



IN THE CATTLE MARKETS



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Seasonal Retreat from Record Highs

My apologies for the 'I told you so' – I recognize I am very often wrong – but cattle prices were well-above levels implied by market fundamentals through much of this late summer and into fall—and this has been talked about in prior newsletters. A reasonable set of demand elasticities and supply information from the Cattle on Feed reports suggested fed animal prices closer to \$215/cwt this fall – and not the better than \$240 observed. Similarly, with the calculated boxed beef composite value often above \$370/cwt and occasionally above \$400/cwt, then packers needed to pay less than \$230 to break even. This did not happen and has not for a while – that is, fed cattle trading below packer breakeven. It looks to me as if the packing industry hasn't made any money for better than two years – and I know cattlemen don't care – but it's not

reasonable to expect losses to continue for the foreseeable future. Fed cattle prices had to retreat, and smaller animal prices with them. The seasonal timing is not a surprise.

Have the underlying long-run fundamentals changed? Absolutely not. Fed cattle numbers, as seen in Commercial Slaughter, will be down 6.9% for the year. These numbers will also be down something like 6% in 2026 and 5% in 2027. Animal numbers will have to tighten further before any increase in numbers is seen. There will be some offset with higher weights and also from feeder cattle placed from Mexico with any reopening of the southern border. But not enough to change the fact of tightening supplies, reduced production, more imports and fewer exports, and lower beef consumption. The plant closings and plant operational reductions announced recently are, in my mind, just the beginning. The supply fundamentals don't change for the next 2-3 years. Only the volume of completing meats is in question.

Another signal of the temporary nature of the prior week's market dynamics is the strength of cow slaughter prices. While fed cattle, feeder cattle, and calves have moved sharply down, cow prices have not. Further, beef cow slaughter is 6-7% below the prior year, and we are seeing a reduction in the number of heifers in the fed slaughter mix. The reduction in heifers in the slaughter mix has occurred over the last half of 2025. This implies that reduced numbers of heifers were placed on feed some six months before seeing the change in slaughter numbers. This would imply most, if not all, of 2025. Is there evidence of some herd building? Yes, but very modest.

Returning to packer margins, the margin per thousand pounds of beef sales – the live-to-cutout spread – has been less than \$275 per head since September 2023. That is a period of 27 months. This spread is what the packers use to pay slaughter and fabrication costs – and pay returns to capital investments. Reasonable packer slaughter and fabrication costs are likely between this amount and \$350 per head. And talk to your local processor. Can you find a quote that is less than \$1,000 per head? This industry has faced serious profitability challenges and will continue to do so for the foreseeable future. Structural adjustments to the packing industry are another thing that can impact and change the underlying market fundamentals.

The Markets

What does the technical picture say? While the live cattle and feeder cattle contracts have broken uptrends in place since April of this year. I would encourage the reader to look at your weekly charts. Long-term uptrends – were challenged and in some cases broken briefly – but largely remain in place. Further, most contracts stopped moving down at support levels established last spring and summer at price levels better than \$200/cwt. Nearby contracts are much more in line with fundamentals, and deferred

contracts appear to be priced at a too-big discount. It will be important to watch the boxed beef composite value and high-value primals through the holidays. Does demand remain strong but at somewhat reduced levels, or is there some substantive pushback to these high-price levels?

		Week of 12/5/25	Week of 11/28/25	Week of 12/6/24
5-Area Fed Steer	all grades, live weight, \$/cwt	\$221.21	\$211.53	\$190.90
	all grades, dressed weight, \$/cwt	\$342.61	\$329.38	\$297.21
Boxed Beef	Choice Value, 600-900 lb., \$/cwt	\$364.27	\$368.92	\$310.41
	Choice-Select Spread, \$/cwt	\$12.37	\$14.42	\$33.64
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$359.29	\$327.00	\$267.58
	Nebraska 7-market, \$/cwt	\$378.68	\$362.09	--
	Oklahoma 8-market, \$/cwt	\$340.38	\$318.49	\$268.84
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$442.95	\$362.50	\$340.29
	Nebraska 7-market, \$/cwt	\$474.90	\$455.29	--
	Oklahoma 8-market, \$/cwt	\$438.64	\$387.19	\$334.21
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$4.32	\$4.16	\$4.32
	DDGS, Nebraska, \$/ton	\$162.71	--	\$158.86

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

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