

**1997-98 Planning Prices
for Idaho Crops & Livestock**

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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 mostly based on time-series data. There are two price columns for the crop planning prices, one showing the 10-year Olympic average and the second showing the lowest average price over the past ten years. 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 1997/98 marketing year, based upon current market fundamentals: supply, demand, stocks and expected utilization. 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 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

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 1998 crops that will be marketed in the 1998/99 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 1998 crop will tend to be 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 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 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 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 changed 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 and oats 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 price 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 the average feed barley price over a three month period. The premiums vary by variety.

In this publication, the long range open malt barley is priced \$.90 above the feed barley price. While the malt barley premium varies year-to-year, the \$.90 per cwt represents a long term price difference. Up until five 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. They will be used, however, when ten years of data are available. The USDA 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 Ag 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. The AUM rate is split between what is charged by federal land management agencies, BLM and Forest Service, Idaho State Land Board and private land

owners. In 1998, the short range government AUM price will be either \$1.35 or \$1.84. 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 1998. 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.

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 *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>

Table 1. 1997/98 Long range crop planning prices for Idaho based on marketing year averages.

Crop	Units	Southwestern		Southcentral		Southeastern		Northern	
		10-yr Olympic Average	10-yr Average Low	10-yr Olympic Average	10-yr Average Low	10-yr Olympic Average	10-yr Average Low	10-yr Olympic Average	10-yr Average Low
Barley, Feed	cwt	\$ 5.05	\$ 4.15	\$ 5.00	\$ 4.05	\$ 4.80	\$ 3.85	\$ 5.10	\$ 4.15
Barley, Malt:									
Open	cwt	---	---	\$ 5.90	\$ 4.55	\$ 5.70	\$ 4.35	\$ 6.00	\$ 4.65
Contract	cwt	---	---	\$ 6.40	---	\$ 6.40	---	---	---
Corn	bu	\$ 2.95	\$ 2.20	\$ 2.95	\$ 2.20	---	---	---	---
Oats	cwt	\$ 4.20	\$ 3.50	\$ 4.20	\$ 3.50	\$ 4.20	\$ 3.50	\$ 4.20	\$ 3.50
Wheat:									
Hard Red Spring	bu	\$ 4.10	\$ 3.05	\$ 3.95	\$ 2.90	\$ 4.00	\$ 2.95	---	---
Hard Red Winter	bu	\$ 3.65	\$ 2.75	\$ 3.50	\$ 2.60	\$ 3.55	\$ 2.65	---	---
Soft White	bu	\$ 3.50	\$ 2.60	\$ 3.35	\$ 2.45	\$ 3.40	\$ 2.50	\$ 3.85	\$ 2.95
Alfalfa Seed :									
Proprietary	lb	\$ 1.10	na	\$ 1.10	na	---	---	---	---
Public	lb	\$ 1.00	na	\$ 1.00	na	---	---	---	---
Dry Beans	cwt	\$21.30	\$14.50	\$21.30	\$14.50	---	---	---	---
Dry Peas:									
Austrian Winter	cwt	---	---	---	---	---	---	\$11.50	\$ 7.35
Green	cwt	---	---	---	---	---	---	\$ 9.20	\$ 7.30
Seed (contract)	cwt	---	---	\$13.50	\$10.60	\$13.50	\$10.60	---	---
Lentils	cwt	---	---	---	---	---	---	\$ 16.70	\$11.00
Potatoes:									
Proc. Contract	cwt	\$ 5.00	\$ 4.25	\$ 5.00	\$ 4.25	\$ 5.00	\$ 4.25	---	---
Fresh - open	cwt	\$ 4.75	\$ 2.50	\$ 4.75	\$ 2.50	\$ 4.75	\$ 2.50	---	---
Process. - open	cwt	\$ 4.95	\$ 3.80	\$ 4.95	\$ 3.80	\$ 4.95	\$ 3.80	---	---
Seed - G2 *	cwt	---	---	---	---	\$ 8.40	\$ 4.00	---	---
Seed - G3 *	cwt	---	---	---	---	\$ 6.20	\$ 2.80	---	---
Sugarbeets									
Contract	ton	\$39.25	\$38.00	\$40.25	\$38.00	\$41.25	\$38.00	---	---
Sweet Corn									
Contract	ton	\$52.00	\$	\$52.00	\$	---	---	---	---
Alfalfa Hay:									
Feeder	ton	\$70	na	\$70	na	\$70	na	\$75	na
Dairy	ton	\$90	na	\$90	na	\$90	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	\$ 4.45	na	\$ 4.45	na	\$ 4.45	na	\$ 4.45	na
Range (govt.)	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 contracts on the past 3-5 years, not a 10-year Olympic average.

* 5-year average and lowest average price **8-year average

Table 2. 1997/98 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	\$ 5.20	\$ 4.95	\$ 5.15	\$ 4.90	\$ 4.95	\$ 4.70	\$ 5.20	\$ 4.95
Barley, Malt:									
Open	cwt	---	---	\$ 5.80	\$ 5.55	\$ 5.75	\$ 5.50	\$ 6.00	\$ 5.75
Contract (98)	cwt	---	---	\$ 6.45	---	\$ 6.45	---	---	---
Corn	bu	\$ 3.20	\$ 2.95	\$ 3.20	\$ 2.95	---	---	---	---
Oats	cwt	\$ 4.40	---	\$ 4.10	---	\$ 4.20	---	\$ 4.50	---
Wheat:									
Hard Red Spring	bu	\$ 4.25	\$ 3.90	\$ 4.05	\$ 3.75	\$ 4.10	\$ 3.80	---	---
Hard Red Winter	bu	\$ 3.60	\$ 3.25	\$ 3.45	\$ 3.10	\$ 3.50	\$ 3.15	---	---
Soft White	bu	\$ 3.25	\$ 3.00	\$ 3.10	\$ 2.85	\$ 3.15	\$ 2.90	\$ 3.45	\$ 3.20
Alfalfa Seed:									
Proprietary	lb	\$ 1.25	na	\$ 1.25	na	---	---	---	---
Public	lb	\$ 1.10	na	\$ 1.10	na	---	---	---	---
Dry Beans	cwt	\$20.50	\$19.00	\$20.50	\$19.00	---	---	---	---
Dry Peas:									
Austrian Winter	cwt	---	---	---	---	---	---	\$12.50	\$12.00
Green	cwt	---	---	---	---	---	---	\$8.50	\$ 7.50
Seed (contract)	cwt	---	---	\$14.00	---	\$14.00	---	---	---
Lentils	cwt	---	---	---	---	---	---	\$12.75	\$11.25
Potatoes:									
Contract (98)	cwt	\$ 4.35	---	\$ 4.35	---	\$ 4.35	---	---	---
Fresh - open	cwt	---	---	\$ 4.50	\$ 3.50	\$ 4.50	\$ 3.50	---	---
Process. - open	cwt	\$ 4.25	\$ 3.75	\$ 4.25	\$ 3.75	\$ 4.25	\$ 3.75	---	---
R.B. Seed - G3	cwt	---	---	---	---	\$ 8.25	---	---	---
R.B. Seed - G4	cwt	---	---	---	---	\$ 6.00	---	---	---
Sugarbeets									
Contract	ton	\$40.00	---	\$41.00	---	\$42.00	---	---	---
Alfalfa Hay: *									
Feeder	ton	\$85	---	\$85	---	\$80	---	\$85	---
Dairy	ton	\$110	---	\$110	---	\$105	---	---	na
Grass Hay	ton	\$70	---	\$70	---	\$70	---	\$70	na
Corn Silage	ton	\$26	---	\$26	---	\$26	---	---	---
Straw	ton	\$35	---	\$35	---	\$35	---	---	---
Pasture (irrigated)	AUM	\$12.50	na	\$12.50	na	\$12.50	na	---	---
Range (state)	AUM	\$ 4.16	na	\$ 4.16	na	\$ 4.16	na	\$ 4.16	na
Range (govt.)	AUM	\$ 1.35 - 1.84	na	\$ 1.35 - 1.84	na	\$ 1.35 - 1.84	na	\$ 1.35 - 1.84	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.

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

	Unit	Annual Average				1998 Quarterly Forecast				Long Term Ave.
		1994	1995	1996-p	1997-p	I-f	II-f	III-f	IV-f	
Steers 4-500# *	cwt	84.50	66.00	54.60	76.00	88-91	91-94	88-92	87-93	75.00
Steers 5-600# *	cwt					85-87	88-90	85-88	84-88	74.00
Steers 6-700# *	cwt					79-82	82-85	84-87	82-86	72.00
Steers 7-800# *	cwt	77.72	68.03	60.50	64.00	74-76	77-79	79-81	77-81	70.00
Steers 8-900# *	cwt					71-73	74-76	73-76	74-79	70.00
Choice Steers 11 - 1300# *	cwt	68.84	66.24	64.50	67.00	68-69	71-73	67-69	71-74	69.00
Utility Cows **		42.51	35.58	31.50	36.00	39-45	37-43	35-41	36-41	35.00
Market Hogs 240# average	cwt	38.70	38.30	51.50	47	44-46	45-47	46-48	42-45	44.00
Slaughter Lambs (100-125#)	cwt	62.90	74.80	81.50	86.00	98-100	93-95	91-93	95-97	68.00
Feeder Lambs (70-90#)	cwt					107-109	100-102	101-103	104-106	72.00
Cull Ewes	Head	27.70	26.10	27.80	30	25-30	22-27	24-32	20-25	20.00
Wool (Grease basis -farm)	lb.	0.68	0.88	0.90	0.85					0.65
Milk, Basic Formula Price +	cwt	12.00	11.83	13.39	11.90	11.20-12.00	10.75-11.75	10.85-12.10	11.40-12.55	11.75

p = preliminary; f = forecast; * heifers will be 6 to 10 cents under steers in the same wt. class; ** bulls will be 4 to 6 cents over utility cows, + 1994 is M-W average.

Forecast estimates are by LMIC and UI Agricultural Economics Extension. Historic data from USDA-IASS.