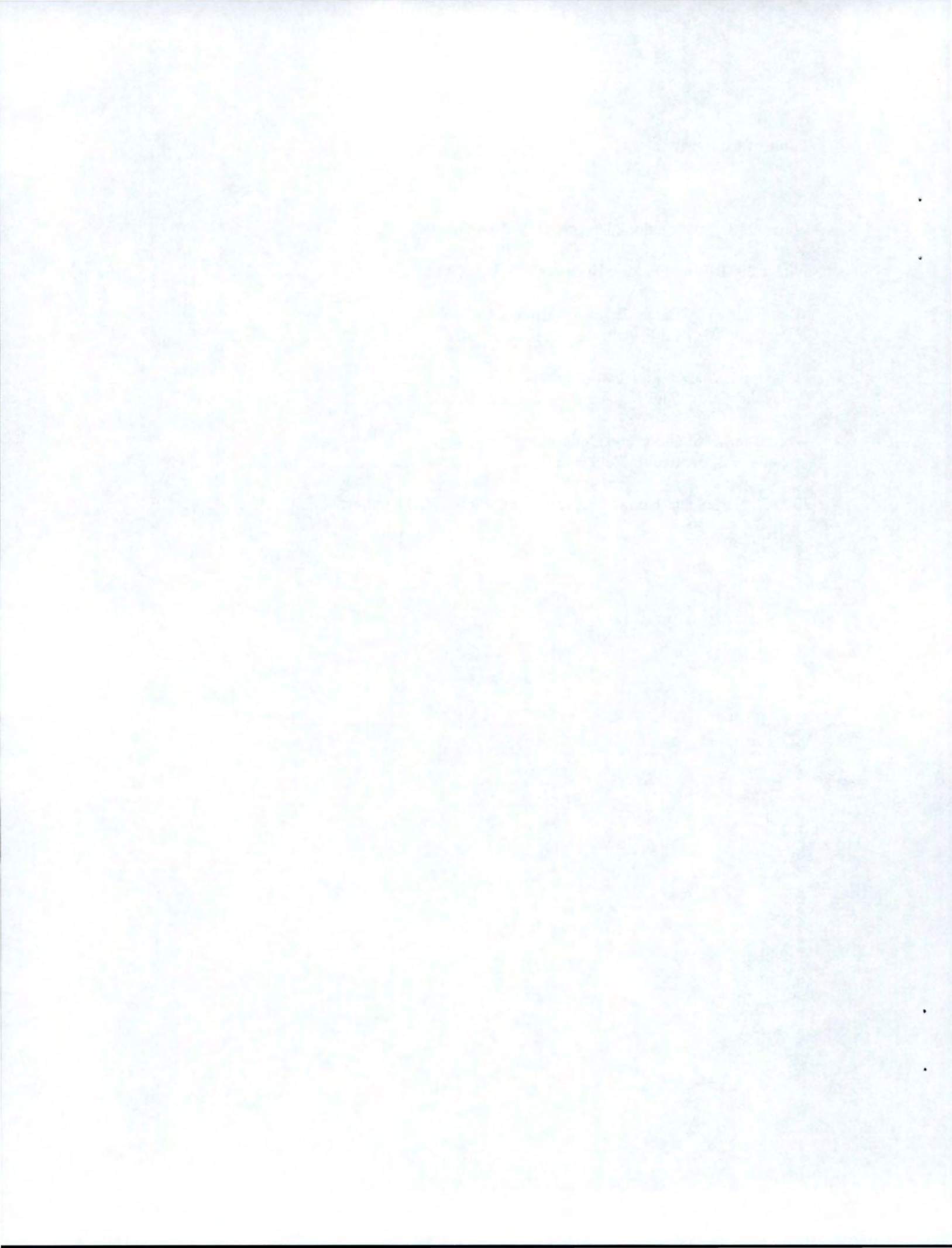


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Winter 2001 Beef Outlook Update

Prepared by C. Wilson Gray
Extension Livestock Economist
University of Idaho

The cattle market just seems to get better every time you look at it. Prices have recovered well from summer lows, demand seems to be improving, and feedlot placements have been lower this fall which will lead to tighter supplies down the road this spring.

Fed Cattle

USDA's latest cattle on feed report (Dec. 15) estimated that the number of cattle on feed was 2 percent above a year ago. This continues the trend of moderating year-to-year increases in cattle on feed. In the seven reporting states there were 193,000 more animals on feed than a year ago. That makes the November increase the smallest since August of 1999. The modest increase is largely due to a combination of increased marketing's and decreased placements.

Marketing's reported during November were 2 percent above a year ago in the seven major reporting states. Steer and heifer slaughter was up only 0.6 percent for November, with all of the increase due to more steers being processed.

September, October and November have marked successive months of lower placements of cattle into feedlots. Cattle feeders placed more cattle, compared to a year ago, from January through August by using more heavy-weight calves. One result has been a tightening of the heavier weight feeder supply as witnessed in reduced placements this fall. Feeder supplies are likely to be tight this winter. Thus, placements in coming months could continue to be modest. That could lead to a gradual tightening of fed cattle coming to market later this winter and next spring. The weather situation over the next few months will determine how soon these calves will be ready for market.

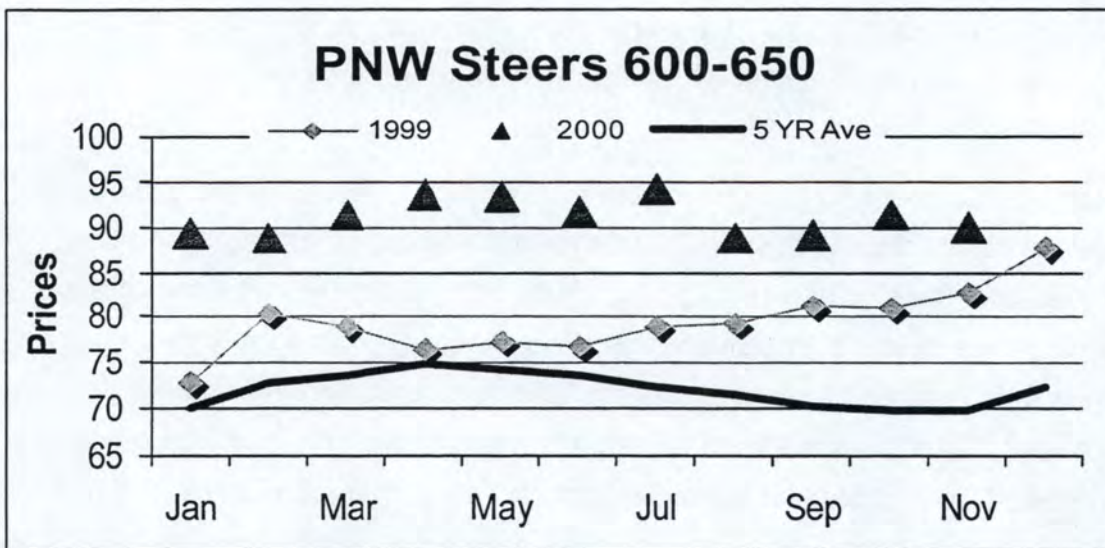
Trade Situation

The USDA trade statistics released on November 22, covering the period through September, contained revisions going back to fall 1999. These

revisions reflect the Food Aid shipments made by the U.S. to Russia. Beef exports in early 2000 were reduced by 88.7 million pounds and the amount was reallocated to August through December 1999. Pork exports of 111.3 million lbs. were similarly reallocated. Even after the effect of the revisions, year-to-date exports of beef and pork have been above 1999, however so have imports.

The revised trade data combined with the recently released October trade data indicate U.S. beef exports for the first ten months are 6.0 percent above the same period in 1999. For the period reported beef exports are up to all major customers, including Mexico (15.9%), Canada (6.1%), and South Korea (32.7%). Imports also climbed by 6.2 percent. Most of the increase came from a 108.3 million lb. increase in beef imported from New Zealand.

Net imports of beef during the first ten months of 2000 were 7.2 percent higher than for 1999. Higher beef prices in 2001 and a continued strong U.S. dollar in world currency markets could lead some importers to shift purchases from the U.S. to other sources, or to competing meats. This would result in weaker beef exports in 2001 and less support for cattle prices from exports. Prices may be



relying more on improving domestic demand and reduced supplies for support.

Feed & Feeders

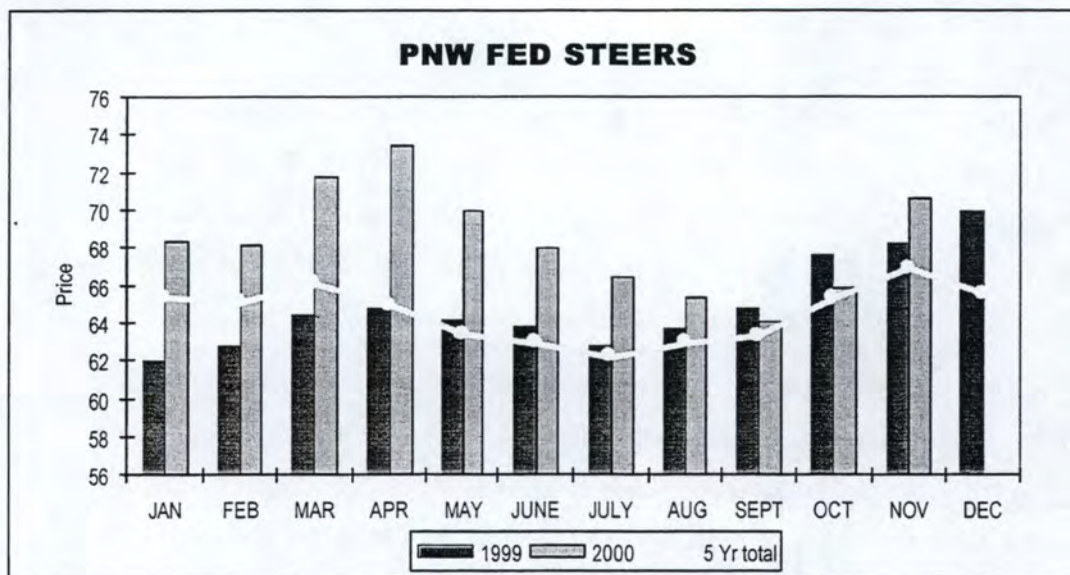
Although the 2000 corn crop will miss being a record by 49 million bushels, it will still be only the second crop to exceed 10 billion bushels. That lowers, slightly, year-end corns stocks and thus has increased corn price forecasts 10 to 15 cents per bushel. This would put the national average corn price at about \$2.00 per bushel. Hay prices have also increased modestly from a year ago.

Expensive feeder calves have offset very low costs of gain to squeeze margins for feedlots. Kansas feedlot closeouts indicated losses beginning by May and continuing through the latest data. Losses peaked at about \$98 per head in August and have retreated to near \$46 per head in November. Higher fed cattle prices in recent weeks will help but margins could remain tight. Higher feeder calf prices have attracted more feeder imports from Mexico. Imports of Mexican feeder cattle could reach 1.5 million head for 2000, a 50 percent increase over last year. The peak year was 1995 when 1.65 million head were imported due to drought in Northern Mexico and the devaluation of the Peso.

How aggressively and when cattlemen decide to begin herd expansion will also have a major impact on feeder supplies and eventually on how much both slaughter and feeder cattle prices can increase.

Demand Prospects

1999 marked the first year since the late 1970's that beef demand improved. It appears that the demand improvement continued through 2000. Based on the demand index (a combination of price and consumption data) retail Choice beef demand increased around 4% this year over 1999 and about 7% over the 1998 low.



Beef demand strength has been a key factor in supporting cattle prices. In 2000 beef consumption increased about 1% while inflation adjusted retail prices were up nearly 3%. Analysts are not clear on all the specific reasons for improved beef demand. But, the economy and higher disposable income are part of the picture. If the economy continues to slow, or a recession develops consumer loyalty will be tested.

Outlook for Spring

At this point there is plenty of room for optimism about cattle prices this spring. The Food and Agriculture Policy Research Institute at the University of Missouri is projecting a fed cattle baseline price of \$74.30 for Nebraska direct Choice steers for 2001-2005. The baseline average price for 1995-2000 was \$65.44. PNW fed cattle prices could average above \$70 for nearly all of 2001. Northwest direct Choice fed steers will likely average \$71-\$76 for the first quarter and \$68-\$75 in the second quarter. Price strength will also support calf prices. For 600-700 lb. calves prices are likely to average \$85-\$91 per cwt. and \$86-\$96 per cwt. in the first and second quarters respectively.

Two things to watch will be the economy and the 2001 feed grain crop. If either or both shrink compared to 2000, cattle prices could face challenges to remain at present levels.

Dairy -- Winter 2001 Outlook Update

Prepared by C. Wilson Gray
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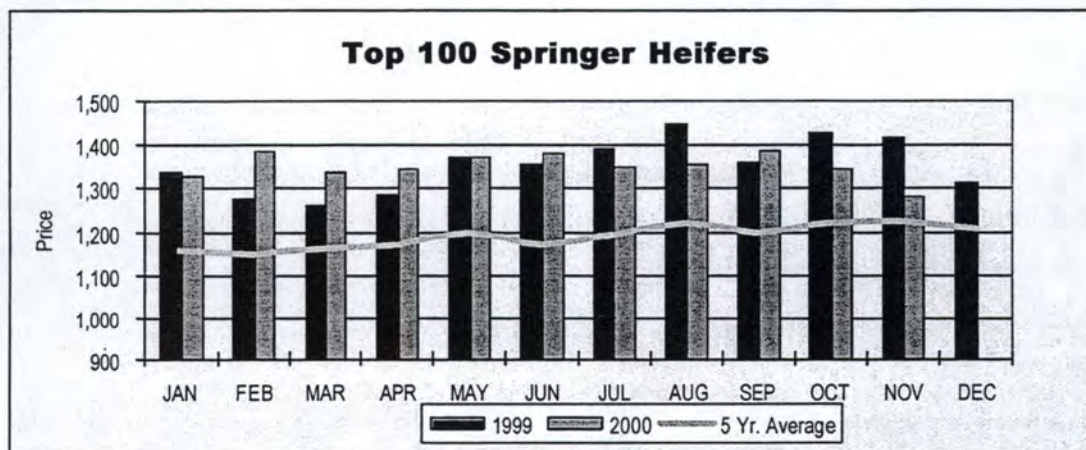
Are things set to improve?

It depends...

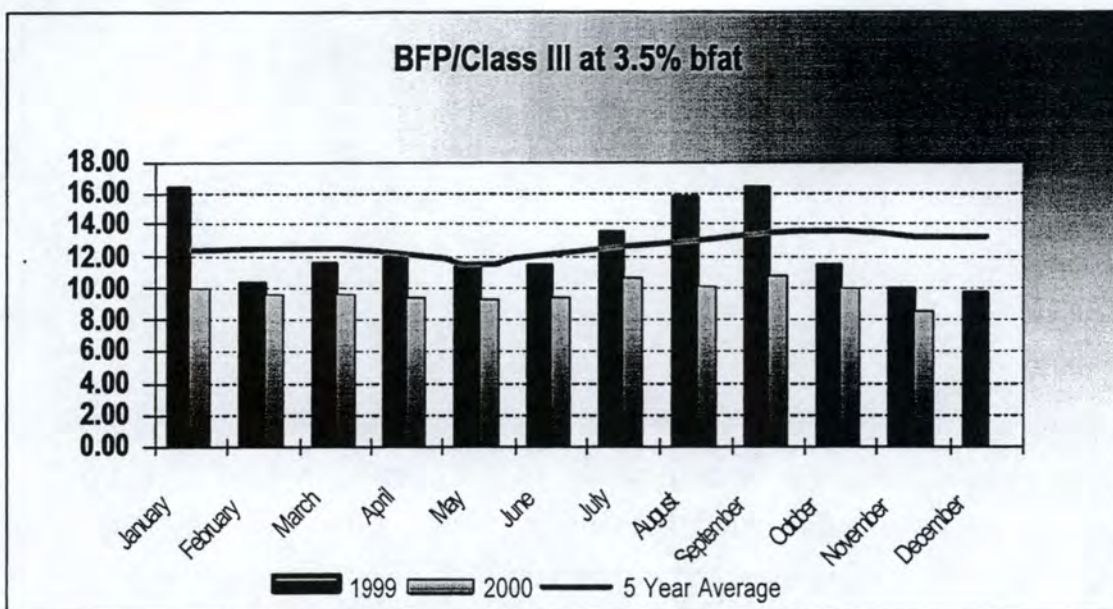
OK, right! So tell me why!

Well, a couple of things are starting to look "better." Better being relative. Since last spring this column has stated that milk production had to show some signs of slowing or declining in order to have a chance for price recovery. A few things are beginning to show up, albeit faintly, in the tea leaves.

Springer heifer prices have been declining since September. November prices averaged only \$90 over the 10 year average of \$1,193 versus the \$1,350 to \$1,400 plus prices earlier in the year. This could indicate that most new



construction and facility expansion is nearing completion and animals to fill these have largely been secured. If so, what is the outlook for springer prices? They are likely to drop lower over the next 4 to 6 months. If extra animals are not needed for expansion then we are moving to a replacement rate level of demand. Further, with strong cull cow prices and low milk prices dairymen should be scrutinizing all herd animals regarding their value to the operation.



Those not paying the costs to have them in the barn should go down the road. Extra culling might partially offset the lower demand by expansion.

The November milk production report had the lowest 20 state increase, at 1.5 percent, in over two years (Table 1). Cow numbers, though they still increased 1,000 head, look like they may have finally stalled out. Again, this would indicate that the run up in expansion has about reached an end and numbers may actually return to the long term trend of decreasing slightly each year.

Further helping the situation was a seasonal decrease in per cow milk production. Although the comparison to a year ago shows per cow milk production up slightly, when November is compared to October only one state, Florida, had higher production. Perhaps the chad counters needed an occasional milk break? All other reporting states had declined from the previous month in production. Seasonally lower production is likely to continue over the next two to three months. While milk prices are not likely to rebound soon, reducing supplies will help in the long term.

Feed costs edged up slightly this fall. Both forage and grain prices have moved higher. A cold winter could keep pressure on forage prices. Low feed costs have helped when margins are especially narrow or negative. While significant

increases in feed costs are not predicted, we may have seen the low on feed costs for a while.

Although there have been some cheese sales to the government, more might have been expected given that cheese prices have ventured below support levels at times. Processors lack of recent experience and preparation for program requirements in selling to the government are possible reasons for the low sales volume.

Holiday demand for butter had kept butter prices strong, but with holiday needs by retailers nearly filled prices have slipped recently. This could weaken the Class IV price and push it more in line with Class III. Since January, the Western order Class III price has been under Class IV. The differential has ranged from \$0.68 in January to as much as \$2.92 in June.

For the fourth quarter of 2000 the Class III price is likely to average near \$9.50. If dairy cow numbers continue to slow or eventually decline, and production remains seasonally low for the winter months, first quarter Class III prices could average between \$9.75 and \$10.25. Second quarter may range between \$9.50 and \$10.50.

USDA News Note

The United States Department of Agriculture on December 1 announced a tentative final decision to amend the current Class III and Class IV pricing formulas under Federal milk orders. This decision is based on testimony and data presented at a public hearing held May 8-12, 2000, in Alexandria, Va., to consider proposals submitted by the industry to change the formulas.

The decision provides for separate butterfat prices for milk used in Class III (cheese) and Class IV (butter and dry milk products) based on the value of butterfat in cheese and butter. The manufacturing (make) allowance for cheese is proposed to be reduced slightly, from 17.02 cents per pound of cheese to 16.5 cents. The make allowance for dry whey, also a factor in calculating Class III value, would be increased from \$0.137 to \$0.140 per pound of dry whey.

The make allowances used in calculating Class IV value are proposed to increase slightly, from 11.4 to 11.5 cents per pound of butter and from 13.7 cents to 14

cents per pound of nonfat dry milk. The proposed changes are expected to have limited impact on returns to dairy farmers. Interested persons have until Feb. 5, 2001, to file comments in response to the tentative decision. A tentative final decision is being issued because the Congressional deadlines of Dec. 1, 2000, for publication of a final decision and Jan. 1, 2001, for effectuating order amendments do not allow enough time to issue a recommended decision and receive and consider comments before issuance of a final decision.

USDA will determine whether dairy farmers approve the amended orders. Send comments to:

James R. Daugherty
 USDA/AMS/Dairy Programs
 Building J, Suite 102; 1930-220th St., SE., Bothell, WA. 98021-8471
 Tel. (425) 487-6009; email: James.Daugherty@USDA.GOV

Table 1: Milk Cows and Production: By Month, 20 Selected States, 1999-2000

Month	Milk Cows 1/		Milk Per Cow 2/		Milk Production 2/		Change From 1999
	1999	2000	1999	2000	1999	2000	
	1,000 Head		Pounds		Million Pounds		Percent
Jan	7,694	7,765	1,518	1,578	11,679	12,256	4.9
Feb	7,696	7,766	1,404	1,505	10,804	11,691	8.2
Mar	7,713	7,774	1,585	1,631	12,228	12,679	3.7
Apr	7,720	7,787	1,554	1,592	11,998	12,399	3.3
May	7,733	7,795	1,610	1,635	12,447	12,743	2.4
Jun	7,740	7,810	1,516	1,547	11,737	12,083	2.9
Jul	7,751	7,834	1,498	1,561	11,610	12,232	5.4
Aug	7,755	7,840	1,487	1,526	11,534	11,966	3.7
Sep	7,753	7,849	1,445	1,465	11,200	11,500	2.7
Oct	7,746	7,850	1,491	1,511	11,549	11,859	2.7
Nov	7,756	7,851	1,459	1,463	11,315	11,486	1.5
Dec	7,757		1,538		11,928		
Annual	7,735		18,103		140,029		

1/ Includes dry cows, excludes heifers not yet fresh. 2/ Excludes milk sucked by calves. SOURCE: USDA-NASS Monthly Milk Production Report, December, 2000

Idaho Edible Dry Bean Market Situation and Outlook for 2000-01

Prepared by Paul E. Patterson
Extension Agricultural Economist
University of Idaho

The December estimate for 2000 dry edible bean production by USDA (Table 1) was up 0.82 million cwt from the previous estimate made in October. The 3.2 percent increase over the October forecast put dry bean production at 26.42 million cwt, 20.1 percent below 1999. This is the smallest crop since 1993. While the upward revision in production is not huge and is not expected to have any negative impact on the current market price, it may partially explain why bean prices have not improved as much as I had anticipated when I wrote the fall outlook article back in October. Given the inelastic demand for dry beans—price will change by a greater percentage than the percentage change in quantity—a supply increase of three percent means a price lower by six to nine percent. Supply and price are inversely related.

Growers were responding to two consecutive years of extremely low bean prices when they cut acreage in 2000. Mother nature helped further reduce production by lowering yields in most states. Harvested acres were only 92 percent of planted acres, two percentage points below the typical level of 94 percent. The higher than normal unharvested acres reflect the weather problems that plagued many dry bean production areas. Excessive rain during the growing season caused problems for growers in North Dakota, Minnesota and Michigan. For Idaho growers it was excessive heat that hurt yields.

U.S. planted acreage was down 265,300 acres (13.1 percent), harvested acreage was down 266,900 acres (14.7 percent) and yield per acre was down 122 pounds (6.9 percent). Among the top seven producing states, which produce over 85 percent of the dry beans in the U.S., only Minnesota and Nebraska had higher yields than the previous year. Idaho's yield was down 100 pounds per acre, dropping from 2,050 pounds to 1,950 pounds per acre. The largest reduction in production occurred in Michigan which had a 44 percent drop over 1999. Number one dry bean producer North Dakota produced 9.0 percent fewer beans, Nebraska was down 13.6 percent, Minnesota was down 6.2 percent, Colorado was down 28.1 percent, California was down 17.9 percent and Idaho was down 18.8 percent.

While total U.S. dry bean planted acreage was down thirteen percent, there was a wide range in acreage reductions by bean class. Pintos, Idaho's leading bean class, was down only five percent nationally over 1999. This is another factor explaining the lack of price response in Idaho's bean prices given the large decline in U.S. acreage and production. Great northern planted acreage—Idaho's second largest dry bean class in 2000—was down only four percent nationally. Planted acres for small whites, pinks and small reds were down considerably more than the average reduction, with 45 percent, 64 percent and 54 percent reductions, respectively, over 1999. When the market class specific information is considered, my October forecast of a composite marketing year average dry bean price of \$19 - \$20 was unduly optimistic.

A third factor that has kept prices lower than I had expected is the continued poor export demand. Despite the low prices, dry bean exports through the first nine months of calendar year 2000 were off 1999 export levels by 9.5 percent according to USDA. They cite the strong dollar and adequate world supplies as contributing factors. But again, there are significant differences in exports by class. Pinto exports were off 18.3 percent for the same time period. Great northern and small reds, however, saw an increase in exports of 35.1 and 47.9, respectively. The big unknown on exports is whether the fourth quarter for 2000 will be as strong as the fourth quarter for 1999 which accounted for 36 percent of U.S. dry bean exports that year.

Review of the 2000-01 Marketing Year

Pinto prices during the first four months of the 2000-01 marketing year have been as much as \$2.50 over the \$15 price that prevailed as the 1999-00 marketing year ended in August. But prices weakened and were at \$15.50 in mid December. The price of great northers has gotten only \$.50 above the \$17 price that prevailed as the 1999-00 marketing-year ended. Like pinto prices, the price of great northers has weakened and were down to \$16 in mid December. The \$17.50 price on small whites at the end of the 1999-00 marketing-year was the highest of any market class. But the price on small whites have been weak and have traded between \$15.50 and \$17.50. Prices in mid December were at \$16.50. The price on pinks and small reds, the two bean classes with the weakest prices during the 1999-00 marketing year, are both about \$1.50 higher than the \$13 price where the 1999-00 marketing-year ended.

Where will prices go from here? USDA economists writing in the November "Vegetables and Specialties Situation and Outlook Report" indicated that pinto prices should continue to strengthen throughout the remainder of the

marketing year. I have the same opinion based on the market fundamentals. The question is how long will it take for the marketing pipeline to clear out so prices will continue to move up? Will the dry bean market behave like the 1995 pinto market when prices from September through December ranged from \$16 to \$17, but were \$27 by June. Or will the market follow the 1994 marketing year when pinto prices traded between \$16 and \$18 all year? Arguments can be made to support either scenario.

I've revised my dry bean stocks estimates (Table 2) which I first included in the Fall 2000 dry bean outlook article. I've made minor corrections to production numbers that USDA has revised and I've backed off exports. Since I lag exports which are on a calendar year by one year to better correspond to the marketing year, the export values shown in Table 2 are for the following year. For example, the 7.8 million hundredweight shown for marketing year 1999, is the projected export value for calendar year 2000.

Another reason for my October over optimism on the price of dry beans has to do with the ending stocks of 4.26 million hundredweight that I'm projecting for the end of the 2000-01 marketing year. I was focused too much on where I think we will be at the end of the year and not enough on where we are starting the year, 9.51 million hundredweight. The market still has to work through a lot of beans to get stocks to where the price will start reflecting a tighter supply situation.

Although I'm not as optimistic as I was in October, I still see upside price potential in the market. While I don't see prices getting to \$27 as they did in the 1995/96 marketing year, I think the market certainly has the potential to hit the low \$20s. The issue is when. Given that we are a third of the way through the marketing-year, we certainly won't hit the \$20 composite marketing-year average price I was predicting back in October unless prices did move to the mid twenties. A more likely marketing year average composite price for the 2000 crop is \$18.

Projections For 2001-002

While making a forecast is always risky, I think they are useful because they focus on analysis, rather than simply trying to out-guess the market. My first attempt at forecasting the market for the 2001 crop uses a high, expected and low prediction for U.S. dry bean production, dry bean exports, Idaho production and the average composite price for Idaho. These are shown at the bottom of Table 3. My forecast production ranges from a low of 27.5 million cwt to a high of 29.5 million cwt. My export forecast ranges from 8 to 10 million hundredweight, based on historical averages and

trends, with nine million the expected value. Idaho's production next year should fall between 1.8 and 2.0 million cwt. Given the expected values on production and exports, I expect to see the price for dry beans in Idaho improve to between \$19 and \$20. The high end of my price forecast, \$22, would occur if the low production or high export scenario occurs. The low price forecast, \$17, would result from the high production and low export scenario. Exports are the key.

Table 1. Dry Edible Beans: Area Harvested, Yield, and Production by State and United States, for 1999 and 2000 1/

State	1999	2000	1999	2000	1998	1999	2000
	Area Harvested		Yield		Production		
	--- 1,000 Acres ---		---- Pounds ----		----- 1,000 Cwt -----		
CA	132.0	112.0	1,860	1,800	1,554	2,455	2,016
CO	145.0	110.0	1,900	1,800	2,868	2,755	1,980
ID	103.0	88.0	2,050	1,950	2,112	2,112	1,716
KS	20.9	16.0	1,850	1,810	380	387	289
MI	350.0	275.0	2,100	1,500	4,425	7,350	4,125
MN	165.0	150.0	1,550	1,600	2,538	2,558	2,400
MT	25.5	36.5	1,730	1,650	350	441	604
NE	187.0	156.0	2,000	2,070	3,666	3,740	3,230
NM ^{2/}	1.0		1,800		171	18	
NY	30.2	24.5	1,370	1,460	426	414	358
ND	570.0	525.0	1,450	1,450	9,798	8,265	7,613
OR	10.8	11.7	1,610	1,800	152	174	211
SD ^{3/}		10.8		2,090			226
TX	47.0	15.5	1,490	950	135	701	148
UT	6.6	3.0	800	330	30	53	10
WA	36.0	32.0	2,080	2,000	890	750	640
WI	8.0	8.3	1,550	1,800	115	124	146
WY	39.0	36.0	2,020	1,980	808	788	712
US	1,877.0	1,601.1	1,763	1,641	30,418	33,085	26,424

Source: USDA, NASS December Crop Production Report.

1/ Excludes beans grown for garden seed.

2/ Estimates discontinued in 2000.

3/ Estimates began in 2000.

Table 2. Estimating dry bean stocks by marketing year. Revised December 2000.

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Arbitrary Beginning Stocks	6.0	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Calculated Beginning Stocks	xxxxxx	6.15	7.20	7.00	4.83	6.53	9.69
Production	28.95	30.69	27.91	29.37	30.42	33.09	25.60
Domestic Use:	20.78	20.75	20.36	20.84	20.51	22.07	22.35
Population (millions)	259.0	261.5	264.0	266.5	269.0	271.0	273.0
Per Capita Consumption ^{1/}	7.8	7.7	7.5	7.6	7.4	7.9	8.0
Other Domestic Use	0.58	0.62	0.56	0.59	0.61	0.66	0.51
Exports (lagged one year)	8.1	9.0	7.8	10.7	8.2	7.8	8.5
Total Utilization	28.88	29.75	28.16	31.54	28.71	29.87	30.85
Projected Ending Stocks	6.07	7.01	6.76	4.59	6.30	9.51	4.26
Change in Stocks	0.07	0.94	-0.25	-2.17	1.71	3.22	-5.25
Percentage Change	1%	16%	-4%	-32%	37%	51%	-55%

^{1/} Per capita consumption is on a calendar year basis.

Note: Stocks are calculated by the author, not by USDA.

Table 3. Dry edible bean production, exports and price.

Marketing Year	U.S. Production (million cwt)	U.S. Exports ^{1/} (million cwt)	Idaho Production (1,000 cwt)	Average Idaho Price ^{2/} (per cwt)
1995-96	30.69	8.13	2,160	\$20.90
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
5-yr Average	30.30	8.77	2,089	\$19.55
2000-01 ^{3/}	26.42	7.8	1,716	\$18
<u>2001-02^{4/}</u>				
High Price	27.5	10.0	1,800	\$22
Expected Price	28.5	9.0	1,900	\$19 - 20
Low Price	29.5	8.0	2,000	\$17

Source: USDA: Vegetable and Specialties Yearbook, July 2000, unless noted otherwise.

^{1/}Exports are for the calendar year. ^{2/}Idaho's price is the simple average of the price reported by IASS for the crop-marketing year Sept. 1 – Aug. 31.

^{3/}US and Idaho production are USDA estimates from December's Crop Production Report. Idaho's price is the author's forecast.

^{4/}2001-02 marketing year forecasts are the author's.

Feed Grains Market Situation and Outlook, January 2001

Prepared by Paul E. Patterson
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University of Idaho

World Coarse Grains

Adequate coarse grain supplies make any significant price improvements unlikely in the short term (Table 1). World coarse grain ending stocks were revised up slightly in the December WASDE report from USDA (World Agricultural Supply and Demand Estimate). The increased stocks were the consequence of lower projected use and slightly higher production. Ending stocks of 140.1 MMT (million metric tons) are 15.2 percent below last year's ending stocks, but 1.1 MMT above the five-year average. At 15.8 percent, the stocks to use ratio is in line with the five-year average of 16.0 percent, but three percentage points below last year's. The current fundamentals in the world coarse grain market can be characterized as neutral and will not likely change until the market starts to focus on the development of the northern hemisphere's 2001 crop.

U.S. Feed Grains

U.S. total feed grains production for 2000/01 was unchanged in the December WASDE report (Table 2). The 276.5 MMT produced for all feed grains is up 5.0 percent from the 1999/00 crop. Total use for 2000/01 (278.8 MMT) was down from November's report, but still represents a 6.7 percent increase over the 1999/00 marketing year. The large annual increases in ending stocks finally came to an end this year. Ending stocks of 49.2 MMT are up just under 1 percent over 1999/00. Without the upward December revision, ending stocks would have been lower than a year earlier. The stocks to use ratio calculated using the ending stocks and the use projected for the 2000/01 crop is 17.6 percent, down from last year's 18.2 percent but still above the five-year average of 13.9 percent.

The export situation for U.S. feed grains has been fairly positive this year. U.S. feed grain exports for 2000/01 are projected at 62 MMT, up 5.6 MMT from last year, or 9.9 percent. Corn exports for 2000/01 are projected at 2,200 million bushels, up 263 million bushels over last year. Projected barley exports of 45 million bushels for the 2000/01 marketing year are 15 million bushels above last year.

U.S. Corn Crop

Corn dominates U.S. feed grains, accounting for 90 percent of all feed grain production. Table 3 shows the acreage, production and price information on recent corn crops. While barley may be the dominant feed grain produced in many western states, including Idaho, corn is the key to all feed grain prices. Even in Idaho the advent of corn shuttles bringing corn from the Midwest by large unit trains to specialized grain handling facilities serving Idaho's dairy and beef sectors has diminished the importance of feed barley.

USDA is currently forecasting the average price for the 2000/01 corn crop to fall within the \$1.65 to \$2.05 per bushel range. Cheap corn means cheap feed barley for Idaho producers. Depending on location, feed barley will likely continue to trade in the \$3.85 to \$4.25 per cwt range for the remainder of the 2000/01 marketing year. The market year (July – June) average price for Idaho feed barley tracked by the Idaho Agricultural Statistics Service was \$3.85 per hundredweight last year. The price should average slightly higher this marketing year, likely in the \$3.95 to \$4.10 range. Acreage and price forecasts for the 2000/01 crop will appear in the spring edition of Idaho Agricultural Outlook (April 2001).

The importance of the marketing loan and the loan deficiency payments should be apparent to all Idaho producers. The LDP has made a significant contribution to the net price received by many producers. Growers should communicate with their local FSA office to make sure they are aware of any program changes and to have filed all the necessary forms in a timely fashion. Harvest-time is not when you need to start developing a marketing strategy that will help you get the best return on your crop using

a combination of the cash market and the government programs. Study the pattern of LDPs to see if any trends are apparent that will help you with your 2001/02 crop. There are several on-line sites that provide LDPs by commodity for each state and for each county within each state. The most user-friendly site is <http://www.grainline.com> On the map of the U.S., click on Idaho and follow the instructions. Their archive of historical data is particularly useful. The other site is the Center for Agricultural and Rural Development (CARD) at Iowa State University <http://card.iastate.edu> They also maintain an archive of historical data.

Sources of Planning Information

Planning price projections for Idaho commodities can be found on the homepage for the Department of Agricultural Economics and Rural Sociology. Both projected prices for the 2000 marketing year and historical price averages are currently available at <http://www.uidaho.edu/ag/agecon>.

The March 31st Prospective Plantings report will have estimates for all U.S. crops. The first production estimate for the various feed grains will be in the July Crop Production Report on July 12th. Both U.S. and world supply and demand estimates are revised and published monthly by the World Agricultural Outlook Board, USDA. All USDA reports available electronically, including Crop Production and WASDE reports, are available at the Mann Library at Cornell University: <http://www.mannlib.cornell.edu/usda/usda.html>. A monthly schedule of report release dates is also available.

Table 1. World coarse grains production, use, ending stocks, and stocks to use ratio, marketing years 1995/96 – 2000/01.

Market Year	--Production--		-----Use-----		-Ending Stocks-		Stocks to use ratio %
	MMT ^{1/}	% ^{2/} Change	MMT ^{1/}	% ^{2/} Change	MMT ^{1/}	% ^{2/} Change	
95/96	801.8	- 7.8	842.6	- 1.9	95.4	- 28.7	11.3
96/97	906.6	+ 13.1	877.9	+ 4.2	128.1	+ 34.3	14.6
97/98	882.8	- 2.6	875.4	- 0.3	136.1	+ 6.2	15.5
98/99	889.8	+ 0.8	867.5	- 0.9	170.2	+ 25.1	19.6
99/00	876.6	- 1.5	881.5	+ 1.6	165.3	- 2.9	18.8
5-Yr Avg	871.5		869.0		139.0		16.0
00/01 ^{3/}							
Nov-00	859.1	- 2.0	886.6	+ 2.2	137.8	- 16.6	15.5
Dec-00	859.4	- 2.0	884.6	+ 2.0	140.1	- 15.2	15.8

Source: USDA, World Agricultural Outlook Board.

^{1/}MMT = million metric tons.

^{2/}%Change: Percentage change is calculated from the previous year.

^{3/}USDA projection in the monthly WASDE reports as indicated.

Table 2. U.S. feed grains supply, use, ending stocks, and stocks to use ratio, marketing years 1995/96 - 2000/01.

Market Year	---Production---		---- Use ^{1/} ----		Ending Stocks		Stocks to use ratio
	MMT ^{2/}	% Change	MMT ^{2/}	% Change	MMT ^{2/}	% Change	%
95/96	209.8	- 25.9	243.4	- 9.3	14.4	- 68.2	5.9
96/97	265.5	+ 26.5	255.7	+ 5.1	27.0	+ 87.5	10.6
97/98	260.2	- 2.0	251.9	- 1.5	38.2	+ 41.5	15.2
98/99 ^{3/}	271.5	+ 4.3	261.3	+ 3.7	51.4	+ 34.6	19.7
99/00 ^{3/}	263.3	- 3.0	268.7	+ 2.8	48.8	- 5.1	18.2
5-Yr Avg <u>00/01^{4/}</u>	254.1		256.2		36.0		13.9
Nov-00	276.5	+ 5.0	287.4	+ 10.0	47.2	- 3.3	16.4
Dec-00	276.5	+ 5.0	278.8	+ 6.7	49.2	+ 0.8	17.6

Source: USDA, Economic Research Service Feed Grain Yearbook (5/00) unless otherwise noted.

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

^{1/} Use includes exports (trade) and domestic use

^{2/} MMT = million metric ton

^{3/} USDA estimate in December 2000 WASDE report.

^{4/} USDA projection in monthly WASDE reports as indicated.

Table 3. U.S. corn crop, 1991 to 2000.

Crop	Planted	Harvested	Yield	Production	Farm Price^{2/}
Year	(1,000 ac)	(1,000 ac)	(bu/ac)	(1,000 bu)	(\$/bu)
1991	75,957	68,822	108.6	7,474,765	2.37
1992	79,311	72,077	131.5	9,476,698	2.07
1993	73,239	62,933	100.7	6,337,730	2.50
1994	78,921	72,514	138.6	10,050,520	2.26
1995	71,479	65,210	113.5	7,400,051	3.24
1996	79,229	72,644	127.1	9,232,557	2.71
1997	79,537	72,671	126.7	9,206,832	2.43
1998	80,165	72,589	134.4	9,758,685	1.94
1999	77,431	70,537	133.8	9,437,337	1.82
2000 ^{1/}	77,881	73,009	137.7	10,053,942	1.85
5-Year Avg	78,849	72,290	131.9	9,537,871	2.15
10-Year Max	80,165	73,009	138.6	10,053,942	3.24
10-Year Min	71,479	62,933	100.7	6,337,730	1.82

USDA, Economic Research Service Feed Grain Yearbook (5/00), unless otherwise noted.

^{1/} USDA estimates from November 2000 Crop Production Report and the December 2000 WASDE report. Price is midpoint in range given by USDA.

^{2/} Marketing Year Average

Wheat Market Situation and Outlook, January 2001

Prepared by Paul E. Patterson
Extension Agricultural Economist
University of Idaho

It's important to look at both historical and current information when analyzing market fundamentals. Historical data can help explain how we got into the current situation and may offer some insights as to what it will take to see changes in price. Historic and current trends can be just as important as the current market fundamentals.

If you look at the world wheat situation for 2000/01, shown in Table 1, and then look the U.S. projected average farm price for wheat, \$2.60, shown in Table 3, you might be wondering if I've gotten something mixed up. The world wheat stocks to use ratio of 18.4 percent from the December WASDE (World Agricultural Supply and Demand Estimates) report from USDA is below the 19.4 percent from the 1995/96 market year. It was the low stocks in 1995/96 market year that helped launch the \$4 plus wheat prices for the next two years. Why don't we see \$4 wheat prices today? Part of the answer can be found in Table 2, which shows the U.S. wheat situation for market years 1995/96 through 2000/01. The U.S. stocks to use ratio of 35.8 percent for 2000/01 wheat crop market year is more than double the 15.8 percent back in the 1995/96 market year. Ending stocks of 862 million bushels are acting like an anchor on today's market. How long will this anchor continue to hold the market in place?

Market Trends

After peaking at \$4.55 for the 1995 crop, U.S. market year average farm-level wheat prices have been trending down, hitting a low of \$2.48 for the 1999 crop. Stocks rebuilt rapidly after 1995 as wheat growers responded to the higher price. As stocks climbed, prices fell. While prices are expected to be \$.12 per bushel higher for the 2000 crop, \$2.60 is still significantly below \$3.10, the 5-year average price.

The latest USDA estimate of the 2000/01 world wheat production is below the 5-year average by approximately .9 MMT (million metric tons). In contrast, utilization is nearly

17 MMT above the 5-year average, even though 2000/01 utilization is projected to only match last year's level of 597 MMT. This is the first year since 1995 that world wheat utilization did not exceed the previous year's level.

Trends in the world wheat fundamentals have been positive this past year. Although the world production projection in December's WASDE report is above November's estimate, it still falls below the early fall estimate. In contrast, stocks estimates have been revised downward each month. While the 109.9 MMT ending stocks for December exceed the 107.9 MMT from 1995/96, it is a smaller share of current utilization. The stocks to use ratio measures stocks on a relative basis by comparing stocks to current consumption.

World Wheat Situation

Table 1 shows current estimates and five years of historical data on world wheat production, use, and stocks. 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. Monthly forecasts from USDA's WASDE Report on the 2000/01 crop made in September, October, November and the most recent December forecast are shown. While there is the expected month-to-month variation in estimates as new information becomes available, the reports were consistent in showing a decline in production, a slight reduction in use, and a fairly significant decline in stocks. The fundamentals and the trend all point toward improved wheat prices.

Production has declined for three consecutive years and utilization continues to grow as the world population grows. Projected ending stocks of 109.9 MMT are 11.7 percent below the five-year average of 124.5 MMT and 13.1 percent below last year's stocks level. The projected stocks to use ratio of 18.4 percent also suggests improved wheat prices. In the past a stocks to use ratio below 20 percent was viewed as inadequate and would have precipitated a rapid increase in price. 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. The U.S. is the world's largest exporter of wheat after the European Union.

December's WASDE report had some mixed news. While the Australian wheat crop forecast was down .5 MMT from last month, the Canadian crop was up by 1.3 MMT. Overall, production among major exporters was up .8 MMT. Despite the tougher competition from Canadian wheat, U.S. exports were forecast to increase. The 19.5 MMT 2000/01 Australian wheat crop is significantly below the 25 MMT produced last year. It is certainly welcome news for wheat producers in the Pacific Northwest, since Australia is a major producer and exporter of soft white wheat. The forecast for Argentina's wheat crop, the other major southern hemisphere wheat producer, was unchanged in the December report. The December WASDE Report was neutral since there were no major surprises and stocks estimates continue to decline.

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 high level of projected ending stocks continues to be a negative factor when analyzing the U.S. market. The U.S. will carry out 862 million bushels of wheat, or 35.8 percent of the 2000 projected use. While the level of stocks is high, the trend of falling stocks is positive. Stocks above the 5-year average will continue to act as a buffer and likely retard any significant price improvement.

Since the production side of the equation is now known, the market is focused on the demand side (use) until planting intentions and crop condition reports for the 2001/02 marketing year are available. The direction of wheat prices should continue to be up. If crop condition reports on the winter wheat crop continue to be negative, wheat prices could certainly move higher than the U.S. wheat market fundamentals currently indicate. A major cold spell in the plains will certainly put some life back in the market. For growers still holding wheat, a price rally associated with a deteriorating 2001/02 crop

should be seen as a selling opportunity. The length of any rally may be shortened because of the abundance of grain in the U.S.

The average price received by U.S. farmers for all wheat during the first six months of the 2000/01 marketing year was approximately \$2.50 per bushel. This is at the low end of the range of USDA's December seasonal average price forecast of \$2.50 - \$2.70. The implication is that wheat will trade higher for the remainder of the year in order to meet the December forecast price range.

Table 3 provides some additional information that can be useful in analyzing the U.S. wheat market. The wheat crop growers planted in 2000 (62.5 million acres) was the smallest since 1974 but the 42.1 bushel yield—the same as last year—was the second highest, helping produce a relatively large crop given the acreage planted. The 1995 crop was smaller than the 2000 crop, but it required 7 million more acres to produce it. The yield trend for wheat has certainly been up in recent years and should be considered when making projections for the 2001 crop.

PNW Soft White Wheat

While soft white wheat dominates the Pacific Northwest wheat market, its share in Idaho is slipping. Soft white wheat and club varieties were planted on 76 percent of Idaho wheat acres in 1997, 64 percent in 1999 and only 59 percent in 2000 according to the Idaho Agricultural Statistics Service. During the same time period, hard red spring wheat went from 12 percent to 22 percent.

Looking at the stocks of the different market classes of wheat, soft white wheat is better off than hard red winter and hard red spring, but has a higher stocks to use ratio than soft red and durum. The price for soft white wheat from harvest through November was very weak with prices even lower than last year's depressed prices. Unlike last year where the highest prices occurred in October, followed by a steady decline through early spring, prices for the 2000 crop hit their low point in August and have been moving steadily higher. The monthly average price at Portland was only \$2.65 in August, but

was up to \$2.99 in December. The smaller than expected Australian crop mentioned earlier should help continue the positive trend in soft white wheat prices. The market year average price for soft white wheat should be a nickel higher than last year's price, or \$3.05. The market could see prices as high as \$3.30 in the current market-year if the wheat market undergoes a significant rally because of deteriorating conditions on new-crop wheat. The market will likely trade in a range of \$3.00 to \$3.15 for the remainder of the market year without a rally.

Hard red spring 14-percent protein wheat at Portland has traded between \$3.60 in August and \$4.25 in November. Because of the low prices early in the market year, the price will likely average around \$4.15, which is below the current prices, but \$.14 above last year's market year average of \$4.01. The market will likely trade in a range of \$4.15 to \$4.40 without a rally. A price rally could push the price to \$4.60 before the market year ends.

Outlook

The market will focus on two factors as we move from the 2000/01 crop to the 2001/02 crop: 1) weather (crop condition), and 2) exports.

The next U.S. crop condition report from USDA will not be out until April 3, 2001, although state reports from Kansas, Texas and Oklahoma are generally available through much of the winter. Crop condition reports can vary significantly over the season, so caution is always warranted. It will take a significant production hit to reduce the burdensome level of U.S. wheat stocks. The question is whether this will be the year that brings yields down closer to the five-year average. Favorable weather and record yields cannot continue indefinitely. But I've made that comment before and Mother Nature proved me wrong.

A likely forecast at this time for the 2001 U.S. wheat is 2.3 billion bushels. This assumes planted acreage of 65 million, with 87 percent of the planted acres harvested

and a 41-bushel per acre yield. This is mostly speculation on my part at this time, but these aren't unreasonable estimates. As USDA releases more information on planted acreage and crop condition, projections can be refined. Wheat prices for the 2001 crop will likely continue to improve if the U.S. has no more than an average crop of 2.3 billion bushels. The average U.S. wheat price could move to around \$2.75 and Portland's soft white wheat price to \$3.30. Production of only 2.1 billion bushels would likely see the average U.S. wheat price in the \$3.10 range and Portland around \$3.60. Production of 2.5 billion bushels would mean the average U.S. wheat price would stay around \$2.60 and Portland's soft white wheat price would stay around \$3. Additional acreage and price projections for the 2000/01 crop will be made in the spring edition of Idaho Agricultural Outlook due out in April.

Sources of Planning Information

Planning price projections for Idaho commodities can be found on the homepage for the Department of Agricultural Economics and Rural Sociology. Both projected prices for the 2000 marketing year and historical price averages are currently available at <http://www.uidaho.edu/ag/agecon>.

The first U.S. winter wheat plantings estimate by USDA will be released in January. The March 31st Prospective Plantings report will have estimates for all U.S. wheat planted acreage. The first winter wheat production estimate from USDA will be released in the May Crop Production report. 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 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, including Crop Production and WASDE reports, are available at the Mann Library at Cornell University: <http://www.mannlib.cornell.edu/usda/usda.html>. A monthly schedule of report release dates is also available.

Table 1. World wheat production, use, ending stocks, and stocks to use ratio, marketing years 1995/96 – 2000/01.

Market Year	--Production--		-----Use-----		-Ending Stocks-		Stocks to use ratio
	MMT ^{1/}	% Change	MMT ^{1/}	% Change	MMT ^{1/}	% Change	%
95/96	538.5	+ 2.8	549.3	+ 0.4	107.9	-9.1	19.6
96/97	582.8	+ 8.2	577.1	+ 5.1	113.5	+ 5.2	19.7
97/98	609.4	+ 4.6	584.6	+ 1.3	138.3	+ 21.9	23.7
98/99 ^{2/}	588.4	- 3.4	590.8	+ 1.1	136.3	- 1.4	23.1
99/00 ^{2/}	587.3	- 0.2	597.0	+ 1.0	126.5	- 7.2	21.2
5-Yr Avg	581.3		579.8		124.5		21.4
00/01 ^{3/}							
Sep-00	583.2	-0.7	596.7	- 0.1	113.6	- 10.2	19.0
Oct-00	579.9	- 1.3	586.7	- 0.1	111.4	- 11.9	18.7
Nov-00	579.9	- 1.3	596.0	- 0.2	111.0	- 12.3	18.6
Dec-00	580.4	- 1.2	597.0	0.0	109.9	- 13.1	18.4

Source: USDA, Economic Research Service Wheat Yearbook (3/00) unless otherwise noted.

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

^{1/}MMT = million metric tons.

^{2/}USDA estimate in December 2000 WASDE report.

^{3/}USDA projection in the monthly WASDE reports as indicated.

Table 2. U.S. wheat supply, use, ending stocks, and stocks to use ratio, marketing years 1995/96 to 2000/01.

Market Year	---Supply--- ^{1/}		-----Use----- ^{2/}		-Ending Stocks-		Stocks to use ratio
	Million Bu.	% Change	Million Bu.	% Change	Million Bu.	% Change	%
95/96	2,757	- 7.5	2,381	- 3.8	376	- 25.8	15.8
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	3,339	- 1.0	2,390	- 1.5	950	+ 0.4	39.7
5-Yr Avg 00/01 ^{4/}	3,047		2,360		688		29.1
Sep-00	3,352	+ 0.4	2,376	- 0.6	976	+ 2.7	41.1
Oct-00	3,289	- 1.5	2,401	+ 0.5	888	- 6.5	37.0
Nov-00	3,268	- 2.1	2,376	- 0.6	892	- 6.1	37.5
Dec-00	3,268	- 2.1	2,406	+ 0.7	862	- 9.3	35.8

Source: USDA, Economic Research Service Wheat Yearbook (3/00) 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 December 2000 WASDE report.

^{4/}USDA projection in monthly WASDE reports as indicated.

Table 3. U.S. wheat crop for 1991 to 2000 – all wheat.

Year	Planted	Harvested	Yield	Production	Farm Price
	(1,000 ac)	(1,000 ac)	(bu/ac)	(1,000 bu)	(\$/bu)
1991	69,921	57,703	34.3	1,981,139	3.00
1992	72,264	62,411	39.4	2,458,948	3.24
1993	72,168	62,712	38.2	2,396,440	3.26
1994	70,349	61,770	37.6	2,320,981	3.45
1995	69,132	60,945	35.8	2,182,591	4.55
1996	75,105	62,819	36.3	2,277,388	4.30
1997	70,412	62,840	39.5	2,481,466	3.45
1998	65,821	59,002	43.2	2,547,321	2.65
1999 ^{1/}	62,714	53,228	42.1	2,239,240	2.48
2000 ^{1/}	62,529	53,228	42.1	2,239,240	2.60
5-Year Avg	67,316	58,342	40.8	2,368,885	3.10
10-Year Max	75,105	62,840	43.2	2,547,321	4.55
10-Year Min	62,529	53,228	34.3	1,981,139	2.48

USDA, Economic Research Service Wheat Yearbook (3/00), unless otherwise noted.

¹ USDA, NASS Small Grains 2000 Summary (9/2000) and the WAOB December 2000 WASDE report. Price is midpoint in range given by USDA.

Table 4. White wheat balance sheets.

	1998/99	1999/00 ^{1/}	2000/01 ^{1/}
	----- (Million bushels) -----		
Beginning stocks	90	87	91
Production	301	247	301
Supply, total ^{2/}	401	340	399
Domestic use	116	89	106
Exports	198	160	195
Total Use	314	249	301
Ending Stocks	87	91	98
Stocks to Use Ratio (%)	27.7	36.5	32.6
Portland Soft White Price: ^{3/}			
Seasonal Average (\$/bu)	\$ 3.04	\$ 3.00	\$ 3.05 ^{4/}

Source: USDA Economic Research Service Wheat Yearbook (3/00) unless otherwise noted.

1/ USDA December 2000 WASDE report.

^{2/}Includes imports

^{3/} Simple average of monthly prices (July– June) reported by USDA, AMS.

^{4/} Author's forecast.

2000-2001 Hay and Forage Situation and Outlook

Prepared by Neil Rimbey
Range Economist
University of Idaho

(Since this article was written in November 2000, there have been no significant changes in hay and forage situation and outlook.)

Attempting to write an outlook article about hay and forage prices during a year of drought, widespread wildfires and smoke should raise some questions about the sanity of this economist. When the uncertainty of weather conditions this fall and winter is considered, one can only conclude that the author is absolutely bonkers! The following article will summarize hay and forage production and use data and attempt to make projections related to hay and forage prices for the winter and spring of 2000-2001. Although most of the production and use information centers on hay, the impact of fires and dry grazing conditions during the summer and fall of 2000 will certainly impact the hay and forage markets.

Situation

Fire and Drought

Idaho saw a summer of fires and drought. About 1,600 fires burned 1.3 million acres of Idaho's forests and rangeland during the summer. These fires necessitated the movement of beef cattle and sheep from federal, state and private rangeland to alternative forage sources. Federal and state fire rehabilitation efforts will be starting this fall and winter and these efforts will impact range operations for the next couple of years. This period of time is mandated through federal and state policies that require a period of 2 or more years of rest from grazing to allow the rejuvenation or establishment of native or introduced species after fires.

Drought during the spring and summer of 2000 also created problems for range livestock producers. A number of federal and state allotments and leases had grazing curtailed early in response to the dry conditions, lack of stock water and other concerns. Users of private pasture and leases also experienced feed shortages, thus creating some seasonal demand for fall pasture, crop aftermath, hay and other forages.

Hay Acreage and Production

Alfalfa hay acreage declined 20,000 acres in 2000 to 1.13 million acres. Other hay acreage also declined 20,000 acres to 260,000 acres. In both cases, yields increased, with alfalfa rising to 4.2 tons/acre and other hay rising to 2.3 tons/acre. Total crop production amounted to 4.746 million tons of alfalfa and 598,000 tons of other hay. There were scattered instances of rain damage during the spring and early summer on first and second cuttings of hay, further crimping dairy and good feeder quality hay supplies.

Total hay available (supply) for feed during the 2000-01 feeding period can be estimated by adding alfalfa and other hay production to any hay left on farms at the start of the growing season (May 1 Stocks). USDA's National Agricultural Statistics Service (NASS) provides estimates of these factors throughout the year. Table 1 presents a picture related to what these factors have done over the last 25 years. This year's production and supply variables are highlighted at the bottom of the table. Idaho's total hay supply declined over 9 percent to 5.6 million tons. Carryover stocks still in the supply picture from 1999 were at very manageable levels of 257,000 tons. Acreage declines in alfalfa and other hay also contributed to the decrease in supply. The chart (Figure 1) presents production and May stocks in graphical format. Total supply (the top of each bar) in this chart is the sum of production and carryover.

Private grazing leases also saw pressure from the drought and fire situation. Many producers that were impacted by Mother Nature were having difficulty finding late summer and fall pasture or aftermath. Most Idaho grazing leases are contracted early (eg. most leases were arranged last winter and spring), with many being long-term arrangements between the same parties (lessee/lessor). There may be opportunities for farmers in different areas of the state to develop grazing enterprises with crop aftermath fields this fall and winter. Potential lessees and lessors should consider fencing and water needs, along with other factors related to grazing and specify the responsibilities of each party prior to grazing.

Demand Indicators

Idaho dairy cow numbers are still growing, with the population standing at 356,000 head in September, 2000. This is an increase of a little over 31,000 head from September, 1999 levels. Beef cattle numbers continued to decline with 488,000 head of beef cows and another 100,000 head of replacement heifers on January 1, 2000. However, the number of beef replacement heifers increased, indicating that some producers are retaining more heifers on their ranches. Sheep numbers gained 10 percent from the low point of 185,000 ewes in 1999 to 205,000 head in 2000. There is no consistent annual estimate of the number of horses in the state, but the last indication from the Census of Agriculture was that Idaho's horse herd continues to grow. The bottom line on the demand side appears to be that there will continue to be strong influences on top quality hay demand from the dairy and horse end of the livestock spectrum. Feeder hay will see about the same level of demand as last year from the beef and sheep sectors, but it could also be influenced by the strong dairy demand. Export demand for hay is strong, but Idaho hay faces additional transportation costs to compete with our neighbors to the west for this market. Demand for private lease pasture will increase over the next couple of years due to fire rehabilitation efforts and the continued building of cattle and sheep numbers. The impact from non-use on burned public rangelands will be dependent on whether permittees/lessees are moved to other (vacant) allotments or leases and other issues of flexibility in dealing with these situations.

Outlook

Uncertainty surrounding the dry conditions, fire impacts and the winter ahead make price projections for the 2000 hay and forage crop tenuous, at best. Recent reports from the field seem to say that growers and buyers have the same "wait-and-see" attitude to the hay market. Perhaps presenting a couple of different scenarios for the hay market will ease the trepidation of forecasting these markets. The public and private markets for rangeland forage are relatively straightforward and will be addressed first.

Federal, State and Private Fees and Lease Rates

Federal and state land grazing fees and lease rates are both determined by formulae which consider the private grazing rates, cattle prices and prices paid indices. The federal land grazing fee has been at the \$1.35/Animal Unit Month (AUM) floor for the past 4 years. Due to continued pressure from the Prices Paid Index, the 2001 grazing fee for federal lands will again be at or near this floor. If cattle prices have increased significantly, there may be enough pressure to move the fee to a maximum of about \$1.50/AUM. A separate state land fee formula has determined the 2001 grazing lease rate on Idaho state lands to be \$4.95/AUM.

Research conducted in the early- to mid-1990's indicates a very strong correlation from year-to-year on private lease rates. Perhaps this is tied to the fact that the majority of private leases in Idaho are longer term (or multi-year). Results from the regression model developed by Bartlett, et al. (1993) would suggest an average private lease rate for Idaho of \$11.23/AUM for 2001. The bulk of the private grazing lease rates for 2001 will fall within plus or minus 15 percent of this average figure, or between \$9.55 to \$12.90/AUM. If we see continued dry conditions in 2001 and shortages of forage on federal and state lands, the private rate will be pushed to or above the higher end of this range. As is usually the case, spring and early summer (April-June) rainfall and weather will determine pasture and range forage conditions next year.

Hay

Total hay supplies are below what we have seen the last couple of years, yet still higher than long-term averages and near the record supplies of the last 2 years. Demand appears to be up in the dairy sector and will also increase in the beef and sheep sectors.

Assuming that we see continued growth of about 20,000 dairy cattle in 2001, a "normal" winter feeding period with mild temperatures and continued expansion in beef and sheep numbers, the hay and forage market will be strong. Dairy quality hay will set the top of the market and generally fall in the range of \$85-120/ton. Good quality feeder hay will trade in the \$65-85/ton range. Horse hay will trade in the same general area as dairy quality.

With more severe winter conditions, livestock will consume more forage to maintain body weight and condition. Colder temperatures and a longer feeding period will impact the projections made under the “normal” weather scenario above. Increased consumption from harsh winter weather could fuel hay prices in late winter, with upper prices adding \$5 to 15/ton on the “normal” weather projections. Watch the NASS December Crop Production report to monitor hay supply and marketing. If the December hay stock picture is close to 2 million tons and winter is projected to last longer than normal, there will be higher hay prices in late winter.

It is always good business practice to have a security arrangement in place for commodities when payment is not to be made at delivery. A contract, note, lien or scale tickets could help out in the eventuality that the buyer is not able to make good on payment for feed delivered.

Additional Information and Assistance

Pasture Clearinghouse Website
<http://www.ag.uidaho.edu/pasture/>

This website is maintained by the University of Idaho. It includes 2 separate lists of pasture available and pasture needed. Forms for entering information directly on the list are available on the website, or through your local county extension office.

Idaho Haygrowers Association, Inc. Website
<http://www.idahohay.com/>

This site lists hay available from Idaho Hay Association members. Includes a list by area of the state, with type of hay available (alfalfa, grass, feeder, etc.), type of package (ton bales, small bales, etc.) and other information (covered storage, transportation, etc.). The seller's address, phone number and other information are also included.

Federal assistance programs may be available to help alleviate the affects of drought and fire. These may include items such as Conservation Reserve Program (CRP) grazing, Emergency Feed and Disaster Relief. Contact your local Farm Service Agency office on specific programs and eligibility/requirements.

References

Bartlett, E.Tom, Neil Rimbey, L. Allen Torell, Larry W. VanTassell, John DeVilbiss, Ron Appel, Tim Heisler, Gerald Stoebig, Tom Bagwell, Paul Burgener and Juli Coen. 1993. Incentive-based grazing fee system for public rangeland administered by the Bureau of Land Management and United States Forest Service. USDI/BLM. Washington, D.C.

Table 1. Idaho hay stocks, production and supplies (1,000 tons). 1975-2000.

<u>Year</u>	<u>Hay Stocks</u> <u>Jan 1/Dec 1*</u>	<u>Hay Stocks</u> <u>May 1</u>	<u>Alfalfa</u> <u>Production</u>	<u>Other Hay</u> <u>Production</u>	<u>Total Crop</u> <u>Production</u>	<u>Total</u> <u>Supply²</u>
1975	2,878	576	3,811	630	4,441	5,017
1976	2,576	533	3,621	580	4,201	4,734
1977	2,899	798	3,852	607	4,459	5,257
1978	3,344	1,026	4,050	658	4,708	5,734
1979	3,531	1,083	3,631	495	4,126	5,209
1980	2,682	619	3,815	580	4,395	5,014
1981	3,120	835	3,960	493	4,453	5,288
1982	3,073	757	3,774	672	4,446	5,203
1983	2,712	489	4,017	897	4,914	5,403
1984	2,850	393	3,938	805	4,743	5,136
1985	3,036	522	3,570	510	4,080	4,602
1986	3,304	245	4,180	540	4,720	4,965
1987	4,008	1,086	3,978	525	4,503	5,589
1988	3,648	901	3,496	385	3,881	4,782
1989	2,183	310	3,720	380	4,100	4,410
1990	2,287	485	3,744	340	4,084	4,569
1991	3,221	408	4,120	380	4,500	4,908
1992	2,193	644	3,367	288	3,655	4,299
1993	2,955	292	4,200	644	4,844	5,136
1994	2,263	678	3,978	460	4,438	5,116
1995	2,794	222	4,180	570	4,750	4,972
1996	2,285	660	4,200	560	4,760	5,420
1997	2,743	286	4,100	630	4,730	5,016
1998	3,329	520	4,859	690	5,549	6,069
1999	2,617	777	4,600	532	5,132	5,909
2000		257	4,746	598	5,344	5,601
Avg	2,901	592	3,950	554	4,504	5,110
Max	4,008	1,086	4,859	897	5,549	6,069
Min	2,183	222	3,367	288	3,655	4,299

² Total Supply equals May 1 Stocks plus Alfalfa Production plus Other Hay Production.

Figure 1. Idaho Hay Supply
1975-2000 (1,000 tons)

