



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

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Stop, look and listen

By Mark McCully, CAB Supply Development Director

Consumers tell us what they want by spending: more for higher quality beef, less for lower quality. The market sends those signals, and we adjust herd genetics and management to get more money. That's how it is supposed to work.

Maybe it's broken. Certified Angus Beef LLC (CAB) has helped publicize the profit opportunity in aiming for a high-quality target, but noise in the market muffles consumer demand. Still, the money on the table is getting harder to ignore.

Records tell us that for the last two years, on average, a 785-pound carcass accepted for the *Certified Angus Beef*[®] (CAB[®]) brand has been worth \$55 more than a USDA Choice, and \$131 more than a Select carcass. That's why CAB licensed packers pay producers most of that premium on value-based grids—\$200 million over the last decade—and hundreds of millions more on an increasing Choice-Select spread.

This value signal has been blaring at the feeder calf level, too. A spring 2005 analysis of U.S. cattle prices at auction shows Angus-based steers brought nearly \$30/head more than non-Angus. Cattle feeders feel confident the Angus calves will garner grid premiums.

And yet, millions of cattle are sold by producers who seem to ignore those signals. It's not like we have to give up production efficiency to achieve these premiums, so why can't the beef industry make more progress? The noise says all you sell is pounds, but why not a pound of gold instead of a pound of lead?

As an industry, we take pride in being "consumer focused," but are we really? It seems we can neither see nor hear those consumer signals for lack of vision. Too often, we ignore them and imagine a future in just producing pounds. "We'll figure out how to add value later, right?" Wrong.

When was the last time our feeding industry developed a technology that improved quality? Implants and feed additives have greatly improved performance and efficiency. But when it comes to quality grade, the best they can come up with is the same promise that it won't be hurt too much.

Over the past 30 years, we added 177 pounds to the average carcass. At the same time, we have seen a decline in federally inspected cattle grading USDA Choice and Prime, from 85% then to 59% now—even though we made the rules easier. When study after study shows consumers prefer beef because of its taste, this disregard of the factors that determine taste seems reckless.

Angus breeders have led the industry, selecting cattle to excel at every stage from pasture to plate. Many commercial producers have seen the genetic value and invested so that nearly two-thirds of the U.S. cowherd is

now Angus based. But genetics are no more than half of the equation. We can't manage quality into poor cattle, but the industry keeps proving it can manage quality out of good genetics.

The dollar rules business. For the "Business Breed" as for the entire industry, the dollar says play to your strength. Poultry and pork can run rings around beef when it comes to efficiency, so there is no use in aiming for cheap. That's not to say we should let up on efforts to trim excess costs, but never forget taste is our strength.

You don't have to choose between low cost and high quality. Based on data from cattle enrolled through CAB feedlots last year, pens with the highest CAB acceptance (more than 30%) also had the lowest cost of gain.

Worldwide, we stand alone as the leader in high-quality, corn-fed beef, and demand signals tell us to make more. Consumers send those signals, creating the pull-through model every manufacturer wants. A vibrant demand means not having to push products through the system but rather responding to those consumer signals pulling in more.

Failure to read consumer signals is understandable when your immediate buyers are paying panic premiums for all cattle. They couldn't afford to be particular. This compression of value is part of the cattle cycle, but equally as predictable is the spread in value that the next few years will bring. Buyers will again be able to discriminate, and the checks they write will show it.

The Angus breed is poised to capture even more market share as producers and feeders find the signals impossible to ignore. As the market returns us our senses, we must return to being strategic and intentional about what we are producing. To keep consumers coming back to the beef counter, we have to deliver taste.

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