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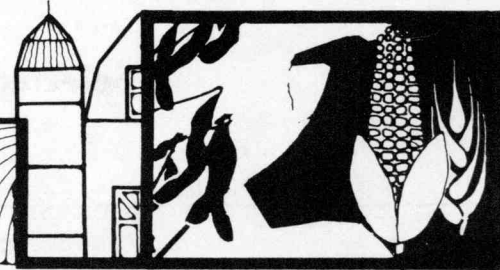
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Wants

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LETTER

THE UPSWING IN HOG PRODUCTION continued this winter. According to the USDA's latest *Hogs and Pigs* report, the December-February pig crop in the 14 major hog raising states was up more than 7 percent from a year before. The increase contributed to a 9 percent year-to-year rise in the inventory of market hogs, despite high slaughter in recent months. The inventory of hogs held for breeding is below the year-earlier level and producers' intentions for this summer point to the first decline in farrowings since the brief downturn in the first half of 1978. Nevertheless, the expansion in the past few months will likely hold hog slaughter at record levels this spring and summer.

The larger winter pig crop reflected an increase in both the number of sows farrowed and the number of pigs saved per litter. An average of 7.2 pigs per litter was saved this winter, the highest number for any winter since 1972 and more than 4 percent above last year. Sow farrowings this winter were up nearly 3 percent. That was larger than expectations based on last December's farrowing intentions report, which indicated winter farrowings would be unchanged from the year-earlier level. Combined farrowings in the four district states covered by the report (Michigan is not included) equaled the year-earlier level but deviated substantially from the intentions reported in December. Last December's report had indicated declines of about a tenth in winter farrowings in both Iowa and Wisconsin. It now appears farrowings were up 3 percent in Iowa. Those in Wisconsin were up 11 percent. These gains were offset by declines of 6 percent in Illinois and Indiana.

Hog inventories in the 14 major states on March 1 were up 7 percent from a year earlier and the largest for that date since records began in 1970. (Last December, the 14 major hog states accounted for 78 percent of the overall inventory.) Hogs intended for market accounted for all the gain. Those weighing 120 pounds or more numbered 13 percent more than a year before. Market hogs that weigh less than 120 pounds numbered 7 percent more than a year before.

The inventory of hogs held for breeding is down nearly 3 percent, indicating producers' intentions of ending the rise in hog production. The latest reading on

producers' intentions suggests sow farrowings this spring will be equal to that of a year ago, while summer farrowings may be down 3 percent. Because of the recent collapse in hog prices, which has aggravated losses, and the 3 percent decline in breeding stock, some analysts expect a slight decline in farrowings this spring.

Hog slaughter in the first quarter was a fifth larger than a year before, the third consecutive quarter in which year-to-year gains have been of that magnitude. Compared with the fourth quarter, however, first-quarter slaughter was down about 4 percent. Further slight seasonal declines are likely this spring and again this summer.

Hog slaughter the rest of this year will come largely from the pig crops of last fall and winter and from the pigs to be born this spring. Estimates show the pig crop last fall 9 percent larger than the year before, portending a roughly comparable year-to-year gain in slaughter during the current quarter. If estimates of the winter pig crop in the 14 major states prove accurate, and if producers in other states followed suit, third-quarter slaughter may be up about 7 percent from a year ago. Based on current farrowing intentions and the ten-year average in pigs per litter, fourth-quarter slaughter is expected to drop slightly below the year-earlier level, but it will likely be the largest for any quarter this year.

Hog prices declined sharply following the report that the expansion continued this winter. Last week, hog prices at Omaha averaged \$31.50 per hundredweight. In early March, prices averaged more than \$36, and a year ago, prices averaged \$45.50. Most analysts believe hog prices are close to a seasonal low. But large supplies of pork and total meat are apt to hold second and third-quarter hog prices below year-earlier averages of \$43 and \$38.50, respectively. In addition to prospects for record pork production, poultry production continues well above last year's record levels. So far in 1980, these gains have held total meat production about 5 percent higher than a year earlier, despite a 6 percent decline in beef. These trends are likely to continue at least through the summer.

Gary L. Benjamin

Selected agricultural economic developments

Subject	Unit	Latest period	Value	Percent change from	
				Prior period	Year ago
Farm finance					
Total deposits at agricultural bankst	1972-73=100	March	203	0	+ 8
Time deposits	1972-73=100	March	252	+ 1.1	+13
Demand deposits	1972-73=100	March	121	- 3.6	- 6
Total loans at agricultural bankst	1972-73=100	March	258	+ 1.0	+ 8
Production credit associations					
Loans outstanding					
United States	mil. dol.	February	18,410	+ 1.2	+23
Seventh District states	mil. dol.	February	3,849	+ 1.2	+30
Loans made					
United States	mil. dol.	February	2,981	-13.0	+27
Seventh District states	mil. dol.	February	743	+ 2.6	+29
Federal land banks					
Loans outstanding					
United States	mil. dol.	February	30,840	+ 1.9	+22
Seventh District states	mil. dol.	February	7,031	+ 2.1	+28
New money loaned					
United States	mil. dol.	February	702	-10.2	+64
Seventh District states	mil. dol.	February	170	-17.6	+46
Interest rates					
Feeder cattle loanst†	percent	4th Quarter	12.60	+12.0	+29
Farm real estate loanst†	percent	4th Quarter	12.22	+ 9.8	+23
Three-month Treasury bills	percent	3/14-3/19	14.80	+14.5	+55
Federal funds rate	percent	3/14-3/19	16.24	+ 9.2	+61
Government bonds (long-term)	percent	3/14-3/19	12.11	- 1.5	+34
Agricultural trade					
Agricultural exports	mil. dol.	December	3,682	- 2.7	+34
Agricultural imports	mil. dol.	December	1,610	+ 5.7	+18
Farm machinery sales					
Farm tractors	units	December	9,007	+61.8	-17
Combines	units	December	1,932	+15.7	+ 8
Balers	units	December	350	+30.6	-18

†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.

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