

THE WATER TROUGH

Cows in Control Newsletter

September 2026

Set back, or set up?...

Now that the market is cooling off a bit on a slough of bad news hitting the tape these days, we have to ask ourselves is this a “setback” for which we can expect much lower prices ahead, or is this a “set up” opportunity to reload once the fear has left the stage? We will discuss this market’s sell off potential as well as the opportunity for rebound, and compare it to previous market cycles to hopefully give you some perspective on prices looking forward. We are short term bearish, long term optimistic as some variables have changed, and some variables have not in this big bull market.

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- 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

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“You don’t want too much fear in a market because people will be blinded to some very good buying opportunities. You don’t want too much complacency because people will be blinded to some risk”

- Ron Chernow



Imported beef will have a hard time replicating Canadian raised cattle and beef

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Cooler heads...

We have pointed out for some time now that the cattle market has topped and is set to embark on the softening stage of the 10 year cattle cycle.

Despite short inventory numbers and no definite signs of herd growth in the US, the market still has chosen to top and is now in a sell-off phase.

A lot of the reason is political statements of increasing imports to lower the price of beef in the US. It is also due to a lot of net imports in both Canada and the US. The border opening to Mexico on August 24 opens the doors to potentially more live imports to the US all while packing plants are downsizing or closing plants and shifts. And, quite frankly, the market got overblown and fund traders simply left.

The moving average line (yellow line on chart at left) that held our market all the way up in the 2010-2015 bull market as well as the 2020-2026 market has now been broken decisively.

We expect a correction in prices likely to the green zone on the chart over time which would be a far less severe correction than the 2015/2016 correction. In the prior bull market in 2015, when the market topped it gave back 78% of its prior gains in a short period due to good moisture conditions and herd rebuilding.

This time we expect a shallower correction due to continued drought, lack of herd rebuilding, continued strong demand and heifer retention keeping heifers out of lots for the next while. The conditions simply are not the same as 2015 this time around.

That being said, the pullback zone could see those yearling 850 lb steers that were once \$5/lb drop to something with a \$3 handle in time near the 2015 old highs. That would create a very good buying opportunity.

The Marketing Buzz (Aug 28)

Canner cows, heiferettes and bulls

Cull cows: \$170-258 (avg. \$230 D2) **Heiferettes:** \$270-350

Cull Bulls: \$250-315

Breds

Pairs: \$5800-7500 (*pay attention, value!*)
Bredheifers: \$5200-6000 range (*very few trading*)

Feeders (*red numbers: heifer discount*)

Steers: 450 wts \$7.55	Heifers: 450 wts \$6.35 (-1.20)
550 wts \$6.58	550 wts \$5.48 (-1.10)
650 wts \$5.67	650 wts \$5.35 (-.32)
750 wts \$5.21	750 wts \$4.73 (-.48)
850 wts. \$4.80	850 wts \$4.33 (-.47)
950 wts. \$4.53	950 wts \$4.09 (-.44)

Slide 550-850: 59 cents/cwt

Heifer:steer @ 750 lbs: -48 cents

Finished Cattle

\$2.99/lb live; \$5.00/lb rail

Feeder Basis: +34 (futures) **Finished cattle Basis:** +4 (futures)
+17 (US cash) -10 (US cash)

(Note: Canadian feeder cattle are expensive relative to US cattle due to US drought which is why imports are up and exports down)

Raking hay with the old 630...



Back to the 1970's...

The cattle market today is much like the inflationary mega bull market of the 1970's. The 2010-2015 bull market was much like the 1970-1973 market where the market blew off higher, broke, and then gave back most of its prior gains. Then the 1977-1979 market was the final blow off of the big bull, much like our recent bull market since 2020.

In the 1970's and 1980's, after the market topped, prices bounced between the previous 1973 cycle highs and the 1979 market highs for several years before it broke out to a new trading range.

The middle chart shows those sideways trading channels from the 1970's to today. Sometimes the sideways markets last decades, sometimes only a few years.

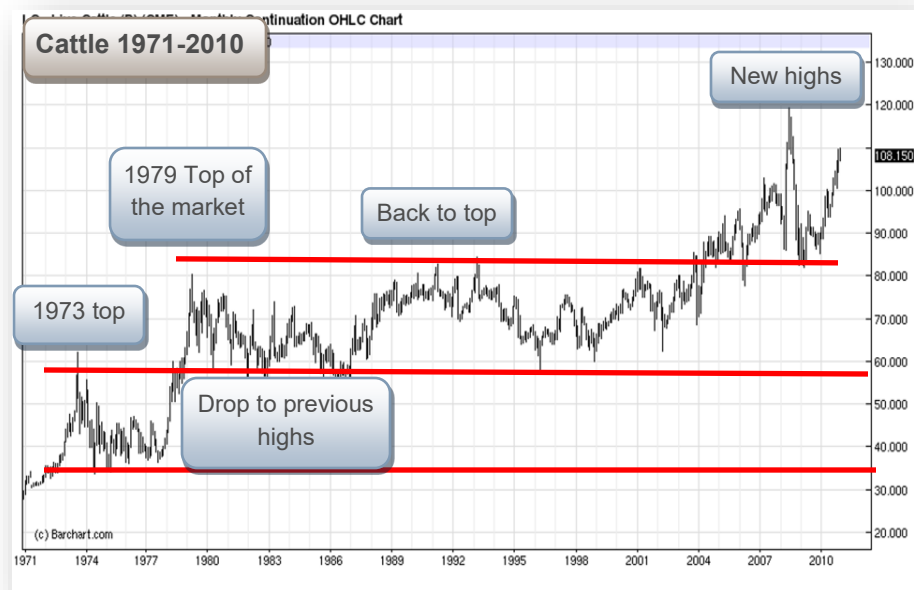
A lot of the reason the market stayed flat after the 1979 top was due to subsidies and cheap grain. The government heavily subsidized grain production in the 1980's and 1990's which stagnated prices due to over production of all livestock types on cheap feed.

We do expect a softer sideways correction somewhat similar to the 1979 era top as more relevant than the harsh 2015 era pull back that we all remember. Markets will likely in time correct back to the 2015 old highs likely over the next 3 to 5 years as indicated at bottom right until the market finds its footing again.

How long it stays range bound at those levels would depend on how much agriculture allows government to interfere with subsidies and price controls. If no intervention, in time the market cycle (10 year cattle cycle) will kick in a few years and we can go back to old highs or beyond. Too many government subsidies will prolong this recovery time. We need to encourage governments to stay out of our business despite good intentions.

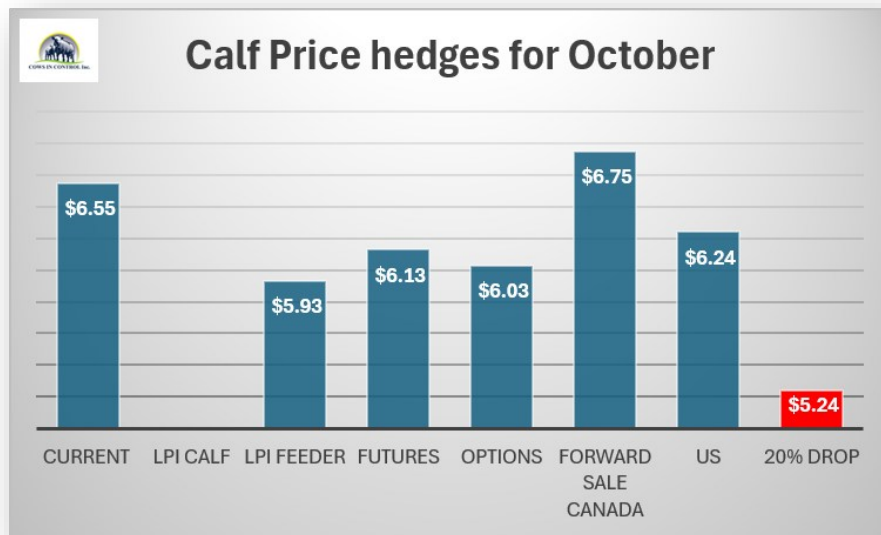
Buying low, selling high, and hedging are key in sideways markets. There is a lot of opportunity in the sloppy sideways chop.

Looking at old charts to be used as analog to today's prices...



What can we do for fall calves?...

Forward sales were quite exceptional most of this summer with 5 weight calves selling well over \$7/lb in most cases for fall delivery. With the recent drop in the futures market, those prices have cooled to the high \$6 range, above current price ranges and well above US prices, in part why live imports from the US are up 31% this year.



Most of the hedge tools are offering a floor price of the low \$6/lb range for calves which is well below what you can do with forward selling, but could still make good sense if this market continues to sell off. Futures are looking at softening demand, too many heavy cattle in feedlots, Mexican imports resuming, more imports, and plant closures which is why they are selling off. Cash markets seem to be only pricing based on current supply shortages and have not adjusted to the new realities which creates opportunity for sellers to use the foresight of the futures market and the strength of the current cash market to lock in great value with forward sales. Don't hold out.

Cows in Control, serving the cattle producer

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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

Thoughts on the industry

It has been a turbulent month. The US border to Mexico has partially reopened as of August 24th. Trump has announced more beef imports at a 25% price discount. Feedlots have a record amount of market ready fed cattle they have been sitting on because it is cheaper to feed existing cattle longer than buy new ones. Finally, we are seeing plant closures all over the US as the industry downsizes to match the low replacement numbers.

The current woes remind me of a beach ball moving through a garden hose, a whole bunch of bad news at once, likely seeing softer prices until this glut of fed cattle in the feedlots moves through. When the imports and Mexican border announcements become old news, fear should subside.

When feedlots have to replace the large inventory of heavy cattle they need to sell in the next quarter or two, it may be hard to find them. Mexican imports will only be partially resumed. Heifer retention will likely begin keeping heifers out of feedlots. Imports may eventually stabilize as the US, to protect their local producers, will likely impose some form of Mandatory Country of Origin labelling that distinguishes US beef from cheap Mexican feeder imports or Southern hemisphere beef imports, which are half the cost of domestic beef. The push is on for MCOOL now. These factors will cause a surge in prices once again in the US as short domestic inventory numbers will once again matter; a relief rally.

Herd rebuilding will likely take place in time, moisture will return, Mexican imports will ramp up, the price difference of imports will be too much for consumers to ignore and prices will soften again. Rinse, repeat, rinse, repeat. A classic sideways market chop. Keeping costs low, buying cattle when the market gets cheap, and capitalizing on prices when they are high with sales or cattle hedges is the way to long term success looking forward. Relying on rising prices is not.

Canadians will have to deal with a more protectionist US market. Tariffs and MCOOL are a risk, but our beef quality is second to none and the world needs more quality product. We may price at a premium along side US labelled beef. Be prepared for chop and keep your hedges up, but stay in the game! - Take care out there - RC



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