

Strong Cattle Prices, Weakening Confidence: What, Me Worry?

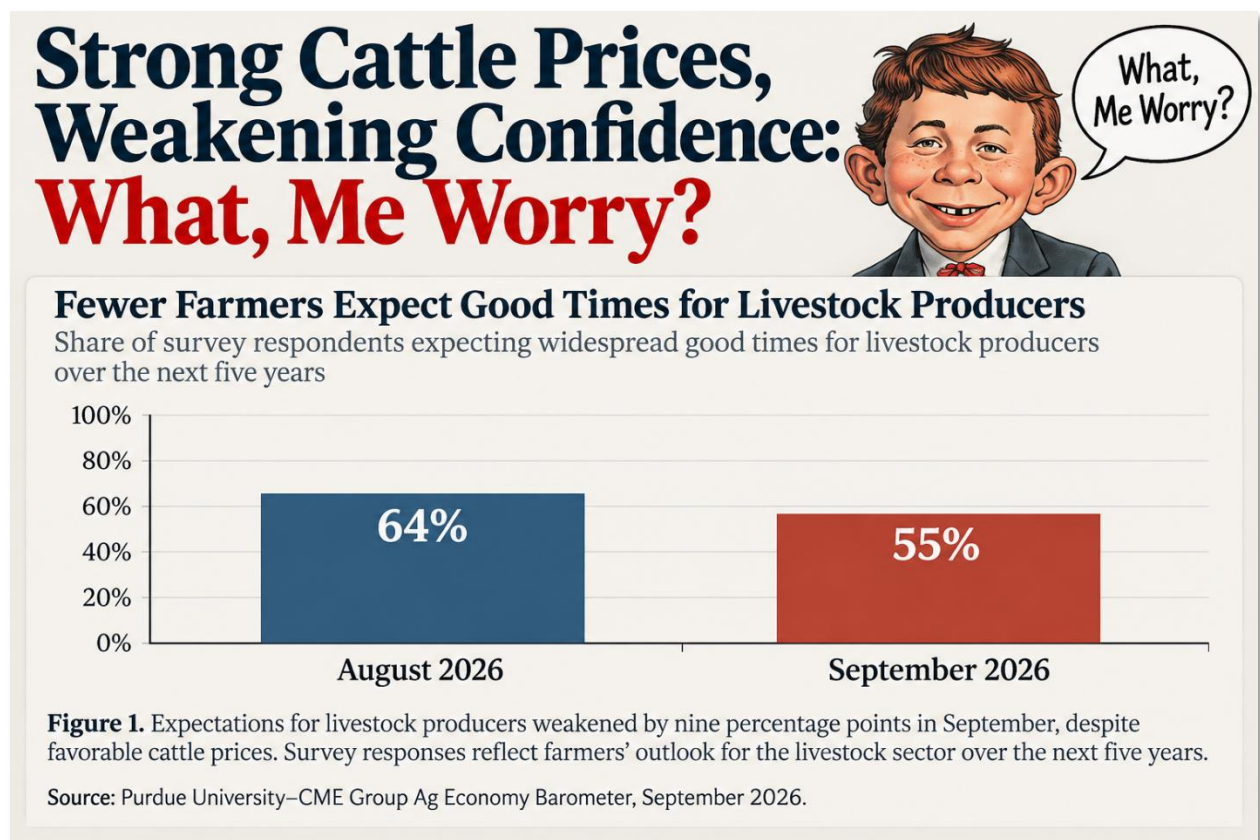
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Cattle prices remain strong, yet American livestock producers are becoming less optimistic about the future. The latest Purdue University-CME Group Ag Economy Barometer reveals a growing concern that favorable market prices may not be enough to offset rising production costs and uncertainty about future profitability.

The September survey of 400 U.S. farmers showed the Ag Economy Barometer declining from 135 in August to 123 in September, reflecting growing concerns about current financial conditions and future prospects.



Perhaps the most revealing finding concerns livestock producers. In August, 64% of surveyed farmers expected widespread good times for livestock producers over the next five years. By September, that proportion had fallen to 55%. Although the majority remained optimistic, the nine-percentage-point decline is noteworthy at a time when cattle markets continue to support historically favorable prices.

Higher prices do not necessarily mean higher profits

The explanation may lie in the difference between gross revenue and actual profitability. Higher cattle prices benefit producers selling calves, feeder cattle, and finished animals, but they also increase the cost of purchasing replacement females and feeder cattle. For operations looking to rebuild herds or expand production, today's favorable selling prices can become tomorrow's substantial capital investment.

Input costs remain the most immediate concern. A record 52% of surveyed producers identified higher input costs as their greatest worry, while 54% indicated that these expenses were the principal obstacle to improving their financial position. Feed, labor, equipment, financing, and other operating expenses all influence how much of the revenue generated by cattle sales ultimately remains with the producer.

The survey also revealed a reversal in expectations about farm finances. Only 22% of respondents expected their operations to be financially better off one year from now, compared with 35% who anticipated being worse off. These figures reflect sentiment across the agricultural sector, not cattle producers alone, but they illustrate the broader economic uncertainty influencing farm decisions.

The implications for herd rebuilding

For the U.S. beef industry, declining confidence could have consequences beyond individual farm balance sheets. Rebuilding breeding herds requires producers to retain replacement heifers, delay potential sales, and commit resources today in anticipation of future returns.

When replacement cattle are expensive and operating costs remain elevated, those decisions become increasingly difficult. Producers may prefer to capitalize on current prices rather than assume the financial risk associated with expansion. This could slow herd rebuilding even when market conditions appear favorable.

The distinction matters because strong cattle prices alone cannot guarantee a rapid recovery in cattle numbers. Expansion ultimately depends on producers having sufficient confidence in future margins to justify long-term investments.

Interestingly, the survey also showed that expectations for farmland values remain strong, with the Long-Term Farmland Value Expectations Index reaching a record 168. Farmers may therefore remain confident in the long-term value of agricultural assets while expressing considerably less confidence in their ability to generate satisfactory operating returns in the near future.

What producers should watch

The September barometer does not necessarily signal an approaching downturn in cattle prices. It does, however, suggest that producers are evaluating the risks of expansion more carefully. For cattle operations, the critical considerations remain the relationship between purchase and selling prices, operating expenses, financing costs, and the time required to recover investments in breeding stock.

Strong markets create opportunities, but they do not eliminate financial risk. The latest survey is a reminder that the health of the cattle industry cannot be judged by cattle prices alone.

The willingness of producers to reinvest in their operations may be an equally important indicator of where the industry is headed.

Sources: Purdue University-CME Group Ag Economy Barometer, September 2026; The Cattle Business Weekly, October 14, 2026.

Further reading: <https://ag.purdue.edu/commercialag/ageconomybarometer/>