

USDA ANNOUNCES RESULTS OF HOG PROCUREMENT INVESTIGATION

WASHINGTON, Oct. 8, 1998 -- Assistant Agriculture Secretary Michael V. Dunn today announced that USDA's investigation of Western Cornbelt hog procurement practices revealed that prices reported for a "base" hog did not reflect actual transaction prices and were generally lower than prices being paid.

The investigation revealed that reported prices, generally, are lower than prices actually paid for hogs. This is because the "base" hog--for which prices are reported, does not reflect current carcass characteristics. Reported prices, therefore, do not reflect actual prices. As a result of this finding, USDA's Agricultural Marketing Service currently is revising reports for hogs to bring them in line with current procurement methods used by packers and to more accurately reflect prices paid to producers.

"The structure of the pork industry is changing rapidly," said Michael V. Dunn, assistant secretary for marketing and regulatory programs. "Like many agricultural producers, pork producers currently are facing severe financial stress. This investigation of procurement and pricing practices in the heart of the nation's pork-producing region serves as a significant benchmark for continued monitoring and surveillance of the hog market. USDA is committed to assuring fair market access for producers and to providing transparency in public price reporting."

Statistical analyses conducted by USDA's Grain Inspection, Packers and Stockyards Administration confirmed that prices tended to be higher for marketing agreement procurement and carcass merit pricing versus live weight pricing on the spot market. Smaller sellers had the highest proportion of spot market transactions, with most transactions priced on a live weight basis. Larger sellers had proportionately more transactions under marketing agreements and carcass merit pricing.

"This investigation represents an important step in USDA's ongoing commitment to address competitive issues in the livestock industry," Dunn said. He added that GIPSA has opened an office in Des Moines, Iowa, to focus on major pork industry issues. The new regional office will add economic, statistical, and legal expertise to the current investigative staff and has already begun to follow up on issues raised by the findings of this investigation.

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