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## **COSTS AND RETURNS FOR ILLINOIS BEEF PRODUCERS IN 2001**

Total economic costs in 2001 for Illinois beef feeding enterprises exceeded total returns by \$8.48 per 100 pounds of beef produced on 8 beef feeding farms. Total costs exceeded returns by \$5.55 per 100 pounds produced in 2000. 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 2001 level of returns was \$1.48 per 100 pounds beef produced below the average returns for the period 1992 through 2001. Figure 1 illustrates average returns, cash operating costs and total costs for the 1992 through 2001 time period.

### **LOWER TOTAL RETURNS**

Lower total returns was the main factor contributing to the decreased profitability of these enterprises. Total returns per 100 pounds produced decreased from \$50.95 in 2000 to \$47.39 in 2001. Total returns for 2001 were the second lowest since 1991. The average price received per 100 pounds of beef sold of \$71.91 was 7 percent higher than 2000. The average price paid for feeder cattle replacements in 2001 of \$88.09 was 1 percent higher than 2000. 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. Lower inventory prices for cattle at the end of the year as compared to the beginning also contributed to the lower returns.

### **FEED COSTS REMAIN LOW**

Feed costs remained relatively low in 2001. Feed costs were \$34.22 per 100 pounds produced in 2001 compared to \$33.91 in 2000. Feed costs were the third lowest since 1987. Nonfeed costs decreased from \$22.59 per 100 pounds produced in 2000 to \$21.65 in 2001. Nonfeed costs were the second highest since 1996. Interest costs of \$6.00 per 100 pounds produced makes up the largest portion of the nonfeed costs. Feed and nonfeed costs totaled \$55.87 per 100 pounds produced in 2001. Total costs in 2001 were the second lowest since this study began in 1980. Excluding the cost of feeder cattle, feed costs were 61 percent of the total cost to produce beef in 2001.

### **SUMMARY**

Returns to cattle feeders decreased in 2001 compared to 2000 and were slightly below the average returns for the last ten years. Lower total returns were the main factor for the decreased returns. Returns to cattle

producers in 2002 are not expected to improve much as compared to 2001. Cattle feeders will benefit from lower prices for replacement feeders. Replacement feeders are expected to average about \$10 per hundredweight less in 2002 than in 2001. However, higher feed costs and lower slaughter cattle prices will offset the lower replacement feeder prices. Slaughter cattle prices are expected to average about \$4 - \$5 less per hundredweight in 2002 compared to 2001. 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/enterprise\\_cost/livestock\\_budgets.html](http://www.farmdoc.uiuc.edu/manage/enterprise_cost/livestock_budgets.html)

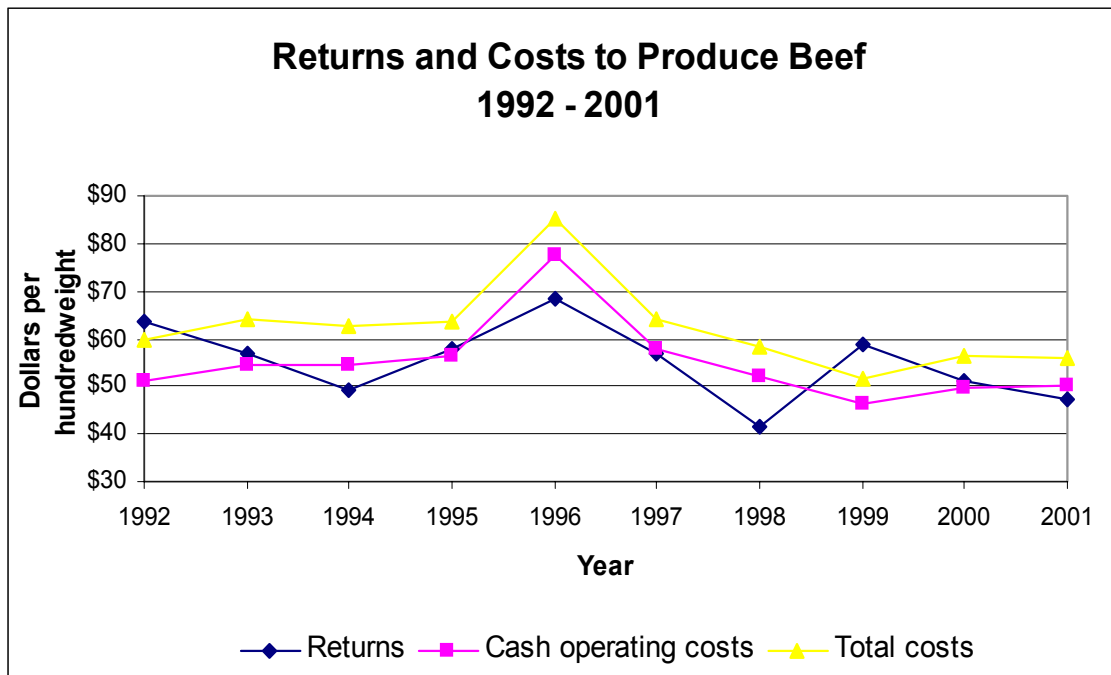


Figure 1. Returns and costs to produce beef on Illinois farms, 1992 – 2001.

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