



Here's the Premium

Angus-based feeder premiums strongest for steers.

by Karol Fike

High-percentage Angus feeder steers and heifers continue to garner premiums vs. non-Angus contemporaries at auction, earning an average \$21 per head more. That's according to the spring 2007 Certified Angus Beef LLC (CAB) "Here's the Premium" study, which has tracked those breed premiums since 1999 at the same markets from the Appalachians to the Sierra Nevada range.

This spring, 702-pound (lb.) Angus-based steers earned an extra \$4.11 per hundredweight (cwt.), or \$28.85 per head. That was the third-highest per-head Angus steer premium in eight years, but the reported premium for the 698-lb. Angus

heifers fell back to \$1.92 per cwt. (\$13.42 per head) more than non-Angus heifers.

After years of steadily widening premiums, the Angus advantage seemed to moderate. "It's not surprising that we saw some compression of premiums this spring," says CAB Supply Development Director Mark McCully.

"The feeder calf market was very volatile, with prices remaining relatively high while there was a big question mark in the corn market," he says. "With all the uncertainty, many buyers weren't willing to get too far away from the price set in the commodity marketplace."

Despite a smaller average bonus for Angus-based heifers in many areas, others

saw continued near-record premiums.

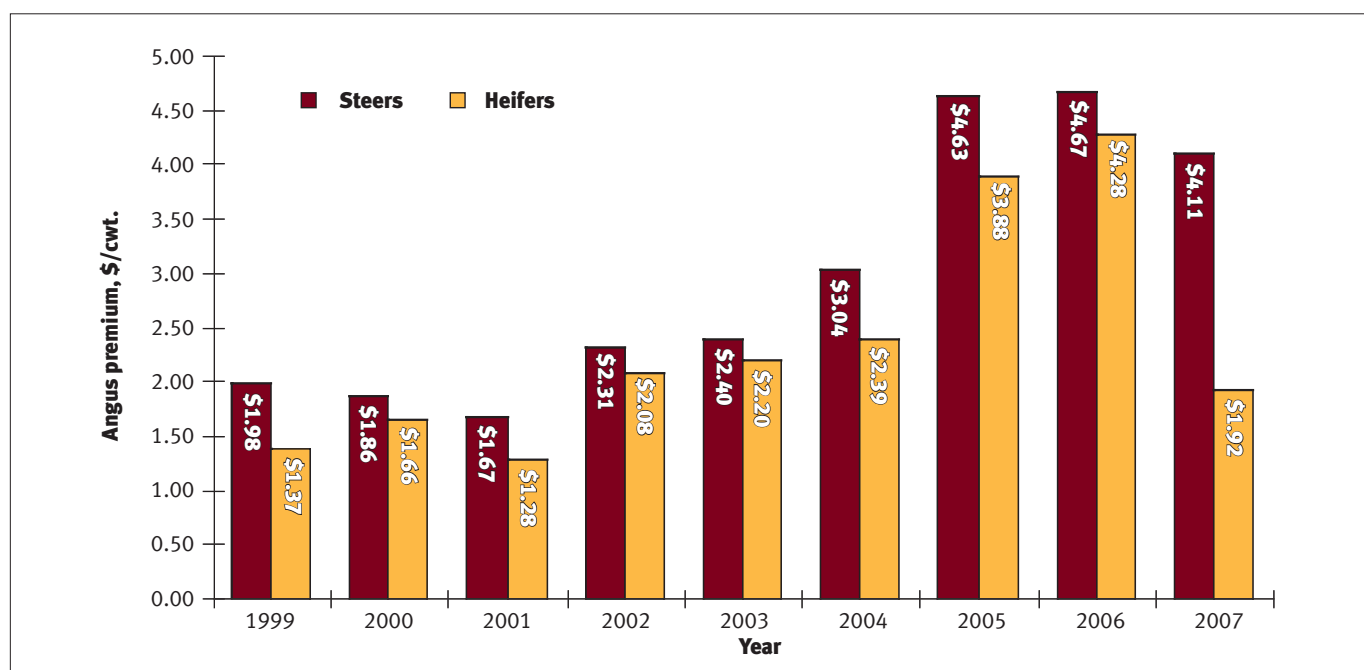
At a Missouri market, the average Angus premium for spring heifers for the life of the project is \$5.57 per cwt., compared to \$2.41 per cwt. for all states. "I see no sign of premiums narrowing for Angus-based heifers in our area," the manager says. "And many of those heifers are going into the feedlot."

He adds a common concern among reporting locations, however: "It's getting harder to find sufficient numbers of non-Angus calves for comparison," he says. "Many of our sales contain 90% or more black-hided cattle."

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Fig. 1: Spring price difference between Angus and Other, 1999-2007

Spring 2007 premiums paid for high-percentage Angus steers were the third largest in the CAB "Here's the Premium" study, while the reported heifer premium slipped after posting five consecutive annual spring records.



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Kevin Dhuyvetter, Kansas State University economist and project analyst notes, "As always, the optimal lot size (124 head) was considerably larger than the average lot size (24 head)." Comments tabulated in the data confirm calves with apparent preconditioning shots brought an additional \$1.77 per cwt., while those noted with other positive remarks brought \$1.36 per cwt. more.

The CAB study focuses on the value of known Angus-based genetics with the assistance of auction market managers 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. The spring 2007 data set included 661 lots of cattle totaling 15,825 head marketed through nine auction markets across the U.S. in late February, March and April.

Overall, the "Here's the Premium" comparative price study contains data collected since 1999 from 11,642 lots comprising 255,747 head of cattle.

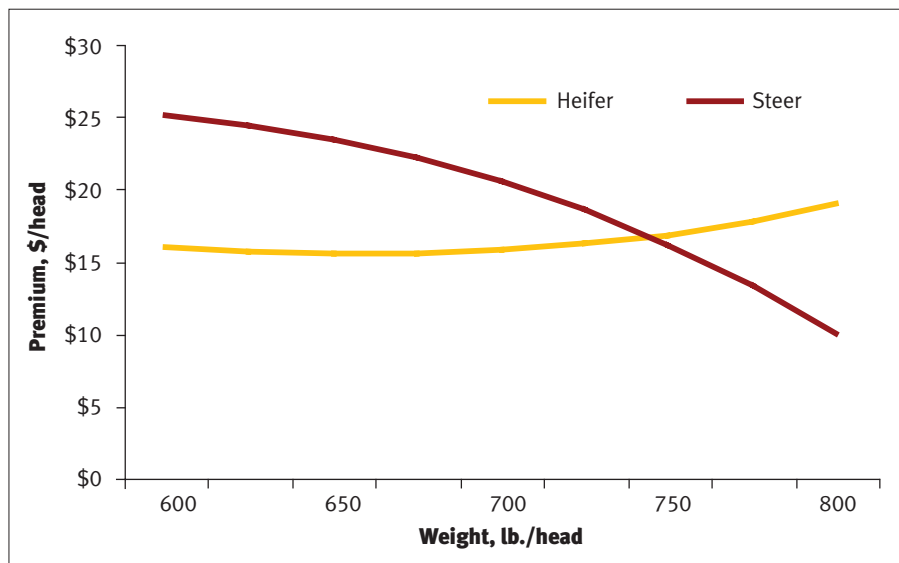
Throughout the course of the study, premiums for spring-marketed Angus-based feeder steers have averaged \$20.81 per head,

while heifers have gathered an additional \$16.15 per head.



Fig. 2: Angus premium vs. weight, steers vs. heifers, spring sales

Based on nine years of spring data, the premium for Angus steers vs. non-Angus tends to peak at around 600 lb., while the premium for Angus heifers increases as they approach 800 lb.



Packer opens premium door to high-quality Angus calves.

The nation's largest beef packer now offers *Certified Angus Beef*® (CAB®) brand premiums for AngusSource®-tagged calves that qualify. The Tyson Fresh Meats plant in Lexington, Neb., rails off these Angus-based cattle for certified Angus program evaluation by the USDA.

Historically, "Angus-type" was defined only by a phenotypic, 51% black-hided criterion. In April, Tyson became the second packing company to accept AngusSource as genotypic verification as well.

"This is great news for commercial producers who are working to raise high-quality calves, but color kept them from getting any CAB premiums," Mark McCully, Certified Angus Beef LLC (CAB), says. "Now that we know their genetics, they'll also be considered for the brand."

Adding another packer increases the scope of the opportunity, McCully adds.

AngusSource is a leader in the Angus genetic-, source- and age-verified arena. The U.S. Department of Agriculture (USDA) Process Verified Program (PVP) requires calves to be at least 50% Angus — sired by a registered and transferred Angus bull. Cattle are enrolled at the ranch of origin, and group age is documented as the month, day and year of birth for the firstborn calf in the group.

John Butler, chief executive officer (CEO) of the Beef Marketing Group (BMG), says he is excited about this new option.

"It makes more cattle available to our program," he says.

"Cattle with good genetics, cattle with good feeding performance and cattle with excellent carcass performance as well — that's a huge advantage for us." BMG is a marketing cooperative consisting of 14 feedyards in Kansas and Nebraska and markets cattle in its five natural-focused yards in cooperation with Tyson.

"We're heavily involved in a program where *Certified Angus Beef* is our target; it's not an unintended consequence," he says. Until this spring, they only accepted black-hided, Angus-based calves into this program.

BMG recently purchased and fed a group of 150 smoky Charolais-Angus-cross calves from North Carolina. With AngusSource verification, some loads earned more than 50% CAB acceptance.

"They were preconditioned and weaned, which is excellent preparatory work to ensure a high level of CAB," Butler says. "There are other cattle that normally would not be eligible for our program that could be if the producer participates in AngusSource."

Sara Moyer, director of AngusSource, says the PVP has enrolled more than 132,000 cattle since it began in October 2005. More than 12 million cattle were evaluated for the CAB brand in 2006.

Since 1995 packers have paid producers more than \$200 million in value-based grid premiums for cattle accepted into the brand. For more information on CAB products and programs, visit www.cabpartners.com.

Editor's Note: This article was written by Miranda Reiman, industry information specialist for CAB.

