

Fall 2000 Idaho Agricultural Outlook

Prepared by

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

University of Idaho

A. E. Extension Series No. 00-12

November 2000

Table of Contents

	Page
Idaho Edible Dry Bean Market Situation and Outlook for 2000-01	1-9
PNW Beef Cattle Situation and Outlook	10-16
Fall 2000 PNW Dairy Situation and Outlook.....	17-22
2000-2001 Hay and Forage Situation and Outlook	23-30
Current World Situation for Wheat and Coarse Grains	31-37
New Dimensions of the Idaho Rural Economy	38-43

Idaho Edible Dry Bean Market Situation and Outlook for 2000-01

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

The October estimate for 2000 dry edible bean production by USDA (Table 1) was slightly lower than the August estimate. The one percent decrease over the August forecast puts dry bean production at 25.60 million cwt, or 23.0 percent below 1999. This is the type of news needed to put some life in a depressed dry bean market. Not only did growers plant and harvest fewer acres than in 1999, but dry bean yields also declined. Planted acreage was down 14 percent from 1999, as growers responded to two consecutive years of low prices. Harvested acreage decreased by nearly 16 percent to 1,579,400 (Table 1). The larger percentage change in harvested acres in comparison to planted acres means more acres were abandoned because of weather problems in 2000 than in 1999. Typically, 94 percent of the planted dry bean acres are ultimately harvested. As a percentage of planted acres, harvested acres the last two years has been below the average. In 1999, 93 percent of the planted acreage was harvested and in 2000 it was only 90 percent because of acres abandoned because of too much or too little moisture. Most states saw a decline in dry bean yield, an additional reflection of problems during the growing season. The U.S. average yield decreased by 8.4 percent. Only six states, California, Nebraska, New York, Oregon, Washington, Wisconsin and Wyoming had yields at or above 1999.

North Dakota, the nation's largest dry bean producer, planted 50,000 fewer acres (-7.9 percent) in 2000. When combined with the 1999 reduction, North Dakota planted 170,000 fewer acres than in 1998. Number two Michigan reduced planted acres by 30,000 (-8.6 percent), but was still 20,000 acres above 1998. Number three Nebraska planted 40,000 fewer acres (-19.1 percent), or 25,000 fewer acres than in 1998. Colorado's ranking in dry bean production dropped from fourth to fifth. Colorado growers planted 120,000 acres, 35,000 fewer acres (-22.6 percent) than in 1999 and 50,000 fewer acres than in 1998. Number six Minnesota had the biggest reduction in planted acres of any state. Growers planted only 150,000 acres, a reduction of 55,000 acres (-26.8 percent) from 1999 and 40,000 fewer acres than were planted in 1998. Idaho maintained their seventh place ranking in dry bean production. Idaho growers followed the general trend by planting 15,000 fewer acres in 2000, a 14.3 percent reduction. This is the fewest planted acres for Idaho since 1992.

The USDA's October estimate of 25.6 million cwt puts total production 4.7 million cwt below the five-year average. (Table 2.) If the estimate holds, this will be the smallest crop since the 21.86 million cwt crop of 1993 and the third smallest crop of the past ten years. In the Pacific Northwest, 2000 production is projected to be down 14.7 percent from last year and 3.5 percent below the 5-year average. Idaho's production is projected to be down 20.8 percent, Oregon's up 32.2 percent, and Washington's down 8.3 percent. Idaho is expected to harvest 19.0 cwt per acre on 88,000 acres compared with 20.5 cwt on 103,000 acres in 1999. Oregon's projected yield of 19.5 cwt is up 3.4 cwt from 1999 and the 11,800 acres harvested is up 1,000 acres from 1999. Oregon's relatively small dry bean acreage can show significant percentage changes, but mean relatively little to the overall market. Washington's 2000 yield is estimated to be 21.5 cwt per acre, up 0.7 cwt, and the 32,000 harvested acres was down by 4,000.

Review of 1999-00

Dry bean prices in Idaho during the 1999-00 market year (September through August) did not follow the more typical pattern of low harvest-time prices followed by strengthening prices. Low harvest-time prices in the fall of 1999 were followed by even lower prices later in the market year. This resulted from the large stocks of beans because of weak export demand and two consecutive large crops. Pinto harvest-time prices of \$17.50-17.75 slipped each month until they bottomed out in March and April at \$14.50. They finished the marketing year at \$15 and averaged \$15.60 over the market year. Great Northern prices were around \$17 for most of the market year. Prices were \$17.25-\$17.50 at harvest and they hit a low of \$16.50 in March. The price averaged \$17 over the market year. The price of Small Whites held up better than the other dry bean classes. Prices in the \$19.00-\$19.50 range at harvest were the best of the marketing year, however. The price declined in subsequent months and hit a low of \$16.50 in July. The price averaged \$17.65. The price on Pinks and Small Reds were abysmal, averaging only \$14.15 and \$14.45, respectively. The price for Pinks started the marketing year at \$16-\$16.25 and finished at \$13. The price of Small Reds started the marketing year slightly above the Pinks at \$16.75-17.25, but ended at the same price of \$13.

Looking Ahead for 2000-01

Prices at the beginning of the 2000-01 market year have improved over prices which prevailed at the end of the 1999-00 marketing year for Pintos, Small Whites, Pinks and Small Reds. The price for Great Northerns have been stagnant so far this year. But the price of Great Northerns at the end of the 1999-00 marketing year was already

higher than the price of other dry bean classes. The price for Pinto, Great Northern and Small White bean classes were around \$17.50 by late October. Prices for Pinks and Small Reds stood at \$14.50 and \$15.50, respectively.

Considering the significant drop in 2000 production of 7.6 million cwt, the price outlook is much more favorable this year than either of the past two years. As is the case every year, exports hold the key as to how fast bean prices will improve and how high they will go. Trade issues and the strong U.S. dollar continue to stifle exports. Export volume for the first five months of calendar year 2000 were off 13 percent from a year earlier and the lowest for that time period since 1996. Exports during calendar year 1999 were off the 5-year average by approximately .5 million cwt. USDA's projected exports of 8.0 million cwt for 2000 is off the five-year average by .77 million cwt. (See Table 2.) Even with moderate export demand of 8.0 million cwt in calendar year 2000 and something comparable in 2001, Idaho bean prices should continue to move higher and should average close to \$20 per cwt for the composite dry bean price. And if exports fall below expectations, the average Idaho dry bean price should fall closer to \$19. 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. 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.

Analyzing the dry bean markets has always been a problem for me since, unlike the grain market, USDA does not survey the elevators to establish the level of stocks. Table 3 shows my attempt to estimate stocks for dry beans. While I've been doing this for several years, I've never included it in any outlook articles that I've written. I've used it as an aid to help me analyze the market. Rather than get hung up on the arbitrary beginning stocks number that I used to initialize the process 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 3 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 2 percent of production, which reflects the long-term average. Calculating other use in this way would likely underestimate feed use in a

year with severe quality problems. Export 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 numbers in Table 3 by one year to get them to better correspond to the market year. This makes some sense since only four months of the 2000 calendar year correspond to the 2000-01 market year. Lagging the exports by one year reduces this lack of correspondence. The export projection used in 2000 is in essence the exports for calendar year 2001. Since USDA does not project exports one year in advance, I simply plugged in the 5-year export average for 2001.

Total utilization in Table 3 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 2000/01 where my calculations show a drop in stocks of 5.77 million cwt, or -60 percent. If the theory of economics is valid, this would certainly support higher prices for the 2000 marketing year. The question is by how much and how soon will prices respond.

Table 4 shows how prices for the various bean classes have changed from harvest to June. Harvest in this case is defined as the average price in the two months of September and October. June is typically the high price month for most, but not all bean classes. Table 4 shows price changes using a five-year average, a ten-year average and last year. Table 4 also shows the highest positive and negative changes that occurred during the ten-year period of 1989 through 1998 and in what year this occurred. Price changes for 2000/01 should fall above the five- and ten-year averages, even for the weaker bean classes, Pinks and Small Reds, but will likely stay below the record positive changes.

Along with the positive supply situation already discussed, the demand side of the domestic market also provides some encouraging news with continued growth in per capita bean consumption. When combined with a growing population, domestic use should increase by .5 million cwt in calendar year 2000 and this growth should carry in to 2001. With the higher per capita consumption, domestic use could account for 88 percent of the 2000 crop. This is a far cry from the 66 percent accounted for in 1999.

The quality of the 2000 dry bean crop will also play a role in the relative improvement of prices for the different bean classes. Michigan's crop appears to have more weather related quality problems than any other area. Thirty-four percent of the crop was in poor to very poor condition, primarily from excessive moisture. The dry bean crop in the Red River Valley of North Dakota and Minnesota also suffered from both excessive moisture and a lack of precipitation. The overall quality of Idaho's crop appears to be average. The negative impact of Idaho's hot summer temperatures were felt more on yield than on the overall quality of the crop.

Projections for 2001-02

Projections for the 2001 crop will not be made until the January outlook. USDA will revise the 2000 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.

Table 1. Dry Edible Beans: Area Harvested, Yield, and Production by State and United States, 1998-99 and Forecasted October 1, 2000 1/

State	1999	2000	1999	2000	1998	1999	2000
	Area Harvested		Yield		Production		
	--- 1,000 Acres --		--- Pounds ---		----- 1,000 Cwt -----		
CA	132.0	112.0	1,970	2,000	1,554	2,600	2,240
CO	145.0	110.0	1,900	1,850	2,868	2,755	2,035
ID	103.0	88.0	2,050	1,900	2,112	2,112	1,672
KS	20.9	17.0	1,850	1,700	380	387	289
MI	350.0	295.0	2,100	1,650	4,425	7,350	4,868
MN	165.0	135.0	1,550	1,300	2,538	2,558	1,755
MT	25.5	28.0	1,730	1,700	350	441	476
NE	187.0	160.0	2,000	2,000	3,666	3,740	3,200
NM ^{2/}	1.0		1,800		171	18	
NY	30.2	24.0	1,370	1,500	426	414	360
ND	570.0	490.0	1,450	1,330	9,798	8,265	6,517
OR	10.8	11.8	1,610	1,950	152	174	230
SD ^{3/}		10.0		1,700			170
TX	47.0	16.2	1,490	950	135	701	154
UT	6.6	5.1	800	160	30	53	8
WA	36.0	32.0	2,080	2,150	890	750	688
WI	8.0	8.3	1,550	1,800	115	124	149
WY	39.0	37.0	2,020	2,140	808	788	792
US	1,877.0	1,579.4	1,770	1,621	30,418	33,230	25,603

Source: USDA, NASS Crop Production Report.

1/ Excludes beans grown for garden seed.

2/ Estimates discontinued in 2000.

3/ Estimates began in 2000.

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

Marketing Year	U.S. Production (million cwt)	U.S. Exports ^{1/} (million cwt)	Idaho Production (1,000 cwt)	Average Idaho Price ^{2/} (per cwt)
1995-96	30.69	8.13	2,160	\$20.90
1996-97	27.91	9.00	1,907	\$23.65
1997-98	29.37	7.81	2,156	\$21.00
1998-99	30.42	10.66	2,112	\$17.00
1999-00	33.23	8.24	2,112	\$15.10
5-yr Average	30.32	8.77	2,089	\$19.50
2000-01 ^{3/}	25.60	8.00	1,672	\$20

Source: USDA: Vegetable and Specialties Yearbook, July 2000, unless noted otherwise.

^{1/}Exports are for the calendar year. ^{2/}Idaho's price is the simple average of the price reported by IASS for the crop-marketing year Sept. 1 – Aug. 31.

^{3/} US and Idaho production are USDA estimates from October's Crop Production Report. Idaho's price is the author's forecast.

Table 3. Estimating dry bean stocks by marketing year.

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Arbitrary Beginning Stocks	6.0	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Calculated Beginning Stocks	xxxxxx	6.15	7.20	7.00	4.83	6.53	9.69
Production	29.03	30.8	27.96	29.37	30.42	33.23	25.60
Domestic Use:	20.78	20.75	20.36	20.84	20.51	22.07	22.63
Population (millions)	259.0	261.5	264.0	266.5	269.0	271.0	273.0
Per Capita Consumption ^{1/}	7.8	7.7	7.5	7.6	7.4	7.9	8.1
Other Domestic Use	0.58	0.62	0.56	0.59	0.61	0.66	0.51
Exports (lagged one year)	8.1	9.0	7.8	10.7	8.2	8.0	8.7
Total Utilization	28.88	29.75	28.16	31.54	28.71	30.07	31.37
Projected Ending Stocks	6.15	7.20	7.00	4.83	6.53	9.69	3.92
Change in Stocks	0.15	1.05	-0.20	-2.17	1.71	3.16	-5.77
Percentage Change	2%	17%	-3%	-31%	35%	48%	-60%

^{1/} Per capita consumption is on a calendar year basis.

Note: Stocks are calculated by the author, not by USDA.

Table 4. Price change from September-October to June for dry edible bean prices in Idaho.

Time Frame	Pintos \$/cwt	Great Northerns \$/cwt	Small Whites \$/cwt	Pinks \$/cwt	Small Reds \$/cwt
5-Year Average: 1994-98	+1.50	+0.65	+1.10	+1.05	+1.80
10-Year Average: 1989-98	+2.25	+0.85	-0.37	+0.60	+1.65
1998 Marketing Year	-2.70	-0.65	-0.90	-0.45	-0.20
Largest Positive Change:	1989	1994	1996	1989	1995
1989-98	+13.45	+6.75	+3.00	+5.70	+4.95
Largest Negative Change:	1996	1992	1991	1992	1993
1989-98	-4.05	-3.10	-4.35	-2.90	-1.55

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

PNW Beef Cattle Situation and Outlook

Prepared by C. Wilson Gray
Livestock Marketing Economist
University of Idaho

Last April we had a cautiously optimistic outlook for the cattle markets. Feeder calf prices across classes remains above September. Fed cattle prices slid to last year's level over the summer. Although the year to year increase in demand has eased a bit in the face of large beef supplies, it is still up about 4 percent.

Beef Supplies and Retail Demand

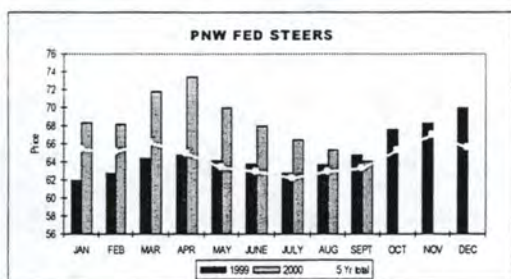
Through August, commercial beef production nationally was up 2.3 percent over last year. Production compared to a year ago has lessened from a 4 percent increase in the first quarter to a 1/2 percent increase in the third quarter. In the fourth quarter a seasonal increase of 1.8 percent above year ago levels is anticipated. For the year, beef production is expected to be nearly 2 percent over 1999's. Dressed weights on all classes of cattle have been averaging above a year ago. When combined with a slightly larger head count, increasing total beef tonnage was the result. Looking to 2001, it is anticipated that dressed weights will be near this years levels or a tad higher. However slaughter is expected to decline 2 to 3 percent. Total beef production for the year will be down about 2 to 2.5 percent.

Retail demand has remained strong throughout 2000. Thank goodness for that or the increased supplies would have been very burdensome on the markets. In the first half of 2000 per capita beef supplies increased 1 percent. However, inflation adjusted retail Choice beef prices increased 5.3 percent. Wholesale beef prices and Southern plains slaughter cattle prices increased 10.3 percent and 7.7 percent respectively, compared to first half 1999. The large inflation adjusted beef price increases that occurred with the 1 percent supply increase indicates stronger beef demand. When looking at beef demand indices that account for changes in per capita consumption over time, beef demand has improved about 4 percent from a year ago. At this point it is not clear whether or not third quarter price slippage in fed cattle and certain retail cuts (rib roasts, ground beef and tenderloins) is signaling weaker demand or a temporary lull. The signal is also mixed by

the queue that new products may be having some positive impacts as the price on rounds (used in several new products) are still above year ago price levels.¹

Strong demand for beef was a primary factor in the strong cattle and beef prices earlier this year. In addition, the draw credit for hide and offal value is up, adding about a \$1 to fed cattle prices. The demand strength in the fourth quarter will determine how fast cattle prices can recover this fall. If demand recovers so will prices. But if demand remains sluggish, it will take lower supplies to move prices up.

Feeder Availability and Feed

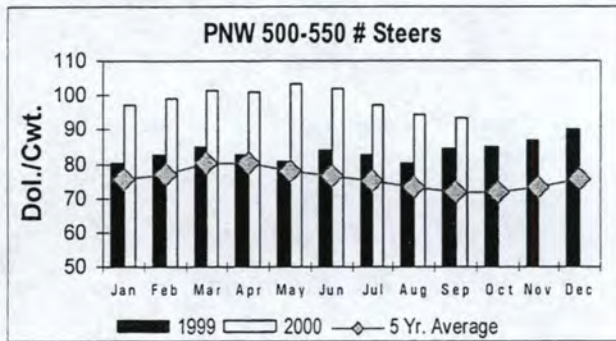


The July *Cattle* report from NASS indicated a 2000 calf crop at 38.9 million head, a 200,000 head increase over 1999. The very large rate of feedlot placements this year has led to questions about whether or not USDA has undercounted the calf crop. For 1999 USDA

pegged the calf crop at 38.7 million head, a 100,000 head decline but placements of cattle on feed were up 2.1 million head compared to 1998. For the first 9 months of 2000 net placements are up 3.3 percent compared to the first 9 months of 1999, on a less than 1 percent increase in calf crop. There is a good possibility that the calf crop estimates will be revised upward with the January 1, 2001 *Cattle* report.

Although all weight placement groups were up earlier this year, recently light weight calves have been showing larger increases while placements of heavier weights have retreated. This may be in part because the supply of heavier feeder calves has been reduced. It is also very likely that dry conditions in many areas, and fires in others, forced cattlemen to wean early and sell calves into feedlots. In the October Cattle-on-Feed report placements in the 700 lb. and over groups were down significantly while the under 600 lb. group was up by 23 percent. The availability of cheap corn makes feeding lighter weight calves more feasible.

¹ NOTE: Dr. Jim Mintert will be speaking on Beef Demand Determinants, the results of a recent Beef Check Off funded study, at the Intermountain Cow Symposium, Twin Falls, January 10-11, 2001. Contact ICA for more information.



With the return of profitability to the cow-calf sector herd expansion would seem to be just around the corner. The January 1 cattle inventory report will give some indication of this but current signs aren't promising any big holdbacks yet. Heifer slaughter

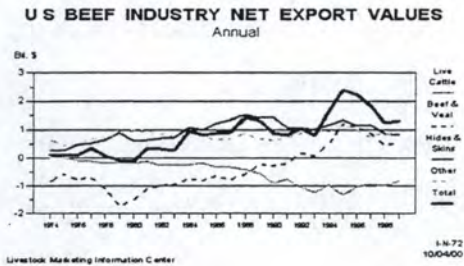
normally declines when cattlemen begin to hold back replacement calves. So far heifer slaughter is running 1.5 percent over last year. Cow slaughter has been under both last year and the 5 year average, which would indicate we are maintaining the existing herd but haven't stoked up heifer retention yet. In looking at retention on a regional basis, last year the Southern Plains and Southeast reduced replacement heifers by 2.7 and 6.4 percent respectively. Other areas (Great Plains, West, Northeast) showed increases in heifers held as replacements except the Corn Belt which was unchanged. The net result was a 5 percent decrease for the US as a whole. Both the southern Plains and Southeast have experienced very dry conditions forcing operators there to sell rather than retain heifers. The fires and generally dry conditions in much of the West and Northern Plains may prevent cattlemen in these areas from following through on expansion plans this year as well.

Other reports in this outlook series address forage and feed grains, but in general prices for these commodities are not expected to increase dramatically. Forages may be tighter than last year, but concentrates should be plentiful with a record corn harvest going in the bin ahead of schedule.

Trade Balance

The movement of cattle across North American borders is often a subject of lively discussion. The situation remains quite dynamic in terms of what's going where. For the first 8 months of this year imports of live cattle from Canada totaled 628,886 head, down about 7.5 percent from the same 8 months in 1999. US imports of Mexican cattle totaled 688,520 head. That is a 43 percent increase from the same period in 1999. US exports of live cattle for the same period this year were 114,217 and 81,550 head to Canada and Mexico, respectively. Those represent 74 and 41

percent increases over the same period in 1999. Mexico and Canada account for nearly all US live cattle trade.



US net beef trade at 325,484 thousand pounds (carcass weight basis) is 22 percent below the same 8 month period last year. Japan, Mexico, Canada and Korea remain our most important export markets. Most US beef imports come from Australia, New

Zealand, Canada and Argentina. The US exports both high and low quality beef, but concentrates mostly on higher quality for the export market. The lion's share of imports are lower quality beef. On a value basis we are a net exporter (we export more value than we import) and have generally benefited from trade arrangements.

Options to Consider

Cattle prices likely will remain strong. Under that scenario, selling calves at weaning is not a bad strategy. Cattle prices tend to strengthen seasonally between fall and spring. If the buy sell margin widens between lighter weight and heavier weight calves, it reduces profitability. Since prices are likely to improve seasonally the ability to hold weaned calves and sell as backgrounded yearlings next spring at a profitable level is marginal. Retaining ownership through slaughter may look somewhat better with the continued availability of cheap feed. Fed cattle prices are expected to average over \$70 next year. As with any marketing strategy, it is strongly advised that one pencil out the likely costs and breakeven needed. Contact your local Extension office for assistance to evaluate holding calves as an option.

Price Outlook

Cattle numbers have continued to decline but beef supplies have increased via higher weights and more heifer slaughter. Strong demand has supported prices. Prices for 2001 are expected to be profitable for cow-calf and feedlot sectors. A detailed history and

outlook is available in "2000-01 Planning Prices for Idaho Crops and Livestock" available from the U of I Ag Economics home page under publications or from your county Extension Educator. The Ag Economics URL is <http://www.uidaho.edu/ag/agecon>. Through September, five to six weight steers were priced significantly above year-ago. Typically prices decline seasonally from late spring through October. Prices then start improving in late November through April or May. Fall quarter calf prices should range between \$85 to \$98 per cwt. Seven to eight weight steers have also been consistently above year-ago levels. Fall quarter prices are expected to be in the \$78 to \$85 range. Prices should improve from December through late spring following seasonal norms. Fed cattle prices began dropping seasonally in May and should see some recovery during the fall quarter. Fed prices are likely to be in the \$67 to \$71 area and continue to improve into spring quarter. Depending on the timing and potential rate of dairy cow slaughter utility cow prices could be softer next spring and summer. USDA is projecting a reduction in the dairy herd as a result of protracted low prices for milk. See table 2 for quarterly forecast prices.

End Notes

The Grain Inspection, Packers and Stockyards Administration recently held hearings on captive supplies. Those comments are summarized on their website. Use the URL below if you are interested.

<http://www.usda.gov/gipsa/forum/forum.htm>

Mergers and acquisitions seem to afflict nearly all industries and the beef industry is no exception. A buy out of IBP was recently announced by an investment group that includes Archer Daniels Midland. Table 1 below shows market share and concentration of the major packers.

Table 1 Packer Market Share in Percent #

Company	1999	1998	1997	1996	1995
IBP	27.7	28.8	28.3	29.4	29.0
Excel	17.1	18.0	16.8	16.9	17.1
ConAgra	17.2	16.8	16.2	16.2	17.1
TOP 3	62.6	63.6	61.3	62.5	63.2
Farmland	7.2	6.8	5.8	5.7	5.5
Packerland	4.4	3.9	3.4	2.5	2.8
TOP 5	74.2	74.3	70.5	70.7	71.5

Adapted with permission from Cattle Buyers Weekly, 9-2000

Table 2. Quarterly forecast planning prices for PNW livestock.

	Unit	2001 Quarterly Forecast			
		I-f	II-f	III-f	IV-f
Choice Steers 11 – 1300# *	cwt.	70-76	64-75	63-70	68-76
Steers 8-900# *	cwt.	71-77	66-76	64-70	69-77
Steers 7-800# *	cwt.	82.50- 88	83-91	78-89	78.50-86
Steers 6-700# *	cwt.	85-91	86-94	81-92	82-89
Steers 5-600# *	cwt.	90-97	91-99	86.50-97	87-95
Steers 4-500# *	cwt.	94-101	95-103	90-101	91-99
Utility Cows **	cwt.	39-45	37-43	38-45	35-41

f = forecast; * heifers will be 4 to 10 cents under steers in the same wt. class; ** bulls will be 4 to 6 cents over utility cows. Forecast estimates are by LMIC and UI Agricultural Economics Extension.

Table 3: Projected Returns to Back-grounding Fall Weaned Steers, PNW

Item	Ration >	All Hay (0.72 adg)	Hay + grain (1.04 adg)	Hay + grain (1.47 adg)
Sale price per cwt. steer		\$91.00	\$88.00	\$85.00
Steer sale weight		634.51	672.06	722.53
Feed conversion		24.31	16.83	13.95
Interest charge		\$22.67	\$22.72	\$23.27
Cost of gain excluding purchase cost		\$142.23	\$144.03	\$160.20
Total cost per head incl. Purchase cost		\$664.73	\$666.53	\$682.70
Cost of gain per day on feed		\$1.18	\$1.19	\$1.32
Cost per pound of gain		\$1.63	\$1.14	\$.90
Breakeven selling price @ purchase of \$95		\$104.76	\$99.18	\$94.49
Breakeven purchase price @ given selling price		\$79.12	\$81.34	\$82.54
Net return (loss) per head		(\$87.33)	(\$75.11)	(\$68.55)

Purchase wt. 550 lbs. @ \$95/cwt. Fed 121 days, 11% interest, 1/2 pct death loss. Rations were 17# hay, 16# hay plus 2# barley and 15# hay plus 4# barley. Ration based on GROWER program. Projections based on CALFWINTER, WREP 121.

Fall 2000 PNW Dairy Situation and Outlook

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

Last spring I started the outlook with "So far, there seems to be little in the news to alter the outlook for continued low dairy prices. Dairy cow numbers have not abated, and the financial market news indicates inflation may be stirring, pushed by higher fuel and food costs, and higher retail prices." In the intervening six months there has been little to change the situation, except perhaps for the worse.

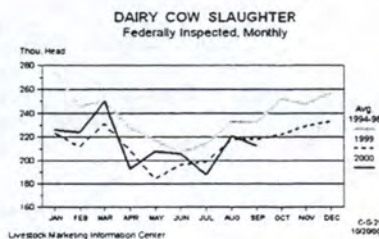
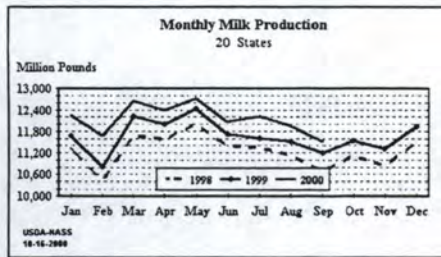
Supplies

Increasing production continues to plague the industry. Many wonder how or why producers continue to increase production in spite of burdensome supply levels. Part of the answer is momentum. The west in particular, but also some mid-west states, have had increases in cow numbers arising from construction of new facilities. The process of acquiring financing, permits and construction can be lengthy so projects started in the good times of 1998-1999 are now being completed.

Once the new facilities are completed they still have to be stocked with cows. Many of these new facilities are not yet milking at capacity, due to problems encountered in building cow numbers. Far fewer projects have been initiated since the milk price plunge in the fall of 1999. It is just difficult to get a \$3,000 per cow investment to cash flow on \$9.50 milk prices.

Another factor has been the lack of a price signal to some dairymen to slowdown

production. Class I prices are set using the higher of Class III or Class IV as the price mover or base pricing figure. Class IV prices have been consistently \$1 to \$2 per cwt. higher than Class III during the year. In market orders that have high percentages of Class I use



producer prices have been above production costs all year. In milk markets like Idaho where 60 percent or more of milk goes into cheese production the effect has been more like hitting your head on the proverbial brick wall. The Class III/Class IV situation we are now in wasn't foreseen in any of the modeling done by USDA or other dairy industry parties when order reform was undergoing design and implementation. It will likely be a subject of concern when Congress takes up the farm situation in the next session.

US dairy cow numbers in September were 7.8 million head. That 1.3 percent increase from a year ago multiplied by increased per cow production has pushed total production up 4.1 percent. Beginning commercial stocks were already up 16 percent so total supply has increased even more. In Idaho dairy cow numbers have increased 9 ½ percent since last September to 356,000 head. Milk Production in the first 9 months has jumped 14 percent over the same period in 1999. For the year total milk production will likely exceed 7 billion pounds.

Demand

One bright spot is the strong consumer demand for dairy products, especially cheese. Now if we could move up the Super Bowl, the largest cheese consumption day of the year.... Commercial Disappearance grew at a 3 percent rate in the Jan-July period. However, ending commercial stocks for the period increased nearly 12 percent. The bottom line is that supplies are ahead of demand, allowing stocks of cheese and other dairy products to build. Cheese prices took another plunge the end of September, depressed by larger stocks and little trade. Buyers normally purchase dairy products for the holiday season but with so much on hand it makes little sense to buy much in advance. Block and barrel prices are under support levels. USDA specifications for cheese are higher regarding packaging and storage since it often has had to store commodities for considerable time. Processors have only recently begun to gear up to meet those requirements. That should help keep prices nearer support levels. The first major CCC purchase of cheese (316,800 lbs.) was made October 25th. That may be just the camel's nose in the tent.

Price Outlook

The above scenario doesn't bode well for milk price improvement in the near term. Several processors offered forward price contracts in the \$11.25 area. USDA's outlook for 2001 (Dairy Market News, October 2000) is for a very small 0.5 billion pound increase in milk production, a large decrease in cow numbers, and a flat price forecast. Most facilities construction now in the works will likely be completed in the next six

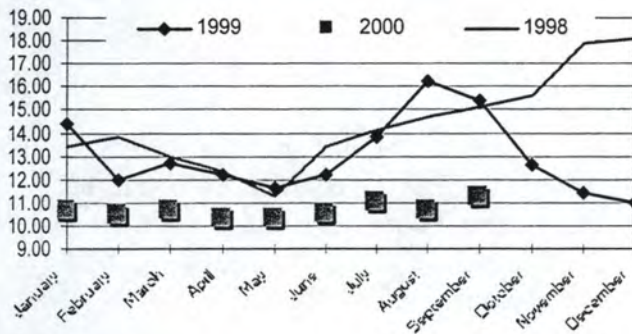
months. That will end the demand for more cows to fill large facilities. However, many haven't been culling very hard because they need to keep cows to fill facilities. I expect culling, which has been under the five year average for the last 2 years, to increase. Milk production will likely drop from the 3 to 4 percent

increase this year to a 1 to 2 percent increase in 2001. That's still too much but at least things should slow down. Cow numbers will likely slowly begin to move down on the

national level. Local areas may see steeper declines. Where will the cuts come? Lowest prices are in the West and North Central areas.

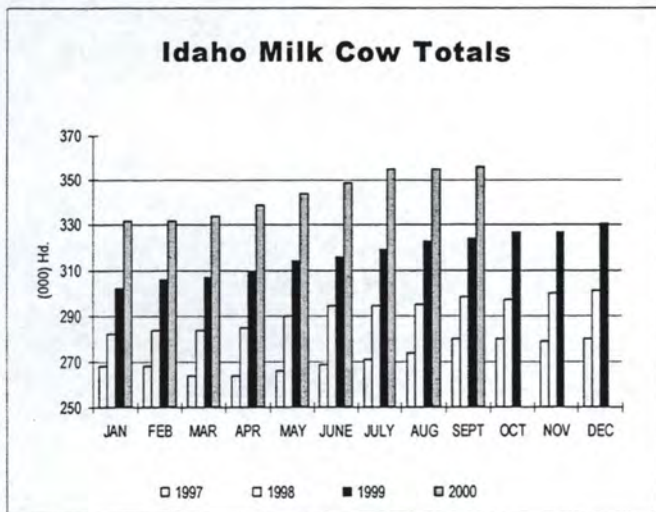
Class III prices will likely bounce around in the \$9.50 to \$10.50 range the first half of 2001. Some analysis's think that is too high. That makes the \$11.25 forward contract a good

**Cruising at low levels:
Idaho All Milk Price**



increase this year to a 1 to 2 percent increase in 2001. That's still too much but at least things should slow down. Cow numbers will likely slowly begin to move down on the

Idaho Milk Cow Totals



deal. If herd building and milk production slow down, prices could pick up another 50 cents in the second half.

January 1 will see a new President and new congress with an ear full of farm sector anguish. Legislators might pursue any number of remedies for dairymen which could have further unforeseen effects, positive or negative. Since the current farm bill is up in 2002, we'll likely see some tinkering now and a serious over haul implemented in the next session.

Springer heifer prices at \$1400 to \$1500 per head have been supported at a level \$200 or more above the long term average of \$1,190. When new facilities are filled that premium will evaporate, probably quickly. Springer prices could be below normal until things settle down.

End Notes

The just signed Ag Appropriations bill included another round of market loss payments for dairies. This is the most generous offer yet from D.C. That bill contains \$473 million in market loss payments. Unlike the past two years, this bill does not contain a specific dollar amount to be paid to dairy producers. Instead it uses a formula equal to 35 percent of the difference between 2000 milk prices and the average price for the previous five years.

Given the significant drop in farm-level milk prices in 2000, the payment rate could be \$0.65 per cwt. on a producers annual milk output, up to 3.9 million pounds. Payments the last two years were capped at 2.6 million pounds of annual production. So, a dairy producer could get a maximum of \$25,350 in market loss payments. (39,000 cwt. X .65 / cwt.)

A third round of DOPP has also been approved. This will include all counties (about 300) from the first two rounds plus additional counties in selected states. These risk management seminars will likely be conducted starting next spring and running through fall.

Table 1. Quarterly forecast planning prices for PNW livestock.

	Unit	2001 Quarterly Forecast			
		I-f	II-f	III-f	IV-f
Utility Cows	cwt.	39-45	37-43	38-45	35-41
Milk, Class III	cwt.	9.75-10.25	9.50-10.50	10.00-11.00	10.30-11.50
Springer Heifers	head	1350-1400	1300-1370	1200-1300	1150-1250
Holstein Bull Calves, day old	head	50-75	50-75	45-70	50-70
Holstein Heifer Calves, day old	head	190-250	160-240	100-180	80-130

f = forecast by AERS

U.S. Milk Supply, Use and Prices

Commodity	: 1997/98 :		: 1998/99 :		: 1999/00 Proj 1/ :		: 2000/01 Proj 1/ :	
	1/	1/	1/	1/	Sep	Oct	Sep	Oct
=====								
MILK	Billion pounds							
Supply								
Beg. commercial stocks 2/	5.9	5.8	7.4	7.4	7.5	8.6		
Production	156.5	161.2	167.0	167.4	167.8	168.9		
Farm use	1.4	1.4	1.3	1.3	1.3	1.3		
Marketings	155.1	159.8	165.7	166.0	166.5	167.6		
Imports 2/	4.1	4.8	4.4	4.7	3.9	4.2		
Total cml. supply 2/	165.1	170.5	177.6	178.1	177.9	180.4		
Use								
Commercial use 2/ 3/	158.6	162.8	169.3	168.8	170.7	172.8		
Ending commercial stks. 2/	5.8	7.4	7.5	8.6	6.8	7.2		
CCC net removals:								
Milkfat basis 4/	0.7	0.3	0.8	0.8	0.4	0.5		
Skim-solids basis 4/	4.5	5.4	8.4	8.5	3.1	4.5		
=====								
Dollars per cwt								
Milk Prices								
Basic Formula/Class III 5/	13.28	14.04	9.90- 10.10	9.99	10.15- 11.15	9.65- 10.45		
Class IV	NA	NA	11.35- 11.65	11.51	10.70- 11.90	10.35- 11.35		
All milk 6/	14.65	15.38	12.50- 12.70	12.62	11.90- 12.90	11.60- 12.40		
=====								
Million pounds								
CCC product net removals 4/								
Butter	21	1	11	11	15	12		
Cheese	8	6	17	17	6	10		
Nonfat dry milk	368	449	685	690	260	375		
Dry whole milk	15	12	34	34	0	3		

SOURCE: World Agricultural Supply & Demand Estimates - 367, October 2000 Note: Totals may not add due to rounding. 1/ Marketing year beginning October 1. 2/ Milk equivalent, milkfat basis. 3/ Includes commercial exports. 4/ Includes products exported under the Dairy Export Incentive Program. 5/ Basic Formula Price through Dec. 31, 1999; Class III price beginning Jan. 1, 2000 6/ Milk of average fat test. Does not reflect any deductions from producers as authorized by legislation.

2000-2001 Hay and Forage Situation and Outlook

Prepared by Neil Rimbey
Range Economist
University of Idaho

Attempting to write an outlook article about hay and forage prices during a year of drought, widespread wildfires and smoke should raise some questions about the sanity of this economist. When the uncertainty of weather conditions this fall and winter is considered, one can only conclude that the author is absolutely bonkers! The following article will summarize hay and forage production and use data and attempt to make projections related to hay and forage prices for the winter and spring of 2000-2001. Although most of the production and use information centers on hay, the impact of fires and dry grazing conditions during the summer and fall of 2000 will certainly impact the hay and forage markets.

Situation

Fire and Drought

Idaho saw a summer of fires and drought. About 1,600 fires burned 1.3 million acres of Idaho's forests and rangeland during the summer. These fires necessitated the movement of beef cattle and sheep from federal, state and private rangeland to alternative forage sources. Federal and state fire rehabilitation efforts will be starting this fall and winter and these efforts will impact range operations for the next couple of years. This period of time is mandated through federal and state policies that require a period of 2 or more years of rest from grazing to allow the rejuvenation or establishment of native or introduced species after fires.

Drought during the spring and summer of 2000 also created problems for range livestock producers. A number of federal and state allotments and leases had grazing curtailed early in response to the dry conditions, lack of stock water and other concerns. Users of private pasture and leases also experienced feed shortages, thus creating some seasonal demand for fall pasture, crop aftermath, hay and other forages.

Hay Acreage and Production

Alfalfa hay acreage declined 20,000 acres in 2000 to 1.13 million acres. Other hay acreage also declined 20,000 acres to 260,000 acres. In both cases, yields increased, with alfalfa rising to 4.2 tons/acre and other hay rising to 2.3 tons/acre. Total crop production amounted to 4.746 million tons of alfalfa and 598,000 tons of other hay. There were scattered instances of rain damage during the spring and early summer on first and second cuttings of hay, further crimping dairy and good feeder quality hay supplies.

Total hay available (supply) for feed during the 2000-01 feeding period can be estimated by adding alfalfa and other hay production to any hay left on farms at the start of the growing season (May 1 Stocks). USDA's National Agricultural Statistics Service (NASS) provides estimates of these factors throughout the year. Table 1 presents a picture related to what these factors have done over the last 25 years. This year's production and supply variables are highlighted at the bottom of the table. Idaho's total hay supply declined over 9 percent to 5.6 million tons. Carryover stocks still in the supply picture from 1999 were at very manageable levels of 257,000 tons. Acreage declines in alfalfa and other hay also contributed to the decrease in supply. The chart (Figure 1) presents production and May stocks in graphical format. Total supply (the top of each bar) in this chart is the sum of production and carryover.

Private grazing leases also saw pressure from the drought and fire situation. Many producers that were impacted by Mother Nature were having difficulty finding late summer and fall pasture or aftermath. Most Idaho grazing leases are contracted early (eg. most leases were arranged last winter and spring), with many being long-term arrangements between the same parties (lessee/lessor). There may be opportunities for farmers in different areas of the state to develop grazing enterprises with crop aftermath fields this fall and winter. Potential lessees and lessors should consider fencing and water needs, along with other factors related to grazing and specify the responsibilities of each party prior to grazing.

Demand Indicators

Idaho dairy cow numbers are still growing, with the population standing at 356,000 head in September, 2000. This is an increase of a little over 31,000 head from September, 1999 levels. Beef cattle numbers continued to decline with 488,000 head of beef cows and another 100,000 head of replacement heifers on January 1, 2000. However, the number of beef replacement heifers increased, indicating that some producers are retaining more heifers on their ranches. Sheep numbers gained 10 percent from the low point of 185,000 ewes in 1999 to 205,000 head in 2000. There is no consistent annual estimate of the number of horses in the state, but the last indication from the Census of Agriculture was that Idaho's horse herd continues to grow. The bottom line on the demand side appears to be that there will continue to be strong influences on top quality hay demand from the dairy and horse end of the livestock spectrum. Feeder hay will see about the same level of demand as last year from the beef and sheep sectors, but it could also be influenced by the strong dairy demand. Export demand for hay is strong, but Idaho hay faces additional transportation costs to compete with our neighbors to the west for this market. Demand for private lease pasture will increase over the next couple of years due to fire rehabilitation efforts and the continued building of cattle and sheep numbers. The impact from non-use on burned public rangelands will be dependent on whether permittees/lessees are moved to other (vacant) allotments or leases and other issues of flexibility in dealing with these situations.

Outlook

Uncertainty surrounding the dry conditions, fire impacts and the winter ahead make price projections for the 2000 hay and forage crop tenuous, at best. Recent reports from the field seem to say that growers and buyers have the same "wait-and-see" attitude to the hay market. Perhaps presenting a couple of different scenarios for the hay market will ease the trepidation of forecasting these markets. The public and private markets for rangeland forage are relatively straightforward and will be addressed first.

Federal, State and Private Fees and Lease Rates

Federal and state land grazing fees and lease rates are both determined by formulae which consider the private grazing rates, cattle prices and prices paid indices. The federal land grazing fee has been at the \$1.35/Animal Unit Month (AUM) floor for the past 4 years. Due to continued pressure from the Prices Paid Index, the 2001 grazing fee for federal lands will again be at or near this floor. If cattle prices have increased significantly, there may be enough pressure to move the fee to a maximum of about \$1.50/AUM. A separate state land fee formula has determined the 2001 grazing lease rate on Idaho state lands to be \$4.95/AUM.

Research conducted in the early- to mid-1990's indicates a very strong correlation from year-to-year on private lease rates. Perhaps this is tied to the fact that the majority of private leases in Idaho are longer term (or multi-year). Results from the regression model developed by Bartlett, et al. (1993) would suggest an average private lease rate for Idaho of \$11.23/AUM for 2001. The bulk of the private grazing lease rates for 2001 will fall within plus or minus 15 percent of this average figure, or between \$9.55 to \$12.90/AUM. If we see continued dry conditions in 2001 and shortages of forage on federal and state lands, the private rate will be pushed to or above the higher end of this range. As is usually the case, spring and early summer (April-June) rainfall and weather will determine pasture and range forage conditions next year.

Hay

Total hay supplies are below what we have seen the last couple of years, yet still higher than long-term averages and near the record supplies of the last 2 years. Demand appears to be up in the dairy sector and will also increase in the beef and sheep sectors.

Assuming that we see continued growth of about 20,000 dairy cattle in 2001, a "normal" winter feeding period with mild temperatures and continued expansion in beef and sheep numbers, the hay and forage market will be strong. Dairy quality hay will set the top of the market and generally fall in the range of \$85-120/ton. Good quality feeder hay will trade in the \$65-85/ton range. Horse hay will trade in the same general area as dairy quality.

With more severe winter conditions, livestock will consume more forage to maintain body weight and condition. Colder temperatures and a longer feeding period will impact the projections made under the "normal" weather scenario above. Increased consumption from harsh winter weather could fuel hay prices in late winter, with upper prices adding \$5 to 15/ton on the "normal" weather projections. Watch the NASS December Crop Production report to monitor hay supply and marketing. If the December hay stock picture is close to 2 million tons and winter is projected to last longer than normal, there will be higher hay prices in late winter.

It is always good business practice to have a security arrangement in place for commodities when payment is not to be made at delivery. A contract, note, lien or scale tickets could help out in the eventuality that the buyer is not able to make good on payment for feed delivered.

Additional Information and Assistance

Pasture Clearinghouse Website

<http://www.ag.uidaho.edu/pasture/>

This website is maintained by the University of Idaho. It includes 2 separate lists of pasture available and pasture needed. Forms for entering information directly on the list are available on the website, or through your local county extension office.

Idaho Haygrowers Association, Inc. Website

<http://www.idahohav.com/>

This site lists hay available from Idaho Hay Association members. Includes a list by area of the state, with type of hay available (alfalfa, grass, feeder, etc.), type of package (ton bales, small bales, etc.) and other information (covered storage, transportation, etc.). The seller's address, phone number and other information are also included.

Federal assistance programs may be available to help alleviate the affects of drought and fire. These may include items such as Conservation Reserve Program (CRP) grazing, Emergency Feed and Disaster Relief. Contact your local Farm Service Agency office on specific programs and eligibility/requirements.

References

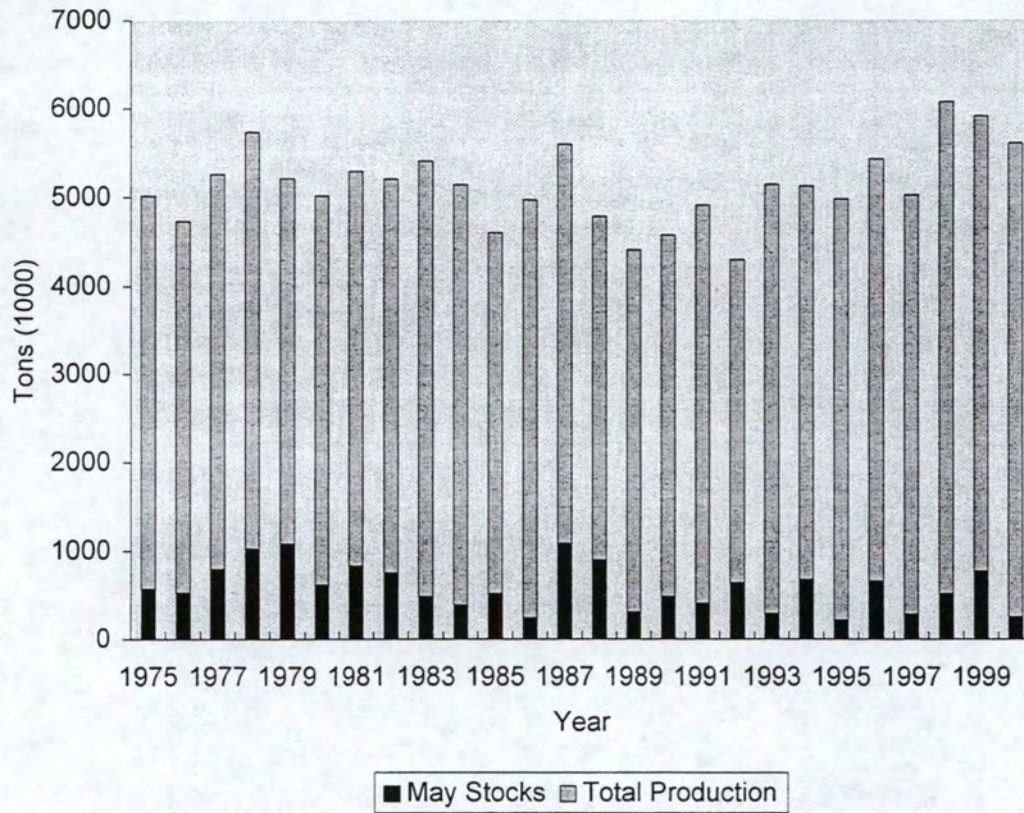
Bartlett, E.Tom, Neil Rimbey, L. Allen Torell, Larry W. VanTassell, John DeVilbiss, Ron Appel, Tim Heisler, Gerald Stoebig, Tom Bagwell, Paul Burgener and Juli Coen. 1993. Incentive-based grazing fee system for public rangeland administered by the Bureau of Land Management and United States Forest Service. USDI/BLM. Washington, D.C.

Table 1. Idaho hay stocks, production and supplies (1,000 tons). 1975-2000.

<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 Supply²</u>
1975	2,878	576	3,811	630	4,441	5,017
1976	2,576	533	3,621	580	4,201	4,734
1977	2,899	798	3,852	607	4,459	5,257
1978	3,344	1,026	4,050	658	4,708	5,734
1979	3,531	1,083	3,631	495	4,126	5,209
1980	2,682	619	3,815	580	4,395	5,014
1981	3,120	835	3,960	493	4,453	5,288
1982	3,073	757	3,774	672	4,446	5,203
1983	2,712	489	4,017	897	4,914	5,403
1984	2,850	393	3,938	805	4,743	5,136
1985	3,036	522	3,570	510	4,080	4,602
1986	3,304	245	4,180	540	4,720	4,965
1987	4,008	1,086	3,978	525	4,503	5,589
1988	3,648	901	3,496	385	3,881	4,782
1989	2,183	310	3,720	380	4,100	4,410
1990	2,287	485	3,744	340	4,084	4,569
1991	3,221	408	4,120	380	4,500	4,908
1992	2,193	644	3,367	288	3,655	4,299
1993	2,955	292	4,200	644	4,844	5,136
1994	2,263	678	3,978	460	4,438	5,116
1995	2,794	222	4,180	570	4,750	4,972
1996	2,285	660	4,200	560	4,760	5,420
1997	2,743	286	4,100	630	4,730	5,016
1998	3,329	520	4,859	690	5,549	6,069
1999	2,617	777	4,600	532	5,132	5,909
2000		257	4,746	598	5,344	5,601
Avg	2,901	592	3,950	554	4,504	5,110
Max	4,008	1,086	4,859	897	5,549	6,069
Min	2,183	222	3,367	288	3,655	4,299

² Total Supply equals May 1 Stocks plus Alfalfa Production plus Other Hay Production.

Figure 1. Idaho Hay Supply
1975-2000 (1,000 tons)



WHEAT AND FEED GRAINS

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

Current World Situation for Wheat and Coarse Grains

As we move into the 2000/01 grain marketing year, world wheat and coarse grain supplies are definitely showing signs of moving in the right direction to support some price improvement. Smaller world crops for both wheat and coarse grains, combined with steadily increasing use have pushed ending stocks down to more encouraging levels.

Wheat: The 2000/01 world wheat crop is currently forecast at 579.9 million metric tons (MMT), down 1 percent from the previous year (Table 1). The projected 2000/01 world wheat crop is still relatively large by historical standards, but is the smallest world crop since 1995/96. Additionally, total production remains less than total consumption, and world wheat stocks are projected to decline to 111.4 MMT by the end of the 2000/01 marketing year. If realized, 111.4 MMT is the second lowest level of world wheat ending stocks since the mid-1970's, and just above the 107.9 MMT experienced in 1995/96. When ending stocks are compared to current use levels (commonly measured by the stocks to use ratio), the current projected 2000/01 stocks to use ratio is the lowest level ever recorded. World wheat stocks continue to move in the right general direction for a price recovery. By historical standards, 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 include relatively large US wheat stocks, continued high levels of coarse grain supplies (especially for the US), and a market that seems more comfortable with lower levels of carryover.

Coarse Grains: World coarse grain production is projected to drop by 13.0 MMT or 1.5 percent in the 2000/01 marketing year (Table 1). US production of feed grains is expected to be up about 17 MMT, and foreign coarse grain production down about 30 MMT. After decreasing slightly in 1999/00, world ending stocks are projected to decline from 165.5 to 141.2 MMT (14.7 percent) for the 2000/01 marketing year. Although down from the last two years, projected world ending stocks for coarse grains are well above the 97.8 MMT level experienced in 1995/96.

US Wheat and Feed Grain Situations

Tight supplies for US grains (especially feed grains), was the driving force in setting record high farm level prices for corn and wheat during the mid-1990's. Since that time, large world and US grain crops have put substantial downward pressure on prices. US ending stocks for both feed grains and wheat continue at relatively high levels, although US wheat stocks are projected to decline slightly for the 2000/01 marketing year.

Wheat: The 2000 US wheat crop is forecast at 2.239 billion bushels, just below 1999's crop of 2.299 billion bushels (Table 2). Slightly larger forecast US exports mean projected ending stocks are down modestly to 888 million bushels for the 2000/01 marketing year. Although down from the previous two years, projected US wheat carryover for 2000/01 represents a level well above average for the decade of the 1990's. Farm level wheat prices for 2000/01 are currently forecast to average \$2.55 per bushel, just above last year's dismal average price of \$2.48.

US white wheat estimated production totaled 301 million bushels for the 2000 crop, well above last year but about an average-size white wheat crop (Table 2). Projected carryover of white wheat of 118 million bushels is well above the 10

year average and the largest white wheat carryover since the 1987/88 marketing year. The Portland price averaged \$3.00 per bushel for the 1999/00 marketing year. For the 2000/01 marketing year, Portland has averaged \$2.77 since July, and is not expected to show substantial improvement as the marketing year progresses. The historical average differential between the Portland and US average wheat price is 41 cents per bushel. If the USDA farm-level price estimate (\$2.55) is correct, this implies a Portland average of about \$2.96. Given the above average projected carryover, white wheat is more likely to trade at levels slightly below average relative to other classes.

Feed Grains: Projected US corn production for the 2000 crop is currently at 10.192 billion bushels. If current forecasts are realized, 2000 will represent the largest US corn crop and largest average yield on record. For the other US feed grains, grain sorghum production is projected down by almost 22 percent to 465 million bushels, and barley production is up by over 14 percent to 320 million bushels. Total US feed grain production is up over 6 percent to 279.9 MMT. Even with higher domestic use and exports for the 2000/01 marketing year, US feed grain ending stocks are expected to increase from 48.8 to 50.8 MMT (about 4 percent). Farm level corn prices for 2000/01 are currently projected in the \$1.65 to \$2.05 per bushel range, which is comparable to last year's average of \$1.85. In spite of larger supplies, barley prices are projected to increase slightly in the 2000/01 marketing year. The average farm level price for barley is projected at \$2.25 per bushel (\$94 per ton) compared to \$2.13 per bushel (\$89 per ton) in 1999/00. Much of that increase likely reflects higher malt barley prices, and may not be reflected in feed barley prices.

Outlook for 2001

The world grain markets have experienced relatively large crops for the past four years, but now seem to be moving in the other direction. World supplies remain adequate, but are showing signs of tightening. This is especially true for wheat.

By historical standards, wheat carryover is project to approach record low levels. World coarse grain supplies are becoming tighter, but are still far short of the record tight supplies of the mid-1990's. US feed grains and wheat have the potential to rally in the face of threats to the 2001 world grain crop. Wheat will likely be much more sensitive to production concerns than feed grains.

Wheat: US wheat projected stocks remain at relatively high levels (compared to the last 10 years) in the face of tightening world wheat supplies. The 2000/01 drop in world ending stocks to 111.4 MMT (Table 1) approaches the record low for the last 25 years established in 1995/96. The wheat market has signaled its intention to remain rather calm until there is firm evidence supplies may become inadequate. A serious indication US wheat exports may exceed projections, increasing concerns about the Australian crop, or indications the 2001 world wheat crop is in jeopardy are possible signals. Although Australia's projected 2000 crop was reduced by 2 MMT over the last month, additional downward adjustments in the southern hemisphere crop are unlikely at this point. Concern about next year's crop appears to be the event with the greatest probability of occurring.

Thus, the 2001 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. Winter wheat planting and emergence are behind the average, especially in the HRW wheat belt. Soil moisture conditions were listed as short to very short for much of Kansas in mid-October, but parts of the state received significant rainfall during the last week of October.

Generally, some price improvement is expected as the marketing year progresses. Most classes of wheat have forward bids that reflect some return to holding. However, white wheat is the exception. Forward bids consistently lack

any return to holding for white wheat. Relatively high US carryover is likely to cap any major price recovery until the market focuses on the 2001 crop. That will be after the first of the year. The USDA is projecting an increase in farm level wheat prices, but the increase is modest (from \$2.48 last year to \$2.55 for the current marketing year). The author is inclined to be slightly more optimistic than the USDA projection, but still feels price prospects for white wheat may be more modest than other classes. The larger than average carryover of white wheat is likely to weigh on the market and a traditionally large customer (Pakistan) is likely to be out of the market. Portland's average marketing year price is expected to increase from about \$3.00 in 1999/00 to \$3.05 for 2000/01. Again, it is important to recognize that any concern about the 2001 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 2001.

Feed Grains: The US projected corn crop is over 10 billion bushels for the second time in history. Although foreign production is down, US projected exports are up, and domestic use is up, large supplies of corn will continue to maintain low feed grain prices for the foreseeable future. Given the modest increase in US barley production, feed barley prices should maintain the typical relationship to corn. Thus, Portland feed barley prices should hold at last year's level (\$80 to \$90 per ton) or just slightly above.

Table 1. World Wheat and Coarse Grain Production, Use, and Ending Stocks, Marketing Years 1997/98 to 1999/00 and estimated for 2000/01

Year	Production		Use		Ending Stocks		Stocks to Use Ratio (%)
	MMT	Annual % Change	MMT	Annual % Change	MMT	Annual % Change	
Wheat							
1997/98	609.4	+ 4.6	584.6	+ 1.3	138.3	+21.9	23.7
1998/99	588.4	- 3.5	590.8	+ 1.1	136.4	- 1.4	23.1
1999/00	585.9	- 0.4	594.1	+ 0.6	128.2	- 6.0	21.6
2000/01	579.9	- 1.0	596.7	+ 0.4	111.4	-13.1	18.7
Coarse Grains							
1997/98	883.9	- 2.6	876.2	- 0.1	136.2	+ 6.7	15.5
1998/99	889.8	+ 0.7	867.3	- 1.0	170.4	+25.0	19.6
1999/00	876.0	- 1.6	881.0	+ 1.6	165.5	- 2.9	18.8
2000/01	863.0	- 1.5	887.3	+ 0.7	141.2	-14.7	15.9

Notes:

MMT = Million Metric Tons

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

Marketing year estimates are from the USDA's October World Ag. Supply and Demand Estimates (WASDE) report.

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 2000/01.

	Marketing Year			
	1997/98	1998/99	1999/00	2000/01
(billion bushels)				
<u>Wheat</u>				
Beginning Stocks	0.444	0.722	0.946	0.950
Production	2.481	2.547	2.299	2.239
Total Supply	3.020	3.373	3.339	3.289
Domestic Use	1.257	1.385	1.300	1.276
Export	1.040	1.042	1.090	1.125
Total Use	2.298	2.427	2.390	2.401
Ending Stocks	0.722	0.946	0.950	0.888
Stocks to Use Ratio (%)	31.4	39.0	39.7	37.0
Avg. Farm Price (\$/bu)	\$3.38	\$2.65	\$2.48	\$2.35-2.75
(million bushels)				
<u>White Wheat</u>				
Beginning Stocks	59	90	87	91
Production	332	301	247	301
Total Supply	399	401	340	399
Domestic Use	104	116	89	106
Export	205	198	160	175
Total Use	309	314	249	281
Ending Stocks	90	87	91	118
Avg. Portland Price (\$/bu)	\$3.70	\$3.04	\$3.00	\$3.05

Notes:

Marketing year estimates are from the USDA's October World Ag. Supply and Demand Estimates (WASDE) report.

Portland average price is based on weekly average prices for the marketing year (July through June) for 1997/98, 1998/99, and 1999/00.

For the 2000/01 marketing year, the average Portland price is estimated by the author.

Total supply includes imports.

New Dimensions of the Idaho Rural Economy

Prepared by Neil Meyer
Extension Economist, Policy and Rural Development
University of Idaho

Introduction

New Hurdles to Rural Economy

As we have entered the 21st Century, the situation in Rural Idaho is very different than when we began the last century. The concern then was to facilitate commodities from forests, land and mines to be available to the growing nation. Today the rules are changing to an attitude of preserving many areas and importing the needed resources from other parts of the world. This change has serious implications for rural Idaho. Comments here are divided into four areas: globalization, workforce, infrastructure and commoditization.

Globalization

Our rural sectors are tied to global markets. That means we are selling in all parts of the world and that producers in other parts of the world are selling into the same markets that we are selling products. Factors effecting either production or demand in any major world market have direct implications for our producers. The Asian flu of 1997-98, which affected demand in Asia, resulted in reduced sales by US producers to Asia and increased competition in the remaining world markets as other country suppliers looked for additional markets. In a global marketing situation, rural Idaho competes with and is competed with at all times. This is true for manufactured products, agricultural products, and energy and forest products.

Workforce

Rural Idaho continues to experience a brain drain as the brightest and most capable young people leave for the more urban areas and better paying jobs. An aging workforce remains in place.

Infrastructure

The infrastructure of the old economy is deteriorating. The roads are inadequate, railroads abandoned, while the broadband, needed for electronic communication and commerce are not yet available. Housing is antiquated, sewer and water systems outdated, and the schools crumbling. What new infrastructure is needed? Who will finance the needed new infrastructure? What climate is needed to service resource preservation?

Commoditization

Generally a commodity is fungible. That means persons are looking for something that is easily substitutable among different sources. Wheat from Australia, Canada, Argentina, France and the United States is substitutable in buyers' minds. Buyers seeking a commodity will purchase from the lowest cost delivered source. Many traditional rural products are commodities. As farms get larger, local suppliers are by-passed. Producers go direct to supplies. Eventually, the critical mass needed to keep local firms in business is lost and businesses close or consolidate. The same pressure from globalization also pressures rural manufacturing.

New Horizons

The challenges to rural Idaho are to tap into the new digital economy, energize entrepreneurs, leverage a new agriculture and sell scenery and space. It will take completely new visions and attitudes on the part of rural citizens.

Digital Economy

Tele-tech promises completely new paradigms. Knowledge based industries can locate any place as long as they can get connected. Tapping into that economy will require broadband infrastructure, savvy entrepreneurs, skilled workforce and "quality of life." E-commerce may revolutionize agriculture and rural commerce. Middleman margins are being squeezed. The CONSUMER is king.

Energizing rural entrepreneurs

How are rural residents being trained to develop their own income sources? Do our training institutions enable new businesses or are we training people to work for someone who does not exist in rural areas? A climate is needed which facilitates business development. Currently starting a business is more difficult in rural areas because the needed support system is limited. Rural entrepreneurs need a helping hand much like homesteaders in the past century. Debit capital is available but what about equity capital?

New Agriculture

The new agriculture has huge potential but it is redrawing the rural landscape. How business is done is changing. Many more products are produced under contract and production is concentrated in locations with the necessary supports. Dairy is an example in Idaho. Supply chains are being forged by processors, retailers, producers and input suppliers. Commodity agriculture focuses on production capability with razor thin margins maintained by the technology treadmill and large scale. Product agriculture focuses on consumer needs with margins protected by capturing value and business relationships. Commodity agriculture will increase spatial dispersion with fewer farms, banks, elevators and merchants. It is a speeding of our trends for the past fifty years. Product agriculture creates a new patchwork of supply chain hubs with resulting areas of growth and decline.

For producers to benefit they must grow what will sell, not sell what they grow. Negotiation skills are needed to maintain the price. Cooperatives may be a means for producers to gain a larger share of consumer dollars. The capital base is crucial.

For communities to benefit, the more farm products and the more local processing mean the community will be a hub. Tables 1 and 2 show per capita income and average earnings per job for 8 rural Idaho counties. The average per capita income is \$774 lower in the four counties without a primary commodity processing facility. With average of 2.73 persons per household in Idaho, that is \$2,311 per household in 1998 values. The average pay per job is \$7,044 less in the counties without value adding processing facilities. Having a value adding processing facility operating in your county raises per capita income levels and earnings per job. These increases improve human well being.

Table 1. 1998 Per Capita and Average Income per Job for Four Idaho Rural Counties with Value Added Processing Industries

County	Per/Capita Income	Average Earning per Job
Bingham	\$16,837	\$21,245
Jerome	\$22,702	\$30,983
Washington	\$15,761	\$18,571
Benewah	\$18,440	\$24,108
	=====	=====
Ave Four Counties	\$18,435	\$23,727

Source: <http://niip.wsu.edu/Idaho/selindid.htm>

Table 2. 1998 Per Capita and Average Income per Job for Four Idaho Rural Counties without Value Added Processing Industries

County	Per/Capita Income	Average Earning per Job
Oneida	\$15,564	\$14,014
Lincoln	\$18,854	\$20,850
Adams	\$17,955	\$16,337
Lewis	\$18,269	\$15,531
	=====	=====
Ave Four Counties	\$17,661	\$16,683

Source:<http://niip.wsu.edu/Idaho/selindid.htm>

Selling Scenery and Open Space

As American population becomes older and wealthier, people are seeking beauty, open space and recreational opportunities. These communities need updated infrastructure facilities and learning opportunities and curriculum to permit them to compete in today's society. The problem for rural communities is that the major purchases for those experiences are currently purchased in the urban centers leaving the rural areas to provide what was forgotten or could not be transported. The majority of what is purchased locally is imported or is produced by low paying seasonal jobs. In these situations the re-spending effects (local multipliers) in local economies are very small.

The challenges point to building community and product chains which are world class and benefit all. Getting producers participating in this process will be a major challenge because it requires a change in how they look at production and markets. They will need to form alliances with persons and groups they do not know or trust. Communities need people and a base to function and

participate. How do we govern the new regions? How do we train a new generation of workers and leaders? Can we protect and maintain our quality of life AND preserve amenities in high growth areas? These are the challenges we face as we face the new dimensions of Idaho's rural economy.

