

# Here's the Premium!

*Angus calves command highest weekly auction prices across America.*

BY STEVE SUTHER

Angus steers sold nearly 4% higher than other steers last fall in a continuing and growing trend. Angus-influenced cattle have increased in relative value throughout the last decade as Certified Angus Beef LLC (CAB) has built demand at the dinner plate and brought it home to producers.

The Angus advantage at auction is tracked by a CAB long-term relative-value study of cattle sales at 10 markets from Kentucky to California. In the latest results, premiums for 503-pound (lb.) steer calves of known Angus background in October and November grew by \$1.05/hundredweight (cwt.), compared to the previous year, to reach an average of \$3.79/cwt. above similar non-Angus steers. The Angus heifer premium grew to \$2.40/cwt. In all, the fall data encompasses the sale of nearly 12,000 calves in 632 lots.

The per-head premium for Angus heifers has grown steadily with each data set over two years, from \$10.48/head in spring 1999 to \$12.08/head for fall 2000. The per-head premium for Angus steers had dipped slightly from its initial \$14.64/head in spring 1999 to \$13.86/head, then \$12.99/head before its strong upward surge this past fall to a \$19.08/head Angus advantage (Figs. 1 and 2).

Two years of data cannot support much trend analysis, points out Kevin Dhuyvetter, Kansas State University Extension economist. But with the exception of those significantly higher prices for Angus steers last fall, it appears buyers will pay about the same per-head premium for Angus regardless of season.

"The larger fall Angus premium on a per-hundredweight basis is mainly driven by

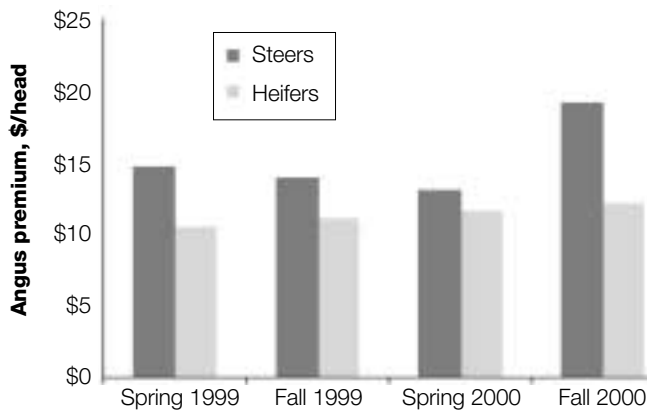
lighter weights," Dhuyvetter says.

Auction market cooperators in the project report sex, weight and price of known Angus vs. non-Angus steers and heifers in two weight classes — 500-weights in the fall and 700-weights in the spring. They are asked to keep nonbreed factors constant in reporting prices for five consignments each of at least five head. The overall data set now includes information on the sale of 58,000 cattle sold in 2,476 lots in 10 states.

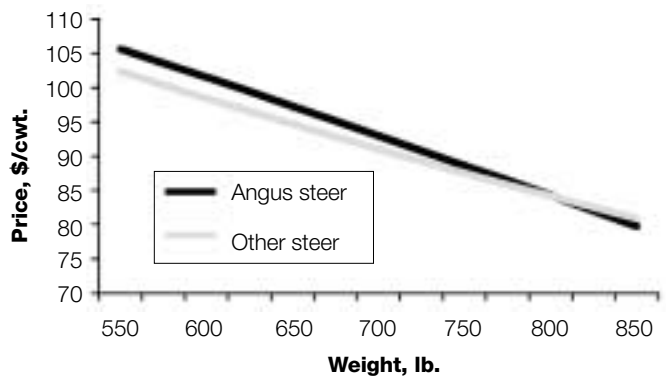
Dhuyvetter estimated a model for this entire data set using breed, sex, weight, location and feeder-cattle-futures prices to explain auction prices. Feeder-cattle-futures price was included in the model to account for price variability over time.

"To explain price variability between pens of cattle, we have to take out the effect of overall price variability over time," he

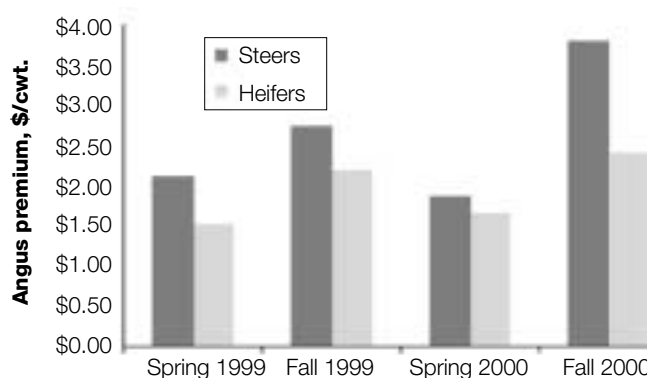
**Fig. 1: Price premium of Angus vs. Other**



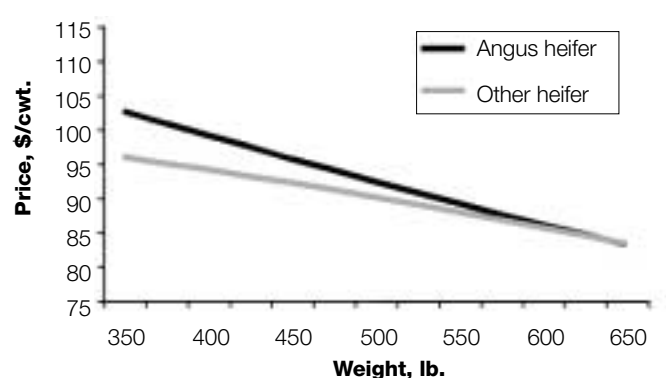
**Fig. 3: Spring steer price vs. weight and breed**



**Fig. 2: Price premium of Angus vs. Other**



**Fig. 4: Fall heifer price vs. weight and breed**



explains. "It's similar to adjusting data for inflation." The estimated model accounts for 89% of price variation between lots of cattle over the four reporting periods. "As we gather and look at more data, we have more confidence that the model shows a true price relationship."

When uniform Angus calves sell in volume, producers reap rewards.

"We have consistently found that larger lot sizes bring premiums relative to small lot sizes," Dhuyvetter says.

Of course, steers consistently bring more than heifers in all weight and breed classes. However, premiums for relatively heavy Angus heifers over other breeds tend to fade in the fall. With steers, there is less seasonal effect with respect to premiums for Angus cattle, and it is more evident in the spring, Dhuyvetter notes (Figs. 3 and 4).

While premiums are not constant for all

weights and classes, Dhuyvetter's model can be used to predict current market prices for any weight Angus vs. comparable "other" cattle (see Table 1).

For example, 425-lb. Angus heifers sold in the fall should bring \$97.23/cwt., which is \$4.23/cwt. more than the value of other heifers for that season. A 650-lb. steer sold in the spring should bring \$97.30/cwt., compared to \$94.67 for its non-Angus counterpart.

Differences by state are gradually taking shape, but they vary in significance due to thinner data from some auctions in one season or another. The northern Corn Belt, with its plentiful feed supply, continues to show a regional price advantage over, in descending order, Kentucky, California, Oklahoma, Kansas and Montana.

Market cooperators provided vaccination and weaned status on many of the lots sold

last fall (Table 2). However, the price results were widely varied and ultimately not significant in Dhuyvetter's model.

Everyone in the beef industry expects to see a premium for weaned and worked calves, but documentation may be the key. Dhuyvetter has analyzed data over the last two years for another auction project — a Jackson County, Kan., special calf sale — where calves are weaned and vaccinated at least 30 days prior to sale (see box).

"The data indicate buyers do pay a premium for these calves in a special sale," he notes. "With more data and over time, the premium for weaned and vaccinated Angus calves may become apparent."

So far, the data suggest several factors contribute to topping the auction market, but the emerging foundation value is a black calf of known Angus background.



**Table 1: Price model for sale in Iowa, 25-head lot, feeder-cattle futures = \$85/cwt.**

Weight, lb.	Angus heifer in fall	Angus heifer in spring	Other heifer in fall	Other heifer in spring	Angus steer in fall	Angus steer in spring	Other steer in fall	Other steer in spring
	Estimated price based on model, \$/cwt.							
350	102.46	108.39	95.72	99.75	113.71	121.42	111.71	119.45
375	100.69	106.62	94.84	98.88	111.80	119.51	109.46	117.19
400	98.95	104.88	93.94	97.97	109.88	117.59	107.24	114.97
425	97.23	103.16	93.00	97.03	107.93	115.64	105.06	112.79
450	95.54	101.47	92.03	96.06	105.97	113.68	102.91	110.64
475	93.87	99.80	91.02	95.06	103.98	111.70	100.79	108.52
500	92.23	98.16	89.98	94.02	101.98	109.69	98.71	106.44
525	90.61	96.54	88.91	92.95	99.96	107.67	96.66	104.40
550	89.02	94.95	87.81	91.84	97.92	105.64	94.65	102.38
575	87.46	93.39	86.67	90.70	95.87	103.58	92.67	100.40
600	85.92	91.85	85.50	89.53	93.79	101.50	90.73	98.46
625	84.41	90.34	84.29	88.33	91.70	99.41	88.81	96.55
650	82.92	88.85	83.06	87.09	89.58	97.30	86.94	94.67
675	81.46	87.39	81.79	85.82	87.45	95.17	85.10	92.83
700	80.02	85.95	80.48	84.52	85.30	93.02	83.29	91.02
725	78.61	84.54	79.15	83.18	83.14	90.85	81.51	89.25
750	77.23	83.16	77.78	81.81	80.95	88.66	79.78	87.51
775	75.87	81.80	76.38	80.41	78.74	86.45	78.07	85.80
800	74.53	80.46	74.94	78.97	76.52	84.23	76.40	84.13
825	73.23	79.16	73.47	77.51	74.28	81.99	74.76	82.50
850	71.94	77.87	71.97	76.00	72.01	79.73	73.16	80.89

**Table 2: Weaned/health status among 632 lots sold**

Weaned	11.1%
Unweaned	65.3%
Unknown weaning status	23.6%
Vaccinated	38.6%
Unvaccinated	24.2%
Unknown vaccination status	37.2%

### Price differences

Price differences for this Jackson County, Kan., auction were based on the standard of calves reported as "Angus" or "black." No other breed type approached the value of these black-hided cattle in 1999 or 2000. The premium for selling in this special sale is estimated at \$3.90/cwt.

Variables	\$/cwt.
Adjusted sale effect	+ 3.90
Heifer	- 5.50
Black baldie	- 0.23
Hereford	- 6.17
Red baldie	- 2.46
Continental cross	- 5.53
Mixed	- 2.09
Other (dairy)	-17.55

Source: Jackson County, Kan., December 2000.

Note: This study tracked added value of preconditioned, weaned calves. Observations were by Extension agents. Average calf weight was 559 lb.



### 2-year averages, \$/cwt.

	Fall steer	Fall heifer	Spring steer	Spring heifer
Angus	101.98	92.23	93.02	85.95
Other	98.71	89.98	91.02	84.52
Premium	3.27	2.24	1.99	1.43

