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Don't Chase Price per Pound at the Expense of Value per Head

Cattle prices are at record levels! Dr. Kenny Burdine, University of Kentucky Extension Professor of Agricultural Economics, shares his thoughts in the following article on maximizing profit in this once-in-a-career marketing opportunity.

Over the last few months, I have been able to talk with a lot of cattle producers at Extension programs. As you can imagine, the strength of the cattle market is almost always the first topic of discussion. We are seeing prices like we have never seen before for cattle of all types and weights. But my observation has been that producers tend to become a bit more enamored than they should with price per pound and sometimes don't think as much as they should about value per head.

I see this play itself out in a couple of ways. First, I hear some producers talk about selling cattle sooner to capture the higher prices. I don't necessarily think that downside price risk is greater in high-priced markets, but I think there is a perception among some that there may be "more to lose". This perception lowers interest in adding value to cattle by taking them to higher weight before sale and leads to more calves being sold off the cow, as opposed to being weaned and preconditioned.

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Secondly, I think people get too focused on price per pound differences across weight categories and don't make the mental adjustment to the new price environment. To illustrate this point, I am going to use Kentucky average auction prices from the last week of March for medium/large frame #1-2 steers at 450 lbs, 550 lbs, and 650 lbs. For transparency, I am using the average prices for cattle without a description (not value-added or fancy). I am also averaging the 50 lb weight ranges to arrive at my average price. In other words, the estimated price per pound for a 450 lb steer is the average of the 400 to 450 lb and 450 to 500 lb weight ranges.

The price per pound drops by \$0.50 on that 100 lb increase in weight. If one looks solely at price per pound, they may be tempted to sell calves sooner and avoid the \$0.50 slide. However, in this cattle price environment, those 550 lb steers were still worth \$113 per head more than the 450 lb steers. The relevant question becomes whether that difference justifies keeping those 450 lb steers longer. In many cases, the answer may be yes, especially in the spring with pasture starting to grow.

To be fair, cattle prices are extremely high by historical standards, and price slides widen as prices go up. What may have seemed like a bizarre price slide a few years ago may make perfect sense now. For example, if 450 lb steers were selling for \$2 per lb and we applied the same \$0.50 price slide for 550 lb steers, that 550 lb steer at \$1.50 per lb is actually worth \$75 less than the 450 lb steer at \$2. But that is irrelevant in the current market.

The main point is that the spring 2025 feeder cattle price environment is like nothing we have seen before. Given that, we must be careful about using rules of thumb and simple approaches that may have worked in the past. Focusing on price per pound without consideration

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of weight impacts can be very misleading. And one needs to be careful they aren't chasing price per pound at the expense of value per head!

Pasture Fence Construction School

Wes Poole is hosting a University of Kentucky Fence School on his farm on April 22. The event will meet in the morning at St. Colombia Catholic Church in Lewisport and at the Maceo farm of Wes and Jennifer Poole after lunch. Participants will learn how to drive posts, build H-Braces, install both fixed knot woven wire and smooth electrified high tensile fence, the laws pertaining to fencing, and the basics of successfully installing permanent electric fencing. The day will consist of classroom sessions in the morning and hands-on activities in the afternoon. The class is limited to 35 participants. There is a \$35 fee to provide lunch and materials. Sign up at <https://2025fencingdaviess.eventbrite.com/>.

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