

THE WATER TROUGH

Cows in Control Newsletter

November 2023

Don't stop believing!...

At the time we get record calf prices, we have to battle drought and short feed supplies. Bred sales this month have been strong. Do you know for all the internet sales of bred cattle, they only amount to a few thousand available bred cattle to buy in an industry of 3.5 million beef cows? Likely there are more sold in auction marts we don't see, but what we do see is a strong market with very short supply. Heifer calves are trading 50-80 cents/lb back from steers at a time when ranchers should be scrambling for heifers to retain and breed into strong prices. Ranchers are not buying into this bull market yet. We'll have a look at heifer and bred prices in this issue.

Cows in Control services:

- 1) Developing an annual marketing strategy for your cattle
- 2) Working with you to protect the value of your herd
- 3) Analysis on retained ownership and forward pricing
- 4) Making sense of the markets

"Great men are ordinary men with extra ordinary determination."

- Abraham Lincoln



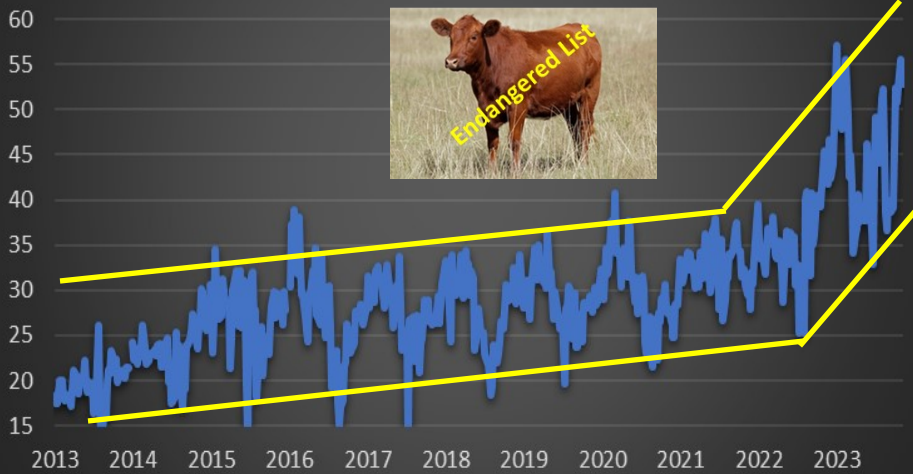
They will be hard to find one day when ranchers decide to keep them!...

In This Issue

- Marketing Buzz
- Endangered heifers?
- Bred Prices
- Desertification
- Thoughts on the industry



Premium of 550 lb steer prices over heifer prices



Endangered heifers?...

If you look at the discount of heifer prices to steer prices on our price list below left, I hear the comedian Rodney Dangerfield saying "No respect!" when it comes to heifers.

We are in one of the biggest bull markets in cattle prices in our generation, bred heifers are now averaging over \$3400, and no one wants to own a heifer calf?

Drought has definitely impacted ranchers' ability to hold heifers and grow numbers. Until ranchers do decide to hold heifers back and stop selling cows, the supply situation will stay tight, suggesting this bull market will last longer, no matter what happens to demand.

Feedlots have been kept full by dairy and beef-on-dairy cattle, but there are only 10 million dairy cattle in North America, and 6 million cattle have already entered the beef system in the last decade or so which is getting up to near peak impact. We will need all those cattle when ranchers start holding heifers back and heifer-on-feed numbers drop.

Feedlots prefer steers over heifers in this era of producing elephant cattle with no carcass weight discounts. Heifers simply lose efficiency at the higher weights compared to steers.

When ranchers realize it is cheaper to grow a heifer than buy one in the next year or two, the retention will begin and 10-15% of total supply could literally disappear from the feeding system. This has not happened yet. Heifers are still 40% of the total cattle on feed in the US and Canada which is extremely high. Feedlots will at some point have to pay up for heifers just to keep lots full.

If the heifer: steer calf price discount were to tighten up to more historic levels, there is 30-50 cents more upside potential in a heifer calf than a steer calf. They are on sale.

Steer:heifer ratio...

The Marketing Buzz (November 24)

Canner cows, heiferettes and bulls

Cull cows: \$100-133 (avg. \$122 D2) Heiferettes: \$150-210

Cull Bulls: \$130-220

Breds

Bred cows: \$1200-4050

Bred heifers: \$1575-5100

Avg: \$2552

Avg: \$3444

Feeders *(The steep discount of heifers: steers shows no hold back!)*

Steers: 450 wts \$4.38

Heifers: 450 wts \$3.52 (-86%)

550 wts \$3.81

550 wts \$3.31 (-50%)

650 wts \$3.51

650 wts \$3.05 (-46%)

750 wts \$3.27

750 wts \$2.89 (-38%)

850 wts. \$3.05

850 wts \$2.75 (-30%)

Slide 550-850: 25 cents/cwt

Heifer:steer @ 750 lbs: -38 cents

Finished Cattle

\$2.28 live; \$3.80-3.85 rail

Feeder Basis: -4 (futures) Finished cattle Basis: -9 (futures)

-2 (cash) -13 (cash)

(Note: Canadian feeder cattle have been badly lagging US prices since May by up to 20 cents or more, but have since caught right back up to historic average basis levels. Finished cattle are still weak however.)

Ranchers look after these ones too...



Bred prices...

There have been a lot of bred sales this month so we have tallied up the November commercial bred sale results from Alberta and Saskatchewan internet sales.

The charts at right show the average price per head for each lot of commercial bred heifers and cows sold on the internet sales.

	Average	Min	Max
Bred Heifers	\$ 3,444	\$ 1,575	\$ 5,100
Bred Cows	\$ 2,552	\$ 1,200	\$ 4,050

The range is huge on both heifers and cows. Some of the range will be quality and reputation differences. Some of it will be regional demand for bred due to drought conditions. Some of it marketing.

Generally the larger lots brought much higher prices than the single lots that were run through which is why the stars on the charts which are average prices may be skewed a bit to the right.

Surprisingly there was not as much variation in price between 1st-3rd calvers, 4th-6th calvers and mature cows as you would think. All averaged very close to overall average with only 4th-6th calvers bringing \$100/head more than the other two.

British vs. continental? No noticeable difference on average.

The bottom chart shows the price relationship between steer calves and bred cow prices. With 550 calves being \$3.82/lb, they are worth 55% of the value of a high end bred cow which is about the long term average ratio. That suggests \$4000 high-end commercial bred cow prices are actually in line with where calf prices are.

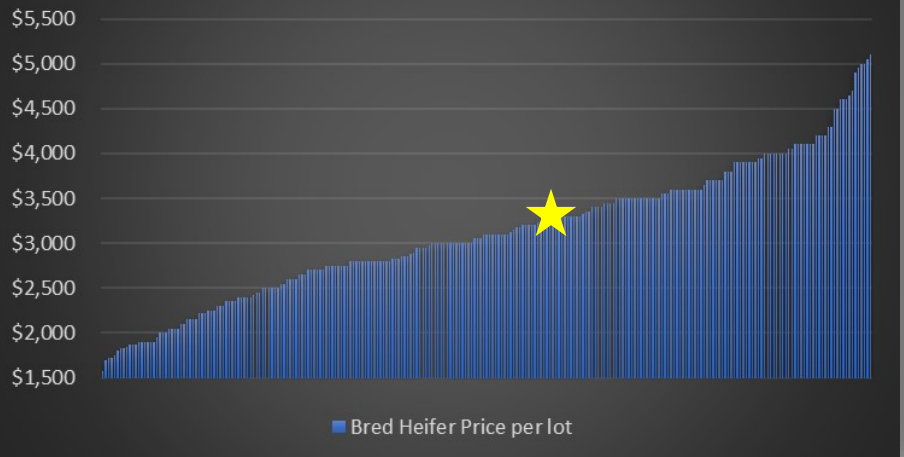
Low-end cow prices are still static and at a steep discount to high-end prices suggesting if you are going to sell bred, they better have a story and some quality or you may be disappointed in their price. Quality matters to bred prices.

US bred cow prices average around \$3200-3300 in Canadian dollars by comparison. Good support.

Bred prices...



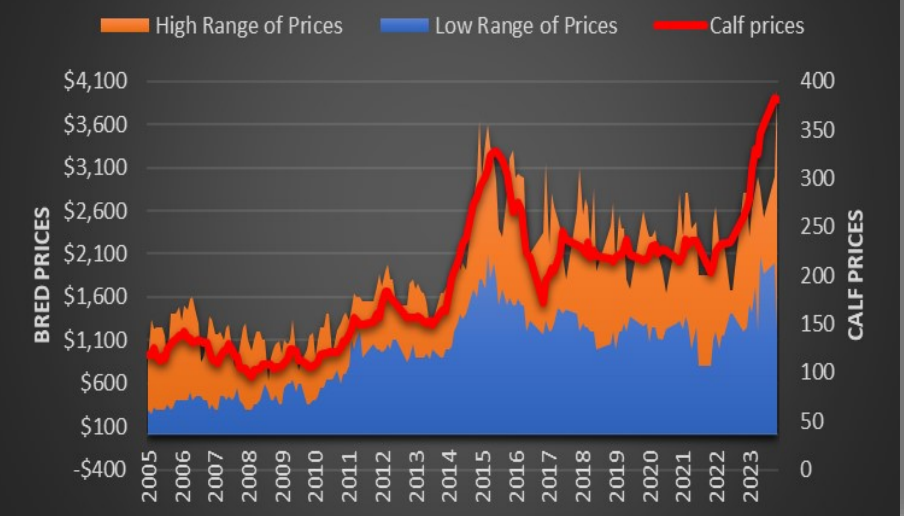
November Bred Heifer Sales



November Bred Cow Sales



Canadian Bred Cow Prices



Desertification...

Google does a good job of showing global desertification. We added in global cattle numbers per region to show where cattle are in relation to arid vs. non-arid regions.



The majority of the cattle population are in non-arid regions such as Brazil, India, China, Central Africa, Europe, and Eastern North America.

Is it that cattle simply prefer the lush feed rich areas or are they actually helping to keep these areas vegetative? Good question to ask as cattle people.

What happened to the American Great Plains, the Asian plains, North Africa, Middle East, Australia? Why did they fall into desertification? Is it just climate, or was it poor management by earlier civilizations? Poor farming techniques? Too many livestock and wildlife? Too few? Alan Savory attempted to explain this on TedX talks. This is the real climate issue we should be discussing for humanity's sake. Its more than just carbon. Why did the American Great Plains desertify after the bison were removed?

Cows in Control, serving the cattle producer

Thoughts on the industry

This year we have seen record cattle prices, strong beef demand, high margins. Ranchers are just not biting into it though. The herd is still shrinking, heifers are not being retained, cows are still being sold. Once bitten, twice shy. The sucker market of 2014/15 that took us to all time highs and then collapsed a year later down to decade lows put a sour taste in ranchers' mouths about being quick to expand.

Add in drought conditions, lack of feed. Add in a demographics problem in our industry. The average producer is around 60 years old according to Stats Canada and 88% of farmers/ranchers don't have a written succession plan. Young people have left the farms, and labour is tight. Who wants to calve heifers when you get over a certain age? That is a young person sport. Perhaps that is another reason why heifer calves are so cheap.

Now we have rising interest rates, land values and inflation making expansion difficult. To buy bred heifers you are paying \$3400 now. Last year you could buy one for \$1800.

All these factors sound terribly negative, but they really illustrate why this bull market is not going to just end here like we saw happen in 2016. The more ranchers don't rebuild into this strong market, the more prices have to rise to incentivize them to do so, if the industry is to continue. Feedlots need to stay full, packers and retail too. What about auction marts? Truckers? Veterinarians, input providers, equipment dealers? Small communities? Rural schools?

The consumer has already convinced us that they like our product with demand at sky high levels despite all the inflation and recession talk out there. The world hit 8 billion people last year, and many of them are urbanizing, moving up the income level chain, swapping from low value foods like rice and beans to meat and other higher value food items.

This market moved pretty far and fast this year. It is in a cooling off period, and that is normal and par for course, but I don't think the bull market is anywhere near completion longer term. For every bred animal sold on internet sales, there could also be 10 animals sold in rings and many are at bargain prices. Dig in, build. Take care out there — RC

Contact Us

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

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"TO LOVE THE LORD YOUR GOD AND TO SERVE HIM WITH ALL YOUR HEART AND WITH ALL YOUR SOUL – THEN I WILL SEND RAIN ON YOUR LAND IN ITS SEASON, BOTH AUTUMN AND SPRING RAINS, SO THAT YOU MAY GATHER IN YOUR GRAIN...I WILL PROVIDE GRASS IN THE FIELDS FOR YOUR CATTLE, AND YOU WILL EAT AND BE SATISFIED." - DEUT. 11:13