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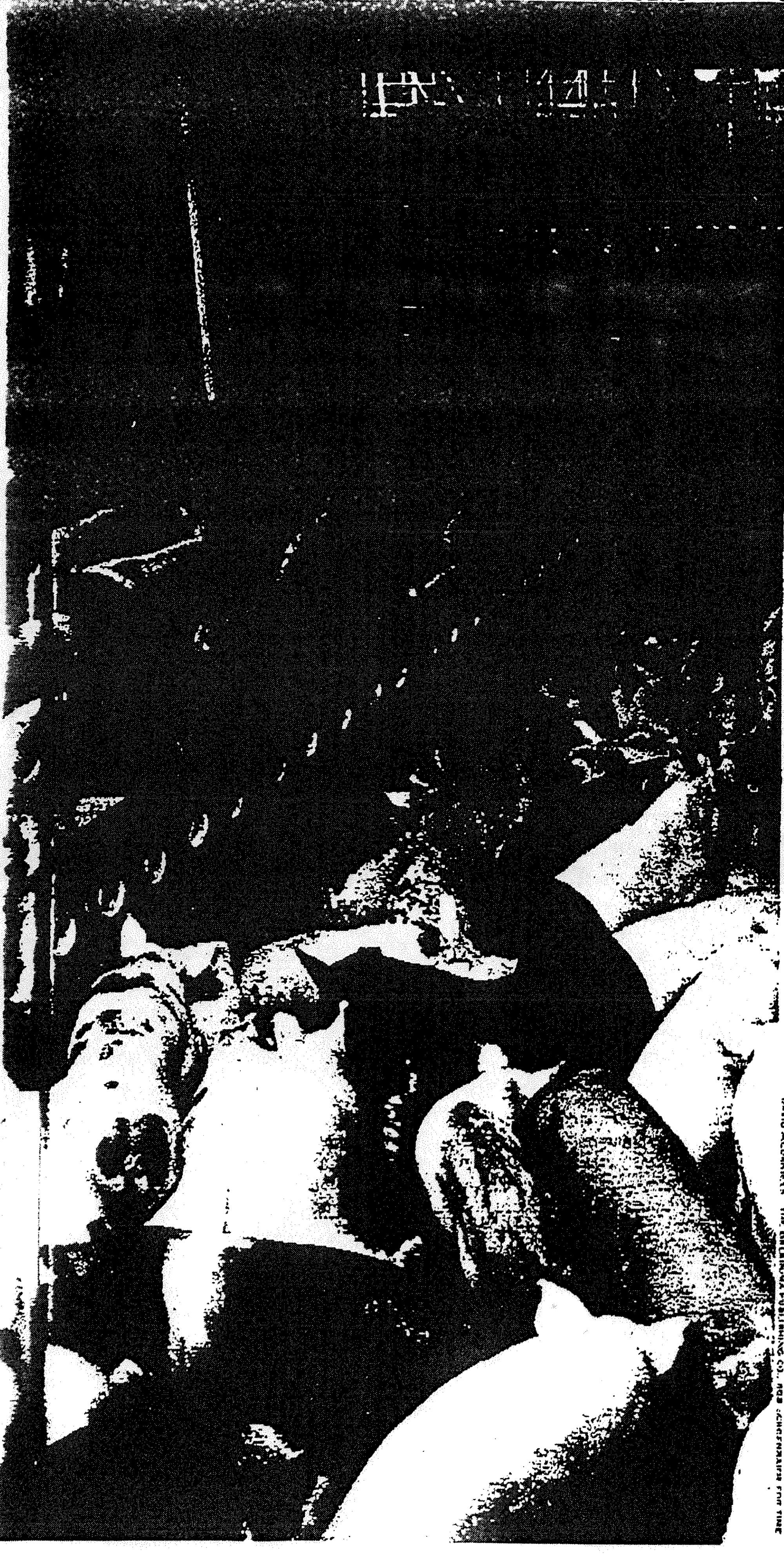


PIGS PILE UPON PIGS in the holding pens at a Seaboard hog "farm" in Guymon, Okla., a town that paid dearly to attract the company. Reclusive Harry Bresky, left, runs Seaboard

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 800 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

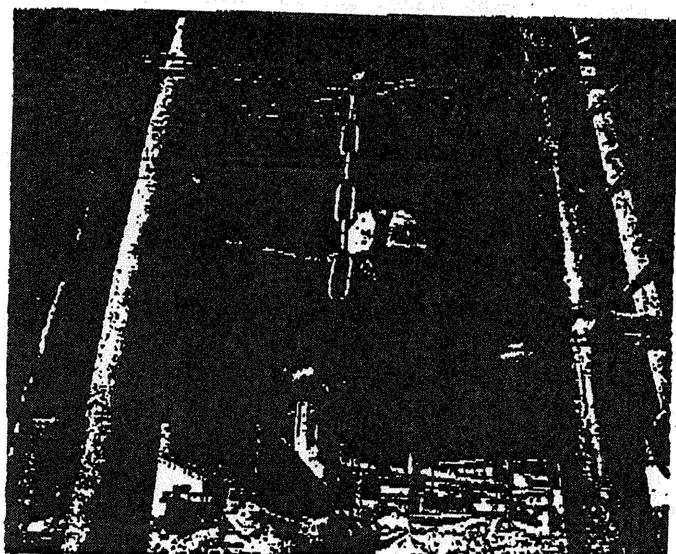
For a closeup view of Seaboard, let's begin with Albert Lea. For most of this century, Wilson Foods operated that pork plant and was the town's largest employer. Wilson fell on hard times in the early 1980s, cut workers' average annual pay from $22,200 to $16,600 and eventually sold the plant to Farmstead 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."

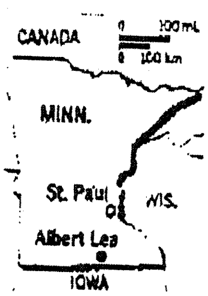
The more than $3 million Albert Lea handed out to help reopen the plant represented only the latest installment in corporate-welfare payouts. Because hog killing created serious pollution problems, Albert Lea earlier had kicked in $3.4 million to build a wastewater-treatment plant devoted mostly to servicing 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.

Meantime, 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 1992. 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.

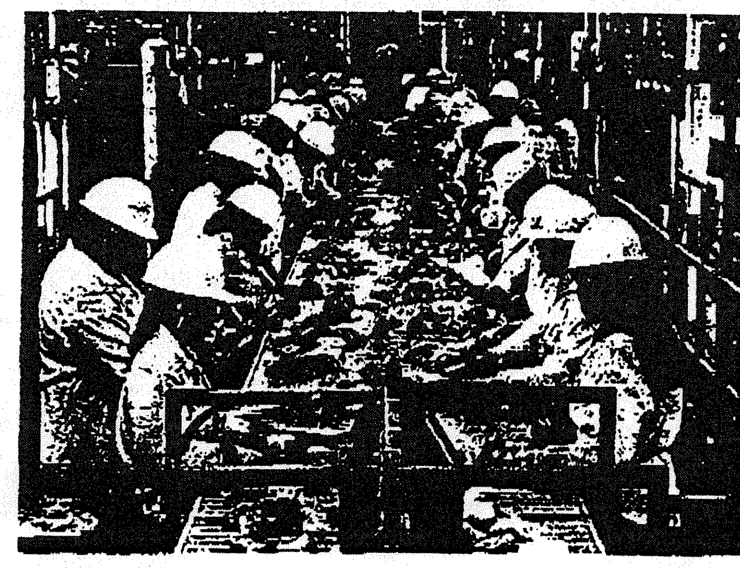
When Seaboard moved on to Guymon, it left behind in Albert Lea the abandoned hog-slaughtering building, empty parking lots, a waste-treatment plant that now operates at only 50% of capacity and higher sewer bills to pay for it. And when Seaboard walked, the state had to come up with some $700,000 to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

Ever Buy a Pig in a Poke?

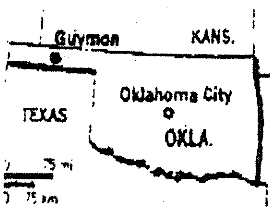
In Oklahoma, it was starting to seem like déjà vu all over again. The $21 million that state and local governments put up to bring Seaboard to the Panhandle was just the start. Guymon, like Albert Lea, couldn't supply the work force required by Seaboard. In time the company would need workers by the 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.



DAVID McDANIEL—THE OKLAHOMA PUBLISHING CO.

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



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: $617,169.

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 $2.243 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.

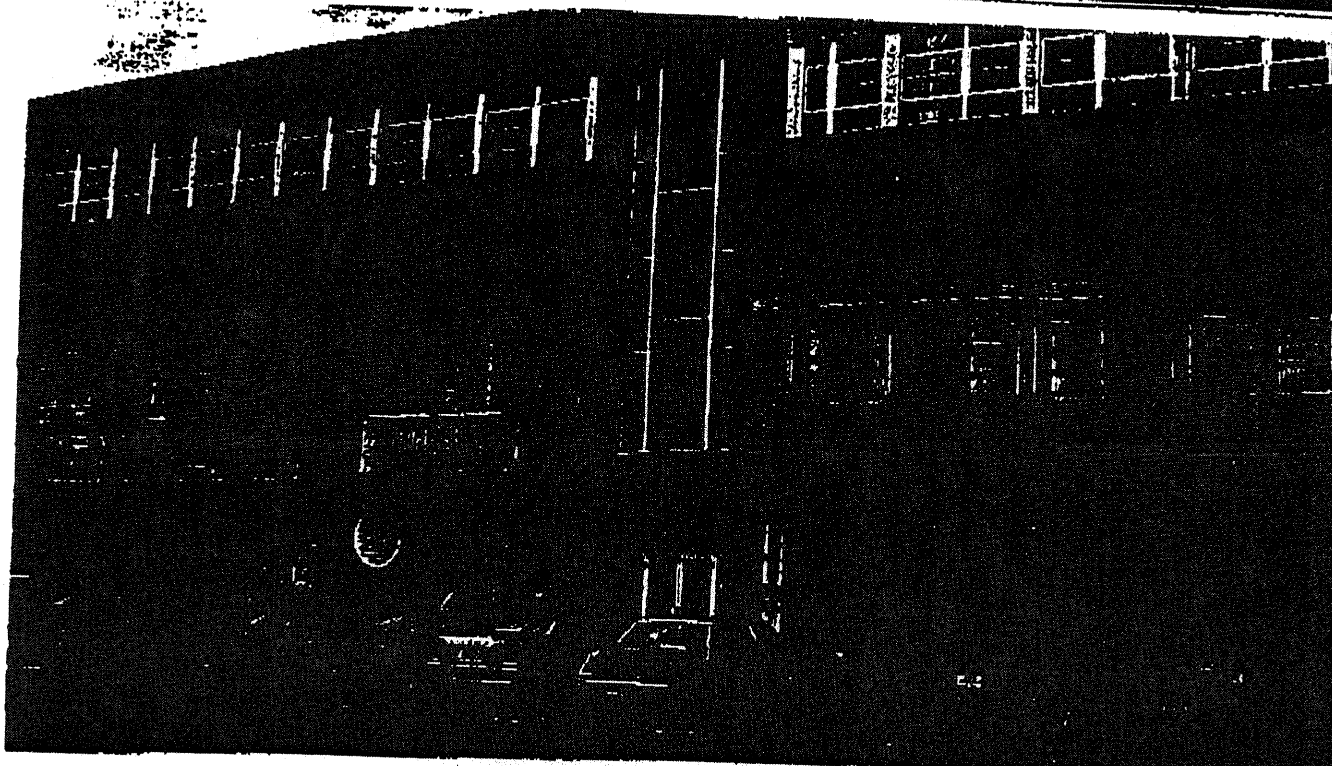
Not bad work if you can get it. But you can't.

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



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

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."

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

SPECIAL REPORT

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!!"

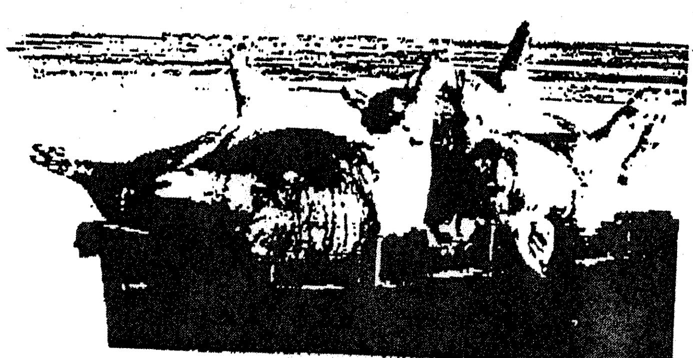
Monday, July 8, 1996: "Had a storm at 70°. It rained toxic fumes 7:30 p.m. Horrible during rain!!!"

Wednesday, July 24, 1996: "Calm. 80°. 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."

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 Yancy 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 52.

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

SPECIAL REPORT

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 1996, 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 1990s 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

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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

▼ CONTINUED FROM 1D

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: 46.1 cents

November 1998: 19.2 cents

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

Jan. '97 through Oct. '97: 14,131

Jan. '98 through Oct. '98: 15,499

*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.

3

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.

searchers from the nearby National Institutes of Health, poetry for the professors, current affairs for the lobbyists and policy weenies. (Such books, by the way, more easily command a list price.) This has never been a place to shop for starlet memoirs and diet books.

The lesson: When you substitute thoughtfulness for thoroughness in your inventory, every item strikes the customer as interesting. Notably,

the Web, strictly as a service to existing customers. The store is also archiving recordings of author speeches for eventual broadcast on its Web site. Soon, a new e-mail service will help members of book groups stay in touch.

But all these connections will build on relationships born in the store—within the bricks and mortar, amid the books and cafe lattes, among actual people.

Andrettis when they get steering for trouble.

The computerized stab bination of the car's spee tilock brakes help keep c ing, and traction-control skids during acceleration. from skidding out of cont dangerous curves or swe say, to avoid a pedestrian

Bayerische Motoren W

Swiss Cow Law Leaves Herds—And Farmers—Out in the Cold

By COTTEN TIMBERLAKE
Special to THE WALL STREET JOURNAL

EYSINS, Switzerland—First Switzerland freed its chickens. Now it's liberating its cattle. And this burgeoning animal-emancipation movement has some Swiss farmers wishing their cows could come home.

Take Jacques Olivier, a farmer in Eysins. He was forced to sell his 12 milking cows, the village's last herd, in December because he didn't have enough space to keep them outdoors for 13 days each winter month, a requirement to qualify for government incentive payments. "No, I didn't cry. I didn't drink too much," Mr. Olivier says. "But I felt quite sad."

The laws, which have gradually increased the time cows must spend roaming outdoors, were based on the belief that movement is good for fertility and joint articulation. But no one seems particularly pleased with the result. The 100 citizens of Fribourg, to the north, even signed a petition demanding that one farmer stop forcing his cattle out in bad weather.

Others say the laws don't go far enough. Animal-rights advocates lobbied for at least four required outings a week. Farmer Marc Zeller, whose family abandoned tethering 30 years ago, says free-range cows have a better social life, because they are at liberty to make friends. "You see that, two coming in to milk together always," he says.

Tethering animals in insulated buildings is largely a postwar, intensive-farming phenomenon designed for the farmers' comfort, not the cows', says Mark Rissi, a spokesman for Swiss Animal Protection. Cow pelts do thicken if the cows are out in the cold habitually, and they can withstand temperatures as low as minus 15 degrees Celsius, he adds.

The new law has clearly changed the Swiss landscape. Suddenly, many more cows dot the picturesque winter scene, when before they appeared only in the warmer months. The losers are farmers who have to grapple with mountain conditions or herd their cows across roads.

Mr. Olivier, whose family has milked cows in these parts for some 300 years, says he sold his dozen red Holsteins partly because he didn't have the room or the means to expand outdoors. He had kept them on pastures for much of the year but had tethered them in his dark barn during deepest winter. The cows were not unhappy, he insists. "No one ever complained about how the cows were being kept, or that they looked sad," he says.

Mr. Olivier says he misses his cattle, but he does have some recourse. "Some of my cows are not too far away," he says. "I can always go look at them if I want to."

TECHNOLOGY

Lottery (

By WILLIAM M. BULK
Staff Reporter of THE WALL STR

WEST GREENWICH, R **Holdings** Corp. is a big winne tery business, but with its c game worsening, it also want your credit-card action—and r of your electricity bill and st too.

Gtech is talking with **Tran work Services Inc.**, one of providers of credit-card autho chines to retailers, about po ventures that would use th Gtech built to run lotteries. In lions of people already pay t bills at 11,000 satellite-linked G terminals. In the Netherlan kiosks tied to Gtech central con sell transportation and theater

With nearly $1 billion in ann and contracts to operate 81 st tional lotteries world-wide, dominates the lottery field. Bu pany has been buffeted by sc has been struggling with soften sales at home, where new c drawing more bettors and fat st have reduced the impetus for n Gtech Chief Executive William

3/5/99 Wall St Journal

School sports: Kids Quarterly   Scott Lesh turns road kill into art PAGE 8   Nature: Take a hike! PAGE 35

THE WEEKLY NEWSPAPER OF MADISON

ISTHMUS

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HIGH ON THE HOGS

Making bacon is a tough business that in recent years has gotten tougher. But for farmers like Bob Uphoff, it's a way of life. PAGE 9

ERIC TADSEN

'It's a business, and we put in long hours, just like most business owners.'

HIGH ON THE HOGS

The Uphoff farm has been in the family for generations. And Bob Uphoff is trying to keep it that way.

ERIC TADSEN

MATT OLSON

Turning off the Beltline and heading south on South Towne road, it is hard to believe you are still in the city. Pass the Nine Springs wastewater treatment plant and on you are cruising a verdant landscape rsting with a thousand different hues of en. Rusting signs and dilapidated cars dot landscape. It is a Rockwellian image of rur- America, and at the center lies the Uphoff k and Bacon Farm.

Six miles as the crow flies from the state pitol, this is a 500-acre hog farm in the town Dunn. It is run by two brothers, Bob and d Uphoff, on land their family has owned four generations.

"I farm because I find it challenging and re- rding," says Bob Uphoff. "There are tangi- risks. We have to compete with Mother Na- e. We have to deal with government and the itical events that affect our market on a bal scale. We have to deal with lots of fac- s beyond our control, but we still have to e the information we've got, work with it, make the best decisions we can."

Bob, 45, has been farming this land his ole life, even while he went to school in Ore- , the UW-Madison and MATC. So has Fred, who left the farm only for a tour of duty in tnam and a six-year stint on a farm in as. The brothers have also raised their chil- n on the farm; Bob has two sons and Fred a son and daughter.

Bob readily shatters the image of the idyllic nestead. "Life on the farm is probably not as peaceful and tranquil as people think it is," he says. "It's a business, and we put in long hours, just like most business owners."

In today's market, though, business could be better for the Uphoff brothers and other hog farmers. During the last few years, hog prices have dropped precipitously. Pork producers are currently receiving about $30 for every 100 lbs. of pork they produce—at a cost of about $40 per 100 lbs.

"Except for about four weeks last year, we've spent the last 21 months in the red," says Bob. "To survive we've had to rethink the marketing and managing of our product. We have to make sure we aren't wasting dollars anywhere."

In this respect, the Uphoffs are typical farmers, struggling to preserve a way of life in the face of rapidly changing marketplace realities. What makes them extraordinary is their treatment of the land they inherited.

Earlier this summer, the Uphoff brothers received the 1999 Steward of the Land Award from the American Farmland Trust, a Washington, D.C.,-based nonprofit conservation group. The award, which includes a $10,000 prize, is given annually to farmers who protect farmland and use environmentally sound practices.

COVER STORY

In an industry that's frequently maligned for its negative impact on the environment, an industry increasingly dominated by large-scale agribusiness firms, the brothers are something of anomaly: resident livestock farmers who produce all of their own feed grains on site, and who feel a sense of obligation to the land they farm.

"The award was a surprise, and quite an honor," says Bob Uphoff, who in the next breath conveys that he doesn't understand what all the fuss is about. "We use good management practices. We manage different fields differently, depending on how erodible the land is. It's just good sense."

TRAIN WRECK

To understand the current pork crisis, it's necessary to go back several years.

In 1994, the U.S. shifted from being a net importer to a net exporter of pork. American hog farmers were buoyed by foreign markets, specifically Asian markets. At the same time, fast-food chains began aggressively marketing bacon cheeseburgers, which sent pork belly (uncured bacon) sales through the roof.

"The market was telling hog producers that they had profits to work with," says Bob. "So most producers reinvested those profits into expanded facilities. [Hog farmers] were increasing production full-tilt when the Asian markets crashed." Suddenly, there were more hogs than the market could absorb, and as soon as the prices started to drop, the meat packers scaled back production to protect their profits.

"Unfortunately," notes Uphoff, "it's a lot easier to tell a meat packer to quit working than it is to tell a sow to quit producing pigs."

Both regulators and industry observers agree that the price crisis owes to a lack of packing capacity. "We have had a lot of packers, particularly small packers, close down," says state Agriculture Secretary Ben Brancel. "We have less packing capacity and less competition in the packing industry, which means that it's harder

CONTINUED ON PAGE 12

Hog farm

CONTINUED FROM PAGE 9

for farmers to get a good price for their pigs."

Keri Retallick, executive vice president of the Wisconsin Pork Producers Association, agrees: "The issue is particularly acute here in Wisconsin because we don't have *any* large packers here. Farmers end up having to ship pigs to Iowa or Nebraska. The extra costs for shipping eat into whatever farmers can get for their hogs." (Oscar Mayer, for instance, ended its Madison slaughtering operation in 1982.)

According to Retallick, this diminished packing capacity doesn't affect the profits of the packers, only the producers. "There is not a glut of pork at the grocery store," he says. "There is a retail market for pork, but there is a bottleneck at the packing plant."

Since there are more pigs than can be processed, wholesale prices remain low, although the prices for pork at the grocery store have remained constant. However, the packers are able to sell all they can process to retail grocers. The result, says Retallick, is that "the only people who have taken a hit are the farmers."

Uphoff is all too aware of the situation: "There have been way more hogs than space at the meat packers. Things only got worse when the Canadian meat packers union went on strike and all the Canadian hogs started crossing the border to be packed here. The result has been a big train wreck."

That wreck has derailed producers in southern Wisconsin, where the state's hog farms are concentrated. Since New Year's Day 1994, the number of hogs in Wisconsin has declined more than 40%. Meanwhile, the number of hog farmers has declined even more drastically, from 7,600 in 1994 to 3,300 last year. (See chart, page 13.)

The price crunch has been particularly hard on small producers. In order to raise and sell hogs, producers must lay out cash for feed, veterinary care, bedding, fuel, electricity, labor, repairs, marketing and a host of other goods and services. Because of economies of scale, it costs a small producer (500 hogs or less) $6 to $8 more to produce each 100 lbs. of pork than it does a large producer (1,000 hogs or more). Nonetheless, all producers receive the same price for hogs.

The state has attempted to address the issue of failing hog farms. Last year, the Assembly modified the Wisconsin Housing and Economic Development (WHEDA) crop loan program to include hogs and instituted a property tax cut in an attempt to keep farmers financially solvent until the crisis blows over.

But these measures have had a negligible effect. "To a large degree, the state is handicapped to try and solve marketplace problems, and the current problem with hog prices is a marketplace problem," says Rep. Alvin Ott, the Republican chair of the Assembly's Agriculture Committee. "Much of what occurs is beyond the Legislature's control."

Bob Uphoff agrees. "There isn't really much the government can do," he says. On the other hand, the fact that many hog farmers are quitting the business actually makes him optimistic. "I think we're going to see a turnaround in the next eight months or so. When we see more people get out of the business, production will go down and prices will go up. I only hope that those who survive and remain in the industry remember these times, and we don't have to do this again in 10 years."

BUY ALL RIGHTS

In Bob Uphoff's mind, the most important problem facing American agriculture is not depressed prices but disappearing farmland.

"At the national, state and local level, one of our country's greatest strengths is its ability to produce food," he says. "It is our greatest peacekeeping tool. Very few places in the world have the combination of soil quality, physical infrastructure and transport capability that we do here in America. Unfortunately, the best farmland is often the most convenient land to develop."

Historically, says Uphoff, cities were fed by the surrounding countryside, but that's no longer the case. "Most of the land that people are bringing into production today is marginal farmland," he says, while prime farmland is

Is hog farming humane?

If you ask Bruce Freidrich of People for the Ethical Treatment of Animals (PETA) what he thinks of hog farming, you'd better be prepared for an earful.

"Pig farming is cruel to the animals," says Freidrich, vegetarian campaign coordinator for PETA's national office in Norfolk, Va. "Farmers treat the pigs as machines. If the farmers did to cats and dogs what they did to pigs, they would be prosecuted for animal cruelty. Pig farmers castrate the pigs, lop off their tails, rip out their teeth and cut parts out of ears without any anesthesia.

"They pump animals full of hormones so they will grow quicker. Their hearts and legs can't keep up. Often the animals are lame or suffer heart attacks. Most live only a fraction of their natural life span. Pigs are social animals, but they are kept in solitary confinement, then loaded onto transport trucks with no food or water. They are shipped through all manner of weather extremes, and many die from the heat or freeze to death. Once they reach the slaughterhouse, they are hung upside down and their throats are slit, often while they are fully conscious."

Keri Retallick, executive vice president of the Wisconsin Pork Producers Association, disputes this characterization. "U.S. producers are far more conscientious of their animals' welfare than producers in other parts of the world," she says. "Our producers treat the animals in a humane fashion. However, we have to remember that the animals are a commodity, and they are being produced for food. Farmers are raising these animals for slaughter."

What's more, Retallick says it's possible that animals on some farms are mistreated. "There are always going to be some people who do not act in an ethical or humane fashion," says Retallick. "Those people should be held responsible for their actions, but I don't think that [inhumane] treatment is the norm."

Freidrich isn't buying it. "If slaughterhouses had glass walls," he assures, "everyone would be a vegetarian."

Bob Uphoff is philosophical about the whole debate. "When you have 1,000 animals out here, it's not the same as your dog or cat. We don't get attached to these animals," he says. As for the perspective of PETA, "We live in America, and people are entitled to their opinions. But no matter what we do, they are going to believe that animals shouldn't be used for food."

And what about questions of mistreatment? "If an animal is stressed or unhealthy it will not grow," says Uphoff. "As far as the use of hormones, I know of no hormone used on hogs. They use them on cattle, but not on hogs. I've never fed any of my hogs hormones. When we ship them, they might not have as much space as your living room, but they are fed and watered up until they get on the truck, and then it's only a couple of hours until they're at the facility."

— M.O.

Wisconsin Hog Farms and Market Realities

Year	Number of farms	Average price per 100 lbs.	Inventory on Dec. 1 of Year: Dane County	Inventory on Dec. 1 of Year: Wisconsin
1994	7,600	$38.40	69,000	1,040,000
1995	6,200	$38.40	58,000	930,000
1996	3,800	$49.40	47,000	800,000
1997	4,400	$50.40	43,500	740,000
1998	3,300	$31.80	40,000	690,000

SOURCE: WISCONSIN AGRICULTURAL STATISTICS SERVICE, COMPILED BY VERN LEIBBRANDT OF THE UW ANIMAL SCIENCE DEPARTMENT.

being lost to development as cities expand. He thinks the country must preserve its existing agricultural resources: "It doesn't make any sense to exchange good land for marginal land."

It is this conviction that led Uphoff to become involved with the town of Dunn's development-rights program.

"There are a number of reasons to preserve farmland, not the least of which is that on the local level farmland generates more tax revenues than it needs in services," he says. "The question for us here in the town of Dunn was, 'How do we compete with developers?' A farm family's land is often their social security. It's their retirement plan. What we have to do is allow farmers to capitalize on their investment while letting the next generation know that this is farmland and it is not up for development. There has to be an opportunity for the next generation to succeed as farmers."

The town of Dunn's development-rights program works by separating the right to develop a piece of property (often compared to mineral rights) from the property itself. The program compensates landowners for limiting future development on their land.

Under the program, an entity, such as a town or a private organization, purchases development rights to a piece of property. In doing so, the organization or government agency buys the landowner's right to develop that land, but the land itself remains in private ownership, and the landowner retains all other rights and responsibilities associated with owning the property.

When a landowner sells his or her development rights, a conservation easement is created to restrict the use of land to farming or open space. This easement is attached to the landowner's deed and permanently limits residential, commercial or industrial development even if the land is sold or passed on through inheritance.

Conservation easements typically restrict non-farm development and subdivisions, but there are generally few restrictions on improvements related to the farming operation. Easements will often include language to protect sensitive areas like wetlands or archeological sites. All of the town of Dunn's easements also require that farming be carried out in accordance with an approved soil- and water-conservation plan.

Critics of the town of Dunn's development rights program claim the program is patronage-oriented, and that its land trust committee favors local interests. But Renee Dauber, the town's land-use coordinator, notes that three of the committee's four members do not live in the town of Dunn. "It seems that some people are trying to stir up controversy where there is none," she says, "and you have to wonder who is behind it."

The Uphoffs' participation in the program was the subject of a June 6 article in the *Wisconsin State Journal*. It detailed the Uphoffs' purchase of a 140-acre parcel in the town of Dunn. The land was initially appraised at $591,500. The Dane County Natural Heritage Foundation then purchased the development rights to the property for $248,900, allowing the Uphoffs to purchase the property (located across the road from their existing farm) for $215,000.

The article, entitled "Uphoffs Benefited Indirectly from Land Deal" claims the Uphoffs paid less than market value for the land. The article neglected to specify that the purchase price reflected the market value of the land (which the Uphoffs wanted to expand their feed-grain operation) with the development rights removed.

"There wasn't any secret that we wanted to expand," says Bob Uphoff. "We needed more land if we wanted to grow and still be environmentally sound. The truth is that after 21 months of having red ink from the pork operations, I don't think we'd own [the parcel] today if not for the development-rights program. As far as who benefits, the township prefers looking at farms and open space to subdivisions, or else it wouldn't have instituted the program. This is a community that wants to preserve agriculture."

THIS LAND IS OUR LAND

The key for Bob Uphoff is keeping focused on the big picture.

"Since 1975 [the year he began managing the farm], I've seen a lot of changes, and I couldn't have predicted most of them," he says. "I'm sure that there will be more changes over the next 25 years, and I couldn't tell you what's going to happen."

But, with a smile, he does make one prediction: "Unless they start producing a porkchop in a petri dish, we're still going to need land, and the land we have is good, productive farmland for the world's population."

Thus the Uphoffs raise hogs with their eyes on the prize—the future—as well as the sties. As the award they received from the American Farmland Trust attests, their farming techniques could serve as a national model of responsible stewardship. This in an era where other farmers may sacrifice future productivity to maximize production.

On the Uphoffs' farm, marginal land has been removed from production and is set aside as wildlife habitat. On land that is in production, the brothers use no-till and contour farming methods. No-till farming is a practice by which chisel-shaped plows are driven into the soil, creating narrow furrows for planting, but leaving soil structure intact. This practice is used primarily on steep slopes where the preservation of root matter helps prevent erosion. No-till farming is used on approximately one-third of the total acreage of Uphoff farm. The remaining two-thirds are contour-planted.

In contrast to conventional planting methods, which place crops in straight lines across the fields, contour planting places the crops along the contour of the land. Instead of creating straight tracks in which water can speed up and channel, contour planting forces water to follow the curvature of the land on its way downhill. This both conserves water and slows soil erosion. Once the water leaves the field, it travels along grassed waterways planted in fescue and bluegrass.

The Uphoffs raise about 2,000 hogs each year from about 400 sows, feeding them corn, soybeans, wheat, oats and sorghum grown on the farm. These crops, in turn, are fertilized primarily with hog manure.

Before it is applied to the fields, manure is stored below-ground in steel-reinforced concrete tanks—as opposed to outdoor cesspools, which is common practice. The small amount of solid manure generated by the hogs is applied directly to the fields as compost. Liquid manure is applied with a tank spreader fitted with injectors. This allows the brothers to immediately incorporate the manure, and it minimizes the possibility of overapplication and pollution in the form of runoff.

By their use of such practices, the Uphoffs have managed to avoid the major environmental problems that have blackened the reputation of hog farmers nationally.

The pollution problem associated with livestock operations where thousands of animals are raised in close quarters comes down to this: There too many animals for the land to handle. Phosphorus and nitrogen from manure are the major contaminants emerging from hog farms, and most hog operations store their manure in outdoor holding ponds. Following heavy rains these cesspools, often as big as several football fields, can burst, sending waste gushing into rivers, groundwater and coastal wetlands.

The impact of such discharges is well catalogued. In 1995, an eight-acre hog waste lagoon in North Carolina burst, creating the biggest hog-waste spill on record. As many as 10 million fish were killed, and 364,000 acres of coastal wetlands were closed to shell fishing. In 1998, a 100,000-gallon spill into Minnesota's Beaver Creek killed close to 700,000 fish, and in Missouri large-scale hog feedlots have been implicated in 61 different kills, with deaths totaling over 534,000 fish over 150 miles of rivers and streams.

Producers implicated in these discharges have protested that underground storage is too expensive to be viable, but Bob Uphoff disagrees. "The practices we use here on the fields and with the hogs amount to a minor increase in overhead," says Bob. "We are very productive. It is definitely possible to use proper management and be competitive at the same time. Is it possible to run an operation like this competitively and be wholly organic? Probably not. We are in a commodity-production mentality. The market just wouldn't support it."

When asked about the environmental consequences of hog farming in Wisconsin, Secretary Brancel downplays their impact.

"We don't have a lot of environmental problems with hog farmers here in Wisconsin," says Brancel. "Most of the high-profile incidents with the big hog farms have occurred in states where regulations have been lax or nonexistent. We've been regulating hog farms here in Wisconsin for a long time." He also credits individual farmers like the Uphoffs: "Most hog farmers in Wisconsin have done a good job as far as installing proper facilities and doing their part to minimize impact. Unfortunately, that often goes unrecognized." ■

Grocer: Seek pork solutions rather than pointing fingers

By Bob Kliebenstein
Regional Editor

PLATTEVILLE — Over the past few months, many fingers have been pointed over who's to blame for depressed pork markets.

Lonnie Olson knows some of those fingers have been pointed toward him, at least indirectly. Mr. Olson has been meat and seafood director for Brodbeck Enterprises Inc. since mid-1998. The company owns Dick's Supermarkets, a chain of eight grocery stores in southwest Wisconsin and northern Illinois.

Mr. Olson is keenly aware of criticism directed at grocers over the past few months. A frequently asked question by farmers and consumers is why pork prices in stores did not drop as hog markets fell.

Mr. Olson encourages discussion on the issue. He testified before the Assembly Agriculture Committee at a Dec. 17 hearing when hog markets were below $20. He also spoke to the Grant County Ag Workers in January about the relationship of small grocer chains to strong rural economies.

"I'm willing to meet with anyone who wants to talk about this issue," he said. "More people in my kind of business need to make the same effort. I have been talking with people daily over this issue."

Raised on a Nebraska livestock farm, Mr. Olson has been involved in the meat business his entire life, from farm to retail. Before he joined Brodbeck Enterprises, he was meat director for a Montana grocery chain similar in business structure to Dick's. He also was meat director for a chain of stores in Texas.

He can relate to small farmers being squeezed from an industry due to market unrest. Prior to working for Brodbeck Enterprises, Mr. Olson was downsized due to a merger with a larger company.

Two of his sisters are married to small family farm hog producers in Nebraska, so Mr. Olson understands the financial pinch experienced by local producers.

Pork prices have rebounded slightly from the market lows of mid to late 1998, but prices remain well below what many farmers perceive as functional.

Throughout the market turmoil, Mr. Olson said grocers have not been reaping huge profits.

"A lot of people have the misconception grocers were getting rich from the pork crisis," he said. "From June through December (of 1998), Dick's prices for product dropped an average of 39 percent for the retail portion of our pork category. Grocery stores operate on a razor-thin margin."

Dick's primary meat supplier is Fleming Foods Corp., La Crosse. Some product is purchased from Midwest Perishable Inc. and UW Provisions, both in Madison.

Mr. Olson said few people understand the farm-to-market system, and noted buying meat from suppliers is a "bidding war." He said the farm-to-retail system is like an hourglass, with processors controlling supply and demand.

The bottom half of that hourglass represents processors, who limited their need for pork, causing a market glut, he said. Coupled with Canadian hogs shipped into the United States and a depressed Asian market, domestic hog markets plummeted.

Producers are the top half of the hourglass. When the hourglass flows smoothly, prices stabilize for producers, Mr. Olson said.

Increased packer demand for lean product magnifies the challenge for producers, he said.

When asked who was making money on pork, if not the farmer or retailer, Mr. Olson said, "you can make your own assumption who made out."

He predicts another 3 months of tight markets for producers.

"A lot of people will learn some things from this past drop," he said. "I don't think it will happen again, but if we can ride this storm another 3 months, it will be OK. We still have a lot of hogs out there. This problem is not cleared up."

Major grocery chains could push more pork, but face the challenge of providing sufficient pork to coincide with store advertisements. Mr. Olson said one large grocery chain ran out of pork because bad weather hampered product shipment.

Ideas, not blame, are needed to aid small pork producers, he said.

"We need to focus on how we can help small producers survive this period," he said. "We need a strong agricultural economy."

Many hog producers are direct-marketing pork, and most local lockers are booked for processing. Mr. Olson said Dick's could not provide that service to fill the meat counter. It would cost more to process and prepare meat for retail space, with that cost passed on to consumers, he said.

Madison hog farmers win national land award

JAN SHEPEL

MADISON

Madison brothers Fred and Bob Uphoff are committed to protecting their family's farm from development and for their efforts to protect it, they were chosen this week as the Steward of the Land winners by The American Farmland Trust.

The trust chose the Uphoffs as the American farmers "who best personify the ideals embraced" by the organization's mission – "to stop the loss of productive farmland and promote farming practices that lead to a healthy environment." The Wisconsin farmers were among 34 competitors from 20 states to vie for the honor which carries a $10,000 prize.

In ceremonies in Washington, D.C. Tuesday (February 9) Bob Uphoff was quick to recognize those in the Town of Dunn who helped achieve the goal of farmland protection. "The people in the township and the town board have all worked hard to help us make this happen. Don't be surprised if you start hearing more about farmland protection in Wisconsin. It's been slow but people are beginning to hear us. They're beginning to recognize the need for farmland. There are a lot of people trying to protect farmland. I take my hat off to those folks," he said.

Bob Uphoff, known to many in Wisconsin for his work as president of the Wisconsin Land and Water Conservation Board, the National Pork Producer Council and his prior work on the AWAC (Animal Waste Advisory) committee, said that people's perception of farmland protection is "where we were 15 years ago with wetlands.

STEWARDS OF THE LAND – Fred (left) and Bob Uphoff of Uphoff Ham and Bacon Farm in Madison, were the winners of American Farm;and Trust's 1999 Steward of the Land Award. The $10,000 national award is presented annually to a farmer or farm family exemplifying environmentally sound farming practices and innovative farmland protection. (Photo by John Ehlers)

"People are just starting to realize the importance of farmland as a natural resource," he said.

The Town of Dunn in Dane County, where the Uphoffs farm, is the only municipality so far in Wisconsin that has initiated a so-called purchase of development rights program. Fred Uphoff praised the town leaders for their efforts to achieve that program.

"The leadership in the township really wanted to take the bull by the horns and figure out what we could do," Fred Uphoff said. "We talked to a couple of townships in Michigan where they had a local levy for purchase of development rights, and we decided to see what the townspeople really wanted. If they wanted to protect farmland, they were going to have to pay for it."

Bob Uphoff knows that many farmers oppose programs like purchase of development rights because it closes off one potential value of the farmland – once a piece of land is protected it's permanent, those people say. "My response to that is so is the interstate highway'," he said.

"Purchase of development rights is longer term than zoning," Bob said. "Zoning can be 20 or 30 years, but it can change fast depending on how the politics work in that area."

For the Uphoffs, the family farm began in 1866 and the city was a lot farther away then. "You can see the dome of the state Capitol from our driveway," says Fred. "We've stayed in the same place and the dome has stayed in the same place, but the city of Madison has gotten a lot closer."

Bob Uphoff, 44, has worked the family farm his entire life. Fred Uphoff, 48, left the farm for a stint in the Air Force and five years on a Texas farm before coming back to the family operation in 1979.

Their farm is only six miles from the state capitol building and is in the middle of what the American Farmland Trust considers to be the third most-threatened agricultural area in the nation. Their love of farming and proximity to lawmakers and urban developers have made the Uphoffs active in land-use questions and activities. Bob has served on the Town of Dunn's planning commission since 1980 and he worked hard for the purchase-of-development rights program which was instituted in the township in 1996.

> **"You can see the dome of the State Capitol from our driveway. We've stayed in the same place and the dome has stayed in the same place, but the city of Madison has gotten a lot closer."**
> Fred Uphoff, Madison Hog Farmer

The Uphoffs were the first farmers to make use of the program, permanently protecting their farm from development.

Ed Minihan, chairman of the Town of Dunn board, said, "In no small part because of the Uphoffs' efforts, the Town of Dunn is out in front in terms of purchase of development rights in the state of Wisconsin."

Loss of productive farmland is a concern to those interested in conservation and in agriculture. According to the USDA, more than 13.7 million acres of farmland were converted to nonfarm use between 1992 and 1997. Wisconsin lost 2,300 farms during that period.

Attending Tuesday's ceremonies in Washington, D.C., U.S. Agriculture Secretary Dan Glickman praised the Uphoffs as "excellent role models" for "the types of citizenship and stewardship we have to be involved in."

Throughout the development pressures in their area, the Uphoffs have maintained a modern facility which now produces 2,000 hogs annually. Their Uphoff Ham and Bacon Farm encompasses 500 acres on which they produce corn, soybeans and other grains, but they have also kept part of their land for wildlife habitat, and are careful with runoff management, manure handling and no-till cropping.

In 1997, America's Clean Water Foundation asked Bob Uphoff to help USDA and EPA officials write the "Comprehensive Environmental Framework for Pork Production Operations."

"The Uphoffs won this award because they are doing things on their farm and in their community that every American farmer should be proud of," said American Farmland Trust President Ralph Grossi. "Even in a less-than-perfect business climate, Bob and Fred Uphoff have run a model farm while helping keep agriculture productive in their town. Their leadership is valuable not just to Wisconsin farmers but sets an example for farmers and land-use planners all over the United States."

The Steward of the Land award, now in its third year, was created to honor the memory of the trust's founding member, Peggy McGrath Rockefeller.

"Every chance we have, we need to let people know that well-managed farms will enhance the environment," said Ben Brancel, Wisconsin's agriculture secretary. "The Uphoffs show that you can balance farm economics with an environmental concern."

Wis State Farmer 02/12/99

OUR OPINION

Wisconsin's small hog farms must strive to find middle ground

Wisconsin's hog industry must strike a balance in order to survive.

Wisconsin's pork industry is too valuable to permit it to be suffocated by hostility to large, factory-style farms. But Wisconsin's environment is too valuable to permit it to be fouled by a disaster like the one North Carolina experienced this month because of its large, factory-style hog farms.

Somewhere between Wisconsin's downward spiral in hog farming and North Carolina's environmental plight, there is a middle ground where hog farmers can thrive with minimal risk to the environment. Wisconsin must find that middle ground with prudent policy, technological research and informed public opinion.

With its proximity to feed supplies and market demand, Wisconsin is, as Jim Furlong, president of the Wisconsin Pork Producers Association, said, "an excellent place to raise hogs." That means Wisconsin is an excellent place for hog farmers to buy feed and supplies and keep the state's rural economy thriving.

But as excellent as Wisconsin's opportunity in hog farming might be, the state's pork production is headed in the wrong direction. As recently as 1994, there were a million hogs on Wisconsin farms. Today the total is 600,000 and falling.

While low hog prices account for much of the decline in production, there is something more fundamental at work. Even if prices rise, Wisconsin's hog farms will have to change to survive.

Pork production is going the way of so many other production industries — get big or get out. There remains room for small farmers to serve niche markets, but the biggest share of hog production is headed toward farms that produce hogs by the thousands, not by the hundreds.

Wisconsin has been slow to adapt to the trend — for understandable reasons. Big hog farms pose problems because of the amount of manure they accumulate. The smell offends neighbors and the risk of pollution of water supplies is frightening.

The pollution fears were given credence earlier this month when North Carolina, one of the first states to accept concentrations of big hog farms, was left with uninhabitable homes and poisoned drinking water in the aftermath of Hurricane Floyd. Rain associated with the hurricane overflowed manure lagoons from big hog farms. Manure washed through rural homes, poured into rivers and contaminated ground water.

Nonetheless, big hog farms — like big poultry farms, big dairy farms and even big Wal-Marts — are here to stay. They allow farmers to spread costs over more hogs and, therefore, be more efficient.

Moreover, big hog farms actually pose some environmental advantages over small hog farms. The big farms are subject to regulation of manure handling. On too many small farms, the answer to manure runoff is simply to ignore it.

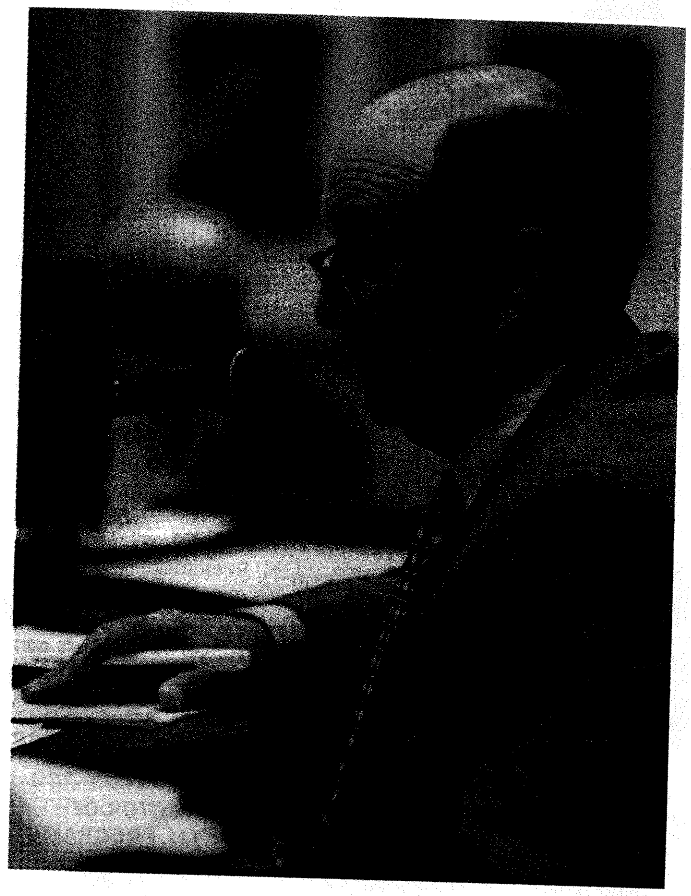
Wisconsin should see not only the environmental risks in big hog farms but also the opportunities. Research aimed at making big hog farms safer should be encouraged at universities like UW-Madison. Critics who argue that such research aids big corporations at the expense of family farmers should be reminded that if family hog farmers are to survive, they need the opportunity to expand.

Policies aimed at locating big hog farms for maximum safety and minimum public inconvenience also should be encouraged. The state Department of Natural Resources has regulations in place. Those rules deserve continual review of their adequacy. But some communities have adopted a "not here, not ever" approach to big hog farms. Catering to knee-jerk reactions will only ensure

PLAYERS

Jim Glover

Hog-Tied



Earlier this year, as the Oklahoma Legislature began grappling with the messy issue of what to do with the state's multiplying hog farms, Representative Jim Glover stood up to announce that he wanted to ban future corporate farms anywhere in the state. It was one of those moments that legislative insiders relish, when history—for those in the know—bends back upon itself.

A rancher and a Democrat from the southwest corner of Oklahoma, Glover has for 22 years been a steady advocate in the legislature for agricultural interests. In the 1980s, he was one of the moving forces behind an effort to keep corporate farming out of the state, fearing that it would hurt family farms. Then, in 1991, Glover reversed course, standing just as squarely behind a measure that opened the way for corporate farming. Now here he was, joining with those who were trying to halt its spread.

Tempting as it might be to see something peculiar in Glover's peregrinations, they actually reflect Oklahoma's own difficulty in coming to terms both with corporate farms and with the environmental impact of raising hogs. The 1991 bill, Glover argues, was essentially intended to allow family farmers in Oklahoma to raise poultry and pigs under contract with corporate processors. It was, in other words, a bid to shore up Oklahoma farmers.

Under its provisions, however, large corporate growers, notably the Seaboard Corp., were able to move in and set up their own operations as well. The state's hog population grew by 600 percent in just the four years after the bill's passage. And like many of the states around it, Oklahoma over the past couple of years has come face to face with what large hog farms can mean: a stench so bad that neighbors want to move; hog waste runoff into streams and ponds; the need for a whole new regulatory bureaucracy. Things have reached such a pass that early this year the legislature passed a moratorium on large new hog operations.

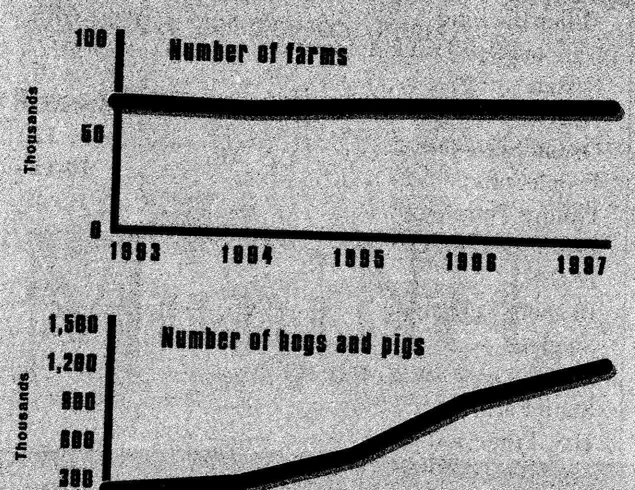
There are those who see corporate farming as the one and only evil, and then there are those who say the problem isn't the corporations, it's the animals themselves. They argue for much tighter regulation of all hog farming—large and small. And then, caught somewhere in the middle, there's Jim Glover, who says he mainly wants the legislature to do as little harm to Oklahoma farmers as possible. "How do you keep everybody that's a small person in business, and still regulate the corporations adequately to protect Oklahoma?" he asks. "It's the $64,000 question, isn't it?"

Although he does not have the highest profile on the issue, Glover will put his stamp on whatever the legislature eventually decides to do. He is low-key, even laconic, but he knows how to get his way. Last year, when he introduced a bill allowing police officers to ticket motorists for not wearing seat belts, the House speaker pro tem—worried that small-town police forces might prey on motorists just passing through—tried to amend it to keep it from applying within the bounds of towns and cities. Glover, declaring that the move would "gut" his bill, casually drew legislators' attention to the gallery, where a 9-year-old boy sat in a wheelchair with his family. The boy was, Glover announced, in a "waking coma," unable to walk, unable to eat and functionally blind as a result of an accident in which he was the only person in the car not wearing a seat belt. The accident, Glover added, had taken place within town limits. His bill passed without the amendment. "One way or another," says one House staffer, "he gets what he wants."

—*Rob Gurwitt*

BY THE NUMBERS

OKLAHOMA AGRICULTURE



Source: Oklahoma Department of Agriculture

USDA: Real hog prices higher than spot reports

BY ED MAIXNER, *WASHINGTON EDITOR*

Actual hog prices on all spot market and contract sales may be $1 to $4 per cwt. more than the "base" hog prices reported by USDA's Agricultural Marketing Service (AMS).

At least, that may be true in the Western Corn Belt.

Such are the findings of USDA's "Western Corn Belt Hog Procurement Investigation." The study was launched in January 1996 when the Grain Inspection and Packers and Stockyards Administration (GIPSA) recorded 63,000 sales transactions on 2.9 million hogs going into 12 slaughter plants in Iowa, southern Minnesota, eastern Nebraska, and the southwest corner of South Dakota.

GIPSA released its findings in October and said they will become the basis for changes in the way AMS figures its base hog prices.

Perhaps the main finding is that "prices tended to be higher for marketing agreement procurement and carcass merit pricing vs. live weight pricing on the spot market."

Harold Davis, deputy GIPSA administrator who oversaw the study, said the difference is hard to describe precisely, but reported spot market prices generally ranged $1 to $4 per cwt. lower than actual transactions on all contracts and spot sales.

In fact, the report said, "in some cases the *average* price in the [spot market] investigation sample was higher than the [AMS] reported *daily high*." Davis said this difference between reported average spot prices and those in the study were usually in the $1 to $2 range.

GIPSA investigators analyzed the various types of purchase and pricing arrangements for hogs and examined the differences between prices based on seller characteristics, including type and size of sales. The types of sales examined were: "spot purchases, marketing agreements, defined-term marketing agreements, and forward contracts." Sample prices were 79% from spot market; 20% from the range of marketing agreements.

All pricing comparisons were done on a carcass-equivalent basis.

A few other findings:

- "Average prices increased with increasing seller size, but dropped down for the largest category of more than 1,000 head [per sale]."
- "Comparison of hot carcass yields and lean measures indicated significant differences in hog quality with smaller sellers and spot market transactions tending to include more of the lower quality hogs."
- At the time data was gathered, AMS reported base prices on a 47-49% lean basis. However, at least for the plants where AMS recorded lean in actual sales, "hogs purchased by these companies were significantly leaner than the base hogs being reported."

Donna Reifschneider, Illinois farmer and president of the National Pork Producers Council, said of the overall findings: "I don't think it's a surprise — we know there are discounts and premiums based on the quality of pigs."

For example, she said, "the spot market probably knows least about the quality of the hogs, so the packer can be more at risk" and, when that is the case a lower spot market price might be expected.

Neither did meatpackers express surprise at the report. J. Patrick Boyle, president the American Meat Institute, which represents meat packers and processors, said the GIPSA report "confirms that industry buying practices are changing in response to consumer demands for healthier products." Therefore, packers prefer to buy higher-quality, leaner hogs, he said.

Reifschneider noted that the data was collected 32 months ago and "the market has changed even since then." For example, marketing agreements probably account for at least 50% of all sales today while the study drew 79% of data from the spot market.

It is important for GIPSA to investigate hog pricing and other market factors more often, she said.

GIPSA's report can be found on the Internet at *http://www.usda.gov/gipsa.* ❖

Hog Profits

Inputs	Producing Feeder Pigs (Sows bred mid-Dec.; pigs to be sold June 1999)	Farrow to Finish (Sows bred mid-Dec.; pigs to be sold Oct. 1999)	Finishing Feeder Pigs (Pigs bought mid-Dec.; marketed April 1999)
Interest rate	10%	10%	10%
Labor @ $7.50/hr.	$67.50/litter	$90/litter	$7.50/hd.
Vet. med. facilities operating cost	$40/litter	$85/litter	$4/hd.
Marketing cost, including hauling	$12/litter	$15/litter	$2/hd.
Depreciation, interest, tax & insurance on buildings and equipment	$100/litter	$150/litter	$6/hd.
Cost of 40 lb. pig	—	—	$18/hd.
Feeding period (days)	—	—	145
Number of pigs sold per litter	7.27	6.97	—
Market weight (lbs.)	40	230	230
Feed: Corn (lbs.)	1341/litter	5314/litter	570/hd.
Price/bu.	$1.85	$1.85	$1.85
40% supplement (lbs.)	225/litter	1131/litter	130/hd.
Price/ton	$242	$242	$242
18% pig starter (lbs.)	78/litter	78/litter	—
Price/cwt.	$17.50	$17.50	$17.50
16% pig grower (lbs.)	273/litter	273/litter	—
Price/cwt.	$9.75	$9.75	$9.75
Price you'll need to:	**(per head)**	**(cwt.)**	**(cwt.)**
A. Cover feed & variable costs	**$26.75**	**$31.50**	**$29.25**
B. Cover total costs (breakeven)	**$42.00**	**$41.25**	**$32.00**

Only major inputs used in above calculations are listed. Final figures are rounded off to the nearest $.25. Each 10 cent per bu. change in corn price from $1.85 moves total breakeven cost 50 cents in the same direction. Interest rate for finishing feeders based on special rate for purchasing animals.

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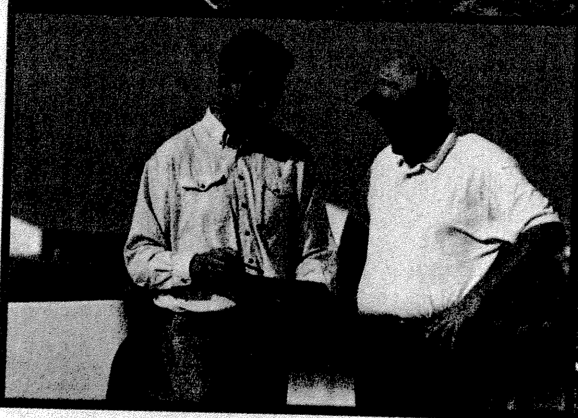
PORK POWERHOUSES™ 1998

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

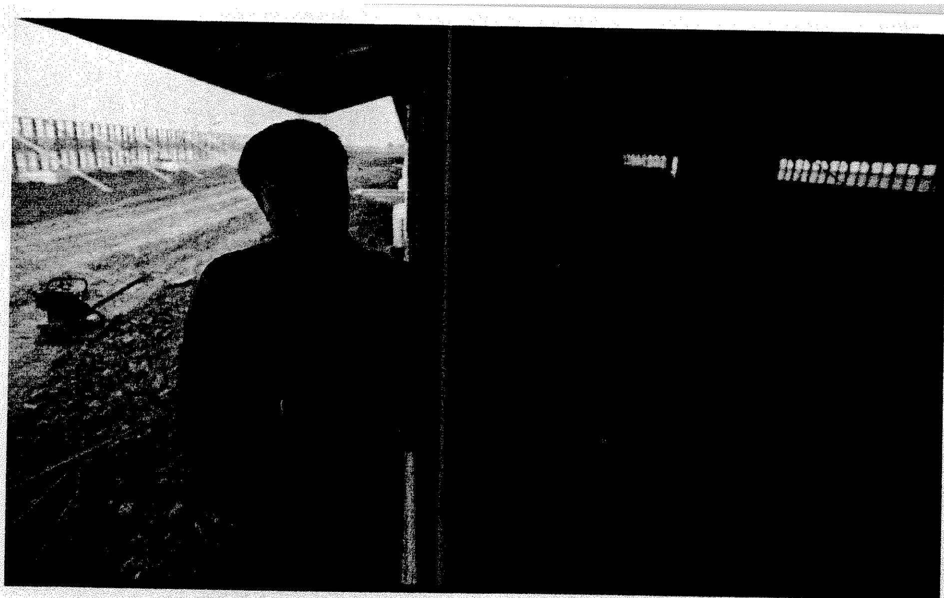


Photographs: Mitch Kezar, Mike Fizer, Chester Peterson Jr.

By Betsy Freese
Livestock Editor

Two 10,000-sow Hanor Company units (one is in the distance at top of the photo) crank out pigs near Ames, Oklahoma, under the direction of Jack Keane (far left) and Jeff Mencke. Hanor has 64,000 sows in the U.S., plus more 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 no 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.

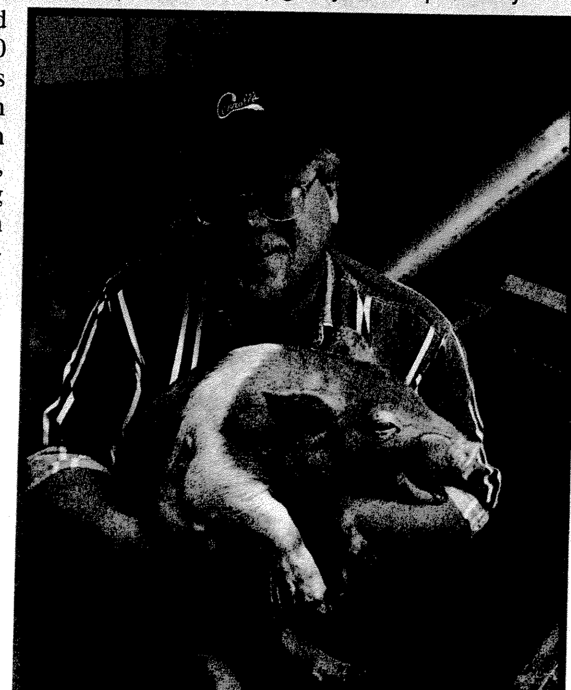
Merging two companies

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™ 1998

1998 RANK	1997 RANK	NAME OF OPERATION	HEADQUARTERS	SOW BASE	# SOWS 1998	# SOWS 1997
1	1	**Murphy Family Farms**	Rose Hill, NC	NC, MO, OK, IL	**337,000**	297,200
2	2	**Carroll's Foods**	Warsaw, NC	NC, VA, IA, UT, Mexico	**(a)183,600**	144,500
3	13	**Continental Grain Company**	New York, NY	MO, NC, TX	**(b)162,000**	(b)162,000
4	3	**Smithfield Foods**	Smithfield, VA	NC, VA, UT	**(f)152,000**	120,000
5	8	**Seaboard Corporation**	Shawnee Mission, KS	KS, CO, OK	**125,500**	108,750
6	4	**Prestage Farms**	Clinton, NC	NC, MS, UT	**125,000**	115,000
7	6	**Tyson Foods**	Springdale, AR	AR, NC, MO, OK, AL	**123,500**	111,500
8	4	**Cargill**	Minneapolis, MN	NC, AR, OK	**120,000**	115,000
9	9	**DeKalb Swine Breeders**	DeKalb, IL	KS, OK, IL, TX, IA, CO, NC	**97,000**	97,000
10	10	**Iowa Select Farms**	Iowa Falls, IA	IA	**90,000**	82,000
11	*	**Purina Mills (Koch)**	St. Louis, MO	NC, MN, NE, IA, SD, PA, IN+	**75,000**	*
12	11	**Goldsboro Hog Farm**	Goldsboro, NC	NC	**64,000**	60,000
12	14	**The Hanor Company**	Spring Green, WI	OK, NC, WI, IL, OH	**64,000**	40,000
14	15	**Land O'Lakes**	Minneapolis, MN	IA, IL, OK, MO, GA	**63,700**	34,000
15	12	**Heartland Pork Enterprises**	Alden, IA	IN, IL, IA	**61,000**	56,000
16	20	**Farmland Industries/Alliance***(e)*	Kansas City, MO	KS, IA, MN, OK, IL	**48,500**	42,500
17	21	**Pipestone System/Hawkeye***(c)*	Pipestone, MN	MN, SD, IA	**46,800**	(d)24,000
18	19	**Christensen Farms & Feedlots**	Sleepy Eye, MN	MN, NE	**44,000**	28,000
19	17	**Sand Systems**	Columbus, NE	NE	**43,000**	31,000
20	24	**Bell Farms**	Wahpeton, ND	CO, ND, SD, NE, MN	**41,000**	20,000
21	15	**National Farms**	Kansas City, MO	NE, CO	**34,000**	34,000
22	33	**Progressive Swine Technologies**	Columbus, NE	NE	**27,500**	15,000
23	22	**Clougherty Packing Company**	Los Angeles, CA	AZ, CA	**23,000**	23,000
24	23	**D & D Farms**	Pierre, SD	CO, SD	**22,000**	26,500
24	27	**Holden Farms**	Northfield, MN	MN	**22,000**	19,000
26	39	**Hostetter Management Company**	Lititz, PA	PA	**(f)20,000**	13,000
26	33	**Lundy Packing**	Clinton, NC	NC, SC	**20,000**	15,000
26	24	**PIC International Group, USA**	Franklin, KY	KY, OK	**20,000**	20,000
26	*	**Texas Farm**	Perryton, TX	TX	**20,000**	*
26	28	**Triple Edge Pork**	Chandlerville, IL	IL, MO	**20,000**	18,000
26	44	**Vall**	Texhoma, OK	OK	**20,000**	12,000
32	26	**Hastings Pork/MPI Farms**	Hastings, NE	NE, MN, WY	**19,400**	18,400
33	28	**J.C. Howard Farms**	Deep Run, NC	NC	**19,000**	18,000
34	*	**DeCoster Farms of Iowa**	Clarion, IA	IA	**18,200**	*
35	31	**Coharie Farms**	Clinton, NC	NC	**17,400**	17,400
36	32	**Gold Kist**	Atlanta, GA	GA, AL	**16,000**	16,500
37	41	**Hog Slat**	Newton Grove, NC	NC	**16,000**	12,500
37	*	**Oakville Feed & Grain**	Oakville, IA	IA, IL	**15,000**	*
39	33	**Hitch Pork Producers**	Guymon, OK	OK	**15,000**	15,000
39	33	**J&K Farms**	Harrells, NC	NC	**15,000**	15,000
39	41	**Wakefield Pork**	Gaylord, MN	MN	**15,000**	12,500
42	*	**Consolidated Nutrition**	Omaha, NE	CO, MN, WY	**14,000**	*
42	37	**Garland Farm Supply**	Garland, NC	NC, SC, GA	**14,000**	14,000
42	41	**Swine Graphics Enterprises**	Webster City, IA	IA	**14,000**	12,500
42	37	**L.L. Murphrey**	Farmville, NC	NC	**14,000**	14,000
46	*	**Newsham Hybrids USA**	Colorado Springs, CO	CO	**13,500**	*
47	39	**Western Pork Production Corp.**	Yuma, CO	CO	**13,000**	13,000
48	44	**Neuhoff Farms**	Richlands, NC	NC	**12,000**	12,000
49	47	**Esbenshade Mills/Hershey Ag**	Mt. Joy, PA	PA	**11,500**	11,500
50	49	**N.G. Purvis Farms**	Robbins, NC	NC, SC	**11,000**	11,000
				Totals:	**2,599,600**	2,092,550

*Not on list in 1997. *(a)* Includes Circle Four. *(b)* Includes Premium Standard Farms. *(c)* Includes Hawkeye, Inc., Emmetsburg, Iowa. *(d)* 1997 number only included Pipestone 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 pork production (Continental upped its position in 1998 by purchasing majority interest in Premium Standard Farms). Now 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 14,000 sows in production in Colorado, Minnesota and Wyoming. ADM also owns the feed company MoorMan's, as well as ADM Animal Health and Nutrition, both now located in Quincy, Illinois. To top it off, ADM owns 13.5% of the nation's largest pork packer, IBP, and analysts predict that share will get larger.

Purchases young pigs

ADM is "a network facilitator in many pork systems that own sows," says an ADM source who asked to remain anonymous. The company has agreements with several producers to purchase early weaned and feeder pigs, and arranges network producer purchases to disseminate the pigs.

For example, ADM guarantees 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 capital structure, but will stay with what we have," says Heartland's chief operating officer Rod Hamann. "We just have to suck it up and batten down the hatches."

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

Hurts both ways

In Oklahoma, Hitch (ranked 39th with 15,000 sows) is seeing poorer returns in both hogs and cattle. "It hurts both ways for us," says manager Mike Brandherm. "Although we custom feed cattle, if our customers are being hurt and losing money, it's not a good situation." Hitch completed construction 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

	1st Parity	2nd Parity	3rd+ Parity	Total
Live Births/Litter	10.9	11.6	11.7	11.3
Conception Rate (%)	90	86	90	89
Born/Sow/Year	27.8	25.7	29.2	27.3

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.

Kansas citizens call to political arms; Seaboard is coming!

When Seaboard Corporation targeted Great Bend, Kansas, last spring for a new hog slaughtering plant, county commissioners congratulated themselves for landing the $110 million plant, which would employ 2,400 people. Then a handful of concerned citizens requested that the decision be put to a general vote in the upcoming election. The commissioners said, "No."

Quickly, four of the citizens raised $6,000 for advertising and put themselves in the running for city council seats. Voter turnout was high, and the four–all write-in candidates–unseated the incumbents. The upshot: Seaboard could no longer count on using Great Bend's water supply or sewage facility.

Water already short

"We're especially concerned about water, because some farmers who irrigate have already been put on allotments," says newly elected city councilwoman Leslie Barrett. The city now uses 3 million gallons a day. The new plant would require another 3 million gallons daily, plus 1 million gallons for new families coming to town, she says. To keep a plant of this size operating, 100 new hog facilities would be needed, also taking from the watersheds.

"Already no new water rights are available anywhere in the county, and even more water is set to be siphoned off upstream from the Arkansas River by another city," says retired school principal Don Halbower. The bottom line, he says, is "this company would be bringing 9,000 people into our community of 15,000 people. Overnight Great Bend becomes a company town. Seaboard would be the dominant force."

"Seaboard doesn't want to be a part of Barton County," agrees Mary Beth Bates, Hoisington, Kansas. "It wants to *be* Barton County."

Barrett says what really triggered public response was a barrage of local ads and commercials saying, "Barton County is hog-wild about Seaboard." When asked who was paying for the media blitz, the ad agency refused to say. "We felt we should have some choice concerning something that would so affect the lives of everybody here," says Barrett. "And, the people agreed."

"Let a slaughterhouse be located 200 feet from your front door, then tell me how you'd feel," says Lana Schatz-Brown. One possible site for the plant is just that far from her family's farmhouse. "Putting something like this in your front yard wakes you up quickly."

(According to Seaboard, the site of the new plant has not been chosen.) ■

By Chester Peterson Jr.

Great Bend, Kansas, citizens fighting a proposed hog slaughtering plant include (from left): Mary Beth Bates, Leslie Barrett, Don Halbower and Lana Schatz-Brown. Greg and Lana Brown hope the plant is not sited near their home.

Lenders pushing hog marketing contracts

Lender pressure has led to a variety of new hog marketing contracts, says Gary Machan, vice president of procurement for IBP, the nation's largest hog packer. About 50% of IBP's hog purchases this fall are made through marketing arrangements, he says, compared to 40% one year ago.

"Pressure from banks providing financing for producers has prompted our company to expand the variety of arrangements offered," says Machan. IBP's contracts include the Cash Flow Assistance (CFA) program, which provides short-term protection against fluctuations in prices. Interest is paid on any amount owed by one party to another (at prime minus one).

"Clearly, this program is lender driven. An increasing number of producers with new or expanded operations have been required to enter long-term packer contracts," says Machan.

You'll have to wait awhile for a new CFA contract. IBP reached its initial participation goal in the program, says Machan, and has "temporarily stopped developing" the contracts. "We will reassess early next year whether to seek additional participation." ■

Do you know how to handle the Grouch?

By Cherie M. Reilly
Pennsylvania farmwife

Anyone who works with the public knows that in every group of 1,000 people there'll be at least one Grouch (a paranoid person who thinks everything is a rip-off). Even if the other 999 people are pleasant and happy, the Grouch will ruin your day.

In October, thousands of people come to our pumpkin farm near Pittsburgh, Pennsylvania, to enjoy the harvest season. The air is alive with laughter and excitement. Of course, a Grouch always comes, too. I've never had an easy time handling critical people, probably because I am quite positive. Negative people hurt my feelings, which I am told is passive anger.

You can never please or pacify a Grouch. Never try to reason with Grouches, it only makes them grouchier. Instead of offering an explanation or argument, simply listen, apologize, and offer them their money back.

Many times I've longed to say, "Too expensive, ma'am? At the movie theater you pay $7 to sit in the dark and witness violence, sex, profanity and frightening images. But here, for half that, you can have a wonderful time with your family on a hayride or pumpkin hunt, and enjoy 10 other activities that will provide memories you'll cherish for a lifetime."

Or, "You think that the hayride should be free, sir? But how will I pay for that $50,000 tractor pulling you on that $5,000 wagon through that expensive land where I have spent time, energy and expense to grow pumpkins for your picking pleasure? Remember, I pay 10 types of taxes!"

The Depression Grouch

One day in October as I was enjoying the flurry of excitement, a Grouch caught me unaware. She was a Depression Grouch, potentially the most vicious kind, because they remember 10¢-a-loaf bread. As she was shaking her finger at me and declaring that her Grandmother's farm was free, and I should be ashamed of charging so much, and I should "give all this money to charity to make amends," I didn't feel like apologizing. In fact I was thinking, "Get on your broom, witch, and begone!"

But I remembered a theory from psychology class. When she hesitated in her tirade, I looked at her with sympathetic eyes and said softly, "You must be having a very difficult day. Is there anything I can do to help?"

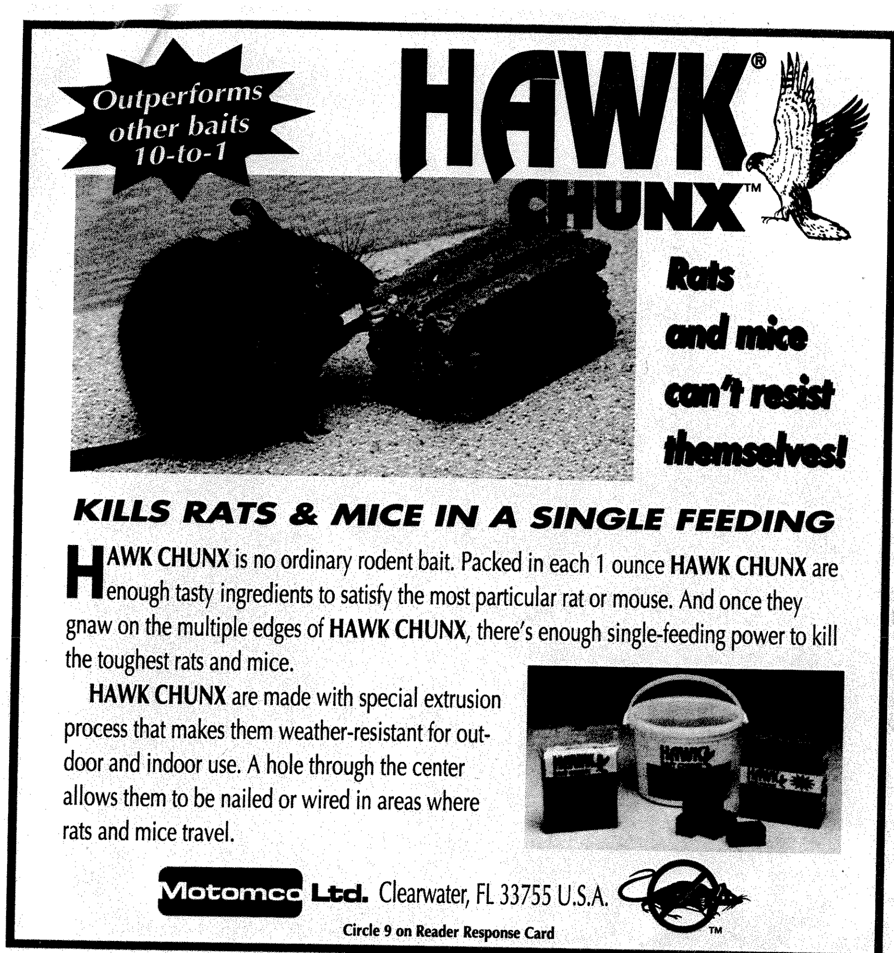
Her mouth dropped in midsentence, and she was dumbstruck. Finally she said in a transformed manner, "My family left me on that bench while they went to find pumpkins because they thought the hayride would be too much for me, and my arthritis is hurting."

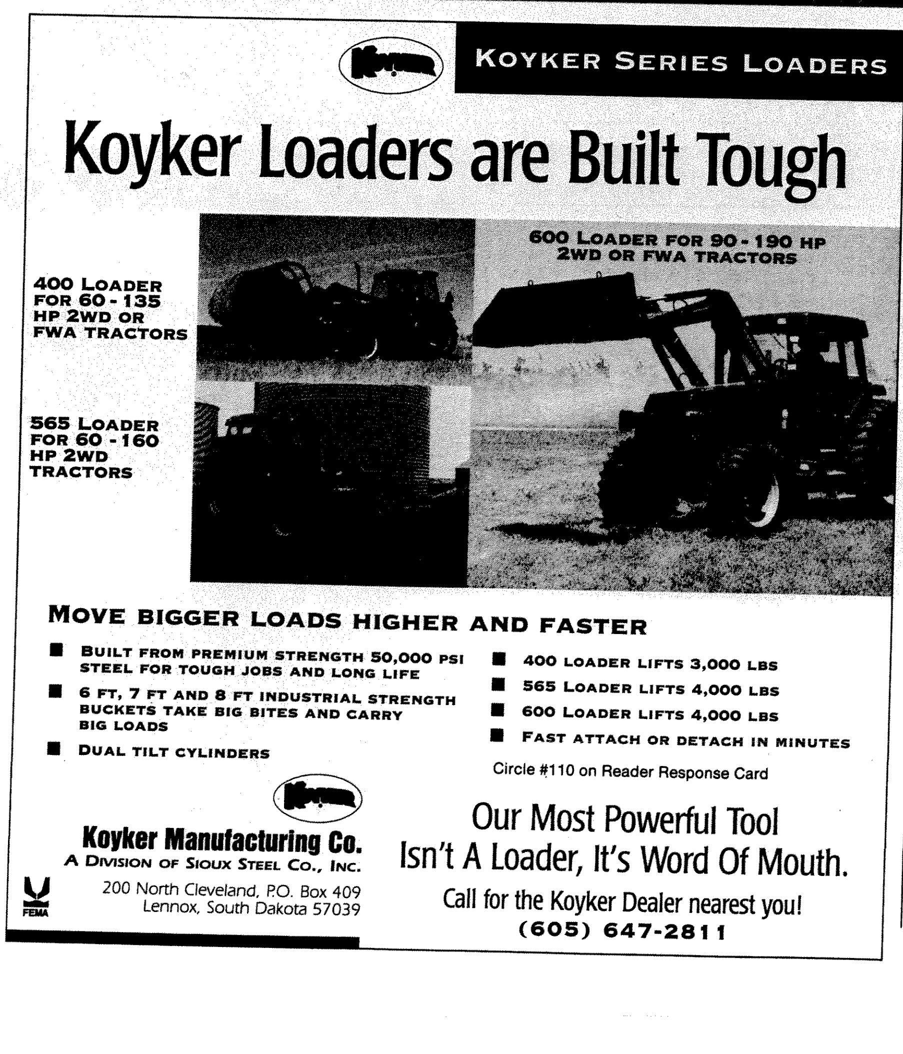
"Do you have some medicine in your purse? I'll gladly get you some water," I offered. "And there's a chair over there in the shade that would be more comfortable."

"That would be nice," she said.

The last time I saw her, she was sitting in the shade smiling as she watched excited children climbing aboard the hay wagon.

Those who want to be loved the most often act the most unlovable. SF





More pork heading to restaurant menus

Pork entrées are being served up by a growing number of national restaurants, says the National Pork Producers Council (NPPC) and the National Pork Board. Dairy Queen has added a pork entrée to its list of "Hot Eats and Cool Treats." The DQ Rib Basket rolled out in August to 3,800 Dairy Queen stores nationwide. The entrée features four pieces of unbreaded, boneless pork. (It will be available at 3,000 more stores once they install needed equipment.)

Dairy Queen is the first major fast-food chain to put a pork item on its menu year-round. Previous pork items at chains have been limited-time offers, says Ed Bass, NPPC's national food service marketing manager.

Sizzling pork chop platter

T.G.I. Friday's has introduced four new entrées in a menu segment called the "Chop House" at 480 locations. Included are two grilled pork chops presented on a sizzling platter with a bed of potatoes and mixed vegetables. The chops are topped with caramelized onions and fresh rosemary. The "Chop House" specials are being promoted via national TV ads.

NPPC works with restaurant chains and encourages them to menu new pork products, says Bass. One reason restaurants select pork is to add variety to their menus. A trend is in the growth of ethnic dishes, such as Mexican. More pork dishes are being used in carnitas and fajitas, says Bass.

Pork continues to dominate the breakfast scene. During the fourth quarter of 1998, Denny's will have the "Slam Breakfast" promotion at its 1,650 stores nationwide. The breakfast entrée includes bacon, ham, sausage and Canadian bacon.

Top meat added to menus

The food service trade magazine *Restaurants & Institutions* notes the growth of pork on menus. Pork tenderloin was the number one meat item added to restaurant and institution menus in the past year, according to *R&I*'s annual Menu Census. The magazine says the popularity of pork tenderloin has ushered in a wave of less-common pork cuts on menus, including pork shank and shoulder. SF

Behind the Hog Crisis

Did environmentalists cause the record low prices?

Few would disagree the U.S. pork industry is in dire straits, with today's hog prices not high enough to even cover the corn fed from farrowing to finish! The cause of the record low live hog prices is not as universally agreed upon.

Certainly, economic problems play a role on the demand side: The Asian financial crisis hasn't helped; likewise, Russia's economic collapse. Russia is a major pork importer, although most of its imports have come from Western Europe. Nonetheless, these two important export markets have been rocked financially and the resulting reduction in purchasing power has caused downward pressure on pork prices globally. Given a more than 8% expansion in the U.S. swine herd in the past two years, the impact has been felt doubly hard here.

SOURCE: NPPC

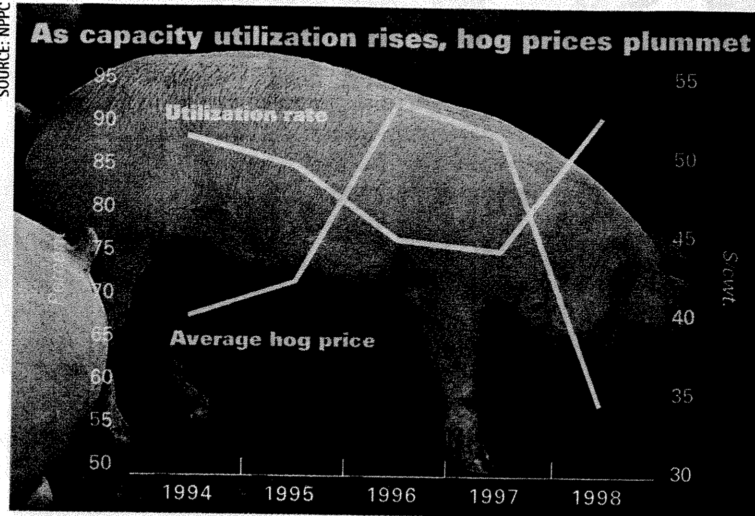


PHOTO: JEANNE BERNICK

Loss of packing plant capacity and rising hog numbers pushed utilization rates higher. That rapidly drove hog prices downward.

And, of course, rising imports of live hogs from Canada have added to slaughter numbers here. Canadian imports have been running between 200,000 and 300,000 head per month since late 1997, according to the National Pork Producers Council.

Another culprit. But the extreme price devaluation we have seen suggests something more than normal market fluctuations are at work. The likely non-market catalyst to this pork catastrophe is environmental regulations. First, they are a generally overlooked reason why producers expanded too fast. To be sure, over the long term, export growth opportunities are unprecedented: Pork is the world's most widely consumed meat and is the protein source of choice in many parts of Asia, where population and income growth will lead to a several-fold increase in demand. But the peak of that growth trend is probably 30 to 40 years off.

The reason U.S. producers expanded so much so soon was because they felt they had to if they were to have any hope of capturing a bigger share of the new global market. The environmental lobby in the United States drew a line in the sand over hog farm expansion, lobbying states to enact moratoriums on new hog farms and pushing for other, even stricter, punitive regulations.

Kentucky, Oklahoma, and North Carolina have such laws in place, and similar bans were threatened in Nebraska, Minnesota, and Illinois. As recently as November, Colorado and South Dakota passed strict new statutes severely limiting the growth and economic viability of hog production, following the design of tough new laws and expanded regulation already enacted in Iowa, Utah, Georgia, Missouri, Kansas, Wisconsin, and Pennsylvania.

By Dave Juday

Caught between a growing market and this tidal wave of costly new regulation—including outright bans on future expansion—many operations expanded production prematurely.

Only two of the top 10 major integrators did not expand—DeKalb Swine Breeders and Continental Grain, both involved in merger negotiations. The other integrators' erstwhile three, five and 10-year plans were hurried into place so they could be "grandfathered" under new production caps or beat likely new regulatory actions. Absent these government actions—ironically designed to curtail hog farm growth—it is unlikely such expansion would have taken place.

Solutions. Some packing plants are moving toward six- and seven-day weeks and adding extra shifts. At the same time, however, we have lost slaughter capacity. Environmental regulations play a part there too! Consider this: The world's largest packing plant, Carolina Foods in Tar Heel, N.C., is being forced by state officials, acting un der the guise of the federal Clean Water Act, to operate 25% below capacity. The plant is capable of processing 32,000 hogs per day, but the state has set an arbitrary cap of 24,000.

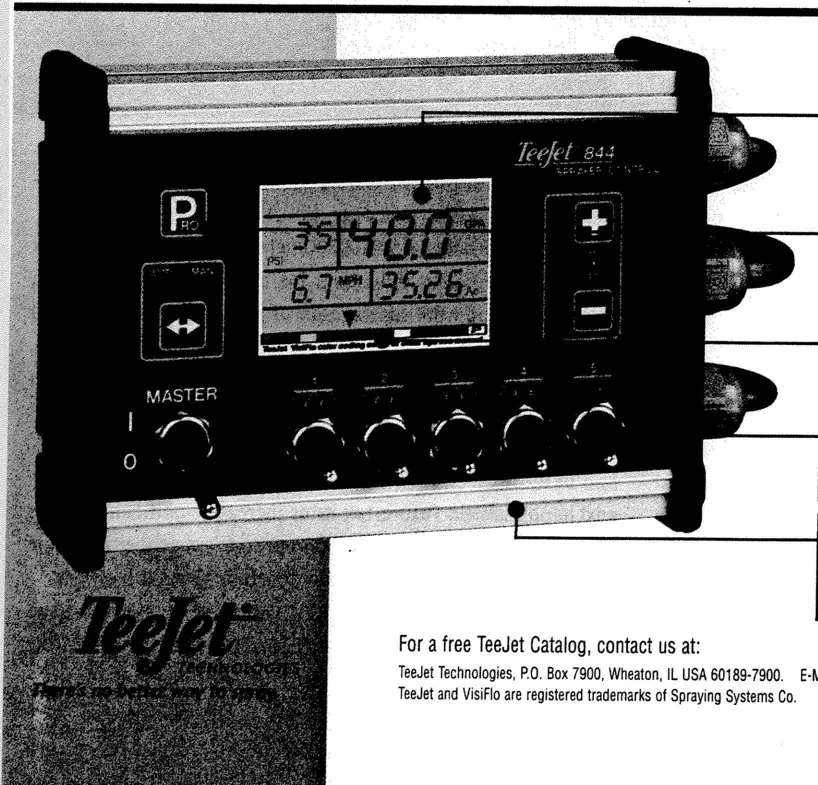
At issue is the National Pollution Discharge Elimination System (NPDES) permit. These permits are authorized under the federal Clean Water Act but are administered by the states. The NPDES permits are meant to be issued and approved based on a plant's ability to treat its wastewater—*not* to second-guess its management decisions. While other plants have responded to the market situation, the world's largest plant is prevented from doing so.

The result of this restriction can be compared to requiring paint manufacturers to eliminate lead from their paint, and then limiting their production to an amount that allows only half the houses in the United States to be painted. The issue is whether paint has lead in it, not how much lead-free paint is manufactured. Likewise, the issue with the NPDES permits is whether the wastewater is treated and free of contaminants, not how much water is run through a plant, treated, and then released. Indeed, in many cases, such water is released cleaner than it was when it was pumped into the plant.

It is also worth noting that in North Carolina, the nation's second-largest hog producing state, hog production has increased 500% in the Black River watershed in fewer than 20 years. Yet the Black River maintains an "excellent" rating by the state's department of environmental resources (DNER). Monitoring has shown no increase in nutrient pollution from manure. During the fall hurricanes in the state, municipal sewage treatment plants had a spill rate 100 times greater than that of hog farm lagoons. Yet the Sierra Club has called for "new standards" under the federal Clean Water Act. Given that the "old" standard holds hog farms to a zero discharge requirement, it is unclear how that can be improved upon.

The North Carolina DNER's decision to use the federal Clean Water Act to cap the number of hogs that can be processed at the Carolina Foods plant certainly appears to be a strategy to stop the hog industry by any means. If it is a calculated backdoor attempt to accomplish what the other regulations did not, it is sinister. Short of that, it is a seriously flawed regulation that is causing the pork industry undue harm. Either way, it should be changed. ■

Dave Juday is an adjunct fellow at Hudson Institute's Center for Global Food Issues, Churchville, Va.



Low hog prices hurt farmers, help processors

Patrick Cudahy, Klement Sausage expect higher profits

By Tom Daykin
of the Journal Sentinel staff

Rock bottom hog prices — which the federal government said Thursday had created a crisis among hog farmers — have brought higher sales and more jobs to the nation's pork processors, including Patrick Cudahy Inc.

"This is going to be a good year for Patrick Cudahy," said company President Roger Kapella. The firm will post higher sales and operating profit this fiscal year, he said.

Employment at Patrick Cudahy, which is owned by industry giant Smithfield Foods Inc., has increased from around 820 in January to around 880 now, Kapella said.

That's the highest employment level at Patrick Cudahy since its bitter 1987-'88 strike. The company had around 1,200 employees before closing its hog slaughter operation around that time.

But as processors like Patrick Cudahy are enjoying increased margins, farmers are suffering because of the lowest hog prices since the 1940s, and consumers are seeing little benefit. Prices on grocers' shelves have fallen, but the decline is a fraction of the free-fall experienced by farmers.

For Smithfield, the nation's largest pork processor, the low hog prices mean increased profits. That's because the company's main raw material, which is processed and packaged into bacon, ham and other pork products, has seen a drastic price drop, said Smithfield spokesman Aaron Trub.

Smithfield Chairman Joseph W. Luter III said earlier this week that the company was having "an extremely strong third quarter." Luter said the company might more than double the record earnings it posted during the third quarter of last year.

Milwaukee-based Klement Sausage Co. also expects to see an increase in sales and operating profit this year, said James Klement, executive vice president.

"When you're dealing with raw materials at a lower level, you have a little bit more to play with in terms of your (profit) margin," Klement said.

Not all companies that use pork in their products are

Please see PIGS page 8

Pigs/Hog prices help processors

From page 1

benefiting greatly from low hog prices.

Fred Usinger Inc., the Milwaukee sausage-maker, uses pork. But it also uses beef, which has seen price increases, said firm President Fritz Usinger. The same is true at Madison-based Oscar Mayer Co., which has seen an increase in prices it pays for other commodities.

The current price for hogs at the Sioux Falls, S.D., stockyards is $10 per hundred pounds. That compares with $43.30 in December 1997 and $58.30 in 1996.

The rock-bottom hog prices were the subject of a state legislative hearing Thursday.

"These prices are killing us," said Dane County farmer Bob Uphoff, who told the Assembly Committee on Agriculture that he had just sold hogs and lost $63 on each animal.

Uphoff and other producers said at the hearing that some short-term state or federal financial assistance is needed to keep many hog operations from going under until pork prices come back up again.

"At no time in history have Wisconsin producers lost so much money," said John Lader, vice president of the Wisconsin Pork Producers Association, who raises hogs in Rock County.

Lader and others suggested short-term disaster loans as a way to get pork producers through the financial crisis.

But committee chairman Alvin Ott (R-Forest Junction) said he was not sure how much state government could do to remedy the tough financial situation faced by pork producers.

"I haven't called this hearing to give people false hope," he said.

Jens Knutson, a vice president of the American Meat Institute, a meat processors group, said prices paid to pork producers are so low because there is such a large supply of hogs now.

He said processing plants around the country are running at full capacity, slaughtering more than 2 million hogs each week, and still they cannot keep up with the numbers of hogs being sold by producers.

Kapella, of Patrick Cudahy, said the record low hog prices are the result of overproduction by the nation's hog farmers and a drop in demand from such export markets as Russia and Japan.

"There's more hogs coming into the marketplace than what the market can bear," he said.

In response, U.S. Agriculture Secretary Dan Glickman said Thursday he is creating a crisis task force to help hog farmers.

The government also will accelerate plans to buy $50 million worth of pork to reduce the supply glut, Glickman said. Hog futures rose almost 1% as a result of that announcement.

Glickman said the government will buy $3 million of the pork by today for the nation's school lunch program. Still, analysts said, the purchases won't make a big dent in the hog surplus.

"By the purchases happening sooner than some thought, it will help prices in the very short term because it's a step toward cleaning up the glut," said Karen Curry, analyst with Rosenthal Collins in Chicago. "But there was no addition to the purchase, so it won't make a difference in a month."

Amy Rinard of the Journal Sentinel Madison bureau, The Associated Press and Bloomberg News contributed to this report.

Hog farms are in an awful bind

■ An explanation is given for why packers and grocery stores are making money, but farmers are losing $60 for each hog they sell.

By Rick Barrett
Agribusiness reporter

It was a hog inquisition with farmers, grocers and a meat industry economist wrestling with a slippery question: Why are the prices farmers receive for their hogs so low when pork prices remain stubbornly high in the stores?

One answer: There are simply too many hogs and not enough packing plants to buy them, experts told the Assembly Agriculture Committee in a public hearing Thursday at the state Capitol.

Another answer: Farmers have lost their grip on a marketplace dominated by large meat packers and large retail chains.

For farmers, the current situation is an "economic disaster," said Craig Jarolimek, vice president of the National Pork Producers Council.

Legislators conceded there might be nothing they can do about hog prices that have plummeted to some of the lowest levels since the Depression.

"We don't want to give false hope," said Rep. Al Ott, R-Forest Junction.

But committee members, and about 200 farmers who packed Thursday's hearing, were keenly interested in why packers and grocery stores profit from pork, while farmers are losing an average of $60 for every animal they sell.

One explanation came from Jens Knutson, chief economist for the American Meat Institute, a meat packing trade association based in Arlington, Va.

Packers, on average, make about $25 net profit for every hog they process, Knutson said.

Yes, the profits come at the same time farmers are losing money on their hogs.

But packers are recovering from two tough years, 1996-97, when they lost money on pork, Knutson said.

"There was a big shakeout in the packing industry" and some slaughterhouses were closed, he said. "It's hard economics and market forces at work."

The prices that packers charge grocery stores are coming down, Knutson and others said.

Retail prices also are dropping, but consumers are still paying too much for some pork products, according to a Wisconsin Farm Bureau Federation survey.

Wisconsin hog farmers have seen their prices drop 60 percent in the past year, said Tom Thieding, Farm Bureau spokesman.

By comparison, he said, choice cuts of pork chops and pork roast have fallen less than 10 percent. Retail bacon prices have dropped 19 percent, and ham prices have dropped 23 percent.

Yet grocery stores aren't making a killing on pork, said Brandon Scholz, president of the Wisconsin Grocers Association.

"Grocers will lower the price when the price is lowered to them," he said. "And the fact is that grocers are not in the mix when it comes to determining prices that small hog farms" receive for their animals.

Large hog producers, mostly outside of Wisconsin, have contracts with packers that guarantee them higher prices. Smaller producers without contracts are hurting the most, experts said.

With a record number of hogs nationally, prices are likely to remain low for months. Even when prices rebound, it could take some farmers three or four years to recover their losses, according to hog industry analysts.

The number of hog farms in Wisconsin has dropped from about 23,000 in 1975 to fewer than 5,000 today, according to U.S. Department of Agriculture statistics. In the past year, nearly every hog farm in the state has operated in the red, experts said.

At the hearing, some producers asked legislators to grant emergency disaster loans. Another suggestion was to allow hog producers more time to pay their taxes.

"Trust me, there are not a lot of producers who can afford to stay in business many more months," let alone years, said John Lader, a Beloit hog farmer. "And if hog producers are allowed to fail, other businesses will fail too. The time has come for us to ask for help. Otherwise, an entire industry could be destroyed."

USDA plans 4 million-pound pork purchase

Bloomberg News

WASHINGTON — The U.S. Department of Agriculture will buy 4 million pounds of pork worth $3.1 million before the end of business today as one of several steps to help farmers receiving the lowest hog prices in 57 years.

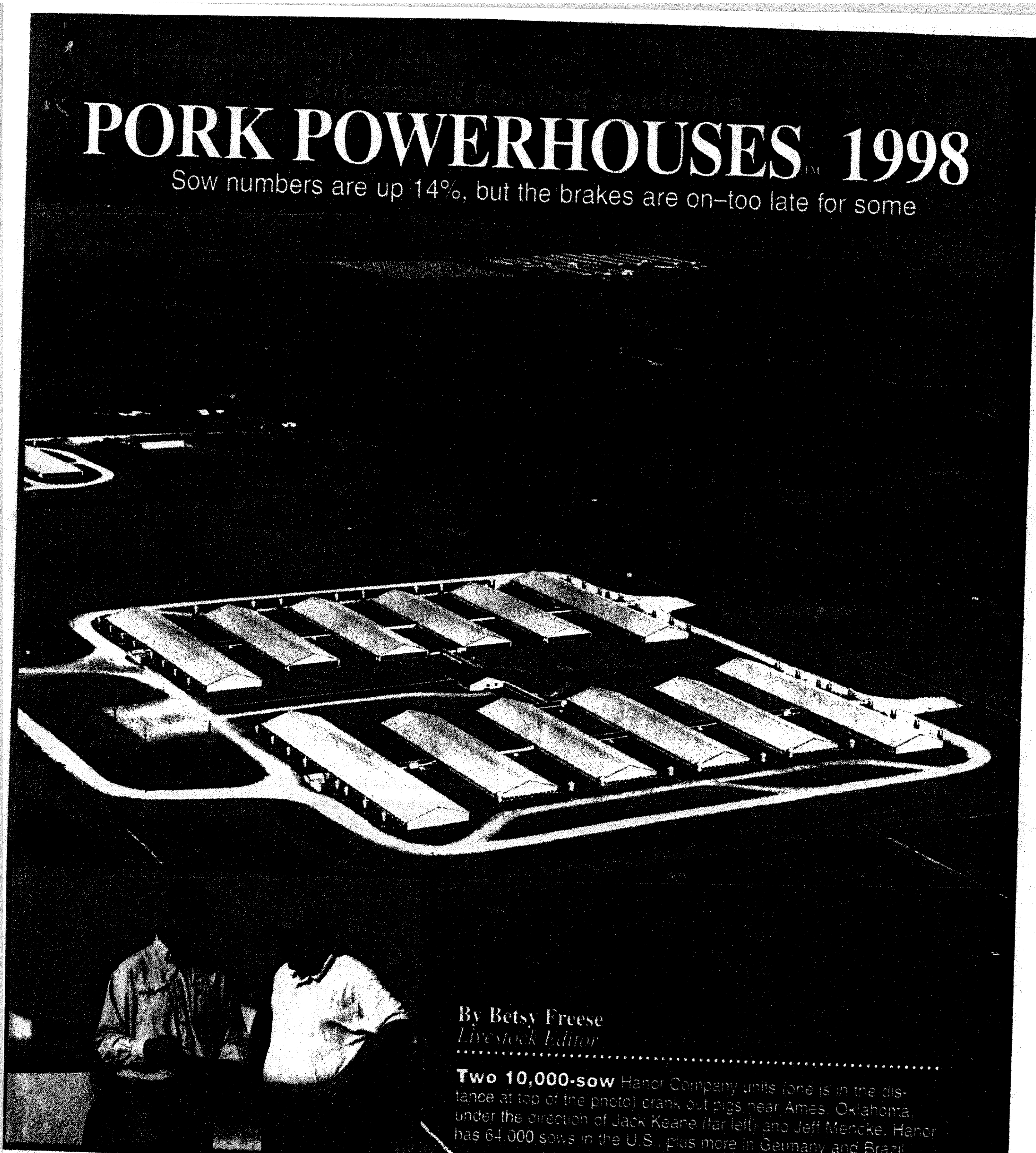
The $3.1 million is the first installment of a previously announced $50 million purchase that will be complete by the end of February.

U.S. Agriculture Secretary Dan Glickman said a departmental pork crisis task force is exploring steps such as disaster payments and low-interest loans for farmers along with export credits to potential overseas buyers such as South Korea.

Glickman plans to meet with pork industry representatives, processors and retailers Monday to talk about the widening gap between what farmers get for their hogs and shoppers pay for pork.

PORK POWERHOUSES™ 1998

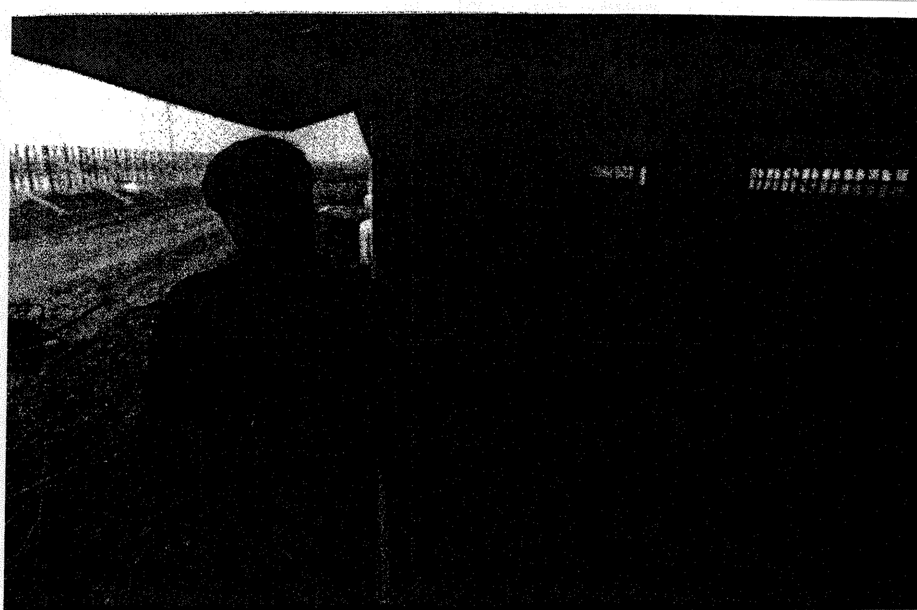
Sow numbers are up 14%, but the brakes are on–too late for some



By Betsy Freese
Livestock Editor

Two 10,000-sow Hanor Company units (one is in the distance at top of the photo) crank out pigs near Ames, Oklahoma, under the direction of Jack Keane (far left) and Jeff Mencke. Hanor has 64,000 sows in the U.S., plus more 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 no 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.

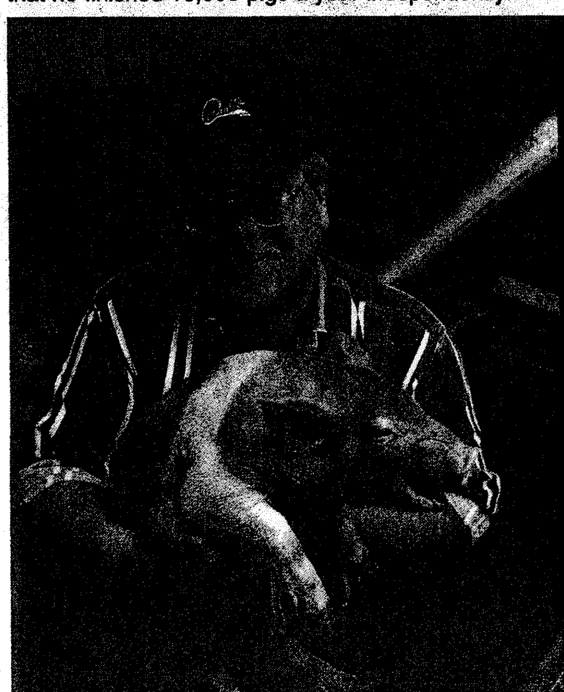
Merging two companies

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™ 1998

1998 RANK	1997 RANK	NAME OF OPERATION	HEADQUARTERS	SOW BASE	# SOWS 1998	# SOWS 1997
1	1	**Murphy Family Farms**	Rose Hill, NC	NC, MO, OK, IL	**337,000**	297,200
[redacted]						
3	13	**Continental Grain Company**	New York, NY	MO, NC, TX	*(b)***162,000**	*(b)*162,000
[redacted]						
5	8	**Seaboard Corporation**	Shawnee Mission, KS	KS, CO, OK	**125,500**	108,750
[redacted]						
7	6	**Tyson Foods**	Springdale, AR	AR, NC, MO, OK, AL	**123,500**	111,500
[redacted]						
9	9	**DeKalb Swine Breeders**	DeKalb, IL	KS, OK, IL, TX, IA, CO, NC	**97,000**	97,000
[redacted]						
11	*	**Purina Mills (Koch)**	St. Louis, MO	NC, MN, NE, IA, SD, PA, IN+	**75,000**	*
[redacted]						
12	14	**The Hanor Company**	Spring Green, WI	OK, NC, WI, IL, OH	**64,000**	40,000
[redacted]						
15	12	**Heartland Pork Enterprises**	Alden, IA	IN, IL, IA	**61,000**	56,000
[redacted]						
17	21	**Pipestone System/Hawkeye***(c)*	Pipestone, MN	MN, SD, IA	**46,800**	*(d)*24,000
[redacted]						
19	17	**Sand Systems**	Columbus, NE	NE	**43,000**	31,000
[redacted]						
21	15	**National Farms**	Kansas City, MO	NE, CO	**34,000**	34,000
[redacted]						
23	22	**Clougherty Packing Company**	Los Angeles, CA	AZ, CA	**23,000**	23,000
[redacted]						
24	27	**Holden Farms**	Northfield, MN	MN	**22,000**	19,000
[redacted]						
26	33	**Lundy Packing**	Clinton, NC	NC, SC	**20,000**	15,000
[redacted]						
26	*	**Texas Farm**	Perryton, TX	TX	**20,000**	*
[redacted]						
26	44	**Vall**	Texhoma, OK	OK	**20,000**	12,000
[redacted]						
33	28	**J.C. Howard Farms**	Deep Run, NC	NC	**19,000**	18,000
[redacted]						
35	31	**Coharie Farms**	Clinton, NC	NC	**17,400**	17,400
[redacted]						
37	41	**Hog Slat**	Newton Grove, NC	NC	**16,000**	12,500
[redacted]						
39	33	**Hitch Pork Producers**	Guymon, OK	OK	**15,000**	15,000
[redacted]						
39	41	**Wakefield Pork**	Gaylord, MN	MN	**15,000**	12,500
[redacted]						
42	37	**Garland Farm Supply**	Garland, NC	NC, SC, GA	**14,000**	14,000
[redacted]						
42	37	**L.L. Murphrey**	Farmville, NC	NC	**14,000**	14,000
[redacted]						
47	39	**Western Pork Production Corp.**	Yuma, CO	CO	**13,000**	13,000
[redacted]						
49	47	**Esbenshade Mills/Hershey Ag**	Mt. Joy, PA	PA	**11,500**	11,500
[redacted]						
				Totals:	**2,599,600**	2,092,550

lot on list in 1997. *(a)* Includes Circle Four. *(b)* Includes Premium Standard Farms. *(c)* Includes Hawkeye, Inc., Emmetsburg, Iowa. *(d)* 1997 number only included pestone 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 pork production. (Continental upped its position in 1998 by purchasing majority interest in Premium Standard Farms.) Now 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 14,000 sows in production in Colorado, Minnesota and Wyoming. ADM also owns the feed company MoorMan's, as well as ADM Animal Health and Nutrition, both now located in Quincy, Illinois. To top it off, ADM owns 13.5% of the nation's largest pork packer, IBP, and analysts predict that share will get larger.

Purchases young pigs

ADM is "a network facilitator in many pork systems that own sows," says an ADM source who asked to remain anonymous. The company has agreements with several producers to purchase early weaned and feeder pigs, and arranges network producer purchases to disseminate the pigs.

For example, ADM guarantees 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 capital structure, but will stay with what we have," says Heartland's chief operating officer Rod Hamann. "We just have to suck it up and batten down the hatches."

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

Hurts both ways

In Oklahoma, Hitch (ranked 39th with 15,000 sows) is seeing poorer returns in both hogs and cattle. "It hurts both ways for us," says manager Mike Brandherm. "Although we custom feed cattle, if our customers are being hurt and losing money, it's not a good situation." Hitch completed construction 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

	1st Parity	2nd Parity	3rd+ Parity	Total
Live Births/Litter	10.9	[illegible]	[illegible]	11.3
Conception Rate (%)	80	[illegible]	90	89
Pigs/Sow/Year	[illegible]	[illegible]	[illegible]	[illegible]

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.

Kansas citizens call to political arms; Seaboard is coming!

When Seaboard Corporation targeted Great Bend, Kansas, last spring for a new hog slaughtering plant, county commissioners congratulated themselves for landing the $110 million plant, which would employ 2,400 people. Then a handful of concerned citizens requested that the decision be put to a general vote in the upcoming election. The commissioners said, "No."

Quickly, four of the citizens raised $6,000 for advertising and put themselves in the running for city council seats. Voter turnout was high, and the four–all write-in candidates–unseated the incumbents. The upshot: Seaboard could no longer count on using Great Bend's water supply or sewage facility.

Water already short

"We're especially concerned about water, because some farmers who irrigate have already been put on allotments," says newly elected city councilwoman Leslie Barrett. The city now uses 3 million gallons a day. The new plant would require another 3 million gallons daily, plus 1 million gallons for new families coming to town, she says. To keep a plant of this size operating, 100 new hog facilities would be needed, also taking from the watersheds.

"Already no new water rights are available anywhere in the county, and even more water is set to be siphoned off upstream from the Arkansas River by another city," says retired school principal Don Halbower. The bottom line, he says, is "this company would be bringing 9,000 people into our community of 15,000 people. Overnight Great Bend becomes a company town. Seaboard would be the dominant force."

"Seaboard doesn't want to be a part of Barton County," agrees Mary Beth Bates, Hoisington, Kansas. "It wants to *be* Barton County."

Barrett says what really triggered public response was a barrage of local ads and commercials saying, "Barton County is hog-wild about Seaboard."

When asked who was paying for the media blitz, the ad agency refused to say. "We felt we should have some choice concerning something that would so affect the lives of everybody here," says Barrett. "And, the people agreed."

"Let a slaughterhouse be located 200 feet from your front door, then tell me how you'd feel," says Lana Schatz-Brown. One possible site for the plant is just that far from her family's farmhouse. "Putting something like this in your front yard wakes you up quickly."

(According to Seaboard, the site of the new plant has not been chosen.) ■

By Chester Peterson Jr.

Great Bend, Kansas, citizens fighting a proposed hog slaughtering plant include (from left): Mary Beth Bates, Leslie Barrett, Don Halbower and Lana Schatz-Brown. Greg and Lana Brown hope the plant is not sited near their home.

Dick Riniker of the Tribune staff

ERVIN NUTTLEMAN, center, says low hog prices make him glad he also raises dairy cattle on his Bangor, Wis., farm, where he gets help from his sons, Bruce, left, Steve and Kevin (not pictured).

With hog prices at a quarter-century low, times for Wisconsin's pork producers are ...

Lean and mean

By **STEVE CAHALAN** 12/7
Tribune business editor

Hog prices have tumbled to their lowest level in 27 years, prompting some Wisconsin pork producers to consider getting out of the business.

"I'm sure there are producers who are exiting or planning to exit," said Mark Beisbier of Reedsburg, president of the Wisconsin Pork Producers Association.

Beisbier said he wouldn't be totally surprised if a large number of pork producers get out of the business by next summer. "But I'd be disappointed," he said. "In Wisconsin, we've been losing hogs and producers since the early '90s. Our infrastructure in this area is not good," and the state no longer has any major hog slaughter plants.

Last week, Wisconsin pork producers saw prices average about $15 per hundredweight, said Keri Retallick, the state association's executive vice president. "They were in the 40s last year at this time," she said. The upper 30s or low 40s is the break-even point for many pork producers, she said.

PORK HEARING

■ **WHAT:** Committee Chairman Al Ott, R-Forest Junction, says the state Assembly Agricultural Committee will hold a public hearing on the crisis in the Wisconsin pork industry on Thursday, Dec. 17, in Room 417 North in the State Capitol in Madison.

■ **WHEN:** Invited speakers will address the committee from 9 a.m. to noon. Public testimony will begin at 1 p.m.

■ **TOPICS:** Will include the state of the industry in Wisconsin, hog and retail prices, and perspectives of producers, processors, marketers and retailers.

The average price for Wisconsin barrows and gilts was $16.90 per hundredweight in mid-November, down from $43.90 a year earlier, according to the Wisconsin Agricultural Statistics Service.

The Agricultural Statistics Service also says Wisconsin had about 4,400 pork pro-

See **PORK,** C-2

Milk prices help Bangor farmer weather storm

By **STEVE CAHALAN**
Tribune business editor

BANGOR, Wis. — After a half-century in the hog business, Ervin Nuttleman of rural Bangor is thankful he also raises dairy cows.

"Milk prices are good," Nuttleman said last week. "They're probably where they should be."

But hog prices are something else. Pork producers are facing the lowest prices since 1971 and are losing an average of $50 to $75 per market hog, the National Pork Producers Council says.

"I've been through it before," Nuttleman said of low hog prices, although current

See **NUTTLEMANS,** C-2

Pork industry needs time to recover

Continued from C-1

ducers in 1997, down from 4,700 in 1996 and 10,200 in 1987. And it says Wisconsin producers marketed about 1,554,000 hogs in 1997, down from 2,327,000 in 1987.

Closings of major hog slaughter plants in Wisconsin, large new hog operations in states such as North Carolina and Oklahoma, farm specialization and the state's tradition of small farms have been factors in the decline in Wisconsin hog production, said Vern Leibbrandt, extension swine specialist at the University of Wisconsin.

"We are a state with a large manufacturing base, and people do work off the farm," Leibbrandt said. "Sometimes they don't come back to farming," especially if prices remain low.

"I think it's important for the general public to realize just how serious this whole production situation is," Leibbrandt said of the current slump in hog prices.

"Clearly, we're going to lose a bunch" of Wisconsin pork producers, and some already have quit raising hogs, he said.

"Even if prices turned around today, they're not going to go back to $45 tomorrow," Leibbrandt said. "It's going to take a while to get back to the profitability range." And upcoming federal regulations on animal manure may discourage some smaller pork producers from trying to stay in the business, he said.

At current prices, Leibbrandt said, Wisconsin pork producers may be losing $25 to $50 a head on each hog they market.

"Last spring, six months ago, prices weren't real high, but they were at levels that people could function at," Leibbrandt said. "But certainly since September, it's really gotten ugly." And that has affected the mood of pork producers.

> 'We are producing too many hogs for the existing slaughter capacity in the industry. Simply stated, live hog production has gotten so close to slaughter plant capacity and producers have lost bargaining power.'
>
> **— National Pork Producers Council**

"My guess would be we're going to see a lot more emotion from here on," Leibbrandt said. "Up to this point, people haven't liked what has gone on, but they've kept it in perspective."

A sore point among pork producers, Leibbrandt and Beisbier said, is that retail pork prices in grocery stores have not declined as fast as live hog prices.

"We've been told (by grocers) that demand in stores is good, even at current prices," Beisbier said. "We would encourage people to try our products and try to support them as much as they can."

In a recent open letter to pork producers, the National Pork Producers Council board said it is encouraging packers and retailers to "significantly narrow margins to more reasonable levels."

"This comes up every time a commodity price goes down, whether it's dairy or butter ... it happens to be pork right now," said Brandon Scholz, president of the Wisconsin Grocers Association.

Changes in prices paid to the hog producer typically take one to two months to show up in the grocery store, Scholz said. The hog goes to the slaughter facility, is processed and the pork goes to a distributor and then to a retailer, he said.

"Most of our stores have meat departments," Scholz said. "So you get a big side of pork or beef and start to cut that up. We've got journeyman meatcutters in there at $17 an hour, and we have our packaging and inventory control." Grocers try to offer the lowest price and best product that they can, he said.

In its letter to producers, the National Pork Producers Council board said the low hog prices are primarily supply-driven.

"It is not that we are producing too much pork — domestic consumer demand and exports are actually up significantly compared to 1997," the letter said. "However, we are producing too many hogs for the existing slaughter capacity in the industry. Simply stated, live hog production has gotten so close to slaughter plant capacity and producers have lost bargaining power." The organization is urging the industry to increase slaughter capacity.

Pork prices depress hog farmers

Trib 12/7

By **STEVE CAHALAN**
Tribune business editor

Wisconsin pork producers won't get fat on current hog prices, which are prompting some to leave the business.

"They're pretty down," Wisconsin Pork Producers Association president Mark Beisbier of Reedsburg said of the state's hog farmers. "Going into the holidays probably makes it worse."

"We've been affected all summer," Beisbier said of falling hog prices. "It's just been since October that it's been really bad."

The biggest reason for the sharp drop in prices is that hog production is exceeding slaughter capacity, he said. Beisbier hopes packers will start slaughtering hogs seven days a week.

Last week, Wisconsin pork producers saw hog prices averaging about $15 per hundredweight, or 15 cents per pound, said Keri Retallick, the state association's executive vice president. That's far below their break-even point, she said.

"We're hoping for a (price) recovery after the first of the year," Beisbier said. "We've been in the cycle of low pig prices, and hopefully there were sows that weren't bred over the summer."

But Beisbier said he is sure some Wisconsin pork producers already are getting out of the business.

Steve Rischette, county extension agricultural agent, said he knows of two or three La Crosse County pork producers who have quit raising hogs or plan to because of current low prices.

"There are probably about 20 to 25 active producers in the county at all levels," Rischette said. The largest is Babcock Swine Inc. near Holmen, which raises breeding stock.

The smallest hog producers are more likely than larger ones to decide to get out of the business, Rischette said.

■ See story / C-1

Pork industry asks Clinton administration for help

WASHINGTON — The National Pork Producers Council on Nov. 20 urged President Bill Clinton to take "direct and immediate action to prevent the financial destruction of pork producers and their families."

Pork producers are facing the lowest commodity prices since 1971 and are losing an average of $50 to $75 per market hog.

A letter signed by NPPC President Donna Reifschneider, a pork producer from Smithton, Ill., stated, "...losses are of such historic proportions that if this dangerous situation is not reversed quickly, it will result in the failure of tens of thousands of pork producers and a massive restructuring of pork production in the United States. We believe the economic crisis facing America's pork producers must be viewed as a national emergency, warranting immediate intervention by the U.S. government."

The request for government intervention comes at a time when the U.S. pork industry is experiencing strong product demand. Consumer demand for pork is averaging 7 to 8 percent higher this year compared to 1997. U.S. pork exports for the first eight months of the year are up 32 compared to '97. Plus, the pork industry got a welcomed boost with the inclusion of 50,000 metric tons of U.S. pork for a Russian food assistance package.

NPPC representatives met with USDA officials earlier in the week to outline the difficult supply-driven situation the U.S. pork industry is facing. USDA estimates that U.S. pork producers are receiving approximately $144 million less per week on average than they did during the past five years. Unfortunately, most pork producers are not eligible for financial assistance included in H.R. 4328, the Omnibus Consolidated and Emergency Supplement Appropriations for FY 1999.

The president was asked to consider the following initiatives:

1. Create an Economic Crisis Task Force, which would create a pool of resources and expertise from federal government agencies to address the crisis.

2 Increase daily slaughter capacity. The U.S. pork industry has lost 37,000 head of daily slaughter capacity since June of 1997. That, combined with record production, 10 percent over 1997, has created a bottleneck for the industry.

The president was asked to have EPA remove the 144,000-head-per-week cap on the Carolina Food Processors Plant in Tar Heel, N.C. The facility is now slaughtering 24,000 head per day, but has a daily capacity of 32,000 head per day.

The administration was asked to request that the government of Canada send fewer Canadian hogs across the U.S. border for slaughter. Based on Canadian government statistics, Canada is currently slaughtering an estimated 50,000 hogs less per week than its country's total weekly slaughter capacity.

Another request was to postpone the Immigration and Naturalization Service's Operation Vanguard, which seeks to document legal alien workers in packing and processing plants. The loss of any packing plant employees during the current crisis would exacerbate the existing problem.

3. Increase government purchases of pork and pork products. Pork producers suggested the administration increase its pork purchases for the breakfast and school lunch program, Emergency Food Assistance Program (TEFAP), Food for Peace (P.L.480) and Food for Progress (P.L.416) programs; and other humanitarian assistance initiatives. USDA was also encouraged to evaluate a program for exporting live breeding animals.

4. Grant credit forbearance for producers. Since most pork producers will face an equity or cash-flow crisis this year, the letter suggested that all federal banking and financial institutions be contacted and urged to work with its producer clients during the crisis.

5. Make the Emergency Disaster Loan Guarantee Program available. Many pork producers are facing economic disaster. The government was asked to make pork producers eligible for such a program.

A record 2.129 million hogs were slaughtered in federally inspected plants the week ending Nov. 7, according to the USDA. The previous record was 2.086 million hogs set the week ending Dec. 10, 1994, according to ag economist Ron Plain of the University of Missouri. Total slaughter is running almost 10 percent above a year ago.

Mr. Plain says there is hope that things will improve for producers soon. With a little luck, he and other industry economists believe cash hog prices could improve as much as $10 per hundred between now and January.

USDA to purchase pork

WASHINGTON — U.S. Agriculture Secretary Dan Glickman announced Nov. 23 that the U.S. Department of Agriculture will purchase up to $50 million of pork products to help improve prices to pork producers.

Due to excess supplies, declining exports and other factors, hog prices have plummeted more than 50 percent over the past year and currently sit at a 34-year low.

The pork purchase will include pork roasts, hams, ground pork and canned pork. All products must be produced from domestic livestock and will be distributed to recipients in federal food assistance programs.

GOP sets hearing on pork prices, hog farm rules

By David Callender
The Capital Times

Proposals to tighten federal waste water discharge regulations are threatening to drive many small Wisconsin hog farmers out of business, several top Republican state lawmakers said today.

And, they warned, giant hog farms are about to take their place because only large operations can jump over the administrative hurdles.

"If we make life so difficult to get permits, . . . the small operator can't deal with that. It's only the big ones that end up having the consultants that can work the discharge permits that are required or deal with the local contentious town board," said Rep. DuWayne Johnsrud, R-Eastman, the chairman of the Assembly Natural Resources Committee.

"The big ones . . . will survive. They always do. It's the little ones we are trying to save here, but we kill them off because we make life so miserable for them environmentally," he said.

Under the DOME

Rep. Spencer Black, D-Madison, disputed Johnsrud's arguments.

"It's the prices that are being paid for the animals" that are threatening small farmers, he said. "That's what I've heard."

Black said the federal proposals are in the "very, very early stages of formation," and probably will not affect small farmers.

But Rep. Al Ott, R-Forest Junction, the chairman of the Assembly Agriculture Committee, said the proposal demonstrates the need to balance environmental regulations with economic considerations.

Johnsrud and Ott's comments came as they announced plans for a public hearing next week on the state's troubled pork industry.

The Assembly Agriculture Committee will hold a hearing on the issue next Thursday, Dec. 17, from 9 a.m. to 3 p.m. in Room 417-North in the Capitol.

Pork farmers here have been hard hit by falling purchase prices for hogs, while consumers have seen retail price increases.

"Somebody is making one heck of a profit off of the backs of . . . independent family farmers," Johnsrud said. "This is as much a consumer issue as it is a producer issue."

The U.S. Department of Agriculture has identified several factors for the declining hog sale prices.

It said that the Midwest's hog slaughter capacity declined substantially in the past 18 months, while farmers continued to sell the same number of animals, creating a backlog of animals.

That backlog is pushing down sale prices while increasing retail prices, the department said.

• • •

Big appetites: Wiscon... largest business lob... publican... held Monday ... made to the Sierra Club ...

Mil. State Journal

State to probe cause of low hog prices

Producers may be run out of business, agriculture panel chairman says

By Amy Rinard
of the Journal Sentinel staff

Madison — Calling low hog prices a crisis for Wisconsin agriculture, the chairman of the Assembly Agriculture Committee said Tuesday he will hold a fact-finding hearing on the issue.

Rep. Alvin Ott (R-Forest Junction) said the price crisis is threatening to put many Wisconsin hog producers out of business.

He and two other committee members said at a news conference that they hoped to find out why prices are so low and why consumers are not paying less when they buy pork at the supermarket.

"This is a consumer issue as much as it is a producer issue," said Rep. DuWayne Johnsrud (R-Eastman), who raises hogs on his farm in Crawford County.

Hog prices nationwide are at their lowest level since 1971. The U.S. price for barrows and gilts last month was $19.40 per hundred pounds.

In Wisconsin, the November price was even lower, with producers being paid $16.90 per hundred pounds for barrows and gilts, according to the state Department of Agriculture, Trade and Consumer Protection.

That Wisconsin price is down $9.60 from October and is $27 less than the price paid to state hog producers in November 1997.

In 1996, 800,000 hogs were raised in Wisconsin. That was down from 900,000 the year before.

Johnsrud said that if small, independent hog producers in the state are forced out of business by the low prices, the state will be left with only the huge corporate hog operations.

"Somebody is making a heck of a profit off the backs" of independent farmers, he said.

Ott and Johnsrud did not say who they believed was reaping profits in the current hog market, but they mentioned the consolidation of slaughter and processing operations into a few large companies.

They also said there was a glut of hogs being sold for slaughter and that is helping to drive down prices.

Brandon Scholz, a spokesman for the Wisconsin Grocers Association, said grocers are not making big profits on pork because their costs have not gone down.

"We are not seeing the net effect of these low prices because our processors are not passing lower prices onto retailers and wholesalers," Scholz said. "If we were getting lower prices, you can bet our prices would drop."

WISCONSIN STATE JOURNAL

Business Editor: Jennifer Sereno, 252-6155

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Wednesday, December 9, 1998

Farmers get hearing on hog prices

■ **"Somebody is making a heck of a profit on the backs of independent farmers," said state Rep. DuWayne Johnsrud.**

By Rick Barrett
Agribusiness reporter

Hog farmer John Wentz wants to know why the price he receives for hogs is so low, when pork prices haven't dropped in the grocery stores.

Wentz, of Portage, has 30 sows that produce about 600 pigs a year. But at today's prices, he is losing money on every animal he raises.

"We used to sell our animals to the highest bidder," Wentz said. "But now there is no high bidder. It's awful all over."

To address what has become a hog price crisis, the state Assembly Agriculture Committee said Tuesday it will hold a Dec. 17 public hearing.

Hog prices have plummeted to some of the lowest levels since 1971.

Nationally, retail pork prices are only about 1 cent to 2 cents less per pound than a year ago, according to the U.S. Department of Agriculture, while hog prices are down 30 cents a pound.

"Somebody is making a heck of a profit on the backs of independent farmers," said state Rep. DuWayne Johnsrud, R-Eastman.

Legislators concede there might be nothing they can do about hog prices. It's a national problem, partly stemming from too many hogs and too few meat packing companies to stimulate price competition.

"But this is a consumer issue as much as a hog producer issue," Johnsrud said. "I expect hog producers, the packers and retailers to be at our hearing so we can get some answers."

The National Farmers Organization is calling for a federal investigation into farm-to-retail price spreads.

"We're focusing attention on where the farmers' share of profits have gone," said NFO President Gene Paul, of Ames, Iowa.

Still, U.S. hog numbers are some of the highest in a decade, contributing to a glut of pork and low hog prices.

Fewer slaughtering plants, with no major plants in Wisconsin, also have added to the problem, said Steve Meyer, economist for the National Pork Producers Council, of Des Moines, Iowa.

"It's gotten worse in the past 18 months," he said. "If we can't get animals slaughtered, it puts all of the bargaining power in buyers' hands."

Grocery store owners say they're not making a killing on pork because the price they pay for hogs, mostly to big packing companies, hasn't dropped dramatically.

And grocers have their own costs ranging from transportation and meat cutting to packaging, refrigeration and advertising.

"The fact is there isn't a direct connection between what farmers receive for their hogs and what grocers sell pork for," said Brandon Scholz with the Wisconsin Grocers Association.

There's no short-term solution to the crisis, according to Meyer and others.

Some contend big corporate producers continue to raise more hogs, despite dismal prices, because they are trying to drive small producers out of business.

Hearing set

■ **What:** Public hearing on hog prices.
■ **When:** Dec. 17, 9 a.m. to noon. Public testimony at 1 p.m.
■ **Where:** State Capitol, Room 417 North.
■ **Contact:** Rep. Al Ott (608) 266-5831.

"In the long run, we need more slaughtering plants (for price competition) and farmers have to pull pack on hog production," Meyer said.

In Portage, Wentz said he will ride out the low prices.

"But a lot of people are getting out of the hog business," he said. "It could be that no one will be left but a handful of huge producers."

ADAPT

Selling estrogen from pregnant mares

Estrogen replacement therapy for women is big business, and horse breeders are profiting

Photographs: Mitch Kezar

Dave (above) and Beverly Schubert raise Percherons near Brainerd, Minnesota. Their mares, plus Clydesdales and Belgians leased from neighbors, are used to produce conjugated estrogen for Natural Biologics.

By Betsy Freese
Livestock Editor

By the year 2000, 50 million menopausal women in the U.S. will be candidates for estrogen therapy. What does this expanding market mean to agriculture? The active ingredient in Premarin, the leading estrogen replacement drug and the most prescribed drug in the nation after amoxicillin, is conjugated estrogen processed from pregnant mare urine.

There are 425 horse ranchers in Canada and 25 in North Dakota producing conjugated estrogen for Wyeth-Ayerst Laboratories, the makers of Premarin. The waiting list is long. But a new company has started up in Minnesota to challenge Premarin. Natural Biologics (NB) has opened a $9 million processing facility in Albert Lea to produce the first generic version of Premarin. FDA approval is pending.

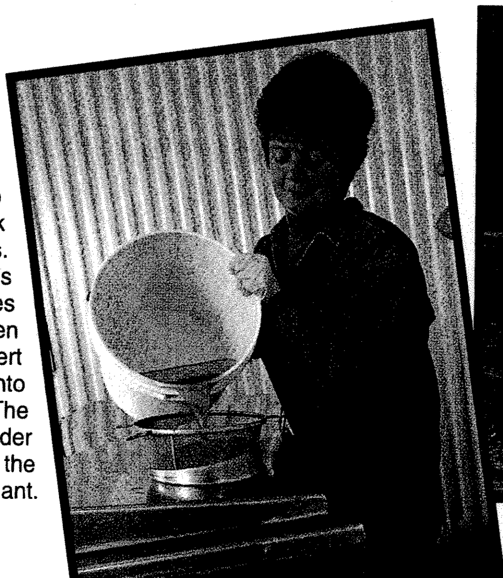
NB contracts with farmers to house 50 or more mares and collect urine during their pregnancies. Equipment from dairy farms is often used in the urine collection barns. Mares are fitted with a harness and collection vessel, a flexible gravity-flow noninvasive device. Mares are exercised and given stall space for freedom of movement.

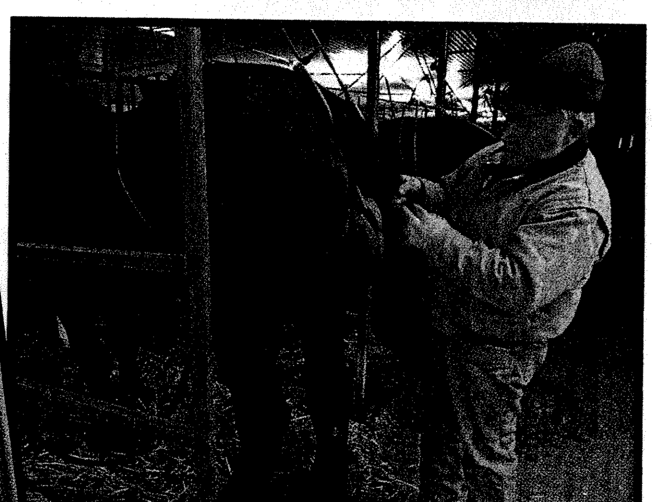
Including the foal, producers gross $1,200 to $1,800 per mare. NB provides instructions on facilities, collection equipment and operation. Contact NB for more information. SF

For more information

Natural Biologics
1215 Hershey Street
Albert Lea, MN 56007
Phone: 507/373-1542

North American Equine Ranching Information Council (horse breeders selling pregnant mare's urine)
Web site: www.naeric.org





The process of collecting urine is comparable to collecting bulk milk from dairy farms. Collection vessels are placed on mares (far right), then Beverly Schubert dumps the urine into a stainless tank. The urine is shipped under refrigeration to the processing plant.

Lenders pushing hog marketing contracts

Lender pressure has led to a variety of new hog marketing contracts, says Gary Machan, vice president of procurement for IBP, the nation's largest hog packer. About 50% of IBP's hog purchases this fall are made through marketing arrangements, he says, compared to 40% one year ago.

"Pressure from banks providing financing for producers has prompted our company to expand the variety of arrangements offered," says Machan. IBP's contracts include the Cash Flow Assistance (CFA) program, which provides short-term protection against fluctuations in prices. Interest is paid on any amount owed by one party to another (at prime minus one).

"Clearly, this program is lender driven. An increasing number of producers with new or expanded operations have been required to enter long-term packer contracts," says Machan.

You'll have to wait awhile for a new CFA contract. IBP reached its initial participation goal in the program, says Machan, and has "temporarily stopped developing" the contracts. "We will reassess early next year whether to seek additional participation." ■

Do you know how to handle the Grouch?

By Cherie M. Reilly
Pennsylvania farmwife

Anyone who works with the public knows that in every group of 1,000 people there'll be at least one Grouch (a paranoid person who thinks everything is a rip-off). Even if the other 999 people are pleasant and happy, the Grouch will ruin your day.

In October, thousands of people come to our pumpkin farm near Pittsburgh, Pennsylvania, to enjoy the harvest season. The air is alive with laughter and excitement. Of course, a Grouch always comes, too. I've never had an easy time handling critical people, probably because I am quite positive. Negative people hurt my feelings, which I am told is passive anger.

You can never please or pacify a Grouch. Never try to reason with Grouches, it only makes them grouchier. Instead of offering an explanation or argument, simply listen, apologize, and offer them their money back.

Many times I've longed to say, "Too expensive, ma'am? At the movie theater you pay $7 to sit in the dark and witness violence, sex, profanity and frightening images. But here, for half that, you can have a wonderful time with your family on a hayride or pumpkin hunt, and enjoy 10 other activities that will provide memories you'll cherish for a lifetime."

Or, "You think that the hayride should be free, sir? But how will I pay for that $50,000 tractor pulling you on that $5,000 wagon through that expensive land where I have spent time, energy and expense to grow pumpkins for your picking pleasure? Remember, I pay 10 types of taxes!"

The Depression Grouch

One day in October as I was enjoying the flurry of excitement, a Grouch caught me unaware. She was a Depression Grouch, potentially the most vicious kind, because they remember 10¢-a-loaf bread. As she was shaking her finger at me and declaring that her Grandmother's farm was free, and I should be ashamed of charging so much, and I should "give all this money to charity to make amends," I didn't feel like apologizing. In fact I was thinking, "Get on your broom, witch, and begone!"

But I remembered a theory from psychology class. When she hesitated in her tirade, I looked at her with sympathetic eyes and said softly, "You must be having a very difficult day. Is there anything I can do to help?"

Her mouth dropped in midsentence, and she was dumbstruck. Finally she said in a transformed manner, "My family left me on that bench while they went to find pumpkins because they thought the hayride would be too much for me, and my arthritis is hurting."

"Do you have some medicine in your purse? I'll gladly get you some water," I offered. "And there's a chair over there in the shade that would be more comfortable."

"That would be nice," she said.

The last time I saw her, she was sitting in the shade smiling as she watched excited children climbing aboard the hay wagon.

Those who want to be loved the most often act the most unlovable. SF

Please indicate if you will: (1) attend the Wednesday, 20th Special Agriculture Committee Tour and Hearing in Green Bay and (2) if you require lodging (at the Committee's expense) on the 19th ----

		1.	2.
	Petrowski	Yes	Yes (no transp.)
	~~Hahn~~		
	Kestell	Yes	No/No
Y2K Comm. 2.	~~Spillner~~	~~No~~	~~No/No~~
	Suder	Yes	NO (No trans.)
	~~Ainsworth~~		
	~~Sykora~~		
	Plouff	Yes	Yes (No trans.)
	Gronemous	Yes	Yes (no transp.)
double room	Hebl	Yes	Yes (double room) (No transp.)
	Lassa	Yes	Yes + transportation
	Steinbrink	Yes	No/No
	Reynolds (Carol)	Yes	No (no transp.)
266-9280	Patronsky	Yes	Yes (No transp.) (ind. conf. / late arrival?)
	Ott	Yes	Yes
	Narveson	Yes	Yes
	Gustafson	Yes	No
266-3529	Langdon, Jim	Yes	Yes (will reserve his own roo[m])
	Wilson	Yes	Yes

Special Agriculture Committee Hearing and Tour

When: Wednesday, January 20, 1999

Norval Dvorak –

Where: Green Bay, Wisconsin – Packerland Packing Curt Grimm – Dir. Operations
Maplewood Meats
Rock Garden Supper Club
Comfort Suites
Some farm?

Time: 8:00 a.m. to 4:00 p.m.

- Over night accommodations and dinner will be provided on the 19th. Lunch will be provided on the 20th.

Agenda: Informational Public Hearing – Local, State, and Federal Perspectives on Agricultural Issues:

1. Upcoming legislative changes
2. Intra-state shipment of meat
3. HAACP – Federal Food Safety
4. Hog kill floor capacity

Petrowski	Yes (Room - No ride)	Plouff	Yes (Yes Room – / No van
Hahn	No	Gronemus 6-7015	Yes (No ride or room)
Kestell	Yes	Hebl	Yes (Room – No ride)
Spillner	Yes	Lassa	Yes (Ride + room)
Suder	Yes (No ride or room)	Steinbrink	
Ainsworth	No	Reynolds	Yes (No room or ride)
Sykora	No		
Ott	Yes		

* public comment period after the hearing

WISCONSIN STATE ASSEMBLY
67TH DISTRICT

TOM SYKORA

STATE REPRESENTATIVE

January 12, 1999

OK-APRO

Rep. Al Ott
Chairman of Ag Committee
318 North, Capitol

Dear Al:

I will be unable to attend the Agriculture Committee Tour and Meeting in Green Bay due to a previous commitment. I am the chair of the Capture of Federal Resources Committee and have a meeting that day in Madison.

Please pass my apologies on to the rest of the committee.

Best wishes,

Tom

TOM SYKORA

TS/cah

Office: 602-SF • Post Office Box 8953 • Madison, Wisconsin 53708-8953
(608) 266-1194 • Fax: (608) 264-6999 • Toll-Free Legislative Hotline: 1 (800) 362-9472 • Rep.Sykora@legis.state.wi.us
District: Route 3, Box 194 • Chippewa Falls, Wisconsin 54729 • (715) 726-9397

Wisconsin Pork Producers Association
PO Box 327 • Lancaster WI 53813 • 608-723-7551 FAX: 608-723-7553 • E-mail: wispork@pcii.net

MEMO

To: Greg

From: Valerie Gaffney

Re: Speakers and Agenda for Thursday's Hearing

The following will be attending Thursday's Hearing.
Glen Grimes, Economics Consultant for National Pork Producers Council (NPPC)
Craig Jarolimek, Vice President of NPPC
John Lader, Vice President of Wisconsin Pork Producer Association
Keri Retallick, Executive Vice President of Wisconsin Pork Producers Association

Keri would prefer to introduce speakers, but will fill in where needed. She was also wondering if you would be able to fax us the agenda for the 9am session. If you have any questions please call 608-723-7551. Thanks and sorry about the delay.

...irman:
Agriculture Committee

Member:
Consumer Affairs
Government Operations
Natural Resources

Al Ott
State Representative • 3rd Assembly District

December 11, 1998

Mr. Bob Battaglia
DATCP, 2811 Agriculture Drive
Madison, WI 53718
INTERDEPARTMENTAL

Dear Mr. Battaglia:

Thank you for agreeing to take part in the Wisconsin Assembly Agriculture Committee's informational/public hearing on the state of Wisconsin's Pork Industry. I appreciate your willingness to participate.

Attached is the proposed agenda for the invited speaker portion of the hearing. The Committee will hear testimony from invited speakers from 9:00 am to 12:15 pm. The Committee will then break for lunch from 12:15 pm to 1:00 pm. Public testimony will be taken beginning at 1:00 pm.

As you know, I have invited a number of speakers to provide the Committee with information about the various aspects of the hog industry. I have included a tentative speaker list and timeline for the testimony to be given on each topic. I understand that some speakers may go longer than the time allotted, however, I will do my best to stay on schedule. The timeline will also allow speakers to better determine when they need to be present if they are not able to attend the entire hearing.

Thank you again for agreeing to participate. Please contact me if you have any questions.

Sincerely,

Al

Al Ott
State Representative
3rd Assembly District

Office: P.O. Box 8953 • Madison, WI 53708 • (608) 266-5831 • Toll-Free: (888) 534-0003 • Rep.Ott@legis.state.wi.us
Home: P.O. Box 112 • Forest Junction, WI 54123-0112 • (920) 989-1240

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.**