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Cowherd Expansion is Not the Only Way to Capitalize on a Strong Calf Market

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Much has been written recently about the strength of the current cattle market. With beef cow inventory at a 60+ year low and demand being very strong, cow-calf operations are clearly in the driver's seat. Calf values are more than double what they were three years ago, which speaks to considerable opportunity for cow-calf operators to invest in their cowherds. Expansion is often the first opportunity that comes to mind in a strong calf market and there is likely merit in expansion, if doing so is consistent with the goals of the operation. However, some producers may not be interested in growing the size of their cowherds due to land and / or management constraints or other reasons. This article will briefly walk through other opportunities that are worth consideration.

Genetics

Some producers may choose to use the current increase in cow-calf revenues to improve the genetics of their herds. Investment in genetics often has long-run implications, resulting in more valuable calves to sell over multiple years. Sires certainly come to mind, but the current calf market combined with the strong cull cow prices may provide an opportunity to cull a bit harder and also purchase some higher quality females.

Facilities

Working facilities are crucial resources for cow-calf operations for numerous reasons. Value-added opportunities such as health protocols, post-weaning programs, castration, implants, etc. are made much easier with quality working facilities. The same is true for receiving, sorting and loading of cattle. If facilities have historically been a constraint, the current market may be providing an opportunity to make improvements and position the operation to sell higher value calves in the future.

Grazing Systems

Winter feeding days are typically the most expensive days for cow-calf operations as stored feed (hay) is being fed. Improved grazing systems (interior fencing, additional water sources, portable mineral feeders, etc.) allow for more efficient use of existing forage during the grazing season. This has the potential to increase the number of grazing days and reduce the number of hay feeding days. In most cases, this results in lower costs per cow per year and puts an operation in a better position when calf prices fall.

Debt Service & Financial Management

Strong markets also provide an opportunity to make financial moves that set an operation up for the long run. Increased revenues may allow an operation to pay down some debt and thereby lower their cost structure going forward. Similarly, it may provide an opportunity to build some working capital and lower dependence on operating loans. In both cases, future interest expenses are reduced, which has implications for profitability.

To be clear, the purpose of this article was not to discourage expansion. There are likely operations that need to do just that. But I also live in an area where land constraints are real and know that expansion is not always feasible. Plus, I have seen situations where operations expanded during strong markets and wished they had not done so a few years later. The main point is that the current calf market provides a significant opportunity for a cow-calf operation to position itself for the long-run, and that will look different for each one of them.

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