

# Here's the Premium!

## Taking the Angus advantage to a new high

*In a nervous market, bidders push reliable Angus calves to record premiums in auctions across America*

Story by  
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The largest Angus premiums recorded in three years and six data sets of this study showed buyers paying \$4.79/hundred-weight (cwt.) more for five-weight [weighing between 500 and 599 pounds (lb.)] Angus than for non-Angus steers last fall. That was nearly 5% higher than the price for other steers in a continuing and growing trend in the fall auction data.

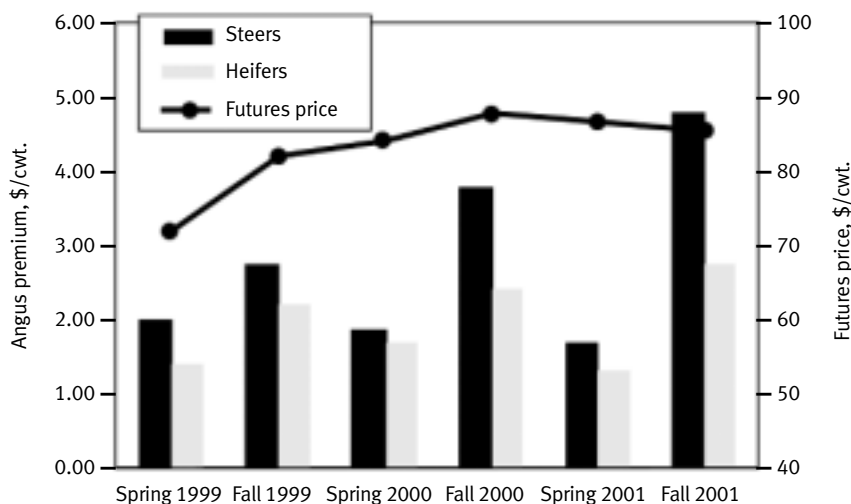
Price gains came in the face of market uncertainty after the terrorist attacks on Sept. 11, 2001, and against the backdrop of a downtrending futures market (see Fig. 1).

In the 1990s, university and industry studies documented a price advantage for black-hided calves at auction, as Certified Angus Beef LLC (CAB) began to influence the market. CAB set up a long-term relative value study in 1999 to focus more precisely on known Angus-based genetics. This "Here's the Premium!" project relies on co-operating auction markets in 10 states, from Kentucky to California.

Auction managers report breed type, sex, weight and price of Angus vs. non-Angus steers and heifers in two weight classes — five-weight calves in the fall and seven-weight cattle each spring. They are asked to keep muscling, frame, health and other nonbreed factors constant in reporting prices for five consignments each of at least five head.

Kansas State University (K-State) ag economist Kevin Dhuyvetter serves as project analyst. After three years of data, he says, "Clearly there is a real and continuing Angus premium reported each time, everywhere, regardless of weight or sex."

**Fig. 1: Price difference between Angus and other**



The latest results showed a per-head Angus steer premium of \$24.36 for the average weight (509 lb.) reported in the calf data at auctions in October and November 2001. On a per hundredweight (cwt.) basis, the Angus steer premium has increased by \$1 or more each fall since 1999. The Angus heifer premium grew to \$2.74/cwt., or \$13.95/head, also a record in this study. The fall data encompasses the sale of nearly 15,000 calves in 715 lots and brings the total database to sales of 90,188 calves in 3,909 lots.

Except for last spring, the per-head premium for Angus heifers has grown steadily over three years, since the baseline of \$10.48/head in spring 1999. The premium for heavier Angus steers sold in spring auctions declined slightly from the initial

\$14.64/head in 1999 to \$11.75/head last year, despite the stronger performance of lighter Angus steers each fall.

The fall 2001 increases in Angus premiums were recorded despite the average price for all calves falling by \$6-\$8/cwt., relative to 2000 prices.

"This suggests that buyers reacted to uncertainty in the market by lowering their bids overall and turning toward a breed with more structured demand built up through the various alliances and the presence of the CAB premium in value-based grid markets," Dhuyvetter says.

The lighter the calf, the greater the Angus premium per hundred in these data, perhaps denoting buyer confidence in those calves' ability to grow as well as grade to hit market targets, he adds. "It's likely that buyers have become more aware of packers paying \$25 million a year for CAB-finished cattle (see "Here's the Premium!" January 2002 *Angus Beef Bulletin*). What we're seeing is consistent with those signals being passed down, along with some of the premium, when buyers know they're getting Angus genetics."

It is interesting that buyers paid nearly twice the per-head premium for Angus calves as they did for heavier Angus feeders

**Table 1: Angus premiums and feeder cattle (FC) futures price\* by reporting period**

	Spring 1999	Fall 1999	Spring 2000	Fall 2000	Spring 2001	Fall 2001
Avg. wt., lb.	695	506	698	503	696	509
Steers, \$/cwt.	1.98	2.74	1.86	3.79	1.67	4.79
Heifers, \$/cwt.	1.37	2.19	1.66	2.40	1.28	2.74
Steers, \$/head	13.74	13.86	12.99	19.08	11.65	24.36
Heifers, \$/head	9.55	11.08	11.56	12.08	8.88	13.95
FC futures/cwt.	71.95	81.86	83.97	88.10	86.84	85.48

\*Futures prices are included in the analysis to account for price variability over time.

last spring. Economic models don't explain that, but one may speculate that cattle feeders are shifting demand to lighter weights, or that many heavier Angus steers are moving outside of the auction market.

Differences by state vary in their significance due to thinner data from some auctions in one season or another. Angus steer premiums were strongest for fall 2001 in Missouri, Kentucky, Kansas and Montana, with Wyoming and California just below the national average (see Fig. 3). Relatively lower premiums in some states may be partially explained by above-average overall calf prices, or relatively higher-quality non-Angus offerings. States with fewer than three years of data are Missouri, 2001 only; New Mexico, 1999 only; Nebraska, 2000 and 2001; and Iowa, 1999 and 2000.

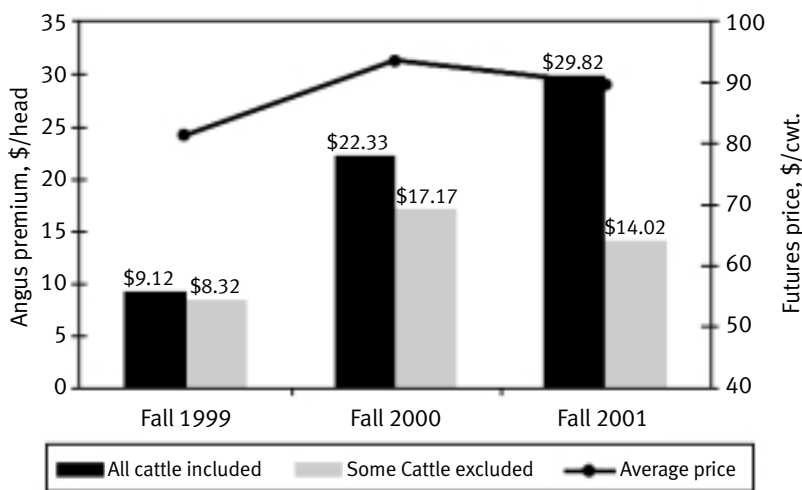
The map shows the model-predicted Angus premium/cwt. for a 500-lb. steer sold in the fall in each state contributing data.



## Comparing breed differences

Kansas State University economist Kevin Dhuyvetter, along with Extension agents Jody Holthaus and David Hallauer, has been tracking breed differences at a Jackson County, Kan., auction market as part of a continuing study on the effect of special calf sales. Those results show a similar upward trend in premium for "black and black white-faced" calves, both steers and heifers, over other cattle. At the average weight of 565 pounds (lb.), the data on 285 lots show an increasing premium over all other cattle, and a stable premium over other cattle, excluding outliers such as Holstein and Longhorn crosses.

**Fig. 4: Premium for black and black white-face vs. other cattle**



**Fig. 3: Model-predicted Angus premium/cwt. for a 500-lb. steer sold in the fall in each state contributing data**

