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Pork

Sally Katzen we need to discuss Podesta

November 20, 1998

The President
The White House
Washington DC 20500

Dear Mr. President:

The nation's pork producers are experiencing an economic disaster. Unlike the prosperity enjoyed by other segments of the U.S. economy, pork producers and their families are close to financial ruin. Unfortunately, most pork producers are not eligible for financial assistance included in H.R. 4328, the Omnibus Consolidated and Emergency Supplement Appropriations for FY 1999. Therefore, on behalf of U.S. pork producers, I am writing to ask for your direct and immediate action to prevent the financial destruction of pork producers and their families.

Prices being paid for live market hogs have plunged below $20 per hundredweight for the first time since 1971, and are the lowest real (deflated) prices in U.S. history. Most pork producers are currently losing $50 to $75 per hog sold. These losses are of such historic proportions that if this dangerous situation is not reversed quickly, it will result in the failure of tens of thousands of pork producers and a massive restructuring of pork production in the United States. We believe the economic crisis facing America's pork producers must be viewed as a national emergency, warranting immediate intervention by the U.S. government.

It is very difficult to accurately document the cumulative economic losses individual pork producers, related industries, and rural communities are experiencing, but it is significant and is growing daily. USDA has estimated that pork producers are receiving approximately $144 million less per week on average than they did during the past five years. Clearly, these losses are creating a devastating equity, liquidity and cash flow crisis among pork producers.

Given the unprecedented economic crisis facing pork producers, we would strongly urge you to consider the following initiatives:

1) Economic Crisis Task Force – We believe that it is imperative that a pork industry economic crisis task force be created to pool the resources, knowledge and expertise of the various agencies of the federal government to address this crisis. Given the economic devastation that pork producers are currently facing, we urge you to convene this emergency task force as soon as possible.

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2) <u>Increase Slaughter Capacity</u> – The U.S. pork industry has lost 37,000 head of daily slaughter capacity since June of 1997. This, combined with record slaughter (up 10% over 1997) has created a massive bottleneck for our industry. As a result, a portion of the crisis facing pork producers is supply-driven. Simply stated, we are in critical need of additional slaughter capacity to effectively process the current supply. At the same time, we must avoid disruptions to current slaughter capacity. The following are suggestions to help alleviate this situation:

a) We must remove the 144,000 head per week production cap on the Carolina Food Processors plant in Tar Heel, North Carolina. This facility is the largest slaughter plant in world, with a capacity of 32,000 head per day. However, the existing production cap limits slaughter to 24,000 head per day. We are requesting that the U.S. Environmental Protection Agency (EPA) inform the State of North Carolina that the National Pollutant Discharge Elimination System (NPDES) permits issued under the Federal Clean Water Act do not require "plant capacity limitations." The removal of this arbitrary production cap would have an immediate and positive impact.

b) Postpone the Immigration and Naturalization Service's (INS) Operation Vanguard – The pork packing industry is facing a massive shortage of labor. As a result, many pork packers are virtually unable to hire and maintain an adequate labor force to operate at full capacity. We fully support the hiring of only legal workers, however at this time our industry cannot withstand any disruption such as this investigation would cause in the labor pool at packing plants. The INS should be directed to postpone Operation Vanguard, which seeks to document legal alien workers in the pork packing and processing sector. The pork packing sector has pledged to work with INS to address this issue on a responsible and timely basis. The loss of any pork packing plant employees during the current crisis would simply exacerbate the existing problem.

c) The U.S. – Canada border is open to imports of Canadian hogs for slaughter. We believe it should stay that way. However, a record number of Canadian hogs are being exported to the U.S. for slaughter, thereby worsening the slaughter capacity bottleneck. This surge of imports is occurring despite excess slaughter capacity in Canada. We would urge your Administration to request the government of Canada to work with its pork sector in an expeditious manner to reverse this trend while opening the Canadian market to U.S. live hogs for slaughter.

d) We would urge your Administration to use all existing programs and authorities to the fullest extent possible to purchase pork and pork products. While the domestic and international demand for pork has been very good, we believe it is imperative to work aggressively to avoid building excessive stocks. Specific suggestions include, but are not limited to, supplemental purchases of pork and pork products for the: 1) breakfast and school lunch (Section 32 entitlement) program; 2) the Emergency Food Assistance Program (TEFAP); 3) purchases under the P.L.480 (Food for Peace) and P.L.416 (Food for Progress) programs; 4) additional or emergency humanitarian assistance initiatives to countries such as Honduras, Nicaragua or Russia, and; 5) utilize the authority in the CCC charter to move significant volumes of pork to address specific food needs. Finally, we encourage USDA to evaluate a program for the export of live breeding animals. While such an effort would have limited impact on these massive supplies, it would provide some outstanding genetics to be made available to pork producers in targeted countries.

3) Credit Forbearance – Most pork producers will face an equity or cash flow crisis that warrants forbearance by their financial lenders. All federal banking and financial institutions should be contacted and urged to work individually with pork producers during this economic crisis.

4) Emergency or Disaster Loan Guarantee Program – Many pork producers have inquired about the availability of a USDA emergency or disaster guaranteed loan program. Should a program be available to pork producers during these trying times, we are certain many pork producers would qualify.

Mr. President, you understand agriculture as well as anyone in the United States. America's pork producers are facing a crisis that necessitates your attention and immediate intervention of the U.S. government. Time is of the essence. We believe that failure to act immediately and decisively will result in thousands of hard working pork producers being forced off the farm. We communicated a similar message to Deputy Secretary of Agriculture Richard Rominger earlier this week. The National Pork Producers Council is committed to working with you and your Administration to resolve this economic crisis facing America's pork producers.

Should you need additional information or wish to meet personally about this please contact me at our family farm in Smithton, Illinois at (618) 233-3431 or Alan Tank, at our office in Des Moines, Iowa at (515) 223-2600.

We ask you to give our emergency request for action your prompt consideration.

Sincerely,

Donna Reifschneider

Donna Reifschneider
President
National Pork Producers Council

c: The Honorable Dan Glickman
The Honorable Richard Rominger