

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 nonoperator landlords; and real estate and nonreal estate interest.

ASSETS & DEBTS

New Mexico's farm and ranch assets, at \$11.6 billion in 2000, increased 2.4 percent from 1999 and were 4 percent higher than in 1998. Real estate, at \$9.2 billion, continues to be the largest asset category. The 2000 value of livestock and poultry assets totaled \$1.2 billion, basically unchanged from the previous year. The value of farm and ranch financial assets decreased to \$575.7 million compared to a value of \$587.9 million in 1999. The state's farm and ranch debt rose again, reaching almost \$1.5 billion in 2000. Real estate debt, at \$805.7 million, increased 2.8 percent, and nonreal estate debt rose to \$667.9 million. Both the debt-to-equity and debt-to-assets ratios increased during 2000 to 14.5 and 12.7 respectively. While they are the highest levels in the last ten years, these figures still reflect a healthy agriculture economy.

INCOME

The final agricultural sector output from New Mexico farmers and ranchers rose to over \$2.3 billion in 2001, up 6.6 percent from 2000. Crop output increased 7.3 percent to \$538 million and livestock output increased 6.6 percent to almost \$1.7 billion. Direct government payments increased 17.9 percent to \$93.7 million. Other farm related income totaled \$129.9 million in 2001 compared to \$125.2 million in 2000. After deductions for production expenses, hired labor, and other economic factors, the state's net farm income totaled \$819.6 million, up 51.6 percent from 2000's low \$540.7 million.

PRODUCTION EXPENSES

New Mexico farmers and ranchers paid out \$1.2 billion in 2001 to produce their crops and livestock. Livestock purchases, at \$390.8 million, were 12.4 percent less than the previous year but were still the largest expense item. Feed purchases, pesticides, fuel and oil products, seed, fertilizer and lime all showed decreases. Electricity was the only expense that increased from 2000.

CASH RECEIPTS

Sales of crop and livestock products in 2001 reached a record of \$2.2 billion, 4.8 percent higher than in 2000 and 10.6 percent higher than two years prior. Livestock products set a record of \$1.7 billion, despite the 12.4 percent drop in meat animal cash receipts to \$815.4 million. This drop was offset by the 26.5 percent increase in wholesale milk to \$814.6 million, making it New Mexico's number one cash commodity in 2001. It replaced cattle and calves, now in second place at \$807.1 million. Crop cash receipts rose to \$545 million compared to \$500.4 million in 2000. Hay remained in third place with \$157.8 million in receipts and greenhouse nursery was still in fourth place with \$57.7 million. Onions saw a 65.8 percent improvement, moving it into fifth place with \$54.3 million. Other field crops rose to sixth place due to revisions that now take into account corn silage cash receipts. Chile with \$44.2 million, pecans at \$38.4 million, and cotton at \$35.1 million were the other major cash receipt commodities.

GOVERNMENT PAYMENTS

Direct government payments to New Mexico producers totaled \$93.2 million in 2001. This was 17.2 percent above the 2000 payments, but only 1.2 percent greater than in 1999. If ranked with cash receipts, government payments would constitute the state's fourth highest cash commodity. Conservation Reserve Program payments totaled \$18.7 million, Marketing Loss Assistance payments dropped 13.1 percent to \$16.3 million, and Production Flexibility payments decreased 19.7 percent to \$14.1 million. Disaster Program payments increased by \$5.9 million from 2000 to \$10.3 million, and Livestock Emergency Assistance increased \$17.4 million in payments to \$19.4 million in 2001, making it the largest of government payments received by producers.

PRICES

Ranchers received higher prices for their cattle in 2001 compared to the previous year. Prices for beef cattle increased 2.1 percent to \$69.20 per hundredweight, and calves rose 1 percent to \$102.00 per hundredweight. Steers and heifers increased 1.3 percent to \$86.10 per hundredweight. Cow prices saw the largest increase at \$44.00 per hundredweight, 8.1 percent above the previous year's price. Milk prices rose 19.4 percent, matching the record price of \$14.80 set in 1998. Sheep prices decreased \$5.90 to \$35.10 per hundredweight, and lamb prices decreased \$12.40 to \$67.30 per hundredweight, the lowest price since 1994. Hay prices increased again to \$124.00 per ton. Prices for grain corn, wheat, sorghum, and cotton all dropped during 2001. Corn averaged \$2.40 per bushel; wheat averaged \$2.60 per bushel; sorghum averaged \$2.10 per bushel; upland cotton averaged \$0.337 per pound; American-Pima cotton averaged \$0.808 per pound. Pecan prices dropped to \$0.64, compared to \$1.37 the previous year.