Economic & Policy Update
E-newsletter Volume 25, Issue 3
Editors: Will Snell & Nicole Atherton
Department of Agricultural Economics
University of Kentucky

Stocker Outlook for 2025

Author(s): Greg Halich & Kenny Burdine

Published: March 31, 2025

The cattle market has been on a tear since early 2023 with feeder cattle prices at levels not seen before. As we write this in mid-March, calf prices in the Commonwealth are running about $30-$40 per cwt higher than the same time last year and $60-$70 per cwt higher than last year's fall lows. After a long winter, it appears that spring has arrived and stocker operators are making plans for placement of cattle into grazing programs. At the time of this writing (March 18, 2025), fall 2025 CME© feeder cattle futures were trading around $287 per cwt. This suggests a very strong fall market for heavy feeders and largely explains the current strength in calf prices. But the strong calf market does create questions for stocker operators purchasing calves for sale this fall.

The purpose of this article is to assess the likely profitability of summer stocker programs for 2025 and establish target purchase prices for calves based on a range of return levels. While it is impossible to predict where feeder cattle markets will end up this fall, producers need to estimate this and not rely on the current price (March) for 750-850 lb feeder calves. Fall CME© feeder cattle futures prices (adjusted for basis) provide the best estimate of feeder cattle prices for fall. Grazing costs including pasture costs, veterinary and health expenses, hauling, commission, etc. are estimated and subtracted from the expected value of the fall feeders. Once this has been done, a better assessment can be made of what can be paid for stocker cattle this spring in order to build in an acceptable return to management, capital, and risk.

Key assumptions for the stocker analysis are as follows: 1) Graze steers April 1 to October 15 (197 days), 1.4 lb/day gain (no grain feeding), 2% death loss, and 7% interest on the calf. The interest rate used in this analysis may seem high for producers who are self-financed or have very low interest rates, but is likely pretty close for those going through traditional lenders. Given these assumptions, sale weights would be 775 lbs and 875 lbs for 500 lb and 600 lb purchased calves, respectively. Using a $287 CME© futures contract price for October 2025 to estimate sale price, a 775 lb steer is estimated to sell for $2.79/b and an 875 lb steer is estimated to sell for $2.71/lb. This estimate uses a -$10 per cwt basis for an 800 lb steer and a $8 per cwt price slide.

Estimated costs for carrying the 500 and 600 lb steers are shown in Table 1. Stocking rates of 1.0 acre per 500 lb steer and 1.2 acres per 600 lb steer were assumed in arriving at these charges. Most of these are self-explanatory except the pasture charge, which accounts only for variable costs such as bush-hogging, fertilizer, seeding clovers, etc., and is considered a bare-bones scenario. Sale expenses (commission) are based on the assumption that cattle will be sold in larger groups and producers will pay the lower corresponding commission rate. However, producers who sell feeders in smaller groups will pay higher commission rates which could exceed $50 per head based on the

revenue assumptions of this analysis. Any of these costs could be much higher in certain situations, so producers should adjust accordingly.

Table 1. Expected Variable Costs 2025

	500 lb Steer	600 lb Steer
Pasture Charge	$30	$36
Vet	$30	$30
Interest	$67	$74
Death Loss	$37	$41
Sale	$25	$25
Haul	$18	$21
Mineral	$20	$24
Other (water, etc.)	$20	$24
Total Variable Costs	$247	$274

*Note: Interest and death loss varies slightly by purchase price

Target purchase prices were estimated for both sizes of steers and adjusted so that gross returns over variable costs ranged from $100-$200 per head. Normally we would use a range of $50-$150 per head, but we feel that the higher return range will be more representative this year. This gives a reasonable range of possible purchase prices for calves this spring. Results are shown in Table 2. For 500 lb steers, target purchase prices ranged from $3.44 to $3.63 per lb. For 600 lb steers, target purchase prices ranged from $3.17 to $3.32 per lb. For an estimated gross profit of $150 per head, target purchase prices were $3.53/lb for 500 lb steers and $3.25/lb for 600 lb steers.

As an example of exactly how this works for a 500 lb steer targeting a $150 gross profit:

775 lbs steer x $2.79 (expected sale price)	*$2162*
Total Variable Costs	*- $247*
Profit Target	*- $150*
Target Purchase Cost	*$1765*

Target Purchase Price = $1765 / 500 lbs = $3.53 / lb

Table 2. Target Purchase Prices for Various Gross Profits 2025

Gross Profit	500 lb Steer	600 lb Steer
$100	$3.63	$3.32
$125	$3.58	$3.28
$150	$3.53	$3.25
$175	$3.48	$3.21
$200	$3.44	$3.17

*Note: Based on costs in Table 1 and sale prices of $2.79/lb and $2.71/lb and 875 lb sales weight, respectively, for 500 lb and 600 lb purchased steers.

For heifers, sale prices for heavy feeders will be lower than comparably sized steers and they will generally not gain as well. In this analysis, we assumed the price discount for these heifers is $15 per hundredweight lower than the same weight steers and we assumed heifers would gain 10% slower than steers. With these assumptions, purchase prices would have to be $0.33/lb lower for 500 lb heifers and $0.30 lower for 600 lb heifers compared to the steer prices found in Table 2. Thus, when targeting a $150 per head gross profit, breakeven purchase prices were $3.20/lb for 500 lb heifers and $2.95/lb for 600 lb heifers.

Your cost structure may be different from that presented in Table 1, and if so, simply shift the targeted gross profit up or down to account for this. If your costs are $25 higher per calf, then you would shift each targeted profit down by one row: For example, you would use the $175 gross profit to estimate a $150 gross profit if your costs were $25 higher. Another way to evaluate this is that a $1 increase in costs would decrease the targeted purchase price by $0.20 per cwt for 500 lb steers and $0.17 per cwt for 600 lb steers.

It is important to note that the gross profits in Table 2 do not account for labor or investments in land, equipment, fencing, and other facilities (fixed costs). Thus, in the long-run, these target profits need to be high enough to justify labor and investment, as well as a management return. While there is a lot of variation in the price of calves across Kentucky right now, a lot of calves are selling well below many of the target purchase prices estimated in this analysis. This is all the more reason that stocker operators should carefully think through their budgets and make rational purchasing decisions.

It is very likely that stocker operators will spend more money on calves this spring than they ever have before. A lot of capital will be at risk from the day those calves are placed and uncertainty about fall price will exist. While the market has been generally very strong over the last couple of years, there were periods of time during 2023 and 2024 where prices pulled back sharply for 2-3 months at a time. We saw this from mid-September to mid-December in 2023 and from July to September of 2024. The value of cattle being sold during those times was significantly impacted and speaks to the importance of risk management strategies to protect potential returns. Forward contracts, futures and options have long been utilized for price risk management and remain viable strategies today. Livestock Risk Protection (LRP) insurance has greatly increased in popularity over the last few years and is also a good risk management tool. LRP works very much like a subsidized put option in that it provides downside price protection (for a premium) but also allows the producer to capitalize on rising prices. However, the real beauty of LRP lies in its scalability, as it can be purchased in almost any quantity. Regardless of what risk management strategy is utilized, time spent considering price risk management is likely time well spent in these volatile markets. The best way to ensure profitability is to budget carefully and to manage downside price risk.

Recommended Citation Format:

Halich, G. and K. Burdine. "Stocker Outlook for 2025." *Economic and Policy Update* (25):3, Department of Agricultural Economics, University of Kentucky, March 31, 2025.

Author(s) Contact Information:

Greg Halich | greg.halich@uky.edu

Kenny Burdine | kburdine@uky.edu