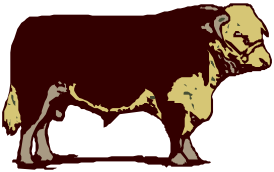




**University of California ≈ Cooperative Extension
Sutter/Yuba Counties**

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Her d 'Round the Range

APRIL 2005, 2ND EDITION

Yuba/Sutter Ranchers are invited to the Glenn/Colusa/Yolo Cattlemen's Field Day Friday, April 22nd at the Hamblet Ranch, Dunnigan, CA.

Meet at the Corrals at 9:00 am

Agenda

- | | |
|-------------|--|
| 9:00- 9:05 | Glenn/Colusa Cattlemen's President - <i>Jerry Maltby</i> |
| 9:05- 9:25 | EQIP for Conservation Programs – <i>NRCS</i> |
| 9:25-10:00 | Finding Partners for Conservation – <i>RCD</i> |
| 11:00-12:00 | Tour of the Ranch and Improvement Projects |
| 12:00- 1:00 | Lunch prepared by the Yolo Cattlemen |
| 1:00- 3:00 | Afternoon program |

Fertilizing Rangelands – *Josh Davy, UCCE Tehama/Glenn/Colusa Counties*

Feeding Rice Straw & WVM Market Study – *Glenn Nader, UCCE Sutter/Yuba/Butte*

Controlling Range Weeds – *Morgan Doran, UCCE Yolo/Solono/Napa Counties*

Vaccination/Antibiotic Use – *Shane Strickler, Boehringer Ingelheim*

3:00-4:00 Social

DIRECTIONS: On I-5 take Road 556 exit at Dunnigan Drive west. Pass the Bird Valley Hunting Preserve on the right. Take the next right onto Road 10. Follow Road 10 to the corals. Look for UCCE signs to the meeting.

CATTLE MARKETING STUDY

by

Steve Blank, Hayley Boriss, Larry Forero and Glenn Nader

Recent research conducted by the University of California found important changes in the calf market since earlier analyses and, as a result, very different signals for ranchers. We conducted a new study with more recent data to see whether the very dynamic cattle market still values several characteristics that earlier research found received price premiums. Similar to earlier studies, we used data from video auctions of calves. Western Video Market provided us with anonymous information from 1,979 lots of cattle with average weights in the 500-625 range sold in video auctions during the period 1997-2003 to study decisions at weaning that impact marketing of the calves. The number of lots sold per year increased from 153 in 1998 to 397 in 2003. Average lot size increased from 130 head during 1997 to 146 head in 2003. The cattle were sold from ranches across the western half of the country.

Each price variable was separately analyzed through regression analysis and the effects of trends, location factors, and many other variables that commonly influence prices are shown in Table 1. Our analysis showed that selling location, weaning and natural had the largest impact on price. Selling location provided nearly a 6 cent advantage to the Midwest over California calves. This could reflect a transportation discount to the major cattle feeding area in the United States. As the time from weaning to delivery increased, so did the price premium. There was a price premium between the calves weaned more than 30 days (2.5 cent/lb) and those weaned less than 30 days (1.9 cents/lb). For every 30 days in the length of time since weaning, the price increased by 1.3 cents. This premium has resulted in the increase in weaned calves offered for sale shown in Figure 1. The share of calves sold in the video market that were weaned more than 30 days was very small in 1997 and 1998, but that share increased to around 30 percent for sales in

2000 through 2003. Also, we found that both preconditioning and QAP received a small but statistically significant price premium while implanting had no significant effect on prices received by ranchers over the 1997-2003 period.

The explanation for the difference between the results of earlier cattle marketing studies and our results is readily apparent. The cattle industry has responded to the market. This shows up in Figure 1. The graph illustrates the percentage of lots in the video auction data that were preconditioned, reported in Table 1. The share of calves sold as preconditioned was less than 10% during the period covered by earlier studies, but that share jumped in 2001 such that preconditioned cattle have represented a majority of the market since that time. There is some evidence that preconditioning has now gone past being the norm to being a requirement in some markets. Such a development is typical in markets where some product attribute has become the market standard.

Natural beef received a statistically significant premium in four of the five years, ranging from \$1.11/cwt to \$2.08 (shown in Table 2). Over the entire 1997-2003 period the average premium was \$1.60/cwt (reported in Table 1). In the future, the existence of natural beef premiums and their amount will depend upon the competitive response within the cattle market. If buyers continue to expand their demand for natural beef, price premiums may exist. However, as ranchers respond and provide increased supplies of natural beef to the market, the natural niche may become the norm and see premiums competed away. During the data period the share of sales that were “natural” was zero in 1997-98 and steadily increased to only 13% by 2003. Thus, natural beef is still very much a niche.

TABLE 1. RESULTS OF A STATISTICAL ANALYSIS OF CATTLE PRICES, 1997-2003

<i>Factor</i>	<i>Price effect (\$/cwt)</i>	<i>Significant</i>
Preconditioning	0.81	***
QAP	0.92	***
Implant	0.03	
Bunk broke	-0.37	
Western Rancher's Beef	0.50	
Wean length	1.27	***
Natural	1.60	***
Forward contracting period	0.13	
Variability of animals in lot	-0.63	
Head number in lot	0.01	***
Head number squared	-0.00	**
Weight (average/head)	-0.17	***
Weight squared	0.00	*
Geographic location of ranch	a	***
Breed	b	mixed
Trend	c	***

These values are statistically significant (different than zero) only when indicated by *, ** or *** (respectively, 90%, 95%, and 99% confidence level). Thus, a value with no asterisk is essentially zero, meaning there is no real price premium or discount.

^a This variable showed discounts for all locations west of Nebraska. For California, the discounts ranged from \$5.94 to \$6.66.

^b Breeds received different average prices within a \$1.50 range.

^c Four trend variables were used to account for the cattle cycle's effects on national market prices. Our data first trended downward, then upward, and then repeated that pattern during the 1997-2003 period. All four trend variables were statistically significant.

TABLE 2. PRICE PREMIUMS FOR VALUE-ADDED CALVES (\$/CWT)

Year	Preconditioned	QAP	Implant	Wean Length	Natural
1997	0.51	-0.33	0.29	0.64	
1998	0.86	0.02	1.03	2.17	*
1999	0.95 *	-2.28 **	0.13	0.80 **	2.08 ***
2000	0.02	1.15	-0.68 *	1.13 ***	0.52
2001	0.31	1.36 ***	0.11	1.29 ***	1.11 *
2002	0.66 **	0.30	-0.20	1.27 ***	1.20 **
2003	1.57 ***	1.73 **	-0.18	1.58 ***	1.84 ***

Note: The values reported here were estimated using statistical regression analyses. Positive values are price premiums for the attribute, negative numbers are price discounts. These values are statistically significant (different than zero) only when indicated by *, ** or *** (respectively, 90%, 95%, and 99% confidence level). Thus, a value with no asterisk is essentially zero, meaning there is no real price premium or discount.

Figure 1. Cattle Preconditioned, Implanted, and Weaned over 30 Days as a Percent of Total Sales

