

Financial Condition of Idaho Agriculture

**Idaho State Joint Legislative
Economic Outlook & Revenue Assessment Committee**

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Idaho Agricultural Outlook

Forecast for 2007*

- Cash receipts
- Net farm income
- Structure

Outlook for 2008



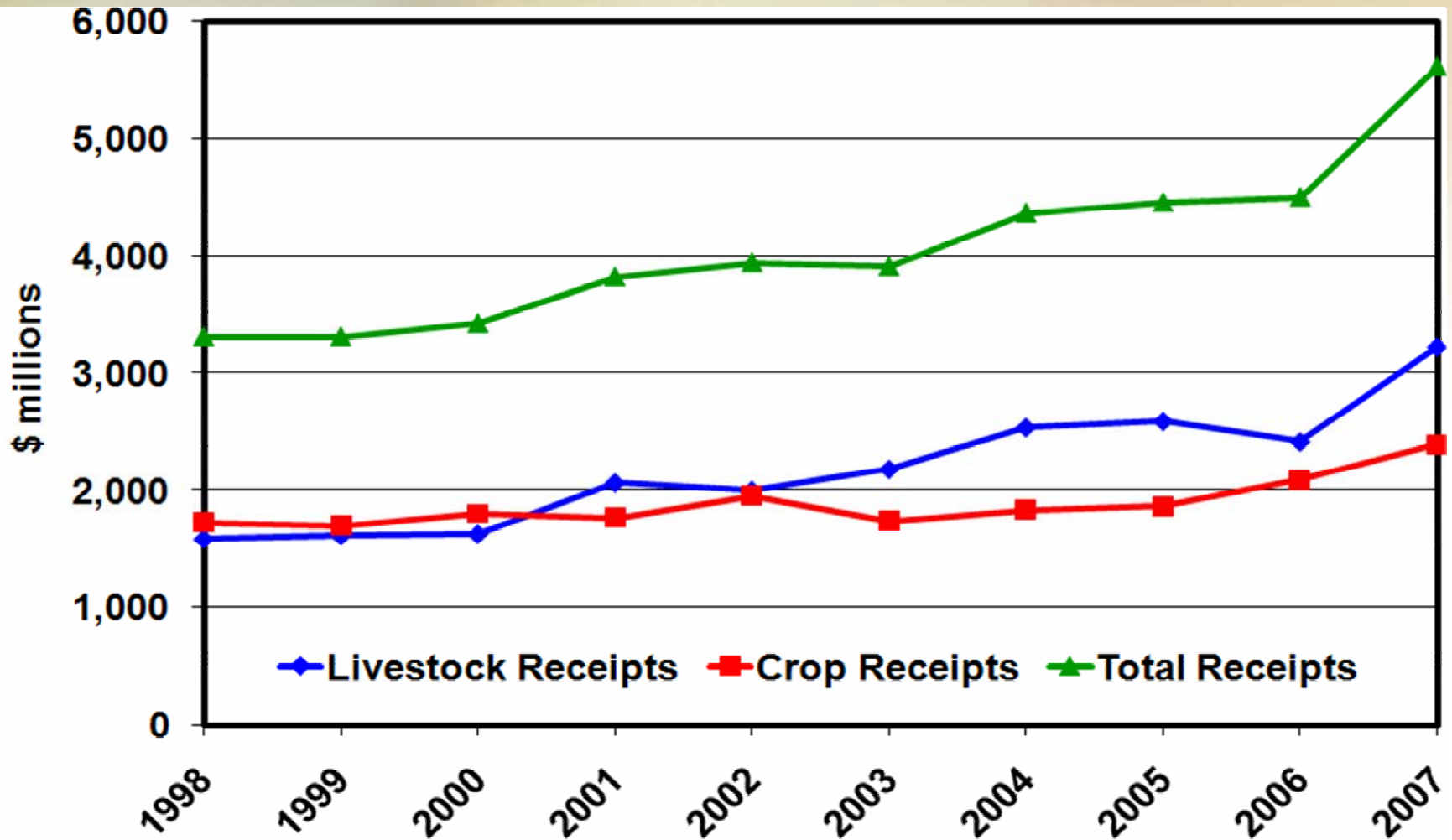
*Calendar not crop year comparison

Idaho Cash Receipts – 2007

Overview

- Cash receipts record high **\$5.6 billion**
- \$1.1 billion above 2006 (**↑25%**)
- Largest 1-year spike
- Livestock receipts: **↑33%** to \$3.2 billion
- Crop receipts: **↑15%** to \$2.4 billion

Idaho Cash Receipts (\$ millions)



Livestock Cash Receipts – 2007

- **Cattle & Calves: ↑5%**
 - Inventories slightly higher
 - Prices up 5%
 - Growing supply, high feed costs
- **Milk: ↑59%**
 - Largest revenue producer
 - Production up nearly 6%
 - Prices up 48%



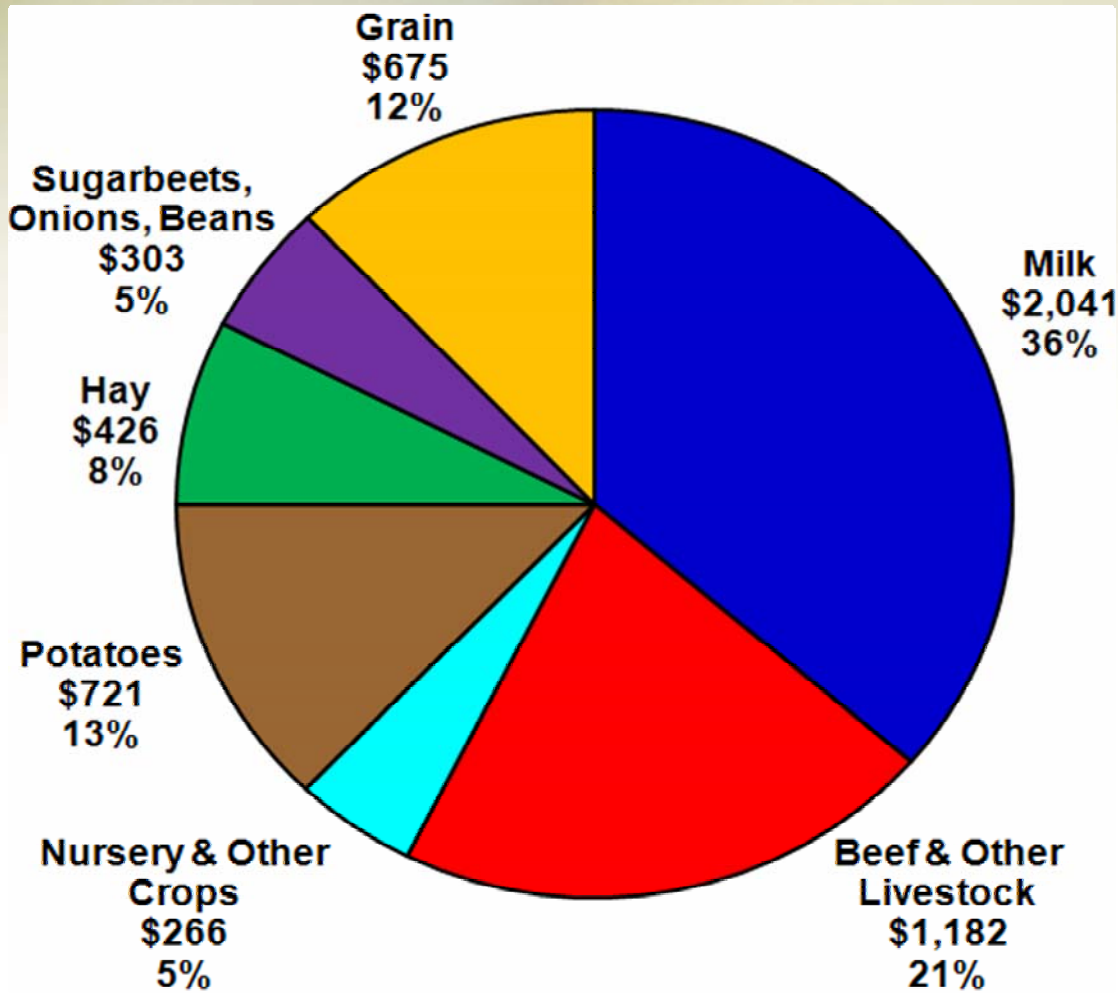
Crop Cash Receipts – 2007

- **Potatoes: ↑11%**
 - Idaho's largest crop revenue
 - Production & prices up 2%
 - Highest revenue ever
- **Wheat: ↑49%**
 - Idaho's 2nd largest revenue crop
 - Production down 7%, prices up 44%
 - Highest nominal prices ever
- **Barley: ↑19%**
 - Production up 3%, prices up 17%

Crop Cash Receipts – 2007

- **Hay: ↑12%**
 - Production – alfalfa down 1%
other hay down 28%
 - Prices up 11%
- **Beans: ↑16%**
 - Production down 19%
 - Prices up 17%
- **Greenhouse/Nursery: ↑ 9%**
- **Onions: ↑13%**
 - Production up 30%
 - Prices lower
- **Sugarbeets: ↓13%**
 - Production down 8%
and prices weaker

Idaho Cash Receipts (\$ millions)



Livestock: % Total

➤ 2007 – 57%

➤ 2006 – 55%

Idaho Cash Receipts...

The Last 38 Years

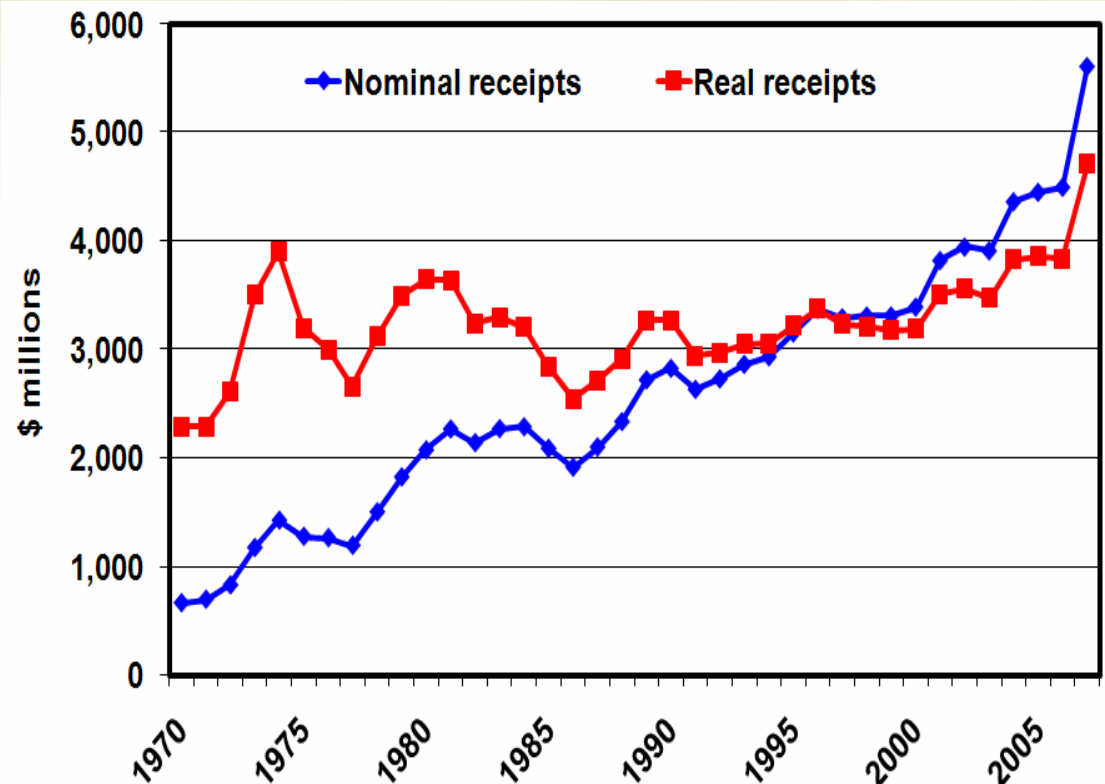
Nominal \$

- 2007 record high

Real \$

- 2007 record high
- 46% above 38-year avg.
- 38 year low in 1971... followed 3 years later by record high (until this year)
- Stability, 90's & early 21st century
- 2.4% growth last 20 years (1986-07)

(real = inflation adjusted, 1996)



Idaho Net Farm Income – 2007

2007 Net farm income

- \$1.5 billion
- Up 78% from 2006

Historical Change

- Largest spike in nominal dollars
- Second largest spike in real dollars

Revenue

- Strong livestock receipts (+33%)
- Strong crop receipts (+15%)
- Government payments (-23%)

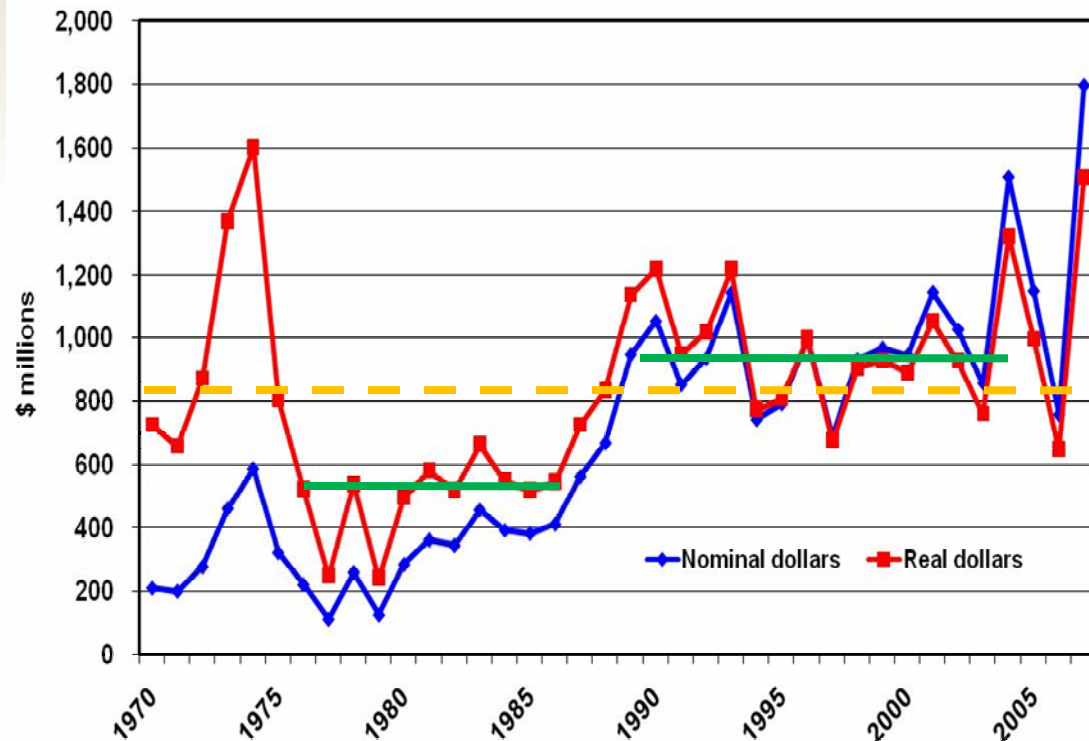
Expenses

- Farm origin inputs (+15%)
- Manufactured inputs (+11%)
- Other inputs (+9%)

Idaho Net Farm Income...

The Last 38 Years

Idaho Net Farm Income, 1970-2007



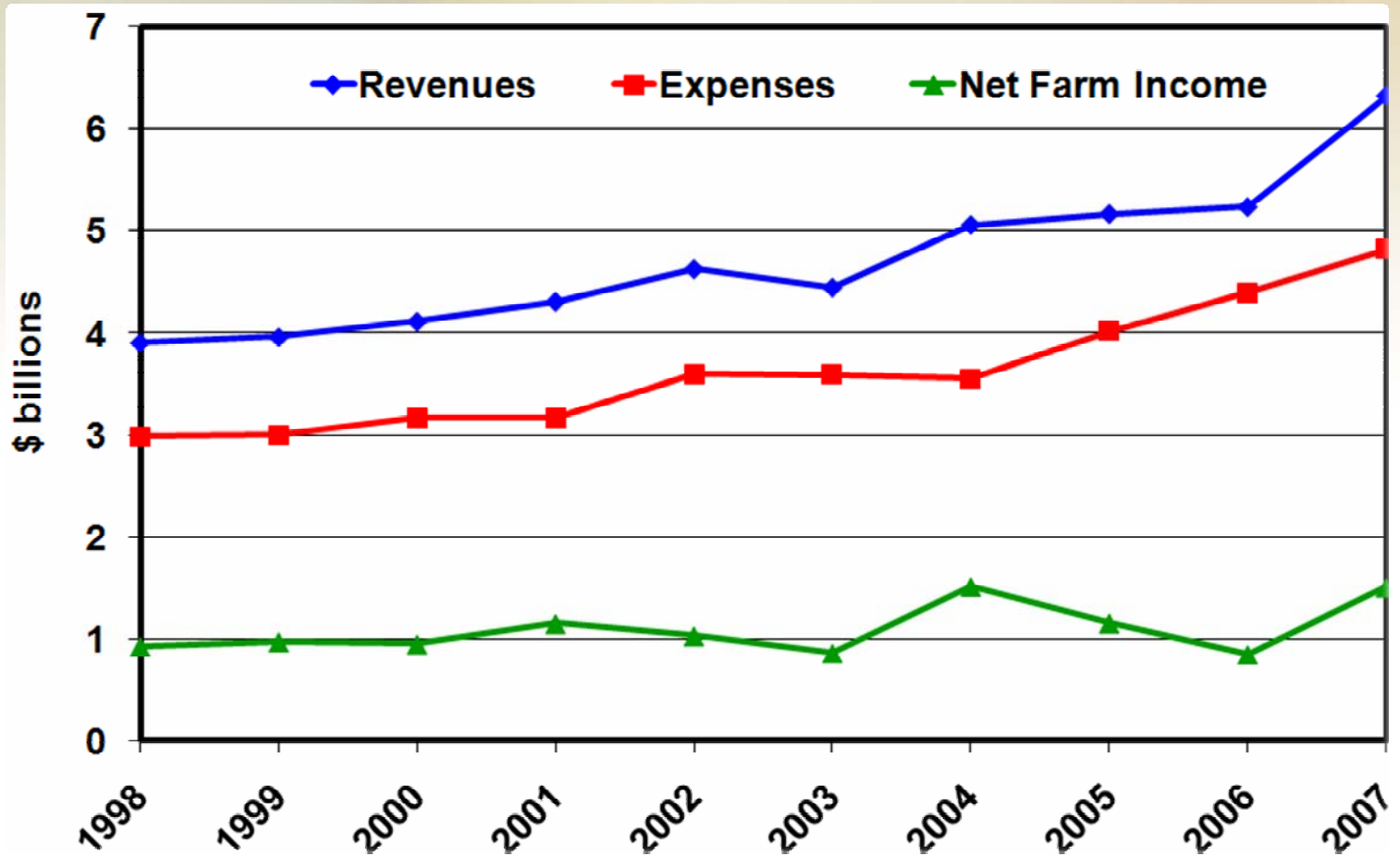
Nominal \$

- 2007 – 2nd highest ever

Real \$

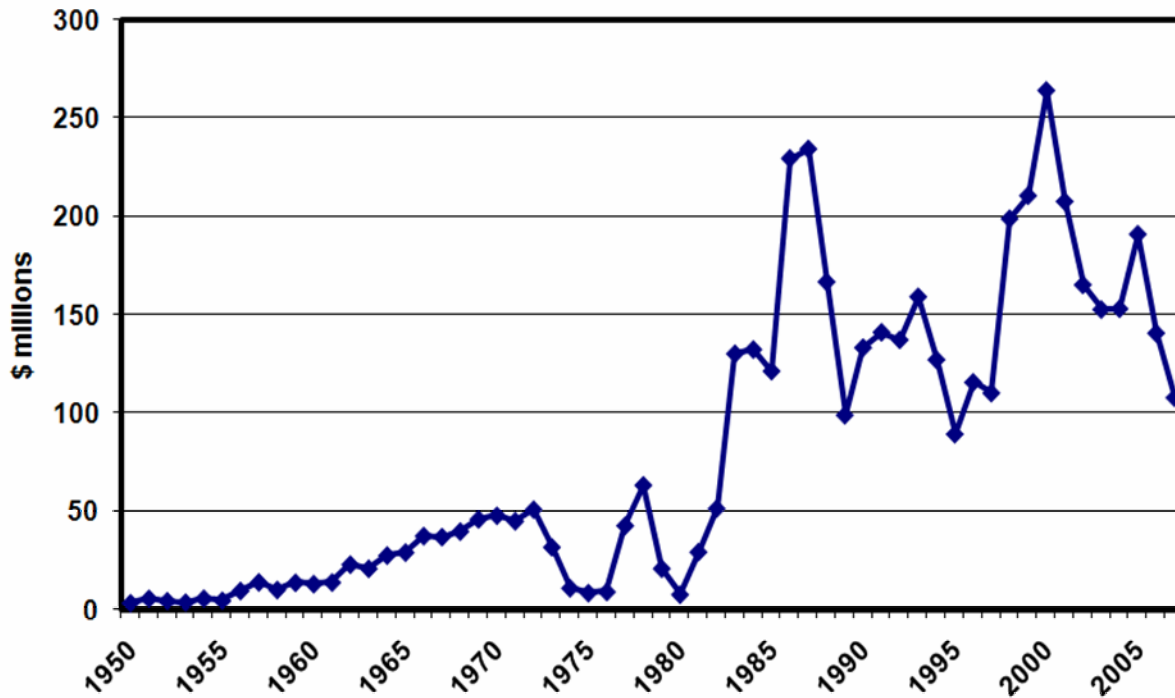
- 2007 – 4th highest ever
- Income volatility
 - 38-year high in 1974...low in 1979
 - Stable from 1990 to 2002
 - New era of volatility since 2003?

Idaho Net Farm Income



Government Payments

Direct government payments to Idaho agriculture,
1950-2007



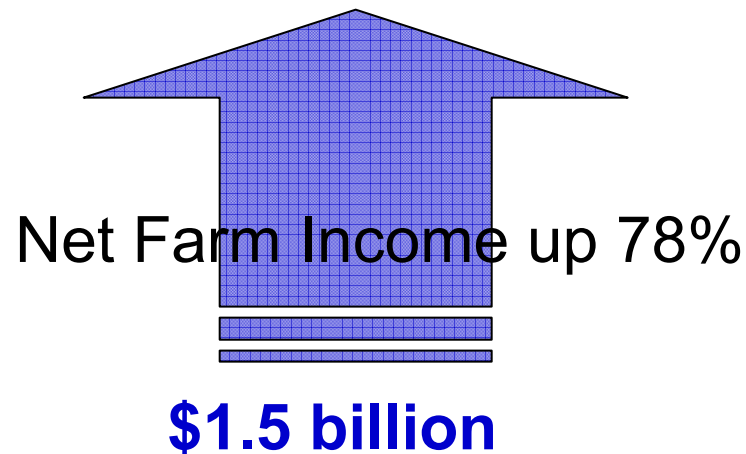
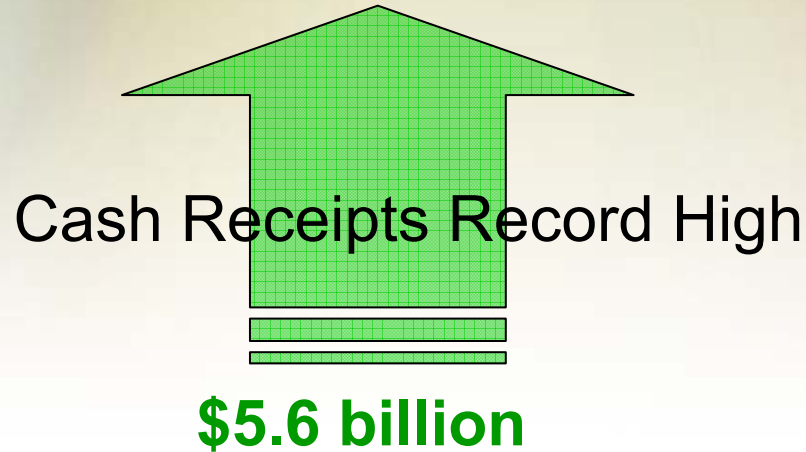
Idaho payments

- 2006 – 17% of NFI
- 2007 – 7% of NFI
- 0.9% of total U.S. farm payments

U.S. payments

- 2006 – 27% of NFI
- 2007 – 14% of NFI

2007 Bottom Line



Structure of Idaho Ag

Decreasing Ag diversification

- Milk & Cattle – 57% of cash receipts
- Other crops & livestock getting smaller (e.g. sheep, fruit, seeds, mint)

Linked businesses changing

- Backward links – service & input businesses
- Forward links – packing & processing

Causes

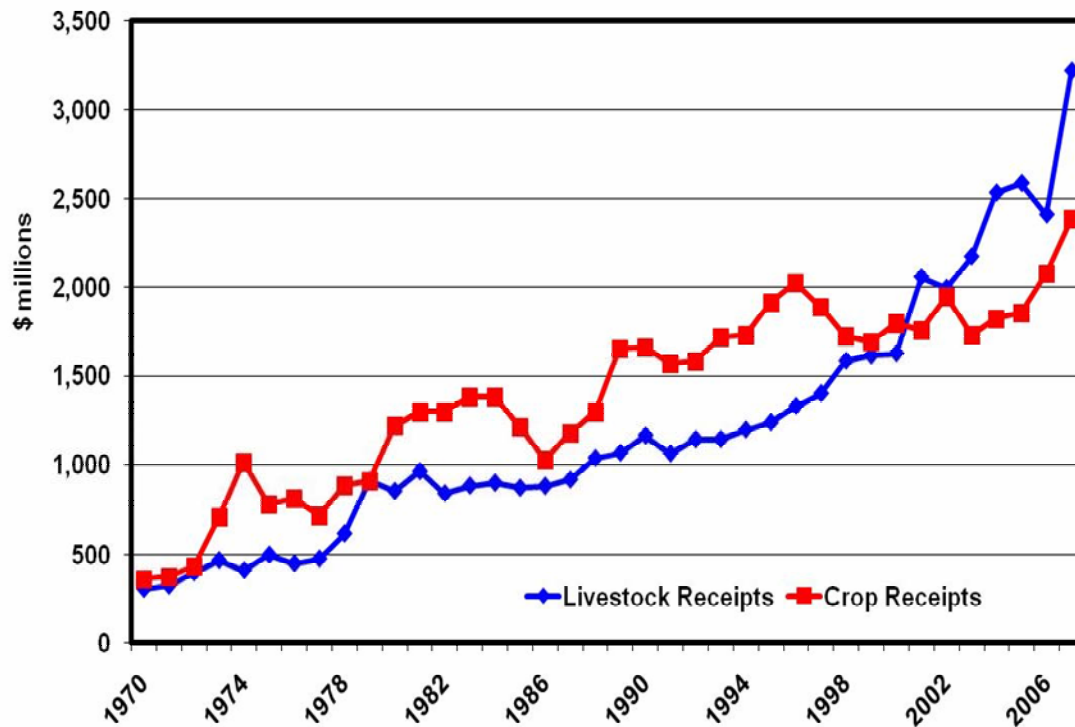
- Greater specialization
- Size economies



Livestock & Crop Receipts...

The Last 38 Years

Livestock & Crop Receipts, 1970 - 2007



Livestock

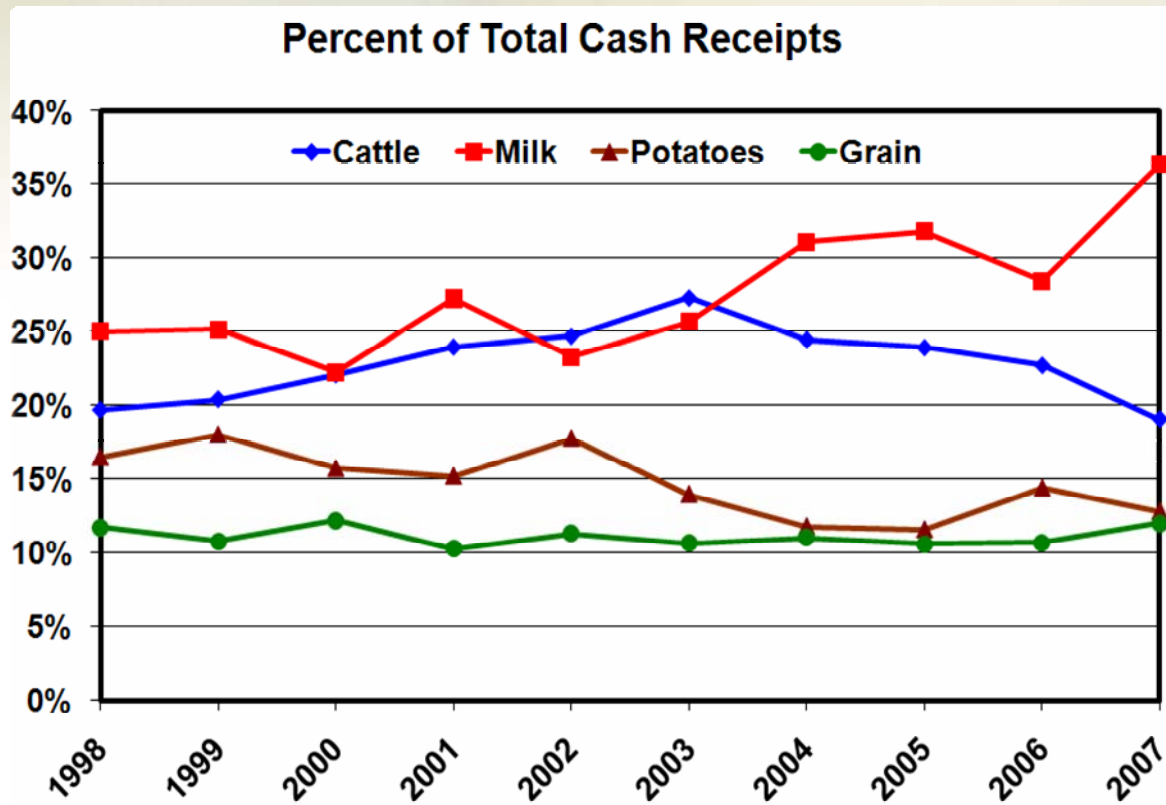
- 7.4% annual growth last 10 years

Crop

- 3.3% annual growth last 10 years

Idaho's changing agriculture...

The Last 10 Years



Cattle: steady 19%,
but up then down

Milk: increasing
from 25% to 36%

Spuds: declining
from 16% to 13%

Grains: steady 12%

Outlook for 2008 & Beyond

Mega Trends

Pluses

- Ethanol & Corn
- Exchange rate & weak dollar
- Drought in Australia & elsewhere
- Rising world incomes & food demand
- Lower interest rates

Minuses

- Higher fuel, fertilizer costs
- Higher labor costs
- Immigration
- Higher land rents & costs
- Water issues
 - Drought
 - Groundwater vs. spring

Canadian vs US Dollar Exchange Rate



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U.S. Drought Monitor

Idaho

December 11, 2007

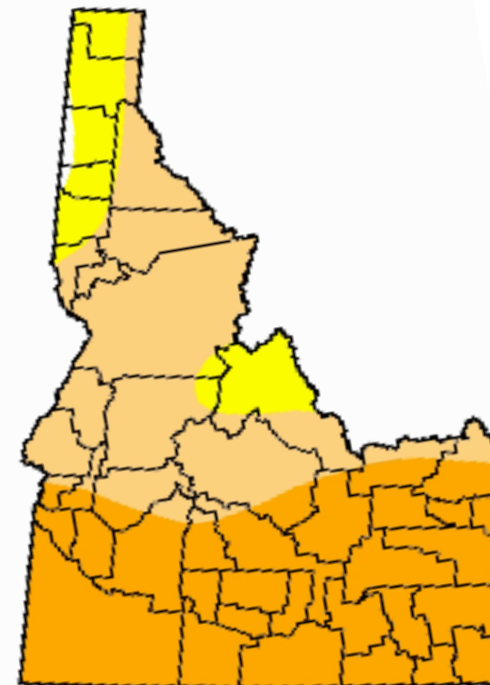
Valid 7 a.m. EST

Drought Conditions (Percent Area)

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	0.5	99.5	88.8	51.3	0.0	0.0
Last Week (12/04/2007 map)	0.5	99.5	88.8	51.3	0.0	0.0
3 Months Ago (09/18/2007 map)	0.0	100.0	100.0	100.0	35.0	0.0
Start of Calendar Year (01/02/2007 map)	72.1	27.9	3.1	0.0	0.0	0.0
Start of Water Year (10/02/2007 map)	0.0	100.0	100.0	100.0	34.1	0.0
One Year Ago (12/12/2006 map)	78.4	21.6	0.2	0.0	0.0	0.0

Intensity:

-  D0 Abnormally Dry
-  D1 Drought - Moderate
-  D2 Drought - Severe
-  D3 Drought - Extreme
-  D4 Drought - Exceptional



The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements

<http://drought.unl.edu/dm>



Released Thursday, December 13, 2007

Author: Brian Fuchs, National Drought Mitigation Center

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Outlook for 2008 – Beef



- Strong demand & good prices
- Cattle cycle
 - Drought & high feed costs short circuited expansion
- Imports from Canada
- Japan & Korea exports
- Brucellosis-free status reinstated

Outlook for 2008 – Dairy



- Idaho dairies still expanding (10 yr ave: + 23,000 head/yr)
- Idaho is 4th after CA, WI, NY
- Prices look relatively strong
- Increasing global milk demand
- High feed costs

Outlook for 2008 – Wheat

Prices

- Very strong, but volatile
- High prices for several more years

Production

- Acreage up in response to higher prices, reversing long term decline

Stocks

- World stocks lowest in 30 years
- World stocks to use: lowest on record (back to 1960)
- U.S. stocks & stocks to use: lowest in 60 years



Outlook for 2008 – Barley

Prices

- Strong open market & contract prices
- Malt prices up \$2 - 3
- Corn price sets feed barley price
- Corn price up 21% from 2007
- Feed barley well above \$8

Production

- Acreage up...won't match 2007 increases



Outlook for 2008 – Potatoes

- **Production: stable or down**
 - Efforts of United Potato Growers
 - Attractive alternative crops
 - Contract acres: stable or up slightly
- **Prices: stable or up**
 - 2008 contract prices up significantly (+10-12%)
- **Input costs: continue to climb**
 - Overall 6 – 8% higher
 - Large increase in seed prices
- **United Potato Growers of Idaho**
 - Co-op entered dehydration business
 - Offering to buy entire 2008 Idaho fresh crop
- **Strengthening Canadian Dollar**
 - Helps international markets for ID potato products
 - Shifting Canadian processing capacity back to U.S. & ID



Discussion