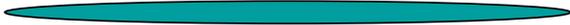


FARM SECTOR ECONOMIC ANALYSIS



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 have been increasing steadily over the past few years, with \$12 billion in assets in 2002, up almost 2.0 percent from 2001. Real estate, which remains the largest farm and ranch asset, was valued at \$9.4 billion, up 2.2 percent from 2001. Livestock and poultry values increased to \$1.3 billion, and machinery and motor vehicles increased to \$502.9 million. Both the value of crops and financial assets decreased in 2002. Crop assets dropped to \$81.3 million and financial assets were down to \$608.4 million. Farm and ranch debt continues to rise, with \$1.57 billion in 2002, compared to \$1.49 billion in 2001. Real estate debt accounts for 55 percent of the total 2002 debt, up from 2001's 54 percent. Both the debt-to-equity and debt-to-assets ratios increased during 2002 to 15.1 and 13.1 respectively.

INCOME

The total value of the agriculture sector output from New Mexico farmers and ranchers increased in 2003 to \$2.3 billion, up 7.1 percent from 2002 but 2.7 percent less than in 2001. The rise in value in 2003 can be attributed to the livestock industry, whose value of production increased to \$1.6 billion, up 14 percent. Total crop output dropped 6.3 percent to \$536.2 million. Revenues from forestry and services totaled \$174.2 million in 2003, down 1.5 percent. Direct government payments were up 27 percent to \$92.5 million. After deductions for production expenses, hired labor, and other economic factors, the state's net farm income totaled \$715.6 million, up 33 percent from 2002 but 8.6 percent less than 2001.

PRODUCTION EXPENSES

New Mexico farmers and ranchers purchased \$1.2 billion of inputs in 2003 to produce their crops and livestock. This was only 0.3 percent less than in 2002 and 0.8 percent less than in 2001. Livestock feed was the largest purchase at \$353.4 million, followed by livestock purchases of \$309.2 million. The repair and maintenance of capital items cost farmers and ranchers \$76.3 million, and petroleum fuel and oil cost them \$54.7 million. Property taxes were down 4.3 percent to \$24.2 million

CASH RECEIPTS

New Mexico crop and livestock product sales in 2003 totaled \$2.14 billion, up 8.6 percent from \$1.97 billion in 2002. Total Livestock cash receipts increased, while crop cash receipts saw a decline. Milk cash receipts recovered some from the drop experienced in 2002. Milk receipts were up 6.2 percent to \$790.1 million in 2003, making it our number one cash commodity. Cattle and calves are a close second with \$757.9 in receipts, up 24 percent. Hay holds on to the third place rank, despite a 23 percent decline in receipts to \$144.6 million. Pecans moved into fourth place after having a high-bearing year and receiving a decent price, with cash receipts totaling \$70.4 million. Onions moved up to fifth place, with cash receipts increasing 12 percent to \$61.4 million. Greenhouse and nursery receipts increased slightly to \$60.8 million, making it our sixth ranked cash commodity. Ranked seventh was other field crops (including silage) with \$52.1 million in receipts, down 9.4 percent. Chile dropped to eighth in the state with \$37.8 million in receipts. Miscellaneous vegetables was ranked ninth with \$25.0 million, and poultry and eggs finished out our top ten cash commodities with \$24.8 million.

GOVERNMENT PAYMENTS

Direct government payments to New Mexico producers totaled \$92.5 million in 2003, up 27 percent from 2002's \$73.0 million. If ranked with cash receipts, government payments would be our fourth largest cash commodity. Ad hoc and emergency programs totaled \$27.2 million in 2003, up 35 percent from 2002. Conservation program payments increased by 15 percent to \$26.1 million. The implementation of new programs authorized by the Farm Security and Rural Investment Act of 2002 (the 'Farm Bill') caused a shift in payments from the 1996 Farm Bill's Production Flexibility program to the current Fixed Direct and Counter Cyclical Contract programs. Production Flexibility payments were -\$860,000 in 2003; negative because some producers repaid unanticipated over payments from previous years. Fixed direct payments increased by \$19.4 million to \$20.9 million in 2003. Counter-cyclical payments increased by \$11.4 million to \$12.1 million. Milk Income Loss Payments were down 64 percent to \$2.9 million and the Peanut Quota Buyout program payments dropped 80 percent to \$1.1 million.

PRICES

Ranchers received higher prices for their cattle in 2003 compared to 2002. Prices for beef cattle increased to an average of \$69.50 per hundredweight (cwt.), up \$6.80 from the previous year. Calf prices were up to \$101.00 per cwt, compared to \$93.60 per cwt in 2002. Steers and heifers received \$88.20 per cwt compared to \$78.30 in 2002. Milk was up \$0.10 from \$11.90 per cwt in 2002 to \$12.00 per cwt in 2003. Hay prices were also up in 2003. Alfalfa averaged \$148.00 per ton, up \$5.00 from 2002. Other Hay averaged \$122.00 per ton, also up \$5.00. All hay sold for an average of \$144.00 a ton, \$4.00 higher than in 2002. Prices for Upland and Pima cotton, corn for grain, dry beans, and sorghum increased in 2003. Prices for wheat, potatoes, and chile all decreased. Peanut prices remained unchanged at \$0.19 per pound.