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COSTS AND RETURNS FOR ILLINOIS BEEF PRODUCERS IN 2003

Total returns in 2003 for Illinois beef feeding enterprises exceeded total economic costs by \$20.87 per 100 pounds of beef produced on 11 beef feeding farms. This was by far the highest profit margin for these farms since this study began in 1980. Total costs exceeded returns by \$7.97 per 100 pounds produced in 2002. Total returns have exceeded total economic costs in only five years since 1980, when this study began. Those years were 2003, 1999, 1992, 1990, and 1987. The 2003 level of returns was \$26.27 per 100 pounds beef produced above the average returns for the 1994 through 2003 time period. Figure 1 illustrates average returns, cash operating costs and total costs for the 1994 through 2003 time period.

HIGHER TOTAL RETURNS

Higher total returns due to higher market cattle prices was the main factor contributing to the significant improvement in returns for these enterprises. Total returns per 100 pounds produced increased from \$51.20 in 2002 to \$78.08 in 2003. Total returns for 2003 were the highest on record. The average price received per 100 pounds of beef sold of \$84.57 was 30 percent higher than 2002. This also was the highest price received since this study began. The average price paid for feeder cattle replacements in 2003 of \$88.13 was slightly higher than in 2002. The price paid for feeder cattle replacements was also the highest since this study began. 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 DECREASE

Feed costs decreased in 2003 as compared to 2002. Feed costs were \$34.65 per 100 pounds produced in 2003 compared to \$37.73 in 2002. Nonfeed costs increased from \$21.44 per 100 pounds produced in 2002 to \$22.56 in 2003. Maintenance and power costs of \$5.67 per 100 pounds produced makes up the largest portion of the nonfeed costs. Feed and nonfeed costs totaled \$57.21 per 100 pounds produced in 2003. Total costs in 2003 were \$4.18 per 100 pounds produced below the last ten year average of \$61.39. Excluding the cost of feeder cattle, feed costs were 61 percent of the total cost to produce beef in 2003.

SUMMARY

Returns to cattle feeders increased significantly in 2003 compared to 2002 and were at record high levels.



Higher total returns due to higher market cattle prices were the main factor for the increased returns. Returns to cattle producers in 2004 should remain at profitable levels but most likely below 2003 returns. Finished cattle prices are projected to be slightly higher in 2004 due to lower beef production. However, feeder cattle prices are also projected higher. Feed costs are also likely to increase in 2004. Finished cattle prices are expected to average about \$2 more per hundredweight in 2004 compared to 2003. Replacement feeders are expected to average about \$10 per hundredweight more. If these projections materialize, returns to cattle feeders should continue to cover total costs but below 2003 profit levels. The beef industry is experiencing some of its better times in regards to returns but the cow - calf producer will be reaping more of the profits and cattle feeders less in 2004 compared to 2003.

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

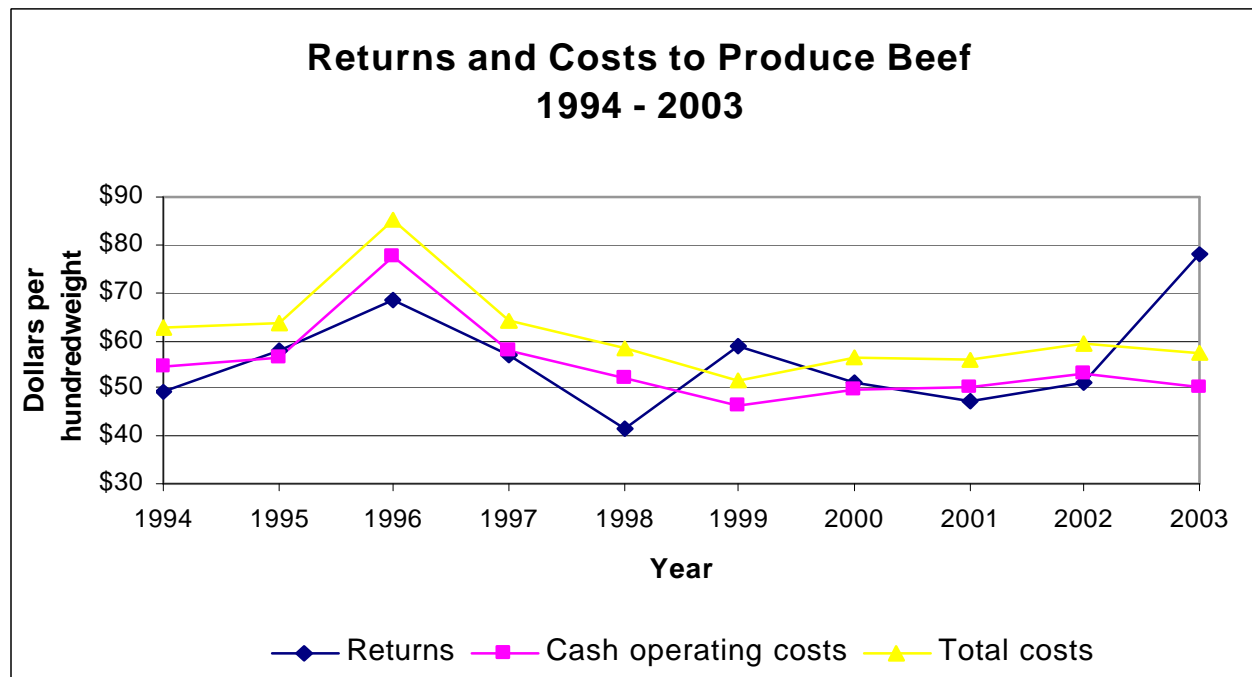


Figure 1. Returns and costs to produce beef on Illinois farms, 1994 – 2003.

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