

Historical and Projected Kansas Feedlot Net Returns

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Glynn T. Tonsor and Kevin C. Dhuyvetter (Kansas State University)

This short article presents estimated net returns of cattle finishing operations as of August 6, 2012. The process of calculating historical net returns and projecting future net returns was updated in July of 2012.¹ 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 June of 2012. As shown in figures 1 and 2, steers and heifers were estimated to be sold in June at significant losses (-\$185.93/hd and -\$138.39/hd, respectively). Since June of 1993, there have only been six months with similar or larger estimated losses for steers (October 2008- March 2009).

Projected Returns

Given the one-month lag in *Focus on Feedlots* survey information, market information is available for July of 2012 but realized animal performance data are not yet available. Currently, the net returns projected for closeouts in July are -\$290.98/hd and -\$278.50/hd for steers and heifers, respectively (tables 1 and 2). These significantly worse returns are due to lower fed cattle prices, increasing feed prices, but still high placement costs. Tables 1 and 2 also present projected net returns for closeouts over the next five 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. The projections included in tables 1 and 2 suggest large negative returns yet for the next several months before starting to improve toward the end of 2012 when the effect of the lower placement costs are realized. 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 |
|----------------|------------|--------|-----------|--------------|------------------|---------------------|------------------------|
| Jul-12 | -290.98 | 105.26 | 114.04 | 152.33 | 52.18 | 135.25 | 117.00 |
| Aug-12 | -200.17 | 106.71 | 123.32 | 155.03 | 70.08 | 137.78 | 131.14 |
| Sep-12 | -209.61 | 110.00 | 123.14 | 153.01 | 70.52 | 138.33 | 128.33 |
| Oct-12 | -150.02 | 110.37 | 127.29 | 153.27 | 83.01 | 138.12 | 135.35 |
| Nov-12 | -85.95 | 111.48 | 128.02 | 147.11 | 96.49 | 134.16 | 136.72 |
| Dec-12 | 14.34 | 113.23 | 130.43 | 138.62 | 115.74 | 129.36 | 140.48 |

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 |
|----------------|------------|--------|-----------|--------------|------------------|---------------------|------------------------|
| Jul-12 | -278.50 | 113.95 | 111.56 | 145.58 | 54.14 | 134.73 | 107.76 |
| Aug-12 | -141.76 | 113.12 | 122.23 | 144.56 | 82.81 | 133.87 | 125.66 |
| Sep-12 | -154.79 | 115.55 | 121.97 | 143.86 | 81.42 | 134.72 | 123.50 |
| Oct-12 | -81.05 | 114.73 | 126.24 | 141.41 | 97.51 | 132.76 | 130.93 |
| Nov-12 | -44.92 | 116.97 | 126.31 | 135.57 | 107.40 | 129.90 | 129.81 |
| Dec-12 | -16.36 | 118.68 | 128.91 | 135.04 | 115.20 | 130.24 | 132.89 |

* 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

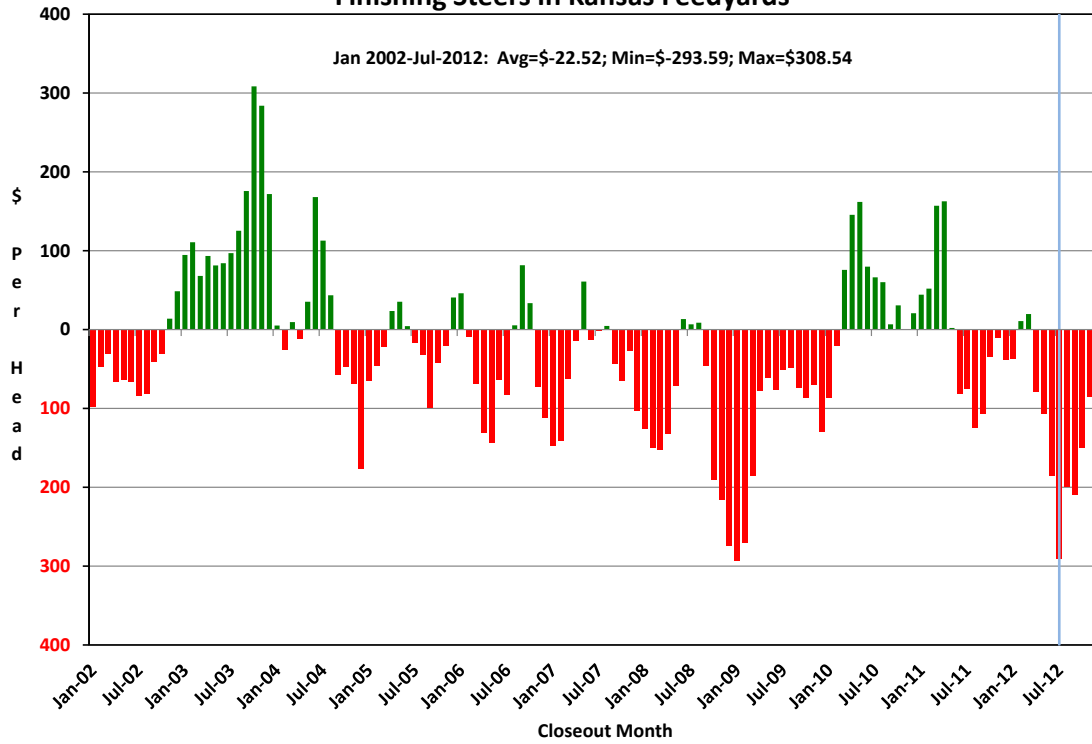
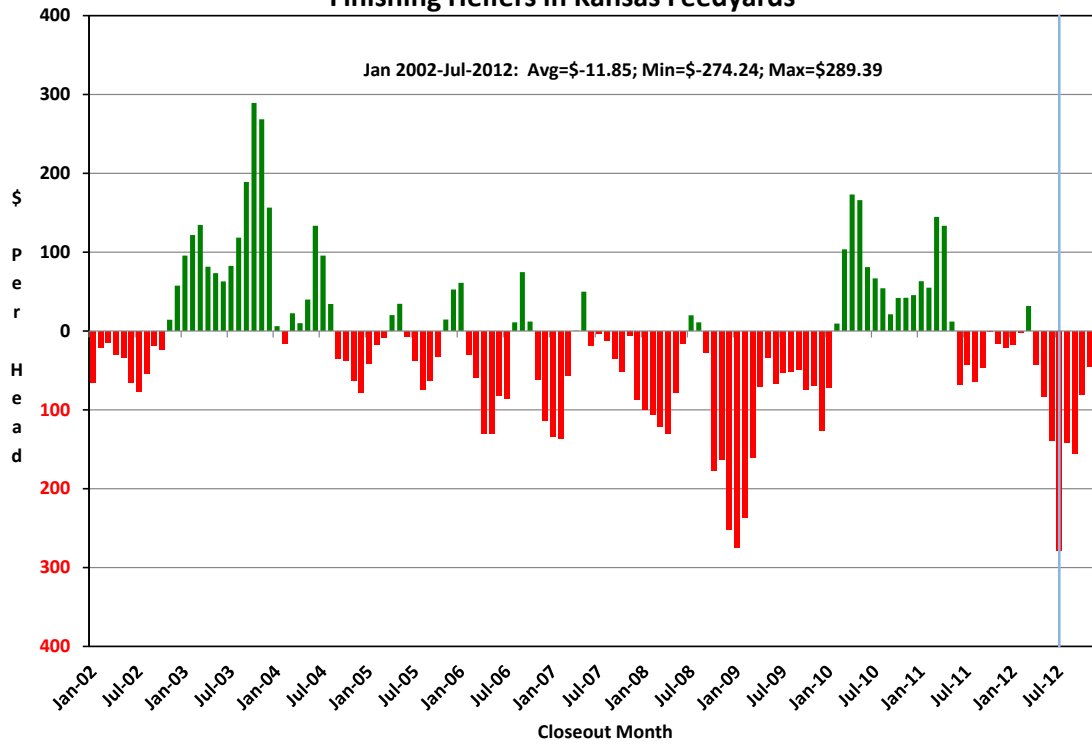


Figure 2. Historical & Projected Average Net Returns for Finishing Heifers in Kansas Feedyards



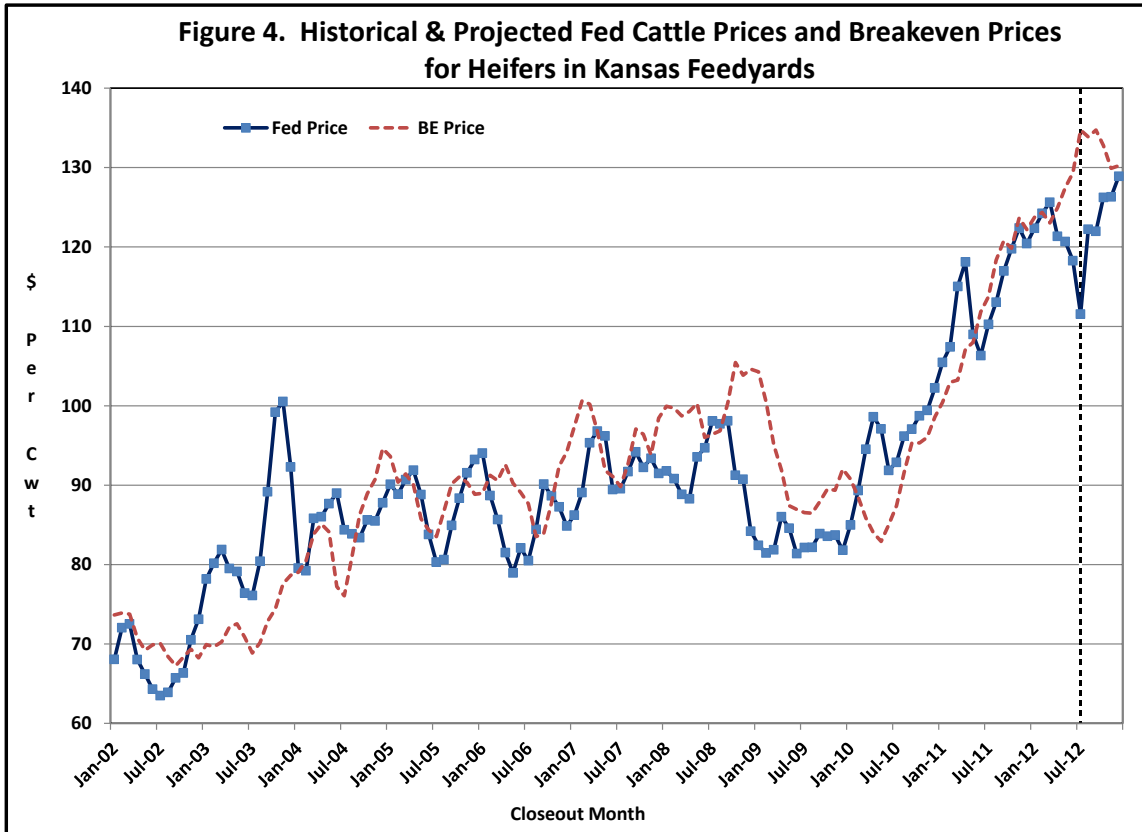
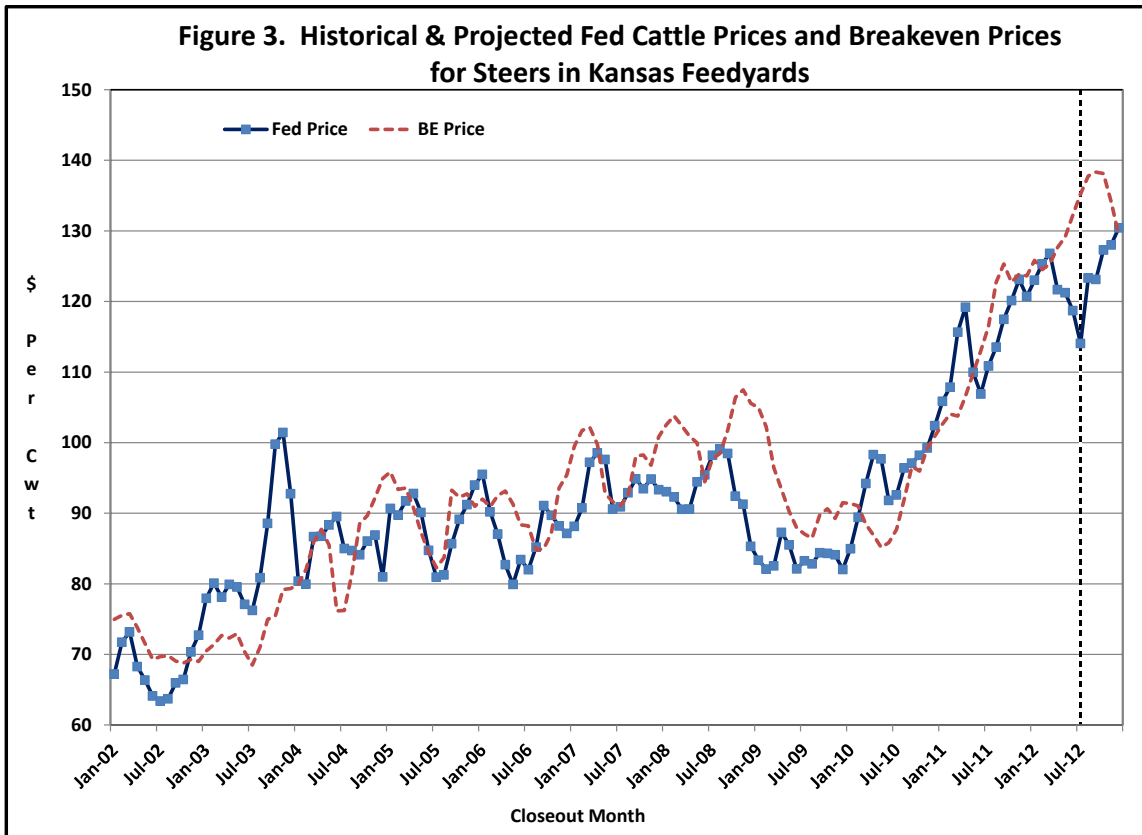


Figure 5. Historical & Projected Feeding Cost of Gain and Breakeven Cost of Gain for Steers in Kansas Feedyards

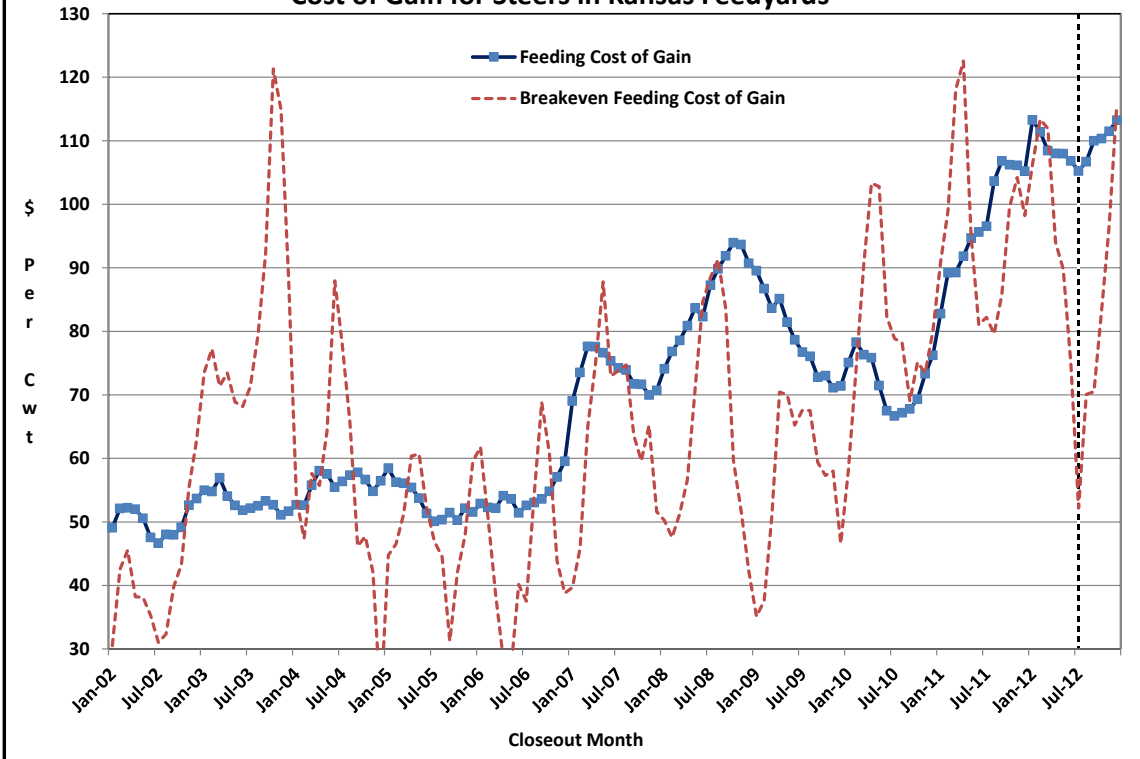


Figure 6. Historical & Projected Feeding Cost of Gain and Breakeven Cost of Gain for Heifers in Kansas Feedyards

