

# Market Tracks

## Cattle prices poised for long run.

by **Wes Ishmael**

Cash cattle prices tore through the end of last year and the start of 2025 as consumer beef demand underpinned boxed beef cutout values and declining availability fueled calf and feeder cattle prices.

Steers weighing 600-700 pounds were bringing \$37.94 (+16.5%) to \$45.57 (+17.2%) more per hundredweight (cwt.) year over year, according to USDA's *National Weekly Feeder and Stocker Cattle Summary* for the week ending Jan. 4. Cash fed cattle reached \$200 per cwt. and Choice wholesale beef prices were up \$45.72 (+16.4%) year over year.

"Current high prices are reminiscent of the cyclical peak prices of 2014-15 with both having been provoked by drought-exaggerated herd liquidations," says Derrell Peel, Oklahoma State University Extension livestock marketing specialist, in his late-December market comments. "However, some very important differences mean that the current situation will play out in a much different fashion going forward."

Peel explains the previous herd expansion from 2014 to 2019 was sharp and rapid with high prices lasting about two years. He adds the pipeline of replacement heifers was building ahead of the expansion, making its degree and speed possible.

"With two years of high prices already in 2023 and 2024, there is no indication that cyclically high prices will be as short-lived as a decade ago," Peel says. "The pipeline of replacement heifers has continued to be depleted to this point. The cattle industry has shown no signs of attempting to rebuild the herd yet, and the process will be slower when it does happen. The peak prices in 2014-15 coincided with increased heifer retention that squeezed feeder supplies to the tightest levels. Since no heifer retention has occurred yet, the highest prices are ahead, possibly in 2025, but more likely beyond.

USDA's Economic Research Service (ERS) increased the forecast feeder steer price by \$13-\$17 in the first three quarters of this year according to the December *Livestock, Dairy and Poultry Outlook*. Projected prices were \$265 in the first quarter, \$270 in the second and \$275 in the third. The projected annual average price for this year increased by \$14.50 to \$272.50. Those prices are basis 750-800-pound, Medium and Large No. 1 steers selling at Oklahoma City.

ERS analysts emphasized the projections were based on the suspension of cattle imports from Mexico, as there was no date established for trade resumption (more later).

With the above caveat in mind, the ERS also increased the projected five-area direct annual average fed steer price for this year by \$3 to \$191 per cwt. in the December *World Agricultural Supply and Demand Estimates*. Prices were projected at \$188 in the first quarter, \$189 in the second quarter and \$192 in the third quarter.

### Wild cards

Barring some blasted black swan fouling the path, fundamentals suggest cattle prices continuing at current high levels, while keeping in mind a couple of expected unknowns.

Closest to home is the timing of herd rebuilding. When it begins and how aggressive heifer retention is will help determine the duration of high cattle prices and their ultimate peak.

Next is the aforementioned suspension of beef cattle imports from Mexico due to New World Screwworm discovered in the southern part of that nation. Feeder calves are the primary Mexican cattle import to the U.S. Domestic markets have received added loft in the absence of those cattle since the suspension began in late November. As of Jan. 7, no date was established for resumed trade. Presumably, however, cattle originally

destined for the U.S. will arrive eventually with more age and weight, perhaps accompanied by some market pressure.

Further afield and murkier is the political risk associated with a new-old presidential administration. It's hard to argue the cattle business and overall agriculture will be immune to the impacts of campaign pledges.

"When taken in isolation, President-elect Trump's proposed policies — tax cuts, decreased labor supply and tariffs on imported goods — are all inflationary," according to December's *CoBank 2025 Year Ahead Report – Forces That Will Shape the U.S. Rural Economy*. "Consequently, longer-term interest rates have already edged higher, and the market has downshifted expectations for further Fed rate cuts in 2025. There is a good chance the proposed tariffs and the crackdown on undocumented immigrants will be more disruptive than markets have priced in, particularly in industries like construction and agriculture."

### Hay prices provide some relief

On the input side of the gate, hay prices near the end of 2024 were the cheapest in about four years, according to the Livestock Marketing Information Center (LMIC), in the early-January *Livestock Monitor*.

Since the beginning of the 2023-24 crop year, LMIC analysts explain national alfalfa hay prices declined \$123 per ton from \$288 in April 2023 to \$165 in November last year. LMIC forecast the 2024-25 alfalfa hay price to range from \$170-\$180 per ton.

Similarly, other hay prices declined by \$89 per ton from \$248 in Oct. 2022 to \$159 in November last year. LMIC forecast the 2024-25 other hay price at around \$150 per ton. **BA**

	Last year \$/cwt.	This year \$/cwt.	Change \$/cwt.
<b>Regional Feeder Steer Prices<sup>1</sup></b>			
North Central			
600-700 lbs.	265.60	<b>311.17</b>	45.57 (+17.2%)
700-800 lbs.	242.70	<b>282.91</b>	40.21 (+16.6%)
800-900 lbs.	228.25	<b>268.11</b>	39.86 (+17.5%)
South Central			
500-600 lbs.	280.34	<b>327.27</b>	46.93 (+16.7%)
600-700 lbs.	250.10	<b>292.38</b>	42.28 (+16.9%)
700-800 lbs.	228.33	<b>267.71</b>	39.38 (+17.2%)
Southeast			
400-500 lbs.	276.49	<b>330.40</b>	53.91 (+19.5%)
500-600 lbs.	253.91	<b>289.14</b>	35.23 (+13.9%)
600-700 lbs.	229.77	<b>267.71</b>	37.94 (+16.5%)
<b>CME Feeder Cattle Index<sup>2</sup></b>			
	228.65	<b>268.63</b>	39.98 (+17.5%)
<b>Average Five-area Direct<sup>3</sup></b>			
Live steer (FOB)	174.01	<b>198.93</b>	24.92 (+14.3%)
Dressed steer (Del)	248.78	<b>314.96</b>	40.18 (+14.6%)
Live heifer (FOB)	173.85	<b>198.84</b>	24.99 (+14.4%)
Dressed heifer (Del)	274.32	<b>314.11</b>	39.79 (+14.5%)
<b>Wholesale Beef Prices<sup>4</sup></b>			
Choice cutout value	278.86	<b>324.58</b>	45.72 (+16.4%)
Select cutout value	259.01	<b>295.05</b>	36.04 (+13.9%)
Byproduct value <sup>5</sup>	11.79	<b>11.32</b>	-0.47 (-4.0%)
<b>Average weekly slaughter premiums and discounts<sup>6</sup></b>			
Prime over Choice	16.80	<b>22.60</b>	5.80 (+34.5%)
Premium Choice over Choice	4.83	<b>4.64</b>	-0.19 (-3.9%)
Select under Choice	-25.26	<b>-29.34</b>	-4.08 (-16.2%)
<b>Retail beef prices<sup>7</sup></b>	¢/lb.	¢/lb.	¢/lb.
Choice beef Retail Value	803.9	<b>832.4</b>	28.5 (+3.5%)
All fresh beef Retail Value	788.7	<b>805.6</b>	16.9 (+2.1%)
<b>U.S. beef exports<sup>8</sup></b>			
Value (million \$)	786.2	<b>872.7</b>	86.5 (+11.0%)
<b>Futures prices<sup>9</sup></b>			
Feeder Cattle Near Mar	227.025	<b>264.175</b>	37.150 (+16.4%)
Live Cattle Near Apr	188.000	<b>196.000</b>	8.000 (+4.3%)
Corn Near Mar	5.094	<b>4.506</b>	-0.588 (-11.5%)
Crude Oil <sup>10</sup> Near Mar	72.89	<b>73.21</b>	0.32 (+0.4%)

### Estimated year-to-date total cattle slaughter<sup>11</sup>

2023 million head	2024 million head	Change million head
32.2	<b>31.0</b>	-1.2 (-3.7%)

### Estimated year-to-date beef production<sup>11</sup>

2023 billion lbs.	2024 billion lbs.	Change million lbs.
26.5	<b>26.4</b>	-169.1 (-0.6%)

<sup>1</sup> AMS *National Weekly Feeder & Stocker Cattle Summary*, week ending 01/04/25

<sup>2</sup> CME Feeder Cattle Index 12/03/24 compared to 01/03/25

<sup>3</sup> USDA Five-area weekly weighted average direct slaughter cattle, year over year, week ending 01/05/25

<sup>4</sup> National Weekly Boxed Beef Cutout and Boxed Beef Cuts (negotiated, weekly cutout value summary), weekly average for weeks ending 01/03/25 and 01/05/24

<sup>5</sup> USDA steer byproduct drop value (FOB central U.S.), 01/03/25 year over year

<sup>6</sup> National Weekly five area direct slaughter cattle premiums and discounts, weighted average week of 01/06/25 and 01/08/24

<sup>7</sup> Meat Price Spreads, Choice beef values and spreads and all fresh beef retail value, USDA ERS; monthly values, cents per pound of retail equivalent (Nov. 2024 year over year)

<sup>8</sup> U.S. Meat Export Foundation data — November 2024 and 2023

<sup>9</sup> CME futures, nearby contracts year over year, 01/03/25

<sup>10</sup> WTI-CME, nearby contact, year over year, 01/03/25

<sup>11</sup> Estimated weekly meat production under federal inspection, year to date 12/27/24 year over year