

IDAHO AGRICULTURAL OUTLOOK

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As the saying goes, "When agriculture has a good year, Idaho has a good year." Well, agriculture has had a good year in 1996. With this strong growth, most all participants in Idaho's economy will benefit from the successes of the agricultural sector.

Summary of 1996

Estimated farm and ranch revenue increased 7 percent in 1996 to nearly \$3.4 billion (Table 1). Livestock revenue is up 3 percent, and crop revenue is up 9 percent.

Livestock

Livestock receipts make up 37 percent of Idaho farm and ranch revenue. Receipts in 1996 were over \$1.2 billion, up slightly from a year ago.

The **beef** industry (cattle & calves), showing revenues down 10 percent in 1996, is coming off the bottom-side of the beef cycle. High feed prices and low cattle prices combined to pressure producers of one of Idaho's top livestock products. Despite these challenges, Idaho's cattle producers will be in position to take advantage of the top-side of this cycle when prices begin to recover in the later months of 1997.

The **dairy** industry posted revenue gains of 20 percent due to a 12 percent growth in cow numbers and higher milk prices. This double-digit gain for the 3rd straight year, pushed dairy products into becoming the top livestock revenue producer for Idaho farmers and ranchers.

Revenue in the **sheep** industry is showing strong gains again this year, with higher prices and steady herd numbers. Predator losses increased slightly, but were not enough to offset the price gains.

The "other livestock" category in Table 1 includes hogs, eggs, poultry, wool, and mink. The Idaho trout industry, the nations largest, is not included in Table 1. Idaho

Agriculture Statistics Service (IASS) estimates Idaho trout sales at \$30 million per year.

Crops

Crop sales make up 63 percent of Idaho agricultural revenues. Crop receipts in 1995 were well over \$2 billion, a new record. Table 1 reports crop revenue on a calendar year basis. For storage crops, that means that part of two or more crops are sold in a calendar year. For example, part of the 1996 potato crop was sold in the summer and fall of 1996, but the rest will be sold out of storage in the winter, spring and summer of 1997.

Apple producers showed signs of solid recovery from last years doldrums, posting gains of 7 percent. These gains were the result of a good growing season and higher prices compared to 1995.

Barley revenue moved upward, riding the wave of high feed grain prices in the domestic and world markets. This, combined with good yields in the state, led barley revenue to a record level.

Bean revenue stayed about level, despite higher average fall prices. With harvested acreage off by 14 percent, the price gains were just enough to keep revenues from slipping further below last years lows.

Idaho's **greenhouse & nursery** revenues were slightly lower in 1996. Tough weather conditions, combined with low sales volume of high margin items, kept the industry from posting gains for a third straight year.

Hay revenue was unchanged from last year due to reduced acreage and decreased yield. Strong prices kept revenues from falling from last years record. With the dairy industry continuing to grow in the Magic Valley, demand for hay will continue to be very strong.

The Idaho **onion** industry was able to recover from last years drop in revenues. Higher prices and a good growing year helped onion producers recover from the difficult 1995 season. Although the revenues have returned to an average level, the onion market is subject to very significant price swings.

Idaho **potato** growers saw both ends of the price spectrum in 1996. Very strong early prices gave way at harvest to prices which were below production costs. Excellent yields on increased harvested acres soon led to a saturated potato market and lower prices. Lower fall prices notwithstanding, potato revenues again set a new record. Except for increasing production costs, late blight was a nonfactor in 1996.

Revenues from **sugar beets** increased marginally from 1995. Increases in yield, quality, and prices received help offset the reduced number of acres harvested. Sugar beet revenues seem to be in a holding pattern around the \$200 million mark.

Idaho **wheat** producers got their cake and ate it too. With record high wheat prices waiting at the elevator, they harvested a near record soft white wheat crop. High prices and yields led wheat yields to a record level for the second straight year.

The "other crops" category in Table 1 includes corn, oats, sweet corn, cherries, peaches, plums, prunes, and mint as well as grass seed and other crops for which USDA does not estimate value of production.

OUTLOOK FOR 1997

Agricultural faculty at the University of Idaho, Oregon State University and Washington State University write an annual *Pacific Northwest Agricultural Situation and Outlook Report*. Information for this section is taken from the recently released 1997 report and from *Idaho Agricultural Outlook 1997*, a report produced by the University of Idaho College of Agriculture.

GENERAL ECONOMY: The Idaho economy will continue its established pattern of growing faster than the national economy. Idaho income will continue to expand, although at a slower rate than recent years. Non-farm employment will follow a similar pattern, increasing only 2-2.5 percent. Interest rates are not expected to change significantly in 1997.

AGRICULTURAL POLICY: Pesticide regulation underwent major changes when Congress voted to repeal the controversial Delaney Clause as part of the Food Quality Protection Act of 1996. The FQPA will lead to tighter restrictions in pesticide registration and use, and could lead to several currently available pesticides being banned.

INTERNATIONAL TRADE: Being a post-election year, U.S. trade policy could see several changes in 1997. WTO and NAFTA will both address several issues, agricultural trade being one of the main items to be discussed. This will lead to increased markets abroad for U.S. products, and in some cases, increased competition domestically. The opening of new markets in East Asia will greatly benefit U.S. producers. It may prove quite difficult however, to exceed the strong gains made in the 1996 marketing year.

BEEF: 1997 should show relief for U.S. cattle producers with price beginning to rebound in late summer to early fall. Feed prices should continue to be significantly lower than 1996.

DAIRY: Milk production at Idaho dairies will continue to grow about 10 percent in 1997. This continued growth in production will lead to an expansion in dairy processing capabilities in the Magic Valley and surrounding areas.

BARLEY: Barley prices and revenues should not approach the high levels of 1996, but prices will continue to be slightly above average until feed grain production can recover from shortfalls in recent years. Higher cattle prices and increased dairy production should help maintain local markets in Idaho.

BEANS: With higher bean prices for the 1996-97 marketing year, production may return to the 30 million cwt. levels of previous years. This higher production will bring average prices back to the low \$20's.

HAY: Prices for high-quality hay will remain strong, ranging from \$85 to \$110 per ton. Increasing dairy cow numbers and recovering cattle prices will keep demand strong. With large amounts of CRP ground being tilled this coming season, harvested hay acres should increase to past levels.

POTATOES: Prices for potatoes will continue at low levels through the winter and early spring months. Based on historical data, record crops usually have a significant upward price movement in the last couple of months before harvest of the early varieties. Net necrosis problems may cause producers to empty the cellars faster than normal, keeping winter prices low.

WHEAT: Prices for all classes of wheat are project to range from \$4.10 to \$4.50 for farm-level prices. Increased production in the 1997 growing season will likely return prices to more average levels.

SUMMARY

With Idaho agriculture posting a 7 percent gain in 1996, Idaho's agriculture-rich economy is continuing to increase the size of the pie for all participants in the economy. By exceeding the \$3 billion benchmark for the second straight year, Idaho agriculture is an ever-growing sector of Idaho's economy. This growth is attributed to double-digit gains in three of Idaho's four largest products. Barring any increase in regulatory barriers, the next few years will see significant growth in dairy processing in south-central Idaho. Growers of feed grains and alfalfa hay will see the growth of their markets coincide with that of the dairy industry.

As agriculture continues to grow, so will the non-farm sectors of the Idaho economy. Increased farm and ranch revenues means the purchase of more new equipment, cars, and home furnishings. In the Magic Valley, for example, almost 75 percent of the local economic activity is attributable to agriculture. The success and failure of local farming and ranching entities has a direct, measurable effect on the livelihoods of all members of the community.

TABLE 1

IDAHO CASH RECEIPTS FROM FARM MARKETINGS
(Million Dollars)

	1992	1993	1994	1995	1996	Percent Change
LIVESTOCK						
Cattle & Calves	693	692	652	618	555	-10%
Milk	371	388	456	508	610	20%
Sheep & Lambs	14	15	16	18	20	11%
Other Livestock	67	72	75	77	76	-1%
TOTAL LIVESTOCK	1145	1167	1199	1221	1261	3%
CROPS						
Apples	17	17	17	15	16	7%
Barley	125	125	125	136	155	14%
Beans	36	40	54	44	44	0%
Greenhouse/Nursery	47	49	51	53	52	-2%
Hay	126	190	180	209	210	0%
Onions	34	79	51	43	50	16%
Potatoes	514	557	573	702	775	10%
Sugar Beets	194	195	213	177	180	2%
Wheat	336	310	324	383	460	20%
Peas & Lentils	19	20	22	28	30	7%
Other Crops	141	142	146	154	155	1%
TOTAL CROPS	1589	1724	1756	1944	2127	9%
TOTAL CASH RECEIPT	2734	2891	2955	3165	3388	7%

SOURCES:

1992-95: Idaho Agricultural Statistics Service

1996: Estimated by H Loughmiller and J Guenther, University of Idaho