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The Current Situation In Iowa

The Story Behind the Hog Breeding Herd Revision: When is a Breeding Animal Not a Breeding Animal?
(Seth D. Meyer)

The March 1, 1995, Hogs and Pigs report showed a significant revision of Iowa's December 1, 1994, breeding herd inventory figures. The breeding herd inventory was revised up 100,000 head to 1.5 million from the initial release of the December 1, 1994, inventory report. This decreased the previously calculated liquidation by one-third, with breeding herd inventory falling 12 percent from September 1, 1994, to December 1, 1994, rather than 18 percent. With a revision in the breeding herd of 100,000 head in Iowa, the question becomes, did the USDA estimation procedure miss the real story of the period? To answer this question, we must look at the procedure and definitions involved.

The producers were surveyed in the opening days of December to indicate the number of head in their breeding and market herds. The definition of breeding animals is sows and gilts bred or to-be-bred. The producer may have a number of lighter gilts in the finisher and intend to keep a certain number of them, but may not have made a decision as to which ones he will breed. The number he anticipates breeding will be counted in the breeding herd. This shows clearly that the initial estimate for breeding herd numbers is a report that is at least in part "an intention to breed."

This is the case with the December 1, 1994, Hogs and Pigs report. The survey was conducted at its usual time, which happened to coincide with the bottom of the market when cwt. prices were near $28. With the current low prices and uncertainty about the future, many producers may have responded to the survey by saying that many lighter gilts, and even some bred sows, would be heading to market. This led to the report which showed an 18 percent decline in the Iowa breeding herd inventory. Given this drop in numbers, the report was labeled bullish for future prices.

With this in mind, many producers retained those gilts and bred sows that they intended to market, and added them to the breeding herd. In retrospect, this means that those animals were in fact members of the breeding herd in December, and the revision is necessary. It is unfortunate that the bottom of the market occurred during the survey period by the USDA, however they cannot second guess the farmers'
responses, and the initial breeding herd figure must therefore be taken as a statement of intentions only.

The March Hogs and Pigs report showed a decline in Iowa's breeding herd inventory of 50,000 head from one quarter earlier, leaving it at 1.45 million head. The inventory numbers across the United States indicate that the liquidation phase of the current hog cycle may be slowing.

**Budget Cut Proposals**

(William H. Meyers, 515/294-1184)
(Darnell B. Smith, 515/294-1184)

The U.S. House and Senate have now made specific proposals for budget cuts that are designed to eliminate the federal budget deficit by the year 2002. These proposals still have to go through the process of floor debate, passage by each body, conference between the two bodies, passage of the conference report, and approval or veto by President Clinton. A Presidential veto would imply further voting and perhaps further changes to these proposals in the Congress. Although there are numerous opportunities for these figures to change, the initial figures give a strong indication of where things are going.

The original Senate Budget Committee Chairman's mark-up called for cuts of $9.7 billion in agriculture program budget authority (function 350) over the next five years and $14.3 billion over the next seven years. Of these amounts, $7.98 billion and $11.78 billion, respectively, come under the jurisdiction of the Senate Committee on Agriculture, Nutrition, and Forestry. The main programs covered by Function 350 are commodity programs, the export enhancement program, the market promotion program, GSM credits, and crop insurance. The CRP is in a separate category and may escape further cuts, since it is already assumed in the Congressional Budget Office (CBO) baseline to be cut nearly in half.

Senator Grassley led the fight for a successful "sense of the Senate" resolution in the Budget Committee that limits the Function 350 cuts under the agriculture committee jurisdiction to $5.595 billion over the five-year period. Following this path would require that $2.385 billion more be cut elsewhere, such as food, nutrition, and conservation programs and research. This resolution is not binding but may indicate support on the committee for limiting agriculture cuts.

The House called for cuts of $9 billion over five years and $17 billion over seven years in roughly the same