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Understanding Price Slides in Beef Cattle Marketing

Brett Barham
Assistant Professor – Breeding and Genetics

Rex Herring
County Extension Agent - Staff Chair

Joe Paul Stuart
County Extension Agent - Staff Chair

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Selling cattle well in advance of their delivery date, or forward contracting, is a marketing option available to beef producers. Such a transaction requires the seller to estimate the weight of the cattle prior to delivery. Weights estimated at the time of sale and those recorded upon delivery often differ. Therefore, to ensure fair market value upon delivery, an adjustment of the sale price is often necessary.

The "slide" is a predetermined adjustment in the sale price of cattle and is included in the contract (forward contracting) or in the description of the cattle (video or Internet marketing) being offered for sale. It is based on the difference between the weight estimated prior to consignment or contracting and the actual pay weight. Pay weight is the actual live weight of the cattle upon delivery minus a "pencil" shrink. This pencil shrink is negotiable and normally ranges from 2 to 4 percent.

Three slides are used: **up, down** or **both ways**. The seller decides the magnitude and direction. Live weight and the magnitude of the slide are inversely related; e.g., as live weights increase, the slide will usually decrease. Calves (less than 600 pounds) often are sold with a two-way slide.

Sliding cattle both ways is particularly useful when environmental conditions such as rainfall and forage availability can drastically affect weaning weights. The two-way slide protects the buyer if the cattle deliver heavier than expected and ensures the seller will receive a fair market price if the cattle are lighter than expected. The weight of yearling cattle is more predictable; therefore, yearlings are usually offered with an up slide only.

Up Slide

An up slide is exercised when the weight of the cattle upon delivery is heavier than expected. Selling with an up slide locks in a maximum price (dollars per hundredweight or $/cwt) that will be paid for the cattle.

Example A

In a mid-July sale, 600-pound calves consigned for November delivery sell for $80/cwt. The slide is $5/cwt. Calves will be weighed at the ranch with a 2 percent shrink. Upon delivery in November, the cattle average 630 pounds per head.

slide = $5/cwt
slide weight = 600 lb
shrink = 2%
sale price = $80/cwt
delivered weight = 630 lb

The slide will be exercised because the cattle were heavier than expected at delivery.

shrink = 630 lb x 2% = 12.6 or 13 lb
pay weight = 630 lb – 13 lb = 617 lb
weight subject to slide = 617 – 600 = 17 lb
17 lb = 0.17 cwt
0.17 cwt x $5/cwt = $0.85/cwt
$80/cwt – $0.85/cwt = $79.15/cwt

The extra 17 pounds (expressed as cwt) is multiplied by the slide, yielding $0.85/cwt. The $0.85/cwt is then subtracted from the sale price of $80/cwt to yield the actual price of $79.15 per hundredweight. The actual price paid for the cattle under this agreement is $488.36 per head.

6.17 cwt (617 lb) x $79.15/cwt = $488.36

Down Slide

A down slide is exercised when the delivered weight of the cattle is less than expected at the time of sale (contract). Selling with a down slide locks in the minimum price ($/cwt) to be paid for the cattle.

Example B

In a mid-June sale, 500-pound calves consigned for October delivery sell at $90/cwt. The slide is $10/cwt. Calves will be weighed at the ranch with a 3 percent shrink. Upon delivery in October, the cattle average 480 pounds per head.

slide = $10/cwt

slide weight = 500 lb

shrink = 3%

sale price = $90/cwt

delivered weight = 480 lb

The down slide will be exercised because the cattle weighed less than expected upon delivery.

pay weight = 480 lb – 3% = 466 lb

500 lb – 466 lb = 34 lb

This 34-pound (.34 cwt) difference is multiplied by the slide ($10/cwt) to get $3.40/cwt, which is added to the sale price of $90/cwt to obtain the actual price of $93.40 per hundredweight.

34 lb = 0.34 cwt

0.34 cwt x $10/cwt = $3.40/cwt

$90/cwt + $3.40/cwt = $93.40/cwt

$93.40/cwt x 4.66 cwt (466 lb) = $435.24

Therefore, the actual price received for the cattle is $435.24 per head.

A worksheet for evaluating the use of a slide follows.

Evaluating the use of a down slide (line A is greater than line E)		
Contract (Expected) Values		
A.	*Expected* weight	lb
B.	Price	$/cwt
C.	Pencil shrink	%
D.	Slide	$/cwt
	Expected value = [(A/100) – C] x B	$/hd
Actual Values		
E.	Scale weight (avg)	lb
F.	Pay weight = (E/100) – C	cwt
G.	Weight subject to slide = (A/100) – F	cwt
H.	Slide adjustment = G x D	$/cwt
J.	Adjusted sale price = B + H	$/cwt
K.	Price received = F x J	$/head
To evaluate an up slide (line A is less than line E), calculations in lines G and J change as shown.		
G.	Weight subject to slide = F – (A/100)	cwt
J.	Adjusted sale price = B – H	$/cwt

Adapted from *Using a Slide in Beef Cattle Marketing* by Rick Machen and Ronald Gill (L-5063), Texas AgriLife Extension Service.

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BRETT BARHAM, Ph.D., is assistant professor - breeding and genetics in the Little Rock state office. **REX HERRING** is county Extension agent - staff chair in Sevier County. **JOE PAUL STUART** is county Extension agent - staff chair in Little River County. They are employees of the University of Arkansas Division of Agriculture, Cooperative Extension Service.

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