

Grid Marketing

A Cow/Calf Perspective

Paul Dykstra

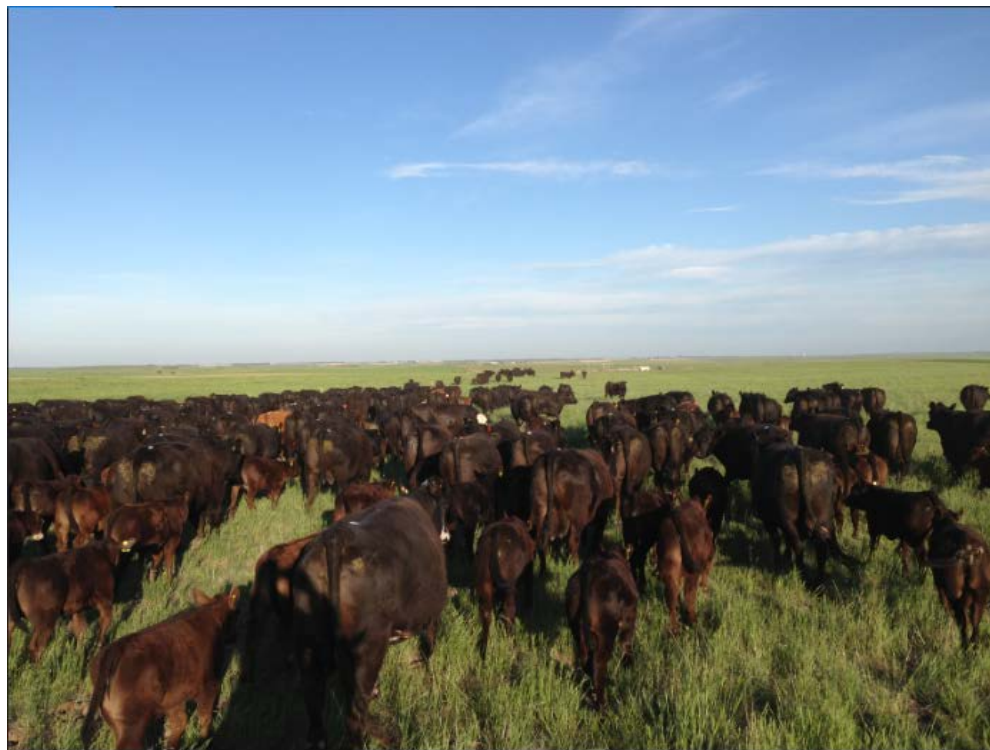
Beef Cattle Specialist

Certified Angus Beef LLC



This might be for you

- If you're a Cow/Calf producer
- If you know one
- If you always wanted to be one!



A little background to start...



Goals

- Review a modern history of market trends
- Clarify the implications of end product demands
- Instill confidence and set a course



Grid Marketing

Yield Grade

Quality Grade

	1	2	3	4	5
Prime	\$\$\$\$\$	\$\$\$\$	\$\$\$	\$\$	-\$51.00
Choice	\$\$\$\$	\$\$\$	\$	-\$	-\$\$\$
Select	-	-\$	-\$\$\$	-\$\$\$\$	-\$\$\$\$\$
Standard	-\$\$\$\$\$	-\$\$\$\$\$	-\$\$\$\$\$	-\$\$\$\$\$	-\$\$\$\$\$



18% of Cow/Calf Operators Retain Ownership through the Feedlot

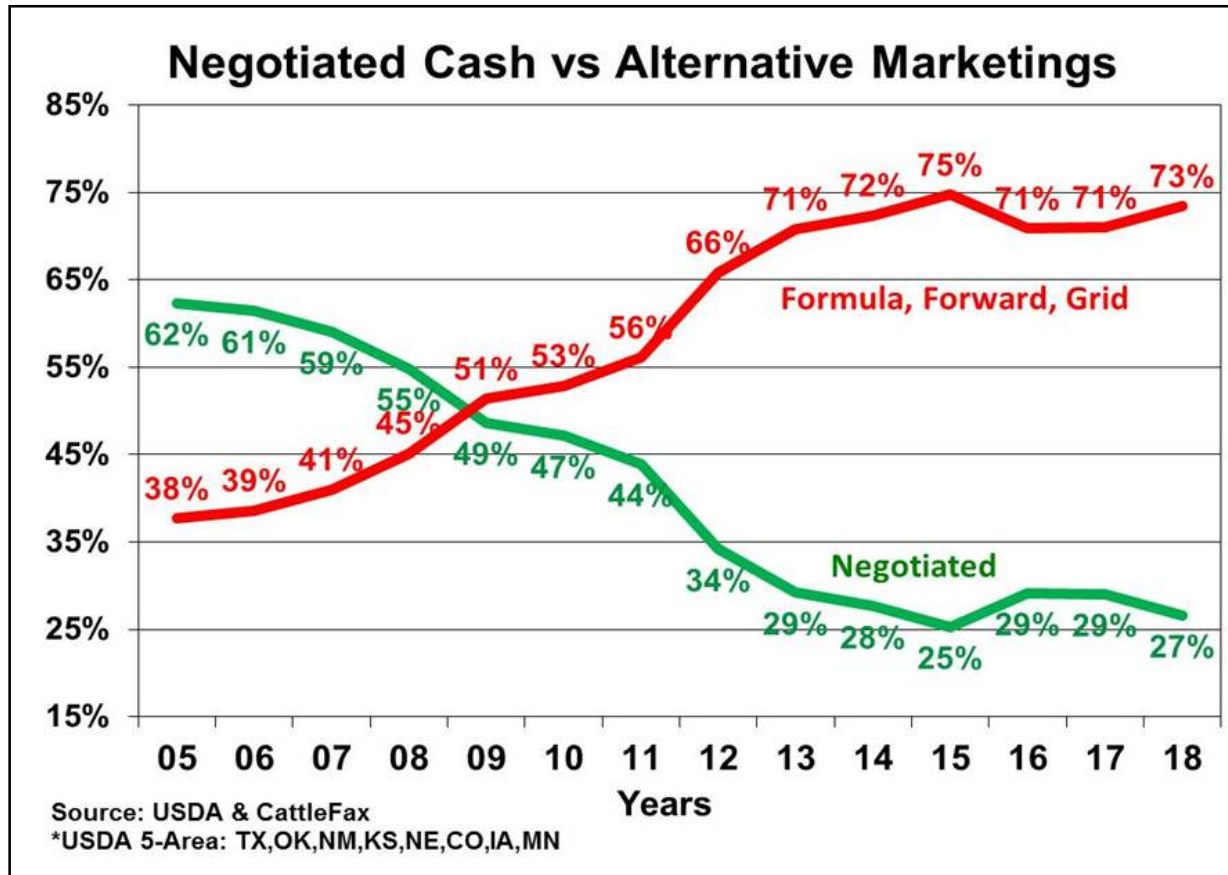
(CattleFax 2017 Survey)



The Landscape Has Changed



Fed Cattle Marketing Trend

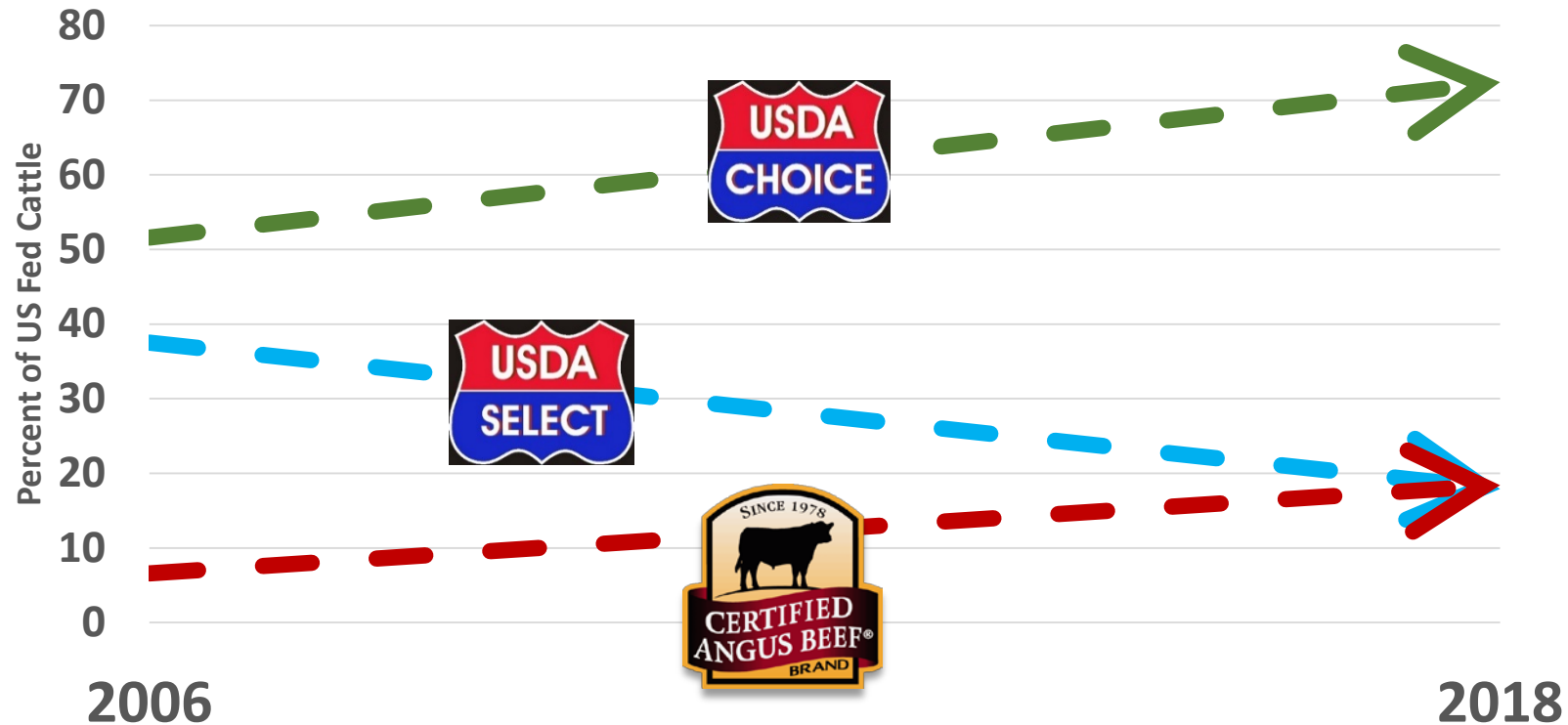


Implications of a smaller negotiated cash trade for:

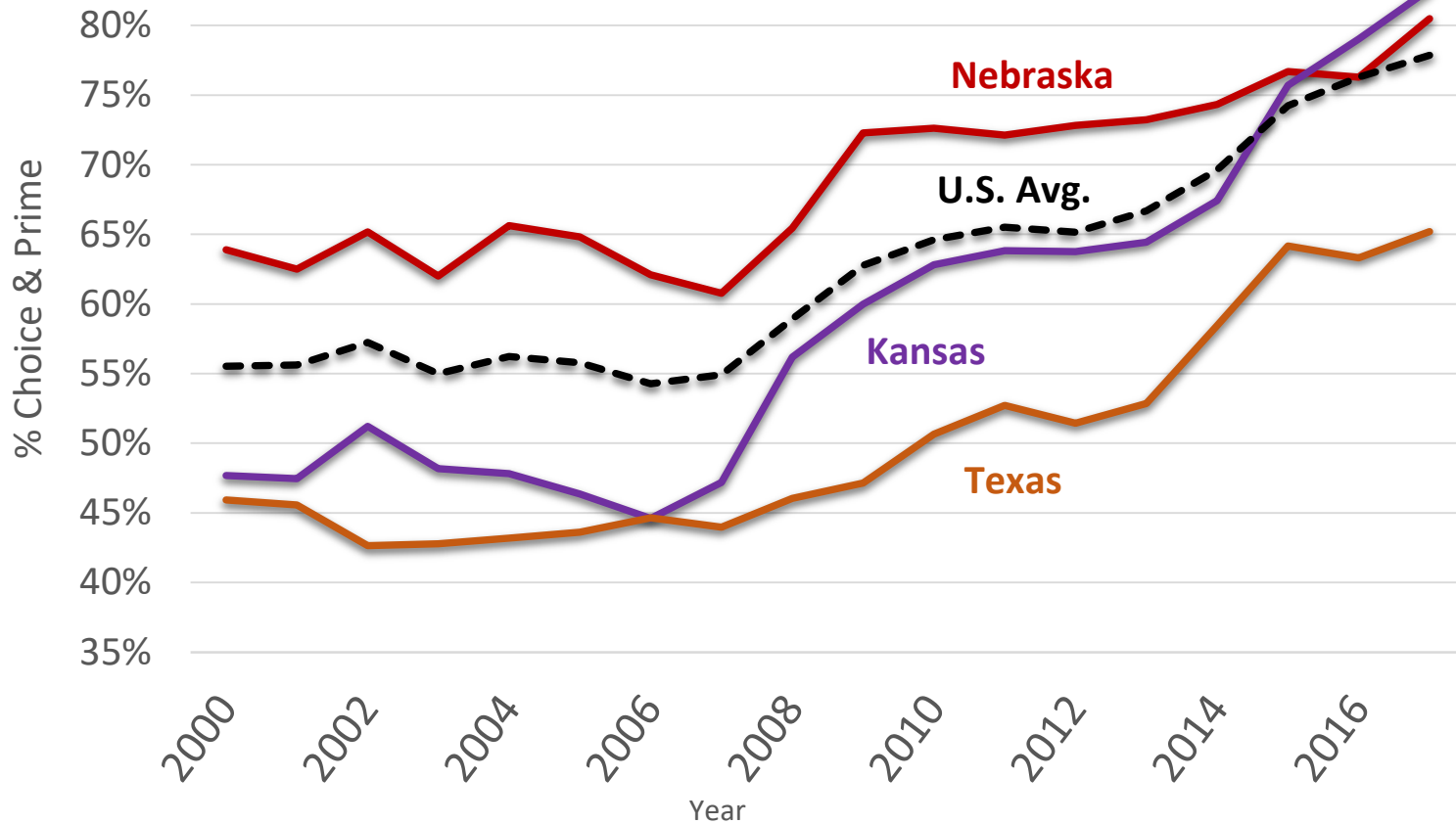
- Packer?
- Feeder?
- Rancher/Farmer?



Quality Grade Trend of U.S. Fed Cattle



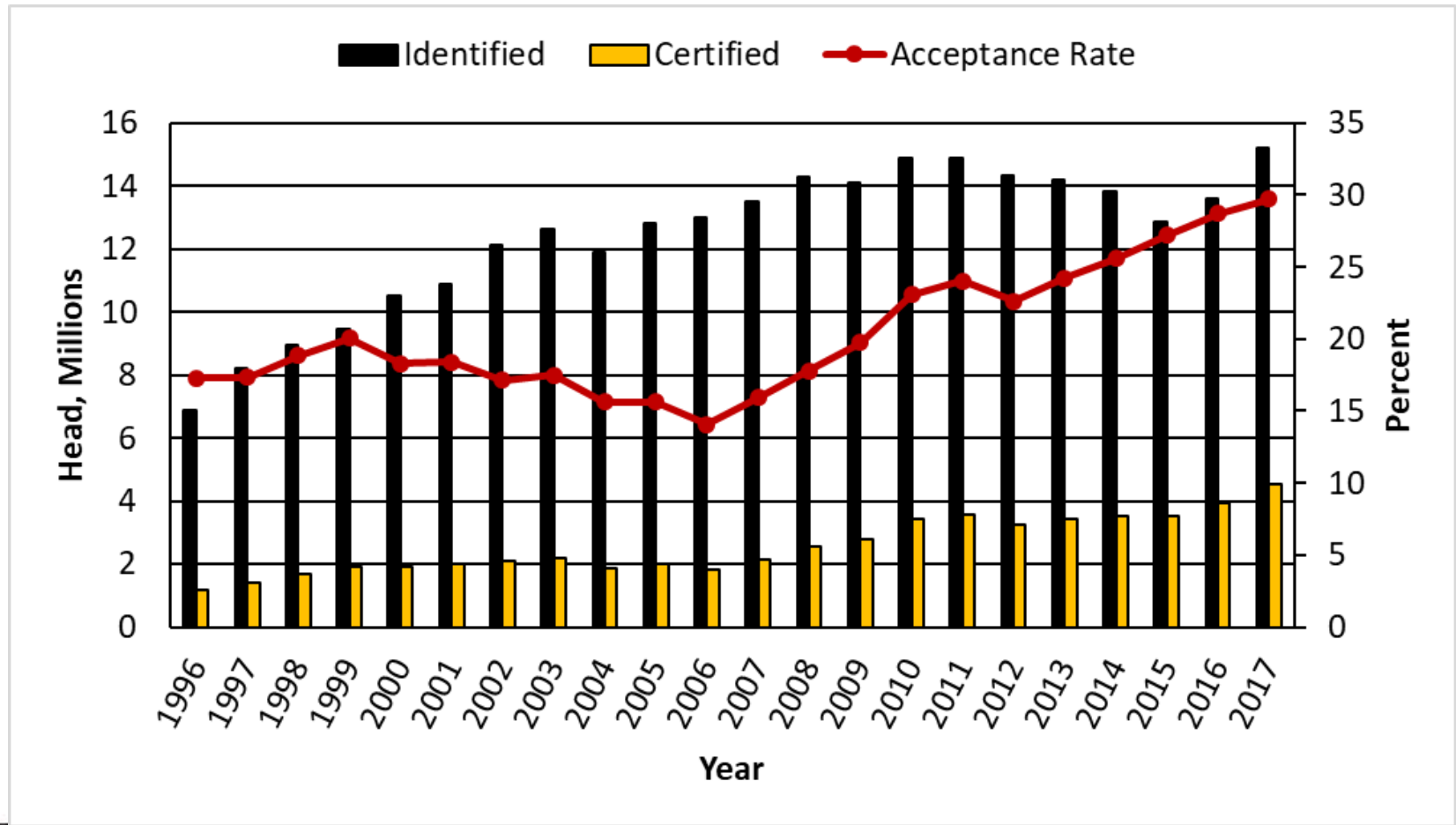
% Choice & Prime Grades by Packing Plant Location



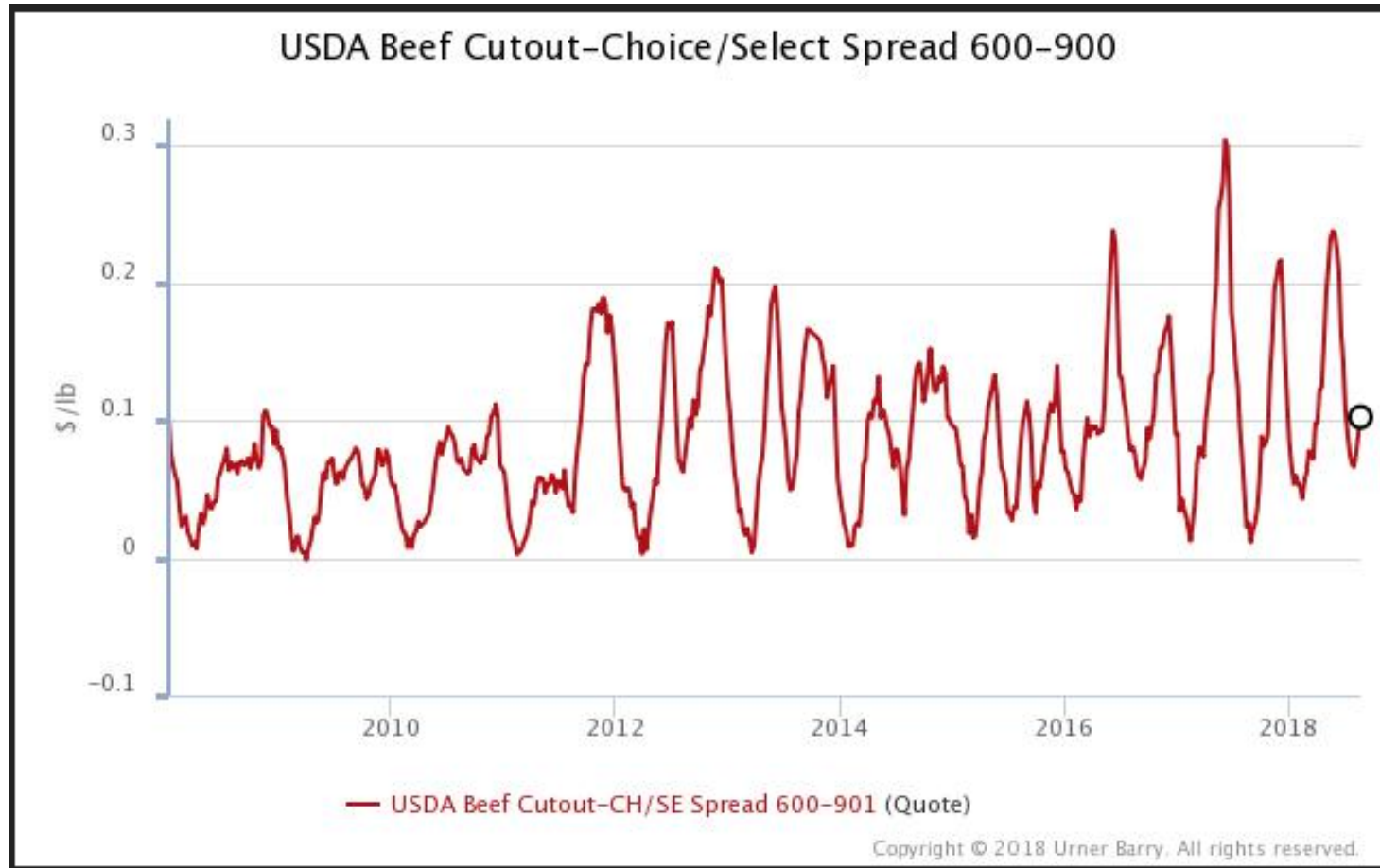
USDA Prime Grading %



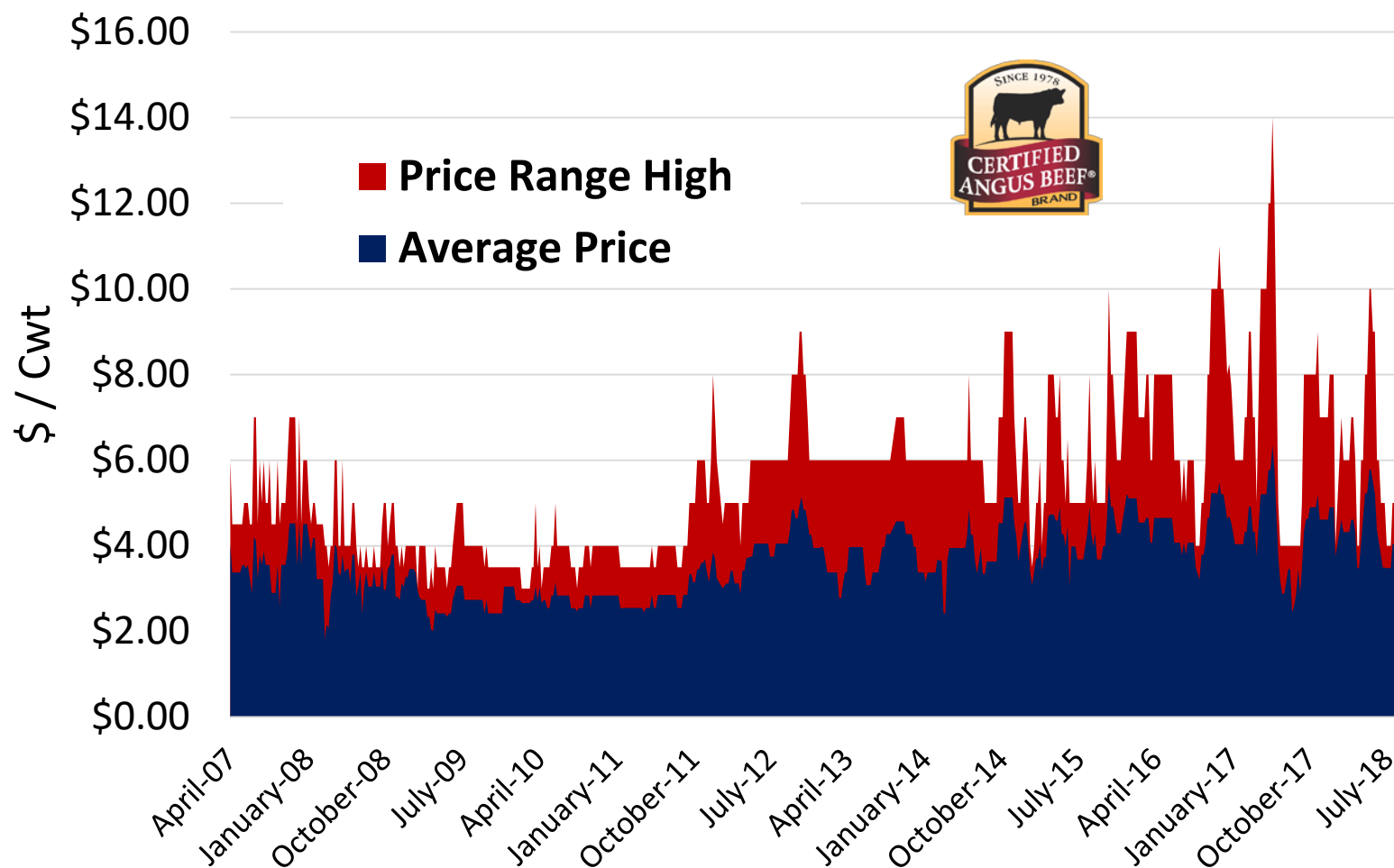
CAB Certification Rates



Choice / Select Spread



CAB® Grid Premiums: Weekly Avg and High



Source: USDA AMS LM_CT 169



Boxed Beef Value Varies by Grade/Brand

2017	Prime	Branded	Choice	Select	Ungraded
Cutout, \$/cwt	238.31	212.46	207.05	196.80	184.64

Cutout Spreads	\$/cwt
Prime-Branded	25.85
Branded – Choice	5.41
Choice – Select	10.25
Select - Ungraded	12.16

Source: USDA AMS

* A 900 pound carcass has over a \$483 value difference depending upon grade.



USDA Yield Grades



YG 1

\$ 5.71

YG 2

\$ 2.98

YG 3

Par

YG 4

- \$ 9.78

YG 5

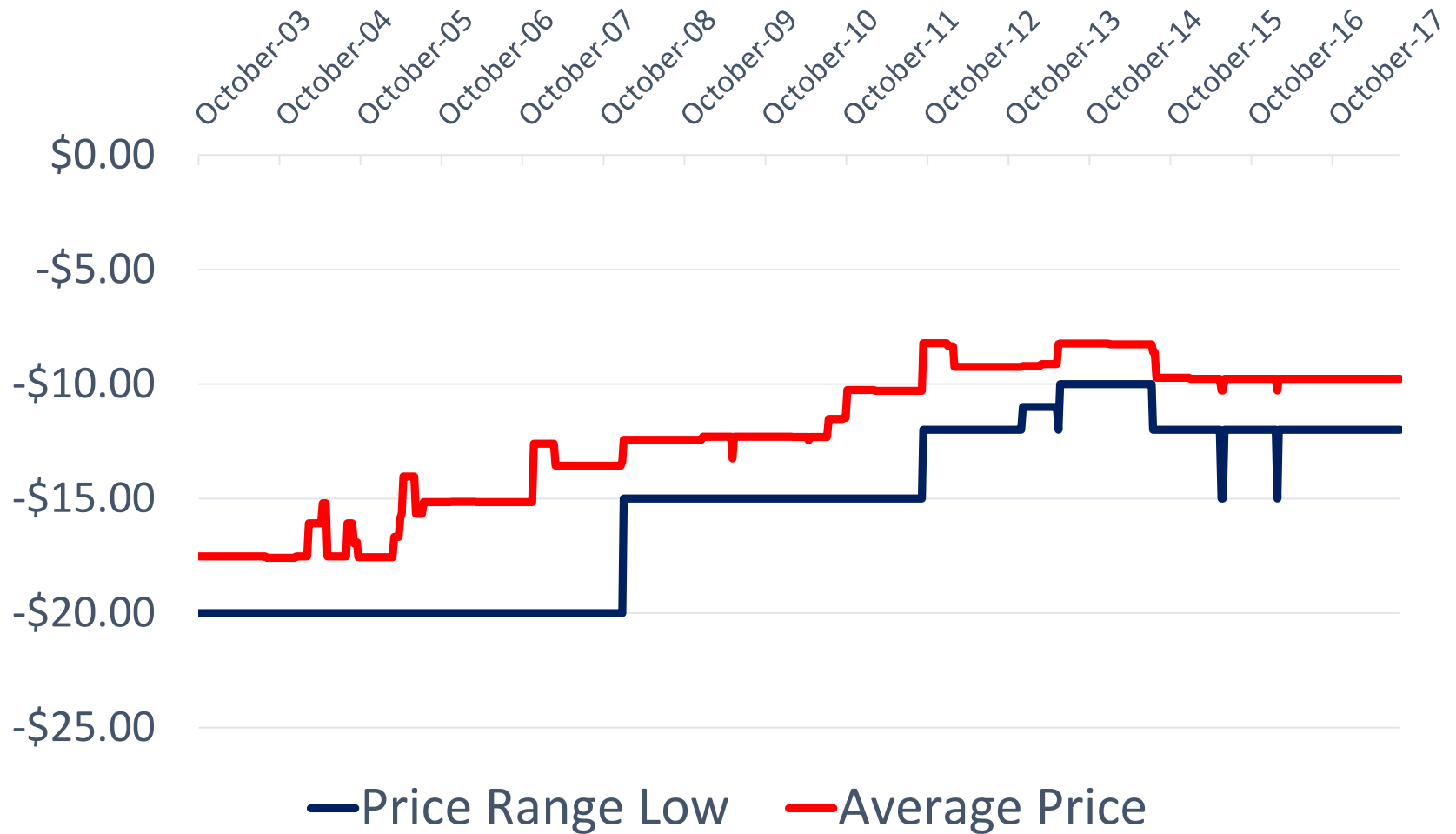
-\$ 14.88

Dollars / Cwt.

Source: USDA 2017



YG 4 Discount

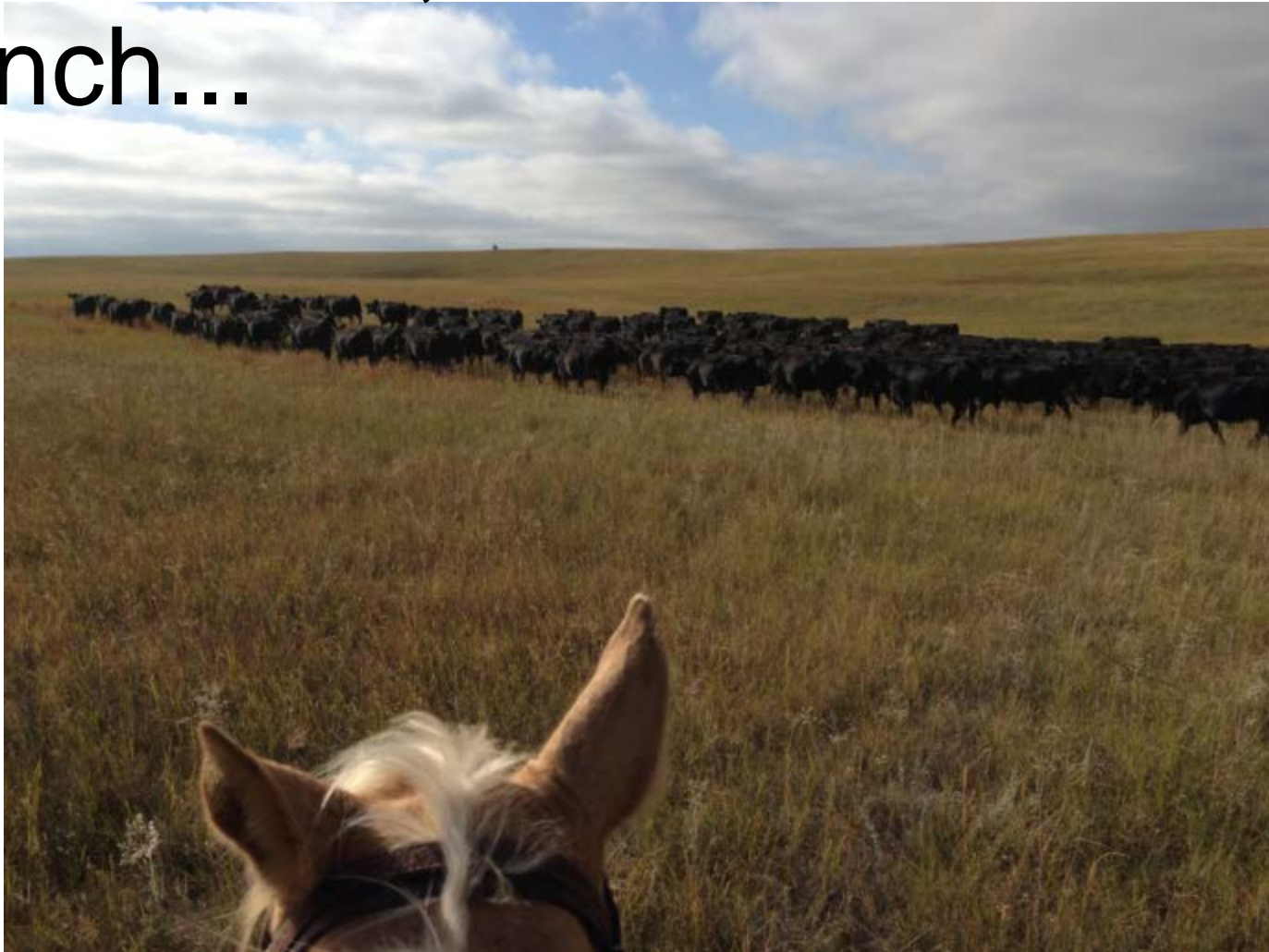


Historic Carcass “Defect Rate” by Specification

Specification	Defect Rate (%)				
	2016	2015	2013	2012	2008
Marbling < 500	92.6	91.4	94.8	95.0	94.0
HCW > 1,050	9.1	8.1	NA	NA	NA
> 1,000	20.3	20.2	6.9	6.5	2.6
REA	11.5	15.6	12.1	16.6	8.7
> 16.0”	11.2	14.8	9.5	15.2	6.0
< 10.0”	0.4	0.8	2.6	1.4	2.7
Backfat > 1.0”	3.5	3.1	2.0	0.9	2.5



Meanwhile, back at the
ranch...



How do I...

- Get paid ?
- Chart a genetic course



Scenario 1

- Out weight = 1,350 lbs
- ADG = 3.4; F:G = 6.2
- COG = \$83.05/cwt
- 3% Pr, 20% CAB, 27% Se
- **Breakeven (Live) = \$122.80**
- **Breakeven (Grid) = \$124.85**

Assumptions:

June 2018 = \$112/cwt

250 miles trucking

1% Death loss

\$225/T ration

10% YG4, No heavies

C-S = \$12; CAB = \$5; Pr = \$15



Scenario 2

- Out weight = 1,400 lbs
- ADG = 4.2; F:G = 5.8
- COG = \$76.25/cwt
- 10% Pr, 40% CAB, 0% Se
- **Breakeven (Live) = \$130.82**
- **Breakeven (Grid) = \$142.38**

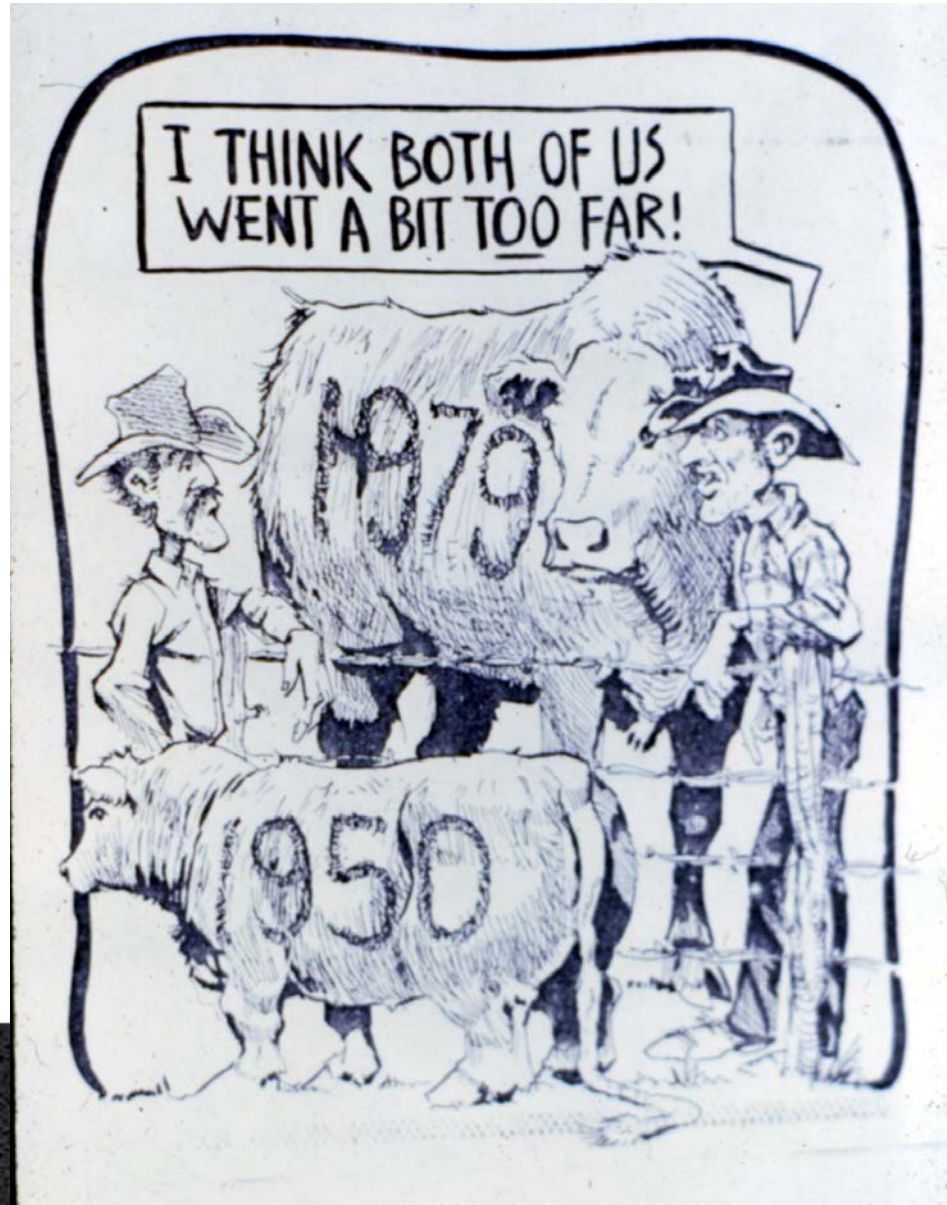


What are they worth?

\$930 or \$1,061/hd

\$131/hd difference

Cow traits are hard to pin down....

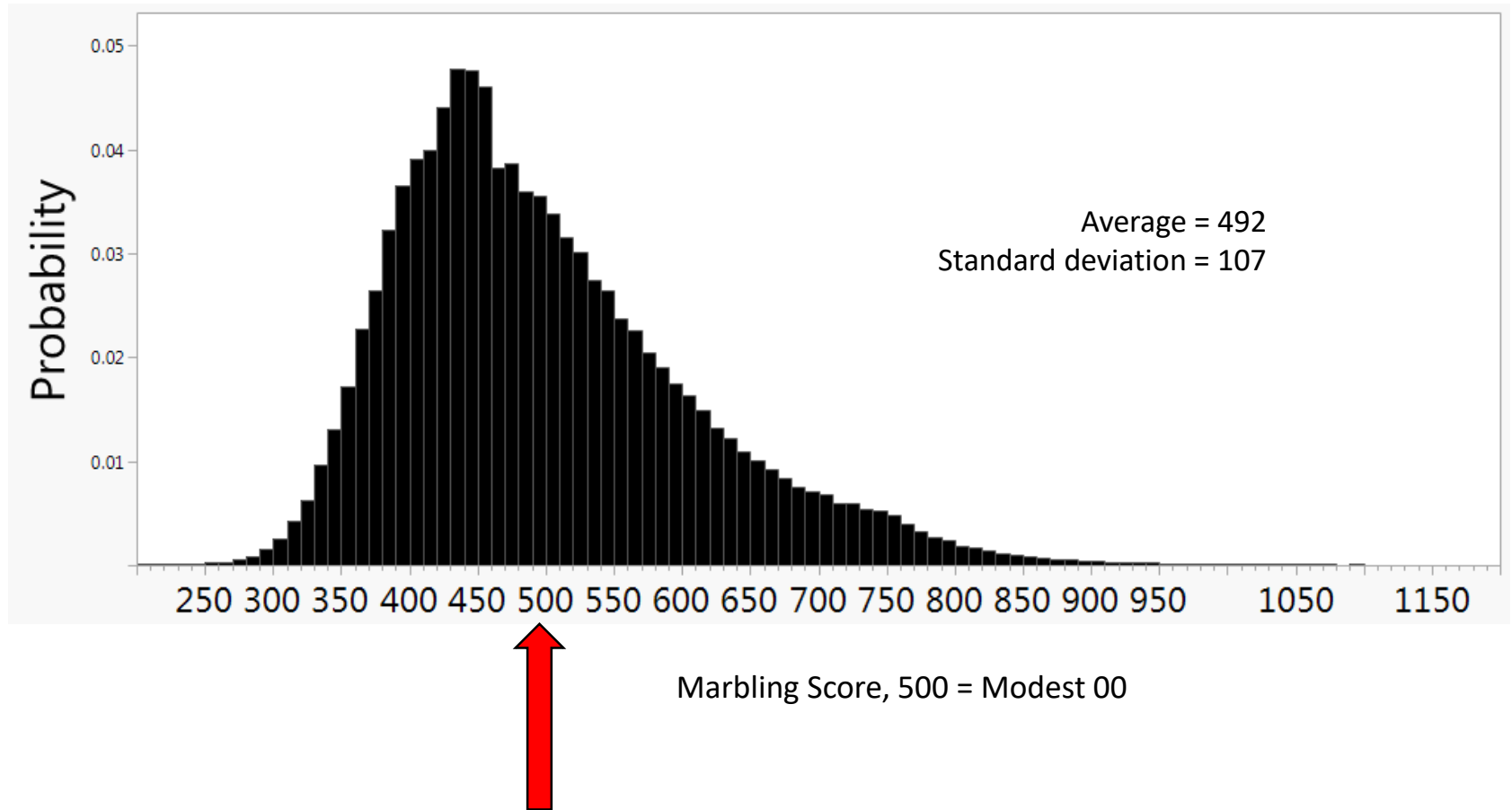


Terminal traits are much easier...

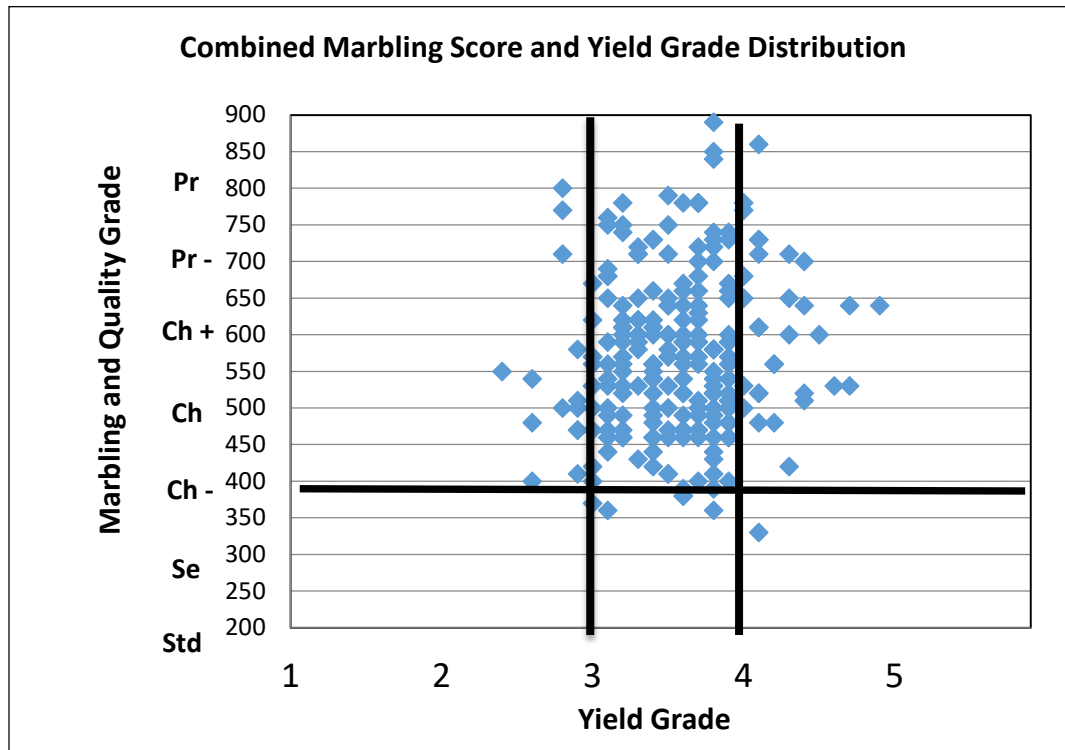
- Healthy
- Growthy
- Efficient
- High Quality Grade
- Responsible Yield Grade



Angus-type cattle marbling distribution



Consider Muscle

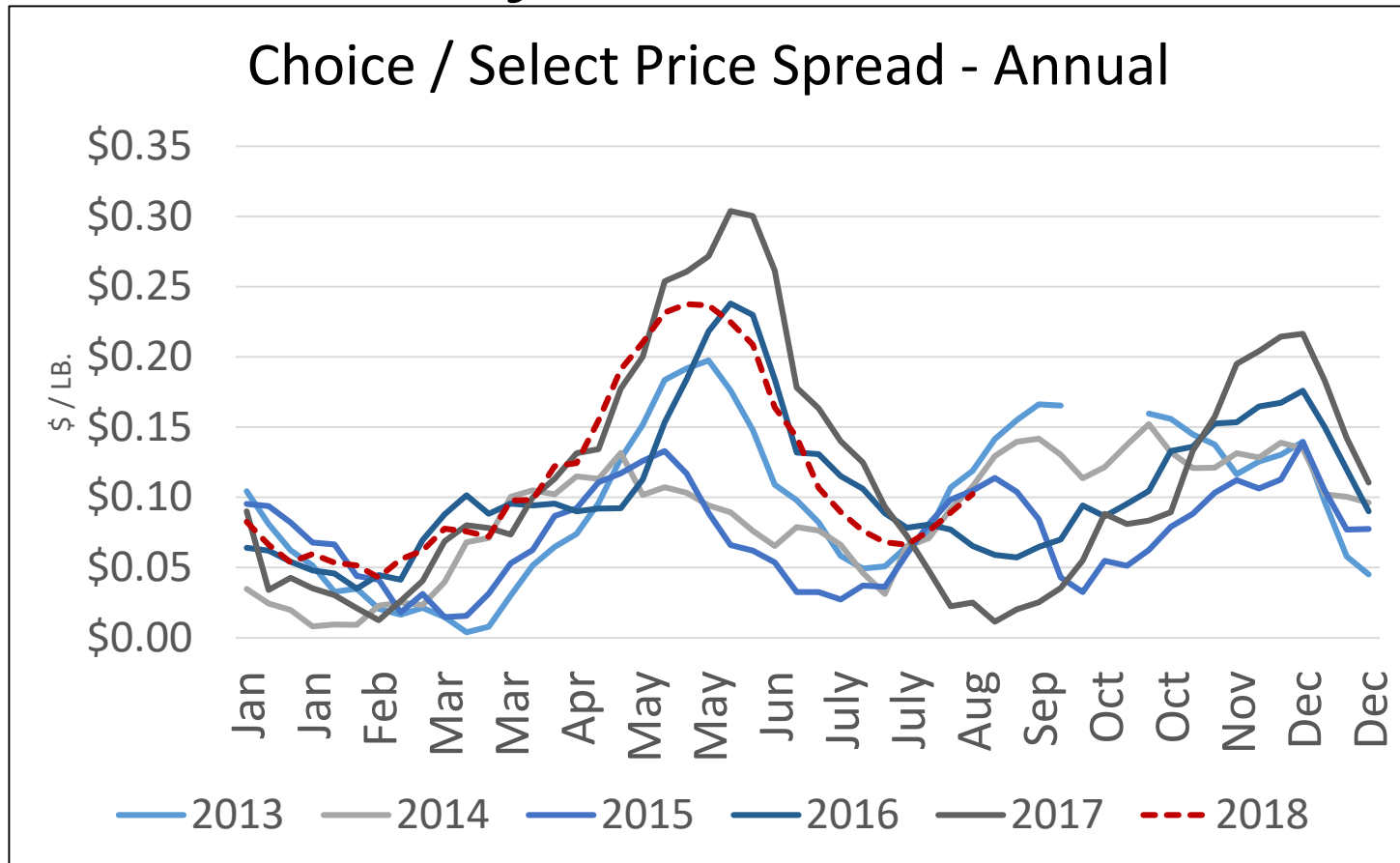


Averages for Traits	
Backfat	0.56 in.
Hot Carcass Wt.	870 lb.
Ribeye Area	12.8
Ribeye Area Required	14.2
Yield Grade	3.6
Marbling Score	572

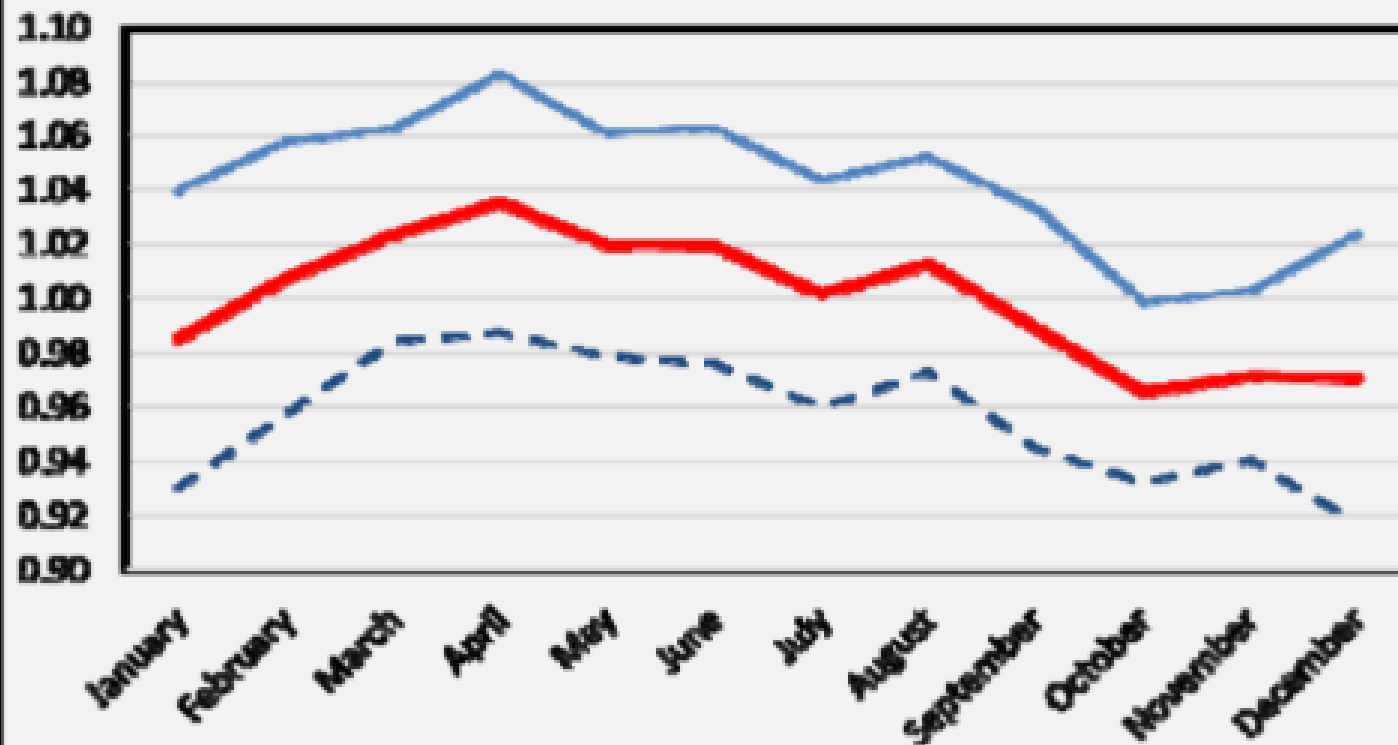
Hot Carcass Weight	Ribeye Area Required
700	12.2
750	12.8
800	13.4
850	14.0
900	14.6
1000	15.8
1050	16.4
1100	17.0



Seasonality



SEASONAL PRICE INDEX-CALVES 500-600 Pounds, Western Kansas, 2007-2016



Base Cattle: USDA-Hot, Compiled & Analyzed by LMC

LiveStock Marketing Information Center



A photograph of a cowboy wearing a light-colored cowboy hat and a blue and white striped shirt, riding a dark horse. He is herding a group of cattle, with one cow in the foreground showing a red tag. The scene is set at sunset or sunrise, with a bright, hazy sky and silhouettes of buildings and hills in the background.

Thank you!

