Trends in U.S. Agricultural Input Costs and Output Prices

by: Joe Parcell, Assistant Professor & Extension Economist, University of Missouri.

This short note will accompany each newsletter to outline input price and output price trends in the U.S. agricultural economy. To aggregate all input and output prices, an index is used to provide a general measure of price increases or decreases. Data were downloaded from the Minneapolis Federal Reserve web site (data were collected from USDA sources). The figure shown below indicates the trend, between 1990 and current, in prices paid for agricultural inputs and prices received for agricultural output. Note, these indexes are used as an aggregate for all of agriculture. Therefore, it is likely a high crop output price may occur at the same time as low livestock prices and the net effect is no change. For instance, in 1996 corn prices rose sharply; however, cattle prices were relatively low.

When the squares (in blue) are above the circles (in pink) this indicates that prices received are greater than prices paid. This seldom occurs during the period graphed - of course, a high corn price would suggest a high feed cost so that a crop producer may receive a high price, but a livestock producer would be paying higher input costs. Of greater interest is the dramatic increase in the gap between the prices paid and prices received during the past few years. This gap has widened substantially as the prices received index has declined rapidly due to low grain and oilseed prices.

It is unlikely that the price received index will see further substantial decline. However, there is still the potential for increased input costs to further widen the gap. What might cause the input price index to increase? Fuel prices. We are likely to see the input price index increase in the near future, and the output price index could increase moderately as livestock prices begin to increase.

Table 1. Monthly Index of Agricultural Prices Received and Input Prices Paid.

Source: Minneapolis Federal Reserve.