



Financial Condition of Idaho Agriculture

**Idaho State Joint Legislative
Economic Outlook and Revenue Assessment Committee
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Idaho Agricultural Outlook

- Forecast for 2006
 - Cash receipts
 - Net farm income
 - Calendar year vs. crop year
- Outlook for 2007





Idaho Cash Receipts (\$ millions)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Change ('05-'06)
LIVESTOCK											
Cattle and Calves	663	653	677	757	916	976	1,070	1,069	1,057	1,029	-3%
Milk	634	829	834	762	1,043	918	1,005	1,358	1,418	1,288	-9%
Other Livestock	109	104	105	110	103	105	105	111	109	109	0%
TOTAL LIVESTOCK	1,405	1,585	1,616	1,629	2,063	1,999	2,180	2,538	2,584	2,426	-6%
CROPS											
Barley	142	120	129	120	139	140	158	149	156	132	-15%
Beans	41	40	34	33	28	32	35	33	41	39	-6%
Greenhouse/Nursery	63	61	67	70	67	71	81	84	86	84	-2%
Hay	243	248	215	263	311	280	220	311	332	373	12%
Onions	44	44	37	44	40	52	66	56	64	70	9%
Potatoes	521	546	597	539	582	702	547	516	523	664	27%
Sugarbeets	212	219	216	212	188	212	217	204	179	218	22%
Wheat	439	268	229	298	254	306	259	334	336	325	-3%
Other Crops	186	181	174	222	154	155	151	163	159	158	-1%
TOTAL CROPS	1,891	1,727	1,698	1,799	1,762	1,950	1,733	1,849	1,901	2,063	9%
TOTAL CASH RECEIPTS	3,296	3,313	3,314	3,428	3,825	3,949	3,913	4,387	4,484	4,489	0%
Year-to-Year Change	-2%	1%	0%	3%	12%	3%	-1%	12%	2%	0%	



Idaho Cash Receipts, 2006

- Overview of 2006...
 - Cash receipts record high **\$4.5 billion**
 - Equal to 2005
 - Livestock **down 6%** to \$2.4 billion
 - Crops **up 9%** to \$2.1 billion



Livestock Cash Receipts – 2006

- **Beef – down 3%**
 - Marketings slightly higher
 - Prices down 3%
 - Growing supply, high feed costs
- **Milk – down 9%**
 - Idaho's largest revenue producer
 - Production up nearly 7%
 - Prices down 15%



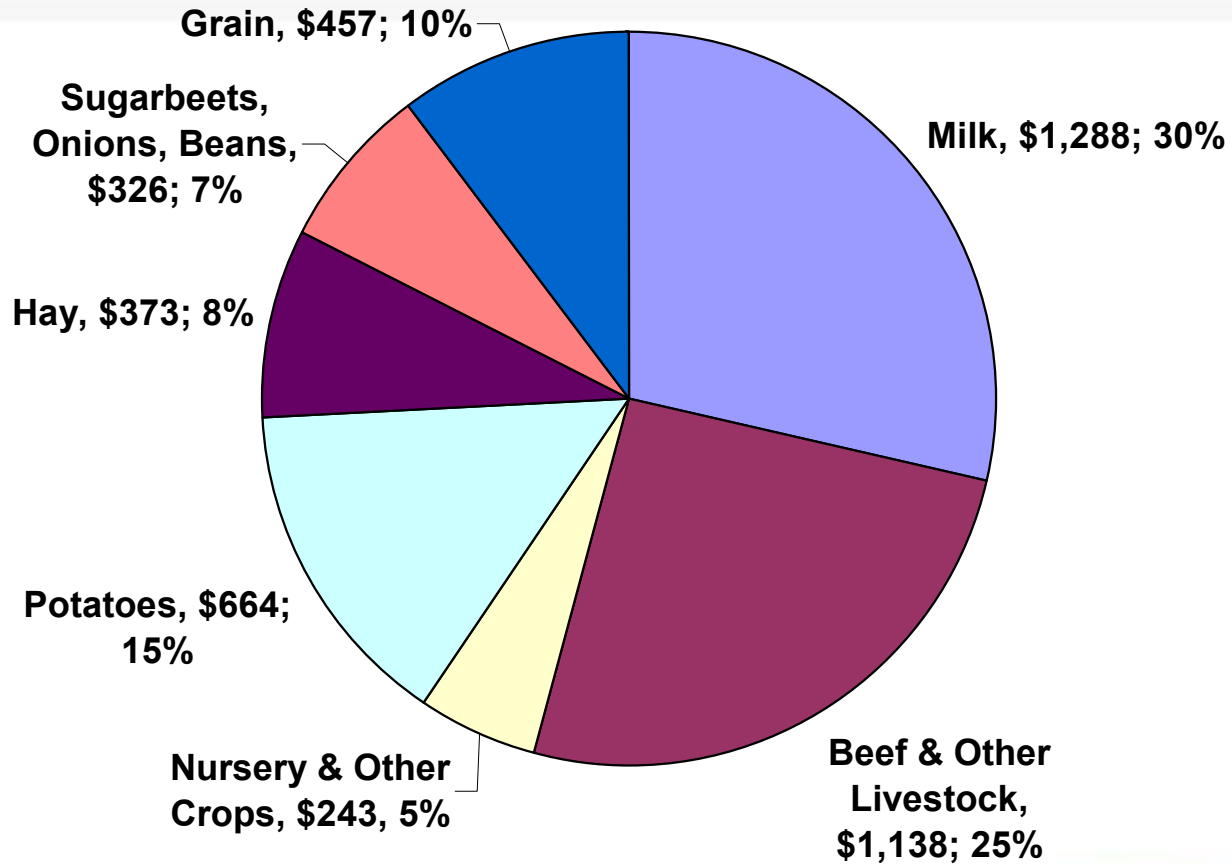


Crop Cash Receipts – 2006

- **Potatoes** – up 27%
 - Idaho's largest crop revenue
 - Production up 3%, price up 30%
 - 7th highest year ever
 - Supply management worked
- **Wheat** – down 3%
 - Production down 10%, price up 8%
 - Highest prices in a decade toward year's end for all classes
- **Barley** – down 15%
 - Production down 18%, prices up 3%
 - U.S. acreage smallest since 1885
 - Corn price drove up barley price starting in October
- **Hay** – up 12%
 - Idaho's 2nd largest crop revenue
 - Prices & production up 6%
- **Beans** – down 6%
 - Production up 2%
 - Prices down 19%
- **Onions** – up 9%
 - Production down 10%
 - Prices up 21%
- **Sugarbeets** – up 22%
 - Production up 20% & prices stronger
- **Greenhouse/Nursery** – down 2%



Idaho Cash Receipts - 2006





Idaho Cash Receipts...

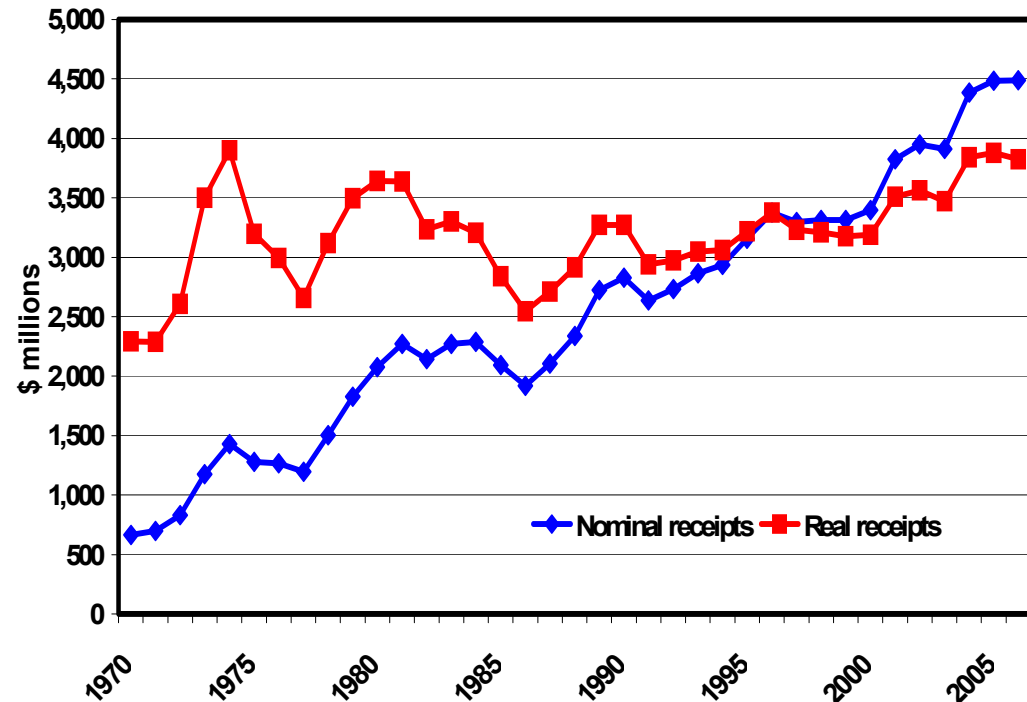
The Last 37 Years

Nominal \$

- 2006 record high

Real \$ (inflation adjusted, 1996)

- 2006 – 20% above 37-year average
- 37-year low in 1971
...high 3 years later
- Stability – the 90's and 21st century

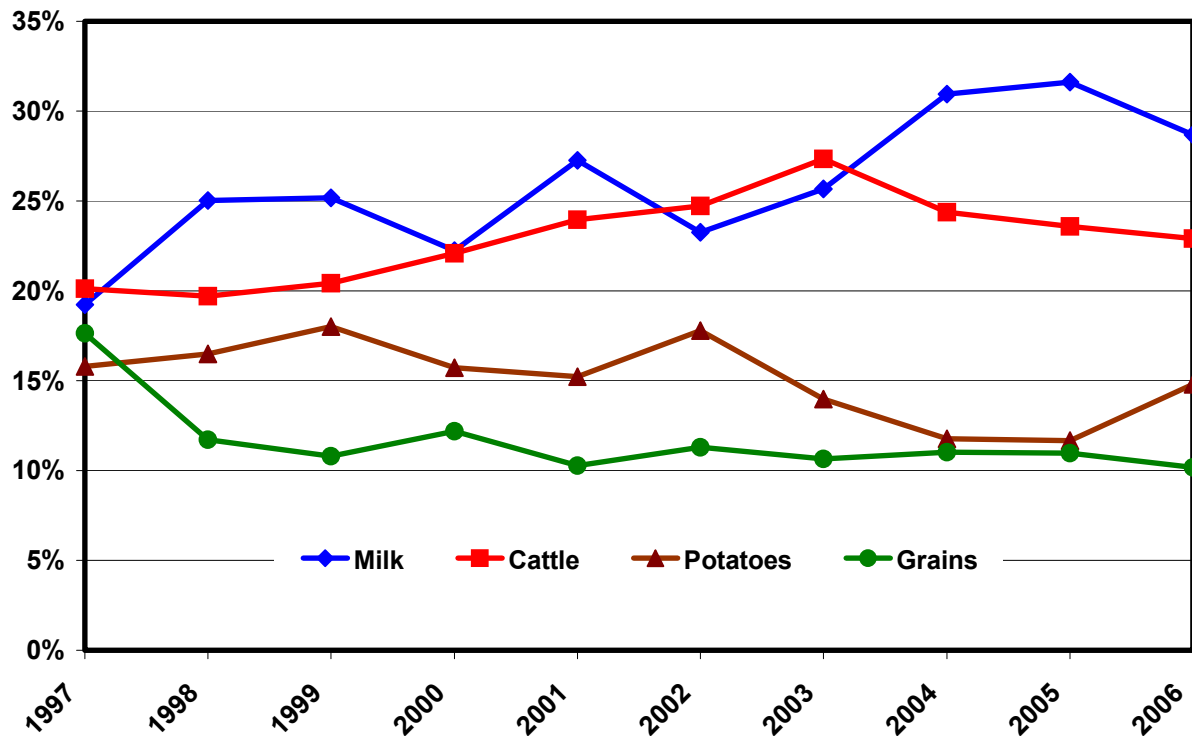




Idaho's changing agriculture...

The Last 10 Years

Percent of Total Cash Receipts



Milk **UP**

- 19% to 29%

Cattle **UP**

- 20% to 23%

Spuds **DOWN**

- 16% to 15%

Grains **DOWN**

- 18% to 10%



Idaho's Ag Diversity

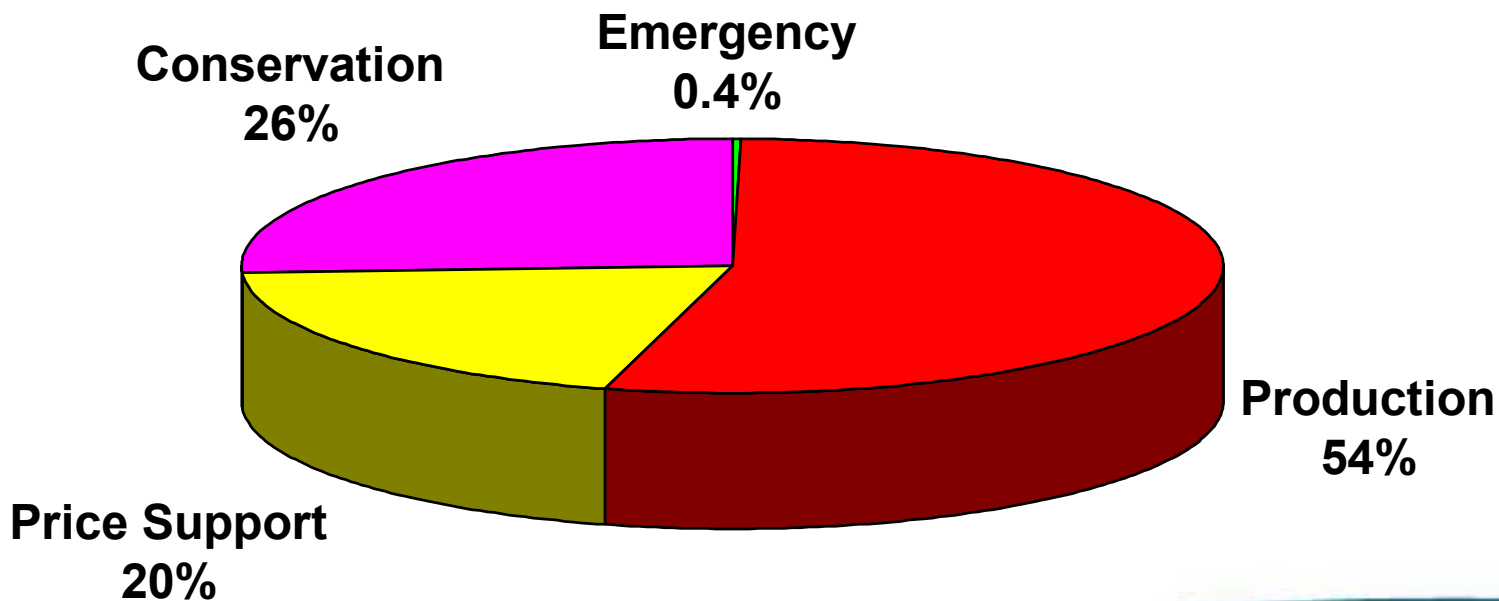
- Losing ag diversification!
 - Milk & Cattle – 52% of cash receipts
 - Other crops & livestock getting smaller (potatoes, sheep, fruit, seeds, mint)
- Linked businesses changing
 - Backward – the service and input
 - Forward - Transportation, packing, processing
- Causes
 - Greater specialization
 - Size economies



Idaho Government Payments

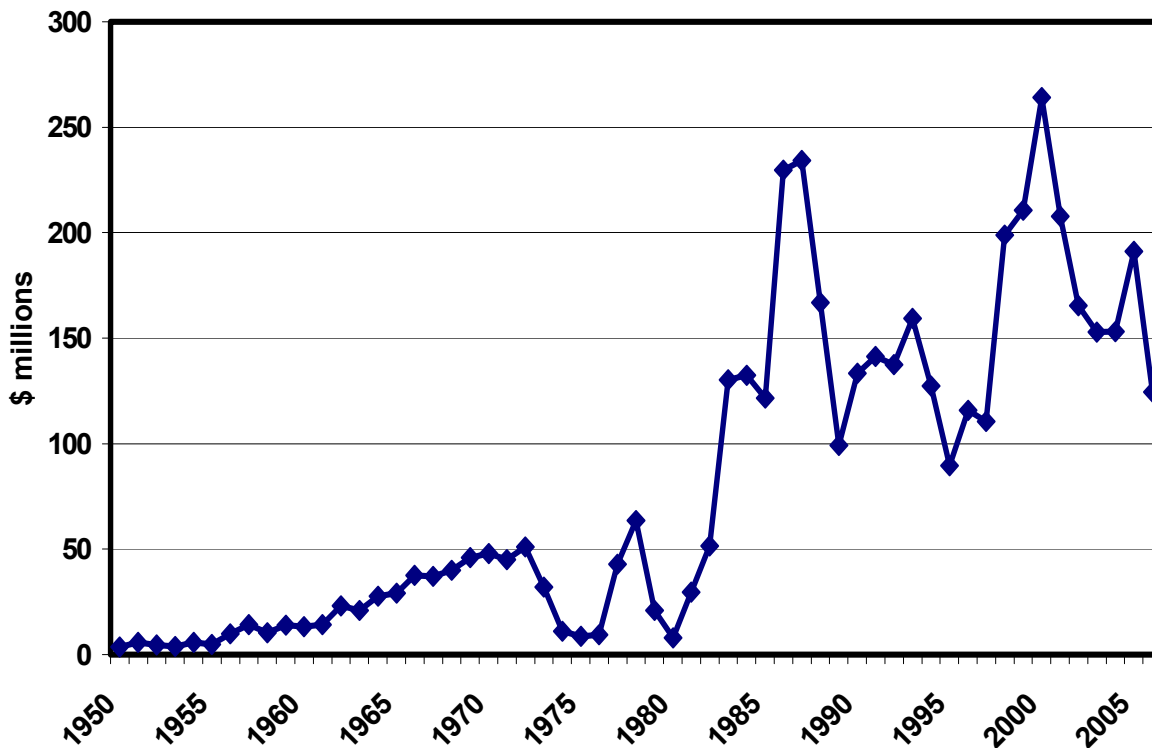
FY 2006

\$125 million – **down 26%**





Government Payments



Idaho payments

- 2005 – 17% of net farm income
- 2006 – 14% of net farm income
- 0.8% of total U.S. farm payments

U.S. payments

- 2005 – 33% of net farm income
- 2006 – 28% of net farm income



Idaho Net Farm Income (\$ millions)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Change ('05-'06)
REVENUES											
Crop Production	1,891	1,727	1,698	1,766	1,762	1,950	1,733	1,849	1,901	2,063	9%
Livestock Production	1,405	1,585	1,616	1,629	2,063	1,999	2,180	2,538	2,584	2,426	-6%
Services & Forestry	253	314	316	329	350	390	368	349	420	427	2%
Government Payments	110	199	211	264	208	165	153	153	191	125	-35%
Home consumption	8	7	7	6	6	6	6	6	7	7	0%
Value of inventory adjustme	70	72	115	134	(64)	131	22	229	97	97	0%
TOTAL REVENUES	3,737	3,905	3,962	4,129	4,324	4,641	4,462	5,124	5,200	5,041	-3%
EXPENSES											
Farm Origin Inputs	670	615	609	670	728	1,007	981	989	1,051	1,082	3%
Manufactured Inputs	578	562	555	572	571	624	593	583	763	782	2%
Other Inputs	713	722	704	750	718	795	866	579	874	902	3%
Vehicle Regist./Licensing	11	12	10	12	11	9	10	7	10	10	0%
Property Taxes	90	89	87	89	86	90	82	85	101	101	0%
Capital Consumption	277	283	287	289	295	301	306	329	342	343	0%
Payments to Stakeholders	708	698	720	782	752	790	751	800	933	952	2%
TOTAL EXPENSES	3,048	2,981	2,972	3,165	3,162	3,617	3,589	3,372	4,074	4,173	2%
NET FARM INCOME	689	923	990	964	1,163	1,024	872	1,752	1,125	868	-23%
Year-to-Year Change	-30%	34%	7%	-3%	21%	-12%	-15%	101%	-36%	-23%	



Idaho Net Farm Income – 2006

- Revenues minus expenses
- 2006 Net farm income
 - \$868 million
 - **Down 23%** from 2005
- Big checks & bigger bills!



Idaho Farm Income – 2006

Revenue

- Weak livestock receipts
(-6%)
- Strong crop receipts
(+9%)
- Government payments
(-35%)

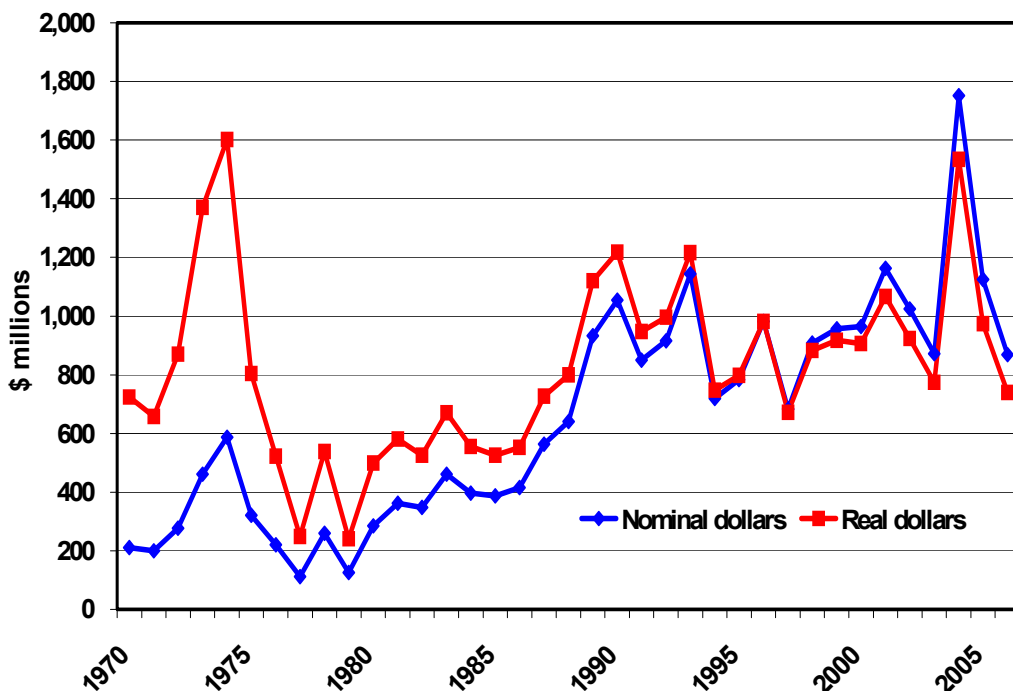
Expenses

- Farm origin inputs
(+3%)
- Manufactured inputs
(+2%)
- Other inputs (+3%)



Idaho Net Farm Income...

The Last 37 Years



2006 NFI – \$868 million

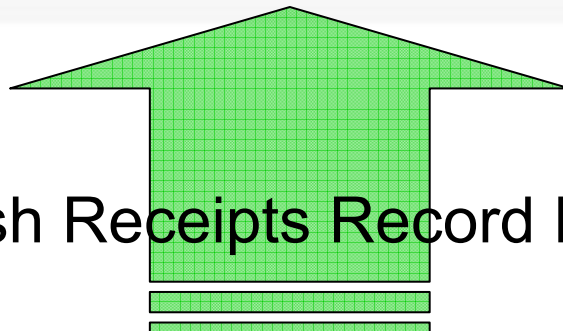
- Down 23% from 2005
- Down 36% last year
- 16% below 10-year average

Real NFI...

- 8% below 37-year average
- Income volatility
 - 37-year high in 1974...low in 1979

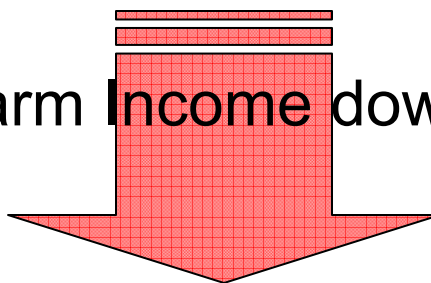


2006 Bottom Line



Cash Receipts Record High

\$4.5 billion



Net Farm Income down 23%

\$868 million



Outlook for 2007



Beef

- Reasonably good demand & prices
- Cattle cycle – still not started
 - Weather and BSE issues have short circuited herd increases
- Food safety concerns
- Brucellosis status
- Loss of Tyson Plant
- High Feed Costs – corn into ethanol



Milk

- Herds still expanding
 - Idaho is 4th after CA, WI, NY
- Prices expected to be lower
- Higher feed costs - corn into ethanol
- Third in cheese production after CA, WI



Outlook for 2007 – Potatoes

- **Production: stable to up**
 - Acres up after strong 2006 price, but by how much?
 - Will supply management work again?
 - Contract acres up
- **Prices: stable to good**
 - Contract prices increased for 2007 crop
 - Fresh prices will remain strong, only if growers hold back on planting
- **Input costs**
 - Another big increase for seed prices





Watch Out for 2007

Production costs

- Stable interest rates
- Higher pumping costs
- High but not necessarily higher fertilizer & fuel
- Land costs – up significantly
- Higher labor costs
- Lower cattle pricing with loss of Tyson plant

Idaho water issues

- CREP 100,000 acres
- Water buyouts and leases
- Surface & groundwater management & lawsuits

Farm Bill

Consumer Demand



CALS and Idaho Agriculture

Biofuels and Bioproducts

- Incentives for commercialization
- Funding to support research

Food Animal Industries

- Livestock and Environmental Center

Farm Bill

Idaho Water Issues

Immigration



Questions & Discussion