



Who's asking?

I can still remember the day I decided to quit feeding hogs.

It was 10 years ago on a crisp autumn morning. I had a load of “fats” on the trailer and called my usual buying station, only to find they had closed early. I called my secondary market a little farther away and asked as I had dozens of times in the previous five years, “What are you paying for hogs today?”

This time, instead of a price quote, I heard a question in reply: “Who is this?” After I regained enough composure to remember that information, I told the man. He would call me back with a price quote. It was the dawn of value-based marketing.

I thought to myself, there’s no future in this for me—I’m not serious enough about it to farrow sows or develop a regular link with a pig supplier. That’s what it would take to build a record of superior value at the packing plant. Without that commitment, the market was going to send me a Dear John letter.

A few weeks later, a pen of shoats broke down a gate and clinched the enterprise fate by rearranging my wife’s flowerbeds. The hogs were history, we agreed. We don’t miss them.

Cattle are another story, but we can learn from the hog experience. Twenty years ago, an astute hog producer had asked why I was stocking the farm with such large cows. “Won’t their calves produce carcasses too big for the system? How will they grade?”

Echoing most cattle producers at the time, I shot back, “Who cares? Those calves are topping the market.”

Ten years later, the beef industry was beginning to care. Demand was shifting toward a consumer focus. I had even begun crossing the Continental cows with Angus bulls, hoping to get lucky at the auction. But something more specific was taking shape.

The cattle industry was beginning to explore the idea of vertical cooperation as a means to hit specific product targets. The first National Beef Quality Audit in 1991 showed how much potential value was wasted, and a couple years later, the Strategic Alliances Demonstration Project showed how to capture more of the value.

Grade-and-yield pricing became formula pricing and then grid pricing, after the graphic representation of Quality Grade down one axis and Yield Grade across the other in a price schedule. By the mid-1990s, only 5% of beef sold this way, but as consumers dictated growing premiums for quality, genetics and management responded.

Today, nearly half of beef, including some of what I raise, sells through value-based grids. Packers have never relished buying live cattle, sight unseen. That’s because of variation in carcass value—often \$400 from top to bottom in one load. But they can buy grid cattle without looking, or even asking who’s calling.

Producers can see differences in their calves. They may call a market to ask what they’re paying, or read a report to make a guess. But the eye and the scale have to “weigh in” before buyers think they know enough. They write checks and cross their fingers for luck, but they keep track to move beyond luck.

Calf buyers have always been interested in who’s selling, the “reputation” calves from one brand or owner. But what’s behind a reputation? Positive experience with post-

weaning performance and grade. You can quote performance, but if no buyer has direct experience, the words meet skepticism.

That's why most reputation calf producers have reinforced their genetics with selection to include carcass traits and post-weaning growth. Many of them have found ways to get individual data back, sometimes with help from auction managers. Others have built relationships with feedlots to check their progress toward producing what the market wants.

At every link, the market wants what brings the most satisfaction to the buyer. Carcass value drives live animal value, all the way back to the ranch. Producers may add specifications such as health, weaning and ability to efficiently convert grain into beef. But from cattle feeder to packer to consumer, satisfaction has less and less to do with visual appraisal and more to do with the buyer's experience.

In the next edition of *Black Ink*, we'll look at what how to respond to carcass data. Questions? Call toll-free at 877-241-0717.

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