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IN THE CATTLE MARKETS

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COLORADO STATE UNIVERSITY EXTENSION

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Structural Adjustments Continue

The structural adjustments continue in the beef packing sector. Tyson Foods announced the closure of a slaughter and fabrication plant in Joslin, IL, a case-ready processing plant in Eagle Mountain, UT, and the willingness to sell the slaughter and fabrication plant in Pasco, WA. These are the latest adjustments following the closure of the Lexington, NE, plant and the transition of the Amarillo, TX, plant to single shift. Earlier in the summer, JBS announced the closure of a slaughter and fabrication plant in Souderton, PA, and a small, further-processing facility in Memphis, TN. There is too much packing capacity in the cattle and beef sector for the number of animals that have been available in the past few years – and will likely be available in the next few years. Beef packers have been routinely losing $200-$400 per head on every head slaughtered and fabricated since 2023 – and likely earlier. That's a lot of money allocated to facilities that are not making any money. This cannot persist, and some facilities will close.

What's the economics at play here? Why is so much money being lost for so long? Beef packing is a high-fixed-cost business without much flexibility. Labor, supplies, and energy for operations are a minor portion of a plant's weekly total cost. Most of the cost is for the facility and inputs that cannot be much changed. Even labor is relatively inflexible. Contracts usually guarantee 36 hours per shift per week. If a shift operates, then it does so – and generates costs – through Thursday. Low-cost slaughter and fabrication plants have costs of about $300 per head when operating at 5 days per week capacity. High-cost plants are short of the $500 per head neighborhood. Running the plant at a reduced number of days per week – less than 4 – does not reduce the total costs. These costs are spread over fewer animals.

Why do plants operate at a loss at all? It is economically rational to operate any business – in the short-run – if variable costs are covered. Given that variable costs are such a thin slice of total costs, then plants will operate for long periods at losses. It is only in the long run that fixed costs matter. So how long is the short-run versus the long-run? Good question. Once a plant is built and in operation, then it should be run as long as the perceived total potential discounted future long-run returns are positive. Once a plant is closed, then the lost profits are permanent. So, it depends on what management thinks the outlook is – or investors' and lenders' willingness to fund losses. The money must come from somewhere.

Can flexibility be built into the industry? Yes, through operating smaller plants. But these plants operate nowhere near the efficiencies of large plants. Even plants modestly smaller than the typical large commercial plant have total costs in the $600-$800 per head range. And the small plants that are present in many rural towns with a cattle charge of $1.20 to $1.60 per pound to process animals. The math on a 1000-pound carcass is easy. These economies of size efficiencies are why we have the industry we have – the few very large plants – that is currently in overcapacity with respect to the number of animals.

Are these structural adjustments bearish? Some but not much. Cattle and beef supplies remain tight, and demand remains strong. The beef packing industry remains over – but less so – capacity. As does the cattle feeding industry. Future packer margins have the potential to be less terrible.

Two final comments. First, selling a plant to another firm that operates it as a beef packing plant isn't a structural adjustment. Neither is closing a further processing plant. If the slaughter plant continues to operate with tight fed cattle supplies just different ownership, then nothing changes from a market economic perspective. Structural adjustment only comes if the plant stops slaughtering fed cattle. Second, running a plant as a single shift requires the total plant costs to be spread over effectively half the number of cattle. Arguably, not a long-term solution.

The Markets

What does the technical picture say? Across the live cattle and feeder cattle contracts, prices have drifted lower and repeatedly pulled back from resistance. Clear sell signals. Resistance is holding. Any trend is down, and this also confirms the selling pressure and signals. Feeder cattle have mirrored live cattle and have yet to react much to the USDA Crop Production report news. The technical signal remains that this market has topped.

		Week of 8/14/26	Week of 8/7/26	Week of 8/15/25
5-Area Fed Steer	all grades, live weight, $/cwt	$228.52	$235.21	$242.01
	all grades, dressed weight, $/cwt	$365.08	$371.11	$382.78
Boxed Beef	Choice Value, 600-900 lb., $/cwt	$373.24	$366.51	$391.39
	Choice-Select Spread, $/cwt	$23.06	$18.28	$25.22
700-800 lb. Feeder Steer	Montana 3-market, $/cwt	$380.00	--	$365.57
	Nebraska 7-market, $/cwt	$361.20	$397.13	$373.91
	Oklahoma 8-market, $/cwt	$356.45	$360.57	$366.46
500-600 lb. Feeder Steer	Montana 3-market, $/cwt	--	$420.00	$420.00
	Nebraska 7-market, $/cwt	$427.00	$481.38	$410.00
	Oklahoma 8-market, $/cwt	$430.80	$432.63	$424.67
Feed Grains	Corn, Omaha, NE, $/bu (Thursday)	$4.37	$4.27	$3.75
	DDGS, Nebraska, $/ton	$159.50	$158.40	$137.78

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

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