

Financial Condition of Idaho Agriculture

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

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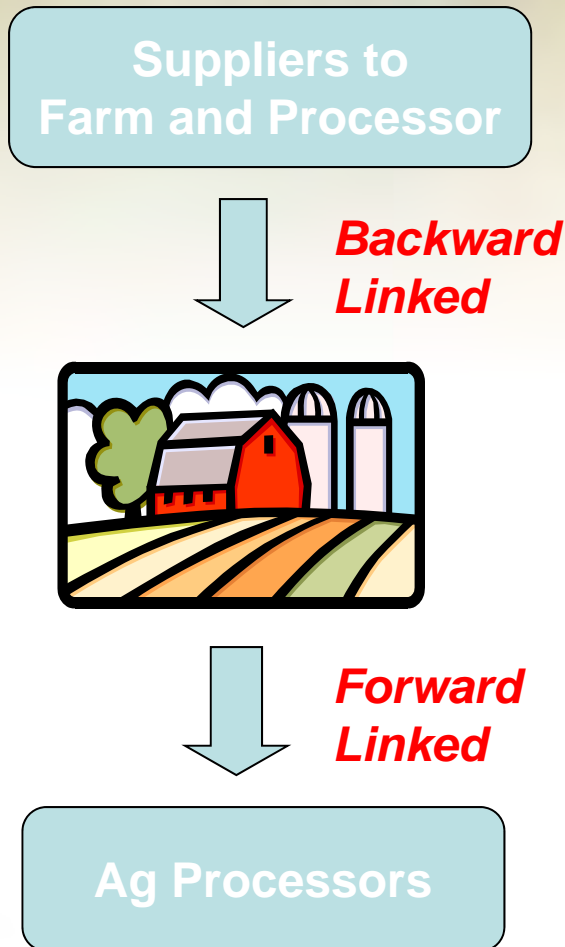
University of Idaho
College of Agricultural *and* Life Sciences

Idaho Agriculture

- **Agribusiness' contribution to Idaho's economy**
- **Why it's important to invest in Idaho agriculture**



What is Ag Business?



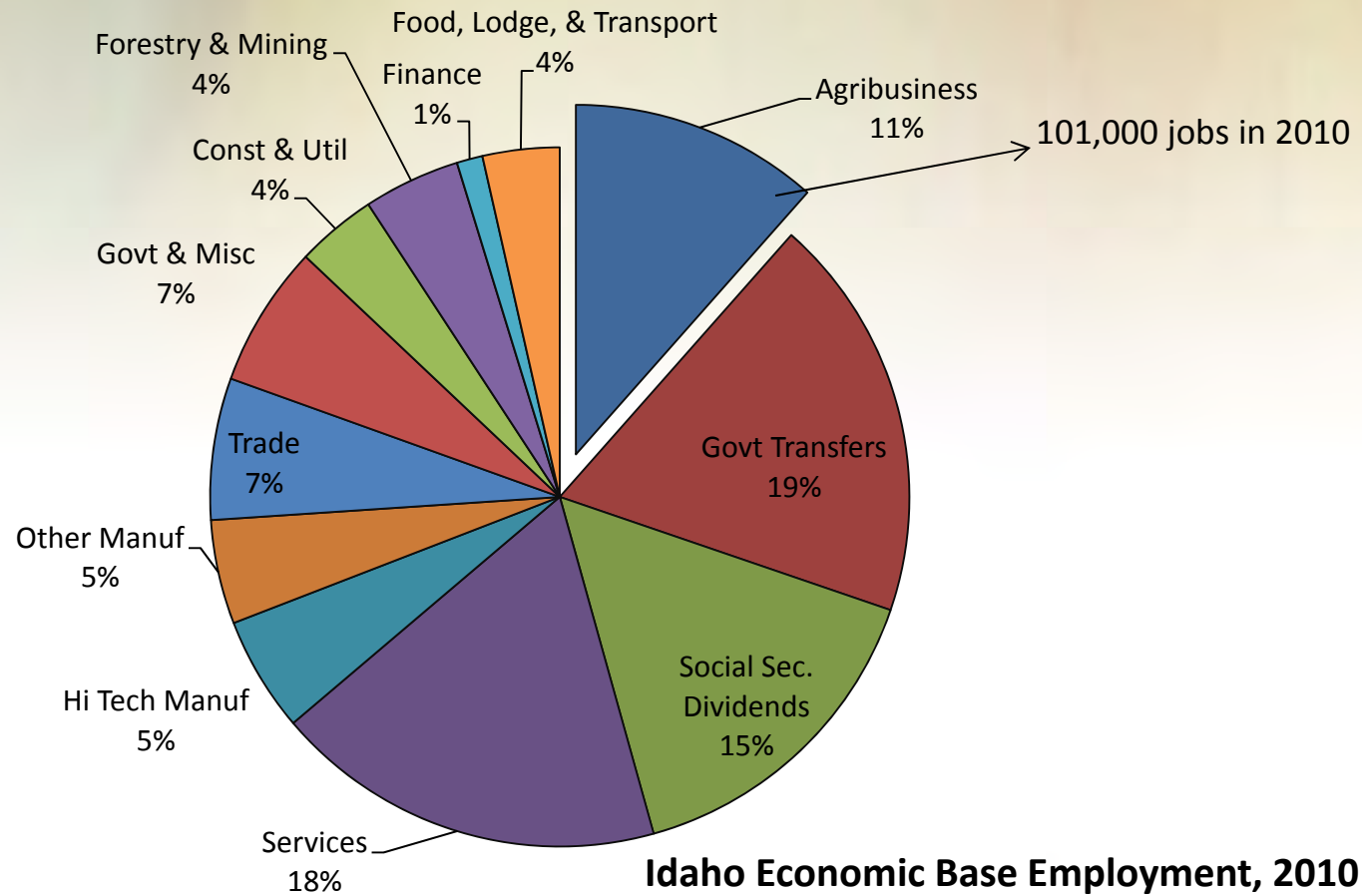
➤ ***What is Ag Business ?***

- The farm -- middle link
- Backward links (suppliers to farms & processors)
- Forward links (processors, excluding McDonalds & Albertsons)

➤ ***Contribution measures:***

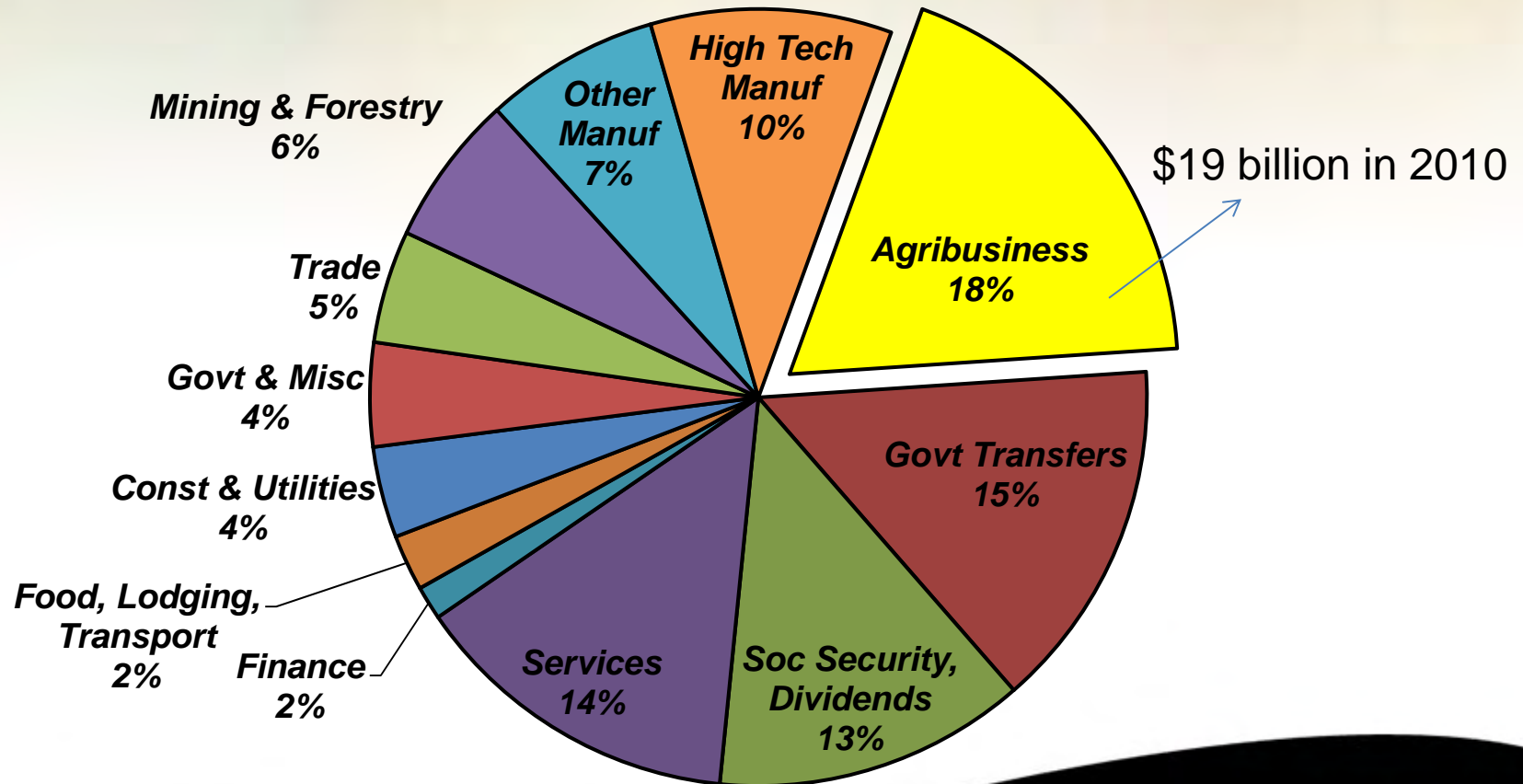
- ***Accounting.*** economic activity (sales, GSP, jobs) as counted by Commerce Dept.
- ***Base economy.*** economic activity (sales, GSP, jobs) driven exports (new money in economy)

Agribusiness Generates 4th Largest Number of Idaho Jobs Directly and Indirectly

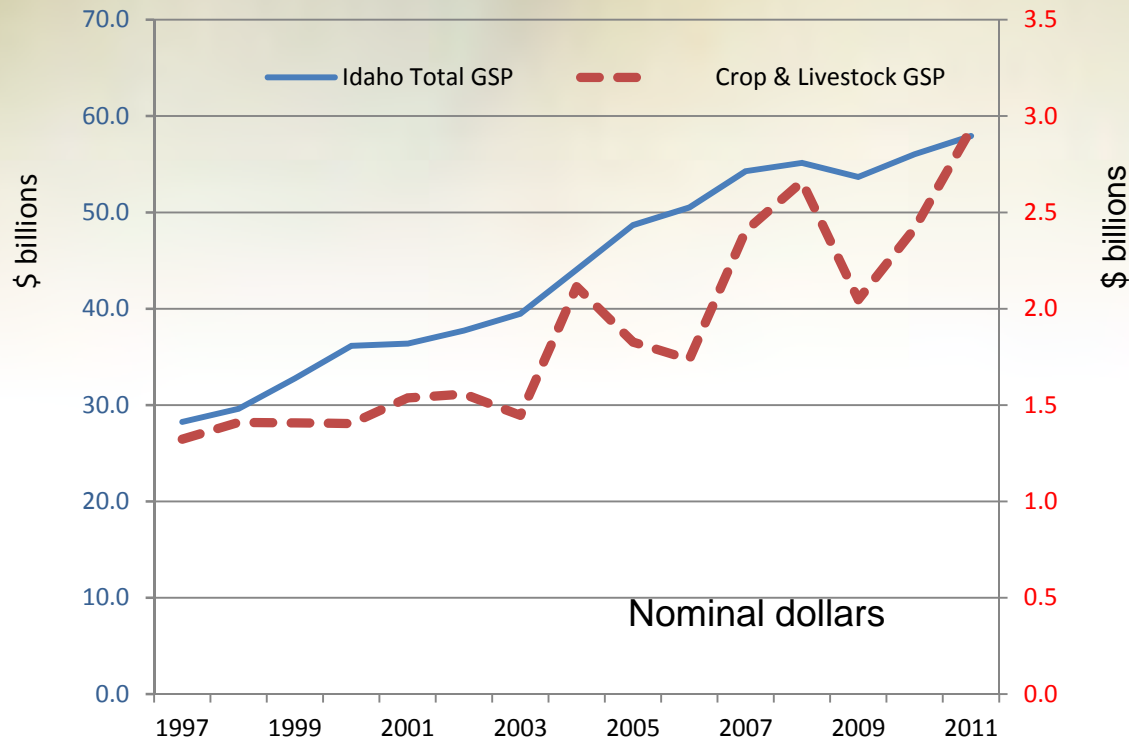


Agribusiness Generates Most Idaho Sales Directly and Indirectly

Idaho Economic Base, Sales - 2010



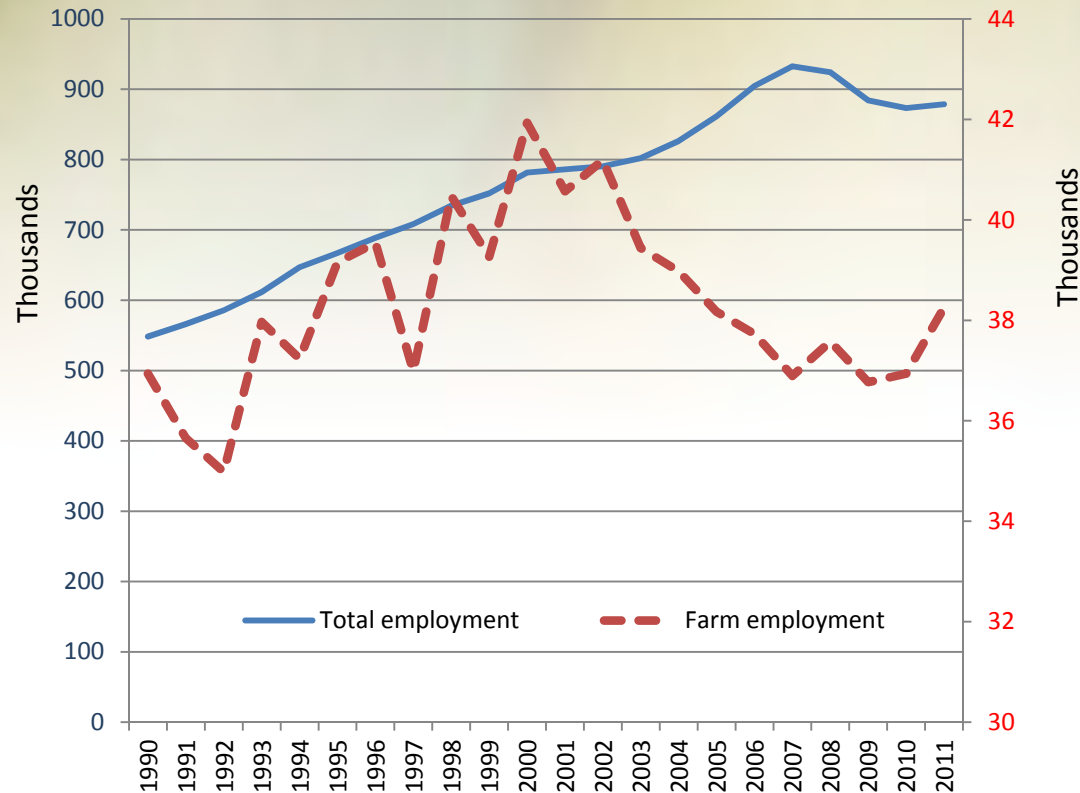
Farming is a Growing Portion of Idaho GSP



Source: USDC, BEA

- In 2011 Ag GSP is forecasted to be \$2.9 billion, 5.1% of Idaho GSP
- In 2010 Ag GSP was 4.3% of total
- In 2011, farming topped personal income growth, increasing by 41% over 2010.

Farm Employment Remains Stable



Source: USDC, BEA

- In 2011, 38,256 farm jobs.
- In 2011 farm jobs were 4.4% of Idaho total.
- Farming is increasingly labor efficient --more product produced by the same number of workers.

Idaho Agricultural Outlook

➤ 2012 Forecast*

- Cash receipts
- Net farm income
- Net Value Added

➤ 2013 Outlook

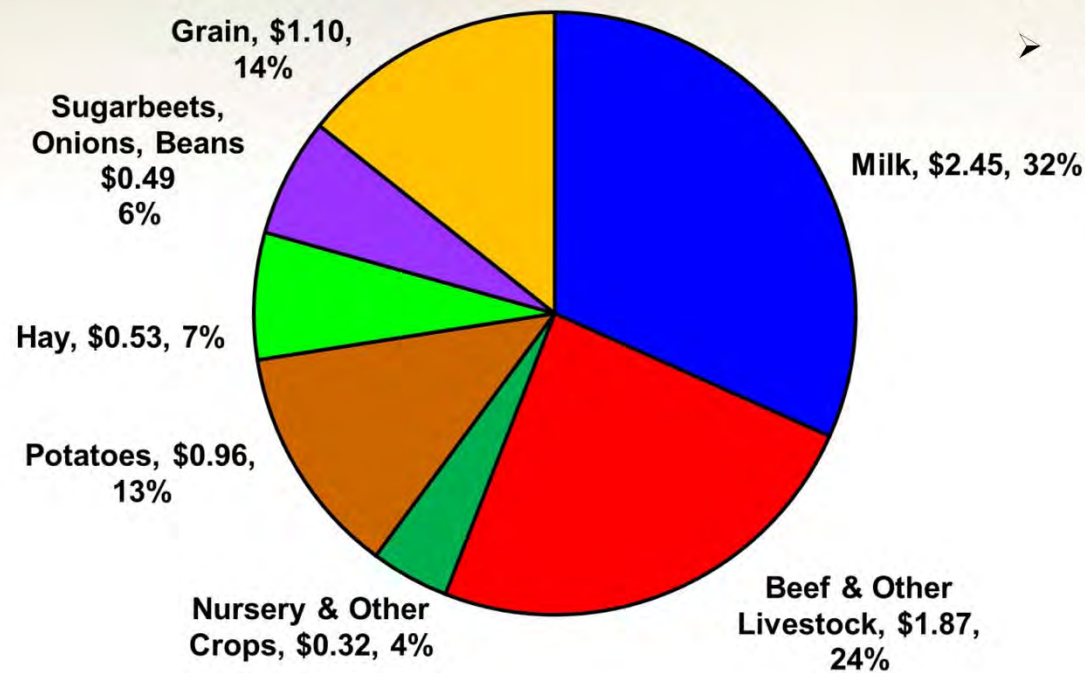


*Calendar, not crop year comparison

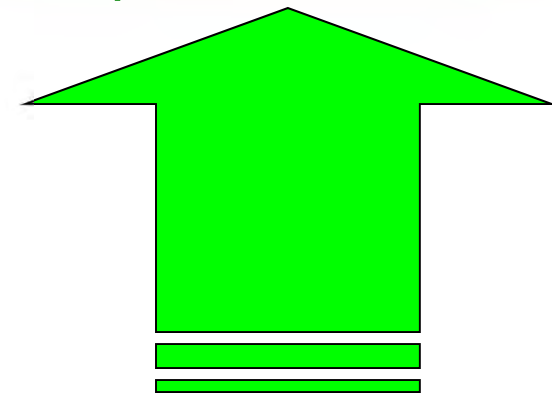
Record High Cash Receipts

- 3rd consecutive year increase
- **\$7.7 billion** in 2012
- **5% above** 2011
- Livestock **up 8%**, \$4.3 billion
- Crops **up 2%**, \$3.4 billion

Idaho Cash Receipts, 2012
\$ billions



\$7.7 billion, 2012



\$7.4 billion, 2011

Source: U of ID

Crop and Livestock Cash Receipts Up in 2012

Crops \$3.4 billion, up 2%

Potatoes: ↑4%

- Production up 12%, prices down 9%

Barley: ↑32%

- Production up 15% Prices up 23%

Wheat: ↑4%

- Production down 15%, prices up 8%

Dry Beans: ↑27%

- Production up 61%, prices up 27%

Greenhouse/Nursery: Unchanged

Hay: ↓12%

- Production down 4%, prices same

Onions: ↓7%

- Production down 16%, prices up 12%

Sugarbeets: ↓10%

- Production up 7%, price down 15%

Livestock \$4.3 billion, up 8%

Cattle & Calves: ↑25%

- Inventories up 5%
- Prices averaged 19% higher

Milk: Unchanged

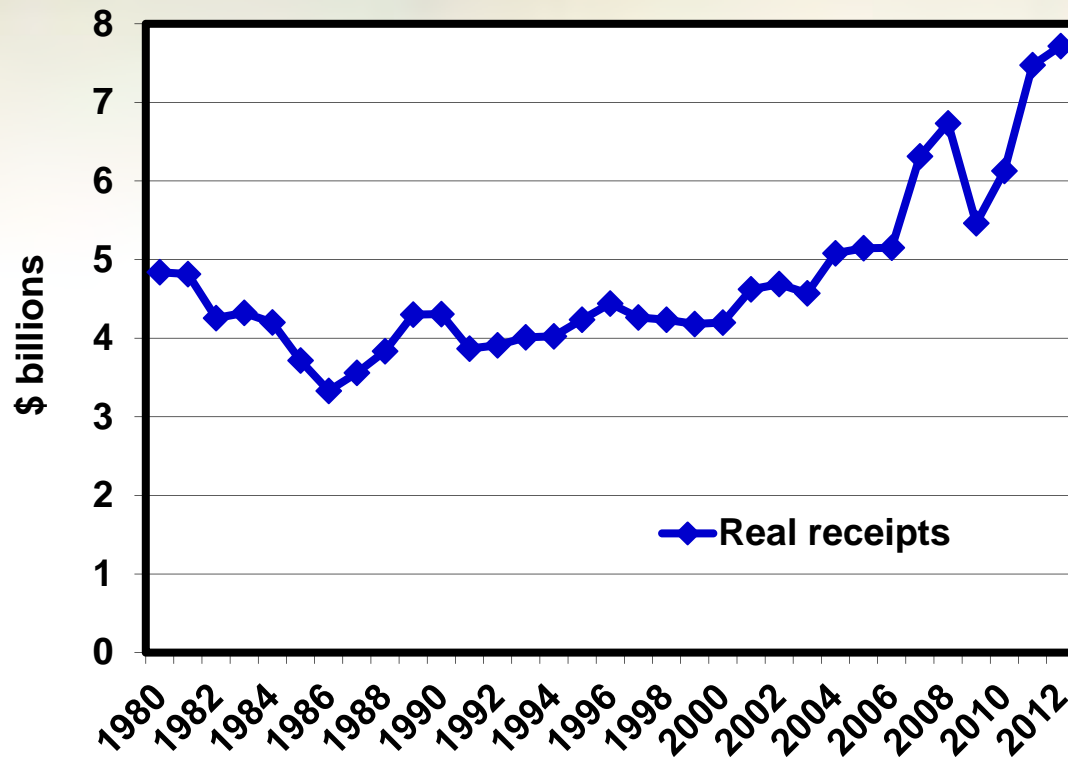
- Production up 2%
- Prices down 2%



Source: U of ID

Cash Receipts Are Growing

Idaho Farm Cash Receipts, 1980-2012



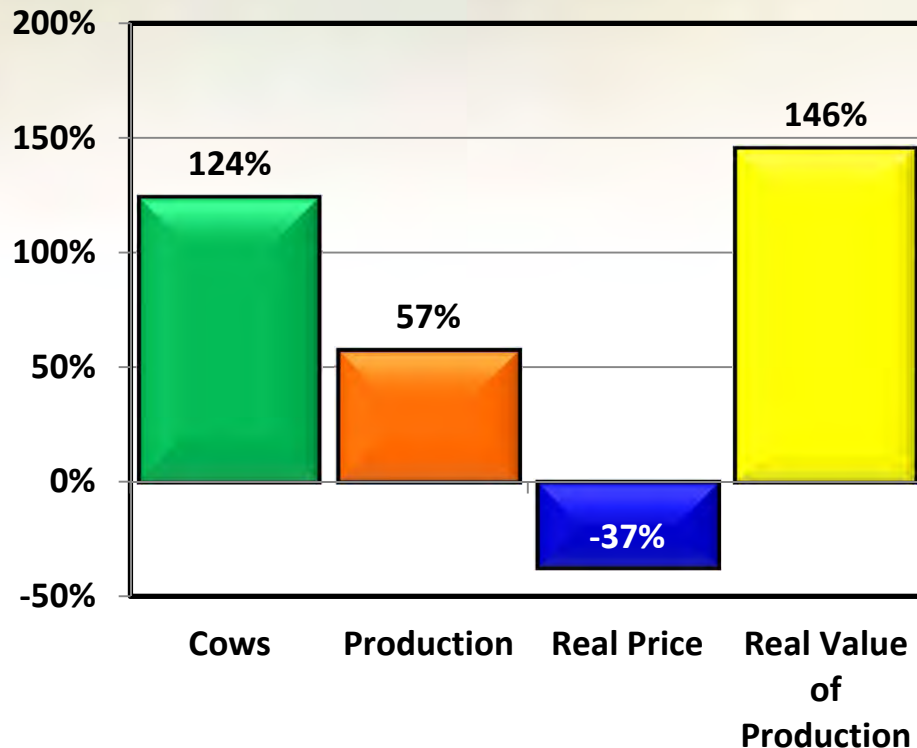
Cash Receipts Growth

- 33 year average annual growth +1.4%
- Last 10 years growth rate +5.4%
- What is behind the growth: prices, productivity or acreages?

Source USDA NASS & U of ID

30 Years of Dairy Growth

Growth in Dairy Value of Production:
Idaho, 1981 to 2011 (real, 2008 base)

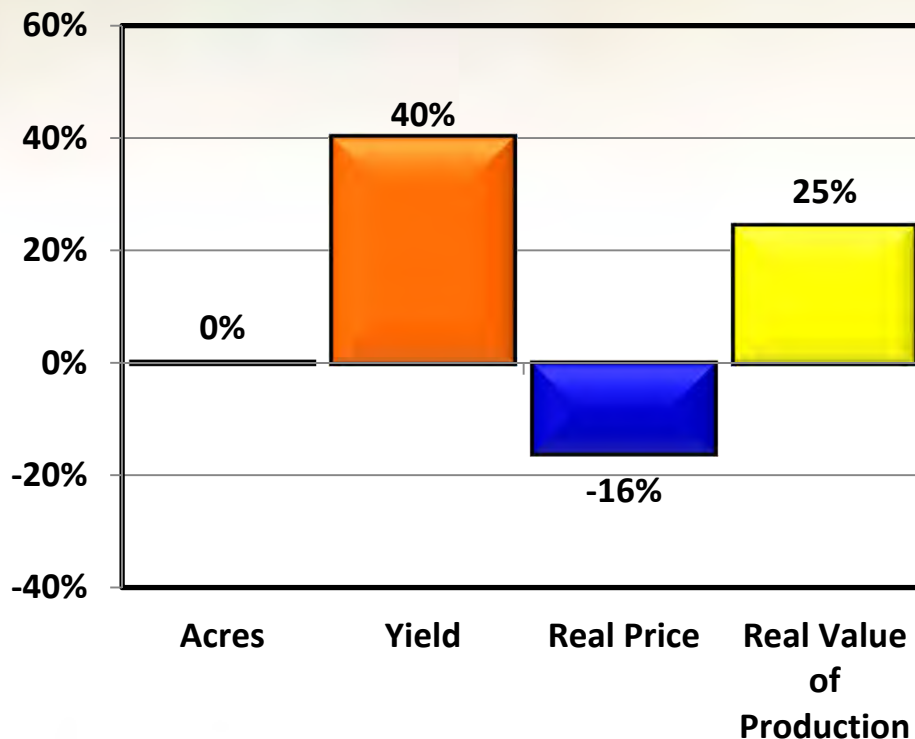


Source: U of ID

- Idaho dairy herd
 - 144,000 cows, 1970
 - 571,000 cows, 2010
 - Since 1994 Idaho cow herd has grown about 20,000 head per year
- Annual production per cow has more than doubled
 - 10,347lbs, 1970
 - 20,472lbs, 2010

30 Years of Potato Growth

Growth in Potato Value of Production:
Idaho, 1981 to 2011 (real, 2008 base)

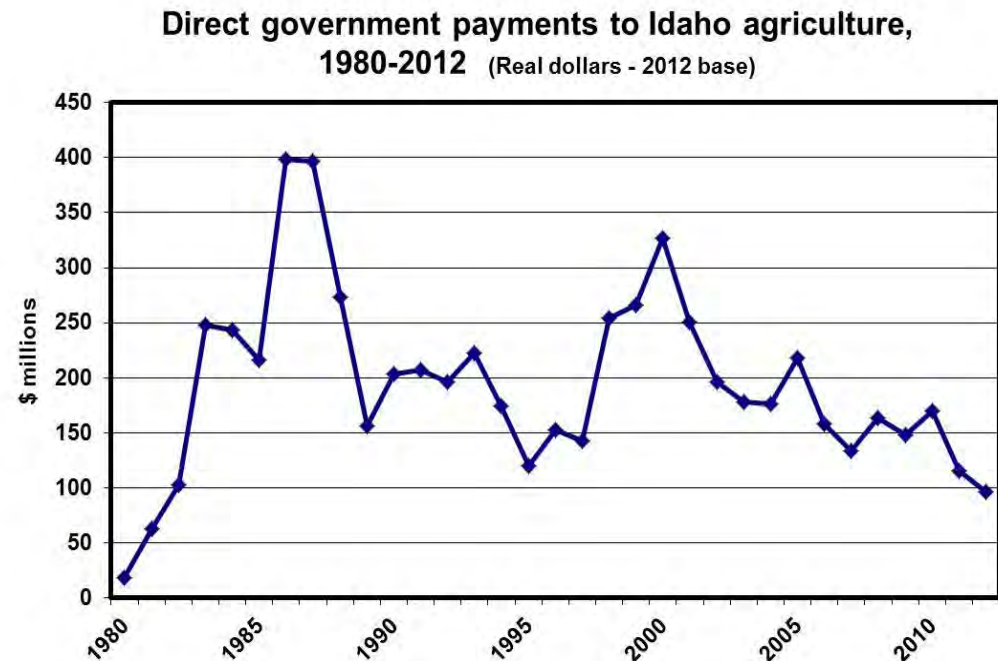
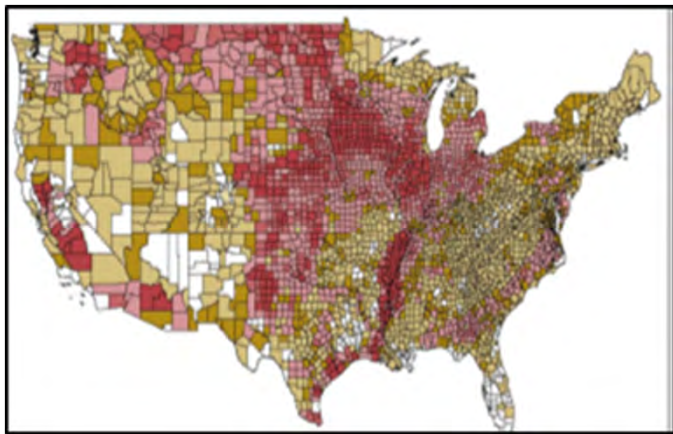


- Potato acres unchanged
- Yields are growing at 1.3% per year
- Real prices 16% lower
- Real cash receipts have increased 25%

Source: U of ID

US Government Payments Decline

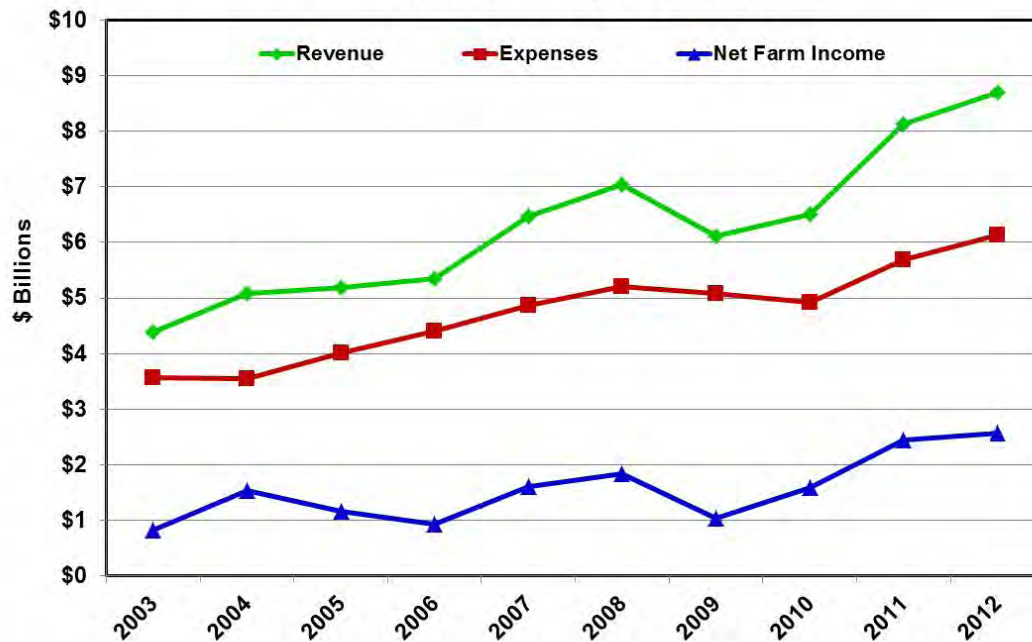
- \$97 million, down \$17 million from 2011
- <2% of cash receipts
- <1% of total US payments
- 47% production programs
- 39% conservation programs



Source: USDA, FSA

Record High Net Farm Income, 2012

Idaho Revenue, Expenses & Net Farm Income
Real Dollars (2012 base)



Source: USDA NASS & U of ID

Net Farm Income, 2012

- 3rd consecutive year increase
- \$2.6 billion, up 5%
- 65% above the 10 year average

Revenues, 2012 compared to 2011

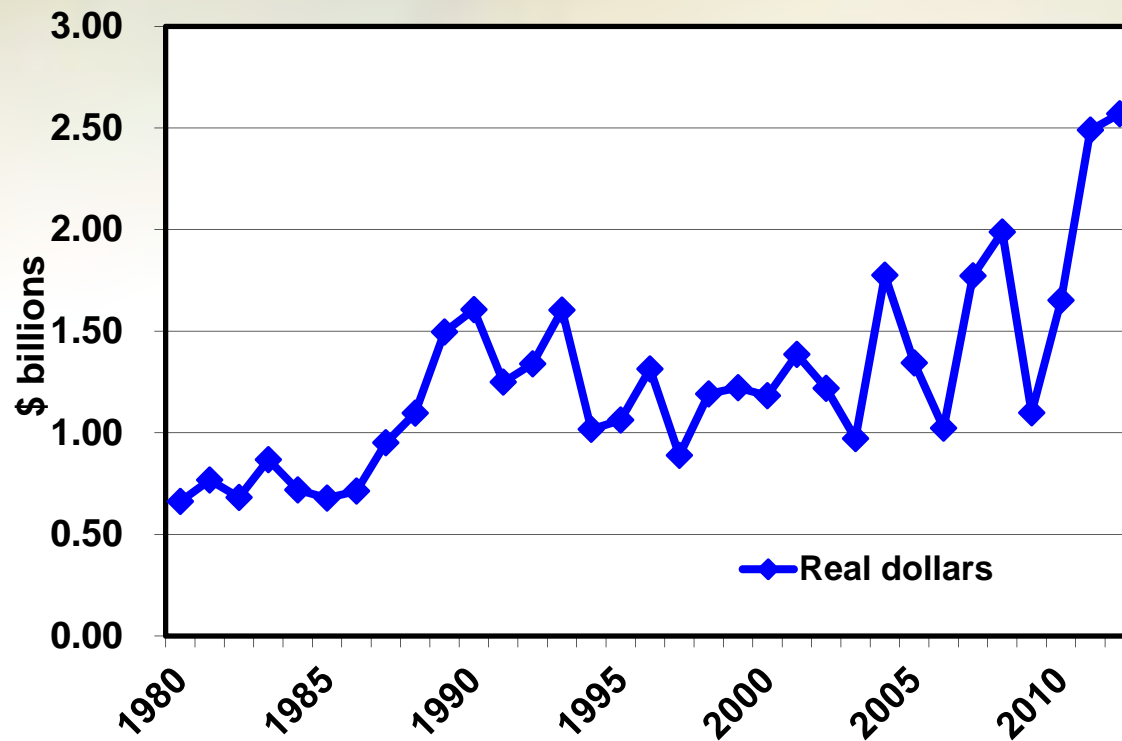
- Livestock receipts (+8%)
- Crop receipts (+2%)
- Govt. payments (-15%)

Expenses, 2012 compared to 2011

- Farm origin inputs (+13%)
- Manufactured inputs (+5%)
- Other inputs (+6%)

Increasingly Volatile Net Farm Income

Idaho Net Farm Income, 1980-2012





Source: USDA NASS & U of ID

Net Farm Income Volatility

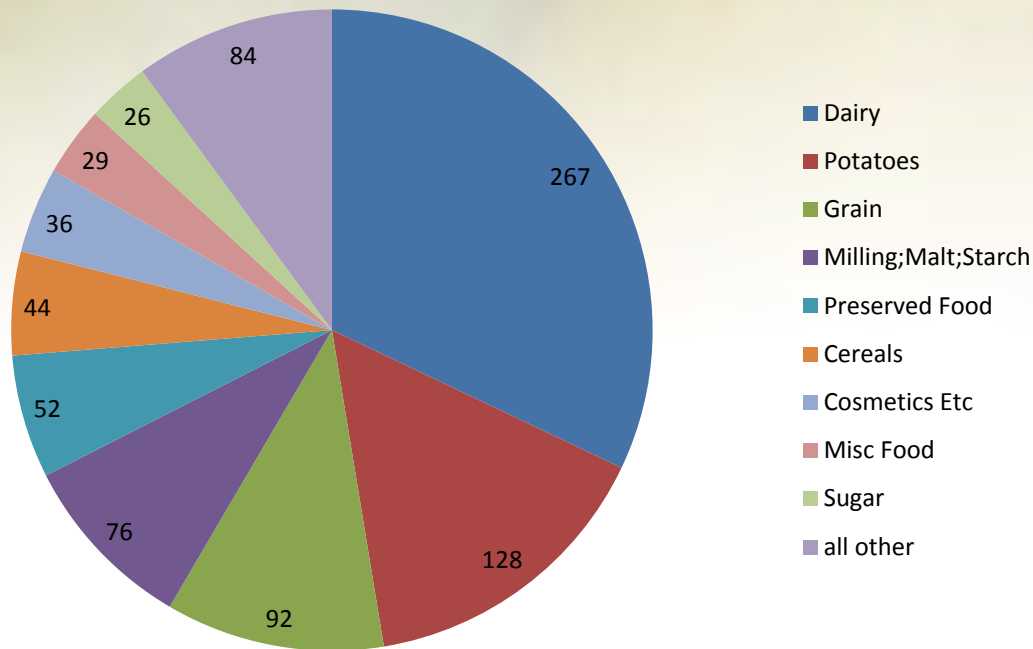
- Stable from 1990 to 2002
- Extreme volatility since 2003

Income Volatility Affects Farmers, Government Revenues, & Communities

Δ from previous

<u>Year</u>	<u>yr. (million \$)</u>	
2004	+ \$713	➤ Farmers:
2005	- \$368	➤ More price and production risk
2006	- \$234	➤ Strict lending practices
2007	+ \$668	➤ Government revenues: Tax revenue volatility
2008	+ \$230	➤ Rural communities: The health of rural communities is not proportionate to the volatility of farm income because ripple or multiplier effects are relatively stable
2009	- \$801	➤ Operating costs are largely fixed
2010	+ \$553	➤ Acres not taken out of production
2011	+ \$854	➤ Margin of one farmer  equals margin of another farmer 
2012	+ \$129	

Idaho Ag Exports on Pace to Set Record



* All figures = Million \$
Source: Idaho Dept. of Ag

- Record of \$834 million in ag exports, set in 2011
- 2012 on pace to set a new record
- Dairy leads Idaho's ag exports, \$267 million in 2011.
- Potatoes is 2nd \$128 million
- Canada top destination with \$143 million (21%), Mexico 17%, and China 10%

Outlook, 2013 and Beyond

- **National & International Factors**
 - **Global trade & export markets** --US is a major exporter to the world . China has surpassed Canada as the leading importer. Continued weak dollar makes US exports cheap.
 - **US drought** --The hangover from the worst drought in 50 years will continue to put upward pressure on feed prices and squeeze livestock margins. US farm income was barely affected.
 - **Ethanol policy** The surge in ethanol-fueled demand appears to be leveling off. Feed prices will continue to be strong.
 - **Monetary, fiscal, & farm bill policy** Low interest rates. Farm bill revisions will drop direct payments to Idaho farmers
- **Idaho Factors**
 - **Water outlook**
 - **Dairy outlook** Increased processing will buoy milk prices.
 - **Potato outlook** The fresh market potato price currently covers only 50% to 60% of production costs, hurting both 2012 and 2013 net incomes.
 - **Cattle outlook** The loss of slaughter plants will squeeze dairy and beef margins

Idaho 2013 Outlook

- Crop Cash Receipts: down 5-8% to \$3.2 billion
- Livestock Cash Receipts up 2-3% to \$4.4 billion
- Expenses: up 3-5% to \$6.4 billion
- Net Farm Income: down 15% to \$2.2 billion