

AFBF to Obama: Pork, Dairy Sectors Need Support

WASHINGTON, D.C., September 3, 2009—America's pork and dairy producers have lost much of their equity over the last year. With a wave of restructuring and forced herd sales expected over the next few months, the American Farm Bureau Federation today asked President Obama to initiate and continue several national measures to provide relief.

In a letter to Obama, AFBF President Bob Stallman expressed appreciation for ongoing Agriculture Department support for farmers hit by worsening economic conditions, and he called for additional initiatives.

Specifically, Stallman asked Obama to transfer \$100 million to the Agriculture Department to purchase pork for domestic food and nutrition programs. The money would come from a \$1.85 billion package to fund the government's response to issues related to H1N1 influenza. Stallman pointed out that part of today's decrease in pork prices is due to the widespread misuse of the term "swine flu" rather than the H1N1 virus, which caused pork prices to drop sharply in spite of the fact that pork remains safe to eat.

"Pork producers are facing dire circumstances and need the government to step up to purchase more product," Stallman stated. "The recent (price) for hogs is down \$25 per head in only the last four months. If the ... futures price is an accurate forecast of where hogs will be priced at year's end, producers will be losing \$50 per head. Even the futures price for next April indicates a \$25 per head loss."

Today, the Agriculture Department announced its intention to purchase an additional \$30 million in pork products in FY 2009 for federal food and nutrition assistance programs to assist pork producers who are currently struggling due to depressed market conditions.

In his letter to Obama, Stallman stated that agriculture withstood the downturn in the economy longer than most sectors, but the downturn has now caught up with America's farmers and ranchers in general, and livestock producers in particular. While only a fraction of all farm loans have been affected yet, many small and regional commercial banks are facing credit concerns. More than 80 banks have failed—the most since the early 1990s, according to Stallman.

“As long as land values hold up, lenders should be willing to refinance carryover debts. However, the Federal Reserve Bank of Chicago recently issued a report that the price of good quality farmland in Iowa and Michigan was 5 percent lower on July 1 than it was on the same 2008 date,” Stallman stated. “Falling land prices are making it harder for farmers to borrow because land is their biggest source of collateral. This is particularly true for the pork and dairy sectors. Considering these bank problems, we fear they may not be able to provide leniency to farm borrowers.”

Stallman told Obama that another contributing factor is U.S. agricultural exports have dropped more than 20 percent in the first six months of this year compared to a year ago. Net farm income is forecast to be \$54 billion in 2009, down \$33.2 billion and 38 percent from the preliminary estimate of \$87.2 billion for 2008. The 2009 forecast is \$9 billion below the average of \$63.2 billion in net farm income earned in the previous 10 years.

Stallman expressed support for USDA announcing it would establish a dairy industry advisory committee in continuing efforts to listen to and respond to the needs of dairy farmers. He said a similar committee should be established to serve the pork sector. Stallman also welcomed USDA's flexibility to help producers in need and Agriculture Secretary Tom Vilsack's mandate that USDA Rural Development and the Farm Service Agency use all available means to help

producers, processors and other small businesses who have been hit by worsening economic conditions.

On a related note, Stallman, Illinois Farm Bureau President Philip Nelson, Iowa Farm Bureau President Craig Lang and North Carolina Farm Bureau President Larry Wooten are meeting with Secretary Vilsack on Friday to discuss the severe economic challenges faced by America's livestock producers.