 University of Idaho
Cooperative
Extension System

Department of Agricultural Economics and Rural Sociology



A. E. Extension Series No. 95-6

College of Agriculture

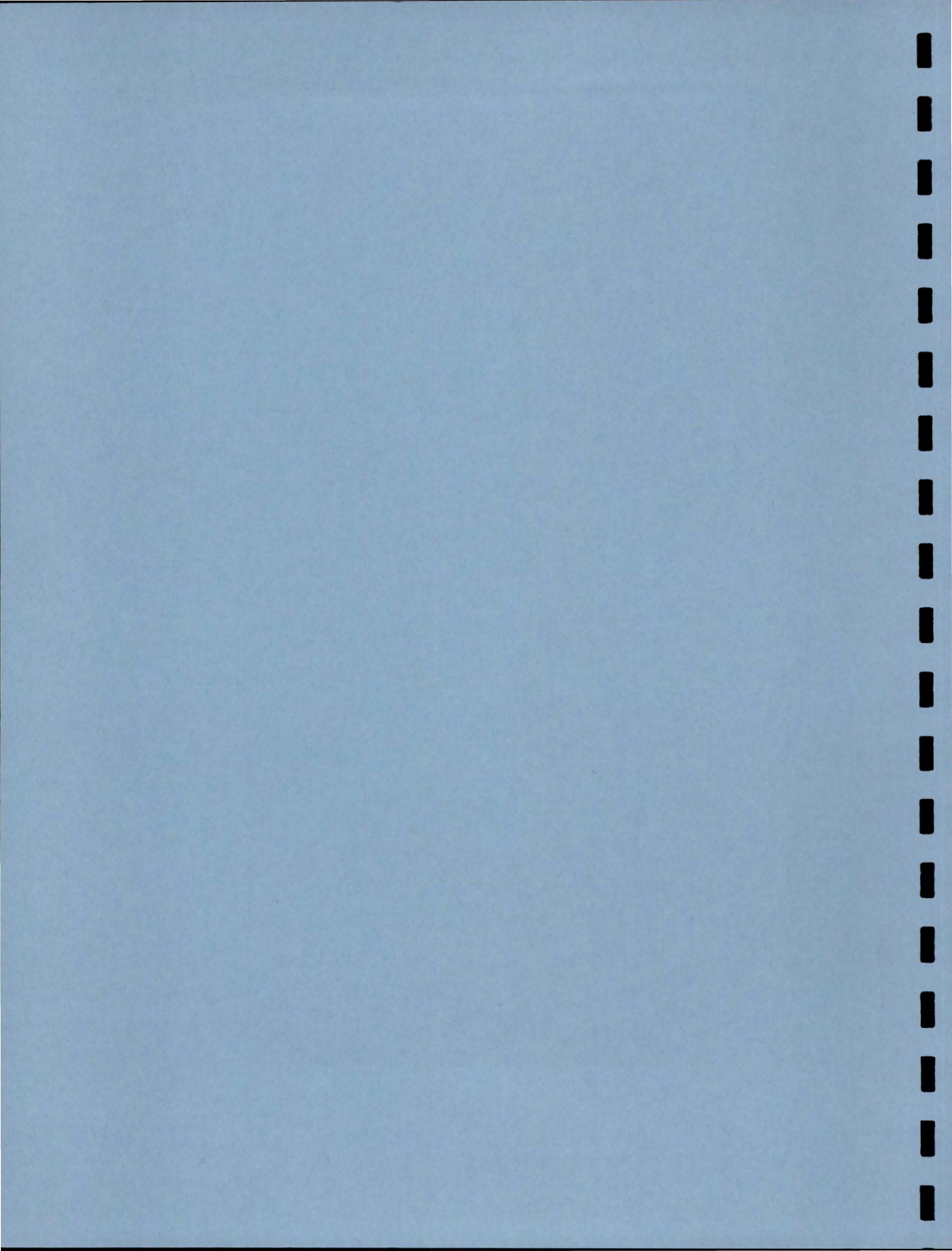
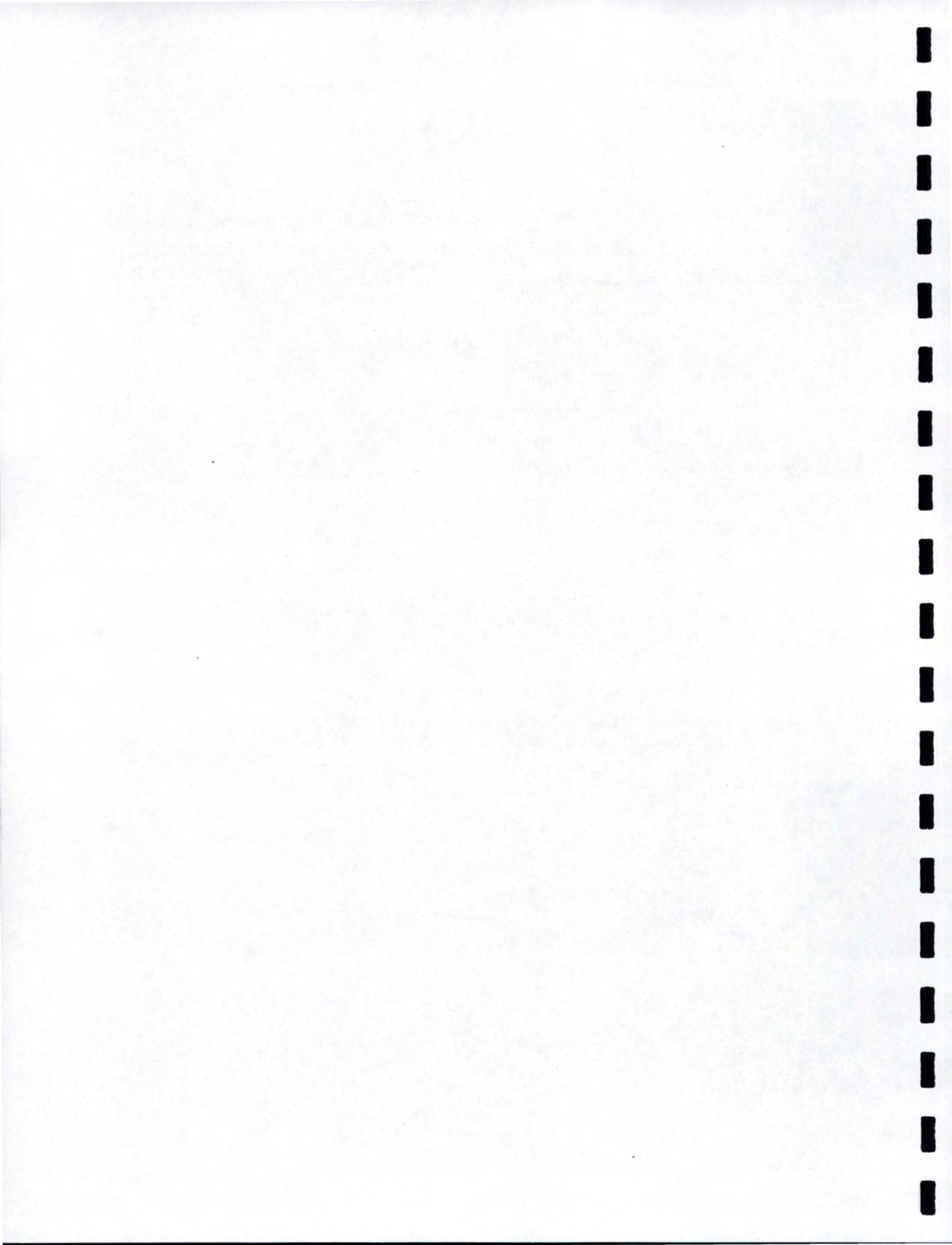


TABLE OF CONTENTS

<i>Idaho Needs Agriculture and Agriculture Needs the Rest of the State's Economy</i>	1
James R. Nelson	
<i>The National Economy, Five Years of Growth—Going on Six</i>	3
John W. Mitchell	
<i>Major Changes in Agricultural Legislation are in the Wind</i>	7
Neil L. Meyer	
<i>Potatoes</i>	11
Joseph F. Guenther	
<i>Wheat and Feed Grains</i>	13
Larry D. Makus	
<i>Cattle and Dairy</i>	19
C. Wilson Gray	
<i>Edible Dry Beans</i>	23
Paul E. Patterson	
<i>Hay and Forage</i>	25
Neil R. Rimbey	
<i>1995-96 Planning Prices for Idaho Crops and Livestock</i>	29
Paul E. Patterson, C. Wilson Gray and Neil R. Rimbey	



Idaho Needs Agriculture and Agriculture Needs the Rest of the State's Economy

James R. Nelson

Agriculture is a critical part of the economic base of the State of Idaho. About 36 percent of the gross state product of Idaho is attributable to agriculture. In many parts of the state this number is much higher. For example, in south-central Idaho (Magic Valley), about 77 percent of the gross regional product is attributable to agriculture; and 47 percent of the economic output of southeastern Idaho is attributable to agriculture. Even in the increasingly metropolitan southwestern part of Idaho, about 26 percent of the gross regional product is tied to agriculture. Only about nine percent of the economy of northern Idaho is related to agriculture. By far the largest contributor to the economy of northern Idaho is the timber industry which accounts for about 44 percent of gross regional product.

Certainly agriculture is important to Idaho because of the income and employment it generates for the state. As the state's largest industry, however, it is also very important for the stability and critical mass that it contributes to the state's economy. Such a significant economic base serves as a foundation on which other forms of economic development can take place. An economy with a substantial stable base and many interconnected sectors is a strong economy. Agriculture helps Idaho maintain a strong economy with a bright future. Agriculture's connections to the rest of the state's economy certainly are supportive of that economy. These connections also make agriculture stronger.

So agriculture is very important to Idaho's economy; and the rest of Idaho's economy is very important to agriculture. We literally are "all in this together."

Because of the interrelationships between agriculture and the economy of Idaho that are discussed above, circumstances and policies that affect agriculture can be very important to the general economy of Idaho. Three types of such circumstances and policies are ag commodity yields and prices, off-farm jobs for Idaho farm family members, and government payments to Idaho farmers (mostly determined by farm policy).

About 63 percent of Idaho farm households earn a substantial part of their income (greater than \$10,000 per year) from off-farm jobs. National figures indicate that, for large commercial farms, about 30 percent of total farm household income comes from off the farm; and about 80 percent of total farm household income for small farms comes from off the farm. These national figures seem to be fairly representative of the Idaho situation. So general economic development in Idaho is important to Idaho farmers.

Government payments to farmers are very important to Idaho agriculture. Such payments currently amount to about \$160 million per year and are largely determined by current national farm programs. These programs are now being rewritten. Changes that are made in these programs will affect Idaho agriculture and the general economy of Idaho.

The purpose of the situation and outlook information provided in the following articles is to help the Idaho agricultural economy perform better. And when the Idaho agricultural economy performs better, the entire economy of the state of Idaho benefits.

This situation and outlook information should help Idaho farmers, and the policy

makers and agribusinesses that work with Idaho farmers, understand the factors that will determine farm incomes, farm programs and quantities and prices of agricultural commodities in the coming production year. These factors are related to expected agricultural policy and the critical economic issues of supply and demand.

Better understanding of these factors should lead to better planning for the coming production year. Such planning is critically important to Idaho farmers and agribusinesses not only as it relates to decisions about how much of which commodities to produce, but also as it relates to decisions about needed financing, equipment purchases, fertilizer and chemical utilization plans, and land acquisition and sale decisions.

Certainly agricultural economists cannot see into the future. But they do have a good understanding of the factors that affect production costs and prices for Idaho commodities. And the situation and outlook articles that follow do not represent the only

efforts that these agricultural economists make to help farmers and agribusinesses understand these factors over the course of the year. The information presented here is situation and outlook projections at this point in time. As more information becomes available over time, these same authors will make that information available through all of the avenues of distribution that are available to them. Some of these include articles in magazines and newspapers, other media releases, publications from the University of Idaho, computer accessible electronic bulletin boards, and public meetings arranged in cooperation with county extension educators from the University of Idaho at key times and locations around the state.

We hope you enjoy this publication and find some use for the information contained in these pages. If you have comments or suggestions on improving the quality of this publication and the articles included, please do not hesitate to contact me or any of the authors directly.

The National Economy Five Years of Growth—Going on Six

John W. Mitchell

As 1995 drew to a close, the national upturn was a quarter shy of five years old—making it the third longest expansion in the post-World War II time period. The inflation that had distorted decision making in the 1970's was but a distant memory, with 1995 year over year increases running less than three percent. The national unemployment rate remained under six percent for the entire year. Real Gross Domestic Product (GDP)—a price adjusted measure of production taking place within the confines of the U.S.—had rebounded from 1.3 percent annualized growth in the second quarter to 4.2 percent growth in the third quarter. For economists, it does not get much better than this. The natural tendency is to look over one's shoulder for problems.

The expectation in early 1995 was that the economy would slow from the 4.1 percent GDP growth in 1994. That year saw employment gains of nearly 300,000 jobs per month and an average inflation rate of 2.6 percent. But monetary policy began to change in February 1994, as the Federal Reserve reacted to developing inflation pressures and commenced a series of seven moves that took the federal funds rate from 3 to 6 percent. This was destined to weaken interest sensitive spending. In late 1994, the collapse of the Mexican peso dimmed the outlook for exports to our third largest trading partner. The rate of increase in real GDP tailed off from 5.1 percent in the fourth quarter of 1994 to 2.7 percent in the first and 1.3 percent in the second quarter of 1995. Leading indicators declined from February to May and the "r word" was uttered. Second quarter, 1995 saw continued declines in residential investment and a sharp slowing in inventory accumulation that accounted for the bulk of the slowing. By the third quarter, growth

picked up to an annual rate of 4.2 percent, as the inventory adjustment ran its course and did not turn into recession. The consumer sector did not have the debt service burdens of the late 1980's, although the fraction of disposable income to service mortgage and other debt was rising. Business spending on equipment, which has been the star of the upturn, continued to jump—although the rate was exaggerated by the use of 1987 prices. Housing bottomed out as mortgage rates declined with the pace of the economic growth. The spring-summer softness was a bullet dodged.

By late fall the stage seemed to be set for a continuation of the expansion at a rate near 2.5 percent, which is below that of 1994. The slower growth rate does not have the drama of a turning point or the rapid growth rate often seen at the start of an upturn, but the U.S. at the moment is operating at high levels of employment and capacity utilization. The coming year will be marked by slower growth in consumption as debt burdens and modest income gains slow consumption growth. Business equipment spending will slow from its recent double digit pace; but the structural component, which languished in the early years of this upturn, will come late to the party. Housing will stay near 1.35 million units, but will not replay the early 1995 decline.

The trade sector and fiscal policy are wild cards at this writing. Two of our largest trading partners—Japan and Mexico are struggling and Canada is facing a major political watershed. Exports to developing nations in Latin America and Asia are strong. The trade sector should be less of a drag on the U.S. economy in 1996, given our strong competitive position and looming reductions

in trade barriers. Fiscal policy—the federal government's taxing and spending activities—has been marked by falling direct spending on goods and services in this upturn. Between 1991 and mid-1995, federal spending on goods and services has declined to an annual rate of 4.5 percent. The textbook notion of tax cuts or spending increases to spur the economy out of recession has been irrelevant in this cycle. Both Congress and the Clinton Administration are nominally committed to balancing the Federal Budget, with disputes as to the time frame and details. Entitlements, which account for about half of federal spending and have heretofore been untouchable, are being considered for cuts. The word "cut" is being used in ways that will change dictionaries. The reality of the implications of budget balance is emerging and choices are becoming explicit. The assumption is that fiscal policy will stay on the deficit reduction path in 1996.

The Federal Reserve's 1994 rate changes dampened inflationary pressures in early 1995. During the third quarter the Consumer Price Index was rising at an annual rate of 1.8 percent. The year-over-year gain was less than 3 percent. The Leading Index of Inflation was falling, suggesting no upturn in the rate was imminent. The near 3 percent inflation of recent years was on track to continue or even subside. The shortcomings of the Consumer Price Index, including problems in measuring quality changes, substitution among products, changed shopping patterns and the timing of new products being placed into the market basket, are elements in the budget discussions. The preliminary report of the Boskin Commission indicates that the Consumer Price Index overestimates changes in the cost of living by at least a percentage point. Overestimating inflation raises expenditures tied to the index and lowers taxes by overadjusting the tax brackets. The full report from the Commission examining the issue will be out in June of 1996.

Interest rates, both short term and long term, rose during most of 1994. Long rates started down in late 1994, well before the Federal Reserve's last increase in the federal funds rate in February. Mortgage rates declined from over 9 percent in late 1994 to near 7.5 percent in the fall of 1995. The Federal Reserve dropped the federal funds rate by a quarter point in early July 1995. It is unlikely that the Fed will stop at one decrease given the continued positive inflation performance and the prospects of some additional deficit reduction. The rising real federal funds rate—the funds rate less inflation—is a concern to some members of the Board of Governors. During 1996, long term rates will remain near present levels, while short term rates will decline 25-50 basis points from their levels in October of 1995. The strong third quarter GDP growth of 4.2 percent may delay Fed action, but the continued low inflation gives them room to move.

We all know that the economy will lapse into recession at some point, but the imbalances that would suggest an imminent decline do not seem to be present. Inflation remains low, consumer and business balance sheets are healthy, the low inflation and high real short term interest rates have discouraged excessive inventory accumulation, and the real estate excesses of the late 1980's have been largely worked off. Oil shocks and wars have helped derail expansions in the past, but thus far we have been lucky or skillful. This long upturn could last until the millennium and go down in history as an expansion not unlike that of the 1960's or the 1980's—upturns that lasted 106 and 92 months, respectively.

One caveat is in order for people following the national statistics. The Bureau of Economic Analysis is changing the technique used to estimate real GDP. Currently, real output is estimated using 1987 prices—that is, today's output is evaluated in terms of 1987 prices. This process leads to what is called "substitution bias" in the sense that things, whose relative price is falling, will experience

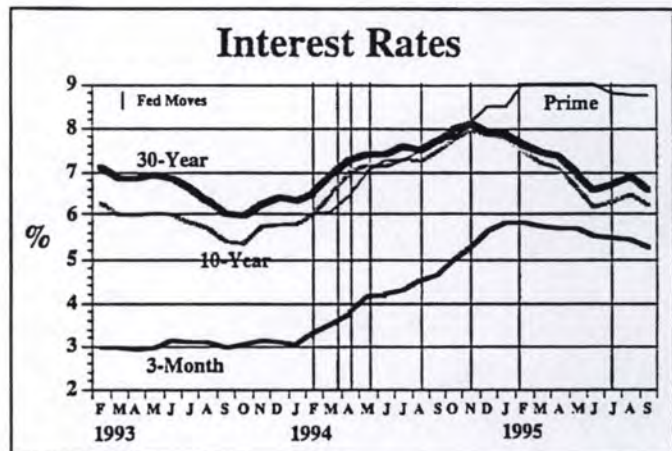
more rapid increases in output. Evaluating them at earlier higher prices will push up output estimates. Think about the collapse in prices of computers in recent years: these are evaluated at 1987 prices in the estimates of real GDP. In December, the Bureau of Economic Analysis will start to use a chain-weighted system which will utilize prices in 1994 and 1995 to evaluate real 1995 production. This will minimize the substitution problem. However, it will result in a reduction of the estimated growth of recent years and reduce productivity measures. It does not change what really happened, only the "ruler."

Idaho

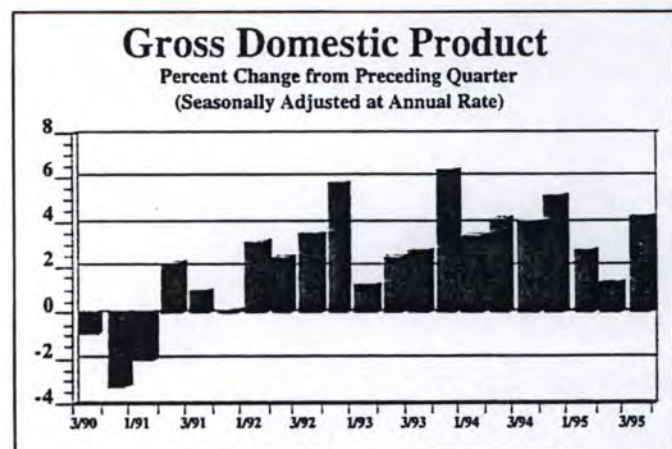
Amidst this aging national upturn, Idaho has boomed with a 20 percent gain in employment between 1990 and 1994. The technology sector shared the national strength in equipment spending, there were no base closings, farm income did not repeat the early 1980's collapse and the national trend of stronger growth in smaller metro and non-metro areas helped the state. Rapid population growth largely from net in-migration drove the construction sector—homes, offices, schools and roads. It was the late 1970's all over again. During late 1994 and 1995, growth faded as portions of high tech declined, Morrison-Knudsen was beset with problems, and construction employment began to decline. Year-over-year employment gains were less than 2 percent by late summer.

Idaho's slowing is not the onset of a 1979-82 decline. Back then the nation was unwinding from double digit inflation. Mortgage rates were in the teens, housing and forest products plummeted, business investments fell, and the highly leveraged elements in the farm economy faced ruin. This situation does not describe Idaho's situation in late 1995. The high technology sector is

still growing, population is not declining, inflation and interest rates are not soaring and the national economy does not seem to be on the precipice of recession. Idaho's cost advantages remain, major portions of the technology sector are continuing to expand, the agriculture-food processing sector is healthy. The state's growth is moving down closer to the national average. During 1996, we can expect to see employment growth of 2.5 to 3 percent with personal income gains near 6 percent.



Source: Federal Reserve



Source: U.S. Department of Commerce

Major Changes in Agricultural Legislation are in the Wind

Neil L. Meyer

It is a different climate than 1985 and 1990 as food and fiber legislation is being written in 1995. World markets are much more integrated, political alliances have changed, unusual weather variations have occurred worldwide and U.S. budget pressures are greater than ever. All relate to what and how change can be instilled into agricultural legislation.

World Market

Markets for most agricultural commodities are global. Changes in supplies in one part of the world effect prices in other parts of the world. Information on production conditions worldwide are available in Idaho. Recent information has told us that Argentina is experiencing drought conditions, Russia is expecting a 23 percent smaller crop than last year, Europe experienced the shortest crop in years, and Australia is recovering from its 1994 drought but is not fully recovered.

Weather

World grain stocks are estimated to be less than 50 days supply. This means every time there is a weather event, prices move one way or the other. Drought conditions in Argentina, the northeast United States, and Western Europe have limited grain production in those areas. The heavy rains earlier this spring in the lower midwest have limited production in the central United States. Hurricane Roxanne moved through Mexico, submerging fruits and vegetables while a typhoon in the Philippines threatened rice production. All are factors which restrict supplies and boost prices.

National Political Climate

The House and Senate are working on a seven year version of the 1995 farm bill. The President and Congress appear to be in a confrontational mood. If that happens, listen very carefully to the "veto message." It should provide some clues as to where the compromises will be in the new budget.

Dairy Legislation

Freedom to Milk legislation has not been agreed upon among the House and Senate and will be taken up later. The only agreement that has been reached is that the Dairy Program must accommodate one half billion dollars in budget savings. The "how" is to be taken up later.

Sugar Legislation

Sugar legislation is part of the package. The proposal includes freezing the loan rate at the 1995 level of 22.9 cents per pound for beet sugar. A one cent forfeiture penalty is added to reduce the effective loan rate to 21.9 cents. Loans are recourse and for three months and can be renewed for up to nine months or the end of the fiscal year. GATT-mandated reforms mean that if other countries reduce their sugar support programs, the U.S. will also. The "no net cost to government provision" is maintained. Marketing assessments are extended and increased 36 percent or .265 cents per pound for beet sugar beginning in 1996. Sugar must provide \$52 million in budget savings.

Budget Restrictions

The pressure to reduce federal spending continues to put pressure on agriculture as well as other sectors of the budget. Current

plans call for reducing the agricultural program proportion of the budget by \$13.4 billion over seven years, about \$1.9 billion annually. Bringing land out of the Conservation Reserve Program (CRP) creates risks and opportunities for producers. The land has been building soil for ten years. Marginal lands, such as were enrolled in the CRP, may produce well for several years before yields start to decline. With current grain prices at record levels, there are strong incentives to plant grain on that land. That could have a significant effect on the supply of grain and its price several years hence.

Current Climate

Program commodities are experiencing record prices as legislation is being developed. Weather and politics have worked to reduce stocks to their lowest

levels in years. That leads some to conclude that price support programs are no longer needed. At the same time efforts are being made to reduce the CRP. That could make up to an additional 18 million acres available for production in the next two years. The additional land available for production and a change in the weather could drastically change this situation.

Conclusions

The current strong prices could change very rapidly with weather and politics (remember the early 1980's). Final legislation is being worked out in the House, Senate and Budget Reconciliation Committees. Therefore the details of the final legislation could be very important to the financial future of many Idaho and Northwest farms and ranches.

Table 1. Tentative House/Senate Agreements for 1995 Agricultural Legislation (as of November 1995).

Target Prices	Replaces target prices and deficiency payments with market transition contract payments over seven years.
Non-Recourse Loan	Loan rate is set at 85 percent of the five year moving average of market prices with authority to reduce the loan rate further if necessary to be budget neutral. Loans are for nine months with authority for extension. Producers shall pay all the storage costs during the loan. The proposed rate set is \$2.581 bu for wheat.
Flexibility Contracts	Planting flexibility and decoupling are retained. In 1996-97, 15 percent of past acreage base is designated "non-contract acreage" and may be planted to any crop. For 1998 and beyond, non-contract acreage increases to 30 percent of base. Payments will be made on 85 percent of the farm's contract acreage at the designated rate for the particular crop. It drops to 70 percent after 2 years.
ARP Authority	Authority for acreage reduction programs is eliminated.
Marketing Loans	Marketing loans are retained for production from base acres. The maximum payment will be \$75,000 per entity.
Farmer Owned Reserve	Eliminated.
Payment Limitation	Reduced to \$40,000 per person and a maximum of \$80,000 per entity while the three entity rule is retained. Payments are to be attributed to some social security number that holds or acquires some beneficial interest.
Crop Insurance	Crop insurance purchase as a requirement for program participation is eliminated. Seed crops are now included.
Basic Legislation	Farm programs for basic commodities are effectively ended after 2002. Commodity provisions of the 1938 and 1948 Agricultural Acts (i.e. Basic Legislation) are repealed.
Conservation Reserve	Producers are permitted to withdraw land from CRP before the expiration of their contracts. Rental rate is expected to be 75 percent of current rates.
Wetlands	The wetland reserve program may only offer 15 year easements instead of the current permanent easements.
Market Promotion	The Market Promotion Program (MPP) is reduced to \$100 million per year.
Export Enhancement	The Export Enhancement Program (EEP) is reduced over the next seven years but is expected to remain at around \$500 million annually.

Potato Outlook

Joseph F. Guenther

Fries and supplies. The two driving forces in the 1995-96 potato market are the increased demand for frozen fries and reduced supplies of potatoes. This combination is good news for growers holding open market potatoes.

Supply

Potato acreage is down in the Pacific Northwest, where over half the U.S. crop is grown. USDA estimated Idaho acreage was down 2.4 percent, Washington down 3.3 percent and Oregon down 8.6 percent. Pacific Northwest growers harvested almost 20,000 fewer acres in 1995. Due to acreage increases in eastern and central states, total U.S. fall acreage is down only 2,000 acres.

Pacific Northwest yields are also down. USDA estimated 1995 Idaho yields at 330 cwt per acre, down 10 cwt from last year's record 340. Oregon was down from 493 to 473 cwt per acre and Washington dropped from 585 to 550 cwt per acre. Late blight hurt yields in much of the Pacific Northwest. The fungus was found in Idaho for the first time during 1995.

Idaho yields increased in recent years in spite of weather and pest problems. While the 1995 crop may be an exception to this upward trend, remember that the November USDA yield estimates are preliminary. The November yield estimate for the 1994 crop was 329 cwt per acre, but the final estimate was 340 cwt per acre, breaking the 1992 record of 336 cwt per acre.

Weather and pest problems caused yields to drop over much of the U.S.. Average yield in the eastern states declined from 246 to 232 cwt per acre. In the central states, yields fell from 279 to 269 cwt per acre. Total U.S. fall

crop yield dropped 5 percent from 352 to 334 cwt per acre.

The combination of lower yields and acreage gives Idaho an estimated crop of 131.3 million cwt, down 5 percent from last year. Production in the Pacific Northwest is down 7.4 percent, with Oregon down 9 percent and Washington down 12 percent. Total U.S. fall production is down 4 percent.

Demand

Potato demand should continue to increase. The frozen fry segment of the market continues to be the growth leader. Last year U.S. frozen potato usage increased 11.3 percent. The frozen potato pack in the first half of 1995 was up 26 percent from two years ago.

The U.S. frozen potato industry has been exporting about 8 percent of its production. Japan continues to be the largest customer. Export volume to Japan and other Pacific Rim countries is expected to continue to grow in 1996. A crop shortage in Europe a year ago opened some global markets for U.S. exports, but until recently strong competition from Europe was expected.

There is a serious bacterial disease problem, brown rot, in the 1995 potato crop in the Netherlands. The Dutch potato industry depends heavily on export markets. If access to some of their export markets closes due to brown rot, it will create another opportunity for the U.S. industry.

U.S. demand for fresh potatoes has also been increasing in recent years. Consumption figures do not always show increased demand because the fresh market is often a residual outlet after the processors take their

share of raw product. The combination of reduced fresh supplies and increased demand for both frozen and fresh potatoes will boost open market prices.

Prices

Average open market prices will be much higher than last year's \$4.50 per cwt. Price outlook could easily change but Idaho average open market prices for the 1995 crop will probably fall in the \$7.00 to \$8.00 per cwt range. Quality and timing of sales will be vitally important. Low quality potatoes sold at the bottom of the market will go for less than \$5.00. There will be opportunities to sell top quality potatoes for more than the \$12.00 that some growers received for early potatoes.

Prices may again be as volatile as they were with the last crop. According to the Federal-State Market News Service, open market prices for fresh pack quality potatoes were as

low as \$2.00 per cwt in September 1994. The price then jumped to \$5.50 in February, fell back to \$2.75 in April and finally shot up to \$10.00 in July. The July high was a five-fold increase over the September low. Market timing was cruel to those growers who sold in September or April.

Futures

Potato growers may have a new marketing tool during the 1995-96 marketing season. The New York Cotton Exchange (NYCE) has developed a potato futures contract that is awaiting final approval. The contract calls for Idaho non-size A Russets in ten pound mesh bags. The contract specifies that growers can deliver at a discount in California, Oregon, Washington, Colorado, Maine, Red River Valley and Wisconsin. This contract, if used properly, could help growers protect themselves against the risk of low potato prices.

Wheat and Feed Grains Market Outlook for 1996

Larry D. Makus

Tight world grain supplies have pushed U.S. wheat and feed grain prices to near record levels. The 1995-96 world crop of wheat and coarse grains is forecast at 1,320.4 million metric tons (MMT), a decrease of 64.7 MMT (4.7 percent) from 1994-95. This decrease results from a significantly smaller world coarse grain crop (down 77.3 MMT) and a slightly larger world wheat crop (up 12.6 MMT). Projected ending stocks of wheat and feed grains of 187.5 MMT would be the lowest in 20 years. When compared to current usage levels, stocks are tighter than in the mid-1970's. The stocks-to-use ratio (ending stocks as a percent of total use) for wheat and feed grains bottomed at about 16 percent in the mid-70's. Current projected stock levels result in a stocks-to-use ratio of 13.6 percent. Grain stocks at these levels will support relatively high wheat and feed grain prices well into 1996. Any change in demand will keep prices volatile, especially for feed grains.

Coarse (Feed) Grains

World

Total world coarse grain production for 1995-96 is currently projected at 785.5 MMT. This production level is 8.9 percent below the previous year's crop of 862.8 MMT (Table 1), and significantly under projected use of 830.8 MMT. World coarse grain ending stocks (projected at 89.0 MMT) are at historically low levels.

Most of the change in world coarse grain production can be traced to the U.S. corn crop. This year, world coarse grain production is projected to drop by 77.3 MMT, with U.S. feed grain production dropping by 75.5 MMT. In contrast, other world coarse grain exporters are expected to

increase production by about 9.7 MMT. Australia and South Africa are expecting significant increases in coarse grain production. The remaining major exporters (Argentina, Canada, and Thailand) are projecting slight increases or comparable crops in 1995-96 relative to 1994-95. The major importing countries increased coarse grain production by almost 6 MMT, led by larger crops in eastern and western Europe. China's coarse grain production increased 8.8 MMT, while the Former Soviet Union (FSU) dropped significantly (16.8 MMT) in coarse grain production.

World utilization of coarse grains for 1995-96 is projected 2.4 percent below last year, which is quite positive considering the 8.9 percent reduction in production and significantly higher prices. Continued growth in world population, the need to replenish world stocks, and improvements in the world economies all suggest a strong export demand for U.S. feed grains over the next couple of years.

United States

U.S. feed grain production for the 1995-96 marketing year is currently projected at 209.3 MMT, a decrease of 75.5 MMT (over 26 percent) from the 1994 crop. Corn production decreased from 10.1 billion bushels in 1994 to 7.4 billion bushels in 1995. Although 1994 production represented the largest U.S. corn crop on record, stocks were not able to recover from the very short 1993 crop. U.S. grain sorghum production decreased by 191 million bushels (almost 30 percent), barley production declined by 14 million bushels (3.7 percent), and oat production is down 66 million bushels (about 29 percent). Total U.S. feed grain use (both domestic use and exports) is expected to

decrease significantly in response to tighter supplies. With the reduction in use being much less than the decrease in production, 1995-96 ending stocks for U.S. feed grains are projected to reach a historically low level of 20.0 MMT.

Feed grain price projections from the United States Department of Agriculture (USDA) for the 1995-96 marketing year are at record high levels. The season average farm level corn price is forecast at \$3.15 per bushel, just under the record high season average price of \$3.21 set in 1983. Grain sorghum price is forecast at \$5.45 per hundredweight, a record high season average price. Barley is forecast at \$2.75 per bushel, which is close to the record high of \$2.81 established in 1974. Farm level oat prices are expected to average \$1.60 per bushel, which is well above average but less than the record high of \$2.61 achieved in 1988.

Outlook

Tight world and U.S. feed grain supplies will provide solid support for all feed grain prices until planting time next spring. Additional price volatility will probably come from the demand side, primarily reflecting what happens regarding exports.

For the near term, feed grain prices may weaken a bit seasonally toward the end of 1995, and barley will likely follow. A price recovery can be expected sometime in January, and prices should remain strong until late spring. Barley supplies are extremely tight, and next spring may provide some interesting marketing opportunities. However, current prices are very attractive and should not be passed up entirely.

An increase in feed grain production can be expected in 1996, suggesting prices are going to be lower for next year's crop. However, tight supplies will continue and prices should hold well above average. It is important to keep in mind that this year

cannot be thought of as a "normal" price year. Don't compare next year's pricing opportunities with current prices to determine whether the opportunities are good ones.

A normal U.S. corn crop for 1996 would put 1996 production between 8.25 and 8.75 billion bushels, and drop corn prices by 30 to 50 cents per bushel (10 to 15 percent) from this year's projected average price. Barley should be comparable, dropping about 20 to 25 dollars per ton. Thus, Portland barley prices above \$125 may be a good 1996 pricing opportunity even though it is well below current price levels.

Wheat

World

World wheat production for the 1995-96 marketing year is forecast at 534.9 MMT, up 12.6 MMT (2.4 percent) from the 1994 crop (Table 1). However, world projected use of 550.3 MMT still exceeds production. Thus, world ending stocks for 1995-96 are expected to drop significantly (about 15.3 MMT or 13.4 percent) for the third consecutive year. Although world wheat production increased, the U.S. harvested a slightly smaller wheat crop in 1995 compared to 1994. The only other major exporter with an expected production decline is Argentina, with a 2.5 MMT decrease. Gains in wheat production for major exporters include a big increase for Australia (up 7.98 MMT or 88 percent), and slight increases for Canada and the European Community. The major importing countries generally held production steady, with a noticeable decrease for North Africa. Russia and Kazakhstan were also down in 1995 wheat production by about 2 MMT each.

The estimated 98.5 MMT for world wheat ending stocks is the lowest since the mid-1970's. The resulting stocks-to-use ratio of

17.9 percent is significantly below levels experienced in the mid-1970's.

United States

U.S. wheat production decreased slightly, from 2.321 billion bushels in 1994 to 2.183 billion in 1995 (Table 2). Planted acreage and yields for 1995 were both slightly below 1994 levels. Domestic use for the 1995-96 marketing year is currently projected at 1.195 billion bushels, slightly below the previous year. Lower feed use accounts for the reduction in domestic utilization. U.S. wheat exports for 1995-96 are projected at 1.2 billion bushels, up slightly from last year. Expected U.S. ending stocks of 395 million bushels in 1995-96 (Table 2) will be the lowest level since the 1973/74 marketing year.

National farm level wheat prices for the current marketing year are projected by the USDA to increase substantially. For the 1994-95 marketing year, the average farm level price for all wheat was \$3.45. The USDA is currently projecting an average price of \$4.20 to \$4.50 for the 1995-96 marketing year. If realized, that represents a record high annual average farm level wheat price for the U.S.

Although production of all wheat is down in the U.S., white wheat production is up significantly reflecting an excellent crop in the Pacific Northwest (PNW). However, Portland prices for white wheat are following the national trend. Currently, Portland wheat prices are holding well over \$5.00 and expected to average close to \$5.00 for the 1995-96 marketing year. This compares to an average price of \$4.16 for the 1994-95 marketing year (Table 2).

Outlook

For the remainder of the 1995-96 marketing year (January through May), tight world grain supplies should provide solid support

for wheat prices. Whether current levels can be sustained through the entire marketing year is a serious concern. Additional pressure on U.S. exports may develop when Australia and the European Community become active participants in the world market. White wheat may well be one of the more pressured classes on the export demand side, and tight supplies are not as supportive for white wheat prices. Thus, some weakening of wheat prices in the PNW is a strong possibility as 1996 begins. Continued strong export activity certainly has the potential for pushing Portland white wheat toward higher levels.

The potential for a significant increase in 1996 world wheat production certainly exists at this point in time. The price incentive is there, and northern hemisphere winter wheat yield prospects seem to be generally favorable. The U.S., Canada, and the FSU have the potential to increase production significantly, although the FSU continues to struggle economically and inputs are still unavailable. Additional production from these three areas, a continuation of the recovery in Australia, and average production in the rest of the world implies an increase in world wheat production. A net increase of about 25 to 30 MMT (about one-half from the FSU) would put 1996-97 world wheat production at 563.0 MMT (Table 1). Some recovery in world use to 556 MMT implies a slight increase in ending stocks to around 105.5 MMT. The resulting stocks-to-use ratio of 19.0 percent should still provide strong support to U.S. wheat prices.

The expectation of slightly higher planted acreage and favorable yield prospects indicates U.S. wheat production should increase in 1996. An initial estimate is 2.40 to 2.60 billion bushels for the 1996 crop (Table 2). Domestic use should stay around 1.20 billion bushels assuming no big increase in feed use. Exports for the 1996-97 marketing year can expect some additional pressure from a slightly larger 1995 world

crop, but continuing tight world supplies should keep the export market optimistic. Additionally, U.S. wheat exports will be influenced by what happens to our export programs in the new Farm Bill legislation. A continuation of relatively tight world grain supplies indicates U.S. wheat exports in 1996-97 should increase slightly over current year levels. Although ending stocks for 1996-97 may be slightly higher, the projected balance sheet suggests relatively tight supplies.

Both the average farm level price and Portland price for wheat are projected to be at historically strong levels for 1996-97 (Table 2). However, new crop prices are

expected to be lower than current prices. Thus, pricing opportunities for 1996 wheat must be compared to what is expected for the 1996-97 marketing year, not what exists today.

With the potential for price jumps this spring, attractive early pricing opportunities are likely to develop for the 1996 wheat crop. It is also important to keep in mind that major policy changes may take place in the next year. The 1995 Farm Bill, continuation or elimination of current export programs, disposition of the CRP, and a focus on deficit reduction are all forthcoming policy issues.

Table 1. World wheat and coarse grain production, use, and ending stocks, marketing years 1992-93 to 1995-96, and forecast for 1996-97.

Year	Production		Use		Ending Stocks		Stocks to Use Ratio (%)
	MMT ^a	Annual % Change ^b	MMT ^a	Annual % Change ^b	MMT ^a	Annual % Change ^b	
Coarse Grains^c							
1992-93	862.8	+ 7.4	834.6	+ 3.1	162.8	+21.4	19.5
1993-94	790.1	- 8.4	830.9	- 0.4	122.1	-25.0	14.7
1994-95 ^d	862.8	+ 9.2	850.9	+ 2.4	134.0	+ 9.7	15.7
1995-96 ^e	785.5	- 8.9	830.8	- 2.4	89.0	-33.6	10.7
1996-97 ^f	860.0	+ 9.5	850.0	+ 2.3	99.0	+11.2	11.6
Wheat							
1992-93	561.9	+ 3.6	549.5	- 1.8	145.2	+12.1	26.4
1993-94	559.3	- 0.5	563.2	+ 2.5	140.8	- 3.0	25.0
1994-95 ^d	522.3	- 6.6	549.4	- 2.5	113.8	-19.2	20.7
1995-96 ^e	534.9	+ 2.4	550.3	- 0.2	98.5	-13.4	17.9
1996-97 ^f	563.0	+ 5.3	556.0	+ 1.0	105.5	+ 7.1	19.0

^a MMT = Million Metric Tons.

^b Represents the percent change (+ for an increase; - for a decrease) from the previous year.

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

^d Estimated by USDA in the November World Ag. Supply & Demand Estimates (WASDE).

^e Projected by USDA in the November World Ag. Supply & Demand Estimates (WASDE).

^f Projected by the author.

Idaho Agricultural Outlook 1996.

Table 2, page 17, contains an error. The correct figures are included below.

Table 2. U.S. Wheat and White Wheat Balance Sheets for Marketing Years 1993/94 to 1995/96 and Forecast for 1996/97

	Marketing Year			
	1993/94	1994/95 ^a	1995/96 ^b	1996/97 ^c
	(billion bushels)			
Wheat				
Beginning Stocks	0.531	0.568	0.507	0.395
Production	2.396	2.321	2.183	2.500
Total Supply ^d	3.036	2.981	2.790	2.995
Domestic Use	1.240	1.287	1.195	1.200
Export	1.228	1.188	1.200	1.250
Total Use	2.467	2.475	2.395	2.450
Ending Stocks	0.568	0.507	0.395	0.545
Avg. Farm Price (\$/bu)	\$3.26	\$3.45	\$4.20-4.50	\$3.60-4.00
White Wheat				
	(million bushels)			
Beginning Stocks	64	67	57	72
Production	347	304	334	391
Total Supply ^d	420	386	409	483
Domestic Use	104	107	117	125
Export	249	222	220	225
Total Use	353	329	337	350
Ending Stocks	67	57	72	133
Avg. Portland Price (\$/bu)	\$3.53	\$4.16	\$4.90-5.20	\$4.30-4.80

^aEstimated by USDA in the November World Ag. Supply & Demand Estimates.

^bProjected by USDA in the November World Ag. Supply & Demand Estimates.

^cProjected by the author.

^dIncludes a small amount of imports.

— —



Meat and Milk Outlook

C. Wilson Gray

Nationally, meat production is headed toward a record year as 1995 nears an end. Milk production creeps up as fall prices firm up. Locally, meat production in the Gem State makes modest gains while milk posts a nine percent increase for 1995.

In General

Excessive heat this summer held U.S. dairy, poultry, and pork production below expected levels. Lower production led to higher prices and mitigated much of the impact of rising feed costs on producers' returns during late summer and early fall. Pork and broiler production increased this fall and producer prices are moderating. Price pressure from large total meat supplies and a continuing rise in feed costs will squeeze producer returns in most areas of the meat complex. Consumers may not see much price relief, however, as farm-retail price spreads are expected to widen.

Beef Situation

The excessive heat last summer had only minor effects on national beef production. Generally good forage conditions this past fall allowed stocker cattle to remain on pasture for additional weight gain at relatively low cost. This has reduced the impact of higher feed costs on feeder cattle prices. Seasonally larger movement of cattle into feedlots this fall moved prices downward for heavier feeder cattle. Pressure has also developed on lighter calves. Price differentials between weight categories have narrowed to the point where they have disappeared at times.

In fact, price differentials by weight category have been inverted at times. This situation has occurred because with the current low fed cattle price and high feed cost situation,

lighter calves don't work well economically. The longer time on feed for light calves to finish raises their feed cost per day to unprofitable levels. This has led to heavy discounting of lighter calves by feeders if they are willing to take them at all. This situation has occurred in the past at about this point in the cattle cycle. High feed prices will be with us for awhile so the upside down price situation could persist.

Cow-Calf Options

Those operations which wean heavier calves are in a good position relative to light weight calf operations this fall. For operators with lighter calves and sufficient feed that will add gain cheaply, retention until those calves are in the 650 to 800 pound range may be a good option. The practicality of this will require some sharp pencil pushing, as well as feed testing. If feed on hand is lacking in protein or energy to put on average daily gains in the 1.5 to 2.0 pound range, the purchase of supplements could easily make the situation uneconomic.

Retained ownership is a tenuous situation at best this year. It is difficult to make most retention options work under present cattle price and feed cost situations. Operators who are considering backgrounding, long yearling or feedlot situations should carefully assess costs and break-even prices, and the likelihood that profitable prices will be attainable.

Beef Trade Surge Continues

Recent changes in U.S. beef imports, exports and live animal trade has focused much more producer attention on the world beef industry. More specifically, where does the U.S. fit into the world industry?

Many livestock producers have been excited and concerned about recent developments in international trade. Export growth has certainly been a boon to U.S. producers in times of increasing production. It is important for U.S. producers to recognize their position in the world. In many ways the U.S. is an "800 pound gorilla" in the world's livestock industry.

On January 1, 1995 the total cattle inventory in the U.S. was estimated to be 103.3 million head. Only India, Brazil, and the People's Republic of China had larger inventories, 274, 144, and 119 million head, respectively. World estimates of cattle inventories also include buffalo, which are work animals in some parts of the world.

Comparison with countries that we compete with more directly are more useful. There are an estimated 30 million cattle in Mexico and 13 million in Canada. This means that the U.S. has about 70 percent of the North American cattle inventory. Argentina, Australia, and New Zealand are estimated to have about 54, 24, and 9 million cattle, respectively.

While the U.S. has the world's fourth largest cattle inventory, it leads the world in cattle slaughter and beef production. India and China, while having large animal inventories, produce only about 10 and 26 percent as much beef as the U.S.

The U.S. is also the world's largest beef importer, estimated to be about 1.2 million metric tons in 1995. In fact, U.S. beef imports account for 20 percent of the world's beef imports. On the export side, the U.S. is the second largest beef exporter by volume. Australia is the largest exporter, with about 16.6 percent of total world beef exports.

Uruguay leads the world in per capita beef consumption at about 176 pounds (carcass weight). Argentina is second at about 135 pounds per person. U.S. per capita beef

consumption in 1995 will be about 97.6 pounds carcass weight. By comparison, India, which has the largest cattle and buffalo inventory, is projected to consume only about 2.2 pounds per person in 1995.

Dairy Situation

The Idaho dairy industry continued to grow, but at a slower pace than in 1994. Milk prices for most of 1995 have tracked below year ago levels. Heat-related stress on midwest herds resulted in tighter supplies and stronger prices, first at the cheese level and finally at the farm gate. Reduced production occurred at the same time as demand seasonally increased with the return to school. Commercial demand also increased. In addition, stocks are down according to USDA's Cold Storage Report.

Although higher feed costs due to high grain prices have put a "squeeze play" on producers, most should weather the situation. The price-strengthening phenomenon will hold through the winter, but prices will likely soften again as we approach the spring flush. At this juncture it appears that the all-milk price will remain above \$12.00 per hundredweight, at least until this spring.

The long term trend of increasing production continues. In Idaho both cow numbers and production have continued to increase throughout the year. Increases were very strong early this year but slackened off last spring. For 1995, milk production will likely be up about 9 to 10 percent over 1994. In addition to softer milk prices, the political scene has had a tempering effect on both dairymen and processors.

Farm Bills and Industry Changes

With the Republican takeover of both houses of Congress, there was much talk of finally giving farmers and dairymen what many have been requesting for years—a chance to get the government out of farming. Several

representatives have been on record as advocating this and are finally in a position to act. Agricultural program expenditures could be reduced by as much as \$13.4 billion over seven years to help balance the budget. This goal pushed Congress to reduce or eliminate the wide ranging role government has had in farm programs since the 1930's.

However, when things went to the mat in committee, a case of "not-my-subsidy" took over as cotton, rice and peanut legislators from both parties teamed up to defeat cuts to those programs. The wheels immediately fell off the wagon and the House wound up going to conference committee without a farm bill.

One House proposal (the Freedom to Dairy section of the Freedom to Farm Bill that died in committee) was to eliminate all federal milk marketing orders. Producers would receive a compensating payment phased out over several years to help them adjust to a market-oriented structure. Naturally much wailing and gnashing of teeth has occurred from all sides about the malfeasance and merit of radical change.

"Down Under" Did Just Fine

What would life be like ASE (after subsidies end)? Seldom in the realm of economics does a real world experiment exist to look for clues about what might be the case for policy changes. Over a decade ago New Zealand, heavily burdened by trying to support agriculture at high levels, decided enough was enough and dropped subsidies overnight. Some interesting things happened. In the first year, total (now unsubsidized) farm income dropped 20 percent. But left to its own resources the farm sector, which had been stagnant, rebounded and only one percent of dairy producers actually went out of business. During the first half of this decade dairy income improved 34 percent. New Zealand dairymen have had to cut costs and become very efficient. Today

they are the world's lowest cost milk producers. Their strategy has led to a 33 percent increase in milk production and a doubling of dairy exports.

Ending the U.S. milk market order system and its support of regional price differentials would not cause disorder in the industry. The current system "blends" the price received for fluid (Class I) and manufacturing (Classes II, III, IIIA) milk. The price is proportioned according to how much milk is used in each class. In surplus areas, very little goes to fluid compared to manufacturing grade milk. In deficit areas, the opposite is true. There are also differentials in Class I prices. For example, the southeastern U.S. cannot meet fluid demand locally. This supply-demand situation dictates that prices would thus be higher in the southeast.

The class price system was established when few dairies produced fluid grade milk. Today nearly all (96 percent) do. The system needs changing to reflect today's production/usage system. Second, demand for dairy products is strong. Dairy product manufacturers may be willing to pay competitive prices for milk. Nothing would prevent cooperative arrangements or bargaining groups from negotiating for price contracts. Third, export demand for dairy products is strong and deregulation would enhance U.S. producers' ability to compete. Several studies of world trade have concluded that U.S. dairymen are well positioned to compete in international markets. Fourth, the proposed transition payments would soften the blow for the industry. It may be time for the industry to step up to the plate and demand what many have wanted for decades.

PNW Price Projections

	Unit	1996 Planning Prices				Long Range Average
		Quarter				
		I	II	III	IV	
		***** Dollars *****				
Steers * (350 - 499#)	cwt	61-67	59-67	62-68	62-69	72
Steers * (500 - 599#)	cwt	62-67	59-66	59-66	62-67	70
Steers * (600 - 699#)	cwt	64-69	61-66	60-67	62-68	69
Steers * (700 - 799#)	cwt	63-67	60-66	60-66	61-66	66
Steers * (800 - 899#)	cwt	62-66	60-66	59-66	60-65	65
Choice Steers * 1100#	cwt	63-67	61-67	59-64	60-66	63
Cull Cows	cwt	34-36	35-37	29-35	25-33	35
Cull Bulls	cwt	37-39	37-40	35-38	36-39	40
Market Hogs (240# Avg.)	cwt	40-44	38-43	39-45	35-41	44
Slaughter Lambs (100-125#)	cwt	72-84	78-90	74-85	68-77	65
Feeder Lambs (65-99#)	cwt	80-94	86-92	84-96	77-88	70
Cull Ewes	head	20-27	23-29	13-20	11-20	18
<i>Livestock Products</i>						
Milk, Fluid Grade	cwt	12.30- 13.10	11.30- 12.10	11.60- 12.60	11.40- 12.40	12.00
Milk, Mfg. Grade	cwt	11.60- 12.40	10.60- 11.40	10.90- 11.90	11.20- 12.20	11.50
Wool, Grease Basis, Farm	lb.	.55-.72	.69-.80	.60-.74	.57-.70	.60

* NOTE: Heifer prices will be 6 to 10 cents below steer prices at the same weight.

1996 Edible Dry Bean Outlook

Paul E. Patterson

U.S. dry edible bean production for 1995 was up 4.8 percent from the 1994 crop. USDA's November estimate of 30.6 million cwt puts production above the five-year average of 27.9 million cwt. Harvested U.S. acreage of 1,907,800 was up 3.4 percent, while average yield was up 1.3 percent. The 1995 crop was planted later than normal and developed later because of cool wet weather in many production areas. While harvest weather was mostly favorable, a hard frost in the West and Midwest the third week of September killed any immature vines. An early snowfall followed the freeze in the Midwest, hitting Nebraska and Colorado particularly hard.

In the Pacific Northwest, 1995 production was down 16.3 percent with Idaho down 23.7 percent, Oregon up 16.8 percent, and Washington unchanged. Idaho harvested 19.0 cwt per acre on 108,000 acres compared with 19.5 cwt on 138,000 acres in 1994. Oregon's yield of 23.0 cwt was up 3.3 cwt from 1994 and the 10,000 acres harvested was unchanged from 1994. Washington's 1995 yield of 21 cwt per acre was also unchanged as was the 40,000 acres harvested.

With the exception of Great Northern prices, dry bean prices paid to Idaho growers for the 1994 marketing year (September-August) were poor with prices staying flat over the marketing year. The price on Pintos averaged \$17.30, down \$10 from 1993, and ranged from \$16 to \$18. Pinks averaged a dollar higher than Pintos, ranging from \$18 to \$19, but were down \$2 from 1993. Small Reds were down only \$.50 from 1993 and averaged \$21.50, ranging from \$21 to \$22. Great Northerns were up \$2.50 from 1993 and averaged \$27, ranging from \$22.50 to \$29.75.

Prices on the 1995 crop during the early fall have been poor to mediocre, again with the exception of Great Northerns. The range in prices for Pintos, Pinks and Small Reds has been less than \$1.00. Pintos have been on the low end at \$17. Pinks have been a dollar higher at \$18 and Small Reds at \$20. Great Northern prices have mostly been at \$30.

Export demand has been strong with exports for October 1994 through July 1995 up 52 percent over the previous year. Significant quantities of dry bean exports from the U.S. are tied to the PL-480, or, Food for Peace

Program. With most federal programs facing budget cuts, funding for PL-480 will likely decline, leading to reduced credit exports in 1996 and beyond. This will put downward pressure on dry bean prices unless production is also reduced. The U.S. ranks second behind China in the dry bean export market and accounts for 13 percent of the world trade. Domestic demand is expected to remain strong with per capita consumption around 7.5 lbs.

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

Year	U.S. Production (million cwt)	U.S. Exports (million cwt)	Idaho Production (1,000 cwt)	Average Idaho Price (per cwt)
1991	33.8	10.82	2,932	\$14.50
1992	22.6	6.50	1,584	\$19.90
1993	21.9	9.32	2,091	\$24.40
1994	29.2	7.8	2,691	\$18.90
1995	30.6	9.5	2,052	\$18.50

Source: USDA. Prices are for marketing year Sept. 1 - Aug. 31. Exports are for calendar year. 1995 production and 1994 prices are preliminary, while 1995 prices and 1995 exports are author's forecast.

Poor prices on the 1994 crop and the expected poor price on the 1995 crop will discourage dry bean acreage expansion in 1996. Higher prices on wheat and barley will also help by shifting potential dry bean acres to these crops. With reduced acreage and a normal growing season, U.S. production should fall below 30 million cwt. Production between 28 and 30 million cwt will keep the average dry bean price around \$20, a slight improvement over the 1995 marketing year. Because both 1994 and 1995 were relatively high production years, production would have to drop below 26 million cwt to move prices to the mid \$20's. While production over 30 million cwt is unlikely, this level of production would continue depressed prices in the mid to upper teens. The price estimates for the 1996 crop assumes exports of at least 9 million cwt and steady domestic utilization.

Hay and Forage Outlook

Neil R. Rimbey

The Idaho hay market has changed significantly over the last 5 to 10 years. Supplies have been negatively impacted by the lingering drought, which appeared to end during the 1995 crop year. Hay demand, particularly for quality hay, has been bolstered domestically by increased cow numbers in Idaho's dairies. International markets have also developed for quality Idaho hay and hay products. In addition, the building phase in the beef sector is continuing, with peak beef cow numbers expected to occur in 1997. Forage markets, other than hay, are primarily centered on irrigated pastures and rangeland. Since Idaho's livestock industry is highly dependent upon public land forage, the legislative developments in relation to public grazing land reform bear watching over the next year.

Supply and Demand Situation

Hay and Forage Supply

Water conditions during the 1995 growing season were more favorable than they have been over the last few years. With increased water for irrigation, or precipitation for dryland production, hay production increased over 1994 levels. However, due to some very low carryover stocks coming into this production year, total hay supplies are lower than they have been since 1992. Generally, there was little rain damage that occurred when hay was down. There were areas in which first cutting was rain-damaged, but overall quality should be improved over what occurred in the 1994 crop.

Total hay supply consists of carryover stocks from last year's production year and hay production during 1995. Hay production includes alfalfa and other hay. All of these

factors are reported periodically throughout the year by USDA's National Agricultural Statistics Service (NASS). The most recent NASS reports reveal factors about Idaho's hay supply that will impact prices for this year. First, carryover stocks of hay coming into this marketing year are at the lowest point they have been in the past 10 years (see Table 1 and Figure 1). The May 1 stocks were at 222,000 tons, well below the 10 year average of 526,000 tons. January 1995 hay stocks were also below average at 2.2 million tons, giving some indication at that point that supplies were diminishing. Alfalfa production rose about 5 percent to over 4.1 million tons. This is the third highest level of alfalfa production in the last 10 years. Other hay production increased 24 percent to 570,000 tons. Total 1995 hay production increased to 4.3 million tons, an increase of 7 percent. Combining carryover supplies and 1995 production of hay reveals total hay supply of slightly under 5 million tons, the lowest supply since the drought-impacted crop of 1992. Therefore, total supplies are down about 3 percent from 1994 levels.

Pasture and range conditions (and thus, supply) are highly correlated to spring and summer precipitation. With ample growing season precipitation, range and pasture grazing conditions should be good to excellent on Idaho's public and private rangelands. Idaho's beef cattle and sheep industries are highly dependent upon public forage during the growing season. The management changes mandated under proposed policy changes within the departments of Interior and Agriculture (*Healthy Rangelands*, formerly *Range Reform '94*) may impact private grazing lease markets within Idaho and other western states. The Congressional actions underway in relation to these policy changes will also

Table 1. Idaho hay production and supplies, 1985-1995. (1,000 tons)

Year	Dec/Jan Stocks	May Stocks	Alfalfa Production	Other Hay Production	Total Production	Total Supply
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		222	4,180	570	4,750	4,972
Average	2,910	527	3,867	457	4,323	4,850
Maximum	4,008	1,086	4,200	644	4,844	5,589
Minimum	2,183	222	3,367	288	3,655	4,299
Std. Dev.	656	279	301	110	387	370

bear watching over the next few months. Rangelands comprise over 41 percent (or 22 million acres) of Idaho's land area and nearly 80 percent of the rangelands are managed by the state and federal government agencies. Changes in federal and state grazing policies will impact the supply (and demand) for both public and private forage sources. How much it will impact both of these areas is the "\$64,000 question."

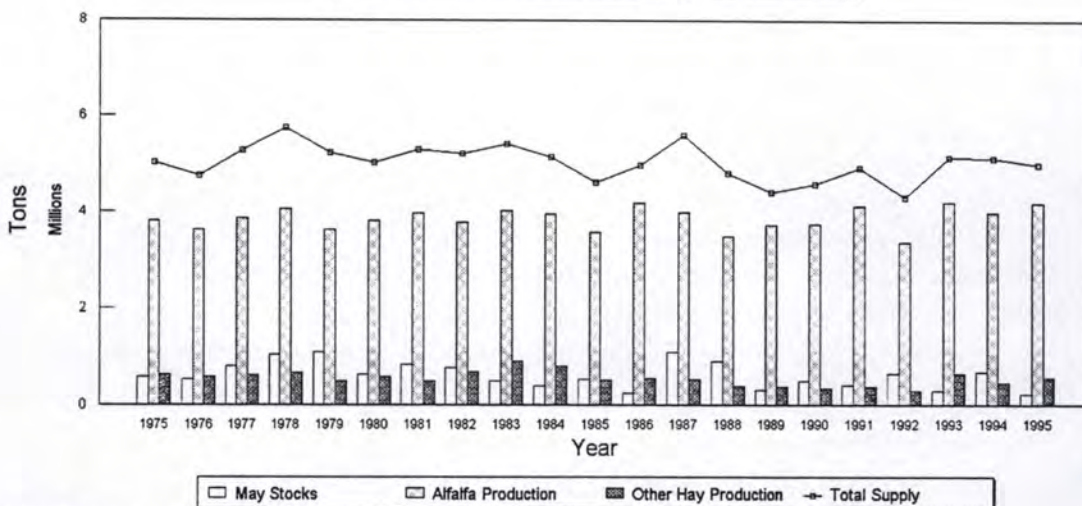
Hay and Forage Demand

Demand for Idaho hay comes in several forms and the hay market can usually be stratified by the product being demanded. For example, high quality hay destined for the dairy and horse markets usually sets the top of the hay market. Another market of higher quality hays has been for overseas exports. Increasing volumes of hay from the Pacific Northwest has been compressed or processed and sent overseas to Pacific Rim countries such as Japan and Korea. Over the past three years, between 10 and 20 percent of Washington's hay crop has gone into the export market. Beef cattle form another important demand segment for Idaho hay. Cow-calf producers are demanding a quality of hay that will winter cows in the last trimester of pregnancy. Grass and lower

quality alfalfa hays produced on the ranch or farm where it is being fed, usually fill this niche. However, shortages of hay can sometimes shift purchases up into higher quality hays. Feedlots and backgrounding operations form another market alternative. Although the term "feeder quality hay" has been with us for some time, the type of product demanded by feeders is dependent upon feed rations and the phase of cattle finishing. The sheep industry has gone through a period of decline over the past 50 years, but the 250,000 head of sheep remaining within the state still form an important market for Idaho hay.

Take a brief look at the situation in relation to the different segments of demand that we just detailed. The dairy industry is booming. Over the last four years dairy cow numbers have increased by 24 percent to 220,000 head. This upward trend will likely continue in the near future, due primarily to the increased capacity of cheese plants in the state. With this increase comes greater demand for high quality alfalfa hay. Although no statistics are regularly gathered concerning horse numbers, it is widely felt that there is an upward trend in this demand segment as well. Nationally, beef cow

Figure 1. Idaho Hay Supply, 1975-1995



Source: USDANASS

numbers continue to grow 2 to 3 percent annually. However, due to the rapid declines in the beef markets over the past two years, the liquidation could start earlier than has been forecasted. What impact will this have on the beef hay markets? Indications are that beef hay demand will be somewhat uncertain over the next year. Roughly 2 million AUM's of public land forage are consumed by domestic livestock in Idaho each year. State and federal policy developments will affect demand for public forage, as well as private leased pasture and range.

Outlook

In looking at the supply and demand information presented earlier, one can conclude a couple of things. First, prices for higher quality hay will remain strong through most of the 1995-96 marketing period. With the rapid growth in the dairy industry and localized first cutting rain damage, there could be shortages of higher quality hay (and price strengthening) as we progress through the marketing season. With the U.S. dollar suffering in foreign exchanges, expect export demand to remain high over the next year. However, remember

that California, Washington and Oregon will get first crack at this market, given the location advantage in relation to west coast ports. Expect higher quality hays to be selling in the \$85 to \$110 per ton range early in the year. Depending upon weather conditions and buying patterns as we progress through the year, price increases by another 10-15 percent may be in the works. With the cattle market suffering through some doldrums and with higher feed grain costs, the beef hay market has the potential of being somewhat soft. Feeder quality hay will average \$55 to \$70 per ton, with potential for declines as we progress through the season. However, if weather conditions and increased demand for high quality hays eat up those supplies, expect price strength on feeder quality hays later in the feeding season. Pay close attention to the December 1 Hay Stocks Report released by USDA in early January. If this report shows a dip in the number of tons on farms, much like we saw last year, expect price increases through the rest of the marketing year. The challenge to hay growers will be to produce high quality hay in order to capture the premiums being generated by the booming dairy hay market.

In terms of range and pasture conditions, the physical end of things is very dependent on spring and early summer precipitation patterns. Long-term University of Idaho range research conducted in Malta indicates that over 80 percent of the annual variation in grass production can be explained by April through June precipitation. Although this is specific to crested wheatgrass production in the Raft River Valley, the same relationships apply to other areas of the state and other grass species—spring and early summer precipitation make the grass grow!

Trying to predict what takes place in the political arena of public land policy has no future. However, given declines in the beef markets, expect federal fees to drop some this next year. Projections made this fall indicate potential for the federal rates to fall

to the \$1.35/AUM floor still in effect under the Public Rangeland Improvement Act fee formula. If a "political fix" does come into play for federal lands, expect fees to rise into the \$2-\$2.50/AUM range for 1996. Research from Idaho, New Mexico and Wyoming indicates that public land ranch asset values will decline by about \$30 per AUM for each \$1 increase in grazing fees. State lands will lease for \$4.88/AUM during 1996. For the first time since a new State Land Fee Formula was installed in 1991, cattle and sheep leases will be charged the same grazing fee. Most private land range and pasture lease rates will be in the range of \$8 to \$12/AUM. Depending upon what takes place with federal land policy changes, there may be increased demand for private pasture and range, with potential for additional increases in these lease rates.

1995-96 Planning Prices for Idaho Crops and Livestock

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

Commodity prices vary significantly, not only between years, but within the marketing year as well. In general, prices are lowest at harvest and strengthen as the temporary imbalance of supply and demand changes. While some commodities follow well established seasonal price patterns, others are quite erratic and vary significantly from year to year. Even for commodities with well established seasonal patterns, the overall price level can be dramatically different even though the pattern may remain unchanged. Representing an entire marketing year with a single price, even one based on historical data, can be very misleading if the variability is not understood. Often, however, a single price must be used for planning purposes.

Because one planning price will not fit all situations, both a long range and short range planning price are listed. The long range planning prices are based on time-series data, when an acceptable data series is available. There are two price columns, one showing the 7-year Olympic average and the second showing the lowest *average* price over the past seven years, also based on an Olympic average. The prices are based on a marketing year, rather than 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 are expected prices for the 1995-96 marketing year, based upon current market fundamentals, supply and demand. They represent an estimate of what the price is expected to average over the current marketing year. To address the issue of risk, the lowest expected price of the current market year is also listed.

Olympic Averages

An Olympic average is calculated by removing the high and low prices 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

Which price to use, long run or short run, depends on the analysis. A feasibility study would use the long range planning prices, while a cash flow estimate for the current year might rely on the short run planning price.

What price should be used on 1996 crops that will be marketed in the 1996-97 marketing year? An average of the long and short run planning prices is one alternative. Since prices tend to move toward the historical average, the price received for the 1996 crop will tend to be somewhere between the short run and long run prices, assuming the short run prices are accurate. A more conservative approach is to use the long run planning price for any crop but the current one. This second method is preferred when the short range planning price varies significantly for the long range planning price, a situation that currently exists for potatoes and grains.

Data Sources and Data Problems

The information used to calculate these planning prices comes from a variety of

different sources, although the USDA's Idaho Agricultural Statistics Service is the dominant source. 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 does not fit a specific market class. 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.

Grain prices are based on the Idaho Farm Bureau prices at Pocatello for feed barley, hard red spring wheat, hard red winter wheat 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 changed over time, it tends to remain fairly stable within a given year. The market location for South-central 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 and oats are based on USDA data. Contract malt barley is based on the prevailing base price from the most recent contracts. Open malt barley is priced \$1.00 above the feed barley price. While the malt barley premium varies year-to-year, the \$1 per cwt represents a long term difference. Up until four 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. The new data series don't currently contain an adequate historical base needed to look at long term trends. Also, the malt barley price includes both open market and contract purchases made during a given month.

The price for dry beans, dry peas and lentils use monthly prices from USDA. The price for rapeseed is based on the posted county price from the ASCS. Prices reported by USDA are also used on sugarbeets, sweet corn and the fresh and processing potatoes. The contract potato price uses the current 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. The AUM rate is split between what is charged by the federal land management agencies, BLM and Forest Service, and what is charged on private pasture. The short range government AUM price is \$1.35. This assumes that Congress and the Secretaries of Interior and Agriculture will not resolve the continuing fight over grazing fees in 1995 or 1996. The PRIA fee formula that is in place includes a \$1.35 floor price. With the decline in the cattle markets and continuing inflation of production inputs, it is likely that the floor will be reached under the PRIA formula in 1996. The long range government AUM price is based upon expected increases brought about through the on-going political process. Private pasture rates are expected to maintain traditional levels in the short run. Long-term pasture rents are expected to increase, given the uncertainties surrounding federal land livestock grazing.

Livestock Price Estimates

The short range planning prices are conservative estimates based on the present market fundamentals. Long range price estimates are based on historical price trends

over the last 10 years. While livestock prices are statewide estimates, they are most reflective of Southern Idaho.

Regional long range crop planning prices are presented in Table 1. Short run crop prices are included in Table 2 and Table 3 contains both short and long run livestock prices.

Comments

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.

It will enhance your planning efforts if you keep updated on the current outlook situation. Use current information to modify your plans as necessary. Some sources for current outlook are:

- The *Idaho Agricultural Situation and Outlook* published in December. Contact your local University of Idaho Extension office for a copy.

- The "Western Livestock Roundup" published in the *Western Beef Producer*.
- USDA's *World Agricultural Supply and Demand Estimates* (WASDE) is published monthly. It includes U.S. and world situation/outlook commentary and information on meats, dairy, grains and other major crops. 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:

gopher://usda/mannlib.cornell.edu:70/1.

Table 1. 1995-96 long range crop planning prices for Idaho based on marketing year averages.

Crop	Units	Southwestern		South-central		Southeastern		Northern	
		7-yr Olympic Average	7-yr Average Low	7-yr Olympic Average	7-yr Average Low	7-yr Olympic Average	7-yr Average Low	7-yr Olympic Average	7-yr Average Low
Barley, Feed	cwt	\$ 4.90	\$ 4.15	\$ 4.85	\$ 4.10	\$ 4.65	\$ 3.90	\$ 4.80	\$ 4.05
Barley, Malt:									
Open	cwt	---	---	\$ 5.65	\$ 5.10	\$ 5.45	\$ 4.90	\$ 5.60	\$ 5.05
Contract	cwt	---	---	\$ 6.25	---	\$ 6.25	---	---	---
Corn	bu	\$ 2.85	\$ 2.65	\$ 2.80	\$ 2.60	---	---	---	---
Oats	cwt	\$ 4.05	\$ 3.65	\$ 3.95	\$ 3.55	\$ 3.85	\$ 3.45	\$ 4.10	\$ 3.70
Wheat:									
Hard Red Spring	bu	\$ 3.85	\$ 3.05	\$ 3.65	\$ 2.85	\$ 3.75	\$ 2.95	---	---
Hard Red Winter	bu	\$ 3.50	\$ 2.35	\$ 3.30	\$ 2.15	\$ 3.40	\$ 2.25	---	---
Soft White	bu	\$ 3.45	\$ 2.60	\$ 3.25	\$ 2.40	\$ 3.35	\$ 2.50	\$ 3.55	\$ 2.75
Alfalfa Seed :									
Proprietary	lb	\$1.10	na	\$1.10	na	---	---	---	---
Public	lb	\$1.00	na	\$1.00	na	---	---	---	---
Dry Beans	cwt	\$21.80	\$14.50	\$21.80	\$14.50	---	---	---	---
Dry Peas:									
Austrian Winter	cwt	---	---	---	---	---	---	\$11.50	\$ 9.40
Green	cwt	---	---	---	---	---	---	\$ 8.55	\$ 7.30
Seed (contract)	cwt	---	---	\$13.70	\$10.60	\$13.70	\$10.60	---	---
Lentils	cwt	---	---	---	---	---	---	\$16.80	\$14.40
Rapeseed	cwt	---	---	---	---	\$ 8.60	na	\$ 8.80	na
Potatoes:									
Contract	cwt	\$ 5.00	\$ 4.75	\$ 5.00	\$ 4.75	\$ 5.00	\$ 4.75	---	---
Fresh - open	cwt	\$ 5.00	\$ 3.00	\$ 5.00	\$ 3.00	\$ 5.00	\$ 3.00	---	---
Processing - open	cwt	\$ 5.00	\$ 4.30	\$ 5.00	\$ 4.30	\$ 5.00	\$ 4.30	---	---
Seed - G3	cwt	---	---	---	---	\$ 6.30	\$ 4.25	---	---
Seed - G4	cwt	---	---	---	---	\$ 6.00	\$ 4.00	---	---
Sugarbeets									
Contract	ton	\$40.00	\$37.30	\$41.00	\$38.30	\$42.00	\$39.30	---	---
Sweet Corn									
Contract	ton	\$59.85	\$53.90	\$59.85	\$53.90	---	---	---	---
Alfalfa Hay:									
Feeder	ton	\$65.00	na	\$65.00	na	\$65.00	na	\$70.00	na
Dairy	ton	\$90.00	na	\$90.00	na	\$90.00	na	\$95.00	na
Grass Hay	ton	\$50.00	na	\$50.00	na	\$50.00	na	\$50.00	na
Corn Silage	ton	\$20.00	na	\$20.00	na	\$20.00	na	---	---
Straw	ton	\$25.00	na	\$25.00	na	\$25.00	na	---	---
Pasture (irrigated)	AUM	\$14.00	na	\$14.00	na	\$14.00	na	---	---
Range (govt.)	AUM	\$2.75	na	\$2.75	na	\$2.75	na	\$2.75	na

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

Table 2. 1995-96 short range planning prices for Idaho based on expected marketing year averages.

Crop	Units	Southwestern		South-central		Southeastern		Northern	
		1995-96 Expected Market Average	1995-96 Expected Market Low	1995-96 Expected Market Average	1995-96 Expected Market Low	1995-96 Expected Market Average	1995-96 Expected Market Low	1995-96 Expected Market Average	1995-96 Expected Market Low
Barley, Feed	cwt	\$ 6.35	\$ 5.35	\$ 6.30	\$ 5.30	\$ 6.10	\$ 5.10	\$ 6.35	\$ 5.35
Barley, Malt:									
Open	cwt	---	---	\$ 7.20	\$ 6.30	\$ 7.00	\$ 6.10	\$ 7.30	\$ 6.35
Contract	cwt	---	---	\$ 6.25	---	\$ 6.25	---	---	---
Corn	bu	\$ 3.30	\$ 2.95	\$ 3.25	\$ 2.90	---	---	---	---
Oats	cwt	\$ 4.85	---	\$ 4.65	---	\$ 4.75	---	\$ 4.90	---
Wheat:									
Hard Red Spring	bu	\$ 5.30	\$ 4.80	\$ 5.10	\$ 4.60	\$ 5.20	\$ 4.70	---	---
Hard Red Winter	bu	\$ 5.15	\$ 4.30	\$ 4.95	\$ 4.10	\$ 5.05	\$ 4.20	---	---
Soft White	bu	\$ 4.65	\$ 4.10	\$ 4.45	\$ 3.90	\$ 4.55	\$ 4.00	\$ 4.80	\$ 4.20
Alfalfa Seed:									
Proprietary	lb	\$1.15	na	\$1.15	na	---	---	---	---
Public	lb	\$1.05	na	\$1.05	na	---	---	---	---
Dry Beans	cwt	\$18.50	\$16.00	\$18.50	\$16.00	---	---	---	---
Dry Peas:									
Austrian Winter	cwt	---	---	---	---	---	---	\$12.00	\$10.00
Green	cwt	---	---	---	---	---	---	\$ 9.00	\$ 8.50
Seed (contract)	cwt	---	---	\$13.50	---	\$13.50	---	---	---
Lentils	cwt	---	---	---	---	---	---	\$14.00	\$12.00
Rapeseed	cwt	---	---	---	---	\$ 8.50	na	\$ 9.00	na
Potatoes:									
Contract	cwt	\$ 5.05	---	\$ 5.05	---	\$ 5.05	---	---	---
Fresh - open	cwt	---	---	\$10.50	\$ 6.00	\$10.50	\$ 6.00	---	---
Processing - open	cwt	\$ 8.25	\$ 5.50	\$ 8.25	\$ 5.50	\$ 8.25	\$ 5.50	---	---
R.B. Seed - G3	cwt	---	---	---	---	\$ 9.75	---	---	---
R.B. Seed - G4	cwt	---	---	---	---	\$ 9.25	---	---	---
Sugarbeets									
Contract	ton	\$40.00	---	\$41.00	---	\$42.00	---	---	---
Sweet Corn									
Contract	ton	\$60.00	---	\$60.00	---	---	---	---	---
Alfalfa Hay:									
Feeder	ton	\$70	---	\$70	---	\$70	---	\$80	---
Dairy	ton	\$100	---	\$100	---	\$95	---	\$110	na
Grass Hay	ton	\$60	---	\$60	---	\$60	---	\$60	na
Corn Silage	ton	\$25	---	\$25	---	\$25	---	---	---
Straw	ton	\$35	---	\$35	---	\$30	---	---	---
Pasture (irrigated)	AUM	\$12.50	na	\$12.50	na	\$12.50	na	---	---
Range (govt.)	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).

Table 3. One year and long range planning prices for Idaho livestock based on calendar year averages.

	1996 Planning Prices					Long Range
	Unit	Quarter				LT Avg
		I	II	III	IV	
----- Dollars -----						
Market Hogs (240# Avg)	cwt	40-44	38-43	39-45	35-41	44
Steers (350 - 499#) *	cwt	61-67	59-67	62-68	62-69	72
Steers (500 - 599#) *	cwt	62-67	59-66	59-66	62-67	70
Steers (600 - 699#) *	cwt	64-69	61-66	60-67	62-68	69
Steers (700 - 799#) *	cwt	63-67	60-66	60-66	61-66	66
Steers (800 - 899#) *	cwt	62-66	60-66	59-66	60-65	65
Choice Steers 1100# *	cwt	63-67	61-67	59-64	60-66	63
Cull Cows	cwt	34-36	35-37	29-35	25-33	35
Cull Bulls	cwt	37-39	37-40	35-38	36-39	40
Slaughter Lambs (100-125#)	cwt	72-84	78-90	74-85	68-77	65
Feeder Lambs (65-99#)	cwt	80-94	86-92	84-96	77-88	70
Cull Ewes	head	20-27	23-29	13-20	11-20	18
Livestock Products						
Milk, Fluid Grade	cwt	12.30-13.10	11.30-12.10	11.60-12.60	11.40-12.40	12.00
Milk, Mfg. Grade	cwt	11.60-12.40	10.60-11.40	10.90-11.90	11.20-12.20	11.50
Wool, Grease Basis - Farm	lbs.	.55-.72	.69-.80	.60-.74	.57-.70	.60

NOTE: Heifer prices will be 6 to 10 cents below steer prices at the same weight.

Idaho Agricultural Outlook Task Force Members

Edward A. Fiez, Extension Dairy Specialist, Caldwell Research and Extension Center, 16952 S. Tenth Ave., Caldwell, ID 83605.

C. Wilson Gray, District Extension Economist, Twin Falls Research and Extension Center, P. O. Box 1827, Twin Falls, ID 83303-1827.

Joseph F. Guenther, Extension Economist, Department of Agricultural Economics and Rural Sociology, College of Agriculture, University of Idaho, Moscow, ID 83844-2334.

George Hamilton, Extension Educator, Jefferson County Extension Office, 134 N. Clark, Room 30, Rigby, ID 83442.

Larry D. Makus, Professor, Department of Agricultural Economics and Rural Sociology, College of Agriculture, University of Idaho, Moscow, ID 83844-2334.

Neil L. Meyer, Extension Economist, Department of Agricultural Economics and Rural Sociology, College of Agriculture, University of Idaho, Moscow, ID 83844-2334.

John W. Mitchell, Chief Economist, U.S. Bank, Economics Department, P. O. Box 8837, Portland, OR 97208.

James R. Nelson, Professor, Department Head, Department of Agricultural Economics and Rural Sociology, College of Agriculture, University of Idaho, Moscow, ID 83844-2334.

Paul E. Patterson, Extension Agricultural Economist, Idaho Falls Research and Extension Center, 1776 Science Center Dr., Idaho Falls, ID 83402-1575.

Neil R. Rimbey, Extension Range Economist, Caldwell Research and Extension Center, 16952 S. Tenth Ave., Caldwell, ID 83605.

Jim Robb, Livestock Marketing Information Center, 655 Parfet, Suite E310, Lakewood, CO 80215-5517.

Robert L. Smathers, Research Associate, Department of Agricultural Economics and Rural Sociology, College of Agriculture, University of Idaho, Moscow, ID 83844-2334.

