



# IN THE CATTLE MARKETS



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## **Headcounts aren't everything: Understanding the full impact of cattle inventories**

The January 31<sup>st</sup> USDA Cattle Inventory Report may be the most anticipated report of the year, especially since the July Inventory Report has been eliminated. The January report will provide headcounts of all major classes of cattle, including heifers kept as replacements, which may indicate producer intentions to rebuild the national cow herd. One of the primary drivers of market price through the supply chain over the last several years can be attributed to the lowest beef cow herd inventory in decades. While the inventory report is a valuable resource for evaluating the state of the beef industry, it's important to remember what the report doesn't cover: total beef production.

The Livestock Marketing Information Center compiles and analyses data from USDA-NASS to give an indication of how much beef is produced per beef cow each year. From

1999 through 2024, estimates indicate each cow produces approximately 5.77 more pounds of beef each year. Granted, feeding margins certainly influence out-weights of live cattle, which impact the amount of beef produced. Cheap feed grains, favorable weather conditions and strong values helped support carcass weights in 2024 and overall beef production. Additional pounds of beef produced per cow over time is also likely an indication of how technologies improved the efficiency of beef production.

Looking back at the bottom of the last cattle cycle in 2014, total U.S. cattle inventories were just above of 88 million head and commercial beef production was just over 24 billion pounds. According to the January 2024 inventory report, total cattle inventories were slightly above 87 million head and commercial beef production approached 27 billion pounds for 2024. This means the industry produced approximately 3 billion more pounds of beef with 1 million less head of cattle inventory in 2024. The ratio of pounds produced compared to total cattle inventories has improved nearly 11% since the last cattle cycle.

There is a lag effect between cattle inventories and beef production. Cattle inventories bottomed out in 2014 but the realized effect on beef production was felt later in 2015 when retail beef prices peaked at \$6.29 per pound. Choice retail beef in 2024 averaged \$8.24 per pound in a nominal sense. Over the past decade, inflation has contributed to the overall increase in the price of goods, not just beef. When adjusted to 2014 in real terms, the price of retail beef is \$6.21 per pound. The lower price for retail beef in 2024 in real terms can be attributed to increased beef production, not decreased cattle inventories. When heifer retention does occur, feeder cattle supplies will be reduced, and a subsequent increase in inventories is expected. Meanwhile retail prices may peak due to a reduction in beef production.

Tighter beef cattle inventories are expected in this year's report. Total headcount in the supply chain will likely impact total beef production in years ahead. Fortunately, the amount of beef produced per cow over time has increased which will help support beef supplies. The January cattle inventory report will include head counts, but total beef production should also be considered when evaluating the impact on markets.

## The Markets

		Week of 1/17/25	Week of 1/10/25	Week of 1/19/24
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$203.67	\$202.58	\$173.76
	all grades, dressed weight, \$/cwt	\$321.98	\$320.25	\$273.89
<b>Boxed Beef</b>	Choice Value, 600-900 lb., \$/cwt	\$333.51	\$329.02	\$295.33
	Choice-Select Spread, \$/cwt	\$14.81	\$21.40	\$14.86
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$286.55	\$288.41	\$246.00
	Nebraska 7-market, \$/cwt	\$294.48	\$293.75	\$247.38
	Oklahoma 8-market, \$/cwt	\$277.07	\$274.21	\$225.62
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$356.83	\$355.42	\$307.13
	Nebraska 7-market, \$/cwt	\$365.02	\$362.10	\$313.18
	Oklahoma 8-market, \$/cwt	\$343.28	\$338.96	\$288.67
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$4.59	\$4.47	\$4.54
	DDGS, Nebraska, \$/ton	\$170.80	\$170.40	\$215.83

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

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