VALUE-BASED MARKETING

Selling on the grid is the ultimate option today

Getting paid for what you produce is the goal of every beef producer. For many years selling on the average has been the common marketing method used in the beef industry. As the industry has moved toward a more competitive marketplace in which improved quality and consistency are important, a buying system designed to pay true value for carcasses has evolved.

Value-based marketing or selling on the grid has become a buzz word in recent times. The grid is a structure used today by packers for buying cattle. It's an added-value and discounted-value system on a per head basis. A three-tiered matrix best defines the marketing option which is value defined, with the three values being quality grade, yield grade and carcass weight.

A carcass with a higher quality grade, lower yield grade and an optimum weight will be worth more under the grid system.

To understand value-based marketing, producers need to understand the values which make up the system.

Quality Grade

The U.S. Department of Agriculture (USDA) established the voluntary quality grading system in 1927. Quality grades serve as a guide to the eating characteristics of the final product. Eating characteristics are measured by palatability of the cooked product— its tenderness, juiciness and flavor. The standards for the grades have been revised and updated over the years with 1976 being the most recent.

Quality grade is the function of marbling and carcass maturity. The indicators of maturity are color, size and shape of the rib bones, ossification of cartilage, particularly the buttons of the vertebrae, and the color and texture of lean.

The five maturity groups are A through E. Group A ranges in age from nine to 30 months of age and group B from 30 to 42 months. Advanced maturity of cattle is often associated with decreased tenderness because of changes in the animal's muscles connective tissue.

The other factor influencing quality grade is marbling, the amount and distribution of visible specks of fat within the ribeye.

The evaluation of marbling is made on the cut surface of the ribeye by partially separating the hind from the forequarter between the 12th and 13th ribs. Marbling contributes to the overall juiciness and flavor of beef. Ten degrees of marbling have been established and are used as guides in grading beef carcasses.

YIELD GRADE EXAMPLE

A carcass with .4 inch fat thickness. 12.2 square inch REA. 650 pound carcass and 2.5 percent kidney, heart and pelvic fat would have a YG of?

I. PYG
   .4 in fat = 3.0 PYG

II. **Rate adjustment for REA**
A 600 lb. carcass should have a minimum 11 sq. in. ribeye for each variation in 25 lb. relates to a .3 sq. in. increase in REA. So a 650 lb. carcass should have at least a 11.6 sq. in. REA. Difference in needed and actual: 12.2 - 11.6 = .6 sq. in, more REA than needed. For each sq. in. of REA more than needed subtract .3 from the PYG, for each sq. in. less add .3
3.0 PYG - (.3)(.6) = 2.82 adjusted for REA

II. **Rate adjustment for kidney, heart and pelvic fat**
3.5 percent is considered normal and the rate adjustment of +.2 for each percent more and -.2 for each percent less.
3.5 - 2.5 = -1 percent difference
-1 X .2 = -.2 adjustment
2.82 adjusted PYG -.2 = 2.62 or final **YG** 2, (fractions are dropped off).

Yield Grade

Since 1965 the USDA yield grade system has been used as a means of identifying the most important value determining characteristic — the amount of trimmed retail cuts from a carcass. Yield grade is the function of hot carcass weight, ribeye area (REA), percent kidney, heart and pelvic fat and back fat. There are five USDA yield grades (YG) numbered 1 through 5. Carcasses with YG 1 have the highest yield of retail cuts.

The calculation used to determine YG is as follows:

1. First determine the preliminary yield grade (PYG) which is the thickness of fat over the ribeye;

2. Adjust the PYG for variation in kidney fat from 3.5 percent and for variations in REA above or below the minimum requirement based on carcass weight.

Carcass Weight

Carcass weight is the final variable. With this measurement packers are demanding more consistency. Variation among carcass size is a problem in the industry. Producers have to work towards breeding cattle with less size differences.

For example, if a packer has one 650-pound carcass and next on the rail is a 900-pound carcass, when they go to fabrication the portion size of those two carcasses are not uniform enough to fit in the same box. Retailers are demanding a product that is consistent. Look at the poultry case at your local supermarket -the product is all the same size.