

2007-08 Long Range Planning Prices for Idaho Crops

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Commodity prices can vary significantly within the marketing year as well as between years. Prices for many agricultural commodities tend to be lowest at harvest and strengthen throughout the year as the temporary imbalance between supply and demand changes. Some commodities follow well-established seasonal price patterns, while other commodity prices are less predictable, more volatile and vary significantly from one year to the next as well as throughout the marketing year. Even for a commodity with a well-established seasonal price pattern, the overall price level can vary even though the pattern may remain unchanged. While it is difficult for a single price to characterize an entire marketing year--and may even be misleading--a single price is often needed for planning purposes.

Farm and ranch businesses must plan for both the short term and the long term. A single price will seldom work for both short range and long range planning purposes. The long range planning prices contained in this publication are based on historical (time-series) data. Short run planning prices would normally be a projected price for the current or some future market year based on market fundamentals (supply and demand situation) or technical analysis. While the University of Idaho provided short run planning prices for many years, these were discontinued in 2005.

Historical prices certainly give a much clearer view of the past than of the future. But unless there has been a significant structural change that impacts the commodity's supply or demand, then historical prices provide both a simple and an appropriate estimate for long range planning. Historical data can provide information on expected high, low and average prices. An obvious question: how many years of data should be used in calculating the average? Our recommendation is that you use at least ten and not more than 20 years.

Idaho's long range planning prices are developed in the fall. Crop prices are found in separate tables for each region of the state: Northern, Southwestern, Southcentral and Eastern. These correspond to tables 2-5, respectively. There are three columns with each crop price table. The middle column shows the 10-year simple average price based on the marketing year for that crop. The left (minimum) and right (maximum) columns found in Tables 2-5 contain the lowest and highest average annual prices over the past ten years, respectively. Keep in mind that these are **not** the lowest and highest prices over the past ten years for these commodities. Crop prices correspond to a commodity specific marketing year used by USDA, generally from harvest to harvest. Certain crops, including silage, hay, straw and contract crops (processing potatoes, sugarbeets and malt barley) do not use 10-year averages.

Short Vs. Long Run

Whether to use the long run or a short run price will depend on the type of analysis. A feasibility study comparing the profitability of alternative crop or livestock enterprises 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 crops that will be harvested in 2008 and sold in the 2008/2009 marketing 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 2008 crop will likely be between the short run (current price) and long run price, assuming that the short run price is accurate and that no structural changes have occurred in the market that would disrupt the normal supply and demand situation and invalidate the long run prices based on historical data. A more conservative approach to planning is to use the long run planning price for all years 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

While USDA is the primary source of information used to derive Idaho planning prices, a number of non-USDA sources are also used, including expert opinions. USDA data

sources include Idaho Agricultural Statistics Service (IASS), National Agricultural Statistics Service (NASS) and Agricultural Market Service (AMS). Unfortunately, USDA does not acquire price data on all crops or on all the different market classes of crops grown in the state. For example, the wheat price published by the IASS is differentiated only as winter and spring. Spring wheat would include both hard red and soft white. But there is a significant difference between the prices of these two market classes of wheat, or between the two winter wheat market classes, hard red and soft white. Also, USDA prices are published on a statewide, not a regional basis, which can present a problem when significant regional price variability exists. Price transparency and availability is also a problem for crops grown predominately or exclusively under contract. Price data for these crops is often proprietary.

Wheat prices found in this publication are based on Portland prices reported by the Agricultural Marketing Service, USDA. These are adjusted to four Idaho locations using typical price differentials shown in Table 1 that reflect transportation and handling costs. The price differential between Portland and various locations in Idaho has changed over time. The price difference within the year has seen wider swings in recent years in part to volatile transportation costs. These price differentials are the marketing year average. Over the marketing year, price differentials tend to be wider at harvest and narrow as the marketing years progresses. 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/Pocatello/Blackfoot area and the market location for Northern Idaho is Lewiston. The price difference between Portland and the different market classes in each region is not the same. For example, the average difference between Portland and southeastern Idaho is \$0.75 for soft white, \$0.85 for hard red winter and \$0.90 for hard red spring. There is also some variation in the price differential for the same class of wheat at a given location between the high and low end of prices as shown in the typical price differentials in Table 1.

The price for contract malting barley is calculated using the average of the three or four most recent contracts base prices for the major malt companies that do business in Idaho. Malt barley contracts in Idaho include both fixed base-price contract for

barley meeting specified grade and quality standards, or a fixed premium over feed barley prices over a period of time and a fixed location. Quality-based incentives are added to the fixed base price for barley exceeding the minimums. Contracts in recent years have increased in complexity and may give the grower several 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. The premiums often vary between 2-row and 6-row, by contracting company and even by variety.

The long range average 2-row and 6-row malt barley prices are calculated from the data collected by the Idaho Barley Commission and published in their weekly *Idaho Grain Market Report*. These are more reflective of open market prices. Since 1991 IASS has reported three barley prices in Idaho; a feed price, a malt price and an all barley price. This last price is a composite of the monthly average of feed barley, open malt barley and contract malt barley purchases. The IASS malt barley price has two problems. First, to avoid disclosure, IASS may not always report a monthly price. And second, the IASS malt barley price is not an open- or spot-market price. It includes both open market and contract purchases made during a given month. The 10-year average for the IASS malting barley price series is \$6.30, the low annual average price for the past ten years was \$5.70 and the high annual average price was \$6.95. You can compare these statewide prices to those shown in the regional tables. Feed barley prices use a combination of data from the Idaho Barley Commission's Grain Market Report and market data collected by the Idaho Farm Bureau. The prices for corn (grain), oats and canola come from IASS annual state prices.

Dry bean prices come from USDA Agricultural Marketing Service. These are the marketing year averages calculated from weekly grower prices reported in "Bean Market News." This includes garbanzo beans in northern Idaho and the five major market classes grown in southern Idaho: Great Northerns, Pinks, Pintos, Reds and Small Whites. Dry pea prices (Austrian Winter, Green and Yellow) and lentil prices also come from this AMS weekly market report. The composite dry bean price is marketing year average price based on IASS monthly price data.

The average, high and low grain corn prices and sugarbeet prices are based on the state average annual price reported by the Idaho Agricultural Statistics Service. The average annual onion price published by IASS has changed in recent years from a packout price to a grower return price. The years with packout prices are converted to a field-run grower price, assuming that the field-run price is roughly one-half the packout price, and averaged with the grower return prices.

IASS monthly price data for fresh and process market potatoes are used to calculate a market year average price for these two open market prices. The contract potato price, however, uses the three most recent base contract prices for Russet Burbank potatoes, adjusted for the five-year quality average. The contract price is for an in-weight (field-run) contract that does not include storage.

Hay, straw and corn silage prices come from a variety of different sources that is subjective and can best be described as “experts’ opinions.” These experts include extension specialists, extension educators hay brokers, and producers. This is necessary because there is no applicable price series for these commodities.

The cost of grazing fees is presented on an AUM (Animal Unit Month) basis or cow-calf basis. An AUM is defined as “a cow or a cow-calf pair, or equivalent grazing for one month.” Separate rates are shown for range and pasture land managed by Federal agencies (BLM and Forest Service), the Idaho State Land Board and private landowners. The federal and state grazing fees are formula-based, while the private fee is market-based survey data. The federal AUM price is the rate charged by the Forest Service and BLM and is derived using the PRIA (Public Range Improvement Act) formula. The AUM price on state lands in Idaho is set annually by the Land Board and is based upon a PRIA-like formula established in 1994. The price per AUM for private grazing land is based on USDA-NASS data for Idaho reported annually in “Agricultural Prices.” As with other crop prices presented in tables 2-5, the long range forage charges are based on the most recent ten years of historical data.

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

<http://usda.mannlib.cornell.edu/MannUsda/homepage.do>

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

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

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

<http://www.lmic.info/>

- Jim Hilker's Market Outlook and Probabilistic Forecasts for Grain and Livestock, Michigan State University:

<http://www.msu.edu/user/hilker/>

- Kim Anderson's Crop Marketing and Risk Management, Oklahoma State University:

<http://agecon.okstate.edu/anderson/>

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

http://www.ag.uidaho.edu/aers/extension_links.htm

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

Click on **Resources** and follow the links.

Table 1. Wheat price differentials between Portland and Idaho: by region and wheat market class.

Region	Minimum	Average	Maximum
<u>Soft White Wheat</u>			
Southeast	\$.85	\$.75	\$.95
Southcentral	\$.90	\$.85	\$1.00
Southwest	\$.75	\$.70	\$.80
North	\$.30	\$.25	\$.25
<u>Hard Red Winter Wheat</u>			
Southeast	\$.85	\$.85	\$.70
Southcentral	\$.90	\$.90	\$.75
<u>Hard Red Spring Wheat</u>			
Southeast	\$.80	\$.90	\$1.10
Southcentral	\$0.90	\$.95	\$1.10
Southwest	\$.85	\$.85	\$.95

Note: These values are subtracted from the Portland 10-year average price, 10-year maximum monthly price and 10-year minimum monthly price to derive the Idaho regional wheat prices.

Table 2. Northern Idaho long range marketing year planning prices for 2007/08.

Crop	Units	10-Year Annual Minimum	10-Year Annual Average	10-Year Annual Maximum
Barley, Feed	cwt	\$ 3.40	\$ 4.55	\$ 7.00
Barley, 2-Row Malt	cwt	\$ 4.15	\$ 5.30	\$ 6.40
Barley, 6-Row Malt	cwt	\$ 4.50	\$ 5.85	\$ 7.10
Barley, Malt (contract)*	cwt	\$6.25	\$ 7.50	\$9.00
Oats (32 lb bushel)	ton	\$66	\$91	\$120
Canola	cwt	\$7.30	\$10.05	\$14.00
Dry Beans				
Garbanzos *	cwt	\$16.05	\$22.90	\$28.65
Dry Peas:				
Austrian Winter	cwt	\$ 6.45	\$ 9.20	\$12.00
Green	cwt	\$ 5.60	\$ 7.20	\$ 9.05
Yellow	cwt	\$ 5.05	\$ 6.70	\$8.00
Lentils	cwt	\$ 9.55	\$12.75	\$17.05
Wheat:				
Hard Red Spring (14%)	bu	---	---	---
Hard Red Winter (11%)	bu	---	---	---
Soft White	bu	\$ 2.70	\$ 3.45	\$ 4.80
Forage				
Alfalfa Feeder Hay*	ton	na	\$80	na
Grass Hay*	ton	---	\$70	---
Straw*	ton	---	\$20-40	---
Private Leased Forage	AUM	\$10.40	\$11.60	\$12.80
Private Leased Forage	Cow-Calf	\$12.50	\$13.60	\$15.00
Range (state)	AUM	\$ 4.16	\$ 5.15	\$ 6.02
Range (Federal)	AUM	\$ 1.35	\$ 1.43	\$ 1.79

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

Table 3. Southwestern Idaho long range marketing year planning prices for 2007/08.

Crop	Units	10-Year Annual Minimum	10-Year Annual Average	10-Year Annual Maximum
Alfalfa Seed	lb	\$1.15	\$1.25	\$1.40
Barley, Feed	cwt	\$ 3.70	\$ 4.60	\$ 6.50
Corn, Grain	bu	\$ 2.35	\$ 2.95	\$ 4.15
Dry Beans (composite)	cwt	\$15.10	\$19.75	\$25.10
Great Northerns	cwt	\$15.25	\$18.10	\$28.00
Pinks	cwt	\$13.00	\$19.80	\$26.00
Pintos	cwt	\$14.50	\$20.15	\$30.00
Small Reds	cwt	\$13.00	\$20.00	\$25.50
Small Whites	cwt	\$16.50	\$20.45	\$24.00
Potatoes (Russet Burbank):				
Process Contract*	cwt	\$ 4.75	\$ 5.25	\$ 5.75
Fresh	cwt	\$ 2.85	\$ 5.05	\$ 8.35
Process.	cwt	\$ 4.35	\$ 4.80	\$ 5.50
Onions	Cwt	\$2.70	\$4.95	\$8.50
Sugarbeets (contract)	ton	\$35	\$39	\$45
Wheat:				
Hard Red Spring (14%)	bu	\$ 3.15	\$ 3.85	\$ 4.95
Soft White	bu	\$ 2.25	\$ 3.00	\$ 4.25
Forage				
Alfalfa Hay:				
Feeder*	ton	\$60	\$80	\$100
Dairy*	ton	\$85	\$95	\$125
Grass Hay*	ton	\$55	\$80	\$95
Corn Silage* (in the pit)	ton	\$25	\$28-30	\$35
Straw*	ton	\$25	\$45-50	\$60
Private Leased Forage	AUM	\$10.40	\$11.60	\$12.80
Private Leased Forage	Cow-Calf	\$12.50	\$13.60	\$15.00
Range (state land)	AUM	\$ 4.16	\$ 5.15	\$ 6.02
Range (Federal land)	AUM	\$ 1.35	\$ 1.43	\$ 1.79

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 average.

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

Table 4. Southcentral Idaho long range marketing year planning prices for 2007/08.

Crop	Units	10-Year Annual Minimum	10-Year Annual Average	10-Year Annual Maximum
Alfalfa Seed	lb	\$1.15	\$1.25	\$1.40
Barley, Feed	cwt	\$ 3.60	\$ 4.60	\$ 6.25
Barley, 2-Row Malt	cwt	\$ 4.80	\$5 .65	\$ 6.75
Barley, 6-Row Malt	cwt	\$ 3.65	\$ 5.55	\$ 6.80
Barley, Malt (contract)*	cwt	\$6.25	\$ 7.50	\$9.75
Corn, Grain	bu	\$ 2.35	\$ 2.95	\$ 4.15
Dry Beans (composite)	cwt	\$15.10	\$19.75	\$25.10
Great Northerns	cwt	\$15.25	\$18.10	\$28.00
Pinks	cwt	\$13.00	\$19.80	\$26.00
Pintos	cwt	\$14.50	\$20.15	\$30.00
Small Reds	cwt	\$13.00	\$20.00	\$25.50
Small Whites	cwt	\$16.50	\$20.45	\$24.00
Potatoes (Russet Burbank):				
Process Contract *	cwt	\$ 4.75	\$ 5.25	\$ 5.75
Fresh	cwt	\$ 2.85	\$ 5.05	\$ 8.35
Process.	cwt	\$ 4.35	\$ 4.80	\$ 5.50
Sugarbeets (contract)	ton	\$35	\$39	\$45
Wheat:				
Hard Red Spring (14%)	bu	\$ 3.10	\$ 3.75	\$ 4.80
Hard Red Winter (11%)	bu	\$ 2.25	\$ 3.20	\$ 4.90
Soft White	bu	\$ 2.10	\$ 2.85	\$ 4.05
Forage				
Alfalfa Hay:				
Feeder*	ton	\$60	\$80	\$95
Dairy*	ton	\$85	\$95	\$120
Grass Hay*	ton	\$50	\$70	\$85
Corn Silage* (in the pit)	ton	\$25	\$28-30	\$35
Straw*	ton	\$20	\$35-45	\$55
Private Leased Forage	AUM	\$10.40	\$11.60	\$12.80
Private Leased Forage	Cow-Calf	\$12.50	\$13.60	\$15.00
Range (state land)	AUM	\$ 4.16	\$ 5.15	\$ 6.02
Range (Federal land)	AUM	\$ 1.35	\$ 1.43	\$ 1.79

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

Table 5. Eastern Idaho long range marketing year planning prices for 2007/08.

Crop	Units	10-Year Annual Minimum	10-Year Annual Average	10-Year Annual Maximum
Barley, Feed	cwt	\$ 3.50	\$ 4.40	\$ 6.25
Barley, 2-Row Malt	cwt	\$ 4.65	\$ 5.60	\$ 6.70
Barley, 6-Row Malt	cwt	\$ 3.65	\$ 5.55	\$ 6.80
Barley, Malt (contract)*	cwt	\$6.25	\$ 7.50	\$9.75
Canola	cwt	\$7.30	\$10.05	\$12.40
Potatoes (Russet Burbank):				
Proc. Contract	cwt	\$ 4.75	\$ 5.25	\$ 5.75
Fresh	cwt	\$ 2.85	\$ 5.05	\$ 8.35
Process.	cwt	\$ 4.35	\$ 4.80	\$ 5.50
Seed - G2 *	cwt	\$ 4.50	\$ 7.75	\$ 10.50
Seed - G3 *	cwt	\$ 3.50	\$ 6.75	\$ 9.50
Sugarbeets (contract)	ton	\$36	\$40	\$46
Wheat:				
Hard Red Spring (14%)	bu	\$ 3.20	\$ 3.80	\$ 4.80
Hard Red Winter (11%)	bu	\$ 2.30	\$ 3.25	\$ 4.95
Soft White	bu	\$ 2.15	\$ 2.95	\$ 4.10
Forage				
Alfalfa Hay:				
Feeder*	ton	\$60	\$75	\$85
Dairy*	ton	\$80	\$90	\$110
Grass Hay*	ton	\$50	\$70	\$85
Corn Silage* (in the pit)	ton	\$22	\$26-28	\$32
Straw*	ton	\$20	\$25-40	\$50
Private Leased Forage	AUM	\$10.40	\$11.60	\$12.80
Private Leased Forage	Cow-Calf	\$12.50	\$13.60	\$15.00
Range (state land)	AUM	\$ 4.16	\$ 5.015	\$ 6.02
Range (Federal land)	AUM	\$ 1.35	\$ 1.43	\$ 1.79

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 average.

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