International Food and Agribusiness Management Review
Volume 16, Issue 3, 2013

A Case Study on Building the Certified Angus Beef® Brand

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Abstract

This case is intended for use by undergraduate students studying agricultural economics, agribusiness, animal science, or food science. Junior level class standing, or higher, would be beneficial. The learning outcomes sought from this case are for students to: (1) distinguish between a commodity marketing system versus a vertically integrated brand; (2) understand the first-mover advantages that have been realized by CAB; and (3) understand the problem of Angus confusion and then explore its possible solutions.

A teaching note associated with this case expands upon the above. The note incorporates an excel-formatted data set. With this information, the case can be customized by the professor for use as an exercise; therefore making the case suitable for use in a quantitative analysis class in agricultural economics.

Keywords: Angus, beef, Certified Beef Program, food marketing chain, first-mover advantage, price analysis

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This research was supported in part by USDA Hatch Funds. This research has been conducted according to Institutional Review Board requirements and has been approved by the Texas A&M Office of Research Compliance and Biosafety.

Introduction

A low quality steak dinner sent Angus breeder Harold Etling on a research mission. "In checking with some of these Black Angus steakhouses, I found none used Angus exclusively, and that the Angus used was not very top quality." (Minnick, 11) This discovery, back in 1975, culminated in the creation of the Certified Angus Beef® brand (CAB), which today accounts for retail and restaurant beef sales estimated to total $4 billion per year. (CAB-b).

CAB's success results from aligning the interest which consumers have in a positive eating experience, with the interest Angus cattle owners (and other marketing chain participants) have in receiving above average prices for their beef. Steve Olson, a CAB board member, explains, "CAB has provided a Best Practices Manual to guide us in our ranch management decisions. I retain ownership of my cattle through the feedlot and thus I can see the percent of my cattle that make the CAB grade. Over the years, my acceptance rate has increased quite a bit. This year I was right at 60% and that was really good."[1]

What is the CAB Business Model?

There are sixty-five different beef cattle breeds listed on the Cattle Today website. Most of these different breeds have their own separate trade association whose purpose is to maintain the breed registry and also advocate the desirable traits of their particular cattle breed. Seedstock ranchers (i.e., ranchers primarily selling bulls) and cow-calf operators (i.e., ranchers primarily selling calves) are able to command higher prices if their breed is positively perceived. It is safe to say that most, if not all, of these breed associations wish that they had the first-to-market status of CAB. As genetic science and consumer food tastes continue to evolve, CAB faces many competitors and many challenges.

Certified Angus Beef® brand sales began in 1978. This brand sales effort had much in common with the introduction of any other high-quality, new product. However, its foundation was the creation of a USDA-certified brand which gave CAB legitimacy and the first-mover status that still propels its brand success today. Angus rancher Fred Johnson, American Angus Association Chief C.K. Allen, and Certified Angus Beef Program executive Mick Colvin fought a see-sawing battle through various levels of USDA and Congress until final approval was obtained for what is now know as Schedule G-1, Certified Angus Beef® . (Minnick) According to Mick Colvin, "[this was] the best thing that could have happened to Certified Angus Beef. Without a science-based approach and USDA approval, we would be just another Angus brand."

Certified Angus Beef® Brand is one of 71 different officially-recognized Certified Beef Programs operating under the USDA, Agricultural Marketing Service, Livestock and Seed Standardization Branch (USDA 2012). Many of these certified programs merchandise their brands separately based upon the meat's grade of Prime, Choice, Select and/or Standard. Consequently CAB estimates the number of competing brands at closer to 132. As a side note,

[1] Authors' personal interviews are identified solely by quotations. All such interviews have been conducted in compliance with Texas A&M University, Institutional Review Board, project IRB2011-0626, as amended.

53 Certified Beef Programs carry the word Angus. However, that number rises to 96 when all different brands and all their different grade levels are considered. The beef carcass certification program policy of USDA is shown in Exhibit 1.

According to Clint Walenciak, CAB's Director of Packing, "in USDA's fiscal year 2011, the total number of cattle certified into the above programs equaled 7.73 million head. The CAB subset figure within that total for 2011 equaled 3.43 million head. Therefore, CAB achieved a 44.4% market share."

CAB has grown to introduce other products such as CAB Natural and also CAB Prime. Both Prime and Natural are market niches that competitors are eager to fill. Thus it was competitively important for CAB to have such product offerings for its licensed distributors. Similarly, CAB has expanded its retail presence by offering steak strips, beef bologna, beef knockwurst, frankfurters and other products. Globally, CAB products are available in 45 different countries outside the US. The top six CAB export markets are Canada, Mexico, Hong Kong, Japan, South Korea, and Taiwan.

The U.S. Beef Industry

Amongst competing meats, beef has faced, and continues to face, heavy competition from the poultry and pork sectors. Brester et.al argue that productivity gains (i.e., improvements in output per unit of input), the introduction of new consumer products, and the intensity of advertising and branding all pose challenges for the beef sector when it is compared to pork and especially poultry. These and many other economic forces have caused all US animal protein industries to trend toward fewer larger operations. The beef industry remains, by far, the most disaggregated counting a total of 753,000 different US cattle operations in 2009 (USDA NASS).

Looking to the future, Brester et al. recommend that the beef industry "develop products that provide increased value to consumers." They note that "improved product quality requires accurate identification of live animal quality, increased use of value-based cattle pricing, better identification of quality in consumer beef products, production of differentiated products and increased sorting of beef products by quality characteristics." (p.25).

The beef industry's food marketing, or value chain, consists of seedstock producers; cow-calf operators; stocker operators; and feedlots. Assisting these operations to bring their products to the consumer are packing plants; distributors; retailers, restaurants and institutions. The National Cattlemen's Beef Association conducts its National Beef Quality Audit approximately every five years. This report has a number of core principles. The principle most important to this case study is that of providing, "direction to individual decision-makers across the beef supply chain to improve the quality and value of the U.S. beef supply." (Field 3)

The job of transmitting consumers' beef demand needs back upstream to all parties in the beef marketing chain is very complicated. For example, the slaughtering of a Choice grade steer produces an incredibly wide variety of salable products. For the week ending May 17, 2013, the wholesale prices of these products ranged from the most valuable tenderloin cut at $10.06/lb., to the ribeye area average of $6.45/lb., to less valuable 73% lean ground beef at $1.72/lb. (USDA

Market News) In addition to these commonly consumed products, a wide variety of edible and inedible by-products are also created when an animal is slaughtered. Consulting a USDA Market News By Product Drop Value report on May 21, 2013, one can find products with wholesale prices wide distribution of products ranging from tongue at $3.60 per pound down to inedible lungs at $0.04 per pound.

Colorado State's Beef Cutout Calculator provides a means to put the above into perspective. For mid May 2013, a 1,301-1,400 pound steer grading Choice is estimated to produce a total wholesale value of $625 in the valuable loin, rib, and sirloin cuts; plus an additional $1,250 in all other carcass cuts; plus (per USDA's Drop Value) an additional $189 in non-carcass by-products. Hence the total value of a Choice steer can thus be estimated to equal to $2,064, 30% of which is high-valued beef cuts, 61% of which is low-valued beef cuts, and 9% of which consists of by-products.

Whereas most USDA Certified Brands concentrate on adding value to that 30% of the carcass which consisting of the middle meats, CAB is different. Of course middle meat demand is always central to CAB efforts, but much of CAB's growth in the past 10-15 years has been achieved through increased sales of round and chuck cuts, thin meats (like flank and skirt), and ground beef. As a result, on a poundage basis, CAB's 2012 sales consisted of 24% middle meats, 64% end meats, and 12% ground beef.

The History of Price Transmission

The USDA's quality and yield grade system underlies CAB, all other USDA Certified Brands, and the entire beef industry in general. USDA is responsible for grading and defines the terms Prime, Choice, Select, and Standard. CAB's criteria call for the carcasses to grade as either Prime or the upper two categories of Choice. A description of USDA beef quality and yield grades is provided by Hale et.al.

Even with USDA grading, before the 1990s price transmission in the beef industry was plagued by a critical flaw. At the feedlot, where animals were sent to gain weight just prior to slaughter, live animal sales prices paid by beef slaughter houses was based on a pen-by-pen basis. Such group pricing caused high-quality cattle to be penalized as they received only the average price per pound among all the cattle in their pen. Similarly, lower quality cattle were unjustly rewarded because they too received this same average price per pound. This price transmission externality unwittingly caused an industry-wide race to the bottom. In other words, seed-stock producers, cow-calf operators, and feedlots all focused upon producing cattle for weight-gain (so as to receive the positive externality) instead of for quality (so as to avoid the negative externality).

As a consequence, in 1990 the Value Based Marketing Task Force of the National Livestock and Meat Board and the Beef Industry Council called for many changes. One of their consensus points was that cattle be sold on the basis of individual carcass grade and carcass yield. (Cross) As this new type of pricing, referred to as grid pricing, began to be implemented, industry genetics advanced rapidly through the use of individual electronic animal id tags (called EID or RFID) in combination with digitized sire and dam records regarding expected progeny

differences (EPDs). Mark McCully, Vice President of Production for CAB, explains, “Ribeye area, marbling and fat thickness and many other traits can be optimized through EPD evaluation. This information is based on data collected from packers, from ultrasound measurements of yearling bulls and heifers, and from DNA blood samples too. The American Angus Association (AAA) then accounts for pedigree information and computes the EPDs on individual animals registered with the AAA. We even have all this information summarized in dollar value EPDs.”
These innovations helped CAB to create higher prices for Angus bulls and Angus cattle. “Cumulative grid premium rewards for hitting the CAB brand target stood at nearly $300 million at the end of 2009, and they keep growing at an annual rate of about $25 million paid to producers.” (CAB-a) Such higher prices earned for the carcass are transferred back to all upstream owners of the animal, giving all participants a financial reward. An examination of USDA Market News entitled “5-Area Weekly Weighted Average Direct Slaughter Cattle – Premiums and Discounts” shows that CAB premiums relative to Choice exhibit variation between slaughter plants. Consequently, feedlots selling to different slaughter plants may not receive the same premium payments. Such variations, relative to the Choice price level, also exist for Prime, Select, Dairy-type cattle, and other cattle. Such variations likely reflect a differences in plant need (demand) and/or cattle availability (supply). Consequently, each different packer’s grid is uniquely designed.

The efficiency of cattle pricing is an area of important area of research. Although a somewhat unresolved research topic, the reason for the importance of such research is best expressed by Vanek, Watts, and Brester who state: “if the marketing chain is not clearly signaling consumer demands for higher quality beef cuts (i.e., more tender, consistent and flavorful) to fed cattle producers, then fed cattle carcass quality would not be substantially improved by value-based pricing methods. Furthermore, feeder cattle (i.e., cow-calf) producers would be expected to ignore the potential for higher fed cattle carcass quality when purchasing bull seedstock.” (p.350)

The ten criteria for beef carcasses to qualify for CAB, are presented in Exhibit 2. The first two criteria add value because they pertain to beneficial marbling attributes. “A” maturity, adds value because young beef tends to be more tender than older beef. Limiting the allowable range of rib eye area adds value because the resulting steaks can be cut to a uniform thickness relative to their weight. Requiring a carcass of less than 1,000 pounds adds value. This is because larger size is to be avoided as it results in cuts of meat that are too large and/or because processing plant automation is difficult. (Ward and Vanoverbeke) Less than one inch external fat adds value because less is lost due to excessive low-value trim. Superior muscling pertains to a higher proportion of meat-to-bone and adds value because it enhances yield grade. It also eliminates dairy-influenced cattle that produce cuts with a less desirable plate appearance. Avoiding capillary rupture adds value because it prevents unsightly cuts of meat. Not permitting dark cutters adds value because unsightly meat receives a discount in the market place. No neck hump adds value because it excludes cattle breeds from India and Africa (Bos idicus) which have been shown to provide beef of tougher eating quality.

Because CAB is a brand owned and maintained by the American Angus Association, it is only natural that it be run so as to the benefit of Black Angus cattle owners. In order to qualify for consideration as CAB, the animal in question must also be 51% black hided (black hair is a dominant trait of Angus cattle) or have documented Black Angus genetics.

Marketing Chain Participation

CAB is a voluntary marketing effort held together by each participant's desire to receive an above average price. The CAB beef marketing chain consists of seedstock producers, cow-calf operators, stocker operators, feedlots, slaughter plants, distributors and, restaurants and supermarkets. The only job seedstock producers, cow-calf operators, stockers and feedlots are responsible for is to produce cattle whose carcasses will be accepted as meeting the CAB brand criterion discussed above. This is not easy to do since only 24% of Angus influenced cattle did so in 2011 and this was close to a record-high percentage. (Corah and McCully 7).

CAB and the American Angus Association provide guidance to help producers increase profitability through exclusive use of Angus genetics to achieve a predictably higher acceptance rate. CAB's Industry Information Director, Steve Suther, states, "the Angus breed has great predictability and data base information. By breeding 100% Angus genetics, cow-calf operators can stack that predictability. Building cow families, many have achieved more than 20% Prime and 70% CAB acceptance."

The meat packers, distributors, restaurants and retailers who use the CAB brand must all fulfill licensing agreements and audit requirements to maintain their right to participate. Beef packers pay a commission fee to participate in CAB. The commission fee ranges from \$0.01 - \$0.07/lb. The packer is the logical location for levying the fee because this is where carcass eligibility is determined. Also all carcasses must pass through the limited number of packers. This fee constitutes the only revenue CAB receives. Other CAB marketing chain participants do not pay a fee. In total there are 30,000 members of the American Angus Association, 28 CAB-licensed packing plants, 124 CAB-licensed foodservice distributors, 91 CAB-licensed retail distributors, 8,000 CAB licensed restaurants, and 6,000 licensed retail stores which sell CAB.

Competition Among Beef Brands

Initially vertical coordination efforts in the beef industry were referred to simply as marketing alliances. Writing back at that time, Schroeder and Kovanda stated, "… beef alliances have taken two paths in design structure: equity-based and non-equity-based. Equity-based alliances require a financial investment to participate, often by purchasing shares in the alliance. Non-equity-based alliances require a formal agreement but no financial investment." (p.399) Schroeder and Kovanda also noted that, "one of the main choices that beef alliances face is how to compensate alliance partners for profits generated by the alliance itself. Sharing of positive and negative marketing margins and sharing profits generated from increased coordination are the two most common forms of compensation. Designing the mix of these compensation alternatives has critical impacts on the economic signals communicated to alliance partners. As a result, vertical coordination can be stimulated or hindered by alliance design." (p.399)

Views of CAB-Licensed Distributors

CAB's vertical coordination was aided by the fact that no up-front investment was required by any marketing chain participants. Almost from the start, CAB emphasized a pull-through-demand strategy focusing on serving the needs of established meat distributors. Today this strategy is still in evidence. Robert Turbow, Vice President of Sysco's Specialty Meat Group Contracting Team states, "selling is not an easy job. It takes determination and resilience. Once you've worked hard to gain the trust of your customers, the last thing you want to do is to let them down: in price, quality or service. CAB has always allowed us to sell with confidence. When a chef tries a Certified Angus Beef steak, well aged and cut to their specification, there is no doubt that steak will provide a memorable dining experience."

Tim Husman, the President of Newport Meat Company states, "top of mind, the quality of the product is as powerful as the brand. So I buy CAB for three reasons. First, it is the most consistent, high quality beef I can find. In order to provide value to the end user, the beef must perform well in the dining room. Second, the integrity of the people associated with CAB is very high. Third, it is fun to sell and see our customers succeed with it. Our success is only as good as theirs."

Robert Turbow sheds light on the competition faced by CAB. "There are several other quality upper-Choice programs out in the market right now. If we didn't have the benefit of selling as a licensed CAB distributor, I would take a serious look at Sterling Silver. Tyson produces a strong program in Chairman's Reserve also. The programs I mentioned have drawbacks though. They are program specific to each packer, meaning you have just limited your supply…and neither one is breed-specific like CAB. This makes the program less consistent than CAB."

Once distributors put the word out that they want CAB, then packers serving such distributors have the opportunity to make sales at profitable price levels. Consequently, packers adjust their grids to reward the CAB-qualifying carcasses which are needed to do this. Further upstream, feedlot operators want their cattle to qualify for these higher prices, as this attracts the retained-ownership business of cow-calf operators, helping their feedlots to operate profitably. These cow-calf operators benefit from the higher chance of CAB acceptance. The linkage culminates at the final upstream point, that of the seedstock producer who is able to sell their bulls for an enhanced price.

The Role of Other CAB Partners

Jerry Bohn is the General Manager of Pratt Feeders in Pratt, KS. "We enter calf data into CAB's system, letting them know which cattle are likely eligible for CAB acceptance. Once these cattle are slaughtered, the cow-calf operator can, from CAB, learn how each animal did and make breeding decisions accordingly. Our job is to do a good job of feeding. When calves come to us preconditioned with good supplement support and weaned, they are much more likely to be successful."

Because CAB's model focuses solely on attributes increasing sales prices and sales volumes, all participants are free to act in their own self-interest and little external coordination is necessary. Even so, CAB does facilitate education, and sales promotion along the entire food marketing chain. For example, seedstock producers benefit from the Angus Source® program which provides the USDA Process Verified Program for the tracking and validation of animal performance. In this regard, from the slaughter plant to the seedstock producer, animal genetics and ownership are verified. Further, cow-calf and stocker operators can access educational materials. Feedlots can be licensed by CAB and receive help in developing their incoming supply of animals. Food service distributors benefit because they have dedicated CAB sales territories. Restaurants and food retailers benefit by being able to use and advertise their CAB product offerings. Exhibit 3 summarizes CAB's various activities in regard to the above.

Competing Brand Strategies

With several different shopping formats and over 300 locations in both Texas and Mexico, retailer HEB must satisfy a wide range of customers. HEB offers many different types and/or brands of beef including: value-ungraded; Select; HEB Natural Angus Beef; HEB Prime1®, Kobe (Wagu) Beef; Central Market® Organic; Grass Feed Beef; and Texas Beef. HEB has been selling Natural Angus for eight years and this is their brand that competes head-to-head with CAB. Natural Angus is guaranteed to have no antibiotics or hormones with much of this beef coming from Meyer Ranch in Montana.

Craig Huffhines, the executive vice president and CEO of the American Hereford Association, explains, "CAB is in fact the most successful branded beef business model in the US beef industry. Today the US beef industry is estimated to be over 70% black-hided in color with a high percentage of straight bred Angus genetics. However, the use of crossbreeding utilizing two or more diverse breeds to produce heterosis/hybrid vigor and breed complimentarity from a production standpoint versus the straight breeding of the commercial cow-calf population is currently the great debate of modern animal breeding. Production economics often times trump market-price incentives for traits that are more vital to cow-calf producer profitability (traits such as fertility, heifer pregnancy rate, survivability, longevity, and hybrid growth), particularly when only 24% of black-hided cattle qualify for the brand premium."

Charlie Bradbury, the Chief Executive Officer of Nolan Ryan All Natural Beef, credits CAB for pioneering the development of USDA certified brands of beef. However, Nolan Ryan All Natural has taken a very different approach. CEO Bradbury explains, "we developed a program using southern-adapted cattle. Then we visited experts and hired consultants to conduct studies. We wanted to address the perception that these cattle often produced beef with a tougher eating characteristic. After this research, we developed a HAACP-like program with a focus on identifying tender beef and avoiding tough beef. We use a second generation Infrared camera to select carcasses with desirable tenderness. We also age the carcasses we purchase. This and other procedures allow us to rely on more than marbling to insure a great eating experience. The Nolan Ryan name and the marketing efforts we put forth around that name incentivize the consumer to try our products the first time but the success of the scientific selection process is what propels them to become loyal repeat customers." Today, Nolan Ryan Beef is sold in all Kroger stores in Texas and Louisiana. Further the brand is advertised on television by Kroger Southwest Division President Bill Breetz, a personal testament to its success.

A look at websites for major packers such as Cargill, Tyson and JBS shows that, when taken together, these packers are listing forty-six different brand names for beef. Further, it is likely that they produce many more labels than those listed. Craig Huffhines, of Certified Hereford beef explains the economic reasoning for so many brands: "Because CAB is licensed to virtually every packer in America, it can at times fall prey to commodity markets if CAB supplies get long or consumer demand is seasonally low. A unique packer brand is an attempt to avoid these seasonal demand shifts and commodity price wars. There is a tremendous amount of marketing investment to avoid commodity devaluation."

One unique packer brand posing a strong challenge to CAB is Cargill's Sterling Silver. Advantages which Sterling Silver has include the fact that it is only packed in three plants and that all those plants have electronic (camera) grading.

Sustaining Positive Brand Differentiation

A challenge faced by Certified Angus Beef® pertains to the many fast food restaurants marketing Angus branded products. These businesses have the right to claim that their beef comes from the Angus breed of cattle. The breed, however, is not the same as the Certified Angus Beef® brand name and it specifications (Exhibit 2).

John Stika, President of Certified Angus Beef®, summarizes this challenges as follows, "Angus has evolved into something more than the original intent for what our brand was. That has created confusion because today Angus product represents the gamut of quality levels and eating experiences. Since day one [we've positioned our program on] taste and that there are different eating experiences. Our tagline says we're 'Angus beef at its best.' We identify Angus as a category and challenge the consumer to question the differences about others out there. Certified Angus Beef is sold at some of the highest-end restaurants and retail markets in the country, and yet we also see generic Angus beef in fast food. We're trying to communicate that…not all Angus is created equal." (Johnston 4).

One can define Angus confusion (i.e., the failure to distinguish the purchase of any beef from the Angus breed versus the purchase of CAB) as a problem of stimulus generalization. Miaoulis and D'Amato state, "…If the respondent reacts identically to the two [different] stimuli, one could take this to mean the respondent does not distinguish between the stimuli at all….We take the position here that 'confusion' is in effect stimulus generalization."

Exhibit 4 shows that as of December 20, 2011 there were six different fast food restaurant chains promoting Angus products. Arby's website, perhaps the most aggressive, states that: "Angus Beef is regarded as some of the best beef in the world for its fine quality, amazing flavor and exquisite marbling. At Arby's we only serve 100% Black Angus beef, lightly seasoned with just the right touch of our special blend of cracked black pepper, herbs and spices. Our premium 94% lean top round is oven roasted to perfection and served freshly sliced for the 'ultimate' in Angus." Every impression is given to the consumer that this dining experience will be superior, even though it could very easily be the case that the CAB criteria in Exhibit 2 are not satisfied. At retail stores a similar problem can exist.

Angus confusion can open up the doors for non-Angus competition. According to Craig Huffhines, "the desire for retailers to private label their own Angus brand has initially made Certified Hereford Beef's growth challenging. However, as "me-too" programs lose their luster and the Angus name has become more of a commodity, differentiation of other quality focused brands has become more appealing. Certified Hereford Beef currently enjoys a 4% market share within the branded beef category, but has experienced double digit growth in the last three years."

Exhibit 5 shows that consumers can have a wide range of brand recognition levels. The lowest is little/weak identity. Confusion is the next highest level of recognition where the brand name in question is only able to create the same stimulus as similar sounding/appearing names. The next highest level is that of strong identity. This is where CAB brand managers strive to reside, even though advertising approaches like that of Arby's continually drag a certain segment of customers backwards to confusion. The highest level of brand recognition is Genericide. Although very rare, as it name implies, Genericide is not a level to which any brand manager should aspire. Taylor and Walsh state that, "brand names such as Monopoly and Thermos have been ruled generic and have lost their trademark protection." (p. 160) Consequently, CAB's on-going efforts to distinguish itself from all other beef and other certified brands of beef are important.

For Discussion

1. List the different vertical coordination efforts CAB undertakes so as to assist all its different marketing chain partners. Such partners include seedstock producers, cow-calf operators, stockers, feedlots, packing plants, food distributors, retailers and restaurants.
2. From the point of view of Angus cattle owners, what are the beneficial (and also the damaging) implications of Angus confusion? Next, repeat this exercise from the point of view of CAB program managers. How might short-run, and alternatively long-run, implications play into the viewpoints of these two groups?
3. What specific business benefits does CAB currently experience due to its first-mover status?

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Exhibit 1.

The Beef Carcass Certification Programs Policy of the USDA.*

1. Specific requirements will be determined by the originator of the program and will be included in the publicly available specification approved by the LS Program.

2. Certification will only be provided to carcasses with an official USDA quality grade.

3. Programs with a range of quality extending to more than two quality grades must identify the actual grade of the product in each package.

4. Terms indicating a non-specific or unofficial level of quality (e.g. “premium”) must be preceded by the company’s name in the carcass certification program name and on all labels.

5. Claims of breed of cattle must meet the requirements promulgated by the appropriate U.S. breed association.

6. The Food Safety and Inspection Service (FSIS), Labeling and Consumer Protection Staff must approve labels for products making a breed claim and/or referencing USDA Certification.

7. All point of sale and marketing materials (i.e., other than product labels) shall list the claims that are certified.

8. USDA Certified shall not precede a breed name, and can only be used in reference to a certified “program.”

9. Carcass certification program originators are responsible for subsequent use, or misuse of labels and marketing materials by handlers and marketers of their products. The finding (by USDA) of materials not in compliance may result in cancellation of the carcass certification program….

* **Source.** USDA, AMS, Livestock and Seed Program, Livestock and Seed Program, LS Policy: SP-2, Approved July 25, 2002. Note that the above represents an abbreviated and partial description of the full Procedure, SP-2, which contains twelve different detailed policy points.

Exhibit 2.

Carcass Criteria for the Certified Angus Beef® Brand*, **, ***

1. Modest + marbling
2. Medium to fine marbling texture
3. A maturity (i.e., approximately 9 to 30 months of age)
4. 10 to 16 square inch ribeye area***
5. Carcass less than 1,000 lbs.***
6. Less than 1" external fat***
7. Superior muscling
8. No capillary rupture
9. No dark cutter
10. No neck hump greater than 2 inches

* The information presented here is given in more detail in USDA Schedule G-1.
** In order for a carcass to be considered for inclusion in the CAB program, the beef animal in question must be 51%, or more, black hided or have documented Angus genetics. (Refer to point 5 in Exhibit 1.)
*** In 2007 these three specifications (numbers 4, 5, and 6) were replaced a single specification requirement for USDA Yield Grade of 3.9 or better. This change was made in order to better satisfy the fabrication needs of CAB customers. Specifically, this change was made because the on-going trend of increasing beef carcass size, while beneficial to cattle producers, was not beneficial to the CAB Brand consumer. [Suther].

Exhibit 3.

Marketing Chain Assistance from the American Angus Association and also from CAB

Stage in the Marketing Chain	Assistance Provided
Seedstock Producer	Angus Source®, provides a USDA Process Verified Program to enhance the marketing of Angus cattle. For any carcass, this program serves as documentation for the source animal, its genetics, and chain of ownership of the animal. Educational resources are also provided for assistance with genetic selection.
Cow Calf Operator	The CAB partners website pertains to all aspects of running a successful cow-calf operation. A "cow-calf guide" which is a best practices manual.
Stocker	A "stocker and backgrounding guide" which is a best practices manual.
Feedlot	Program advertising licensed feedlots to cow-calf operators and stockers. Provide assistance to licensed feedlots for incoming supply development.
Beef Processor	The carcass criteria (Exhibit 2), production of, and use of the brand.
Food Distributor	Certified Angus Beef® logo, POS material, training and education.
Restaurant	Certified Angus Beef® logo, POS material, training and education. Interactive web search locator
Retailer	Certified Angus Beef® Logo, POS material, training and education. Interactive web search locator

Exhibit 4.

Fast Food Menu Offerings Featuring the Word “Angus” as of December, 2011

Restaurant	Number of U.S. Stores[g]	Specific Terminology by Which the Name Angus is Presented	Number of Different Menu Items Using Angus Name	Types of Items
Arby’s[a]	3,649	Ultimate Angus	Three	Sandwiches
Carl’s Jr.[b]	1,097	100% Black Angus Beef Six Dollar Burgers	Five	Burgers
Hardee’s[c]	1,692	100% Black Angus Beef Thickburger	Thirteen	Burgers
Krystal[d]	364	Big Angus	Four	Burgers
McDonald’s[e]	14,027	Angus	Eight	Burgers and Wraps
Quizno’s[f]	3,103	Black Angus on Rosemary Parmesan	One	Sandwich

Sources.
a. arby’s.com/menu,
b. www.carlsjur.com/system/pdf_menus,
c. www.hardee.com/menu,
d. krystal.com/menu,
e.www.mcdonalds.com/us/en/full_menu_explorer,
f. www.quiznos.com/menu,
g. www.qsrmagazine.com/reports/top-50

Exhibit 5.

Range for Consumers’ Brand Name Recognition

	Little / Weak Identity	Confusion	Strong Identity	Genericide
Consumer Recognition:	Unfamiliar with brand name	Brand name creates the same stimulus as similar names	Brand name conveys product from a single source	Brand name becomes so common it is declared invalid by the courts