

# Packing Capacity Reset

## Still more hooks than cattle.

by *Wes Ishmael*

Declining commercial cattle slaughter represents a slope steep enough to entertain the most fearless skier (see Chart 1). Volume plunged 4.7 million head (-13.8%) from 34.3 million in 2022 to the 2025 total of 29.6 million, forecast by the Livestock Marketing Information Center (LMIC).

Numbers will decline further over the next couple of years, driven by historically small calf crops. Herd expansion will further magnify snuggling supplies. LMIC forecasts 2026 commercial cattle slaughter at 26.5 million head, which would be 10.5% less than the forecast total for 2025 and 22.9% less than in 2022.

During the same period, beef packing capacity remained mostly static before slowly expanding as new players entered the business and others expanded existing facilities. Economics suggested some excess packing capacity had to exit the business sooner or later.

### Capacity recalibration begins

Tyson was the first one to blink in November 2025, closing its plant in Lexington, Neb., and halving production at its plant in Amarillo, Texas. Combined, this represented approximately 7,000 to 8,000 head per day, according to Derrell Peel, Oklahoma State University Extension livestock marketing specialist. Even so, he says excess packing capacity will continue for the foreseeable future.

More specifically, Terrain, the market analysis and forecasting organization, estimates the changes will eventually reduce U.S. slaughter capacity by about 6.6%, according to Dave Weaber, Terrain's senior animal protein analyst.

"However, slaughter plant capacity utilization is still nearly 6% behind historical norms, as the number of cattle is still well short of filling available slaughter capacity," says Weaber in Terrain's 2026 *Outlook* series. "I expect utilization to decline by about 2% during 2026 when two new plants in Nebraska and Missouri complete their startups. A proposed plant in the Panhandle of Texas that would handle 6,000 head per day has the potential to lower utilization rates back to early-2025 levels if completed. Even without additional future slaughter capacity, utilization rates will remain low; fed cattle numbers are expected to decline during the next two to three years because of cow-calf producers' beef cow herd expansion efforts."

**“Even without additional future slaughter capacity, utilization rates will remain low.”**

— **Dave Weaber, Terrain**

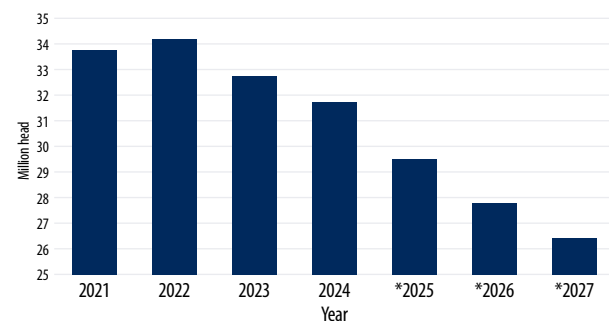
In the meantime, Weaber says reduced fed slaughter packing capacity will help the remaining plants run more volume, improving efficiency by spreading fixed and semi-variable costs across more head and pounds of beef. He explains increased operational efficiency will likely encourage plants to fill available capacity and compete more for the available cattle.

"Even with a 2% shift in leverage (fed cattle price to comprehensive cutout) to the packers' favor, I expect the choice cutout to average between \$375 per hundredweight (cwt.) and \$385 per cwt.; and fed cattle prices to average between \$234 per cwt. and \$238 per cwt. in the first quarter," Weaber says.

By the beginning of 2026, cattle prices had recovered quickly and mostly, following the plunge in October, which was tied to a variety of factors, including political rhetoric, wonderment about resumption of feeder cattle imports from Mexico and Tyson's announced capacity cuts.

However, Weaber says, "If we've learned anything from the market reactions to the plant announcements, it's that price volatility should be a focus for producers in all segments of the cattle industry. Active risk management to preserve operation equity should remain a priority." **BA**

**Chart 1: Annual Cattle Slaughter**



\*Estimated

Source: Livestock slaughter-USDA-NASS; projections and forecasts by Livestock Marketing Information Center