



RETURN TO 419 M.H.

ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
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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-demand 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

