The disruptions across the cattle sector have greatly effected cattle feeding margins. July was one of the worst months for cattle feeding partly because fed cattle prices averaged the lowest price since 2010. The 5-area monthly weighted average released yesterday put the weighted average live steer price at $96.57 per cwt.

The Livestock Marketing Information Center (LMIC) has been estimating monthly cattle feeding returns since the mid-1970s. Those estimates assume feeding-out a 750-pound steer in a commercial Southern Plains feedlot and include all costs of production. The estimates are not survey-based and presume normal weather conditions. Cash prices are used (fed cattle prices and feedstuff costs are not hedged).

Those assumptions imply cattle feeders faced margins well below breakeven, and was the worse month so far this year. It would also be the fifth consecutive month of negative returns. Prospects for feedlots should get some relief by the fourth quarter of 2020 as breakeven projections are lower than futures market prices. However the remainder of the 3rd quarter will still likely be negative or approach breakeven levels. Ample fed cattle supplies will still be a factor in August and September.

Cattle feeders appear to be optimistic about future cattle feeding, holding 700-800 lbs. feeder cattle prices in the Southern Plains above $140 per cwt. Large projected corn crop too, helps add to the positivity.

Lower placements in the 2nd quarter in response to dismal economic returns should provide a relief after working through burdensome market-ready supplies of feedlot cattle. Optimism for late year cattle markets is gaining momentum. LMIC is projecting positive feeding returns in late 2020 and early 2021, based on better fed cattle prices and lower feed costs compared to a year ago.

Beef demand remains a lingering question for the rest of 2020. Staggered re-opening of the economy is expected to continue. Consumer confidence and the willingness to spend on higher priced beef items is a concern.