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COSTS AND RETURNS FOR ILLINOIS BEEF PRODUCERS IN 2000

Total economic costs in 2000 for Illinois beef feeding enterprises exceeded total returns by \$5.55 per 100 pounds of beef produced on 13 beef feeding farms. Total returns exceeded costs by \$6.95 per 100 pounds produced in 1999. Total returns have exceeded total economic costs in only four years since 1980, when this study began. Those years were 1999, 1992, 1990, and 1987. The 2000 level of returns was \$2.52 per 100 pounds beef produced above the average returns for the period 1991 through 2000. Figure 1 illustrates average returns, cash operating costs and total costs for the 1991 through 2000 time period.

LOWER TOTAL RETURNS

Lower total returns along with higher nonfeed costs were the main factors contributing to the decreased profitability of these enterprises. Total returns per 100 pounds produced decreased from \$58.60 in 1999 to \$50.95 in 2000. Total returns for 2000 were the second lowest since 1995. The average price received per 100 pounds of beef sold of \$67.08 was 4 percent higher than 1999. The average price paid for feeder cattle replacements in 2000 of \$87.17 was 15 percent higher than 1999. The price paid for feeder cattle replacements was the highest since 1991. The purchase cost of feeder cattle is subtracted from slaughter cattle sales in determining total returns per 100 pounds produced.

FEED COSTS REMAIN LOW

Cattle feeders benefited from continued low feed costs in 2000. Feed costs were \$33.91 per 100 pounds produced in 2000 compared to \$33.54 in 1999. Feed costs were the second lowest since 1987. Nonfeed costs increased from \$18.11 per 100 pounds produced in 1999 to \$22.59 in 2000. Nonfeed costs were the highest since 1993. Interest costs of \$6.82 per 100 pounds produced makes up the largest portion of the nonfeed costs. Feed and nonfeed costs totaled \$56.50 per 100 pounds produced in 2000. Total costs in 2000 were the second lowest since this study began in 1980. Excluding the cost of feeder cattle, feed costs were 60 percent of the total cost to produce beef in 2000.

SUMMARY

Returns to cattle feeders decreased in 2000 compared to 1999 but were still above the average returns for the last ten years. Higher replacement feeder cattle prices along with higher nonfeed costs were the main factors for the decreased returns. Returns to cattle prices in 2001 may improve compared to 2000 returns due to higher slaughter cattle prices. However, replacement feeders have also been moderately higher.

Feed costs should also remain at relatively reasonable levels. When returns are below the total cost of production, there is the need for a high level of management or a willingness to discount the return to resources used such as excess labor, non-salable roughage, and buildings and equipment which have limited alternative uses.

More information

A more thorough report can be found at the University of Illinois *Farmdoc* website:
http://www.farmdoc.uiuc.edu/manage/cost_beef_finishing.html

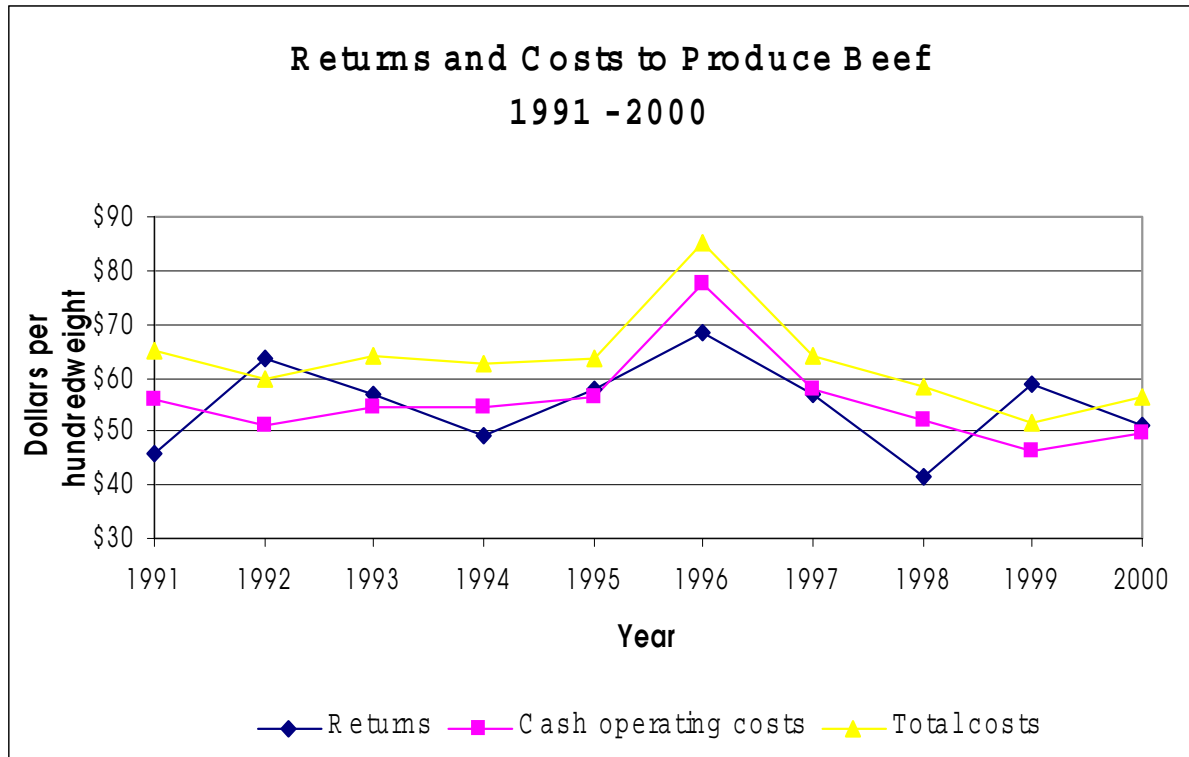


Figure 1. Returns and costs to produce beef on Illinois farms, 1991 – 2000.

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