

Here's *the* Premium

Angus feeders still lead the pack.

Story by
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If your feeder cattle are clearly Angus-based, they're worth an average of \$10-\$20/head more than non-Angus cattle in similar condition. That's according to the growing "Here's the Premium" database on sales of more than 75,000 cattle in 3,194 lots across 10 states. Actual values depend on where you sell, with the lower per head Angus premiums for heifers in some states and the higher premiums for steers in areas where most of the available cattle are Angus.

The average premium for known Angus influence actually fell slightly in comparison with two earlier spring surveys (see graphs), but that's in the face of higher overall cattle prices. The premium may vary from region to region and from year to year, but it's statistically significant across all regions and over the three years of the study, says Kevin Dhuyvetter, the Kansas State University agricultural economist who serves as analyst for the project.

Market managers in California, Iowa, Kansas, Kentucky, Montana, Nebraska, Oklahoma, South Dakota and Wyoming cooperate with the Certified Angus Beef LLC (CAB) Industry Information Division in the long-term study of relative value.

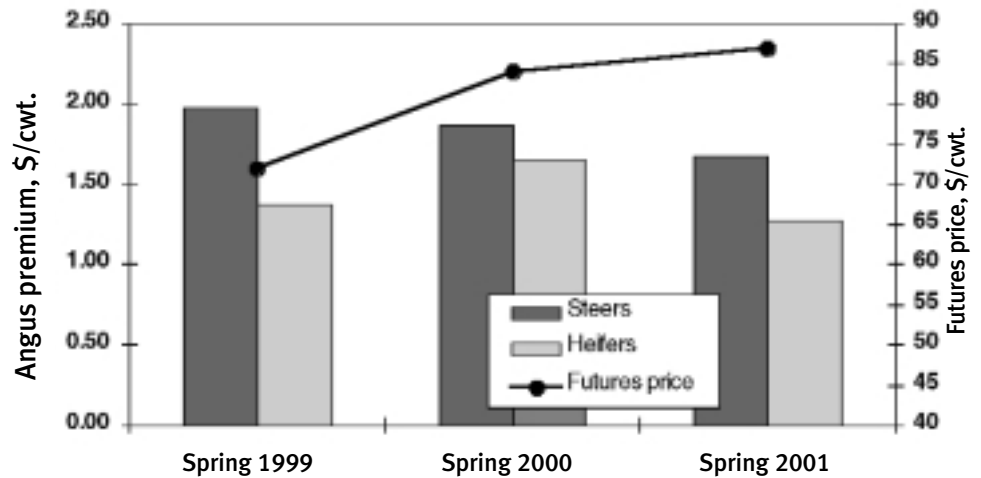
The participants report breed type, sex, weight and price of Angus vs. non-Angus steers and heifers in two weight classes. They are asked to keep muscling, frame, health and other nonbreed factors constant in reporting prices for five consignments of at least five head each.

Spring 2001 records show a \$1.67/hundredweight (cwt.) advantage for steers of known Angus genetics weighing 650-750 pounds (lb.), compared to steers representative of other breed types sold in auctions from February to April in 333 lots. For heifers, the advantage was \$1.28/cwt. on 337 lots.

The project also tracks values of lighter, 450- to 550-lb. calves in the fall. The added value for Angus steer and heifer calves in fall 2000 was a project-record high of \$3.79/cwt. and \$2.40/cwt., respectively. The markets for this weight class will be revisited in the coming months.

A casual observer may see negative price news in the spring 2001 Angus feed-

Price difference between Angus and Other



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er steer premiums, but Dhuyvetter says not to worry. "With only three data points [1999, 2000 and 2001], you can't call a trend. Intuitively, you wouldn't be surprised to see the premium for better cattle drop in a stronger overall market.

"When times are good, people are willing to pay higher prices for everything and won't discount poorer cattle as much. On the other hand, when there are plenty of cattle and prices start to fall, people

will notice quality differences and discount a lot harder."

It's too soon to say if Angus heifer premiums are retaining relatively more strength than their steer counterparts. "If it is a real trend, it could be because of the Angus heifers' added value as replacements in commercial cow herds that, other studies show, are becoming more Angus-influenced," he says.

After three years of tracking price dif-

ferences for Angus vs. other cattle at auction, Dhuyvetter says the main point he sees is the fact that Angus have consistently been worth more. "The premium isn't going away — it got bigger, it got smaller — but it's definitely real over time. And time continues to tell how much it is."

Consider the math bidders may use to justify higher bids: Nearly 30% of black and Angus-sired calves in the CAB carcass database achieve *Certified Angus Beef*® (CAB®) acceptance. That percentage multiplied by a 750-lb. carcass, multiplied by a \$4/cwt. CAB premium, equals \$9/head. Factoring in the variable but typically strong Choice-Select spread provides ample logic for bidding more for the known Angus cattle.

Dhuyvetter uses historical futures-market prices to standardize and to compare premiums over time, but there are challenges in trying to compare the calf-price trends with that of the heavier feeder cattle, he notes.

"Last fall we had a huge premium for Angus steers over non-Angus, but now we appear to be back in line with the consistent \$12 to \$13 per head average premium that we've seen overall," he says. It remains to be seen if Angus calves will maintain the stronger premium over other calves this fall in the face of continuing strong demand for all calves.

While prices are tabulated with dollar-per-hundredweight data, Dhuyvetter says per head figures are easier to compare over all reporting periods, spring and fall (see graphs). Again, he emphasizes there aren't enough annual observations to cite trends from these premiums, only their persistence.

Table 1: Model-predicted average Angus premium, by state, based on 700-lb. steer, spring 1999-2001 data

	Angus steer price, \$/cwt.	Angus premium	
		\$/cwt.	\$/head
California	93.49	2.46	17.22
Iowa	96.19	1.67	11.69
Kansas	95.94	2.16	15.12
Kentucky	93.00	0.96	6.72
Montana	93.80	2.02	14.14
Nebraska	98.31	3.53	24.71
Oklahoma*	99.48	0.69	4.83
South Dakota	96.11	1.35	9.45
Wyoming	96.07	1.88	13.16

*2000-2001 data only.

Geographic trends are still emerging (see Table 1 and sidebar); and outside factors, such as weather and competing cattle, can skew prices at any single point.

"We have to remember the 'other' steer is always different, and an Angus steer in Kentucky may not be the same as an Angus steer in Montana," Dhuyvetter points out. "The Iowa Angus premium remains strong, but it wasn't that strong last fall. Could that be due to competition from other high-quality, local farm-raised calves?"

After three years of spring price data on yearlings, the report shows the most consistent premiums were in California, Kansas, Montana, Nebraska and

Wyoming. Other reporting points have had both smaller and larger Angus premiums and differences by sex.

An Oklahoma report showed higher premiums for Angus heifers than steers, perhaps because of demand for replacement breeding stock. A Nebraska cooperator has turned in some of the highest reported premiums, but with the added note, "It's hard to find enough good non-Angus cattle for comparison."



See next page for the sidebar titled "More than just 100% black"

More than just 100% black

The Angus difference was obvious in Superior Livestock video-auction prices throughout last year, according to studies commissioned by Pfizer Inc. to quantify values on 4,727 lots of calves (see Table 2) and feeder cattle (see Table 3).

The previous year's data had shown a \$3.88/hundred-weight (cwt.) premium for the umbrella category "Angus, black or black whiteface" calves over "non-black with ear." Colorado State University research associate Mike King refined that for the 2000 data by adding a "primarily Angus" breed class.

Only calves identified as both "black" and "Angus" in the "cow herd" and "sire" fields were allowed in the category. "I had to be sure — if calves were listed as sired by Angus bulls out of black whiteface cows, they didn't make it to 'primarily Angus' because I couldn't be sure of the cow breed background," King says.

With those restrictions, 176 calf lots sold at the highest breed average, \$5.47/cwt. above "cattle with ear," and even \$1.36/cwt. above "black or black whiteface" calves.

King had seen individual Angus lots that appeared to have sold well, but he didn't know if it would hold up to analysis. "I was surprised that the cattle we know to be at least 75% pure Angus consistently sold higher than all other classes."

Classifying Superior Livestock lots by specific breed was a challenge, King says, because of the variation in how the information is recorded. Many lots are described only by color with no breed names given, often with a percentage of "blacks" listed, he says.

"I decided to define a lot as black or black whiteface if I could be sure that at least 90% of the calves in the lot were black but could not determine the exact breed composition. Many of those lots were 100% black, with common phrases such as 'all black-hided,' 'all black or black whiteface,' and '100% black.'" Indeed, black-hided cattle can be found in all of the breed-type classes for the 2000 data because lots were not allocated by color alone.

Superior Livestock data were compiled on yearlings, too (see tables), which revealed identical breed-class rankings but smaller per hundredweight differences. Note the same is true for regional premiums, consistently led by the Rocky Mountain and North Central area cattle.

Premiums are additive in the tables, so the most-valuable calves were primarily Angus steers in the Rockies and the North. Exact dollar differences are found only when all other factors are accounted for, however.

King explains, using a breed-type example: "If you have

two lots of calves that are the same in every way except breed [similar weight, same sex, sold in the same sale, from the same region of the United States, vaccinated the same, and so forth], you would expect, on the average, the primarily Angus calves would bring \$3.46 per hundred pounds more than the mixed English, English-cross calves."

A key take-home message is that known Angus calves are worth significantly more than calves that are obviously 100% black but of unknown breed background, King concludes.

Table 2: Factors affecting the sale price of beef calves sold through 13 Superior Livestock video auctions from April to November 2000^a

Factor	No. of lots	Avg. sale price (\$/cwt.)	Avg. difference (\$) ^b
<i>Sex of the lot</i>			
Heifers	962	92.65	0.00
Steers	1,444	100.64	7.99
<i>U.S. region of origin^c</i>			
West Coast	390	96.66	4.18
Rocky Mountain/North Central	1,268	100.60	8.13
South Central	487	96.83	4.36
Southeast	261	92.47	0.00
<i>Breed description of the lot</i>			
Mixed English, English crosses ^d	247	95.88	2.01
English-Continental crosses ^d	1,186	96.13	2.27
Black, black whiteface	217	97.98	4.11
Primarily Angus	176	99.34	5.47
Cattle with ear	580	93.87	0.00

Table 3: Factors affecting the sale price of beef feeder cattle sold through 16 Superior Livestock video auctions from January to September 2000^a

Factor	No. of lots	Avg. sale price (\$/cwt.)	Avg. difference (\$) ^b
<i>Sex of the lot</i>			
Heifers	1,053	81.33	0.00
Steers	1,268	86.57	5.24
<i>U.S. region of origin^c</i>			
West Coast	328	83.36	0.73
Rocky Mountain/North Central	324	85.65	3.02
South Central	1,407	84.18	1.56
Southeast	262	82.62	0.00
<i>Breed description of the lot</i>			
Mixed English, English crosses ^d	124	83.30	0.94
English-Continental crosses ^d	857	83.61	1.26
Black, black white face	100	85.03	2.67
Primarily Angus	68	85.46	3.10
Cattle with ear	1,172	82.36	0.00

^aMean base weight of all calf lots was 539.6 lb.; mean base weight of all feeder-cattle lots was 745.2 lb.

^bDifference from the 0.00 base in each data factor group.

^cStates in the region of origin were: **West Coast:** Washington, Oregon, California, Idaho, Nevada and Utah; **Rocky Mountain/North Central:** Montana, Wyoming, Colorado, North Dakota, South Dakota and Nebraska; **South Central:** Kansas, Oklahoma, Texas, Arizona and New Mexico; **Southeast:** Virginia, Kentucky, Tennessee, North Carolina, South Carolina, Arkansas, Louisiana, Mississippi, Alabama, Georgia and Florida.

^dLots of calves in breed class may have contained some black animals, but the lot was less than 90% black.