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COSTS AND RETURNS FOR ILLINOIS BEEF PRODUCERS IN 2002

Total economic costs in 2002 for Illinois beef feeding enterprises exceeded total returns by \$7.97 per 100 pounds of beef produced on 10 beef feeding farms. Total costs exceeded returns by \$8.48 per 100 pounds produced in 2001. 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 2002 level of returns was 22 cents per 100 pounds beef produced above the average returns for the period 1993 through 2002. Figure 1 illustrates average returns, cash operating costs and total costs for the 1993 through 2002 time period.

HIGHER TOTAL RETURNS

Higher total returns was the main factor contributing to the slight improvement in returns for these enterprises. Total returns per 100 pounds produced increased from \$47.39 in 2001 to \$51.20 in 2002. Total returns for 2002 was the second highest for any year in the last five years. The average price received per 100 pounds of beef sold of \$65.06 was 10 percent lower than 2001. The average price paid for feeder cattle replacements in 2002 of \$87.76 was 1 percent lower than 2001. The price paid for feeder cattle replacements was the second highest since 1991. The purchase cost of feeder cattle is subtracted from finished cattle sales in determining total returns per 100 pounds produced. Higher inventory prices for cattle at the end of the year as compared to the beginning also contributed to the higher returns.

FEED COSTS INCREASE

Feed costs increased in 2002 as compared to 2001. Feed costs were \$37.73 per 100 pounds produced in 2002 compared to \$34.22 in 2001. Feed costs were the highest since 1998. Nonfeed costs decreased from \$21.65 per 100 pounds produced in 2001 to \$21.44 in 2002. Maintenance and power costs of \$5.00 per 100 pounds produced makes up the largest portion of the nonfeed costs. Feed and nonfeed costs totaled \$59.17 per 100 pounds produced in 2002. Total costs in 2002 were \$2.91 per 100 pounds produced below the last ten year average of \$62.08. Excluding the cost of feeder cattle, feed costs were 64 percent of the total cost to produce beef in 2002.

SUMMARY

Returns to cattle feeders increased marginally in 2002 compared to 2001 and were slightly above the average returns for the last ten years. Higher total returns were the main factor for the increased returns.

Returns to cattle producers in 2003 are projected to improve as compared to 2002. Finished cattle prices are expected to improve in 2003 due to lower beef production. Feeder cattle prices are also projected higher while feed costs should remain stable. Finished cattle prices are expected to average about \$10 more per hundredweight in 2003 compared to 2002. Replacement feeders are expected to average about \$5 per hundredweight more. If these projections materialize, profits to cattle feeders should improve although total economic costs may still exceed total returns. 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.

The author would like to acknowledge that data used in this study comes from the local Farm Business Farm Management (FBFM) Associations across the State of Illinois. Without their cooperation, information as comprehensive and accurate as this would not be available for educational purposes. FBFM, which consists of 6,000 plus farmers and 62 professional field staff, is a not-for-profit organization available to all farm operators in Illinois. FBFM field staff provide on-farm counsel with computerized recordkeeping, farm financial management, business entity planning and income tax management. For more information, please contact the State FBFM Office located at the University of Illinois Department of Agricultural and Consumer Economics at 217-333-5511 or visit the FBFM website at www.fbfm.org.

More information

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

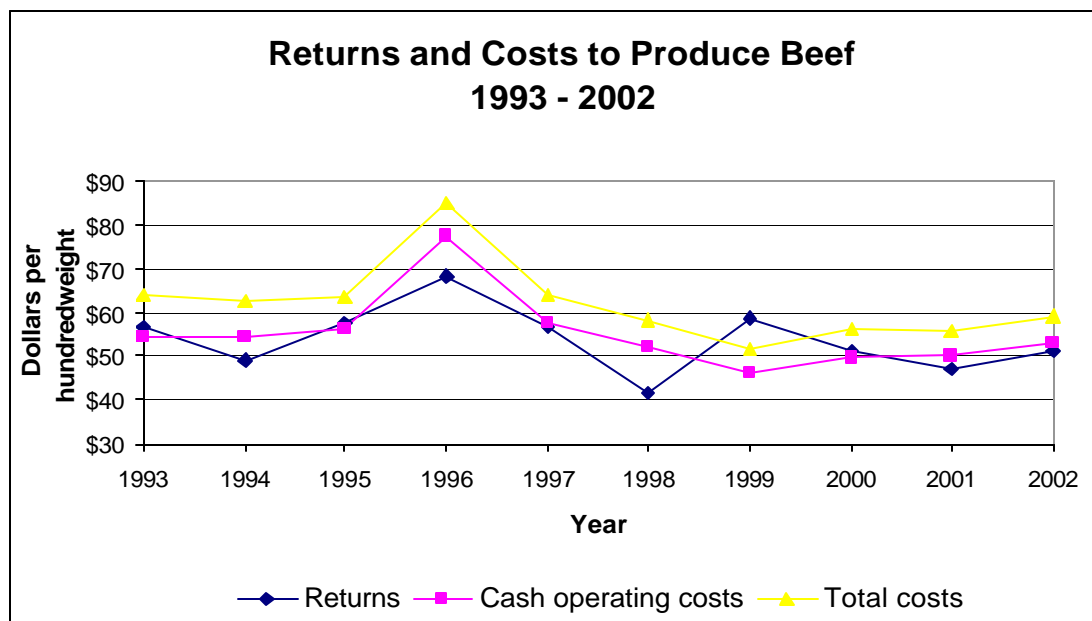


Figure 1. Returns and costs to produce beef on Illinois farms, 1993 – 2002.

Issued by: Dale Lattz, Department of Agricultural and Consumer Economics