SUCCESSFUL FARMING

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http://www.agriculture.com

12/14/98

Dear Rep. Ott,

Have enclosed our December '98 issue, as Linda of your office requested. Successful Farming has been serving the interests of America's farm families since 1902 and currently enjoys a full paid readership of 1.2 million. Please let me know if I may be of further assistance.

Best regards, Glenn F. Schwaller

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Meredith Publishing Group

Wisconsin Hog Industry Public Hearing Agenda

Thursday, December 17, 1998
9:00 am
417 North, (GAR)
State Capitol

Tentative Timeline and Speakers

9:00 to 9:30-Background on Wisconsin's Hog Industry

- **Invited Speakers: Bob Battaglia (DATCP), Rick Tanger (DATCP), Dr. Vern Liebrandt (UW-Madison), Dan Short (UW-Extension)**

Just found out – Grocer has to leave early ? Retailer Brandon

9:30 to 10:00-National and International Perspective Glen Grimes Carey Paroline K Ask Keri to Intro.

- **Invited Speakers: William Dobson (UW-Madison), A representative of the National Pork Producers Association**

10:00 to 10:30-Producer Perspective

- **Invited Speakers: Dr. Art Mueller (WISPIG), Bob Uphoff (Producer), Keri Retallick (Wisconsin Pork Producers)** John Lodle

10:30 to 10:45-Lender Perspective

- **Invited Speakers: Mike Myers (First National Bank of Platteville), Bruce Thompson (Badgerland Farm Credit Service)**

10:45 to 11:15-Marketing Perspective

- **Invited Speakers: Greg Beck (Equity Livestock), Eric Drachenberg (Professional Products)**

11:15 to 11:45-Processor Perspective

- **Jens Knutson, (American Meat Institute)**

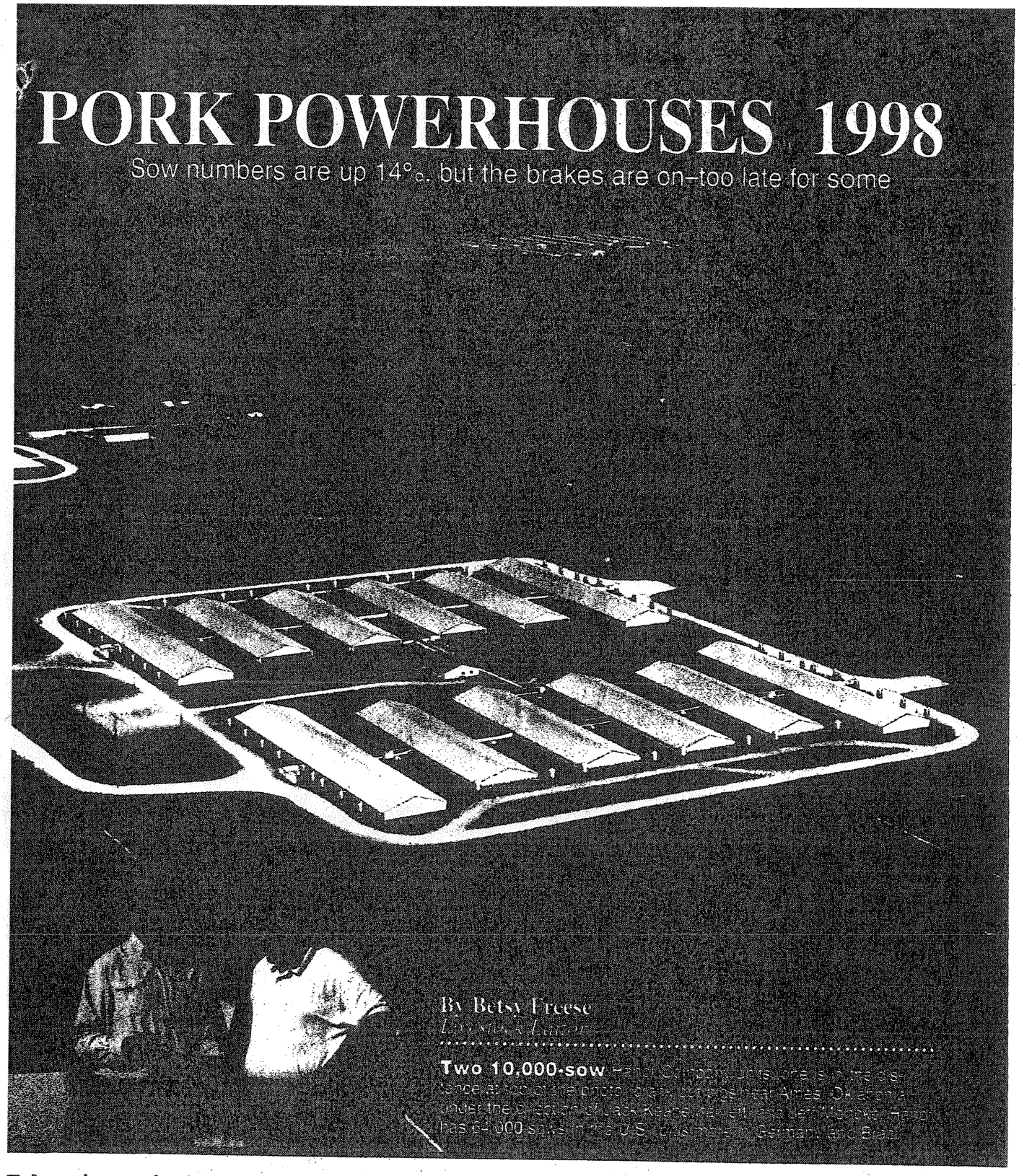
11:45 to 12:15-Retailer Perspective

- **Brandon Scholz (Wisconsin Grocers Association), A Grocers Association Member**

♦ Due to the limited timeline, speakers need to be concise when addressing their specific area.

PORK POWERHOUSES 1998

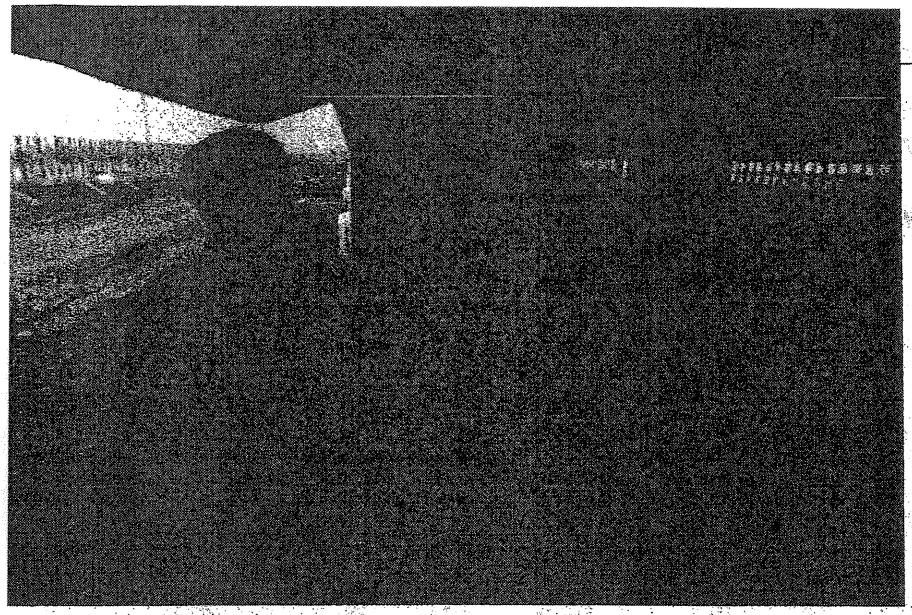
Sow numbers are up 14%, but the brakes are on–too late for some



By Betsy Freese
Livestock Editor

Two 10,000-sow farrow-to-finish operations are shown in this issue at top of the photo [illegible] Wheaton, Minn., and under the direction of Jack Kreese [illegible] Hog Farms has 64,000 sows in the U.S., plus some in Germany and Brazil.

It's going to be bloody. That's the consensus of the 50 largest pork producers in the U.S. as they look toward the next few months. Expansion in livestock and poultry nationwide has led to an oversupply of meat and unprofitable market prices for producers. At risk is anyone with high debt or poor performance. A few large hog operations have already succumbed; other are in negotiations to be sold. The best producers are holding tight and eyeing acquisitions. The industry has too many pigs and structure for quick liquidation. One thing's for sure: only the strong will survive.



Don Kellen (left) runs Carroll's Foods of the Midwest. These units near Everly were stocked in June, bringing sow numbers in Iowa for Carroll's to 7,200.

1998 PORK POWERHOUSES™

What does a beer bottle have to do with U.S. sow expansion? The label on that bottle was probably slapped on by a Krones high-speed labeling machine, developed by the Kronseder family in Germany. This family began investing in pork production in 1994 and now owns 70,000 sows worldwide, 64,000 of them in the U.S. as The Hanor Company (12th on Pork Powerhouses).

A gilt multiplier for the world's largest breeding stock company–PIC International Group–Hanor is widely regarded as having some of the best production in the country. Its management team, all former or present PIC employees, routinely cranks out 25 pigs/sow/year or more (see Hanor production numbers on page 23). These pigs then stock sow units for other expanding operations like Seaboard.

Top 50 market half of U.S. pigs

All this high production has led to oversupply and low market prices. Every one of the 50 Pork Powerhouses feels the pinch in one way or another, although a company like Hanor feels it less than some. (Hanor's game plan, says vice president Myrl Mortenson, is to "finish what we've started and look for acquisition opportunities.") Cheap feed is the only thing keeping some of the weaker operations afloat this fall.

With 2.6 million sows, the 50 largest producers now market or will market by 1999 half of the pigs in the U.S.–figuring their sows each produce 20 pigs a year. Some farms do not produce at this level, and they may be the first to go out of business with the current market situation.

While 34 of the 50 largest producers expanded in the past year–to the tune of 14% total growth for those companies on the list both years–all but a few have stopped. The nation's largest producer, Murphy Family Farms, is holding tight at 337,000 sows, with no immediate plans to do anything except build a few more finishing units and tighten costs.

"We are bracing ourself for two years," says Randy Stoecker, president of Murphy's Midwest division. "Cost of production is the only thing that matters. Anytime we can save half a cent per pound, we'll start work on it today. We are not putting new sow farms down. With the oversupply of meat, that's the sane thing to do."

Carroll's Foods, ranked number two with 183,600 sows in four states plus Mexico, is stinging from low prices for both turkeys and hogs, although "we are starting to see some daylight in turkeys," says vice president Gregg Schmidt. "There have been volume reductions in turkeys, and we need this in pigs.

"We are trying to pull the reins in with our company. It used to be, every time we put a sow in we expected one or two sows to go out of the industry, but that's not happening now," says Schmidt.

Carroll's Foods is looking outside the U.S. for expansion. It doubled its sows in Mexico during the past year and plans to place 5,000 sows in Brazil by next summer.

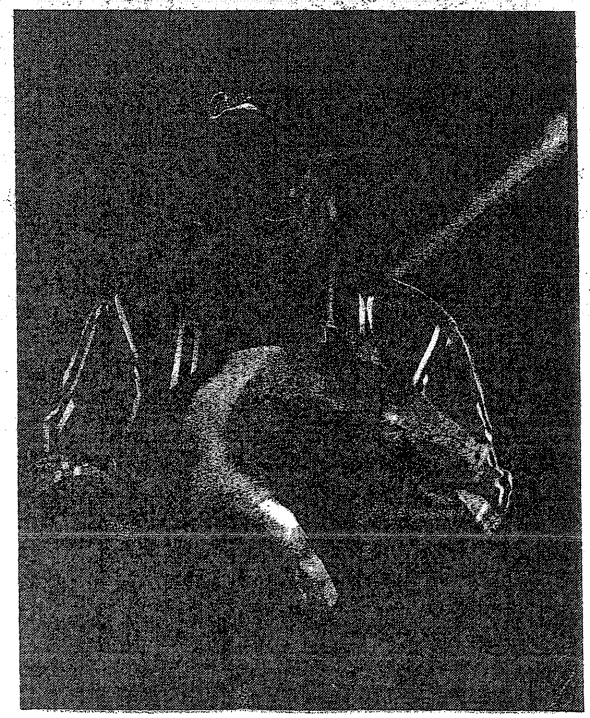
Merging two companies

Jumping to number three on the Pork Powerhouses ranking this year, with 162,000 sows, is Continental Grain Company. Continental already had 52,000 sows in Missouri and North Carolina when it bought controlling interest in Premium Standard Farms (PSF) last winter. PSF has 110,000 sows in Missouri and Texas, with more growth planned at some point for Texas, says CEO John Meyer.

"We are working to merge the two companies in a seamless manner; Continental had one culture and PSF had another," says Meyer. "Together we are developing the culture of a food company. We made this deal because we believe the two companies are stronger and better together than they were separately."

Bo Manly, PSF's president, has survived three cycles of pork prices in the low $30s. "I am not seeing the same

Ted Hoeppner, Everly, Iowa, has two nursery barns on contract with Carroll's Foods of the Midwest, and is a production supervisor for the company. Before that he finished 10,000 pigs a year independently.



PORK POWERHOUSES IN 1998

1997 RANK	NAME OF OPERATION	HEADQUARTERS	SOW BASE	# SOWS 1998	# SOWS 1997
1	Murphy Family Farms	Rose Hill, NC	NC, MO, OK, IL	337,000	297,200
13	Continental Grain Company	New York, NY	MO, NC, TX	(b)162,000	(b)162,000
8	Seaboard Corporation	Shawnee Mission, KS	KS, CO, OK	125,500	108,750
6	Tyson Foods	Springdale, AR	AR, NC, MO, OK, AL	123,500	111,500
9	DeKalb Swine Breeders	DeKalb, IL	KS, OK, IL, TX, IA, CO, NC	97,000	97,000
*	Purina Mills (Koch)	St. Louis, MO	NC, MN, NE, IA, SD, PA, IN+	75,000	*
14	The Hanor Company	Spring Green, WI	OK, NC, WI, IL, OH	64,000	40,000
12	Heartland Pork Enterprises	Alden, IA	IN, IL, IA	61,000	56,000
21	Pipestone System/Hawkeye(c)	Pipestone, MN	MN, SD, IA	46,800	(d)24,000
17	Sand Systems	Columbus, NE	NE	43,000	31,000
15	National Farms	Kansas City, MO	NE, CO	34,000	34,000
22	Clougherty Packing Company	Los Angeles, CA	AZ, CA	23,000	23,000
27	Holden Farms	Northfield, MN	MN	22,000	19,000
33	Lundy Packing	Clinton, NC	NC, SC	20,000	15,000
*	Texas Farm	Perryton, TX	TX	20,000	*
44	Vall	Texhoma, OK	OK	20,000	12,000
28	J.C. Howard Farms	Deep Run, NC	NC	19,000	18,000
31	Coharie Farms	Clinton, NC	NC	17,400	17,400
41	Hog Slat	Newton Grove, NC	NC	16,000	12,500
33	Hitch Pork Producers	Guymon, OK	OK	15,000	15,000
41	Wakefield Pork	Gaylord, MN	MN	15,000	12,500
37	Garland Farm Supply	Garland, NC	NC, SC, GA	14,000	14,000
37	L.L. Murphrey	Farmville, NC	NC	14,000	14,000
39	Western Pork Production Corp.	Yuma, CO	CO	13,000	13,000
47	Esbenshade Mills/Hershey Ag	Mt. Joy, PA	PA	11,500	11,500
			Totals:	2,599,600	2,092,550

on list in 1997. *(a)* Includes Circle Four. *(b)* Includes Premium Standard Farms. *(c)* Includes Hawkeye, Inc., Emmetsburg, Iowa. *(d)* 1997 number only included tone System in Minnesota. *(e)* Includes Alliance Farms Cooperative Association. (f) Includes former White Oak Mills sows.

ADM poised for major moves in swine industry

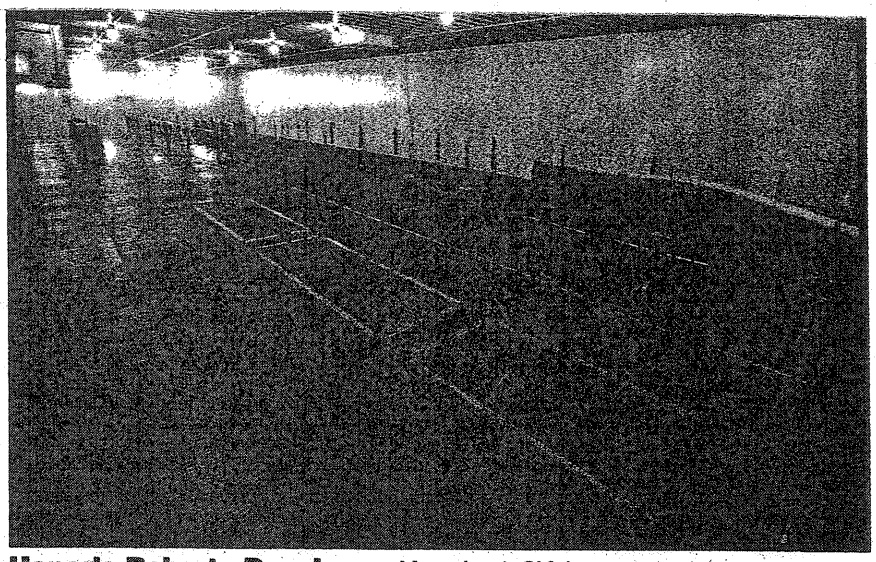
For years, grain giants Cargill and Continental Grain have had a prominent place in hog production. Continental upped its position in 1998 by purchasing majority interest in Premium Standard Farms, New and another grain giant, Archer Daniels Midland, plans a larger presence in the industry.

ADM already owns half of Consolidated Nutrition in Omaha, Nebraska, which has 4,000 sows in production in Colorado, Minnesota and Wyoming. ADM also owns the feed company Moorman's, as well as ADM Animal Health Ltd., Nutraceutical, four new feeders in Quincy, Illinois. On top of all, ADM owns 13.2% of Smithfield Foods, largest pork packer, IBP and analysts predict that share will grow larger.

Purchases sows & pigs

ADM is a network facilitator in many pork systems, it would seem, says an ADM source who asked to remain anonymous. The company has agreements with several producers to purchase sows, weaners and feeder pigs, and arranges network producer meetings to disseminate the pigs.

For example, ADM negotiates a contractual price for the pigs from nearly 30,000 sows in Nebraska, Iowa, Illinois, Indiana and Ohio. The sows are all owned by independent producers, and ADM facilitates the placement of pigs on independent farms and does marketing arrangements on the back side.



Hanor's Roberts Ranch, near Mooreland, Oklahoma, has eight 10,000-head nurseries (this is one room of a nursery) and 16 10,000-head finishers in all stages of construction on 5,000 acres. This two-pen nursery room will be filled with weaned pigs who will gain 1 pound a day for 50 days until they move to the finishers.

1998 PORK POWERHOUSES™

levels of margins in this cycle that packers saw in others," says Manly, who was with Smithfield Foods before joining PSF. The reason for the difference, he says, is "more tonnage of protein for the same relative demand base." Japan "was a lot healthier" the last time we suffered through these prices (1994), says Manly.

Smithfield Foods is holding tight on sow numbers, except in Utah where it plans to add a few more sows to Circle Four Farms. In June, Smithfield bought Murphy's share of Circle Four and now owns about 70% of the 40,000 sows there. Carroll's owns 29% and Prestage Farms about 1%.

Smithfield is not expecting growth at Brown's of Carolina, where it owns 100,000 sows. "We have our hands full right now," says Jeff Luckman, head of livestock procurement for Smithfield. "Sow production is not attractive at the moment, but we are always looking three years down the road."

Seaboard still expanding

There is only one large producer still talking expansion of any significance. Seaboard Corporation (ranked fifth with 125,500 sows) stocked a 12,500-sow unit in Oklahoma this summer, and has three more of that size planned for the next year. "As fast as we can build, we will build," says Mark Campbell, vice president of development. "We export all the pork we can produce. Our buyers can't get enough and are clamoring for more."

Seaboard has one pork processing plant in Guymon, Oklahoma, and plans another by 2001 at an undisclosed location. "The decision to build a processing plant is very complex, much like a chess game," says Campbell. "Each move is strategic and must be well thought out before the next can be made." He won't discuss the exact location of the new plant due to past siting controversies (see page 23).

Some expansion is planned by Texas Farm in Perryton, Texas, in the coming months. The Japanese-owned company doubled from 10,000 to 20,000 sows since last fall and plans to be at 28,000 sows by early next year.

Expansion has certainly slowed elsewhere in the U.S. Hog Slat, a construction company that works with many of the largest producers, had several layoffs this summer and expects more.

White Oak is out

One Pork Powerhouse now out of the hog business is White Oak Mills of Elizabethtown, Pennsylvania (12,000 sows in 1997). In August, Wenger's Feed Mill in nearby Rheems bought White Oak's swine business. Hostetter Management Company will manage the new production. "We'll be depopulating and repopulating and remodeling–going back in with about 10,000 sows," says Hostetter.

Another large farm that has changed hands this year is the 6,600-sow outdoor unit near Lamar, Colorado, formerly owned by Bell Farms of North Dakota and Garden City (Kansas) Co-op. Consolidated Nutrition of Omaha, Nebraska, bought that unit and changed the name from Bell West to Out West. Bell is still active in Colorado, however, partnering with Minnesota-based Hormel Foods on a new 25,000-sow unit near Las Animas.

Withdrew sale of bonds

In Iowa, Heartland Pork (61,000 sows) withdrew a sale of bonds this summer after the bonds became too expensive given market volatility. The bonds would have been used to pay down debt. "We wanted a different

al structure, but will stay with : we have," says Heartland's chief ating officer Rod Hamann. "We have to suck it up and batten down atches."

eartland's new mill near Iowa Falls uilt and will produce its first batch fall, he says. "Our investors are ng more money into the company will continue to do so, if needed."

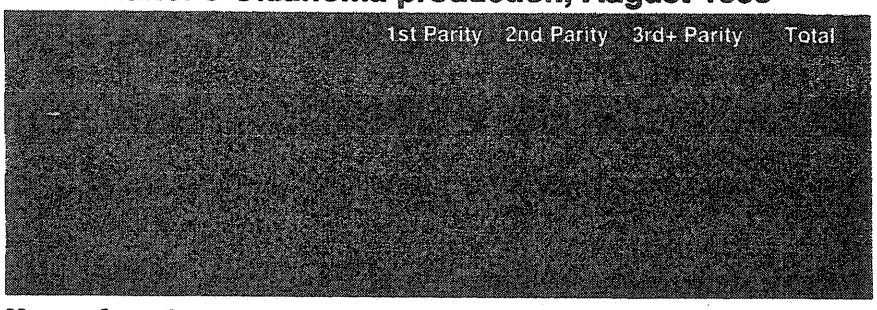
rts both ways

Oklahoma, Hitch (ranked 39th 15,000 sows) is seeing poorer ns in both hogs and cattle. "It s both ways for us," says manager e Brandherm. "Although we cus- feed cattle, if our customers are g hurt and losing money, it's not a l situation." Hitch completed con- ction this spring on all its hog units, and is staying put for a while, says Brandherm. "Unless you're an integrator, expansion at this time is not wise."

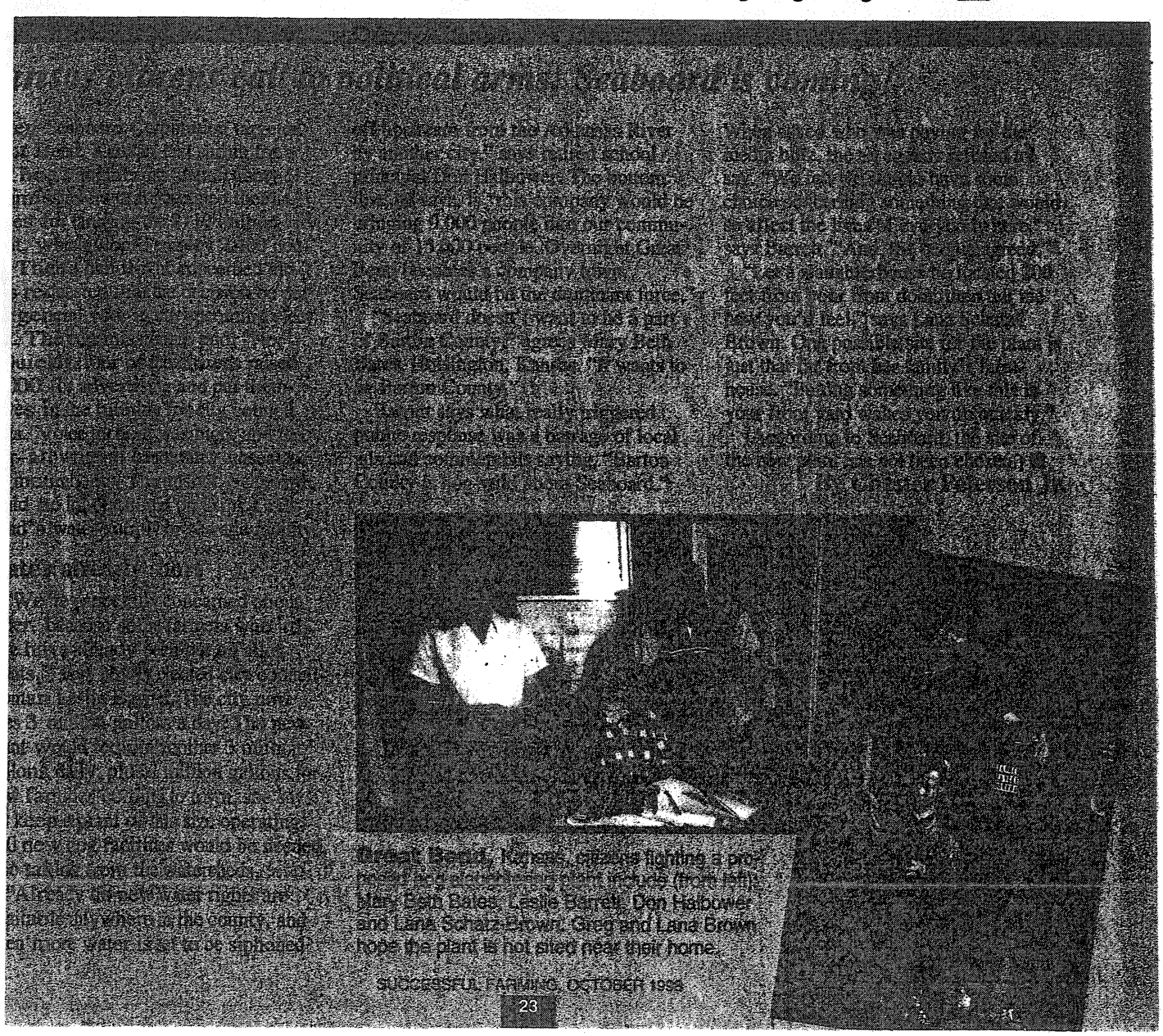
The largest operation new to our ranking this year is Purina Mills, now owned by Koch Agriculture Company. Of the 75,000 sows listed, Purina owns 13,000 outright, and services the rest under its Swine Management Services division based in Nebraska.

What can we expect from the Pork Powerhouses in the next 12 months? Mergers, acquisitions and consolidation. Hopefully some liquidation. And quite certainly a good amount of wailing and gnashing of teeth. SF

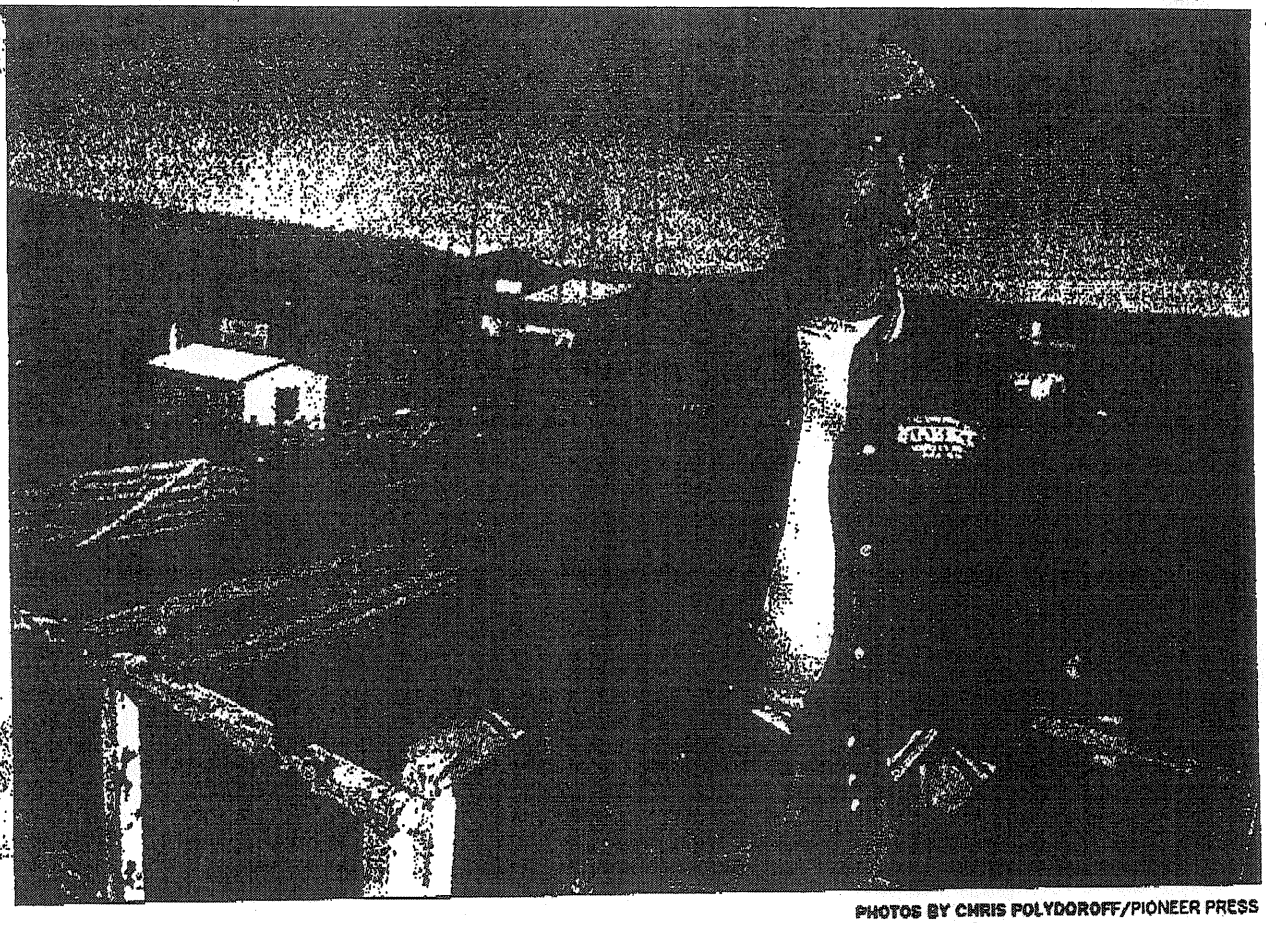
Hanor's Oklahoma production, August 1998



Hanor females are housed in groups of 2,500 according to parity. Each parity is fed and managed differently. Gilts have three or four heat cycles before breeding.



Dwight Berg, Hanor's director fighting a proposed hog facility, stands (from left) Mary Beth Bales, Leslie Barrett, Don Halbower and Lana Schatz-Brown. Greg and Lana Brown hope the plant is not sited near their home.



PHOTOS BY CHRIS POLYDOROFF/PIONEER PRESS

Curt Zimmerman manages the Central Livestock Association in South St. Paul, where hog prices have dropped to a 27-year low. Live pigs are being bought and sold for as little as 15 cents a pound.

Porking Out

As soaring inventories force hog prices down 63 percent from one year ago, farmers lose about $55 with each pig sent to market.

BY LEE EGERSTROM

STAFF WRITER

Ever since the Great Depression, farmers and ranchers across the Northern Plains have retold stories about shipping livestock to South St. Paul or Omaha that didn't fetch enough money to pay the cost of trucking.

Today, 70 years later, it's happening again. With pigs.

"I didn't know how much was real and how much was farm legend from the stories I've heard around here," said Curt Zimmerman at Central Livestock Association in South St. Paul. "But this time, I know it's real. I've seen it."

Soaring hog inventories have forced prices to their lowest level in 27 years, off 63 percent from one year ago. Live pigs are being bought and sold this month for as little as 15 cents per pound in Iowa and southern Minnesota, the market that serves as the benchmark for pig prices in the U.S.

This year's oversupply of pigs, due mainly to huge investments by family farms and factory farm businesses, comes despite rising consumption in the U.S.

The oversupply of pigs and pork, due mainly to huge investments by family farms and factory farm businesses, comes despite a 32 percent increase in exports and a 7 percent increase in U.S. domestic market consumption this year.

On Monday, the average loss on every pig sold through open markets such as stockyards had increased to about $55 per pig, said David Preisler, executive director of the Minnesota Pork Producers Council.

PIGS CONTINUED ON 8C ▸

St Paul Mn
Pioneer Press
12/15/98

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PIGS

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Minnesota has about 10,000 pork producers of which 5,500 are commercial ventures that depend on income from selling hogs.

"Right now, I can say they are all at risk and cannot continue into next year if the prices don't come back," Preisler said. The Minnesota economy will feel the impact as well, he said. About half of Minnesota farmers' 10 million pigs are being sold in the last half of the current year at money-losing prices.

Central Livestock's Zimmerman said a swine-breeding farm in Minnesota shipped a load of older boars — male breeding pigs — to South St. Paul in early December. The huge animals would normally bring $400 to $800 each from sausage makers. A buyer took these animals for prices ranging from $15 to $30 each.

"The swine breeder can't pay the trucking costs, marketing and insurance costs with what he was paid for the boars," Zimmerman said.

While consumers are getting a break with pork prices, the drop at the supermarkets hasn't been as sharp as the live animal prices paid to farmers. For example, most hams and pork are only a few cents cheaper today than they were two years ago.

"These prices aren't being passed along, all the way," said Amy Brandel, communications director for the Minnesota Pork Producers Council at Mankato. "The truth is that wholesalers and retailers don't have to drop the price to move pork."

Pork bargains

Indeed, while pigs are stacking up on farms and feedlots, perishable pork products aren't stacking up at supermarket meat cases. Domestic consumption of pork is up 7 percent so far in 1998, said Brandel. But retailers are starting to promote pork to aid their allies on the farms, she noted. Consumers can expect to see pork bargains and promotions through all of next year to move even more pork through the food chain, say livestock marketing specialists and agricultural economists.

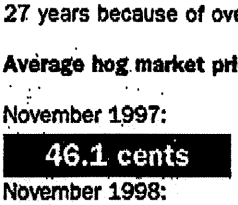
The U.S. Department of Agriculture forecasts that a record 100.1 million hogs will be slaughtered for processing before the end of this year, and the number will climb to 101.6 million in 1999. This has farm economists warning farmers that little price recovery is likely going into the year 2000.

Wallowing in pigs and pork

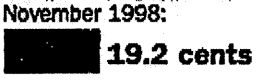
Despite increased exports and higher consumption, pig prices have fallen to their lowest level in 27 years because of oversupply.

Average hog market prices*

November 1997:

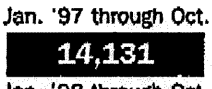


November 1998:

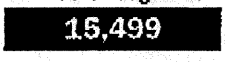


U.S. pork production
(in millions of pounds)

Jan. '97 through Oct. '97



Jan. '98 through Oct. '98



*Southern Minnesota-Iowa markets

Sources: Wisconsin Agricultural Statistics Service, Minnesota Agricultural Statistics Service, and Minnesota Pork Producers Council.

Zimmerman said Central Livestock is telling its farmers to expect low hog prices for at least the first nine months of next year. While some improvement is expected later, he said, it may well be a full year or more before prices reach profitable levels.

"Everything is working against pork producers right now," said Zimmerman.

For example, the Midwest had a large corn crop, and quality was good. Corn prices are low, so pig producers are keeping the pigs longer, and they come to market heavier than is normal or even desirable for processing plants, he said. The result of bigger pigs is putting more pork on the market at the same time larger numbers of animals are going to slaughter.

Moreover, Canadian farmers and production companies are expanding their herds and shipping about 20 percent of their animals across the border to U.S. packing plants, said Donna Reifschneider, a farmer at Smithton, Ill., who is president of the National Pork Producers Council. The imports prompted Montana, North Dakota, South Dakota and Minnesota farmers to stage protest demonstrations at border crossings this year.

Reifschneider said the "staggering amount of Canadian hogs" has contributed to the bottleneck at U.S. packing plants. Through October of this year, U.S. pork production is up 10 percent over 1997, according to the Wisconsin Agricultural Statistics Service.

A week-old agreement between the U.S. and Canada should make it easier for U.S. shipments of pork to reach Canadian consumer markets. But the exchange rate between the U.S. and Canadian dollars, averaging about 30 cents, will likely keep the Canadian livestock trucks busy hauling pigs to American plants.

Looking for answers

Pork producers have been working on solutions.

Lynn Green, a farmer at Morgan, Minn., chairs a committee for the National Pork Producers Council that's focusing on promoting holiday sales of pork in Mexico, the fastest-growing market for American pork products. Exports there have increased 82 percent through the first eight months of this year.

Meanwhile, the Minnesota chapter of the pork council is exploring marketing solutions that could include starting a pork processing cooperative or limited liability company pork slaughter plant.

It may result in pork producers deciding they need to process their own meat to compete in wholesale and retail markets with the meat companies that have rapidly expanded into pig production.

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Integrated meat companies now produce 37 percent of the total number of pigs going to slaughter. In 1990, their share of the market was less than 20 percent.

Integrated meat companies can recover profits from processing when they are losing money on producing pigs. IBP, for example, reported a 126 percent increase in earnings for its most recent quarter, citing "favorable market conditions" for pork processing.

The increasing dominance of the giant producers can be seen in an annual survey done by Successful Farming magazine, a national agriculture publication that tracks changes in the pork industry by monitoring the largest "farmers."

In its October edition, the magazine noted that Murphy Family Farms of Rose Hill, N.C., and Carroll's Foods of Warsaw, N.C., were No. 1 and No. 2 in pig production. Murphy has 337,000 sows, or mature females, in North Carolina, Missouri, Oklahoma and Illinois that produce about 8 million pigs.

The new No. 3 pig producer is Continental Grain Co. of New York, which bought controlling interest in Premium Standards Farms pig production company in Missouri. No. 4 on the list is Smithfield Foods of Smithfield, Va., a meat company best known for its Smithfield, John Morrell, Lykes and Patrick Cudahy brand names.

Other major players on the list include such "farmers" as Seaboard Corp., Tyson Foods, Cargill, ADM, Purina Mills and production units of U.S., German, British and Japanese meat packers, pharmaceutical and chemical firms. A few big players are farmer-owned cooperatives, including Farmland Industries, Land O'Lakes and Gold Kist, that place pigs on members' farms.

The whole pork industry is being tipped on its head, said Zimmerman during an interview at his office in the South St. Paul stockyards.

Small, independent pork producers are up against giant international agribusiness firms in growing and marketing pigs, and they may need to pool resources to build slaughter and processing plants to be integrated producers like their competition, he said.

For Central Livestock's own future, the brokerage plans to merge with Cooperative Resources International at Shawano, Wis., if members approve the deal in March. That would make a cooperative with many functions, ranging from genetics through marketing. However, Zimmermann said there are no current plans to enter the meat-packing industry.

Lee Egerstrom covers food companies and agribusiness. He can be reached at legerstrom@pioneerpress.com or (651) 228-5437.

Assembly Agriculture Committee's Hearing
"Wisconsin Hog Industry"
December 17, 1998

Michael A. Myers,
Vice President of Agricultural Lending
First National Bank of Platteville

-Vice Chair of Wisconsin Banker's Association Agricultural section
-Agricultural Lender since 1971
-Member of Agricultural advisory committees for both University of Wisconsin-Platteville
and Southwest Wisconsin Technical College

- Mr. Thompson and other speakers have stated this morning, the Wisconsin Pork Industry , as we know it with smaller family farms, is no longer able to exist. They simply do not have the ability to cash flow at a sufficient level to provide the necessary debt service that is required.

- This economic crisis is real. Many millions of dollars have been lost so far and losses will continue in the near future. Family farm units will not survive this crisis, forcing liquidations to take place, creating even more difficult times.

- My concern, as a Lender, is that the industry must be given as much flexibility as possible to work with our producers. FmHA guarantees will have to be utilized; perhaps reduce principal payment requirements or possibly go as far as an interest only situation for a short time period. I have producers who have utilized risk management techniques, packer contracts, and hedges; but this price plunge has far exceeded anyone's expectations. For those producers who have no risk protection, losses have been in excess of $50.00 per head. I also have a great deal of concern for the agricultural related businesses in our area.

- My suggestion to this committee is that some consideration be given to making use of our WHEDA programs specifically designed for the pork producer. There is an excellent crop program available and has been used quite successfully, I believe.

Assembly Agriculture Committee Hearing

Representative Ott, members of the Assembly Agriculture Committee, and concerned parties. Thank You on behalf of the Wisconsin Pork Producers Association and its' allied partners for holding this hearing regarding the crisis our industry faces today.

My name is John Lader, I'm from the Beloit / Janesville area of Rock County. Today I speak to you wearing many hats. First, I represent WPPA as vice president and chair of the Legislative Committee. Secondly, as a producer of a family owned 240 sow operation. Third, I also represent allied businesses directly related to Wisconsin's hog industry as I own a feed mill which has been in our family for over 40 years.

Speaking on behalf of WPPA at no time in history have our producers lost as much money per pig marketed as they are currently losing. Current market prices of $12. to $18. / 100 lbs equates to $30. to $45. per market hog gross revenue. Our typical Wisconsin producer is losing $50. to $75. for every hog marketed. What does this figure mean? A typical family farm with 220 sows will market 4000 pigs a year, placing him in the top 33% for production efficiency. In other words this typical producer is no slouch. He is efficient and should be financially successful. Marketing 4000 pigs per year translates to 75 pigs per week. Losing $50. to $75. per pig means this efficient producer is losing $3750. to $5250. each and every week. This is both a cash and an equity loss. On an annual basis this would translate to a $200,000. to $300,000. loss. These staggering numbers are real, and they are devastating our producers and our industry every day. Our producers need immediate help and assistance from our state government as well as our federal government to prevent the total collapse of the hog industry and the infrastructure which supports it. For if our hog producers are allowed to fail, so will the allied businesses which are vital to successful animal production in Wisconsin.

We hope and pray that this hearing is the first step in bringing relief to our producers, and stability and profitability to our industry. The question today is, what can the State of Wisconsin do to help?

You have taken the first step by holding this hearing to gather information and facts. What happens next is up to all concerned parties, the State of Wisconsin, producers, consumers, retailers, packers, and the federal government. Everyone has a stake in the future of our industry if we want to continue providing the lowest cost, safest protein food in the world.

I believe there are some specific steps the State of Wisconsin can do to help our producers in light of the current crisis we are facing. An immediate infusion of cash in the form of disaster loans will allow our producers to be able to pay their current monthly operating bills. This will help our producers buy time and allow them to continue what they do best - produce food for America's consumers efficiently.

Secondly, we cannot further burden our producers with additional rules and regulations which increase their cost of production. We must continue the path of the past few years which have provided right to farm, no trespassing, land use value assessment and health insurance deductibility.

Third the State of Wisconsin can provide our producers on income tax system which allows for income averaging.

Fourth, we can fully implement use value assessment as quickly as possible. According to the Wisconsin Taxpayer, May 1998, Wisconsin has the highest property tax on farm land per thousand dollar valuation in the country at an average of $20 per acre. Iowa's rate is $8.50, Minnesota is $8.70, Illinois is $10.10.

Fifth, an investigation in conjunction with our neighboring corn belt states needs to be undertaken to see why our producers are receiving record low prices, while consumer prices have remained constant, and packing companies are showing record profits.

Pork producers have always believed we were part of the food chain. We all know the phrase, "a chain is only as strong as its' weakest link". Clearly our producers are that weakest link and are not sharing in the profits of the food chain. I find it more than a coincidence the packing industry is not

represented today. Please work with our neighboring states to do whatever is necessary to protect our producers. Legislation should be drafted to prevent packers from owning pigs in Wisconsin, and we will urge other states to do the same.

These are all things WPPA believes the State of Wisconsin can do to help our producers in this time of crisis. This is the first time I can ever remember our producers asking for and needing direct, immediate financial assistance. Our producers have always been independent, however the time has come for us to ask, and to beg for your help. Failure to do so would allow our industry to be destroyed, our producers to loose their farms and their livelihood.

We are not asking for your help alone, nor to solve our problems alone. We, along with NPPC, are asking for federal help. Many of us met in St. Louis last week to gather information and formulate plans for federal help. Last Friday our national leaders met with Secretary Glickman to address our problems and suggest potential remedies including relief similar to what our dairy producers and grain farmers receive. Low hog prices are not just a Wisconsin problem, they are a national problem and we want you to understand we are also asking for federal help.

As a business owner of a feed mill which supplies goods and services to hog producers I see and feel the pain of depressed hog prices from a different perspective. My customers are no longer able to pay their bills on time, and their eternal optimism has disappeared. Our mill has seen our accounts receivable increase by $300,000. in the past 90 days. These losses of $50. to $75. per pig are real and effect both producers and suppliers.

As a supplier I have two choices - neither are good choices. (1) I can choose to no longer provide goods / services to these producers. The consequences are that many of these producers will no longer be able to feed their animals. They will be forced to sell off their hogs (assets) at even lower fire sale prices, further eroding their equity and reducing their ability to remain solvent. (2) The other choice I have is to continue to provide credit on "faith and hope". The risk is I may not get paid and will be forced out of business and my employees become jobless.

My personal case can be multiplied by hundreds of suppliers in Wisconsin who provide goods and services, such as vets, feed dealers, equipment dealers. Bluntly, all of us associated with the Wisconsin hog industry need you to help Wisconsin's producers now.

Putting on my hat as a producer our farm of 240 sows is losing $4,000. to $5,000. per week. We have had a manager on our farm for over ten years. He had hopes of buying into our operation and I had hopes he could do so. Now, however, without help our farm will be forced to sell off the pigs. With this Norm will be without a job. He and his wife recently had a baby girl. They will become one of many displaced families. The American Dream for Norm, and many like Norm will be gone forever.

I realize I have not painted a very pretty picture of our industry from the eyes of a WPPA board member, from the eyes of an allied business, or from the eyes of a producer. But I have told you the realities facing our industry and the allied businesses that support pork production in Wisconsin and the United States.

In closing, our producers need your help, and they need it NOW and our producers also need help from the federal government. We hope and pray that you as state representatives will do everything in our power to help the hog industry in Wisconsin survive their crisis. Our producers pledge their support. Thank you for allowing me this opportunity to address your committee. I will try to answer any questions you may have for me.

John C. Lader
3900 Wyoming Court
Janesville, WI 53546
(608) 365-3258

Wis. Pork Producers Assn
c/o Keri Retallick

Emergency Assistance →
other states
loan guar. / soc.
waiver of penalty / interest.

= specifics –

Short Term

improve flexibility
charitable donations
eliminating 10 year use value
income averaging

Ag Groups # #

*

WIS. Pork
c/o Keri
P.O. Box 327
Lancaster, WI 53813

Resolution – 4-4-98
Notify Bank Comm.

WHEDA –

re Capture fed-aids
Kill floor. in WI.

Column – why do we do what

300
20
6000

5000
20
100,000

Wisconsin Hog Industry Public Hearing Agenda

Thursday, December 17, 1998
9:00 am
417 North, (GAR)
State Capitol

Tentative Timeline and Speakers

9:00 to 9:30-Background on Wisconsin's Hog Industry
- **Invited Speakers: Bob Battaglia (DATCP), Rick Tanger (DATCP), Dr. Vern Liebrandt (UW-Madison), Dan Short (UW-Extension)**

9:30 to 10:00-National and International Perspective
- **Invited Speakers: William Dobson (UW-Madison), A representative of the National Pork Producers Association**

10:00 to 10:30-Producer Perspective
- **Invited Speakers: Dr. Art Mueller (WISPIG), Bob Uphoff (Producer), Keri Retallick (Wisconsin Pork Producers)**

10:30 to 10:45-Lender Perspective
- **Invited Speakers: Mike Myers (First National Bank of Platteville), Bruce Thompson (Badgerland Farm Credit Service)**

10:45 to 11:15-Marketing Perspective
- **Invited Speakers: Greg Beck (Equity Livestock), Eric Drachenberg (Professional Products)**

11:15 to 11:45-Processor Perspective
- **Jens Knutson, (American Meat Institute)**

11:45 to 12:15-Retailer Perspective
- **Brandon Scholz (Wisconsin Grocers Association), A Grocers Association Member**

♦ Due to the limited timeline, speakers need to be concise when addressing their specific area.

WISCONSIN FARM BUREAU FEDERATION

1212 Deming Way
P.O. Box 5550
Madison, WI 53705-0550
(608) 836-5575

WISCONSIN FARM AND RETAIL PRICING ANALYSIS
FARM HOG PRICE AND RETAIL PORK PRICES
ASSEMBLY AGRICULTURE COMMITTEE
DECEMBER 17, 1998

TOM THIEDING
EXECUTIVE DIRECTOR, COMMUNICATIONS, WISCONSIN FARM BUREAU FEDERATION

SUMMARY STATEMENT

- U.S. retail pork prices have not dropped sufficiently, while farm hog prices have dropped by 60%.
- Wisconsin retail prices on some cuts of pork, such as ham, have been more responsive than the national averages. But on other cuts such as pork chops and roast, the extent of decline is very questionable.
- Despite strong consumer demand for pork products this year, consumers are paying much more than they should because of the low farm hog prices.
- Consumers and hog farmers both are the losers in the current farm to market price scene.

U.S. RETAIL AND WHOLESALE PORK PRICES AND FARMERS' SHARE OF CONSUMER DOLLAR

Since October 1997 to October 1998:

- U.S. farm hog price dropped 47.8%
- U.S. wholesale price dropped 20.8%
- U.S. retail price dropped 2%.
- Farmers' share of the consumer dollar dropped 41%

WISCONSIN FARM HOG PRICES

Since November 1997 to November 1998:

- Wisconsin farm hog price dropped from 40-cents a pound to 16-cents, a drop of 60%.

Since June 1998 to November 1998:

- Wisconsin farm hog price dropped from 41-cents a pound to 16-cents, a drop of 61%.

RETAIL PORK PRICES

Ham

June to November: Increased 2.9% or 5-cents a pound
November 1997 to November 1998: Decreased 23%,or 51-cents a pound

Bacon

June to November: Increase 1.4%,or 3-cents a pound
November 1997 to November 1998: Decreased 19.6%, or 50-cents a pound

Pork Chops

June to November: Decreased 5.3%, or 15-cents a pound
November 1997 to November 1998: Decreased 9.2% or 27-cents a pound

Pork Roast

June to November: Decreased 6.2%, or 14-cents a pound
November 1997 to November 1998: Decreased 6.6%, or 15-cents a pound

INTRODUCTION

My name is Tom Thieding. I am the Executive Director of Communications with the Wisconsin Farm Bureau Federation. The Farm Bureau is testifying to present additional information on the farm hog price to retail pork price concerns, and to speak on behalf of hog farmers and consumers about the current situation facing the pork industry.

The information the Wisconsin Farm Bureau is providing comes from the Farm Bureau's Market Basket survey. The Market Basket survey was started six years ago as a consumer education program to make consumers more aware of changes in food prices and the connection of food prices to prices farmers receive for their commodities.

A volunteer in each of the 19 communities in our statewide survey collects the price of 40 food items each month and reports that for computation. There are four cuts of pork products in the Market Basket survey—bacon, ham, center cut pork chop, and pork roast—which we are using to illustrate how retail pork prices in 1998 have not responded to the drop in farm hog prices.

We believe the statistics we provide are a reasonable reflection of how consumers and farmers are being shorted in the current hog crisis. Our statistics show that Wisconsin retail pork prices have been more responsive than the national averages. Retails prices for ham and bacon have dropped considerably, but prices for choice cuts of pork have not.

U.S. RETAIL AND WHOLESALE PORK PRICES AND FARMERS' SHARE OF CONSUMER DOLLAR

By comparing average U.S. retail and wholesale prices, as reported by the U.S. Department of Agriculture, a clear picture of the increased spread between farm and retail prices is made. From October of last year to October of this year, the average U.S. farm hog price dropped 47.8%, while the wholesale price dropped 20.8%, and the retail price dropped only 2%. This does not even take into account the additional drop in farm hog prices in November.

During this time the farmers' share of the consumer dollar has also diminished, down 41% since October of last year.

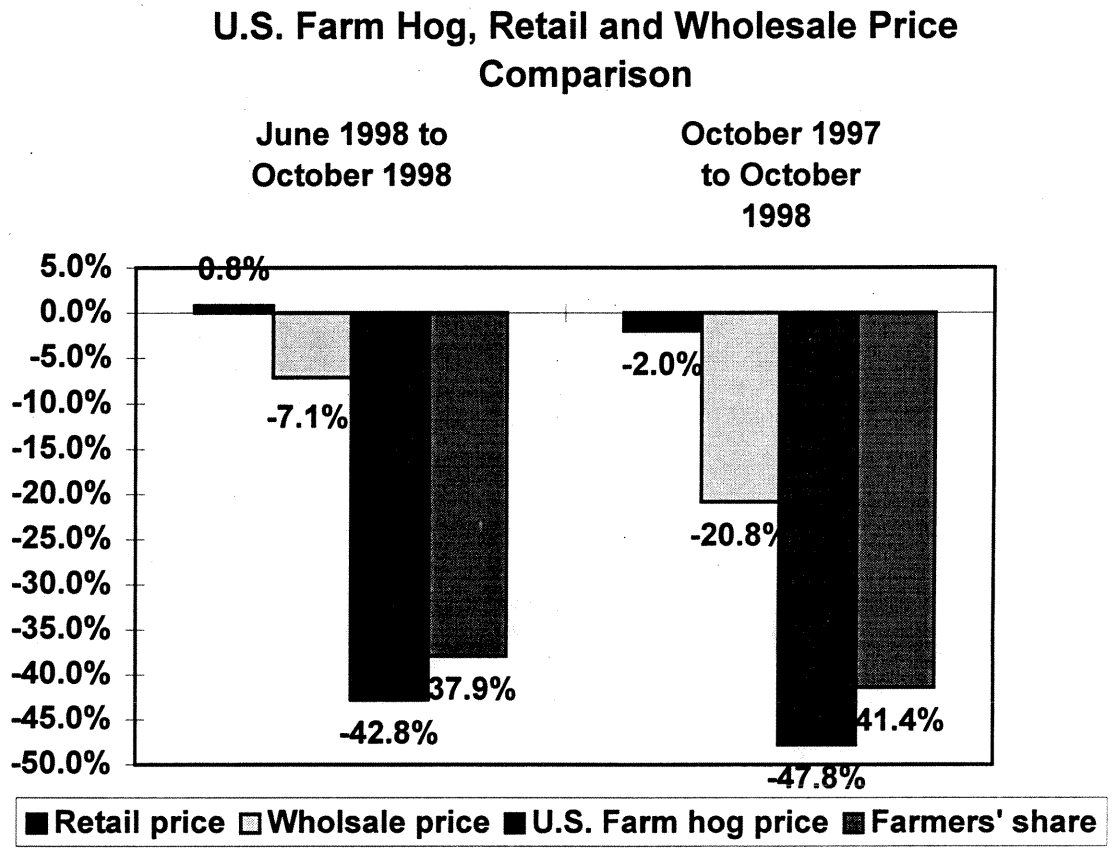
What is even more troubling is that since June when hog prices started their slide, the wholesale price of pork dropped 7% while the retail price actually increased .8%.

June 1998 to October 1998 Comparison
U.S. Comparison

	June	July	Aug	Sept	Oct	**Difference**
Retail price	2.28	2.31	2.31	2.31	2.30	**0.80%**
Wholesale price	0.98	0.95	0.96	0.93	0.91	**-7.10%**
U.S. Farm hog price	0.42	0.36	0.35	0.29	0.24	**-42.80%**
Farmers' share	0.29	0.25	0.24	0.20	0.18	**-37.9%**

October 1997 to October 1998 Comparison
U.S. Comparison

	Oct. 97	Oct. 98	**Difference**
Retail price	2.34	2.30	**-2%**
Wholesale price	1.15	0.91	**-20.80%**
U.S. Farm hog price	0.46	0.24	**-47.80%**
Farmers' share	31.10%	18.20%	**-41.40%**



WISCONSIN FARM AND RETAIL PRICE COMPARISON SUMMARY

In general, from June to November, when cash hog prices crashed from 41-cents a pound to 16-cents a pound, a drop of 61 percent, there has been an inappropriate price response on some cuts of pork.

A November 1997 to November 1998 comparison still shows how retail prices of ham and bacon have dropped considerably, but prices for pork chops and roast have not dropped appropriately.

FARM HOG PRICES

Monthly average per pound cash barrow and guilt prices, reported by Wisconsin Agricultural Statistics Service:

Nov. 1997	.40
June 1998	.41
Nov. 1998	.16

Since June, the average monthly barrow and guilt price has dropped 61 percent from 41-cents a pound in June to 16-cents a pound in November.

Since November of last year, barrow and guilt has dropped 60 percent from 40-cents a pound in June to 16-cents a pound in November.

RETAIL PORK PRICES

By comparing hog prices to retail prices over two different time frames, we are able to illustrate the lack of appropriate response on retail prices. We compared November of 1997 to November of 1998, and June of this year to November of this year to draw our conclusions. Actual average retail pork price changes in Wisconsin appear to be more responsive than national averages, particularly with ham. But overall, still not reflective in pork chops and roast.

Ham

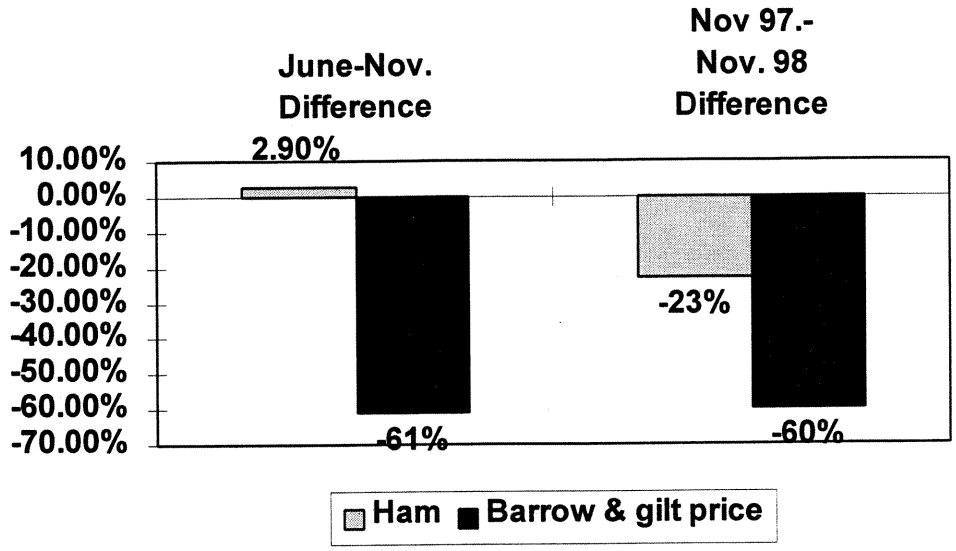
June 1998 to November 1998

	June	July	Aug.	Sep.	Oct.	Nov.	**Difference**
Ham	1.68	1.96	1.96	1.78	1.82	1.73	**2.90%**
Barrow & gilt price	0.41	0.35	0.33	0.28	0.28	0.16	**-61%**

November 1997 to November 1998

	Nov. 1997	Nov. 1998	**Difference**
Ham	2.24	1.73	**-23%**
Barrow & gilt price	0.4	0.16	**-60%**

Ham Price Comparison



According to our survey, retail ham prices have probably been the most responsive to the drop in farm prices over the long term, since November of last year. Our most recent survey indicated ham is 51-cents a pound less than it was last year, down 23% compared to last year. We would urge consumers to purchase a ham for Christmas to take advantage of this price and help out the hog producer.

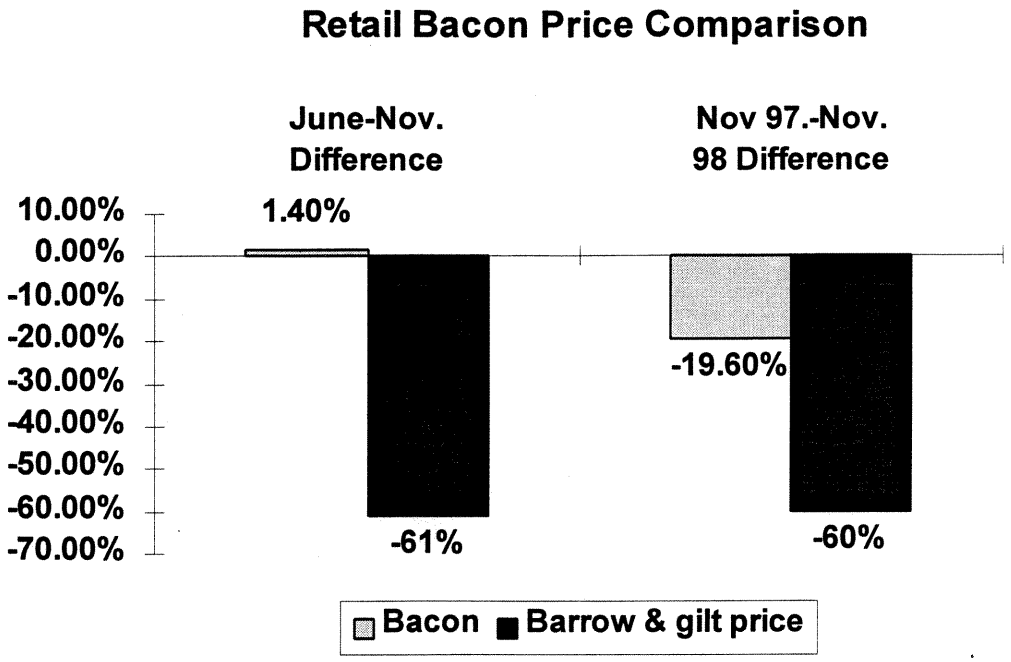
Bacon

June 1998 to November 1998

	June	July	Aug.	Sep.	Oct.	Nov.	**Difference**
Bacon	2.01	2.03	2.03	2.17	2.06	2.04	**1.40%**
Barrow & gilt price	0.41	0.35	0.33	0.28	0.28	0.16	**-61%**

November 1997 to November 1998

	Nov. 1997	Nov. 1998	**Difference**
Bacon	2.54	2.04	**-19.60%**
Barrow & gilt price	0.4	0.16	**-60%**



Since November of last year, bacon prices have declined significantly, down 19.6%.

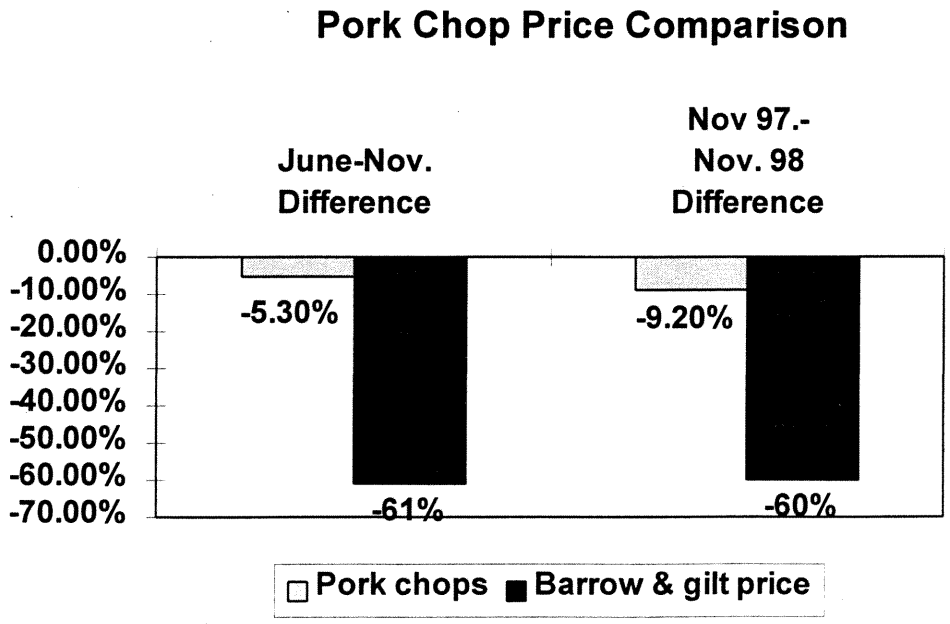
Pork Chops

June 1998 to November 1998

	June	July	Aug.	Sep.	Oct.	Nov.	**Difference**
Pork chops	2.81	2.76	2.79	2.79	2.62	2.66	**-5.30%**
Barrow & gilt price	0.41	0.35	0.33	0.28	0.28	0.16	**-61.00%**

November 1997 to November 1998

	Nov. 1997	Nov. 1998	**Difference**
Pork chops	2.93	2.66	**-9.20%**
Barrow & gilt price	0.4	0.16	**-60%**



Retail pork chop prices are probably the most visible and frustrating examples of the failure of lower farm hog prices be passed to consumers. Since November of last year, consumers have seen a 9.2% drop in retail prices and only a 5 percent drop since June. On the retail side, to the credit of grocery stores, our surveyors have reported that stores offered some very attractive specials on pork chops, but overall did not reflect a dramatic savings to consumers.

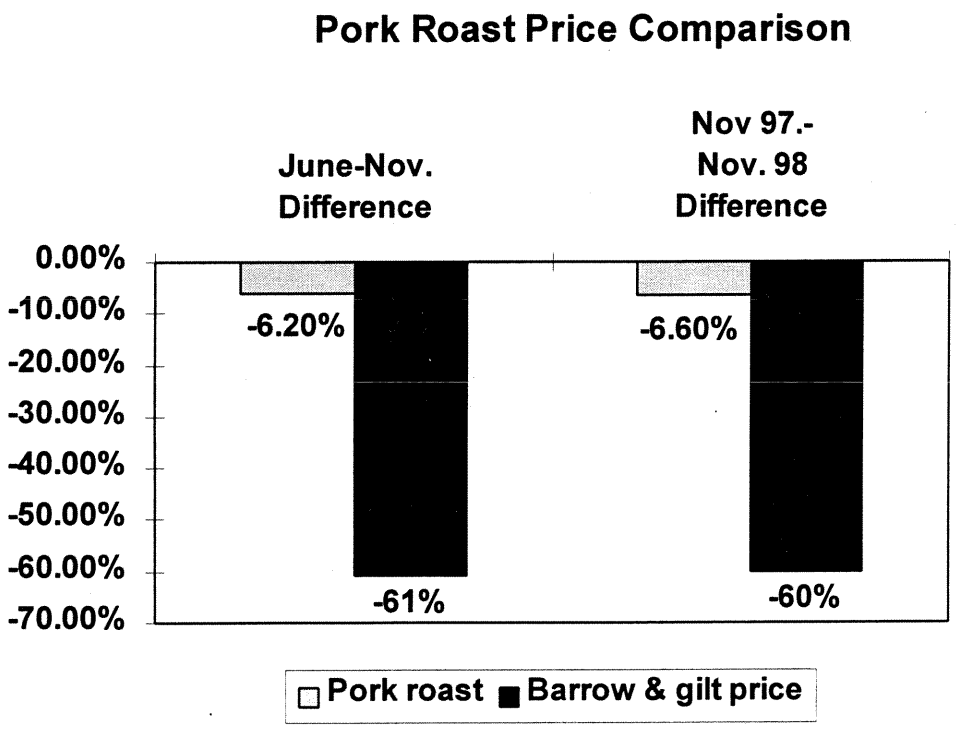
Pork Roast

June 1998 to November 1998

	June	July	Aug.	Sep.	Oct.	Nov.	**Difference**
Pork roast	2.25	2.12	2.03	2.06	2.15	2.11	**-6.20%**
Barrow & gilt price	0.41	0.35	0.33	0.28	0.28	0.16	**-61%**

November 1997 to November 1998

	Nov. 1997	Nov. 1998	**Difference**
Pork roast	2.26	2.11	**-6.60%**
Barrow & gilt price	0.4	0.16	**-60%**



Since November of last year, retail pork roast price has dropped only 6.6%. Retail prices for pork roast are no where near what they could and should be compared to the drop in basic farm hog price.

Presentation Points

Wisconsin Assembly Agriculture Committee Hearing

December 17, 1998

THE STATE OF WISCONSIN'S PORK INDUSTRY

Vernon D. Leibbrandt, Extension Swine Specialist

University of Wisconsin-Madison, Department of Animal Sciences
1675 Observatory Drive, Madison, WI 53706-1284
phone: (608) 263-4312, fax: (608) 262-5157,
e-mail: vdleibbr@facstaff.wisc.edu

■ Wisconsin pork inventory x operation size x year (see visual No. 1)

- Many Wisconsin producers operate small pork enterprises
  - Animal inventory can be related to number of sows in a farrow-to-finish operation

    500 hd = 55 sows *1000 hd = 110 sows* *2000 hd =220 sows*

  - A 120 sow farrow-to-finish operation is approximately full time employment for one person.
  - Operations having > 500 head (370 operations or 8.4% of the operations) account for approximately two-thirds (63%) of hogs in the state.
  - The 160 largest operations account for 44% of the hogs on farms.

- Shift in inventory distribution x operation size
  - The proportion of inventory on farms < 1000 hogs has been decreasing since 1992.
  - Operations having 1000 head or more have increased in the amount of inventory that they hold.
  - The increase in size in part may be due to the need for more animals over which to spread costs or stated another way, more animals to make a living because revenues are less. Typically net return on a dollar constant basis is cut in half every 10 years, so operations must grow over time to yield the same net income.

- The pork industry crisis will likely affect all producers, but in different ways

  - Farms having a large portion of their livelihood from swine production are most vulnerable to severe losses. Smaller operations, while experiencing losses, derive income form other sources. The current situation threatens the producers making up the "core" of Wisconsin's pork industry.

    Small pork production operations that yield a small portion to their owners total income will be less affected by the losses than their large counter parts. Farms of all sizes, especially small operations, that remain after the crisis could have difficulty marketing their animals unless they become part of a system involving many operators.

  - Operations that a remain after the crisis are likely to be much larger and processors may want to reduce the number of entities that they deal with thereby reducing procurement costs and increasing the consistency of animals purchased and reduce. Concerns over food safety and quality assurance of animals from the farm could further favor processors wanting to bargain with fewer but larger entities. Although operations survive the economic crisis they could fall victim to not being competitive in the market place.

■ Profitability from pork operations 1984-1997 (see visual No. 2)

- Iowa State University operates a Swine Enterprise Record Program that reports economic and animal performance for owner-operator swine farms having 100 to 150 sows, similar in size to Wisconsin farms where pork production is a major entity.

- The Iowa record program reports returns for the average of all farms and for the top one-third most profitable farms.

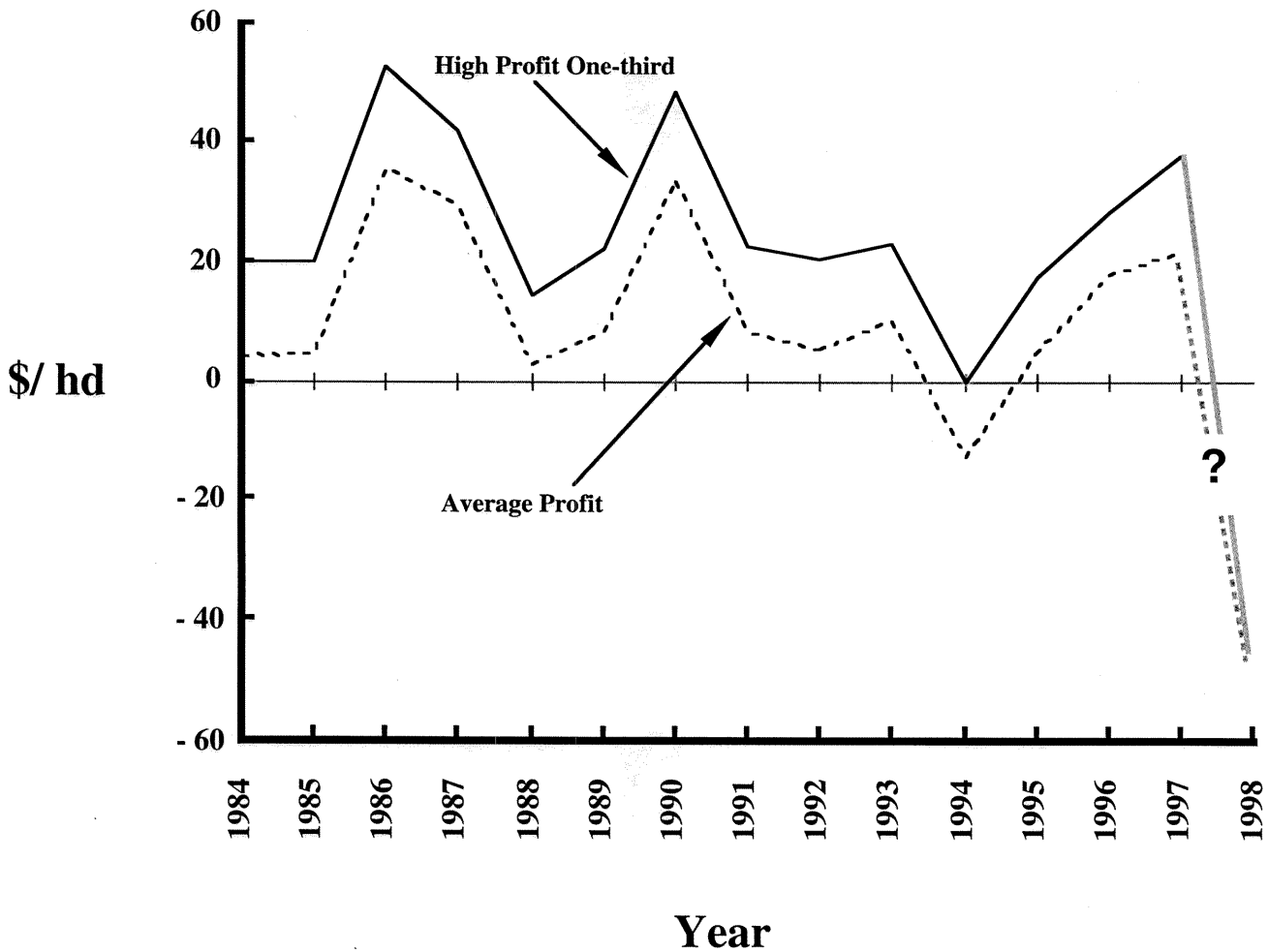
- Profitability goes through cycles, largely due to cyclical nature of hog prices. This phenomenon has been going on for decades and are accepted as part of the pork production business.

  On the average, farms lost money once during the period but operations in the high profit group didn't lose money during the period. Good management could blunt the effects of the cycle down times. Competitive producers endured the down time and made money during the good times. Average producers fared less well but survived.

- Severity of current losses is unprecedented
  - A 120 sow farrow-to-finish operation is considered full time employment for one person.
  - A 120 sow operation selling 45 pigs per week will lose about $60/pig marketed when prices are in the high teens per hundredweight. Expressed another way the loss is $400/day or $12,000/month.

- Three to four years will be required to financially recover
  - Profits during periods of high profitability would have to be at $60/pig for an equivalent time to erase the debt in the same time as it took to accumulate the loss. Profits per pig have never reached $60/hd. for producers in the Iowa program. Even the period of profit at $40/hd. for the good producers occurred for only one or two years and the average producers never experienced that level of return. The consequences of this severe economic downturn will be around for along time to come, even if producers do survive the current crisis.

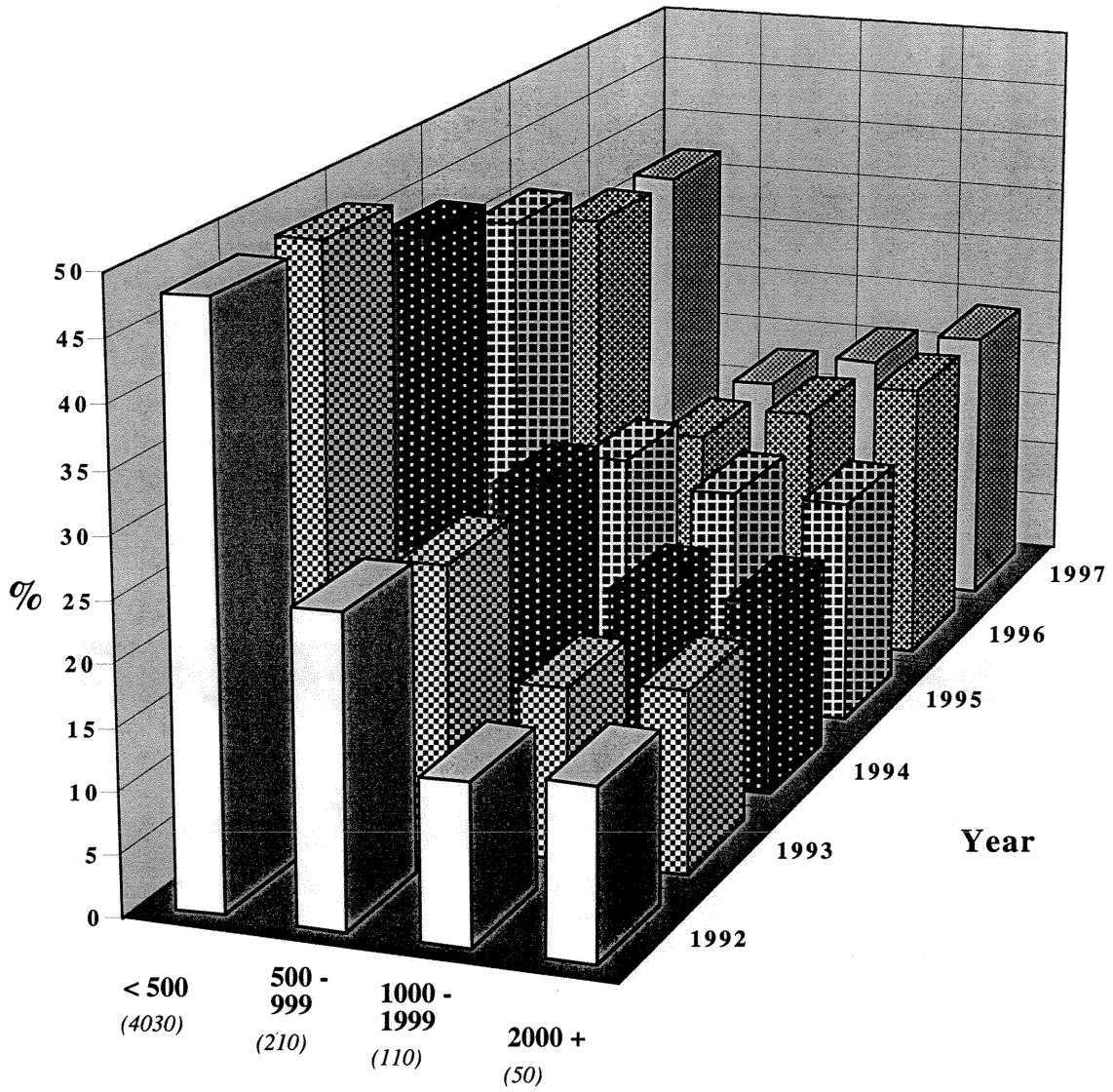
Profit From Farrow-to-Finish Pork Operations



Visual No. 2

Source: Iowa State University

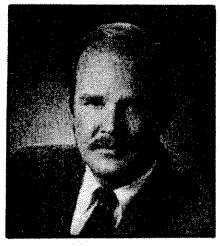
Percent of Operations by Inventory



No. Hogs on Hand
(No. farms in category during 1997)

Source: Wisconsin Agricultural Statistics

Visual No. 1



DALE W. SCHULTZ
Wisconsin State Senator

December 17, 1998

TO: Representative Al Ott, Chair, & Members of the Assembly Committee on Agriculture

FROM: Senator Dale Schultz

I support any recommendation that the Committee makes from the testimony given. The following is some testimony that I would like to submit for today's hearing.

Member: Joint Committee on Finance

State Capitol, P.O. Box 7882, Madison, WI 53707-7882
OFFICE: 608-266-0703 • HOME: 608-647-4614
CALL TOLL-FREE: 1-800-978-8008

WISCONSIN STATE SENATE

P.O. Box 7882 • Madison, WI 53707-7882

NEWS RELEASE
FOR IMMEDIATE RELEASE

December 9, 1998

Is The Hog Market A Free Market?

Two southwestern Wisconsin legislators are calling on Wisconsin Attorney General James Doyle to investigate the low prices currently being paid to Wisconsin hog farmers.

Senator Brian Rude (R-Coon Valley) and Senator Dale Schultz (R-Richland Center) sent a letter to Doyle this week asking for his assistance in addressing this serious problem. Rude and Schultz told Doyle that the pricing issue is of tremendous concern in their Senate districts as well as throughout Wisconsin.

According to Schultz, hog prices are the lowest they have been since 1971, with Wisconsin farmers losing an estimated $50 to $75 per market hog. "Hog farmers cannot survive long with these types of losses and I'm concerned the survival of the pork industry in Wisconsin is at stake," Schultz said.

Rude stated that according to the United States Department of Agriculture estimates, pork producers nationwide are receiving $144 million less per week on average than they did during the past five years. Rude noted the problem is nationwide in scope and as a result Doyle should contact his counterpart in other states to develop a

-more-

unified approach to this problem.

"The current price levels are unacceptable and unsustainable and are creating a cash flow and equity crisis among producers. "Numerous explanations have been offered, including slaughterhouse capacity and Canadian hog exports, but they do little to put more money in farmers' pockets," Schultz said.

Rude added that due to the severity of this problem, a legislative committee has scheduled a public hearing to receive testimony on the status of the hog industry in the state. Both he and Schultz are encouraging their constituents to attend the hearing and tell committee members the serious financial problems they are facing due to low hog prices.

The Assembly Agriculture Committee's hearing will be held at 9:00 a.m. on Thursday, December 17 in room 417 North in the State Capitol. Those wishing by unable to attend can send their written testimony to either Schultz and Rude and they will forward it committee members.

-30-

WISCONSIN STATE SENATE

P.O. Box 7882 • Madison, WI 53707-7882

December 8, 1998

The Honorable James E. Doyle
Attorney General – State of Wisconsin
114 East
State Capitol

Dear Attorney General Doyle:

We are writing in response to complaints from numerous constituents regarding the current crisis facing the hog industry in Wisconsin. This issue is of tremendous concern in our Senate districts and throughout Wisconsin.

As you may know, hog prices are currently the lowest they have been since 1971. Prices are less than $20 per hundred weight and it's estimated that Wisconsin farmers are losing $50 to $75 per market hog. The United States Department of Agriculture has also estimated that pork producers are receiving $144 million less per week on average than they did during the past five years.

The current price levels are unacceptable and unsustainable and are creating a cash flow and equity crisis among producers. There are a variety of explanations being offered as to the cause of these low prices, including slaughterhouse capacity and Canadian hog exports. However, we would like your department to review this matter to determine if there is anything your office can do to address this problem.

The severity of this problem deserves your immediate attention and we will appreciate any assistance you can provide.

Best regards,

BRIAN RUDE
State Senator

DALE SCHULTZ
State Senator

BR:DS:KM/mil

Sandi - DATCP (224-5001)

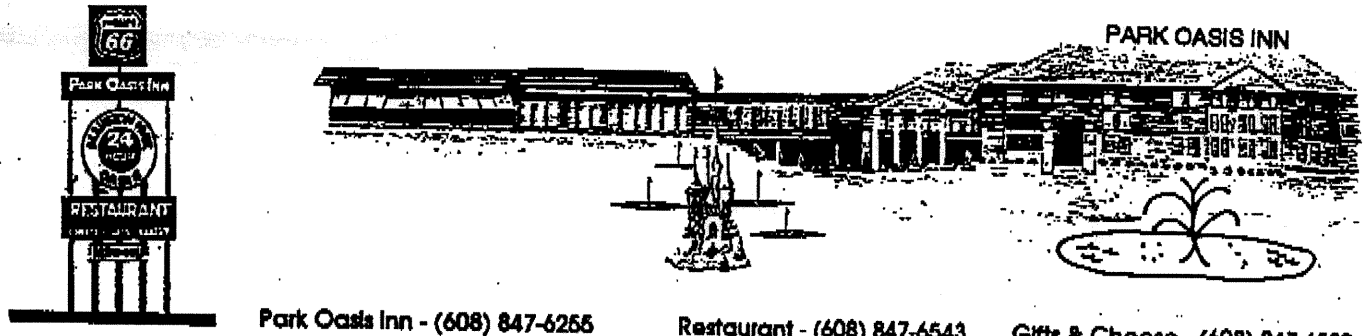
Concerned about what we'll say about possible alternatives.

Ideas:

[meet w/ MKT people + Food Safety]

- Producer Driven Coop → Processing Facility
  - WI Pork Producers Okay.
- Develop MKTing niche for WI Producers.

Something we can announce at the hearing.



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FAX COVER SHEET

FAX NUMBER: 608-282-3603

ATTENTION: AL OTT

FROM: O.J. NAVIS

DATE: 12/9/98 FAX NUMBER:

NUMBER OF PAGES (including cover sheet): 2

COMMENTS: MR. OTT HERE IS PRICES WE DISCUSSED EARLIER TODAY. ANY QUESTIONS FEEL FREE TO CONTACT ME AT NUMBER BELOW.

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INVENTORY PRICE SUMMARY REPORT FOR THE YEAR 1998

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
MILK	2.10	2.10	2.10	2.15	2.15	2.05	2.05	2.15	2.25	2.25	2.40	
ORANGES	14.25	11.95	11.95	12.45	11.95	12.50	12.45	13.00	13.00	13.00	13.00	
TOMATOES	15.85	21.35	16.89	15.89	18.78	28.15	20.75	14.45	12.98	14.88	14.88	
CHP LETT	12.60	11.85	11.85	13.33	11.85	11.85	11.85	11.85	11.85	12.35	12.35	
CABBAGE	11.60	11.60	9.44	9.44	12.50	11.89	12.45	12.45	12.45	12.79	12.79	
EGGS	.80dz	.69	.82	.66	.78	.63	.99	.68	.96	.70	.70	
LRGE SHRP	7.13#	8.10#	6.75	6.75	6.25	6.75	6.75	6.75	6.75	6.75	6.75	
BACON	1.17#	1.14#	1.09	1.19	1.19	1.19	1.37	1.59	1.29	1.29	1.29	
TRKY BRST	2.15#	2.03#	2.15	2.15	2.59	2.15	2.15	2.25	2.40	2.60	2.60	
PORK CHOP	2.89#	2.89#	2.89	2.89	2.89	2.89	2.89	2.89	2.89	2.89	2.89	
LINKS	1.19#	1.09#	1.09	.80	1.09	1.00	.99	.99	1.09	1.09	1.09	
SAU PATT	1.19#	1.09#	1.09	.99	.99	.95	.89	.95	.95	.95	.95	
SMKD HAM	1.89#	1.59#	1.59	1.59	1.64	1.64	1.44	1.60	1.16	1.41	1.41	
HASH BRNS	8.35cs	8.37	8.41	8.40	8.40	8.40	8.50	8.58	9.55	9.55	8.42	
F. FRIES	11.40cs	11.40	11.46	11.40	11.40	11.40	11.40	11.40	11.40	11.21	11.21	
T-BONES	4.50#	4.50#	4.50	4.99	5.25	4.99	4.99	4.99	5.50	5.50	5.50	
RIBEYES	4.47#	6.89#	6.89	6.75	SPEC. 5.75	5.95	5.95	5.99	5.99	5.99	5.99	
HAMB 2x1	1.68#	1.71#	1.60	1.60	1.65	1.63	1.59	1.59	1.60	1.52	1.52	
HAMB 4x1	1.57#	1.57#	1.52	1.52	1.56	1.54	1.51	1.53	1.54	1.44	1.44	
MED SHRMP	7.69#	6.50#	5.98	5.98	5.48	5.48	5.48	5.48	5.86	5.86	5.86	
BLK PK SAU	1.09#	1.09#	1.09	.85	.95	.95	.95	.95	.95	.95	.95	
BL PK LOIN	2.67#	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	—	—	
CEN BST 8oz	2.19#	2.19#	2.53	2.53	2.53	2.29	2.29	2.29	2.29	2.74	2.74	
CEN BF END	2.39#	1.25#	1.84	1.84	1.84	1.84	1.84	1.84	1.84	1.84	1.84	
RIBS 1.25#	3.12#	3.12#	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	
RIB FCE	.99#	.85#	.99	1.05	1.05	1.09	1.29	1.09	1.09	1.09	1.09	
BLK END BF	1.07#	1.07#	1.12	1.18	1.18	1.18	1.18	1.10	1.07	1.07	1.07	
INSIDE END	1.38#	1.53#	1.49	1.40	1.44	1.44	1.44	1.89	1.89	1.89	1.89	
FRESH HAM	1.59#	1.59#	1.40	1.40	1.40	1.26	1.26	1.26	1.26	1.26	1.26	
RIBEY LOIN	4.47#	3.99#	3.99	3.99	4.29	4.36	4.55	5.74	4.20	4.47	4.47	
COD (ALOA)	2.39#	2.39#	2.39	2.59	2.55	2.55	2.64	2.69	2.79	2.79	2.79	
CEN BUFFET	.81#	.81#	.81	.81	.88	.89	.94	.79	.79	.79	.79	
SLICED APL	3.62	3.62	3.30	3.30	3.33	3.30	3.30	3.30	3.30	3.30	3.30	
BBQ SAUCE	10.93gal	10.93	10.93	10.93	10.93	10.93	10.93	10.93	6.26	6.26	6.26	
PCAKE MIX	2.96	2.96	2.96	2.96	2.96	2.96	2.96	2.96	2.96	2.96	2.96	
COFF BRG	3.45#	3.65#	3.25	3.25	3.25	3.25	3.05	3.05	3.05	2.85	2.85	
PICLE SPRS	19.98	19.98	19.98	19.98	19.98	19.98	19.98	19.98	19.98	19.98	19.98	
LIQ SHRTNG	13.50	15.10	15.51	15.51	16.32	14.98	14.98	14.98	14.98	14.73	14.73	
CHO 1 GAL	2.40	2.40	2.40	2.50	2.50	2.40	2.40	2.40	2.50	2.40	2.40	
5 GAL MLK	11.50	11.50	11.50	11.75	11.75	11.25	11.50	11.50	12.00	12.00	12.00	
FC VAN	11.00	11.00	11.50	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	

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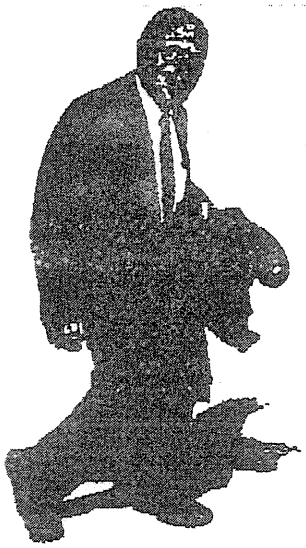
SPECIAL REPORT



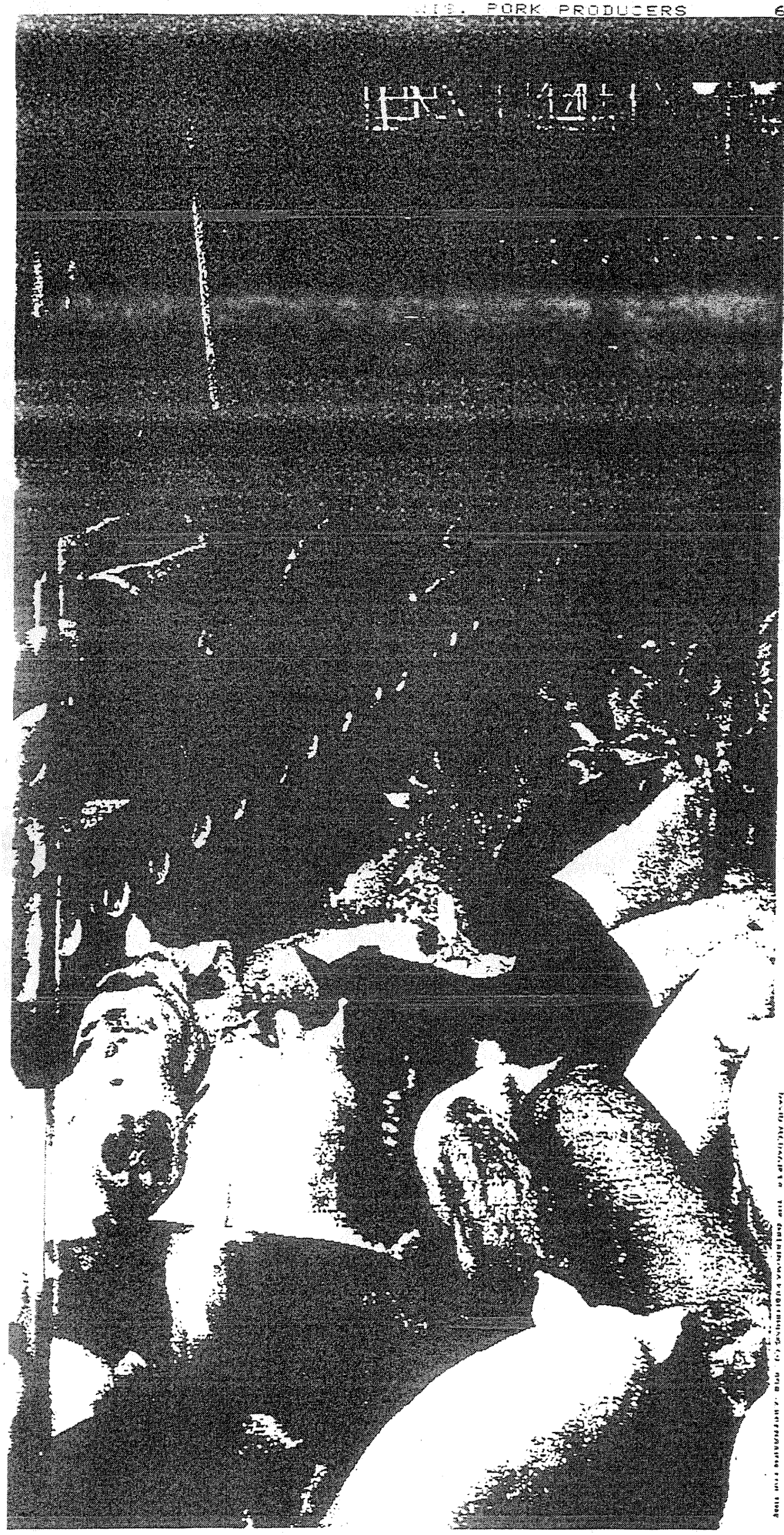
THE EMPIRE OF THE PIGS

A LITTLE-KNOWN COMPANY IS A MASTER AT MILKING GOVERNMENTS FOR WELFARE

By Donald L. Barlett and James B. Steele

"THIS IS QUITE A CHRISTMAS PRESENT," SAID HARLAN NELSON, then mayor of Albert Lea, Minn., on that December day in 1990 when he learned that a closed factory in the town would reopen. "Fairy tales do come true!"

The fairy godmother turned out to be Seaboard Corp., a giant of agribusiness with headquarters in Merriam, Kans., and controlled out of Chestnut Hill, Mass. Seaboard officials announced that they would restart the shuttered pork-processing plant that had once been the town's largest employer—if the city offered a little help. Albert Lea responded by giving Seaboard a $2.9 million low-interest loan and a special deal on its sewer bill and grading and paving parking lots for



PIGS PILE UPON PIGS in the holding pens at a Seaboard hog "farm" in Guymon, Okla., a town that paid dearly to attract the company. Reclusive Harry Bresky, left, runs Seaboard

employees. And before long, the plant reopened, and several hundred workers were back on the job.

That's when the process began by which the fairy tale turned into a very bad dream. Just four years later, in 1994, Seaboard phased out the plant and moved its hog-slaughtering operations to another town 600 miles away, which came up with an even larger corporate-welfare package. Albert Lea was left saddled with debt, higher utility bills and an abandoned slaughterhouse. The entire episode, says City Manager Paul Sparks, was a "disaster."

This is the story of how an extremely resourceful corporation plays the welfare game, maximizing the benefits to itself, often to the detriment of those who provide them. It's also a vivid reminder to cities and towns everywhere about the potential long-term liabilities they may one day face by spending public funds to get results that are best achieved by the free market.

Seaboard is a publicly owned company, but in fact it is the fiefdom of a reclusive Boston-area family (more on that later). A sort of mini-conglomerate, Seaboard has interests in hogs, strawberries, chickens, shrimp, salmon, flour and wine. Its operations span four continents and nearly two dozen countries and range from cargo ocean liners to sugarcane. And like other profitable businesses, it collects subsidies—or, more accurately, corporate welfare—from local, state and federal governments. Indeed, officials trip over one another in the rush to extend taxpayer support to Seaboard—from the Federal Government's Overseas Private Investment Corp. (OPIC) in Washington to the Kansas state agency responsible for industrial development, to the utility authority in little Guymon, Okla. Wherever Seaboard is, there is a government throwing money at it. Money the company uses to build and equip plants, hire and train workers, export its products and expand overseas.

Last in a series *on corporate welfare. This week: the saga of one firm. Reprints of the complete series are available at $1.50 each, with shipping and handling charges of $5 for up to four reprints (reduced rates for multiple-copy orders). To order, please call 1-800-962-0041.*

SPECIAL REPORT

This Little Piggy Skipped Town

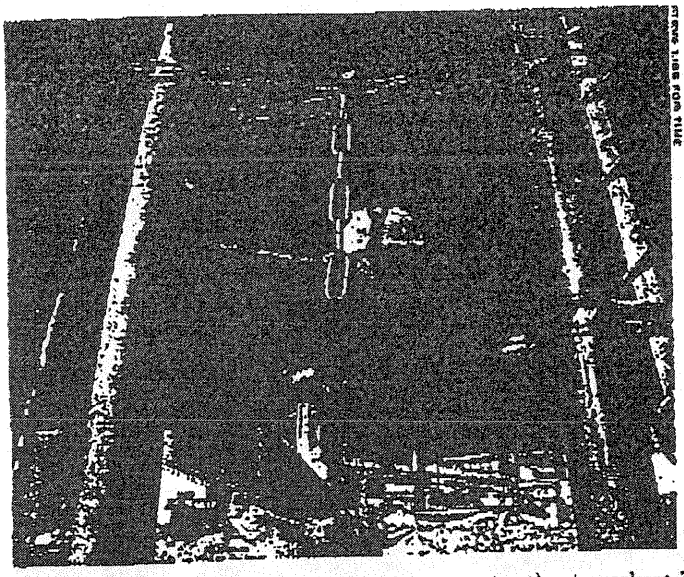
For a closeup view of Seaboard, let's begin with Albert Lea. For most of this century, Wilson Foods operated that pork plant and was the town's largest employer. Wilson fell on hard times in the early 1980s, cut workers' average annual pay from $22,200 to $16,600 and eventually sold the plant to Farmstead Foods. In turn, that company went belly-up a few years later, after it lost its biggest customer—Wilson. Then, in December 1990, just as workers were receiving the last of their unemployment checks, Seaboard appeared.

Once the company negotiated its sweetheart deal with the city, the Chamber of Commerce erected a billboard declaring, 35,000 FRIENDLY PEOPLE WELCOME SEABOARD CORP. At an appreciation luncheon, Rick Hoffman, Seaboard's vice president of finance, observed that it is "really a pleasure to be associated with such a fine community and to have such a quality work force."

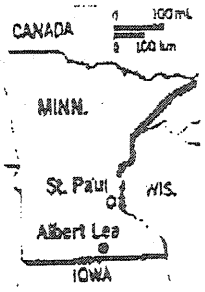
The more than $3 million Albert Lea handed out to help reopen the plant represented only the latest installment in corporate-welfare payouts. Because hog killing created serious pollution problems, Albert Lea earlier had kicked in $3.4 million to build a wastewater-treatment plant devoted mostly to servicing the pig factory. The hogs had your help as well: the Federal Government contributed $25.5 million, while the state of Minnesota gave $5.1 million. Total cost of the sewage plant: $34 million. The city also built new roads and water lines to the plant, built a parking lot and came up with $1 million to help erect a hog-slaughtering building.

Hoffman, Seaboard's vice president of finance, took note during that luncheon of the stream of government aid: "We're especially grateful to the state of Minnesota and the city of Albert Lea, who together since 1984 have supplied literally millions of dollars in the form of grants, tax incentives and loans to the facility. They had a lot of confidence in it ... Truly this has been a lesson in economic development."

A lesson was about to unfold, all right—a textbook study of the fickle results of corporate welfare. Seaboard was unable to attract enough workers from Albert Lea to run the plant. Many former Farmstead employees had already left the area in search of work. More than 100 had retired. Still others declined to work for Seaboard wages—$4,500 a year less than the plant's 1983 wage, and no vacation the first year on the job.



ALBERT LEA was left in the lurch when Seaboard walked away from this slaughterhouse



Seaboard's solution: recruit Hispanic laborers from other areas of the U.S. as well as from Mexico and Central American countries like Guatemala. Soon the recently arrived immigrants began to stream into Albert Lea—with no money and no place to stay. It was a practice Seaboard would repeat in other towns, in other states.

It became common for several workers to share a room. Families couldn't afford local rents on a Seaboard wage. Eventually some went on welfare. In short, corporate welfare begot individual welfare.

Meanwhile, Seaboard failed to invest in upgrading its sewage-pretreatment facility. As a result, its waste began to overwhelm the city's municipal treatment plant. The city normally placed its treated sludge on soybean cropland, but by the second summer, city officials were in search of more land. As Sparks recalls, "We had so much sludge accumulation that ... we had to go out in the middle of the summer, buy a crop [for $36,000] and plow it under because our storage capacity was exceeded."

Rather than overhaul the plant, Seaboard responded in the classic manner of corporate-welfare artists: it began quietly looking around for another town, another state. Alarmed, Albert Lea and Minnesota came up with an additional $12.5 million in incentives to keep the plant. But Seaboard had found a bigger patsy—Guymon (pop. 7,700), in Texas County, Okla. Guymon, the county and the state put together an economic incentive package worth $21 million to entice Seaboard to the Oklahoma Panhandle, a section of the country where hogs and cattle far outnumber people.

Among the subsidies: Texas County borrowed $8 million to plow into the company up front. To pay off the loan, the county enacted a 1% sales tax. The state granted a $4 million, 10-year income tax credit with the understanding that it was "unlikely" the company would pay any income tax during those 10 years. The state spent $600,000 to train Seaboard's workers. The company received grants and low-interest loans to finance a waste-pretreatment plant. (Remember the one in Albert Lea?) The company was excused from paying $2.9 million in real estate taxes.

As always, local and state officials were on hand when Seaboard announced in August 1992 that it would employ as many as 1,500 workers at its new pork-production facility. In time the plant will slaughter 4 million pigs a year. Oklahoma Governor David Walters declared the plant "a huge and much deserved economic boost to the entire Panhandle area, and to the state."

Meanwhile, back in Minnesota, Seaboard's local president was reassuring newspapers that the Albert Lea plant would remain open.

That was in August 1993. Seventeen months later, in January 1994, Seaboard announced that it would shutter its hog-slaughtering operations and lay off upwards of 600 employees. The company said it would keep about 300 workers to process and produce ready-to-buy meats like bacon, sausage and ham. (The number of employees eventually dropped to about 200, and Seaboard sold the business.)

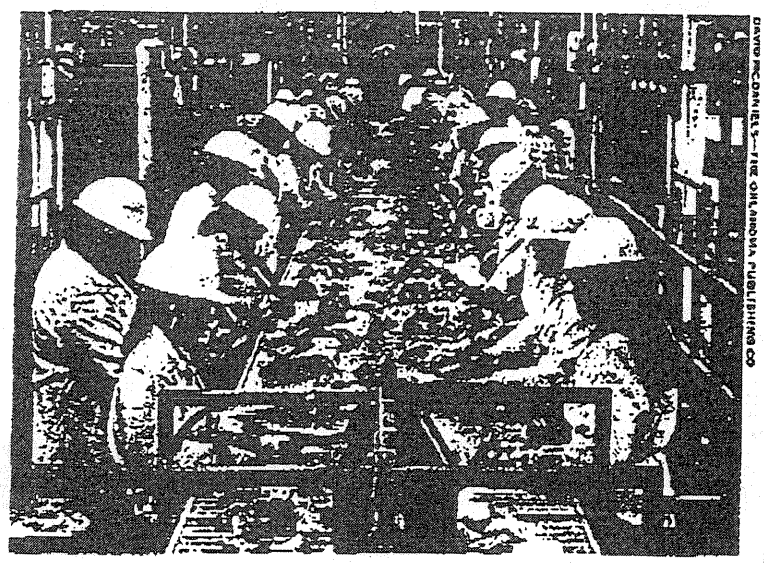
A lesson learned: corporate welfare begot individual welfare

SPECIAL REPORT

It was not just Oklahoma's subsidies that persuaded Seaboard to relocate. The Albert Lea work force was unionized; wages had risen to $19,100 a year—still $3,100 below their level in 1983, but too rich for Seaboard's blood. Guymon, by contrast, promised low-wage, nonunion labor. Also, Seaboard had decided it wanted to raise its own hogs for slaughter, not just buy them from farmers. Minnesota banned corporate hog farms. Oklahoma had had a similar ban but had repealed it before Seaboard came along.

When Seaboard moved on to Guymon, it left behind in Albert Lea the abandoned hog-slaughtering building, empty parking lots, a waste-treatment plant that now operates at only 50% of capacity and higher sewer bills to pay for it. And when Seaboard walked, the state had to come up with some $700,000 to retrain displaced workers or help them find new jobs.

"For 15 years, the community devoted the major portion of its federal and state legacy and a good share of local money to providing improvements to keep the slaughtering plant in our community [for Seaboard and its predecessor]," says Sparks. "In retrospect," he says ruefully, "the money could have been better used."



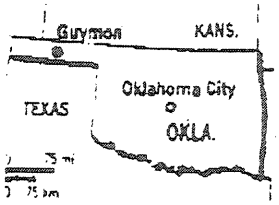
A RIVER OF PORK comes off the conveyor belt in the "cut room" at Seaboard's processing plant in Oklahoma

DAVID RICHARDS—THE OKLAHOMA PUBLISHING CO.

Ever Buy a Pig in a Poke?

In Oklahoma, it was starting to seem like déjà vu all over again. The $21 million that state and local governments put up to bring Seaboard to the Panhandle was just the start. Guymon, like Albert Lea, couldn't supply the work force required by Seaboard. In time the company would need workers by the thousands. That's because the turnover rate in all processing plants runs close to 100% a year owing to the low wages. This slaughterhouse, one of the world's largest, will eventually kill an average of eight hogs a minute, 24 hours a day, 365 days a year—more than 4 million annually. So Seaboard repeated the Albert Lea hiring process—it attracted immigrant workers, some Laotian and Vietnamese, but most from Mexico, Guatemala, Honduras and other Central and South American countries. Some turned out to be illegal immigrants.

Just getting there was no easy feat, since Guymon, which calls itself "An American Original," is located in a less than convenient spot—320 miles east of Santa Fe, N.M., 335 miles west of Tulsa, 125 miles north of Amarillo, Texas, and 500 miles from the Mexican border. The nearest bus stops are in Liberal, Kans., 40 miles to the north, and Stratford, Texas, 40 miles to the south. As was the case in Albert Lea, the freshly arrived immigrants had no place to stay, and the town that had never had a homeless shelter was forced to open one. Volunteers cleaned, repaired and painted a vacant motel. Unemployed individuals and families could stay up to one week at a cost of $10 a day, which included two meals. If they found work—largely at Seaboard—they could stay up to 90 days while they saved money for a permanent home.



Simultaneously, the state began training Seaboard workers even before the plant opened. Curriculums were provided in English, Spanish, Laotian and Vietnamese. In all, 3,300 Seaboard workers received training. The cost to taxpayers: $617,168.

Other costs began to pop up. By 1997 the Guymon schools bulged with new students. All grades exceeded the state-mandated teacher-pupil ratio. And enrollment is expected to jump one-third by the year 2000. Adding to the turmoil of overcrowding was the confusion about language. The district was compelled to add English-as-a-second-language classes. This year about 450 students, or 21%, were judged to have limited proficiency in English.

Some parents began to complain that their children were getting no education at all. But when the school district proposed $1.6 million in bond issues for new classrooms, equipment and buses, voters said no. The reason? A general anger directed at the huge hog farms. And a belief that Seaboard Corp was not paying its way. Which, of course, it was not.

In 1997 the Oklahoma legislature agreed to spend $700 million on state roads and bridges. Of that figure, Guymon's and Texas County's share amounted to $37.3 million. That worked out to a per capita highway spending in Texas County of $2,200—or some 10 times what was earmarked for the rest of the state. Needless to say, most of the roadwork benefited Seaboard.

In addition, $47 million—a disproportionate amount—of the state's five-year capital-improvement program was set aside for Texas County for highway work to accommodate Seaboard truck convoys, which in time would haul 10,000 hogs a day into Guymon from all directions.

Then there was the local tax relief. For the 1996-97 fiscal year, Seaboard's Texas County tax bill totaled $1,118,000, according to John DeSpain, then county assessor. The state tax commission excused Seaboard from $700,000 of those taxes—on the grounds that the new hog farms and slaughterhouse qualified as "manufacturing." The state, in turn, sent Texas County that sum from a special fund. In short, all other Oklahoma taxpayers picked up 63% of Seaboard's tax bill.

There's more: the company didn't even want to pay all the remaining $418,000, so it appealed. It won, and the state agreed to absorb an additional $193,000. In other words, the state paid 78% of Seaboard's real estate taxes.

When Seaboard came to town, it was déjà vu all over again

cultural and business interests in Chile, Colombia, Costa Rica, Guatemala and Venezuela; electric-power-generating facilities in the Dominican Republic; shipping companies in Liberia; containerized cargo vessels running between Miami and Central and South America; and, of course, the processing plant and hog farms in Oklahoma, Kansas, Texas and Colorado, along with poultry-processing plants, feed mills, hatcheries and a network of 700 contract chicken growers in Alabama, Georgia, Kentucky and Tennessee.

Harry Bresky, who earned just under $1 million in salary and bonus last year as Seaboard's top officer, didn't respond to TIME's requests for an interview. But details of the business dealings of Seaboard and Bresky have emerged in a series of lawsuits filed over the years.

It all began in 1987, when Bresky fired Seaboard's vice president and chief financial officer, Donald Robohm, who had been with the company for more than a decade. Robohm sued, charging "illegal and improper activity by Seaboard and other components of the Flour conglomerate, as directed by Bresky."

Robohm claimed the activities included "improper diversion of corporate opportunities from Seaboard," a public company, to Seaboard Flour, Bresky's private company. When Robohm refused to "cover up the conduct," he claimed, Bresky fired him for "not being 'a team player.'"

The lawsuit was settled and, according to court documents, both parties are prohibited from disclosing "information concerning the substance of the ... litigation and the substantive terms of its settlement."

Three years later, in 1990, Alan R. Kahn, a Wall Street investment broker and Seaboard stockholder, filed a lawsuit in Delaware seeking an accounting of the profits earned by the Breskys through their intercompany dealings. Kahn alleged that the Breskys required Seaboard Corp. to enter into business deals with Seaboard Flour that generated "unlawful profits" for Seaboard Flour. In short, according to Kahn's allegations, the Breskys used their controlling positions in the two companies to move money from the public company to their private business.

Robohm was subpoenaed in the Kahn lawsuit, and he recited a litany of business dealings in which, he said, Bresky had interests in companies that profited from inflated contracts with Seaboard Corp. According to his deposition, kickbacks were paid to officials in foreign governments; contracts were padded, with the excess money diverted to Swiss bank accounts; management fees were inflated; brokerage commissions ran 2½ to five times the usual rate. And in the case of one Seaboard subsidiary, "there was a great deal of cash that was ... unaccounted for."

In his deposition, Robohm recounted the time a top Seaboard executive dropped by his office to ask whether he had set aside money for Bresky in a contract that was being negotiated for a manufacturing plant in Nigeria. Robohm recalled the meeting:

"He said, 'Have you thought about including something in this for Harry?'

"I said, 'No ... that thought didn't occur to me.'

"He said, 'You know that these are important considerations when you look at an investment of this size; that you need to have something in this for Harry.'"

Robohm said he told the executive that "that's not the kind of thing that I do." He added that "it wasn't 60 days later that I was taken off that project."

HARRY BRESKY avoids a photographer in New York City

The litigation dragged on for four years. Finally, in 1994, the lawsuit was settled when Seaboard Flour and the Breskys, without admitting "any liability or wrongdoing," agreed to pay $10.8 million to Seaboard Corp. For practical purposes, that meant the Breskys transferred money from the family-owned Seaboard Flour to the publicly traded but still family-controlled Seaboard Corp.

As for Harry Bresky, financial statements filed in the Kahn legal case show that in 1991 he reported a net worth of $84 million. That was back when Seaboard stock was less than half its present value. Like many millionaires, Bresky also enjoyed a comparatively low federal tax rate. On his 1990 U.S. income tax return, he reported adjusted gross income of $2.248 million and paid $503,000 in federal income and Social Security taxes. His effective overall tax rate worked out to 22.4%—just a few percentage points above the 16.8% rate paid by families earning $35,000 a year. Of course, Bresky had 64 times as much income.

FROM 1990 TO 1997, SEABOARD CORP. was the beneficiary of at least $150 million in economic incentives from federal, state and local governments to build and staff poultry- and hog-processing plants in the U.S., insure its operations in foreign countries, and sell its products.

Local (and federal) taxpayers supplied the dollars not just for the outright corporate welfare but also by picking up the costs of new classrooms and teachers, homelessness, increased crime, dwindling property values and an overall decline in the quality of life.

During those same years, the value of a share of Seaboard stock spiraled from $116 to $387, increasing the worth of the Bresky family holdings in the company from $125 million to $425 million.

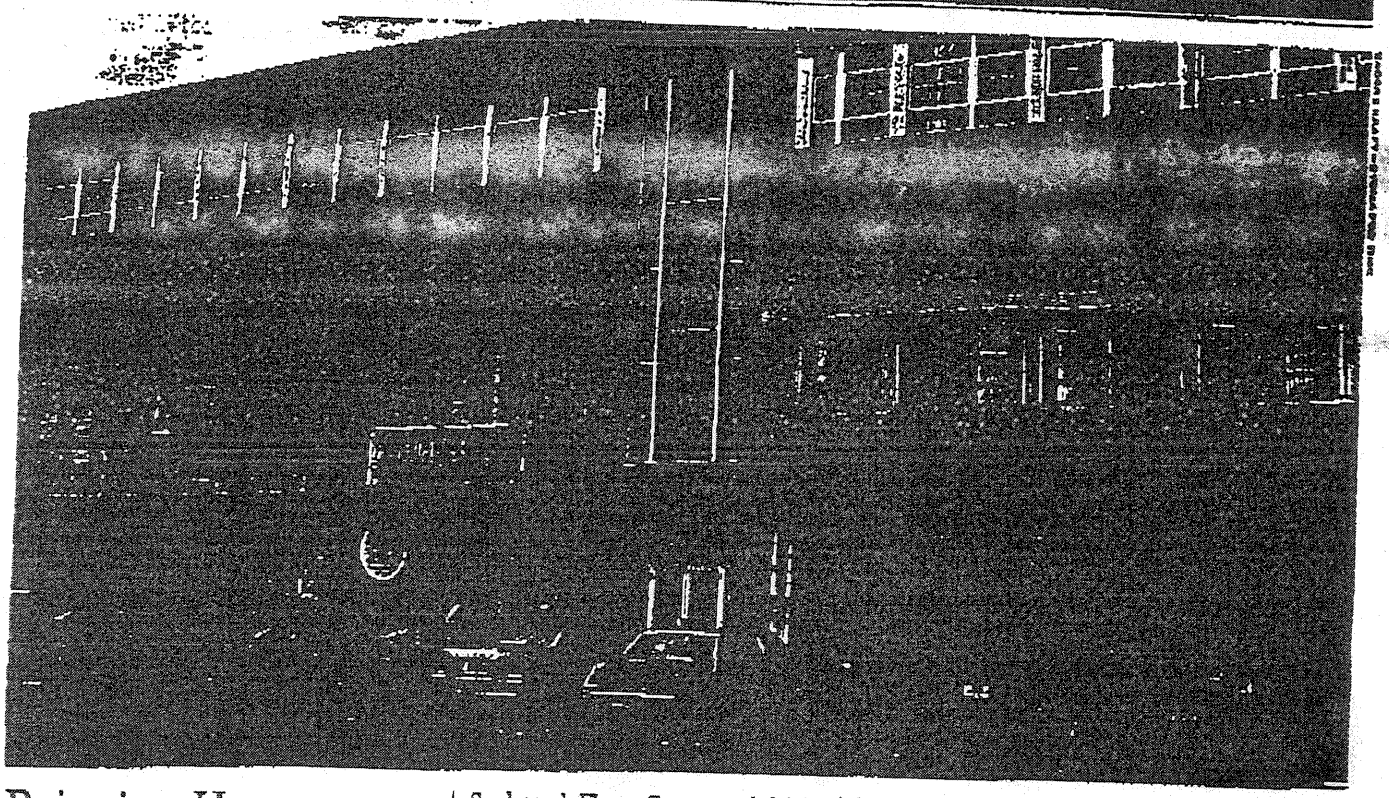
Not bad work if you can get it. But you can't.

And that is the inequity of the entire, elaborate jerry-built system of corporate welfare that infects and distorts the American economy. We are all left holding the bill. *—With reporting by Laura Karmatz and Aisha Labi, and research by Joan Levinstein*

For more information on corporate welfare, visit our website at time.com

Seaboard's stock price soared as the corporate welfare poured in

SPECIAL REPORT



Bringing Home The Bacon

Let us recount, for a moment, some of Seaboard's corporate welfare in the 1990s. Minnesota provided more than $3 million in economic incentives; Kentucky, $23 million; Kansas, $10 million; and Oklahoma, $100 million. The Federal Government's OPIC provided $25 million in insurance for business ventures abroad. As for the financial burdens imposed on other taxpayers by virtue of Seaboard's presence, no one knows the cost. It is in the tens of millions of dollars. And all this for jobs that pay little more than poverty-level wages.

All this welfare has helped propel Seaboard into the front ranks of American pork producers. As recently as 1989, the company did not own a single hog. This year it's the No. 5 producer in the country—and about to vault higher. Seaboard plans to build yet another processing plant, capable of slaughtering 4 million hogs a year, thereby doubling its output.

So who really profits from all of this? A secretive Boston family of millionaires.

Seaboard's stock is traded on the American Stock Exchange, and last week it closed at $387 a share. Some 75% of that stock is owned by another company, called Seaboard Flour Corp., and 95% of Seaboard Flour is owned by brothers H. Harry and Otto Bresky Jr., their sister Marjorie B. Shifman and family trusts. All told, the family's stock in Seaboard is worth $425 million.

And who are the Breskys? A Boston *Business Journal* article published in February 1993 described them this way: "The Bresky family could teach J.D. Salinger a thing or two about maintaining a low profile ... Try (to) find anyone in Boston who has even heard of the family, and you draw nothing but blanks ... The Breskys have never held memberships with local Chambers of Commerce or positions on the boards of local companies and nonprofit organizations." Two months later, in April 1993, the Kansas City *Star* published a similar report: "Seaboard declined to be interviewed for this article, following a standard practice for at least a decade. That practice has helped Seaboard avoid press coverage almost totally.

"'We kind of like it that way,' said Marshall Tutun, a Boston lawyer who is Seaboard's corporate secretary. 'We're modest, humble, unassuming folk, and our stock is rather thinly traded.'"

Indeed, Seaboard's offices in Chestnut Hill, Mass., are a testimonial to anonymity and modesty. The executive offices of the company with annual sales of $1.8 billion are confined to several small rooms on the third floor of a frayed four-story building in a strip mall on the western edge of Boston. With stained orange carpets, faded paint and a warren of empty offices, the building is home to a number of small businesses, including a hair and nail salon, a furrier, a jeweler, a facial salon, an electrologist and a marketing firm. Notes are affixed to unmarked office doors advising delivery people to "put envelope under door."

AN EMPIRE IS RULED from this modest office outside Boston, where H. Harry Bresky runs Seaboard's far-flung doings

It is from this location, as well as a suite in the San Carlos Hotel in midtown Manhattan, that 72-year-old Harry Bresky masterminds the day-to-day business operations of the family's global empire.

Harry Bresky, president of both Seaboard Corp. and Seaboard Flour, presides over a work force of 12,000 employees, 10,200 of them in the U.S. Holdings include flour mills in Ecuador, Guyana, Haiti, Mozambique, Nigeria, Sierra Leone and Democratic Republic of Congo; feed mills in Ecuador, Nigeria and Congo; 3,100 acres of shrimp ponds in Ecuador and Honduras; 37,000 acres of sugarcane, 4,200 acres of citrus and a sugar mill, all in Argentina; a winery in Bulgaria; other agri-

"We're modest, humble, unassuming folk." —Seaboard officer Marshall Tutun

each filled to the top with pig manure. And then there are all the dead pigs lying about. By law, the carcasses are supposed to be deposited in Dumpsters with the lids tightly closed, and the contents disposed of daily. But with hundreds of thousands of hogs dying before their time each year, Seaboard often falls behind in disposing of them. Sometimes the overflow from Dumpsters is stacked nearby. Sometimes dead hogs are piled up beside barns, sometimes at the side of the road. And sometimes they lie about so long that the flesh rots away.

After issuing repeated warnings to Seaboard, the Oklahoma agriculture department fined the firm $157,500 in December 1997 for improper disposal. After an appeal, the company paid the state $88,200 for the infractions. In all, the Seaboard death toll reached 48 hogs an hour in 1997—420,000 for the year. And the carcasses are picked up only once a day—assuming the dead-pig truck is on schedule. Sometimes it isn't. Which is why at any given moment during the day there are hundreds of dead hogs lying about the fields of Texas County.

For the past two years, Julia Howell has recorded in a diary life with the blended smells from rotting hogs and cesspools and the breezes from hog barns:

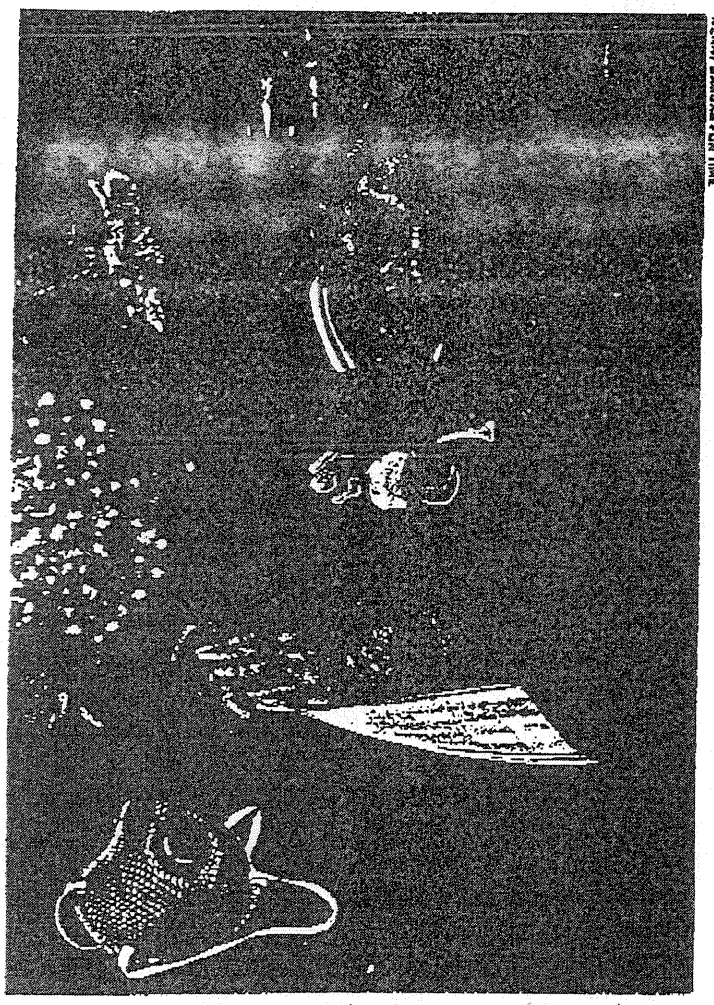
Monday, July 1, 1996: "80°. Calm. Tried to sit outside a while. Impossible without a mask. What a life!!"

Monday, July 8, 1996: "Had a storm at 70°. It rained toxic fumes 7:30 p.m. Horrible during rain!!!"

Wednesday, July 24, 1996: "Calm. 90°. 9:30 p.m. It would take two masks tonight."

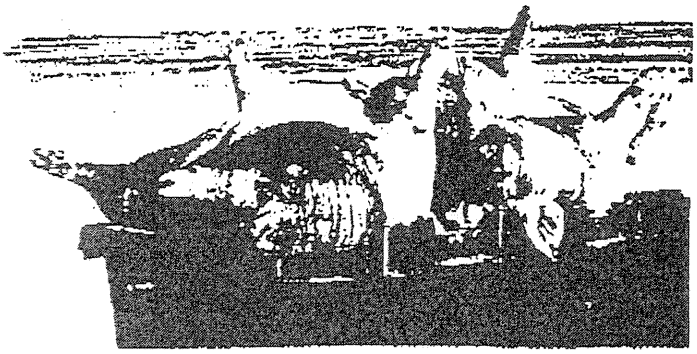
The smell has forever altered the Howells' way of life. "We celebrated our 50th anniversary here this year," she says. "But, you know, when the hog fumes come rolling in, you can't plan on anything. I haven't had people in for dinner [for two years] because I'd probably have to meet them out on the driveway with a mask for them to get to the house.

"We thought we were at the point that we could retire. And, of course, the rhetoric from Seaboard is, 'Well, my goodness, your land, your home, it's worth more than you ever dreamed because of us coming in next to you ...' Our kids couldn't sell this if they needed the money to bury us with. It's just devaluated to nothing as far as the market's concerned."



MICHAEL BRADY FOR TIME

JULIA HOWELL, a wheat farmer, has found a gas mask essential since hog farms opened all around her house. Below, part of the problem



The story is much the same for Vancy Elliott and her husband Delmer, who live about three miles from Guymon and whose land abuts a Seaboard hog farm. "We have to put flytraps out in the summer," says Elliott. "But we even have flies occasionally in the winter now, and we've never had that before. Rats and mice are a real problem because they have so many pigs that are dying."

To help staff its hog-processing plant and farms, Seaboard has re-created the corporate model employed by the coal barons of the 1800s, whose workers lived in company-owned houses and shopped in company-owned stores.

In Guymon, Seaboard and local business leaders invested in an apartment complex and trailer parks to house the company's employees. Rent is automatically deducted from the paychecks of Seaboard workers. So, too, is the cost of meals that they eat at the plant. A two-bedroom apartment goes for $420 a month; for three bedrooms, $485. A Seaboard worker earns about $300 a week—before Social Security and income taxes are deducted.

"The people never see this money," said Carla Smalts, a rancher who campaigned against corporate hog farming while at the same time waging an ultimately losing battle against cancer. "It comes off the top of their paycheck right to Seaboard," she told TIME in December 1997. "By the time they pay Seaboard their rent and the meals are taken off out at the plant—and most of them eat at least one or two meals out there—they don't have a whole lot left. There's no way these people are going to buy houses." Carla Smalts died in August 1998 at age 32.

1,100 dead hogs a day, every day, can really get on your nerves

As for the 1997-98 fiscal year, DeSpain said, Seaboard's tax bill increased to $1,580,000. The company was immediately excused from paying $1,090,000 of that—again, money that all other Oklahoma taxpayers must pay. Once more, Seaboard was dissatisfied and appealed. And again, the state consented to pick up $226,000 more. The bottom line: Seaboard was obliged to come up with just 17% of the taxes owed.

It should be noted that Seaboard did agree early on to contribute $175,000 to the Guymon schools each year—on the grounds that the old plant it replaced in 1992 had been taxed that amount. Even with that donation, its payments fall far short of what the company really owes. And it doesn't come close to providing the schools with the revenue needed to pay for Seaboard's presence in the community. One might think that would discourage other school districts from negotiating similar agreements. One would be wrong.

In December 1997 Seaboard promised to pay $125,000 to the Keyes schools in Cimarron County, which adjoins Texas County to the west. The money would allow the school system to replace the wiring and reopen a shuttered elementary school. In turn, Keyes agreed it would not oppose company plans to build a feed mill and 400 barns to house an additional 400,000 hogs.

Besides ballooning school costs, Keyes also may look forward to another set of rising statistics: crime. From 1991 to 1997 in Guymon, serious crimes went up 61%. Larcenies increased 50%, assaults jumped 96%, and auto theft shot up 200%. Rapes went from none to five. And for the first time, youth gangs appeared on Guymon streets. A resident says that "some students have expressed fear of even going to the rest room in the high school."

Hog Heaven? Try Hog Hell

In a way, Guymon is fortunate that it has little available housing. If it did, the social costs it is paying for Seaboard's presence would have been worse. As it is, Seaboard workers often must settle in distant areas, like Liberal, Kans., another meat-packing center and magnet for immigrant workers. When Seaboard proposed establishing a hog farm in Seward County, where Liberal is the largest community, residents voted 3 to 1 to block construction. Nevertheless, Kansas state officials reportedly have assured Seaboard that the referendum is not binding.

The company already operates huge hog farms in five southwestern Kansas counties, where it accounts for more than one-quarter of the state's 1.5 million pig population. The pigs are raised in Kansas until they are ready for slaughter and are then trucked to the processing plant in Guymon. Kansas issued $9.6 million in industrial revenue bonds to help Seaboard develop the farms.

Actually, the term farm is a misnomer, for corporate hog farms bear no resemblance to traditional family farms. Instead, they are massive industrial operations. Call them pig factories.

In a long barn that houses about 1,000 animals, the hogs spend their days jammed next to one another, eating constantly until they grow from about 55 lbs. to 250 lbs. They stand on slatted floors so their wastes drop into a trough below that is flushed periodically into a nearby cesspit. The number of cesspits is exploding. From 1990 to 1998, the Oklahoma pig population soared 761%, jumping from 230,000 to 1.98 million, with Seaboard accounting for about 80% of that number.

It is not pleasant living amid this. Just ask Julia Howell and her husband Bob. The couple live on a farm near Hooker, about midway between Guymon and Liberal, where four generations of Howells have grown wheat and raised families. Now feisty Julia Howell, 69, talks about her "40,000 neighbors" and explains why she seals the farmhouse windows, stuffs pillows into the chimney and seldom ventures outdoors without a face mask.

It's the ever present stench—the overpowering smell from Seaboard's 40,000 hogs closely confined in 44 metal buildings, where exhaust fans continuously pump out tons of pungent ammonia, mixed with tons of grain dust and fecal matter, scented with the noxious odor of hydrogen sulfide (a poisonous gas produced by decaying manure that smells like rotten eggs), all combined with another blend of aromas wafting from five cesspits each 25 ft. deep and the size of a football field. They are, in effect, open-air sewage ponds, and 75 ft. below lies the Ogallala aquifer, which provides drinking and irrigation water for much of that part of the country.

Think of all that waste this way: imagine that you are sitting on the front porch of your farmhouse on the prairie, surrounded by four Washington Monuments.

THE SCORECARD

THE CORPORATE WELFARE THAT FLOWS to the Seaboard Corp., an agribusiness with annual revenues of $1.8 billion, extends from Ecuador to Minnesota, from Oklahoma to Haiti. Where Seaboard is, there are governments tossing money at it.

OVERSEAS PRIVATE INVESTMENT CORP. (OPIC)
Insurance in 1980s to cover wheat and corn mills in Mozambique, a shrimp hatchery and shrimp farm in Ecuador and a flour mill in Haiti. Value: $25 million

U.S. AGRICULTURE DEPT. SUBSIDIZED SALES
Subsidized sales of agricultural products under the Public Law 480 program. Value: $4 million

CITY OF ALBERT LEA, MINN.
Loan to help Seaboard buy the existing plant; reduced sewage charges. Value: $3.3 million

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
Revenue bonds for hog-processing operations and to finance construction of sewage-treatment facilities. Value: $30 million

KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY
Tax credits for a chicken-processing facility. Value: $5.7 million

GRAVES COUNTY (KY.) INDUSTRIAL REVENUE BOND
To support a Seaboard chicken-processing plant. Value: $14.5 million

CITY OF GUYMON, OKLA.
Grant paid for with a sales tax levied on local shoppers to help build a hog-processing plant. Value: $8 million

KANSAS DEVELOPMENT FINANCE AUTHORITY
Industrial revenue bonds to pay for hog-farming operations. Value: $9.6 million

The five cesspits are the size of a football field, and 25 ft. deep

Wisconsin Department of Agriculture, Trade & Consumer Protection

File/Hogs

NEWS

PO Box 8911 Madison, WI 53708-8911 Web site: http://badger.state.wi.us/agencies/datcp

HOG FARMERS TURN THEIR TROUBLES INTO HELP FOR HUNGRY PEOPLE: DONATE LOW-PRICE HOGS TO FOOD BANKS

DEC 30 1998

For release: Dec. 29, 1998
Contact: Sandy Chalmers
608/224-5001

MADISON--The lowest hog prices in four decades have two Wisconsin pork producers opening their hearts and donating hogs to food banks instead of selling at a loss. It's a step more hog farmers may choose to take in coming weeks, as low prices eat away their profits.

"The situation facing hog farmers today is very serious, devastating in some cases, but these two farmers are demonstrating Wisconsin's tradition of community spirit," said Sec. Ben Brancel of the Wisconsin Department of Agriculture, Trade and Consumer Protection.

Mike and Gloria Helstad, Hixton, are donating 25 hogs, and a Verona farm couple who want to remain anonymous are donating five hogs for distribution to food pantries through the Community Action Coalition of South Central Wisconsin and the Hunger Task Force of Milwaukee. The hogs will be processed at the small slaughter facility used for education in the animal science program at the University of Wisconsin-Madison. The Wisconsin Pork Producers Association will supply recipes to help people prepare the meat.

"Pigs are worth nothing right now, and people are hungry," explained the Verona farmer. And Mike Helstad echoed that sentiment, saying he would rather help someone who needs help than sell at a loss and leave the profit for the middle man.

The donors also wanted to highlight the crisis for hog farmers while they helped someone else, said Roger Williams. Williams chairs Harvest of Hope, an emergency fund for farmers, and worked with his fellow University professor Dennis Buege to coordinate the effort to process and distribute the meat.

But, like many pork producers trying to sell animals, these farmers could not find local plants with time to process their animals. Fortunately, the semester break left the University's small slaughter facility available.

The farmers will bring the hogs to the slaughter facility, where a University employee and student assistants will process the meat. Volunteers will wrap it. The Community Action Coalition and Hunger Task Force will each get half of the estimated 4,300 pounds of frozen roasts, chops, blade steaks and sausage, paying about 14 cents a pound to cover transportation and the student's wages.

"There is an important story here, about working together to help out others and raise visibility for these issues," Williams said. "This may be just the tip of the iceberg for donations, with farmers realizing they can't get a decent price for their hogs."

"There are quite a few pork producers who would donate hogs to food pantries, but my concern is that they won't have a place to take them for processing," said Keri Retallick, executive director of the Wisconsin Pork Producers Association. The Association is working with the University, the Association of Wisconsin Meat Processors, and the state agriculture department to find local slaughter plants that might have time and be willing to contribute part of the cost to process pork for food pantry donations.

Hog farmers in Wisconsin are caught in a squeeze between prices at historic lows, backups at local slaughter plants, and dwindling credit. Prices at the slaughter floor have been reported as low as 10 cents a pound for hogs, and the Wisconsin Pork Producers say farmers are losing $60 to $75 per hog.

But farmers who want to sell their hogs and cut their losses are finding that local slaughter houses are backed up to February or March, owing to heavy demand from hog farmers on the heels of the post-deer season rush and holiday business. Some farmers lack the cash to buy feed for their hogs until then, and can no longer get credit for feed, said Jeanne Meier, director of the agriculture department's Wisconsin Farm Center.

Farmers wishing to donate hogs to food banks can call the Wisconsin Farm Center toll-free, 1-800-942-2474, or Roger Williams, 608-263-4432. The ag department suggests that farmers may also be able to deduct the donations for tax purposes.

Wisconsin has about 4,400 hog farmers. In 1997, these farmers produced more than 1.55 million hogs, worth $193.83 million to farmers. Most of Wisconsin's hog farmers have small and medium-sized operations, with 96 percent of them having capacity for 1,000 or fewer animals. These farmers accounted for three-quarters of the state's hog inventory last year.

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REMARKS OF VICE PRESIDENT AL GORE
RELIEF FOR HOG FARMERS
IOWA -- JANUARY 8, 1999

Good morning. I want to take a moment to address a very critical situation affecting America's hog farmers. Three days ago President Clinton met with hog producers from across the country along with several Democratic Senators to better understand the severity of the crisis facing hog farmers.

The price of hogs has recently spiraled to its lowest level in more than five decades. Many hog farmers are in deep financial difficulty, threatened with the loss of their livelihoods. They can't afford to feed their hogs and the market is so glutted they can't sell them. The President and I are committed to taking aggressive action to help farmers get through these difficult times.

Secretary Glickman and I have announced a series of initiatives in the last few weeks to help pork producers and we are encouraged by recent strengthening in hog prices. farms. But additional aid is needed to help family hog producers meet some of their living expenses or farm operating expenses." In order to get immediate assistance into the hands of producers, I am pleased to announce the Department of Agriculture will make up to $50 million in direct cash payments to family farms. While the details of the program are being worked out as we speak, we hope to be able to begin making payments in the next several weeks.

I would also like to announce an emergency transfer of $80 million to accelerate USDA's voluntary hog pseudorabies eradication program. For those of you who are not familiar with this problem, pseudorabies is an extremely contagious virus that causes costly reproductive problems in hogs, although it poses no risk to humans. The additional funds will be used to compensate hog producers with infected hogs and could remove up to 1.7 million hogs from the market, saving producers millions of dollars in present and future veterinary medical expenses. In Iowa, there are 632 herds, comprising 479,000 hogs, that will be eligible to participate in this program. Achieving pseudo rabies-free status for the United States will provide an added bonus of opening up new foreign market opportunities.

Again, I want to reassure pork producers and their families that President Clinton and I are doing everything we can to help soften the blows and get producers back on their feet, not just so they can survive, but so they can share in this nation's continuing prosperity.

Assembly

COMMITTEE HEARINGS

Committee on Agriculture

The committee will hold an informational/public hearing on the following items at the time specified below:

Thursday, December 17, 1998
9:00 am
417 North, (GAR)
State Capitol

ADVANCE NOTICE

The committee will hold an informational/public hearing on the state of the hog industry in Wisconsin. The committee will hear testimony from invited speakers knowledgeable about various aspects of the industry (i.e. state of the Wisconsin hog industry, national and international views and producer, processing, marketing and retail perspectives) from 9:00 am-12:00 pm. The committee will break for lunch from 12:00 pm to 1:00 pm. Public testimony will be taken beginning at 1:00 pm.

Representative Alvin Ott
Chair

Thursday, January 28, 1999

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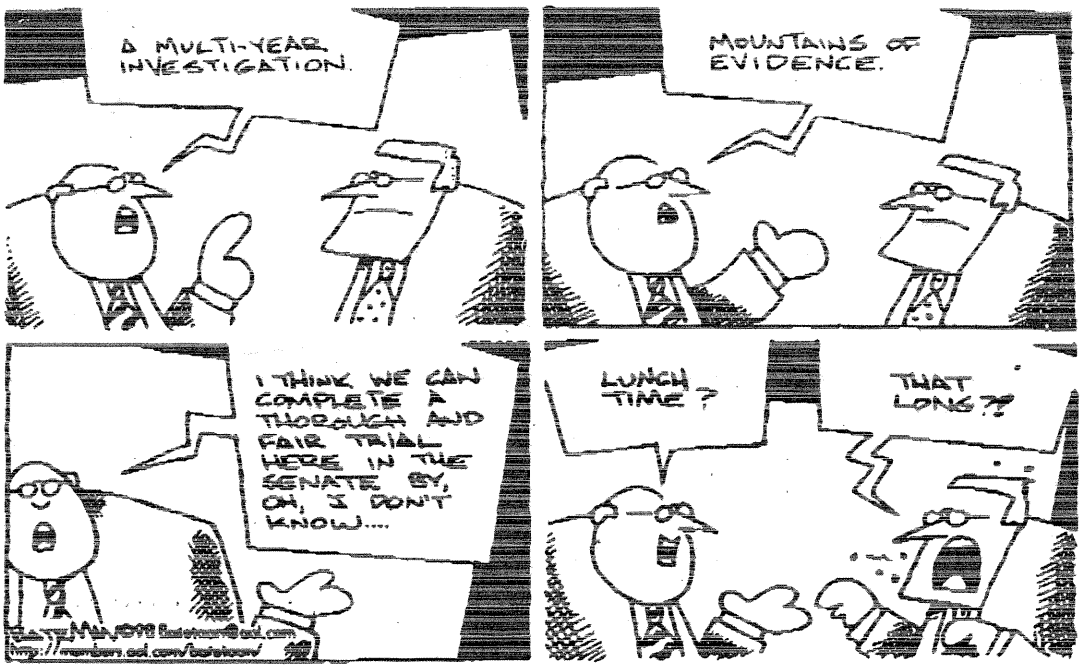
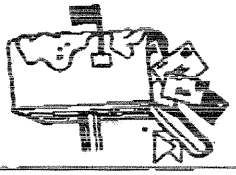


LETTERS TO THE EDITOR



Johnsrud answers

To the editor,

I am glad that Mr. Bill Lesnjak, who had a letter in last weeks Sentry Enterprise, agrees that environmental taxes on livestock are a bad idea. I think, however, that he is misguided in his understanding of what is a "family" farm and what is a "factory" farm. There is no magical cut off point for when a farm becomes a factory, but I do know that the typical family farm no longer consists of forty acres and a mule.

I pointed out that a person who is milking between 100 and 200 dairy cows is not necessarily an evil, corporate tycoon. In fact, there are many family-owned operations in Wisconsin that are in this size range.

The Stewardship Network called for a moratorium on farms with 350 or more dairy cows. That does not mean 350 cows that are being milked. The writer did not recognize that dairy farmers generally have as many heifers and dry cows, even more for beef, as they have animals they are actually milking. Though a heifer does not create as much waste as a cow that is milking, it would count against the 350 cow limit. You can see that the proposed moratorium does come dangerously close to the size farm that many of our neighbors already have or may be considering.

I still disagree with the Stewardship Network's 350 dairy cow moratorium Their strategy is to give a class of farms a nasty sounding factory label in order to rally support for a moratorium. Farmers need to be aware of what is being said, or they risk waking up one morning and finding out that government has told them what size their farm must be The option of incorporating with a neighbor or sons and daughters, so that a farmer can actually have a single day off once in a while, will be gone

It is not fair to limit farmers with something as harsh as a moratorium when we have a multitude of old and new programs to help them and future generations operate in a sustainable way.

Rep. DuWayne Johnsrud

This Week In History

On Jan. 25,1787, debt-ridden farmers in Massachusetts staged

draft was announced ... Jan. 30, 1973 two of the seven defendants

President Bill Clinton invoked emergency powers to extend a $20

Date: January 28, 1999
To: Rep. Duwayne Johnsrud
From: Pam Porter, co-chair Wisconsin Stewardship Network

? still seems clear to us

Re: Press release

It has been brought to my attention, that there is some confusion and misrepresentation about what the Wisconsin Stewardship Network organizations have proposed regarding livestock moratoriums. Both the Wisconsin State Journal and Agri-Views stories had several inaccuracies, in terms of the groups calling for the moratorium as well as the actual proposal. Agri-View lists groups in its article that have not signed onto the moratorium. Your press release also fails to recognize that the moratorium would only last until safeguards are put in place. We have not proposed a tax on livestock.

To clarify our position, enclosed is a copy of our press release and a list of the groups who are supporting the resolution. Our proposed moratorium is not a call for a state moratorium on livestock operations, but rather a moratorium on farms of 500 or ~~fewer~~ more until comprehensive regulations addressing animal waste management, air and water quality are in place.

We are always careful to recognize the value of livestock farming and the threat factory farms may be to Wisconsin's heritage of sustainable small to medium sized farms as well as our environment. We are not anti-agriculture or anti-livestock.

Finally, some organizations within the network have been asked to serve on the DNR/DATCP advisory committee regarding the proposed redesign of the non-point program. It is our hope that the outcome of the redesign process may ultimately satisfy the call for the moratorium.

We urge you to exercise your leadership on the nonpoint issue and push our state agencies to put safeguards in place ASAP. We pledge to work with you in shaping a program that protects water quality while maintaining and enhancing farmer and rural community vitality.

WISCONSIN STEWARDSHIP NETWORK

Press Release

12/22/98
For Immediate Release
For more information: Ron Leys - Wisconsin Stewardship Network - (608) 872-2547

Wisconsin hunters, fishermen and environmentalists link arms to control environmental threats posed by large-scale, factory livestock farms.

In an unprecedented move, organizations that are sometimes at odds with each other are united in a goal to protect water quality. Several Wisconsin Stewardship Network groups have now passed resolutions restricting livestock confinement operations at 500 or fewer animal units "until comprehensive regulations addressing animal waste management, air and water quality and community concerns are in place and until adequate funding is provided to enable enforcement."

"We should pause and catch our breath before we become overwhelmed with new applications for large scale factory farms," said Ron Leys who is a member of the Wisconsin Stewardship Network and several sporting and conservation groups. "We are not prepared to handle them yet."

The most recent group to sign on to the moratorium resolution is the Wisconsin Wildlife Federation, which acted at a recent meeting in Stevens Point. The federation directly represents about 10,000 persons in Wisconsin, most of them hunters and fishermen, as well as many members of smaller rod and gun clubs. Also represented on the Wildlife Federation's governing board are voting representatives of such larger organizations as the Wisconsin Bow Hunters Association, the Wisconsin Bear Hunters Association, the Wisconsin Trappers Association, Wisconsin Trout Unlimited and the Wisconsin Game Breeders Association.

The livestock moratorium effort is being coordinated by the Wisconsin Stewardship Network, a network of hunting, fishing and environmental organizations of which the Wisconsin Wildlife Federation is a founding member. The Stewardship Network was formed in 1995 with the belief that environmentalists, hunters and fishermen have many common goals that could be more effectively pursued jointly than separately.

Other Stewardship Network organizations that have pledged support for the moratorium effort include: The Bass Anglers Sportsmen's Society, The Wisconsin Audubon Council, The Madison Audubon Society, Northern Thunder and the Badger Fly Fishermen . Similar resolutions have been passed by the Root River Stewardship Council and the University of Wisconsin Stevens Point Progressive Action Organization, as well as the Midwest office of the Sierra Club.

(more)

The resolution passed by the Stewardship Network organizations recognizes the value of livestock farming in Wisconsin, but notes that Wisconsin heritage of sustainable small to medium-sized farms is threatened by large confinement operations and that the factory-styled farms pose serious environmental threats.

Many persons in the environmental and conservation communities worry that large-scale environmental disasters caused by factory-type farms in other states, especially hog operations, could occur in Wisconsin unless strong measures are enacted on a state level and measures are taken to enforce those rules.

The 500 animal units mentioned in the resolutions would translate into 350 milk cows, 500 beef steers, 1,250 hogs or 50,000 laying hens. Most of Wisconsin's 65,000 livestock farms are well under those numbers, although about 50 operations are now above 1,000 animal units and the Department of Natural Resources says at least 15 more are planned. The state presently has five animal waste specialists to cover all livestock operations.

# #