

Understanding the Slide

February 2018



Photo Credit: Celeste Settrini

Background

Selling on a video sale is a method of forward contracting cattle. You are expected to accurately estimate what your cattle will weigh at delivery, sometimes months in advance. Since that can be a difficult task, the concept of a “price slide” has evolved and is a mechanism to reduce the risk when a seller’s estimate of delivery weights is inaccurate. It can also be an important merchandising technique for selling cattle in a video sale format, as it conveys how much confidence you have in your estimated delivery weights. To keep up with changing market dynamics Western Video Market has developed a standardized slide scale, as well as a suggested slide that is updated periodically to reflect current cattle prices.

How Does the Slide Work

Live weight and the amount of the slide are inversely related—as delivery weights increase, the slide decreases. The slide is an adjustment to price that is typically applied when the average per head delivered weight exceeds a specified limit that is outlined in the contract.

As an example, assume you sold your cattle on the July Western Video Market sale at a base weight of 400 lbs for \$1.80 with a \$.20 slide for every pound over the base weight. If on shipping day the cattle averaged 425 lbs, with the slide, the price would be adjusted by \$5.00/cwt. In other words, since the slide starts at one pound over the base weight (400 lbs), and the cattle are 25 lbs into the slide (425-400=25), the purchase price should be reduced to \$1.75 per pound [Slide (\$.20) X Pounds Over (25) = \$5.00/cwt or \$0.05/lb].

Since heavier cattle typically sell for less per pound due to their decreased feed efficiency, slide amounts are also lower. On an 800 pound yearling sold for \$1.25 with an \$.06 slide that came in at 825 lbs at delivery, the slide adjustment would be \$123.50/cwt [Slide (\$.06) X Pounds Over (25) = \$1.50/cwt or \$.15/lb].

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Understanding the Slide

“We know that it is extremely difficult to predict the exact weight at delivery, especially when you are marketing your cattle months in advance of delivery,” said Brad Peek, general manager for Western Video Market. “The slide, when applied correctly, gives a buyer more confidence that the price per pound will reflect the market, even if the cattle do come in at higher weights than expected.”

Using Slides as a Marketing Tool

An accurate slide that reflects current seller and market conditions can be beneficial when marketing your cattle. If you have good historical data of delivery weights, utilize check weights and understand your feed situation, you may want to place a higher slide on your cattle with a smaller weight variance. Conversely, if you are less confident in what actual delivery weights will be, you may want to place a smaller slide on the cattle with a broader weight variance.

A buyer will recognize that a seller who places a higher slide with a smaller weight variance has more confidence in his delivery weights than a seller who places a smaller slide with a larger weight variance.

Using the Correct Slide

To help consignors understand current market dynamics, Western Video Market has developed a slide scale that our representatives will be using with customers to help guide their decisions. This table was developed with feedback from representatives and buyers with the goal of helping consignors market their cattle to their best advantage.

Weight Stops

Weight stops have recently emerged as another way to more effectively communicate to buyers your confidence in your delivery weights. Western

Video Market weight stops can be applied at the consignor’s option up to a maximum of 25 lbs over the base weight. If this option is taken, cattle slide up to the cited weight stop. Any pounds over the “weight stop” are free to the buyer, which gives the buyer a lot more confidence in his buying decisions.

Circle 25 Slide

Introduced in the spring of 2016, the Circle 25 Slide is a 25 lb. “up and down” slide and provides a weight insurance policy for both buyers and sellers. How it works:

1. A 25 lb weight stop above the base weight
2. A maximum 25 lb slide/price stop below the base weight (see example illustration)

Example: A load of cattle is based at 500 lbs. and sells for \$1.70/lb. with a .15 slide.

At shipping, cattle net 535 lbs., 35 lbs. above base weight, but with a 25 lb. weight stop.

25 lbs. over base x .15 slide = \$3.75 deduct from base price. Price per animal would be \$166.25 x 525 lbs. = \$872.81

Or, at shipping, cattle net 465 lbs., 35 lbs. below the base weight, but with a 25 lb. slide/price stop.

25 lbs. under base x .15 slide = \$3.75 added to base price. Price per animal would be \$173.75 x 465 lbs. = \$807.94.

Conclusion

Utilizing price slides that accurately reflect current market conditions, as well as other options such as a weight stop are methods to make your cattle more attractive to potential buyers. As conditions change, Western Video Market will continue to respond with changes that benefit our consignors. If you have any questions, be sure to contact your representative or feel free to contact the office via phone or e-mail.

Table 1: Western Video Market Slide¹

	Suggested Minimum	Recommended Minimum
Base Weight	Slide (over base weight)	(Slide over base weight)
395 or less	\$.20	\$.22 & up
400-445	\$.18	\$.20 & up
450-495	\$.15	\$.18 & up
500-595	\$.12	\$.15 & up
600-695	\$.10	\$.12 & up
700-795	\$.08	\$.10 & up
800-895	\$.06	\$.08 & up
900 or greater	\$.06	\$.07 & up

¹ Updated February 2018

² When figuring the price on cattle that come in under the base weight, the actual net weight is used. Sellers only receive a maximum 25 lbs. of slide/price adjustment.