



WEEKLY OUTLOOK

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COSTS OF FARM INPUT FOR 1981

PRODUCTION EXPENSES ARE EXPECTED TO INCREASE 10 to 13 percent in 1981. About 30 percent of farm production expenses cover the cost of feeder livestock, feed, and seed. These costs will show significant increases in 1981. Petroleum-based inputs (fuel, fertilizer, chemicals), which are about 15 percent of farm production costs, will show sizeable gains.

FARM CREDIT. Following the recent unprecedented extremes in financial markets, minor reductions in interest rates are likely during 1981, and operating loans for credit-worthy farmers should be more readily available. The average interest rates on total outstanding debt for non-real estate should be down more than for real estate. Higher expected incomes and lower interest rates in 1981 could stimulate capital purchases by farmers.

ENERGY. Energy prices increased about 20 percent in 1980. Similar increases are expected this year. Domestic price decontrol, probable increases in foreign petroleum prices, and other factors will bring about the 1981 price increases. Although prices will be higher the supplies of petroleum fuels to farmers are expected to be adequate. National stocks of crude oil, gasoline, and diesel fuel are higher than usual.

FERTILIZER. Domestic fertilizer consumption could reach record levels in 1981, influenced by higher farm incomes and a strong export demand for crops. Planted-acreage increases will push nitrogen use 2 to 4 percent compared to 1980. The use of potash and phosphate is likely to reach record levels in 1981. Total nutrient consumption this year may be up by 4 percent over last season. These estimates of fertilizer use could be tempered by higher-than-expected costs for farm production or lower-than-expected prices for farm commodities.

In January, 1981, the prices paid by farmers for fertilizer averaged 11 percent higher than a year earlier. Fertilizer prices this spring could average 10 to 12 percent above those of last year. Supply adjustments in the spring of 1981 could see price rises of nitrogen up 10 to 15 percent. The prices for phosphates and potash fertilizers are expected to rise less than those for nitrogen.

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THE ILLINOIS COOPERATIVE EXTENSION SERVICE PROVIDES EQUAL OPPORTUNITIES IN PROGRAMS AND EMPLOYMENT.

PESTICIDES. Supplies of all types of pesticides should be adequate for 1981. Prices are expected to rise about 20 percent. The pesticide carryover stocks are equal about 30 percent of last year's output. In 1981, production facilities probably will be operated at 65 to 85 percent of year-earlier levels. No major problems are anticipated in 1981 production, but a major disruption in crude oil supplies could cause problems.

FARM MACHINERY. Prices are likely to go up 12 to 14 percent in 1981. Sales of farm machinery are expected to increase sharply. Machinery sales declined significantly in 1980 because of tight credit, lower farm income, higher energy prices, and higher prices for farm machinery. Machinery dealers and manufacturers are offering numerous sales incentives this year: waivers on interest, rebates on new machinery, dealer discounts, and lower interest rates. All this should create greater sales.

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