



Marketing Update



CERTIFIED RED ANGUS

Pro-Cow

by Ron Bolze, Commercial Marketing Director and Greg Comstock, RAAA Marketing Programs Coordinator

Adding Value *Written by Sydney Janssen, RAAA Spring Intern*

Brain Trust 2007 was held in Denver, Colorado at the Double Tree Hotel in conjunction with the National Western Stock Show. Although heavy snows and cancelled flights affected attendance, an enthusiastic crowd was on hand to gain insight into customer service solutions designed to add value to bull buyers' calves. A panel of industry experts including: Jim Kelley, Superior Livestock Auction; Dale Moore, Cattleman's Choice Feedyard; and Marcine Moldenhauer, Cargill Meat Solutions, presented added value opportunities available through their respective companies. RAAA Commercial Marketing Director Ron Bolze explained changes to the Red Angus Feeder Calf Certification Program (FCCP) intended to broaden market access for Certified Red Angus.

The marketplace identifies value by relative sale price. Commercial cow/calf operators desire genetic, management practices, and marketing programs that add value to their calf crops. Red Angus marketing programs differentiate feeder cattle values by giving access to branded product premiums and markets requiring source and age verified cattle. Recently, age verification attracts higher premiums and is a requirement to enter tough export markets, such as Japan whose age limitations are under 21 months.

Such added value programs should begin at the ranch of origin according to Superior Livestock Auction business manager, Jim Kelley. Drawing upon his company's experience with added value programs and management practices, Kelley reinforced enrollment at the ranch of origin saying "cattle selling as Source and Age verified through Superior need to be tagged before they are loaded". Kelley continued, "Producers who enroll their calves prior to sale keep the added value from source and age verification, as opposed to giving 100 percent of those premiums away for cattle enrolled through programs which allow enrollment at the feed yard." Dale Moore, owner of Cattleman's Choice Feedyard in Gage, Oklahoma agrees with source verification at the ranch of origin implying that it gives the program more "teeth". Commenting further, "Enrollment at the ranch of origin increases my comfort level when buying feeder cattle - especially when I'm buying for my customers."

Kelley's summary of all lots sold in 2006 through Superior is displayed in Table 1.

Table 1.

<u>FACTOR</u>	<u>AVERAGE</u>	<u>RANGE</u>
Number of Calves in a Lot	95	50-760
Base Weight of Lot (lb)	560	350-800
Price / CWT	\$123.00	\$96.00 - \$171.50

Superior Livestock Auction data representing some 3,751 Lots totaling 422,392 head of feeder cattle. This study was performed by Colorado State University which utilized research methods that allowed for evaluation of independent variables.

Kelley also discussed other factors that impact the value of cattle, such as vaccination programs as shown in Table 2.

Table 2.

Premiums for Vac Program Calves	
Vac 24	\$1.94 / cwt
Vac 34	\$3.41 / cwt
Vac 45	\$7.61 / cwt
Vac Precon	\$5.88 / cwt

The Superior data also indicated that English-Continental and English-English crossbred cattle brought a premium compared to cattle with "ear" influence. Minimal weight variation and medium to medium-light flesh yielded more dollars per cwt than significant weight variation and medium-heavy fleshing. Kelley commented "We enrolled 45,000 head in our age and source verification program {in 2006}, and wouldn't be surprised if both the number enrolled and the premium per cwt {from 2006 price of \$1.77} doubled next year." Kelley concluded with the prediction that as Age/Source verification becomes the rule rather than the exception, cattle without will likely be subject to discounts.

Dale Moore, whose Cattleman's Choice Feedyard is a leading supplier of Age/Source verified cattle to National Beef, expanded upon this concept "...as the volume of source and age cattle increase, we could even see market reporting that reflects that differentiated value". Moore expressed an interest in buying cattle with age and source verification, stating "We will buy feeder cattle that project break even on cost of gain, if they have documented age and source verification, because the age and source verification premiums will be large enough to keep us in the black."

Cargill Meat Solutions Assistant Vice President of Premium Beef Programs, Marcine Moldenhauer, gave us a preview of

- continued on page 18 -

Marketing Update

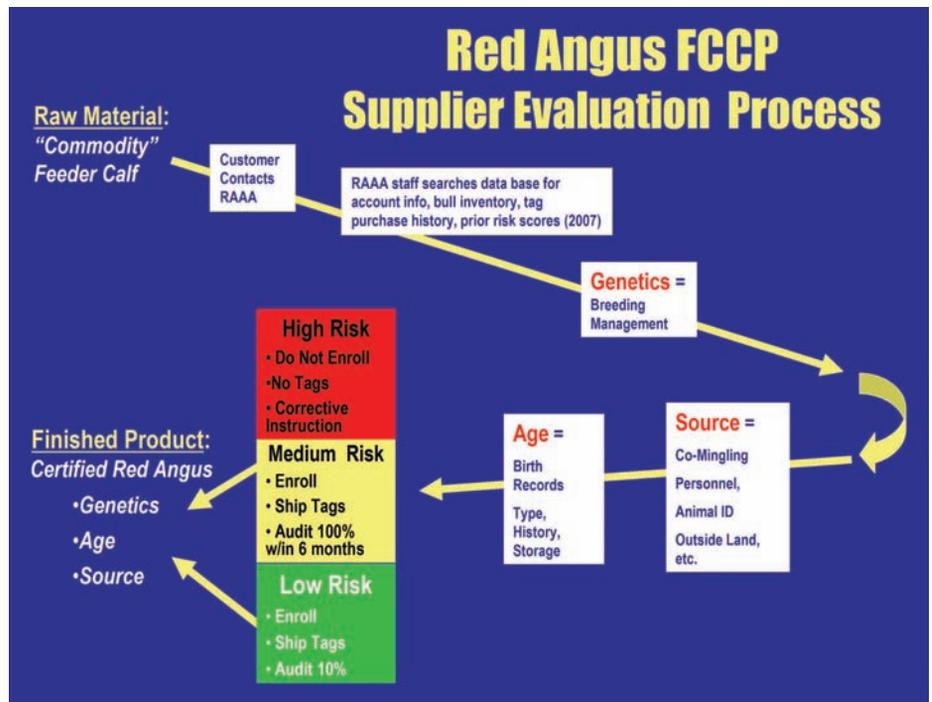
what forthcoming markets may look like. The current market structure includes packers selling boxed beef and case ready products along with branded beef programs. Marcine discussed the explosive growth in demand for branded beef products and products with verifiable claims. This growth has been supported by global markets' continued emphasis on age and source requirements. The markets will eventually demand a higher quality, consistency and tenderness, with smaller portions. Consumers will want a product with verified claims from brands and traceability to ranch of origin.

Brain trust attendees inquired how producers stay current with ever changing markets and consumer demand. Marcine recommended the following:

- First, collect simple management records from year to year. Producers should be acquainted with how individual dams and sires produce annually to allow improved selection procedures to increase subsequent progeny performance.
- Second, understand marketing programs, their requirements and benefits. Staying informed of value added programs helps producers access unique markets.
- Third, producers should market, not sell, their cattle to increase opportunity for higher premiums.
- Fourth, think and plan for future market changes. Anticipation of future demand reduces the risk of missing opportunities available to value added cattle.

Marcine closed by adding, "think and be creative". Being a "forward thinker" in the industry keeps producers at the forefront of the market place. Embrace present changes and educate customers for approaching developments.

RAAA Commercial Marketing Director Ron Bolze, spoke on the FCCP's development as a marketing tool to help commercial cow/calf



producers capture exceptional returns on their Red Angus bull investment. It began in 1995 and was the beef industry's first USDA Process Verified Program. Red Angus was also the first breed to develop a value based pricing grid with a major packer. Twelve years later, FCCP is still the industry standard, and enrolled cattle are still identified with the "yellow" Certified Red Angus tag. All calves enrolled in the FCCP come with these USDA Process Verified claims:

- Traceability to at least 50% Red Angus bloodlines
- Source verified to ranch of Origin
- Group Age Verified

The yellow tag also offers access to export markets, premiums for source and age verified cattle, Angus product lines and value based grids. The Red Angus Feeder FAX is a free marketing program that assists in finding buyers for Certified Red Angus calves. This service sends an electronic description of producers' calves to feedlot managers and order buyers who have expressed interest in Certified Red Angus feeders.

To enter cattle into the FCCP, Red Angus bull customers must utilize simple documentation practices in their daily ranch management routine. By documenting bull exposure dates and at least the date of the first calf born they can easily enter the program. Commercial producers using alternative sire breeds apart from registered Red Angus must be sure to separate their different sire groups to guarantee tagged calves as 50 percent Red Angus. A short phone interview with RAAA staff begins a producer's enrollment process; official program tags are typically shipped the same day.

Prior to the creation of the FCCP access to Angus product lines was limited to cattle with a minimum 51percent black hide. FCCP was the result of Red Angus breeders realizing their existence depended upon meeting commercial customer needs. Thirteen years later, the 2007 Red Angus Brain Trust highlighted a greatly enhanced FCCP, whose bells and whistles resulted from Red Angus's continued commitment to commercial customers by adding value to their product. ■