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In The Cattle Markets

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Mid-Sized Feedlots Exit the Industry

February's Cattle on Feed Report provides some unique insight of the previous year's feedlot capacity. The daily livestock [report](#) highlighted some of the key points last week. The monthly cattle on feed report provides numbers of those feedlots with 1000 or more head. However, this represents only 7% of the industry's capacity. There are just over 30,000 feedlots in 2016, and 93% of them held less than 1000 head. Those 7% however, marketed more than 87% of the total cattle sold.

Smaller sized feedlots did increase capacity adding 2,000 lots (locations) compared to 2015 and increasing the number of head marketed during 2016 by just over 200,000 head year-over-year. This relatively large increase in small feedlots is driven by cheap feed, but is unlikely going to be a long term trend. Over the last decade feedlots with 1000 head or less have fallen by 65%. The largest increases have been in feedlots with 50,000 head or more, up 28% since 2006.

Larger feedlots continued to add both capacity and numbers, increasing the number of lots with 50,000+ by 2, and the number of head marketed increased by 710,000. The number of head marketed in this largest capacity category represents 34% of the total cattle marketed. The smallest proportions of cattle were marketed in feedlots with 1,000-31,999 head capacity. The number of lots increased in several of these capacity categories: 1,000-1,999, 2,000-3,999, 4,000-7,999, 8,000-15,999 each added 10 new lots last year. Feedlots with 16,000-49,999 lost 12 lots total.

Larger feedlots have an easier time weathering negative margins using economies of scale. But, as we saw in 2016, inexpensive feed/ weak calf prices enticed farmer feeders (<1000 head) to hold animals and use their own feed. These facilities on farmer feeder operations are fluid and tend to operate when the market conditions are favorable. When conditions are less favorable those facilities remain empty and producers sell calves and corn. Mid-sized operations have less flexibility. In the smaller mid-sized categories, feedlots added capacity as seen in the 1,000-15,999 head capacity groups. In the larger mid-sized categories (16,000-49,999 head capacity), those that could not grow, exited. These categories are never completely stagnant and change as the markets calls for.

The Markets

Choice boxed beef continued its climb for the 4 week in a row, and increasing the choice select spread by another \$1.41. Montana and Nebraska feeder prices increased last week up, while Oklahoma feeders slipped just below the previous week. Across all three feeder

markets, prices are down about 20% compared to a year ago. The 5 area fed cattle market was up slightly compare to last week.

		Week of	Week of	Week of
<i>Data Source: USDA-AMS Market News</i>				
5-Area Fed Steer	all grades, live weight, \$/cwt	124.76	\$124.40	\$135.76
	all grades, dressed weight, \$/cwt	199.98	\$195.90	\$213.91
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$205.84	\$194.48	\$219.22
	Choice-Select Spread, \$/cwt	\$4.03	\$2.61	\$6.94
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$132.03	\$126.17	\$155.59
	Nebraska 7-market, \$/cwt	\$134.31	\$134.26	\$165.72
	Oklahoma 8-market, \$/cwt	\$128.80	\$130.84	\$159.99
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$160.85	\$153.14	\$194.04
	Nebraska 7-market, \$/cwt	\$167.68	\$160.69	\$206.00
	Oklahoma 8-market, \$/cwt	\$156.63	\$158.44	\$193.26
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.38	\$3.32	\$3.51
	DDGS, Nebraska, \$/ton	\$100.00	\$100.00	\$132.30