



Weekly Ag Update

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Crop Weather Livestock and Dairy Outlook

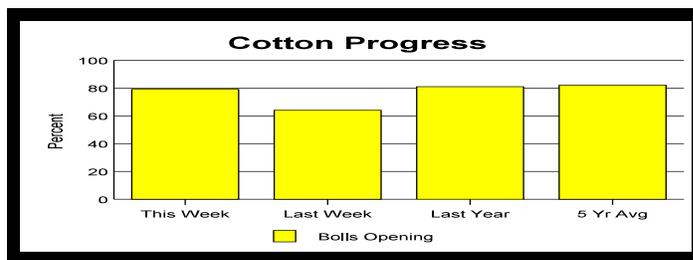
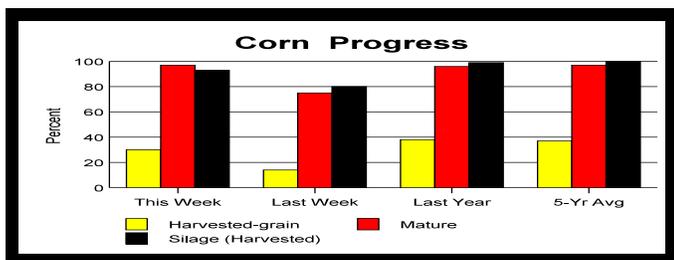
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CROP SUMMARY FOR THE WEEK ENDING OCTOBER 8, 2006

NEW MEXICO: There were 6.2 days suitable for field work. Topsoil moisture was 7% very short, 21% short, 70% adequate and 2% surplus. Wind damage was 7% light and 1% moderate. Freeze damage was reported as 7% light, 3% moderate and 3% severe. Hail damage was reported as 4% light, 1% moderate and 1% severe. Farmers spent the week harvesting and irrigating. Alfalfa was reported as 1% very poor, 2% poor, 44% fair, 23% good and 30% excellent, with 95% of the fifth cutting complete, 48% of the sixth cutting complete and 2% of the seventh cutting complete. Irrigated sorghum was reported as fair to excellent with 90% coloring, 39% mature and 1% harvested for grain. Dry sorghum condition was reported as very poor to excellent with 50% coloring and 4% mature. Total sorghum condition was reported as 28% very poor, 15% poor, 23% fair, 26% good, and 8% excellent with 64% coloring and 16% mature. Irrigated winter wheat condition was reported as fair to excellent with 98% planted and 79% emerged. Dry winter wheat condition was reported as fair to excellent with 97% planted and 92% emerged. Total winter wheat condition was reported as 46% fair, 45% good and 9% excellent with 97% planted and 88% emerged. Peanuts were reported as 83% fair and 17% good with 38% harvested. Lettuce condition was reported as fair to excellent. Onions were reported as 75% planted. Apple conditions were reported as poor to good with 75% harvested. Pecan conditions were reported as fair to excellent. Cotton was reported as 41% fair, 36% good and 23% excellent with 79% bolls opening and 3% harvested. Chile condition was reported as 13% very poor, 52% poor, 16% fair and 19% good. Green chile was reported as 99% harvested. Red chile was reported as 41% harvested. Corn condition was reported as 12% fair, 51% good, and 37% excellent, with 97% mature, 30% harvested for grain and 93% harvested for silage. Cattle conditions were reported at 7% fair, 69% good and 24% excellent. Sheep conditions were reported as 20% fair, 75% good and 5% excellent. Range and pasture conditions were reported as 2% very poor, 6% poor, 14% fair, 64% good and 14% excellent. Ranchers are weaning calves and culling cow herds; weight gains were good.

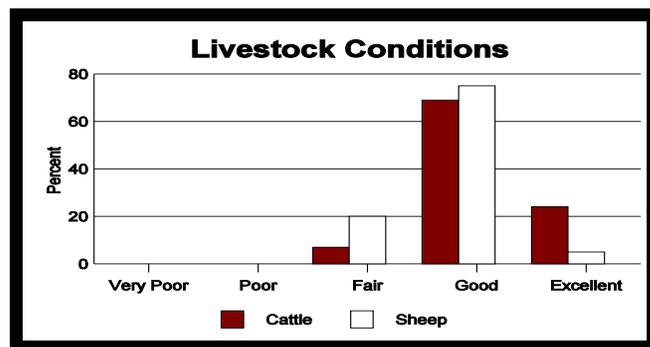
CROP PROGRESS PERCENTAGES WITH COMPARISONS

CROP PROGRESS		This Week	Last Week	Last Year	5-Year Average
APPLES	Harvested	75	75	87	81
CHILE	Harvested-green	99	95	89	94
CHILE	Harvested-red	41	29	5	21
CORN	Harvested-grain	30	14	38	37
CORN	Mature	97	75	96	97
CORN SILAGE	Harvested	93	80	99	100
COTTON	Bolls Opening	79	64	81	82
SORGHUM	Coloring	64	59	84	87
SORGHUM	Mature	16	12	19	31



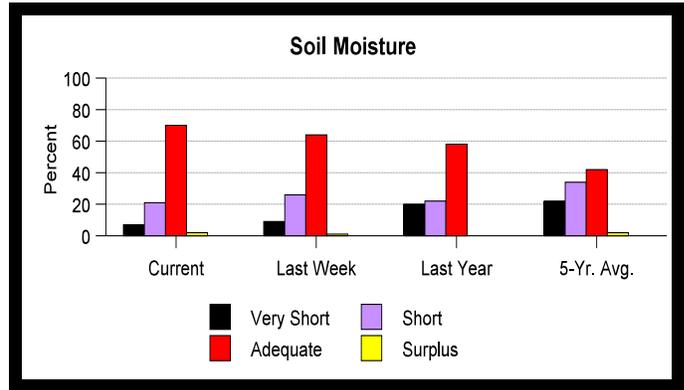
CROP AND LIVESTOCK CONDITION PERCENTAGES

	Very Poor	Poor	Fair	Good	Excellent
Alfalfa	1	2	44	23	30
Apples	---	5	90	5	---
Chile	13	52	16	19	---
Corn	---	---	12	51	37
Cotton	---	---	41	36	23
Lettuce	---	---	15	30	55
Pecans	---	---	20	30	50
Peanuts	---	---	83	17	---
Sorghum (All)	28	15	23	26	8
Cattle	---	---	7	69	24
Sheep	---	---	20	75	5
Range/Pasture	2	6	14	64	14



SOIL MOISTURE PERCENTAGES

	Very Short	Short	Adequate	Surplus
Northwest	16	19	61	4
Northeast	7	15	76	2
Southwest	---	13	87	---
Southeast	---	39	61	---
State Current	7	21	70	2
State-Last Week	9	26	64	1
State-Last Year	20	22	58	---
State-5-Yr Avg.	22	34	42	2



WEATHER SUMMARY

Two storm systems moved across New Mexico during the week, producing scattered showers and thunderstorms, along with some light high mountain snows in the north. The storm system over the weekend produced a few severe thunderstorms, along with hail and some localized flash flooding. Higher precipitation totals were generally over the west half of the state, with Grants measuring 1.44 inches. Temperatures for the week were generally 5 to 10 degrees above normal at most places.

NEW MEXICO WEATHER CONDITIONS - OCTOBER 2 - 8, 2006

Station	Temperature			Precipitation				
	Mean	Maximum	Minimum	10/02 10/08	10/01 10/08	Normal Oct	01/01 10/08	Normal Jan-Oct
Farmington	62.2	83	50	1.21	1.21	0.85	7.54	7.18
Gallup	59.6	82	40	0.63	0.63	1.29	10.30	10.96
Capulin	56.7	78	38	0.00	0.00	0.97	14.10	16.27
Chama	55.6	74	37	1.30	1.30	1.96	17.42	18.09
Johnson Ranch	59.1	80	35	0.26	0.26	1.11	9.99	10.16
Las Vegas	57.4	80	42	0.96	0.96	1.51	15.49	17.78
Los Alamos	61.2	76	46	0.00	0.00	1.32	9.98	16.62
Raton	58.0	83	40	0.33	0.33	0.97	12.53	15.61
Red River	50.0	70	29	1.07	1.07	1.46	19.42	18.15
Santa Fe	61.5	80	44	0.45	0.45	1.04	13.03	12.58
Clayton	65.9	91	45	0.19	0.19	0.90	13.41	14.28
Clovis	68.3	91	51	0.13	0.13	1.34	12.32	16.24
Roy	61.2	83	43	0.58	0.58	1.05	14.37	14.79
Tucumcari	68.4	94	50	0.39	0.39	0.94	14.42	13.39
Grants	60.1	79	35	1.44	1.44	1.05	10.83	9.56
Quemado	58.3	81	35	1.16	1.16	1.18	11.86	12.59
Albuquerque	67.5	81	53	0.13	0.13	0.89	9.97	7.95
Carrizozo	63.6	89	40	0.00	0.00	1.19	9.80	11.31
Socorro	64.9	85	41	0.16	0.16	1.11	10.84	8.48
Gran Quivera	61.7	80	40	0.45	0.45	1.27	16.20	14.01
Moriarty	58.1	83	32	0.75	0.75	1.10	12.77	11.77
Ruidoso	56.5	77	38	0.47	0.47	1.31	27.57	18.84
Carlsbad	70.3	91	49	0.06	0.06	1.05	12.05	11.79
Roswell	65.8	88	45	0.32	0.32	1.19	13.88	11.83
Tatum	66.8	89	48	0.00	0.00	1.49	17.88	15.02
Alamogordo	71.1	86	55	0.44	0.44	1.30	13.55	11.21
Animas	70.5	89	53	1.01	1.01	1.15	11.38	9.91
Deming	69.1	89	47	0.40	0.40	0.98	11.20	9.09
Las Cruces	70.4	91	51	0.27	0.27	0.91	11.72	8.19
T or C	69.4	86	55	0.33	0.33	0.95	9.21	8.62

(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, September 18, 20056

Conditions Improving: Recent rains in the Southern Plains have improved prospects for fall grazing and winter wheat pasture. However, the recent rains were too late to rebuild hay stocks. If winter wheat pasture is available this fall, feeder cattle prices will likely find support from tight feeder/stocker supplies because many cattle that ordinarily would be available for wheat pasture have already moved into feedlots. However, there could be some movement of lightweight cattle, placed in feedlots earlier due to dry conditions, back to pasture. Cow prices have increased, along with fed cattle and beef prices, despite increased supplies and lower prices for some competing meats. Fed cattle futures prices for contracts expiring through spring 2007 were in the low to mid-\$90s during the first 2 weeks in September, well above earlier levels. If small grains and other pastures face problems later this fall or winter as they did last year, cattle likely will again move off pasture into feedlots and to slaughter sooner than normal. A positive factor for the cattle and beef sectors is that fuel and energy prices are declining.

Cow and feeder cattle prices are holding steady-to-stronger, supported by a number of positive factors. Feeder cattle supplies outside feedlots, up 1 percent over July 1, 2005, remain in the low end of their recent historical range. Improving pasture conditions will also mean some competition with cattle feeders for the available supplies of feeder cattle. While cow prices could decline if seasonal culling increases, beef cow slaughter has been running well above levels observed for summer 2005 and above levels one would expect, given that we are in the second year of expansion of the current cattle cycle.

With feedlot breakeven costs between \$83 and \$84 per cwt (August marketing basis in the High Plains Cattle Feeding Simulator: <http://www.ers.usda.gov/publications/ldp/2006/08Aug/LDPM146Tables.xls>), fed cattle could be breaking even or showing a small profit in September. Feedlot placements in July 2006 included a large number of cattle weighing less than 600 pounds, 43 percent more than were placed in July 2005 and 35 percent more than the average of the previous 5 years, reflecting the extremely poor pasture conditions that prevailed in July of this year. Marketings of these cattle from feedlots will likely be spread over the 6 to 8 months from placement, and longer if small grain pasture development results in some of these lightweight cattle leaving feedlots and going back to pasture. These larger marketings will pressure prices.

Wholesale prices appear to be following seasonal trends upward, as are dressed eights. Despite the continuing relatively low supplies of Choice beef, the spread between Choice and Select beef has declined to the corresponding 2005 level for the first time since spring of this year. As the Choice-Select spread narrows, the advantage to feeding cattle longer so they reach a higher grade lessens.

August average retail prices increased to \$3.98 per pound after a July 2006 low of \$3.88 per pound, which had slipped below \$3.90 for the first time since September 2003. In addition, the farm-to-retail price spread widened by 2.6 cents per pound, composed of an 11-cent gain in wholesale-to-retail spreads only partially offset by an 8.4-cent decline in packer margins. The August wholesale-retail spread, at \$1.70 per pound, continued to widen from its June 2006 low. Packers appear to be giving up the most ground. Retail prices reflect a wider spread and higher fed cattle prices, both of which were passed through to consumers. The effects of lower retail prices and narrow retail-wholesale price spreads will eventually make their way back to the feedlot and farm, at some point resulting in lower fed cattle and feeder cattle prices, or the retail price will have to rise. Pork production is rising seasonally into the fourth quarter. Broiler production is expected to remain unchanged in the fourth quarter. Consequently, supplies of some competing meats at lower prices will pressure beef prices. However, beef production is declining seasonally into the fourth quarter, helping to support prices.

Prices in Dairy Complex Trend Higher This Summer and Into the Fall: Much of the effect of July's exceptionally hot weather was felt in California and several other States. Nationally, the impact was limited. The July NASS *Milk Production* report placed that month's production in the 23 major production States at 1,686 pounds per cow, 3 pounds above a year earlier, suggesting that productivity continues to inch ahead. Cow numbers were 107,000 above July 2005 but 11,000 below June's reported number.

As a result, USDA is forecasting 2006 milk production at 182.0 billion pounds, 2.8 percent ahead of 2005 production. The 2007 forecast for milk production is 183.2 billion pounds. In 2007, cow numbers will finally dip below year-earlier levels but milk per cow will continue to rise, boosting production per animal to an average 20,285 pounds.

July cheese production declined seasonally but remained above year-earlier levels. Year-to-date cheese production is 3.2 percent ahead of 2005. Cheese inventories, especially of other than American cheese, are high compared with year-earlier levels. However, continued strong demand for cheese is expected to absorb the added production and draw down stocks. Strong cheese and fluid milk demand along with the residual effects of July's hot weather have contributed to modest price increases since early July. The cheese price is expected to climb further into fall. The 2006 cheese price is expected to average \$1.230-\$1.250 per pound.

The August *Cold Storage* report placed July 31st butter stocks 30 percent above year-earlier levels, and butter prices have been below year-earlier and the 5-year average price. However, in August, butter prices rose to \$1.199 per pound from \$1.134 a month earlier. For the year, prices are expected average \$1.205-1.245 per pound.

Prices for dry products rose slightly in August. The heat-reduced milk supplies adversely affected Nonfat Dry Milk (NDM) production more than other products because much of the production is on the west coast. With rising foreign demand and strong ingredient demand, fall quarter prices are expected to average above summer prices. The 2006 average NDM price is expected to be 85.0-87.0 cents per pound. Projected dry whey prices for 2006 are unchanged from August's report at 29.5-31.5 cents per pound.

The all milk price and Class III and IV prices are forecast to increase slightly into the fall months. Fluid milk sales for the first half of 2006 have increased year-over year for the first time since 2003 according to Agricultural Marketing Service published Federal Order and California data. Continued fluid milk sales could support the all milk price for the remainder of the year. The 2006 all milk price is projected to be \$12.65-\$12.85 per cwt. The yearly Class III price is expected to be \$11.60-\$11.80 per cwt and the Class IV price, likewise, will average \$10.70-\$11.00 per cwt. These revised projections represent slight increases from August estimates for all milk and Class III yearly prices. Forecasts for 2007 remain unchanged.

Improved Moisture Conditions Raise Yields/Production Estimates: Improved moisture conditions across the northern Great Plains and western Corn Belt during August have resulted in much improved corn and soybean yield estimates. Corn production is forecast at 11.1 billion bushels, up 1 percent from the August estimate and fractionally above a year ago. If realized, this would be the second largest crop on record. However, production of the other feed grains (sorghum, barley, and oats) is expected to decline. Total feed grain production (including corn) this year is expected to be up marginally from last year and down nearly 6 percent from the 2004/05 crop. Projected ending corn stocks were pulled down to 1.22 billion bushels and the 2006/07 farm price of corn is expected to average \$2.15 to \$2.55 per bushel, up from \$1.99 a bushel in 2005/06 and \$2.06 2 years ago.