

Historical and Projected Kansas Feedlot Net Returns

July 2016

Glynn T. Tonsor (Kansas State University)

This article presents estimated net returns of cattle finishing operations as of July 13, 2016. The calculation and projection process was updated in July of 2012.¹ **This process reflects a cash market situation without price risk management strategies being implemented.** Each month updates are made to reflect the most recent feedlot closeout estimates and to reflect current market conditions.

Close-out Calculations

The most recent *Focus on Feedlots* survey provides information on lots closed out in May of 2016. As shown in figures 1 and 2, steers were estimated to be sold in May at losses of -\$37.40/hd while heifers were sold at a gain of \$39.93/hd.

Projected Returns

Given the one-month lag in *Focus on Feedlots* survey information, market information is available for June of 2016 but realized animal performance data are not yet available. Currently, the net returns projected for closeouts in June are losses of -\$42.26/hd and -\$46.98/hd for steers and heifers, respectively (tables 1 and 2). Tables 1 and 2 also present projected net returns for closeouts over the next nine months based on forecasts of both animal performance and market prices. These tables also include the projected and breakeven values for cattle prices and cost of gain which provide further insight into the sensitivity underlying these projections. **Producers are encouraged to carefully compare their own costs and prices with those reported here.** The projections suggest upcoming closeout months will remain negative yet have improved some from last month mainly given developments in fed cattle prices. Finally, historical and breakeven values are provided in chart format revealing trends over time in fed cattle sales prices (figures 3 and 4), cost of gain (figures 5 and 6), and feeder cattle purchase prices (figures 7 and 8).

¹ A document describing the specific approach taken in these calculations and projections is available at: <http://www.agmanager.info/livestock/marketing/outlook/newsletters/FinishingReturns/default.asp>.

Table 1. Projected Values for Finishing Steers in Kansas Feedyards*

| Closeout Mo-Yr | Net Return | FCOG** | Fed Price | Feeder Price | Breakeven FCOG** | Breakeven Fed Price | Breakeven Feeder Price |
|----------------|------------|--------|-----------|--------------|------------------|---------------------|------------------------|
| Jun-16 | -42.26 | 80.35 | 123.66 | 156.53 | 73.30 | 126.62 | 151.43 |
| Jul-16 | -217.25 | 80.41 | 112.09 | 154.75 | 43.35 | 127.00 | 129.81 |
| Aug-16 | -187.12 | 79.01 | 111.35 | 152.17 | 47.76 | 124.13 | 130.54 |
| Sep-16 | -176.53 | 79.34 | 111.16 | 149.20 | 49.70 | 123.06 | 129.34 |
| Oct-16 | -122.25 | 80.74 | 112.01 | 146.57 | 61.78 | 120.15 | 132.30 |
| Nov-16 | -101.70 | 82.88 | 112.47 | 142.95 | 66.87 | 119.26 | 131.18 |
| Dec-16 | -82.85 | 84.49 | 112.62 | 138.13 | 70.74 | 118.18 | 128.80 |
| Jan-17 | -26.92 | 85.03 | 114.15 | 134.82 | 80.62 | 115.97 | 131.72 |
| Feb-17 | -25.80 | 83.23 | 112.58 | 134.23 | 79.06 | 114.34 | 131.17 |
| Mar-17 | 2.86 | 82.91 | 114.26 | 132.11 | 83.40 | 114.07 | 132.44 |

Table 2. Projected Values for Finishing Heifers in Kansas Feedyards*

| Closeout Mo-Yr | Net Return | FCOG** | Fed Price | Feeder Price | Breakeven FCOG** | Breakeven Fed Price | Breakeven Feeder Price |
|----------------|------------|--------|-----------|--------------|------------------|---------------------|------------------------|
| Jun-16 | -46.98 | 86.01 | 123.01 | 148.54 | 76.47 | 126.63 | 142.70 |
| Jul-16 | -170.44 | 85.92 | 111.54 | 145.87 | 51.13 | 124.80 | 124.46 |
| Aug-16 | -157.77 | 84.12 | 110.38 | 144.08 | 52.82 | 122.52 | 124.24 |
| Sep-16 | -165.91 | 86.16 | 110.46 | 141.23 | 51.74 | 122.94 | 121.65 |
| Oct-16 | -92.90 | 86.04 | 111.89 | 136.74 | 67.98 | 118.83 | 125.46 |
| Nov-16 | -76.46 | 89.29 | 112.19 | 133.32 | 74.13 | 118.03 | 123.83 |
| Dec-16 | -3.17 | 88.25 | 112.53 | 125.70 | 87.63 | 112.76 | 125.31 |
| Jan-17 | 43.25 | 89.03 | 113.94 | 123.56 | 96.77 | 110.74 | 129.00 |
| Feb-17 | 75.71 | 87.46 | 112.29 | 116.59 | 101.90 | 106.73 | 125.61 |
| Mar-17 | 83.47 | 86.74 | 114.18 | 118.23 | 103.59 | 108.00 | 127.99 |

* Net return is \$/head and all other values are \$/cwt.

** FCOG = Feeding cost of gain

Figure 1. Historical & Projected Average Net Returns for Finishing Steers in Kansas Feedyards

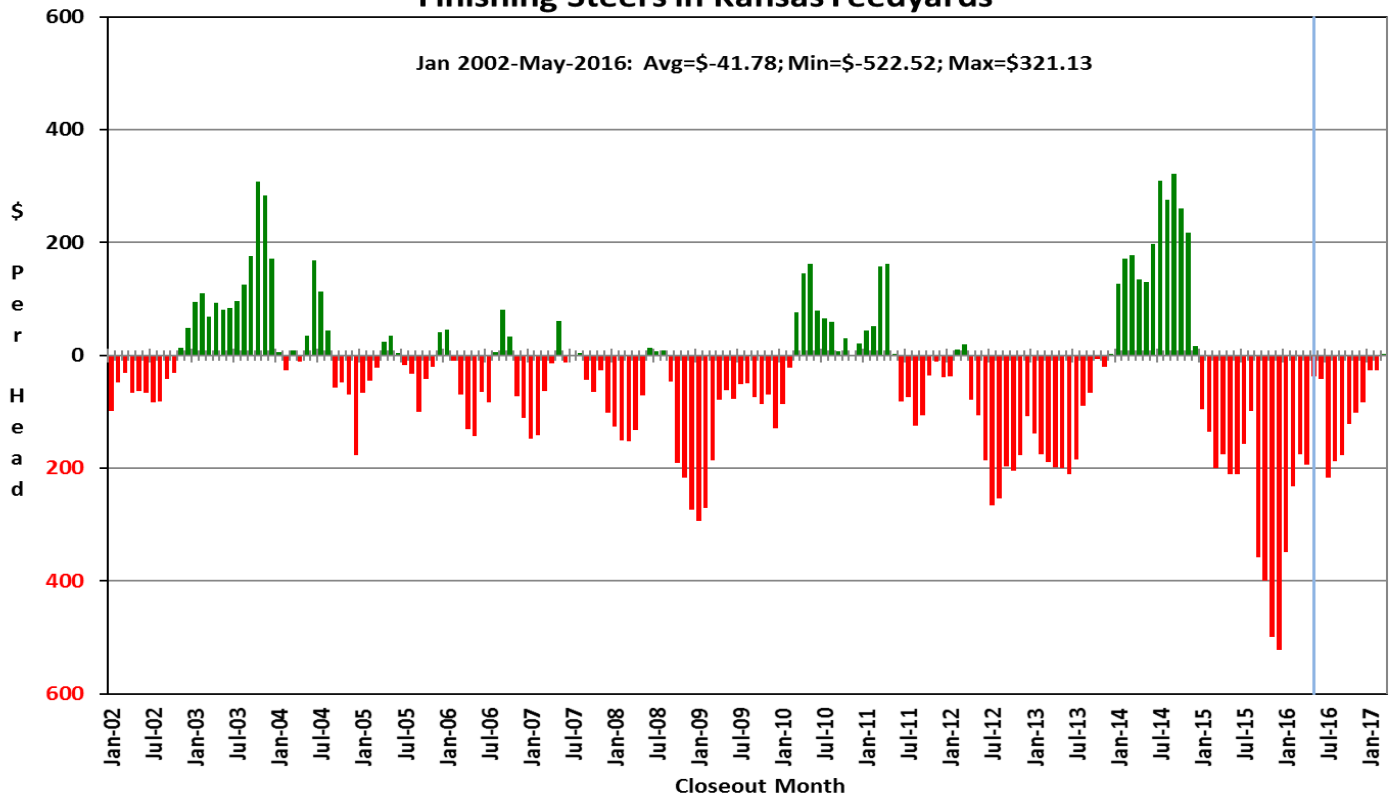


Figure 2. Historical & Projected Average Net Returns for Finishing Heifers in Kansas Feedyards

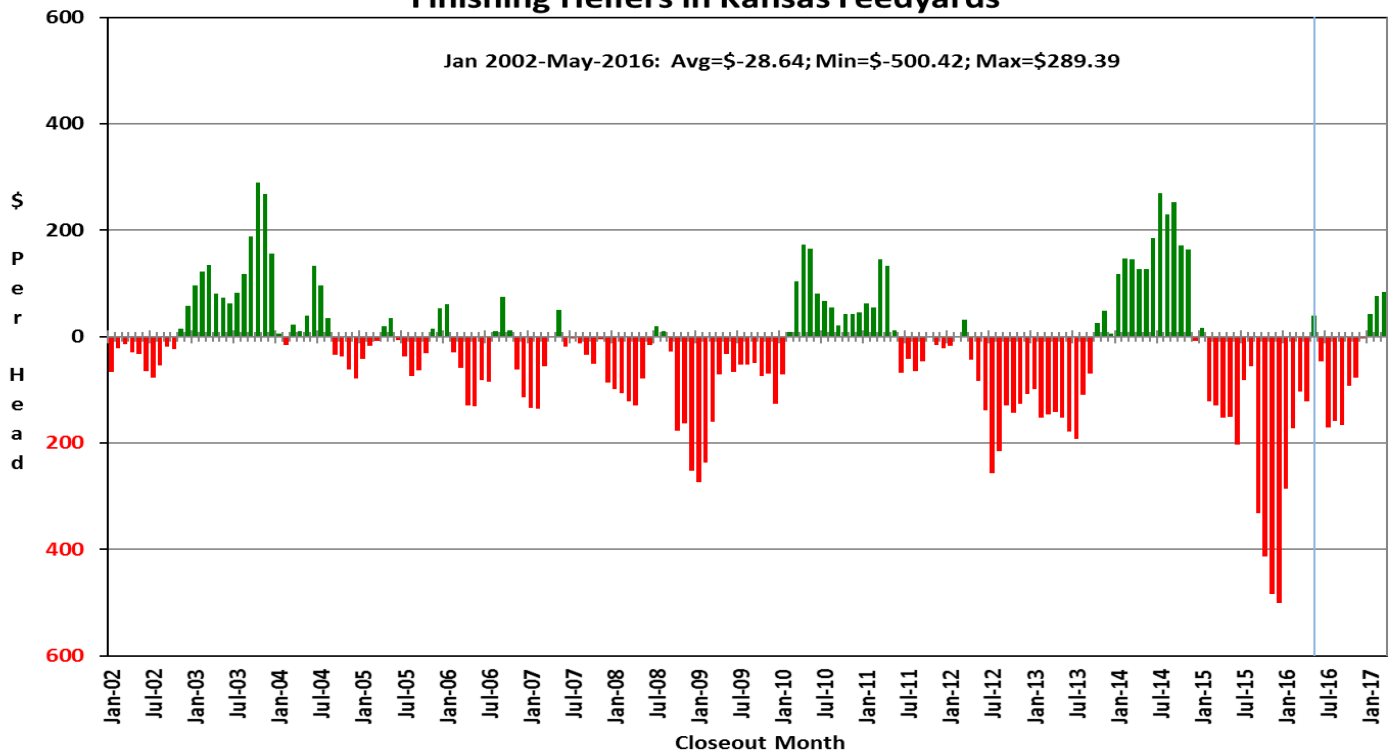


Figure 3. Historical & Projected Fed Cattle Prices and Breakeven Prices for Steers in Kansas Feedyards

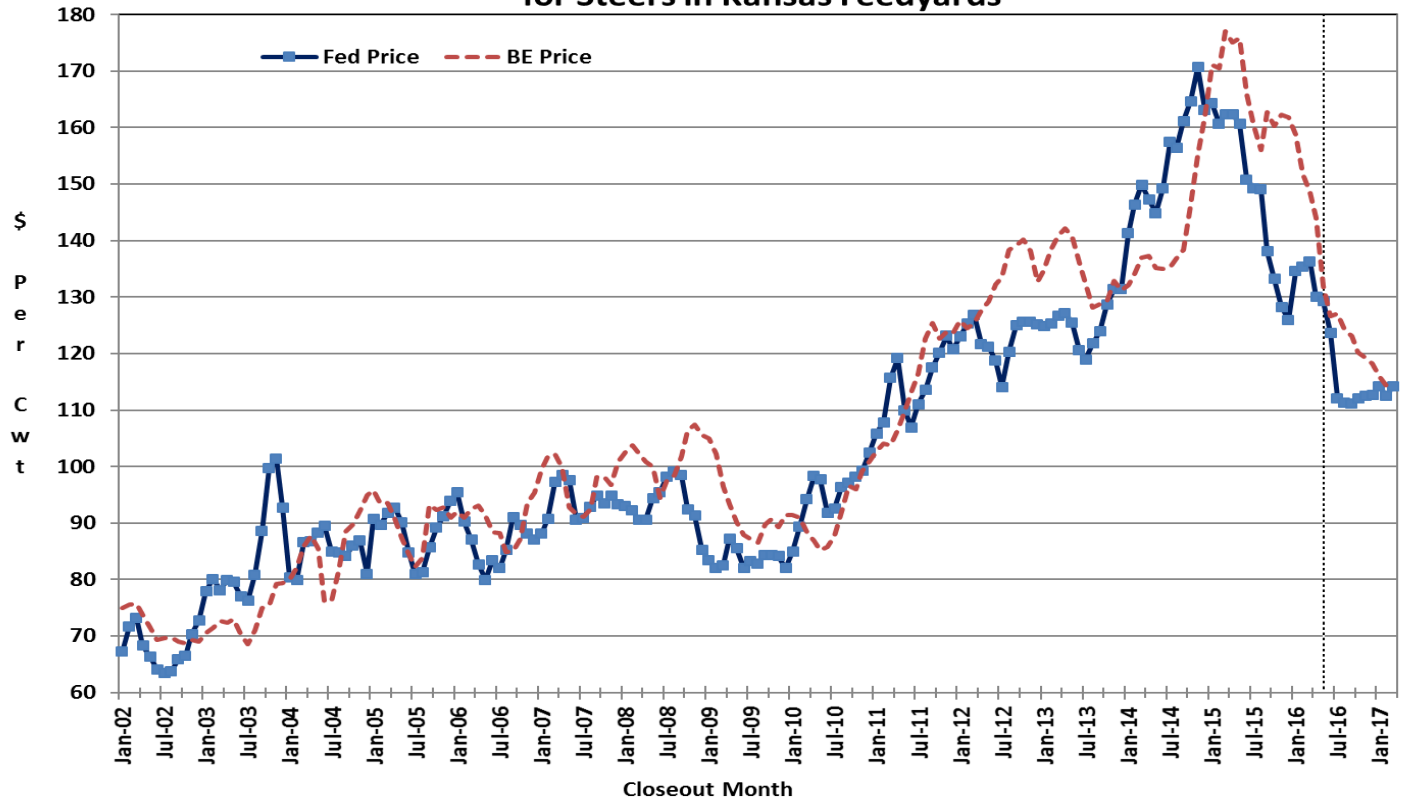


Figure 4. Historical & Projected Fed Cattle Prices and Breakeven Prices for Heifers in Kansas Feedyards

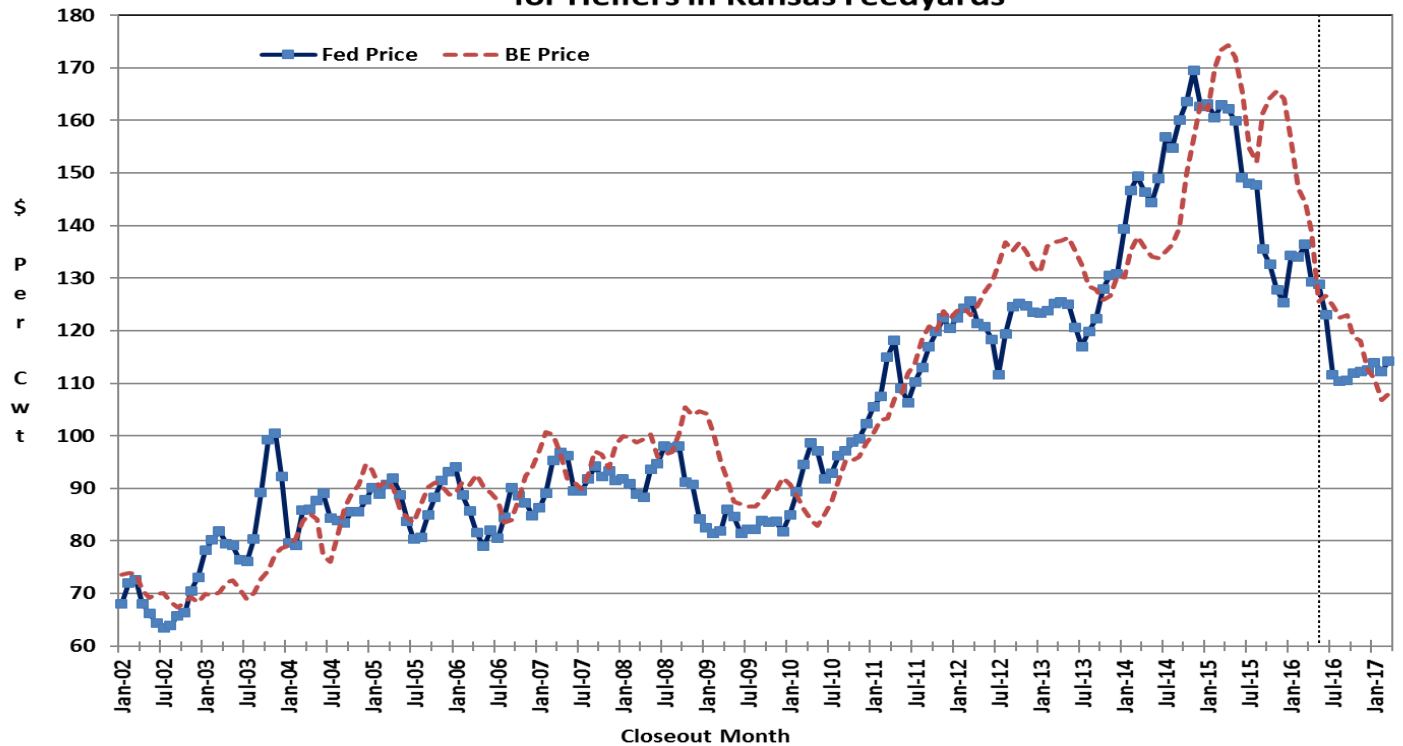


Figure 5. Historical & Projected Feeding Cost of Gain and Breakeven Cost of Gain for Steers in Kansas Feedyards

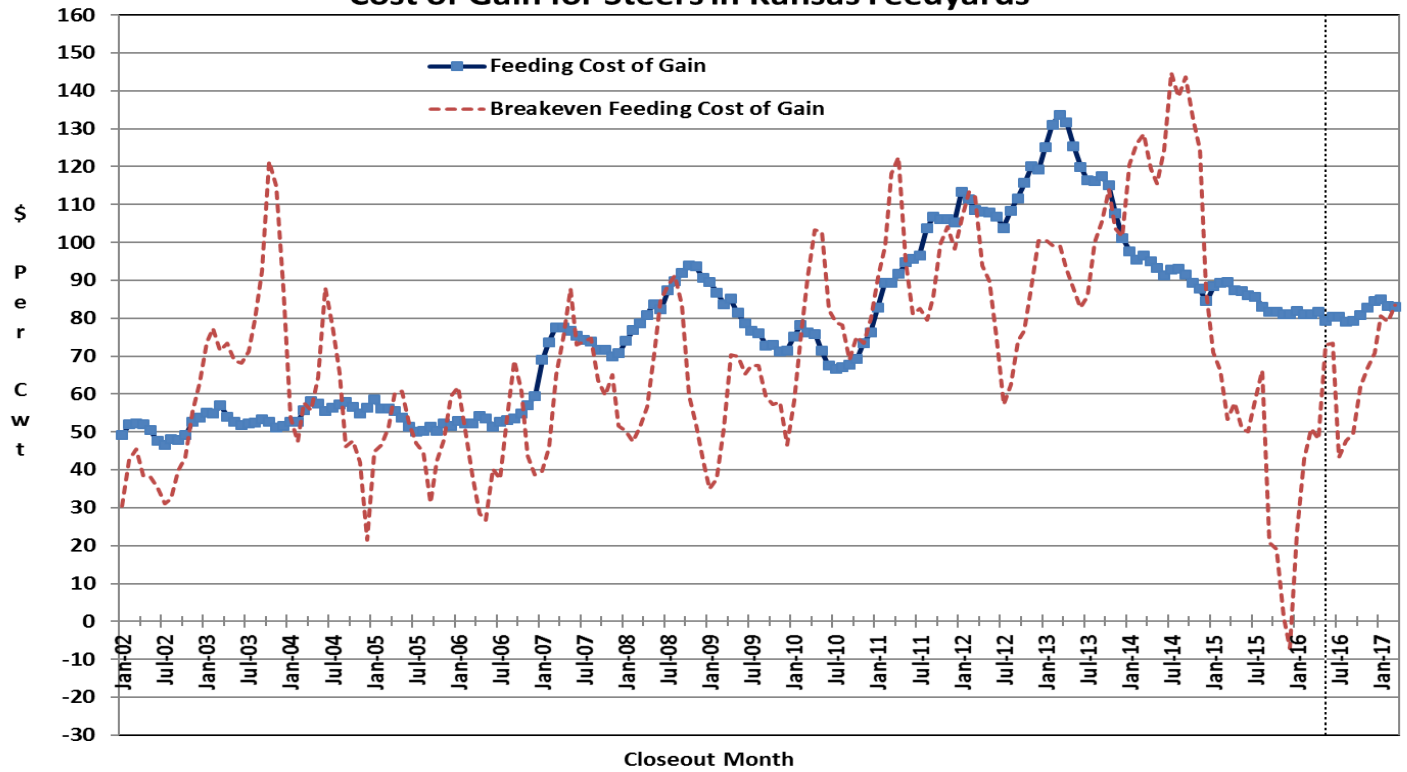


Figure 6. Historical & Projected Feeding Cost of Gain and Breakeven Cost of Gain for Heifers in Kansas Feedyards

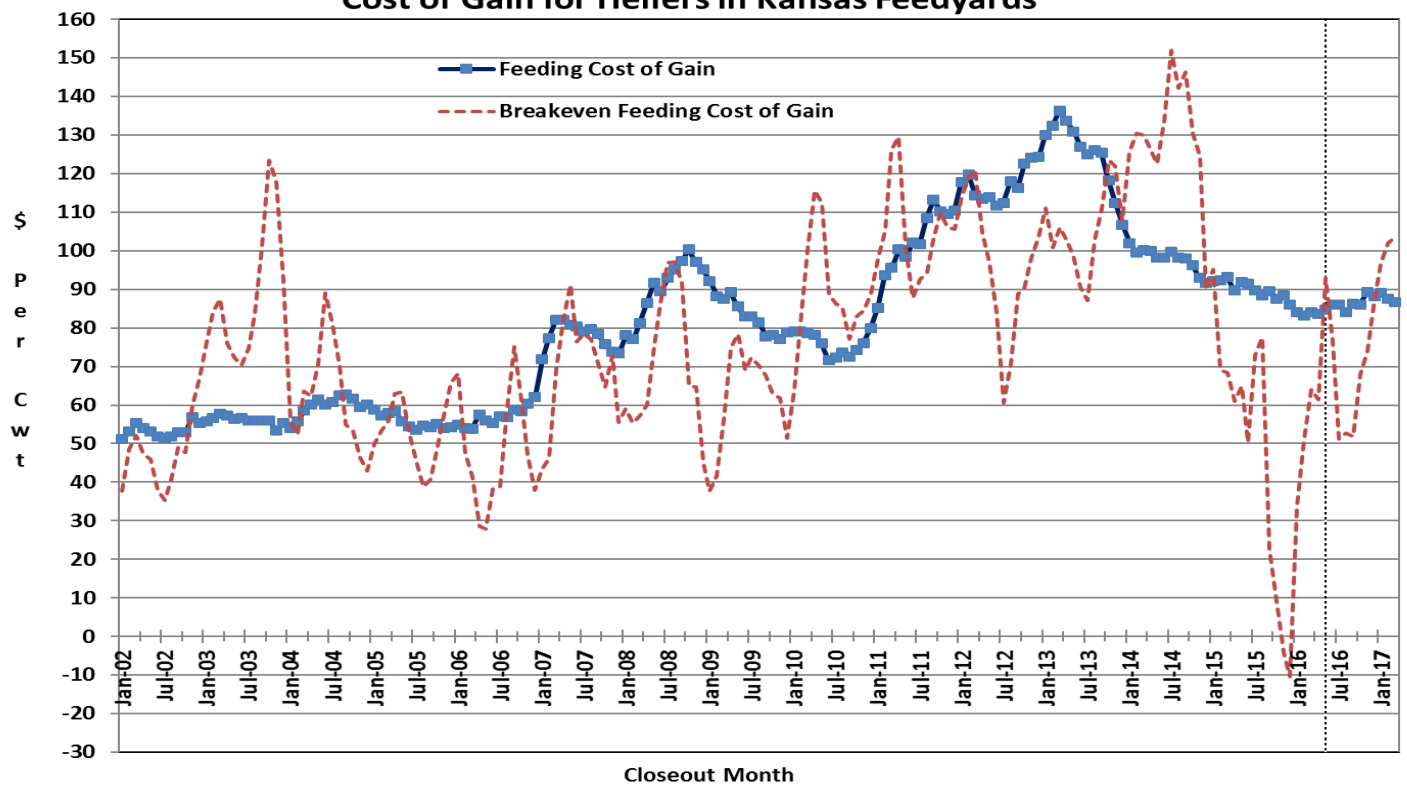


Figure 7. Historical & Projected Feeder Cattle Prices and Breakeven Prices for Steers in Kansas Feedyards

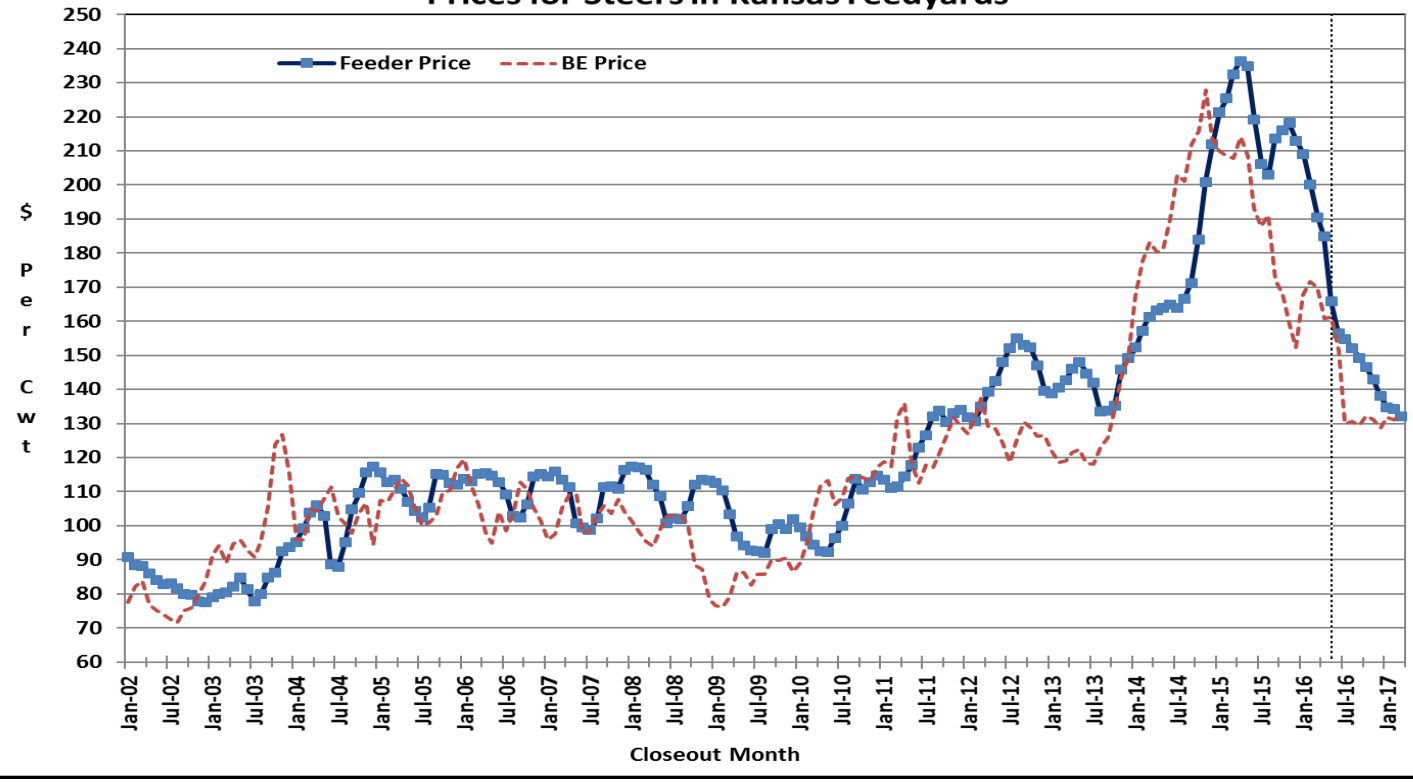


Figure 8. Historical & Projected Feeder Cattle Prices and Breakeven Prices for Heifers in Kansas Feedyards

