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Spring 2001 Idaho Agricultural Outlook

Prepared by:

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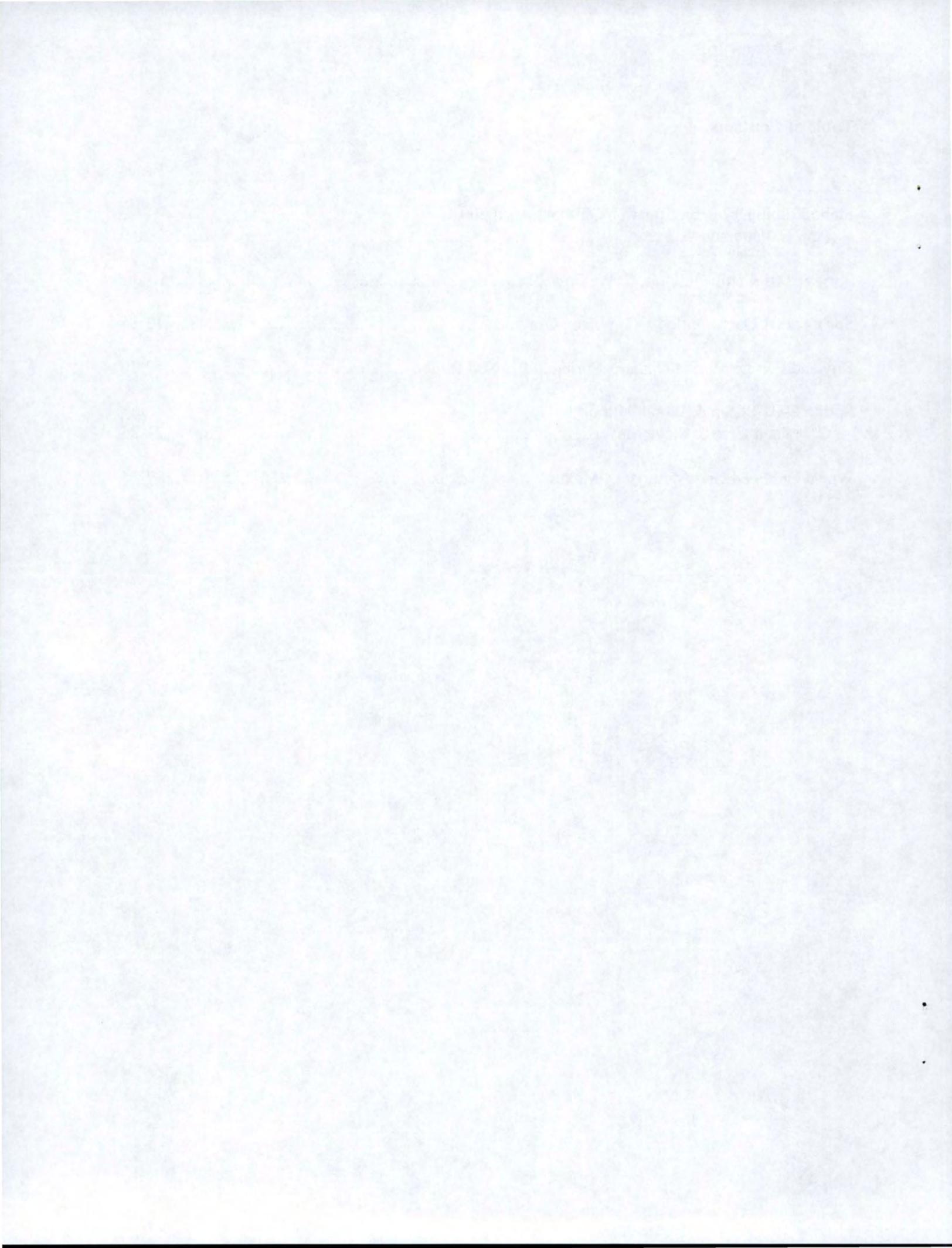
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Idaho Edible Dry Bean Situation Outlook, April 2001

Prepared by Paul E. Patterson
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This past marketing year proved to be a disappointment to dry bean producers. Prices improved only marginally in spite of a significant decline in production. The composite dry bean price projection for Idaho of \$18-20 that I made last fall was overly optimistic based on market performance to date. My discussion here will focus on a brief review of the past market year, the price outlook for the remainder of the 2000-01 market year and production and price projections based on scenarios using acreages from the March 30, 2001 Prospective Plantings report from USDA.

Growers were responding to two consecutive years of extremely low bean prices when they cut planted acreage by 13 percent in 2000. The average U.S. yield fell 14 percent from 1999's record high as Mother Nature trimmed yields in most states. Harvested acres were 92 percent of planted acres, one percentage point below the ten-year average, mostly related to weather problems. Lower harvested acreage and lower yields made the 2000 crop the smallest since 1993.

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. Great northern planted acreage—Idaho's second largest dry bean class in 2000—was down only four percent nationally. These smaller reductions in planted acres for these bean classes partially explain the lack of price response in Idaho's bean prices given the large decline in U.S. acreage and production. 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 2000 forecast of a composite marketing year average dry bean price of \$18 - \$20 was unduly optimistic.

While domestic dry bean utilization remains steady, lower than expected exports have kept overall demand weak and also contributed to the lack of price response during the 2000/01 market year. Despite the low prices, dry bean exports for calendar year 2000 were 12 percent below 1999 according to preliminary numbers in February's issue of

U.S. *Agricultural Trade Update* published by USDA. The strong dollar, adequate world supplies and on-going trade disputes all contribute to weak exports. Differences in exports by class are significant, however. During the first nine months of calendar 2000, pinto exports were off 18.3 percent compared to a year earlier, while great northern and small reds were up by 35.1 and 47.9, respectively.

According to USDA's Prospective Plantings report, farmers must still be discouraged by the continuing low prices since they plan on reducing dry bean plantings by 17 percent compared to 2000 (Table 4). This is on top of last year's 13 percent reduction. Idaho growers are bucking the national trend and are expected to plant the same acreage as last year. With all the uncertainty regarding water availability, and higher costs for energy, fertilizer and fuel, growers' intentions may change considerably between now and planting time. Planted acreage in Idaho could end up higher or lower than indicated in the prospective plantings report, but the U.S. planted acres will likely end up higher. Starting with the expected planted acres, I made projections for total U.S. dry bean production using optimistic, pessimistic and expected yields and harvested acres. My projections show a wide range in 2001 production, ranging from 21 to 25 million cwt (Table 1). I expect both export demand and prices to strengthen, with exports of between 8.0 and 8.5 million hundredweight for calendar year 2001 and the composite market year average dry bean price in Idaho between \$19 and \$23, \$2-5 higher than the past year. The key to achieving higher prices is based on three components: reduced production, higher exports and continued strong domestic use.

Review of 2000-01 Marketing Year

Stagnant prices and unrealized export demand characterized the 2000-01 market year. The price for small reds started the season below last year's prices, but have been roughly one dollar higher since December. It wasn't a price improvement that put this year's price above last year's price since the \$15 price in March was \$.50 below the harvest price. There was less of a price decline this year compared to last. Pink prices also started the market year below last year's price but the \$15 March price is \$1.50 above last year's price and \$.50 per hundredweight above the harvest price. The price on small whites also started the market year below last year's price and has stayed under last year's price by \$.75 to \$2.00. Great northern have also traded at a price below last year's in all months but one this market year. The October 2000 price was the same as the October 1999 price. The \$15.75 March price is off nearly \$1 from last year. Pinto prices were below last year's price from harvest through February. The \$15.50 March price is \$1 above last year's March price. Unless an unanticipated export surge drives prices higher, prices should stay

in the \$15 to \$17 range for the remainder of the market year. Idaho's average dry bean composite price reported by the Idaho Agricultural Statistics Service has averaged \$17.25 during the first half of the market year, and should average between \$17.00 and \$17.50 for the entire market year if prices stay flat (Table 1). This is \$2 above the 1999-00 price. If exports surge this summer, the market year average price could easily average over \$18. Remember that back in 1987, the composite dry bean price for Idaho jumped \$10 between March and July.

Historically, dry bean prices peak in June. Table 2 shows how Idaho dry bean prices have changed historically from March to June for three different time periods: a five-year average (1996-2000), a ten-year average (1991-2000) and the 1999-00 market year. Table 2 has data for pintos, great northern, small whites, pinks and small reds. Do any of these time periods match the current market year? Probably not. While a major price improvement is not anticipated at this time, neither is a price decline.

2001 Planting Intentions

U.S. projected-planted acreage for crop year 2001 is down 303,000 acres, or 17.3 percent from 2000. This is certainly positive news and should continue the stocks reduction that began with the 2000/01 market year. Like the grain market, the bigger problem for dry beans is not the current level of production, but the total supply when carryover stocks are added to the current production. It's not just the aggregate U.S. planting intentions that are important, but the actions of individual states certainly need to be considered when evaluating the planting intentions report (Table 4), particularly for the impact by market class.

Together, North Dakota, Colorado, Nebraska and Idaho accounted for roughly 80 percent of the 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 down 18 percent, or 110,000 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.

Colorado and Nebraska, the other two major pinto states besides Idaho, will decrease planted acreage by 25 and 15 percent, respectively, or 55,000 fewer 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 90,000 acres, the same as last year. Only 32 percent of Idaho's dry bean acreage was planted to pintos in 2000, compared to 35

percent and 42 percent in 1999 and 1998, respectively. 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 6.0 percent in 2000 (Table 3).

Nebraska and Idaho combined produce over 90 percent of the great northrens. But Nebraska alone accounts for 85 percent. The 15 percent acreage reduction in Nebraska, 25,000 acres, should definitely help the price outlook for great northrens.

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 acreage reductions in these two states will total 3,000 acres. The issue is whether these will be proportionate cuts or focused on particular classes. Minnesota, North Dakota and Washington are the other big players with Idaho in production of pinks. Minnesota is making a 26 percent acreage cut, North Dakota 18 percent and Washington 6 percent. Again, the issue is on which bean classes will the cuts fall. In addition to Idaho, Michigan and Washington are the other major states producing small reds. The 6 percent acreage drop in Washington and the lack of an acreage cut in Idaho would not provide much hope for reducing the supply and improving the price of small reds. But Michigan farmers intend to cut 85,000 dry bean acres, or 30 percent. Again, the question is where will the cuts be made.

Projections For 2000-01

Trying to predict prices for individual market classes is extremely difficult considering the lack of accurate stocks information and no class specific planting intentions. Because I lack information to the contrary, I'm assuming that the expected percentage acreage changes for 2001 (Table 4) will be proportional on all market classes grown in that state. I also expect exports for 2001 to increase over 2000 based on nothing more than what has happened historically in the export markets and that it's a buyers market with the current low prices. The strong U.S. dollar and trade issues will continue to hamper exports in some markets, however. While I expect higher exports, they will likely fall below the 5-year average.

It's hard to imagine that growers will cut acreage by 17 percent this year following last year's 13 percent cut. But even if the cuts amount to only half the expected level, dry bean prices will improve because of lower supplies. If I'm

right and exports move up and production declines match the expected acreage reductions, prices on most bean classes should move up significantly in 2000/01. Pintos and great northrens have the greatest upside potential and pinks the least. The question is will the planted acres match the farmers' current intentions?

The average dry bean price discussed here and shown in Table I is the average of all bean classes reported by the Idaho Agricultural Statistics Service. Unless constrained by weather or a lack of irrigation water, U.S. dry bean production in 2001 should fall between 21 and 25 million cwt. Production at these levels should move the average composite Idaho price for the 2001/02 marketing year to the low \$20s. The worst-case price scenario I see at this time is a market year average price only in the high teens. While U.S. production over 27 million cwt is unlikely given the March Prospective Plantings Report, Idaho's average price would only move up only by \$1-2 to the \$18-19 range if it did occur. U.S. production between 21 and 25 million cwt would mean an average Idaho dry bean price between \$19 - 23 per cwt. The price scenarios for the 2001 crop assume exports of 8.0 - 8.5 million cwt and steady domestic utilization. If exports were to hit the 10 million cwt level as they did in 1998, prices would average \$1.00-\$2.00 higher across the various production scenarios that I've presented. 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 and in which states will the differences occur, as well as whether the differences be positive or negative. With total production costs of around \$500 per acre, Idaho growers need prices close to \$22 to break even. They may actually see those prices this year. Chart I shows the historical relationship between U.S. dry bean production and the average composite dry bean price reported by the Idaho Agricultural Statistics Service from 1990 through 2000. The values for 2001 are my projections.

Sources of Planning Information

USDA reports are available on the Internet, including the monthly Crop Production reports. A monthly schedule of report release dates is also available. All electronic reports are available at the Mann Library at Cornell University:

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

Table 1. 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 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	7.19	1,716	\$17.00 – 17.50
2001-02 ^{4/}	21 - 25	8.0 – 8.5	1,900 – 2,100	\$19 - 23

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

^{1/}Exports are for the calendar year. ^{2/}Prices are simple averages for crop marketing year Sept. 1 – Aug. 31.

^{3/} US and Idaho production are USDA estimates from the December 2000 Crop Production Report. Idaho's price is the author's forecast.

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

Table 2. Price change from March to June for dry edible bean prices in Idaho.

Time Frame	Pintos	Great Northerns	Small Whites	Pinks	Small Reds
5-Year Average: 1996-00	+ \$1.70	- \$0.30	+ \$0.30	+ \$0.75	+ \$0.45
10-Year Average: 1991-00	+ \$1.00	+ \$0.05	- \$0.25	+ \$0.30	+ \$0.65
1999/00 Marketing Year	+ \$0.50	+ \$0.35	- \$0.10	- \$0.25	- \$1.00

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

Table 3. U.S. dry bean production by class and Idaho's share, 1996-00.

Year	Pintos 1,000 cwt	Great Northerns 1,000 cwt	Small Whites 1,000 cwt	Pinks 1,000 cwt	Small Reds 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	10,646 (6.0%)	2,448 (6.0%)	64 (45.3%)	321 (21.5%)	313 (47.0%)

Source: USDA, National Agricultural Statistics Service: Crop Production, December 2000.

* USDA, National Agricultural Statistics Service: Crop Production 1998 Summary.

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

Table 4. Dry edible beans planted acres by state, 1999-2001.

	-----Area Planted-----			2001/2000 Percent
	1999 (1,000 acres)	2000 (1,000)	2001 ^{1/} (1,000 acres)	
California	135.0	115.0	100.0	87
Colorado	155.0	120.0	90.0	75
Idaho	105.0	90.0	90.0	100
Kansas	22.0	18.0	15.0	83
Michigan	350.0	285.0	200.0	70
Minnesota	205.0	165.0	120.0	73
Montana	26.5	40.5	50.0	123
Nebraska	210.0	165.0	140.0	85
New Mexico ^{2/}	1.0			
New York	31.0	25.0	30.0	120
North Dakota	630.0	610.0	500.0	82
Oregon	11.5	12.0	11.0	92
South Dakota ^{3/}		11.0	11.0	100
Texas	50.0	18.0	18.0	100
Utah	6.7	5.4	6.4	119
Washington	36.0	32.0	30.0	94
Wisconsin	8.3	8.3	7.5	90
Wyoming	40.0	36.0	34.0	94
U.S.	2,023.0	1,756.2	1,452.9	83

Source: USDA: Prospective Plantings, March 31, 2001. Excludes beans grown for garden seed.

^{1/} Intended plantings in 2001 as indicated by reports from farmers.

^{2/} Estimates discontinued for 2000.

^{3/} Added to planting intentions estimating program in 2000.

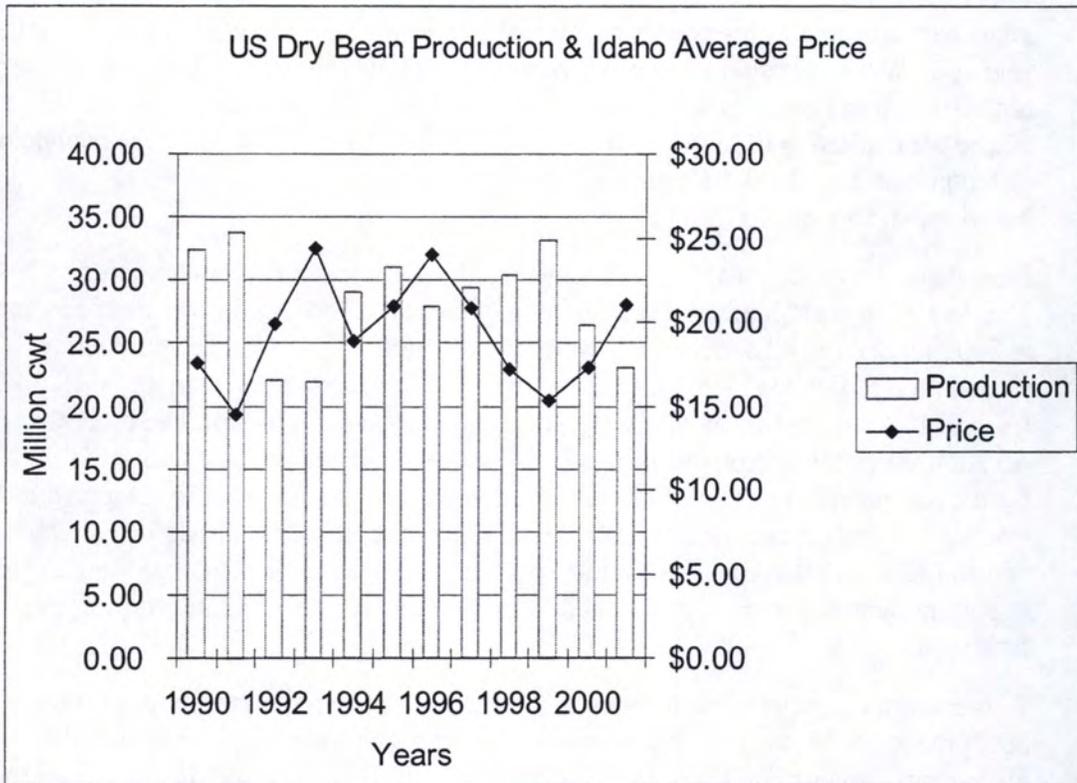


Chart 1. U.S. Dry Bean Production and Idaho Average Composite Price.

Source: 1990-2000, USDA. 2001 values are author's projections

Spring 2001 Cattle Outlook

By C. W. Gray

This winter saw cattle prices move up seasonally. It also saw prices move up more than many had expected. This was due principally to lower beef production compared to a year ago. Winter weather reduced marketing's from lots in the plains states. Those cattle not marketed in February-March will come out along with seasonally large supplies placed for marketing in May and June. The high point for fed cattle prices may be behind us but prices should still be generally favorable.

Demand and the economy

Disappearance of red meat in 2000 was lower by 1.2 lbs. per capita compared to 1999. The decline in pork, lamb and veal offset increased beef consumption. Beef consumption in 2000 totaled 69.4 lbs. on a retail weight basis, up 0.3 lbs. US beef production in 2000 totaled 26.8 billion lbs., 396 million lbs. over 1999. Net imports were up by 59 million lbs. and 114 million lbs. of beef were put in cold storage, 96 million lbs. more than 1999. An additional 359 million lbs. of beef was consumed. Beef demand increased¹ in 2000 for the second year in a row, and the second year since the late 1970's. Demand in 2000 was 5.3 pct. higher than in 1999. Research conducted by Kansas State University on beef demand indicates that rising consumer income and consumer confidence were the most important factors in improved demand. More on this later as it relates to this year.

Cattle supplies

Winter storms hampered performance in feedlots to keep fed cattle supplies tight and put beef production below year ago levels this winter. The weather along with lighter placements weights late last summer and early last fall also caused dressed weight's to decline slightly. Daily average slaughter in January was 2 pct. below year ago levels and February was down 7 pct. March is expected to be down about 2 pct. The lower slaughter and lighter carcass weights will put beef production about 6 pct. below the first quarter of 2000. As we move into spring, the timing and weights of fed cattle marketed will determine price levels. As marketing's and weights increase seasonally beef production is expected to be 1-2 pct. below a year ago in the second quarter. Feedlot placements in February were down 16 percent. Declines in year to year placement levels are likely to continue for several more months but percentage declines will likely be less than in February. For the year beef production is anticipated to be 1.5 to 2.5 pct. under 2000.

In the final two months of 2000 cull cow prices were 7 pct. higher than in 1999, averaging in the low \$40's per cwt. When compared to the general level of cattle prices that is lower than one might expect. Beef cow slaughter was down about 6 percent but dairy cow slaughter was up by 9 pct. reflecting the low milk prices producers have struggled with throughout the year. Both beef and dairy cow slaughter were higher in the first quarter of 2001. Dairy cow slaughter was up 8.4 pct. And beef cow slaughter was up nearly 13 pct. Continued low milk prices and tight forage supplies this winter caused the increased dairy and beef culling respectively. Cull prices will be impacted as long as dairy

¹ Demand is the relationship between quantity marketed or utilized, and the price at which it is sold. Since more beef sold, at higher retail prices, demand strengthened.

and beef herd reduction is strong. Recent price improvement for milk could moderate dairy culling. Beef cow culling should moderate as spring pastures increase available forage. Dry areas such as the PNW and Southeast may not see as much relief however.
Price outlook favorable

Although the year's high for fed cattle is probably in, prices will generally remain favorable. Fed cattle will likely average in the low 70's for the second quarter and possibly into the high 60's for third quarter before gaining seasonally in the fall.

Table 1 PNW cattle prices, dollars per CWT. Quarterly average

	Q 1	Q 2	Q 3	Q 4
Fed Cattle 1100-1300	78.74	71.90-76.40	71.15-76.70	74.50-78.00
Steers, 700-750 #	84.81	84-89	82-89	82-89

Dry year strategies

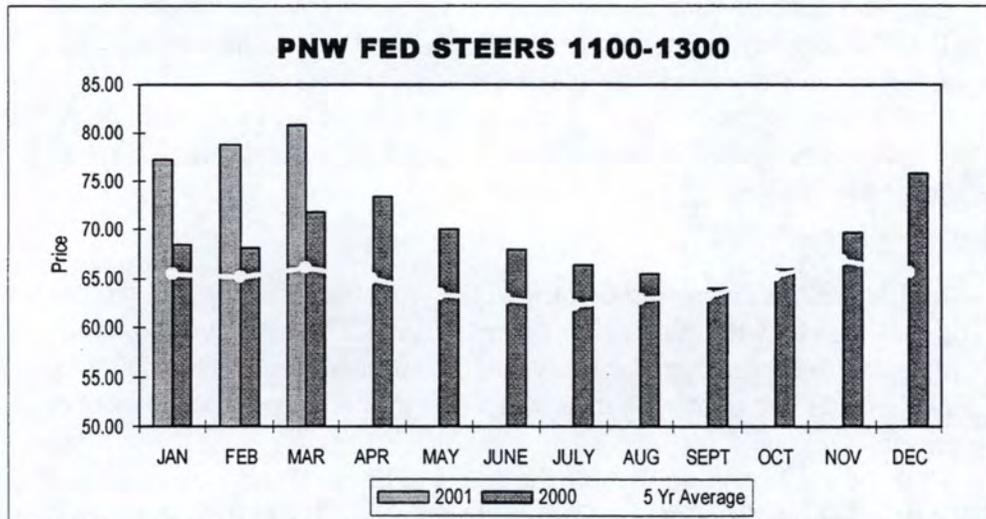
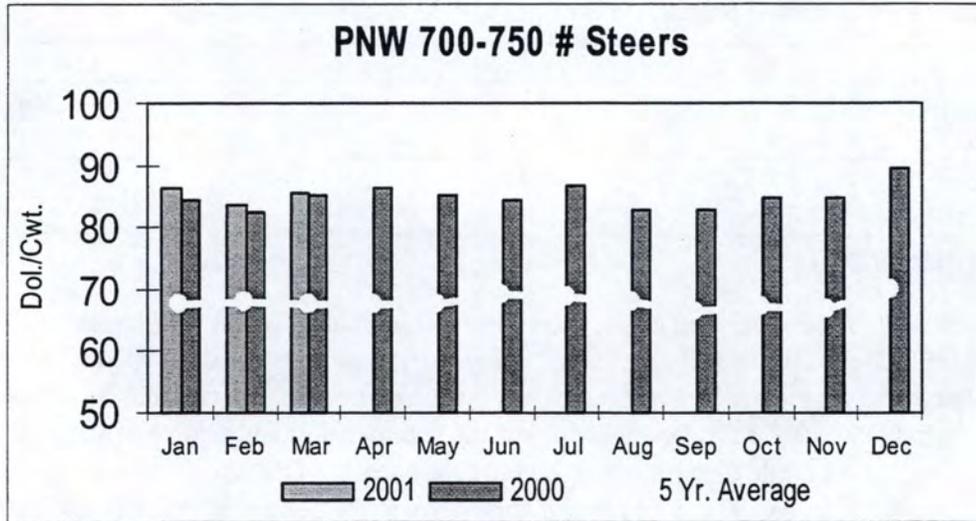
- The PNW has received about half of normal moisture for the year so far. And predictions are for a dry summer. Forage – whether pasture or hay – will be tight this season (see Hay & Forage Outlook in this series). Producers should be making arrangements for forage needs for spring, summer, fall and winter in advance.
- Dry ranges could cause stock to be brought in early. Dates for going on ranges may also be delayed. This will require alternative strategies for both feeds and marketing of stock for affected operators.
- Producers contemplating herd expansions will need to carefully scrutinize their options. For those with limited forage available this year, alternatives such as selling all calves and buying yearling heifers next year or putting heifers on forage in areas not affected by dry conditions may be viable alternatives.
- The Pasture List program on the internet is available for listing both pasture available and pasture needed. The web address is: <http://www.uidaho.edu/ag/agecon/>. Then click on the link.

Other items to watch

- Beef demand has improved because of the very strong economy in the last few years. If the economy weakens, or slips into recession (defined as two consecutive quarters of negative economic growth) may could limit their dining out and retail grocery purchases as belt tightening measures. This would not be good for beef or cattle prices.
- All the world has been watching the drama in England and the European Union as the Foot and Mouth Disease (FMD) episode unfolds. While North America is currently free of the disease (the last US outbreak was in 1929), FMD is the most contagious livestock disease known. The USDA web page (<http://www.usda.gov>) has some excellent information on FMD and links to other sites. While we (USA) are doing much to prevent FMD from gaining a toehold here, it is not out of the question for that to happen. If FMD were to strike here it would be immediately negative for all red meats. Our major beef trading partners (87%) are Australia, Canada and New

Zealand, and live cattle trade partners (100%) are Canada and Mexico. All of these countries are FMD free.

- The prospective plantings report has corn acreage down slightly for 2001. However, stocks are 10 billion Bu. higher than anticipated due to sluggish export sales. Global corn production is anticipated to be marginally higher this year. Current price projections are at \$1.80-\$1.90 Bu. for corn this season.



Spring 2001 Dairy Outlook

By C. Wilson Gray²

Spring has officially arrived, the clock has officially been set forward an hour and milk prices have moved higher. Could it be that things are looking brighter in the first official year of the new millennium? Could be. What is happening to move prices to at least "neutral" territory from just plain awful? An old adage goes "the cure for low (high) prices is – low (high) prices." Note that low and high are interchangeable in this statement. The meaning is that with sustained low prices production will eventually be curbed enough to begin to bring supply and demand back in line. After 16 months of fiscal agony many dairymen have said "uncle" and exited or cutback on herd size. In addition, per cow milk production has dropped. This supply reduction has finally been reflected in reduced product and thus better prices.

Supply – Demand

Like gravity in nature and price/earnings ratios for dot-com stocks, the law of supply and demand is still in effect. Milk cow numbers peaked last September at 7.82 million head, 100,000 more than a year earlier. During the 1990's – a relatively stable and profitable period for dairy – an average of 100,000 head were eliminated from the national herd each year. As of February, cow numbers had declined by nearly 47,000 to 7.77 million head.

Per cow production has also declined seasonally. January milk production per cow was down 2 pct from a year ago and February was down 4.4 pct. February was off 7 pct from January. First quarter production is expected to be off about 2 pct from a year ago. This has caused considerable excitement in the markets and is reflected in stronger futures price levels. First quarter Class III prices were \$9.99, \$10.27 and \$11.42 for January, February and March respectively. That puts the first quarter average at \$10.56. The next question is how much impact the spring flush will have on prices. The Milk Production report on April 17 will give an indication of whether there will be a strong spring flush or not. As of April 2 the CME futures is projecting a quarterly average of \$12.15. Several analysts are projecting price improvement into the third quarter of \$13 or better for class III and a strong \$12 price for fourth quarter. Due to the impetus of high prices in 1998-99 production had been increasing by 3.5 to 4 pct a year. It is anticipated milk production will increase about 2 pct in 2001.

Commercial disappearance in 2000 increased at 2.6 pct., which is in the range of the 2.5 – 3.5 pct increases for the past 3 years. Supply has been growing slightly faster than usage thus contributing to a build up of stocks and dampening prices. The turnaround in cow numbers and lowered per cow production should shift the balance enough to support stronger milk prices. The slow down has lowered cheese production 1.2 pct in January and natural cheese stocks are own 2.1 pct relative to a year ago, but at 713 million pounds remain at relatively high levels. Butter stocks at 66 million pounds are 21 pct lower and production is off nearly 10 pct. compared to a year ago.

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In Idaho, dairy cow numbers remain steady at 356,000 head. Per cow production in January was up 10 lbs. versus a year ago but slipped 30 lbs. in February. Total milk production was higher each month this year due to higher cow numbers. That put total production up 7.8 and 5.0 pct for January and February. Indiana is the only other state to show higher total milk production in both months.

Where does the industry go from here? Have the days of \$15 milk returned, this time to stay, as some are saying? At this point the increase in price, while welcome, is also fragile. It is important to remember that the Class III price has historically been above \$13/cwt. only 20 pct of the time. 80 pct. of the time the price is under \$13/cwt. Several things need to happen to insure that this is real, otherwise this may be just a temporary respite.

Things to watch

- Dairy cow numbers need to continue to be reduced. There are 7.77 million cows where under other circumstances we would have about 7.4 million head at this point. With higher prices the reduction in herd numbers could come to a standstill this spring.
- Part of the reduction in total production is lower per cow output. If the spring flush is strong we could push up supplies and pull prices down easily. If the spring flush is curtailed for some reason, the stage could be set for stronger price through much of the year.
- Demand for dairy products, principally cheese, has been stronger than normal in the past two years, helping support prices. With the economy trying to slide into recession demand could slacken and hurt prices.

There are a number of other longer term factors that dairymen will need to watch also.

- While prospects look favorable for feed grains to stay price challenged, forage will be very tight this year. Looking at stocks and probable production an optimistic forecast is for 10 pct less hay in 2001 than last year. (see forage outlook for details). Realistically it could be even less, and our neighboring states are unlikely to be in any better shape.
- Foot and mouth disease, BSE and other horrors. We are quite confident that we don't have these problems and hope to stay that way. Good preventive measures are in place but nothing is fool proof. Either would be devastating to the US livestock industry.
- Many are expecting (hoping) that the problems in Europe will open the door for us to export more livestock products to the EU. While this may represent a potential opportunity, it won't just fall into our laps and may not occur at all to any degree.
- The adage "sooner or later public perception becomes public policy" applies to dairymen. Air and water quality concerns will remain issues for some time to come. Only by being prepared in advance and by being united will

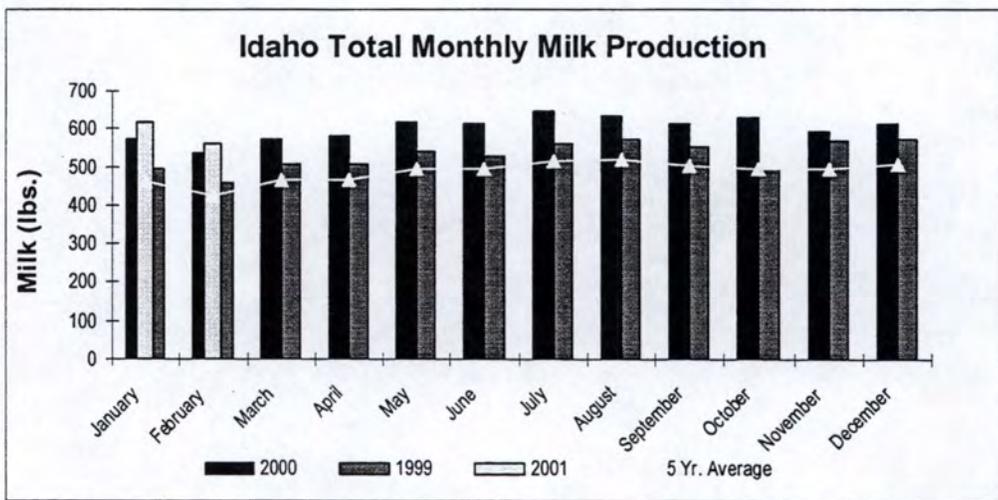
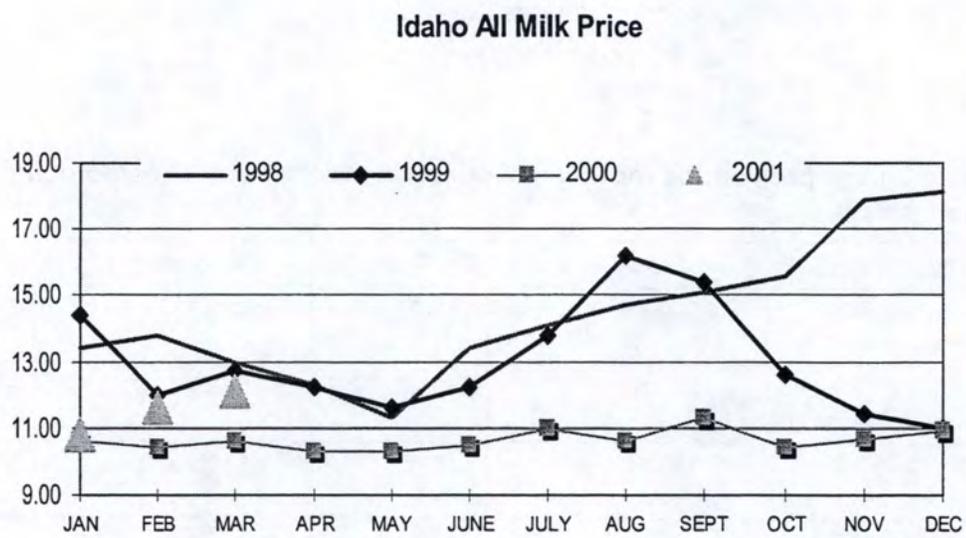
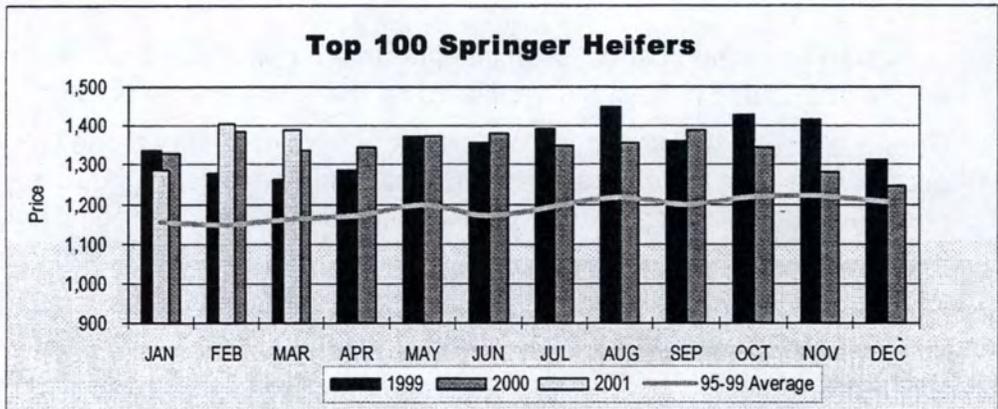
dairymen have much success in insuring that regulations to protect the environment also protect their ability to do business in a reasonable manner.

- Continued consolidation in agriculture, at all levels, means those with defined goals and a plan to achieve them will fare much better than those who fail to plan. The dairy industry is going through structural change too. That will require new ways of looking at one's business and doing business.
- Dairy policy will continue to be a factor for the foreseeable future. The question is; will it remain chained to the past of marketing orders and an overly complicated pricing scheme? Or will it recognize we have a national, if not a North American market, and use (demand) should set prices, not prices set by use. While the industry needs to get together on what it wants for policy, that is possibly an impossible task.

Table 2 gives projections for Class III prices in cwt. by several noted dairy economists.

Prognosticator	1 st Quarter actual	2 nd Quarter-f	3 rd Quarter-f	4 th Quarter-f
M. Stephenson, Cornell University	\$10.56	\$11.27	\$12.23	\$ 12.65
K. Bailey, Penn State University	\$10.56	\$12.20	\$13.27	\$12.60
C.W. Gray, University of Idaho	\$10.56	\$12.05	\$12.90	\$12.60

f = forecast



Hay and Forage Market Update: Spring 2001

Neil Rimbey

Range Economist, Caldwell R&E Center

As we start into the 2001 growing season, there are a number of uncertainties that will potentially influence supply of and demand for the Idaho hay crop. Drought should probably be the topic of conversation, as this has the potential of impacting both hay supply and demand. Potential shortages in irrigation water, either through not turning on the pump or the lack of runoff, will impact hay production and supplies. From a demand perspective, there are the lingering effects of the fire season of 2000, with grazing use curtailed on some public and private lands in order to rehabilitate ranges. If recent history is any indication of what to expect during drought, public and private land grazing seasons may also be shortened to protect the rangeland.

Current Indications of Hay Supply

December 1, 2000 hay stocks (as reported by USDA National Agricultural Statistics Service, NASS) stood at 2.4 million tons. This is about 9 percent lower than December, 1999 and about 400,000 tons (or 17 percent) below the long-term average (See Figure 1).

The hay stocks report scheduled for release on May 11 will provide an estimate of the amount of the 2000 crop left in Idaho. Based upon the December stocks, expect the May report to show the carryover to be below 300,000 tons. This, coupled with the periodic production estimates (August and October Crop Production reports) provided by NASS, will give us continuous picture of Idaho hay supply as we progress through the production cycle.

The Prospective Plantings report released by NASS on March 30, 2001 indicated that Idaho farmers are going to increase hay acreage by 1 percent to 1.41 million

acres. With the looming presence of dry conditions and what will happen with irrigation, it is difficult to project 2001 hay production. Long-term average production is 3.43 tons/acre. Using that to project crop production, would result in an estimate of 2001 hay production at 4.8 million tons, a decline of about a half million tons from 2000. Coupling this estimate with carryover stocks estimated above, results in total supplies of about 5.1 million tons, or about 10 percent less hay than we saw in 2000. With the uncertainties about drought, one can view this estimate of supply as being optimistic. Per acre production during drought years usually declines, with an estimate of about 3.3 tons/acre probably being more realistic. This would translate into total 2001 hay production of 4.6 million tons and supplies of about 5 million tons.

Demand Indicators

Even with depressed milk prices, Idaho's dairy herd continues to grow. February 1, 2001 inventory stood at 356,000 head, an increase of 24,000 cows from 2000 levels. University of Idaho cost of production studies indicate "typical" dairy rations, include about 16 pounds of alfalfa hay per cow per day. This level of feed, when attached to the 24,000 head of "new" Idaho dairy cows, means there is additional demand for about 70,000 tons of dairy quality alfalfa hay. Some analysts have suggested growth in the dairy sector will slow somewhat during the next year. Given current levels of dairy cattle numbers, it appears that they will demand about 1 million of the projected 5 million+ ton supply in 2001-2002. Continued moderate growth of cattle numbers in 2001 will push this up slightly. Dairy hay will continue to set the top of the hay market.

Beef cattle and sheep numbers are about on par with the 2000 inventories. The uncertainties relative to hay and forage demand from these sectors involve the drought and continuing fire rehabilitation efforts on rangeland. Continued dry conditions on rangeland may result in shorter grazing seasons during the summer and fall of 2001, shifting demand to private grazing resources and the

haystack. Also remember 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. There appears to be some potential for strength in the feeder hay part of the hay market, along with private grazing leases. How much is dependent upon the severity of drought-related impacts mentioned earlier.

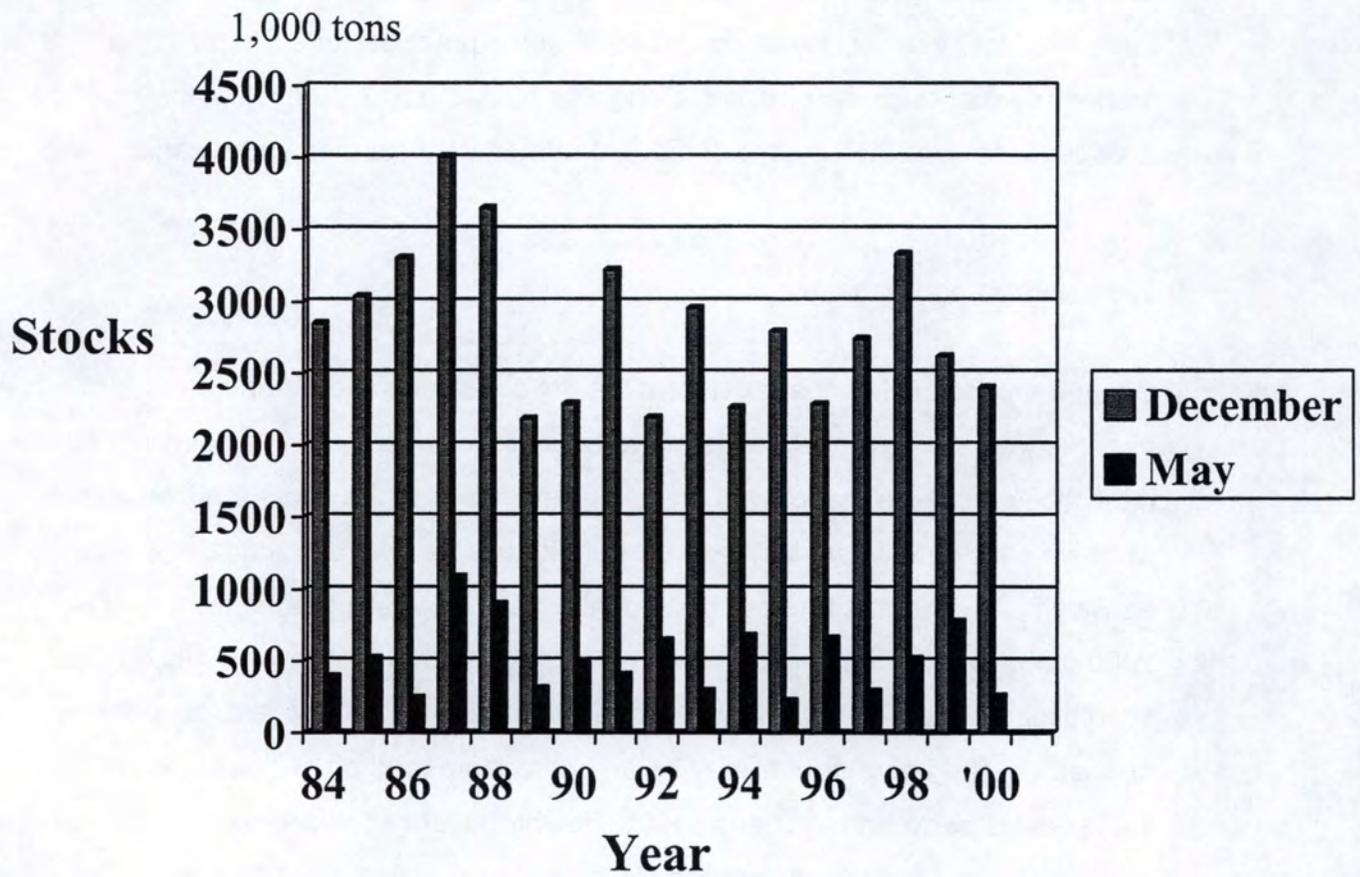
Implications and Strategies

Given the uncertainties that exist from the dry conditions and other factors, it is extremely difficult to make any definitive projections on price at this point in time. Indications are there that private grazing lease rates and hay prices will be above what we have seen in the last few years. With this amount of uncertainty, it may be wise for feeders to purchase good quality hay that is still around from the 2000 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 modify marketing strategies. Irrigation 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 translate into higher prices.

The Pasture Clearing House established last fall is still available for those buying and selling pasture. The site also contains links to the Idaho Hay Growers Association website, with listings of hay availability from the organization's membership. The address for the Pasture Clearing House website is:

<http://www.ag.uidaho.edu/pasture/index.html>

Figure 1. Hay Stocks on Farms, Idaho, 1984-2000



Source: USDA-NASS Crop Production reports

Spring 2001 Sheep & Wool Outlook

By C. Wilson Gray & Steve Meyer³

The USDA/NASS Sheep and Goat report contained estimates of the sheep population in the U.S. on January 1, 2001. As expected, the report indicated continued liquidation of the U.S. sheep industry.

According to USDA, there were 6.915 million head of sheep and lambs in the U.S. on January 1, 2001, 1.7 percent fewer than a year earlier. The inventory consisted of 4.927 million head of breeding sheep (4.6 percent fewer than 2000's) and 1.988 million head of market sheep and lambs (6.4 percent more than a year ago). There were 66,000 operations that owned one or more head of sheep in the U.S. during the 2000 calendar year, 800 (1.2 percent) fewer than in 1999. Overall, these declines in inventory and operations were similar to rates posted within the last five years.

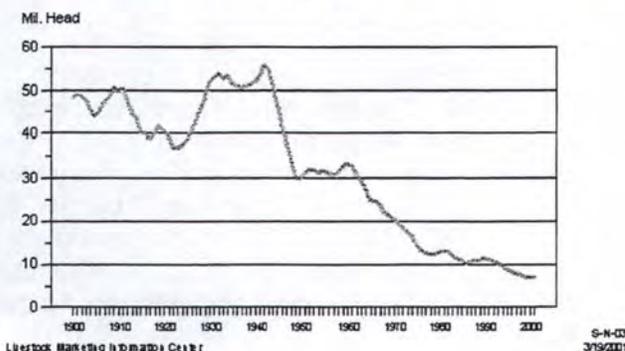
The number of one-year and older breeding ewes – the factories of the sheep industry – declined 4.0 percent to 4.061 million head. Out of the 30 individual states that reported one-year and older breeding ewe populations, 14 reported reduced ewe numbers compared to 2000's. Some of the biggest declines came out of the drought stricken west and south central regions. With a 110 thousand head (13.9 percent) reduction in one-year and older breeding ewe numbers, Texas lost the most ewes on both an absolute and percentage basis in 2000.

Inventory data began on sheep in 1867 with an estimated 45 million head. From then until 1942 stock sheep numbers varied from a high of 51 million head in 1884 to a low of 33 million in 1923. Numbers began building again and peaked a second time in 1942 at 49 million head. Between 1942 and 1950 a massive liquidation occurred dropping the numbers 47 percent to 26 million head. Sheep numbers were relatively stable during the 1950's but suffered another liquidation in the 1960's declining 40 percent to 17 million head. Numbers continued to fall

during the 1970's bottoming at 10.8 million head in 1979. Through 1982 numbers increased 6 percent to 11.4 million head but declined from 1982 until 86 by 11 percent to 8.7 million head. From then until 1990, numbers bounced back 11 percent hitting 9.6 million head. The last 10 years have seen steady erosion in numbers, hitting 4.9 million head on January 1, a 49 percent decline from 1990. Stock sheep numbers today are less than 10 percent of the 1942 level.

Idaho sheepmen have suffered a similar fate. In 1960 all sheep

JANUARY 1 TOTAL SHEEP & LAMB INVENTORY U.S., Annual

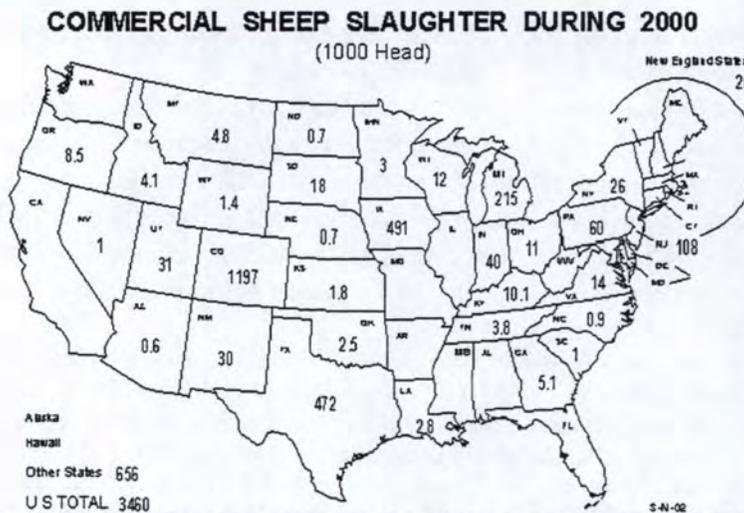


numbers were at 1,153,000 head. A decline of 27 percent occurred by 1970 and a further 44 percent loss occurred between 1970 and 1980 leaving 468,000 head. From 1980 to

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1990 numbers declined another 39 percent to 286,000 head. During the 1990's sheep numbers were steadier. From 1990 to 1993 numbers declined to 265 thousand head, then increased to 285 thousand by 1997, dipped to 265 thousand in 1999 and then up to 275 thousand for the last two years. Whether the 201 program will provide long term stability is yet to be proven.

Through March 31, 2001, Federally Inspected (FI) sheep and lamb slaughter totaled 843 thousand head, 7.3 percent below the same period in 2000. Even though Easter was still two weeks away as of this writing, it is very unlikely that slaughter will reach levels necessary to correct this discrepancy between slaughter and lambs available for marketing.



So the question is, what happened to all of the additional lambs? There are a variety of possible answers, but the three most likely are that: 1) USDA overstated the market lamb numbers; 2) producers or feeders are holding lambs for a more opportune time to sell based on recent years seasonal price patterns; and/or 3) producers have decided to hold lambs they thought they were going to market as they

evaluate the changing drought conditions, especially around Texas and New Mexico. These factors may have different implications for the outlook in both the short and intermediate term.

Market Lamb Numbers Overstated

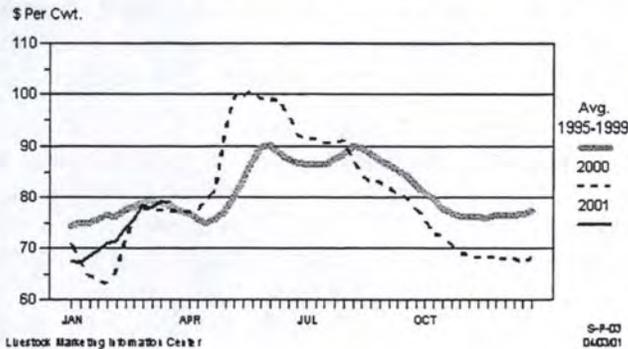
The most obvious and easiest place to point to for the discrepancy is the original USDA statistical estimate. Based on the severity of the 2000 drought in Texas, New Mexico and a number of Western states and the nature of statistical estimation, it is possible that the sheep population estimates were overstated. But it must also be remembered that the difference between an increase of 7 percent and a decrease of 7 percent in market sheep and lambs on January 1, 2001, was 262 thousand head, or about 4 head per average operation. If the number of market lambs was overestimated, slaughter in 2001 will be smaller than anticipated, prices should be higher, and the lambs available for potential flock rebuilding will be limited.

Looking for Higher Prices

Since 1994, slaughter lamb prices have, on average, risen from April through June. There may be people that are holding lambs in anticipation of a run up in prices in the late spring or early summer.

SLAUGHTER LAMB PRICES

Colorado Direct, Weekly



If this is the case, dressed weights should get and/or remain high as the lambs age and backup in the system. Indeed, average lamb dressed weights have reached record high levels and remained within 2 pounds of those levels since early January.

Also, holding lambs into an expected seasonal high price period could push supplies higher than anticipated. Given the size of the sheep industry, it does not take many lambs to dramatically

change the supply situation. This would have a negative effect on lamb prices.

For the first three months of 2001 FI slaughter for sheep and lambs is 91 percent of a year ago. With a late Easter date this year April could still see increases in slaughter figures and March was 34 percent higher than February compared to an 18 percent month-to-month increase last year. The Easter/Passover season was also one week later last year.

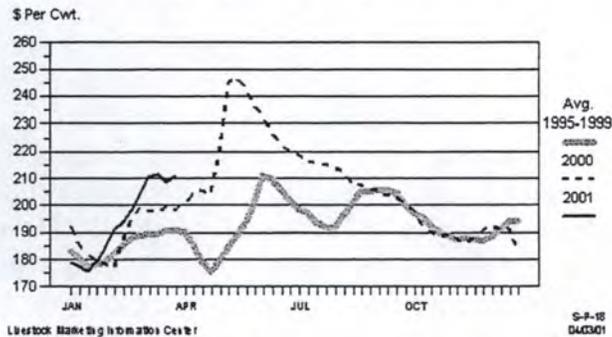
Slaughter lamb prices are as good as or better than last year, depending on your location. The Texas direct trade has seen prices above 2000 levels so far this year. And since late February prices have exceeded the five year average, hovering in the mid-80 cent per pound range. With the holiday season coming later this year prices may have gotten a

slow start. The Colorado direct trade has not fared quite as well however. Prices there have been on par with last year and only in the past few weeks have reached average levels, putting offers in the high 70 cent per lb. area.

Wholesale carcass and lamb cutout values have been above the five year average all year and at or above last years levels since February. Carcass prices are currently \$1.75 per lb. and cutout

LAMB CUTOUT VALUE, 65 LBS & UP

Northeast Distributive Trade, Weekly



values are near \$2.10 per pound. Wholesale and slaughter lamb prices should continue to rise between now and late June if normal seasonal patterns are followed. If prices follow last year closely Colorado direct trade should reach \$1.00 per lb. and Texas near \$1.05. The five year average would place the top nearer \$0.90 to \$0.95 per lb. Prices are likely

to decline seasonally from mid- summer into fall. Prices could be in the mid to lower 80's for third quarter and mid- 70 cent area by the Oct-Dec quarter.

Slaughter or Breeding Market

On January 1, USDA asks producers to count the number of sheep they have that are destined for market. In truth, producers may not know at that time what they plan on retaining and what they plan on marketing. At the same time, even if lambs are sent to market, there is no guarantee that all the lambs will end up in a packing plant. Some likely will go to other sheep operations. So, in a period of expansion or flock rebuilding, the January 1 market lamb number may prove to be a poor indicator of slaughter.

In 2000, sheep operations in Texas, New Mexico and a number of other Western states were forced to liquidate sheep based on drought conditions. Early indications suggest that the pasture and range conditions in 2001 are dramatically improved from a year ago. In fact, pasture and range conditions in much of Texas began to improve dramatically last fall. Operations in these areas may be trying to replenish some of their decreased numbers or operations that have lambs may be expecting to sell to producers with reduced stock. There may be some transfer of lambs originally expected to go to slaughter to breeding purposes.

To further complicate the question, 55 thousand head of the 124 thousand head year-to-year increase in market lambs were in the state of Texas. If producers were placing lambs into feeding situations hoping for a reversal in the pasture conditions, the lambs may have only been intended for the slaughter market if drought persisted.

There are a number of things that producers can watch to determine what is happening and where the market may go. Mature sheep slaughter and exports to Mexico will continue to signal whether or not producers are retaining breeding stock. The weather around the U.S., but especially Texas and New Mexico, will give indications of drought and possibilities of holding or marketing lambs. Slaughter, if moved above a year ago for more than a week or two, could signal that attempts to capture seasonal price movements were made. And USDA's July 1 inventory report (scheduled for July 20th) will give a better indication of which of these scenarios is dominant.

Imports

Lamb and mutton imports have always been the culprit for lower domestic prices in the view of US sheep producers. Our major import sources (Australia and New Zealand) argue that imports have risen to replace supplies lost by the decline in US sheep. Research to date has not been conclusive for either view. In July 1999 President Clinton ruled that the sheep industry was threatened by imports and imposed a temporary three year tariff rate quota. The first year quota level was 31,851 tons, about the 1998 level of imports. This increases by 857 tons each of the next two years. The tariff on imports below the quota level was 9 percent ad valorem the first year, is 6 percent this year and will be 3 percent the third year. Over quota lamb tariff was 40 percent the first year, is 32 percent this year and will be 24 percent next year. The program years are July to June. Preliminary numbers indicate that the trade action has possibly slowed the rate of growth in imports but has not reduced imports. Through September of 2000 lamb imports were 9 percent higher. One reason imports have increased in the face of the tariffs has been the continued weakening of the AS and NZ dollars relative to US currency. In 2000 US lamb

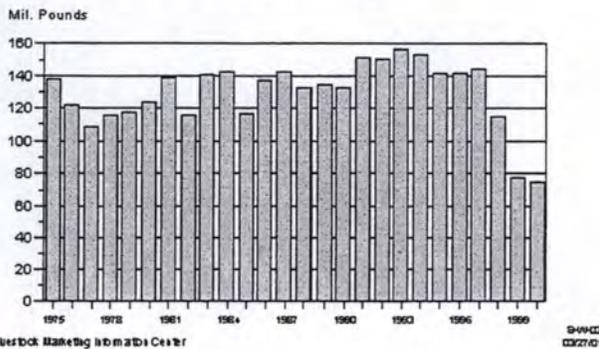
consumption was 1.14 lbs. retail weight per capita. If imports had been completely blocked, domestic production would have only been able to supply 0.75 lbs. per capita.

WOOL

Wool is still in the doldrums. Since wool is an international market with the US only a minor player at 1 percent of global production, until the international picture improves things won't here either. Wool prices averaged in the low to mid-thirty cent range in 2000. Initial prices this year are little better. The market is likely to be in the mid-30 cent

range this year also, possibly averaging a few cents better than last year. These are the lowest prices since the early 1970's. Over the past few years three US mills have closed. The remaining major buyers have been relatively quiet due to private holdings and being able to obtain better prepared wool's from Australia. With the cost of shearing below market prices, if there is a market locally, some wool has literally been

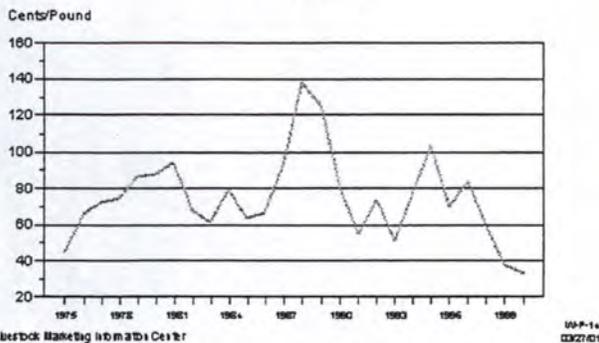
MILL CONSUMPTION OF WOOL
U.S., Clean, Annual



hailed to the dump.

The Australian Eastern Market Indicator (EMI) jumped to over 800 Australian cents per kilogram in mid-February when Woolstock (Australian Wool Company) announced that the wool stockpile was now below 500 thousand bales. At 500 thousand bales, the stockpile is equivalent to about 5 to 8 weeks worth of Australian sales and is well below the record 4.1 million bales on hand in August 1992. That was the first time since June 1995 that the EMI (in an imperfect comparison) was above 800.

AVERAGE WOOL PRICE
U.S., Grease, Annual



Also on the plus side China, a major Australian customer, is buying more wool at slightly higher prices. In addition fashion shows have featured more wool garments this winter. Italian mills are also buying more wool at higher prices, from Australia. The international markets are still raising questions about the prospects for demand for all products in the coming months. Weakening GDP growth in Asia and the U.S. along with falling stock markets raise the

possibility that world consumers may reduce purchasing. This may include clothing and fabrics. At the same time, wool remains competitively priced against other fibers and hold over stocks continue to diminish.

If so and demand is increasing, a shortage of better quality wool's in sufficient quantity could put upward pressure on wool prices later this year or in 2002. An indicator would be if the price differences between US and Australian wool narrows significantly.

WHEAT AND FEED GRAINS

Prepared by Larry D. Makus
Professor of Agricultural Economics
University of Idaho

Current World Situation for Wheat and Coarse (Feed) Grains

The 2000/01 marketing year outlook for wheat and feed grains shows some similarities in terms of the current world situation. However, the beneficial impact of the world grains situation is likely to be greater for US wheat than US feed grains. World wheat markets are showing definite signs of tightening carryover (including the US), coupled with a real potential for a smaller US wheat crop in 2001. Although the world coarse grain markets are also reflecting a much smaller carryover, US feed grain carryover is expected to increase significantly.

Wheat: The 2000/01 world wheat crop is currently forecast at 580.4 million metric tons (MMT). Although still a relatively large crop compared to the mid-1990s, the 2000/01 world crop is down slightly from last year, and the smallest world wheat crop of the last five years (Table 1). For the third consecutive year, world wheat use is expected to exceed production, and stocks continue their decline. World stocks are projected to decline to 108.9 MMT by the end of the current marketing year. If realized, this will represent the smallest carryover since the 1995/96 marketing year and the second lowest since the mid-1970s. When this level of carryover is compared to use (stocks to use ratio), the projected level of 18.2 percent for 2000/01 is the lowest on record. Both the projected carryover and stocks to use ratio suggest the world wheat situation has reached a point to support wheat prices at significantly higher levels. Some of the recent volatility in wheat prices suggests this potential can have real market impacts. Concerns about an average or below world wheat crop in 2001 should keep the market poised for some strong price rallies as we approach the new crop year. However, the market seems willing to maintain a wait and see attitude

about next year's crop, and is ignoring some of the traditional indicators of tight supplies.

Coarse Grains: World coarse grain production is projected to drop by 20.4 MMT (or 2.3 percent) for the 2000/01 marketing year (Table 1). Similar to wheat, this is the lowest level of world coarse production in the last five years. However, US production of feed grains is expected to be up about 11 MMT, and foreign coarse grain production down almost 32 MMT. World ending stocks of coarse grains are projected to decline from 165.0 to 142.9 MMT (13.4 percent) for the 2000/01 marketing year. However, unlike wheat, these projected stock levels for world coarse grains are well above those experienced in the mid-1990's.

US Wheat and Feed Grain Situations

Tight supplies for world and US grains (especially feed grains), was the driving force in setting record high farm level prices for US wheat and feed grains during the mid-1990's. Since that time, large world and US grain crops have put substantial downward pressure on prices. Although the world situation has improved for both categories of grains (especially wheat), US ending stocks for both corn and wheat continue at relatively high levels. Current projected levels of carryover for US wheat and feed grains (primarily corn) are both above the five-year average.

Wheat: The 2000 US wheat crop was put at 2.223 billion bushels, just below 1999's crop of 2.299 billion bushels and below the five-year average (Table 2). Domestic use and exports for the 2000/01 marketing year are projected to increase slightly. Thus, US carryover stocks are expected to decline. However, US wheat ending stocks of 834 million bushels are still above the five-year average, and well above the levels of the mid-1990s. Farm level wheat prices for 2000/01 are currently forecast at \$2.65, which is just slightly above the historically low levels experienced in the 1999/00 marketing year.

US white wheat production totaled 301 million bushels for the 2000 crop, significantly above 1999 and just below the five-year average (Table 2). Portland white wheat prices for the current marketing year slipped down at harvest in the face of the larger white wheat crop. The August 2000 average price was about \$2.65. Prices recovered throughout the fall to about \$3.00 by January, and stayed above \$3.00 through February. In mid-March, Portland experienced a strong rally up to the \$3.40 range but dropped back to the \$3.10 range quickly. The price run was partly fueled by speculation about loss of market share by Europe due to foot and mouth disease contamination. However, the USDA's March WASDE report also tightened the carryover for white wheat. Both forces illustrate the market's sensitivity to news about tighter supplies. The Portland average price for the 2000/01 marketing year (June through March) is currently just under \$3.00. Recent price improvements suggest the marketing year average should improve to about \$3.05 (Table 2).

Feed Grains: Projected US corn production for 2000 is currently at 9.968 billion bushels. This represents an increase of over 500 million bushels from 1999. The 2000 crop is the second largest US corn crop, and just under the record crop of 10.052 billion bushels in 1994. For the other major feed grains in 2000, grain sorghum production is projected to decline by over 21 percent to 470 million bushels, barley production is up almost 14 percent to 318 million bushels, and oats are about the same at 149 million bushels. Total US feed grain production is up 4.3 percent to 274.2 MMT. In spite of slightly higher domestic use and exports, US feed grain ending stocks are expected to increase by almost 11 percent to 54.0 MMT. This level represents the largest US feed grain carryover since the 1992/93 marketing year. Farm level corn prices for 2000/01 are currently projected in the \$1.70 to \$1.90 per bushel range, which is similar to the 1999/00 farm level price of \$1.82. Barley prices for the 2000/01 crop are also projected to be very close to last year's level of \$2.13 per bushel (\$90 per ton).

Outlook for 2001

The world grain markets continue to deal with relatively large crops, as has been true for the past several years. This is particularly true for coarse grains, but even world supplies of coarse grain are not so burdensome as to suggest 2001 grain production doesn't matter. World wheat carryover is clearly projected to reach historically low levels. Below average production for wheat has the potential to bring about significant price gains. Thus, growing conditions as the 2001 crop year approaches is again the critical factor. The USDA will provide the first official estimates of 2001 world and US feed grain and wheat production in the May WASDE report.

Wheat: US wheat supplies remain at relatively high levels when compared to the several years of historically tight world supplies in the early to mid-1990s. The 2000/01 drop in world ending stocks to 108.9 MMT (Table 1) provides some very positive news. By historical standards, world wheat carryover is in the range for the market to become clearly concerned about the supply situation.

The size of the 2001 US wheat crop is certainly the key to how price behaves between now and this coming summer. Acres planted and the condition of the US winter wheat crop are the two variable that will determine 2001 US wheat production. Based on the March Prospective Plantings report, US projected wheat plantings are down 4 percent from last year, the lowest level since 1973. Crop conditions for the hard red winter (HRW) wheat crop in the southern plains (HRW) are generally rated fair to poor, well below what was reported last year at this time. Oklahoma, in particular, is rating almost half of its winter wheat crop in poor to very poor condition. Last year at this time, Oklahoma rated about 1 percent of its wheat crop as poor to very poor. Continued concerns about the US wheat crop in the southern plains should maintain strong support under prices for the remainder of the 2000/01 marketing year. Additionally, with the large world wheat crops experienced for the last several years, it may be about time for a significant drop in world production. Certainly, low wheat prices for the past 4-5 years should discourage wheat plantings.

Some price improvement is certainly a logical expectation as the 2001 marketing year progresses, but relatively high US carryover may check any major price recovery. Keep in mind the wheat price levels experienced in the mid-1990s were supported by a tight world and US situation for wheat and feed grains at the same time. Even without a major reduction in US wheat production, the author is projecting an increase in farm level wheat prices due to a tighter world wheat situation. However, not a dramatic increase. A projected increase in US farm level wheat prices of about 30-40 cents per bushel, from \$2.65 to around \$3.00 assumes an average US and world wheat crop. If the US ends up with a below average wheat crop (a strong possibility at this time), that price projection could certainly go higher.

Portland white wheat prices are a bit more questionable. Planted wheat acreage in the PNW is projected to increase about 1.6 percent, in spite of the lower level planted acreage for US wheat. And in spite of concerns about drought in the PNW, all indications are that crop conditions in the white wheat belt are well above the HRW wheat belt. Moisture conditions, irrigation water, and reduced plantings from electric power buyouts clearly add some uncertainty. Still, at this point, at least an average white wheat crop for the upcoming year seems likely. Thus, white wheat prices may face some pressure on the supply side relative to other classes. However, white wheat should capture some of the benefit of tighter world supplies. Additionally, potential yield losses for the HRW wheat belt should also be supportive. If we go into the marketing year at the current August bids of around \$3.10 to \$3.15, Portland's average marketing year price is expected to increase from just over \$3.00 in 2000/01 to about \$3.30-\$3.50 for 2001/02. If major production problems develop in the US (including the PNW region), white wheat prices may improve more than currently projected.

Feed Grains: US projected plantings for feed grains are generally down for the 2001 crop based on the March Prospective Plantings report. Corn acres are projected down

4 percent from 2000, sorghum acres up 2 percent, and barley down 9 percent. However, the large US carryover of feed grains will likely burden the market for the 20001/02 marketing year in spite of lower acres planted. Although the fundamentals for barley are better than corn (especially regarding exports), large feed grain supplies will continue to be an issue. Crop conditions in the mid-west will be the primary focus as we move into the summer months.

Sources of Planning Information

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://usda.mannlib.cornell.edu/usda/usda.html>. A monthly schedule of report release dates is also available.

Table 1. World Wheat and Coarse Grain Production, Use, and Ending Stocks, Marketing Years 1996/97 through 2000/01 and 5-year average.

Year	Production		Use		Ending Stocks		Stocks to Use Ratio (%)
	MMT	Annual % Change	MMT	Annual % Change	MMT	Annual % Change	
Wheat							
1996/97	582.8	+ 8.2	577.1	+ 5.1	113.5	+ 5.2	19.7
1997/98	609.4	+ 4.6	584.6	+ 1.3	138.3	+21.9	23.7
1998/99	588.8	- 3.4	590.4	+ 1.0	137.2	- 0.8	23.2
1999/00	587.8	- 0.2	599.2	+ 1.5	125.8	- 8.3	21.0
2000/01	580.4	- 1.3	597.2	- 0.3	108.9	-13.4	18.2
5-yr. Avg.	589.8		589.7		124.7		21.2
Coarse Grains							
1996/97	908.1	+13.1	877.1	+ 4.2	128.9	+31.8	14.7
1997/98	883.9	- 2.7	876.2	- 0.1	136.2	+ 5.7	15.5
1998/99	890.1	+ 0.7	867.7	- 1.0	169.5	+24.4	19.5
1999/00	876.7	- 1.5	881.3	+ 1.6	165.0	- 2.7	18.7
2000/01	856.3	- 2.3	878.4	- 0.3	142.9	-13.4	16.3
5-yr. Avg.	883.0		876.1		148.5		16.9

Notes:

MMT = Million Metric Tons

Annual % change represents the percent change (+ for an increase; - for a decrease) from the previous year.

1998/99, 1999/98, and 2000/01 marketing year estimates are from the USDA's March World Ag. Supply & Demand Estimates (WASDE) report. Previous years are from the Wheat Situation and Outlook Year and Feed Situation and Outlook Yearbook, respectively.

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

Table 2. U.S. Wheat and White Wheat Balance Sheets for Marketing Years 1996/97 to 2000/01 and 5-year average.

	Marketing Year					5-year Average
	1996/97	1997/98	1998/99	1999/00	2000/01	
(billion bushels)						
<u>US Wheat</u>						
Beginning Stocks	0.376	0.444	0.722	0.946	0.950	0.688
Production	2.277	2.482	2.547	2.299	2.223	2.366
Total Supply	2.746	3.020	3.373	3.339	3.268	3.149
Domestic Use	1.301	1.257	1.385	1.300	1.334	1.315
Export	1.002	1.040	1.042	1.090	1.100	1.055
Total Use	2.302	2.296	2.427	2.390	2.434	2.370
Ending Stocks	0.444	0.722	0.946	0.950	0.834	0.779
Stocks to Use Ratio (%)	19.3%	31.4%	39.0%	39.7%	34.3%	32.7%
Average Farm Price (\$/bu)	\$4.30	\$3.38	\$2.65	\$2.48	\$2.65	\$3.09
(million bushels)						
<u>White Wheat</u>						
Beginning Stocks	55	59	90	87	91	76
Production	352	332	301	247	301	307
Total Supply	422	399	401	340	398	392
Domestic Use	126	104	116	89	116	110
Export	237	205	198	160	215	203
Total Use	363	309	314	249	331	313
Ending Stocks	59	90	87	91	82	82
Average Portland Price (\$/bu)	\$4.54	\$3.81	\$3.02	\$3.02	\$3.05	\$3.49

Notes:

1996/97, 1997/98 and 1998/99 marketing year values are from the USDA's Wheat Situation and Outlook Yearbook; 1999/00 and 2000/01 estimates are from USDA's March World Ag. Supply & Demand Estimates (WASDE) report. Portland average price is based on monthly average prices for the marketing year (June through May) for 1996/97 through 1999/00. For the 2000/01 marketing year, the average Portland price is projected by the author. Total supply includes imports.