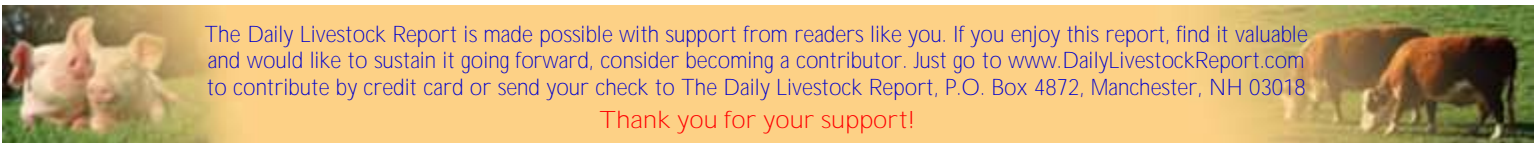
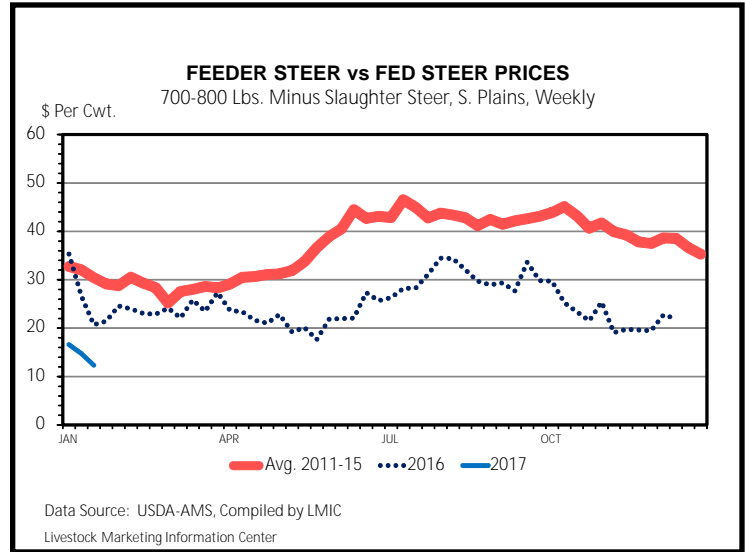
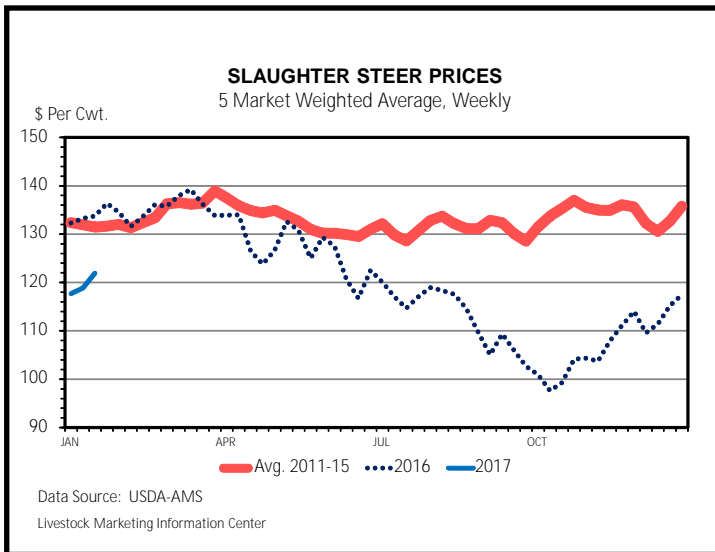
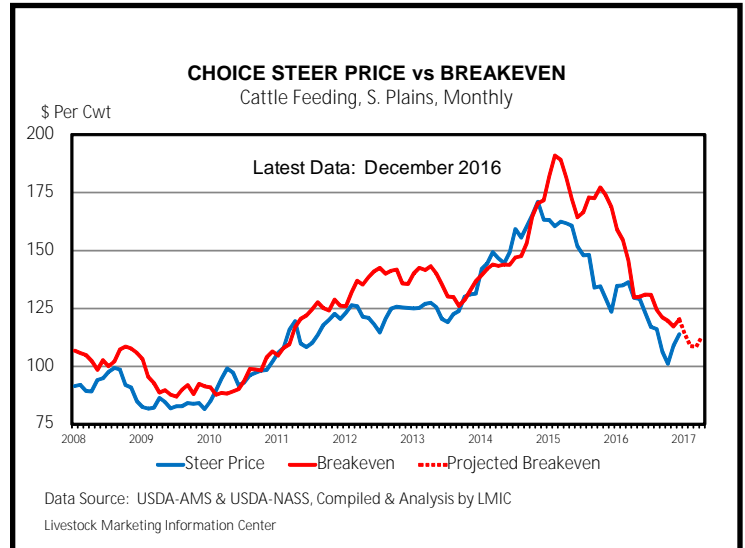


Economically, cattle sold by feedlots climbed into the black in January for the first time several months. In January, projected slaughter steer prices are the highest for any month since June 2016. January's closeout profit looks to be the largest for any month since the summer of 2014. Estimated closeouts by the Livestock Marketing Information Center (LMIC) showed that for the last seven months of 2016 every month had red ink. In fact, only two months since January 2015 were profitable when all economic costs were considered.

Using total economic costs as calculated by the LMIC, which assumes a feeder steer weight of 700-to 800-pounds, the January breakeven steer sales price was estimated at \$112.00 to \$114.00 per cwt. Looking ahead to the next few months, breakeven sales prices are projected to remain low, ranging from about \$108.00 to \$112.00 per cwt. throughout the spring months. Breakeven estimates are now at the lowest levels since early 2011.

Important adjustments between feeder steer and fed animal prices began in the summer of 2015 as cattle feeding losses began to eliminate huge calf and yearling premiums (i.e. feeder price premiums per cwt. relative to fed cattle prices in the same timeframe were much larger than normal). In the summer of 2015, that premium for a 700-to 800-pound steer at times exceeded \$75.00 per cwt. in the Southern Plains, but by year-end had dropped to just over \$30.00. As 2016 progressed, that premium remained well below levels of earlier years, as depicted

in the graphic below. Rising fed cattle prices compared to feeder animals pushed that price difference even lower in January of this year. Due to huge financial losses in recent years, cattle feeders will likely remain rather cautious when bidding for feeder cattle. Of course, lower feeder cattle prices year-over-year also reflect growing feeder cattle supplies.



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