1981
PACIFIC NORTHWEST AGRICULTURAL SITUATION AND OUTLOOK

- Food and Agriculture in the 1980's
- Pacific Northwest Economic Outlook
- Farm Production Inputs
- International Trade
- Cereal Grains, Peas, and Lentils
- Hay and Forage
- Grass Seed Crops
- Fruits and Nuts
- Vegetables
- Irrigated Field Crops
- Seafood
- Meat Animals
- Dairy
- Poultry and Eggs
- Nursery Crops
- Forest Products

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Oregon . Washington . Idaho
PEOPLE concerned with the immediate future of the agricultural industry of the Pacific Northwest continually need commodity situation and outlook information on which to base decisions. These reports were prepared through the combined efforts of Extension and various departments 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 on December 1, 1980, and, jointly considered, interpretation of the facts as they affect the Pacific Northwest in 1981.

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1981 Outlook Task Force Members

Oregon State University

Washington State University

University of Idaho
Food and Agriculture in the 1980's

The 1977 Food and Agricultural Act expires after the 1981 crop, and new legislation will be enacted. While specific outcomes cannot be projected, the issues can be identified.

Legislative environment

The legislative environment is key. With less than 4% of the population now involved in farming, farmers' political power base is not overwhelming. Yet, every senator has an agricultural constituency—thus has been willing to vote legislation favorable to farmers.

Only 100 of the 435 House members have farm voters, while each has consumers. This necessitates mixing consumers' and farmers' interests for successful legislation.

Price and income programs

Farmers and their families must be satisfied with their economic status to remain involved in farming. Policy alternatives to facilitate this include continuation of the present nonrecourse loan-target price mechanism, and farmer controlled reserve programs.

There will be pressure to increase the loan level. Attempts may be made to set it legislatively on cost of production. Target price levels, presently tied to cost of production, face the problem of land charges. Regionalizing target prices to reflect regional production costs will be debated.

Present program limits do little to protect the “family farmer” from the competition provided by more efficient, larger farms. Attempts may be made to change the payments from a production unit basis to an income maintenance program. Such subsidies would relate to total farm family income.

Whether food reserves should be farmer owned, government owned, or internationally coordinated is still an issue. The size of the reserve, when and how it should be accumulated and distributed, and farmer and consumer price implications, all will be discussed.

Setaside or land diversion programs will be questioned. The morality of limiting U.S. agricultural production when one of every eight persons worldwide is hungry, is an issue.

Agricultural production risks were covered under the disaster payment program in the 1977 Act. The 1980 Federal Crop Insurance Act is to replace this program. However, there are several unresolved issues. The subsidy level necessary for a viable insurance program is not known. Thus, there will be a considerable push to continue the present disaster program. The relationship of the new federal crop insurance and emergency loan programs also is undefined.

Agricultural trade issues

Returning agriculture to a “free market system” will gain little support in Congress. Still, the question of embargoes will be an issue. Any move toward protectionism internationally will be detrimental to the United States. Our comparative advantage in the production of grains and soybeans provides benefits from large volume exports. This helps offset our chronic deficit balance of payments. Improved access to foreign markets for agricultural products, liberalized credit, and market development will be emphasized.

Bilateral trade agreements are now in place with the Soviet Union, the People's Republic of China, and Mexico. Such guaranteed delivery agreements limit the uncommitted quantity of grain on the world market and could lead to less rather than more price stability. Interest in the United States "state trading" grains will again surface, as will the formation of a grain cartel.

Conservation issues

There is a concern that current farm policy provisions and program linkages may not adequately reflect the longrun importance of soil and water conservation. Consequently, cross compliance by farmers with conservation objectives to qualify for price and income program benefits may be suggested. Conservation programs could involve incentives, tax deductions for conservation investments, cost sharing programs, or punitive action, i.e., regulation or penalties for soil loss.

Loss of agricultural land to other uses also may be an issue. Policy measures to make agriculture more competitive, to encourage nonagricultural developments on less productive agricultural lands, or to control directly the transfer of agricultural land to other uses may be introduced.

Energy, especially agriculture's priority in fuel allocation, will not be overlooked. Last year's independent truckers' strike has raised doubt about the present priority system. Programs to encourage fuel independence for farmers via alcohol production will be considered.

Consumer issues

Secretary Bergland's emphasis on consumer interests resulted in significant shifts within the USDA. Suggestions for a food and agriculture program based on human nutrition gained widespread internal support. The adequacy of the nutrition knowledge base for such a policy is suspect.

Food aid is a significant part of any food and agricultural legislation. The food stamp program grew from a $288 million program serving 2.8 million people in 1968 to a $7 billion program serving more than 19 million people in 1979. The elimination of the purchase requirement for food stamps was a key element in gaining urban support for the Food and Agricultural Act of 1977. There may be attempts to further this transition to cash aid rather than food stamps.

Determining the U.S. role in feeding the world is always an issue. Support for the PL 480 program in nominal dollar terms has been relatively constant in recent years. With rising food prices, however, the absolute quantity shipped has been declining.

Farmer participation

Finally, the rise in the number and effectiveness of single interest groups makes it important that farmers know where they can make an input into the legislative process. Then they must make that input effectively. Identification of the congressional staff charged with keeping your senators and representatives informed on agricultural and food matters, is key to the process. As a farmer, you should get acquainted with your legislators and these key staff. Call them at their local offices or in Washington, D.C. Learn the legislative access points and improve the timing and quality of your input. Training and experience will improve your results.

Prepared by J. B. Wyckoff, Extension economist, public policy, Oregon State University.


Pacific Northwest Economic Outlook

The General Economy—1981

In 1980 we faced a recession (technically defined as two consecutive quarters of declining “real” gross national product) combined with continued inflation. The slump arrived in the second quarter, but recovery began in the fourth quarter. The third quarter data indicate a very slight upturn, so “slump” may be a more accurate term than “recession,” but it was a severe slump. Strong consumer spending maintained the economy longer than expected in 1980.

Industrial production declined in April after a year-long plateau. It reached a low in August and turned up in September and October. The unemployment rate rose from 6.2% in March to 7.0% in April. May to July unemployment stood at 7.7 to 7.8%, then declined to 7.6% in August, 7.5% in September, and 7.6% in October.

<table>
<thead>
<tr>
<th>Month</th>
<th>Percent 1979</th>
<th>Percent 1980</th>
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<tbody>
<tr>
<td>January</td>
<td>5.8</td>
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<tr>
<td>July</td>
<td>5.7</td>
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<tr>
<td>August</td>
<td>6.0</td>
<td>7.6</td>
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<tr>
<td>September</td>
<td>5.8</td>
<td>7.5</td>
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<td>5.8</td>
<td>7.9</td>
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<tr>
<td>December</td>
<td>5.9</td>
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The leading indicators began to decline last fall. After leveling off during the winter, they dropped sharply from February to May. The indicators began to rise slowly in June, then vigorously in July, August, and September.

Thus, recovery evidently is in progress. We may be in for a slow, sluggish recovery, however, or we may even sink back into recession, unless the economy responds positively to the new administration.


Inflation has continued upward. From July 1979 to June 1980 the Consumer Price Index rose 13 percent. In July and August 1980 the rate of increase slowed, but increased again in September.

<table>
<thead>
<tr>
<th>Month</th>
<th>1979</th>
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<tr>
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<td>236.4</td>
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<td>April</td>
<td>211.5</td>
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<td>May</td>
<td>214.1</td>
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<td>June</td>
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<tr>
<td>November</td>
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<tr>
<td>December</td>
<td>229.9</td>
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The present fiscal policy of deficit federal budgets runs counter to the monetary attempts to control inflation through the money supply. The 1980 federal budget had a $59 billion deficit. The 1981 budget also has a projected deficit of $60 billion, but the appropriation bills have not been passed. The battle against inflation is an area to be watched in the coming year.

The election results may signal a change in economic policy. A balanced federal budget will not be achieved immediately, but will help curb inflation in coming years. Domestic fiscal and monetary policies, although subject to shocks from other sectors of the world, nonetheless are to shift toward a balanced budget and eventual control of inflation.

A tax cut will be enacted in 1981. The new administration seems committed to a 10% cut in personal income taxes each year for 3 years. If such legislation is passed to take effect in 1981, personal consumption expenditures would likely rise. However, government expenditures would have to be curtailed if deficits are to be avoided. Increased private business investments or state and local government expenditures would be needed to maintain growth of the gross national product.

Continued progress out of the recession, without international shock, and a decline in the rate of inflation will improve "real" consumer incomes. This would boost those industries marketing their products domestically.

Per Capita Disposable Income (Annual rate)

<table>
<thead>
<tr>
<th>Month</th>
<th>In current dollars</th>
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<tr>
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<td>$4,449</td>
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<tr>
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<td>$7,367</td>
<td>$4,512</td>
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<td>March</td>
<td>$7,157</td>
<td>$4,536</td>
</tr>
<tr>
<td>April</td>
<td>$7,275</td>
<td>$4,510</td>
</tr>
<tr>
<td>May</td>
<td>$7,430</td>
<td>$4,501</td>
</tr>
<tr>
<td>June</td>
<td>$7,606</td>
<td>$4,502</td>
</tr>
<tr>
<td>July</td>
<td>$7,834</td>
<td>$4,502</td>
</tr>
<tr>
<td>August</td>
<td>$7,900</td>
<td>$4,423</td>
</tr>
<tr>
<td>September</td>
<td>$7,900</td>
<td>$4,423</td>
</tr>
<tr>
<td>October</td>
<td>$7,900</td>
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<tr>
<td>November</td>
<td>$7,900</td>
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<tr>
<td>December</td>
<td>$7,900</td>
<td>$4,423</td>
</tr>
</tbody>
</table>

The world scene

The seizing of the U.S. Embassy in Teheran, Iran, and the holding of hostages; the Russian invasion of Afghanistan, with the U.S. grain embargo and the boycott of the Moscow Olympics; and the outbreak of war between Iraq and Iran have focused national attention on our military preparedness. The economic significance of this is its relation to the control of inflation. With defense constituting about one-fourth of the total federal budget, increased defense spending will make it even more difficult to balance the budget.

The 1980 outlook publication reported concern that even with strong export markets during the year, "a prolonged recession in this country could exert a downward pull on other countries by next winter." A recently constructed index of leading indicators for six of our major trading nations has been dropping since March of 1980. This could indicate that "...business is entering or about to enter a major slowdown in the key countries abroad, at the very time when America's economy is trying to pull out of a recession." This possibility and its effect on our exports and trade balance needs to be watched through 1981. The economic conditions of other countries are of major interest to exporting industries.
A third worldwide influence of critical importance is the possibility of tightening of food stocks as population continues to increase and consumption demand rises more rapidly than supplies. This could trigger a sharp rise in commodity prices and an almost immediate impact on the consumer food price index.

What's ahead?

The future course of the economy is difficult to predict accurately. We can, however, be aware of the forces and indicators as they unfold.

On the world scene the drama in the Middle East is of critical importance. Its impacts on energy costs and military preparedness permeate our economy as well as the economies of our major trading partners. The world balance of food production and consumption also warrants close monitoring.

Domestically, the two depressed industries of 1980, construction and automobiles, have begun to recover. With the prime interest rate again rising, however, the recovery is likely to be sluggish. Consumer actions will be influenced by their expectations of the rate of inflation, tax cuts, energy prices, unemployment and any reduction in federal social welfare programs. Incentives to save and invest, if reestablished, will spark business recovery and ultimately our ability to compete in international markets.

**Farm Production Inputs**

Economic Outlook for 1981

Prices for most agricultural inputs continued to move higher in 1980 and additional increases can be expected in 1981. Interest, energy, fertilizer, and chemicals all increased by more than 25% in 1980 compared to 1979 and are likely to continue upward in 1981. Price strength in grains, potatoes, and some fruits is likely to help upward pressure on land prices and rent.

The rate of increase in farm production costs continued an upward trend in 1980. That increase was due to higher input prices. The USDA's overall index of prices paid for production items, interest, taxes, and wage rates jumped by 12.0% for the year ending September 15, 1980. This compares with 15.3% and 11.2% for 1979 and 1978, respectively. Prices of all inputs included in the index were up in 1980. Fuels and energy went up 25%, fertilizer was up 27.8%, and interest was up 25.2%. The only items increasing at single-digit levels were autos and trucks at 3.6%, farm services and cash rent at 6.4%, taxes at 8.0%, and wage rates at 8.2%.

Additional increases in input prices and production costs can be expected in 1981. The extent of price increases depends on government fiscal and monetary policies, trade policies, and events in the oil-producing countries. New seedings and input demand will also be a factor in determining the extent of price increases for inputs. The effect of the new Administration's inflation policies will not be known until late in 1981.

USDA policy-makers have indicated there will be no set-aside program for wheat in 1981. Consequently, crop acreage is expected to be up. Reduced world grain supplies and the weakened position of the U.S. dollar will keep export demand strong and encourage additional grain production.

The greatest uncertainties facing farmers in 1981 are the cost of energy and interest. They strongly influence transportation, fuel, fertilizer, and chemical costs. The effect of the Iraq-Iran war on petroleum prices and supplies is difficult to ascertain. The effect of a worldwide recession on interest rates also is uncertain. Certainly, producers will want to monitor these developments.

Highlights during 1980 and outlook for 1981 for selected Pacific Northwest farm production inputs are summarized below.

**Fertilizer**

Producers are advised to buy fertilizer now for spring use. Heavier demand is expected to push fertilizer prices up, particularly for the Pacific Northwest.

The upward trend in fertilizer prices continues into 1981. Nationwide, prices have increased 27.8% during the past year. Adequate supplies and large inventories should hold price increases to about 10% for the 1981 planting season. The crop acreage increase will keep fertilizer demand strong and prevent price cutting.

**Pesticides**

Agricultural chemical prices rose 21% in 1980. Another 10% increase can be expected for the 1981 production year.

Since petroleum is a major input for many pesticides, price advances can be expected in the coming months. Competition in the chemical industry is keen,
however, and companies will be reluctant to post excessive price increases.

Herbicide and insecticide inventories are up. Pesticide use will increase because of added acres and reduced tillage. Demand for supplies will be strong, keeping prices from being cut. Intended use of herbicides will be up 2 to 5% because of additional wheat and feed grain acres. Insecticide use will depend on local insect infestations.

Potato acreage increases will raise fungicide use in the Northwest. Supplies are adequate and prices will be up 10%.

Fuel and Power

Farmers are painfully aware energy prices increased 25% in the past year. That increase is on top of a 44% increase in 1979.

The only predictable thing about fuel prices for 1981 is that they will increase. Early November spot market oil prices of $40 per barrel are common when the official OPEC price is $81 per barrel. This is a 29% increase in the price of crude oil. The Iran-Iraq war has eliminated 3 to 4 million barrels a day of production. If this production will be made up by other countries and at what price, are unknowns at this time.

Electrical power costs in the Pacific Northwest will increase substantially. Bonneville Power Administration (BPA) will raise rates to increase revenue 50% on July 1, 1981. This will affect all buyers of BPA power. To determine the effect on your power costs, check the initial rate schedules, which will be published in late January 1981. Other new power plants will add to the rate base and power costs as they begin producing power. General cost inflation and rate restructuring will continue to put upward pressure on power prices.

Farm Machinery

Farm machinery sales lagged behind 1979 levels as producers postponed equipment purchases. Tractor sales are down 6 percent from 1979 levels, while combine sales are down 33% for the same period. Strong commodity prices should increase unit sales of tractors and machinery in spite of an 11% increase in prices. The upward movement of manufacturer's energy, raw materials, and labor costs will continue to put upward pressure on machinery and tractor prices. Farm equipment prices will be up at least 60% (10% per year) in the next 5 years.

High interest rates, in addition to pushing up production costs, reduce inventories as dealers try to keep their lot inventory costs low. Freight will continue to increase as the result of increasing energy prices and deregulation in the transportation system.

Agricultural Credit

The Federal Reserve is expected to support President-elect Reagan's programs to curb inflation by pursuing a policy of steadier monetary restraint to help curb the volatility of credit markets. If these measures are effective, look for a gradual decline in the prime interest rate.

Agricultural loan interest rates move more slowly than the prime rate, but can be expected to remain at the inflation rate plus 3 to 4%. Actual rates will depend on the type and source of the loan. If restrictive monetary policies bring signs of a declining inflation rate, interest rates are expected to decline rapidly.

Excellent crops and prices in the Pacific Northwest should leave producers and lenders in good financial condition. Loanable funds will be in good supply for borrowers with strong, well-documented loan requests.

Land

Nationwide, farmland prices increased by 15% for the year ending February 1980. This is up from 14% for the previous year. The number of farm transfers was unchanged from the 1979 level at 85,600. Tight credit in early 1980 and a decrease in net farm income will reduce the rate of farm transfers in 1981. Pacific Northwest land values increased at a rate below the U.S. figure, averaging 5% in Washington, 10% in Oregon, and 14% in Idaho.

Strong prices for many commodities during late 1980 will result in increased activity in farmland markets during the coming months. Moreover, increasing numbers of land buyers recognize the excellent hedge against general price inflation provided by land. This puts greater importance on the capital gains component of land returns. High capacity and more productive machinery continues to encourage farm enlargement. High interest rates have a moderating effect on land demand for producers with weak cash flows. Land available for sale is not expected to increase, but with the increasing demand for capital gains and efficiency, upward pressure on land prices will continue.

Hired Farm Labor

Hired farm wage rates continued to increase in 1980. The mid-year hourly rate for hired farm labor in the Pacific Northwest was up 9.6 percent (minimum wage legislation increased it by 6.9% in 1980).

Oregon increased hired worker numbers by 28%, while Idaho and Washington decreased 9.6%. The overall increase in hired workers for the Pacific Northwest was 4.3%.

The slowdown of the national economy has decreased off-farm employment opportunities. This should enhance local labor supplies. Pressure for a bill permitting aliens to enter the U.S. legally for short employment periods is increasing. Passage of this bill would help secure seasonal labor for field operations and harvest; however, passage is doubtful for the 1981 crop year.
International Trade

Economic Outlook for 1981

1981 U.S. agricultural trade outlook

Early indications suggest that fiscal year 1981 will be the 12th consecutive year of record U.S. agricultural exports. Export tonnage will increase only modestly from 164 to 170 million tons, but generally strong prices could push sales beyond $48 billion in 1981. With agricultural imports in 1981 projected by USDA at $18.5 billion, the U.S. agricultural trade surplus could reach $30 billion, up $7 billion from fiscal year 1980.

Grain will comprise the largest portion of U.S. exports. U.S. wheat exports should reach 37 million metric tons, up 4% from 1980. The U.S. market share is expected to rise as a result of the inability of principal competitors (Canada, Australia, and Argentina) to fully satisfy their traditional markets. U.S. feed grain volume is expected to reach 74 million metric tons. Slightly larger volumes and relatively good unit prices are expected to result in sales of fruits, nuts, and vegetables of $8 billion, surpassing the 1980 level of 2.55 billion. Exports of beef could expand by 10 to 15%, resulting from growth in demand for high quality beef. Strong demand for eggs and poultry products in the Mideast, Caribbean, and South America should lead to increased export volumes and sales value.

1981 Pacific Northwest outlook

A somewhat gloomy early-year outlook for white wheat exports has been replaced by optimism with the entry of several nontraditional customers into the market. Morocco, SriLanka, Yugoslavia, Egypt, Poland, and Ethiopia have all made recent purchases. A slight increase in sales to Japan probably will offset a moderate decrease in shipments to South Korea. White wheat exports could reach 225 million bushels, up 26% from last year’s 178 million bushels.

Exports of PNW fruit products, led by apples and cherries, should be up. The Middle East, Taiwan, Argentina, and Canada should be among the leading markets. Japan continues to be a good potential growth market for cherry sales. Recent negotiations between the U.S. and Japan have led to a liberalization of import controls for bottomfish exports to the Japanese market. The prospects for increased PNW shipments of these products by spring 1981 look favorable. World demand for processed potato products continues to grow. However, this year’s small PNW potato crop will prevent the full exploitation of export opportunities. Lentil export prospects have been enhanced by Egypt being granted P.L. 480 loans to purchase U.S. lentils for the first time.

U.S.-Japanese trade relations in the 80’s

Prospects for U.S.-Japanese economic relations in the 80’s are of major importance to agriculture in the Pacific Northwest, since Japan is its largest single overseas market. A potential problem that will loom over U.S. agricultural export health is that strong protectionist pressures in the U.S. could ignite a trade war between the two countries. Whether this problem is averted will hinge, in part, on the extent to which the U.S. combats its relative trade deficit. This might involve improving U.S. export performance as opposed to the negative approach of erecting barriers to Japanese goods. The close trade and strategic association between Japan and the U.S. will necessitate understanding and new initiatives by both sides. U.S. high quality beef trade with Japan provides an excellent case in point.

Japan maintains quantitative ceilings and other non-tariff measures that restrain U.S. producers from penetrating the high-quality, high-priced beef market. Japan took a step in the direction of liberalizing U.S. access to its domestic high-quality beef market in the Tokyo round of negotiations by agreeing to expand quotas incrementally to 30,800 tons by 1983.

The China factor

Continued improvement in Sino-American political and commercial relations has paid substantial dividends to the U.S. agricultural export community. With exports in excess of $1 billion this past year, the U.S. has become the leading supplier of agricultural exports to China. The signing of the bilateral grain agreement under which the Chinese have agreed to buy from 6 to 9 million tons of U.S. grain at market prices annually over the next 4 years indicates that this market is definitely established. For the Pacific Northwest two important questions are what part of this trade will consist of wheat? and of how much will be Pacific Northwest white wheat? This year 6 million tons of wheat have been sold already by the U.S. to China. Accumulated Pacific Northwest white wheat exports to China so far this crop year total 8.9 million bushels, plus another 8.3 million bushels in outstanding sales. Indications are that about three-fourths of China’s future grain imports will consist of wheat. Most of the wheat produced in China is grown on the North China plain. Climatic conditions and transportation problems, particularly in Northwest China, apparently have led the Peking regime to rely heavily on wheat imports to supply the large cities on or near the coast.

Other factors

Other trade developments and policies that will bear watching in 1981 will include whether the Soviet Embargo is lifted by the new administration as it has indicated it will, will Iran resume importing U.S. wheat? and will the U.S./Soviet grain agreement be renewed? Policy issues in 1981 may include whether government should assume a larger role in administering U.S. exports by forming a centralized marketing agency patterned along the lines of the Canadian and Australian grain boards. It seems doubtful that the Reagan administration and new Congress will favor such a policy. The question of to what extent should food be used as a political tool in U.S. foreign policy affairs again will be raised. This will be a factor in the policy debate of the pros and cons of the U.S. initiating bilateral grain agreements with Japan, Israel, Mexico, and other governments, along the lines of the agreements with the Soviet Union, Poland, and China.

Prepared by James R. Jones, associate professor, agricultural economics and applied statistics, University of Idaho; and M. V. Martin, assistant professor, agricultural and resource economics, Oregon State University.
Cereal Grains, Peas, and Lentils

Economic Outlook for 1981

Near ideal weather resulted in record wheat, barley, and pea crops in the Pacific Northwest in 1980. A record lentil crop resulted from nearly a 50% increase in acreage. Grain prices have been strong since harvest as a result of tightening world supplies. Continued price strength appears likely. Pea and lentil prices have held near last year's levels. The outlook for 1981 wheat and barley in the region appears favorable because of low projected world carryovers. The pea and lentil outlook is less certain. It will depend on production and world demand in the coming year.

Pacific Northwest grain, pea, and lentil growers experienced some surprises in 1980. They had expected the loss of the Iranian market in the summer of 1979, coupled with the January embargo of shipments to Russia, to result in a sharply larger carryover of wheat. Then the May 18 explosion of Mount St. Helens raised a specter of possibly disastrous consequences to the growing crops.

The embargo did not have an impact, directly, on PNW growers because Russia has not taken wheat from the region. Further, to partly offset the impact of the embargo, government assistance was initiated on shipments to Bangladesh and other lesser-developed countries. Volume shipped to Bangladesh, alone, was greater than earlier annual shipments to Iran. The carryover was greater than in some recent years, but not nearly so much as had been feared.

Near ideal weather that followed the volcano eruption resulted in record yields of wheat, barley, and peas. Lentils did not fare quite so well, but sharply expanded acreage still resulted in record production.

PNW wheat situation

More than 87 million bushels of wheat were carried over in the Pacific Northwest on June 1, 1980. Combined with the record 324 million bushel crop in the three Northwest states in 1980, it resulted in severe pressures on the storage capabilities of the region. Estimates indicated that about 30 million bushels were piled on the ground at harvest with 5 to 9 million bushels still outside in early November. Many farmers were concerned that this would result in severe downward price pressures. Fortunately, rather than downward price movement, the region experienced strengthening prices throughout the post-harvest period. Nevertheless, there is concern in the region that more storage facilities are needed.

Significantly, many of the areas where the worst storage problems were encountered also had much greater than normal yields, some as much as twice normal. This poses important questions as to whether storage facilities can be built to handle those rare bumper crops when they would remain idle over an extended period of years. At the same time, there are areas in the region that are expanding their wheat production and shortages of storage in these areas could justify additional facilities.

Secretary Bergland declared that there would be no "set aside" program for the 1981 wheat crop. This probably will result in a modest increase in plantings, though it is not expected to be sharply higher than in 1980. The winter wheat crop is, however, off to a good start.

Soft White wheat shipments from the region through October, at 90.7 million bushels, are running 47% ahead of last year's 61.5 million bushels. A continuation of this pace of exports would result in lower ending stocks than last year. Even if the current rate of exports is not maintained, it appears unlikely that carryover stocks will be much higher than last year. Rather, there is a distinct possibility that they will be lower.

U.S. wheat situation

Record production of Hard Red Winter, Soft Red Winter, and White wheat resulted in a record U.S. wheat crop despite a sharply lower Hard Red Spring crop. Durum production was about the same as last year, but quality was down from sprout damage. The 2.36 billion bushel output, combined with the carryover resulted in the largest U.S. Supplies of wheat in history. In spite of these record supplies, exports are currently projected to exceed 1.5 billion bushels. As a result the carryover projected for next June 1 will be about the same as June 1, 1980.

Soft Red Winter wheat is the principal class that competes with White wheat for the export market from the United States. Both classes have basically the same end uses. Soft Red Winter exports from June 1 through October 23 were running about 102 million bushels ahead of a year earlier. Practically all of this increase, 100 million bushels, resulted from increased exports to mainland China, which totaled 128 million bushels through October. By contrast, only 7.6 million bushels of White wheat had exported to China, compared with none a year earlier. White wheat prices at the ports have been somewhat lower than Soft Red Winter prices. Freight rates from the Pacific Northwest also are lower than from the Gulf. This raises a distinct possibility that White wheat will be viewed more favorably by China in the future.

The official estimate of winter wheat plantings was scheduled for release December 23, after this article went to press. Early indications point to a sharp increase in Soft Red Winter wheat plantings for the 1981 crop. If the weather cooperates there will be considerable supplies of Soft Red Winter wheat available for the export market in 1981. Many farmers there are expected to double-crop wheat with soybeans. Recent rains in the spring wheat and Durum areas indicate that production there also could be expanded considerably. The big question mark, as of this writing, is the important Hard Red Winter wheat areas. The early drought in the Southern Plains caused concern and the condition of that crop is difficult to determine at this point. Nevertheless, the potential certainly exists for another record U.S. wheat crop in 1981.

World wheat situation

The latest USDA estimate suggests world production of around 428 million metric tons. It appears that the Russian wheat crop would equal or exceed that of last year, but the Australian and Chinese crops are lower. Eastern Europe, western Europe, and the United States experienced substantially better crops

and Canada had a slightly better crop than last year.

Utilization is forecast to drop 7 million metric tons from the 1979-80 year's 442 million tons. This is still 7 million tons above production, so ending stocks would drop to 72 million tons, the lowest levels since 1975-76. Ending stocks as a percent of utilization, an important determinant of price, are expected to be at the lowest levels of the 20 years that such records have been kept. This means that pipeline supplies would be only about 16.6 percent of utilization (see chart).

![World Wheat: Stocks as Percent of Utilization](chart)

裤子 source: USDA, FAS Circular, Grains, 10/15/80.

Stocks as a percent of utilization have become progressively less through the 20-year span. Interestingly, in the decade of the 1960s there was only 1 year when this percentage was lower than the highest year in the 1970s. The definite downward trend suggests stronger prices for the 1980s than was true in the 1970s. Prices probably will be even more sensitive to production, so price weakness may be experienced in years of favorable world weather. Overall, though, we expect generally higher real prices (discounted for inflation) during the decade.

On balance, the lower world projected stocks at the beginning of the 1981 marketing year suggest that we will be in a "weather market" in the coming year. If production is favored with exceptionally good weather, we could see supplies become burdensome once more. But if we approach something on the order of normal weather world-wide, the supply situation will remain rather tight in 1981. Fairly strong prices then would continue during the next marketing year.

China has been only an occasional importer of U.S. wheat in recent years, but during the current marketing year China is our most important importer of wheat. The recently signed bilateral agreement suggests that they will continue to buy approximately the same amount that has already been bought this year during each of the next 4 years. Speaking of bilateral agreements, the U.S.S.R. agreement expires with the current crop year. If that agreement is renewed or extended, the U.S. wheat industry will be assured of two very important importers for the next few years. This will have a substantial effect on the current outlook for wheat.

U. S. feed situation

Corn is the dominant feed crop raised in the United States. This year's corn crop, which promised to be very large, deteriorated as a result of drought, but was still the fourth largest crop on record. Beginning stocks for 1980-81 were the highest since 1962. Hence, the supply situation was not as tight as the lower production might indicate. Feed demand is strong, however, and exports are expected to be the highest of record. The result has been rising prices for corn and other feed grains as well. Currently, much lower carryover is projected for the end of the 1980-81 crop year. Ending stocks of all feed grains are forecast by USDA to drop from 51.9 million metric tons to 21.9 million metric tons at the end of the 1980-81 crop year.

Feed uses of the various feed grains are expected to be down about 10 million metric tons from the 1979-80 crop year and 7 million metric tons under 1978-79. Food and other uses (such as gasohol and high fructose corn syrup) are expected to be up slightly from the 2 previous years. In total, domestic use is projected to be down. Exports, on the other hand, are expected to show continued growth—up some 2.5 million metric tons from 1979-80 to 72.9 million metric tons.

Feed grain prices have been rising as the effects of the drought have become clearer. Prices are likely to continue strong, at least until good estimates are available on the size of the 1981 crop. At present it would appear that corn plantings might be down as a result of many of the Midwestern farmers opting to double-crop with wheat and soybeans in the coming year. This suggests a good possibility for strong feed grain prices continuing through the 1981-82 crop year.

World feed situation

World-wide feed grain production is expected to be down for the third year in a row. Utilization, however, continues to rise. As a consequence, world ending stocks projected for the end of the current marketing year are the lowest in 20 years of records. At the same time stocks as a percent of utilization (the pipeline supplies) are at the lowest level in the same period. The tightening supply-demand situation is indicative of strong feed grain prices continuing for at least the next year and possibly for at least 2 more years.

Dry peas and lentils

A sharp increase in production of dry peas and lentils in 1980 over that of 1979 was the main feature of these crops. Lentil production was increased 51% primarily as a result of a 44% acreage increase. Many of the traditional lentil areas suffered ash, chemical, and weather related damage which resulted in reduced yields. Much of the acreage increase, though, came in other areas that were not impacted as heavily by these three factors. Yields in these other areas were very good. Continued expansion into these other areas, primarily southeastern Washington counties, will likely result.

Dry pea production for all classes was up 56% from 1979, but there was considerable variation by class. Record yields of over one ton per acre were recorded for regular greens and yellows. The 25% percent increase in Austrian winter peas was entirely a result of larger acreage.

Lentil prices early in the season have been near last year's levels, but export activity has been limited. Other exporters, Canada and Argentina, had poor crops, though, so the U.S. has the major export supplies. This may enable holding prices near year earlier levels even with the much larger crop. Pea prices, too, are holding near last year's levels. Greens may face some price pressure because the 223 million pound crop is on top of a 100 million pound carryover. Demand for yellows and blacks has been good, so modest price improvement may result.
The supply of hay in the Pacific Northwest appears relatively unchanged from a year earlier, at the end of 1979. Despite adverse weather in the spring of 1980, favorable haying conditions and resulting higher yields throughout the summer eased the shortages that existed in the first half of the year. The favorable growing conditions also benefited grazing lands in the region; most pastures and ranges are rated in good to excellent condition. A significant reduction in the nation’s 1980 feed grain and forage production, coupled with a minor increase in beef and dairy livestock numbers, probably will increase the demand for forage crops, lending support for continued high hay prices in the Pacific Northwest.

General situation

Production of all hay in Idaho, Oregon and Washington during 1980 increased about 11% over 1979. Alfalfa production, at an estimated 7.6 million tons in the three-state region, is an increase of 11.5% over the year-earlier tally.

Idaho continues to lead the Pacific Northwest in the production of all hay at 4.8 million tons, up 16% from 1979, followed by Oregon with 2.7 million tons, up 13%, and Washington with 2.5 million tons, up only 1%. The quality of the 1980 hay crop in Washington was affected adversely by volcanic and weather problems, especially the first cutting.

Nearly all the increase in production during 1980 can be attributed to increases in yield due to favorable growing conditions. For the three-state region, average tonnage increased one-quarter to one-half ton per acre, with the largest gains in Oregon and Idaho. A slight increase in harvested acreage occurred in 1980, the result of 30,000 additional acres of alfalfa in Oregon and Idaho.

Despite the increase in the 1980 hay crop, there was a greatly reduced carryover of hay in the Pacific Northwest from 1979. As a result, total available supplies from the region in the 1980 marketing year, at 11.4 million tons, represent only a 0.5% increase over last year’s tally. Of this total, only about one-third is sold as a cash crop; the remaining two-thirds, or around 7% million tons, is used on the farms and ranches where it is produced.

The hay and forage situation in much of the rest of the nation is a different story than the Pacific Northwest. Severe drought conditions in the Midwest and upper plains states combined to reduce the nation’s overall hay crop by nearly 20 million tons, a decline of 13% from 1979 production. This has created considerably higher hay prices in the drought-affected areas. High hay prices, coupled with high transportation costs, will limit interregional hay shipments.

The estimated 18% nationwide reduction in feed grain production in 1980 will add to further upward pressure on livestock feed prices, including hay.

Due to tight supplies in the first half of 1980, the export of alfalfa products from the Pacific Northwest to Japan has declined in tonnage. However, higher prices resulted in an overall greater value of the 1980 alfalfa cubes and pellets exported to Japan.

On balance, as of December 1980 there does not appear to be an excess supply of top quality hay in the region, but availability has improved from earlier in 1980. First cutting alfalfa hay may be of relatively lower quality in some areas, while second and third cuttings were reported above average. Lower quality feeder hay is more plentiful in the region, and priced at often considerable discounts to top quality alfalfa hay.

Outlook

Adding the 1979 carryover to 1980 production, the estimated supply of all hay in the Pacific Northwest in the first months of 1981 will be about the same level as the past year. Fall and winter pastures are in generally above-average condition. The smaller 1980 hay and feed grain crops in the rest of the U.S. should contribute to demand, resulting in higher prices, especially in the event of a severe winter. A slightly larger inventory of livestock should also contribute to increased feed demand.

Over the past several years, the average price of baled alfalfa hay received by the producer has increased roughly 15% from late summer to the following spring. Using this as a guideline, it is likely that the combined factors of no increase in supply, yet continued strong demand, could lead to even greater price strength through the coming months. However, it is doubtful prices will increase at the same rate as in 1980, when prices took a 35% jump, unless still further increases in demand materialize. Winter weather patterns in the West and Great Plains, combined with feed grain prices, will play a big role in determining hay prices in the first few months of 1981.

Although little additional alfalfa acreage was planted in the spring of 1980, there are signs that fall plantings have increased as a result of higher hay prices. Planting intentions for 1981 should be watched as an indicator of potential changes in the supply of hay in this region over the next few years.

Prepared by Jim Cornelius, Extension economist, Oregon State University.
Grass Seed Crops

Grass seed prices to the producer have shown some improvement in the last quarter of 1980. Fall movement of seed has been good. The export market demand has also increased with interest in orchardgrass, tall fescue, perennial and annual rye grass seed. Short crops of some grass varieties in Europe and Canada have aided in increasing producer prices by reducing available supply.

High interest rates are encouraging buyers to hold down inventories and buy on an "as needed" basis. This is likely to continue, forcing dealers and growers to hold inventories.

Forage seed crops

Tall Fescue. Prices for tall fescue in the Pacific Northwest increased this fall following a weak market throughout the 1979-80 season.

The Northwest crop appears to be up by about 30%, but production of K 31 is off in the south. Dealer carryover stocks in 1980 were down about 20% from 1979 at 24 million pounds, though this is a little larger than average.

The price is higher than the past season, and demand is expected to continue at current levels through the spring of 1981.

The seed trade appears generally optimistic about the prices of tall fescue seed through the remaining 1980-81 marketing season. Generally, an increase in acreage is not encouraged, as it appears the market is in reasonable equilibrium given current conditions.

Orchardgrass. Orchardgrass has been one of the bright spots for producers in the grass seed market this year. But a word of caution might be in order, because this is a crop that might easily be over produced. A large increase in production would likely weaken prices. Dealer stocks this past July of old crop seed, at 3 million pounds, were about 30% larger than a year ago.

Orchardgrass is a crop with soil requirements comparable to wheat. If grain prices continue to increase, orchardgrass acreage could decrease as land is rotated to wheat.

Linn Perennial Rye grass. Movement of Linn perennial has been good this fall and should carry through this marketing season. Acreage appears to have increased during the past 2 years. Production for 1980 increased with a good crop harvested from a slightly larger acreage. Dealer stocks as of July 1980 revealed a 23% smaller carryover, but with indications of increased seeded acreage. An over-expansion of production is thus possible, which would depress prices next year. Competition from private varieties also is increasing pressure on the markets for Linn perennial rye grass.

Annual Ryegrass. Annual ryegrass has been a disappointing crop for producers during the past 3 years, but some increased demand and reduced acreage are lending optimism to the market.

Carryover stocks increased by about 7 million pounds, and there was a generally good crop this year. Acreage has decreased this fall, and prices have increased slightly.

Southern demand for annual ryegrass has strengthened on the basis of favorable moisture conditions, and prices should continue to increase through the spring and into next fall.

Turf grasses

Kentucky Bluegrass. Carryover was about 1.47 million pounds; however, the Northwest produced a near-record crop, resulting in some downward pressure on prices. The demand and movement at current prices remains good.

Bentgrasses. This year produced an average crop of bentgrass following 2 years of reduced crops. Producer prices are presently averaging about $1 a pound, compared to prices of $1.85 in November a year ago when the crop was in short supply.

The demand for bentgrass also appears weaker than it was a year ago. Export markets for bentgrass have not been as active this fall, and it is anticipated that carryover stocks will start to increase by next spring.

Fine-Leafed Fescues. There is some optimism for these types of grasses this year. Carryover stocks of red and chewings fescue were down about 11%, with 1.4 million pounds of chewings and 4.06 million pounds of red fescue carried over on July 1. In addition, both the Canadian and European crops were reduced. Even with the higher prices, there is still fairly good movement of this seed. However, high prices have tended to increase substitution with cheaper grasses.

Fine-Leafed Perennial Ryegrass. Most of the turf type perennial ryegrasses are proprietary and grown under contract for both domestic and foreign markets. The supplies appear to have caught up with demand, and in a few cases prices remain below market levels on common turf grass seeds. Supplies are expected to be utilized during the current marketing year, however, with little or no carryover going into the 1981 marketing year.

Outlook

The national economy will continue to have a strong influence on markets through the remainder of the 1980-81 marketing year. A further slowdown in housing starts would have a dampening effect on the use of turf grasses.

Seed dealers continue to cultivate foreign markets, and it appears that increases in overseas demand could brighten prospects for growers, particularly in the forage types. Japan probably will be one of our increasing market areas for forage grasses, and possible trade with China may hold some bright spots for the future.

Improved varieties of forage grasses will be in greater demand in the market than some of the older varieties.

The increase in wheat prices occurred too late this fall to have much effect on the acreage of grass seed planted; however, some shifts may occur if wheat prices remain high. Large land areas that typically are in grass seed production have been improved through drainage practices and can grow wheat.

Prepared by Hugh Hickerson, Extension agent, Linn County, Oregon State University.
A relatively weak economy, larger crops, and a larger carryover of processed fruit may dampen the recent trend of increasing grower returns.

Slower movement and sharply lower prices characterize the current marketing season for many of the small fruit crops. In contrast, strong demand and higher prices are expected for filbert nuts again in 1981.

Tree fruits

Total U.S. noncitrus fruit production in 1980 is expected to be slightly greater than the 12,625,000 tons produced in 1979. Tart cherries and prunes and plums had the greatest increases in production over last year. Larger crops of apples, pears, and nectarines also are expected in 1980. Sweet cherries and apricots were on the downside.

Michigan, a major apple processing state, is expected to have the largest absolute increase in production. In the Pacific Northwest, only Washington is expected to harvest a larger crop. Both Washington and California have larger pear crops, while Oregon is down slightly due to a lighter bartlett crop.

The prospects for marketing PNW tree fruits in 1981 at favorable grower prices will depend on several factors, including consumer attitudes and income, product form, exports, and substitutes.

Per-capita consumption of fresh noncitrus fruits has declined for much of the past 20 years. The turnaround in consumption of recent years now has per capita consumption back to 1960 levels. Both apples and pears have followed this general pattern. Growth in per-capita consumption is expected to continue, but at a slower rate.

Consumption of processed fruit also is undergoing significant change. Consumption is shifting away from those processed forms with added sugar to those with little or no added sugar.

While some growth may occur in real per capita income in 1981, the forecast sluggishness of the economy may dampen fruit movement at current prices.

The export market has become increasingly important, particularly to the apple industry. Fresh apple exports, at 236,468 metric tons in 1979-80, were 65% greater than 1978-79. Early-season export movement this year is ahead of the 1979-80 pace. Exports have taken sufficient fresh fruit off the domestic market to maintain good grower returns in the face of increasing production.

The growth in exports is not likely to offset the effects of inflation and a relatively large carryover of competing processed fruits. In addition, variable quality in the later marketing seasons may cause wider than normal price changes.


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Source: Crop Production, CRB, ESCS.

Small fruits

Depending on the berry crop, demand remains moderate to strong nationally. With the exception of cranberries and blueberries, increased supplies have contributed to price weakness as buyers continue to avoid the currently high costs of holding inventories. Some price strengthening may occur in 1981 since some frozen product movement has already increased at modestly higher price levels above the 1980 season.

The price received by Pacific Northwest strawberry growers for product sent to processors was about 32 cents per pound, down 3 to 6% from last season. Production on the west coast was about the same as last season. Retail sales have been noticeably lower this season, which contributes to inventories of frozen strawberries 35 to 36 million pounds greater than levels observed in the 1979-80 marketing season. Retail movement may improve into 1981.

Cranberry prospects include a production forecast about even with the record crop of 1979 and a price near $29 per barrel, the fifth straight year of higher prices to growers. Demand for cranberry products remains strong.

Prices received by growers for blueberries were down this season, but showed strength toward the end, especially in Washington. Influencing this late strength were frozen inventories 9 to 10% lower than the previous season, smaller crops nationally, and larger exports of fresh and processed berries to Europe. Prices may continue to strengthen in 1981 as demand improves.

The low price situation observed for most of the 1980 caneberry season may have bottomed late in the year. Production and stocks of caneberrries were considerably higher this season. Movement slowed as buyers attempted to avoid holding costly inventories. Demand for berry preserves continues noticeably lower. The overall result was prices to growers 60 to 75% lower this season compared to a year ago. Product movement increased as prices declined. Price strength observed at the end of the season should continue into the 1981 crop.

Filberts

For the 4th year in a row, filbert growers are expected to produce a near record crop of 14,000 to 15,000 tons in Oregon and Washington. Initial marketings for the 1980-81 season indicate that demand will be strong, nationally, even at the higher prices observed this year. Growers are expected to receive 56 to 58 cents per pound, an all-time record. With the exception of pecans, movement and price levels probably will be good for all other nut crops. The U.S. almond crop is expected to decrease 10 percent from the record level set in 1979 and exports of that nut are expected to increase. An even larger crop of walnuts in 1980 is not expected to weaken prices into 1981 since demand remains strong. A smaller-than-forecast almond cord and a possibly smaller supply of brazil nuts could strengthen prices for filberts and walnuts from the levels now expected.
**Vegetables**

**Economic Outlook for 1981**

Supplies of most canned and frozen vegetables are smaller going into 1981. With demand for many products firm, prices are expected to rise moderately. The fresh vegetable trend has been smaller supplies and substantially higher prices.

**Canned and frozen markets**

The 1980-81 marketing year for canned vegetables started with record or near-record stocks for most products. However, smaller packs in general this season have resulted in total supplies going into 1981 moderately lower than a year ago. Contract acreage was down about 14% in response to the large supplies and low prices of the 1979-80 marketing season. Demand continues strong, with per capita canned vegetable consumption recently estimated to have risen to 56 pounds. Canned vegetable prices are expected to increase moderately into 1981 and will be partly influenced by higher labor, tinplate, energy, and transportation costs.

Frozen vegetable supplies probably will be substantially smaller this marketing year. Demand trends have been favorable, with frozen movement described as very good for many products. The latest per capita consumption figures indicate a trend toward new highs in consumption. All of these factors point toward price strength in frozen vegetables at least into early 1981.

*Green pea* carryover of canned product going into the 1980-81 marketing season was sharply higher than the previous season, due to a record large pack last season. Acreage contracted for this season was down 13%. Favorable growing weather, however, will keep supplies into 1981 only slightly smaller than last year’s levels. Prices for the 1980-81 period are expected to rise reflecting these reduced supplies and higher processing and marketing costs.

Freezing acreage under contract in 1980 was down 22% from the previous year. The substantially lower pack of frozen product that resulted was only slightly offset by higher stocks so that supplies in 1981 are expected to be at least 12% lower than the previous year. If the disappearance of frozen peas continues at the high levels of the 1979-80 season, prices will be at least moderately higher in 1981.

*Snap bean* acreage contracted for canning was down 9% in 1980 from a year ago. Supplies going into 1981 should be substantially lower. Prices show signs of firming for the remainder of this season.

Frozen stocks are about 20% higher now than a year ago but production acreage contracted this season was down about 12%. The pack is expected to end up at 9% below the level of the 1979-80 season. Wholesale prices have already advanced and are expected to remain strong into 1981.

*Sweet corn* contract acreage for canning was down about 11% this season from a year ago. Good yields in the Pacific Northwest contrasted with poor yields in many drought-stricken areas of the Midwest. Processors continue to avoid the costs of carrying inventories. Total supplies going into 1981 are expected to be at least 11% lower than a year ago. High levels of disappearance are expected to continue into the 1980-81 marketing season. Prices should average moderately higher.

Contract frozen corn acreage was cut 7% and carryover was smaller than usual. Total supplies are expected to be substantially lower going into 1981. Consumption continues on the increase. Prices are expected to remain firm on the upside.

*Other processed vegetables*. Carrots last year were in oversupply with corresponding low prices. In response processors cut production as much as 15%, which has already caused prices to firm. Price strength will most likely continue in the early part of 1981. There was a large carryover of canned beets. However, contract acreage this season was down 22%. Prices are expected to remain stable compared to last year’s level.

The broccoli pack was down 15% this season with carryover up 7%, supplies of frozen product will be slightly greater than in the 1979-80 season. Demand for frozen broccoli has weakened somewhat and any increased prices will reflect mostly the increased processing and marketing costs. The market situation for cauliflower is slightly stronger and prices are expected to firm-up.

Pickling cucumber acreage under contract was down 16% and total supplies for the 1980-81 marketing year are expected to be down substantially. Prices in 1981 probably will be well above year-ago levels.

**The fresh market situation**

Supplies will most likely be at least 10% smaller this marketing year, while prices are expected to be substantially higher. Acreage probably will be down 5% overall this season. In spite of higher prices, imports over the 1980-81 marketing year probably will be slightly down. Per capita use of fresh vegetables and melons may be on the increase, with a rise of about 4% in recent times to almost 125 pounds per person. This may have resulted, in part, from the abundant supplies and lower prices that existed during the 1979-80 season. So far this season, demand appears to be strong, even at the currently higher price levels.

Acreage of fresh carrots is down and supplies this marketing year are expected to be well below the burdensome levels of a year ago. The yields and quality in the Pacific Northwest are reported to be average or better.

Cabbage production was slightly higher last season than this, but good demand created firm price levels. Supplies into 1981 are expected to be lower than going into the 1979-80 marketing season, with a continuation of price strength. Lettuce supplies probably will be tighter as growers continue a trend toward reduced acreage that started last summer. Firm prices are expected into 1981.

Fall broccoli acreage was reduced somewhat from a year earlier, but production will likely decrease by only 2%. Quality is reported to be good to excellent with prices expected to remain firm into 1981. Cauliflower may be the exception this marketing year with acreage and production both expected to be up by 8%. Oregon appears to have a good crop. Prices may trend slightly lower into 1981.

Prepared by Larry Burt, Extension economist, Oregon State University.
Irrigated Field Crops

Economic Outlook for 1981

Potatoes

The 1980 U.S. fall potato crop, forecast to be down 12% to 260.8 million hundredweight (cwt), is the smallest since 1973. Growing conditions were poor in 1980, with drought, excessive rain, blight, hail, and early frost afflicting various areas. U.S. average yields are estimated at 267 cwt per acre, which is 10 cwt less than 1979 and 13 cwt less than 1978. Fall acreage harvested is expected to be 977,000 acres, which is the lowest since 1967, 9% below 1979, and 15% below 1978.

In the Pacific Northwest, total 1980 production is expected to be down 11%, with harvested acreage dropping from 495,000 to 436,000 acres. Idaho's production should decrease 8%, with 30,000 fewer acres, Oregon 24%, with 16,000 acres, and Washington 11%, due to 13,000 fewer acres.

Winter, spring, and summer potato production was down substantially in 1980. California's spring-crop acreage was down 25%, while total U.S. summer crop acreage dropped 12%. The traditional late summer price dip was negligible this year. The resulting upward price trend has continued into fall crop harvest.

Fresh potato prices for the 1980 crop should continue strong throughout the season. Consumer have been exposed to high potato prices and strong objections are not apparent. Tuber size in some areas has been smaller than usual so the larger potatoes, marketed by count rather than bulk weight, should bring a more than usual price premium. Increased processing also will have a positive affect on tablestock prices. Spring 1981, Pacific Northwest prices may be double 1980 harvest-time prices.

Frozen-potato-product inventories in August and September 1980 were down substantially from the previous years, since a large supply of cheap potatoes was not available in the summer. Processors will attempt to build up inven-

Prepared by J.F. Guenther, Extension economist, University of Idaho, potatoes; C. W. Cray, Extension economist, University of Idaho, sugar beets; A. Walz, Extension agronomist, University of Idaho, onions, and T. Wright, computer coordinator, Washington State University, dry beans.

ories gradually for next summer and will bid up prices for non-contracted processing potatoes. The Pacific Northwest export market, especially to Japan, should continue to be strong. Contact prices for 1981 probably will increase more than enough to cover production cost increases.

U.S. and Pacific Northwest seed potato production is down due to decreased acreage and decreased yields resulting from unfavorable weather. 1981 planting intentions should increase demand for seed and prices may reach $10. Seed prices may escalate further as growers divert both field frost damaged and undamaged certified lots to packers and processors for cash flow purposes.

Prospects for 1981: after selling potatoes at below cost for the past 3 years, Pacific Northwest potato growers should make money on the 1980 crop. Prices should advance substantially from Fall 1980 if markets are fed orderly. Potato growers traditionally overproduce after a favorable price year. The limited availability of certified seed should offset this tendency somewhat. The 1981 crop year should be good, but watch for expanded acreage in 1982.

Sugar beets

For the first time since the early 1970's, world demand for sugar has exceeded production. This has resulted in a drawdown of world stocks in 1980. Poor crops due to weather were reported in Russia, Europe, and Thailand. Cane rust has damaged the Cuban crop badly. Production in India, Australia, the Philippines, and Fiji will be up slightly this season, and Brazil is expected to expand production considerably as a result of the ethanol program there.

According to USDA estimates, world sugar demand will be up 1% in 1980-81. This indicates a drawdown of 2 or 3 million tons in the world sugar stocks to 24 million tons, the lowest since 1975. This situation will maintain upward pressure on world sugar prices.

U.S. exports of sugar for 1980 are expected to total 350,000 tons, compared with 18,000 tons in 1979. Most of the export tonnage is refined sugar. The major receiving countries (90% of exports) are Chile, Peru, Egypt, Iraq, Syria, and Venezuela. A key factor in the large jump in exports is the drawback payment U.S. refiners must claim within 3 years. (Sugar imported to the U.S. during 1978 or 1979 and later exported either as sugar or embodied in sugar containing products is eligible for repayment [drawback] of any import fees or import duties previously paid.) Drawback payments as high as $1.725 cents per pound have made U.S. sugar competitive in world trade for the first time since World War II.

Domestic sugar use in the first 6 months of 1980 was off 5% from a year earlier. Per capita consumption of sugar in the U.S. is expected to continue its downward trend as the use of high-fructose corn syrup (HFCS) expands, particularly in the beverage, processed foods, and bakery products industries. Although both refined sugar and HFCS prices rose significantly in 1980, HFCS was 12 to 15 cents per pound under comparable sugar prices. In addition, the recession and slowness of the recovery have led to many consumers reducing their purchases of processed foods, snack items, and the like, which constitute a big share of the domestic sugar market.

Worldwide the production of sugar has declined in the past few years due to the low price for sugar. At the same time worldwide use of sugar has been climbing steadily (in contrast to U.S. consumption) until in 1980 demand outstripped production. The current situation should keep sugar prices in the profitable range for the next couple of years. The U.S. traditionally produces only about half of the sugar to meet its domestic needs. Any decline in U.S. consumption will mean a slight reduction in the need to import sugar.

Sugar beet production in the U.S. was up 5% (23.2 million tons) in 1980, due primarily to expanded acreage. 1980 yields were down slightly because of drought in the Red River Valley. In the Northwest, harvested acreage increased about 10.5%, with yields relatively unchanged from 1979. Percent sugar content in 1980, however, appears to be up to around 15%, versus 14% for last year. This will add to grower returns. Idaho production was up 10%, while Oregon growers increased beet produc-
tion 7%. Grower returns for the 1980-81 crop are expected to be $42 to $45 per ton. With continued worldwide increase in demand for sugar, prices for the 1981-82 crop could be at least $42 to $50 per ton. Even if there are exceptional crops in the major producing countries this year, reserve levels will need to be maintained and competing uses will be playing a larger role in sugar demand. The most notable of these is production of alcohol (as ethanol) for fuel. Brazil already is dedicated to the extensive use of alcohol (from sugar cane) as a substitute for petroleum. The U.S. has begun recently to encourage, through tax incentives and Department of Energy grants, the development of an alcohol fuel program. Sugar beets can be processed for either fuel or sugar. This could give the grower more flexibility in marketing programs. Currently research is in process to determine the feasibility of fodder beets in alcohol production. If fodder beets prove a commercially viable crop in the next 4 to 5 years, they may compete for acreage with sugar beets. This would enhance the grower’s flexibility in selecting crops, especially growers operating within reasonable transportation distance of an alcohol-production facility.

Given the continued world growth in demand for sugar, and good prices to growers, acreage for the 1981-82 crop probably will increase in the Northwest, as well as other areas of the U.S. An acreage increase in this area of 6 to 7% could be handled by the processor and would approach a reasonable acreage limit in crop rotations. It is doubtful that eastern Idaho or Washington will have any beet acreage unless a major refiner feels the long term sugar outlook would merit the investment in new facilities, or the alcohol fuels program expands enough to make fodder beet or sugar beet production for alcohol a viable crop alternative. It will be several years before either of these alternatives can be evaluated.

Onions

The national per capita consumption of onions is 10.5 pounds fresh and .7 pounds processed. The 1980-81 export demand for Oregon-Washington-grown onions has increased over that of 1979-80. The demand for jumbo onions should continue strong during the 1981 marketing season.

The 1980 total onion production in the U.S. is estimated at 3.5 billion pounds, down 8% from last year. The summer non-storage crop of 304 million pounds is up 5% from that of 1979. The California processing onion crop of 896 million pounds was down 6% from the previous year. Storage-type onions grown in the U.S. are estimated at 1.7 billion pounds, 14% below the 1979 production.

The area production reports for 1980 were mixed:

1) The Eastern crop was down in both yield and size. Production of 801 million pounds in 1979 decreased to 649 million pounds in 1980.

2) The Colorado-Utah crop was 11% below last year, down from 336 million pounds in 1979 to 301 million pounds in 1980.

3) The Western Oregon yields were 4% above those of 1979 from 110 million pounds to 115 million pounds.

4) The Washington production was down in both acreage and yield from 156 million pounds in 1979 to 114 million pounds in 1980 for a 27% drop.

5) The Idaho and Eastern Oregon crop was 551 million pounds in 1980, down 8% from 597 million pounds in 1979.

The Pacific Northwest onion crop had the normal size distribution. 1981 planting intentions for Texas are 19,000 acres, the same as 1980 intentions and 22% less than 1979 intentions. Dryness in the Winter Garden and Laredo areas may affect yields and delay marketing dates. The Tampico, Mexico, area has increased its plantings of yellow onions the past 2 years. Planted acreages for the Mexican area are unavailable at this time; however, they start to market late in January.

The lack of size and lower yield of Eastern onions should improve the demand for Western onions. The 1980-81 onion marketing season should remain favorable for Western growers, with prices well above those of 1979 at least through February. Weather conditions in the Rio Grande Valley of Texas and the Tampico area of Mexico will have a major influence on the markets after late February.

Onion exports fluctuate widely from year to year. Western Oregon and part of the Washington crop often go to export.

Onion consumption per capita has increased only 2% between 1970-72 period and the 1977-79 period. Onion growers need to be aware that the per capita demand for onions is fairly stable and an increase in production that exceeds the population growth probably will result in downward price movement unless weather conditions cause a poor yield or unmarketable crop in some areas of production. Planting intentions for 1981 have not been released, but should be taken into consideration when planning next year’s production.

Dry beans

U.S. dry beans production was up nearly 17% in 1980 from a year earlier. This follows a trend of increasing dry bean production since 1975, when production fell as a result of over supply and lower prices. All major dry bean producing states showed production increases this year. While only accounting for 16.4% of the total, Idaho increased 24% and Washington 29%. But preliminary estimates indicate that yields in the two states fell by 8.1% and 2.6%, respectively. U.S. yields dropped 7.7%.

Supply for the current 1980-81 crop year should be about 25.4 million hundredweight (cwt), or 1.15 million metric tons. (Metric tons equals cwt times .045359.) Production, carryover, and imports are the three components of supply. Total production in the U.S. is estimated at 24.2 million cwt. There is an estimated 1980-81 carryover of 1 million cwt and imports should total about 200,000 cwt.
The demand for U.S. dry beans has been increasing as a result of expanding exports. U.S. bean exports have increased yearly since 1975. The 1979-80 year ending this past August set an export record of 342,150 metric tons (M.T.). This is an 87,850 M.T. increase over the previous year. In the current marketing year exports are expected to be a new record of about 450,000 M.T., with 250,000 M.T. going to Mexico alone early in the marketing year. The second component of demand, U.S. consumption of dry beans, is expected to be about 14 million cwt or 635,000 M.T. in 1980-81.

Total demand for U.S. dry beans should amount to about 23.9 million cwt. This indicates a 1981-82 carryover of about 257,000 cwt, a considerable decrease from the previous year and only about 1% of total consumption. With supply and demand in balance, we should have firm or possibly increasing prices for the current marketing year.

Prospects for 1981: Perhaps the greatest danger in the up-coming year is that growers will take the present relatively favorable prices as a signal to expand production. But recent increases in the favorable outlook and prices of soybeans, feed, and food grains should dampen any plans for expansion in U.S. production.

The second greatest danger of a softening in bean prices is a decline in the high levels of bean exports. If bean exports should drop sharply and production remains at high levels, a disastrous price movement could result. During this current marketing year Mexico is expected to import a quantity of dry beans equal to the total 1978 U.S. exports. Mexico, although normally self-sufficient, has been plagued in recent years with drought. This has resulted in increased dry bean imports. In an effort to stimulate production, Mexican food agencies have increased the price-support levels of beans and other foodstuffs. As a result, beans have been planted in areas where they have never before been grown. The impact of Mexico leaving the U.S. export market can be seen by comparing the quantity exported to North America in 1974 with the quantity in 1975. Exports to North America fell by 74%, while total U.S. bean exports fell by 54%. If the crop Mexico is harvesting now is a relatively good one, we could face another drastic decline in bean exports. Hence, expansion or maintenance of high levels of bean production in 1981 should be approached with considerable caution.

### Dry Beans: U.S. Production (1,000 cwt.)

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### Dry Beans: U.S. Exports by Destination (1,000 Metric Tons)

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*Numbers may not add due to rounding.*
Seafood

Economic Outlook for 1981

The outlook for United States seafood products in 1981 will be improved somewhat over the depressed market conditions which confronted the industry during the last half of 1979 and the first half of 1980. Near-record 1979 ex-vessel prices, coupled with record interest rates on money used to maintain product inventory, had a dramatic, dampening effect on domestic markets. While seafood prices were increasing, consumers' real purchasing power was diminishing and fewer families were eating in restaurants—a major outlet for seafoods.

Bottomfish production and outlook

Rockfish production in Pacific Northwest waters rose to record levels during 1980. Landings of brown rockfish contributed most significantly to the production increase. General recessionary economic trends, coupled with this production increase, have forced both ex-vessel and retail prices downward for most rock and flatfish species. Rock cod that in 1979 retailed for $1.89 to $2.29 per pound sold for $1.29 to $1.69 per pound in 1980. While some buyer resistance is evident on higher-priced species such as petrale sole, markets for lower-priced species continue to improve. Market expansion for fresh bottomfish fillets into the U.S. Midwest and Southeast has helped relieve supply pressures from increased domestic production.

As markets continue to strengthen and expand, and as harvesting capabilities continue to increase, 1981 production of bottomfish probably will top the record 1980 levels, if harvest-limiting regulations are not imposed. Prices to both catchers and consumers can be expected to increase during 1981.

Shrimp production and outlook

1980 Oregon shrimp production of approximately 29.9 million pounds was the third highest on record and slightly higher than 1979 landings, but well under the 1978 record production of 58 million pounds. While ex-vessel prices in most other fisheries declined in 1980, prices for shrimp jumped from an average of $.36 per pound in 1979 to $.60 in 1980. Production in 1981 is expected to remain near the 1980 figure.

While the domestic market for shrimp is facing competition from lower-priced foreign imports, inventories, generally, are low and markets stable. This situation is expected through 1981.

Salmon Production and Outlook

Commercial salmon production in Oregon, Washington, and California in 1950 was beset by resource problems and increasingly restrictive harvest regulations. Troll salmon landings of 188,400 chinook and 383,400 coho in 1980 were down from 1979 catches of 209,700 chinook and 714,600 coho. On the other hand, Alaska commercial salmon landings for 1980 reached an all-time high.


Both foreign and domestic markets strengthened during the last half of 1980. By the end of 1980, 1979 inventories were depleted and inventories from 1980 production, particularly troll-caught fish remained slight to moderate. Markets for 6- to 9-pound coho and large chinook salmon continue strong while 4- to 6-pound coho and small chinook are sluggish but improving.

Alaskan salmon production in 1981 probably will be reduced from the 1980 record catches, while production in Oregon, Washington, and California will be comparable to 1980. Ex-vessel prices may improve slightly as a result of improving market conditions.

Dungeness crab production and outlook

Oregon dungeness crab landings of more than 18 million pounds in the 1979-80 season set an all-time record for the state. Ex-vessel prices of $.55 to $.85 per pound in 1980 were off somewhat from the 1979 range of $.60 to $1.05. Traditional market problems that have beset this industry were offset somewhat by the implementation of an aggressive marketing/promotion effort financed by the industry.

Very little product carryover faced the industry as it began the 1980-81 season. Demand is high and markets are good. Ex-vessel prices for 1980-81 are expected to be somewhat improved over 1979-80 prices. If high interest rates persist, more dungeness will be marketed fresh, and less canned or frozen.

Blackcod production and outlook

A banner year occurred in 1979 in west coast blackcod landings. Primary market for blackcod is Japan, which imports more than 75% of the West Coast production. The U.S. domestic market is small.

Increasing market resistance in Japan, and devaluation of the yen, caused blackcod prices to drop dramatically during the last half of 1979 and first half of 1980. Those who had invested heavily to gear-up for the blackcod fishery were forced into other fisheries because of the unstable condition of the blackcod market. While the last half of 1980 saw the blackcod market firm somewhat, ex-vessel prices are still depressed and markets weak, though improving.

Markets are expected to continue to improve during 1981 and ex-vessel prices are expected to increase, but not to the record levels of mid-1979. As markets increase, so will the number of vessels participating in the fishery.

Tuna production and outlook

Markets for albacore tuna continue strong, while near-shore domestic production remains depressed. Because 1980 near-shore oceanographic conditions were poor for albacore tuna, U.S. vessels had to travel far offshore to find the fish. The bulk of U.S. production was taken from waters north of Midway Island and off-loaded at Dutch Harbor, Alaska, or Honolulu, Hawaii.

Markets for albacore should continue strong through 1981. Foreign imports may supplement domestic supply.

Prepared by Bob Jacobson, Oregon State University, Marine Extension agent, Lincoln County.
Meat Animals

Economic Outlook for 1981

Increases in prices received by producers for fed cattle, feeder cattle, hogs, and possibly lambs are in the outlook for 1981. Despite these projected price increases, 1981 may not be a favorable year for profits, due to forecast continued price increases for most inputs, most notably feed costs. Some slight increase in beef supplies is anticipated due to expansion of the nation's cattle herd, but a continued decline in hog slaughter is expected.

Economic activity declined nationally in the second and third quarters of 1980 and in late November was beginning a slow recovery, which is expected to continue well into 1981. The slow economic growth is likely to retard increases in demand for meat, especially if consumers remain pessimistic and they continue to save more of their incomes in late 1980 and early 1981.

The rate of inflation has moved back into the 12 to 13% range in the fourth quarter of 1980. Price increases are expected to continue at that rate well into 1981. Consumers can be expected to try to reduce money outflow through substitution among various foodstuffs. This may result in their using more of the lower priced cuts of meat, meat stretchers, and legumes (dry beans, dry peas, etc.) as an alternate source of protein.

The feed grain production for 1980 is reported to be 192 MMT (million metric tons), down 18% from 1979's record high 234 MMT. Carryover stocks at harvest time added 53.4 MMT for a total supply of 245.4 MMT for the 1980-81 marketing season. Domestic use plus exports of feed grains during the 1980-81 marketing season are expected to exceed the 1980 production and result in a 1981 carryover of 28 MMT, an 8-week supply.

Corn and other feed grain prices have moved up significantly since the 1980 harvest. In late November #2 barley was selling near $155 per ton at Portland and #2 yellow corn at $147 per ton. No major downward price movement is anticipated and continued export interest could cause further price advances.

Price advances for retail meats will be restricted as consumers look for ways to hold down food costs, thereby restricting price increases for slaughter animals. Meat producers can expect continued pressures on profits as feed costs and other inputs, rise and slaughter animal price increases are restricted.

Slaughter cattle

The latest USDA estimate of cattle on feed (October 1, 1980) in the 23 major feeding states was 10 million head, 2% above October 1979, but 12% below 1978. Placements on feed during July-September totaled 6.2 million head or 10% above the same period in 1979. Placements were particularly heavy in the custom feeding areas of the Southern Plains.

The increase in placements during the 3rd quarter of 1980 is a result of several factors: (1) a 5% increase in the supply of feeder cattle; (2) forced early movement of yearlings off ranges by drought; (3) a profitable quarter for the cattle feeding industry; and (4) futures market prices offered opportunities to hedge-in positive margins if feed prices were also hedged-in.

Northwest feedlots (3 states) had an estimated 454,000 head of cattle on feed October 1, 1980, a 5% increase over a year ago. Expected marketings for the October-December period was 270,000 head or 24% above the 3 months for market after January 1, 1981 or 10% more than January 1, 1980. Cattle placement in NW feedlots has been slow during the October-December period which may off-set the increased carryover from the 3rd quarter.

National cow slaughter during the 3rd quarter of 1980 was nearly 20% above the same period in 1979. Although cow slaughter normally increases seasonally from summer to fall, this year's drought forced earlier movement off ranges than otherwise would have occurred. The anticipated cow slaughter for the fall of 1980 and the first half of 1981 may exceed that of the same period of 1978 and 1979, but certainly at a rate below the 120% for the summer of 1980.

The 3rd quarter slaughter of non-fed steers and heifers also was significantly above that of 1979, as a result of the drought. This increased non-fed slaughter had a downward effect on slaughter cow prices in the July-September period, but should not be a significant factor during the winter and spring unless feedlot placements remain unusually low.

Slaughter cattle prices should strengthen in 1981 as the economy improves and the supply of pork declines. Choice steer prices should average in the low to mid $70 ranges for the year, with weekly high averages approaching $80 a hundredweight (cwt). Prices above $80 will produce retail prices at levels to cause consumers to reduce beef purchases and may well cause a major break in the slaughter cattle market.

Feeder cattle

Prices for yearling feeder cattle held fairly steady through September and October. Steers in the 600 to 700 pound weights were selling in the range of $72-75 in late October in the PNW. However, downward pressure was being exerted as feed grain prices advanced. The price premium between slaughter steers and feeder steers was narrowing and may well disappear this winter as costs of gains in lots increase.

Calf prices declined about $5 per cwt during the September-October period, narrowing the spread between calves and yearling prices. Steer calves 400 to 500 pounds were selling in the $75 to $80 range in late October in the PNW. Prospects for winter grazing are good in the NW, with adequate supplies of hay west of the Continental Divide. High interest rates and increasing feed costs may temper demands for calves to over-winter.

If fed cattle prices advance into the upper $70 ranges, demand for stockers and feeders could be strong by the time grass season begins in the spring of 1981. Adequate grass and strong fed prices could result in feeder cattle prices approaching or even exceeding the record levels of early 1979.

Lambs

Slaughter exceeded year-earlier levels through the first 10 months of 1980 by

Prepared by John O. Early, Extension economist, University of Idaho.
about 10%. Commercial sheep and lamb slaughter averaged 10,000 head per week during September. October 1980 slaughter levels were near those for September and also 10% above the slaughter in October 1979.

The 10% increase in slaughter for the January-October 1980 period is more than three times the estimated increase in the 1980 lamb crop. The inventory of sheep and lambs in the U.S. January 1, 1981 will likely be near the 12.5 million head estimated for 1980.

Slaughter lamb prices lost $2 to $5 per cwt between early September and late October. Choice lambs 110 to 120 pounds, double dressed weight basis, were selling in the mid $60 range in the PNW in late October. Light to medium weight feeders were selling at a $5 per cwt premium over slaughter lambs. Heavy feeding prices were close to that of slaughter lambs.

Slaughter lamb prices are expected to stay in the mid to upper $60 range into early 1981. If the weekly slaughter numbers drop below 100 thousand head by early 1981, however, prices could reach the low $70 ($70 to $73) range.

Feeder prices will stay within a narrow band of slaughter lamb prices. Increased feed costs may cause light feeder lamb prices to lose the current premium over slaughter prices.

Wool

Modest price strength was indicated in the few sales of wool in the past several months. Average prices received by producers for all wool sold in September was estimated by USDA at 95¢ per pound grease basis (unscourd or raw wool as shorn), 5¢ above the August price and 13¢ above September 1979. Foreign wool markets were steady in October 1980 compared with September and above year ago prices. Fine-grade wool should sell at the $1 mark or slightly above next spring.

Hogs

Hog slaughter during the fourth quarter of 1980 was 24.3 million head, 3% below a year ago. A reduction in sow slaughter further decreased the fourth quarter slaughter. Pork production from the reduced fourth quarter slaughter was 5% below that of 1979. Expected farrowings indicate a continued decline in hog slaughter, with projections for the second quarter of 1981 slaughter to be 10 to 15% below that of 1980.

Hog producers saw a sharp increase in hog prices since late spring 1980, but feed costs have increased rapidly since early summer. Corn prices have increased from $2.75 per bushel in early June to $4.00 in late October, delivered in Portland. Barley has moved up from near $100 to $150 in the 4-month period. Even with the price of slaughter barrows and gilts near the $50 level, producers are barely able to cover costs. Prices for barrows and gilts averaged $48 in October and were under pressure in November, falling to the mid $40 range. Prices are expected to move into the upper $40’s in December.

The June-November 1980 farrowings were expected to be 8 to 10% below that of 1979. If these intentions are realized (and it appears they were) and a 10% reduction occurs, prices of slaughter barrows and gilts will likely average in the lower $50 range the first half of 1981. A greater than expected decrease in farrowings, in the 12 to 15% range, could produce prices in the mid $50’s.

1985 and beyond

Livestock producers need to be particularly aware of the cyclical nature of the build-up in inventories. They need to pay attention to the numbers for the species they produce plus numbers for competing meat species, in planning changes to avoid the high numbers of past cycles.

For example, the days of chronic food surpluses may be waning. By the latter part of the 1980’s (and perhaps by 1982) tight supplies of the key grains and oil seeds may be the rule rather than the exception. Strong world demand for more and better food will be putting pressure on U.S. supplies except in bumper crop years.

Up until 1973, the trend for several decades has been that U.S. families spend a declining share of their incomes for food. The 1980’s may be a period when the food share of the consumer’s income will increase. Tightening supplies will force food prices up, relative to other items of consumer purchases. If so, competition between segments of the food production industry will increase.

Total meat consumption is at a record level, with poultry making up an increasing proportion of the total. U.S. consumers may be willing to pay a price for beef which would maintain a viable cattle industry at a consumption level approaching 110 pounds, carcass basis, per capita, but not for much above that level. Pork faces an upper consumption level of about 60 pounds per capita if prices are to be maintained at a level to sustain the industry. Veal and lamb may add an additional 4 to 5 pounds to the annual per capita consumption of red meat.

Total meat consumption (red meat plus poultry) of 247 to 250 pounds per capita, as appears likely for 1980, is probably as much as 25 pounds per person above the consumption level to maintain meat prices such that all segments of the meat industry are at a break-even point. One or several segments will not cover all costs when the supply of meats exceed 225 pounds per capita.

It behooves producers of cattle, pork, and poultry to be aware of a build-up in numbers for the total meat industry and take these factors into consideration when planning changes in their operations.
Dairy
Economic Outlook for 1981

Most dairy producers can anticipate reasonably acceptable net returns during the first half of 1981, and probably beyond. However, the conditions responsible for increased costs and weakness in milk markets during 1980 have not yet been overcome. As a result, profits from dairying may not be as good in 1981 as during the past year.

Late 1981 and 1982 price-cost relationships are more speculative. They will depend on the programs of the new administration and congress.

Improvements in the demand for dairy products may depend on improved personal income and purchasing power. Weather conditions during the 1981 growing season will play a significant role. Another short feed-grain crop would cause a sharp increase in producer's costs.

Background

Milk production increased and was maintained throughout 1980, resulting in a new U.S. record output of milk. Total supply in 1980 is estimated at close to 128 billion pounds. The previous record of 127 billion pounds was set during 1964.

Gains in milk flow during 1980 have been registered in all the major milk producing states. This continued in the fourth quarter of 1980, in some cases at increasing rates. October production was estimated at 3.4% above the previous record output for the month, a record which had been set just a year earlier. West Coast states led in increased production during the latter part of the year, with an average gain of nearly 7%.

The increase in milk production was not matched by increased commercial use. Markets for dairy products were, in fact, weak during most of 1980. Demand for fluid milk, butter, cheese, and other important dairy products was less in many months of 1980 than in 1979. As a result, the influence of the government's price support program on milk prices became increasingly important.

The Commodity Credit Corporation (CCC) expended a record $1.29 billion for purchases of surplus dairy products during the fiscal year ending October 1, 1980. Despite this, the USDA was only partially successful in its attempt to support milk prices at 80% of parity. Actual product purchases were at record rates during several months. Overall purchases during the fiscal year were the largest since the early 1960's.

Given the substantial acquisition of products by CCC it appears that carryover stocks of butter and cheese will be at the highest level in recent years. Additionally, nonfat dry milk stocks will be equal to more than half the total U.S. production for the year. This large carryover, coupled with continued high levels of milk production and lagging demand, will have a significant effect on market conditions during the coming year.

1981 production outlook

Most forecasts now project that 1981 will set yet another record rate of milk production. Gains may be especially significant in the early months of the year. Many of the essential components of this increase appear to be already in place. Generally speaking, cows are now fresh or bred for freshening.

Hay and grain supplies were adequate or nearly adequate in most of the important dairy areas as the winter barnfeeding season commenced. Since dairy producers in these areas depend largely on home-grown feed supplies, they are not expected to be affected seriously in the short run by fluctuations in the price of dairy rations. The generally sound financial positions of dairy producers will help insure good maintenance of herds through the winter season.

Spring pasture conditions are yet to be determined, but usually they provide substantial quantities of low cost feed during spring and summer.

Herd and facilities enlarged

The record output of milk in 1980 was made possible in part by increased production per cow. In addition, there was a substantial enlargement of the milking herd. This has been the first significant reversal of the steady downward trend in milk cow numbers since 1953. The estimated number of cows in dairy herds as of October was 10.88 million, up about 90,000 head from a year earlier.

Although confirming data are not available, it appears that the dairy producers have made substantial improvements recently and expanded their facilities. This has been possible due to favorable price-cost relationships that have existed for many months.

Record high and increasing prices for replacement cows indicate that producers intend to maintain or increase milk production capacity. Such record high prices may be worrisome, since they continued into the late fall of 1980 despite the availability of a large number of replacement animals. Latest estimates show the highest ratio of dairy heifer numbers to milk cows in many years.

The prices for replacement animals as of October 1980 were estimated at $1,210 for the U.S., $1,240 in Washington, $1,090 in Oregon, and $1,290 in Idaho.

Limiting influences

Two factors may restrain milk production in 1981: a slightly reduced milk-feed price ratio, and possible increases in culled cow prices.

Cull cow prices could advance in 1981 if female animals are withheld from the market in order to rebuild beef herds. Higher prices would bring additional numbers of inferior dairy cows into the slaughterhouse, offsetting the large number of replacement animals available. On the other hand, higher interest rates and feed costs may tend to discourage placements of feeder cattle. This would diminish the incentive for beef breeders to withhold brood cows from market.

Some decrease in the milk-feed price ratio is possible, since gains in milk prices are not likely to equal increases in feed ration costs.

Milk price outlook

Milk prices during 1981 will rest heavily on the government's price support plan. Substantial government purchases of dairy products were necessary late into the winter of 1980. This condition is likely to continue into 1981.

The support price for manufacturing grade milk of $12.80 per hundredweight (3.5% butterfat) announced for the period beginning October 1, 1980, continues through March 1981. On April 1, there must be an upward adjustment in

proportion to the increase in the parity index for milk. There was widespread sentiment last fall that Congress should take action to restrict this price support increase if government outlays appeared excessive. Such a move was lost in the heat of pre-election maneuvering.

The expected April 1981 price support increase may be the largest in history. It could bring the support price to the $13.70 to $13.90 range. That level will then remain in effect through September 1981. What happens to dairy support prices thereafter will depend on action Congress takes on dairy provisions in the 1981 farm bill.

Outlook

If Congress takes no action regarding dairy legislation the permanent (1949) support law will prevail. No semi-annual adjustment in support price is provided in the permanent law. Additionally, it mandates USDA support of milk prices in the range of 75 to 90% of parity. That means a drop of 5% is possible below the parity level that has prevailed in recent years. Such a decrease would reduce the support price approximately 90 cents per hundredweight below the 80% level. Another possibility Congress is likely to consider is some modification of the parity formula now in use.

A more drastic outcome for dairy producers would be realized if Congress were to drop milk price supports altogether. This could cause a temporary reduction in producer prices. It would tend to reduce supplies and, perhaps, result in major liquidation of dairy herds.

Whatever the new program will be, its effect on milk prices may not be felt until after September 30, 1981. Should the law revert back to its permanent provisions, which is quite possible, it could mean that the October 1981 support price would not be changed significantly from the level to be fixed this coming April 1 (now estimated in the $13.70 to $13.90 range). That level would continue then through September 1982. In that case any intervening improvement in price to producers would depend on supply and demand conditions, rather than on government price support programs.

Longer-range outlook

Market conditions in late 1981 and beyond are quite speculative. On the supply side it appears likely there will be a sustained push in production as a result of the buildup and improvements which have been forthcoming on dairy farms in recent months, and years. Gains in the demand for cheese and other dairy products are possible due to increased retail prices of poultry, pork, and other foods.

Growing concern over government spending probably will increase the pressure to keep the cost of programs such as dairy price supports at a minimum. It does not appear likely now, however, that dairy producers will see a prolonged price-cost squeeze as they did in the first half of the 1960’s. Nevertheless, some pressure from increased costs, not matched by higher prices, is probable over the next 2 or 3 years as capacity for milk production continues to exceed demand.

Poultry and Eggs

Economic Outlook for 1981

Poultry and egg producers can look forward to higher prices for their products in 1981, even with increased broiler and turkey supplies. Broiler and egg prices may increase 18 to 20% and turkeys may increase 10 to 12%. Higher feed and other input costs may limit profits, however, especially in the first half of the year. Consumers will face higher retail prices for poultry as total meat supplies decline and consumers’ incomes rise.

Broilers

Reduced breeding flocks, as a result of low returns in the first half of 1980, hot weather in the past summer, and increased costs, especially for feed, will hold down 1981 broiler output to about 3% above 1980 instead of the 7 to 10% increase in the past 2 years.

Broiler prices are expected to strengthen in 1981 as the economy expands and

Supplies of pork decline. Production costs are expected to increase too, and may completely offset the increased returns to broiler growers from the higher prices.

Eggs

Egg output in 1981 is expected to be 1% less than 1980, with most of the reduction occurring in the first quarter and output equaling 1980 in the rest of the year. Recent movements in prices and egg consumption suggest these cuts in output will be necessary to generate price increases that will allow producers to cover production costs.

If producers reduce output in the first half of 1981, egg prices will be much stronger than in 1980.

Egg prices tend to move with prices of other high-protein foods. When prices of meats increase, egg consumption may increase, as an alternative source of protein. Increased meat demand and low supplies in the second half of 1981 could boost meat prices and give additional strength to egg prices.

Turkeys

Turkey production has been profitable since 1977 except for the second quarter of 1980. This has led to expanded turkey output, up 10% in 1979 and around 6% in 1980.

The improved prospects for positive returns have encouraged producers to increase the numbers of turkey poults hatched for slaughter in 1981. Hatchings in recent months have been from 5 to 12% above the same months in 1979.

Demand for turkey should remain high in 1981 and production may increase 6% above 1980. Output may be 7% greater in the first quarter and 8% larger in the second.

Turkey prices in the first half of 1981 are expected to be about 10 cents a pound above the same period in 1980. Increasing production costs, however, may put turkey producers in a cost-price squeeze during January to June of 1981.

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

Economic Outlook for 1981

Nursery and greenhouse crops are among the Pacific Northwest's major crop groups in terms of "farm gate" value. Production in the Northwest has increased at an estimated annual 10% rate during recent years, 24% in Oregon in 1979.

Pacific Northwest nursery growers depend heavily on markets in other regions of the United States and Canada. Oregon growers exported an estimated 80 to 90%, Washington growers 40 to 50%, and Idaho growers a smaller proportion of their crops in 1980. The balance of production went to in-state retailers, wholesalers, landscape contractors, orchardists, farmers, and other local markets.

Much of the Northwest's nursery crops was grown, sold, and shipped on advance booking. Small amounts were grown on contract, but a large share was grown and sold at maturity through various outlets in the open market.

General situation

In 1980 the nursery crop market shifted from a seller's to a buyer's market for many materials. Spring sales by growers were generally brisk, and prices held firm, up to 10 to 15% from a year earlier. However, the market softened for many items during the summer and fall. Some deciduous-tree growers reported greater than normal order cancellations last spring.

Residential construction, seriously depressed by high interest rates and tight credit, slowed sales of nursery stock throughout the nation. Commercial construction remained sufficient to keep plantings on these projects nearly on a par with a year earlier.

Weather and the economy slowed demand throughout the Eastern and Southern states. A hot and dry summer and early fall, even more than the economy, halted planting in many areas. Landscape construction didn't resume until October and later in some areas in the eastern half of the country.

Northwest nursery production rose to new levels during the year, reflecting expansion by many established operations and the start-up by new growers. Supplies of most stock were adequate to meet the demand. Some popularly grown conifers, including arborvitae, junipers, mugo pine, and Alberta spruce, were in surplus. Most specialty items were in adequate supply.

Fall 1980 shipments of Northwest nursery stock were down from a year earlier. Uncertainty of the general election in November held back many bookings for spring 1981 deliveries.

Outlook

Cautious optimism prevails in the Northwest's nursery industry. Many growers are on guard following their 1980 experience. There is concern that many new growers, and some established growers, will sell below cost for needed cash. Eastern buyers are optimistic toward 1981 with the resumption of sales and plantings.

An increase rather than a leveling-off of Northwest production is expected again in 1981. Demand should remain firm and "burn piles" few. Heat and drought in 1980 took its toll on some Eastern grown stock. Improved weather will tend to strengthen the market, as would an improved national economy.

Transportation costs and improved technology probably will change the product mix in the Northwest's export markets in the future. Higher-value specialty items can be economically shipped longer distances, while more easily grown materials will be produced closer to area of use. Careful selection of materials, varieties, and growing media, especially suited to a market area, will be advantageous.

Prepared by Wilbur Bluhm, Extension agent, Marion County, Oregon State University.
Forest Products

Economic Outlook for 1981

A key determinant of the demand for many timber products and the wood fiber needed to produce these products is construction activity—most particularly, residential construction. Housing is the Nation's most important market for softwood lumber and plywood, a major consumer of many other timber products, such as particle board and insulation board, and provides a stimulus for homeowner purchases of other manufactured wood products, such as furniture.

The speculation among economists on the outlook for housing starts for 1981 appears to be guarded. Spurred by a plunge in the prime rate charged by banks from a peak of 19.8% last April, construction was begun on new privately owned housing units at a seasonally adjusted national rate of 1,544,000 starts in September. This was 70.4% above May's rate of 906,000 units, the bottom of the housing recession, and represented a fairly brisk recovery. The prime rate reached a low of 11.9% in June, but has increased steadily since then. As of this early December writing, new single family housing starts are off 14% and the prime rate is 15.5%.

Most industry economists feel that high interest rates will continue the rest of 1980 and into 1981, and thus will continue to impact housing markets. The extent and duration, however, are a matter of some conjecture by housing analysts. Most forecasts indicate some stabilization or decline in the interest rates later in 1981, which is expected to trigger a gradual increase in housing starts to between 1.5 and 1.7 million units for 1981. The National Association of Home Builders has predicted 1981 housing starts at 1.6 million units.

Turning to timber supplies, the obvious feature in the Pacific Northwest is that the region no longer enjoys a condition of timber abundance. The harvests from both public and private lands in most parts of the region seem to be fairly stable in recent years, although generally tightening through the reallocation of commercial forest lands to non-timber producing uses. Historically, though, timber supplies have not been as volatile as demand.

The picture merges as one of slumping product and stumpage prices for the rest of 1980 and early 1981, followed by a resumption of historical price increases in late 1981 as housing starts increase. The early slump in prices should not be too severe, as the generally tightening of supply will serve as a prop.