

OR  
HEO/Ex8  
4P1  
#161  
#976  
c.3

A0000304074008

# 1976

## PACIFIC NORTHWEST AGRICULTURAL SITUATION AND OUTLOOK

- The General Economy
- International Trade
- Cereal Grains
- Hay and Forage
- Grass Seed Crops
- Fruits and Nuts
- Vegetables
- Potatoes, Onions, Sugar Beets
- Livestock
- Dairy
- Poultry and Eggs
- Forestry and  
Forest Production Markets
- Farm Production Inputs



A Pacific Northwest Extension Publication  
PNW 161  
Oregon • Washington • Idaho  
January 1976

People concerned with the immediate future of the agricultural industry of the Pacific Northwest continually need situation and outlook information on which to base decisions. These reports were prepared through the combined efforts of the Extension Services and various departments in the schools of agriculture at Oregon State University, Washington State University, and the University of Idaho, consulting with the U.S. Department of Agriculture and other agencies. The reports represent the latest factual information available and jointly considered interpretation of the facts as they affect the Pacific Northwest as 1976 approaches.

## CONTENTS

General Business Outlook .....	1	Vegetables .....	11
International Trade .....	3	Potatoes, Sugar Beets, Onions .....	12
Cereal Grains .....	5	Livestock .....	14
Hay and Forage Crops .....	7	Dairy .....	16
Seed Crops .....	8	Poultry .....	18
Fruit and Nuts .....	10	Forestry & Forest Products .....	19
Production Inputs .....	20		

## 1976 Outlook Task Force Members

### Oregon State University

R. H. GRODER, Chairman, Coordinating Committee. H. P. Adams, G. E. Blanch, C. M. Fischer, H. E. Gardner, R. Garren, N. R. Goetze, R. H. Groder, N. S. Mansour, S. C. Marks, R. O. McMahon, D. C. Mumford, A. G. Nelson, R. L. Stebbins, J. B. Wyckoff.

### Washington State University

A. H. HARRINGTON, Member, Coordinating Committee, D. R. Andrews, R. W. Bruce, B. J. Florea, W. S. Greig, A. H. Harrington, B. F. Kelso, R. G. Law, W. Pietsch, R. E. Thornton, R. W. Wilcox, G. F. Williams, O. S. Wirak.

### University of Idaho

R. L. SARGENT, Member, Coordinating Committee. V. H. Burlison, J. O. Early, R. D. Ensign, A. S. Horn, R. E. Ohms, C. F. Petersen, G. R. Prigge, R. L. Sargent.

# The General Economy

## ECONOMIC OUTLOOK FOR 1976

The U.S. economy is trying to climb out of its worst recession in more than 30 years. The Gross National Product in real terms is starting to rise after five consecutive quarters of decline. Progress in 1976, however, is expected to continue to be slow. Automobile production increased in August but not very robustly. New housing starts are increasing—up 9 percent from a year earlier—but are still far below the level of 1972. Business inventories have been dropping since January, encouraging new orders—up 11 percent during the same period. Still, confidence in the upturn apparently is weak, as “real” expenditures for new plants and equipment is down 8 percent from a year earlier and is expected to do little more than level off in the near future.

One of the effects of rigid price setting by both big business and big labor on our economic system has been a relatively low amount of investment going to increase our productive capacity. (This is not to deny that other contributing factors such as tax policy, cost of capital, etc. also have had an influence.) From 1960 through 1973 the U.S. invested only 17.5 percent of its output (discounting the effects of inflation) to rebuild its fixed investment in production equipment. This compared with 35 percent for Japan, 25.8 for West Germany, 24.5 for France, 21.8 for Canada, 20.5 for Italy, and 18.5 for Great Britain. Ultimately, this relatively low level of investment in plant and equipment is likely to affect the ability of the U.S. to competitively increase output.

Meanwhile, consumer prices have increased more than 8 percent over last year (when we had double-digit inflation), while wholesale prices, rising at an annual rate of 6 percent suddenly jumped 1.8 percent in September. “Real” disposable income (discounted for inflation) has turned upwards and outstanding consumer credit has stabi-

lized. Inflation is likely to continue to be a serious problem, as the Federal deficit grew at an annual rate of over 100 billion dollars during the second quarter of 1975 and will likely approach 70 billion dollars for the year as a whole.

There have been major shifts in how we spend our Federal budget. National Defense spending has decreased from 56 percent of the budget in 1956 to 27 percent in 1976. At the same time, Federal benefit payments for individuals have increased from less than 20 percent in 1956 to more than 44 percent of the total budget in 1976. In constant dollars (adjusting for inflation) National Defense has decreased nearly 20 percent during the two decades ending in 1976, while Social Security, welfare and other Federal Transfer payments to individuals have increased 150 percent. Spending by all levels of government now makes up a third of our national output. If domestic assistance programs were to continue to grow for the next two decades at the same rates as in the past two, total government spending would grow to more than half of our national output.

The Federal Reserve Board, in its attempts to ease the inflationary pressures while maintaining economic recovery, is causing interest rates to move again. The prime rate rose from less than 6 percent in May to more than 7 percent in September, and then started to ease. Still, increases are likely as we move into mid-1976.

Unemployment, seasonally adjusted, had decreased by September one percentage point from its high to 8.4 percent of the civilian work force, but still greatly exceeded the year earlier level of 5.4 percent. It jumped to 8.6 percent, however, in October. With lower business inventories on hand, ultimately the unemployment rate can be expected to decline, provided consumers’ real disposable income increases and consumers don’t significantly change their consumption-savings pattern. If Congress were to cut both taxes and Federal spending enough to lower the growth

rate of our Federal debt, it would help build confidence in the economy. However, even this won’t be enough to *control* inflation without responsible restraint in wage and price movements on the part of labor unions and industry. The Federal Reserve Board will have to slow the growth of the money supply also. Recovery will depend upon increased consumer purchasing, encouraging a rise in output, investment, employment, and productivity.

Prices received by farmers were averaging about the same as a year earlier, with crop prices down 9 percent and livestock prices up 11 percent. Prices paid by farmers increased 9 percent during the year, resulting in a 20 percent drop in net farm income. Agricultural exports continued their contribution to our balance of trade (a net balance of about 12 billion dollars) and our total current international account has been running on the positive side of the ledger.

Farmers can expect to pay higher production costs next year. The level of prices received by farmers is less certain, since the total production and carry over of our major crops is not yet known. Embargoes of grain exports this past fall have not helped the farm price situation. International demand remains strong and foreign grain stocks low. But the uncertainty caused by embargoes and shipping interruptions (such as the recent union refusal to load grain for export to Soviet countries) has affected the plans of international customers. The official wheat-export embargo was removed with the finalizing of an agreement that the U.S.S.R. will pay a minimum of 6 million metric tons,  $\frac{1}{2}$  wheat— $\frac{1}{2}$  corn, each year for the next five years beginning October 1, 1976. If their purchases exceed 8-million metric tons in any one year, the U.S. government again becomes involved.

The depth of the present recession surprised most economists. Traditional theory was not designed to handle an economic system made up of concen-

trated production firms, large labor organizations, and huge government bureaucracies. With a built-in expectation of continuing inflation, the large industries can administer their prices, building inflationary expectations into their pricing systems. Organized labor observes what is happening and insists that these expectations automatically be built into wage settlements. These increases are passed on to the consumer.

Another important new element in our economic structure is the emergence of multi-national corporations. Although these corporations have a national base, it is implicit in their activities that they tend to treat all countries alike. For example, if it is profitable to manipulate currency to the detriment of some one nation—even if it happens to be its home country—the multi-national will unhesitatingly participate. The recent revelations relative to bribes to foreign governments by U.S. based multi-nationals indicates the extent to which they now may be involved in “multi-national colonialism.”

Theoretically the power rests in government to control organizations that indulge in monopolistic practices at the expense of the general public. However, the Federal Trade Commission's efforts at enforcing anti-trust policy are ineffective.

Meanwhile, big government, attempting to apply fiscal policies designed to offset rising unemployment, is creating inflationary budget deficits on the order of 70 billion dollars every year. Declining effective consumer demand (which causes unemployment) results from administered prices rising faster than disposable income. And as inflation occurs, taxes take an increasing amount of worker's pay checks too, because of the progressive income tax structure.

Lester Thurow, world fiscal authority and economist from Massachusetts Institute of Technology, recently pointed out that simultaneous inflation and unemployment will force changes

in our *expectations* of how our economy works. He feels that inflation is built into present economic system because large and growing concentrations of economic power in both business and labor are the rule rather than the exception. These concentrations of economic power can be prevented from raising prices and wages only by severely depressing the economy. That would mean creating low levels of demand and high levels of unemployment. When the economy is near capacity, strong unions and companies both find it possible to raise prices and wages faster than would occur in a competitive economy. The nature of the problem is illustrated by comparing the reduction in demand that is necessary to cause price decreases in the automobile industry with the ease with which prices of farm commodities can fall whenever supplies rise relative to demand.

Thurow further states that our capacity to raise prices and wages faster than would occur in a competitive economy are supported by modern fiscal and monetary economics. Since all of the large players in the economic game know that the government will not willingly let the economy collapse—no matter how much wages and prices rise—the very fundamental sense of discipline in the market is absent. The result is that no matter how wisely or foolishly the government acts, it *cannot* achieve low rates of both inflation and unemployment.

The standard economic solution to this problem would be to break up the concentration of economic power (firms and labor unions) causing the problem. Yet Thurow points out that the current economic discussions do not include this suggestion. We apparently must find a way to live with the existing economic structure.

He proposes three options. We can attempt to run the economy at a rate approaching full employment while trying to design ways to minimize the

effects of inflation. To accomplish this we probably would have to adopt some form of indexing to make sure that all prices and wages rise together rather than at different rates. This creates problems in attracting resources to growing industries and withdrawing them from declining industries.

A second option is to run the economy at a level where inflation is not a problem and then design ways to keep the resulting unemployment from being too painful. Programs of guaranteed public employment (an increased public payroll) probably would be needed to create full employment not provided by the private economy. While either of these solutions might work, they would substantially alter the structure of our current economic system.

The third option is to continue to “muddle through,” as we are at the present. This essentially means running the economy at a level of inflation and a level of unemployment, both of which are generally unacceptable in the long run.

It will take time to achieve any major changes in our economic system. Such changes will have to be accomplished largely by political action. The “half life” of politicians is likely to be too short for them to see the results. Thus, the politicians who must cause short-run dislocations to enable the economy to make long-run gains may not be around to collect the credit.

The difference in economic and political time horizons may pre-empt the leadership necessary to recognize and ameliorate these situations. Fixing the maximum number of terms a legislator can serve should relieve some of the pressure toward short-run decisions, since they would know they would not be around in any case. Statesmanship, by definition “showing wisdom in treating or directing public matters,” should be accomplished more easily by those not running for re-election.

# International Trade

## ECONOMIC OUTLOOK FOR 1976

International trade in agricultural products always has been important to U.S. agriculture. In recent years, however, with uncertain world crop production and a growing population, it has become even more significant. Where food donations and concessionary sales have been important in moving U.S. agricultural production into international trade in the past, nearly all of the present trade is on commercial terms.

Trade is important to the American farmer since the production from about one out of every four acres goes into international channels. Trade in agricultural products is important to the general public because of the employment it creates, the higher standard of living that results from trading, and the fact that agricultural trade has been making a positive contribution to our international balance of payments. In 1975, commercial trade in agricultural products resulted in a net balance of agricultural trade of about 12 billion dollars. Deducting the value of government program shipments, the net balance was still approximately 11 billion dollars.

Forecasting international trade under the present conditions where not only traditional forces, but other such as organized labor influence, foreign policy, trade policy, domestic farm policy, and price and wage policy is a hazardous business. There has been a tendency in the U.S. to view trade as an adjunct to domestic farm policy rather than as a formal policy in itself. Thus we are always willing to trade when we have domestic surpluses and low farm prices, but we tend to embargo commodities (for example wheat and soybeans) when domestic supplies are low and consumer prices begin to rise. Consumers and politicians apparently have failed to understand the relationship between imports, exports, the international balance of payments, and their standard of living.

External to the domestic economy, we are trying to establish longer term contracts with the major trading nations whose purchases fluctuate greatly from year to year. An agreement has been completed with Russia that establishes the level of wheat and feed grain exports to the USSR, depending on the size of the U.S. crop. Subsidiary to this deal is an attempt to trade for a daily supply of 200,000 barrels of oil at "favorable" prices. This part of the agreement has not yet been firmed up. We also have accomplished some longer-term contracts with other importing nations. Contracts of at least three years duration have been negotiated with Taiwan and Japan.

While the U.S. still has some regulations that control imports into the U.S., the major change in policy in recent years has been the tendency to control exports. Such controls, justified primarily on the basis of domestic price impacts, tend to be poor economic tools for controlling inflation. As Jimmie Hillman, an expert in foreign policy from the University of Arizona, points out, "Such controls affect the international value of currency in the country imposing these controls. For example, if United States grain can't be purchased by foreign traders, dollars become less valuable. In a world of floating exchange rates, that loss in value is soon reflected in what the dollar can buy and has inflationary impact in the United States."

Major export restrictions on foodstuffs by the U.S., added to price increases and export limitation by foreign oil producers threatens to weaken world trade and start a slow down in real economic activity throughout the world. Restricting exports of vital commodities distorts world trade patterns, with the ultimate danger of the collapse of international trade. Trade regulations, by way of export interferences, whatever their economic motivation, cannot be limited to exports alone. Thus export controls will inevitably lead to other forms of protection.

As long as the U.S. had agricultural surpluses, and used international outlets as residual markets, domestic food prices were not affected. With the surpluses gone and international demand for foodstuffs and feed grain increasing, however, domestic prices are being affected. The further impact of large production variations within the U.S.S.R. with associated large "in and out" international purchases of wheat and feed grains, has caused extreme price instability in international markets.

The use of long-term, bilateral contracts, such as the one negotiated with the U.S.S.R., is one means of attempting to stabilize international (and thus domestic) commodity prices. However, unless the U.S. government underwrites the contracts of our private trading companies, they are unlikely to be willing to assume the risks of such deals with the state trading agencies used by most countries throughout the world. This might result in the exporting countries without state trading becoming residual suppliers and thus even more subject to instability.

Information exchange has been proposed for facilitating stability in international trading. The early warning system of the FAO is an example of such an information system. Such a system would potentially reduce speculative excesses when supplies are short.

The question of world food reserves has become important. There is little doubt that some reserve system eventually will be established. However, the size, control and who will bear the cost of such a system is still undetermined. There is also the problem of maintaining trading stocks. Two main assertions often are made regarding the management of stocks; importing nations have the responsibility to protect themselves from variations in available world supplies, and, countries with large variations in import demand have a responsibility to manage stocks in a manner that stabilizes their annual requirements from the world market. A distinction is drawn between the two

---

Prepared by J. B. Wyckoff, coordinator, Extension economics, Oregon State University.



groups since equitable sharing of the burden of stocks management may require differing ratios of reserves to total use.

Commodity agreements have been suggested as a means for sharing this responsibility. Requirements that importing countries maintain a minimum level of purchases each year can put a floor under export demand. If price also is subject to a floor level, minimum and total world export earnings also could be determined. This would help stabilize production decisions within exporting countries. The problem of allocating the minimum purchases among exporting countries is the difficult issue. Thus long term bilateral contracts, such as that negotiated with the Russians, may function better for an individual country.

U.S. agriculture traditionally has not fared well under the GATT (General Agreement on Tariffs and Trade) negotiations because it has been a residual part to the contract and has been sacrificed to get the concessions wanted on industrial and other products. In the negotiations presently under way in Geneva, however, there has been one Trade Act change. It is "To the maximum extent feasible, the harmonization, reduction or elimination of agricultural trade barriers and distortions shall be undertaken in conjunction with the harmonization reduction or elimination of industrial trade barriers and distortions." Agricultural leaders find it imperative that the negotiations on agriculture and industrial items take place simultaneously and in the same context.

A recent study shows that U.S. meat animal producers generally would be in a strong competitive position under totally free world trade. U.S. farmers would have a competitive advantage in fed beef production, while pork production would remain about the same. Lamb and mutton production would decline even more rapidly than at present. Net impact upon the poultry industry would be modest, while milk production would be about 10 percent

lower than at present. Wool production and prices under free trade would be expected to drop sharply. Cotton production and prices would be down about 10 percent with larger textile imports expected.

Grain prospects would be improved substantially by free trade. U.S. wheat producers would enjoy a substantial competitive advantage and rice production would increase about 15 percent. Sharply higher production of feed grains would be expected. Soybeans would benefit moderately while peanuts would be hurt substantially.

Citrus production and prices would be stronger, but producers of other fruits and vegetables would face strong competition in some markets. However, the United States would remain competitive for those fruits and vegetables for which production can be mechanized. A substantial part of the higher-cost sugar beet production in the United States would be eliminated.

In total, U.S. farm output would increase about 5 percent under free trade. Crop output would increase 6 or 7 percent, while livestock output would remain about the same. Trade in beef and poultry would increase, but milk, sheep and lambs would decline. Overall farm prices might be slightly lower, with livestock prices 1 percent to 2 percent higher while crop prices could be down by about 7 percent.

U.S. consumer prices probably would not change appreciably under free trade. Meat prices might be slightly higher, but the prices for dairy products, some fruits and vegetables, peanuts, and peanut products would be a little lower. Consumers would receive some benefits from price declines in non-food products such as cotton and wool.

The general outlook for agricultural exports in fiscal 1976 looks quite good. Exports of about \$22 billion, the same as for fiscal 1975, are forecast. Major increases in purchases are expected from eastern Europe, the U.S.S.R., South, Southeast, and East Asia,

Japan, Canada, and North Africa. Larger carryover stocks in Western Europe probably will keep the value of exports to that area below that recorded in 1975. The rather sluggish recovery from the general economic recession in these countries also will dampen demand. Latin American markets reflect a good production year and a balance of payments problem. Exports to China are expected to be only minimal. Since agricultural imports are not expected to increase, agricultural trade again will contribute positively to the United States balance of payments.

Turning to individual commodities, export values forecast for 1976 are expected to be slightly higher for grain and feed, livestock and meat products, fruits and vegetables, dairy and poultry products, tobacco, and sugar. They are expected to decline for fats and oils and cotton. The projected exports for next year on wheat are 34 million metric tons with a supply of 47.6 million metric tons available for export. If this expectation is realized, carry over stocks of wheat in July, 1976 will be increased by 4.9 million metric tons over July, 1975.

In the aggregate, it appears that agricultural exports will have another good year in 1976. In the longer term, the GATT negotiations currently under way will have major impact. If agricultural negotiations are conducted simultaneously with industrial, as specified, then some concessions are likely to be gained on present barriers affecting agricultural trade. Simultaneously, the precedent set by the bilateral trade agreement completed with Russia relative to wheat and feed grains could be quite significant. This may cause other nations, dependent upon imports of these commodities, to negotiate contracts to guarantee themselves a supply in short supply periods. 1976 should be an interesting year in plotting the long term direction of international trade in agricultural products.

# Cereal Grains

## ECONOMIC OUTLOOK FOR 1976

### World Grain Situation

The world grain situation is expected to remain tight even though the total wheat and coarse-grain harvest is projected to be 951 million metric tons, second highest production on record, and 3.3 percent greater than that of 1974-75.

World trade in grains, because of production shortfalls in major importing areas and projected higher import demands in these areas, plus a good harvest in some primary exporting nations, is projected to be 152 million metric tons, an increase of almost 11 percent over the previous year.

World consumption of wheat increased an average of 414 million bushels a year from 1966-67 through 1973-74. Consumption declined in 1974-75, but is projected to increase more than 300 million in the current marketing year. This trend in wheat usage has rather consistently outstripped production in recent years thus reducing carryover stocks from 3.9 billion bushels in 1969 to a projected carryover of only 1.8 billion next summer.

There are indications that this trend in world wheat consumption will continue into the foreseeable future. The developing countries now have 70 percent of the world's people, but account for 86 percent of the population growth. In less than 10 years the world's population is likely to increase by one-fourth—or a billion more people. Most of these people will be in the developing countries where food grains, primarily wheat and rice, are the important foods.

Having more people in the world doesn't, by itself, create a greater demand for wheat. Individual purchasing

power has been increasing at a rate of 3 to 4 percent annually in developing countries, however, which does provide the necessary buying power. For example, India, a very poor country, was the major cash buyer of U.S. wheat from the 1974 crop, taking 125 million bushels.

The feed situation promises to remain relatively tight, also. Although world stocks of feed grains are expected to increase to about 54 million metric tons at the end of the current marketing year, up 16 percent from last summer, this is considerably below the most recent high figure of 81 million metric tons in 1969 and 99 million in 1961. Total world consumption of feed grains is projected to be the second highest on record, exceeded only by the 1973 crop.

From the mid 1960's until 1975 the feed use of grain outside the U.S., excluding the Soviet Union, China, and eastern Europe, increased uninterruptably and at an annual average rate of 4 percent. In 1974, however, foreign grain feeding declined, dropping by about 2 percent to an estimated 156 million metric tons. This decline brought the level of feeding activity down about 10 million metric tons from where it would have been if the earlier trend had continued. The depressed state of economic activity world wide and decreased consumer buying power are believed to have been the main causes for the reduction in grain feeding. More than 75 percent of the grain feeding that takes place overseas, excluding China, U.S.S.R., and Eastern Europe, occurs in Western Europe, Canada, and Japan.

The current tight world grain situation is largely a result of shortfalls (lower than anticipated) in the Soviet Union and Europe which almost offset the sharp increase in U.S. production. The U.S.S.R. apparently harvested only about 160 million metric tons of its 215.7 million metric-ton target. Of this, wheat is expected to account for about 70 million metric tons.

The variability in Soviet grain production is indicated by the following figures, 1972 156 million metric tons, 1973 206 million, 1974 181 million and 1975 160 million. The major swings have occurred primarily in wheat production which can vary more than nearly 30 million metric tons from one year to the next. Most of the Soviet Union's grain is produced on dry land that is subject to all the vagaries of a northern latitude climate. (Two-thirds of the cropland in the Soviet Union lies north of the 49th parallel. All of the U.S. cropland lies below this parallel.)

### U.S. Grain Situation

The U.S. wheat situation is highlighted by a record crop and near-record supply, but uncertainty about exports and prices.

The 1975 crop of 2,135 million bushels and the June 30, 1975 carryover of 319 million bushels add up to the third largest supply in history and about 400 million bushels above 1974. The 1975 crop is 19 percent larger than the 1974 record crop and is the fourth record crop in a row. Carryover stocks of 319 million bushels were up from 247 million a year earlier and compared to 438 million on June 30, 1973.

The increase in U.S. production in 1975 was due to both increased acres and increased yields. Harvested acreage at 69 million is about 3.4 million acres greater than 1974, while estimated yield per harvested acre increased from 27.4 to 31 bushels.

Wheat disappearance for the 1975 crop will be approximately 2 billion bushels according to the latest U.S.D.A. estimates. This is approximately the same as the disappearance for the 1972 crop, when Soviet grain purchases were also a key factor in the market.

Exports are expected to total 1.3 billion to 1.4 billion bushels, also a record. Domestic wheat use is projected to remain fairly stable, at between 690 and 735 million bushels.

While the U.S.S.R. will be the world's largest quantity grain importer during this marketing year and the

Prepared by Owen Wirak, Extension economist, Washington State University.

\*Varying units are used in this report because reporting agencies are not yet standardized on metric measurements. In order to make comparisons, use these conversions:  
1 short ton (2,000 pounds)  $\times$  1.1023 = 1 metric ton (2,204.6 pounds)

There are 33½ bushels of grain in a short ton, and 36.7 bushels in a metric ton.

heaviest buyer from the United States, many other countries or regions consistently buy large quantities of U.S. wheat. These include Japan, Korea, and western Europe. These, and other countries that represent a growing market for U.S. wheat, should not be ignored in all the excitement about Soviet grain purchases.

The administration placed a moratorium on further sales to the Soviet Union last summer after that country had purchased 10 million metric tons of U.S. wheat and feed grains. The moratorium resulted primarily from the International Longshoremen's embargo on loading of U.S. grain destined for Soviet ports. The moratorium continued in effect until October 20, when the administration announced a U.S.-Soviet agreement that had been under negotiation for several weeks.

Under terms of the U.S.-U.S.S.R. grain agreement, the Soviet Union will buy a minimum of 6 million metric tons of wheat and corn,  $\frac{1}{2}$  wheat and  $\frac{1}{2}$  corn, annually for each of the next five years, beginning October 1, 1976, with an option to buy an additional 2 million metric tons without obtaining prior U.S. government approval. Should the Soviets wish to buy more than 8 million metric tons in any given year, they would have to negotiate with the United States for the additional quantities. Also, consultations are triggered if the total U.S. supply (production plus carryover) of the six major grains (wheat, oats, barley, rye, corn, and sorghum) is less than 225 million metric tons in any year. The U.S.S.R. will endeavor to space their purchases from the United States and their shipments to the U.S.S.R. as evenly as possible over each 12 month period. Shipments will be made in accordance with the provisions of the American-Soviet maritime agreement in effect. There are no restrictions on sales of barley, oats, rye, grain sorghums, rice, and soybeans other than the total-supply reservation noted. Purchases under the agreement will be made at market prices prevailing at the time the transactions are concluded and in accordance with normal commercial terms.

There are many pros and cons of the grain agreement. Supporters contend that:

(1) it resulted in the termination of the International Longshoremen's boy-

cott against loading cargoes bound to the Soviet Union;

(2) it should quiet the public controversy which grain sales to the U.S.S.R., have stirred up in the past;

(3) it provides for an even flow of substantial quantities of grain to the U.S.S.R., rather than the highly volatile pattern which has occurred since 1972;

(4) it provides a market for U.S. grains.

Grower groups contend that:

(1) the agreement doesn't open up new markets, since the market was already there. The Soviets purchased 38 million metric tons of grain from the U.S. between July 1, 1972 and June 30, 1975; or an average of about 13 million a year without any purchase agreement.

(2) the agreement is a restrictive document which formalizes the U.S. government's involvement in the market place until September 30, 1981;

(3) it represents a "take over" of agricultural policies by the Department of State;

(4) it conflicts with free market principles espoused by the administration;

(5) while the agreement was being formalized, U.S. farmers lost out on millions of tons of additional grain sales to the U.S.S.R., thus causing grain prices to be lower than they would have been otherwise.

In many respects, the grain market in 1976 will resemble last year. There is uncertainty about final world demand and grain production in the southern hemisphere. World food and feed grain supplies are relatively tight and prices will continue to fluctuate over fairly wide ranges from week to week--influenced mainly by weather news.

One major difference this year is the size of the 1975 U.S. grain crop—a record wheat crop and a near-record feed-grain crop. This huge supply of grain will have a moderating effect on the entire world grain price structure. Another moderating factor is the record 1975-76 world rice crop, which will allow some buildup in world stocks and temper import demand by some importers, particularly in southeast Asia. If early indications of 1976 world crop prospects are favorable, there will be considerable downward pressure on

wheat prices in the last half of the marketing year.

At this point, it appears that it will require substantial new and unexpected export business and/or news of unfavorable world crop prospects to cause wheat prices to strengthen substantially.

Wheat markets, too, are likely to be sensitive to farmers' storage and marketing strategies. Farmers generally have sold enough grain for cash requirements and are in a position to hold supplies off the market in the short run and thus force buyers to bid up prices to get grain out of storage.

An important point for producers to remember is the strength that does exist in grain prices is due largely to 1975 crop shortfalls in the Soviet Union and Eastern Europe and extraordinary purchases of grain by these countries in world markets.

### Pacific Northwest Grain Situation

The three Pacific Northwest states produced a record crop of 258 million bushels of wheat in 1975. Harvested acreage was down 3 percent from 1974, but 16 percent higher than in 1973. This huge crop exceeded available storage and millions of bushels had to be stored on the ground.

A record white wheat crop of approximately 215 million bushels, plus a 22-million-bushel carryover and excellent 1976 winter wheat crop prospects will have a bearish impact on white wheat prices throughout the rest of the marketing year. Members of the trade have projected white wheat exports at 170 million bushels. If domestic disappearance is 20 million, the carryover next June 30 will be about 50 million.

Another bearish factor on the white wheat market is the extraordinarily large soft-red-winter and yellow-hard-winter wheats, which have been selling at substantial discounts (particularly SRW) to Pacific Northwest white wheat. For example, on October 30, 1975, the export price for No. 2 Western White was \$4.20 per bushel, while No. 1 Soft Red Winter at the Gulf was quoted at \$3.70, a 50¢ per bushel discount. Countries looking for the cheapest wheat have been buying, and will continue to buy, soft red winter in preference to white wheat as long as this wheat is priced at such a discount.



# Hay and Forage

## ECONOMIC OUTLOOK FOR 1976

The demand for hay is closely correlated with the number of roughage-consuming livestock in any given region. The primary market for this product is more localized than for most agricultural products. The supply of hay at the start of a winter feeding period is a combination of carryover of old stocks and production during the past summer.

### Supplies in Pacific Northwest Smaller

In spite of a larger carryover of stocks in each of the Pacific Northwest states on May 1, 1975, overall hay supplies for the 1975-76 feeding season are smaller than last year. Carryover in the three states was 21 percent larger than a year ago, but 1975 production was down by 8 percent. The indicated total supply in the three states for the 1975-76 feeding season is 9,992,000 tons. This compares to a total of 10,518,000 tons in the three states a year ago.

### Stability Forecast

The amount of hay in the Pacific Northwest per forage-consuming animal unit (other than horses) is about the same as last year. This means hay prices in the Pacific Northwest during 1975-76 cannot be expected to increase over those that prevailed throughout most of the 1974-75 feeding period. The market so far this fall has responded to this somewhat constant supply-demand situation, with prices in the \$55 to \$65 per ton range at northwest shipping points. These prices are similar to year-earlier levels.

In considering hay prices for the balance of the current hay-feeding season, recognition must be given to the effect grain and protein markets will exert. Larger quantities of these feeds bring them into stronger price competition with quality hay. This is certain to have tempering and restraining effects on hay markets. It must be understood, however, that clear signals pertaining

to government policies relating to the exportation of these products do not exist. If export restraints are relaxed, and heavy export movement takes place, downward price pressure on hay markets will be minimized.

Another tempering condition is that a larger supply of baled or piled grass seed and grain straw exists. It will enter the market in competition with hay if hay prices were to rise significantly. The net effect will be a restraining tendency for any upward movement in hay prices.

A high foreign demand for quality alfalfa cubes would have a bolstering effect on hay prices, but there are no indications that such a demand is likely to develop during the 1975-76 utilization period.

In the absence of conditions that would tend to send hay prices upward, and an equal paucity of conditions to push them significantly downward, a conclusion of relatively stable prices, at 1974-75 levels is indicated for the balance of the 1975-76 feeding season. Uncertainties and abnormal circumstances can alter any price outlook rapidly and with little warning. However, these are not evident on the horizon and, therefore, must be discounted.

### National Hay Situation

Nationwide, hay supplies for the 1975-76 feeding period are slightly less than a year ago, amounting to 148.7 million tons, compared to 152.4 million a year earlier. Carryover of old stocks at the end of May 1975 was down 27 percent. The 1975 production is estimated at 2.5 percent larger than 1974. The increase in production was not enough to offset the lower carryover. Hay requirements appear about equal to last year.

The supply of hay in California is more favorable than last year in relation to livestock requirements. The Pacific Northwest cannot look to California hay markets for higher prices.

### Pasture and Range Conditions

Pasture and range conditions can modify the demand for harvested for-

age, particularly in the Pacific Northwest, where conditions were rated as being "good to excellent" in all three states. These conditions point to better than average feed availability from pastures and ranges for current fall and winter grazing. Weather conditions will determine how much is actually harvested by livestock, but conditions are definitely favorable.

### Stockmen and Hay Producers

The hay, pasture and range, and livestock numbers relationship in the Pacific Northwest must be of some consolation to stockmen. Hay might not be much cheaper than last year, but there is no evidence at present that it will be more costly. Unless adjustments are made in production of hay, it is possible dairymen and stockmen alike can purchase hay next year at *relatively* lower prices than have prevailed for the last two and three years.

While stockmen are favored with no higher prices, price expectations of commercial hay growers probably are not being realized. Producer costs in 1975 were higher than in 1974. There is no reason to believe that the prices of the major production inputs will recede by the time the 1976 crop is produced. With the possibility of lower prices for the 1976 crop, each producer should be evaluating means of improving his operating efficiency to hold production costs in line. Each part of the production and harvest system should be studied independently and as each relates to the total process. Superior decisions might very well pay significant dividends over the coming years. If the liquidation phase of the cattle cycle continues over the next year or two, hay prices will surely adjust downward if current production levels prevail. This lower hay price contingency reinforces the need for economic efficiency in production, and parallels the demands that face hay users to seek ways of stretching supplies and to find and use forage at least cost for the nutrients required.

Prepared by Grant E. Blanch, research coordinator, agricultural and resource economics, Oregon State University.

# Grass Seed Crops

## ECONOMIC OUTLOOK FOR 1976

The economic health of the grass seed industry in the Pacific Northwest is not vigorous as the end of 1975 approaches. This lack of vigor is most likely to prevail throughout the 1975 crop marketing year—July through June. This is based on the expectation that economic and other circumstances in the domestic and foreign markets will not move upward fast enough nor far enough to provide the impetus necessary for significant change by mid-1976. Nevertheless, there is evidence to suggest that the 1976 grass seed crop will enjoy somewhat more favorable market and price conditions than can be identified for the 1975 crop.

Grass seed markets have been slow on receding prices thus far during the current marketing year. The extreme caution evidenced by almost everyone in the trade precludes an early breakthrough toward better conditions. Hand-to-mouth buying by each sector has characterized the grass seed trade for several months. No significant segment in the trade seems interested in making a market by owning a supply of grass seeds. Stocks under producer ownership have been building to untraditional proportions.

The total stocks of grass seeds important to the Pacific Northwest were ample, but not abnormally high as the 1975 marketing season began. Carryover of many seed types was less than the previous year; 1975 yields are estimated generally to be about normal, but fewer acres were harvested. With normal demand from domestic and overseas markets, there would not be a burdensome supply problem. But when normal disappearance does not materialize, even a reasonable supply becomes burdensome.

The lack of demand in the domestic market is explained by three related circumstances: (a) the state of the economy in general; (b) the relatively

low prices of livestock and livestock products; and (c) the low number of housing starts over the past two years. The sagged economy has created an attitude of pessimism that has affected the market for both forage and turf grass seeds. The relatively low prices of livestock and livestock products have precluded heavy usage of grass seeds in forage expansion and improvement programs. Likewise, the turf grass seeds languish when there are fewer new homes to be landscaped and refurbishing of existing landscaping is postponed. Improvements in these elements are necessary before the domestic demand for Pacific Northwest grass seeds will become strong.

The poor export demand is largely due to worldwide economic conditions. Sharply rising energy costs in practically all importing nations, along with other economic conditions, have had a negative impact on the ability of these nations to buy grass seeds from the U.S. Furthermore, supplies of their own production, in many instances, have been more than adequate to meet their needs at the reduced levels of demand.

### Cautious Optimism for 1976 Crop

With many uncertainties it is almost impossible to project a firm outlook for the 1976 Pacific Northwest grass seed crop. Nevertheless, there are indications that warrant a degree of cautious optimism. A number of positive indicators can be identified.

In the first place, there are signs that the domestic economy has reached bottom and has started to move upward, though slowly. Improvement should be sufficient by fall of 1976 and spring and summer of 1977 to bolster the domestic demand for grass seeds.

Because of significant linkages, economies in the countries that import grass seed types grown in the Pacific Northwest should improve gradually as the U.S. economy becomes firmer. If such happens, then export demand affecting the 1976 crop could be somewhat stronger.

Forage-oriented livestock and product prices have a good chance of being higher by the time the bulk of the 1976 grass seeds crop is marketed.

Production of a number of the grass seed types in the Pacific Northwest has been adjusted downward during the past two years. This resulted from a reduction in acreages grown. Continued restrained supplies should have a bolstering effect on prices.

The longer-run outlook for the industry in the Pacific Northwest is closely allied with laws, administrative regulations, and economically feasible alternatives relating to open-field burning.

Because specific conditions and outlook are not identical for each seed crop, it is well to look at some of the major individual crops.

### Forage Crop Seeds

- *Tall fescue.* For the second year in a row, the U.S. production of tall fescue seed in 1975 was down from the large 1973 crop. The 1975 clean seed crop is estimated at 94.9 million pounds, which is 10 percent less than 1974 and 29 percent less than 1973. The reduction in production derives from a decrease in acreage harvested.

The total carryover of old crop seed on June 30, 1975, was estimated at 27.4 million pounds, the second highest carryover on record. The total supply for the 1975 marketing year is estimated at 122.3 million pounds, 10 percent less than a year earlier.

Prices during the 1975 marketing year are slightly lower than in the 1974 marketing year, but movement has not accelerated. Foreign markets are dormant; domestic markets only moderately active. Any significant price improvement must await a demand impetus and/or supply reduction below current levels.

- *Orchardgrass.* The 1975 U.S. production data on orchardgrass seed are not yet available, but it is exceedingly doubtful that production equalled

the 1974 crop of 16.3 million pounds, primarily because of reduced acreage.

The carryover of old crop orchardgrass seed on June 30, 1975, was 7.5 million pounds, down 10 percent from 1974, but second highest during the past several years. This carryover, when added to 1975 production, does not constitute an abnormal supply if usage were normal. More than 19 million pounds were used during each of the 1972 and 1973 marketing years. Usage dropped to 17.4 million pounds during the 1974 marketing year, even though prices in the trade were substantially lower than for the 1973 marketing year.

- *Perennial ryegrass* (Linn). Burdensome supplies, with heavily depressing effects on price, characterize the perennial ryegrass situation. The carryover into the current crop year was 9.8 million pounds, more than 3 percent higher than the previous year. This carryover, added to the crop harvested from a large 1975 acreage, provides supplies far in excess of one year's normal disappearance. Consequently, prices in the trade have receded about 30 percent from a year ago. But seed movement at these lower prices is dull from lack of domestic and foreign demand.

Perennial ryegrass prices have fallen to a level that growers are being forced to look for alternative crops for their land. Plow-out has been heavy during the fall months. The acreage harvested in 1976 will be considerably less than in 1975. With yields no better than normal, and reasonable movement during the current marketing year, this means a supply picture more favorable for 1976.

- *Annual ryegrass*. This crop represents by far the largest acreage of any seed crop grown in the Pacific Northwest.

With large annual production, amounting to approximately 200 million pounds in each of the past two years, movement of this seed becomes a problem when the market is dis-

turbed. In the past, large quantities of this crop have been used in the South for winter pastures. With abnormally low returns from grazing feeder cattle, the usage of this seed for this purpose has declined sharply. The consequence is a large supply of annual ryegrass seed that is depressing price without increases in trade movement.

Significant improvement in the outlook for annual ryegrass seed cannot be expected, at recent production levels, until the normal size of the market in the South is restored.

### Turf Grasses

- *Kentucky bluegrass* (other than *Merion*). The turf grass market has been affected adversely by the reduction in housing starts. The Kentucky bluegrass situation is part of this pattern. While movement through the trade has been reasonable, it has moved since spring of 1974 at prices considerably less than half of earlier levels. The 1974 U.S. crop of 54.5 million pounds was one of the largest on record, with 80 percent of it being produced in Washington, Oregon, and Idaho, and in that order. The quantity of old-crop seed carried over into the current marketing year is reported as being 29.5 million pounds—an amount 1.1 million pounds greater than the indicated total disappearance during the 1973 marketing year. Because of the large carryover the industry as a whole might be benefitted from the relatively poor 1975 yields. Production in 1975 was probably 20 percent smaller than would have prevailed with normal yields.

The situation and outlook for Kentucky bluegrass seed can be codified as follows: Stocks are heavy and price depressing; movement through the trade at adjusted prices has held up reasonably well; plow-out during the fall of 1975 was relatively heavy. Under normal yield conditions, this will be reflected in a smaller 1976 crop. Some of the reasons for current low prices may change during the 1976 crop and marketing year, but expecta-

tions for big price increases are not warranted.

- *Bentgrass*. By far the largest market for bentgrass seed is overseas, primarily Europe. Demand from that market continues very poor. Stocks are high in relation to demand, and prices are depressed. Many stands have been plowed out. Stocks need to be worked off before better prices will prevail.

- *Fine-leaved fescues*. Oregon and Washington produce practically all of the fine-leaved fescue seed grown in the U.S. Prices, however, are tempered by the size of the Canadian red fescue crop. Canada's 1975 production is indicated at from 20 to 25 million pounds, which is two times the combined production of fine-leaved fescues in the States. With a domestic carryover of old-crop of 7.9 million pounds, and 1975 crop in Oregon of 11 to 12 million pounds (much of the crop in Washington did not set seed) makes a total supply in the two countries that will be difficult to move without further price recession.

The outlook for the 1976 crop depends upon how rapidly conditions in the economy permit the housing industry to accelerate in activity. A large carryover of old-crop seeds into the 1976 marketing year is highly probable.

- *Fine-leaved perennial ryegrass varieties*. The current and expected situation on this category of grass seeds remains fairly bright. However, they are almost all proprietary varieties. Supplies are managed and manipulated by contractors. This eliminates the large supply price-depressing factor that is typical for most of the grass seed crops. Production has been increasing, but demand has been adequate at prices equal to or slightly above the grasses with which they compete to clear the market.

Even though the outlook for these seeds is fair, it does not mean there is room for unlimited expansion. Without supply management, no price advantage will prevail.

# Fruits and Nuts

## ECONOMIC OUTLOOK FOR 1976

### Ample Supplies of Tree Fruits

Ample supplies of non-citrus fruits were produced in 1975, with apple production at a record high and with production of most other fruits above last year's crop. Likewise, the citrus crop for 1975/76 is expected to be nearly as large as the record crop of last season. Although the orange and lemon crops may be somewhat smaller, record size crops are in prospect for grapefruit, tangerines, tangelos, and the Temple oranges.

With large fresh and processed fruit supplies anticipated in 1975/76, prices at all levels are expected to decline through early winter. However, as the economy strengthens, consumer demand for fresh and processed fruit is likely to increase which may offset some of the downward pressure on prices.

### Apples

Apple production in 1975, nationally, was 13 percent higher than in 1974. Greatest increases are in the central and eastern states. In the Pacific Northwest production is about 6 percent greater than in 1974. Production of Delicious apples is about 14 percent greater than 1974, but Golden Delicious show only a 1 percent increase. Yellow Newtown production is 10 percent greater.

Exports of fresh apples have increased each year since 1970, more than doubling in the 5-year period. Canada is our major buyer, with Europe the next largest market. Larger apple crops in those regions suggest some reduction in our export market this spring.

The carry-in stocks of canned apples and applesauce are fairly large. Thus,

larger crops, possible weakening of export demand, and weaker processor demand indicate some pressure on price. With heavier eastern crops to be marketed early, the Pacific Northwest will tend to store more for the later market.

### Pears

Total U.S. pear production was up slightly from 1974 in all states except Oregon and Washington. However, Bartlett pear production was up nearly 5 percent, while winter pear production was down about 16 percent. The eastern states, as well as Colorado, Idaho, and Utah, all showed increases over 1974.

Exports of pears, both fresh and canned, declined last season and prospects for this spring are affected by slightly larger crops in Europe.

### Grapes

Northwest production of grapes continued its increase of the past few years. Washington production in 1975 was 37 percent above 1974, and 59 percent above 1973. National production was up 2 percent in 1975, with California accounting for 90 percent of the nation's total production.

### Prunes and Plums

Production of prunes and plums in the Northwest was down slightly in 1975 from 1974, while the total for the nation was down because of California's smaller plum crop.

In summary, the 1975 season in the Northwest provided more apples, peaches, Bartlett pears, grapes, prunes, and plums, but smaller supplies of winter pears and sweet cherries. Prices have reflected and continue to reflect these changes in output.

### Small Fruit Markets Improve

The Northwest's strawberry and caneberry industry has gone through "the miseries" during the past three years, but improvement is forecast for 1976.

During the summer of 1975, sales were slow, prices uncertain, and buyers were reluctant to purchase frozen supplies. However, when 1975 pack figures were in, and U.S. imports were known, demand increased and frozen product prices rose faster and higher than the monthly costs of storage.

Should supply-demand relationship continue in 1976, the small fruit growers should expect higher prices that should more than offset any increases in farm production costs in 1976.

### Filbert Market Good; Walnuts Lack Interest

Weather caused the 1975 filbert harvest to be the latest on record. Some growers harvested twice to get the early high quality nuts before the fall rains and to keep the handlers busy. This permitted the sales people to fill orders and keep the shipments rolling. Despite increased production, prices were higher than a year ago and because of this, an optimistic attitude exists within the filbert industry.

Fewer packers in the Northwest are handling walnuts in recent years, mainly because the annual volume available in Oregon is too small to divide between all the potential packers. The late season and the competition from California contribute to a lack of interest in this crop. Growers producing good quality walnuts should look into direct consumer and local sales to obtain their best prices.

---

Prepared by A. H. Harrington, Extension economist, Washington State University.

# Vegetables

## ECONOMIC OUTLOOK FOR 1976

### Peas, Corn, Beans

Stocks of processed peas, corn, and beans as of June 1, were well above 1973 and 1974 lows (see table). Stocks of peas and beans were substantially above stocks of the past three years. With the short corn crop in 1974 in the midwest (due to early frost), canned corn stocks have been low.

**Stocks of Processed Corn, Peas, and Green Beans, June 1, 1975**  
(million cases)<sup>1</sup>

Vegetable	Year 1975	Year 1974	Year 1973
Canned corn .....	7.7	6.9	9.6
Frozen corn .....	6.8	4.9	3.9
Total corn .....	14.5	11.8	13.5
Canned peas .....	4.5	1.2	3.6
Frozen peas .....	7.7	4.3	4.1
Total peas .....	12.2	5.5	7.7
Canned green beans	15.4	6.3	3.8
Frozen green beans	6.4	5.2	3.8
Total beans .....	21.8	11.5	7.6
Grand total .....	48.5	28.8	28.8

<sup>1</sup> Canned stocks are on the basis of cases 24/303 and frozen are on the basis of 24/10 oz.

Source: USDA; National Cannery Association.

Pack data are as yet unavailable for the 1975 crop. However, planting indications were down for corn, peas, and beans. In each case, the indicated acreage was down more for the products for freezing than was the case for canning.

Prepared by Smith Greig, Extension economist, Washington State University.

**Processing Vegetables: Planted Acreage, 1974, and Acreages Indicated for 1975.**

Vegetable	Year 1974	Contract 1975	Change
	1,000 acres	1,000 acres	percent
For freezing			
Beans .....	67	55	-18
Corn .....	132	126	5
Peas .....	165	157	5
For canning			
Beans .....	254	225	-11
Corn .....	380	385	+ 1
Peas .....	298	305	+ 2

Source: Vegetable Situation, USDA, August 1975.

While the 1975 green bean crop is projected to be down by more than 10 percent, with the large carryover, ample supplies will be available and there will probably be downward price pressures. While corn prices were strong throughout 1974 and early 1975, these prices probably will moderate.

The frozen green pea industry in the West undoubtedly will face greater and greater competition, in the long run, from central and eastern areas of the U.S. A study of interregional competition in frozen green peas, conducted by Washington State University economists, suggested some decrease in frozen pea production in the West, with increases in the central and eastern regions, would reduce costs to consumers. A similar study completed in Minnesota suggests western production of frozen peas should drop from around 200 million pounds to around 68 million pounds, with the central and eastern production areas increasing to fill the gap. Thus, there may well be increasing pressure on frozen peas produced in the West.

### Asparagus

The 1975 canned pack of asparagus was 40 percent below that of 1974, down from 6.0 million cases to 3.6 million cases. The 1975 carryover, however, was 1.3 million cases more than 1974. Because of high prices, asparagus sales have been slow. The 1974 movement was down and movement from March 1 to August 1, 1975, was 6 percent less than 1974.

Frozen asparagus inventories on September 1, 1975, were lower than in previous years. Stocks are getting reasonably in hand, but asparagus is a relatively high-priced vegetable and movement has been quite slow the last year and one half.

The U.S. International Trade Commission has scheduled public hearings at the request of the California and the Washington grower's associations to investigate the import of asparagus. The investigation is to determine whether fresh, frozen, or canned asparagus is being imported into this country "in such quantities as to be a substantial cause of serious injury . . . to the domestic industry . . ."

### More Farmers' Markets

Fresh market vegetables no doubt will continue to be plentiful, seasonally, in the year ahead. Consumers will have their choice of purchase—retail, U-pick, and roadside stands. Probably we will experience another year of more small, home-grown vegetable production and local farmer markets in 1976. This may be beneficial to the consumer in the short run, but it will have an adverse effect on the commercial fresh market vegetable growers in the longer run.



# Potatoes, Onions, and Sugar Beets

## ECONOMIC OUTLOOK FOR 1976

### Potato Situation

Potatoes are important to the agriculture and economy of the Pacific Northwest. The region's share of national potato production continued to grow in 1975. Part of the reason for the growth can be attributed to declines in acreage and production in most other producing areas. Production increases that took place in Washington and Oregon more than offset a decline in Idaho. Potatoes usually are traded by 100-pound units, abbreviated cwt. Based on the USDA's November 1 crop production estimate, the region shows an increase of 4.3 million cwt. in the indicated production above 1974. This increase came in the face of a decline of 19.5 million cwt. in the fall producing states and 30.8 million cwt. in the total U.S. production from 1974.

New developments along the Columbia River accounted for most of the increased production in the Northwest. Oregon showed a 78 cwt.-per-acre increase in yields and 2,100 more acres according to the November 1 report. Washington's yield increased 30 cwt. per acre and it had 1,600 more acres. Idaho's decline in production resulted primarily from a decline of 20,000 acres, although yields were also down slightly, 4 cwt. per acre. Lateness, in planting, few processor contracts, and a backward growing season restricted growth and acreage in Idaho. The decline in national production resulted from reduced acreages rather than lower yields.

Early reports indicate the quality of the 1975 Pacific Northwest crop is good. Idaho's potatoes were generally a bit smaller than usual, but heavy sets were reported. Idaho potatoes are generally of sufficient size and good shape to make very good fresh packs. Washington and the Columbia River area in Oregon both had enough warmer weather to yield good sizes.

The Pacific Northwest's share of national production has increased dra-

matically in the past 18 years. In 1958-60 the region accounted for about a fourth of the total national potato production, but the November 1 Crop Report for 1975 indicated that the region's share has grown to 46 percent, as shown in the accompanying table. Not only has the region's share of the national market increased, but the size of the national market has increased from around 255 million cwt. to more than 300 million cwt. Areas within the region have shown uneven rates of growth, as illustrated in the table, but all of them have grown in importance nationally. Washington and the Columbia River section of Oregon have grown phenomenally in recent years.

**Pacific Northwest Share of National Potato Production By Crop Years**

Area	1958-60	1968-70	1971-74	1975*
SE, SC	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Idaho .....	16.0	18.8	21.7	20.9
SW Idaho,				
E. Oregon	2.2	4.6	4.8	4.2
Other				
Oregon ....	2.3	2.9	3.4	6.2
Washington	4.0	9.4	11.0	15.1
Pacific North-west ....	24.5	35.7	40.9	46.5

\* Based on November 1 USDA crop production report.

### Potato Price Outlook

Since potatoes from the Northwest are marketed nationally, it is necessary to look at the entire national situation to come up with reasonable estimates of prices to come. If they dominate, these conditions would point to stronger prices during the course of this year than were experienced last year:

1. National fall potato production, estimated November 1 at 269.2 million cwt., is substantially below the 288.7 million cwt. of 1974. It is, however, higher than 1973's production of 253.9 million cwt. Lower production in itself, however, would normally be price strengthening. Maine, with the lowest production in ten years, Michigan, and the Red River Valley all had sharp

production drops this year. In fact, most states in the East and Central area fall-producing regions had lower production. Likewise Canadian production was down about 20 percent from 1974 to 43.5 million cwt.

2. There was also a sharp decline in summer-potato production—down 4.6 million cwt. to 20.5 million cwt. this year. The smaller summer production meant that this supply was pretty well cleared up when the fall production became available.

3. The improving economic situation may bode well for Northwest producers. A growing economy normally would be expected to improve demand for convenience foods such as processed potatoes. This is of great importance to the Pacific Northwest, particularly when contrasted with last year when the economy was declining through most of the marketing period. We may find greater strength for processed potatoes and for fresh market potatoes, too, as a result of greater confidence in the overall economy. Nevertheless, it will take some time before the economy can rise to its pre-recession levels. For this reason demand still may be under some pressure.

4. Exports normally constitute only a small portion of total U.S. market. Early reports, however, indicate there may be greater than normal exports this year, because of short crops in Europe. Since Europe normally ships some potatoes to South America, it has opened this market to the United States and sales already have been made to Chile and Argentina. It is quite possible that more may develop. Industry efforts toward the development of far-eastern markets for processed potato products also may start to bear fruit this year. And there are indications that some potato products may be utilized in Food for Peace shipments.

The above factors point to price strength, but there are other factors that may exert downward pressures. Among these are:

1. Heavy stocks of frozen products were carried into the current marketing

year. Frozen potato stocks, at 653 million pounds on October 1, are up 8.4 percent from the 602 million pounds of last year and are sharply higher than the 428 million pounds of October 1973. These stocks seem certain to influence processors as they seek new potatoes for their operations during 1976.

2. In addition to significantly larger stocks of frozen products it also seems likely, though published reports are not available, that the stocks of dehydrated products are up from last year. Nationally, dehydrators took 27.4 million cwt. of potatoes for their operations in 1972. This rose to 31.4 million cwt. in 1973, and to 34.5 million cwt. in 1974—an increase of 26 percent during the two-year period.

3. The sharply fluctuating prices of potatoes during the course of the past year have frustrated consumers. There is the ever-present danger that sharp price increases could drive consumers to competing products, such as rice. Rice is in plentiful supply.

4. The movement of fresh potatoes during the start of the 1975 marketing season was off to a much slower start than normal. This is true in spite of the earlier clean-up of summer potatoes. Whether it will continue this way remains to be seen, but it bears watching.

Among other considerations are a substantially lower amount of pre-season contracting, particularly in Idaho in 1975. Washington and Oregon also have more open potatoes than in the past several years. Other areas of the country have been subject to some ups and downs as far as contracts are concerned. Michigan growers failed to settle a contract with their frozen product processors, but there are indications that some of Michigan's processing needs will be satisfied out of Wisconsin. It is difficult to tell at this juncture what influence the reduced contracting may have.

Grower attitudes throughout the course of the marketing year will be important. There is a good chance that prices will fluctuate dramatically during the course of the marketing season as growers hold or unload, depending on the way the wind blows. There is the ever-present danger of "making a long crop out of a short one."

### **Prospects for 1976**

Prices at planting time and the results of contract negotiations are likely to play key roles on the magnitude of plantings in 1976. Strong prices at planting time for whatever seasonal group is involved seem likely to result in greater plantings than occurred last year. Weaker prices probably would reduce plantings.

Pre-season contracts, if they appear satisfactory to growers, will influence planting decisions. The availability of contracts at satisfactory prices probably is part of the reason for Washington and Oregon's increase in production in 1975. If contracts are settled, they will influence production in 1976. (Some contracts have already been signed in Idaho.) The prices of alternative crops, the availability and prices of inputs such as seed, fertilizer, and fuel, and the availability and cost of credit will influence the size of 1976 plantings.

Virus-free seed, introduced in Idaho in recent years, shows evidence of improving yields in the areas of cooler summer temperatures. Some feel the use of the new seed was partially responsible for off-setting the otherwise adverse growing season in Idaho in 1975.

### **Onion Quality Varied**

Northwest onion growers should see improvement in onion prices as the new marketing year progresses. Supplies turned out smaller than expected nationally, and because of the poor weather at harvest time the quality going into storage was affected. North-

west production followed the national trend, and quality going into storage was variable. Demand for Northwest onions should be heavy and this would be reflected in grower prices in 1976.

The Japanese demand for yellow onions should reduce supplies domestically and relieve the competitive situation that has developed between the small-sized sweet Spanish onions and the Western-Oregon yellow onion.

The Japanese onion crop was damaged seriously by hurricanes in the fall of 1975. Thus, the Japanese will be looking for U.S. onions in 1976.

### **Fewer Sugar Beets Expected**

World supplies of sugar seem likely to exceed consumption this year. However, sugar stocks remain low and if the upward trend in world consumption continues—two million tons increase each year—the longer-run pressure on world production will continue.

1975 sugar beet production in this country was 33 percent above 1974, and cane production was 17 percent greater. The PNW crop was up 49 percent from the very low levels of 1974, but was down 6.9 percent from the "more normal" production of 1973, according to the USDA's November 1 crop estimate.

Consumers reacted to the sharply higher sugar prices in 1974 and 1975. It is quite possible that they will not resume the longer-term upward trend in consumption until one or two years from now, so near-term prices are likely to be weak compared with 1975's. The level of plantings in 1976 will depend not only on payments that are received on the 1975 crop up to planting time, but on the prospects for alternative crops. If plantings drop in 1976, as seems likely, and if world economies make recoveries, price outlook for the 1976 crop would appear somewhat brighter than for the crop just harvested.

# Livestock

## ECONOMIC OUTLOOK FOR 1976

New trends and opportunities appear to be shaping up in the U.S. livestock economy. Liquidation of beef breeding herds is in full swing. Hog numbers are at a 20-year low and sheep number the least in more than a century.

Unless inflation and changes in eating habits of American consumers exert considerably more influence than they have in the past, we are going to need a future level of meat animal production that is consistent with the annual growth in population.

Is 1976 a good time for an individual producer to stabilize or start a new meat animal enterprise? For efficient cattle and sheep minded people the answer is a qualified yes, assuming national cattle slaughter in 1976 continues near the 1975 level. For those interested in hog production, expansion appears timely for established operators, but new hog ventures might best be delayed until fall when breeding stock is expected to be cheaper. In any case, enterprise budget analysis is essential before deciding what to do.

### Production Trends

The cyclical expansion phase in beef cattle numbers probably has peaked in 1975, after an eight-year buildup to the record 140 million head on July 1. Indications are the beef industry is on the threshold of a moderate contraction during the next two or three years. The unprecedented slaughter of cattle in 1975 probably has stopped expansion. January 1, 1976, cattle numbers may be near the year-earlier estimate of 131.8 million. Some analysts forecast a decrease.

Beef cattle numbers have increased steadily every year since 1968, while the dairy herd has been getting smaller. Most of the increase since the current expansion began occurred during the four-year period 1971-74. During that time 17,506,000 cattle were added to the U.S. herd—a 15 percent increase. This

translates to an annual growth rate of nearly 4 percent, or about five times faster than the increase in U.S. human population.

A leveling off in cattle numbers is indicated for the three Pacific Northwest states. This region's beef cow population dropped slightly in 1974 due to low cattle prices and high feed costs. The decrease is in Oregon and Washington. Range forage conditions have varied from poor to excellent in this area in 1975.

While production of beef cattle is leveling off, hog farmers are increasing production, after five years of declining production. The leading indicators of an imminent turnaround in hog production are the record high prices and unusually favorable feeding margins most of 1975. Consequently, hog producers in the main hog growing states have been revising their farrowing plans upward since the spring of 1975.

The three Pacific Northwest states produce less than 15 percent of the pork that is consumed in this region. Interregional competition for this pork market is keen, but there is opportunity for the efficient, reasonably-invested local enterprise to supply a larger proportion of the pork eaten in this area and in adjoining western states.

Sheep, lamb, and wool production fell to record lows in 1975. The U.S. lamb crop is estimated just under 10 million head, 6 percent less than the 1974 crop and 14 percent below the 1973 crop. Oregon, Idaho, and Washington produced 8 percent fewer lambs than in 1974, about 880,000. Wool production in the three states followed the national trend downward as fewer sheep were born. Predator problems, difficulty in getting adequate labor at reasonable cost, and alternative opportunities not only thinned sheep flocks but also the number of sheep producers in the Pacific Northwest and the U.S.

The consequence of these changes in meat animal production has led to a smaller 1975 supply of red meat, around 181 pounds carcass weight (145

pounds retail weight) per person. The decrease was in pork and lamb.

### Price and Cost Trends

Changes in livestock and red meat production in 1975 are the culmination of a series of national and international economic and political events that occurred during the past five years. Fast-rising livestock prices well into 1973 encouraged expansion of beef cattle herds, but burgeoning feed costs and sharp declines in cattle and hog prices in late 1973 and through 1974 discouraged cattle and hog feeding. Some large feeding operations and large-volume packing plants went broke. The resulting fall-off in demand for feeder cattle had a severe economic impact on cow-calf producers the past two years.

Interestingly, retail prices of beef and other meats soared to new record highs in 1975 but without the 1973 protests from consumers. Thus the livestock industry escaped direct governmental interference with the market mechanism. Consumers have more spendable income. With less pork and lamb available there has been a shift in demand toward beef.

Hog producers have fared somewhat better than cattlemen have the past year. Production costs have increased but hog prices have averaged high enough to return profits to efficient growers. Sheep growers have enjoyed fairly good profits from lamb sales most of the time. Returns from wool sales have been disappointing and they have limited sheep producers' incomes.

Despite the problem of high production costs, livestock producers who have survived the hard times of the past two years likely will be in business long enough to see, once again, both prosperous and not so prosperous times in the years ahead.

### Recent Developments

Feed supplies are more plentiful for finishing meat animals in 1976. The bumper 5.8-billion-bushel 1975 corn crop swelled the feed grain supply 17 percent over the year-earlier small inventory. Soybean production increased

---

Prepared by Stephen C. Marks, Extension agricultural economist, Oregon State University.

23 percent. Fishmeal is more plentiful. So, despite shortfalls in Russian and European grain production, prices of both high-energy feeds and protein feed are expected to remain below 1974-75 levels.

U.S. grain exports are being watched closely to ensure price stability and adequate supplies for domestic needs. Expansion in U.S. poultry, cattle, and hog feeding may require 10 to 15 percent more feed grains in 1976.

A five-year grain sales agreement has been signed with Russia. It provides for minimum annual sales of 6 million metric tons of grains to the Soviets, starting October 1, 1976 and continuing through September 30, 1981.

Hay is less plentiful in this region after an 8 percent smaller 1975 harvested tonnage. But no great upward pressure on hay prices is likely in view of the larger supply of grains and protein feed and fewer hay-consuming animals.

Canada has lifted its embargo on imports of U.S. cattle but beef imports remain limited. The U.S. import restriction on Canadian feeder cattle has been lifted also. And, U.S. beef and veal import quotas imposed under the 1964 meat import law have been reinstated.

The USDA proposed revision of the beef quality grade standards to put the upper third of each quality grade below prime into the next higher grade remains in court contention. A favorable ruling would establish a more restrictive good grade and require that all beef be graded for yield also.

Food stamp users are giving a boost to the livestock and meat industry. Current annual federal government spending for the food stamp program is around 6 billion dollars.

New livestock marketing concepts are being tried in the Pacific Northwest. Two cooperatives have been formed for the purpose of marketing sheep, lambs, feeder cattle, and hogs by telephone auction. Experience shows this system works well for sellers and buyers alike. A photo-auction has been successful in marketing feeder cattle. Video-auctions are planned.

Federal legislation has been introduced in Congress to establish bonding requirements for meat packers to as-

sure payment for livestock purchased. Oregon law as of January 1, 1976, requires meat packers to pay producers for livestock by the end of the second day of business. It also requires that packers whose average weekly value of meat animal purchases exceeds \$10,000 be bonded for a minimum of \$20,000, or in an amount equal in value to two days of meat animal purchases, whichever is greater.

Livestock producers who need a loan to maintain their operation can apply for FHA 80-percent-guaranteed loans through their local lender, as provided under the Emergency Livestock Act of 1974.

Environmental quality regulations for livestock operators remain in force. Conflicts of interest persist, increasing uncertainty of public lands for livestock grazing. The Bureau of Land Management will prepare environmental impact statements for 212 areas of the U.S. in the next 13 years, including 10 areas in Oregon, 1 in Washington, and a number in Idaho. The first statement is expected for Challis, Idaho, about September 1, 1976. Improved management of public lands is anticipated.

### **Things to Watch for in Planning Ahead**

While government planning has a useful place, some actions may not bring expected results. Some may be modified or rescinded, or they may lead to counteractions.

Foreign trade and policy developments will continue to be important to the livestock industry because of the effect they may have on livestock production and marketing decisions.

Lifting of acreage limitations from grain programs may be a temporary respite from restricted grain production. Should grain supplies exceed effective market demand, it is probable that production restrictions would be imposed again.

Weather conditions in grain- and forage-producing areas can cause great changes in feed supplies. Such changes have a direct effect on meat animal producers in terms of feed prices, production plans, livestock prices, farm income, and living standard.

Pacific Northwest growers will want to watch closely for any important changes in public land grazing regulations and fees, DEQ regulations, transportation rates, crop production forecasts, grain and hay stocks reports, livestock market prices, and supply and demand trends.

### **Two-Year Outlook**

It seems reasonable, at this time, to expect beef animal prices to average slightly higher the next two years than they did in 1974-75. During the past two years, reported prices received by Pacific Northwest growers averaged about \$22 per hundred pounds for cows, \$30 for calves, and \$32 for all beef cattle.

Hog prices are likely to average lower in 1976 than they did in 1975. Hog prices will be influenced by the level of pork, poultry, and beef production. Another year of good U.S. grain crops in 1976 could encourage a 10 to 15 percent increase in hog production in 1977.

Lamb prices are showing relatively independent strength. Lambs are expected to continue in a strong market position in 1976, mainly because it has become a specialty meat.

Wool prices are not likely to change greatly during the next year unless world demand improves. World wool production has stabilized but stocks are building up as world consumption has dropped sharply.

### **Three- to Five-Year Outlook**

Looking beyond the next two years toward 1980, chances are that the supply of feed grains will increase and feed prices will average lower than in 1973-75. Also, a moderate expansion in cattle feeding and the production of hogs and poultry seems likely. Cattle numbers probably will decline somewhat, however, and a cyclical expansion likely will follow in 1979 if calf prices improve enough to return profit margins to producers.

Pacific Northwest producers' ability to compete with meat-animal growers close to abundant feed grain resources will continue to be limited. But basic beef herd operators should retain some advantage from the availability of public grazing lands.

# Dairy

## ECONOMIC OUTLOOK FOR 1976

Total U.S. milk production for the January-September period in 1975, according to the Statistical Reporting Service of the U.S. Department of Agriculture, was 88,177 million pounds, down 0.4 percent from the same period in 1974 and 0.7 percent below 1973. If production follows the pattern of 1974, and there are indications this can be expected, milk production during the last quarter of the year may exceed the October-December production of 1974. This will produce a total milk supply in 1975 only slightly below that of 1974.

The average production per cow nationwide for the first nine months of 1975 was eight pounds above that of 1974 and 143 pounds above production for 1973. This increase in production per cow is expected to continue, as the milk-feed ratio is expected to be more favorable through the remainder of 1975 and into 1976.

The September milk-feed price ratio nationwide at 1.50 was 6 percent above the previous month (August) and 23 percent above September 1974. The average price of milk sold to processors in September was above that of the previous year in all regions. The average value of grain and other concentrates fed milk cows was below that of August in all but the Western Regions. The feeding of grain and concentrates averaged 13.0 pounds per day per cow in late September compared with 12.0 pounds per day in late June and 11.7 pounds last year. This is an 11 percent increase in grain and concentrate feeding per cow over 1974.

The September milk-feed price ratio at 1.40 for the Western Region was the lowest of all major milk regions of the country. Milk prices were above those in the PNW in all the regions except the North Central. Feed prices were lower than in the PNW in all areas except the South Atlantic.

Milk cow numbers, nationwide, declined from 11,204,000 on January 1, 1975, to 11,132,000 in September, 1975.

Prepared by John Early, Extension agricultural economist, University of Idaho, November, 1975.

These numbers are compared with 11,208,000 in September, 1974, and 11,316,000 in September, 1973, indicating a continued culling of the nation's dairy herds.

It appears the same national trends, in cow numbers, hold true for the three Northwest states. The dairy cow numbers have declined from 427,000 in September, 1973, to 419,000 in 1974, and 415,000 in September, 1975. However, production per cow has not increased; therefore, total milk production has declined from previous years. The three-state production has declined from 1,308 million pounds in July-September, 1973, to 1.285 million the third quarter 1974 and to 1,275 million in July-September, 1975. Oregon and Idaho had declining cow numbers and production from 1974 to 1975, while Washington numbers held steady and production increased.

The rate of daily grain and concentrate feeding as reported by producers supplying data to the Statistical Reporting Service on October 1, 1975, and the average milk production per cow during September varied significantly among the three northwest states. Oregon producers were feeding an average of 9.8 pounds of grain and concentrate per milk cow per day and received an average production of only 880 pounds of milk per cow for the month; Idaho producers fed 11.9 pounds and received 905 pounds; while Washington dairymen fed 13.1 pounds for an average production of 1,040 pounds of milk during September, 1975.

### Milk Utilization and Storage Stocks

Production data available at the time of this writing was for the January through August period of 1975. The production of all types of dairy products except American cheese, sherbet, and mellorine-type frozen desserts was above a year ago. Production relationships were as follows: Butter, up 5 percent; non-fat dry milk, up 6 percent; American cheese, down 14 percent; ice cream, up 8 percent; ice milk, even; sherbet, down 4 percent; mellorine-type

frozen dessert, down 14 percent; creamed cottage cheese, up 3 percent; and low fat cottage cheese, up 2 percent.

Data on cold storage stocks of all warehouses, as reported by USDA for August 31, 1975, indicated a 35 percent reduction in butter stocks from the previous year, 52 percent reduction in evaporated and condensed milk, 18 percent decline in American cheese stocks, and 17 percent less Swiss cheese. All cheese stocks were 18 percent below August, 1974. It would appear stocks of processed dairy products would not be burdensome on the market during the remainder of 1975 and into 1976.

Storage stocks of butter have been moving well this past summer. A major factor in this movement has been the increased prices of vegetable oils—especially those used in making margarine. The current retail price of better-quality margarine is within a few cents of butter and many consumers have returned to butter as the table spread. It appears this situation may continue for the next year, barring a major change in the vegetable-oil seed market. The demand for vegetable oil is high worldwide, with an adequate supply in prospect especially from soybeans.

### Milk Prices and Costs

The recent increase in base prices may not have been as large as producers wanted or expected, but will help efficient operators profit. A major price increase at the farm level, with resultant increases at retail, may reduce the consumption of fluid milk.

The feed grain situation is still in a state of flux. Large crops of feed grains should keep a downward pressure on feed prices throughout the 1975-76 marketing year. The export demand cannot be predicted with certainty, and will affect grain prices. Increased domestic feed use above that of 1974-75, through increased cattle feeding, increases in hog numbers, and expansion in poultry, should keep prices near current levels or slightly lower through 1976.



The supply of high-protein feed ingredients, especially soybeans, is greater than in the past several years and there is competition from the Brazilian crop. This may keep high-protein feed prices below year-ago levels.

The hay supply per animal unit for the winter feeding period in the Pacific Northwest is slightly above that of the fall of 1974. Hay prices are comparable with those of 1974. Lower grain prices may result in some substitution of grain for hay, thereby reducing the demand for roughages. Hay prices will be affected by downward pressure from lower grain prices and upward pressures from export demand.

### **Congressional Activities**

Market orders, especially Federal Milk Market Orders, have come under heavy pressure this past summer. Congress is food-price conscious, and will continue to be, especially through the election next November. The outcome of the current investigation could develop legislation that weakens or even abolishes Federal Milk Market Orders.

The investigation centers around the effects marketing orders have on prices at the consumer level. Congressmen from urban areas are seeking the support of their constituents in the coming elections, and with inflation a major concern anything that could increase prices is under attack. Price increases are particularly noticeable on items purchased frequently, such as milk. Unlike most other consumer items, food is paid for with cash rather than credit.

With minimum prices regulated under market orders, consumers have some assurance of an adequate supply and producers are reasonably assured of a market. The removal of market orders would leave producers and consumers alike at the mercy of uncontrolled supply and demand and could result in widely fluctuating prices, and *has*, in uncontrolled commodities. Low prices would curtail production, as producers may be forced to leave the industry. This is particularly undesirable in the dairy industry, due to the time

and capital needed to start a dairy herd. Consumers could find a greatly reduced supply of dairy products over a long period of time if many dairymen were forced out of business. Prices of milk and dairy products at retail could be substantially higher over long periods of time if market orders were abolished.

Dairymen need to be particularly aware of these investigations as Federal Milk Market Orders are receiving the greatest attention. Milk has been the most successfully-marketed commodity under market orders and the orders are more widespread than for other agricultural products.

Agricultural cooperatives also are under investigation in Washington. Again, Congressmen from urban areas are involved. They consider that cooperatives control major supplies of agricultural products and are in a position to affect supply and set prices. Some unfortunate circumstances have occurred in the past several years to weaken the stance of cooperatives in the eyes of the public. The dairy industry is particularly vulnerable here also.

The future of the dairy industry will be affected seriously by the actions in Congress this next year. The outlook over the next two to five years and beyond will hinge on these deliberations. Dairymen need to pay particular attention to political activities in their planning for the coming years.

### **Two-Year Outlook**

Considering the current milk-feed price ratio, it appears reasonable to expect dairymen to increase their feeding levels. With increased concentrate feeding, milk output per cow could increase.

Prospects for an improvement in slaughter cow prices in 1976-77 is likely to induce dairymen to cull their milk cow herds more closely. This is a good management practice. However, an adequate supply of replacement heifers has been retained during the current low beef price period to maintain herd size. A brighter profit picture will encourage dairymen

to maintain or even increase cow numbers.

Continued improvement in the national economic picture will help the demand for milk and dairy products. Beef prices are expected to rise in late 1976 and 1977 as cattle numbers and beef supplies are stabilized and even reduced. The quality of other meats supplied is expected to increase as hog and poultry numbers expand. On balance, the competition among high-quality protein foods—meat, dairy products, and eggs—will be such that dairy products will offer an excellent value to consumers. Demand for dairy products should continue at current levels or increase modestly over the 1976-77 period.

It appears the cost-price squeeze experienced by dairymen the past two years may be alleviated over the next several years, barring major crop failures either in the U.S. or abroad. The grain market now reflects world demand and supply, not just the domestic situation. Even with the political manipulations currently underway, export markets will be a major factor in U.S. food and feed grain prices. Dairymen need to keep abreast of world crop conditions and be flexible in their feeding patterns.

### **Outlook Three Years and Beyond**

Prospects are that feed supplies can be increased and prices stabilized somewhat near current levels. Dairymen must not plan for cheap feed grains with prices at pre-1973 levels. World markets will continue to play an important role in feed costs. Culling the herds to improve the feed conversion rate will be an important part of herd management and profitmaking.

Dairy product prices can be expected to rise modestly as the general economic situation improves. Prospects are for a slow improvement, but not for a booming expansion.

Continued relatively stable production of milk in line with population growth can maintain the dairy industry as the most stable in agriculture.

# Poultry and Eggs

## ECONOMIC OUTLOOK FOR 1976

Broiler, egg, and turkey prices are expected to remain strong during the first half of 1976 with some weakening during the second half as a result of increased production. Abundant supplies of corn, sorghum, and soybeans should result in lower ration costs during the first nine months of 1976 compared with the same period in 1975. During the first part of 1976 red meat—beef, pork, and lamb—output combined is expected to be 2 to 3 percent below output a year earlier.

### Eggs

The relationship between feed and egg prices in early 1976 holds the key to egg production during 1976. Lower ration costs and strong egg prices during the first quarter would result in increased output in the latter half of 1976. In 1975 it is estimated that about 19 percent of the laying flock was force molted between April and October, compared with 12 percent in 1974. This figure is likely to increase to 20 percent in 1976. The increased output would normally result in significantly lower egg prices, but egg industry men are hopeful that passage of the egg research and promotion order will stimulate consumer awareness of the value of eggs and temper any price declines.

The total number of eggs produced annually in the U.S. has been declining since reaching a record high in 1971. This decline resulted from fewer layers, as productivity per layer has continued to gain. From 1971 to 1975, the average number of layers in the nation's laying flocks dropped 6 percent while the number of eggs per layer rose from 223 in 1971 to 231 in 1974.

The demand for eggs has continued the downtrend of recent years. Consumption dropped 7 eggs in 1974 to 287 per person and 1975 use is likely to total fewer than 280 eggs per person. Egg use has dropped each year since

1972 and consumption for 1975 is the lowest since records were begun in 1910. Per capita consumption has dropped about 35 eggs since 1971 and more than 55 eggs since 1960.

### Broilers

Broiler meat production fell sharply in late 1974 in response to rising feed costs. Early 1975 production continued well below 1974 levels, but reduced output led to higher broiler prices and profit. This resulted in expanded hatchery activity, and increased chick placement. Broiler marketings in the last quarter of 1975 were about 12 percent above the same period in 1974.

Broiler prices in the past six months have been well above the cost of production and marketing, an incentive to producers to maintain output at levels in the first half of 1976 well above the same period of 1975.

The improved profitability in recent months has caused breeding flock owners to increase pullet chick placements for hatchery-supply flocks. With expanded hatchery-supply flocks broiler production could be increased considerably in 1976 if conditions are favorable for such an increase.

Exports of young chicken were the largest since the early 1960's when the European Economic Community was formed. Most chicken exports in recent years have gone to non-European Countries, while in 1962 three-fourths of the total exports went to European countries.

Broiler prices in the first quarter of 1976 are expected to be from 3 to 5 cents a pound higher than the same period of 1975. In the second quarter the prices are expected to be about the same as in 1975, with a gradual downtrend the last half of 1976. If the predictions for the first half of 1976 hold, the favorable prices probably will lead to greatly expanded broiler production in the second, third, and fourth quarters of 1976. Such increased production, together with increased pork pro-

duction, could lead to a sharp price break in late 1976.

### Turkeys

The 1975 turkey crop was estimated by the USDA Crop Reporting Board at about 124 million birds, down 7 percent from 1974. Turkey meat output lagged during the first three quarters of 1975, down considerably from the same period in 1974. Increased poult placements in the June-August period resulted in greater marketings in the fourth quarter of 1975 compared with the 1974 fourth quarter marketings. Increased placements continued during the fall and will result in increased marketings during the first half of 1976 compared with 1975.

Despite the increased marketings in the fourth quarter of 1975, supplies of turkey meat available during the main marketing season (September through December) were below a year earlier, as a result of reduced cold storage stocks. Improved demand for turkey, as a result of higher red meat prices, together with reduced marketings during the first three quarters of 1975 reduced cold storage stocks of turkey to 405 million pounds at the beginning of the main marketing season, as compared with 529 million pounds on the same date in 1974.

The number of turkey breeder hens on farms as of January 1, 1976, will be adequate to produce a turkey crop in 1976 considerably larger than the number produced in 1974, if conditions are favorable. Many breeder flocks in 1975 were marketed early and many eggs went to the breakers rather than into an incubator.

Turkey prices during the main marketing season in 1975 remained strong, about 5 cents a pound above prices the same period a year before. Prices are likely to remain above a year earlier during the first quarter of 1976 and possibly well into the second quarter. Prices during the latter half of 1976 will depend on poult placements from January through June.

---

Prepared by Charles Fischer, Extension poultry specialist, Oregon State University.

# Forestry and Forest Products Markets

## ECONOMIC OUTLOOK FOR 1976

Cautious optimism, a phrase often found in outlook statements, implies hopeful expectations, hedged with careful guarding against possible dangers or risks. Wary optimism, on the other hand, suggests cautiousness prompted by suspicion. This latter description best summarizes the view of forestry and forest products markets in 1976, as of late fall, 1975.

A year ago at this time, the usual spate of predictions about the state of the economy in 1975 were being cranked out. Those that touched on housing generally anticipated substantial improvement over the rather dismal record of 1.35 million starts in 1974. And housing was expected to play its traditional role of leading the economy out of recession once the bottom was reached sometime in the first half of 1975.

But two things went wrong. Housing starts floundered through the year and now are headed toward an even poorer showing than 1974, or indeed than any year since 1960, with a total of approximately 1.14 million units expected to be completed. Furthermore, although a general recovery did begin about May, 1975, housing failed to play its usual leading role. The traditional relationship did not prevail; and this has profound consequences for forest products markets because approximately half of all lumber and plywood sales are for residential construction. If housing's role in the economy has changed, then accurate foreseeing of trends and conditions for forestry and forest products markets is thrown into confusion.

---

Prepared by Robert McMahon, Extension forest products marketing specialist, Oregon State University.

Now that the forecast season is here again, we see a diversity of ideas about 1976 emerging, ranging from fairly optimistic to quite pessimistic. Several housing starts forecasts, for example, are projecting levels from 1.3- to 1.6-million conventional starts. Given the poor forecast record compiled by economists during the past several years, however, we would all be wise to view with considerable suspicion estimates for the whole of next year.

The number of imponderables affecting the nation's economy and product markets, not the least of which are erratic government actions either to stimulate or restrain, justifies a wary attitude on the part of timber and mill owners. At this time it is not at all clear what will happen to interest rates, mortgage money availability, ratio of single to multiple family dwellings, changing unit size (and cost) of dwellings, extent and subsequent impact of recent and probable near-future mill closures in the Pacific Northwest, stumpage prices, strikes, wage rates, and shifting production capacity and market shares between the Pacific Northwest, the South, and Canada. And these are only some of the factors that most directly affect forest product markets. A host of others have an indirect impact through their effect on consumer attitudes and the economy in general.

Turning from wood product demand to timber supplies, lumber and plywood prices dropped substantially since last spring. They have begun to rebound, but there has been very little corresponding decrease in stumpage prices, at least for public timber and for much

nonindustrial private timber. Stumpage demand has remained strong because of the threat of impending timber scarcity on the one hand, and on the other a willingness of mill operators to gamble on much higher lumber and plywood prices two to five years hence, when public timber bought today will be cut. In effect they are gambling on a strong recovery in housing to a level of 1.8 million or more conventional starts per year. People with timber to sell now or in 1976, therefore, are likely to be able to find willing buyers at attractive prices. This is in spite of weakened product markets and a generally weak economy, both of which are likely to continue well into 1976.

Improvement in housing starts, if it occurs at all, will not come until spring. So further improvement in lumber and plywood prices will not show up before the end of the first quarter of 1976. In the absence of a substantial recovery in housing, the gloom that currently engulfs producers and distributors will not be dispelled, and their numbers will be depleted further through failure or merger.

The forestry and forest products outlook for the first half of 1976 is rather bleak, and the remainder of the year may not show much improvement. Economic conditions, in terms of jobs and payrolls, could be constrained in Oregon and Idaho, with their heavy dependence on the forest products industry; somewhat less so in Washington, with its more diversified economy. Our feeling overall is that some optimism regarding 1976 is justified, but that optimism had better be tempered by wariness if unpleasant surprises are to be avoided.

# Farm Production Inputs

## ECONOMIC OUTLOOK FOR 1976

Farm production input costs continued to push upward in 1975. However, this upward trend is expected to slow for many farm inputs. In a few cases, prices may decrease slightly due to cutbacks in farm purchases, but this will be temporary. Energy costs remain a problem, and generally higher prices are indicated for 1976.

Prices paid by U.S. farmers during 1975 are estimated to be up 9 percent from those of 1974. This is less than the 16 percent increase from 1973 to 1974. Projections for 1976 indicate a modest 3 percent increase over 1975 price levels.

In 1976, farmers should be able to buy most all the inputs they need for their operations. However, they will need to provide for the possibilities of cost increases in their budgets. The longer-run outlook, for the next three to five years, is for a continuation of the inflationary trend in farm input prices.

Situation highlights and outlook considerations for the major categories of production inputs used by farmers and ranchers in the Pacific Northwest follow.

### Fertilizer

The fertilizer shortage ended in the spring of 1975, with only a few exceptions in widely scattered local areas. At that time, the prices of most fertilizer products had doubled or tripled and a tight supply-demand balance was predicted. Instead, inventories of all fertilizer materials are now up sharply and prices are falling. Both reduced demand and increased supply ended the shortage. Increased fertilizer prices and uncertain crop prices were factors in the reduced fertilizer demand.

In the fall of 1975 Pacific Northwest ammonia nitrate, anhydrous ammonia, and urea prices were down about 10, 9, and 7 percent, respectively, from a year ago. Prices of 20-

percent superphosphate in the PNW were down about 5 percent from a year earlier, while muriate potash prices advanced 18 percent.

U.S. supplies of nitrogen fertilizer were up about 8 percent for the 1974-75 fertilizer year, ended June 30. With the reduced demand, inventories have been rebuilt to adequate levels and new manufacturing plants are expected to increase total nitrogen production by 5 to 10 percent in 1975-76. However, a major unknown is the availability of natural gas, used in manufacture of nitrogen fertilizers.

If crop prices are favorable and nitrogen prices lower, demand may be up in 1976. This would build pressure for nitrogen price increases. If you have on-farm storage, consider filling it now while the market is soft and favorable terms are being offered by some suppliers on nitrogen solutions and urea. Any further downward pressure on prices will be softened by increased costs, especially for natural gas.

Phosphate supplies for the 1974-75 year were up and farmer purchases appear to have declined. Sharp price increases in early 1975 caused many farmers to cut back on phosphate use. Phosphate production should be up in 1976 as new manufacturing plants begin production. With increased supplies, phosphate prices have dropped from spring 1975 levels, but look for increases again by spring, 1976.

Domestic potash production is equal to about 60 percent of current U.S. use. Most potash imports come from Canada, where output must increase if U.S. needs are to continue to be met. Despite an improved supply picture, potash prices are not expected to drop significantly.

Larger inventories and increased production indicate that Spring 1976 fertilizer prices will be lower than a year earlier, but higher than in the fall of 1975. Thereafter, fertilizer prices will depend heavily on grain prices, a key demand factor. No major change is expected on the supply side

unless the fertilizer industry should again overbuild its production plants.

### Pesticides (Herbicides and Insecticides)

Pesticide demand is expected to continue to be strong in 1976, as it was in 1975. The production of pesticides was up an estimated 10 percent in 1975 over 1974. Although production was up, low beginning inventories and difficulties in scheduling distribution caused spot shortages of some pesticides. Price rises were substantial. Formulated pesticides reportedly were costing 20 percent more in 1975 than 1974, when the increase was 10 to 15 percent.

Prospects for 1976 indicate an improved pesticide supply situation. The beginning 1976 inventory is expected to be near normal. Substantial expansion of production capacity is planned or underway. With increases in pesticide production costs, moderate price increases of around 5 percent are likely, but you should shop around.

### Fuel

Fuel supplies were adequate for farming operations throughout the country in 1975, with no reported shortages. Fall 1975 farm gasoline prices in the Pacific Northwest were up about 12 percent from a year earlier. Diesel fuel was 6 percent higher.

Overall, supplies should be adequate for gasoline and diesel fuels in 1976. Prices are expected to stabilize somewhat, depending on deregulation of the domestic "old" oil price, fuel conservation by U.S. consumers, and actions by the oil exporting countries.

### Machinery

From September, 1974, to September, 1975, the U.S. price index for farm machinery increased about 21 percent. The index of prices paid by farmers for autos, trucks, and tractors increased by 15 percent over the same period.

Sales of all major items except self-propelled combines were considerably

Prepared by A. Gene Nelson, Extension farm management specialist, Oregon State University.

lower during the first eight months of 1975 compared to the same period in 1974. Sales of tractors were down 17 percent. Hay baler and forage harvester sales decreased, and combine sales increased from a year ago. As a result, inventories have recovered from record lows in 1974 and are back to normal, with the possible exception of combines.

While the unit sales of tractors may decline slightly in 1976, there will be an increase in dollar volume as the trend to higher-powered, more sophisticated tractors continues. Larger tractors will encourage bigger tillage implements. The demand also may be augmented by the 10-percent investment tax credit on farm machinery purchases.

The upward pressures on machinery prices may be easing for the first time in several years. With more new machinery on hand, machinery dealers should be willing to bargain when farmers seek purchases this winter. However, farmers shouldn't delay too long waiting for lower prices. The general trend, consistent with inflation, is upward.

#### **Farm Real Estate**

U.S. farm real estate prices continued up in 1975 but the rate of increase may slow during 1976. A 14 percent boost was recorded for the total U.S. during the year ended March 1, 1975. It appears that land price increases may slow from their recent high rates.

Average farm real estate prices in Oregon advanced 7 percent from March 1974 to March 1975. For Washington, the increase was 11 percent, and Idaho showed the highest increase at 20 percent.

In the longer run, demand for land should continue at a moderate level, given the incentives for farm consolidation and hedging against inflation. High mortgage interest rates and the possibilities for higher real estate taxes would limit the demand.

#### **Agricultural Credit**

Total U.S. farm debt appears to have increased at a slightly lower rate in 1975 than in 1974. With higher land values, farm real estate debt contributed to this upward climb. Real estate debt, which is over half the total farm debt, is expected to have increased by 12 percent, about the same rate as the prior year. Nonreal estate debt for machinery, livestock, and other expenses has increased by 9 percent, down from 10 percent the year before.

The reduced growth rate of non real estate debt appeared to reflect less overall demand among farmers, particularly in the cattle-producing areas. Many farm operators have made large past purchases of machinery and other farm inputs, and their demand for further purchases has slackened. Some improvement in farm income prospects, however probably would cause lending activity to increase.

Reports indicate that farm credit agencies have funds for lending, but are exerting more restraints than usual on their borrowers. This is particularly the case for cattle producers, but may be alleviated by the Emergency Livestock Loan Program.

Interest rates on farm loans have declined from the high levels reached in early spring 1975. The rate is expected to turn up again in 1976, depending on changes in monetary policy. Given this prospect, arrangements for needed loan funds should be made as soon as possible.

#### **Wrap-up**

It appears that really critical shortages of farm-input supplies will not occur during the next couple of years. While input prices will not jump at the high rates of a year ago, they will stabilize only temporarily and further increases will arise from inflation. With higher input prices and purchased inputs becoming a more important part of his operation, the farm and ranch manager needs to consider his buying strategies. While the overall trend in prices paid is upward, there will be dips for certain items when inventories are overbuilt. The manager needs to be in a position to take advantage of these dips by timing his purchases to coincide. He does need to watch out, however, that the carrying cost for the item does not offset the price advantage.

ON 11/07/76 LAPI 11/11 1976 C13

Pacific Northwest  
Agricultural Situation and

Oregon State Library  
Salem





---

Published and distributed in furtherance of the Acts of Congress of May 8 and June 30, 1914, by the Cooperative Extension Services of Oregon State University, Joseph R. Cox, director; Washington State University, J. O. Young, director; the University of Idaho, James L. Graves, director; and the U.S. Department of Agriculture, cooperating.

---