



Weekly Ag Update

USDA/NASS
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Crop Weather November Crop Production Dairy Outlook

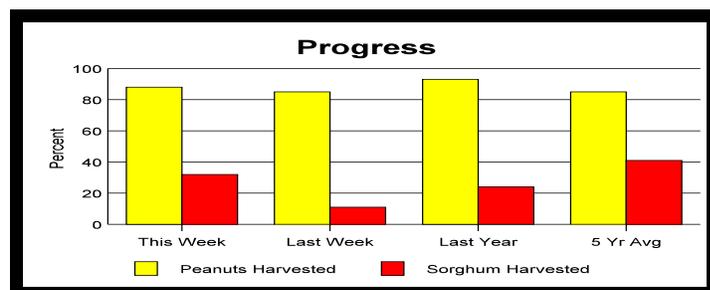
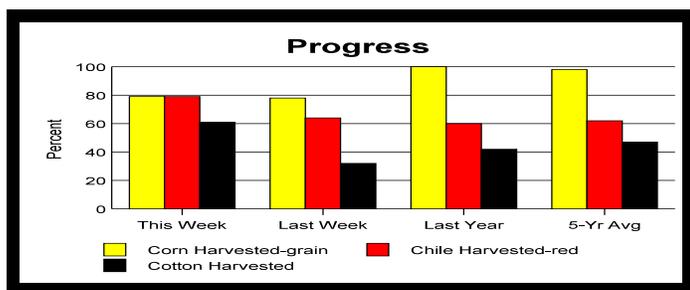
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CROP SUMMARY FOR THE WEEK ENDING NOVEMBER 12, 2006

NEW MEXICO: There were 6.9 days suitable for field work. Topsoil moisture was 10% very short, 40% short, 48% adequate and 2% surplus. Wind damage was 13% light. Freeze damage was reported as 32% light and 13% moderate. Hail damage was reported as 1% light and 1% moderate. Farmers spent the week harvesting various crops. Alfalfa was reported as 1% very poor, 2% poor, 39% fair, 45% good and 13% excellent, with 100% of the sixth cutting complete and 60% of the seventh cutting complete. Irrigated sorghum was reported as 45% harvested for grain. Dry sorghum was reported as 26% harvested for grain. Total sorghum was reported as 32% harvested. Irrigated winter wheat condition was reported as fair to excellent. Dry winter wheat condition was reported as fair to good. Total winter wheat condition was reported as 55% fair, 38% good and 7% excellent. Peanuts were reported as 88% harvested. Lettuce condition was reported as fair to excellent. Onion conditions were reported as 8% poor, 24% fair, 54% good and 14% excellent with 99% planted. Pecan conditions were reported as fair to excellent. Cotton was reported as 61% harvested. Chile condition was reported as 36% poor, 21% fair and 43% good. Red chile was reported as 79% harvested. Corn was reported as 79% harvested for grain and 100% harvested for silage. Cattle conditions were reported at 1% poor, 12% fair, 83% good and 4% excellent. Sheep conditions were reported as 5% very poor, 11% poor, 10% fair, 61% good and 13% excellent. Range and pasture conditions were reported as 4% very poor, 11% poor, 22% fair, 51% good and 12% excellent. Ranchers are working, shipping and moving cattle.

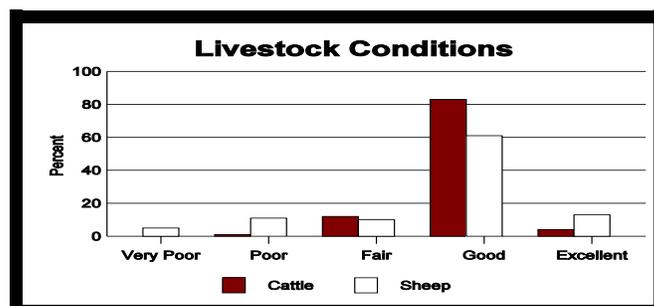
CROP PROGRESS PERCENTAGES WITH COMPARISONS

CROP PROGRESS		This Week	Last Week	Last Year	5-Year Average
CHILE	Harvested-red	79	64	60	62
CORN	Harvested-grain	79	78	100	98
COTTON	Harvested	61	32	42	47
ONIONS	Planted	99	98	100	100
PEANUTS	Harvested	88	85	93	85
SORGHUM	Harvested	32	11	24	41



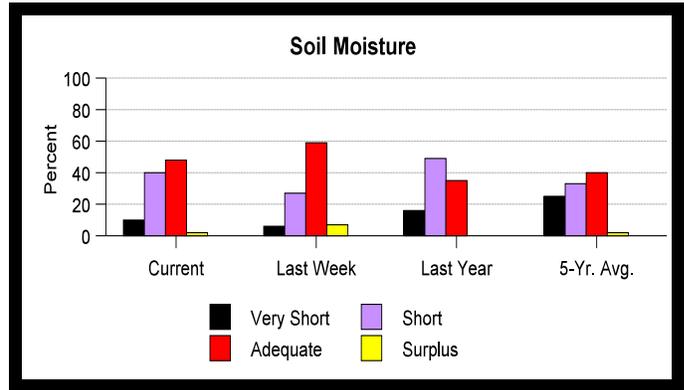
CROP AND LIVESTOCK CONDITION PERCENTAGES

	Very Poor	Poor	Fair	Good	Excellent
Alfalfa	1	2	39	45	13
Chile	---	36	21	43	---
Lettuce	---	---	25	45	30
Onions	---	8	24	54	14
Pecans	---	---	40	45	15
Cattle	---	1	12	83	4
Sheep	5	11	10	61	13
Range/Pasture	4	11	22	51	12
Wheat (All)	---	---	55	38	7



SOIL MOISTURE PERCENTAGES

	Very Short	Short	Adequate	Surplus
Northwest	20	48	29	3
Northeast	21	44	34	1
Southwest	1	18	75	6
Southeast	---	53	47	---
State Current	10	40	48	2
State-Last Week	6	28	59	7
State-Last Year	16	49	35	---
State-5-Yr Avg.	25	33	40	2



WEATHER SUMMARY

It was another warm, dry, autumn week in New Mexico, with temperatures averaging 5 to 6 degrees above normal. A couple of minor storms racing across Colorado brushed northern New Mexico with some spotty showers, but Red River (.13") was the only location that measured as much as a tenth of an inch of moisture.

NEW MEXICO WEATHER CONDITIONS - NOVEMBER 6 - 12, 2005

Station	Temperature			Precipitation				
	Mean	Maximum	Minimum	11/06 11/12	11/01 11/12	Normal Nov.	01/01 11/12	Normal Jan-Nov
Farmington	46.2	69	27	0.04	0.04	0.94	8.27	8.12
Gallup	45.2	72	19	0.01	0.01	0.95	12.83	11.91
Capulin	44.5	80	16	0.00	0.00	0.67	14.87	16.94
Chama	40.9	68	13	0.09	0.09	1.72	19.85	19.81
Johnson Ranch	41.5	70	10	0.00	0.00	0.69	11.40	10.85
Las Vegas	48.1	80	23	0.00	0.00	0.58	16.16	18.36
Los Alamos	45.2	67	23	0.00	0.00	1.02	12.82	17.64
Raton	46.4	81	19	0.00	0.00	0.61	12.98	16.22
Red River	37.5	64	10	0.13	0.13	1.18	20.68	19.33
Santa Fe	45.8	70	20	0.00	0.00	0.63	14.23	13.21
Clayton	51.6	86	22	0.00	0.00	0.52	13.89	14.80
Clovis	55.2	85	26	0.00	0.00	0.73	13.76	16.97
Roy	47.2	83	3	0.00	0.00	0.50	14.37	15.29
Tucumcari	54.1	90	23	0.00	0.00	0.51	15.29	13.90
Grants	43.6	75	10	0.02	0.02	0.58	11.77	10.14
Quemado	42.5	71	19	0.00	0.00	0.45	12.62	13.04
Albuquerque	52.4	73	29	0.00	0.00	0.43	11.54	8.38
Carrizozo	50.6	74	24	0.00	0.00	0.76	12.58	12.07
Socorro	51.1	75	23	0.00	0.00	0.47	13.67	8.95
Gran Quivera	51.6	73	19	0.00	0.00	0.91	17.50	14.92
Moriarty	45.1	77	13	0.00	0.00	0.40	13.73	12.17
Ruidoso	46.0	71	19	0.00	0.00	0.88	31.02	19.72
Carlsbad	59.9	88	32	0.00	0.00	0.59	12.67	12.38
Roswell	53.0	85	27	0.00	0.00	0.55	15.38	12.38
Tatum	52.9	84	23	0.00	0.00	0.55	19.85	15.57
Alamogordo	60.0	77	39	0.00	0.00	0.71	15.97	11.92
Animas	58.3	81	37	0.00	0.00	0.71	12.59	10.62
Deming	56.1	81	36	0.00	0.00	0.64	12.37	9.73
Las Cruces	57.8	82	39	0.00	0.00	0.53	13.85	8.72
T or C	55.9	77	32	0.00	0.00	0.60	11.06	9.22

(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 forecast remains at 9 million bushels. Harvested acreage is still forecast at 50,000 acres with yields averaging 180.0 bushels. Upland cotton yields were forecast at 979 pounds per acre with producers expecting to harvest 50,000 acres. American-Pima yields were forecast at 775 pounds per acres with producers still expecting to harvest 13,000 acres. Sorghum for grain production is forecast at 2.8 million bushels with yields averaging 35.0 bushels per acre and forecast harvested acreage remaining at 80,000. Peanut production is forecast at 56.0 million pounds with yields averaging 3,500 pounds per acre. Forecast harvested acreage for peanuts remained at 16,000 acres. Forecast production for fall potatoes is 2.1 million, with harvested acreage forecast at 5,000 acres.

UNITED STATES: Corn for grain area harvested and to be harvested for grain is forecast at 71.0 million acres, unchanged from October but down 5 percent from 2005. Sorghum production is forecast at 288 million bushels, down 4 percent from the October 1 forecast and 27 percent below 2005. Expected area for harvest as grain is unchanged from last month but down 7 percent from last year. Peanut production is forecast at 3.37 billion pounds, down 31 percent from last year's crop but up 3 percent from last month. Area for harvest is expected to total 1.21 million acres, unchanged from October but down 26 percent from last year. All cotton production is forecast at 21.3 million 480-pound bales, up 3 percent from last month but down 11 percent from last year's record high production. Yield is expected to average 798 pounds per acre, up 24 pounds from last month but down 33 pounds from last year. Upland cotton harvested area, at 12.5 million acres, is unchanged from last month but down 8 percent from last year. American-Pima production is forecast at 789,000 bales, down 2 percent from October but up 25 percent from last year. The U.S. yield is forecast at 1,169 pounds per acre, down 22 pounds from last month but up 42 pounds from 2005. Production of fall potatoes for 2006 is forecast at 391 million cwt, up 2 percent from last year. Area harvested, at 976,900 acres, is virtually unchanged from the July estimate but 3 percent above last year. The average yield is forecast at 400 cwt per acre, 3 cwt below last year's record high.

November 2006 Crop Summary: Area Harvested, Yield, and Production, 2005 and Forecasted November 1, 2006

Crop	Unit	Area Harvested		Yield Per Acre		Production	
		2005	2006	2005	2006	2005	2006
		-----1,000 Acres-----		-----Units-----		-----1,000 Units-----	
NEW MEXICO							
Corn for Grain	Bu.	55	50	175.0	180.0	9,625	9,000
All Cotton ^{1/2/}	Lb.	62.5	63.0	998	937	130.0	123.0
Upland Cotton ^{1/2/}	Lb.	51.0	50.0	1,016	979	108.0	102.0
A-P Cotton ^{1/2/}	Lb.	11.5	13.0	918	775	22.0	21.0
Sorghum for Grain	Bu.	97	80	45.0	35.0	4,365	2,800
Peanuts	Lb.	19.0	16.0	3,500	3,500	66,500	56,000
Potatoes, Fall	Cwt.	4.2	5.0	420	420	1,764	2,100
UNITED STATES							
Corn for Grain	Bu.	75,107	71,047	147.9	151.2	11,112,072	10,744,806
All Cotton ^{1/2/}	Lb.	13,802.6	12,816.0	831	798	23,890.2	21,299.0
Upland Cotton ^{1/2/}	Lb.	13,534.0	12,492.0	825	788	23,259.7	20,510.0
A-P Cotton ^{1/2/}	Lb.	268.6	324.0	1,127	1,169	630.5	789.0
Sorghum for Grain	Bu.	5,736	5,319	68.7	54.2	393,893	288,470
Peanuts	Lb.	1,629.0	1,213.0	2,989	2,780	4,869,860	3,372,150
Potatoes, Fall	Cwt.	949.0	976.9	403	400	382,743	390,917

^{1/} Production ginned and to be ginned. ^{2/} Yield reported in pounds per acre; production in bales (480 lb. net wt.).

Dairy Outlook USDA, ERS, October 19, 2006

Commercial Exports Flow Onto a Changed World Market: Significant dairy policy changes and increasing world dairy product demands favor continued commercial exports of U.S. nonfat dry milk (NDM) and skim milk powder (SMP), and low government-held stocks in the near term. NDM was exported for many years with either the aid of tendered bonuses (subsidies) provided by the Dairy Export Incentive Program (DEIP) or through international aid programs, such as PL-480. By mid-2004, however, large amounts of NDM and skim milk powder (SMP) were being commercially exported without assistance. The last DEIP bonus was awarded in early-2004 and exports of NDM/SMP reached a record 612 million pounds in 2005. The increased commercial exports, and domestic and international donations allowed NDM stocks held by the Commodity Credit Corporation (CCC) to decline from a near-record 1.35 billion pounds in mid-2003 to 12 million in June 2006.

CCC accumulation of NDM stocks was minimal from the mid-1990s until mid-1998 because of a period of strong NDM prices in 1996 through mid-1997 and use of the DEIP. DEIP was initially authorized by the Food Security Act of 1985 for the purpose of developing international markets for U.S. dairy products and countering the export subsidies the European Union (EU) used to dispose of its surplus dairy products. CCC stocks began accumulating in mid-1998, in spite of higher all-milk prices, because NDM prices fell to the offer price at which the CCC stood ready to buy NDM. Stocks continued building through mid-2001 in spite of continued use of the DEIP, with bonuses averaging in excess of \$0.40 per pound through most of 1998 and 1999—roughly 40 percent of the then-existing CCC offer price, which averaged close to \$1.00.

In 2001 and 2002, changes in the CCC offer prices for butter and NDM contributed to reductions in government stocks and higher commercial NDM exports. The \$9.90 per cwt support price mandated under the 2002 Farm Bill is maintained with different combinations of offer prices for butter and NDM. In May 2001, USDA reduced the offer price for NDM by \$0.10 per pound, to \$0.90 per pound, and raised the offer price for butter by an offsetting \$0.20 per pound. Responding to a continued buildup of CCC stocks, in November 2002 USDA again lowered the NDM offer price by \$0.10 per pound, to the current \$0.80, and raised the offer price for butter by an offsetting \$0.20 per pound. There were no offers of butter for sale to the CCC in 2001 and 2002 and only 11 million pounds were offered to the CCC in 2003 in response to the changed structure of offer prices. CCC stocks of NDM began declining by late-2003, after increasing early in the year in response to weakened dairy prices.

DEIP helped to minimize CCC stock accumulation and develop the U.S. as a competitive international supplier of dairy products. DEIP helped the United States move from a minor supplier of NDM to Mexico, for example, to the dominant source by the late-1990s, mainly at the expense of the EU, which had long provided subsidized exports to Mexico. U.S. exports to Mexico were also helped by implementation of the North American Free Trade Agreement (NAFTA), signed in 1994, which provided a tariff rate quota (TRQ) for the United States. No tariffs were levied on imports within the TRQ, which will reach 130 million pounds in 2007 from an initial 88 million. Tariffs on imports of U.S. NDM are to be removed completely in 2008.

The 1994 Uruguay Round (UR) trade agreement also committed Mexico to duty-free imports--totaling 176 million pounds in 2005. In addition to its NAFTA and UR commitments, Mexico sometimes allows some *out of quota* duty-free imports. For example in September 2005, Mexico announced it would allow 109 million pounds of *out of quota*, duty-free imports because its 2005 NAFTA and UR quotas totaling 298 million pounds were not sufficient to meet desired imports. This brought Mexico's total duty-free 2005 quotas to 407 million pounds.

Mexico is now the world's largest importer of milk powders, and the most important export market for the United States. In 2005, Mexico imported 341 million pounds of NDM/SMP, more than twice the level of other major importers such as the Philippines, Indonesia, and Algeria. The United States supplied 84 percent of the Mexican imports in 2005, and is also a major supplier to other important markets. Many of the remaining markets for U.S. NDM/SMP are middle income countries with fairly rapidly growing economies, and some (such as Mexico) provide reconstituted milk to low- and-middle-income consumers. As such, they are likely to remain stable markets for milk powders.

The UR agreement and internal budget pressures helped induce reforms in EU dairy policy that have greatly reduced the EU's presence in international NDM/SMP markets. The UR agreement required its signatories to reduce subsidized exports and subsidies by 21 percent and 36 percent, respectively, from a 1986-88 base period. In 1992-93, the EU was exporting nearly 3 times more subsidized NDM to world markets than the United States was exporting under DEIP. Therefore, the UR agreement implied a quantity reduction for subsidized exports by the EU about twice as large as it implied for reduced DEIP-assisted exports (<http://aae.wisc.edu/pubs/mpbpapers/pdf/mpb50.pdf>, pp. 5-6). Moreover, the UR agreement provided minimum access for NDM into the EU market, subsequently supplied by New Zealand. EU commitments under the UR agreement added to already existing budget pressures for reform of EU agricultural policies.

EU agricultural reforms in 2003 reduced the incentives for producing butter and NDM, thus shifting more milk solids into cheese. Beginning in 2004, the NDM intervention (purchase) price was reduced 15 percent over 3 years and the butter intervention price was reduced 25 percent over 4 years. Single Farm (decoupled) Payments, were instituted to compensate for lower prices. The EU also limited the amount of NDM and butter accepted into intervention to 240 million and 132 million pounds, respectively, and only purchased during the months of March through September. By 2008 butter intervention buying beyond 66 million pounds may either be suspended or replaced with a tendering system. In addition, the quotas limiting EU milk supplies are restricted to annual increases of 1.5 percent between 2006 and 2008, thus limiting milk production growth. The lower butter and NDM intervention prices have increased cheese production, pushing down the price of cheese in the EU and thereby increasing cheese demand.

Worldwide growth in both cheese consumption and an array of milk protein concentrates (MPCs) is also reducing the amount of milk protein that might otherwise be made into NDM or SMP. MPCs are combinations of selected casein and/or whey proteins often formulated to deliver functional attributes, such as those found in nutrition products or products that deliver specific medications to the body. The ITC reported that 88 percent of U.S. MPC imports exceeded 70-percent protein, and that processed cheese and specialty nutrition products accounted for 62 percent and 24 percent of MPC uses, respectively (<http://hotdocs.usitc.gov/docs/pubs/332/pub3692.pdf>). The United States remains a major market for MPCs. Strategic investments have been made in the production of MPCs by companies in Oceania, the EU, and recently in the United States.

While growth in world demand for dairy products has been supported by a strong world economy in recent years, the growth in the U.S. share of world NDM/SMP markets has also been helped by a lower U.S. dollar. Between 2001 and 2005, the U.S. dollar depreciated more than 25 percent against the New Zealand dollar, in real terms, improving the competitiveness of U.S. NDM/SMP in world markets. Both economic growth and exchange rates are to some extent cyclical, but the policy changes in the EU and worldwide growth in cheese and MPC demand represent fundamental changes favoring significant commercial exports of U.S. NDM/SMP, at least for the near term.

USDA this month revised forecasted CCC purchases of NDM for 2007 from 100 million pounds to zero.