

1998-99 Planning Prices for Idaho Crops & Livestock

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Commodity prices can vary significantly, not only between years, but within the marketing year as well. Prices tend to be lowest at harvest and strengthen throughout the year as the temporary imbalance between supply and demand is reduced. Some commodities follow well-established seasonal price patterns, while others are less predictable and vary significantly from year-to-year and throughout the year. Even for a commodity with a well-established seasonal pattern, the overall price level can vary dramatically even though the pattern may remain unchanged. Trying to represent an entire marketing year with a single price, even a price based on historical data, can be very difficult and potentially misleading. Often, however, a single price is needed for planning purposes.

Because one price will not fit all purposes, we provide both long range and short range planning prices. The long range planning prices are based on historical (time-series) data. There are two price columns for the crop planning prices, one showing the 10-year seasonal Olympic average price and the second showing the lowest average monthly price over the past ten years. Crop prices are marketing year based, while livestock prices are on a calendar year. The marketing year varies by commodity and matches those established by USDA, generally from harvest to harvest.

The short run planning prices for crops are projected prices for the 1998/99 marketing year, based upon current market fundamentals: supply, demand, stocks and expected utilization. The short run crop prices are an estimate of what we expect the price to average over the current marketing year. The lowest expected monthly average price for crops is also listed as a means of addressing downside price risk. Short run livestock planning prices are forecast on a quarterly bases for the last two quarters of 1998 and all four quarters of 1999.

Olympic Averages

An Olympic average is calculated by removing the high and the low price from the specified time frame and averaging the remaining values. This is the same procedure used in scoring many events during the Olympics, hence the name. An Olympic average will tend to show less variability over time than a simple average for the same period because the impact of one year's extremely high or low price is reduced.

Short Vs. Long Run

Whether to use the long run or the short run price depends on the type of analysis. A feasibility study looking at alternatives should use the long range planning prices, while a cash flow estimate for the current year would rely on the short-run planning price.

What price should be used on 1999 crops that will be marketed in the 1999/2000 marketing year? An average of the long and short run planning prices is one recommended alternative. Since prices tend to move toward the historical average, the price received for the 1999 crop will likely be between the short run (current price) and long run price, assuming the short run price is accurate and that no structural changes in the market have occurred that would disrupt the normal price pattern. A more conservative approach to planning is to use the long run planning price for any

year but the current one. This second method is preferred particularly when the short range planning price varies significantly from the long range planning price.

Data Sources and Data Problems

The information used to calculate these planning prices comes from a variety of different sources, although the Idaho Agricultural Statistics Service, USDA is the primary source for crop prices. Unfortunately, USDA does not acquire price data on all crops grown in the state. Obtaining price information for crops grown predominately or exclusively under contract can be a particularly difficult problem. Another problem occurs when the USDA commodity data is not market class specific. For example, the wheat price published by the Idaho Agricultural Statistics Service is differentiated as winter and spring. But, there are significant differences between the price of hard red spring wheat and soft white spring wheat, and between hard red winter and soft white winter wheat.

Long range grain prices in this publication are based on the Idaho Farm Bureau prices at Pocatello for feed barley, hard red spring wheat (14%), hard red winter wheat (11%) and soft white wheat. The price in other areas of Idaho are adjusted to account for differences in the transportation cost from Pocatello to the terminal market, normally Portland, based on the historical price difference measured from Pocatello. While this price difference has increased over time, it tends to remain fairly stable within a given year. The market location for Southcentral Idaho is the Burley/Twin Falls area, the market location for Southwestern Idaho is the Nampa/Caldwell area, and the market location for Northern Idaho is Lewiston.

The prices for corn are based on USDA data. Contract malt barley is based on the prevailing base price from the most recent contracts. Historically, malting barley contracts with two of the three major malting companies operating in Idaho were a fixed base-price contract for barley meeting grade and quality specifications, and with quality incentives paid above the minimums. Contracts in recent years have increased in complexity and may give the grower several different pricing alternatives, ranging from a fixed price, with or without storage compensation, to a prevailing company posted price or the average of these posted prices over a specified period of time. There is typically a minimum price specified with this pricing alternative. One company prices malt barley on a specified premium over a three-month average feed barley price. The premium varies by variety.

In this publication, the long range open malt barley is priced \$1.00 above the feed barley price. While the malt barley premium varies year-to-year, the \$1.00 per cwt represents a long term price difference. Up until six years ago, USDA reported only one barley price in Idaho. This was a composite of the monthly average of feed barley, open malt barley and contract malt barley purchases. While USDA still maintains the all barley price, it also has a feed barley price series and a malt barley price series. Currently, the new barley price series don't contain an adequate historical base needed to look at long term trends. The USDA malt barley price is not an open-market price since it includes both open market and contract purchases made during a given month.

The price for dry beans, dry peas and lentils use monthly price data from Agricultural Market News, USDA. Prices reported by USDA are also used on sugarbeets, sweet corn and the fresh and processing potatoes. The contract potato price uses the current or most recent base contract price adjusted for the five year quality average.

Hay, straw and corn silage prices come from a variety of different sources, including hay brokers, county agents and livestock producers. A separate AUM rate is given for land managed by Federal agencies (BLM and Forest Service), the Idaho State Land Board and private land owners. Because

of low cattle prices, the 1999 short-range Federal AUM price will likely be \$1.35, the floor price using the PRIA fee formula. The long range government AUM price is based upon expected increases brought about through the on-going political process. A 10-year Olympic average of historical PRIA-based fees is \$1.72. Private pasture rates are expected to maintain traditional levels in the short run. Long-term pasture rents are expected to drop below current levels, reflecting poor cattle prices and decreased demand.

Livestock Price Estimates

The short range planning prices are conservative, quarterly price estimates based on the present market fundamentals. Quarterly prices are given for 1998 and 1999. Long range price estimates are based on 10-year averages. While livestock prices are statewide estimates they are most reflective of Southern Idaho.

For Additional Information

The commodity price outlook is presented as a guideline to assist farmers, ranchers, lenders and agri-businesses in planning. Local circumstances may alter the actual prices in your area.

Your planning efforts will be enhanced if you monitor the current outlook situation. Use new information to modify your plans as necessary. Some sources for current outlook are:

- The *Livestock Roundup* published in the Farmer-Stockman and other industry related publications.
- USDA's World Agricultural Supply and Demand Estimates (WASDE) and Livestock, Dairy and Poultry Outlook (LDP) are published monthly. WASDE includes U.S. and world situation/outlook commentary and information on meats, dairy, grains and other major crops. The monthly LDP covers all meat animal production. Call 1-800-999-6779 for more information.

For those with access to the Internet, reports published by the Economic Research Service, the World Agriculture Outlook Board, and the National Agricultural Statistics Service, all part of USDA, are available at the following URL:

<http://usda/mannlib.cornell.edu/usda/usda.html>

An electronic version of the *Livestock Roundup* and other industry related information is available from the Livestock marketing Information Center web site:

<http://lmic1.co.nrcs.usda.gov>

Other information of interest and many agricultural links can be found at:

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

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Table 1. 1998/99 Long range crop planning prices for Idaho based on marketing year averages.

Crop	Units	Southwestern		Southcentral		Southeastern		Northern	
		10-yr Olympic Average	10-yr Mo Avg Low	10-yr Olympic Average	10-yr Mo Avg Low	10-yr Olympic Average	10-yr Mo Avg Low	10-yr Olympic Average	10-yr Mo Avg Low
Barley, Feed	cwt	\$ 5.05	\$ 4.70	\$ 5.00	\$ 4.65	\$ 4.80	\$ 4.45	\$ 5.00	\$ 4.65
Barley, Malt:									
Open	cwt	---	---	\$ 6.00	\$ 4.90	\$ 5.80	\$ 4.70	\$ 6.00	\$ 4.90
Contract	cwt	---	---	\$ 6.40	---	\$ 6.40	---	---	---
Corn	bu	\$ 2.95	\$ 2.20	\$ 2.95	\$ 2.20	---	---	---	---
Wheat:									
Hard Red Spring	bu	\$ 4.15	\$ 3.00	\$ 4.05	\$ 2.90	\$ 4.10	\$ 2.95	---	---
Hard Red Winter	bu	\$ 3.65	\$ 2.70	\$ 3.55	\$ 2.60	\$ 3.60	\$ 2.65	---	---
Soft White	bu	\$ 3.50	\$ 2.55	\$ 3.40	\$ 2.45	\$ 3.45	\$ 2.50	\$ 3.95	\$ 3.00
Alfalfa Seed :									
Proprietary	lb	\$ 1.10	na	\$ 1.10	na	---	---	---	---
Public	lb	\$ 1.00	na	\$ 1.00	na	---	---	---	---
Dry Beans	cwt	\$21.30	\$12.80	\$21.30	\$12.80	---	---	---	---
Dry Peas:									
Austrn .Winter**	cwt	---	---	---	---	---	---	\$11.75	\$ 8.70
Green**	cwt	---	---	---	---	---	---	\$ 9.30	\$ 6.95
Seed (contract)	cwt	---	---	\$15.00	\$13.00	\$15.00	\$13.00	---	---
Lentils**	cwt	---	---	---	---	---	---	\$ 16.10	\$10.80
Potatoes:									
Proc. Contract	cwt	\$ 4.95	\$ 4.25	\$ 4.95	\$ 4.25	\$ 4.95	\$ 4.25	---	---
Fresh - open	cwt	\$ 4.90	\$ 1.30	\$ 4.90	\$ 1.30	\$ 4.90	\$ 1.30	---	---
Process. - open	cwt	\$ 5.00	\$ 3.30	\$ 5.00	\$ 3.30	\$ 5.00	\$ 3.30	---	---
Seed - G2 *	cwt	---	---	---	---	\$ 8.00	\$ 4.00	---	---
Seed - G3 *	cwt	---	---	---	---	\$ 6.00	\$ 2.80	---	---
Sugarbeets									
Contract	ton	\$40.00	\$38.00	\$41.00	\$38.00	\$42.00	\$38.00	---	---
Sweet Corn									
Contract	ton	\$70	\$62	\$70.00	\$62	---	---	---	---
Alfalfa Hay:									
Feeder	ton	\$75	na	\$75	na	\$75	na	\$75	na
Dairy	ton	\$95	na	\$95	na	\$95	na	na	na
Grass Hay	ton	\$60	na	\$60	na	\$60	na	\$60	na
Corn Silage	ton	\$27.50	na	\$27.50	na	\$25	na	---	---
Straw	ton	\$30	na	\$30	na	\$30	na	---	---
Pasture (irrigated)	AUM	\$13	na	\$13	na	\$13	na	---	---
Range (state) *	AUM	\$ 4.70	na	\$ 4.70	na	\$ 4.70	na	\$ 4.70	na
Range (Federal) ***	AUM	\$2.00	na	\$2.00	na	\$2.00	na	\$ 2.00	na

Prices are for crops sold on the open market, unless otherwise specified; i.e. contract. Contract crop prices typically represent contract prices over the past 3-5 years, not a 10-year Olympic average.

* 5-year average and lowest average price **9-year average ***Projected.

September 1998 estimates.

Table 2. 1998/99 Short range planning prices for Idaho based on expected marketing year averages.

Crop	Units	Southwestern		Southcentral		Southeastern		Northern	
		Expected Market Average	Expected Market Low	Expected Market Average	Expected Market Low	Expected Market Average	Expected Market Low	Expected Market Average	Expected Market Low
Barley, Feed	cwt	\$ 3.60	\$ 3.25	\$ 3.55	\$ 3.10	\$ 3.35	\$ 3.00	\$ 3.55	\$ 3.10
Barley, Malt:									
Open	cwt	---	---	\$ 5.00	\$ 3.50	\$ 5.00	\$ 3.40	\$ 5.05	\$ 3.50
Contract (99)	cwt	---	---	\$ 6.50	---	\$ 6.50	---	---	---
Corn	bu	\$ 2.35	\$ 2.05	\$ 2.35	\$ 2.05	---	---	---	---
Wheat:									
Hard Red Spring	bu	\$ 3.20	\$ 3.05	\$ 3.10	\$ 2.90	\$ 3.10	\$ 2.95	---	---
Hard Red Winter	bu	\$ 2.30	\$ 2.05	\$ 2.20	\$ 1.90	\$ 2.20	\$ 1.95	---	---
Soft White	bu	\$ 2.05	\$ 1.85	\$ 1.95	\$ 1.70	\$ 2.00	\$ 1.75	\$ 2.50	\$ 2.25
Alfalfa Seed:									
Proprietary	lb	\$ 1.45	na	\$ 1.45	na	---	---	---	---
Public	lb	\$ 1.45	na	\$ 1.45	na	---	---	---	---
Dry Beans	cwt	\$22.00	\$19.00	\$22.00	\$19.00	---	---	---	---
Dry Peas:									
Austrian Winter	cwt	---	---	---	---	---	---	\$10.00	\$ 9.00
Green	cwt	---	---	---	---	---	---	\$7.00	\$ 6.00
Seed (contract)	cwt	---	---	\$14.00	---	\$14.00	---	---	---
Lentils	cwt	---	---	---	---	---	---	\$11.50	\$10.00
Potatoes:									
Contract (99)	cwt	\$ 4.75	---	\$ 4.75	---	\$ 4.75	---	---	---
Fresh – open	cwt	---	---	\$ 5.00	\$ 3.00	\$ 5.00	\$ 3.00	---	---
Process. – open	cwt	\$ 4.70	\$ 3.50	\$ 4.70	\$ 3.50	\$ 4.70	\$ 3.50	---	---
R.B. Seed – G2	cwt	---	---	---	---	\$ 7.75	---	---	---
R.B. Seed – G3	cwt	---	---	---	---	\$ 5.75	---	---	---
Sugarbeets									
Contract	ton	\$41.00	---	\$42.00	---	\$43.00	---	---	---
Alfalfa Hay: *									
Feeder	ton	\$65	---	\$65	---	\$60	---	\$65	---
Dairy	ton	\$90	---	\$90	---	\$85	---	---	na
Grass Hay	ton	\$50	---	\$50	---	\$50	---	\$50	na
Corn Silage	ton	\$22	---	\$22	---	\$22	---	---	---
Straw	ton	\$30	---	\$30	---	\$30	---	---	---
Pasture (irrigated)	AUM	\$14.00	na	\$14.00	na	\$14.00	na	---	---
Range (state)	AUM	\$ 4.72	na	\$ 4.72	na	\$ 4.72	na	\$ 4.72	na
Range (Federal)	AUM	\$ 1.35	na	\$ 1.35	na	\$ 1.35	na	\$ 1.35	na

Prices are for crops sold on the open market, unless otherwise specified; i.e. contract.

* Prices for rain damaged hay would be discounted from these prices, while covered hay would sell at a premium.

September 1998 estimates. New estimates will be available in December.

Table 3. Historic, one year and long range planning prices for PNW livestock based on calendar year averages.

	Unit	Annual Average			1999 Quarterly Forecast				Long Term Ave.	
		1997	1998-p q3	1998-p q4	1998-p	I-f	II-f	III-f		IV-f
Choice Steers 11 - 1300# *	cwt	65.91	59	62	61	61-65	63-69	62-67	64-72	69
Steers 8-900# *	cwt				65	62-67	65-70	65-71	65-73	70
Steers 7-800# *	cwt	76.14	67	70	72	65-73	69-76	69-77	71-79	70
Steers 6-700# *	cwt		71	74	74	71-77	73-80	78-86	79-86	72
Steers 5-600# *	cwt	84.96	75	78	83	75-81	77-84	81-90	80-92	74
Steers 4-500# *	cwt		76	80	85	78-83	82-92	80-90	84-96	75
Utility Cows **	cwt	34.27	37	37	38	41-45	43-47	40-44	39-44	38
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Market Hogs 240# average	cwt	51.4	31	29	34	28-32	30-35	32-37	30-35	44
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Slaughter Lambs (100-125#)	cwt	92.76	81	79	78	81-84	81-86	80-85	76-82	73
Feeder Lambs (70-90#)	cwt	99.84	84	76	74	77-82	78-84	80-85	77-83	78
Sheep	Head	33.10	34	35	34	30-35	32-36	30-37	33-39	28
Wool (Grease basis -farm)	lb.	.85	.70	.70	.70	.65	.55	.55	.60	.65
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Milk, Basic Formula Price	cwt	11.88	14.90	13.10	13.15	11.70- 12.70	10.45- 11.50	11.45- 12.50	12.50- 13.50	12.10

p = preliminary; 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. Historic data from USDA-IASS.

September 1998 estimates.