Here's the Premium:

Angus Heifers Lead

Despite overall lower calf prices for the second consecutive year, Angus premiums set records.

by ***Steve Suther***

Fig. 1: Fall price differences between Angus feeder cattle and other feeder cattle, 1999-2002, plotted with the futures price

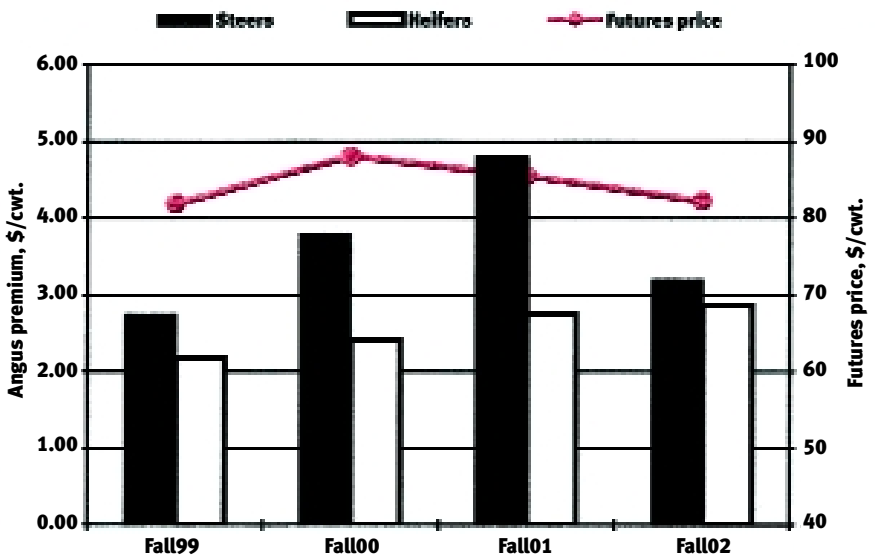
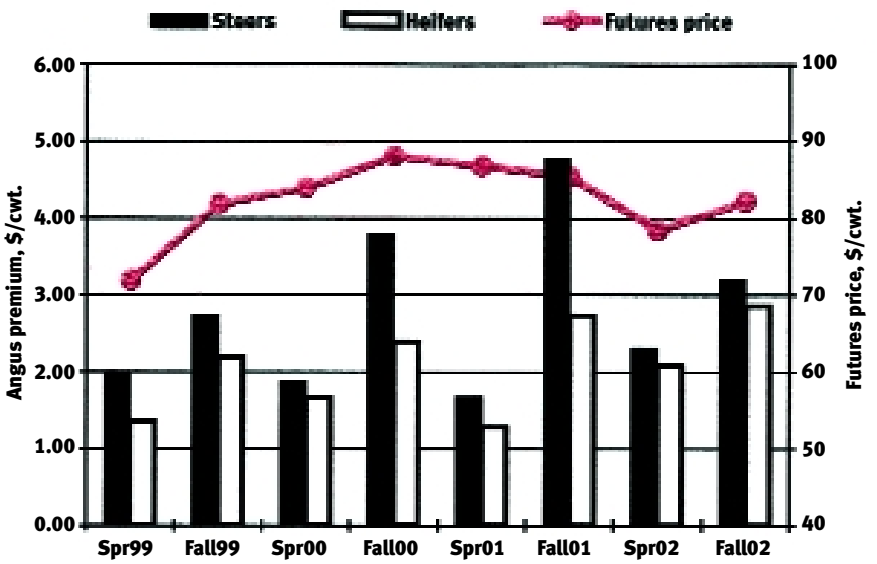


Fig. 2: Spring and fall price differences between Angus feeder cattle and other feeder cattle, 1999-2002, plotted with the futures price



Premiums for Angus heifer calves reached a new high last fall, compared to non-Angus sale-mates in a continuing auction market study by Certified Angus Beef LLC (CAB) and Kansas State University (K-State). The study began in 1999 to track relative values of Angus steers and heifers over non-Angus counterparts at auctions in 10 states, from Kentucky to California.

The average 505-pound (lb.) Angus heifer sold for a record $2.86 per hundredweight (cwt.) more than the non-Angus heifers. Angus steers of that weight sold for $3.20 per cwt. more than non-Angus steers, down from the previous fall's record $4.79-per-cwt. premium.

Several university and industry studies had documented a "black-hided" price advantage in the 1990s, and those studies are revisited from time to time. The CAB Here's the Premium study, says K-State ag economist Kevin Dhuyvetter, may be the only multiyear project specifically reporting Angus calf values by those who know the genetics behind the calves they report on each year.

"There is human error and subjective judgment in any of these studies," Dhuyvetter says. "But after four years and eight data sets, we have pretty convincing data that says the Angus premium is consistently $15 to $20 per head."

Auction managers report breed type, sex, weight and price of Angus vs. non-Angus steers and heifers in two weight classes, five-weight (500- to 599-lb.) cattle in the fall and seven-weight (700- to 799-lb.) cattle each spring. They are asked to keep muscling, frame, health and other nonbreed factors constant in reporting prices for five consignments each of at least five head. The fall data encompasses the sale of 14,059 calves in 711 lots, and brings the total in the database to 120,379 calves in 5,284 lots.

Market changes

Markets changed dramatically from fall 2001 to fall 2002, and the period started with prices falling. Calves that sold in October 2001 brought $2.87 per cwt. more than those sold the next month, but in 2002 the

Market Advantage

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

	Weight, lb./reporting period							Four-year premium summary			
	695 Spr99	506 Fall99	698 Spr00	503 Fall00	696 Spr01	509 Fall01	701 Spr02	508 Fall02	Avg. Spring	Avg. Fall	Overall Avg.
Steers, $/cwt.	1.98	2.74	1.86	3.79	1.67	4.79	2.31	3.20	1.95	3.63	2.79
Heifers, $/cwt.	1.37	2.19	1.66	2.40	1.28	2.74	2.08	2.86	1.60	2.55	2.07
Steers, $/head	13.74	13.86	12.99	19.08	11.65	24.36	16.17	16.24	13.64	18.38	16.01
Heifers, $/head	9.55	11.08	11.56	12.08	8.88	13.95	14.59	14.54	11.14	12.91	12.03
FC futures, $/cwt.	71.95	81.86	83.97	88.10	86.84	85.48	78.45	82.28			
Str-hfr, $/head	4.20	2.78	1.44	7.00	2.76	10.41	1.58	1.70			

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

situation was reversed and those who waited till November to sell took in $2.69 per cwt. more on average. Feeder cattle futures took a similar course, trending lower through much of 2002 but recovering somewhat late in the year (see Figs. 1-3).

Dhuyvetter says market dynamics may explain some of the reasons why demand for Angus steers apparently spiked in fall 2001, and demand for Angus heifers seems to have gained ground. Four years is not a large enough piece of history to say for sure, and unknown factors play an exceptional part in the current results, he adds.

"The 'R-square' measures how much of the variability of prices we are explaining with the analytical model, and has consistently been greater than 70%, but for the fall 2002 data it was only 54%. That means this past fall there was something affecting price variability in the market that wasn't an issue previous falls," Dhuyvetter says. "While there are undoubtedly several factors, regional drought is likely the main culprit."

In examining the latest data, Dhuyvetter noticed a number of sales and consignments were listed as "weaned" or "preconditioned." Cattle of all breed types associated with either of those descriptions last fall amounted to 7% of the 711 lots and brought a premium of $3.17 per cwt. over other cattle. "There were probably other lots sold that were preconditioned, too, but we didn't know about them," he comments.

The premium for preconditioned calves is consistent with other studies reported over the last several years. Producers who combine the Angus breed advantage with the preconditioning advantage stand to multiply the rewards.

Angus heifer premiums over non-Angus have continued to advance. Last spring was the highest per-head premium at $14.59, and the $2.86 per cwt. last fall was the highest heifer premium per unit of weight recorded in this study (see Table 1). The data do not explain why, but Dhuyvetter says, "it may be that the demand for Angus heifers is increasing as more and more people realize that these Angus-related premiums are real and do not appear to be going away."

The Angus premiums persist in a market that has seen overall calf prices in this study fall by about $4 per cwt. from fall 2000 to fall 2001, and by $6 to $8 per cwt. for fall 2002 (see Table 2). Producers may notice that Angus cattle are holding their value better, relative to other cattle. "That would suggest at least some of the Angus heifers are likely being sold as replacement prospects," Dhuyvetter says.

Fig. 3: Premium for Angus feeder cattle vs. other feeder cattle, 1999-2002

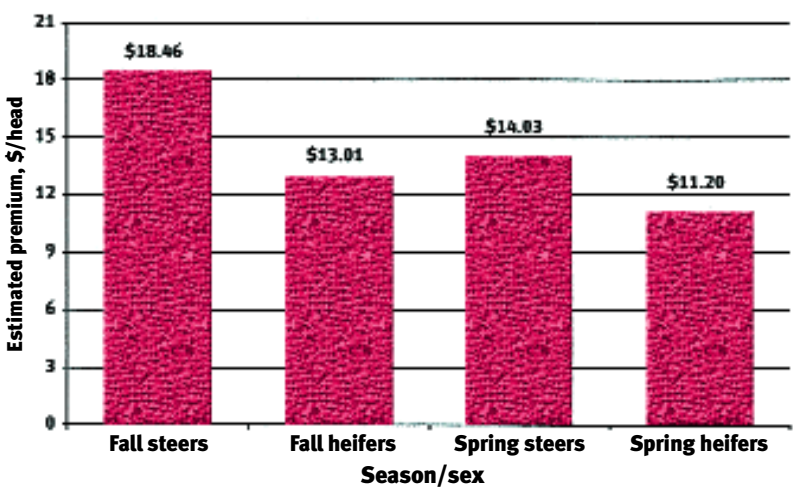


Table 2: Model-predicted prices for 600-lb. animal

	Angus Steer	Other Steer	Angus Heifer	Other Heifer	Optimal lot size*
Spr99	83.23	81.25	78.90	77.53	111
Fall99	91.51	88.77	85.05	82.86	221
Spr00	100.81	98.95	89.36	87.71	n/a
Fall00	98.30	94.51	90.34	87.94	93
Spr01	100.91	99.23	90.00	88.72	179
Fall01	94.55	89.76	86.46	83.72	135
Spr02	95.54	93.23	87.58	85.50	186
Fall02	86.50	83.30	80.73	77.87	119

**The relationship between price and lot size was linear; thus, there was no optimal size.*