

USDA TO MEET WITH FARM GROUPS ON HOG PROCUREMENT PRACTICES

WASHINGTON, D.C. (Nov. 30, 1998) -- The U.S. Department of Agriculture will host two meetings this week with producer organizations to discuss the department's recent hog procurement investigation, its potential implications for producers, and impending changes in USDA's market news reporting for hogs.

USDA also will use these meetings to seek suggestions and logistical help for taking this information directly to producers in early 1999, when a series of meetings will be held in hog-producing regions, said Michael V. Dunn, under secretary for marketing and regulatory programs.

The findings of the hog procurement investigation by USDA's Grain Inspection, Packers and Stockyards Administration were announced Oct. 8. "However," said Dunn, "we want to ensure that producers--particularly smaller ones--are fully aware of these findings, and we want to help them make the best use of the information in order to maximize their returns." In order to accomplish this, GIPSA is hosting meetings for farm-related and other interested organizations in Washington, Dec. 1 and in Ames, Iowa, Dec. 3.

Among other findings, the investigation revealed that USDA's 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 carcass characteristics. As a result of this finding, USDA's Agricultural Marketing Service is currently revising its daily reports for hogs to bring them in line with current procurement methods used by packers and to more accurately reflect the prices they pay. These revisions are now posted next to the current versions of the reports on the AMS market news website at www.ams.usda.gov/marketnews.htm.

In addition, GIPSA's investigation confirmed that producers who utilized alternative marketing arrangements--that is, other than live spot market transactions--and carcass merit pricing tended to receive higher prices than those who did not. Many who do not use these alternative arrangements are small sellers, said GIPSA Administrator James R. Baker.

"Pork producers currently are experiencing not only an immediate economic disaster, with prices at their lowest level in nearly 30 years, but also a longer-term struggle to keep pace with a rapidly-changing industry," Dunn said. "It is critical that producers, as well as those who report prices, clearly understand the meaning of reported quotes. It's even more important that USDA provide them with better information, both about market prices and about ways to obtain a higher return for their hogs."

These meetings are part of USDA's ongoing efforts to address price and competition concerns in the livestock industry. Among other recent actions, Agriculture Secretary Dan Glickman last week announced that USDA will purchase up to \$50 million of pork products to help improve prices to pork producers. Last fiscal year, USDA purchased \$85 million worth of pork, including a \$30 million bonus buy, for distribution to emergency food assistance programs and the National School Lunch Program, AMS Administrator Enrique Figueroa said. Glickman also recently announced the inclusion of 50,000 metric tons of pork in a food aid package for Russia. This is equivalent to 15 percent of last year's U.S. exports of pork. Glickman also has approved pork as a food commodity for international assistance under the GSM-102 export credit guarantee program.

In other actions over the past year, GIPSA has opened a new office in Des Moines, Iowa, to focus on major pork industry issues. The office is adding economic, statistical, and legal expertise to the current investigative staff.

For further information on the Dec. 1 and Dec. 3 meetings and on GIPSA's hog procurement investigation, contact Harold W. Davis at (202) 720-7051, email Harold_W.Davis@usda.gov. For information regarding AMS' market news reporting for hogs, contact John Van Dyke at (202) 720-6231, email John_E_Vandyke@usda.gov.

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