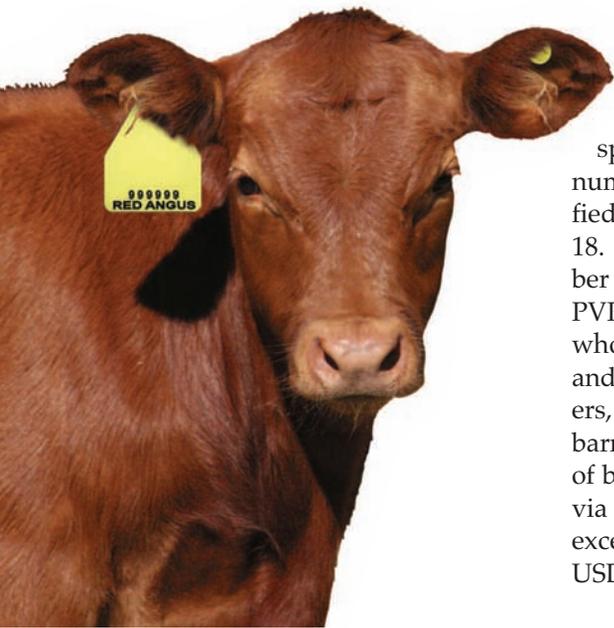


Supplier Evaluation...

A New Process for Certifying Red Angus Feeder Cattle

More than a decade ago, Red Angus Marketing Programs launched the industry's first USDA audited genotypic and source verified program. Red Angus' Feeder Calf Certification Program (FCCP) was the first USDA Process Verified Program (PVP) and offered genetic traceability to Angus parentage as well as source verification to the ranch of origin. Annually, USDA has visited Red Angus headquarters for the purpose of auditing the FCCP to ensure that the process verified points of source and genetics were being met. Up until the last couple of years, these audits typically produced one or two "continuing improvement points" where the USDA auditors helped Red Angus staff fine-tune the program to service the PVP claims even better than the previous year.



Of course that was all before BSE, our products' exclusion from foreign markets, our industry's response with age and source verification, and proposals for a National Animal Identification system. These "environmental" forces have spawned rapid growth in the number of beef cattle process verified programs which now number 18. More significant than that number is the fact that several of these PVPs are data service providers, who build their own PVP systems and license it out to numerous feeders, branded beef programs, sale barns, etc. Thus, the total number of beef programs marketing cattle via process verified claims far exceeds the 18 recognized by USDA.

Anticipating and understanding the beef industry's growing interest in using PVPs to gain market access, USDA upped the regulatory "ante" in an effort to assure beef products' customers that processes were appropriately verified to their respective claims. That meant the Red Angus FCCP needed to be enhanced to USDA, ARC 1001A standards if we wished to continue our decade old mission of adding value to our customers' calves through verifying source and genetics. This called for a total rewrite of the existing FCCP USDA manual.

Much of the rebuilding of the FCCP will go unnoticed by breeders and commercial customers as it focuses on maintenance of documents, staff training, and resource allocation. However, some changes will be very obvious.

One change, that could lead to increased marketing options, is the addition of Age to the FCCP's process verified points. This was covered in last month's ARA Magazine (see July / August, 2006, pg. 12), and pending USDA approval, Age (group age, where all calves are as old as the first born) will join source and genetics as a USDA process verified point.

Another change has already taken place and regards the control of the official Red Angus program tag. This change had been obvious to all producers enrolling calves since September, 2005. The Red Angus FCCP tags are maintained in a locked inventory by the manufacturer, who "drop ships" the specified range of tag numbers to the customer. Also, "matched sets" of visual tags with RFID tags were added as an option to the program. When these tags are ordered, the manufacturer sends a disk which cross references the RFID tag's 15 digit number with the visual tag's 7 digit Red Angus number. The manufacturer maintains a copy of this

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cross reference as well as e-mailing a copy of the cross reference to RAAA with the relevant shipping information.

The level of service required under USDA's stricter guidelines for control of program tags was the primary driver behind fall 2005's move from the Farnum, "Z-tag" to the new two piece tag made by Temple. While some producers experienced difficulty with the Temple tagger, overall acceptance of the new tag was good, and participation for FY05-06 ended within 2.5% of Red Angus' record calf enrollments.

The third and most significant change producers will experience involves the actual process of enrolling cattle in Red Angus' FCCP. What producers have come to know as, "Calling Ann at Red Angus to order Feeder Calf Tags" will be supplanted by a new "Supplier Verification Process". This new

enrollment procedure will represent a larger commitment of time and information by producers as they enroll cattle in the FCCP. In the past, producers seeking to enroll cattle in the program, simply called Red Angus headquarters and told Red Angus staff how many head they wanted to enroll. Red Angus staff would query their customer history in the Red Angus database to ensure that they had an adequate Red Angus bull inventory for the calves they wished to enroll. In all, the review of their contact information and bull purchase history would take just a few minutes.

Like the prior FCCP enrollment procedure, the new "Supplier Verification Process" will include both a Red Angus database search and a telephone conversation between the supplier and Red Angus marketing staff. However, that's where the similarities end. This new procedure entails an actu-

al telephone interview and a more in-depth utilization of a supplier's history of bull purchases and participation in FCCP.

Information in the database will be double-checked against the answers given by the customer (producer) throughout the interview process. This extra step both assures that the customer information in the database is current, and finds any "holes" in the customer's bull inventory, such as bulls that were purchased but never received their transferred registration certificates. Such "holes" are rare, since Total Herd Reporting (THR) allows Red Angus seedstock producers to transfer bulls to their commercial customers at no additional expense. Commercial customers' bull inventories are going to be more important than ever, with the new PVP requirements. Fortunately, the Red Angus staff and database maintains that bull inventory for each com-

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mercial customer - free of charge. Red Angus seedstock producers need to be aware of this, and transfer sold bulls in a timely manner so their customers have access to all markets available through participation in the Feeder Calf Certification Program.

During the interview, producers will be asked a series of questions relative to their management practices. These questions are divided into three areas - each corresponding to one of the program's process verified points of genetics, source and age. Figure 1. depicts the proposed Supplier Evaluation Process in a production line format, where the "raw material is a commodity feeder calf, and the finished product is a Certified Red Angus. Some of the information obtained through the various segments of the supplier verification process include:

- Does producer have a past history with FCCP?
- Bull inventory vs. calf enrollments?
- Does producer use breeds of bull(s) other than Red Angus?
- How are bulls of other breeds (if any) kept separate during breeding season?
- Sources of Red Angus genetics

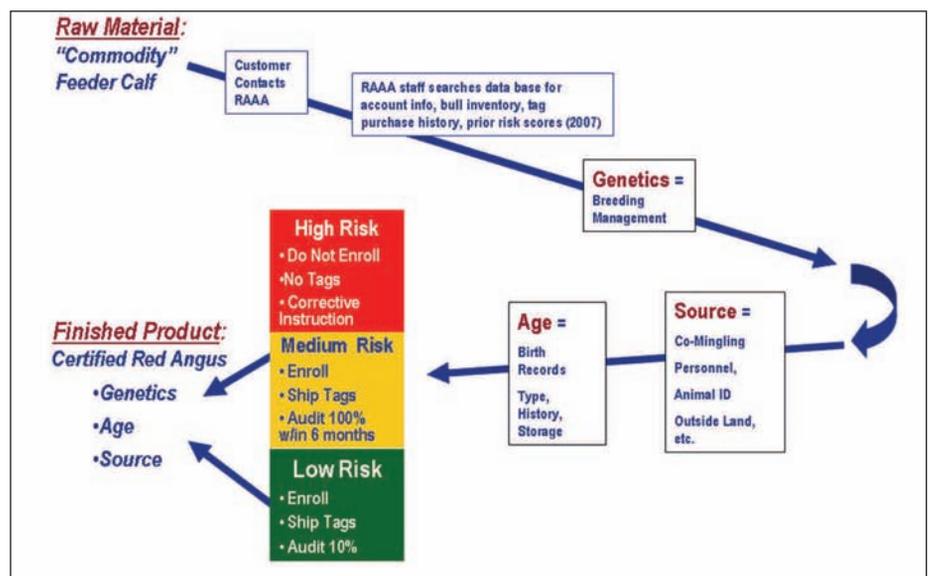
such as purchased bulls, A.I. or leased bulls?

- Is the herd co-mingled with other producers' cattle?
- If co-mingled, are the calves branded and cows bred at time of co-mingling?
- What types of birth records are documented?
- How are birth and/or breeding records maintained, etc.?

During the interview, producers are asked if they understand that their operation could be chosen for random supplier on-site audits. Time is taken to ensure the producer understands that while the auditor may look at a producer's cattle, they are more interested in reviewing documentation which supports the answers the producer gives during the interview process.

Another feature of the proposed Supplier Evaluation Process is its calculation of the potential risk represented by each supplier's inclusion in the program. Such risk assessment is calculated during the enrollment process from the results of the Red Angus database query combined with the producer's answers to questions asked by RAAA staff during the interview process. Relative risk is represented by "points" which are totaled at

Figure 1. Supplier Evaluation Process



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the end of the Supplier Verification Process, and that total will correspond to a relative level of risk. "Low risk" producers will be sent tags immediately, but will still be subject to on-site ranch audits. It is anticipated that approximately ten percent of all low risk producers will be audited. Producers whose score ranks them as "medium risk" will still be allowed to enroll calves in the program, but 100 percent of these producers will be subject to an onsite audit within a specified period of time from the enrollment date. Producers, whose score qualify them as "high risk", will not be allowed to enroll cattle in the program. However, they will be encouraged to submit the subsequent calf crop for enrollment following corrective actions in those management areas where they fell short.

Tag orders will be generated for

producers whose Supplier Verification produces low and medium risk scores. The tag orders are electronically forwarded to the tag manufacturer. Tags are shipped directly from the manufacturer to the producer, with electronic copies of all tag numbers and shipping information being forwarded to Red Angus. Orders received before lunch are typically shipped the same day.

These changes will take place immediately upon RAAA receiving approval from USDA. Red Angus marketing staff is hopeful that these measures will be in place by September 1, 2006. Producers who have previously enrolled 2006 calves in the FCCP, may "back-verify" those calves through obtaining a low or medium risk score via Supplier Evaluation Process described above. Such back-verification will add the process veri-

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fied claim of "Age", and the birth-date of the oldest calf in the group will be "tied" to all of the ear tag numbers used in that calf crop. Of course, such back verification is at the producers' discretion. FCCP tagged cattle that do not go through back verification will still have the USDA process verified claims of source verification to the ranch of origin and genetic traceability to Red Angus. Staff will make pro-

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ducers aware of the process' interview requirement throughout the fall as they call to enroll calves.

Additionally, ARA Magazine will continue to run articles aimed at educating Red Angus customers, and the seedstock producers who sell them bulls, about the program changes.

It will be imperative to get calves tagged at the ranch of origin, as increased emphasis on tag control will preclude the enrollment of calves at the feed yard. The same is true for calves being hauled to sale barns for special feeder sales. Additionally, if producers are used to getting tags from their seedstock providers that will change also. This is not to say that purebred Red Angus breeders cannot be involved in helping to market their customers' calves. Red Angus breeders can and should promote programs that add value to their customers' cattle. But they will have to do it in ways that include education about the program's bene-

fits and perhaps financial incentives such as having a bull customer's tags charged to their RAAA account.

Red Angus marketing staff makes these changes with the anticipation that initially tag sales may suffer. However, the FCCP doesn't exist to sell tags, but rather to ensure Red Angus' continued growth comes through serving our commercial customer, and understanding that value is added through identifying the Red Angus genetics represented in those customers' calves. USDA is requiring that the program tighten the control of Red Angus feeder calf tags and install a supplier verification process if we are to continue to serve customers through a PVP for source and genetics.

While making these changes, it only made sense to add the age requirement at the same time. The Alliance and Marketing Committees had both recommended to the RAAA board of

directors that "Age" should be added to the FCCP, so that tagged Red Angus cattle would be "market ready" for those programs that require both age and source. With rumblings that the Japanese market will soon be receiving U.S. beef products, it will be important for Red Angus sired calves to have admission into such export markets, and that will only be possible with age verification. Feedlots and packers who have their own programs to access the export trade will be able to utilize tagged Red Angus cattle knowing they come "process verified" and the documentation trail has already been completed. Will it make them pay more for those cattle? Maybe so. Even greater is the chance that buyers will "sit on their hands" when non-verified cattle are available - waiting to bid on tagged Red Angus cattle that are process verified for greater marketing flexibility. ■