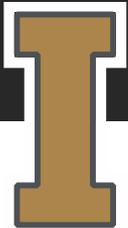


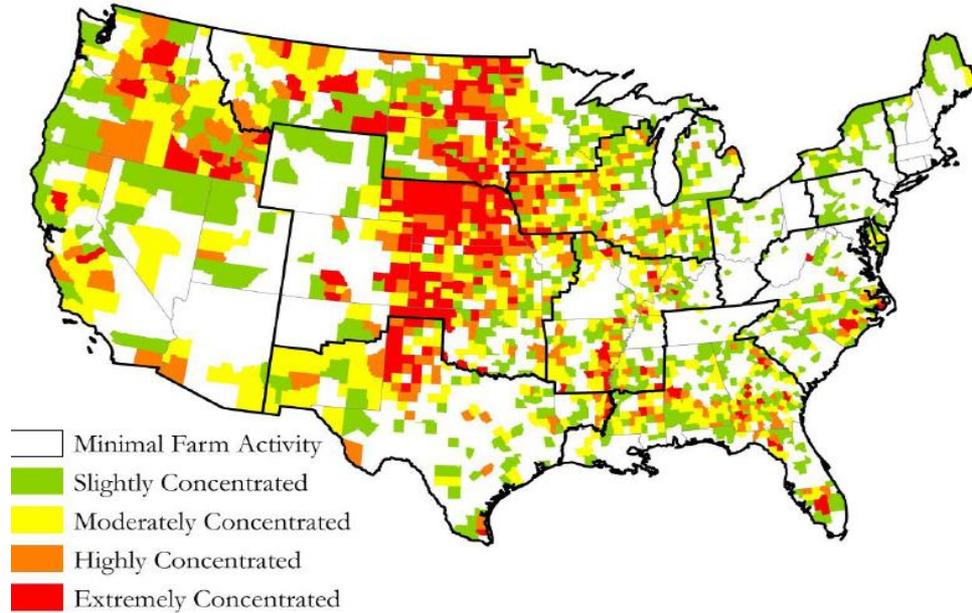
Economic Condition of Idaho Agriculture – 2018

*House and Senate Ag Affairs Committee
January 24, 2019
Rita Du, Ben Eborn, and Garth Taylor*

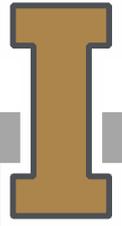


Ag Dependent Counties

Farm Sector Concentration

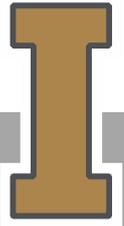
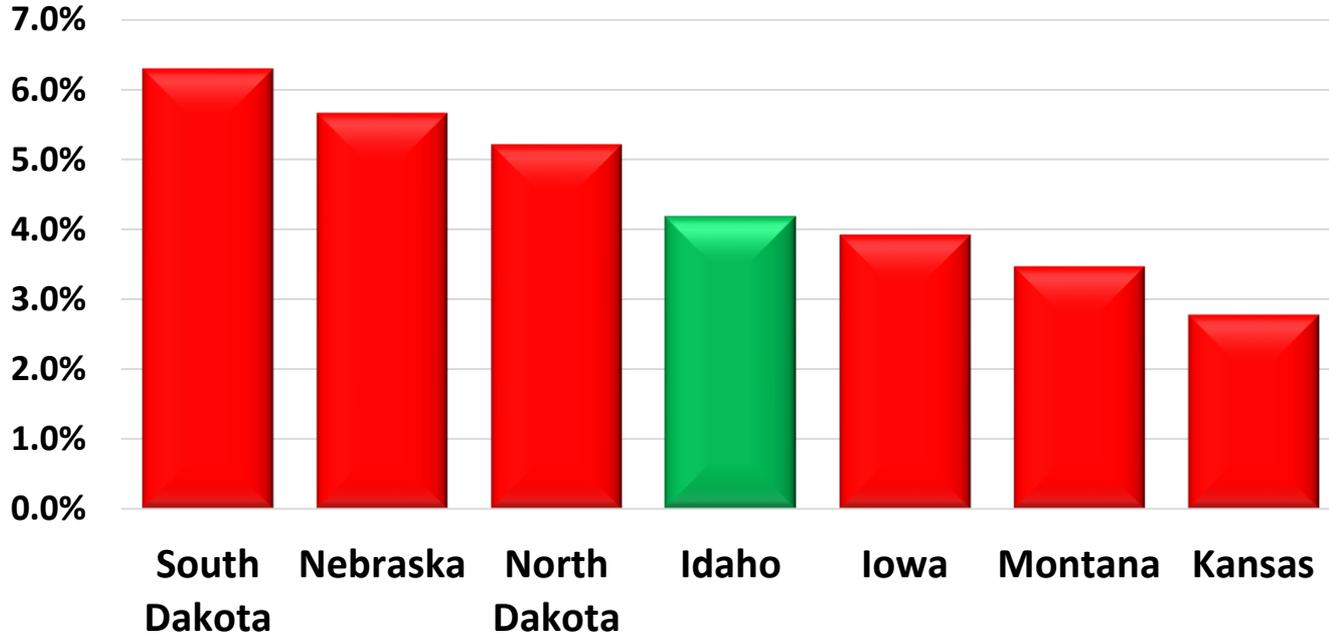


Source: BEA and staff calculations.



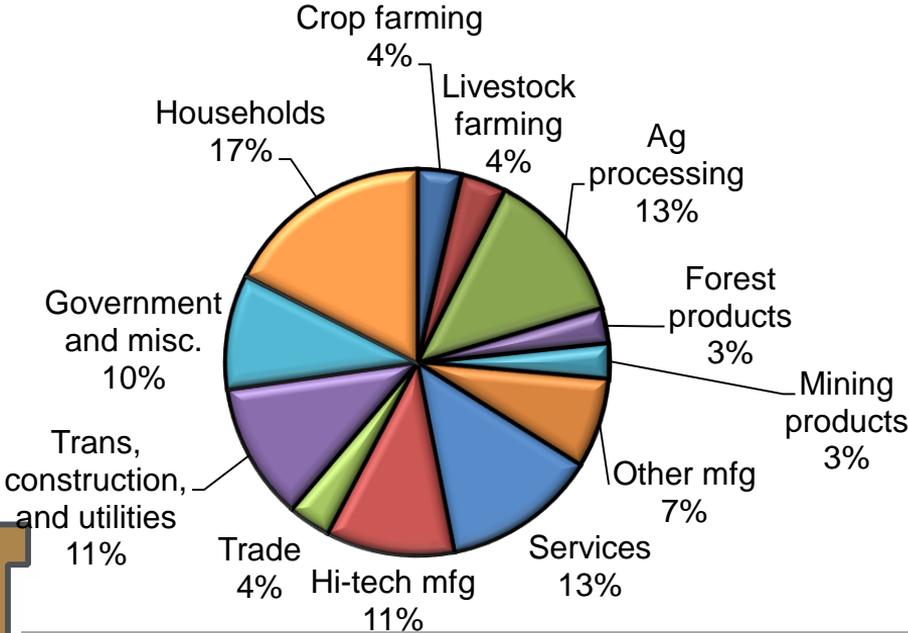
Idaho - 4th largest Ag economy

Farm GDP % per total

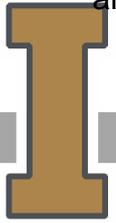


Multiplier effects...AgBiz Idaho's largest industry

Idaho base output by sector of the Idaho economy, 2013



- 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



SOLD **\$9**
BILLION
of goods
and services

\$4
BILLION

(59%) of the
Magic Valley gross
regional product



46,000

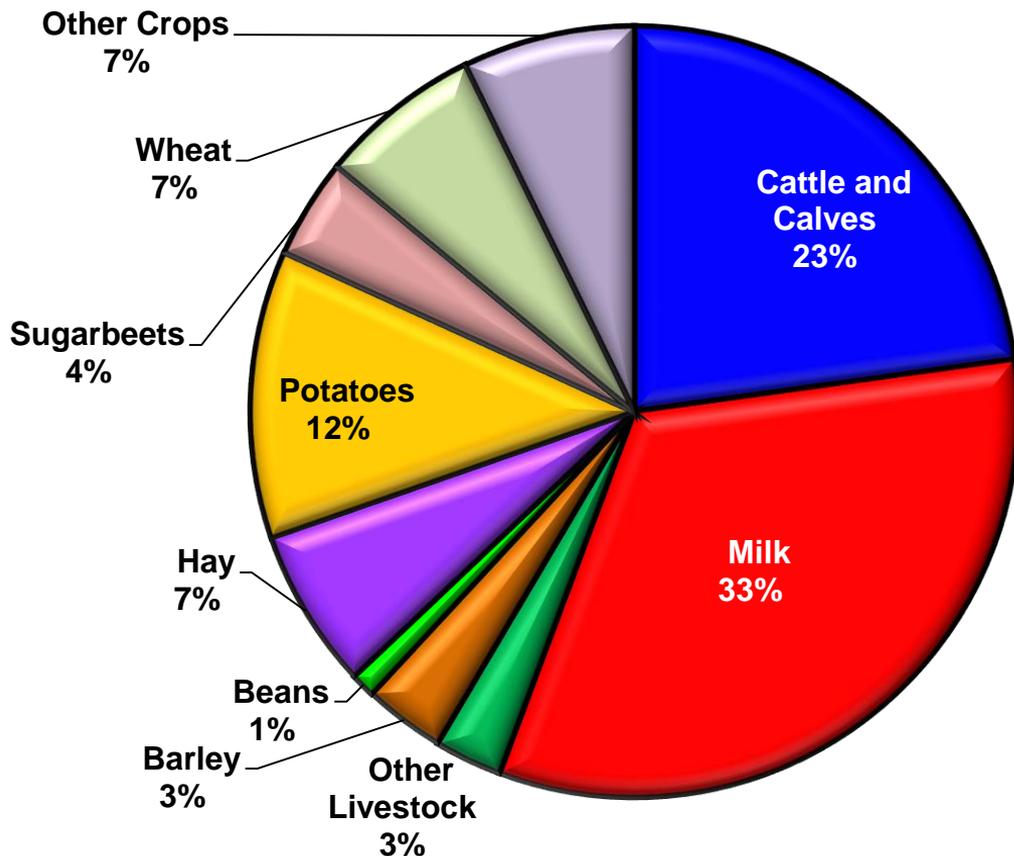
(48%) of Magic Valley jobs



\$12 (68%)
BILLION of Magic
Valley
sales



2018 cash receipts unchanged



\$7.20 billion, 2017



\$7.18 billion, 2018

Cash Receipts -- quantity up prices down

Crops \$2.9 billion, ↑5%

Livestock \$4.3 billion, ↓4%

Potatoes: ↓4%

Cattle & Calves: ↓1%

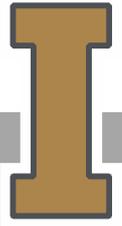
Barley: ↑3%

Milk: ↓6%

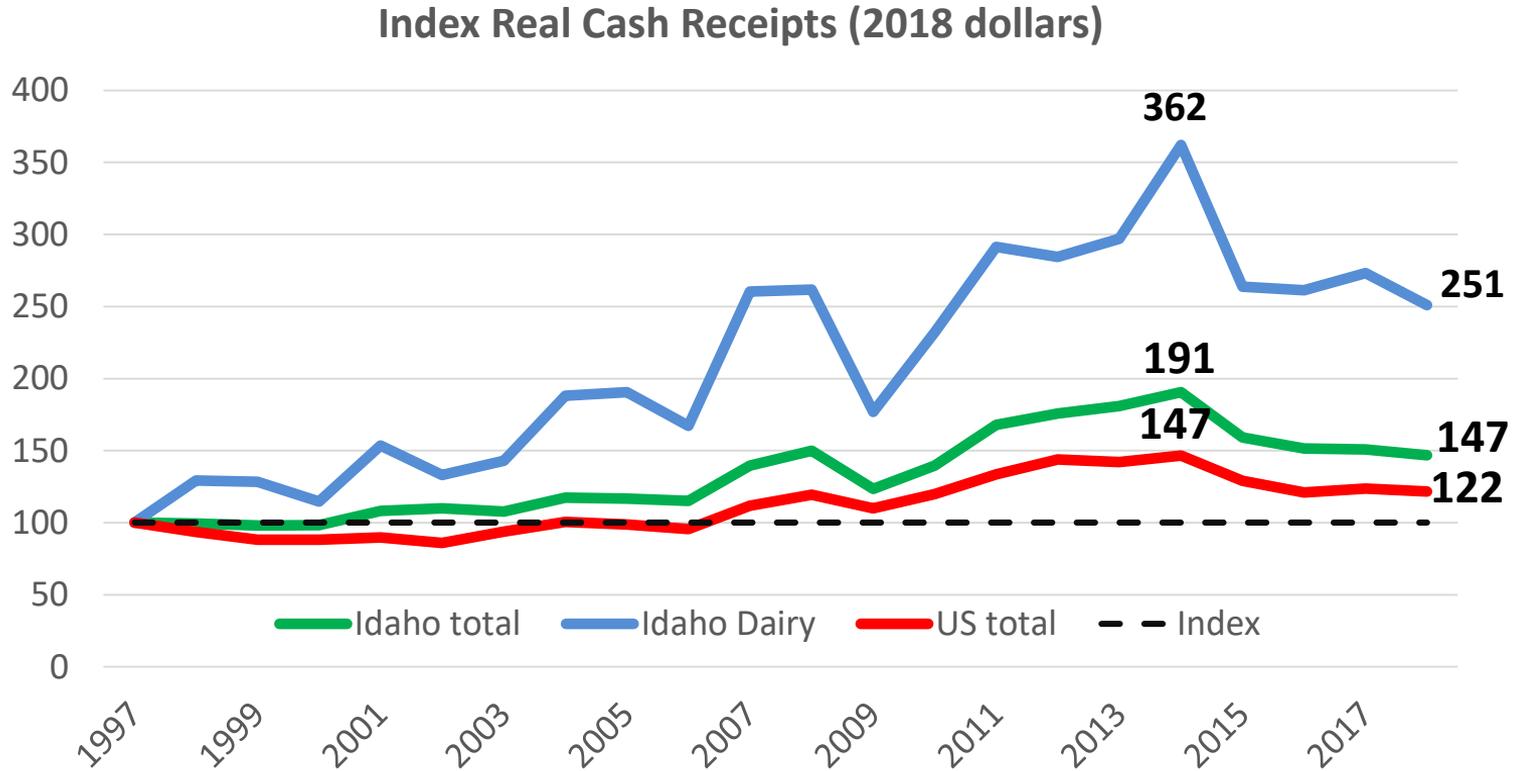
Wheat: ↑16%

Sugarbeets: ↑3%

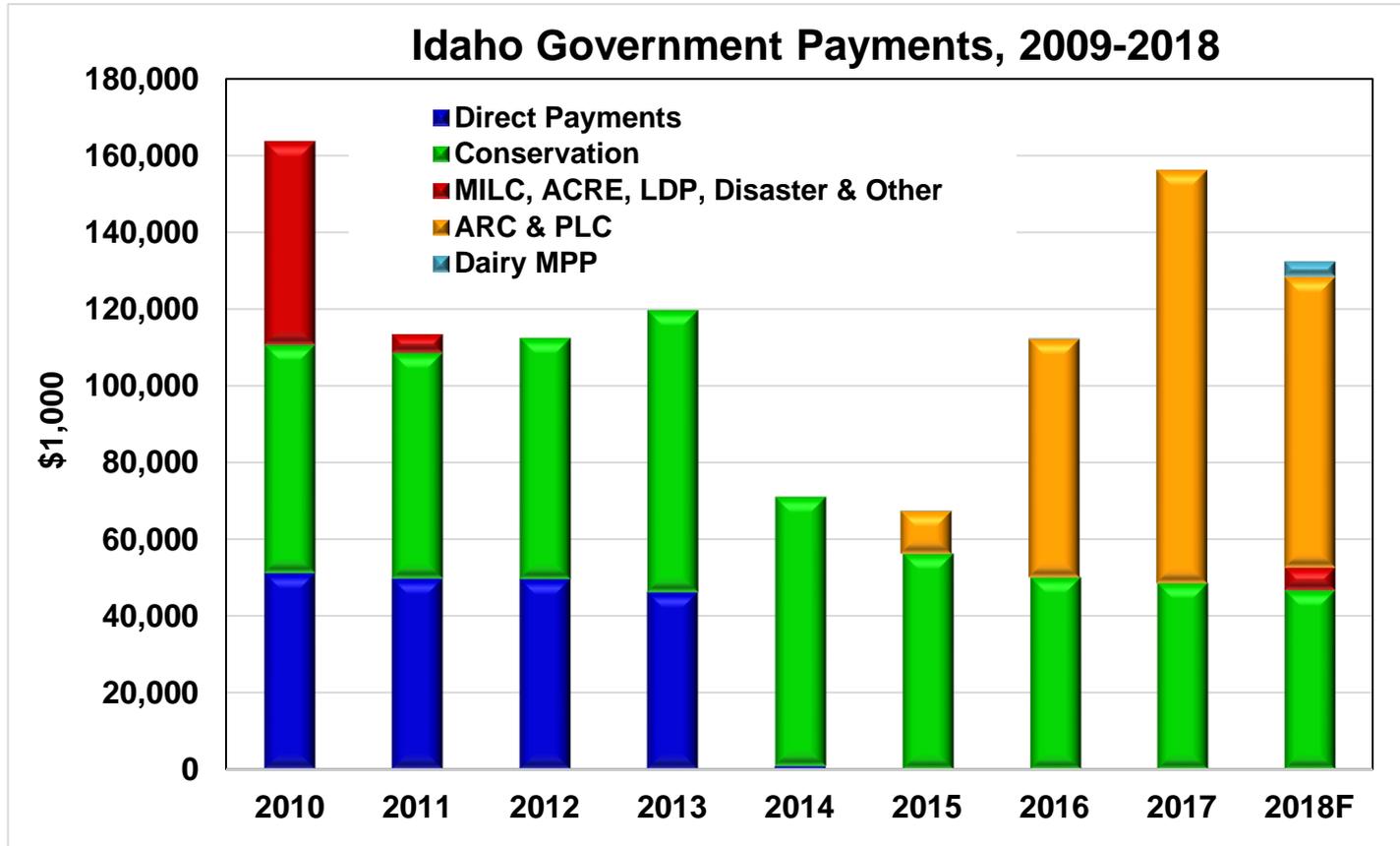
Hay: ↑26%



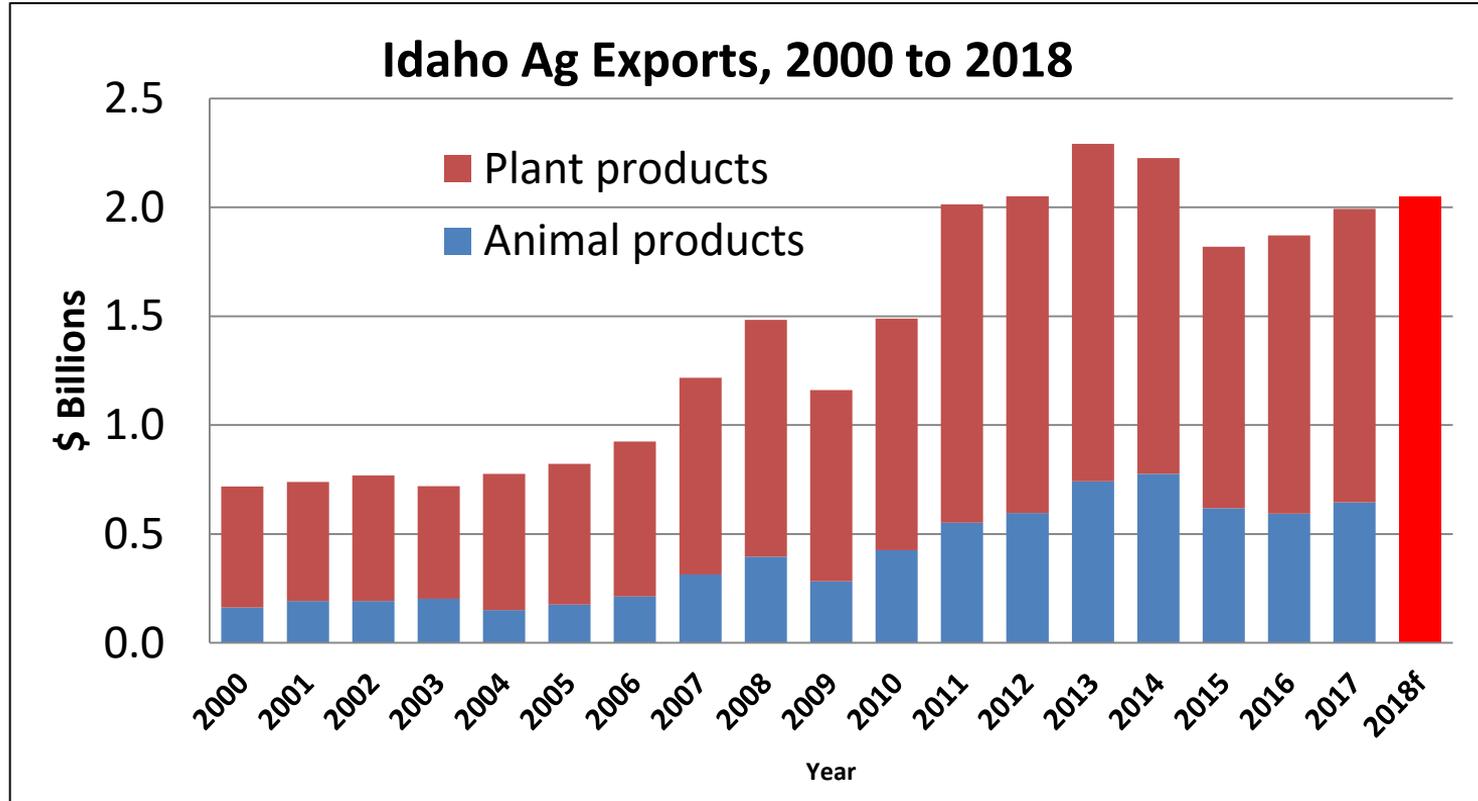
Idaho real cash receipts outgrow U.S. by 30%



Government payments drop

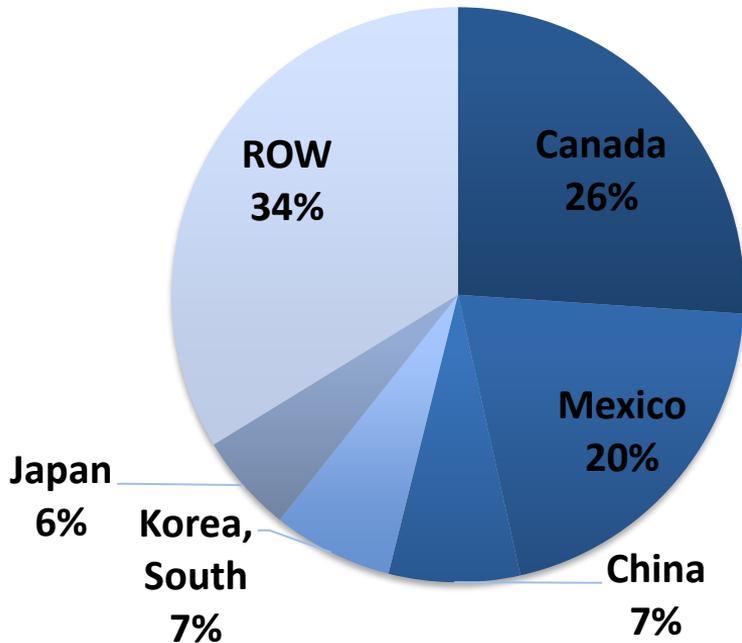


Idaho Ag Exports -- 4th Year of Growth

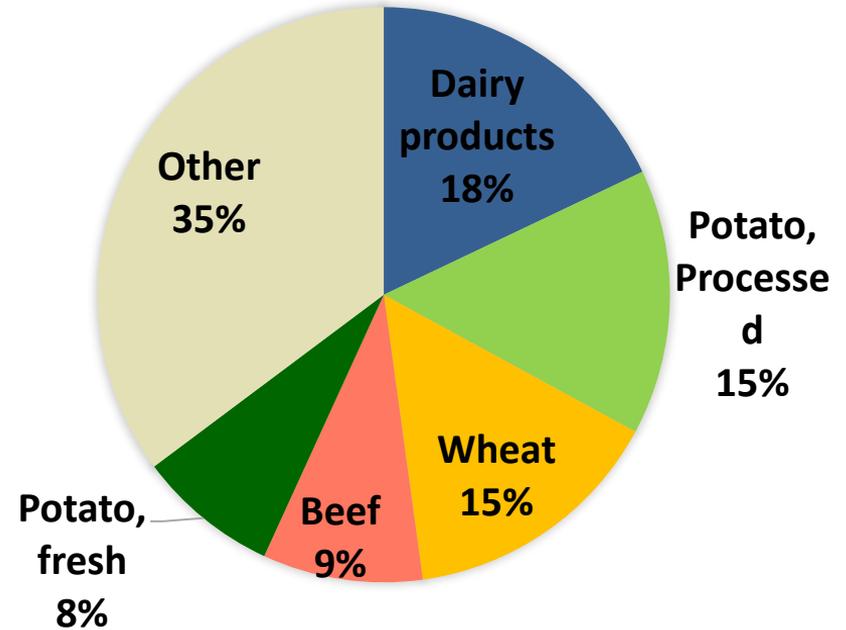


Idaho Ag Exports: Dairy, Potatoes and NAFTA

ID Ag Exports by Country, 2017

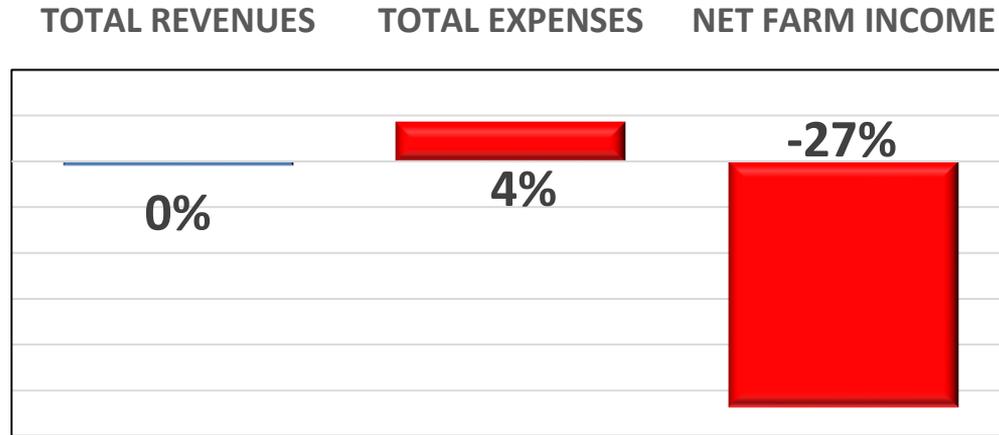


ID Ag Exports Share, 2017

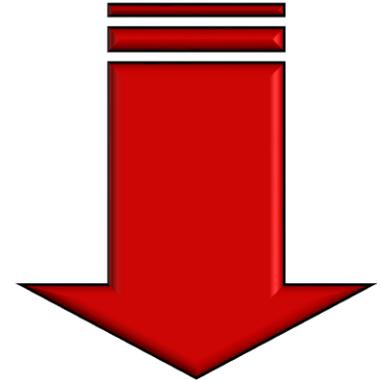


Five years of net farm income drop, down 27%

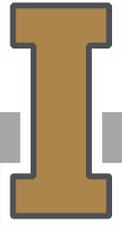
Idaho Net Farm Income
(% change from 2017)



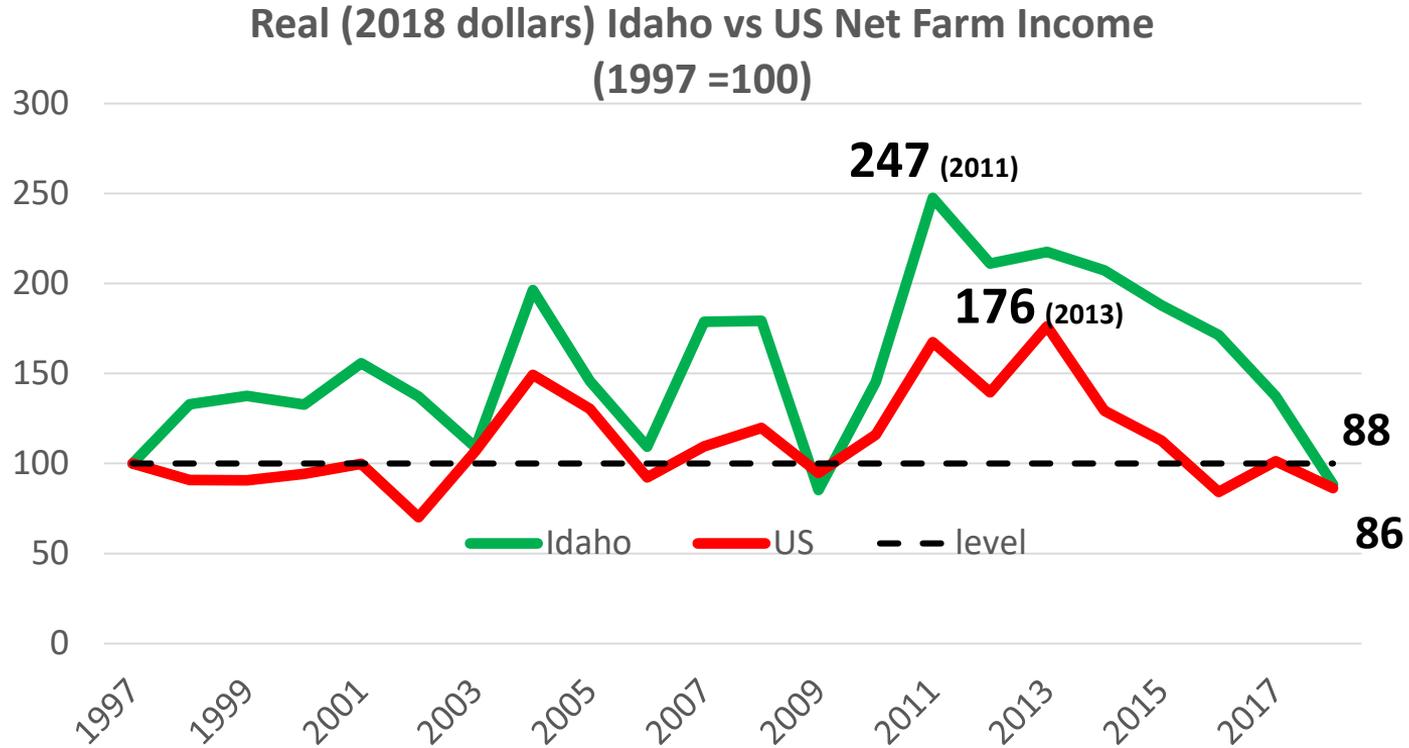
\$1.23 billion, 2017



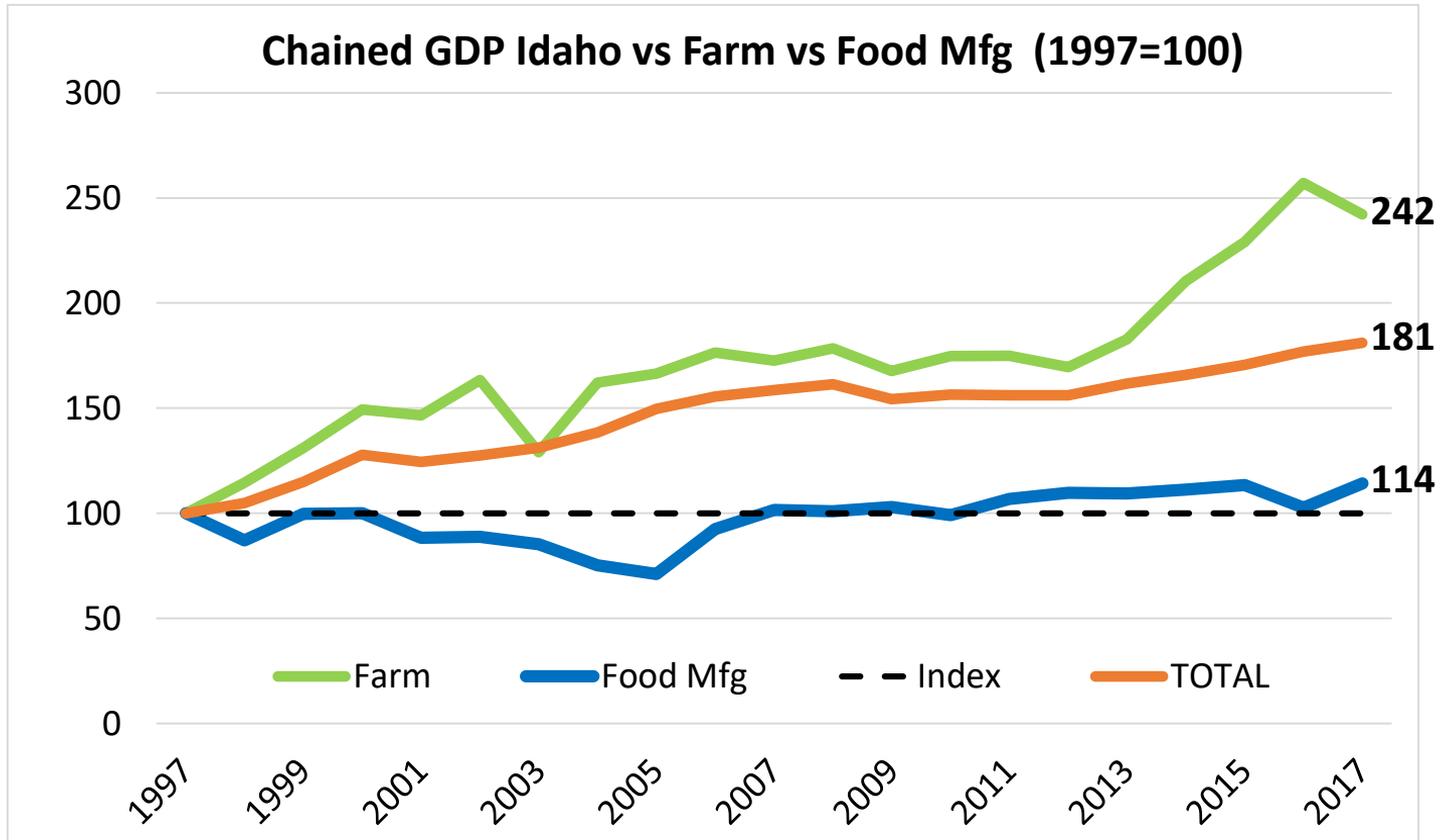
\$0.90 billion, 2018



Idaho real net farm income growth drops to US level

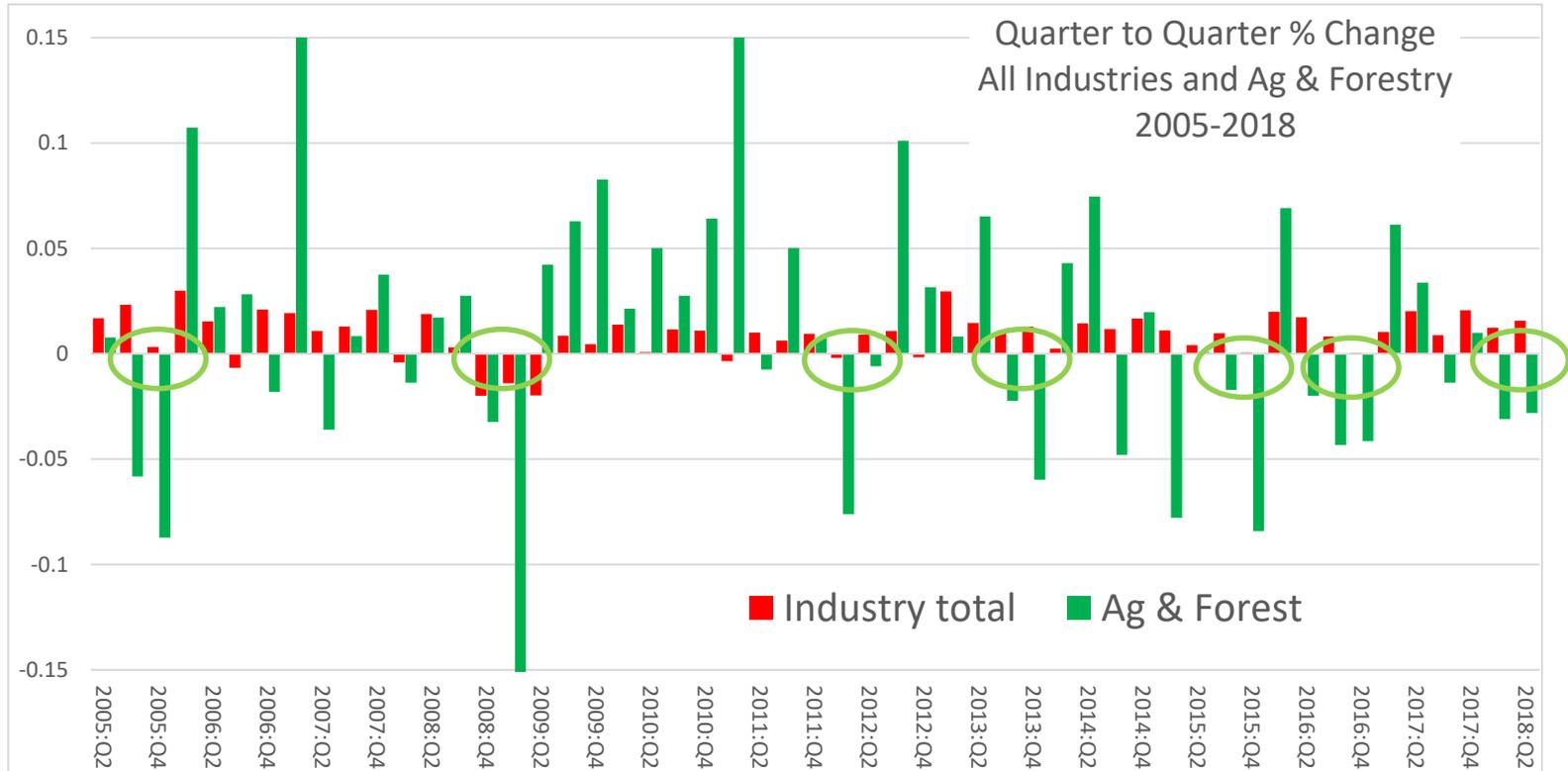


Farm GDP 60% more than Idaho GDP



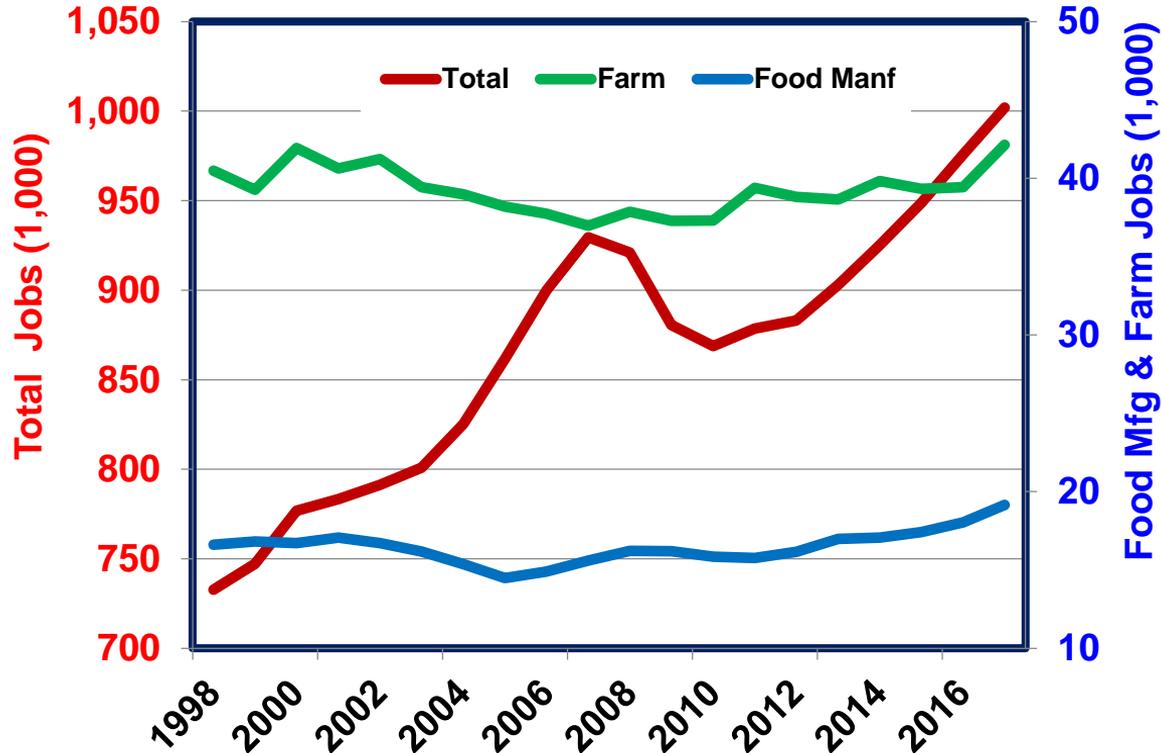
7 Ag recessions since 2005

(quarter to quarter Idaho GDP % change)



Farming & food manufacturing = steady jobs

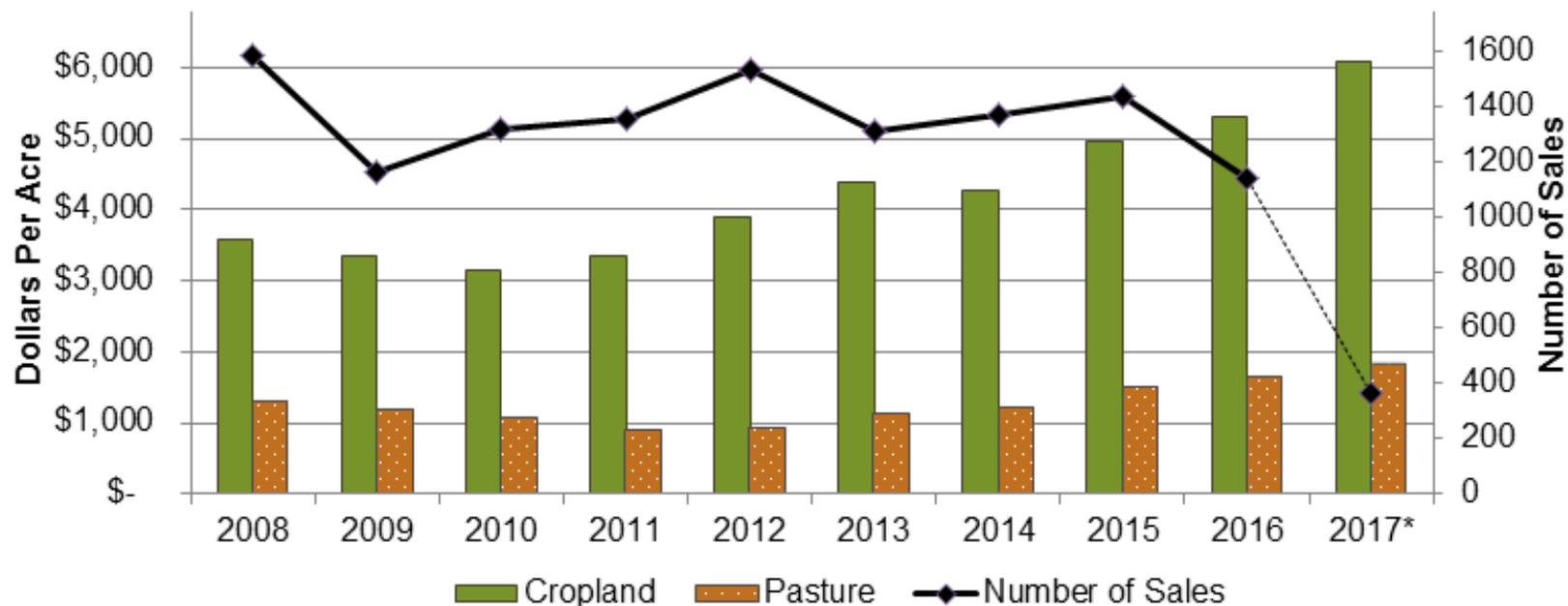
Full and Part Time Jobs 1998-2017



- **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

Farmland: leading and current indicator

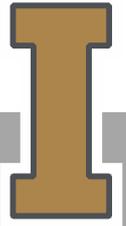
Average Dollar-per-Acre Value and Sales Activity Trend for Cropland & Pasture in ID, MT, OR, WA (40 acres and greater)



Source: Northwest FCS

*2017 Preliminary Year to Date

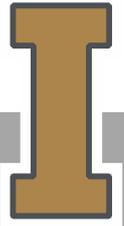
QUESTIONS?



2019

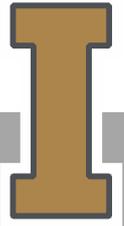
Mixed forward indicators

- 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



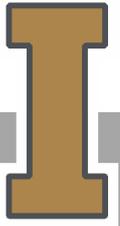
2019 EXPORTS

- 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.



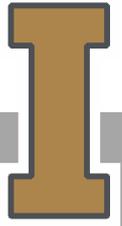
BEEF

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

Strong economy means people eat more beef

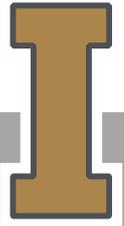
US producing a record amount of higher quality beef

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



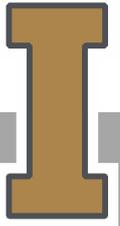
WHEAT PROJECTIONS

- 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%.



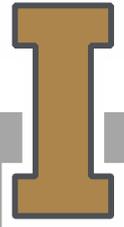
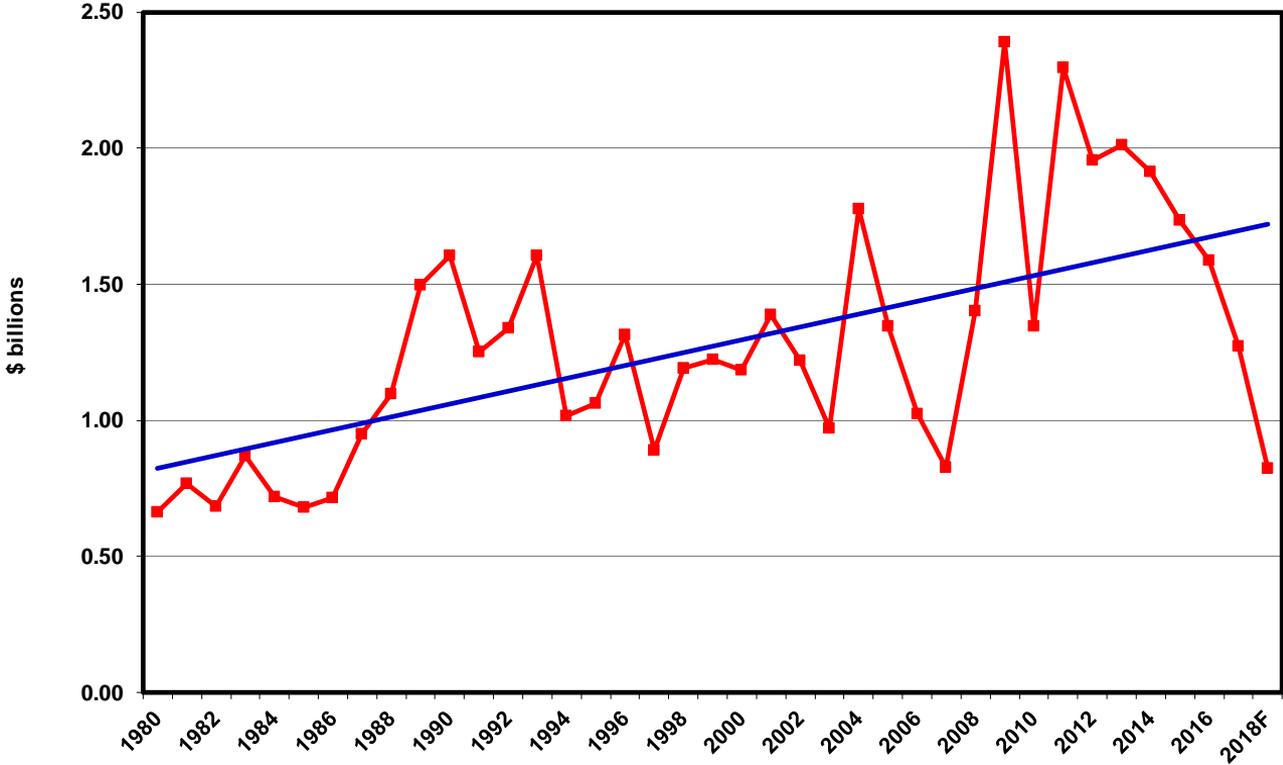
OTHER PROJECTIONS

- 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



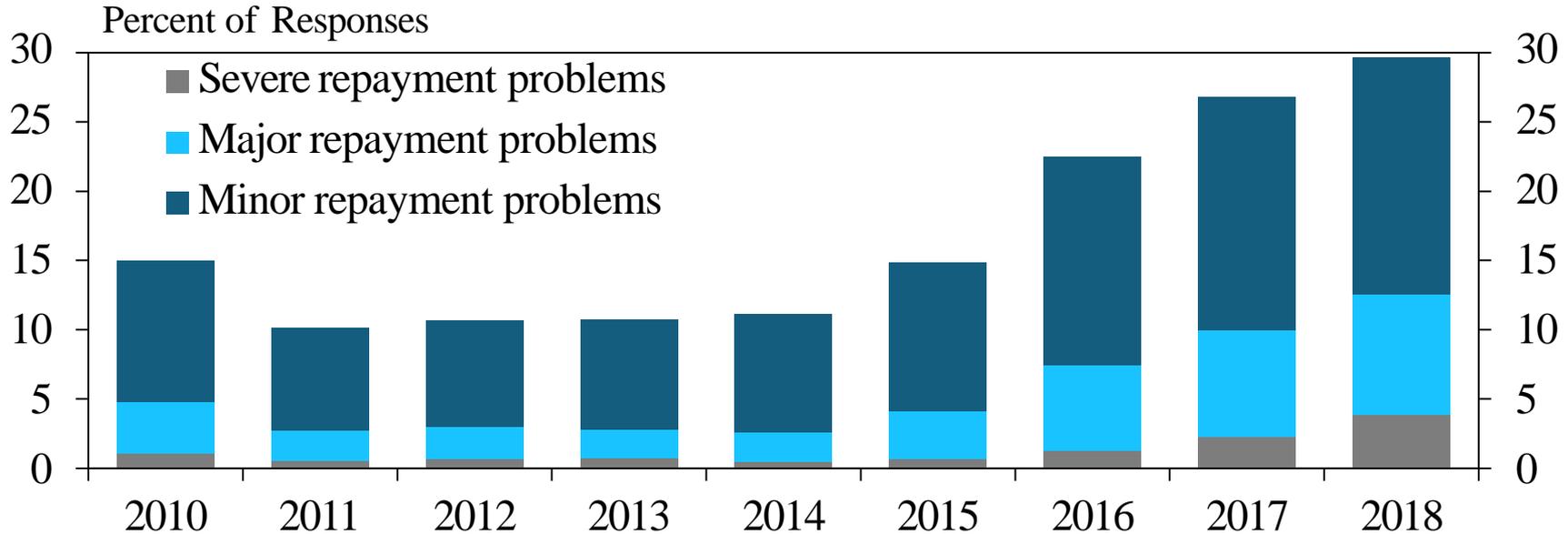
Idaho Net Farm Income, 1980-2018

Real dollars - 2012 base



Loan repayment problems continue to build

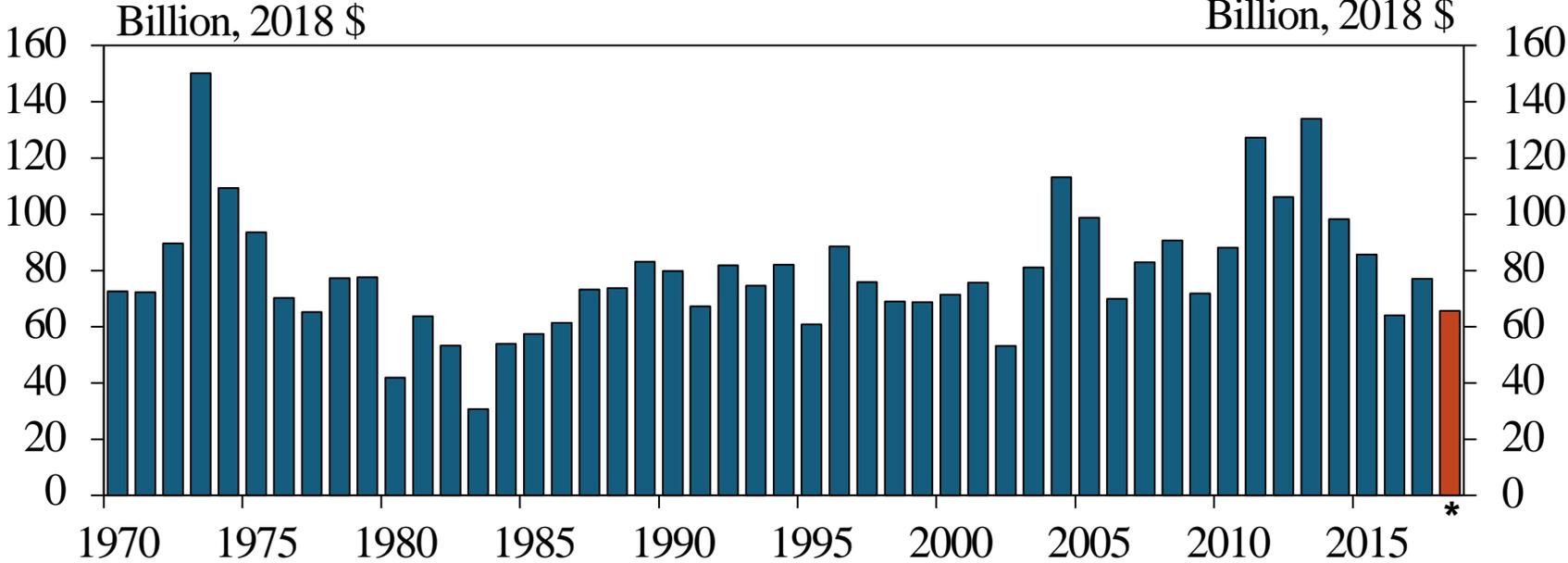
KCFed District Loan Repayment Problems



Source: Federal Reserve Bank of Kansas City.

US farm income drops 12%, half of 2013 peak

U.S. Net Farm Income



* 2018 Forecast
Source: USDA

STRONGEST DOLLAR IN LAST 4 YEARS

FRED

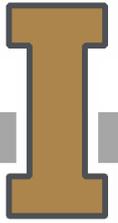
— Trade Weighted U.S. Dollar Index: Broad



Shaded areas indicate U.S. recessions

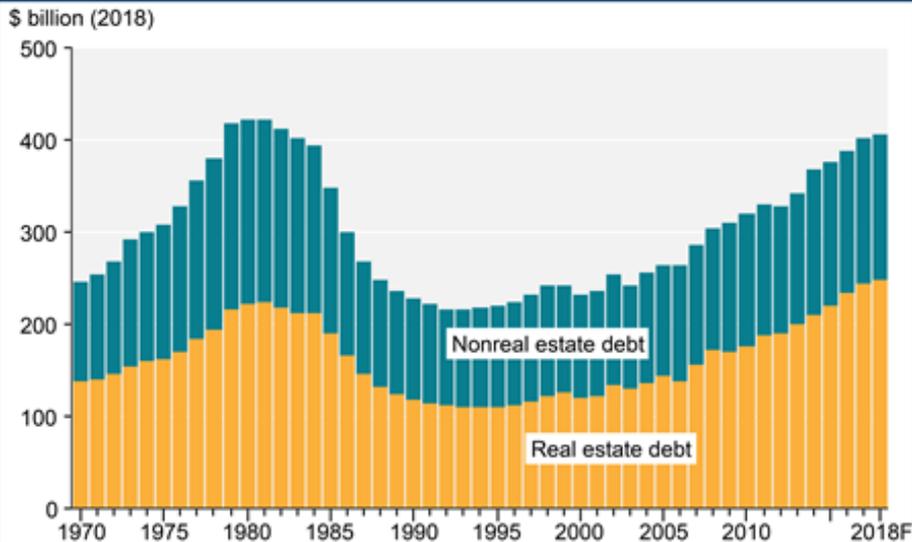
Source: Board of Governors of the Federal Reserve System (US)

myf.red/g/mxc3



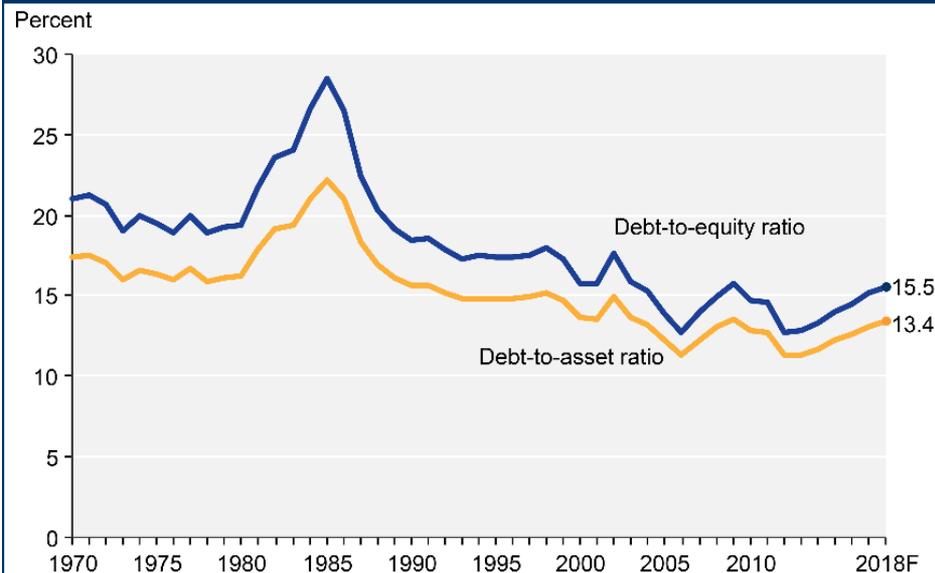
Farm sector solvency and liquidity ratios weaken slightly

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.

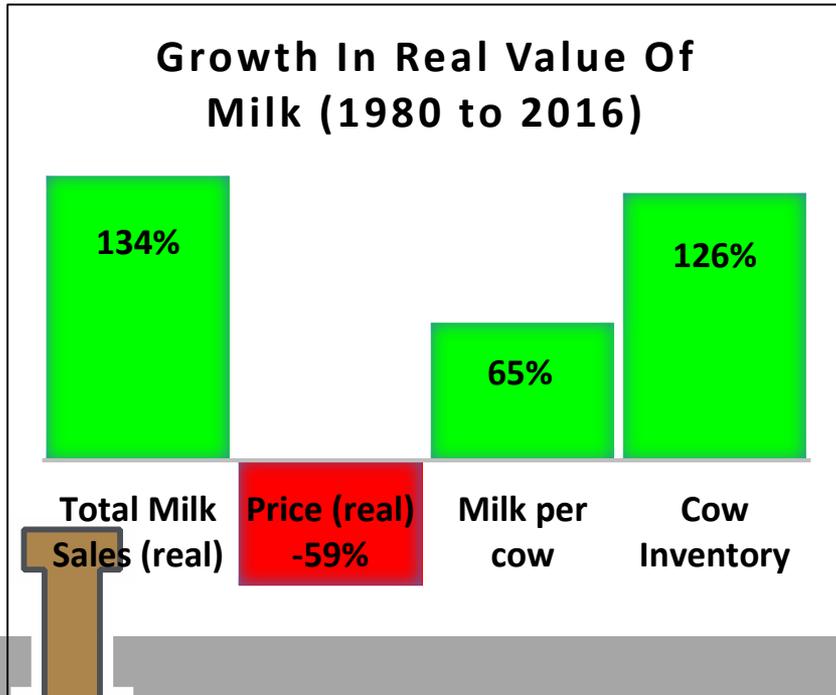
Farm sector solvency ratios, 1970-2018F



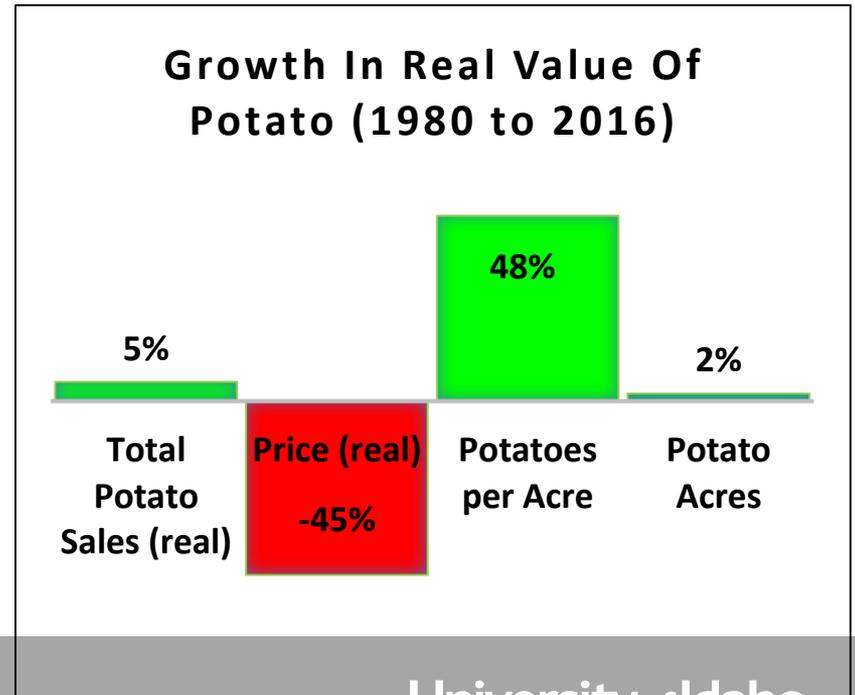
Note: F = forecast.
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.
Data as of August 30, 2018.

Growth comes from production not price

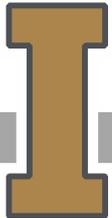
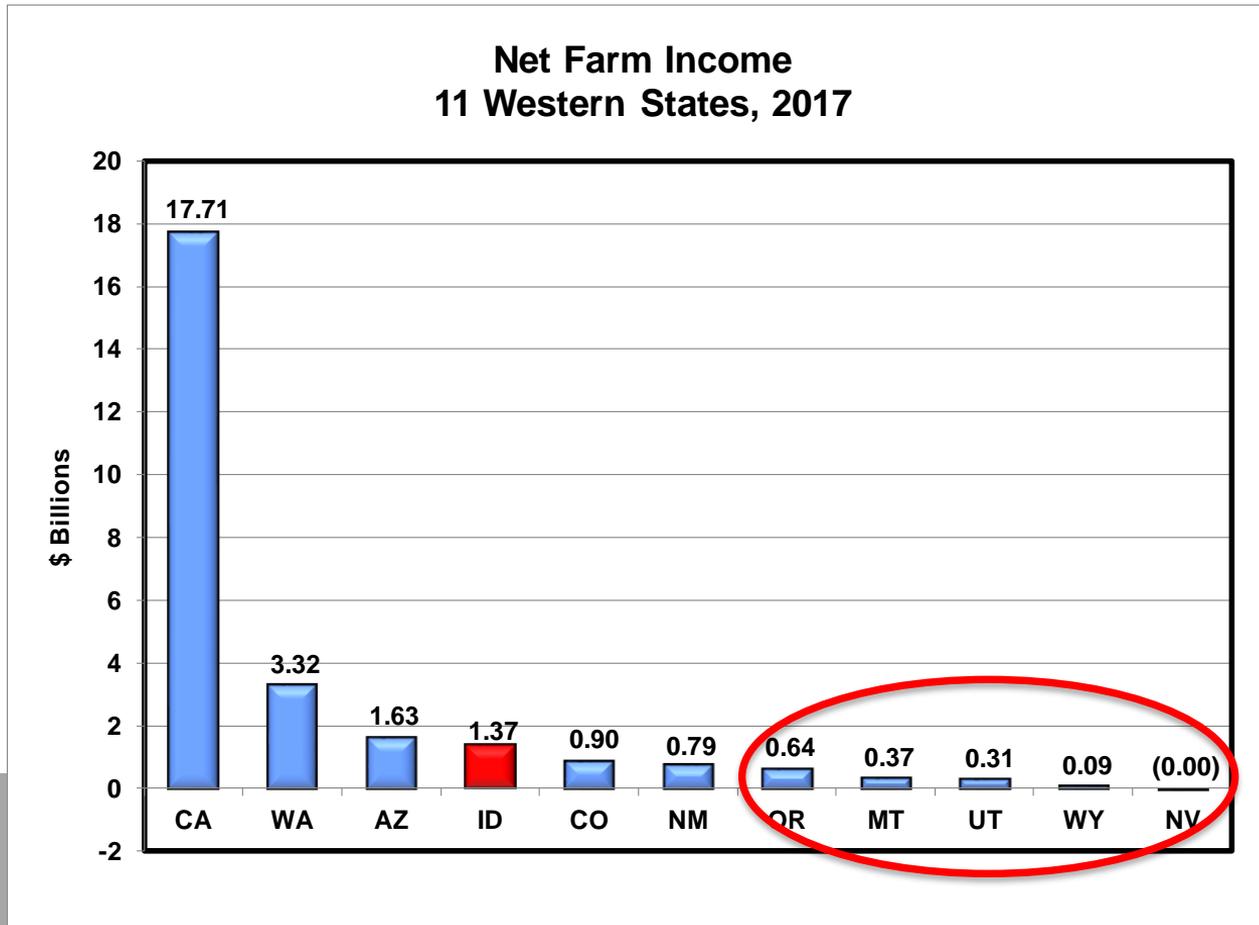
Dairy



Potatoes



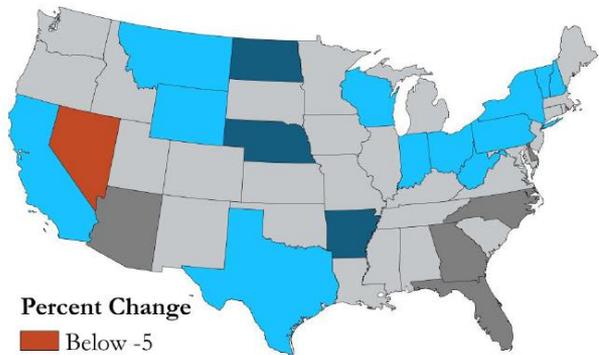
Idaho ranks 4th in West net farm income



Source: USDA

Great recession Midwest gains vs farm recession Midwest losses

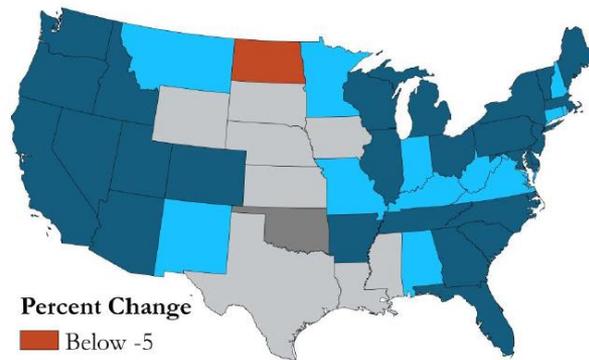
Per Capita Personal Income,
2008 to 2012



Percent Change

- Below -5
- 5 to 0
- 0 to 5
- 5 to 8
- Above 8

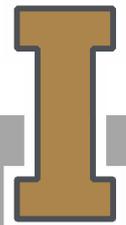
Per Capita Personal Income,
2013 to 2017



Percent Change

- Below -5
- 5 to 0
- 0 to 5
- 5 to 8
- Above 8

FEDERAL RESERVE BANK OF KANSAS CITY



Inadequate government programs

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: www.wallacesfarmer.com

