Economic Condition of Idaho Agriculture – 2018

House and Senate Ag Affairs Committee
January 24, 2019
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Ag Dependent Counties

Farm Sector Concentration

Source: BEA and staff calculations.
Idaho - 4th largest Ag economy

Farm GDP % per total

- South Dakota: 6.0%
- Nebraska: 6.0%
- North Dakota: 5.0%
- Idaho: 4.0%
- Iowa: 3.0%
- Montana: 2.0%
- Kansas: 1.0%
Multiplier effects...AgBiz Idaho’s largest industry

Idaho base output by sector of the Idaho economy, 2013

- Crop farming: 4%
- Livestock farming: 4%
- Ag processing: 13%
- Forest products: 3%
- Mining products: 3%
- Other mfg: 7%
- Services: 13%
- Hi-tech mfg: 11%
- Trade: 4%
- Trans, construction, and utilities: 11%
- Government and misc.: 10%
- Households: 17%

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

2013 Magic Valley Agribusiness

- Created $2.5 BILLION in gross state product
- 18,000 jobs at farms and processors
- $9 BILLION sold of goods and services
- $4 BILLION (59%) of the Magic Valley gross regional product
- 46,000 (48%) of Magic Valley jobs
- $12 BILLION (68%) of Magic Valley sales
2018 cash receipts unchanged

Cattle and Calves 23%
Milk 33%
Potatoes 12%
Hay 7%
Barley 3%
Beans 1%
Other Livestock 3%
Other Crops 7%
Sugarbeets 4%

$7.20 billion, 2017
$7.18 billion, 2018

Source: University of Idaho
Cash Receipts -- quantity up prices down

Crops $2.9 billion, $\uparrow 5\%$
- Potatoes: $\downarrow 4\%$
- Barley: $\uparrow 3\%$
- Wheat: $\uparrow 16\%$
- Sugar beets: $\uparrow 3\%$
- Hay: $\uparrow 26\%$

Livestock $4.3$ billion, $\downarrow 4\%$
- Cattle & Calves: $\downarrow 1\%$
- Milk: $\downarrow 6\%$

Source: University of Idaho
Idaho real cash receipts outgrow U.S. by 30%
Government payments drop

Idaho Government Payments, 2009-2018

- Direct Payments
- Conservation
- MILC, ACRE, LDP, Disaster & Other
- ARC & PLC
- Dairy MPP
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
- Canada: 26%
- Mexico: 20%
- China: 7%
- Korea, South: 7%
- Japan: 6%
- ROW: 34%

ID Ag Exports Share, 2017
- Dairy products: 18%
- Other: 35%
- Wheat: 15%
- Beef: 9%
- Potato, processed: 15%
- Potato, fresh: 8%

Source: Laura Johnson Idaho Dept. of Ag, USDA ERS, and Global Trade Atlas
Five years of net farm income drop, down 27%

Idaho Net Farm Income (% change from 2017)

<table>
<thead>
<tr>
<th>TOTAL REVENUES</th>
<th>TOTAL EXPENSES</th>
<th>NET FARM INCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>4%</td>
<td>-27%</td>
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</tbody>
</table>

$1.23 billion, 2017

$0.90 billion, 2018
Idaho real net farm income growth drops to US level

Real (2018 dollars) Idaho vs US Net Farm Income
(1997 =100)

Source: USDA-ERS, University of Idaho
Farm GDP 60% more than Idaho GDP

Chained GDP Idaho vs Farm vs Food Mfg (1997=100)

Source: US Dept. of Commerce, BEA
7 Ag recessions since 2005
(quarter to quarter Idaho GDP % change)

<table>
<thead>
<tr>
<th>Quarter to Quarter % Change</th>
<th>All Industries and Ag &amp; Forestry 2005-2018</th>
</tr>
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<tbody>
<tr>
<td>2005:Q2</td>
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<tr>
<td>2005:Q4</td>
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<tr>
<td>2018:Q2</td>
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Quarterly GDP % change data for specific years and quarters are shown in the diagram.
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
Farmland: leading and current indicator

Average Dollar-per-Acre Value and Sales Activity Trend for Cropland & Pasture in ID, MT, OR, WA (40 acres and greater)

Source: Northwest FCS

*2017 Preliminary Year to Date
QUESTIONS?
2019

Mixed forward indicators

- Deere strong sales
- Land prices up
- Idaho building dairy herds

- Exports determine long term weak commodity prices
  - Strongest dollar in 4 years
  - Soybean, dairy, pork exports to China down due retaliatory tariff.
  - Large grain stocks
  - Weak international, US, and Idaho milk prices

- Higher input costs
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
Loan repayment problems continue to build

KCFed District Loan Repayment Problems

Source: Federal Reserve Bank of Kansas City.
US farm income drops 12%, half of 2013 peak

U.S. Net Farm Income

Billion, 2018 $

* 2018 Forecast
Source: USDA
STRONGEST DOLLAR IN LAST 4 YEARS

Source: Board of Governors of the Federal Reserve System (US)

Shaded areas indicate U.S. recessions

myf.red/mxc3
Farm sector solvency and liquidity ratios weaken slightly

Farm sector debt, inflation adjusted, 1970-2018F

Note: $ = 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

Growth comes from production not price

**Dairy**

Growth In Real Value Of Milk (1980 to 2016)

- Total Milk Sales (real): 134%
- Price (real): -59%
- Milk per cow: 65%
- Cow Inventory: 126%

**Potatoes**

Growth In Real Value Of Potato (1980 to 2016)

- Total Potato Sales (real): 48%
- Price (real): -45%
- Potatoes per Acre: 5%
- Potato Acres: 2%

Source: University of Idaho
Idaho ranks 4th in West net farm income

Net Farm Income
11 Western States, 2017

Source: USDA
Great recession Midwest gains vs farm recession Midwest losses

Per Capita Personal Income, 2008 to 2012
Per Capita Personal Income, 2013 to 2017

Percent Change:
- Below -5
- -5 to 0
- 0 to 5
- 5 to 8
- Above 8

FEDERAL RESERVE BANK OF KANSAS CITY
# Inadequate government programs

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Payment rate</th>
<th>Estimated total payments</th>
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</thead>
<tbody>
<tr>
<td>Corn</td>
<td>1 cent per bushel</td>
<td>$96 million</td>
</tr>
<tr>
<td>Cotton</td>
<td>6 cents per pound</td>
<td>$276.9 million</td>
</tr>
<tr>
<td>Dairy</td>
<td>12 cents per cwt</td>
<td>$127.4 million</td>
</tr>
<tr>
<td>Pork</td>
<td>$8 per head</td>
<td>$290.3 million</td>
</tr>
<tr>
<td>Sorghum</td>
<td>86 cents per bushel</td>
<td>$156.8 million</td>
</tr>
<tr>
<td>Soybeans</td>
<td>$1.65 per bushel</td>
<td>$3.63 billion</td>
</tr>
<tr>
<td>Wheat</td>
<td>14 cents per bushel</td>
<td>$119.2 million</td>
</tr>
</tbody>
</table>

*Initial payment rate on 50% of production

Source: [www.wallacesfarmer.com](http://www.wallacesfarmer.com)