

What's Driving Cattle Prices? Packing Capacity and Feed Costs

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Some of you may remember the old George Strait song "Blame It on Mexico." I have heard considerable discussion suggesting that the recent downturn in cattle prices is primarily due to reopening the Mexican border. The numbers, however, tell a different story.

The Mexican cattle industry is optimistically projecting exports of as many as 200,000 head to the United States during 2026. That would represent less than 1% of the feeder cattle placed in U.S. feedlots this year. Two much larger forces are currently weighing on the cattle market and deserve greater attention.

First, Tyson Foods has closed or idled approximately 11,000 head of daily fed-cattle processing capacity during 2026. The company is also attempting to sell its Pasco, Washington, facility, which can process approximately 2,000 head per day. The 11,000-head reduction represents roughly 11% of the nation's fed-cattle harvest capacity. On an annualized head-count basis, that reduction is more than 10 times the projected number of Mexican cattle entering the United States this year.

The loss of packing capacity has shifted leverage between packers and cattle feeders and contributed to the sharp decline in fed-cattle futures. That makes cattle feeders understandably nervous and much more cautious when purchasing feeder cattle.

I have been involved in the beef industry across four decades, and concerns about packer concentration have never ceased. I am certainly no packer apologist, but I also recognize that our industry cannot survive without an efficient and profitable packing sector. Packers need appropriate oversight, but the suggestion that small local plants could replace the "Big Four" is comparable to saying we could manufacture automobiles locally and then shut down Ford and General Motors. The likely result would be higher costs, higher consumer prices, and less demand for the beef produced on our ranches.

The second critical factor is the corn market. Although the USDA still projects a solid crop, December corn futures have climbed from about \$4.25 per bushel in late June to \$5.40 in September. That is a 27% increase in less than three months. Higher energy prices have supported ethanol demand, while tighter global grain supplies and concerns about U.S. yields have added strength to the market.

Consider what that increase can mean for the value of a 500-pound steer calf in Utah. Based on current August 2027 live-cattle futures, a feeder could project a breakeven purchase price of approximately \$3.80 per pound for a 500-pound Utah calf delivered in November when December corn is priced at \$4.25. Under a scenario in which ration costs increase by 27%, that projected breakeven purchase price falls to approximately \$3.45 per pound—a difference of \$175 per head.

Before anyone panics, it is important to recognize that cattle feeders can rarely purchase cattle at a guaranteed breakeven. They routinely make decisions based on their expectations for the future market, basis, performance, and feed costs. This doesn't even account for their strong aversion to empty pens. I would be very surprised if Utah calf prices fall to the level illustrated in this example.

Nevertheless, the example demonstrates the tremendous effect that corn prices and projected feeding costs can have on the value of Utah feeder cattle. Mexico may be receiving much of the blame, but packing capacity and feed costs are exerting far greater pressure on the market.

With all the pressure facing the market today, it is important to maintain some perspective. Only two years ago, a 500-pound steer in Utah averaged approximately

\$3.15 per pound; in the fall of 2021, that same steer was worth about \$1.70 per pound. The cow-calf sector remains fundamentally healthy, and I expect it to remain so. What we are experiencing is a correction following an extraordinary increase in calf values—not the collapse of a healthy industry. To borrow a phrase from a friend much smarter than I, markets are like airplanes: eventually, they all have to come back to earth.

We are holding a seminar focused on the Forces Shaping Livestock Markets in the Future in Logan on November 19 and 20. The program features an all-star cast of nationally known beef industry leaders. I urge you to visit the website at www.wrma.usu.edu to check out the agenda and register. Seats are limited and will go quickly.

Please reach out to me anytime.

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