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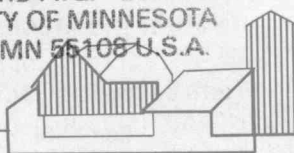
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Hog production

Hog farmers are apparently holding the line on production despite the strong expansion incentives provided by favorable earnings over the past year. The latest U.S. Department of Agriculture survey of the nation's hog farmers found that the fall pig crop was up moderately from the year before, but by a smaller-than-expected margin. Moreover the survey showed that the inventory of hogs held for breeding purposes was unchanged from a year ago and that producers' intentions foreshadow a slight decline in the number of sow farrowings through May of 1991. The implications are that pork production throughout 1991 will hold close to the reduced level of last year and that returns to hog farmers will be favorable for another year.

High prices and favorable returns to hog farmers have provided incentives for expansion since late 1989. This is reflected in Iowa State University estimates that suggest the cost to produce hogs marketed by farrow-to-finish producers in 1990 averaged about \$44 per hundredweight, or \$10 under the average price of hogs at major market last year. In the past, an upturn in production would often become evident some 9 to 12 months following the onset of favorable earnings. The past two surveys of hog farmers taken by the USDA (in June and September) had suggested that a modest expansion of 2 to 3 percent would begin in the fall of 1990 and continue into early 1991. But the latest survey, despite some mixed trends, implies little, if any, overall rise in hog production for the next several months.

According to the latest survey, the number of sows that farrowed during the fall quarter (September-November) was up from the same period the year before, the first upturn in six quarters. However, the year-over-year rise was less than half the 2 percent gain that had been suggested in earlier reports. The modest rise in farrowings, coupled with a comparable gain in the number of pigs saved per litter, led to a 2 percent rise in the fall pig crop. For the 12 months ending with November 1990, the number of pigs born and raised totaled about 90.1 million head, down 2 percent from the year before and down 3 percent from the five-year high set in 1988. On a per capita basis, last year's pig crop was the lowest since 1986 and 5 percent below the annual average of the 1980s.

The slight upturn in the fall pig crop helped push the December 1 inventory of all hogs and pigs on farms nationwide to 54.6 million head, up only 1 percent from a year earlier. All of the increase was reported to be in the number of hogs being fed-out for market. At 47.7 million head, the inventory of hogs intended for market was up about 1.5 percent from a year ago. By weight categories, light-weight market hogs (under 60 pounds) accounted for all the increase. The number of hogs in each of the other three weight categories (60 to 119 pounds, 120 to 179 pounds, and 180 pounds or more) were unchanged from a year earlier.

Contrary to earlier expectations of a sustained uptrend in hog production during the first half of this year, the latest report points toward a leveling off. As of December 1, the inventory of hogs held for breeding purposes was unchanged from a year earlier. And producers intentions for sow farrowings during the December 1990-May 1991 period point to a nominal (0.5 percent) year-over-year decline. However, the intentions for that six-month period are mixed. Intended sow farrowings through February point to a 1.6 percent rise while the March-May intentions point to a decline of over 2 percent from the same period a year earlier. While farmers may alter their March-May farrowing intentions,

Recent and prospective trends in hog production, U.S. and District states

	Iowa		Other District states ¹		U.S.	
	Mil. head	% change ²	Mil. head	% change ²	Mil. head	% change ²
Pigs born and raised						
June-Aug.	5.61	1.3	5.24	-2.7	22.7	-2.0
Sept.-Nov.	5.31	2.8	4.97	0.1	22.0	1.8
Dec. 1 inventory						
All hogs	14.0	3.7	12.5	0	54.6	1.4
For market	12.4	4.7	10.9	-0.3	47.7	1.6
For breeding	1.6	-3.5	1.6	1.3	6.9	0.1
Intended sow farrowings						
Dec.-Feb. 1991	.59	-4.8	.61	5.4	2.64	1.6
Mar.-May, 1991	.76	-3.8	.72	1.5	3.07	-2.3
Total	1.35	-4.2	1.33	3.3	5.71	-0.5

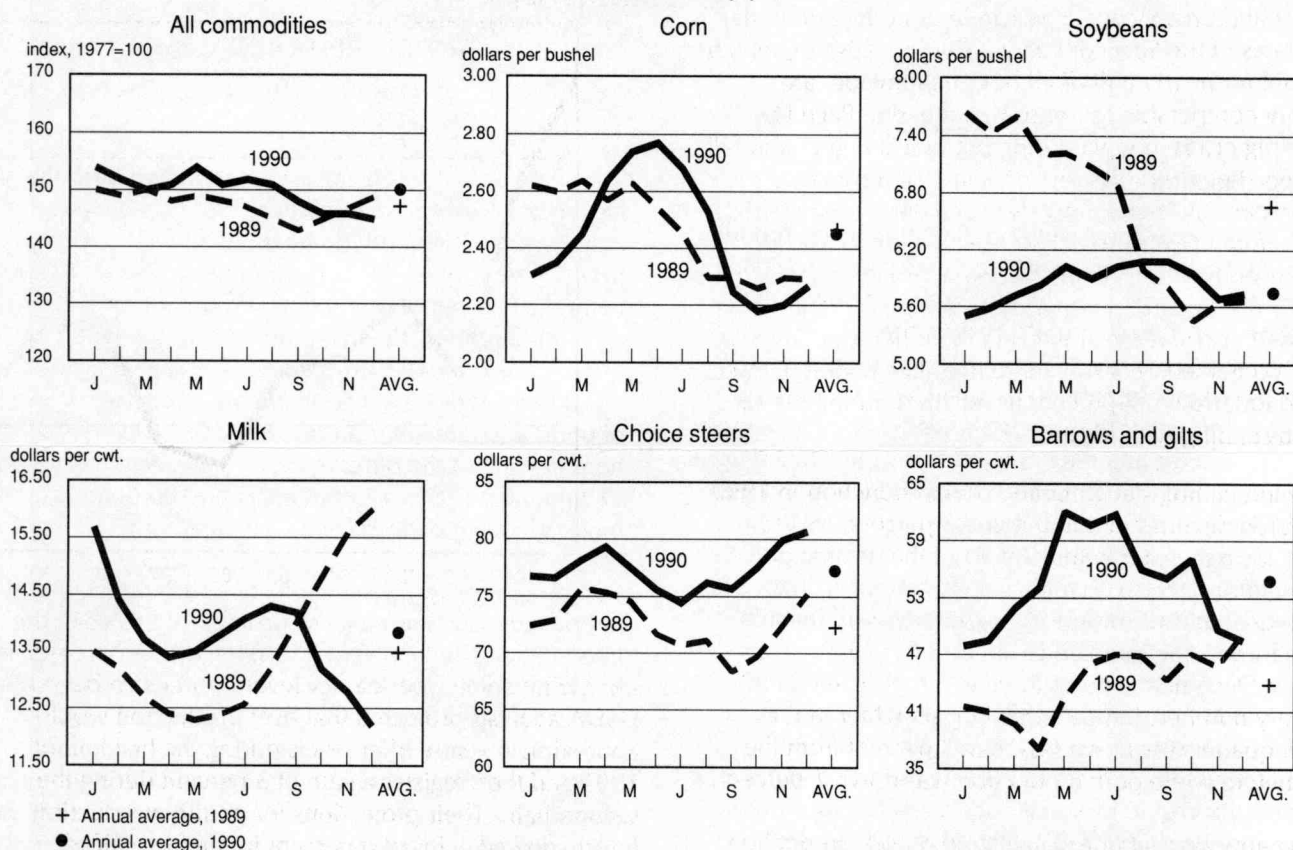
¹Illinois, Indiana, Michigan, and Wisconsin.

²From year earlier.

SOURCE: U.S. Department of Agriculture.

1990 in perspective

Farm commodity prices



	Annual averages				1987	1988	1989	1990*
	1969-71	1974-76	1979-81	1984-86				
Production (billion units)								
Corn (bu.)	4.83	5.61	7.56	8.26	7.13	4.93	7.53	7.93
Soybeans (bu.)	1.14	1.35	2.02	1.97	1.94	1.55	1.92	1.90
Wheat (bu.)	1.47	2.02	2.43	2.37	2.11	1.81	2.04	2.74
Beef (lbs.)	21.6	24.4	21.8	23.9	23.6	23.6	23.1	22.8
Pork (lbs.)	15.0	12.9	16.0	14.6	14.4	15.7	15.8	15.3
Milk (lbs.)	117	117	128	140	143	145	144	148
Farm sector earnings (billion dollars)								
Commodity sales	50.5	92.2	137.6	140.7	141.7	150.2	159.2	168
Government payments	3.7	.7	1.5	9.3	16.7	14.5	10.9	9
Total cash income**	54.6	93.9	141.5	154.9	164.3	170.4	177.5	184
Cash expenses	36.4	62.4	108.0	111.2	108.2	112.3	122.8	125
Net cash income								
Current dollars	18.2	31.4	33.5	43.7	56.1	58.1	54.6	59
1982 dollars***	43.3	53.9	39.1	39.4	47.8	47.9	43.3	45
Farm sector balance sheet (billion dollars)								
Current dollars								
Assets	283	516	954	742	719	764	794	818
Debt	49	87	167	173	142	138	136	134
1982 dollars***								
Assets	654	842	1,065	661	605	616	617	610
Debt	114	140	186	154	119	111	105	100
Financial ratios								
Debt as percent of assets	17.5	16.6	17.5	23.2	19.7	18.0	17.1	16.4
Debt as multiple of net cash income	2.7	2.8	5.0	4.0	2.5	2.4	2.5	2.3

*Preliminary.

**Includes other farm-related cash income not shown separately.

***Deflated by GNP implicit deflator.

the currently indicated decline was perhaps the most surprising element in the latest report.

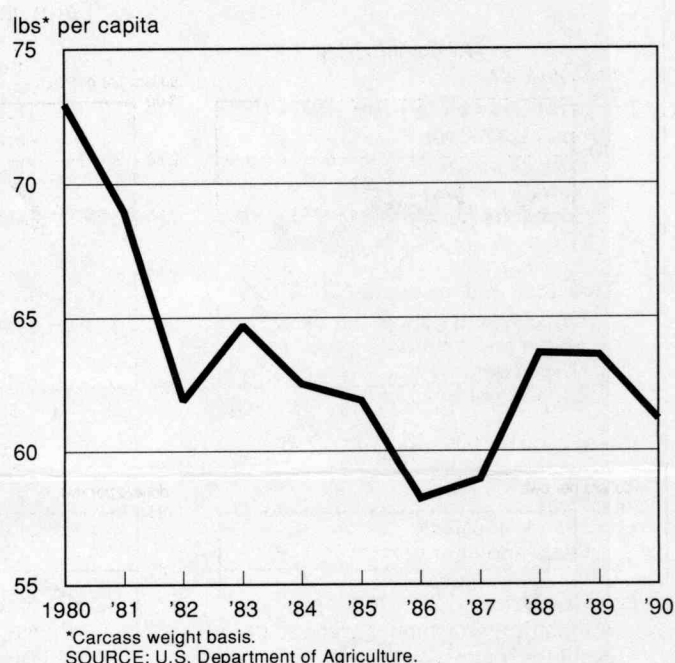
Recent and prospective trends in hog production in the five states of the Seventh Federal Reserve District, which account for nearly half of all hogs nationwide, are roughly comparable to trends nationwide. Paced by larger pig crops in Iowa during both the summer and fall quarters, hogs and pigs on farms in District states on December 1 numbered nearly 2 percent more than the year before. Sow farrowing intentions for the next six months portend a reversal of this pattern among District states, with declines in Iowa more than offsetting intended year-over-year gains in the other four District states combined. For the entire five state region, farmers intend to farrow 0.7 percent fewer sows during the six months ending with May.

Commercial hog slaughter and pork production in 1990 registered declines of about 4 and 3 percent, respectively, from the year before. Most of the decline occurred during the spring and summer months. The fourth quarter tallies were up seasonally from the third quarter and--due to a sudden upturn in heavy-weight hogs in December--closer to year-earlier levels. Preliminary numbers indicate that hog slaughter in the fourth quarter was down less than 3 percent from the year before while pork production was down 1 percent.

It now appears that hog slaughter and pork production in 1991 will be about unchanged from the year just ended. The current estimates of the summer and fall pig crop imply that slight declines in hog slaughter during the first quarter of 1991 will be offset by gains in the second quarter, leaving the first half total unchanged from the year before. The latest readings on farrowing intentions foreshadow much the same for the second half of 1991, with slight year-over-year gains in the third quarter offset by slight declines in the fourth quarter.

Hog prices fluctuated considerably during 1990, with monthly averages ranging from about \$48 per hundredweight in both January and December to well over \$60 in the late spring and early summer months. The average for all of 1990 was about \$54.45 per hundredweight, up more than \$10 from the 1989 average and the highest for any year since 1982. In December, prices dropped below the year earlier level because of a sudden spurt in pork production and the then prevailing expectations of a sustained uptrend for this year. The recent report suggesting pork production will hold steady has helped to buoy 1991 price prospects, especially for the second half of the year. Nevertheless, increased production of other meats and the possibility that hog farmers could yet boost spring farrowings above their reported intentions may hold prices in 1991

Per capita pork production retreated 4 percent last year



somewhat below year-earlier levels. In December, USDA analysts projected that beef production would approximate year-earlier levels during the first half of 1991 and then register a gain of 3 percent during the second half. Their projections for poultry production foreshadowed gains of 6 percent in the first half of 1991, narrowing to 4 percent in the second half. In light of these prospects, hog prices during the next few months will likely range between the high \$40 to the mid- to upper \$50s per hundredweight. These levels should sustain the string of favorable earnings for most hog farmers and may yet trigger an upturn in hog production.

Gary L. Benjamin

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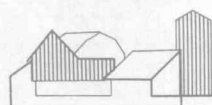
Selected agricultural economic indicators

	Latest period	Value	Percent change from		
			Prior period	Year ago	Two years ago
Prices received by farmers (1977=100)	December	145	-0.7	-3	0
Crops (1977=100)	December	122	-1.6	-4	-10
Corn (\$ per bu.)	December	2.18	0.5	-4	-14
Oats (\$ per bu.)	December	1.10	-5.2	-28	-55
Soybeans (\$ per bu.)	December	5.74	-0.7	2	-24
Wheat (\$ per bu.)	December	2.38	-0.4	-37	-40
Livestock and products (1977=100)	December	166	0.0	-2	8
Barrows and gilts (\$ per cwt.)	December	48.50	-4.3	-1	19
Steers and heifers (\$ per cwt.)	December	82.90	2.1	9	13
Milk (\$ per cwt.)	December	12.20	-4.7	-24	-10
Eggs (¢ per doz.)	December	76.5	4.9	-8	25
Prices paid by farmers (1977=100)	October	188	2.2*	6	9
Production items	October	174	2.4*	5	7
Feed	October	124	-4.6*	-3	-12
Feeder livestock	October	219	2.3*	12	12
Fuels and energy	October	238	28.6*	30	44
Producer prices (1982=100)	November	123	0.5	7	12
Agricultural machinery and equipment	November	121	0.7	2	6
Fertilizer materials	November	103	2.0	12	-1
Agricultural chemicals	November	122	2.3	5	11
Consumer prices (1982-84=100)	November	134	0.2	6	11
Food	November	134	0.3	6	11
Production or stocks					
Corn stocks (mil. bu.)	September 1	1,344	N.A.	-30	-68
Soybeans stocks (mil. bu.)	September 1	239	N.A.	31	-21
Beef production (bil. lbs.)	November	1.84	-9.8	-3	-2
Pork production (bil. lbs.)	November	1.37	-1.1	-5	-6
Milk production (bil. lbs.)*	November	10.0	-2.2	4	3

N.A. Not applicable.

*Prior period is three months earlier.

**21 selected states.



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