Economic Condition of Idaho Agriculture – 2018

JFAC Outlook Committee
January 3, 2019

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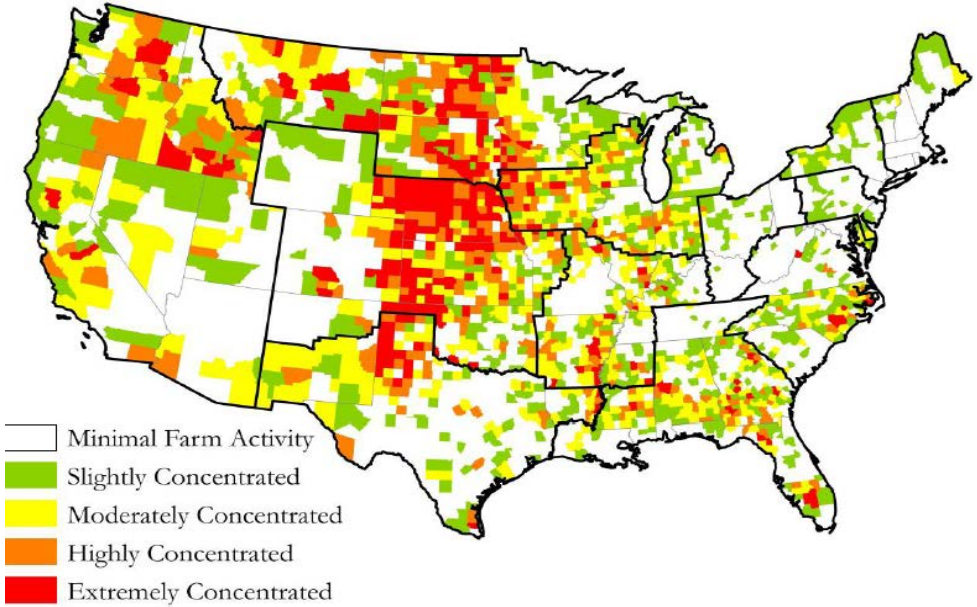
College of Agricultural and Life Sciences

Ag Dependent Counties

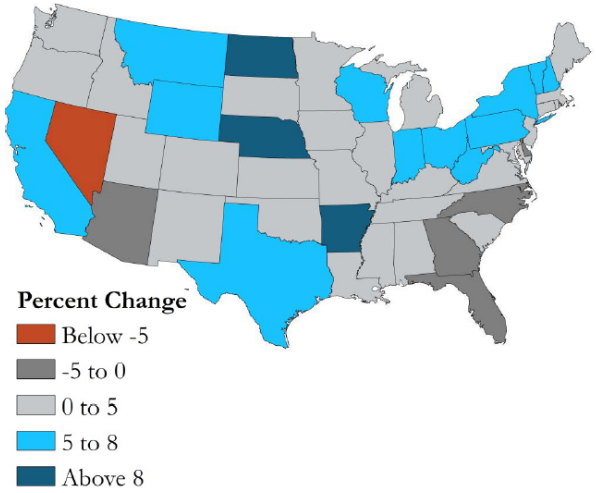
Farm Sector Concentration



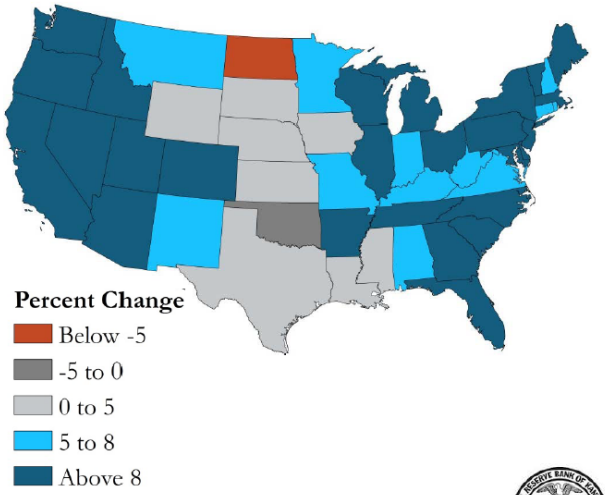
Source: BEA and staff calculations.

Farm income drives Midwest personal income

Per Capita Personal Income, 2008 to 2012

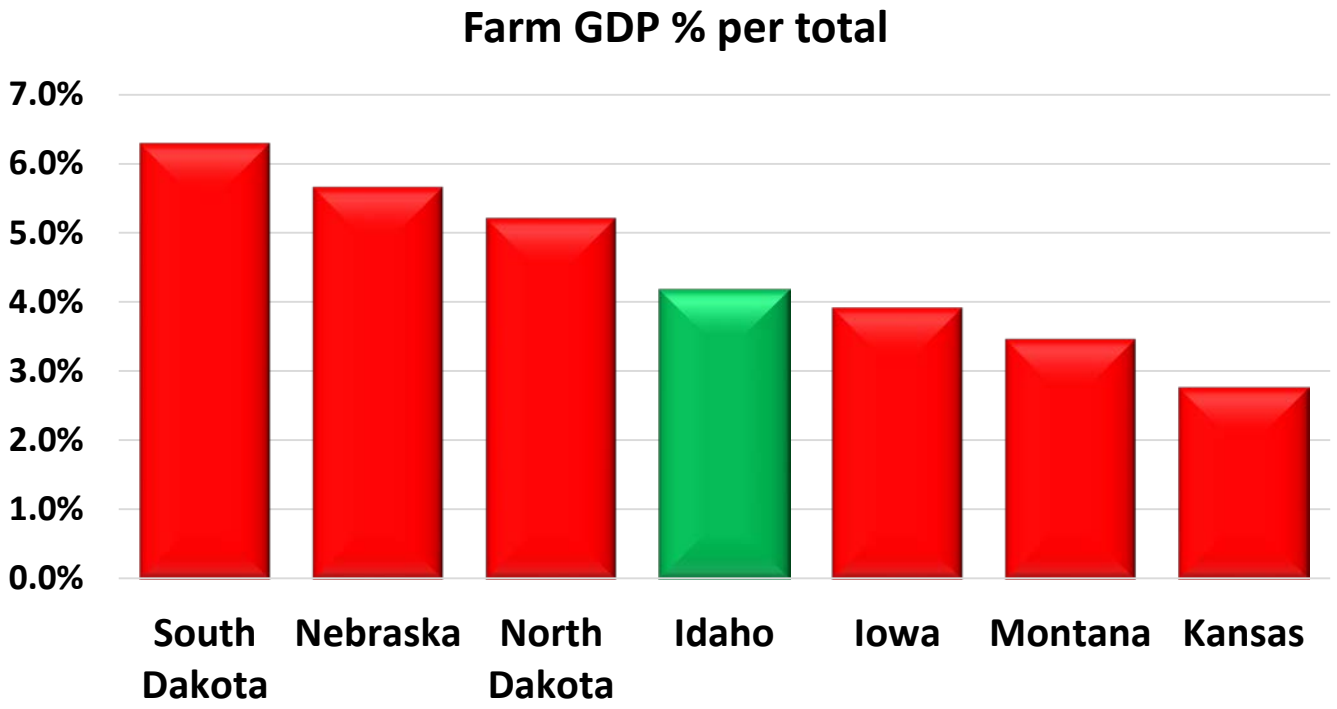


Per Capita Personal Income, 2013 to 2017

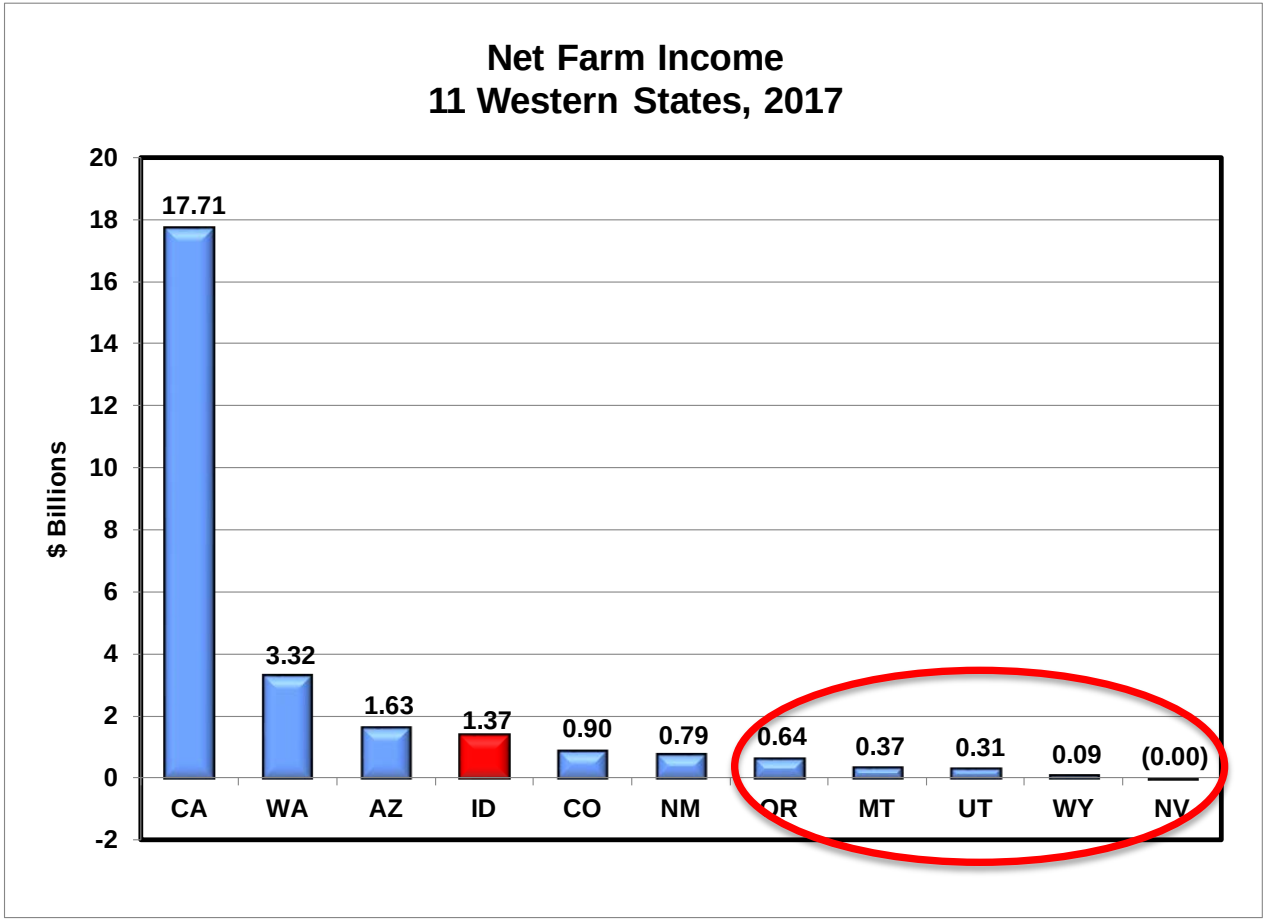


FEDERAL RESERVE BANK OF KANSAS CITY

Idaho - 4th largest Ag economy



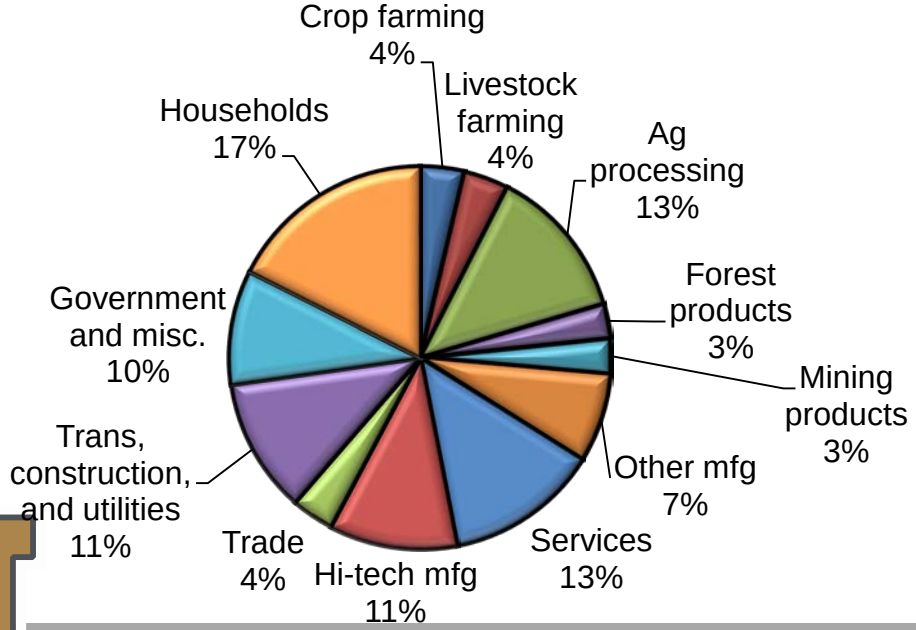
Idaho ranks 4th in West net farm income



Source: USDA

Multiplier effects…AgBiz Idaho's largest industry

Idaho base output by sector of the Idaho economy, 2013

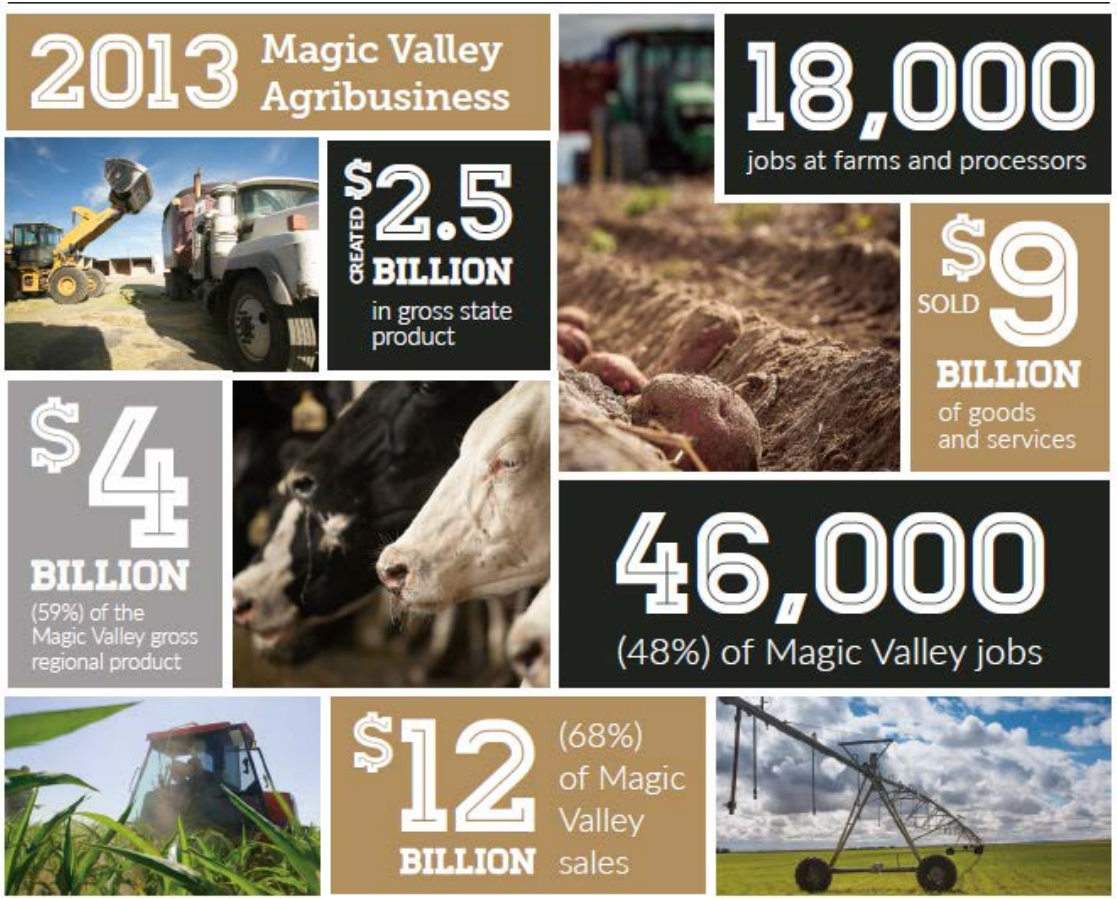


Ag Biz multiplier effects

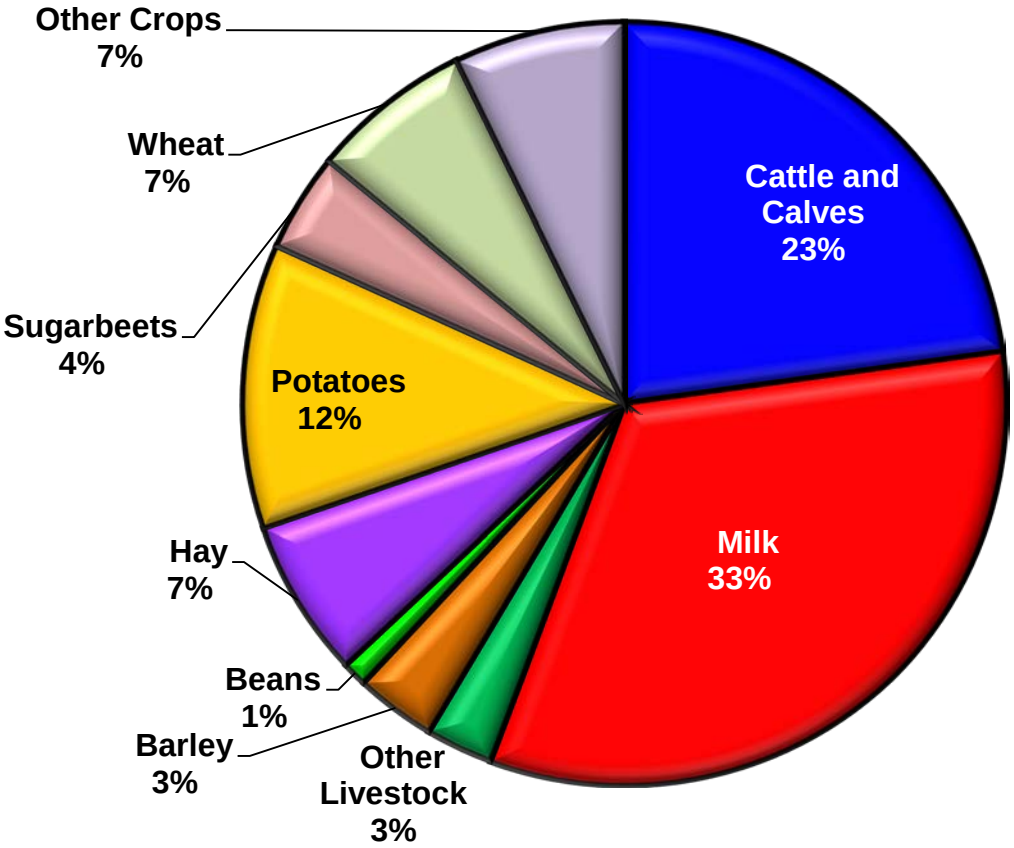
- 20% of output
- 14% of jobs
- 16% of GDP

Source: Taylor, Watson, & Eborn - University of Idaho

Agribusiness in the Magic Valley



2018 Cash Receipts Unchanged



$7.20 billion, 2017

$7.18 billion, 2018

Source: University of Idaho

Cash Receipt Ups & Downs

Crops $2.9 billon, ↑5%

Potatoes: ↓4%

Barley: ↑3%

Wheat: ↑16%

Sugarbeets: ↑3%

Hay: ↑26%

Livestock $4.3 billion, ↓4%

Cattle & Calves: ↓1%

Milk: ↓6%

Source: University of Idaho

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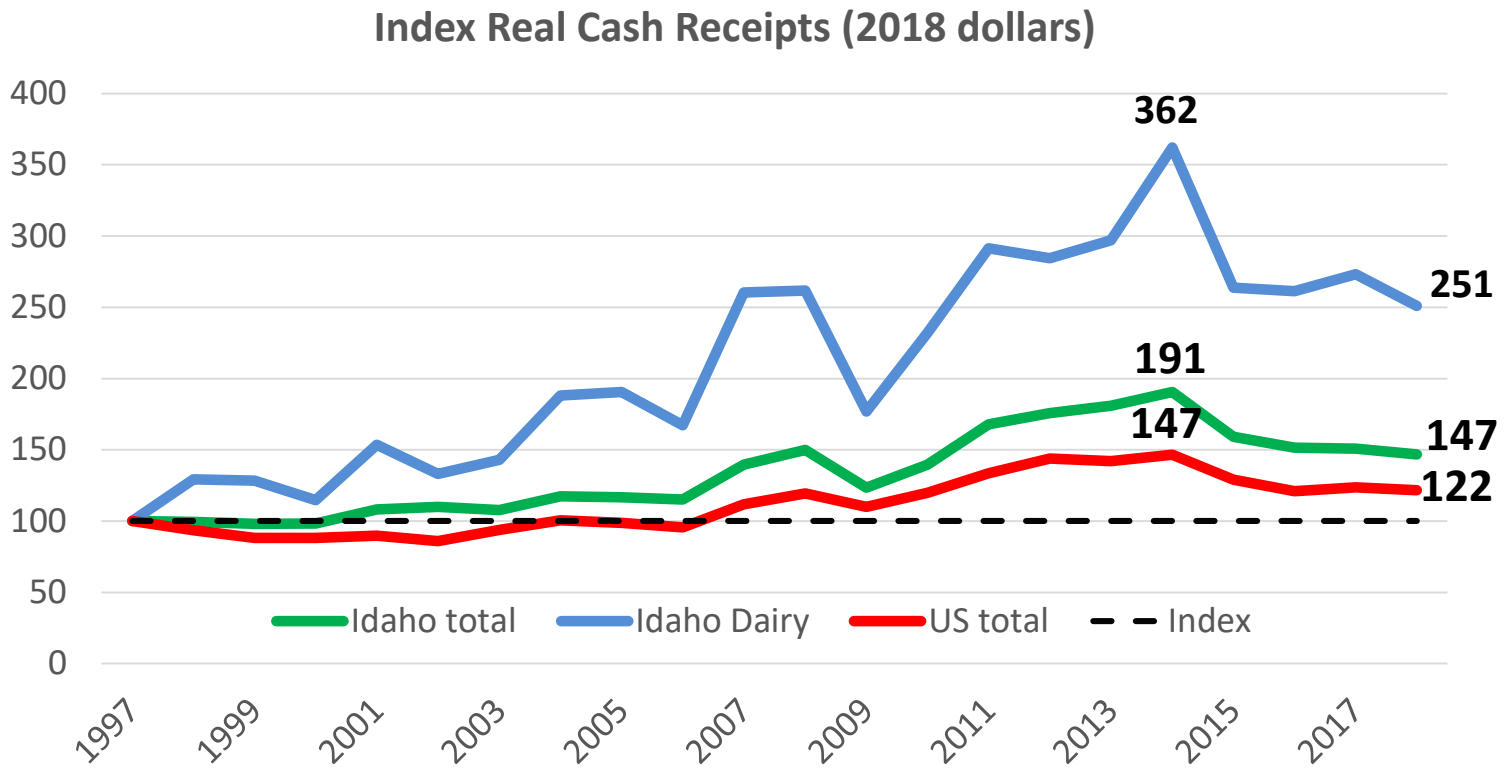
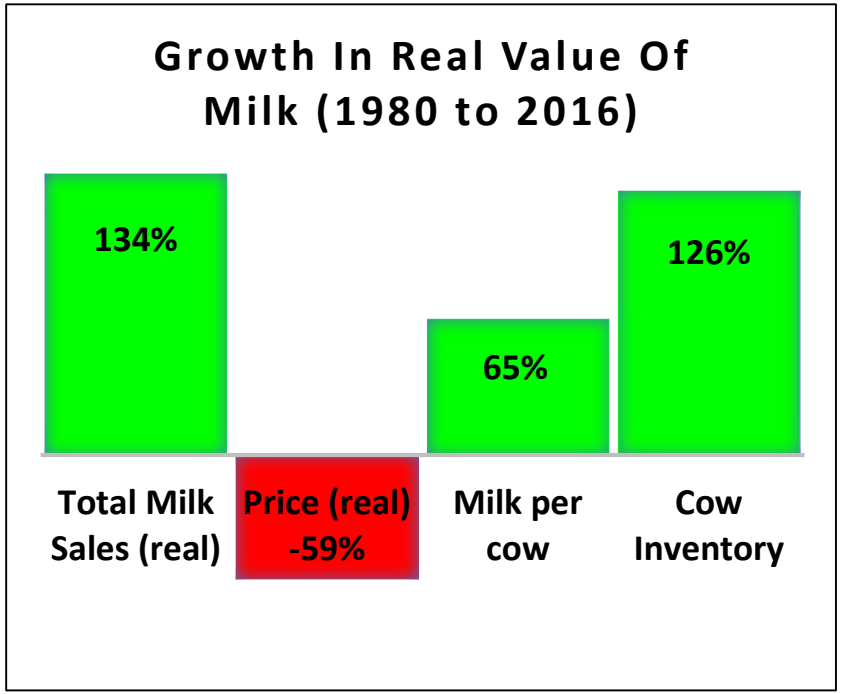
Idaho real cash receipts outgrow U.S. by 30%



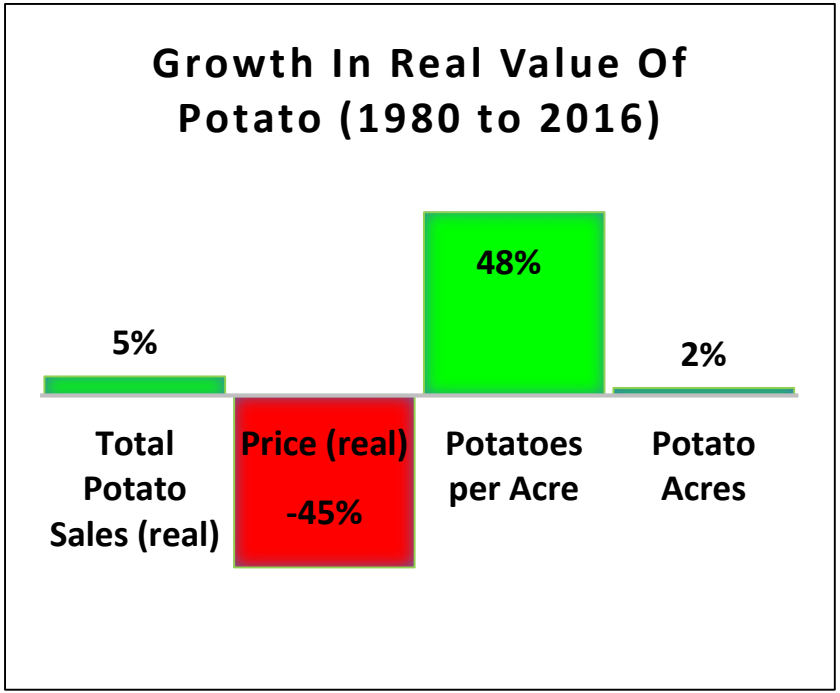
Source: USDA-ERS, University of Idaho

Growth comes from production not price

Dairy

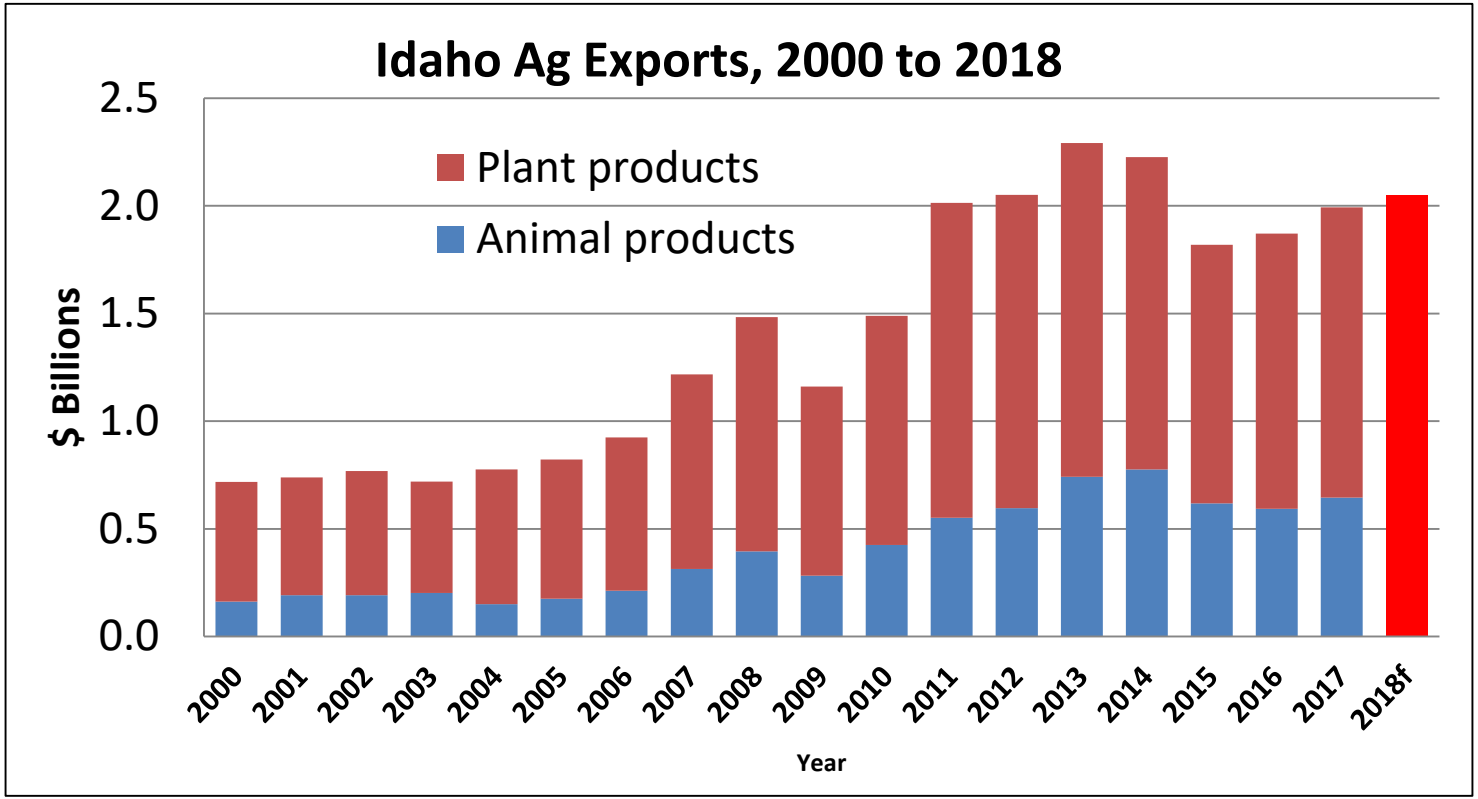


Potatoes



Source: University of Idaho

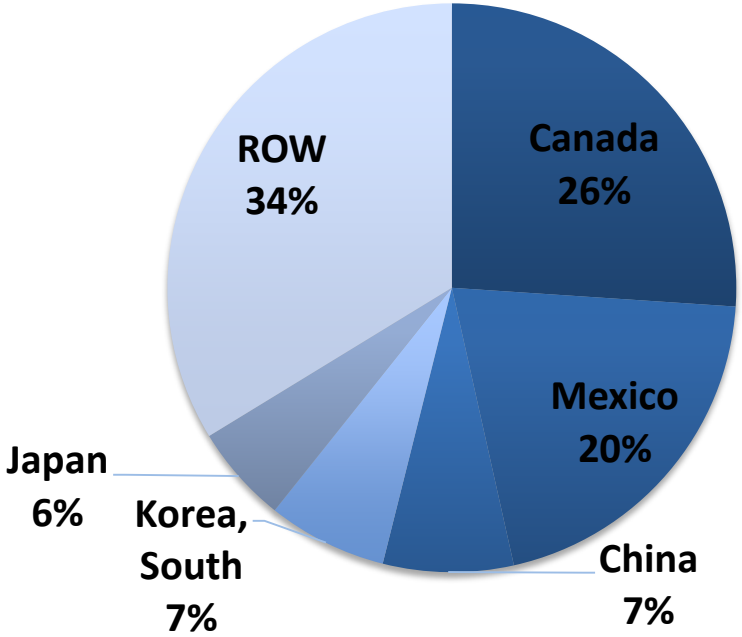
Idaho Ag Exports 4th Year of Growth



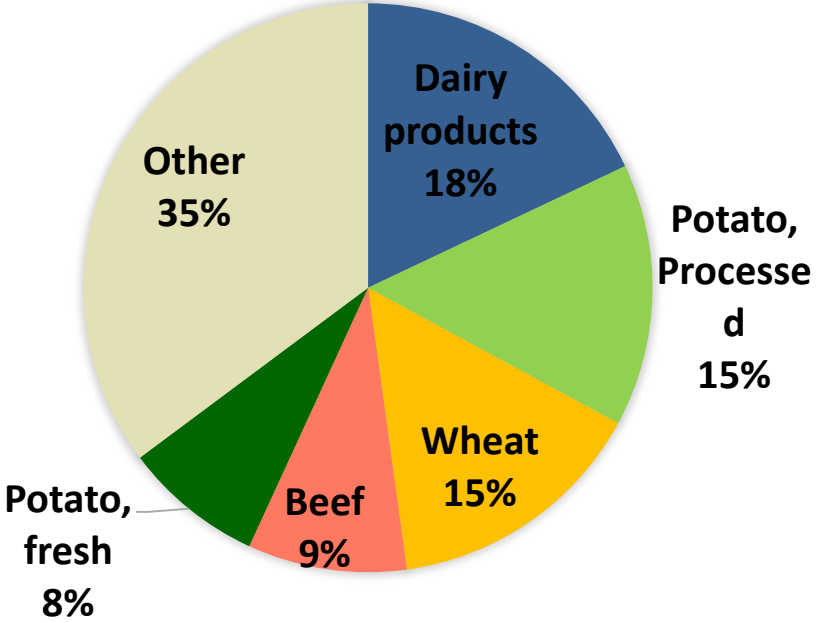
Source: Laura Johnson Idaho Dept. of Ag, USDA ERS, and Global Trade Atlas

Idaho Ag Exports: Dairy, Potatoes and NAFTA

ID Ag Exports by Country, 2017

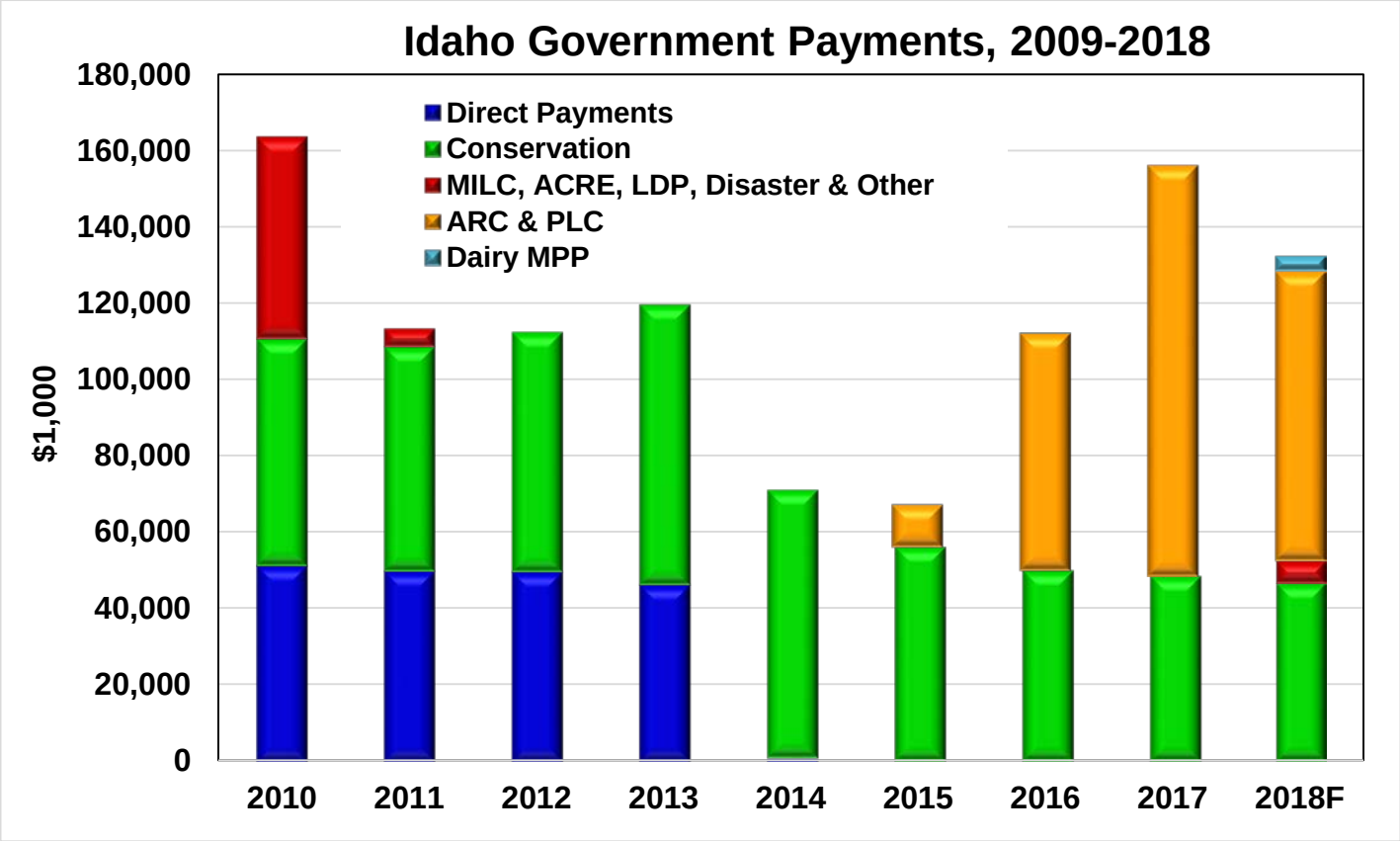


ID Ag Exports Share, 2017



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

Idaho support programs drop



Government programs are inadequate

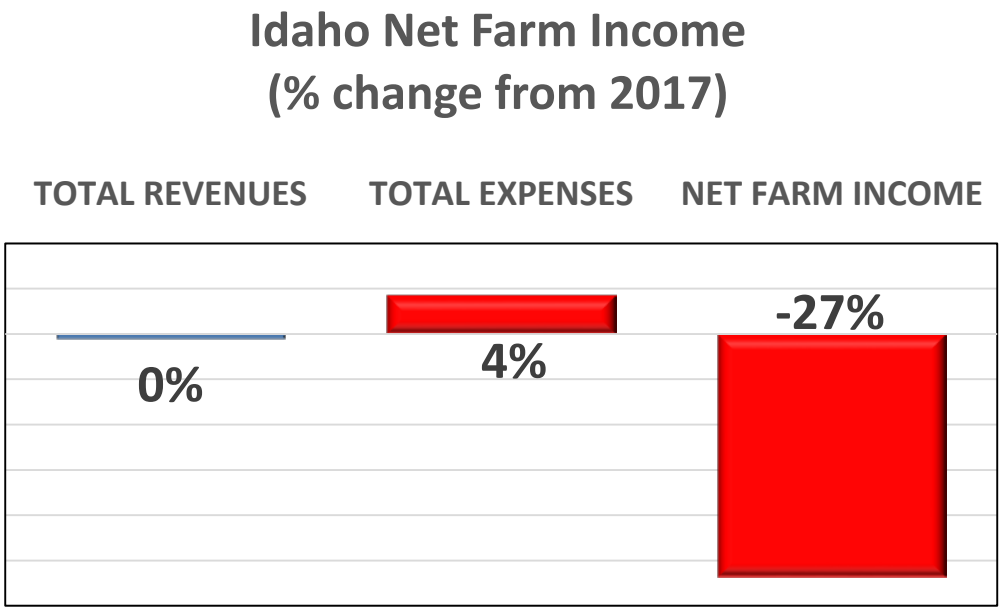
Market facilitation program payment details		
Commodity	**Payment rate**	**Estimated total payments**
Corn	1 cent per bushel	$96 million
Cotton	6 cents per pound	$276.9 million
Dairy	12 cents per cwt	$127.4 million
Pork	$8 per head	$290.3 million
Sorghum	86 cents per bushel	$156.8 million
Soybeans	$1.65 per bushel	$3.63 billion
Wheat	14 cents per bushel	$119.2 million

SOURCE: USDA

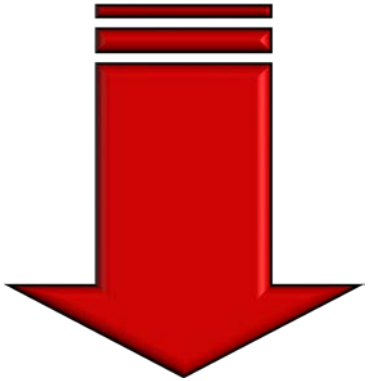
*Initial payment rate on 50% of production

Source of Table: www.wallacesfarmer.com

Five years of net farm income drop, down 27%

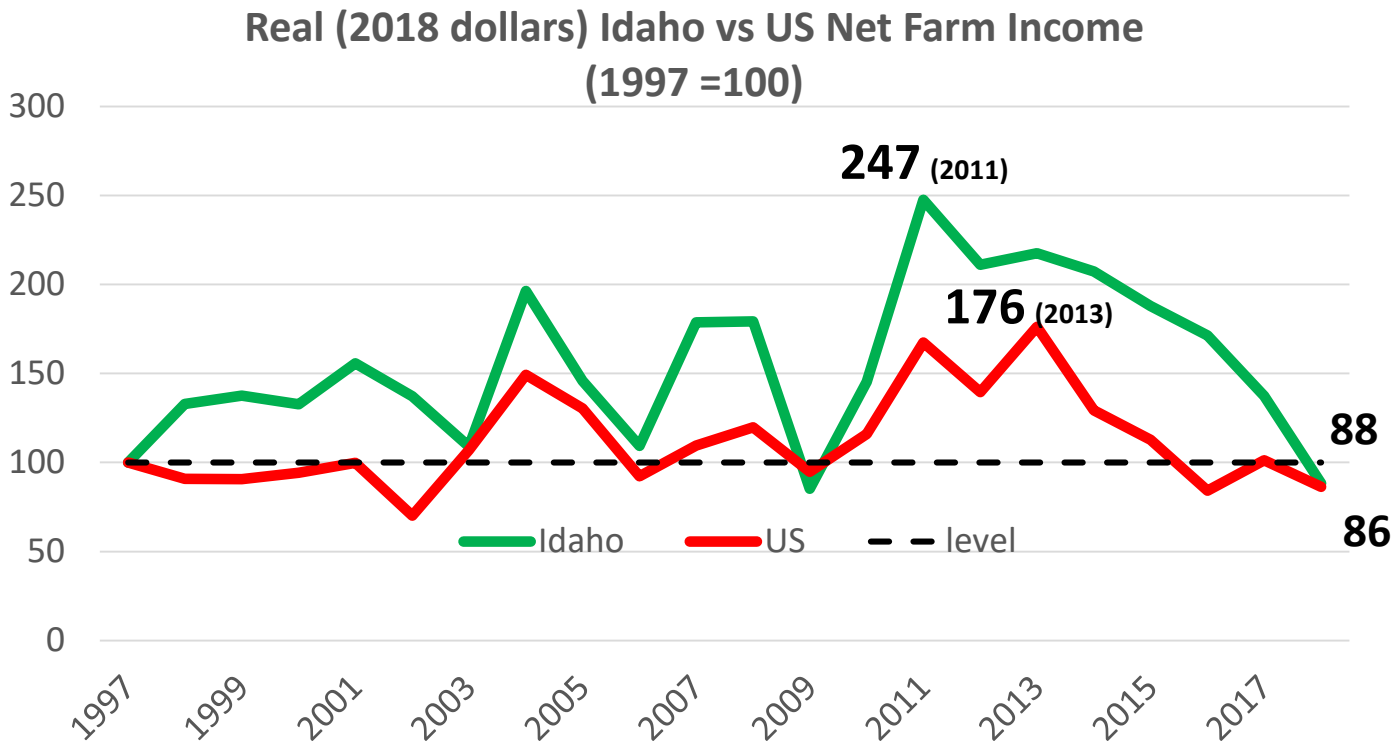


$1.23 billion, 2017



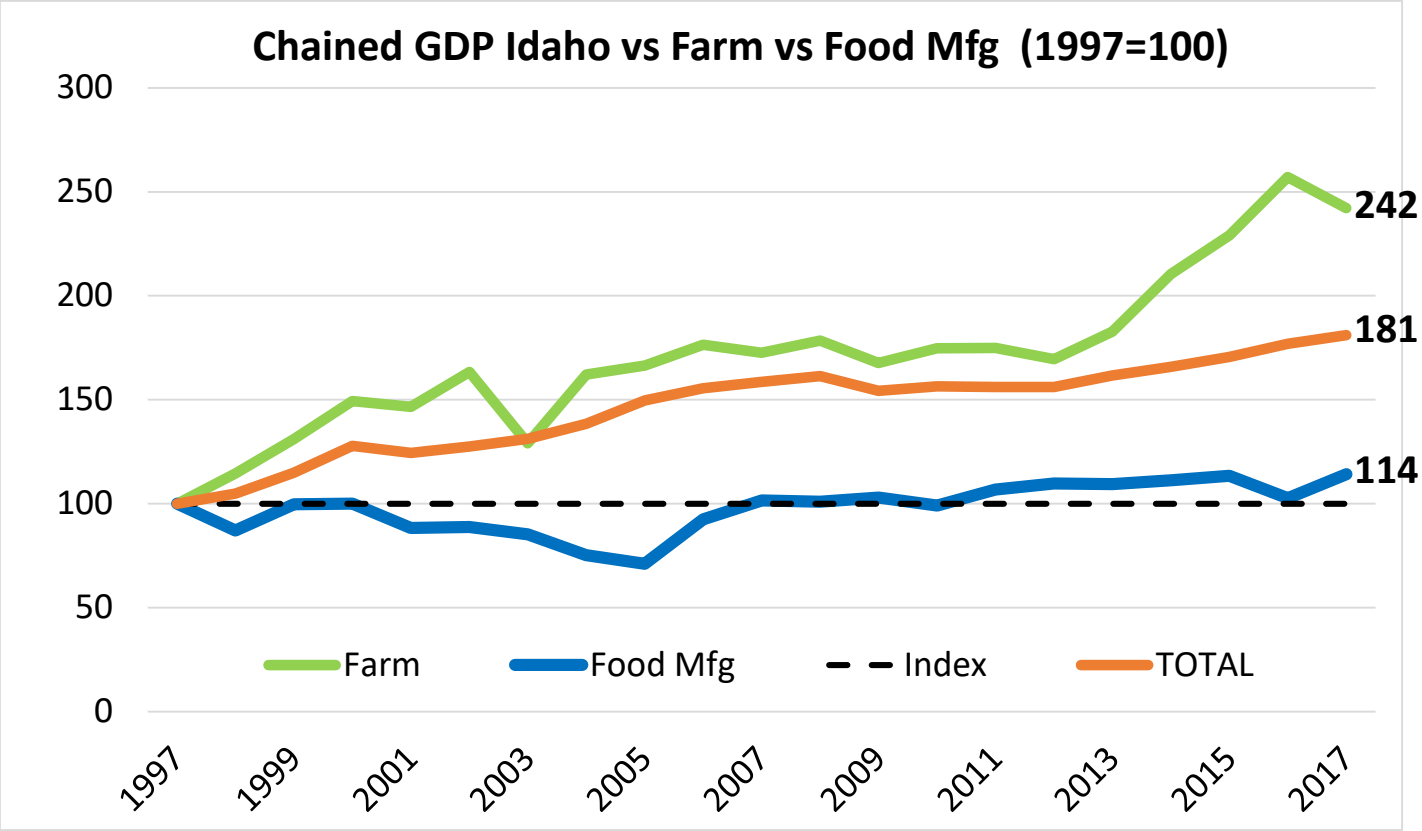
$0.90 billion, 2018

Idaho real net farm income growth equals US



Source: USDA-ERS, University of Idaho

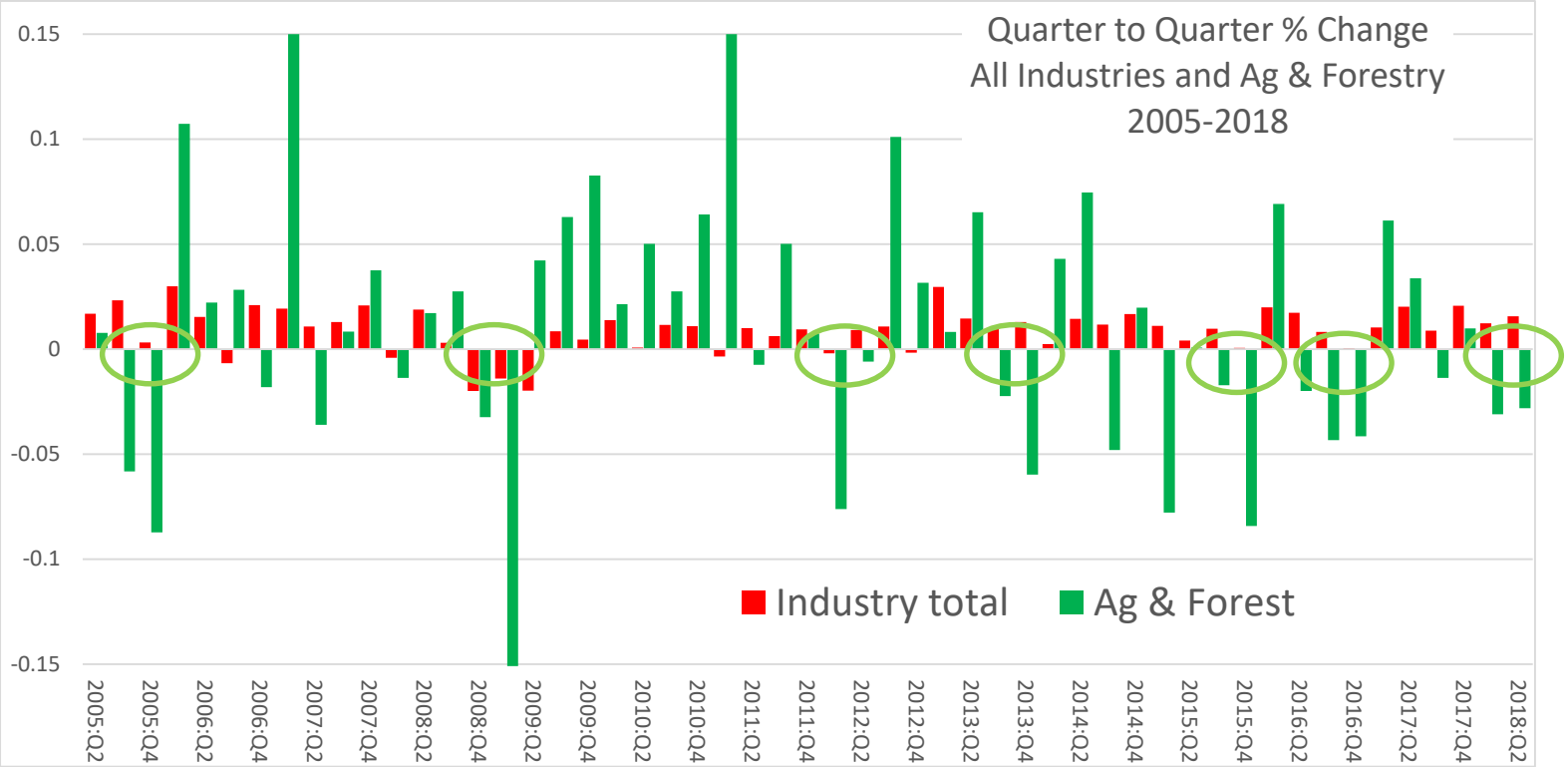
Farm GDP 60% more than Idaho GDP



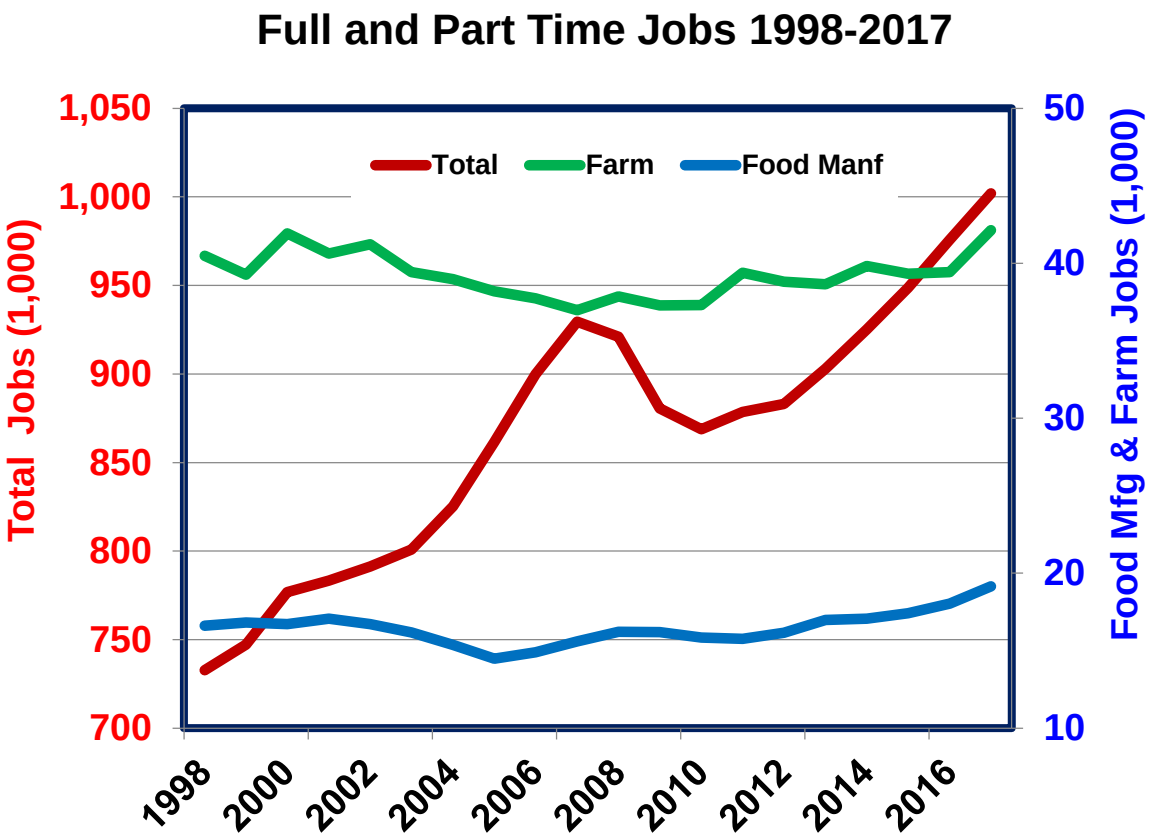
Source: US Dept. of Commerce, BEA

7 Ag recessions since 2005

(quarter to quarter Idaho GDP % change)



Farming & food manufacturing = steady jobs

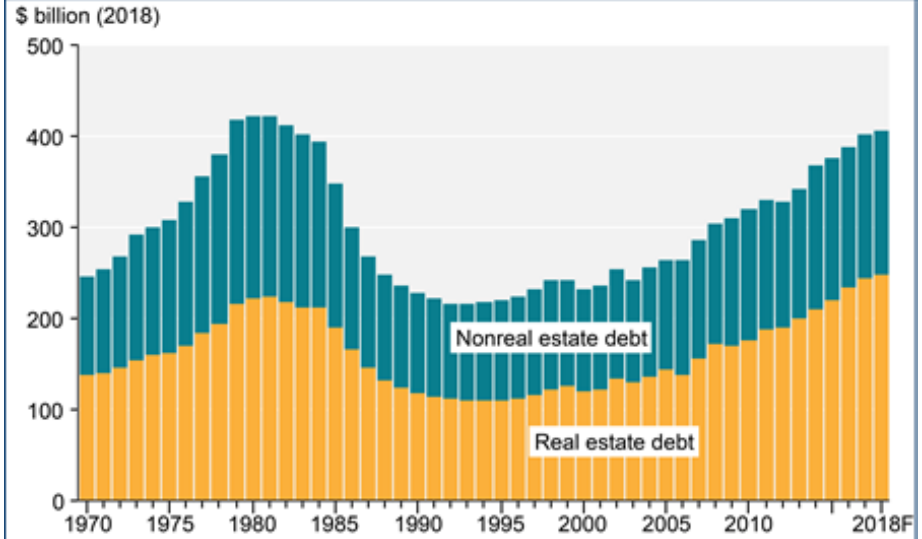


- **Total Idaho**
  - 1,002,000 jobs
  - Up 2% over 2016
- **Farm**
  - 42,000 jobs
  - Up 7% over 2016
- **Food mfg**
  - 19,000 jobs
  - Up 6% over 2016

Source: US Dept. of Commerce, BEA

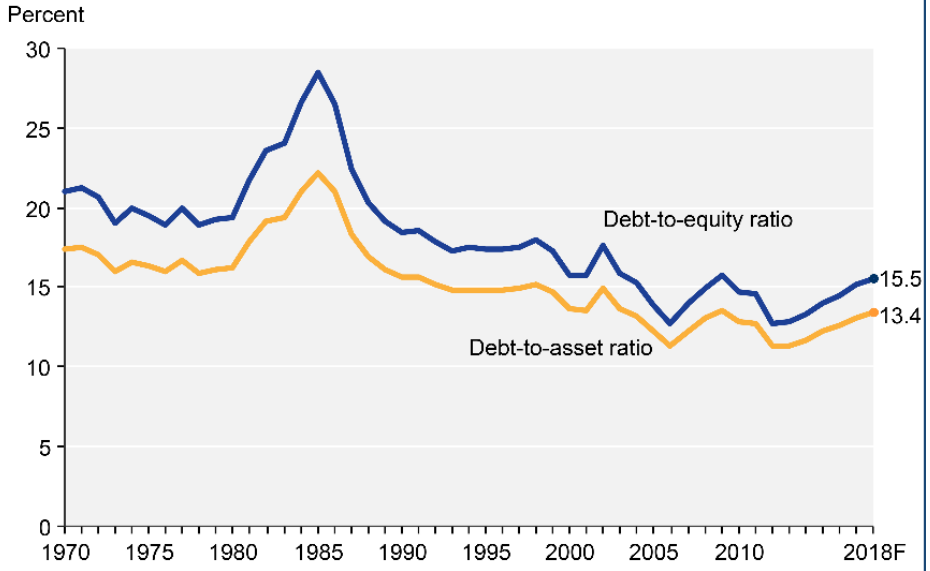
Farm sector solvency and liquidity ratios weaken slightly

Farm sector debt, inflation adjusted, 1970-2018F



Note: F = forecast. The GDP chain-type price index is used to convert the nominal (current-dollar) statistics to real (inflation adjusted) amounts (2018=100).
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.
Data as of August 30, 2018.

Farm sector solvency ratios, 1970-2018F



Note: F = forecast.
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.
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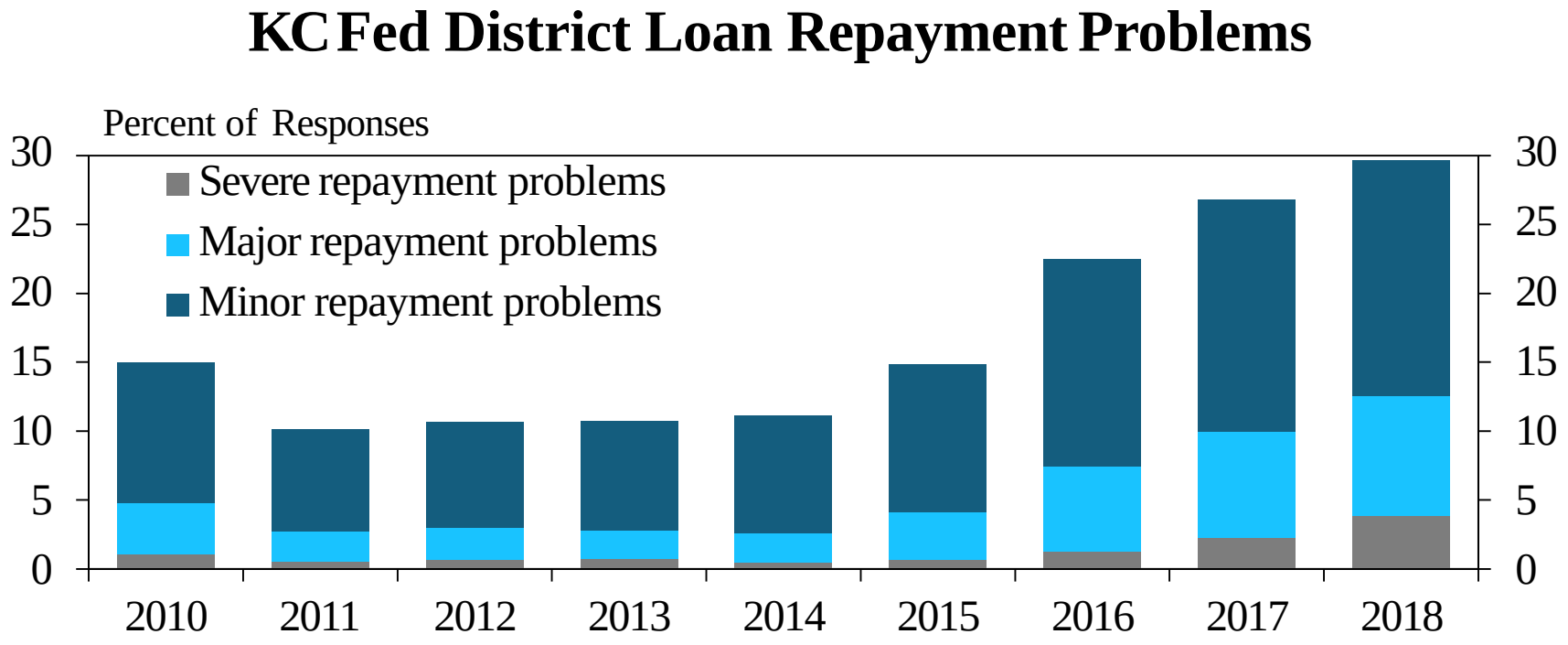
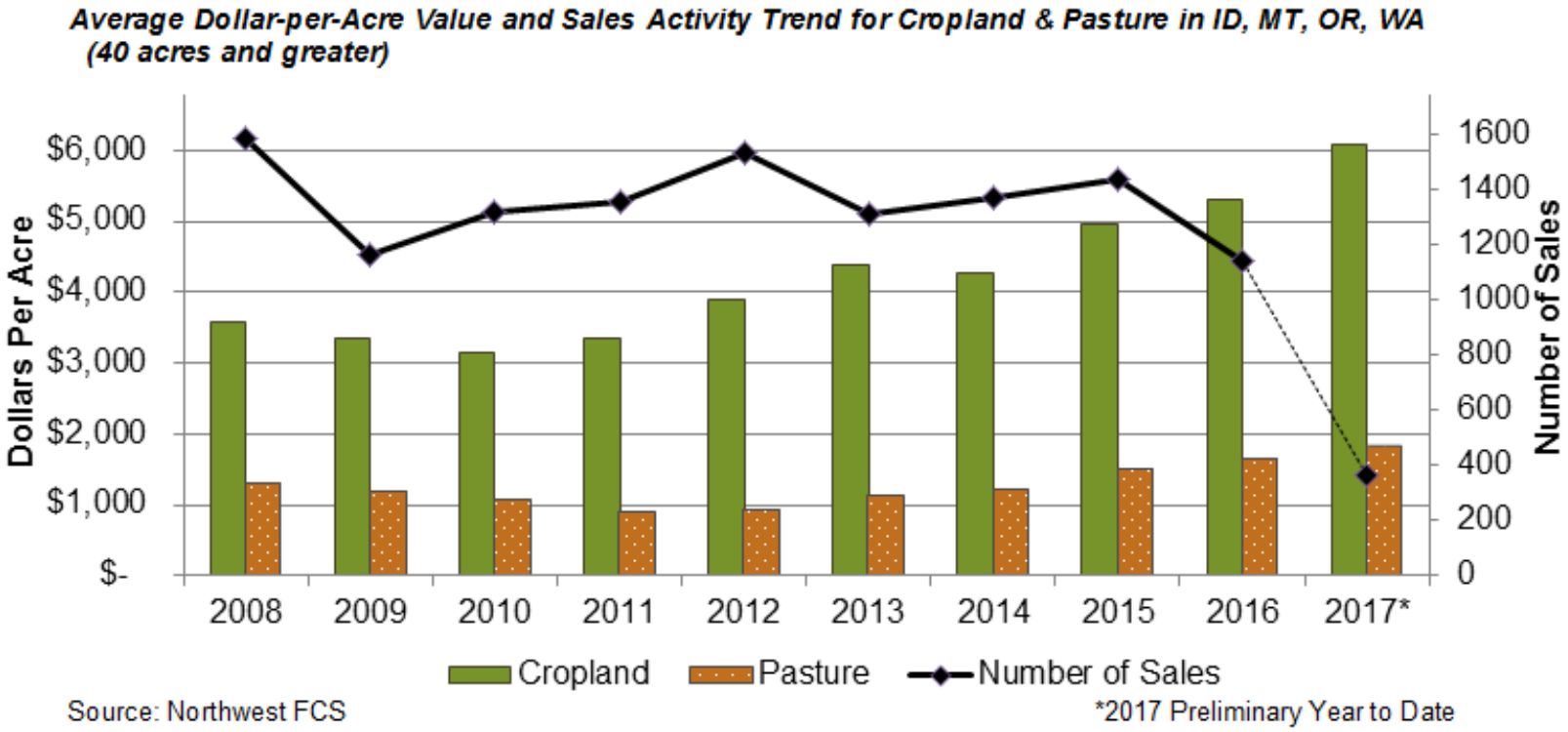
Loan repayment problems continue to build



Source: Federal Reserve Bank of Kansas City.

Farmland: leading and current indicator



Source: Northwest Farm Credit Services

2019

- Mixed forward indicators
  - Deere strong sales
  - Land prices up
- Exports determine long term weak commodity prices
  - Strongest dollar in 4 years
  - Soybean, dairy, pork exports to China are down due retaliatory tariff.
  - Large grain stocks
  - Weak international, US, and Idaho milk prices
- Higher input costs

QUESTIONS?

2019 EXPORTS

- US 2019 Ag trade surplus but declining.
- Soybean, dairy, pork products exports to China are down—due to China's retaliatory tariff. China started to import US rice.
- Impact of USMCA (new NAFTA) uncertain.

DAIRY PROJECTIONS

- Less than $1 Class III milk price increase in 2019, above Magic Valley $15 B/E
- 475 dairies and lose 15 more in 2019
- Top 2 processors run 50% of milk
- Price largely depends on export.
  - Dairy exports to China, USMCA countries continue to be important.
  - Initial impact of opening up dairy market in Canada is projected to be mild.

BEEF

Cattle cycle phase – inventory increasing but at a decreasing rate.

Strong economy means people eat more beef

US producing a record amount of higher quality beef

Record US beef exports; 12% of total production or $360 value of exports per a fat steer.

WHEAT PROJECTIONS

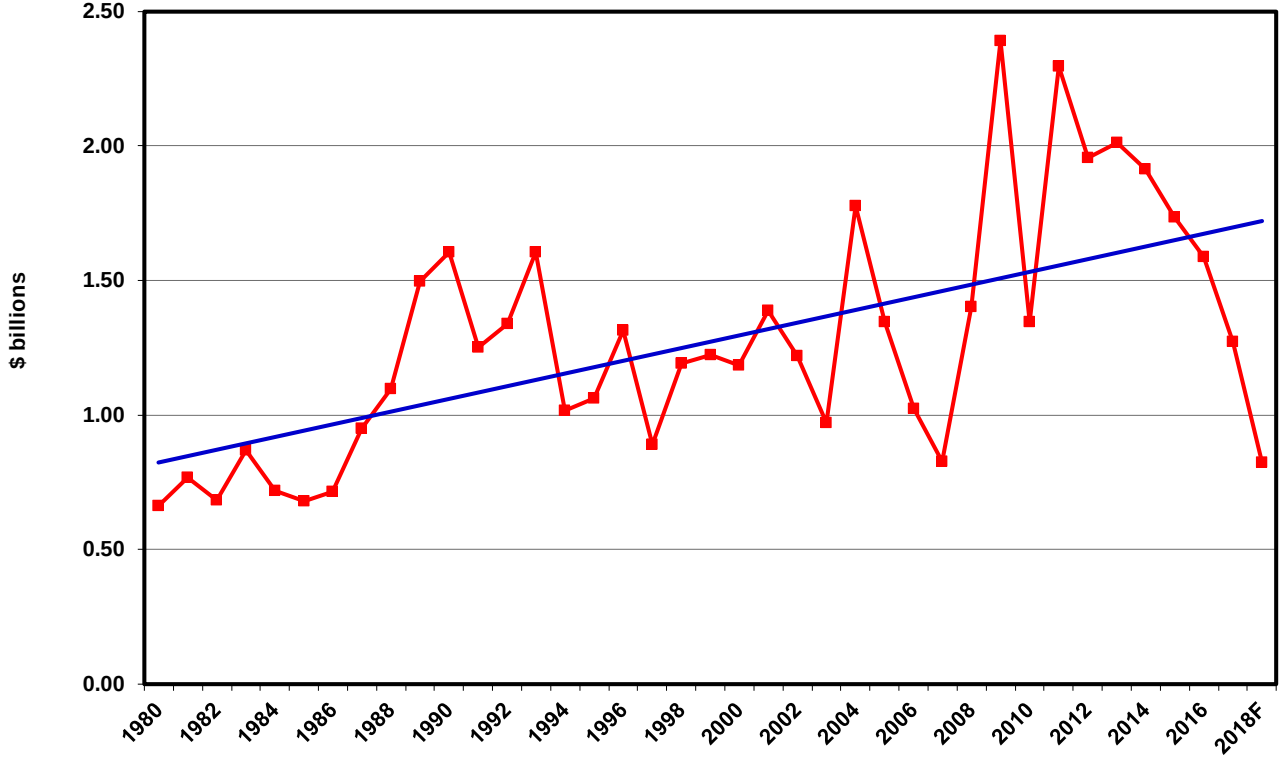
- U.S. wheat exports up slightly. Stocks up. Wheat plantings decline.
- Russia continues to be a strong competitor for the U.S. in global wheat markets.
- Stock to use ratio goes down from 55% last year to current 45%.

OTHER PROJECTIONS

- Hay prices just above B/E – not much support from weak dairy and export markets
- Potato: Global French fry shortage doesn't translate in higher Idaho farm prices. Contract volumes for both chip and processing potatoes are likely to increase in 2019.
- Corn: USDA projects acres to increase for next two years. Huge stocks.
- Barley: Priced from wheat

Idaho Net Farm Income, 1980-2018

Real dollars - 2012 base



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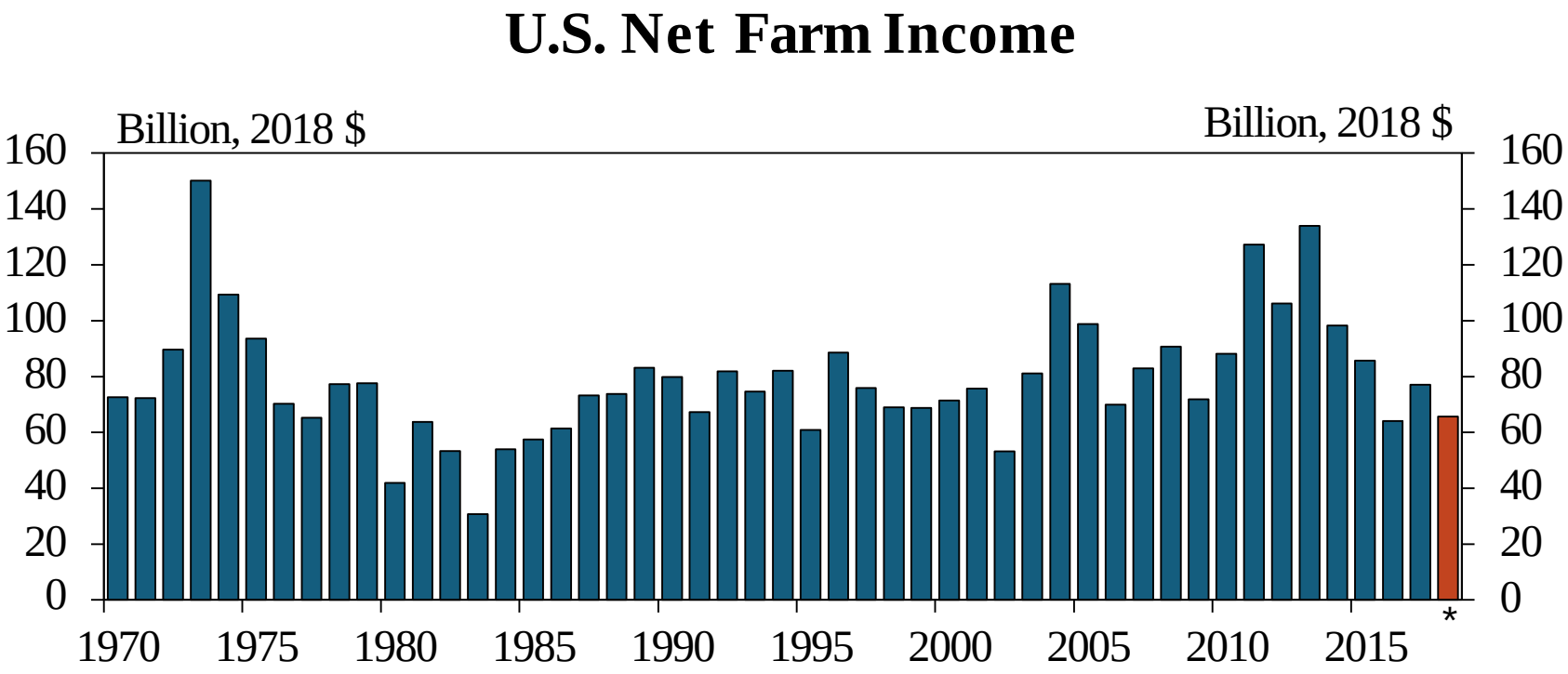
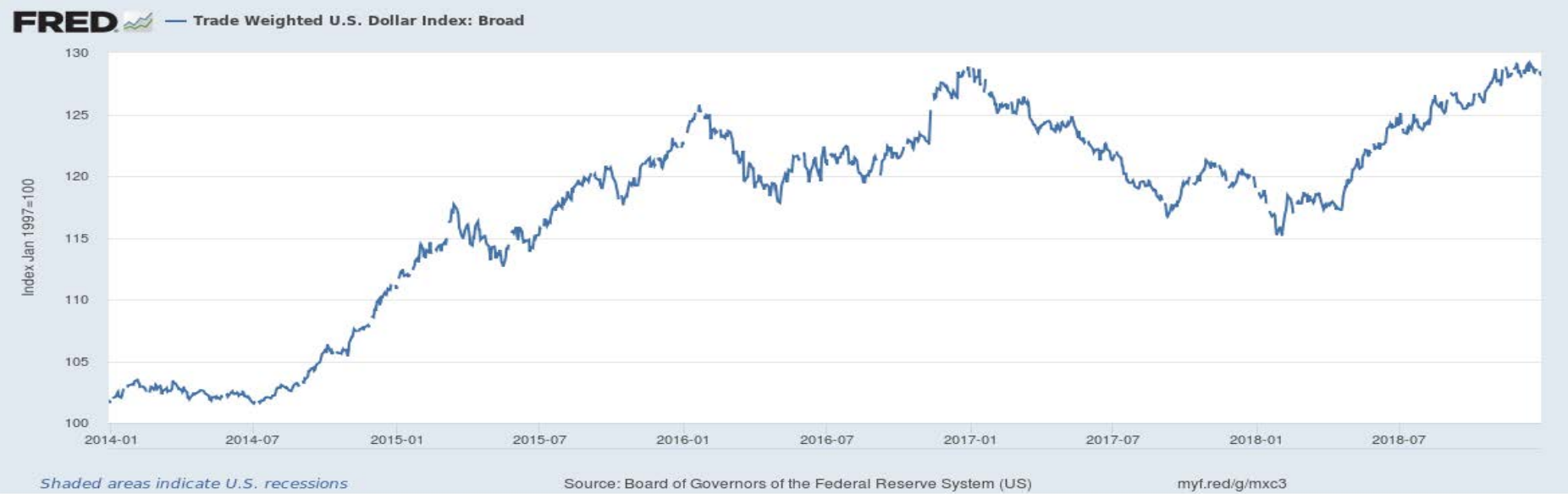
US farm income drops 12%, half of 2013 peak



*** 2018 Forecast**
Source: USDA

STRONGEST DOLLAR IN LAST 4 YEARS