Daily Livestock Report

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Profitability has allowed cattle feeders to aggressively buy animals (feeder cattle). The result has been more steers and heifers placed on-feed than a year ago and higher feeder cattle prices. Monthly Cattle on Feed reports from USDA's National Agricultural Statistics Service (NASS) show that net placements (number of cattle placed minus other disappearance) into feedlots with 1000 head or more capacity during the first six months of 2017 was 11.17 million head. That was a year-over-year jump of 1.10 million head or 11%. Further, the number of head placed during January through June was the largest for that timeframe since 2003.

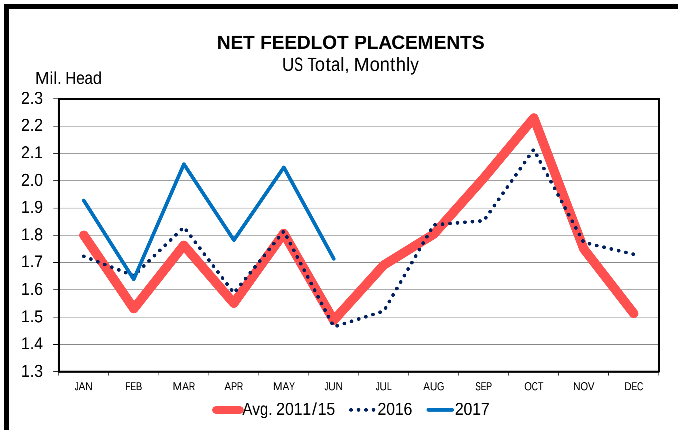
After posting record large losses in 2015 and continued gushing of red ink during most of 2016, feedlot closeouts from January through June of this year were the best six consecutive months ever. Of course, that is not adjusted for inflation. The prior six-month record high was set in late 2003.

The Livestock Marketing Information Center (LMIC) has been estimating monthly cattle feeding returns for commercial Southern Plains feeding since the mid 1970's. There can be lots of debate/discussion of the calculation assumptions made in estimating returns (LMIC's are not based on surveys of producers). LMIC's were developed to facilitate market analysis and the assumptions are rather fixed. For example, the animal being fed-out is always a 750-pound steer, which is not always the most economical choice. Monthly average cash market steer prices reported by USDA-AMS (Agricultural Marketing Service, Market News Division) are used. Results provide a barometer (e.g. year-over-year direction of change) of returns above all economic production costs.

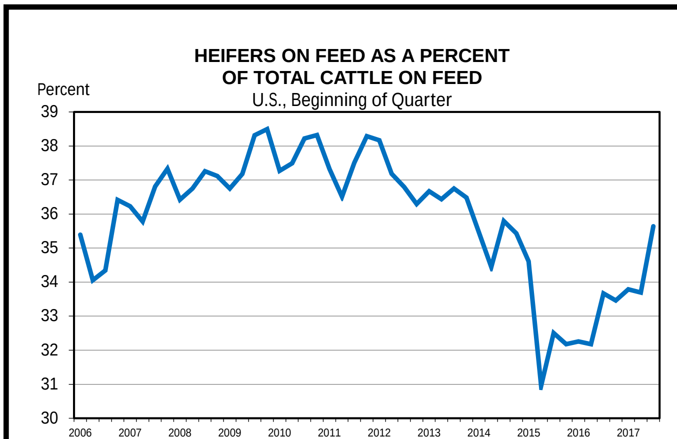
According to LMIC's calculations, fed steers sold in the month of June posted the fourth highest calculated profit ever. In both May and June, slaughter steer prices were above 2016's. Lower costs of production have assisted feedlot profitability. For fed cattle sold during the first six months of this year, estimated feedstuff costs were 9% below a year ago and the cost of the feeder animal was down 25%. Cash sale price averaged 3% below 2016's, with only May posting a year-over-year increase.

In Texas, Oklahoma, Kansas, the economics of cattle feeding was the major factor causing more cattle to be paced into feedlots during June than a year ago. In addition to positive cattle feeding economics, the northern Plains drought (centered on North Dakota, South Dakota and eastern Montana) bolstered placements in South Dakota and Nebraska.

More heifers have been placed into feedlots than in recent years. That is apparent in the quarterly data provided by NASS in their latest Cattle on Feed report. The number of heifers on-feed as of July 1st was just over 10.8 million head, the largest since 2012. Of the steers and heifers in feedlots as of July 1, 35.6% were heifers, the largest percentage since July 1, 2014.



Data Source: USDA-NASS, Compiled by LMIC
Livestock Marketing Information Center



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