



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

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## **Which trail are you on?**

*By Geof Bednar, CAB International Director*

Ag Econ 101 teaches just two basic roads to profitability. You either follow down the commodity trail—decisions center on being the least-cost producer and, on average, the price you receive is equal to the cost of production. Or we push up the trail to higher ground, seek greener pastures and become a price driver by differentiating based on consumer preferences.

Cattle producers have adaption and innovation bred into them. They've honed their stockman skills through the generations and have embraced technologies provided by trial and error, neighbors, universities and allied industry partners. We can all take pride that U.S. agriculture is the most efficient and sustainable industry on the planet. Those efficiencies also make it hard to argue that there is a better opportunity than international markets to grow demand.

We often focus on competing proteins or spend unproductive energy speculating on which beef industry segments are capturing the greatest profit. In reality, our competition comes from the other beef-exporting countries that are working tirelessly against us. The approach is from all directions.

A country takes advantage of its geographic proximity to top beef-importing nations, offers an appealing beef price point, and increases its volume of "quality" product. The successful competitor generates serious marketing dollars to penetrate to the consumer level while its entire beef industry speaks with one voice.

Taking all of this into account, it seems our international competitors' greatest asset is their hearing. They are listening to what the customer values. Customers that are often net importers of food need to look beyond their boundaries for grain-fed, highly marbled beef. The international customer is more risk averse than the average American and is demanding a safe, exceptionally fresh, wholesome product with documented traceability.

So my question is this: How do we establish a new trading level for our beef product? Once we've "put the quality in them," mastered management practices, maximized resources and benchmarked where we stand, what's left to do?

Not too long ago economists proclaimed the ethanol phenomenon established a new trading level for the grain markets. Did you ever honestly think you would pay more than \$2.50 a bushel to supply a little extra energy to your first-calf heifers?

Our challenge is to seek a trail that leads to a sustained increase in beef value, ultimately increasing demand for Angus genetics by pull-through consumer demand. Searching for opportunity, it is clear international markets are relatively untapped, yet proven. They offer the real potential to take quality Angus genetics to a new trading level.

U.S. grain-fed beef, specifically the *Certified Angus Beef*<sup>®</sup> (CAB<sup>®</sup>) brand, gives producers a means to capture more international consumer dollars because of its inherent ability to exceed customer expectations in flavor. But we must do more to pre-sell.

Depending on supply at the time, just documenting a calf birth date is worth \$20 to \$30 per head, and more is at stake. Even today's limited access to international markets adds \$115 to every carcass. One forecast calls for global beef demand to increase by 13% from 2008 to 2018 – an amount equivalent to 73% of all 2008 U.S. beef production.

So this all begs the question, which trail offers you the best opportunity for sustained real growth? If you choose to enter the international game, be prepared. Listen to the customer and join the grassroots effort to gain full access to these markets. Keep in mind this customer demands a documented, safe, wholesome, highly marbled product with traceability. The trail beckons.

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