



WEEKLY OUTLOOK

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FARM INPUT COSTS

THE PRICES PAID FOR FARM PRODUCTION items increased an average of about 13 percent from January, 1979 to January, 1980. The costs of fuels and energy jumped 53 percent and fertilizer went up 24 percent for the year. Farm-machinery prices increased about 11 percent.

FUELS AND ENERGY. Petroleum prices in agriculture far exceeded the projected increases for 1979. Taken together, all fuels and energy increased by 53 percent. Gasoline prices shot up 59 percent; diesel fuel, 83 percent; and LP gas, 46 percent. The use of gasoline on the farm has decreased about 10 percent since 1972; diesel use has increased about 23 percent. The use of liquid fuels on the farm should change little during 1980. The oil price outlook indicates higher prices this year. Price increases by OPEC and higher spot-market prices above the official OPEC prices may raise 1980 prices 40 percent or more above 1979 prices.

FERTILIZERS. The prices paid for fertilizer may average 20 percent higher this spring than a year ago. Demand is strong and fertilizer production and retailing costs are rising. Nitrogen prices this spring are likely to average 15 to 18 percent above those of last year. Domestic consumption may increase slightly above year-earlier levels. Imports may be reduced, since the embargo cut off imports of ammonia from Russia. Inventories of nitrogen fertilizer declined during 1979. Higher prices may not be high enough to bring the some closed plants back into production.

The use of phosphate and potash fertilizers is expected to be 3 to 5 percent greater this spring, compared to 1979. Supplies probably will be adequate, but there may be certain fertilizer materials with questionable availability. Transportation problems could prevent the timely distribution of some materials. Phosphate prices may be up 12 percent and potash prices up 8 percent, compared to last fall.

FARM MACHINERY. These prices increased about 11 percent during the past year. Retail sales of tractors and combines were up about 2.5 percent in 1979 over 1978. The sales of 4-wheel tractors jumped some 29 percent. The demand for machinery may level off or even decline in 1980 because of higher production and distribution costs.

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AGRICULTURAL CHEMICALS. Pesticide supplies should be adequate for most uses in 1980. Because of increased production costs, herbicides are likely to be up 5 to 10 percent and some fungicides as much as 15 to 20 percent.

Although many pesticides are petroleum-based, no shortages of raw materials are expected. But the prices for some ingredients are up as much as 30 to 50 percent over last year.

In terms of pesticide regulations, about 35 percent of the farm insecticides are being reviewed along with about 45 percent of the fungicides. Regulations may affect the use of some pesticides more than prices.

FARM-PRODUCED INPUTS. Feed and feeder livestock increased 10 to 11 percent during the past year. The larger carryover stocks of feed grains should result in only minor increases in feed prices.

The prices for feeder livestock will be influenced by the near-record supplies of red meat and poultry. Beef production is likely to show some increase toward the end of 1980. At most, only minor rises can be expected in the prices for feeder livestock.

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