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Evaluating Cattle Buy-Sell Margins

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Feedlots, stocker and backgrounding enterprises are cattle businesses that work on a margin. The margin operator business model is dependent on the difference in the revenue from selling an animal and the cost of purchasing an animal. The difference between the selling value and the purchase value is the margin, or the amount of money the business must put toward growing the animal. The remainder of the margin after paying expenses to grow the animal is the profit earned from each animal. Thus, margin operators attempt to capture as much of the margin as possible to maximize profit.

Cattle prices are ever changing, which means margins frequently change. Historically, cattle industry participants would calculate buy-sell margins based on the purchase price and the sell price of an animal. This was a simple method to evaluate the opportunities of returning a profit because the historical price range was narrow. However, in 2025, cattle prices across the entire cattle complex escalated to historically high levels. In fact, the price of some weight classes of animals have more than doubled between 2023 and 2025. Given the weight and price relationship, lightweight cattle prices have increased more than heavier weight cattle prices, resulting in a much wider buy-sell margin when only analyzing prices. This widening difference in prices has increased the difficulty of analyzing the price relationship between two different weight classes of cattle to estimate potential profitability.

For example, the price of a 550-pound steer in Tennessee in March 2021 was $147 per hundredweight while the sale price of an 850-pound steer in August was $158 per hundredweight. This results in an $11 buy-sell margin and a value of gain of $1.79 per pound. The same month and weight scenario in 2025 resulted in a purchase price of $336 per hundredweight and a sell price of $342 per hundredweight, which is a $6 buy-sell margin, but the value of gain was $3.53 per pound. Thus, the buy-sell margin could have been negative in 2025 and still offered similar profitability opportunities as 2021. The increased difficulty of analyzing price relationships stems from repetitive buying and selling in a somewhat narrowly traded market. This likely means cattle producers working on the margin must recalibrate decision making as it relates to price relationships across different weight classes of cattle.

Given the changes in buy-sell margins of cattle from 2023 to 2025, the objectives of this publication are to provide a historical perspective of how buy-sell margins have changed from a price standpoint and to quantify the actual buy-sell margin when comparing revenue at the time of marketing to the cost of purchasing the animal.

Buy-Sell Price Margins

There is a broad range of potential buy-sell margins due to the wide weight ranges at which an animal is purchased and then marketed. In addition, seasonal price changes introduce more variation, or uncertainty, into the range of potential buy-sell margins. For example, a margin operator may always purchase the same weight animal and sell the same weight animal, but the margins will differ throughout the year due to seasonal price changes. Thus, in order to fully understand historical buy-sell margins, it is helpful to evaluate some of the most common weight classes purchased and sold at certain times of the year.

The University of Tennessee has maintained a buy-sell margin calculator for feeder cattle in Tennessee for many years (Rawls et al., 2026). This calculator allows a user to evaluate steer and heifer buy-sell margins from 300-400 pounds up to finished weight for any month of the year. The calculator provides 10 years of historical buy-sell margins as well as the minimum, maximum, and average margin over the 10-year period. Additionally, the tool calculates the value of gain when growing cattle as this is influenced by the buy-sell margin.

Figure 1 contains the historical buy-sell margin data from 2016 through 2025 for 500–600-pound steers purchased in March and 800–900-pound steers sold in a 50,000-pound load in August. The average buy-sell margin over the 10-year period is -$6 per hundredweight, which means the selling price of 800–900-pound steers in August is $6 less than the purchase price of 500–600-pound steers in March on average. However, the margin has ranged from -$53 to $32 per hundredweight.

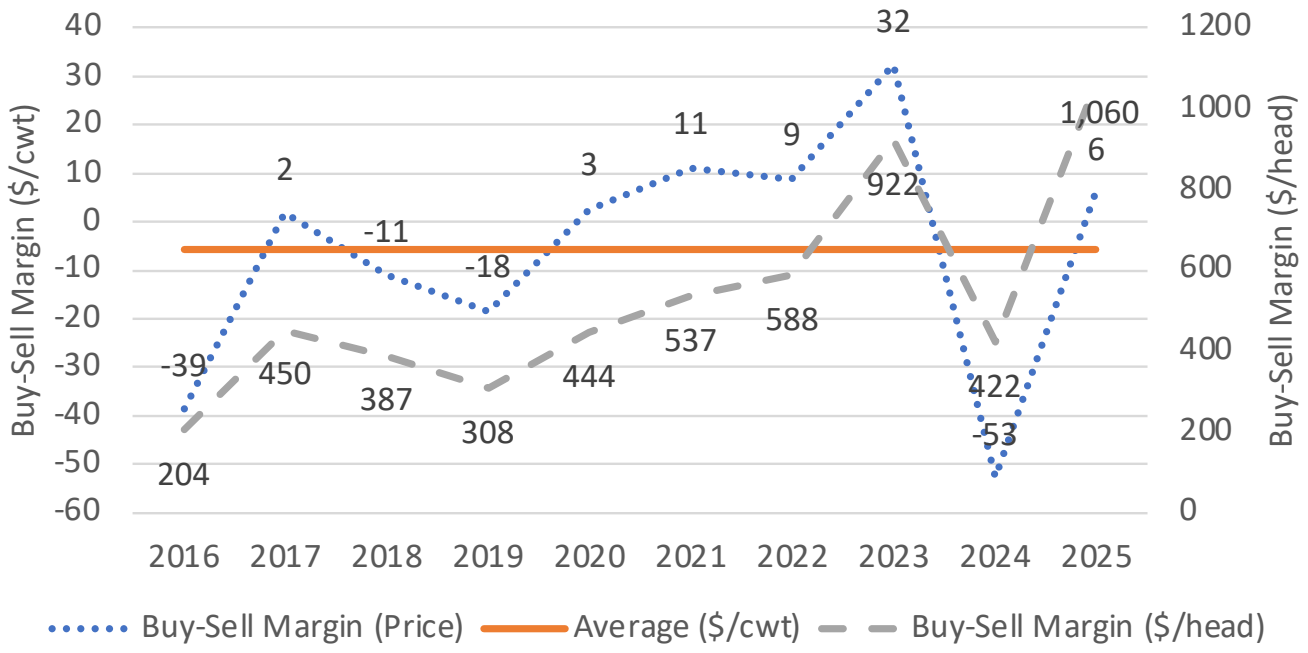

Figure 1. *Buy-sell margin from 2016-2025 for 500–600-pound steers purchased in March and 800–900-pound steers sold in 50,000-pound loads in August.*

Figure 2 is a slight variation as it contains buy-sell information from 2016 through 2025 for 400–500-pound steers purchased in November and 800–900-pound steers sold in a 50,000-pound load in July. The average buy-sell margin over the 10-year period is $8 per hundredweight with a range from -$52 to $67 per hundredweight. The buy-sell margin for this alternative is more positive than purchasing calves in March and marketing them in August. However, a greater quantity of the margin when purchasing cattle in November tends to be used to purchase feed.

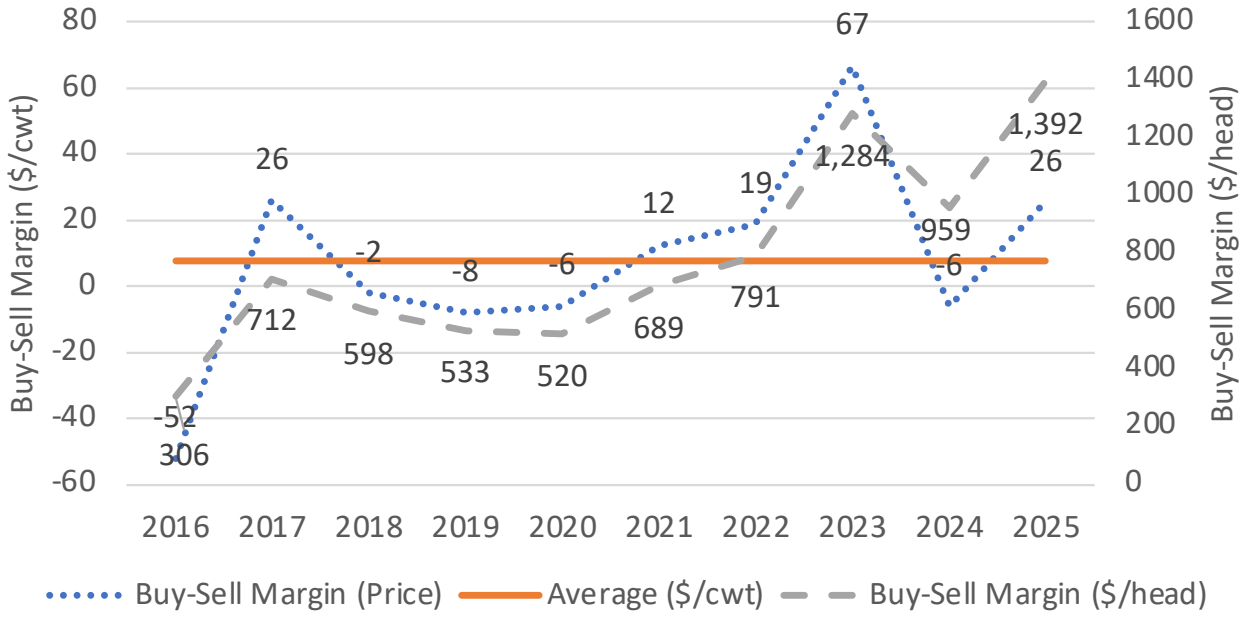

Figure 2. *Buy-sell margin from 2016-2025 for 400–500-pound steers purchased in November and 800–900-pound steers sold in 50,000-pound loads in July.*

Buy-Sell Margins per Head

Despite the usefulness of buy-sell margins when only considering prices, it is often more appropriate to evaluate purchasing and marketing decisions based on margin per head. The reason using the margin per head is more appropriate is because it provides the quantity of dollars available to place weight on the animal and to capture profit. The buy-sell margin calculator does not include the dollar per head margin, as this factor was less significant when cattle prices were relatively low. In periods of high market prices, the buy-sell margin based solely on price may fall below historical norms while still offering a profitable outcome. However, adjusting one's mindset regarding what level of margin is acceptable can be difficult when observing substantial decreases in buy-sell price margins.

Using Figure 1, the buy-sell margin on a dollar per head basis from March through August ranged from $204 to $1,060 per head from 2016 through 2025. A good example that illustrates that using the price margin is not always appropriate is comparing 2020 and 2024 (Table 1). The buy-sell margin on a price basis in 2020 was $2.64 per hundredweight versus -$52.85 per hundredweight in 2024. The actual margin on a per head basis in 2020 was $444.42 while the margin in 2024 was $421.89. Thus, due to the magnitude of price changes from 2020 to 2024, the $55.49 difference in the buy-sell margin on a price basis only resulted in a $22.54 per head difference in the total margin these two years.

Table 1. Buy-sell margin on a price basis versus per head basis in 2020 and 2024

	August	March	Buy-Sell Margin (Price/cwt)	Buy-Sell Margin ($/head)
2020	143.30	140.66	2.64	444.42
2024	237.52	290.37	-52.85	421.89
Difference			**55.49**	**22.54**

The buy-sell margin from November through July ranged from $306 per head to $1,392 per head (Figure 2). There are a couple of good examples of how the buy-sell margin on a price basis can be misleading relative to looking at the margin on a per head basis. The first is the price margins from 2018 to 2020 ranged from -$2 to -$8 per hundredweight while the 2024 buy-sell margin was -$6 per hundredweight. The buy-sell margin on a per head basis from 2018 to 2020 ranged from $520 to $598 per head while the margin for 2024 was $959 per head. Despite the buy-sell margins being similar on a price basis each of those years, the available margin was much greater for 2024. Another example is comparing 2023 when the buy-sell margin was $66.71 per hundredweight to 2025 when the buy-sell margin was $25.68 per hundredweight. However, the margin per head in 2023 was $1,283.96 per head while the 2025 margin was $1,392.16 per head. The similarity in the per head margin is due to the magnitude of prices where cattle prices in 2025 were much higher than in 2023 (Table 2).

Table 2. Buy-sell margin on a price basis versus per head basis in 2023 and 2025

	July	November	Buy-Sell Margin (Price)	Buy-Sell Margin ($/head)
2023	245.94	179.23	66.71	1283.96
2025	319.15	293.47	25.68	1392.16
Difference			**41.03**	**-108.20**

Conclusion

Using the buy-sell margin of prices can be useful from a historical perspective in some instances, but with the relatively large increase in cattle prices, historical price margins are not as easy to compare to years with relatively lower cattle prices. Thus, it is often best for margin operators to calculate the total margin on a per head basis to inform decision making. The most noteworthy finding in this brief evaluation of price data is buy-sell margins can be much smaller and even negative in a high price environment when compared to historical buy-sell margins and result in a profitable trade. At the same time, users of this information are encouraged to calculate the margin on a per head basis instead of just using the price margin as the total margin per head provides a clearer picture of potential profitability.

References

Rawls, E.L., R. Bowling, T.L. McKinley. Buy/Sell Margin Calculator Version 9.0. University of Tennessee Extension. Online: https://arec.tennessee.edu/buy-sell-margins-calculator/.

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