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Innovative Marketing and Angus America

Douglas Hoff
Scotch Cap Angus Ranch

INTRODUCTION

Marketing sounds easy, right? All that you have to do is sell when the market is high and buy when it's low. The problem is that only God could accomplish this! Even if we had the time to do the research required to make these predictions they're still, at best, only educated guesses. How does a cow/calf producer market in an innovative manner when he only has the option to go to a sale barn, an order buyer, or a feedlot with his years' work, just to get the same average price?

ANGUS AMERICA, DEFINITION AND GOALS

Angus America is a total service company designed to help commercial producers find their best marketing options and to assist them with other production and management problems. It isn't a cure-all for everything that plagues us, but if utilized properly it has been designed to help not only the commercial cow/calf producer but the entire beef industry.

The goals of Angus America may seem very ambitious, but I believe that they can be accomplished. It won't be easy, but nothing worthwhile usually is. Our first and primary goal is to increase the income of the producers involved while maintaining their independence, and to assist them with herd improvement, management and marketing. Our second goal is to increase consumer demand for beef by having products available to them that are consistently safe, of high quality, and eat the same. Our final goal is to unite the beef industry and to promote good will and cooperation between everyone involved in the production of beef.

IMPROVED MARKETING

The first step in innovative marketing is change. If you always do what you've always done you'll always get what you've always gotten! If you're tired of getting an average price for your cattle you must change the way that they are being marketed. Many people are afraid of value-based markets, and if they have poor quality cattle, their fear is justified. But if you truly are interested in helping our industry you must realize that one of our biggest product problems is inconsistency in quality. How are we ever going to change this if there isn't an incentive in the marketplace to produce quality? On any given day two steers that brought within a few dollars of the same price when they were sold live can have as much as a \$300 difference in value at processing. The good producers are subsidizing the poor producers. Value based marketing is one way to overcome this situation.

Another way to improve beef marketing is to promote cooperation between all segments of production. Angus America has proven that this is possible, and strategic alliance studies have

shown that there is a significant savings per animal when this is accomplished. The message that Angus America is sending is that we, as members of the beef production team, are all in this together. Our enemies and our competition aren't each other but, rather the other protein and meat sources. We'll never, thank goodness, integrate the beef system as the pork and poultry people have integrated theirs, but we certainly can have cooperation and unity in our system and can learn from what others have accomplished.

FUTURE MARKETS

Many knowledgeable people in our industry predict that in the future we'll have two distinct markets. The primary market will be source-verified cattle with performance and carcass data and herd health histories. The other will be a discounted market for cattle with no verification or history. Most producers are close to maximizing their production potential, and the only logical way to improve their herd is to start selecting for carcass traits which could significantly add value to their cattle. Our current average pricing system sends the message that all cattle are equal, but as we move to value-based systems, the pricing gap could widen considerably. The intelligent producer will recognize this fact and make sure that he doesn't get caught on the wrong end of this future market by starting to source-verify his cattle now. Angus America is a company that has developed a working relationship between purebred suppliers, cow/calf producers, feedlots, and a packer. Part of its mission is to help commercial producers with their source-verification and to insure that they get paid premiums for verified quality. I will be the first one to tell you that Angus America isn't for everyone, and that you may want to design your cattle to fit another program. Whichever direction you decide to take, it will still be mandatory that you can verify your production capabilities and that you breed your cattle with a purpose.

ANGUS AMERICA SERVICES, BENEFITS, AND FEES

There are several services that Angus America performs currently, and new services will be added to meet producer needs. The first of these services is the gathering of feedlot and carcass data. Once this is accomplished the data is presented to the producer for use in herd improvement and promotion. The data is stored by Angus America for the producers so they can make yearly comparisons, gauge improvement, and establish history.

Another service is management and genetic counseling. Dr. Ken Conway, company manager, is available to examine and explain your data to you and help you with any management needs, some of which may be having an affect on the way your cattle are performing and or grading. Genetic counseling and advise may be obtained from myself or any of the other purebred breeders that are associated with Angus America. These seedstock producers will also give semen and bull discounts to commercial producers that are marketing through Angus America, which is a direct benefit and often can pay your fees!

A marketing service for replacement females is currently available. This service will help you sell or locate high quality replacement females. As you compile carcass data your herd could become a source of seedstock for other producers, and Angus America wants to help you market them at a premium also. Regional females sales are likely to be held in the future, as more carcass data is compiled.

Another direct benefit is an exclusive carcass merit pricing formula which is available to producer members or to whomever sells their cattle. It is available through Beef America Packing Company, whom I have found to be very concerned about producers and whose goals for the beef industry closely parallel ours. They, as we, consider food safety and quality to be our most important objectives, and I think that their food safety procedures are second to none in the industry. Angus America is currently developing its own line of branded beef products and when this is accomplished it will further enhance this formula. The formula is considered one of the industry's best as it is, but it is nevertheless under constant research and improvement.

Another benefit is the flexibility of Angus America. Members may feed their own cattle or use any feedlot that they want to. If a producer needs help in locating a feedlot we will be happy to assist and give them a list of approved feedlots that are currently working with the program and that will custom feed, partner or purchase member cattle.

The fees that are charged for Angus America services are very minimal. A \$2 per calf sold in the system fee is charged along with a \$3 fee for individual carcass data which includes hot carcass weight, quality grade, yield grade, CAB or AFC, and individual carcass price over or above average. Individual REA measurements are available at an extra cost.

To qualify for the Angus America branded beef products you must certify that your cattle are at least 50% Angus (black or red) with no dairy or Brahman influence. A minimum of 35 head is required, but you are allowed to combine your cattle with someone else's to reach this number. Remember that even if you are a member and pay the \$2 fee you are never obligated to market through Angus America. We will explore other marketing options with you and determine which makes you the most money as our goal will always be to make the beef business as profitable as we possibly can for you. Your independence is always totally maintained with Angus America.

Cow/calf producers have several ways that they can utilize Angus America services. The best is usually to retain full ownership, but in many cases this isn't possible. Most feedlots will partner with you on your calves, allowing you to receive money in the fall and yet retain some interest in them. If you plan to sell directly, or have already done so, make sure all tags are retained and determine where your cattle are located. In many cases we can still get them into the system and start your data base. Feeders that have a set of cattle that they think will qualify can find out where the cattle originated and get them in the program. They can then give that person the option of receiving the carcass and performance data. If the cattle can't be source verified they can still utilize the Angus America formula but the cattle won't be eligible for our branded beef products or our branded beef premium.

There are presently around 40 purebred Angus breeders working with Angus America. A current listing is available. Each of these breeders will be happy to assist you with your genetic needs, and will also help you make the decisions necessary to improve the profitability of your herd. These are all progressive breeders that are interested in carcass quality and have dedicated themselves to helping their customers receive the highest possible return for their cattle. I am one of those breeders and am very proud to be associated the others. I don't consider them to be competition, but rather as friends working with me toward common goals. I would never hesitate to recommend any one of them as a source of seedstock for your operation.

CONCLUSION

As a final thought I would like you to picture an America with no beef. What would this do to the value of ranches and the way of life that we and generations before us have struggled to build and preserve? I don't want to cry wolf, but it could happen. Who would have ever imagined a few years ago that chicken would surpass beef in consumption? Who would have thought that they'd see SD restaurants that don't serve beef and feature turkey steaks? Look at what happened to European producers after the mad cow scare. Look at what happened to Hudson Foods recently, and what the E-coli scare has done to us. Vegetarianism is the "in" thing right now among much of our young population, and there is a very large contingency that is doing everything that it can to abolish ranching and cattle grazing. We as producers and businessmen and women, must realize that if we didn't produce a single pound of beef tomorrow, no one would starve. That is why I would urge you to help myself and Angus America unite our industry so that we can speak and act as one. Please be vocal, be political, and support programs like Angus America and others that are fighting to preserve our heritage and our industry. And please breed your cattle with specific goals and targets in mind, realizing that we can no longer afford to focus only on quantity. The modern consumer demands quality and consistency. If we don't supply their needs, they will inevitably turn to other products.