



# ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE  
DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801

November 29, 1978

## COSTS OF FARM INPUTS

THE PRICES PAID BY FARMERS FOR ALL PRODUCTION ITEMS were up about 12 percent in October compared to a year earlier. Fertilizers and chemicals were slightly lower than a year earlier. Feeder livestock had the most dramatic increase, up 51 percent from October, 1977. The cost of feed increased about 5 percent compared to a year earlier. Farm machinery and tractors were up 9 to 11 percent from October, 1977. Interest payable per acre on farm real estate rose about 16 percent during the past year.

**FERTILIZER.** Fertilizer consumption for the year ended June 30, 1978, was down 8 percent from a year before. Fertilizer application for July and August, 1978, was up 9 percent compared to the same period in 1977. Favorable fertilizer crop-price ratios are expected, which should encourage farmers to increase application rates. If acreage planted in 1979 is close to the 1978 figure, fertilizer use should be near the 1976-77 record depending on the level and mix of acreage planted to major crops. Large nitrogen inventories, an adequate production capacity, and the availability of imports will probably keep prices near current levels. Phosphate supplies are large and exports are expected to continue brisk during the next year. Exports have helped reduce supply pressures brought on by an expansion in capacity during recent years. Potash will continue to provide about three-fourths of the U.S. requirements. Total supplies should be adequate for 1978-79 with prices expected to remain near year-earlier levels.

**FUEL AND ENERGY.** Fuel and energy prices have increased about 5 percent since October, 1977. Diesel fuel increased about 2 percent during the past year; white leaded gasoline, approximately 9 percent. Farmers paid some 3 percent less for L.P. gas in October, 1978, relative to a year earlier. Supplies of fuel should continue to be adequate for agriculture in 1979, although the prices paid may increase 8 to 10 percent.

**AGRICULTURAL CHEMICALS.** After several years of expansion, the production capacity for agricultural chemicals is such that farmers' needs for chemicals can be supplied easily. Production limitations may be imposed as a means of stabilizing prices. Herbicide use has expanded sharply in recent years with more acres being

treated and more intensively. Overall, the intensive use of chemicals has moderated, so herbicide use will be influenced mainly by the crop acreages. Insecticide use has stabilized at a level directly related to the acres of crops grown. No major price increases are expected for the coming year.

*FARM MACHINERY.* The number of units sold during the first 7 months of 1978 was about the same as a year earlier. The sales of two-wheel-drive farm tractors were up 3 percent. Sales of four-wheel-drive tractors were up 7 percent for the seven-month period. Combine sales for the same period did not change from a year earlier. Tractors and self-propelled machinery prices increased 11 percent from October of last year to October of this year. For the same period, the prices of other farm machinery increased 9 percent. Some of the major farm machinery manufacturers are scheduling production increases of 5 to 8 percent for the year ahead. Replacement prices for farm machinery probably will increase 8 to 10 percent during the coming year.

*FARM WAGE RATES.* In July, 1978, the hired farm workers numbered about 2 percent fewer than a year earlier. From October, 1977, to October, 1978, farm wage rates increased about 10 percent. The principal factors affecting those wage rates are competition from urban employment opportunities and inflation. For 1979, farm wages will probably increase 7 to 9 percent.

*R.B. Schwartz*

*R.B. Schwartz*, Extension Economist, Farm Management

Cooperative Extension Service  
United States Department of Agriculture  
University of Illinois  
At Urbana-Champaign  
Urbana, Illinois 61801

POSTAGE AND FEES PAID  
U.S. DEPARTMENT OF  
AGRICULTURE  
AGR 101



---

Official Business  
Penalty for private use, \$300

FIRST CLASS