

Overview

Net farm income from farming was at an all-time high in 2001. This was the result of relatively high prices and increased production. However, drought and lower prices will likely reduce farm incomes in 2002. This decline will likely be reversed in 2003 when livestock prices are expected to increase provided sufficient moisture is received to allow normal levels of production to occur. Agriculture therefore has the potential to be one sector in Utah's economy that will provide some optimism.

2002 Summary

National. On May 13, 2002 President Bush signed the new farm bill. This bill has new provisions to assist farmers and ranchers. However, the new bill does not affect all producers equally. Most of the provisions of the bill are primarily designed to assist farmers in the region where most of the nation's grain is grown. The major exceptions to this generalization are provisions designed to help the dairy sector. The long-term impact of these provisions are not known. It is likely that much will be learned in the coming year as farmers adjust to the provisions in the new farm bill. However, it is likely that the primary beneficiaries will be producers in the central states.

The nation's economy is currently in a recession. Agriculture, as most other sectors, is being affected by this downturn. The United States Department of Agriculture (USDA) personnel are forecasting a 2002 net farm income at about \$36.2 billion, which represents a decline of about 21% from 2001. Most of this decline is the result of a major reduction in the price of livestock and livestock products. Forecasted milk prices have dropped to the low levels of 2000, which were the lowest (when adjusted for inflation) in at least 20 years. However, farm household income is projected to decline only slightly (just over 1%). The reason for this difference is the outside income received by farm families (nationally more than 54% of farm operators, as well as 55% of their spouses are employed off the farm).

Recent increases in the price of grains have bolstered cash farm receipts. This has also decreased government payments to grain farmers as a result of the counter cyclical provisions of the 2002 farm bill. This did allow payments to be made to farmers in areas such as Utah that were hard hit by the drought. While the disaster payments were not large in total, they were a welcome addition to cash flow.

If weather patterns are normal, grain prices should decline from their current levels. It is also expected that livestock and milk prices will increase. This should result in an increase in the value of agricultural production in Utah in 2003.

State. Agriculture in Utah is dominated by the production of livestock and livestock products (about two-thirds of gross receipts). As a result, the status of these sectors largely determines the status of agriculture in the state.

Prices for cattle and milk were relatively high in 2001. Consequently, net farm income in 2001 rose sharply and reached a record level when adjusted for inflation. Utah agriculture was therefore one bright spot in an otherwise dismal economic outlook for the state. However, these record high incomes were short-lived. Cattle and milk prices declined sharply in 2002. Coupled with increasing input costs -- especially feed, this has resulted in income decline for these sectors. Unlike some sectors of the Utah economy, agriculture is one industry that is not

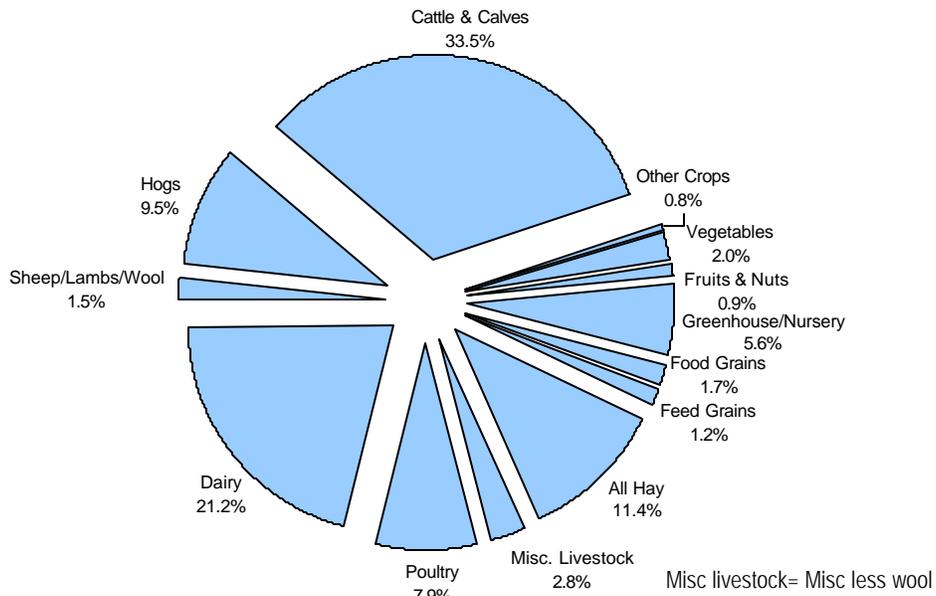
affected equally. What is bad for one part of agriculture is oftentimes good for another. High feed prices had a negative impact on the net returns obtained by livestock operators, but these higher prices yielded increasing returns for grain and hay operators. If the drought had not cut hay, forage and grain production in many areas of the state, these sectors probably would have experienced incomes similar to the highs received in the mid 1990s. These differences have a larger impact in some parts of the state than in others.

Regional/Sector. The drought that persisted in 2002 was especially evident in southern Utah where its effect on the production of cattle and calves was devastating. Some operators were not able to use range and pasture lands because little or no forage was produced in some areas. Many cattle producers in southern Utah were forced to liquidate all or a major portion of their cattle operations. Grain producers in southern Utah were also adversely affected. Some planted fields only to "plow them under" when rains did not come and growth did not occur. Operators who had reliable source(s) of water, or were located in the northern part of the state, were able to obtain yields that were near normal. As a result, the effects of the drought affected some areas of the state to a much larger degree than it did other areas.

One consequence of the decline in milk prices was the apparent abandonment of plans to build a large dairy operation in Box Elder County. This operation would have been the largest dairy in the state (about 20,000 cows). Expansion plans for other operations in the dairy industry as well as other agriculture industries have been deferred or abandoned as a result of the recession. The potential for expansion exists in some industries (e.g. increased production in the turkey industry in Sanpete County), but it is likely that expansionary investments will be limited in the short run.

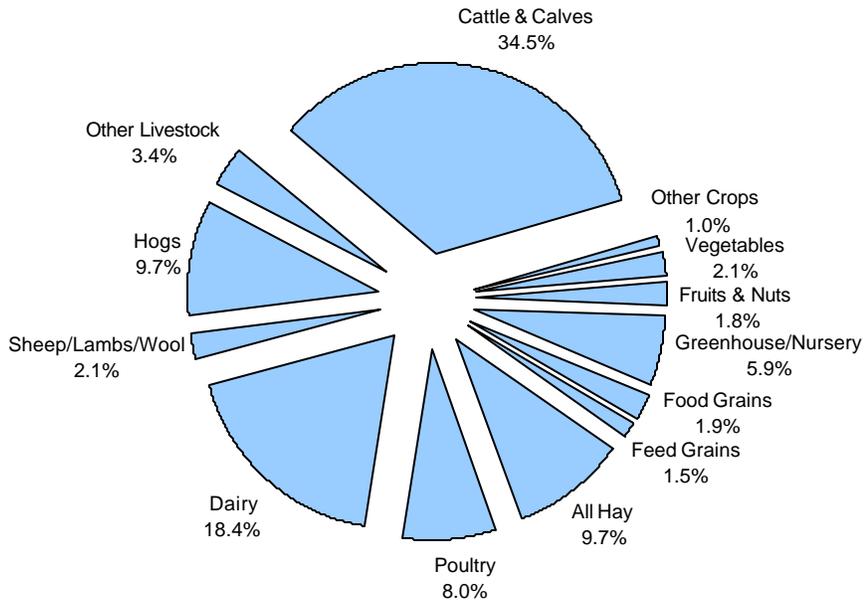
The year 2001 was notable for the shift in the relative importance of agriculture (as measured by personal income) in some areas of the state. Most sectors of the Utah economy have been adversely affected by the recession. As a result, nonfarm personal income declined in many counties. These declines occurred at the same time that personal income from farming increased. The counties that were affected the most by this shift in farm versus nonfarm personal income were Beaver, Rich, Piute, Sanpete, Sevier, and Wayne counties. The gains were especially dramatic in Beaver and Rich counties where hog (Beaver) and cattle (Rich) production are especially important. In most other counties, personal income from farming changed at about the same rate as personal income from nonfarm industries. The only counties where agriculture declined relative to nonagriculture were San Juan and Juab counties, where the livestock and dry farm grain producers have been hurt for several years.

Figure 50
Percentage of Agricultural Cash Receipts by Sector in Utah: 2001



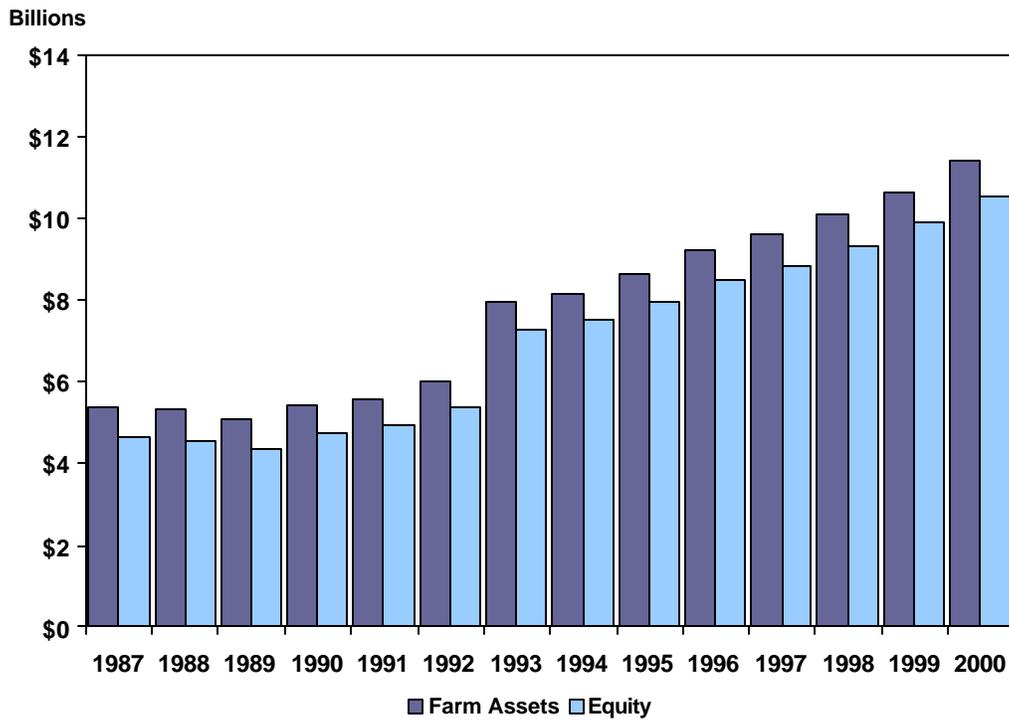
Source: Utah Agricultural Statistics

Figure 51
Utah Cash Receipts by Commodity: 2000



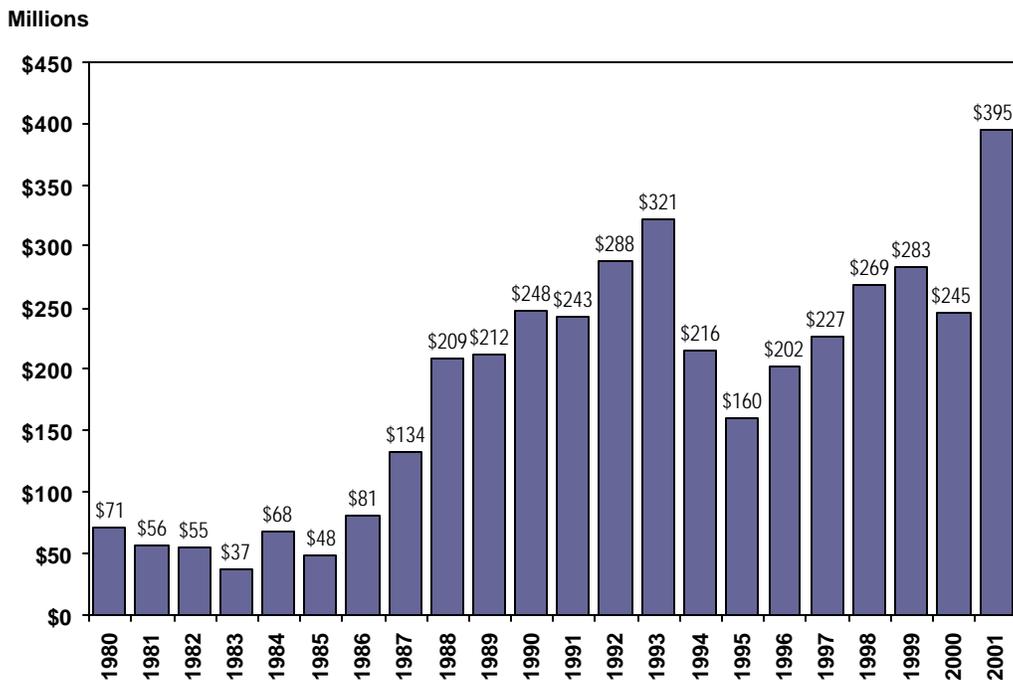
Source: Utah Agricultural Statistics

Figure 52
Farm Assets and Equity in Utah



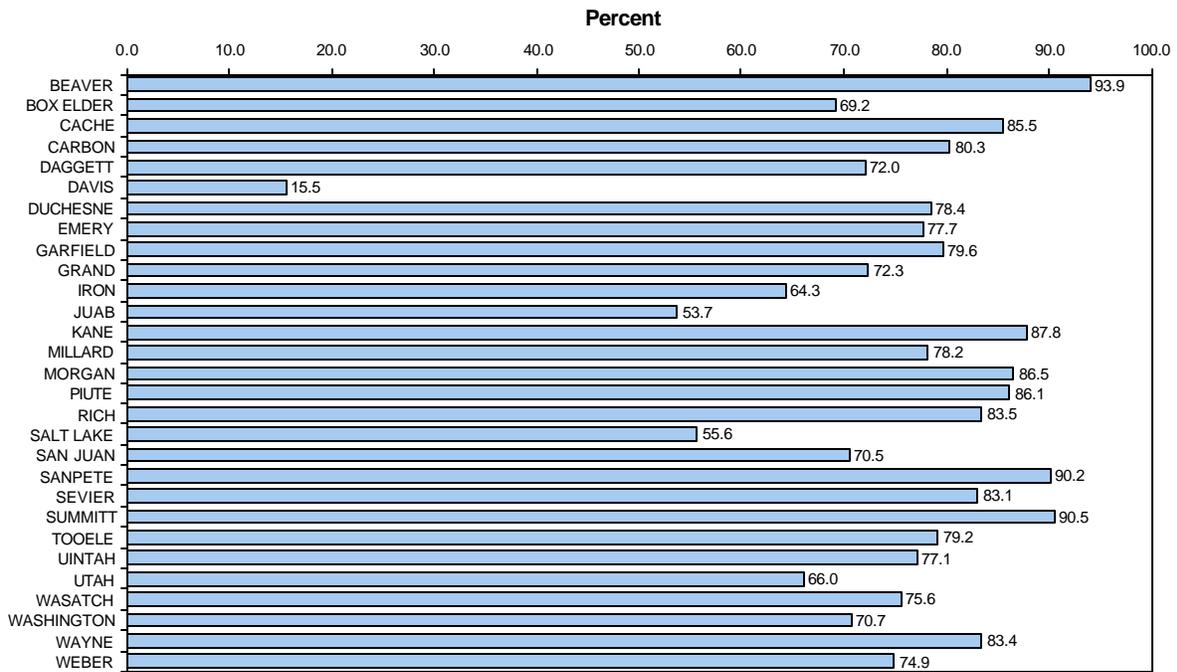
Source: United States Department of Agriculture

Figure 53
Net Farm Income in Utah



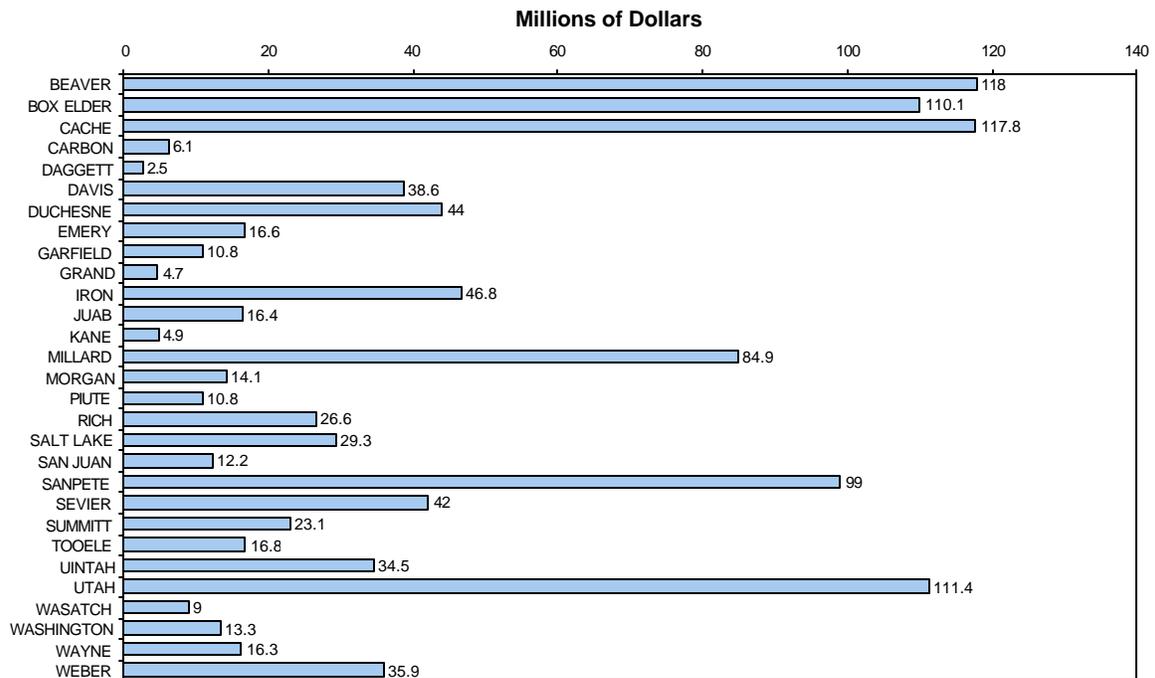
Source: United States Department of Agriculture

Figure 54
Livestock Products as a Percentage of Total Cash Receipts by County in Utah: 2001



Source: United States Department of Agriculture

Figure 55
Farm Cash Receipts by County in Utah: 2001



Source: Utah Agricultural Statistics

Table 62
Farm Balance Sheet for Utah (Millions of Dollars)

Category	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Assets													
Real Estate	\$5,296	\$5,063	\$5,406	\$5,585	\$6,038	\$7,942	\$8,164	\$8,639	\$9,210	\$9,634	\$10,365	\$10,653	\$11,437
Livestock and Poultry	4,112.7	3,881.0	4,160.1	4,433.6	4,841.2	6,706.5	6,956.3	7,250.2	7,776.2	8,045.3	8,523.9	8,972.5	9,720.2
Machinery & Motor Vehicles	536.5	572.0	582.7	566.3	637.9	626.9	626.4	511.0	553.4	625.3	583.7	684.2	745.3
Crops	428.7	444.6	440.5	441.0	430.3	461.0	471.3	495.0	499.2	551.3	552.2	584.2	588.1
Purchased inputs	123.5	94.9	114.6	95.2	90.3	117.7	114.7	101.2	121.0	150.9	147.8	126.0	127.3
Financial	12.2	12.4	15.5	17.5	27.2	29.3	36.4	22.7	24.5	28.7	29.5	22.6	27.5
	82.7	58.1	92.9	31.8	11.2	0.3	40.9	258.8	236.0	232.7	527.6	263.9	228.1
Claims													
Real estate debt	743.0	683.1	661.9	660.8	653.7	650.4	668.6	688.2	709.5	766.9	786.6	787.1	884.8
Non real estate debt	428.2	390.3	372.7	355.8	352.9	340.4	339.4	348.1	350.9	372.7	375.7	376.0	456.7
	314.8	292.8	289.2	305.0	300.8	310.0	329.2	340.1	358.6	394.2	410.9	411.1	428.1
Equity	4,553.3	4,379.9	4,744.4	4,924.6	5,384.4	7,291.3	7,495.6	7,950.7	8,500.8	8,867.3	9,578.1	9,866.3	10,551.7
Debt/Equity	16.3	15.6	14.0	13.4	12.1	8.9	8.9	8.7	8.3	8.6	8.2	8.0	8.4

Source: Utah Agricultural Statistics

Table 63
Percent of Agricultural Receipts by Sector

	Percent									
	1980	1985	1990	1995	1996	1997	1998	1999	2000	2001
Cattle	30.0	28.3	37.7	31.8	27.5	33.2	31.0	32.8	34.5	33.5
Sheep	4.3	4.5	2.1	2.9	3.1	2.1	2.1	2.1	2.1	1.5
Hogs	1.0	0.5	0.7	0.7	1.8	4.0	5.0	5.7	9.7	9.5
Dairy	24.3	25.1	21.8	22.1	24.7	20.4	23.6	23.2	18.4	21.2
Poultry/eggs	8.4	11.7	9.5	8.4	8.2	7.7	7.2	7.7	8.0	7.9
Other livestock	5.2	4.6	4.5	6.2	7.7	4.7	4.7	3.0	3.3	2.8
Food grains	5.8	4.9	2.5	3.9	4.2	3.1	2.6	2.3	1.9	1.7
Feed grains	2.6	3.1	2.0	3.1	3.5	2.4	2.0	1.8	1.6	1.2
Hay	8.0	6.6	9.1	10.3	8.7	11.8	10.8	10.4	9.7	11.4
Vegetables	2.8	3.1	4.1	2.8	2.5	2.5	2.5	2.1	2.1	2.0
Fruits/Nuts	2.9	3.6	1.5	1.1	1.7	1.4	1.5	1.0	1.8	0.9
Greenhouse/Nursery	2.5	2.6	3.3	4.9	4.7	5.3	5.9	6.6	5.9	5.6
Other crops	2.2	1.4	1.2	1.8	1.7	1.4	1.1	1.3	1.0	0.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Utah Agricultural Statistics

Table 65
Personal Income from Farming by County (Thousands of Dollars)

County	1970	1975	1980	1984	1990	1992	1997	1998	1999	2000
Beaver	\$1,360	\$776	\$1,365	\$1,052	\$11,295	\$9,297	\$11,225	\$12,723	\$23,735	\$37,086
Box Elder	10,178	11,117	12,101	6,523	30,739	26,769	28,089	30,511	27,915	22,214
Cache	9,007	10,343	15,569	9,132	29,493	31,862	21,955	27,139	36,402	22,419
Carbon	275	181	771	772	2,670	964	-2,777	6	-1,926	-2,150
Daggett	83	370	636	346	684	710	-97	-151	-113	-304
Davis	2,576	2,941	7,499	3,137	16,060	26,746	8,763	9,713	9,577	6,403
Duchesne	1,617	1,697	3,340	1,830	14,445	11,724	2,930	2,609	1,456	794
Emery	678	180	432	583	6,840	3,663	1,850	1,817	751	-296
Garfield	346	498	949	1,421	5,231	3,320	-322	-485	-452	-853
Grand	-2	325	744	321	782	493	82	30	288	-290
Iron	3,135	1,261	1,283	2,075	12,864	7,545	11,254	10,193	15,996	11,879
Juab	682	492	328	558	4,587	3,959	295	-187	4,770	1,341
Kane	320	132	382	431	1,913	510	702	585	778	441
Millard	2,536	5,665	8,153	8,117	16,592	17,010	13,784	15,326	25,324	17,834
Morgan	1,728	1,910	2,053	2,255	4,741	3,010	5,106	5,847	7,747	4,179
Piute	520	760	1,239	1,031	3,050	1,802	2,414	2,873	4,217	2,325
Rich	1,980	852	1,217	1,239	6,886	9,158	2,640	2,176	4,564	5,503
Salt Lake	6,746	7,152	11,474	3,921	12,477	12,978	2,911	3,528	2,684	2,255
San Juan	1,903	1,686	2,048	3,014	5,902	2,291	1,457	1,178	3,010	-513
Sanpete	5,615	3,838	2,139	6,719	19,998	22,014	13,093	16,975	20,064	22,095
Sevier	3,138	2,193	3,829	9,068	10,583	18,250	11,668	12,809	7,731	9,841
Summit	2,471	2,001	3,498	2,624	9,074	2,722	4,602	5,390	14,633	9,947
Tooele	563	1,434	2,152	1,946	6,262	1,818	1,985	1,927	2,064	3,758
Uintah	1,631	813	3,190	4,774	12,900	6,615	2,229	1,399	4,366	721
Utah	9,806	8,869	8,620	8,067	23,743	20,412	19,744	22,673	30,506	33,768
Wasatch	1,282	956	1,486	1,247	4,226	2,264	2,226	2,539	2,186	-272
Washington	2,214	1,890	3,031	2,002	4,819	2,051	-582	-736	73	-1,298
Wayne	446	303	917	485	3,241	4,410	2,791	3,385	5,119	4,305
Weber	4,677	2,302	4,261	2,579	10,762	14,002	1,800	4,220	4,650	741
State	77,511	72,937	104,706	87,269	292,859	268,369	171,817	196,012	258,115	213,873

Source: Bureau of Economic Analysis