



Making Sense of USDA's PVP and QSA Programs A Resource Document for Cow Sense Customers

Remember December 23, 2003? The discovery of BSE that day may very well have changed the way the U.S. beef industry conducts business forever. Even though the industry understands and has done a good job explaining the science behind BSE, the days of expecting our customers to blindly trust us are over.

Due to the BSE incident in the U.S., the beef industry lost access to valuable export markets. Although progress has been made in restoring those markets, it has been a slow, tedious process. The U.S. beef industry has yet to develop export markets that are equal in volume or value to pre-BSE levels. Many foreign markets that have re-opened have imposed stringent requirements upon the suppliers to verify age as well as the source or origin of the animal.

In addition, the continued expansion of domestic marketing campaigns and branding of meat case products increased the need to verify the claims being made on product labels. We are all familiar with brand labeling such as "all natural", "corn fed," "raised in the Midwest," "grass fed," and genetic or breed-specific claims. The challenge with these claims is the lack of standards and inability to verify claims in a consistent manner.

Consumers, international as well as domestic, are requiring more standards and better verification behind marketing claims. For over a decade, the USDA Agriculture Marketing Service (AMS) has maintained audit-based programs to ensure companies and their suppliers can verifiably deliver products to consumers that met their respective product claims. AMS programs standardize practices, ensure compliance, and provide a verifiable marketing tool for companies.

For age-verification, the Process Verified Program (PVP) and the Quality System Assessment (QSA) are quality management systems that help ensure product characteristics. They provide suppliers of agricultural products or services the opportunity to assure customers of their ability to provide consistent quality products or services, or simply "prove that you are doing what you claim to do." For example the claim "corn fed" changed from simply a couple of words on a package to defining a verifiable process that cattle were fed a diet of corn for a minimum number of days at specified levels. (For additional information see <http://processverified.usda.gov/> and <http://www.ams.usda.gov/lsg/arc/qsap.htm>)

The Beef Industry Response

A two-tier marketing structure has evolved: one marketing channel for cattle meeting PVP or QSA specifications for age and source verification for export markets and the other for cattle not meeting those requirements. Cattle qualifying for the first group are in demand and in many cases have commanded a premium. The same can be said for cattle meeting specifications for varied domestic branded beef programs.

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Some export markets have enacted requirements on beef shipments from the U.S. USDA has established beef export verification (BEV) procedures to meet those requirements. Prime examples are Japan and Korea. These nations have placed age and other restrictions on imported beef in efforts to minimize potential BSE exposure. In these markets the age of the animal must be verifiable back to live production records on the farm or ranch of birth.

A PVP or QSA provides the method to meet these requirements. It is similar to an ISO (International Standards Organization) 9000 type of a program. The key is the documentation of your record-keeping methods that give you the ability to make claims in the marketplace.

QSA versus PVP

PVPs and QSAs are similar in some ways. They both provide suppliers of agricultural products, such as processors or feedlots, the opportunity to assure customers (domestic as well as international) of their ability to provide consistent quality products. Both QSAs and PVPs are important for the industry and involve third-party, USDA audits. Each program performs systematic audits of its enrolled producers. In addition, USDA may audit individual producers in the course of their audits of the QSA or PVP provider. It is important to understand that both programs are limited to supplier-specified process verified points and are supported by a documented quality management system. The specified process verified points are identified by the supplier, not USDA.

The two verification systems differ in important ways. It is important for a producer to understand these differences before selecting whether a QSA or PVP best meets their needs.

QSAs are often very specific in their defined claims and processes, and offer very little flexibility to individual participants. QSA programs usually only document one or two specified product attributes such as age and source verification. In most cases, QSA programs are administered by a particular packer or feedlot. As a result, enrollment in a QSA program may limit a producer to marketing cattle only to that packer or feedlot.

On the other hand, a PVP is generally more broadly defined and may also include verification of other beef attributes (e.g., hormone free, corn-fed, etc.) and even document vaccinations, feeding practices, other raising and processing claims, or even the breed claims (e.g., certified angus), handling (e.g., low-stress handling or non-confinement), or other similar claims of the enrolled animals. Suppliers with USDA-approved Process Verified Programs are able to market themselves as "USDA Process Verified" and use the "USDA Process Verified" shield in their marketing campaigns.

Which is right for me?

Producers must consider a number of factors when deciding whether to develop their own QSA program or PVP, or become part of an "umbrella" program. Developing a new, unique QSA program or PVP may be the best option for large operations, particularly for commercial feedyards and processors. However, for the majority of cow calf producers, the development costs for a USDA-approved and audited PVP or QSA program (estimated by industry and government contacts to be about \$8,000 for a relatively simple plan) will prompt enrollment in an umbrella program.

Another factor that may influence producers' decisions to create their own versus enroll in an umbrella program is the auditing requirement. QSA programs require bi-annual audits performed by USDA, and PVPs require an annual audit. These audits are completely user-

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funded by the company owning the QSA/PVP, so there are ongoing costs as well. The companies responsible for the QSA program or PVP are charged an hourly fee for the time it takes to conduct document review, travel time, on-site audit, and report preparation.

A producer can participate in an umbrella QSA or PVP that matches their management practices but is offered by another entity (product or service supplier). Participating in an umbrella program does not require a large outlay of money, nor does it require extensive training. If producers elect to use an umbrella program, they should carefully select the program within which to enroll their cattle. If producers participate in a feedlot or packer's program, they could be "locked in" to selling to that particular buyer in order to make their cattle export eligible.

Cattle producers may elect to meet the requirements for multiple PVP or QSA programs to be able to sell their cattle to more than one buyer; however, doing so could be expensive as well as cumbersome, unless the requirements are relatively similar. A simpler approach is to participate in a PVP or QSA program through a service company, breed association, or auction market. Their cattle may then meet requirements of marketing programs in numerous feedlots and processors. This approach expands the number of potential buyers for a producer's cattle.

The decision to enroll in a particular PVP or QSA program will also depend on whether a producer wants to provide verification assurances other than age or source. Other QSA programs and certainly PVPs may, in addition to providing the age verification necessary for export, verify assurances related to production practices, genetics or product quality.

Why is age verification so important?

Some international markets have established requirements on cattle age at harvest. The age requirement can be assessed using dentition (an evaluation of the maturity of the teeth) post-mortem (at harvest). However this is only acceptable by some export markets. The main guideline for age verification in a PVP or QSA program for broader market access is that cattle presented for processing must be traceable to live animal production records to verify age. No one, except the person who calved the animal, can make the true claim of age on that animal. Either individual animal or group age verification may be used.

For individual animal age verification, animals must have a unique, individual ID. The type of ID used to identify the animal must comply with the guidelines established by the respective PVP or QSA program. The main requirement is that records be able to trace the individual animals back to the ranch of origin. Importantly, these records must include the actual date of birth for the animal and the birth records must accompany the animal through the supply chain.

For group age verification, groups of animals typically are assembled according to birth date (i.e., born during the same birthing season). Records must identify the actual date of birth for the first calf born from the group. The age of the rest of the calves will be assumed to be the same as the oldest calf born within the designated group. Date of first breeding and other breeding records may be used as additional verification for the oldest possible age of animals within the group but may not be used as the sole verification records.

Many cow-calf producers likely have the necessary records to document age of cattle. Much of the focus in the PVP or QSA program is on transfer of that information with the animal through commerce involving several markets, owners, and processes. Many producers currently sign affidavits attesting to the age and source of their calves at marketing. These affidavits may be used as part of a PVP or QSA program, however production records and validation of those records are required to back them up. The affidavits, by themselves, are meaningless without

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production records to verify the age claims. For their own protection, producers are also required to have a designated location to store those records for three years.

While individual identification of animals is a necessity for most PVP or QSA programs, there is no link between these programs and the National Animal Identification System (NAIS). NAIS, as currently purposed, will only be used as a disease trace-back mechanism and will not be accessible by private parties. However, the same ID device (i.e., an RFID tag) may be used to comply with both NAIS and most PVP or QSA programs. Likely the provider of a PVP or QSA program would collect both information to substantiate domestic marketing claims from cattle producers which would be used in NAIS and age verification. The QSA or PVP provider could then submit the NAIS information (primarily identification number and location) under that program's guidelines to support disease trace back. Other production information required for the QSA or PVP is **not** submitted to NAIS.

Show Me The Money!

What does all this mean to producers who wish to capture additional value for their cattle? These programs enable cow-calf producers to leverage the documented management of their cattle in the marketplace in exchange for additional revenue. As the PVP contains broader claims and is more portable, the participating producer has a documented birth date, source, and other attributes that can be passed on with the cattle through the supply chain and may further broaden the potential market opportunities and the subsequent value to the potential buyers.

There have been documented reports of cattle with age and source verification selling at a premium of \$25 per head or more in many markets. This premium is **by no means a guarantee**, and is subject to many variables, but depending on the market demand and potential buyers, may represent a tangible way to capture a greater value from a calf crop.

While premiums for beef eligible for export to Japan and other countries could be sufficient for producers to enroll in a PVP or QSA program, such premiums could erode as more producers participate. In order to remain competitive in the long run, producers may need to differentiate their product based on additional verifiable quality attributes. Thus, selection of a PVP or QSA program which offers additional verification claims complementing the producer's production methods and cattle type could be beneficial.

Beef producers who wish to keep various market opportunities (export as well as domestic branded programs) for their cattle as an option are advised to evaluate the cost and return of a PVP or QSA program. What management changes, if any, will be necessary and the associated costs to meet the requirements should also be considered. All this has to be weighed against what premiums the market is willing to pay.

The best place to start is by visiting with the people with whom you normally do business. Whether you customarily retain ownership through the feed yard, sell directly off the farm/ranch, or through a livestock market or video auction, many of these marketers have access to PVP or QSA programs. Early and frequent communication with potential buyers is important to determine if there is profit to be made.

As a Cow Sense user you have a tremendous advantage as you have adopted the tools to make participation in many of these marketing programs simple! However, start early as it takes time to meet the respective program requirements to qualify cattle.