Idaho Agricultural Outlook
April 1999

by
Steve Meyer and C. Wilson Gray, Joseph F. Guenthner,
Paul E. Patterson, and Neil R. Rimbey
Department of Agricultural Economics and Rural Sociology
University of Idaho

A. E. Extension Series No. 99-06

Idaho Edible Dry Bean Situation Outlook, April 1999

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

The 1998 U.S. dry edible bean crop was the third largest of the past ten years and the second consecutive year that the crop was bigger than the previous year's. Will growers and Mother Nature team up to make it three in a row with the 1999 crop? Growers will do their part. USDA's March Prospective Plantings shows growers intend to plant two percent more acres to dry beans than last year (Table 4). If growers make good on their intentions, than it will be up to Mother Nature to limit production and improve the price outlook.

USDA estimated 1998 dry bean production at 31.04 million cwt, a 6.5 percent increase over 1997 and 12.3 percent above the five-year average (Table 1). The U.S. harvested 1,921,900 acres, up 11.7 percent over the previous year and 8.8 percent or 156,100 acres above the 5-year average. Average yield of 16.2 cwt per acre was down 4.7 percent from 1997.

Review of 1998-99 Marketing Year

Slow and lackluster are terms that best describe dry bean markets over the fall and winter months. Grower prices in Idaho for all major classes of beans traded within a very narrow range since the beginning of the current marketing year in September. Pinto prices stayed in the $17-18 range from harvest until late December. Prices moved $1 lower in late December and dropped another $1 in early February. Grower prices have been holding at $15 since early February. The price of Great Northerns traded in the $17-18 range since harvest. At the beginning of the marketing year the price on Small Whites was $19-21. By October the price had dropped $1 on the lower end of the trading range and has stayed in the $18-21 range. Prices on Pinks have been $18-19, except for late December when the price briefly moved to $20. The price of Small Reds was $18-19 from harvest until November when they moved $1 higher. Prices have been $20 most of the year. Idaho's average dry bean price reported by the Idaho Agricultural Statistics Service, a composite price for the various bean classes grown in Idaho, will likely average around $17.75 for the marketing year (Table1). This is down almost $4 from 1997.

Because supplies appear to be more than adequate to meet current demand, it is unlikely that dry bean prices will improve much in the last half of the 1998-99 marketing year even though June prices are typically the highest of the marketing year, at least on average. Examples of how prices have historically changed from March to June are shown in Table 2. Prices include a 5-year average, a 9-year average and the 1997 marketing year prices for Pintos, Great Northerns, Small Whites, Pinks and Small Reds.

Exports for the first three-quarters of calendar year 1998 were 45 percent above the same period for 1997. If export demand remains as strong during the first two quarters of 1999, prices for the 1999 crop should improve. USDA is projecting exports for calendar year 1998

to reach 10.1 million cwt (Table 1), 29 percent above 1997. Export demand has been strong for all bean classes with the exceptions of Small Reds and Dark Red Kidney beans. Pinto bean exports were up 96 percent and Great Northerns were up 21 percent.

1999 Planting Intentions

Unless their planting intentions change, growers seem more discouraged by low grain prices than by low bean prices. But that view wasn't shared by growers in all states. Pinto prices at $11 convinced some North Dakota growers to try something else. Projected-planted acreage is down 50,000 acres, or seven percent from 1998. But North Dakota will still account for 34 percent of the U.S. dry bean acreage. Keep in mind that Pintos have accounted for an average 70 percent of North Dakota's acreage over the past three years and during that same time they have produced 42 percent of the U.S. Pinto crop. Colorado and Nebraska, the other two major Pinto states besides Idaho, will increase planted acreage by six and three percent, respectively. This means another 10,000 acres in Colorado and 5,000 more acres in Nebraska. Over the past three years, 94 percent of the acreage in Colorado has been planted to Pintos. With Pinto prices in Colorado at $14 most of this past year, it's surprising to see Colorado growers expand bean acreage again this year. Idaho growers have done only slightly better with Pinto prices in the $15-16 range most of the marketing year. With no attractive alternatives, Idaho growers appear to be ambivalent. Dry bean acreage is projected to be the same this year as last. Pintos have accounted for an average of 43 percent of Idaho's dry bean acreage over the past three years. Together, North Dakota, Colorado, Nebraska and Idaho accounted for 80 percent of the Pinto production over the last three years.

While Small Whites, Small Reds and Pinks are less important than Pintos in Idaho when measured by acreage or production, Idaho tends to dominate the production of these three bean classes (Table 3). Because these three classes are a relatively small share of the total dry bean market, an acreage change in Idaho can dramatically affect production and therefore price of these classes. No acreage increase in Idaho can certainly be viewed as positive news for these bean classes.

Projections For 1999-00

With growers expected to plant more acres to dry beans in 1999, it's difficult to project any price improvement unless production is severely limited or exports stay above historic levels. While the two percent increase shown in the March 31st Prospective Plantings report is not a large increase, it's not the type of news that will improve the price outlook without some offsetting factor. Harvested acres will likely see a comparable two percent increase if 95 percent of the planted acreage is harvested as is normal. Weather is always the unknown factor that can significantly influence production with reduced yields, as seen in 1998, or with more unharvested acres as we saw in 1997.

The average dry bean price discussed here is the average of all bean classes reported by the Idaho Agricultural Statistics Service. Unless constrained by weather, U.S. dry bean production in 1999 should fall between 30 and 33 million cwt. Production at these levels will keep the average Idaho price for the 1999/00 marketing year in the mid to high teens, $16 to $19 per cwt. While U.S. production over 33

million cwt is unlikely, Idaho's average price would fall to the $14-16 range if it did occur. U.S. production between 28 and 30 million cwt would mean an average Idaho dry bean price around $20 per cwt. The price scenarios for the 1999 crop assumes exports of at least 9 million cwt and steady domestic utilization. If exports stay at or above the 1998 projected level of 10.1 million cwt, prices would average $1.00-$2.00 higher across the various production scenarios.

Prices for the different bean classes produced in Idaho will be mixed in the 1999 marketing year. Pinto prices will likely stay weak relative to other bean classes based on expected production in North Dakota, Nebraska and Colorado. The price for Small Reds and Small Whites should remain above Pinto prices. The PNW states produce over 95 percent of Small Whites and planted acreage in both Idaho and Washington remains the same as 1998, while Oregon's acreage is projected down by one percent. Idaho, Michigan and Washington account for essentially all the Small Red production. Michigan acreage is projected to be up 3 percent. The price on Pinks may slip during the 1999 marketing year. Idaho, North Dakota, Washington and Minnesota account for over 90 percent of the Pink bean production. While the seven percent acreage cut in North Dakota is positive, this will be more than offset by a 24 percent increase in Minnesota's planted acreage. Prices on Great Northerns may also weaken. Nebraska accounts for 80 to 85 percent of the Great Northern production and the projected three percent increase in their acreage should bring a comparable increase in Great Northern production and potentially weaker prices. For all bean classes, export demand will remain the key component to determining stronger or weaker prices.

Table 1. Dry edible bean production, price and exports.

Marketing Year	U.S. Production	U.S. Exports[1/]	Idaho Production	Average Idaho Price[2/]
	(million cwt)	(million cwt)	(1,000 cwt)	(per cwt)
1993-94	21.91	6.8	2,091	$23.75
1994-95	29.03	7.8	2,691	$18.90
1995-96	30.80	8.1	2,160	$20.90
1996-97	27.96	9.0	1,907	$23.60
1997-98	29.16	7.8	2,215	$20.50
5-yr Average	27.63	7.9	2,213	$21.55
1998-99[3/]	31.04	10.1	2,112	$17.75
1999-00[4/]	30-33	9.0	2,250	$16-19

Source: USDA: Vegetable and Specialties Yearbook, July 1998, unless noted otherwise.

[1/]Exports are for the calendar year. [2/]Prices are simple averages for crop marketing year Sept. 1 – Aug. 31.

[3/] US and Idaho production are USDA estimates from December's Crop Production Report. Idaho's price is the author's forecast.

[4/]1999 values are the author's forecasts.

Table 2. Price change from March to June for dry edible bean prices in Idaho.

Time Frame	Pintos	Great Northerns	Small Whites	Pinks	Small Reds
5-Year Average: 1993-97	$1.85	$0.15	$0.50	$0.85	$0.70
9-Year Average: 1989-97	$1.60	$0.05	-$0.15	$0.40	$1.00
1997 Marketing Year	$0.20	$0.40	$0.10	$0	-$0.10

Source: Weekly Dry Bean Report, Greeley, CO. Agricultural Marketing Service, USDA.

Table 3. U.S. dry bean production by class and Idaho's share, 1996-98.

Year	Pintos	Great Northerns	Small Whites	Pinks	Small Reds
	1,000 cwt	1,000 cwt	1,000 cwt	1,000 cwt	1,000 cwt
1996	12,162 (8.0%)	2,252 (7.4%)	113 (50.0%)	528 (31.6%)	405 (64.9%)
1997	10,827 (8.2%)	2,267 (5.4%)	185 (42.7%)	699 (47.5%)	900 (52.2%)
1998	14,832 (6.2%)	2,169 (7.3%)	60 (51.7%)	872 (42.8%)	660 (41.7%

Source: USDA, National Agricultural Statistics Service : Crop Production, December 1998,
Percentages in parenthesis are Idaho's share of production for that market class.

Table 4. Dry edible beans planted acres by state, 1997-1999.

	----------Area Planted----------			
	1997	1998	1999	1999/1998
	(1,000 acres)	(1,000 acres)	(1,000 acres)	Percent
California	135.0	110.0	130.0	118
Colorado	135.0	170.0	180.0	106
Idaho	100.0	105.0	105.0	100
Kansas	22.0	20.0	23.0	115
Michigan	315.0	300.0	310.0	103
Minnesota	175.0	190.0	235.0	124
Montana	12.2	12.6	13.2	105
Nebraska	190.0	195.0	200.0	103
New Mexico	12.0	10.5	2.9	28
New York	44.0	31.0	35.0	113
North Dakota	620.0	750.0	700.0	93
Oregon	9.0	8.7	8.6	99
Texas	15.0	15.0	20.0	133
Utah	5.8	6.0	5.0	83
Washington	38.0	40.0	40.0	100
Wisconsin	9.8	7.3	7.8	107
Wyoming	32.0	39.0	30.0	77
U.S.	1,869.8	2,010.1	2,045.5	102

Source: USDA: Prospective Plantings, March 31, 1999.

1999 Idaho Hay and Forage Update and Outlook

Neil Rimbey
Extension Range Economist
University of Idaho

Since the last update, a couple of things have occurred. First, USDA updated some of their hay production estimates, thus providing a clearer picture of supplies. Second, January inventories for most livestock classes were also released, providing a more definitive look at the demand side. Third, the release in January of the December 1 Hay Stocks gives a picture of how the 1998 crop is moving into the marketing channels.

Hay Carryover, Production and Supplies—What's the Latest Story?

Table 1 provides a picture of the final production estimates released by USDA in the January Crop Production report. Total supplies include what's left over from the 1997 crop still on Idaho farms and ranches (May 1 Hay Stocks), Alfalfa Hay and Other Hay production during 1998. Adding these three items together results in an estimate of total supply of about 6 million tons, the maximum supply we've seen since records were started in 1920. Several things to note on this table. Alfalfa production, at 4.75 million tons, was at its highest level in the past 24 years. This was primarily due to a 130,000-acre increase in alfalfa production, which pushed 1998 acreage to 4.9 million acres. The increase in alfalfa acreage and production pushes up the supply picture. Total 1998 hay crop production (alfalfa and other hay production) was 5.4 million tons, a record level. Finally, the picture of the hay market in mid-winter showed that we were sitting with 3.3 million tons of hay still on hand. This is pretty close to the peak December/January stocks of 4 million tons in 1987.

So, to summarize the numbers in Table 1, we are sitting on near-record, large supplies of hay. Quality issues due to rain damage and late harvest of first and, in some cases, later cuttings made more hay feeder grade, creating a slight shortage in dairy quality hay. Feed grain prices have been relatively inexpensive this winter, supporting the move of some dairy producers to adjust ration protein with feed grains.

Demand Side

January inventories of livestock in Idaho showed continued growth in the dairy herds, some contraction in beef cattle numbers and continued declines in sheep flocks. The number of Idaho dairy cows reached 302,000 head in January (up from 280,000 in 1998). Beef cows declined from 520,000 head to 498,000 head and sheep declined 7

percent to 265,000 head. Horse and donkey numbers are not regularly surveyed. The 1997 Census of Agriculture showed a 30 percent increase between 1992 and 1997 to about 61,000 equine. Total impact on demand is probably static to slightly above the previous year. Increased numbers of dairy cows and continued growth in the equine population should make up for the losses in beef cattle and sheep numbers.

Supply and Demand Interaction, or Price Projections

Hay supplies increased 10.5 percent in 1998. Demand, as denoted by livestock numbers, looks to be static to slightly above 1997 levels. Besides supply and demand, quality also plays a role in hay prices. Dairy quality hay will continue to set the top of the hay market, but there will be downward pressure on prices, particularly for feeder quality hay. Rain damage and later cuttings that reduced protein levels have increased the feeder quality tonnage. Dairy quality hay price will likely average in the range of $80-110/ton during the 1998-99 marketing period. Feeder quality hay has usually been traded at a $15-25/ton discount to dairy hay. Because of the supply situation being dominated by lower quality hays this year, it appears that this discount will widen, with most feeder hay trading at $40-70/ton. Higher quality horse hay (both grass and alfalfa) will trade in the range of dairy quality hay.

Things to Watch Between Now and Hay Swathing

USDA just released the Prospective Planting report. It indicated no change in hay acreage for Idaho (1.4 million acres) during 1999. Our neighbors to the west show projected hay acreage reductions of 7 percent in Oregon and 4 percent in Washington. California hay acreage is also projected to decline 4 percent. Last year's report picked up about half of the Idaho alfalfa acreage increase, so there are some questions about using the report to project supplies. Given that, expect production to be on par with the 1998 crop. Carryover stocks from 1998 (May 1 Stocks) will be released in June and will provide the first opportunity to project supplies for the 1999 marketing season. If the May stocks are 1.5 million tons or above, and acreage and production are in the ballpark of 1998, Idaho hay supplies will again be close to 6 million tons. If these latter scenarios pan out, expect another year of lower hay prices. In the mid-80's, it took three years to work out from under the hay surplus. Weather, quality and demand issues obviously will come into play during the 1999-2000 production and marketing cycle.

Range and Pasture Grazing Lease Rates

Fees for Bureau of Land Management and U.S. Forest Service grazing will again be at the minimum rate allowed under a federal executive order, $1.35/Animal Unit Month (AUM). The fee formula used to estimate these rates are tied to cattle prices, prices paid and private lease rates from 1998. The doldrums of the cattle market is keeping the fee at the minimum rate. Private lease rates vary substantially across the region and by season of use (spring rates are usually higher) and forage type. However, the bulk of them will settle in the $10-15/AUM range during 1999. Idaho's State Land grazing lease rates for 1999 will be $4.72/AUM and rates in 2000 will rise to $4.76/AUM. Spring weather and growing conditions usually determine summer pasture and range feed situations. A cold spring with little precipitation may negatively impact summer pasture and range feed conditions.

Table 1. Idaho Hay Production and Inventories, 1975-1998 (1,000 tons).

Year	Hay Stocks Jan 1/Dec 1	Hay Stocks May 1	Alfalfa Production	Other Hay Production	Total Crop Production	Total Supply
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	4448	5420
1997	2743	286	4100	630	5148	5434
1998	3329	520	4859	690	5436	6002
avg	2913.08	598.67	3923.38	554.96	4478.04	5091.63
Max	4008	1086	4859	897	5436	6002
Min	2183	222	3367	288	3655	4299

IDAHO POTATO OUTLOOK – March 1999

Prepared by Joseph F. Guenthner
Extension Agricultural Economist
University of Idaho

SUPPLY

According to USDA, Idaho's March 1 potato stocks are down two million cwt from a year ago. Since Idaho production was down only 0.5%, the 3% reduction in stocks indicates improved movement out of storage.

There are regional differences in the stocks situation. The West is down 2%. The Central States are up 9%, with much of the increased supply in North Dakota. Eastern stocks are down 17%, due to increased processing in Maine.

Total North American stocks are down slightly. The US is down 1.7 million cwt, but Canada is up 0.6 million cwt, leaving a net decrease of about one million cwt. Since the North American fall crop was up 8.6 million cwt, increased potato usage and higher shrink & loss appear to have removed the excess production.

Some potato industry people have lost faith in USDA stocks estimates. In 9 out of the last 10 years the initial US March stocks report was later revised upward. The average adjustment was 3.6%. Applying that average error to this year would add 6.6 million cwt to US stocks.

Quality will be an important factor during the rest of the storage season. Rougher shape, smaller size and lower solids will reduce prices for many Idaho growers. Those who have serious quality problems will be forced to sell in the feed market rather then the food market.

Quality problems in the Columbia Basin, Klamath Basin and Wisconsin will further restrict the supply of potatoes for fresh and frozen markets. This is a good news – bad news situation. It is bad news for the growers with poor quality, but good news for growers with high-quality potatoes.

The fall potato crop in northern Europe is much smaller. The US does not normally export many potato products to Europe but reduced competition allows US processors to gain market share in other parts of the world. The expected shortfall in frozen processed product in Europe may open the door to greater Canadian exports, product that might otherwise move into US markets.

DEMAND

Demand for processed potato products is strong. US processing volume in January and February set new records. Much of this increased activity was in Maine and the Midwest, but total North American potato usage is ahead of last year's pace.

Export markets are a driving force for potato demand. US 1998 exports were an equivalent of 41.3 million cwt. of raw product, up more than 9% from the previous year. Frozen exports were up 8% and chip exports up 80%, offsetting decreases of 4% in fresh exports and 12% in dehy exports.

In spite of financial troubles in Asia, the main market for US frozen fries, frozen potato exports continued to grow. Although the 8% growth in 1998 was down from the previous year's 14%, many markets grew rapidly. Example growth rates were: Japan 15%, China 11%, Canada 37%, Mexico 31%, and Europe 92%. Exports decreased to South Korea, Taiwan and The Philippines.

Demand for dehydrated potatoes is weak because of disappointingly low domestic sales of Frito-Lay's Baked Lays, which are made from dehydrated potatoes. On the positive side, Proctor & Gambles exports of Pringles, another dehy-derived snack, are increasing.

The fresh potato market usually serves as a buffer. The amount of potatoes remaining after processors acquire their needs sets the market supply. Although demand for frozen products is up, it is offset by reduced demand for dehydrated products. Due to

poor pack-outs more potatoes than usual will be diverted from fresh to dehydrated and feed markets.

PRICES

Idaho fresh-market growers actually produce potatoes for two markets: fresh and dehy. Prices they receive for their crop are affected by supply and demand in both markets. Fresh potato prices are up at the shipper level. Mid-March prices are up at least $0.75 per cwt for all packs, and up as much as $4.50 for 100-count cartons.

Prices in the dehy market are a different story. Due to decreased demand and a large supply of raw product, prices for dehy-grade potatoes are down. In mid-March dehydrators were paying about $1.00 per for washed process grade, down from $2.00 a year ago.

For the remainder of the season, the market will likely evolve into a two-tier market – one for high quality and one for low quality. Prices for the lower tier will continue to be at unprofitable levels for the rest of the season.

Prices for high-quality potatoes may be profitable. The costs of producing and storing potatoes into the end of the season can exceed $5.00 per cwt. In mid-March some potatoes were selling for more than $5.00. The key question is: will prices fall at the end of the season like they did the past two years or increase like they did for the 1994-95 crop?

The signs that point to higher prices include reduced supplies of potatoes that meet fresh grade standards and strong demand for frozen potato products. The negative factors include reduced demand for dehydrated potatoes and a historically large amount of potatoes still in storage. Two unknowns are the accuracy of USDA's production and stocks estimates and how early a summer crop can be harvested. With these mixed signals prices are difficult to forecast.

Wheat Market Situation and Outlook, April 1999

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

If you look only at the current U.S. wheat situation it's easy to see why wheat prices have been depressed. Wheat stocks reported in the March quarterly Grain Stocks report from USDA are up 23.9 percent from last year. Production has increased in spite of recent acreage cuts, keeping production above utilization and building burdensome levels of wheat stocks. Projected U.S. ending stocks from the April WASDE (World Agricultural Supply and Demand Estimate, USDA) report are nearly 40 percent of projected use, unchanged from March. A stocks-to-use ratio of 40 percent would certainly support a bearish outlook for improved wheat prices near-term (Table 2). But this is, as I said, looking only at the U.S. wheat situation. Analyzing a market is a bit like putting together a puzzle and there are more pieces to this puzzle than current U.S. wheat stocks. The projected world stocks-to-use ratio in the April WASDE report is certainly not burdensome at just under 23 percent (Table1). I'm not implying that we are on the verge of a major price rally, but the market certainly has more upside than downside price potential. At worst, prices should stay close to current levels, trading in a fairly narrow range over the next several months if positive and negative news balance out as expected. Only a slight price decline is expected at harvest.

I believe it's important to look at both historical and current information when analyzing a market. While subject to revision, historical data generally don't change significantly and provide a useful context in which to view the current market situation. USDA labels Information on the current marketing year as preliminary or projected. But preliminary information is better than no information and the USDA does have a good track record overall. Collecting and analyzing market data is a continuous process at USDA and you should acquaint yourself with the various reports, release dates for these reports, and how to obtain them.

I will touch on two issues in my comments about the wheat market. First, what is likely to happen in the wheat markets this spring as we finish up the 1998-99 marketing year. And second, what are some likely scenarios for the 1999-00 marketing year. I will start with the world wheat situation, move to the U.S. wheat situation and conclude with some discussion of the wheat situation in the Pacific Northwest.

World Wheat Situation

Table 1 shows current estimates and five years of historical data on world wheat production, use, and stocks. Percentage change from the previous year is also shown. I've included both recent forecasts and forecasts from selected previous monthly estimates to show that USDA's projections can and do change. USDA revises current year projections on a monthly basis. Both the direction and the magnitude of change are important in understanding price behavior.

The April projection of 587.1 MMT (million metric tons) for 1998 world wheat production is 22.6 MMT below 1997's production (-3.7%). This is the first time since 1994 that world wheat production fell below the previous year, but 1998 production is still 24.3 MMT (4.3%) above the 5-year average. With lower production and higher use, 1998-99 ending stocks are projected 2.6 MMT below 1997 but 11.4 MMT above the 5-year average. The projected stocks to use ratio of 22.7 percent is one percent above the 5-year average. These should be viewed as slightly positive factors, or at worst, neutral factors when analyzing the market. While not a bullish report, the reduction in stocks is an important first step that will ultimately lead to an improvement in wheat prices. Based on historical levels, the current world stocks are not at price depressing levels. But the higher projected ending stocks in the April WASDE report, compared to March, may move prices temporarily lower.

The importance of stocks is not just the level of stocks but who holds them. Stocks held by major importing countries are projected to drop by 6.0 MMT (11.9%) compared to a year earlier, certainly good news. But this drop is offset by a 6.3 MMT increase (26.6%) in stocks held by major exporting countries. This means that competition for export markets will remain keen for the remainder of the 1998-99 marketing year.

While U.S. exports were disappointing in the first half of the 1998-99 marketing year, they have gained some much-needed life in recent months. U.S. exports should stay strong through the end of the current marketing year and into the beginning of the 1999-00 marketing year.

U.S. Wheat Situation

Table 2 provides information for the U.S. wheat market similar to that shown in Table 1 for the world situation. As I mentioned initially, the high level of projected ending stocks is a negative factor when analyzing the market. This is not new information and has already been factored into the current market price. The supply side of the equation is pretty well known for the near term. The market is focusing on three things as it starts to anticipate the end of the 1998-99 marketing year and the beginning of the 1999-00 marketing year. The first is export demand. Without some added factor to consider, the market will likely continue in a fairly narrow trading range, plus or minus 10 cents per bushel, moving up on positive export news and moving down if the export picture is disappointing. Exports are the only significant factor that will change the projected ending stocks for the 1998-99 marketing year. Production estimates and domestic use are pretty well set.

The second thing the market is looking at is the weather and what impact it might have on the 1999 crop. Spring is the time when weather markets develop. Extended price rallies can occur under weather that would adversely affect the crop. Prices will be pressured by weather favorable to the crop. Weather and exports may move prices in the same direction, causing wider price swings, or they can offset each other. Will we see a spring freeze in any major wheat growing area? Will dry, hot weather reduce yields or increase acreage abandonment in any wheat growing regions? Will the drought in China continue? Only time will answer these questions. Any price rally based only on U.S. weather will be limited by the large projected U.S. carryout from the 1998 crop.

The third factor--which has the potential to move the market more than the other two--is a change in policy. The change could be related to trade or to farm policy, or even to foreign policy issues that affect trade. There have been two recent policy rumors that sent grain markets higher. The first was the rumor that CRP would be expanded. The second was a rumor that trade sanctions against Iran would be lifted, or at least partially or temporarily lifted. If the rumors don't pan out, any gains they bring will be short-lived. The Chinese intention to lift the ban on Pacific Northwest wheat because of TCK smut was announced yesterday. When coupled with the potential of a drought-reduced wheat crop, this will be good news particularly for the white wheat market.

U.S. wheat producers do respond to market signals. Record high prices for the1995 wheat crop brought increased plantings. And as prices subsequently slipped, producers responded by cutting acreage in 1997 and 1998. But record yields have offset the growers' actions and brought increased, not decreased production. Planted acreage in 1998 (65.8 million acres) was the smallest since 1988 but still produced the largest crop of the past ten years. Yields increased over nine percent to a record 43.2 bushels and production still increased by nearly three percent over 1997 and eight percent over the 5-year average as shown in Table 3.

What information or producer behavior does the market have to work with now? The Prospective Plantings released by USDA on March 31st gives some indication of what producers intend to plant in 1999. Projected U.S. winter wheat planted acreage is down 7 percent from last year to the lowest level since 1972. Spring wheat (excluding Durum) projected planted acreage for is down 2 percent from 1998, the smallest acreage since 1988. Durum projected plantings are up a surprising 12 percent from 1998, the highest acreage since 1982. A favorable revenue insurance program (Crop Revenue Coverage) available on Durum sparked growers interest in the insurance program and in planting more Durum. All U.S. wheat projected planted acreage for 1999 is 63,029,000 acres (Table 3), down four percent from 1998 and the smallest acreage in 26 years.

With the exception of Durum, the reductions in planted acreage are positive factors that could bring about higher wheat prices. But production, not planted acreage, is what ultimately matters. Weather between now and harvest will drive the projections for harvested acreage and yield that everyone makes in trying to predict the size of the U.S. wheat crop.

Like other economists, I like to play around with numbers. Table 3 contains ten years of historical data on the U.S. wheat crop and some projections that I've worked up. Starting from the Prospective Plantings report from USDA I estimated a likely, a high, and a low harvested acreage, yield and production for winter wheat, other spring wheat and Durum. These were summed to get the 1999 all wheat projections shown in Table 3. Planted acres are unchanged in each scenario since I had USDA's estimate, although this estimate is subject to revision. Harvested acres were calculated as a percent of planted acres using 5-year average, maximum and minimum percentages. Over the past five years winter wheat harvested acreage as a percent of planted acreage has ranged from a high of 86 percent to a low of 77 percent and averaged 84 percent. For spring wheat and Durum, the range was much narrower, ranging from 98 to 96 percent. Likely, high and low yield estimates were also based on a 5-year average, maximum and minimum yield. All wheat production estimates for 1999 varied from 1.84 billion bushels to 2.45 billion bushels. While not impossible, it's highly unlikely that U.S. wheat production would fall outside this range. A narrower range of 2.0 to 2.2 billion bushels is most likely.

Combining my production estimates with USDA's projected carryout and adding projected imports of 90 million bushels allowed me to calculate total supply for the 1999 crop. I based projected use on the 5-year use average (Table 2). Subtracting projected use from projected total supply gave me projected ending stocks which I used to calculate stocks to use ratios. The projected stocks to use ratio ranged from a high of 46 percent under the high production scenario to a low of 21 percent under the low production scenario. Under the likely production scenario, the stocks to use ratio dropped to 35 percent. I used projected stocks to use to estimate a season average price. Under my high production scenario, production will fall below 1998 but stocks will

continue to build and the average wheat price will remain unchanged. The most likely scenario shows production down almost 15 percent and an increase of $.30 in the season average price. The low production scenario has a 28 percent reduction in production and provides a $1.00 per bushel improvement over 1998.

Regardless of how you choose to make your forecasts, keep in mind that it's still a long way to harvest. Also, the U.S. will have a significant carryout to add to whatever production we have in 1999. I know my prediction method is not very sophisticated, but it's a place to start before USDA begins making their estimates. Some initial forecast is better than just hoping the price will go up because you can't cover your production costs at current price levels.

PNW Soft White Wheat

The 1998/99 seasonal average for soft white wheat price at Portland is forecast at $3.05 per bushel by the author (Table 4). With only four months left in the current marketing year, this estimate should come within $.05 of the final value. This is the lowest seasonal average price of the decade, but above the 1986 price of $2.89, the lowest seasonal average price of the past 20 years.

The Winter Wheat Seedings report from USDA showed that growers in all three PNW states cut winter wheat acreage compared to 1998. Washington had the biggest reduction, 13.6 percent, followed by Oregon at 12.4 percent and Idaho at 7.3 percent. Winter wheat accounts for the majority of wheat acreage in all three states. Last year winter wheat accounted for 89 percent of Oregon's acreage, 82 percent of Washington's and 61 percent of Idaho's.

All three PNW states are increasing spring wheat acreage, offsetting some of the reductions in winter wheat. Idaho's all wheat planted acreage is down two percent, Oregon is down seven percent and Washington is down eight percent. Idaho is expected to offset some of the seven percent reduction in winter wheat acreage with a

six percent increase in spring wheat acreage. Winter wheat acreage is down 60,000 acres and spring wheat acreage is up 30,000. Oregon is projected to make a huge 40 percent increase in spring wheat acreage, 40,000 more acres than 1998. But this does not offset the 100,000-acre reduction in winter wheat. Washington's spring wheat acreage is projected to increase by 17 percent over 1998. The additional 80,000 spring wheat acres don't come close to offsetting the 300,000 acreage reduction in winter wheat.

Outlook

The market will focus on three factors as we move from the 1998 crop to the 1999 crop: 1) exports, 2) weather and 3) policy changes. It's unlikely that Portland will see prices above $3.30 for old crop between now and harvest. Based on current information, new crop should be selling between $3.10 and $3.30 at harvest. Forward cash bids for August have been in that same price range. Will the market offer more attractive forward pricing alternatives? That depends on how you define "attractive." Beauty, as the saying goes, is in the eyes of the beholder. An attractive market price is one that allows you to cover your production costs, and every grower has different costs. If new crop bids for August delivery get to $3.50, I would define that as attractive given the current market situation.

I expect the price for soft white wheat in the 1999-00 marketing year to trade at a higher level, but over a slightly narrower range than we saw in the 1998-99 marketing year. As it stands now, I see a $3.10 to $3.80 range. I don't see the price at Portland dropping below $3 as we saw this past year, nor do I see the price going above $4 unless there is a major production wreck. Not a great forecast, but certainly better than the past year.

Planning price projections for Idaho commodities can be found on the homepage for the Department of Agricultural Economics and Rural Sociology. Both projected prices for the 1998 marketing year and historical price averages are currently available at

http://www.uidaho.edu/ag/agecon. The first estimate for the 1999 marketing year will be made in September. These will be revised in December.

The first U.S. winter wheat production estimate by USDA will be in the May Crop Production Report on May 13th. The first spring wheat production estimate will be in the July Crop Production Report on July 15th. Both U.S. and World supply and demand estimates are revised and published monthly by the World Agricultural Outlook Board, USDA. All USDA reports available electronically, including Crop Production and WASDE reports, are available at the Mann Library at Cornell University: http://www.mannlib.cornell.edu/usda/usda.html. A monthly schedule of report release dates by month is also available.

Table 1. World wheat production, use, ending stocks, and stocks to use ratio, marketing years 1993-98.

Market Year	--Production-- MMT[1/]	% Change	-----Use----- MMT[1/]	% Change	-Ending Stocks- MMT[1/]	% Change	Stocks to use ratio %
1993	559.3		562.4		141.5		25.2
1994	524.6	- 6.2	547.7	- 2.6	118.4	- 16.3	21.6
1995	537.5	+ 2.5	550.5	+ 0.5	105.4	-11.0	19.1
1996[2/]	582.7	+ 8.4	577.2	+ 4.9	111.3	+ 5.6	19.3
1997[2/]	609.7	+ 4.6	584.4	+ 1.2	136.7	+ 22.8	23.4
5-Yr Avg	562.8		564.4		122.7		21.7
1998[3/]							
Jul-98	601.4	-1.4	602.8	+3.1	131.5	-3.8	21.8
Sep-98	596.2	-2.2	603.7	+3.3	127.7	-6.6	21.2
Mar-99	586.6	-3.8	597.1	+2.2	127.4	-6.8	21.3
Apr-99	587.1	-3.7	591.8	+1.3	134.1	-1.9	22.7

Source: USDA, Economic Research Service Wheat Yearbook (3/98) unless otherwise noted.

%Change: Percentage change is calculated from the previous year.

[1/]MMT = million metric tons.

[2/]USDA estimate in January 1999 WASDE report.

[3/]USDA projection in the monthly WASDE reports as indicated.

Table 2. U.S. wheat supply, use, ending stocks, and stocks to use ratio, marketing years 1993-98.

Market Year	---Supply--- [1/]		-----Use----- [2/]		-Ending Stocks-		Stocks to use ratio
	Million Bu.	% Change	Million Bu.	% Change	Million Bu.	% Change	%
1993	3,036		2,467		568		23.0
1994	2,981	-1.8	2,475	+ 0.3	507	- 10.7	20.5
1995	2,757	-7.5	2,381	- 3.8	376	- 25.8	15.8
1996	2,746	-0.4	2,302	- 3.3	444	+ 18.1	19.3
1997[3/]	3,020	+ 10.0	2,297	- 0.2	722	+ 62.6	31.4
5-Yr Avg	2,908		2,384		523		22.0
1998[4/]							
Jul-98	3,336	+ 10.5	2,468	+ 7.4	868	+ 20.2	35.2
Sep-98	3,378	+ 11.9	2,493	+ 8.5	885	+ 22.6	35.5
Mar-99	3,368	+11.5	2,413	+5.1	955	+32.3	39.6
Apr-99	3,368	+11.5	2,413	+5.1	955	+32.3	39.6

Source: USDA, Economic Research Service Wheat Yearbook (3/98) unless otherwise noted.

% Change: Percentage change is calculated from the previous year.

[1/]Supply = Ending stocks from previous year + current year's production + imports.

[2/]Use includes exports (trade) and domestic use.

[3/]USDA estimate in January 1999 WASDE report.

[4/]USDA projection in monthly WASDE reports as indicated.

Table 3. U.S. wheat crop –all wheat.

Year	Planted	Harvested	Yield	Production	Farm Price
	(1,000 ac)	(1,000 ac)	(bu/ac)	(1,000 bu)	($/bu)
1989	**76,615**	**62.189**	**32.7**	**2,036,618**	**3.72**
1990	**77,241**	**69,238**	**39.5**	**2,736,428**	**2.61**
1991	**69,921**	**57,703**	**34.3**	**1,981,139**	**3.00**
1992	**72,264**	**62,411**	**39.4**	**2,458,948**	**3.24**
1993	**72,168**	**62,712**	**38.2**	**2,96,440**	**3.26**
1994	**70,349**	**61,770**	**37.6**	**2,320,981**	**3.45**
1995	**69,132**	**60,945**	**35.8**	**2,182,591**	**4.55**
1996	**75,105**	**62,819**	**36.3**	**2,277,388**	**4.30**
1997[1/]	**70,412**	**62,840**	**39.5**	**2,481,466**	**3.45**
1998[1/]	**65,871**	**59,002**	**43.2**	**2,550,383**	**2.70**
5-Year Avg	**70,174**	**61,475**	**38.5**	**2,362,562**	**3.69**
5-Year Max	**75,105**	**62,840**	**43.2**	**2,550,383**	**4.55**
5-Year Min	**65,871**	**59,002**	**35.8**	**2,182,591**	**2.70**
1999[2/] Likely Production	**63,029**	**55,314**	**39.3**	**2,172,770**	**3.00**
High Production	**63,029**	**56,773**	**43.1**	**2,446,891**	**2.70**
Low Production	**63,029**	**52,205**	**35.2**	**1,837,946**	**3.70**

USDA, Economic Research Service Wheat Yearbook (3/98), unless otherwise noted.

[1] USDA estimates from March 1999 Crop Production and WASDE reports. Price is midpoint in range given by USDA.

[2] Author's estimates.

Table 4. White wheat balance sheets.

	1997/98	1998/99	1999/00[2/]
	----------(Million bushels)----------		
Beginning stocks	59	90	61
Production	332	298	280
Supply, total[1]	399	397	360
Domestic use	104	101	95
Exports	205	225	210
Total Use	309	326	305
Ending Stocks	90	71	55
Stocks to Use Ratio (%)	29.1	21.8	18.0
Portland Soft White Price: Seasonal Average ($/bu)	$ 3.67	$ 3.05	$ 3.45

Source: Balance sheet data for 1997/98 and 1998/99 are from April 1999 WASE report. Seasonal average price for 1997/98 is the simple average of monthly prices (July – June) reported by USDA, AMS. The 1998/99 price is the author's projection.

[1]Includes imports

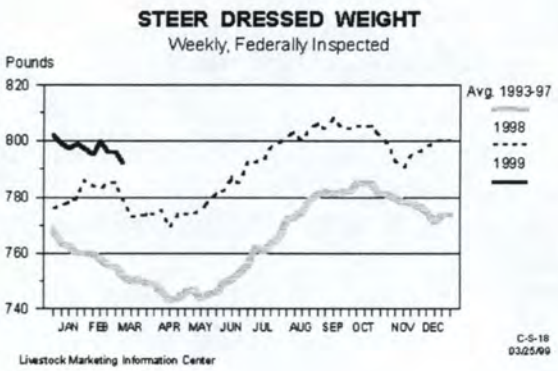
[2/] Author's forecast.

PNW Cattle Outlook, or Plodding Through In 1999

Prepared by C. Wilson Gray
Extension Agricultural Economist
University of Idaho

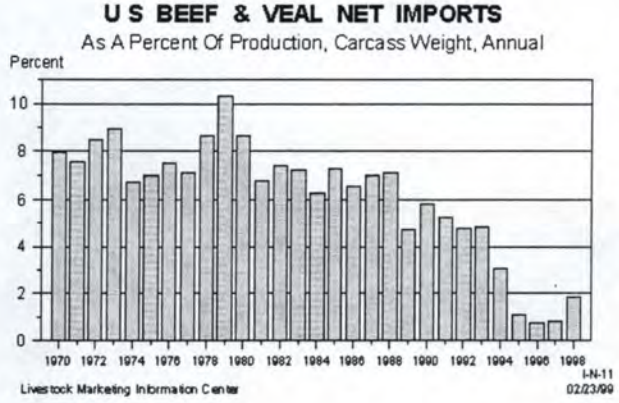
Markets are sluggish about price recovery

In spite of prognosticators best efforts in forecasting better times, the cattle market has provided little cooperation. Why this recalcitrant attitude? Late last winter it certainly looked as though prices were rebounding. Several market factors converged to weigh down prices. First, a mild winter and cheap feed allowed weight gains to be added quickly while cattle feeders waited for higher prices. Steer and heifer slaughter numbers were down nearly 2% for most of the year but the extra weight put beef production 1.1% higher than 1997. A mild winter and cheap feed have kept weights higher so far this year, increasing beef production 3 percent over last year. One has to go back to June 1997 to find a month with lower weights than a year ago. Since then, every month has weights higher than a year earlier. With the free fall in milk prices many cows that were milking money won't be. The cull cow market may suffer in the next few months as a result. Optimists are predicting that weights will taper off and low 2nd half beef production will average down the year 1-3 percent over 1998.



When speaking of weight, one can hardly forget the juggernaut of pork that weighed down the market from late September through January. It is beginning to recede, but pork production will nearly match 1998's record. Although slaughter numbers are declining hog weights are high. A new slaughter plant is slated to open in Manitoba in August. This may reduce the flow of live hogs as more stay above the border for slaughter, but pork exports to the U.S. may increase. Poultry production is also expected to increase 3-5 percent over 1999.

Weakness in the export sector held gains to modest levels . In spite of the Asian economic crunch, Russia's near bankruptcy and uncertainty over economies in South America and Europe, beef exports did manage to post a 1.6 percent gain in 1998. Exports to South Korea crashed 41 percent. Fourth quarter exports did show some strength by increasing nearly 4 percent over year earlier figures. Exports to our largest market, Japan, stayed the course and increased 6 percent. However, fourth quarter exports were below year earlier levels so continued weakness there could mean problems as over half of our beef exports go to Japan. Beef exports to Mexico rose 34 percent! The Mexican government and businesses have dealt with most of the issues leading to the Peso decline in December 1994. Longer term export prospects to Mexico should remain good provided they avoid further economic stress.



The hide and offal credit is an important factor in determining the price offered by packers on cattle. Asia, especially Korea, has been an important hide market. Hide exports languished with these economic problems. Russia had been utilizing tallow, livers and hearts. The Ruble devaluation took them out of the market. At present, prices on these items are 31 to 46 percent below prices last August 1 and are off at least 1/3 from a year ago. The decline in hide and offal values has hit live cattle prices for between $3.00 and $3.40 per cwt. since late 1997.

Fed Cattle 1999, a repeat of 1998?

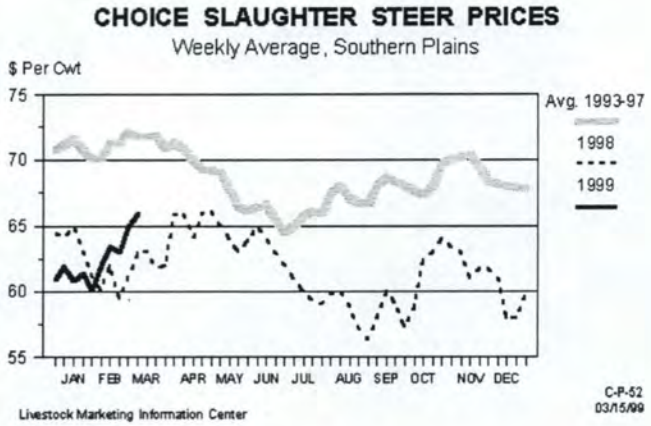
Another mild winter with inexpensive feed and steer weights averaging near 795 pounds is challenging the market's ability to raise prices. The 1999 fed cattle market has been in the $58 to $64 range. The spring peak in prices typically occurs about this time, then prices normally erode into summer. If prices peak near $65-$67 they could retreat to the $59-$61 area by late summer. Another factor likely to weigh down prices is higher net placements this winter. These cattle will be coming out this summer. If weights remain high and marketing's are not current, prices could fall further.

Spring calf prospects

Wheat pasture has been good this winter in most areas. As a result demand for light calves has been good. The recent PNW feeder calf market has been in the $90 - $95 range for 350-500

lb. calves and 500 - 600 lb. have fetched $78 - $85 recently. For those still holding wintered calves the opportune time to sell is soon, if not already past. The spring calf price peak typically occurs in March or early April.

Now is when many operators are checking the grass situation and lining up calves for pasture. U of I budgets on grazing steers this summer indicate a 500 lb. steer purchased at $83/cwt and put on irrigated pasture with a $116.61 cost of gain would weigh 776 lb. on October 1 and have a break-even price of $68.47. For those considering placing calves on grass some careful budgeting will be required to avoid bidding away profits on feeder prices this spring.



Heavy calf prices (600 - 800 lb.) were in the mid-$75's but weakened in the past few weeks, following the declining fed market. The prices of heavier steers will likely move down with the fed market this spring and into summer.

Fall should be better, right...

Prospects for improved prices this fall are good ***if*** several things don't happen. However, with a soft market most of the year, 1999 will likely be another year of reduction by ½ percent to 1½ percent in the beef cow herd. Long term forecasts now project no increase in herd size until 2001. Fall prices should strengthen compared to fall quarter of 1998 if feed costs remain low, weights of fed cattle decline and marketing's stay current, and exports at least maintain slight growth. Fed prices could peak near $70 this fall. Exceeding that will likely be difficult. That should factor into feeder prices as well, pushing them into the mid- to high-$90's for 400 - 500 weight calves.

Table 1. Projected 1999 PNW Prices

Category	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Steers 1100-1300	59-66	59-67	57-64	65-70
Steers 700-800	61-67	61-68	59-65	68-74
Steers 500-600	75-85	78-88	75-82	83-89
Steers 400-500	88-95	87-94	87-93	91-97
Utility Cows	35-40	30-36	35-42	35-42

PNW Dairy Outlook, or How Far Can Prices Free Fall?

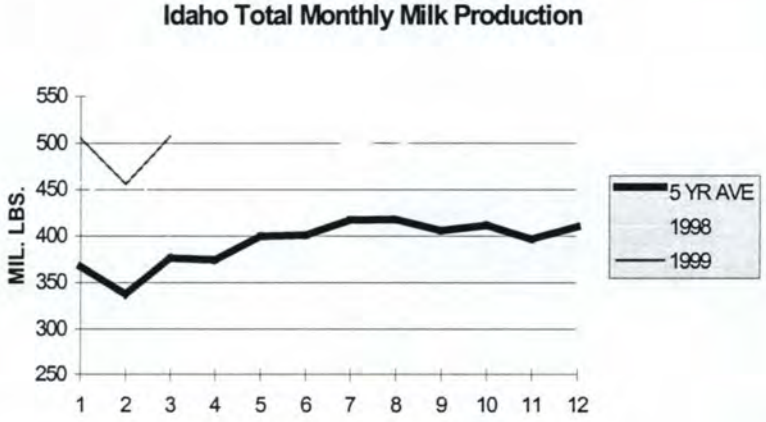
Prepared by C. Wilson Gray
Extension Agricultural Economist
University of Idaho

Milk Production Climbs

U.S. dairy cow numbers are continuing their long term decline of about 1 percent per year. Although milk prices were record high in 1998, the 9.14 million dairy cows on January 1 was 1 percent under a year ago and 2 percent below two years ago. So far in 1999 this decline has continued. Milk production has been trending up and that is also apparent this year. First quarter production in the 20 major dairy states[1] is up 3.8 per cent although cows are down 0.2 percent. California milk production has averaged a 7.6 percent gain so far this year, Washington is up 5 percent and Wisconsin is up 2.2 percent.

Idaho continues growth track

Idaho's dairy industry is continuing to expand. Cow numbers grew by 7 percent in 1998 and are expanding at a 7.9 percent rate this year. Milk production is growing even faster at an 8.3 percent rate. Darigold broke ground for a milk condensing facility in Jerome. The 1.7 million pound per day plant will be on-line in September. This and other possible increases in processing capacity will continue to foster herd growth and expansion. The cow herd will likely grow by 7 to 10 percent this year ending up between 325,000 and 330,000 cows next January 1. Total Idaho production in 1998 was near 5,761 million pounds. That will increase by 7 to 12 percent to at least 6,200 million pounds.



This rate of growth will keep upward pressure on replacement prices. Even though milk prices have already declined substantially, heavy culling and lower replacement costs may not occur due to the demand resulting from facilities expansion.

[1] The top 20 dairy states in 1998 had 84 percent of the 9.1 million cows and generated 86 percent of total milk production.

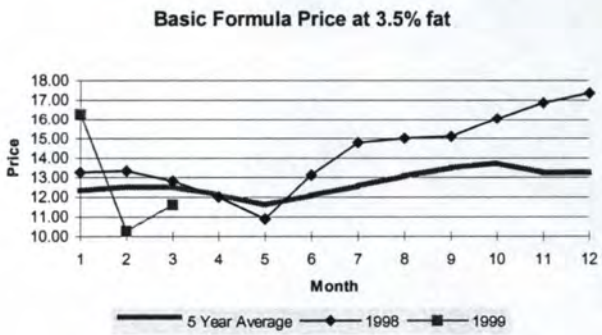
What is the demand picture?

In 1998 a major factor affecting supplies was the flat production in many of the top 20 states. In fact, except for weather related problems, milk production has been quite flat since late 1995. Only recently has production shown increases. The full force of production expansion will likely hit markets late this year or in 2000.

The run up in prices of dairy products in 1998 will have some lingering effects on demand. Dairy product demand will remain strong this year but not at the level of last year. With the increase in production this year, market clearing prices will also be lower. Butter prices have already eroded over the last several weeks. Cheese prices have been steady lately after dropping earlier in the year. Butter stocks have been building as the increase in production has generated much surplus cream. Ice cream and other cream based products should begin to increase in the next month or so as demand increases seasonally. California has reported higher fluid sales recently, and new packaging has spurred demand in some regions. However, fluid use is still declining.

Profit, is it still in the picture?

As production continues to increase larger stocks of dairy products will have a dampening effect on milk prices. The Basic Formulae Price (BFP) averaged $14.20 in 1998. The five year average is $12.22. Prices in 1999 will be much closer to the five year average. Does this mean that the drop in prices has deflated profits? Deflated yes, devastated no. Break-even levels for most Idaho dairies are in the range of $10.50-$11.50 per cwt. The recent price decline has pinched dairymen but most will have a profitable year. It is just that 1999 won't be the banner year 1998 turned out to be.



Prospects for prices

First quarter BFP milk prices have been $16.27, $10.27 and $11.62 for January through March. This averages $12.72 for the quarter and January was probably the best price for the year. The second quarter BFP will likely average $11.40-$12.00, third quarter may average $11.55-12.30 and fourth quarter may average $11.90-12.90.

Reform Rules Released

On March 31, Secretary of Agriculture Dan Glickman released the reform package for federal milk marketing orders. The final rule calls for replacing the present BFP price with a Class III cheese price and a Class IV butter/powder price. These prices, designed to reflect the value of components used in the manufacture of dairy products, will be determined monthly and be the same in all markets. Monthly Class I prices will be determined by adding a location differential to the Class III or Class IV price, whichever is higher. Class II prices will be set by adding 70 cents to the Class IV price. Producers in each order must approve the rules in referenda to be held later this year. If approved the changes will take effect on October 1, 1999. Full details are available on the Internet at www.ams.usda.gov/dairy/reform.

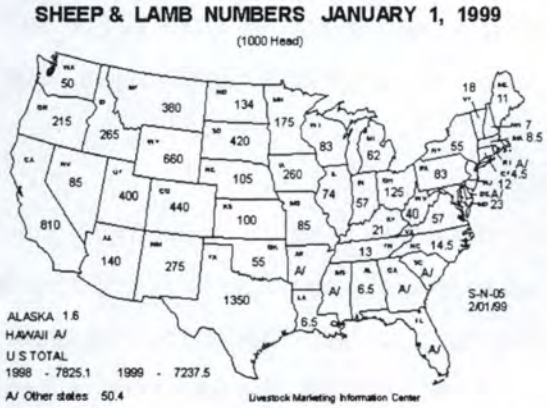
Income Loss Assistance Program announced

USDA has announced that dairy farmers suffering from greatly reduced milk prices may apply to receive payments under the new Dairy Income Loss Assistance Program. May 21 is the application deadline. See http://www.fsa.usda.gov for more information, or check with your Farm Service Agency office.

Sheep and Wool Situation, or Are Ewe Still There?

Prepared by Steve Meyer and C. Wilson Gray [2]

USDA released their official numbers on January 29, 1999. The U.S. sheep and lamb industry continued to decline as total head dropped 7.5 percent from January 1, 1998. This makes nine years of declining numbers, a 36 percent reduction since 1990, to only 7.2 million head.



Idaho's sheep and lamb inventory declined 7 percent to 265 thousand head, the lowest since records were started in 1920.

Stock ewes for the U.S. one year old or older declined 5 percent to 4.3 million head on January 1. Ten states, none in the west, increased stock ewe numbers. Ewe numbers in Texas were nearly unchanged but the big losses came from three western states, Oregon down 18.9%, Wyoming down 5.7%, Montana down 10.4%, and from South Dakota down 7.1%. In Idaho stock sheep were off 1.7% at 231 thousand head, the second lowest on record since 1994's 227 thousand head.

The 1998 U.S. lamb crop was estimated at 5 million head with the largest lambing percentage on record at 109.7 lambs per 100 ewes. In the west, seven states improved over 1997's lamb crop percentage, Arizona, California, Colorado, Idaho, New Mexico, Nevada and Washington. Two states, Montana and Utah, were down from 1997 and Oregon and Wyoming were unchanged.

Although the lamb percentage was higher, the decline in ewe numbers offset that to drag down market lamb numbers 13 percent. There is some question about the 1.8 million market lambs reported however given the high lambing rate, the slaughter rate and the death loss. Theories include producers being missed by the survey, incorrect reporting, and larger than previously believed export numbers. So far this year market lamb availability has been less than a year ago. The 105 lb. and up group is off 17 percent, 85-104 lb. off 19 percent, 65-84 lb. off 6 percent and under 65 lb. off 8 percent. Slaughter is running below year earlier levels.

---

[2] Market Analyst, Livestock Marketing Information Center and UI Extension Economist

Even so raising lamb prices may prove difficult with larger pork and chicken production and higher imports of lamb. The pelt market situation has also been detrimental to lamb prices.

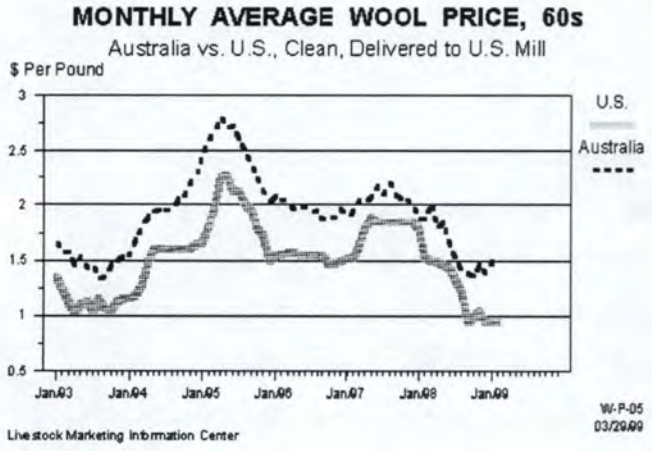
At the beginning of August number 1 pelts were worth nearly $17 each. After Russia basically declared bankruptcy in August and devalued the Ruble their clothing purchases halted. Turkey, the largest importer of U.S. pelts, stopped buying. By late August the pelt trade was at a standstill. No public trading occurred from then until early October.

Pelt trade has resumed but is very minuscule. Either disposing of pelts or stockpiling them is costly. Thus some slaughter facilities have been charging lamb feeders disposal fees. Current reported pelt prices are around $2 each.

The $15 decline in pelt value has undercut the ability of packers to bid on lambs by $12 per cwt. if they give a pelt credit at all. The low pelt prices will keep live lamb prices low compared to wholesale prices. Live lamb to retail margins will likely be quite wide through most of 1999. Idaho lamb prices are likely to languish in the low- to mid-$60 area for the next several months. Seasonal boosts may occur prior to Easter and in late July - August that could place prices in the low- to mid-$70 area temporarily.

Wool Sales Sluggish

The domestic wool market continues to be extremely slow. At least half of the 1998 U.S. clip is estimated to be in storage. Current activity indicates that most of the 1999 U.S. clip is also going into storage. Some wool is reportedly being consigned to mills with prices to be determined later. Wool grease basis prices are under 60 cents.



International markets also have been quiet. Limited amounts of wool being offered and some increased activity from China helped push international prices up early in March. The activity was confined to finer wool grades. Offerings over the next several weeks are expected to be small. Wool free of vegetable matter is scarce. That may help improve prices for

clean, fine wool but most growers will still find those prices disappointing. With the market quiet, woolen mills are changing packaging requirements to baled wool. In the future jute or bags will not be desirable, and may bring belly prices.