Financial Condition of Idaho Agriculture

Idaho State Joint Legislative Economic Outlook & Revenue Assessment Committee

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January 6, 2009

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Idaho Agricultural Outlook

- **2009 forecast***
  - Cash receipts
  - Farm income
  - Net Value Added
- **2010 Outlook**
- **Ag impact**

*Calendar not crop year comparison

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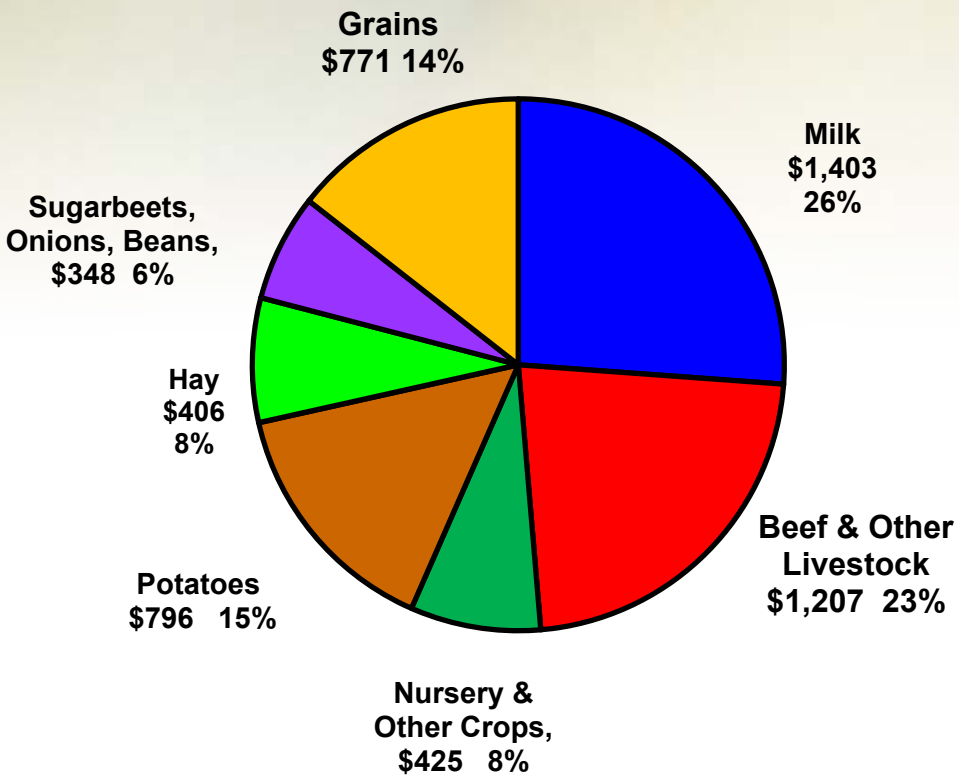
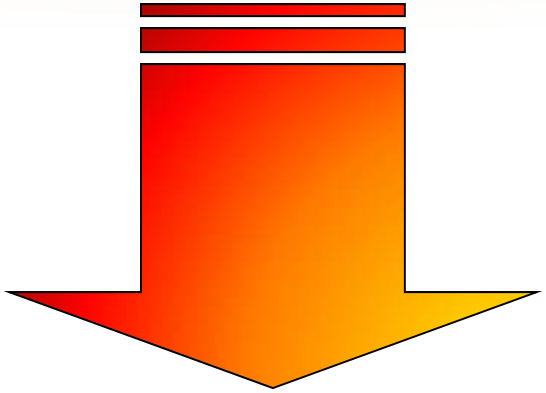
Idaho Cash Receipts 2009



- 2009 $5.4 billion
- 17% below 2008
- Livestock down 23% to $2.6 billion
- Crops down 11% to $2.7 billion

$6.5 billion, 2008



$5.4 billion, 2009

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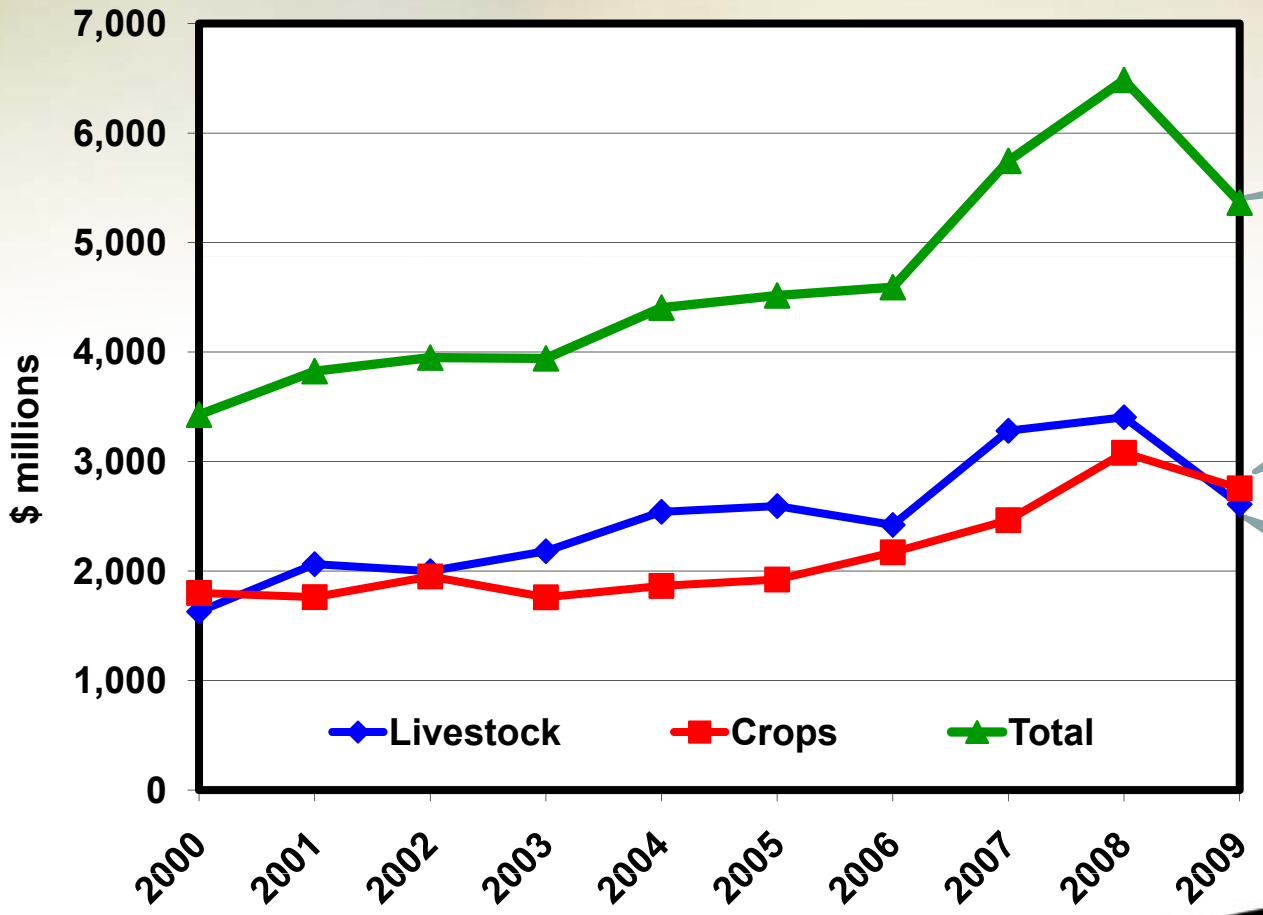
Idaho Farm Cash Receipts
2000 - 2009



Total cash receipts: **$5.4b ↓17%** from 2008

Crop receipts: **↓11%** to $2.7b

Livestock receipts: **↓23%** to $2.6b

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Cash Receipts – 2009

Crops

- **Potatoes: ↑2%**
  - Idaho's largest revenue crop
  - Production up 13%, prices down 1%
  - Highest revenue ever
- **Wheat: ↓28%**
  - Idaho's 2nd largest revenue crop
  - Production up 1%, prices down 35%
- **Barley: ↑12%**
  - Production down 3%
  - Prices up 5%
- **Hay: ↓40%**
  - Production down 3%
  - Prices down 28%
- **Beans: ↓1%**
  - Production up 35%
  - Prices down 8%
- **Greenhouse/Nursery: ↑7%**
- **Onions: ↑43%**
  - Production up 5%
  - Prices up 46%
- **Sugarbeets: ↑72%**
  - Production up 55%
  - Price up 11%

Livestock

- **Cattle & Calves: ↓8%**
  - Inventories down 5%
  - Prices averaged 10% lower
- **Milk: ↓33%**
  - Largest revenue producer
  - Production down 2%
  - Prices down 32%
  - $698 million less than 2008

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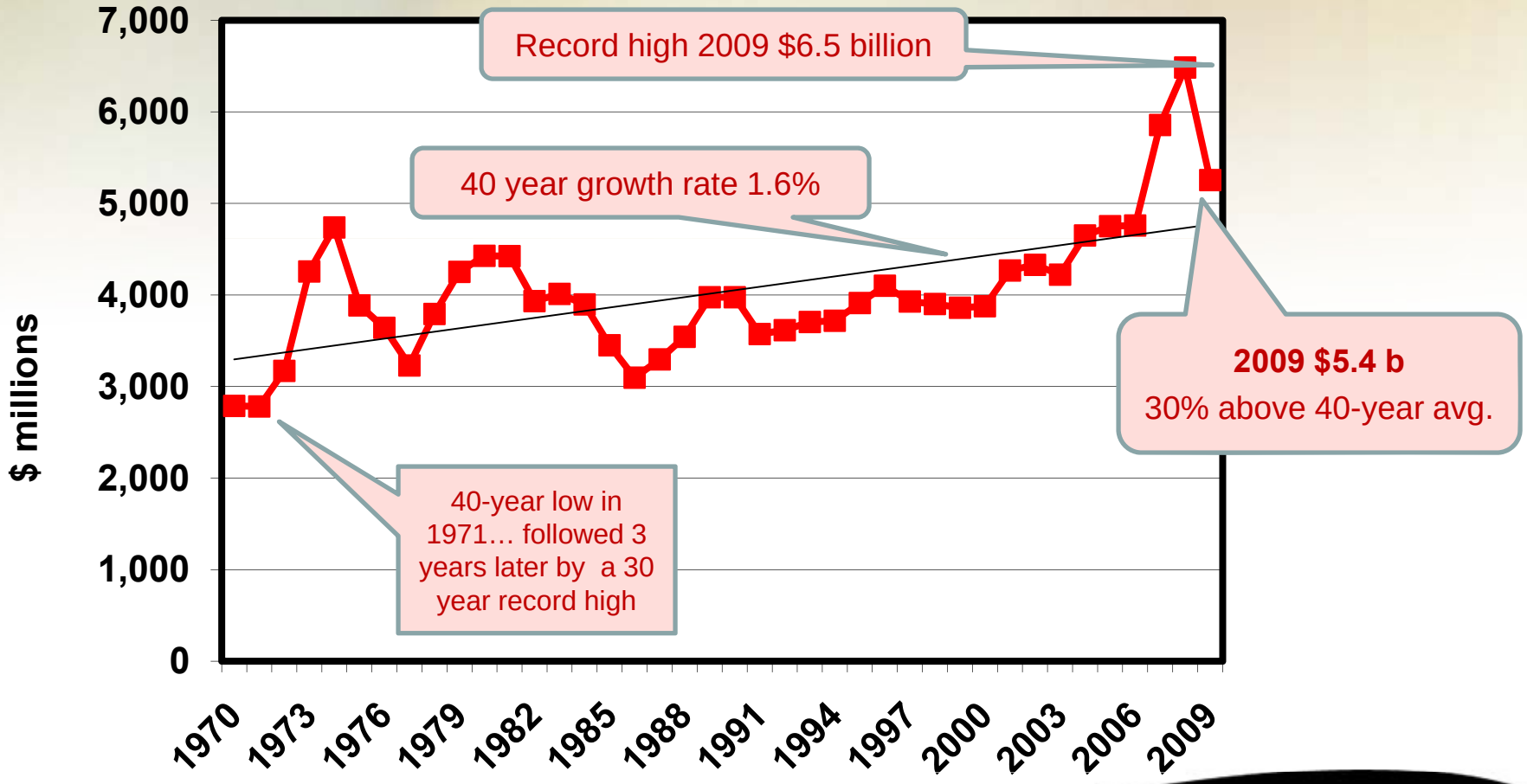
Idaho Farm Cash Receipts…

Last 40 Years, real dollars (2008 base)



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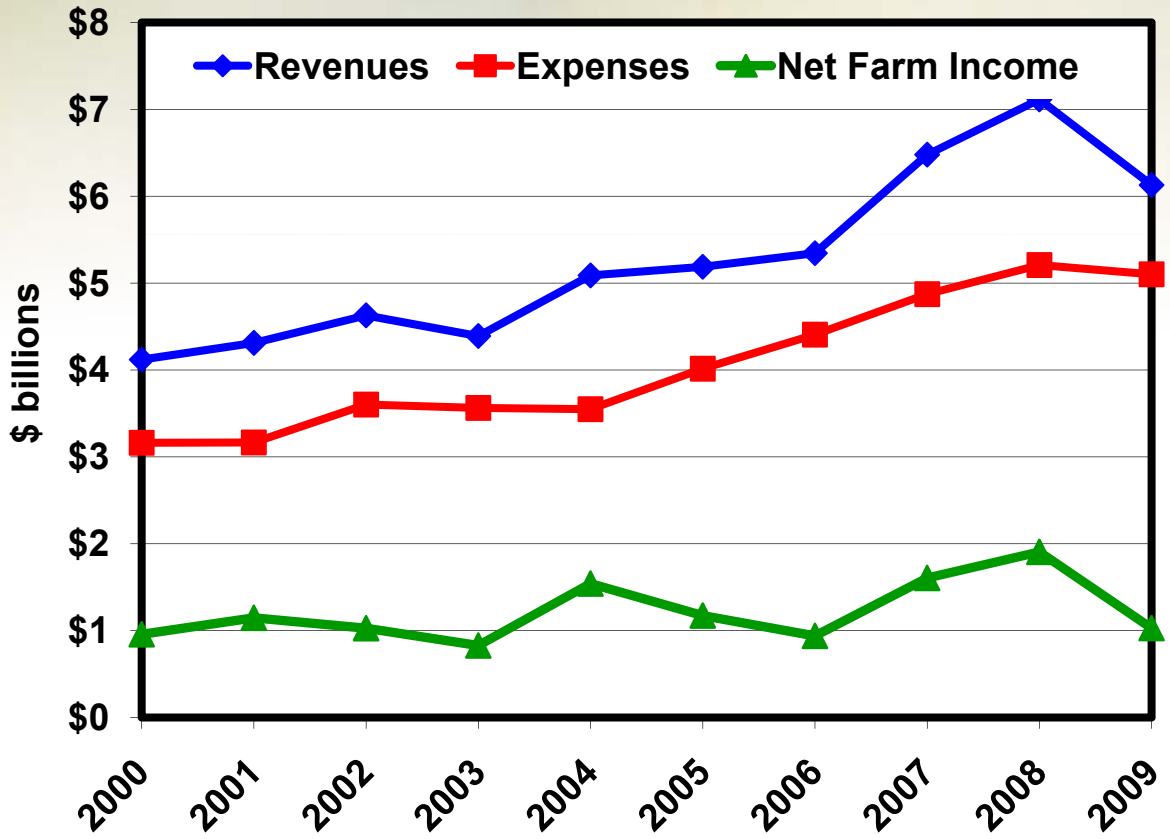
Idaho Net Farm Income
2000 - 2009



Revenues
- Weaker livestock receipts (-23%)
- Weaker crop receipts (-11%)
- Government payments (-23%)

Expenses
- Farm origin inputs steady
- Manufactured inputs (-11%)
- Other inputs (-2%)

Net Farm Income
- $1.02 billion
- Down 47% from 2008

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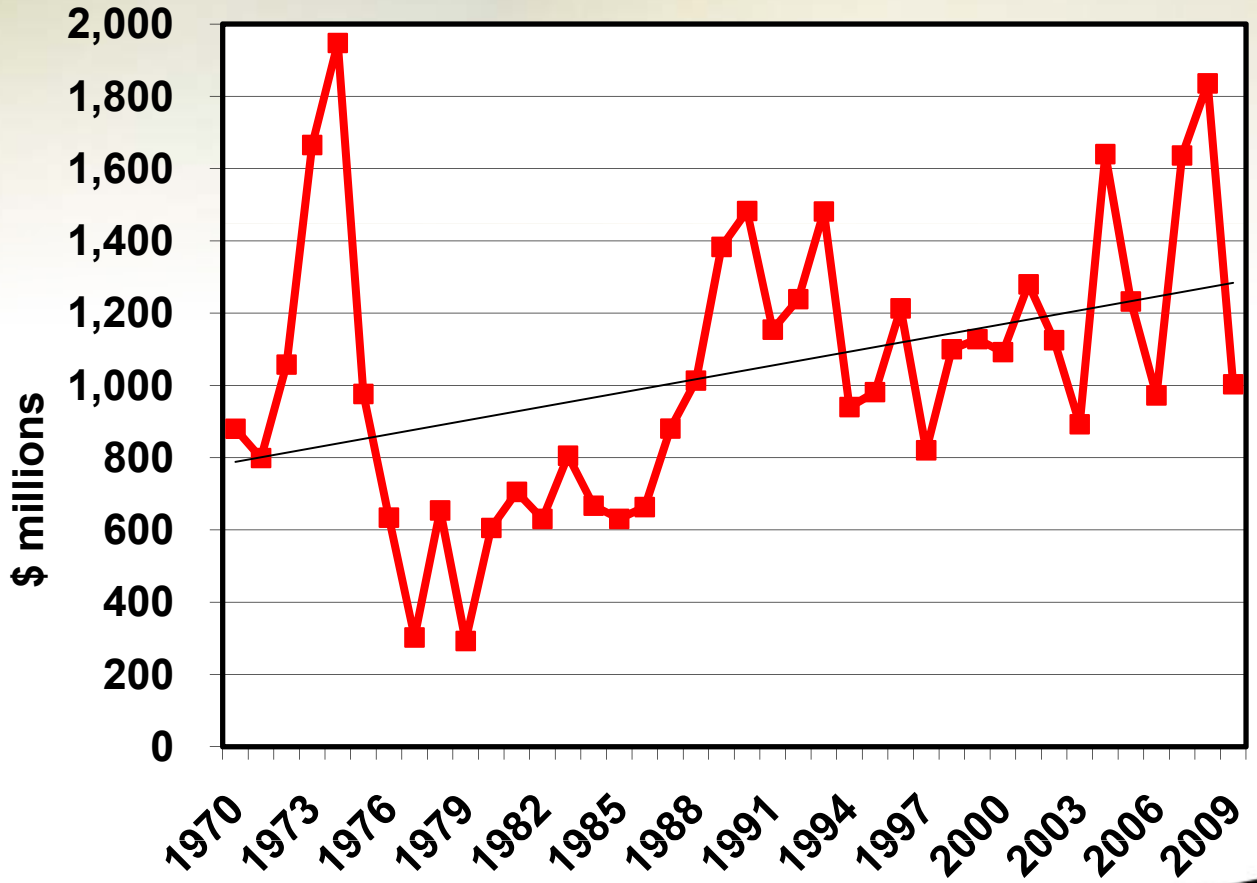
Idaho Net Farm Income…

The Last 40 Years, real dollars (2008 base)



2009 – 4% below 40-yr avg.

Income volatility

- High in 1974…low in 1979
- Stable from 1990 to 2002
- Extreme volatility since 2003

Annual growth in NFI

- 40 year flat growth (0.3%)
- 1989 to 2003 negative growth (-3%)

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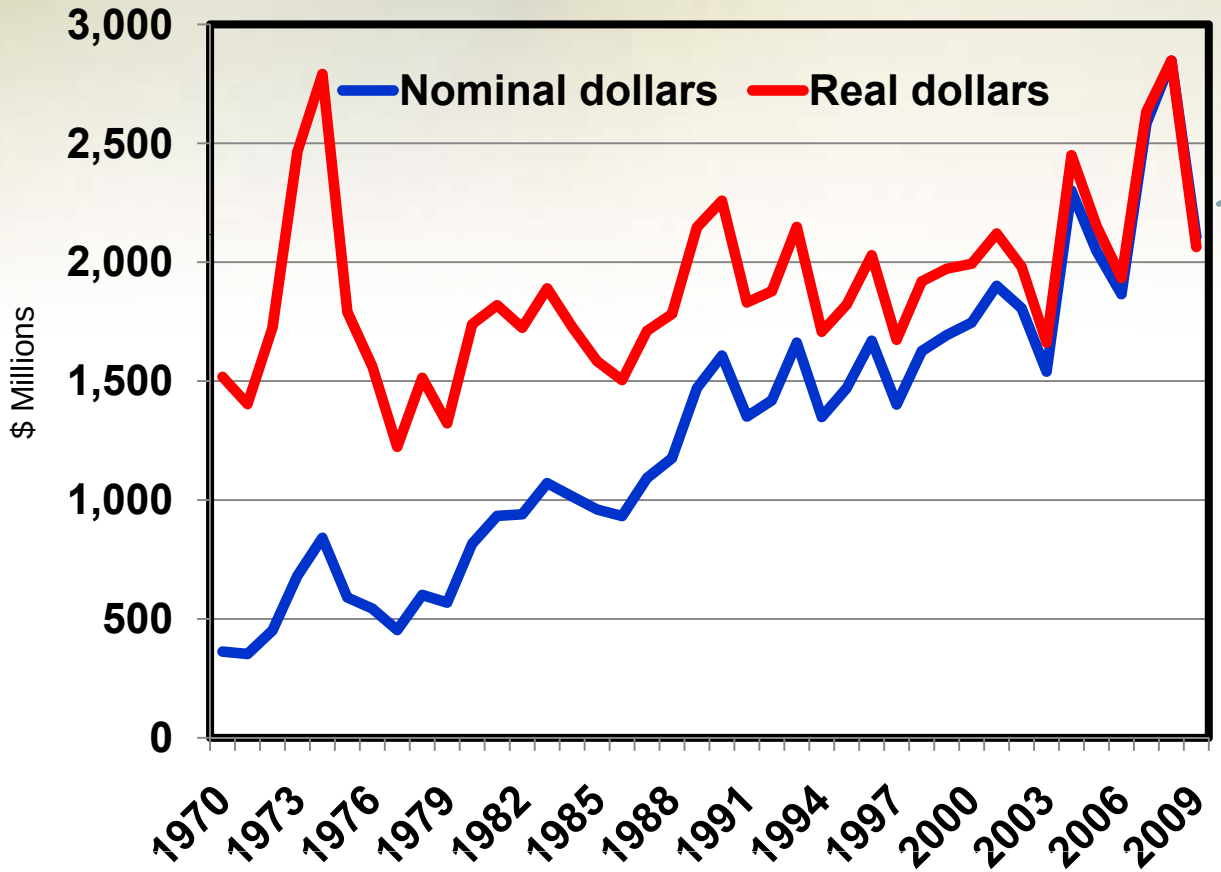
Net Value Added, 1970 - 2009



Nominal 2009 $2.0 B
down 30% from 2008

Real 2009
6% above 40 year avg.
(2008 dollars)

Idaho GSP

- 2008 production ag 5.4% of total GSP
- 1974 16% of total GSP

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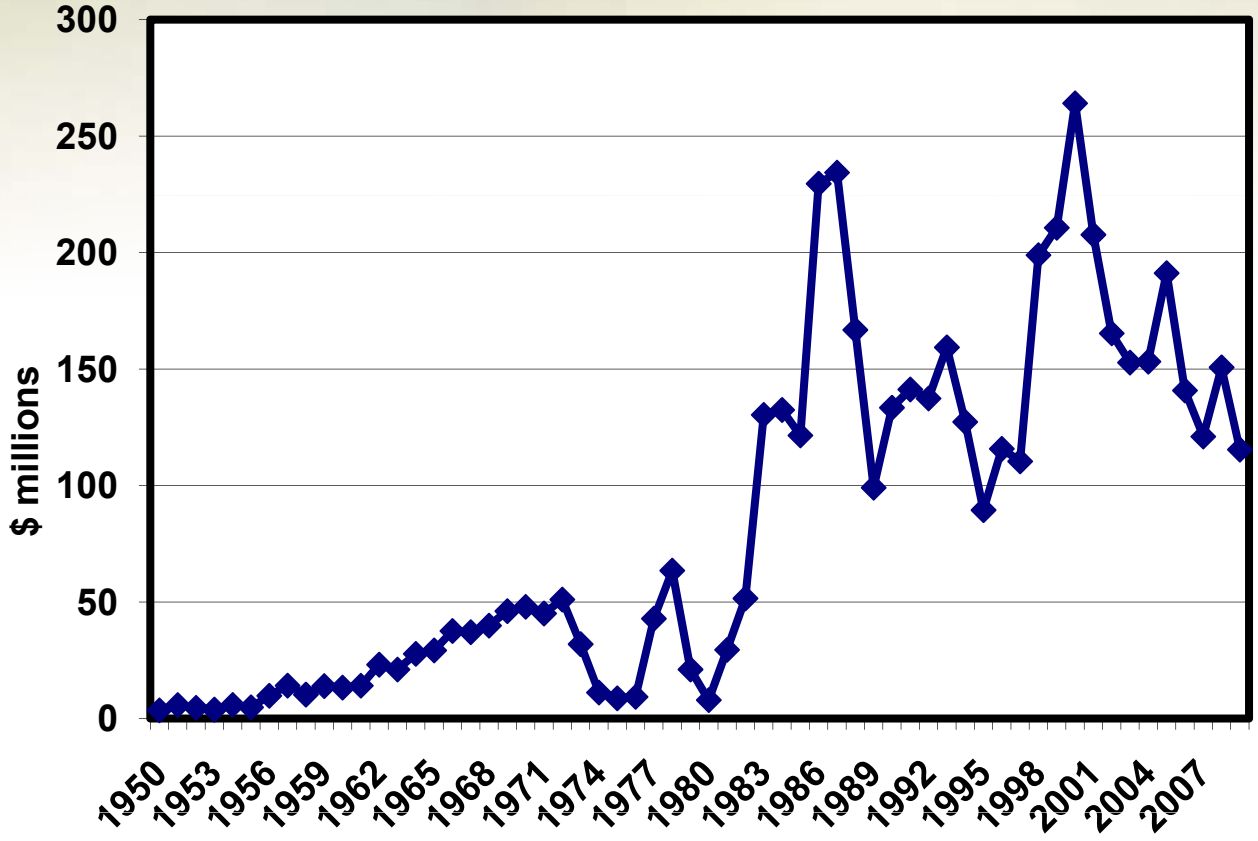
Direct Government Payments to Idaho Agriculture, 1950-2009



Idaho payments 2009

- $115 million
- 11% of NFI
- 0.9% of total US farm payments
- Most are CRP

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Outlook for 2010 & Beyond

Pluses

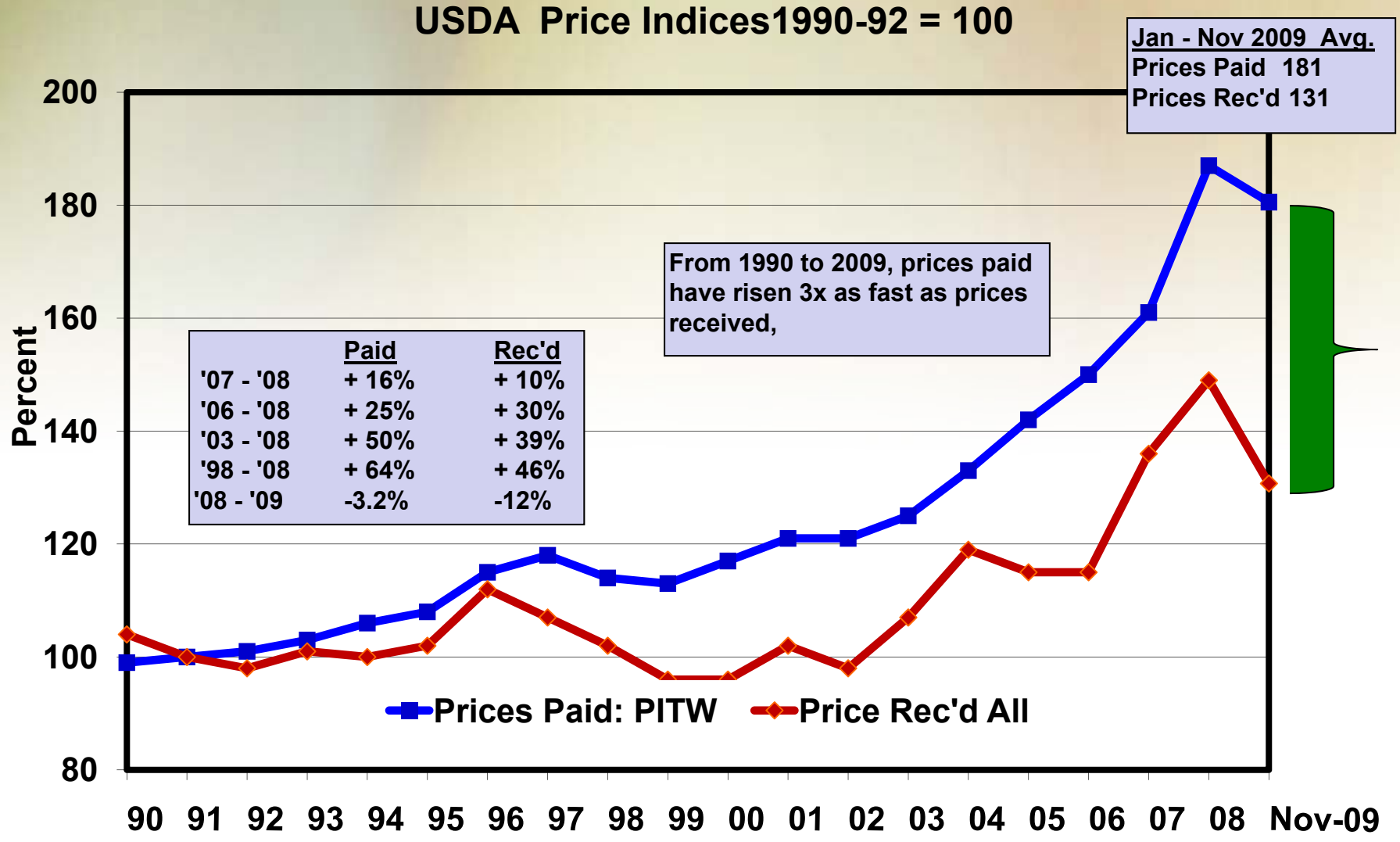
+ Economic recovery should increase demand - domestic and exports
+ Weak dollar – competitive for exports
+ Low interest rates
+ Oil prices should remain stable
+ Lower fertilizer prices
+ Declining cash rents for cropland

Minuses

- Overall, weak (low) commodity prices
- Credit availability will be an issue
- Continued high fuel prices
- Land values will likely decline further
- Climate change issues

The Cost-Price Squeeze

USDA Price Indices1990-92 = 100



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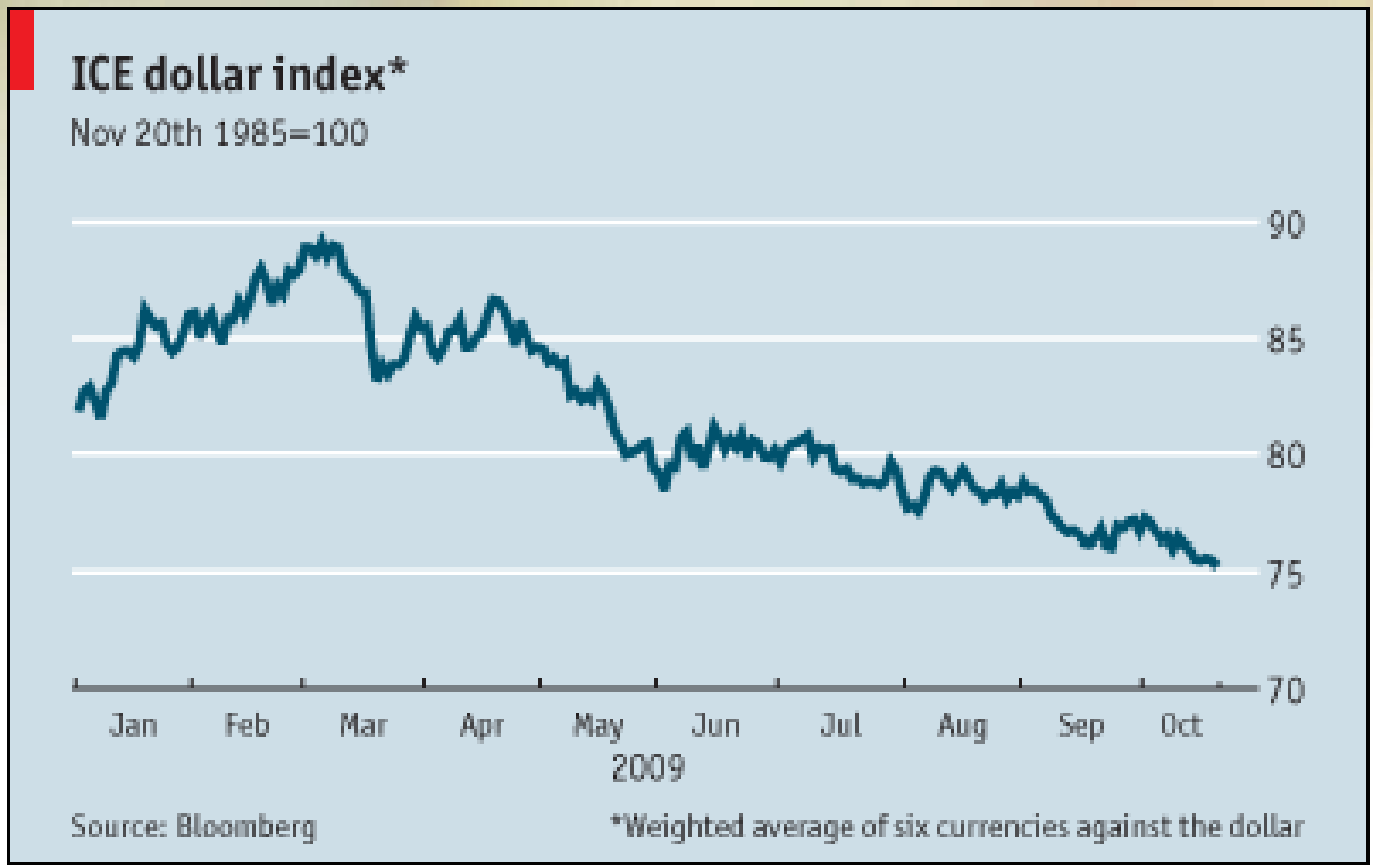
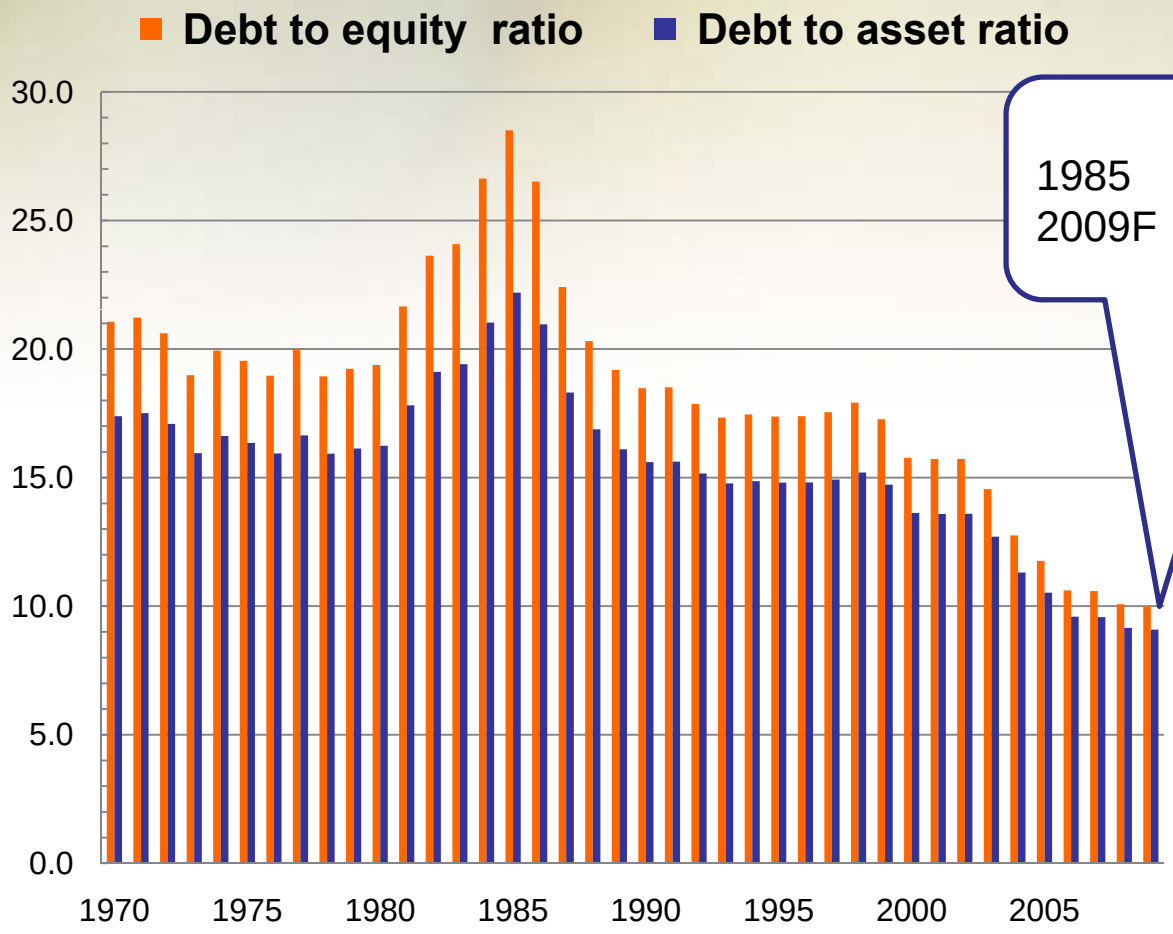
Weak US Dollar



US Farm Debt Ratios (1970 to 2009fy)



	D/E	D/A
1985	28.5%	22.2%
2009F	10.0%	9.1%

- 2 ratio measures of farm financial health
  - Debt to equity ratio
  - Debt to asset ratio
- Both below the 1980's farm financial crisis

Source: USDA, ERS

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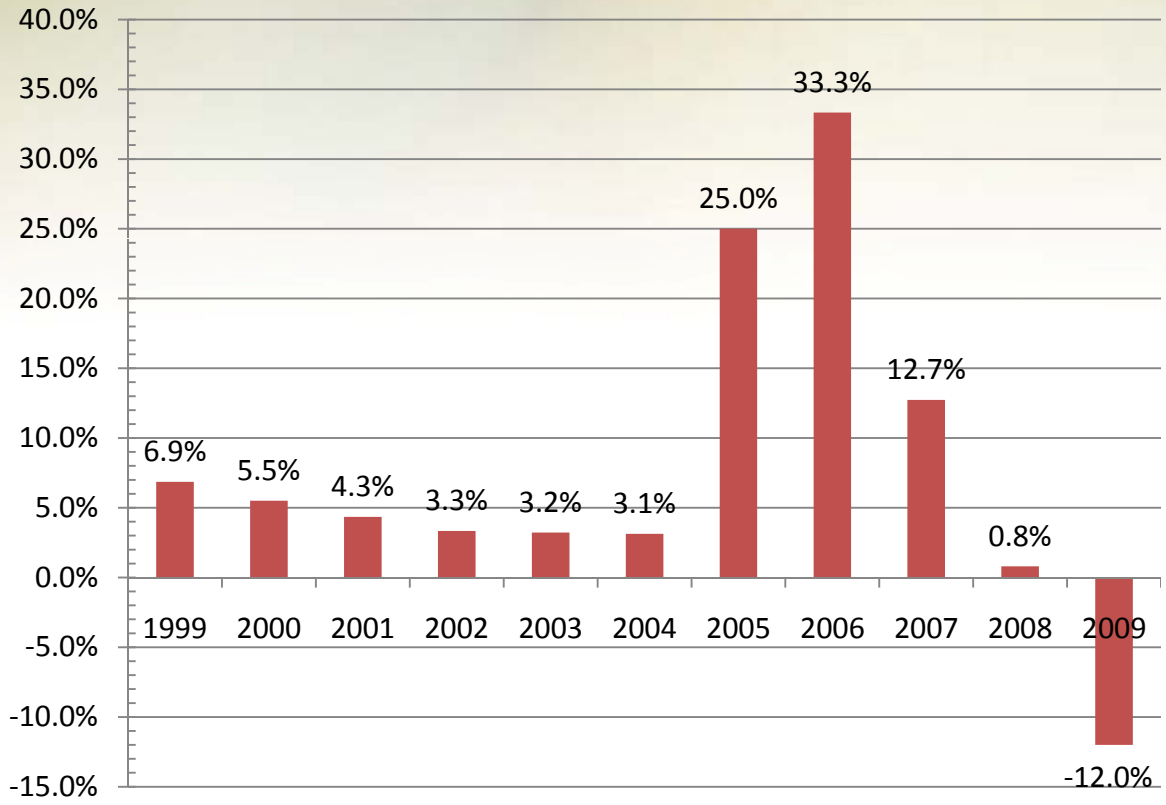
Idaho Farm Real Estate

% Change in Value



- % change in farm real estate value (08 to 09)
  - Idaho -12%
  - US -3.2%
- Idaho % change in cash rents (08 to 09)+21%

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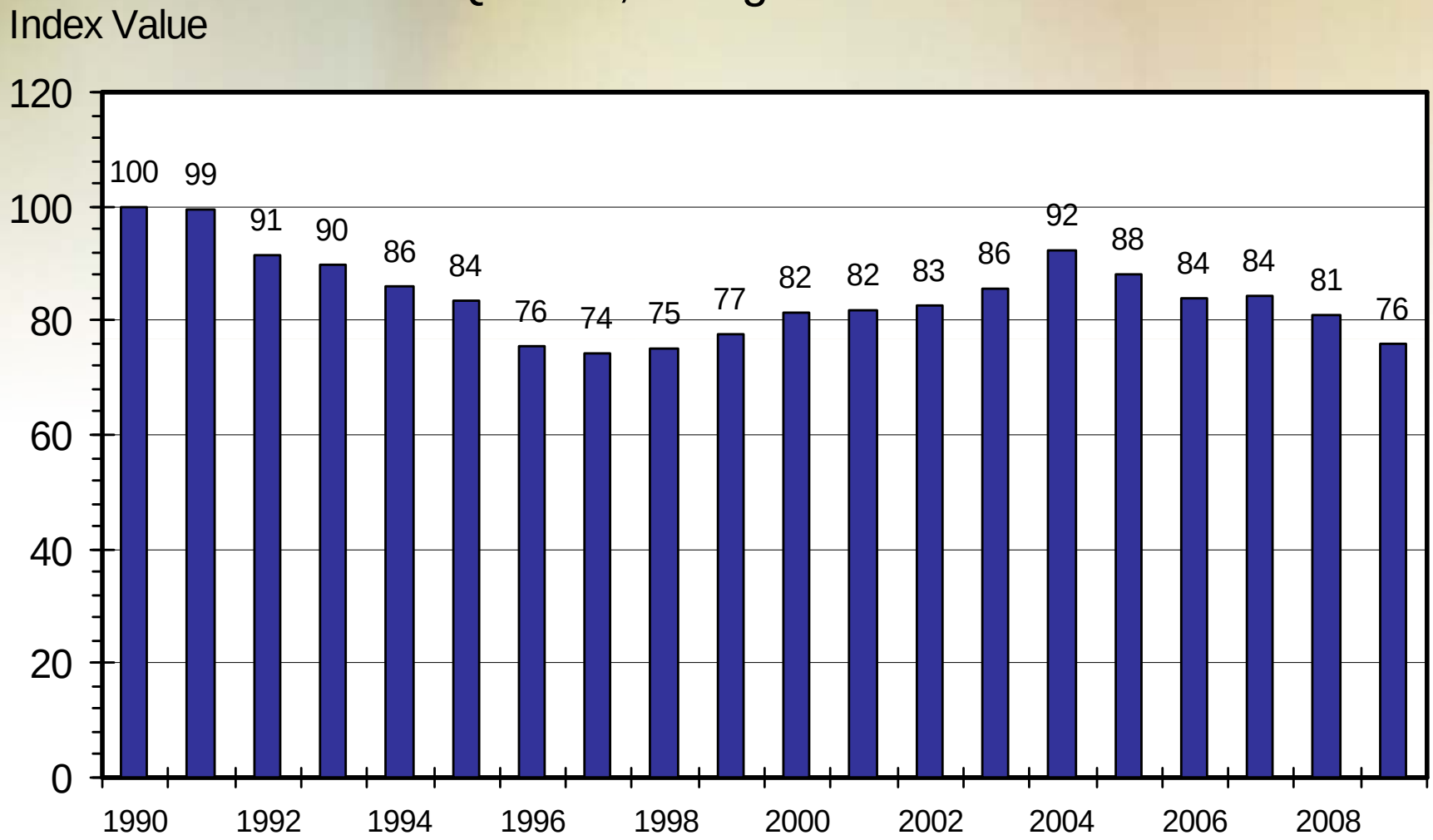
Outlook for 2010 – Beef

- Cattle cycle
  - Down hill side
  - Idaho beef cow herd smallest since 1963
  - Lack of heifer retention means herd size will shrink in 2010
- Exports in 2009 only up 3-4%
- Cow calf prices have fluctuated around breakeven for 2 years
- Prices to improve slightly in 2010 as beef supplies shrink

RETAIL ALL FRESH BEEF DEMAND INDEX

Third Quarter, Using CPI 1990=100



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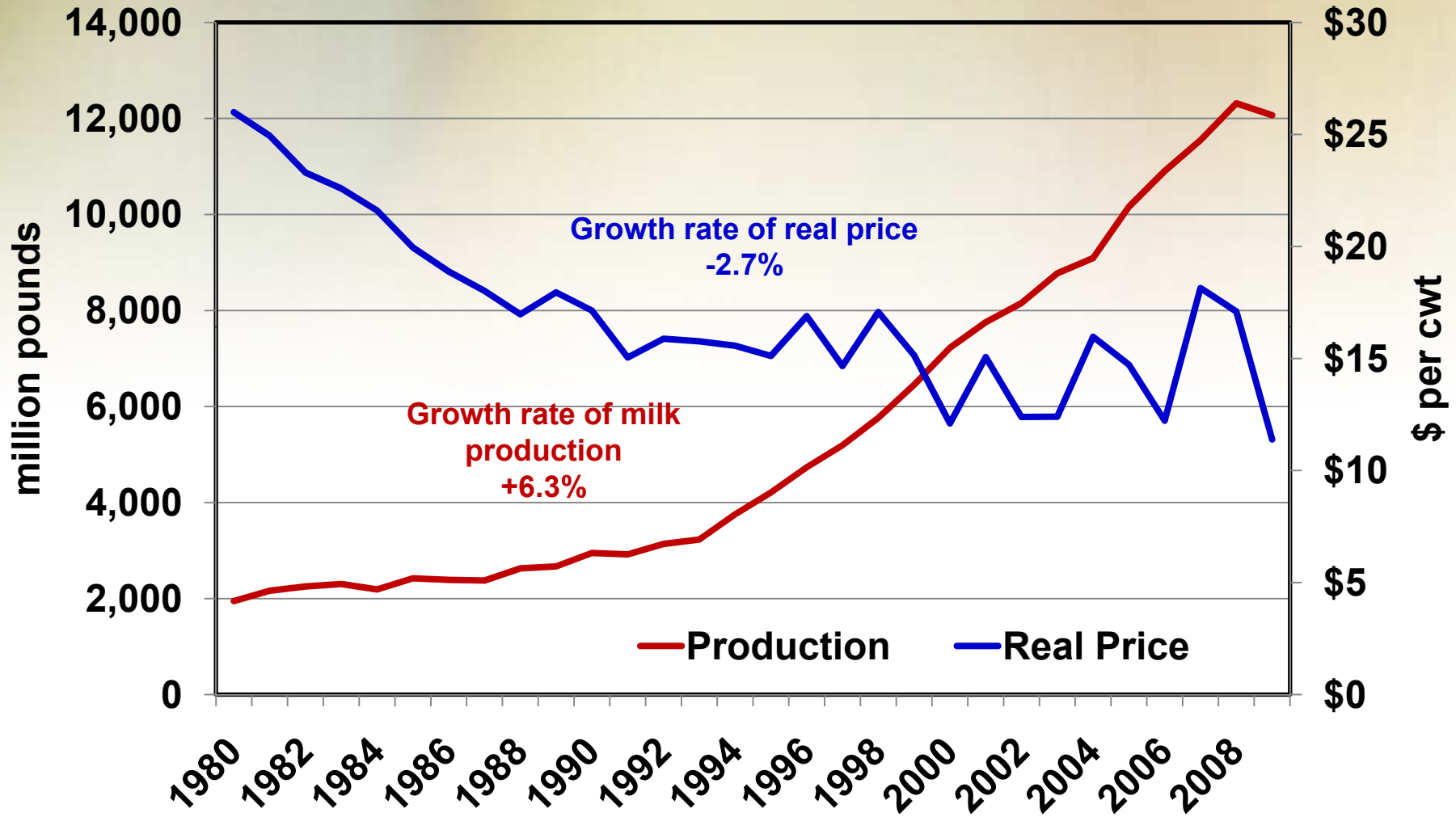
Outlook for 2010 – Dairy

- Idaho dairies slow expansion (10 yr avg.: + 23,000 head/yr)
- Idaho is 3rd after CA and WI
- Prices expected to average $15.40 - $15.60 for Class III
- Feed costs lower

Idaho Milk Production & Real Price
(2008 dollars) 1980-2009



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Outlook for 2010 – Barley

Prices

- Weaker for feed barley and open malting barley
- Lower prices in 2010 malting barley contract
- Malt barley contract prices tied to wheat futures are the rule, not fixed price contracts, meaning less price stability for growers

Production

- Acreage down because of lower prices

Outlook for 2010 – Wheat

Prices

- Weak, below 5-year average
- Prices below cost of production
- Only sharply lower world production will improve prices

Production

- U.S. and world acreage: likely down in response to lower prices
- Weather/climate risk is rising

Stocks for 2009/10

- World stocks up 17%
- U.S. stocks up 37%

Outlook for 2010 – Potatoes

- **Demand will likely remain weak in early 2010**
- **Production: down**, but will it be enough?
  - Contract acres: uncertain
  - No economically attractive alternative crops
  - Growers will need to drop acres 8-10%

- **Prices: down**
  - 2010 contract prices have not been set, but will likely decline from 2009
  - Fresh market prices on the 2009 crop marketed in 2010 will be down substantially from 2009
- **Input costs: overall, up only slightly**

Outlook for 2010 – Sugarbeets

RUR can be planted
-the Best of Times

- **Production up:** Higher yield & a few more acres
- **Sugar price:** Strong for at least one more year
- **Input costs**: Stable or up slightly

RUR can't be planted
-the Worst of Times

- **Production: down:** Lower yield & fewer acres
- **Prices:** Price strong for at least one more year
- **Input availability:** Availability of seed and herbicides uncertain

The Contribution of AgBiz to Idaho's Economy: 2006

Watson, Cooke, and Taylor

Farm Suppliers

Backward Linked

Forward Linked

Ag Processors

- ***What is Ag Biz ?***
  - The farm foundation or middle link
  - Backward links (suppliers)
  - Forward links (processors)
  - Excludes McDonalds & Albertsons
- ***Contribution: gross vs. base economy***
  - How we slice the pie
  - Gross (sales, VA, jobs): simple accounting of the economic activity in given sector
  - Base (sales, VA, jobs): economic activity in all sectors driven by a given sectors exports (new money in economy)

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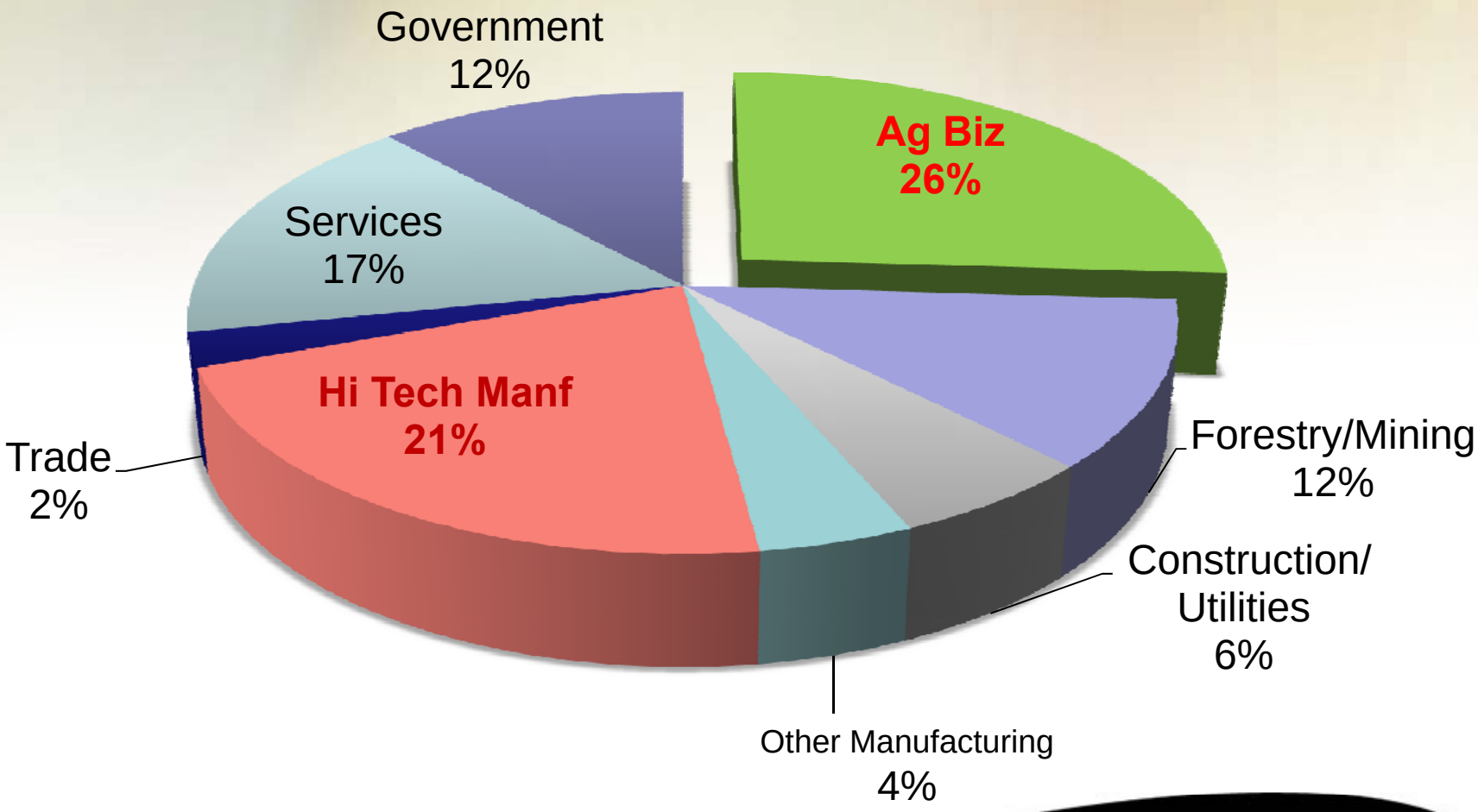
2006 Idaho Exports $34b



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"Agriculture is the single biggest contributor to the economic base of Idaho's economy"

- **Ag Biz - 1st**
  - $21 billion sales (20%)
  - 157,000 jobs (17%)
  - $4.2 billion wages (15%)
  - $8.4 billion GSP (17%)
- **Hi Tech - 2nd**
  - $20.6 billion sales (19%)
  - 115,000 jobs (13%)
  - $4.2 billion wages (15%)
  - $6.9 billion GSP (14%)

Discussion