be willing to have your systems, records and processes evaluated and verified by a third-party.

“Someone has to come to talk to you and evaluate your processes,” Saunders says. “Sometimes that’s tough, but it’s required of everyone involved in the system.”

Finally, it’s critical to understand that signed affidavits at the point of sale are no longer considered a valid form of source and age certification. Only cattle raised under Quality Systems Assessment (QSA) or PVP programs are eligible for export to Japan, says Mike Smith of Harris Ranch Beef.

“It’s unfortunate, but the days of ‘a man’s word and a handshake’ are gone,” Smith says. “They’ve been replaced with the President Reagan-inspired phrase: ‘trust, but verify.’”

Domestic markets follow suit

The reality of source and age verification isn’t just limited to export markets, adds Leann Saunders of IMI Global. The U.S. beef market is rapidly fragmenting into multiple opportunities — from natural and organic to high-end, white-tablecloth restaurants — all of which are requiring third-party verification of their production and processing practices, she says.

That means producers who wish to participate in these programs will most likely need to work with a PVP- or QSA-certified company that can be the independent third party needed for verification.

This is especially true of the natural foods market. “Today, the natural beef segment is a \$1 billion industry. This is not a niche,” Saunders says. “It’s growing by 20% every year.”

In the last two years, this growth has been underscored by big-time moves into this market by Tyson, National Beef, Wal-Mart and other major companies.

“We’ve moved beyond consumer concerns over avian influenza and BSE (bovine spongiform encephalopathy),” Saunders says. “There’s more to the story now. People are concerned about the long-

term effects of eating certain foods. That's what matters to them. They want to know what's in their food. They want to know who produced it, where it was produced and how it was produced. But they want third-party verification of these things. That's good for us, but we need to be prepared for these changes."

A key to tapping the growing opportunities in the marketplace is establishing points of difference for your products, Saunders adds.

"You need to have an emotional connection with your consumer, but you also need to stand behind your story," she says. "If a specific product makes your customers feel good, it's something that gives your product an edge in a tiebreaker."

For instance, sales of meat jumped by 25% at D'Agostino's, a fine meats purveyor, when the company went to humane-handling labeling, she says.

Saunders also points to the growth of "functional foods," which promote health and reduce risk of disease, as a key driver behind the need for source and age verification.

The growth of grass-fed beef the last few years is a clear indication that the industry is responding to the functional foods niche, Saunders says, and she expects functional foods to represent 5% of the food market by 2010.

But consumers aren't just going to take your word that you're doing the things that you're claiming. They want third-party verification.

"You need some type of outside approval," Saunders says.

At the same time, Saunders believes the industry must develop greater standardization of natural practices. Right now, there are varying degrees of producing and marketing naturally labeled products.

"We've been making a lot of claims about what we've been producing, but we need some form of verification," she says. "Over the next few years, we're going to see a proliferation of new brands, more beef with a story to tell, and more detailed labels about our production practices. This trend is for real, folks."



What are QSAs and PVPs?

"Quality Systems Assessment (QSA) and Process Verified Programs (PVP) are both relatively new terms for the beef industry, but both are essential in meeting the demands of our domestic and export markets," Leann Saunders of IMI Global says.

In general, QSA programs are developed and maintained by packing plants, larger feeding operations, or individuals or groups operating "umbrella" programs. They are specific only to source- and age-verification claims, she says.

PVP programs are generally more descriptive and allow for numerous production claims, such as antibiotic use or animal handling, in addition to source and age verification. PVP programs tend to provide greater flexibility when it comes to marketing options for source- and age-verified cattle.

These programs are often operated by data service providers, such as IMI Global, AgInfoLink, eMerge or breed associations, such as the American Angus Association's AngusSource® program, which earned PVP status in 2005.

They may involve the use of program-compliant tags (PCT), which provide greater marketing flexibility for use by all beef packers operating QSA and/or PVP programs.

"Regardless of whether producers choose to participate in a QSA or PVP program, third-party verification is required," says Mike Smith of Harris Ranch Beef. "You will be required to verify that program requirements are in place and adequate age documentation (group or individual) is maintained at the ranch of origin. Finally, you must be cognizant of the fact that USDA will randomly audit ranching operations to confirm compliance with QSA or PVP requirements."

Saunders advises that producers do a lot of research to determine which beef production system or beef marketing opportunity best fits their individual needs.

"There are more value-added opportunities today than there ever have been," she says. "This is an exciting time. But you need to focus on marketing, because just maintaining good records but not marketing won't get you anywhere."

"The more you know about your product and write these things down, the more you will standardize your production practices and the more value you will add to your products," Saunders continues. "But you have to tell people about what you're doing, too, or you will miss some opportunities. This is a two-tiered marketplace today, and you've got to tell people about the features and benefits of your products to differentiate what you're doing."

Where to begin

AngusSource® is the only age- and source-verified PVP that also verifies a minimum of 50% Angus genetics and offers marketing assistance for Angus-sired calves. For more information about the program, including how to enroll, visit www.angussource.com or contact AngusSource at (816) 383-5100.

For more information about PVPs, including a link to a current list of programs and requirements of each, visit <http://processverified.usda.gov/>.

