Idaho Agricultural Outlook
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PNW Cattle Outlook – Fall 1999

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In general 1999 has been more favorable to cattlemen than last year, in spite of a 3 percent increase in total beef production for the first 9 months. Is beef demand planning a turnaround? One data point is not enough to draw any conclusions but more beef has gone through markets this year at higher prices.

Current Situation

A two percent increase in slaughter and a one percent increase in dressed weights contributed to the 3 percent increase in beef production through September. In fact slaughter has picked up since mid-September and slaughter cattle prices have improved $2 to $3 per cwt. to the $69 to $71 range. This is the first time since October 1997 fed's have topped $70. Box beef cutout values have also been stronger, averaging above year-ago levels since February, and above the five-year average since May. On Oct. 15 cut out values on choice Y3 carcasses were $1.15, the highest level in four years. The latest Cattle on Feed report (10/15/99) had fewer placements than the trade expected and larger marketing's. This should serve to buoy up prices also. Feeder prices have generally strengthened too, except for the Texas-Oklahoma area where prices have been steady.

Beef Production

For 1999 beef production has increased 3.1 percent above 1998 levels. Year-over-year increases in both fed cattle slaughter numbers and average dressed weights bolstered beef production during the January through Mid-October period. For 1999 beef production is projected to be a record 26.2 billion pounds. So far steer and heifer prices have averaged on par to better than a year ago in spite of higher beef production. Higher wholesale-retail beef prices and production indicates good beef demand by consumers in recent months. Many are asking hopefully, "will the apparent change in beef demand continue?"

In addition to the uncertainty of beef demand, two other major factors to weigh are i) the number of heavy weight feeder cattle that will be placed and ii) to what degree will pork

production decline in the 4th quarter compared to a year ago. So far placements have been above year ago levels but have not always been as high as industry watchers have expected. Pork production is expected to decline 2 to 4 percent this fall over last, providing some relief from the competition.

Slaughter

For much of 1999, Federally Inspected (FI) heifer slaughter has been above a year ago. For August, 1999's FI heifer slaughter was 7.6 percent larger than 1998. For the January – August period FI heifer slaughter was 3.5 percent larger than 1998's and may set a new record. This record pace has been remarkable in part because the largest calf crop in this cycle was in 1995. A look at the past three cattle cycles shows the peak in heifer slaughter to be between 2 and 5 years after the peak calf crop, whereas steer slaughter usually peaks within a year. Y-T-D steer slaughter through August was 2.5 percent higher than in 1998 but 1.6 percent below the 1995 peak.

On-Feed

Cattle and calves on feed for slaughter market in the United States for feedlots with capacity of 1,000 or more head totaled 10.27 million head on October 1, 1999. The inventory was 5 percent above October 1, 1998 and 3 percent above October 1, 1997. The inventory included 6.21 million steers and steer calves, up 4 percent from the previous year. This group accounted for 60 percent of the total inventory. Heifers and heifer calves accounted for 4.02 million head, up 6 percent from 1998.

Placements in feedlots during September totaled 2.76 million, 4 percent above 1998 and 2 percent above 1997. Net placements were 2.70 million. During September, placements of cattle and calves weighing less than 600 pounds were 629,000, 600-699 pounds were 557,000, 700-799 pounds were 758,000, and 800 pounds and greater were 815,000.

Marketing's of fed cattle during September totaled 1.96 million, 5 percent above 1998 and 8 percent above 1997.

Other disappearance totaled 62,000 during September, 2 percent above 1998 and 17 percent above 1997.

Cattle on Feed: Number on Feed, Placements, Marketings, and Other Disappearance, 1,000+ Capacity Feedlots, United States, October 1, 1997-99

Item	Number			1999 as % of	
	1997	1998	1999	1997	1998
	1,000 Head			Percent	
On Feed Sep 1 1/	9,121	9,045	9,526	104	105
Placed on Feed During Sep	2,711	2,660	2,759	102	104
Fed Cattle Marketed During Sep	1,816	1,863	1,957	108	105
Other Disappearance During Sep 2/	53	61	62	117	102
On Feed Oct 1 1/	9,963	9,781	10,266	103	105

1/ Cattle and calves on feed are animals for slaughter market being fed a ration of grain or other concentrates and are expected to produce a carcass that will grade select or better.
2/ Includes death losses, movement from feedlots to pastures and shipments to other feedlots for further feeding.
SOURCE: USDA-NASS

Trade

For the first half of 1999 U.S. beef imports and exports were both up compared to 1998. U.S. beef imports were up 8 percent with double digit increases from Argentina, Brazil and Canada. U.S. beef and veal exports during the first 6 months of 1999 were better than expected. Year to year declines in beef exports to Japan and Canada were offset by increases in exports to Mexico, South Korea and other countries. Compared to the first half of 1998 U.S. beef exports increased 8 percent on a tonnage basis. However, the U.S. is still a net beef importer.

U.S. pork imports were much larger than a year ago while pork exports continued to lag. Also to date poultry exports have lagged compared to 1998.

U.S. imports of **Mexican** cattle (primarily feeder cattle) increased 25 percent compared to 1998 through July. Beef exports to Mexico are up over 13 percent compared to the same period last year.

Beef exports to **Japan** are lagging by 5.6 percent compared to last year. Their lackluster economy and yen exchange rate to the dollar have hampered gains. Exports to **Korea** have recovered substantially this year, up 290 percent compared to 1998, a year when they cut beef imports nearly in half.

Total U.S. beef exports are up 8 percent on a tonnage basis. Although on a weight basis the U.S. is a net beef importer, most imports are lower valued cuts and processing beef. U.S. exports are higher valued and on a dollar basis we are a net exporter. In

1998 the U.S. imported $3.2 billion in cattle, beef and beef products. We exported $4.6 billion in cattle, beef, and beef products.

Beef exports to **Canada** are down 5.3 percent for the first seven months compared to 1998. Imports of beef from Canada are up 13 percent. Imports of live cattle (mostly fed cattle) are down 23 percent while U.S. exports of cattle to Canada (mostly feeder cattle) are up 56 percent for the same period a year-ago. The Department of Commerce implemented tariffs in August which will impact the fed and feeder cattle situation for both Canadian and U.S. cattlemen.

There has been much concern over Canadian imports by U.S. cattlemen. Recently the U.S. Commerce Department ruled on the suit brought by R-CALF. The following comments are excerpted from a report[1] on the tariff issue by the Trade Research Center at Montana State University.

> U.S. imports of Canadian live cattle represent approximately 3–4 percent of total U.S. live cattle slaughter. If carcass or boxed beef imports do not increase in response to the proposed tariff on U.S. imports of Canadian live cattle, the tariff will generate very small positive impacts on U.S. slaughter and feeder cattle prices. Conversely, an import tariff on Canadian live cattle will likely cause relatively larger (negative) impacts on Canadian slaughter and feeder cattle prices because Canada exports approximately 40 percent of its live cattle production to the United States. The ultimate impacts of the proposed tariff on U.S. live cattle imports from Canada hinge critically upon the actions of the beef processing sector. If beef processors increase imports of Canadian carcass or boxed beef, then much of the small positive effects on U.S. cattle prices of reduced live cattle imports could be offset. In addition, increased imports of Canadian carcass or boxed beef may reduce cattle slaughtering efficiencies which has the potential to increase retail prices and/or reduce cattle prices and processor profitability.
>
> Finally, several other general aspects of this recent trade action are worthy of consideration. For example, the legal and bureaucratic costs associated with this trade dispute have been relatively large for U.S. and Canadian livestock producers and their respective governments. These costs are likely to increase substantially over time as this trade action is challenged under NAFTA and WTO provisions. In addition, the imposition of an import tariff is likely to hamper efforts

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[1] Brester, Gary W., John M. Marsh, and Vincent H. Smith, 1999, Evaluating the Impacts of the U.S. Department of Commerce's Preliminary Imposition of Tariffs on U.S. Imports of Canadian Live Cattle, Trade Research Center, Montana State University–Bozeman, Research Discussion Paper No. 34.

to expand access and reduce tariff-rate quotas in U.S. beef export markets during the upcoming WTO negotiations. Finally, such trade actions may encourage retaliatory trade actions (for example, Mexico's proposed tariffs on imported U.S. beef, variety meats, and by-products) that could limit U.S. beef exports.

Price Prospects

For the fourth quarter of 1999 and through 2000 cattle prices should be profitable for cattle operators. Feed is expected to remain reasonably priced into the 2000 crop year. If better prices stimulate interest in heifer retention the supply of feeder cattle could be tightened and put upward pressure on prices.

The demand for beef has been strong this year. In part that has been aided by the generally economy. U.S. consumers are spending money like water. The savings rate has gone from a very low to a negative rate (consumers are pulling money out). In part the long bull run in the stock market has given people the feeling that a bonus has been added to the low inflation – good wages combination. As a result consumers are eating out more and more, and beef is often their choice. Restaurant consumption of high choice and prime beef is very strong.

Management Strategies

Several management options are available to cow-calf operators. Some have longer term implications. All options a person is considering should be penciled out and compared. First compare for economic feasibility and then assess the potential risk to the operation of each option. An alternative should be profitable and fit with-in the operations perspective toward risk.

Several alternatives are available including selling weaned calves, over wintering calves for spring sale, retaining ownership in a feed lot for slaughter cattle and herd expansion by retaining heifers or adding cows.

Herd Building

The mid-year cattle inventory indicated fewer beef cows and a calf crop of 38.3 million head, 2 million less than the peak in 1995. With several years of smaller beef herd and calf crop the year 2000 calf crop will be smaller also. Ranchers reactions to the increases in calf prices will determine the size of calf crop for 2001 and beyond. Heifers held back this fall won't enter the cow herd until 2001.

For the past several years calves have been back-grounded and pastured which has delayed their movement to feed yards. In addition heifers have been sold rather than held for breeding so heifer slaughter has been above normal. A smaller calf crop and even modest heifer retention will tighten the available supply of cattle for feedlots. This will put further upward pressure on calf prices.

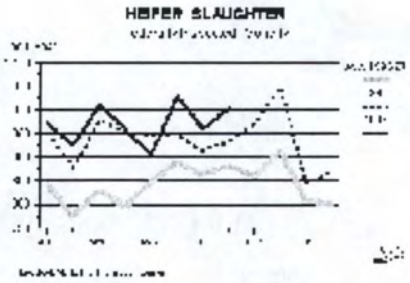
Historically the cattle cycle averages 10 years with about four years in the build up phase and 4 to 5 in liquidation. Prices typically lag the biological cycle by 1 ½ to 2 years. Prices will likely be favorable for several years. A question then is how to best take advantage of rising prices if there is a 24 month lag in getting your production system on-line? One option would be to buy bred cows this winter to add to the herd. This would put additional production on-line for the next year. Another option would be to purchase yearling heifers that are bred and would calve next spring. The traditional route would be to start holding back some heifers now that would enter the herd in 2001.

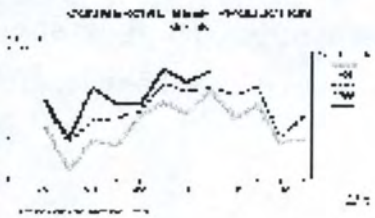
Price forecast

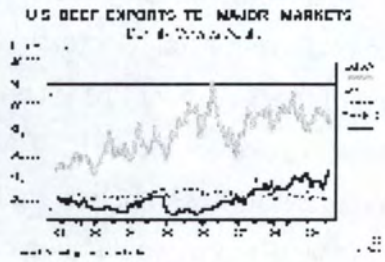
The cattle market is essentially a national market with localized differences due principally to transportation. As such the PNW fed cattle market mirrors the national market in the southern plains but is typically $1 - $2 under those prices. Fed cattle prices have improved all year over 1998. Feeder prices have bobbed up and down around last year's price level. The table below gives our forecast of things to come.

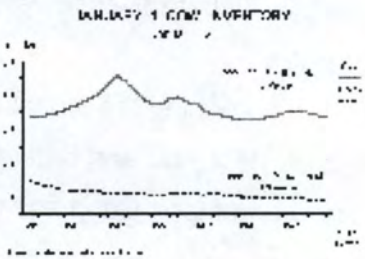
Table 1 Projected PNW Prices for 1999 - 2000

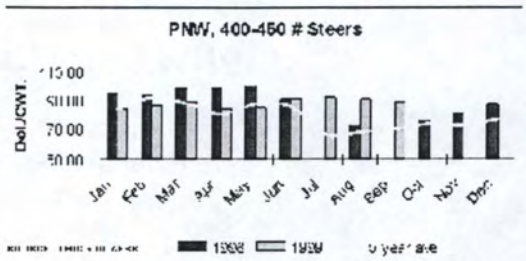
Category	4th Quarter – 99	1st Quarter – 00	2nd Quarter – 00	3rd Quarter - 00	Ann. Ave. 2000
Steers 1100-1300	67-72	69-73	69-73	64-70	70
Steers 700-800	68-72	72-76	74-78	74-78	75
Steers 500-600	80-84	87-94	89-97	84-92	88
Steers 400-500	87-92	92-98	95-103	90-96	95
Utility Cows	32-37	35-40	38-43	36-42	39










PNW, 400-450 # Steers
Dol./CWT.
70.00
50.00
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Feb
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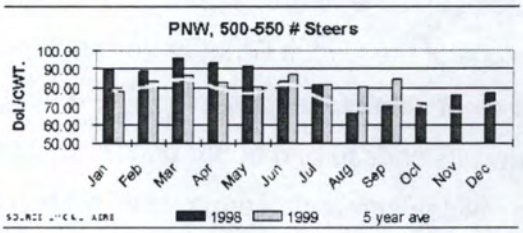
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
1998
1999


PNW, 500-550 # Steers
Dol./CWT.
100.00
90.00
80.00
70.00
60.00
50.00
Jan
Feb
Mar
Apr
May
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Jul
Aug
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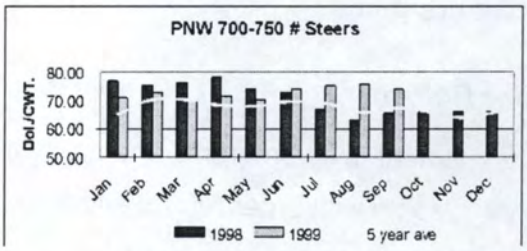
1998
1999
5 year ave


PNW 700-750 # Steers
Dol./CWT.
80.00
70.00
60.00
50.00
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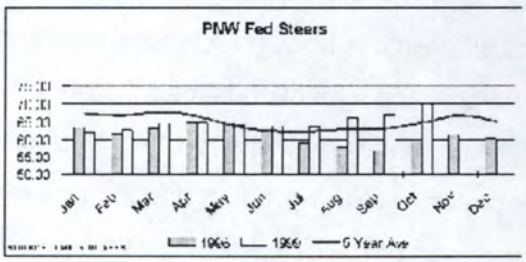
1999
5 year ave


PNW Fed Steers
Jan
Feb
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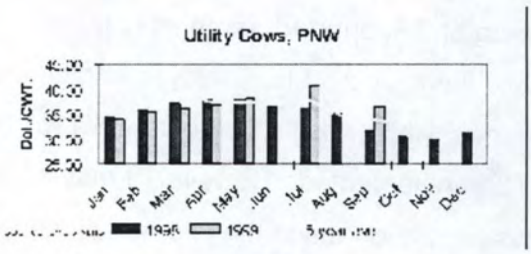
1998
1999
5 Year Ave


Utility Cows, PNW
Dol./CWT.
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
1998
1999

PNW Dairy Outlook: Fall 1999

Prepared by C. Wilson Gray
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Current Situation

On October 1 the heated politics of milk policy took another turn. At the 11th hour Judge Sessions of the Circuit Court in Vermont granted a temporary injunction to halt implementation of the final rule. The request was filed by four New England cooperatives. Meanwhile cheese and butter prices have been seeking a floor with only modest success. With holiday demand nearing, activity should pick up, albeit at bargain prices. In spite of the price "flush," milk production has forged steadily ahead. U.S. production has increased 3.2 percent this year.

Order Reform

At the moment dairy programs and policy are up in the air as congress, USDA, and dairy groups grapple with order reform and the contentious issues therein. In congress proposed legislation ranges from more market oriented policy to regional compacts. Secretary Glickman issued the final order that includes consolidation of the 31 orders to 11, changes in price differentials between classes, and substituting a Class III price for the BFP. This was delayed by the injunction issued October 1. The delay means that Class I prices are likely lower than under reform and Class III prices higher for this fall. Reform would have caused milk prices to follow product prices more quickly than is the case now. See table 1 for a comparison of prices under the two scenarios. In the meanwhile congress did extend support prices for one year in the recently passed Ag Appropriations bill. Debate over 1b versus 1a pricing and support for regional compacts continues in congress.

While the injunction has delayed implementation of order reform, keeping the status quo in the meanwhile, it is likely the appeals will be completed by early next year and order reform will be implemented. However, it may be altered between now and then. Congress may pass legislation mandating some adjustments, or Judge Sessions may conclude that the proposed setting of Class I differentials is not legal and give it back to the Secretary to revise. Regional compacts are the most contentious issue to be resolved. The present Northeast compact will expire when reform is implemented, unless congress acts to extend it and/or add additional compact's.

The delay in order reform has also delayed the latest round of the Dairy Options Pilot Program. Several counties in the PNW states were slated to begin this later this fall. Most likely the DOPP program will go ahead this winter when the order reform issues have been settled.

For a more in-depth commentary on dairy policy and the effects of regional compacts go to Dr. Ken Bailey's web site at: http://www.aers.psu.edu/dairyoutlook/.

Dairy products

Production of diary products, fueled by increasing milk production, is running ahead of demand. In August total cheese production was 646.5 million lbs., up 8 percent over August a year ago. So far this year total cheese production is running 5.5 percent above year-ago levels. Based on USDA's commercial disappearance data cheese demand is up 3.5 percent.

Westward Ho!

American cheese production, the primary cheese type made in Idaho and other western states, reflected the strong increases in milk production. American cheese output was up a whopping 12.9 percent in August 1999, over August 1998. This was up 7.5 percent so far this year compared to last. Mozzarella, the major Italian type cheese produced in the U.S., is up 7.1 percent compared to last August and up 6.7 for the year to date as we continue to eat more pizza and other "fast food" dishes.

In the west, California, Idaho and Utah saw increases of 26.4, 10.7, and 22.9 percent respectively in total cheese output while Washington dropped 28.2 percent compared to August 1998. Led by California, American type cheese production increased 52.8, 10.3 and 40.3 percent in California, Idaho and Utah. Washington fell 13.8 percent behind year-ago levels.

According to the rule of supply and demand, when supply exceeds demand prices decline. Cheese prices peaked at near record levels in early August and have been declining since.

Idaho!!

Both production and processing capacity continue to expand in Idaho. To date nearly 2,500 cows have been added each month to the state dairy herd. On January 1, 2000 there will likely be 330,000 dairy cows in the state producing an average of 20,000 lbs. of milk. For 1999 Idaho milk production will likely reach 6.3 billion lbs. This represents a 10.5 percent increase in total state milk production led by a 9.9 percent increase in dairy cow numbers.

Avonmore initiated a major expansion at their Gooding facility this year, and WestFarm Foods (formerly Darigold) built a new milk condensing facility in Jerome. Several locations are under consideration for additional plant siting by several companies. The current climate is to continue the growth track that the Idaho industry has been on since 1993. Even if this growth rate slows over the next several years it is likely that Idaho will reach the 8.5 to 9.0 billion lb. total milk production level by 2002 or 2003. That has the potential of moving Idaho up to 5th place in national milk production.

Projections...

If one has followed futures prices for the BFP contracts the future looks rather bleak for the next several months. The board sometimes has a tendency to over react to both good and bad news. However, opportunities to protect milk prices were certainly foregone by dairymen who thought that the high prices would last. Low prices probably will be with us awhile but not forever. Fortunately, cheese doesn't store as long as grain or beans.

With the delay in implementing order reform lower prices have been put off a couple of months. Those will begin catching up with the BFP price in November and continue down for at least a couple of months. Recovery will depend upon whether the great sale prices on cheese will stimulate holiday demand, how big the spring flush is, and the usual market unknowns; politics, weather, and external influences. Feed will remain cheap into next summer. USDA has raised the size of both the crop and carry over stocks of wheat and feed grains as production was larger and utilization lower than previously expected on both crops. Although global production is up also, much of the increase is due to U.S. production. Although the milk price forecast is not as optimistic as some would like, because feed costs will remain favorable and milk prices may not go under operating costs of production for most dairymen, at least not for an extended period, the new millennium will probably start with more of a whimper than a bang, from either exuberance or implosion. Projected PNW prices are given in table 2.

Tables and Graphs

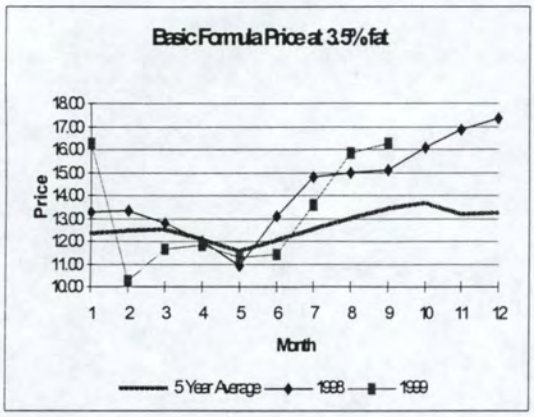
Table 1 Comparison of Current Class Prices to Those Under the Final Rule [1]

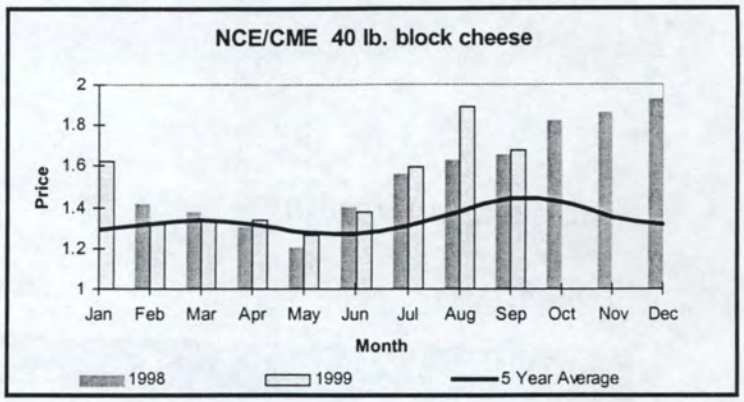
	Aug.	Sept.	Oct.	Nov.
		$/cwt.		
ClassI mover:				
current	11.42	13.59	15.79	16.26
Final rule	12.88	15.26	16.54	NA
ClassII price:				
current	11.72	13.89	16.09	16.56
Final rule	13.46	13.29	NA	NA
ClassIII price:				
current	15.79	16.26	NA	NA
Final rule	15.61	15.60	NA	NA
ClassIIIa/IV price:				
current	12.62	12.37	NA	NA
Final rule	12.77	12.67	NA	NA

Table 2: PNW Dairy prices for 1999 – 2000, quarterly average

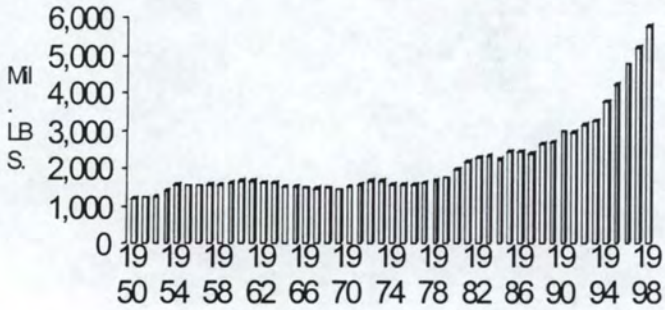
	4th Quarter 1999	1st Quarter 2000	2nd Quarter 2000	3rd Quarter 2000	Ann. Ave. 2000
			Dollars per CWT.		
BFP price *	13.10-13.90	NA	NA	NA	NA
Class III price *	NA	11.50-12.50	11.25-12.35	11.90-13.00	11.90-12.30
Utility Cows	32-37	35-40	38-43	36-42	39
	* Assumes order reform is implemented in 1st quarter 2000 as currently written				

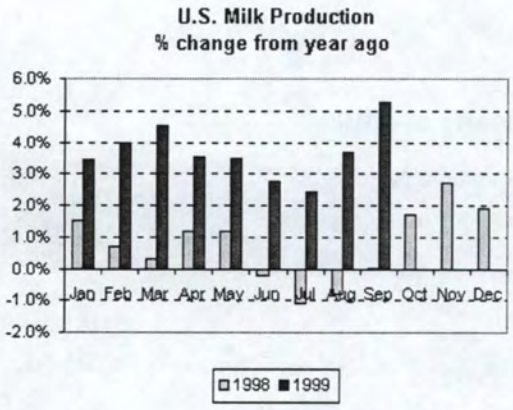
[1] From Weekly Dairy Market Outlook by Dr. Ken Bailey, Penn State University, October 8, 1999.

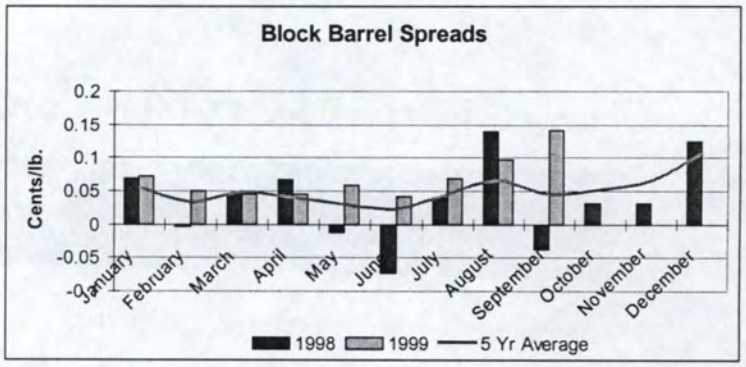




Total Annual Milk Production, Idaho







Idaho Edible Dry Bean Market Situation and Outlook for 1999-00

Prepared by Paul E. Patterson
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The October estimate for 1999 dry edible bean production by USDA (Table 1) was only slightly higher than their earlier estimates. The 0.8 percent increase over the August forecast put dry bean production at 31.76 million cwt, 3.0 percent above 1998. Although less than last year's 5 percent increase, it is not the type of news that will improve depressed bean prices. Since planted acreage was up only 0.6 percent, either harvested acreage, yield or both had to increase over last year. Since harvested acreage actually decreased, the cause for higher production in 1999 was obviously better yields. The U.S. average yield incrased by 3.6 percent. The decrease in harvested acres after planted acres increased indicates that abandoned acreage was greater in 1999 than in 1998. Typically, 95 percent of the planted dry bean acres are ultimately harvested. This was the case in 1998. In 1999, only 94 percent of the planted acreage was harvested.

North Dakota, the nation's largest dry bean producer, planted 120,000 fewer acres (-16.0 percent), but this followed last year's increase of 150,000 acres. Number two Michigan planted an additional 50,000 acres (+16.7 percent), the largest increase of any state. Number three Nebraska planted 25,000 more acres (+12.8 percent) and Minnesota tied with California for the second biggest increase, up 45,000 acres (+23.7 percent). California saw the largest percentage increase, a whopping 40.9 percent, which put them back into fourth place in dry bean production.

The USDA's October estimate of 31.76 million cwt puts total production 2.21 million cwt above the five-year average. (Table 2.) If the estimate holds, this will be the third largest dry bean crop on record, behind the 1991(33.77 million cwt) and 1990 (32.38 million cwt) crops.

The U.S. harvested 1,903,000 acres (Table1), a reduction of 10,900 acres (-0.6 percent) compared to 1998. In the Pacific Northwest, 1999 production is projected to be down 2.0 percent with Idaho down 2.5 percent, Oregon up 42.8 percent, and Washington down 8.5 percent. Idaho is expected to harvest 20.0 cwt per acre on 103,000 acres compared with 20.5 cwt on the same acreage in 1998. Oregon's projected yield of 19.0 cwt is up 1.3 cwt from 1998 and the 11,400 acres harvested is up 2,800 acres from 1998. Oregon's relatively small dry bean acreage can show

significant percentage changes, but mean relatively little to the overall market. Washington's 1999 yield is estimated to be 22.0 cwt per acre, down 0.3 cwt and the 37,000 harvested acres was down by 3,000.

Review of 1998-99

Dry bean prices in Idaho did not follow the normal pattern where low harvest-time prices are followed by strengthening prices. With the exception of Pinto prices, prices of all other major bean classes stayed flat during the September – August marketing year. Pinto prices also started low but kept falling, ending the marketing year nearly $3 lower. Pintos started the year in the $17 to $17.50 range and ended at $14.50, averaging close to $15.40 per cwt for the year. Great Northerns started in the $17.50 to $18.00 range and ended the year at $17.00, averaging $17.45 per cwt. Small Whites started in the $19.50 to $20.50 range and ended the year at $19, averaging $19.30 per cwt. Pinks started the year in $18 to $19 range and ended the year at $18.50, averaging $18.45. Small Reds started the year in the $18.50 to $19 range and ended the year at $18.50, averaging $19.25.

Looking Ahead for 1999-00

The dry bean market has shown some life in the early weeks of the 1999-00 marketing year. Pinto prices in the $17 to $18 range are $3 higher than when the1998-99 marketing year ended. Early season prices are similar to last year's early season prices. Great Northern prices have also shown some early improvement with prices $1 to $2 higher in the $17 to $19 range. Small White prices are starting the new marketing year about where they ended in the $18 to $20 range. This means prices below last year at the same time. Pinks have shown some weakness with prices in the $16 to $18 range, $1 to $1.50 lower than the end of the 1998-99 marketing year. Small Reds trading at $17 have also shown some early season weakness with prices $1.50 below the 1998-99 marketing year ending prices. Once prices have stabilized, this marketing year will likely be similar to last year with fairly flat prices over the majority of the season. Pintos should not see the price declines during the marketing year experienced last year. Overall, the aggregate dry bean price should average slightly above last year's price. The dry bean price reported by the Idaho Agricultural Statistics Service should average $.50 to $1.00 higher than the 1998-99 average price of $17.05 but still well below the five-year average of $20.30. It's difficult at this time to be optimistic with production above the five-year average and exports below the five-year average.

Table 3 shows how prices for the various bean classes have changed from harvest to June. Harvest in this case is defined as the average price in the two months of September and October. June is typically the high price month for

most, but not all bean classes. Table 3 shows price changes using a five-year average, a ten-year average and last year. Table 3 also shows the highest positive and negative changes that occurred during the ten-year period of 1989 through 1998 and in what year this occurred. It's unlikely that we will see the negative price changes this year that prevailed last year. But changes will likely fall below the five- and ten-year averages.

In real estate they say the three most important factors determining value are: 1- location, 2- location, and 3- location. In the dry bean market the three most important factors that will determine the direction of prices are: 1- exports, 2- exports, and 3- exports. USDA's current export estimate for calendar year 1999 is only 7.8 million cwt, a 27 percent reduction from 1998. The only good news is that 1998 was the best export year since 1990 so that although the percentage drop is significant, it is not as bad as it appears. With a population of roughly 272 million and per capita consumption of approximately 7.8 pounds, domestic use of dry beans is around 21.2 million cwt. This is only two thirds of the 1999 production. If the remainder of production doesn't move in the export market, it depresses the domestic market.

Projections For 2000-01

Projections for next year will not be made until the January outlook. USDA will revise the 1999 acreage, yield and production estimates in December. This will provide a more accurate base from which to make future projections. The direction and tone of both the dry bean and grain markets will be better established then as well.

Table 1. Dry Edible Beans: Area Harvested, Yield, and Production by State and United States, 1997-98 and Forecasted October 1, 1999 1/

State	1998	1999	1998	1999	1997	1998	1999
	Area Harvested		Yield			Production	
	--- 1,000 Acres --		---- Pounds ---			--------- 1,000 Cwt --------	
CA	105.0	132.0	1,950	2,200	3,000	2,048	2,900
CO	155.0	155.0	1,850	1,700	2,280	2,868	2,635
ID	103.0	103.0	2,050	2,000	2,156	2,112	2,060
KS	19.0	23.0	2,000	1,850	380	380	426
MI	295.0	340.0	1,500	1,900	4,941	4,425	6,460
MN	175.0	185.0	1,450	1,450	2,558	2,538	2,683
MT	12.2	15.5	2,180	2,180	257	266	338
NE	188.0	205.0	1,950	1,900	3,708	3,666	3,895
NM	9.5	1.0	1,800	1,800	204	171	18
NY	30.0	30.5	1,420	1,200	679	426	366
ND	710.0	600.0	1,380	1,300	7,119	9,798	7,800
OR	8.6	11.4	1,770	1,900	182	152	217
TX	13.5	19.0	1,000	1,500	143	135	285
UT	5.9	6.6	510	650	42	30	43
WA	40.0	37.0	2,230	2,200	850	890	814
WI	7.2	8.0	1,600	1,850	171	115	148
WY	37.0	31.0	2,180	2,150	700	808	667
US	1,913.9	1,903.0	1,611	1,669	29,370	30,828	31,755

Source: USDA, NASS Crop Production Report.
1/ Excludes beans grown for garden seed.

Table 2. Dry edible bean production, price and exports.

Marketing Year	U.S. Production	U.S. Exports[1/]	Idaho Production	Average Idaho Price[2/]
	(million cwt)	(million cwt)	(1,000 cwt)	(per cwt)
1994-95	28.95	7.8	2,691	$18.90
1995-96	30.69	8.1	2,160	$20.90
1996-97	27.91	9.0	1,907	$23.65
1997-98	29.37	7.8	2,156	$21.00
1998-99	30.83	10.7	2,112	$17.05
5-yr Average	29.55	8.7	2,205	$20.30
1999-00[3/]	31.76	7.8	2,060	$17.55

Source: USDA: Vegetable and Specialties Yearbook, July 1999, unless noted otherwise.

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

[3/] US and Idaho production are USDA estimates from October's Crop Production Report. Idaho's price is the author's forecast.

Table 3. Price change from September-October to June for dry edible bean prices in Idaho.

Time Frame	Pintos	Great Northerns	Small Whites	Pinks	Small Reds
	$/cwt	$/cwt	$/cwt	$/cwt	$/cwt
5-Year Average: 1994-98	+1.50	+0.65	+1.10	+1.05	+1.80
10-Year Average: 1989-98	+2.25	+0.85	-0.37	+0.60	+1.65
1998 Marketing Year	-2.70	-0.65	-0.90	-0.45	-0.20
Largest Positive Change:	1989	1994	1996	1989	1995
1989-98	+13.45	+6.75	+3.00	+5.70	+4.95
Largest Negative Change:	1996	1992	1991	1992	1993
1989-98	-4.05	-3.10	–4.35	-2.90	-1.55

Source: Weekly Dry Bean Report, Greeley, CO. Agricultural Marketing Service, USDA.

1999-2000 Hay and Forage Situation and Outlook

Prepared by Neil R. Rimbey
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Here's a look at the Idaho hay production and supply figures from USDA released in October of 1999. The interaction of supply and demand for hay and forage will determine price received by growers and paid by feeders or graziers. This article will concentrate on the factors affecting supply and demand and, based upon that, make some projections in terms of hay and forage prices for the 1999 crop.

Hay Supply: Alfalfa acreage increased from 1.13 million acres in 1998 to 1.15 million in 1999. Alfalfa production is projected to be 4.945 million tons (up from 4.859 million in 1998), a record level. Other hay acreage declined 20,000 acres to 280,000 acres in 1999, with production estimated at 532,000 tons. Carryover from the 1998 crop still on hand was 777,000 tons (as of May 1999). Total supply of all hay (alfalfa and other hay) will thus be up a bit from last year, to a record level of 6.254 million tons (from 6.069 million tons in '98). Table 1 presents a twenty-five year history of Idaho hay production and supply. Quality issues: There was rain during first cutting in several areas of the state and the carryover from 1998 is generally lower quality.

Hay Demand: Dairy cow numbers are continuing to increase at about 2,500 head per month. Projections are for that rate of growth to continue through the remaining months of 1999, implying that the January 1 inventory of dairy cows will settle at around 330,000 head (up from 302,000 in 1999). Beef cattle numbers are static to slightly down (a little below 500,000 head of beef cows and heifers on January 1, 1999). Sheep continue to decline to about 200,000 head of stock sheep. Horse numbers are anyone's guess, as there is no consistent year-to-year estimate published.

Price Implications: With the continued growth in the dairy sector, there will be stronger demand for higher quality alfalfa hay. Growers appear to be getting a bit more sophisticated in some of their cultural practices, and many are shooting for the dairy market with their hay crop. Most of the dairy hay is purchased on a chemical analysis (protein, Acid Detergent Fiber, etc.) basis. With the beef situation and other animals being stagnant to downward in numbers, after the dairy market, things look pretty bleak. Most of the dairy hay will be sold in the $85-110/ton range (depending upon location and quality) and most of the feeder/beef hay will be in the $35-55/ton range. Horse hay will trade in the range of dairy hay. As usual, the severity of winter can dramatically affect these projections. Long, hard winters translate into more hay consumption from livestock.

Federal grazing fees will again be at or near the $1.35/Animal Unit Month (AUM) floor. The formula is tied to indices of cattle prices, prices paid and private lease rates in 1999. The beef market continued to suffer through stagnant prices through much of early 1999 and prices paid continued to escalate. The State Land grazing lease rate for 2000 will be $4.75/AUM. The bulk of private grazing lease rates will fall in the range of $10-$15/AUM. Services provided by the landlord and the distance to the grazing lease both have a significant effect on private grazing lease rates. Spring rainfall and temperatures will determine range production and grazing conditions for 2000.

Table 1. Idaho Hay Production and Supply, 1975-1999 (1,000 tons).

Year	Hay Stocks Jan 1/Dec 1*	Hay Stocks May 1	Alfalfa Production	Other Hay Production	Total Crop Production	Total Supply[1]
1975	2878	576	3811	630	4441	5017
1976	2576	533	3621	580	4201	4734
1977	2899	798	3852	607	4459	5257
1978	3344	1026	4050	658	4708	5734
1979	3531	1083	3631	495	4126	5209
1980	2682	619	3815	580	4395	5014
1981	3120	835	3960	493	4453	5288
1982	3073	757	3774	672	4446	5203
1983	2712	489	4017	897	4914	5403
1984	2850	393	3938	805	4743	5136
1985	3036	522	3570	510	4080	4602
1986	3304	245	4180	540	4720	4965
1987	4008	1086	3978	525	4503	5589
1988	3648	901	3496	385	3881	4782
1989	2183	310	3720	380	4100	4410
1990	2287	485	3744	340	4084	4569
1991	3221	408	4120	380	4500	4908
1992	2193	644	3367	288	3655	4299
1993	2955	292	4200	644	4844	5136
1994	2263	678	3978	460	4438	5116
1995	2794	222	4180	570	4750	4972
1996	2285	660	4200	560	4760	5420
1997	2743	286	4100	630	4730	5016
1998	3329	520	4859	690	5549	6069
1999		777	4945	532	5477	6254
Avg	2913.08	605.80	3964.24	554.04	4518.28	5124.08
Max	4008	1086	4945	897	5549	6254
Min	2183	222	3367	288	3655	4299

[1] Total supply = May 1 stocks plus current year's production.

Government, Nature and a Global Market

By Neil Meyer
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Introduction:

The question is often asked "Why is the government involved in agriculture?" The simple answer is "Food is so important government will not leave its supply beyond its control. Adequate food is necessary for any country to function. When a country's citizens have enough to eat they are much more likely to be satisfied with the other conditions in the country. On the other side, starving citizens have little to lose and therefore are difficult to govern.

Role of Government in Agriculture:

The role of government has been to ensure an adequate supply of food for citizens. Actually having a more than adequate supply assures that the price of food remains low. Low cost food permits consumers to have more discretionary income to spend on other personal wants and needs. It permits an increase in the standard of living. It also allows relatively lower wages to be paid by other industries. As a result there is generally a broad base of support in society for ensuring adequate food supplies. The first recorded government involvement in food policy I am aware of is when the Egyptian Pharaoh hired a foreigner to manage surplus food in 1670 BC. In the US, an early program was the Homestead Act, which encouraged persons to go out and settle on land, occupy it and produce food for the market. Later the Department of Agriculture with its research and extension functions was established at the turn of the last century.

New Deal programs began a legacy of government attempting to assure adequate food while stabilizing prices

Today, our federal government still has major roles in food policy. Besides various payments to keep agriculture viable, it provides funds for basic and applied research,

adult and youth education, safety inspections, weights and measures, breeding, genetics, processing and the numerous other activities necessary to get safe wholesome agricultural products to the customer's table. Recently, increased emphasis has been foreign trade and food safety. The role of exports has expanded as a source of foreign exchange and to assist the trade balance. Food has also been used as a tool to enhance stability world wide through providing food supplies to threaten nations.

Role of Nature:

One of the most significant natural occurrences is weather. Production is largely determined by weather conditions during the growing and harvesting seasons. In some areas irrigation is used to modify weather effects, but even then there is a problem of heat units, early or late frosts or rain during harvest. Violent weather can bring natural disasters. In its desire to maintain a stable food supply, the federal government often provides disaster assistance to help farmers over the rough spots. Crop insurance has been encouraged and subsidized also to help reduce the financial problems associated with crop reduction or loss. Storage programs have been used to keep surplus production off the market until it can be used or sold beneficially.

Global Market

Since World War II we have seen a tremendous increase in trade among nations. Improved economies and reduced trade barriers have encouraged this. A second factor that has strongly influenced international trade is the freeing of currency exchange rates with the discontinuance of the Bretton Woods agreement. This was the agreement that fixed currencies in relation to each other. Increases in demand for our products resulted in strong prices while increasing volumes were sold. As trust and inter-linkages developed, new demand developed and new markets were supplied. In 1997, as a result of changes in several Asian economies, their currencies were devalued and they were unable to purchase the quantities they had formerly purchased. However, the time lines in agricultural production were such that

supplies were already planted and growing. The result was excess supplies and a lower level of demand, accompanied by lower worldwide commodity prices. This process was made more difficult as individuals attempted to maintain their individual business cash flow by increasing production. This increased supplies and further reduced prices to producers worldwide.

It appears the economies of the Asian countries are improving, which should increase international demand. At the same time some commodity supplies have been reduced. The difficult question today is how long will it take to get supply and demand back in a balance where producers can again achieve a satisfactory level of income. Producers worldwide are currently experiencing difficulties as a result of these events

Summary

As stated earlier, "Food is so important that government will never leave its provision to those beyond its control. The reasons are that if it is in short supply, the price rises for the general populace and they will protest. Industry must then adjust their wages to permit persons to eat and still support general demand for other services and products. That is also why it is in society's best interest to have abundant supplies of food available. If prices go too low, producers are forced out of business presenting the risk of concentrated ownership that could try to wrest monopoly profits from consumers or the ability to supply food for the country's population could be jeopardized. In other words, the ruling government wants adequate food supplies at moderate prices to permit it to stay in power.

Currently agricultural prices are forcing the latter, consolidation of production. At the same time control over seed stocks is being concentrated among fewer suppliers. Our government is attempting to slow producer's exit from farming through extra payments. Table 1 shows the direct federal payments to Idaho producers last fiscal year.

Table 1. Federal Payments to Idaho Producers, 1998.

Loan Deficiency Payments	$49,581,440
Conservation Cost Share	$ 3,435,933
Conservation Reserve Program	$29,570,906
Non-insured Crop Assistance	$ 283,048
Production Flexibility Payments	$59,258,535
Total Payments to Producers	$142,129,862

Source: Idaho Farm Service Agency, Boise, FY 1998 Report USDA Farm Service Agency Outlays

Federal elected officials have recognized the importance of food and fiber production by the quantity of resources they have allocated to all areas of food and fiber related systems in addition to the direct assistance. Still some times federal policies work at cross-purposes. An example is the efforts of the wheat industry to develop markets in other countries. Currently 70 percent of Idaho's wheat is exported. When exports to a customer country are stopped for political reasons, severe difficulties are created for producers. They have already invested in production but the world's alternative markets are flooded with supplies originally destined to the target market. We saw that happen with agricultural products destined to SE Asia rerouted to the US and our customers. This put severe pressure on US producers these past 2 years.

An adequate supply of safe food is key to any country's security. If our federal government is going to disrupt sales and distribution processes for political goals, two factors must be considered. (1.) Because of past history, we are not a dependable supplier of food and food products. Therefore we are the source of last resort. When the product is not available from other sources, importers will buy form the United States. That is not a stable base on which to build an export trade economy. (2) Markets that are not consistent are not a source of exports and foreign exchange for the national balance of trade. It also does not provide financial security to domestic producers because of significant price variation. The most predictable item affecting agricultural producers is that government will be involved in agriculture.

WHEAT AND FEED GRAINS

Prepared by Larry D. Makus
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Current World Situation

World wheat and coarse grain markets are starting the 1999/00 marketing year with prices comparable or just slightly improved from last year. More than adequate world supplies of grains continues to pressure prices.

Wheat: The 1999/00 world wheat crop is currently forecast at 577.7 million metric tons (MMT) (Table 1). Although down 1.7 percent from the 1998 wheat crop (and the smallest crop since 1995/96), world wheat production is still relatively high by historical standards. The decline in world wheat production represents smaller 1999 wheat crops for the US, European Union, Eastern Europe, and North Africa. China and Russia had significant wheat production increases for 1999. Although 1999 world wheat production declined by just over 10 MMT from last year, world use is expected to decline by just over 5 MMT. World ending stocks continue to decline, but the decline continues to be relatively modest. The projected 1999/00 stocks to use ratio of 21.9 percent is down from 1998, but still above the 19-20 percent range experienced in the mid-1990s. Although improving modestly, the world wheat supply/demand situation is not substantially different from that experienced in 1998/99.

Coarse Grains: World coarse grain production is projected to drop by almost 20 MMT in 1999 (Table 1). US production of feed grains is expected to be down about 8 MMT, and foreign production down about 12 MMT. The foreign production decline is led by China. After increasing substantially in 1998/99, world ending stocks are projected to decline from 153.8 to 152.1 MMT (1.1 percent) for the 1999/00 marketing year.

US Wheat and Feed Grain Situations

Historically tight supplies for US grains (especially feed grains), was the key factor in setting record high farm level prices for corn and wheat during the mid-1990's. Since that time, large world and US crops have put substantial downward pressure on prices. US ending stocks of both corn and wheat have reached relatively high levels.

Wheat: The 1999 US wheat crop is forecast at 2.318 billion bushels, well below 1998's crop of 2.547 billion bushels (Table 2). However, lower projected domestic use of wheat for feed and just slightly larger projected US exports mean ending stocks will move up about 4 percent to 987 million bushels. US wheat carryover for 1999/00 is projected to be the largest carryover since the 1987/88 marketing year. Farm level wheat prices for 1999/00 are currently forecast to average in the $2.45 to $2.65 range, which is just below the 1998/99 level of $2.65.

US White wheat production totaled 247 million bushels in 1999, well below the previous two years (Table 2). Accordingly, white wheat prices have held up well compared to other classes. Portland prices dropped down to around $3.00 from harvest pressure in August, recovered back up to the $3.30 range in late September, and dropped off to around $3.20 in mid-October. For the first four months of the marketing year (June-September), Portland prices have averaged about 65-70 cents above the US farm level price, or almost 30 cents above the historical average differential of 41 cents.

Feed Grains: Projected US corn production for 1999 is currently at 9.467 billion bushels. If realized, this will be down about 300 million bushels from 1998, but still the fourth largest US corn crop. Regarding other feed grains, grain sorghum production is projected to increase by almost 12 percent to 580 million bushels, barley production is down almost 20 percent to 284 million bushels, and oats are down 11 percent to 148 million bushels. Total US feed grain production is down almost 3 percent to 263.5 MMT. Even with slightly higher domestic use, US feed grain ending stocks are expected to increase by almost 8 percent. Farm level corn prices for 1999/00 are

currently projected in the $1.65 to $2.05 per bushel range, below last year's $1.95 per bushel level.

Prices for other major feed grains are projected to follow a similar pattern of a slight decline, except for barley. Barley is projected hold steady at the $2.00 per bushel ($83.00 per ton) at the farm level. In spite of lower supply levels, barley prices are staying relatively low in response to lower corn prices.

Outlook for 2000

The world has continued to produce relatively large grain crops for four consecutive years. How world grain producers respond to another year of low prices, and world wide growing conditions are key factors as we look forward to prices expectations this coming year. Relatively large grain stocks, especially for the US, suggest significant production decreases are necessary for a major market recovery. As spring approaches, 2000 world grain crop conditions will become the dominant market force. Although it is a little early to speculate about the 2000 grain crop, reduced production is what holds the greatest potential for providing any significant price relief in the near future.

Wheat: US wheat supplies remain at relatively high levels following several years of historically tight world supplies in the mid-1990s. The 1999/00 drop in world ending stocks to 128.1 MMT (Table 1) provides some encouraging news. However, keep in mind the market will likely not become terribly excited until world stocks forecasts get down into the 105 to 110 MMT range. Market fundamentals provide little encouragement for a substantial price rally for the remainder of the 1999/00 marketing year. Early export levels for US wheat have been encouraging, and US exports need to remain at above projected levels to sustain any type of significant price rally. Current (Jun-Sep) wheat export inspections for 1999/00 are almost 16 percent above last year. Projected exports for the entire 1999/00 marketing year are about 8 percent above 1998/99. If exports begin to slow, prices certainly have some potential for a downward

move. Most wheat futures markets show a pretty strong carry (18-25 cents) from December to May. The one exception is white wheat, where both the cash forward and futures markets suggest more limited optimism for price gains from holding grain in storage.

The 2000 wheat crop is certainly the key to any opportunity for a substantial price increase between now and next summer. Although it is too early to predict the 2000 wheat crop, three factors remain relevant. First, the world wheat crop has been at record (or near record) levels for four consecutive years. The "law of averages" suggests that favorable weather patterns may not continue, and a smaller world wheat crop is the likely outcome. This same statement was relevant last year, but the "law of averages" has increased the probability for a reduction since it didn't occur last year. Second, this year's projected price levels should discourage wheat plantings and reduce world wheat production. Total world use should recover and rise with the continuation of income recovery in some major importing countries. The final factor involves the US wheat crop specifically. Planting conditions for winter wheat started off a little dry, but conditions have improved. Nationally, planting and emergence are slightly above average.

Given projections for world wheat production, world wheat ending stocks are projected to decline. However, US stocks will increase slightly. Although some price improvement is expected as the marketing year progresses, relatively high US carryover is likely to cap any major price recovery. The US farm level price is expected to decrease slightly to the $2.45 to $2.65 per bushel range. Portland prices are somewhat more problematic, since white wheat has remained fairly strong relative to other classes. Concerns about a downward adjustment for white wheat certainly exist. Exports will likely be the key, and export levels may take a hit when the Australian crop begins to show up on the market later this year. The markets are certainly saying white wheat is not the class to hold at this point. I expect Portland to average slightly above last year's $3.04 level, primarily because we have missed last year's extreme harvest

lows. A season average price of $3.10 to $3.30 seems likely, suggesting that current prices are approaching the seasonal high.

Feed Grains: US feed grain prices are in a worse situation than wheat. Supplies are very adequate, world and US carryover stocks are expected to decline only slightly or increase respectively, and the seasonal price lows may get worse. Prices for the remainder of the marketing year may follow normal seasonal price increases at best. Although export shipments are starting off strong, production projections have been increasing as harvest progresses. Any price improvement on feed grains will likely wait until late spring when the market begins to focus on the 2000 crop. Although feed barley may not face as much supply side pressure, early export levels are dismal, and corn stocks will continue exerting a heavy weight on barley prices.

Table 1. World Wheat and Coarse Grain Production, Use, and Ending Stocks, Marketing Years 1997/98 to 1999/00.

Year	Production MMT	Production Annual % Change	Use MMT	Use Annual % Change	Ending Stocks MMT	Ending Stocks Annual % Change	Stocks to Use Ratio (%)
Wheat							
1997/98	609.4	+ 4.6	584.0	+ 1.3	139.2	+23.4	23.8
1998/99	587.9	- 3.5	590.9	+ 1.2	136.2	- 2.6	23.0
1999/00	577.7	- 1.7	585.8	- 0.9	128.1	- 6.0	21.9
Coarse Grains							
1997/98	882.9	- 2.7	875.4	- 5.7	136.2	+ 6.7	15.6
1998/99	889.6	+ 0.8	872.1	- 0.4	153.8	+12.9	17.6
1999/00	870.0	- 2.2	871.7	- 0.1	152.1	- 1.1	17.4

Notes:
MMT = Million Metric Tons

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

1997/98 and 1998/99 marketing year estimates are from the USDA's October World Ag. Supply & Demand Estimates (WASDE) report.

1999/00 marketing year projections are from the USDA's October World Ag. Supply & Demand Estimates (WASDE) report.

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

Table 2. U.S. Wheat and White Wheat Balance Sheets for Marketing Years 1997/98 to 1999/00.

	Marketing Year		
	1997/98	1998/99	1999/00
		(billion bushels)	
Wheat			
Beginning Stocks	0.444	0.722	0.946
Production	2.481	2.547	2.318
Total Supply	3.020	3.373	3.369
Domestic Use	1.257	1.385	1.257
Export	1.040	1.042	1.125
Total Use	2.298	2.427	2.382
Ending Stocks	0.722	0.946	0.987
Avg. Farm Price ($/bu)	$3.38	$2.65	$2.45-2.65
		(million bushels)	
White Wheat			
Beginning Stocks	59	90	87
Production	332	301	247
Total Supply	399	401	342
Domestic Use	104	116	96
Export	205	198	165
Total Use	309	314	262
Ending Stocks	90	87	89
Avg. Portland Price ($/bu)	$3.81	$3.04	$3.10-3.30

Notes:
1997/98 and 1998/99 marketing year estimates are from the USDA's October World Ag. Supply & Demand Estimates (WASDE) report.

1999/00 marketing year projections are from the USDA's October World Ag. Supply & Demand Estimates (WASDE) report.

Portland average price is based on weekly average prices for the marketing year (July through June) for 1997/98 and 1998/99. For the 1999/00 marketing year, the average Portland price is estimated by the author. The average Portland price for July through September was $3.15.

Total supply includes imports.