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by **STEVE SUTHER**, *Certified Angus Beef LLC*

In best or worst of times, Angus cattle hold their value

We've been tracking the price paid for straight Angus steers and heifers compared to non-Angus since 1999. That goes back to the decade when the value-based or grid market was emerging for finished cattle.

Those who finished their calves and sold on the grids were happy to see the \$20- to \$30-per-head premium for any accepted for the *Certified Angus Beef*® (CAB®) brand. Some were motivated

enough to find out how to get more than the average 17% to qualify and thus earn more premiums.

However, then as now, most commercial Angus producers did not participate in the finishing phase. They often asked CAB staff, "Where's my premium?"

Finding the premium

That's when we decided to research the question, working through a network of a dozen cooperating auction markets across the United States on a project dubbed, "Here's the Premium." From the start, Angus calves were shown to bring as much or more premium to the

ranch as eventually to the feedyard level.

Of course, then as now, most producers didn't know what share of their calves were likely to qualify for the brand — some had just recently learned it took more than a black hide. All we could learn by survey was what premium, if any, buyers were paying for known Angus over non-Angus based on overall merit. That would include the buyers' estimate of what premiums the calves could earn for their last owner.

In exchange for a stipend, auction managers agreed to report prices for five groups each of steers and heifers they personally knew were straightbred Angus, along with the same number of similar-quality non-Angus calves.

Like any true research, we didn't know results in advance. An Angus premium was not automatic then as now. On some days at some markets, depending on the cattle, sellers and buyers, Angus did

not earn a premium for both steers and heifers. On average, they have earned a premium over non-Angus in each of the 22 surveys that encompass data on 330,530 cattle in 15,346 lots.

For eight years, HTP operated twice each year, tracking five-weight calf prices in the fall and seven-weight feeders in the spring. Since 2008, it has monitored prices every other year for spring-born calves sold in the fall.

What the data indicate

As the Feeder Cattle Futures line on the historical bar chart (Fig. 1) shows, the market fell from record highs in 2014 in a steep dive to last fall's low.

The relative demand for quality and premium bids for Angus calves fared better. It pays to use Angus genetics in any market. The difference in calf prices between those two years is very wide, at 56%, but the rate of decrease in the

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Fig. 1: Price difference between Angus and other

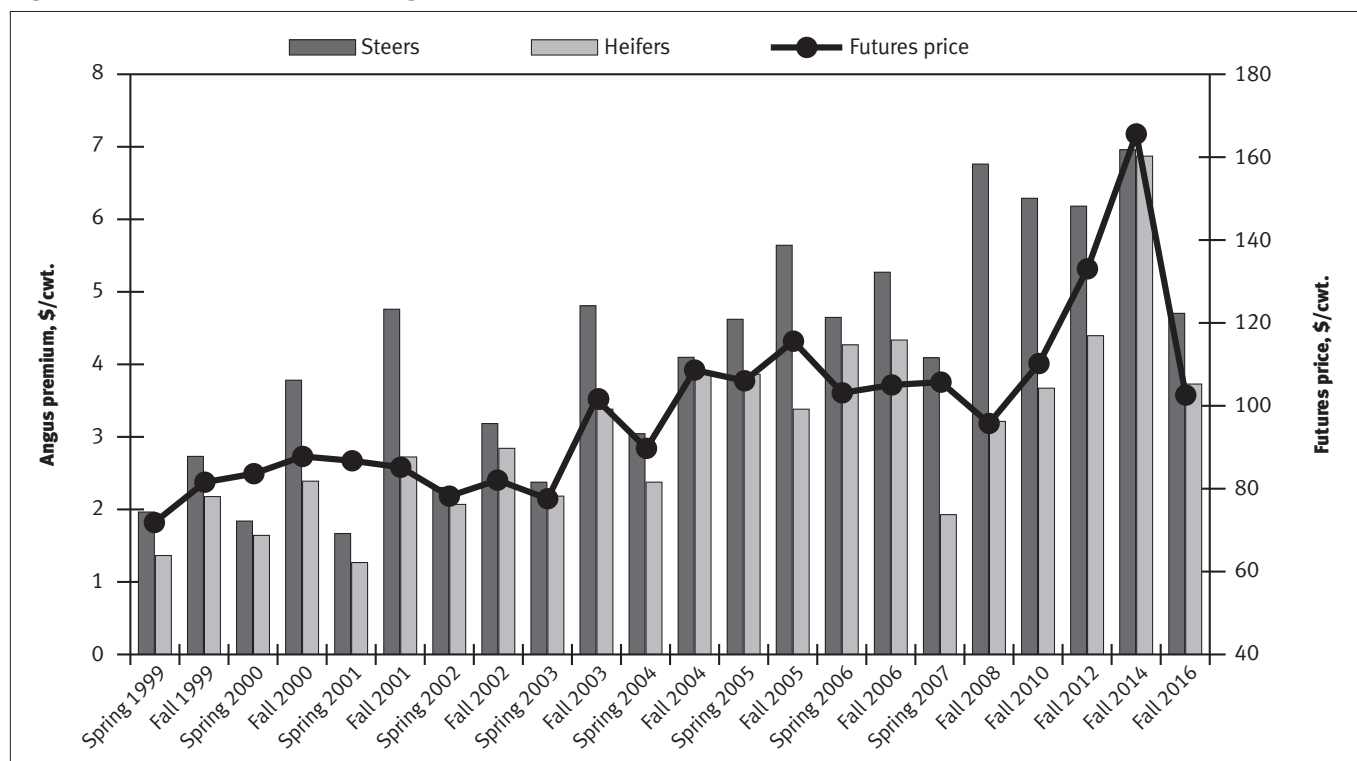


Fig. 2: Price difference between Angus and other

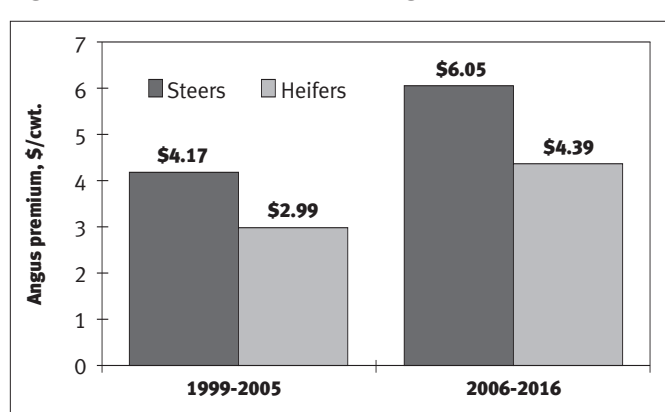
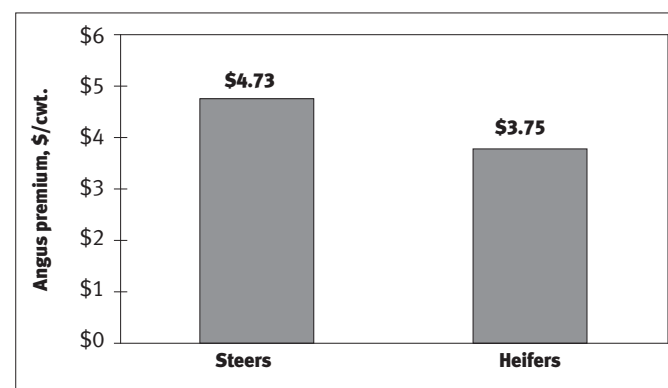


Fig. 3: Price difference between Angus and non-Angus steers and heifers



Angus premium was less than the overall feeder-cattle price decline.

Feeder-cattle futures lost nearly half of their value in that time, with a 48.3% drop, while the premium for Angus over non-Angus five-weight steers targeted in HTP surveys fell back just 32.2%.

Auction prices for Angus heifers did not hold up as well as bids for their brothers. They still sold at a premium to non-Angus heifers, but that was 45.7% less than the 2014 record.

Last fall was a bearish market for virtually all heifers, as fewer producers were interested in buying replacements for breeding, two years after they'd paid the highest Angus heifer premium ever recorded in HTP, driven by rapid herd expansion.

Price projections for calves are part of the math used to calculate a maximum bid price when buying replacement heifers, according to Iowa State University livestock economist Lee Schulz. These are lower now than they were in the fall of 2015 and definitely the fall of 2014, and market psychology amid great uncertainty last fall likely affected bidders' projections for prices down the road.

"In 2014, I heard talk — and not just a little of it — of feedlots breeding heifers and selling them as replacements," Schulz said. "Heifers at that time made up the smallest percentage of total cattle on feed we've seen in the history of the data, going back to 1996."

In a market with such a demand for heifers, what a buyer is compelled to pay to meet goals is sometimes more than they are "willing to pay," he noted. All of that contributed to the high heifer price and record Angus premium two years ago.

Logically, the genetics and productive potential of those heifers improved by last fall, but fed cattle hit a low mark in October, and bearish sentiments ruled. Bidders lowered their expectations to worst-case scenarios, and Angus premiums returned to earlier trend lines.

That 2016 Angus heifer premium of \$3.75 per hundredweight (cwt.) over non-Angus does not compare well with the record \$6.89 per cwt., but it is only a couple of pennies less than the average Angus heifer premium for the 2008, 2010 and 2012 studies.

A regional look

Eleven auction markets across the country, from California to Kentucky and New Mexico to North Dakota, submitted data as part of the survey last fall that compared auction prices for more than 16,000 calves of known Angus vs. non-Angus genetics.

Angus steers and heifers averaging 568 and 557 pounds (lb.), respectively, brought a combined average of \$4.24 per cwt. premium over their non-Angus contemporaries with similar weights and condition, compared to nearly \$7 per cwt. in the historically high cattle market. The analysis model adjusts for variance and range of weights to identify Angus premiums independent of weight.

The premium during the last decade, from 2006 to 2016, has averaged \$6.05 per cwt. for Angus steer calves and \$4.39 per cwt. for Angus heifers. That's up from \$4.17 and \$2.99, respectively, for the first 14 surveys that began in 1999 (see Fig. 2).

Most of the markets from the original study are still providing data for the ongoing HTP project, which has involved 15 reporting partners in all. Over the

tenure of the study, California and Wyoming markets have consistently had the highest Angus premiums, and Missouri was among the top three states for Angus premiums last fall.

Some auction market managers commented that each year of this study becomes more difficult for them to find non-Angus-type cattle for which to report pricing data. That comes as no surprise, as

the percentage of Angus cattle in the U.S. beef herd continues to rise. Some markets have stopped participating because of this lack of non-Angus comparisons, but the 2016 survey of 11 markets was the largest number of locations in a single survey year.



Editor's Note: Steve Suther is director of industry information at Certified Angus Beef LLC.