

## Rising production costs consume farm profits

We all know the cost of food has increased when we visit the grocery store. But does the farmer benefit from this? Dan Mullins, UF/IFAS Extension Agent in Santa Rosa County, provides an interesting approach to answering this question in today's article.

Glenn Waller, a row crop and cattle farmer from Washington County, Georgia, has recorded prices that he has paid for production supplies and the income he has made from his crops since 1965. Waller eventually teamed up with Extension Agent Sydney Law to compile this data and show how production costs, farm income and food costs have gone up over the years. This information was published in an article last month in the Southeast Farm Press and is summarized below.

- Farmer costs have increased almost 12 times what they were in 1965, while the farmer has only received an increase of one and one-half times for farm products during the same period. While this was happening, food prices increased seven times.
- In 1965 Mr. Waller paid \$38 a ton for standard crop fertilizer. Today the average cost of a ton of that same fertilizer is \$420.
- Diesel fuel is used to run most farm equipment. In 1965 Mr. Waller paid 15 cents per gallon. This year the price is averaging over \$4 per gallon for on-farm or off road diesel.
- In 1965 a 94 horsepower tractor that Mr. Waller uses to plant his corn crop cost \$6,500. A tractor with the same horsepower costs \$58,000 today.
- In 1965 a four-row grain combine that Mr. Waller uses to harvest his corn crop cost \$6,900. By 2006 the price had risen to \$153,000.
- The cost of a bushel of seed corn for planting was \$12 in 1965. In March 2008, seed corn cost \$150 per bushel.

According to the USDA Economic Research Service, farmers receive only 19 cents of every retail dollar spent on food. Once these agricultural products leave the farm another 81 cents is added through expenses associated with processing, packaging, wholesaling, distributing, transporting and retailing.

The American farmer continues to provide the most stable and safest food supply in the world. Because of the farmer's efficiency, USDA statistics show that American shoppers spent less than six percent of their income on food in 2006. This is a lower proportion than any other nation. Most countries spend at least 10 percent, while Indonesia spends 55 percent of their income on food each year.

Mr. Waller's data provides much insight. But a parting quote in the article speaks volumes. "If we think we have problems now because we're dependant on imported fuel, imagine life if we were dependant on imported food."

Larry Williams, UF/IFAS Extension Agent, Okaloosa County, July 22, 2008