

INCLUDED IN THIS ISSUE

Crop Weather September Crop Production ERS

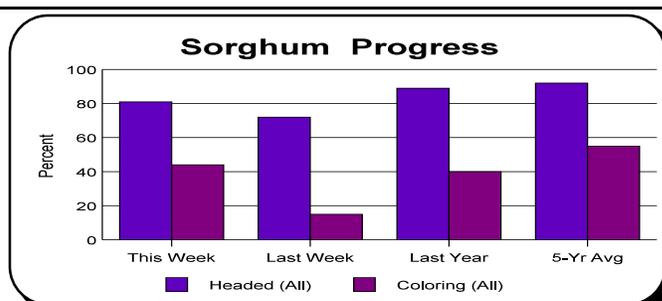
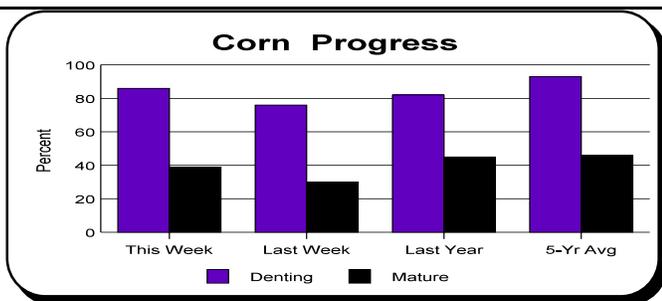
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CROP SUMMARY FOR THE WEEK ENDING SEPTEMBER 12, 2004

NEW MEXICO: There were 7 days suitable for fieldwork. Topsoil moisture was 13% very short, 40% short, 47% adequate. Farmers were busy harvesting chile, vegetables, silage, and cutting hay while many were planting wheat. No hail damage was reported during the week. Alfalfa was in mostly good condition with 100% of the 4th cutting complete, 86% of the 5th, and 24% of the 6th complete. Cotton conditions were reported at 5% poor, 25% fair, 45% good, and 25% excellent, with 50% bolls opening. Corn conditions were reported in fair to excellent condition with 86% of the crop denting and 39% of the crop matured. Corn silage harvest was 74% complete. Total sorghum conditions were in mostly poor to good condition with 81% of the crop reported headed, 44% coloring, and 4% mature. Peanut conditions were reported as 20% fair, 75% good and 5% excellent. Chile conditions remained fairly steady while 85% of the green chile was reported harvested and red chile reported as ready for picking. Pecans were reported in mostly good condition with 73% average drop. Fall lettuce conditions were reported as 100% good. Total wheat planted was reported as 73% complete. Ranchers were feeding and watering with additional moisture needed for pastures and tanks. Cattle conditions were reported as 26% fair, 61% good and 13% excellent. Sheep conditions were at 40% fair, 55% good, and 5% excellent. Pasture conditions were reported at 5% very poor, 10% poor, 41% fair, 36% good, and 8% excellent.

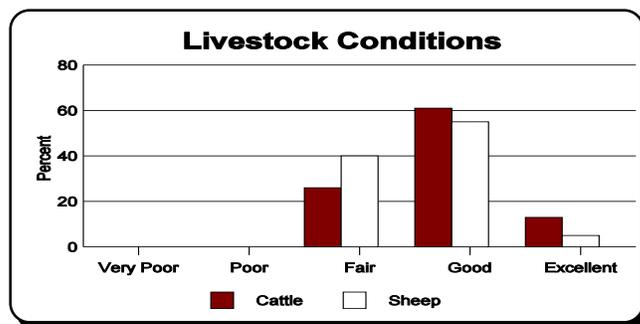
CROP PROGRESS PERCENTAGES WITH COMPARISONS

CROP PROGRESS		This Week	Last Week	Last Year	5-Year Average
CHILE	Harvested-Green	85	72	69	69
CORN	Denting	86	76	82	93
CORN	Mature	39	30	45	46
COTTON	Opening Bolls	50	25	49	57
SORGHUM (All)	Headed	81	72	89	92
			15	40	55



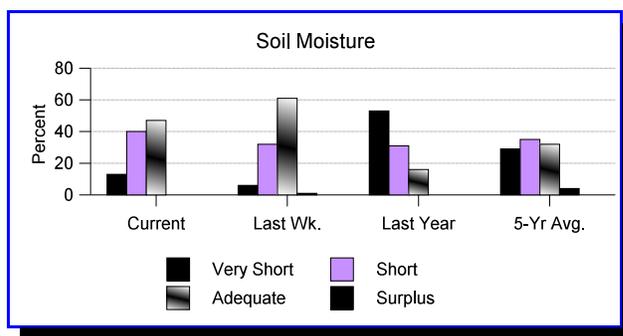
CROP AND LIVESTOCK CONDITION PERCENTAGES

	Very	Poor	Fair	Good	Excellent
Alfalfa	—	1	12	81	6
Chile	—	4	12	45	39
Corn	—	—	13	60	27
Cotton	—	5	25	45	25
Lettuce	—	—	—	80	20
Peanuts	—	—	20	75	5
Pecans	—	—	15	73	12
Sorghum	—	25	38	34	3
Cattle	—	—	26	61	13
Sheep	—	—	40	55	5
Range/Pasture	5	10	41	36	8



SOIL MOISTURE PERCENTAGES

	Very Short	Short	Adequate	Surplus
Northwest	23	35	42	--
Northeast	15	38	47	--
Southwest	—	100	—	--
Southeast	8	27	65	--
State Current	13	40	47	--
State-Last Wk.	6	32	61	1
State-Last Year	53	31	16	--
State-5-Yr Avg.	29	35	32	4



WEATHER SUMMARY

Temperatures across the state early in the week were below average. For the most part, temperatures steadily increased all week under the influence of high pressure and averages for the week were within 1 to 3 degrees of normal. Isolated thunderstorms developed mid week across the extreme north and northeast and again during the end of the week across the west and north but little precipitation was observed with only trace amounts reported at a few stations across the north. Data is incomplete for Socorro, so the average is likely a little high.

NEW MEXICO WEATHER CONDITIONS SEPTEMBER 6 - 12, 2004

Station	Temperature			Precipitation				
	Mean	Maximum	Minimum	09/06 09/12	09/01 09/12	Normal Sep	01/01 09/12	Normal Jan-Sep
Carlsbad	70.6	92	50	0.00	0.08	2.75	12.67	10.74
Tatum	67.6	91	47	0.00	0.68	2.36	16.59	13.53
Roswell	71.1	93	51	0.00	0.00	1.87	11.82	10.64
Clayton	67.6	90	46	0.00	0.31	1.77	23.10	13.38
Clovis	67.5	89	46	0.00	0.41	2.16	16.31	14.90
Roy	65.9	87	44	0.00	0.19	1.90	13.52	13.74
Tucumcari	70.5	94	50	0.00	0.00	1.47	13.49	12.45
Chama	58.4	82	35	0.00	0.57	2.23	10.82	16.13
Johnson Ranch	62.0	87	32	0.00	0.42	1.33	10.26	9.05
Capulin	60.4	82	35	T	0.12	2.22	18.87	15.30
Las Vegas	62.5	86	40	0.00	0.31	2.40	15.68	16.27
Los Alamos	62.9	83	44	0.00	0.35	2.12	12.68	15.30
Raton	61.6	86	39	0.00	0.11	1.61	20.91	14.64
Santa Fe	66.1	89	42	0.00	0.13	1.51	7.37	11.54
Red River	52.9	76	30	T	0.56	1.66	16.32	16.69
Farmington	70.1	91	43	T	0.28	0.97	4.66	6.33
Gallup	64.5	87	36	0.00	0.14	1.31	4.67	9.67
Grants	62.9	88	38	0.00	0.04	1.56	7.00	8.51
Silver City	67.0	93	48	0.00	1.56	2.22	15.48	12.86
Quemado	62.6	87	39	0.00	0.07	1.73	8.31	11.41
Albuquerque	72.7	91	54	0.00	0.09	1.00	8.12	7.06
Carrizozo	65.6	91	43	0.00	0.20	1.88	7.60	10.12
Gran Quivera	64.3	86	43	0.00	0.00	1.95	11.92	12.74
Moriarty	62.0	91	36	0.00	0.33	1.61	9.52	10.67
Ruidoso	58.9	82	37	0.00	0.03	2.50	17.15	17.53
Socorro	69.2	92	45	0.00	0.01	1.53	7.07	7.37
Alamogordo	73.9	92	52	0.00	0.28	1.99	6.78	9.91
Animas	73.8	93	54	0.00	0.20	1.68	10.76	8.76
Deming	72.4	96	50	0.00	0.14	1.63	7.99	8.11
T or C	72.0	94	54	0.00	0.00	1.08	6.06	7.67
Las Cruces	73.9	93	55	0.00	0.13	1.36	8.51	7.28

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

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

CROP PRODUCTION

NEW MEXICO: Corn for grain production for September remained at 8.8 million bushels, up 2.1 percent from a year ago. Harvested acreage at 49,000 acres was 1,000 acres above last year, while yields are expected to average 180 bushels per acre, the same as 2003. Upland cotton producers expect to harvest 125,000 bales, up 55,000 bales from last year. Harvested acreage increased from last months forecast to 64,000 acres, 26,000 more than last year. Yields are expected to average 938 pounds per acre which would be a record yield. American-Pima harvested acreage totaled 11,000 acres, 5,000 acres more than last year. Yields are anticipated to reach 916 pounds per acre which is well below last year's record of 1,056 pounds per acre. Sorghum production is forecast at 3.2 million bushels, up from last year's 1.7 million bushels. Based on September 1 conditions, the sorghum yield is forecasted at 35 bushels per acre. Peanut production is estimated at 48.0 million pounds the same as last month which is 5 percent above 2003. Growers expect to harvest 16,000 acres, with yields expected to average 3,000 pounds per acre. Production of summer potatoes is forecast at 450,000 hundredweight well below last year's 532,000 hundredweight. Harvested acreage decreased to 1,500 acres, 400 acres below last year, while the average yield is expected at 300 hundredweight per acre.

UNITED STATES: Corn for grain acreage harvested and to be harvested for grain is forecast at 73.4 million acres, unchanged from August but up 3 percent from 2003. All cotton production is forecast at 20.9 million 480-pound bales, up 4 percent from last month and 14 percent above last year's 18.3 million bales. Yield is expected to average 758 pounds per acre, up 31 pounds from last month and 28 pounds from 2003. Upland cotton harvested acreage, at 13.0 million acres, is down 1 percent from August, but 10 percent above 2003. American-Pima production is forecast at 710,000 bales, up 1 percent from August and up 64 percent from 2003. Sorghum production is forecast at 472 million bushels, up 2 percent from last month and up 15 percent from 2003. Based on September 1 conditions, the sorghum yield is forecast at 68.3 bushels per acre, up 1.1 bushels from August and 15.6 bushels from last year. Peanut production is forecast at 4.44 billion pounds, up 3 percent from last month and up 7 percent from 2003. Planted acres, at 1.43 million, are up 3 percent from the June estimate and up 6 percent from 2003. Area for harvest is expected to total 1.39 million acres, up 3 percent from August and up 6 percent from last year. Yields are expected to average a record high 3,188 pounds per acre, down 10 pounds from August but up 29 pounds from 2003. Summer potatoes production of summer potatoes is forecast at 18.5 million cwt. in 2004, down 1 percent from both the July 1 forecast and the 2003 final estimate. Harvested area is estimated at 55,100 acres, down 6 percent from last year. The average yield is forecast at 336 cwt. per acre, 9 cwt. above the July forecast and 16 cwt. above last year. The decrease in acres more than offset the increase in yield.

September 2004 Crop Summary: Area Harvested, Yield, and Production, 2003 and Forecasted September 1, 2004

Crop	Unit	Area Harvested		Yield Per Acre		Production	
		2003	2004	2003	2004	2003	2004
		-----1,000 Acres-----		-----Units-----		-----1,000 Units-----	
NEW MEXICO							
Corn for Grain	Bu.	48	49	180.0	180.0	8,640	8,820
All Cotton ^{1/2/}	Lb.	44.0	75.0	908	934	83.2	146.0
Upland Cotton ^{1/2/}	Lb.	38.0	64.0	884	938	70.0	125.0
A-P Cotton ^{1/2/}	Lb.	6.0	11.0	1,056	916	13.2	21.0
Sorghum for Grain	Bu.	62	90	27.0	35.0	1,674	3,150
Peanuts	Lb.	17.0	16.0	2,700	3,000	45,900	48,000
Potatoes, Summer	Cwt.	1.9	1.5	280	300	532	450
UNITED STATES							
Corn for Grain	Bu.	71,139	73,377	142.2	149.4	10,113,887	10,960,710
All Cotton ^{1/2/}	Lb.	12,003.4	13,223.0	730	758	18,255.2	20,895.0
Upland Cotton ^{1/2/}	Lb.	11,826.0	12,970.0	723	747	17,822.9	20,185.0
A-P Cotton ^{1/2/}	Lb.	177.4	253.0	1,170	1,347	432.3	710.0
Sorghum for Grain	Bu.	7,798	6,916	52.7	68.3	411,237	472,269
Peanuts	Lb.	1,312.0	1,393.0	3,159	3,188	4,144,150	4,440,900
Potatoes, Summer	Cwt.	58.7	55.1	320	336	18,766	18,487

^{1/} Production ginned and to be ginned. ^{2/} 480-Lb. net weight bales.

DAIRY OUTLOOK

USDA, ERS, August 2004

Are Price Collapse Adjustments About Over? Cheese and butter markets have undergone dramatic adjustments following their extreme April price peaks. Prices should be less volatile during the rest of the year if the adjustment process is as close to complete as it appears. However, prices are expected to slip slowly as market fundamentals ease.

Wholesale movement of cheese jumped during February-April as cheese buyers scrambled to lay in stocks to protect themselves against the possibility of shortages. Once the price bubble burst, users cut purchases and began to bring down their pipeline holdings. Cheese disappearance was weak during May-June as movement of American cheese was almost 2 percent below a year earlier, and sales of other varieties were only barely larger. Although cheesemakers slowed production expansion dramatically from the large rises of February-April, reductions in output could not keep pace with the weakening in movement, and warehouse stocks of American cheese built. At midyear, commercial stocks of American cheese were about 35 million pounds larger than either of the 2 preceding years.

Patterns in the butter market were almost the reverse of the cheese patterns. During February-April, butter output fell sharply as milk was diverted into cheese, cream and nonfat dry milk were used to boost cheese output, and milkfat users built pipelines for later use. Commercial disappearance of butter was down considerably from a year earlier even though final sales reportedly were fairly brisk. The May corrections in cheese output quickly made more fat available for butter. June butter production was up

sharply from a year earlier, probably partially due to reductions in excess pipeline holdings of milkfat for use in ice cream and other products. The extra butter was welcomed by butter users, and May-June movement jumped by about 15 percent. Unlike cheese stocks, warehouse stocks of butter continued to run about 100 million pounds below those of 2003 and about 50 million pounds below 2 years ago.

The additional warehouse holding of cheese and the expected modest recovery in milk production probably will place some downward pressure of cheese prices during the rest of the year—even if pipeline stocks of cheese have been fairly well trimmed. However, demand is projected to stay fairly good, and these bearish supply factors likely will be modest. As yearend approaches, prices are projected to erode slowly rather than collapse.

Prospects for butter prices are more unsettled. Late summer drawdown of pipeline holdings of milkfat ingredients undoubtedly contributed to the recent butter price weakness, as did possibly excessive pipeline butter stocks. However, the overall butter fundamentals seem fairly balanced, leading to the most recent partial recovery. However, weakness in cheese prices probably will add softness to butter prices as butter markets seem unlikely to be able to withstand any significant diversion of milk from cheese.