Grilling Season

Facts About the Cattle & Beef Market

We're in the middle of the summer grilling season, typically the season with the highest demand for beef, particularly ground beef. As the 2026 midterm elections approach and elected officials focus on cost-of-living concerns, it is worth reviewing the facts driving the cattle and beef markets, and, thus, beef prices for consumers.

Fact: The free market fundamentals of supply and demand are at work.

- **The cattle herd (supply) is at its smallest level in 75 years.**

The annual cattle herd as of January 1 has shrunk due to drought and other factors every year since 2019, while the border with Mexico remains closed to feeder cattle imports due to concerns about New World Screwworm.

- **Consumer demand for beef has been extremely high.**

The Livestock Marketing Information Center stated: "The retail all fresh beef demand index was calculated at 147 for the first quarter of 2026, which was up from 137 (+7%) last year and the highest of the series going back to the year 2000."

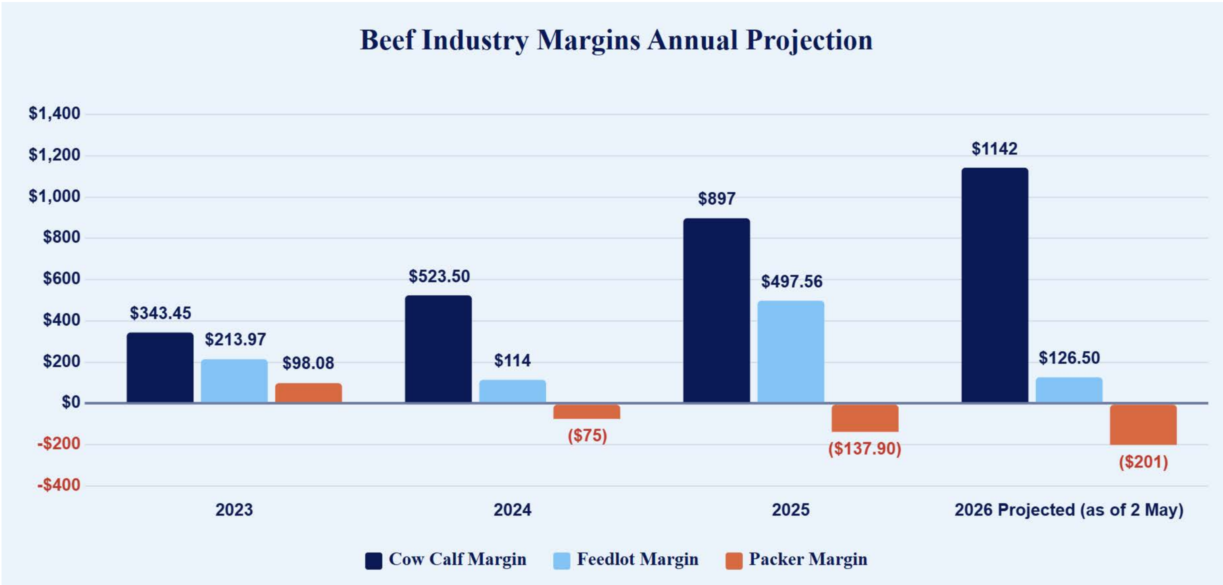
Fact: High demand coupled with the short cattle supply is driving beef prices.

But there are other important factors at play in the sector.

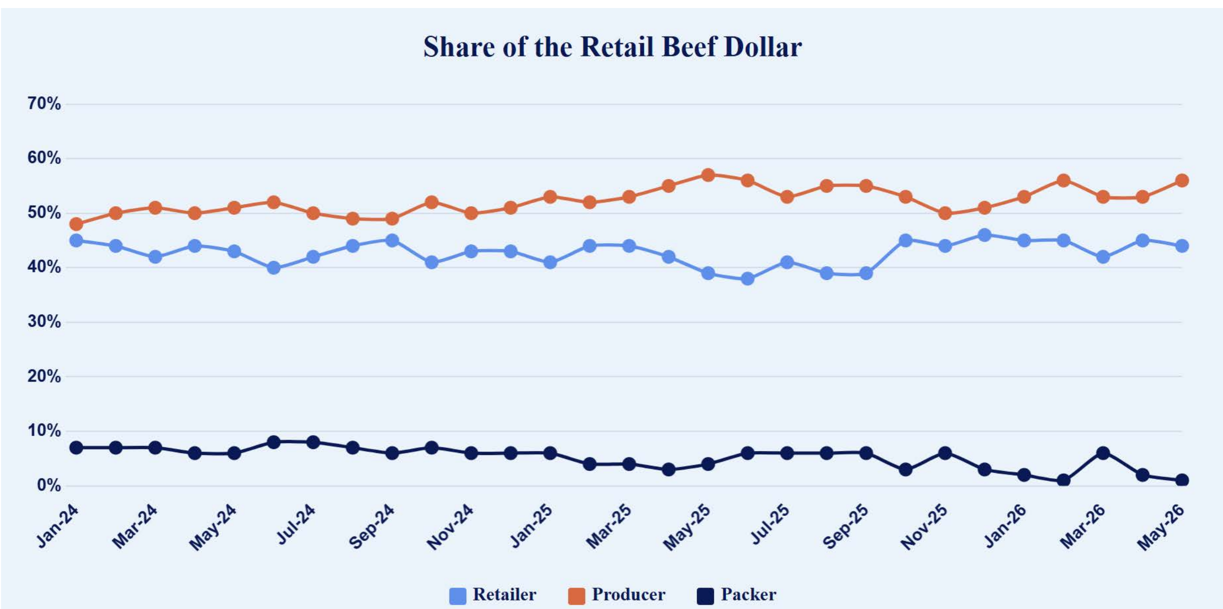
Due to the shrinking cattle herd, **cattle prices began hitting record highs in 2023**, prices not seen since the low point of the previous cattle cycle in 2014-2015. Prices continued climbing through 2024 and 2025, **setting a recent record in April 2026, at $245.63 per hundredweight**, up 16% from April 2025.

Packers need producers to be profitable and successful; producers' success will drive industry growth. But the small cattle herd with record cattle prices have put U.S. beef packers under financial pressure. Using USDA's published data, Sterling Marketing estimated that beginning in 2024, beef packers have experienced negative annualized margins.

Sterling's Beef Profit Tracker for the week ending June 27, estimates packers lost $314.48 per head for the week. The same Beef Profit Tracker also shows annualized margins for different sectors of the cattle and beef supply chain. **Calculated against all cattle harvested, there have been billions of dollars of losses across the industry over the last two-plus years.**



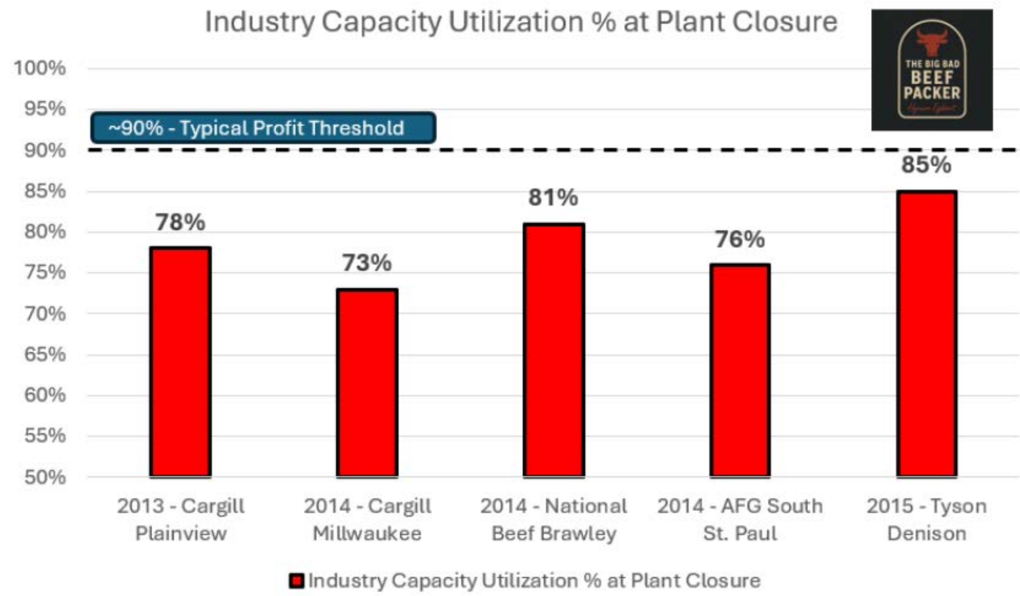
Source: [Sterling Beef Profit Tracker]



Source: USDA, Economic Research Service calculations based on U.S. Department of Labor, Bureau of Labor Statistics; and USDA, Agricultural Marketing Service data

Sterling's Beef Profit Tracker had another important data point: **beef packing plant capacity utilization.** The rule of thumb within the industry is that plants need to operate at or above 90% capacity to be profitable. Remember, cattle are only one input into beef: labor, energy, and equipment are other major inputs that don't move in lock-step with the volume of daily processing; those immense costs are much more fixed. Together, the input costs require plants to run as close to capacity as possible.

Yet, the Beef Profit Tracker estimates fed cattle packing plant capacity utilization at only 82.3% for the week, which is higher than a both a month ago (65.5%) and a year ago (78.7%). **These utilization rates are flashing red lights for the beef packing sector. There are simply not enough cattle to fill the plants.**



Source: Hyrum Egbert, posted on LinkedIn Aug. 9, 2025
The Capacity Crunch: Who Wins, Who Loses in Today's Beef Packing Landscape

But fed plant capacity utilization is only part of the story: the Beef Profit Tracker estimated cow plant capacity utilization was only 60.9% for the week (53.9% a month ago; 58.4% a year ago).

What is a "cow plant" and why does it matter? Cow plants primarily process dairy and other cows that did not go through feedlots and were not raised primarily for their beef production. Beef from cow plants are a key source of the lean trim that's needed to be mixed with more marbled beef from fed cattle to achieve the approximately 85% lean ground beef mixture Americans purchase. As Dr. Derrell Peel pointed out in a recent article in the Oklahoma Farm Report:

> *There are a multitude of ways to prepare ground beef mixtures but a ratio of seven pounds of 90 percent lean to one pound of 50 percent lean is representative of a common 85 percent lean ground beef mixture. This means that seven pounds of cull cow-type beef is required for each pound of trimmings from fed steers and heifers.*

In the same article, Peel highlighted that **ground beef accounts for almost 48% of all U.S. beef consumption.**

Without sufficient lean trim to mix with beef from fed cattle, ground beef prices will continue to rise.

Bloomberg News: Analysis of Beef Prices

Bloomberg News reporters "followed a hypothetical animal as it moved through the hands of three ranchers, a meatpacker, a grocer and finally into the hands of the consumer. Its profitability will shift with each handoff through the long supply chain." A key chart from the article is below which underscores that beef packers are losing money and consumers are paying the biggest price.

Read the full article: "One Calf Shows Why Record Beef Prices Still Aren't Coming Down"