

FARM SECTOR ECONOMIC ANALYSIS



FARM INCOME CONCEPTS

Cash receipts from farm marketings represent gross income from the sales of crops, livestock, and poultry during the calendar year. The value of home consumption of farm products, inter-farm sales of livestock, and crops fed on farms where grown are not included in cash receipts. Cash receipts from marketings of crops are the final product of several estimates: acreage, yields, percentage of total production sold, average price, and changes in inventories. Marketings of livestock and poultry include the sale value of an animal only once, usually at the time when the animal is sold for slaughter or at final disposition.

Final agricultural sector output includes cash receipts as well as the value of home consumption, crop and livestock inventory adjustments, and other farm-related income. Net value added is the sector's contribution to the national economy and is the sum of the income earned by all factors of production, including direct government payments, minus all production expenses and capital consumption. Government payments to farmers are those payments made directly to farm producers in connection with farm programs. Examples of intermediate consumption outlays include purchase and repair of farm equipment and vehicles; purchases of fuel, seed, feed, and livestock; as well as utilities, marketing, transportation, and storage expenses.

Net farm income is the operator's share of income from the agricultural sector's production activities, after deductions for wages paid to hired workers; rent received by non-operator landlords; and real estate and non-real estate interest.

ASSETS & DEBTS

New Mexico's farm and ranch assets increased slightly to \$11.5 billion in 2001, up 0.2% from 2000, and 1.4% from 1999. Real estate is still the largest asset category, valued at \$9.0 billion, unchanged from 2000. Livestock and poultry values also remain virtually unchanged from 2000, at \$1.2 billion, as does machinery and motor vehicles at \$487.0 million. The value of farm and ranch financial assets increased by 6.8% to \$614.9 million in 2001. Farm and ranch debt continues to rise, sitting at \$1.55 billion in 2001, compared to \$1.47 billion in 2000, and \$1.40 billion in 1999. Real estate debt accounts for the largest increase, rising 6.2% to \$855.9 million. Non-real estate saw a 3.6% increase to \$691.9 million. Both the debt-to-equity and debt-to-assets ratios increased during 2001 to 15.5 and 13.5 respectively.

INCOME

The final agricultural sector output from New Mexico farmers and ranchers dropped to \$2.1 billion in 2002, down 9.5% from 2001, and 3.4% less than 2000. Total crop output increased 5.7% to \$572.1 million, but total livestock output decreased 16.7% to \$1.4 billion. Revenues from forestry and services totaled \$156.4 million in 2002, up 19.0% from 2001. Direct government payments decreased 22.1 % to \$73.0 million. After deductions for production expenses, hired labor, and other economic factors, the state's net farm income totaled \$677.6 million, down 18.1% from 2001, but still 27.7% higher than 2000.

PRODUCTION EXPENSES

New Mexico farmers and ranchers paid out \$1.05 billion in 2002 to produce their crops and livestock. This was 9.1% less than 2001's \$1.15 billion, and 18.3% less than 2000's \$1.28 billion. Livestock purchases accounted for the largest expense at \$268.2 million, followed closely by feed purchases at \$257.7 million. The repair and maintenance of capital items cost farmers and ranchers \$67.6 million, and marketing, storage, and transportation expenses cost them another \$62.8 million.

CASH RECEIPTS

Sales of crop and livestock products in 2002 dropped by 11.6% to \$1.96 billion, after a record breaking \$2.21 billion in 2001. Although crops cash receipts increased by 5.9% to \$574.9 million, this was offset by the drop in livestock cash receipts to \$1.38 billion, 17.2% less than in 2001. Low prices contributed to milk cash receipts declining 8.7% to \$743.9 million, despite increased production. Even so, wholesale milk continues to be New Mexico's number one cash commodity. Cattle and calves remain our second highest cash commodity at \$593.3 million, dropping 26.5% from 2001. Hay was our largest crop cash commodity, and our third highest overall with \$185.8 million in receipts. Greenhouse and nursery sales remain in fourth place with \$61.4 million and other field crops jumped into fifth place with \$57.5 million, dropping onions back down to sixth place at \$55.0 million. Chile ranked seventh, increasing to \$49.8 million and pecans ranked eighth, rising to \$45.0 million. Miscellaneous vegetables with \$25.0 million took over ninth place. Cotton lint, ranked tenth at \$21.0 million, dropped slightly from the revised 2001 receipts of \$20.9 million.

GOVERNMENT PAYMENTS

Direct government payments to New Mexico producers totaled \$73.0 million in 2002, a decrease of 22.1% from 2001's \$93.7 million. If ranked with cash receipts, government payments would be our 4th largest cash commodity. Conservation Programs totaled \$22.6 million, up 3.7% from last year's \$21.8 million. Ad Hoc and Emergency Programs dropped to \$20.2 million compared to \$52.6 million in 2001. Production Flexibility Payments decreased by 24.0% to \$10.8 million, Milk Income Loss Payments totaled \$8.0 million, and Peanut Quota Buyout Payments were the next highest at \$5.4 million. Loan Deficiency Payments totaled \$3.6 million and Fixed Direct Payments were \$1.5 million. Counter-Cyclical Payments, Marketing Loan Gains, and other miscellaneous programs made up the rest of New Mexico's government payments.

PRICES

Ranchers received lower prices for their cattle in 2002 compared to the previous year. Prices for beef cattle dropped 9.4% to \$62.70 per hundredweight. Calves saw the least change at \$93.60 per cwt, 8.2% less than the \$102.00 they received in 2001. Cow prices saw the largest drop at \$38.60 per cwt, 12.3% less than the 2001 price of \$44.00. Steers and heifers received \$78.30 per cwt compared to \$86.10 in 2001. Milk also received lower prices in 2002, with an average of \$11.90. Sheep prices dropped \$3.30 to \$31.80 per cwt and lamb prices increased by \$8.20 to \$75.50 per cwt. Hay did well at \$140.00 per ton, an increase of 12.9% over 2001's price of \$124.00. Prices for corn for grain, wheat, sorghum, and Upland cotton increased in 2002. Prices for American- Pima cotton, dry beans, potatoes, and peanuts all decreased.