

Historical and Projected Kansas Feedlot Net Returns

October 2012

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

This short article presents estimated net returns of cattle finishing operations as of October 4, 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 August of 2012. As shown in figures 1 and 2, steers and heifers were estimated to be sold in August at significant losses (-\$253.16/hd and -\$215.27/hd, respectively). Since June of 1993, there have only been four months with similar or larger estimated losses for steers (December 2008 - February 2009; July 2012).

Projected Returns

Given the one-month lag in *Focus on Feedlots* survey information, market information is available for September of 2012 but realized animal performance data are not yet available. Currently, the net returns projected for closeouts in September are -\$180.15/hd and -\$120.54/hd for steers and heifers, respectively (tables 1 and 2). While less extreme than the past two months, these significantly negative returns remain largely due to increasing feed prices and 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. Producers are encouraged to carefully compare their own costs and prices with those reported here. The projections included in tables 1 and 2 suggest returns will improve in coming months reflecting lower placement costs and increased sales 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
Sep-12	-180.15	109.54	124.95	153.01	75.93	137.99	131.71
Oct-12	-127.94	110.96	128.94	153.26	87.87	138.16	137.90
Nov-12	-69.18	112.45	129.68	147.48	100.52	134.61	139.08
Dec-12	22.68	114.57	132.23	139.93	118.48	130.55	142.89
Jan-13	-5.04	118.83	131.52	138.64	117.95	131.89	137.99
Feb-13	22.70	120.18	135.47	140.55	124.16	133.83	143.36

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
Sep-12	-120.54	114.92	124.60	143.88	88.52	134.48	128.08
Oct-12	-62.29	115.12	127.95	141.47	101.98	132.93	133.45
Nov-12	-28.94	117.79	128.03	135.77	111.68	130.33	132.08
Dec-12	23.46	119.82	130.80	132.24	124.76	128.90	135.31
Jan-13	-14.73	125.46	129.22	131.04	122.39	130.40	129.13
Feb-13	-4.92	127.61	133.47	135.20	126.56	133.87	134.55

* 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

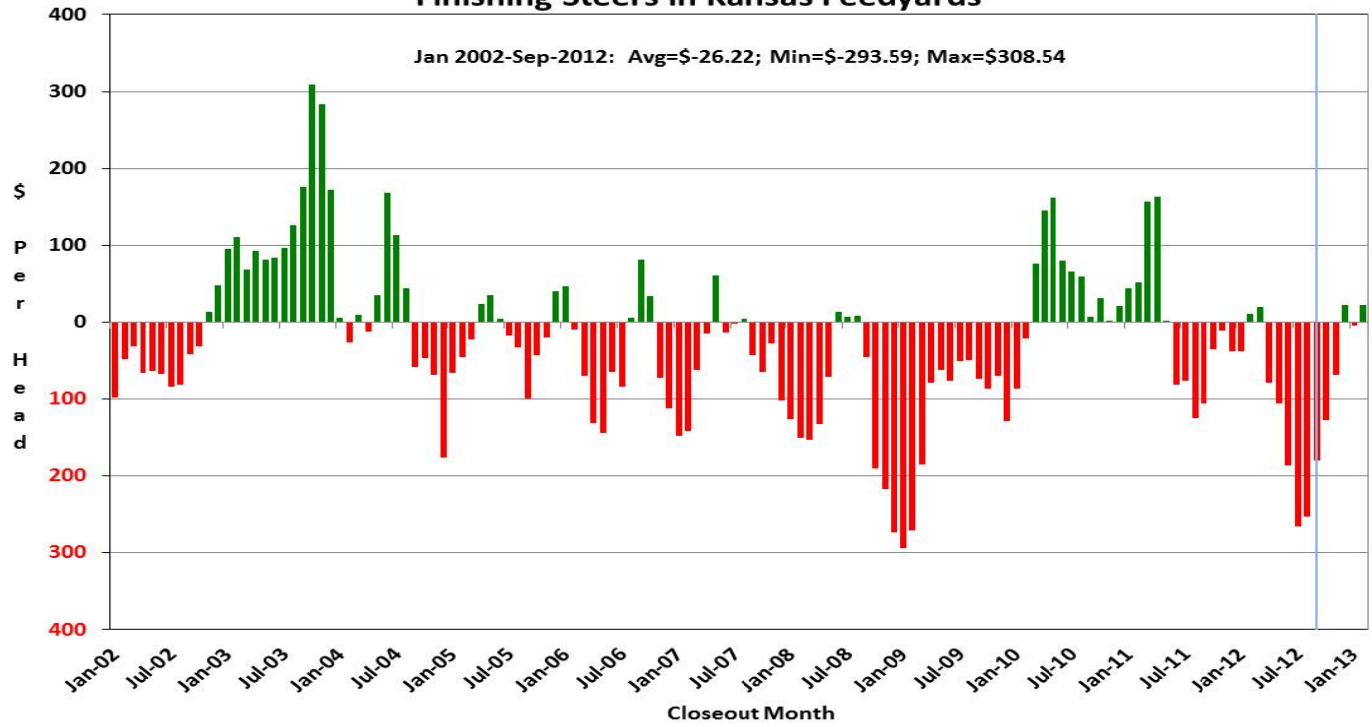


Figure 2. Historical & Projected Average Net Returns for Finishing Heifers in Kansas Feedyards

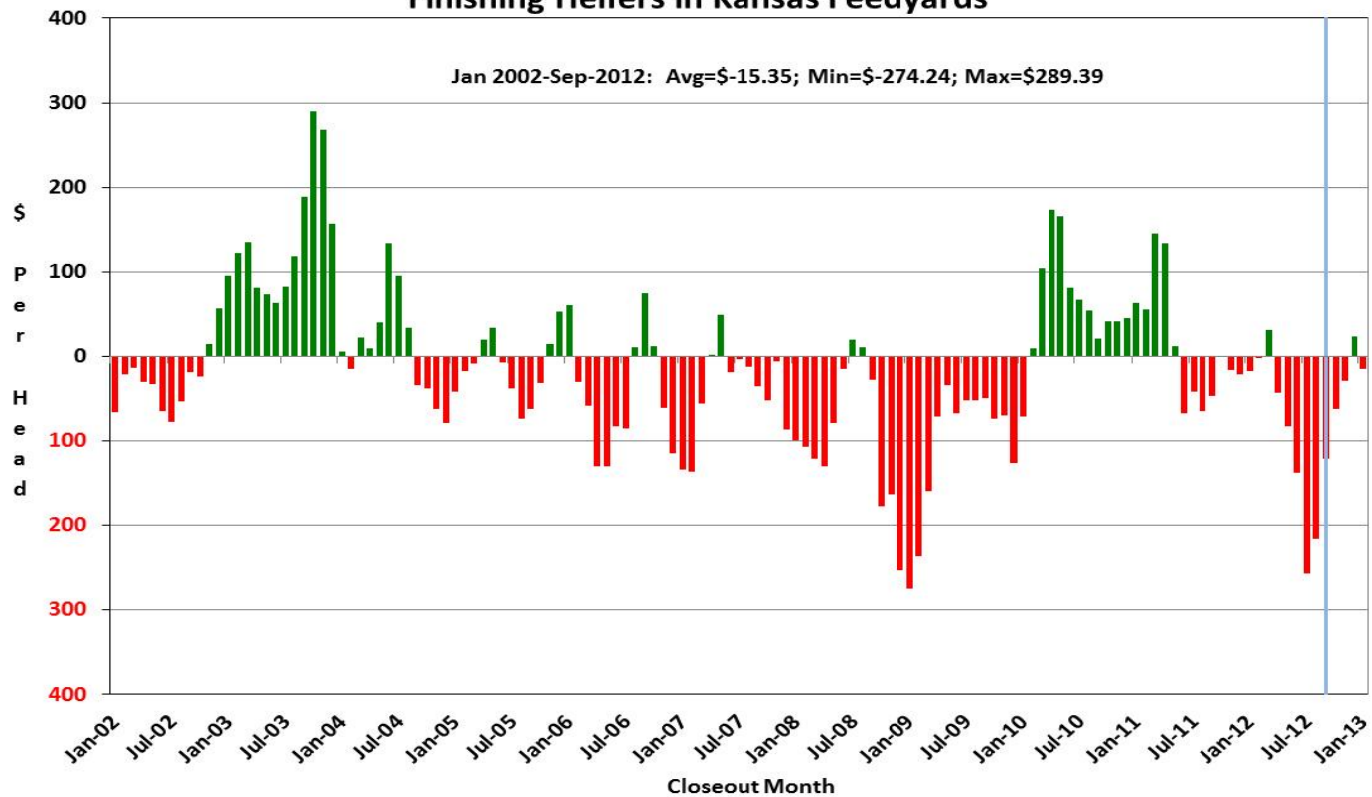


Figure 3. Historical & Projected Fed Cattle Prices and Breakeven Prices for Steers in Kansas Feedyards

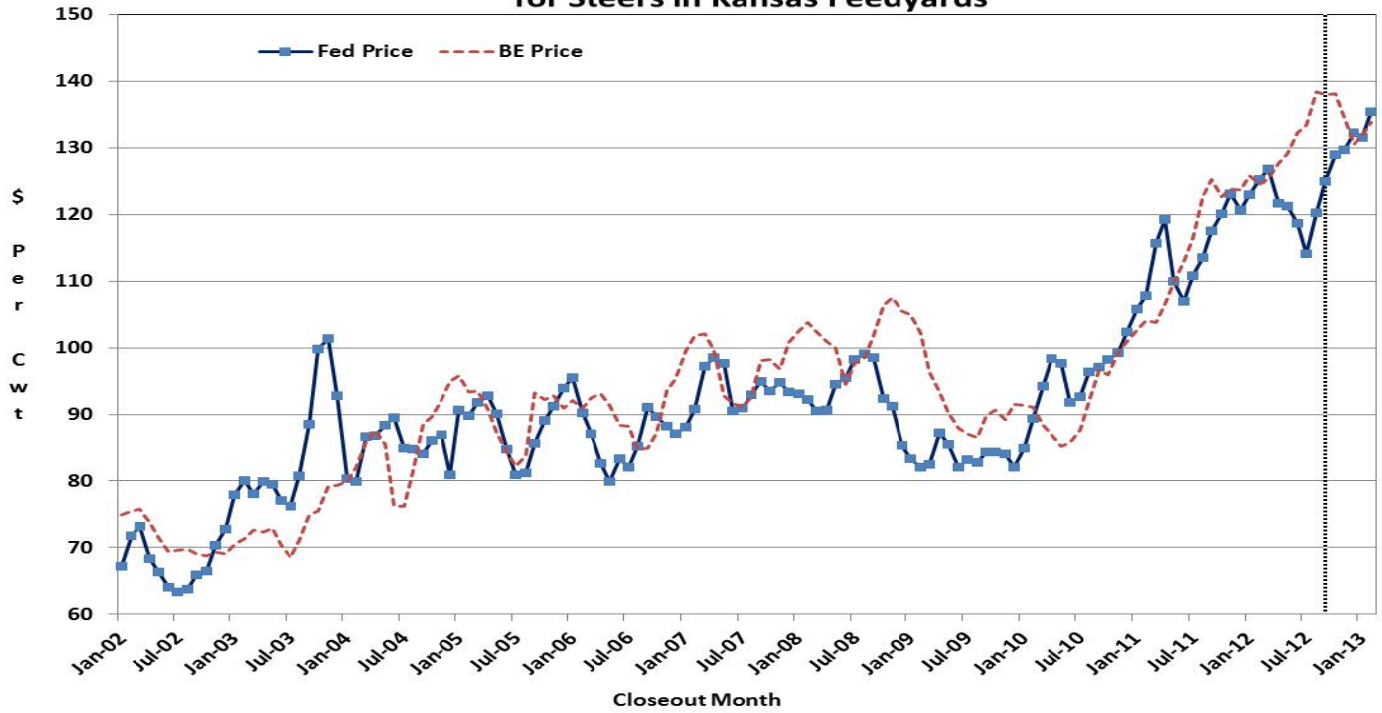


Figure 4. Historical & Projected Fed Cattle Prices and Breakeven Prices for Heifers in Kansas Feedyards

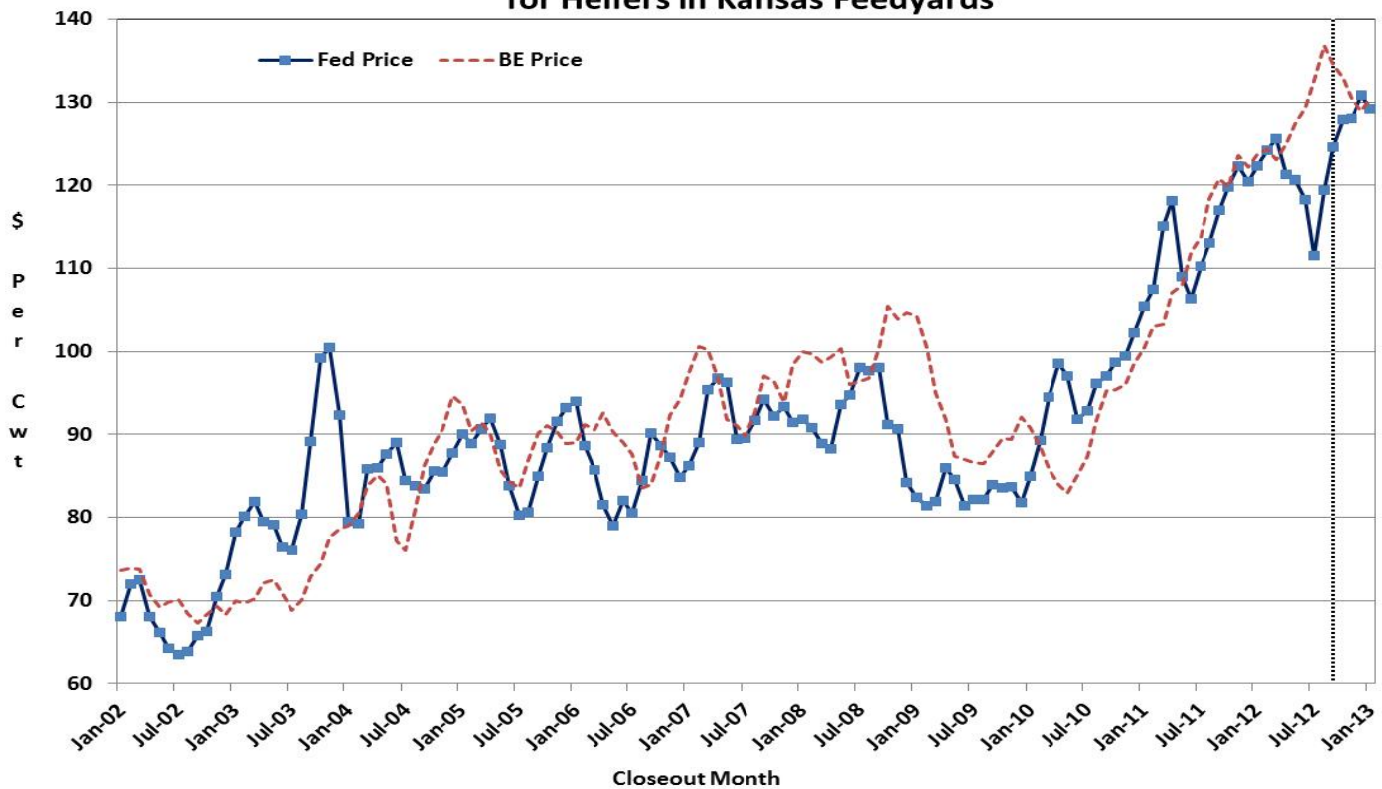


Figure 5. Historical & Projected Feeding Cost of Gain and Breakeven Cost of Gain for Steers in Kansas Feedyards

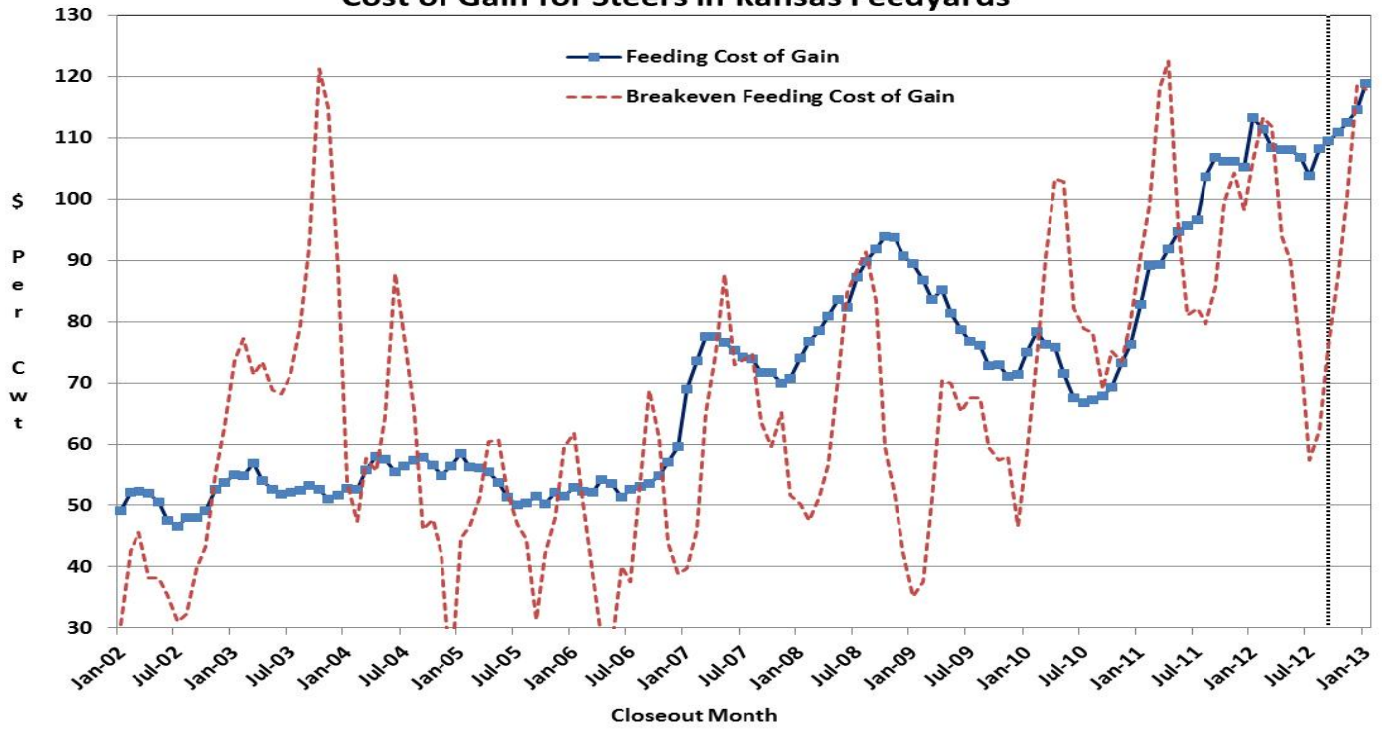


Figure 6. Historical & Projected Feeding Cost of Gain and Breakeven Cost of Gain for Heifers in Kansas Feedyards

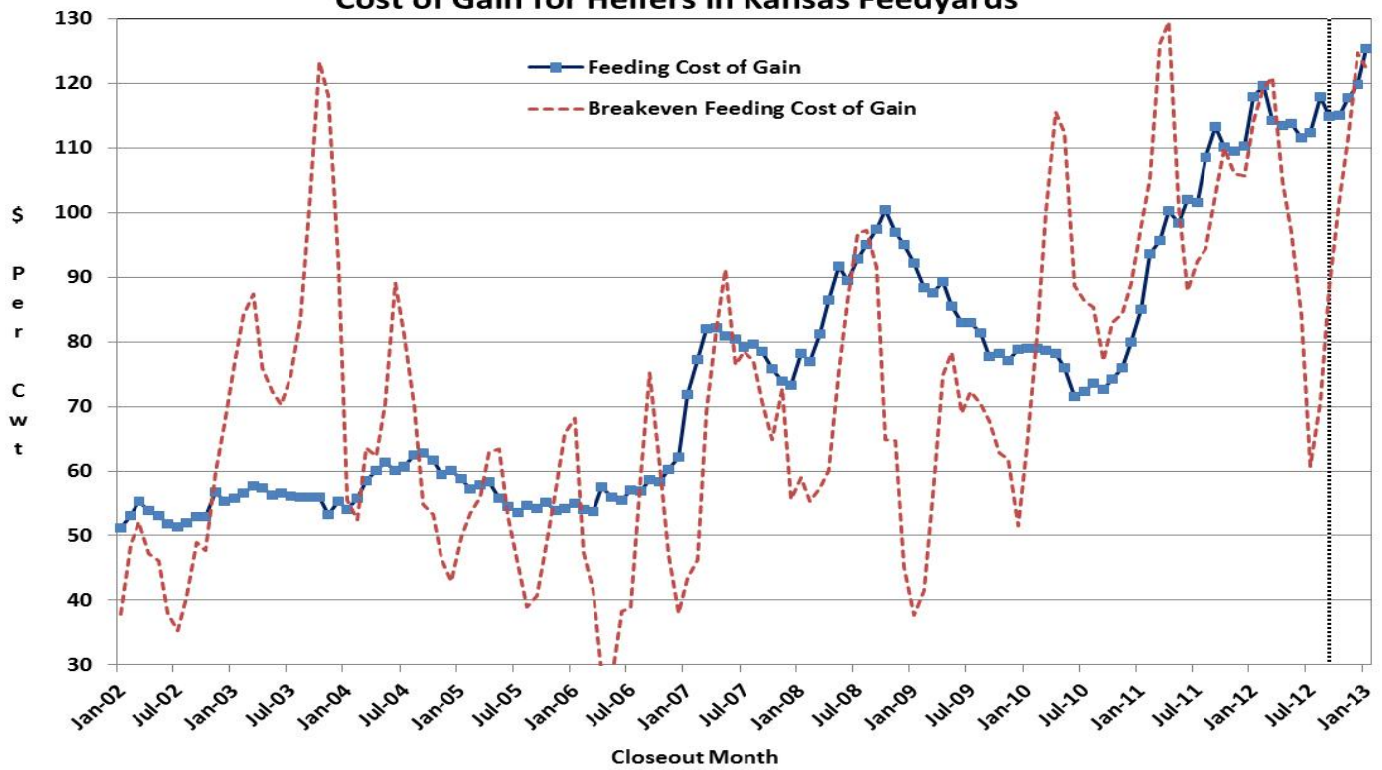


Figure 7. Historical & Projected Feeder Cattle Prices and Breakeven Prices for Steers in Kansas Feedyards

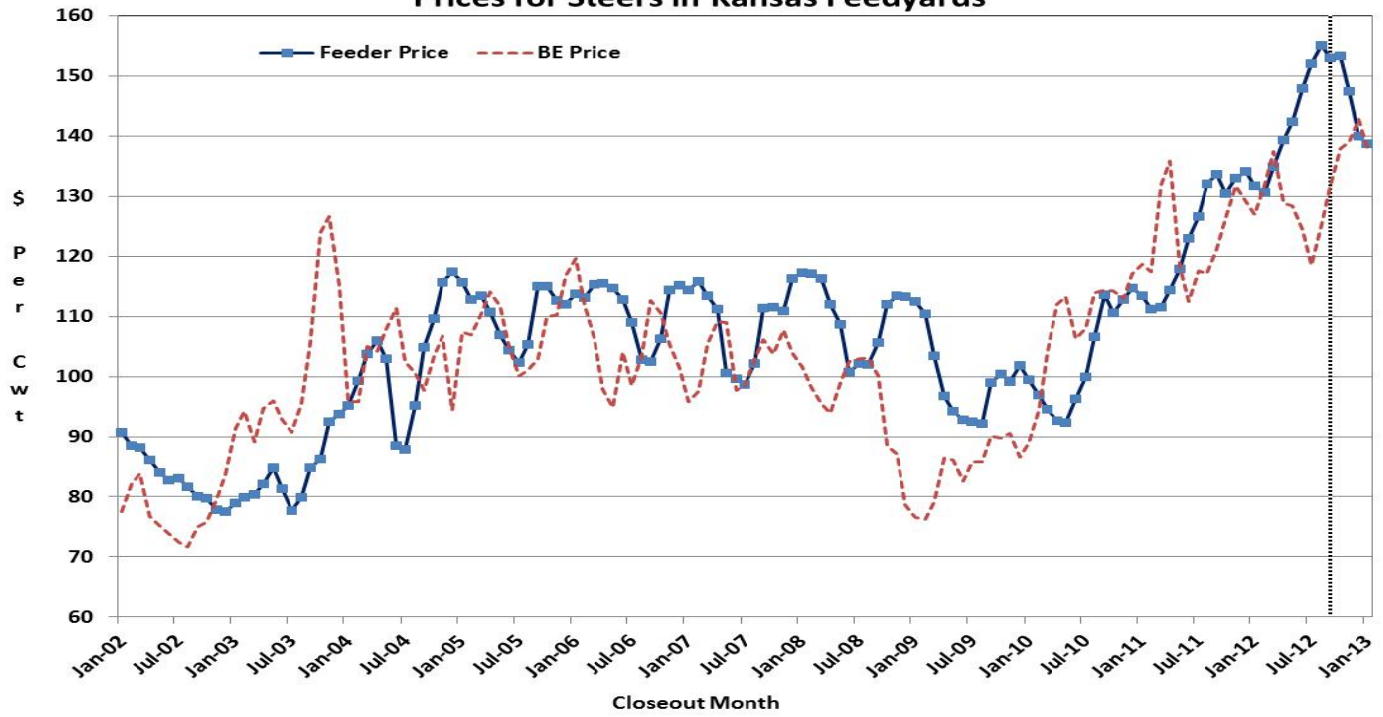


Figure 8. Historical & Projected Feeder Cattle Prices and Breakeven Prices for Heifers in Kansas Feedyards

