Financial Condition of Idaho Agriculture

Idaho State Joint Legislative Economic Outlook & Revenue Assessment Committee

John Hammel
Dean, College of Agricultural and Life Sciences
(Ben Eborn, Paul Patterson, and Garth Taylor)

January 5, 2012

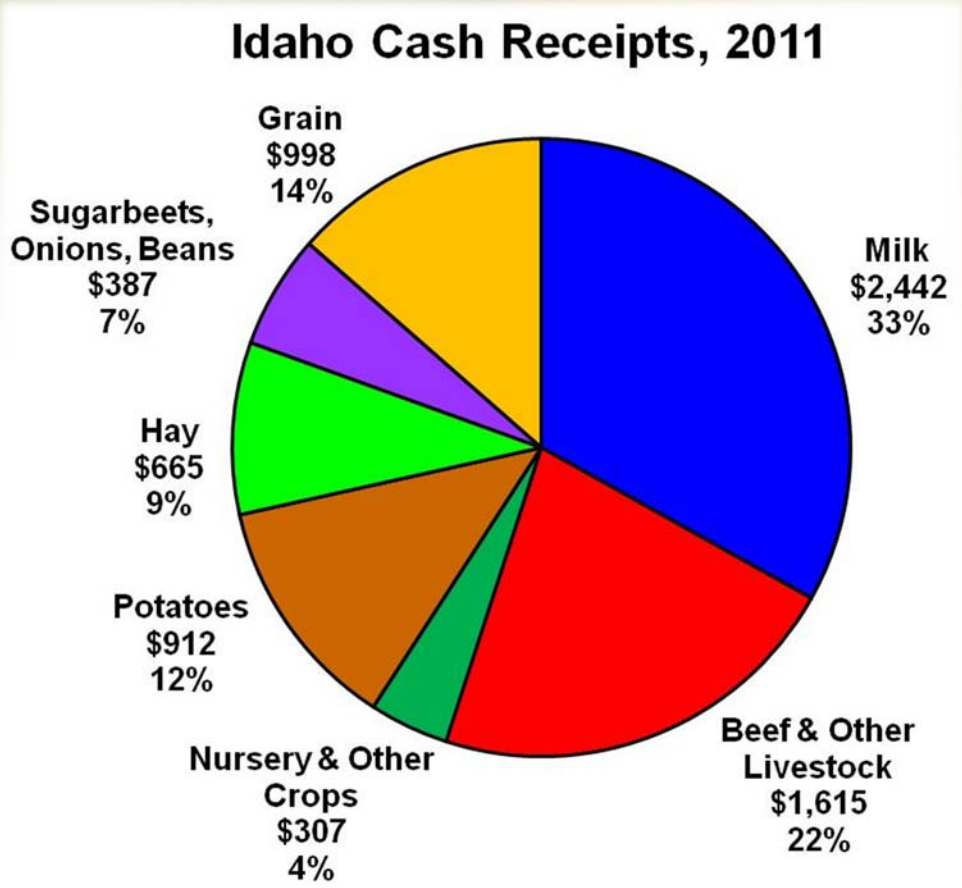
University of Idaho
College of Agricultural and Life Sciences

Idaho Agricultural Outlook

- **2011 Forecast***
  - Cash receipts
  - Net farm income
  - Net Value Added
- **2012 Outlook**
- **Ag Impact**

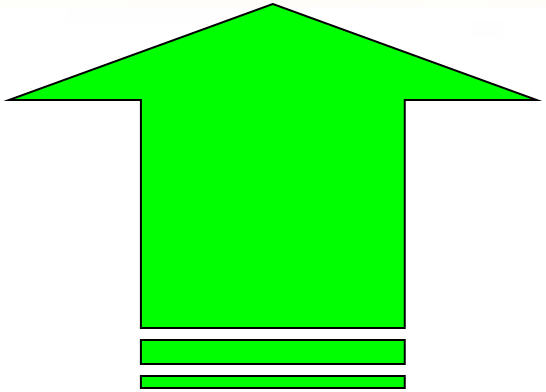
*Calendar not crop year comparison

Idaho Cash Receipts 2011



- 2011 $7.4 billion
- 29% above 2010
- Livestock up 25%, $4.1 billion
- Crops up 33%, $3.3 billion

$7.4 billion, 2011



$5.7 billion, 2010

Cash Receipts – 2011

Barley: ↑15%
- Production up 6%
- Prices up 8%

Dry Beans: ↑14%
- Production down 26%
- Prices up 11%

Greenhouse/Nursery: ↑5%

Hay: ↑76%
- Production down 2%
- Prices up 74%

Onions: ↓43%
- Production up 1%
- Prices down 52%

Potatoes: ↑32%
- Idaho's 1st revenue crop
- Production up 13%, prices down 38%

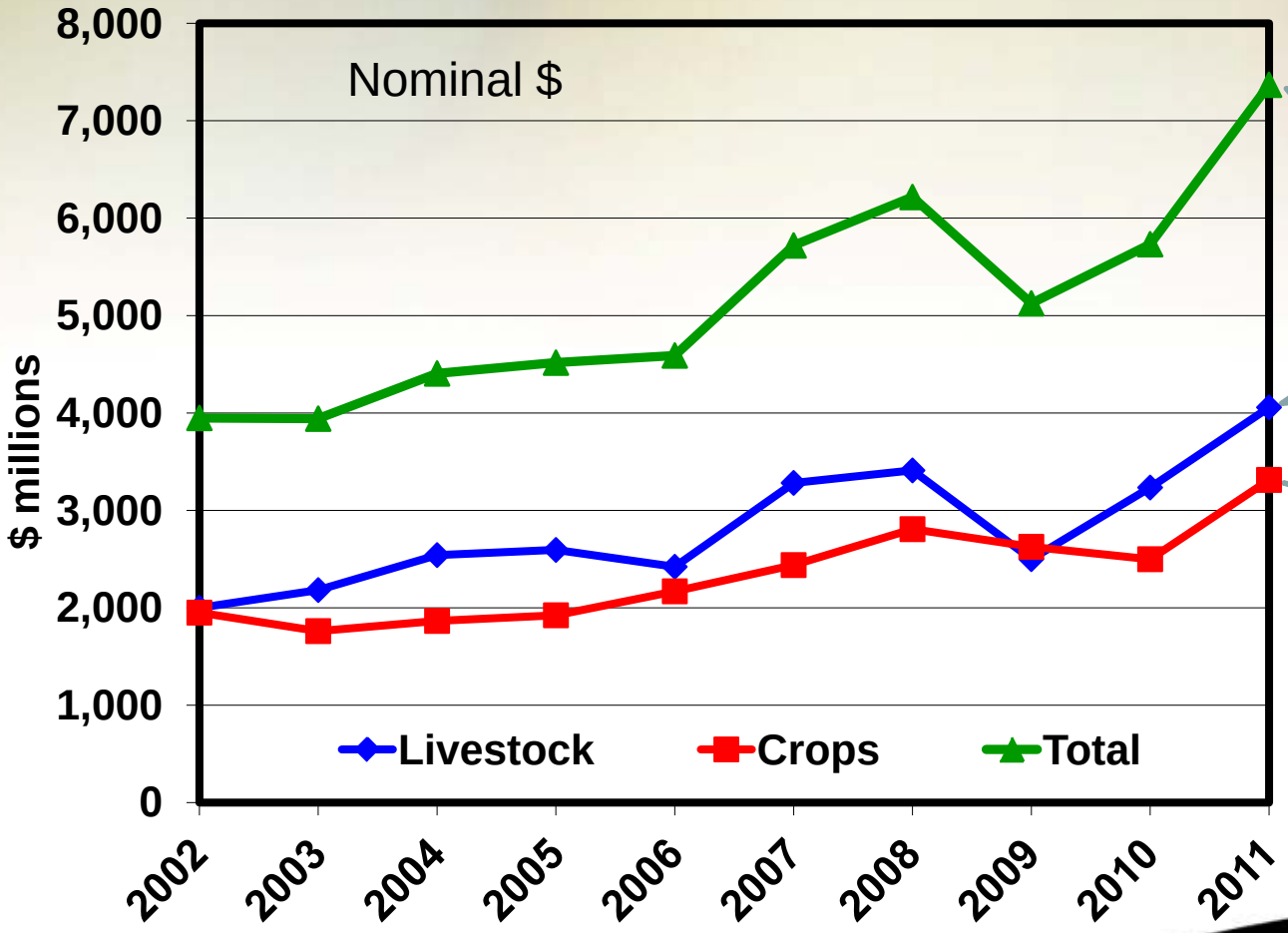
Sugarbeets: ↑16%
- Production up 14%
- Price up 2%

Wheat: ↑42%
- Idaho's 2nd largest revenue crop
- Production up 8%, prices up 37%

Cattle & Calves: ↑23%
- Inventories up 1%
- Prices averaged 22% higher

Milk: ↑28%
- Largest revenue producer
- Production up 4%
- Prices up 23%
- $537 million more than 2010

Idaho Farm Nominal Cash Receipts 2002 - 2011



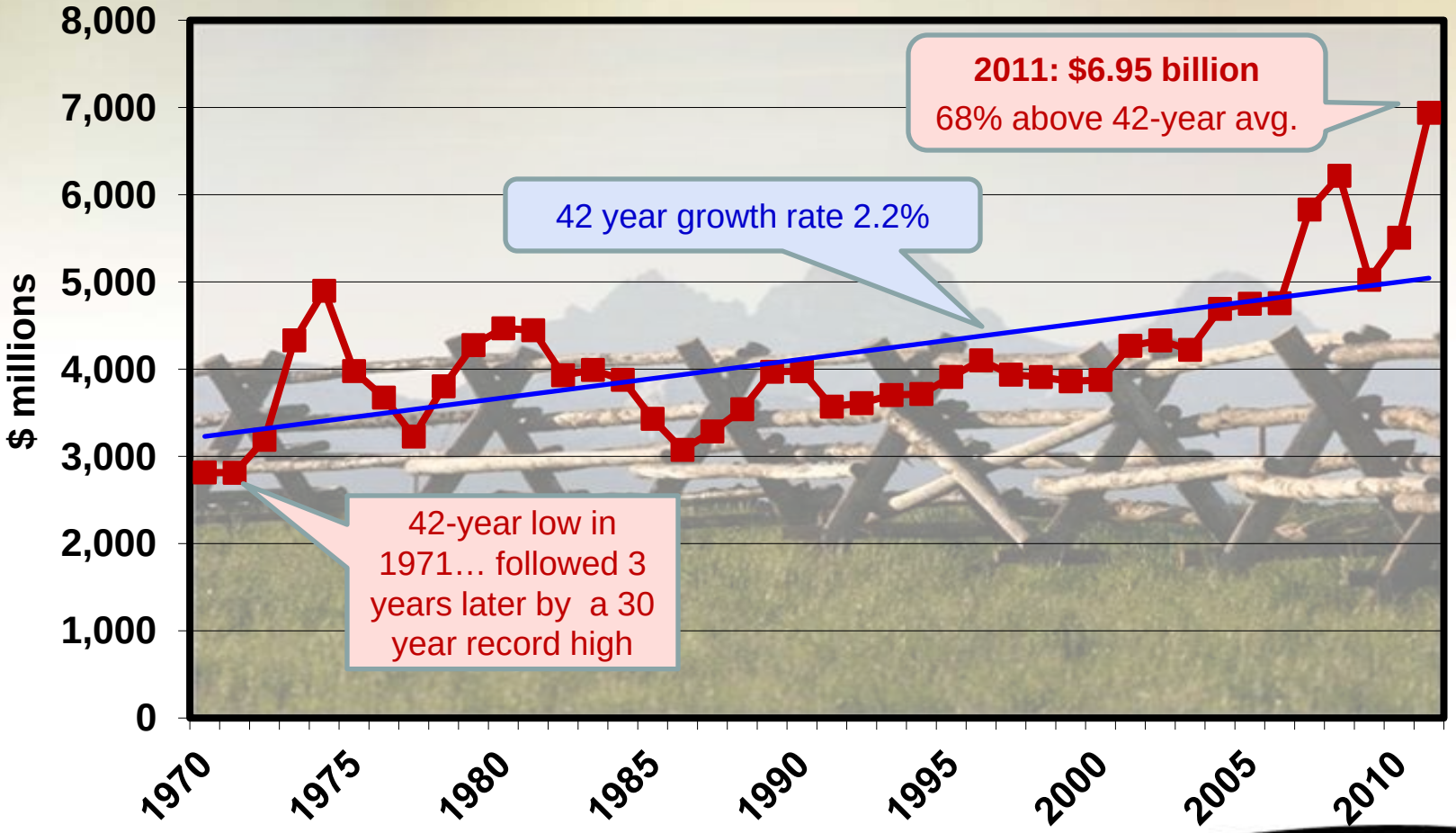
Total cash receipts: **$7.4b ↑ 29%** from 2011

Livestock receipts: ↑ **25%** to $4.1b

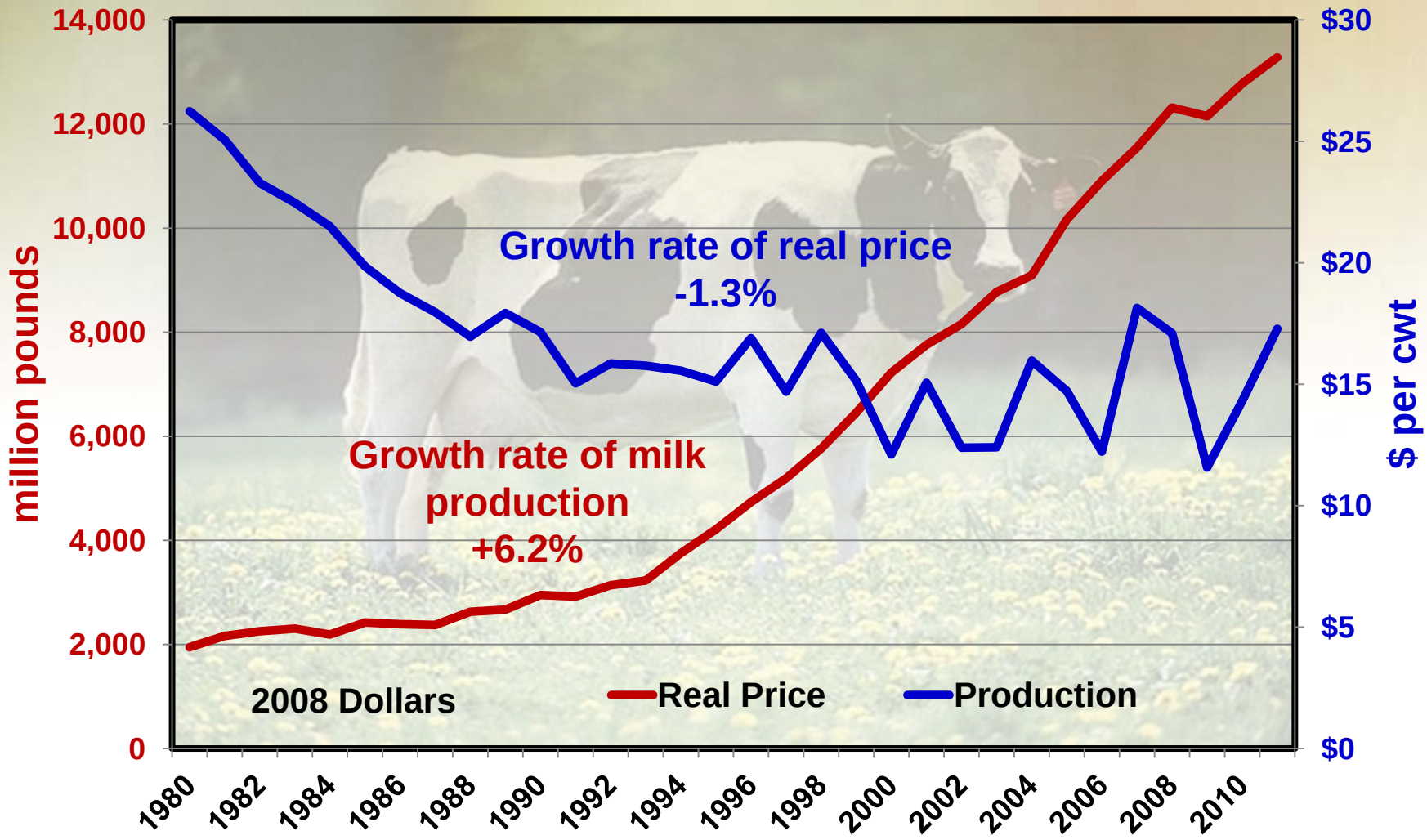
Crop receipts : ↑ **33%** to $3.3b

Idaho Farm Cash Receipts…

Last 42 Years, real dollars (2008 base)



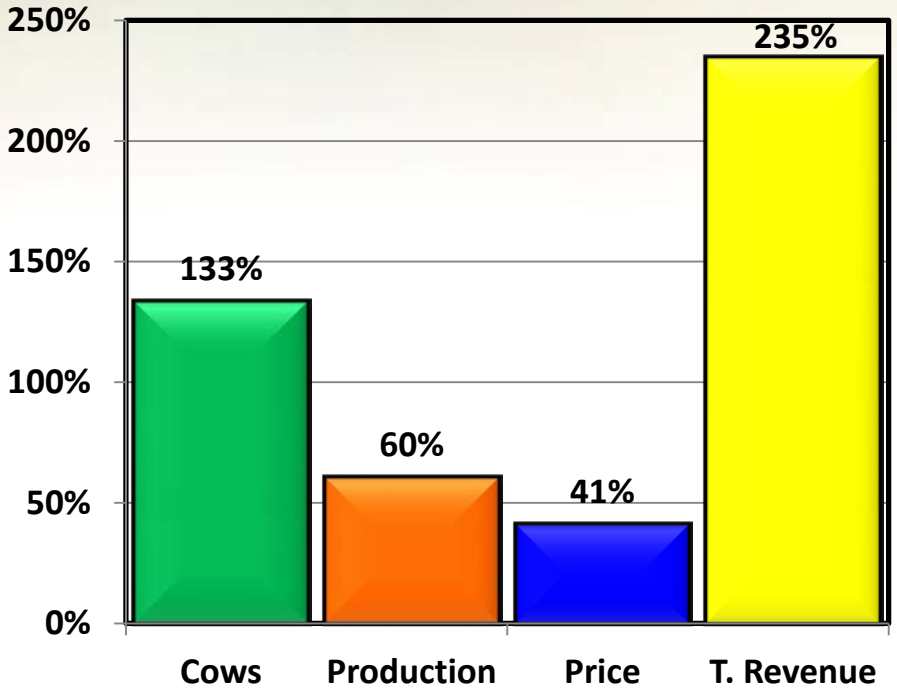
Idaho Milk Production & Real Price 1980-2011



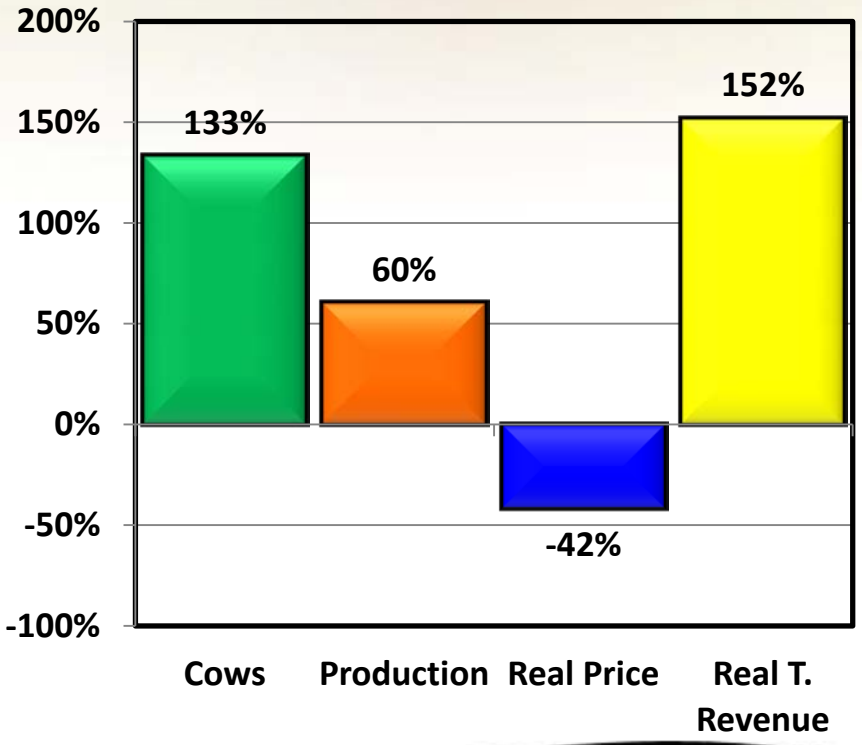
Farm Gate Cash Receipts

Dairy, 1970 to 2011

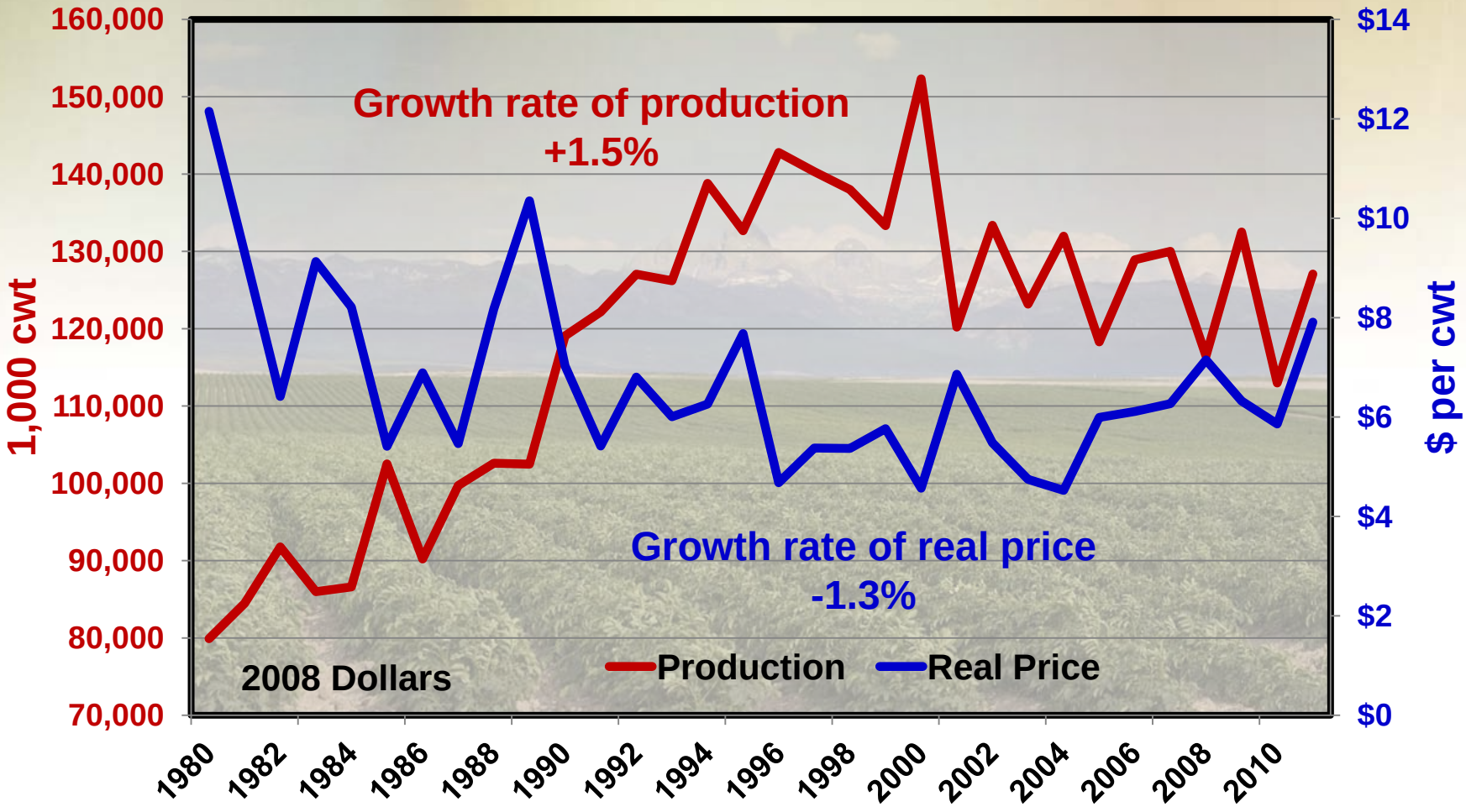
Growth in Dairy Cash Receipts: Idaho, 1970 to 2011 (nominal)



Growth in Dairy Cash Receipts: Idaho, 1970 to 2011 (real, 2008 base)



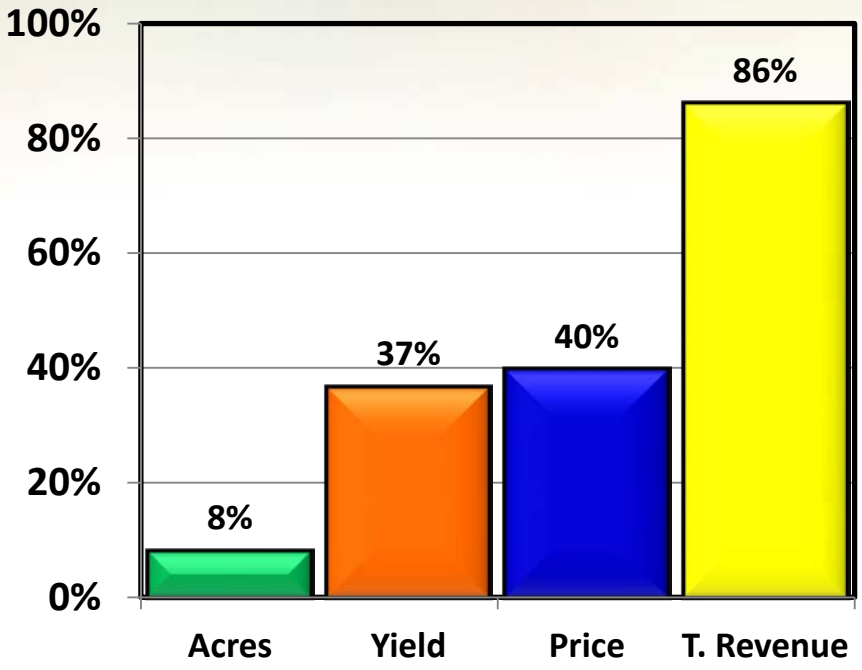
Idaho Potato Production & Real Price 1980-2011



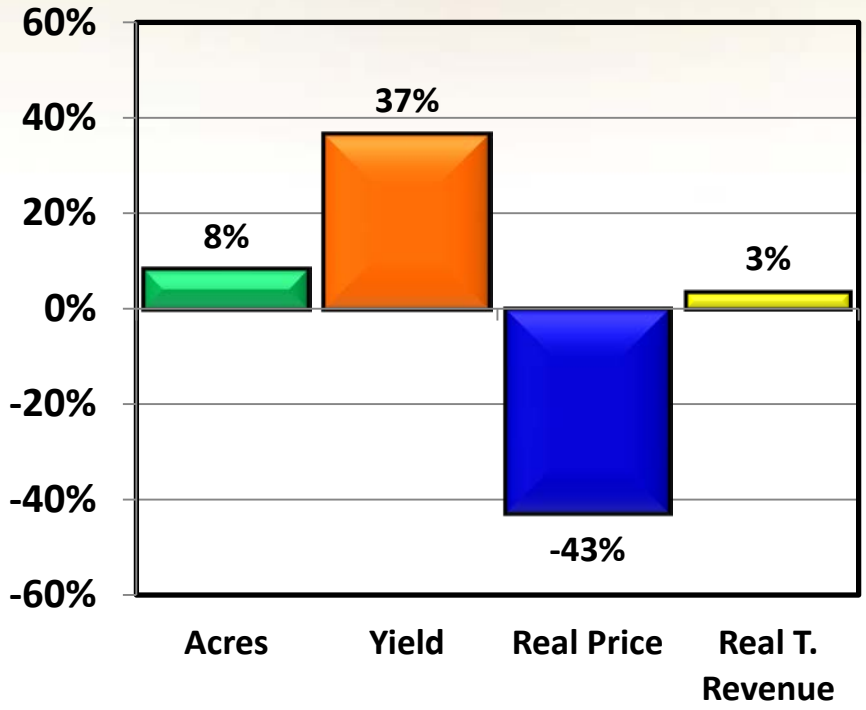
University of Idaho
College of Agricultural and Life Sciences

Farm Gate Cash Receipts Potatoes, 1981 to 2011

Growth in Potato Cash Receipts: Idaho, 1981 to 2011 (nominal)

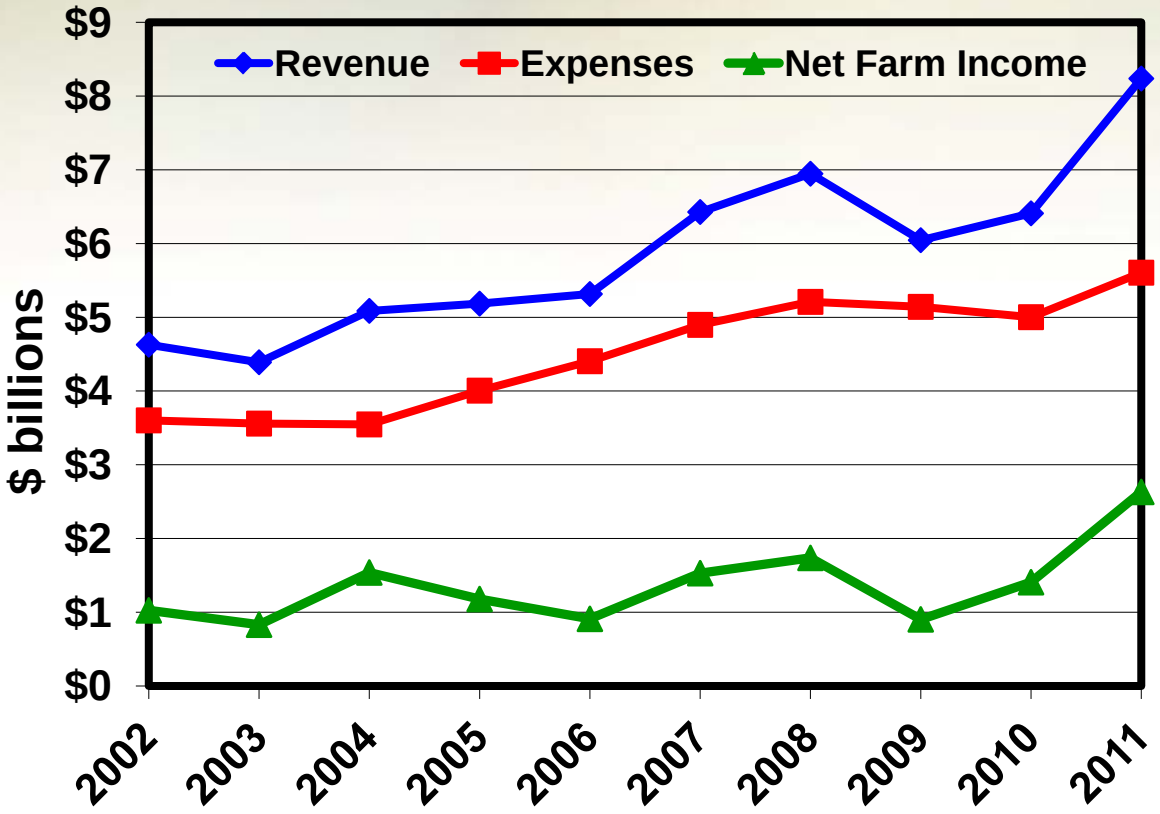


Growth in Potato Cash Receipts: Idaho, 1981 to 2011 (real, 2008 base)



University of Idaho
College of Agricultural and Life Sciences

Idaho Net Farm Income 2002 - 2011



Net Farm Income

- $2.64 billion, up 88% ($1.23 billion) above 2010
- Highest ever & 93% above the 10 year average

Revenues

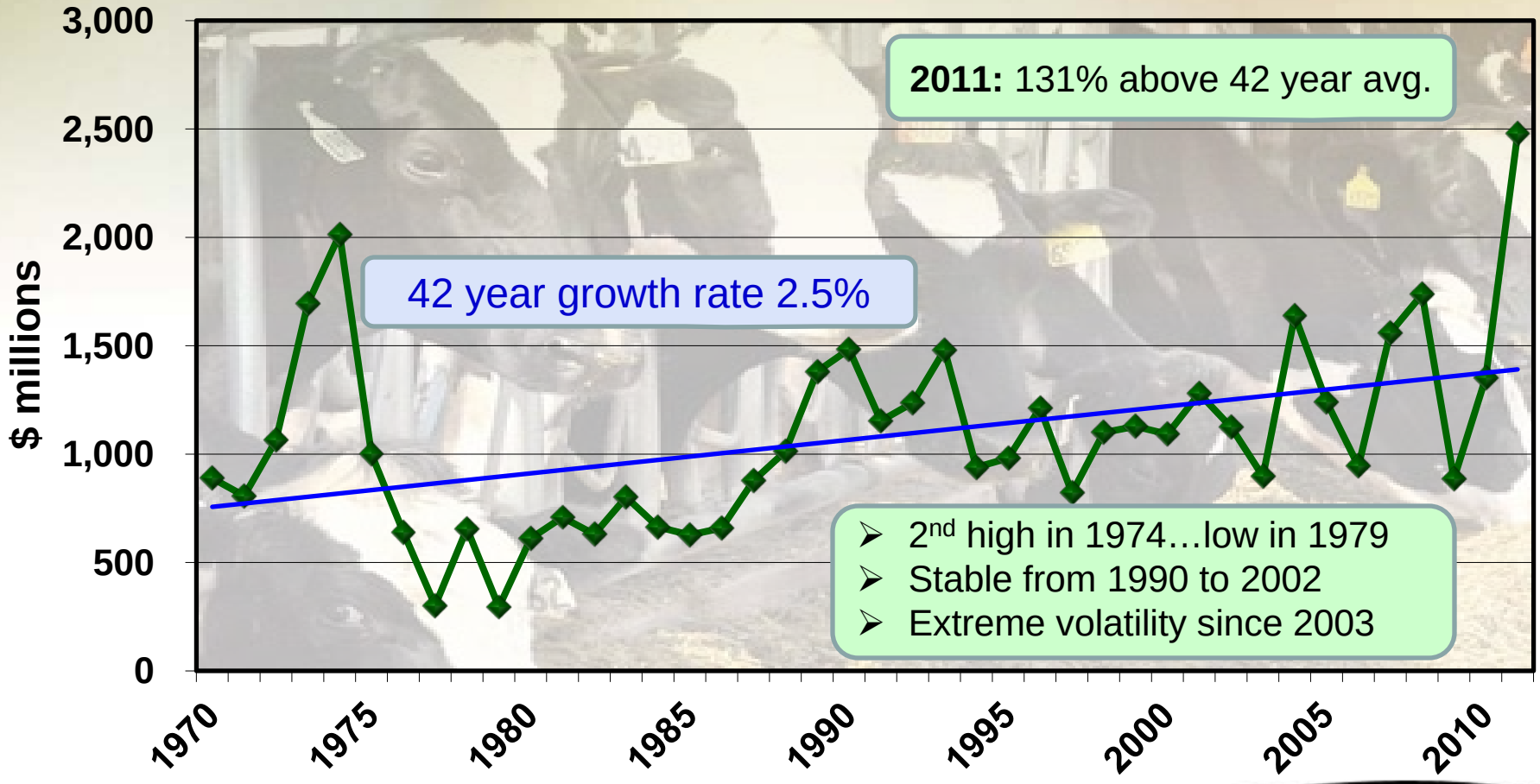
- Livestock receipts (+25%)
- Crop receipts (+33%)
- Govt. payments (-26%)

Expenses

- Farm origin inputs (+18%)
- Manufactured inputs (+19%)
- Other inputs (+10%)

Idaho Net Farm Income…

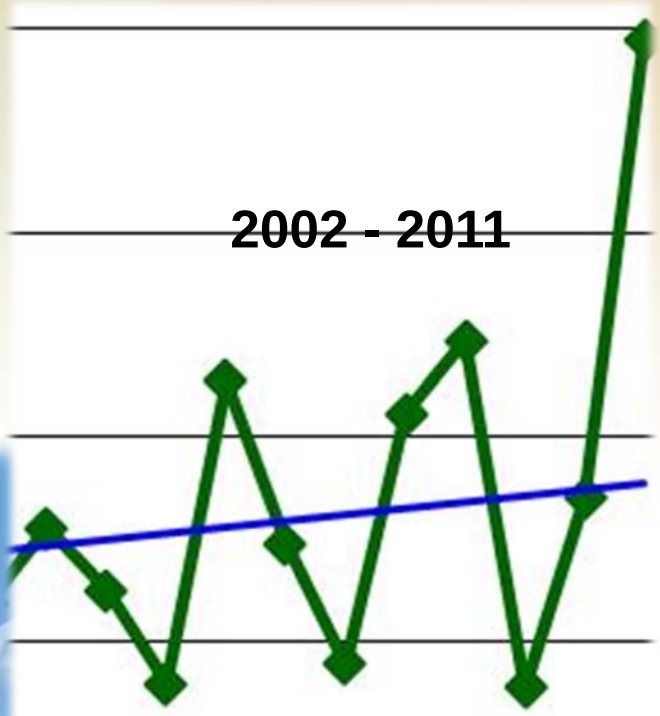
The Last 42 Years, real dollars (2008 base)



Idaho Change in Net Farm Income 2002-2011

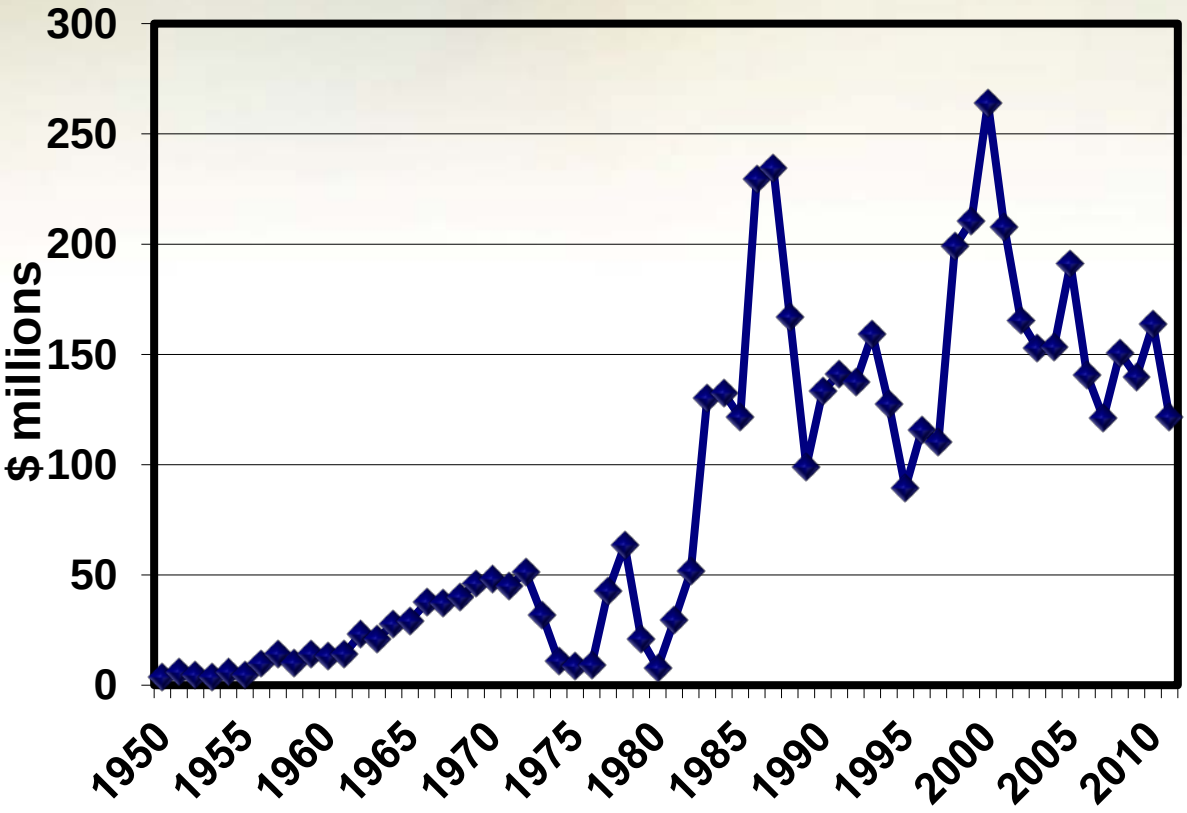
($ millions)

2002	- $121
2003	- $194
2004	+ $708
2005	- $360
2006	- $269
2007	- $619
2008	+ $207
2009	- $833
2010	+ $504
2011	+ $1,232



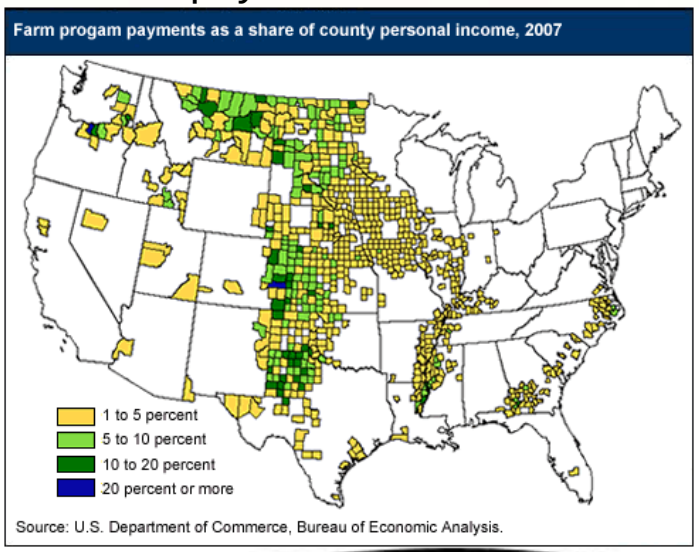
Volatility

Direct Government Payments to Idaho Agriculture, 1950-2011



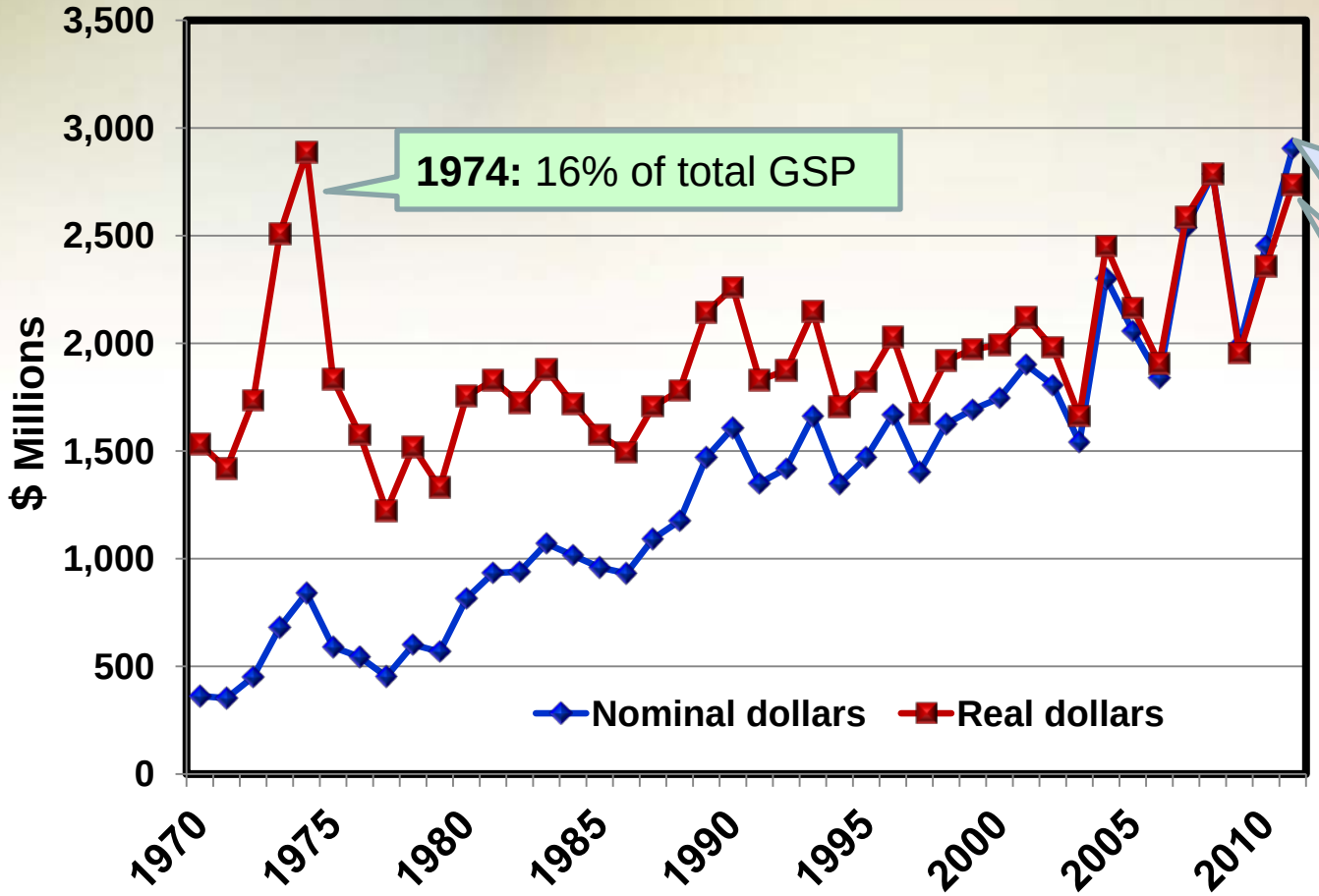
Idaho payments 2011

- $122 million
- 4.6% of Net Farm Income
- 1% of total US farm payments
- 2/3 are ACRE & production support payments



University of Idaho
College of Agricultural and Life Sciences

Net Value Added, 1970 - 2011

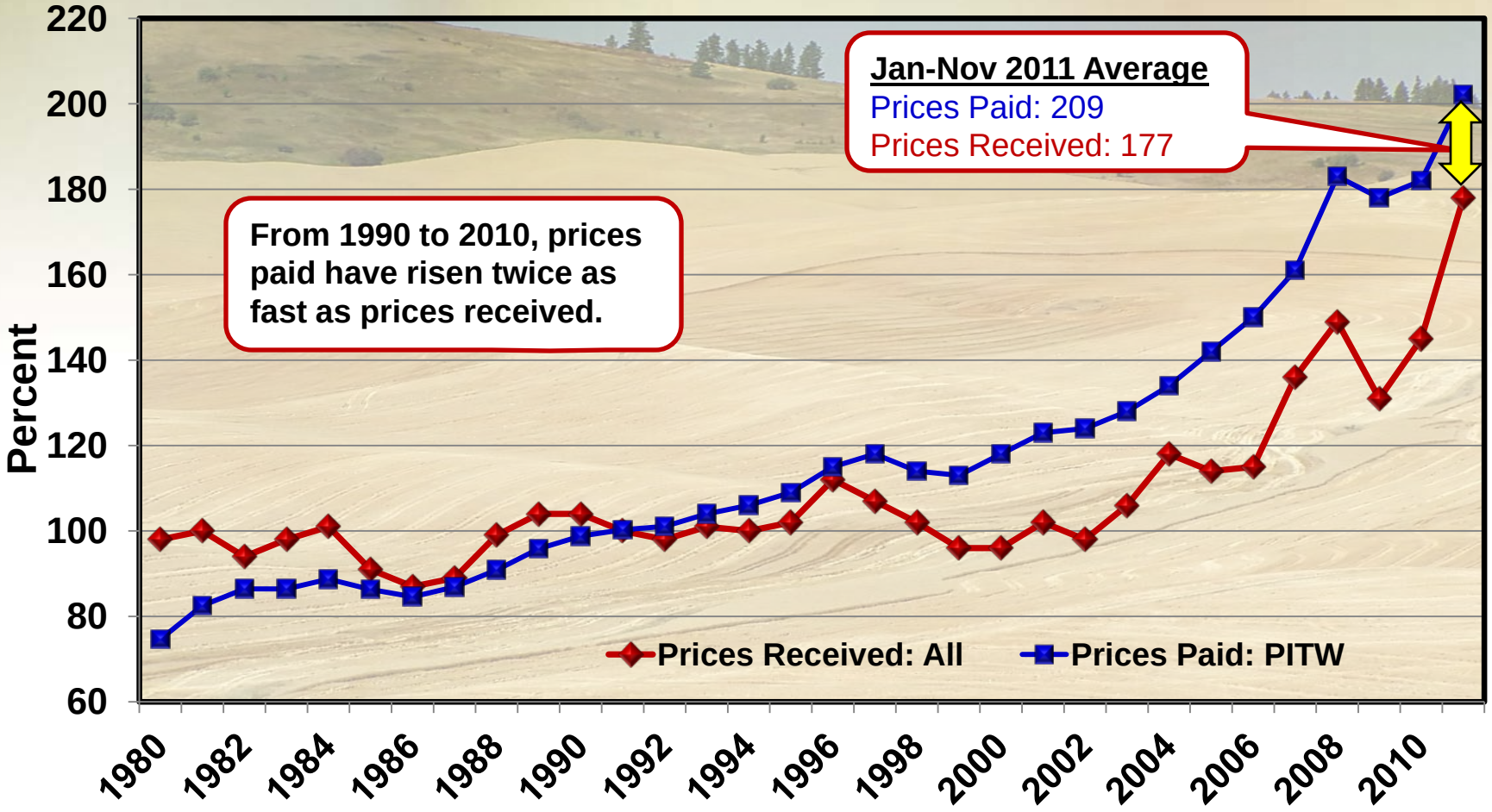


Real 2011:
42% above 42 year ave
(2008 dollars)

Nominal 2011: $2.9 B
up 18% from 2010

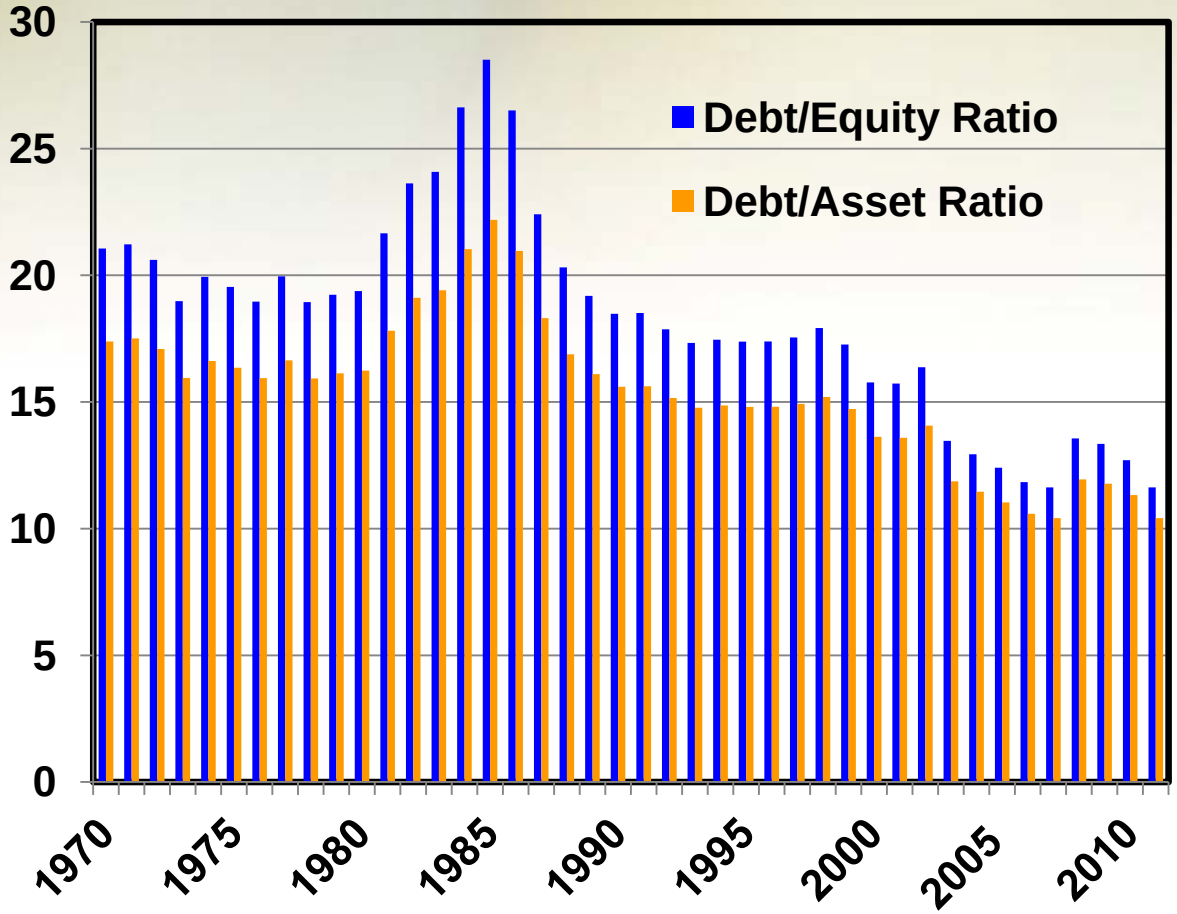
Farm Finance Conditions: The Cost-Price Squeeze

USDA Price Indices, 1990-92 = 100



Farm Finance Conditions: US Farm Debt Ratios

(1970 to 2011F)



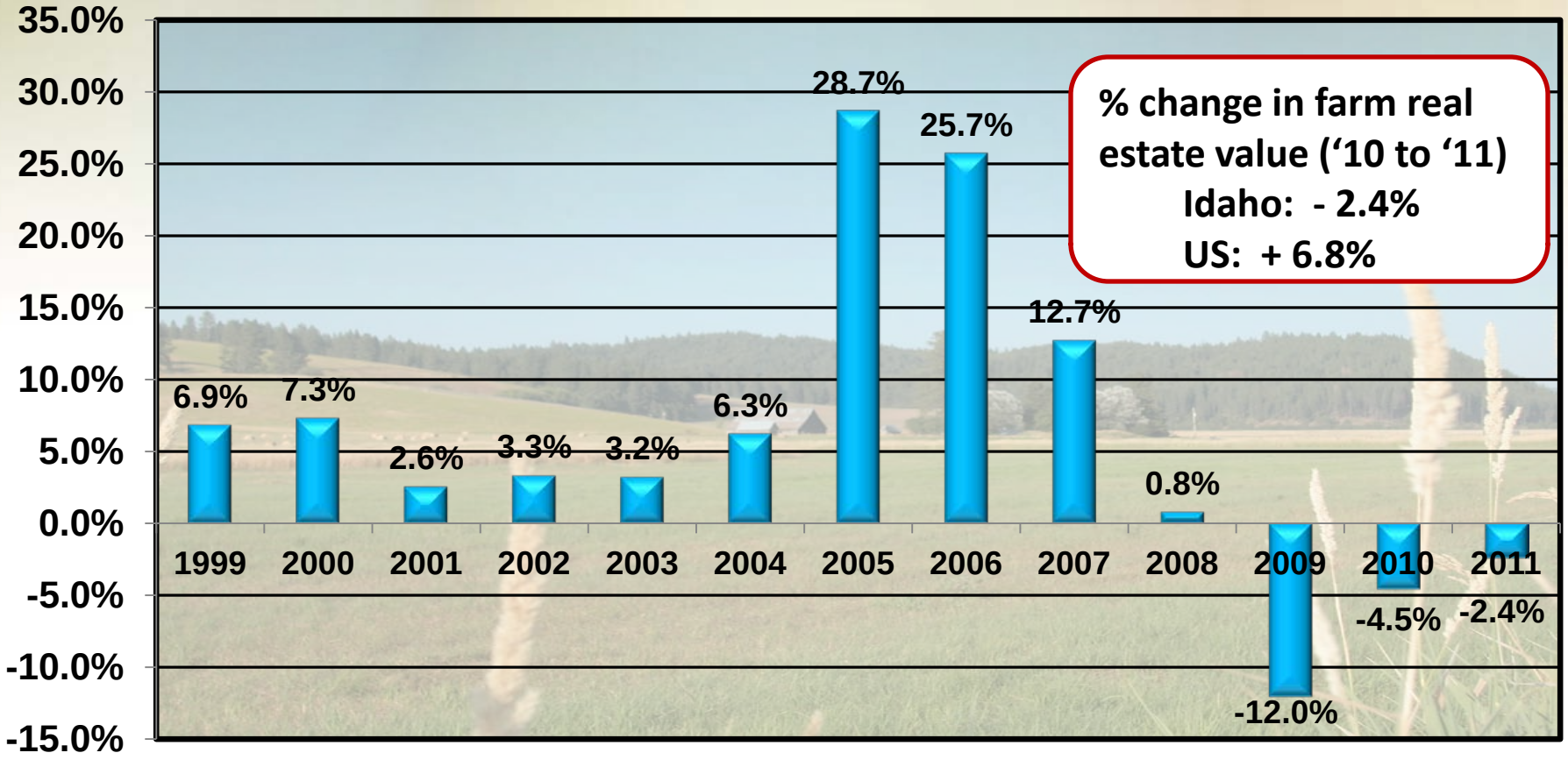
	D/E	D/A
1985	28.5%	22.2%
2010	11.6%	10.4%

- Land values strong
- Farm debt down
- Ratios are half compared to 1980's farm financial crisis
- Match 2007 historic lows

Source: USDA, ERS

Farm Finance Conditions: Idaho Farm Real Estate

% Change in Value



Source: USDA, NASS. Land Values and Cash Rents, 2011 Summary.

Outlook for 2012 & Beyond

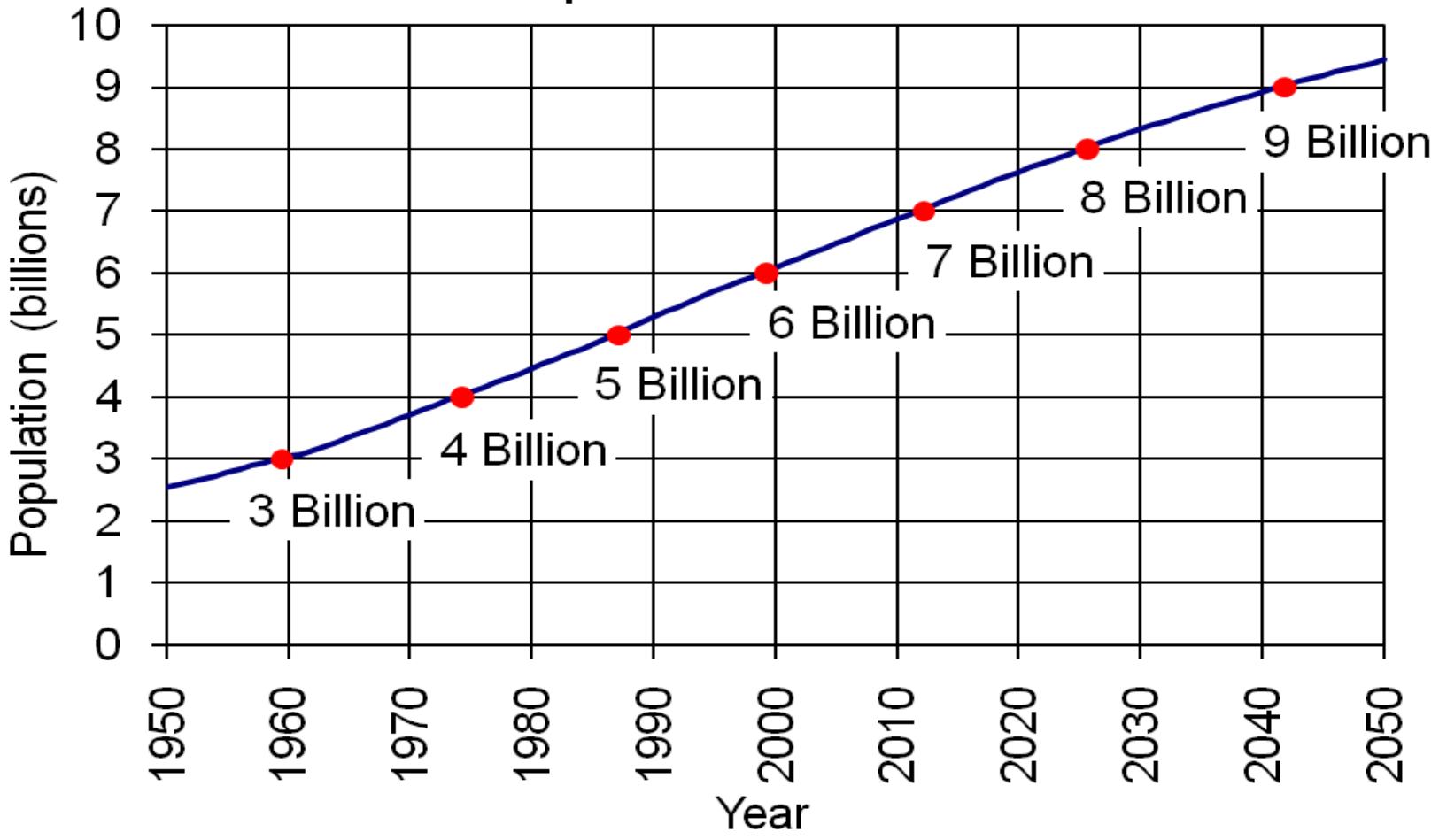
Plus

+ Strong domestic and export demand – IF recovery continues
+ U.S. competitive for exports – IF dollar stays weak
+ Low interest rates
+ Water outlook looks good because of reservoir carryover
+ High land values improves balance sheet - if you own it
+ Strong balance sheets for most producers
+ Drought in Texas and Mexico
+ *High feed prices*

Minus

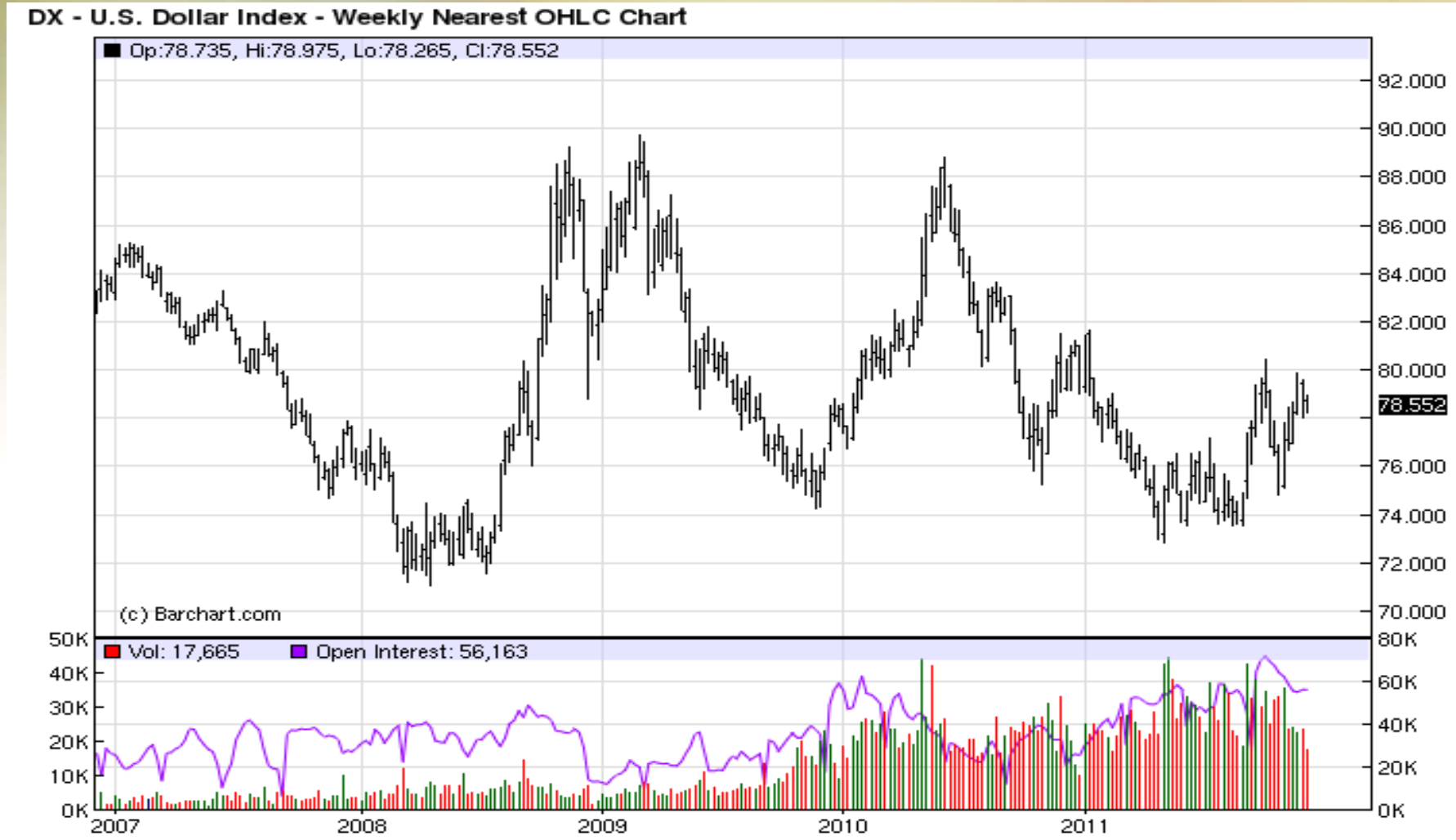
– Market, political & economic uncertainty
– High fuel & fertilizer prices drives up prices of other inputs
– High machinery costs
– Credit available, but tighter standards
– High land values – and high rents
– Extreme commodity price volatility will continue
– *High feed prices*

World Population: 1950-2050



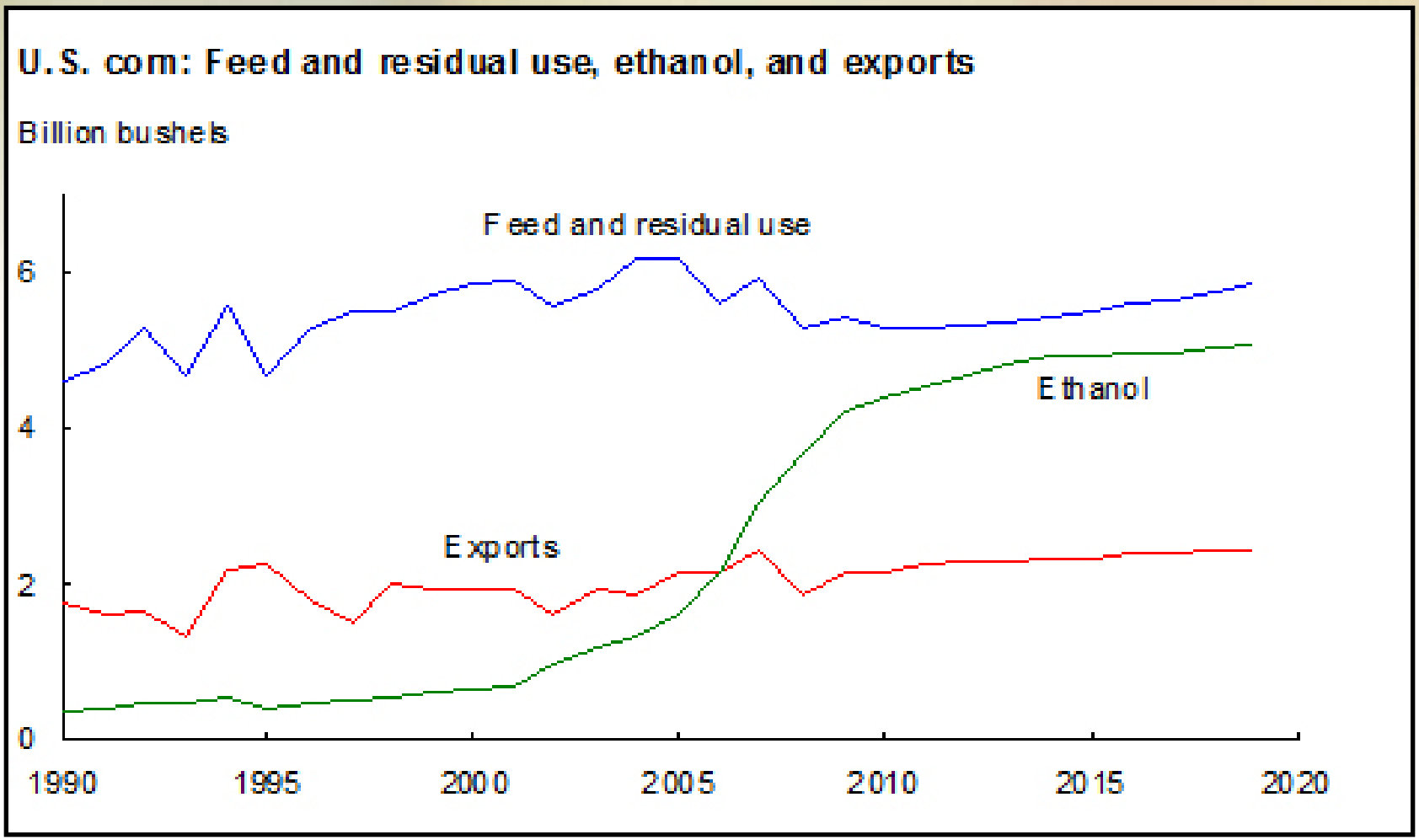
Source: U.S. Census Bureau, International Data Base, June 2011 Update.

Weak US Dollar



Source: Barchart.com

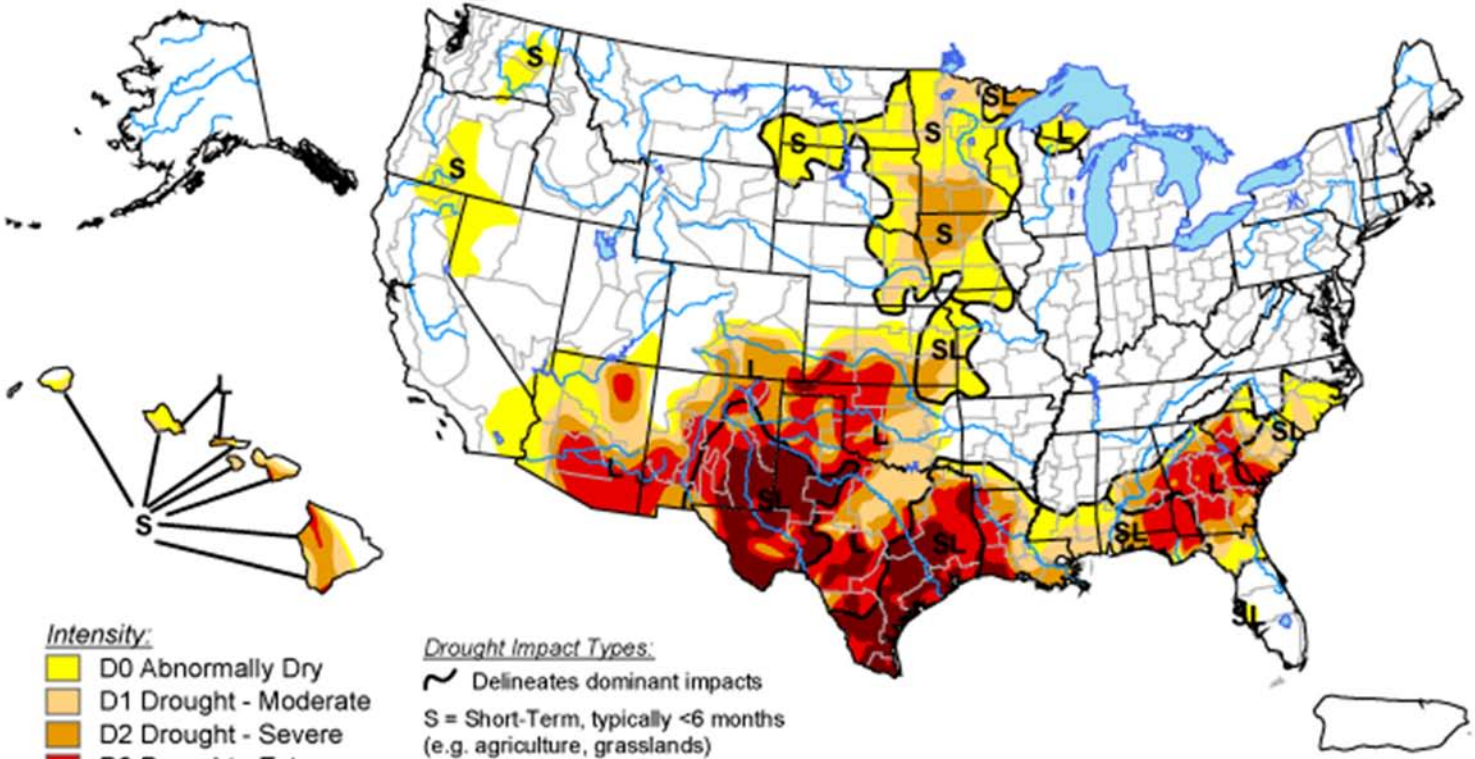
Record High Ethanol Corn



Source: USDA Agricultural Projections

U.S. Drought Monitor

December 6, 2011
Valid 7 a.m. EST



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

Drought Impact Types:

~ Delineates dominant impacts

S = Short-Term, typically <6 months (e.g. agriculture, grasslands)

L = Long-Term, typically >6 months (e.g. hydrology, ecology)

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

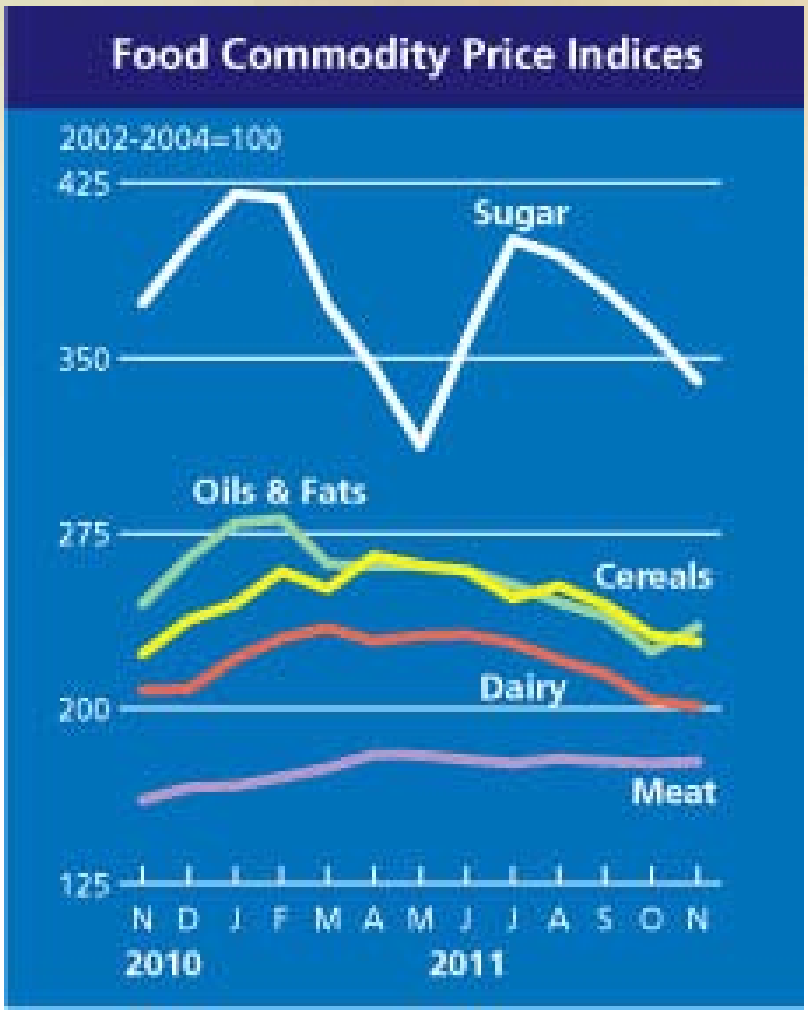
http://droughtmonitor.unl.edu/

USDA | National Drought Mitigation Center

Released Thursday, December 8, 2011
Author: David Miskus, NOAA/NWS/NCEP/CPC

University of Idaho
College of Agricultural and Life Sciences

Record High World Food Prices



Source: Food and Agriculture Organization of the United Nations, December 2011

Bottom Line
Outlook for 2012

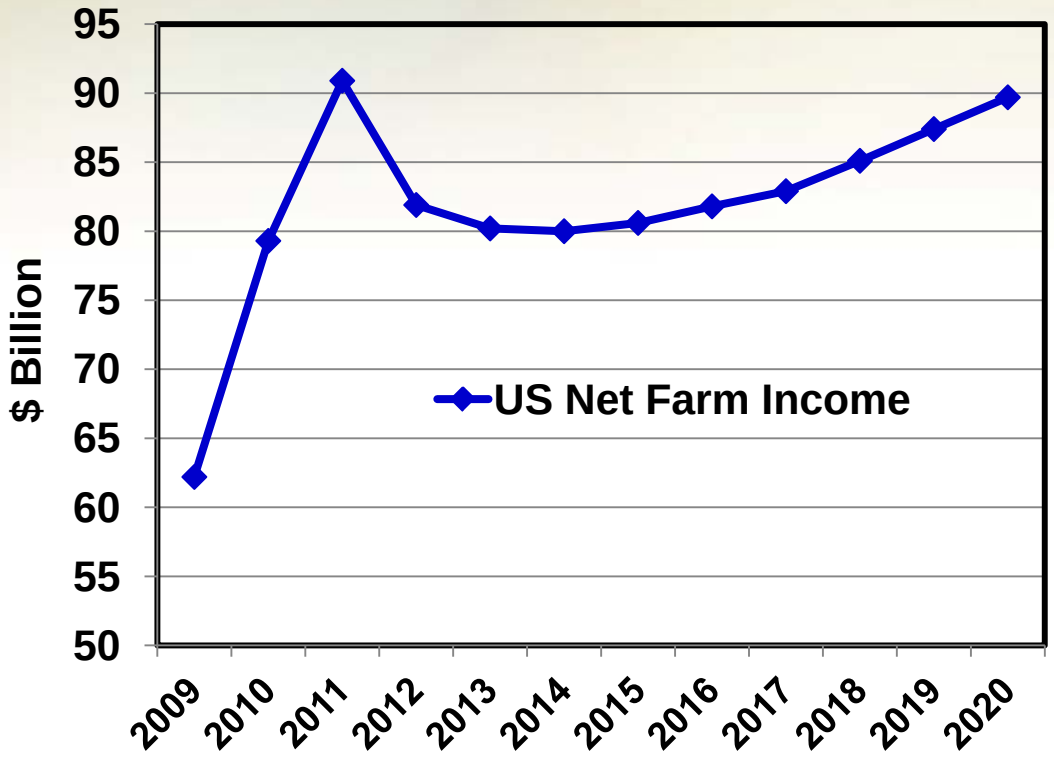
Cash Receipts

- $6.5 – 7.0 billion
- Down 6-12%

Net Farm Income

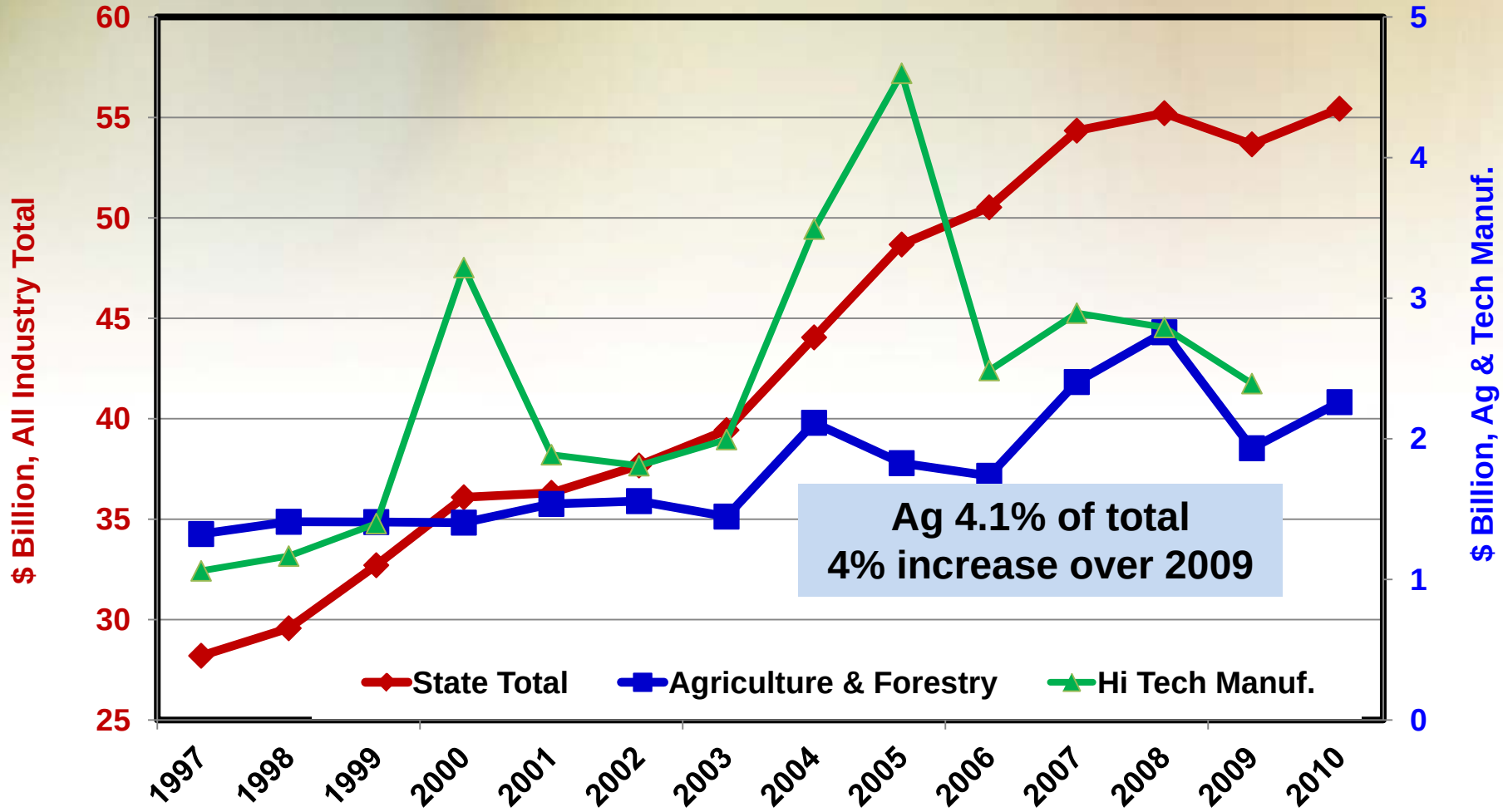
- $1.7 -2.2 billion
- Down 15-35%

USDA Net Farm Income Projections 2009 - 2020

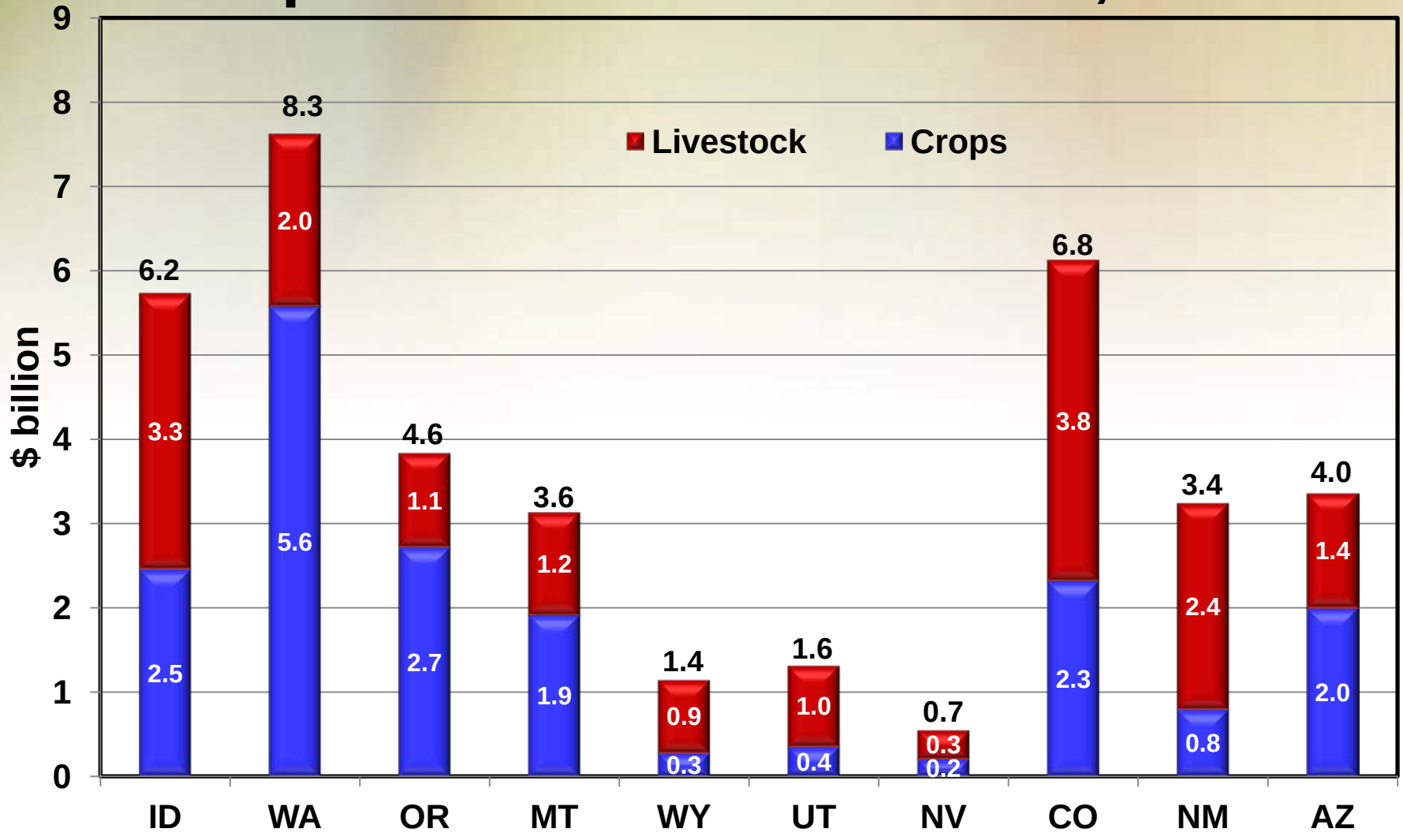


- USDA projects that US net farm income will not reach 2011 levels again until 2020.
- A 10% drop in 2012
- Strengthening global food demand & sustained biofuel demand
- Lower government payments
- Rising farm production expenses

Idaho Gross State Product
1997-2010

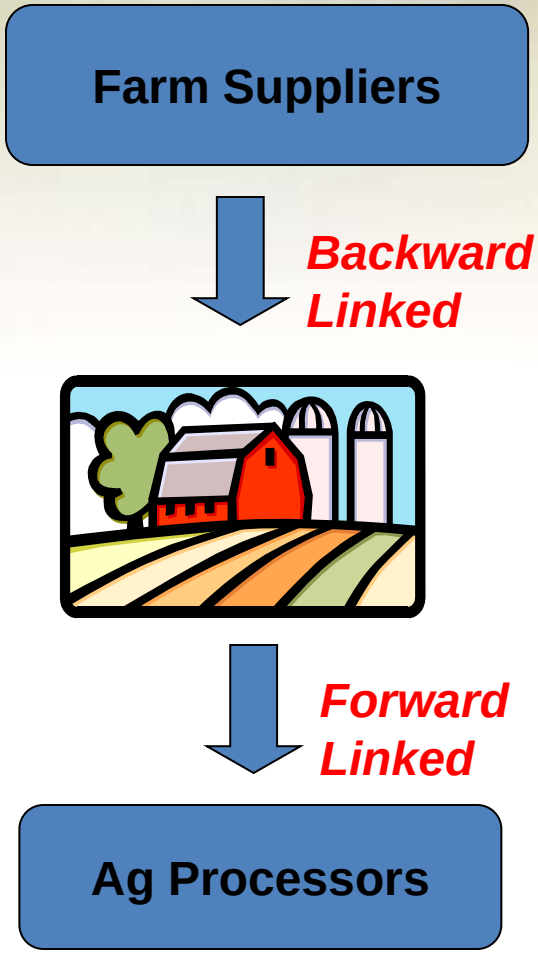


Crop & Livestock Production, 2010



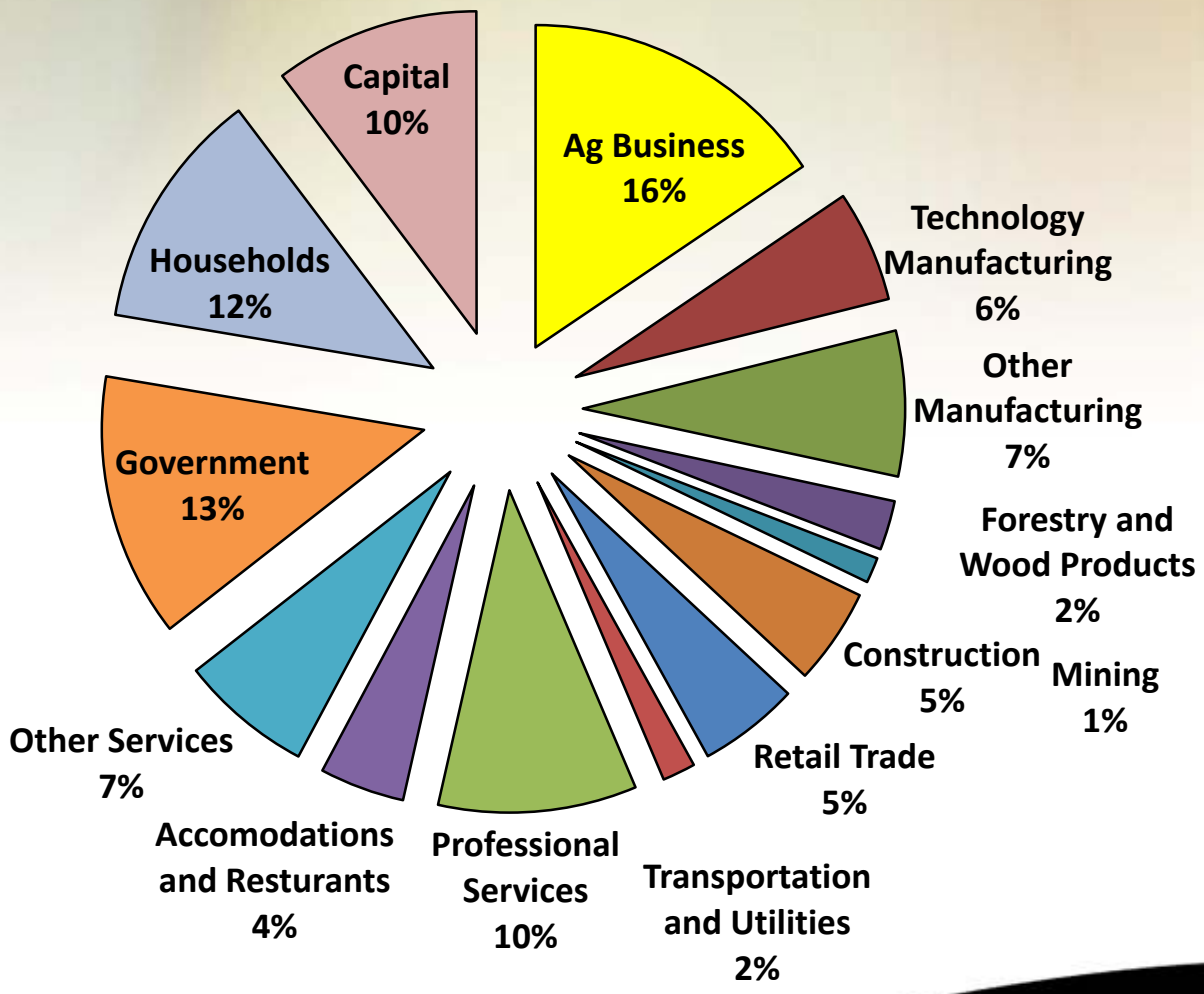
University of Idaho
College of Agricultural and Life Sciences

The Contribution of Ag Business to Idaho's Economy

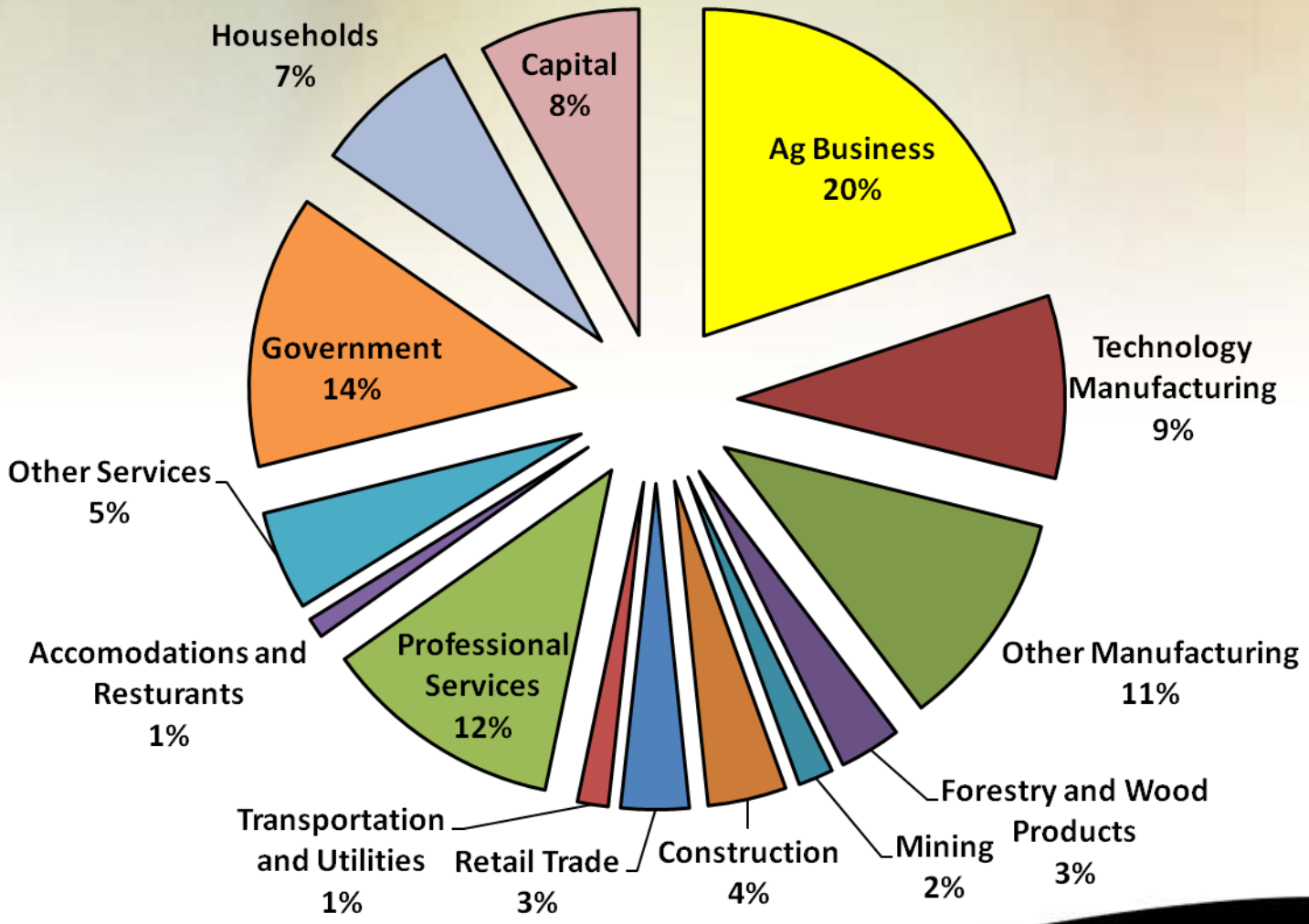


- ***What is Ag Business ?***
  - The farm foundation or middle link
  - Backward links (suppliers)
  - Forward links (processors)
  - Excludes McDonalds & Albertsons
- ***Contribution: base economy***
  - Base (sales, VA, jobs): economic activity in all sectors driven by a given sector's exports (new money in economy)

Idaho's Economic Base, Jobs - 2009



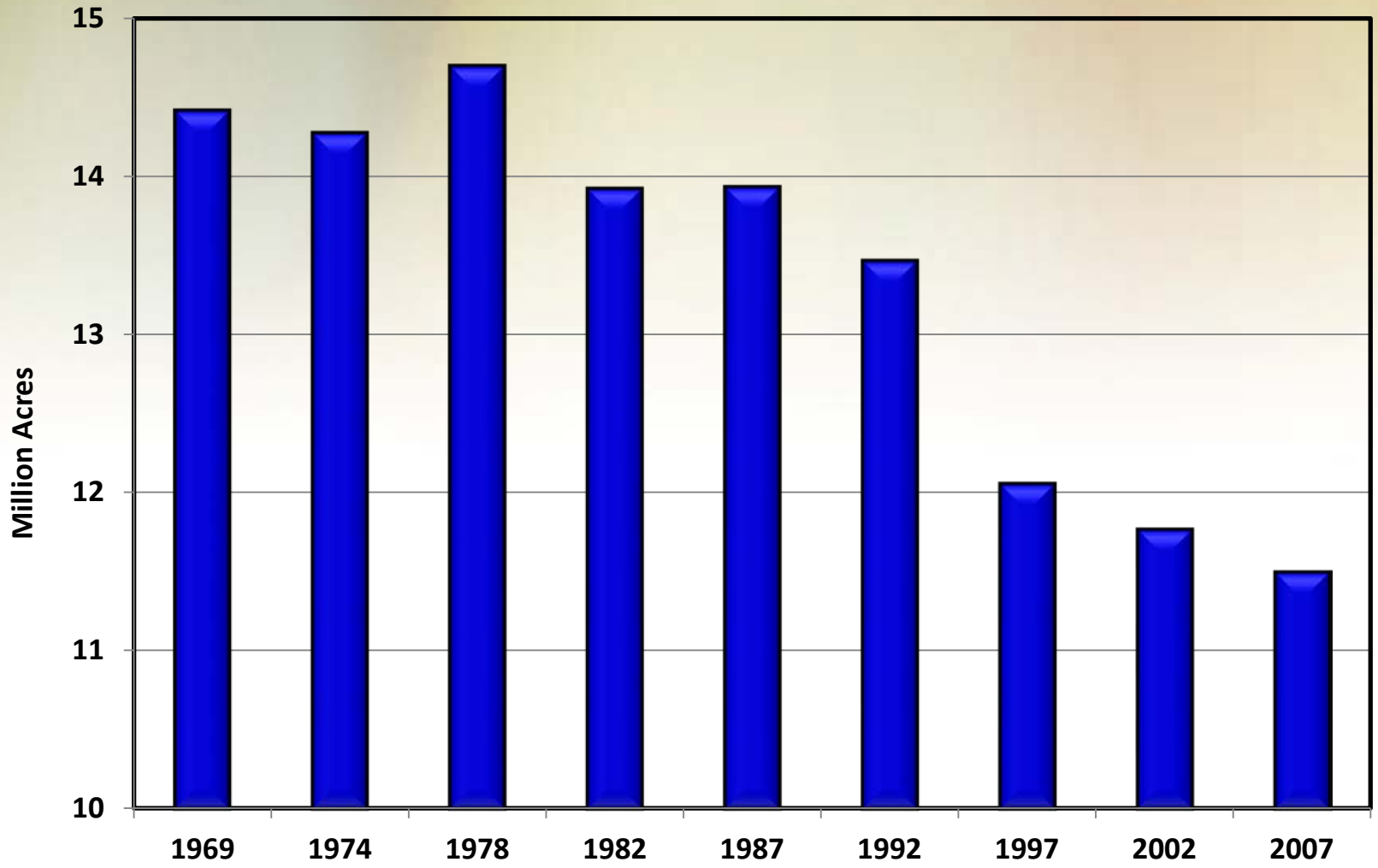
Idaho's Economic Base, Output (sales) - 2009



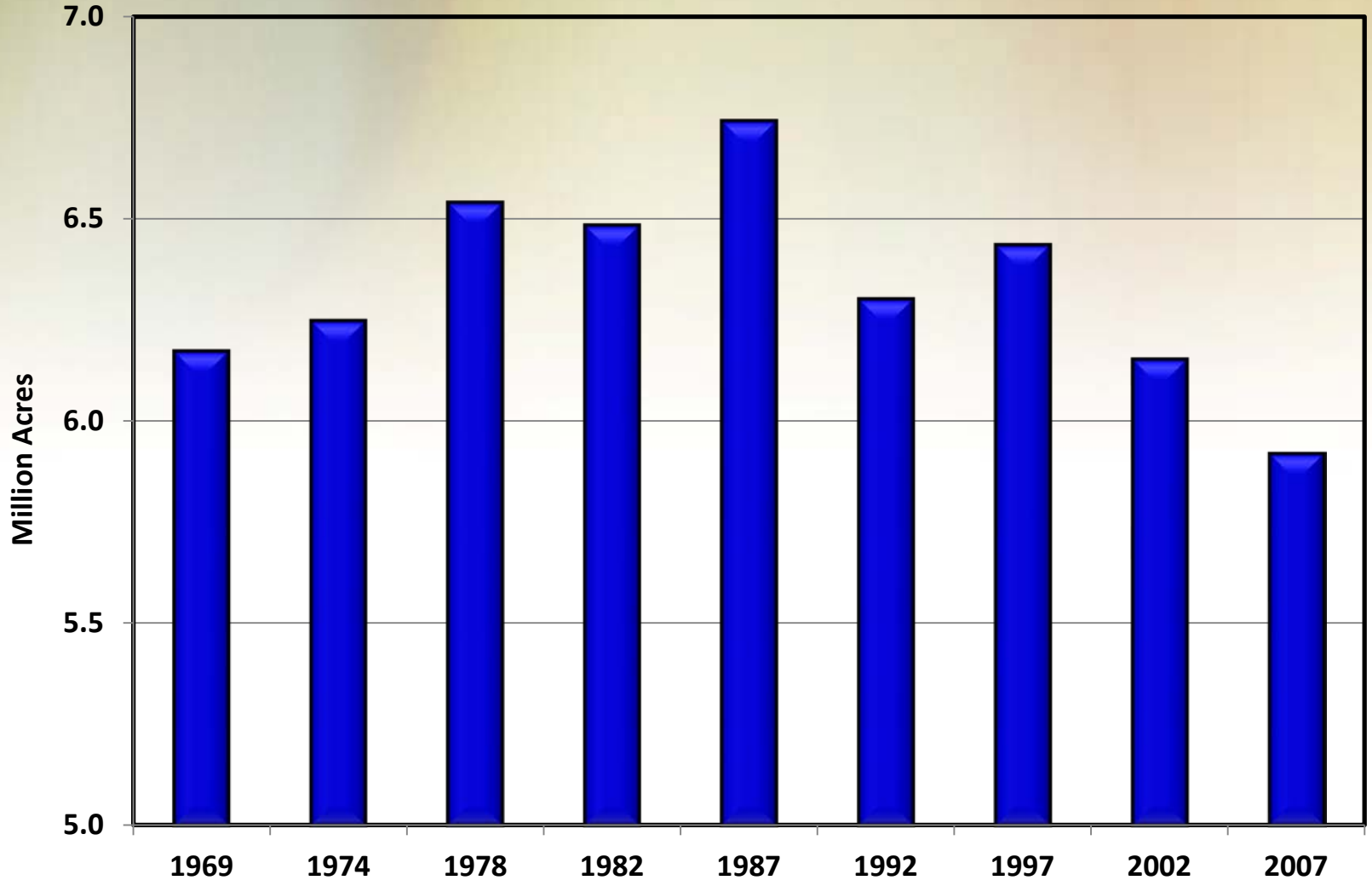
Discussion

Additional Commodity Outlook Information

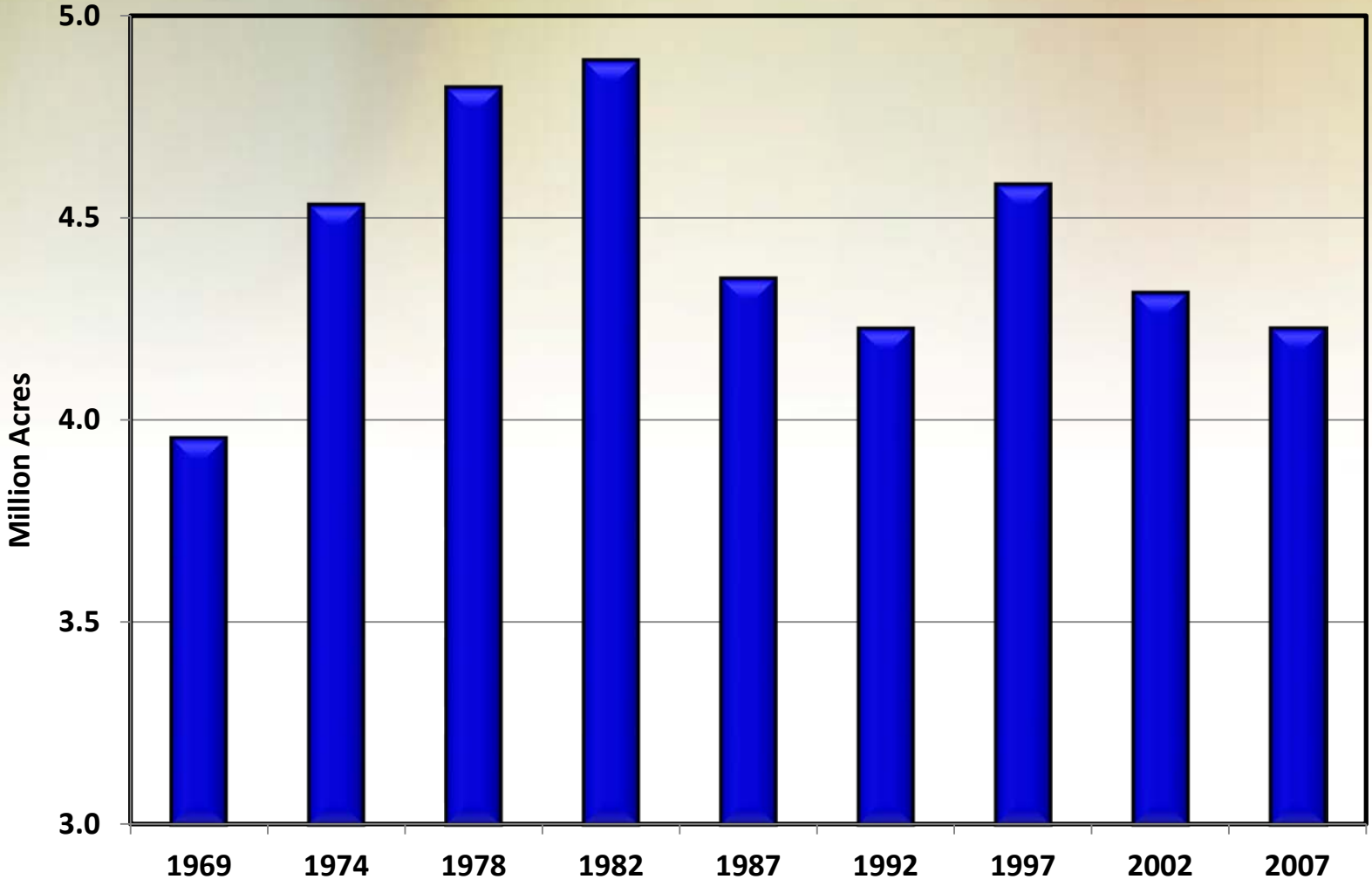
Land in Farms - Idaho



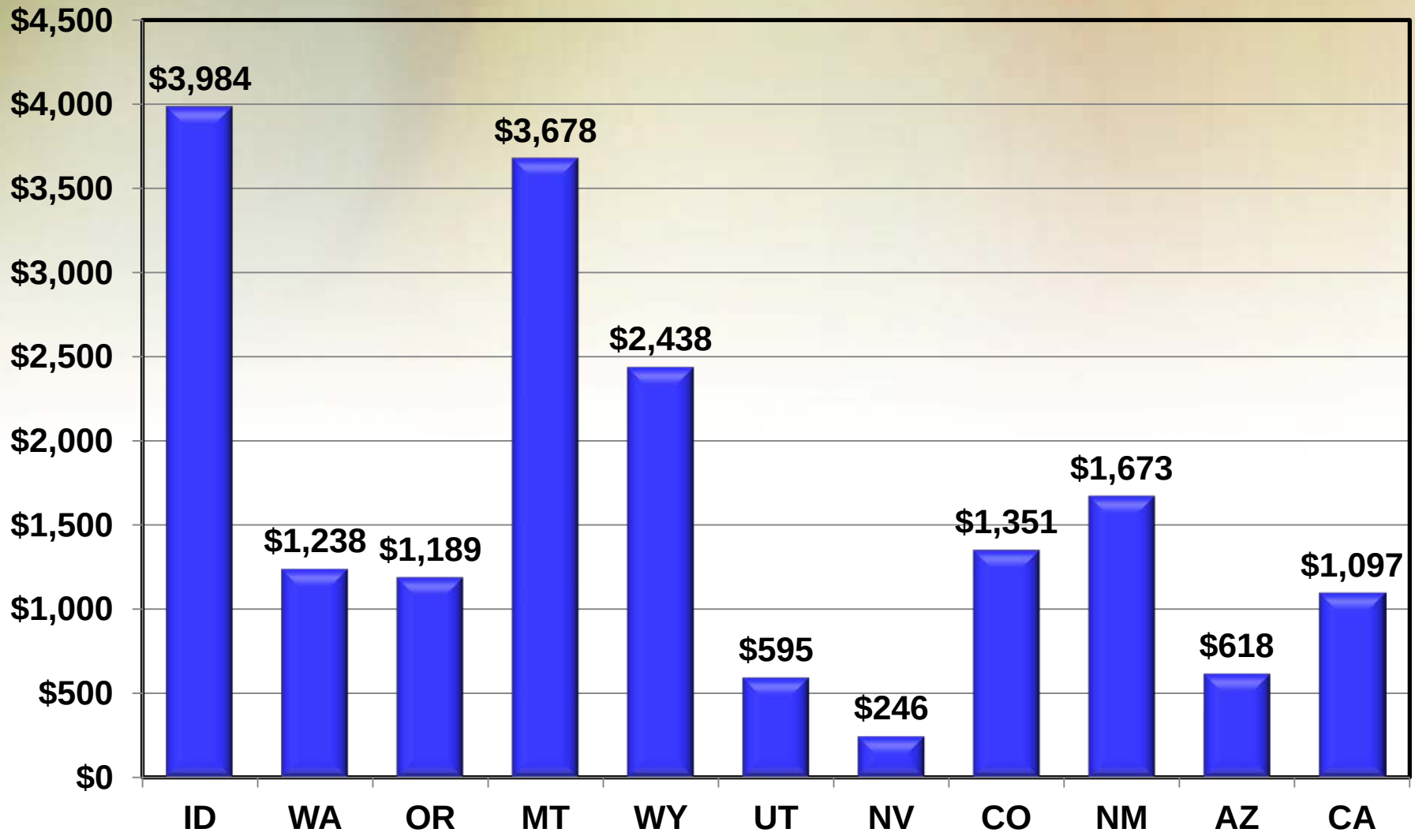
Total Cropland - Idaho



Harvested Cropland - Idaho



Value of Ag Sector Production Per Capita, 2010

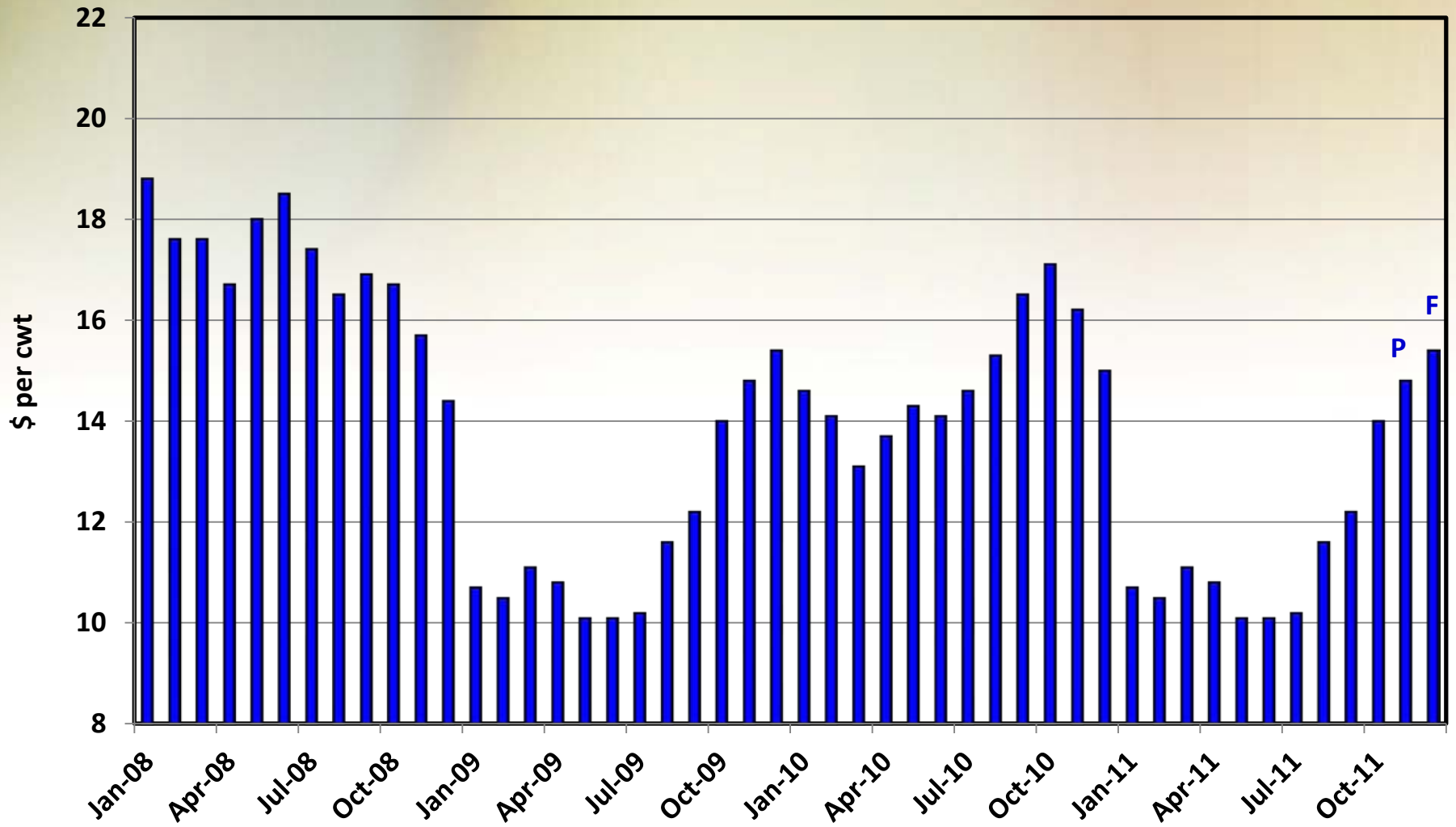


Outlook for 2012 – Dairy

www.shutterstock.com · 71786506

- Idaho dairies continue expansion
  - 10 yr avg. + 19,250 head/yr
  - 2011 +8,000 head
- Idaho is 3rd after CA and WI
- Strong export demand
- Continued high feed costs
- Prices expected to average 5-10% lower
- Continued financial distress for many dairies
- 2009 B/E milk price
  - $14.55 to cover operating
  - $16.94 to cover operating & fixed

Idaho All Milk Monthly Price, 2008-2011



Outlook for 2012 – Beef

- U.S. beef cow herd smallest since 1963
- Beef production near record levels
  - (production per cow +70% from 1970s)
- High prices again
- Higher prices may spur herd expansion
- Heifer retention will decrease beef supply for at least 2 years
- Strong export demand is key
- Cash receipts expected to stay strong

Outlook for 2012 – Potatoes

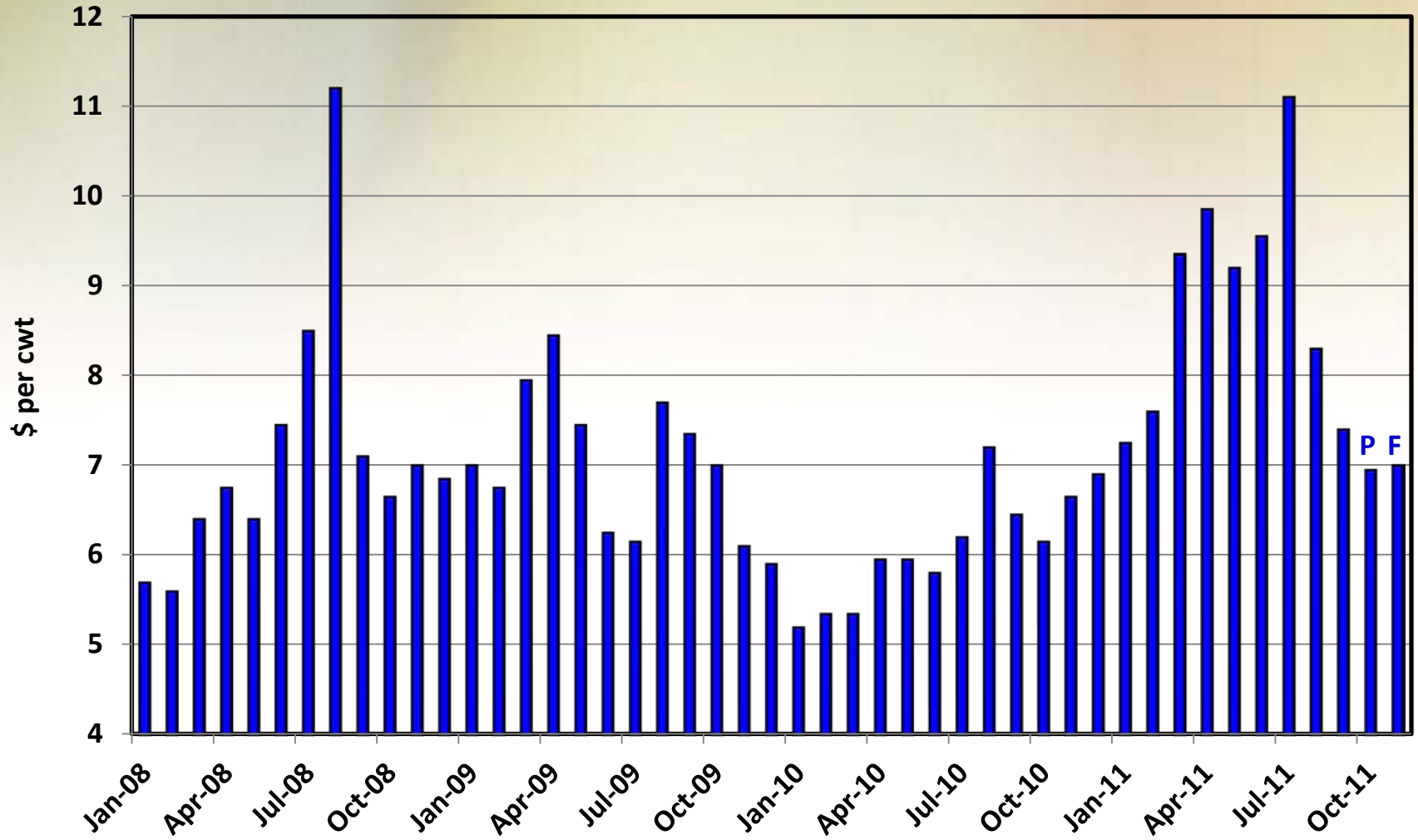
Prices

- Prices higher for processing and lower for fresh early in the year compared to 2011
- Cash receipts down on a lower average monthly price

Production

- Acres & production up
- Higher yields

Idaho All Potato Monthly Prices, 2008-2011



Outlook for 2012 – Wheat

Prices

- Expected to be lower
- Cash receipts down on lower production & price

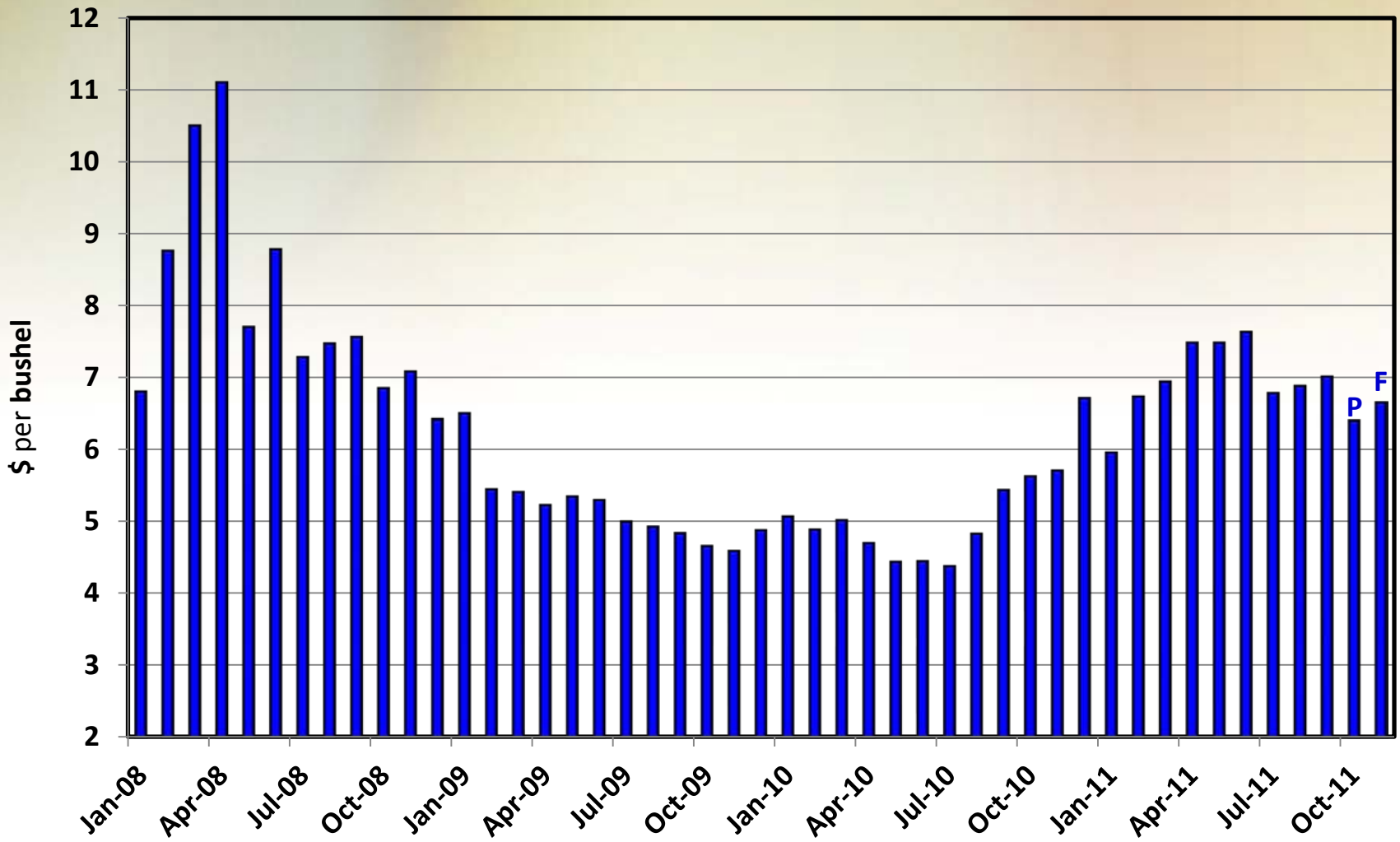
Production

- Idaho acreage & production lower
- Shift in some acres to forage crops

Stocks for 2011/12

- World stocks up 3%
- U.S. stocks down 4%

Idaho All Wheat Monthly Prices, 2008-2011



Outlook for 2012 – Hay

Prices

- Prices strong for the first half of year, but weaker if production increases
- Cash receipts down

Production

- Acreage up
- Production up, higher yields

Outlook for 2012 – Barley

Prices

- Feed barley prices lower
- Malt Barley prices higher
- Cash receipts up slightly

Production

- Acreage & production flat

Stocks for 2011/12

- World stocks down 4%
- U.S. stocks down 27%

Outlook for 2012 – Sugarbeets

Prices

- Price lower as world sugar supplies increase
- Cash receipts down slightly, but still a profitable crop
- Controversy about RR sugarbeets will continue

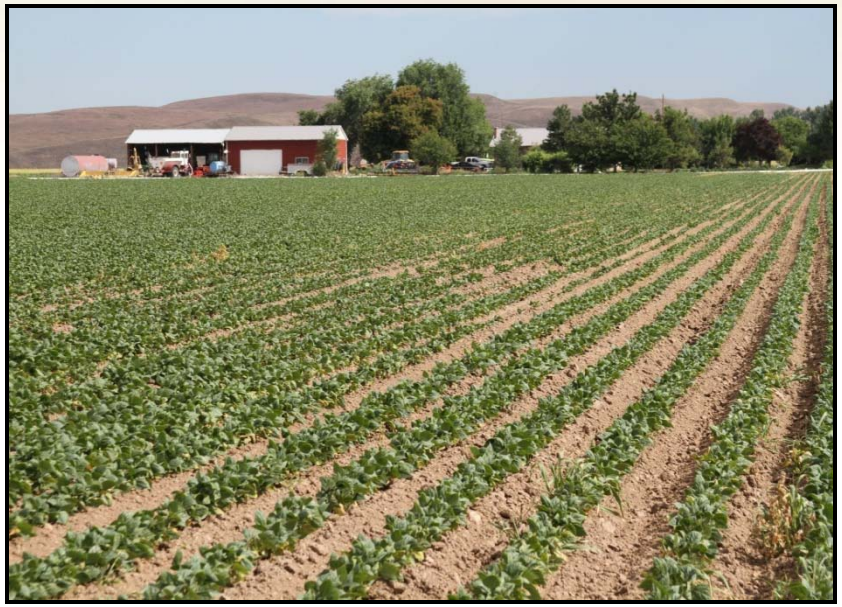
Production

- Acreage flat
- Yields & sugar content – highly weather dependent

Outlook for 2012 – Dry Beans

Prices

- Higher prices expected
- Cash receipts higher

Production

- Acreage up because of stronger prices
- Production higher