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## **COSTS AND RETURNS FOR ILLINOIS BEEF PRODUCERS IN 2006**

Total economic costs in 2006 for Illinois beef feeding enterprises exceeded total returns by \$16.55 per 100 pounds of beef produced on 8 beef feeding farms. The 2006 returns were the lowest return for any year of the last five years and the lowest since 1998. Total costs exceeded total returns by \$5.68 per 100 pounds produced in 2005. 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 2006 level of returns was \$12.46 per 100 pounds beef produced below the average returns for the 1997 through 2006 time period. Figure 1 illustrates average returns, cash operating costs and total costs for the 1997 through 2006 time period.

### **LOWER TOTAL RETURNS**

Lower total returns due to continued high prices paid for feeder cattle, slightly lower market cattle prices and lower end-of-the-year inventory prices were the main factors contributing to the lower returns for these enterprises. Total returns per 100 pounds produced decreased from \$57.05 in 2005 to \$51.83 in 2006. Total returns for 2003 and 2004 were some of the highest on record. The average price received per 100 pounds of beef sold of \$83.69 was about 2 percent lower than 2005. Even though lower than 2005, this was one of the highest prices received since this study began and the fourth year in a row that the price received averaged over \$80 per hundredweight. The average price paid for feeder cattle replacements in 2006 of \$112.26 was basically the same as paid in 2005. The 2005 and 2006 prices paid for feeder cattle replacements are the highest since this study began. The price paid for feeder cattle in 2004, 2005 and 2006 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 INCREASE**

Feed costs increased a little more than 2 percent in 2006 as compared to 2005. Feed costs were \$38.21 per 100 pounds produced in 2006 compared to \$37.36 in 2005. Nonfeed costs increased from \$25.37 per 100 pounds produced in 2005 to \$30.17 in 2006 and were the second highest on record since this study began. Maintenance and power expenses of \$7.18 per 100 pounds produced make up the largest portion of the nonfeed costs. Feed and nonfeed costs totaled \$68.38 per 100 pounds produced in 2006. Total costs in 2006 were \$8.35 per 100 pounds produced above the last ten year average of \$60.03. Excluding the cost of feeder cattle, feed costs were 56 percent of the total cost to produce beef in 2006.



## SUMMARY

Returns to cattle feeders decreased in 2006 compared to 2005 and were below the last four year average. Lower total returns due to continued high prices for replacement cattle and lower prices received for market cattle along with higher costs were the main factors for the decreased returns. Returns to cattle producers in 2007 will be supported by higher finished cattle prices. Offsetting the higher finished cattle prices will be higher feed costs. Replacement cattle prices are projected to be about the same or a little below 2006 prices paid. Finished cattle prices are expected to average about \$5-7 more per hundredweight in 2007 compared to 2006. Feed costs will increase in 2007 due to higher corn and forage prices. Depending on the extent of higher finished cattle prices and higher feed costs, returns to cattle feeders may improve in 2007 compared to the 2006 returns.

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 5,500 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](http://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](http://www.farmdoc.uiuc.edu/manage/enterprisecost_index.html)

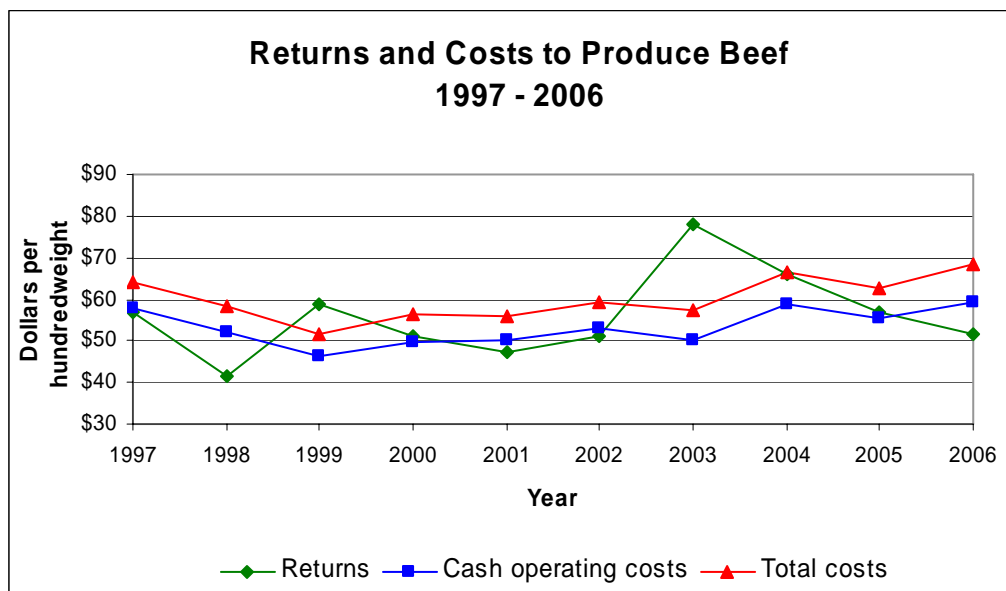


Figure 1. Returns and costs to produce beef on Illinois farms, 1997 – 2006.

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