

**INCLUDED IN THIS ISSUE**

Crop Weather ERS

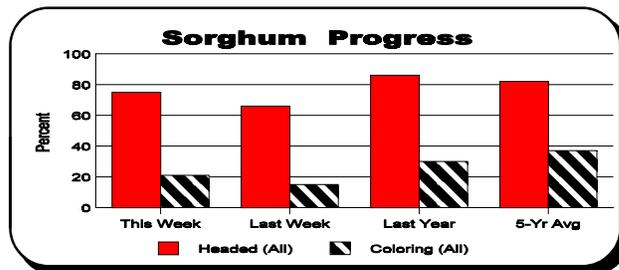
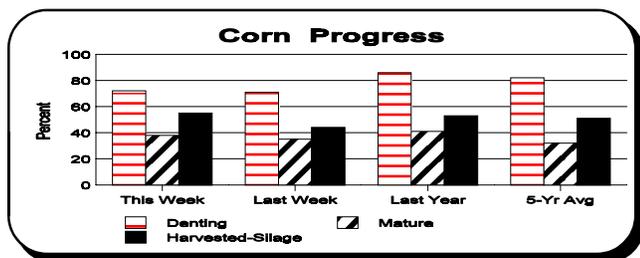
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**CROP SUMMARY FOR THE WEEK ENDING SEPTEMBER 7, 2003**

**NEW MEXICO:** There were 6.3 days suitable for fieldwork. Farmers spent the week cutting hay, corn for silage, planting wheat, and harvesting green chile. The 4<sup>th</sup> cutting of alfalfa was completed this week with the 5<sup>th</sup> cutting moving along with 75% cut and the 6<sup>th</sup> cutting at 8% cut. Alfalfa condition remains in mostly fair to good condition. Corn conditions showed improvement, with 6% poor, 45% fair, 19% good, and 30% excellent. Corn progress was 72% dented with 38% of the crop matured. Corn harvested for silage was 55%, still ahead of the five year average. Cotton condition was reported as 7% very poor, 15% poor, 45% fair, 16% good, and 17% excellent. Cotton progress slowed this week with 32% of the bolls opening, and is about 19% behind the five year average. Total sorghum remained in mostly very poor to fair condition. Sorghum progress was still behind last year with the total crop reported at 75% headed, 21% coloring, and 1% maturing. Total wheat was reported to be 21% planted. Chile was listed in mostly poor to good condition with 65% of the green crop harvested. Pecans were reported in fair to excellent condition and drop was mostly average with 94% and 6% below average. Peanuts were in mostly fair to good condition, with reports that harvest will begin next week. Apple harvest began this week with 12% harvested and conditions in poor to fair condition. Ranchers continue to maintain herds while coping with the drought situation. Weight gains continue to decline. Cattle were reported as 4% very poor, 25% poor, 35% fair, 18% good, and 18% excellent. Sheep conditions were 37% poor, 46% fair, 16% good, and 1% excellent. Range and pasture was listed as 56% very poor, 23% poor, 19% fair, and 2% good.

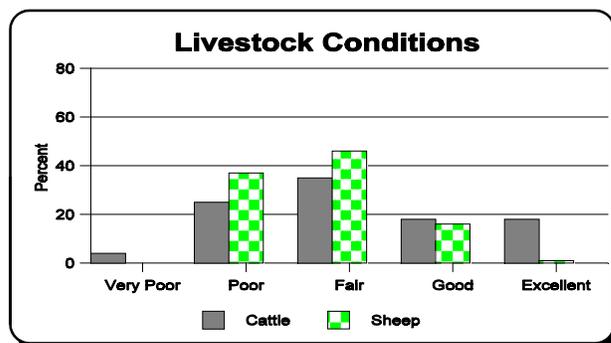
**CROP PROGRESS PERCENTAGES WITH COMPARISONS**

CROP PROGRESS		This Week	Last Week	Last Year	5-Year Average
APPLES	Harvested	12	NA	35	23
CHILE	Harvested-Green	65	61	73	61
CORN	Denting	72	71	86	82
CORN	Mature	38	35	41	32
CORN	Harvested-Silage	55	44	53	51
COTTON	Opening Bolls	32	30	57	51
SORGHUM (All)	Headed	75	66	86	82
SORGHUM (All)	Coloring	21	15	30	37
WHEAT (All)	Planted	21	NA	36	40



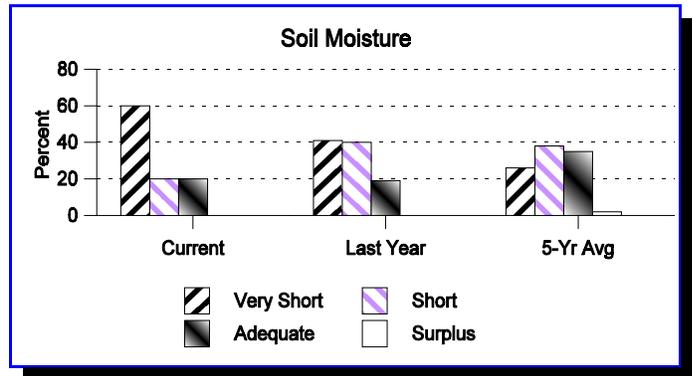
**CROP AND LIVESTOCK CONDITION PERCENTAGES**

	Very Poor	Poor	Fair	Good	Excellent
Alfalfa	13	7	53	19	8
Apples	—	35	65	—	—
Chile	9	20	15	46	10
Corn	—	6	45	19	30
Cotton	7	15	45	16	17
Lettuce	—	—	—	30	70
Peanuts	—	—	85	15	—
Pecans	1	1	34	27	37
Sorghum (All)	23	30	43	2	2
Cattle	4	25	35	18	18
Sheep	—	37	46	16	1
Range/Pasture	56	23	19	2	—



**SOIL MOISTURE PERCENTAGES**

	Very Short	Short	Adequate	Surplus
Northwest	NA	NA	NA	NA
Northeast	51	25	24	--
Southwest	100	--	--	--
Southeast	61	19	20	--
State	60	20	20	--
State-Last Year	41	40	19	--
State-5-Yr Avg.	26	38	35	1



**WEATHER SUMMARY**

Late-summer weather prevailed with temperatures close to normal at most locations and scattered showers and thunderstorms each day. Rainfall favored the northern mountains as Red River collected over 2½ inches, and Chama and Las Vegas both measured over an inch. Roswell and Animas were the only locations that did not measure any rainfall at all. Data incomplete for Los Alamos and Quemado. Precipitation missing for Alamogordo.

**NEW MEXICO WEATHER CONDITIONS SEPTEMBER 1- 7, 2003**

Station	Temperature			Precipitation				
	Mean	Maximum	Minimum	09/01 09/07	09/01 09/07	Normal Sep	01/01 09/07	Normal Jan-Sep
Carlsbad	75.8	92	58	0.15	0.15	2.75	4.32	10.74
Tatum	71.1	90	53	0.37	0.37	2.36	5.40	13.53
Roswell	75.7	92	60	T	0.00	1.87	2.65	10.64
Clayton	68.3	84	53	0.16	0.16	1.77	9.83	13.38
Clovis	71.3	87	56	0.93	0.93	2.16	10.37	14.90
Roy	65.9	84	51	0.54	0.54	1.90	4.97	13.74
Tucumcari	71.3	91	56	0.41	0.41	1.47	11.93	12.45
Chama	56.7	82	36	1.46	1.46	2.23	12.71	16.13
Johnson Ranch	65.9	87	45	0.87	0.87	1.33	6.20	9.05
Capulin	61.4	80	46	0.35	0.35	2.22	10.55	15.30
Las Vegas	63.2	84	47	1.09	1.09	2.07	4.97	14.85
Los Alamos	63.6	79	50	0.26	0.26	2.12	7.20	15.30
Raton	64.4	86	46	0.54	0.54	1.61	8.45	14.64
Santa Fe	66.1	86	44	0.19	0.19	1.51	4.34	11.54
Red River	55.9	76	37	2.61	2.61	1.66	16.10	16.69
Farmington	70.8	92	48	0.03	0.03	0.97	2.85	6.33
Gallup	66.8	88	45	0.09	0.09	1.31	5.00	9.67
Grants	66.4	88	43	0.41	0.41	1.56	4.01	8.51
Silver City	70.0	86	54	0.22	0.22	2.22	4.25	12.86
Quemado	66.3	85	46	0.64	0.64	1.73	7.21	11.41
Albuquerque	73.4	88	56	0.19	0.19	1.00	4.07	7.06
Carrizozo	70.2	87	52	0.39	0.39	1.88	6.63	10.12
Gran Quivera	67.7	86	50	0.59	0.59	1.95	5.20	12.74
Moriarty	67.3	90	43	0.16	0.16	1.61	4.47	10.67
Ruidoso	62.1	78	47	0.39	0.39	2.50	9.84	17.53
Socorro	71.3	91	52	0.15	0.15	1.53	2.16	7.37
Alamogordo	76.8	91	61	0.00	0.00	1.99	3.67	9.91
Animas	77.1	92	52	0.04	0.04	1.68	1.97	8.76
Deming	77.6	94	60	0.00	0.00	1.63	3.65	8.11
T or C	74.4	89	58	0.41	0.41	1.08	2.94	7.67
Las Cruces	76.6	93	59	0.03	0.03	1.36	5.07	7.28

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

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

**LIVESTOCK OUTLOOK**  
*USDA, ERS, AUGUST 2003*

***Declines Faster Than Expected for Breeding Sheep***

***Inventory:*** The U.S. sheep inventory is declining faster than expected. On July 1, 2003, the U.S. sheep and lamb inventory totaled 7.8 million head, 4 percent below a year earlier. This compares with a 2-percent decline in each of the two previous years. Drought conditions in the western United States continue to result in greater than normal culling of breeding ewes. The July 1, 2003, breeding sheep inventory dropped 4 percent from the previous year. Compared with a 2-percent decline a year earlier and a 3-percent decline 2 years ago. Replacement lambs have declined 2 percent for 2003 (replacement lambs declined 4 percent in 2002), and their share of the total breeding inventory has remained at 13 percent.

Declining lamb and mutton production shows no sign of slowing. First-half lamb and mutton production was down nearly 12 percent from a year ago while choice slaughter lamb prices at San Angelo, Texas market averaged \$27 per cwt above the same period, a year earlier. Short supplies have kept strong slaughter lamb prices throughout the first half and prices are expected to remain fairly strong for the second half of the year. However, prices are expected to fall slightly with the customary seasonal decline in demand during the third quarter.

Imports of lamb and mutton continue to be strong, although the first half imports are less than the same period last year. Lamb imports for the first half reach 84 million pounds, down nearly 9 percent from the same period, a year earlier. First quarter, 2003 imports totaled 40 million pounds, down 17 percent from a year earlier and second quarter imports totaled 44 million pounds, the same as a year earlier. Drought conditions in Australia, a primary U.S. supplier, may result in continued tight total supply for the United States. Imports in 2003 are expected to account for about 46 percent of U.S. consumption, up from 31 percent in 1998.

***Grain/Forage Supplies Tighten:*** Although corn production is forecast at record levels, the crop was reduced from the July estimate as conditions deteriorated west of the Mississippi River. Similarly, total feed grain production was reduced 3 percent from the July forecast, but remains a large crop. The projected price range for corn was increased 10 cents from last month to \$2.00 to \$2.40 a bushel, down from \$2.30 in 2002/03, but well above 2001's \$1.97 average.

Grazing conditions deteriorated rapidly during July and early August with the drought spreading from the West into most of the Great Plains. Rebuilding hay stocks will again be important to maintaining even the reduced cattle inventory. Autumn rains and establishing small grain pastures and accumulating grass for fall and winter grazing will be paramount as the industry moves into calf weaning and cow culling season. Beef and particularly dairy cow

slaughter has remained large this year, and beef cow slaughter has increased with the worsening drought situation.

Total hay production is expected to rise sharply this year. Alfalfa production is forecast to rise 6 percent. Production of other hay is also forecast to rise 6 percent as yields are expected to reach record levels, although excess moisture conditions in many areas may have resulted in poor harvesting conditions and hay quality. In July the farm price of alfalfa averaged \$92.70 a ton, down seasonally from \$98.90 in June, well below last year's \$102 average. Conversely, the farm price of other hay averaged \$77.80 in July, down only marginally from June, but up \$5.60 a ton from a year earlier. While producers are likely building stocks, poorer feeding quality of this large harvest likely increased demand for the better hay, resulting in a portion of the price increase.

***Cattle Cycle Continues To Lengthen:*** Cattle inventories continue to decline in 2003 as drought and increasing market uncertainties make producers reluctant to begin expansion. The rate of decline has moderated with most inventory categories unchanged to down less than 1 percent. The total cow inventory was reduced only marginally with beef cows down only 150,000 head, but was the 8th year of decline. The number of beef replacement heifers is unchanged from the low levels of the past 2 years, and down over a million head from the mid-1990's. The number of replacement heifers calving and entering the herd during the first half of the year rose but not enough to offset the continued large cow slaughter. This year's calf crop is expected to be 38 million head, down less than 1 percent from last year and the smallest calf crop since 1951. Continued large cow slaughter and low heifer retention insure declining beginning cattle inventories in 2004 and 2005. The ban on cattle imports from Canada will also hold down feeder cattle numbers.

***Feeder Cattle Supplies Continue Decline:*** Supplies of stocker/feeder cattle outside of feedlots and available for eventual feedlot placement continues a slow modest decline along with the cattle inventory. Very modest heifer retention continues to support larger numbers of heifers being placed on feed, although the number of heifers on feed is down. A continued ban on imports of feeder cattle from Canada will also hold down feeder cattle supplies. However, in the fall and winter larger numbers of U.S. feeder cattle are usually exported to Canada. With large numbers of Canadian cattle on feed, until the ban is lifted fewer United States feeder cattle are likely to be exported to Canada. Demand for feeder cattle in the United States is expected to be strong. This will add to fall and winter supplies of feeder cattle.

***Fed Cattle Supplies Remain Tight:*** Canadian cattle slaughtered in the United States. have been removed from

the second-half 2003 and 2004 forecasts of domestic slaughter and production. Both industries will be undergoing adjustments at least through mid-winter, which is about the earliest the Canadian industry can adjust to feeding and slaughtering the cattle which up until May 20 entered the United States as feeder cattle eventually to be slaughtered in United States plants. Cattle on feed inventories on August 1 were down 5 percent from a year earlier as July placements remained large, but marketings rose even more. Fed cattle continue to be marketed ahead of schedule and at lighter weights to fill the beef void due to the ban on Canadian beef and cattle imports.

The ban on live cattle imports from Canada also will result in changes in feedlot/slaughter relationships. Over the past 3 years marketings from feedlots with over 1,000 head of capacity represented 80.2 to 80.8 percent of commercial steer and heifer slaughter. Typically the first quarter represented the largest proportion and the fourth quarter the lowest proportion of steer and heifer slaughter. The remaining cattle were from smaller feedlots and Canadian slaughter cattle for immediate slaughter. The Canadian cattle comprised a little more than 1 percent of the slaughter mix. Consequently, marketings from the 1,000 plus head feedlots are expected to represent about 81.5 to 82 percent of steer and heifer slaughter.

Fed cattle marketings and slaughter rates are expected to remain strong through September, but the rate will slow as Canadian beef comes into the market again and U.S. cattle pick up more days on feed to compete in the higher quality domestic and export beef market. A return toward the longer term record weight trend is unlikely until next winter when the U.S./Canada beef production systems come more into alignment with changed domestic and trade alignments. U.S. slaughter weights will rise, but it will likely be winter before the industries come into balance and more normal feeding periods. Even then, cattle inventories in both countries are lower than a year earlier and are likely to continue declining until at least January 2006.

Cow slaughter remains strong with the extension of the drought area into the heart of the beef cow population in the Great Plains since early summer is not likely to slow until grazing conditions improve seasonally this fall. Cow slaughter has remained large even with the ban on imports of Canadian cows for slaughter. Consequently domestic cow slaughter has been even larger than comparisons with previous data with Canadian cow imports for

slaughter would suggest.

***Tight Supplies Result in Record Retail and Near-Record Cattle Prices:*** Prices of Choice beef at retail have been on a record-setting pace since February. Prices averaged a record \$3.64 a pound in the second quarter, up from \$3.32 a year earlier and the previous second-quarter record of \$3.45 set in 2001, another year with weather reduced supplies. This year, prices were already on a record pace due to poor winter weather conditions and sharply lower slaughter weights. The ban on Canadian imports on May 20 made a tight supply situation even tighter. Retail prices averaged \$3.65 a pound in July, continuing the record setting pace. Slaughter weights have been increasing, but at less than a seasonal rate as marketings continue to be pulled forward. Even as Canadian beef returns to the market, lower U.S. cattle inventories mean per capita supplies are expected to remain well below year-earlier levels this fall and likely for the next couple of years.

Similarly fed cattle prices have been on a record setting pace for the past 2 months and are likely to approach the old August 1990 record of \$77.18 per cwt. Tight supplies are likely to keep prices in the \$77-78 averages this fall and winter. Improved weather and forage conditions could result in heifer retention and further tightness in 2004 fed beef supplies. Prices next spring through fall are likely to average in the low \$80s, particularly if the economic recovery continues and international demand for high quality beef remains strong.

Yearling feeder steer prices are likely to remain strong, particularly with moderate grain prices and tight fed cattle supplies. Prices are likely to remain in the upper \$80's per cwt, touching on \$90 per cwt at times. Utility cow prices remain strong as supplies of Canadian cow/processing beef remains banned from the U.S. market. Prices are averaging near \$50 per cwt this summer, up from \$37.69 a year ago. Prices are likely to remain near \$50 over the next year, and prices could rise even more if the United States and world cattle sectors shift toward female retention and herd expansion. Fed beef supplies will remain tight due to reduced cattle inventories, and processed beef supplies could get equally tight. At the present time supplies of 50-percent lean processing beef are in very tight supply due to the light slaughter weights and reduced fat trim. Imported 90-percent lean beef remains at a strong discount to the domestic product.