

Margins & Markets

Issue: Q4 November 2026

A Quarterly Update from the Livestock Marketing Information Center

LMIC
Livestock Marketing Information Center

Across the Livestock Industry

Key takeaways impacting multiple livestock production sectors

Consumer sentiment is showing signs of weakening as geopolitical issues persist and the political environment in the U.S. will be shifting next year. The Consumer Price Index (CPI) ratcheted up in October with a year-over-year increase near +4%, driven largely by a nearly +21% rise in the Energy CPI. Although gasoline prices dipped just below $4 per gallon nationally in mid-November, diesel prices remain above $6 per gallon. Focus remains on concerns that inflationary pressure could erode consumer confidence, purchasing behavior, and economic activity.

Concerns mount as inflationary pressures could translate into interest rates hikes that could be a headwind to overall economic activity next year. The Federal Reserve Banks of Kansas City and Dallas reported variable interest rates just above 8% for feeder cattle and operating loans, levels that have only been reached during the 2006-2008 and 2023-2024 periods over the past two decades.

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Cow-Calf

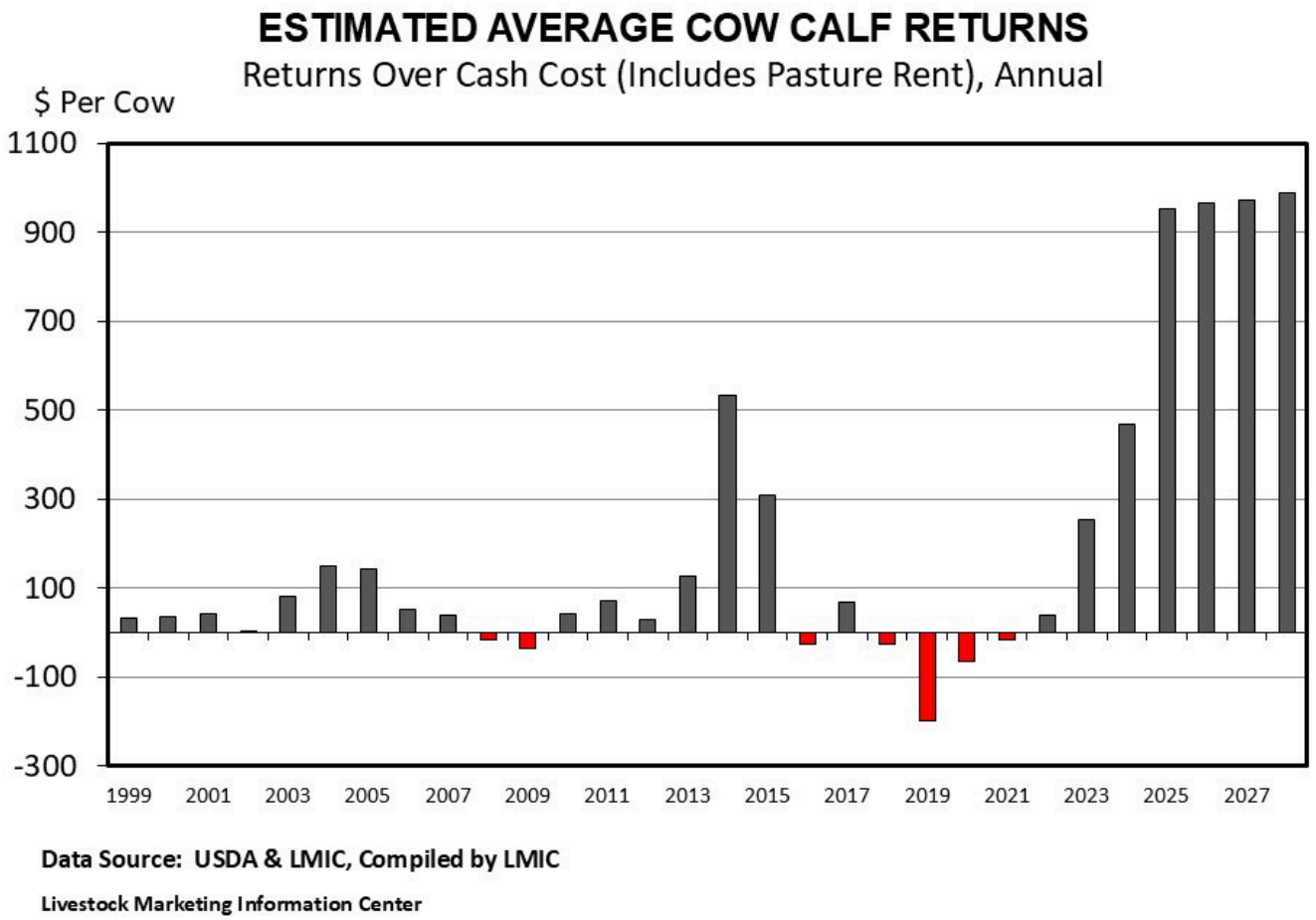
Key Drivers:

- Cow-calf profitability in the Southern Plains remains strong.
- Feed costs are rising, largely due to drought, across many regions.
- Steer calf prices remain supportive.

Profitability in the cow-calf sector is shaping up to be another profitable year with estimated average returns around $960 per cow, which would be an increase of nearly $13 per cow (+1%) from 2025 ($952). Estimated returns for 2027 are forecast to be near $1,000 per cow based on expected price support from continued tight cattle supplies and strong domestic beef demand. Feed costs could be a potential headwind in the coming year as drought has regionally impacted feed availability. The USDA-Office of the Chief Economist (OCE) estimates the percent of cattle inventory that were located in an area experiencing drought in 2026 ranged from about 35% at the start of the year to 64% in the springtime. By mid-summer, drought pressure had lessened that percentage to around 44%. It spiked to 60% in early fall and more recently has receded to below 40%.

Estimated average cow-calf costs are expected to remain around $1,100 per cow for 2026 and into 2027. Monthly alfalfa hay prices reported by USDA have been rising through late summer and into the fall. Nationally, alfalfa hay prices started the year at $162 per ton but have risen to just above $200 per ton from July through September. In southern plains states, alfalfa hay prices have been mixed. Alfalfa hay prices in Oklahoma have risen from $157 per ton at the start of the year to $190 per ton in September. Since the start of the year, Texas has seen alfalfa hay prices range from $220 to $235 per ton. Colorado has seen alfalfa hay prices rise from $160 per ton at the start of the year to $245 per ton in September. Alfalfa hay prices in Kansas have ranged from $122 to $128 per ton through the first three-quarters of the year. Regionally, alfalfa hay prices will vary, which is evident in the southern plains prices show above. Rising alfalfa hay prices, driven by drought that is constraining supplies,

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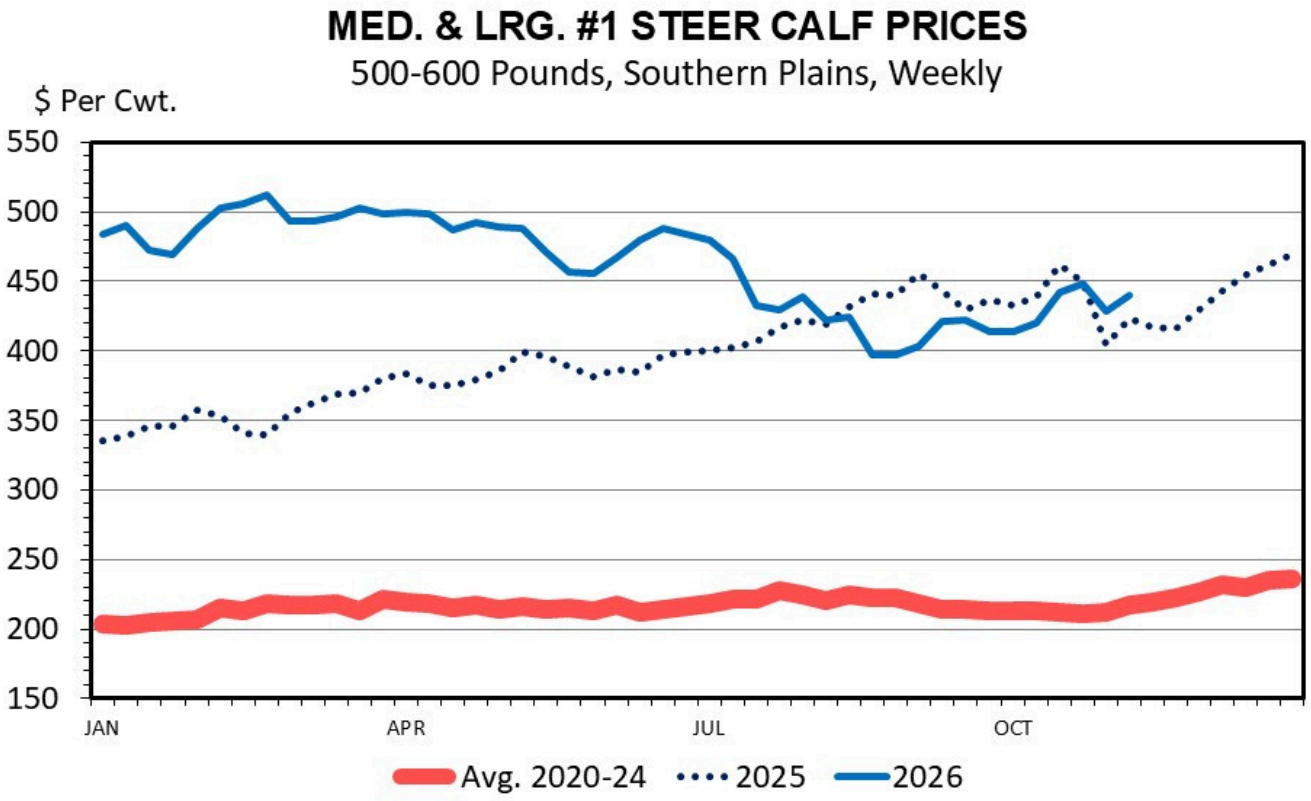


could prove to be a challenge from some cow-calf producers in the coming year.

The USDA-Animal and Plant Health Inspection Service (APHIS) continues to report New World Screwworm (NWS) cases along the along the US/MX border. Most recently, NWS cases have been reported in southeast Arizona, showing a general westward movement of the pest from the first cases that were reported in cattle in early June in Zavala County, Texas. As of this writing, USDA-APHIS reported 149 total cases of NWS in domesticated animals, 2 cases in wildlife, and 7 cases detected in fly traps. USDA-APHIS reported 75 of the cases as active with 41 of these cases in cattle.

The total number of NWS cases in November was 67, which was the highest monthly total since the first detected NWS case in June. Cattle imports from Mexico continue to flow despite a rising number of NWS cases. Three ports are currently open: Douglas, AZ; Columbus, NM; and Santa Teresa, NM. Total cattle imports from Mexico, since the border reopened in late August, have been reported at 98,201 head. The pace of cattle imports from Mexico in 2027 is expected to be well below levels

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Data Source: USDA-AMS

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seen prior to the border closing due to NWS.

Prices for steer calves in the Southern Plains region (medium and large #1, 500-600 pounds) dipped to $396.57 per cwt for the first week of September, which did limit profitability. Prices rebounded modestly through late October and into early November from lows in early September to levels in the mid-to-low $400 per cwt range, which is comparable to prices at this time last year. The LMIC is expecting steer calf prices to remain in the mid-$400 per cwt range through 2027, although potential for rising feed costs could limit upward profit potential for cow-calf producers. §

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Cattle Feeding

Key Drivers:

- Domestic beef demand remains strong.
- Cattle feeding returns turned negative, expected to remain tight from higher input costs.
- Tighter cattle inventories have reduced domestic beef production.

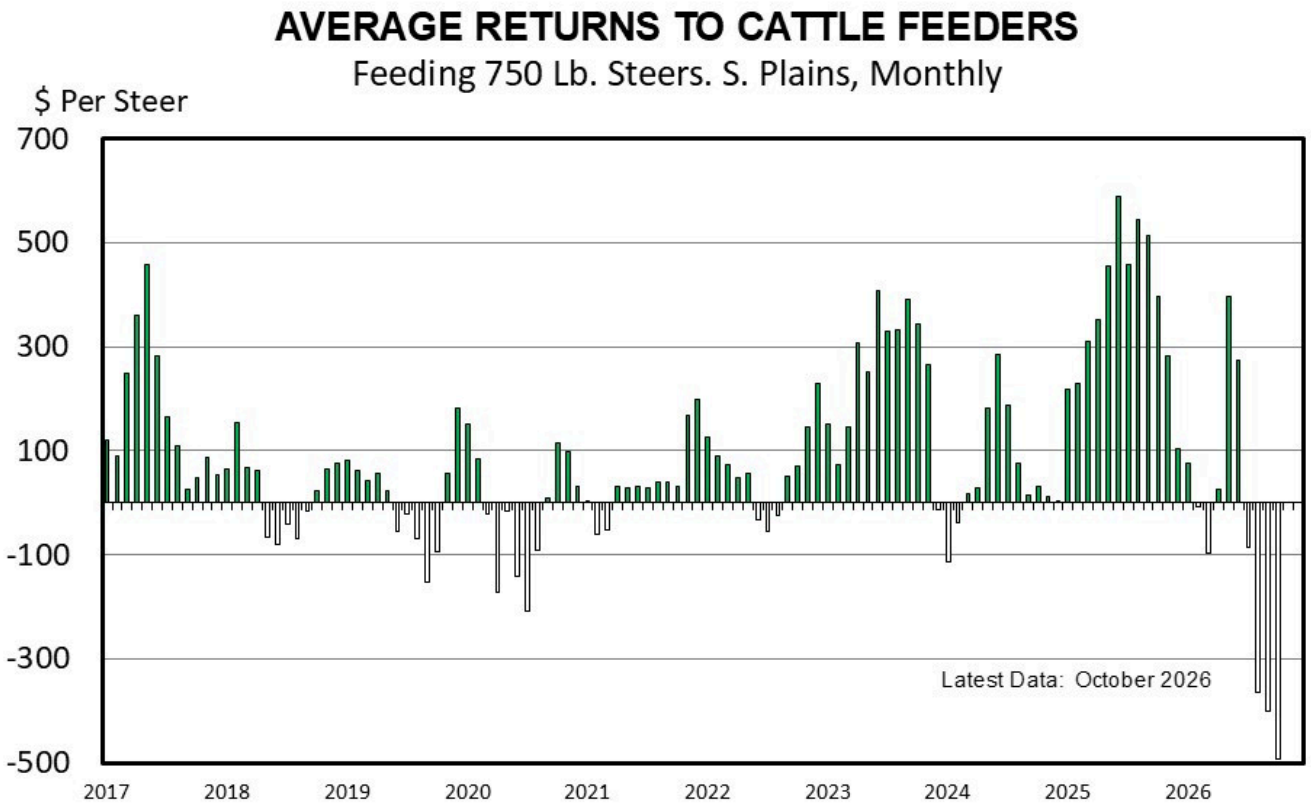
Profitability in the cattle feeding sector has tightened quickly and turned negative in the third quarter of this year, averaging an estimated loss in the upper $200 per head range. Estimated returns are likely to remain negative for the fourth quarter of this year and are expected to remain tight and possibly negative into 2027. In the Southern Plains, corn prices moved quickly higher from a low of $4.44 per bushel in early June to $5.84 per bushel in September. By mid-November, prices have moved lower to just below $5.00 per bushel. A potential rise in hay prices, as discussed in the cow-calf section, could likely lead to higher feed costs going into 2027.

Feeder steer prices in the Southern Plains region (700-800 lbs., medium and large #1) softened during the third quarter, lowering the cost of the feeder. The LMIC is expecting feeder steer prices to track in the mid-$300 per cwt range during the fourth quarter of this year and into the first quarter of 2027. This would keep the cost of the feeder similar to levels seen during the second and third quarters of 2026.

Fed steer prices (5-area weighted average) have been under pressure during the third quarter of this year, which has limited the revenue side for the cattle-feeding sector. Prices for fed steers started this year around $230 per cwt and moved seasonally higher to around $260 per cwt by early summer. Prices have cooled in the second half to the low $200 per cwt range. The LMIC is forecasting fed steer prices to track in the mid-$200 per cwt range into 2027. Although these are historically strong fed cattle prices, mounting feed costs and elevated feeder cattle prices could limit profitability in the cattle-feeding sector next year.

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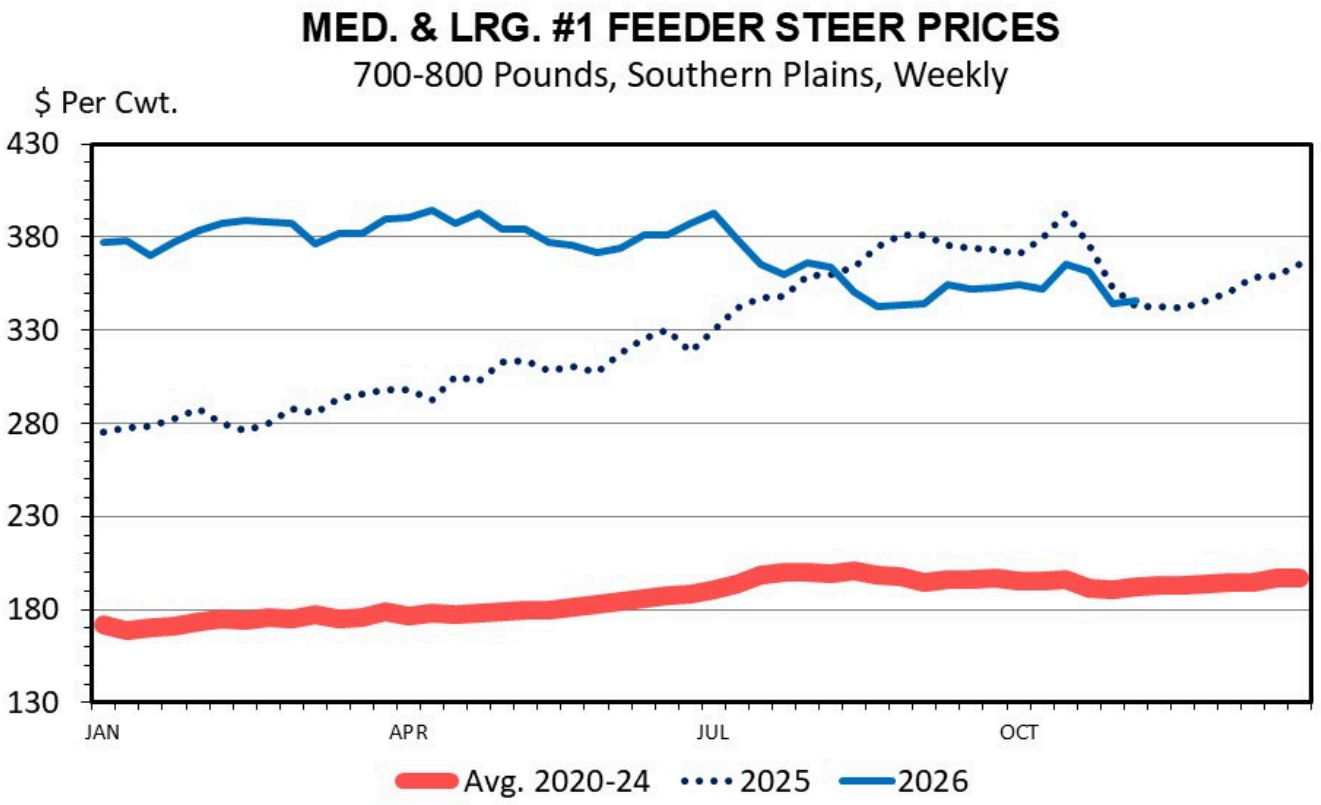
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Cattle on feed numbers continue to track below year-ago levels. USDA-NASS report cattle on feed numbers at 11.6 million head at the start of November. The number of cattle remaining on feed over 150 days remains elevated, translating into year-to-date weekly steer dressed weights through mid-November averaging more than 28 pounds (+3%) above a year ago. Although steer dressed weights are higher, this is only partially offsetting the lower number of cattle being slaughter, resulting year-to-date weekly beef production through mid-November down about 890 million pounds (-4%) from the same period last

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Data Source: USDA-AMS

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year. Overall, domestic beef supplies are expected to tighten further in 2027 due to lower cattle supplies.

Beef imports continue to track higher through the first three quarters of the year due partly to tighter domestic beef supplies. From January to September, total beef imports are up 734 million pounds (+18%) to just over 4.9 billion pounds. Australia and Brazil continue to be the top suppliers of beef to the US. Through the first three-quarters of the year, beef imports from Australia totaled more than 1.1 billion pounds and 1.0 billion pounds from Brazil. Australia and Brazil have accounted for 44% of total beef imports through the first three-quarters of the year. Year-to-date through September, on average, imported beef has accounted for roughly 23% of total beef consumption, which is up from 19% during the same period last year. LMIC is forecasting beef imports to be near 6.4 billion pounds in 2026 with imports next year projected to be easily over 6 billion pounds.

Domestic beef demand continues to show signs of strength. Per capita beef consumption during the third quarter of this year was calculated at 14.6 pounds

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per person, which was up slightly from 14.4 pounds per person last year. This marginal increase in per capita beef consumption occurred when the third-quarter all-fresh retail beef price averaged $9.63 per pound, which was an increase of $0.51 per pound (+6%) from last year. The rise in per capita beef consumption and the all-fresh retail beef price translated into an LMIC calculated beef demand index of 131 during the third quarter, which was an increase of 5 points compared to the same quarter last year. Over the last three years, the beef demand index has risen 18 points from 113, signaling that domestic beef demand remains strong and a key factor driving the cattle sector. §

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Dairy

Key Drivers:

- Protein intensive diet trends led to a +30% increase in milk powder use this year.
- Milk cow herd growth stabilizes as lower profitability in 2026 limits optimism.

The dairy industry has been on a path of unprecedented expansion relative to the last 50 years. The force supporting this growth has been dietary adjustments on a global scale triggered by GLP-1 weight loss drugs. Protein intensive foods such as meats and skim milk in the dairy sector have benefitted the most. Rising meat prices due to receding beef production in the US is providing support for poultry prices as consumers find alternatives to beef. High beef cattle prices are also encouraging the trend of crossbreeding dairy cows with beef genetics, thereby providing additional incentives to expand the dairy herd.

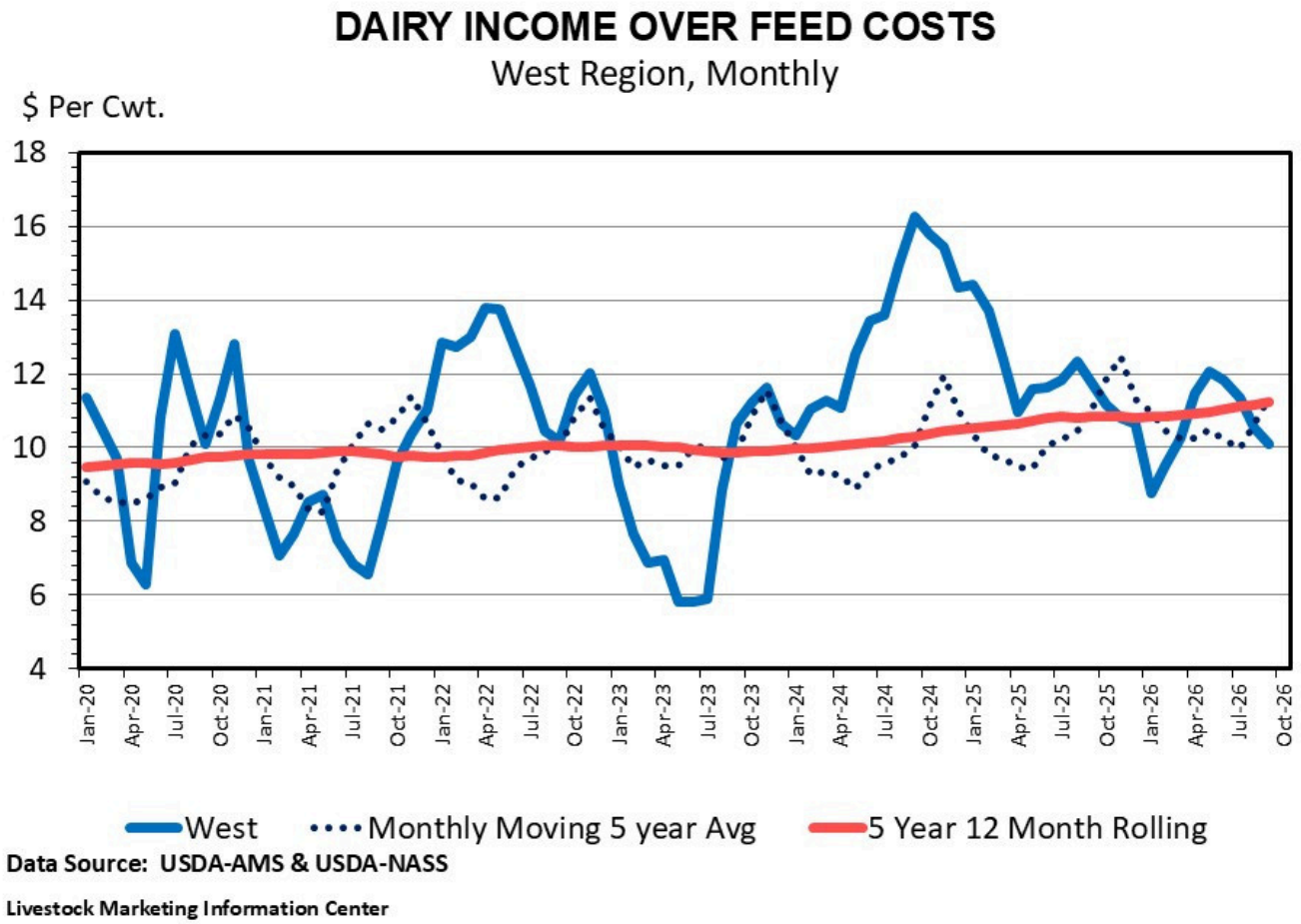
The dairy herd expanded by close to 200,000 head during 2025, allowing milk production in 2026 to increase by +2%. This amounts to close to 6 billion more pounds of milk available to be marketed as fluid or dairy products. Fluid milk product sales are unchanged this year from 2025, so the incremental increase in milk is available for more dairy

Summary Dairy Table of Weighted Milk Price and Feed Costs (Five-Year Historical Average 2021-2025)

Region	Milk Price	Alfalfa	Corn	Soybean Meal	Whole Cottonseed	IOFC
Northeast	$22.50	$232.50	$5.73	$389.64	N/A	$10.27
Midwest	$21.66	$164.61	$5.29	$389.64	N/A	$10.86
West	$21.24	$229.08	$5.91	N/A	$242.27	$10.83

Sources: LMIC uses the USDA-NASS data for milk price, alfalfa, and corn using state-level data to calculate regional data. Soybean meal data is from USDA AMS and whole cottonseed data is not available consistently enough to use state-level data, so national prices are used.

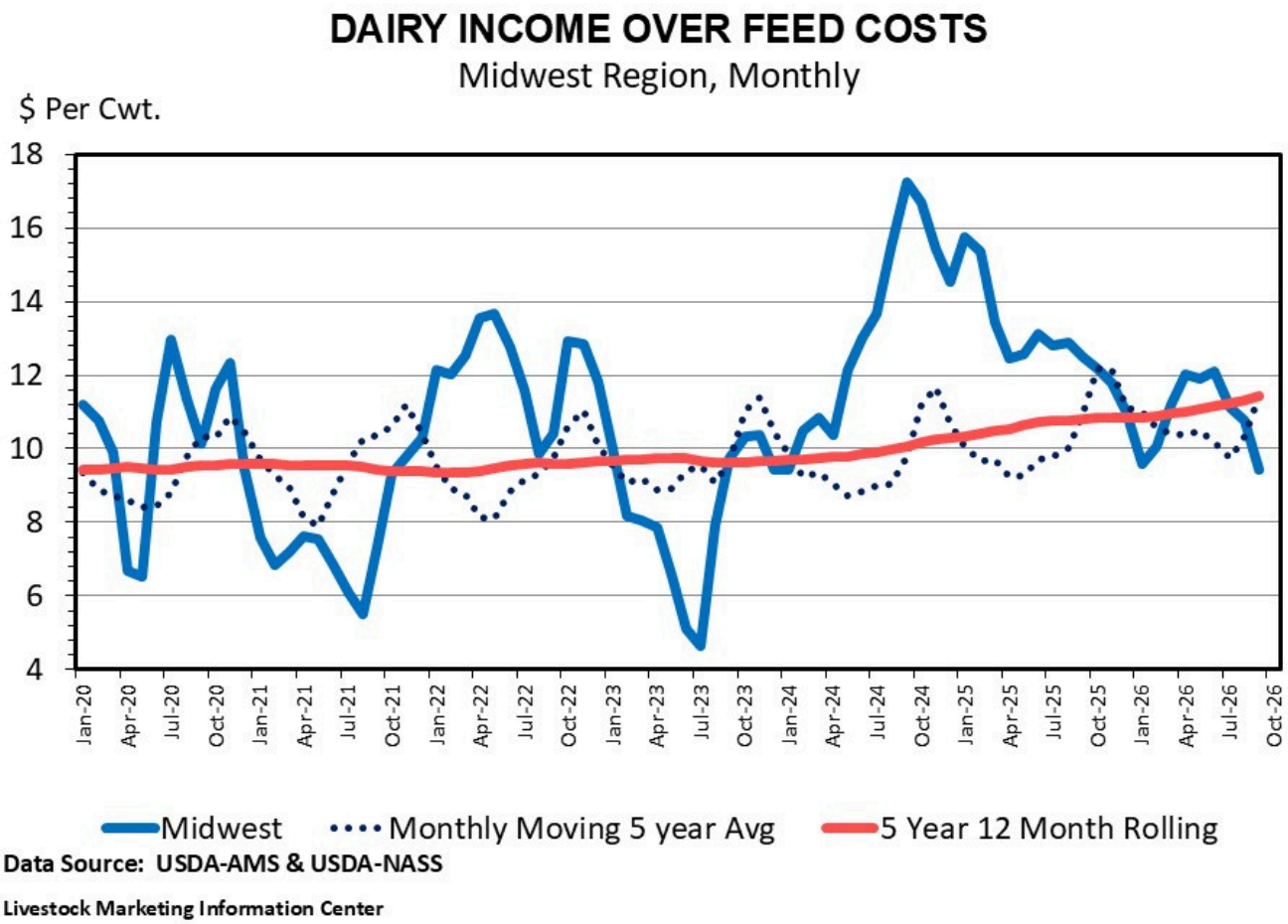
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products. Cheese production is up by the same percentage as milk production, but commercial use has struggled to move higher. Luckily, foreign markets have been willing buyers of more cheese. American-type cheese exports are up slightly less than +10% this year and all other types of cheese exports are close to +20%. Cheese-grade milk prices this year have moved down more than -10% making US cheese economically attractive in the world market.

The butter and milk powder side of the dairy market is a sharp contrast to the cheese market. Butter use will be up +5 to +10% this year, depending on demand in the peak holiday baking season. Consumption of milk in non-fat dry or skim powders is on track to be up close to +30% this year. Increased demand for milk powder has pushed up non-fat dry milk prices +50% from a year ago. High milk powder prices are allowing butter and powder processors to discount butter prices to support higher levels of butter use and keep inventories from building. Butter exports are up +30% this year while non-fat dry milk exports are down -10%.

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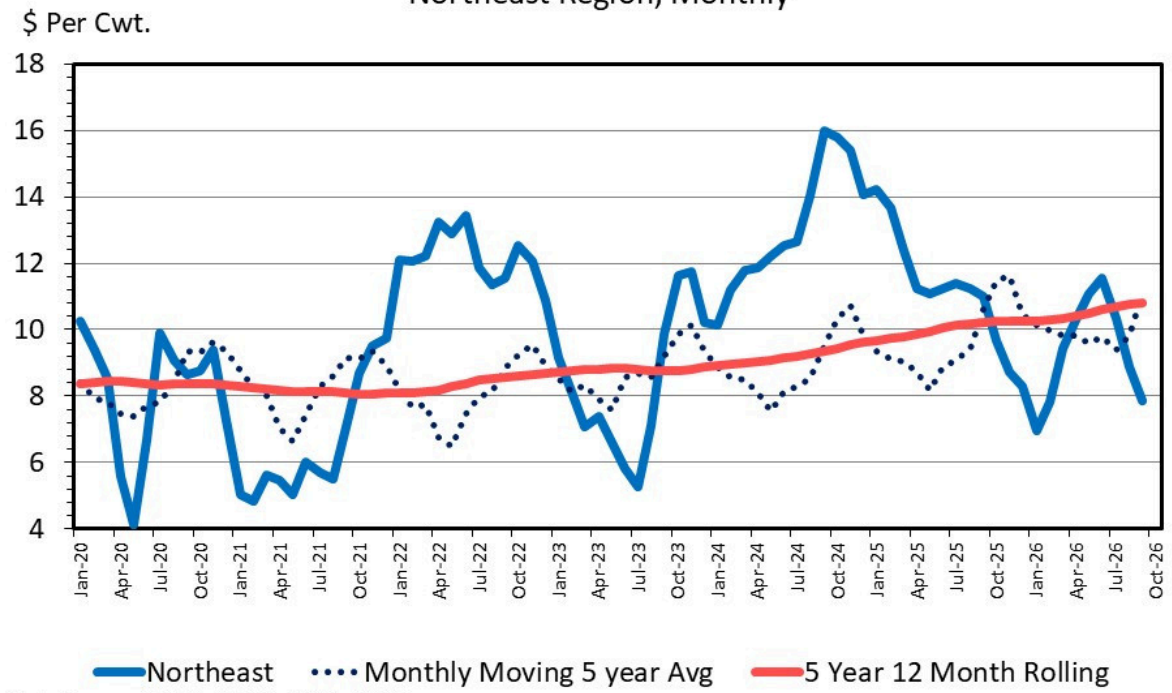


Milk prices at the farm gate are down about -5% this year, which assumes a slightly higher milk price during the last quarter of the year. Feed costs in the western US are up +10% higher this September than a year earlier while feed costs in the Midwest and Northeast are up +20%. Milk income over feed costs this fall have improved from the first quarter of the year but are below a year ago by -15 to -25%, depending on the region. These profitability readings are expected to quell additional expansion in the dairy herd for most of 2027. The challenge for the dairy industry will be to improve demand for cheese. Cheddar cheese prices currently trade at about $1.55 per pound, same as a year ago. Class 3 grade milk (cheese grade) is expected to average under $15 per cwt this quarter, compared to $16.65 a year ago. This is a consequence of non-American-type cheese inventories increasing by more than +5% on October 1 from a year earlier and on a path to be up more than +10% at the end of the year. This raised the prospect of Class 3 milk prices dropping below $12 in early 2027. In this situation, the milk price at the farm averages $18 per cwt next year, down from $19.50 to $20.00, regardless of the excellent demand for milk powder. **§**

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DAIRY INCOME OVER FEED COSTS

Northeast Region, Monthly

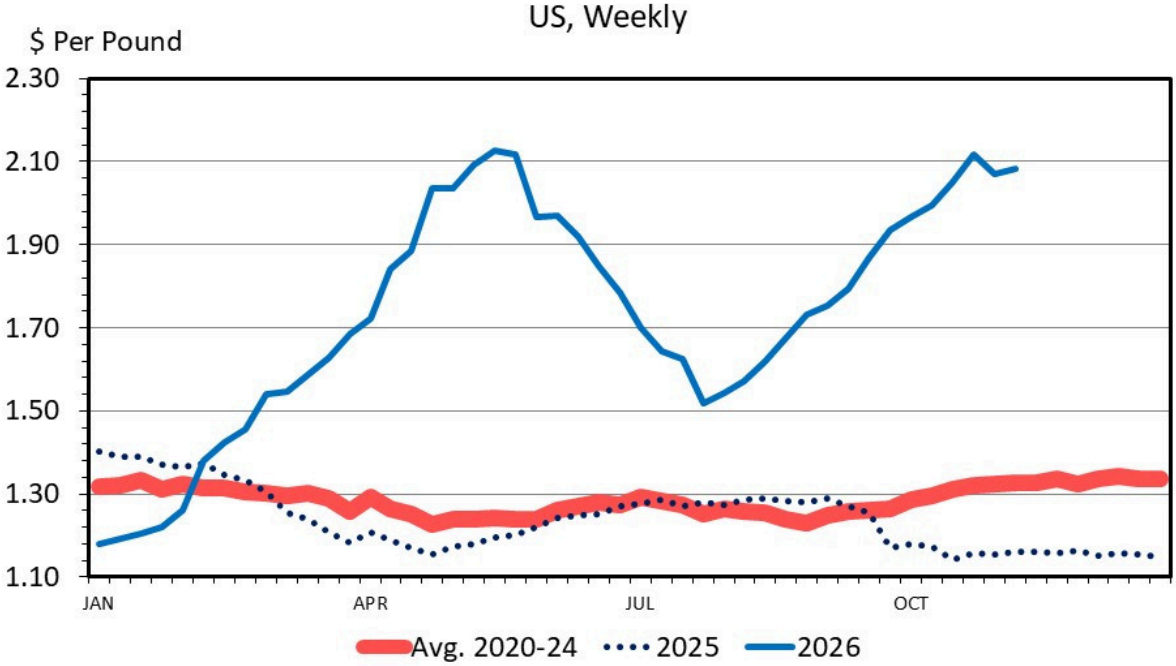


Data Source: USDA-AMS & USDA-NASS

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NONFAT DRY MILK PRICES

US, Weekly



Data Source: USDA-NASS

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Hogs

Key Drivers:

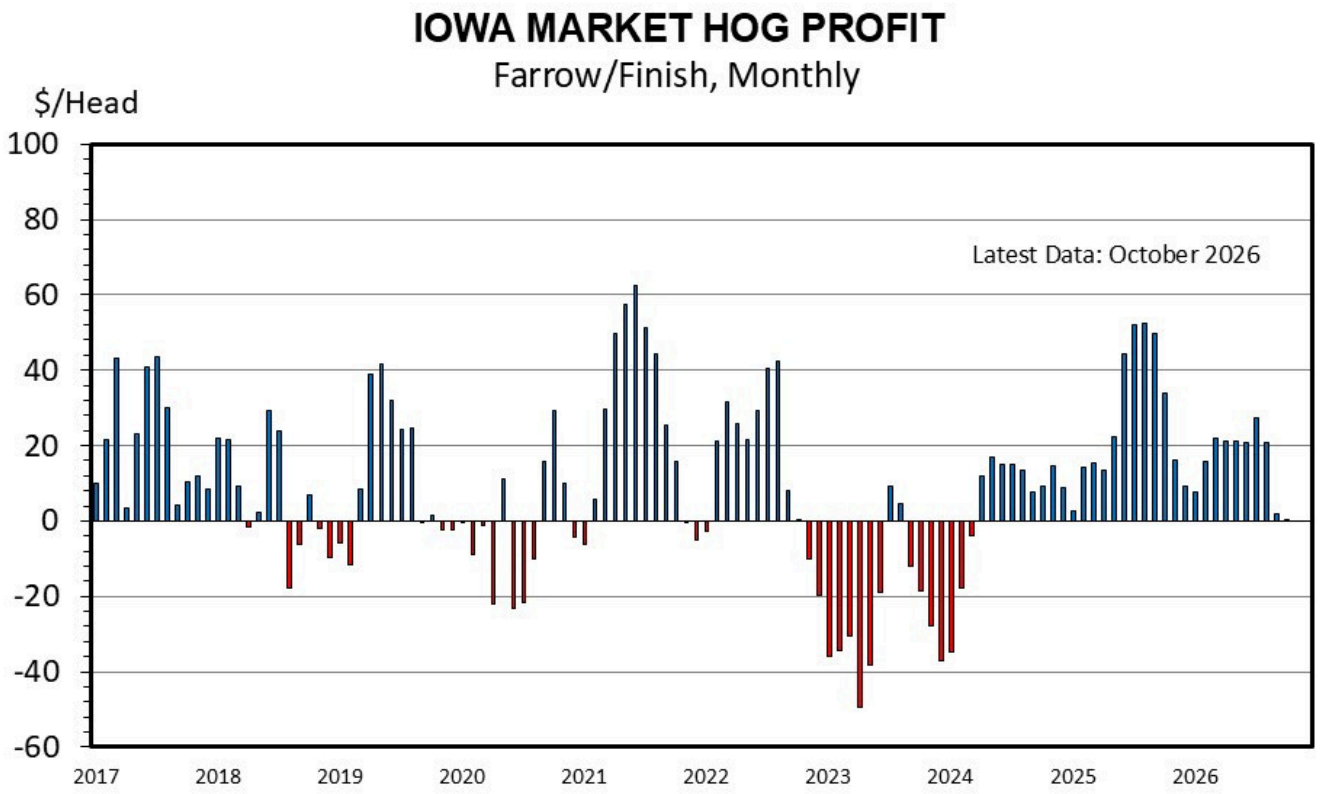
- Lower hog prices and higher feed costs are expected to keep margins tight into 2027.
- Softer retail pork demand and slowing exports to Mexico remain key headwinds.
- Smaller inventories and a lower breeding herd point to tighter pork supplies through early 2027.

Profitability in the hog sector has seasonally tightened in recent months from a profit of $27.02 per head in July to a profit of $0.34 per head in October, according to Iowa State University's (ISU) estimated returns for a farrow-to-finish hog operation. Through November and December, profitability will likely turn negative as slaughter hog prices have been pressured lower. Last week's base slaughter hog price (national, weighted average carcass) was $64.23 per cwt, which was down $22.84 per cwt (-26%) from the same week last year. The last time slaughter hog prices were below $65 per cwt was early January 2021. The LMIC is forecasting slaughter hog prices to range from about $75 to $85 per cwt in 2027, which would be below the breakeven price of $87.62 per cwt from the ISU returns for October and signals tighter returns in 2027.

Feed costs reached above $90 per head in September ($90.58) and October ($92.73); the last time this occurred was in August 2024 ($90.96). In October, ISU reported higher feed costs for corn, soybean meal, and dried distillers grains. Corn feed costs were $42.11 per head in October, up $5.01 per head (+14%) from last year and the highest since June 2024 ($42.43). October's soybean meal feed costs were $15.85 per head, up $2.99 per head (+23%) from a year ago and the highest since November 2024 ($16.55). Dried distillers grains were $10.61 per head in October, up $1.59 per head (+18%) from the previous year and the highest since June 2026 ($10.80). A rise in feed costs, especially for corn and soybean meal, into 2027 could further erode profitably.

The September Hogs and Pigs report from USDA-NASS reported all hogs and pigs at 74.3 million head on September 1; this was a decrease of more than 1.14 million head (-1.5%) from the prior year. Hogs kept for marketing was reported

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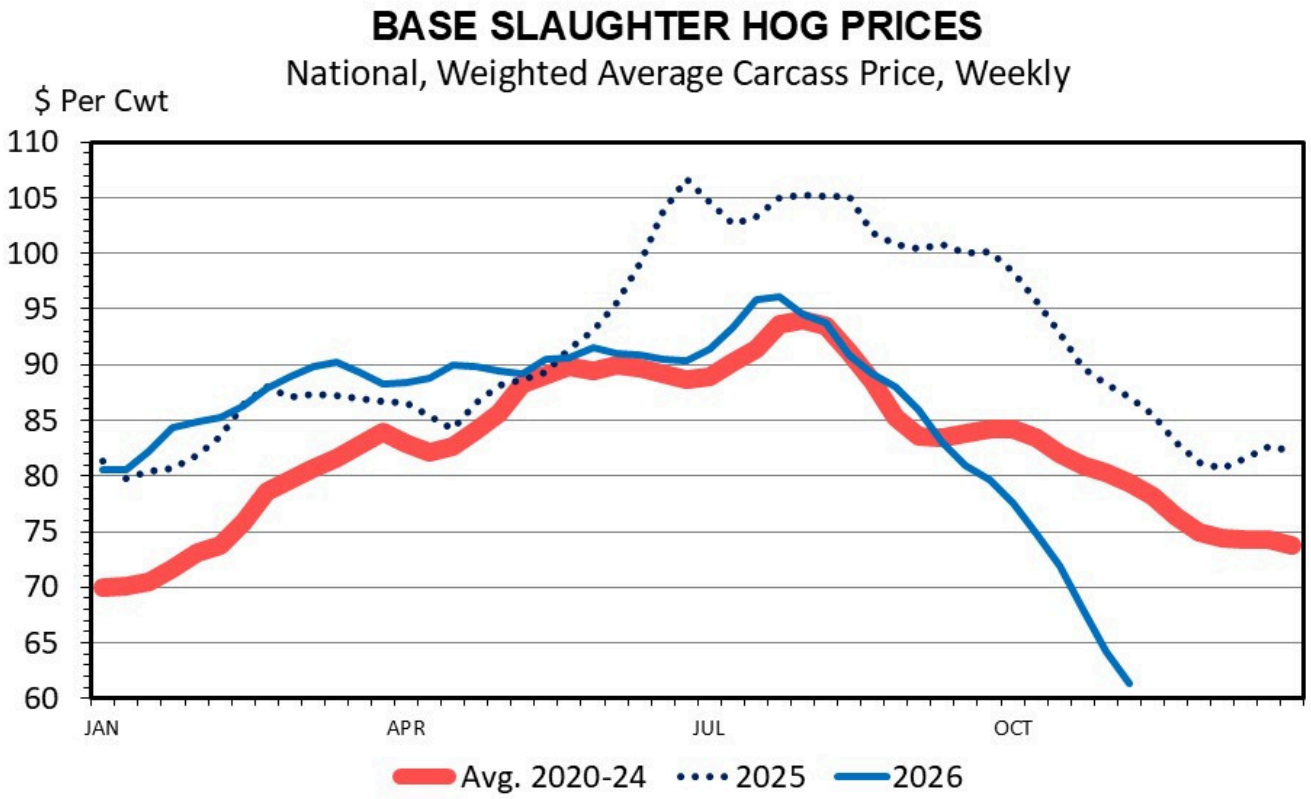
Data Source: Iowa State University

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down nearly 1.8 million head (-1.5%) to 68.4 million head. The market hog weight categories were reported down about -1.5% to -1.6% from the prior year, signaling reduced supplies through the end of 2026 and likely into the first part of 2027. The breeding herd fell nearly 62,000 head (-1.0%) from the prior year to nearly 5.9 million head. A lower breeding herd is expected to keep farrowings through 2026 and the first half of 2027 near 2.8 million head. Pigs per litter was reported at 11.96 for the June-August period, indicating improved efficiency. Producers will likely be focused on production in 2027 so that supplies fall in line with both domestic and international pork demand.

Through the first three-quarters of the year, pork exports are up marginally by 35 million pounds (+0.7%) to almost 5.2 billion pounds. Exports to Mexico have slowed with year-to-date shipments through September down 23 million pounds (-1.2%) from the same period last year, to nearly 2.0 billion pounds. Shipments to Mexico will remain key in the demand equation because approximately 38% of total U.S. pork exports from January through September of this year were to Mexico.

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Data Source: USDA-AMS

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Pork exports to Japan are up 93 million pounds (+13%) to 821 million pounds while shipments to South Korea are down 40 million pounds (-8%) to 459 million pounds from January through September this year.

The LMIC calculated retail pork demand index for the third quarter showed continued downward movement. The LMIC's calculated retail pork demand index for the third quarter was a value of 84, which was down 3 points from the prior year. Retail pork demand index values for the third quarter have been trending lower since the peak value of 122 in 2020. This year's retail pork demand index value of 84 marks the lowest value since 2014 when it was 82. A lower year-over-year retail pork demand index was also seen for the first and second quarters of the year. Overall, lower expected hog prices, higher feed costs, and weakening pork demand indicate that profitability in the U.S. hog sector will remain under pressure through the rest of 2026 and into 2027 despite expected smaller supplies in the near term. **§**

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Poultry

Key Drivers:

- Demand for chicken will be challenged by low pork prices in late 2026.
- Declining wholesale turkey meat prices are supporting gains in turkey consumption.

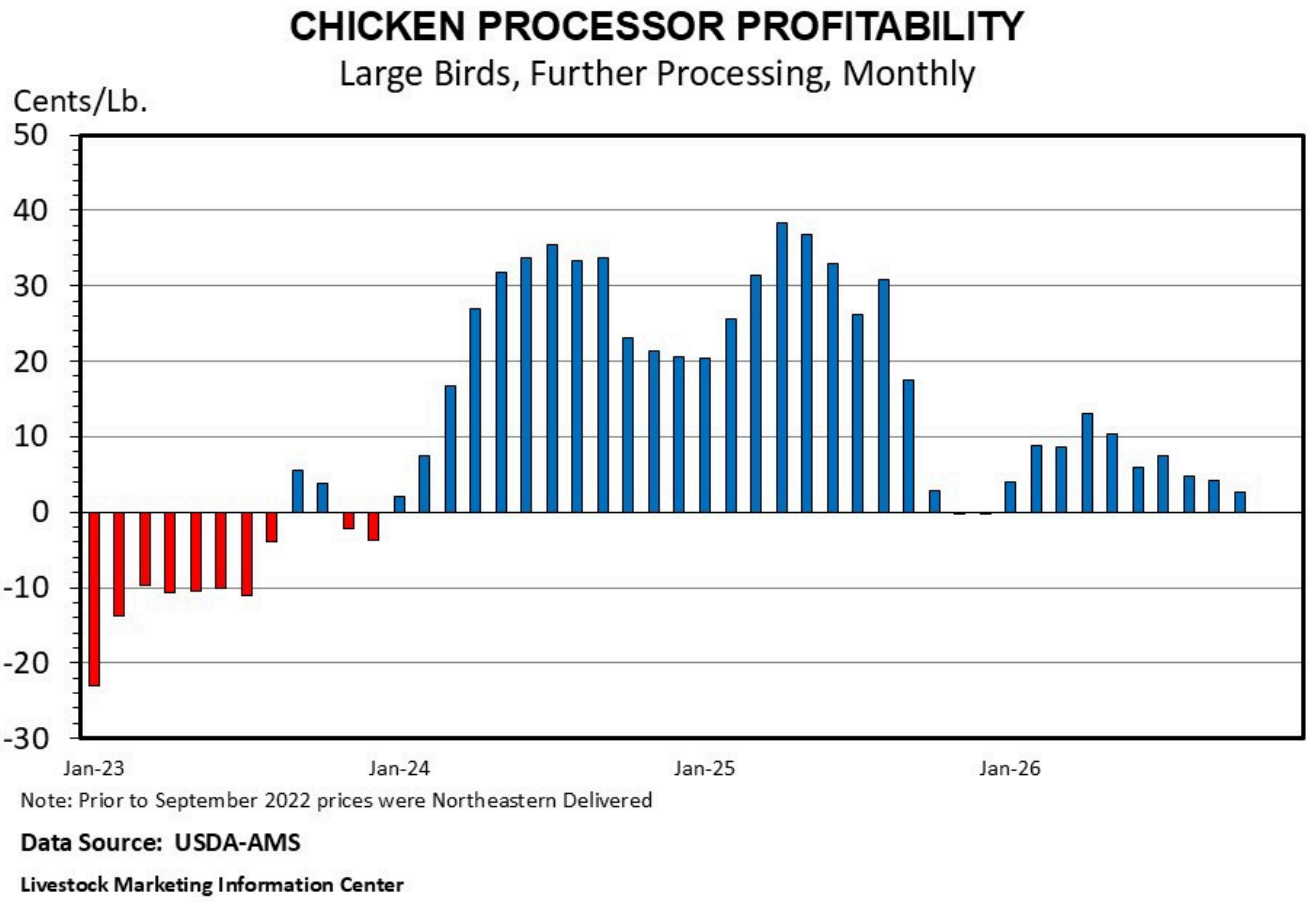
The chicken industry is restraining supplies to match the weakest demand season for chicken as consumers focus on holiday turkey meals. As the summer quarter ended, average bird weights at processing plants were slightly lighter than a year ago, and hen productivity in the hatchery flock was only up +1% from a year ago, the smallest increase so far this year. Broiler-type chick hatchings in September were close to unchanged from twelve months earlier, and hatchery output in October and November is expected to not be different than a year ago. Chicken production in the last quarter of the year should be about the same as a year ago.

This fall, operating margins should only show modest slippage from the summer quarter of -5% to -10% as cautious pricing this summer and limited production gains offset the seasonal consumer demand slowdown. Feed costs will also be higher than a year ago, which will account for most of the reduced operating margin.

Chicken consumption was up +2% in the summer from a year earlier. A similar increase is expected for the last quarter of the year, even though production is slated to be unchanged. Consequently, frozen chicken inventories at the end of the year are projected to decline 35 million pounds during the last three months of the year. This compares to an 18-million-pound increase over the same period a year ago and will put year-end frozen chicken inventories at their lowest levels since 2021. The tighter inventory levels are expected to help support chicken prices early next year when increased competition from pork in grocery stores could be a challenge for chicken.

Grocery store chicken prices moved slightly lower during the first two-thirds of the year but began to move higher in the second half of the summer. The change in

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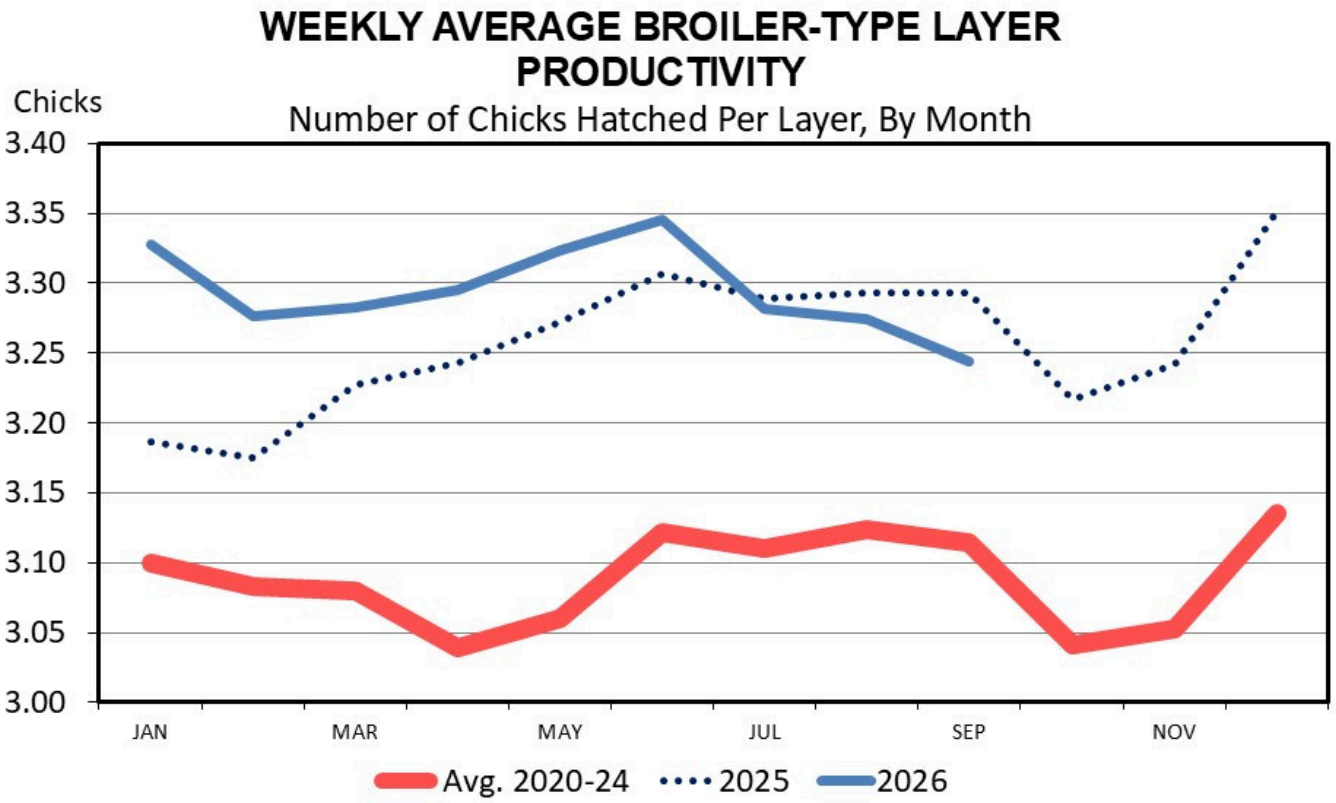


grocery store chicken price trends can be tied to feed costs that moved higher for four consecutive quarters beginning in the summer of 2025. Summer quarter feed costs were up close to +20% from the summer of 2025. The value of chicken parts in wholesale markets in the summer was down -20% from a year earlier, which helps to explain why hatchery output has been decelerating.

Chicken production next year is forecast to be unchanged from this year as the industry focuses on keeping operation margins from slipping below 2026 levels. Average bird weights are assumed to be unchanged next year, and hen productivity in the hatchery flock should come up short of the increases that were seen in 2026. Operating margins, that declined -20% to -30% this year are expected to come in slightly below this year. Chicken demand through grocery stores is expected to be a challenge as higher retail chicken prices will be an issue.

The turkey industry enters the time of year when whole turkeys take center stage for the holidays. Freezer inventories of whole birds at the start of October were down more than -10% from a year earlier. Wholesale prices for whole birds set a record during the

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Data Source: USDA-NASS

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summer quarter, averaging $1.82 per pound for consumer pack hens, up from the previous record high price of $1.76 in the spring quarter and $1.57 in the prior summer.

Turkey consumption in the first quarter of the year was up 50 million pounds from a year earlier, a +5% increase. Spring quarter consumption was up 43 million pounds, a disappointing gain given the prior quarter increase. Turkey consumption in July continued to fall short of expectations, but August and September have seen big increases in consumption. Summer quarter turkey consumption was up 93 million pounds from the previous summer.

Declining prices for turkey breast meat have played a role in encouraging more consumption. Breast meat prices declined $1.20 per pound from the last quarter of 2025 to the first quarter of 2026. That was followed by a $1.25 price decline to the spring quarter and a $1.60 decline from the spring to the summer quarter. Breast meat prices in October have slowed their rate of decline but did fall below $3, which compares to the breast meat price average in the last quarter of 2025 of $7.23.

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Grocery store turkey prices peaked in August, settled back down in September, and then moved higher in October. Prices have been about +10% higher than a year ago. How these high prices affect holiday season consumer buying is a big question mark. Strong consumption gains in August and September raise hopes for the holiday quarter. Consumption for the quarter is projected to be up 65 million pounds, which would leave freezer inventories very tight. Wholesale prices for whole birds are expected to start 2027 around $1.50, down -$0.20 from the start of 2026. Turkey production is expected to be unchanged next year compared to a +6% increase this year. Wholesale breast meat prices are forecast to be a little above $3 in 2027 versus this year's average of $4.20. **§**

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Questions or comments?

Livestock Marketing Information Center
7175 W. Jefferson Ave., Ste. 2700
Lakewood, CO 80235

(303) 716-9934
lmic.info

Tyler Cozzens, Ph.D.
Director and Senior Agricultural Economist
tyler.cozzens@lmic.info

To provide timely and comprehensive livestock marketing resources through cooperation



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