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NPPC President Don Butler explains pork industry problems

By Jon H. Harsch

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In a House hearing on pork industry problems Thursday, Don Butler, the National Pork Producers Council (NPPC) President who is North Carolina hog producer, told the congressmen that “The U.S. pork industry is in the midst of the most severe economic crisis in its history. Over the past 24 months, U.S. pork producers have lost an average of nearly \$23 on each hog marketed. Since September 2007, the industry has lost more than \$5.3 billion or more than 66 percent of its equity as of Oct. 14, 2009.”

Butler told the House Agriculture Subcommittee on Livestock, Dairy, and Poultry that he expects worse to come, commenting that “October 13 closing Chicago Mercantile Exchange lean hogs, corn and soybean meal futures prices suggest that producer losses will exceed \$30 a head for pigs sold for the remainder of this year and will be nearly \$40 a head in November. Based on lower lean hogs futures prices, cash hog prices will be below the cost of production in all but four months through the end of 2010, according to economist Steve Meyer, president of Paragon Economics in Adel, Iowa.”

Butler said that while a number of factors have combined to devastate pork producers, the primary culprit is “a surge in production costs due to higher feed prices. While corn and soybean meal prices have fallen from their record levels of 2008, they remain significantly higher than they were before 2007.” He added that “These higher prices for feed, which accounts for 60 percent of the cost of raising a hog, are mostly the result of a significant increase in the production of corn-based ethanol, which has driven up corn demand and, thus, prices.”

To fix the problem, Butler said the NPPC is calling for ending the U.S. tariff on imported ethanol and the federal tax credit that the ethanol industry receives for blending ethanol into gasoline. He stressed that the industry’s problems are “not the result of overexpansion or over confidence” – and that along with ending ethanol subsidies, Congress should approve pending free trade agreements. He said that approving the free trade agreement with South Korea “alone would add \$10 per head.”

To read NPPC President Don Butler’s full testimony from the Oct. 22 House hearing on the pork industry, go to: <http://agriculture.house.gov/hearings/statements.html>