

# Six-year Uptrend

Angus feeder price advantage hits all-time spring high.

by Kim Kanzler Holt

If you sold feeder calves last spring, there was a definite price advantage if they were Angus or Angus-influenced. This is according to the Certified Angus Beef LLC (CAB) "Here's the Premium" long-term comparative price study, which shows that the premium discovered last spring was the highest of all spring analyses thus far (see Fig. 1). The study focuses on the value of known Angus-based genetics by utilizing pricing data from 10 markets coast-to-coast.

The spring 2004 premium for steer calves was up more than \$1 per hundredweight (cwt.) when compared to the previous spring. Angus steer calves weighing 701 pounds (lb.) earned a \$3.04-per-cwt. price advantage, an additional \$21.33 per head, vs.

steers representative of other breed types. Angus heifers were worth a \$2.39-per-cwt. premium, an additional \$16.62 per head.

Reflecting on the six springtime periods analyzed, Kevin Dhuyvetter, Kansas State University (K-State) ag economist, says of the per-cwt. premium, "It would appear that there has been an upward trend in the premium for Angus-based genetics of about 20¢ to 22¢ per year."

While last spring's data were being collected, the nearby futures prices for both feeder cattle and live cattle were trending up, he says. Dhuyvetter points out that both Fig. 1 and Fig. 2 show a positive correlation between futures price and the Angus premium. "That is, the Angus premium has

tended to be higher as the cattle market in general has strengthened," he adds.

Last spring's run included 698 lots representing 14,816 head of cattle. The optimal spring lot size was 137 head, which compares to the study's overall figure of 194 head.

Dhuyvetter also added a couple of variables to the spring analysis model. "Pos" and "Neg" were simple indicators if a positive or negative comment was made about a lot of cattle. What he found was animals that had a positive comment (such as "sold as replacements," "all natural" or "Bang's-vaccinated") brought premiums of \$3.60 per cwt., while those animals with negative comments (such as "horns" or "fleshy") were discounted \$5.67 per cwt.

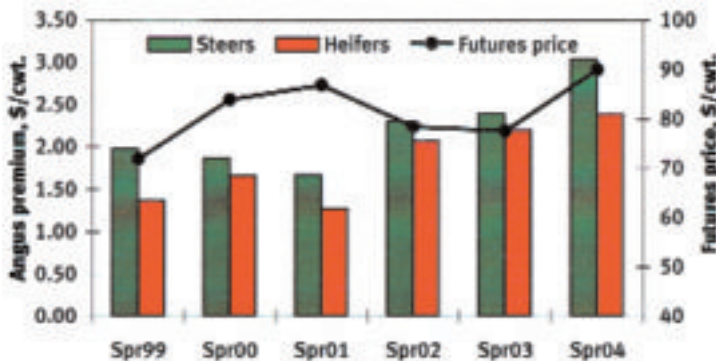
"This didn't affect very many lots (4% had positive comments, and only 1% had negative comments); but, of those receiving positive comments, more than half were Angus heifers," he explains. "Thus, the estimated premium associated with Angus heifers of \$2.39 per cwt. is a little conservative. If these variables are left out of the model, the premium for heifers increases from \$2.39 to \$2.63."

Market managers who participate in the "Here's the Premium" study are asked to report breed type, sex, weight and price of Angus vs. non-Angus steers and heifers, and to keep muscling, frame, health and other nonbreed factors constant in reporting prices for five consignments of at least five head each. Although positive and negative comments weren't reported at great lengths, Dhuyvetter's analysis is an indicator of what factors can certainly add or subtract dollars to cattle in today's marketplace.

The overall "Here's the Premium" data set now includes information on the sale of 7,363 lots that represent 165,218 head of cattle. Project-to-date data for 11 reporting periods, including spring and fall, shows a \$2.97-per-cwt. (\$17.42 per head) premium for Angus steers and a \$2.24-per-cwt. (\$13.19 per head) advantage for Angus heifers (see Fig. 2). The spring report tracks 700-lb. feeder cattle, while the fall reporting session tracks 500-lb. calves.

**Fig. 1: Price difference between Angus and other, spring 1999-2004**

►The Angus feeder-cattle premium discovered last spring was the highest of all spring analyses thus far. Project analyst Kevin Dhuyvetter says the per-cwt. premium has seen "an upward trend of about 20¢ to 22¢ per year."



**Fig. 2: Price difference between Angus and other, spring/fall 1999-spring 2004**

►Project-to-date data for 11 reporting periods, including spring and fall, shows a \$2.97-per-cwt. premium for Angus steers and a \$2.24-per-cwt. advantage for Angus heifers.

