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LIVESTOCK PRODUCTION IN DISTRICT STATES has undergone some dramatic shifts over the past several years. The contribution of livestock to cash receipts from all farm commodity marketings in District states, while still substantial, has declined markedly since the mid-1960s. Moreover, in contrast to the general uptrend nationwide, livestock production in most District states has declined since the mid-1960s.

Livestock production has long been an important segment of the agricultural economy of the five states included in the Seventh Federal Reserve District (Illinois, Indiana, Iowa, Michigan, and Wisconsin). In 1981 and 1982, sales of livestock and related products by farmers averaged more than $15 billion, accounting for exactly half of the annual receipts from marketings of all farm commodities in District states. Of the $15 billion in livestock receipts, 33 percent was generated by hogs, 32 percent came from milk and dairy products, and 29 percent from cattle and calves. The bulk of the remainder was accounted for by poultry and egg marketings, as well as marketings of sheep, lambs, and wool.

The importance of livestock in overall cash receipts varies widely among the five District states, ranging from just over 30 percent in Illinois to nearly 80 percent in Wisconsin. In Indiana and Michigan, the proportions closely approximate 40 percent while in Iowa it is 56 percent.

Although livestock and related products still account for half of the receipts from marketings of all farm commodities in District states, that is down considerably from the 65 percent share of all receipts contributed by livestock marketings in the mid-1960s. The smaller share largely reflects the boom in world demand for U.S. grains in the 1970s and the adjustments in utilization of agricultural resources in the Midwest that accompanied that boom. Resources were shifted out of livestock production and into grain and soybean production. With respect to livestock production, the most pronounced adjustments came in cattle feeding.

The cattle feeding industry in District states has declined markedly since the mid-1960s, both in absolute terms and relative to national trends. District states accounted for 32 percent of the roughly 10 million head of cattle in feedlots at the beginning of each year in the mid-1960s. At that time, Iowa was solidly entrenched as the leading cattle feeding state, accounting for nearly 18 percent of all cattle in feedlots. But over the intervening years, the expansion in feedlot activity has been concentrated in Texas, Kansas, Colorado, and Nebraska. Those four states have recorded gains in cattle-on-feed inventories ranging from nearly 70 percent (Nebraska) to almost 300 percent (Texas) and together now account for more than half of all cattle in feedlots. Nationwide, feedlot inventories at the beginning of each of the past two years averaged about 11.8 million head, 16 percent above the average of the mid-1960s. In contrast to the increase nationwide, feedlot inventories in District states are down a third from the mid-1960s, with the declines ranging from 7 percent in Michigan to nearly 40 percent in Iowa. The decline has pulled the District states' share of all cattle on feed down to 18 percent. Iowa's share has dropped to about 8 percent and its ranking among all states has slipped into fifth place.

Trends in milk production over the past several years have varied widely among District states. Nationwide, annual milk production the past two years has averaged about 138 billion pounds, up 11.5 percent from the average of the mid-1960s. Milk production in District states rose considerably less over that period, just over 3 percent, causing the five-state share of all U.S. milk production to drop from 30 percent in the mid-1960s to 28 percent in recent years. Interestingly, however, Wisconsin—by far the largest milk producing state—accounted for all the increase in District states. Since the mid-1960s, milk production in Wisconsin has risen 25 percent, boosting its share of national milk production to 17 percent. In contrast, milk production since the mid-1960s has declined nearly 30 percent in Illinois and Iowa, 20 percent in Indiana, and 1 percent in Michigan.

Livestock production in District states has lagged national trends since the mid-1960s

	Percent change since mid-1960s		
	Inventories of		
	Cattle on feed	Hogs and pigs	Milk production
Illinois	-35	-23	-29
Indiana	-14	- 2	-20
Iowa	-39	+ 6	-29
Michigan	- 7	+51	- 1
Wisconsin	-18	-25	+25
District states	-33	- 4	+ 3
United States	+16	+ 1	+11

Hog production in District states overall has come close to paralleling national trends, but trends among individual District states have varied widely. In the mid-1960s, District states accounted for nearly 51 percent of the nation's roughly 54.5 million head of year-ending inventories of all hogs and pigs. Three of the District states held the top three rankings among all states, with Iowa accounting for 25 percent of the nation's inventory and Illinois and Indiana following with shares of 13 percent and 8 percent, respectively. Over the intervening years, hog numbers have fluctuated widely with the cyclical patterns of production. In the past couple of years, hog numbers nationwide have averaged 54.9 million head, up only nominally from the average of the mid-1960s. But recent hog numbers in the five District states are down 4 percent from the mid-1960s, lowering the five-state share to less than 49 percent. Comparisons to the mid-1960s for individual District states show markedly divergent patterns, ranging from declines of about 25 percent in Illinois and Wisconsin to an increase of 50 percent in Michigan. Hog inventories in Indiana are down 2 percent from the mid-1960s levels, while those in Iowa are up 5.5 percent.

In light of the trends since the mid-1960s, an interesting question is whether livestock production in District states in the years ahead will continue to contract relative to trends nationwide. Numerous factors will form the final answer to that question. Yet there are some interesting developments of the past two or three years that could help to reverse the relative demise of livestock production in the Midwest. With the bloom off export growth, at least temporarily, U.S. agriculture seems to be confronted again with surplus capacity in grain and oilseed production. Moreover, farmland values have declined, with the declines in the Midwest substantially greater than elsewhere in the country. These factors could cause a reshuffling of agricultural resources in the Midwest, with the livestock sector perhaps gaining a somewhat stronger hand in future use of those resources.

Gary L. Benjamir

WORLD AGRICULTURAL PRODUCTION AND TRADE prospects for the coming fiscal year were reviewed in a recent USDA report. Although the report indicates that the world economic recovery is broadening, the potential benefits to world trade may be partially offset by continued weakness in some regions. In addition, the report predicts a highly competitive world market for agricultural commodities, with expected increases in production by both major exporting and importing countries. As world agricultural trade has trended toward lower volume and greater competition among exporting countries, the developing countries have become increasingly important markets for U.S. agricultural products. The report highlights this trend and the prospects for the continued growth of these markets.

The world economic growth rate is expected to increase substantially this year from the sluggish pace of 1983. Growth in the U.S. economy is expected to outstrip the rate of other industrialized countries again in 1984, but by a somewhat smaller margin. Economic growth rates in Latin America, Africa, and the Middle East still lag other regions of the world, but a significant turnaround from last year's negative growth rates is anticipated for those regions. Overall, the world economic growth rate is forecast to reach 4 percent in 1984, about double the year-ago rate.

Although the outlook for economic growth is improved, some weakness persists in the recovery. Unemployment rates in many European countries have continued to increase in 1984, despite the broadening recovery. In addition, foreign exchange shortages in many regions, particularly developing countries, are likely to continue, but may ease as increases in exports accompany the strengthening recovery.

High unemployment and foreign exchange constraints are likely to dampen somewhat increases in consumption and, therefore, demand for U.S. agricultural products. In addition, continued strength of the dollar against other major currencies is likely to limit export gains. Another major factor influencing exports of U.S. agricultural products in the 1984/85 fiscal year will be large world supplies.

Food grains in 1984/85 are forecast to remain in abundant supply. Rice production is expected to rise slightly from the 1983/84 record. The production forecast of 448 million metric tons and a likely drawdown of stocks by some importing countries suggest that world rice trade in the coming fiscal year will be slightly below 1983/84 levels.

Large beginning stocks of wheat are expected to be supplemented by another record in world production. The increase in production, forecast to be up 2 percent from 1983/84, is expected to come largely from the major importing countries, with only a marginal increase in output from the major exporters. Therefore, net exports of wheat are expected to remain near 100 million metric tons in 1984/85, the fourth consecutive year at that level.

Coarse grain production in 1984/85 is expected to jump 16 percent from the previous year's depressed level, due almost entirely to a rebound in U.S. production. The expected increase in output is likely to exert downward pressure on prices, increasing coarse grain consumption. Current projections for 1984/85 point to a 1.5 percent year-to-year increase in global consumption of coarse grain, which is likely to contribute to greater world trade during the fiscal year.

World oilseed production in 1984/85 is also expected to rebound. Led by an expected large U.S. soybean crop, world oilseed production in 1984/85 is forecast to total 182 million tons, up 10 percent from the previous year's low level. The increase in production could pressure prices lower and contribute to higher world consumption and trade in 1984/85.

The expected increases in world food production during 1984/85 foreshadow increasing competition in agricultural export markets. An increase in production in importing countries over the current year's level will likely dampen increases in demand, while production by major exporters will contribute to continued competition for market share.

Much of the competition will focus on exports to less developed countries, an important market for U.S. agricultural commodities. The large gains in U.S. agricultural exports in the 1970s were heavily influenced by the growth in shipments to less developed countries. Between 1970 and 1980, U.S. agricultural exports to these countries grew at a compound annual rate of more than 10 percent. Moreover, exports of agricultural commodities to this group of countries has on average accounted for about a third of the value of total U.S. agricultural exports each year since the mid-1970s. Although that growth has been interrupted by the effects of the worldwide recession and foreign exchange shortages, developing countries are expected to account for 40 percent of the value of U.S. agricultural exports this fiscal year.

The increase in U.S. agricultural exports to developing countries has been largely attributable to rising incomes and foreign exchange earnings that stimulated demand while per capita food production in those countries made little progress. Despite rapid growth in food production between the 1950s and 1980s, high population growth rates limited per capita food production in developing countries to an annual growth rate of less than 1 percent. In addition, relatively high economic growth rates resulted in rising incomes and foreign exchange earnings. During the export boom of the 1970s, economic growth rates in less developed countries averaged 5.3 percent annually, well above the world average of 3.4 percent. Moreover, the export earnings of many less developed countries increased more than threefold during the decade. These gains also contributed to a substantial shift in U.S. exports from concessional sales and food aid programs to commercial sales. In 1983, more than 80 percent of U.S. agricultural exports to developing countries were commercial sales compared with less than 40 percent in the mid-1960s.

Although the level of U.S. agricultural exports to developing countries has trended down in the 1980s, a resumption of the growth trend is expected. At $15.2 billion, the expected value of exports to developing countries this fiscal year is down about 7 percent from the fiscal 1981 peak. However, the expanding economic recovery is likely to ease the foreign exchange and debt constraints that have been limiting the ability of many of these countries to import goods. Moreover, continued high population growth rates in less developed countries will contribute to greater demand. These factors suggest that developing countries will continue to account for much of the growth in world food demand throughout the 1980s.

Peter J. Heffernan

Selected Agricultural Economic Indicators

	Latest period	Value	Percent change from Prior period	Year ago	Two years ago
Receipts from farm marketings *($ millions)*	April	9,399	-22.6	- 9	-13
Crops*	April	3,228	-21.1	-14	-25
Livestock	April	5,757	- 6.5	- 2	- 7
Government payments	April	414	-78.2	-42	+19
Real estate farm debt outstanding *($ billions)*					
Commercial banks	December 31	9.29	+ 2.5†	+11	+12
Federal Land Banks	May 31	48.1	+ 0.1	+ 1	+ 5
Life insurance companies	April 30	12.6	+ 0.1	- 1	- 3
Farmers Home Administration	December 31	9.76	+ 1.5†	+ 4	+ 8
Nonreal estate farm debt outstanding *($ billions)*					
Commercial banks	December 31	39.0	- 0.2†	+ 8	+19
Production Credit Associations	May 31	18.6	+ 1.0	- 6	-13
Farmers Home Administration	December 31	15.4	- 2.9†	- 1	+ 2
Commodity Credit Corporation	December 31	10.7	-12.0†	-30	+34
Farm loans made *($ millions)*					
Production Credit Associations	May	2,478	- 9.9	- 1	-10
Federal Land Banks	May	333	- 0.5	0	-35
Life insurance companies	April	121	+29.5	+19	+109
Interest rates on farm loans *(percent)*					
7th District agricultural banks					
Operating loans	April 1	13.83	+ 1.2†	+ 1	-20
Real estate loans	April 1	13.41	+ 0.8†	0	-20
Commodity Credit Corporation	July	12.00	+ 5.4	+26	-11
Agricultural exports *($ millions)*	May	3,193	+ 0.4	+19	- 6
Corn *(mil. bu.)*	May	164	- 6.2	+10	-23
Soybeans *(mil. bu.)*	May	57	-17.1	- 3	-37
Wheat *(mil. bu.)*	May	122	+15.7	+16	- 1
Farm machinery sales[P] *(units)*					
Tractors, over 40 HP	June	6,738	+12.0	-15	+ 1
40 to 139 HP	June	5,289	+19.2	-18	- 4
140 HP or more	June	1,449	- 8.4	- 7	+23
Combines	June	497	+13.2	-12	-54

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

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