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## **PROFITABLE YEAR FOR DAIRY PRODUCERS IN 2001**

Significantly higher milk prices resulted in total returns exceeding total economic costs for Illinois dairy producers in 2001, according to figures summarized by University of Illinois agricultural economists in cooperation with the Illinois Farm Business Farm Management Association.

The average net price received per 100 pounds of milk was \$14.91 which was more than total costs of \$13.55. The average price received for milk in 2000 was \$11.85. On a per cow basis, total returns from milk were \$3,023 compared to the total cost to produce milk of \$2,750 per cow. This is the third year in the last four years that total returns exceeded total costs. Total returns have exceeded total economic costs five out of the last ten years.

### **MILK PRODUCTION PER COW CONTINUES TO INCREASE**

Milk production per cow averaged 20,278 pounds. The average was 1,170 pounds more per cow than in 2000 and at its highest level ever. The previous high was in 2000 when milk production was 19,108 pounds per cow. Milk production per cow has increased 12 percent in the last five years.

### **COSTS AND RETURNS**

Trends in total costs and returns per cow are given from 1992 to 2001 in Figure 1. The profit margin (return above all cost) increased from a negative \$324 in 2000 to \$273 per cow in 2001. The 2001 returns per cow were the highest since 1972 when this study began. The last five year returns above all costs has averaged \$19 per cow. During this period, returns above all costs per cow have varied from a negative \$324 in 2000 to \$273 in 2001. In figure 1, labor and interest charges are included in total costs only. Most dairy producers will incur some hired labor and cash interest expense and would include them as cash operating costs.

The 2001 returns were \$3.07 per 100 pounds produced higher than the 2000 returns due to higher milk prices. The average net price received for milk was \$14.91 per 100 pounds. This is \$3.06 per 100 pounds or 26 percent higher than the average price received in 2000. Based on 20,300 pounds of milk produced per cow, this increase in price increased total returns per cow by \$621. The average net price received for milk for the last five-year period is \$13.96 per hundred pounds

While the price received per 100 pounds of milk increased, feed and non-feed costs remained basically the same per 100 pounds of milk produced. Feed costs in 2001 averaged \$6.25 per 100 pounds of milk

produced as compared to \$6.23 in 2000. Feed costs have decreased 28 percent since 1996. Feed costs of \$8.66 per 100 pounds of milk produced in 1996 were the highest on record. Feed costs were 46 percent of the total cost to produce milk. Non-feed costs per 100 pounds of milk produced were \$7.30 in 2001 compared to \$7.33 in 2000.

## 2002 PROJECTIONS

Profit margins for dairy producers in 2002 will decrease compared to 2001 profit levels due to lower milk prices. Total economic costs are expected to exceed total returns due to a substantial decrease in milk prices. While the average price received for milk in 2001 was 26 percent higher than the average in 2000, the average milk price for 2002 is projected to be about 18 percent below the average for 2001. The number of milk cows in the United States in 2002 is expected to be slightly lower than in 2001. With an increase in milk production per cow, total milk production is projected to be about 2 to 3 percent higher in 2002 compared to 2001. This will result in lower milk prices.

While milk prices have decreased, feed costs will increase due to lower crop production and higher grain and forage prices. Abundant grain supplies have kept grain prices low. Feed costs per 100 pounds of milk produced would average about \$6.90 using prices of \$2.15 per bushel for corn, \$.135 a pound for protein and \$85 a ton for hay. This is based on annual feed consumption per cow, including replacement animals, of 130 bushels of corn, 4,850 pounds of protein, and 7.75 tons of hay or hay equivalents. If non-feed costs per 100 pounds of milk produced averaged \$7.25, total costs to produce 100 pounds of milk would be \$14.15. An 18 percent decrease in milk prices in 2002 for Illinois producers would result in an annual price of about \$12.25 per 100 pounds. If total economic costs averaged \$14.15 per 100 pounds of milk produced, the average Illinois producer would have total economic costs exceed total returns by \$1.90 per 100 pounds of milk produced.

A more thorough report can be found at the University of Illinois *Farmdoc* website:

[http://www.farmdoc.uiuc.edu/manage/enterprise\\_cost/livestock\\_budgets.html](http://www.farmdoc.uiuc.edu/manage/enterprise_cost/livestock_budgets.html)

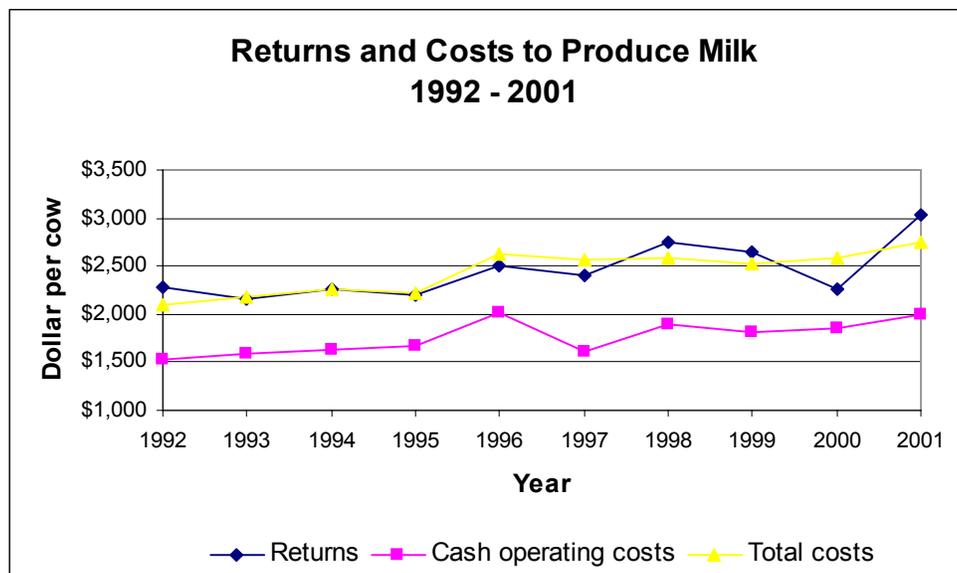


Figure 1. Returns and costs to produce milk, 1992 to 2001. Interest, depreciation, and labor charges included only in total costs.

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