



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*



University of Idaho

**2001-02 Long Range Planning Prices for Idaho Crops
& Livestock**

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

A. E. Extension Series No. 01-12

October 2001

Departmental Working Paper Series

Department of Agricultural Economics
and Rural Sociology

College of Agricultural and Life Sciences
University of Idaho
Moscow, Idaho 83844-2334

November 2001

2001-02 Long Range Planning Prices for Idaho Crops & Livestock

Prepared by
University of Idaho Extension Agricultural 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, more volatile and vary significantly from year-to-year as well as 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. While admitting that one price cannot completely represent an entire marketing year and may even be misleading, a single price is often needed for planning purposes.

Because one price will not fit all planning purposes, we provide both long range and short range planning prices. The long range planning prices, contained in this publication, are based on historical (time-series) data. Projected short run planning prices for the current market year are found in a separate publication. The long range planning prices are developed once each year and distributed in early fall. For crops, there is a separate table for each region of the state: Northern, Southwestern, Southcentral and Eastern. These are found, respectively, in tables 1-4. There is only one table for livestock, Table 5. There are three price columns with each crop price table. The middle column shows the 10-year Olympic average price for the marketing year. The left column shows the lowest marketing year average for the past ten years and the right column shows the highest marketing year average price over the past ten years. These are **not** the lowest and highest prices received, however. Crop prices correspond to a commodity specific marketing year established by USDA, generally from harvest to harvest, while livestock prices are on a calendar year basis.

The short run or projected crop prices are based upon current market fundamentals: supply, demand, stocks and expected utilization. The short run planning prices are

revised as needed during the year when market fundamentals change. In addition to the expected seasonal average price for the current marketing year, the expected high and low prices are also provided. Short run livestock planning prices are forecast on a quarterly bases.

Olympic Averages

Olympic averages differ from a simple average in that the highest and the lowest values are removed from the specified data series before the average is computed using the remaining values. This procedure is used for many non-timed events in the Olympics, gymnastics for instance, hence the name Olympic average. In competition with a subjective evaluation process an Olympic average will remove the bias from the composite score when a judge gives an undeserved high or low score. An Olympic average used on time series price data will function in much the same way and the resulting average will show less variability than a simple average for the same time period because the impact of an 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 2002 crops that will be marketed in the 2002/2003 calendar year? One alternative is to average the long and short run planning prices and use this value. Since prices tend to move toward the historical average, the price for the 2002 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 have occurred in the market 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

USDA agencies are the primary sources of information used to derive Idaho planning prices, but a variety of non-USDA sources are also used. Primary data sources include 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 is not always market class specific. For example, the wheat price published by the IASS 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 particularly difficult since the data is generally proprietary and often no public source of information is available.

Wheat prices in this publication are based on Portland prices reported by the AMS:USDA and adjusted to Idaho locations using transportation and handling costs. While the price difference between Portland and Idaho locations has changed over time, it tends to remain fairly stable within a given year. The grain 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 Eastern Idaho is American Falls and the market location for Northern Idaho is Lewiston. Wheat prices at both Moscow and Nez Perce would be approximately \$.25 per bushel below the Lewiston price.

While the price difference for the average price is generally the same for different wheat market classes, there is some variation on the high and low end of prices as shown in the values in the following table used to calculate the region-specific prices from the Portland price data.

Price differentials between Portland and Idaho: by region and wheat market class.

Region	Minimum	Average	Maximum
<u>Soft White Wheat</u>			
Southeast	\$.80	\$.75	\$.75
Southcentral	\$.95	\$.90	\$.90
Southwest	\$.80	\$.75	\$.75
North	\$.30	\$.25	\$.25
<u>Hard Red Winter Wheat</u>			
Southeast	\$1.00	\$.75	\$.70
Southcentral	\$1.15.	\$.90	\$.85
Southwest	\$1.00	\$.75	\$.70
<u>Hard Red Spring Wheat</u>			
Southeast	\$..85	\$.75	\$.85
Southcentral	\$1.00	\$.90	\$1.00
Southwest	\$.85	\$.75	\$.85

The price for contract malting barley is calculated using the average of the three most recent contracts base prices. Historically, two of the three major malting companies operating in Idaho provided a fixed base-price contract for barley meeting specified grade and quality standards. Quality-based incentives were added to the base price for barley exceeding 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 premiums often vary by contracting company and also by barley variety.

The long range average open malt barley price is calculated \$1.10 above feed barley in each region. While the malt barley premium varies year-to-year, the \$1.10 per cwt represents the average historical price difference. The price spread between feed and malting barley is not as great on either the low or high price years. The difference is estimated at \$.70 and \$.30, respectively, on the low and high price spread. Up until 1991, 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 malt barley price series doesn't presently contain an adequate historical base needed to look at long term trends. Also, the IASS malt barley price is not an open-market price since it includes both open market and contract purchases made during a given month.

The average grain corn prices, sugarbeet prices and sweet corn prices are based on the state average annual price reported by IASS.

Prices for dry beans, dry peas and lentils use data from USDA-AMS. A market year average price is calculated using monthly price data. The Olympic, minimum and maximum average prices are calculated using the market year averages for the most recent ten years. The Garbanzo price is an exception since the Idaho Garbanzo price series has only been around for the past four years. The same procedure followed for dry beans is used for fresh and processing open market potato prices. IASS monthly price data for fresh and process market potatoes is used to calculate a market year average price. The contract potato price, however, uses the three most recent base contract prices adjusted for the five-year quality average.

Lacking an acceptable price series from USDA, hay, straw and corn silage prices come from a variety of different sources, including hay brokers, county agents and livestock producers. The procedure used to derive a long range average is fairly subjective. It can best be described as an "experts opinion." Separate AUM rates are given for range and

pasture land managed by Federal agencies (BLM and Forest Service), the Idaho State Land Board and private landowners. The federal AUM price is based on the PRIA-based grazing fees charged by the BLM and Forest Service. The AUM price on state lands in Idaho is set by the Land Board. Historical prices charged by the Department of Lands are used for the long range state AUM prices. The price per AUM for private grazing land is based on USDA-NASS data for Idaho cow-calf charges reported in "Agricultural Prices."

Livestock Price Estimates

The long range planning prices found in Table 5 are based on 10-year averages. Several years of recent livestock prices are also provided. 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 market 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://usda.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/risk/> (crops)

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

- An electronic version of the *Livestock Monitor* 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.ag.uidaho.edu/aers>

Click on publications and follow the links.

Table 1. Northern Idaho long range marketing year planning prices for 2000/01.

Crop	Units	10-yr Seasonal Price Averages		
		Minimum Average	Olympic Average	Maximum Average
Barley, Feed	cwt	\$ 3.65	\$ 4.70	\$ 6.70
Barley, Malt (open)	cwt	\$ 4.35	\$ 5.90	\$ 7.00
Barley, Malt (contract)*	cwt	---	\$ 6.35	---
Dry Beans				
Garbanzos *	cwt	\$20.50	\$20.65	\$24.15
Dry Peas:				
Austrian Winter	cwt	\$ 6.45	\$10.45	\$13.35
Green	cwt	\$ 5.80	\$ 8.20	\$11.30
Yellow	cwt	\$ 5.90	\$ 7.85	\$10.60
Lentils	cwt	\$10.45	\$14.30	\$18.45
Wheat:				
Hard Red Spring (14%)	bu	---	---	---
Hard Red Winter (11%)	bu	---	---	---
Soft White	bu	\$ 2.70	\$ 3.60	\$ 5.10
Forage				
Alfalfa Hay:				
Feeder*	ton	na	\$80	na
Dairy*	ton	na	na	na
Grass Hay*	ton	---	\$60	---
Straw*	ton	---	\$30	---
Private Forage	AUM	\$11	\$12	\$13
Range (state)	AUM	\$ 4.15	\$ 4.75	\$ 5.15
Range (Federal)	AUM	\$ 1.35	\$ 1.45	\$ 2.00

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.

* Does not use 10-year price history. See written discussion.

Table 2. Southwestern Idaho long range marketing year planning prices for 2000/01.

10-yr Seasonal Price Averages				
Crop	Units	Minimum Average	Olympic Average	Maximum Average
Alfalfa Seed :				
Proprietary*	lb	na	\$ 1.25	na
Public*	lb	na	\$ 1.15	na
Barley, Feed	cwt	\$ 3.85	\$ 5.00	\$ 6.90
Corn, Grain	bu	\$ 2.35	\$ 2.80	\$ 4.50
Sweet Corn (contract)	ton	\$54.40	\$ 68.95	\$82.20
Dry Beans (composite)	cwt	\$14.75	\$19.20	\$23.75
Great Northerns	cwt	\$14.40	\$20.05	\$28.25
Pinks	cwt	\$14.15	\$18.95	\$25.40
Pintos	cwt	\$14.05	\$18.90	\$27.25
Small Reds	cwt	\$14.45	\$20.40	\$28.60
Small Whites	cwt	\$16.35	\$20.90	\$28.00
Potatoes:				
Process Contract*	cwt	\$ 4.40	\$ 4.75	\$ 5.10
Fresh – open	cwt	\$ 2.65	\$ 4.50	\$ 6.90
Process - open	cwt	\$ 4.30	\$ 4.85	\$ 5.85
Sugarbeets (contract)	ton	\$35	\$40	\$46
Wheat:				
Hard Red Spring (14%)	bu	\$ 3.15	\$ 4.00	\$ 5.45
Hard Red Winter (11%)	bu	\$ 2.15	\$ 3.55	\$ 5.05
Soft White	bu	\$ 2.20	\$ 3.10	\$ 4.60
Forage				
Alfalfa Hay:				
Feeder*	ton	na	\$75	na
Dairy*	ton	na	\$95	na
Grass Hay*	ton	na	\$60	na
Corn Silage*	ton	na	\$24	na
Straw*	ton	na	\$35	na
Private Leased Forage	AUM	\$11	\$12	\$13
Range (state land)	AUM	\$ 4.15	\$ 4.75	\$ 5.15
Range (Federal land)	AUM	\$ 1.35	\$ 1.45	\$ 2.00

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.

* Does not use 10-year price history. See written discussion.

Table 3. Southcentral Idaho long range marketing year planning prices for 2000/01.

Crop	Units	10-yr Seasonal Price Averages		
		Minimum Average	Olympic Average	Maximum Average
Alfalfa Seed: Proprietary*	lb	na	\$ 1.25	na
Alfalfa Seed: Public*	lb	na	\$ 1.15	na
Barley, Feed	cwt	\$ 3.75	\$ 4.90	\$ 6.80
Barley, Malt (open)	cwt	\$ 4.45	\$ 6.00	\$ 7.10
Barley, Malt (contract)*	cwt	---	\$ 6.35	---
Corn, Grain	bu	\$ 2.35	\$ 2.80	\$ 4.50
Sweet Corn (contract)	ton	\$ 54.40	\$ 68.95	\$82.20
Dry Beans (composite)	cwt	\$14.75	\$19.20	\$23.75
Great Northerns	cwt	\$14.40	\$20.05	\$28.25
Pinks	cwt	\$14.15	\$18.95	\$25.40
Pintos	cwt	\$14.05	\$18.90	\$27.25
Small Reds	cwt	\$14.45	\$20.40	\$28.60
Small Whites	cwt	\$16.35	\$20.90	\$28.00
Potatoes:				
Process Contract *	cwt	\$ 4.40	\$ 4.75	\$ 5.10
Fresh – open	cwt	\$ 2.50	\$ 4.00	\$ 6.90
Process – open	cwt	\$ 4.30	\$ 4.85	\$ 5.85
Sugarbeets (contract)	ton	\$35	\$40	\$46
Wheat:				
Hard Red Spring (14%)	bu	\$ 3.00	\$ 3.85	\$ 5.30
Hard Red Winter (11%)	bu	\$ 2.00	\$ 3.20	\$ 4.90
Soft White	bu	\$ 2.05	\$ 2.95	\$ 4.45
Forage				
Alfalfa Hay:				
Feeder*	ton	na	\$75	na
Dairy*	ton	na	\$95	na
Grass Hay*	ton	na	\$60	na
Corn Silage*	ton	na	\$24	na
Straw*	ton	na	\$35	na
Private Leased Forage	AUM	\$11	\$12	\$13
Range (state land)	AUM	\$ 4.15	\$ 4.75	\$ 5.15
Range (Federal land)	AUM	\$ 1.35	\$ 1.45	\$ 2.00

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.

* Does not use 10-year price history. See written discussion.

Table 4. Eastern Idaho long range marketing year planning prices for 2000/01.

Crop	Units	10-yr Seasonal Price Averages		
		Minimum Average	Olympic Average	Maximum Average
Barley, Feed	cwt	\$ 3.50	\$ 4.55	\$ 6.55
Barley, Malt (open)	cwt	\$ 4.20	\$ 5.65	\$ 6.85
Barley, Malt (contract)*	cwt	---	\$ 6.35	---
Potatoes:				
Proc. Contract	cwt	\$ 4.40	\$ 4.75	\$ 5.10
Fresh – open	cwt	\$ 2.50	\$ 4.00	\$ 6.90
Process. – open	cwt	\$ 4.30	\$ 4.85	\$ 5.85
Seed - G2 *	cwt	\$ 6.00	\$ 8.00	\$ 10.25
Seed - G3 *	cwt	\$ 4.00	\$ 6.00	\$ 8.00
Sugarbeets (contract)	ton	\$36	\$41	\$47
Wheat:				
Hard Red Spring (14%)	bu	\$ 3.15	\$ 4.00	\$ 5.45
Hard Red Winter (11%)	bu	\$ 2.15	\$ 3.35	\$ 5.05
Soft White	bu	\$ 2.20	\$ 3.10	\$ 4.60
Forage				
Alfalfa Hay:				
Feeder*	ton	na	\$75	na
Dairy*	ton	na	\$90	na
Grass Hay*	ton	na	\$60	na
Corn Silage*	ton	na	\$23	na
Straw*	ton	na	\$35	na
Private Leased Forage	AUM	\$11	\$12	\$13
Range (state land)	AUM	\$ 4.15	\$4.75	\$ 5.15
Range (Federal land)	AUM	\$ 1.35	\$ 1.45	\$ 2.00

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.

* Does not use 10-year price history. See written discussion.

Table 5. Historic and long range planning prices for PNW livestock.

	Unit	Calendar Year Average				Long Term Ave.
		1998	1999	2000	2001-p	
Choice Steers 11 – 1300# *	cwt	61.20	64.15	68.94	73	69
Steers 8-900# *	cwt	67.40	69.35	79.06	79	70
Steers 7-800# *	cwt	68.65	71.90	83.67	84	75
Steers 6-700# *	cwt	74.20	75.90	90.06	91	78
Steers 5-600# *	cwt	79.45	81.90	96.35	97	84
Steers 4-500# *	cwt	83.00	83.70	104.21	104	88
Utility Cows **	cwt	34.60	36.10	41.83	45	43
Slaughter Lambs (100-125#)	cwt	73.15	74.75	79.89	62	81
Feeder Lambs (70-90#)	cwt	80.40	80.60	93.24	80	84
Sheep	Head	31.10	30.60	30.11	29	30
Wool (Clean, USDA 56's)	lb.	1.06	0.60	0.53	0.65	1.08
Milk, Class III	cwt	14.20	12.45	9.74	13	12.13
Springer Heifers	head	1218	1355	1344	1500	1193
Holstein Bull Calves, day old	head	34	31	72	90	31
Holstein Heifer Calves, day old	head	88	142	193	230	100

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 and USDA-AMS.