



National Agricultural Statistics Service  
New Mexico Statistical Office

# Weekly Ag Update

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## INCLUDED IN THIS ISSUE - FEBRUARY 28, 2005

Weather Summary      Farm Income & Costs

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## WEATHER SUMMARY

A couple of minor storms passed over new Mexico during the week, providing quite a bit of showery weather. Heaviest precipitation was generally over the southwest half of the state, and Las Cruces measured over an inch of moisture. Temperatures were generally a few degrees above normal at most places.

### NEW MEXICO WEATHER CONDITIONS - FEBRUARY 21 - 27, 2005

Station	Temperature			Precipitation				
	Mean	Maximum	Minimum	02/21 02/27	02/01 02/27	Normal Feb	01/01 02/27	Normal Jan-Feb
Farmington	40.9	54	23	0.18	2.28	0.57	3.37	1.16
Gallup	36.0	51	21	0.33	2.34	0.74	3.76	1.54
Capulin	33.1	54	14	0.02	0.05	0.56	1.60	0.96
Chama	28.8	46	8	0.37	2.64	1.58	7.13	3.35
Johnson Ranch	37.6	53	21	0.06	1.58	0.57	2.17	1.24
Las Vegas	35.2	57	16	0.07	0.43	0.48	2.28	1.08
Los Alamos	32.2	46	19	0.46	2.09	0.80	4.72	1.66
Raton	34.9	56	14	0	0.08	0.54	2.91	1.01
Red River	24.9	41	6	0.54	2.11	1.22	4.85	2.29
Santa Fe	36.9	54	24	0.18	1.82	0.69	3.75	1.32
Clayton	38.7	61	24	0.01	0.48	0.31	1.86	0.55
Clovis	45.5	69	30	0	0.82	0.51	3.16	0.90
Roy	37.6	58	23	0	0.60	0.43	2.76	0.77
Tucumcari	44.8	69	26	0.02	1.10	0.45	2.74	0.73
Grants	36.4	55	22	0.16	1.19	0.51	2.25	1.00
Quemado	35.8	55	18	0.27	1.18	0.72	2.41	1.55
Silver City	40.5	58	26	0.70	4.36	1.25	7.66	2.41
Albuquerque	43.1	57	32	0.09	1.78	0.46	3.16	0.90
Carrizozo	47.5	61	34	0.15	1.92	0.57	3.85	1.17
Socorro	42.6	61	29	0.36	1.18	0.39	2.49	0.78
Gran Quivera	39.2	56	26	0.73	2.11	0.82	3.38	1.52
Moriarty	36.9	56	20	0.35	1.36	0.48	3.00	0.91
Ruidoso	38.5	54	23	0.26	3.07	1.16	4.82	2.28
Carlsbad	48.6	74	31	0.42	1.28	0.35	1.73	0.70
Roswell	45.1	70	31	0.25	1.22	0.46	1.93	0.89
Tatum	45.5	71	32	0.21	1.02	0.50	2.10	0.89
Alamogordo	47.6	64	32	0.68	3.03	0.54	4.33	1.21
Animas	49.1	66	36	0.23	1.54	0.51	4.08	1.19
Deming	47.3	68	32	0.25	1.64	0.46	2.91	1.02
Las Cruces	48.1	69	36	1.08	2.55	0.37	3.45	0.83
T or C	45.7	65	33	0.32	1.39	0.38	2.41	0.84

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

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

## FARM INCOME AND COSTS: FARM HOUSEHOLD WELL-BEING

USDA Economic Research Service

Traditionally, assessments of the economic well-being of farm households have had a singular focus: determining how income levels of farm households compared with incomes of nonfarm households. This analysis develops a joint distribution of income and wealth for farm households. This more inclusive view better captures well-being since household income is subject to shocks such as falling or rising prices for agricultural commodities, changes in production due to weather, or changes in employment status or conditions in off-farm jobs. Access to financial or other assets, including savings, by the household can be used to level consumption. Assets can be drawn down to offset temporary shortfalls in income. Likewise, income that exceeds consumption can be added to savings or used to pay down debt.

**Farm Households' Well-Being Includes Income and Wealth:** Changes in income and wealth levels will likely have the greatest effect on lower income-lower wealth and higher income-higher wealth farm households. Higher income-higher wealth households account for a large proportion of farm output, with more than half of farm output on these farms coming from livestock enterprises. The lower income-lower wealth households may experience the most difficulty from a decline in income since this group already has the largest share of households having to adjust to the shortfall between their income and consumption needs.

Farm household economic well-being is affected both by the level of income and the amount of wealth available to the household and by how income and wealth influence household consumption. The well-being of households has both an absolute component, which compares income and wealth to a selected standard, and a relative component, which measures the ability of households to meet consumption expenditures.

Movements in commodity prices, production shortfalls due to weather, and lack of off-farm jobs all affect well-being. Changes in economic conditions such as interest rates can have

competing effects on farm and off-farm incomes. All of these factors contribute to income variations in a given year. Access to financial or other "liquid" assets (including savings and inventories) can help forestall a tightening in household consumption. Likewise, income that exceeds consumption can be added to savings or used to pay down debt.

**Well-Being Still Surpasses Average U.S. Household:** On average, farm households have higher incomes, greater wealth, and lower consumption expenditures than do other US households, according to the 2002 ARMS survey. On average, farm household incomes are better able to support their consumption needs. Since average comparisons can be misleading, farms were divided into four groups using levels of income and wealth (above or below the median level reported in the 2002 ARMS survey) relative to the average U.S. household.

**Higher Income, Higher Wealth:** Half of farm households had both higher incomes and greater wealth than the average U.S. household. The vast majority of these farms (96 percent) reported household income greater than consumption expenditures in 2002—on average, an excess of \$74,548 in income over consumption expenditures. This group of farms reported average net worth of \$641,669, of which \$165,276 was household assets not owned by the farming operation.

This group of higher income-higher wealth households includes a disproportionate share of larger farm operations and farm operators who reported a primary occupation other than farming. On average, this group of households operated the largest farms as measured by acreage at 428 acres, accounted for 59 percent of farm output, drew 60 percent of government payments, and had, by far, the highest educational attainment.

**Higher Income, Lower Wealth:** Almost 4.0 percent of farm households had higher incomes and lower wealth than the average U.S.

household in 2002. They are almost entirely focused on off-farm activities, with 84 percent reporting a primary occupation other than farming. These operators are younger than average, with more having attended or completed college, and their household incomes are almost entirely from off-farm sources and exceed consumption expenditures by a wide margin. Their farms are smaller (190 acres on average) and account for only 4.0 percent of U.S. farm output.

**Lower Income, Higher Wealth:** Of the nearly 40 percent of farm households reporting lower income but greater wealth than the average U.S. household, 46 percent reported annual household incomes below their expenditures in 2002. This group contains a disproportionate share of midsize farms and farmers who report that they are retired. For many of these operators, farm-derived income is often negative (an average loss of nearly \$13,000 in 2002).

The lower income-higher wealth farms hold a vast majority of their net worth (\$547,613 on average) in business assets (such as land, machinery, and crop/livestock inventories). The retired or more elderly farmers in the group who do not have sufficient current earnings from farming to meet consumption expenditures can access their accumulated assets or begin to consume capital assets (e.g., choose not to replace machinery or equipment as it wears out). Generating a sustained flow of income from the household's asset base to support household consumption requires either disposing of the farm or renting/leasing to other farmers or to the government through land retirement programs (such as the Conservation Reserve Program).

Many lower income-higher wealth households report receiving government payments, averaging \$4,174 in 2002. This group also contains farm businesses where income is temporarily lower because of low commodity prices or production shortfalls. For many of these operations, adequate consumption levels can be maintained by drawing on savings or other assets.

**Lower Income, Lower Wealth:** About 6 percent of farm households have both lower

incomes and lower wealth than the average U.S. household. The number of households in this category increased by nearly 2 percent over 2001. This group, principally residential/lifestyle and limited-resource farms, has thin margins between household incomes and consumption expenditures. Of these households, 21 percent report farming as their primary occupation, and only 38 percent are limited-resource households. Moreover, their small asset base may be insufficient to meet any unexpected shortfall in household earnings. Nearly 37 percent of these households reported income less than their consumption expenditures in 2002 (versus nearly 45 percent in 2001). For these households, there is insufficient income to support even relatively low levels of current consumption and few assets to meet or enhance consumption.

**Other Articles of Interest:**

Multiple well-being measures

Farm household income

2003 farm income estimates

Farm sector income forecast

Farm business income

Assets, debt, and wealth

Farm household well-being

Commodity costs and returns

Which farms receive government payments?

These and other articles may be accessed at:

**[www.ers.usda.gov/briefing](http://www.ers.usda.gov/briefing)**

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## CHALLENGING TIMES CALL FOR POWERFUL FACTS

The AGRICULTURAL RESOURCE MANAGEMENT SURVEY

provided the facts for the article in today's AgUpdate.

Keep your leaders informed.

If you are selected for this survey, please respond to show agriculture's economic status today.

