University of Idaho
College of Agricultural
and Life Sciences

Spring 2002 Idaho Commodity Outlook

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PNW Cattle

Situation and Outlook

By C. Wilson Gray [1]

First Quarter Situation

After sagging in the last quarter of 2001, fed cattle prices attempted to regain some of the lost ground in January and February. Into early March this was happening but by mid-April prices had dropped $6-$10 per cwt. and markets had turned pessimistic. Fed prices for the first quarter this year are averaged 10 to 12 percent under the same period a year ago.

The drop was seemingly initiated by a report that some Kansas cattle were being tested for Foot and Mouth Disease (FMD). However, USDA conducts hundreds of such tests each year so why this one caught the news is questionable. The Cattle on Feed report followed shortly with news of increased placements which may have extended the pessimism. Other compounding factors include the extremely strong US dollar, and issues in the poultry and pork sectors.

Slaughter and average weights are still high which have led to increased beef production in the first quarter. Exports faired better than anticipated with Mexico and South Korea continuing to partially offset reduced exports to Japan. Beef imports in January were down 4 percent as New Zealand decreases offset increases by Australia and Canada.

Production

Beef & other meats

Federally Inspected (FI) slaughter for the first quarter was off 0.2% compared to last year. However, heavier dressed weights more than compensated as total FI beef production was 4.3 percent above the first quarter last year. Cattle dressed weights averaged 853.9 lbs., 30.5 lbs. more than the Jan-Mar period last year. Steers averaged 31 lbs. more and heifers 34.6 lbs. more as total production increased 4.5 percent. Steer and heifer weights began to moderate slightly by mid-March but may remain above year-ago levels.

Dressed weights usually bottom out in the spring and then gradually climb into fall. The pattern of heavier year over year cattle is likely to be with us through most of 2002. If slaughter numbers moderate, total beef production could be near 2001. If numbers are very near last year total production could actually increase slightly. Coupled with a slower export market this could keep supplies up this year.

Beef is always competing against pork for consumer selection. The US sow herd is relatively steady, but increased slaughter weights have put more pork on the market. In

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addition the Canadian sow herd is growing and if viewed as North American production the possibility of overwhelming the slaughter capacity this fall is within reach. In 1998 pork producers did so and drove prices to as low as $8 per cwt. at times. Post-Easter, the hog market has faced a severe decline in prices. The Iowa-Southern Minnesota cash market has plunged 22% from March 8 to April 10th. Hog futures have dropped 28%. A flood of inexpensive pork and ham into a beef market facing price challenges already would not be favorable.

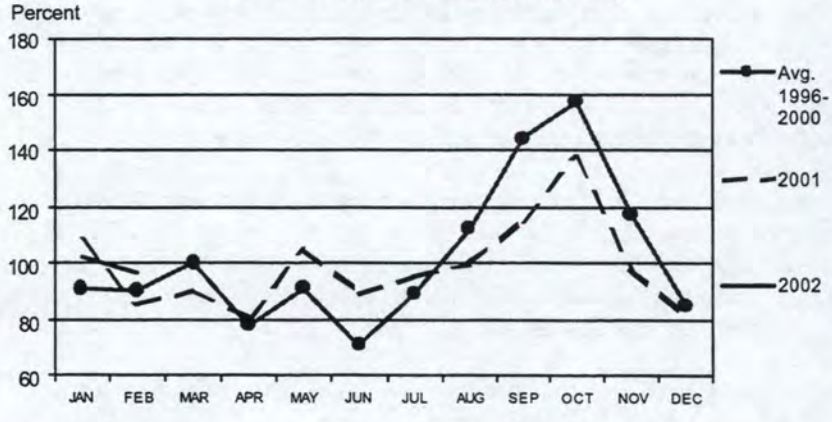
Another challenge – from poultry – may also be facing beef in the meat counter. On March 10th Russia announced it would not import poultry (broilers and turkeys) from the US. In 2001 Russia took 2.3 billion lbs. of broiler meat or over 7% of broiler production and 80.8 million lbs. or 1.5% of US turkey production. Ostensibly it is about salmonella contamination, however it also appears to have some relation to the US announcement of steel safeguard tariff's on March 6th. In 2001 Russia exported 1.2 million tones of steel worth $391 million to the US. Although negotiations are on-going to resolve the dispute it is likely that a portion of poultry that would have been exported will stay at home. First quarter broiler production was up 5%, and exports were lower. A major competitor in the broiler export market is Brazil, in part due to monetary exchange rates.

Retailer's are promoting chicken with a "buy on get one free" campaign in many areas. More dark meat is also being featured, at very heavy discounts. Leg quarters are reported as featured at $0.17 per lb. Cheap chicken will make it challenging for both beef and pork.

On-feed and placements

The cattle on feed report came in at the high end of trade estimates, especially cattle placed on feed during February.

NET FEEDLOT PLACEMENTS
As a Percent of Marketings, Monthly



The seven historical cattle feeding states had 98% as many cattle on feed March 1 as 12 months earlier. Placements on feed during February were up 14% and fed cattle marketing's during February were up 3%.

The good news about this report is the 14% increase in placed on feed numbers are compared to a relatively

small placement on feed in February 2001. The 2002 placements on feed last month were down 4.2% from the placements in February 2000. The placements are still 6% above the five-year average for February.

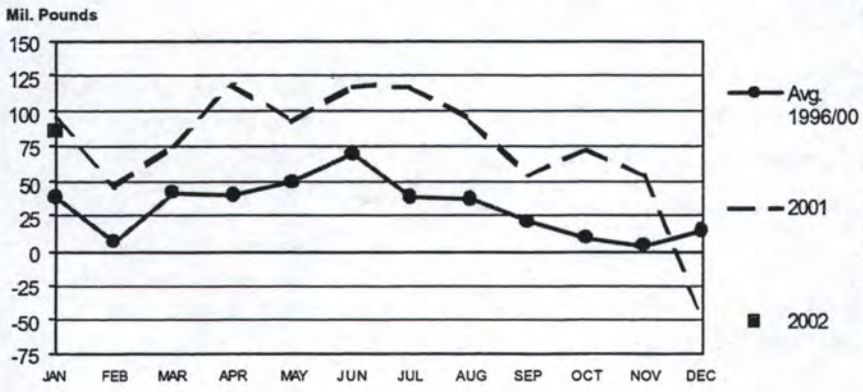
Other not so good news is that the cattle placed on feed during February were quite heavy. The number placed on feed last month weighing 600-699# were up 2%, 700-799# were up 28% and number over 800# were up 46% from 12 months earlier. The January placements were also heavier than a year earlier with the 700-799# placements up 11% and the 800# plus up 15%. These heavier cattle will finish in less time and shorten the relatively tight supply of slaughter ready cattle at the present time. Smaller placements last fall will keep marketing's lower for April and possibly May. Marketing's should then begin to increase by late spring.

Imports

Demand for processing beef and declining cow slaughter led to increased imports of beef in 2001, which were up 4 percent. Beef imports in 2002 were down 4% for January compared to twelve months earlier. Beef imports appear to be increasing from Australia as New Zealand has moved more acres to crops, and reduced cow herds due to lower profitability in both cattle and dairy. New Zealand lamb production is apparently increasing. Several years ago New Zealand went cold turkey and completely did away with all agricultural subsidies over night.

U S NET BEEF IMPORTS

Carcass Weight, Monthly



For January of 2001 we were a net importer of 4.3% of U.S. production, this decreased to 3.7% of production for the same period of 2002. McDonalds recently admitted that they are buying imported, mostly Australian, processing beef for their hamburgers. It's cheaper. The strong US dollar relative to other currencies makes it difficult to be as competitive.

Our live feeder cattle imports from Mexico in January were down 19.6% but Canada sold us over 38% more live cattle in January of 2002 than a year earlier. Most of the live cattle imports from Canada are believed to be slaughter cattle.

Early evidence indicates that beef cow slaughter may be increasing compared to this time last year. Cows are coming primarily from Southern plains & western, drought hit states. If producers, faced with a 3rd or 4th year of drought are forced to sell due to limited feed, the additional beef will be another drag on the market and may keep cattle prices in general from gaining much ground this spring and summer. This is further complicated by evidence that low milk prices may be causing increased liquidation of dairy cows as well.

Disappearance

Exports

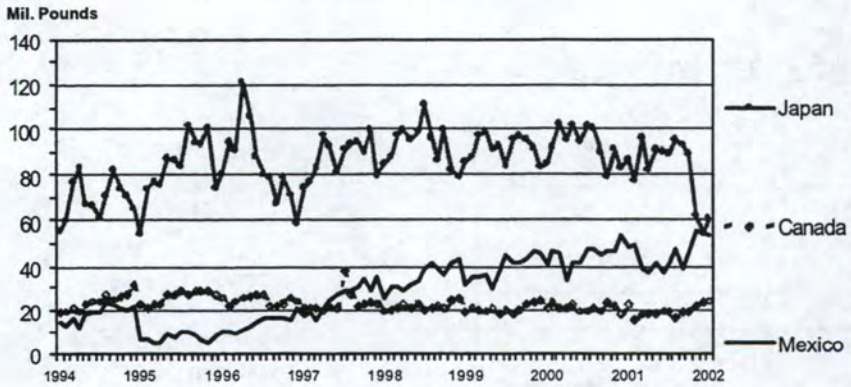
Our live cattle exports to Canada and Mexico were down 37%. However, Mexico purchases of live cattle were up over 15%, while Canada was down 50%. Even though our cattle exports are relatively small, annually they still amount to over a three week day kill level for us. A critical factor that has hampered the US's ability to export has been the very strong US dollar.

Japan & the others

Beef exports in January were down 1.8%. Japan, our largest customer, was down 30.5%. Apparently, Japanese beef demand has not recovered from the BSE drop. Canada was up about 5%, South Korea was up over 31% and Mexico, our second largest buyer of U.S. beef, was up 11%.

U S BEEF EXPORTS TO MAJOR MARKETS

Carcass Weight, Monthly



The BSE scare in Japan continues to affect consumer attitudes. They are also facing economic recession, again, which is reducing buying of more expensive items like high quality meats.

The drought stricken area that begins in the southern plains and extends through the intermountain states reaches into Canada. This has caused some herd liquidation in the Western provinces and limited the ability of the US to export, as has the relative strength of the US and CN dollar.

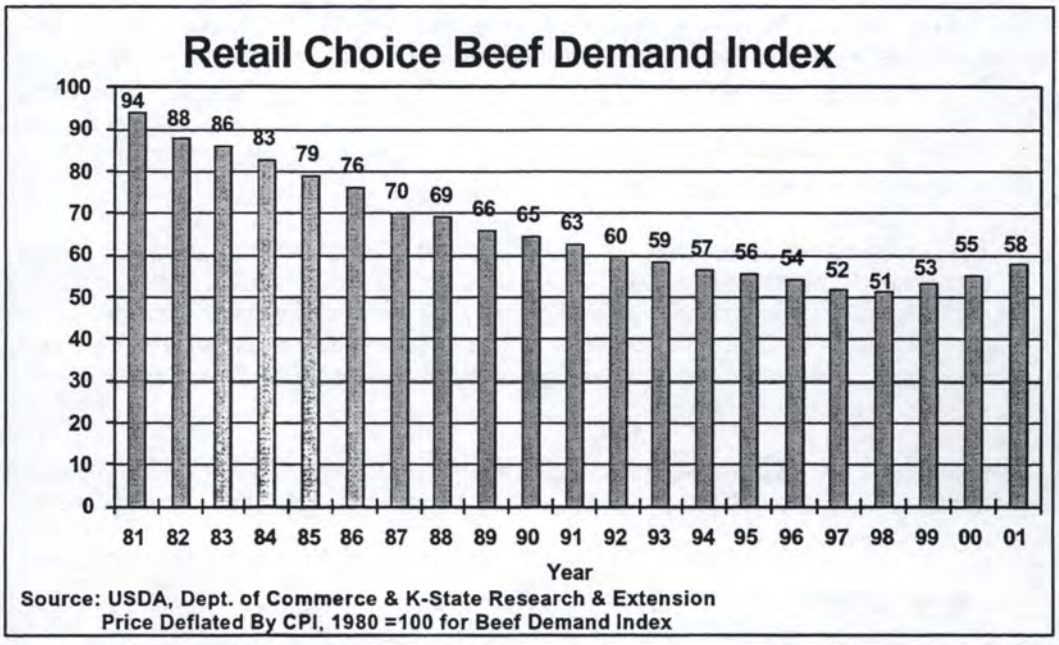
Exports could be down 2 to 4 percent in 2002. If economic conditions continue to improve world-wide and the Meat Export Federation promotion in Japan is successful exports may begin to strengthen later this year.

Domestic markets

Meanwhile, the US market is faced with the challenge of moving the beef that is not going overseas. In spite of the shocks to the market last year and last fall in particular, beef demand held up. Demand was likely up about 3 –3.5% in 2001 over 2000. There is some evidence that away-from-home demand was softer, especially for higher end cuts, but given a recession that started last March demand was OK. That demand will be the key to helping hold up prices this year.

As *The Economist* noted in a recent article, early signs that the recession may be receding are hopeful; "...unemployment fell for the second consecutive month in February and industrial production rose in both January and February. The manufacturing sector is growing after 18 months of decline. The most optimistic Wall Streeters now expect GDP to have expanded by between 5% and 6% on an annual basis in the first quarter.

But one strong quarter does not imply a sustainable recovery. In the short term, the rebound is being driven by a dramatic restocking of inventories. But it can be sustained only if corporate investment recovers and consumer spending stays buoyant. With plenty of slack capacity around and many firms stuck with huge debts and lousy profits, it is hard to see where surging investment will come from. And, despite falling unemployment, America's consumers could disappoint the bulls. They face higher energy prices. The quick route to cash through mortgage refinancing is closing off. And since consumer spending held up so well during the "recession" it is unlikely to jump now."



Uncertainty is the watchword this spring and summer. Beef production was 4.5% above year-ago levels in the first quarter. Production is expected to decrease slightly for the remainder of the year. Exports, domestic demand, carcass weights, culling levels and feed costs will all play a part in determining the outcome.

Outlook

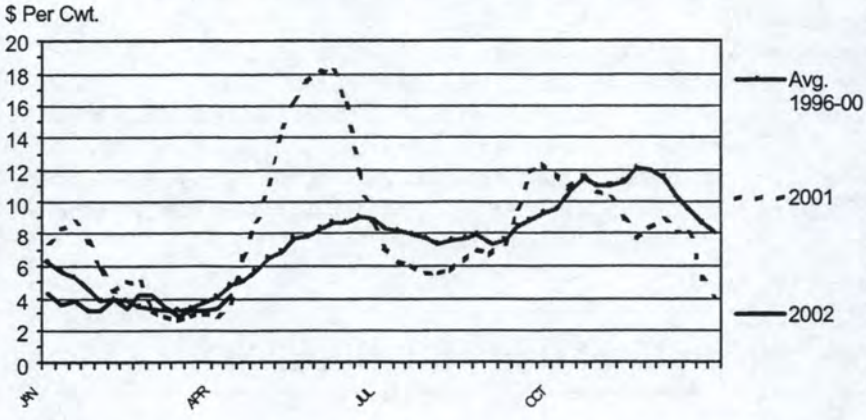
Fed Cattle

The key to fed cattle price recovery at this point hinges strongly on resolving the steel/poultry trade situation between the US and Russia. The strong US dollar will be a damper on the export market. Heavier culling of beef and dairy cows will also contribute to higher production. When prices are lower feedlots tend to hold out for higher prices. That puts heavier, often inferior yield or quality grade cattle into the market which in turn holds prices down. Prices may have peaked for the year. The best hope may be for some recovery before summer.

The 5 market fed cattle price was the same as a year ago in October, dropped 9% to $63.62 per cwt. in November and slipped 15% in December to $64 per cwt. January at $67.13 and February at $71.25, were 13% and 9% under the same period a year ago. If marketing's due to lighter placements last fall keep the market current this spring prices could stay in the high $60's to low $70 per cwt. area into May. Late second quarter and early third quarter prices will likely retreat seasonally and windup in the mid $60's, improving by $3-$5 per cwt. in late third quarter and gaining another $2-$3 to the low $70's in the fourth quarter.

CHOICE MINUS SELECT BEEF PRICES

Carcass Cutout Values 550-700 Pounds, Weekly

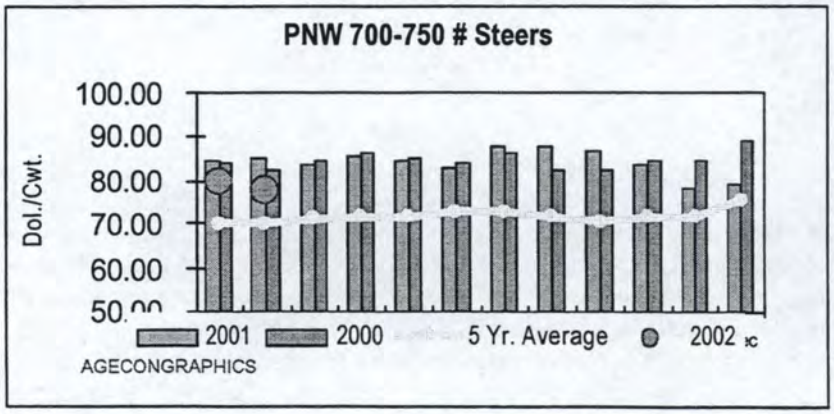


The Choice-Select spread follows a strong seasonal pattern. Most years the spread bottoms out in March at less than half the annual average spread. The spread starts to increase in April and continues to strengthen into June when it usually reaches a short-term peak at about 20 to 30% above the annual average. After weakening modestly over the summer, the Choice-Select spread generally hits a new high in the fall, often at 40 to 60% above the annual average.

Look for the Choice-Select spread to widen sharply over the next three months. The early March spreads below $3.00 per cwt. will likely be the low of the year. By mid-June the spread could be in the teens.

Feeder market

Feeder calf prices are derived from demand by cattle feeders. Weaker fed prices pushed feeder calf prices lower last fall. Last September 700-750 lb. steers were 4.8% above year-earlier prices. But that evaporated and fourth quarter averaged 6.7% below a year ago. In 2002, January and February have been in the $77 to $79 per cwt. area, 6% to 8% below a year ago. Lighter calves were also weaker in late 2001 but appear to have regained ground to the mid- or upper



$90's for 500 to 550 lb. calves. Demand for grass calves typically peaks this time of year but may be delayed or muted. Dry and cold weather in grass areas has delayed the start of grazing. If the dry conditions persist in the western plains areas, demand for grass calves will be limited.

Feedlots, which have faced red ink since last fall, will also be reluctant to bid feeder prices very high. This will keep 700-800 lb. feeder prices at the low $80's for second and third quarters and limit fourth quarter gains to an additional $1-$4 per cwt. For 500-600 lb. calves, second quarter prices could break $100 per cwt. if grass conditions warrant, and will likely keep to the upper $90's for third quarter. Some seasonal decline to the mid-$90's is likely for fourth quarter.

Feed

In the spring *Planting Intentions Report* just out,

> "Corn growers intend to plant 79.0 million acres of corn for all purposes in 2002, up 4 percent from 2001 but down 1 percent from 2000. Expected acreage is up in many areas of the United States and in virtually all areas of the Corn Belt. Compared to last year when producers had problems getting their crops in due to persistent precipitation, conditions so far this year have been cooperative and have increased farmer's hopes of planting their corn crop on time. Farmers intend to plant fewer corn acres than last year in Pennsylvania, Oklahoma, Kansas, and Colorado because of concerns about dry conditions.
>
> Soybean producers intend to plant 73.0 million acres, down 2 percent from last year. Reduced soybean acreage was offset by an expected increase in corn plantings in most areas. Crop rotations, farm bill uncertainty, and price considerations were cited as primary reasons for the reduced soybean acreage. Producers in Alabama, Georgia, Louisiana, Mississippi, and Texas intend to shift from cotton to soybeans. Expected acreage in North Dakota is up 450,000 acres from last year replacing wheat acreage."

The trend from this point is typically for corn acres to decrease and soybean acres to increase slightly. In any case the above likely means another year of moderate feed costs from the grain side.

Hay prices could also moderate as noted in the *Hay and Forage Market Update: Spring 2002.* For Idaho and the 5 adjacent states plus California, all except Nevada (-2%) and Montana (-10%) are projecting increased hay acres of from 1% (UT) to 13% (OR).

PNW Situation and Outlook

Dairy

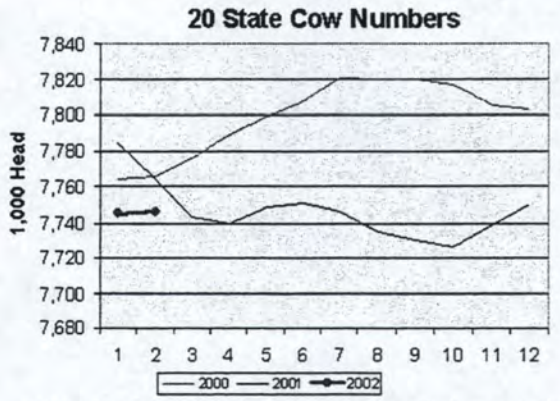
By C. Wilson Gray [1]

Dairy Overview

Compared to 2001, milk prices are expected to average lower this year. A continued recovery in milk production is expected to stay ahead of softer dairy product demand. Prices will average above the very poor year of 2000 as supplies are constrained by feed, environmental and replacement animal issues. Demand should improve as the economy is expected to strengthen. Exports, including the Dairy Export Incentive Program (DEIP), are expected to remain sluggish. Imports – due to lower US prices – may also be lower.

Production

January production for the 20 reported states at 12,271 million lbs. was fractionally higher than January 2000, the previous highest January level. It was up 1.8 percent from 2001. February production was up 2.8 percent from last year and down 2.4 percent from 2 years ago. Production increases have been below trend recently but are expected to gain this year. If both cow numbers and milk per cow increase near trend line estimates, Idaho may see total milk production of 8,133 million pounds in 2002.



Source: Penn State Dairy Web Site http://dairyoutlook.aers.psu.edu

Idaho currently ranks as the number 6 milk producing state just behind Minnesota. Based on current trends Idaho is likely to surpass Minnesota late this year or early next year as the number 5 state for milk.

Dairy Herd

The number of milk cows on farms in the 20 major States was 7.75 million head, 18,000 head less than February 2001, but 1,000 head more than January 2002. Idaho gained 2,000 cows in February and is up 25,000 head from a year ago. Washington cow numbers held steady and California increased 6,000 head from February and 60,000 head from a year ago. New Mexico jumped 29,000 head from a year ago.

Idaho averaged nearly an 8% a year increase in cow numbers the past five years. Due to high replacement costs and shorter supply, this has slowed recently. A 5.6% increase in 2002 – the same rate as last year – would push dairy cow numbers to 398 thousand head by January 1, 2003. This

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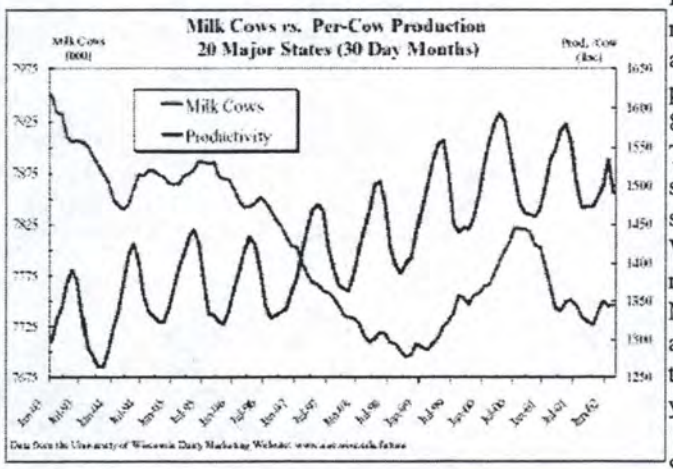
sort of increase is entirely feasible. Several new facilities are presently under consideration and some existing facilities are still not at capacity.

Milk per cow

Production per cow in the 20 major States averaged 1,474 pounds for February, 43 pounds above February 2001. Only Florida had a decrease in milk per cow for February. California, Idaho and Minnesota had increases of less than 1 percent. The other states ranged from 2.8 to 8.3 percent higher on per cow production. Total milk production in the West continues to show stronger growth. All western reported states showed gains and, except for Washington, were up 5 percent or more. The mid-west/corn belt area was mixed and the Northeast showed stronger gains, as did Texas and Missouri. With the mild winter weather, the spring flush may have arrived early this year.



Since 1995 Idaho has averaged a 2.7% annual increase in milk per cow. In 2001 that lost a full point to only increase 1.7% to 21,190 lbs. If production increases to trend, Idaho cows would increase 572 lbs. this year to 21,762 lbs.

Commercial disappearance

Economic Outlook

The September 11 impact on dairy appears to be fading. Several forecasters are announcing the end of the recession and return to better economic times. Dairy product demand has been generally strong since last fall, but variable. If the economy continues to firm consumers, although still cautious about spending, may begin to buy more dairy products. Take out/dine out consumption may see early recovery if consumers feel more secure income-wise.

Utilization

Cheese and butter will likely fare better than powder products. The current support price for powder is $0.91 per lb. and the world price is around $0.75. That puts the US government into the powder business in a big way. Current CCC inventories of powder are 889.8 million lbs. versus 510.2 this time last year. There is much discussion currently about another butter-powder support price tilt by the Secretary of Agriculture to lower the powder support. The idea being to try and get the support price for powder close enough to the world price to discourage sales to the government. Thus, more would move into commercial and export channels.

Commercial Disappearance of Milk and Dairy Products						
	Nov.-Jan	Nov.-Jan.	% chg	Jan.-Dec.	Jan.-Dec.	% chg
	2000/01	1001	year ago	2000	2001	year ago
			—Million Pounds—			
MILK						
Production	40,943	41,392	1.1%	167,559	165,336	-1.0%
Marketings	40,616	41,075	1.1%	166,247	164,062	-1.0%
Beg comm stocks	7,853	8,167	4.0%	6,143	6,839	11.3%
Imports	1,168	1,343	15.0%	4,446	5,717	28.6%
Total supply	49,637	50,585	1.9%	176,836	176,618	0.1%
Ending comm stocks	7,779	8,230	5.8%	6,871	7,047	2.6%
Net removals	164	59	-64.0%	841	153	-81.8%
Comm disappearance	41,694	42,296	1.4%	169,124	169,418	0.4%
SELECTED PRODUCTS						
Butter	335.3	375.3	11.9%	1,298.2	1,268.1	-2.1%
American cheese	926.6	936.9	1.1%	3,587.7	3,688.8	3.1%
Other cheese	1,242.1	1,248.5	0.5%	4,963.5	4,950.2	0.0%
Nonfat dry milk	178.5	207.0	16.0%	770.8	972.2	26.4%
Fluid milk products	14,307.2	14,195.3	-0.8%	55,516.7	55,097.2	-0.5%
Source: Dairy Market News						
Angela Forzi						
Penn State University						
3/29/2002						

Exports

U.S. exports may decline compared to last year. Low international prices and adequate supplies are likely to limit growth in exports of non-fat dry milk and whey powder in particular, although cheese may see slight growth.

Prices dropped sharply in the last months of 2001 as European Union output recovered from the effects of the FMD outbreak. Oceania also production continues to grow. Australia has been relatively steady and New Zealand, due to more cows, has increased. Adequate supplies and economic malaise will likely put off export recovery until the second half of 2002.

Prices

The announced prices for March released on April 5 came in lower again. Class III was $10.65 per cwt., a $0.98 decline from February. Class IV was $11.42 per cwt., a $0.12 slide from February. Class IV is again the Class I mover. Hopefully this will be the low for the year, although often April and May prices are no better.

With stronger production in 2002 and an uncertain to weak demand situation, milk prices will likely average below last year. A September peak in the $13 per cwt. area is likely but Class III prices for the year will probably average nearer $11.50 - $12 per cwt. With the spring flush now on and demand not as strong as last year, price improvement may not arrive before June. Second quarter Class III prices will likely average $11 to $11.75 per cwt. Third quarter average prices should improve to the $11.50 to $12.50 range and fourth quarter should average between $11 and $12 per cwt. In short it will not be the worst year by far but not the best either.

Much will depend on the weather and its impact on cow production, as well as the feed situation. Price protection opportunities in the April and May futures are quite limited. June – September are some better, but fall contract months are not as good at this point. Astute dairymen will have to watch the markets closely to find opportunities to protect prices, at least in the near future.

There is some early evidence that dairy cow slaughter may be picking up. Low milk prices and limited potential for much higher prices maybe causing some dairymen to sell out. There is also evidence that beef cow slaughter in drought hit states is increasing. Increased cow slaughter would put more beef into the market and dampen cattle prices for this spring and into summer.

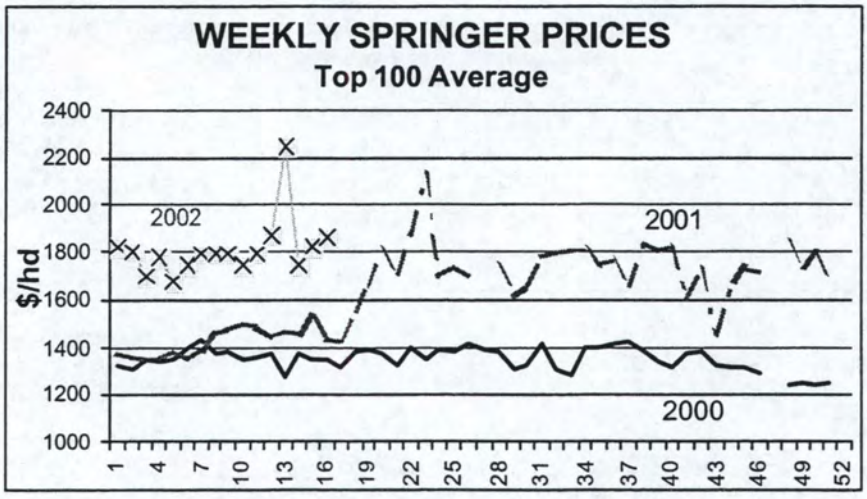
Regionalization

A recent (December 2001) paper, "Regional Trends in U.S. Milk Production: Analysis and Projections" by Ed Jessie and Jacob Schuelke at the University of Wisconsin, reaffirm the continued growth of dairy production in the western states. The upper Midwest, mid east and central states areas as defined in the paper, which encompasses much of the area from the Dakotas to Ohio, is projected to lose market share over the next two decades. Indeed by 2020 over half of U.S. milk production could be occurring in the west. New England and other eastern states would also be likely to reduce market share.

Future Trends for Idaho

Idaho is projected to continue to grow in importance as a western dairy state. As in many other western states, feed availability, water issues and waste and odor regulations will likely slow Idaho dairy growth, but growth is still likely to continue. At least for a while, the comparative advantage is with the western states.

Idaho, as noted above, could move into the number 5 slot for milk production sometime between late 2002 and first half of 2003. At present processing capacity seems to be adequate for the level of production. This see-saw of "too much – not enough" could grow tighter as production levels increase. In spite of high costs for replacement heifers and a very tight supply, dairymen are apparently bidding enough to acquire adequate inventory.


WEEKLY SPRINGER PRICES
Top 100 Average
$/hd
2400
2200
2000
1800
1600
1400
1200
1000
2002
2001
2000
1
4
7
10
13
16
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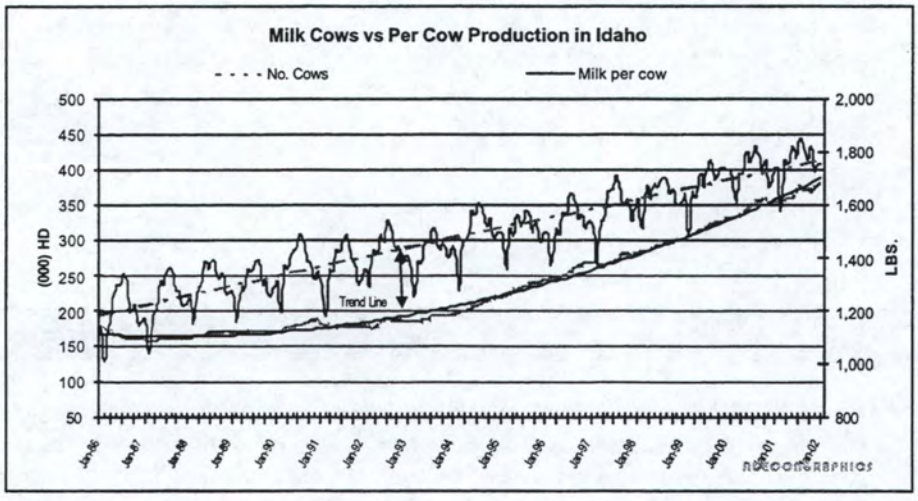
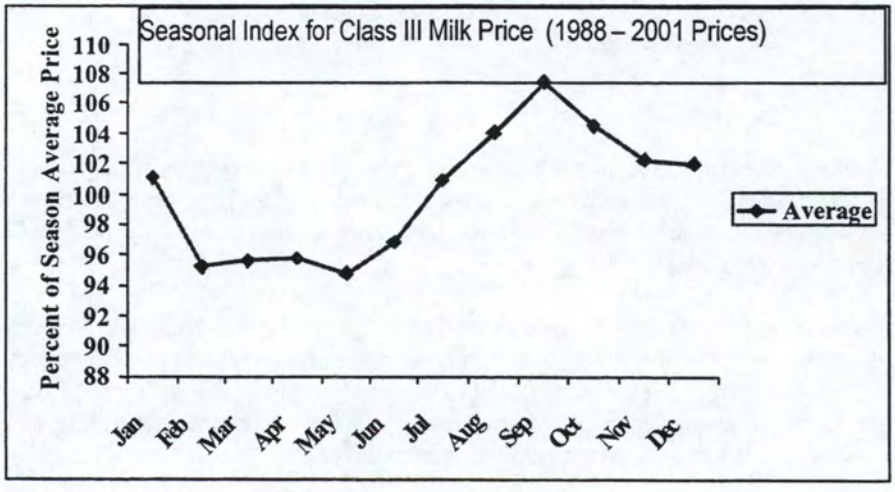

Milk Cows vs Per Cow Production in Idaho
No. Cows
Milk per cow
(000) HD
LBS.
500
450
400
350
300
250
200
150
100
50
2,000
1,800
1,600
1,400
1,200
1,000
800
Trend Line


Seasonal Index for Class III Milk Price (1988 – 2001 Prices)
Percent of Season Average Price
110
108
106
104
102
100
98
96
94
92
90
88
Average
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec

Idaho Edible Dry Bean Situation Outlook, April 2002

Prepared by Paul E. Patterson
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University of Idaho

This past marketing year has finally brought a much needed price increase for many, but not all, major dry bean classes grown in Idaho (Table 1.). A decline from 33.1 million to 19.6 million in U.S. dry bean production from 1999 to 2001(- 40.8 percent) helped reduce the stocks that have held down prices since 1997 (Table 2 and Table 1). Pinto prices increased from $20 at harvest to $30 by late March. In contrast, great northern prices have remained essentially unchanged since harvest at $18. Small whites, pinks and small reds saw substantial price increases as well, with price increases since harvest ranging from $5-7. Garbanzo prices declined $2.50 since harvest. The projected aggregate 2001-02 marketing year average dry bean price of $22-23 (Table 2), which I made in January, should come close to the average aggregate price using Idaho Agricultural Statistics Service data once all the numbers are available. This aggregate price is weighted, reflecting the relative size of each bean class. As I mentioned in the January outlook, garbanzo bean prices now have a major influence on the dry bean aggregate price; where as three or four years ago the price of garbanzo beans was insignificant and only the dry beans grown in southern Idaho mattered. A low garbanzo bean price over the past year has kept the aggregate dry beans price from rising as much as it would have several years ago given the price increases we've seen this year for bean classes grown in southern Idaho.

I'll start with a brief review of the current marketing year, including a discussion of the price outlook for the remainder of the 2001-02-market year. I'll also discuss the 2002 crop production estimates and price projections based on different scenarios and using acreages from the March 29, 2002 Prospective Plantings report from USDA.

Review of 2001 Dry Bean Crop

While production was down nearly twenty six percent for U.S. dry beans in 2001, there was a wide range in production changes by bean class (Table 3). Pintos, Idaho's leading bean class, was down 19.6 percent nationally compared to 2000. Production of great northerns was down 17.1 percent, small red production was down 45 percent, small white production was down 40.6 percent, navy bean production was down 51.5 percent, cranberry bean production was down 66.1 percent, dark red kidney bean production was down 28.1 percent and black bean production was down 41.7 percent. Garbanzo bean production, Idaho's number two dry bean, was up 35.2 percent, while pink production, Idaho's number three dry bean class, was up 1.3 percent.

Domestic dry bean utilization remains steady with per capita consumption around 7.5 pounds. Exports, however, can vary dramatically from one year to the next (Table 2). Exports have fallen below the 5-year average in each of the past three years. Low prices in 1999 and 2000 did not improve export demand. The strong dollar, adequate world supplies and on-going trade disputes have all contributed to weaker than expected export demand. Differences in exports by class are significant, however. During the first eleven months of calendar 20001, pinto exports were up 22.3 percent compared to a year earlier, navy beans were up 27.8 percent, great northerns were up 17. 6 percent and light red kidney beans were up 98.6 percent. Other bean classes showed a decline over this period. Small reds were down by 29.7 percent, dark red kidneys down by 16.5 percent, pinks down by 88.2 percent, whites down by 13.6 percent and garbanzos were off by 20.3 percent.

Historically, dry bean prices peak in June or July. Table 4 shows how Idaho dry bean prices have changed historically from March to July for three different time periods: the 2000-01 market year, a five-year average (1996-2000), and a ten-year average (1991-2000). Table 4 has data for pintos, great northerns, small whites, pinks and small reds. Do any of these time periods match the current market year? Probably not. I would not anticipate a major price increase for any bean class between now and summer, but neither is a major price decline likely. I would expect bean prices to stay at current levels well into summer when the market stats to anticipate the new crop. It is unlikely that the Prospective Plantings report will have any impact on the current market situation. The report validated what many expected would happen, an acreage increase. But the acreage increase is certainly not catastrophic.

2002 Planting Intentions

According to USDA's March Prospective Plantings report, farmers are responding to the higher dry bean prices and expect to increase plantings in 2002 after two consecutive years of acreage reductions (Table 5). U.S. planted acreage or the 2002 crop year is projected up by 336,600 acres, or 23.5 percent from 2001. This adds back all of last year's acreage cut, plus an additional 12,000 acres. An increase in planted acres is certainly expected after prices move up. If grower intentions hold, this will still be the third smallest planted acreage of the past ten years. According to USDA, Idaho growers are bucking the national trend and are expected to plant 5,000 fewer acres, or - 7 percent, compared to last year. Caution is warranted since grower intentions may change considerably between now and planting time. Planted acreage in Idaho could end up higher than indicated in the prospective plantings report. My personal view is that we will see more, not fewer dry bean acres in Idaho. I'd expect an increase of between 15 and 20 thousand acres.

It's not just the aggregate U.S. planting intentions that are important. The actions of individual states certainly need to be considered when evaluating the planting intentions report (Table 5), particularly to understand the potential impact by market class. Together, North Dakota,

Colorado, Nebraska and Idaho accounted for roughly 80 percent of the U.S. pinto production over the last three years. North Dakota, which accounts for one-third of the U.S. dry bean acreage, is expected to be up by 36 percent, or 170,000 acres. Pintos have accounted for around 70 percent of North Dakota's acreage in recent years and they have been producing over 40 percent of the U.S. pinto crop. Acreage increase among the major pinto producing states likely means somewhat lower prices for the 2002 crop.

Colorado and Nebraska, the other two major pinto states besides Idaho, will increase planted acreage by 17 and 9 percent, respectively, or 35,000 more acres growing dry beans. Around 85 percent of the acreage in Colorado has been planted to pintos, and in Nebraska it has been over one-third. Idaho is expected to plant only 70,000 acres, 5,000 fewer acres than last year. This would be the smallest planted acres since 1925. Only 30 percent of Idaho's dry bean acreage was planted to pintos in 2001, compared to 42 percent in 1998. Idaho's share of the pinto production is also declining. Idaho produced 8.1 percent of the U.S. pinto crop in 1996, but only 6.1 percent in 2001 (Table 3).

Nebraska and Idaho combined produce over 90 percent of the great northerns. But Nebraska alone accounts for 85 percent. The 9 percent acreage increase in Nebraska, 15,000 acres, will likely continue to keep great northern prices flat.

While small whites, small reds and pinks are less important than pintos in Idaho when measured by acreage or production; Idaho tends to dominate the production of these three bean classes (Table 3). Oregon and Washington are the other major producers of small whites, and the projected acreage reduction in Oregon and the same acreage in Washington should help keep prices strong for this class. The issue is whether growers will deviate from these planting intentions. Minnesota, North Dakota and Washington are the other big players with Idaho in production of pinks. Minnesota is increasing acreage by 43 percent, North Dakota by 36 percent and Washington acreage is unchanged. If production increases proportionally with the acreage increases, prices on pinks will likely decline in the next year. In addition to Idaho, Michigan and Washington are the other major states producing small reds. While the flat acreage in Washington is good news, it's more than offset by the bad news of Michigan's 40 percent acreage increase.

Projections For 2002-03

Starting with USDA's planted acreage estimate, I made projections for total U.S. dry bean production using optimistic, pessimistic and expected yields and harvested acres. My projections show a wide spread in 2002 production, ranging from 24.5 to 29 million cwt (Table 6). I expect production of 26.5 million cwt, exports of around 8.0 million cwt for calendar year 2002, and an aggregate price in Idaho for the market year of around $21. The high aggregate price of $23 could be achieved if production only hit the low estimate of 24.5 million cwt while

exports reached at least 7.5 million cwt. The low price of $19 would likely occur under two scenarios. First, if production approached 29 million cwt and export demand was no higher than 8 million cwt. And second, if production hits only the expected range but with export demand no greater than 7.5 million cwt.

Unless constrained by weather or a lack of irrigation water, U.S. dry bean production in 2002 will likely fall between 25 and 27 million cwt. Production at these levels should keep the average aggregate Idaho price for the 2002/03 marketing year in the low $20s. The worst-case price scenario I see at this time is a market year average price only in the high teens. U.S. production over 29 million cwt is unlikely given the March Prospective Plantings Report. I don't try to predict prices for individual market classes because of the lack of stocks information and because the planting intentions report is not market class specific. The price scenarios for the 2002 crop assume steady domestic utilization. Stocks are at low levels so an increase in exports; especially an unexpected increase would have a big price impact. Exports may not match the 5-year average, particularly if higher prices choke off demand. Also, the strong U.S. dollar and trade issues will continue to hamper exports in some markets.

Keep in mind that my projections are based on the projected dry bean acreage given in USDA's March Plantings Intentions report. Actual acreage planted will be different. The issues are how much different, in which states will the differences occur, and will the differences be positive or negative. With total production costs in Idaho of around $475 per acre, growers need prices close to $22 to cover total economic costs. Most growers can survive on prices under $22, but that generally means they are not getting a market-based return for all the resources used in the production process. Typically, one or several of the following resources will not be achieving a positive return: grower labor, grower management and grower investment in machinery and land.

Chart 1 shows the historical relationship between U.S. dry bean production and the average aggregate dry bean price reported by the Idaho Agricultural Statistics Service from 1990 through 2001. The values for 2002 are my projections.

Sources of Planning Information

USDA reports are available on the Internet, including the monthly Crop Production reports. The August Crop Production report will have the first production estimate for dry beans and the first dry bean class planted acreage estimate. The dry bean production estimates by state will be revised in October. The December Crop Production report will have the final estimate of dry bean production by state and the first production estimate by dry bean class. A monthly schedule of report release dates is also available. All electronic reports are available at the Mann Library at Cornell University: http://mannlib.cornell.edu/usda/usda.html.

The Economic Research Service, USDA, has replaced the *Vegetables and Specialties Situation and Outlook Report* with the *Vegetables and Melons Outlook*. The new publication is published on a bi-monthly bases and can be accessed through the Mann Library, or directly from the ERS web site at: http://www.ers.usda.gov The *Vegetables and Melons Outlook*. is supplemented by a yearbook in July.

Table 1. Idaho dry bean marketing-year average prices and current price by market class.

Year	Pintos	Great Northerns	Small Whites	Pinks	Small Reds	Garbanzos
	$/cwt	$/cwt	$/cwt	$/cwt	$/cwt	$/cwt
1996-97	$22.15	$20.50	$28.00	$25.40	$28.60	NA
1997-98	$21.05	$19.10	$20.55	$21.75	$21.00	$20.50
1998-99	$15.65	$17.50	$19.35	$18.50	$19.25	$20.55
1999-00	$15.65	$17.00	$17.65	$14.15	$14.45	$24.15
2000-01	$16.70	$16.10	$17.00	$15.55	$15.55	$20.70
Sept '01 1/	$20	$17.50	$18.50	$19	$18.50	$17.50
March '02 1/	$30	$18	$23 - 25	$26	$25 - 26	$15
5-Yr Avg	$17.25	$17.45	$18.65	$17.50	$17.55	NA
10-Yr Avg	$19.40	$20.70	$21.45	$19.40	$20.70	NA

Source: USDA, Agricultural Marketing Service, unless stated otherwise.

1/September 26, 2001 and March 26, 2002, respectively.

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

Marketing Year	U.S. Production (million cwt)	U.S. Exports[1/] (million cwt)	Idaho Production (1,000 cwt)	Average Idaho Aggregate Price[2/] (per cwt)
1996-97	27.91	9.00	1,907	$23.65
1997-98	29.37	7.81	2,156	$21.00
1998-99	30.42	10.66	2,112	$17.00
1999-00	33.09	8.24	2,112	$15.10
2000-01	26.41	7.86	1,716	$17.35
5-yr Average	29.45	8.71	2,001	$18.80
2001-02 [3/]	19.60	8.25 – 8.5	1,424	$22 – 23

Source: USDA: Vegetable and Specialties Yearbook, July 2001, unless noted otherwise.

[1/]Exports are for the calendar year.

[2/]Prices are simple averages of IASS monthly aggregate dry bean prices for crop marketing year Sept. 1 – Aug. 31.

[3/] US and Idaho production are USDA estimates from the December 2001 Crop Production Report. U.S. Exports are the author's estimate based on the first three quarters of 2001 and trend information in February 2002 "Vegetables and Melons Outlook." Idaho's price is the author's forecast.

Table 3. U.S. dry bean production by class and Idaho's share, 1996-01 and 5-yr average.

Year	Pintos	Great Northerns	Small Whites	Pinks	Small Reds
	1,000 cwt	1,000 cwt	1,000 cwt	1,000 cwt	1,000 cwt
1996*	12,123 (8.1%)	2,239 (7.5%)	113 (50.4%)	528 (31.6%)	405 (64.9%)
1997*	10,920 (7.7%)	2,251 (5.3%)	183 (42.1%)	699 (46.5%)	892 (51.8%)
1998*	14,511 (6.3%)	2,173 (7.3%)	60 (51.7%)	919 (40.6%)	660 (41.7%
1999	10,839 (6.1%)	2,469 (5.5%)	112 (54.5%)	815 (40.5%)	900 (45.0%)
2000	10,670 (6.0%)	2,489 (6.0%)	64 (45.3%)	320 (21.5%)	313 (47.0%)
2001	8,576 (6.1%)	2,063 (4.3%)	38 (50.0%)	324 (18.2%)	172 (48.3%)
5-Yr Avg	11,103 (6.4%)	2,289 (5.7%)	91.4 (48.7%)	615 (33.5%)	587 (46.8%)

Source: USDA, National Agricultural Statistics Service: Crop Production, December 2001, unless stated otherwise.

* USDA, National Agricultural Statistics Service: Crop Production 1999 Summary.

Percentages in parenthesis indicate Idaho's share of production for that market class.

Table 4. Price change from March to July for dry edible bean prices in Idaho.

Time Frame	Pintos	Great Northerns	Small Whites	Pinks	Small Reds
2000/01 Market Year	+ $3.50	+ $0.25	+ $1.00	+ $1.50	+ $1.40
5-Year Average: 1997-01	+ $0.65	+ $0.15	+ $0.15	+ $0.25	- $0.20
10-Year Average: 1992-01	+ $0.35	- $0.10	- $1.45	+ $0.10	+ $0.45

Source: Author's calculations using data from Weekly Dry Bean Report, Greeley, CO. Agricultural Marketing Service, USDA.

Table 5. Dry edible beans planted acres by state, 2000-2001, and 2002 projections.

	Area Planted			
	2000	2001	2002 1/	2002/2001
	(1,000 acres)	(1,000 acres)	(1,000 acres)	Percent
California	115.0	92.0	110.0	120
Colorado	120.0	115.0	135.0	117
Idaho	90.0	75.0	70.0	93
Kansas	18.0	15.0	18.0	120
Michigan	285.0	215.0	300.0	140
Minnesota	165.0	115.0	165.0	143
Montana	40.5	38.5	30.0	78
Nebraska	165.0	160.0	175.0	109
New Mexico 2/		13.0	7.0	54
New York	25.0	23.0	26.0	113
North Dakota	610.0	440.0	600.0	136
Oregon	12.0	10.0	9.0	90
South Dakota	11.0	18.0	18.0	100
Texas	20.0	30.0	24.0	80
Utah	5.4	6.1	4.0	66
Washington	32.0	34.0	34.0	100
Wisconsin	8.3	6.3	6.5	103
Wyoming	36.0	24.0	35.0	146
U.S.	1,758.2	1,429.9	1,766.5	124

Source: USDA: Prospective Plantings, March 28, 2002. Excludes beans grown for garden seed.

1/ Intended plantings in 2002 as indicated by reports from farmers.

2/ Estimates discontinued in 2000, reinstated in 2001.

Table 6. Dry edible bean production, exports, and price projections for 2002.

	High	Expected	Low
U.S. Production (million cwt)	29.0	26.5	24.5
U.S. Exports[1/] (million cwt)	9.0	8.0	7.5
Idaho Production (1,000 cwt)	1,900	1,750	1,550
Average Idaho Price[2/] ($ per cwt)	$23	$21	$19

Source: USDA: Vegetable and Specialties Yearbook, July 2001, unless noted otherwise.

[1/]Exports are for the calendar year.

[2/]Prices are simple averages of IASS monthly aggregate dry bean prices for crop marketing year Sept. 1 – Aug. 31.

[3/] US and Idaho production are USDA estimates from the December 2001 Crop Production Report. U.S. Exports are the author's estimate based on the first three quarters of 2001 and trend information in February 2002 "Vegetables and Melons Outlook." Idaho's price is the author's forecast.

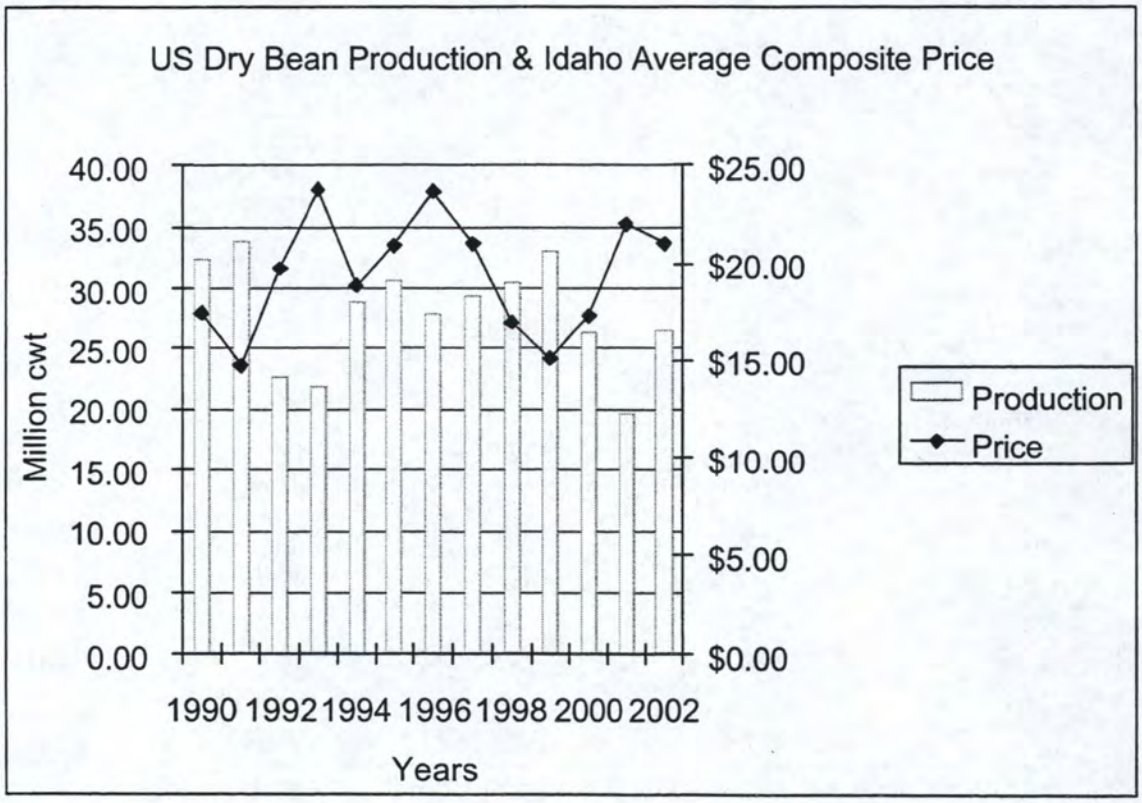

Chart 1. U.S. Dry Bean Production and Idaho Average Composite Price.
Source: 1990-2001, USDA. 2002 values are author's projections

Wheat Market Situation and Outlook

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I think it's important to look at both historical and current information when analyzing market fundamentals. While subject to revision, historical data provide a useful context in which to view the current market situation. It can help explain how we got to where we are at, and it can provide some insight as to what fundamentals must change in order to get a price response. Trends, both historic and current, can be just as important as current market fundamentals in helping to understand a market.

If you are trying to analyze the wheat markets, you should familiarize yourself with the various reports available from USDA. Collecting, analyzing and revising market data is a continuous process with USDA. That's why information on the current market year is labeled as preliminary or projected. But preliminary or projected data are better than nothing at all; and overall, USDA has a very good track record for reliability and consistency.

Market Trends

After peaking at $4.55 for the 1995 crop, U.S. farm-level market year average wheat prices declined, hitting a low of $2.48 for the 1999 crop (Table 3). Both U.S. and world wheat stocks rebuilt rapidly after 1995 as wheat growers responded to the higher price (Table 2 and Table 1). As ending stocks climbed, prices fell. Wheat prices have moved up the past two years as ending stocks declined. The average farm price for the 2001 crop is expected to be $.18 per bushel higher than the year before, matching the 5-year average price of $2.80.

World wheat fundamentals have been positive this past year with a positive trend for the past two years. The March 2002 USDA estimate of 2001/02 world wheat production is 10 MMT (million metric tons) below the 5-year average. Utilization is nearly 4 MMT above the 5-year average. The stocks to use ratio is below the 5-year average and has

been declining for the past three years. The stocks to use ratio provides a relative measure of stocks by comparing stocks to current consumption. Thus, a meaningful comparison of this ratio can be made over time.

World Wheat Situation

Table 1 shows the March 2002 USDA estimates for the current market year and five years of historical data on world wheat production, use, stocks and the stocks to use ratios. While it doesn't contain all the information found in more detailed balance sheets, it has the two major components, representing production and use. Percentage changes from the previous years are also shown to indicate trends. Both the direction and the magnitude of change are important in understanding price behavior. The current fundamentals and the trend over the past two years support the higher wheat prices we've seen the past year.

World wheat production has declined for four consecutive years while utilization continues to expand as the world population grows. At 579.0 MMT, the 2001/02 crop is 4.2 MMT or 0.7 percent below last year's crop. Ending stocks have declined for the past three years. Projected ending stocks of 154.3 MMT are nearly 10 MMT or 6.0 percent below last year's stocks level, and 10.7 MMT below the 5-year average. The projected stocks to use ratio of 26.2 percent is below last year's 27.9 percent and two percent below the 5-year average of 28.2 percent. All the fundamentals support the improved wheat prices that we've seen during the past year.

The values in Table 1 are the revised values issued by USDA in May that made significant increases in Chinese stocks and therefore in world stocks. Comparing the stocks to use ratios shown in Table 1 with unadjusted historical values is not appropriate. With the un-revised numbers, a stocks to use ratio below 20 percent was viewed as inadequate and would have supported a significant increase in wheat prices. Using the revised numbers, the comparable number would be 25 percent. Keep in mind that the world trade infrastructure has improved over time, giving the importing nations the confidence to buy hand-to-mouth. Also, the world situation cannot be viewed in

isolation from the stocks situation in the U.S. After the European Union, the U.S. is the world's largest exporter of wheat.

March's WASDE (World Agricultural Supply and Demand Estimates) report provides no surprises and very little new information. Production received a slight upward revision over February's numbers because of larger projected crops in Australia and India. The Australian wheat crop was increased from 23.5 to 24.0 MMT, while India's production was increased from 68.5 to 68.76 MMT. Forecast world exports were adjusted downward slightly for both the U.S. and the EU (European Union). Overall, the March WASDE report was neutral since there were no major surprises and stocks estimates continue to decline. Attention will shift to the 2002/03 crop in the May WASDE report.

U.S. Wheat Situation

Table 2 provides information on the U.S. wheat market similar to that shown in Table 1 for the world situation. As I mentioned initially, the projected level of U.S. stocks is not high by historical standards and the level has been declining. The U.S. is projected to carry out 701 million bushels of wheat, or 31.5 percent of the 2001/02 projected use. Stocks remain above the 5-year average and will likely retard any significant price improvement without some unanticipated export demand or some unforeseen crop disaster.

After harvest was completed and the production side of the equation known, the market has been focused on the demand side of the equation, primarily exports. Export demand has fallen below expectations and this has kept prices flat. The market will shift the emphasis back to the supply side as it focus its attention on new crop, especially now that planting intentions and crop condition reports for the 2002/03 marketing year are available. Weather is now the primary driving force in the market for current prices as well as for forward cash bids on new crop, and weather will continue to play a dominant role for the next two months.

The likely trend in wheat prices will be flat or slightly downward moving toward harvest, with brief rallies and declines triggered by weather forecasts and crop condition reports. If crop condition reports on the winter wheat crop continue to be negative, wheat prices could certainly move much higher than the U.S. wheat market fundamentals currently indicate. A continuing lack of precipitation in the plains will certainly put some life back in the market. For growers still holding wheat, a price rally associated with a deteriorating 2002/03 crop should be seen as a selling opportunity. It may also provide an opportunity to start pricing new crop wheat. The length of any rally may be quite short, however, because of the relative abundance of grain in the U.S.

The Prospective Plantings report released by USDA on March 29th gives some indication of what producers may have planted or will plant for harvest in 2002. Projected U.S. winter wheat planted acreage at 41.076 million acres is essentially the same as last year, and is the lowest since 1971. Spring wheat projected planted acreage at 15.086 million acres (excluding durum) is down 3 percent from last year, the smallest since 1988. Durum projected plantings at 2.842 million acres are down 2 percent from last year. All U.S. wheat projected planted acreage at 59.004 million acres is down 1 percent from last year, and is the lowest level since 1972. While the overall reduction in planted acres is positive, it's production rather than acreage that will ultimately help determine price.

Two questions need answers in predicting production. The first is, what percent of the planted acres will be harvested? The second question is, what yield to use? I like to look at historical numbers in trying to answer these questions. Table 3 contains ten years of historical data on the U.S. wheat crop, the five-year averages, the 10-year maximum and minimum values, as well as some projections for 2002. The planted acreage for 2002 is USDA's estimate; all the other 2002 values are mine. I've constructed likely, high and low values for harvested acres, yield, production and price. In all three scenarios, I start with USDA's planted acreage from the March Prospective Plantings report. One could also adjust the planted acreage value based on its reliability, but I chose not to do this.

I used the 5-year harvested acreage percentage and yield to calculate the likely production estimate of 2.107 million bushels. I used the 10-year maximum yield and an 88 percent harvested acreage when calculating the high production estimate. I chose not to use the 10-year maximum harvested acreage percentage of 90 percent given the poor condition of much of the wheat crop. I felt some downward adjustment was needed. To calculate the low production estimate I used the second lowest yield of the past ten years (35.8 bushels), not the lowest (35.8 bushels), and I the second lowest harvested acreage percent of the past ten years (84%), not the lowest (82%). These estimating techniques provide a range of from 1.9 billion to 2.2 billion bushels for the U.S. wheat crop. The likely value is 2.107 billion, which would represent a 7.9 percent increase over the 2001 crop. The likely production estimate made with my naïve estimating technique may be optimistic given the crop condition situation. USDA reports a higher than normal amount of the crop is rated in poor condition in much of Texas, Oklahoma and Kansas. The percent of planted acres harvested could fall below the 5-year average of 86 percent. The yield on the 2002 crop could also be negatively impacted. Based on the negative crop condition indicators, I would anticipate the U.S. wheat crop to fall on the lower end of my production range, or between 2.0 and 2.1 billion bushels.

Combining my production estimates (Table 3) with USDA's projected carryout of 701 million bushels (Table 2) and adding projected imports of 95 million bushels (my guess) gives me supply estimates for 2002/03. Subtracting a projected use of 2,363 million bushels (the 5-year average) allows me to estimate ending stocks, which I then used to calculate stocks to use ratios. I used the stocks to use ratios to help establish the price estimates shown in Table 3. My naïve ending stocks estimates for 2002/03 ranged from a low of 441 million bushels under the low production scenario, to a high of 776 million bushels under the high production. The average or likely value was 640 million bushels, a decline of 260 million bushels from this year's projected carryout stocks. The resulting stocks to use ratios ranged from a high of 34 percent to a low of 19.5 percent. The likely value came out at 28.3 percent. The market year average farm level price under

the various scenarios I've described range from a low of $2.50 to a high of $4.00. The likely scenario has a projected price of $2.90, a $.10 per bushel improvement over the 2001/02 wheat price.

Regardless of how you choose to make your forecasts, remember that it's still a long way to harvest. Also, keep in mind that the total supply for the 2002/03 market year includes not only the production from the 2002 crop, but the carryout from the last year. My estimating techniques are certainly not sophisticated, but it does offer you a place to start in developing your own estimates. Any procedure is better than merely hoping prices go up so you can cover your production costs.

PNW Soft White Wheat

While soft white wheat dominates the Pacific Northwest wheat market, its share in Idaho has been slipping until this past year. Soft white wheat and club varieties were planted on 75.5 percent of Idaho wheat acres in 1997, 67.7 percent in 1998, 64.3 in 1999, 59.1 percent in 2000 and 62 percent in 2001 according to the Idaho Agricultural Statistics Service, USDA. During the same time period, hard red spring wheat went from 11.9 percent to 22.3 percent.

The 2001/02 market year average for soft white wheat at Portland is forecast at $3.60 per bushel by the author. With only three months left in the current market year, this should come within $.05 of the final value. This will be the highest average price since 1997/98 and roughly $.55 above the 2000/01 average price.

Idaho and Washington both reduced winter wheat plantings, Idaho by 4 percent (30,000 acres and Washington by 3 percent (50,000 acres). Oregon increased winter wheat by 7 percent or 50,000 acres. The net winter wheat acreage change for the PNW states is minus 30,000. Idaho and Oregon show the same spring wheat acres as in 2001 and Washington shows a drop of three percent (20,000 acres). If these planting intentions hold, this can be viewed as a somewhat positive report and should help maintain current price levels.

Outlook

The market will focus on three factors as we move from the 2001/02 crop to the 2002/03 crop: 1) crop condition reports, 2) weather, and 3) exports. The price on old crop soft white wheat will likely range between $3.30 and $3.50 at Portland for the remainder of the current market year. However, if the crop conditions continue to deteriorate, prices on old crop could rebound to the $3.75 range. Bids for new crop August delivery have been between $3.20 and $3.30. I would expect the price of soft white wheat over the 2002/03 market year to trade at or slightly above prices levels seen this past market year if overall wheat utilization increases like I expect. At this time, I don't see a significant downside on prices. I expect to see a price range at Portland of $3.20 to $3.90 over the 2002/03 market year, with a $3.70 average.

Sources of Planning Information

The first winter wheat production estimate from USDA will be released in the May Crop Production report on May 10th. The first spring wheat production estimate will be in the July Crop Production Report on July 11th. Both U.S. and world supply and demand estimates are revised and published monthly by the World Agricultural Outlook Board, USDA. The May WASDE report will contain USDA's initial assessment of the U.S. and world wheat supply and demand and prospects for U.S. wheat price. All USDA reports available electronically, are available at the Mann Library at Cornell University: http://mannlib.cornell.edu/usda/usda.html. A monthly calendar of report release dates is also available.

Planning price projections for Idaho commodities can be found on the homepage for the Department of Agricultural Economics and Rural Sociology. Both projected prices and historical price averages are currently available at http://www.ag.uidaho.edu/aers

Table 1. World wheat production, use, ending stocks, and stocks to use ratio, marketing years 1996/97 – 2001/02.

Market Year	--Production-- MMT[1/]	% Change	-----Use----- MMT[1/]	% Change	-Ending Stocks- MMT[1/]	% Change	Stocks to use ratio %
96/97	581.9	+ 8.1	576.4	+ 5.0	145.4	+ 4.4	25.2
97/98[2/]	609.2	+ 4.7	583.6	+ 1.2	170.9	+ 17.5	29.3
98/99[2/]	588.7	- 3.4	585.1	+ 0.3	174.7	+ 2.2	29.9
99/00[3/]	585.9	- 0.5	591.4	+ 1.1	170.0	- 2.7	28.8
00/01[3/]	583.2	- 0.5	589.1	- 0.4	164.1	- 3.5	27.9
5-Yr Avg	589.8		585.1		165.0		28.2
01/02[3/]							
Mar-02	579.0	-0.7	588.9	0.0	154.3	- 6.0	26.2

Source: USDA, Economic Research Service Wheat Yearbook (3/01) unless otherwise noted.

%Change: Percentage change is calculated from the previous year.

[1/]MMT = million metric tons.

[2/]Use and ending stocks are the revised values from the March 2002 WASDE report.

[3/]USDA projections in the March 2002 WASDE report.

Table 2. U.S. wheat supply, use, ending stocks, and stocks to use ratio, marketing years 1996/97 to 2001/02.

Market Year	---Supply--- [1/]		-----Use----- [2/]		-Ending Stocks-		Stocks to use ratio
	Million Bu.	% Change	Million Bu.	% Change	Million Bu.	% Change	%
96/97	2,746	- 0.4	2,302	- 3.3	444	+ 18.1	19.3
97/98	3,020	+ 10.0	2,298	- 0.2	723	+ 62.8	31.5
98/99	3,373	+ 11.7	2,427	+ 5.6	946	+ 30.8	39.0
99/00[3/]	3,339	- 1.0	2,390	- 1.5	950	+ 0.4	39.7
00/01[3/]	3,272	- 2.0	2,396	+ 0.3	876	- 7.8	36.6
5-Yr Avg	3,150		2,363		788		29.1
01/02[3/]							
Mar-02	2,929	- 10.5	2,228	- 7.0	701	-20.0	31.5

Source: USDA, Economic Research Service Wheat Yearbook (3/01) unless otherwise noted.
% Change: Percentage change is calculated from the previous year.
[1/]Supply = Ending stocks from previous year + current year's production + imports.
[2/]Use includes exports (trade) and domestic use.
[3/]USDA estimate in March 2002 WASDE report.

Table 3. U.S. wheat crop,1992 to 2001 and 2002 projections.

Year	Planted	Harvested	Harvested	Yield	Production	Farm Price
	(1,000 ac)	(1,000 ac)	%	(bu/ac)	(1,000 bu)	($/bu)
1992	72,219	62,761	87	39.3	2,466,798	3.24
1993	72,168	62,712	87	38.2	2,396,440	3.26
1994	70,349	61,770	88	37.6	2,320,981	3.45
1995	69,031	60,955	88	35.8	2,182,708	4.55
1996	75,105	62,819	84	36.3	2,277,388	4.30
1997	70,412	62,840	89	39.5	2,481,466	3.45
1998	65,821	59,002	90	43.2	2,547,321	2.65
1999	62,714	53,823	86	42.7	2,299,010	2.48
2000	62,629	53,133	85	42.0	2,232,460	2.62
2001[1/]	59,617	48,653	82	40.2	1,957,643	2.80
2002[1/]	59004					
5-Year Avg	64,239	55,490	86	41.5	2,368,885	2.80
10-Year Max	75,105	62,840	90	43.2	2,547,321	4.55
10-Year Min	59,617	48,653	82	35.8	1,981,139	2.48
2002[2/]						
Likely	59,004	50,743	86	41.5	2,106,868	2.90
High	59,004	51,924	88	43.2	2,243,096	2.50
Low	59,004	49,563	84	38.5	1,908,189	4.00

USDA, Economic Research Service Wheat Yearbook (3/01), unless otherwise noted.

[1] USDA, NASS, Small Grains 2001 Summary (9/2001) and the WAOB March 2002 WASDE report. Price is midpoint in range given by USDA.

2 Source: USDA, Prospective Plantings, March 29, 2002 for planted acreage. All other estimates are the author's.

Table 4. White wheat balance sheets.

	1999/00	2000/01[1/]	2001/02[1/]
	---------(Million bushels)---------		
Beginning stocks	87	91	75
Production	247	303	232
Supply, total[2/]	340	399	314
Domestic use	89	120	91
Exports	160	204	150
Total Use	249	324	241
Ending Stocks	91	75	73
Stocks to Use Ratio (%)	36.5	23.2	30.3
Portland Soft White Price:[3/]			
Seasonal Average ($/bu)	$ 3.00	$ 3.03	$ 3.60[4/]

Source: USDA Economic Research Service Wheat Yearbook (3/01) unless otherwise noted.
1/ USDA March 2002 WASDE report.
[2]Includes imports
[3/] Simple average of monthly prices (July– June) reported by USDA, AMS.
[4/] Author's forecast.

PNW Sheep & Wool

Situation and Outlook

By C. Wilson Gray [1]

US Flock Situation

According to the USDA's *Sheep and Goat Report* released February 1, there were 6.685 million head of sheep and lambs in the U.S. on January 1, 2002. That was a 4.0 percent decline from a year earlier. The U.S. sheep population consisted of 4.913 million head of breeding sheep and lambs and 1.772 million head of market sheep and lambs. Those numbers were 1.1 and 11.3 percent below a year ago, respectively.

Within the breeding sheep and lamb population, there were 3.980 million head of one-year and older ewes, 199.5 thousand head of one year and older rams and 733.5 thousand head of replacement lambs. Compared to 2001, the one year and older ewe number was 2.7 percent smaller and the one year and older ram number was 0.7 percent smaller. The replacement lamb number was 8.7 percent larger than a year earlier.

The breeding flock population was composed of 199.5 thousand head of one year and older rams, 3.98 million head of ewes one year and older, and 733.5 thousand head of replacement lambs. Breeding ewe numbers were 2.7 percent smaller, rams were down 0.7 percent but replacement lambs were up 8.7 percent. Texas and Oregon led 11 states that increased breeding sheep numbers.

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These animals were on 980 fewer farms. Only Colorado and Virginia reported more operations than a year ago. There were 11 states with fewer operations and 17 remained the same.

Replacement Lamb Count

The replacement lamb number is based on the number of lambs producers expect to retain in their flocks. The larger number could be a result of promised funding from the ewe lamb replacement program, and attempt to rebuild drought reduced flocks and expansion due to optimism about the future. Regardless of why lambs may have been retained, if market conditions are not favorable to retention, these lambs could easily end up in the market channel for slaughter or export. This occurred as recently as 1998 when an increase in replacement lamb numbers was reported.

Idaho/PNW Flocks

Oregon and Washington increased sheep & lamb numbers while Idaho declined. The Idaho lamb crop held steady on a higher Lambing percentage while Oregon and Washington increased their lamb crop based on larger ewe numbers and a higher Lambing percentage. Operations with sheep held steady in all 3 states.

Sheep and lamb numbers in Idaho declined 15,000 head or 5 percent in 2001. Breeding sheep one year old or older declined 11,000 head from 195 thousand to 184 thousand head. Market sheep and lambs dipped 7.7 percent to 36 thousand head.

Washington sheep and lambs increased 4 percent to 56 thousand head. Breeding sheep one year old or older increased 3,000 head from 44 thousand to 47 thousand head. Market sheep and lambs dipped 10 percent to 9 thousand head.

Oregon sheep and lambs increased 16 percent to 285 thousand head. Breeding sheep one year old or older increased 20,000 head from 151 thousand to 171 thousand head. Market sheep and lambs increased 21.3 percent to 114 thousand head.

Lamb Production

The total market sheep and lamb numbers for January 1 were 6.4 and 11.5 percent below year ago levels. This would imply slaughter levels 10 percent below 2001. If the replacement lambs are moved into slaughter channels first half lamb slaughter could still remain 5 percent under year-ago levels. Fewer lambs could also moderate slaughter weights.

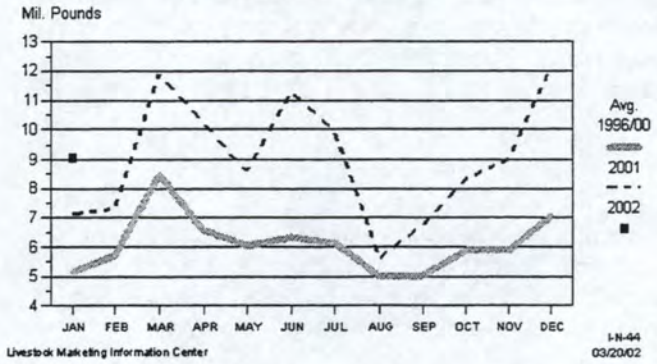
Through mid-March slaughter numbers for lambs have been the same as a year ago. The year started off slightly under last year but since mid-February numbers have increased. This is likely due in part to the Easter/Passover holiday occurring several weeks earlier this year than last. Both live and dressed weights are so far just slightly lower than this period last year. Dressed weights have averaged 70 lbs. versus 71.5 lbs. for Jan-Feb and live weights have averaged 139 lbs., down 4 lbs. from last years 143 lbs.

With the holiday occurring in the first quarter, second quarter slaughter numbers and weights will give a feel for levels the industry might see this year. If slaughter doesn't decline much from last year prospects for price recovery will be notably reduced.

Imports

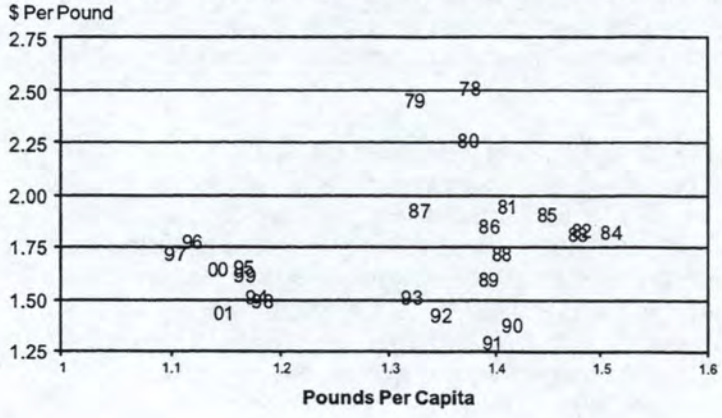
If overall U.S. production decreases as anticipated will imports continue to fill the gap? New Zealand's flock has declined but Australia's has increased. If less lamb is imported from NZ will AU step in to pick up the slack? Total lamb imports in 2001 were 108,204 thousand pounds carcass weight. That was a 14 percent increase from 2000. Of the total about 36.6 percent was from NZ and 62.4 percent from AU. Over the past few years AU's share has been increasing relative to NZ. If NZ imports do decline this could imply larger imports from AU. Imports have increased an average of 17 percent a year for the last five years. That would translate to lamb imports of 126,160 thousand pounds in 2002. Domestic commercial lamb production in 2001 was 223 million lbs. Domestic plus imports placed a total of 331.2 million lbs. on the market in 2001. A 5 percent decline in domestic lamb would make 212 million lbs. available this year. Combined with imports, a total of 338 million lbs. could be available to consumers this year. That would actually increase supplies by 2 percent. Domestic lamb production has decreased every year since 1989. Lamb imports have decreased compared to the previous year only 2 in the last 15. For January the Australian dollar was $1.93 to one U.S. dollar. That is 7.35 percent weaker than a year ago when the Aussie dollar was $1.80 to $1.00. The weaker AU dollar means it is more favorable to export lamb to the U.S.

U S LAMB IMPORTS
Monthly, Carcass Weight



Disappearance

LAMB PRICE-QUANTITY RELATIONSHIP
Retail Weight, Deflated Carcass Price, U.S., Annual



U.S. lamb consumption in 2001 was 1.18 lbs. per capita, up from 1.14 lbs. in 2000 but down from 1.17 in 1999 and even with 1998's 1.18 lbs.

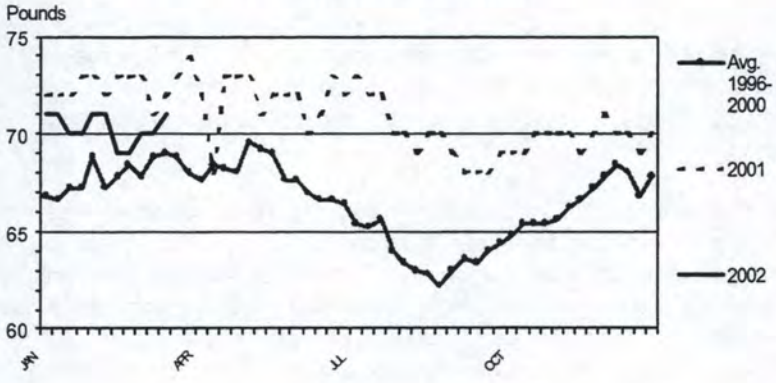
For the year 2001 commercial lamb and mutton production of 223 million lbs. plus on-farm use of 4 million lbs. totaled 227 million lbs. of domestic production. Beginning of year stocks were 13 million lbs. Lamb and mutton

imports totaled 146 million lbs. giving a total supply of 386 million lbs. U.S. exports were 7 million lbs. and year-end stocks were 12 million lbs. putting lamb/mutton disappearance at 367 million lbs.

Livestock Marketing Information Center (LMIC) projections are for commercial production of 204 million lbs. of lamb and mutton in 2002. Their 4 percent increase in imports (152 mil. Lbs.) plus beginning supplies of 12 million lbs. puts total supplies at 371 million lbs. Exports of 5 mil. Lbs. and ending stocks of 14 mil. Lbs. would give a domestic consumption of 1.12 lbs. per capita. If this scenario comes about lamb prices could strengthen. If domestic production or imports or a combination push supplies higher, total disappearance could reach 378 million lbs. or 1.2 lbs. per capita. This scenario is not likely to relieve the low price situation facing the industry presently.

LAMB AND YEARLING DRESSED WEIGHT

Federally Inspected, Weekly



Lamb Quality

Quality problems, in particular those related to over finished lambs, continue to plague the U.S. industry. At various times lambs have been held longer in feed yards which has resulted in heavier carcasses, and more fat. At times the feed-yards act as a warehouse or holding yard to schedule lambs more evenly to packers. In any case the resulting product has not been as well received by the consuming public. The current situation goes back a year and a half when monthly carcass weights increased 2 to 7 lbs. over the previous year. Recent dressed weights appear to be trending down but if additional lambs wind up headed to feed-yards the process could bog down again resulting in a continuation of over-finished lambs. This has pushed COSTCO to take only Australian Lamb as they did not feel that they could obtain a consistent supply of the quality they wanted domestically.

Mandatory Price Reporting Status

In April, USDA implemented Mandatory Price Reporting (MPR). The actual implementation date was April 3rd, but it was three weeks later (April 24th) before any information for the sheep industry was released due to confusion and confidentiality guidelines. In August, the confidentiality guidelines were altered which allowed more information to be released. But the information remains incomplete. It appears that MPR is still a work in progress and alterations to reporting methods and rules will continue in 2002.

According to the original legislation, Mandatory Price Reporting "...1) provides information that can be readily understood by producers, packers and other market participants..." and "...2) improves the price and supply reporting services of the Department of Agriculture..." The same legislation then created a very difficult task for USDA Agricultural Marketing Service (AMS) by mandating that confidentiality be maintained. AMS has worked hard to get enough lamb packers and breakers to report so that reports could be released. AMS has also tried to figure out ways to combine information to still release reports but not violate the "3/60" rule (information must come from 3 packers with no singular packer controlling more than 60 percent of the trades) that was adopted to maintain confidentiality. To date, this proved to be impossible in some situations (there still is not a lamb cutout value and individual cut reports are sporadic) and provided data that is difficult to decipher in others.

With the switch from a voluntary to a mandatory price reporting system, a number of alterations were made in how USDA data was aggregated and reported. This has made year-to-year comparisons difficult since the information is no longer from the same sources. Because of how mandatory price reporting was implemented, assumptions and imperfect comparisons must be made.

USDA has not reported a lamb cutout value since mandatory price reporting was implemented. The Livestock Marketing Information Center (LMIC) has attempted to calculate a cutout value from the available information since that time to fill the information void. With the change over to mandatory price reporting, a historical slaughter lamb price series had to be found that was reasonably comparable to one of the new series. All indications are that the Colorado direct series is the most comparable to the new Western direct series.

Wool

With the reduction in total U.S. sheep numbers over the last several years, wool production has also declined. With the low worldwide prices, the value of the production to the producer remains low by historical standards.

In 2001, U.S. sheep producers sheared 5.689 million head of sheep and lambs. That was a 7.3 percent reduction from a year earlier. The average weight of all of the fleeces produced in 2001 was 7.6 pounds, equal to 2000's. U.S. wool production in 2001 was 43.016 million pounds, 7.4 percent below 2000's.

Eleven of the 30 individually reported states had more sheep shorn and more wool production in 2001 than in 2000. Idaho reported more sheep shorn (2,000 head more) but less wool produced (50,000 pounds less). And one state, Pennsylvania, reported more wool production (10,000 pounds more) from fewer sheep shorn (2,000 head less). All remaining states had fewer sheep shorn and less wool produced.

Idaho wool production was down as noted above. This was due to a lower fleece weight, 9.3 compared to 9.6 lbs. in 2000. Oregon reported wool production of 1,510 thousand lbs., a 4.9 percent increase from 2000. Sheep shorn were 20,000 head more at 240 thousand head but fleece weights were off 0.2 lbs. to 6.3 lbs. Washington wool grower sheared 48 thousand head, 4,000 more than a year earlier, and fleece weights increased 0.2 lbs. to 8.2 lbs. This increased total wool production to 395 thousand lbs., up 12.5 percent.

Wool prices continue to be at historic low levels even though the Australian wool surplus is now history. Some fashion indication of higher wool use are starting to appear. However, the U.S. recession and slower economies in other G-8 countries will limit demand for luxury goods of which wool is one.

* Table 1--World wool supply and disappearance, 1991/92-2001/02 1/

Year	Sheep population	Production (greasy)	Production (clean)	Consumption (clean)	Exports (greasy)	Beginning stocks (clean)
	Million head			--- Million lbs. ---		
1991/92	1,092	6,700	3,929	3,730	2,908	1,627
1992/93	1,077	6,444	3,794	3,684	2,739	1,420
1993/94	1,055	6,259	3,695	3,533	2,708	1,393
1994/95	1,026	5,871	3,437	3,500	3,000	1,184
1995/96	1,017	5,609	3,285	3,244	2,376	961
1996/97	991	5,606	3,291	3,174	2,559	816
1997/98	1,002	5,333	3,150	3,000	2,549	622
1998/99	1,002	5,245	3,080	2,850	2,042	545
1999/00	1,005	5,194	3,045	2,837	2,223	571
2000/01	NA	5,201	3,049	NA	NA	412
2001/02	NA	NA	NA	NA	NA	NA

NA = Not available.
1/ Sheep population during April-June of the second year indicated for most countries. Consumption data are on a calendar year basis for the first year
indicated for most countries. Stocks are for countries that are major producers and exporters.

Source: International Wool Textile Organization.

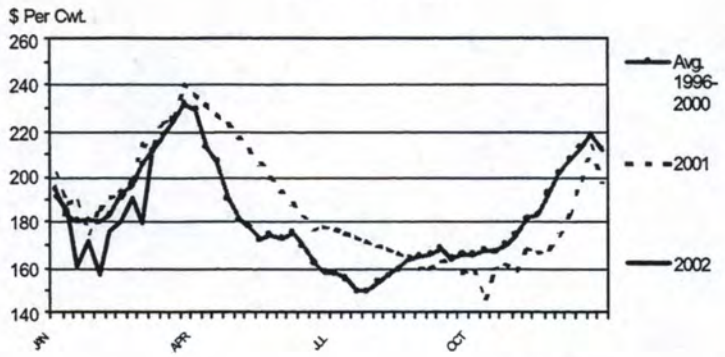
Outlook

Lamb price outlook

Lamb prices are quite sensitive to supplies. A change of just a few tenth's of a pound in per capita supplies can mean better or worse prices follow. If the optimistic scenario comes into play LMIC is forecasting gradual improvement in slaughter lambs by the second half, compared to a disastrous last year. Feeder lamb prices could be longer in gaining back ground, perhaps not improving until the fourth quarter.

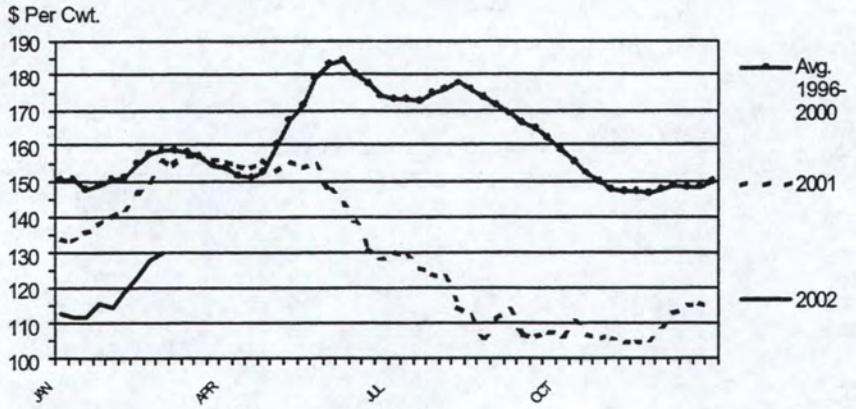
Boxed shoulders have traded very near the 5-year average so far. This is well below the exceptionally high prices this time last year but retail prices are not in the tank. Racks have been climbing toward the 5-year average after a low start this year. East coast lamb carcass prices are running 17 percent or more under last year.

BOXED LAMB SINGLE LEG PRICES
Trotter Off, Weekly



SLAUGHTER LAMB PRICES

Western (Colorado) Direct, Hot Carcass, Weekly



Feeder lamb prices typically increase from January into May or June. If that is the case this year feeder lamb prices could reach the low to mid-$80 per cwt. area by June. Prices then typically slide for 45 – 60 days and then are sideways into fall with another increase in October or November. Third quarter prices may retreat to the low $70's and then gain $3-$6 in the fourth quarter.

Western Colorado slaughter lambs (hot Carcass basis) reached the $130 per cwt. level the second week of March. While that is $25 per cwt. under last year, if supplies and quality cooperate second quarter prices could hold in the mid-$130 area and third quarter in the high $130 range. Fourth quarter could decline seasonally to the mid-$120 area.

Wool price outlook

While the Australian stockpile is now gone, wool prices continue to languish due to lack of demand. The U.S. wool price in 2001 (grease basis FOB the farm) was $0.36 per lb., 3 cents higher than 2000. That put the average fleece value at $2.74. Idaho fleece prices were $0.22 per lb., a 1 cent decrease from 2000. That put the average fleece value at $2.05. Oregon woolmen received $0.27 per lb. and Washington growers $0.45 per lb. This makes the lowest prices since 1972 for wool.

AUSTRALIAN WOOL MARKET INDICATOR

FOB Australia, Clean Basis, U.S. Cents Per LB., Weekly

Although works wool supplies are tightening, mills continue to hold large stocks. Slow mill through put is in part due to weak consumer/retail demand. Unless the demand part of the equation shows some life wool prices will continue to be lackluster.

Hay and Forage Market Update: Spring 2002

by Neil Rimbey[1]

Current Indications of Hay Supply

USDA's National Agricultural Statistics Service (NASS) estimated that Idaho hay stocks on December 1, 2001 stood at slightly over 2.5 million tons (Figure 1). This figure caught some by surprise. Given the drought concerns during the production year, many thought it would be much lower at that point in the winter. Windshield surveys through different areas of the state the end of March indicates that there is still quite a bit of hay available. That coupled with the warming trend in the weather and livestock turnout on southwestern Idaho public and private rangelands may partially explain a recent softening in the hay market to the tune of $10-20/ton.

The December stocks report and the updated production figures in the January Crop Production Annual are the last indications of hay supply provided by USDA until later this spring. The first hay stocks report of 2002 will not be released until May 10. The first indication of hay production that we will see is the August Crop Production report, set for release on August 12. Updated production estimates will be published again on October 11, with final estimates coming out in the Annual Crop Production report in January, 2003.

The Prospective Plantings report released by NASS on March 28, 2002 indicated that Idaho farmers are anticipating an increase in hay acreage of about 2 percent (or 30,000 acres) to 1.45 million acres. Projecting crop yields over the next 6 months is always risky business due to unknown factors like weather conditions, water availability and a number of others. The long-term average production for

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Idaho hay (alfalfa and other hay categories considered together) is 3.43 tons/acre. Using that to project crop production results in an estimate of 2002 hay production at 4.97 million tons, an increase from 4.6 million tons in 2001 (Figure 2). Coupling this figure with an estimate of 500,000 tons of carryover stocks in May results in a picture of total hay supplies being about 5.4 million tons (or, about 11 percent more than we saw in 2001). With the uncertainties about weather, water and other factors, one can view this projection of supply as being on the optimistic side at this point in time.

In terms of rangeland vegetation, precipitation and temperatures during April-June explain a majority of the variability in annual forage production. Lack of precipitation and unfavorable temperatures during that timeframe translate into lower forage production. This may necessitate shorter grazing seasons, lower numbers of animal units, or both.

Demand Indicators

It doesn't appear that we reached the peak of the growth curve in Idaho dairy cow numbers, but the rate of increase is starting to slow down a bit. Most recent estimates of cow numbers stood at 382,000 head, up from 357,000 of a year ago. This amounts to about a 7 percent annual growth rate, which pales in relation to the double-digit figures that we've seen over the past decade. Part of the "mellowing" in the rate may be due to the fact that the denominator just keeps getting bigger. We still saw 25,000 head of "new" cows entering the milk strings on Idaho dairies during the past year! That translates into about 73,000 tons of additional dairy hay needed to feed the "new" cattle. Factoring in replacements, bulls and other dairy animals places this estimate on the conservative side. Dairy hay demand will thus amount to over 20 percent of the Idaho hay crop.

Beef cattle and sheep numbers are about on par with the 2001 inventories. The uncertainties relative to hay and forage demand from these sectors involve the weather conditions during the grazing season and the continuing fire

rehabilitation efforts on rangeland. Dry conditions on rangeland may result in shorter grazing seasons during the summer and fall of 2002, shifting demand to private grazing resources and the haystack. Also recall that the summer of 2000 saw about 1.3 million acres of timber and rangeland burn. Many of these areas will not have grazing on them for 1 to 5 years.

Implications and Strategies

Given the uncertainties that exist from the weather conditions and other factors, it is extremely difficult to make any definitive projections on hay price at this point in time. With this amount of uncertainty, it may be wise for feeders to purchase good quality hay that is still around from the 2001 crop. Dairy producers that are contracting with haygrowers should do everything possible to insure that quantity and quality of hay are available when needed. Written agreements may be an appropriate method of dealing with these issues between buyer and seller. Hay producers should know their cost of production and formulate marketing plans based upon those costs. Monitor NASS Crop Production reports during the upcoming growing season and use the information provided in May (May Stocks), August (first production estimates) and October (final production estimates) to develop and modify marketing strategies. USDA/NASS reports are available at:
http://www.usda.gov/nass/pubs/pubs.htm

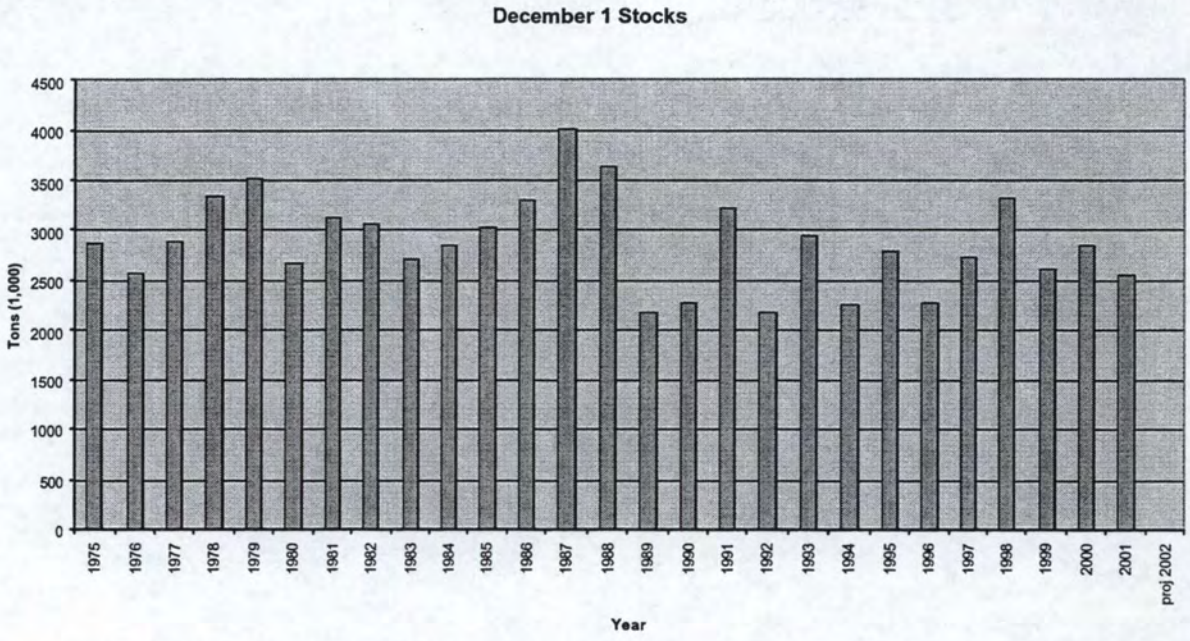
Irrigation practices and harvest conditions will determine what niche your hay fits in the dynamic hay and forage market. Remember that tighter hay and forage supplies and increased seasonal demand will probably translate into higher prices. Lower prices will result from increased supplies and static demand. At this point in time, it appears that the latter scenario is more likely to occur.

The Pasture Clearing House established in the fall of 2000 is still available for those interested in leasing pasture and rangeland. The site also contains links to

the Idaho Hay Growers Association website, with listings of hay availability from that organization's membership. The address for the Pasture Clearing House website is: http://www.ag.uidaho.edu/pasture/index.html

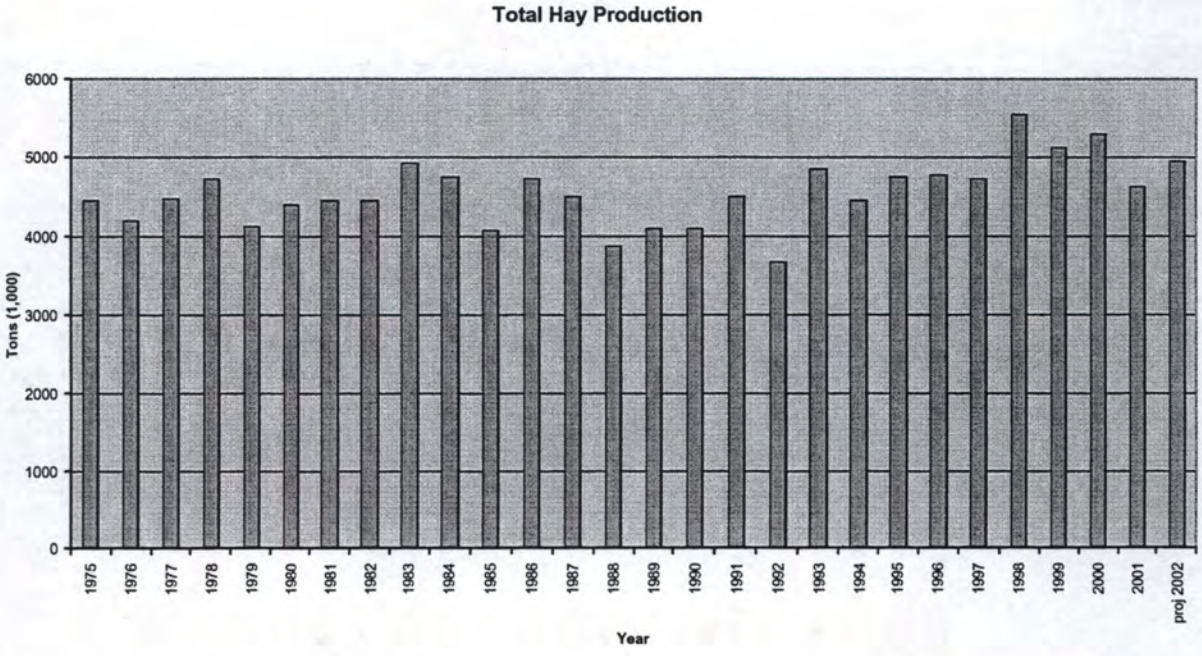
Federal land grazing rates for 2002 are $1.43/Animal Unit Month (AUM). State land grazing rates for 2002 are $4.96/AUM and will be $5.33/AUM in 2003. Private land grazing lease rates will generally fall in the range of $10-15/AUM during 2002.

Figure 1. Hay Stocks on Idaho Farms. December 1. 1975-2001.



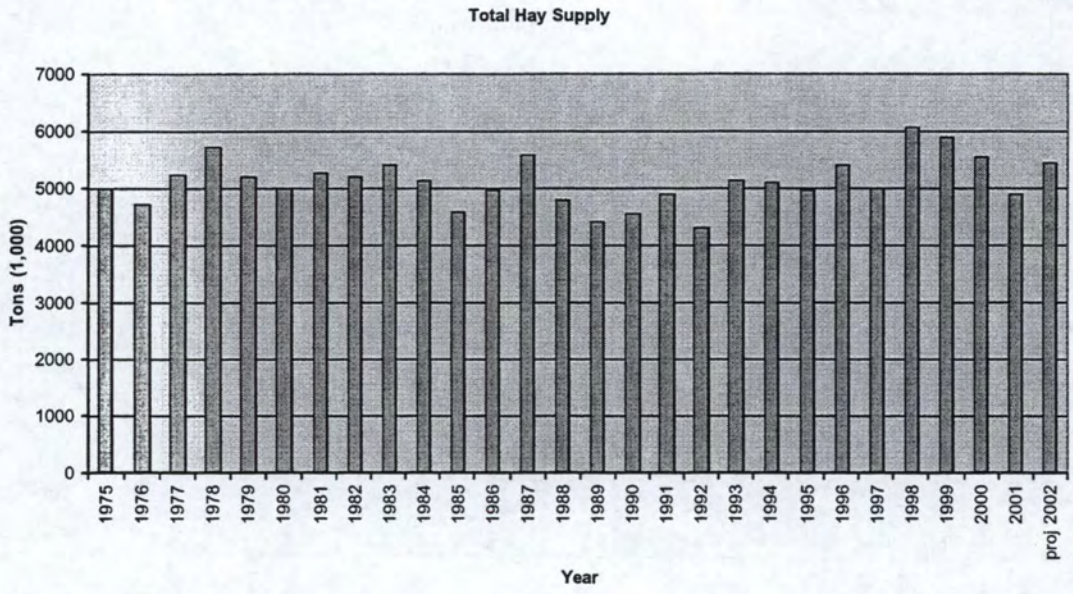
Source: USDA-NASS Crop Production reports

Figure 2. Total Idaho Hay Production. 1975-2002 (projected)



Source: USDA-NASS Crop Production reports

Figure 3. Total Idaho Hay Supply. 1975-2002 (projected)



Source: USDA-NASS Crop Production reports