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Feedlot Profitability and Purchasing Margins

Based on my model projections, feedlots may have sold some pens of cattle for positive returns this past week. It is probably the first time in several weeks that has occurred. The fed cattle market will not only have to maintain the present level but increase another \$3-4 per cwt. if feedlots are to remain profitable for the remainder of the year. My projections would be for break-even values to be \$87-88 per cwt. in October and then increase to \$90 by late November and into December. This last week's market was encouraging, and the strong boxed beef market is leading the way.

Another change has recently occurred for feedlots. Over the last few months, the price of calves and feeders has been relatively high. Using the CME live cattle board as a predictor of future prices and adjusting those prices by historical basis values, my projections have been that feedlots would lose money feeding those high priced calves. This past week the futures market has rallied and calf and yearling prices have adjusted to the point where there appears to be a small positive margin in feeding those cattle. Cheaper corn prices have also helped the projected cattle feeding margins. December corn on the CBT has declined \$.60 per bushel since the first of July. That has reduced expected feed cost by about \$40 per head.

The Markets

Slaughter cattle prices were \$3.00 higher in the south with trade occurring mid week and \$6.00-7.00 higher in the north with trade on Wednesday this last week. Trade volume was excellent and likely cleared most showlists. Prices were mostly \$87 in the south and ranged from \$135-138 in the north. Choice boxed beef prices were a higher for the week. The Choice-Select spread decreased slightly but remains above the historical level. Feeder cattle prices were mixed in Kansas and Nebraska. Yearling prices were steady in Kansas but lower in Nebraska, while calf prices were a little softer in Kansas but higher in Nebraska. Calf volume has picked up some, but it is still limited.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$86.80	\$83.64	\$84.79
Neb. Fed Steer Price, dressed weight	\$136.64	\$129.31	\$132.61
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$117.92	\$117.70	\$117.65
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$132.02	\$135.40	\$127.32
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$122.29	\$123.42	\$120.77
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$137.57	\$129.43	\$129.72
Choice Boxed Beef Price, 600-900 lb. carcass	\$139.07	\$134.89	\$132.80
Choice-Select Spread, 600-900 lb. carcass	\$11.09	\$11.45	\$4.05