

1999-00 Planning Prices for Idaho Crops & Livestock

Prepared by

University of Idaho Extension Economists

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

Department of Agricultural Economics and Rural Sociology

University of Idaho

A. E. Extension Series No. 99-16

1999-00 Planning Prices for Idaho Crops & Livestock

Prepared by
University of Idaho Extension Economists
Paul E. Patterson, C. Wilson Gray and Neil R. Rimbey

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

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

The short run planning prices for crops are projected prices for the 1999/00 marketing year, based upon current market fundamentals: supply, demand, stocks and expected utilization. The short run crop prices are an estimate of what we expect the price to average over the current marketing year. The lowest expected monthly average price for crops is also listed as a means of addressing downside price risk. Short run livestock planning prices are forecast on a quarterly bases for 2000.

Olympic Averages

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

Short Vs. Long Run

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

What price should be used on 2000 crops that will be marketed in the 2000/2001 marketing year? An average of the long and short run planning prices is one recommended alternative. Since prices tend to move toward the historical average, the price received for the 2000 crop will likely be between the short run (current price) and long run price, assuming the short run price is accurate and that no structural changes in the market have occurred that would disrupt the normal price pattern. A more conservative approach to planning is to use the long run planning price for any year but the current one. This second method is preferred particularly when the short range planning price varies significantly from the long range planning price.

Data Sources and Data Problems

The information used to calculate Idaho planning prices comes from a variety of different sources, although USDA is the primary source. This includes the Idaho Agricultural Statistics Service (IASS), the National Agricultural Statistics Service (NASS) and the Agricultural Market Service (AMS). Unfortunately, USDA does not acquire price data on all crops grown in the state and USDA price data may not be market class specific. For example, the wheat price published by the Idaho Agricultural Statistics Service is differentiated only as winter and spring. But a

significant difference exists between the price of hard red spring wheat and soft white spring wheat, and between hard red winter and soft white winter wheat. Obtaining price information for crops grown predominately or exclusively under contract can be a particularly difficult problem since no public source of information is available.

Grain prices in this publication are based on Portland prices reported by AMS, adjusted for transportation costs. While the price difference between Portland and Idaho locations has increased over time, it tends to remain fairly stable within a given year. The market location for Southwestern Idaho is the Notus/Weiser area, the market location for Southcentral Idaho is the Burley/Filer/Wendell area, the market location for Southeastern Idaho is American Falls and the market location for Northern Idaho is Lewiston. Wheat prices at both Moscow and Nez Perce would be \$.25 per bushel below the Lewiston price.

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

In this publication, the long range open malt barley is priced \$1.00 above the feed barley price. While the malt barley premium varies year-to-year, the \$1.00 per cwt represents a long term price difference. Up until six years ago, IASS reported only one barley price in Idaho. This was a composite of the monthly average of feed barley, open malt barley and contract malt barley purchases. While USDA still maintains the all barley price, it also has a feed barley price series and a malt barley price series.

The feed and malt barley price series presently don't contain an adequate historical base needed to look at long term trends. The USDA malt barley price is not an open-market price since it includes both open market and contract purchases made during a given month.

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

Hay, straw and corn silage prices come from a variety of different sources, including hay brokers, county agents and livestock producers. A separate AUM rate is given for land managed by Federal agencies (BLM and Forest Service), the Idaho State Land Board and private land owners. Because of low cattle prices, the 2000 short-range Federal AUM price will likely be \$1.35, the floor price using the PRIA fee formula. A 10-year Olympic average of historical PRIA-based fees is used to calculate the long range federal AUM price. Private pasture rates are expected to maintain traditional levels in the short run. Long-term pasture rents are expected to drop below current levels.

Livestock Price Estimates

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

For Additional Information

The commodity planning prices are presented as a guideline to assist farmers, ranchers, lenders and agri-businesses in planning. Local prices will vary from these regional prices.

Your planning efforts will be enhanced if you monitor the current outlook situation. Use new information to modify your plans as necessary. Some sources of current outlook for those with access to the Internet, include:

- Reports published by the Economic Research Service, the World Agriculture Outlook Board, and the National Agricultural Statistics Service, all part of USDA, are available at the following URL:

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

- Reports from Agricultural Market Service, USDA, are available at the following URL:

<http://www.ams.usda.gov>

- Kansas State University monthly Ag Update covers wheat, corn, soybeans, cattle, hogs and policy issues;

<http://www.agecon.ksu.edu/livestock>

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

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

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

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

Table 1. Long range marketing year planning prices for Idaho, 1999/00.

Crop	Units	Southwestern		Southcentral	
		10-yr Olympic Average	10-yr Minimum Average	10-yr Olympic Average	10-yr Minimum Average
Alfalfa Seed :					
Proprietary	lb	\$ 1.15	na	\$ 1.15	na
Public	lb	\$ 1.05	na	\$ 1.05	na
Barley, Feed	cwt	\$ 4 .95	\$ 3.75	\$ 4.90	\$ 3.70
Barley, Malt (open)	cwt	---	---	\$ 5.90	\$ 3.95
Barley, Malt (contract)	cwt	---	---	\$ 6.40	---
Corn, Grain	bu	\$ 2.90	\$ 2.50	\$ 2.90	\$ 2.50
Sweet Corn (contract)	ton	\$ 57	\$ 44	\$ 57	\$ 44
Dry Beans (composite)					
Great Northerns	cwt	\$20.50	\$14.50	\$20.50	\$14.50
Pinks	cwt	20.90	\$14.40	\$20.90	\$14.40
Pintos	cwt	\$20.35	\$15.00	\$20.35	\$15.00
Small Reds	cwt	\$19.50	\$14.05	\$19.50	\$14.05
Small Whites	cwt	\$22.15	\$17.75	\$22.15	17.75
	cwt	\$21.55	\$16.35	\$21.55	\$16.35
Dry Peas:					
Austrian Winter	cwt	---	---	---	---
Green	cwt	---	---	---	---
Yellow	cwt	---	---	---	---
Seed (contract)	cwt	---	---	\$14.30	\$13.30
Lentils	cwt	---	---	---	---
Potatoes:					
Proc. Contract	cwt	\$ 4.85	\$ 4.25	\$ 4.85	\$ 4.25
Fresh – open	cwt	\$ 4.50	\$ 2.50	\$ 4.50	\$ 2.50
Process. - open	cwt	\$ 5.00	\$ 4.30	\$ 5.00	\$ 4.30
Seed – G2 *	cwt	---	---	---	---
Seed – G3 *	cwt	---	---	---	---
Sugarbeets (contract)	ton	\$40	\$37	\$41	\$38
Wheat:					
Hard Red Spring (14%)	bu	\$ 4.05	\$ 3.00	\$ 3.95	\$ 2.90
Hard Red Winter (11%)	bu	\$ 3.50	\$ 2.55	\$ 3.40	\$ 2.45
Soft White	bu	\$ 3.30	\$ 2.35	\$ 3.15	\$ 2.20
Forage					
Alfalfa Hay:					
Feeder	ton	\$70	na	\$70	na
Dairy	ton	\$95	na	\$95	na
Grass Hay	ton	\$60	na	\$60	na
Corn Silage	ton	\$25	na	\$25	na
Straw	ton	\$30	na	\$30	na
Pasture (irrigated)	AUM	\$13	na	\$13	na
Range (state)	AUM	\$4.60	na	\$4.60	na
Range (Federal)	AUM	\$ 1.65	na	\$ 1.65	na

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

* 6-year average and lowest average price.

Table 1. Long range marketing year planning prices for Idaho, 1999/00 (cont).

Crop	Units	Southeastern		Northern	
		10-yr Olympic Average	10-yr Minimum Average	10-yr Olympic Average	10-yr Minimum Average
Alfalfa Seed :					
Proprietary	lb	---	---	---	---
Public	lb	---	---	---	---
Barley, Feed	cwt	\$ 4.70	\$ 3.50	\$ 4.75	\$ 3.55
Barley, Malt (open)	cwt	\$ 5.70	\$ 3.75	\$ 5.75	\$ 3.80
Barley, Malt (contract)	cwt	\$ 6.40	---	\$ 6.40	---
Corn, Grain	bu	---	---	---	---
Sweet Corn (contract)	ton	---	---	---	---
Dry Beans (composite)					
Great Northerns	cwt	---	---	---	---
Pinks	cwt	---	---	---	---
Pintos	cwt	---	---	---	---
Small Reds	cwt	---	---	---	---
Small Whites	cwt	---	---	---	---
Dry Peas:					
Austrian Winter	cwt	---	---	\$11.65	\$ 7.35
Green	cwt	---	---	\$ 9.10	\$ 6.50
Yellow	cwt	---	---	\$ 8.90	\$ 6.20
Seed (contract)	cwt	\$14.30	\$13.30	---	---
Lentils	cwt	---	---	\$15.50	\$11.35
Potatoes:					
Proc. Contract	cwt	\$ 4.85	\$ 4.25	---	---
Fresh - open	cwt	\$ 4.50	\$ 2.50	---	---
Process. - open	cwt	\$ 5.00	\$ 4.30	---	---
Seed - G2 *	cwt	\$ 8.30	\$ 5.95	---	---
Seed - G3 *	cwt	\$ 6.10	\$ 4.00	---	---
Sugarbeets (contract)	ton	\$41	\$38	---	---
Wheat:					
Hard Red Spring (14%)	bu	\$ 4.00	\$ 2.95	---	---
Hard Red Winter (11%)	bu	\$ 3.45	\$ 2.50	---	---
Soft White	bu	\$ 3.25	\$ 2.30	\$ 3.75	\$ 2.80
Forage					
Alfalfa Hay:					
Feeder	ton	\$70	na	\$75	na
Dairy	ton	\$90	na	na	na
Grass Hay	ton	\$60	na	\$60	---
Corn Silage	ton	\$24	na	---	---
Straw	ton	\$30	na	---	---
Pasture (irrigated)	AUM	\$13	na	---	---
Range (state)	AUM	\$4.60	na	\$ 4.60	na
Range (Federal)	AUM	\$ 1.65	na	\$ 1.65	na

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

* 6-year average and lowest average price

Table 2. Short range marketing year planning prices for Idaho, 1999/00.

Crop	Units	Southwestern		Southcentral	
		Expected Market Average	Expected Market Low	Expected Market Average	Expected Market Low
Alfalfa Seed :					
Proprietary	lb	\$ 1.35	na	\$ 1.35	na
Public	lb	\$ 1.25	na	\$ 1.25	na
Barley, Feed	cwt	\$ 4.05	\$ 3.70	\$ 3.95	\$ 3.60
Barley, Malt (open)	cwt	---	---	\$ 5.00	\$ 4.50
Barley, Malt (contract)	cwt	---	---	\$ 6.40	---
Corn, Grain	bu	\$ 2.30	\$ 2.10	\$ 2.30	\$ 2.10
Dry Beans (composite)					
Great Northerns	cwt	\$17.75	\$17.25	\$17.75	\$17.25
Pinks	cwt	\$18.00	\$17.00	\$18.00	\$17.00
Pintos	cwt	\$17.75	\$17.00	\$17.75	\$17.00
Small Reds	cwt	\$17.00	\$15.00	\$17.00	\$15.00
Small Whites	cwt	\$18.50	\$17.00	\$18.50	\$17.00
	cwt	\$19.00	\$18.00	\$19.00	\$18.00
Dry Peas:					
Austrian Winter	cwt	---	---	---	---
Green	cwt	---	---	---	---
Yellow	cwt	---	---	---	---
Seed (contract)	cwt	---	---	\$14.50	\$13.00
Lentils	cwt	---	---	---	---
Potatoes:					
Proc. Contract (00)	cwt	\$ 5.00	---	\$ 5.00	---
Fresh - open	cwt	---	---	\$ 6.35	\$ 4.50
Process. - open	cwt	\$ 5.85	\$ 5.00	\$ 5.85	\$ 5.00
Seed - G2 *	cwt	---	---	---	---
Seed - G3 *	cwt	---	---	---	---
Sugarbeets (contract)	ton	\$37.00	---	\$37.00	---
Wheat:					
Hard Red Spring (14%)	bu	\$ 3.35	\$ 3.10	\$ 3.20	\$ 3.00
Hard Red Winter (11%)	bu	\$ 2.40	\$ 2.15	\$ 2.25	\$ 2.05
Soft White	bu	\$ 2.45	\$ 2.25	\$ 2.30	\$ 2.10
Forages:					
Alfalfa Hay:*					
Feeder	ton	\$50	na	\$50	na
Dairy	ton	\$95	na	\$95	na
Grass Hay	ton	\$45	na	\$45	na
Corn Silage	ton	\$27	na	\$27	na
Straw	ton	\$30	na	\$30	na
Pasture (irrigated)	AUM	\$13	na	\$13	na
Range (state)	AUM	\$ 4.75	na	\$ 4.75	na
Range (Federal)	AUM	\$ 1.35	na	\$ 1.35	na

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

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

Table 2. Short range marketing year planning prices for Idaho, 1999/00 (cont).

Crop	Units	Southeastern		Northern	
		Expected Market Average	Expected Market Low	Expected Market Average	Expected Market Low
Alfalfa Seed :					
Proprietary	lb	---	---	---	---
Public	lb	---	---	---	---
Barley, Feed	cwt	\$ 3.75	\$ 3.40	\$ 3.75	\$ 3.45
Barley, Malt (open)	cwt	\$ 4.95	\$ 4.50	\$ 5.05	\$ 4.75
Barley, Malt (contract)	cwt	\$ 6.40	---	\$ 6.40	---
Corn, Grain	bu	---	---	---	---
Dry Beans (composite)					
Great Northerns	cwt	---	---	---	---
Pinks	cwt	---	---	---	---
Pintos	cwt	---	---	---	---
Small Reds	cwt	---	---	---	---
Small Whites	cwt	---	---	---	---
Dry Peas:					
Austrian Winter	cwt	---	---	\$ 7.25	\$ 6.00
Green	cwt	---	---	\$ 6.40	\$ 5.50
Yellow	cwt	---	---	\$ 6.50	\$ 6.00
Seed (contract)	cwt	\$14.50	\$13.00	---	---
Lentils	cwt	---	---	\$13.50	\$12.00
Potatoes:					
Proc. Contract	cwt	\$ 5.00	---	---	---
Fresh – open	cwt	\$ 6.35	\$ 4.50	---	---
Process. – open	cwt	\$ 5.85	\$ 5.00	---	---
Seed - G2 *	cwt	\$ 8.10	\$ 7.00	---	---
Seed - G3 *	cwt	\$ 7.00	\$ 6.25	---	---
Sugarbeets (contract)	ton	\$38	---	---	---
Wheat:					
Hard Red Spring (14%)	bu	\$ 3.30	\$ 3.05	---	---
Hard Red Winter (11%)	bu	\$ 2.35	\$ 2.10	---	---
Soft White	bu	\$ 2.40	\$ 2.20	\$ 3.00	\$ 2.80
Forage:					
Alfalfa Hay:					
Feeder	ton	\$50	na	\$55	na
Dairy	ton	\$90	na	na	na
Grass Hay	ton	\$45	na	\$50	---
Corn Silage	ton	\$25	na	---	---
Straw	ton	\$30	na	---	---
Pasture (irrigated)	AUM	\$13	na	---	---
Range (state)	AUM	\$ 4.75	na	\$ 4.75	na
Range (Federal)	AUM	\$ 1.35	na	\$ 1.35	na

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

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

Table 3. Historic and long range planning prices for PNW livestock.

	Unit	Calendar Year Average				Long Term Ave.
		1996	1997	1998	1999-p	
Choice Steers 11 – 1300# *	cwt	64.06	65.88	61.19	64.86	69
Steers 8-900# *	cwt	57.13	69.22	67.55	69.76	70
Steers 7-800# *	cwt	57.46	72.71	70.50	72.64	70
Steers 6-700# *	cwt	57.53	78.45	75.42	76.12	72
Steers 5-600# *	cwt	59.47	81.82	82.25	82.69	74
Steers 4-500# *	cwt	62.82	81.69	89.32	88.02	75
Utility Cows **	cwt	32.56	36.70	34.66	36.95	38
Market Hogs 240# average	cwt	46.50	52.00	37.00	34.00	44
Slaughter Lambs (100-125#)	cwt	82.82	80.27	63.14	67.83	73
Feeder Lambs (70-90#)	cwt	81.50	86.40	65.90	71.00	78
Sheep	Head	27.80	33.10	30.50	30.60	28
Wool (Grease basis –farm)	lb.	.62	.74	.66	.55	.65
Milk, Basic Formula Price	cwt	13.39	12.05	14.20	12.90	12.20

p = preliminary; * heifers will be 4 to 10 cents under steers in the same wt. class;

** bulls will be 4 to 6 cents over utility cows.

Historic data from USDA-IASS.

Table 4. Quarterly forecast planning prices for PNW livestock.

	Unit	2000 Quarterly Forecast			
		I-f	II-f	III-f	IV-f
Choice Steers 11 – 1300# *	cwt	67-72	66-72	66-72	67-73
Steers 8-900# *	cwt	68-72	70-75	69-75	68-75
Steers 7-800# *	cwt	68-72	72-76	72-76	72-78
Steers 6-700# *	cwt	70-75	71-77	70-76	68-75
Steers 5-600# *	cwt	87-94	89-97	84-92	84-94
Steers 4-500# *	cwt	92-98	95-103	90-96	92-99
Utility Cows **	cwt	35-40	38-43	36-42	35-42
Market Hogs 240# average	cwt	31-33	34-36	38-42	34-37
Slaughter Lambs (100-125#)	cwt	77-86	72-81	77-86	67-81
Feeder Lambs (70-90#)	cwt	80-90	75-85	80-90	70-85
Sheep	Head	30-35	32-36	30-37	33-39
Wool (Grease basis -farm)	lb.	.55-.70	.55-.70	.45-.65	.40-.65
Milk, Basic Formula Price	cwt	11.50- 12.50	11.25- 12.35	11.90- 13.00	12.00- 13.50

f = forecast;

* heifers will be 4 to 10 cents under steers in the same wt. class;

** bulls will be 4 to 6 cents over utility cows.

Forecast estimates are by LMIC and UI Agricultural Economics Extension.