



New Mexico Agricultural  
Statistics Service

# Weekly Ag Update

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## FARMS AND LAND IN FARMS

**NEW MEXICO:** The number of farms and ranches in New Mexico dropped from 15,200 in 2000 to 15,000 in 2001. Total land in farms remained unchanged at 44 million acres. The average size farm increased by 38 acres in 2001.

**UNITED STATES:** The number of farms and ranches in the United States in 2001 is estimated at 2.16 million, down 0.7 percent from 2000. The decline in farms and ranches occurred primarily in agricultural operations with sales in the \$10,000-\$99,999 economic class. This is the second largest decline in farms and ranches since the 1.4% drop in 1991. Total land in farms, at 941.2 million acres, declined 0.2 percent or 1.9 million acres from last year. The average size of farm increased 2 acres from 434 acres in 2000 to 436 acres in 2001.

**Farm Numbers and Land in Farms, Selected States, and U.S., 1999-2001**

State	Farm Numbers			Land in Farms		
	1999	2000	2001	1999	2000	2001
	-----Number-----			-----1,000 Acres-----		
AZ	7,700	7,500	7,300	27,500	26,700	26,600
CA	89,000	87,500	88,000	27,800	27,800	27,700
CO	29,000	29,500	30,000	31,800	31,600	31,300
ID	24,500	24,500	24,000	11,900	11,900	11,900
IN	65,000	64,000	63,000	15,500	15,500	15,400
IA	96,000	95,000	93,500	33,000	32,800	32,700
KS	65,000	64,000	63,000	47,500	47,500	47,400
MN	80,000	79,000	79,000	28,800	28,600	28,500
MO	110,000	109,000	108,000	30,100	30,000	29,900
MT	28,000	27,600	26,600	57,000	56,700	56,500
NE	55,000	54,000	53,000	46,400	46,400	46,400
NV	3,000	3,000	3,000	6,800	6,800	6,800
<b>NM</b>	<b>15,500</b>	<b>15,200</b>	<b>15,000</b>	<b>44,700</b>	<b>44,000</b>	<b>44,000</b>
ND	30,500	30,300	30,300	39,400	39,400	39,400
OH	80,000	80,000	78,000	14,900	14,900	14,800
OK	84,000	85,000	86,000	34,000	34,000	34,000
OR	40,500	40,000	40,000	17,200	17,200	17,200
SD	32,500	32,500	32,500	44,000	44,000	44,000
TX	227,000	226,000	227,000	130,500	130,000	130,000
UT	15,500	15,500	15,000	11,600	11,600	11,600
WA	40,000	40,000	39,000	15,700	15,700	15,700
WY	9,200	9,200	9,200	34,600	34,600	34,600
All Other States	965,170	953,980	947,380	196,740	195,390	194,810
<b>U.S.</b>	<b>2,192,070</b>	<b>2,172,280</b>	<b>2,157,780</b>	<b>947,440</b>	<b>943,090</b>	<b>941,210</b>

## AGRICULTURAL OUTLOOK

*USDA, ERS, February 2002*

**Farm Income, Finance, & Credit Outlook for 2002** The overall financial state of the U.S. agricultural sector is sound, as evidenced by continuing increases in asset values and equity levels. Farm business assets are forecast to surpass \$1.228 trillion, increasing nearly \$12 billion from 2001. Farm business debt is anticipated to approach \$197 billion, up from \$192.8 billion in 2001, while farm business equity (assets minus debt) is expected to rise to \$1.032 trillion in 2002, a gain of almost \$8 billion.

In the face of relatively low commodity prices, the farm business balance sheet has shown steady gains throughout 1999-2001. During this 3-year span, total direct government payments (including disaster, conservation, production flexibility contracts, loan deficiency, and marketing loan gains) contributed more than \$65 billion to the incomes of farmland owners, supporting farm incomes and farmland values. In contrast, investors in U.S. equity markets have witnessed increasing market volatility and lost considerable net worth, especially since March 2000. From the beginning of 1999 through the end of 2001, however, farmland owners have benefited from a \$111-billion increase in farm equity, driven largely by a \$116-billion rise in farm real estate values. Since land values largely reflect expected future earnings from farming, the recent strength of land values suggests that farmland owners do not anticipate a significant decline in incomes in the foreseeable future.

Net cash income--before government payments--is expected to increase for the third straight year and exceed \$40 billion for the first time since 1998. In 2002, livestock receipts are expected to improve by over \$10 billion and crop receipts by \$5 billion from their lows in 1998 and 1999. Cash receipts are expected to be up about \$1 billion for feed grains and oil crops. Cotton and rice are the only major crops with prospects of lower 2002 cash receipts. Relatively low feed costs, strong domestic demand, and gains in export sales have encouraged higher pork and beef output. Receipts from sales of dairy products are forecast to retract by \$2.3 billion in 2002, after a \$4.1 billion gain last year.

Since Congress was debating the next farm bill as USDA prepared its 2002 financial outlook, current law guided the forecast of direct payments--assumed to be \$10.7 billion for 2002. Boosted by emergency assistance and loan deficiency payments (LDPs), government payments have exceeded \$20 billion in each of the last 3 years. Emergency assistance payments result from separate legislative initiatives enacted in 1999, 2000, and 2001 in response to the economic adversity that farmers were facing. LDPs are intended to be countercyclical with commodity prices, and are determined using the gap between trigger prices and market prices. As a result of

higher prices projected for several major program crops, LDPs are expected to decline by 25 percent in 2002.

**Financial Condition of Farm Operator Households** After rising each year in the late 1990s, farm household income leveled off last year and is expected to decline slightly this year. However, this minimal drop is much less than the decline expected for the average U.S. household.

To analyze the sensitivity of farm households to changes in the outlook for farming and the economic status of the general economy, four groups were identified based on their relative diversity of income sources. All farm operator households were included. Fewer than one in four of all U.S. farm households earn more than 20 percent of income from the farm business. Farming is the primary source of household income (80 percent or more) for only about 12 percent of farm households. These farms account for 52 percent of total production and received 42 percent of direct government payments. Another 13 percent of farms have proportionate levels of farm and off-farm earnings. This group accounts for 26 percent of farm output and 32 percent of total direct payments.

How off-farm incomes will be affected by changes in the national economy depends heavily on the source of their income, as well as the speed and extent of the current economic recovery. In the 2000 ARMS, about 80 percent of operators (70 percent of spouses) who worked off farm reported an average workweek of more than 35 hours. If their primary occupation has been directly affected by the economic slowdown, they have likely faced greater income reductions than other farmers who earn a much larger share of total household income from farming.

Off-farm wages and salaries represent the primary source of income for 45 percent of farm households. Off-farm job opportunities vary by region. In the Northeast there are durable goods manufacturing plants. The recent slowdown in demand for products such as machinery, equipment, autos, and trucks will be felt by farmers and/or spouses who may have jobs in these industries. In the more rural Midwest, farmers and spouses may more commonly be working in retail trade and services, where layoffs or cutbacks may be less severe than in manufacturing. Across the country, U.S. Labor Department survey data are showing employment growth in health services but declines in transportation and no change in construction.

**Peanut Farmers Incomes Lower Despite Rebounding Consumption** Peanuts and peanut products (peanut butter, ball park nuts, peanut candies, and salted peanuts) are a familiar and longstanding staple in the American diet. Peanuts are also valued when crushed--as high-protein animal feed and as vegetable oil preferred for

its long shelf life and cooking qualities. In the U.S., though, most peanuts are consumed directly (as peanuts or peanut products), so the edible non-oil food-use category of demand for peanuts is vital to income prospects for peanut farmers. This is especially the case since the U.S. peanut program provides a relatively high price support level for U.S. peanuts allowed to be marketed for domestic food use ("quota" peanuts). This quantity depends on anticipated demand for the following year, and is adjusted annually by USDA. All peanuts produced beyond this level ("additional") must be channeled into lower valued export or crush markets, and are only eligible for a much lower support rate.

Food use has rebounded from a decline during the early 1990s, and is forecast at record levels in 2001/02. Nevertheless, U.S. peanut farmers have faced new challenges since the mid-1990s, putting downward pressure on average farm prices and bringing cash receipts in 1999 and 2000 to the lowest levels in almost two decades. These challenges include changes in domestic support policy under the 1996 Farm Act, increased access for peanut imports under trade agreements, and strong competition in export markets. The prospect of major changes to the peanut program under new farm bill proposals is also a source of uncertainty for peanut producers.

In the U.S., the dominant source of demand for peanuts--about 70 percent of total domestic consumption--is direct consumption (food use). Food use of peanuts is comprised of two main categories. Shelled peanuts include those used for peanut butter (about 45 percent of peanut food use), snack peanuts (23 percent), and peanut candy (21 percent). Roasted in-shell peanuts account for about 9 percent of U.S. peanut food use. The proportion of peanuts crushed for animal feed and vegetable oil is small, especially when compared with other oilseeds (e.g., soybeans). Lower quality peanuts ("pickouts") used for crushing make up only 18 percent of domestic consumption. Seed and residual uses account for the remaining 12 percent.

In 1989, domestic food use of peanuts peaked at 2.32 billion pounds (in-shell basis), or about 9.4 pounds per person. But, in the early and mid-1990s, prospects did not look good. A steady decline in demand reflected demographic trends (such as the smaller number of children among the baby-boomer generation), health and dietary concerns about fat content in peanuts, and competition from lower priced snack products. From its peak in 1989, domestic food use declined 15 percent by 1995, to just over 2 billion pounds (in-shell basis). Press reports of severe allergic reactions to peanuts among a small number of consumers may also have reduced household and institutional (e.g., by airlines and schools) demand during this time.

U.S. peanut consumption has turned around since 1995

as food use rose almost without interruption to a projected record of 2.34 billion pounds in 2001/02. The cause of the revival is not entirely clear. Some observers have attributed it to reduced concern about fat in foods, a growing awareness of studies linking peanut consumption to improved health, the introduction of new products (e.g., flavored in-shell peanuts), and increased retail promotion by peanut product manufacturers and industry associations. Promotional efforts have highlighted the fact that peanuts, while relatively high in fat, are also a good source of protein, contain no cholesterol, and are low in saturated fats--the type most associated with coronary heart disease.

Despite higher peanut consumption, farm-level income from peanuts in 2000/01 was below \$1 billion for the second straight year--at \$896 million. Gross farm income from peanut production in 1991/92 (a record crop year) was nearly \$1.4 billion, and had not been below \$1 billion since 1983. Although producers enjoyed record yields in 2001/02--at over 3,000 pounds per acre--and the highest peanut production since 1994/95, low monthly average farm prices in the key first quarter of the current 2001/02 marketing year (August-July) portends only modest revenue gains for peanut farmers. Weak average prices reflect the large crop and mounting ending stocks, which are projected at a record high.

**Peanut Profile in a Nutshell** Peanuts are believed to have originated in South America, probably in Brazil or Peru. Peanuts were introduced to Asia and Africa by Spanish explorers and to North America in the 1700s. Four main varieties of peanuts are produced in the U.S.: Runners, Virginia, Spanish, and Valencia.

The most common variety, Runners, accounts for about three-quarters of U.S. peanut production and is used mainly to make peanut butter (52 percent of Runners in 2000/01) but also in peanut candy (26 percent) and as snack peanuts (20 percent). The large, high-quality Virginia peanuts account for about 15 percent of domestic production and are more favored as snack peanuts (e.g., roasted in-shell peanuts, and salted or honey-roasted peanuts). Spanish peanuts, with smaller kernels and higher oil content, are used mainly in peanut candies. The least common, Valencias, also have small kernels and are known for their sweetness. They are produced almost exclusively in New Mexico, and are usually roasted and sold in the shell.

At the national level, peanuts are a relatively minor crop, with farm-level value of production less than 5 percent of the value of corn production in 2000/01. But peanut production is concentrated in a small number of states and is a key contributor to local economies. Virtually all peanut production takes place in just nine states in three regions: the Southeast (Georgia, Alabama, Florida, and South Carolina), with 55 percent of national production; the Southwest (Texas, Oklahoma, and New Mexico), with 30 percent; and the Virginia-North Carolina region, with 15 percent.

### WEATHER SUMMARY

Most of New Mexico experienced a warm, dry week. Temperatures averaged 5 degrees above normal for the state, but were especially warm over the east. Clayton, Roy, and Tucumcari were all about 10 degrees above normal. Some precipitation was measured at nearly half the reporting locations, but Red River (.46") was the only spot that managed to collect over one quarter of an inch.

**New Mexico Weather Conditions February 18-24, 2002**

Station	Temperature			Precipitation				
	Mean	Maximum	Minimum	02/18 02/24	02/01 02/24	Normal Feb	01/01 02/24	Normal Jan-Feb
Carlsbad	55.1	83	27	0.03	0.64	0.35	0.75	0.70
Tatum	49.0	78	22	T	0.43	0.50	1.21	0.89
Roswell	53.9	81	26	T	0.14	0.46	0.50	0.89
Clayton	47.4	75	23	0.01	0.01	0.31	0.13	0.55
Clovis	50.4	79	27	T	0.00	0.51	0.35	0.90
Roy	47.7	68	30	0.00	0.00	0.43	0.22	0.77
Tucumcari	52.0	81	26	0.10	0.15	0.45	0.60	0.73
Chama	29.2	55	7	0.10	0.15	1.58	0.37	3.35
Johnson Ranch	35.9	63	14	0.00	0.00	0.57	0.21	1.24
Capulin	36.6	70	12	0.07	0.07	0.56	0.45	0.96
Las Vegas	41.6	74	20	T	0.00	0.39	0.24	0.71
Los Alamos	38.4	56	22	0.02	0.03	0.80	0.75	1.66
Raton	38.6	70	12	0.03	0.14	0.54	0.47	1.01
Santa Fe	41.1	62	17	0.01	0.01	0.69	0.56	1.32
Red River	28.9	54	4	0.46	0.66	1.22	1.43	2.29
Farmington	39.7	63	19	T	0.00	0.57	0.03	1.16
Gallup	38.1	67	11	0.08	0.08	0.74	0.19	1.54
Grants	40.9	70	14	0.00	0.00	0.51	0.37	1.00
Silver City	45.3	72	23	0.00	0.00	1.25	0.00	2.41
Quemado	38.0	70	10	0.00	0.00	0.72	0.10	1.55
Albuquerque	46.4	67	26	0.07	0.07	0.46	0.41	0.90
Carrizozo	48.1	70	28	0.00	0.00	0.57	1.02	1.17
Gran Quivera	43.1	68	24	0.07	0.08	0.82	0.45	1.52
Moriarty	40.5	72	16	0.17	0.17	0.48	0.44	0.91
Ruidoso	43.1	68	16	T	0.20	1.16	0.86	2.28
Socorro	48.0	74	16	0.00	0.05	0.39	0.31	0.78
Alamogordo	53.1	73	28	0.00	0.06	0.54	0.06	1.21
Animas	47.9	80	29	0.00	1.28	0.51	1.28	1.19
Deming	50.6	75	26	0.00	0.52	0.46	0.85	1.02
T or C	50.2	75	26	0.00	0.10	0.38	0.13	0.84
Las Cruces	50.4	76	26	0.00	0.85	0.37	1.20	0.83

(T) Trace (-) No Report (\*) Correction

All reports based on preliminary data. Precipitation data corrected monthly from official observation forms.