

Here's the Premium

Spring CAB auction market survey reveals Angus-based feeders set record price premiums.

by Kim Kanzler Holt

The decision to use Angus genetics never looked better, as record premiums indicate. Producers who sold high-percentage Angus feeders at auction last spring took home an average \$31.80 per head extra, compared to non-Angus feeder-cattle prices at the same sales and dates. That's according to the Certified Angus Beef LLC (CAB) "Here's the Premium" (HTP) long-term comparative price study.

Several records were rewritten, including the largest Angus per-head premium and the largest Angus spring premiums for steers

and heifers compared to their non-Angus counterparts (see Figs. 1 and 2).

Angus steers weighing 686 pounds (lb.) brought back an extra \$4.63 per hundredweight (cwt.) — which comes to \$31.80 per head — compared to steers representative of other breed types. Angus heifers weighing 684 lb. were worth an extra \$3.88 per cwt. vs. their non-Angus counterparts, or an extra \$26.56 per head.

The spring 2005 data set included 690 lots of cattle totaling 16,010 head marketed through 10 auction markets coast-to-coast

in late February, March and April. Overall, the database includes 8,824 lots representing 197,129 head of cattle. Project-to-date data reveals an average \$3.33-per-cwt. (\$19.24-per-head) price advantage for Angus steers and a \$2.61-per-cwt. (\$15.23-per-head) edge for Angus heifers.

The CAB study focuses on the value of known Angus-based genetics with the assistance of livestock auction markets in California, Colorado, Kansas, Kentucky, Missouri, Montana, Nebraska, Oklahoma, South Dakota and Wyoming. Managers are asked to note breed type, sex, weight and price of known Angus vs. non-Angus steers and heifers. They're asked to keep muscling, frame and other nonbreed factors constant as much as possible, and are encouraged to report any known preconditioning factors.

In this spring study, any lots identified as having had "shots" or having been "weaned" were categorized as "preconditioned." Kevin Dhuyvetter, Kansas State University ag economist and project analyst, says the variable was significant and had a \$5.11-per-cwt. premium. "This is consistent with some of the other studies I've been involved with that suggest premiums on preconditioned calves have been increasing over time," he notes.

Spring data also reveal Nebraska as a price and premium leader. It reported the highest-selling springtime lot — 85 Angus steers at \$146.50 per cwt. Nebraska feeder calves brought \$11.30 per cwt. more on average than calves from the default state (Missouri), after factors were adjusted. South Dakota recorded the second-highest prices, with an \$8.82-per-cwt. premium, followed by Colorado, Kansas, Kentucky, Montana, Oklahoma and Wyoming, all at around \$5 per cwt. above Missouri. California had the lowest prices at roughly a \$4.50 per cwt. discount to Missouri in the spring data. Weather and climate conditions may affect prices as much as freight charges and cattle quality.

A closer look at Nebraska

The price advantage found by the HTP study in Nebraska doesn't surprise an auction market owner there. "We don't sell the most cattle, but we probably sell the highest percentage of fancy Angus cattle

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Fig. 1: Price difference between Angus and other breeds, spring-fall 1999-2005

Spring 2005 premiums paid per head for high-percentage Angus cattle were the largest ever in the CAB "Here's the Premium" study.

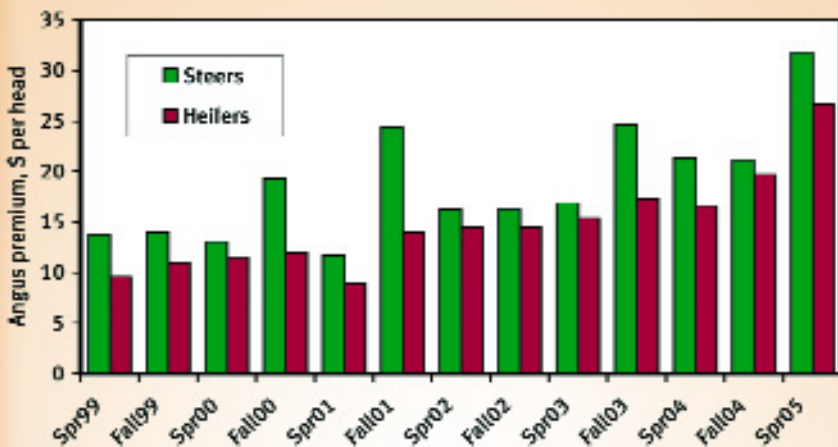
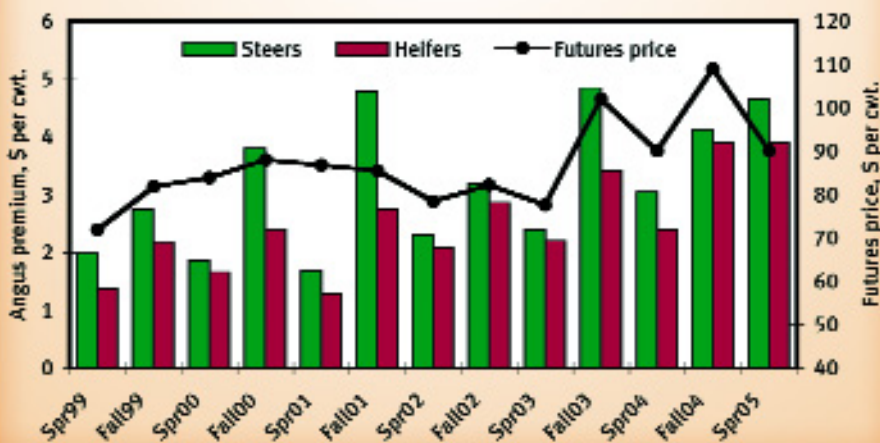


Fig. 2: Angus premium per cwt. and futures price, spring-fall 1999-2005

Spring 2005 Angus feeder cattle premiums for 700-lb. steers and heifers set records and rivaled past premiums per cwt. for 500-lb. Angus cattle. Futures prices are included in the analysis to account for price variability over time.



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anywhere," he explains. "The quality, to begin with, is a huge factor."

So is condition.

Nebraska has more hay-fed cattle, so the cattle are in lighter flesh coming out of winter. Coming off grass, they are in condition to gain and perform on high-energy feedlot rations, the manager says. To prevent bias, exact locations of cooperating auction markets are not revealed.

However, it can be noted that the Nebraska site has a clientele of reputable

ranches that operate large cow herds. "We probably have more load lots than most places," the manager says. The HTP study has consistently found larger lots bring more premiums, and this spring the optimal lot size was 93 head.

"Some of the premium is certainly load lots — all one kind and one color," the Nebraskan explains. "Everybody is gridding them anymore, so they need to have that kind of consistency." He adds that a high percentage of the cattle sold are fed in eastern

Nebraska or northwestern Iowa. Many are targeted at price grids that feature premiums for the *Certified Angus Beef*® (CAB®) brand.

Preconditioning is also the norm, not the exception, here, so that adds to premiums. "Our customers pretty well know that. We've been preconditioned for a long time," the owner reports. "There would be 1% to 2% of calves in the fall and winter that aren't preconditioned." Those are heavily discounted, he adds.

