Economic Outlook for New Mexico Agriculture, 2010

The outlook for New Mexico agriculture for 2010 provides mixed projections throughout the livestock, dairy, forage, vegetable and cereal crop industries. Many factors that impact these markets are changing as the United States economy begins to strengthen from the levels experienced in 2009. Aggregate economic growth is anticipated to be 2.5 percent in 2010. Agricultural commodities should expect to show growth in exports which in turn will increase farm and ranch level receipts for some sectors.

The relative weakness of the dollar will continue to make American commodities attractive to growing and developing countries around the globe. This will allow the United States to remain competitive in global agricultural markets. Projected increases across the board will be moderate relative to the factors recognized in 2009.

Beef markets in New Mexico with an estimated beef cow herd size of 520,000 should command market prices slightly ahead of those experienced last year. Strong moisture patterns throughout much of the state will facilitate range conditions. Prices for weaned calves are expected to be $2 to $4 dollars a cwt greater than last year. Continued demand for grain crops mixed with oil seed production will shorten meat supplies during 2010 assisting with the anticipated strengthening of prices statewide.

New Mexico’s dairy industry is coming off one of the most difficult financial years in memory. Low milk prices coupled with strong input costs made it impossible to manage for a profit throughout 2009. Milk prices should recover in 2010 to a level that is much more manageable in an economic sense. Primary input prices such as alfalfa and corn silage will reflect prices that should be relatively flat from levels experienced in 2009. This combination should allow for a closer to break-even financial outlook for New Mexico producers in 2010.

Mixed price expectations are in store for New Mexico forage and cereal grain producers in 2010. Wheat inventories are high which will drive prices down to an anticipated level of $5.50 per bushel; corn is expected to trade between $4.05 and $4.20, and grain sorghum near $7.50 per cwt. Alfalfa and corn silage contracts are relatively close to the 2009 levels with slight strengthening patterns in certain regions. Vegetable prices are difficult to anticipate with the market adjusting daily during the harvest seasons. Green and red chile prices are similar to those experienced during the contract season of 2009.

Retail food prices are expected to rise faster than the inflation rate during 2010 which may bolster farm and ranch gate receipts. Historically retail food prices rise at a slower pace than inflation, but market data suggests this will not be the case through 2011. Significant increases to New Mexico’s agricultural economic returns are not anticipated in 2010, but as importantly, drastic losses should not be experienced either. The agricultural production year of 2010 may prove to be a stabilizing year for New Mexico growers across the state.