



IN THE CATTLE MARKETS



December 23, 2024

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K-STATE Research and Extension

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Dec. Cattle on Feed Report & Cautionary Note on “Demand Destruction”

On Friday, December 20th USDA NASS released the latest Cattle on Feed report (<https://usda.library.cornell.edu/concern/publications/m326m174z?locale=en>). December 1st inventory was estimated at 11.98 million, on par with 2023. Placements in November were estimated at 1.80 million, down 4% from 2023 while marketings were estimated at 1.73 million, down 1% from 2023. Overall, this report was in line with pre-report expectations and likely will not be a market-mover with interest transitioning to 2025 reports including the January Cattle Inventory report.

I expect the January Cattle Inventory report to show some additional liquidation has occurred leading to a smaller calf crop in 2025. It seems most likely that the summer of 2026 is the soonest substantial national heifer retention may begin. While there is

recently elevated uncertainty around international trade that should not be overlooked, most anticipate domestic beef availability to decline perhaps by 2-3% per year (per person) in 2025 and 2026.

Given this setting and the opportunity for some extended armchair-pondering around the holidays, some context on economic concepts and an important historical reminder is prudent. Economists analyzing the beef industry use the term “demand” to refer to the willingness and ability to buy beef at a specific price. A change in beef demand is not triggered by changes in beef prices but rather by consumer income or wealth adjustments, changes in prices of other goods, or perceptions of beef quality evolving. To this later point, the clear improvement in overall beef quality (simple example is Prime or Upper Choice percentage versus past decades) has been core to beef demand growth (see K-State demand indices here: <https://agmanager.info/livestock-meat/meat-demand/monthly-domestic-meat-demand-indices-usdabls-data/monthly-domestic-0>).

As we turn to 2025 it is important to pause and connect the dots around things such as current feedlot supplies, future breeding herd size and corresponding beef availability, and what one may expect at the retail and food service level. Yes, lower beef supplies are expected and with that, most anticipate higher end-user beef prices. In fact, the industry should be hoping for that! Research with Melissa McKendree, Ted Schroeder, and Nathan Hendricks (<https://onlinelibrary.wiley.com/doi/full/10.1093/ajae/aaz034>) shows that feeder cattle sellers stand to gain the most when beef demand grows, and lose the most when demand falters.

If alternatively, lower beef availability is observed in conjunction with flat or lower beef prices, then beef demand clearly declined. In that unfortunate situation, economic viability for most in the industry also declines. While some younger market participants may dismiss this scenario, recall the 1980s & 90s was a period largely characterized by a shrinking herd, weakening beef demand, and overall decline in industry vitality. Indeed, lower beef volumes alone do not guarantee higher beef nor cattle prices. This experience is worth periodic reflection as the industry has made massive improvements that should not be overlooked or taken for granted. To the extent that beef prices increase reflecting stable or growing beef demand that indeed is a market outcome that should not only “be allowed” but encouraged. While the term “demand destruction” is likely to appear more in coming months, industry stakeholders are encouraged to take pause and in fact hope that higher prices develop reflecting stable or growing beef demand.

Finally, and most importantly I wish all readers a Merry Christmas, the ability to see the true reason for the season, and a joyous New Year.

The Markets

		Week of 12/20/24	Week of 12/13/24	Week of 12/22/23
5-Area Fed Steer	all grades, live weight, \$/cwt	\$194.73	\$194.31	\$170.51
	all grades, dressed weight, \$/cwt	\$305.64	\$303.44	\$270.38
Boxed Beef	Choice Value, 600-900 lb., \$/cwt	\$316.88	\$313.75	\$290.19
	Choice-Select Spread, \$/cwt	\$30.15	\$33.46	\$28.01
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$290.28	\$279.93	--
	Nebraska 7-market, \$/cwt	\$280.19	\$286.64	\$240.15
	Oklahoma 8-market, \$/cwt	\$268.99	\$263.84	\$229.57
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$340.03	\$338.08	\$283.37
	Nebraska 7-market, \$/cwt	\$355.43	\$348.68	\$297.92
	Oklahoma 8-market, \$/cwt	\$330.85	\$323.42	\$289.52
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$4.35	\$4.39	\$4.76
	DDGS, Nebraska, \$/ton	\$165.67	\$158.43	\$225.83

Data Source: USDA-AMS Market News as compiled by LMIC

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