MarketSense
for Cow-Calf Producers

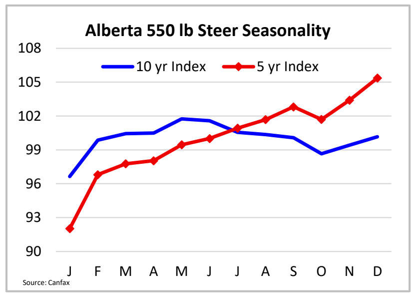
Monthly Market Information, Trends & Analysis

Issue: 1 July 11, 2025

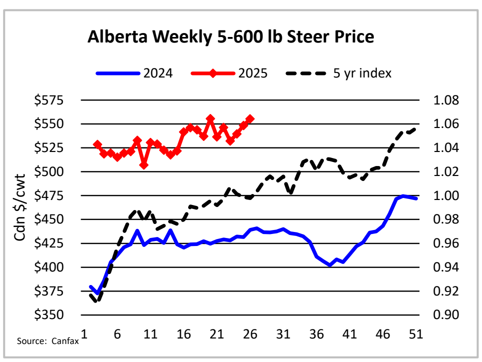
Risk Management Options

At record high cost of production, it is important for cow-calf producers to know their risk management options. It is not just for feedlots to protect their equity. While the outlook over the next couple of years is for stronger calf and feeder prices, knowing your options could be the difference between red or black ink particularly in a turn year. This is not intended to promote one strategy over another; but to give a brief overview on what is available.

The most basic form of risk management is understanding the **seasonality** of markets. A "seasonal" year, represented by the 10-year index, captures the entire cattle cycle. For the calf market, this means prices peak in May and June with pressure in the second half of the year as feedlot pens fill with a low in October. However, a "counter-seasonal" year, occurs during the portion of the cattle cycle when supplies are tightening and prices are rallying. As represented by the 5-year index, calf prices can rally 5% throughout the second half of the year as feedlots compete.



Given what is known today, 2025 is expected to be "counter-seasonal" with the potential for heifer retention this fall to support prices. Because of smaller calf numbers and the long-term expectations, the break in October will be limited, if it occurs at all. Given the June average of $544/cwt, that puts the fourth quarter Alberta steer calf prices around $553-573/cwt. Understanding the market seasonality for all segments of the industry is important and necessary to make sound risk management decisions.



To avoid selling in the spot fall market, producers can sell calves for **forward delivery** on an electronic sale or marketing calves via private treaty/direct trade. Historically, in the US forward delivery prices tend to command a premium over the spot market. Providing an attractive risk management option for sellers. However, in 2023 forward delivery sales in Western Canada were matched by the spot market during the fall run as prices continued to rally higher. In June, electronic sales for October and November delivery averaged $585-590/cwt for 5-600 lb steers and $518-520/cwt for 5-600 lb heifers.

Livestock Price Insurance (LPI) provides a floor price for a premium, while at the same time leaving the upside of the market open. The premiums do vary with market volatility and can be expensive when covering that risk – such as this spring during the tariff uncertainty. Calf insurance is available between February and June each year.

Finally, it is important to understand that managing price risk is not always an all or nothing strategy. Depending on the market outlook there will be times when only a portion of the inventory should have some sort of equity protection. Profit potential, which requires estimating an accurate breakeven, is a factor that also needs to be considered when making risk management decisions. – *Brenna Grant*

Monthly Prices

(in Cdn$/cwt)	**Jun-25**	**May-25**	**Jun-24**
AB 550 Steers	543.93	543.89	432.77
AB 850 Steers	419.54	410.67	333.63
AB D1,2 Cows	229.06	229.48	191.26
AB Slaughter bulls	246.03	241.39	208.86
ON 550 Steers	554.48	560.81	402.94
ON 850 Steers	441.15	447.15	326.99
ON D1,2 Cows	246.03	241.39	208.86
(in Cdn$/tonne)			
AB Barley (high)	320.00	320.00	293.00
ON Corn	234.92	239.64	220.26

Cost of Production

b

(in Cdn$/cow)	**2024 Avg**	**Top 3rd**	**Top 3rd vs 2024 avg**
Cash Costs	$1,094	$853	-22%
Depreciation	$244	$151	-38%
Opportunity	$512	$408	-20%
Total Costs	$1,851	$1,412	-24%
ST Profit	$919	$1,220	33%
MT Profit	$675	$1,069	58%
LT Profit	$163	$661	306%

Whole Farm Financial Benchmarks

Input Costs % of TFR	58%
Depr % of TFR	8%
OH % of TFR	9%
Net Income % of TFR	29%

Total Farm Revenue (TFR)

For more information: [Are you a competitive suppliers of weaned calves? 2024 Benchmark Results]

Quote

It is impossible to know if you are winning, if you don't keep score. - *Vince Lombardi*

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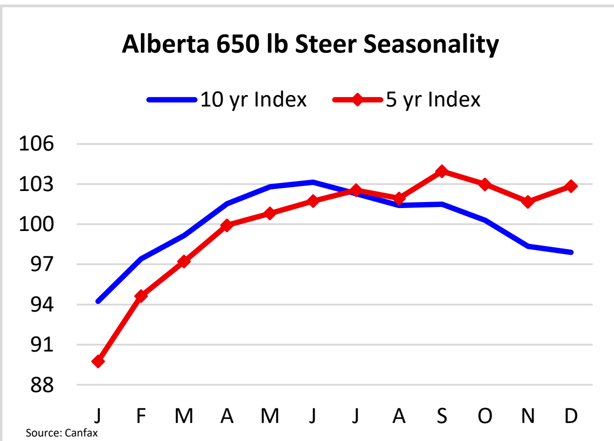
Feeder Seasonality

Not everyone sells 5-weight calves nor do they all sell at weaning, although that is the most common. For those retaining ownership past weaning, while additional pounds is a major driver, price seasonality is also key.

Heavy calves 6-700 lbs historically peaked in June, based on the 10-year index. But the last five years with the solid price rally and support in the second half of the year has seen a flatter second half with a pop in September. Followed by more typical price pressure in the fourth quarter. It should be noted that the year-over-year price rallies from the fourth quarter to the first quarter do not show up well on seasonality charts. For heavy calves retained into the first quarter, the price rally has been 9% on average since 2021, with a range of 6-13%. The last time we saw that type of rally was between 2011 and 2015, which also averaged 9%, with a range of 0-19%. When supplies are ample, this price rally between the fourth and first quarter is much smaller, between 2016-2020 it averaged 0% with a range of -4% to +7%. Showing that this strategy is most effective when supplies are tight.



Heavier feeders, 7-800 lbs and 8-900 lbs tend to peak in September for both the five and ten-year index. While the 7-weights have a more gradual rally from a January low; the 8-weights are flatter from January through April, with a sharper rally from May through September. For yearling grassers, using the $419.54/cwt average in June, the 5-year index would put the price peak around $453/cwt in September. Forward delivery prices in June, for September delivery, were $13/cwt above that at $466/cwt. – *Brenna Grant*

Forward Delivery Prices

Internet and Satellite Sales from June for Forward Delivery				Volume: 43,944
Steers	**5-599**	**6-699**	**7-799**	**8-899**
Sept	--	--	522.14	465.99
Oct	585.61	552.65	--	--
Nov	590.99	552.72	--	--
Dec	--	555.88	--	--
Feb	--	--	490.75	447.00
Heifers	**5-599**	**6-699**	**7-799**	**8-899**
Oct	520.01	514.04	--	--
Nov	518.11	503.75	--	--
Dec	--	489.45	--	--
Feb	--	--	--	418.50

Keep or Cull?

Producers typically follow several rules of thumb to manage their cow herds. These rules include but are not limited to, culling all open females or giving first-calving heifers a second chance if found open. Right now, cow-calf producers may be considering ways to expand their herd. If replacement heifers' numbers are limited, adjusting culling strategies maybe attractive to increase next year's calf crop.

A producer's cow herd is more than just livestock—it's a portfolio of assets, each valued like stocks in a market. By applying capital asset valuation strategies, cattle can be assessed with the same precision as financial investments. Applying capital asset valuation principles allows producers to move beyond traditional culling methods and incorporate the future value of each animal into their management decisions.

Beef cows, like any piece of the operation, are an asset that can depreciate on an annual basis. Producers who choose to give younger open females ages two through four a second chance may have a fair argument to help reduce the annual depreciation cost of that female.

As the cow has more production years, the annual depreciation decreases, encouraging producers to retain females with greater longevity in their cow herd. As it is cheaper to keep her than replace her with a more expensive heifer**. But what is the comparison with a younger heifer?**

Net Present Value (NPV) was used to reflect a breeding females future potential earnings adjusted for the time value of money. While first calf heifers maybe considered riskier assets because there is a chance they may become "open"—not conceiving during the breeding season—leading to no calf sales revenue the year they turn three. To accurately value a beef-breeding bred female, it's crucial to consider both her earning potential and the unproductive risks involved.

For operations with both **high and low production costs**, there are similarities in beef females' valuation trends between **high and low-price environments**.

- In the high price environment (like we currently have), open cows should be culled if replaced by a home-raised heifer; however, if the replacement female is purchased, open 2 and 3-year-olds should be retained.
- Similar to the low production cost operations, open cows should be culled if replaced with a home-raised heifer; however, if the replacement female is purchased, open 2 to 4-year-olds should be retained. As the cull cow ages, the valuation gap widens significantly.
- Home-raised heifers are preferred in both operations and price environments.
- Females on operations with lower production costs are typically valued higher as more revenue is received from lower cost structures. - *Heidi Johnson*

Questions or Requested Topics?

Email: info@canfax.ca

Save the Date:
For the next CanFax Members Webinar
on August 28, 2025 5pm MDT

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