Here's THE Premium!

Just being the right breed makes calves top the market.

Story by
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You raise Angus and Angus-cross calves, and your auction-market manager knows it. He's discovering that, everything else being equal, your steer calves should bring about $2.75/hundredweight (cwt.) more than your neighbor's non-Angus calves. Your calves command that hike in starting bid price and the active buyer participation that follows. If you add positive information value, that premium can only rise.

The second installment of a Certified Angus Beef (CAB) Program market-research project shows a $2.74/cwt. average premium for 450- to 550-pound (lb.) Angus steers. Angus heifers of that weight went for $2.19/cwt. more than the non-Angus calves of the same sex and weight at nine auction markets across the United States.

The American Angus Association's genetic database shows the way to produce calves with yearling performance and grade potential that also deliver pounds at weaning, so that no other breed type holds an advantage in other areas of calf value.

With the increase in historic premiums paid for *Certified Angus Beef*™ carcasses and the growth of demand from Feedlot-Licensing Program (FLP) partners, Angus calves are hot property. Both of those demand drivers are relatively new; their effects on calf price are still growing. Word spread like wildfire when a January consignment of four-weight Angus steers in Nebraska brought $1.42/lb. at auction.

It's nice to be the seller of premium calves in a runaway bull market, but you need to know what you can plan on from year to year. The CAB Program's nationwide "Here's the Premium" study is tracking price differentials between Angus steers and heifers and representative "other" cattle of the same sex and weight class at several auction points over time.

Findings

Last August this research report listed a $2.11/cwt. steer and a $1.51/cwt. heifer premium for Angus seven-weight cattle at seven auctions last spring. Building upon that data on 12,444 cattle, the CAB Program added two auction points and gathered data on a total of 17,294 calves sold last fall in 676 lots.

The study relies on the cooperation and sworn statements of auction-market managers. They stipulate the breed type, sex, weight, price and representative nature of each consignment reported. Market managers are asked to keep muscling, frame, health and other non-breed factors constant in reporting prices for five consignments of at least five head each for both steers and heifers, Angus and non-Angus, of the specified weight. However, as in all auction-market studies thus far, human judgment is involved.

Auction markets in California, Iowa, Kansas, Kentucky, Montana, Nebraska, New Mexico, South Dakota and Wyoming reported prices on a total of 9,045 Angus calves and 8,249 other calves sold in October and November 1999. The study dealt with records on 9,295 steers and 7,999 heifers in the 450- to 550-lb. bracket. Kansas State University Extension economist Kevin Dhuyvetter continues in his role of analyst on the project.

The heavier feeder cattle prices will be compared again this spring, with results reported in the September 2000 issue of the *Angus Beef Bulletin*. As the database grows, more comparisons can be made, Dhuyvetter says. Some apparent differences in the early data may be random chance, while others will emerge as distinct trends over time, he adds.

Current statistics

In the current data, the greatest differences were seen in the maximum reported price at any auction for Angus vs. non-Angus heifers, an $11.30/cwt. Angus premium. But the lightest Angus weighed 60 lb. less than the lightest non-Angus. The maximum premium advantage for steers was $4/cwt.

In both cases, however, non-Angus minimum prices held a $2-$3 advantage. That was not the case in last spring's feeder-cattle sales, however, and time will tell whether it is significant in calves. If there are both higher highs and lower lows for Angus vs. other cattle, that would indicate a greater spread in perceived quality of the Angus offering. The difference in steer and heifer prices was greater for Angus than non-Angus calves and, as expected, much greater at the lighter weights.

Regional differences showed a Corn Belt advantage, perhaps because of the abundant corn harvest last fall. Nebraska, Iowa and South Dakota reporting points led in price premiums for Angus, with New Mexico, California and Kentucky at the other extreme in terms of actual dollars. It is important to note that while drought lowered prices in those three states, Angus calves still maintained about the average premium advantage to non-Angus.

Auction managers recorded comments such as "plain," "fancy," "fleshy" or "thin," but Dhuyvetter points out these cannot yet be taken into account in price analysis because of uncertain definition and application. "One manager may call a lot of calves 'plain' while the same kind of calves go through a couple of states away without comment." That points out a further need for refining the methodology in collecting data in this ongoing study. Auction managers will receive standardized definition suggestions before more data are gathered, and additional measures will be considered to measure the value of information accompanying Angus calves.

[Tables and figures follow on next page.]

Figure 1: Steer price by weight and breed

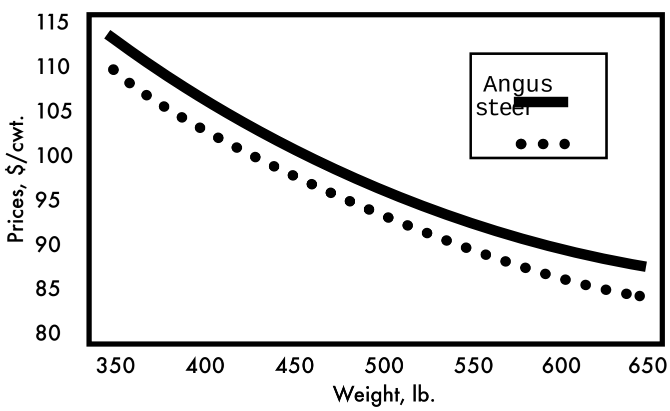

Figure 2: Heifer price by weight and breed

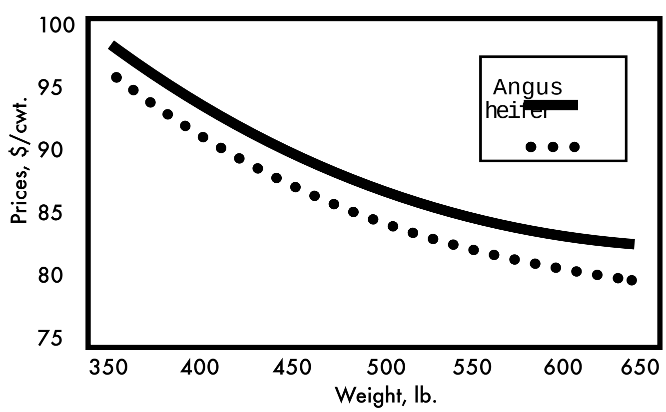

Figure 3: Price advantage of Angus over Other, by sex

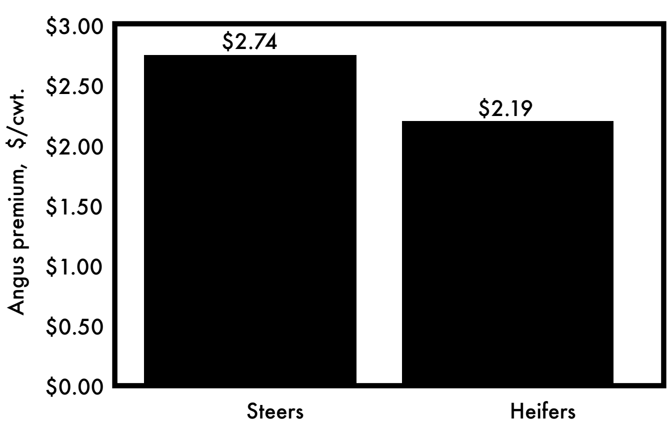

Table 1: Summary of prices ($/cwt.) by sex and by breed for lots sold by auction in October

Variable	Lots	Mean	Min.	Max.
"Other" heifer price	169	82.78	69.00	93.50
Angus heifer price	166	85.47	66.85	104.80
"Other" steer price	175	91.16	77.00	108.00
Angus steer price	166	94.25	73.75	112.00
Heifer price	335	84.11	66.85	104.80
Steer price	341	92.66	73.75	112.00
"Other" price	344	87.04	69.00	108.00
Angus price	332	89.86	66.85	112.00

Table 3: Total number of steers vs. heifers and Angus vs. Other, by month

	Oct.	Nov.	Total
Steers	4,359	4,936	9,295
Heifers	3,644	4,355	7,999
Total	8,003	9,291	17,294
Angus	4,069	4,976	9,045
Other	3,934	4,315	8,249
Total	8,003	9,291	17,294

Table 2: Parameter estimates from Iowa Angus steer base*

Variable	Estimated difference
California	-7.99
Kansas	-3.85
Kentucky	-7.56
Montana	-5.00
Nebraska	0.66
New Mexico	-11.79
South Dakota	-0.16
Wyoming	-1.84
Non-Angus steer	-2.74
Non-Angus heifer	-2.19**
November	2.28

Source: CAB Program, K-State analysis

* The base animal is an Angus steer marketed in Iowa during October. The different state parameter estimates and the estimates for non-Angus steer and for November represent the difference in price relative to the base animal. For example, a non-Angus steer in Kansas brought $6.59/cwt. less than an Angus steer in Iowa, all else equal (month, weight, lot size, etc.). On average, calves sold in November brought $2.28/cwt. more than those sold in October.

** The estimated price difference between an Angus heifer and a non-Angus or "other" heifer is $2.19/cwt., but the difference between steer and heifer prices varies by weight (see graphs).