

**Idaho Agricultural Outlook**

by

C. Wilson Gray, Paul E. Patterson, and Neil R. Rimbey

Department of Agricultural Economics and Rural Sociology

University of Idaho

A. E. Extension Series No. 98-12

October 19, 1998

# Cattle Situation and Outlook, Fall 1998 \*

Prepared by C. Wilson Gray

This time last year cattle markets were rebounding and seemed poised to begin the recovery phase of the cattle cycle. By late winter the bloom was off prices and the market has drifted lower since. Cattle feeders have faced 14 months of red ink (Fig 1). Where are we? What got us here? And where are we likely to go next? Let's take these in turn.

## Present Situation

Fed cattle prices began dropping from around \$65/cwt. last November to \$60/cwt. by February. Some seasonal recovery occurred in the second quarter (Mar.-Jun.) but generally stayed at levels below 1997. Since June fed cattle prices have slipped nearly 15% to the mid- and upper \$50 area.

## Fed Cattle Situation

The number of cattle on feed has been higher in six of nine months this year compared to 1997. Fed cattle marketings have been under 1997 six of eight months this year. The number of cattle on feed for 120 days or more has also been higher in eight of nine months compared to 1997. This points out that when prices began to skid last winter,

feedlots slowed up their marketing. As the price dropped further last spring, feeders continued to hold cattle waiting for higher prices "next week." This has put the industry in a backlog situation and greatly contributed to the continued negative return situation for feeders. Typically the industry works out of this situation by reducing placements rather than increasing marketings.

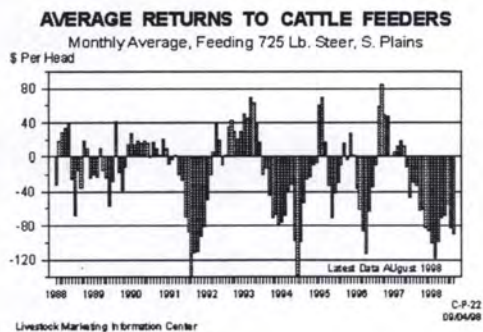


Figure 1



## **Feeder Cattle Impacts**

Net placements of feeder cattle were higher in only three months of eight in 1998 versus last year. Cheap corn was not enough to overwhelm low fed prices. Slowing the rate of placements has negatively impacted feeder prices. For 700-800 pound steers prices held above 1997 through April but have slipped 17% to the mid-\$60 area. Prices on 400 - 500 pound calves have also fallen hard to the high \$70 area, a 20% decline from April when many were looking for grass calves. The back log at the feed lot has hurt feeder prices as well.

## ***What Led Us Here***

Cause and effect or the laws of supply and demand are still in effect. This has much to do with why we are where we are today.

Last year I said...

Last year at this time I forecast lower beef production for 1998 beginning in the second quarter, and correlated higher prices, as did other livestock economists. In retrospect I was close on prices for the first two quarters, but was off on beef production beginning in March. At that point things began to unravel.

## **What Happened?**

As the backlog developed, feeders would hold animals for another week or more in hopes of higher prices. Animals continued to gain weight and when eventually sold, went to slaughter at higher weights. At times it has not been uncommon for cattle to stay at the year an extra month, gaining weight. For the first 7 months live weights were 3% above 1997. Beginning in November of 1997 live weights have averaged above the five year average every month compared to a year ago. This extra beef is equivalent to marketing an extra 29,000 head of slaughter cattle each week if weights were at the average.

## ***What's likely around the corner***

So what does the road ahead look like? Well actually there may be some light at the end of the tunnel. The most recent indications are that weights are beginning to come down. Also, in the past couple of weeks there have again been heavy discounts for Y4 cattle. This means a) there are lighter weight cattle available and b) they are more in demand.



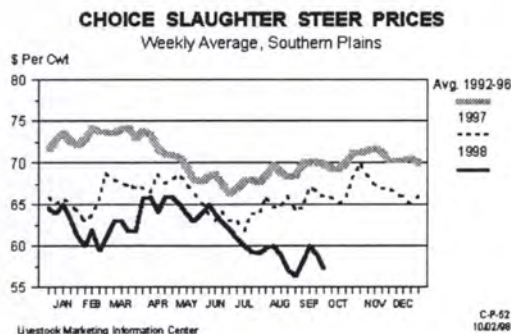
## Getting Feedlots Current

Placements have declined for July and August. At present all indications are that the next report (due out Oct. 16) will show September placements down also. This combined with the recent decrease in fed cattle weights in the Texas/Oklahoma panhandle indicate that the backlog may be starting to lift. At this stage these are only early indications. Resistance to marketing cattle in a timely way will mean a drag on prices longer than necessary.

## Feeder Supply

According to the January 1 Cattle Inventory Report the supply of feeder cattle outside feedlots was down 3.8% from 1997. The July 1 Cattle Inventory Report confirmed this reduction with a 2.4% decline in feeder supplies compared to a year earlier. The calf

crop has been smaller each year beginning with 1995. A larger portion of the feeder supply has been heifers. Rather than retaining heifers more have been sold and put on feed. Heifer slaughter has been above the 5 year average for all of 1997 and 1998. In contrast steer slaughter has been near the 5 year average for both 1997 and 1998.



**Figure 2**

## Price Outlook

There are early signs that the backlog is being reduced. Discounts for Y4 animals should press feedlots to not hold on and get the discount for heavier animals. So far total beef production in 1998 has been about 7/10's of a percent above 1997. Both years are well above the 5 year average. Lighter slaughter weights and reduced placements will bring total beef production down. Due to low feeder prices and low feed costs, cattle placed recently have lower breakevens. These are in the \$60-\$62 area. With reduced supplies on the market it is likely that fed cattle prices could move into this range (Fig. 2) by late December or early in the first quarter of 1999. As cattle feeders begin to see some profit

that could translate into higher bids for feeder cattle by late winter or early spring. Once prices begin to move up, a 10% to 20% increase from current levels over the year is possible for most feeder weight classes.

### ***The top 4 reasons why prices are low***

1. The heavier slaughter and carcass weights are equivalent to an extra 29,000 head going to slaughter each week. Average daily kill is in the 135,000 -140,000 head range. This has reduced fed cattle prices by \$2 - \$3/cwt.
2. The drop credit for hides and offal is down \$2.00/cwt. or more on a live steer basis from last year. This directly impacts fed prices. The Asian Flu has particularly hurt hide prices, and more recently Russia's financial bind has decreased their purchases of livers and hearts.
3. Pork supplies have seen a huge increase this year. For the first nine months pork production has been 10% above a year ago. This has deflated hog prices by 30% or more into the high \$20 - low \$30 area. This has decreased fed cattle prices by \$1.00 - \$1.50/cwt.
4. The Beef America plant closing in July reduced capacity limiting the ability to slaughter beef. As a result packer margins began to widen this summer and have decreased slaughter cattle prices by about \$1.00/cwt.

### ***Longer term***

Price prospects are not likely to improve significantly until very late in '98 or probably in the first quarter of 1999. Once supplies, and concurrently prices, begin to improve and cattle feeders begin to see a profit some of that is likely to be bid into feeder calf prices.

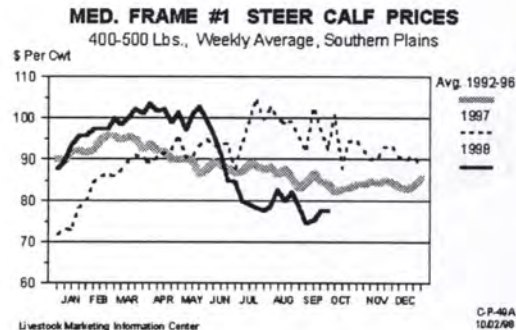
### ***Supplies & Placements***

If placements continue their lower trend cattle slaughter beginning in late 1998 will be reduced compared to this year. Carcass weights may decline only slightly. However, beef production for 1999 will likely be 4 - 6 percent below this year. The calf crop has been declining for several years. If any heifers are held out from the slaughter mix in 1999 it will tighten available supplies and help support prices.



## Price Outlook

By year end we will hopefully see fed prices averaging above \$60. If supplies continue to moderate fed cattle prices could strengthen in the mid- to upper \$60 area later in 1999. As profitability returns to the feeding industry, feeder prices will strengthen also. For 7-8 weight calves prices may climb to the mid \$70 area, and for 4-5 weight calves prices (Fig. 3) could climb back into the \$90 area by 4<sup>th</sup> quarter 1999.



**Figure 3**

## The case for wintering

The above forecast suggests that fall weaned calves may have a lackluster market. But prospects should improve by next spring. This suggests that the buy-sell margin between fall 500 pound calves and spring 650 pound calves may be quite narrow. This may provide an opportunity for those who have a place to background these calves. A sharp pencil should be put to paper before making any decisions, but retaining these fall calves could make a profit for some ranchers.

**Table 1 Planning Prices for PNW Cattle**

Weight	4 <sup>th</sup> Quarter '98	1 <sup>st</sup> Quarter '99	2 <sup>nd</sup> Quarter '99
Steers 11-1300#	57-62	61-65	63-69
Steers 8-900#	57-62	62-67	65-70
Steers 7-800#	63-70	65-73	69-76
Steers 6-700#	68-74	71-77	73-80
Steers 5-600#	71-78	75-81	77-84
Steers 4-500#	74-80	78-83	82-92
Utility Cows	32-37	41-45	43-47

\* Graphics provided by Livestock Marketing Information Center, Lakewood, CO.

# Dairy Situation and Outlook, Fall 1998 \*

Prepared by C. Wilson Gray

Thus far 1998 has been a year for dairymen to count their blessings. With many other commodities struggling for better prices, dairymen have benefited from a "cost - price" double play. Costs have decreased while prices have moved up.

## Where are we so far this year

Declining feed costs, tight milk supplies and stronger product demand have combined to create a profitable year. Milk prices skidded to \$10.88/cwt. in June but have climbed since to \$15.10 for September. Both cheese and butter prices have gained remarkable

price strength since the first of the year. Only recently has butter (Fig. 4) shown some price weakness, going from near \$1.10 in January to a peak of \$2.70 in August and September, butter is now near \$2.35 a pound.

Cheese remains strong with 40# blocks at \$1.80 and barrels at \$1.77 per pound.

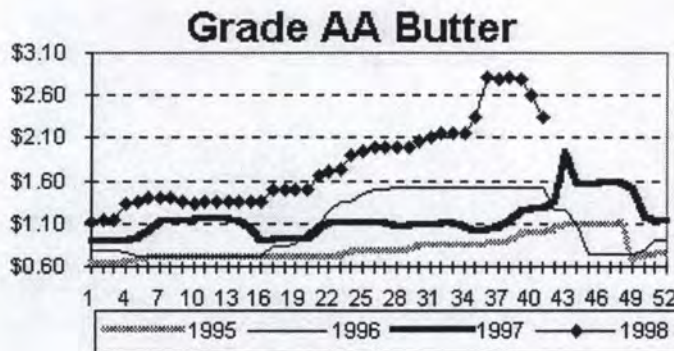


Figure 1

## Production

Milk production has been relatively flat although there has been an increase in cow numbers, going from 7.725 million head in the 20 reported states in March to 7.751 million head in August. This 0.33 percent increase is in contrast to the more normal 1% decrease in cow numbers. Per cow production has not improved in many states due to weather or other problems. This has held total milk production to a more modest 0.7% gain for the year through August.

With the buildup in cow numbers, the stage is set for higher total production. As weather moderates production per cow is likely to increase. Production could grow at a much higher rate from October into the first quarter of 1999. This could cause a heavy spring flush.



## Dairy products

For the spring quarter cheese consumption was up over 7 percent and butter consumption was up nearly as much. In particular high fat products like butter, sour cream, ice cream and cheese had high demand. Fluid milk consumption was down 1 percent however. This increase in demand came at a time when stocks of dairy products are low and production has been barely above year earlier levels. Butter stocks were 37% below year-ago levels in June. Cheese stocks were down nearly 5% for the same period. Production of butter and cheese has not kept up this year as butter production is off 10% and American type cheese is only 0.3% above last year.

### ***What got us here***

It's an ill wind that blows nobody good as the saying goes. Low hay and grain prices have meant low feed costs for dairies. Stronger demand and stable supplies have pushed up cheese and butter prices and therefore milk prices.

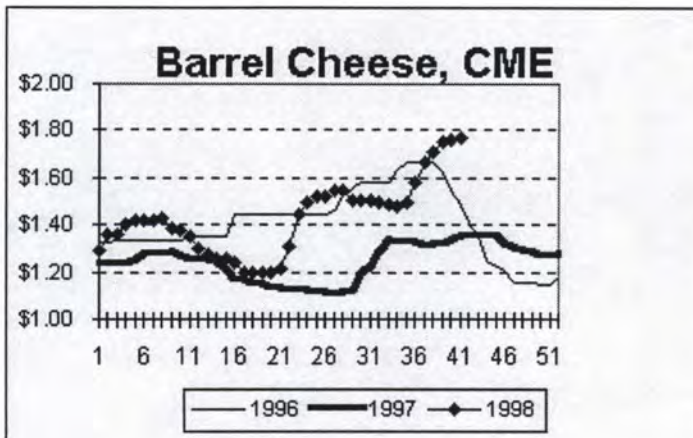
### Feed costs

Feed costs are about 45 to 55 percent of the cost of producing milk. Last fall dairy hay was selling for \$120 a ton. This fall it is priced at \$85-\$95 a ton. Barley that cost nearly \$7.00/cwt last year was going for just over \$5.00 this year. While indications are that soymeal and cottonseed may be going up the overall impact has been to lower the cost of the major expense item in any dairy's budget. In fact the feed component of dairy budgets has been declining since last spring.

### Prices

The basic formulae price (BFP) is in part based on cheese prices. High cheese prices have increased the BFP at the same time high butter prices have increased differentials for butter fat. Class I and class II prices are partly determined by the BFP from two months prior. When the BFP rises rapidly, as has happened this summer, class price inversion may result. Thus we have seen a situation where class I and II prices are below the class III (BFP) price. This can lead to *negative* producer price differentials (the difference between Class I and II prices versus the class III price). The negative differentials are because of advanced pricing, or the formulae used for class I and II pricing, and the fast rise in the BFP due to high cheese prices.





**Figure 2**

comes from outside the government's pool. Typically fluid processors pay into the pool and cheese makers draw from the pool. Depooling raised Class I use because fewer cheese makers (Class III users) were in the pool so the blend price was lowered.

***What's next***

Cheese prices have continued to rise (Fig 5), although in recent weeks butter prices have softened. Healthy farm level prices through the end of the year are assured. Then what?

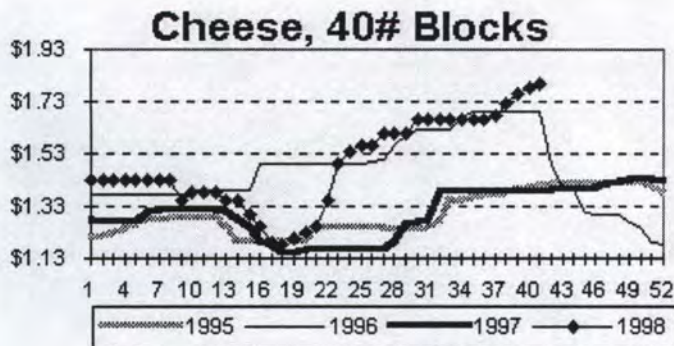
**Production**

With the increase in the national dairy herd the numbers are there to significantly increase production when per cow milk production begins to kick in again. First wet then hot weather in several major dairy states teamed to prevent per cow productivity from showing much improvement. As weather conditions moderate and the abundance of inexpensive feed allows feeding to potential, milk production could respond by moving sharply higher in the winter and spring of 1999. Improvement may even begin to show this fall.

With the negative producer premium in many federal orders in July and August, many cheese processors depooled. In short they took milk out of the order to avoid making pool payments. The milk still goes into cheese and dairymen still get paid, but the Market Administrator's office reports a lower price for milk and more of the dairyman's price



## Manufacturing



**Figure 3**

retailers some cushion later in 1999.

### Price outlook

With the BFP tied to cheese prices, it will likely begin to moderate in November. Because of the advanced price situation on Class I and II milk those prices will not drop until late in 1998 or after the first of the year. In looking ahead astute dairymen will want to plan for a 1999 that is not quite as friendly as 1998.

### Longer term

As dairymen settle up their year-end books it might be a good time to catch up on bills and pay off debt where feasible. As agriculture moves toward a more market-oriented environment, volatility will become a more frequent companion to dairymen.

When prices were sliding in the first half of the year many in the dairy industry headed to Washington for a "fix" as they felt that the market wouldn't find a bottom or recover. The market price has exceeded the temporary price floor that many had asked for and that was ultimately rejected by Secretary Glickman.

### Production

Farmers are in general rational economic persons. Faced with lower feed costs, high milk prices and more favorable weather a production response will occur. Later, if prices are lower and/or feed becomes more expensive, production may be trimmed.

Higher milk production will bring supplies more in line with demand. Prices on butter have already met resistance and cheese prices at \$1.80 are possibly bumping into a ceiling. Cheese prices will likely moderate in November and December. Stocks may also be replenished as we move into next spring giving



## Markets

A share of the strong demand that dairy products have enjoyed this year is partially due to the strength of the US economy and the disposable income buyers are willing to put on dairy products. With the economic problems in Asia and the recent gyrations on Wall Street, will consumers feel as confident this holiday season? what about next year? Slackening demand coupled with rising production could spell a period of lower prices and tighter margins on the dairy farm.

## Prices

Milk prices will likely remain strong through the end of the year but show early signs of weakness. For 1999 milk prices are likely to average under this year. At this point feed costs appear that they will remain moderate which will aid the bottom line. While the long term outlook for dairy remains favorable careful planning will also be in order to navigate the more volatile world in which dairymen will operate.

**Table 1 Planning Prices for PNW Dairy**

	4 <sup>th</sup> Quarter '98	1 <sup>st</sup> Quarter '99	2 <sup>nd</sup> Quarter '99
Milk, BFP	13.10-15.25	11.70-12.70	10.45-11.50
Utility Cows	32-37	41-45	43-47

---

\* Graphics are by Dr. Ken Bailey, University of Missouri.

## **Feed Grain Market Outlook For 1998-99**

Prepared by Paul E. Patterson

The outlook for coarse (feed) grains is less bleak than for wheat. However, Asia's financial crises has spread and will reduce demand not only for feed grains directly, but will also reduce demand indirectly as consumers switch from grain-fed meat to less expensive protein sources. A strong U.S. dollar makes it more difficult for the U.S. to compete for a shrinking export market. World coarse grain stocks are growing and putting downward pressure on price. As with wheat, the U.S. is carrying a large share of the world's stocks.

### World Coarse Grain Situation

World coarse grain production for 1998-99 is projected at 882.9 million metric tons (MMT). (See Table 1.) While this amounts to a .6 percent decrease over the previous year, it still exceeds the projected use by 2.5 MMT and puts projected ending stocks at their highest level since 1992. Projected ending stocks of 137.3 MMT results in a stocks-to-use ratio of 15.6 percent, certainly not excessively burdensome by historical standards. A ratio is useful when viewing historical data since it provides a relative, rather than an absolute measure, allowing consistent year-to-year comparisons. Stocks-to-use ratio summarizes the net change in production and use.

Among the major exporting countries, only the U.S. and Canada had production increases. The U.S. is up 5.91 MMT over last year (2.2 percent) and Canada is up .21 MMT (.8 percent). Major importing countries are projected to produce 11.64 MMT less than last year. Unfortunately, this will not be translated to increased export opportunities. The biggest changes will be in the European Union (EU), down 4.3 MMT (3.9 percent), and in Eastern Europe, down 9.14 MMT (15.7 percent). A number of countries that typically aren't major players on the import/export scene could be the unexpected wild cards. China's production is projected up by 21 MMT over last year (18.3 percent). This will put China over their total needs, so they have more grain for potential export. But at the low forecast price, China may have little incentive to move corn to export channels. If China does export corn; feed grain prices could fall below the current forecast. The Former Soviet Union's (FSU) production, on the other hand, is projected to be down by 25.76 MMT (37.9 percent). Will they make up their shortfall by increasing imports? How will they pay for grain exports if they do want to buy? The chaotic political and economic situation in the FSU makes it difficult to analyze the situation. If the FSU is able to import above the level currently forecast by USDA, this will have a positive price impact regardless of whether they are cash or credit sales.



### U.S. Feed Grains Situation

U.S. feed grains production for 1998-99 is projected at 271.0 million metric tons (MMT). (See Table 2.) This amounts to a 2.2 percent increase over the previous year and it exceeds projected use by 7.8 MMT. Projected ending stocks of 48.6 MMT are up over 21 percent over the previous year and nearly 18 MMT over the five-year average. Projected U.S. feed grain stocks represent the highest stocks levels since 1992. Projected ending stocks at these levels are high and price depressing with a stocks-to-use ratio of 18.5 percent. In recent years, a stocks-to-use ratio exceeding 15 percent tends to put downward pressure on prices.

Corn, the largest U.S. feed grain, typically accounts for close to 90 percent of total feed grains. While corn production is projected to increase four percent over last year, sorghum, barley and oats will decrease. Corn production is projected up 378 million bushels (9.5 MMT), sorghum down 131.8 million bushels (3.33 MMT), barley down 16.3 million bushels (.35 MMT) and oats down 6.2 million bushels (0.11 MMT). If realized, the 9.7 billion-bushel corn crop will be the second largest in terms of both production and yield. (See Table 3.)

U.S. feed grains total use (domestic and exports) is projected at 263.2 MMT (Table 2), a 3.3 percent increase over last year and 13.0 MMT above the five-year average. Cheap, low-quality wheat will displace some feed grain. USDA is projecting a 28 percent increase in the use of wheat for feed and this likely influenced their corn price projection. USDA's \$2.00 seasonal average corn price (midpoint in projection) is below the \$2.07 depressed average price of 1992 and would be the lowest since the \$1.94 average price in 1987. Idaho's average corn price typically exceeds the U.S. seasonal average price by \$.45 to \$.50 per bushel.

Idaho's primary feed grain is barley, although corn's price will certainly influence the price Idaho producers receive for their barley. Cheap corn means a low barley price. Idaho's barley production is projected down one percent from last year. (See Table 4.) Nationally, barley production was down 4.4 percent. Growers in Idaho planted the same acreage as in 1997, but yields were off by one bushel, resulting in the reduced production. Strong demand from Idaho's expanding dairy sector has kept feed barley prices high and fairly stable over the past five years, averaging \$5.21 per cwt. Price for the 1998 barley crop is down significantly from last year and continues the price slippage that began after the record high prices in 1995. Prices in the \$3 to \$3.50 per cwt range in southern Idaho after harvest are levels not seen since 1986. The \$4.05 per cwt seasonal average price for feed barley projected by the author is a 16 percent reduction from last year's average price, and 22 percent below the five-year average. Feed barley seasonal average prices should range between \$3.85 and \$4.10 across southern

Idaho and around \$4.05 at Lewiston. Nationally, USDA is forecasting an average feed barley price in the range of \$3.65 to \$4.48. This includes both feed and malt barley.

Regional 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 available at <http://www.uidaho.edu/ag/agecon>. Prices are forecast in September and revised in December.



**Table 1. World coarse grains<sup>1</sup>.**

Market	--Production--		-----Use-----		-Ending Stocks-		Stocks to use ratio
Year	MMT <sup>2</sup>	% Change	MMT <sup>2</sup>	% Change	MMT <sup>2</sup>	% Change	%
1992	862.8	+ 7.4	834.1	+ 3.1	166.0	+ 21.4	19.9
1993	790.1	-8.4	830.9	-0.4	122.1	-26.4	14.7
1994	869.3	10.0	858.6	3.3	133.8	9.6	15.6
1995	801.8	-7.8	842.6	-1.9	95.4	-28.7	11.3
1996	908.2	13.3	879.2	4.3	126.8	32.9	14.4
1997 <sup>3</sup>	888.6	-2.2	880.7	0.2	134.8	6.3	15.3
5-Yr Avg	851.6		858.4		122.6		14.3
1998 <sup>4</sup>							
JUL	898.6	1.1	891.8	1.3	139.3	3.3	15.6
SEP	894.5	0.7	886.8	0.7	139.9	3.8	15.8
OCT	882.9	-0.6	880.4	0.0	137.3	1.9	15.6

Source: USDA, World Agricultural Outlook Board.

<sup>1</sup>Coarse grains include: corn, barley, grain sorghum, oats, rye, millet and mixed grains.

<sup>2</sup>MMT = million metric tons.

<sup>3</sup>USDA estimate in October WASDE report.

<sup>4</sup>USDA projection in monthly WASDE reports.

**Table 2. U.S. feed grains.<sup>1/</sup>**

Market	--Production--		--Total Use--		-Ending Stocks-		Stocks to use ratio %
	Year	MMT <sup>2/</sup>	% Change <sup>3/</sup>	MMT <sup>2/</sup>	% Change <sup>3/</sup>	MMT <sup>2/</sup>	
1992	277.1	26.9	249.3	6.4	63.1	85.6	25.3
1993	186.2	-32.8	225.8	-9.4	27.4	-56.6	12.1
1994	284.6	52.8	269.9	19.5	45.3	65.3	16.8
1995	209.2	-26.5	242.8	-10.0	14.4	-68.2	5.9
1996	267.3	27.8	257.6	6.1	27.0	87.5	10.5
1997 <sup>3/</sup>	265.2	-0.8	254.9	-1.0	40.1	48.5	15.7
5-Yr Avg	242.5		250.2		30.8		12.2
1998 <sup>4/</sup>							
JUL	268.7	1.3	260.5	2.2	52.1	29.9	20.0
SEP	271.5	2.4	260.6	2.2	53.7	33.9	20.6
Oct	271.0	2.2	263.2	3.3	48.6	21.2	18.5

Source: USDA, Economic Research Service Feed Yearbook (5/98), except as noted.

<sup>1/</sup>Feed grains include: corn, barley, grain sorghum and oats.

<sup>2/</sup>MMT = million metric tons.

<sup>3/</sup>USDA estimate in October WASDE report.

<sup>4/</sup>USDA projection in the monthly WASDE report.



**Table 3. U.S. Corn Crop**

	Planted (1,000 ac)	Harvested (1,000 ac)	Yield (bu/ac)	Production (1,000 bu)	Price (\$/bu)
1993	73,235	62,921	100.7	6,336,470	2.50
1994	79,175	72,887	138.6	10,102,735	2.26
1995	71,245	64,995	113.5	7,373,876	3.24
1996	79,507	73,147	127.1	9,293,435	2.71
1997	80,227	73,720	127.0	9,365,574	2.45
5 Yr Avg	76,678	69,534	121.4	8,494,418	2.63
1998					
Aug	80,798	73,789	130.0	9,592,089	1.95-2.35
Sep	80,798	73,789	132.0	9,737,949	1.80-2.20
Oct	80,798	73,789	132.0	9,743,399	1.80-2.20
Oct 98 / 1997	1.01	1.00	1.04	1.04	0.82
Oct 98 / 5 Yr Avg	1.05	1.06	1.09	1.15	0.76

Source: USDA, Economic Research Service Feed Yearbook (5/98), except as noted.

1/USDA, National Agricultural Statistics Service Crop Production monthly reports and Acreage (6/98).

**Table 4. Idaho Barley Crop**

	Planted (1,000 ac)	Harvested (1,000 ac)	Yield (bu/ac)	Production (1,000 bu)	Price <sup>1</sup> (\$/cwt)
1993	770	750	80	60,000	4.54
1994	740	720	75	54,000	4.60
1995	780	760	80	60,800	6.40
1996	750	730	73	53,290	5.71
1997	780	760	79	60,040	4.81
5 Yr Avg	764	744	77	57,626	5.21
1998					
Jul	780	760	80	60,800	
Aug	780	760	80	60,800	
Sep	780	760	78	59,280	4.05
Sep 98 / 1997	1.00	1.00	0.99	0.99	0.84
Sep 98/ 5 Yr Avg	1.02	1.02	1.01	1.03	0.78

Source: USDA, National Agricultural Statistics Service and Idaho Agricultural Statistics Service.  
 Acreage, yield and production data is from annual and monthly Crop Production Reports.  
 Price for 1993-97 is simple average of monthly feed barley price reported by IASS, July – June.



## **Idaho Edible Dry Bean Outlook for 1998-99**

Prepared by Paul E. Patterson

U.S. dry edible bean production for 1998 was up 6.6 percent over 1997. Although not as gloomy as the 10.8 percent increase in harvested acreage, it will certainly have a negative impact on prices. North Dakota, the nation's largest dry bean producer, planted 150,000 additional acres (+25 percent). Colorado, fourth in dry bean production, planted 45,000 more acres than in 1997 (+33.3 percent). While there were increases and decreases in planted acreage among the other states, North Dakota and Colorado together accounted for the net increase in US planted acreage. The USDA's October estimate of 31.07 million cwt puts total production 3.3 million cwt above the five-year average, but still below the 33.7 million cwt record crop of 1991. The U.S. harvested 1,905,900 acres, up 10.8 percent over the previous year and 7.9 percent or 140,100 acres above the 5-year average. Average yield of 16.3 cwt per acre was down 3.8 percent. Without the moderating effect of the yield reduction, total production would have exceeded 32 million cwt and prices would be lower by \$1-3.

Weather was the primary factor in reducing yields in Michigan, Nebraska, Minnesota and Idaho, all major dry bean states. Cool, wet weather delayed planting and emergence in many states. Hot and dry weather later in the growing season reduced pod numbers as well as beans per pod. Quality of the crop was also affected by the weather, producing more shrunken, cracked and bleached beans.

In the Pacific Northwest, 1998 production was down 5.3 percent with Idaho down 4.7 percent, Oregon down 27.7 percent, and Washington down 1.2 percent. Idaho harvested 20.5 cwt per acre on 103,000 acres compared with 21.5 cwt on 103,000 acres in 1997. Oregon's yield of 19.1 cwt was down 1.5 cwt from 1997 and the 8,500 acres harvested was down 2,400 acres from 1997. Washington's 1998 yield of 21.0 cwt per acre was down 1.4 cwt and the 40,000 harvested acres was up by 2,000.

### **Review of 1997-98**

Dry bean prices in Idaho followed a fairly traditional pattern during the 1997-98 marketing year (September - August). In general, prices were low at harvest and strengthened during the late fall and early winter. Pinto prices showed the greatest improvement, moving from \$17 to \$18 at harvest to \$24 by February. Prices then trended down by \$2 to \$3 over the second half of the marketing year. Great Northerns moved from an \$18 harvest price-time price



to \$20 by late March and stayed at this level for the remainder of the marketing year. The price for Small Whites and Small Reds showed little variation over the year, trading in the \$20 to \$21 dollar range. Pinks started the marketing year in the \$20 to \$21 price range and had moved up only to \$22 by February, where the price remained for the season. Seasonally, Pinto prices averaged \$21.30, Great Northerns averaged \$19.15, Small Whites averaged \$20.50, Pinks averaged \$21.85 and Small Reds averaged \$21.00. The markets inability to maintain the price gains on Pintos during the second half of the marketing year and the inability to improve prices of other classes stemmed from disappointing export sales. Exports in 1997 fell significantly below USDA's forecast.

### **Looking Ahead for 1998-99**

Prices on all classes of dry beans in Idaho weakened as the 1998-99 marketing year began on the expectation of a large crop, dropping below the 1997-98 end-of-year prices. Pinto's and Great Northerns traded mostly in the \$17 to \$18 range. Small Whites were slightly higher at \$18 to \$21 and Pinks and Small Reds were \$18 to \$19. Bean prices will likely stay in a fairly narrow trading range during the first four months of the 1998-99 marketing year. Price increases will likely be limited to \$1-2 over the harvest-time lows. If exports stay strong as the new year begins, modest price improvements will continue and the seasonal price will average around \$21. If exports decline in the new year, prices will stay stagnant with the seasonal price averaging close to \$18 across all bean classes.

Exports for the 1998 calendar year are forecast at 10.1 million cwt, up 2.3 million cwt over 1997. The U.S. typically ranks second, behind China, or third, behind China and Burma, in dry bean exports. Major U.S. export markets include the United Kingdom, Japan, Algeria and Mexico.

Domestic demand is expected to remain at current levels. USDA forecasts per capita consumption at 7.8 lbs for 1998, the same as in 1997. A reasonable estimate for 1999 would be in the range of 7.6 lbs to 7.9 lbs. The longer-term potential for increased domestic utilization appears bright, however. The proportion of Hispanics in the U.S. population, traditionally high consumers of dry beans, is expected to reach 15 percent by 2020. Currently, 10 percent of the U.S. population is Hispanic. Continuing popularity of Mexican and Southwest food will help sustain recent gains and could boost consumption.



## Projections For 1999-00

If grain prices for the 1998-99 marketing year remain weak as expected, additional acreage will shift to dry beans in 1999 even if dry bean prices for 1998-99 are only fair. An acreage increase as large as occurred in 1998 is unlikely. U.S. planted acres will likely increase around 2 percent with a comparable increase in harvested acres. 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.

Unless constrained by weather, U.S. dry bean production in 1999 should fall between 31 and 32 million cwt. Production at these levels will keep the average Idaho price for the 1999/00 marketing year in the mid to high teens. While U.S. production over 32 million cwt is unlikely, prices would fall to the mid teens if it did occur. U.S. production between 27 and 29 million cwt, means an average Idaho dry bean price in the low \$20's. The price estimate for the 1998 crop, shown in Table 1, and the 1999-00 predictions discussed above, assume exports of at least 9 million cwt and steady domestic utilization.

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

Marketing Year	U.S. Production (million cwt)	U.S. Exports <sup>1/</sup> (million cwt)	Idaho Production (1,000 cwt)	Average Idaho Price <sup>2/</sup> (per cwt)
93-94	21.91	6.8	2,091	\$23.75
94-95	29.03	7.8	2,691	\$18.90
95-96	30.80	8.1	2,160	\$20.90
96-97	27.96	9.0	1,907	\$23.60
97-98	29.16	7.8	2,215	\$20.50
98-99 <sup>3/</sup>	31.07	10.1	2,112	\$19.50
99-00 <sup>4/</sup>	30-32	9.0	2,250	\$17-19

Source: USDA. <sup>1/</sup>Exports are for the calendar year. <sup>2/</sup>Prices are for crop marketing year Sept. 1 – Aug. 31.

<sup>3/</sup> US production and exports and Idaho production are preliminary USDA estimates. Idaho's price is the author's forecast.

<sup>4/</sup>1999 values are the author's forecasts.



## **IDAHO FORAGE OUTLOOK For 1998-99**

Prepared by Neil Rimbey

The 1998-99 Idaho hay and forage market is full of plusses and minuses. Some of the plusses have the potential of hitting hay price with some big-time minuses this marketing season. Idaho's hay acreage increased by about 110,000 acres during 1998, to 1.4 million acres. Based upon USDA/National Agricultural Statistics Service (NASS) figures, all of the increase appears to have come in the area of alfalfa hay, which rose from 1.02 million acres in 1997 to 1.13 million acres this year. What impact does this acreage increase have on hay supplies? Based on the 4.2 tons/acre average production reported by NASS, there should be another 462,000 tons of alfalfa hay on the market this year. That is a big plus, that may also be a minus in terms of price!

Before delving too deeply into the price situation, let's look at what the NASS figures show us about hay production and supply. Then, turn our attention to the components of different hay qualities. A brief look at hay demand from the context of changes in cattle numbers will be presented. An understanding of this background information will then set the stage for the discussion on price projections for the 1998 hay crop. Projections on pasture and range lease rates will conclude this article.

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

Each year, total hay supply is composed of carryover stocks from prior years, alfalfa and other hay production. USDA/NASS reports 2 hay stock figures during the year. December hay stocks are collected during the December survey and reported in early January each year. This figure gives a picture of how hay is being marketed and fed during the first part of the winter. Recall the mild winter of 1997-98 and the fact that nearly 3 million tons of hay was still on hand in December of 1997 (Table 1). This contributed to the weakening of hay demand and prices and resulted in a carryover from the 1997 crop of 566,000 tons (May 1 Hay Stocks, Table 1). This was about double what it had been the previous year. As was noted earlier, alfalfa acreage increased substantially in 1998. This resulted in a NASS projection of total alfalfa hay production estimated at 4.7 million tons during the 1998 crop year. This is about a 10 percent increase in production over 1997 levels. It is also the maximum production for alfalfa that we have seen over the past 24 years. Other hay (non-alfalfa hays such as grass hay are included in this NASS category) production is projected to be 690,000 tons during 1998. No big acreage or production increases occurred in the area of other hays this past year. Total crop production (alfalfa plus other hay) is projected to be 5.4 million tons, again a



record over the past 24 years. Total hay supply (production plus May 1 carryover) is projected at 6 million tons (another record level).

### ***Hay Quality Issues***

Growing conditions during 1998 were a bit different than we have seen in recent years. A cool, wet spring and early summer impacted hay quality in most areas of southern Idaho. Quite a bit of first cutting was either rained on or, harvest was delayed enough to move hay quality down due to lower protein and higher fiber content. There were also scattered reports of rain during second cutting and some rain damage on third cutting in southwestern Idaho. Because of this, there appears to be a shortage of higher quality alfalfa hay to service the booming dairy sector in southern Idaho (see Hay Demand section below). As this is being written (late September), there has still not been a killing frost in southwestern Idaho, which translates into the potential for another cutting of quality hay.

### ***Hay Demand***

Primary demand for Idaho hay comes from cattle (dairy and beef). Secondary demand sources are the sheep industry and horses. The dairy industry has been through a period of growth over the past 3 years that bodes well for the producers of dairy quality forages. Idaho dairy cows currently number about 280,000 head. Although the growth rate has not been as rapid as it was during 1996 and 1997, milk cows are still increasing at about 1,500 head per month. Idaho currently ranks 6<sup>th</sup> in the nation in terms of dairy production. Although it is uncertain whether this trend will continue, it does provide a ready market for Idaho hay producers. The milk fat shortages earlier this year and resulting strength in milk price may in fact fuel further expansion of dairies into Idaho. Dairy quality hay (high protein, low fiber) usually sets the top of the hay market, primarily due to consistent monthly demand from the dairy industry. This year will be no different, particularly in light of the apparent lack of top quality hays due to the rain damage and harvest delays early in the season. However, relatively cheap concentrate prices may induce dairy producers to revamp rations with substitutions of concentrates (grain) for some roughages (hay).

The beef cattle market has gone through a period of low market prices. Beef cattle numbers declined a bit during 1997 and it is thought that they remained relatively consistent at about 500,000 head of beef cows during 1998. However, the financial situation and low market prices may cause further liquidation of the Idaho beef herd. Sheep numbers are currently in the 200,000 head range and horses numbered slightly over 150,000 head the last time they were sampled.



### ***Price Implications***

The supply of hay is at record levels in the state. However, quality issues arise in relation to the record hay crop. Demand from the dairy sector continues to grow at more moderate rates than we have seen in past few years. Because of these 2 issues, dairy quality hay price will likely average in the range of \$90-100/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 \$60-70/ton. Grass hay will be another \$10-15/ton back from the feeder quality alfalfa, except for the high quality horse hay, which will trade in the range of dairy quality.

As usual, these projections must be tempered somewhat with a weather forecast. A long, cold winter will alter these projections, particularly if the winter feeding period for cattle, sheep and horses starts a month earlier than usual. This will result in a reduction in the record supplies and could offer strength for the hay markets later in the winter and early spring. By the same token, a mild winter with a shorter feeding period (like that of 1997-98) will not reduce supplies enough to maintain prices at the levels projected above.

The economic situation in Asia does not provide too much in terms of rays of hope for reducing the supply. Washington State has been exporting about 20 percent of their hay crop to Asia. A small percentage of the Idaho hay crop usually goes into the export market. However, with the gloom and doom facing the Asian economies, do not expect much help this year from that vein.

### ***Range and Pasture Grazing Lease Rates***

Fees for Bureau of Land Management and 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. The doldrums of the cattle market will again keep the fee at the minimum. Lease rates for Idaho State Lands will be \$4.72/AUM for 1999. Private lease rates vary substantially across the state 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.



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

	Hay Stocks	Hay Stocks	Alfalfa	Other Hay	Total Crop	Total
Year	Jan 1/Dec 1 <sup>1</sup>	May 1	Production	Production	Production	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	660	3978	460	4438	5098
1995	2794	222	4510	570	5080	5302
1996	2285	660	4000	448	4448	5108
1997	2986	286	4488	660	5148	5434
1998		566	4746	690	5436	6002
Avg	2906.82	595.57	3950.10	543.81	4493.90	5089.48
Max	4008	1086	4746	897	5436	6002
Min	2183	222	3367	288	3655	4299

<sup>1</sup> Since December 1986, hay stocks on farms in the winter have been reported as December 1 figures. Prior to that date, it was collected in January of each year. The 1998 December 1 Hay Stock estimates will be released in January 1999.



# **Wheat Market Situation and Outlook For 1998-99**

Prepared by Paul E. Patterson

I want to make one point clear at the outset; I do not have a crystal ball that allows me a look in the future. Nor should the reader infer that my projections are an indication of what I want to see happen in the market. Keep in mind that markets are dynamic and prices react quickly to the constant stream of data, rumor and conjecture regarding changes in supply and demand. Supply and demand determine price in a market-based economy.

The current wheat market situation is poor and the near-term outlook, four months or less, is also poor. Although, the situation for soft white is relatively better than the other major wheat classes. Could the market improve significantly? Yes, but that is highly unlikely. The market fundamentals in place today (supply, utilization and ending stocks) do not suggest significant near-term improvement as a likely outcome. However, an unexpected change in market fundamentals could bring about a modest improvement in price.

Market analysis often provides both current and historical information. Current information often listed as forecasted or projected, is preliminary at best and needs adjustment as additional and more accurate information becomes available. Historical data will not change and provides a useful context in which to view the current market situation. There's an old saying "nothing is good or bad except by comparison," which certainly holds true in commodity markets.

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. Since USDA revises the current year's projections on a monthly basis, I included both current and selected previous monthly estimates to show how USDA's projections can and do change. Changes in USDA projections can be useful in explaining price movements. Both the direction and the magnitude of change are important in understanding price behavior.

Production estimates for the 1998 crop have continued to decline and this is certainly positive. October's projection of 590.6 million metric tons (MMT) is down 5.6 MMT from September's projection or 3.4% below 1997. The bad news is that production among major exporting countries is up 7.7 MMT or 5 percent over 1997. A projected decline in Argentina's crop of



nearly 29 percent (4.3 MMT) will be offset by Australia's 21 percent increase of 4.1 MMT. The Canadian crop is down 4 percent (1.1 MMT) while the European Union's (EU) production is up by 8.9 MMT, or 9.4 percent. The increased production from the EU and Australia are particularly troublesome, as both countries are aggressive in marketing grain to avoid the buildup of excessive stocks. The good news is that production from the major importing countries is expected to decline 9.13 MMT, or 4.9 percent.

While projected use of 601.8 MMT is down 1.9 MMT from September's projection, it still exceeds the current year's production and is higher than 1997. October's projected ending stocks of 123.8 MMT is down 8.4% from 1997 and only 1.5 MMT above the 5-year average. Stock-to-use ratio, a number which summarizes the net changes in production and use (domestic and exports), shows an overall decline from 1997 and is back below the 5-year average; an encouraging sign. A ratio is useful when looking at historical data since it provides a relative, rather than an absolute measure. While not a bullish report, the reduction in stocks is an important first step that will ultimately lead to an improvement in wheat prices. World stocks are only at a moderate level when viewed on a historical basis.

### **U.S. Wheat Situation**

Tables 2 and 3 provide information for U.S. wheat supply, use, stocks, acreage, production and farm-level price. Unlike the world wheat situation where production projections have declined, projections for U.S. production have increased. Stocks continue to grow to price depressing levels despite an increase of 5.4 percent in projected use compared to 1997. October's projected stocks-to-use ratio of 36.5 percent is up 18 percent over 1997, and is the highest since 1990 when U.S. wheat price averaged only \$2.61 per bushel. One should use caution in comparing historical stocks-to-use ratios. The relative importance of free stocks—those stocks not held by the CCC or in the Farmer-Owned Reserve (FOR)—has changed as the farm program has changed. In 1990, for example, free stocks were 80 percent of the total U.S. stocks. For 1998, free stocks will account for 89 percent of the U.S. stocks. In general, free stocks have become a larger share of total stocks in recent years, particularly since the Farmer-Owned Reserve is no longer available to producers. Free stocks don't require a "trigger price" to make them available to the market place, nor are they constrained by other farm program provisions. Thus, free stocks tend to have a more negative impact on price than CCC or FOR stocks. Basically, the level of stocks needed to depress prices is smaller today than under previous farm programs.

U.S. wheat producers did respond to last year's lower prices by cutting acreage by seven percent. Planted acreage (66.2 million acres) was the smallest since 1988. But with yield up nine percent to a record 43.3 bushels, production still increased



by one percent over 1997 and nine percent over the 5-year average as shown in Table 3. If the October projection of 2.6 billion bushels holds, this will be the largest wheat crop since 1990 and the fifth largest wheat crop on record.

As USDA has increased production estimates for 1998/99, they reduced their price projections. Using the midpoint in the price range for a comparison (\$2.60 per bushel), this year's farm level price forecast is 24 percent below last year and 31 percent below the 5-year average. It is \$1.95 per bushel below the all-time high average annual farm level price of \$4.55 that occurred in 1995.

### **PNW Soft White Wheat**

The situation with soft white wheat in the Pacific Northwest follows the price-depressed national trend. A major decline in 1997/98 exports pushed stocks higher, resulting in a price-depressing stocks-to-use ratio of 29 percent. The 1997/98 seasonal average price of \$3.67 at Portland was down \$.67 per bushel from 1996/97 and down \$1.68 per bushel from the record high 1995 seasonal average price of \$5.35. The 1998/99 seasonal average price is forecast at \$3.05 per bushel by the author. If realized, this will fall below the lowest seasonal average price of the decade, \$3.15 in 1990, but is above the 1986 price of \$2.89, the lowest seasonal average price of the past 20 years. Wheat producers in Idaho, Oregon and Washington followed the national trend and reduced planted wheat acreage. Idaho growers planted 160,000 fewer acres, for a 10.6 percent reduction, while Oregon and Washington were down 65,000 acres (6.5 percent) and 30,000 acres (1.1 percent), respectively.

Portland soft white wheat price dropped below \$2.55 in early September. Prices rebounded sharply later in the month, however, ending the month \$.40 above the low. Price continued to improve in early October, closing above \$3.15. The October WASDE report was quite favorable to soft white wheat. Projected production was reduced by 19 million bushels, while projected exports were raised by 15 million bushels. Even with a decline of 10 million bushels in domestic use, projected stocks declined by 24 million bushels. The 22 percent stock-to-use ratio for soft white wheat is the lowest of any major wheat class and helps explain some of the price rise. Stronger than expected exports coupled with large CCC purchases also helped move prices for all wheat classes higher. Concern over the 1999 winter wheat crop also played a role in moving prices higher as dry weather continues in Texas and Oklahoma. Will prices continue to improve?

### **Outlook**

The market will focus on three factors for the remainder of the 1998/99 marketing year: 1) demand, 2) the size of the Southern Hemisphere's wheat crop, particularly Australia, and 3) weather in the major winter wheat producing areas of the Northern Hemisphere. Continued strong export demand or additional government purchases will move prices higher. Recent



price increases, which occurred primarily because demand exceeded expectations, will not be permanent unless exports match or exceed projections. The market can retreat as fast as it advanced if market reports are negative. The wheat market could also decline in "sympathy" with any significant price drop in feed grain prices if the corn crop turns out larger than forecast or if corn export demand weakens.

The Southern Hemisphere's wheat crop is still uncertain. The good news is that the projected Argentinean crop is significantly smaller than last year. The bad news is that Australia is projected to have their second largest crop, a 21 percent increase over 1997. However, this projection was made prior to a frost in Australia's major wheat producing areas. The significance of the frost is still uncertain. The Australian wheat crop traditionally pressures PNW markets since both regions produce soft white wheat. The size of the projected Australian wheat crop influenced the author's projected Portland seasonal average price of only \$3.05. Uncertainty about exports because of the continuing financial problems in Asia was also a major factor. Soft white wheat price at Portland will likely trade in a range of \$2.90 to \$3.30.

The market's supply focus is shifting to the 1999 crop. Factors influencing the condition of the U.S. winter wheat crop will affect current market prices. Dry conditions, poor stand establishment or harsh winter weather in the winter wheat producing area of the U.S. will cause price rallies. Conversely, good moisture, crop condition, good snow cover and a lack of extreme cold will cause prices to fall. A significant and sustained recovery in wheat prices will occur only when production is limited through reduced planting or weather-induced yield reductions.

Regional 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 available at <http://www.uidaho.edu/ag/agecon>

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

Market	--Production--		-----Use-----		-Ending Stocks-		Stocks to use ratio
Year	MMT <sup>1/</sup>	% Change	MMT <sup>1/</sup>	% Change	MMT <sup>1/</sup>	% Change	%
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	19.2
1996 <sup>2/</sup>	583.3	+ 8.5	577.9	+ 5.0	111.3	+ 5.6	19.2
1997 <sup>2/</sup>	611.7	+ 4.9	588.0	+ 1.7	135.0	+ 21.3	23.0
5-Yr Avg	563.3		565.3		122.3		21.6
1998 <sup>3/</sup>							
Jul	601.4	-1.7	602.8	+2.5	131.5	-2.6	21.8
Sep	596.2	-2.5	603.7	+2.7	127.7	-5.4	21.2
Oct	590.6	-3.4	601.8	+2.3	123.8	-8.3	20.6

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

<sup>1/</sup>MMT = million metric tons.

<sup>2/</sup>USDA estimate in October WASDE report.

<sup>3/</sup>USDA projection in the monthly WASDE reports.



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

Market Year	---Supply---		-----Use-----		-Ending Stocks-		Stocks to use ratio %
	1/ Million Bushels	% Change	2/ Million Bushels	% Change	Million Bushels	% 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	2,753	-0.1	2,310	- 3.0	444	+ 18.1	19.2
1997 <sup>3/</sup>	3,065	+ 11.3	2,342	+ 1.4	722	+ 62.6	30.8
5-Yr Avg	2,918		2,395		523		21.9
1998 <sup>4/</sup>							
Jul	3,336	+ 8.8	2,468	+ 5.4	868	+ 20.2	35.2
Sep	3,378	+ 10.2	2,493	+ 6.4	885	+ 22.6	35.5
Oct	3,370	+10.0	2,468	+5.4	902	+24.9	36.5

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

<sup>1/</sup>Supply = Ending stocks from previous year + current year's production.

<sup>2/</sup>Use includes exports (trade) and domestic use.

<sup>3/</sup>USDA estimate in October WASDE report.

<sup>4/</sup>USDA projection in monthly WASDE reports.

**Table 3. U.S. wheat crop –all wheat.**

Year	Planted (1,000 ac)	Harvested (1,000 ac)	Yield (bu/ac)	Production (1,000,000 bu)	Farm Price (\$/bu)
1993	72,168	62,712	38.2	2,396.4	3.26
1994	70,349	61,770	37.6	2,321.0	3.45
1995	69,132	60,945	35.8	2,182.6	4.55
1996	75,621	62,927	36.3	2,285.1	4.30
1997 <sup>1/</sup>	70,989	63,577	39.7	2,526.6	3.40
5 Yr Avg	71,652	62,386	37.5	2,342.3	3.79
<u>1998<sup>2/</sup></u>					
July	65,799	59,211	42.6	2,522.4	2.70 - 3.10
Sep	65,799	59,211	43.3	2,564.8	2.50 - 2.80
Oct	66,185	59,112	43.3	2,557.5	2.45 - 2.75
Oct 98 / 1997 <sup>3/</sup>	0.93	0.93	1.09	1.02	0.77
Oct 98 / 5 Yr Avg <sup>3/</sup>	0.92	0.95	1.15	1.09	0.69

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

<sup>1</sup> USDA estimates from October Crop Production and WASDE reports.

<sup>2</sup> USDA projections from monthly Crop Production and WASDE reports.

<sup>3</sup> October projections compared to 1997 or 5-year average.



**Table 4. White wheat balance sheets.**

	1996/97	1997/98	1998/99
	----- (Million bushels) -----		
Beginning stocks	55	59	90
Production	355	335	298
Supply, total <sup>1</sup>	425	402	398
Domestic use	129	107	136
Exports	237	205	190
Total Use	366	312	326
Ending Stocks	59	90	72
Stocks to Use Ratio (%)	16	29	22
Portland Soft White Price: Seasonal Average (\$/bu)	\$ 4.43	\$ 3.67	\$ 3.05

Source: Balance sheet data for 1996/97 are from USDA, ERS Wheat Yearbook (3/98). Balance sheet data for 1997/98 and 1998/99 are from October WASE report. Seasonal average prices for 1996/97 and 1997/98 are simple averages of monthly prices (July – June) reported by USDA, AMS. 1998/99 seasonal price average is author's forecast.

<sup>1</sup>Includes imports.