

INCLUDED IN THIS ISSUE

Crop Weather ERS

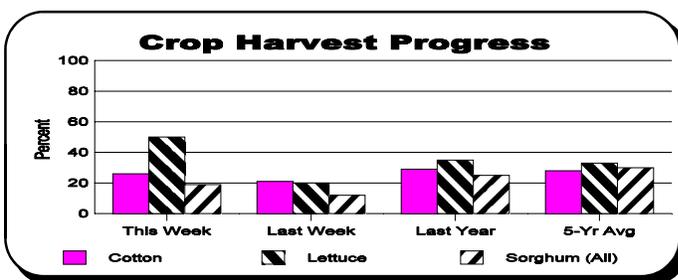
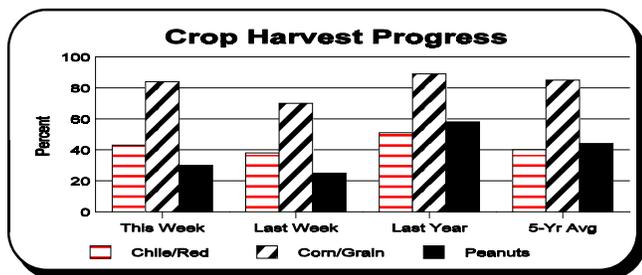
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CROP SUMMARY FOR THE WEEK ENDING OCTOBER 26, 2003

NEW MEXICO: There were 6.8 days suitable for fieldwork. Farmers spent the week harvesting crops furiously with the temperatures dropping, clipping the last of the alfalfa hay crop, and irrigating pecan orchards. Alfalfa hay was in mostly poor to good condition, with the 6th cutting 82% complete and the 7th cutting 25% complete. Cotton conditions were mostly fair to good while 26% of the crop was harvested. Harvest of corn for grain is getting close to finishing at 84% complete, close to the five year average. Total sorghum conditions were in very poor to fair condition and the crop was 58% mature and 19% harvested for grain, falling under the five year average. Winter wheat was in mostly poor to fair condition with the crop 97% planted and 86% emerged. The red chile crop was in mostly good condition and the harvest was 43% complete. Pecans were reported in mostly fair to excellent condition. Peanuts were in mostly fair condition with 30% of the harvest complete, lettuce was 50% harvested, and onions were 90% planted. Some ranchers reported their calves looked decent which is surprising with the pasture situation. Calves were sold this week and cattle were either sold or moved to winter pastures. Cattle conditions listed as 9% very poor, 20% poor, 44% fair, 12% good, and 15% excellent. Sheep were listed as 13% very poor, 20% poor, 35% fair, 26% good, and 6% excellent. Range and pasture conditions were 51% very poor, 27% poor, 21% fair, and 1% good.

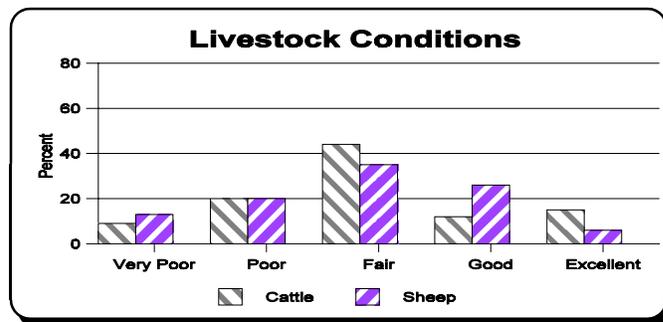
CROP PROGRESS PERCENTAGES WITH COMPARISONS

CROP PROGRESS		This Week	Last Week	Last Year	5-Year Average
CHILE	Harvested-Red	43	38	51	40
CORN	Harvested-Grain	84	70	89	85
COTTON	Harvested	26	21	29	28
LETTUCE	Harvested	50	20	35	33
ONIONS	Planted	90	85	87	85
PEANUTS	Harvested	30	25	58	44
SORGHUM (All)	Mature	58	54	79	87
SORGHUM (All)	Harvested	19	12	25	30
WHEAT (All)	Emerged	86	80	99	89



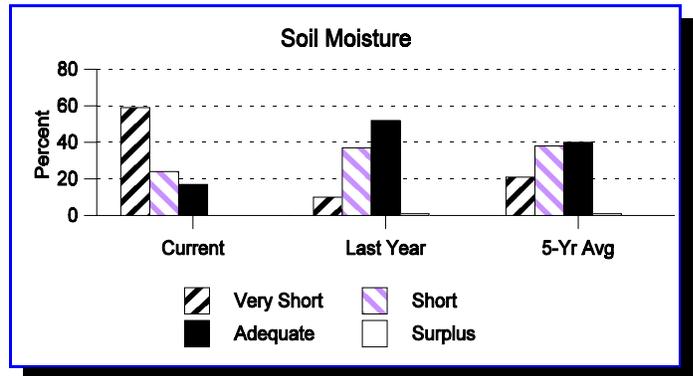
CROP AND LIVESTOCK CONDITION PERCENTAGES

	Very Poor	Poor	Fair	Good	Excellent
Alfalfa	4	21	47	25	3
Chile	3	14	17	61	5
Cotton	5	8	42	38	7
Lettuce	--	--	--	62	38
Onions	--	--	6	74	20
Peanuts	--	1	64	35	--
Pecans	--	1	25	55	19
Sorghum (All)	32	29	31	8	--
Wheat (All)	13	34	37	11	5
Cattle	9	20	44	12	15
Sheep	13	20	35	26	6
Range/Pasture	51	27	21	1	--



SOIL MOISTURE PERCENTAGES

	Very Short	Short	Adequate	Surplus
Northwest	63	27	10	--
Northeast	64	26	10	--
Southwest	70	7	23	--
Southeast	45	31	24	--
State	59	24	17	--
State-Last Year	10	37	52	1
State-5-Yr Avg.	21	38	40	1



WEATHER SUMMARY

Although most of the week was warm and dry, the coldest air of the season thus far filtered into New Mexico late in the week. A few patches of light snow fell in the mountains with spotty cold rain at lower elevations in the southeast plains on Saturday, and many lower-elevation stations over the northern two thirds of the state experienced the first freeze of the season. Temperatures hit 90 at some of the lower elevation stations in the south and east through mid-week, while on Sunday morning, some single digit readings were measured over portions of the north.

NEW MEXICO WEATHER CONDITIONS OCTOBER 20 - OCTOBER 26, 2003

Station	Temperature			Precipitation				
	Mean	Maximum	Minimum	10/20 10/26	10/01 10/26	Normal Oct	01/01 10/26	Normal Jan-Oct
Carlsbad	63.8	90	39	0.13	1.06	1.05	5.77	11.79
Tatum	62.1	89	34	0.00	0.37	1.49	5.85	15.02
Roswell	63.0	90	35	0.00	0.14	1.19	2.79	11.83
Clayton	58.3	89	27	0.00	0.63	0.90	10.73	14.28
Clovis	63.2	88	31	0.00	1.63	1.34	12.92	16.24
Roy	55.2	82	22	0.00	0.46	1.05	6.04	14.79
Tucumcari	59.1	91	26	0.00	0.82	0.94	12.83	13.39
Chama	46.6	78	8	0.00	0.97	1.96	15.26	18.09
Johnson Ranch	52.0	82	15	0.00	0.15	1.11	6.77	10.16
Capulin	48.9	83	9	0.00	0.18	0.97	11.03	16.27
Las Vegas	53.1	83	16	0.00	0.48	0.97	5.67	15.82
Los Alamos	56.6	76	22	0.00	0.90	1.32	8.39	16.62
Raton	51.1	86	14	0.00	0.36	0.97	9.24	15.61
Santa Fe	54.8	81	18	0.00	1.18	1.04	6.09	12.58
Red River	42.8	71	9	0.04	1.11	1.46	20.10	18.15
Farmington	54.8	81	26	0.00	0.74	0.85	4.59	7.18
Gallup	49.9	81	16	0.00	0.79	1.29	6.82	10.96
Grants	51.1	81	16	0.00	0.82	1.05	5.23	9.56
Silver City	60.8	83	32	0.00	0.34	1.16	4.59	14.02
Quemado	49.6	82	20	0.00	0.83	1.18	8.36	12.59
Albuquerque	60.4	82	32	0.00	1.58	0.89	5.70	7.95
Carrizozo	56.9	85	32	0.00	1.47	1.19	8.10	11.31
Gran Quivera	55.4	82	22	0.00	0.84	1.27	6.35	14.01
Moriarty	52.4	84	10	0.00	2.06	1.10	7.01	11.77
Ruidoso	51.6	78	24	0.06	1.70	1.31	11.65	18.84
Socorro	55.6	82	27	0.00	1.67	1.11	4.06	8.48
Alamogordo	64.6	88	36	0.00	0.00	1.30	3.86	11.21
Animas	65.6	88	41	0.00	0.07	1.15	2.09	9.91
Deming	63.1	89	38	0.00	0.65	0.98	4.38	9.09
T or C	63.1	86	35	0.00	0.50	0.95	3.73	8.62
Las Cruces	63.4	90	34	0.00	0.12	0.91	5.39	8.19

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

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

LIVESTOCK and DAIRY OUTLOOK
USDA ERS, OCTOBER 2003

Cow/Heifer Slaughter Remains Large: Although cattle prices are at record levels, producers exhibit little inclination toward herd expansion. Continued poor forage conditions in many areas and uncertainties over domestic cattle/beef prices stemming from the confirmation of a single cow with BSE in Canada on May 20 have resulted in more expansion caution. In addition, the opportunity cost of retaining heifers, even in areas with adequate forage, is very high. Consequently, female slaughter remains very large. Third-quarter heifer slaughter is paralleling the record levels of the mid-1970's. Granted heifers on feed are being pulled ahead of normal marketing dates to support beef production, but there is little evidence to suggest any movement toward herd expansion. Similarly total cow and dairy cow slaughter this summer will likely be the largest since 1997, which was the second year of herd liquidation in this cattle cycle. Beef cow slaughter is the largest since 1998. The dairy sector continues to adjust cow inventories down in response to poor returns, while the beef cattle sector remains concerned with forage uncertainties in many areas, and, given the record prices for feeder cattle, faces a high opportunity cost for retaining replacement heifers.

Record Prices Pull Fed Cattle Marketings Forward: At the beginning of the third quarter, cattle on feed inventories were 5 percent below a year earlier. However, with the ban on Canadian beef and cattle imports, and continued very strong domestic and export demand for beef, prices were forced to record levels to pull fed cattle marketings ahead of schedule. In late summer/early fall, weekly steer and heifer federally inspected slaughter weights were averaging about 35 pounds below a year earlier. To maintain beef production near year earlier levels, given the reduced slaughter weights, steer and heifer slaughter increased nearly 3 percent. The situation seems to be becoming even tighter as markets enter the fall quarter. Much of the sharp price increase through late summer was for the higher quality beef. In September, Choice boxed beef prices averaged \$156.55 per cwt, about 40 percent above a year earlier. Select beef prices were up about 20 percent. These dramatic price increases served to ration the extremely tight supply of higher quality beef. However, as fed cattle supplies have been pulled ahead and slaughter weights have been held down, end users are increasingly shifting to Select beef. In

early fall, even Select beef supplies are tightening and as end-users are rationed out of the Choice/Prime beef market, competition for the relatively more available supplies of Select beef will also be rationed with higher prices.

The September retail price for Choice beef indicates that much of the live/wholesale price increase is being absorbed by the retail sector. The retail Choice beef price declined nearly 3 cents to \$3.71 a pound from the August record of \$3.74, but the wholesale to retail price spread declined 28 cents a pound. Higher retail prices are going to be passed on to consumers over the next couple of months or boxed beef and fed cattle prices are going to come under pressure. Given the tight fed cattle supply situation, retail beef prices are likely to continue on a record-setting path as the higher prices are passed on to consumers.

Although a permit system allows imports of certain boneless beef products from slaughter plants limited to slaughtering cattle under 30 months of age increased imports have been slow to materialize. Imports remain well below year earlier levels, but appear to be increasing as more permits are issued. Although feedlot placements have risen sharply this summer, feeder cattle supplies are already down sharply. This year's calf crop is expected to be 38 million head, the smallest calf crop since 1951. Any movement toward retaining heifers being weaned this fall for possible breeding next spring and summer will tighten supplies further. Supplies will continue to tighten until additional beef and/or slaughter/feeder cattle begin to be imported from Canada. A rule-making process, in coordination with the International Office of Animal Health and major beef market participants, is in process to determine conditions under which trade may resume, particularly for countries with strong prevention protocol and only a very limited outbreak. Regardless of what happens with Canada, beef supplies will remain very tight over the next couple of years. Increased supplies are simply not biologically possible until at least 2006, unless something happens to force increased herd liquidation. Increased liquidation due to drought and larger feedlot placements and slaughter in the short run would only further reduce beef supplies in the future.

Milk Supply Not Enough To Erode Cheese Prices: Moderately strong cheese sales and tight supplies of

milk for manufacturing have allowed cheese prices to hold, despite a major diversion of milk from butter-powder production into cheese. Wholesale Cheddar cheese prices have been largely unchanged since late July. Cheese prices may remain near current levels until milk production picks up seasonally in a few weeks. However, an early seasonal price peak still seems likely unless sales accelerate.

August milk per cow failed to sustain the apparent recovery of June and July. In the 20 major States, output per cow fell from a July increase of 0.8 percent from a year earlier to an August drop of 0.4 percent. However, year-to-year changes were very misleading because of last year's erratic growth in milk per cow. August 2002 was marked by the near-complete absence of normal summer heat stress. Compared with the 5-year average milk per cow, this year's output grew at an annual rate of about 1.2 percent in June, July, and August. Even so, milk per cow remained relatively weak, and a solid recovery is not yet apparent.

The weak milk per cow, slipping milk cow numbers, and larger apparent use of milk in other foods left supplies of milk for manufacturing substantially below a year earlier, particularly in August. Butter and nonfat dry milk production fell sharply in July-August as a much larger share of the smaller milk supplies moved into cheese. Even so, July-August output of American cheese varieties was about 1 percent

below a year earlier while production of other kinds rose only slightly. With cheese sales rising 3 percent from a year earlier and stocks moderate, this cheese production was insufficient to ease tight cheese markets. Market conditions in September may well have been similar.

Milk production this autumn is expected to grow slightly from a year earlier as well as impending seasonal rises. With cheese claiming the lion's share of available milk supplies, Cheddar cheese production is projected to move above year-earlier levels—putting considerable pressure on cheese prices.

In early October, manufacturers' stocks of nonfat dry milk were revised for all of 2002 and the first 7 months of 2003. The revisions showed a fairly consistent 20 to 35 million pounds less in stocks than originally published. As well as significantly altering the levels of the powder and milk equivalent, skim solids basis stocks data, the revisions may help explain some unusual patterns that had first appeared in the second half of 1999. However, the impact on the outlook for the rest of 2003 and 2004 is minor. The major implication of the data correction is that prices might be expected to respond more quickly to tighter-than-expected conditions than would have seemed likely before the revisions.