

October 2009

## Factors Attributable to Current Financial Losses in U.S. Pork Production

### 1. Export disruptions from H1N1

- 5.4% more pork on the domestic market
- U.S. pork export market losses are highest in:
  - Mexico
  - Russia
  - China

### 2. Higher Inputs

- Increase in feed costs – corn and soybean meal

### 3. The H1N1 situation has voided the normal summer rally for hog prices

- Market rally that typically occurs in June and July is negated
- Market rally that was predicted to reverse pork producers' losses will not happen

### 4. H1N1 exacerbates a 20-month trend in pork production losses

- Pork producers have operated at a loss for 18 of the past 20 months
- Since September 2007, U.S. pork producers have reduced their equity by 50 percent or \$4.2 billion. *Loss of equity means loss of credit to purchase inputs such as feed, livestock equipment, buildings*
- From April 24 through October of this year, U.S. pork producers will have losses exceeding \$1 billion.

### WHAT DOES THIS MEAN TO MINNESOTA? *It means lost revenue.*

**\$170 million.** From April 24 through October, H1N1 will result in the financial loss of \$130 million (*gross income*) to Minnesota pork producers. This financial loss is over and above the losses prior to H1N1.

**\$476 million.** Each \$1 in gross income to the pork producer generates another \$2.80 in economic activity

**\$646 million.** This is the combined loss of Minnesota pork producers' gross income and indirect income to the state of Minnesota from April 24 through October of this year.

### WHAT DOES THIS MEAN TO MINNESOTA? *It means job losses.*

- Reduction in pork production through Minnesota farm business liquidations

- Anticipated annual decrease in hog numbers will be 700,000 to 1 million head and will result in rural Minnesota employment losses
  - Both on-farm and off-farm employment in pork production provide wages and benefits that exceed county wage averages.
  - Job losses associated with Minnesota pork production
    - 1 million hogs = 300 on-farm jobs (*On-farm jobs include both owners and employees*)
    - 1 million hogs = 951 off-farm jobs (*Off-farm jobs include processing, swine health/veterinarian, accounting, consulting, human services, equipment/facility repair and maintenance*)

Year	Cost of Production (1 market pig)	Average Price Paid (1 market pig)	Profit/Loss (1 market pig)
2005	\$103.00	\$135.74	\$32.74
2006	\$105.02	\$127.74	\$22.72
2007	\$125.44	\$129.94	\$ 4.50
2008	\$152.16	\$134.36	(-\$17.70)
Current	\$130.00	\$100.00	(-\$30.00)