



New Mexico Agricultural
Statistics Service

Weekly Ag Update

Issue 52-50

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Weather Summary ERS

Available on Internet at: www.nass.usda.gov/nm OR by e-mail (call 1-800-530-8810 for information)

WEATHER SUMMARY

Two winter storms affected New Mexico during the week, with the more intense one on Tuesday. Virtually all of New Mexico received precipitation from at least one of the storms. Ruidoso (1.60"), Alamogordo (1.00"), and Tatum (1.00") all measured at least an inch of water from these storms. Temperatures for the week were generally a little below normal, especially in the northeast where anomalies were as great as -8. The statewide average was 2 degrees below normal.

NEW MEXICO WEATHER CONDITIONS DECEMBER 2-8, 2002

Station	Temperature			Precipitation				
	Mean	Maximum	Minimum	12/02 12/08	12/01 12/08	Normal Dec	01/01 12/08	Normal Jan-Dec
Carlsbad	42.3	66	31	0.37	0.37	0.41	12.25	12.79
Hobbs	38.9	69	27	1.00	1.00	0.48	15.92	16.05
Roswell	41.1	65	31	0.79	0.79	0.55	13.80	12.93
Clayton	31.1	57	16	0.41	0.41	0.29	9.28	15.09
Clovis	38.3	61	23	0.95	0.95	0.54	13.85	17.51
Roy	33.8	47	25	0.35	0.35	0.45	16.28	15.74
Tucumcari	36.2	57	25	0.27	0.27	0.27	14.85	14.17
Chama	26.3	44	6	0.35	0.35	1.80	11.88	21.61
Johnson Ranch	30.9	46	12	0.28	0.28	0.67	8.15	11.52
Capulin	26.4	50	-3	0.70	0.70	0.48	12.25	17.42
Las Vegas	29.1	50	15	0.42	0.42	0.47	10.32	16.96
Los Alamos	29.3	42	19	0.66	0.66	1.08	11.49	18.72
Raton	27.9	52	7	0.93	0.93	0.58	11.35	16.80
Santa Fe	33.0	46	17	0.48	0.48	0.77	9.54	13.98
Red River	23.1	42	2	0.24	0.24	1.16	18.49	20.49
Farmington	34.3	46	21	0.06	0.09	0.50	6.42	8.62
Gallup	33.6	48	19	0.38	0.38	0.96	10.47	12.87
Grants	31.9	46	18	0.82	0.82	0.66	9.67	10.80
Silver City	39.9	58	21	0.81	1.29	1.20	9.13	15.92
Quemado	34.6	53	17	0.09	0.09	1.02	12.94	14.06
Albuquerque	38.6	50	29	0.36	0.36	0.50	6.26	8.88
Carrizozo	38.6	58	12	0.53	0.82	0.76	11.27	12.83
Gran Quivera	34.3	55	19	0.00	0.00	1.10	10.62	16.02
Moriarty	27.6	49	6	0.96	0.96	0.54	7.15	12.71
Ruidoso	38.0	58	20	1.60	1.60	1.63	16.98	21.35
Socorro	38.6	52	22	0.67	0.67	0.58	9.41	9.53
Alamogordo	45.9	66	30	1.00	1.00	0.82	9.69	12.74
Animas	45.4	61	31	0.40	0.74	1.08	6.70	11.70
Deming	44.3	62	27	0.60	0.65	0.85	8.58	10.58
T or C	42.2	58	28	0.96	1.01	1.07	7.43	10.29
Las Cruces	46.6	64	28	0.87	0.87	0.68	6.94	9.40

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

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

Livestock Situation and Outlook

USDA, ERS, November 2002

Total Red Meat and Poultry Exports to Bounce Back in 2003 Contents

Total red meat and poultry exports are expected to increase about 5 percent in 2003 over 2002, after posting a 3-percent decline this year. The largest contributor to the decline this year is broiler exports, which are expected to register an 8-percent year-over-year reduction. The reduction is due to exporting problems to Russia and export bans related to localized disease outbreaks. In 2003 broiler exports are expected to register a 7-percent gain. Red meat exports are expected to post gains of 6 percent this year and 2 percent in 2003.

The prospects for broiler exports have improved due to larger than expected shipments in July and August. Exports in August were 535 million pounds, the second highest monthly exports ever, and 15 percent higher than a year ago. The growth in August was the result of increased shipments to several smaller markets, as exports to the four largest markets,—Russia, Hong Kong, Mexico, and Japan—declined. Exports to Russia in August were above July but still below a year ago. However, the increase in exports has not translated into higher domestic prices, due to continued strong growth in broiler production and burdensome stock levels. Prices for broiler parts are expected to remain depressed until stocks are drawn down.

Dairy product sales apparently have begun to grow again after about a year of sluggishness. Commercial disappearance during July-September rose about 2 percent from a year earlier on a milkfat basis and almost as much on a skim solids basis, mostly because of large increases in September. However, these increases do not mean that demand is back from its extended weakness. Summer prices were much below those of a year earlier, stimulating sales. Also, September 2001 sales were very weak as buyers had enough supplies in the pipeline to slash purchases and let prices drop.

Dairy Use Recovers—a Bit Dairy product sales apparently have begun to grow again after about a year of sluggishness. Commercial disappearance during July-September rose about 2 percent from a year earlier on a milkfat basis and almost as much on a skim solids basis, mostly because of large increases in September. However, these increases do not mean that demand is back from its extended weakness. Summer prices were much below those of a year earlier, stimulating sales. Also, September 2001 sales were very weak as buyers had enough in the pipeline to slash purchases and let prices drop.

Despite the lack of a pronounced rebound, demand appears to have resumed slow growth. Summer sales were larger than 2 years ago and increases were fairly

broad. Rises in commercial use are expected to continue, favored by both dairy prices and some growth in the economy. Dairy demand is projected to continue to recover during the rest of 2002 and 2003, but rapid growth is not likely.

Sales of American cheese jumped 6 percent in July-September, following a 3-percent rise the preceding quarter. Restaurant use of these cheeses seems to have rebounded, as have retail sales. However, use of other varieties was just barely above a year earlier, similar to the pattern earlier in the year. Sales of Mozzarella were lower than a year earlier, reflecting continuing doldrums in the pizza market. Consumers reportedly have not shifted to pizza instead of more expensive restaurant meals, an atypical pattern during a period of economic weakness.

Butter sales were just slightly below a year earlier this summer, although September disappearance was much larger than last year's depressed level. Retail sales reportedly were larger. However, restaurant use was down, and retailers had not begun widespread, aggressive specialling. Disappearance of nonfat dry milk was still down sharply this summer, the combination of sluggish ingredient use and increased competition from imported concentrated milk proteins. Even so, the drop of just less than a fifth was much smaller than the 30-percent drop during the first half of the year.

Fluid milk sales continued to run about the same to slightly larger than a year earlier. However, use of most perishable manufactured products still slipped. Ice cream has not been able to benefit thus far from much more moderate milkfat prices and consumers seeking inexpensive treats.

Support Purchase Prices Adjusted The support purchase price for nonfat dry milk was lowered a dime to 80 cents per pound effective November 15, 2002. This follows a similar sharp reduction in May 2001. The support purchase price for butter was raised about 20 cents per pound, to 105 cents, in order to maintain the support price of milk at \$9.90 per cwt. Purchase prices for cheese were not changed. These changes in support purchase prices were not reflected in the USDA forecasts released November 12, 2002.

The adjustments were made in response to a continuing large surplus of skim solids and very large accumulated stocks of nonfat dry milk. During the marketing year just ended, net removals of skim solids were almost 6 percent of marketings, while milkfat removals were almost negligible. Although the surplus of skim solids had been projected to abate slightly during the current year, an end to large removals of nonfat dry milk was not in sight. Limits

on subsidized exports agreed to as a part of the WTO prevent the United States from pushing a domestic surplus onto the international market to the extent practiced by the European Union, Canada, or the United States in some earlier years.

Preliminary analysis indicates market prices of nonfat dry milk will reflect the reduction in support purchase price fairly fully, because a substantial skim solids surplus is likely to persist even at the lower price. The higher purchase price for butter may result in small winter butter purchases, with most of the butter representing excessive butter stocks not trimmed sufficiently in 2002.

Previous experience with such price adjustments indicates that they are likely to result in smaller longer-term surpluses of skim solids, but that changes may occur only slowly. These dramatic price cuts will encourage food processors to boost use of dry and wet skim solids in processed foods. They also diminish the price advantage of imported milk proteins and lower prices of skim-milk-based products such as cottage cheese. However, processors hesitate to re-formulate products because of the direct costs involved and the expensive process of re-labeling.

In a separate action, the Department announced that 25,576 tons of nonfat dry milk, 1,137 tons of cheese, and 7,912 tons of butterfat have been allocated under the Dairy Export Incentive Program (DEIP). These allocations represent somewhat more than a third of the limits for the contract year ending June 2003 and may lead to the first DEIP exports of butter since 2000. Last summer's quarterly allocations were quickly used, and the new allocations may also quickly generate contract interest. Although international dairy markets remain relatively weak, recent import demand has been somewhat more active, possibly spurred by production concerns in Oceania.

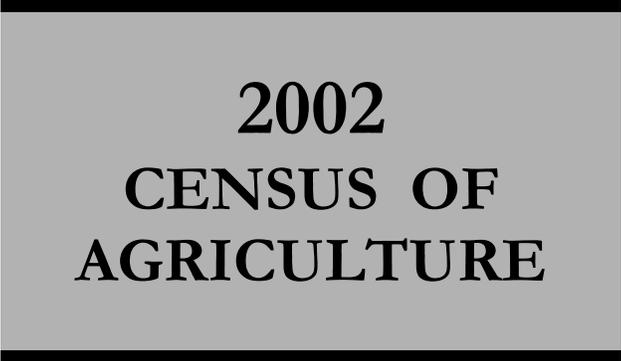
Fed Cattle Market Strengthens Fed-steer prices have rallied \$5 since early October, reaching the upper \$60s per cwt in early November as poor feeding conditions slowed marketings. With weekly beef production running above year-earlier levels, the market strength indicates relatively good product movement in export and domestic channels. Prices strengthened in early November as muddy feedlot conditions resulted in weight loss and reduced marketings.

In October, slaughter weights and numbers were both

above year-earlier levels. The average federally inspected slaughter weights for steers bounced between 840 and 844 pounds in mid October, apparently searching for its seasonal (and all-time) high. Weights broke in late October as the muddy conditions affected weight gain and resulted in some weight loss. Improved weather conditions and cattle adjusting to winter feeding conditions will result in compensatory gains and improved marketings. Average heifer weights, which tend to peak later than for steers, also advanced steadily until conditions resulted in a downturn in late October. A year ago, mild winter conditions contributed to unusually good weight gains particularly in comparison to the poor feeding conditions in 2000/01. For the quarter, the commercial cattle slaughter weight is forecast to average 766 pounds, about 8 pounds above a year earlier. Poor feeding conditions and additional cow slaughter would result in lower weights.

If slaughter weights have indeed peaked, beef production will moderate in the coming weeks as slaughter numbers also decline seasonally. Although beef production in the October-December quarter is expected to be about 1 percent over a year earlier, prices for fed cattle are expected to average in the upper \$60s per cwt as packers compete for declining numbers of cattle. In recent months, fed-cattle marketings have been brisk relative to inventory levels. On October 1, cattle-on-feed inventory (7 States) was down 5 percent from a year earlier. Feeder cattle supplies outside feedlots on October 1 were about unchanged from a year earlier. However, placements are expected to remain below year earlier levels, as wheat-grazing prospects in the High Plains winter wheat areas are the best in several years. Improved weather conditions will result in more light cattle moved to pasture.

The upturn in prices will likely continue next year as steer and heifer slaughter drops each quarter relative to a year earlier, with the largest year-to-year declines occurring in the second half. Cow slaughter is expected to drop sharply in 2003 as forage conditions improve. Assuming normal winter feeding conditions, gains in average slaughter weight should slow from this year's record pace, but will rise modestly as the proportion of cows in the slaughter mix declines. For the year, beef production is forecast down 5 percent in 2003. Prospects for reduced beef supplies and higher cattle prices next year depend to a large extent on "normal" forage and grazing conditions in spring and summer, which would encourage producers to retain animals for breeding rather than feeding them for slaughter.



**2002
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