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Producers can increase marketing opportunities by participating in QSAs and PVPs.

by Angie Stump Denton

As cattle producers struggle with rising input costs and shrinking profits, many are looking for opportunities to add value to their stock. With the increasing demands of export markets, several programs have been developed to help producers qualify for premiums.

Whether producers choose to market feeder cattle at the local auction or video auction or to market ranch direct to the feeder, there are options available to help market cattle profitably. Some options include pre-vaccinated and weaned, pre-vaccinated only, age and source verified, known genetics, natural and non-hormone treated cattle. Options can be combined so cattle can potentially be marketed as "age and source verified" or "pre-vaccinated and weaned."

In today's marketplace to qualify for added premiums, it requires more than producers making claims that their cattle are age and source verified. A third party must verify the claims, and this requirement has led to the development of U.S. Department of Agriculture (USDA) verification programs.

These programs have resulted in an "alphabet soup" of terms such as beef export verification (BEV), age and source verification (A&S), quality system assessment (QSA), and process verified program (PVP). It is frequently suggested that participation in these programs will bring additional revenue to cow-calf producers, but for most producers, the technical aspect of

understanding these programs keeps them from participating.

An educational brochure, "Dispelling the Myths About Livestock Marketing Programs for Producers," created by the Colorado Department of Agriculture and USDA, answers some basic questions about verification programs. According to the brochure, "Simply stated, verification programs provide a structure for producers and the livestock industry to show 'we are doing what we say we are doing.'"

The next step

"Fifteen years ago there was a new term in the beef industry — value-based marketing," says Jim Williams, Certified Hereford Beef (CHB) vice president of supply. "Since then we have seen numerous channels of value-based marketing established. QSAs and PVPs are aggressive marketing strategies that are the next step in value-based marketing."

Cattle feeder Travis Edeal, Overton, Neb., says he is seeing more and more

"Participating in verification programs does not guarantee premiums; but not participating will guarantee that you will not receive any."

— "Dispelling the Myths About Livestock Marketing Programs for Producers" brochure

The brochure explains PVP and QSA are close cousins and that the programs have been gaining U.S. consumer support in addition to being recognized by our foreign customers in Japan as an approved method for verifying cattle that are 20 months of age or younger. More than 20 additional countries and numerous domestic clients also depend on PVP and QSA programs to verify preservation of characteristics and requirements.

producers transition from commodity marketing to superior value-added marketing. "Producers who are on the cutting edge and worried about input costs are investing resources to generate higher return in their marketing practices," he says. "Those who invest dollars and become compliant have the opportunity to separate themselves from commodity marketing practices."

The "Dispelling the Myths" brochure explains that all USDA

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verification programs are not expensive and time consuming: “Depending on the method of verification, the costs may be very low. USDA announced that onsite audit for producers are no longer mandatory. That means faster approvals and reduced verification costs.” Producers can apply for their own verification program, or they can contract

with an existing USDA-approved PVP to participate in verification programs under its umbrella.

“Understanding and participating in QSAs and PVPs can be a big task,” Edeal says. He encourages producers to find a company to work with that can help them understand the options and find ways to add value to their programs.

Adding value

Leann Saunders of IMI Global agrees with Edeal that producers should invest the time in age and source verifying their cattle. IMI Global is one of several companies providing beef producers PVP and QSA options.

“There has been a demand for age- and source-verified cattle over the course of the last four

years as is evidenced by the marketing environment,” Saunders explains. “Furthermore, I think that it establishes a solid foundation for the movement of verification of production practices and marketing claims. Whether its natural or humane handling verification — it is the future, and age and source verification programs create a great foundation.”

Saunders says the U.S. beef market is rapidly fragmenting into multiple opportunities — from natural and organic to high-end, white-tablecloth restaurants — all of which are requiring third-party verification of their production and processing practices. “I think it is more evident than ever that we are seeing a tiered market place based on how cattle qualify for different programs’ specifications,” she says. “We continue to see more differentiation with proteins from a branding perspective. More and more we hear about the consumer that wants it all, including detailed information regarding where their food comes from. They have philosophical or experience-based positions that affect their purchasing decisions; and beef, more than any other protein, is seen as a special purchase. It becomes part of the barbeque with friends and the point of conversation. There is also the buyer that makes decisions solely based on a price-point.

“As a world competitor, we compete much more effectively in the realm of the ‘experience beef item.’ Our costs of production are higher than many other strong beef producing countries, so we must focus on the ‘total experience beef.’ This means a focus on taste, tenderness, juiciness, consistency and the complete story of production, which includes verification today,” she adds.

PVP and QSA comparison		
	Process Verified Program (PVP)	Quality System Assessment (QSA)
Eligibility – Age and/or source PVP or QSA verified cattle are eligible for EV programs	yes	yes
Marketing claims are chosen by each company	yes	yes
Marketing claims can include	Age Source Genetic verification Feeding practices Animal handling Additional claims, as approved by USDA, AMS	Age Source Non-hormone treated cattle (NHTC)
Marketing the approved PVP or QSA	Approval is posted on USDA’s Web site Can use the USDA Process Verified Shield in company written marketing materials	Approval is posted on USDA’s Web site – ONLY
Program Compliant Tags (PCT) – cattle can be marketed through unapproved and approved locations	yes	yes
Quality manual required	yes	yes
Requirements – ISO9001:2000	Requires specific information on all major elements and sub elements of the ISO9001	Does not require all elements of ISO9001
Requirements – USDA specific	yes	yes
Scope	Large scope requires more detail and covers a large range of marketing claims	Limited scope and very specific marketing claims
Supplier Evaluations – Do PVP and QSA require supplier evaluations and re-evaluations?	yes	yes
USDA program began	mid-1990s	2004 (modified version of PVP)

Source: CattleNetwork.com

What is Age and Source Verification?

Age and Source Verification has been a topic of increasing interest in the beef industry, as the Japanese and other foreign markets have reopened to U.S. beef. Beef export regulations have clearly defined the meaning of age and source verification (A&S), as age and source claims must be documented and verified through a recognized U.S. Department of Agriculture (USDA) program. These programs include the USDA Process Verified Program (PVP) or a USDA Quality System Assessment (QSA).

What are all these programs and terms?

USDA has established two processes by which cattle birth records may be tracked through the production chain. In general, PVP programs are designed to verify cattle prior to marketing (applicable to feeder cattle sales); whereas QSA programs define the mechanism by which records are maintained and transferred within a production system (retained ownership with a known feedlot and packer).

PVPs are the highest level of certification in which companies have certified their entire production process or large portions of their process. This includes detailed procedures, record systems and audit process. In the case of age and source verification, PVP programs create a documented, auditable procedure for the collection and transfer of age and source information.

There are several PVPs that have been approved through USDA. Examples include those administered by beef processors (Smithfield Beef Group, PM Beef Group, Creekstone Farms), information management companies (AgInfoLink, IMI Global) and breed associations (AngusSource, Red Angus Association).

Obtaining certification to administrate a PVP is complex and expensive. A portion of the company’s employees will be dedicated to maintaining the integrity of the program, managing records and handling audits. PVP certification is not something an individual producer or even a county group of producers will likely undertake.

QSA programs are similar to PVP programs in many ways, although a QSA generally involves certification of a system that may involve several entities. These companies or groups have certified through USDA a system of records and procedures that can verify their claims to specific attributes of their product. For A&S, most beef processors have an approved QSA for exporting beef. This QSA describes how age/source will be documented by the packer with cooperation from source feedlots and its producer suppliers (cow-calf producers).

As with a PVP, QSA certification requires considerable records, labor and capital to establish. The program is regularly audited and must have auditing procedures as part of its certification. Entities with approved USDA QSA programs include packers and large feedlots.

Role in exporting beef

USDA has established Beef Export Verification (EV) Program requirements (see www.ams.usda.gov/lsg/arc/bev.htm) for selling beef internationally. These requirements outline the specific requirements for each country, including products that may be exported, processing regulations and stipulations for the cattle producing the beef.

In the case of Japan, a specific requirement is that the beef be from cattle of 20 months of age or less. For most other countries (Hong Kong, Mexico, Canada), the age requirement is 30 months or less. These EV age regulations can be met in one of three ways: 1) product from carcasses which meet carcass maturity specifications (ie. A40 rule for Japan); 2) product from PVP age-verified cattle; or 3) product from QSA age-verified cattle.

So what does this mean?

Age and source verification have taken on a new meaning. For calves to be truly age and source verified, they must be enrolled in a PVP or QSA as previously described. Simply stating “age and source verified” or “home-raised” does not provide the level of

Investment vs. premiums

Edeal says to participate in an age and source program costs approximately \$200 per year. With this option, Edeal says producers can feed cattle and then negotiate the premiums with the packer. Participating in an NHTC (non-hormone treated cattle) program does require more of an initial investment. Edeal explains NHTC costs are about \$1,500-2,000 each year. "Although NHTC does cost more and there

is more risk in performance, there are more opportunities for premiums," he says.

Edeal says the end market premium potential for A&S qualified cattle is about \$20-40 per head. For NHTC the premium is \$6-12 per hundredweight (cwt.) for a finished animal. "NHTC is not for everyone," he says. "It can be cost prohibitive. Economies of scale lend the program to be more effective for producers with

200 cows or more. In comparison any size producer can participate in age and source."

Before choosing a QSA program in which to participate, it is important to weigh your marketing options. Edeal says producers need to consider how their cattle will perform in an NHTC program with no growth promotants or implants. "Choose a program only if you are confident your cattle can perform under those conditions," he says.

He also encourages producers to study the requirements for the program and to make sure the feedlot a producer chooses to use is an approved location on the USDA Web site.

NHTC specifics

Saunders explains NHTC is basically the export verification program for the European Union. "It means the cattle can't have been fed or received any

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What are PCTs?

The U.S. Department of Agriculture's (USDA's) Agriculture Marketing Services (AMS) provide answers to some commonly asked questions regarding program compliant ear tags (PCTs).

Q: What is a PCT?

A: A PCT is a one-time use, tamper-evident tag, which contains a non-repeatable, unique number. The tag is unique and specific to the program. It may be an electronic identification (EID), radio frequency identification (RFID) or a visual tag. The company must provide evidence that the tag meets these requirements.

Q: Do I have to use a PCT in a USDA Process Verified Program (PVP) or Quality System Assessment (QSA) program?

A: No. Companies may choose the method of identification.

Q: Where does the PCT have to be applied?

A: The PCT must be applied: 1) under an approved USDA PVP or QSA Program and 2) at the farm of birth or an alternative location as approved on a case-by-case basis, depending

on the scope of the USDA PVP or QSA program.

Q: What are the benefits of using a PCT in a USDA PVP or QSA program, when an ear tag is applied?

A: The use of a PCT allows clients making claims that do not change from one location to another (such as age, source and breed claims) more flexibility to market qualified animals. Qualified animals may be marketed to unapproved locations without jeopardizing the claims associated with those animals. Whereas, animals without a PCT must be marketed and moved from an approved location to an approved location in order to maintain the animal's eligibility in the USDA program.

Q: If an animal loses a PCT, can the animal be retagged and retained in an approved USDA PVP or QSA program?

A: Yes, an animal may be retagged if the PCT is lost while the animal is enrolled in a USDA PVP or QSA program. If the PCT is lost while the animal is not enrolled, then it is not eligible for inclusion in a USDA PVP or QSA program. **HW**

Cattle marketing information definitions

Age verified — cattle confirmed to be of known age (group age or individual age).

Approved location — a packer, feeder, backgrounder, sale barn or producer that has been evaluated and listed as an approved supplier on U.S. Department of Agriculture's (USDA's) or an approved supplier list such as IMI Global's.

Beef Export Verification (BEV) or Export Verification (EV) — USDA verified programs that establish the specific requirements for an export customer (specific country). Requirements can include age, source, age and source, etc. The EV programs began as BEV programs. As more countries required verification of ALL meat products, beef was not the only species or classification requiring verification activities. Thus the term "beef" was dropped, and these programs are simply referred to as EV programs.

Non-Hormone Treated Cattle (NHTC) — an EV program that establishes the requirements for beef exported to the European Union.

Process Verified Program (PVP) — a Quality Management System describing how the company verifies the product requirement(s) and how product identity is maintained throughout production (large scope — age, source, feeding practices, animal handling) If age is one of the PVP points, these cattle can qualify for an EV program (e.g., Japan).

Program compliant tag (PCT) — one-time use, tamper-evident, non-repeatable, unique number. EID, RFID, visual tag or a combination visual and EID.

Quality Management Systems (QMS) — a program designed to provide verification that special processes or marketing claims are clearly defined and verified by an independent third party (e.g., USDA).

Quality Systems Assessment (QSA) — a QMS describing how the company verifies the product requirement(s) and how product identity is maintained throughout production (limited scope — age, source, NHTC, etc.). If age is one of the QSA elements, these cattle can qualify for EV programs.

Source verified — cattle confirmed to be of known source. **HW**

documentation necessary for a PVP or QSA. Likewise, it has been established that signed affidavits will not substitute for documentation provided through a USDA approved PVP or QSA.

To sell calves as A&S, cow-calf producers will most likely be providing information to a PVP. When participating in a PVP, producers will supply the necessary documentation for A&S and be able to sell their calves as "USDA Process Verified." Thereby, these calves would be recognized in the industry as being age and source verified, and this verification could be utilized by cattle feeders and processors to fulfill the requirements of their QSA for export verification. Therefore, PVP certified cattle for age should meet the documentation requirements for any cattle feeder or packer (ie. PVP cattle will meet the requirements of multiple QSA programs).

Currently, producers retaining ownership are working with their feeders to provide the necessary documentation and paperwork to fulfill the requirements of a packer QSA. These QSAs are specific for each packer, and each has different forms and procedures. In many cases, the producer needs to receive training from the feedlot as part of the requirement of the QSA. In some instances, producers who have sold feeder cattle have been contacted by feedlots requesting the information for a QSA.

What records?

The key item in this new era of A&S verification is records and documentation. Unfortunately, there are no standardized forms that fit all PVP or QSA programs (although the required information is essentially the same). Each program has its own forms and enrollment process, but by keeping certain basic types of information, you can be ready for A&S.

Here are basic recommendations for records to keep and procedures to perform:

- 1) Tag all cows and calves with a unique number in your herd. Tag calves at or near birth. Freeze branding cows is not a bad idea.
- 2) Keep detailed calving records such as the *IRM Red Book*. Records should include calf ID, dam ID, calving date and sex of calf. At the very least, record the date the first calf was born and the day the last calf was born. Be able to differentiate calves born in different calving seasons. Keep records in a safe, readily accessible location.
- 3) Keep records of all cattle sales.
- 4) Become a Beef Quality Assurance (BQA) certified producer.
- 5) Keep BQA records up to date as required. Record all vaccinations, dewormings, implanting dates or other health treatments.
- 6) Keep all records in a safe, readily accessible location for a minimum of three years.

Maintaining items 1 to 3 listed above will provide the minimum information needed for many programs. Adding items 4 and 5 may increase your options, but realize that some programs may have additional requirements.

In almost all cases, cattle that are destined for an A&S program will need to be tagged with a radio frequency identification (RFID) ear tag. The electronic tag serves as the conduit for transfer of information for the PVP or QSA. The tag must be associated with an individual animal and its birth premise and, therefore, must be applied by the cow-calf producer prior to the animal's commingling with cattle from other sources.

For more information about PVPs, visit <http://processverified.usda.gov> and for QSA information visit, www.ams.usda.gov/lsg/arc/qsap.htm.

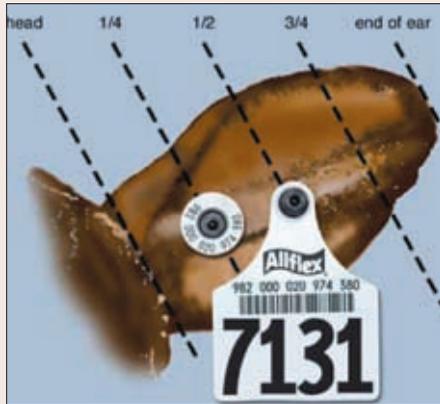
— **Scott Greiner, John Hall and Laura Marks, Virginia Tech**

Recommended EID tag placement for cattle

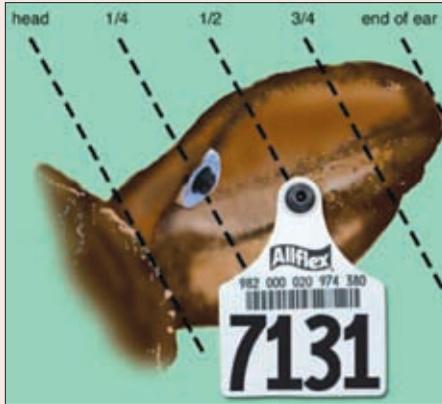
The following are instructions for electronic identification (EID) tag placement published by Allflex USA Inc. The company says the application site must be free of foreign debris prior to placement of tags on the animal and encourages producers to review application instructions prior to tagging.

The female portion of the tag should be on the inside of the ear with EID tag application. Note that this site is a thicker part of the ear. Application may be more difficult than when applying a visual tag. Allflex literature says sufficient space between the EID and visual tag is important for proper healing and retention.

Both the U.S. Animal Identification Plan (USAIP) and the National Cattlemen's Beef Association (NCBA) recommend animal identification be placed in the left ear.



EID placement 1: The EID tag should be placed in the middle of the ear between the two cartilage ribs close to the head. This site is used both for breeding and finishing cattle in order to allow for ear growth as the animal matures.



EID placement 2: The EID tag should be placed above the upper cartilage of the ear toward the curvature of the ear. This site is generally used for finishing cattle. This option is not recommended for mature or breeding cattle.

HGPs (hormonal growth implants) their entire life," she explains. "There are other specific requirements of an NHTC program, such as a requirement for individual animal identification prior to the cattle leaving the source. You must enroll with either a USDA program or a company like IMI Global that has been approved by the USDA to audit the NHTC requirements."

Edeal explains to qualify for the NHTC program, cattle must be sold directly or by video to an NHTC-approved feedlot or backgrounding lot. They can not be sold at a sale barn.

Lending a helping hand

There are several companies like IMI Global that will help producers understand verification programs and participation in value-added programs. One such company is IntegriFlex, which was developed to work on behalf of small to midsize producers and feeders to help them become QSA approved and remain compliant. IntegriFlex also helps producers or feeders find marketing options.

Edeal is a partner in IntegriFlex and explains the company works with IMI Global

to provide a QSA umbrella. This allows IntegriFlex to provide third-party verification for clients and gives them the ability to participate in premium programs such as age and source verification as well as NHTC.

"I think the most important decision you make as a producer is making sure you have a good ROI (return on investment)," Saunders says. "That's how my family runs their cattle operations. That's how you run any business. We tell our customers the same thing. There is a good return on verification programs in the market today if you choose the right partner. You just have to look at the market value and then look at your cost."

"Furthermore, if you are progressive and are always staying at the front of the supply curve — meaning you meet a new demand before the rest of the supply chain catches up — you will always be in a good offensive position in the marketplace. And though I've said it once, I will say it again: Spend as much time on marketing your value-added calves as you spend producing them." **HW**