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COSTS AND RETURNS FOR ILLINOIS BEEF PRODUCERS IN 2005

Total economic costs in 2005 for Illinois beef feeding enterprises exceeded total returns by \$5.68 per 100 pounds of beef produced on 11 beef feeding farms (see Table 1). During the last five years, there has been two years where returns were higher than the 2005 returns and two years with lower returns. Total costs exceeded total returns by 55 cents per 100 pounds produced in 2004. 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 2005 level of returns was \$1.56 per 100 pounds beef produced below the average returns for the 1996 through 2005 time period. Figure 1 illustrates average returns, cash operating costs and total costs for the 1996 through 2005 time period.

LOWER TOTAL RETURNS

Lower total returns due to higher prices paid for feeder cattle was the main factor contributing to the lower returns for these enterprises. Total returns per 100 pounds produced decreased from \$66.17 in 2004 to \$57.05 in 2005. Total returns for 2003 and 2004 were some of the highest on record. The average price received per 100 pounds of beef sold of \$85.19 was 1.5 percent higher than 2004. This was the highest price received since this study began. The average price paid for feeder cattle replacements in 2005 of \$112.25 was 8 percent higher than in 2004. The price paid for feeder cattle replacements was the highest since this study began. The price paid for feeder cattle in 2004 and 2005 were the only years where the price paid averaged over \$100.00 per hundredweight. The purchase cost of feeder cattle is subtracted from finished cattle sales in determining total returns per 100 pounds produced.

FEED COSTS DECREASE

Feed costs decreased in 2005 as compared to 2004. Feed costs were \$37.36 per 100 pounds produced in 2005 compared to \$41.19 in 2004. Nonfeed costs decreased slightly from \$25.53 per 100 pounds produced in 2004 to \$25.37 in 2005. Maintenance and power expenses of \$6.21 per 100 pounds produced make up the largest portion of the nonfeed costs. Feed and nonfeed costs totaled \$62.73 per 100 pounds produced in 2005. Total costs in 2005 were \$1.00 per 100 pounds produced above the last ten year average of \$61.73. Excluding the cost of feeder cattle, feed costs were 60 percent of the total cost to produce beef in 2005.

SUMMARY

Returns to cattle feeders decreased in 2005 compared to 2004 and were below the last four year average. A lower total return due to higher prices for replacement cattle was the main factor for the decreased returns. Returns to cattle producers in 2006 will likely be below 2005 returns. Both finished and feeder



cattle prices for 2006 are projected slightly below 2005 prices. Feed costs will increase in 2006 due to higher corn prices during the last quarter of the year. Finished cattle prices are expected to average about \$1-2 less per hundredweight in 2006 compared to 2005. Replacement feeders are expected to average about \$2-3 per hundredweight less. If these projections materialize, returns to cattle feeders will be below last year and below a breakeven level for the year. The beef industry has experienced a time of higher prices during the last two to three years with the cow – calf operator reaping most of the benefits the last two years. Looking ahead, cattle feeders will benefit from lower replacement feeder prices but some of this benefit will be offset by higher feed prices.

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 58 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

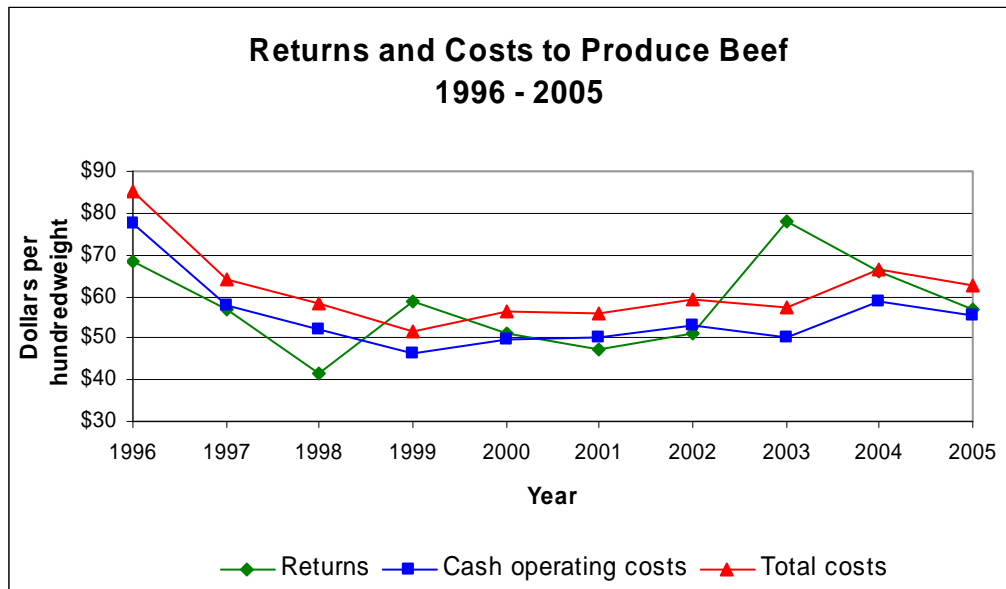


Figure 1. Returns and costs to produce beef on Illinois farms, 1996 – 2005.

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