

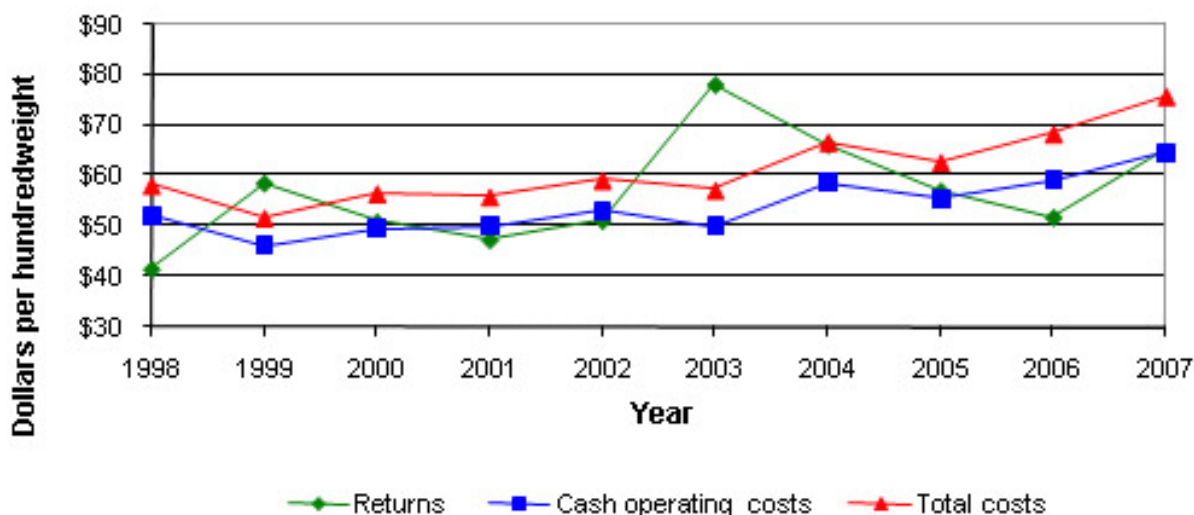


FEFO 08-21
December 24, 2008

COSTS AND RETURNS FOR ILLINOIS BEEF PRODUCERS IN 2007

Total economic costs in 2007 for Illinois beef feeding enterprises exceeded total returns by \$10.81 per 100 pounds of beef produced on 6 beef feeding farms. The 2007 returns were the second lowest return for any year of the last five years and the second lowest since 1998. However, the 2007 returns were higher than the 2006 returns. Total costs exceeded total returns by \$16.55 per 100 pounds produced in 2006. 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 2007 level of returns was \$6.37 per 100 pounds beef produced below the average returns for the 1998 through 2007 time period. Figure 1 illustrates average returns, cash operating costs and total costs for the 1998 through 2007 time period.

Figure 1: and Costs to Produce Beef on Illinois Farms 1998 - 2007



Higher Total Returns

Higher total returns due to lower prices paid for feeder cattle and higher market cattle prices contributing to the higher total returns for these enterprises. Total returns per 100 pounds produced increased from \$51.83 in 2006 to \$64.92 in 2007. Total returns for 2003 and 2004 were some of the highest on record. The average price received per 100 pounds of beef sold of \$91.05 was about 9 percent higher than 2006. This was the highest price received since this study began and the fifth year in a row that the price received averaged over \$80 per hundredweight and the first time the price has averaged over \$90. The average price paid for feeder cattle replacements in 2007 of \$103.22 was about 8 percent lower than 2006. 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 through 2007 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 Continue to Increase

Increasing feed costs limited the improvement in returns as compared to 2006. Feed costs increased about 13 percent in 2007 as compared to 2006. Feed costs were \$43.17 per 100 pounds produced in 2007 compared to \$38.21 in 2006. Nonfeed costs increased from \$30.17 per 100 pounds produced in 2006 to \$32.56 in 2007 and were the highest on record since this study began. Maintenance and power expenses of \$7.99 per 100 pounds produced make up the largest portion of the nonfeed costs. Feed and nonfeed costs totaled \$75.73 per 100 pounds produced in 2007. Total costs in 2007 were \$14.52 per 100 pounds produced above the last ten year average of \$61.21. Excluding the cost of feeder cattle, feed costs were 57 percent of the total cost to produce beef in 2007.

Summary

Returns to cattle feeders increased in 2007 compared to 2006 but were below the last four year average. Higher total returns due to lower prices paid for replacement cattle and higher prices received for market cattle were the main factors for the increased returns. Higher feed costs offset some of the higher total returns. Returns to cattle producers in 2008 will be supported by slightly higher finished cattle prices and the possibility of lower prices paid for replacement cattle. Offsetting the higher finished cattle prices will be significantly higher feed costs. Feed costs will increase in 2008 due to higher corn and forage prices. Even with higher finished cattle prices, significantly higher feed costs will most likely result in returns to cattle feeders in 2008 below 2007 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 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

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