

INCLUDED IN THIS ISSUE

Crop Weather ERS

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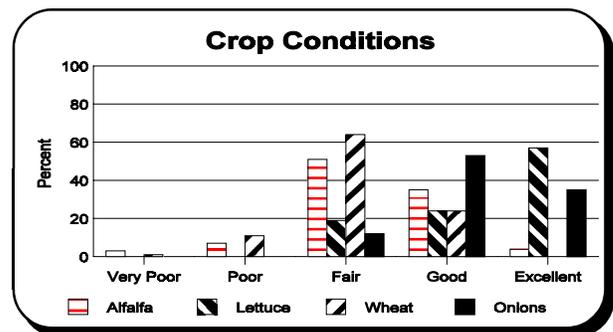
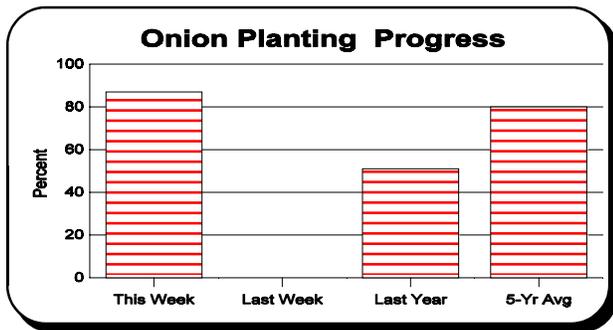
CROP SUMMARY FOR THE WEEK ENDING MARCH 16, 2003

NEW MEXICO: There were 6.8 days suitable for field work. Wind damage was 13% light and freeze damage was 2% light and 1% moderate. Farmers spent the week plowing and turning their fields, pre-irrigating, cleaning ditches, and planting chile and onions. Winter wheat is in mostly fair to good condition, with 41% being grazed. Onions are in fair to excellent condition with 87% planted. Chile is well ahead of previous years, with 24% already planted. Lettuce is in good shape, with the crop reported as fair to excellent. Alfalfa is in mostly fair to good condition. Fruit trees are already starting to flower due to the warm weather, leaving them susceptible to late freeze. Ranchers were busy calving, branding, and maintaining their herds. Supplemental feeding has increased across much of the state and many ranchers are having to cut back their herds even more. Cattle are listed as 5% very poor, 11% poor, 30% fair, and 54% good. Sheep are listed as 6% very poor, 14% poor, 23% fair, 52% good, and 5% excellent. Pasture and range conditions are 24% very poor, 27% poor, 38% fair, and 11% good.

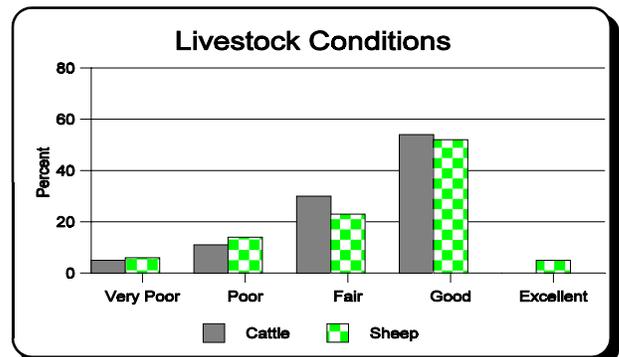
CROP PROGRESS PERCENTAGES WITH COMPARISONS

CROP PROGRESS		This Week	Last Week	Last Year	5-Year Average
CHILE	Planted	24	1/	1/	9
ONIONS	Planted	87	1/	51	80
WHEAT (ALL)	Grazed	41	1/	1/	1/

^{1/} Not available

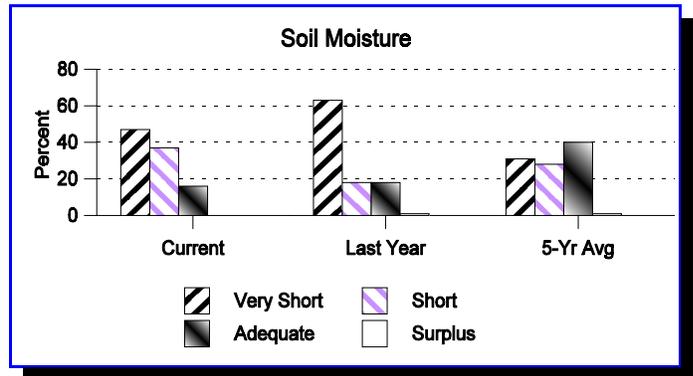


	Very Poor	Poor	Fair	Good	Excellent
Alfalfa	3	7	51	35	4
Lettuce	—	—	19	24	57
Onions	—	—	12	53	35
Wheat (All)	1	11	64	24	—
Cattle	5	11	30	54	—
Sheep	6	14	23	52	5
Range/Pasture	24	27	38	11	—



SOIL MOISTURE PERCENTAGES

	Very Short	Short	Adequate	Surplus
Northwest	90	10	--	--
Northeast	50	50	--	--
Southwest	16	47	37	--
Southeast	56	19	25	--
State	47	37	16	--
State-Last Year	63	18	18	1
State-5-Yr Avg.	31	28	40	1



WEATHER SUMMARY

It was a very warm week in New Mexico, with temperatures well above normal statewide. The statewide average was 9 degrees above normal and much of the northeast and east-central plains were 10 to 14 degrees above normal. Lower elevations of the east and south hit 80 degrees on a few days. The week was also generally dry, although some precipitation began falling at the end of the week with a complex storm system that will linger over New Mexico this week. By week's end, Gallup (.23") was the only spot that measured over one fifth of an inch. Data incomplete for Roy and Silver City.

NEW MEXICO WEATHER CONDITIONS MARCH 10 - MARCH 16, 2003

Station	Temperature			Precipitation				
	Mean	Maximum	Minimum	03/10 03/16	03/01 03/16	Normal Mar	01/01 03/16	Normal Jan-Mar
Carlsbad	62.3	83	36	0.05	0.05	0.30	1.23	1.00
Hobbs	56.1	81	28	0.02	0.02	0.52	0.40	1.41
Roswell	61.4	83	38	T	0.00	0.45	0.52	1.34
Clayton	54.0	76	22	0.00	0.04	0.55	0.11	1.10
Clovis	59.6	79	37	0.00	0.00	0.59	0.13	1.49
Roy	52.2	70	36	0.00	0.00	0.55	0.15	1.32
Tucumcari	58.1	79	27	0.00	0.00	0.40	0.61	1.13
Chama	37.1	64	10	0.16	0.44	1.99	2.80	5.34
Johnson Ranch	44.8	69	20	0.00	0.00	0.74	1.24	1.98
Capulin	46.1	70	22	0.00	0.47	0.89	1.14	1.85
Las Vegas	49.6	69	29	0.00	0.01	0.56	0.61	1.27
Los Alamos	48.1	63	35	0.05	0.11	1.22	1.00	2.88
Raton	46.8	73	20	0.00	0.47	0.83	0.83	1.84
Santa Fe	47.9	71	25	T	0.00	0.74	0.94	2.06
Red River	37.4	57	18	0.02	0.07	1.78	3.58	4.07
Farmington	48.9	72	27	0.07	0.33	0.81	2.36	1.97
Gallup	42.5	70	16	0.23	0.27	1.05	1.27	2.59
Grants	43.6	71	17	0.03	0.03	0.50	0.41	1.50
Silver City	51.7	73	29	0.00	0.18	0.96	1.45	3.37
Quemado	42.1	70	17	0.00	0.50	0.80	1.19	2.35
Albuquerque	54.6	73	35	0.06	0.06	0.54	1.08	1.44
Carrizozo	52.8	76	25	T	0.00	0.57	0.94	1.74
Gran Quivera	53.4	74	34	0.00	0.00	0.72	0.30	2.24
Moriarty	47.0	75	18	0.02	0.02	0.53	0.38	1.44
Ruidoso	47.4	68	25	0.04	0.04	1.33	1.00	3.61
Socorro	54.6	80	27	0.00	0.00	0.27	0.39	1.05
Alamogordo	61.4	82	37	0.00	0.00	0.46	0.98	1.67
Animas	59.5	78	36	0.00	0.00	0.47	1.27	1.66
Deming	58.5	79	36	0.07	0.07	0.34	1.84	1.36
T or C	59.2	77	37	0.00	0.05	0.34	0.97	1.18
Las Cruces	59.7	83	34	0.00	0.04	0.22	1.83	1.05

(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,

March 2003

Milk Production To Increase; Prices To Decline Milk production in 2003 is expected to increase about 1 percent, compared with 2.6 percent in 2002. However, demand for dairy products weakened substantially in 2002 and now large commercial stocks overhang the market, pressuring prices. Farm milk prices have fallen from an average of nearly \$15 per hundredweight (cwt) in 2001 to just more than \$12 in 2002. In 2003, prices are to fall further and average \$11.10 to \$11.70 per cwt.

Total red meat and poultry production is expected to be down over 1 percent in 2003, compared with a more than 3-percent increase in 2002. Cattle and hog producers continued to reduce their breeding herds, and hatchery data indicate a continuing pull back by poultry producers. Livestock and poultry prices are projected to be higher across the board in 2003.

In early 2003, beef and pork production have been larger than expected. The increased beef production is largely due to the highest cow slaughter since 1997. Dairy cow slaughter through February is up about 10 percent compared with last winter. Beef cow slaughter is up about 3 percent. Dairy cow slaughter is up because of poor returns and a large number of replacement dairy heifers available. Producers are culling their poorer cows, and replacing them with heifers. The higher beef cow slaughter reflects continued deterioration in forage conditions and a colder winter. The larger than expected hog slaughter may reflect more gilts coming to slaughter as producers reduce the sow and gilt inventory.

Dairy Doldrums To Continue The dairy industry in early 2003 was in much the same shape as during 2002. Milk production was still growing briskly, mostly on unusually strong milk cow numbers. Meanwhile, commercial use's struggle to post significant gains continued. Commercial stocks of butter are huge, and other commercial stocks are quite ample. Signs of adjustment to much lower prices are beginning to emerge. But, these signs are quite faint, and no real momentum has developed to slow growth in milk production or to boost dairy demand. Significant recovery in milk prices does not seem likely in 2003.

Milk prices collapsed in 2002 as surging production shot past sagging dairy demand. Generally high returns during 1996-2001 generated strong pressures for expansion in milk production. However, these pressures were largely stymied in 2001 by a shortage of replacement heifers and tight supplies of western alfalfa. Expansion was not to be denied in 2002 as the problems of the previous year began to be resolved.

Demand for dairy products weakened substantially in 2002. Commercial use grew just barely, even though prices were substantially lower. Weak demand in 2002 was in sharp contrast to the very robust demand of the preceding 4 years. Farm milk prices fell from an average of almost \$15 per cwt in 2001 to just more than \$12 in 2002, ending the year even weaker than at the start. Recent milk prices were the lowest since the late 1970s and have rather dim prospects for recovery in the short term.

Milk Production Surge Continues Milk cow numbers in the 20 major States edged higher during most months of 2002, going from slightly below a year earlier in early 2002 to almost 1 percent

above by year end. For all States, milk cow numbers were not quite as strong, growing during the first half and then staying about flat during the rest of the year. Sizable numbers of new or greatly expanded facilities came into production, and earlier expansions were brought up to capacity.

The lack of replacement heifers made increases in cow numbers more gradual than normal. In addition, relatively few farms quit dairying. Most of the weaker dairy operations have fairly low debt, giving them considerable flexibility as to when they leave. The relatively strong returns of recent years and the direct payments from Milk Income Loss Contracts (MILC) gave them extra resiliency to very low milk prices.

Last autumn's sharp drop in prices of replacements indicated that heifer supplies are no longer a substantial restraint on milk cow numbers. It also meant that upward pressure on cow numbers may have started to ease, as the surge in expansions probably has crested. However, dairy farm exits have yet to pick up much, although some acceleration is expected as the year progresses. Fewer expansions and more exits would start milk cow numbers declining in coming months. However, declines probably will be gradual and are not likely to be dramatic by even year end. For the year, the decrease in average milk cows is projected to be less than 1 percent.

The 2002 forage situation was highly mixed. Alfalfa hay production was down slightly and stocks of all hay (and probably alfalfa) were substantially lower on December 1, 2002. Alfalfa quality in most areas varied greatly from cutting to cutting. Silage quality and yields also were erratic because of dry weather. However, the situation for dairy farmers probably is not as bad as it might appear. The West likely has the best alfalfa situation in several years, the result of larger output and weaker export demand. Also, the greatest pressure on forage supplies has been from beef producers looking for grass or low quality alfalfa hay. Since autumn, alfalfa hay prices have run below a year earlier.

Forage developments may be critical in 2003. In some years with similar conditions, dairy farmers simply ran out of adequate forage in late spring, and milk per cow was harmed significantly. Whether such a situation emerges will hinge on the largely unknown amounts and quality of forage stocks on dairy farms and on forage crop development early in the new season. Dairy farmers will be vulnerable throughout the season to any shortfalls in 2003 production of dairy quality forage.

Smaller crops of feed grains and soybeans boosted concentrate prices during 2002. The price impacts were somewhat muted by the effects of large stocks at the end of the previous crop year. Even so, higher feed prices and much lower milk prices dropped milk-feed price ratios sharply from 2001's very high levels to levels normally associated with below-trend increases in concentrate feeding and milk per cow.

The expected low milk prices probably will leave milk-feed price ratios quite low again in 2003, even if crops are normal. Concentrate feed prices are projected to be above a year earlier (and milk prices below) through at least summer. Additionally, feed prices will be more vulnerable to weather problems this year because of the reduced carryin stocks.

Milk per cow rose 2.3 percent in 2002, much less impressive than it seems following stagnation in 2001. Milk per cow made only slight recovery against the long-run trend. Compared with the 5-year average, 2002 milk per cow grew at an annual average rate of only 1.7 percent, much below the trend of 2 percent or a bit more. Low milk-feed price ratios and erratic forage quality share much of the blame. Disrupted culling patterns because of the lack of heifer availability probably also contributed. Gains in milk per cow weakened considerably as the year progressed.

Very weak growth going into 2003, little economic incentive to boost concentrate feeding, and erratic forage quality do not bode well for increases in milk per cow, even if this year's weather is normal. In addition, there likely is an unusually large share of first-calf heifers in the milking herd this year, further limiting potential gains. Milk per cow is projected to rise considerably less than 2 percent in 2003.

Milk production jumped 2.6 percent in 2002. Increases from a year earlier were very large through summer, first because of recovery in milk per cow and later because of growth in milk cow numbers. Although the autumn increase slackened, milk production expansion stayed sizable.

Changes in 2002 milk production varied greatly by region. Output rose rapidly in the West as the Mountain and Pacific regions boosted cow numbers and managed a mediocre increase in milk per cow. Production also rose in the Northern Plains, Corn Belt,

Southern Plains, and Northeast. The Midwestern grain regions increased milk production because of increases in milk per cow large enough to offset modest declines in milk cow numbers. The increasing number of large "new style" dairy farms in those regions has lifted average milk per cow considerably. The Northeast had a sizable increase in milk per cow, following sluggish growth in 2001 that easily outweighed a fractional decrease in cow numbers. Meanwhile, brisk recovery in milk per cow in the Southern Plains dwarfed a sizable drop in milk cows.

Milk production slipped in the Lake States. A sizable decline in cow numbers was accompanied by only a small gain in milk per cow. Meanwhile, milk output continued to drop in the South. The Appalachian, Southeast, and Delta regions continue to lose cows relatively rapidly as many of their farmers have not been competitive at recent prices. Milk per cow was fairly stagnant in southern regions, in part because of a less favorable summer.

Milk per cow in 2002 was more than 10 percent larger than the 1996-98 average, an annual growth rate of 2.0 percent. About a fifth of the increase in average milk per cow during that period was due to shifts in the distribution of cows among States. If States' shares of the U.S. milk cow herd had remained unchanged during the last 5 years, milk per cow would have increased at only a 1.6-percent annual rate. Milk production is projected to increase about 1 percent in 2003.