



CAB Corner on Quality
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Informed decisions

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Look into a mirror and repeat after me: "I'm doing the best possible job with management decisions." If it doesn't ring true, reflect on this side of the looking glass for ways to improve.

In weighing decisions, we draw on experience, education and research. Most of us attend but never graduate from the "School of Hard Knocks." To move up a grade, we must discover the causes of past triumphs and defeats and whether they were within our control. Only then can we use them as references for future decisions.

Every business, from your ranch to Certified Angus Beef LLC (CAB), has goals such as growth, stability and a positive bottom line. Reaching those goals takes critical judgment. In the case of CAB, it takes forecasting product supply and demand and evaluating licensee performance while determining where staff intervention can help.

Because CAB does not own cattle or processing facilities, it is hard to predict how much product will be available for licensees to purchase.

Several factors are mostly or completely out of our control: the number of cattle on feed, the price of live cattle or beef, the weather and access to export markets. These combine to spin off other factors beyond our control, such as how long cattle are finished. All affect how many cattle will be achieve *Certified Angus Beef*[®] brand acceptance.

So what can we do to forecast how much product will be available? We track the number of Angus-influenced cattle entering CAB-licensed packing plants to get an idea of how many harvested cattle will meet visual specifications. This historical trend, combined with projected cattle-on-feed numbers and the seasonal CAB acceptance rate gives us a ballpark estimate of future available carcasses.

By itself, that information would not do much. To build on it, we continuously audit reports of the CAB product tonnage our licensees purchase and sell. Integrity is served when we ensure meat that is sold as CAB is truly CAB. We monitor every tier from packers to restaurants.

Since packers buy live animals and convert them into boxed beef, we can't use a simple pounds-in vs. pounds-sold ledger. However, we do know total carcasses government graders certified. We multiply that by two to determine how many subprimals like strips, ribs, and tenders are available to sell. We calculate how

many pieces of each subprimal are contained in each box of beef sold by our licensed packers as we enter the invoices into our database. At this point we can compare how many pieces are available to the number of pieces sold. This will give us an idea of how each licensed packer is performing.

Distributors are much easier to evaluate. We simply compare pounds of purchases to sales with an adjustment for yield loss when they cut steaks. Restaurants are a little different in that we store information on the items that each restaurant offers on their menu, and compare to subprimals purchased. Often, when the numbers don't match up, it is because a restaurant changed its menu or a distributor started selling a new item, without including it on the sales report.

How would you evaluate a distributor selling your products? Think livestock, hay or grain dealer, for example. Would you base it on the amount of product sold? That's part of it. Let's say Distributor A sold 1,000,000 pounds of CAB product last year and Distributor B sold 800,000 pounds. We don't know enough to conclude that A outperformed B.

Digging deeper, we find that A is in New York City and B is in Rochester N.Y., and that tonnage from A was more than half ground beef while tonnage from B was all middle meats. Now you might want to consider Distributor B as outperforming A. But what other factors entered in, within and outside of their control? We use many variables in evaluating licensees—location, product mix and percent of sales to licensed accounts to name just a few.

If you think about it, the same thought processes are involved in cattle production. Would knowing the bottom third of your cowherd in terms of weaning weight help determine which cows to cull? Maybe, but remember it's after-tax net income that counts, not tonnage.

The bottom line is to mine the data you have and keep adding new sources in a structure that is easily transformed into meaningful information.

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