

INCLUDED IN THIS ISSUE

Crop Weather ERS

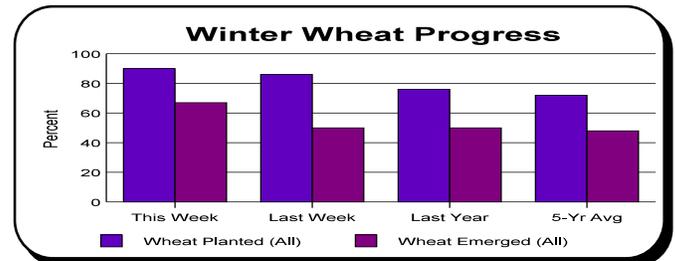
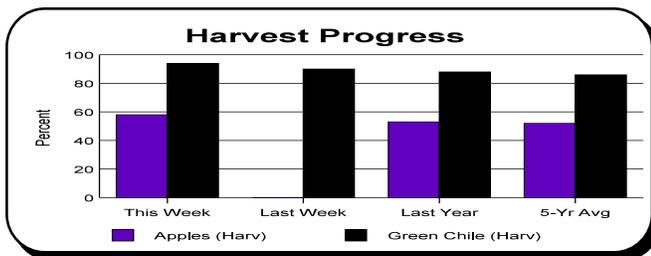
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CROP SUMMARY FOR THE WEEK ENDING SEPTEMBER 26, 2004

NEW MEXICO: There were 5.6 days suitable for fieldwork. Farmers continued to harvest chile, cut hay and silage. Alfalfa was reported as 1% very poor, 2% poor, 23% fair, 65% good and 9% excellent as the 5th cutting neared completion, and 41% of the 6th was complete. Northern counties completed their final cut for the season as temperatures neared freezing. Cotton conditions were reported in fair to excellent conditions. Bolls opening were reported at 60%, well behind last year. Corn was reported in fair to excellent condition with 75% of the crop matured and harvest just underway. Corn silage harvest was delayed by recent moisture and was 95% complete. Sorghum conditions were in mostly poor to good condition with 60% of the crop reported coloring, and 6% mature. Peanut harvest was preparing to start with conditions reported as 30% fair, and 70% good. Pecans were reported in fair to excellent condition. Fall lettuce conditions were reported as 60% good and 40% excellent. Wheat planted was reported as 90% complete with 67% of the crop emerged. Ranchers were sorting pairs, preparing for fall calving, and marketing their calves and lambs. Cattle conditions were reported as 6% poor, 26% fair, 58% good and 10% excellent. Sheep conditions were at 5% poor, 33% fair, 55% good and 7% excellent. Pasture conditions were reported at 4% very poor, 15% poor, 40% fair, 37% good, and 4% excellent.

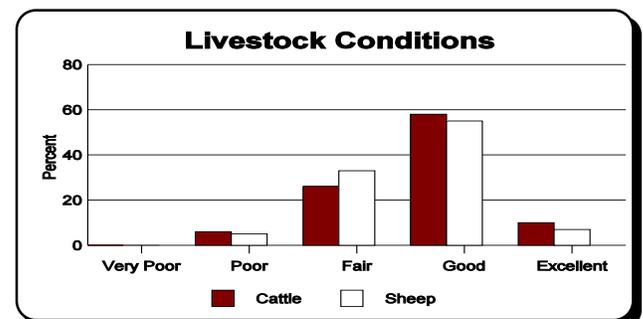
CROP PROGRESS PERCENTAGES WITH COMPARISONS

CROP PROGRESS		This Week	Last Week	Last Year	5-Year Average
APPLES	Harvested	58	NA	53	52
CHILE	Harvested-Green	94	90	88	86
CORN	Mature	75	53	86	76
COTTON	Bolls Opening	60	55	76	72
SORGHUM (All)	Coloring	60	55	72	76
WHEAT (All)	Planted	90	86	76	72
WHEAT (All)	Emerged	67	50	50	48



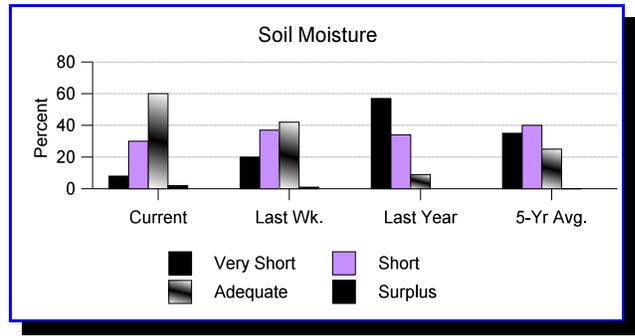
CROP AND LIVESTOCK CONDITION PERCENTAGES

	Very	Poor	Fair	Good	Excellent
Alfalfa	1	2	23	65	9
Chile	-	1	12	52	35
Corn	-	-	16	61	23
Cotton	-	-	34	48	18
Lettuce	-	-	-	60	40
Peanuts	-	-	30	70	-
Pecans	-	-	20	60	20
Sorghum (All)	-	16	53	27	4
Cattle	-	6	26	58	10
Sheep	-	5	33	55	7
Range/Pasture	4	15	40	37	4



SOIL MOISTURE PERCENTAGES

	Very Short	Short	Adequate	Surplus
Northwest	3	16	76	5
Northeast	12	27	60	1
Southwest	--	100	--	--
Southeast	--	13	87	--
State Current	8	30	60	2
State-Last Wk.	20	37	42	1
State-Last Year	57	34	9	--
State-5-Yr Avg.	35	40	25	--



WEATHER SUMMARY

Separate surges of tropical moisture moved over the state with heavy rains developing at the end of the week for the southeast counties. Temperatures were down from seasonal averages with the tropical cloud cover and an intervening surge of cold air which produced a hard freeze over the north central highlands along the continental divide at mid week.

NEW MEXICO WEATHER CONDITIONS SEPTEMBER 20 - 26, 2004

Station	Temperature			Precipitation				
	Mean	Maximum	Minimum	09/20 09/26	09/01 09/26	Normal Sep	01/01 09/26	Normal Jan-Sep
Carlsbad	70.0	87.0	57.0	1.64	2.37	2.75	14.96	10.74
Tatum	66.1	85.0	49.0	7.96	8.70	2.36	24.61	13.53
Roswell	69.1	90.0	49.0	3.30	3.34	1.87	15.16	10.64
Clayton	58.9	80.0	36.0	0.89	1.24	1.77	24.03	13.38
Clovis	65.4	82.0	48.0	0.07	0.76	2.16	16.66	14.90
Roy	57.6	76.0	36.0	1.47	3.16	1.90	16.49	13.74
Tucumcari	65.9	87.0	43.0	2.08	2.14	1.47	15.63	12.45
Chama	47.9	69.0	23.0	1.24	1.89	2.23	12.14	16.13
Johnson Ranch	51.3	75.0	23.0	0.36	0.78	1.33	10.62	9.05
Capulin	52.5	75.0	28.0	0.68	1.86	2.22	20.61	15.30
Las Vegas	54.6	73.0	32.0	0.49	2.24	2.40	17.61	16.27
Los Alamos	53.3	68.0	34.0	0.41	1.16	2.12	13.49	15.30
Raton	54.7	78.0	30.0	0.61	2.20	1.61	23.00	14.64
Santa Fe	57.1	76.0	39.0	T	1.19	1.51	8.43	11.54
Red River	45.5	64.0	24.0	0.68	1.64	1.66	17.40	16.69
Farmington	57.1	75.0	35.0	0.13	1.62	0.97	6.00	6.33
Gallup	52.3	74.0	27.0	T	0.48	1.31	5.01	9.67
Grants	53.1	76.0	27.0	0.05	0.18	1.56	7.14	8.51
Silver City	59.2	77.0	42.0	3.55	5.11	2.22	19.03	12.86
Quemado	53.3	77.0	24.0	0.09	0.32	1.73	8.56	11.41
Albuquerque	63.2	79.0	44.0	0.02	0.97	1.00	9.00	7.06
Carrizozo	60.8	79.0	37.0	0.00	0.74	1.88	8.14	10.12
Gran Quivera	56.9	76.0	34.0	0.22	0.22	1.95	12.14	12.74
Moriarty	54.2	78.0	29.0	0.17	1.36	1.61	10.55	10.67
Ruidoso	55.1	73.0	33.0	0.87	0.93	2.50	18.05	17.53
Socorro	58.9	81.0	38.0	0.05	0.15	1.53	7.21	7.37
Alamogordo	68.5	86.0	50.0	0.47	1.05	1.99	7.55	9.91
Animas	67.3	88.0	47.0	0.10	0.80	1.68	11.36	8.76
Deming	66.4	86.0	44.0	0.39	0.55	1.63	8.40	8.11
T or C	65.4	85.0	49.0	0.04	0.07	1.08	6.13	7.67
Las Cruces	69.6	87.0	54.0	0.62	0.91	1.36	9.29	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 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.

Dairy Replacement Prices Jump: Prices of dairy cow replacements hit a record \$1,720 per head in July, up more than \$400 from a year earlier. Replacement prices jumped since early 2004 mostly because record milk prices boosted demand for dairy heifers. However, the difference between the average replacement price during April-June and the slaughter value for dairy cows was considerably less than it had been during late 2001 and most of 2002 because of higher cull cow prices.

The inventory of dairy replacement heifers (500 pounds and more) stood at 3.6 million on July 1, unchanged from a year earlier but down slightly from 2 years earlier. Total supplies of heifers were down slightly at midyear because Canadian imports were not available. Typically, annual imports of replacements from Canada have been equivalent to 1 or 2 percent of the replacement herd.

Increased demand for replacements has had the greatest impact on prices. Very high milk prices made farmers anxious to keep their facilities completely full and even to stretch capacity if possible. However, the relatively few farm expansions currently underway kept replacement prices from shooting much higher. The second quarter difference between a cow's purchase price and salvage value was just over \$900, \$200 less

than during the strong expansion period in 2002. Farmers probably saw the recent high milk prices as temporary in nature and largely irrelevant to investment decisions.

Cattle Herd Continues Decline, Herd Expansion

Evasive: The ***Cattle*** report indicated that inventories continued the decline that began in 1996. The liquidation phase of this cycle, now in the 8th year, could easily become one of the longest in history. The number of heifers reported to be retained for possible addition to the breeding herd was up 4 percent from a year earlier. These heifers most likely will be retained from this year's calf crop. If additional heifers are retained, they won't be bred until 2005, with the calves born in 2006, and beef supplies increasing in mid-2007. A record grain harvest is projected for this year and with it continued moderate cost of gain for the livestock sector. Grazing conditions are very favorable in the eastern two-thirds of the country, but much of the west remains dry. Although conditions are more favorable for expansion than at any time since

1998, major uncertainties and record feeder cattle prices cloud the issue. There is economic uncertainty amid record oil prices and international unrest. In addition, international uncertainties exist on reopening the export market with Japan and prospects for a further opening of the market with Canada. All raise issues on the beginning, much less the strength, of herd expansion during 2004 given the very high opportunity cost of female retention.

Feeder Cattle Supplies Decline: Feeder cattle supplies outside feedlots on July 1 declined nearly 1 percent from a year earlier. This year's calf crop was estimated at 37.7 million head, down nearly 1 percent from last year and the smallest calf crop since 1951. Supplies will almost certainly decline again in 2005. The heifers retained over the next couple of years will tighten supplies even more. Calf slaughter has already declined to modern lows. Calf slaughter may tighten even more as stocker/feeder cattle prices rise, bidding veal calves into feedlots, but the largest declines have already occurred.