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Transcription of Market influences on fall outlook, episode 57

Item Metadata

Collection: Pasture to Profit Podcast
Creator: Scott Stinnett, speaker; Tyler Cozzens, speaker
Title: Market influences on fall outlook, episode 57
Date: 2026 September 18
File Name: AEXT_P2P_Ep_57_Market_Outlook.mp3
Transcript Provided By: Adobe Premiere Pro 2026

BEGIN TRANSCRIPTION

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Welcome to Pasture to Profit. My name is Scott Stinnett. CSU extension specialist here in the Golden Plains area in the Burlington, Colorado office. And with me today is Tyler Cozzens with the Livestock Marketing Information Center. The LMIC, and we're going to discuss a little bit about what maybe the calf prices are going to look like this fall and all the other things that are out there that are affecting those things.

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So Tyler, welcome to the podcast, Scott. Thanks for having me. I appreciate appreciate it. First, real quick, for those that don't know, what LMIC is give us a little background of what what goes on there. Sure, sure. So LMIC, we're actually a nonprofit. We were started in 1955. And kind of the whole purpose of that is to actually support land grant universities, their extension efforts that they do specifically with a lot of market analysis, research and a fair amount of work that we do is on the forecasting side of things, just providing forecasting outlook for extension professors across the US.

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So we work with 30 land grant universities across the US providing this information, a lot of data and analysis to them so they can go give out talks to their producers and their constituents within their respective areas. And so fair amount of work behind the scenes that we do support them. It's going to be that that centralized location.

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So we're not duplicating efforts across land grant universities. So an effort that's been in place for about seven decades. And so continuing that work and providing a lot of the the market analysis for those extension professors. So LMIC great tool. I know I use it a lot for my extension work and a lot of my colleagues do, and some of the things that we get to see as extension professionals, a little bit more than what the average producer might see, are really great for helping to talk about

what the trends are, what possibly, if we want to call it forecasting, looking in our crystal balls of what things are going to look

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like. But I've got a lot of producers right now starting to think about, you know, they're starting to pull calves to wean, and we're getting ready to think about marketing calves. But coming up with that forecast is kind of like baking a cake. There's a lot of different ingredients that go into it. So some of the really recently have been very interesting in the news and politics.

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Let's start talking about one that comes up of pretty often right now. And that's beef imports. How do beef imports really affect our beef prices. And for those that are going to be selling calves, how could it affect them. Sure. So so I think, you know, looking at the beef import side of things kind of have to keep in mind a little bit what those products are there to a degree.

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They're they're differentiated products. Right? A lot of what we're importing is, is more of that lean product to be ground with our fat trimmings. Right. So we kind of look when we look at this stuff, we're looking at kind of what's classified as 90% lean trimmings is a lot of the product that's imported. Right. That's a a supply deficit that we have here domestically.

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But we have a supply surplus of is the 50% fat trimmings. Right. So, you know, you think about mixing 90 with 50. And then you get your various products that you see in the retail store for ground product. Right, 80, 20, 90, ten things of that nature. And so, you know, kind of somewhat differentiated products, what we're looking at, they're more of this ground product versus your steaks, your rounds, things that you might use for a grilling versus your, your, your ground beef type things.

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But also think about where these products are going to. A lot of the ground beef product typically is destined for majority going into sort of a restaurant type setting. Think of your fast food chains, your burger joints that you you see when you're you're driving around town, right? A lot of that product is going into those areas there.

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So somewhat, you know, competing for different spaces, different demand profiles from a consumer standpoint. And so from a price standpoint, yes, there can be some reactionary things when you hear about more imports coming in. Right. But this is kind of one of those things we've always

sort of had this import side of things that's been coming in for for a number of years.

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Right. So this is not anything new, but it's just more a function of just where our domestic supplies are as far as cattle herd goes. And, you know, seeing some of the supplies since the 1950s. And so a little bit this is just sort of the market filling a demand. Right. Because demand for ground part just for beef in general is been phenomenal.

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Right. And so a lot of this is just the market looking to find product to fill a demand demand base for this beef product. And so you know looking more globally is where they're looking for this ground product to fill some of that demand base. So just an essential thing of the beef producers in the United States. We've become too good at what we do.

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We produce a high end product, but we need to lean beef to be brought in to help backfill what we no longer produce. Along with that, other things that have been in the news and have a little political spin. We've seen some plant closures from processing and fabrication. How is that touching on our our beef prices and our beef markets right now?

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Sure. So, you know, you kind of think about, you know, some of the things I mentioned with the overall inventory levels being the Titus since the 1950s. Right. So you you kind of adjust the supply side of just shackle space to getting these cattle through the supply chain. Right? So, you know, think 5 or 6 years ago when we're out, kind of the peak of our supply, we needed that shackle space now.

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And now we've tightened those supplies. And so now you have, you know, capacity utilization that is is getting is not as efficient as it could be. Right. So you have excess capacity at these packing facilities. Right. And so, you know, you think about the cost side of things for these individual packers. Right. They have some various fixed costs but also variable costs that they have to maintain to keep these operations running.

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And so then you start to see a little bit smaller cattle size or heard and have to go out and bid a little bit more aggressively for some of these cattle. And then that, that that profitability starts to shrink pretty quickly. We've seen profitability just from a kind of an aggregate look on the Packers side of things. Be pretty tough here for the better part of this year.

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And so, you know, that starts to really weigh on these packers and just their ability to operate efficiently, efficiently and at a profit. And so then you know, the less arguably the less efficient operations then tend to get pushed out of the the system. And so you see some closures that happen here right into from a cattle perspective, right.

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Seeing one less purchaser out there, a buyer for these cattle definitely does limit the prospects as far as price support. Right. And so, you know, seeing the closures definitely is not a good sign. Right. Because if we start to rebuild this herd and we don't see those plants come back online, right. That's kind of the concern is if they they shift away and that plant never comes back.

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Right. What's the concern with that. So I think that's a longer term discussion to have on that. But I think that's some of the reality that we have to consider here. But I think it's also one of these things. If we look at this strictly from the economics, it's really just kind of the way the market works is kind of ups and downs and, and who's more efficient than others and kind of outlast some of these downturns in the market because, you know, packers and even the cattle sectors has seen this type of changing and pushing and pulling as far as who's making money within the cattle sector, but by and large, still want to

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see profitability across the cattle sector. Right. That keeps the profitability moving in the sector as a whole profitable and thriving as a as an industry goes. So two things of our cake that we're trying to build here on this forecast. We've got imports that are coming in, plant closures that are happening, and me going online and looking at L, m, I, c and some of your data, you know, we're starting to see some fed and feeder cattle prices starting to come back down.

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But we're starting to see corn creep back up a little bit. How is the price of feed going to be affecting some things? Yeah. So I think that's always one of those relationships that's been long standing. Right. If you see that corn price move higher, that typically pressures feeder cattle prices lower, largely because, you know, if you think about a feedlot setting, the the way they sort of operate is is there kind of a cost of minimizer, right.

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Because they, they have, to a degree, a fixed output, you know, pen space as far as that output goes and how many cattle they can run through that

feed yard. So then they're really trying to minimize their cost. And so if you have one of those feed components corn or hay move a little bit higher. That starts to tighten their overall returns, which means that they're going to need to try and get those feeder cattle out a little cheaper price.

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And so therefore it does pressure some of these feeder prices lower. Right. And so, you know, that's one of those things the market's been trying to digest here for the last few weeks or so. As we've started to see more of just the overall supply picture play out as far as corn supplies that are going to be harvested here this year.

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You know, we've seen a lot of that picture start to really come together here in August and into September. And so, you know, still have to see a fair amount of of harvest occur. Those combines really start to roll through the fields and see what we have as far as overall supplies. But some of the early picture here is sort of painting that the corn supply is actually maybe a little bit tighter than what we were expecting 2 to 3 months ago.

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Right. So that that's another one of those factors that the market is trying to digest. Right. And one of those ingredients within the cake that we're discussing here. And so trying to make that all fit together. And so you know, you talk about just the three things we've talked about here. There's there's those are the three pretty big factors that the cattle market has had to try and digest here in the last 4 to 6 weeks.

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And so, you know, you're seeing some of these. The market really just try and figure out where where the balance is within supply and demand for the cattle and beef sector. Well, those are like I said, three major things that are going to make some big differences on what these cattle prices are going to be.

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They're still going to be high. I think, you know, from what I've seen, it looks like on all the diagrams we may have peaked out at our highest end, unless something major comes in and shifts that we're very slowly, cautiously, I'll say starting to rebuild a herd just a little bit on cattle numbers for the overall herd. So for the folks that are out there listening, what do we think cattle prices are going to be like compared to last year, say, in October, November when those fall cattle runs start to hit here in the West?

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Sure, sure. So, you know, I think, you know, kind of where the market is at right now, kind of sitting here early September. You know, prices have definitely moved lower, much lower than I was expecting, quite honestly, kind of due to some of those factors that we just discussed. But I think if you look at this more from a fundamental standpoint, kind of the way I was trying to look at some of this stuff, supplies are still tight, you know, and and as far as beef demand goes, still very strong.

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Right. Painting a very, very good picture for strong prices. I think a lot of it is just going to be the market kind of factoring in all these things. And so, kind of my expectation as far as prices here through the rest of the year kind of thinking October, November timeframe, you know, seeing prices that are 30 to 40 bucks below where they were a year ago, for those 5 to 6 weights is kind of where I'm looking at.

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And so, you know, you've kind of got some some wiggle room there. You know, obviously obviously there could be a lot of factors that still could turn this market higher. And I would say probably the market there's probably more upside potential to the market than downside at this point, just based on what's what's kind of playing out here.

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And so that's kind of where I'm sitting at that kind of 30 to \$40 below a year ago, you know. But that that being said, you know, I think there's definitely some some arguments to be made for prices being a little bit stronger. But, you know, I think there's a lot of factors still at play here. But historically you kind of look at where those prices would be compared to.

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Yeah, they're below a year ago, but compared to where they have been historically still very, very strong prices and recognized from a profitability standpoint, some some potentially some profit still left on the table just from market dynamics that have transpired over the last month or two. But I think, you know, there's still, you know, opportunity to for, for some profitability there, despite a little bit softer prices than we maybe would have expected even even three months ago, to be honest.

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Well, and I think part of it is for those of us that are old enough to remember selling calves at \$1.50, you know, and we thought, wow, we're doing really good. Weaned calves, \$1.50. Taking 3040 off of that would be traumatic. But you're talking now that's, you know, 10% decline in prices. It's it's not as it seems major.

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And when you talk about it in the dollars but in the percentages, it's pretty reasonable. Maybe little adjustment in, in the markets. So what else could possibly come out here and change anything. Is or is the market getting pretty reactive. We're coming on to some midterm elections coming up right about time. We want to sell cattle. You know, there was quite an announcement this week about, you know, hey, if everybody wins, we might all be winners financially.

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But the way the cattle market works, things are a little bit of we're kind of working off these reactions to these little political analysis. They come and they go and they cause a blip here and there. But would there be anything really major that would, on a political announcement that would cause any, any major movement in the market one way or the other?

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Yeah. I mean, I think there's those that possibility for some of those black Swan events as we kind of refer to them, you know, definitely we've we've quite honestly, we've had a few of those in the last couple of weeks. Right. Announcements of the brand program. You know, it's it's an announcement. We there's still a lot of details that have to be figured out with that, you know, and I, you know, the administration recognizing maybe some of the challenges for the cattle sector.

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But on the same token, you have similar announcements coming out about, you know, beef imports, you know, things that the market wasn't expecting to come. Right. And so that's a little bit why I'm sort of, you know, the market has had quite a bit to digest here, you know. And so I think it's it's there's always sort of the larger geopolitical issues to that are going on, you know, across the globe that can have factors in this prices.

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You know, things of that nature, just exchange rates. You know, strength of the dollar can be one of those factors from a trade standpoint. And that's, you know, that that isn't just for the beef sector. That's kind of across the economy as a whole. Just thinking about the the trading of goods globally, you know, and I think we have to keep in mind that that we've had high fuel and, you know, diesel and gasoline prices for all all summer.

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Right. And so you have a consumer that has as far as their purchasing power has, has changed. Right. And so they've had to adjust how they're purchasing goods. And so by and large we've seen be fair. Quite well despite some of those headwinds from a a consumer being price conscious

and trying to maximize every dollar that they're spending to utilize their to maximize their utility.

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And so, you know, I think those are some of those factors that, you know, largely been in place for the better, better part of the summer. And will those continue through the end of this year kind of heading into that mid-term time frame, you know, and how's the how's the voter going to react to some of those things, you know, this larger political issues.

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But I think it just factors into just the overall economy and just the consumer purchasing goods and beef is one of those things. Will they keep coming back to the mix and purchasing ground beef steaks, or are they going to they're going to, you know, look for a substitute, maybe pork or chicken. That is arguably, much more price competitive within the Me case.

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And so I think there's there's quite a bit going on for the consumer and a lot of things vying for their dollar. And so, you know, beef is just one of those factors in there. And this is is unfortunately one of those those, you know, things that's going to test the resilience of the consumer and their demand for beef.

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And unfortunately, you know, some of this turmoil is coming at a time when producers are trying to make some some, some decisions, some multi-year decisions as far as their operations go of what they're going to do retain some heifers, you know, send them down the road, things of that nature. And so, you know, it's tough. It's a it's a tough decision for the producer.

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And you know, and so I think it's, it's it's going to be watching it with a lot of expectation. Well I think there's still a lot of things out there, but the basic economics of it is a tight supply. Some corn prices coming up. Just the general overall economy. How much the consumers got to spend will probably have the bigger determining factors on what those beef prices are going to be like.

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Well, we appreciate you coming on today, Tyler, with LMIC and if somebody wants to get on, you have several different email subscriptions for different types of newsletters. Can they go to your website there at LMIC.info. Yes. And sign up for those. Yeah, that would probably be the best way to get some of that information is to go to our website, lmic.info like you mentioned there.

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And so we've got a couple of reports in the cattle markets that's written by some of our members. And then we have a twice a month newsletter that we like staff. Right. Called Livestock monitors. So you can subscribe to both of those and, and kind of keep up on some of the market trends that we're looking at and trying to just provide information to market participants, extension folks and things of that nature.

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So and the best thing is it's free information. It is that is true. We don't have to pay for this. So again, thanks to Tyler Cozzens for coming on today and talking about what else going on in the cattle market. And maybe give us a little bit of a forecast for what things may be like here when the fall run starts to hit.

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So if you have any questions for today's topic, you can reach out to me, Scott, here at the Kit Carson County office, you can call me at (719)346-5571 or shoot me an email at Scott.Stinnett. That's STINNETT at colostate.edu. And again, thanks, Tyler, for being on and thanks to everyone out there for listening. And so we hope you'll tune in next time to Pasture to Profit.

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