

IDAHO AG OUTLOOK

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Idaho U of I Bean Schools

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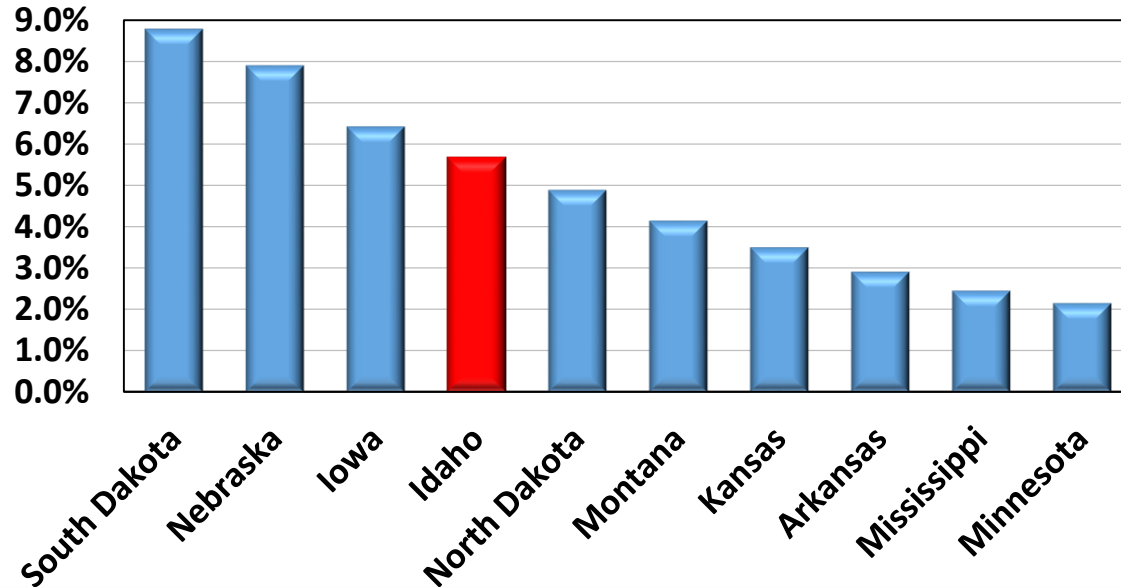
OUTLINE

1. Where are we now?
2. Where are we going?
3. Capturing the upside &
buffering the downside



IDAHO HAS THE 4TH LARGEST AG STATE ECONOMY

% GDP Ag, 2014



FARM GATE CASH RECEIPTS

Idaho 2016 cash receipts

Idaho versus U.S.

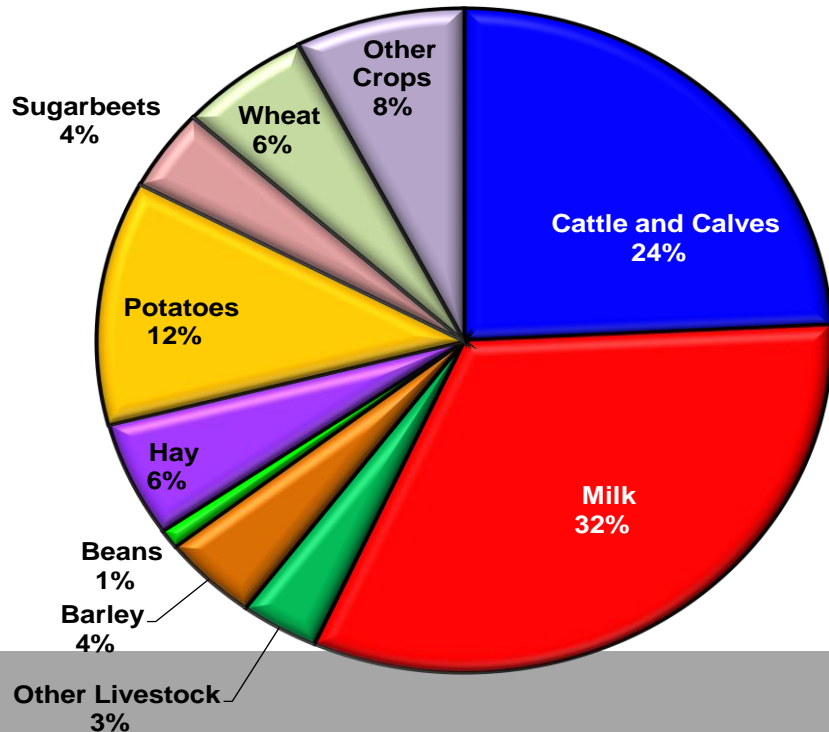
Cash recipient growth

Government payments

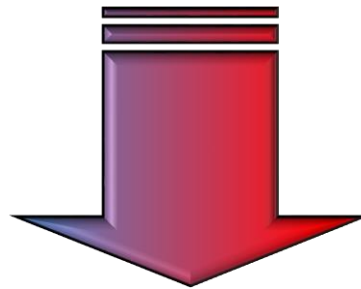


BACK TO 2011 – 2016 CASH RECEIPTS DROP 4%

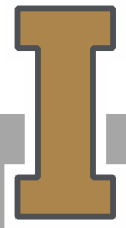
Idaho Cash Receipts, 2016



\$7.5 billion, 2015



\$7.2 billion, 2016



CASH RECEIPT UPS & DOWNS

Crops \$2.9 billion, ↓2%

Potatoes: ↓2%

Barley: ↑16%

Dry Beans: ↓9%

Wheat: ↓11%

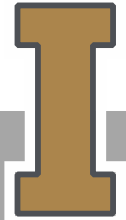
Sugarbeets: ↑2%

Hay: ↓8%

Livestock \$4.3 billion, ↓5%

Cattle & Calves: ↓11%

Milk: ↓1%

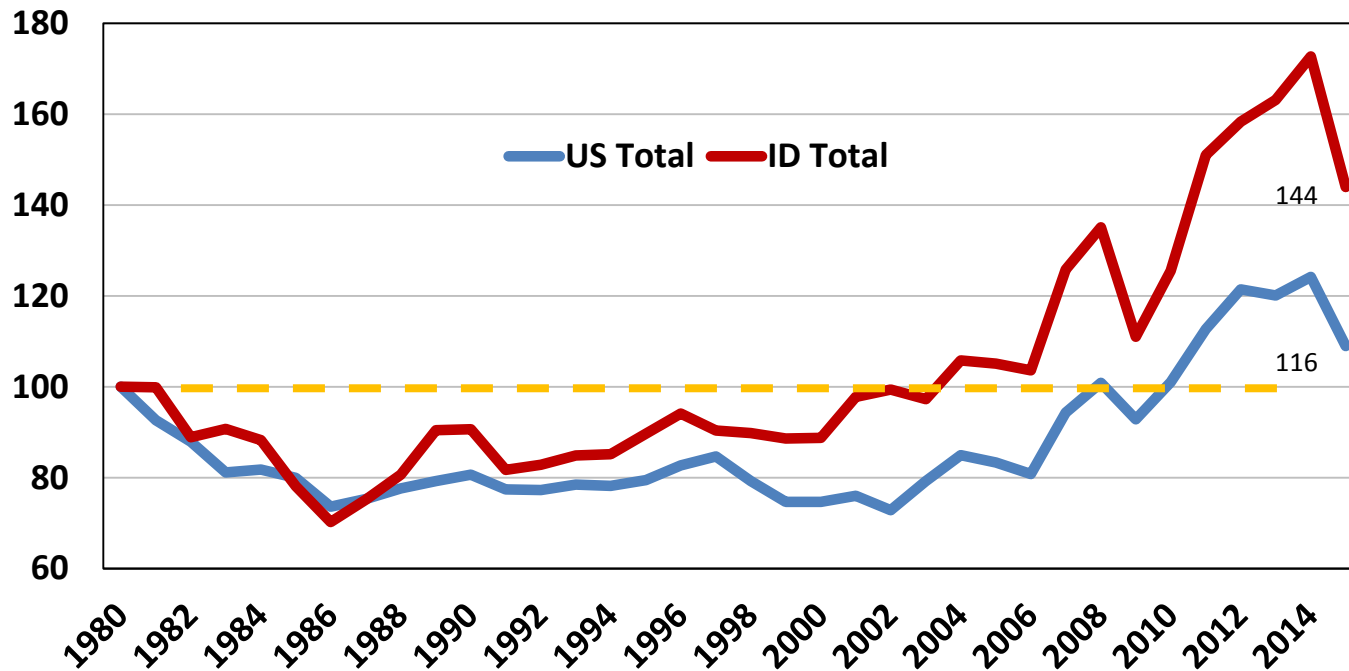


Source: University of Idaho

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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)

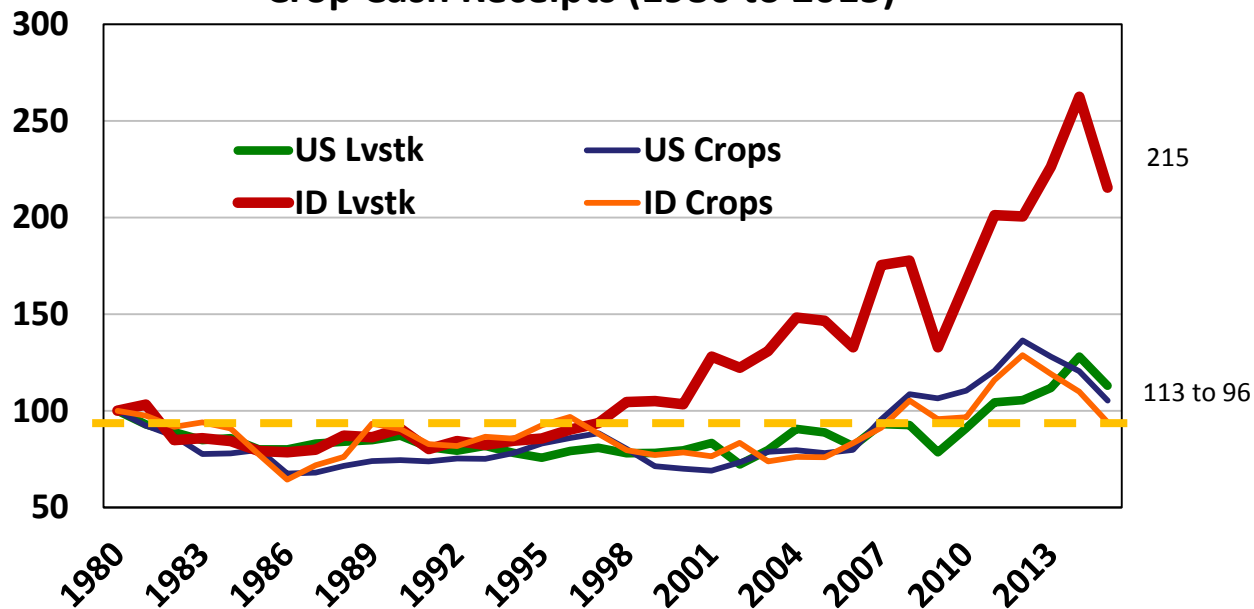


Source: USDA-ERS, 2016 University of Idaho



US VS IDAHO INDEXED REAL CASH RECEIPTS... IDAHO LIVESTOCK IS THE SUPER STAR!

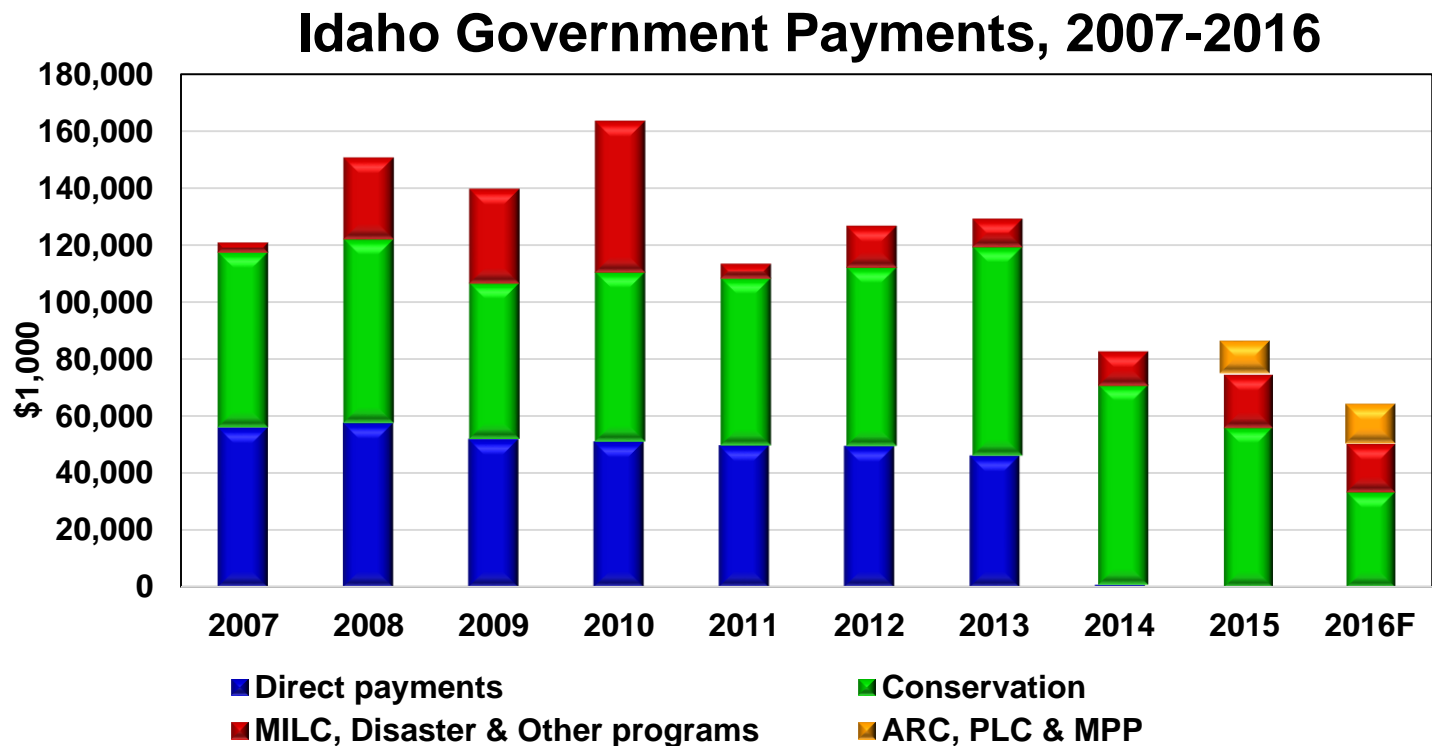
US versus Idaho Real Indexed Livestock and
Crop Cash Receipts (1980 to 2015)



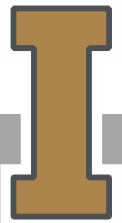
Source: USDA-ERS, 2016 University of Idaho



CLOSE TO 70% OF IDAHO GOVERNMENT PAYMENTS ARE CONSERVATION



Source: USDA-ERS, 2016 University of Idaho & FSA



NET FARM INCOME

Idaho 2016 net farm income

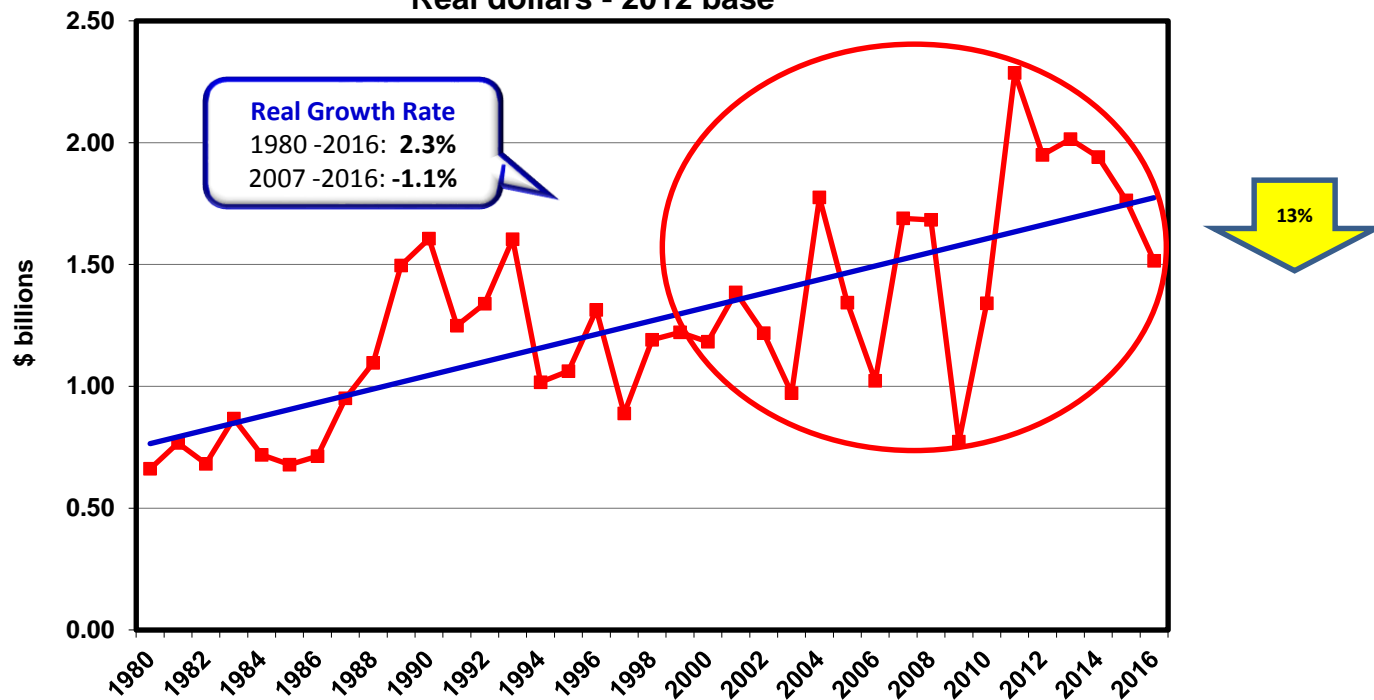
Idaho versus U.S. net farm income



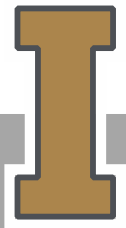
IDAHO NET FARM INCOME RETURNS TO 2-3% GROWTH

Idaho Net Farm Income, 1980-2016

Real dollars - 2012 base

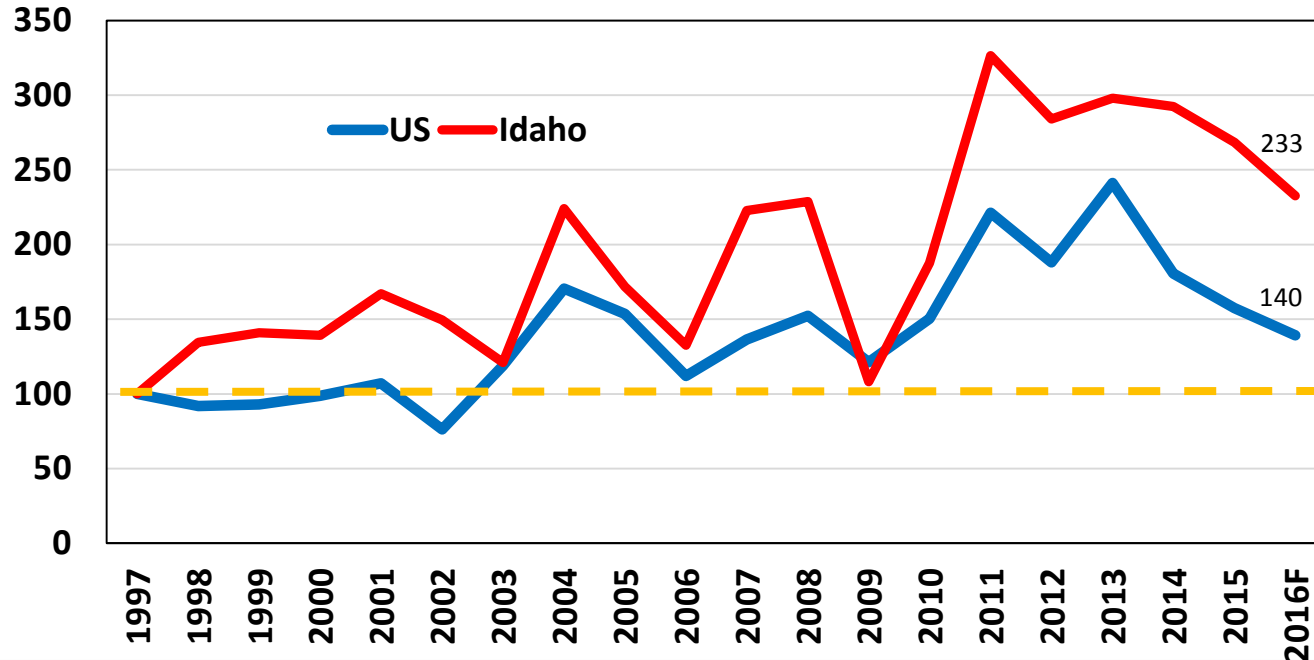


Source: USDA-ERS, 2015 University of Idaho



IDAHO REAL NET FARM INCOME HAS GROWN TWICE AS FAST AS THE NATION

Idaho vs. US index net farm income



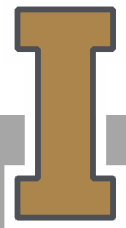
FARM FINANCIAL CONDITIONS

U.S. parity index

U.S. farm debt and balance sheets

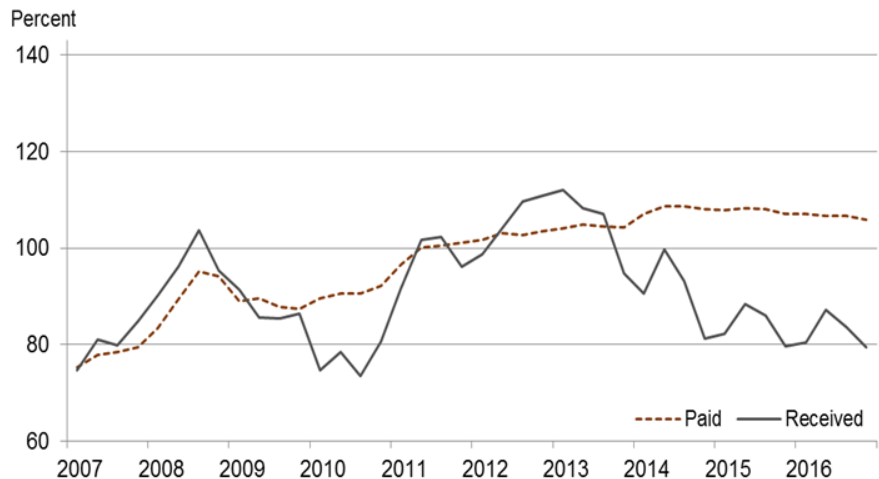
U.S. credit conditions

Idaho farm land values



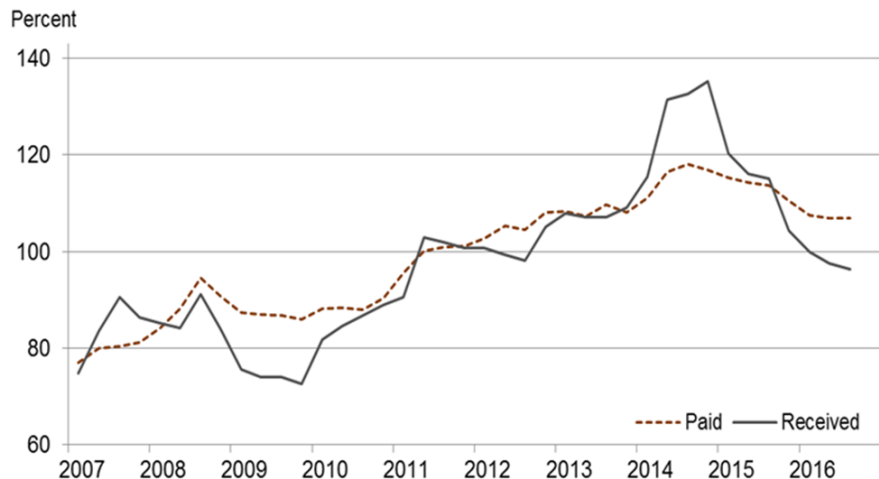
CROP AND LIVESTOCK PRICES PAID & PRICES RECEIVED

**Crop Farm Received and Paid Indexes,
All Items by Quarter –
United States: 2011=100**



USDA – NASS
12/29/2016

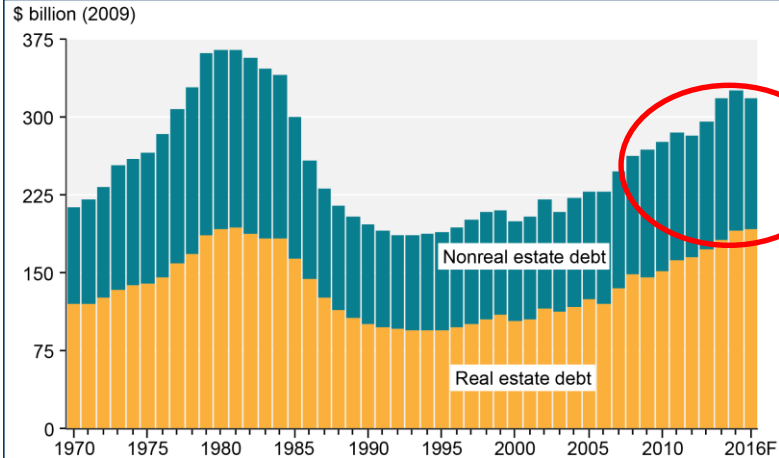
**Livestock Farm Received and Paid Indexes,
All Items by Quarter –
United States: 2011=100**



USDA – NASS
11/30/2016

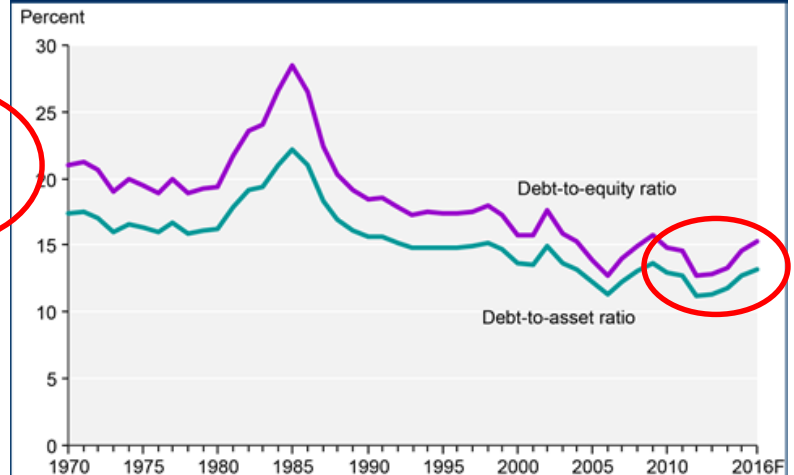
HIGH DEBT OFFSET BY CLEAN BALANCE SHEETS

Farm sector debt, inflation adjusted, 1970-2016F



Note: F = forecast. The GDP chain-type price index is used to convert the nominal (current-dollar) statistics to real (inflation adjusted) amounts (2009=100).
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.
Data as of August 30, 2016.

Farm sector solvency ratios, 1970-2016F



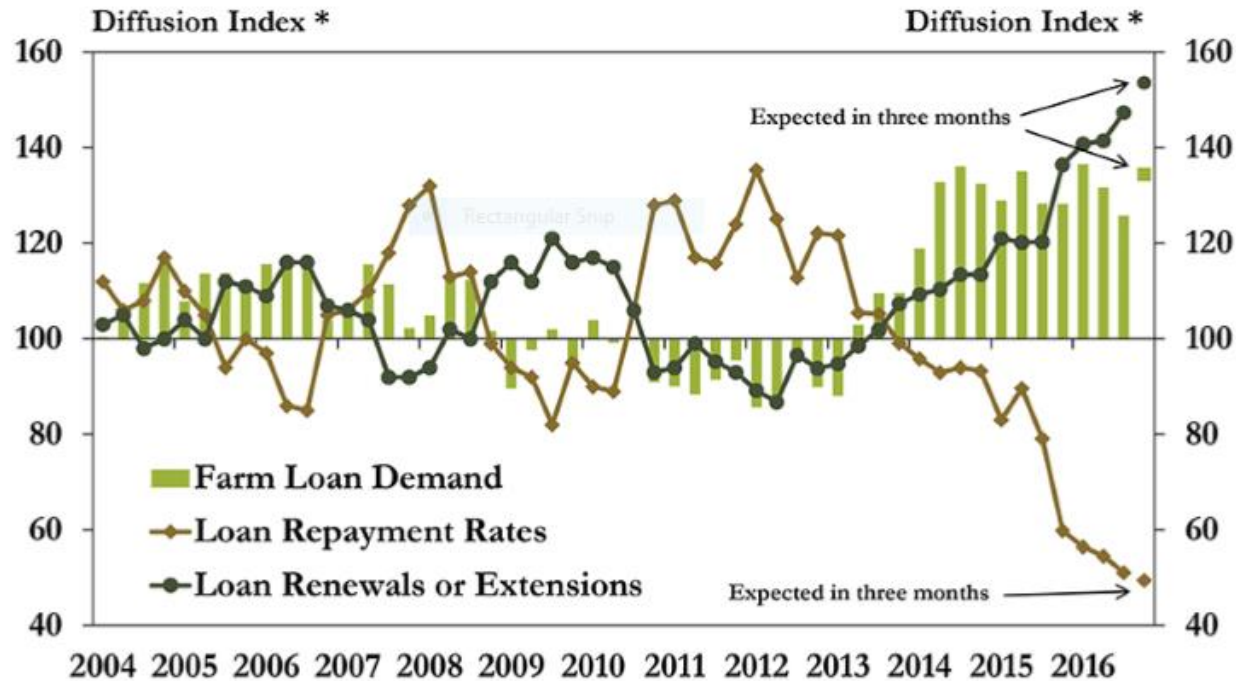
Note: F = forecast.
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.
Data as of August 30, 2016.



Source: USDA-ERS

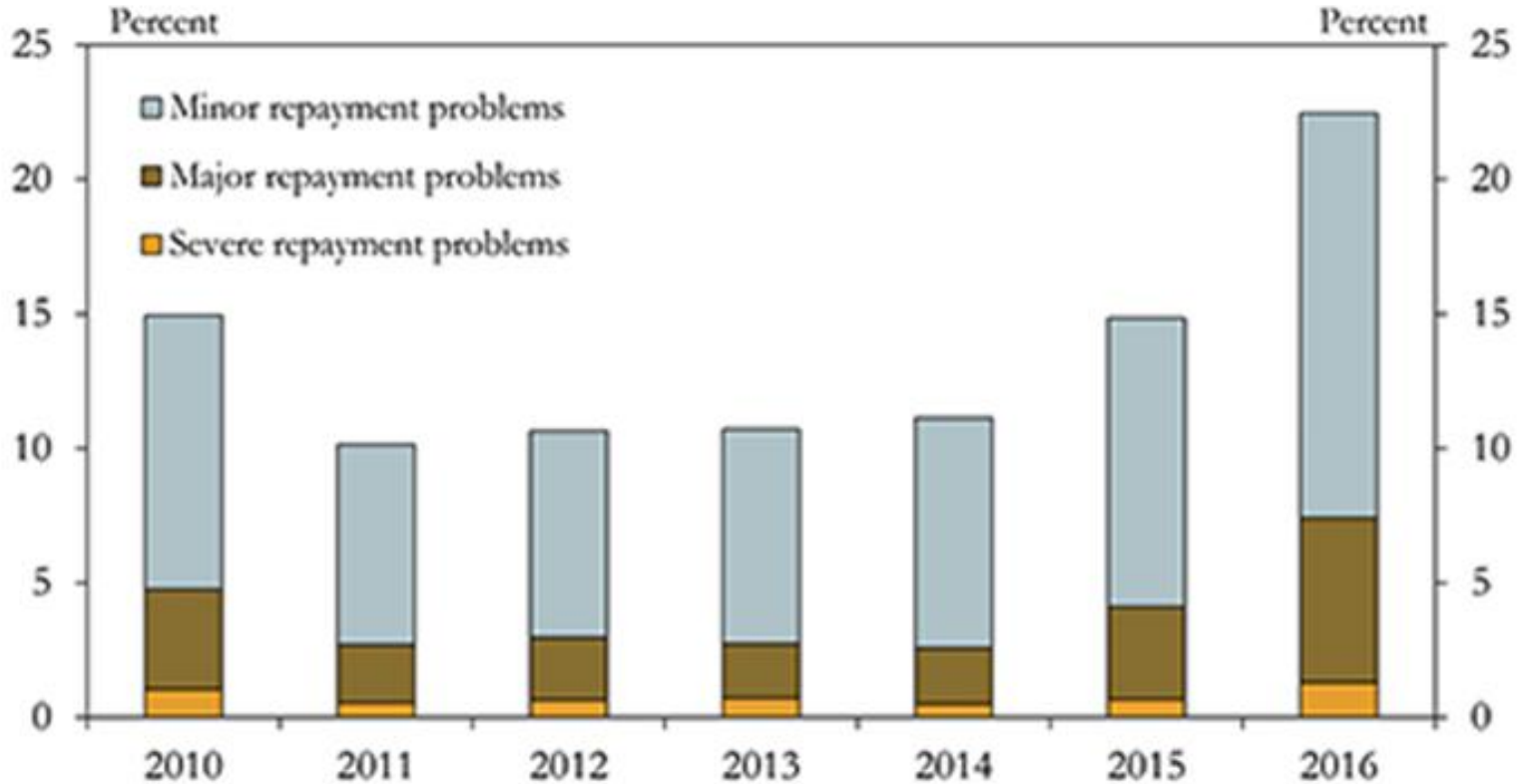
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FARM CREDIT CONDITIONS DETERIORATE



*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.

10TH DISTRICT LOAN REPAYMENT PROBLEMS

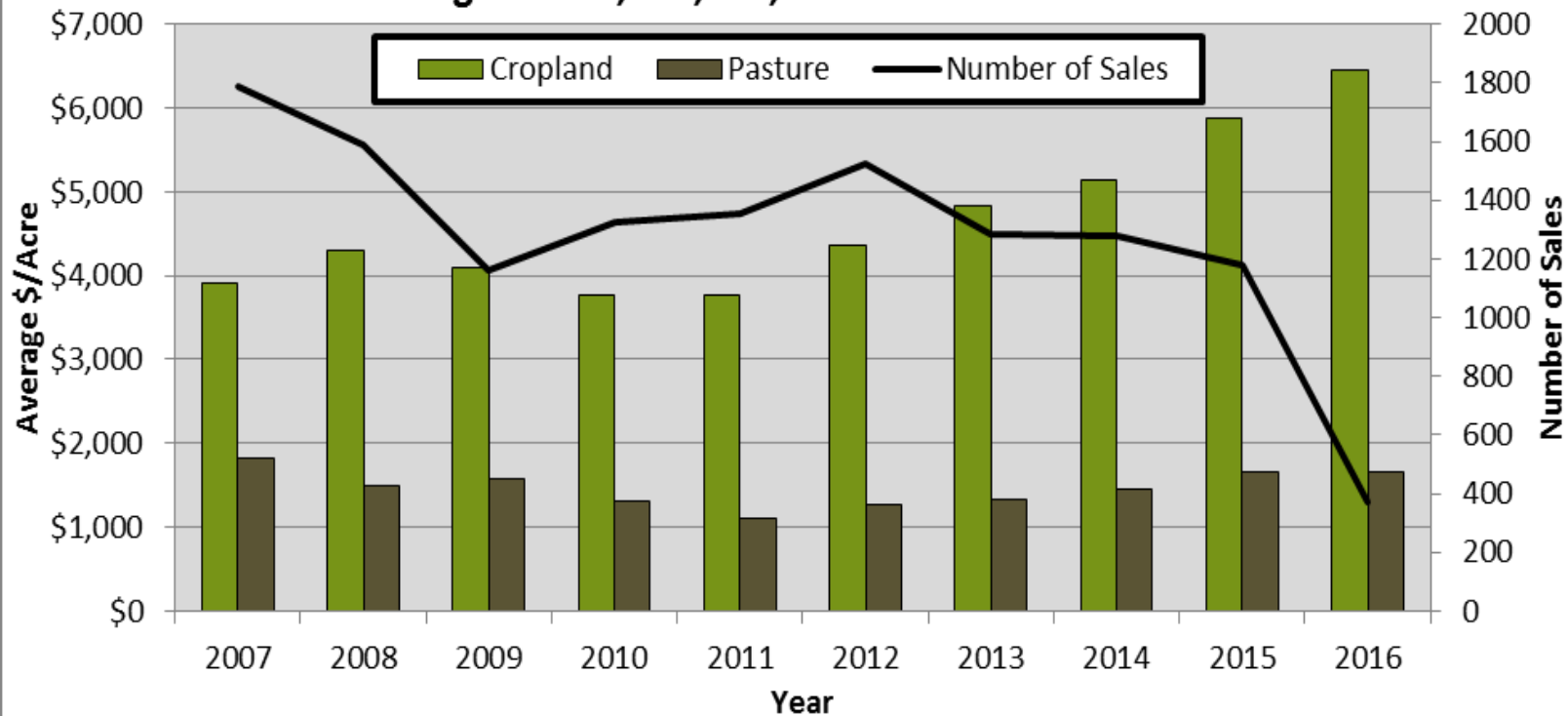


Sources: Federal Reserve Bank of Kansas City: Survey of Agricultural Credit Conditions.

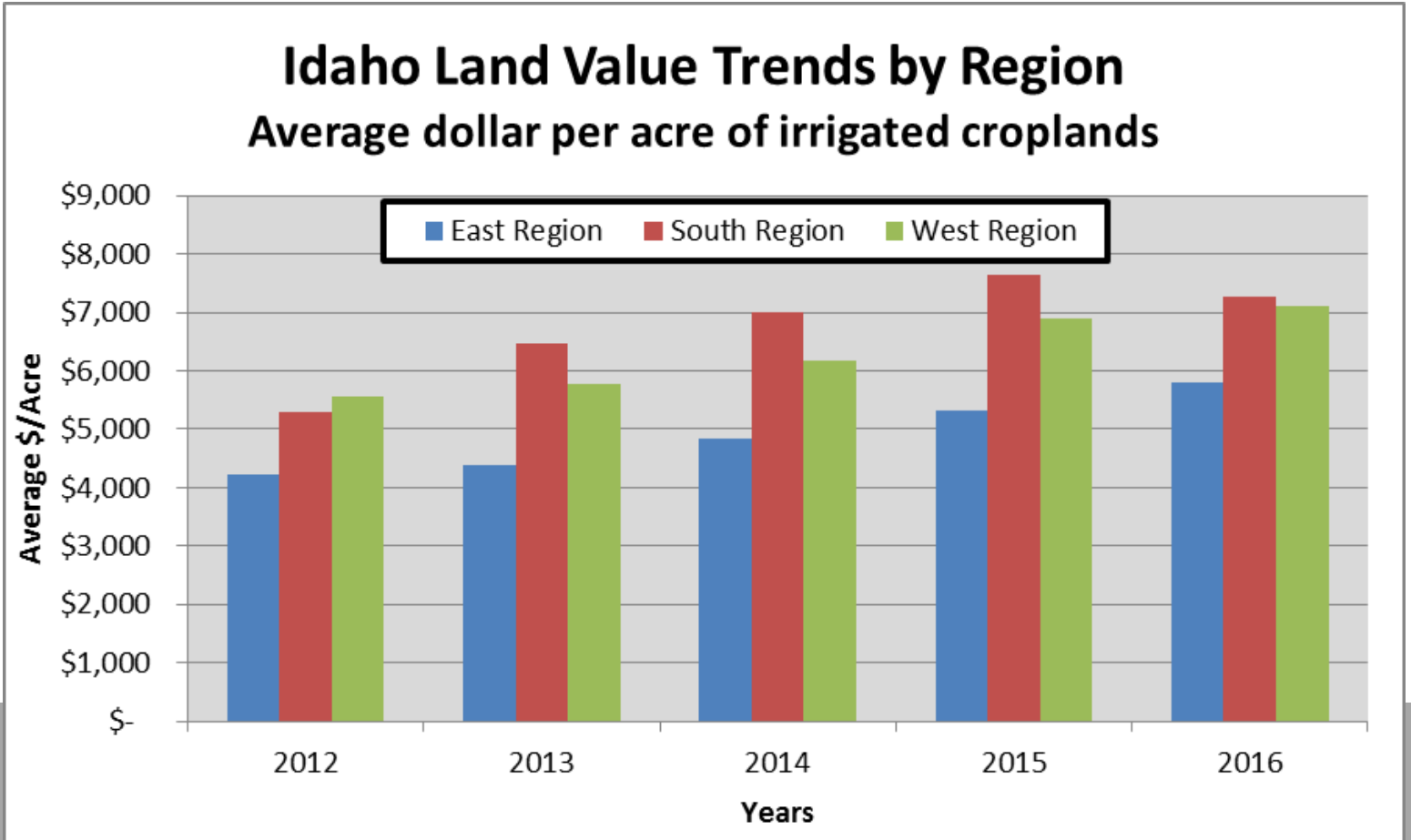


LAND VALUE TRENDS

Average dollar per acre Value Trend and Number of Sales forty acres and larger for ID, MT, OR, and WA from 2007 - 2016

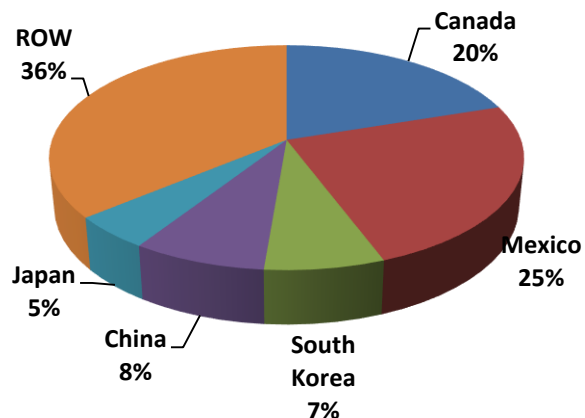


IDAHO LAND VALUE TRENDS BY REGION

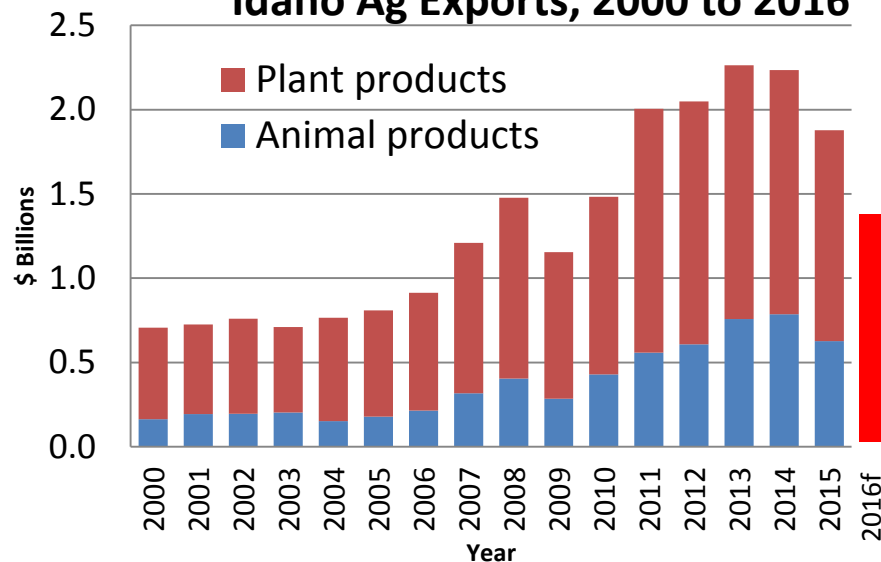


IDAHO AG EXPORTS DECLINE OVER 40% IN TWO YEARS

Idaho Exports by Country, 2015



Idaho Ag Exports, 2000 to 2016



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

2017 OUTLOOK

- **Revenues**

- Weak export markets
 - Strong dollar (14 year high)
 - Weak foreign economies
 - Trade issues
- Huge stocks
- Record production in 2016

- **Costs**

- Fuel steady
- Low, but rising, interest rates
- Fertilizer & chemicals steady to lower
- Labor up slightly
- Irrigation up
- Machinery & equipment up slightly
- Land?



CAPTURING THE UPSIDE & BUFFERING THE DOWNSIDE

1. Do fewer things better
2. Control costs intensely
3. Manage margins
4. Execute on the plan
5. Buy inputs correctly
6. Plan the logistics
7. Minimize operating risk
8. Assess capital needs & manage debt

“There are no silver bullets.”

“Return to the basics.”

“Dust off the old playbook.”

~ Purdue Webinar



QUESTIONS

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Idaho AgBiz

<http://www.uidaho.edu/cals/idaho-agbiz>



Idaho Cash Receipts from Farm Marketings (\$ millions)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Change ('15-'16)
LIVESTOCK											
Cattle and Calves	1,102	1,144	973	1,191	1,377	1,406	1,863	2,044	1,951	1,738 ¹	-11%
Milk	2,050	2,101	1,431	1,899	2,433	2,422	2,573	3,198	2,352	2,325	-1%
Other Livestock	129	126	136	155	186	230	215	246	249	248	-1%
TOTAL LIVESTOCK	3,282	3,371	2,539	3,245	3,996	4,058	4,651	5,487	4,552	4,311	-5%
CROPS											
Barley	144	239	224	201	213	286	326	295	262	304	16%
Beans	40	54	57	60	80	95	78	63	75	68	-9%
Hay	403	609	345	337	569	530	544	551	440	403	-8%
Potatoes	714	755	781	815	901	950	930	919	873	851	-2%
Sugarbeets	212	192	185	269	332	369	296	254	280	284	2%
Wheat	486	512	547	557	681	841	674	647	464	412	-11%
Other Crops	440	512	491	453	516	654	648	553	519	536	3%
TOTAL CROPS	2,438	2,872	2,630	2,691	3,292	3,725	3,496	3,281	2,912	2,858	-2%
TOTAL CASH RECEIPTS	5,720	6,243	5,169	5,937	7,288	7,783	8,147	8,768	7,464	7,169	-4%
Year-to-Year Change	25%	9%	-17%	15%	23%	7%	5%	8%	-15%	-4%	

SOURCES:

2007-2015: Idaho Agricultural Statistics Service

2016: Forecasted by G. Taylor, and B. Eborn, University of Idaho



Idaho Net Farm Income (\$ millions)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Change ('15-'16)
REVENUES											
Crop Production	2,438	2,872	2,630	2,691	3,292	3,725	3,496	3,281	2,912	2,858	-2%
Livestock Production	3,282	3,371	2,539	3,245	3,996	4,058	4,651	5,487	4,552	4,311	-5%
Farm Related Income	560	430	674	452	603	522	642	572	617	597	-3%
Government Payments	121	151	140	164	113	127	129	83	86	64	-25%
Home Consumption	6	11	10	12	12	17	17	14	16	17	4%
Inventory Adjustment	21	17	100	(87)	147	133	(166)	(62)	172	72	-58%
TOTAL REVENUES	6,427	6,853	6,093	6,477	8,163	8,582	8,770	9,374	8,355	7,919	-5%
EXPENSES											
Farm Origin Inputs	1,378	1,416	1,460	1,418	1,926	2,070	2,129	2,537	2,161	2,028	-6%
Manufactured Inputs	873	1,061	935	947	1,202	1,333	1,302	1,313	1,179	1,082	-8%
Other Inputs	1,046	1,179	1,263	1,150	1,106	1,320	1,272	1,335	1,237	1,257	2%
Contract Labor	50	48	56	30	36	46	59	70	51	49	-3%
Property Taxes & Fees	144	134	126	126	133	155	137	167	142	157	10%
Capital Consumption	397	251	241	253	278	461	509	650	581	570	-2%
Payments to Stakeholders	1,008	1,209	1,284	1,264	1,240	1,247	1,315	1,294	1,160	1,178	2%
TOTAL EXPENSES	4,897	5,299	5,364	5,188	5,922	6,632	6,722	7,366	6,511	6,321	-3%
NET FARM INCOME	1,530	1,554	728	1,289	2,242	1,950	2,047	2,008	1,844	1,598	-13%
Year-to-Year Change	68%	2%	-53%	77%	74%	-13%	5%	-2%	-8%	-13%	

SOURCES:

2007-2015: Economic Research Service/USDA

2016: Forecasted by G. Taylor and B. Eborn, University of Idaho



Six Factors Affecting Profit

1. Number of production units
2. Production per unit
3. Value per unit
4. Enterprise mix
5. Operating costs
6. Ownership costs



AG'S IMPORTANCE TO IDAHO

Idaho economy

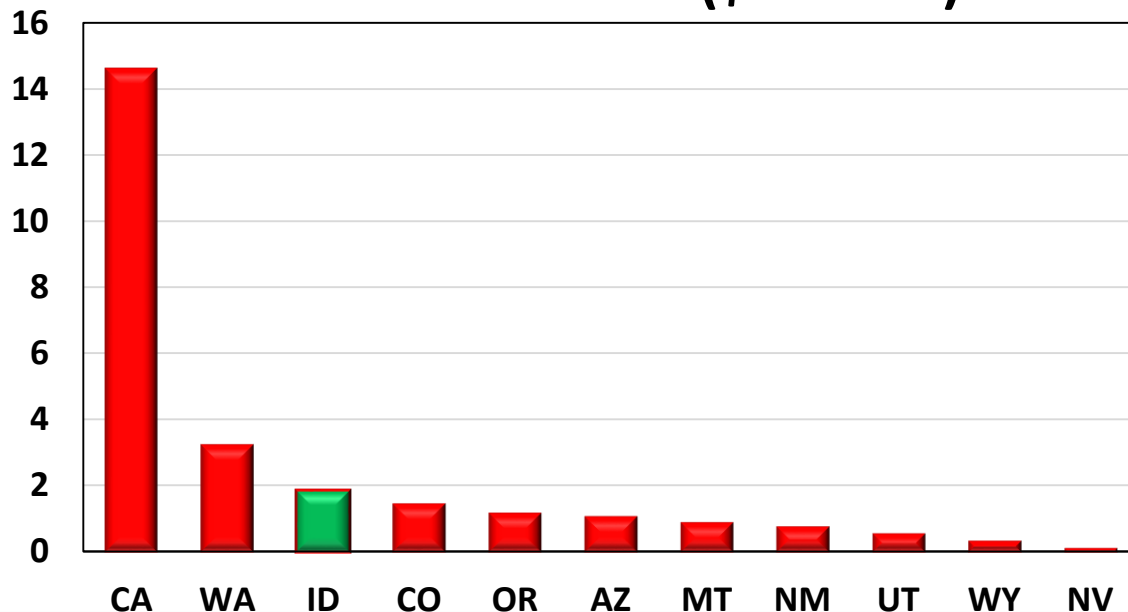
Western states

Idaho businesses

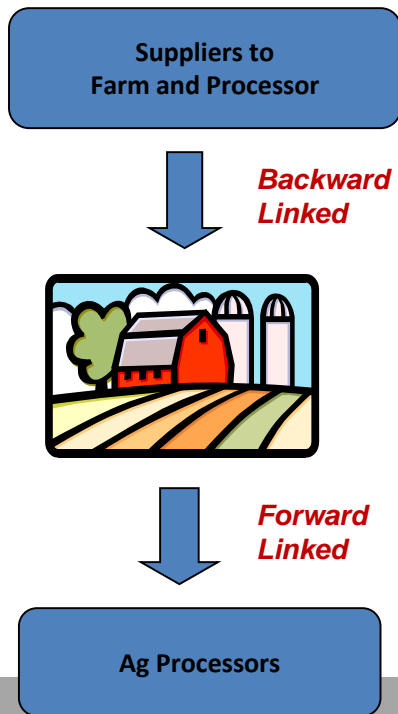


IDAHO RANKS 3RD IN NET FARM INCOME

Net Farm Income (\$billions)



WHAT IS AG BUSINESS?



➤ ***What is Ag Business ?***

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

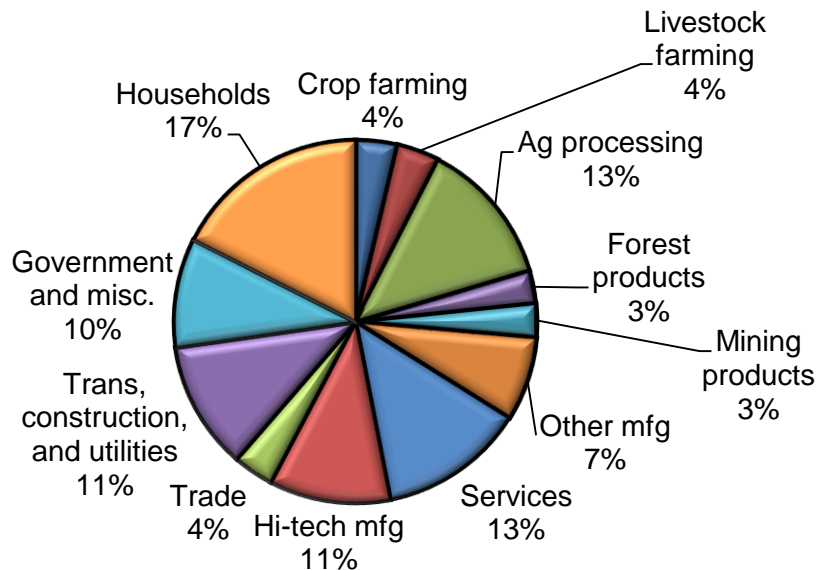
➤ ***Contribution measures:***

- ***Accounting.***
- ***Base economy.*** driven exports (new money in economy)



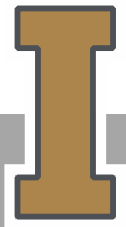
MULTIPLIER EFFECTS...AGBIZ IDAHO'S LARGEST INDUSTRY

Idaho base output by sector of the Idaho economy, 2013



AgBiz multiplier effects

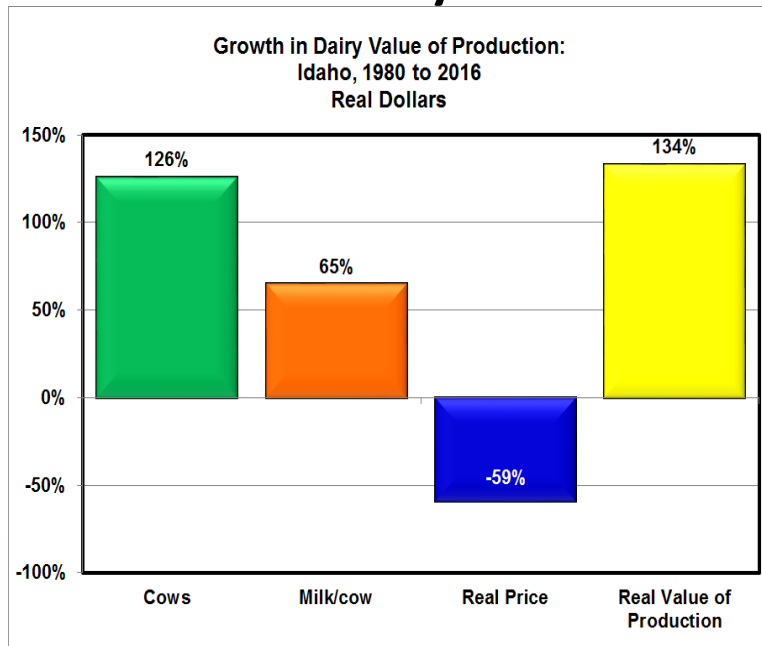
- 20% of output or sales
- 14% of jobs
- 16% of GDP



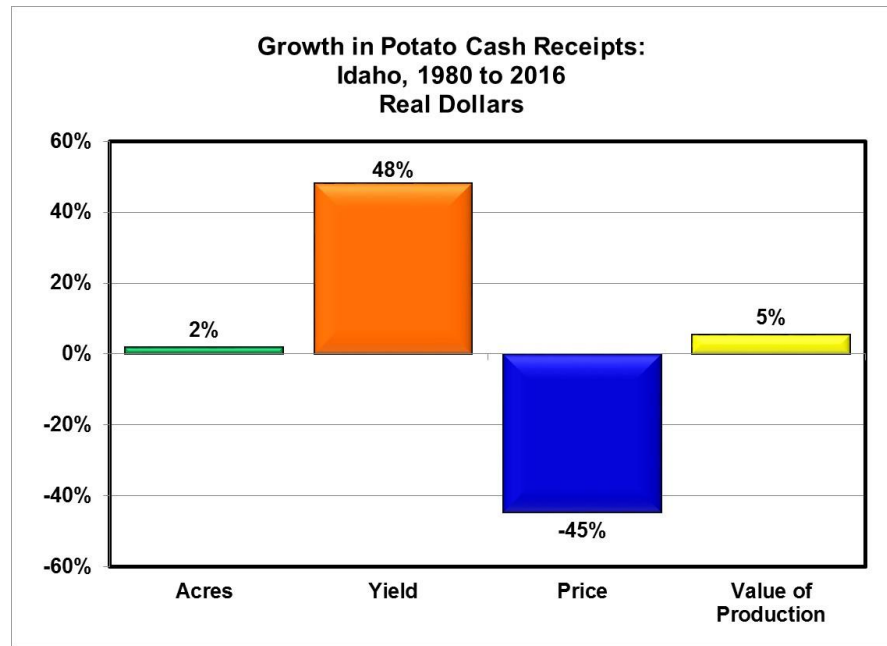
Source: Taylor & Eborn University of Idaho

CASH RECEIPTS GROWTH COMES FROM PRODUCTION NOT PRICE GROWTH

Dairy



Potatoes



Source: University of Idaho



2016 IDAHO NET FARM INCOME DROPPED 13%; -5% IN TOTAL REVENUES COUPLED WITH -3% IN EXPENSES

