

Economic Outlook for New Mexico Agriculture, 2019

Enterprise analysis for New Mexico's primary agricultural commodities indicate that 2019 may very well be a year of "sideways" economic movement across the sector as a whole. Price projections are positive for many of the commodities, but production costs are anticipated to offset the price increases, which may provide an income statement for New Mexico producers that looks very similar to 2018. Trade policy uncertainty, recent Farm Bill revelations, inventories, US dollar strength, input prices and global markets are all factors that are expected to impact the aggregate financial situation throughout 2019.

Beef cattle markets in New Mexico will reflect the global market place throughout 2019. Demand, both domestic and international have surpassed predictions in recent years. Continuing to establish demand as beef supplies reach record levels will be essential to the economic viability of the beef industry in 2019, and beyond. Beef cow numbers are expected to peak at 32 million head in 2019. Beef exports are anticipated to increase 3 percent this year. Prices for weaned fall steer calves are anticipated to reside close to the \$165/cwt, with heifer calves trading behind by approximately \$5/cwt. Stocker calves will be marketed within the same parameters as the cow-calf inventories. New Mexico beef cattle producers may experience a slight bump in profit during 2019 relative to 2018.

Milk prices for New Mexico dairy producers are expected to increase in 2019. Lower inventories, slower production growth and increased demand all contribute to this expectation. The All-Milk Price in 2019 is expected to be \$1.25/cwt ahead of 2018 year-end prices. New Mexico dairy producers have consistently been leaders throughout the industry in production per cow and herd size. The New Mexico dairy industry anticipates thin margins again in 2019.

Positive price forecasts across New Mexico grain markets are expected in 2019. A shift away from soybean production on the national scale due to policy challenges is expected to stabilize both corn and wheat markets. Wheat prices are anticipated to be near \$5.10/bu with an increase in harvested acres of approximately 3 percent. Corn is anticipated to settle close to \$3.85/bu with 85 million acres harvested in 2019. Grain sorghum is expected to be \$3.45/bu for the upcoming year. Inventories, global demand and world markets are considered the primary drivers for these market scenarios.

Alfalfa, other hay and corn silage contracts are anticipated to remain move forward in 2019 relative to 2018 prices. Weather, dairy demand and alternative feed types always make this market difficult to estimate. The cotton market is expected to soften slightly in 2019 due to anticipated acreage increases, continuing trade concerns and increased inventories. Prices in 2019 should be near \$0.72/lb. Vegetable prices will continue to be challenging to estimate as these markets fluctuate throughout each commodities' harvest season. Regional environmental conditions play a significant role in the prices received throughout the year. New Mexico markets adjust rapidly throughout the harvest season as prices change across the market place. Green chile prices are expected to remain stable in 2019. Red chile prices are anticipated to fall in 2019.

Global economic outlook is an important factor in the ever-increasing world market that dictates the food system. The International Monetary Fund (IMF) has projected the growth in world GDP to be 3.7 percent. Growth factors such as these are positive as the economic outlook for the global economy improves relative to previous time periods. Inflationary concerns have been recognized across the globe as prices have continued to strengthen. Increased input prices, interest rates and trade considerations may all have an impact on the 2019 profit margin. Greater expenditures on higher value commodities, and value-added foods could be a driving force in these economies with significant growth expectations.

New Mexico agricultural producers are often the fabric of the community and region of the state that they reside in. These individuals are often the economic engine for the community that they live in across the Land of Enchantment. Agricultural producers continue to be some of the best prepared, most forward thinking enterprise owners throughout the state, and have demonstrated from generation to generation that they will be well-prepared for the challenges that are presented.