

# Fall Livestock Markets with Dr. Peel

## Pre Descript

**Dana Zook:** [00:00:00] Welcome back to the Extension Experience Podcast. I'm Dana Zook. We have come to December in the calendar, I think. And I'm joined by Dr. Derrell Peel for a holiday wrap up of the Beef Markets. Welcome, Derrell.

**Dr. Derrell Peel:** It's good to be back again.

**Dana Zook:** Yes. My title here says Outlook Beef Cycle Industry Crazyness and holiday shenanigans. So who knows where we'll go today, but we're gonna try to have some fun. Yeah, we're gonna have a little bit of fun. So Derrell, what have you been up to in the last month?

**Dr. Derrell Peel:** It's, you know, it's been a busy fall. Obviously the end of the year is outlook season. So everybody wants outlook for next year and maybe more so this year, just because of the markets that we're in.

They're pretty unique. And so so yeah, I've done a lot of short articles, Outlook articles some meetings, a lot of web based stuff. I haven't really been traveling all that much, relatively speaking. I mean, less than usual for me. Not nationally as much. Not as much here lately. But yeah, it's been busy.

The markets are just obviously a lot of attention on the markets right now [00:01:00] because we're, Pretty much at record levels.

**Dana Zook:** It's crazy. Okay. So we talked back in August a little bit about heifer expansion and the beef cycle. So let's touch on that real quick before we dive into the current stuff.

So how have things changed since then? Because we were kind of feeling like we didn't know what was going to happen with expansion. Where are we at?

**Dr. Derrell Peel:** You know thought we might see some indications of heifer retention by the end of the year absolutely none so far You know, I mean all we've got to go on In the short run is the slaughter data, which has got a lag in it, right?

So by the time slaughter goes down, it means that people made decisions six or eight months ago not to place those heifers So we could be holding a few heifers here at the end of the year I don't really think so when you look at the feeder cattle auction volumes There's not much indication to me that we're holding back a lot of heifers at this point.

So, it looks to me like we're gonna finish out 2024 with no real start to numbers. I think the beef cow herd got smaller in 2024. So, [00:02:00] I think the January 1 numbers will show that we are starting 2025 smaller than we were. And then we start over with this same set of questions for next year.

Still looking for a bottom, if you will.

**Dana Zook:** So that's what I was thinking you would say. Yeah, things haven't changed. We've been at several OQBN markets sales. I feel like we didn't see a lot of replacement heifer worthy sell. I think they were all just selling as calves.

**Dr. Derrell Peel:** Yeah, they're feeder cattle. And obviously, well, you know, the other part of it that we do see a little more timely than, than the slaughter, which comes after we feed them, but going into the feedlot, you look at placements. Placements haven't come down. Feedlots have been able to hold their inventories.

again, at some point in time, if we, and I say, if it's really, I think when we start saving heifers and we do actually try to rebuild this, this industry, then that feedlot inventory has to come down.

**Dana Zook:** Right.

**Dr. Derrell Peel:** We've, we, because the calf crop's been getting smaller for about six years, and yet feedlots for the last year have been able to hold the [00:03:00] inventory steady on a year over year basis for about 14 months now.

A large part of it's because we're still feeding heifers. The other part of it, of course, is that we've slowed down the rate of turnover in the feedlots by extending days on feed. And so, less cattle, you can still keep the feedlot full.

I don't know if I did this in August, but I'll do it again.

I, I tell everybody feedlot is like a water tank. Okay. Right? So you got a pipe coming in, that's placements. You got a pipe going out, that's marketings. Okay. And even if there's less water coming in the placements pipe, if you slow down

the rate of outflow, you can hold the level of the tank full when there's less water going through the whole system.

And that's exactly what we've been doing with the feedlots for the last years. It's kind of moving sideways on feedlot inventories, but there's actually less cattle going through the system at this point.

**Dana Zook:** So how long can we do that?

**Dr. Derrell Peel:** Well, we've already done it probably a year longer than I really thought we would but there, there has to be an end to it.

I mean, I think feedlots are, increasingly sort of out of runway to be able to do that and, and we will see these [00:04:00] feedlot inventories come down. So I'm gonna say sometime in this next year. I thought it would start this year. But , again, because we're still feeding heifers largely.

We haven't seen them forced to drop that yet.

**Dana Zook:** Okay, so now we're on the calf topic. So, light calves have gotten really expensive. Seems like.

**Dr. Derrell Peel:** Absolutely. Following, and you know, after Thanksgiving, these feeder cattle markets just really exploded. And not, not just in Oklahoma, but around the country.

Okay. And it's a national thing. And I think it's both supply and demand. I mean, obviously the rain we got in November. We are going to have some late wheat pasture in the Southern Plains. But you know, I suspect a lot of people who were going to graze wheat probably already had those calves. That they had bought. There was probably some additional buying, but I don't think the bulk of it was, was that. But if anything, that was a positive to demand. What I'm hearing is around the country, again, numbers are fairly tight. And even up north in the northern plains there's a lot of talk about the fact that the [00:05:00] Canadians are coming down buying feeder cattle in Montana and North Dakota to take back and place them in feedlots in in Canada because they're short in numbers.

And so all of that adds up to a lot of demand combined with a tight supply and you get the kind of feeder cattle prices that we've seen.

**Dana Zook:** Yeah, it seems like we just don't see as many little light calves, in the sales. Of course, I'm not there every week or anything, but, it probably, there's just a high demand.

They're just taken up or they're just bigger when they're weaned.

**Dr. Derrell Peel:** I don't think there's many of them. I mean, you know, the numbers just aren't there in Oklahoma, at least the drought that we had through the summer and into the fall, really through October really caused us to have kind of an early fall run.

So we saw bigger volumes in September and October. And then they started to drop a little bit in November, although I've been surprised with these really high markets the last couple of weeks that we've seen in the first part of December. The volumes have actually been pretty good. We're finding lots of cattle to sell and take advantage of these markets, and so I think we're really cleaning [00:06:00] things out at this point.

**Dana Zook:** So, wheat pasture is looking It's looking good. I feel like I've traveled the world in December since Thanksgiving. And so we're recording this whatever today is. Darryl is at the 13th or 14th and Friday the 13th. Friday the 13th. Oh my goodness. , well now you're here. It listeners we're recording on Friday the 13th.

And I feel like there's pockets of good wheat pasture and where it is, there's calves out there. They, they were just ready to put them out there, but I think you're right. I think they bought them. They had them purchased because I can't imagine buying an expensive, really light calf and making any money on them.

**Dr. Derrell Peel:** You know, if you look at the budgets right now and you and I were doing this the other day, right? So if you take a, you know, a four weight calf right now, they're going to be 350 plus or minus, maybe 370 or 80. If you're a state or two north of here, they're going to be four bucks or better. , and what's happened in this fall is the, the lightweight cattle have gone up.

Way more than the bigger feeder cattle. So you get a bigger [00:07:00] rollback in that price based on today's market and That makes the stocker budgets look pretty tough And that's kind of what you expect in general in this kind of a market is that Margin operations don't work very well when cattle numbers are tight and prices are high

**Dana Zook:** Yeah,

**Dr. Derrell Peel:** because the price increases all start at the bottom and work their way up the system.

So stocker margins are pretty tight. Feedlot margins are going to get tighter. They've been relatively tight, but they'll get tighter. And, of course, packer margins have been horrible for many months now and will continue to be for the foreseeable future. And, at some point, even retail margins will probably feel some of this squeeze because you know the, the cattle prices are going up more and faster than beef prices, even though beef prices are remarkably good.

**Dana Zook:** Yeah, absolutely. I've heard some very happy producers and I've heard some producers to say, well, what am I gonna do? So okay. So we talked a little about prices, but what are some things going on outside, I guess not outside the beef industry, but some other outside forces [00:08:00] that have been impacting beef and protein markets.

**Dr. Derrell Peel:** Well, you know probably the biggest thing that happened right before Thanksgiving, of course, was the discovery of a case of new world screw worm in Southern Mexico. And that led to an immediate closure of the border between the U. S. and Mexico as far as any livestock crossing from Mexico into the U. S. So you know, and screwworm probably doesn't represent, I mean, as long as we stay on top of it and control it, probably not a, a, a tremendous threat. It's a big issue if it gets here. And we sure don't want to go back to that. We spent millions and millions of dollars 50, 60 years ago to eradicate it and we've continued to spend millions of dollars every year to contain it and make sure we don't get it back.

We've got a little slip up here in terms of it kind of getting away, but as long as we get that under control, not a major issue long term, but it, it means that we're going to get a couple hundred thousand head less Mexican cattle here right at the end of the year than we would have gotten. And that's probably [00:09:00] going to push them off to next year as long as the border opens back up and it probably will by January, then those cattle will, they'll go ahead and come in.

And many of them would have been fairly lightweight coming in anyway. They would have come up here into a stalker or backgrounding program. They're now doing the stalker or backgrounding program in Mexico, waiting until such time as they can come up here. And so we'll probably get them in any event, but just a little bit later.

**Dana Zook:** Yeah. Okay. What about this? avian flu business I mean, that's not, it's sort of related, you know, sort of not, but

**Dr. Derrell Peel:** Well, you know, we got to pay attention to all of these issues, even though it's not a direct impact on beef markets per se. Obviously, the dairy industry has struggled a lot with HPAI. And of course, in terms of Oklahoma, we have now found, as at this point in time, two cases in commercial flocks.

**Dana Zook:** Yes.

**Dr. Derrell Peel:** So there's been some depopulation of, of poultry. And there are some trade [00:10:00] implications potentially that that can impact sort of where Oklahoma based poultry production and those products can, can go. So it's an issue for the industry, for that industry, for the poultry industry. It's not really a it's not really an overall meat or protein complex issue.

We're not losing enough birds to really affect overall production. Like I said, there are some trade impacts, but probably not a major deal, but again, we can't really afford to ignore it because it gets into dairy cattle, causes some loss of production there. Somebody asked me the other day, why don't we ever see this in beef cattle?

And, and the answer is we're really not looking for it.

**Dana Zook:** Yeah.

**Dr. Derrell Peel:** And it's, and it's mild enough in cattle in most cases that we probably wouldn't see it unless we were actively looking for it. So, we may well have had it in some cases. But you know, it's not a big issue, but influenza is a very, very rapidly evolving disease.

And so it, it could continue to evolve [00:11:00] and turn into a bigger issue at some point.

**Dana Zook:** Well, in dairy cattle, we're monitoring their health and wellness and milking them every day. And so that's really easy to figure that out.

**Dr. Derrell Peel:** You know, you notice the loss of production because milk production is a day to day thing.

Plus you're just around those animals and, and, and handling them more. And, you know, even in a feedlot situation, I don't think you'd really probably be able to detect. any loss of production if it were there. And so, you know, again, we're just not seeing that much impact directly on the beef side at this point.

**Dana Zook:** So what else? Other things that might be throwing things off or just, just the high prices are just crazy.

**Dr. Derrell Peel:** Well, you know, it's, yeah, kind of all of these things come together, but underneath it all is just the fact that we're at these multi decade lows in cattle inventories and still getting smaller, it appears at this point.

So, when we talk about how low the beef cow herd was the lowest since 1961, that was January of 2024. Everything I've got suggests it's going to be a little smaller yet in 2025. And when you look at the [00:12:00] number of replacement heifers that we had in the pipeline in 2024, there's not really enough of them to do more than maybe at best stabilize the herd in 2025, with probably at least 50 50 odds that we continue to get smaller in 2025.

It may depend on the drought, or it very likely will depend on drought conditions as much as anything. But, it's just not clear that we're done getting smaller, even though we're the smallest we've been in many, many years.

**Dana Zook:** So interesting. We're in uncharted waters, right? Derrell.

**Dr. Derrell Peel:** We really are. We really are.

**Dana Zook:** So I've got holiday nonsense written on here. Are

**Dr. Derrell Peel:** all holidays nonsense? They are sure.

**Dana Zook:** They are nonsense. They're craziness. Now we're just going to switch gears a little bit here because we could beat the herd expansion thing until it's dead on its feet. So I got on the NCBA website and they had a holiday.

Report of eating report beef demand. So give us an I give us your kind [00:13:00] of synopsis on beef demand here, Derrell. Tell us a little bit about what you're seeing. Do you feel like we've lost the, people that only buy beef when it's cheaper, that we've already lost all those people, so it's not going to change from here on out?

**Dr. Derrell Peel:** You know, I've been monitoring for many months trying to find evidence of either loss of beef demand or what we call trading downs, so people that, you know, kind of give up on the real expensive middle meats and, and maybe move to more value based, , value products.



And, and honestly, I can't find much of any of that. The latest retail beef prices that came out were still up year over year. On average, the reported retail beef prices are up almost 6%. And if you look at the ratio of beef to broiler or pork prices, they're still at virtually record levels.

So, if consumers wanted to turn away from beef, there's plenty of ways they could do that, I think. There's plenty of product. And the prices would be more favorable. We just don't see it. [00:14:00] And so beef demand appears to be quite robust. Now, there have been some indications that food service, beef demand may be weakened slightly in 2024.

And certainly the, the prices have gone up faster through the food service, the restaurant side, if you will, compared to retail grocery. But they're all at record levels, essentially. , And I monitor a bunch of wholesale cuts to try to look at these trade offs and do we see any changes in middle meats and end meat relationships and that kind of thing.

Can't really find much of anything. And if you look at, like, the rib primal, for example, we had a very strong seasonal increase in November you know, October into November, which is typical with people that are treating you know prime rib as the the protein of choice for Christmas dinner, New Year's whatever that holiday demand.

And from a wholesale level, it usually starts in, in October, November. And we had a very strong increase in those prices. So, just no [00:15:00] indication that beef isn't still what's for dinner and maybe particularly it's for, it's what's for holiday dinner. That's right.

**Dana Zook:** Okay. So this is what I found. So I did a little, not a lot of sleuthing, but a little bit.

So NCBA's website, talked about consumer preference for the holidays. And so the turkey was of course the Thanksgiving preference, whether they did that on the, when they did that with the grocery store. But it says in Christmastime, beef is the choice. The popular choice for Christmas dinner. So it must be prime rib.

**Dr. Derrell Peel:** Yeah. The rib

**Dana Zook:** primal, which is not always prime rib, right? I've had the rib roast. That's not necessarily exactly. Yes, so that's what they said. In and of



**Dr. Derrell Peel:** itself doesn't mean it's prime, but, Right. But, but prime rib is, yeah, it is very popular.

**Dana Zook:** It's the most tender, should be the most tender part of the beef animal.

**Dr. Derrell Peel:** Yeah, it is. It's tender. If it's done right.

**Dana Zook:** If it's done right.

**Dr. Derrell Peel:** That's hard. Well, it is, and that's why a lot of people don't try to do it at home. Yeah. But it's also kind of hard to find restaurants [00:16:00] that do it well.

**Dana Zook:** Yes.

**Dr. Derrell Peel:** There's a lot of places that, that don't necessarily do it well, you know as a general rule, when you get prime rib in a restaurant on an ongoing basis, they didn't cook it.

**Dana Zook:** Yeah. That's right.

**Dr. Derrell Peel:** So you, so you really got to find a place that kind of specializes in it, that does it and does it well. So what's

**Dana Zook:** your favorite? So what's your favorite? Beef. Do you do beef at Christmas time?

**Dr. Derrell Peel:** We do a little of everything. Yeah, I know. We were talking about that earlier. You did some

**Dana Zook:** Mexican for Thanksgiving.

Yeah, we

**Dr. Derrell Peel:** were talking about that. Actually, my family, and this is more of a Christmas Eve thing, our get together before we, you know, and we usually do our packages, the bulk of them at least, on Christmas Eve. But for years and years, we've done fondue. Oh fun! And so that's meat fondue or cheese fondue and then maybe a dessert fondue.

Chocolate, a pot of chocolate sauce and you can dip all kinds of delicious. And so and it's fun. It's a slower meal. It's a way to slow down the kids because they're always antsy to get to the packages and stuff. Yes, that's true. This, this makes it a little bit [00:17:00] longer meal so they don't just wolf down their food and be standing around begging to get to the packages.

And so, so we, we've done that for a long time in our family and It's, it's kind of a carryover from the popular fondue days, which was more 70s and 80s, I suppose, but but it, it, it is a lot of fun.

**Dana Zook:** So is it like broth or is it oil?

**Dr. Derrell Peel:** Like We generally did oil based. So oil and, and you could have either, it'll cut up bits of steak or, or meatballs and and, and cook those in that.

And then you've got a cheese fondue and sometimes a couple different kinds of that and you can dip. You know French, French bread or, or broccoli, you know, or celery pieces or whatever and cheese sauce. And, and then, and then, you know, after that's all done and then you get the chocolate fondue out and you've got.

Marshmallows and pineapple and strawberries and

**Dana Zook:** yeah, how delicious now I want to take

**Dr. Derrell Peel:** yeah

**Dana Zook:** That's kind of fun like a non traditional type thing. Yeah. Yeah, you just cut up a bunch

**Dr. Derrell Peel:** of stuff. [00:18:00] It is. Yeah, and and so If you don't like it, it's your fault. Yeah, that's right. And if you don't like that was cooked at your fault, right?

That's

**Dana Zook:** right.

**Dr. Derrell Peel:** Now. It's always a little tricky with little kids when you got pots of hot oil And so, you know, you gotta be a little careful with that stuff, but but it's worth it. It's worth the effort, I think. You might have to try that

**Dana Zook:** sometime. Yeah. That sounds fun. My, my mother and father in law always do like either tenderloin or some sort of, rib roast for both of the big holidays, Thanksgiving and Christmas, which it's always delicious.

And I, I usually pass the dessert and just have another slice of tenderloin. But , when I was growing up, we were hog farmers, you know, we had pigs all the time. And so we ate a lot of pork. Yeah. Pork loin was always a really good thing.

Today's pork loin is not the pork loin of the past. It's still pretty

**Dr. Derrell Peel:** good, but I know what you're saying.

Yeah. You know, the animals are very different. The beef animals are a lot different maybe not as much in flavor, although you could make that argument too, I suppose. But one of the things I was going to mention, and this is kind of an aside, but it's a, it's a function of the industry we're in, you know, [00:19:00] carcass weights in the beef industry have gone up for 70 years.

Yes. If you go back to about 1960, the average increase in steer carcass weights has been about four and a half pounds a year. But at times it's accelerated faster than that. That's the average over a long period of time. And and for about 30 years, I predicted they wouldn't keep getting bigger and they did.

So I got tired of being wrong, so I quit predicting that. We keep finding ways, both genetically and with technology, to get these animals bigger. And the reason I started telling that is because we started hearing, probably 10 or 12, maybe 15 years ago, that these prime rib roasters for, for the holidays, That's a fixed size thing.

It's huge! You know, those are big things. But the ribs were getting so big that they wouldn't fit in there. And so we were hearing stories about how those guys were specking heifer carcasses, heifer ribs,

because they were smaller than the steers. Well, that was 10 years ago. Now the heifer [00:20:00] carcasses are as big as the steers were 10 or 12 years ago.

So what do you do now? And I don't know what's, you know, whether they've had to make changes. You know, as these, as these muscles in the beef animal have gotten bigger, by and large, consumers haven't been asking for bigger steaks for about 20 years.

**Dana Zook:** Yeah.

**Dr. Derrell Peel:** So we're, we're having to do more and more kind of creative fabrication.

And so, As you well know, a lot of times now when you order a ribeye, it's like steak. It's actually the center cut.

**Dana Zook:** Mm-hmm .

**Dr. Derrell Peel:** Where they've taken off the spinels muscle, which is the most tender. Delicious. These piece.

**Dana Zook:** Yes. You know, it's not real and flavorful and

**Dr. Derrell Peel:** flavorful and and that gets taken off in do something else.

Yeah. What they doing with it. I want that

**Dana Zook:** instead. .

**Dr. Derrell Peel:** Exactly. . And so, you know, again, we're having to do my. About probably 15 years ago, I used to joke that when we started having to market ribeye nuggets, we probably had gone too far in this industry. And effectively, that's what we're doing now in some sense.

So I, and I was wrong. We are doing it and we, and [00:21:00] there's no real sign that it's letting up at this point. So

**Dana Zook:** I guess if it brings more value to a beef carcass, whatever. Market those ribeye about pounds at the end

**Dr. Derrell Peel:** of the day. I mean, quality matters and obviously we enjoy high quality and stuff, but pounds is what drives the train still.

And so. Yeah. So, so we're still making them bigger.

**Dana Zook:** That's crazy. Very good. Well, this has been an excellent conversation, Derrell. Thanks for joining me today and listeners thanks so much for joining me through the whole year. This isn't, like I told Derrell, this podcast doesn't make a big splash, but we do enjoy it.

I do enjoy it. And so I appreciate you listening. It really has been fun. So Merry Christmas to all. Merry Christmas, Derrell.

**Dr. Derrell Peel:** Merry Christmas to you

as well. Absolutely.

**Dana Zook:** Listeners have a wonderful week and a happy new year.