DROVERS

STATE OF THE BEEF INDUSTRY

2026 REPORT



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- An Industry That's Optimistic, but on Edge
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THE FRONT GATE

Profitable, Pinned Down and Pushing for Progress

The U.S. beef business started 2026 in rare territory: Most cow-calf outfits are profitable, carcass quality is high and demand remains historically strong.

Yet underneath those headlines, a different story is emerging. Drought, disease threats and political risk are squeezing margins. Labor and succession headaches are spreading across the countryside. And a "K-shaped" economy is forcing many consumers to eat beef less often, even as they still crave a great steak.

To understand the pulse of the industry, Farm Journal conducted a comprehensive survey with 354 U.S. beef producers participating. The survey provided valuable insights into current operations and future outlooks.

As we pulled together this year's State of the Beef Industry Report, discussions with producers, economists and industry stakeholders point to an industry that's optimistic — but on edge.

> **Tight cow numbers and carcass quality support prices, but macro headwinds and consumer fatigue are real.**

"Big picture, we're in a better spot mentally than I thought we were," says Jamie Courter, University of Missouri beef genetics Extension specialist, after reviewing the survey data. "People are still feeling positive about the future of the beef industry. I was excited to see that a majority plan to increase their cow herd in the next five years, and a large majority of operations have been profitable."

The conversations painted a "wonderful but expensive" moment. Key takeaways from the discussions include:

- **Expect peak prices later in the decade.** Economists predict continued high prices until the industry transitions to genuine rebuilding.
- **Lean into technology that moves the needle.** Digital records, genomic use, artificial insemination (AI) and virtual fencing are consistently framed as profit tools, not gadgets, especially where labor and grass are tight.
- **Treat labor and succession as strategic priorities.** Creative partnerships with first-generation producers, better pay/conditions for skilled help and explicit succession planning should be considered as important as genetics or marketing.
- **Rebuild slowly and intentionally.** Retain elite heifers with clear breeding objectives, not just whatever is handy; decisions you make now echo through your herd for 10 to 15 years.
- **Plan for drought, disease and volatility.** Build grazing plans, cow size and risk-management strategies assuming recurring drought, pests and policy swings, not "one-off" bad years.
- **Stay tightly aligned with what consumers value.** Focus on eating quality, right-sized cuts and consistent, value-added product, knowing that taste still rules but price sensitivity is rising.
- **Packer and feeder margins continue to be challenged.** Due to overcapacity issues, both segments are facing severe margin squeezes.

This report is designed to provide a benchmark of information to help producers make successful decisions. From my perspective: Enjoy the good years, but don't chase them blindly. Use today's record calf margins to repair balance sheets, invest in technology tools that will improve profitability, and upgrade genetics and data systems.

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PHOTO: MAGGIE MALSON

Insights From the CattleFax Survey

Record average of $2,246 calf revenue drives historic cow-calf profits

BY ANGIE STUMP DENTON

Cow-calf producers navigated a high-stakes market in 2025, according to the latest CattleFax survey. The latest survey reveals a paradox in the 2025 cattle market: While it has never been more expensive to keep a cow, it has also rarely been more profitable to sell a calf.

"Surging calf prices in 2025 far outpaced the increase in cow costs leading to the strongest cow-calf profits recorded since CattleFax has been conducting this survey," says CattleFax analyst Matthew McQuagge.

Cash cow costs increased $27 per head to $780 for a new record in the CattleFax database. However, higher calf prices have continued to offset the elevated costs. Participants reported an average revenue of $2,246. Adjusting for weaning percentages, average cow-calf profit margins increased by $614 per head compared with 2024.

The weaned calf crop percentage saw a small improvement in 2025 with an average of 87.9%.

"Producer profitability continued to show wide ranges, driven by differences in costs, revenues, weaning rates and calf weights," McQuagge says. "High-return producers consistently generate 10% more pounds weaned per exposed female than average and low-return operations."

High-return operations recorded an average net return of $1,726 per head while low-return ones received an average of $1,001 per head.

The 2025 data identifies key areas where management impacts the bottom line:

- **Calving season length:** Shorter intervals (zero to 45 days) resulted in the highest weaning weights (averaging 555 lb.) compared to 90-day-plus intervals (484 lb.).
- **Vaccination protocols:** Calf value peaked for producers who vaccinated three to four times, adding hundreds of dollars in value compared to zero-vaccination programs.
- **Bull investment:** There is a direct correlation between bull purchase price and calf revenue. Bulls purchased for more than $9,500 consistently produced the highest-value calves.

Patrick Linnell, CattleFax director of market research, summarizes, "Ultimately, the current market environment has supported the average cow-calf producer in making record profits over the past few years with strong likelihood that this sector will continue to maintain favorable leverage over the next couple of years as domestic calf supplies remain tight."

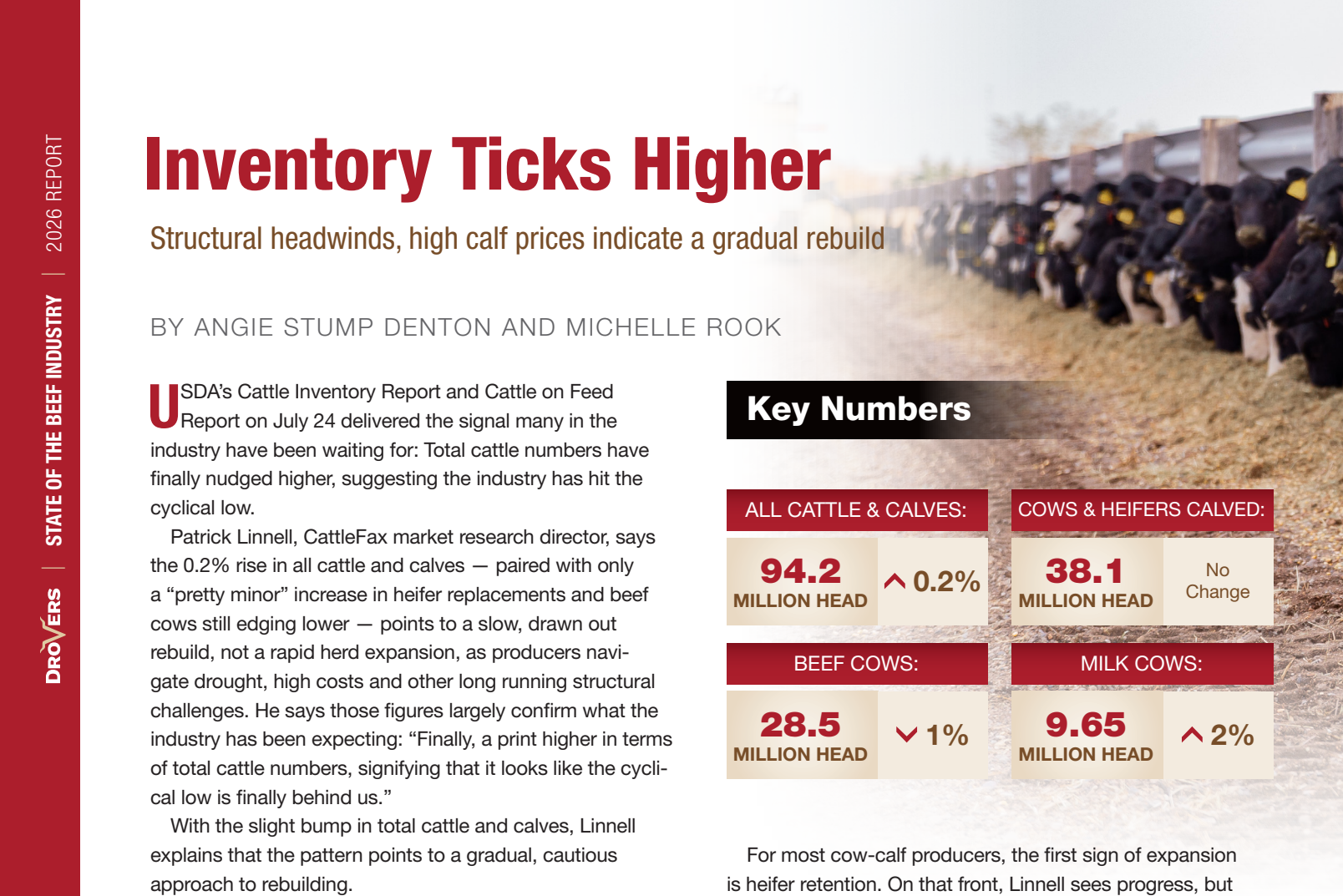
U.S. Average Cow Herd Size: 385 Head

Cash Cow Cost:	Calf Revenue Per Head:	Average Price:	Average Weaning Weight:
$780	**$2,246**	**$413/cwt**	Steers: **563 lb.** Heifers: **528 lb.**
^ $27 from 2024	^ $631 from 2024	^ $113 from 2024	^ 7 lb. from 2024

Inventory Ticks Higher

Structural headwinds, high calf prices indicate a gradual rebuild

BY ANGIE STUMP DENTON AND MICHELLE ROOK



USDA's Cattle Inventory Report and Cattle on Feed Report on July 24 delivered the signal many in the industry have been waiting for: Total cattle numbers have finally nudged higher, suggesting the industry has hit the cyclical low.

Patrick Linnell, CattleFax market research director, says the 0.2% rise in all cattle and calves — paired with only a "pretty minor" increase in heifer replacements and beef cows still edging lower — points to a slow, drawn out rebuild, not a rapid herd expansion, as producers navigate drought, high costs and other long running structural challenges. He says those figures largely confirm what the industry has been expecting: "Finally, a print higher in terms of total cattle numbers, signifying that it looks like the cyclical low is finally behind us."

With the slight bump in total cattle and calves, Linnell explains that the pattern points to a gradual, cautious approach to rebuilding.

Derrell Peel, Oklahoma State University Extension livestock marketing specialist, adds, "There are indications that we're trying to stabilize this thing, but the beef cow herd comes in a little smaller compared to last year. The replacement heifers were up a little bit, so all of that suggests that we're just very, very slowly trying to stabilize this thing — but no real progress. You can't really officially start the clock on herd rebuilding here."

Peel predicts the industry is near the bottom of the cattle cycle but not past it in a decisive way.

He adds that by the next Jan. 1 snapshot, the herd could be "very close to unchanged, if not up fractionally," which "might be enough that we can put an official bottom in this cattle cycle" — but he stresses, "It's not 100% sure yet."

SMALL GAINS, BIG CAUTION

One surprise is that beef cows are still slightly lower, down about 200,000 head. That's notable given how aggressively producers have already culled.

"I think that's a little bit surprising on one hand when you consider how tight cow slaughter's been running, record-low culling rates through the first half of the year," Linnell explains.

Key Numbers

ALL CATTLE & CALVES:		COWS & HEIFERS CALVED:	
94.2 MILLION HEAD	▲ 0.2%	38.1 MILLION HEAD	No Change

BEEF COWS:		MILK COWS:	
28.5 MILLION HEAD	▼ 1%	9.65 MILLION HEAD	▲ 2%

For most cow-calf producers, the first sign of expansion is heifer retention. On that front, Linnell sees progress, but not a stampede.

WHY EXPANSION STAYS SLOW

When asked what's holding the herd back from a stronger expansion, Linnell didn't point to a single factor. Instead, he laid out a stack of challenges that many producers will recognize from their own operations.

"Drought has obviously been a big challenge here, but it's that same story that we've been facing — that's an aging producer demographic, labor challenges, high costs, urban sprawl and alternative land uses," he says.

Linnell emphasizes these pressures don't hit every ranch the same, but collectively they drag on the pace of expansion. Even as conditions improve enough to allow some rebuilding, those long-term headwinds aren't going away.

CALF PRICES 'SHOT TO THE MOON'

The other major brake on expansion is coming straight from the market. With calf and feeder prices at extremely strong levels, many producers are understandably tempted to sell heifers rather than keep them.

At the same time, the way these calf prices have shot to the moon so quickly, you understand why some producers



BEEF REPLACEMENT HEIFERS:		CALF CROP:	
3.8 MILLION HEAD	^ 3%	**32.5** MILLION HEAD	v 2%

have been opting to sell those heifers rather than retain them, even if they did want to rebuild," Linnell says.

CATTLE ON FEED: STEADY NUMBERS, HEAVIER CATTLE

On the cattle on feed side, the story is similarly steady. Key numbers from the cattle-on-feed report:

- Cattle on feed: 11.4 million — up 2%
- Cattle placements: 1.4 million head — down 3%
- Marketings: 1.66 million head — down 3%. The lowest for June since the series began in 1996.

The share of heifers on feed nudged slightly higher up by one-tenth of 1% from the April numbers. Peel says that's "consistent with the idea that we're probably not getting very aggressive about heifer retention."

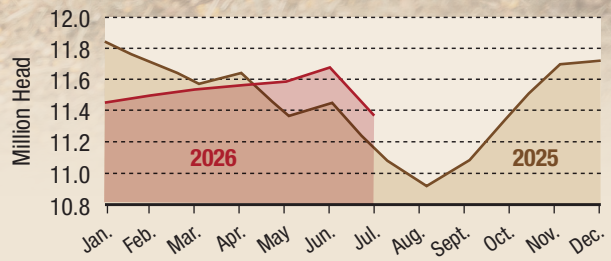
The combination of tight feeder supplies, fewer placements and heavier cattle supports a firm price structure, even if it complicates packer margins and chain speed.

For beef producers hoping July's reports would signal a clear turn in the cycle, the message from Peel is simple: This is more of the same, not a fresh start.

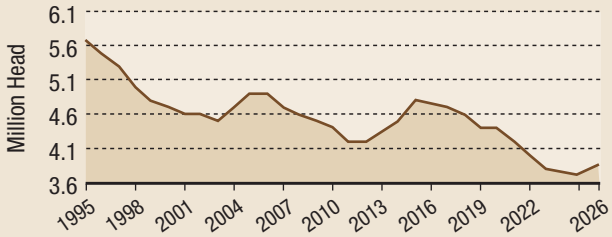
"There's no big change in any of this. We didn't start off on some new path here. We're just continuing the same path we've been on," he summarizes.

PHOTO: ALEXIS NICOLE PHOTOGRAPHY

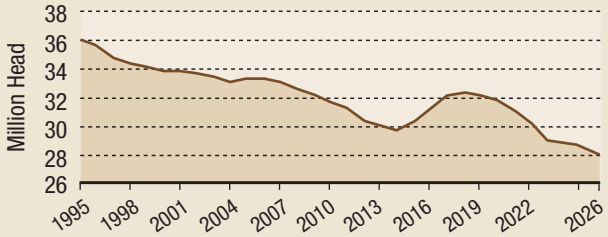
Cattle on Feed



Heifers Held as Beef Cow Replacements



July 1 Beef Cow Inventory



Riding the Highs, Planning for

Results from Farm Journal's State of the Beef Industry Survey

BY ANGIE STUMP DENTON

From technology use to drought strategies and marketing plans, this year's survey paints a picture of how working farms and ranches are adapting — and where they're still holding back.

The numbers behind the 2026 State of the Beef Industry tell a story most cow-calf producers only see once or twice in a career: Record-high calf prices, strong demand and profits that finally feel like they cover the risk.

But the same data — shrinking calf crops, aging herds, stubborn drought, rising land costs and a chronic labor shortage — also say this run won't last unless producers rebuild carefully, invest strategically and stay locked on what consumers value most: consistent high-quality beef.

In its fourth year, Farm Journal's State of the Beef Industry 2026 Survey provides a comprehensive overview of the current status and outlook of the beef industry. The report surveyed 354 beef producers from across the U.S., focusing on those with cow herds that exceed 50 pairs or more than 500 on feed.

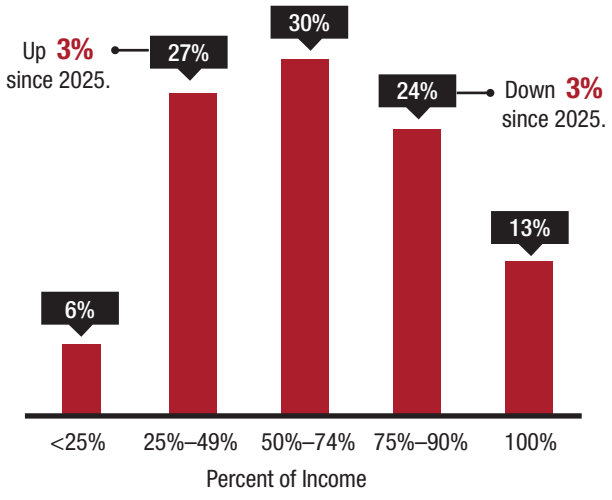
On the next few pages, we'll share some highlights of this year's survey. Here are some other key takeaways:

- **Drought continues to reshape the beef industry.** Since 2024, approximately 80% of survey participants reported they have experienced drought. Of those impacted, 50% say they have reduced their breeding herd and 37% have not taken any action to mitigate drought. Of those who reduced their herd, 38% say they will begin restocking this year, 28% next year and 9% say they have no plans to restock.

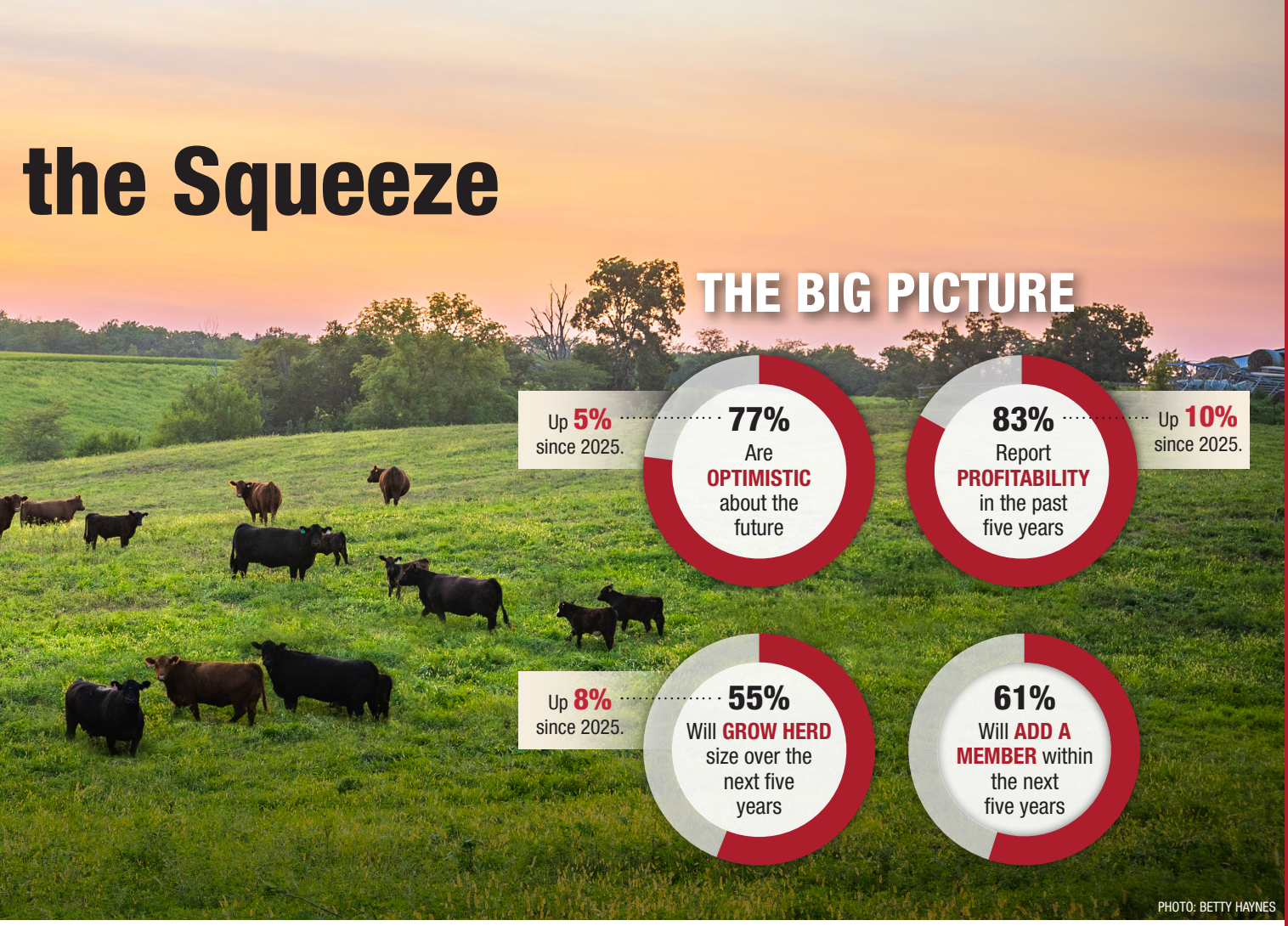
- **Comparing all four years of survey data,** the number of respondents who precondition calves before marketing has been consistent: 84% in 2026 and 82% in 2023.

- **83% of survey participants selected genetics** and performance information as a consideration when buying bulls. Other top factors included disposition (74%) and phenotype or appearance (66%). Value came in at 51% and source 45%.

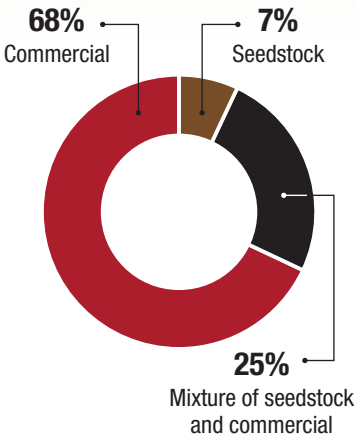
What percentage of your total operation's income is generated by cattle, excluding any off-farm or ranch income?



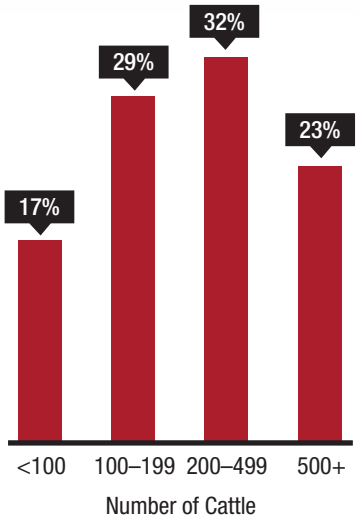
the Squeeze



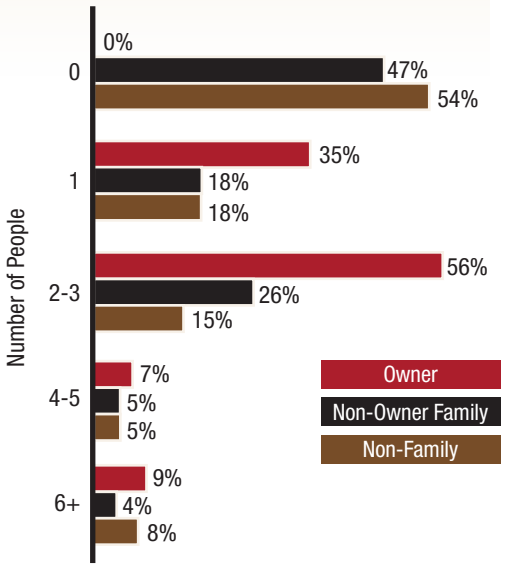
Which of the following best describes your cattle operation?



How many head of beef cattle are in your total herd across all the sites in your operation?



How many people actively work in your operation, including yourself?



Who's Going to Run the Ranch?

Without a new plan, good outfits may simply age out



> **If you're talking of bringing a family member back within the next five years, I would say today is about as good an opportunity as it's going to get.** —*Don Close*

PHOTO: BETTY HAYNES

Ask cattle producers what keeps them up at night, and they'll mention weather, markets and politics. Push a little further, and another worry surfaces: people.

In plain terms, the industry is dealing with an aging ownership base, not enough skilled help and fuzzy answers about who's next in line.

"We've got an aging group of owners and not a lot of active working employees underneath them," says Sam Hands, a cow-calf producer and feedlot owner from Garden City, Kan. "That's a real threat to capacity if we don't address it."

On the cow-calf side, many ranches are still largely family labor. On the feedlot and stocker side, managers describe a constant grind to recruit and keep reliable hands in jobs that are physical, often remote, and competing with industries that offer regular hours and indoor work.

It is not just about filling today's jobs; it is about who is gaining the skills, relationships and equity they'll need to run the place tomorrow.

THE LABOR PINCH

Don Close, Terrain senior animal protein analyst, paints a picture of a beef industry that is on the cusp of major generational change, with labor pressures shaping decisions from the ranch to the packing plant.

There are reports of feedlots running with half the crew they need. Cow-calf operations are relying heavily on aging owners.

"Labor is now as critical a resource as grass and water — and just as scarce," Close summarizes. "We're not just short of hired help; we're short of heirs."

Close says technology helps, but it doesn't fully replace skilled people.

Producers and feedlot operators can buy all the technology tools

available to monitor health and water, but it still takes people to pull the sick calves or fix the water tanks.

WHY CURRENT MARKET MARGINS CREATE A SUCCESSION WINDOW

On succession, Close says he is struck by the age profile of producers and the survey results on who expects a next generation to join the business. He notes that many operators are in their late 50s, and a sizable share do not see anyone coming in behind them. As he puts it, "35% to 40% of those guys, they're 57 to 58 years old, and 40% of them are not anticipating anybody joining. There is going to be a lot of property transition over the next five years."

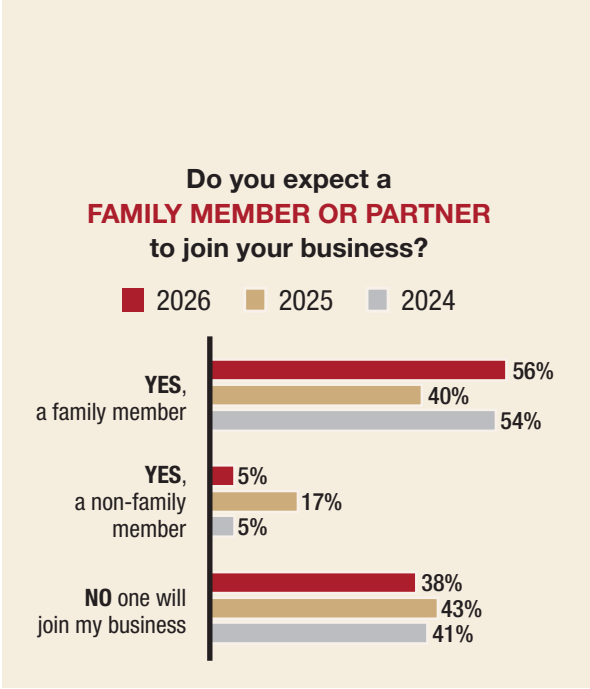
He ties that directly to today's profit environment. Looking at recent years, Close is blunt about what current margins mean for long-term viability: "If you look at the last three years, if you're not profitable right now, it's not ever going to happen."

That profitability, he argues, makes this a rare window to actively bring family back and set up succession.

"If you're talking of bringing a family member back within the next five years, I would say today is about as good an opportunity as it's going to get," he emphasizes.

Close worries that if producers wait for the next phase of the cycle, both the economics and the enthusiasm of the next generation may fade. He cautions that if the industry moves into expansion and "the market goes into more traditional margin pressure, the intentions of coming to the operation today may fade before it's ever implemented."

For those without successors, he expects many operations to exit in a familiar pattern: "I just think that there's a whole bunch of them that it will be a classic dispersal, and it will be a startup of a whole new operation on that land."



The 2026 State of the Beef Industry conversations don't sugarcoat the challenge: Labor is tight, land is expensive and the next generation has options that don't involve cold mornings and late-night calvings.

Land and labor are tied together in ways that the survey captured clearly. As Jamie Courter, University of Missouri beef Extension specialist, puts it, the problem isn't only that there are fewer young people interested in agriculture — it's that the window to get them on the land is closing fast.

"We're losing a population of people who want to go back home and farm," she says. "Those places that have been around for a very long time go on the market, and they're not replaced by someone who wants to farm. They're replaced by a data center, a subdivision or solar panels."

Courter, a first-generation beef producer, adds, "For those of us who are first-generation, it's unaffordable. It's unattainable to buy land."

That leaves many ranch families stuck between two hard realities:

1. **The next generation** can't afford to buy in at current land values.

2. **If nobody in the family takes over,** the land is likely to leave agriculture altogether — cutting local capacity and community right along with it.

RETHINKING LEGACY

Courter challenges producers to think outside the box and consider keeping the ranch in agriculture may not always mean keeping it in the family name.

"Can you partner with someone where you can teach them everything you know and pass this down even though they don't share your last name?" she says.

That's a different way to think about legacy. Instead of viewing succession as a simple parent-to-child handoff, it opens the door to:

- **Equity partnerships** between retiring ranchers and young producers who bring sweat equity, education and tech skills but lack capital.
- **Long-term leases** or share arrangements that will keep land in production.
- **Mentorship-driven** transitions, where seasoned producers commit time to teaching management, not just labor tasks.

That may feel like a big cultural shift, but the survey makes it clear the alternative — no plan, no successors and eventual sale to the highest non-ag bidder — is already happening across the countryside.

How Technology Is Quietly Reshaping the Beef Business

Water monitoring, genomics and virtual fencing are becoming bottom-line tools

From artificial insemination (AI) and genomics to digital herd records and virtual fencing, technology is no longer just a toy for seedstock outfits or "techy" early adopters. It's becoming a competitive line in the sand — one that separates operations guessing their way through the cycle from those managing with data, discipline and intent.

For years, technology in the beef industry meant spreadsheets, a good chute and a better pickup. Today, a growing number of ranchers are checking water from their phones, steering cattle with virtual fence collars and sorting replacements off genomic data. Yet the 2026 State of Beef survey found only one-third of respondents using digital herd management programs, and genomic testing remains the exception, not the rule.

"You can't manage what you don't measure," says Jamie Courter, University of Missouri beef Extension specialist. "A piece of paper and pencil chute-side doesn't do it anymore. Those that are able to make data-driven decisions — managing based on what they're measuring — have benefits for the long run."

The gap between what's possible and what's practiced is now one of the biggest profit opportunities in the cow-calf sector.

"I think we're going to see more new technologies in the next five to 10 years than we've seen in the last 75 years," says seedstock producer and industry consultant Casey Worrell. "But the question is: Are we going to use them in a way that actually makes us more profitable and more competitive or just chase gadgets?"

GATE TO THE RAIL: DATA AS A TWO-WAY STREET

Technology is also transforming how information travels past the ranch gate. At Triangle H near Garden City, Kan., Sam Hands and his daughter, Marisa Kleysteuber, partner with cow-calf customers who retain ownership or feed cattle through their yard. Through this partnership, they send detailed feedyard performance and carcass feedback back to the ranch. This creates a valuable, data-driven two-way street.

Hands explains that they developed an index system to follow cattle to the rail. By sharing that information, they try to help customers continue to improve their herd.

Kleysteuber says they have seen how even small exposure to feedyard and carcass data can change behavior.

"Where we're at in the beef industry is that things can't stay the same. We can't keep doing it the way it's always been done," she emphasizes. "You don't have to adopt technology, but you have to compete with those who do."

Key Takeaways

AI ADOPTION:
43% of producers use artificial insemination.

GENOMICS GAP:
EPDs and genomics matter for bulls, but adoption remains low for replacement heifers.

DIGITAL GAP:
Just 32% use digital herd-management software, though usage is up 8 points. "If you aren't measuring it, you can't improve it."

WATER MONITORING:
Remote monitoring rose 8 points since 2025.

VIRTUAL FENCING:
Adoption is growing, improving grazing, labor efficiency and cattle tracking.

AI AND GENOMICS: ADOPTION IS REAL — BUT NOT EVEN

Courter says the survey reminds her that labor and time — not necessarily cost — remain the most significant brakes on adoption of tools like AI and genomic testing.

The use of genomic tools is not yet where she believes they need to be, especially on the female side.

"With the cost of the testing and the amount of information that you could get back, I would have liked to have seen genomic testing be a little bit higher," Courter says. "I was so encouraged and excited to see that the No. 1 priority for when you're buying a bull is genomics or EPDs or index values. That means that we're getting commercial producers educated; they understand the value of the technology."

She adds, "But if we know and we trust that technology works on the bulls,

then why are we not requesting that information on the replacement heifers?"

She expects that gap to close.

"We know that there's genomically verified feeder cattle programs, and I anticipate in the not-so-distant future we're going to have the same for replacement heifers," she says. "Buying a replacement heifer is also a large investment in today's economy. I really think we should be asking just as difficult questions about those heifers and applying just as much scrutiny to them as we do on the bulls."

TECHNOLOGY AS A TOOL, NOT A MANDATE

For all her enthusiasm, Courter is careful not to tout a one-size-fits-all technology recipe.

"I'm not preaching 'do all the things'," she says. "I'm saying it's a tool. If it helps you be better, if you can find a way to help it increase profitability, then it deserves your consideration. All have to be on the table until you take them off. You can't just refuse to put them on the table."

Test technology against a simple standard: Does it save labor, improve grazing, cut wrecks or increase pounds of high-value beef sold per acre?

Hands agrees that technology can't replace fundamentals, but he adds that today's tools offer producers opportunities that simply didn't exist 40 years ago.

Courter says she often leans on a favorite line from industry leader Donnell Brown: "You don't have to change, but you will have to compete with those who do."

In other words, technology is no longer about being fancy; it's about staying in the game.

"We have to use technology and manage around the things that we can't control," Courter says. "We're moving that fast. If we don't, I don't think we'll have the operations to hand down to our children."

QUIET REVOLUTION, REAL STAKES

Viewed through the lens of the State of Beef survey, it might be tempting to think technology is still on the fringes of the beef business. Worrell, Hands and Kleysteuber say what they see is something different: a quiet revolution.

Digital records, DNA and feedyard data are already shifting which cattle get rewarded, which operations stay profitable through the cycle and which young people see a future in the beef industry.

The tools are here. The question — especially for producers still working mostly out of a notebook — is whether they'll use these tools to build a proactive business, or wait until packers, grids and buyers force their hand.

Which of the following NEW TOOLS OR TECHNOLOGIES do you currently use or plan to implement in the next 3-5 years?

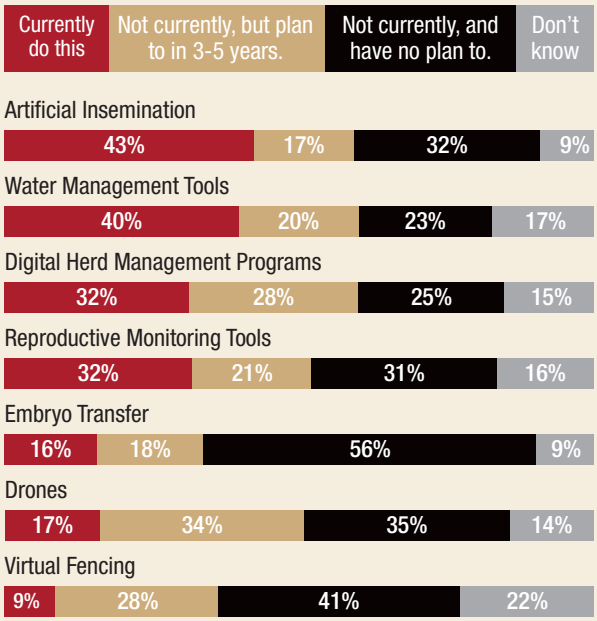




PHOTO: 701X

Beyond Fewer Cows

How consumer demand is holding beef prices up

The last two years proved when you deliver quality beef, consumers will show up with their wallets. Even as the U.S. herd contracted to historic lows, Americans consumed more beef and paid more for it in 2024 and 2025, sending a powerful demand signal from the retail meat case all the way back to the ranch.

Ask most cattle producers why prices are so strong today, and you'll hear the same answer: There just aren't enough cows. Tight supplies matter, but Glynn Tonsor, Kansas State University agricultural economist, argues that's only half the story.

The more powerful force, he says, is on the demand side. Americans are eating more beef per person — and willingly paying more for it.

Even as inventories have declined, per-capita consumption has held up or increased. At the same time, real (inflation-adjusted) retail beef prices have climbed.

"Over the last 15 years, from 2011 to 2025, the average American is consuming more beef and paying a lot more for it," Tonsor summarizes.

TASTE LEADS

If customer demand is holding the market up, what exactly do those customers care about?

Tonsor points to K-State's Meat Demand Monitor, a monthly, nationally representative survey of U.S. residents that digs into meat and protein choices. Respondents must rank which of 12 factors matter most and least when they buy (or don't buy) meat.

"In 2025, 59% of the U.S. public told us taste is a top-four factor in whether they do or don't buy meat," he says. "Conversely, only about 13% put taste in the bottom four."

The survey design forces trade-offs — people can't simply say everything is important — so the ranking is meaningful. Over the last six years, he adds, nutrition and health have gained importance, while environmental impact and origin/traceability have lost ground.

"What has not changed over the last six years is that taste is the leading factor of the 12," Tonsor emphasizes. "It's always No. 1."

QUALITY IS THE ENGINE

Long-run gains in marbling, grading and consistency are why beef can command a 50% higher real price versus 2010 at similar per-capita volume.

Research on beef quality and value shows how far the industry has come — from 1990s complaints over

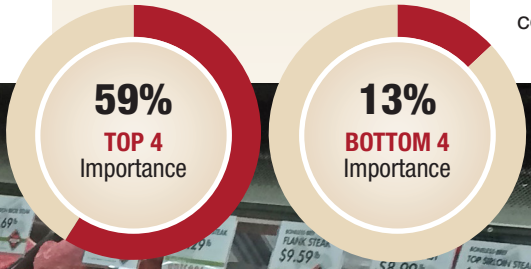


PHOTO: WYATT BECHTEL

fat, toughness and inconsistency to a modern supply where the "upper two-thirds Choice and Prime" story is the rule rather than the exception.

FUTURE HEADWINDS

As 2026 unfolds, the demand signal is changing tone.

Kenny Burdine, University of Kentucky livestock agriculture economist, says he wonders how long the strength in beef demand can hold.

"Consumers have been very resilient in the face of high prices and have shown incredible willingness to continue to consume beef," he says. "As the most expensive of the three main meats consumed in the U.S., beef is also likely the most vulnerable to substitution as consumer disposable income becomes squeezed."

The pork and broiler sectors are also able to expand production much quicker, and we are seeing increased production of both. Burdine predicts the odds are high that more pork and poultry will be on the market by the time beef production increases.

"Sometimes it is assumed that cattle prices only come down as cattle inventory and beef production increase, but competing meats can take space on the consumer plate," he summarizes.

Tonsor predicts demand could be plateauing in 2026. The monthly demand has weakened in the last three months, mainly among lower-income households.

"Certainly, the last three months, I'm seeing beef demand weaken," Tonsor explains. "Now, it's weakening from a strong spot, from a historical perspective, we still have notably high willingness to pay."

He points to a string of macroeconomic realities now weighing on that momentum: gas price spikes, high interest rates, inflation and broader financial pessimism. Those pressures are making many families more cautious, even if they still value beef as a centerpiece protein.

Tonsor notes that, in the Meat Demand Monitor, the "desire to cheapen meat purchases" has become a clear trend. Price has moved up the list alongside taste and freshness. Consumers aren't walking away from beef, but they are looking harder at the price tag and the package size.

LIVING IN A K-SHAPED ECONOMY

One of the concepts shaping Tonsor's outlook is the "K-shaped economy." He describes a split where roughly 20% of the public report better finances than a year ago, while 30% to 40% report worse finances.

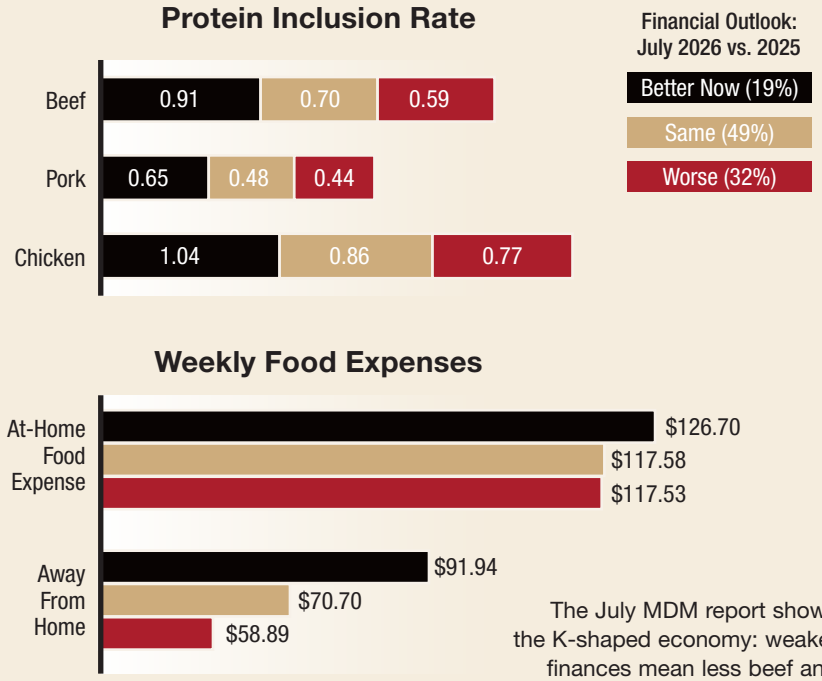
That split is showing up directly in the meat case. Those on the upper arm of the K are still buying premium steaks and high-end cuts. For this group, quality is non-negotiable and price sensitivity is relatively low.

For the bottom arm of the K, though, the story is different: They are eating beef less frequently, shopping more aggressively on price and often trading down within the beef category or to alternative proteins when budgets are tight.

"The top 20% haven't changed their steak night — but 30% to 40% of households are quietly dropping beef from one more meal a week," Tonsor says.

He summarizes inflation, higher interest rates and stagnant wages are tightening household budgets, and it's starting to show up in how often — and how much — people buy beef.

Tonsor's message is: Today's strong cattle and beef prices rest on more than a small cow herd. They are being held up by a consumer who values beef more than ever.



The July MDM report shows the K-shaped economy: weaker finances mean less beef and less restaurant spending.

SOURCE: MEAT DEMAND MONITOR

Inside the Cattle Rebuild

Risks and market shifts force a slow, targeted approach

The latest State of the Beef Industry insights reveal a rare paradox for U.S. beef producers: Historic profitability and strong demand are clashing with persistent drought, labor shortages and rising biosecurity threats. The future belongs to those who pair resilient herds and deep customer awareness with robust data and deliberate succession plans.

"What shape herd expansion takes is the biggest factor to watch," says Josh Maples, Mississippi State University associate professor and assistant Extension director. "Additionally, strong beef demand will be key, and what happens in grain markets will be a major driver. Cattle markets have benefited from ample corn supplies and relatively affordable feed in recent years."

A SLOW, INTENTIONAL REBUILD

Patrick Linnell, CattleFax director of market research, describes the beef industry as standing at a transition point in the cattle cycle. After years of liquidation, drought and elevated cow slaughter, he sees room for expansion, but not a rapid surge. He projects a slow rebuild of the cow herd, with an eye toward roughly 29 million head by 2030, assuming weather and economics cooperate.

That cautious pace reflects the reality on the ground. In the 2026 survey, 55% of respondents say they plan to increase cow numbers in the next five years, but their optimism is tempered by drought, land costs and lingering memories of past downturns.

Texas A&M's David Anderson points to drought, urban sprawl and land availability as long-running headwinds. Severe drought continues to force sharp herd reductions, and the combination of expanding cities and high land values makes it harder to restock when rain finally comes.

Looking forward, expansion is less about racing back to previous numbers and more about building herds that can survive and remain profitable under more volatile market conditions.

PEAK PRICES ARE STILL AHEAD

Derrell Peel, Oklahoma State University Extension livestock marketing specialist, describes the industry as stabilizing, emphasizing the clock on herd rebuilding has yet to officially start. He says the market has yet to top.

"The peak in prices comes after we start saving enough heifers to actually rebuild the herd, and we haven't done that yet," Peel says. "The peak prices are not in 2026. They're probably not in 2027. If we don't start some heifer retention pretty soon in 2026, then not only are we not going to grow in 2027, we may not grow much in 2028."

15-YEAR PAYOFF WINDOW

Economics, drought and liquidation have already forced tough culling decisions across the country. From a genetic

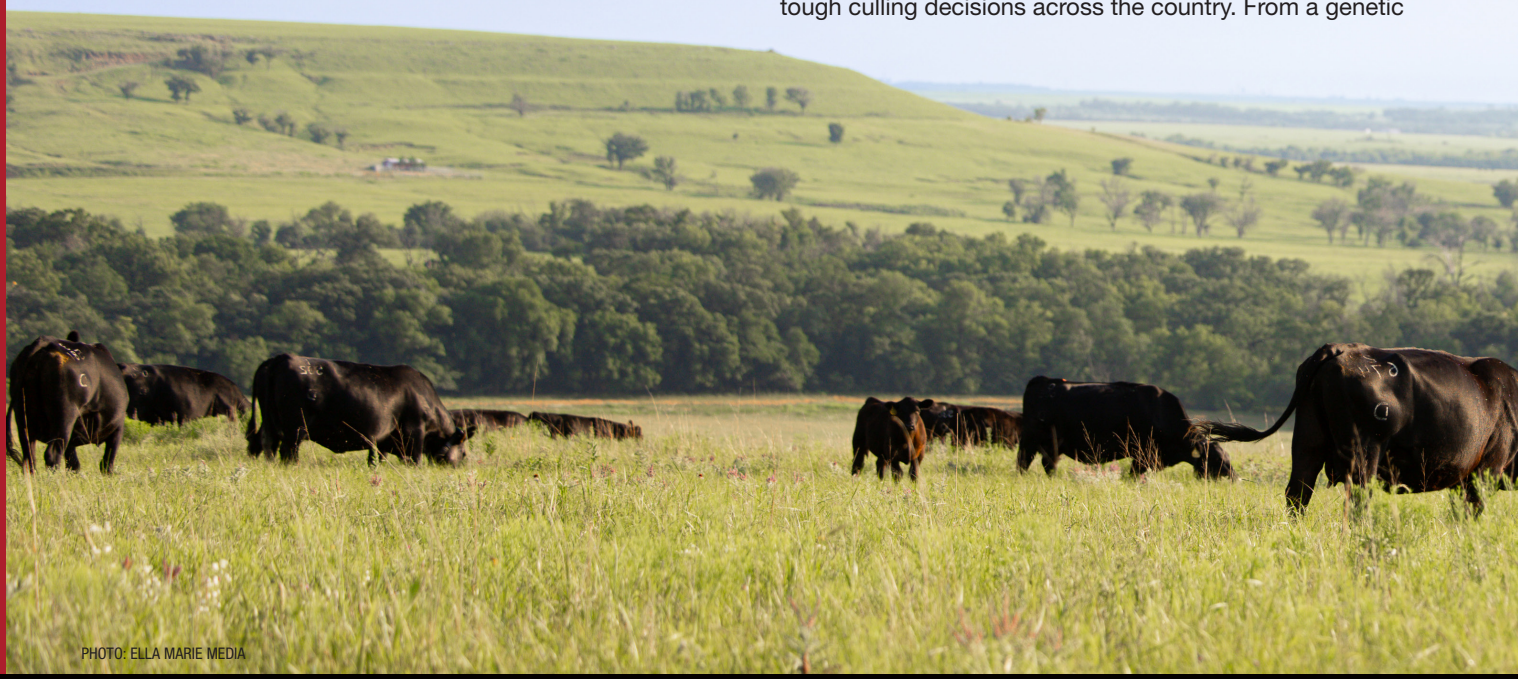
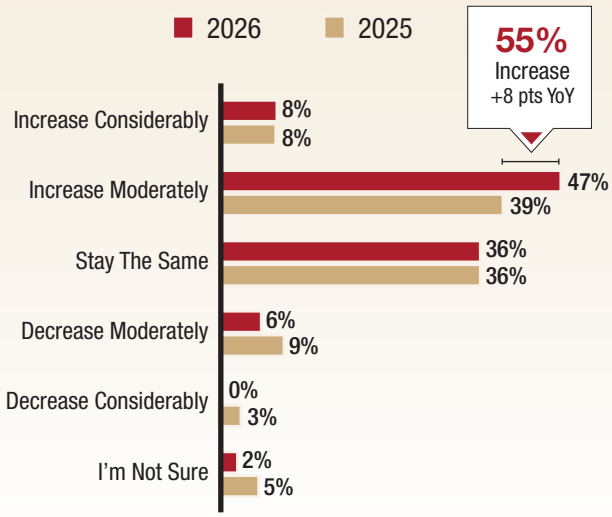


PHOTO: ELLA MARIE MEDIA

Over the next five years, will your herd grow, shrink or stay the same?



standpoint, Jamie Courter, University of Missouri beef genetics Extension specialist and first-generation cow-calf producer, describes today's cow herd as standing at a narrow bottleneck.

"As we have decreased herd sizes, we didn't cull the best cows; we culled those that weaned a lighter calf or didn't get pregnant or various other reasons," she explains. "The genetics then come down to this bottleneck where only the genetically elite are those that remain, for the most part."

That makes the next few years of selection and technology adoption critical.

"As we start to expand, we need to start developing breeding objectives. We need to be intentional about the bulls that we're buying and consistent in the heifers we're retaining or buying," Courter says. "We're at this point where these elite genetics remain, so let's make sure those are the genetics that we're propagating."

In her view, the decisions producers make today will echo far beyond the next price cycle.

"Cows have very long generation intervals," she says. "It takes at least five years to start to see genetic change from decisions that you're making today. And those genetics will impact your cow herd for at least 15 years after the day that you made them, from a genetic standpoint."

She offers an analogy: "The thing that drives profitability is consistent decision-making in the same direction. You don't win a marathon by going out and training the week before. You have to consistently train day in and day out, moving towards that end goal. If the goal changes year to year, you're never going to reach the finish line."

THE ROAD AHEAD

The State of Beef conversations suggest a clear picture of what it will take to thrive:

- Resilient herds built for heat, drought and variable feed costs.
- Consumer-driven quality and portions, aligning carcass traits with real-world budgets and plates.
- Technology that turns data into decisions.
- Deliberate labor and succession strategies, recognizing people as the scarcest resource.
- A close eye on policy and trade, acknowledging that border rules and regulations can shift margins overnight.

The cattle business has always been cyclical. What's different now is the number of cycles — market, climate, political and consumer — that producers must manage at once. The future of the beef industry will belong to those who can read all of those signals, adapt early and keep both their cows and their customers in focus.



AgDay AgriTalk

Tune in the week of Sept. 14 for special coverage of the Drovers State of the Beef Industry Report

To watch and listen online, visit *AgWeb.com/AgDay* or *AgWeb.com/AgriTalk.*

Find more information and read the entire State of the Beef Industry Report online.



Producers' Biggest Threats, Risks or Concerns

1. Weather, climate and water availability
2. Animal health, disease and pests
3. Rising operating costs and financial pressure
4. Market pressures and pricing
5. Land availability, affordability and development pressure
6. Government policy, regulation and compliance
7. Labor, succession and access to skilled workforce
8. Technology adoption

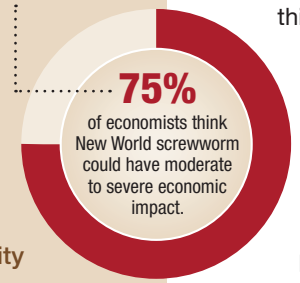


PHOTO: BETTY HAYNES

Strong Markets, Weary Ranchers

Record prices cannot outrun rising operation costs

On paper, the beef industry has rarely looked stronger. Farm Journal's Ag Economists' Monthly Monitor reports that a unanimous 100% of ag economists rate the sector's financial health as "excellent" or "above average" — a sweep unmatched by other sectors.

Looking forward, half the panel expects fed cattle prices to plateau near historic levels, while 36% see further upside into 2027. Only 7% think the peak has already passed. Talking to the producers, a more complex picture emerges.

COSTS AND WEATHER TOP THE WORRY LIST

The State of the Beef Industry survey found input costs significantly concern 56% of producers, with 87% rating them as at least a moderate threat to sustainability and profitability. Weather and drought aren't far behind at 79%. When identifying growth threats, producers named eight broad themes (see left). Most respondents listed multiple simultaneous pressures, showing that producers see their risks as deeply interconnected rather than in isolation.

SCREWWORM: A SHARED CONCERN

One issue where producer anxiety and economist caution clearly align: New World screwworm (NWS). Among producers, 51% rated the pest as at least a moderate concern, while 75% of economists think the potential economic impact of a NWS outbreak would be at least moderate.

LAND: THE QUIETLY GROWING CRISIS

Land has emerged as a major barrier to future growth, spontaneously raised by 35% of producers. With 23% specifically citing land availability, pointing to skyrocketing pasture prices and competition from solar farms and data centers. Another 15% flagged threats from shifting land uses, including urbanization and nonfarm buyers pricing out producers.

THE BOTTOM LINE

The industry's financial fundamentals remain strong. However, the gap between how economists view the sector and how producers experience it is wide. Input costs, weather volatility, land access and biosecurity are daily, grinding realities. The industry's next chapter will be defined by how well it navigates these structural headwinds alongside the opportunities the current cattle cycle presents.