

In the first seven months of 2017 (January through July), on a cash basis (without hedging), estimated cattle feeding profitability per steer was the highest ever. Even on an inflation-adjusted basis, monthly returns were among the best in the era of commercial cattle feeding in the High Plains. That provided a much-needed reprieve for cattle feeders after a having record-large financial losses in 2015 and continued gushing of red ink during most of 2016. But, that picture has now dramatically changed according to monthly calculations by the Livestock Marketing Information Center (LMIC).

The LMIC's estimates are not survey based and only evaluate feeding-out steers that weight 750-pounds. Average animal performance assumptions are used and Southern Plains costs of feed, etc., are used, as would be charged by a custom commercial feedlot. Further, the LMIC numbers include all economic costs of production, not just out-of-pocket costs.

Lower fed cattle prices were a driver of slipping returns. In August, cash fed steer prices in Kansas averaged \$110.61 per cwt. That was a drop of over \$8.00 per cwt. compared to July and a down more than \$16.50 from June's. Of course, fed cattle prices have continued to decline so far in September.

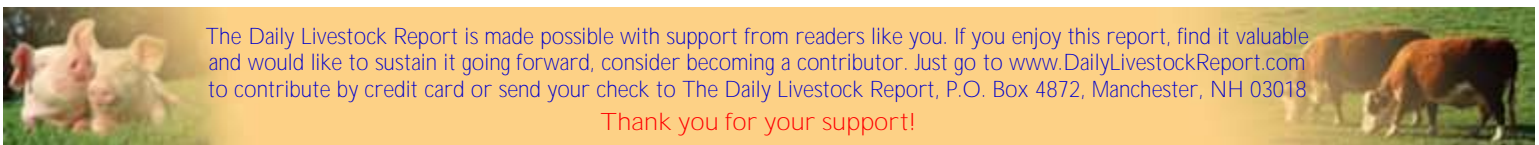
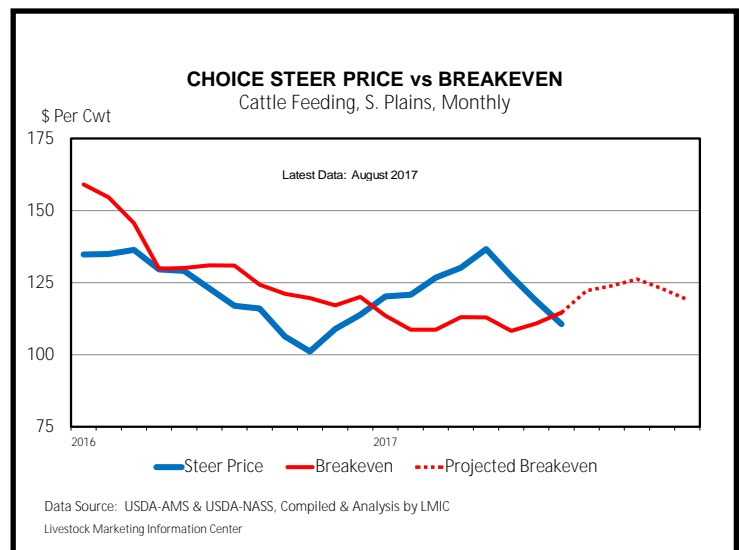
When cattle feeders were posting profits on their closeouts, feeder cattle prices were bid-up. In mid-March, 700-to 800-pound steers in the Southern Plains averaged \$131.25 per cwt. Early September prices for that weight of steer averaged \$153.59. So, for the first week of September, in the Southern Plains, this year's 700-to 800-pound yearling steers were \$19.26 per cwt. above the March price. The increase in 900-to 1000-pound steer prices between mid-March and early-September was \$18.00 per cwt.

The combined impact of fed and feeder cattle prices on cattle feeding returns have been abrupt and dramatic. LMIC estimated that the average return this past May and June was the best for any two-month period since late 2003. In

contrast, if all economic production costs were considered, August profitability per steer was negative. Positive returns were only captured by cattle that performed above average and/or those that received market premiums. September's closeouts were projected by the LMIC to be in the red and to have the largest monthly average loss since October 2016's. Even very good performing cattle that also received hefty price premiums probably will not make much money, if any, profit in September.

For the balance of this calendar year, LMIC estimated breakeven sale prices (based on feeding out a 700-to 800-pound animal) for a typical steer are in the \$120's per cwt. So, more red ink is projected on feedlot closeouts. Steers placed into feedlots during August or September, most of which will be marketed in early 2018, are expected to have breakeven sales prices in the \$118.00 to \$121.00 per cwt. range.

From a cattle feeder's perspective, all the profit potential has already been bid-into feeder animal prices. For the next several months, there appears to be limited additional upside in cash feeder cattle prices.



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