An Overview of Fed Cattle Markets and Their Price Behavior

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Key Takeaways

- Weekly fed cattle price reports show more than averages. They reveal the level, spread, and extreme prices in fed cattle markets.
- In live cattle, negotiated cash prices usually change first, and formula prices tend to follow.
- In dressed cattle, formula prices are "stickier" in that they are slower to change and stay near their previous level longer.
- When negotiated cash trade is "thick" (more volume or head sold in cash), cash-to-formula pass-through is faster and stronger, especially in live cattle.
- Although Arkansas is mainly a cow–calf state, fed cattle price patterns affect feeder-calf prices, basis, and risk management decisions in Arkansas.

Why Fed Cattle Prices Matter in Arkansas

Arkansas is mostly a cow–calf and backgrounding state. Most producers in the state sell calves or yearlings, not finished fed cattle. Fed cattle are usually finished and sold in feeding regions such as the High Plains.

However, fed cattle prices still matter for Arkansas because feeder-calf and stocker prices depend on what feedlots and packers expect finished cattle to be worth. For example, a long-standing rule of thumb is that for every $1.00 per hundredweight change in fed cattle prices, feeder cattle prices change by $1.60 per hundredweight. Often, basis, forward contracts and risk management plans for calves and yearlings are tied to fed cattle values. Periods of high fed cattle price swings and extreme prices can show up as wider, more uncertain bids at local sale barns.

All these factors suggest that a general understanding of fed cattle markets and pricing information is important to producers who market feeder cattle.

Understanding how fed cattle prices move week to week can help explain:

- Why local feeder prices sometimes change more than expected
- Why buyers widen or tighten their bids

- How short-run risk changes after a market shock (such as a plant outage or sudden demand shift)

This fact sheet provides an overview of fed cattle pricing and recent patterns in fed cattle price distributions, with a focus on what they mean for Arkansas producers.

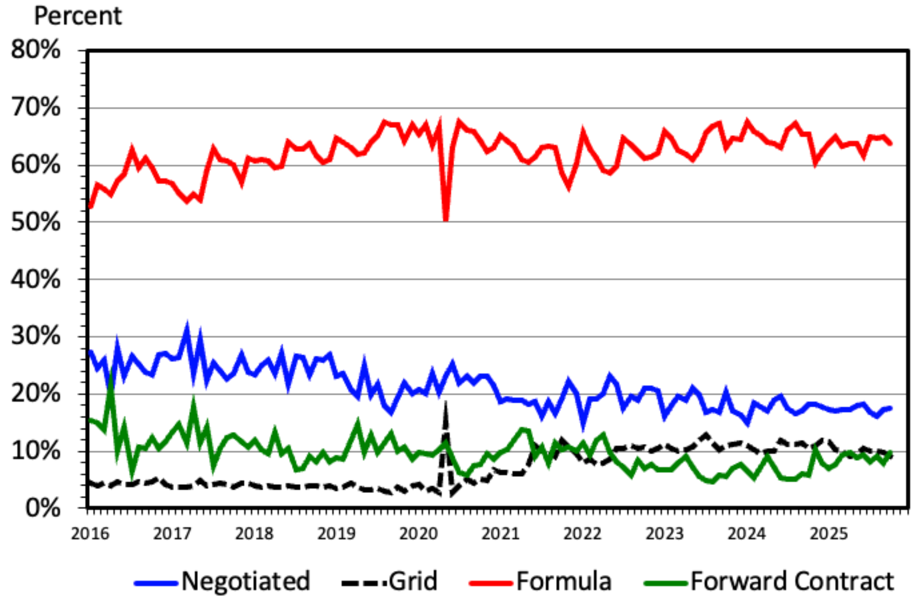


Figure 1. Fed cattle sold by transaction type, monthly, 2016-2025.
Source: USDA-AMS, LMIC.

Fed Cattle Markets

Fed cattle are cattle that have been finished in a feedlot and are ready for slaughter. Most fed cattle are sold in one of two ways. In negotiated cash ("cash") transactions, feedlots and packers agree on a price for that week through bids and asks. This is the costliest of all fed cattle transactions because of the time and effort involved in arriving at a price for a pen of cattle. These prices are either on a live or dressed carcass basis and serve as a key reference price for the rest of the market.

Formula prices ("formula") are established between feedlot and packer using a calculation or formula tied to a base market price. The formula may include grids (quality and yield grades), premiums and discounts (CAB or NHTC cattle) and other allowances. Many formulas use the regional cash price from that week as the base. For example, the simplest formula could be the weekly average negotiated price for Kansas, plus $1/cwt formular allowance, adjusted further by the appropriate premiums and discounts for quality and yield. The U.S. Department of Agriculture's Cattle Contract Library Dashboard provides a summary of the prevalence of different formula pricing arrangements.[1]

Negotiated cash trades provide visible price points. Formula pricing then uses those prices, along with quality and yield information, to set contract values. Figure 1 shows the monthly volume of fed cattle transactions as a percentage of overall transactions in the fed cattle market.

What Is Price Discovery?

Price discovery is the process the market uses to find the going price. That is, the correct price that reflects the underlying value of the commodity. Good price discovery means that the pricing process produces the best representation of that commodity's value. In fed cattle markets, when enough cattle sell in negotiated cash, the market receives clear signals about current supply and demand. These cash prices serve as a base or reference point for formula and grid prices, forward contracts, and expectations for futures and feeder-calf values.

When negotiated cash volume becomes very thin with only a small number of transactions, two concerns arise:

- Prices may not fully reflect current supply and demand conditions and the value of the commodity
- Formula prices may adjust more slowly to new information because they are based on negotiated prices

[1] The USDA Cattle Contract Dashboard is available at: https://mymarketnews.ams.usda.gov/Cattle_Contract_Library.

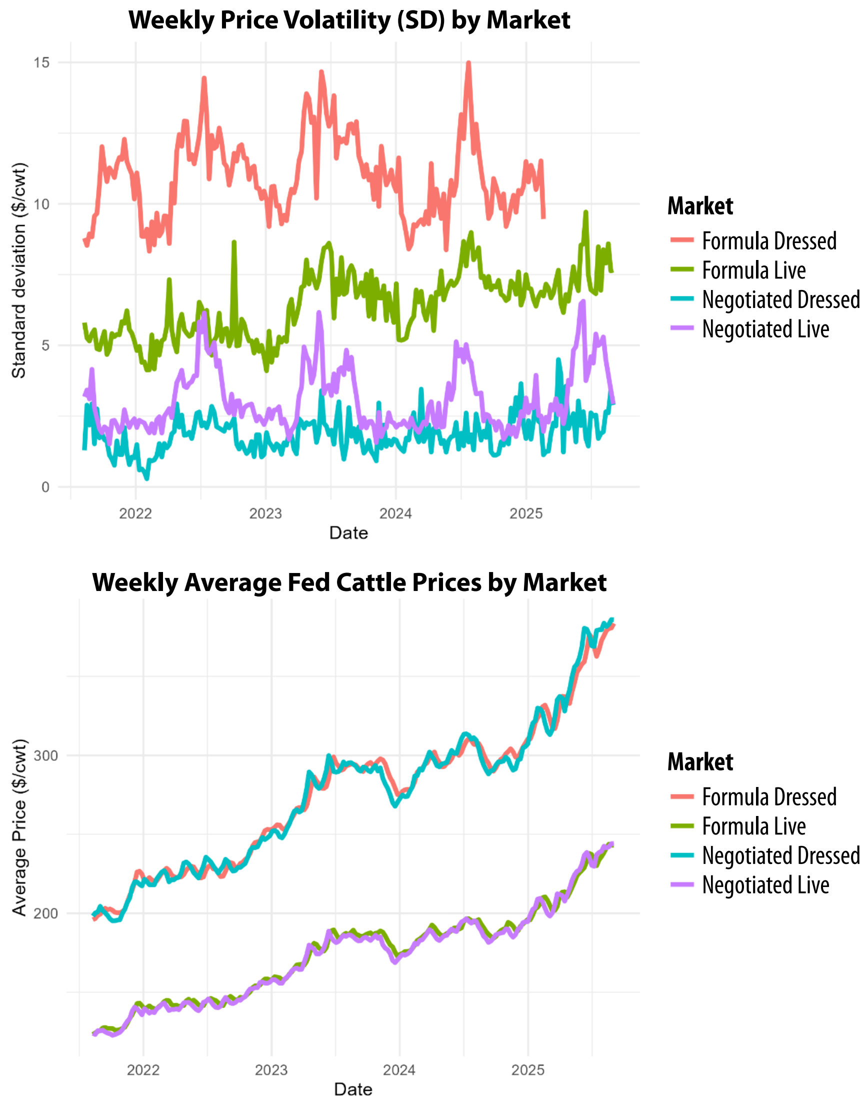
What Is LM_CT215?

USDA's Agricultural Marketing Service (AMS) publishes several price reports throughout the week to provide information on the fed cattle market.[2] One of the newer reports that USDA is publishing is called LM_CT215. This report:

- Shows how many fed cattle sold at different price ranges for fed cattle that week,
- Breaks out prices by negotiated cash vs formula and live vs dressed
- Uses $2/cwt price steps to show a full distribution of prices, not just an average

This report is designed to support price transparency and price discovery. It allows industry participants to see where most prices cluster (the middle of the market), how wide prices are spread (tight vs. wide pricing) and how many extreme high or low prices occurred in a given week. Producers do not need to work directly with the raw data. Knowing that this report exists, and what it shows, helps frame discussions about fed cattle prices and risk.

Figure 2. Weekly average and standard deviation fed cattle prices by market (negotiated vs. formula, live vs. dressed), 2021–2025. *Source: USDA-AMS, LM_CT215.*



Data and Approach

The analysis in this fact sheet uses weekly USDA-AMS LM_CT215 fed cattle reports from August 2021 through September 2025. Each report shows the number of head sold in $2/cwt price ranges, broken out by transaction type and by live versus dressed sales. For this fact sheet, the focus is on the four largest transaction categories, negotiated cash–live, negotiated cash–dressed, formula–live, and formula–dressed, which together account for the vast majority of reported volume. Smaller categories, such as grid and forward contracts, are excluded from the figures to keep the discussion focused on the main markets. Figure 2 summarizes weekly average prices and standard deviations for these four transaction types over the study period.

For each of these four markets, three basic features of the weekly price distribution are tracked. The level describes where most prices sit, similar to an average. The **width** shows how tightly or widely prices are spread in that week. The **tails** measure how much volume shows up at very high or very low prices. A simple measure of **market thickness** is also calculated: the share of total reported head sold in negotiated cash each week, referred to as the "cash share." Weeks with a higher cash share are called "thick cash

[2]Most of these reports are available at: https://www.ams.usda.gov/market-news/regional-direct-slaughter-cattle .

weeks," and weeks with a lower cash share are called "thin cash weeks." The patterns described in the following sections are based on how these features behave over time.

Patterns in Live Cattle Markets

In live cattle markets, negotiated cash prices tend to move first. When the cash level, the point at which most prices cluster, moves up or down, the formula level typically follows in the same direction with a short delay. Changes in formula prices, on the other hand, have much smaller effects on cash prices. This pattern suggests that negotiated cash remains an important driver of short-run live cattle price levels, even though cash volumes have declined over time.

The width of the live cash price distribution is also persistent. When cash prices are spread out during one week, they often remain wide the following week. The tails of the live cash distribution, very high or very low prices, also tend to linger, although not as strongly as the width. Many extreme price movements appear to originate in the cash market rather than in formula transactions, and tails in live formula prices are weaker and less persistent.

Market thickness strengthens these effects. In weeks with a high cash share, cash-to-formula pass through is larger and occurs more quickly. In thin cash weeks, cash still influences formula prices but the impact appears more slowly and less clearly.

Patterns in Dressed Cattle Markets

In dressed cattle markets, formula prices play a more dominant role. The formula level is highly persistent; once the average formula price moves into a new range, it tends to remain in that range for a longer period. Cash-to-formula effects in dressed cattle are smaller and fade more quickly than in live cattle, indicating that formula prices serve as the main reference point in dressed markets.

Dressed formula prices also show strong persistence in both width and tails. When the dressed formula distribution becomes wide, that wider spread often continues for several weeks. When a cash shock occurs, its effects can appear in the tails of dressed formula prices even after the average has stabilized. In practice, this means that grid outcomes and extreme prices may remain volatile even when the headline average formula price appears calm. Differences between thick and thin cash weeks are also smaller in dressed markets, and these differences close more quickly than in live cattle markets.

What This Means for Arkansas Producers and Agents

Although most Arkansas producers do not sell fed cattle, fed cattle price patterns can still affect local markets. In thin cash weeks, changes in fed cattle cash prices may

Table 1. At a Glance Dynamics

Market	Price Type	Feature	Persistence	Read it as
Live	Cash	Level	Moderate	Cash average moves last a bit; formula doesn't push cash much.
	Cash	Width	Strong	Variance sticks around.
	Cash	Tails	Moderate	Extremes linger somewhat.
	Formula	Level	Strong	Cash tends to lead formula averages.
	Formula	Width	Strong	Cash moves can widen/narrow the formula spread.
	Formula	Tails	Weak	Tail hits often start in cash.
Dressed	Cash	Level	Weak	Little stickiness.
	Cash	Width	Moderate	Some variance carryover.
	Cash	Tails	Weak	Extremes fade quickly.
	Formula	Level	Very strong	Formula average is selfpersistent.
	Formula	Width	Strong	Volatility stays elevated (can pick up cash moves weakly).
	Formula	Tails	Strong	Cash shocks show up in formula tails.

Notes: Level = average position; Width = dispersion; Tails = activity far from the middle.

show up more slowly and less strongly in formula prices. This can lead to wider or more cautious bids on feeder cattle. After a large cash price move during a thin week, it may be helpful to allow more room in basis expectations and price planning for the next one to three weeks. When dressed formula price distributions are wide and include more extreme prices, buyers may be more cautious about grid and carcass risk, which can affect how they bid for calves and yearlings.

Fed cattle market conditions, especially cash market thickness, width and tails, can explain why local feeder bids may widen or become more volatile. When the live cash market is thick and moving, it often provides a stronger signal about fed cattle values and can help explain shifts in local calf prices and basis.

Limits and Summary

This analysis is based on a limited period and aggregated data. The sample covers only a few recent years, so longer-term cycles and rare events are not fully captured. Confidentiality rules and changes in reporting groups can create gaps in the series. In addition, the cash share used in this fact sheet is an aggregate measure, not a plant-level measure, so local conditions may differ from the patterns described here.

Even with these limitations, the overall message is clear: weekly fed cattle price distributions reveal information that simple averages miss. By paying attention to the level, width and tails of both cash and formula prices, and by noting whether cash trading is thick or thin, market participants can gain a clearer view of who tends to move first, how price shocks pass through the system and how long short-run risk is likely to last in fed cattle markets that ultimately influence Arkansas cow–calf prices.

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