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ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE DEPARTMENT OF AGRICULTURAL ECONOMICS

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FARM INPUT COSTS

THE PRICES PAID BY FARMERS FOR PRODUCTION ITEMS increased about 15 percent during the past year. A further increase of 10 to 12 percent is expected in 1980.

FERTILIZERS. Fertilizer prices have increased about 18 percent in 1979. Demand has been relatively strong and production costs have gone up.

Fertilizer prices and supplies are strongly expected by forces outside the United States. The world demand for fertilizer has been quite high due to a generally strong demand for grains. The international prices for fertilizers have increased significantly in 1979. Fertilizer price hikes are not expected to significantly reduce world fertilizer consumption in 1979-80.

Expansion in the industry has resulted in a surplus supply capability world-wide for the three fertilizer nutrients: nitrogen, phosphorus, and potash. This capacity and large inventories have kept fertilizer prices low for the past 2 or 3 years. Since idle capacity is available, higher prices could induce short-term production increases which would keep prices from skyrocketing.

Nitrogen prices are affected most by the rising energy costs because of the large amount of hydrocarbon feedstock and process fuel required to manufacture ammonia. Price increases for anhydrous ammonia and urea are expected to exceed 15 percent for the coming year.

The United States is the world's largest producer and exporter of phosphate fertilizer. About 40 percent of our domestic production was exported last year. Domestic consumption increased some 9 or 10 percent in 1978-79. Due to the exports and the recovery of domestic demand, U.S. phosphate fertilizer inventories were decidedly lower in July than they were a year earlier. Phosphate prices are expected to increase about 15 percent.

Most U.S. supplies of potash are imported from Canada. The world demand for potash has increased substantially over the last 2 years. Persistent shortages of railcars have exerted pressures on U.S.-consumed potash. Potash prices may increase in 1980 by almost the 15 percent expected for other fertilizers.

ENERGY. The index of prices for fuel and energy increased about 46 percent from 1978 to 1979. Diesel fuels jumped about 77 percent, gasoline some 50 percent,

