

Feed Costs, Availability Will Raise Pork Prices, Force Producers Out Of Business, Warns NPPC

WASHINGTON, D.C., June 11, 2008 – Retail prices of pork will rise and some pork producers will go out of business because of current crop conditions and subsequent feed availability issues, the National Pork Producers Council today warned the U.S. Democratic Steering and Outreach Committee during a meeting on rising food prices.

NPPC CEO Neil Dierks joined representatives of crop commodity organizations, hunger and food groups, labor unions, religious groups and renewable fuels organizations in a discussion with several Senate Democrats on the global and domestic impact of rising food prices, the factors contributing to the trend and possible solutions to the problem.

“Food price inflation for pork will be a reality,” said Dierks, the only representative from the livestock industry to attend the meeting, which was presided over by Majority Leader Harry Reid of Nevada and committee Chairwoman Debbie Stabenow of Michigan.

Projections are that just to allow producers to break even pork retail prices will need to increase by at least 17 percent next year because of the recent rise in feed costs, which account for 70 percent of the cost of raising a hog. Corn prices have increased by 124 percent and soybean prices by 94 percent since September. **From October through April, pork producers lost an average of \$30 on each hog marketed, and many producers since have been forced to quit the business.**

The two-year run-up in crop prices – corn was about \$2.60 a bushel in July 2006 compared with around \$6.70 a bushel for July 2008 delivery – is due several factors, including the new increased demand from corn-based ethanol plants. Additional pressures on prices and availability now are being felt because of weather conditions in much of the Corn Belt. USDA yesterday revised down by 390 million bushels its forecast for the 2008 corn crop.

“Given current crop conditions and projections for next year,” Dierks told the committee, “there will be tremendous stress on pork producers.”

He pointed out that as producers leave the industry prices will rise because of less pork production, resulting in reduced feed use of corn.

One solution to the need for more corn Dierks offered the committee: release of non-environmentally sensitive acres from the Conservation Reserve Program to crop production. NPPC previously has asked USDA to consider such a proposal.

NPPC also previously has urged lawmakers to strike a balance between food, fuel and feed needs when considering energy policies, including the recently approved mandate that by 2010 15 billion gallons of renewable fuel come from corn-based ethanol. Additionally, NPPC has policy that calls for the expiration of the ethanol blender's tax credit and the tariff on imported ethanol.

"The interrelated issues of rising food prices, how crop availability and usage come into play and national energy policy are complicated," said Dierks. "As an industry, we need to resolve these problems for our producers and for consumers.

"NPPC is grateful to the Democratic Steering and Outreach Committee for holding these discussions," he added, "and hopes that the dialogue will continue."

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