

BEEF-ON-DAIRY OUTLOOK: A MATURING MARKET WITH STEADY VALUE AND RISING EXPECTATIONS

After years of fast-paced growth, the beef-on-dairy sector is entering a new chapter, one marked by steadier numbers, tighter margins and a sharper focus on quality. What started as a promising opportunity to add value to dairy herds has matured into an essential and more predictable part of the U.S. beef supply chain.

Transitioning from growth to maturity

The practice of breeding dairy cows to beef sires surged initially, offering a solution to add value to non-replacement calves while also reducing dairy replacement surpluses. However, the initial enthusiasm appears to have outpaced replacement heifer needs. Many dairies may have overcorrected, prioritizing beef genetics at the expense of maintaining a healthy pipeline of replacements.

As a result, the sector has reached a practical ceiling. That's not to say the segment has lost value — that's far from it. Instead, we're seeing producers and supply chain stakeholders move from rapid growth into a phase where efficiency, animal performance and supply chain alignment matter more than ever. The dairy industry is seeking a balance between producing dairy replacement heifers and beef-dairy cross calves.

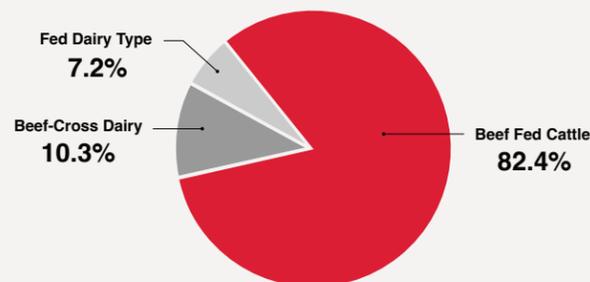
Market outlook: Tight supply, strong demand

Looking out over the next several years, the value of beef-on-dairy cattle will continue to support overall beef supply. Beef cow herds still are recovering from a multi-year cattle population decline, driven by tight margins and persistent drought.

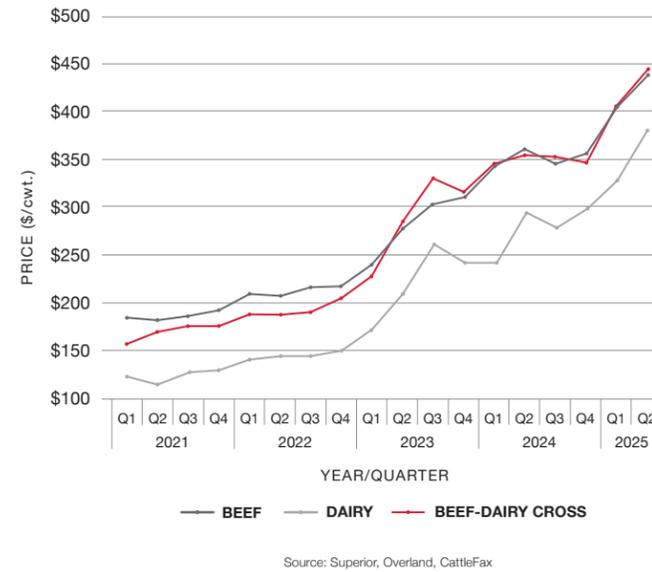
Current projections indicate that beef-on-dairy crossbred calf volumes have likely reached their peak, with a gradual decline of 300,000 to 400,000 head expected in the coming years. As the dairy industry seeks to amend the shortage of replacement heifers, breedings for beef-on-dairy calves were down approximately 5% in 2024, setting the stage for declining numbers ahead.

Domestic and global beef demand remains remarkably strong. Despite economic headwinds and inflation, consumers continue to prioritize beef, especially when job markets are strong. That continued appetite helps support the role of beef-on-dairy cattle in the supply chain.

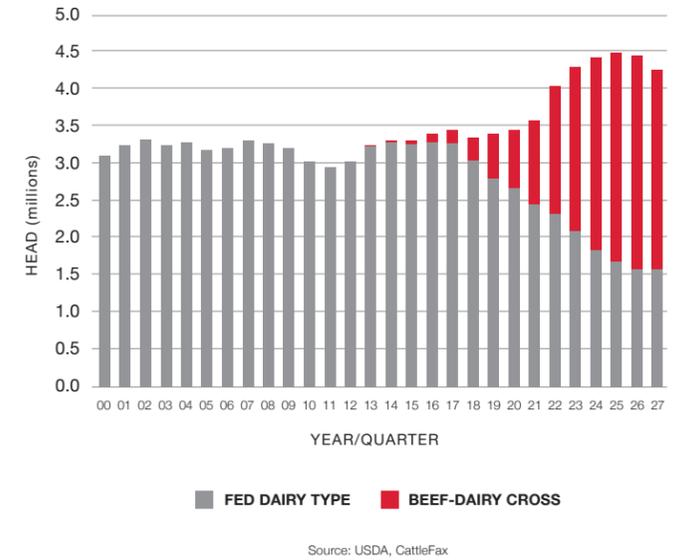
2025 estimated U.S. fed cattle slaughter



Quarterly 400-450 lb. steer calf prices



Estimated U.S. dairy-influenced fed slaughter



A narrowing pricing gap reflects confidence

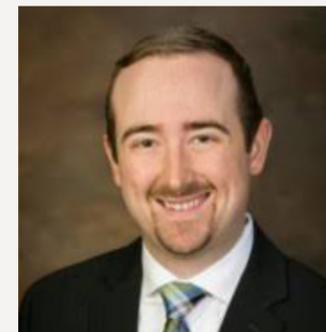
The price spread between beef-on-dairy calves and native beef cattle is narrowing significantly. Three years ago, beef-on-dairy calves were sold at steep discounts. But that's changed, thanks in large part to better genetics and smarter breeding decisions. Genetic suppliers have zeroed in on beef sires that are well suited for dairy cows. And, producers are making more targeted selections.

The result? Stronger, more consistent cattle in which feedlots and packers are increasingly confident in. While there's still a small discount compared to native beef cattle in some weight classes, it's far less dramatic and

often offset by the reliability and feedlot performance of these crossbred cattle.

The future: Value over volume

As the beef-on-dairy segment matures, it's clear that the market's next phase will require more strategic thinking and adaptability from producers. While market growth may be slowing, the focus has shifted from volume to value. The future of this market will be shaped by those who can produce high-quality, efficient animals that align with the evolving needs of packers, feedlots and consumers.



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