

# **Economic Conditions Facing the Pork Industry**

Presented by: Mr. David Moody  
Public Policy Chairman and Past President,  
Iowa Pork Producers Association

**SUBCOMMITTEE ON LIVESTOCK, DAIRY AND POULTRY**

**The Honorable Representative David Scott, Chairman**

**THURSDAY, OCTOBER 22, 2009**

**10:00 AM**

**ROOM 1300**

**LONGWORTH HOUSE OFFICE BUILDING**

**WASHINGTON, D.C.**

Thank you for the invitation to this hearing. My name is David Moody and I am the Public Policy Chairman and Past President of the Iowa Pork Producers Association. I am a pork producer from Nevada, Iowa. I want to thank Chairman Scott, Ranking Member Neugebauer and their staff for taking a leadership role with other Representatives to bring attention to the financial struggles of the pork industry.

We've all heard about "perfect storms". Most of the agricultural community and pork producers specifically are in the midst of a perfect economic storm and many in agriculture are being forced to respond to issues beyond their control.

The rapid increase and decrease in input costs and farm gate income has resulted in tremendous stress amongst farmers, lenders, grain merchandisers, consumers and others. To say the past couple of years has been a wild rodeo ride in agriculture is an understatement. During 2008 our losses were not because of low prices. In fact prices received by farmers in 2008 were a near record, but our input costs rose over 20%. Please keep in mind, producer business plans were developed and implemented based on normal production costs.

Now in 2009, our input costs are down slightly, but the market has slumped. The market drop has been caused by the April 24<sup>th</sup> flu event, lower exports, flat domestic demand, a drop in the U.S. and world economies, and lastly increased pork production efficiencies.

For pork producers, financial losses have been staggering. The total equity loss for pork producers since losses began in September 2007 amounts to \$5.3 billion. Furthermore, based on recent economic forecasting, cash hog prices will be below cost of production in all except 4 months through the end of 2010. **That means, on average, pork producers have lost approximately two-thirds of their equity since September 2007.**

Other Affects:

While the owner of pigs has stood the largest of these economic losses, other segments of our industry will also be impacted. Specifically, contractual producers, also known as contract growers will also be affected. Most economists indicate it will take about a 9 to 10% drop in hog production to see a return of profitability. Assuming we need to trim the herd by about 9 million market pigs and assuming typical wean to finish facilities, means that roughly 4.5 million spaces of finishing capacity will also be reduced. That equates to 3,750 fewer finishing barns needed or about 1,900 fewer pig farms. Iowa alone might stand to lose 600 to 700 pig finishing farms. Unfortunately, many of these farms have been built by new younger farmers of families trying to bring a son or daughter back into the farming operation.

The next wave of losses will be from main street businesses such as fewer feed dealers and cooperatives, equipment companies, veterinarians, insurance sales and even truckers. In other words, the ripple effect on main street will follow. And this will increase consolidation and concentration of the pork industry with fewer farmers raising more pigs.

Potential and/or Partial Solutions:

We all know there is no 'simple or perfect solution', but there are a few things mentioned which could improve the economic situation. I have three suggestions for this subcommittee to consider.

First, policy makers and the administration must continue to pressure for greater export access to other countries for our agricultural products. While much has been done, we need to continue to pressure our trading partners to eliminate non-tariff trade barriers. Also, Congress should approve international trade agreements, especially the Korean Free Trade Agreement because it is very valuable to pork sales. The value has been estimated to be up to \$10.00 per head produced in the United States. That would make an important step towards improving the economic crisis in pork production.

Secondly, our producers appreciate all of the pork purchases that have been made by the Department using Section 32 funds to help get the surplus product off the market place. I appreciate the Secretary's support on these purchases. I also appreciate the members of this Subcommittee and of the full Agriculture Committee who recently signed on to a letter circulated by Representative King and Representative Walz urging USDA to make another pork purchase in the immediate future. It would be a good opportunity for USDA to purchase an additional \$100 million worth of pork products with Section 32 funds for various federal food programs.

In regards to Section 32 funds, I understand there was a cap placed in the 2008 Farm Bill to achieve savings for the bill to help get consensus on the overall price tag. Given the changes in the livestock sector and other sectors of agriculture who utilize these funds, we would appreciate it if you and your colleagues on the Agriculture Committee would reexamine the cap to see if there is anything to be done in the future to lift the cap or provide more flexibility for USDA to be able to utilize the Section 32 funds in the coming years.

Lastly, I ask members of Congress and the media to be vigilant about continuing to name the Novel H1N1 Influenza virus by the correct name. Our industry has taken on added economic pain and direct financial losses from the improper naming of the H1N1 flu. Back home I hear from many pork producers about the improper name and it is perceived by them to be adding insult to financial injury. Ironically, producers are and should be more concerned about humans giving the virus to our pigs. We all should be talking about the new human flu virus that may be given to pigs.

In summary, our farmers have been struggling for some time and the financial outlook in the coming year looks somewhat bleak. We've had tremendous loss of equity, little or no profits for almost two years, but our organization will be continually working to bring solutions that help bring this industry back into profitability. We stand ready with the subcommittee and other policy makers to find solutions for this financial situation.

Thank you.

## **Dave Moody Biography**

Dave Moody is the Past President of the Iowa Pork Producers Association and currently is Chairman of the Public Policy Committee. Dave has been on the IPPA Board for nearly eight years and has been involved in the association for the past 15 years, serving as chairman and member of various committees.

He's a long-time officer of the Story County Pork Producers and has served as a delegate to the National Pork Board's Pork Forum. David has been involved in pork production for nearly 40 years and currently manages H & K Enterprise, a farrow-to-finish business.

In addition to the pork operation, David farms 1,100 acres of corn and soybeans at his farm near Nevada, Iowa.

**Committee on Agriculture  
U.S. House of Representatives  
Required Witness Disclosure Form**

**House Rules\* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2006.**

**Name:**     Dave Moody    

**Address:**     58404 200<sup>th</sup> Street – Nevada, Iowa 50201    

**Telephone:**     515-382-2705    

**Organization you represent (if any):**     Iowa Pork Producers Association    

- 1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2006, as well as the source and the amount of each grant or contract. House Rules do NOT require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:**

**Source:** \_\_\_\_\_ **Amount:** \_\_\_\_\_

**Source:** \_\_\_\_\_ **Amount:** \_\_\_\_\_

- 2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2006, as well as the source and the amount of each grant or contract:**

**Source:** \_\_\_\_\_ **Amount:** \_\_\_\_\_

**Source:** \_\_\_\_\_ **Amount:** \_\_\_\_\_

**Please check here if this form is NOT applicable to you:** \_\_\_\_\_

**Signature:**     Dave Moody    

*\* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

**PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.**

