Crop Input Prices
2004 AAEA Annual Meetings

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Crops Focus Team

Input Price Indices

Farm Wages

-- Field -- Livestock -- All Hired Workers

Input Price Indices

-- Inflation 1992=100 -- Wage Rate -- Fuel
Herbicide Price Forecast

- Roundup went off patent about 4 years ago.
- Gaucho – wheat herbicide – went off patent this year.
- Many herbicides will go off patent in the next 5 years.
- The chemical companies have few herbicides with significant patent lives remaining.

Fungicide Price Forecast

- Soybean Rust currently in S. America coming to US could add 1-3 fungicide applications/year to soybeans at a cost of $15-20/application. Cut yields 10 to 80%.
- Fungicide as growth promotant gaining popularity
  - Quadris and Warrior (herbicide) gives 3-20 bushel increase in soybean yield
  - Headline gives yield boost to wheat. BASF seeking label for use on soybeans as fungicide. It would be used as a prophylactic treatment/growth promotant.
Seed Price Forecast

- Continue to increase faster than inflation as seed becomes a delivery mechanism for more input and output traits.
- These prices increases may be sporadic jumps in certain seeds as opposed to gradual increases to all seed categories.
- Local seed companies are still competitive in the midwest.
- Roundup Seeds
  - Roundup Ready trait already seen its price increases in soybeans.
  - Monsanto withdrew Roundup Ready Wheat from US introduction.
- Clearfield wheat could be successful.
- Pioneer pulled the introduction of HAP corn.

Bundling of Seed and Chemical

- Bundling is moving from the local supplier to the company.
- Seed and chemical package bundling and sales promotions diminishes the value of published databases.
Seed Coating Implications

- Seed is becoming the delivery mechanism for more than just the “plant”.
- Seed coats are delivering pesticides and protect seeds until proper conditions for germination exist.
- Farmers pay less for chemicals (or pay for chemicals when they buy their seed).
- Farmers are able to farm more acres because they can enter the field earlier to plant seed that will lay dormant until proper conditions exist.
Technology Implications

- Size neutral – any size farm can use biotech or new chemicals
- Size enhancing – permits farmers to farm more acres by reducing time
- Cost reducing –
  - fixed costs are spread over more acres
  - greater productivity per added dollar of expense.

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Interest Rates

Fuel Prices
### Crop Production Expenses

<table>
<thead>
<tr>
<th></th>
<th>Corn</th>
<th>Soybeans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable Cash Costs</td>
<td>145</td>
<td>109</td>
</tr>
<tr>
<td>Land &amp; Machinery</td>
<td>193</td>
<td>158</td>
</tr>
<tr>
<td>Total Cost</td>
<td>338</td>
<td>267</td>
</tr>
<tr>
<td>135 bu corn; 45 bu SB</td>
<td>$2.50</td>
<td>$5.93</td>
</tr>
<tr>
<td>150 bu corn; 50 bu SB</td>
<td>$2.25</td>
<td>$5.34</td>
</tr>
<tr>
<td>120 bu corn; 40 bu SB</td>
<td>$2.81</td>
<td>$6.67</td>
</tr>
</tbody>
</table>

### Cost of Soybean Production

- Chemical: 22%
- Seed: 25%
- Fertilizer: 22%
- Fuel: 4%
- Repairs: 10%
- Other: 4%
- Interest: 4%
- Management: 9%
- Rent & Custom: 5%
- Labor: 6%