

# Money in the Bank

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## A Time of Reckoning



At the time of this writing, a 500 pound steer is selling for around \$3.00 per pound. A similar weight heifer will bring about \$2.80 per pound. Assuming that your steers weigh 525 and your heifers come in at 475 (I figure you are keeping the bigger end for replacements), you will an average gross \$1,450 per calf. If we you weaning a 90% calf crop, that is a \$1,305 gross return per pregnant female. In my recollection, times have never been better at the ranch.

There are several drivers for the current market. Cow numbers across the U.S. are at lows not seen since the 1960's. Beef demand, as measured by retail price and supply, goes up and down throughout the year but has been on a steady increase over the last 30 years. Consequently, fed cattle prices have increased 80% since lows in late 2020 and 2021! An additional factor is the corn price. Corn is the primary ingredient in feedlot rations and a major contributor to the cost of gain. The value of the gain (fed cattle price) and the cost of gain (corn price) has never been wider than it is today! That leaves plenty of room for feeders to bid up your calves which are already in short supply. Enjoy it while it lasts!

So how long will it last? Truly, if I knew the answer to that question, I wouldn't need a day job, but we can discuss some of the factors. Profitability, both good and bad, has slowed heifer retention. Poor returns earlier in the last decade caused some producers to scale back herds and sell heifers to make ends meet. Currently, many producers are hesitant to hold on to a heifer that is worth \$1,400 as an unweaned calf. Another factor has been persistent drought in some of the major cow/calf producing areas of

the country from the Southern Plains up through Nebraska and the Dakotas. The heifer retention trend seen for the last few years seems to be changing but it is happening very slow. Cattle Fax is expecting U.S. beef production to be lower in 2025 than in 2024. That is good news for cow/calf producers.

As mentioned earlier, corn prices are low in relation to fed cattle prices and that is resulting in a change in the feeding industry. Feeders are feeding cattle longer and getting them heavier than ever before. Although feeders face discounts for overweight and overfat carcasses, the discounts don't outweigh that value gained by the added carcass weight. Packers have actually increased the carcass weight at which discounts occur up to 1,100 lbs. The net result of this phenomenon is that we are producing more beef on the market relative to the number of cattle. This is easing the squeeze on the feeders and packers when purchasing feeder cattle, but only just a little bit. This same cheap corn is also reducing feed costs and allowing the feeder to pay more for feeder cattle. I believe that feeders are finding out that they can feed cattle longer and still be efficient at much heavier weights than they ever thought they could. Although higher corn price will moderate this practice a little, the concept of feeding longer is here to stay. Cheap corn is always to the benefit of the cow/calf producer. That looks to be in place through the first half of 2025, but our friends who grow corn are looking for a profit as well. If corn continues to be a loser for the farmer, he will plant less. I expect corn to be a little higher the second half of next year.

In the end, I expect corn prices could be a little higher late in 2025 and into 2026 than they are today. However, the beef demand and cattle numbers will keep the market strong. One wild card is the U.S and world economies. Difficult economic times will put pressure on beef prices and will be felt at the ranch. Watch the December corn futures for an idea of where corn is headed. It is a good barometer for calf values in the future. Cheaper corn means higher calf prices. At the same time, you can watch the fed cattle futures. If you are selling calves in the fall, you can add about 8 months to your sell time and that will tell you what fat cattle price the feeder is looking at when figuring his breakeven.

In summary, enjoy these great markets! We have good reason to be optimistic for the next couple years as well. However, keep in mind that our markets do cycle and be prepared for leaner days down the road.

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