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COSTS AND RETURNS FOR ILLINOIS BEEF PRODUCERS IN 2004

Total economic costs in 2004 for Illinois beef feeding enterprises exceeded total returns by 55 cents per 100 pounds of beef produced on 11 beef feeding farms (see Table 1). Even though costs exceeded returns, this was the second highest returns recorded during the last five years. Total returns exceeded total costs by \$20.87 per 100 pounds produced in 2003. 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 2004 level of returns was \$3.55 per 100 pounds beef produced above the average returns for the 1995 through 2004 time period. Figure 1 illustrates average returns, cash operating costs and total costs for the 1995 through 2004 time period.

LOWER TOTAL RETURNS

Lower total returns due to higher prices paid for feeder cattle along with higher feed costs were the main factors contributing to the lower returns for these enterprises. Total returns per 100 pounds produced decreased from \$78.08 in 2003 to \$66.17 in 2004. Total returns for 2003 were the highest on record. The average price received per 100 pounds of beef sold of \$83.95 was only 1 percent lower than 2003. This was the second highest price received since this study began. The average price paid for feeder cattle replacements in 2004 of \$103.69 was 18 percent higher than in 2003. The price paid for feeder cattle replacements was 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. Year-end inventory prices for cattle were about 5 percent higher than the year before.

FEED COSTS INCREASE

Feed costs increased in 2004 as compared to 2003. Feed costs were \$41.19 per 100 pounds produced in 2004 compared to \$34.65 in 2003. Nonfeed costs increased from \$22.56 per 100 pounds produced in 2003 to \$25.53 in 2004. Livestock expenses of \$5.62 per 100 pounds produced makes up the largest portion of the nonfeed costs. Feed and nonfeed costs totaled \$66.72 per 100 pounds produced in 2004. Total costs in 2004 were \$4.91 per 100 pounds produced above the last ten year average of \$61.81. Excluding the cost of feeder cattle, feed costs were 62 percent of the total cost to produce beef in 2004.

SUMMARY

Returns to cattle feeders decreased in 2004 compared to 2003 but were still at historically good levels. Lower total returns due to higher prices for replacement cattle and higher costs were the main factors for the decreased returns. Returns to cattle producers in 2005 should be similar to 2004 returns. Finished cattle prices are projected to be slightly higher in 2004 even though beef production is projected to



increase. This indicates good demand for beef. However, feeder cattle prices are also projected higher. Feed costs will decrease in 2005 helping offset the higher replacement cattle prices. Finished cattle prices are expected to average about \$1-2 more per hundredweight in 2005 compared to 2004. Replacement feeders are expected to average about \$5 per hundredweight more. If these projections materialize, returns to cattle feeders will be near a breakeven level for the year. The beef industry is experiencing some of it's better times in regards to returns but the cow - calf producer reaped more of the profits in 2005 and is expected to do so again in 2006. Margins will remain tight for those finishing out cattle due to the high cost of replacement feeders.

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 60 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

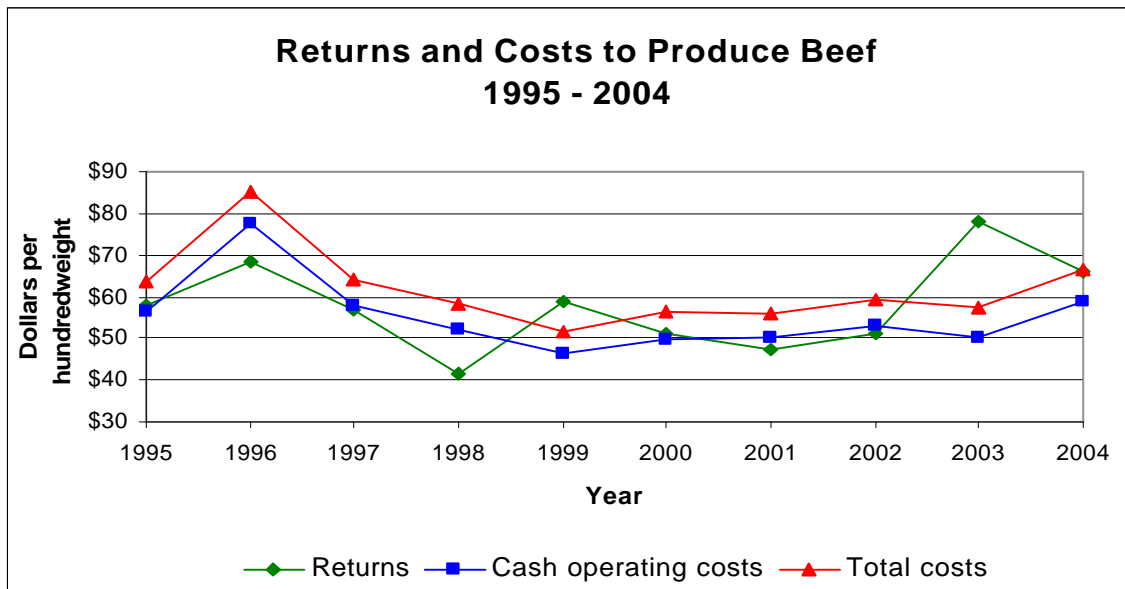


Figure 1. Returns and costs to produce beef on Illinois farms, 1995 – 2004.

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