

INCLUDED IN THIS ISSUE

Crop Weather ERS

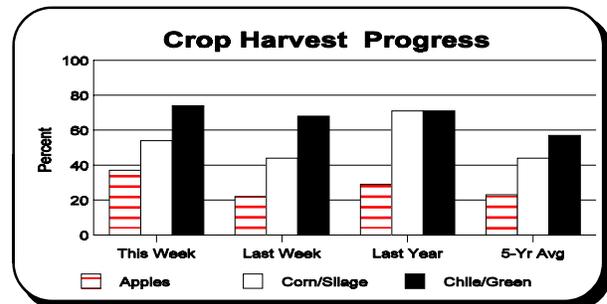
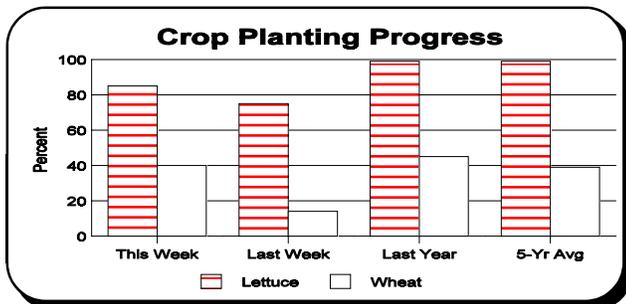
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CROP SUMMARY FOR THE WEEK ENDING SEPTEMBER 8, 2002

NEW MEXICO: There were 6.6 days suitable for field work. Hail damage was 2% light. Farmers spent the week harvesting vegetables, cutting hay and silage, irrigating, and planting wheat. Corn was in fair to excellent condition, with 86% dented and 41% mature. Corn silage was 54% harvested. Cotton was listed as 6% very poor, 4% poor, 14% fair, 64% good, and 12% excellent, with bolls opening at 59%. Pecan conditions were still listed as fair to good, with drop reported as 72% below average and 28% average. Irrigated sorghum was in mostly fair to good condition, with 45% coloring and 4% mature. Dryland sorghum was in very poor to fair condition and 23% headed, although much of the crop has died off. Chile is doing well with 74% of the green crop harvested. Apples were 37% harvested, lettuce was 85% planted, and wheat was 40% planted. Alfalfa was listed as 27% very poor, 11% poor, 15% fair, 38% good, and 9% excellent. Farmers have completed 78% of the 5th cutting and 30% of the 6th cutting. Cattle were reported as 2% very poor, 18% poor, 33% fair, 46% good and 1% excellent. Sheep were listed as 21% poor, 34% fair, 42% good, and 3% excellent. Ranchers continued supplementing feed and culling is still heavier than normal. Range conditions were listed as 48% very poor, 26% poor, 20% fair, 5% good, and 1% excellent.

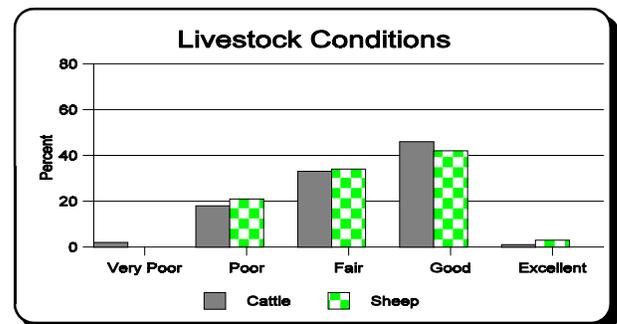
CROP PROGRESS PERCENTAGES WITH COMPARISONS

CROP PROGRESS		This Week	Last Week	Last Year	5-Year Average
APPLES	Harvested	37	22	29	23
CHILE	Harvested-Green	74	68	71	57
CORN	Denting	86	83	97	80
	Mature	41	38	45	29
	Harvested-Silage	54	44	71	44
COTTON	Bolls Opening	59	48	58	49
LETTUCE	Planted	85	75	99	99
SORGHUM (ALL)	Coloring	31	23	44	40
WHEAT (ALL)	Planted	40	14	45	39



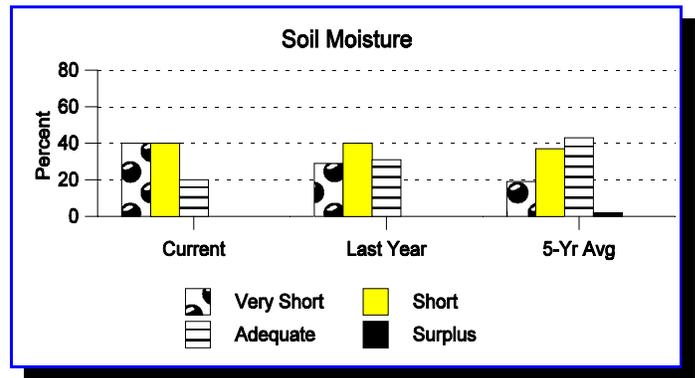
CROP AND LIVESTOCK CONDITION PERCENTAGES

	Very Poor	Poor	Fair	Good	Excellent
Alfalfa	27	11	15	38	9
Apples	20	60	20	--	--
Chile	--	--	7	56	37
Corn	--	--	19	74	7
Cotton	6	4	14	64	12
Lettuce	--	--	24	25	51
Peanuts	--	--	28	72	--
Pecans	--	--	23	66	11
Sorghum (All)	30	18	31	21	--
Cattle	2	18	33	46	1
Sheep	--	21	34	42	3



SOIL MOISTURE PERCENTAGES

	Very Short	Short	Adequate	Surplus
Northwest	40	60	--	--
Northeast	39	49	12	--
Southwest	40	60	--	--
Southeast	43	10	47	--
State	40	40	20	--
State-Last Year	29	40	31	--
State-5-Yr Avg.	19	37	42	2



WEATHER SUMMARY

The first week of September was relatively warm, with temperatures averaging about 4 degrees above normal for the state. Showers were spotty and light for most of the week but significant tropical moisture began streaming northward into New Mexico at the end of the week, allowing showers to begin increasing. Farmington and Quemado both collected over an inch of rain, while Silver City had nearly an inch.

NEW MEXICO WEATHER CONDITIONS SEPTEMBER 2 - 8, 2002

Station	Temperature			Precipitation				
	Mean	Maximum	Minimum	09/02 09/08	09/01 09/08	Normal Sept	01/01 09/08	Normal Jan-Sept
Carlsbad	78.8	96	63	0.00	0.00	2.75	8.04	10.74
Hobbs	75.3	93	59	0.00	0.00	2.36	11.61	13.53
Roswell	79.6	97	62	0.00	0.00	1.87	8.88	10.64
Clayton	74.2	91	59	0.09	0.16	1.77	3.27	13.38
Clovis	74.9	90	58	0.00	0.00	2.16	9.47	14.90
Roy	72.4	90	55	0.00	0.00	1.90	10.70	13.74
Tucumcari	79.2	97	60	0.01	0.01	1.47	8.53	12.45
Chama	60.7	85	40	0.01	0.01	2.23	5.51	16.13
Johnson Ranch	67.4	89	45	0.27	0.27	1.33	4.51	9.05
Capulin	68.2	86	49	0.19	0.19	2.22	8.20	15.30
Las Vegas	67.0	87	45	0.50	0.50	2.07	5.71	14.85
Los Alamos	66.7	83	52	0.48	0.50	2.12	6.26	15.30
Raton	67.6	89	46	0.68	0.68	1.61	6.56	14.64
Santa Fe	70.0	90	49	0.33	0.33	1.51	5.00	11.54
Red River	57.6	78	33	0.08	0.08	1.66	9.65	16.69
Farmington	71.9	93	52	1.21	1.21	0.97	2.37	6.33
Gallup	67.9	88	45	0.45	0.45	1.31	6.05	9.67
Grants	68.0	88	46	0.59	0.59	1.56	3.85	8.51
Silver City	71.0	91	45	0.90	0.90	2.22	3.62	12.86
Quemado	66.6	88	45	1.03	1.03	1.73	8.55	11.41
Albuquerque	77.4	92	61	0.02	0.02	1.00	3.48	7.06
Carrizozo	73.3	92	52	0.00	0.00	1.88	7.01	10.12
Gran Quivera	70.6	89	52	0.10	0.10	1.95	6.57	12.74
Moriarty	70.1	93	48	0.19	0.19	1.61	4.56	10.67
Ruidoso	62.9	82	45	0.60	0.63	2.50	11.39	17.53
Socorro	73.7	92	53	0.02	0.02	1.53	5.20	7.37
Alamogordo	80.6	97	64	0.00	0.00	1.99	3.66	9.91
Animas	76.6	97	52	0.18	0.18	1.68	3.26	8.76
Deming	79.1	97	60	0.55	0.57	1.63	5.94	8.11
T or C	78.1	95	61	0.05	0.05	1.08	2.81	7.67
Las Cruces	79.2	98	59	0.00	0.00	1.36	4.34	7.28

(T) Trace (-) No Report (*) Correction

All reports based on preliminary data. Precipitation data corrected monthly from official observation forms.

LIVESTOCK, DAIRY, AND POULTRY OUTLOOK
USDA, ERS, AUGUST 2002

Wide-spread Drought Pushes Up Feed Costs: Wide-spread drought conditions are pushing up feed costs as crop and pasture conditions erode. The higher feed costs are reducing producers' returns, which means more meat production in the short term as more females are slaughtered and lower long-term production as the number of breeding animals is reduced. With slumping poultry exports due largely to uncertainty in the Russian market, increased beef production due to drought-reduced forage supplies, and a lackluster domestic economy with slower than previously expected growth; livestock and meat prices are expected to continue to face downward pressure.

Cattle and beef cow inventories were down from a year earlier on July 1 and will likely remain below a year earlier when the January inventory is reported. Drought and continued herd reductions are pushing beef production upward toward the 2000 record. Fed cattle prices this summer are the lowest since early 1999. Prices are expected to average near \$71 per hundredweight (cwt) this fall, and move toward the mid \$70s in 2003. Stocker-feeder cattle prices are largely a function of fed cattle prices and the cost of gain. Each dollar increase in fed cattle prices adds about \$1.50 per cwt to yearling feeder cattle prices. Conversely, each 25-cent increase in grain prices results in about a \$1.50 decline in yearly feeder cattle prices.

Weather, irregular forage quality, and continuing adjustments to accommodate tight supplies of replacement heifers have combined to limit the recovery in milk per cow. With the deterioration of the feed grain and oilseed crops, low milk-feed price ratios may join the list of hindrances to full recovery in milk per cow. The lower 2002 returns are expected to erode the increase in milk cow numbers generated by earlier returns. Second-half returns over concentrate costs (after accounting for direct market loss payments) are projected to average well below those of any recent year.

Forage/Grain Prospects Decline: Declining crop yield prospects in late July-early August are resulting in much higher grain prices and cost of gain. Higher grain prices added to an already poor and declining forage outlook has further eroded the cattle sector's expansion outlook.

The grazing and harvesting outlook continued to deteriorate in August from an already poor situation. In mid-August, 48 percent of the pastureland was rated very poor to poor, down from 38 percent a year earlier when drought was also a problem in many areas. Forage conditions have worsened in the North Central States along with deteriorating grain prospects. Drought conditions remain concentrated in the Northern Plains and western States along with States in the mid-Atlantic.

Hay production estimates as of August 1 indicate a drought-reduced harvest of 152.6 million tons, down nearly 3 percent from 2001. Alfalfa hay production was down nearly 5 percent, while other hay production was up 2 percent. Quality of this year's hay crop is also likely down, particularly the other hay. Although producers indicated plans to increase harvested acreage, drought reduced yields to 2.36 tons per acre, down from 2.47 tons per acre in 2001. Supplemental haying in many areas is already pulling down this year's hay stocks, increasing

the likelihood of heavier than normal supplemental hay feeding this fall and winter adding to hay demand. Timely rains to encourage fall pasture growth, including small grain pasture, are becoming increasingly critical.

Cattle Inventory Decline Continues, Present Status Uncertain: Although the mid-year cattle inventory report indicates a slightly larger calf crop in 2002, drought, and worsening forage conditions and rising grain prices, are likely to end any prospects for herd expansion. Cattle and beef cow inventories were down from a year earlier on July 1 and will likely remain below a year earlier when the January inventory is reported. Drought and continued herd reductions are pushing beef production up toward the 2000 record. Cattle/beef prices, although well below a year earlier when poor weather conditions resulted in tight beef supplies, have remained fairly strong given the very large total red meat and poultry supplies this year. Total meat supplies available for consumption are up 4 percent from the record levels of the past 2 years. A weaker export market and much weaker economy are placing additional downward pressure on meat prices.

Inventory Report Suggests Calf Crop To Increase: The July 1 **Cattle** report indicated continued herd reductions and very little hint of a movement toward expansion, present expanding drought impacts more than nullify any expansion. The total cattle and beef cow inventories were both down less than 1 percent, while the dairy cow herd rose less than 1 percent. Numbers of beef heifers being retained for possible herd retention were unchanged and remain at historical lows. Dairy replacement heifers were up 3 percent, suggesting continued expansion. Numbers of heifers calving and entering the cow herd during the first half of the year increased but remained at relatively low levels. Although first-half cow slaughter was down 4 percent from last year, it was up 1 percent from 2000. Weather conditions were very mild the first half of this year, contrasting sharply with the severe weather pattern last year and increased cow slaughter. Cow slaughter is almost certain to be above year-earlier levels if forage conditions don't improve by early fall.

This year's calf crop is expected to rise modestly, but still remains the second smallest calf crop since the early 1950s. The first-half crop was reported down slightly, while producers indicated the second-half calf crop is expected to rise over 2 percent. While this might suggest some hint of expansion, present drought conditions and likely increased cow slaughter could override any hint of expansion in the July 1 report.

Feeder Cattle Supplies Remain Low: Supplies of stocker-feeder cattle outside feedlots on July 1 were unchanged from the low level of a year earlier. Lower feedlot placements in the second quarter and continued lower calf slaughter helped to support supplies outside feedlots. With supplies less than 40 million head and cyclically low calf crops, the supply is going to remain low for at least the next couple of years. Live animal trade has slowed as moderate moisture improvement in Mexico plus declining cattle inventories in Mexico and Canada and lower stocker cattle prices in the United States are reducing the flow of cattle to the United States. At the same time, drought and a very tight grain supply situation in Canada is slowing the movement of U.S. feeder cattle out of the Pacific Northwest into Canadian feedlots.

Fed Marketings Remain Large, Heavy: Although the total number of cattle on feed on July 1 was down 5 percent from 2001, fed cattle marketing will remain large until late summer. In the first half of the year, federally inspected dressed steer weights were up 32 pounds from a year ago, while heifer weights were up 29 pounds. Even though last year's weights were down due to severe weather conditions, this year's weights are set to crush the 2000 record, with little hint of a slowdown in weight increases in the future. Although weights are up sharply, few weight discounts are apparent as higher quality, more consistent beef continues to move into retail and Hotel-Restaurant-Institutional channels, as well as into export markets.

Fed marketings this quarter are likely to be 3 to 4 percent larger than a year ago, with the largest year-to-year increases likely over by Labor Day. With low feeder cattle supplies and higher grain prices, movement into feedlots in late summer through the beginning of early spring grazing in 2003 will be dictated by drought/forage conditions. Even if average forage conditions develop into fall as temperatures moderate, quarterly placements are expected to remain below year-earlier levels through 2003. Consequently, fed marketings and beef production will begin to decline below year-earlier levels this fall through at least 2003.

Fed Cattle Price Pressure Declining, Feeder Pressure Increasing: In early fall, fed cattle prices are expected to begin a slow increase from the low early-summer levels as evidence of falling on-feed inventories and tightening beef supplies become more apparent. Choice fed steer prices in Nebraska averaged \$62.49 per cwt in July; down over \$9 from a year earlier when beef supplies were still relatively tight due to weather-reduced fed marketings. Prices this summer are the lowest since the late 1990s and again in 1996, the last period of high grain prices. Prices are expected to average near \$70 per cwt this fall and move toward the mid-\$70s in 2003 as supplies tighten.

Stocker-Feeder Cattle Prices Under Pressure from Grain/Drought: Stocker-feeder cattle prices are largely a function of fed cattle prices and the cost of gain. Each dollar increase in fed cattle prices adds about \$1.50 per cwt to feeder cattle prices. Conversely, each 25-cent increase in grain prices results in about a \$1.50 decline in yearling prices. Stocker-feeder cattle prices in July averaged about \$15 per cwt below a year earlier as drought and feed cost uncertainties increased. The last time corn prices moved up sharply in 1995/96, yearling feeder cattle prices moved down into the upper \$50s per cwt as prices

were forced down to offset the higher feeding costs. While this year's corn price increase is not likely to set a record, drought and poor forage conditions may force more cattle off pastures and into feedlots and increasing downward price pressure on feeder cattle. Rising fed cattle prices will be partially offsetting, but the key will be improved forage conditions this fall, particularly small grain pasture, so gain cost can be offset by increased weight gain from pastures.

Cow Prices Pressured: Boning Utility cow prices have come under additional pressure this summer as drought conditions worsened. Although cow slaughter is down from a year earlier, it remains large, and beef cold storage stocks, much is thought to be processing beef, were 16 percent above July 1, 2001, levels. Imports of processing beef remain large due to drought in Australia and New Zealand and still weak demand in Japan. North America remains a relatively strong market for processing beef. Cull cow price pressure will continue into fall unless moisture/forage levels improve to take pressure off tight forage/hay stocks this fall and winter.

Retail Prices Remain Relatively Strong Against Record Beef Supplies: Beef supplies have been near record levels in the first half of the year and will remain on a record-setting pace through summer. Retail prices for Choice beef are down from the record prices of a year ago when the harshest winter since 1992/93 unexpectedly reduced beef supplies. However, they remain well above the levels of 2000 when per capita beef supplies were similar. Retail prices in the second quarter averaged \$3.32 a pound, down from the record \$3.45 a year earlier, but well above 2000's \$3.09. As beef supplies tightened this fall and into 2003, cattle and retail prices are expected to strengthen as competition increases for the reduced supplies. Similarly, farm-retail price spreads are likely to tighten as live prices increase faster than retail prices are raised. The second-quarter spread, while down from the record spread last fall, remained very wide. Spreads continue to widen as services increase: fat/bone trim and value-added products increase prices. Retail prices are expected to average about \$3.31 this year before rising to record levels in 2003 as supplies tighten. Although the economy continues to expand, the rate of expansion has slowed and expectations for future growth rates are increasingly uncertain. Additional slowing will temper retail price increases. However, beef exports have strengthened, with the exception of Japan, helping to support live and boxed beef prices.