
Grid Marketing Demands Knowledge of Markets and Your Cattle

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The time to implement marketing decisions is upon us in the beef cattle business. For some, the decision was made when calves were contracted for a set delivery time. For others, the local auction vigil has started and anxiety grows as the expected sale date approaches. Still others will monitor the futures market, visiting with an area broker as often as the local auction.

I have often wondered what would be left of some of the agricultural periodical publications if weekly markets weren't reported. At the North Dakota State University Dickinson Research Extension Center, we realize those weekly market reports help steer (no pun intended) the ship. Number crunching can overload the mind.

I recall sitting at sessions with the local farm management specialist who noted the need to chart your selected information source to help make sense of all the numbers and trends. Ingrained within these discussions is the concept of grid marketing, or retaining ownership of your cattle and trying to meet a specific set of specifications with your cattle. The ultimate ideal is to meet the specs that reward you with the most dollars.

This rhetoric is good, yet two concerns immediately pop into the picture.

First, how well do producers really understand the current marketing system? Grid marketing functions on the premise of understanding marketing beyond the sound of the auctioneer's gavel. Marketing is complicated enough already, is grid marketing too complex for many producers?

Occasionally, I witness presentations at producer meetings about how to sell cattle on the grid. Generally, there are not a lot of questions on a subject that is quite complex. A common misconception is that the sum of the premiums in a grid equals the potential profit in a set of cattle. In fact, I have listened to entire presentations of cattle lot data, where the total premiums are presented to the audience as representative of the value of the cattle.

Marketing on a grid does not assure profit. In fact, a lot of cattle may receive all the premiums offered on the grid and still lose money simply because the base bid is low. If fed cattle markets are low, calf prices are high and feedlot charges are high, no grid is going to make the

outcome positive. However, the data sheet may still reflect the positive value to the grid.

Second, understanding the components of a grid and how your cattle fit the grid is equally important. To help address this, the center has been feeding cattle at one lot for several years. To help understand the variability of the cattle, I looked up the percentage of steers that graded choice or prime in each lot and the percentage that were yield grade 1 or 2.

In eight lots, the percentage of each lot grading choice or prime quality grade were 58, 57, 65, 72, 46, 46, 53 and 66 percent for an average percentage of choice or prime of 58 percent. In regard to yield grade, percentage of each lot with yield grades 1 or 2 were 66, 88, 56, 61, 20, 27, 44 and 32 percent for an average percentage of yield grade 1 or 2 of 49 percent.

This data shows a considerable amount of variability in our cattle and that makes it difficult to predict exactly how our cattle will perform. Consequently, I would have a very difficult time committing these cattle to a particular grid and trying to predict premiums. We also have learned that discounts on cattle that fall far outside the specifications, the ones that don't grade prime, choice or select or that have a yield grade of 4 or 5, can quickly gobble up any money you've made in premiums.

Are our cattle more variable than the cattle within the industry? With the exception of first-cross, English-bred cows mated to a terminal sire, I would speculate the center's calves are very typical of those in the industry. The center has not locked the cattle into a grid and won't in the near future.

May you find all your ear tags.

Your comments are always welcome at www.BeefTalk.com. For more information, contact the North Dakota Beef Cattle Improvement Association, 1133 State Avenue, Dickinson, ND 58601 or go to www.CHAPS2000.com on the Internet. In correspondence about this column, refer to BT0112.

Quality and Yield Grade for Eight Lots of DREC Steers

Lot Number	Number of Steers	Choice or Prime	Yield Grade 1 or 2
6269	72	58 %	66 %
6299	89	57 %	88 %
7401	128	65 %	56 %
8328	127	72 %	61 %
9292	76	46 %	20 %
9336	56	46 %	27 %
0383	116	53 %	44 %
1476	154	66 %	32 %
Average	102	58 %	49 %