

# Historical and Projected Kansas Feedlot Net Returns

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This short article presents estimated net returns of cattle finishing operations as of September 6, 2012. The process of calculating historical net returns and projecting future net returns was updated in July of 2012.<sup>1</sup> 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 July of 2012. As shown in figures 1 and 2, steers and heifers were estimated to be sold in July at significant losses (-\$265.35/hd and -\$256.49/hd, respectively). Since June of 1993, there have only been three months with similar or larger estimated losses for steers (December 2008 - February 2009).

## Projected Returns

Given the one-month lag in *Focus on Feedlots* survey information, market information is available for August of 2012 but realized animal performance data are not yet available. Currently, the net returns projected for closeouts in August are -\$238.35/hd and -\$173.86/hd for steers and heifers, respectively (tables 1 and 2). These significantly negative returns are largely due to increasing feed prices and high placement costs. The larger losses on steers reflect widened placement price differentials compared to heifers. 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. Given the heightened feed costs situation, producers are encouraged to carefully compare their own costs with those reflected here. The projections included in tables 1 and 2 suggest significantly negative returns persisting thru November before improvements occur reflecting lower placement costs. 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).

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<sup>1</sup> 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
Aug-12	-238.35	106.68	120.31	154.97	63.38	137.55	126.35
Sep-12	-174.94	109.23	125.16	153.02	76.58	137.84	132.28
Oct-12	-127.50	110.68	128.75	153.17	87.65	137.96	137.82
Nov-12	-70.47	112.92	129.50	147.09	100.76	134.53	138.50
Dec-12	14.00	115.78	132.06	139.89	118.19	131.01	141.72
Jan-13	-18.30	120.52	131.36	138.88	117.34	132.71	136.53

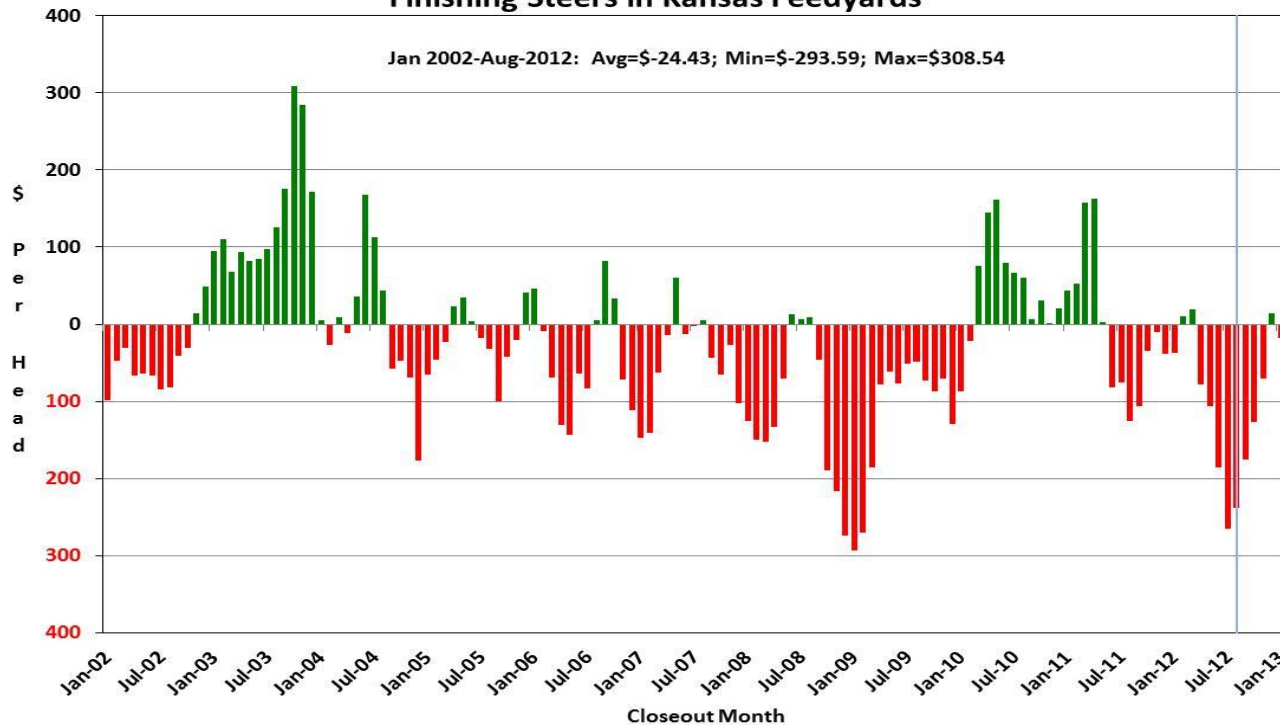
**Table 2. Projected Values for Finishing Heifers in Kansas Feedyards\***

Closeout Mo-Yr	Net Return	FCOG**	Fed Price	Feeder Price	Breakeven FCOG**	Breakeven Fed Price	Breakeven Feeder Price
Aug-12	-173.86	112.87	119.41	144.55	76.09	133.66	121.31
Sep-12	-124.79	114.53	123.95	143.86	87.36	134.21	127.38
Oct-12	-61.88	114.78	127.67	141.39	101.82	132.63	133.36
Nov-12	-33.73	118.13	127.73	135.87	111.06	130.42	131.53
Dec-12	-0.48	120.90	130.50	134.34	120.80	130.54	134.28
Jan-13	-44.66	127.12	128.89	133.44	117.92	132.48	127.57

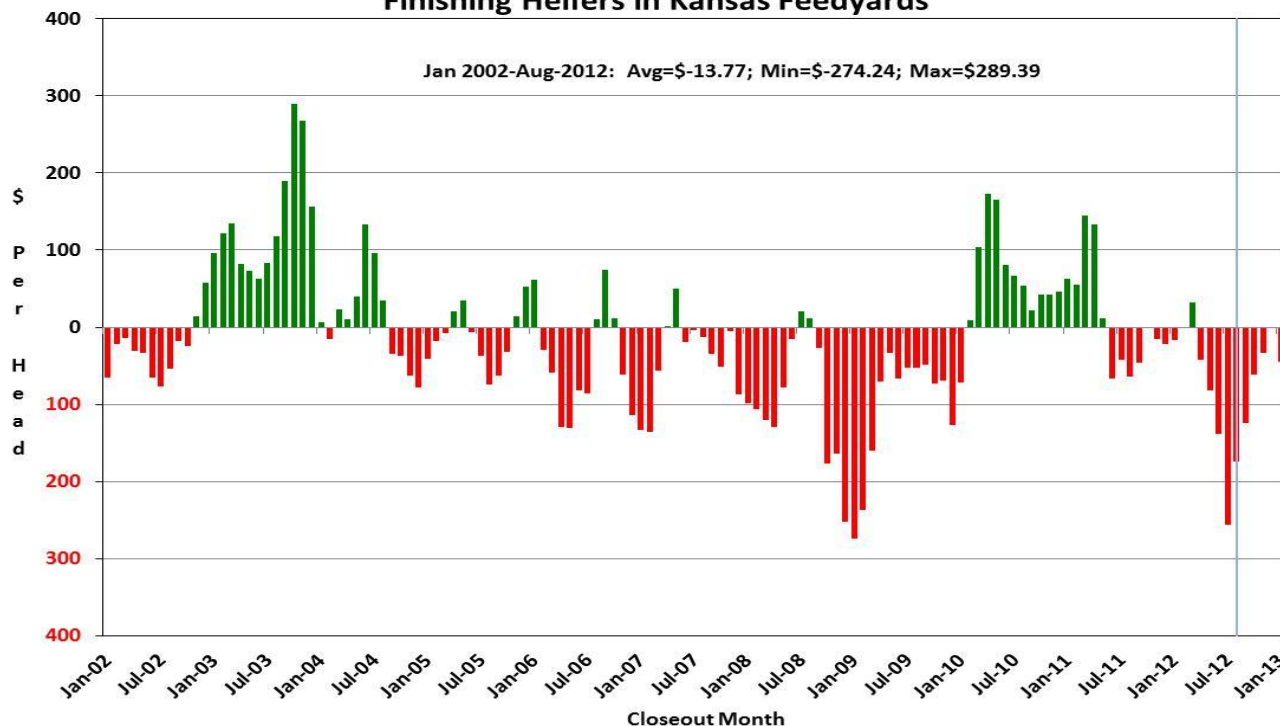
\* Net return is \$/head and all other values are \$/cwt.

\*\* FCOG = Feeding cost of gain

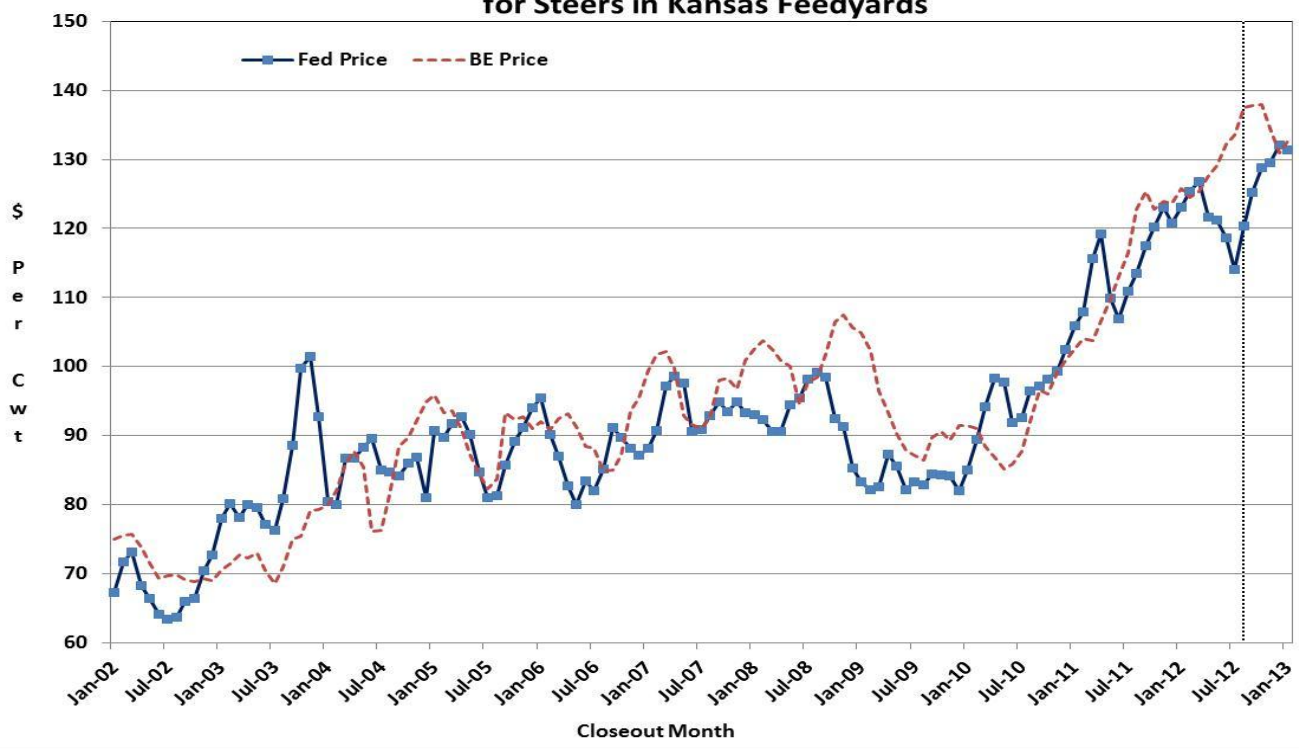
**Figure 1. Historical & Projected Average Net Returns for Finishing Steers in Kansas Feedyards**



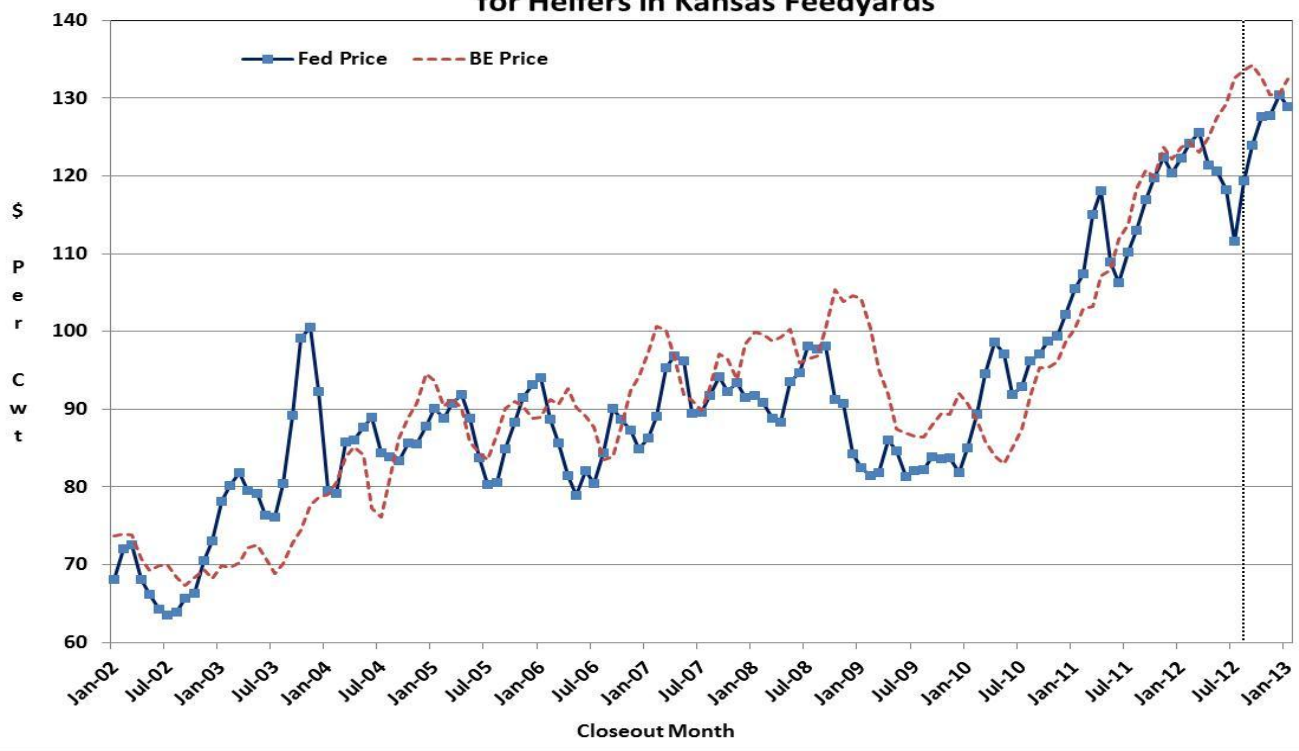
**Figure 2. Historical & Projected Average Net Returns for Finishing Heifers in Kansas Feedyards**



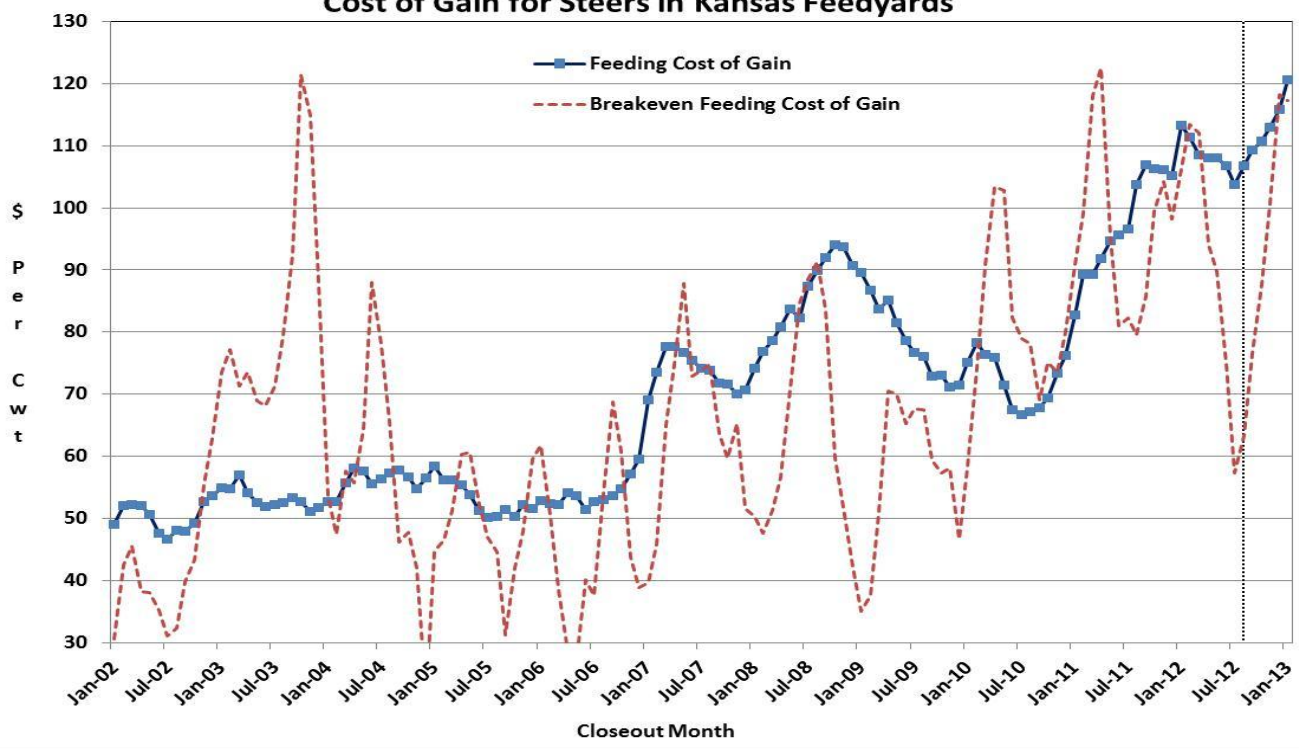
**Figure 3. Historical & Projected Fed Cattle Prices and Breakeven Prices for Steers in Kansas Feedyards**



**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**

