

# THE WATER TROUGH

Cows in Control Newsletter

April 2025

## Treading carefully...

Cattle prices are at all time highs. While cattle futures are making all time highs, the big fund investors who are generally in the “know” have started leaving the party. It is the small speculators and cash markets that are driving this market now. We talk about the dichotomy of high cattle prices and negative feeding and packing margins that are plaguing the industry right now, and how that becomes a risk to prices looking forward. This has been a great run, but we are now monitoring the market’s strength as it breaks to record levels, checking its pulse daily, wondering when to turn around and short it.

### 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

*“Bull markets are born on pessimism, grow on skepticism, mature on optimism and die on euphoria.”*

*- Sir John Templeton*



What cattle look like to a cattle buyer...

## In This Issue

- Marketing Buzz
- Hot, hot, hot!
- Marginal
- Can you hedge the top of a cycle?
- Thoughts on the industry
- Buy, sell, trade, or news



## Hot, hot, hot...

If there was ever a time to be watching the cattle markets, it is now.

Cattle futures have hit their highs again and in some of the futures months have broken through to new all time highs.

Other months like June live cattle futures for example or October feeder futures have simply gone back to their old highs and are stalled out there. Waiting for the next marching orders.

On one side, the futures traders are weighing the fact that the US looks set to enter recession if it is not already there. The US has lost China as a beef export market, South Korea and Japan, the next biggest non CUSMA markets now have tariffs. Packers are slowing down kills to extremely low levels as their profit margins sink into the red, and cutout prices are not rising. Can and should cattle be breaking to new highs, they ask?

On the other side, sales barn reports are hot. We are now seeing \$4/lb 8 weights trading and 6 and 7 weight steers with a \$5 handle on them. When you run the projections at these prices, none of these cattle pencil. The only solution is higher futures prices or these feeder prices will have to come down.

A falling US dollar makes commodities priced in US dollars go up. The Trump shake up has created a weak US dollar as China dumps its US treasury holdings and the world questions the US as a place to do business. This makes commodity prices rise despite US and China consumers hurting. It is called "Stagflation". Inflation in a weak economy.

Will stagflation and poor profit margins cause this market to double top and head lower? Or are hot sales barns going to keep pushing prices higher? Don't know, but when markets turn, they turn quickly. Be hedged.

Chianina bull 1970's, bull markets make cattle big...



## The Marketing Buzz (April 17)

### Canner cows, heiferettes and bulls

**Cull cows:** \$175-241 (avg. \$222 D2) **Heiferettes:** \$260-310

**Cull Bulls:** \$225-275 (**\$5000 cull bulls! \$3000 cull cows!**)

### Breds

**Bred cows:** \$2450-5400; avg. \$4265; mean \$4226

**Bred heifers** \$2900-5600; avg. \$4437; mean \$4265

**Pairs:** \$3600-7700; avg. \$5766; mean \$5465

**Repl. heifers:** \$2250-4650; avg. \$3520; mean \$3457

### Feeders *(an 8 weight heifer is almost as much as an 8 weight steer)...*

**Steers:** 450 wts \$5.93

**Heifers:** 450 wts \$5.12 (-81)

550 wts \$5.42

550 wts \$4.78 (-64)

650 wts \$4.80

650 wts \$4.33 (-47)

750 wts \$4.33

750 wts \$3.94 (-39)

850 wts. \$3.87

850 wts \$3.70 (-17)

950 wts. \$3.58

950 wts \$3.35 (-23)

Slide 550-850: **52 cents/cwt**

Heifer:steer @ 750 lbs: **-39 cents**

### Finished Cattle

\$2.84/lb live; \$4.75/lb rail

Feeder Basis: **-9** (futures)

Finished cattle Basis: **-6** (futures)

**-18** (cash)

**-10** (cash)

*(Note: Tariff risks behind us for now has allowed Canadian cattle to catch up to US futures. Cash is still running ahead of futures.)*

## Marginal...

Every week, we analyse every weight class of cattle, feeding method, rate of gain, length of feeding, and summarize the best results in the table at top right that shows the best returns per head possible for each weight class. We publish this weekly for our clients.

What this table doesn't include is interest or hedge costs. They would have to come off these numbers. What you can see is that no cattle are really penciling any profits right now. Not even grass cattle.

In this bull market, our balance sheets have gone up substantially, calf returns are high, but profit margins on anything you plan on backgrounding or feeding are weak. Producing calves and turning heifers into cows seems to be the big game in town. High replacement heifer prices suggests this is not unknown to ranchers right now.

In the last bull market in 2014/15, as calf and feeder prices rose rapidly, feeding margins got stretched. Packer margins went deeply negative. When packers got tired of losing money, they slowed kills and stopped paying up for fed cattle. Fed prices fell and so did feeding margins. Reality set in a few months later in the calf and feeder prices. Fed prices falling was the canary in the coal mine for feeder and calf price drops to come.

Our packers are losing money and slowing down kills. So far, fed prices are still strong at all time highs, but our Canadian fed prices haven't moved in a month.

Backgrounding margins are pretty slim as well. For steers backgrounded to May, you will be lucky to make a \$150/head margin on them. Compare that to what has been invested in those steers. (When hedging, ask yourself is it the skinny profit margin I am trying to protect or what I have invested in that animal that is most important?)

Weak margins suggest this bull market is aging. Watch fed prices for clues. Either futures must rise or feeders must fall.

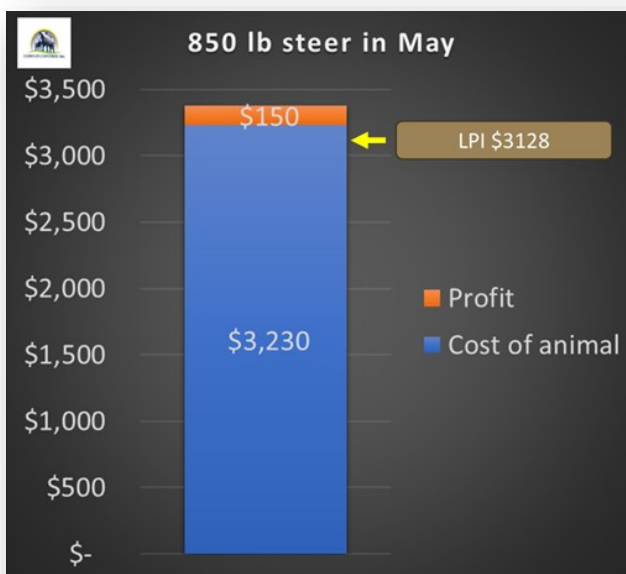
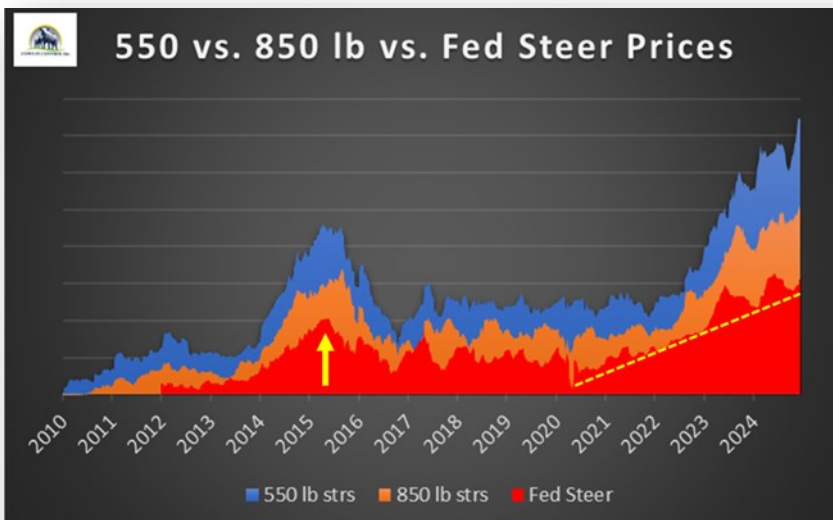


### Hedgable Profits/Losses per Head by Weight Class

Summary for

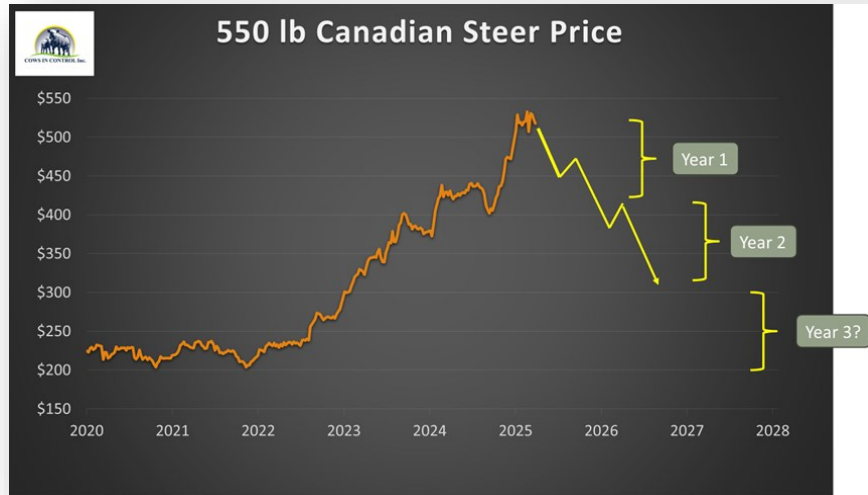
April 21, 2025

	Back ground	Finish	Grass	Breed
<b>Steers</b>				
			(2025)	
450 lbs	\$ 133	\$ (86)	\$ 123	
550 lbs	\$ (8)	\$ (264)	\$ 9	
650 lbs	\$ (87)	\$ (307)	\$ 58	
750 lbs	\$ (111)	\$ (266)	\$ (36)	
850 lbs	\$ (109)	\$ (250)	\$ (257)	
<b>Heifers</b>				
			(2025)	@ \$3500 bred
450 lbs	\$ 42	\$ 25	\$ 190	
550 lbs	\$ (36)	\$ (148)	\$ 121	\$ -
650 lbs	\$ (15)	\$ (259)	\$ 142	\$ 67
750 lbs	\$ (16)	\$ (218)	\$ 83	\$ 11
850 lbs	\$ (86)	\$ (341)	\$ (249)	\$ (144)
<b>Cows</b>				
	\$ (234)	\$ 70		@ \$3000 bred \$ (276)
<b>Feeder Basis:</b>	\$ (17.9)		<b>Fat Basis:</b>	\$ (5.5)



# Can you hedge the top of a cycle?

We have talked about the 10 year cattle cycle in earlier issues and how we are 5 years into our current 10 year cattle cycle. An eventual rolling over could see flat to negative prices for 5 years or so when it turns.



So here we are at the top of the market, making all time highs. Can we lock these prices in for the next 5 years and just coast through the eventual downturn fully hedged?

The answer unfortunately is no. Most hedges only go out a year in duration. Then you will have to initiate new hedges later to get you through year 2 and 3 and so on. You would have to sell the cattle to capture the multi year highs. The best you can do to lock in bred values is hedging the calf values or using live futures as the value of a fed steer roughly equates to the value of a bred cow. A strategy may be to sell high end bred cattle and replace with replacement heifers that can be hedged and will make cows for the next cycle. All the same, we suggest you budget 2% of your expected calf revenues to be used for insurance or hedging for the eventual downturn.

Cows in Control, serving the cattle producer

## Thoughts on the industry

I took a stroll down memory lane reading some of our old client updates and newsletters from the previous bull market and during this latest bull market. I laughed at my old rants about bred heifers that were \$3-4000 in 2014. How could anybody make those work? I had also spotted the top of the cattle futures in 2014 at the time, a double top in the charts. I wasn't sure, and was telling clients to take notice. The market rolled over a bit, then it found ground and looked like it was going to go back and take out old highs and make a fool of me, but it lost steam and faded and fell, and then crashed. That market gave back every cent of its gains since the start of the cycle. A nasty bear market. If you put on hedges when it was starting to roll over, you made a very handy hedge profit in the next year.

In another newsletter from a few years ago, I was looking at past cycles and trendlines and suggested feeder futures could get to 300 and Canadian 8 weights could get to \$3.50-4.00/lb which was laughable only 3-4 years ago. I had people literally writing me saying I was a lunatic, it will never happen. Well here we are. Markets can surprise you.

One of the things that hasn't occurred yet is the commodity to stock price ratio rebalancing. Commodities are trading at century level lows relative to other asset classes like stocks and bonds. The only other time they traded this low was at the start of the '70's, and in the early 2000's. In both eras, stock prices fell and commodity prices like grain, cattle, oil, gold tripled and quadrupled. Cattle prices have nearly tripled since 2000, but they certainly haven't tripled relative to stock valuations. To get back to other times of rebalancing, the ratio of commodities to stock valuations would have to increase by a factor of 8 times. We haven't seen that yet. That gives me hope for this cattle industry yet, even if this present bull market is a bit long in the tooth. Even now, we are seeing gold and cattle rise relative to stock markets.

All the same, our industry is a cyclical industry. Prices rise for a few years, and then fall for a few years in what people call the 10 year cattle cycle. No matter your long term macro outlook, or how short the cow numbers appear, that cycle seems to dominate all counter arguments and should be paid attention to. It can be hedged. - Take care - 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

# FOOTHILLS FORAGE & GRAZING ASSOCIATION

## WHO ARE WE

The Foothills Forage & Grazing Association is a nonprofit supporting forage and livestock producers in Southern Alberta. FFGA delivers current information through projects, events, workshops, and hands-on days. We promote networking and information sharing via our newsletter, website, and social media.

Our interests include:

- Soil health
- Pasture management
- Cattle handling
- Livestock watering systems
- Environmental impact
- And MORE!

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