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Cattle Feeding Profitability

The last three years, 2002-2005, have generally been profitable for cattle feeders. However, 2006 will likely not be profitable. In fact, losses may exceed \$150 per head in some weeks. How do these returns compare to historical returns? I modeled weekly feedlot returns for Nebraska based on average Nebraska feeder cattle prices and Nebraska fed cattle prices. For the three year period, 2000-2002, I estimated feedlots lost on average \$40 per head. During the 4th quarter of 2001 and the 1st quarter of 2002, losses averaged \$115 per head. One week had losses over \$200 per head. By contrast, I estimated that Nebraska feedlots averaged \$80 per head sold from 2002-2005.

The first few weeks of 2006 were profitable for feedlots but since February, I have estimated that returns have been negative each week. At current fed cattle price levels, I estimate loses around \$90 per head. If cash prices follow the CME Live Cattle board and decline into the mid to upper \$70's in the next couple of months, then losses will likely average more than \$125 per head. Feeder cattle prices have declined some in recent weeks but it may not be until the 4th quarter of this year before positive returns are generated from Nebraska feedlots.

The Markets

Slaughter cattle prices were \$1 lower in the south with trade occurring on Friday and prices were \$5 lower in the north this last week with a fewer higher trades late in the week. Trade volume was modest after excellent movement the prior week. Prices were mostly \$83 in the south and generally \$129 in the north. Choice boxed beef prices were lower early in the week but gained some ground late in the week. The weekly average price was \$1.50 lower than the prior week. The Choice-Select spread decreased slightly but remains wider than the historical level. Feeder cattle prices were steady to lower this week. 7-weight steers were \$4 lower in Kansas while yearlings and calves in Nebraska remained steady.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$83.14	\$84.07	\$90.15
Neb. Fed Steer Price, dressed weight	\$128.98	\$133.73	\$145.52
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$102.70	\$106.67	\$111.65
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$131.65	\$132.78	\$137.03
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$108.32	\$108.41	\$116.89
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$134.15	\$134.62	\$146.70
Choice Boxed Beef Price, 600-900 lb. carcass	\$138.69	\$140.19	\$154.29
Choice-Select Spread, 600-900 lb. carcass	\$10.71	\$10.75	\$12.41