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AGRICULTURAL LETTER

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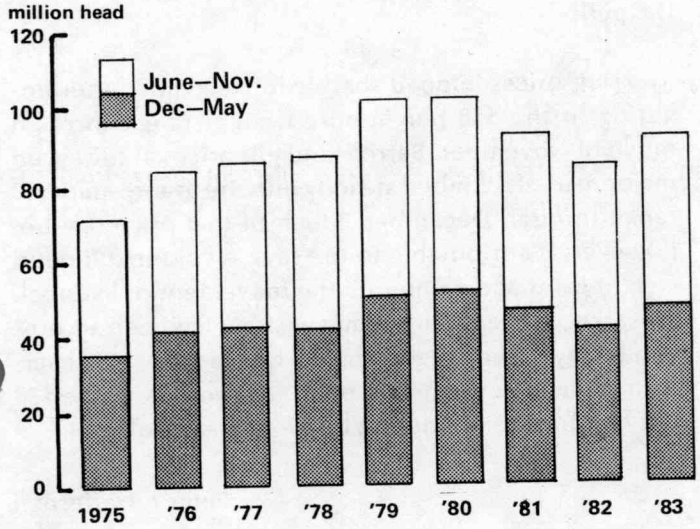
HOG PRODUCTION continued to expand during the last half of 1983 but a downturn is likely in the first half of this year. According to the USDA's latest *Hogs and Pigs* report, the June-November pig crop was up 6 percent from the same months in 1982. The increase suggests that pork supplies will remain at or above year-earlier levels through mid-1984. However, declines in the breeding herd and intended December-May sow farrowings foreshadow a significant downturn in pork production in the second half of 1984.

At 45.5 million head, the June-November 1983 pig crop registered a 6 percent gain over the same period a year ago. Coupled with the 14 percent year-to-year increase recorded in the first half, the U.S. pig crop reached 92.2 million head in 1983, exceeding the previous year's level by 10 percent. However, the 6.14 million sows that farrowed during the June-November period, although up from 1982, was 3 percent below the producer intentions stated in the USDA's June report and down 2 percent from 1981. Further, the USDA report suggests that sow farrowings on U.S. farms will decrease substantially in the first half of this year. Producer intentions for the December-May period point to a 5 percent drop in farrowings from the same period last year, but still 5 percent above the low level of 1982.

The 1983 pig crop rebounded from the seven-year low in 1982

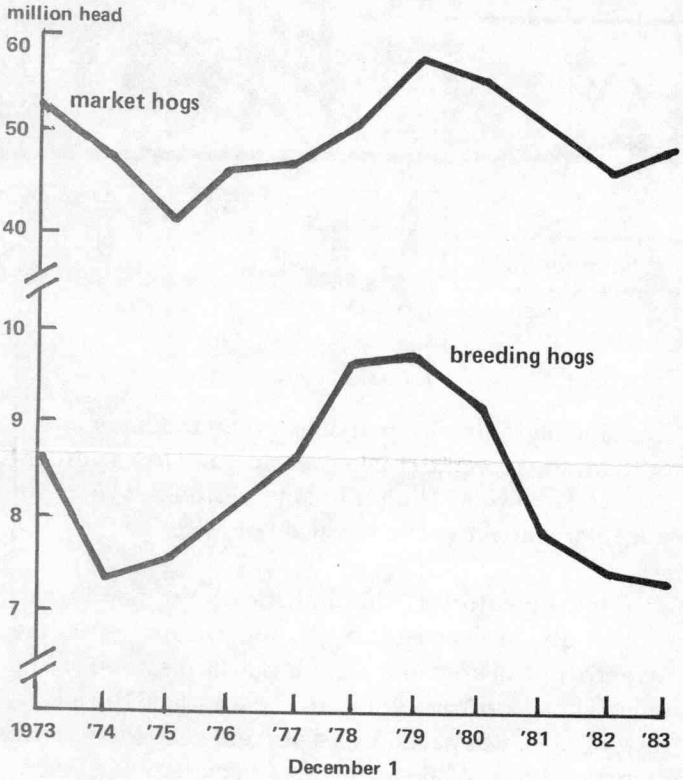


Hog inventories, although down from midyear, remain above year-ago levels. On December 1, the inventory of all hogs and pigs on U.S. farms stood at 55.8 million head, up 3 percent from a year earlier. The inventory increase was paced by a 4 percent year-to-year rise in market hogs. While an increase in market hog inventories was evident in all weight groups, the largest increase occurred in market hogs weighing more than 180 pounds. Hogs weighing 60 to 180 pounds, which will comprise the bulk of first quarter 1984 marketings, numbered 5 percent more than on December 1 a year ago. Hogs weighing less than 60 pounds numbered 1 percent more than a year ago. Breeding hog inventories, on the other hand, showed a 1 percent decline from the previous year, dipping below the very low levels of the mid-1970s.

In District states, hog production paralleled the U.S. trend. Following a 14 percent year-to-year increase in the first half of 1983, the June-November pig crop in the five District states increased 6 percent from the same period a year earlier. Among the five District states, the year-to-year change in the June-November pig crop ranged from a 2 percent decline in Illinois to a 79 percent increase in Michigan. Similarly, the December inventory of market hogs and pigs in District states showed a 2 percent increase over the year-earlier level, but the breeding stock fell 1 percent. Hogs kept for breeding purposes in Illinois, Indiana, and Wisconsin were down 5 to 10 percent while those in Iowa—the largest hog producing state—and Michigan were up 2 and 26 percent, respectively.

Producers' farrowing intentions in the three District states covered in the USDA quarterly hogs and pigs

Breeding hog inventories are at a nine-year low



survey portend significant reductions in the number of sows farrowing during the first two quarters of 1984. Between December and February hog producers in Illinois and Indiana intend to farrow 4 and 8 percent fewer sows, respectively, than a year ago. Farrowings for the period will remain unchanged from 1983 levels in Iowa. Larger year-to-year reductions of between 6 and 14 percent are indicated by producers in the three states for the March-May 1984 quarter.

Hog slaughter, after lagging year-ago levels early in 1983, has been rising steadily. Commercial hog slaughter in the third quarter was up over 12 percent from a year earlier and preliminary indications for fourth quarter slaughter point to an 18 percent year-to-year increase. For all of 1983, hog slaughter was up about 6 percent from the year before. A high level of sow slaughter contributed to the rise, particularly in the latter half of the year, as squeezed operating margins encouraged farmers to trim their breeding stock. Sow slaughter for all of 1983 is likely to show a 13 percent increase over the previous year.

The size of the December 1 hog and pig inventory suggests that year-to-year gains in hog slaughter will continue through the early part of this year. The inventory of market hogs weighing between 60 and 180 pounds, up 5 percent from a year ago, foreshadows a corresponding increase in hog slaughter for the first quarter of 1984. However, with the September-November pig crop virtually unchanged from a year ago, second quarter hog slaughter this year will likely hold at the 1983 level.

Current indicators of hog slaughter in the second half of 1984 point to substantial year-to-year reductions. U.S. hog producers intend to farrow 5 percent fewer sows than a year ago during the December-May period. The cut is expected to become progressively larger through the period, with December-February farrowings down 3 percent and March-May farrowings down 7 to 8 percent. Many analysts believe that the winter pig crop—which will provide the bulk of third-quarter pork supplies—may be down more than the indicated cut in farrowings because of harsher weather conditions. On the other hand, the current farrowing intentions for spring are only a tentative indicator of market hog availability for next fall. The recent strengthening of hog prices, and lowered corn prices have improved the outlook for returns to hog farmers and may cause producers to revise their March-May farrowing intentions.

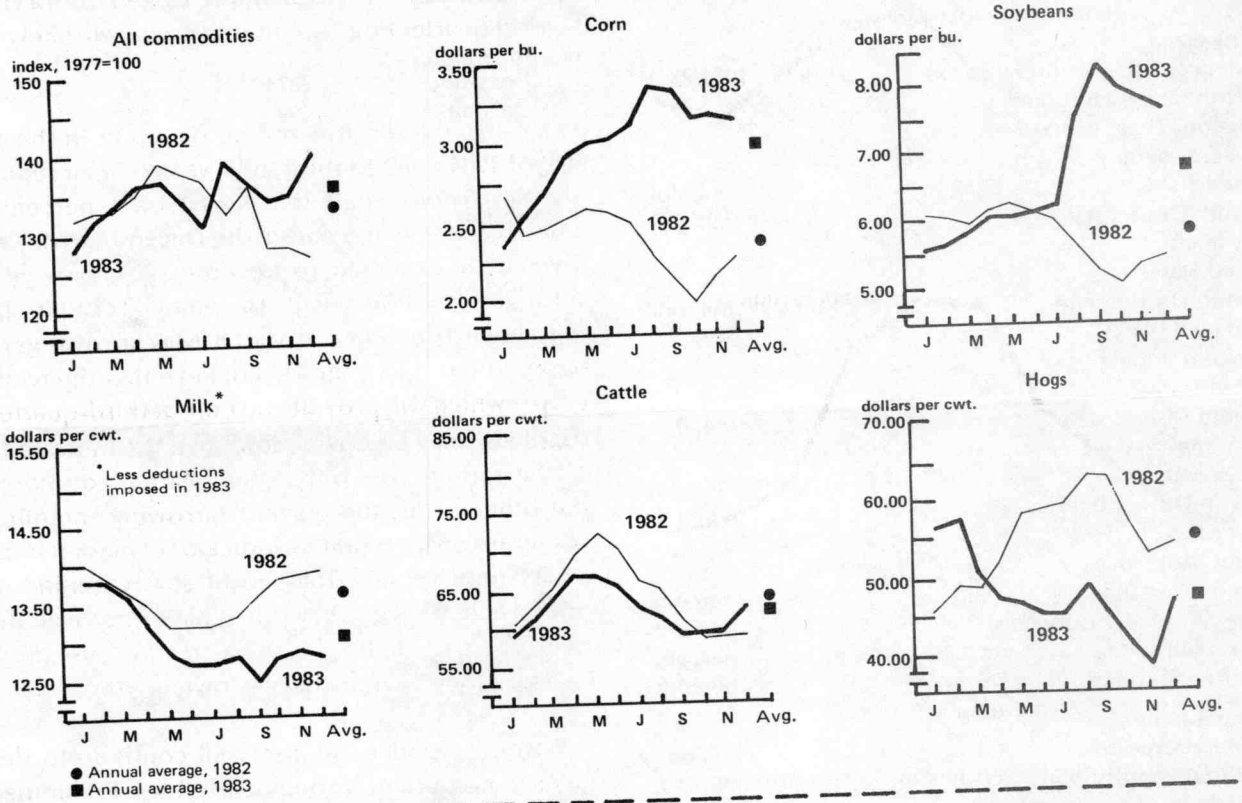
Ample supplies of beef will continue to dampen gains in hog prices through early 1984. Preliminary figures suggest that federally inspected cattle slaughter exceeded the year-earlier level by 4 percent during the fourth quarter of 1983. Moreover, USDA projections suggest that beef production could show a 7 percent year-to-year rise during the first three months of this year. Although fed cattle marketings are expected to be down, the paid diversion program for milk producers is expected to boost beef supplies as dairy herds are culled. While major adjustments to the size of the dairy herd will likely continue into the second quarter, further reductions in fed cattle marketings will hold the year-to-year increase in beef production to about 1 percent for the period.

Hog prices jumped sharply in December after lingering in the $38 per hundredweight range through much of November. Barrow and gilt prices at the seven major markets climbed steadily into the low-to-mid-$50 range through December. Much of that price run-up, however, is attributable to the severe cold that limited weight gains and hampered the movement of livestock to market. Subsequent warmer weather has been accompanied by some weakening in hog prices. However, many analysts expect hog prices to average above $50 per hundredweight during the first quarter of 1984.

Peter J. Heffernan

1983 In Perspective

Farm Commodity Prices



	Units	1973	1978	1980	1981	1982	1983[p]
Production							
Corn	bil. bu.	5.67	7.27	6.64	8.20	8.40	4.12
Soybeans	bil. bu.	1.55	1.89	1.79	2.00	2.28	1.54
Wheat	bil. bu.	1.71	1.78	2.37	2.80	2.81	2.41
Cattle slaughter	mil. head	33.7	40.0	33.8	35.0	35.8	36.7
Hog slaughter	mil. head	76.8	77.3	96.1	91.6	82.2	87.5
Milk	bil. lbs.	115.5	121.5	128.5	133.0	135.8	139.0
Income of Farm Families, Per Farm							
Net farm cash income							
Current dollars	thou. dol.	12.50	14.83	15.67	14.22	15.12	18.17
1972 dollars	thou. dol.	11.83	9.94	8.75	7.33	7.36	8.50
Total net farm income							
Current dollars	thou. dol.	12.20	11.35	8.86	12.35	9.19	9.70
1972 dollars	thou. dol.	11.54	7.61	4.95	6.36	4.48	4.55
Off-farm income							
Current dollars	thou. dol.	8.76	12.19	15.51	16.38	16.43	17.33
1972 dollars	thou. dol.	8.28	8.18	8.66	8.44	8.00	8.10
Farm Sector Balance Sheet (year-end)							
Assets							
Current dollars	bil. dol.	478	873	1,090	1,083	1,049	1,080
1972 dollars	bil. dol.	453	586	609	558	511	506
Liabilities							
Current dollars	bil. dol.	73	141	182	202	216	218
1972 dollars	bil.dol.	69	94	102	104	105	102
Equity							
Current dollars	bil. dol.	405	733	908	882	833	862
1972 dollars	bil. dol.	383	491	507	454	406	404

[p]Preliminary

Selected agricultural economic developments

Subject	Unit	Latest period	Value	Percent change from Prior period	Percent change from Year ago
Farm finance					
Total deposits at agricultural banks†	1972-73=100	December	287	- 0.3	+10
Total loans at agricultural banks†	1972-73=100	December	299	+ 0.2	+ 7
Production credit associations					
Loans outstanding					
United States	mil. dol.	November	18,759	- 2.8	- 8
Seventh District states	mil. dol.		N.A.	N.A.	N.A.
Loans made					
United States	mil. dol.	November	2,134	+ 8.3	- 8
Seventh District states	mil. dol.		N.A.	N.A.	N.A.
Federal land banks					
Loans outstanding					
United States	mil. dol.	November	48,100	+0.1	+ 2
Seventh District states	mil. dol.		N.A.	N.A.	N.A.
New money loaned					
United States	mil. dol.	November	230	+ 9.1	-26
Seventh District states	mil. dol.		N.A.	N.A.	N.A.
Interest rates					
Feeder cattle loans††	percent	3rd Quarter	13.60	+ 0.1	-17
Farm real estate loans††	percent	3rd Quarter	13.28	- 0.4	-18
Three-month Treasury bills	percent	12/29-1/4	8.98	+ 0.7	+13
Federal funds rate	percent	12/29-1/4	10.06	+ 6.0	- 1
Government bonds *(long-term)*	percent	12/29-1/4	11.87	+ 0.8	+14
Agricultural trade					
Agricultural exports	mil. dol.	November	3,480	+ 9.6	+14
Agricultural imports	mil. dol.	November	1,386	- 8.8	+12
Farm machinery sales[P]					
Farm tractors	units	November	8,081	-36.5	+13
Combines	units	November	1,275	-39.3	-26
Balers	units	November	224	-32.1	-13

†Member banks in Seventh District having a large proportion of agricultural loans in towns of less than 15,000 population.

††Average of rates reported by District agricultural banks at beginning and end of quarter.

[P]Preliminary.

N.A. - Not available.

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