

IDAHO AGRICULTURAL OUTLOOK

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A thriving agriculture is vital to Idaho's economic health. University of Idaho economists found that 35% of the state's economic activity is linked to farms, ranches and food processing. In the Magic Valley more than three-fourths of the economy is linked to agriculture. This report discusses the current agricultural situation and the outlook for 1995.

SUMMARY OF 1994

Estimated farm and ranch revenue increased 2% in 1994 to nearly \$3 billion (Table 1). Livestock revenue is estimated to increase 1% and crop revenue 3%.

Livestock

Livestock receipts make up 40% of Idaho farm and ranch revenue. Receipts in 1994 were nearly \$1.2 billion, a new record.

The beef industry (cattle & calves) is the largest of Idaho's livestock industries. Beef revenue in 1994 was down 6% due to lower prices, but cattle continue to be the top revenue producer for Idaho farmers and ranchers. Every county in Idaho has cattle producers.

Idaho's dairy industry is growing rapidly, with a 16% increase in revenue in 1994. Increases in monthly milk production ranged from 8% in January to 19% in October. Much of the increase in production is in the Magic Valley. Idaho has surpassed Iowa as the tenth largest dairy state.

Revenue in the sheep industry is down because of lower prices. The Idaho sheep industry is widespread -- only three counties do not have sheep producers. Sheep and lamb inventories are about half of what they were in the early 1980s, but the decline has halted.

The "other livestock" category in Table 1 includes hogs, eggs, poultry, wool, and mink. Not included in Table 1 is the Idaho trout industry, the nation's largest. Idaho Agricultural Statistics Service (IASS) estimates Idaho trout sales at nearly \$30 million per year.

Crops

Idaho's crop revenue makes up 60% of the total. Crop receipts in 1994 were up 3%, which is a new record. Table 1 reports crop revenue on a *calendar year basis*. For crops that are stored, that means that part of two or more crops are sold in a calendar year. For example, part of the 1994 potato crop was sold in the summer and fall of 1994, but the rest will be sold out of storage in the winter, spring and summer of 1995.

Apple producers were disappointed with the 1994 harvest, but the tree fruit industry continues to be important in some Southwestern Idaho counties. A few Eastern Idaho entrepreneurs are establishing orchards of cold-hardy varieties to try to revitalize an apple industry that existed there decades ago.

Barley revenue is remaining stable at \$140 million. About 70% of Idaho's barley is produced on irrigated fields. Eastern Idaho is the largest producing region. Idaho's crop is split evenly between malting varieties and feed varieties.

Bean revenue was up nearly a third due to both higher production and higher prices. Nearly three-fourths of Idaho's beans are produced in the Magic Valley. Bean markets are quite volatile. The value of Idaho's bean crop dropped from \$92 million in 1990 to \$33 million in 1993, then back up to \$45 million in 1994.

Idaho's greenhouse & nursery industry continues on a growth trend. Idaho's producers successfully market landscaping plants across western North America. Idaho's nursery products are known for their high quality and cold-hardiness.

Hay revenue was up 10% in 1994. Like cattle, hay is produced in every Idaho county. The booming dairy industry in the Magic Valley is pushing up demand for high-quality Idaho hay.

The Idaho onion industry is growing but volatile, like the bean industry. There were record-high prices for onions sold out of storage last spring, but large cullage losses hurt many growers. The 1994-95 crop has better quality but large supplies brought prices down.

Idaho potato growers had a difficult year in 1994. The 1993 crop in storage had serious hollow heart quality problems. The quality of the 1994 crop is excellent but large supplies have depressed fall 1994 open-market prices. Potatoes have brought more than \$500 million in revenue each year to Idaho growers since 1989.

Revenue from sugar beets has been nearly \$200 million during the 1990s. A group of Idaho sugar beet growers is exploring opportunities to form a sugar processing cooperative.

Wheat revenue increased 4% in 1994. Wheat is produced in all but three Idaho counties. Eastern Idaho growers produce 40% of the state's wheat. Growers in the Magic Valley produce 26%, Southwestern Idaho 11% and Northern Idaho 23%.

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

OUTLOOK FOR 1995

Agricultural faculty at the University of Idaho, Oregon State University and Washington State University write an annual *Pacific Northwest Agricultural Situation and Outlook Report*. The information for this section is taken from the recently released 1995 report.

GENERAL ECONOMY: The economy will grow in 1995, but more slowly than it did in 1994. The Federal Reserve Board increased interest rates six times since February and will continue to do so whenever the economy shows signs of overheating.

AGRICULTURAL CREDIT: Rising interest rates will make it more expensive and more difficult for farmers and ranchers to get loans. Borrowers can expect to pay 10% to 11% interest on agricultural operating loans.

INTERNATIONAL TRADE: Idaho farmers and ranchers will benefit from GATT and NAFTA trade liberalization. Industries to benefit include: wheat, barley, potatoes, dairy, beef and fruit.

BEEF: Feeder steer prices in 1995 will be down another \$7 to \$10 per cwt. Returns over cash costs will be about \$20 to \$30 per cow. Fed cattle prices will be \$3 to \$5 per cwt below 1994 prices.

DAIRY: Milk prices will decline slightly in 1995. Efficient producers will do well, but less efficient producers will feel strong financial pressure, forcing some out of business. The trend to larger dairies will continue.

APPLES: Newer apple varieties will be money-makers. Production in 1994 set records in Washington and the US. Offsetting increased supplies is a strong export market, but the general price level will be lower.

BARLEY: Feed grain prices dropped when US farmers produced a bumper crop in 1994. Barley prices have shown more strength than other grains. For the 1995-96 marketing year, barley prices in Portland will be similar to 1994-95, in the range of \$94 to \$106 per ton.

BEANS: Idaho dry bean prices are expected to average \$19.00 per cwt for the 1994-95 crop down from \$24.70 for the previous year. Production is up substantially, but export demand is expected to be strong.

GREENHOUSE/NURSERY: Despite a predicted decrease in new home building, demand for landscaping plants will continue to be strong. New buyers in business, government, existing homeowners and mass merchandisers will help generate demand.

HAY: The expanding dairy industry is increasing the demand for high quality hay. Demand from other buyers is uncertain due to the drought situation, irrigation water supplies, and federal land use policies.

ONIONS: US onion supplies are up 10%, but improved quality and strong export demand will provide price support. Prices, however, will be down from the record high levels. Overproduction is a continuing threat for the 1995-96 crop.

POTATOES: Both demand and supply are increasing steadily. Unfortunately, 1994-95 supply increased a bit too rapidly. Growers will search for alternative crops and plant fewer potatoes in 1995. Prices should improve in the fall.

WHEAT: Portland white wheat prices are expected to average about \$4 per bushel for the 1994-95 marketing year and 5 to 10 cents higher for 1995-96.

OFF-FARM IMPACTS

The economic impact of agriculture extends well beyond Idaho's farms and ranches. It includes the businesses that sell fertilizer, fuel and other inputs as well as the processors and shippers who buy agricultural commodities. It also includes the businesses that sell food, clothing, furniture and other goods and services to farmers, ranchers, their employees and the owners and employees of agriculturally related businesses.

University of Idaho economists have estimated the role in Idaho's economy of three agricultural commodities -- wheat, dairy and potatoes.

They found that the wheat industry contributed 3% of the economic activity in the state. Wheat industry contributions to the economy for regions in the state are: 5% in Eastern Idaho, 4% in the Magic Valley, 1% in Southwestern Idaho and 4% in Northern Idaho.

The dairy industry is responsible for 6% of the state's economy, 7% in Eastern Idaho, 15% in the Magic Valley, 5% in Southwestern Idaho and 1% in Northern Idaho. The numbers are large for the dairy industry not only because dairy production is a significant part of Idaho's economy, but also because of the strong links with in-state feed suppliers and dairy processors.

The potato industry generates 15% of all the economic activity in Idaho. In Eastern Idaho, the potato industry accounts for 33% of the area economy, in the Magic Valley it is 27% and in Southwestern Idaho 7%. The potato industry also has many in-state suppliers, processors and fresh shippers, which makes the overall impact much greater than just potato production.

SUMMARY

Idaho agriculture is an important sector in Idaho's economy. Idaho farm and ranch revenue increased in 1994 and will likely increase slightly in 1995. A strong economy and increased exports will increase demand for Idaho agricultural products. Idaho farmers and ranchers will respond to increasing demand by producing more of the high quality products for which they have become famous.

Not all sectors of agriculture will grow and prosper at the same rate. In the livestock sector, low 1995 prices will hurt many Idaho cattle producers. The dairy industry will grow larger, become more efficient and many producers will do well in spite of slightly lower prices.

Results will also be mixed in the crops sector. Prices of crops that are sold in markets that are relatively free from government interference -- e.g. beans, onions, nursery, potatoes and hay -- will continue to be volatile, but will provide profitable pricing opportunities in 1995. These free-market industries are also the growth industries in the crops sector.

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TABLE 1

IDAHO CASH RECEIPTS FROM FARM MARKETINGS
(Million Dollars)

	1990	1991	1992	1993	1994	Percent Change
LIVESTOCK						
Cattle & Calves	697	659	721	692	650	-6%
Milk	354	319	371	388	450	15%
Sheep & Lambs	12	12	14	15	13	-13%
Other Livestock	74	75	65	72	71	-1%
TOTAL LIVESTOCK	1,137	1,065	1,171	1,167	1,184	1%
CROPS						
Apples	20	18	15	22	23	4%
Barley	136	143	135	140	140	0%
Beans	93	47	36	34	45	32%
Greenhouse/Nursery	46	49	53	58	60	3%
Hay	140	135	121	154	170	10%
Onions	30	49	34	63	65	3%
Potatoes	596	514	514	554	550	-0%
Sugar Beets	202	194	194	187	190	1%
Wheat	258	291	350	326	340	4%
Other Crops	129	140	140	143	142	-0%
TOTAL CROPS	1,663	1,593	1,601	1,689	1,734	2%
TOTAL CASH RECEIPTS	2,801	2,658	2,766	2,856	2,918	2%

SOURCES:

1990-93: Idaho Agricultural Statistics Service

1994: Estimated by J Guenthner and R Little, University of Idaho