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Hogs and pigs

Hog production, although down from a year earlier this spring, registered a smaller decline than many analysts had expected. Recent estimates by USDA of June 1 hog inventories and pig crops on U.S. farms suggest declines of only about 1 percent, substantially smaller than the drops implied by a survey of producer intentions in the ten major producing states in March. Initial farrowing intentions of U.S. producers during the second half of 1989 point to a slight increase from the same period a year ago. If these intentions prove to be an accurate forecast of actual pig crops during the latter part of this year, it would suggest that hog prices in the first half of 1990 would be somewhat lower than earlier expected.

The number of hogs and pigs on U.S. farms at the beginning of June totaled more than 55.5 million head, down 1.4 percent from a year earlier. The June 1 breeding herd on U.S. farms was down 2.7 percent from last year. Market hogs, which accounted for almost 87 percent of the total, numbered almost 48.2 million. The 1.1 percent year-to-year decline in market hogs was almost entirely accounted for by a 2.4 percent drop in the inventory of pigs weighing less than 60 pounds, with the other weight categories virtually unchanged from last year.

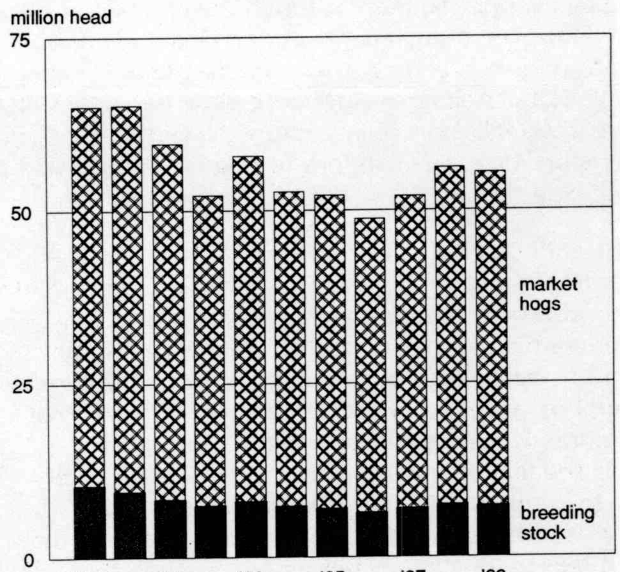
Changes in hog inventories in the District states varied considerably from the nation as a whole. The 2.5 percent year-to-year drop in District inventories of hogs and pigs was twice the national rate. Declines ranged from about 2 percent in Iowa, the nation's largest hog producing state, to an almost 7 percent drop in Wisconsin inventories.

The larger drop in hog and pig inventories in the District states is attributable to sharp reductions in market hog numbers. Declines were registered in each of the five states, and for the District as a whole market hog inventories recorded a decline of almost 3 percent. The largest drops were reported by Michigan and Wisconsin, where market hogs on June 1 numbered almost 5 and 7 percent less than a year earlier. Declines of about 2.5 percent were registered in Illinois and Iowa, while Indiana market hog inventories were down almost 3 percent from June 1988.

The decline in the breeding hog inventory in the District, in contrast, was smaller than the drop reported for all U.S. farms and varied considerably across the District states. While all U.S. producers reported a 2.7 percent drop from last year, the District states as a group showed a 1.6 percent decline in breeding stock. Iowa hog producers reported no change from last June in the level of their breeding herd, while Michigan farmers reported an almost 3 percent year-to-year gain. In contrast, Indiana and Wisconsin farmers recorded declines of 6 and almost 8 percent, respectively, in their breeding herds. Illinois hog producers reported a drop of about 1 percent from last year.

Hog slaughter during the second quarter ran well above the year-earlier level, extending the pattern of year-to-year gains through an eighth consecutive quarter. Commercial hog slaughter in April and May, although trending down seasonally from the first quarter level, held at more than 6 percent above the same months last year. Preliminary figures on hog slaughter in federally-inspected plants during June point to an increase from a year ago of about 4 percent. These figures suggest that second quarter slaughter will be well above the 2.5 percent increase

June inventory of hogs and pigs



suggested by the March estimate of market hog inventories.

The June inventory estimates coincide with the third quarter hog slaughter projected from the March report. The June 1 inventory of market hogs weighing between 60 and 179 pounds, which come primarily from the winter pig crop, provide a forecast of what hog slaughter will be during the summer months. Last winter's U.S. pig crop was down less than 1 percent from a year earlier, consistent with a June 1 inventory of hogs approaching market weight essentially equal to a year ago. These indicators suggest that third quarter hog slaughter will hold near last year's level.

Estimates of hog slaughter during the final months of 1989 can be drawn from the size of the spring pig crop and the June inventory of pigs weighing less than 60 pounds. The spring pig crop was down about 1 percent from a year earlier, far less than the 3.5 percent year-to-year decline suggested by producers intentions last March. In addition, the current inventory of light weight hogs is down about 2 percent from last year's level. As a result, it appears that fourth quarter hog slaughter will be about 2 percent lower than a year ago.

The June report suggests that hog slaughter during the first half of 1990 will hold near year-earlier levels. The June intentions of U.S. producers suggest that farrowings this summer will drop by less than 1 percent, a considerably smaller year-to-year drop than the 4.4 percent decline implied by the March intentions. Moreover, farrowing intentions for this fall, a very preliminary indicator of second quarter slaughter supplies, point to an increase of 1 percent from a year ago. If these intentions are carried out, producers could face a price squeeze through the first half of 1990. However, many analysts point to the almost 3 percent drop in breeding stock from last June in suggesting that actual farrowings during the remainder of this year will fall short of intentions. Nevertheless, the June report offers less support for hog prices than was earlier expected.

After trending seasonally lower through mid April, hog prices began moving higher. Holding in the upper $40 per hundredweight range in the early weeks of July, hog prices have remained slightly above the $45 per hundredweight range of a year ago. Most analysts expected hog prices to average in the mid to upper $40 per hundredweight range during the third quarter. During the final months of 1989, hog prices will likely average in the mid $40 per hundredweight range, above the $39 per hundredweight average during the fourth quarter of 1988, as tighter beef supplies provide some support. If second half 1989 farrowings are consistent with June intentions, hog prices in early 1990 could average near $40 per hundredweight.

Peter J. Heffernan

Corn and soybean reports

Recent USDA reports provided a quarterly update on old-crop stocks of corn and soybeans and initial estimates of 1989 plantings. The *Grain Stocks* report indicated somewhat larger-than-expected stocks of grain and soybeans as of the end of May. And the *Crop Production* report suggested that problems during the planting season led to only minor changes in farmers planting intentions.

The latest USDA survey showed some 3.4 billion bushels of corn and 465 million bushels of soybeans were on hand as of June 1. Reflecting last year's drought-reduced harvest, the corn stocks estimate was down 41 percent from a year ago while that for soybeans was down 29 percent. Compared to earlier stock estimates, the latest figure for corn implies that total usage of corn lagged the year-earlier pace by about 1 percent during the March-May quarter and by 6 percent for the first nine months of the 1988/89 marketing year that ends with August. All of the decline has been in domestic usage as exports have continued strong throughout the marketing year. Corn exports were up roughly 15 percent from the year-earlier pace during the March-May quarter and up 20 percent during the first nine-months of the marketing year. Based on the performance so far, it appears that corn exports for the entire 1988/89 marketing year will closely approximate the 2.1 billion bushels currently projected by the USDA.

Adjusting for exports, the residual implications of the stock estimates are that domestic use of corn continued sluggish this spring. For the March-May quarter, domestic use of corn was implicated to be down about 7 percent from a year earlier and the lowest for that period in 11 years. And for the first nine months of the 1988/89 marketing year, domestic use of corn was apparently down 13 percent from the high level the year before and the lowest 9-month total since 1983/84.

The sharp decline in the residually-calculated estimate of domestic corn use puzzles many analysts since livestock and poultry—which consume the bulk of corn used domestically—are up in numbers from year-ago levels. Estimates of other grains used to feed livestock and poultry also show declines from year-earlier levels and roughage supplies have been tight since last year's drought. The puzzle is even more complex because residual estimates of domestic corn use the past two marketing years seem to be high. If the puzzle is to be eventually reconciled, it may be through some combination of revised estimates of corn production and domestic use for the past 2 or 3 marketing years. For now, the USDA projects that some 5.26 billion bushels of corn will be use domestically during the entire 1988/89 marketing year, down 12 percent from the year before. But the performance through May indicated by the quarterly stocks reports, coupled with the drought-induced surge in domestic use last summer, still raises the question as to whether the USDA projection for domestic corn use is a little too high.

The soybean stock estimate was roughly consistent with indicated usage patterns so far this year. Exports and domestic crushings (into meal and oil) of soybeans have fallen off sharply this year. Preliminary estimates show soybean exports were down 27 percent from the year-earlier pace during the March-May quarter and down 34 percent during the first nine months of the 1988/89 marketing year. Domestic crushings of soybeans were down 12 percent during the March-May quarter and down 9.5 percent during the first nine months of the 1988/89 soybean marketing year. The rather modest amount of soybeans used for other domestic purposes (seed, feed, and residual) are indicated to have held close to the year-ago pace so far this marketing year. For the entire marketing year that ends with August, the USDA is projecting that soybean exports will decline 31 percent to 550 million bushels while domestic crushings will decline 9 percent to 1.07 billion bushels.

Both corn and soybean plantings this year are up from year-ago levels but slightly below the levels indicated in a March 1 survey of farmers planting intentions. Nationwide, some 72.8 million acres were planted to corn this year, up 7.6 percent from last year. Of that area, farmers intend to harvest about 65.8 million acres of corn for grain. Such a level, weather permitting, would represent a 13 percent rise from last year when an unusually large portion of the corn acreage was abandoned due to the drought. For the other three feed grains—sorghum, oats, and barley—combined plantings this year are down nearly 2 percent in area but intentions point to a 20 percent rise in the acreage to be harvested for grain.

Soybean plantings this year, at 61.3 million acres, are up 4.2 percent from last year, with intentions to harvest about 5 percent more acres for beans. Contrary to expectations, the estimate of planted soybean acreage fell slightly below the level indicated last March. The rain-delayed plantings of corn in eastern portions of the U.S. apparently did not result in the level of substituted soybean plantings on intended

Planted corn and soybean acreage

	1986	1987	1988	1989	Change
	(---------million acres---------)				*(percent)*
Corn					
Illinois	10.6	9.2	9.9	10.9	10
Indiana	5.8	4.8	5.2	5.5	6
Iowa	12.3	10.3	11.3	12.7	12
Michigan	2.8	2.3	2.1	2.3	10
Wisconsin	3.9	3.6	3.4	3.6	4
District states	35.4	30.2	32.0	35.0	10
United States	76.7	65.7	67.6	72.8	8
Soybeans					
Illinois	9.0	8.8	8.8	8.8	0
Indiana	4.3	4.4	4.3	4.6	7
Iowa	8.5	8.0	8.0	8.3	3
Michigan	1.0	1.1	1.2	1.1	-12
Wisconsin	.3	.3	.4	.4	-7
District states	23.2	22.6	22.8	23.2	2
United States	60.4	58.0	58.9	61.3	4

corn acreage that analysts had expected. Moreover, the 11 percent of this year's soybean acreage that was planted following the harvest of another crop was up only modestly from last year's share of 9 percent double-cropped soybean acreage.

Total acreage planted to wheat for this year's harvest is up 16 percent, reflecting a 12 percent rise in winter wheat planted last fall and a larger-than-expected boost of 29 percent in spring wheat plantings. The earlier planting intentions survey had foreshadowed a 17 percent rise in spring wheat plantings. Because of various weather-related problems that hit this year's crop, the rise in harvested winter wheat acreage may be held to less than 7 percent this year. Alternatively, reflecting the extensive amount of abandoned acreage last year, harvested spring wheat acreage may jump 57 percent this year. Overall, harvested wheat acreage is now expected to be up 19 percent this year.

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Selected Agricultural Economic Indicators

	Latest period	Value	Percent change from: Prior period	Year ago	Two years ago
Receipts from farm marketings *($ millions)*	February	13,503	-5.0	25	19
Crops*	February	4,713	-30.5	13	37
Livestock	February	6,583	-7.4	4	20
Government payments	February	2,207	568.8	672	-10
Real estate farm debt outstanding *($ billions)*					
Commercial banks	December 31	14.2	0.4†	7	22
Farm Credit System	December 31	28.0	-2.6†	-6	-20
Life insurance companies	December 31	9.01	2.8†	-2	-12
Nonreal estate farm debt outstanding *($ billions)*					
Commercial banks	December 31	28.3	-3.1†	3	-5
Farm Credit System	December 31	8.64	-5.7†	-7	-18
Interest rates on farm loans *(percent)*					
7th District agricultural banks					
Operating loans	April 1	12.53	4.7†	13	15
Real estate loans	April 1	11.70	3.8†	12	14
Commodity Credit Corporation	July	8.62	-5.5	15	25
Agricultural exports *($ millions)*	April	3,433	-16.2	12	51
Corn *(mil. bu.)*	April	181	-12.4	8	-2
Soybeans *(mil. bu.)*	April	41	-39.1	-38	-23
Wheat *(mil. bu.)*	April	122	-17.6	-22	69
Farm machinery sales[p] *(units)*					
Tractors, over 40 HP	June	5,578	6.0	13	20
40 to 139 HP	June	4,405	15.1	12	10
140 HP or more	June	1,173	-18.3	20	77
Combines	June	762	72.8	53	94

*Includes net CCC loans.
†Prior period is three months earlier.
[p]Preliminary

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