ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

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FARM INPUT COSTS

THE CURRENT OUTLOOK FOR AGRICULTURAL INPUTS continues to indicate higher prices, although supply problems have diminished. The September prices paid by farmers for all production items was about 1 percent higher than in August, and about 7 percent above a year earlier. This is less than half the 16-percent increase in costs from 1973 to 1974. The combined use of all farm inputs increased about 1 percent from 1974, although farmers used less fertilizer, feed, and some machinery items.

FEED PRICES. In September, these were about 1 percent less than in August, but down about 9 percent from September, 1974. Total domestic feed use has been running below a year earlier, and is not expected to increase significantly until well into the marketing year. The 5.7-billion bushel corn crop and the 1.47-billion bushel soybean crop should provide an adequate feed supply for a modest increase in livestock and poultry feeding in 1975-76, along with expected record-setting exports. Feed requirements for the feeding year should limit increases in feed prices for the winter and spring.

FERTILIZER. Consumption was down 16 percent for the July-April period from a year earlier, based on reports from 15 state fertilizer control officers. Part of the reason may be the resistance among farmers to high fertilizer prices. In fall of 1974, these were 81 percent higher than a year earlier. Spring prices in 1975 were 26 percent higher than in 1974. Fertilizer supplies vary by nutrients. From 1975 to 1976, the estimated increase in phosphate fertilizer supply is about 10 percent. Potassium is expected to be up 5 to 9 percent, with no increase in supply of nitrogen. A nitrogen shortage could develop from a shift of some nutrients to industrial use, a drop in imports, and a curtailment of natural gas. There are supplies of all fertilizer nutrients available with some dealers.

FARM MACHINERY. The situation is shifting from a sellers' to a buyers' market. Sales of all major items of farm machinery except self-propelled combines were lower during January-July, 1975, than in 1974. Sales of tractors and hay balers were off about 18 percent, while those of self-propelled combines increased about 20 percent.

July inventories of machinery indicated a general slowing of demand. Sales forecasts for farm tractors were down about 10 percent from expected sales at the beginning of the year. Combines and balers were off slightly. The machinery supply-demand situation has resulted in a more favorable machinery cost position for farmers.

FUEL. Supplies are expected to be adequate for the remainder of the year. Gasoline prices are up 3 percent and diesel fuels are 12 percent higher than in the spring of 1974. With the costs of crude oil increasing, we can expect a 15- to 25-percent increase in fuel prices.

HIRED LABOR. Use in the Lake States (including Illinois) was up about 4 percent in July, 1975, over a year earlier as a result of increased crop acreage. Seasonal labor use has decreased slightly in 1975 from a year earlier as a result of labor adjustments to higher production levels. Wage rates in the Lake States for July, 1975, were up about 13 percent over a year earlier. With "soft" nonagricultural markets and a lessened demand for agricultural labor, wage increases for 1976 may be from 6 to 10 percent.

The prices paid by farmers for production items in September, 1975, was about 7 percent above a year earlier. A 9-percent drop in feed prices helped temper the 20-percent increase in machinery costs. Prices paid by farmers for production items may increase about 6 to 8 percent during the next year, as farmers resist higher prices as they have this year on feed and farm machinery.

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