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Harvest fuel costs

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Harvest fuel costs are a significant portion of the harvest cost and represent a measurable portion of the overall costs of production. The Iowa State University Extension Estimated Costs of Crop Production estimated that combine variable costs (fuel, lubrication and repairs) represented between 4 and 5 percent of the variable costs of corn production and approximately 6 percent of the variable costs of soybean production.

This year the cost of fuel will be an even larger part of the variable costs of production for both corn and soybeans. Diesel fuel prices are the highest they have been in the past decade. Figure 1 shows the average monthly retail diesel fuel prices in the Midwest for April and September. Notice that September prices rose by 30 percent from 2003 to 2004 and that they rose another 50 percent from 2004 to 2005. Although the increase was less dramatic for April prices, they still increased by almost 35 percent from April 2004 to April 2005.

The magnitude of these impacts for an individual farmer will depend upon several factors.

The ISUE Estimated Costs of Crop Production uses an average of a small, medium, large and very large combine to estimate the average costs for combining. The horse power and head width are matched so that maximum efficiency for each unit can be achieved.

The estimated impact of higher fuel prices on the costs of production was determined by re-estimating the costs with higher diesel prices. For every $.50 increase in the cost of a gallon of diesel fuel the variable cost for corn combining increased by $1.13 per acre. For every $.50 increase in diesel fuel the variable cost for soybean combining was estimated to increase $.85 per acre. If diesel fuel is $1.50 per gallon the estimated variable combining costs are $10.42 and $6.65 per acre for corn and soybeans, respectively. When diesel prices are increased to $2.50 per gallon the estimated combining costs are $13.04 and $10.02 per acre for corn and soybeans, respectively.

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gallon the variable combining costs increase to $12.68 and $8.35 per acre, for corn and soybeans, respectively.

The average retail price of diesel in the Des Moines area on September 22, 2005 was $2.639 per gallon. One year ago, on the same date, it was $1.893 per gallon.

At this time farmer’s options are limited with respect to dealing with the higher fuel costs. On the average, it appears that the increased fuel costs will add approximately $2.00 per acre to the costs of combining. In and of itself such an increase does not seem too great. However, this increase is on top of previous increases and, more importantly, the higher costs will be reflected in higher fertilizer and pesticide costs next year. Farmers need to begin to seriously consider the alternatives they have available with respect to saving energy costs. There are several possibilities including forward pricing fuel, carefully evaluating the trips across the field, maintaining power units and having proper air pressure in the tires.

Figure 1: Average Retail Diesel Prices in April and September in Midwest