

Dairy Economics in New Mexico

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Key economic indicators

(based on Implan, 2013 data):



- Dairy in NM is in the top 25 employment providers in the State, behind providers such as state & local government, real estate, physicians and healthcare services, restaurants, trade and retail.
- Dairy is the number 1 Ag-sector employment generator providing 12,524 jobs.
- Therefore dairy generates the largest labor income revenue (salaries paid) of all of agriculture (almost \$600M/year).
- Dairy & Beef production revenues are both in the top 25 cash generating industries, virtually tied with \$1.51 and \$1.56 billion in revenue generated respectively.
- Beef & Dairy combined rival the revenue generated by Oil & Gas in New Mexico (\$3.3B vs. \$3.1B).

Key economic indicators

(based on Implan, 2013 data):



- Labor income for workers on New Mexico dairy farms for 2013 is \$47,811.
- This wage is right in line with the 2014 US annual mean wage for 2014 (\$47,230) - http://www.bls.gov/oes/current/oes_nat.htm
- This is 13.2% higher than the average New Mexico mean wage of \$42,230 for 2014 - http://www.bls.gov/oes/current/oes_nm.htm
- With \$1.51 billion in sales this means: the NM dairy industry generates 12,524 on dairy jobs, and 20,083 jobs total.
- 37% of the NM dairy production goes to meet local demands.
- 63% of the dairy produced in New Mexico to be exported out of state with a value of \$940 million.
- New Mexico produces 4.0% of the US milk with 3.5% of the US cows (9.2 million).

So where does NM dairy stand?

- NM produces the most milk with the largest herds
- Yet NM has the lowest mailbox price due to large deductions
- Deductions are 2x those of the West Texas dairies
- From above-average states (FL) to NM there is a \$4.85/cwt swing
- Why are the deductions so much higher for our markets?
 - Lack of over-order premiums?
 - Balancing costs?
 - Higher transportation costs?
 - With the two largest cheese plants in the world within hours?
- From a MPP perspective:
 - On the milk price side: NM SUP tracks MPP All milk real close (NM +\$0.09/cwt)
 - On the feed cost side: NM FC track MPP FC real close (NM -\$0.15/cwt)
 - **This means that MPP predictions should be fairly close to NM realities!**
- The NM dilemma is the deductions.... \$1.87 over 10 years.

So where does NM dairy stand?

- ***Bottom-line: The average rate of return for every 100 lbs of milk produced in New Mexico over the last 15 years has been -\$0.10.***
- ***This includes other income* at (+\$0.45/cwt)***
 - ** income from milk futures, sales of calves and heifers, patronage dividend and other (not sales of beef – in herd replacement costs)*
- **This number explains several trends:**
- First, the fact that NM has lost almost ¼ of its dairy farms, presumably those that were on the down side of that average or those that got tired of being beaten up!
- Secondly, the remaining farms have absorbed the cow numbers and have continued to expand in size (number of cows) to help offset increased production costs.
- As a result, cow numbers per farm and production per farm continues to increase despite the severe drought years with extreme challenges to produce quality forage.

How profitable was 2014?

- Idaho, \$1,378 per head, \$5.59 cwt.
- Arizona, \$1,261, \$5.76
- Texas Panhandle, \$1,252, \$5.83
- Southern California, \$1,202, \$5.24
- San Joaquin Valley of California, \$1,166, \$4.98
- Kern County, California, \$1,115, \$5.09
- Pacific Northwest (Oregon & Washington), \$999, \$4.53
- New Mexico, \$744, \$4.10