

Here's the Premium

Angus value edge reaches seven-year high.

Story by

KIM KANZLER HOLT

Angus steer calves keep pushing the value envelope. Of course, prices were strong for all calves last fall, but 505-pound (lb.) Angus steers brought a \$5.68-per-hundredweight (cwt.) premium over non-Angus contemporaries. That's the highest premium rate to date in the Certified Angus Beef LLC (CAB) "Here's the Premium" (HTP) long-term comparative price study.

Known Angus-based heifers were also worth more — an additional \$3.40 per cwt., or \$17.04 per head — when compared to other-breed counterparts.

The premium for Angus heifers "backed down a bit," points out Kevin Dhuyvetter, Kansas State University agricultural economist and project analyst. The fall heifer premium still represents the third-highest fall premium since the program started in 1999. The highest premium paid for heifers, according to the HTP study, was the \$3.88-per-cwt. premium recorded in spring 2005.

The added value of known Angus-based genetics is the focus of the HTP study. Managers from 10 auction markets coast-to-coast report breed, sex, weight and price of known Angus vs. non-Angus steers and heifers. They keep muscling, frame and other nonbreed factors constant, reporting prices for five consignments of at least five head each.

Historical highs

This past fall's study included 730 lots representing 14,849 head of cattle, many selling at historical highs, especially the Angus cattle (see "Fall 2005 HTP field notes"). Feeder calves of all breeds tracked in the study averaged \$127 per cwt. That's in line with what Randy Blach, executive vice president of Cattle-Fax, predicted 550-lb. steer calves would average for the year. Blach made

his predictions while speaking in November to members of the Texas Cattle Feeders Association.

The Denver-based market analyst predicts the beef industry will experience more value differentiation, as already seen in the historically wider price spreads on all classes of cattle. Such variation creates opportunities for producers, he says. Those who can differentiate their cattle above industry averages are better positioned to capture additional premiums associated with higher value.

The wider average Choice/Select and Premium-Choice/Select spreads provide examples, Blach says. Cattle grading a higher percent Choice or Premium-Choice gathered larger premiums throughout the last three years, he points out.

Accordingly, seven year's worth of data from HTP shows that producers incorporating Angus genetics into their breeding programs experience added value. Furthermore, defined specifications for high-quality beef products enabled CAB to firmly hold 80% market share on the premium "Angus" beef market.

According to Steve Suther, CAB director of industry information, consumer demand for beef has translated to higher bids on the right kind of cattle. Since the *Certified Angus Beef*® (CAB®) brand was born in 1978, licensed packers have paid producers an estimated \$200 million in direct premiums related to CAB acceptance.

To qualify, cattle must have 51% black-hided Angus influence then meet eight carcass specifications. One of these, and the most limiting factor, is a USDA quality grade of average Choice or better. The incentive to buy the kind of high-quality Angus cattle that can hit the target has increased lately. Suther says 80% of the historical grid premiums — typically \$40 per head — have been paid within the last five years to producers of Angus cattle accepted for CAB.

Table 1: Sampling of sales of steer and heifer calves (450-550 lb.) in October and November 2005

Angus steers				
Date	Price/cwt.	Number	Weight	State
Oct. 19	\$159.50	25	450	Neb.
Nov. 16	159.00	24	459	Neb.
Oct. 19	156.25	32	484	Neb.
Nov. 2	155.75	90	473	Neb.
Nov. 16	155.50	35	470	Neb.
Nov. 18	154.75	32	456	Mont.
Nov. 2	152.50	23	475	Neb.
Oct. 19	152.50	110	461	Wyo.
Oct. 26	151.75	12	450	Wyo.
Nov. 21	151.25	14	460	S.D.
Nov. 2	150.00	40*	450	Wyo.
Oct. 19	150.00	58	488	Neb.
Angus heifers				
Nov. 2	\$150.00	40*	450	Wyo.
Nov. 21	147.00	15	483	S.D.
Nov. 16	141.50	27	462	Neb.
Nov. 16	141.25	28	470	Neb.
Nov. 16	139.00	43	478	Neb.
Oct. 5	138.00	12	458	Neb.
Nov. 7	138.00	76	488	S.D.
Oct. 24	136.50	30	499	S.D.
Oct. 24	136.50	20**	457	S.D.
Nov. 2	136.50	58	502	Neb.

*Natural.

**Fall shots.

Fall 2005 HTP field notes

Some of the highest prices paid, as reported in the fall 2005 Certified Angus Beef LLC (CAB) "Here's the Premium" (HTP) study, were for Angus genetics. Table 1 shows a sampling from sales reported in October and November for 450- to 550-pound (lb.) steer and heifer calves.

Auction market managers who participate in the HTP project are also encouraged to report any known pre-conditioning factors and to comment on the lots. Kevin Dhuyvetter, HTP project analyst, says lots that had a positive comment brought significant premiums [\$2.62 per hundredweight (cwt.)], while those with negative comments were discounted (-\$2.81 per cwt.).

Positive comments included weaned, preconditioned, shots and fancy. Negative comments included references such as not weaned, off cow, fleshy and thin. Dhuyvetter says, "The definition of these comments is quite subjective, but the results are statistically significant with the expected signs." One market reporter, commenting on a Nov. 18 sale, validates, "Cattle with shots and 'green' sold on a very active market. Unweaned, fleshy cattle were lower."

Dhuyvetter also notes that lots labeled as natural brought a positive premium, but it was not statistically significant. Premiums were associated with larger lots (optimal lot size was well more than 100 head), and prices were higher in November than October.

His data analysis revealed that, relative to the base state of Missouri, calves from Colorado, Kansas, Montana, Nebraska and Wyoming received higher prices; calves from California received lower prices. Kentucky and Oklahoma prices were not statistically different from Missouri.

Fig. 1: Price difference between Angus and other

The fall 2005 analysis showed that Angus steer calves earned the highest per-unit premium tracked thus far in the HTP study. They netted \$28.68 per head — \$5.68 per cwt. — more for their owners vs. other breed contemporaries. Seven years of HTP data include 9,469 lots representing 210,788 head of cattle. It reveals an average \$3.43-per-cwt. (\$19.70 per head) price advantage for Angus steers and a \$2.68-per-cwt. (\$15.54 per head) advantage for Angus heifers vs. feeder cattle of other breeds. Calves weighing 450-550 lb. are tracked in the fall study, while heavier 750-lb. feeders are tracked in spring.

