



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

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FARM COSTS INCREASE, FARM EARNINGS DROP

SINCE THE PEAK FARM INCOME YEAR IN 1973, the operating costs on Illinois farms have increased while farm earnings have dropped. Studies of farm records show cash operating expenses have increased 25 to 60 percent per farm since 1973, depending on the type of farm, at the same time earnings for the operator's labor and management dropped 10 to 56 percent on the same farms.

These facts are gleaned from a sample of 4,162 Illinois Farm Business Records summarized in the Department of Agricultural Economics and kept by Illinois farm operators enrolled in the Farm Business Farm Management Associations (FBFM). While these farms may not be typical of all Illinois farms, they do represent the majority of the commercial farms that produce most of the grain and livestock. The average earnings for the farm operator's share of labor and management in 1975 was \$24,403. These same earnings for 1966 to 1970 averaged \$7,000 to \$8,000 per farm. Earnings improved each year from 1971 to 1973, but leveled off in 1975 at about 35 percent below those of 1973.

Comparative costs and returns between years and among major types of farms in northern and southern Illinois are reported each year for those of 340 to 499 acres. This is the most common farm size in Illinois. Earnings vary by type of farm and by location. Grain farms are those on which less than half of the crops produced are fed to livestock. Those feeding more than half are classified as livestock farms. Hog, beef, and dairy farms are identified by the major livestock enterprise on the farm. In 1975, 62 percent of the FBFM farms were classified as grain farms; 13 percent, hog; 8 percent, dairy; 5 percent, beef; and 12 percent, mixed.

The hog farm was number one in earnings in 1975. The earnings for all unpaid labor and management with operator and landlord shares combined on northern Illinois hog farms averaged 8 percent above the grain farms of the same size in the same area and 90 percent above the beef farms.

Since 1973, the value of all farm production on the hog farms increased 12 percent. Cash operating expenses increased 42 percent. The earnings for unpaid labor and management declined 26 percent. On grain farms, the major type, the value of farm production increased 7 percent, cash operating expenses went up 43 percent, while

labor and management earnings declined 45 percent. Hog farms had record low earnings in 1970 and record high ones in 1973, while beef farms showed a record high in 1973 and a record low in 1974. This contrasts with the steady increase in earnings on grain and dairy farms from 1970 to 1973, followed by the steady decline since 1973.

The 1970-1975 average was for \$26,341 for unpaid labor and management earnings (operator and landlord shares combined) for hog farms of 340 to 499 acres in northern Illinois; \$24,436, for grain; and \$9,897, for beef. For dairy farms of 260 to 399 acres, the same earnings figure \$9,000. For southern Illinois in this same period, the comparative figures were \$20,918 for hog farms; \$17,275, grains; and \$14,499 for dairy.

In view of increased crop and livestock production following periods of favorable profit margins, maintaining efficiency and controlling costs to avoid possible cost-price squeezes will become more and more important.

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