

Idaho Livestock and Crop Revenues

Cattle and Calves Revenue from cattle and calves is estimated at \$1.14 billion, up 8% from 2004's \$1.06 billion. Cattle marketings were slightly lower than those in 2004, but a relatively tight beef supply and strong beef demand resulted in cattle prices estimated to be 4% higher than last year's. Slaughter steer, yearling, and calf prices were near record highs.

Milk Revenue from milk production is estimated to be \$1.46 billion, up 7% from 2004, while milk production was up nearly 11%. Increased production put downward pressure on prices, which are estimated to be 5% lower than in 2004. Dairy herds are expanding rapidly. In 2005 the number of on-farm cows was 454,000 head, 7% more than in 2004 and 12% more than 2003. Cash receipts from milk are estimated to be 54% higher than the 10-year average.

Barley Idaho barley production in 2005 decreased by 13% from 2004; however, prices are projected to be 3% higher. Barley revenues are estimated at \$147 million, 10% lower than in 2004. The state's average yield is estimated to be 87 bushels per acre, down 5 bushels from last year's record high. Nationally, barley production is estimated to be 24% lower than last year and the lowest since 1936. The acreage harvested nationally was the lowest since 1890.

Beans Dry bean revenues are estimated at \$38 million for 2005, compared with last year's \$32 million. This 21% increase in revenue is due to the projected 14% increase in production and 6% increase in price. Yields of 1,900 pounds per acre are down 200 pounds from 2004, but growers harvested 20,000 more acres than a year ago.

Greenhouse/Nursery Revenues in 2005 are estimated to be \$82 million, about 6% lower than in 2004. Sales of field-grown crops typically account for just over 70% of total revenues, while greenhouse sales account for approximately 29% and Christmas tree sales about 1%.

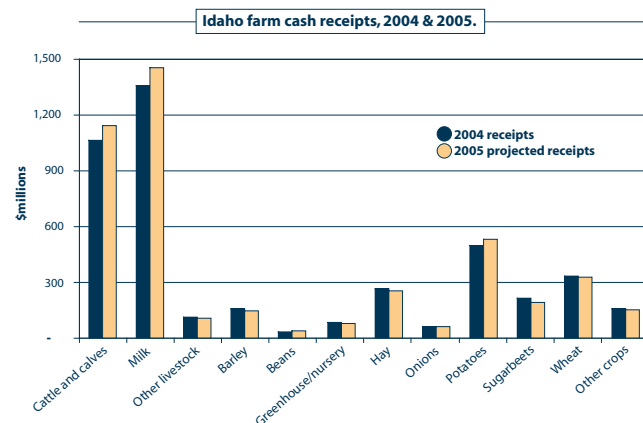
Hay Reflecting continued strong demand from expanding dairies, hay continues as Idaho's third-largest crop. Revenues are forecast to be \$257 million in 2005, down 3% from 2004. Alfalfa hay production was down 3% to an estimated 4.60 million tons, and other hay production was up 5%. The slight decrease in production drove hay prices up an estimated 1% from 2004.

Onions Production for 2005 is expected to be 6.65 million cwt, a 17% decrease from the price-depressing 2004 crop. Yields are estimated to be 700 cwt, down 70 cwt from last year's record. Lower yields and quality were due to excessive spring moisture, mid-summer heat, and disease outbreaks in the Treasure Valley. Reduced production raised prices an estimated 20%, leaving onion revenues unchanged from 2004 at an estimated \$59 million.

Potatoes Potato revenues are estimated at \$535 million, 6% higher than in 2004. Potato production is estimated to be 117 million cwt, down 11% from 2004 due to the smallest potato acreage in Idaho since 1986. Yields of 362 cwt (field-run basis) are down 12% from last year's record high. Fresh market growers are seeing fall prices two to three times higher than one year earlier. For process growers, flat pre-season contract prices, combined with reduced size and quality, resulted in a lower incentive-adjusted price and lower paid yield.

Sugarbeets Idaho's sugarbeet production is forecast to be 4.69 million tons, down 15% from 2004 because of a 25,000-acre reduction imposed by the processing cooperative. Yields were 28.1 tons per acre, down from 28.7 tons in 2004, but sugar content was good. The average price for the 2005 crop is expected to be stronger because of decreased cane sugar production in the South and strong domestic demand. Revenue is estimated at \$192 million, down 11%.

Wheat Revenues for 2005 are expected to be \$330 million, down 1% from 2004. At an estimated 101 million bushels, Idaho wheat production is projected to decline 1% from 2004. Higher prices for hard red wheat were offset by lower prices for soft white wheat. Yields of winter wheat reached a record 91 bushels per acre. Spring wheat yields were 72 bushels per acre, 7 bushels below 2004. Nationally, the 2005 wheat crop is forecast to be 3% lower than in 2004.



Sources: Idaho Agricultural Statistics Service and UI projections

Idaho net farm income, by calendar year.

	(\$ millions)										Change ('04-'05)
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	
REVENUES											
Crop Production ^a	2,191	1,890	1,777	1,778	1,896	1,676	2,075	1,758	1,944	1,856	-4%
Livestock Production ^a	1,327	1,483	1,616	1,658	1,640	2,091	2,011	2,187	2,608	2,738	5%
Services & Forestry	247	253	314	316	300	320	358	337	321	323	1%
Government Payments ^b	116	110	199	211	261	208	165	153	153	168	10%
TOTAL REVENUES	3,880	3,737	3,906	3,962	4,097	4,294	4,610	4,434	5,025	5,084	1%
EXPENSES											
Farm Origin Inputs	596	670	615	609	670	728	1,007	981	960	957	0%
Manufactured Inputs	593	578	562	555	572	571	624	596	599	684	14%
Other Inputs	654	713	722	704	750	718	795	870	783	801	2%
Vehicle Regist./Licensing	10	11	12	10	12	11	9	10	10	10	0%
Property Taxes	88	90	89	87	89	86	90	82	84	84	0%
Capital Consumption	274	277	283	287	289	295	301	303	319	322	1%
Payments to Stakeholders	677	708	698	720	782	752	790	754	732	748	2%
TOTAL EXPENSES	2,893	3,048	2,981	2,972	3,165	3,162	3,617	3,596	3,488	3,607	3%
NET FARM INCOME	987	689	924	990	932	1,132	993	838	1,537	1,477	-4%
Year-to-Year Change	25%	-30%	34%	7%	-6%	21%	-12%	-16%	83%	-4%	

SOURCES: 1996-2004: Economic Research Service/USDA; 2005: Forecasted by G. Taylor and B. Eborn, University of Idaho. NOTE: Data for 2004 and the previous four years are preliminary estimates that USDA can revise for up to five years.

^a Revenues include the value of home consumption and the value of inventory adjustments, which are not included in cash receipts from farm marketings.

^b Government payments are by calendar year, except for 2005, which are by fiscal year.

Idaho cash receipts from farm marketings, by calendar year.

	(\$ millions)										Change ('04-'05)
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	
LIVESTOCK											
Cattle and Calves	574	663	653	677	757	916	976	1,070	1,059	1,142	8%
Milk	653	634	829	834	762	1,043	918	1,005	1,358	1,458	7%
Other Livestock	107	109	104	105	110	103	105	108	113	111	-2%
TOTAL LIVESTOCK	1,333	1,405	1,585	1,616	1,629	2,063	1,999	2,183	2,531	2,711	7%
CROPS											
Barley	157	142	120	129	120	139	140	162	164	147	-10%
Beans	52	41	40	34	33	28	33	35	32	38	21%
Greenhouse/Nursery	48	63	61	67	69	66	70	80	87	82	-6%
Hay	199	243	248	215	263	311	280	218	265	257	-3%
Onions	51	44	44	37	44	40	52	69	59	59	0%
Potatoes	694	521	546	597	539	582	702	542	503	535	6%
Sugarbeets	210	212	219	216	212	188	212	217	217	192	-11%
Wheat	430	439	268	229	298	254	306	262	332	330	-1%
Other Crops	190	186	181	174	222	155	156	152	161	155	-4%
TOTAL CROPS	2,031	1,891	1,727	1,698	1,799	1,762	1,950	1,738	1,819	1,794	-1%
TOTAL CASH RECEIPTS	3,364	3,296	3,313	3,314	3,428	3,825	3,949	3,920	4,349	4,505	4%
Year-to-Year Change	7%	-2%	1%	0%	3%	12%	3%	-1%	11%	4%	

SOURCES: 1996-2004: Idaho Agricultural Statistics Service; 2005: Forecasted by G. Taylor and B. Eborn, University of Idaho. NOTE: Data for 2004 and the previous four years are preliminary estimates that USDA can revise for up to five years.

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The Financial Condition of Idaho Agriculture: 2005 projections

Ben Eborn, Paul Patterson, and Garth Taylor

Idaho farmers set a new record in cash receipts in 2005, selling an estimated \$4.5 billion worth of crop and livestock products, 4% more than in 2004.

However, net farm income is estimated to decrease 4% to \$1.48 billion. The decline in farmer's bottom line follows the astronomical 83% increase recorded in 2004. Bright spots in the Idaho farmer's financial condition are record high cash receipts from cattle and calf sales and from milk production. In contrast, nearly all crops posted declining cash receipts for 2005, with the exceptions of potatoes and dry beans. Revenue from Idaho's number one crop, potatoes, rose 6% from 2004.

2005 Crop and Livestock Highlights:

- For the fifth year in a row, livestock revenues exceeded crop revenues. At an estimated \$2.7 billion, livestock revenues comprised 60% of Idaho's total farm-gate cash receipts.
- For the second consecutive year, dairy was Idaho's leading agricultural industry. Good milk prices and record high production boosted cash receipts from milk to an estimated \$1.46 billion, a 7% increase over 2004. Almost a third of Idaho farm sales came from milk checks.
- Cattle and calf sales were Idaho's second largest agricultural revenue producer in 2005, with revenue estimated at \$1.14 billion, up 8% from 2004's \$1.06 billion.
- Potatoes remain Idaho's leading crop, with 2005 revenues estimated at \$535 million, 6% higher than in 2004. Potato production is estimated to be 117 million cwt, down 11% from 2004 due to the smallest potato acreage in Idaho since 1986 and lower yields.
- Barley sales are estimated at \$147 million, 10% lower than in 2004. Idaho barley production decreased by 13% in 2005; however, prices are projected to be 3% higher.
- Hay continues as Idaho's third largest crop revenue source. Revenues are forecast at \$257 million, down 3% from 2004. Alfalfa hay production was down 3%, and hay prices in 2005 are estimated to be 1% higher than in 2004.
- Revenues from Idaho's sugarbeets are estimated at \$192 million, down 11% from 2004. Production is forecast to be 4.69 million tons, down 15% from last year's 5.51 million tons.
- Onion production for 2005 is expected to be 6.65 million cwt, a 17% decrease from 2004. Offsetting lower production, prices are estimated to be 20% higher, leaving onion revenues unchanged at \$59 million.

Idaho Farm Cash Receipts

Idaho's 2005 cash receipts from farm marketings are estimated at more than \$4.5 billion—a new record and 4% increase over last year. The increase resulted from higher livestock (milk and beef) revenues and a rebound in spud sales.

Crop revenues are estimated at \$1.79 billion, down 1% from last year's \$1.82 billion and essentially equal with the 10-year average. Only beans and potatoes produced increased crops revenues. Revenues from all other crops declined or remained steady.

For the fifth year in a row, livestock revenues exceeded crop revenues. Prior to 2000, crop revenues surpassed livestock revenues every year since 1979. For 2005, livestock revenues are estimated at a record \$2.71 billion, 7% more than last year and 42% more than the 10-year average. Cash receipts from cattle and calves are projected to be the highest ever, topping the \$1 billion mark for the third time. Cash receipts from milk are expected to approach \$1.5 billion and easily hurdle last year's record of \$1.36 billion.

The shift in Idaho's agricultural economy from crops to livestock has been remarkably swift and dramatic. Idaho's Famous Potatoes have declined from 21% of cash receipts in 1995 to 12% in 2005. Milk, which accounted for 16% of agriculture's cash receipts in 1995, now accounts for nearly a third.

Farming's backward- and forward-linked industries have shifted in response. Potato processors and shippers have closed and milk processors started up. The decline in the sheep, fruit, seed, and mint crops has narrowed Idaho's agricultural diversity, and the overall health of Idaho agriculture has become increasingly dependent on milk and beef prices.

Cash receipts in 2005 set an all-time record in nominal dollars and tied the record in real dollars (adjusted for inflation to 1996 dollars). Over a 36-year span, inflation adjusted cash receipts hit a low in 1971, then rose to their highest point just three years later. Real-dollar cash receipts in 2005—an estimated \$3.90 billion—were 23% greater than the 36-year average. Revenues from Idaho agriculture have been far less volatile in the 1990s and into the 21st century than in previous decades.

Methods - Cash Receipts

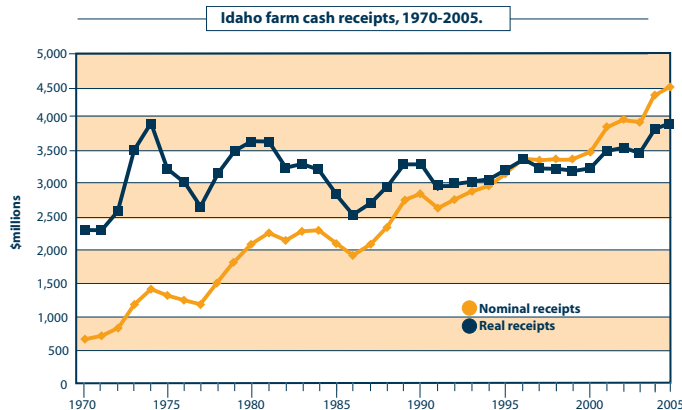
Actual cash receipts for 2005 will not be published by the USDA until the fall of 2006. We used the most recent monthly data from the USDA publications *Agriculture in Idaho*, *Idaho Agricultural Statistics*, and *Crop and Livestock Reports* and from the *Idaho State Department of Agriculture Annual Report*. Data unavailable from these sources were forecast by authors G. Taylor and B. Eborn using one of three methods: (1) index, (2) expected value, and (3) price-times-quantity.

The index method is used for storable crops that are produced in one year but marketed well into the next—barley, beans, hay, onions, sugarbeets, wheat, and cattle and calves. The index method captures the relative year-to-year changes in both price and production by indexing current- and previous-year data.

The expected value method is used when price and quantity data are unavailable or available only at the end of the year. Probabilities are assigned to the cash receipts for the three most recent years. This forecasting method is reserved for crops and livestock classified in the "other" categories, which are relatively small contributors to total cash receipts. Examples are poultry and eggs, sheep and lambs, trout, hogs, apples, corn, peas and lentils, and mint. This method is also used to forecast cash receipts from greenhouse and nursery products because price and production data are unavailable due to product diversity.

The price-times-quantity method is used when accurate monthly price and quantity data are available, as for milk and potatoes.

Calendar Year—Crop revenue is recorded on a calendar-year basis. 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, during the 2005 calendar year, potato sales came from both the 2004 and 2005 crops.



Sources: Idaho Agricultural Statistics Service and UI projections
Note: Real receipts are adjusted for inflation to 1996 dollars.

Idaho Net Farm Income

Net farm income is the bottom line—the farmer's paycheck. Even with the 4% jump in projected cash receipts, Idaho's net farm income is estimated to be 4% lower than in 2004. An estimated 1% increase in revenues and 3% increase in costs bring net farm income in at an estimated \$1.48 billion in 2005, which is still 41% higher than the 10-year average.

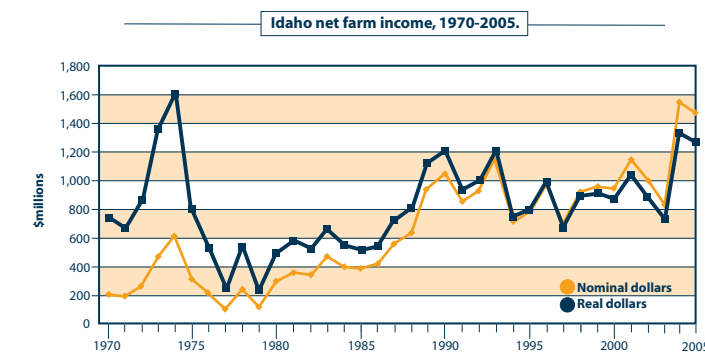
Over the past 10 years Idaho cash receipts from farm marketings have never varied year to year by more than 12%. Net farm income over the same period has been far less stable. In seven of the past 10 years net farm income changed at least 10% from the previous year. The 4% decrease in 2005 follows on the heels of the astronomical 83% increase in 2004.

The estimated 1% climb in 2005 revenues can be attributed largely to the projected 10% increase in government payments and 5% boost in livestock revenues. Revenues from services and forestry are also estimated to rise 1%, while revenues from crop production are expected to decline 4%.

On the cost side, total farm expenses are estimated to be 3% higher than in 2004. Most farm expenses experienced modest increases. Costs of manufactured inputs such as fuel, fertilizer, and electricity increased the most, 14%. Manufactured inputs normally account for 18% of farm expenses, thus cost increases in this category have a big impact on the bottom line. Costs of other inputs—including machine hire, storage, transportation, and repair and maintenance—increased 2% largely due to increased energy prices. Prices for farm origin inputs including feed, seed, and replacement livestock remained steady. Input prices in energy-related categories didn't increase as much as expected because utilization declined, and some increases didn't occur until late in the year.

Nationally, U.S. farm income in 2005 is estimated at \$71.5 billion, lagging behind last year's record by about \$11 billion but \$20 billion more than in 1997. As in Idaho, livestock production has accounted for the majority of the increase.

Over a 36-year period (1970-2005), Idaho net farm income, in nominal terms, peaked in 2004 at \$1.54 billion and hit a low in 1977 at \$112 million. In real dollars (1996 base year), Idaho net farm income topped out in 1974 at \$1.6 billion, and just five years later, in 1979, hit its lowest point at \$241 million, a sevenfold drop. Real Idaho net farm income for 2005 is estimated to be 69% higher than the 36-year average.



Sources: USDA Economic Research Service and UI projections
Note: Real dollars are nominal dollars adjusted for inflation to 1996 dollars.

Methods - Net Farm Income

Net farm income is the bottom line, revenues minus costs. Farm revenues include cash receipts from crop and livestock marketings as well as inventory changes and the estimated value of home consumption. Other revenues include government payments, machine hire and custom work, forest product sales, and the imputed rental value of farm dwellings.

Farm expenses include purchased inputs, which are classified as farm origin or manufactured. Farm origin inputs include purchased livestock, feed, and seed. Manufactured inputs include fertilizers, pesticides, fuel, and electricity. Other inputs include repairs and maintenance, machine hire and custom work, marketing, storage, transportation, and contract labor expenses. Property taxes and motor vehicle registration are also farm expenses.

Actual Idaho net farm income is not published by the USDA until the fall of 2006. Data sources we used to forecast 2005 net farm income include the USDA forecast *Value-Added to the U.S. Economy by the Agricultural Sector via the Production of Goods and Services, 2001-2005F*.

Farm revenues for livestock and crops were obtained from our 2005 cash receipts forecast with adjustments made for inventory changes and non-cash receipts. Revenues from government payments were obtained from the USDA Farm Service Agency. Costs were estimated from the percentage change in the U.S. cost information, which we used to update last year's Idaho cost data.

Net farm income estimates published by the USDA are subject to revision for up to five years. For example, in 2003 Idaho net farm income was reported at \$1.22 billion. Two years later it was revised to \$838 million.

Government Payments to Idaho Agriculture

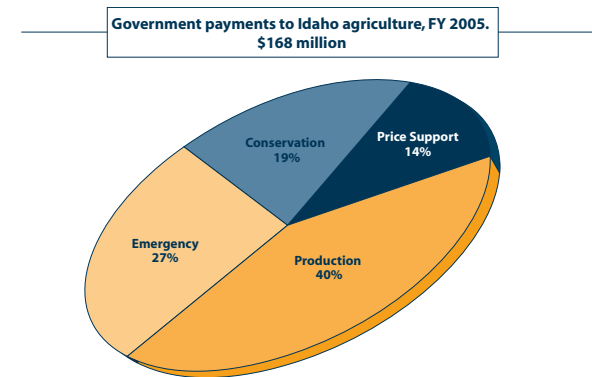
Federal government payments in the 2005 federal fiscal year (October 1, 2004-September 30, 2005) were reported at \$167.7 million, an increase of \$20 million (14%) over the previous fiscal year. Payments were near the average of the past 10 years.

In the late 1990s government payments escalated. In 1997, payments were as low as \$110 million, but by 2000 exceeded \$260 million, the highest amount ever received by Idaho agriculture. The previous high was recorded in 1987, when Idaho farmers received \$234 million. Government payments have declined nearly 36% since the record high in 2000.

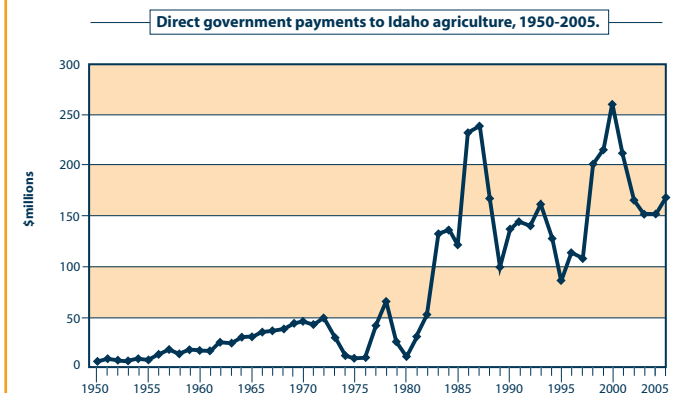
Idaho's unique mix of government programs changes as much as year-to-year payments:

- Production flexibility contracts were the single largest category of government payments in federal fiscal year 2005, accounting for \$67 million, or 40% of the total.
- Second, at 27%, were disaster assistance, or emergency, payments. In 2004, emergency funding was \$25 million; in 2005 those payments rose to more than \$46 million. Reflecting agriculture's vulnerability to natural disasters, emergency payments were \$161 million in 2001 and \$50 million in 2002.
- Third, at 19%, were conservation payments. The \$31 million in conservation payments was \$10 million lower than in 2004. Many conservation programs, such as the Conservation Reserve Program, are long-term contracts that change little from year to year.
- Fourth, at nearly \$23 million and 14% of the total, were price support payments with the majority going toward Loan Deficiency Payments (LDPs). LDPs were just over \$12 million in 2004 and nearly \$21 million in 2005. Reflecting strong milk prices, Milk Income Loss Contract (MILC) payments were 95% lower than a year ago.

Direct U.S. government payments to all of U.S. agriculture in 2005 are forecast to be \$22.7 billion, up 71% from 2004's \$13.3 billion. Direct government payments make up 32% of U.S. net farm income. In contrast, government payments to Idaho agriculture are estimated to make up less than 11% of net farm income in 2005, compared with 10% in 2004 and 18% in 2003. Idaho received approximately 1% of total payments to U.S. agriculture in 2005. At the same time, Idaho net farm income is expected to account for 2.2% of total U.S. net farm income, compared with 1.9% in 2004 and 1.4% in 2003.



Source: USDA Farm Service Agency



Source: USDA Farm Service Agency. 2005 data are for the fiscal year; all prior years are calendar years.