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Pork groups ask USDA to spend $200 mil. on sow buy-out plan

By Agri-Pulse Staff

Pressure on the Obama administration to help the ailing pork industry mounted Wednesday when three pork producer marketing groups called on USDA to support a sow buy-out program.

Producers Livestock Marketing Association, National Farmers Organization and Allied Producers Cooperative, representing producers across the country, are asking USDA to evaluate the pork market impact of a $200 million federally-funded sow buy-out program to reduce pork supplies. The three groups calculate that pork producers lose more than $30 per animal today and are projected to lose nearly $54 per head this fall.

The three marketing groups also support:

- The National Pork Producer Council's Aug. 17 request to assist America's pork producers, including 3 separate $50 million pork purchases, and usage of $100 million of H1N1 program funds.
- USDA Secretary Tom Vilsack's request that Farm Service Agency lenders help pork producers work through their financial difficulties.
- USDA and U.S. Trade Representative efforts to reopen China's market to U.S. pork.

"U.S. pork producers have been increasing production in recent years as they responded to growing export demand," Producers Livestock President Rick Keith says. "But this year they've been financially clobbered when H1N1, wrongly labeled swine flu, appeared in Mexico and fear of North American pork hammered those exports." He points out that "no one can get the flu eating pork."

The three groups note that:

- "Since July 16, the Chicago Mercantile Exchange (CME) August hog futures contract has lost about $17 or 35 percent."
- "June pork exports were down nearly 34 percent from year-ago levels."

- “Producers have lost money the past 22 months, and the industry has racked up losses of $4.5 billion over the period.”

Some ag economists estimate a U.S. sow number reduction of between 10 and 12 percent is required for the industry to return to profitability, and they calculate it will require a reduction of at least 400,000 sows to make any significant improvement at all.

The sow buy-out plan targets about 500,000 sows, using government funds at $400 per animal for a total of $200 million. Producers would provide cash receipts verifying that those sows had been sold for slaughter, and sign a document testifying to their sow herd count and promise not to add sows back for a minimum of three years. Random USDA checks to verify participating producers are honoring their commitment would be required.

“The industry is grappling with downsizing supply right now, and some consideration toward government assistance in reducing the sow herd is warranted,” says National Farmers President Paul Olson.

“Pork producers have been simply devastated by higher input costs, and are losing equity at alarming rates” according to John Kramer, an Allied Producers Cooperative board member. “In the final analysis, we need to reduce U.S. herd numbers by 10 percent.”

The three groups see clear justification for federal intervention. “If the federal government can bail out companies that have been badly managed, why can’t it assist an industry that is well run, but got unfairly hurt by circumstances outside of its control?” Olson asks. “There are pork producers going out of business today who did nothing to bring this on themselves.”

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