

### INCLUDED IN THIS ISSUE

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### QUARTERLY FARM LABOR

**NEW MEXICO-ARIZONA:** There were 22,000 hired workers on farms and ranches in New Mexico and Arizona (Mountain Region III) during the week of January 12 - 18, 2003. This was an increase of 3,000 from October 2002, and 4,000 more than in January 2002. Hours worked on farms and ranches in the region averaged 47.2 hours per worker, down 0.5 hours from last year and 9.4 hours higher than the U.S. average. Wages paid were down in all categories from last January. All workers received an average of \$8.12 per hour, down 13 cents from October 2002 and down 30 cents from January 2002. Workers in our region received \$1.20 less than the national rate of \$9.32 for all hired workers.

**UNITED STATES:** There were 884,000 hired workers on the Nation's farms and ranches the week of January 12-18, 2003, down 1 percent from a year ago. Of these hired workers, 724,000 workers were hired directly by farm operators. Agricultural service employees on farms and ranches made up the remaining 160,000 workers. Farm operators paid their hired workers an average wage of \$9.32 per hour during the January 2003 reference week, up 35 cents from a year earlier. The number of hours worked averaged 37.8 hours for hired workers, compared with 38.5 hours a year ago. Field workers received an average of \$8.29 per hour, up 4 cents from last January, while livestock workers earned \$8.91 per hour compared with \$8.20 a year earlier. The field and livestock worker combined wage rate, at \$8.50 per hour, was up 27 cents from last year.

**Workers on Farms, hours worked Per Week, and Wage Rates for All Hired Workers,  
Selected Regions and U.S., January 2002-2003 <sup>1/</sup>**

	Mountain II <sup>2/</sup>		Mountain III <sup>3/</sup>		Southern Plains <sup>4/</sup>		United States <sup>5/</sup>	
	Jan 6-12 2002	Jan 12-18 2003	Jan 6-12 2002	Jan 12-18 2003	Jan 6-12 2002	Jan 12-18 2003	Jan 6-12 2002	Jan 12-18 2003
<b>Workers on Farms</b>	-----Thousands-----							
All Hired Workers	17	20	18	22	61	50	707	724
<b>Hours Worked</b>	-----Hours Per Week-----							
All Hired Workers	33.2	39.7	47.7	47.2	41.5	37.9	38.5	37.8
<b>Workers By Work Type</b>	-----Dollars Per Hour-----							
Field	8.54	9.15	7.57	6.92	7.82	8.13	8.25	8.29
Livestock	8.48	8.73	8.48	8.22	7.37	8.51	8.20	8.91
Field & Livestock	8.51	8.85	7.85	7.48	7.57	8.29	8.23	8.50
All Workers	9.15	9.66	8.42	8.12	8.05	8.85	8.97	9.32

<sup>1/</sup> Excludes agricultural service workers. <sup>2/</sup> Mountain Region II consists of CO, NV & UT. <sup>3/</sup> Mountain Region III consists of AZ & NM. <sup>4/</sup> Southern Plains region consists of OK & TX. <sup>5/</sup> Excludes AK.

## AGRICULTURAL OUTLOOK

USDA, ERS, February 2003

**Livestock and Poultry Prices Higher in 2003** Livestock and poultry prices are expected to rise in 2003 as total red meat and poultry production drops 1-2 percent from last year. Additional price support is expected from a 5-percent rise in exports. Prices of all species are expected to be higher, led by Choice steer prices, which are expected to average \$73-\$78 per hundredweight (cwt.) in 2003, compared with \$67 in 2002. Turkey prices are expected to register the smallest gain, 3-4 percent.

Cattle and calves on January 1, 2003, totaled 96.1 million head, down less than 1 percent from a year earlier, but down over 7 percent from the 1996 cyclical peak of 103.5 million head. Last year marked the 7th year of herd liquidation in this cycle, which began in 1990 at 95.8 million head. As a result of the continuing inventory decline, beef production in 2003 is expected to drop about 4 percent from 2002. High cow slaughter and continued drought in many areas will likely extend the liquidation stage beyond 2003. Tight forage supplies, uncertain water supplies, and a weakened financial base for producers may prevent too rapid an expansion.

Broiler production in 2003 is expected to be up less than 1 percent from last year. The weekly egg sets are below a year ago as producers react to low prices and export uncertainties. The timing of Russia's poultry quota remains unclear, but the U.S. share of the quota is expected to be large enough to allow a 5-percent increase in total broiler exports in 2003. As a result, broiler prices are expected to average 60 cents per pound in 2003, compared with 55.6 cents last year.

Hog slaughter in January exceeded earlier expectations, and it now appears that first-quarter slaughter may be about 1 percent above last year. With the higher slaughter, the national base cost for 51-52 percent lean hogs (live equivalent) is likely to range between \$34-\$36 per hundredweight. Slightly higher supplies of pork products will reduce retail prices to \$2.63 a pound. The estimate for fourth-quarter 2002 imported live hogs was lowered 3 percent, to 1.55 million head. This change reflects weekly import data from USDA/APHIS suggesting that while fourth-quarter 2002 imports of Canadian feeder pigs increased over fourth-quarter 2001, fewer slaughter hogs came south than in the same period of 2001. Official U.S. import data for the final month of 2002 will be released by the U.S. Census on February 20.

**Cattle Cycle Liquidation Phase Continues, But Slowing** Cattle inventories have continued to decline, but at a relatively moderate rate over the past 2 years. Periodic drought in some areas and continued drought in others has limited the industry's forage resources, forcing cow slaughter to remain relatively high. Consequently, the industry has had difficulty stabilizing, much less beginning to expand. Cattle and calves on January 1, 2003, totaled 96.1 million head, down less than 1 percent from a year earlier, but down over 7 percent from the 1996 cyclical peak of 103.5 million head. Last year marked the 7th year of herd liquidation in this cycle, which began in 1990 at 95.8 million head. The present high cow slaughter and ongoing drought in many areas will almost certainly push even the beginning stages of expansion beyond 2003. Forage supplies remain very tight and water supplies are uncertain in many regions. Rebuilding the forage base and, for many producers, the financial base, even with stronger cattle prices, is likely to be slow.

**Feeder Cattle Supplies Tighten, On-Feed Inventories Down**

Although the calf crop was down slightly in 2002, supplies of feeder cattle outside feedlots on January 1, 2003, were up over 1 percent (368,000 head) from a year earlier. However, the January 1 total cattle on feed inventory was down nearly 945,000 head. This leaves a fairly large deficit in feedlot inventories this year, although placements will be relatively large this winter.

A much larger proportion of the feeder cattle supply is on small grain pasture this year. The number of calves, other heifers, and steers being grazed in Kansas, Oklahoma, and Texas is 3.7 million head, up 900,000 head from a year ago. Rates of gain on wheat pasture, similar to those in feedlots, have been very good, and cattle will start to be moved off pasture through March, beginning in the southern areas as the crop begins to develop. These cattle gain much better on small grain pasture than on other winter pasture, and most will be marketed from feedlots through midsummer. Once these winter-grazed cattle are placed on feed, supplies of feeder cattle will tighten sharply. Improved moisture and grazing conditions this spring and summer would increase competition for the reduced supply of stocker/feeder cattle. Further retention of heifers from last year's calf crop, which could be bred in late spring-early summer, or retained from this year's calf crop for breeding next year, will further tighten supplies and result in even lower feedlot placements in late spring through the next couple of years.

Cattle on feed inventories (7-State) on January 1, 2003, were down 8 percent from a year earlier. First-quarter feedlot placements will likely be near or just above year-earlier levels as stocker cattle are removed from small grain pastures. Consequently, placements will likely exceed marketings, but inventories will remain well below year-earlier levels. Feedlot inventories in the second half of the year are likely to average 8 to 10 percent below a year earlier. Largest year-to-year declines in fed cattle marketings will be in late summer-fall, after the last of the small grain pasture cattle are marketed.

**Fed Cattle and Cow Slaughter Expected To Decline in Second Half** Beef production in January provides a glimpse of winter production concerns. Although beef production was down about 2 percent from a year earlier, cow slaughter was up 8 percent while steer and heifer slaughter was down 4 percent. Poor forage conditions and continued higher hay prices force more beef cows to slaughter, and the increased availability of dairy replacement heifers has resulted in much larger dairy cow slaughter. Conditions through the beginning of spring grazing will be critical for beef cow slaughter levels. Fed cattle marketing should range from near to slightly below year-earlier levels this spring through midsummer. However, slaughter levels should decline fairly sharply in late summer through fall and into 2004. Beef cow slaughter should fall below year earlier levels beginning this spring, although regaining near-normal forage conditions will be critical. Many areas remain very dry this winter, and reservoirs remain very low throughout the West. The drought has expanded into the western Corn Belt this winter.

**Fed Prices Again Challenge Records** Tighter than expected fed cattle supplies and continued strong demand resulted in fed cattle prices challenging the strong prices of early 1993 and 2001, when weather extremes reduced beef supplies well below expectations and resulted in strong competition for the available supply. With on-feed inventories already down, supplies will likely remain tight, but become more available as the weather moderates into the important spring and summer barbecue season. Fed cattle prices are likely to

remain well above a year earlier and average in the mid-\$70s this spring and summer, particularly as beef exports to Japan appear to be moving back toward pre-BSE levels. Prices are expected to return to the upper \$70s range this fall. Stocker/feeder cattle prices remain under pressure due to large feedlot losses over the past 18 months and concerns of price declines from the lofty levels of early winter. This winter, yearling prices have averaged only near fed cattle price levels, and at times have actually averaged slightly lower. Prices are expected to rise into the mid \$80s this spring and into the upper \$80s this summer as competition for the reduced supply increases. Feeder cattle prices this fall and into 2004 are likely to move into record territory of the low \$90s. Heifer retention and favorable grazing conditions will be key to this scenario's development.

Utility cow prices are averaging near \$40 per cwt. this winter, but are expected to move into the mid-to upper \$40s this spring through the second half of the year. Herd rebuilding and tight supplies of imported processing beef will also contribute to stronger prices.

**Retail Beef Prices Continue To Strengthen** Cattle and boxed beef prices have moved into record territory, and retail prices for Choice beef have been increasing since October when they dipped to \$3.26 a pound, the lowest monthly price in 2002. Prices rose throughout the fourth quarter, but averaged below the fourth-quarter 2001 record of \$3.35 a pound. Retail prices are expected to rise throughout the year, and the average for 2003 likely will break the record of \$3.38 set in 2001.

**Dairy Heifer Markets Ease** The worst of the recent replacement heifer shortage appears to be over. During 2001-2002, very strong demand for heifers to fill new barns generated soaring prices for replacement heifers, despite historically large heifer supplies. These short-run pressures, on top of long-run trends increasing demand for heifers, dried up heifer availability enough to significantly affect milk cow numbers. Milk per cow was weakened by abnormal culling just to keep barns full. By the end of 2002, slowing pressure for dairy farm expansions, and growth in heifer supplies had restored more normal conditions in heifer markets. However, similar periods are likely periodically until management practices fully adjust to higher long-run heifer prices.

On January 1, 2003, farmers held 4.1 million dairy replacement heifers, up about 1 percent from the previous 2 years. The number of replacements per 100 milk cows was a record 44.8. A ratio of only about 41 heifers was adequate to expand the milk cow herd without strain 20 years earlier, and there were still only about 43 heifers per 100 cows a decade ago. Possibly most important was the relatively large number of heifers intended to enter the milking herd during the year, up 1 percent from a year earlier and 5 percent from 2001. The increase in dairy replacements is at least partially a response to the very high heifer prices of recent years. The annual average price of milk cow replacements set a record every year during 1999-2002. Although farmers were already attempting to raise almost all of the potential replacement heifers, these strong prices created extra incentive to reduce death loss and health problems leading to culling. Also, the strong markets encouraged additional attention to heifer nutrition and care to ensure that they came into the herd on schedule. Although these management adjustments had very small individual effects, they collectively led to a significant expansion of the heifer herd.

By mid-2001, the generally strong returns to milk production during

1998-2001 were making many of the stronger dairy farmers anxious to build new operations and bring them into production. These expansions put severe pressure on heifer supplies and prices. Replacement cow prices reached an average of around \$1,700 in late 2001-early 2002, up almost a fourth from any time previous to 2001. By the time heifer prices peaked, milk prices were already dropping sharply. However, heifer prices continued to be supported by the need for heifers to stock those expansions still coming into production, to fill the earlier expansions not yet up to capacity, and to replace cows that normally would have been culled earlier.

In January 2003, replacement cow prices were back to levels similar to those of 1999 or 2000. Replacement prices may ease further in coming months. The larger number of heifers may be joined by larger supplies of older replacements, if the rate of dairy farm exits creeps up as expected. In addition, the number of new facilities coming into production should be slowing. However, prices are not likely to decline to the levels of most of the 1990s, forestalled by the long-run trend increase in the number of heifers needed under current management practices. Changes in the heifer market provide mixed signals for 2003 milk production. Easing in heifer markets implies that heifer availability is no longer a major limitation to individual farm expansions. Expansions can come into operation quicker and more fully, having a more immediate impact on total milk cow numbers. On the other hand, the portion of the heifer price decline that comes from weaker demand for replacements indicates that dairy farm expansions may finally be slowing, and that lower milk prices may be starting to restrain milk production.

**Sheep and Lamb Inventory Continues To Decline** The inventory of all sheep and lambs fell in 2002, continuing the long downturn. On January 1, 2003, inventory totaled 6.35 million head, down 5 percent from 2002 and 9 percent from 2001. Among the top 10 States, the biggest percentage drops were in Oregon (18 percent), Utah (12 percent), and Montana (10 percent). Texas, the largest sheep producing State, experienced a 7-percent drop. California, the second largest sheep producing State, saw a 1-percent drop. The breeding sheep inventory declined by 5 percent from a year ago, compared with a 1-percent decline last year. Texas saw a 40,000-head reduction in breeding sheep and lambs, while Montana, Wyoming, and Utah each saw 30,000-head reductions. The replacement lamb inventory was 4 percent below a year earlier but 4 percent higher than 2 years ago, prior to the ewe retention program instituted as part of the Lamb Industry Improvement Initiative. Persistent drought conditions in the Western States resulted in a higher than normal sell off of breeding ewes, especially in the summer and early fall of 2002. Continued drought conditions in 2003 may result in further reductions in the breeding stock and continue to dampen the impact of the ewe retention program.

**Tight Supplies Expected and Lamb Prices Near Record Levels** In 2003, commercial production of lamb and mutton is projected to total 208 million pounds, down 5 percent from a year ago. The inventory decline and the ongoing drought conditions would continue to reduce numbers of market lambs and tighten domestic supplies. Tight supplies are expected to continue in the first quarter of 2003 as high prices encourage producers to hold lambs to heavier weights and market them for the Easter and Passover holidays. Lamb demand usually peaks at the religious holidays, which are in mid-April this year. With the existing tight lamb supplies, prices are expected to increase to near record levels. Prices of slaughter lambs at San Angelo are expected to average \$97 per cwt in the first quarter, 2003, more than \$30 per cwt. above the same period last year. Lower production estimates also suggest higher U.S. farm prices for lamb in 2003.

### WEATHER SUMMARY

A couple of winter-type storms moved across New Mexico during the week, with the main storm mainly impacting the southern half of the state on Wednesday and Thursday. Greatest precipitation totals included 1.50 inches at Las Cruces, 1.11 inches at Carlsbad, .93 inches at Deming and .91 inches at Truth or Consequences. Temperatures for the week were generally normal or slightly below normal. The highest reading was in Roswell, which reached 80 degrees on the 18<sup>th</sup>. The coldest reading of the week was -1 at Chama on the 23<sup>rd</sup>.

#### NEW MEXICO WEATHER CONDITIONS FEBRUARY 17 - FEBRUARY 23, 2003

Station	Temperature			Precipitation				
	Mean	Maximum	Minimum	02/17 02/23	02/01 02/23	Normal Feb	01/01 02/23	Normal Jan-Feb
Carlsbad	51.2	78	30	1.11	1.18	0.35	1.18	0.70
Hobbs	45.9	76	28	0.38	0.38	0.50	0.38	0.89
Roswell	51.9	80	32	0.43	0.45	0.46	0.50	0.89
Clayton	36.8	55	7	0.06	0.07	0.31	0.07	0.55
Clovis	44.7	66	28	T	0.03	0.51	0.03	0.90
Roy	36.8	50	25	0.00	0.15	0.43	0.15	0.77
Tucumcari	44.1	65	24	0.02	0.61	0.45	0.61	0.73
Chama	25.9	47	-1	0.16	0.87	1.58	0.99	3.35
Johnson Ranch	33.4	53	10	0.10	0.46	0.57	0.46	1.24
Capulin	31.7	50	13	0.16	0.34	0.56	0.64	0.96
Las Vegas	36.1	55	19	T	0.58	0.39	0.58	0.71
Los Alamos	34.4	52	19	0.18	0.50	0.80	0.51	1.66
Raton	34.0	57	14	0.15	0.34	0.54	0.36	1.01
Santa Fe	35.3	58	11	0.12	0.68	0.69	0.68	1.32
Red River	23.9	43	4	0.56	1.65	1.22	2.22	2.29
Farmington	38.4	55	21	0.37	0.72	0.57	0.86	1.16
Gallup	34.4	55	11	0.14	0.60	0.74	0.61	1.54
Grants	34.6	58	14	0.00	0.00	0.51	0.00	1.00
Silver City	43.5	61	25	0.25	0.73	1.25	0.91	2.41
Quemado	37.6	55	14	0.05	0.37	0.72	0.40	1.55
Albuquerque	42.5	61	28	0.17	0.81	0.46	0.81	0.90
Carrizozo	43.4	62	24	0.49	0.49	0.57	0.71	1.17
Gran Quivera	39.7	60	20	0.00	0.22	0.82	0.22	1.52
Moriarty	38.3	62	22	0.17	0.29	0.48	0.29	0.91
Ruidoso	40.5	59	26	0.41	0.48	1.16	0.62	2.28
Socorro	45.0	68	24	0.01	0.16	0.39	0.16	0.78
Alamogordo	52.9	70	34	0.00	0.24	0.54	0.24	1.21
Animas	51.2	68	33	0.18	0.80	0.51	0.82	1.19
Deming	49.9	71	31	0.93	1.27	0.46	1.28	1.02
T or C	49.1	69	32	0.91	0.92	0.38	0.92	0.84
Las Cruces	52.1	74	30	1.50	1.72	0.37	1.75	0.83

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

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