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Hogs and pigs

Hog production and slaughter supplies showed larger than expected declines during the final months of 1989. Recent USDA estimates of market hog inventories and pig crops show smaller numbers than suggested by earlier reports. In addition, another drop in the breeding stock was recorded on December 1. Downward revisions in the estimate of the summer pig crop and a smaller fall pig crop than was implied by farrowing intentions in September produced smaller inventories of market hogs and pigs. These developments suggest a year-to-year drop in hog slaughter during the first half of 1990. U.S. producers' farrowing intentions for the December-to-May period foreshadow continued declines in hog slaughter through the second half of this year.

Inventories of hogs and pigs on U.S. farms at the beginning of December were well below year-earlier levels. The number of market hogs on farms, at almost 47 million head, was 3 percent lower than the previous December 1 level. Much of the drop was accounted for by a 4.5 percent decline in the number of hogs weighing less than 60 pounds, reflecting a significant decline in the fall pig crop. However, market hogs weighing between 60 and 179 pounds recorded a 2.5 percent year-to-year drop. Heavy weight hogs, those weighing more than 180 pounds and likely to have been marketed during December, numbered almost 1 percent less than a year earlier.

Reinforcing the drop in market hog inventories, the number of animals kept for breeding purposes, which represent less than 13 percent of the total inventory, were down more than 2.5 percent from December 1, 1988. This marked the second consecutive decline in December breeding inventories, leaving the breeding stock 3 percent below the previous high.

After holding near the previous year's level during the first half of 1989, sow farrowings dropped by more than 4 percent from a year earlier during the June-to-November period. The drop reflects a downward revision in the number of sows farrowing between June and August, and a considerably lower level of farrowings during the latter three months of the period compared to producers' intentions last September. At that time, intentions suggested only a slight decline in farrowings that might be offset by an increase in the

number of pigs saved per litter from the depressed levels following the 1988 drought.

The larger than expected drop in farrowings during the second half was partially offset by a year-to-year gain in the number of pigs per litter. An almost 2 percent increase in the number of pigs per litter during the second half of the year limited the year-to-year drop in the pig crop to about 2.5 percent. When combined with a slight increase during the first half of 1989, the overall pig crop for the twelve months ending in November was down only 1 percent from the level recorded in 1988 and still 4 percent more than the 1987 pig crop.

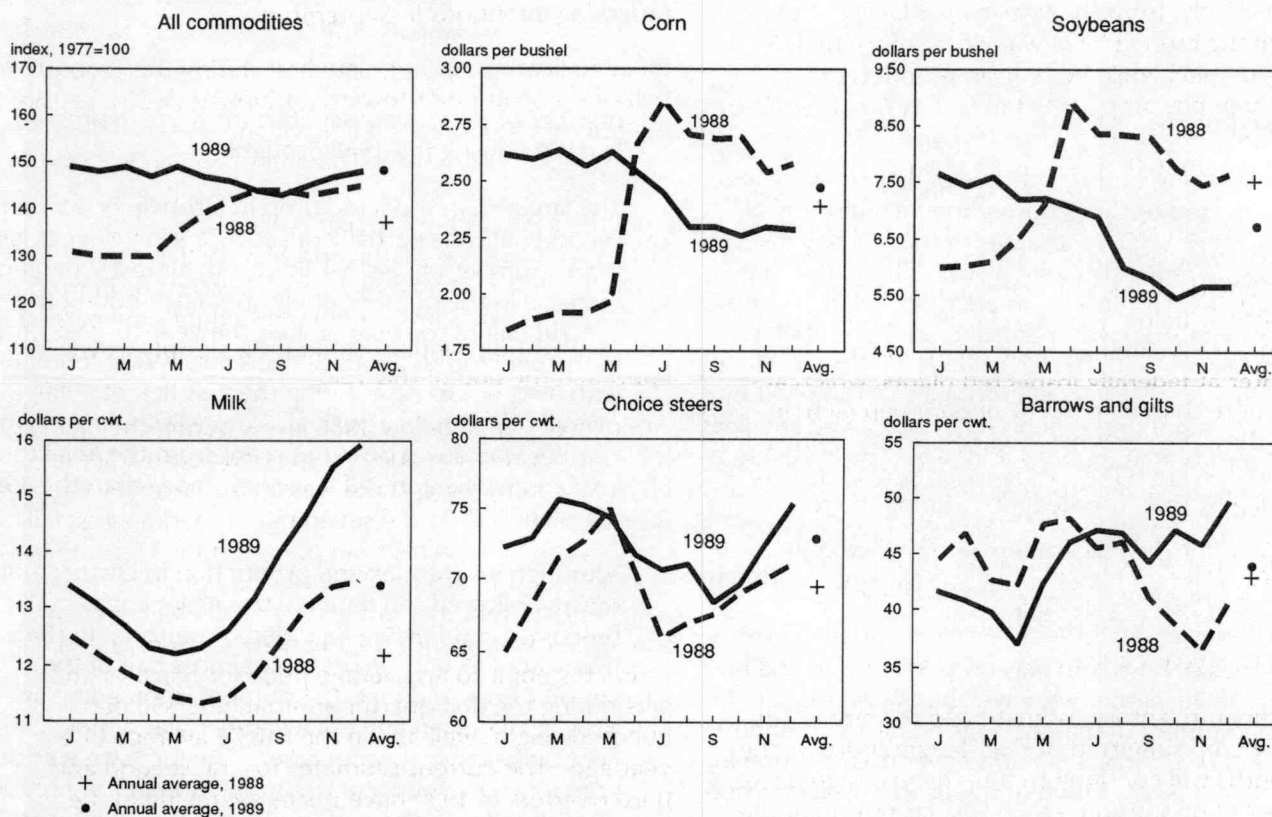
Although inventories and production in District states mostly followed the national trends, changes in the breeding herd followed a different pattern. In the District states, which account for almost half of the nation's hogs and pigs, the number of breeding animals at the beginning of December was almost 2 percent higher than a year earlier. The increase was due primarily to a 5 percent rise in the number of breeding animals in Iowa, the nation's largest hog producer. However, the breeding inventory in Michigan recorded an almost 3 percent year-to-year gain as well. Illinois hog producers reported an almost 3 percent decline, while breeding stock in Wisconsin was almost 4 percent lower than December 1, 1988. Indiana producers reported a drop of about 1 percent.

Market hog inventories for the District recorded a 1.8 percent decline from the year-earlier level. Again an almost 5 percent drop in Iowa paced the overall change for the District. A 1.4 percent decrease in the December 1 inventory of market hogs was also reported in Wisconsin. The remaining District states reported year-to-year increases in market hogs, ranging from less than 1 percent in Michigan to more than 2.5 percent in Illinois.

The year-to-year decline in farrowings across the District states accelerated during the second half of 1989, but increases in pigs per litter trimmed the decline in the pig crop. After dropping about 3 percent during December to May, sow farrowings recorded a 4.5 percent decline during the subsequent six month period. The second half pig crop in the District states, however, dropped only 1.7 percent, as the number of pigs per litter jumped almost 3 percent from the previous

1989 in Perspective

Farm commodity prices



	Units	1970	1975	1980	1985	1986	1987	1988	1989*
Production									
Corn	bil. bu.	4.15	5.84	6.64	8.88	8.23	7.13	4.93	7.53
Soybeans	bil. bu.	1.13	1.55	1.80	2.10	1.94	1.94	1.55	1.93
Wheat	bil. bu.	1.35	2.13	2.38	2.42	2.09	2.11	1.81	2.04
Beef	bil. lbs.	21.7	24.0	21.6	23.7	24.4	23.6	23.6	23.1
Pork	bil. lbs.	14.7	11.8	16.6	14.8	14.1	14.4	15.7	15.8
Milk	bil. lbs.	117	115	128	143	143	143	146	145
Farm Sector Earnings**									
Cash income	bil. dol.	54.8	90.7	143.3	156.9	152.5	162.0	171.6	174
Commodity sales	bil. dol.	50.5	88.9	139.7	144.1	135.5	139.5	151.4	158
Government payments	bil. dol.	3.7	.8	1.3	7.7	11.8	16.7	14.5	11
Cash expenses	bil. dol.	36.4	61.1	109.1	110.2	100.7	107.5	114.4	121
Net cash income									
Current dollars	bil. dol.	18.4	29.6	34.2	46.7	51.8	54.5	57.2	53
1982 dollars	bil. dol.	43.7	49.9	39.9	42.1	45.5	46.4	47.2	42
Farm Sector Balance Sheet**									
Current dollars									
Assets	bil. dol.	279	509	996	746	689	765	810	849
Debt	bil. dol.	49	85	167	175	155	143	138	136
Equity	bil. dol.	230	424	829	571	534	622	672	713
1982 dollars									
Assets	bil. dol.	664	859	1,162	673	606	652	668	672
Debt	bil. dol.	116	143	195	158	136	122	114	108
Equity	bil. dol.	548	715	967	515	470	530	554	564

*Preliminary USDA estimates.

**Figures shown for 1985 and 1986 are likely to be revised, based on results from the 1987 Census of Agriculture. Figures for 1987-89 are preliminary estimates that include anticipated Census revisions.

year's low level. Declines in pig crops during the June-to-November period were noted in the District states other than Indiana and Michigan, where producers reported increases of 3.4 percent and 2 percent, respectively, from the year-earlier levels. The second half pig crop in Iowa was down more than 3 percent from 1988 while Wisconsin producers reported a 4 percent drop. Hog farmers in Illinois reported a 2 percent year-to-year decline in the pig crop during the second half of 1989.

Hog slaughter during the final months of 1989 began to lag the year-earlier pace. Following nine consecutive quarterly declines, commercial hog slaughter dropped slightly below year-ago levels during October and November. Preliminary indications of December hog slaughter at federally inspected plants, which account for more than 90 percent of commercial hog slaughter, show a somewhat larger year-to-year decline of about 4.5 percent. When combined these indicators suggest that hog slaughter during the fourth quarter was about 2 percent lower than the previous year's level. That is a substantial departure from the September estimate of the inventory of hogs approaching market weight that showed a slight increase compared to a year earlier.

The December inventory estimate and the size of the summer pig crop suggest that hog slaughter during the winter months will continue to trail the year-ago pace. The number of pigs produced on U.S. farms during the June through August period was revised sharply downward in the December report to show a year-to-year decline of about .5 percent. The December reading of the number of market hogs weighing between 60 and 179 pounds, which come primarily from the summer pig crop, shows an even larger year-to-year decline of more than 2 percent. The previous quarter's inventory based indication of slaughter supplies during the winter months had pointed to an increase compared to last year. It appears now, however, that hog slaughter during the first three months of 1990 will continue the recent trend of year-to-year declines.

The December inventory of pigs weighing less than 60 pounds and the size of the fall pig crop, which accounts for most of this weight group, provides the basis for estimating hog slaughter this spring. Both measures showed 4.5 percent declines from a year

earlier in the December report, suggesting a similarly large reduction in slaughter supplies during the second quarter. A decline of that magnitude would be substantially larger than the 1.5 drop implied by producers farrowing intentions in September.

Initial indications of hog slaughter during the second half of this year point toward continued declines. The intentions stated by producers at the end of November suggest that between December and February farrowings will record a decline of about 2 percent from the same months a year earlier. Intended farrowings between March and May, which are generally much less certain, point to a 6 percent drop from the previous year's level. If these intentions are carried out, market hog supplies could drop sharply as we approach the end of this year.

After holding well below 1988 levels during the first half of last year, hog prices surpassed year-earlier levels in July. Moreover, there was little seasonal weakness in hog prices at the seven major markets this fall, and considerable strength in prices during December. For the fourth quarter as a whole, hog prices averaged \$47.38 per hundredweight, substantially higher than the \$38.76 average of a year earlier. Current USDA estimates point to an average price for barrows and gilts during the first quarter approaching \$50 per hundredweight, well above the \$40.78 average of a year ago. The current estimates for the second and third quarters of 1990 have prices averaging in the low-to-mid \$50 per hundredweight range, about \$10 per hundredweight higher than the corresponding quarterly averages of 1989.

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AGRICULTURAL LETTER (ISSN 0002-1512) is published bi-weekly by the Research Department of the Federal Reserve Bank of Chicago. It is prepared by Gary L. Benjamin, economic adviser and vice-president, Peter J. Heffernan, economist, and members of the Bank's Research Department, and is distributed free of charge by the Bank's Public Information Center. The information used in the preparation of this publication is obtained from sources considered reliable, but its use does not constitute an endorsement of its accuracy or intent by the Federal Reserve Bank of Chicago.

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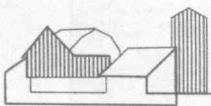
Selected Agricultural Economic Indicators

	Latest period	Value	Percent change from		
			Prior period	Year ago	Two years ago
Prices received by farmers (1977=100)					
Crops (1977=100)	December	148	0.7	2	17
Corn (\$ per bu.)	December	125	-1.6	-8	13
Oats (\$ per bu.)	December	2.26	0.9	-11	31
Soybeans (\$ per bu.)	December	1.46	-1.4	-41	-17
Wheat (\$ per bu.)	December	5.63	-0.2	-25	0
	December	3.81	2.7	-3	41
Livestock and products (1977=100)					
Barrows and gilts (\$ per cwt.)	December	169	2.4	10	20
Steers and heifers (\$ per cwt.)	December	49.80	9.0	22	21
Milk (\$ per cwt.)	December	76.70	1.2	5	15
Eggs (¢ per doz.)	December	15.90	2.6	18	25
	December	82.8	5.3	39	72
Prices paid by farmers (1977=100)					
Production items	October	178	0.0†	3	9
Feed	October	164	-0.6†	1	9
Feeder livestock	October	128	-3.8†	-9	22
Fuels and energy	October	196	1.6†	0	3
	October	184	-2.1†	12	10
Producer Prices (1982=100)					
Agricultural machinery and equipment	December	115	0.4	5	9
Fertilizer materials	December	119	0.3	4	9
Agricultural chemicals	December	92	0.1	-13	1
	December	117	-0.2	6	11
Consumer prices (1982-84=100)					
Food	November	126	0.2	5	9
	November	127	0.3	6	11
Production or stocks					
Corn stocks (mil. bu.)	December 1	7,079	N.A.	0	-28
Soybean stocks (mil. bu.)	December 1	1,610	N.A.	18	-8
Beef production (bil. lbs.)	November	1.91	-6.6	2	4
Pork production (bil. lbs.)	November	1.45	1.8	-1	10
Milk production (bil. lbs.)††	November	9.69	-2.3	-1	1

N.A. Not applicable.

†Prior period is three months earlier.

††21 selected states.



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