



CAB Corner on Quality (graphic file logo for heading available on request)

January 2003

Growing the brand in 2002

By CAB Marketing-Communications Division Staff

Foodservice experts were amazed when *Certified Angus Beef*[®] (CAB[®]) brand frankfurters sold at a rate of 100 per minute during the 2002 Olympic Winter Games. More had to be flown in, illustrating that demand for the brand has moved beyond knowledgeable chefs to include mainstream consumers.

Certified Angus Beef LLC (CAB) ended its 24th fiscal year with sales of more than half a billion pounds—the third consecutive year brand sales have achieved an estimated 1.3 billion servings annually. Demand for CAB Prime was unprecedented, with sales rising 127%. Strong sales of all CAB cuts and convenience items proved consumers favor the flavor and quality offered by the CAB brand.

Availability is a key in today's fast-paced market. The CAB brand has integrated all facets of the beef industry, establishing a continual supply of premium Angus beef for consumers worldwide. In response to demand from the growing licensee base, producers work to qualify more cattle for the brand. The result is a thriving supply that blankets the market and makes it easy for consumers to purchase CAB products.

Sufficient supplies are due to the brand's work with producers and industry segments. One of the most positive aspects of CAB supply development in 2002 was the establishment of producer networks involving licensed CAB feedlots, seedstock producers and commercial cow-calf ranchers. This past fiscal year saw the emergence of producer networks as never before, united in pursuit of the premiums associated with efficient production of top quality beef.

Studies continue to show Angus calves selling up to \$20/head higher than non-Angus contemporaries at auction. Other signals are telling producers to learn about the feedlot and ultimate beef product value of calves they produce, says Steve Suther, CAB industry information director. The network of CAB-licensed feedlots makes it easier to respond to the signals.

Through networking, all segments of the supply chain are learning that properly selected and managed Angus cattle can realize premiums of \$100/head or more above Select grade. Producers can attribute a big part of that premium to their cattle's ability to hit the CAB product targets of the best of Choice or Prime quality.

“The CAB brand has never wavered from its standard of excellence through the years. Instead, it led consumer demand back to beef. Industry experts and producers alike now realize that the only new dollars in the beef industry come from consumers,” Suther says.

The brand’s impact on the commercial beef industry was quantified in 2002, through market research and licensed packer cooperation. By selling finished cattle through value-based marketing programs, Angus producers receive at least \$23 million in premiums for CAB cattle each year. A Cattle-Fax study released in 2002 showed that in 2000, CAB product sales contributed between \$468 and \$538/head to average Angus bull prices. Keeping in mind the annual sales level, that means every million pounds of CAB product sold adds about a dollar to the value of an Angus bull.

USDA graders identified 12.1 million head of Angus-type cattle in fiscal year 2002—up 11.6% over 2001. From those, 2.1 million head were certified as CAB product—an increase of 4.9% over the previous year. Licensed feedlots harvested 21% more cattle through licensed packing companies. New feedlot partners from Oklahoma to North Dakota joined the Feedlot Licensing Program, growing it to 79 lots in 17 states with a one-time capacity of more than 800,000 head.

Quality continues to rule with more enrolled cattle meeting “Thirty-Aught (30-0) Program” criteria of at least 30% Prime or CAB brand acceptance, with zero discounts. A total of 8,403 head have been recognized, and Boise Valley Feeders of Parma, Idaho, was the first to reach 30-0 Silver Status in the program by tallying more than 1,000 on-target Angus cattle.

In fiscal 2002, 576 grocery stores and 1,327 restaurants became new partners, along with several key distribution partners. The year saw a 13.5% increase in retail store licensees, 17.5% increase in fully licensed restaurant accounts, and a 10.8% increase in line-item restaurant accounts. Major sales growth extended beyond the U.S. market to several export markets. The brand’s strong international performance included a recovery in Japanese sales, and growth in the rest of Asia, the Caribbean and Mexico, which provided a market for CAB cuts not normally popular in the United States.

The retooling of several marketing elements contributed to sales growth. Transformations included a redesigned logo, new tagline and comprehensive advertising campaign to ensure the brand continues to project its unequaled reputation directly to consumers.

The CAB brand is offered throughout the United States and in more than 50 international markets. As the first fresh brand of beef, CAB continues to lead the category because of its consistent quality, availability and growing product line. The company brings premium Angus beef to consumers through its more than 10,300 licensed partners worldwide.

END