

# THE WATER TROUGH

Cows in Control Newsletter

February 2025

## Banging the drum...

Small cow herd numbers are top of everyone's mind these days in North America. Feedlots are forced to bid calf and feeder prices to astronomical levels just to get the cattle, despite a tremendous amount of risk should we get tariffs, drought, a roll over in the 10-year cattle cycle, demand destruction or what have you that could cool these markets off. Our steady cattle-on-feed and beef production numbers in the last few years despite extremely low beef cow numbers shows that there is more at play than just cow numbers. We will bang the drum a bit to producers to be careful here...

### 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

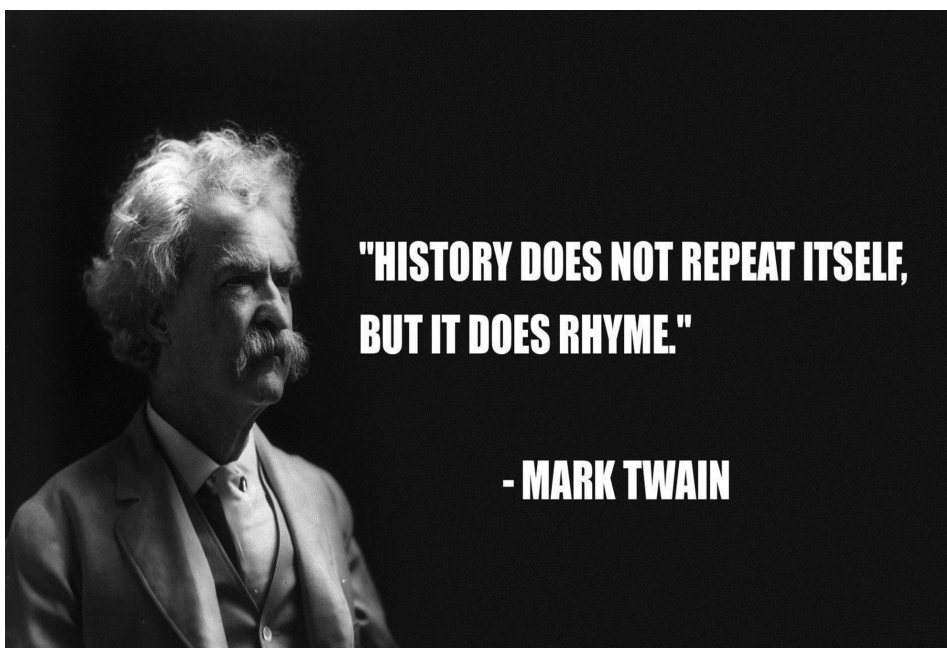
Give us a call for a free consultation

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*"Risk arises when markets go so high that they imply losses rather than the potential rewards they should"*

*- Howard S. Marks*

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**"HISTORY DOES NOT REPEAT ITSELF,  
BUT IT DOES RHYME."**

**- MARK TWAIN**

## In This Issue

- Marketing Buzz
- Hungry...
- Cows vs. heifers
- History doesn't repeat, but it rhymes...
- Thoughts on the industry
- Buysellbreeders.com
- Buy, sell, trade, or news

*Not the first time in history we have seen tariffs and protectionism...*



## 550 lb steer

Tariff risk?  
Yawn!!



Breakeven price if fed cattle drop 25%

## Hungry...

We have been wondering when cow shortages in North America would catch up to us. Though cow numbers are down to levels not seen since the 1950's in the US, our cattle on feed numbers have been flat near the all time highs. Beef production rose 2% in the US despite 1% fewer cows again last year.

We've talked lots about carcass weights, dairy cattle, heifers on feed, efficiency, a grading system that doesn't differentiate beef and dairy animals, and swapping cows with cheap grain as reasons for why we keep seeing high production with less cows.

Now we have potential tariff risks with the Trump trade war. We exported 780k head on the hoof last year to the US. 44% of our total beef and cattle go to the US each year. There are somewhere around 350,000+ cattle we need to export each year because we don't have the capacity to process them.

We are threatened with 25% tariffs on those cattle and yet look what calf prices have done in Jan/Feb in response (upper left). Yawn!

25% is pretty much a deal killer on an export program on a feeding business that works on single digit returns. \$1000/head. What happens if those fed cattle stack up at our plants that would have normally been exported?

The plants might be able to pay what they want while that goes on. Say fed cattle drop 25% (even if only half of them normally are exported) due to backlogs up here. \$2.75/lb fed cattle today might be \$2.06/lb. Back that off to what you can pay for a 550 lb steer to break even feeding and that is a 550 lb steer calf at \$3.64/lb. And here we are trading \$5.21/lb today??!

Feedlots are either oblivious, don't believe the tariff risk, or are so worried about supply of calves they will pay any price. Insure!!!

Saskatchewan roads this month...winter fun!



Canadian calf prices aren't even a bit afraid of tariff risk..

## The Marketing Buzz (February 21)

### Canner cows, heiferettes and bulls

Cull cows: \$170-212 (avg. \$197 D2) Heiferettes: \$240-290

Cull Bulls: \$200-260 (\$5000 cull bulls!)

### Breds

Bred cows: \$1800-5800; avg. \$4145; mean \$4070

Bred heifers \$2150-5500; avg. \$4159; mean \$4190

**Feeders** (further feeding is generally an unprofitable affair at these prices, especially with tariff risk, the best opportunity is still turning heifers into bred cattle, and look at the heifer discounts...)

<b>Steers:</b> 450 wts \$5.38	<b>Heifers:</b> 450 wts \$4.70 (-68)
550 wts \$5.21	550 wts \$4.46 (-75)
650 wts \$4.68	650 wts \$4.14 (-54)
750 wts \$4.14	750 wts \$3.77 (-37)
850 wts. \$3.80	850 wts \$3.37 (-43)
950 wts. \$3.56	950 wts \$3.16 (-40)

Slide 550-850: 47 cents/cwt Heifer:steer @ 750 lbs: -37 cents

### Finished Cattle

\$2.75/lb live; \$4.61/lb rail

Feeder Basis: -1!! (futures) Finished cattle Basis: -5!! (futures)  
-16 (cash) -34 (cash)

(Note: Extremely strong basis in Canada in light of tariff risks?! Gosh, we must be really short of cattle! US cash and futures are way out of whack.)

Bred cows and heifers...

# Cows vs heifers...

There is still no hard evidence of heifer retention in Canada. Especially when you look at it in terms of the heifer price discount to steers.

Year to date, overall slaughter in Canada is down 11%. Steers down 11%, heifers down 12%, and cows down 7%. Our overall slaughter is down but we are not seeing an out-sized cow/heifer slaughter reduction.

When we compare the returns on turning 150 replacement heifers today into bred heifers by the fall compared to the returns on 100 bred cows today for the fall, they are pretty much equal. Equal cash outlay, equal returns.

The big difference is that at least we can hedge the feeder value of that replacement heifer. We can't hedge the bred value of that bred cow if the market drops.

What if we get a drought again this summer? It is much easier to move heifers than pairs. Way more flexibility with heifers to shrink or grow.

Upper-end commercial bred cow prices correlate well with steer calf prices (middle graph). Those \$5500 upper end bred prices actually correlate with our \$5 calves.

Another thing bred cattle values correlate to is fed steer values. Our current fed steer values are suggesting more like \$3500- 4000 bred prices. Hmm, big difference between what calf prices are suggesting breds should be worth.

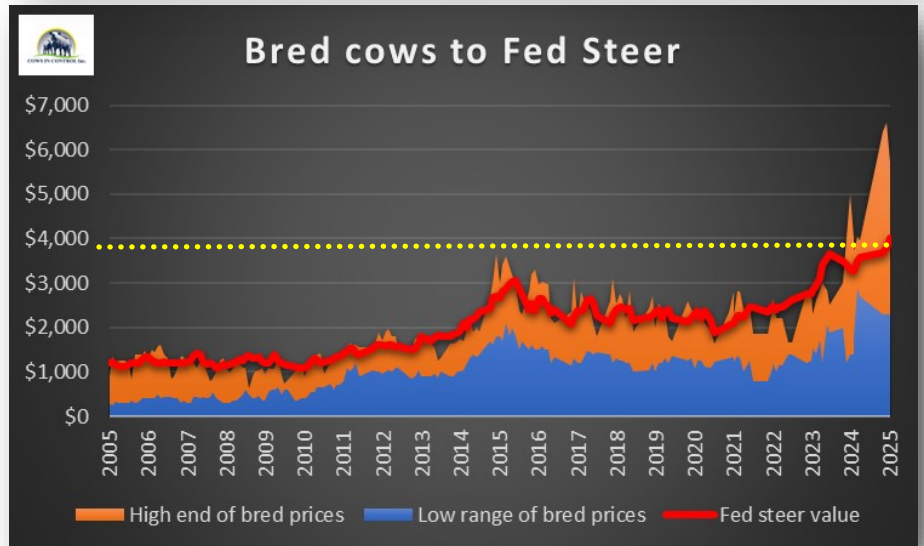
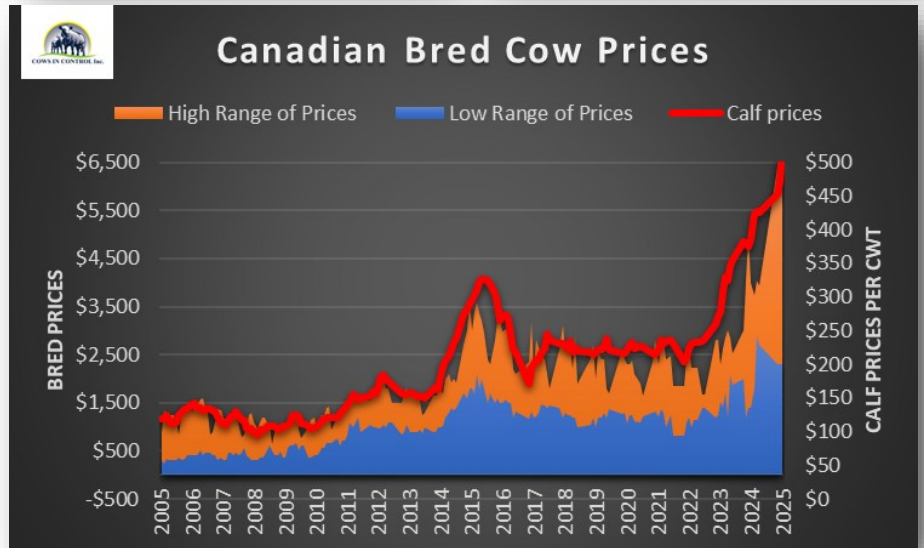
One of the biggest risks we have of the 10 year cattle cycle turning over, or tariffs, market collapse, whatever, is the bred prices dropping \$1000/head or more. You can't hedge that. All we can hedge is her calf value.

However with yearling heifers, we can at least hedge their feeder value with insurance and such. If there is a drought, you can move them. If there is a bull market you can own a third more of them than cows for the same money.

Got heifers?

Buy: 100 Bred cows			
	Per cow	Total	
<b>EXPENSES:</b>			
Bred cow price today	\$ 4,400	\$	440,000
Calve	\$ 50	\$	5,000
Winter Feed	\$ 309	\$	30,940
Grass cost	\$ 246	\$	24,600
Breeding cost	\$ 75	\$	7,500
Vet costs	\$ 29	\$	2,900
Fall feed/graze to sale date	\$ 90	\$	8,976
Freight	\$ 15	\$	1,500
Replacement cost	\$ -	\$	-
Commissions/sales cost	\$ 146	\$	14,600
Hedge cost	\$ 55	\$	5,500
Interest 5.0%	\$ 212	\$	21,177
<b>Total cost to fall:</b>	<b>\$ 5,627</b>	<b>\$</b>	<b>562,693</b>
<b>SALES:</b>			
<i>[95% calf crop \$4.55/lb mixed price hedged, 550 lbs, 10% cull rate]</i>			
Bred Cow Sale (\$4300/bred)	\$ 3,793	\$	379,260
Calf sales	\$ 2,377	\$	237,738
Hedge profit	\$ -	\$	-
Cull cow sales	\$ 232	\$	23,153
<b>Total Sales</b>	<b>\$ 6,402</b>	<b>\$</b>	<b>640,150</b>
<b>PROFIT</b>	<b>\$ 775</b>	<b>\$</b>	<b>77,457</b>
<b>ROI</b>			<b>14%</b>

Buy: 150 replacement heifer calves			
	Per yearling	Total	
<b>EXPENSES:</b>			
<i>(650 lb heifer, \$4.31/lb)</i>			
650 lb heifer today	\$ 2,800	\$	420,000
Feed to grass	\$ 226	\$	33,852
Grass cost	\$ 205	\$	30,750
Breeding cost	\$ 75	\$	11,250
Vet costs	\$ 21	\$	3,150
Fall feed/graze to sale date	\$ 87	\$	13,005
Freight	\$ 5	\$	750
Replacement cost	\$ -	\$	-
Commissions/sales cost	\$ 146	\$	21,900
Hedge cost	\$ 75	\$	11,250
Interest 5.0%	\$ 139	\$	20,840
<b>Total cost to fall:</b>	<b>\$ 3,778</b>	<b>\$</b>	<b>566,747</b>
<b>SALES:</b>			
<i>[950 lbs @ \$3.35/lb Oct 31, \$4500 bred price, 15% opens, 2% death loss]</i>			
Bred value (\$4500/bred)	\$ 3,749	\$	562,275
Hedge profit	\$ -	\$	-
Open/cull sales	\$ 468	\$	70,174
<b>Total Sales</b>	<b>\$ 4,216</b>	<b>\$</b>	<b>632,449</b>
<b>PROFIT</b>	<b>\$ 438</b>	<b>\$</b>	<b>65,702</b>
<b>ROI</b>			<b>12%</b>





## History doesn't repeat, but it rhymes...

These strong US presidents that are protectionist and enact tariffs like Trump are not new. There have been several in the past, and the tariff outcomes have seldom worked out well.



Trump's hero, President McKinley instigated 25%+ tariffs in 1890 in an act as a congressman and created the Great Panic of 1893, the worst recession until the Great Depression of the 1930's. The tariff act was later rescinded.

Multimillionaire populist President Herbert Hoover instigated the Smoot-Hawley Tariff Act of 1930 to try to protect US farmers and business people by enacting 25% tariffs just as the economy was beginning to turn over. You can see above how that didn't turn out so well. The shanty towns in New York were called "Hoovervilles" in his honour. Trade slowed, consumers suffered getting access to goods, primarily canned goods due to tariffs. The Great Depression followed. This act was rescinded.

The track record of tariffs is awful. It kills trade, creates inflation first and then ultimately deflation when the economy slows, and kills bull markets.

## Contact Us

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

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[www.cowsincontrol.com](http://www.cowsincontrol.com)



"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

Cows in Control, serving the cattle producer

## Thoughts on the industry

The sky high prices we have in Canada on the eve of a potential trade war are very unnerving. Last month I quoted a piece from Leo Tolstoy's novel "War and Peace" where he talks about the parties and gaiety ahead of Napoleon's invasion of Moscow. It summed up my feelings of our sky high prices in Canada ahead of this major tariff threat and a leaderless Canadian government that isn't even open to be able to negotiate right now. I encourage you to read the quote from last month's issue if you haven't read it.

Our feedlots are in a bind. Calf numbers are drying up. Our feeding industry is overbuilt for the amount of cows we have, in light of a new protectionist president in the US. Feedlots are bidding just to keep their lots full, not because there is economics in feeding at these prices, especially in light of potential tariff risk to prices, but because they are worried about supply. They might get their lots full if tariffs get enacted with backlogged cattle, but their margins on these \$5+ calves will be awful with (\$2?) fed cattle prices. I don't want to fearmonger, but I do want to bang the drum to you producers to be very careful here. Trump might be bluffing, but he might not. The "might not" scenario could be quite concerning.

Forward contracts in that scenario could be at risk. It would be a "Force Majeure" scenario. Strong supply fundamentals driving prices higher right now could reverse overnight with a 25% tariff. Your best hedge right now is Livestock Price Insurance. I suggest you look at it. Our risk management programs in Canada need some changes, but that is the best thing you can do right now. It would take until April 1st to enact tariffs likely, but March 4 is announcement day.

Should you freak out, sell the cow herd and hunker in a bunker? No!! The margins in this cow herd will remain strong longer term due to our small cow herd. We need more producers, more grasslands, more forages, and we are losing those, not gaining them. Our economics will hold. The US needs our cattle. They will drive futures up to get the cattle, and our government will drop the dollar to subsidize the impact of tariffs. It's the short term to cover. Take care - RC

# BuySellbreeders.com

## Cows in Control new breeding cattle direct marketing service

Our website is up and going and we have cattle listed! This is a full service breeding cattle marketing service that offers:

- Low stress sales process for the buyer, seller and the cattle
- Lower commissions than most other sales
- No panic selling, get all the information and no deals made until both sides are happy and money has changed hands.
- Forward selling opportunities

## Check out our site!



The screenshot displays the website's interface. At the top left is the logo for 'Cows in Control'. To the right is a navigation menu with links for 'Home', 'Buy Cattle', 'Sell My Cattle', 'Services', 'About', and 'Contact'. The main banner features a large image of a black cow eating hay in a field, with the text 'Let's look at some cattle.' and 'Browse the listings below, we're ready to chat when you are.' Below the banner are three sample listings, each with a photo of cattle and a caption:

- Lot 2024-1 (Have a look at our sample listing)
- Lot 24-3-H 155 head March calving Bred Heifers
- Lot 24-4-H 45 head March calving Bred Heifers - Select group



# Buy, sell, trade or news...

*(lots of cows and ranchers will be watching)*



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Karen Schiml 403-836-4439 [denvoag.karen@gmail.com](mailto:denvoag.karen@gmail.com)

**Ryan's notes:** When cattle prices are high, and feed costs have come off their high levels, it is time to consider putting maximum impact of feed to gain ratios. A good nutrition plan is paramount in these times to maximize profitability. A good time to revisit your feeding strategies.



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