

# Angus Genetics Pay

*Spring CAB auction market survey reveals Angus-based genetics add record value.*

Story by  
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High-percentage Angus steers and heifers posted record values at auction for the second consecutive spring, while their owners pocketed an extra \$31 per head. That's according to the Spring 2006 Certified Angus Beef LLC (CAB) "Here's the Premium" (HTP) long-term comparative price study, which has compared Angus-based feeders to their non-Angus counterparts at the same sales and dates since 1999.

In the last session, per-head Angus premiums edged out previous records to set new marks, and the per-hundredweight (cwt.) premium for Angus heifers blew past the previous high level from Fall 2004 (see figs. 1 and 2). Across 15 reporting periods, including eight spring seasons, all but three reports have revealed some new record for the Angus price advantage at auction. Overall, the premiums have approximately doubled during the span of the HTP study.

Buyers paid greater premiums for larger lots, as usual, but it was more pronounced this spring. "We've

had optimal lot size larger than this [147 head]," comments Kevin Dhuyvetter, Kansas State University (K-State) agricultural economist and project analyst. "But this period saw the highest premiums for largest lots so far." (See Fig. 3.)

When compared to steers representative of other breed types, Angus steers weighing 699 pounds (lb.) returned an extra \$4.67 per hundredweight (cwt.), or \$32.63 per head. Angus heifers weighing 687 lb. were worth an additional \$4.28 per cwt. vs. their non-Angus counterparts, or an extra \$29.40 per head. During the months of the spring 2006 study, feeder cattle and live cattle futures prices were trending down.

The spring 2006 data set included 721 lots of cattle totaling 14,254 head marketed through 10 auction markets coast-to-coast in late February, March and April. Overall, the database includes 10,274 lots representing 226,232 head of cattle. Project-to-date data reveals an average \$3.45-per-cwt. (\$20.39 per head) price advantage for Angus steers and a \$2.67-per-cwt. (\$15.85 per head) edge for Angus heifers.

The CAB study focuses on the value of known Angus-based genetics with the assistance of livestock auction markets in California, Colorado, Kansas, Kentucky, Missouri, Montana, Nebraska, Oklahoma, South Dakota and Wyoming. Managers are asked to note breed type, sex, weight and price of known Angus vs. non-Angus steers and heifers. They're asked to keep muscling, frame and other nonbreed factors constant as much as possible, and are encouraged to report any known preconditioning factors. Fall reports are for calves that weigh approximately 500 lb., while spring reports deal with seven-weight feeders.

In the spring study, any lots identified as having had "shots" or having been "weaned" were categorized as "preconditioned." These calves earned premiums of \$2.09 per cwt., according to Dhuyvetter. Not surprisingly, calves designated as "natural" also drew higher prices for their class and weight.

## Natural niche

Natural meats are one of the

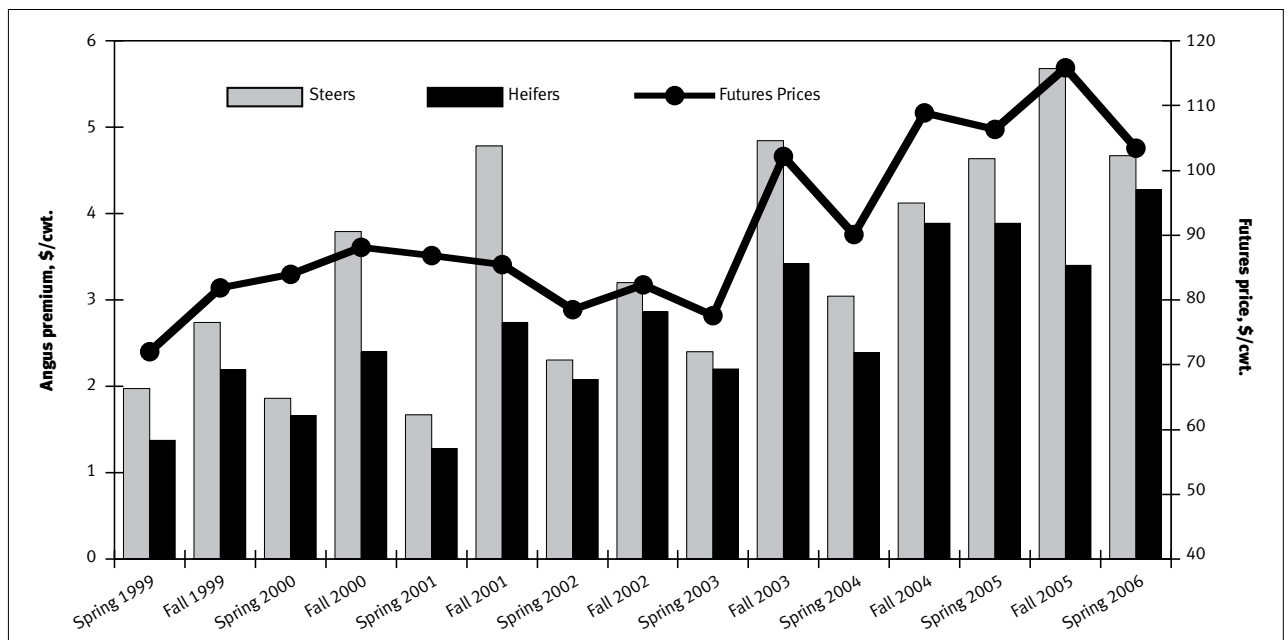
fastest-growing segments in today's retail grocery market. In fact, *Cattle Buyers Weekly* says the "natural" beef segment is almost a \$1 billion niche of the U.S. beef industry, and it continues to grow.

An auction market owner in Wyoming says producers there have offered more natural-based cattle during the last three years. Customers occasionally noted a "natural" status of calves going back 10 years or more, but until recently, "the natural people didn't pay the producer enough to do it." Now, that's changed, he says. "There's been more demand, and they're willing to pay for the product."

He continues, "Last spring when the market got tough here, we saw a big spread on certified, all-natural cattle — anywhere from \$3 per hundredweight to \$10 per hundredweight in premiums." But this market owner also shares, "Consistently, on average, the Angus cattle are going to outsell the other breeds the majority of the time. I would say there is more demand for the black Angus cattle overall, and also in the natural segment."

**Fig. 1: Price difference between Angus and other, 1999-2006**

Spring 2006 premiums paid per head for high-percentage Angus cattle were the largest yet in the CAB HTP study, even though futures trended lower.



The “natural” production system may be the latest means for producers to add value to their products without adding much cost, says Mark McCully, CAB’s director of Supply Development. Last winter, the brand broadened the scope of its presence in that market by licensing new packers. *Certified Angus Beef*<sup>®</sup> (CAB<sup>®</sup>) Natural meets all of the brand’s quality standards and is source-verified by an affidavit that calves have never had implants, antibiotics or animal-derived feed. Tyson Foods Inc. and Favored<sup>®</sup> Beef are CAB-licensed plants producing for

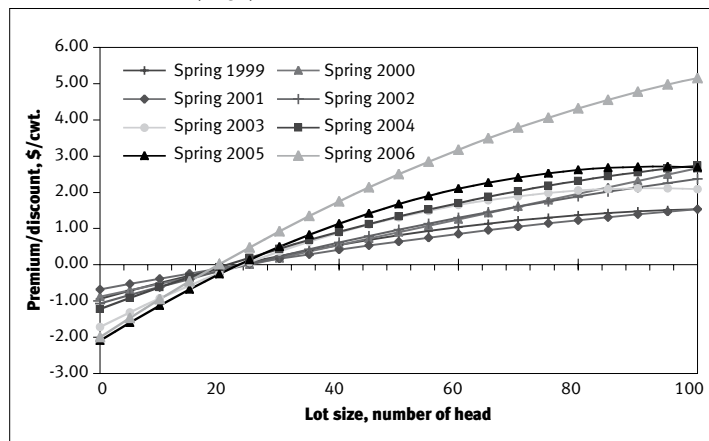
this rapidly growing niche, which Greg Lardy believes “is likely not a bubble or blip that will go away.”

Lardy, of North Dakota State University’s Animal and Range Sciences Department, says, “We are on the verge of the retirement of the baby boomer generation. This generation typically is concerned about health issues and has plenty of disposable income to spend on food, especially food they believe to be healthy.”

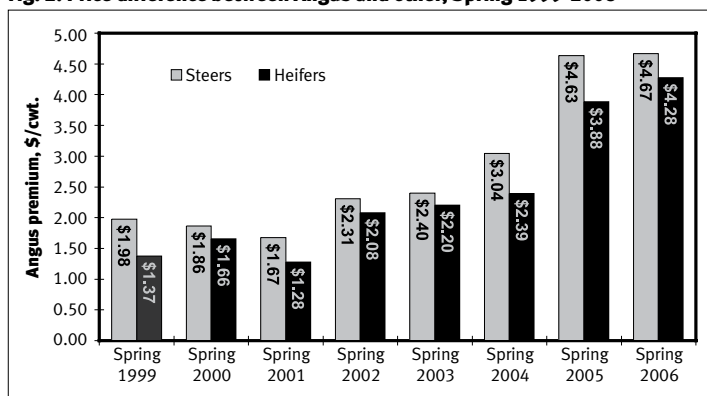


**Fig. 3: Price vs. lot size, Spring 1999-2006**

In Spring 2006, buyers paid the highest premiums ever recorded in the CAB HTP study for larger lots of feeder cattle. The spring optimal lot size was 147 head.



**Fig. 2: Price difference between Angus and other, Spring 1999-2006**



**Fig. 4: Price difference per head between Angus and other, 1999-2006**

