

Idaho Livestock and Crop Revenues

Cattle and Calves

Revenue from cattle and calves is estimated at \$1.03 billion, down 3% from 2005. Cattle marketings were slightly higher than in 2005, and prices are estimated to be 3% lower. Growing beef supply and higher feed costs put downward pressure on cattle prices. Slaughter steer, yearling, and calf prices remained near record highs throughout the first part of the year, but prices fell in late summer.

Milk

Revenue from Idaho milk production is estimated to be \$1.29 billion in 2006, down 9% from 2005, while milk production was up 7%. Increased production has put downward pressure on prices, which are estimated to be 15% lower. Idaho milk production has doubled in the last 10 years. Cash receipts from milk are estimated to be 28% higher than the 10-year average.

Barley

Idaho barley production in 2006 decreased by 18% from 2005; however, prices are projected to be 3% higher. Lower production and higher prices result in barley revenues estimated at \$132 million, 15% lower than in 2005. The state's average yield is estimated to be 84 bushels per acre, down 3 bushels from 2005. Nationally, barley production is 15% lower than in 2005 on the smallest harvested acreage since 1885 and the lowest production since 1936.

Beans

Dry bean revenues are estimated at \$39 million in 2006, compared with \$41 million in 2005. With production up 2%, this 6% decrease in revenue is due to lower prices. Yields of 1,850 pounds per acre are down 50 pounds from 2005, but growers harvested 5,000 more acres than a year ago.

Greenhouse/Nursery

Revenues in 2005 are estimated to be \$84 million, about 2% lower than in 2005. Field-grown sales typically account for just over 70% of total revenues, while greenhouse-grown sales account for approximately 29%.

Hay

Reflecting strong demand from expanding dairies, hay is now Idaho's second-largest crop. Revenues are forecast to be \$373 million in 2006, up 12% from 2005. Alfalfa hay production was up 4% to an estimated 4.99 million tons, and other hay production was up 20%.

Onions

Production for 2006 is expected to be 5.5 million cwt, a 10% decrease from 2005. Yields are estimated to be 575 cwt, down 65 cwt because of disease and weather problems. Reduced production raised prices an estimated 21%. Onion revenues are forecast to be \$70 million, up 9% from 2005.

Potatoes

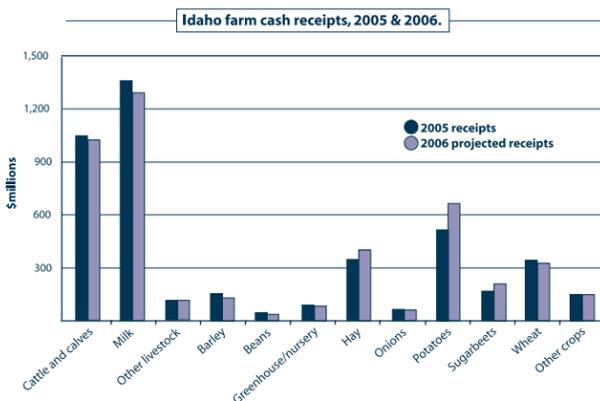
Potatoes remain Idaho's largest source of crop revenue, with 2006 revenues estimated at \$664 million, 27% higher than 2005. Potato production is estimated to be 122 million cwt, up 3% from 2005. Yields of 371 cwt (field-run basis) are up 5%, and prices are estimated to be 14% higher.

Sugarbeets

Idaho's sugarbeet production is forecast to be 5.44 million tons, up 20% from last year's 4.53 million tons. Yields were 29.1 tons per acre, up from 27.1 tons in 2005. Revenue is estimated at \$218 million, up 22% from 2005 and the highest in eight years.

Wheat

Revenues for 2006 are expected to be \$325 million, down 3% from 2005. At a projected 90 million bushels, Idaho wheat production is down 10% from 2005. Wheat prices were the highest in a decade, primarily during the last three months of the year. Nationally, the 2006 wheat crop is estimated to be 14% smaller than in 2005.



Sources: Idaho Agricultural Statistics Service and UI projections

Idaho net farm income, by calendar year.

	(\$ millions)										Change ('05-'06)
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	
REVENUES											
Crop Production	1,891	1,727	1,698	1,766	1,762	1,950	1,733	1,849	1,901	2,063	9%
Livestock Production	1,405	1,585	1,616	1,629	2,063	1,999	2,180	2,538	2,584	2,426	-6%
Services & Forestry	253	314	316	329	350	390	368	349	420	427	2%
Government Payments ^a	110	199	211	264	208	165	153	153	191	125	-35%
Home Consumption	8	7	7	6	6	6	6	6	7	7	0%
Inventory Adjustment	70	72	115	134	(64)	131	22	229	97	97	0%
TOTAL REVENUES	3,737	3,905	3,962	4,129	4,324	4,641	4,462	5,124	5,200	5,041	-3%
EXPENSES											
Farm Origin Inputs	670	615	609	670	728	1,007	981	989	1,051	1,082	3%
Manufactured Inputs	578	562	555	572	571	624	593	583	763	782	2%
Other Inputs	713	722	704	750	718	795	866	579	874	902	3%
Vehicle Regist./Licensing	11	12	10	12	11	9	10	7	10	10	0%
Property Taxes	90	89	87	89	86	90	82	85	101	101	0%
Capital Consumption	277	283	287	289	295	301	306	329	342	343	0%
Payments to Stakeholders	708	698	720	782	752	790	751	800	933	952	2%
TOTAL EXPENSES	3,048	2,981	2,972	3,165	3,162	3,617	3,589	3,372	4,074	4,173	2%
NET FARM INCOME	689	923	990	964	1,163	1,024	872	1,752	1,125	868	-23%
Year-to-Year Change	-30%	34%	7%	-3%	21%	-12%	-15%	101%	-36%	-23%	

SOURCES: 1997-2005: Economic Research Service/USDA; 2006: Forecasted by G. Taylor and B. Eborn, University of Idaho.

NOTE: Data for 2005 and the previous four years are preliminary estimates that USDA can revise for up to five years.

^a Government payments are by calendar year, except for 2006, which are by fiscal year.

Idaho cash receipts from farm marketings, by calendar year.

	(\$ millions)										Change ('05-'06)
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	
LIVESTOCK											
Cattle and Calves	663	653	677	757	916	976	1,070	1,069	1,057	1,029	-3%
Milk	634	829	834	762	1,043	918	1,005	1,358	1,418	1,288	-9%
Other Livestock	109	104	105	110	103	105	105	111	109	109	-0%
TOTAL LIVESTOCK	1,405	1,585	1,616	1,629	2,063	1,999	2,180	2,538	2,584	2,426	-6%
CROPS											
Barley	142	120	129	120	139	140	158	149	156	132	-15%
Beans	41	40	34	33	28	32	35	33	41	39	-6%
Greenhouse/Nursery	63	61	67	70	67	71	81	84	86	84	-2%
Hay	243	248	215	263	311	280	311	311	332	373	12%
Onions	44	44	37	44	40	52	66	56	64	70	9%
Potatoes	521	546	597	539	582	702	547	516	523	664	27%
Sugarbeets	212	219	216	212	188	212	217	204	179	218	22%
Wheat	439	268	229	298	254	306	259	334	336	325	-3%
Other Crops	186	181	174	222	154	155	151	163	159	158	-1%
TOTAL CROPS	1,891	1,727	1,698	1,799	1,762	1,950	1,733	1,849	1,901	2,063	9%
TOTAL CASH RECEIPTS	3,296	3,313	3,314	3,428	3,825	3,949	3,913	4,387	4,484	4,489	0%
Year-to-Year Change	-2%	1%	0%	3%	12%	3%	-1%	12%	2%	0%	

SOURCES: 1997-2005: Idaho Agricultural Statistics Service; 2006: Forecasted by G. Taylor and B. Eborn, University of Idaho.

NOTE: Data for 2005 and the previous four years are preliminary estimates that USDA can revise for up to five years.

The authors—Ben Eborn, Extension Educator in Teton County; Paul Patterson, Extension Agricultural Economist, UI Idaho Falls Research & Extension Center; and Garth Taylor, Regional Economist, UI Department of Agricultural Economics and Rural Sociology, Moscow.

The Financial Condition of Idaho Agriculture: 2006 projections

Ben Eborn, Paul Patterson, and Garth Taylor

For the third consecutive year, Idaho farmers in 2006 set a new record in cash receipts from sales of crop and livestock products, a projected \$4.5 billion, slightly higher than in 2005. In contrast, net farm income is estimated to decrease 23% to \$868 million. The 2006 decline in farmers' bottom lines follows the 36% decrease in 2005 and astronomical 101% increase in 2004. Bright spots in the Idaho agricultural economy include potatoes, sugarbeets, and hay, each with double-digit increases in cash receipts. Receipts from cattle and calf sales remain close to record levels, while milk revenue has fallen an estimated 9%. Potato revenue rose 27% from 2005, making 2006 the seventh-highest year ever for potatoes.

2006 Crop and Livestock Highlights:

- For the sixth year in a row, livestock revenues exceeded crop revenues. At \$2.43 billion, livestock revenues comprise 54% of Idaho's total farm-gate cash receipts.
- For the third consecutive year, dairy is Idaho's leading agricultural industry. But record high production has driven prices lower. Cash receipts from milk are estimated to be \$1.29 billion, 9% lower than 2005. Even with the decline, over a quarter of sales by Idaho farmers are milk checks.
- Cattle and calf sales were Idaho's second largest agricultural revenue producer in 2006, an estimated \$1.03 billion, 3% lower than in 2005.
- Potatoes remain Idaho's most valuable crop, with 2006 revenues estimated at \$664 million, 27% higher than in 2005. Potato production rose to 122 million cwt, up 3% from 2005, and prices jumped 14%.
- Barley sales in 2006 are estimated at \$132 million, 15% lower than in 2005. Idaho barley production decreased by 18% in 2006; however, prices are projected to be 3% higher than in 2005.
- Hay is now Idaho's second-largest crop. Revenues are forecast at \$373 million, up 12% from 2005 and 53% from 1997. Alfalfa production was up 6%, and hay prices are estimated to be 6% higher than in 2005.
- Revenues from Idaho's sugarbeets are estimated at \$218 million, up 22% from 2005 and the second highest on record. Production is forecast to be 5.22 million tons, up 15% from last year's 4.53 million tons.
- Onion production for 2006 is expected to decrease 10% from 2005 to 5.5 million cwt. Offsetting lower production, prices are estimated to be 21% higher, leaving onion revenues at \$70 million, 9% higher than in 2005.

Idaho Farm Cash Receipts

Idaho's 2006 farm cash receipts from marketings are estimated to be \$4.49 billion—slightly above last year's record of \$4.48 billion.

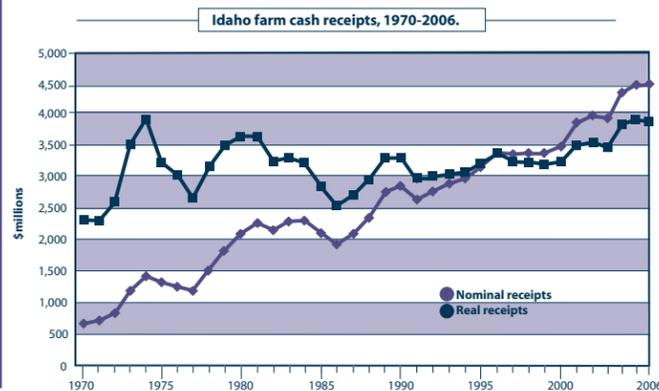
Crop revenues are estimated at \$2.06 billion, up 9% from last year's \$1.9 billion and 12% above the 10-year average. Revenues from hay, onions, potatoes, and sugarbeets accounted for the increases in crop revenues in 2006. Revenues from all other crops including barley, beans, greenhouse/nursery, and wheat declined.

For the sixth year in a row, livestock revenues exceeded crop revenues. Prior to 2000, crop revenues surpassed livestock revenues every year since 1979. For 2006, livestock revenues are estimated at \$2.43 billion, down 6% from last year's \$2.58 billion but 21% higher than the 10-year average. Cash receipts from cattle and calves are projected to be 3% lower than last year, topping the \$1 billion mark for the fourth consecutive year. Cash receipts from milk are expected to be \$1.29 billion, down 9% from last year's record \$1.42 billion.

The shift in the Idaho agricultural economy from crops to livestock has been remarkably swift and dramatic. Within the past decade, Idaho's Famous Potatoes have struggled to bring in approximately 15% of cash receipts. Conversely, milk, at 19% of total agriculture cash receipts in 1997, is now at 29%. The center of Idaho agriculture has shifted geographically to the dairies of the Magic Valley. Farming's backward- and forward-linked industries—the suppliers to farms and processors—have shifted in response.

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 2006 were slightly above last year's all-time record in nominal dollars and the fourth highest in real dollars (1996 dollars). Over a 37-year span (1970-2006), inflation-adjusted cash receipts hit a low in 1971 then rose to their highest point just three years later. Real-dollar cash receipts in 2006—\$3.83 billion—were 20% greater than the 37-year average. Revenues from Idaho agriculture have been far less volatile in the decade of the 1990s and into the 21st century than in previous decades.



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

Methods — Cash Receipts

Actual cash receipts for 2006 will not be published by the USDA until the fall of 2007. 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 2006 calendar year, potato sales came from both the 2005 and 2006 crops.

Idaho Net Farm Income

Net farm income is the bottom line—the farmer's paycheck. Even with the near record high projected cash receipts, the Idaho farmer's net income is estimated to be 23% lower than in 2005. An estimated 3% decrease in revenues and 2% increase in costs bring net farm income in at an estimated \$868 million in 2006, 16% lower than the 10-year average.

In only two of the past 10 years have Idaho cash receipts from farm marketings varied year to year by as much as 12%. Net farm income over the same period, however, has been much more volatile. In eight of the past 10 years, net farm income has changed at least 12% from the previous year. The 2006 decline in farmers' bottom lines follows the 36% decrease in 2005 and astronomical 101% increase recorded in 2004.

The 3% drop in 2006 revenues can be attributed largely to the projected 35% decrease in government payments and 6% decrease in livestock revenues. Revenues from services and forestry are estimated to be 2% higher than in 2005, while revenues from crop production are expected to be 9% higher.

On the cost side, total farm expenses are estimated to be 2% higher than in 2005. Most farm expenses experienced modest increases. Costs of manufactured inputs such as fuel, fertilizer, and electricity rose 2%. Manufactured inputs account for 15% of farm expenses, thus cost increases in this category have a big impact on the bottom line. Other inputs including machine hire, storage, transportation, and repair and maintenance costs increased an estimated 3% largely due to increased energy prices. Prices for farm-origin inputs including feed, seed, and replacement livestock rose 3%.

Nationally, 2006 U.S. farm income is estimated at \$57.2 billion, lagging behind 2005 by about 15%, or \$1.7 billion.

Over a 37-year period (1970-2006), 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. Idaho real net farm income for 2006 is estimated to be 8% lower than the 37-year average.



Sources: USDA Economic Research Service and UI projections
Note: Real dollars are 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 2007. Data sources we used to forecast 2006 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, 2002-2006F*.

Farm revenues for livestock and crops were obtained from our 2006 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, a revision of close to a third.

Government Payments to Idaho Agriculture

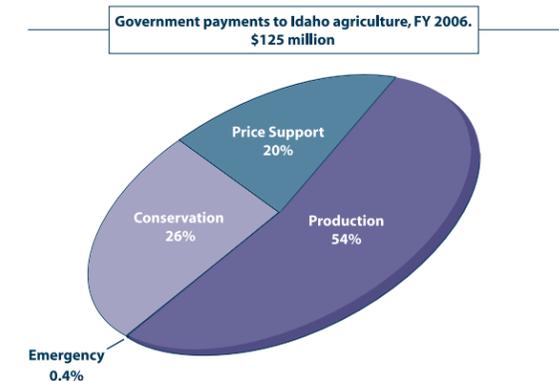
Federal government payments in the 2006 federal fiscal year (October 1, 2005, to September 30, 2006) are estimated at \$124.5 million, a decrease of \$43 million, or 26%, from the previous year and nearly \$48 million less than the average of the past 10 years.

In the late 1990s government payments escalated. In 1997, payments were as low as \$110 million, but by 2000 they exceeded \$260 million, the highest amount ever received by Idaho agriculture. The previous high, \$234 million, was in 1987 during the farm financial crisis. Since 2000, government payments have declined nearly 53%.

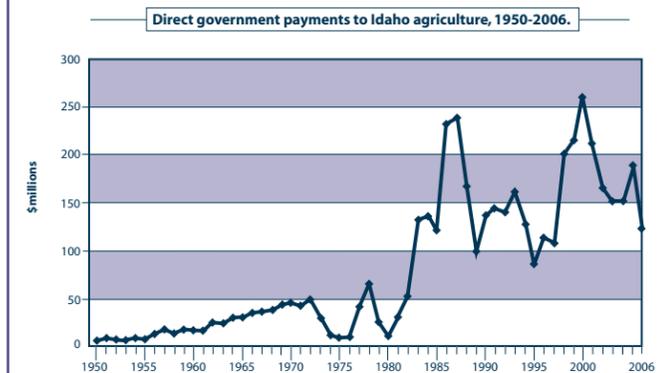
Idaho's unique mix of government programs changes as much as year-to-year payment amounts:

- Production support program payments were the single largest category of government payments in federal fiscal year 2006, accounting for 54% of the total (\$67 million).
- Second, at 26%, were conservation program payments. The \$32 million in conservation payments was relatively unchanged from 2005. Many conservation programs, such as the Conservation Reserve Program, are long-term contracts that change little from year to year.
- Third, at \$25 million and 20% of the total were price support payments.
- There were no new payments for emergency programs in 2006. However, farmers received approximately \$500,000 in payments that were delayed from fiscal year 2005. In 2005, emergency funding was \$46 million.

Direct U.S. government payments to all of U.S. agriculture in 2006 are forecast to be \$16.1 billion, down 8% from 2005's \$16.5 billion. Direct government payments make up over 28% of U.S. net farm income. In contrast, government payments to Idaho agriculture are estimated to make up 14% of net farm income in 2006, compared with 17% in 2005 and 9% in 2004. Idaho received approximately 0.8% of total 2006 payments to U.S. agriculture. At the same time, Idaho net farm income is expected to account for 1.6% of total U.S. net farm income, compared with 1.5% in 2005 and 2.1% in 2004.



Source: USDA Farm Service Agency



Source: USDA Farm Service Agency. 2006 data are for the fiscal year; all prior years are calendar years.