# Financial Condition of Idaho Agriculture – 2016

*JFAC Outlook Committee*

*GARTH TAYLOR AND BEN EEORP*

**January 5, 2017**

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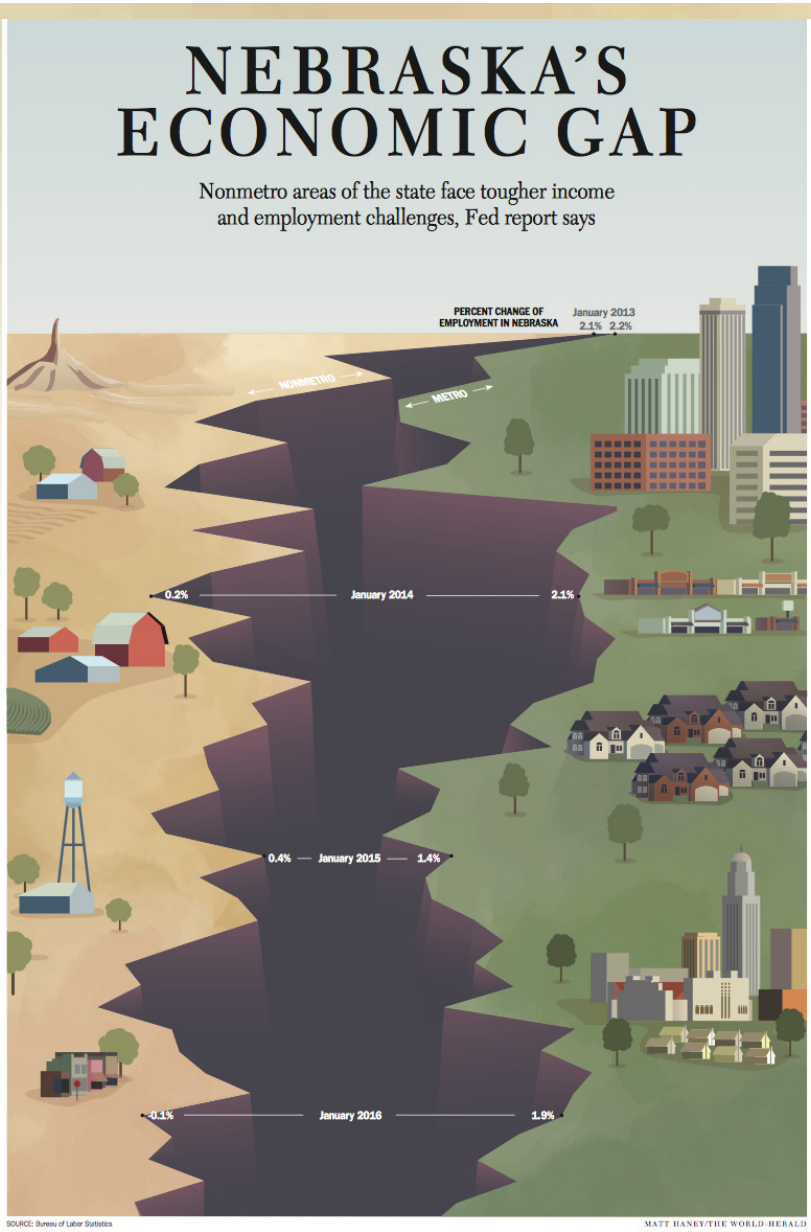
Idaho economy

Western states

Idaho businesses

# AG'S IMPORTANCE TO IDAHO

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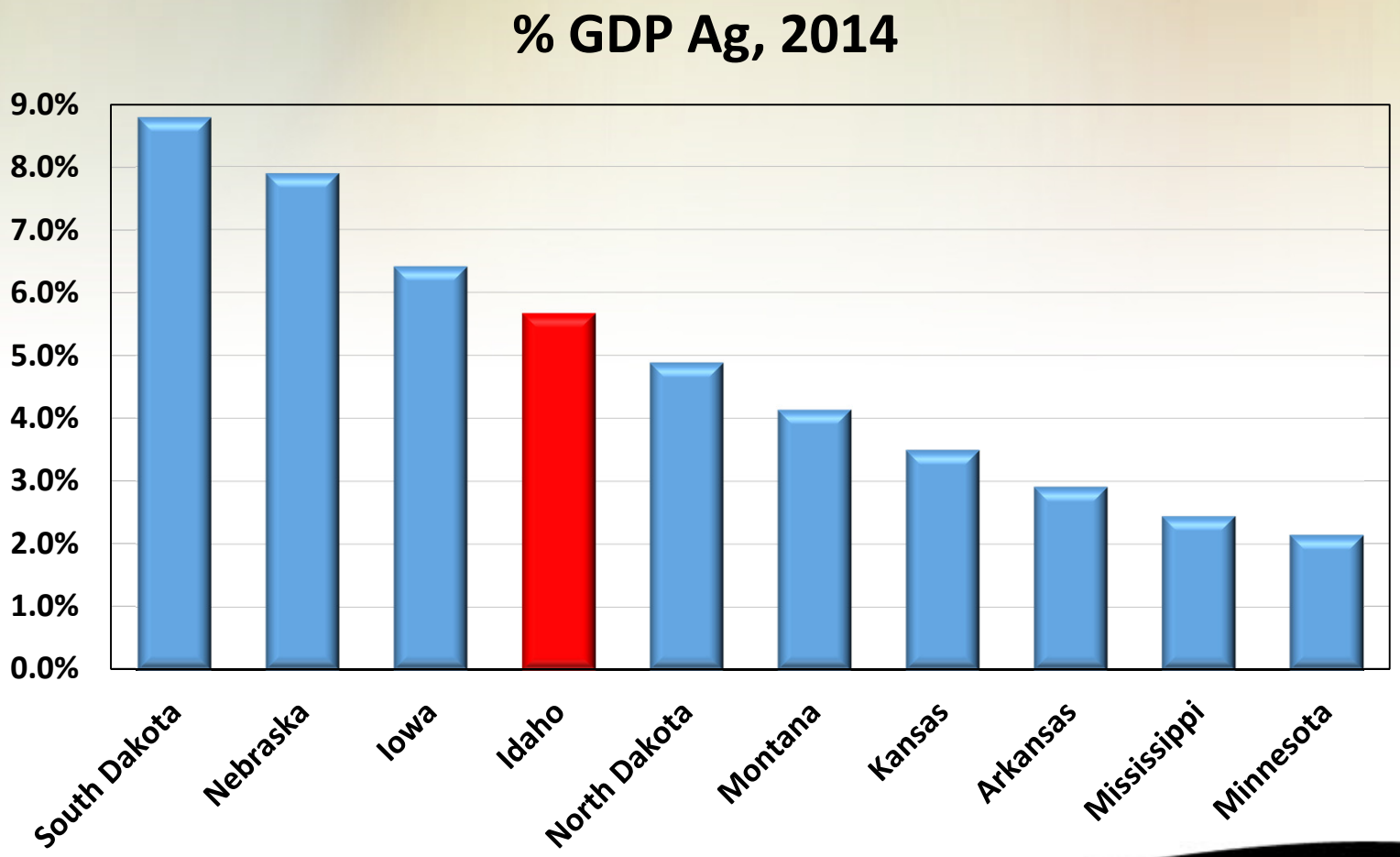
# Idaho has the 4th largest Ag state economy

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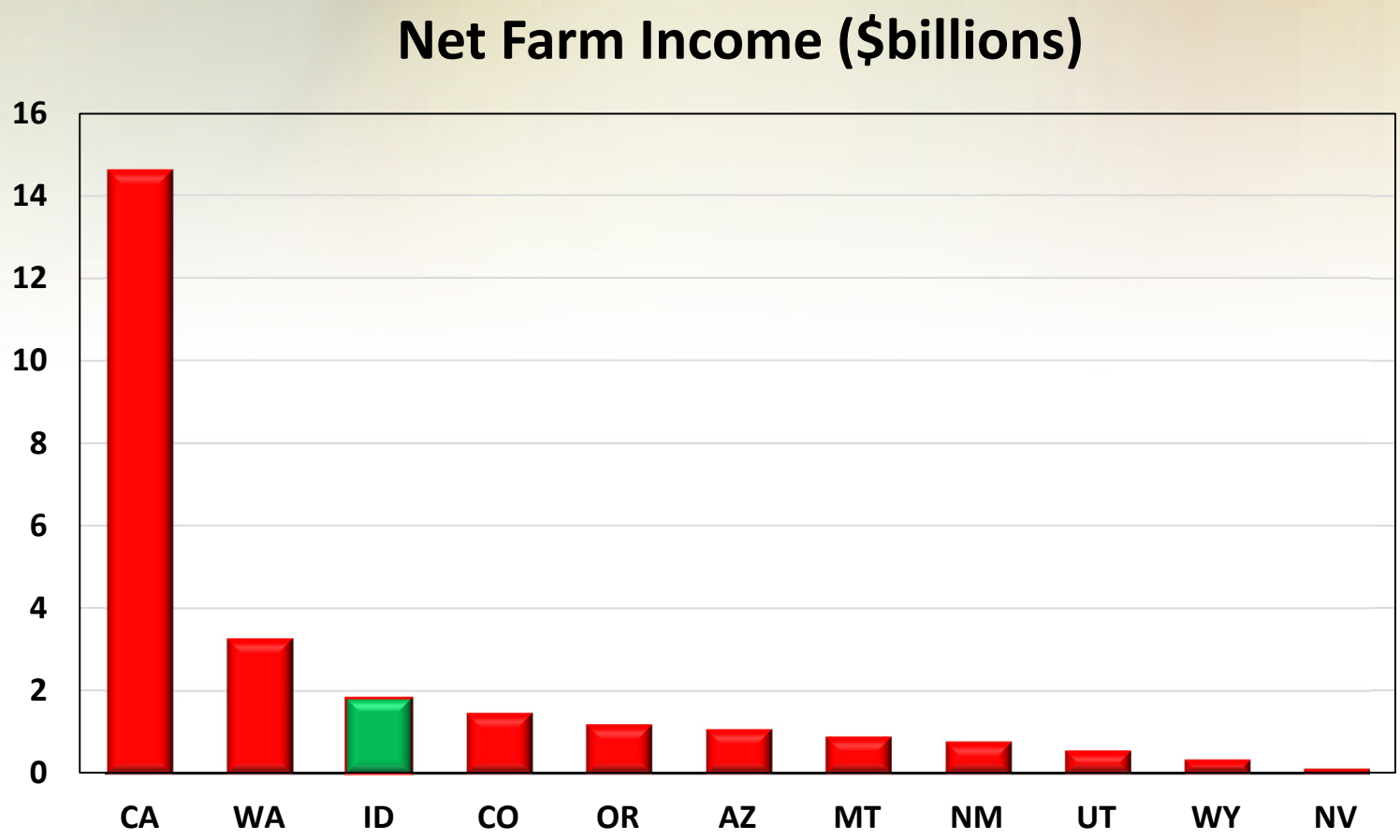
# Idaho ranks 3rd in net farm income

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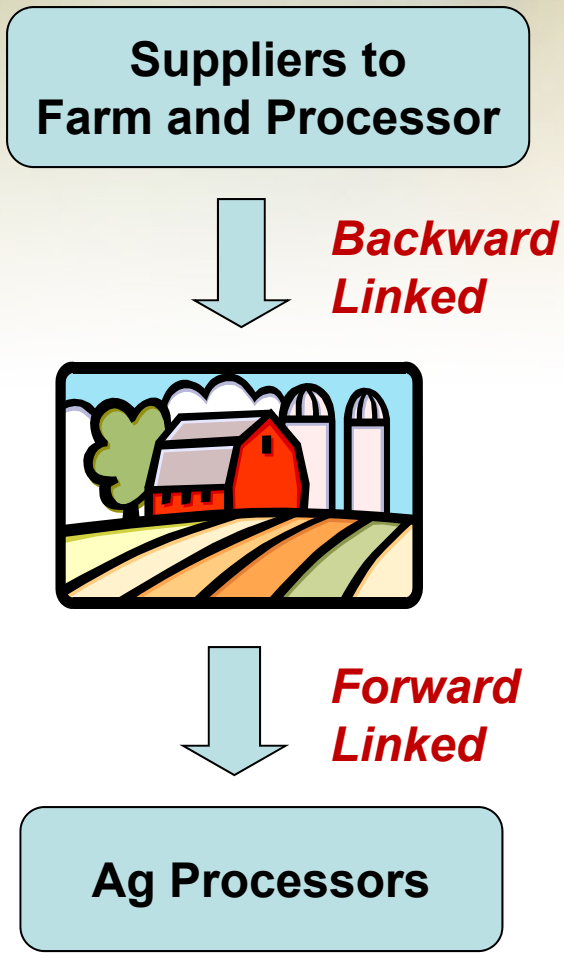
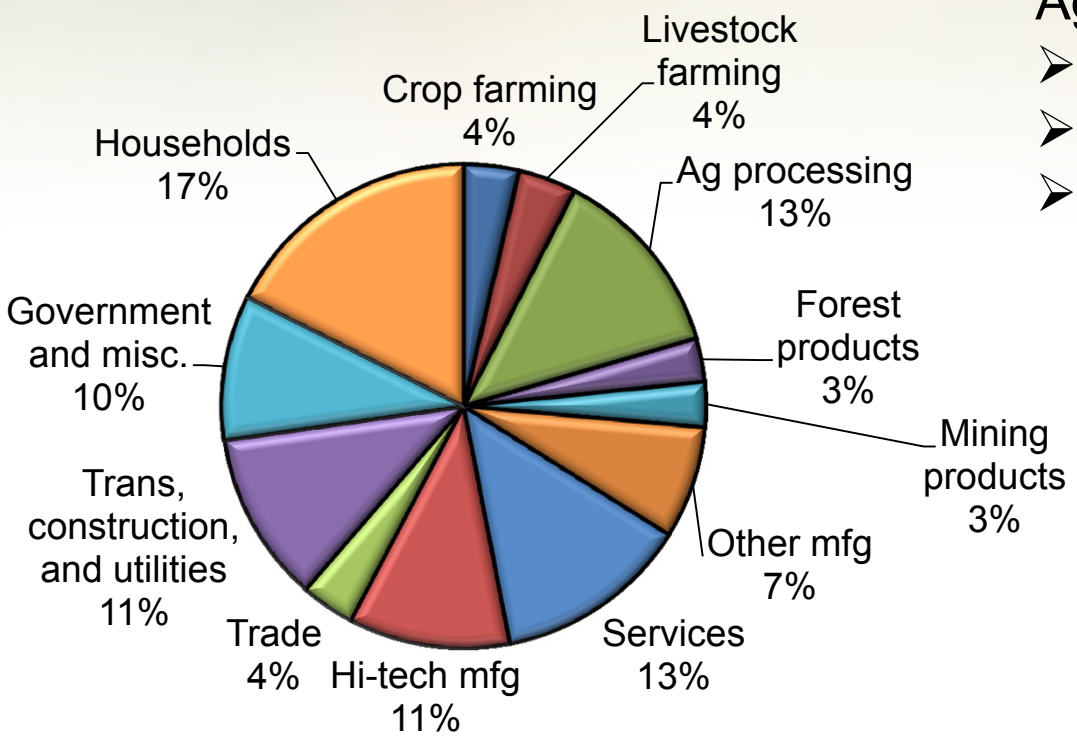
# What is Ag Business?




- ***What is Ag Business ?***
  - Middle link (the farm)
  - Backward links (suppliers to farms & processors)
  - Forward links (processors)
- ***Contribution measures:***
  - ***Accounting.***
  - ***Base economy.*** driven exports (new money in economy)

# Multiplier effects…AgBiz Idaho's largest industry

## Idaho base output by sector of the Idaho economy, 2013




Source: Taylor & Eborn University of Idaho

AgBiz multiplier effects

- 20% of output or sales
- 14% of jobs
- 16% of GDP

Idaho 2016 cash receipts

Idaho versus U.S.

Cash recipient growth

Government payments

# FARM GATE CASH RECEIPTS

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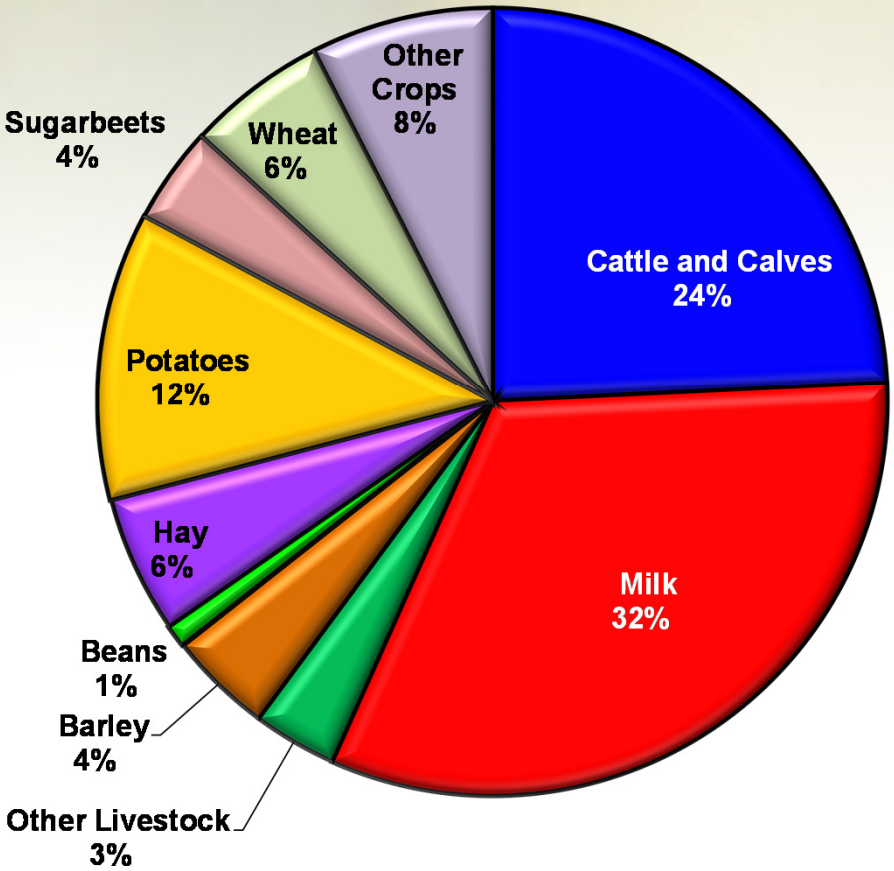
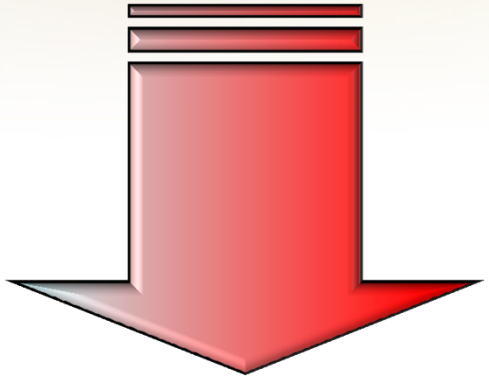
# Back to 2011 – 2016 cash receipts drop 4%

## Idaho Cash Receipts, 2016




Source:2016 University of Idaho

**$7.5 billion, 2015**



**$7.2 billion, 2016**

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# Cash Receipt Ups & Downs

**Crops $2.9 billon, ↓2%**

**Potatoes: ↓2%**
**Barley: ↑16%**
**Dry Beans: ↓9%**
**Wheat: ↓11%**
**Sugarbeets: ↑2%**
**Hay: ↓8%**

**Livestock $4.3 billion, ↓5%**

**Cattle & Calves: ↓11%**
**Milk: ↓1%**

Source: University of Idaho

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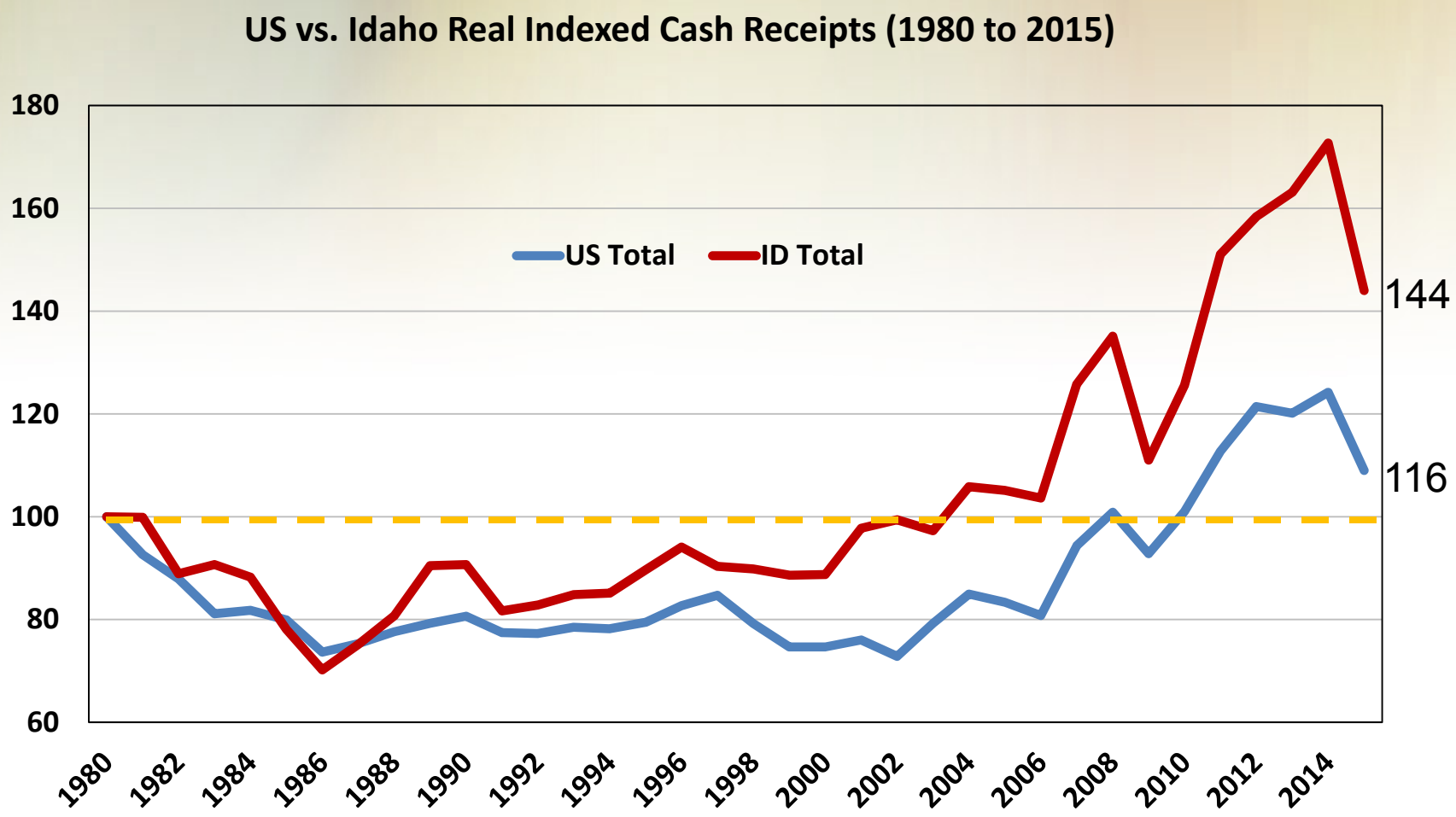
# US vs Idaho indexed real total cash receipts… Idaho out strips US over 30%




Source: USDA-ERS, 2016 University of Idaho

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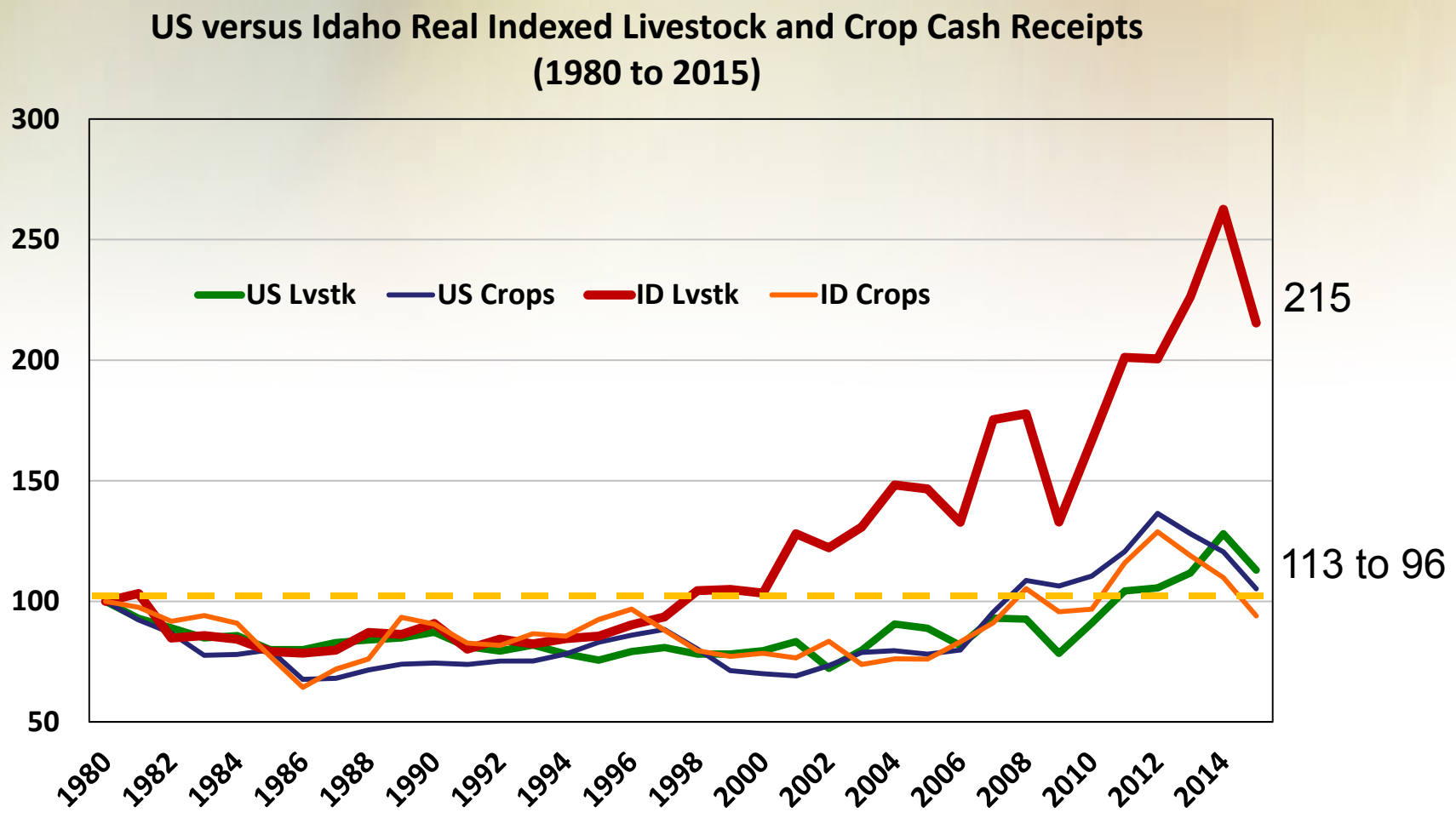
# US vs Idaho indexed real cash receipts… Idaho livestock is the super star!




Source: USDA-ERS, 2016 University of Idaho

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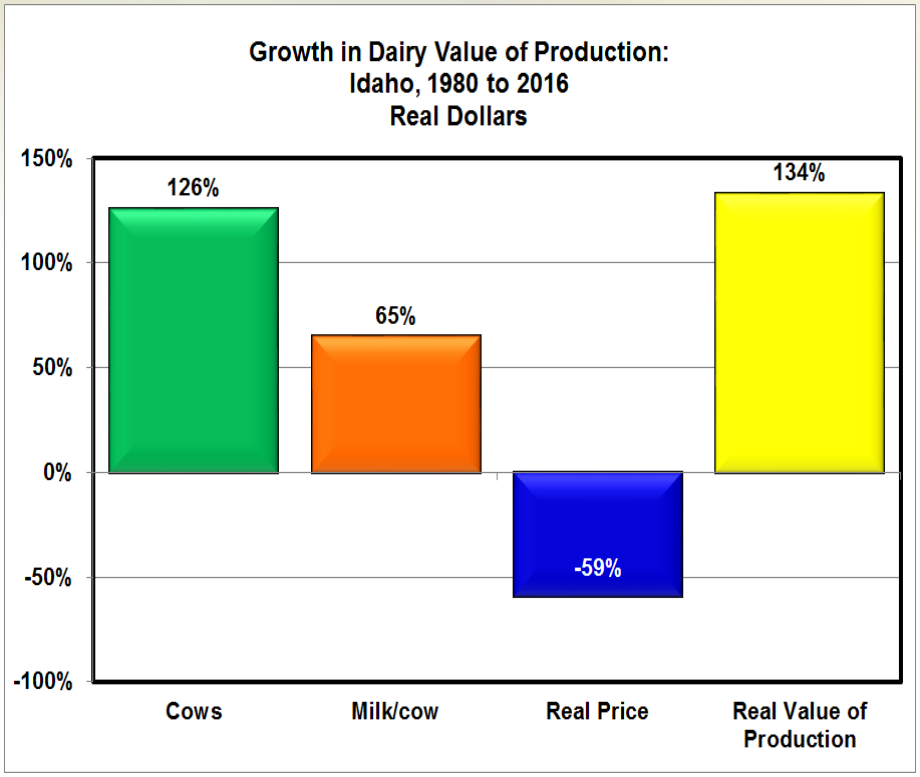
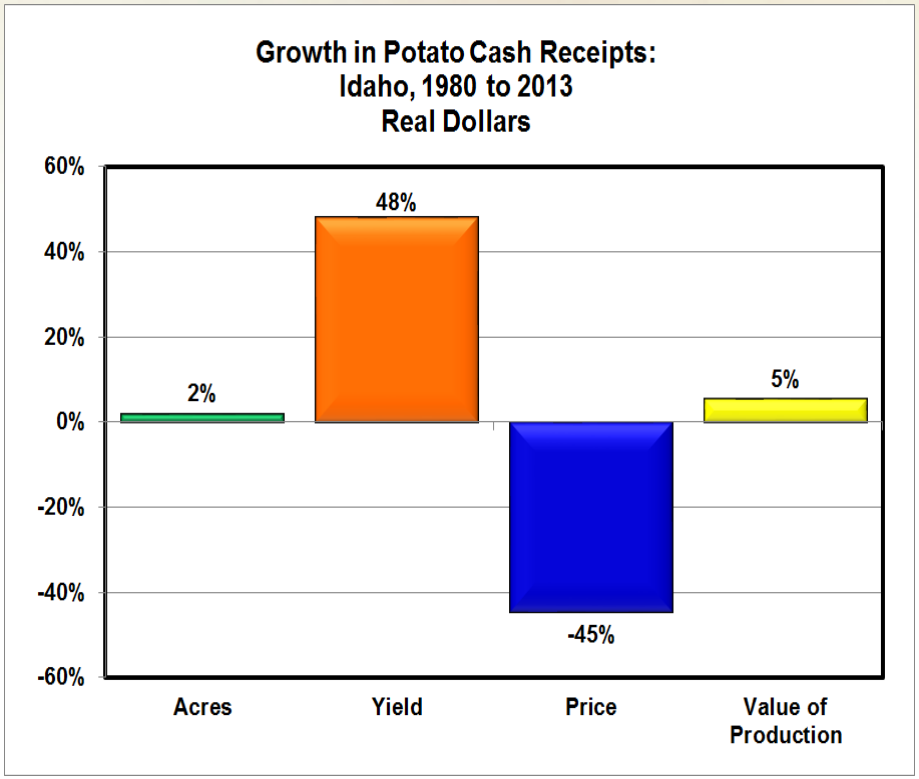
# Cash receipts growth comes from production not price growth

## Dairy




## Potatoes




Source: University of Idaho

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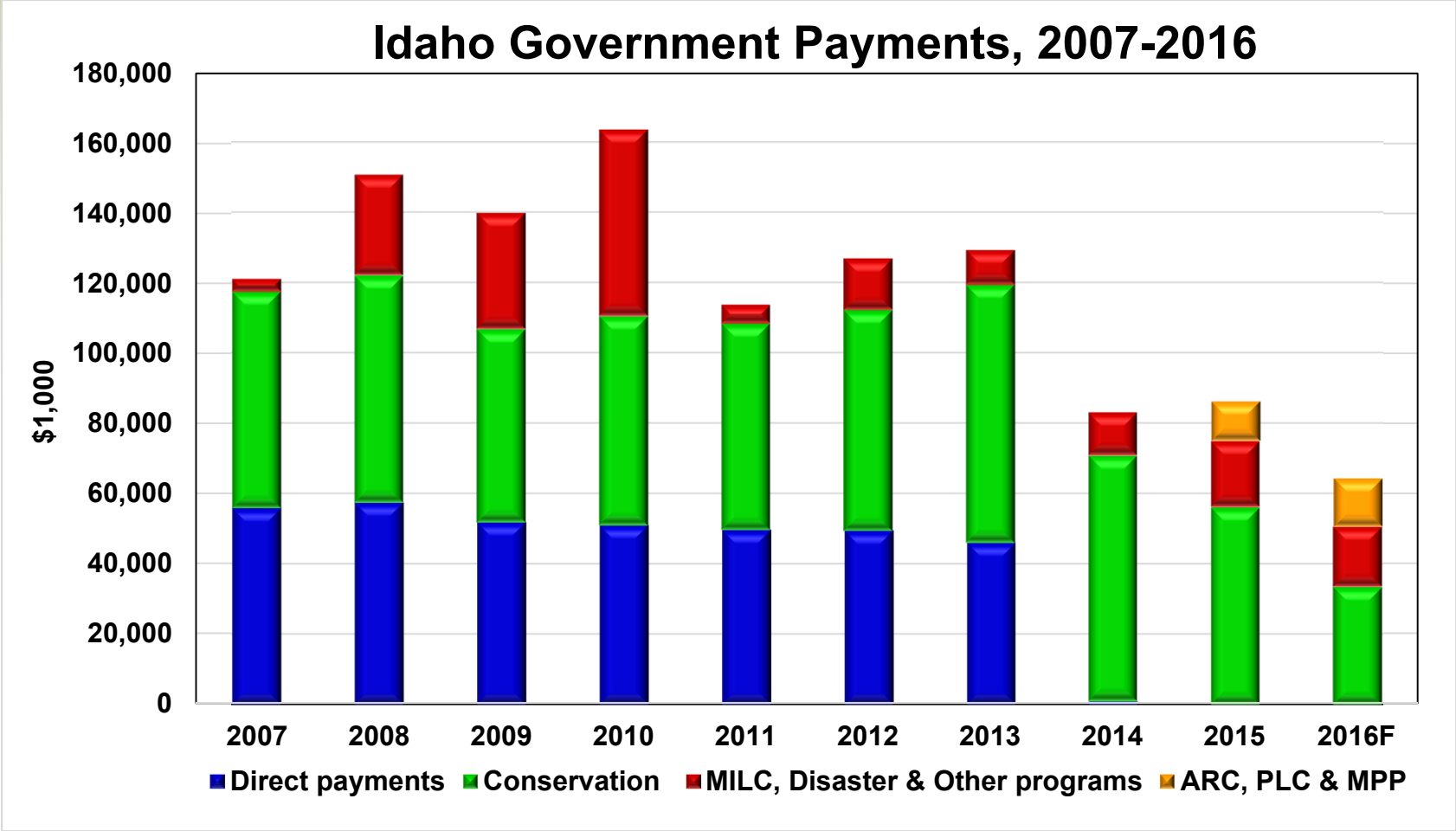
# Close to 70% of Idaho government payments are conservation




Source: USDA-ERS, 2015 University of Idaho & FSA

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Idaho 2016 net farm income

Idaho versus U.S. net farm income

# NET FARM INCOME

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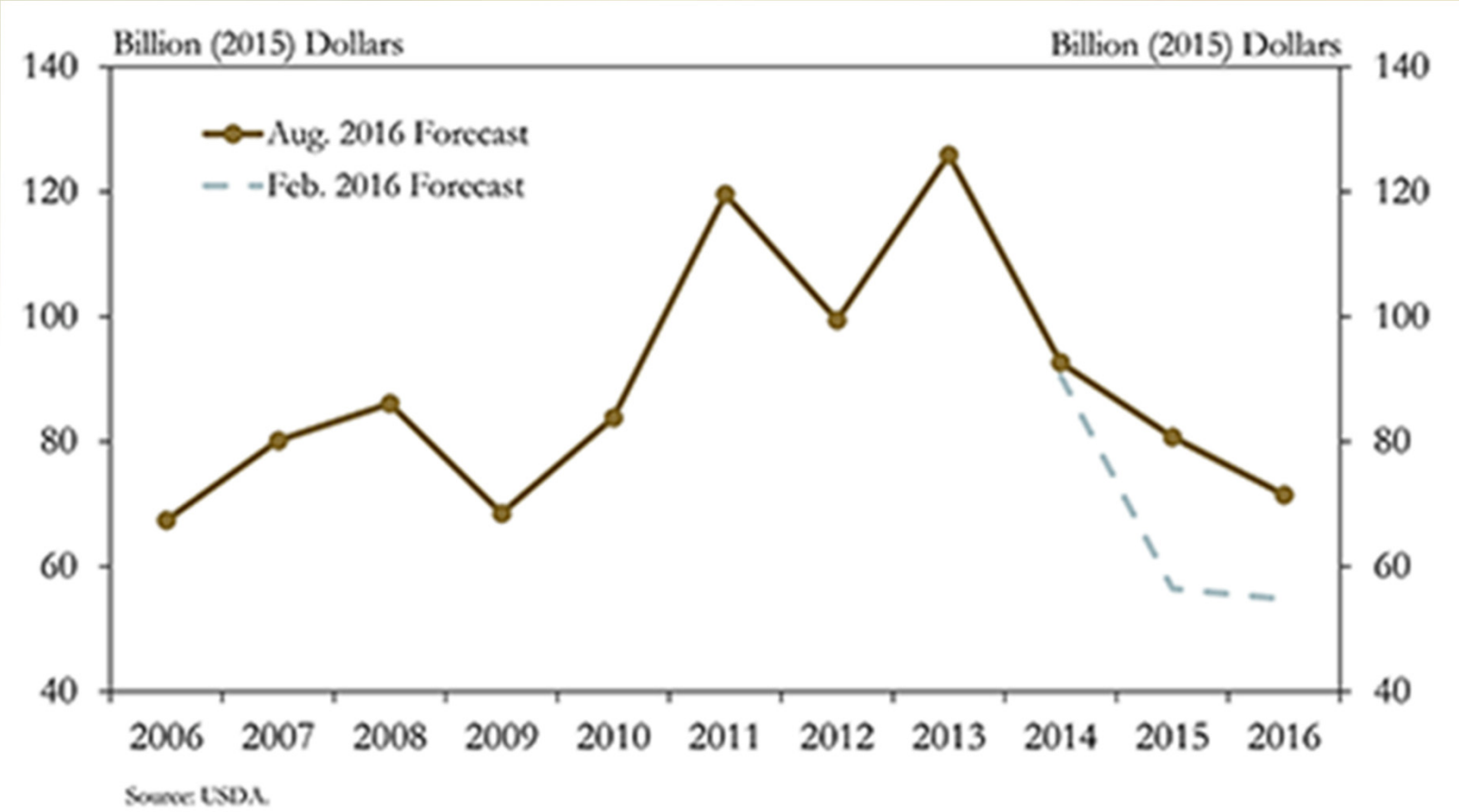
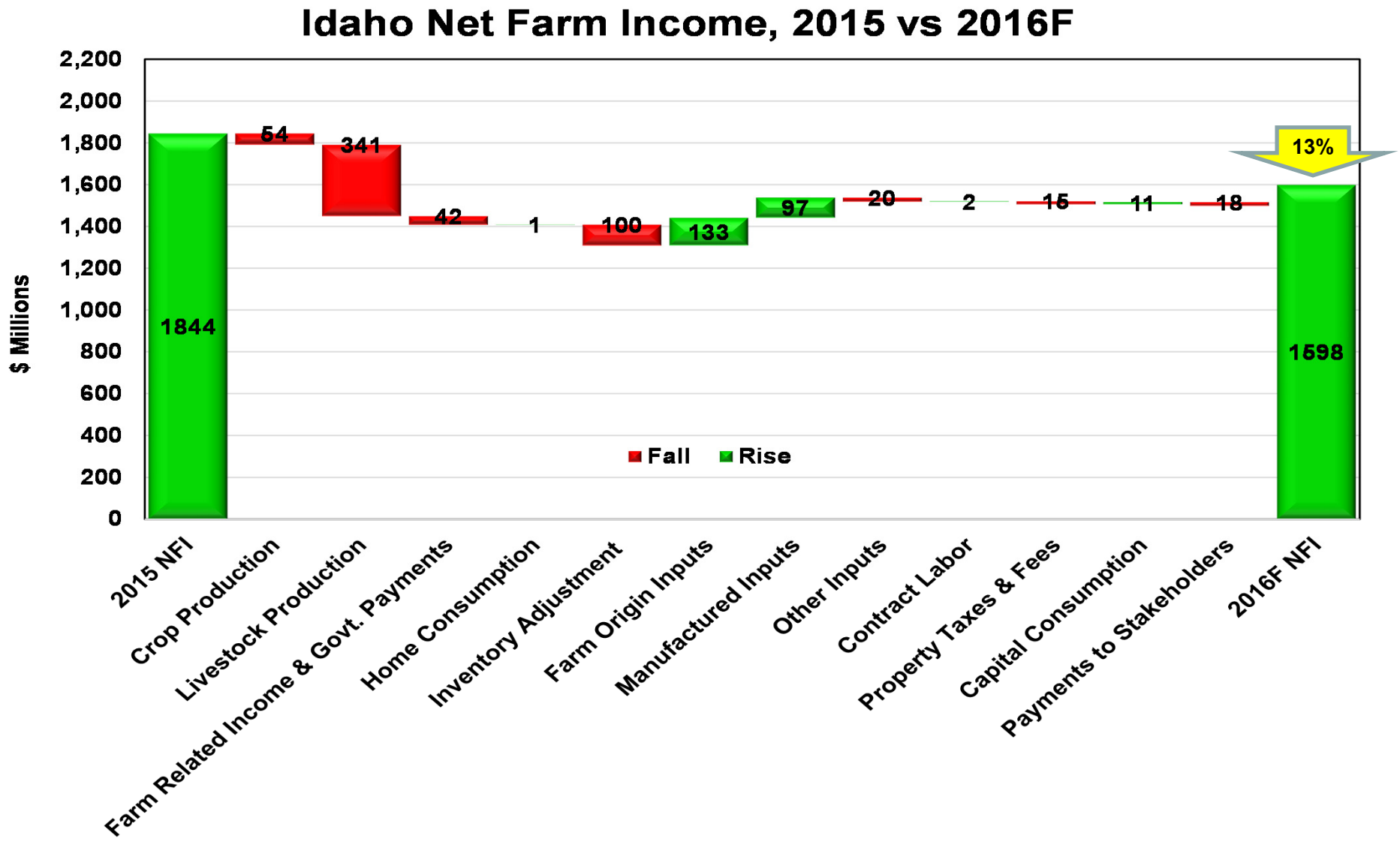
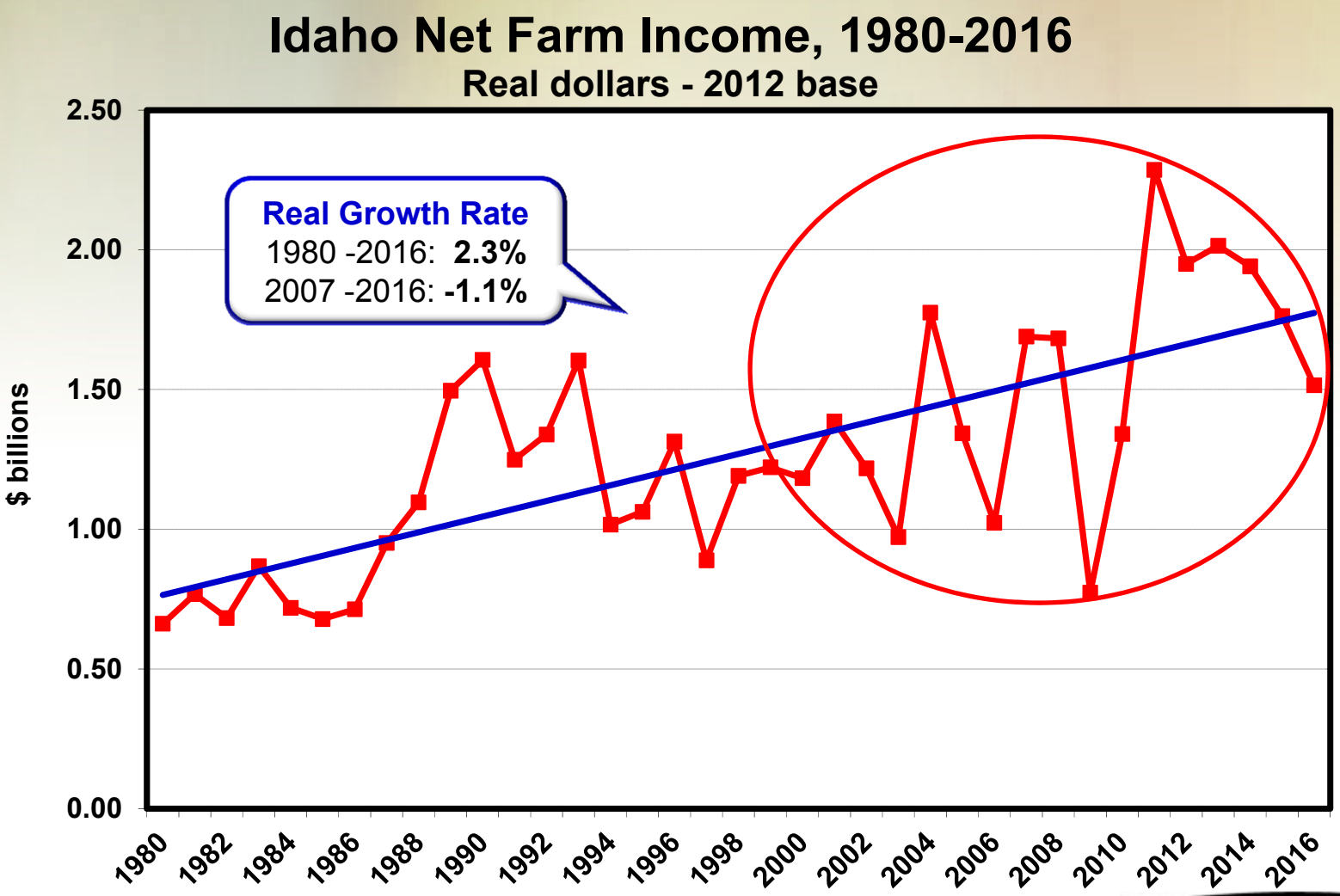
# USDA under estimated US farm income



# 2016 Idaho net farm income dropped 13%; -5% in total revenues coupled with -3% in expenses



# Idaho net farm income returns to 2-3% growth




Source: USDA-ERS, 2015 University of Idaho

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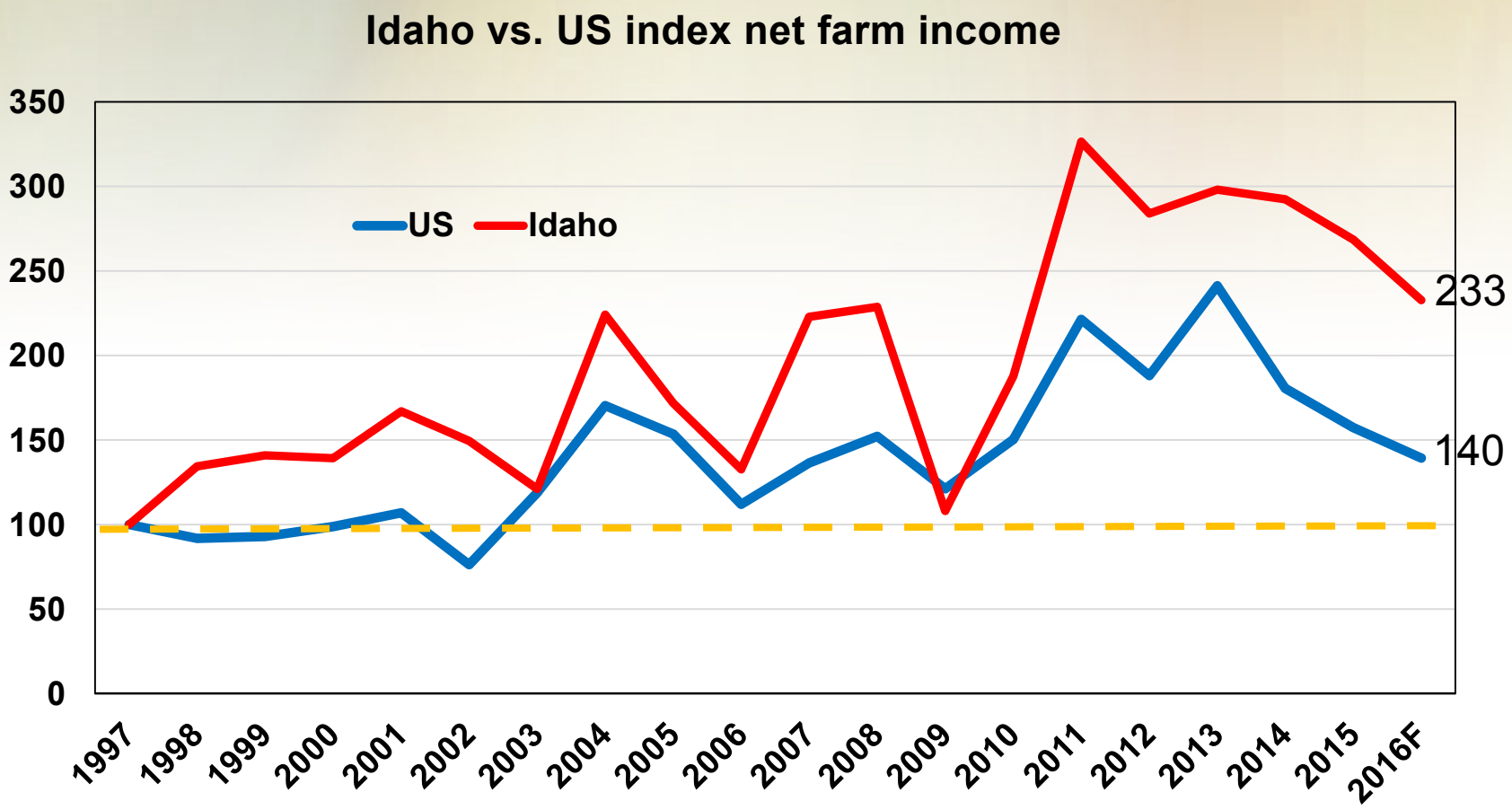
# Idaho real net farm income has grown twice as fast as the nation

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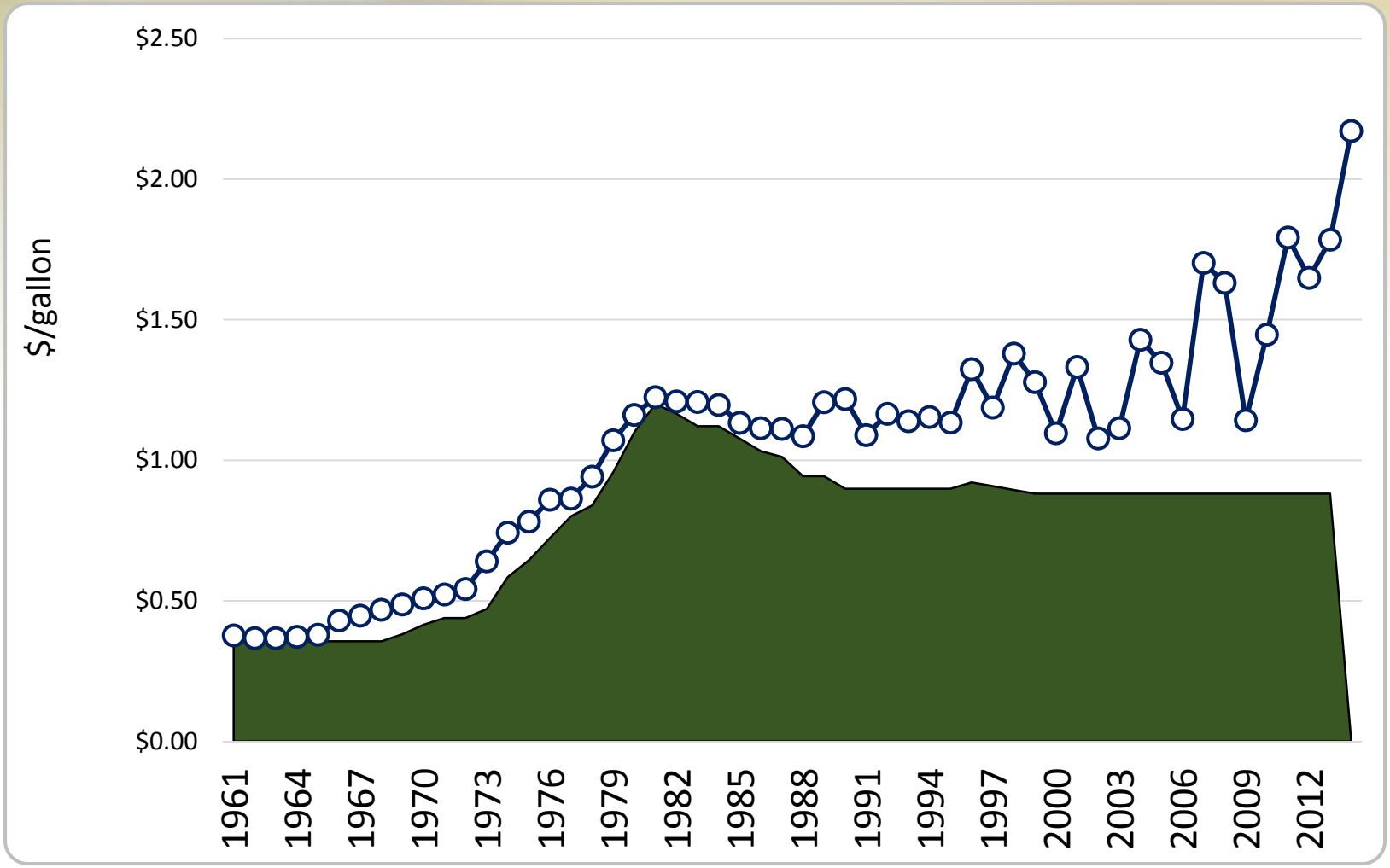
# Why the Volatility?
# U.S. Farm-level Milk Prices, 1961-2014




Source: Bozic U. of MN

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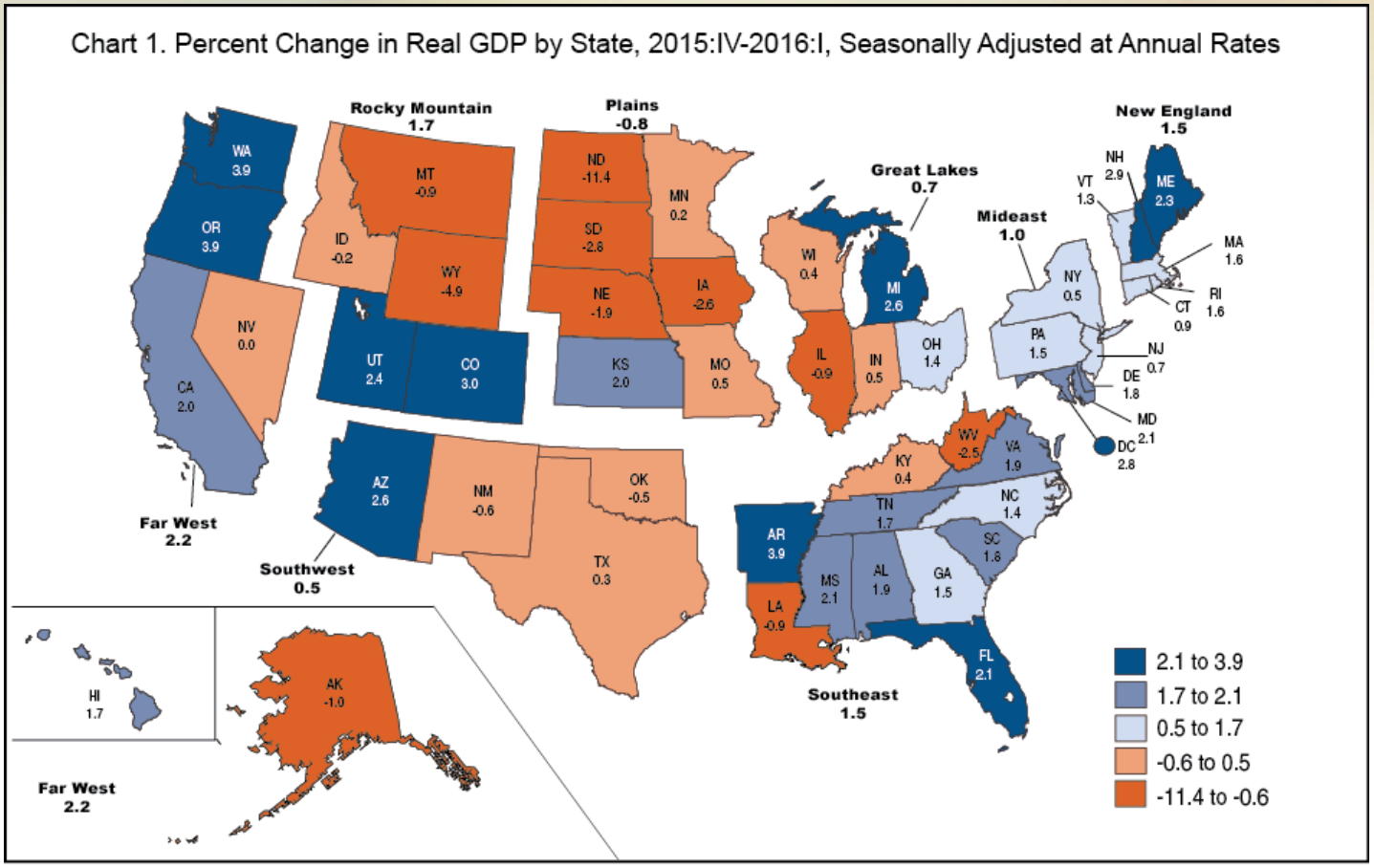
Idaho farm GDP versus Idaho total GDP

Idaho versus U.S. net farm income

Idaho farm and food manufacturing jobs

# FARM GROSS DOMESTIC PRODUCT AND JOBS

# First quarter 2016 Idaho GDP goes negative (-0.2%), lead by Ag 1.4% drop ….. OOPS revised to +3.0% total

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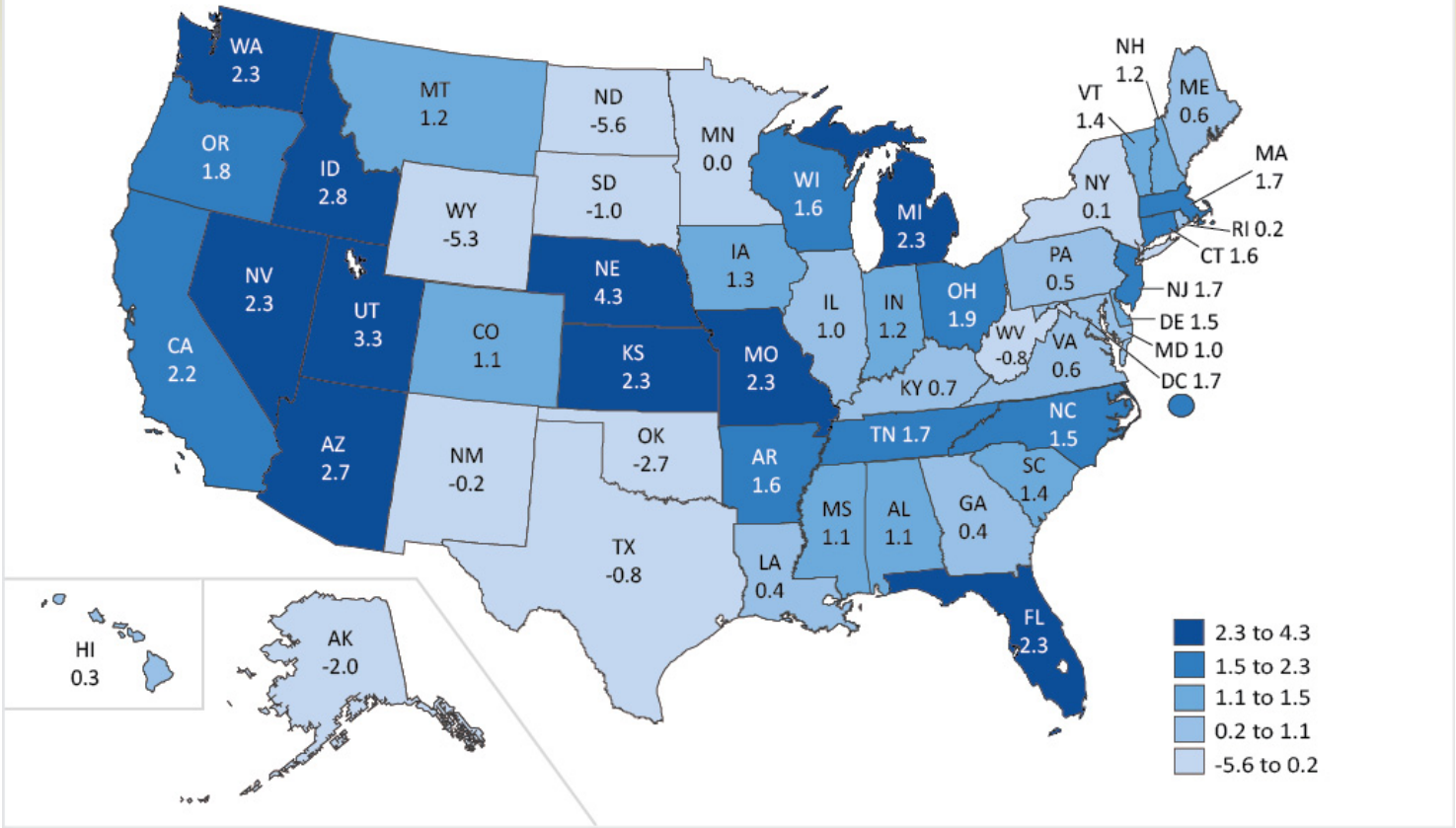
Second quarter 2016, Idaho GDP goes positive (+2.8 third highest in the US), lead by increase in Ag of 1.53%

Chart 1. Percent Change in Real GDP by State, 2016:Q1–2016:Q2, Seasonally Adjusted at Annual Rates

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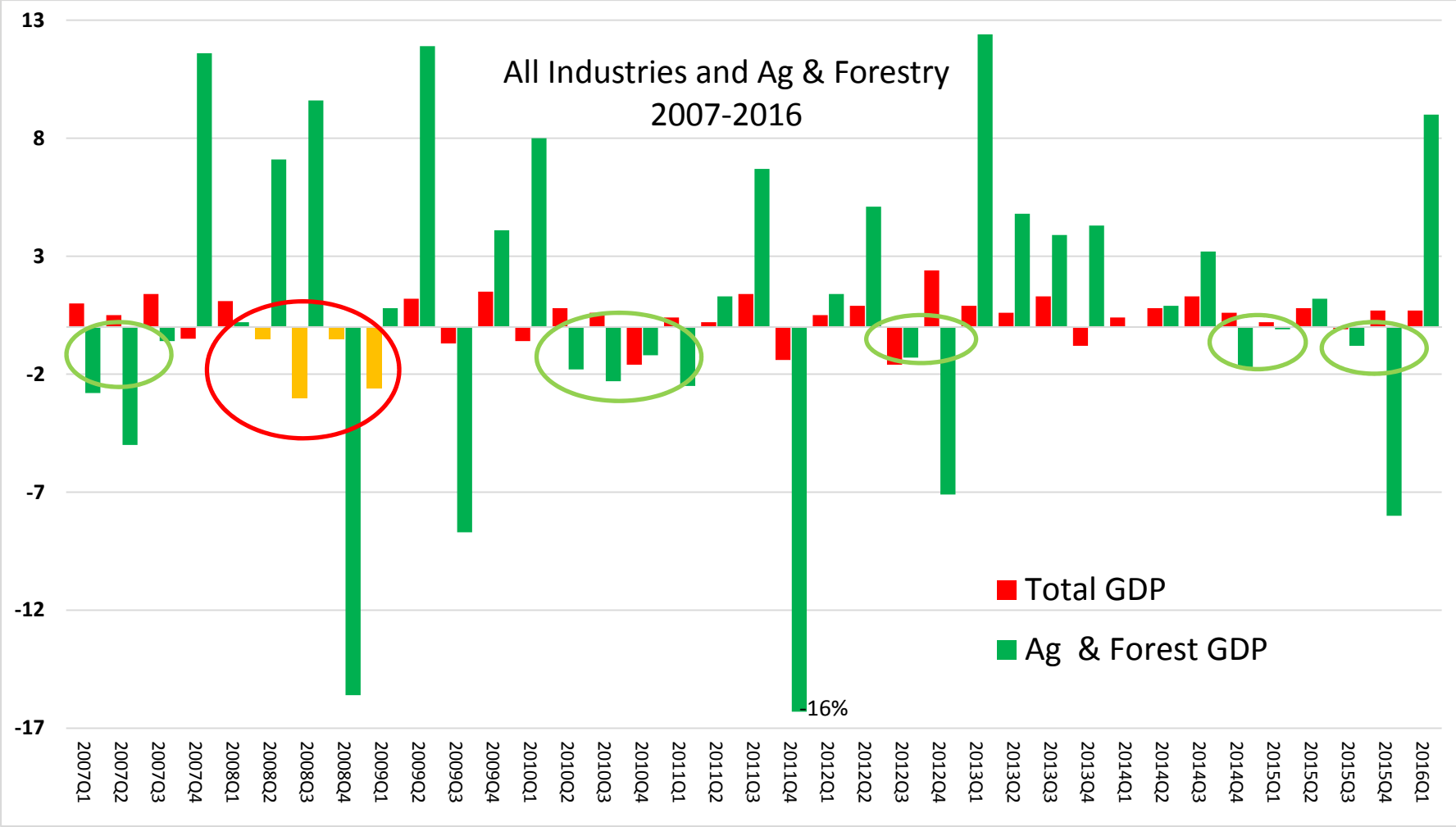
# Quarter to quarter Idaho GDP % change

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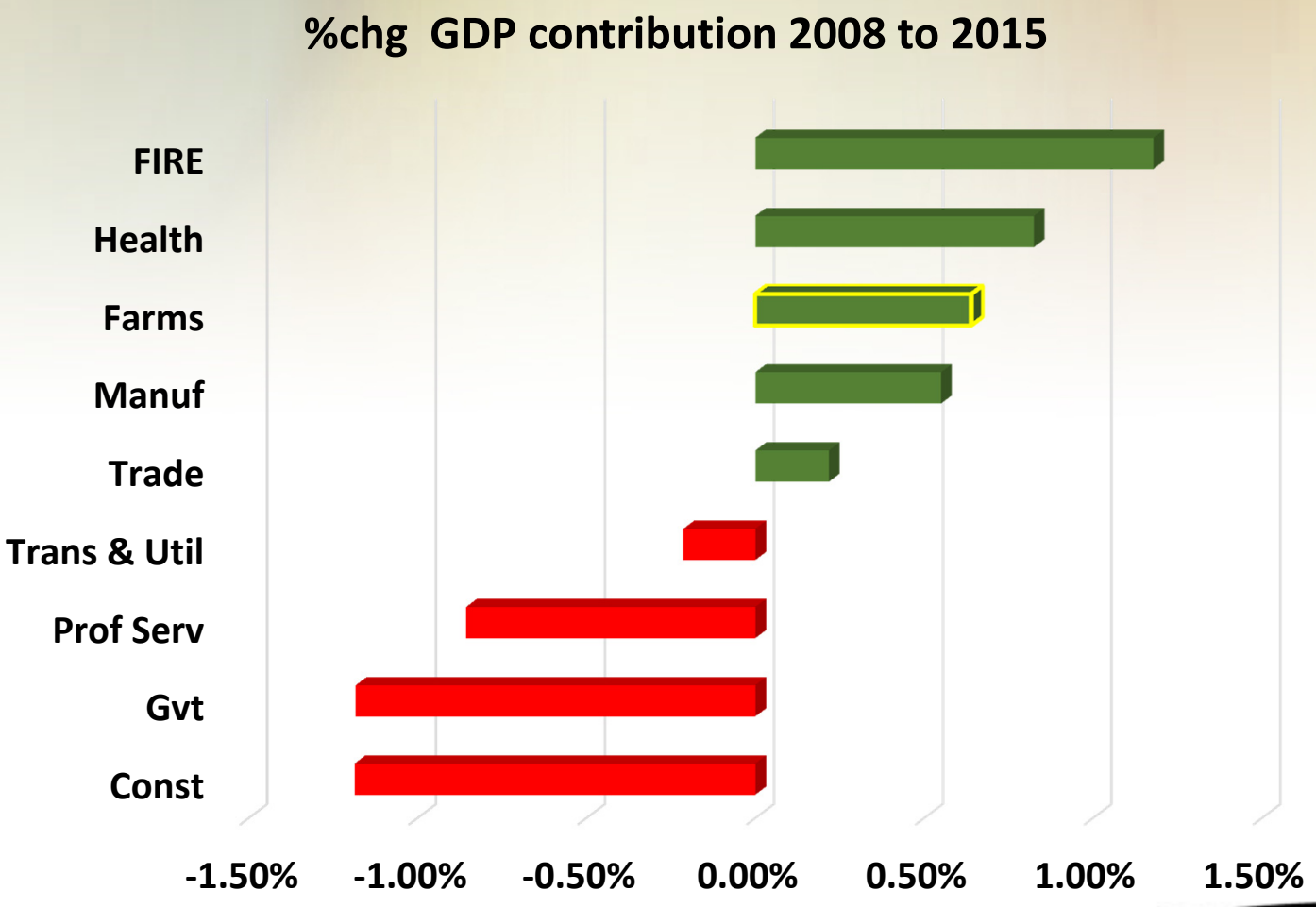
# Going forward from the recession

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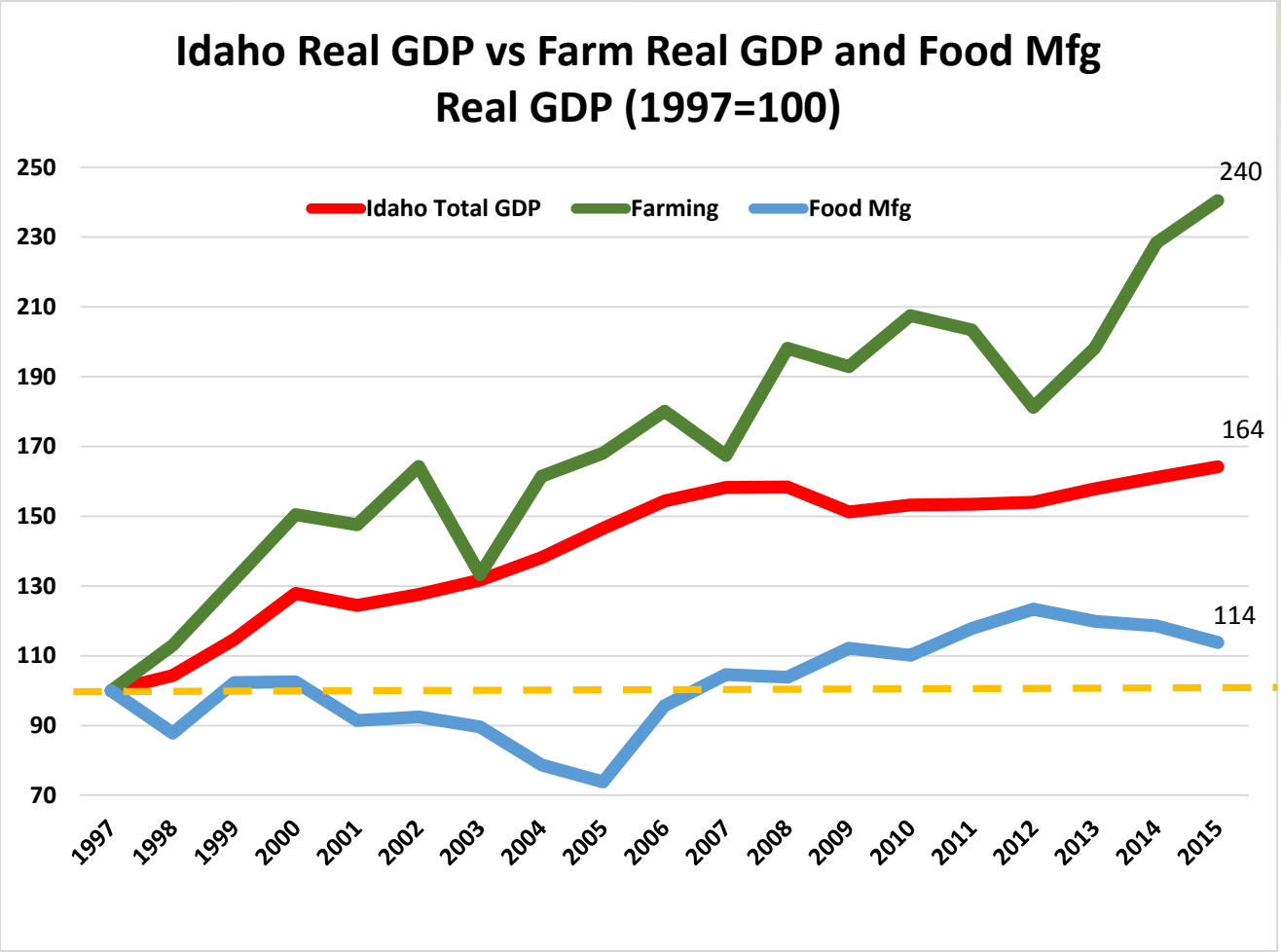
# Farm GDP has grown over twice as fast as Idaho total GDP and food mfg GDP is level




- **Idaho real GDP(2009$)**
  - $58 billion in 2015
- **Farm GDP (2009$)**
  - 4.4% of Idaho GDP
- **Food mfg GDP (2009$)**
  - 2.6% of Idaho GDP

Source: US Dept. of Commerce, BEA

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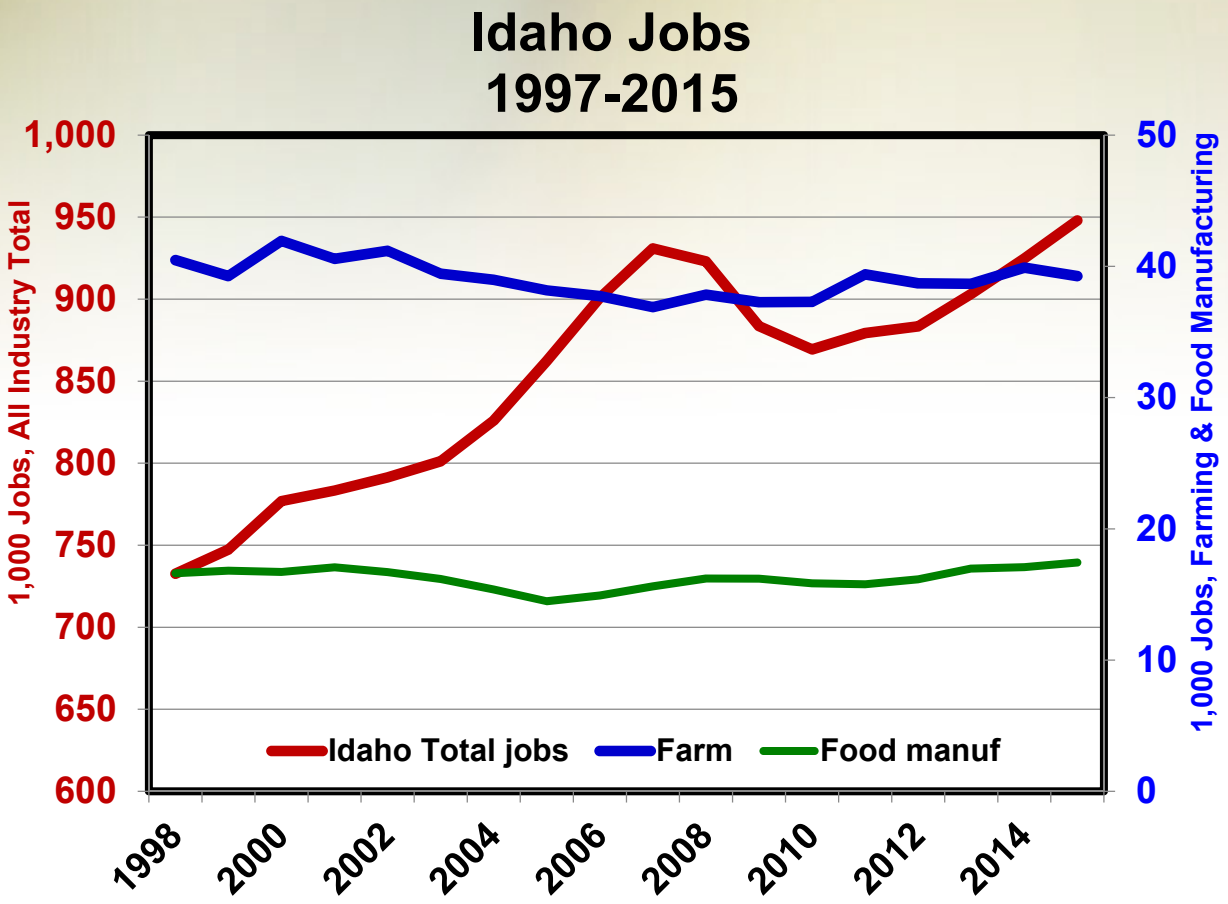
# Farming & food manufacturing = steady jobs




- **Total Idaho jobs**
  - 948,000 jobs
  - Increased 23,000
- **Farm jobs**
  - 39,000 jobs 2015
  - 4% of Idaho total
  - Dropped 600 jobs
- **Food mfg jobs**
  - 17,400 jobs 2015
  - 2% of Idaho
  - Increased 360 jobs

Source: US Dept. of Commerce, BEA

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U.S. parity index

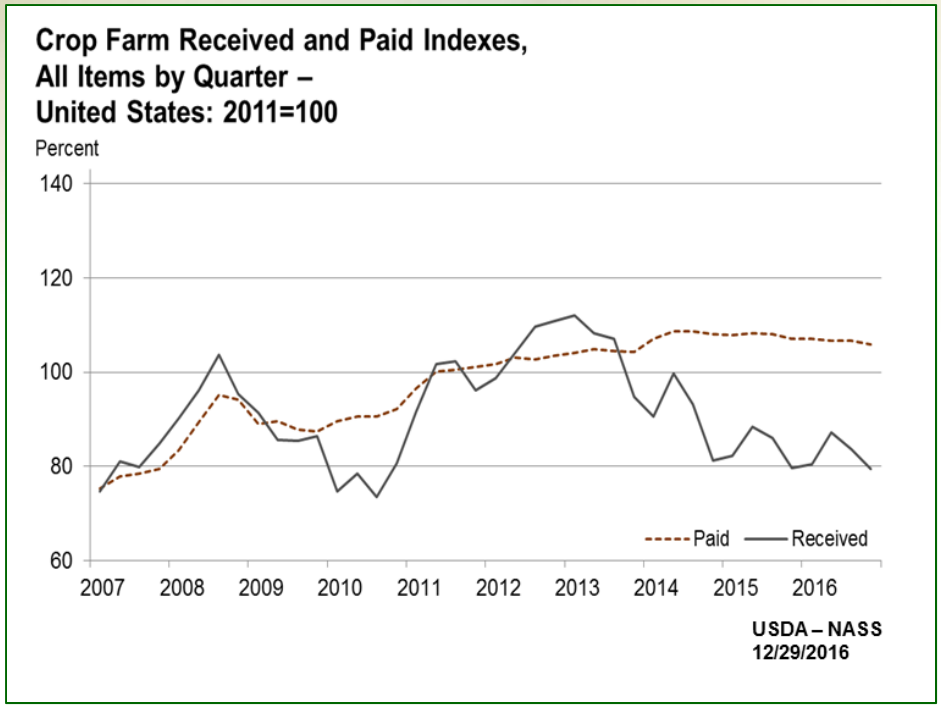
U.S. farm debt and balance sheets

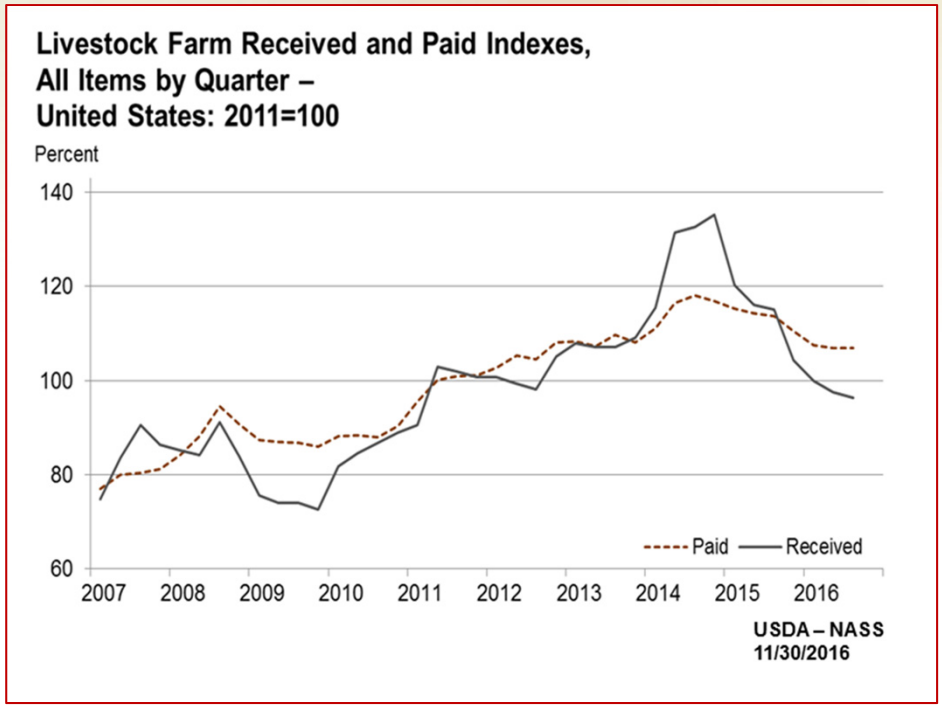
U.S. credit conditions

Idaho farm land values

# FARM FINANCIAL CONDITIONS

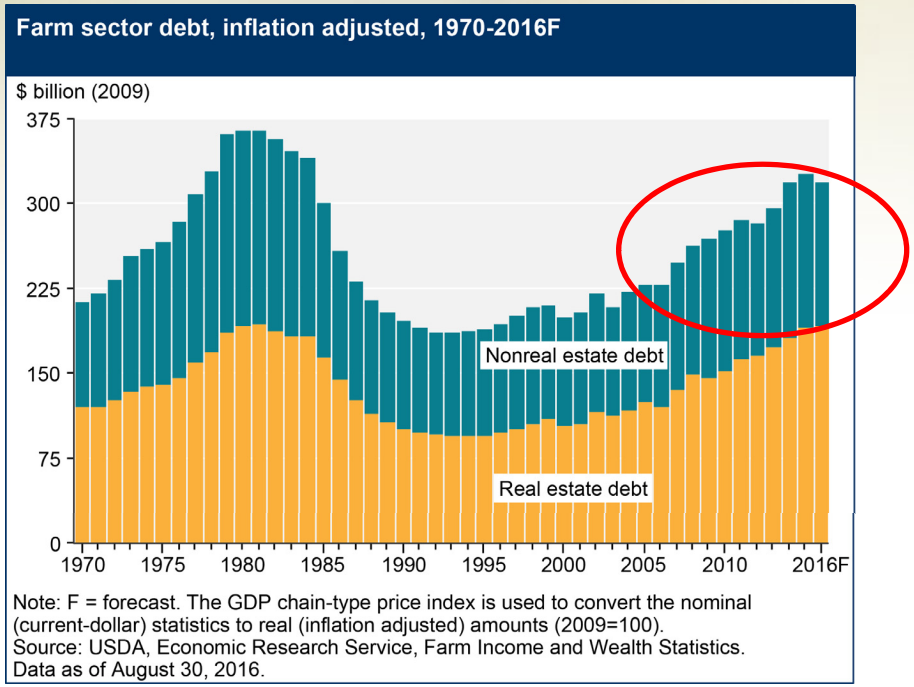
# Crop and livestock are below parity

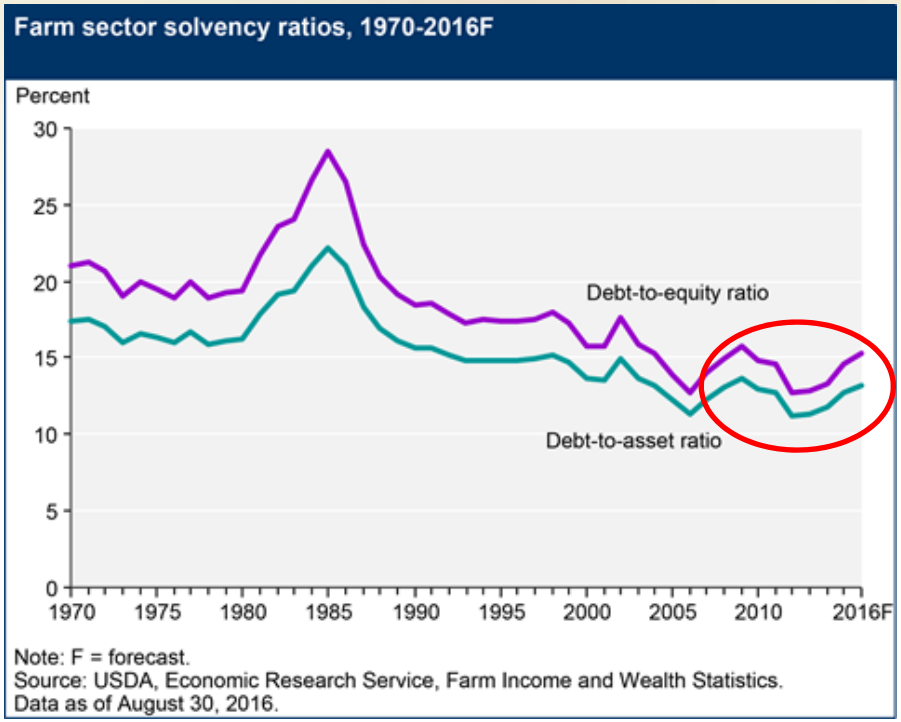



Source: USDA-NASS

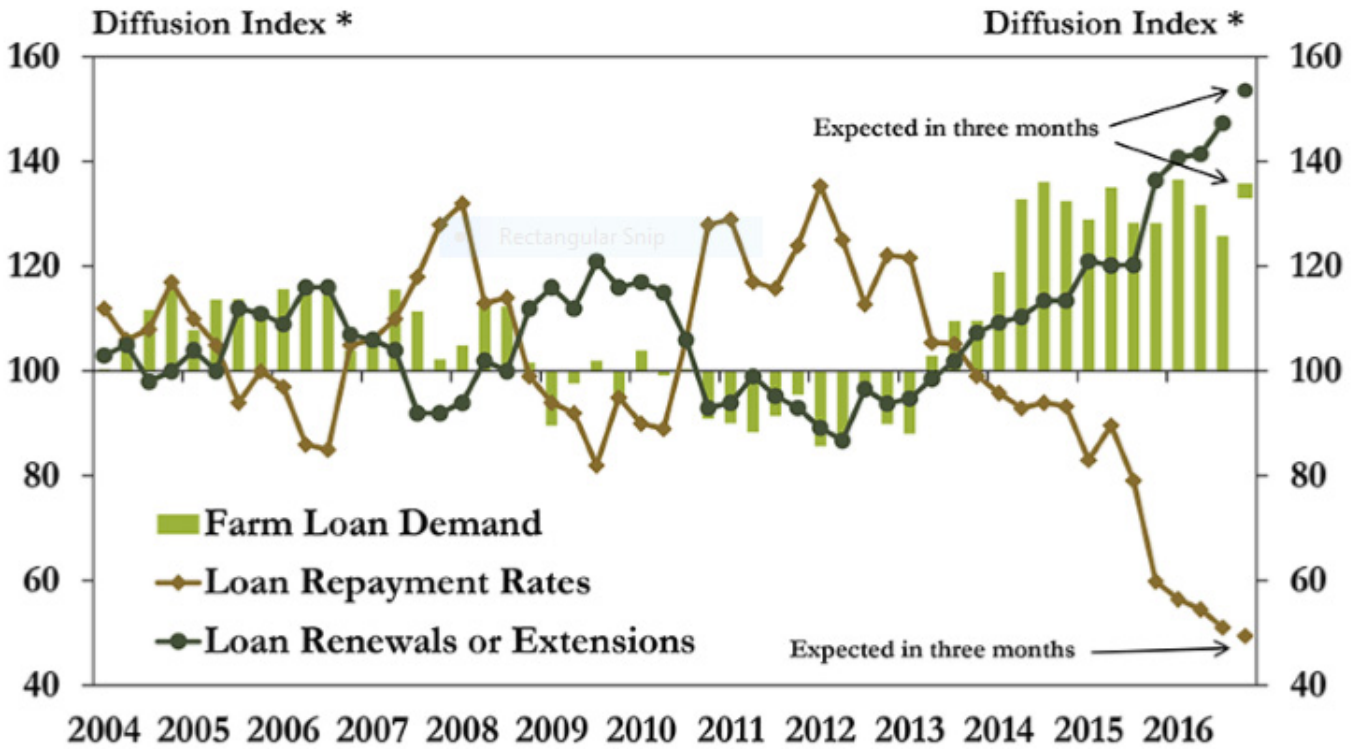
# High debt offset by clean balance sheets




Source: USDA-ERS

# Farm credit conditions deteriorate




*Bankers responded to each item by indicating whether conditions during the current quarter were higher than, lower than, or the same as in the year-earlier period. The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.

Source: KC Fed

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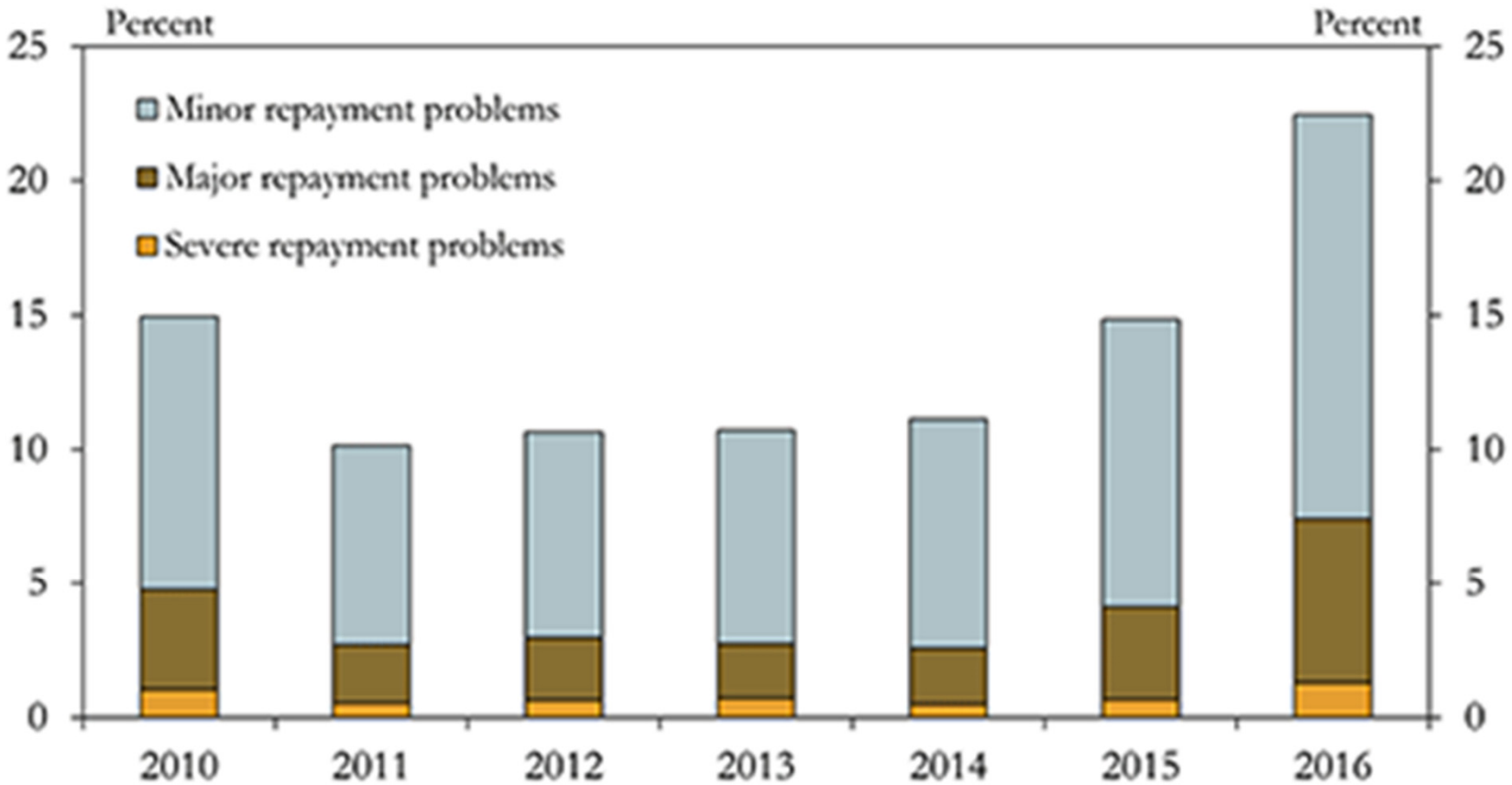
# 10th District Loan Repayment Problems




Sources: Federal Reserve Bank of Kansas City: Survey of Agricultural Credit Conditions.

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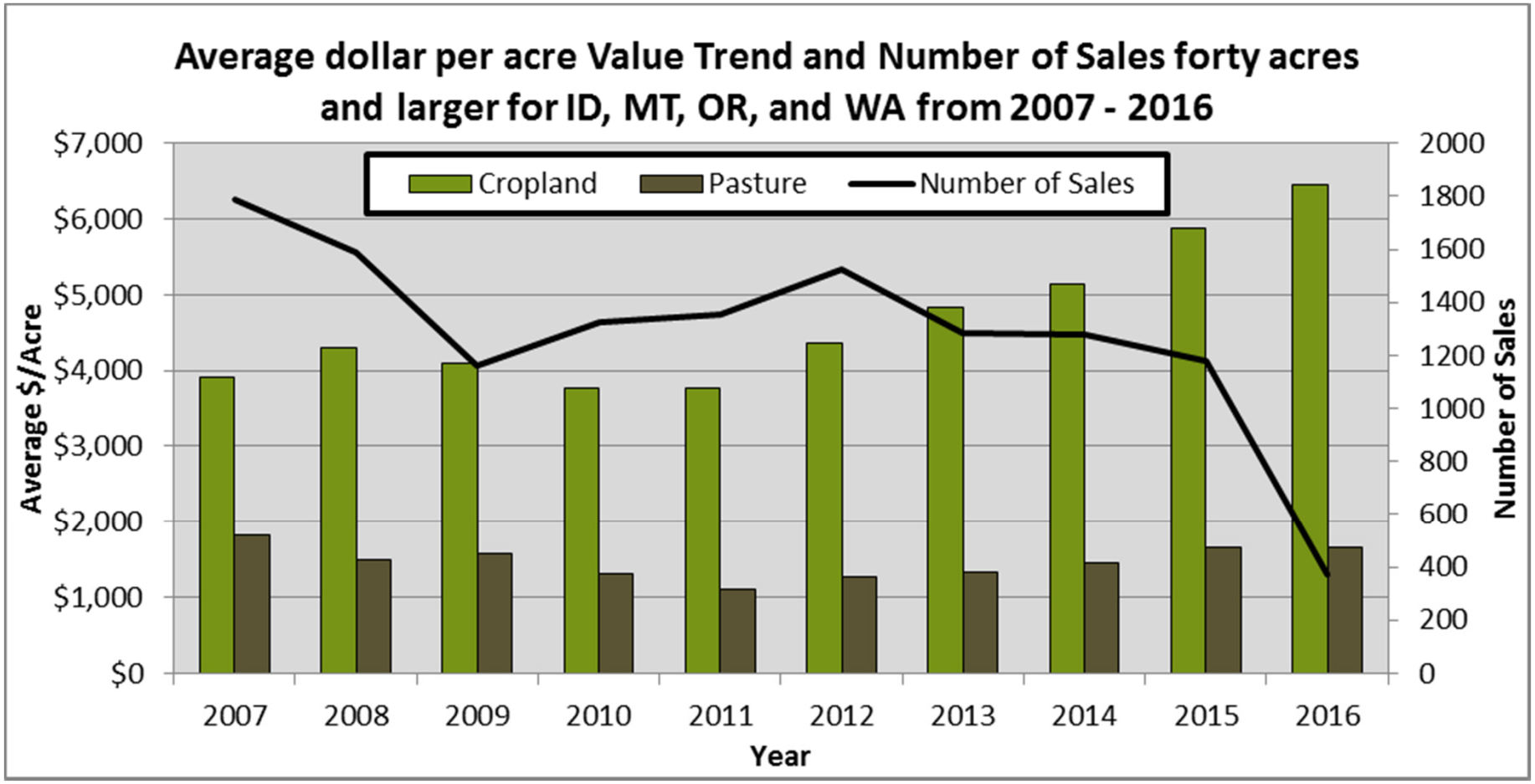
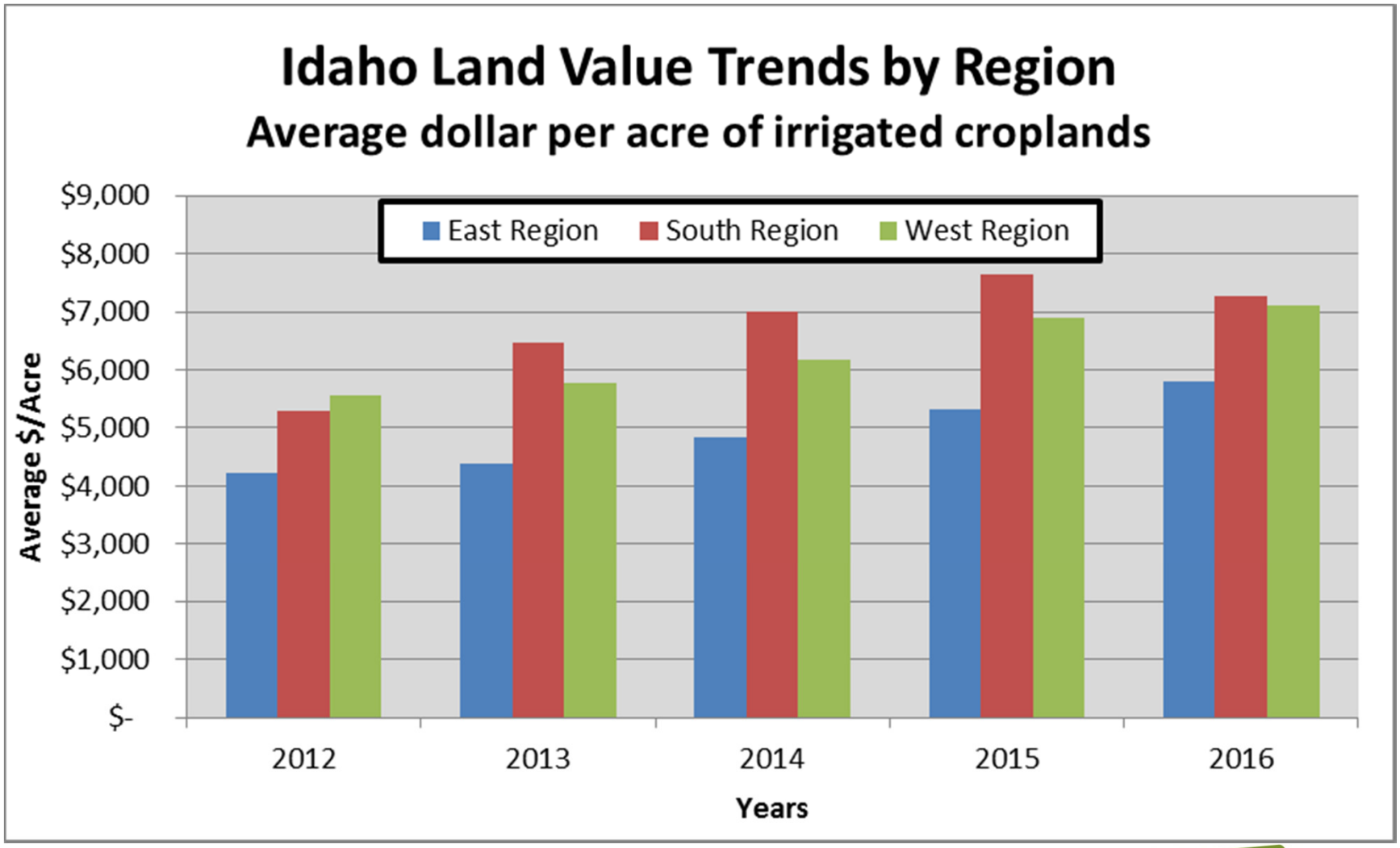
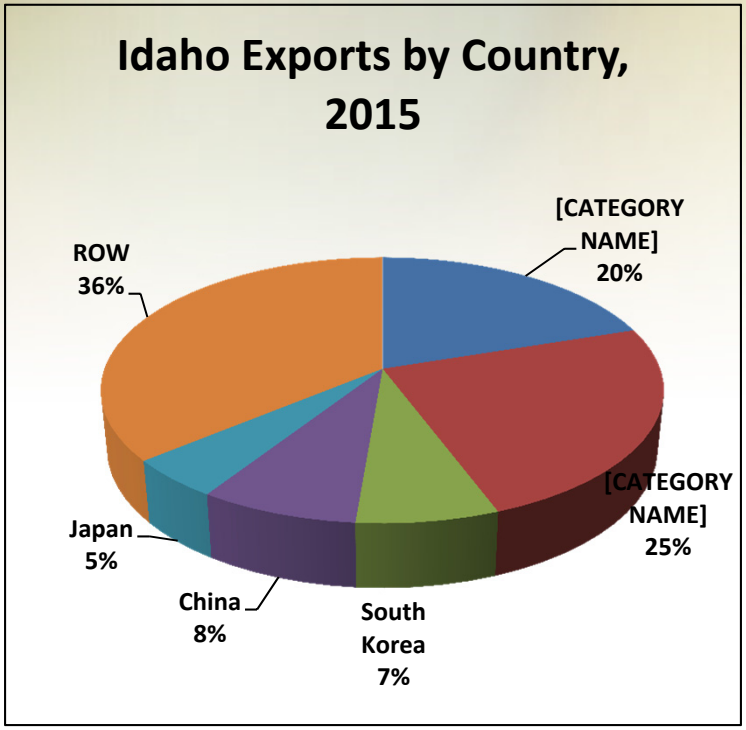
# Land Value Trends

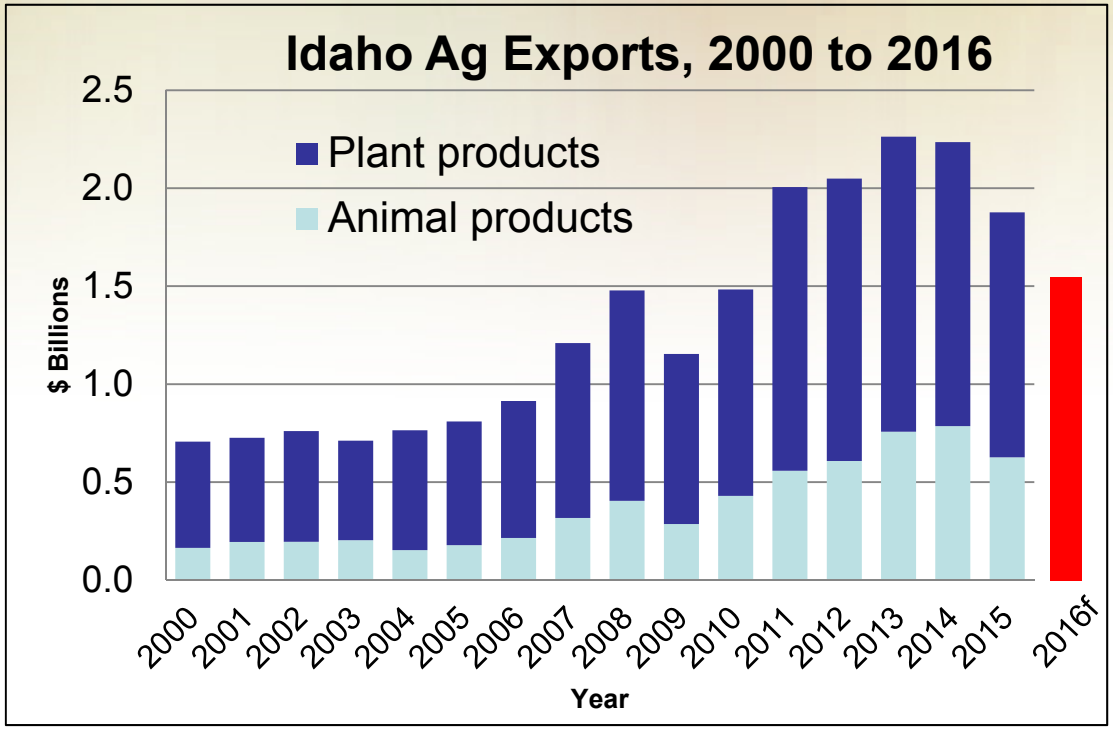


# Idaho Land Value Trends by Region



# Idaho Ag exports decline over 40% in two years




Source: Laura Johnson Idaho Dept. of Ag, USDA ERS, and Global Trade Atlas

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# 2017 Outlook

2016 revenue themes

- Weak export markets
  - Strong dollar (14 year high)
  - Weak foreign economies
  - Russian embargo
- Leveling out of ethanol demand
- Record grain production in largest grain producing countries
- Huge stocks

2016 costs themes

- Oil below $60 a barrel
- Low, but rising, interest rates

- Grains; terrible prices for next several years
- Hay; feeder price low, dairy price weak, low corn prices
- Spuds
- Lower beef prices
- Milk –
  - Above breakeven for most of 2017
  - August 2017 class III futures almost $18
  - Idaho needs a new Chobani every 3 to 4 years
- Sugar
  - High world prices
  - Boycott of GMO sugar

# Questions?