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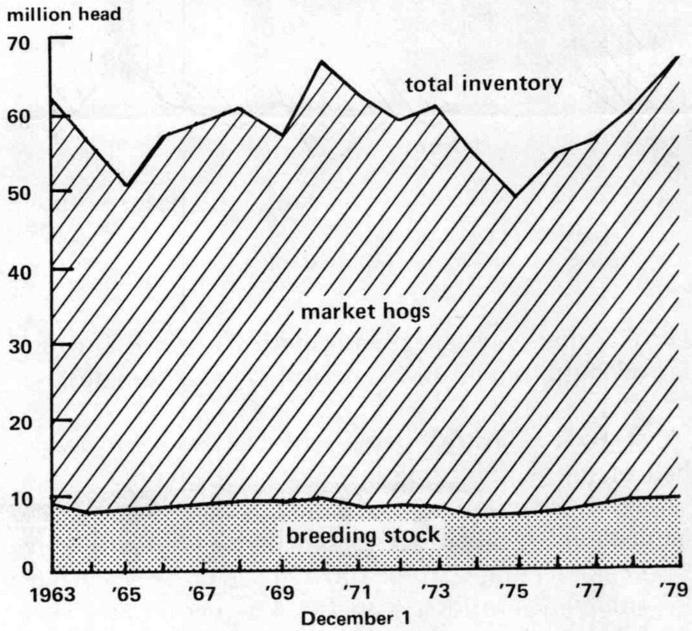
PORK PRODUCTION in 1980 will be large, but apparently less burdensome than previously expected. According to the USDA's latest *Hogs and Pigs* report, producers in the 14 major hog states farrowed 4.5 percent fewer sows in September-November than earlier intentions reports had suggested. Moreover, farrowing intentions for December-February have been scaled down from the initial report of a 10 percent increase to no change from the same months a year ago. These measures point to stronger hog prices next spring and summer. In the meantime, however, hog prices will likely be held in check by the nine-year high in the December 1 inventory of hogs intended for market.

The indications that hog producers are cutting back their expansion plans came sooner than many analysts expected. Nevertheless, it no doubt reflects the losses producers experienced during the latter half of the year, particularly in October and November, when hog prices averaged in the mid $30s per hundredweight. Iowa State University cost budgets indicate farrow-to-finish operators were losing $5 to $10 per head on hogs marketed in those two months. In comparison, losses in August and September ranged from $1 to $2 per head. This was the first time since the spring of 1974 that these budgets have indicated four consecutive months of losses on marketings by farrow-to-finish operators.

Hog inventories on December 1 were up 11 percent from a year before. All the increase was in hogs intended for market. They numbered nearly 14 percent more than a year earlier. The inventory of market hogs weighing 180 pounds or more was up 17 percent. The inventory of market hogs weighing 120 to 179 pounds was up 20 percent, while that for hogs weighing 60 to 119 pounds was up 19 percent. Market hogs under 60 pounds numbered 7 percent more than a year before.

The inventory of hogs held for breeding was unchanged from a year earlier, despite a big increase in sow slaughter in recent months. Weekly estimates show federally inspected sow slaughter has averaged 41 percent above year-earlier levels from July to November. Apparently, the breeding inventory has been main-

Hog numbers nearly equal the 1970 record

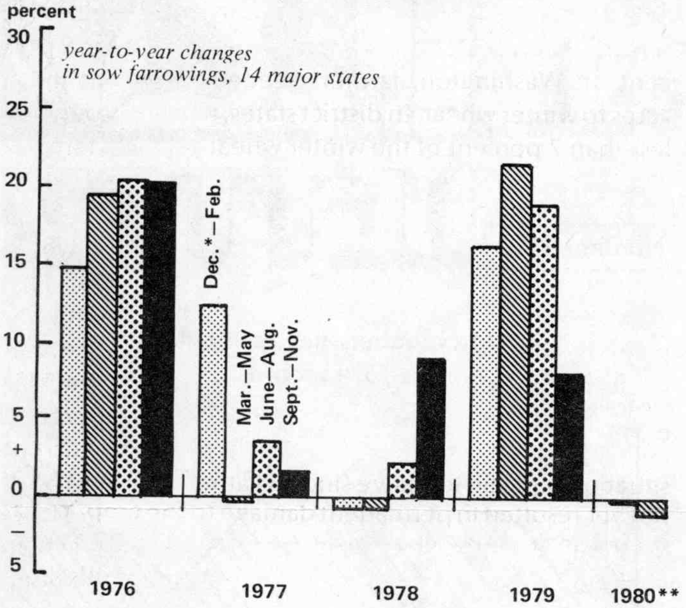


tained at a high level by the infusion of new gilts into the breeding herd. Although numerous factors affect pigs per litter, the greater proportion of new gilts in the breeding herd suggests pigs per litter may remain below average this winter and spring.

Farrowing intention of hog producers indicate December-May sow farrowings may equal the eight-year high set during the same months last year. Among producers in the 14 major hog states that provide quarterly intentions, December-February farrowings are expected to be the same as the year before. That represents a marked shift from the 10 percent increase that had been indicated in an earlier intentions report. March-May intentions point to a decline of slightly over 1 percent. These intentions were somewhat mixed with respect to analysts' expectations. In general, analysts had not expected the extent of the downward revision in December-February intentions. Alternatively, many had expected a larger decline in the March-May intentions.

December-May farrowing intentions are useful for initial projections of second-half pork supplies. As re-

The upswing in hog production may end this winter



*December of previous year.
**Based on producers' farrowing intentions.

cent experience has indicated, however, actual farrowings at times deviate sharply from intentions.

Trends in district states, which account for nearly half of the nation's hog inventory, show considerable variation. Inventories of market hogs are above year-earlier levels in all district states, with gains ranging from 8 percent in Illinois to more than 20 percent in Michigan. Breeding inventories are up 3 to 4 percent from a year ago in Indiana, Michigan, and Wisconsin, but down 4 percent in Illinois and 8 percent in Iowa. And farrowing intentions point to smaller December-May pig crops in Illinois, Iowa, and perhaps Wisconsin and larger pig crops in Indiana and Michigan.

Prospects for ending the expansion in hog numbers rest mostly on farrowing intentions in Illinois and Iowa

	December 1 inventory of market hogs		Intended sow farrowings December-May	
	Million head	Percent change*	Million head	Percent change*
District states				
Illinois	6.01	8	.770	– 4
Indiana	4.21	13	.505	4
Iowa	14.09	10	1.560	– 7
Michigan	.82	21	.105	1
Wisconsin	1.52	13	.200	– 1
Other selected states				
Georgia	1.95	30	.255	11
Kansas	1.80	6	.210	– 8
Minnesota	4.12	21	.595	10
Missouri	3.83	14	.550	2
Nebraska	3.59	17	.470	0
North Carolina	2.21	11	.295	8
Ohio	1.78	10	.220	2
South Dakota	1.72	27	.227	0
United States	57.40	14	7.176	0

*From previous year.

The smaller breeding inventory and the reduced farrowing intentions in Iowa was something of a surprise. Many analysts had expected the upswing in hog production in that state to continue because of transportation problems and the comparatively low corn prices in Iowa. Last September, hog producers in Iowa reported intentions of farrowing 9 percent more sows in December-February. The most recent report indicates, however, that winter farrowings in Iowa may be down 9 percent from a year ago, followed by a decline of 5 percent in March-May. The extent of the revised farrowing intentions in Iowa were by far the largest of all the major states.

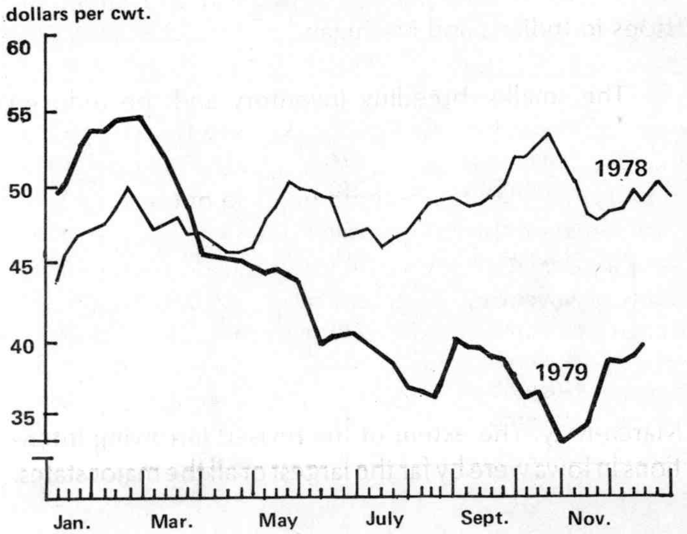
Hog slaughter continues sharply above year-earlier levels, a trend that will extend into the early months of 1980. Preliminary figures show fourth-quarter commercial hog slaughter probably reached 25 million head. That would be 13 percent more than in the third quarter, 23 percent more than in the same period a year ago, and the largest for any quarter since late 1970. For all of 1979, hog slaughter probably reached 89 million head, 15 percent more than in 1978 and the largest since the 1971 record of 94 million head.

Early prospects for hog slaughter in 1980 suggest the 1971 record may be broken. The evidence in the latest report suggests slaughter, on a quarterly basis, will trend seasonally lower in the first two quarters of next year. On a year-to-year basis, however, first-half 1980 slaughter will likely be 13 to 15 percent higher than first-half 1979 slaughter. Year-to-year gains in the first quarter will remain very large, perhaps as much as a fifth, and then taper off to less than a tenth in the second quarter.

Second-half 1980 slaughter prospects, as of now, hinge on producers' farrowing intentions for December-May. If producers follow through with their intentions and the number of pigs saved per litter is little changed from the low level of this year, second-half 1980 slaughter will likely track close to that of the past six months. On a seasonal basis, this would suggest third-quarter slaughter will be the low for the year and that fourth-quarter slaughter would be the high for the year.

Hog prices over the near-term will be influenced mostly by the large volume of slaughter. Pork supplies will be sufficient to permit record, or near record, per capita pork consumption (retail weight basis) during the first half of 1980. Pressures on hog prices from competitive meat supplies will be mixed. Turkey production will register large year-to-year gains in the first half, but

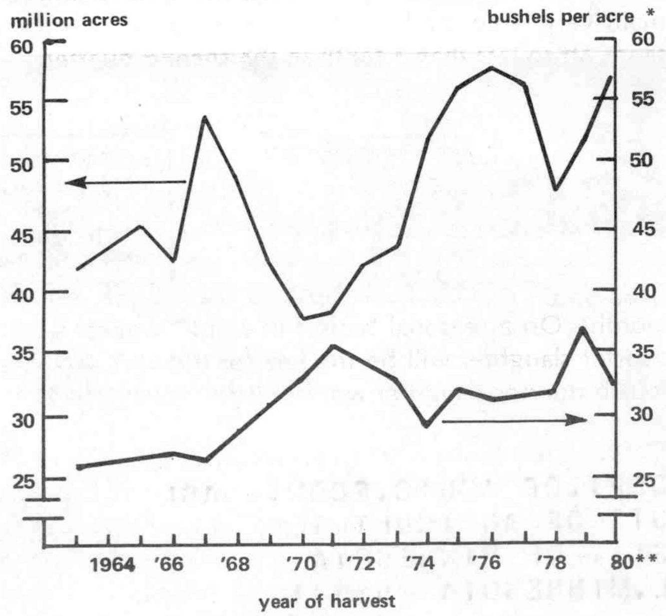
Hog prices lag year-earlier levels by a wide margin



gains in broiler production may end this winter because of producers' response to recent losses. Beef production may edge seasonally lower during the first half and, at least for the first quarter, may remain well below year-earlier levels. Although not all analysts agree, some are projecting slight year-to-year gains in beef production for the second quarter. Overall, these measures suggest hog prices may range in the upper $30s to lower $40s per hundredweight during most of the first half of 1980.

WINTER WHEAT was seeded on 56.8 million acres this fall, according to a recent USDA report. That was over 9 percent more than the seedings a year ago and nearly 19 percent more than two years ago. Of the major Wheat Belt states, Texas led the increase with a 17 percent boost in seeded acreage. Increases in Colorado, Kansas, Nebraska, and Oklahoma ranged from 3 to 9 percent. In Washington, farmers seeded 5 percent more acres to winter wheat. In district states, which account for less than 7 percent of the winter wheat acreage, farmers planted 14 percent more acres.

Winter wheat acreage up, but prospective per-acre yields are down



*Based on harvested acres.
**Preliminary.

Despite larger plantings, the 1980 winter wheat harvest may be somewhat less than the bumper 1979 crop. Because of weather-related problems during the planting and early growing season, the USDA expects per-acre yields to be down substantially from the 1979 crop, reducing 1980 production by nearly 3 percent. Such projections, although indicative of the current situation, are still tentative since weather problems have not yet resulted in permanent damage to the crop. Yields for the 1979 winter wheat crop, for instance, were 11 percent larger than the forecast made a year ago at this time.

Wheat prices received by farmers have averaged $3.85 per bushel during the first six months of the 1979/80 wheat marketing year that began in June. That is nearly $1 per bushel more than in the same months a year before. Although many analysts are concerned that the wheat market may be fundamentally weak, prices at terminal markets have held up very well in recent weeks. Major pricing factors are exports and the size of the Southern Hemisphere wheat crop. The combined wheat harvest in Argentina, Australia, and Brazil is expected to be nearly 10 percent less than last year and about 3 percent less than projected in November. Nonetheless, the Southern Hemisphere wheat crop will be of bumper proportions and, combined with last year's buildup in carryover stocks, result in a large exportable supply for the months ahead.

Export shipments of wheat have held above year-earlier levels, but the year-to-year gains will have to widen if projected exports for the marketing year are to be achieved. Through December 20, just over 800 million bushels of wheat had cleared export inspections, up 7 percent from the year-earlier pace. That compares with the USDA's projected 17 percent increase that would boost wheat exports (including products) to 1.4 billion bushels for the marketing year that ends in May. The amount of weekly wheat exports will slow in the months ahead because of the recent closing of the St. Lawrence Seaway and the usual winter-related factors that slow internal movements. Nevertheless, weekly inspections will have to exceed year-earlier levels by more than a third during the remainder of the 1979/80 marketing year if exports are to reach the projected 1.4 billion bushels.

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Selected agricultural economic developments

Subject	Unit	Latest period	Value	Percent change from	
				Prior period	Year ago
Index of prices received by farmers	1967=100	November	237	+ 0.4	+10
Crops	1967=100	November	224	0	+11
Livestock	1967=100	November	250	+ 0.8	+ 9
Index of prices paid by farmers	1967=100	November	256	0	+14
Production items	1967=100	November	255	0	+15
Producer price index* *(finished goods)*	196=100	November	226	+ 1.0	+13
Foods	1967=100	November	230	+ 1.7	+ 9
Processed foods and feeds	1967=100	November	227	+ 1.0	+ 9
Agricultural chemicals	1967=100	November	229	+ 2.5	+13
Agricultural machinery and equipment	1967=100	November	241	+ 1.1	+ 9
Consumer price index** *(all items)*	1967=100	November	228	+ 0.9	+13
Food at home	1967=100	November	236	+ 0.3	+ 9
Cash prices received by farmers					
Corn	dol. per bu.	November	2.31	– 4.2	+14
Soybeans	dol. per bu.	November	6.26	– 1.4	– 2
Wheat	dol. per bu.	November	3.90	– 2.0	+28
Sorghum	dol. per cwt.	November	3.97	+ 1.8	+15
Oats	dol. per bu.	November	1.32	+ 0.8	+15
Steers and heifers	dol. per cwt.	November	68.90	+ 0.3	+25
Hogs	dol. per cwt.	November	34.40	+ 1.2	–27
Milk, all sold to plants	dol. per cwt.	November	12.80	+ 1.6	+10
Broilers	cents per lb.	November	24.6	+16.6	0
Eggs	cents per doz.	November	57.4	+10.0	– 1
Income *(seasonally adjusted annual rate)*					
Cash receipts from farm marketings	bil. dol.	3rd Quarter	130	– 0.6	+19
Net realized farm income	bil. dol.	3rd Quarter	27	–15.8	+10
Nonagricultural personal income	bil. dol.	November	1,952	+ 1.1	+11

*Formerly called wholesale price index.

**For all urban consumers.

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