

Financial Condition of Idaho Agriculture – 2015

Garth Taylor & Ben Eborn
House and Senate Agricultural Affairs Committee
February 2, 2016

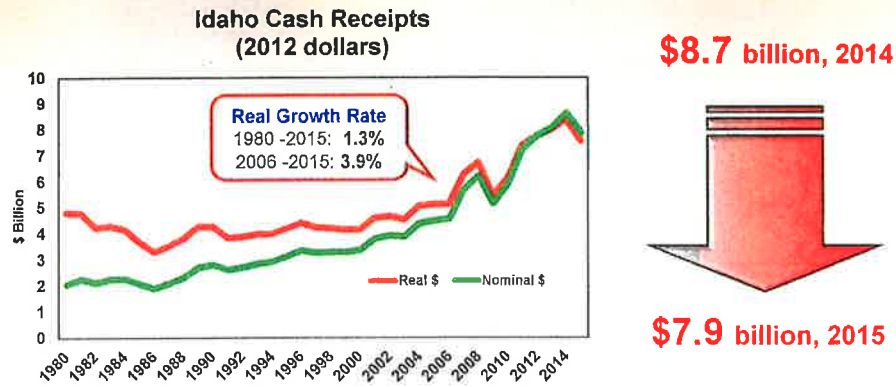
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Overview

- 2015 forecast
 - Farm gate cash receipts
 - Government payments
 - Net farm income
- Farm financials
- Ag in Idaho's economy
- 2016 outlook

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2015 cash receipts drop 9%, back to 2012 levels



Source: USDA-ERS, 2015 University of Idaho

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Cash Receipt Ups & Downs

Crops \$3.1 billion, ↓3%

Potatoes: ↓3%

Barley: ↑7%

Dry Beans: ↓1%

Wheat: ↓17%

Sugarbeets: ↑19%

Hay: ↓12%

Livestock \$4.8 billion, ↓13%

Cattle & Calves: ↑8%

Milk: ↓27%

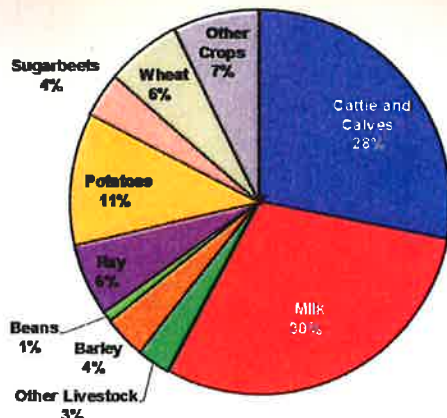


Source: University of Idaho

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Idaho Ag is Livestock

Idaho Cash Receipts, 2015

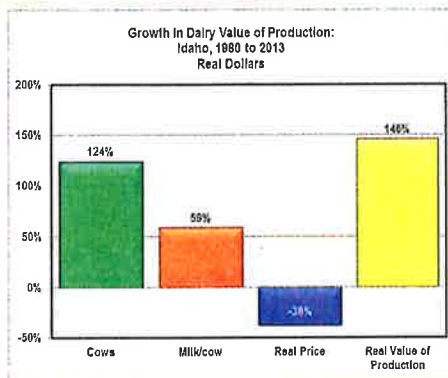


Source: University of Idaho

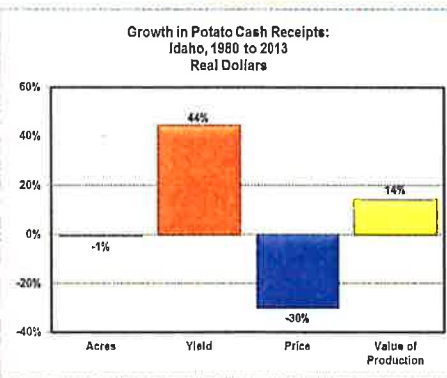
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Ag growth comes from innovation

Dairy



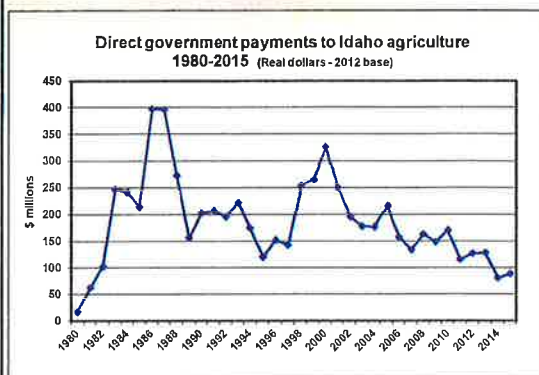
Potatoes



Source: University of Idaho

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Idaho Government Payments



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

Government payments to Idaho agriculture,
FY 2015, \$61.5 million



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Idaho Government Programs

- FY 2015 FSA paid \$415 m
 - \$61 million in direct payments
 - Marketing Assistance Loans - \$248 million
 - Beginning farmer ownership/operating loans - \$99 million
- New programs
 - **Agriculture Risk Coverage (ARC)** – dry land crops or corn
 - **Price Loss Coverage (PLC)** – irrigated crops (not spuds, beets, other crops)
 - **Margin Protection Program (MPP)** difference between the all-milk price and average feed costs. - 50% of Idaho dairies have signed up for basic (free minimum) 1 dairy signed up for more protection
- Direct payments
 - Conservation programs (CRP and CREP)
 - Livestock programs
- Whole-Farm Revenue Protection Insurance

Source: USDA FSA

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Idaho FSA outlays 2013 to 2015

Program (\$ Mill)		2013	2014	2015
Total Loans & Payments		486	430	415
Loans	Marketing Assistance loans	363	216	255
	Beginning Farmer Loans	79	119	99
Direct Payments	Disaster	5.5	5.1	24
	Conservation	40	36	37

Source: USDA FSA

Net farm income down 31%

Net farm income \$1.34 billion, down 31%

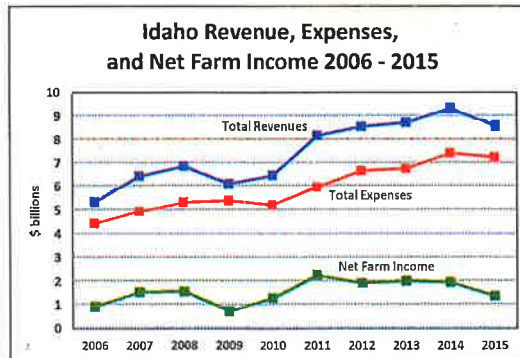
> 13% below 10 year avg.

Revenues down 8%

- > Livestock receipts (-13%)
- > Crop receipts (-3%)
- > Govt. payments (+10%)

Expenses down 2%

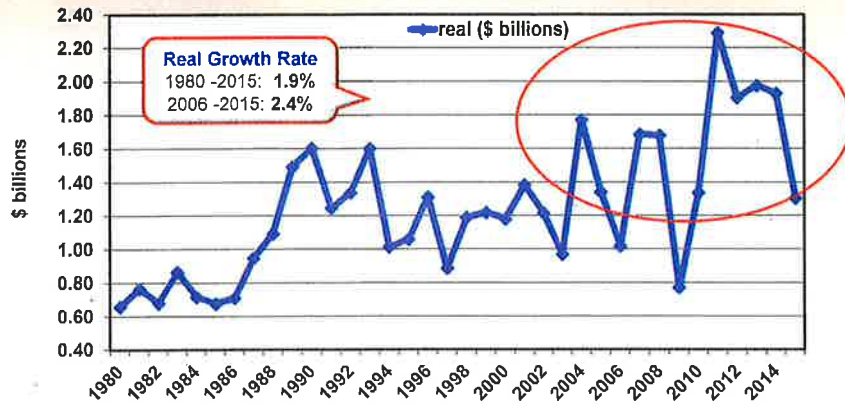
- > Farm origin inputs (-5%)
- > Manufactured inputs (-12%)
- > Other inputs (0%)



Source: USDA-ERS, 2015 University of Idaho

Idaho net farm income returns to 2-3% growth

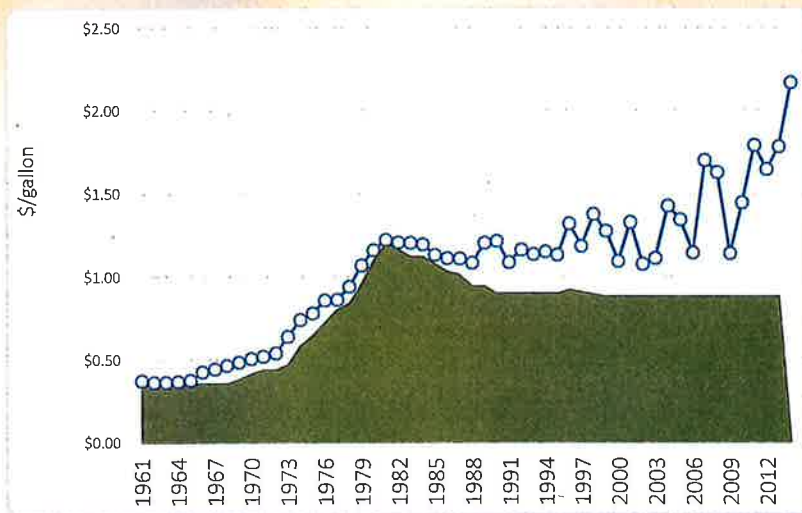
Real Idaho Net Farm Income, 1980-2015 2012 dollars



Source: USDA-ERS, 2015 University of Idaho

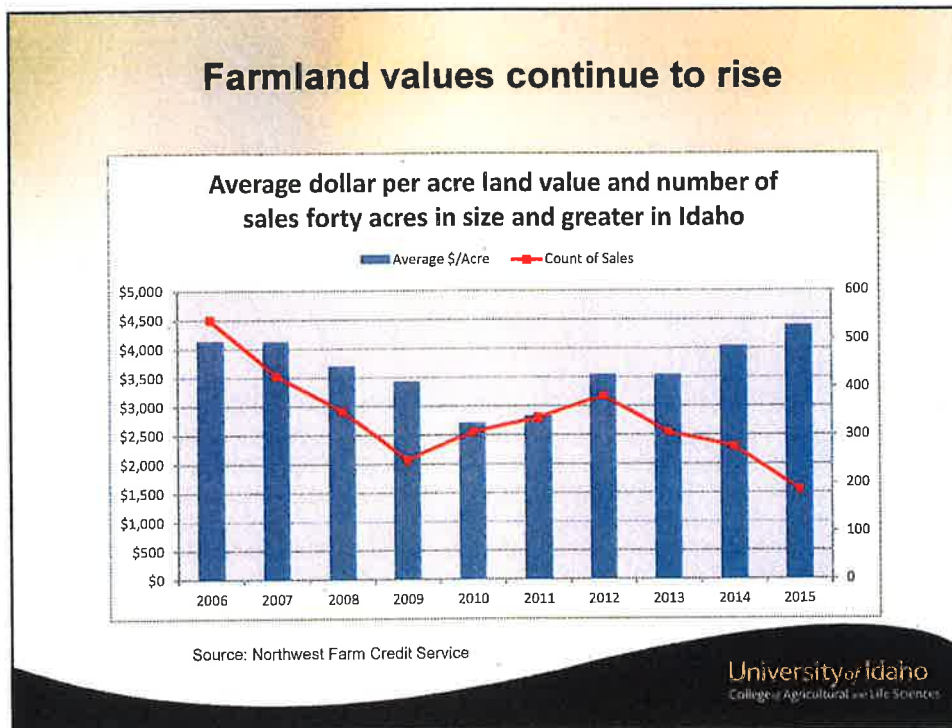
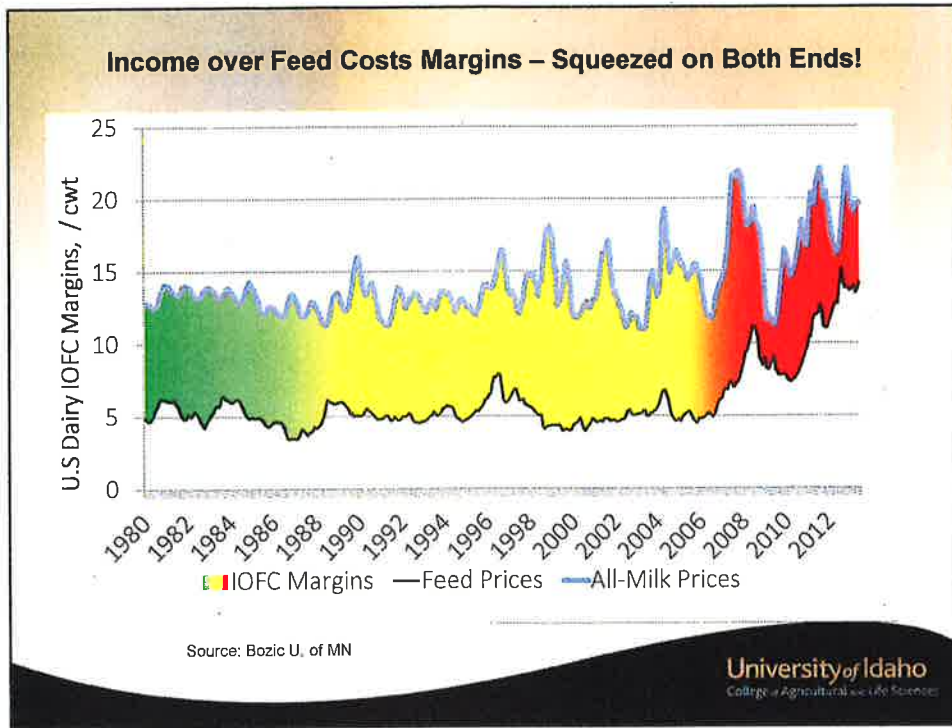
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U.S. Farm-level Milk Prices, 1961-2014

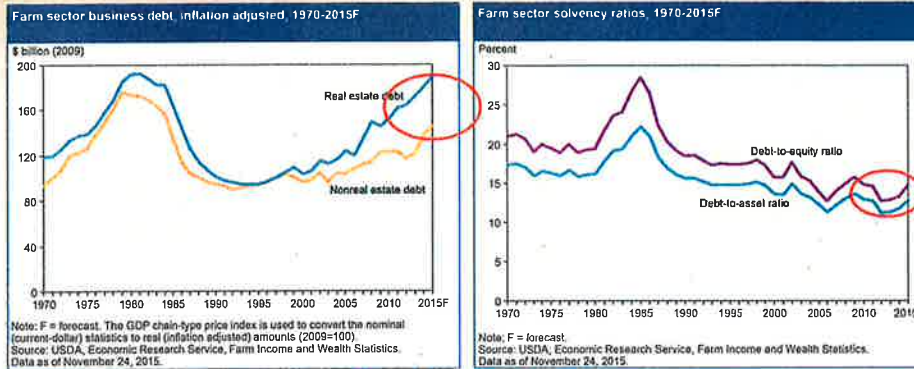


Source: Bozic U. of MN

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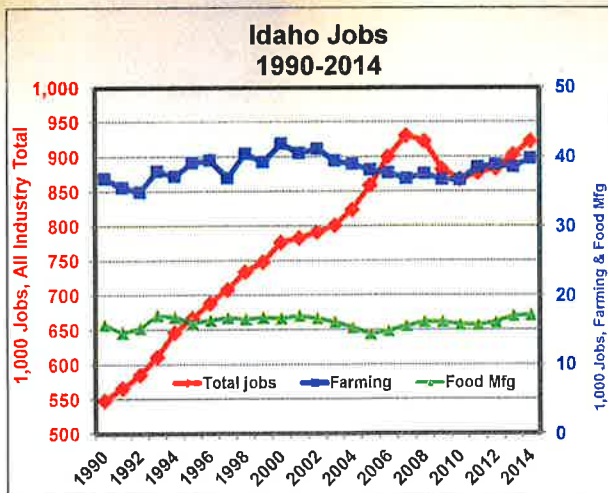
High debt offset by clean balance sheets



Source: USDA-ERS

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Farming & food manufacturing = steady jobs

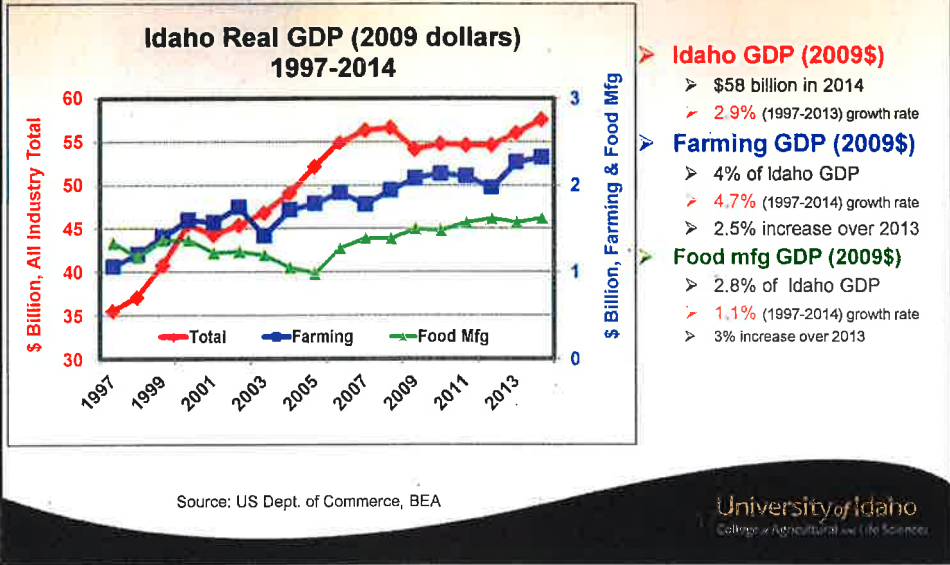


- **Total Idaho jobs**
 - 923,000 jobs
 - Increased 20,000
- **Farm jobs**
 - 39,800 jobs 2014
 - 4.3% Idaho total
 - Increased 1200 jobs
- **Food mfg jobs**
 - 17,100 jobs 2014
 - 1.9% Idaho total
 - Increased 90 jobs

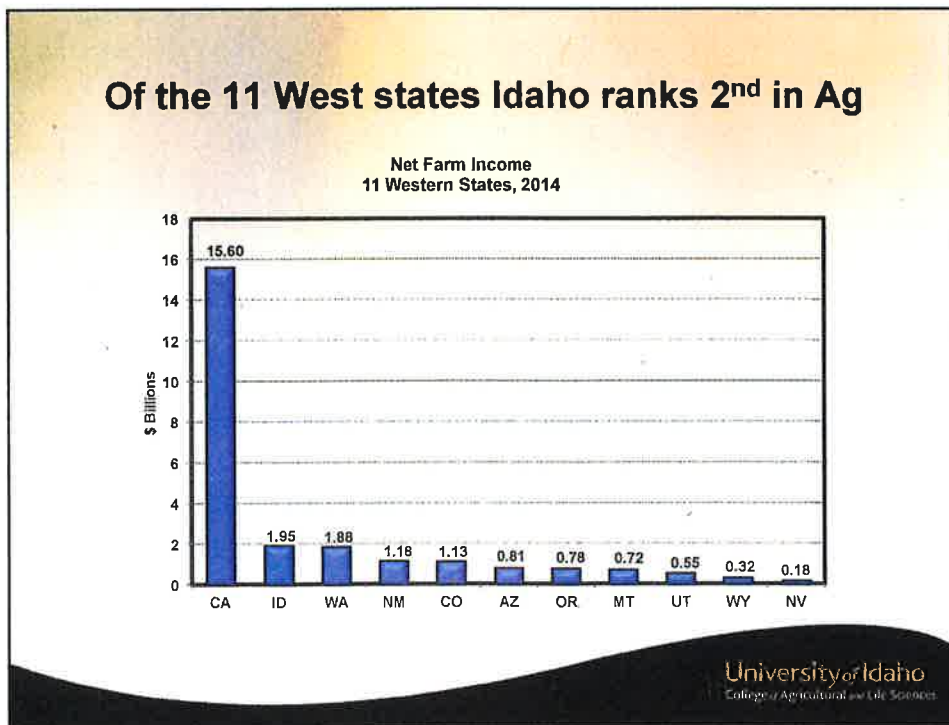
Source: US Dept. of Commerce, BEA

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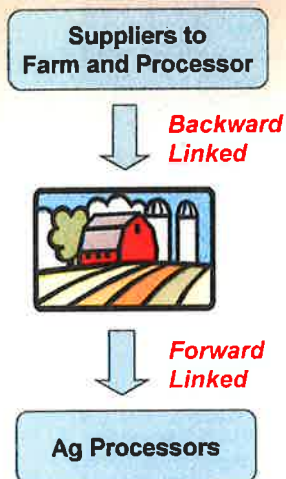
Farming GDP is growing faster than Idaho GDP



Of the 11 West states Idaho ranks 2nd in Ag



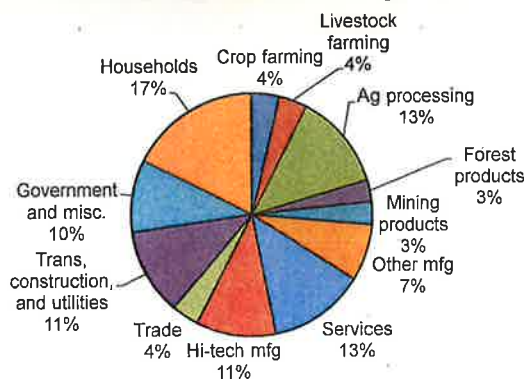
What is Ag Business?



- **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

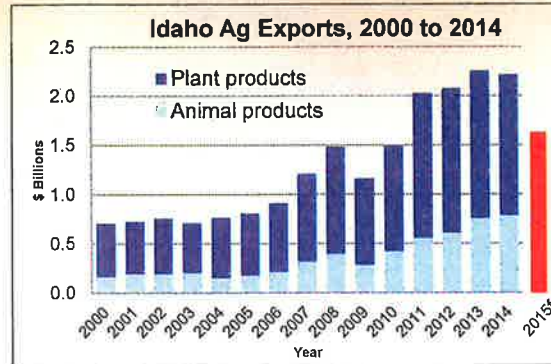
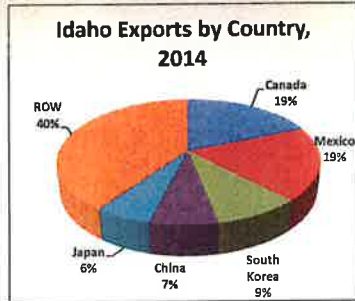
Idaho base output by sector of the Idaho economy, 2013



- AgBiz multiplier effects
- 20% of output or sales
 - 14% of jobs
 - 16% of GDP

Source: Taylor & Eborn University of Idaho

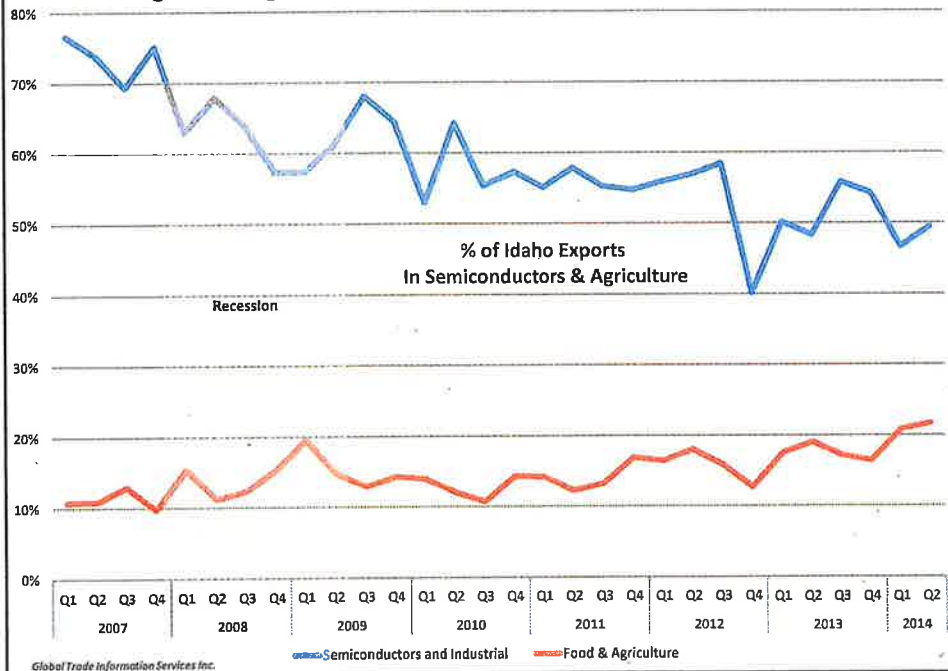
Idaho Ag exports decline 25% in 2015



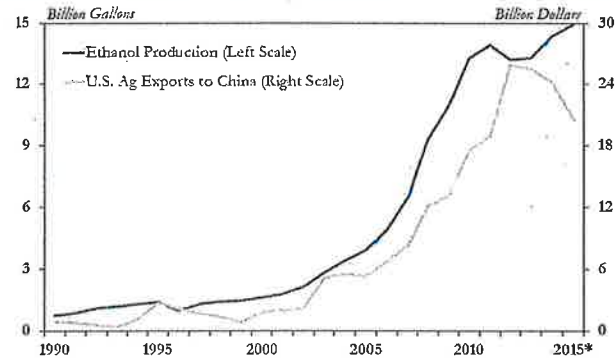
Source: Laura Johnson Idaho Dept. of Ag and USDA

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Agriculture grows from 11% to 20% of Idaho's total exports



Ethanol production levels off and China exports drop



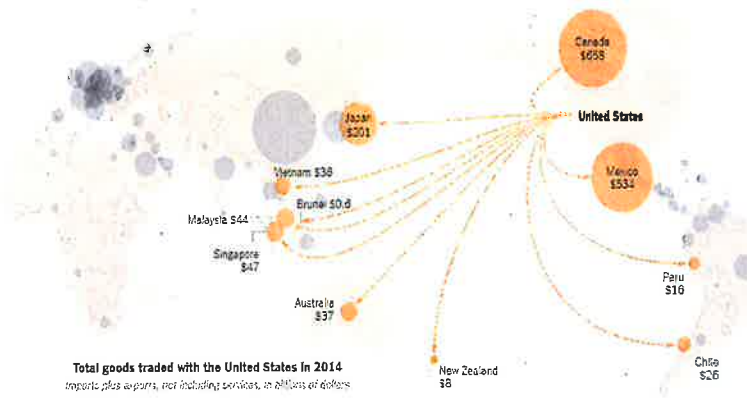
Source: USDA

* 2015 Ethanol Production and Agricultural exports to China calculated as an annualized estimate based on the percent change of year to date exports through June from the same period the year before.

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TPP area nations account for 36 % of global trade and 25% of all exports

Trans-Pacific Partnership Countries



Total goods traded with the United States in 2014
Imports plus exports, not including services, in billions of dollars

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Tariff rates (%) facing exporting countries imposed by TPP countries

Tariff rates (%) facing exporting countries imposed by TPP countries

Exporting Country	Overall Tariff	Agricultural Tariff	Textiles & Apparel Tariff
United States	2.26	37	3.09
Japan	4.07	7	9.96
Mexico	2.72	19	4.54
Canada	7.77	19	8.01
Australia	2.51	13	5.57
New Zealand	3.37	7	0.75
Malaysia	0.35	1.2	3.56
Vietnam	3.51	9	7.94
China	3.74	10	10.33
Germany	2.64	10	10.89
South Korea	2.62	15	9.6

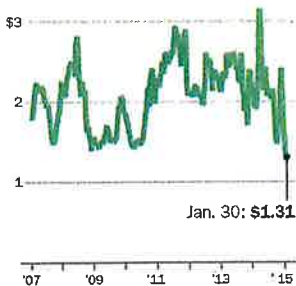
Notes: Each entry is the average tariff as a percent imposed by every TPP coun

Non-TPP countries are yellow for comparison. Source: Cassey (2015)

Bleak outlook for ethanol profits and prices

ETHANOL PRICES

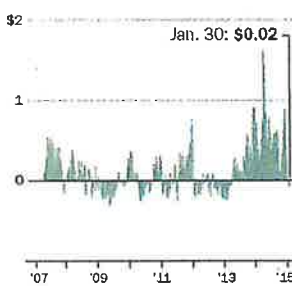
Weekly spot price at Iowa plants per gallon



SOURCE: University of Illinois

ETHANOL PROFITS

Considers all variable and fixed costs at a representative Iowa plant per gallon

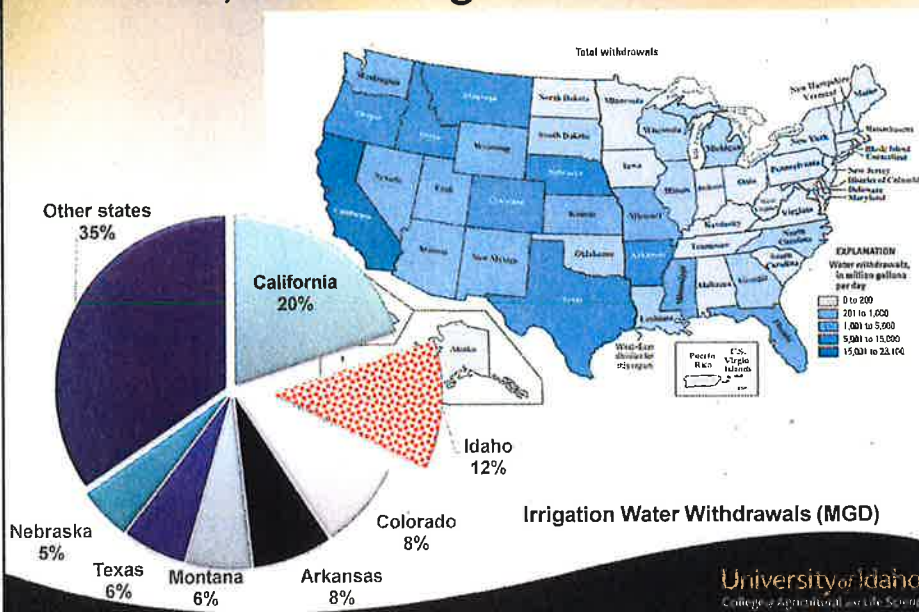


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2016 Outlook

- Net farm income: Idaho -33% (2014 -3%, 2015 -31%); US -55% (2014 -36%, 2015 -38%)
- 2016 revenue themes
 - Weak export markets
 - Strong dollar (11 year high)
 - Weak foreign economies
 - Russian embargo
 - Ethanol boom over
 - Record grain production
 - Huge stocks
- 2016 costs themes
 - Oil below \$50 a barrel
 - Low, but rising, interest rates
 - Water challenges
- Grains; prices down 10 to 15%
- Hay; feeder price low & dairy price weak
- Spuds
 - Dumping and abandonment in other states
 - 2016 acres up = downward price pressure
 - "the only crop that **could** make money"
- Beef off the highs
- Milk – back to 2010 revenues
 - \$14/cwt for 1st quarter
 - Breakeven for 2nd and 3rd

Idaho, 2nd in irrigation withdrawals

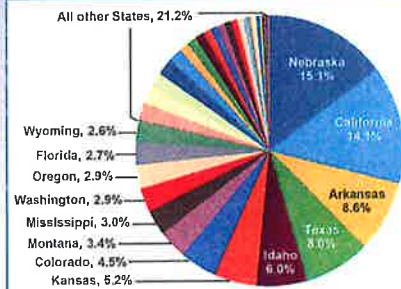


Idaho, 5th in irrigated acres

Acres of irrigated land, 2012



State shares of total U.S. irrigated acres, 2012



Note: The thirteen leading States (10 Western, and Arkansas, Mississippi, and Florida) accounted for 79.8 percent of U.S. irrigated acres, including harvested cropland, pasture, and other lands (but excluding horticulture under protection).
 Source: USDA, Economic Research Service using USDA, National Agricultural Statistics Service, 2012 Census of Agriculture, State data.

USDA
 United States Department of Agriculture, Economic Research Service
 The views expressed are those of the author(s) and should not be attributed to the Economic Research Service or USDA.

National Agricultural Statistics Service, Map Atlases for the of Agriculture

73% (41M acres) of U S irrigated acres are in 17 Western States

From 2007 to 2012, irrigated acres declined by 777,000 acres

Decreases OR 215,000, CA 154,000, NM 150,000, TX 521,000, CO 351,000, NE 262,000

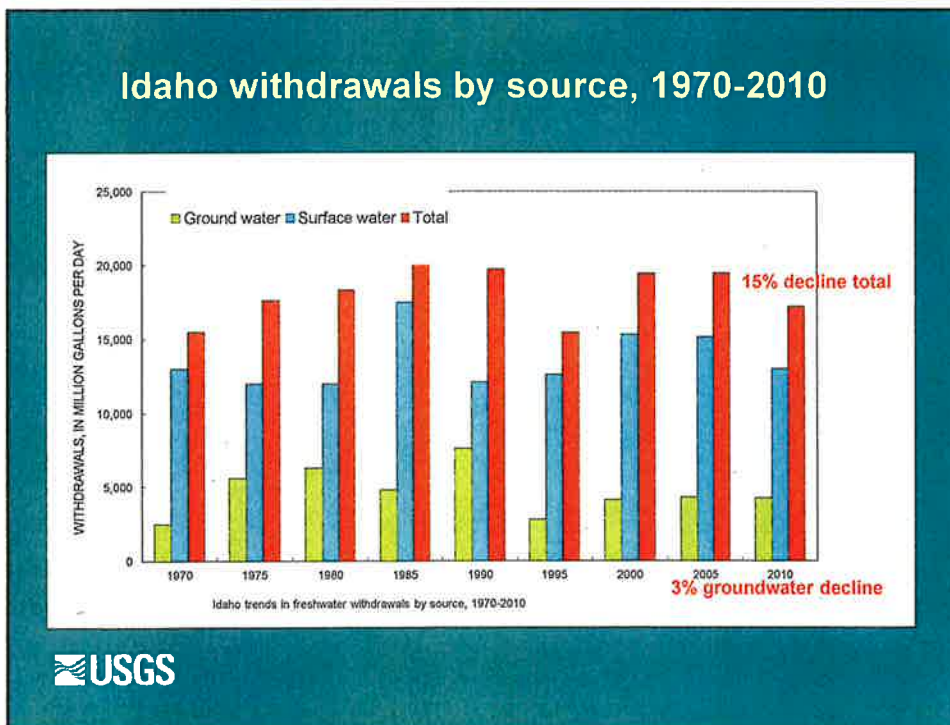
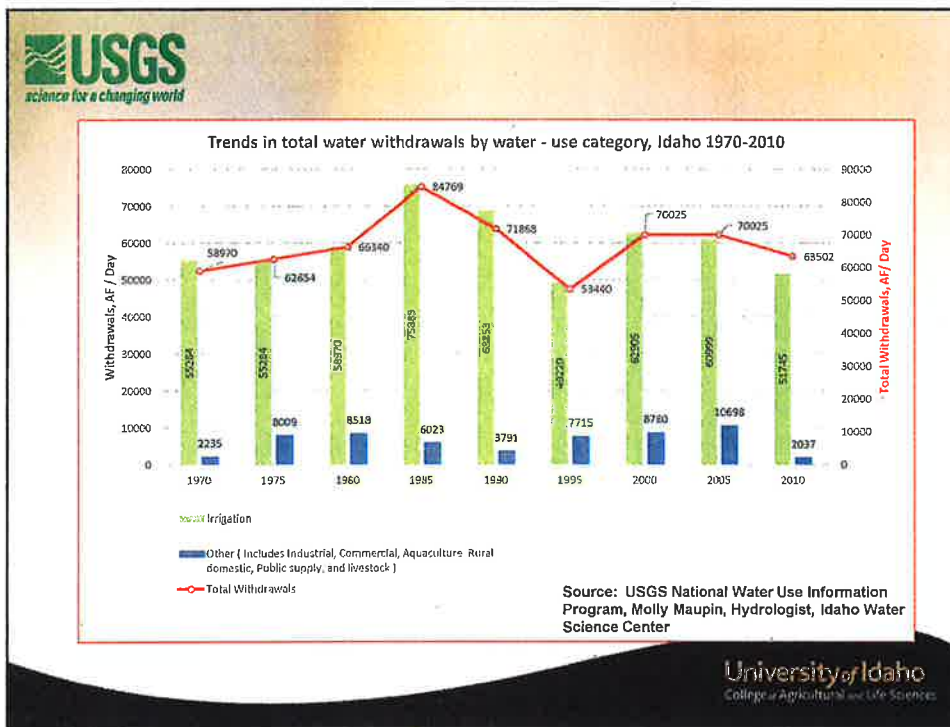
3 of top crop production value are NOT California

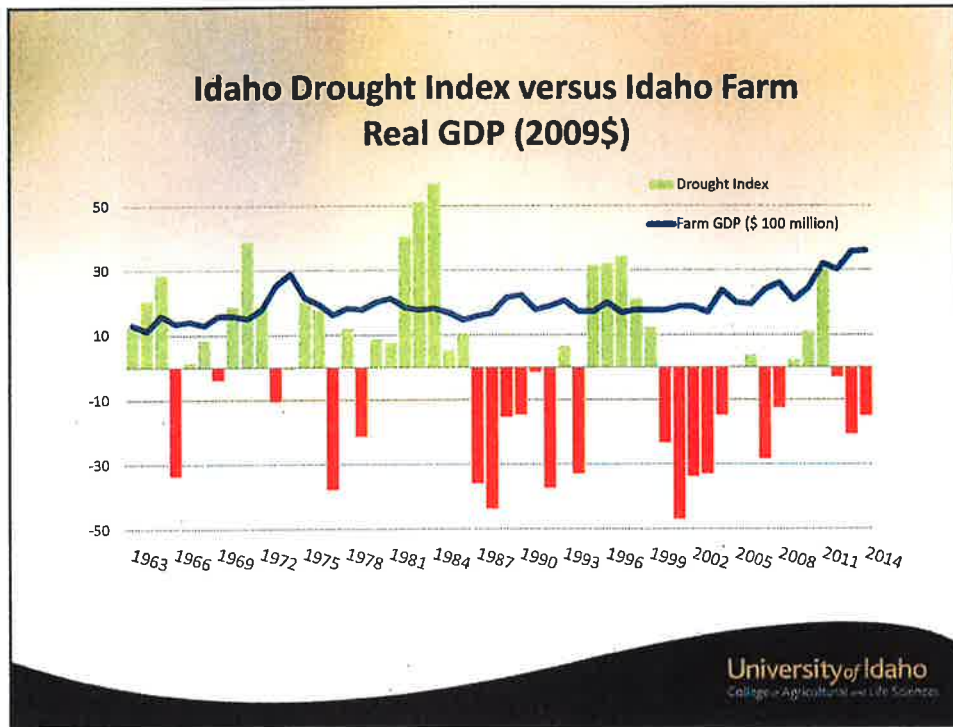
6 of top irrigated counties are Idaho

Crop Production Value		Irrigation Water Volume	
Top Counties	Crop Production (\$Million)	Top Counties	Water Use (1,000 AF)
1 Fresno CA	\$3,700	1 Fresno CA	2,788
2 Kern CA	\$3,232	2 Tulare CA	2,752
3 Monterey CA	\$2,935	3 Kern CA	2,014
4 Tulare CA	\$1,671	4 San Joaquin CA	1,772
5 San Joaquin CA	\$1,659	5 Stanislaus CA	1,679
6 Ventura CA	\$1,430	6 Jefferson ID	1,561
7 Grant WA	\$1,333	7 Merced CA	1,539
8 Imperial CA	\$1,310	8 Kings CA	1,402
9 Merced CA	\$1,273	9 Jerome ID	1,347
10 Madera CA	\$1,240	10 Yuma AZ	1,252
11 Santa Barbara CA	\$1,129	11 Imperial CA	1,218
12 Yakima WA	\$1,069	12 Pinal AZ	1,171
13 Stanislaus CA	\$1,063	13 Grant WA	1,152
14 Kings CA	\$855	14 Maricopa AZ	1,134
15 Riverside CA	\$745	15 Twin Falls ID	1,076
16 Yuma AZ	\$697	16 Bingham ID	1,056
17 San Diego CA	\$648	17 Colusa CA	928
18 San Luis Obispo CA	\$618	18 Cassia ID	894
19 Sonoma CA	\$606	19 Ada ID	839
20 Benton WA	\$582	20 Mesa CO	830

Source: WestWater Research Inc. using USGS and USDA data

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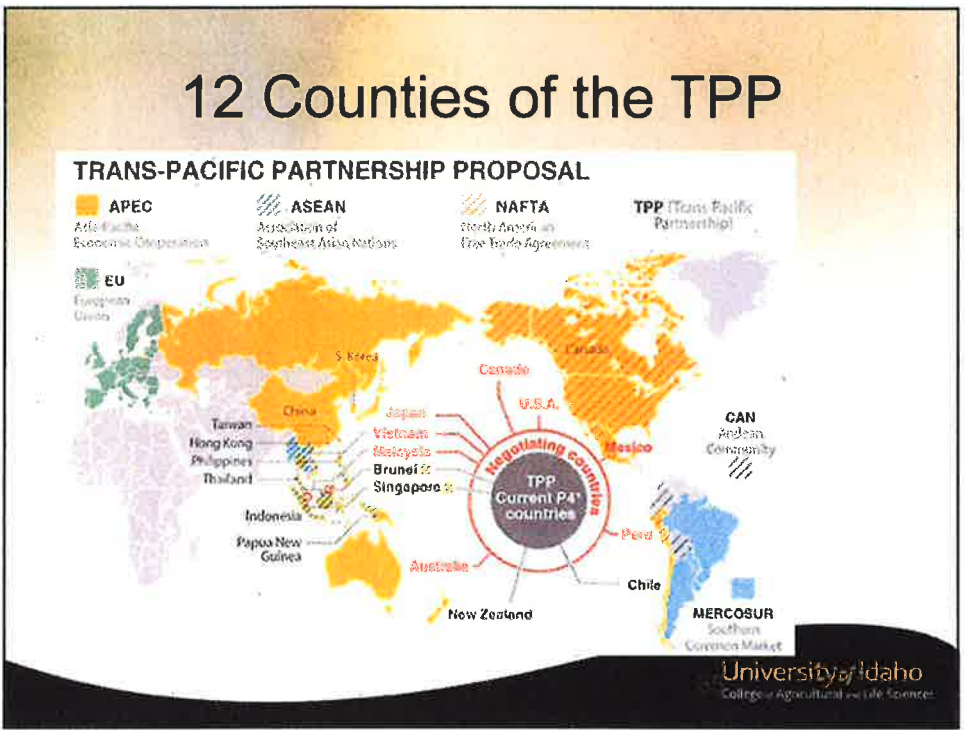




Questions?

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12 Countries of the TPP



Cumulative Volume Change of Water Stored Within ESPA and Thousand Springs Discharge

