Idaho Agricultural Outlook

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Joint Legislative Economic Outlook and Revenue Assessment Committee

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Idaho Agricultural Outlook

- 2013 financial condition of Idaho agriculture
- Idaho agriculture – The macro perspective
- Outlook for 2014 and beyond

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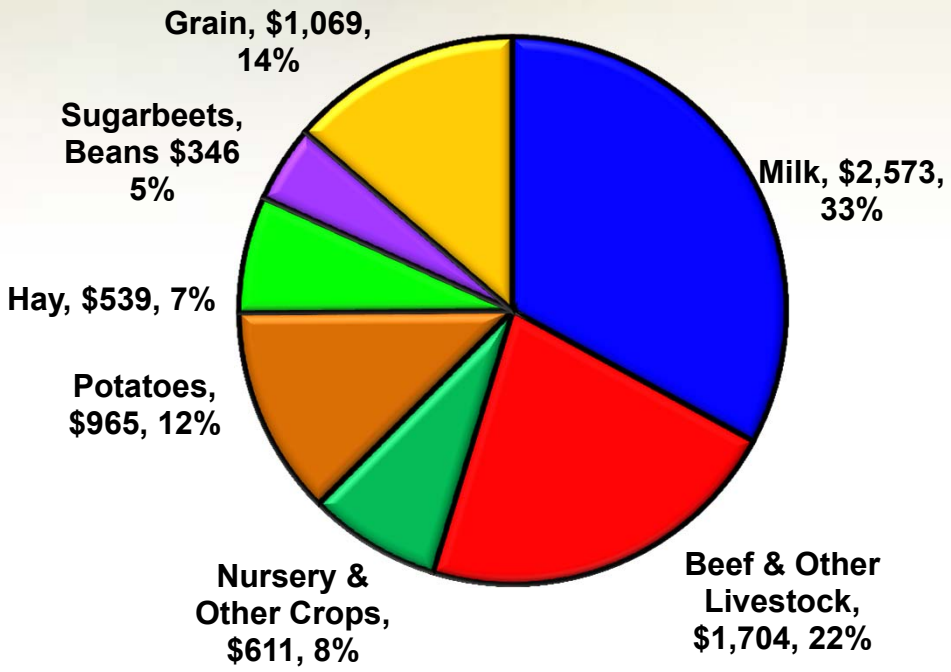
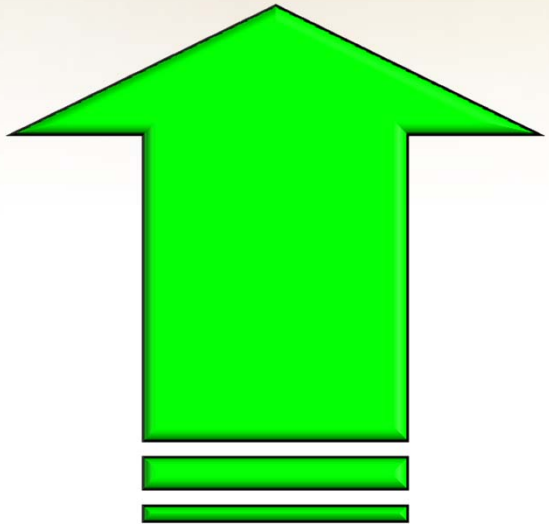
Record Cash Receipts…. 3rd Year

Idaho Cash Receipts, 2013
$millions



$7.8 billion, 2013



$7.6 billion, 2012

Source: University of Idaho

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Crop & Livestock Cash Receipts

Crops $3.5 billon, down 1%

Potatoes: ↑1%
Barley: ↑10%
Hay: ↑6%
Dry Beans: ↑9%
Other crops: ↑1%
Hay: ↑6%
Wheat: ↓8%
Sugarbeets: ↓23%

Livestock $4.3 billion, up 7%

Cattle & Calves: ↑8%
Milk: ↑6%

Source: University of Idaho

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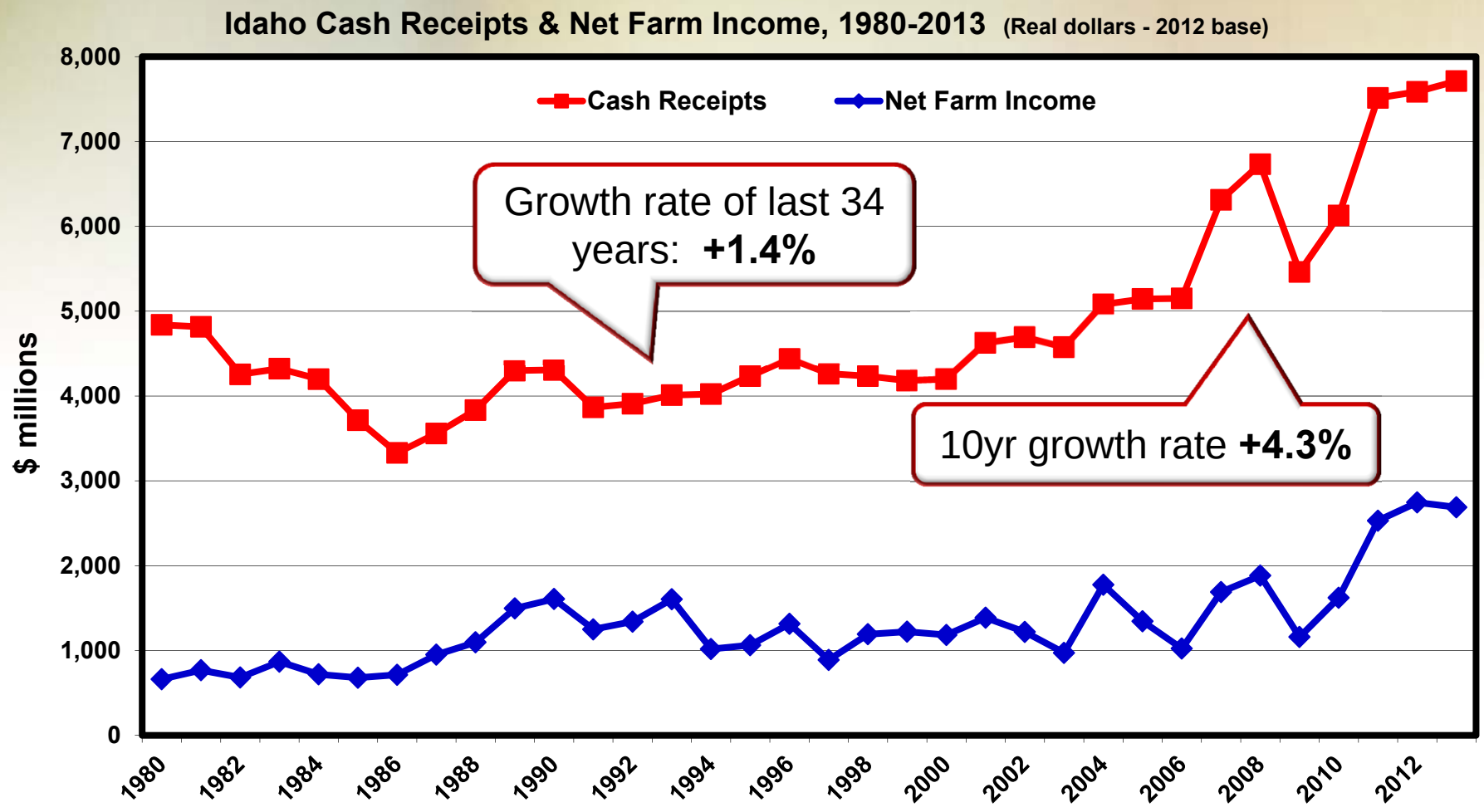
Cash Receipts 3rd Record Year



Source: USDA-NASS, University of Idaho

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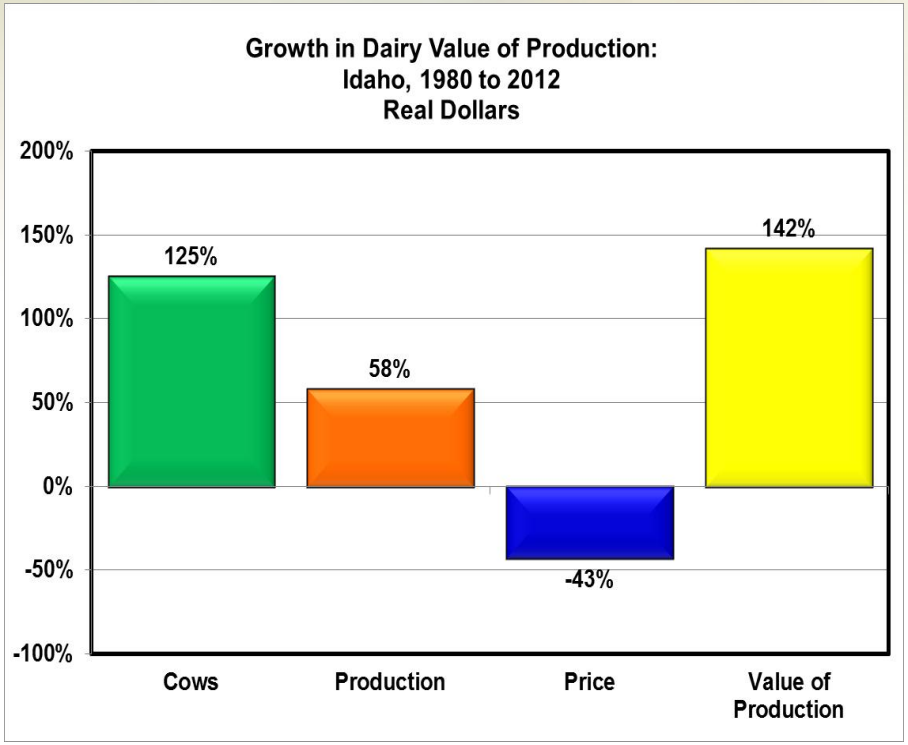
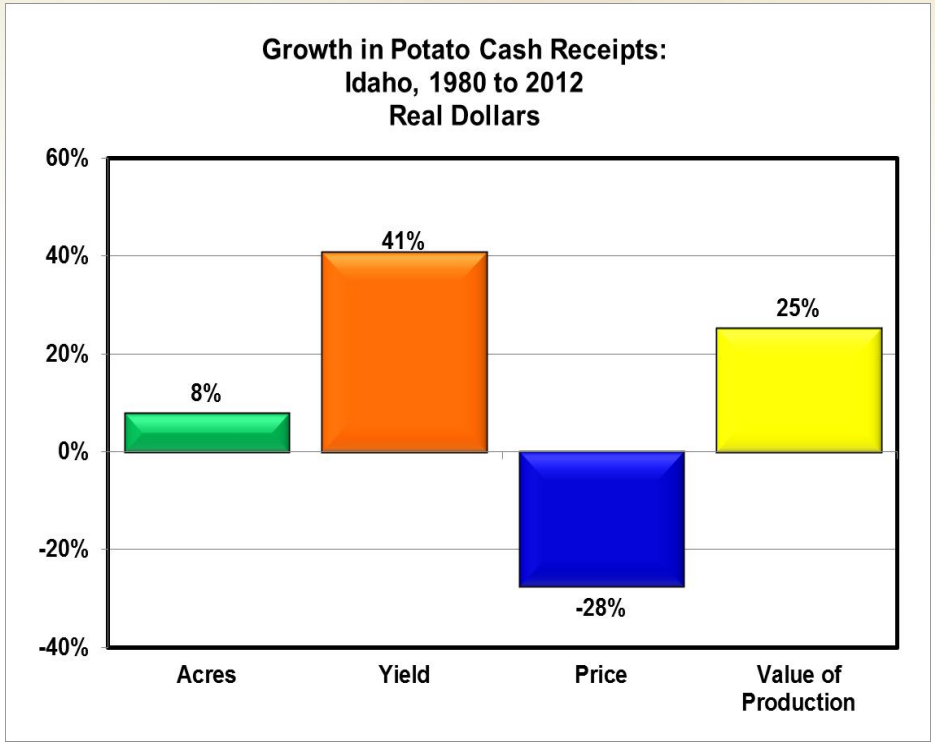
Growth Comes from Technology

Dairy



Potatoes



Source: University of Idaho

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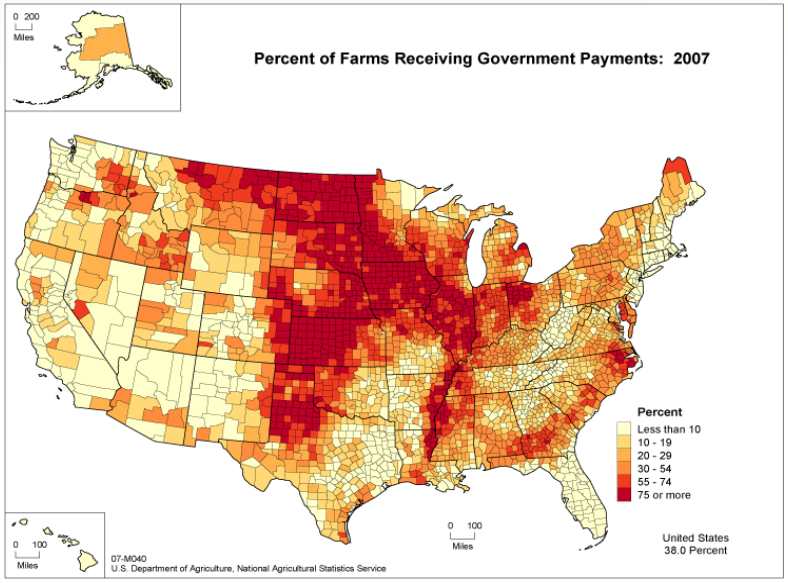
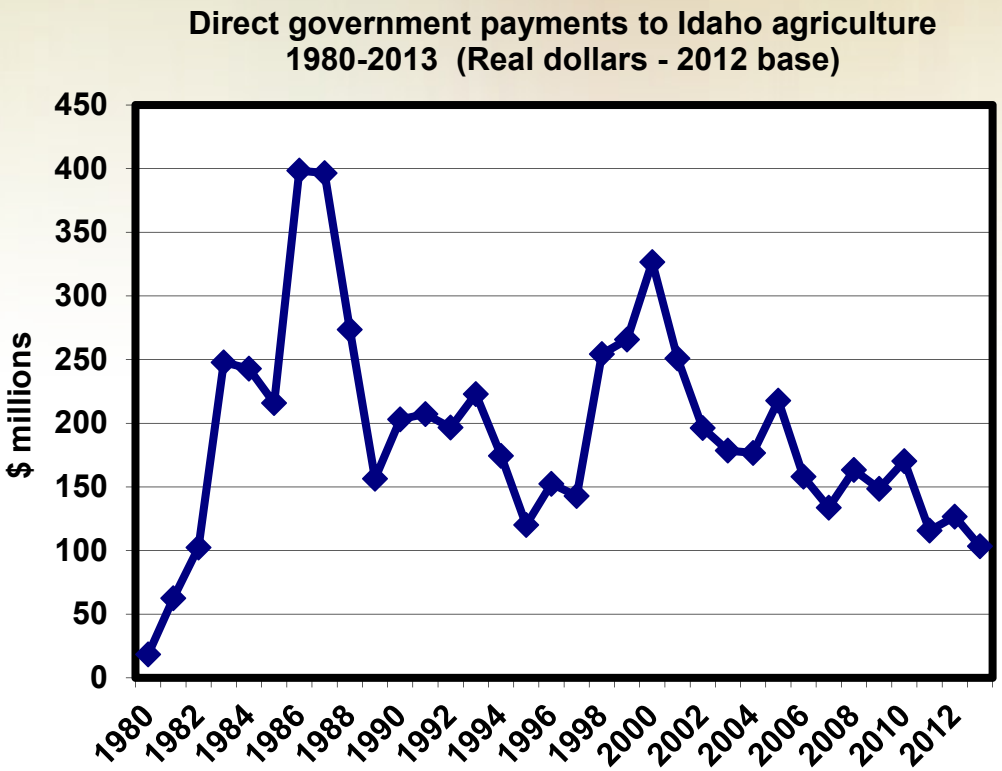
Idaho Government Payments Decline

- $105 million, down $22 million from 2012
- 1% of Idaho farm revenue
- <1% of total US payments
- 50% production programs
- 38% conservation programs





Source: USDA-ERS, NASS & FSA, University of Idaho

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2013 Net Farm Income Unchanged

Net Farm Income, 2013

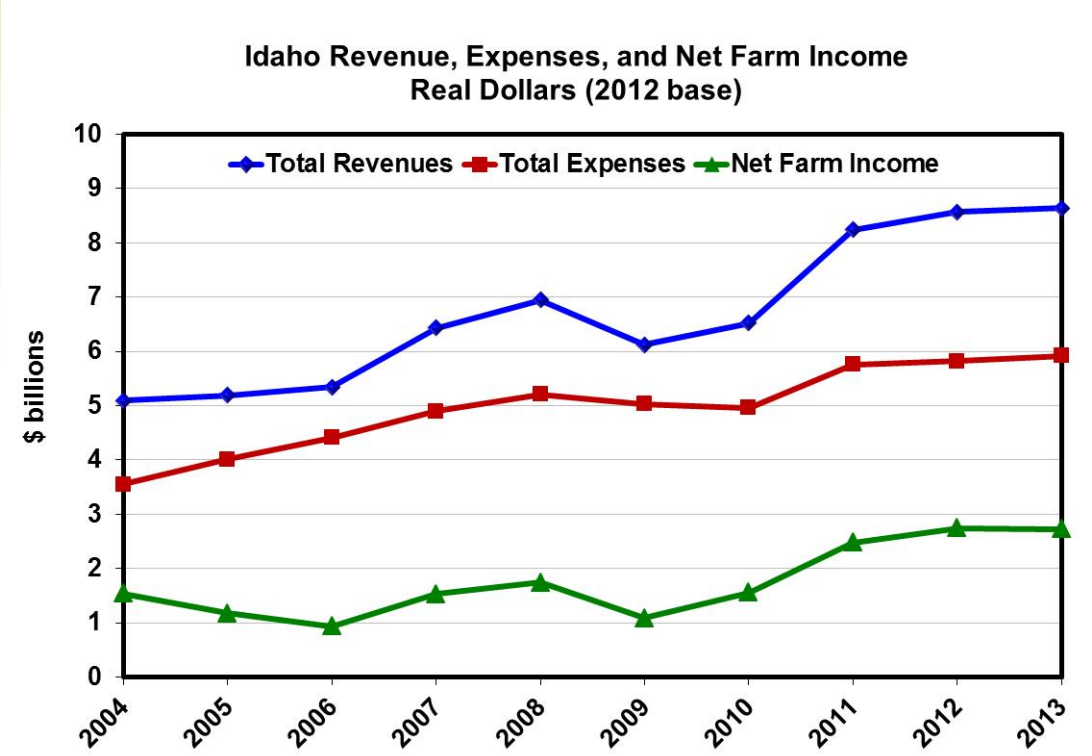
- $2.7 billion, down <1%
- 55% above the 10 year avg.

Revenues, 2013 vs. 2012

- Livestock receipts (+7%)
- Crop receipts (-1%)
- Govt. payments (-17%)

Expenses, 2013 vs. 2012

- Farm origin inputs (-1%)
- Manufactured inputs (-2%)
- Other inputs (+8%)



Source: USDA-ERS, University of Idaho

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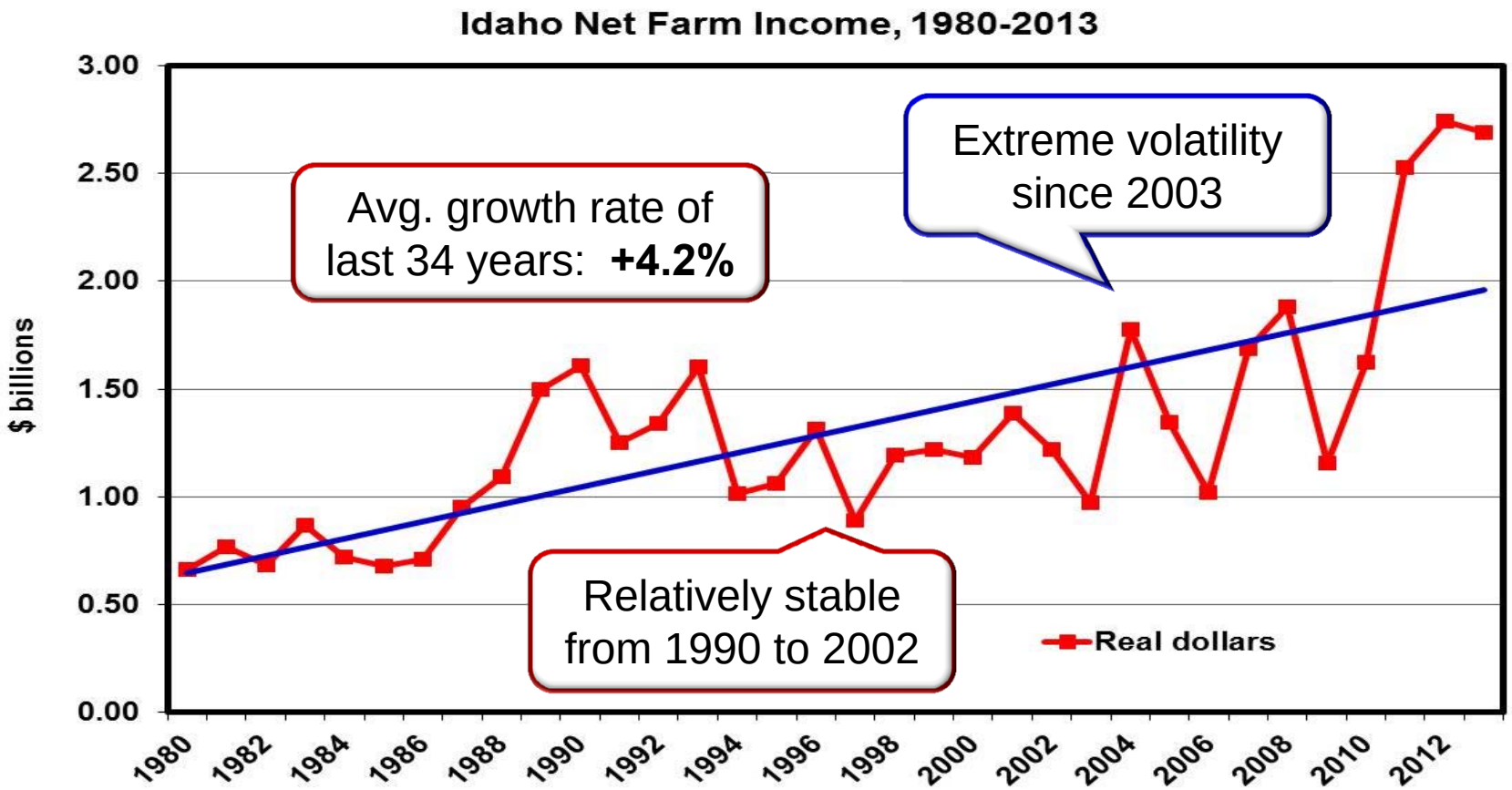
Volatile Net Farm Income



Source: USDA-NASS, University of Idaho

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Income Volatility Affects Farmers, Rural Communities, & Government

Year	Farm Income ($ billions)	Difference ($ millions)	% change
2004	1.5	713	86%
2005	1.2	-369	-24%
2006	0.9	-236	-20%
2007	1.5	595	64%
2008	1.7	208	14%
2009	1.1	-647	-37%
2010	1.6	468	43%
2011	2.5	922	59%
2012	2.7	264	11%
2013	2.7	-12	-0.4%

Farmers: more risk

- More price & production risk
- Stricter borrowing requirements

Government: Volatile tax revenue

Rural communities: Stable ripple or multiplier effects

- Acres remain in production … despite price swings
- Operating expenses tied to cost of production, not commodity price
- Teeter-totter effect … Income of hay farmer up = income of dairy farmer down

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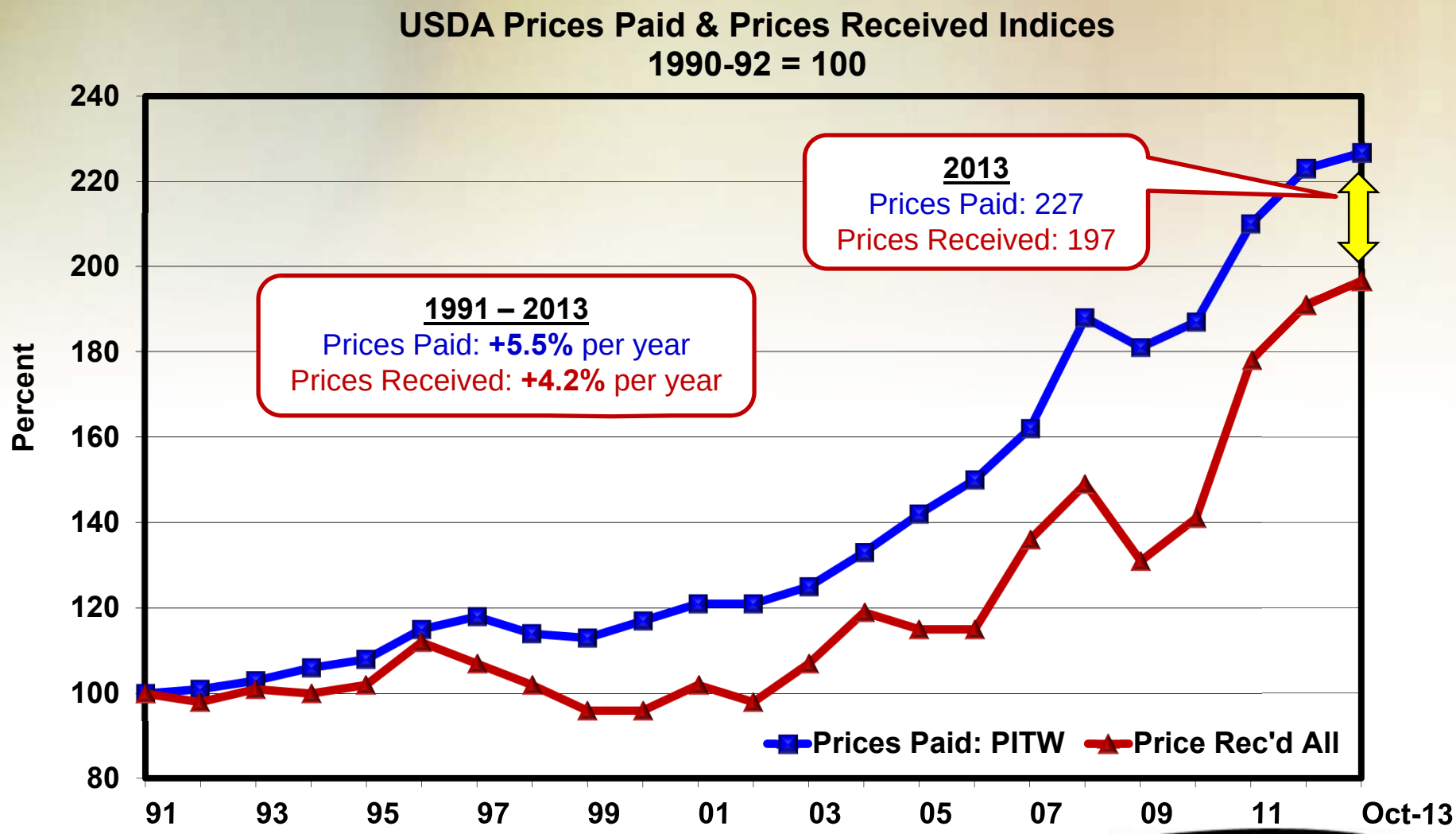
Farmers Feel the Cost-Price Squeeze



Source: USDA-ERS, University of Idaho

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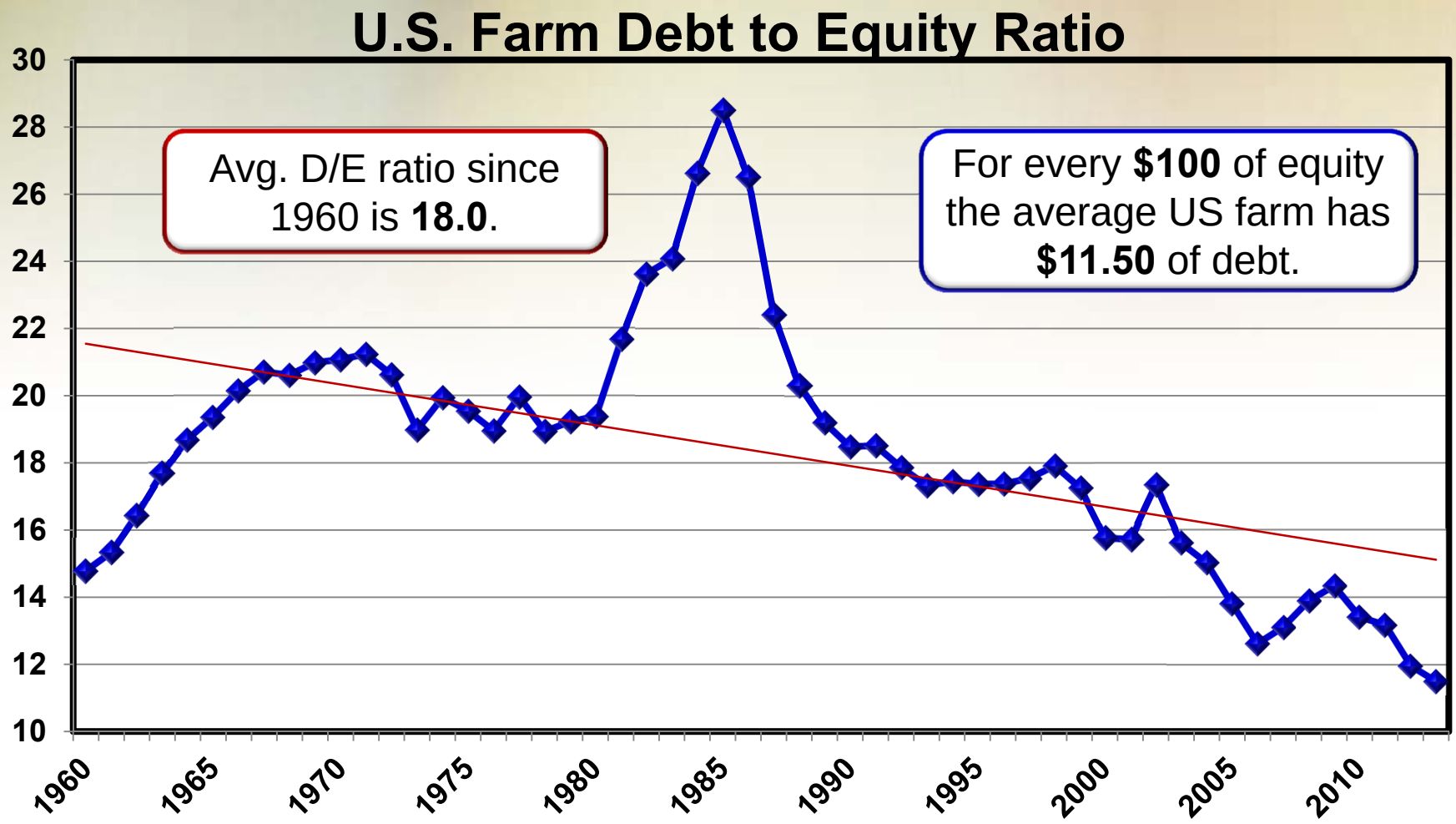
Farm Financial Health Improves



Source: USDA-ERS, University of Idaho

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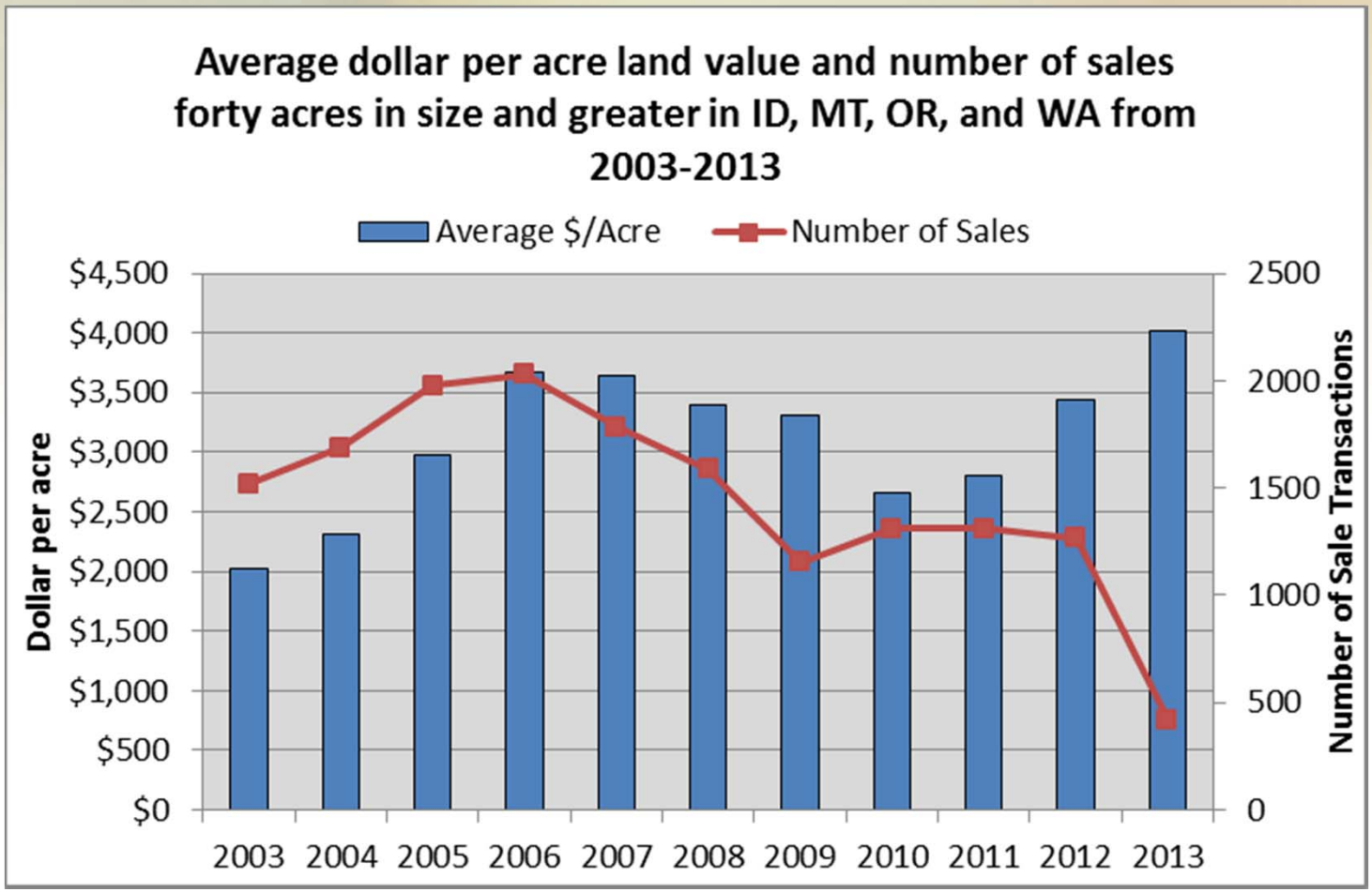
Northwest Land Prices Up … Sales Down



Source: Northwest Farm Credit Services

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What is Ag Business?

Suppliers to Farm and Processor

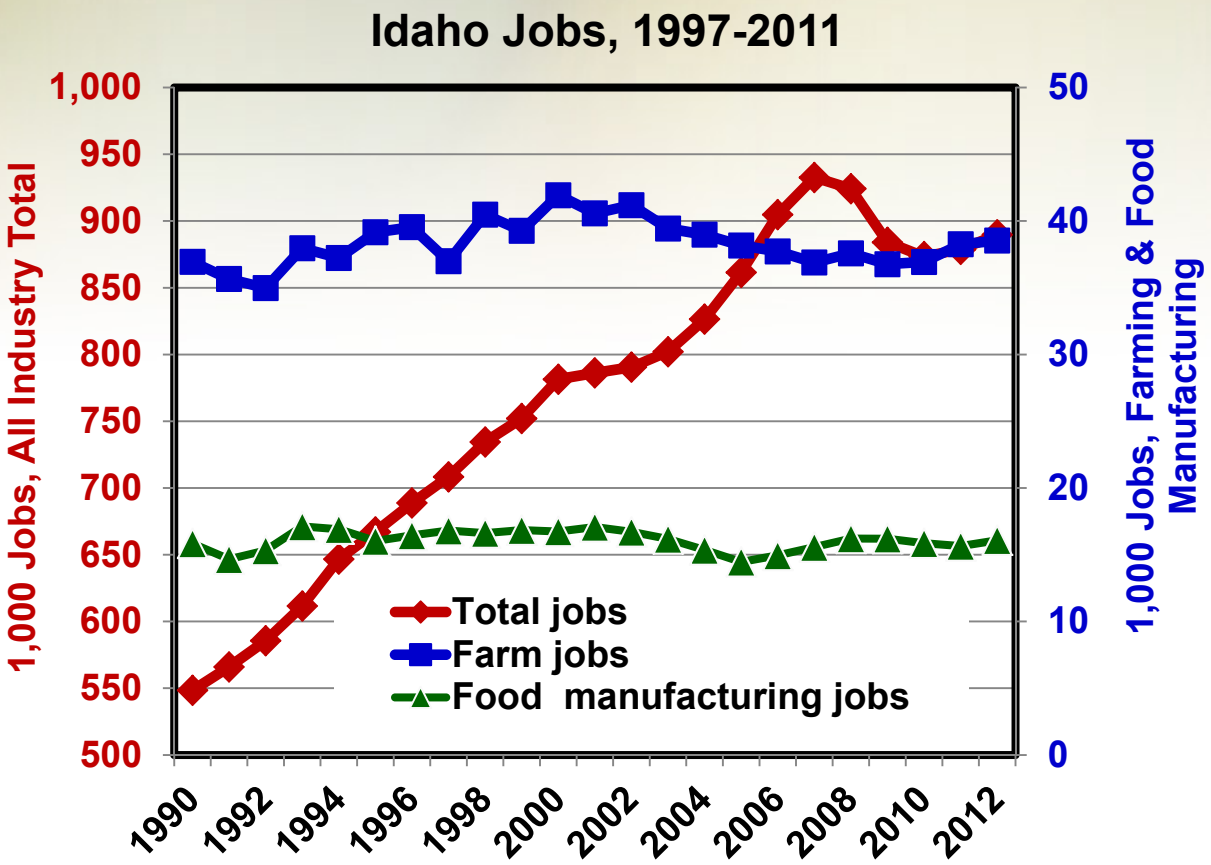
Backward Linked

Forward Linked

Ag Processors

- ***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)

Farming & Food Manufacturing = Steady Jobs



2012 jobs

- 38,537 farm jobs 4.3% Idaho total, 1% increase over 2011
- 16,087 food mfg jobs 1.8% Idaho total, 2% increase over 2011
- Farming is increasingly labor efficient.

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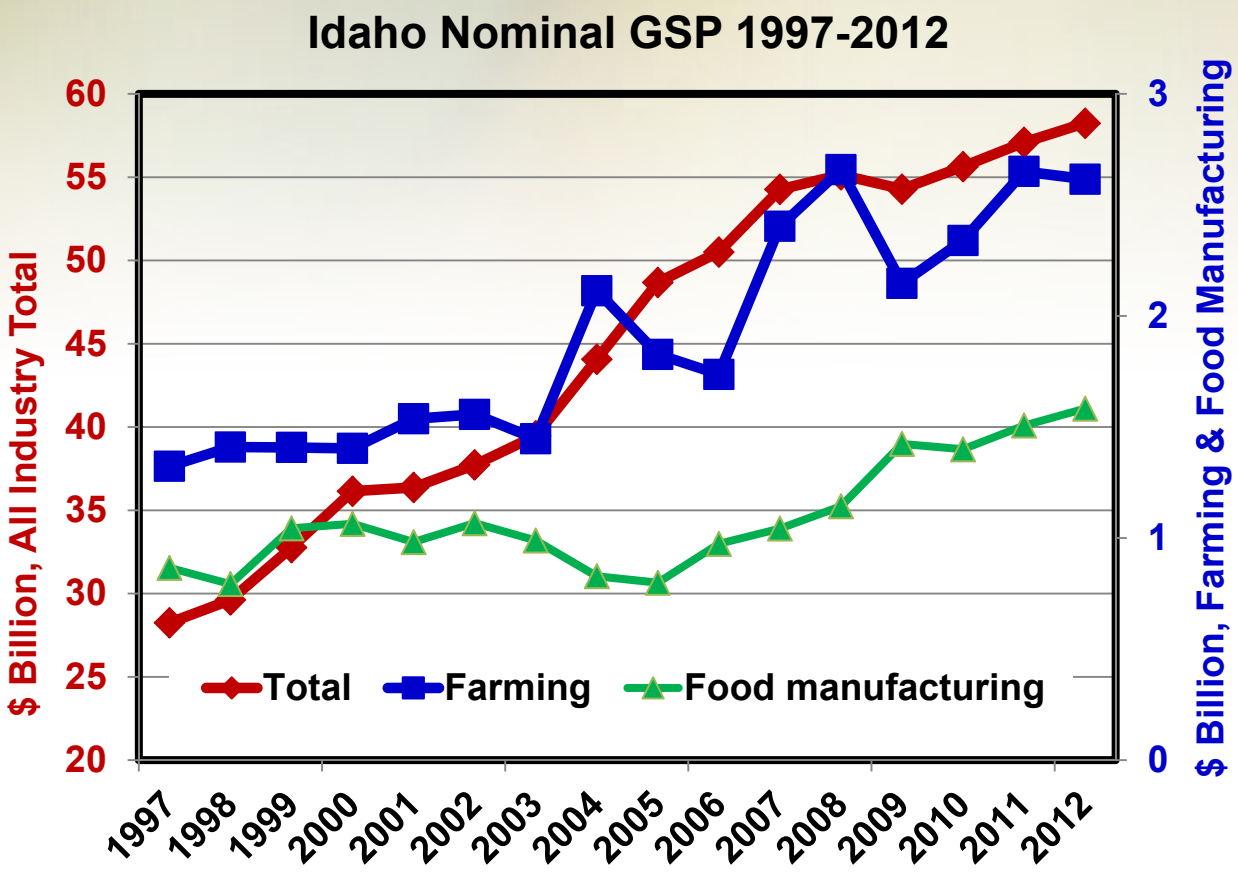
Idaho Farming & Food Manufacturing GSP



2012 GSP

- **Farming GSP** is forecasted to be $2.6 billion, 4.5% of Idaho GSP. 1% decrease over 2011
- **Food mfg GSP** is forecasted to be $1.6 billion, 2.7% of Idaho GSP. A 5% increase over 2011.

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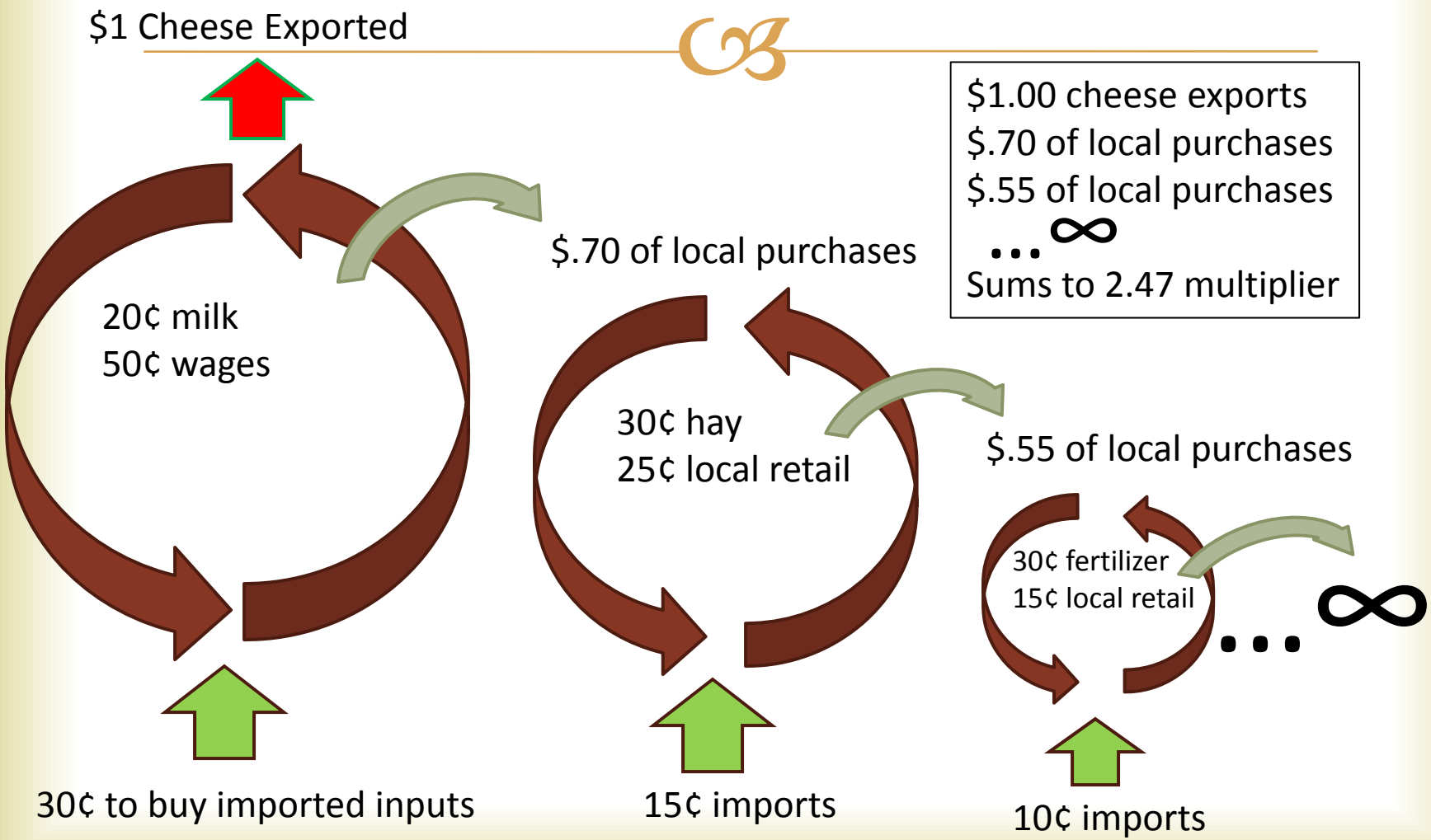
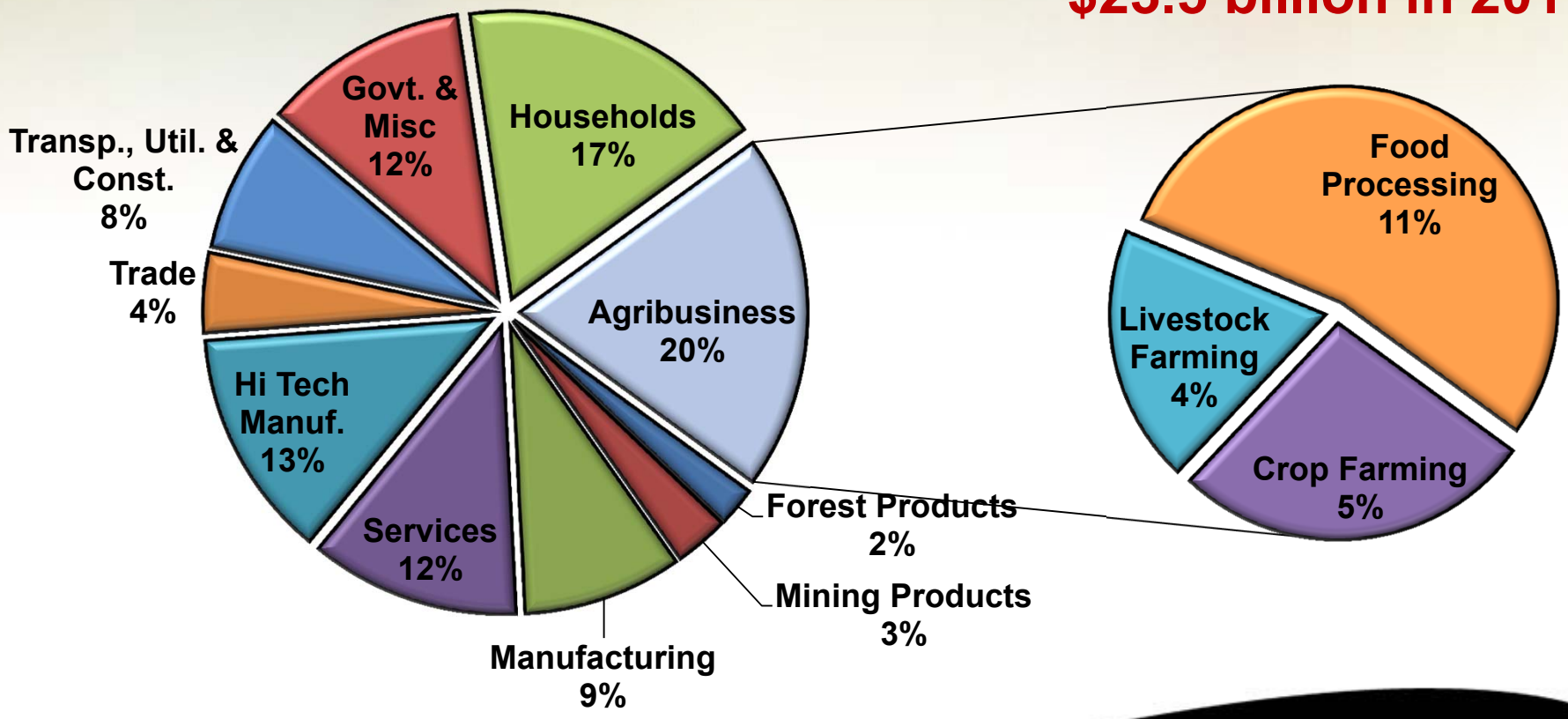
Multipliers: Exports at Work



AgBiz is Idaho Largest Industry …Base Sales

$23.5 billion in 2011



Source: Eborn and Taylor University of Idaho

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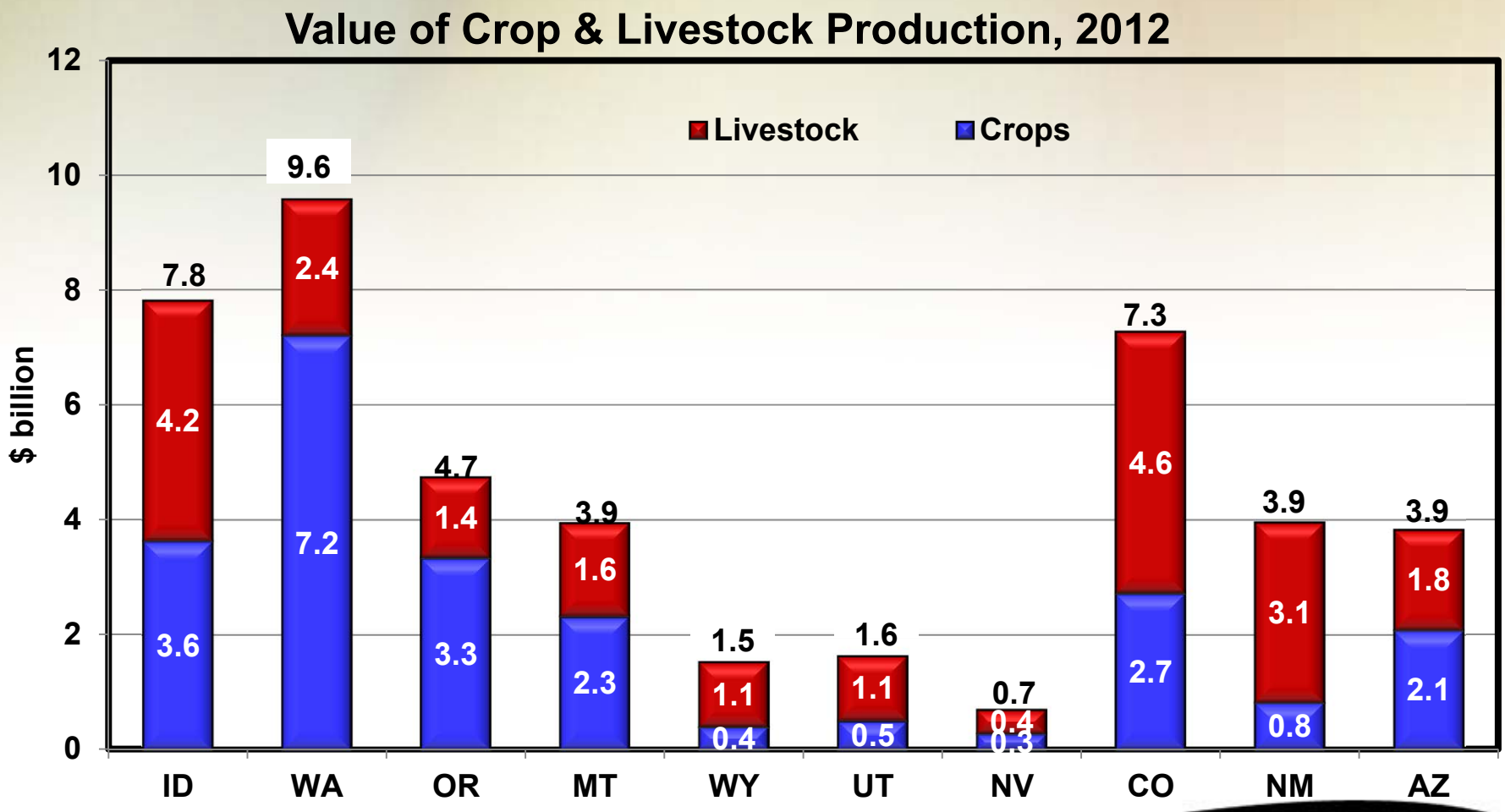
Idaho is 2nd largest Ag state in the West



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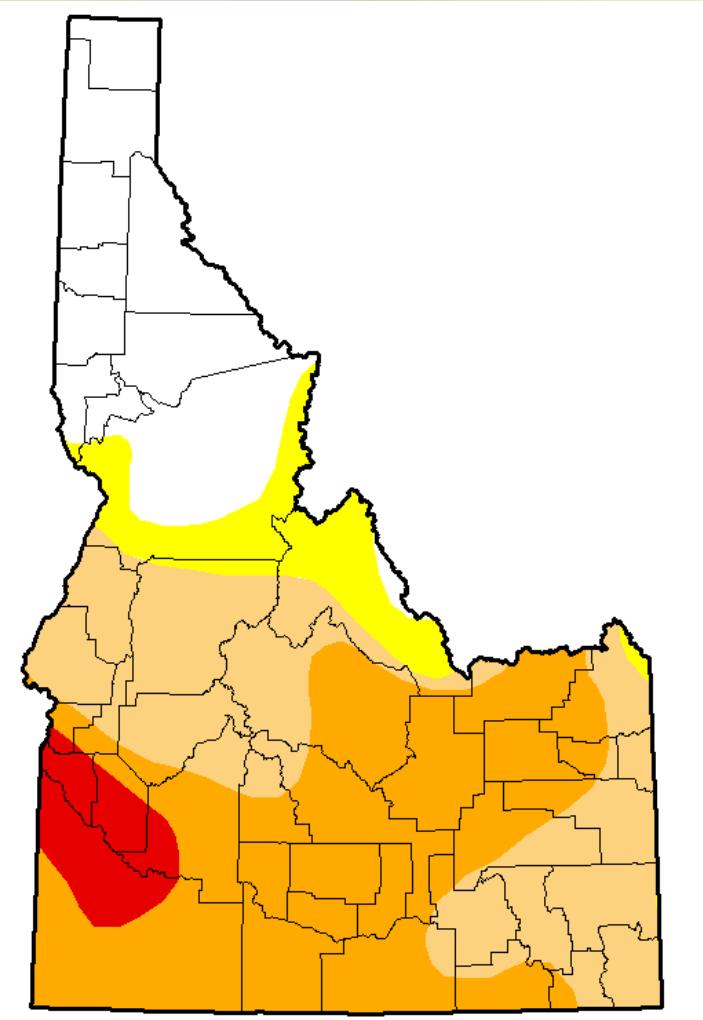
U.S. Drought Monitor

Idaho, December 3, 2014, NOAA



Intensity:

- Abnormally Dry
- Moderate Drought
- Severe Drought
- Extreme Drought

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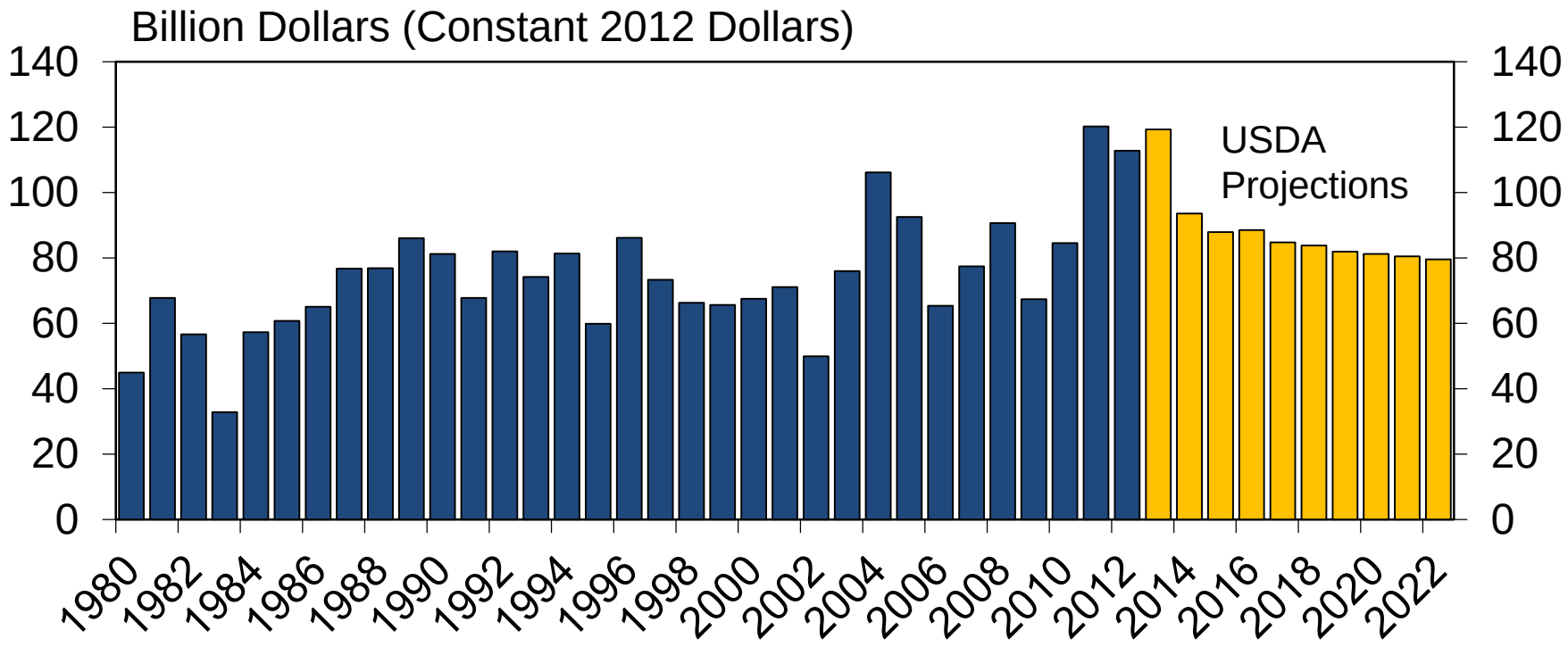
Idaho International Ag Exports

- 2013 Sept. $740 million (8% increase)
- Idaho Top Ag exports
  - Dairy 32%of total ag imports
  - Potatoes 16% of total ag exports
- Top export destination
  - Canada $153 million
  - Mexico $124 million
  - China $74 million

Farm incomes are projected to drop sharply in 2014.

U.S. Real Net Farm Income



Source: USDA

Outlook, 2014 and Beyond

National & International

- **Exports**
  - Long run driver -- exports.
  - China surpassed Canada as the leading importer.
  - Continued weak dollar equals cheap US exports.
- **Ethanol**
  - Ethanol demand leveling off.
- **Monetary**
  - Rising interest rates
  - Farm income is sensitive to interest rates.
- **Farm bill** –
  - Idaho will lose $50 million in program payments.
  - Insurance will replace price supports.
- **Drought** – national and international impact.

Idaho

- 2014 water shortages?
- Changing demand from Idaho food mfg
  - Consolidation of potato processing
  - Choibani expansion is not yet over
- Changing demand from what we export
- Land prices and land rents will increase.
- **Is this farm boom different?**
  - **Falling farm income -- USDA forecasts a 20 to 25% drop in 2014 farm income**
  - **Rising interest rates**
  - **High equipment expenditures**
  - **Record land prices**
  - **Flat ethanol demand**
  - **Weaker export demand**
  - **Clean balance sheet**
  - **Borrowing against assets vs income**
- **Projection – ID Ag income unchanged.**

Questions?