RETURN TO 419 M.H. ILLINOIS FARM AND FOOD OUTLOOK



COLLEGE OF AGRICULTURE DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801

August 8, 1979

FARM PRODUCTION EXPENSES AND FARM INCOME

FARM PRODUCTION EXPENSES are expected to increase some 13 percent to about \$111 billion in 1979. Nearly all of the increase in expenses will be a result of the higher prices that will be paid rather than the quantity used. The prices paid by farmers for all production items increased about 14 percent during the past year. Feeder livestock prices rose the most, up 31 percent during 1979. For the same 12 months, other farm-origin inputs were up moderately--feed prices by 7 percent and seed by 4 percent. Supply-deamd indications point to high feed prices for the next 12 months. The prices for feeder cattle are likely to increase, too, but the average for the year ahead may not be much higher than for 1979.

The prices of nonfarm inputs went up about 12 percent from 1978 to 1979. Fuel and energy prices increased about 30 percent over those of a year earlier. Farm machinery prices rose about 12 percent in 1978. The index of interest paid on real estate increased some 27 percent--the result of higher interest rates and higher prices paid for farm land.

Fertilizer consumption increased about 10 percent from July, 1978 to April, 1979, compared to a year before. Prices for fertilizer went up about 7 percent from 1978 to the 1979 estimates. The production potential for fertilizer should provide adequate supplies and limit price increases for the year ahead.

Pesticide prices increased about 3 percent from 1978 to 1979, and the amounts of pesticides used rose slightly during the past year. Pesticide reregistrations for use on major crops may affect supplies and prices in 1980.

Fuel prices rose about 30 percent over the past year. Prices for diesel fuel jumped about 46 percent, gasoline some 32 percent, and LP gas about 1 percent. Fuel prices will rise substantially in 1980, as indicated by the higher oil prices set by OPEC.

Prices for tractors and other farm machinery increased about 12 percent during the past year. Tractor and combine sales went up 6 and 22 percent, respectively. Price increases for the coming year seem likely to be 10 to 13 percent.

Farm production expenses went from \$38 billion in 1967 to \$112 billion in 1979. Production expenses have increased an average of about 9 percent annually, with a rise of 3 percent from 1967 to 1968 and 25 percent from 1972 to 1973. Production STATE COUNTY LOCAL GROUPS U.S. DEPARTMENT OF AGRICULTURE COOPERATING

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to 28.5 last year, Minnesota at 32 compared to 35 in 1978, and Arkansas at 24 for this year and last, and Indiana at 36 versus 34 for 1978.

The change from the August estimate to the final figure tends to be greater for soybeans than for corn. Last year, it was 27.9 to 29.2; in 1977, it was 27.5 to 29.6; and in 1976, 27.2 to 25.6. A lot of the soybean acreage is in the northern part of the growing area, which is vulnerable to an early frost. On the other hand, August weather is critical for soybeans; and thus far, it has been very good.

The huge U.S. soybean crop is associated with large crops of competing oilseed crops elsewhere. The world crops of sunflowerseed and rapeseed seem likely to be very large. We should expect substantially larger soybean crops in Brazil and Argentina next spring. Export demand probably will increase less next year than during 1978-79.

A 15.5 percent bigger crop of soybeans (last year's increase was 4.7 percent), minus a moderate increase in export demand for soybeans and products leaves and abundance of soybeans in the domestic market. Soybeans will have to sell at prices that will encourage a large domestic use, particularly of soybean meal, and that would support a substantial increase in the carryover. Prices during the first half of the marketing year will be dominated by large supplies. Second-half prices will be influenced by soybean production in the southern hemisphere and the prospective U.S. production in 1980.

T.A. Hieronymus, Extension Specialist, Prices and Outlook

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

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