

Financial Condition of Idaho Agriculture – 2016

Senate and House Agricultural Affairs Committee
BEN EBORN & GARTH TAYLOR
February 2, 2017



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Idaho rank
Western states rank
National rank

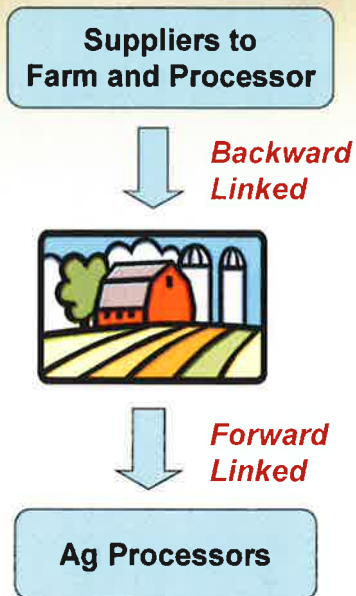
AG'S IMPORTANCE TO IDAHO

NEBRASKA'S ECONOMIC GAP
Nonmetro areas of the state face tougher income and employment challenges, Fed report says

| Year | Nonmetro areas | Metropolitan areas |
|--------------|----------------|--------------------|
| January 2014 | 1.2% | 3.2% |
| January 2015 | 1.0% | 3.0% |
| January 2016 | 1.0% | 3.0% |

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What is Ag Business?



➤ What is Ag Business ?

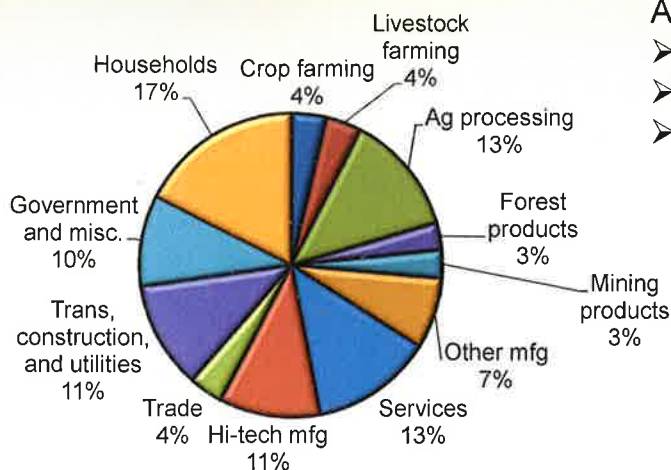
- Middle link (the farm)
- Backward links (suppliers to farms & processors)
- Forward links (processors)

➤ 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



AgBiz multiplier effects

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

Agribusiness in the Magic Valley

Direct and Indirect of agribusiness
 48% of MV jobs
 68% of MV sales
 59% of MV GDP

In 2013, exports from Magic Valley agribusinesses directly created sales, gross regional product, and jobs at farms and processors, which ripple throughout the Magic Valley economy to indirectly create sales, gross regional product, and jobs in the Magic Valley businesses that support farms and processors.



For more information, contact:

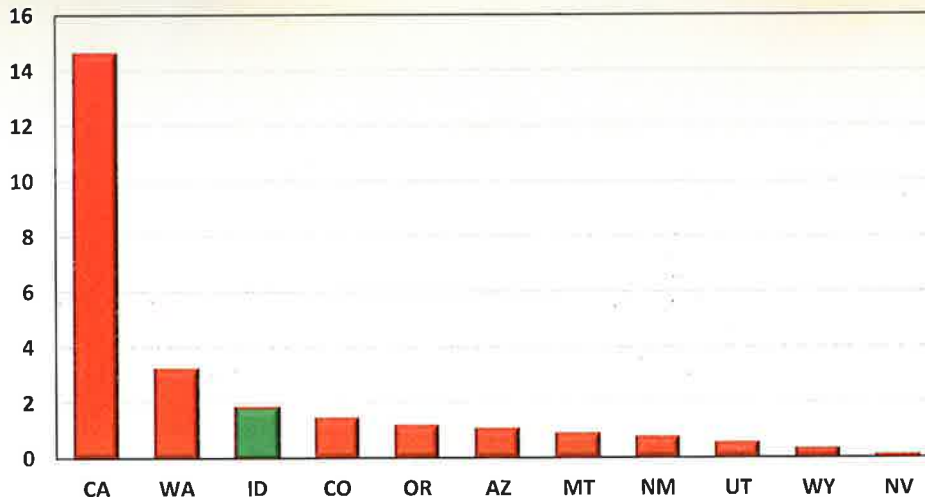
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Idaho ranks 3rd in net farm income

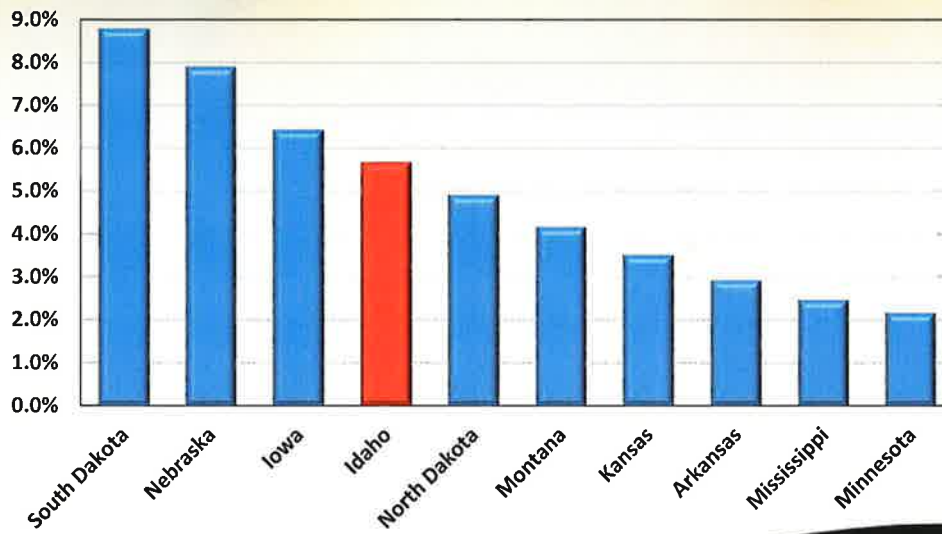
Net Farm Income (\$billions)



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Idaho has the 4th largest Ag state economy

% GDP Ag, 2014



Idaho 2016 cash receipts

Idaho versus U.S.

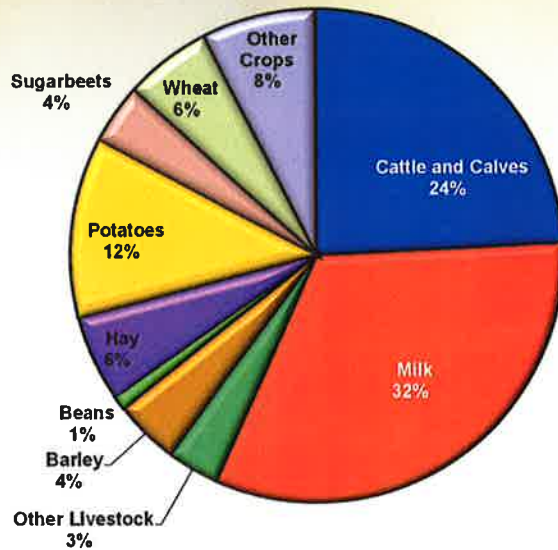
Cash recipient growth

Government payments

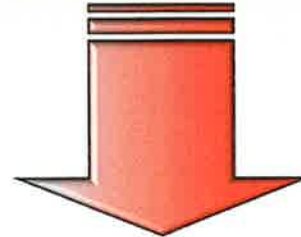
FARM GATE CASH RECEIPTS

Back to 2011 – 2016 cash receipts drop 4%

Idaho Cash Receipts, 2016



\$7.5 billion, 2015



\$7.2 billion, 2016

Source: 2016 University of Idaho

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Cash Receipt Ups & Downs

Crops \$2.9 billion, ↓2%

Potatoes: ↓2%

Barley: ↑16%

Dry Beans: ↓9%

Wheat: ↓11%

Sugarbeets: ↑2%

Hay: ↓8%

Livestock \$4.3 billion, ↓5%

Cattle & Calves: ↓11%

Milk: ↓1%

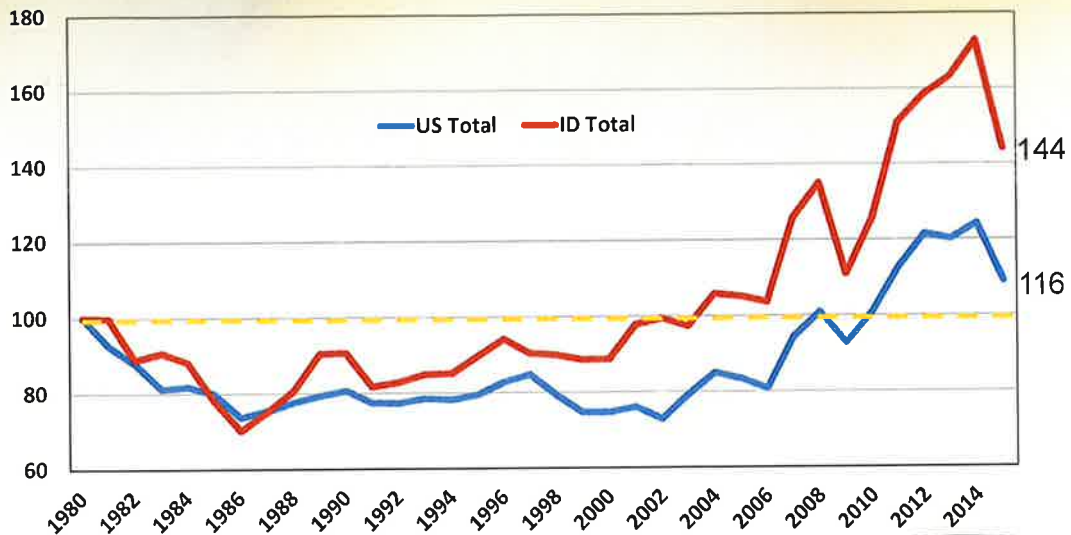


Source: University of Idaho

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

US vs. Idaho Real Indexed Cash Receipts (1980 to 2015)

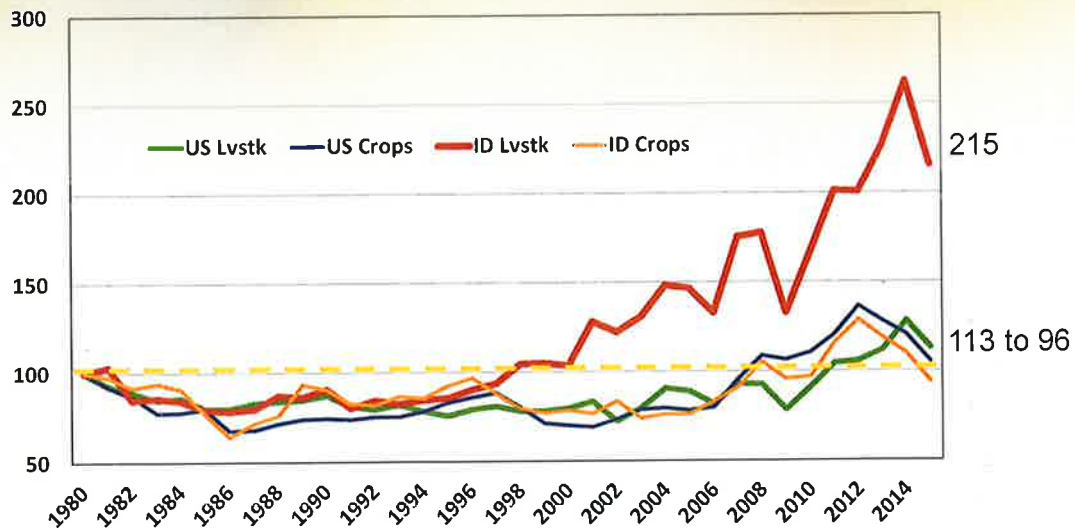


Source: USDA-ERS, 2016 University of Idaho

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

US versus Idaho Real Indexed Livestock and Crop Cash Receipts
(1980 to 2015)

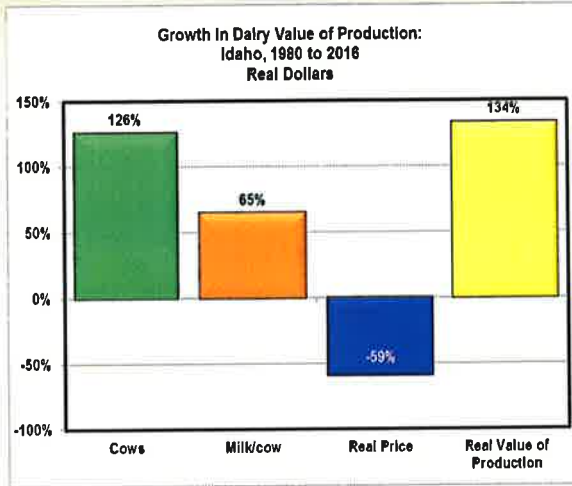


Source: USDA-ERS, 2016 University of Idaho

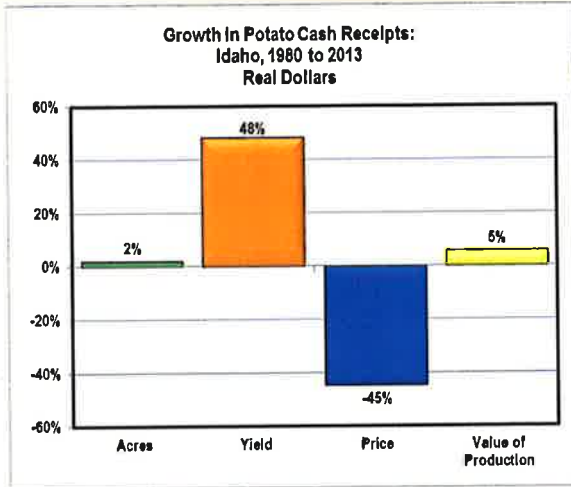
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Cash receipts growth comes from production not price growth

Dairy



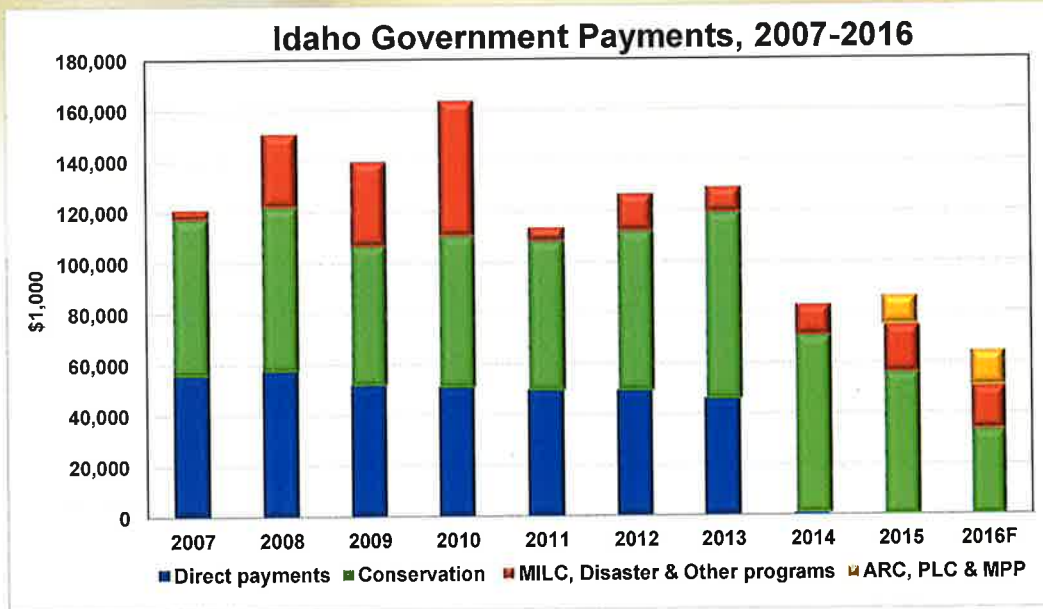
Potatoes



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

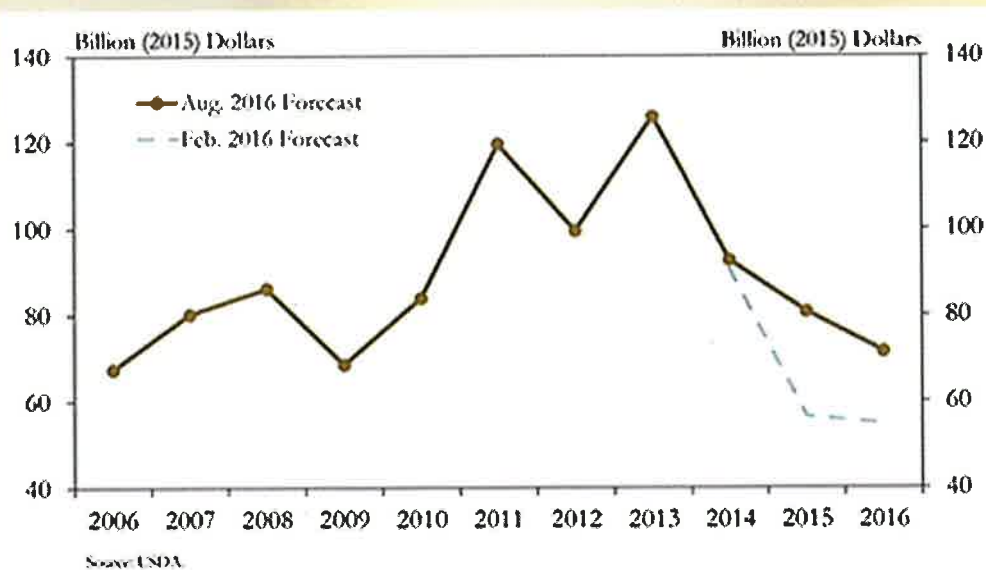
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Idaho 2016 net farm income
Idaho versus U.S. net farm income

NET FARM INCOME

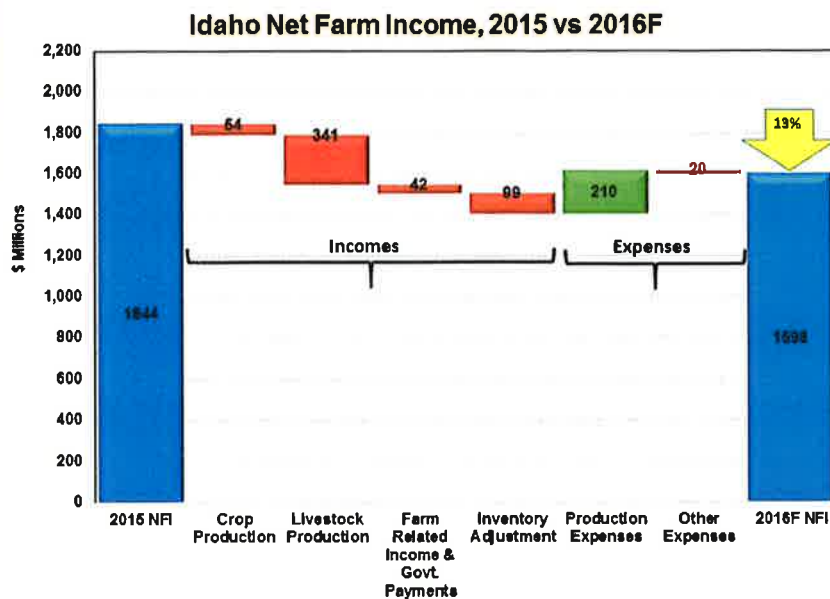
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USDA under estimated US farm income



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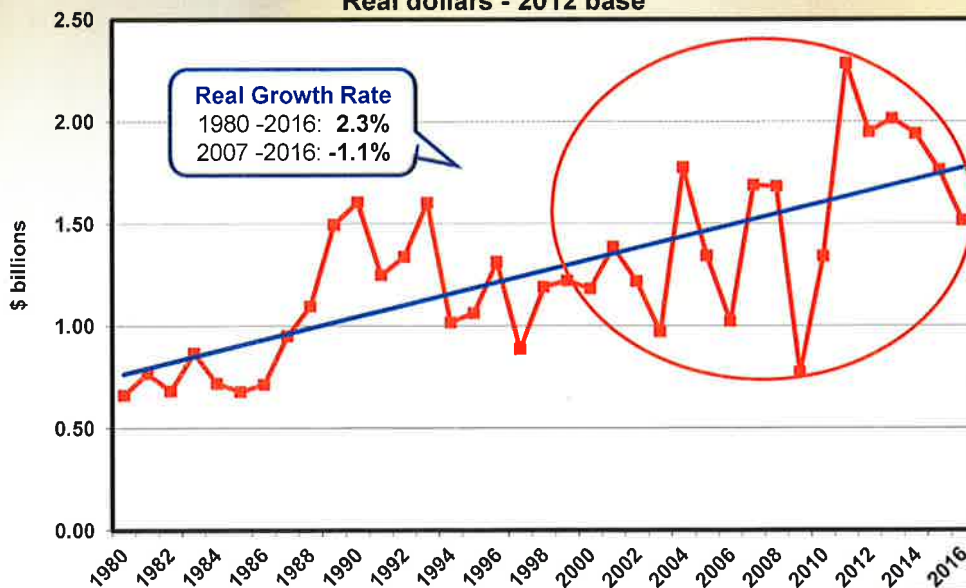
2016 Idaho net farm income dropped 13%; -5% in total revenues coupled with -3% in expenses



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Idaho net farm income returns to 2-3% growth

Idaho Net Farm Income, 1980-2016
Real dollars - 2012 base

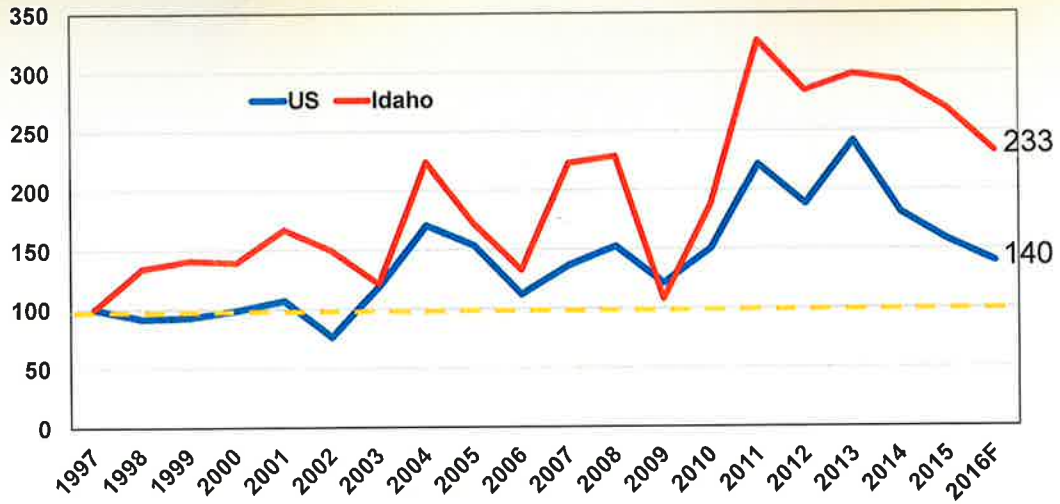


Source: USDA-ERS, 2015 University of Idaho

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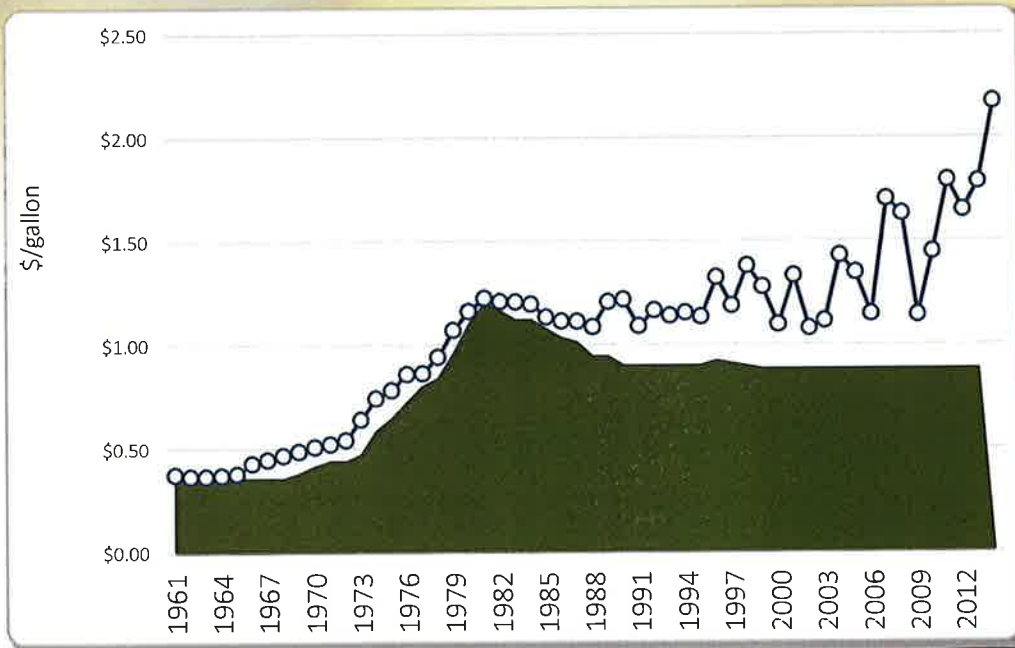
Is the Golden Age of Farm Income Over? Idaho real net farm income has grown twice as fast as the nation

Idaho vs. US index net farm income



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



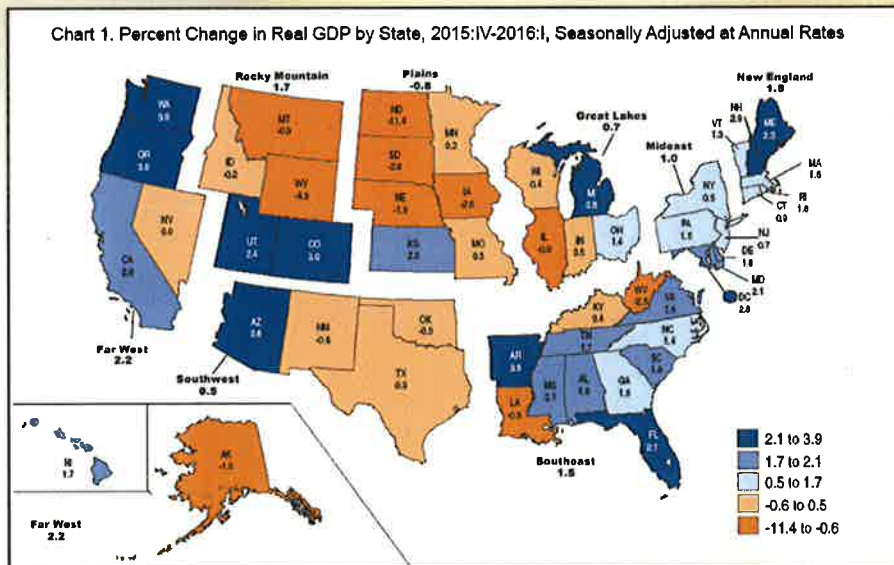
Source: Bozic U. of MN

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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

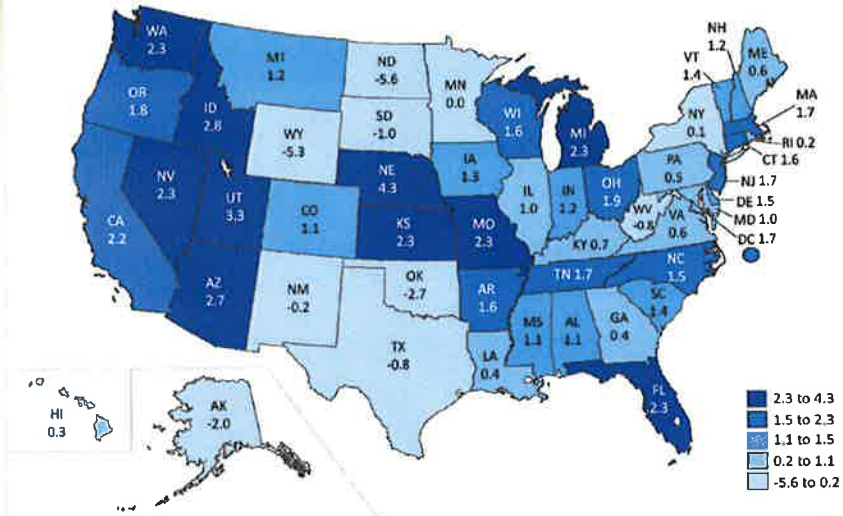
First quarter 2016 Idaho GDP goes negative (-0.2%), lead by Ag 1.4% drop OOPS revised to +3.0% total



U.S. Bureau of Economic Analysis

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

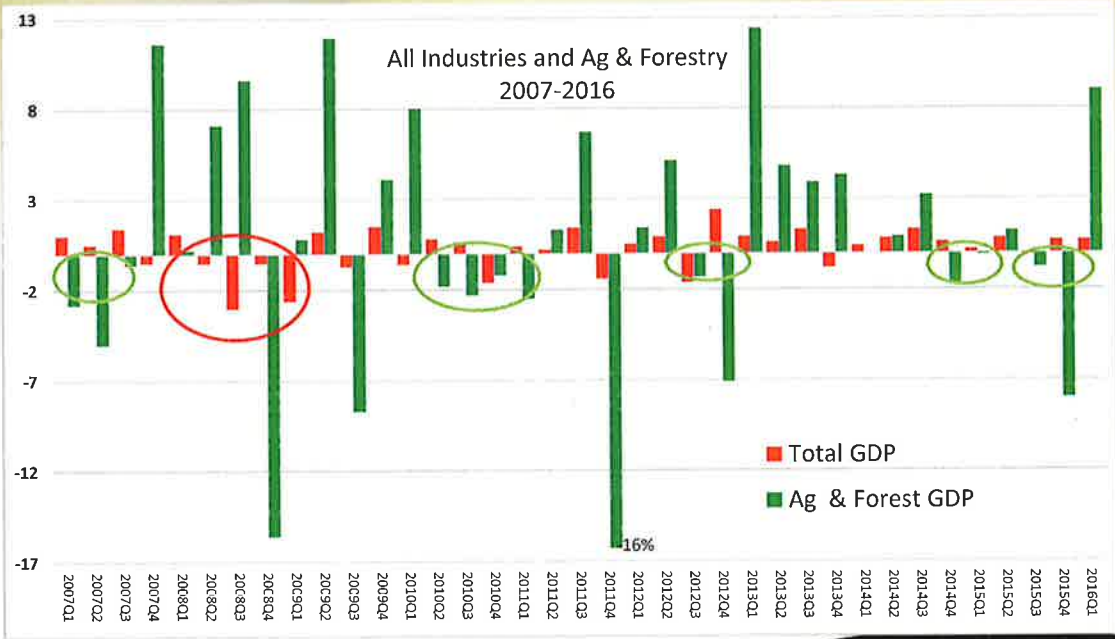
Chart 1. Percent Change in Real GDP by State, 2016:Q1–2016:Q2, Seasonally Adjusted at Annual Rates



U.S. Bureau of Economic Analysis

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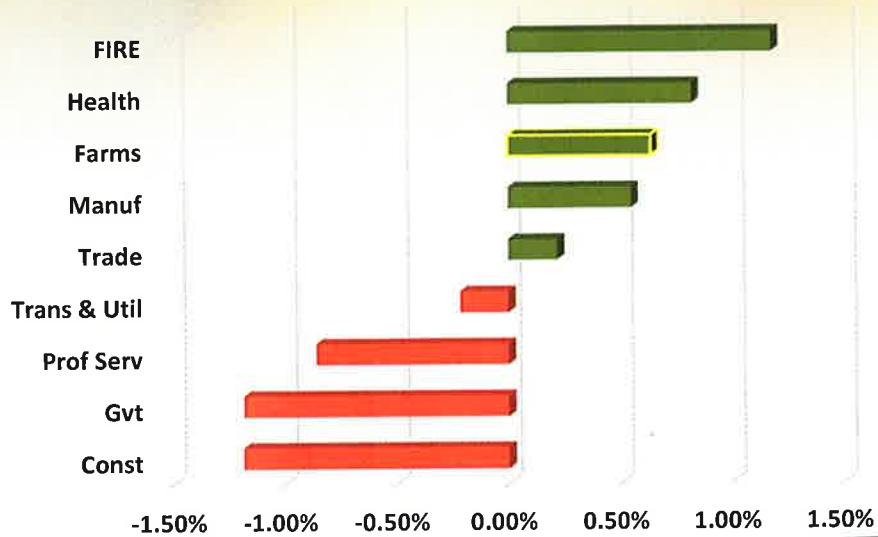
Quarter to quarter Idaho GDP % change



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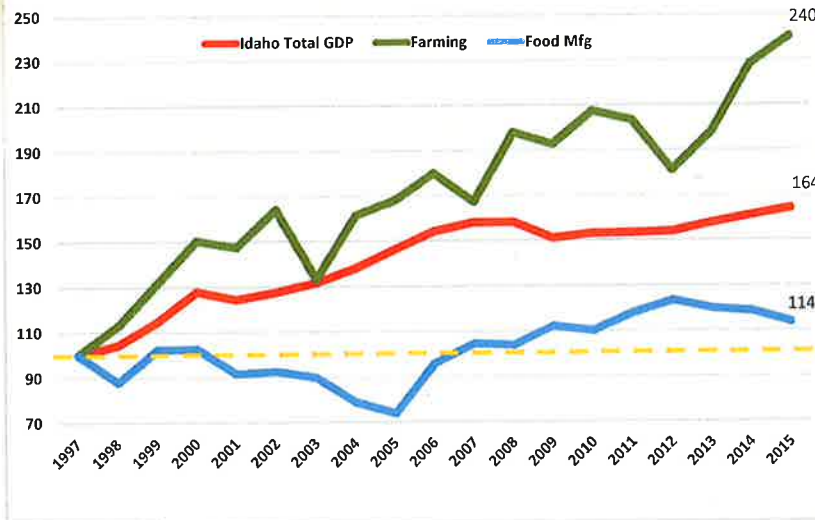
Going forward from the recession

%chg GDP contribution 2008 to 2015



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

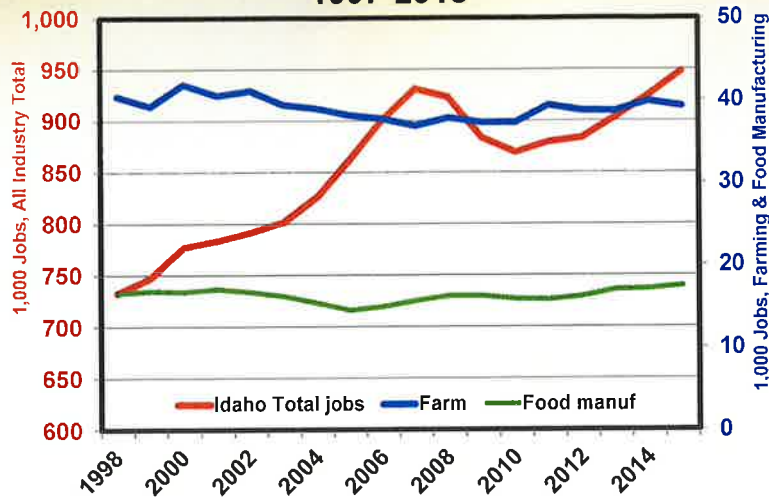
Idaho Real GDP vs Farm Real GDP and Food Mfg Real GDP (1997=100)



- 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

Farming & food manufacturing = steady jobs

Idaho Jobs
1997-2015



- **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

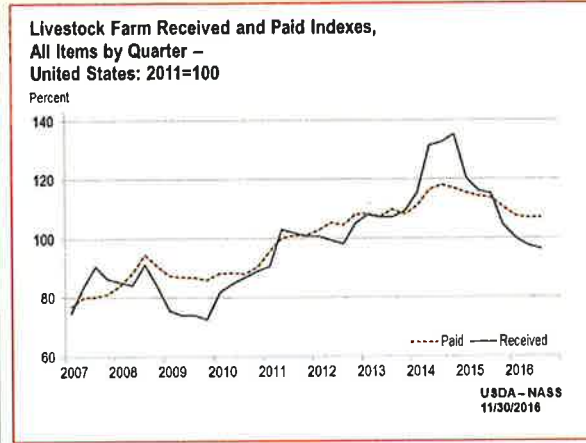
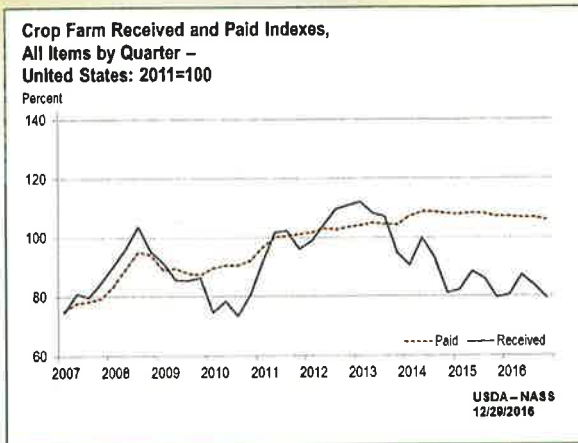
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- U.S. parity index
- U.S. farm debt and balance sheets
- U.S. credit conditions
- Idaho farm land values

FARM FINANCIAL CONDITIONS

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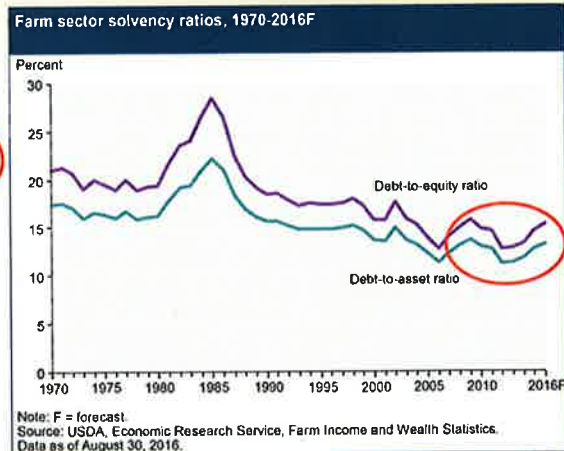
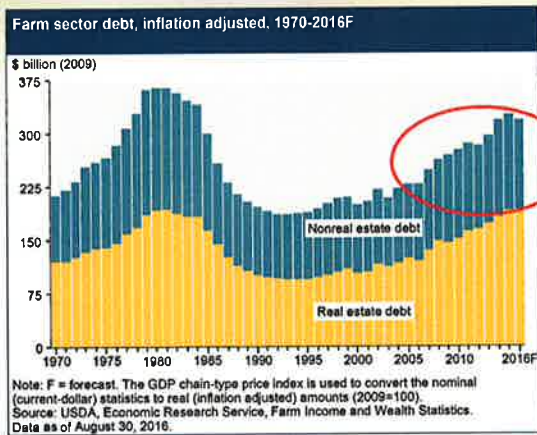
Crop and livestock are below parity



Source: USDA-NASS

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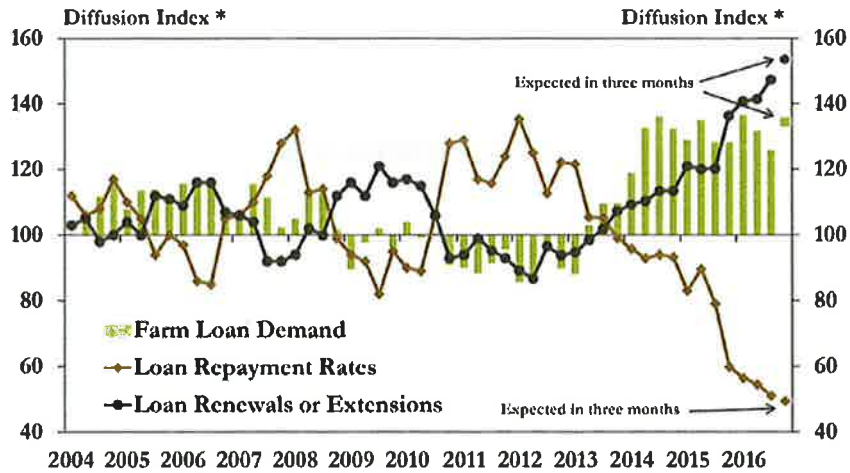
High debt offset by clean balance sheets



Source: USDA-ERS

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Farm credit conditions deteriorate

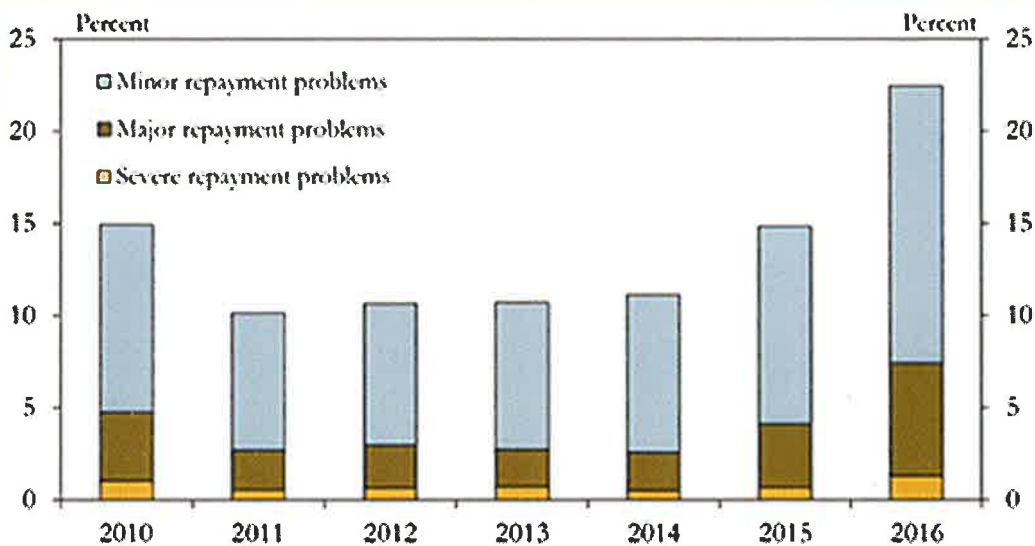


*Bankers responded to each item by indicating whether conditions during the current quarter were higher than, lower than, or the same as in the year-earlier period. The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher"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

Source: KC Fed

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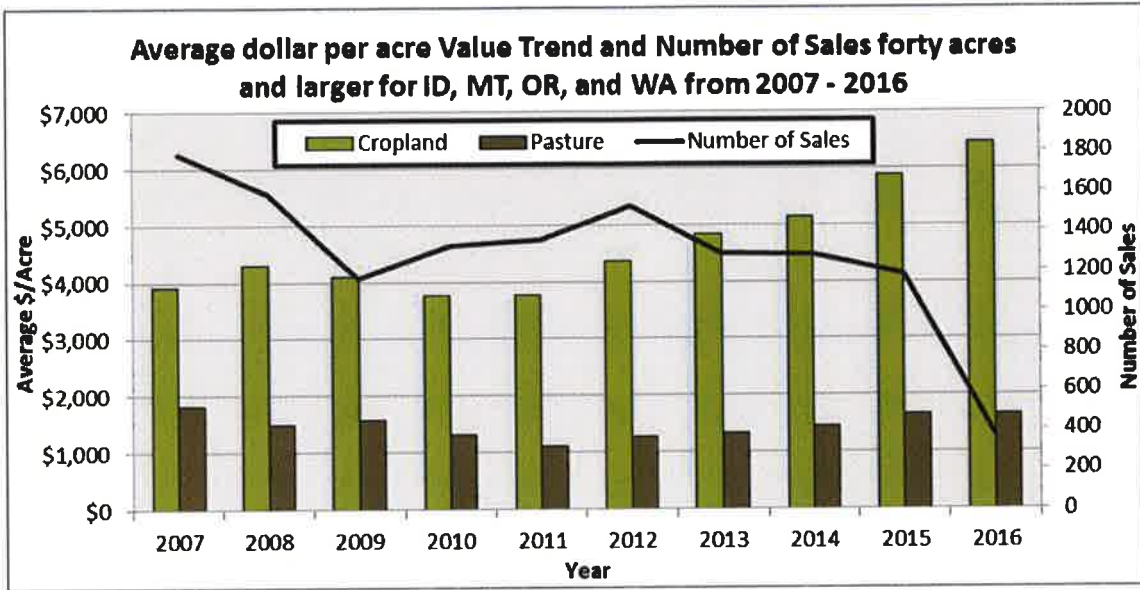
10th District Loan Repayment Problems



Source: Federal Reserve Bank of Kansas City, Survey of Agricultural Credit Conditions

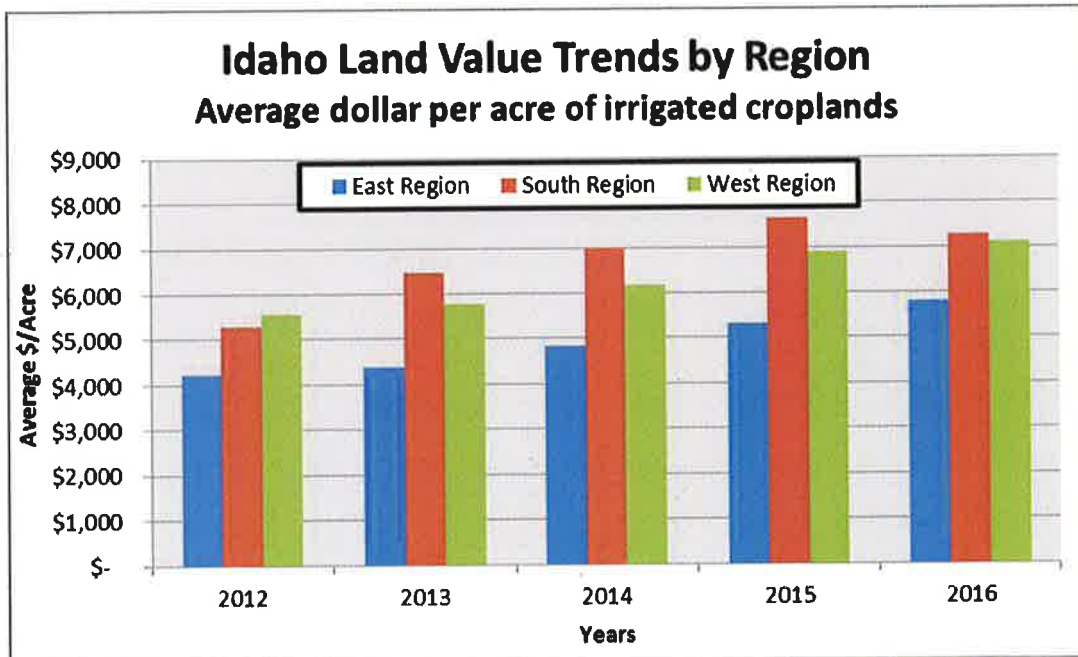
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Land Value Trends



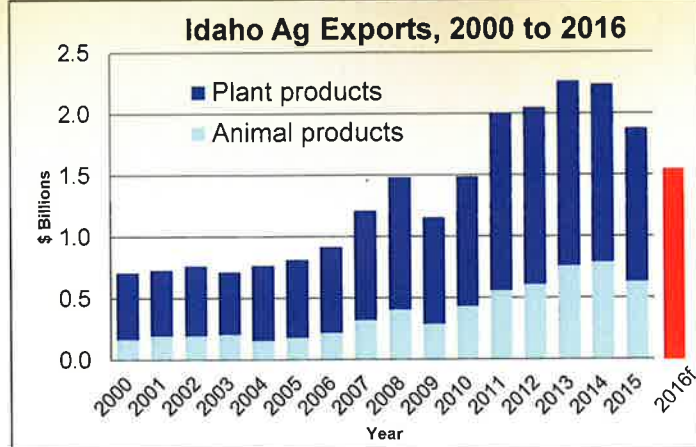
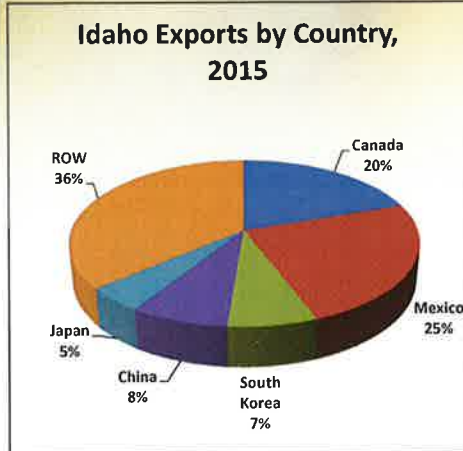
Northwest Farm Credit Services

Idaho Land Value Trends by Region



Northwest Farm Credit Services

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

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Questions?



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