



Marketing Update



CERTIFIED RED ANGUS

Pro-Cow

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

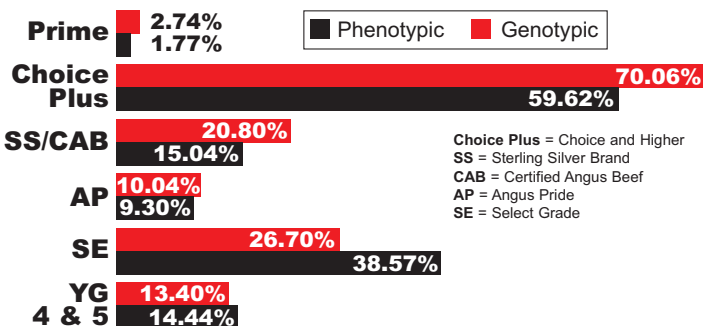
If It Ain't Broke Don't Fix It?

That logic typically sums up my approach to problem solving, and for the last six months has been a repeated reference to changes in the Red Angus Feeder Calf Certification Program (FCCP). Red Angus breeders and bull customers alike are aware of the program's many changes; chief among them being the addition of Group Age Verification. Producers are also aware that in the past couple of years there have been many new, upstart programs that offer similar claims of regulatory compliance. Unlike many other USDA Process Verified Programs (PVPs) that are now just teetering between the infancy and toddler stages, **the FCCP has clients who've utilized the genotypic and source verification claims - that come standard with the program's trademark, "Yellow Tag" - for more than a decade.**

While many of these newer programs compete to offer age and source verification to producers' cattle that have been or could be enrolled in the Red Angus FCCP, it should be noted that one thing most can not offer is Genotypic verification of Angus. This becomes increasingly relevant as acceptance rates for quality grade specific Angus product lines supplied by Phenotypic verification (51% black hide) continue to plummet. Due to the anorexic performance of phenotypically sourced "Angus", many branded products are taking a closer look at Genotype. This is a more reliable means of identifying Angus cattle that perform on the rail as Angus cattle are expected to. Figure 1. shows the superior performance of genotypically verified Angus (Red Angus FCCP) when compared to phenotypically verified Angus (51% black hide) for all cattle harvested on the Angus America grid during the fiscal year ending June 30, 2005.

Figure 1. Genotypically designated Angus vs. Phenotypically designated Angus

data from Angus America 2005



Program upgrades to the Red Angus FCCP that were installed between the summer of 2005 and 2006, have brought on numerous questions from the program's faithful. Of course the plethora of new Source and Age verification PVPs don't have to deal with such change. Since their customers are relatively new, re-education is a non-issue. Red Angus Marketing Programs staff have spoken with hundreds of commercial bull customers, cattle feeders and Red Angus members during the process of enrolling their upcoming calf crops, back-verifying calves enrolled prior to the program changes, providing documentation for enrolled cattle to feedyards, and explaining the changes, reasons for the changes, and procedures for participation in the "new and improved" FCCP. Now, six months into the FCCP's new procedures, some of these conversations have broadened the staff's awareness and led to minor "tweaks" in program features, while others have yielded some outstanding questions. Following is a "top ten" (or more) of those questions that should benefit both Red Angus members' and customers' understanding of the FCCP's changes and underlying reasons.

Why did we have to change our procedures for FCCP enrollment?

USDA. Our program exists under USDA ARC branch. That's Audit, Review and Compliance for those of us outside of the beltway that quickly tire of acronyms. ARC's requirements for Process Verified Programs was updated in February of 2005, and addressed issues such as approval of suppliers, audit frequency, control of official program tags, and use of the USDA shield/process verified claims. With the exception of age related information, all other program changes were mandated to maintain the FCCP as a PVP with the original claims of Red Angus parentage and Source Verification to the ranch of origin.



- Traceability to at least 50% Red Angus Bloodlines
- Source Verified to Ranch of Origin
- Group Age Verified

Why did we add Age Verification?

Demand. Demand for age verified cattle was sufficient to warrant the changes and allow Red Angus bull customers access to markets and premiums that required age verification. We know of packers paying premiums

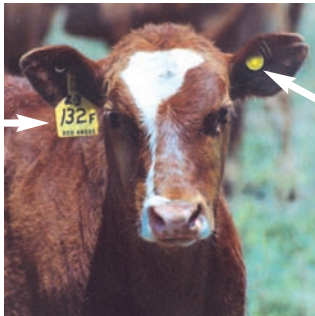
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as high as \$30 per head for age/source verified cattle. We know of value based grids offering \$25-30 per head for age and source verified cattle. Data from 2006 compiled by Colorado State of over 400,000 head of feeder cattle sold on Superior Livestock Auction's video sales showed that age verification was worth \$1.77/cwt. or \$10-12 per head on average. For Red Angus feeder cattle to maintain the competitive advantage they currently enjoy, producers need the opportunity to make their cattle eligible for these programs.

Why did we change from the one piece tag?

Several Reasons. First, the words Red Angus were fading off of the tag previously used. In some cases to the extent that cattle were unable to be identified on the kill floor, and thus fell out of the program. Second, new USDA requirements called for program tags to be tamper resistant. Finally, control of program tags is a major concern to USDA. A tag vendor willing to warehouse a secure supply of FCCP tags, ship those tags directly to the producer and supply electronic confirmation with tag numbers to RAAA (in addition to maintaining backups at the warehouse) was warranted. The Temple tag we now use accomplishes all of this.

Visual Tag with RAAA 7-digit serial number



RFID tag placement in left ear

Why did we add the electronic option?

There was sufficient interest with all of the different states' identification programs - not to mention the potential for a national animal ID system - for FCCP to pursue an electronic ID option. In fact, several of the competitive programs offered RFID tags, and some marketing avenues required them. FCCP now offers "Combo" tags (visual tag packaged with an RFID tag) which account for about 10% of the total enrollments. It was also important in choosing a tag company that the combo tag option was user friendly in its packaging, and the 15 digit RFID and seven digit Red Angus numbers could easily be cross referenced by producers, backed up at the tag manufacturer and easily uploaded for storage in the FCCP tag database at RAAA. Again, the Temple tag does a great job of meeting this need, and keeps our program viable in the event that National ID ever would become mandatory.

Do I need a premise ID to order the "Combo" tags?

No. However, if you have one, you are welcome to give it. RAAA has already reprogrammed customer/

member files to accept this information so that tag numbers can be tied to premise IDs.

But I hate the New Tagger!!!

Sorry. We had several complaints during our first spring (2006) with the Temple tag. Most of those centered on the tagger. Temple identified two design flaws, issued a recall and replaced hundreds of taggers. There was also a learning curve with the Temple tagger when compared to the more familiar, "Z-tagger". While both offered "break-away" pins, the Temple tagger's break away mechanism operated while the tagger's handles were closed together. Releasing the handle locked the pin. This was different than the more familiar Z-tagger where releasing the handle also released the pin. Since the fall of 2006, people happy with the new tag are running even with folks who miss the one piece tag. Complaints about the tagger have stopped altogether.



Tagger in "open" position with pin vertical



Tagger in "shut" position with pin "broken away"

We still have people that do not order a tagger because they want to try their old (insert brand name here) tagger before they commit to spending the \$20 for a new Temple tagger. They always end up coming back for a Temple tagger; so you can save yourself a few headaches and get it all at once. However, if you still want to give your old one a try....we always enjoy talking to our customers, so we won't mind the extra phone call.

What's that "nipple" on the new tag?

Tamperproof. USDA has indicated that all official program tags are tamperproof, and that's the purpose behind the new Temple tag's design.



My bull supplier used to give me tags, why don't they anymore?

They can't. Two of the new ARC requirements for PVP involve both the process for approving program suppliers, and the control of official program tags. Bull sellers handing out tags to their bull customers violate both of these. They can still pay for your tags. However, enrollment must be by the ranch of origin and that must occur before tags can be released. Upon enrollment, tags will be shipped directly to your ranch. Talk to your bull supplier if this is a program you'd be interested in.

If you are a Red Angus breeder, and want to pay for

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tags for your bull customers, simply call, fax, or e-mail Ann Holsinger at Red Angus Marketing Programs, a list of buyers' names and the number of tags you authorize to be charged to your RAAA account (typically 25 tags/bull). Also, remind your bull customers to call and complete the supplier evaluation.

- ann@redangus.org
- 940-387-3502 (phone)
- 940-383-4036 (FAX)

Is it true that RAAA staff asks you a bunch of questions?

Yes. Since the FCCP now has three USDA process verified claims; (Genetics, Source and Age) producers seeking to enroll calves are asked general questions regarding their breeding management, animal identification, record keeping, etc. In addition, staff reviews that producer's history as regards bull and FCCP tag purchases. In all, this process takes about 10 minutes. We have had only a few out of over 300 producers balk at this process; the overwhelming majority have indicated that it is not very intrusive.

Is this a test? Do you get a score? Can I flunk?

Kinda, Yes, and possibly. The cumulative results of the answers are used to calculate a "risk assessment". Producers are categorized as Low Risk, Medium Risk or High Risk. Low Risk producers may enroll cattle, tags are shipped immediately and about 10% of those herds will be subject to onsite "ranch" audits by RAAA staff. The same for medium risk, except that 100 percent of those operations will have to have an on-site audit within six months of enrollment. High Risk producers are not enrolled in the program and don't receive tags. Producers who are using unregistered bulls they've raised, do not keep birth records (at the minimum the date of the first calf born), or producers who run multiple breeds of bulls in single breeding pastures are examples of situations where a producer might be deemed "High Risk". This is nothing new, since the program's initiation, lack of genotypic verification of Red Angus parentage has kept cattle out of the FCCP.

Has adding Age Verification caused more cattle to "Fall Out" of the FCCP?

No, almost no suppliers have been characterized as "High Risk" relative to age information provided. Genetics and breeding management continue to be the primary reasons that producers are unable to enroll.

What if I lease bulls or use A.I. instead of or in addition to purchased registered Red Angus bulls?

No Problem. Simply mail or FAX a copy of your breeding receipt, custom semen collection report, bull lease agreement as applicable. We don't need specific

sires for specific calves, just that you had adequate Red Angus "fire power" to get the breeding job done.

What do you mean Ranch Audits? Is Red Angus going to visit my ranch?

Possibly. Ranch and feedlot audits have been part of the FCCP for years. The only difference now is that the audit frequency is tied to the enrollment process via the "risk score". In fact, in past years, if Red Angus marketing staff was on your operation, and you'd been using FCCP tags, you've probably been audited. It's not a very intrusive procedure; the only documentation we'll ask to see is your calving record. The chance of being audited by Red Angus marketing staff is about 1 in 10.

What about USDA? I don't want the "government" coming on to my ranch?

Highly unlikely. USDA audits the FCCP annually, and they've indicated that they may audit a producer at the ranch. In this event, USDA auditors are still auditing Red Angus staff. They are making sure that we've done our job as we're supposed to, by verifying that our findings match theirs. These audits will not be unannounced, and there is roughly a 1 in 750 chance of a producer being audited by USDA.

Do we still have to send back paperwork to Ann after we buy tags?

Absolutely. The paperwork with the new procedure will ask for the date of birth of the first calf born in the specified calf crop. It also asks for the exact range of tag numbers used.

Can I use left over tags from last year? Even the old 1 piece tags?

Yes. Yes. If you've used the program before, you know tags are purchased in groups of 25, so there are usually left over tags. You are free to use the leftover tags - just be sure to list the range of tag numbers on the paperwork from the "leftover" tags in addition to the range of tag numbers from the most recent enrollment. Remember, using the tags in numeric sequence makes reporting much easier.

When should I send this paperwork back to RAAA?

Wait...until you've tagged the last calf, so you can give the exact range of tag numbers used.

What happens if we forget to send back the paperwork?

Nothing, and that's a problem. A Certificate of Compliance can not be produced for your enrolled calves, because we have not received the paperwork which among other things, provides a birth date to be tied to the tag numbers.

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What is a certificate of Compliance?

Why would I need one?

Proof..that your cattle are verified for Genetics, Source and Age. It is provided as USDA approved documentation of the process verified claims and also ties the reported date of birth to the specified range of tag numbers. It is transferable to subsequent owners of the calves, or individuals involved in helping you market your calves.

How do I go about getting the Certificate of Compliance?

Call RAAA (Ann Holsinger) at (940) 387-3502. The Certificate of Compliance may be requested by the producer or an owner of those cattle (stocker, feeder, etc.) simply by providing the tag numbers representing the cattle the certificate is needed for.

I'm a purebred breeder, and I just like tagging all my Red Angus Cows, calves, herd bulls...this is a lot more difficult?

We understand. Please remember, the FCCP was designed to be used primarily for our commercial customers. The intent being to add value to their calf crops through identifying Angus genotypically as well as meeting regulatory compliance for feeder and fed cattle markets requiring Age and Source Verification. As we travel the country we see entire Red Angus herds that are tagged with the "Yellow" Red Angus Feeder Calf tags. While there is absolutely nothing wrong with that, the program's function is designed for cattle destined for market cattle not breeding cattle. That said, we realize there are many seed-stock producers who utilize the tag for their "cut" bulls. We not only recommend them using the tag to help add value to their steer calves, we applaud them for not making unaltered bulls available at the local sale barn.

Can we still tag at the Feedyard?

No. Tagging at the feedyard under the new procedures would require more intensive audits, training of all involved staff at each participating feedyard and the addition of a feedlot manual to our FCCP. Upon making this concession we thought we'd given up quite a bit, however, this has become a means of differentiating our program from others. Cattle feeders have told us they prefer buying calves enrolled at the ranch of origin; that they feel more confident in getting what they are paying for. In addition, the cow/calf producer needs to enroll their cattle at the ranch of origin to share in any premiums. Enrolling after the cattle are sold gives 100% of the premiums to the next owner.

Why should I go to the trouble to enroll my calves in the FCCP?

Value. Quoting Rob Fraser, owner of Miles City Livestock Commission, "...Producers need to understand that theirs are not the only cattle for sale...they need to find ways to differentiate their cattle from the masses." That is what the FCCP tag does. In addition to being a management tag, which can provide for individual animal ID, it opens doors for the cattle wearing it to Angus product lines, Export markets and Age/Source premiums. The tag is a great first step in moving away from selling commodity cattle and towards selling premium cattle.

While "If it ain't broke don't fix it" is still pretty good advice, it's just as true that good fortune comes from the intersection of preparedness with opportunity. Whenever Red Angus Marketing Programs become aware of opportunities that could add value to Red Angus sired calves, we're going to prepare so that our bull customers can reap the benefits. Sometimes, costly repairs can be avoided by not waiting till it's broke. ■