



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.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

Commodity Planning Prices 1995

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

Agricultural Economics Extension Series

AEES 94-6

December 9, 1994



University of Idaho Cooperative Extension System

Commodity Planning Prices 1995

by

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

A. E. Extension Series Number 94-6

December 9, 1994

College of Agriculture

Planning Prices for Idaho Crops

Commodity prices vary significantly, not only between years, but within the marketing year as well. In general, prices are lowest at harvest and strengthen as the temporary imbalance of supply and demand changes. While some commodities follow well established seasonal price patterns, others are quite erratic varying significantly from year-to-year. For commodities with well established seasonal patterns, the overall price level can be dramatically different even though the pattern may remain unchanged. A single price, even one based on historical data, does not show this inherent variability.

Two general categories of planning prices are listed: 1) long range, and 2) short range or current marketing year. The long range planning prices are based on time-series data, when an acceptable data series is available. There are two price columns, one showing the 7-year Olympic average and the second showing the lowest average price over the past seven years, also based on an Olympic average. The prices are based on a marketing year, rather than a calendar year. The marketing year varies by commodity and matches those established by USDA.

The short run planning prices, 1994/95, are based upon current market fundamentals, supply and demand. They represent an estimate of what the price is expected to average over the current marketing year. To address the issue of risk, the lowest expected price of the current market year is also listed.

Olympic Averages

An Olympic average is calculated by removing the high and the low price from the specified time frame 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 over time than a simple average for the same period because the impact of one year's extremely high or low price is reduced.

Short Vs. Long Run

Which price to use, long run or short run, depends on the analysis. A feasibility study would use the long range planning prices, while a cash flow estimate for the current year might rely on the short-run planning price.

What price should be used on 1995 crops that will be marketed in the 1995/96 marketing year? An average of the long and short run planning prices is one alternative. Since prices tend to move toward the historical average, the price received for the 1995 crop will tend to be somewhere between the short run and long run prices, assuming the short run prices are accurate. A more conservative approach is to use the long run planning price for any crop but the current one.

Data Sources and Data Problems

The information used to calculate these planning prices comes from a variety of different sources, although the Idaho Agricultural Statistics Service, USDA is the dominant source. Unfortunately, USDA does not acquire price data on all crops grown in the state. Crops grown predominately or exclusively under contract can be particularly difficult problem. Another problem is that some of the USDA commodity data does not fit a specific market class. For example, the wheat price published by the Idaho Agricultural Statistics Service is differentiated as winter and spring. But, there are significant differences between the price of hard red spring wheat and soft white spring wheat, and between hard red winter and soft white winter wheat.

The following grain crop prices are based on the Idaho Farm Bureau prices at Pocatello: feed barley, hard red spring wheat, hard red winter wheat and soft white wheat. The price in other areas of southeastern Idaho would need to be reduced by the transportation cost to Pocatello. The price for these grains in the other three areas of the state is based on the historical price difference measured from Pocatello. While this price difference has changed over time, it tends to remain constant within a given year. The market location for South-central Idaho is the Burley/Twin Falls area, the market location for Southwestern Idaho is the Nampa/Caldwell area, and the market location for Northern Idaho is Lewiston.

The prices for corn and oats are based on USDA data. Contract malt barley is based on the prevailing base price from the most recent contracts. Open malt barley is priced \$.80 above the feed barley price. This premium varies year-to-year, but this represents a long term difference. Up until three years ago, USDA reported only one barley price in Idaho. This was a composite of monthly average of feed barley, open malt barley and contract malt barley. While USDA still maintains the all barley price, it also has a feed barley price series and a malt barley price series. The new data series don't currently contain the number of years of data needed to look at long term trends and the malt barley price includes both open market and contract purchases made during a given month.

The price for dry beans, dry peas and lentils use monthly prices from USDA. The price for rapeseed is based on the posted county price from the ASCS. USDA prices are also used on sugarbeets, sweet corn and the fresh and processing potatoes. The contract potato price uses the base contract price adjusted for the five year quality average.

Hay, straw and silage prices come from a variety of different sources, including hay brokers, county agents and livestock producers. The AUM rate is split between what is charged by the federal land management agencies, BLM and Forest Service, and what is charged on private pasture. The short range government AUM price is for 1994. If the PRIA formula is used, the 1995 rate will be less than the 1994 rate. The long range government AUM price is based on expected increases.

Livestock Price Estimates

The short range planning prices are conservative estimates based on the present market fundamentals. Long range price estimates are based on historical price trends over the last 10 years. While livestock prices are statewide estimates they are most reflective of Southern Idaho.

Comments

The commodity price outlook is presented as a guideline to assist farmers, ranchers, lenders and agri-businesses in planning. Local circumstances may alter the actual prices in your area. Future inflation or deflation may increase or decrease costs and commodity prices from these levels.

It will enhance your planning efforts if you keep updated on the current outlook situation. Use current information to modify your plans as necessary. Some sources for current outlook are:

- The PNW Situation and Outlook published in January. Contact your local U of I Extension office for a copy.
- The *Western Livestock Roundup* published in the Western Beef Producer.
- USDA's World Agricultural Supply and Demand Estimates (WASDE) is published each month. It includes U.S. and world situation/outlook commentary and information on meats, dairy, grains and other major crops. Call 1-800-999-6779 for more information.

These reports and many others are also available on the University of Idaho's AGRI-NET electronic bulletin board system. To access set your communications software to no parity, 8 data bits, 1 stop bit (N,8,1) and full duplex. AGRI-NET supports modems up to 14.4k cps. Dial 208-525-8374 and register as a user. Other than your phone call there is no charge for using AGRI-NET.

Table 1. 1994/95 Long Range Crop Planning Prices for Idaho Based on Marketing Year Averages.

Crop	Units	Southwestern		Southcentral		Southeastern		Northern	
		7-yr Olympic Average	7-yr Average Low	7-yr Olympic Average	7-yr Average Low	7-yr Olympic Average	7-yr Average Low	7-yr Olympic Average	7-yr Average Low
Barley, Feed	cwt	\$ 4.75	\$ 4.20	\$ 4.65	\$ 4.10	\$ 4.45	\$ 3.90	\$ 4.60	\$ 4.05
Barley, Malt:									
Open	cwt	---	---	\$ 5.45	\$ 4.70	\$ 5.25	\$ 4.50	\$ 5.40	\$ 4.65
Contract	cwt	---	---	\$ 6.25	\$ 6.25	\$ 6.25	\$ 6.25	---	---
Corn	bu	\$ 2.75	\$ 2.20	\$ 2.70	\$ 2.15	---	---	---	---
Oats	cwt	\$ 4.00	\$ 3.90	\$ 3.80	\$ 3.70	\$ 3.90	\$ 3.80	\$ 4.05	\$ 3.95
Wheat:									
Hard Red Spring	bu	\$ 3.65	\$ 3.05	\$ 3.45	\$ 2.85	\$ 3.55	\$ 2.95	---	---
Hard Red Winter	bu	\$ 3.30	\$ 2.35	\$ 3.10	\$ 2.15	\$ 3.20	\$ 2.25	---	---
Soft White	bu	\$ 3.25	\$ 2.60	\$ 3.05	\$ 2.40	\$ 3.15	\$ 2.50	\$ 3.40	\$ 2.75
Alfalfa Seed :									
Proprietary	lb	\$1.10	na	\$1.10	na	---	---	---	---
Public	lb	\$1.00	na	\$1.00	na	---	---	---	---
Dry Beans	cwt	\$20.90	\$14.50	\$20.90	\$14.50	---	---	---	---
Dry Peas:									
Austrian Winter	cwt	---	---	---	---	---	---	\$10.85	\$ 7.35
Green	cwt	---	---	---	---	---	---	\$ 8.90	\$ 7.10
Seed (contract)	cwt	---	---	\$13.05	\$10.60	\$13.05	\$10.60	---	---
Lentils	cwt	---	---	---	---	---	---	\$17.15	\$11.00
Rapeseed	cwt	---	---	---	---	\$ 8.60	na	\$ 8.80	na
Potatoes:									
Contract	cwt	\$ 4.90	\$ 3.90	\$ 4.90	\$ 3.90	\$ 4.95	\$ 3.90	---	---
Fresh	cwt	\$ 4.70	\$ 3.00	\$ 4.70	\$ 3.00	\$ 4.70	\$ 3.00	---	---
Processing	cwt	\$ 4.90	\$ 3.80	\$ 4.90	\$ 3.80	\$ 4.90	\$ 3.80	---	---
Seed - G4	cwt	---	---	---	---	\$ 5.70	\$ 4.00	---	---
Sugarbeets									
Contract	ton	\$39.00	\$35.40	\$40.00	\$36.40	\$41.00	\$37.40	---	---
Sweet Corn									
Contract	ton	\$58.25	\$53.40	\$58.25	\$53.40	---	---	---	---
Alfalfa Hay:									
Feeder	ton	\$60.00	na	\$60.00	na	\$60.00	na	\$65.00	na
Dairy	ton	\$80.00	na	\$80.00	na	\$80.00	na	\$85.00	na
Grass Hay	ton	\$50.00	na	\$50.00	na	\$50.00	na	\$50.00	na
Corn Silage	ton	\$20.00	na	\$20.00	na	\$20.00	na	---	---
Straw	ton	\$30.00	na	\$30.00	na	\$30.00	na	---	---
Pasture (irrigated)	AUM	\$14.00	na	\$14.00	na	\$14.00	na	---	---
Range (govt.)	AUM	\$2.75	na	\$2.75	na	\$2.75	na	\$2.75	na

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

Table 2. 1994/95 Short Range Planning Prices for Idaho Based On Expected Marketing Year Averages.

Crop	Units	Southwestern		Southcentral		Southeastern		Northern	
		1994/95 Expected Market Average	1994/95 Expected Market Low	1994/95 Expected Market Average	1994/95 Expected Market Low	1994/95 Expected Market Average	1994/95 Expected Market Low	1994/95 Expected Market Average	1994/95 Expected Market Low
Barley, Feed	cwt	\$ 4.85	\$ 4.55	\$ 4.75	\$ 4.45	\$ 4.55	\$ 4.25	\$ 4.80	\$ 4.40
Barley, Malt:									
Open	cwt	---	---	\$ 5.55	\$ 5.25	\$ 5.35	\$ 5.05	\$ 5.60	\$ 5.35
Contract	cwt	---	---	\$ 6.25	---	\$ 6.25	---	---	---
Corn	bu	\$ 2.25	---	\$ 2.20	---	---	---	---	---
Oats	cwt	\$ 4.20	---	\$ 3.90	---	\$ 4.00	---	\$ 4.15	---
Wheat:									
Hard Red Spring	bu	\$ 4.30	\$ 3.60	\$ 4.10	\$ 3.40	\$ 4.20	\$ 3.50	---	---
Hard Red Winter	bu	\$ 3.75	\$ 3.35	\$ 3.55	\$ 3.15	\$ 3.65	\$ 3.25	---	---
Soft White	bu	\$ 3.80	\$ 2.85	\$ 3.60	\$ 2.75	\$ 3.70	\$ 2.85	\$ 3.95	\$ 3.10
Alfalfa Seed:									
Proprietary	lb	\$1.15	na	\$1.15	na	---	---	---	---
Public	lb	\$1.05	na	\$1.05	na	---	---	---	---
Dry Beans	cwt	\$19.00	\$17.00	\$19.00	\$17.00	---	---	---	---
Dry Peas:									
Austrian Winter	cwt	---	---	---	---	---	---	\$12.00	\$ 9.50
Green	cwt	---	---	---	---	---	---	\$ 9.00	\$ 8.25
Seed (contract)	cwt	---	---	\$13.50	---	\$13.50	---	---	---
Lentils	cwt	---	---	---	---	---	---	\$14.00	\$12.00
Rapeseed	cwt	---	---	---	---	\$ 8.50	na	\$ 9.00	na
Potatoes:									
Contract	cwt	\$ 5.05	---	\$ 5.05	---	\$ 5.05	---	---	---
Fresh	cwt	---	---	\$ 3.50	\$ 2.00	\$ 3.50	\$ 2.00	---	---
Processing	cwt	\$ 4.00	\$ 3.00	\$ 4.00	\$ 3.00	\$ 4.00	\$ 3.00	---	---
Seed - G4	cwt	---	---	---	---	\$ 6.00	---	---	---
Sugarbeets									
Contract	ton	\$40.00	---	\$41.00	---	\$42.00	---	---	---
Sweet Corn									
Contract	ton	\$60.00	---	\$60.00	---	---	---	---	---
Alfalfa Hay:									
Feeder	ton	\$75	---	\$75	---	\$70	---	\$80	---
Dairy	ton	\$100	---	\$100	---	\$95	---	\$110	na
Grass Hay	ton	\$60	---	\$60	---	\$60	---	\$60	na
Corn Silage	ton	\$25	---	\$25	---	\$25	---	---	---
Straw	ton	\$35	---	\$35	---	\$30	---	---	---
Pasture (irrigated)	AUM	\$12.50	na	\$12.50	na	\$12.50	na	---	---
Range (govt.)	AUM	\$1.98	na	\$1.98	na	\$1.98	na	\$1.98	na

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

Table 3: One Year and Long Range Planning Prices for Idaho Livestock Based on Calendar Year Averages

	One Year Planning Prices					Long Range
	Unit	Quarter				LT Ave.
		I	II	III	IV	
		Dollars				
Market Hogs (240# Ave.)	Cwt.	36-41	38-43	38-43	37-42	44
Steers (350 - 499#)	Cwt.	88-95	90-97	86-91	83-90	72
Steers (500 - 599#)	Cwt.	82-84	83-86	79-82	75-79	69
Steers (600 - 699#)	Cwt.	76-80	77-82	73-77	74-78	67
Steers (700 - 799#)	Cwt.	72-78	71-76	67-72	69-73	65
Steers (800 - 899#)	Cwt.	70-75	68-74	63-68	66-72	64
Choice Steers 1100#	Cwt.	69-74	67-72	61-66	64-68	62
Cull Cows	Cwt.	40-44	40-44	36-40	34-38	35
Cull Bulls	Cwt.	42-46	41-45	38-41	35-39	40
Slaughter Lambs (100-125#)	Cwt.	61-68	58-65	52-58	50-57	65
Feeder Lambs (65-99#)	Cwt.	63-71	60-66	54-59	53-59	70
Cull Ewes	Head	23-28	23 - 30	16-25	16-25	18
Livestock Products						
Milk, Fluid Grade	Cwt.	11.50	11.90	12.15	12.30	12
Milk, Mfg. Grade	Cwt.	10.95	11.00	11.30	11.70	11.5
Wool, Grease Basis - Farm	Lbs.	.70	0.75	.65	.60	.55

NOTE: Heifer prices will be 6 to 10 cents below steer Prices at the same weight.