



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801

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FARM COST SITUATION

FARM PRODUCTION COSTS INCREASED ABOUT 6 PERCENT IN 1975. Feeds and fertilizer prices have dropped from a year earlier. The costs of farm machinery and fuels and of farm wages have increased during the past year. With larger inventories of purchased farm inputs available, the rapid increase may ease considerably in 1976.

FEEDS. The average prices paid by farmers for soybean meal were about \$30 per ton lower in 1975 than a year earlier. Manufactured feeds averaged 3 to 8 percent below a year earlier. A record world soybean supply and record feed-grain production in the U.S. lowered feed costs, even though manufacturing costs increased. Soybean meal may go up slightly during the winter months, but the Brazilian soybean crop competing for world markets will hold 1976 soybean meal prices near the 1975 level. The anticipated cutback in soybean production this year will probably prevent any large decrease in soybean meal prices next summer. On the other hand, increased livestock feeding will raise domestic demand.

FERTILIZER. Illinois farmers paid 15 to 20 percent less for fertilizer last fall compared to April, 1975 prices. Current fertilizer prices are only slightly lower than a year earlier. Fertilizer consumption in the year that ended June 30, 1975, was down about 10 percent from year-earlier figures. The cutback was a result of resistance by farmers to record high prices in early 1975, the shortage of fertilizer during the 1974-75 winter season, and the 1975 prospect for lower grain prices. In spite of the cutback in use, production increased in 1974-75, and new fertilizer plant capacity will be coming on stream next year.

Unless gas shortages are severe, the domestic supplies of nitrogen should be adequate this spring. Farmers' resistance to high prices and large inventories should limit fertilizer price increases this year.

FUELS. Adequate fuel for farming operations is available in Illinois. The price of gasoline and diesel fuel to Illinois farmers have increased about 12 and 6 percent, respectively, during the past year. Total use is down as a result of higher prices and a strong conservation effort. Future prices for motor fuels remain uncertain, and will be influenced by policies of the Congress and the Administration.

LP gas supplies come mainly from processing natural gas. With last fall's ideal harvest season, the use of LP gas for drying corn was less than normal. Although prices increased only about 1 percent during the past year, natural gas shortages, governmental policies, and industry policies may increase prices during the year ahead.

CHEMICALS. The production and inventories of herbicides and insecticides have increased. Few problems are expected to result from raw material availability. Even with a greater use of chemicals, increases of only about 5 percent are expected in 1976.

FARM MACHINERY. Retail sales of tractors were down 10 percent for January-to-October, 1975, compared to a year earlier. Tractor sales were up about 14 percent for September-October, 1975, over a year earlier. Self-propelled combine retail sales were up 6 percent in 1975, compared to the previous ten-month period. Sales of other farm machines were off substantially in 1975.

The prices paid by U.S. farmers for automobiles, trucks, and tractors were up 10 percent from December of 1974 to a year later. Farm machinery prices were up 20 percent for the same period. The prices of autos, trucks, tractors, and farm machinery increased 23 percent from December, 1973, to one year later.

Inventories of most farm machines and tractors are above those of a year earlier, and demand appears to have moderated. Thus, the prices of farm machinery should rise more slowly than in the past three years.

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