

Farmland Establishes First-Ever Hog Price Floor

KANSAS CITY, Mo. — In an unprecedented move to support pork producers who are facing the lowest hog prices in four decades, Farmland Industries,

Inc., announced today that it has established a first-ever price floor for market hogs it purchases.

The Kansas City-based farmer-owned cooperative, which

runs the sixth-largest pork processing operation in the country, said effective today, it will pay a base price of no less than \$15 per hundredweight for market hogs

that meet the weight and quality specifications of Farmland Foods. Producers eligible to receive this price, which becomes effective Tuesday, Dec. 22, 1998, are those who sold hogs to the farmer-owned cooperative between Sept. 1, 1997 and Dec. 19, 1998.

"We are deeply concerned about the farmers who supply us with market hogs," said Gary Evans, Executive Vice President and Chief Operating Officer, Farmland Meats Group. "Establishing a price floor is an essential step to help our farmer-owners through one of the toughest economic periods in the history of the pork industry. This price floor is proof positive that Farmland is 'Proud to be farmer-owned@'."

Evans said the concept of establishing a price floor was developed after the cooperative's leaders studied several ideas put forth during their annual meeting two weeks ago in Kansas City. Farmland typically buys hogs at competitive prices, markets pork products under the Farmland@ brand, and then pays out its profits to livestock producers and local cooperatives in the form of patronage refunds.

"With some recent reports of producers receiving less than \$10 per hundredweight for market hogs, we felt compelled to take this step to help producers contain their losses until the backlog of hogs can be moved through the country's pork processing facilities," Evans said. "Because we are the nation's only producer-owned pork processor, we felt a

moral obligation to attempt to provide assistance to our producers," Evans added. Farmland will continue to monitor the hog market situation and evaluate the need for this floor on a weekly basis.

The pork industry is experiencing a highly unusual glut in the number of hogs that are ready for market. Despite strong consumer demand for pork, there simply are too many hogs in the production pipeline for processing plants to keep pace, said Harry Fehrenbacher, a pork producer from Effingham, Ill.

"We recognize that a price floor is not the total solution," said Fehrenbacher. "Nevertheless, for hundreds of producers it could mean the difference between staying or leaving the pork business."

Evans said Farmland's four packing plants and nine processing facilities are operating at complete capacity and are expected to process more than 8 million hogs this year, about 15 percent more pork than the previous fiscal year. The packing plants are located at Crete, Neb.; Denison, Iowa; Dubuque, Iowa; and Monmouth, Ill.

"We need a stable supply of high-quality hogs over the long haul," said Evans. "If this helps producers weather the economic storm, then we're doing our job." Evans said Farmland already has instructed its hog buyers to incorporate the price floor meanwhile, Farmland will be notifying pork producers in a special letter that will be issued this week.

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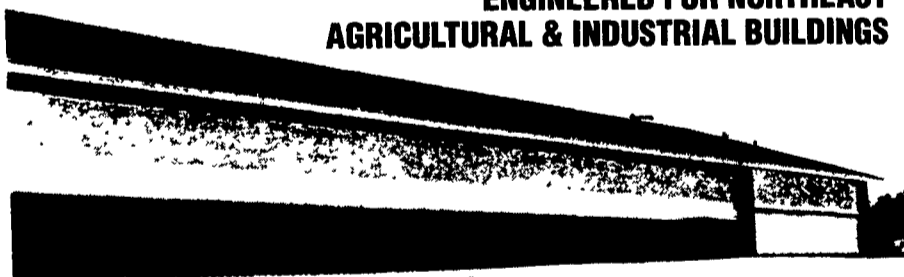
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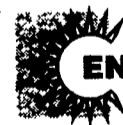
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