

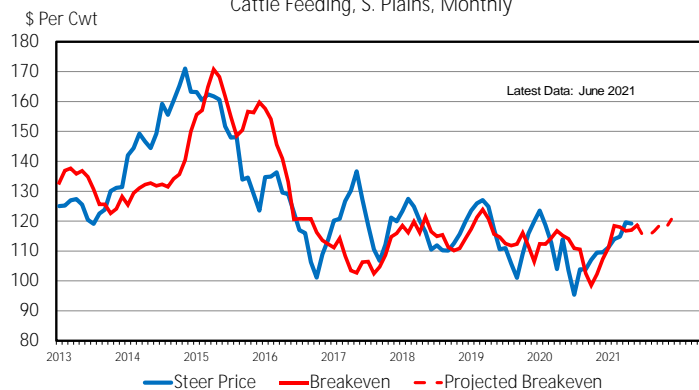
The Livestock Marketing Information Center updated their cattle feeding returns and breakeven projections. Those projections are based on a Southern Plains cattle feeder and assumes placement of a 750 pound steer, and without the use of hedging strategies. Although this is not representative of any one operation, it provides a barometer for profitability in the cattle feeding sector. The first half of 2021 is estimated to have netted returns very close to zero as the front months were negative and subsequent months have netted very small profits per head. Feed costs have been a primary limiting driver to profitability this year.

Fed cattle price improvement have helped better the outlook for cattle feeders in the coming months. Breakeven projections, which calculate at the month of placement are estimated just under \$120 per cwt. from now until the end of 2021. The futures contracts for live cattle range from \$120 in August to over \$130 in December. These levels would imply cattle feeders will very likely have positive returns in every month forward in 2021. The summer quarter is typically a lower priced quarter than the 4th quarter, but July and August break-evens are estimated closer to \$115 per cwt, offering some breathing room for cattle feeders in the nearby months.

One of the caveats to fed cattle pricing for the remainder of the year is the price to consumers. Retail beef prices have already risen and are expected to rise in the near term. It begs the question of demand being strong enough to sustain current fed cattle prices. Beef demand has been strong domestically for the last couple of year's and the fourth quarter has been one of those bright spots. Additionally, beef exports have been soaring in 2021, adding to the picture that worldwide demand for U.S. beef is also offering support.

These elements, should they continue to align, offer cattle feeders an opportunity that has not been seen in the last couple of years and will likely see gains through the rest of 2021. The tightness in cattle supplies will support fed cattle prices for the next few years. Feed costs are expected to reset with the corn crop harvest this fall. It is still early in the growing season, but added moisture over the last week has allowed for optimism that the new crop will moderate tight supplies. Should this year's corn crop stumble, fed cattle prices on the board appear high enough to absorb at least some of that potential change, but would likely lead to a quick adjustment in feeder cattle prices.

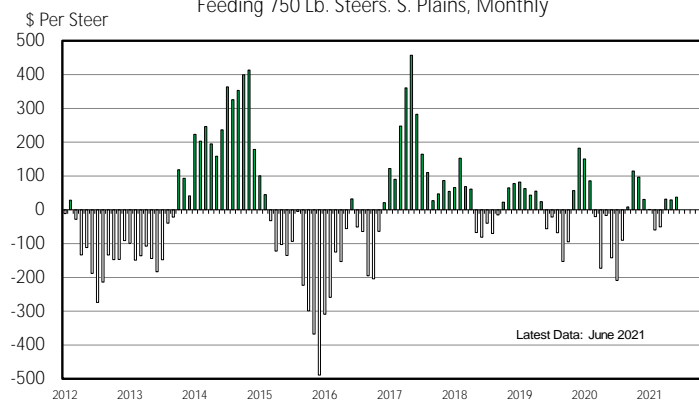
**CHOICE STEER PRICE vs BREAKEVEN**  
Cattle Feeding, S. Plains, Monthly



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

C-P-21  
07/07/21

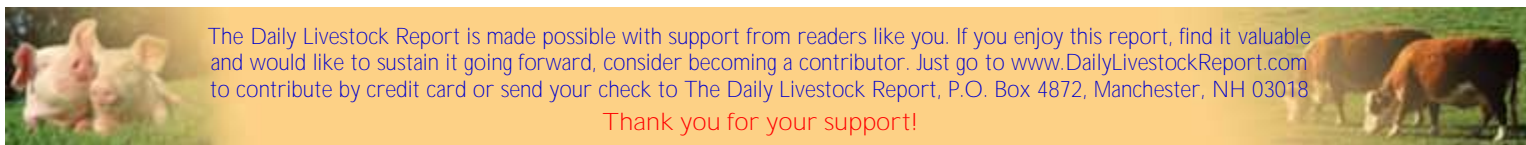
**AVERAGE RETURNS TO CATTLE FEEDERS**  
Feeding 750 Lb. Steers, S. Plains, Monthly



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

C-P-22  
07/07/21

Cattle feeders are expected to average a slightly positive year in 2021. Next year profits could be even larger if fed cattle prices can hang onto the \$130 range currently on the futures board. This is also good news for cow-calf producers as profits at the feedlot level and tighter supplies will likely support stronger calf prices in 2022 as well.



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