



**Fall 2001 Idaho Agricultural Outlook**

Prepared by:

C. Wilson Gray, Larry D. Makus, Neil L. Meyer, Paul E. Patterson, and  
Neil R. Rimbey

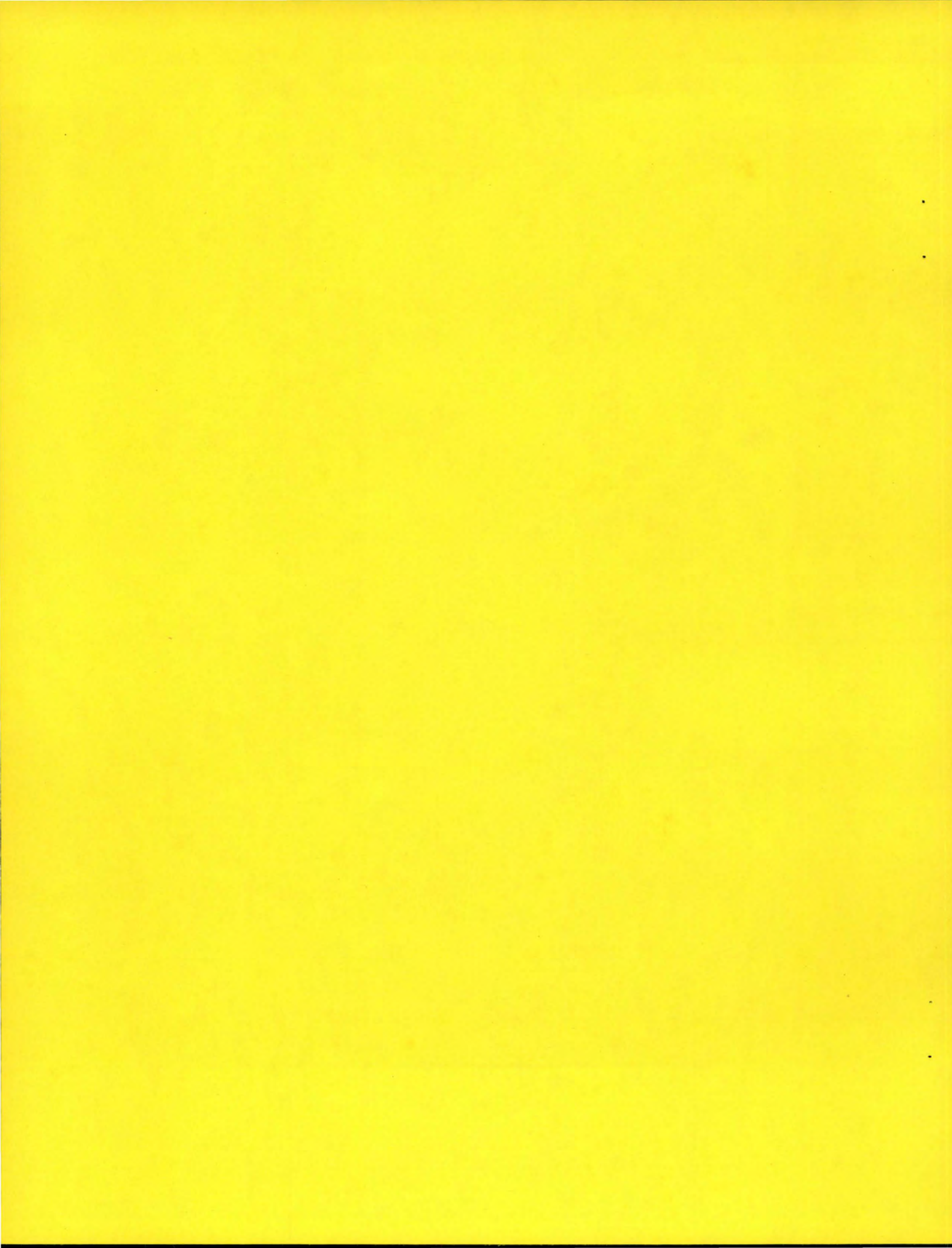
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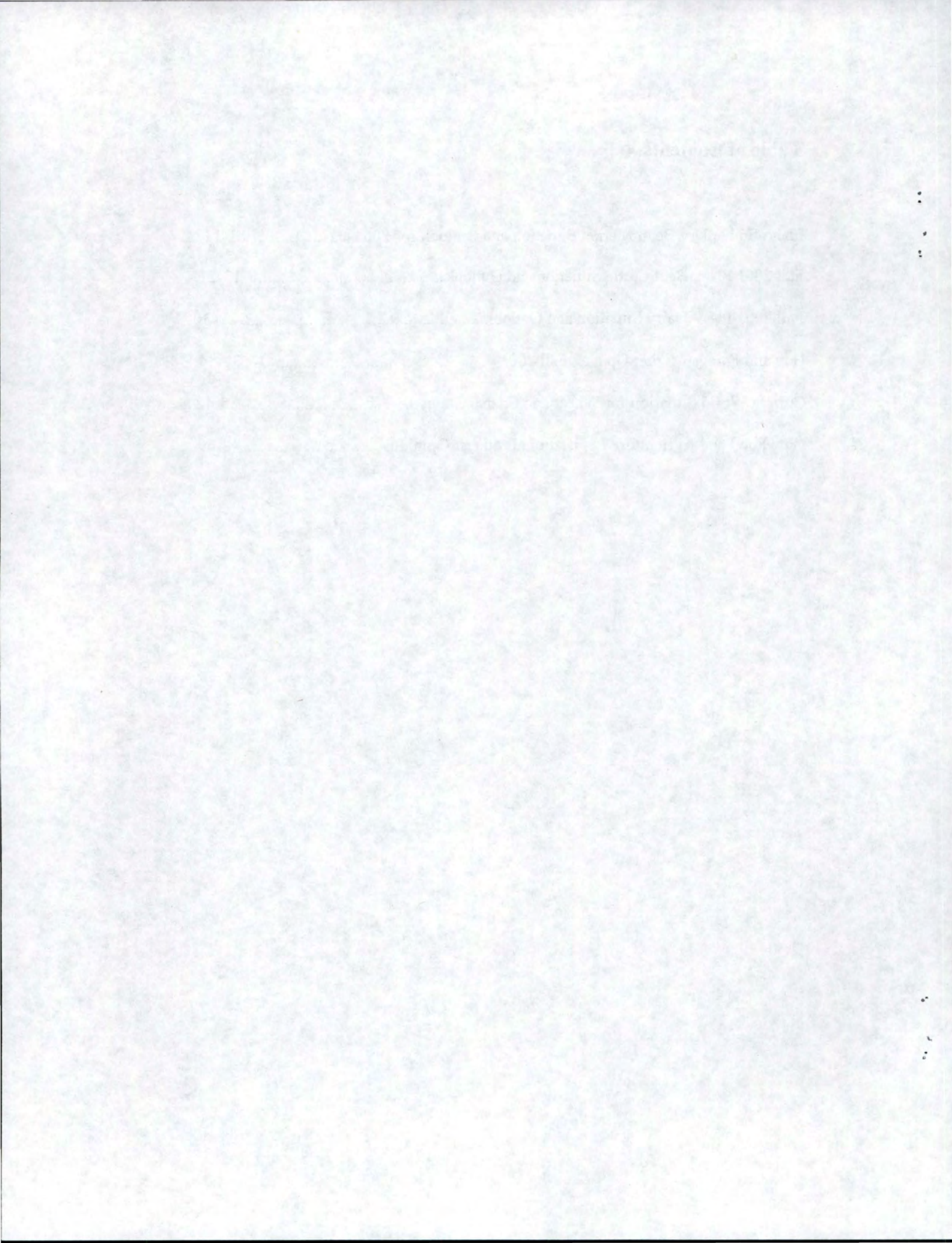
**Department of Agricultural Economics  
and Rural Sociology**

College of Agricultural and Life Sciences  
University of Idaho  
Moscow, Idaho 83844-2334



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## **Idaho Edible Dry Bean Market Situation and Outlook for 2001-02**

Prepared by Paul E. Patterson  
Extension Agricultural Economist  
University of Idaho

The USDA's October estimate for 2001 dry edible bean production (Table 1) was down substantially from their August forecast. The eleven percent decrease puts dry bean production at 19.4 million cwt, nearly 27 percent below 2000 and the smallest crop since 1988. Even with the earlier, more optimistic forecast, dry bean prices moved higher at harvest, continuing the positive price trend that began in late spring. Not only did growers plant and harvest substantially fewer acres than in 2000, but dry bean yields declined by 11 percent. Planted acreage was down 19 percent from 2000 and 29.5 percent below 1999. Harvested acreage dropped by nearly 18 percent to 1,317,300 (Table 1). Harvested acres accounted for 92 percent of the planted acres, consistent with the ten-year average. While weather problems caused significant problems in several areas, the impact was generally on lower yields, not more abandoned acres.

North Dakota, the nation's largest dry bean producer, planted 140,000 fewer acres (-23 percent) in 2001. Since 1998 reduction, North Dakota has reduced planted acres by 280,000. It's important to remember that North Dakota also increased planted acres significantly during the mid 1990s and added considerably to the over production plaguing the dry bean markets in recent years. Michigan, traditionally the number two dry bean producing state, dropped to seventh place as they reduced planted acres by 85,000 (-29.8 percent). This brings their total reduction to 115,000 acres over the past two years. Number three Nebraska moved to second place in production even after planting 10,000 fewer acres (-6.0 percent). Nebraska has reduced planted acres by 55,000 since 1999. Colorado's ranking in dry bean production also increased, moving from sixth to third. Colorado growers planted 5,000 fewer acres (-4.2 percent) than in 2000 and 40,000 fewer acres than in 1999. California, fourth in production this year, up from fifth place last year, planted 20,000 fewer acres (-17.4 percent). Minnesota returned to fifth place in dry bean production even after reducing planted acres by 45,000 (-27.3 percent). Idaho planted 15,000

fewer acres (-17.7 percent) and moved from seventh to sixth place in production. Idaho's planted acres (75,000) were the lowest since 1925.

The USDA's October estimate of 19.396 million cwt puts total production 10.05 million cwt below the five-year average. (Table 2.) If the estimate holds, this will be the smallest crop since the 19.253 million cwt crop of 1988 and the fourth smallest crop of the past twenty-five years. In the Pacific Northwest, 2001 production is projected to be down 15.4 percent from last year and 25.7 percent below the 5-year average. Idaho's production is projected to be down 19.2 percent, Oregon's down 23.5 percent, and Washington's down 3.3 percent. Idaho is expected to harvest 18.5 cwt per acre on 73,000 acres compared with 19.5 cwt on 88,000 acres in 2000. Oregon's projected yield of 20.0 cwt is up 2.0 cwt from 2000 and the 8,800 acres harvested is down 2,900 acres from 2000. Oregon's relatively small dry bean acreage can show significant percentage changes, but mean relatively little to the overall market. Washington's 2001 yield is estimated to be 19.0 cwt per acre, down 1.0 cwt from last year, and the 35,000 harvested acres was up by 3,000. Washington, Utah and Texas were the only states with increases in harvested acres and none of these are major dry bean states.

### **Review of 2000-01**

Dry bean prices in Idaho during the 2000-01 market year (September through August) saw some price improvement early in the new market year (September and October) in comparison to prices at the end of the previous market year. The markets could not maintain the up trend in spite of a significant drop in production, however. Prices during the late fall and winter months either remained flat until spring (small whites, pinks, garbanzos) or dropped slightly (pintos, great northern, small reds). The price on most classes of dry beans started to pick up again in the spring and continued to strengthen during the summer. Garbanzos were the strong exception. In comparison to the price at the beginning of the market year, the price at the end of the market year was \$3.25 per hundredweight higher for pintos, \$1 per hundredweight lower on great northern, \$1.25 higher on small whites, \$2 higher on pinks, \$1.25 higher on small reds and \$4.50 per hundredweight lower on garbanzos. Garbanzos have replaced pintos as Idaho's leading dry

bean class, quadrupling in acreage since 1997. The monthly composite dry bean price reported by the Idaho Agricultural Statistics Service (IASS) varied between a low of \$16.90 during January and February, to a high of \$17.90, reported toward the beginning of the market year in October and again at the end of the market year in August. Weak exports during the 2000 calendar year (Table 2) includes the first four months of the 2000-01 market year and explains why prices did not improve further in spite of last year's drop in production. See table 3 for a comparison of market year price averages for Idaho's major dry bean classes over the past five years (four years for garbanzos).

### **Looking Ahead for 2000-01**

With the exception of garbanzo beans, the price of dry beans at the beginning of the 2001-02 market year were higher than prices prevailing at the end of the 2000-01 market year, continuing the higher price trend that began in the spring. The price for Garbanzo beans has been stagnant so far this year at \$17 to \$18. By late October the price for Pinto beans was holding at \$20, Great Northerns at \$17 to \$18, Small Whites at \$19 to \$20, Pinks at \$19 to \$20, and Small Reds stood at \$19 to \$20.

Considering the cumulative drop in production over the past two years of 13.7 million cwt, it's hard not to be optimistic about dry bean prices for the current market year. But supply is only one-half of the supply-demand equation that determines price. Domestic per capita consumption for 2001 is forecast by USDA to drop from 7.8 to 7.5 pounds. This is likely more a function of the normal variation in USDA's estimating technique than the beginning of a downward trend in consumption. The changing ethnic composition of the U.S. population and the continued emphasis on healthy diets will maintain or even possibly increase current domestic per capita consumption. Domestic consumption alone accounts for over 21 million cwt, more than all the current U.S. production. Imports of 1.3 million cwt will increase the available supplies and there are also the stocks carried over from previous years. But since USDA doesn't track dry beans stocks, this figure can only be estimated. Table 4 shows my attempt at estimating dry bean stocks.

With fairly stable domestic consumption, exports hold the key to higher dry bean prices. Exports are quite variable from one year to the next (See Tables 2 and 4.) and they explain a lot of the volatility seen historically in dry bean prices. Exports were off in 1999 and 2000, but are rebounding in 2001. Remember, exports are reported on a calendar year basis, not by crop year. That is why I lag exports one year in Table 4 to get them to correspond better with what beans are actually being exported. I do the same for imports and for the domestic consumption calculation. USDA is projecting an improvement in export demand, but the 8.25 million cwt projected for 2001 is still below the five-year average of 8.71 million cwt. (See Table 2.) In a new USDA Economic Research Service publication, Vegetables and Melons Outlook, Gary Lucier and Charles Plummer reported that export volume during the first half of 2001 was up by 18 percent from a year ago in spite of the continued strength of the U.S. dollar. By class, navy bean exports were up 66 percent, Great Northern up 16 percent and pinto up 54 percent. The U.K., Mexico and France all increased purchases.

With moderate export demand of 8.25 million cwt in calendar year 2001 and something comparable in 2002, Idaho bean prices should continue to move higher and should average close to \$23 per cwt for the composite dry bean price. This is the midpoint of my price range estimate in Table 2 of \$21-25. If exports fall below expectations, the average Idaho dry bean price would fall closer to \$21, while higher export demand would push the average price toward \$25. Something to keep in mind, however, is that when commodity prices hit extremely low levels like we've seen the last two years, they don't always respond as rapidly as a positive change in the fundamentals would suggest. Last fall when I wrote the dry bean outlook, I forecasted a composite average price of \$20. As you can see in Table 2, I missed the market by nearly \$3. Also, trying to predict export demand is as risky as predicting the weather. There are a lot of factors to consider and policy considerations can override economic reality.

For me, analyzing the dry bean market has been difficult since, unlike the grain markets, USDA does not provide an estimate of stocks held in storage as they do for wheat, feed grains, and even potatoes. Table 4 shows my attempt to estimate stocks for dry beans. While I've been doing



this for several years, this is only the second time that I've included it in any outlook articles that I've written. I use it as an aid to help me analyze the market and I thought others might be interested in my approach or could point out the deficiencies in my analysis. Rather than get hung up on the arbitrary beginning stocks number (10 million cwt in 1994), focus on the relative changes in stocks from year-to-year since that should ultimately drive price changes in the market. This type of fundamental market analysis is referred to as the "balance sheet method" and is widely used in grain market analysis. (See the wheat and feed grains outlook article by Larry Makus.)

Production numbers shown in Table 4 come from USDA. The domestic consumption is a calculated value based on the U.S. population and the per capita consumption data published by USDA. I also allow for other non-human consumption, such as the feeding of poor quality beans to livestock. This is calculated at 1 percent of production. Calculating other use in this way would likely underestimate feed use in a year with severe quality problems. Export and import data published by USDA is on a calendar year basis, not a market year. While it is far from a perfect solution, I've lagged the export and import numbers in Table 4 by one year to get them to better correspond to the market year. This makes some sense since only four months of the calendar year correspond to the market year. Lagging the exports, imports and domestic consumption by one year reduces this lack of correspondence. The export number shown for 2001 is the export projection for calendar year 2002. Since USDA does not project exports one year in advance, I simply plugged in the 5-year export average for 2002.

Total utilization in Table 4 is the sum of domestic use and exports. Total utilization is subtracted from the sum of production for that year and the carryover stocks from the previous year to arrive at projected ending stocks. The change in ending stocks is simply the difference between what was carried in that year and what is being carried out. This is also shown as a percentage to express the change in a relative context. The accumulating stocks in 1998/99 and 1999/00 market years certainly helps explain the low prices seen in those years. A growth in stocks implies supply is in excess of demand and price should and did fall. The opposite should also hold true. That brings us to 2000 and 2001 where my calculations show a drop in stocks of 2.7

and 10.62 million cwt, respectively. If the theory of economics is valid, this would certainly support higher prices for the 2001 marketing year. The question is by how much higher will prices go and how soon will prices respond.

Along with the positive supply situation already discussed, the demand side of the domestic market also provides some encouraging news with stable or slight growth in per capita bean consumption. When combined with a growing population, domestic use should increase by .35 million cwt in calendar year 2001 and this growth should carry in to 2002. Domestic consumption has been accounting for a larger share of dry bean supplies in recent years and exports have declined in relative importance. If the dry bean markets become less dependent on exports, this should bring greater price stability in future years.

### **Projections For 2002-03**

Acreage and production projections for the 2002 crop will not be made until the January outlook. USDA will revise the 2001 crop year acreage, yield and production estimates in December. This will provide a more accurate base from which to make future projections. The direction and tone of both the dry bean and grain markets will be better established then as well. But even before I see USDA's revised numbers, I would expect dry bean acreage to increase next year, both in Idaho and nationally. The big question is by how much.

Table 1. Dry Edible Beans: Area Harvested, Yield, and Production by State and United States, 1999-2000 and Forecasted October 1, 2001 <sup>1/</sup>

State	2000	2001	2000	2001	1999	2000	2001
	Area Harvested		Yield <sup>2/</sup>		Production <sup>2/</sup>		
	--- 1,000 Acres --		---- Pounds ---		----- 1,000 Cwt -----		
CA	112.0	89.0	1,880	1,700	2,455	2,100	1,513
CO	110.0	105.0	1,800	1,700	2,755	1,980	1,785
ID	88.0	73.0	1,950	1,850	2,112	1,716	1,351
KS	16.0	14.0	1,810	1,850	387	289	259
MI	255.0	205.0	1,500	600	7,350	4,125	1,230
MN	150.0	100.0	1,600	1,450	2,558	2,400	1,450
MT <sup>3/</sup>	34.8	29.0	1,400	1,370	441	486	397
NE	156.0	143.0	2,070	2,000	3,740	3,230	2,860
NM <sup>4/</sup>					18		
NY	24.5	22.5	1,460	1,100	414	358	248
ND	525.0	420.0	1,450	1,500	8,265	7,613	6,300
OR <sup>3/</sup>	11.7	8.8	1,800	2,000	174	211	176
SD <sup>5/</sup>	10.8	10.3	2,090	2,200		226	227
TX	15.5	25.0	950	1,200	701	148	300
UT <sup>3/</sup>	3.0	6.0	330	350	53	10	21
WA	32.0	35.0	2,000	1,900	750	640	665
WI <sup>3/</sup>	8.1	6.7	1,800	1,700	124	146	114
WY	34.0	25.0	2,240	2,000	788	762	500
US	1,606.4	1,317.3	1,646	1,472	33,085	26,440	19,396

Source: USDA, NASS October 2001 Crop Production Report.

1/ Excludes beans grown for garden seed.

2/ Cleaned weight basis.

3/ Estimates for current year carried forward from an earlier forecast.

4/ Estimates discontinued in 2000.

5/ Estimates began in 2000.

**Table 2. Dry edible bean production, price and exports.**

Marketing Year	U.S. Production (million cwt)	U.S. Exports <sup>1/</sup> (million cwt)	Idaho Production (1,000 cwt)	Average Idaho Price <sup>2/</sup> (per cwt)
1996-97	27.912	9.00	1,907	\$23.65
1997-98	29.370	7.812	2,156	\$21.00
1998-99	30.418	10.663	2,112	\$17.00
1999-00	33.085	8.238	2,112	\$15.10
2000-01 <sup>3/</sup>	26.440	7.861	1,716	\$17.35
5-yr Average	29.45	8.71	2,001	\$18.80
2001-02 <sup>3/</sup>	19.396	8.250	1,351	\$21-25

Source: USDA: Vegetable and Specialties Yearbook, July 2001, unless noted otherwise.

<sup>1/</sup>Exports are for the calendar year.

<sup>2/</sup>Idaho's price is the simple average of the monthly price reported by IASS for the crop-marketing year Sept. 1 - Aug. 31.

<sup>3/</sup> US and Idaho production are USDA estimates from October's Crop Production Report. Idaho's price is the author's forecast.

Table 3. Idaho market year average dry bean prices by class, 1996 – 2000.

Market Year	Pinto	Great Northerns	Small White	Pink	Small Red	Garbanzo
1996	\$22.15	\$20.50	\$28.00	\$25.40	\$28.60	\$
1997	\$21.05	\$19.10	\$20.55	\$21.75	\$21.00	\$20.50
1998	\$15.65	\$17.50	\$19.35	\$18.50	\$19.25	\$20.55
1999	\$15.60	\$17.00	\$17.65	\$14.15	\$14.45	\$24.15
2000	\$16.70	\$16.10	\$17.00	\$15.55	\$15.55	\$20.70
5-Yr. Avg.	\$18.25	\$18.05	\$20.50	\$19.05	\$19.75	\$21.50

Source: USDA. Prices rounded to nearest 5 cents.

**Table 4. Estimated U.S. dry bean stocks by marketing year.**

	<u>1994</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Arbitrary Beginning Stocks (million cwt)	10.0	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Calculated Beginning Stocks (million cwt)	xxxxxx	12.66	11.17	12.45	16.05	13.35
Production (million cwt)	28.95	29.370	30.418	33.085	26.44	19.4
Imports <sup>1/2</sup> (million cwt)	0.853	0.924	1.256	1.291	1.300	1.282
Total Supply (million cwt)	39.80	42.96	42.84	46.82	43.79	34.03
Domestic Use: (million cwt)	20.43	20.20	20.90	21.62	20.89	21.25
Population (millions)	261.5	269.0	271.0	273.0	275.0	277.0
Per Capita Consumption <sup>1/2</sup>	7.7	7.4	7.6	7.8	7.5	7.6
Other Domestic Use	0.29	0.29	0.30	0.33	0.26	0.19
Exports <sup>1/2</sup> (million cwt)	8.133	10.663	8.238	7.861	8.250	8.770
Total Utilization (million cwt)	28.56	30.86	29.14	29.49	29.14	30.02
Projected Ending Stocks (million cwt)	11.25	11.17	12.45	16.05	13.35	2.73
Change in Stocks (million cwt)	1.25	-1.49	1.28	3.60	-2.70	-10.62
Percentage Change	12%	-12%	11%	29%	-17%	-80%

<sup>1/2</sup> Per capita consumption, exports and imports are reported on a calendar year basis. These are lagged one year to better correspond to the dry bean market year.

Note: the author, not by USDA, calculates Stocks.

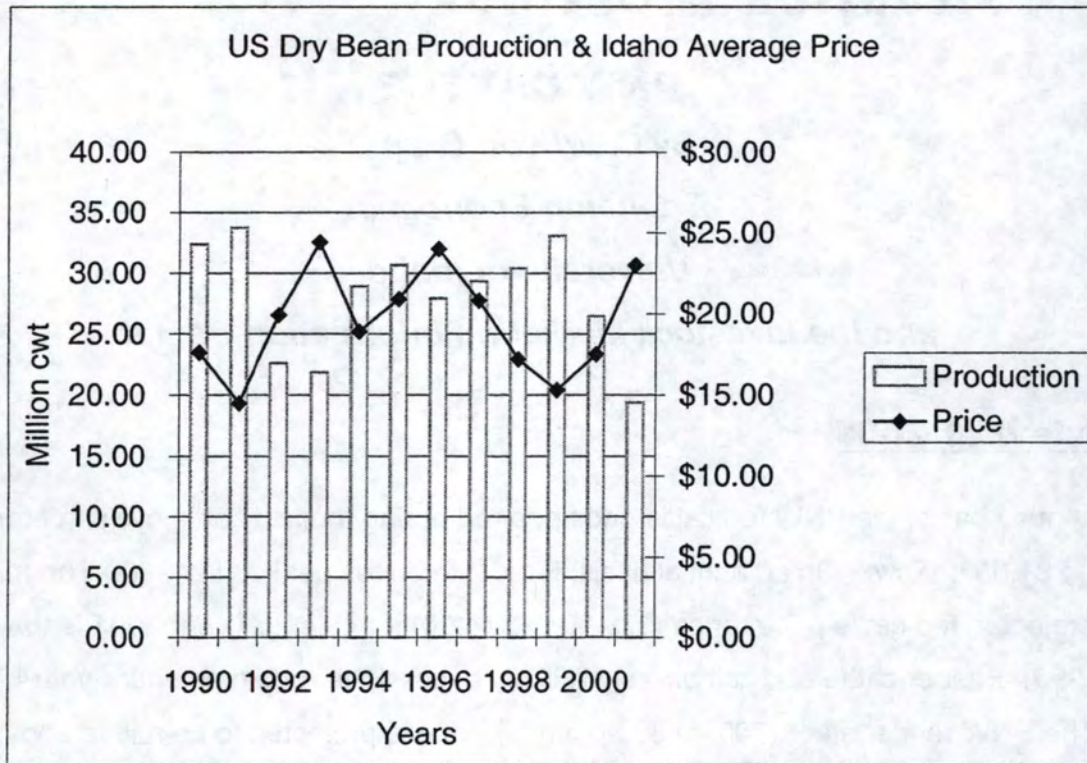


Chart 1. U.S. Dry Bean Production and Idaho Average Composite Price.  
 Source: USDA. 2001 price is author's projection.



# Situation & Outlook

## PNW CATTLE

By C. Wilson Gray<sup>1</sup>

Extension Economist

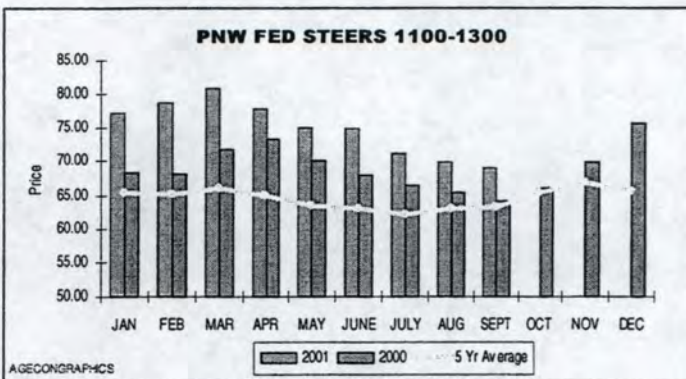
University of Idaho

and the Livestock Marketing Information Center

### Overview of 2001

On a monthly basis, the PNW fed cattle price peaked during the last cattle cycle in March of 1993 at \$81.55 per cwt. On an annual basis, fed cattle prices peaked in 1990. The mid point of the projected fed cattle price range (\$73.00 to \$74.00) for calendar year 2001 is the highest since 1993. Feeder cattle and calf prices will likely exceed the record calendar year highs this year. The PNW feeder steer (700- to 800-pounds) price is projected to be a little above the previous high of \$87.10 set in 2000. Although the critical fourth quarter is still ahead, 2001 steer calf (500- to 600-pound) prices may average near \$100.00 per cwt. for the first time on record (500-to 550-pound steers averaged \$96.03 per cwt. last year).

Fed Cattle prices in early 2001 were higher than anticipated as winter weather that began in



late 2000 limited feedlot animal performance and caused a rather unusual year-to-year decline in slaughter cattle weights. On a quarterly basis, average U.S. beef production was 7.1 percent below 2000's for the first quarter of this year.

Year-to-year reductions in beef output moderated in the second and third quarters

declining 3.0 and 2.8 percent, respectively. Fourth quarter U.S. beef production will be 1 to 2 percent above 2000's, supported by large numbers of market ready steers and heifers on-feed

<sup>1</sup> Gray is District Extension Economist located in the University of Idaho Twin Falls Research and Extension Center, Twin Falls, ID (208) 736-3622 or [wgray@uidaho.edu](mailto:wgray@uidaho.edu).



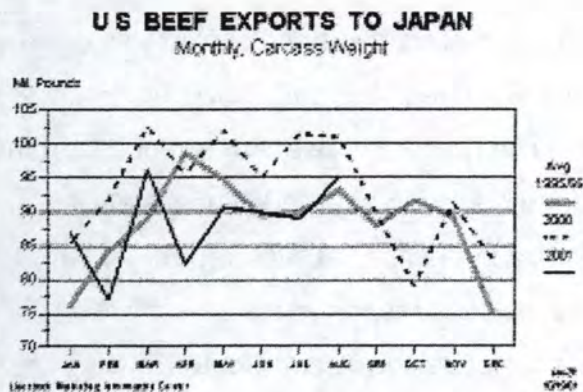
and record heavy carcass weights. At about 26 billion pounds, U.S. beef output in 2001 will be about 2.8 percent below 2000's and the smallest since 1998.

## **Trade situation**

Compared to expectations in 2000, U.S. beef imports have been slightly larger than anticipated, but export prospects have been continuously lowered. As of mid October, actual trade data for 2001 were only available through August. However, the recent trends are expected to continue throughout 2001 and longer.

For the first eight months of 2001, U.S. beef imports were up 4 percent on a carcass weight basis. But, export tonnage posted a 16 percent year-to-year decline. Compared to a year ago, U.S. beef exports from January-August were down 9 percent to Japan, 41 percent to

Korea, 12 percent to Canada, and 1 percent to Mexico.



Further, in early September (September 10) a cow with BSE was discovered in Japan, the first case outside Europe. Japan is the largest foreign buyer of U.S. beef. Media reports show that Japanese consumers are skeptical about government assurances on beef safety in Japan, especially after the government

belatedly admitted that parts of the diseased animal were into meat and bone meal and may have entered feedstuffs. Industry and government reports suggest that Japanese consumers have dramatically reduced consumption of both domestic and imported beef since this problem developed.

Live cattle imports by the U.S. have increased in 2001. Overall, during January-August of this year, U.S. cattle imports were up 21 percent. Cattle imports in 2001 increased from both Canada and Mexico, up 33 and 10 percent, respectively.

Weakness in foreign markets was the major factor contributing to deteriorating hide and offal values. After a surge in hide values in early 2001 due to FMD and BSE in Europe, prices have moderated. In recent years, hide and offal values have often added \$1 to \$2 per cwt. to the value of a live slaughter steer above the year earlier price. As of mid September 2001, hide and offal values slipped below a year ago and have continued to erode this fall.

## **US beef herd**

At mid-year (July 1, 2001), the USDA estimated that all cattle and calves in the U.S. totaled 105.8 million head, down less than 1 percent from a year earlier. That was the smallest July 1 count since 1990 and was a reduction of 7.2 million head from the cyclical peak posted in 1995. This cattle cycle has already extended beyond the normal 10-year time frame. As of January 1, 2002, the number of U.S. cattle will likely post another year-to-year decline, making the current cattle cycle 13 years long and counting.

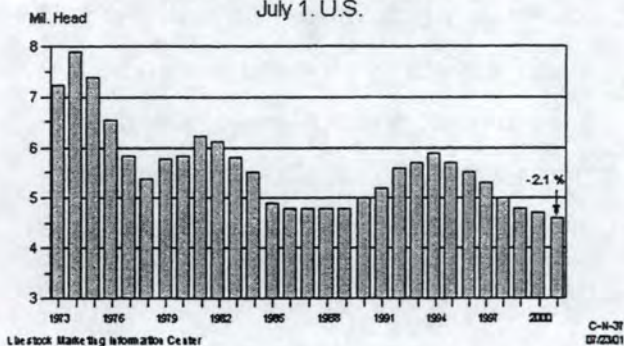
As of July 1, USDA reported that the number of cows and heifers that have calved was down 200,000 head (less than 1 percent) from a year earlier. Both beef and dairy cow numbers were below 2000's; each declined by about 100,000 head. The number of beef cows reported in the U.S. was the smallest since 1991. USDA provided, for the second year, additional state level

data in the July 1 Cattle report. In the 11 individually reported states, only two states (California and South Dakota) reported more beef cows than a year ago. Due to drought, two states (Montana and Colorado) that reported a year-to-year increase in beef cows last year now have fewer beef cows than two years ago.

The number of heifers held for beef cow replacement purposes (500 lbs. and over)

### **HEIFERS HELD AS BEEF COW REPLACEMENTS**

July 1, U.S.



declined. The July 1, 2000 beef cow replacement estimate was 4.6 million head, down 2 percent from a year ago. As of January 1, 2001, USDA estimated a year-to-year increase in the number of heifers held for the breeding herd. Drought, high winter-feeding costs, and

front-page news on disease problems in Europe caused producers to re-evaluate their heifer calf retention plans during the first half of 2001.

The 2001 calf crop was estimated to be 38.4 million head, down about 200,000 head from the 2000 calf crop. Aggressive placements of cattle into feedlots during the first five months of 2001 continued to pull the estimated feeder cattle supply outside feedlots down. As of July 1, 2001 the estimated feeder cattle supply was 866,000 head smaller than 2000's (down 2 percent).

As of September 1, the number of cattle on-feed remained record large (since 1996 when the USDA began reporting comparable data). As of September 1, the monthly feedlot inventory was 5 percent above a year ago or 685,000 head more than a year ago in U.S. feedlots with 1,000 or more head capacity.

Drought bolstered placements of cattle into feedlots in June and July. In fact, on a nationwide basis the drought conditions at mid-summer of 2001 were similar to 2000's. From January through August, placements of cattle into feedlots were below 2000's (down 387,000 head in the U.S.). But, lackluster fed cattle marketing's in recent months were the major factor causing the build-up in the number of cattle in U.S. feedlots. During January through August, U.S. feedlot marketing's were 587,000 head below 2000's. On a daily average basis, fed cattle marketing's for the first eight months of this year were above 2000's only twice (May and June).

### **On-feed picture begins to change**

Red ink for cattle feeders and small feeder cattle supplies have begun to dramatically pull back placements of cattle, changing the on-feed inventory to smaller numbers. In fact, USDA's November 1 Cattle on Feed report may show that the on-feed inventory is below a year ago, the first year-to-year decline since February 1999. However, slow fed cattle marketing rates have combined with external factors (e.g. lingering impacts of terrorist activities, domestic and foreign economic slowdown) to erode fed cattle prices during October.

Placements of cattle into feedlots were contra-seasonally lower in September. Following a year-to-year decline in placements during August, USDA's monthly Cattle on Feed report

(released October 19) showed even fewer head entered feedlots during September. Industry reports indicate that feedlot placements continued to be well below a year ago during October, but that the 20 percent year-to-year decline posted for September will likely moderate.

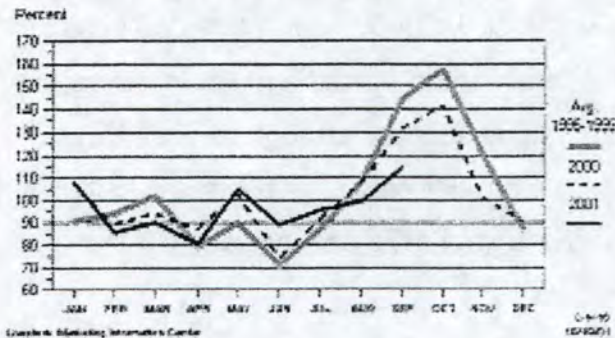
Kansas State Extension's "Kansas Feedlot Performance and Feed Cost Summary" has reported a very high number of heifers relative to steers being marketed in recent months. Since October 2000, there were at least 1.2 heifers for every steer closed out from the cooperating feedlots. In August, this Kansas data showed 1.7 times more heifers than steers closed out. The average since mid-1992 in this data series was 0.9 heifers for every steer.

The Kansas data is different from the overall U.S. mix of heifer and steer slaughter, but the rather large levels of heifer slaughter are similar. In August, U.S. Federally Inspected (FI) heifer slaughter was 65 percent of steer slaughter. Since October 2000, the average ratio was

0.67 heifers for every steer slaughtered in the U.S. The FI average since mid-1992 was 0.61 heifers for every steer slaughtered.

USDA reported that the number of cattle in U.S. feedlots was 1 percent above a year ago on October 1, 2001. In the latest report, USDA provided the quarterly breakdown on the type of cattle in feedlots. As of October 1,

**NET FEEDLOT PLACEMENTS**  
As A Percent of Marketings, Monthly



steers and heifers on-feed were each 1 percent above a year ago. As of July 1, the percentage of steers and heifers were 4.4 and 7.5 percent above a year earlier, respectively. The number of steers on-feed increased seasonally between July and October. Like the steer number, the number of heifers on-feed usually increases between July and October, but this year it did not.

Fed cattle marketings were 9 to 10 percent below a year ago during September. On a daily average basis, marketing's were down a full 5 percent. Marketing's have continued to be below a year ago in October. Consequently, slaughter steer and heifer weights have set new all time highs.

Fed cattle prices are expected to struggle higher later this year, as the backlog of market ready cattle in feedlots finally begins to decline. Based on feedlot placement patterns, the stage is set for significant year-to-year declines in steer and heifer slaughter to begin in the first quarter of 2002.

### **Uncertain beef demand**

Beef demand remains a key to the cattle price situation and outlook. The U.S. economy, and those of several important foreign beef buyers, has weakened significantly in recent months, raising questions about beef demand prospects. Through the second quarter of this year, U.S. consumer beef demand continued to post year-to-year gains. Several factors have contributed to increased beef demand in recent years, including development of new consumer friendly products. The major factor has been the strong U.S. economy. However, that picture has changed.

Recently, the U.S. Commerce Department estimated that U.S. GDP grew less than 1 percent during second quarter. Consumers continued to spend, which accounts for two-thirds of Gross Domestic Product (GDP), but the manufacturing sector was already in a severe decline. By all accounts, the U.S. is now posting negative growth rates and after the numbers are in for the fourth quarter of 2001 the formal recession definition will apply (two consecutive quarters of declining GDP). The last U.S. recession was rather modest and occurred in 1990-91.

The international economic picture also is for slow or, in several important countries, negative (e.g. Japan) growth. This suggests that year-to-year declines in U.S. beef exports may continue. Even with an effective interest rate of 0 percent, Japan's economy remains very weak and seems to be deteriorating. Much of Asia is following Japan. U.S. meat and poultry exports to Japan and other important Asian countries are expected to mirror their economic trends. Spurred by a weakening U.S. economy, the Mexican economy also has entered recession.

At present there are two schools of thought on where the US economy, and product demand, is likely to go over the next three or four quarters. The consensus opinion is that the economy was in recession before Sept. 11, but that event accelerated the dive. Consensus also favors

the idea that after two or three quarters the stimulus of the tax cut, increased governmental spending, and other measures pending in Congress now, will pull GDP into positive territory at about 1-2% growth for the rest of next year. This view expects a mild to sharp, but short recession.

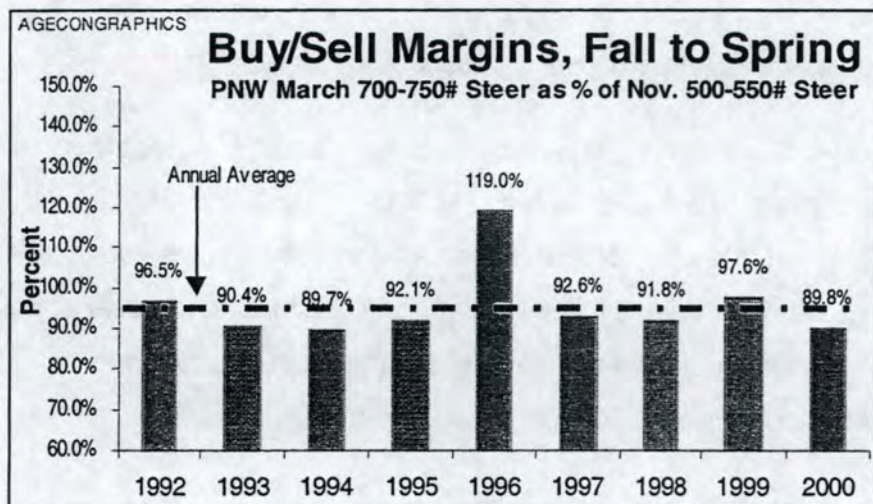
The minority opinion is less optimistic. All recessions since the end of WWII have been consumer led. But, this one was based out of an excess of capacity from the hyper investment of the late 1990's. At present only about 75 pct. of U.S. industrial capacity is being used. In addition most of the G7 (industrial country) economies are in or headed toward recession. Many developing economies are likewise slipping. This is the first time in decades that most countries appear to be entering recessions at the same time, which will make it harder for recovery to begin. If this scenario plays out the recession could be longer and deeper than expected.

### **Wintering calves**

A question often asked is whether to winter calves. Some preliminary questions to answer are whether you will feed them at home or place them in a lot, and what are the relative costs of doing each? If custom feeding, what will be the yardage charges, what is the reputation of the

lot, etc.? If you are doing this at home how much feed do you have on hand, what will have to be purchased, what other expenses do you have and possible rates of gain?

Another important factor is the buy/sell margin for calves. In the PNW, prices for 700 lb. calves sold in



March (placed as 500 lb. calves in November) have sold for about 95 pct of what they would have in the fall. In short, a steer placed for \$95/cwt. in the fall should come out in March for

about \$90. One risky factor here is the variation from year to year can be extremely wide. Cost control is therefore important, as well as assessing potential prices several months in advance.

As an example, consider a 500-lb. steer put on a backgrounding program of hay and rolled barley for 120 days, November through March. Feeder hay is market priced at \$95/ton delivered and rolled barley is priced at \$118/ton to the ranch. Non-feed costs are \$132.03, and the calf value (500# X \$0.94) is \$470. The table below shows returns at various rates of gain. Sale weights are finish weight less 3-pct. shrink. The last row in the table indicates the same conditions except hay is priced at \$65/ton, an "on-ranch transfer" cost.

Table 1: Costs, net returns and breakeven prices for steers at various rates of gain

ADG	# Hay	# Grain	Cost of Gain		Net Return per HD	Break Even Sale Price	Est. Sale Price in Mar. '02	Shrunk Sale WT
			per HD	per LB.				
1.0	15	1	\$148	\$1.23	(\$14)	\$100.18	\$97.85	616
1.25	16	1.5	\$158	\$1.05	(\$6)	\$97.23	\$96.35	646
1.5	17	2	\$167	\$0.93	(\$10)	\$94.47	\$93.00	675
1.75	19	2	\$179	\$0.85	(\$16)	\$92.26	\$90.00	704
2.0	20	2.5	\$189	\$0.79	(\$2)	\$90.00	\$89.75	733
1.75	19 (\$65)	2	\$144	\$0.69	\$19	\$87.25	\$90.00	704

The high cost of feed, especially hay, makes this a marginal proposition at best. If a ranch as ample feed this winter, including a margin for harsher winter weather, then feeding calves might be a profitable option. However, if a ranch has excess hay, hay sales may also be quite profitable this winter (check the forage outlook for details).

## **Outlook**

Where will prices head next? Three likely scenario's, as posed by Dr. Jim Mintert of K-State, are 1) consumer demand remains strong, feedlots reduce placements sharply and winter

weather reduces weight gains and marketing rates as happened in 2000-2001. PNW fed cattle prices could reach \$80 per cwt. by March. In scenario 2) consumer demand declines slightly, feedlots reduce placements this fall and this winter is milder than last year. In this case PNW fed steer prices are likely to hover in the mid \$70's through the first four months of 2002. Prices might then seasonally go to near \$70 for the summer. In the 3<sup>rd</sup> scenario consumer demand drops significantly, placements by feedlots are less than a year ago, and we face a mild winter. In this circumstance fed steers would likely be in the high \$60's to low \$70's through the first half of the year. The recent decline in the futures market favors this alternative. However, this may be an overly pessimistic reaction to future prospects.

Supply will be determined by placements, which are slowing, and winter weather that will affect gains, therefore costs and dress weights. Demand will be determined by the economy, the duration and depth of the recession, and general consumer confidence in the US food safety system. At this juncture, anything that would damage confidence in our ability to protect our food supply from bio-terrorism could be severe and long lasting.

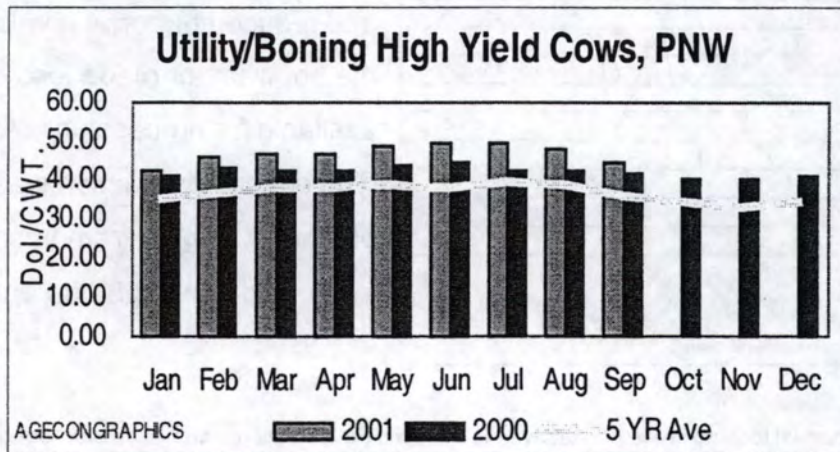
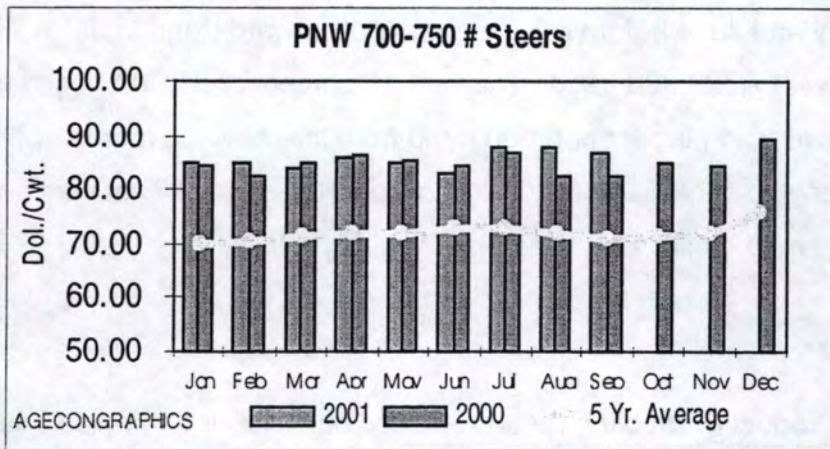
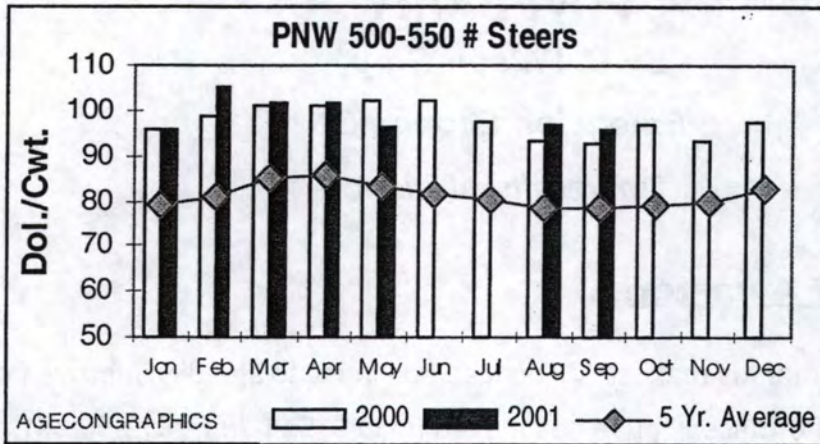
Table 2 indicates the prognostication of cattle and calf prices for the coming year in the PNW area. Quarterly averages are anticipated to lie within the indicated ranges.

Table 2: Forecast price estimates for PNW cattle

<i>PNW Quarterly Estimates</i>	<i>Unit</i>	<i>2001 Q-IV<sup>p</sup></i>	<i>2002 Q-I<sup>f</sup></i>	<i>2002 Q-II<sup>f</sup></i>	<i>2002 Q-III<sup>f</sup></i>	<i>2002 Q-IV<sup>f</sup></i>
Choice Steers 11 – 1300# *	cwt.	66-69	73-77	70-75	69-75	72-78
Steers 8-900# *	cwt.	74-79	76-80	76-80	73-78	72-79
Steers 7-800# *	cwt.	80-84	82-86	82-88	80-87	78-85
Steers 6-700# *	cwt.	84-89	89-95	90-96	87-92	85-90
Steers 5-600# *	cwt.	92-98	95-102	96-105	94-100	92-99
Steers 4-500# *	cwt.	96-105	100-110	103-115	99-110	96-105
Utility Cows **	cwt.	40-45	45-52	45-52	42-50	41-46

\* Heifers will be 4 to 10 cents under steers in the same wt. class; \*\* bulls will be 4 to 6 cents over utility cows. p = preliminary, f = forecast; by UI Extension Economics.







# Situation & Outlook

## PNW DAIRY

By C. Wilson Gray<sup>1</sup>

Extension Economist

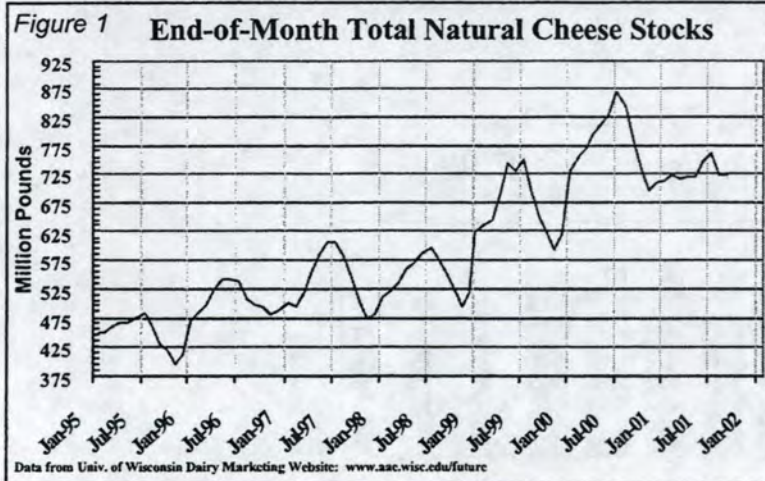
University of Idaho

### Recap of 2<sup>nd</sup> & 3<sup>rd</sup> Quarters

What a difference a few months makes! Milk prices continued to steadily improve from last spring. Since last April the Class III price has moved up to \$15.90 from \$12.06/cwt. Nationally, cow numbers in the 20 reported states moved from 7,783,000 head in January to 7,744,000 in April. Then a worrisome thing happened. Cow numbers stopped declining and actually increased in May and June before resuming their downward trend in July. Thus, we ended up in September with 7,729,000 head. That is 1.16 percent or 91,000 head less than September 2000 and down 0.11 percent or 8,000 head from the previous month. Milk production for September was 11.4 billion lbs. in the 20 reported states. That was down 0.7 percent from a year ago and 0.4 billion lbs. less than August production.

### Current situation

As expected, the Dairy Product Production report released on October 5 showed butter and

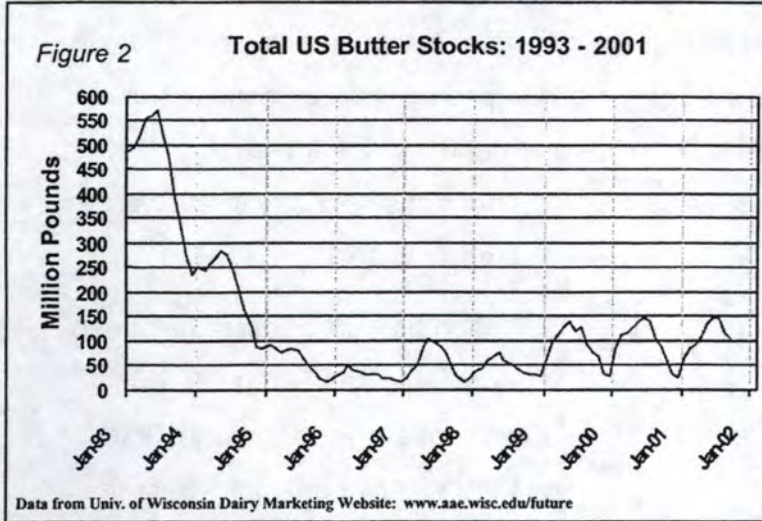


cheese production down from year ago levels. Lower milk production and reduced butterfat levels during the hot weather made less cream available for processing. American type cheese production was off 1.7 percent in August from year ago levels and down 3.9 percent from

<sup>1</sup> Gray is District Extension Economist located in the University of Idaho Twin Falls Research and Extension Center, Twin Falls, ID (208) 736-3622 or [wgray@uidaho.edu](mailto:wgray@uidaho.edu).

July 2001.

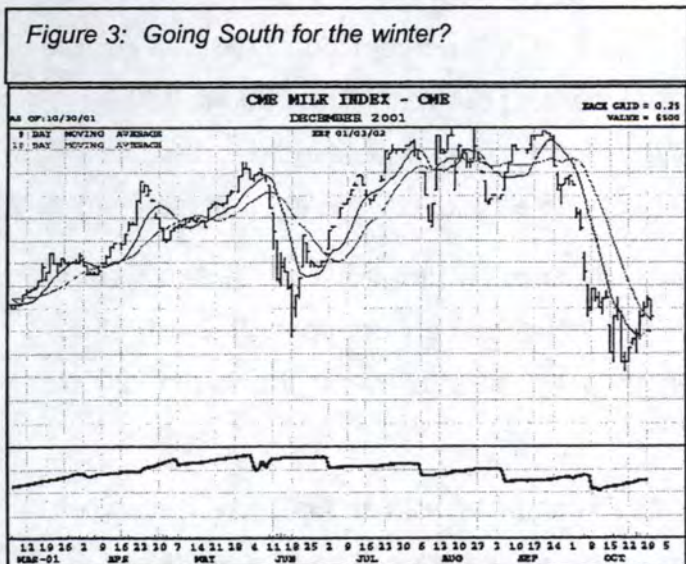
August butter production was off 8.5 percent compared to a year ago and 4.2 percent less than



July. Idaho and western states followed the trend with American type cheese production in August down 2.4 percent from last year and down 0.7 percent from July. Butter stocks are at high levels, but cheese stocks are tighter. The slowdown in production may help get things back in line but the dramatic drop in milk and cheese

prices may be due to concern about demand. Institutional demand, especially from airlines and restaurants, has slowed. Whether the slowdown is temporary or will have longer impacts remains to be seen. Some stimulus may be around the corner with increased holiday buying.

The speed with which prices have eroded over the past few weeks points out the need for having a sound risk management plan in place. The futures market, as shown in figure 1, is not optimistic for the near term. As of this writing, November and December contracts are near



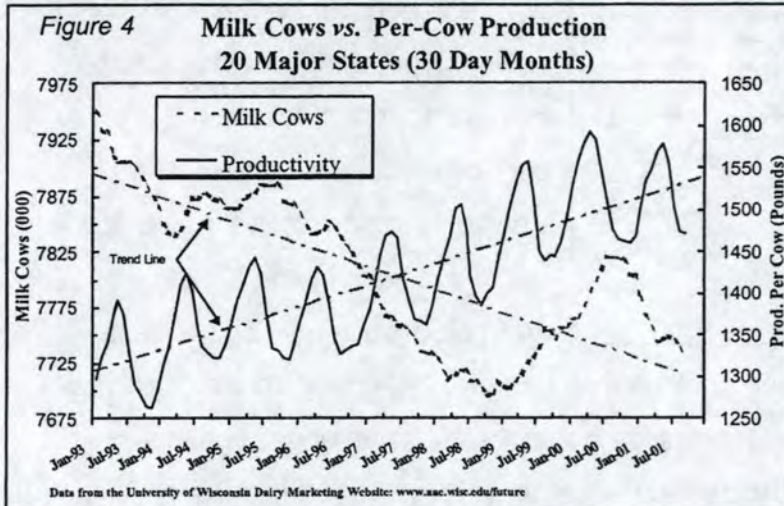
\$11/cwt. for Class III and between \$11/cwt. and \$12/cwt. until May of 2002. The pessimism that is currently feeding the lower prices is from a combination of worries about the economy, aftermath of the terrorist bombings on Sept 11 and recent softening of product demand. As we move closer to these contract months things will likely change. Demand and supply for cheese are quite close,

so any improvement in attitude or economic conditions should bode for better prices.

Figure 1

## **Cow numbers & production trends**

As can be seen in figures 2 and 3 there are some definite trends in both cow numbers and per cow production for the US and Idaho. Trends that are divergent in some respects. The milk per cow trend is actually quite similar in upward slope and seasonal characteristics. Number of cows reflects the national decline in herd size on the one hand and the increasing



importance of dairy in the west in Idaho's case.

Nationally milk per cow has been increasing an average of 1.3 percent per year since the late 1980's. Any particular year may actually decrease or increase but the long-term trend is 1.3 percent higher. In Idaho, the annual per cow increase over this same period

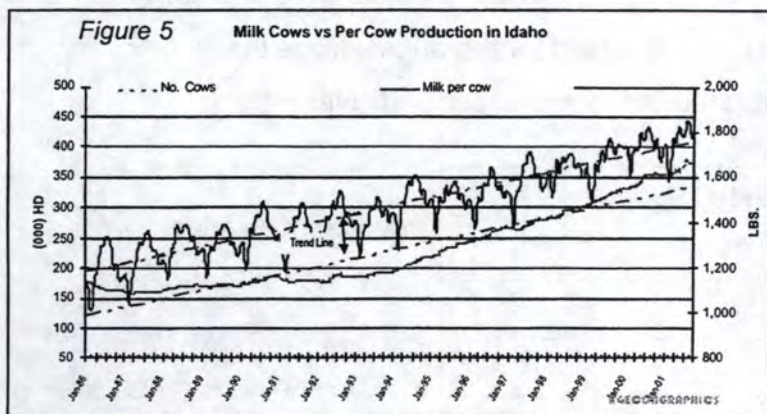
is 4.25 percent a year. This higher rate of increase in per cow output is one significant factor in Idaho's growth as a major milk producing state. This has been overshadowed by the growth in cow numbers.

Nationally cow numbers have declined at an annual rate of 0.83 percent since 1988. If just the 1988 to 1997 period is considered the decline is 1.13 percent per year. The 1998 to 2000 period shows an increase of 0.17 percent per year. Recent months would indicate that the longer-term trend is again being approached in rate of decrease of cows in the national herd.

In Idaho the annual trend for cow numbers has been consistently upward. For the same 1988 to 2000 period, Idaho milk cows increased an average of 6.2 percent per year. In the 1988 to 1997 period, the growth rate was lower at 5.7 percent per year. However in the 1998 to 2000 period the rate of increase was 7.9 percent per year.

This high rate of growth in Idaho's cow numbers, when combined with annual increases in per cow production that are three times the national average have produced several years of

double digit increases in total milk production. That propelled Idaho from 11<sup>th</sup> to 6<sup>th</sup> nationally in milk production and Idaho now ranks fourth in cheese output.



The output per cow in Idaho is likely to continue to increase near term. However, the curve may be slowing for cow numbers. For the nine months through September, cow numbers are up five percent but the first 6 months showed almost no growth until April, with another jump in June. July saw 9,000 new cows

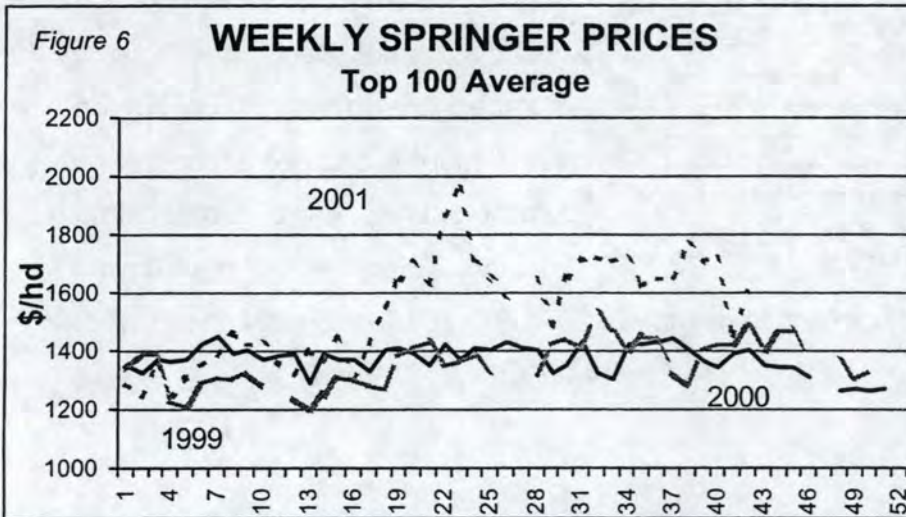
putting the state at 376,000 head but August declined to 372,000 and September shows no change.

## **Cash cows**

Heifers have been scarce and, as a result, expensive this year. The average heifer price at the Jerome auction has been \$1,541 in the first 9 months, compared with an annual average of \$1,344 last year and \$1,356 two years ago. The low in 2001 was January at \$1,287 and the peak in June hit \$1,725. September was slightly lower at \$1,693. Prices have been driven by the supply/demand situation for several years. The rapid expansion of large facilities in Idaho and several other western states has outpaced the available number of replacements to fill them. An exacerbating factor is the higher culling rate many herds now face. Total culling rates in Idaho dairy herds have increased about 1 percent in the last five years compared to the period from 1989 to 1995. Those animals that were sold out of the herd have actually decreased nearly 1.5 percent but animals that died have increased nearly 2 ½ percent in the 1996 to 2000 period compared to the 1989 to 1995 period. As production levels have continued to climb through a combination of improved genetics, nutrition and, as rBST has come into wider use, the stress on cows is increasing. Expected herd life for cows is now 2 ¼ years. Since 1991 the interval between first and last calving has declined by 2.1 months from

19 to 16.9. As production levels have climbed other factors have increased also, including days in milk, services per conception and death loss.

Replacement value is affected by two major things: the price of milk because that determines the value of production from the animal; and the price paid for the animal since that determines the amount that she must "recover" in her lifetime before generating a profit.



To give an idea of replacement values, we used the UI Department of Agricultural Economics (AERS) dairy budget EBB-D4-00 for a 750-cow herd with average production of 21,000 lbs. For this comparison an average milk price of \$12.10/cwt.,

annual feed costs of \$932 per cow and average annual cash costs per cow of \$1,775 were used. The cow purchase price was 65 percent financed at 8 percent over 2 years. The owner's marginal tax rate was set at 28 percent and his required rate of return on the purchase is 8 percent. A profitable investment is one that earns a return above the cost of the invested capital. The rate of return on the investment at 8 percent represents just a break-even situation. For this example, over her projected life in the herd of 2 1/4 years, the cow has a value of \$1,419.

So what happens if the price is \$1,650 (or higher)? A lower return to investment for starters. Or expectations of a higher than average milk price for the life of the cow! In our situation outlined above, either the dairyman has to accept a negative 1 percent return on his investment or his milk prices have to average at least \$12.70/cwt. over the life of the cow, or both. Since Class III milk prices average above \$12 less than half the time, counting on high prices to justify an investment may not be realistic. Table 1 shows the value of a cow and, in parentheses, the years to recapture debt on the cow at differing milk prices and rates of return on the cow purchase.

Table 1: Value of Dairy Springers and time to recapture debt on cow for various milk prices and rates of return

% Return on Heifer Investment	Milk Price					
	10.60	11.10	11.60	12.10	12.60	13.10
1	967 (1.43)	1172 (1.45)	1377 (1.46)	1582 (1.47)	1787 (1.48)	1992 (1.48)
2	950 (1.41)	1152 (1.43)	1355 (1.44)	1557 (1.45)	1759 (1.46)	1961 (1.46)
4	919 (1.36)	1115 (1.38)	1312 (1.40)	1509 (1.41)	1705 (1.42)	1902 (1.43)
8	860 (1.29)	1047 (1.31)	1233 (1.32)	1419 (1.34)	1606 (1.34)	1792 (1.35)
10	833 (1.25)	1015 (1.27)	1196 (1.29)	1378 (1.30)	1559 (1.31)	1741 (1.32)

The value of the cow is what can be paid for the cow, and still realize the desired rate of return to the owner. The years to recapture debt is the time for the cow to generate sufficient after-tax net cash flow to equal the amount of debt used to finance the cow purchase.

### **Chicken feed**

Feed costs have been moderate to downright cheap over the past few years, which has been quite beneficial. For the coming year grain costs should still be favorable, large corn stocks will mitigate effects of lower corn production. Corn prices are estimated a tad higher at \$1.90 to \$2.30 per bushel vs. \$1.85 last crop year. Adequate supplies of cottonseed, meal and other ration ingredients will again be helpful. Forage costs have climbed this year due to drought and smaller hay supplies. Many dairies anticipated this and have put together enough stocks in the stack for the season. Although most dairies pre-purchased forage needs, roughage costs are up to 20 percent more than last year. Please check the forage outlook for more details.

### **Bio-security**

Since the September 11 terrorist attacks on Washington, DC and New York and the subsequent anthrax situation bio-security has gained lots of attention. For US agriculture, there are really two aspects to be concerned about. First is the on-farm situation. APHIS and most other experts agree that a highly contagious disease such as foot and mouth would be the likely "germ of choice" to inflict maximum damage to the livestock industry. This could potentially be widely disseminated in a short time period with devastating results.

Second is the processing and retail situation. Suppose a significant amount of food product(s) such as cheese or yogurt; or hamburger or processed meats, could be tainted with Salmonella, E. Coli 0157:H7 or another biological contaminant with the ability to cause widespread sickness and/or death in the general population. The impact on consumer acceptance and trust in food safety would be horrendous.

## **Market Trends and Direction**

As noted earlier, cheese and milk prices have dropped in recent weeks. Total cheese stocks for September were 724 million lbs., 7.25 percent below Sept. 2000. However, that is still 33 percent over the 1990-2001 average and 11 percent above even 1999's level. Consumption of cheese has increased notably in the past few years. However, recent terrorist acts and anxiety over the US economic situation may be contributing to caution by wholesalers and consumers.

*Table 2 Selected Settlement Prices for CME Milk Contracts, dollars per cwt.*

<b>Contract Month</b>	<b>5-Sep</b>	<b>12-Sep</b>	<b>19-Sep</b>	<b>26-Sep</b>	<b>3-Oct</b>	<b>10-Oct</b>	<b>17-Oct</b>	<b>24-Oct</b>	<b>31-Oct</b>
<b>Oct-01</b>	15.00	15.23	15.37	14.85	14.67	13.65	14.35	14.46	14.57
<b>Nov-01</b>	14.00	14.32	14.55	13.75	13.15	11.55	11.20	10.75	11.05
<b>Dec-01</b>	13.00	13.25	13.45	12.85	12.38	11.50	11.45	11.20	11.35
<b>Jan-02</b>	12.25	12.45	12.55	12.17	12.02	11.50	11.60	11.60	11.50
<b>Feb-02</b>	11.95	12.02	12.25	11.85	11.66	11.45	11.55	11.73	11.80
<b>Mar-02</b>	11.94	12.03	12.25	11.85	11.78	11.60	11.60	11.75	11.75
<b>Apr-02</b>	11.96	12.00	12.20	11.90	11.84	11.66	11.70	11.90	11.95
<b>May-02</b>	11.95	12.01	12.20	11.93	11.87	11.80	11.95	12.06	11.90
<b>Jun-02</b>	12.09	12.18	12.35	12.15	12.05	11.95	12.11	12.30	12.15

Cheese prices have gone from \$1.72 per lb. on blocks Sept. 4<sup>th</sup> to \$1.21 per lb. on the 30<sup>th</sup> of Oct. This 30 percent price slide has pulled Class III futures down, especially in the November and later contract months. As table 2 shows, the October contract has given up \$0.47/cwt. since the beginning of September, while the November contract has yielded \$2.95 and December has lost \$1.65. Contracts into 2002 are generally under \$12/cwt. until May but as of this writing not over \$13 for the year. Expectations are not high. Will the pessimism last? Is it justified?



## **Things to watch**

- ? Consumer attitude and demand are critical to milk price improvement. The supply situation is not extreme. It may be into next year before the situation settles down.
- ? It's the economy, again. The Federal Reserve has cut the federal funds interest rate from 6.5 percent on January 1 to 2.5 percent. This is the lowest in nearly 40 years. Indexing for inflation, real rates are nearly zero. Still we seem to be slipping toward recession. Unfortunately, much of the rest of the world seems headed that way too.
- ? Expenses and opportunities. Track feed and replacement costs, among others, carefully. Also, watch the markets. Pricing opportunities can appear unexpectedly on a short-term basis and have to be exercised immediately to be realized.

## **There are a number of longer-term factors that dairymen should watch also.**

- ? Bio-terrorism, Bio-terrorism, Bio-terrorism
- ? The adage "sooner or later public perception becomes public policy" applies to dairymen. Air and water quality concerns will remain issues for some time to come. Only by being prepared in advance and by being united will dairymen have much success in insuring that regulations to protect the environment also protect their ability to do business in a reasonable manner.
- ? Continued consolidation in agriculture, at all levels, means those with defined goals and a plan to achieve them will fare much better than those who fail to plan. The dairy industry is going through structural change. That will require new ways of looking at one's business and of doing business.
- ? Dairy policy will continue to be a factor for the foreseeable future. The question is; will it remain chained to the past of marketing orders and an overly complicated pricing scheme? At a recent workshop for Dairy Economists and Policy Analysts

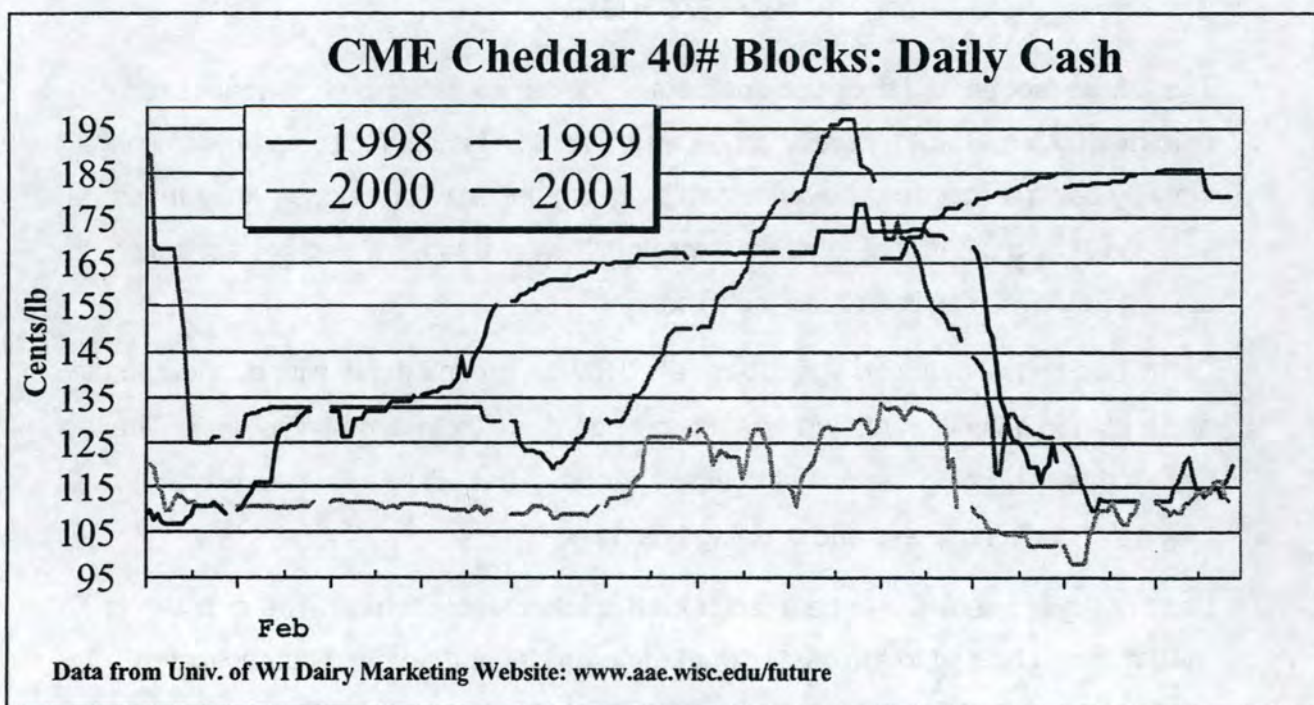
many felt the status quo is the way to go. Others, including the current administration would like to see some changes and less budget exposure. While the industry needs to get together on what it wants for policy, that is possibly an impossible task.

Table 3 below indicates forecast prices for Class III milk quarterly in the coming year. After a better year in 2001, the outlook is less rosy for 2002. Prices are expected at this time to hover about the long-term average of \$12.13/cwt. Part of this scenario is based on lowered demand due to the recession. If the recession is milder than anticipated prices could improve faster than shown in the table. If we are entering a long, dark financial tunnel prices may not improve until late next year.

Table 3 Class III price forecast for 2001/2002, dol./cwt.

	Q4 01	Q1 02	Q2 02	Q3 02	Q4 02
<b>U of I</b>	12.10 – 13.25	11.10-11.95	11.80-12.55	12.10-13.00	12.00-13.00
<b>USDA/ERS</b>	14.45-14.85	11.45-12.15	10.45-11.45	11.10-12.10	11.30-12.20

Figure 7 Cheese Dip





## Situation & Outlook

### HAY AND FORAGE MARKET UPDATE: FALL 2001

*By Neil Rimbey<sup>1</sup>*

*Range Economist*

*University of Idaho*

Dry conditions, continued moderate growth in the dairy sector and speculation were fueling a hot hay market through the fall of 2001. The drought and irrigation and stock water shortages resulted in livestock coming home from ranges earlier than usual this fall. Hay supply is down due to reductions in harvested acreage and yields, both probably related to the drought and power buyback programs. Emergency haying and grazing of Conservation Reserve Program (CRP) lands was authorized for selected Idaho counties late this summer and fall, thus potentially increasing forage supplies in specific counties.

#### Current Indications of Hay Supply

According to USDA's National Agricultural Statistics Service (NASS), alfalfa hay acreage declined by 10,000 acres (to 1.12 million acres) during 2001. Other hay acreage increased 40,000 acres. As a result of water shortages, the electrical power buyback program and dry conditions during the growing season, yields declined by a half ton per acre to 3.7 tons/acre and 1.6 tons/acre for alfalfa and other hay, respectively. Total alfalfa production fell from 4.7 million tons to 4.1 million tons and other hay declined to 480,000 tons.

Carryover stocks from the 2000 hay crop amounted to 265,000 tons. Adding total crop production estimates for alfalfa and other hay to the carryover figure, results in an estimate of Idaho hay supply of 4.9 million tons (Table 1), a decline of about 12 percent from 2000 levels. Due to the dry conditions during most of the growing season, there were only scattered instances of rain damage. Thus, the quality of the hay crop should be better than the 2000 crop. Hay production in neighboring states is a mixed bag. Production increases were prevalent in California, Arizona, Montana and Oregon. Declines are notable in Nevada, Utah and Wyoming.

<sup>1</sup> Neil Rimbey is a Range Economist for the University of Idaho, Department of Agricultural Economics and Rural Sociology, Caldwell Research and Extension Center.

Range and pasture conditions in September were estimated by a national consulting firm and indicated that Idaho conditions were below the index average of recent years, yet only slightly lower than the 2000 index (46 versus 50 %). Although there are no indications of the index scale or the breadth of survey, it does give one the impression that pasture grazing conditions were about on par with 2000 levels.

In early fall, USDA's Farm Service Agency announced emergency haying and grazing provisions CRP lands in selected Idaho counties. Due to the timing of harvest and grazing, it is anticipated that this will not compete with the traditional hay markets. Grazing pressure will be variable, based upon the availability of stock water and weather conditions through the fall.

### **Demand Indicators**

Idaho's dairy herd continues to grow. August 2001 inventory stood at 372,000 head, an increase of 17,000 cows from August 2000 levels. University of Idaho cost of production studies indicate "typical" dairy rations, include about 16 pounds of alfalfa hay per cow per day. This level of feed, when attached to the 17,000 head of "new" Idaho dairy cows, means there is additional demand for about 50,000 tons of dairy quality alfalfa hay. Given current levels of dairy cattle numbers, it appears that they will demand slightly over 1 million of the projected 4.9 million ton supply in 2001-2002. Continued moderate growth of cattle numbers in 2001 will push this up slightly. Dairy hay will continue to set the top of the hay market.

Beef cattle and sheep numbers are about on par with the 2000 inventories. The uncertainties relative to hay and forage demand from these sectors involve the short and longer term impacts of drought. Continued dry conditions on rangeland resulted in shorter grazing seasons in selected areas during the summer and fall of 2001, shifting demand to private grazing resources and the haystack. Also remember that the summer of 2000 saw about 1.3 million acres of timber and rangeland burn. Many of these areas will not have grazing on them for 1 to 5 years. There appears to be some potential for strength in the feeder hay part of the hay market, along with private grazing leases. How much is dependent upon the severity of drought-related impacts mentioned earlier.

## Implications

The potential for a reduction in hay supply that was apparent last spring resulted in feeders contracting with growers for all or part of their supply needs from the 2001 crop. The result has been a tight supply of hay getting tighter. Coupled with that, we have seen continued moderate growth in demand from the dairy sector, along with smaller growth in beef cow numbers. Sheep sector demand for hay will be unchanged. So, with lower hay supplies and increased demand, we are looking at hay price increases over what we saw from the 2000 crop year. Higher quality hay products were selling at 20-40 percent premiums over 2000 price levels, while feeder quality hay was selling at a 10-25 percent premium over 2000 levels. Given the tight supply situation, these levels will likely maintain through much of the winter that (hopefully) lies ahead. If we have a prolonged winter, there is potential for another 10-15 percent being tacked onto prices before spring turnout. If USDA's estimate of December 1 haystacks is less than 2.2 million tons, hang onto your hat as hay prices will be increasing significantly through the rest of winter and early spring.

Grazing fees and lease rates on public lands will see little change from 2000 levels. Federal land grazing fees will again be at the \$1.35/Animal Unit Month (AUM) minimum that we have seen over the past 6 years. Idaho State Land grazing rates will increase a penny to \$4.96/AUM. Pasture and range conditions during 2002 are highly correlated to spring and early summer precipitation events. Stock water conditions become a very critical issue during prolonged droughts. Private grazing lease rates will generally fall in the \$10-15/AUM range, with services and facilities provided by the landlord determining the relative level of price for specific leases. Continued drought will increase these rates another 10-30 percent.

The Pasture Clearing House established last fall is still available for those buying and selling pasture. Interest in the website has been minimal through the fall. The site also contains links to the Idaho Hay Growers Association website, with listings of hay availability from the membership of that organization. The address for the Pasture Clearing House website is: <http://www.ag.uidaho.edu/pasture/index.html>

Table 1. Idaho Hay Production and Supply. 1975-2001 (1,000 tons).

<u>Year</u>	<u>Hay Stocks Jan 1/Dec 1*</u>	<u>Hay Stocks May 1</u>	<u>Alfalfa Production</u>	<u>Other Hay Production</u>	<u>Total Crop Production</u>	<u>Total Supply</u>
1975	2878	576	3811	630	4441	5017
1976	2576	533	3621	580	4201	4734
1977	2899	798	3852	607	4459	5257
1978	3344	1026	4050	658	4708	5734
1979	3531	1083	3631	495	4126	5209
1980	2682	619	3815	580	4395	5014
1981	3120	835	3960	493	4453	5288
1982	3073	757	3774	672	4446	5203
1983	2712	489	4017	897	4914	5403
1984	2850	393	3938	805	4743	5136
1985	3036	522	3570	510	4080	4602
1986	3304	245	4180	540	4720	4965
1987	4008	1086	3978	525	4503	5589
1988	3648	901	3496	385	3881	4782
1989	2183	310	3720	380	4100	4410
1990	2287	485	3744	340	4084	4569
1991	3221	408	4120	380	4500	4908
1992	2193	644	3367	288	3655	4299
1993	2955	292	4200	644	4844	5136
1994	2263	678	3978	460	4438	5116
1995	2794	222	4180	570	4750	4972
1996	2285	660	4200	560	4760	5420
1997	2743	286	4100	630	4730	5016
1998	3329	520	4859	690	5549	6069
1999	2617	777	4600	532	5132	5909
2000	2400	257	4746	546	5292	5549
2001		265	4144	480	4624	4889
<b>Avg</b>	<b>2881.96</b>	<b>580.26</b>	<b>3987.07</b>	<b>551.00</b>	<b>4538.07</b>	<b>5118.33</b>
<b>Max</b>	<b>4008</b>	<b>1086</b>	<b>4859</b>	<b>897</b>	<b>5549</b>	<b>6069</b>
<b>Min</b>	<b>2183</b>	<b>222</b>	<b>3367</b>	<b>288</b>	<b>3655</b>	<b>4299</b>

\* Winter hay stocks shifted from January to December reporting date in 1986

## **WHEAT AND FEED GRAINS**

Prepared by Larry D. Makus  
Professor of Agricultural Economics  
University of Idaho

### **Current World Situation for Wheat and Coarse Grains**

The USDA's May World Ag. Supply/Demand (WASDE) report contained substantial adjustments to historical grain (wheat, rice, and corn) use and stock levels for China. Chinese stocks are estimated by the USDA because China does not publish official numbers. New information from China's first agricultural census, statements from Chinese officials, and trade and price patterns in China all suggested historical estimates were inaccurate.

These USDA adjustments to historical data began with the 1980/81 marketing year for wheat and 1978/79 for corn. The general impact of the adjustments is that Chinese use has gone down and stocks have gone up. Thus, numbers for world use have changed slightly, but stocks and stocks-to-use ratio's have changed significantly from previous estimates for wheat and coarse grains. For world wheat, ending stock levels have increased about 45 MMT (40 percent), with the stocks-to-use ratio increasing about 7 percentage points. World coarse grains stocks increased about 50 MMT (35 percent), raising the stocks-to-use ratio about 6 percentage points. Keep in mind that these are all relative adjustments that go back over 20 years. Thus, the numbers that are larger in an absolute sense have the same relative relationship historically. Additionally, these estimated "new" stocks are generally viewed as part of China's strategic reserves, with limited or no impact on world grain markets. A complete discussion of these adjustments is included in the 2001 May 10 WASDE report.

**Wheat:** The 2001/02 world wheat crop is currently forecast at 571.2 million metric tons (MMT), down 1.4 percent from the previous year (Table 1). The projected 2001/02 world wheat crop is slightly below the 5-year average level of production. Additionally, total production remains less than total use, and world wheat stocks are projected to

decline to 136.1 MMT by the end of the 2001/02 marketing year. Under the revised USDA estimates, 136.1 MMT is the lowest level of world wheat ending stocks since the late 1980s. The low for the 1990's was 139.5 MMT for the 1995/96 marketing year. When ending stocks are compared to current use levels (measured by the stocks-to-use ratio), the current projected 2001/02 stocks-to-use ratio of 22.9 percent is the lowest level since the mid-1970s. World wheat stocks continue to move in the right general direction for a price recovery. By historical standards (as adjusted), world stock levels are projected to reach a point that should support wheat prices at significantly higher levels. Factors that seem to be holding back the price rally likely include some uncertainty about what the USDA's adjusted numbers are and what they mean, concerns about the current world economic and political situation, and a market that seems increasingly more comfortable with lower levels of carryover. Whether this comfort level will change as the result of recent terrorist acts, and the conflict in Afghanistan is difficult to assess at this point in time. Up to this point, the grain market response seems to be neutral to slightly negative. The author assumes these events will continue to be mostly neutral on grain prices. However, any significant increase in political uncertainty resulting from an inability to contain the conflict certainly has the potential to bring about major changes.

**Coarse Grains:** World coarse grain production is projected to increase by 12.2 MMT or 1.4 percent in the 2001/02 marketing year (Table 1). US production of feed grains is expected to be down about 14 MMT, and foreign coarse grain production up about 26 MMT. Eastern Europe and the Former Soviet Union (FSU) countries account for the big increase in world coarse grain production. In spite of higher production, world stocks will decline about 15.5 percent (to 158.6 MMT) because total use is projected to increase significantly. A 2001/02 world coarse grain carryover of 158.6 MMT will approximate the carryover levels of 1995/96.

### **US Wheat and Feed Grain Situations**



The high prices for wheat and feed grains experienced in the mid-1990s expanded production and increased stock levels. Lower grain prices starting in late 1997 should have reduced plantings and initiated the process of lowering carryover levels. This expected pattern was clearly demonstrated for wheat, with acreage planted dropping steadily from 75.1 million in 1996 to 60.3 million in 2001. However, record high yields kept production levels up and carryover increasing until the 2000 US wheat crop. Although other feed grain planted acreage dropped during this period, corn acreage was maintained, resulting in US corn crops that were consistently over 9 billion bushels. US feed grain stocks generally increased, but are expected to drop for the 2001/02 marketing year. Thus, the US is just beginning to show definite signs of tighter grain supplies.

**Wheat:** The 2001 US wheat crop is forecast at 1.958 billion bushels, the first US wheat crop under 2 billion bushels since 1991 (Table 2). In spite of lower projected domestic use and exports, carryover for the 2001/02 marketing year is expected to decline to 652 million bushels, the lowest since 1996/97. Although the lowest carryover of the last 5 years, 652 million bushels is still above the 376 million bushel carryover of 1995/96. Farm level wheat prices for 2001/02 are currently forecast to average \$2.85 per bushel, just above last year's average price of \$2.62. Although earlier USDA forecasts were slightly higher, US wheat exports in the early part of the marketing year have been disappointing. As of the middle of October, marketing year to date US wheat inspections for export for 2001/02 are about 86 percent of last year.

US white wheat estimated production totals 232 million bushels for the 2001 crop, well below last year and under the five-year average (Table 2). The projected carryover of white wheat of 66 million bushels is below the five-year average, and approaching levels experienced in 1995 and 1996. The Portland price averaged just over \$3.00 per bushel for the previous (2000/01) marketing year. For the current (2001/02) marketing year, Portland has averaged \$3.54 since July, and has demonstrated pretty steady improvement since the beginning of the marketing year. Since the beginning of October, Portland white wheat has been pushing the \$3.75 level. The historical

average differential between the Portland and US average wheat price is 41 cents per bushel. If the USDA farm-level price estimate (\$2.85) is correct, this implies a Portland average of about \$3.26. At this point, Portland white wheat is trading well above average relative to other classes.

Feed Grains: Projected US corn production for the 2001 crop is currently 9.430 billion bushels. Although fairly large by historical standards, the 2001 crop is about equal to the five-year average. For the other US feed grains, grain sorghum production is projected up by 14 percent to 536 million bushels, and barley production is down almost 22 percent to 250 million bushels (the smallest US barley crop since the early 1950s). Total US feed grain production is down just over 5 percent to 260.3 MMT. With just slightly higher domestic use and exports for the 2001/02 marketing year, US feed grain ending stocks are expected to drop from 52.7 to 41.0 MMT (about 22 percent). Farm level corn prices for 2001/02 are currently projected in the \$1.90 to \$2.30 per bushel range, which is above last year's average of \$1.85. With tighter supplies and lower export prospects, barley prices are projected to increase slightly in the 2001/02 marketing year. The average farm level price for barley is projected at \$2.25 per bushel (\$94 per ton) in 2001/02, compared to \$2.11 per bushel (\$88 per ton) in 2000/01.

### **Outlook for 2001**

After experiencing relatively larger crops and increases in stocks, world grain markets are showing definite signs of turning around. World supplies remain adequate, but are showing signs of tightening. This is especially true for wheat. By historical standards, wheat carryover is projected to approach record low levels. World coarse grain supplies are becoming tighter, and are approaching the tight supplies of the mid-1990's. US feed grains and wheat have the potential to rally in the face of threats to the 2002 world grain crop. Wheat will likely be much more sensitive to production concerns than feed grains.

Wheat: US carryover stocks for wheat are projected to reach below average levels by the end of the 2001/02 marketing year. Additionally, the 2001/02 drop in world ending stocks to 136.1 MMT (Table 1) approaches the record lows of the last 20 years. However, lack of export activity, renewed concerns about the world political and economic environment, and adequate supplies of feed grains seem to have the market in a pessimistic mood regarding prices. Any significant price rally seems unlikely at this point without some event to get the market concerned about adequate supplies. Concerns about the 2002 crop appears to be the event with the greatest probability of occurring. Thus, the 2002 wheat crop is likely the key to any opportunity for a substantial price increase between now and next harvest. Any such concerns will likely not be reflected in the market until after the January Winter Wheat Seedings report.

With the general pessimistic outlook from USDA and lack of significant returns to carry reflected in the deferred futures contracts, wheat prices appear to be in a holding pattern. Generally, some modest price improvement is expected as the marketing year progresses. With the current strong position of white wheat relative to other classes, there appears to be some downward potential for white wheat prices. The author is inclined to be slightly more optimistic than the USDA's projection, but still feels price prospects for white wheat may be about tapped out at current levels. Portland's average marketing year price is expected to increase from about \$3.04 in 2000/01 to \$3.60 for 2001/02. The implication is that current Portland price levels are pretty favorable. Again, it is important to recognize that any concern about the 2002 wheat crop is likely to have major impacts on projected price levels. Whether or not any threats develop next spring will have to be assessed at a later date. New outlooks from the University of Idaho are currently scheduled for January and April of 2002.

Feed Grains: Although 2001/02 US feed grain production is projected to be down from last year, foreign coarse production has more than made up the difference. Much like wheat, the feed grain markets just do not seem particularly excited about the reduction in stocks. Supplies are adequate, and prices seem to be in a holding pattern. Given the unusually low level of production for US barley, feed barley prices could be stronger

relative to corn. This would be especially likely if export prospects for barley pick up in the next couple of months. Thus, Portland feed barley prices should hold about \$10 per ton above last year's level of \$80 to \$90 per ton.

Table 1. World Wheat and Coarse Grain Production, Use, and Ending Stocks, Marketing Years 1997/98 through 2001/02 and 5-year average.

Year	Production		Use		Ending Stocks		Stocks to Use Ratio (%)
	MMT	Annual % Change	MMT	Annual % Change	MMT	Annual % Change	
<b>Wheat</b>							
1997/98	609.2	+ 4.7	583.8	+ 1.4	171.0	+17.4	29.3
1998/99	588.7	- 3.4	585.2	+ 0.2	174.5	+ 2.0	29.8
1999/00	586.2	- 0.4	592.5	+ 1.2	168.1	- 3.7	28.4
2000/01	579.3	- 1.2	588.5	- 0.7	158.9	- 5.5	27.0
2001/02	571.2	- 1.4	594.0	+ 0.9	136.1	-14.4	22.9
5-yr. Avg.	586.9		588.8		161.8		27.5
<b>Coarse Grains</b>							
1997/98	883.9	- 2.7	873.4	- 0.2	195.8	+ 5.7	22.4
1998/99	889.0	+ 0.6	869.9	- 0.4	215.0	+ 9.8	24.7
1999/00	876.6	- 1.4	882.5	+ 1.4	209.0	- 2.8	23.7
2000/01	855.9	- 2.4	877.2	- 0.6	187.7	-10.2	21.4
2001/02	868.1	+ 1.4	897.3	+ 2.3	158.6	-15.5	17.7
5-yr. Avg.	874.7		880.1		193.2		22.0

Notes:

MMT = Million Metric Tons

Annual % change represents the percent change (+ for an increase; - for a decrease) from the previous year.

1999/00, 2000/01, and 2001/02 marketing year estimates are from the USDA's October World Ag. Supply & Demand Estimates (WASDE) report. Previous years are from the Foreign Ag. Service, *Grain: World Markets and Trade*, FG10-01, October 2001.

Coarse grains include corn, barley, grain sorghum, oats, and rye.

Table 2. U.S. Wheat and White Wheat Balance Sheets for Marketing Years 1997/98 to 2001/02 and 5-year average.

	Marketing Year					5-year Average
	1997/98	1998/99	1999/00	2000/01	2001/02	
(billion bushels)						
<u>US Wheat</u>						
Beginning Stocks	0.444	0.723	0.946	0.950	0.876	0.788
Production	2.482	2.547	2.299	2.232	1.958	2.304
Total Supply	3.020	3.373	3.339	3.272	2.924	3.186
Domestic Use	1.257	1.385	1.300	1.334	1.247	1.305
Export	1.040	1.042	1.090	1.061	1.025	1.052
Total Use	2.298	2.427	2.390	2.396	2.272	2.357
Ending Stocks	0.723	0.946	0.950	0.876	0.652	0.829
Stocks to Use Ratio (%)	31.5%	39.0%	39.7%	36.6%	28.7%	35.1%
<u>Average</u>						
Farm Price (\$/bu)	\$3.38	\$2.65	\$2.48	\$2.62	\$2.85	\$2.80
(million bushels)						
<u>White Wheat</u>						
Beginning Stocks	59	90	87	91	75	80
Production	332	301	247	303	232	283
Total Supply	399	401	340	399	317	371
Domestic Use	104	116	89	121	91	104
Export	205	198	160	203	160	185
Total Use	309	314	249	324	251	289
Ending Stocks	90	87	91	75	66	82
<u>Average Portland Price (\$/bu)</u>						
	\$3.81	\$3.02	\$3.02	\$3.03	\$3.60	\$3.30

Notes:

1997/98, 1998/99 and 1999/00 marketing year values are from the USDA's Wheat Situation and Outlook Yearbook; 2000/01 and 2001/02 estimates are from USDA's October World Ag. Supply & Demand Estimates (WASDE) report. Portland average price is based on monthly average prices for the marketing year (June through May) for 1997/98 through 2000/01. For the 2001/02 marketing year, the average Portland price is projected by the author. Total supply includes imports.

# New Food and Agriculture Legislation; Producer Opinions

By Neil L Meyer, Extension Economist, Policy and Rural Development

Why should we have food and agricultural legislation? That is a question asked by persons of many different parts of American society. The reasons are varied. Certainly from a producer's perspective, the legislation affects the economic and political climate in which they must function. From a consumer's perspective, it effects food availability, cost and safety. In order to assist legislators and other public officials in designing legislation that assures adequate, safe and reasonably priced food, the Idaho Agricultural Statistics and the University of Idaho cooperated to survey 2,990 Idaho agricultural producers in March of 2001. Nine hundred and eighty eight (33%) responded. The objective was to find out what they thought should be considered in the 2002 Farm Bill. This study is a part of a national project financed by the Farm Foundation. The national agricultural, food and public policy preference survey targeted agricultural producers from 27 states (4 in the west—Colorado, Oregon, Arizona, and Idaho) representing a broad cross-section of the nation. These 27 states are home to nearly 70 percent of all U.S. farms and ranches.

The survey focused on policy issues likely to be addressed or discussed during the development of the coming Farm Bill. Included were questions related to commodity programs, farm income and risk management policy, conservation and environmental policy, trade policy, food policy, and the structure of agriculture.

## Commodity Programs

Generally, producers favor preserving agricultural support programs, although they often differ on the preferred methods. Given the choice on levels of support, producers generally preferred increasing baseline spending. As long as funding

room is available below the World Trade Organization (WTO) limits, producers would like to see it spent on agricultural supports. This view is consistent with producer attitudes supporting the government should have a role in protecting agriculture from the full impact of market conditions. Idaho producers responded very similarly to the national respondents.

Moving beyond aggregate spending, producers are looking for additional tools to support income and manage risk. They show some preference for counter-cyclical payments and additional risk management tools, including livestock insurance and tax-deferred saving accounts. Other commodity programs offer challenging choices, but none more so than dairy. Interstate Dairy Compacts have been a politically divisive issue ever since the Northeast Dairy Compact was established in the 1996 Farm Bill. Producer preferences reinforce the conclusion that the status quo is not sustainable. In the dairy program area, 34% of Idaho respondents favored eliminating the Northeast Dairy Compact. Forty-nine percent favored expanding it to include all dairies. Idaho producers seem to be saying, include us or eliminate the program. Either dairy compacts grow to include more states and regions, or they will be eliminated.

Table 1. Program Commodities to Receive Income Supports (Percent Responding Yes)

	Traditional Prog. Crops	Special Prog. (Sugar, peanuts, tobacco)	Dairy	Fruits, Veg, Nuts, Pulses	Specialty Crops	Other Livestock
Idaho	71	26	34	24	12	48
West	61	19	29	26	14	43
Nation	69	24	34	21	12	50

Idaho respondents favored government intervention (71%). The real discussion is



about how the government should be involved. Respondents most favored price support payments followed by income support payments. Fixed payments, subsidized insurance and disaster assistance were less favored.

Among the various commodity program considerations are a few overriding policy issues. The production flexibility established in the 1996 Farm Bill maintains nearly universal support among producers. In the same fashion, producers do not want the government to get involved in inventory supply controls such as the "Farmer-Owned Reserve." There is some support for production supply controls, at least in the form of voluntary paid set-aside programs.

Sugar is an important commodity to Idaho producers and respondents think government should be involved. Producer's first choice was to limit imports. The second policy choice was to develop an inventory management program. Third was to develop a trade weighted exchange rate loan mechanism. Another approach was to base eligibility for sugar programs on historical production.

## Conservation and Environmental Incentives

In the conservation arena, Idaho producers are fans of the Conservation Reserve Program with 59% favoring continuation or expansion. The larger producers were 72% in favor of continuation or expansion. Additionally, producers look ready and willing to provide environmental amenities to society if society is willing to provide financial incentives for doing so. Eighty-six percent were in favor of incentives to protect water quality, 85% for reducing soil erosion, 67% managing animal waste, 86% for biofuels, and 83% for farmland preservation. Biofuel production incentives were strongly supported (86%) while carbon sequestration was favored by only 49%. The issue could be that producers do not fully understand how it would affect management of their operation. Producers are not

enthusiastic about the government regulating farmers to address environmental goals.

Focusing on soil and water quality, producers strongly favor incentives to protect water quality (91%), reduce soil erosion (89%), and manage animal wastes (68%). The tradeoff between incentives and direct regulations I think is affecting the preferences of producers of animal waste management.

### **Trade**

In general, farmers are very supportive of free trade, seeing the benefits they receive from trade in agricultural goods. Nationally, 75% thought they benefited from free trade while 65% of Idaho respondents thought they benefited from trade. Idaho respondents were 84% in favor of including labor, environment and food safety issues in trade negotiations. Even restricted trade would be supported by 61% of the Idaho respondents. That is higher than the national response of 49%. The high support for including labor, environmental and food safety issues suggest producers would like these resolved. However including them together makes trade negotiations much more complicated.

Idaho producers support comprehensive negotiations while some also consider multi-functionality a plausible goal even when it distorts trade. Multi-functionality implies that certain policies have more than one goal. An example would be farm programs to support farm income, maintain small farms, provide wildlife habitat incentives, protect water quality and support rural communities. Multiple goals make negotiations much more complicated and difficult.

Unilateral trade sanctions are another difficult political question. Is agriculture a trade tool of commerce or a weapon of state? Fifty-two percent of Idaho producer respondents and 56% of respondents nationally favored eliminating unilateral trade sanctions.

## **Food Policy**

In the area of food policy, producers generally take the approach of providing more information to consumers. While they overwhelmingly support labeling biotechnology-derived products when there is a scientific difference (92%), they also support labels when there is no difference (61%). While labeling of production practices is less certain, the labeling of country of origin has nearly unanimous support (99% of Idaho respondents and 98% of national respondents). Producers also support the role that improved traceability can provide regarding improvements in food safety and information feedback through the food chain. Seventy three percent of Idaho respondents favored tracability compared to 76% of the national respondents.

## **Rural Structure**

There are many complex issues surrounding the structure of agriculture. Producers favor a continued role for farm and rural credit programs, and want them to remain accessible to all producers. In the rural development arena, access to capital, education and training, and business development rank high as important goals for policy. Research, extension, and education programs enjoy strong levels of support from producers. Producers favor keeping programs available to all, and also favor technology coming from public research to be in the public domain.

## **Commodity Promotion and Check-offs**

The commodity promotion and research check-off programs face continued scrutiny from producers. Forty-three percent of producers favor an on-going review of check-off programs through regular referenda. Referenda by petition or at the discretion of the Secretary of Agriculture were less favored.

## **Farm Structure**

Farm structure is a key component of the structure of agriculture, but involves a

complex set of issues. Generally, producers favor targeting income support programs to small farmers, although it is unclear just how many producers consider themselves small farmers that would remain eligible for supports. Programs that encourage small and beginning farmers are favored by 52%. Sixty-three percent of respondents favored targeting low-income farms and rural areas.

A companion issue to the farm structure and number of farms is the actual census definition of a farm. Producers generally favor raising the definition to \$10,000 of expected annual sales, a move that on paper would eliminate more than 60 percent of the current number of farms in the U.S. In this study, we used \$100,000 annual sales to distinguish between large and small farms.

## Labor

Labor is also an important issue shaping the future of agriculture. Idaho respondents rated workforce availability as their most important labor issue. Human resource management and seasonal labor show up as critical issues.

## Market Competition

In the area of market competition, the enforcement of existing antitrust laws and merger reviews is favored on the part of producers. In sum, producers value and look for market competition. On a related note, producers look to the government to continue its role of providing market information to support open and efficient markets.

## Summary

The political climate for writing this legislation is very different than what existed when the 1996 legislation was written. In 1996 producers had generally good prices and strong government support. Currently many producers are stressed financially and rural agricultural areas are experiencing difficulties as the 2002

legislation is being crafted. Producers want government assistance and support in managing risk, protecting soil and water quality, getting unbiased information, and in negotiating trade agreements. They also want protection from factors which create unfair competition and blanket rules and regulations. Commodities not formerly included in governmental protections and assistance want to be included in the new legislation. The need for safe food and traceability is recognized and supported. Greater detail on Idaho and National producer responses is available from the Department of Agricultural Economics at the University of Idaho Cooperative Extension Service. The bulletin, "The 2002 Farm Bill: U.S. Producer Preferences for Agricultural, Food and Public Policy" is available from the departmental web site, <http://www.ag.uidaho.edu/aers/> as an acrobat file (.pdf). It can also be ordered from Agricultural Communications at the University of Idaho, Moscow, ID, 83844-2332.

