

INCLUDED IN THIS ISSUE

Crop Weather ERS Outlook

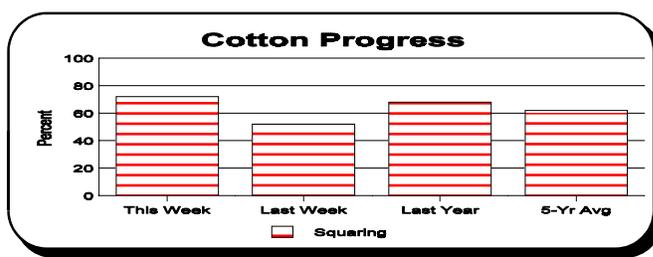
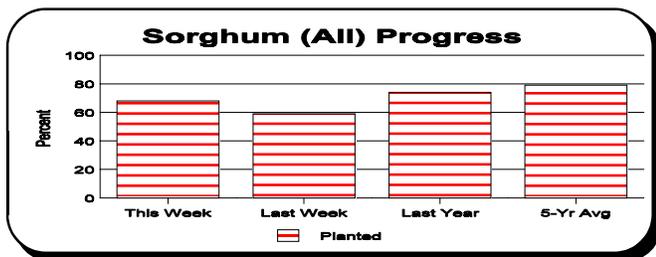
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CROP SUMMARY FOR THE WEEK ENDING JUNE 27, 2004

NEW MEXICO: There were 6.6 days suitable for fieldwork. Topsoil moisture was 40% very short, 33% short, 26% adequate, and 1% surplus. Hail damage to wheat, corn, and sorghum was reported in parts of the state. Farmers were busy irrigating and harvesting crops, and controlling insects and weeds. Some wind damage was reported with 9% light, 11% moderate, and 1% severe. Alfalfa conditions were 1% poor, 35% fair, 50% good, and 14% excellent. Ninety-two percent of the second cutting and 27% of the third cutting of alfalfa was completed. Cotton conditions continued to decline with 7% reported poor, 48% fair, 36% good, and 9% excellent. Cotton squaring was reported as 72% complete and bolls setting as 3% complete. Corn conditions remained stable with 30% reported fair, 64% good, and 6% excellent. Sorghum planting was 68% completed and conditions declined slightly with 4% reported very poor, 18% poor, 60% fair, 17% good, and 1% excellent. Wheat conditions continued to improve slightly from previous weeks with 28% reported poor, 49% fair, 20% good, and 3% excellent. Fifty-eight percent of wheat was reported harvested for grain last week. Peanuts pegging was reported 40% complete. Chile remained stable with 30% fair, 62% good, and 8% excellent. Onion conditions were 32% fair, 49% good, and 19% excellent with 60% reported harvested. Apple conditions were reported 100% fair. Pecans were reported 8% poor, 28% fair, 44% good, and 20% excellent. Pecan nut set was 2% light, 94% average, and 4% heavy. Apricots are being picked. Ranchers spent the week maintaining herds and waters. Cattle conditions remained stable with 5% very poor, 16% poor, 39% fair, 31% good, and 9% excellent. Sheep conditions improved with 9% reported very poor, 9% poor, 37% fair, 42% good, and 3% excellent. Range and pasture conditions were 28% very poor, 33% poor, 28% fair, and 11% good

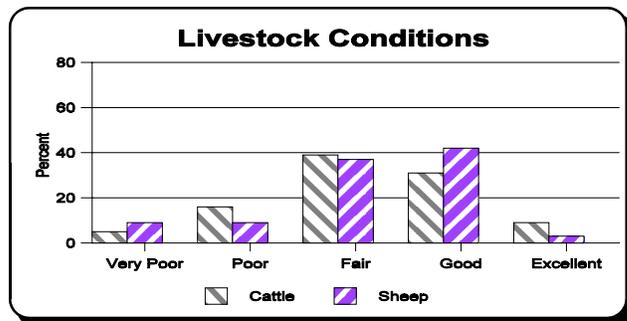
CROP PROGRESS PERCENTAGES WITH COMPARISONS

CROP PROGRESS		This Week	Last Week	Last Year	5-Year Average
COTTON	Squaring	72	52	68	62
ONIONS	Harvested	60	45	61	53
PEANUTS	Pegging	40	40	49	35
SORGHUM (ALL)	Planted	68	59	74	79
WHEAT (ALL)	Harvested	58	38	65	71



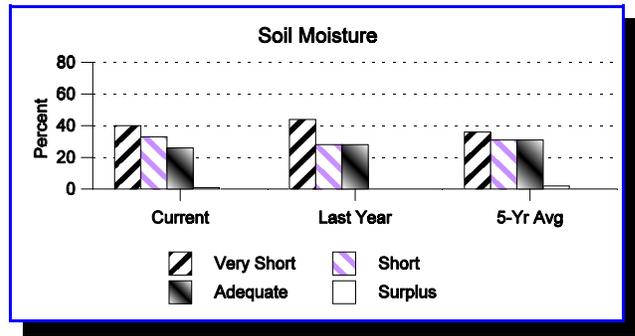
CROP AND LIVESTOCK CONDITION PERCENTAGES

	Very	Poor	Fair	Good	Excellent
Alfalfa	-	1	35	50	14
Apples	-	-	100	-	--
Chile	-	-	30	62	8
Corn	-	-	30	64	6
Cotton	-	7	48	36	9
Peanuts	-	-	38	62	--
Pecans	-	8	28	44	20
Sorghum	4	18	60	17	1
Cattle	5	16	39	31	9
Sheep	9	9	37	42	3
Range/Pasture	28	33	28	11	--



SOIL MOISTURE PERCENTAGES

	Very Short	Short	Adequate	Surplus
Northwest	5	20	75	--
Northeast	42	36	21	1
Southwest	48	52	--	--
Southeast	51	24	23	2
State	40	33	26	1
State-Last Year	44	28	28	--
State-5-Yr Avg.	36	31	31	2



WEATHER SUMMARY

Moisture moved into the northeast early in the week and gradually spread south through the plains and adjacent eastern highlands. Mid level moisture spread north by midweek to the southwest, but the northwest and much of the northern mountains remained dry. Several days this week saw strong thunderstorms develop from the east slopes of the Sangre de Cristo Mountains out into the plains with reports of hail, high winds and heavy rainfall. Missing station: Quemado.

NEW MEXICO WEATHER CONDITIONS JUNE 21 - 27, 2004

Station	Temperature			Precipitation				
	Mean	Maximum	Minimum	06/21 06/27	06/01 06/27	Normal June	01/01 06/27	Normal Jan-June
Carlsbad	74.2	99	58	2.89	3.08	1.30	10.52	3.95
Tatum	71.3	96	57	1.04	1.04	2.03	9.31	6.17
Roswell	74.7	98	60	0.87	0.87	1.52	7.14	4.75
Clayton	64.5	87	48	1.77	4.46	2.27	11.76	6.30
Clovis	70.7	93	55	0.11	1.69	2.84	9.38	7.01
Roy	64.9	87	45	1.02	1.02	2.08	7.71	6.06
Tucumcari	72.4	94	54	0.64	0.66	1.78	6.09	5.27
Chama	60.4	80	38	0.05	0.05	1.12	7.84	8.84
Johnson Ranch	64.1	85	40	0.00	0.00	0.68	6.09	3.77
Capulin	58.4	79	39	2.26	3.36	2.11	7.74	7.27
Las Vegas	62.2	85	45	0.26	0.76	2.04	7.45	6.40
Los Alamos	62.6	81	46	0.24	0.24	1.36	6.80	6.41
Raton	60.6	81	43	1.25	3.96	1.99	9.80	7.16
Santa Fe	66.1	88	45	0.68	0.68	1.17	3.84	5.26
Red River	53.2	75	31	0.02	0.02	1.40	9.45	8.92
Farmington	71.6	93	46	0.01	0.01	0.22	3.77	3.37
Gallup	66.3	88	41	T	0.00	0.45	2.49	4.19
Grants	66.1	87	43	0.01	0.01	0.55	3.21	3.03
Silver City	69.3	89	52	0.18	0.18	0.70	6.33	4.90
Quemado	--	--	--	--	--	0.74	2.21	4.19
Albuquerque	74.5	91	58	0.01	0.01	0.59	4.95	3.05
Carrizozo	70.3	91	50	0.00	0.39	0.78	3.88	3.50
Gran Quivera	67.2	88	46	0.27	0.38	1.01	5.02	4.71
Moriarty	65.2	93	39	0.44	0.44	0.92	4.60	3.99
Ruidoso	60.3	83	41	1.00	1.68	1.86	8.09	6.97
Socorro	73.0	95	50	T	0.26	0.57	4.32	2.50
Alamogordo	77.0	95	60	0.00	0.00	0.90	4.09	3.28
Animas	78.5	97	60	0.00	0.00	0.44	5.17	2.48
Deming	76.6	95	55	0.63	0.63	0.55	4.75	2.28
T or C	75.1	96	57	0.12	0.13	0.69	2.57	2.58
Las Cruces	78.0	97	62	0.39	0.39	0.72	3.82	2.27

(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, June 17, 2004

Dairy Prices Adjust: Wholesale prices of cheese and butter in mid-June were down almost 20 percent from their April peaks. The April peaks represented an overreaction to the large February-March declines in milk production and the sharp March-April surge in wholesale cheese movement. The flow of milk and milk solids into cheese production, the easing of declines in milk production, and the subsiding fears of buyers triggered a price adjustment that probably will persist (at a rather gradual rate) through most of the rest of 2004.

Dairy markets are expected to stay fairly tight through most of 2004, even though prices probably will slip from spring levels. Production will be weak, and demand is projected to stay reasonably good. Unless pipeline stocks have been built to very large levels, further sharp price breaks do not seem likely. In fact, prices may stay somewhat volatile and temporary reversals of the general downtrend are certainly possible. For all of 2004, farm milk prices are projected to easily surpass 1998's record.

Milk Production Declines Ease: In the 20 major dairy States, April milk production was less than 1 percent below a year earlier, a considerably smaller decrease than during February-March. However, the changes represented the start of weakening production a year ago more than any real recovery this year. Milk production is likely to continue to be weakened by several key forces, but the largest year-to-year drops probably are past.

Milk per cow stayed very weak. Output per cow in the 20 States was slightly above a year earlier in April after slipping below in February-March. Compared with the 5-year moving average, milk per cow since February has represented an annual growth rate of well under 1 percent, only about a third of the long-run trend.

Reduced availability of bovine somatotropin (BST) obviously was a major contributor to weak milk per cow. However, other factors clearly were at play because milk per cow was fairly weak even before the BST allocations were announced. Milk-feed price ratios this winter wound up moderately favorable, as they had been during the second half of 2003. However, farmers may have been more quickly aware of last winter's rising concentrate feed prices than they were of rises in milk prices. In addition, irregular forage quality undoubtedly played a role.

Concentrate feed prices have been high and volatile across almost all feeds. Both domestic and export demand has been brisk. Feed markets are projected to stay tight through 2005, although prices might slip somewhat once this year's crop becomes available. This year's average increase in feed prices is not expected to match the rises in average milk prices, leaving the most favorable milk-feed price ratios since 2001.

The new forage year in most dairy areas seems to be starting much like the last two—mixed. The main exception is the West, where alfalfa hay prices jumped in May. In much of the region, tight supplies of irrigation water threaten this year's alfalfa output. Untimely rains in the Northwest aggravated problems by dropping the average quality of first cutting. Western hay conditions probably will be considerably more difficult than they have been for a couple years.

Growth in milk per cow is projected to stay weak during the rest of 2004. A slight recovery is expected during the second half, but substantial improvement is not likely until normal availability of BST returns. Milk per cow is expected to rise less than 1 percent in 2004 on a daily average basis. Milk per cow is projected to rise a relatively large 3 percent in 2005. However, even this increase would not make up for ground lost in recent years.

Farmer Response to Record Prices Muted: Milk cow numbers in the 20 States have been about steady since the start of 2004. Year-to-year decreases slipped from 1.2 percent in January to 1.0 percent in April. The stronger-than-expected milk prices undoubtedly were the main factor stemming decreases in cow numbers by allowing weaker producers to continue milking.

Dairy farm exits are expected to become slightly more common if milk prices slip during the second half as projected. However, declines in cow numbers from early 2004 probably will be small. Returns should still be fairly strong through yearend, and recent record milk prices have provided a considerable cushion for the rest of the year. However, the presumed return to normal availability of BST, more ample heifer supplies, lower expected returns, and the scheduled 2005 end to the Milk Income Loss Contracts should lead to increased exits by late-2004 and 2005.

Record milk prices provided strong incentive to keep facilities at maximum capacity. However, they probably will provide considerably less stimulus for new expansions than normal. Farmers are apt to view these strong prices as based on temporary factors that will dissipate by next winter. Also, the relatively few expansions begun in late 2003 and the tight supplies of replacement heifers meant that few new facilities were positioned to be rushed into production.

Tight supplies of replacement heifers and high milk prices have caused replacement prices to jump. In April, replacements were up almost \$200 from January and almost \$300 from a year earlier. Even so, the price increase seemed mostly to reflect reduced heifer supplies rather than strong demand from expanding producers. The difference between replacement price and slaughter

value was only moderately higher than during 2003 and well below the levels of late 2001-2002. Based on the data for January 1, 2004, supplies of springer heifers should ease somewhat by late this year. However, resumption of imports of Canadian heifers remains uncertain.

By 2005, stronger producers will have a nest egg from this year's high prices and are projected to face easing feed costs and milk prices considerably higher than the stressful 2002-03 period. These farmers likely will resume more normal long-term expansion. However, their plans probably will stay conservative until they become convinced that milk prices will not return to 2002-03 levels. The main impact of these expanders may not be felt until late 2005.

By the end of 2004, milk cow numbers are projected to be about 1 percent below a year earlier, considerably less than the first-half declines. Cow numbers next year are expected to be a mirror image of this year, with second-half declines larger than during the first half. Milk cows are expected to post an average decrease of more than 1 percent in both years.

In 2004, milk production is expected to slip fractionally. Even if output moves above a year earlier by late in the year, these gains are unlikely to offset earlier losses. Milk production could increase in 2005 if more normal conditions return. Output is projected to rise a moderate 1 to 2 percent.

Beef Supplies Remain Tight: Beef production continues well below year-earlier levels, although slaughter and weights are rising seasonally. Beef exports are down sharply from a year earlier because of bans by major importers due to Bovine Spongiform Encephalopathy (BSE). Even with reduced exports and record imports, beef supplies remain tight, and retail beef prices are again rising. Reduced steer and heifer slaughter and lighter weights contributed to a 7-percent decline in beef production in the first quarter, and a similar decline is expected in the second quarter. In addition, beef production is also lower as cow slaughter has been sharply reduced due to the initial stages of beef cow retention and strong dairy prices. Fed cattle and beef prices across the board have surged this

spring, but remain below the record levels set last fall. Strong demand for tight supplies of stocker/feeder/replacement cattle has resulted in another record setting surge in prices this spring.

Retail Beef Prices Strengthen: Prices for Choice beef at retail have climbed back above \$4 a pound with full expectations that very tight beef supplies will support prices remaining above \$4 for the next couple of years. April and May prices averaged \$4.06 a pound, up 11 and 12 percent, respectively, from a year earlier.

Fed cattle prices have risen from near \$80 per cwt (100 pounds) at the beginning of the year to over \$90 per cwt in Mid-June. The Choice/Select price spread has narrowed seasonally, but remains near to slightly above a year earlier. Cattle on feed inventories are below year-earlier levels, with placements well below last year each month this year.

Feeder cattle supplies continue to decline, and with favorable spring forage growth in many areas there is strong competition for the available supply. Demand for the reduced supply from cattle feeders, stocker operators and likely heifer retention has resulted in sharply higher feeder cattle prices. Prices for yearlings in mid-June were averaging well above the record \$104 per cwt of last fall. Breakeven prices for cattle placed in June are going to be near \$90 per cwt when they are marketed in October, assuming feed costs remain near recent levels. Given the present strength in the fed cattle market, this price range is certainly possible, but increased supplies of competing meats or rising grain prices would push breakevens into the red quickly.

Utility cow prices reflect reduced beef and dairy cow slaughter and very tight processing beef supplies. Even adjusting for slaughter cow imports from Canada through May 20, 2003, cow slaughter is down sharply. Demand and movement for processing beef is strong, with prices for 90 percent lean trimmings averaging above \$130 per cwt, near the highs of the past year, but still below the records near \$140 per cwt of the early 1990s when herd expansion was last under way.