

Project Title: **Developing Benchmarks to Familiarize Cattle Producers with the Benefits and Risks Associated with Grid Pricing.**

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Completion Date: **May 1998**

Layman's Summary:

The objective of this study was to provide information regarding the performance of a large, genetically diverse population of cattle marketed under different grid pricing scenarios. Also, to establish a distribution of “winners and losers” measured as price over or under the base and thus demonstrate the economic consequences associated with hitting or missing the targets relative to various pricing strategies as described by Cattle-Fax. The carcass trait characteristics of each quintile of the population relative to premium and discount distribution were also looked at.

Industry standards, such as the identification of benchmarks will allow individual producers to improve their ability to hit targets, however, they must also understand the economic consequences of strategies to hit specific market windows. Grid pricing does a good job of rewarding high quality-grading, low yield-grading cattle that fit all conformance specifications when analyzed on a premium or discount on a carcass weight basis. Grid pricing is less effective when analyzed on a gross price per carcass basis, therefore, it is important that producers not chase premiums to the exclusion of weight. A final important thought is that producers must know their production costs, it may not be beneficial for all producers to produce the heaviest possible carcasses.

