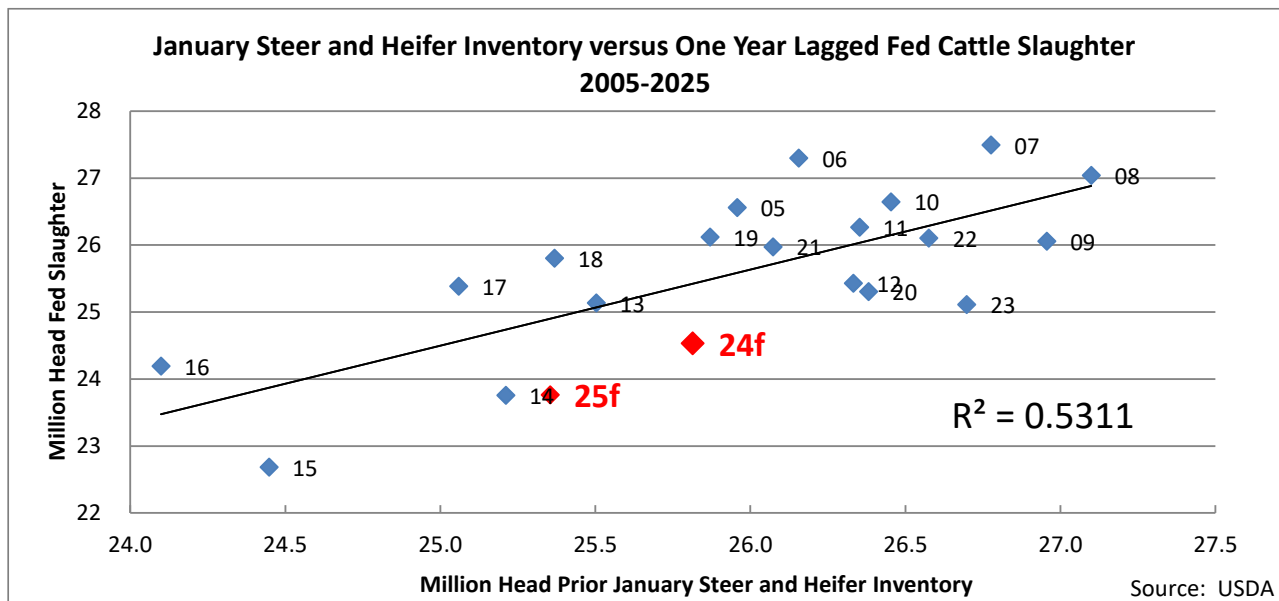




Plant Closures in 2025

I forecast that 2025 U.S. commercial steer and heifer slaughter will amount to about 24.2 million head. That forecast is based on steer and heifer inventories this year as well as last year's calf crop (see relationship on graph below). The fed cattle slaughter forecast for 2025 is down about 5% from 2023 and down 3% from the estimated 2024 fed slaughter. Rob Murphy of J.S. Ferraro estimates 2025 commercial fed slaughter at 23.6 million head.



I estimate 2025 commercial cow slaughter to be 5.8 million head compared to 6.7 million in 2023 and the estimated 2024 total of 6 million. Murphy sees 2025 cow slaughter notably higher than I do at 6.2 million head. Cow slaughter forecasts involve many more highly variable assumptions than fed cattle forecasts. That is especially the case at this point in the cattle cycle when the industry is between liquidation and expansion.

My 2025 total commercial cattle slaughter forecast is 30.5 million. That is down 7% from the 2023 actual and down 3% from this year's estimate. Murphy's total 2025 slaughter estimate is 29.8 million head. The Livestock Marketing Information Center has 2025 total slaughter at 29 million head (LMIC). For some reason the USDA does not publish slaughter estimates, just beef production forecasts. Based on their beef production forecast and some rough arithmetic, I figure the USDA is around 30 million head or more.

Slaughter Reductions of 4-5 Million Head

The bottom line is that even using my higher end slaughter estimate, the total 2025 kill would be the lowest since 2015 which was 28.7 million. The peak slaughter from 2015-2023 was 2022 at 34.3 million



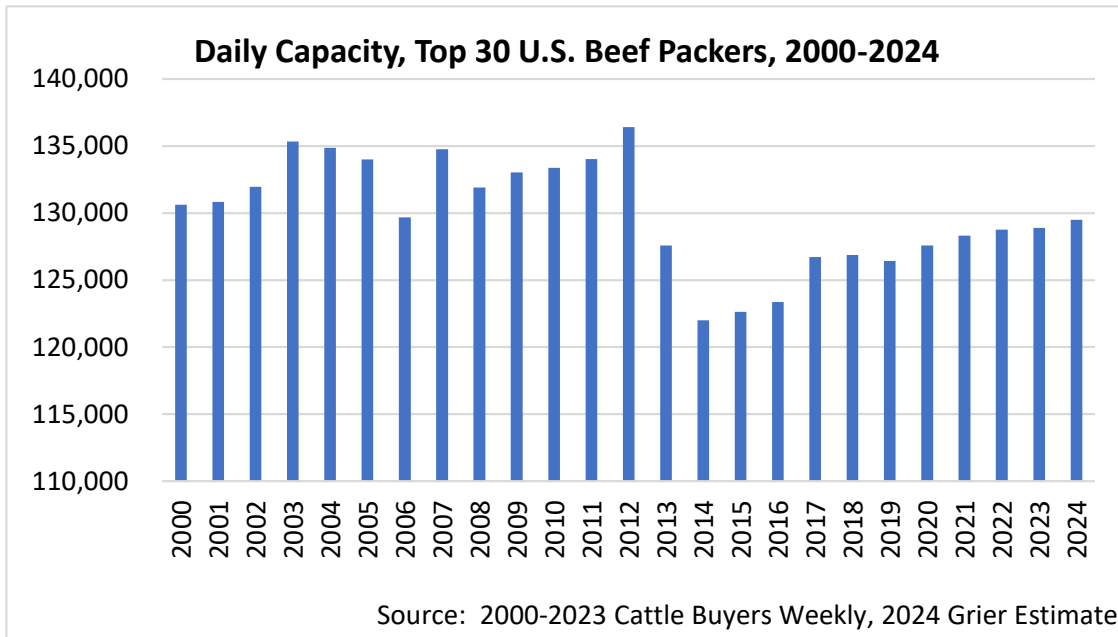
If I am right about 2025 slaughter, it will decline by 3.8 million head between 2022 and 2025. If LMIC is right about 2025 slaughter, the decline will be 5.3 million head.

New Capacity

Meanwhile, plant capacity is being added in the United States. Sustainable Beef, in North Platt, Nebraska should open in late 2025. Sustainable Beef, with Walmart as a minority owner, expects to process 1,500 head per day and up to 400,000 head per year when fully operational. American Foods Group (AFG) is scheduled to open a plant in Warren County, Missouri in mid to late 2025. AFG projects that the plant will process more than 2,400 head per day. Cattle will likely be mostly beef and dairy cows. Producer-Owned Beef plans to open a plant in 2026 or later. Producer-Owned is planned at 3,000 per day according to [Cattle Buyers Weekly](#).

Plant Closures

Even without the added capacity of 2025, total U.S. capacity is at its largest level since 2012. [Cattle Buyers Weekly](#) does an annual tabulation of the capacity of the top 30 beef packers in the United States. The top 30 companies represent the vast majority of kill. Note that starting in 2013 when Cargill closed its Plainview, Texas plant, there was a major reduction in U.S. capacity. Other closures were National Beef, Brawley, 2014 and Tyson, Denison 2015. Cargill closed another plant in 2014 as did AFG and others. The net result is that from 2012 to 2016 there was the loss of about 13,000 head per day.



Annual capacity of the top 30 beef packers in the United States, is now about 34.9 million head (making several assumptions). That capacity estimate is 4.5 million head more than my 2025 slaughter estimate and 6 million more than the LMIC estimate.

Excess Capacity

From 2016 through 2019, plant capacity utilization ranged around 95% (see table below). In 2022 plants were bursting at a 99% rate. Based on current capacity and expected kills, the 2025 rate would be 87%, the lowest rate since 2015. Again, that does not even count the Sustainable Beef or AFG new plant.

	Slaughter Capacity	Slaughter	Slaughter /Capacity
2015	33,234,085	28,740,000	86%
2016	33,433,270	30,578,200	91%
2017	34,213,050	32,189,400	94%
2018	34,381,093	33,004,700	96%
2019	34,262,530	33,555,300	98%
2020	34,703,120	32,785,700	94%
2021	34,516,735	33,850,400	98%
2022	34,766,550	34,325,300	99%
2023	34,670,065	32,843,700	95%
2024	34,960,950	31,472,702	90%
2025f	34,960,950	30,498,982	87%

Source: Cattle Buyers Weekly, USDA and Grier estimations

Ignoring those new plants, to get the industry to a healthy 95% utilization rate, would mean reduction in capacity of about three million head or more if LMIC is right about kill prospect. The bottom line is that there is going to be extra capacity of about 3-4 million head in 2025. This volume of cattle represents the capacity of anywhere from 3-6 plants, depending on plant sizes.

There are several realistic factors that could be put forward to argue that there will be plant closures in 2025 and 2026. The first of those factors is the pending or likely excess capacity. As David Hales said in his June 17 newsletter, “it appears to us the race to close some slaughter plant, or plants is just about to start...”

A version of this note first appeared in the July 2 edition of the [Canadian Cattle Market Report](#). If you would like a free three month trial email kevin@kevingrier.com .

