

THE WATER TROUGH

Cows in Control Newsletter

November 2014

Welcome to the first Edition!

It's been a process to get the Cows in Control company up and going but we are now live! Ready to work with our cow/calf clients to make sure you're getting top dollar and protecting the value of your herd at these record prices for the duration of the next year.

A reminder of our services:

Please feel free to contact me about the following services:

- 1) **Securing the best price for your sale cattle**
- 2) **Protecting the value of your herd through hedge strategies**
- 3) **Options for retained ownership and forward selling**
- 4) **Consolidated buying and selling**
- 5) **Keeping you up to date with market programs and trends**

"Prices have tripled since the late '90's, cow calf producers are looking at \$700/cow profits...it's time to lock these returns in and celebrate"

- Ryan Copithorne

Give me a call for a free consultation



\$700 profit looking you in the eyes, now what?

In This Issue

- Shrink, the Silent Killer
- The Marketing Buzz
- So How Much Room is Left in this Market?
- Whatever Happened to Branded Beef Products?
- In the Works



Converting grass to cash

The Marketing Buzz

The fall calf run is in swing. While prices have breached the \$3/lb mark in October, the market has softened somewhat of late as the flow of calves is hitting the auctions.

Good news is that there aren't many calves out there to drive prices down. Bad news is that the cure for high prices is high prices. Cattle feeding margins are slim when factoring what the feeder has to pay for calves. When our buyers' margins weaken, our prices will be soon to follow. Backgrounders can lock in \$2.30/lb now on WCPIP for Feb or March. Should be \$50-100 profit on that if you choose to hold.

Canner Cows

Give me a call about your canner cows. One of our services is helping ranchers fill trucks and getting plant rail bids. Rail prices are good right now, let me help organize rail bids for you and fill truck loads to share your freight costs. I have heard rumours of plants in South America filling containers full of lean beef to supply our deprived lean beef market in North America, the great cow beef import is on! I suspect prices should remain strong for a while, but a buck and a quarter a pound (\$1600+ per cow) ain't bad!

Breeders

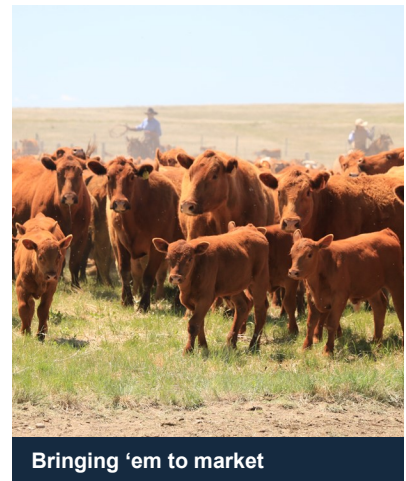
Hang on to those breeders! They are your best investment right now. If we can maintain this price level, the present value of your commercial bred heifer is over \$2500. In a short supply cycle, those with control of the calf supply win the game. Keep the calf factories rolling!

Shrink, the Silent Killer

With calf prices at \$3.00/lb, do you know that a standard 4% shrink costs you \$45/hd? That's assuming it is only 4%. Calves standing overnight or hauled long distances will shrink more than this.

Every time you move cattle, you can expect to take at least a 4%.

The biggest killer is on your canner cows. Ranch cows hauled and stood over night will often shrink 7-10% through the ring costing you \$125-175/head! If you have a long haul or expect to overnight cattle, you are better off rail bidding the cattle to a plant. The cow's live weight may shrink, but her carcass won't.



Bringing 'em to market

So how much upside is left in this calf market?

The chart at left is a chart of Canadian 550 lb weight steers. You can see we touched \$3/lb and are settling back some as the calf run sets in and weaned calves are coming to town.

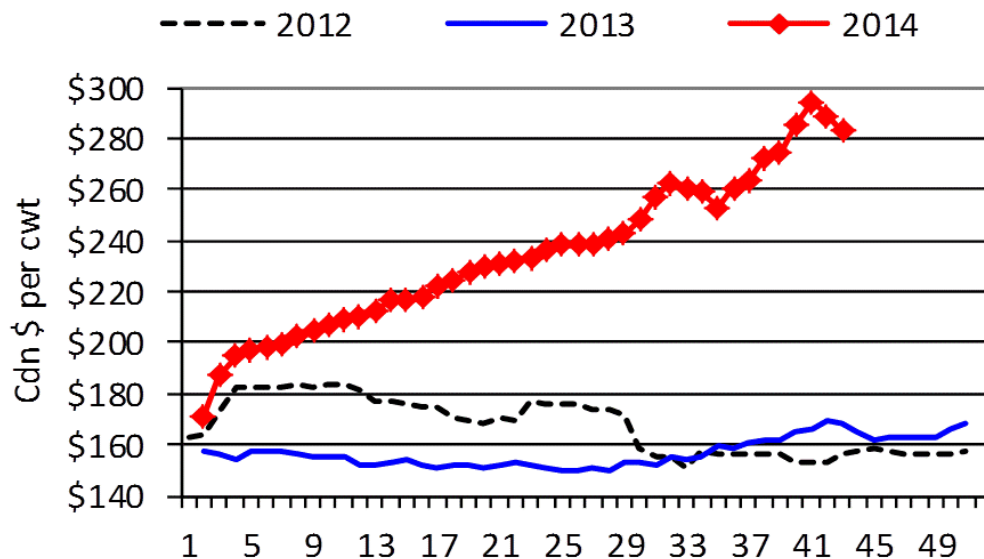
Though there is always potential for further upside, prepare for the fact that the volume of calves coming to market will increase as calves are weaned. A modest 10% correction in prices at these prices equates to \$0.28/lb or \$150 per calf!!

Packer margins are now negative. Feeding margins are positive for light cattle using all-in cost projections and flat for heavier weights.

Ranchers, be cognizant that the return on investment shrinks the longer you hold cattle. Return on investment (ROI) is your profit divided by the costs of production. \$700/calf profits now for a calf that cost \$700 to raise= 100% ROI. Beat that in the stock market! If you could make an additional \$100/calf feeding it to 800 lbs for a total cost of \$1000/animal, your ROI is \$800/\$1000 or 80%. You are adding cost and risk to get a lesser rate of return!



Alberta Weekly 550 lb Steer Price



Source: CanFax

Canfax 550 weight steer calf prices

Whatever Happened to Branded Beef Products?

Have you noticed that the grocery stores are not promoting branded products as much as they were a year or two ago? The retailers are feeling the squeeze of higher beef input costs and a fear of raising consumer prices for fear of giving up market share on their beloved beef products.

Many retailers have appeared to be replacing high end branded products with cheaper commodity products. This also has to do with supply shortages of branded product. What is a 5 cent premium to a producer in a \$3 per pound market?

North America is short of lean beef supply. We have been filling our plants with fewer over fattened cattle fed to record high carcass weights. We are now rapidly importing lean product from South America and Australia to blend off with our highly finished cattle in order to get leaner trim. Canner cow/bull prices should remain strong in this environment. The cost of cheap grain and high cattle prices is fat in the packing plants, lean will be a premium.

Though natural and organic products trended into the spotlight in the last few years, have you heard of any significant premiums for the product? It seems that when prices get high like this, it is a rush to get the most pounds on the cheapest, end of story. Marketing schemes and animal welfare schemes seem to drift to yesterday's news.

In the works...

Still working on the cow placement program. The goal is to get outside investors to fund the placement of cows on ranches, with the goal of the rancher owning the cows after 4 years. The buyout would be paid in the form of a percentage of weaned calves in the fall.

If interested in growing your numbers, let me know.

I am also generating active show lists for buyers of calves or feeders for now or at future delivery dates. Let me know what calves you have and when you want to market them, and I will get you constant bids to show you what you could get for them selling today.

Your cattle will always be listed, giving you the choice to sell whenever you feel the price is right. Sign on today!

Did you know?

Cattle are the first livestock animal to have a fully mapped genome.

Contact Us

Give us a call for more information about our services and products

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Visit us on the web at
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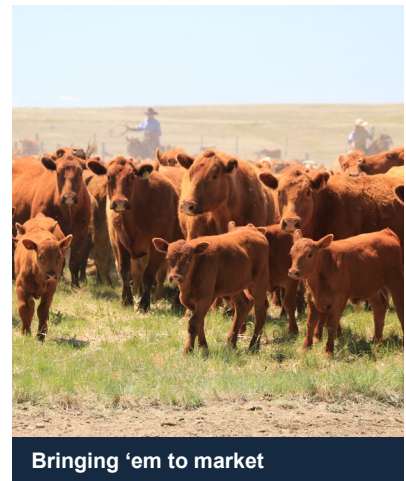
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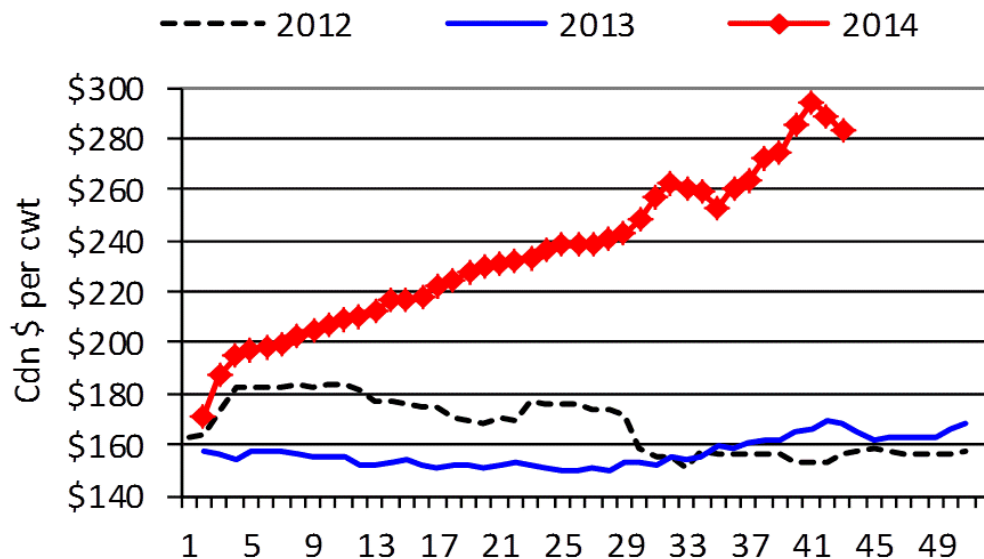
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