

Here's *the* Premium

Angus heifers set premium record as market advantage evidence grows.

Story by
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As the feeder market endured a jittery spring season with uncertainty spanning demand to drought, Angus cattle continued to demonstrate their advantage. The fourth consecutive year's spring data from a long-term comparative price study showed buyers paid \$2.31 per hundredweight (cwt.) more for 700-pound (lb.) Angus than for non-Angus feeders this spring.

Angus heifers in that weight class sold for a \$2.08 per cwt. advantage, or a record \$14.59 per head over non-Angus counterparts.

The largest Angus premiums recorded for the spring marketing period followed record-high Angus premiums for calves last fall (\$4.79 per cwt. for Angus steers). Certified Angus Beef LLC (CAB) began to track relative calf values in 1999 to focus on known Angus-based genetics. "Here's the Premium" market studies rely on cooperating 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, 700-lb. cattle in the spring and 500-lb. cattle each fall. They keep muscling, frame, health and other nonbreed factors

Table 1: Angus premiums and feeder-cattle futures price* by reporting period

Averaged over three years, the study has recorded stable-to-increasing premiums for 500- and 700-lb. Angus cattle in spring and fall auctions since spring 1999.

Reporting period:	Spring '99	Fall '99	Spring '00	Fall '00	Spring '01	Fall '01	Spring '02	3-Year Premium Summary Average		
								Spring	Fall	Overall
Avg. wt.	695	506	698	503	696	509	702	—	—	—
Steers, \$/cwt.	\$1.98	\$2.74	\$1.86	\$3.79	\$1.67	\$4.79	\$2.31	\$1.95	\$3.77	\$2.73
Heifers, \$/cwt.	\$1.37	\$2.19	\$1.66	\$2.40	\$1.28	\$2.74	\$2.08	\$1.60	\$2.44	\$1.96
Steers, \$/head	\$13.74	\$13.86	\$12.99	\$19.08	\$11.65	\$24.36	\$16.17	\$13.64	\$19.10	\$15.98
Heifers, \$/head	\$9.55	\$11.08	\$11.56	\$12.08	\$8.88	\$13.95	\$14.59	\$11.14	\$12.37	\$11.67
FC futures/cwt.	\$71.95	\$81.86	\$83.97	\$88.10	\$86.84	\$85.48	\$78.45	—	—	—

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

constant in reporting prices for five consignments each of at least five head.

Confirmation

Kansas State University agricultural economist Kevin Dhuyvetter, project analyst, says, "The spring 2002 data continue to strengthen what we have been saying all along: There is a real and continuing Angus premium every time, everywhere, regardless of weight or sex."

The latest results showed a per-head Angus steer premium of \$16.17 per cwt. for a 702-lb. calf, the average weight reported in the calf data at auctions in March and April 2002. The previous top Angus steer premium for spring feeder sales was \$13.74 per cwt. in 1999. Dhuyvetter

says there are too few years to plot actual trend lines, but after the premium appeared to fall slightly in 2000 and 2001, to below \$12 per cwt., the premium bounced significantly higher this year amid market uncertainty.

The Angus heifer premium was \$0.80 per cwt. greater than the low mark (the \$1.28 per cwt. Angus advantage recorded the previous spring). Except for that dip, the per-head premium for Angus heifers has grown steadily over four years, since the baseline of \$10.48 per head in spring 1999. The spring 2002 data encompasses the sale of 16,132 cattle in 664 lots and brings the total database to sales of 106,320 calves in 4,573 lots.

Other factors

As you might expect, higher-volume sales generate higher premiums. Project data indicates an auction with 1,000 head higher overall volume commands an additional \$1.32 per cwt. for all calves compared to those sold at smaller auctions.

Larger lots bring premiums, too. With a range from 1 to 210 head last spring, the average sale lot was 24.3 head. Those who could sell 100 head in a lot found a \$2.34 per cwt. premium compared to 25-head lots, Dhuyvetter notes.

While this study continues to point out the advantage of known Angus genetics in an increasingly knowledge-based market, producers vary in their definitions of "premium," says Laramie, Wyo., breeder Gary Parker, Shamrock Angus.

"A producer may sell calves for 10¢ more than his neighbor's calves, but come home and say he didn't get a premium," Parker comments. "He has to ask, 'premium compared to what?' Sure, you want a nickel more, but you have to recognize the premiums that are out there."

Too many "black exotics" still pull a premium based on speculation, Parker admits. "But when you start hanging them on the rail, you know you should have made sure there was more Angus in there than anything else.

"Right or wrong, more and more cattle will be sold on the grid, and that will start to eliminate the speculation," he continues. "When you put the black exotic into your herd you may get a 10-pound quick fix, but you will pay for it at the market when you can't produce the information that confirms they are truly Angus-type calves that will grade."

Figure 1: Price difference between Angus and other, spring 1999-2002

As futures sagged, the market advantage of Angus over other cattle became more obvious in auction markets across the country.

