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IDAHO AGRICULTURAL OUTLOOK

Information for the
Joint House and Senate Economic Outlook Committee
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Prepared by

Lindy Hill, Undergraduate Research Assistant
R. G. Taylor, Assistant Professor
Department of Agricultural Economics
University of Idaho

This report provides a preliminary estimate of Idaho farm and ranch cash receipts for the calendar-year 2001. The 2001 forecast of farm revenue is contrasted to previous years and changes in the various components of revenue are examined. Following the forecast of cash receipts, historical and 2001, government payments are reported. Crop and livestock revenue is but one side of the farm income picture. Costs of farming necessary to estimate income, have not been forecasted. However, in the final section of this report historic trends in Idaho's farm income are analyzed.

Estimated 2001 farm and ranch revenue is \$3.61 billion, up 6% from last year's \$3.39 billion (Table 1). Revenues are estimated by making forecasts of 2001 year prices to be multiplied by the predicted 2001 production. Revenue from livestock production comprises 54% of total 2001 farm-gate revenue and crop revenue the remaining 46%. In 1995 farm revenue broke the \$3 billion mark and after a slight relapse in 1997 has continued to rise steadily. Revenues from milk, beans, and onions rebounded in the calendar year 2001, while wheat and potatoes continued a downhill slide. The strength of the livestock sector more than offset decreased revenues on the crop side.

Livestock Revenue

For the year 2001, livestock revenues closed in on the \$2 billion milestone registering in at \$1.94 billion. Livestock revenues, fueled by the strong beef cattle and dairy cattle markets, continued at record levels.

The 2001 revenue from cattle and calves is estimated at \$800 million, topping last year's record high of \$757 million. Cattle revenues increased 6% over 2000. Cattle production increased 1% from the previous year, as prices rose nearly 5%.

Idaho's dairy industry recovered in remarkable fashion from last year's decrease and is now back to setting records. Revenues rose nearly 35% to just over \$1 billion. The dairy

industry retained its position as the top revenue producer in Idaho agriculture and distanced itself by just over \$200 million from its nearest competitor, cattle. Idaho milk production was up 7% and prices rose by nearly 26% to fuel the dairy revenues recovery.

The "other livestock" category in Table I includes eggs, hogs, mink, poultry, sheep, wool and trout. This category is estimated by taking a trend line of past receipts and is estimated to be down 2% from last year.

Crop Revenue

Crop revenue is recorded on a calendar year basis (Table I). For crops that can be stored, that means portions of two or more crops can be sold in a January to December calendar year. For example, part of the 2000 potato crop was sold in the spring and summer of 2001, with the remainder of the crop being sold out of storage in the winter, spring and summer of 2002.

Barley revenue was forecast to fall by 3% in 2001. Barley production decreased by 9% while prices were forecast to increase by 5%. Eastern Idaho is the largest producing region. Idaho's crop is split evenly between malting and feed varieties.

Dry bean revenues recovered from last year's decrease and are estimated to be back at 1999 levels with receipts forecast at \$35 million. This is largely due to a firming up in the dry bean market. Prices rose by about 16%. Production also increased by 3%. Magic Valley growers produce nearly three-fourths of Idaho's dry beans.

Idaho's greenhouse & nursery industry remains steady. Revenues in 2001 are not expected to change significantly from the \$70 million of sales in 2000. Nursery growers market high-quality landscaping plants across western North America.

Hay production continues to be a significant revenue producer. This year's drought significantly effected hay yields, driving down production by 13%. Meanwhile, Idaho's booming dairy industry continues to drive demand up for high-quality hay. The production shortage led to an increase in prices by 22%. The rise in prices more than offset the decrease in production and hay receipts were estimated to have risen by 6%.

Idaho's onion industry is an important part of southwestern Idaho's agricultural economy. Prices are volatile and the season average price of onions doubled from \$10.00/cwt to \$21.00/cwt during the year. Onion receipts were estimated to have risen by 29% over last year's \$31 million.

Idaho's famous potatoes remain the largest crop revenue producer for Idaho farmers. Calendar-year 2001 potato cash receipts are estimated at \$500 million, 16% below last year's revenue of \$598 million. Idaho's potato production is expected to total 128 million cwt, down 16% from last year's 152 million cwt. Decreases in acreage harvested and yield per acre both contributed to the production decline. Acreage fell by nearly 11% from 413 thousand acres in 2000 to 368 thousand acres in 2001. Yields fell 21 cwt per acre

from the 2000 average to only 348 cwt per acre in 2001. Decreased yields were largely attributed to water shortages in the potato production areas of Southern Idaho. Prices recovered mid-year in 2001. However, prices on the average remained constant compared to last year.

Sugarbeet revenues held steady in 2001, forecasted to remain near the \$240 million mark. Beet revenues appear to be making a slight comeback from the lows experienced in the 1990's. An 11% reduction in production and a 13% increase in prices offset each other, keeping beet cash receipts near last year's levels.

Wheat revenues are expected to decline again this year to \$255 million following a slight rebound in 2000. The revenue decline is attributed to a decrease in production by 21%. Prices were up by 22% but could not offset the decline experienced in production.

The "other crops" category in Table I includes apples, cherries, corn, hops, lentils, mint, oats, peaches, peas, plums, prunes and sweet corn as well as grass seed and other crops for which USDA does not estimate Idaho value of production. Revenues for these crops were forecast to decrease by 5%.

Cash Receipts – An Historical Perspective

In nominal dollars, 2001 cash receipts are at the highest levels ever. Inflation adjustment tells a different story. In real dollar terms, cash receipts in 2001 were 6% greater than the 30 year average (Figure 3). Adjusting for inflation, 2001 cash receipts were \$3.3 billion. Again in real terms, over a thirty year span cash receipts were the lowest in 1971 and three years later in 1974 rose to their highest point. In three years, cash receipts rose from their lowest to their highest. Cash receipts have been far less volatile in the decade of the 90's and into the 21st century.

For the first time since 1979 livestock revenues exceeded crop revenues (Figure 4). The continued growth in the milk and beef revenues combined with continued weakness in potatoes pushed livestock revenues above crop revenues in 2001.

For the fifth straight year cash receipts from milk outstripped potatoes (Figure 5). Previous to 1997, milk had surpassed potatoes only once in 30 years and that was in the farm crisis of 1986.

Government Payments

Another record! Federal government payments to Idaho agriculture increased by 12% over 2000. Government payments to agriculture in Idaho exceeded \$292 million in 2001. In 2000, government payments were \$261 million, also a record. Payments in 2000 increased 24% over 1999. You have to reach back to the agricultural crisis of the mid-eighties (1986 and 1987 payments were \$230 and \$234 million, respectively) to achieve payments that were even close to the amounts that were paid in the past two years. As

recently as 1995 payments to Idaho agriculture were less than a third the amount of 2001. In real or inflation adjusted dollars, 1986 and 1987 payments (\$305 and \$302 million, respectively) were far higher than the payments the past two years (Figure 6).

The huge jump in payments in 2001 over 2000 occurred in the emergency payments (Figures 7 and 8). In 2001, emergency payments totaled \$163 million, an increase of 80% over 2000. The increase in emergency payments more than offset the drop in Loan Deficiency Payments (LDP), from \$68 million in 2000 to \$35 million in 2001. Conservation payments remained about equal for 2000 and 2001.

Despite the 2001 increase in government payments, Idaho is small potatoes nationally. Idaho payments are only 1.3% of the \$22 billion total payments made in 2001. Of the neighboring states, both Washington and Montana receive more payments than Idaho.

Idaho Farm Income

Farm income is the bottom line, the net of revenues minus cost. Farm revenues counts cash receipts from the marketing of farm products (as discussed above) plus other farm revenues (such as custom work), plus the rental value of farm dwellings, plus inventory changes, plus government payments (as discussed above). Subtracted from revenues are the costs; farm input expenses (seed, feed etc.), taxes and fees, capital consumption, wages, dividends, and rents. The difference between revenues and expenses yields farm income. Farm income is difficult to measure. Estimates are slow to be released and can be revised dramatically for five years. Major items, such as inventory adjustment are volatile and have no discernable trend. Further, farmers would not consider many items as revenues (e.g. rental value of farm dwellings).

We show the historic trend in farm income (nominal and real) and discuss the many factors affecting farm income for 2001 (Figure 9). We examined a fifty year period (1949 to 2000) of Idaho farm income to show the peaks, valleys and averages in both nominal and real (1996 base year) income. Idaho farm income, in nominal terms, peaked in 1993 at \$1,113 million and hit a low in 1964 at \$74 million. In real dollars, Idaho farm income topped out in 1974 at \$1,603 million and just five years later in 1979, farm income hit it's lowest point at \$241 million. In five years, farm income dropped seven fold.

Over the fifty year period, average farm income in Idaho was \$381 and \$716 million, in nominal and real dollars respectively. In 2000, Idaho farm income was \$832 million in nominal dollars and when adjusted for inflation was \$777 million. In inflation adjusted dollars, where this comparison makes sense, 2000 farm income was 9% greater than the fifty-year average. However, comparing 2000 to 1999, Idaho farmers got a pay cut, income dropped by %9. Absent the \$261 million in government payments in 2000, income would have dropped by close to 40%. Without government payments farm income would have dropped to the levels of the mid-80's farm crisis years.

What is the bottom line? Without doing an actual forecast of Idaho farm income for the year 2001 the following factors will affect income:

- Record high government payments of \$292 million,
- An 6% increase in farm cash receipts,
- Higher energy costs – gas, diesel, and electricity,
- Higher fertilizer and pesticide costs that were tied to petroleum costs,
- Electricity buyout payments,
- Decrease in state property tax for farmers.

Table I. Idaho Cash Receipts from Farm Marketings
(Million Dollars)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	Percent Change
LIVESTOCK											
Cattle and Calves	693	670	652	636	574	663	653	677	757	800	6%
Milk	371	388	456	508	653	634	829	834	762	1,030	35%
Other Livestock	81	88	93	97	107	108	103	105	109	107	-2%
TOTAL LIVESTOCK	1,145	1,146	1,201	1,241	1,333	1,405	1,585	1,616	1,628	1,937	19%
CROPS											
Barley	125	125	125	145	157	142	120	129	124	120	-3%
Beans	36	39	53	39	52	41	40	34	30	35	17%
Greenhouse/Nursery	47	49	38	43	48	61	61	67	70	70	0%
Hay	126	190	179	188	199	243	248	189	236	250	6%
Onions	34	79	51	42	51	44	63	31	31	40	29%
Potatoes	514	557	573	677	694	521	546	597	598	500	-16%
Sugar Beets	194	195	213	191	210	212	219	216	241	240	0%
Wheat	336	310	324	399	430	439	269	229	266	255	-4%
Other Crops	175	177	178	192	190	189	176	174	165	160	-3%
TOTAL CROPS	1,587	1,721	1,734	1,916	2,031	1,892	1,742	1,666	1,761	1,670	-5%
TOTAL CASH RECEIPTS	2,732	2,867	2,935	3,157	3,364	3,297	3,327	3,282	3,389	3,607	6%

SOURCES:

1992-2000: Idaho Agricultural Statistics Service

2001: Forcasted by G Taylor and L Hill, University of Idaho

Figure 1. 2001 Total Cash Receipts

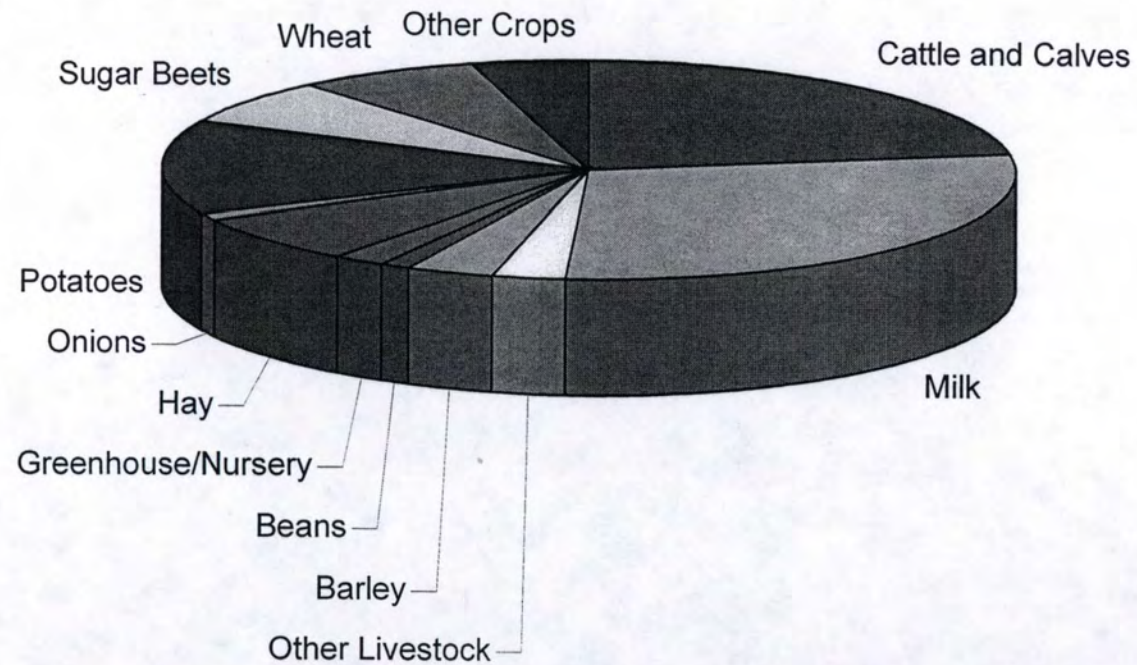


Figure 2. 2001 Total Cash Receipts

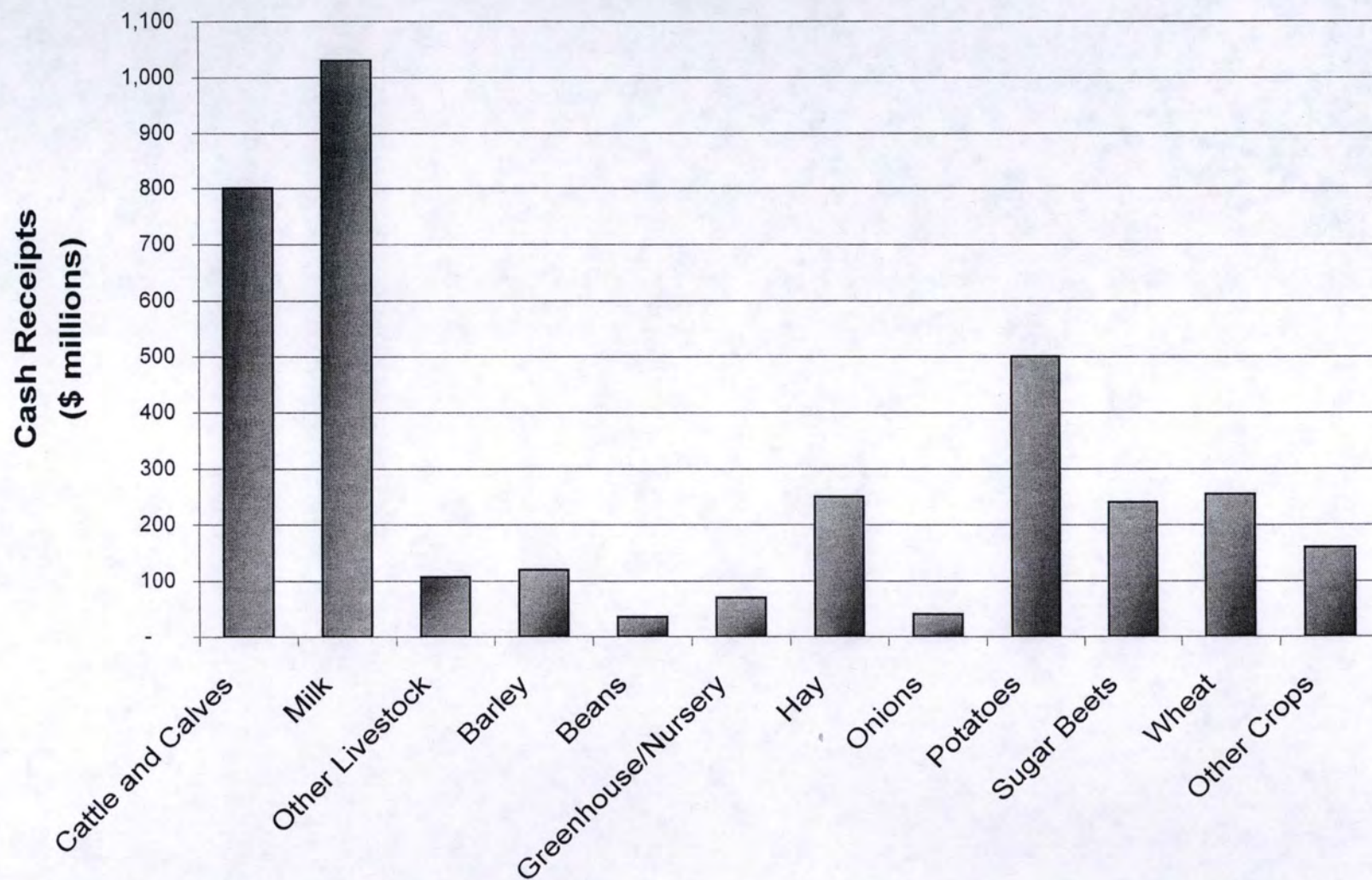


Figure 3. Farm Cash Receipts 1970-2001

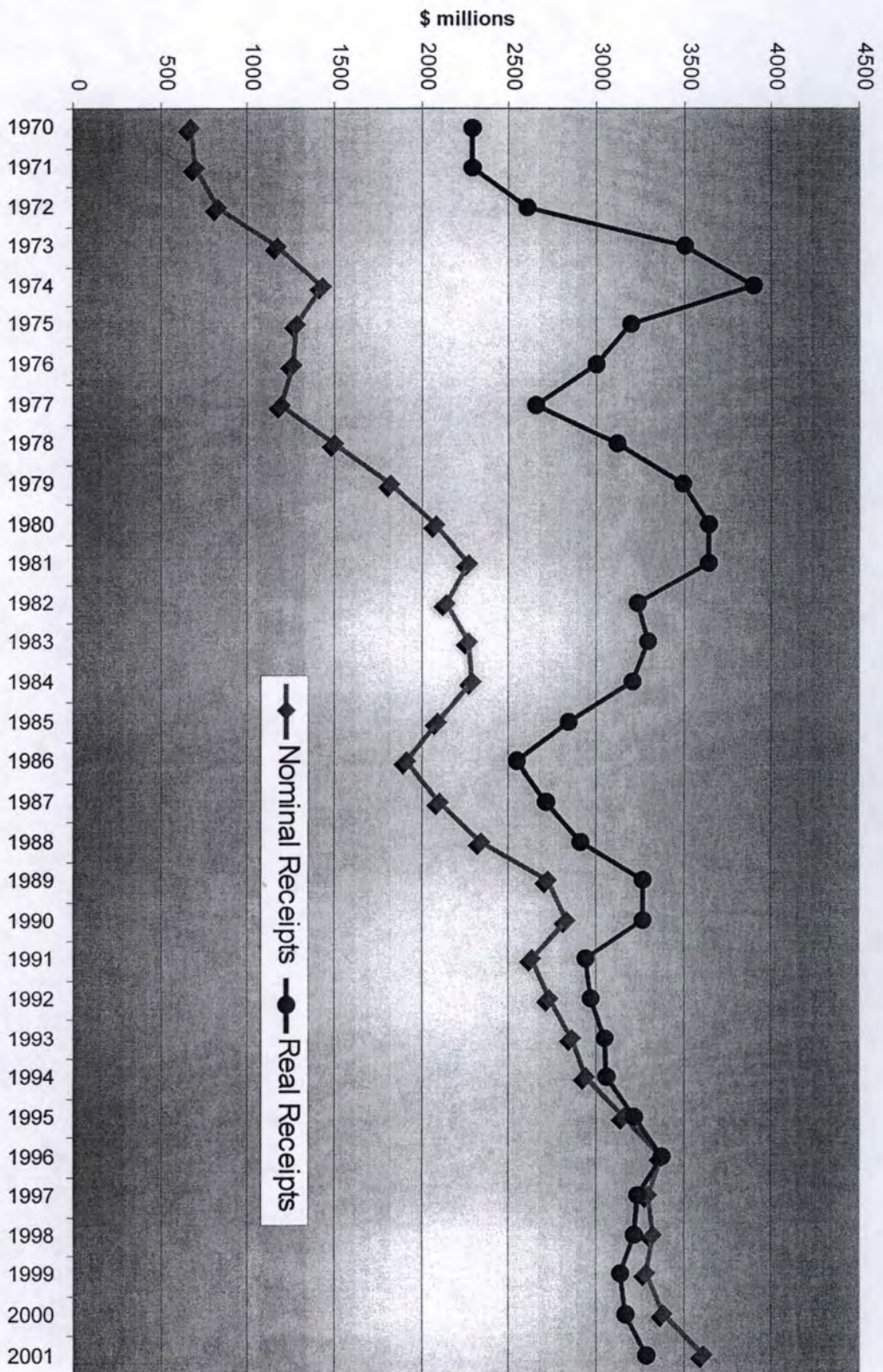


Figure 4. Livestock and Crop Cash Receipts

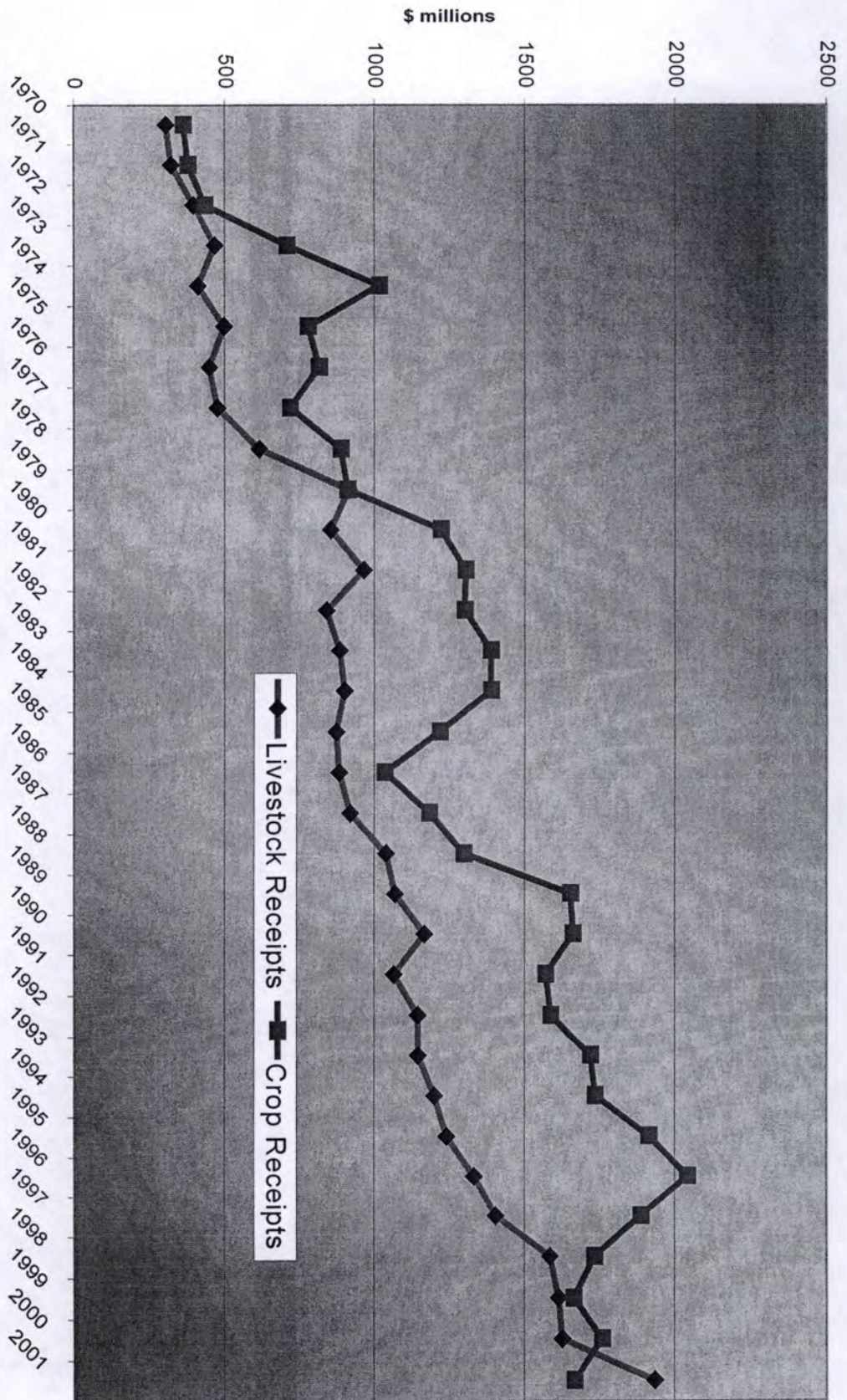


Figure 5. Dairy and Potato Cash Receipts

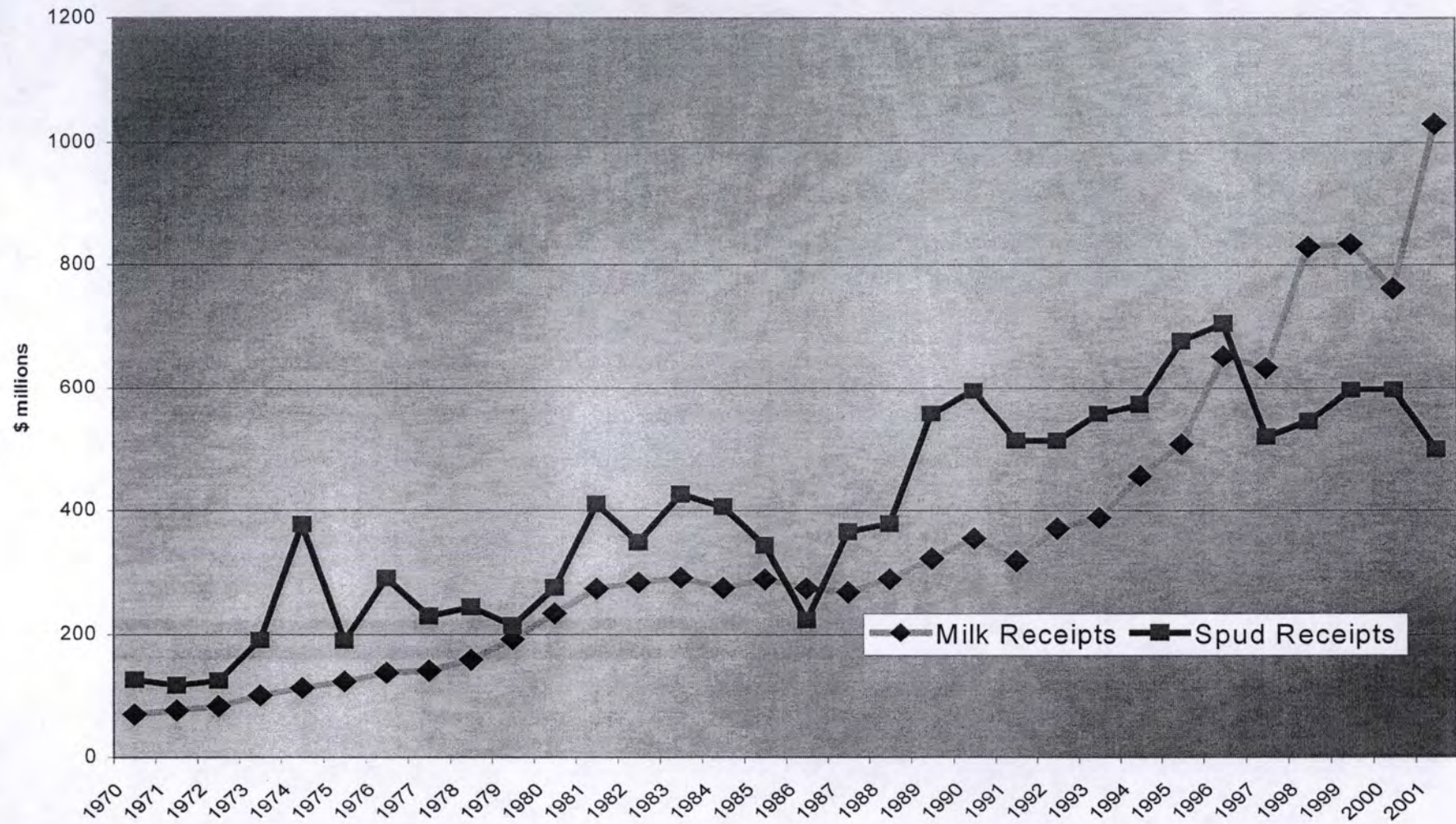


Figure 6. Government Payments, Idaho

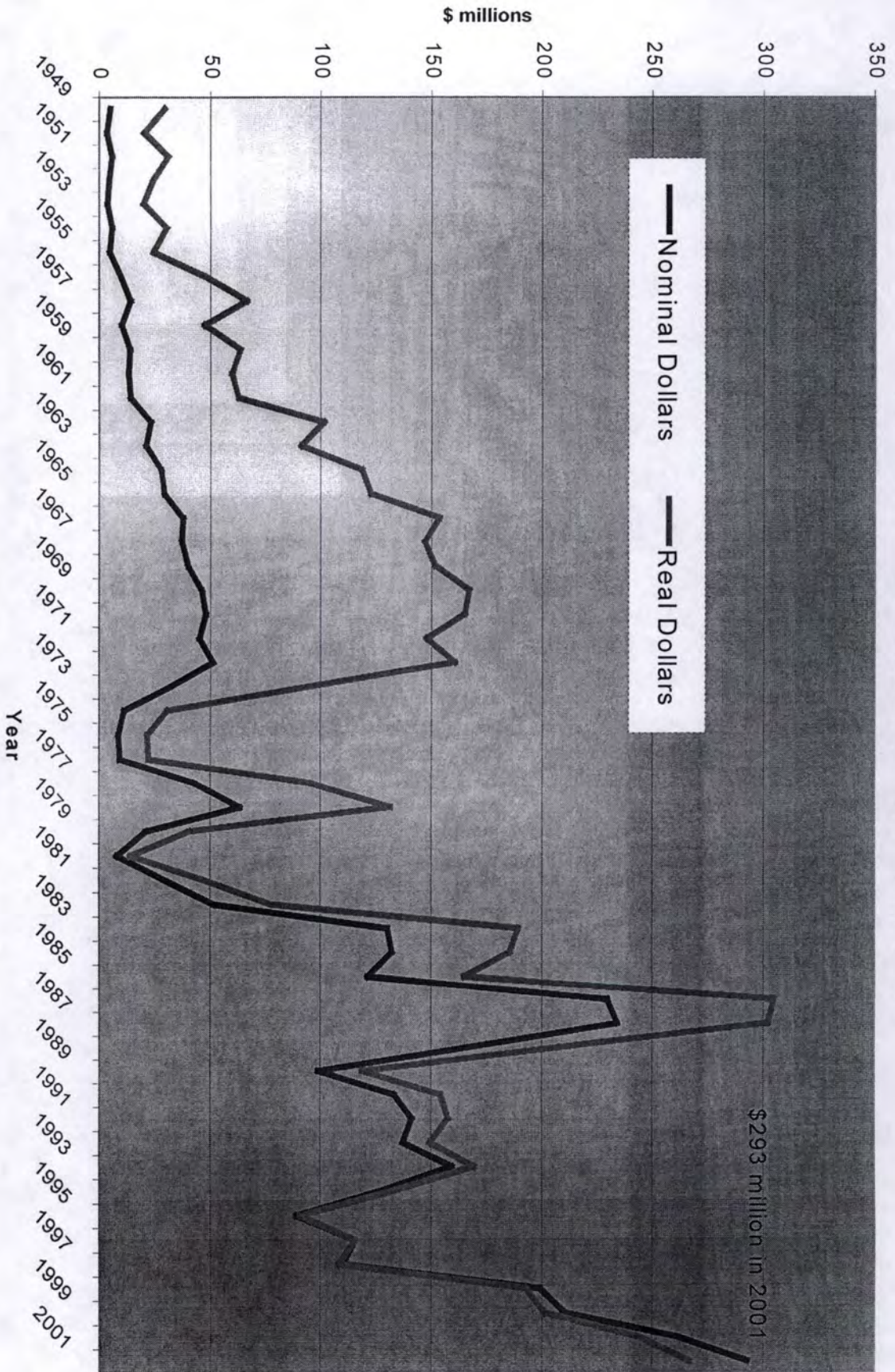


Figure 7. Idaho Government Payments, 2000
\$261 million

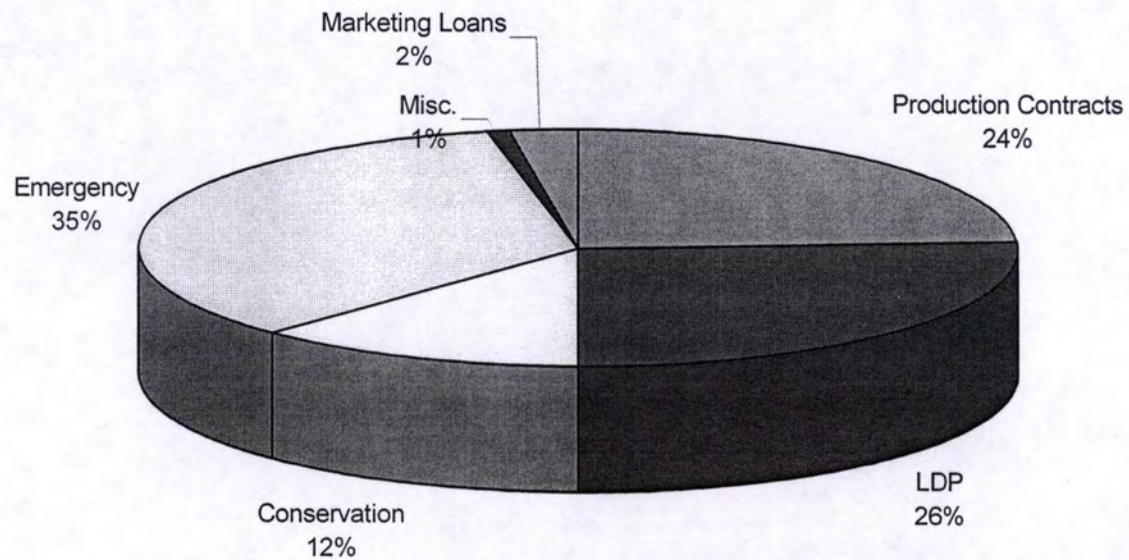


Figure 8. Idaho Government Payments, 2001
\$292.7 million

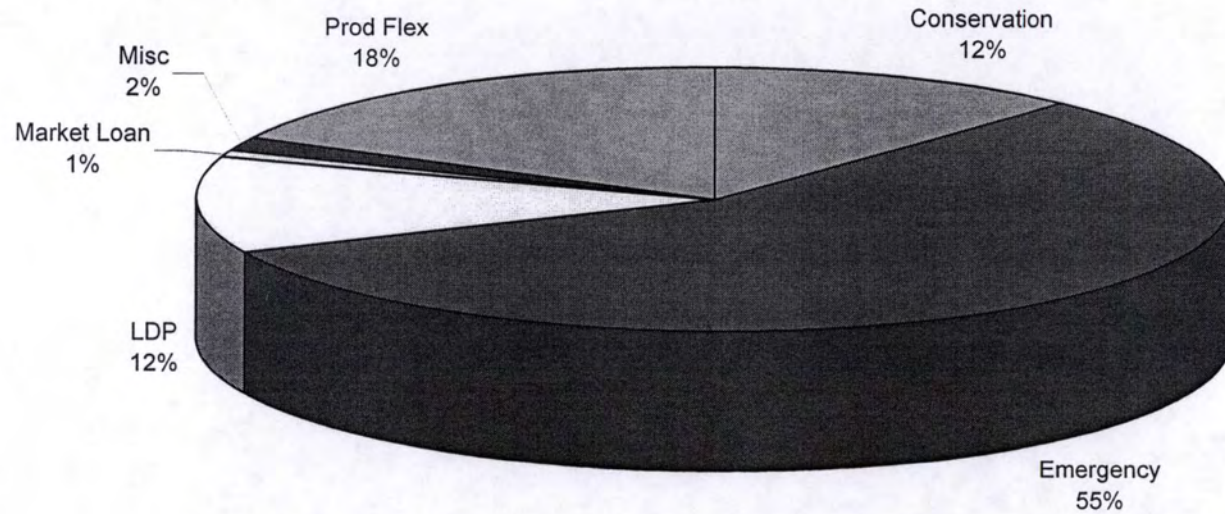


Table 2. Idaho Government Payments, 2001

class	PROGRAM	DOLLARS	% OF TOTAL
emergency	Acreage Grazing Payments	\$ 114,011.02	0.04%
conservation	Agricultural Conservation	\$ 87,669.00	0.03%
emergency	AILFP – Apportioned	\$ 175,081.17	0.06%
emergency	AMLAP – Apportioned	\$ 1,190,209.95	0.41%
emergency	Crop Disaster Program	\$ 18,437,237.17	6.30%
emergency	Crop Loss Disaster Assistance	\$ 29,443.00	0.01%
conservation	CRP Annual Rental	\$ 29,967,425.56	10.24%
conservation	CRP Cost-Shares	\$ 1,573,542.64	0.54%
conservation	CRP Incentives	\$ 898,869.33	0.31%
emergency	Dairy Market Loss Assistance	\$ 14,079,395.81	4.81%
emergency	Emergency Conservation	\$ 216,820.55	0.07%
conservation	Environment Quality Incentives	\$ 1,472,228.97	0.50%
emergency	Feed Grain Deficiency	\$ (103.00)	0.00%
misc	Interest Payments	\$ 202,995.21	0.07%
emergency	Lamb Meat Adjustment Assist	\$ 1,074,596.03	0.37%
LDP	LDP, Non-Contract PFC Growers	\$ 2,579,058.62	0.88%
emergency	Livestock Emergency Assistance	\$ 644,575.00	0.22%
LDP	Loan Deficiency Payment	\$ 34,643,481.29	11.84%
Market Loan	Market Loan Gains	\$ 2,539,865.40	0.87%
emergency	Marketing Loss Assistance	\$ 57,668,655.00	19.70%
misc	Noninsured Assistance Program	\$ 90,215.00	0.03%
emergency	Oilseed Program	\$ 209,130.00	0.07%
misc	Payment Limitation Refund	\$ (1,291.00)	0.00%
Prod Flex	Production Flexibility	\$ 51,032,882.42	17.44%
misc	State Grants	\$ 4,214,067.00	1.44%
emergency	Sugar PIK Diversion Program	\$ 67,130,886.00	22.94%
emergency	Supl Oilseed Payment Program	\$ 174,194.00	0.06%
emergency	WAMLAPII – Apportioned	\$ 929,797.60	0.32%
emergency	WAMLAPII – Apportioned	\$ 826,424.11	0.28%
misc	Wheat Deficiency	\$ (5,623.61)	0.00%
emergency	Wool & Mohair Market Loss Asst	\$ 480,287.60	0.16%
	TOTAL IDAHO	\$ 292,676,026.84	

Figure 9. Idaho Farm Income

