Written Testimony of the

National Pork Producers Council

On the Availability of Feed

for the

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Subcommittee on Livestock, Dairy, and Poultry

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INTRODUCTION

The National Pork Producers Council (NPPC) is an association of 43 state pork producer organizations and serves in Washington, D.C., as the voice for the nation's pork producers. The U.S. pork industry represents a significant value-added activity in the agriculture economy and the overall U.S. economy. Nationwide, more than 67,000 pork producers marketed more than 110 million hogs in 2010, and those animals provided total gross receipts of $15 billion. Overall, an estimated $21 billion of personal income and $34.5 billion of gross national product are supported by the U.S. pork industry. Economists Dan Otto and John Lawrence at Iowa State University estimate that the U.S. pork industry is directly responsible for the creation of 34,720 full-time equivalent pork industry jobs and generates 127,492 jobs in the rest of agriculture. It is responsible for 110,665 jobs in the manufacturing sector, mostly in the packing industry, and 65,224 jobs in professional services such as veterinarians, real estate agents and bankers. All told, the U.S. pork industry helps generate more than 550,000 mostly rural jobs in the United States.

Exports of pork continue to grow. New technologies have been adopted and productivity has been increased to maintain the U.S. pork industry's international competitiveness. As a result, pork exports have hit new records for 17 of the past 19 years. In 2010, the United States exported more than $4.8 billion of pork, which added $56 to the price that producers received for each hog marketed. (That amount represents about one-third of the total price producers receive for each hog.) Net exports last year represented about 20 percent of pork production. The U.S. pork industry today provides 21 billion pounds of safe, wholesome and nutritious meat protein to consumers worldwide, making it the No. 1 exporter of pork.

The demand for meat protein is on the rise in much of the world. Global competitiveness is a function of production economics, regulations, labor costs and productivity. The U.S. pork industry can continue to be a leader in food production and meet the needs of increased consumer demands as long as exports continue to grow, producers are allowed

to operate without undue legislative and regulatory burdens and feed grains are available. It is that last point that is of concern to producers now.

Feed Grains Situation

Feed comprises 60-70 percent of the cost of raising a hog to market weight (about 260-280 pounds). Primarily, hogs are fed corn and soybean meal – each market pig consumes approximately 10.5 bushels of corn and 4 bushels of soybeans in the form of meal. Some producers include dried distillers grains with solubles (DDGS, a by-product of ethanol production) in rations. In certain areas of the country – generally outside the Corn Belt – hog rations may include other grains such as wheat, milo or barley. But corn is used in hog production in nearly every state that has production.

An adequate corn supply is critically important to the U.S. pork industry. So the current feed grains situation has pork producers understandably very nervous.

It now appears that the 2011 U.S. corn crop could be smaller than the U.S. Department of Agriculture's initial projection of 12.914 billion bushels. Preliminary certified acreage data released by USDA's Farm Service Agency (FSA) suggests that planted acres fell short of USDA's National Agricultural Statistics Service (NASS) estimate of 92.282 million acres. Summer weather conditions have dropped USDA's U.S. average corn yield to 148.1 bushels per acre, according to the agency's Sept. 12 grain report, from its initial forecast of 153 bushels. The new project would be the lowest yield since the 2005-2006 crop year. Chris Hurt, an agriculture economist at Purdue University, estimates an average yield of just 147 bushels an acre; Pro Farmer analysts estimate the yield at 147.9 bushels. (Estimates from other sources range from 146.3 to 151 bushels; USDA will release new production forecasts Oct. 12.) The final FSA acreage data, along with any additional information from the monthly NASS surveys, will be incorporated in the October production forecast. History suggests that the October yield forecast will be reasonably close to the final estimate.

USDA's initial forecast of 41.4 bushels an acre for the U.S. average yield for soybeans was relatively small. Additionally, August weather was not favorable for soybean crop development, and FSA acreage data suggests that planted acres may have been less than the 74.958 million estimated by NASS. Recent prices suggest that the market is expecting a smaller crop than the current USDA forecast of 3.085 billion bushels.

[USDA's yield forecasts are based in part on crop conditions. For the week ending Sept. 4, the agency downgraded the conditions for corn and soybeans. It reported 52 percent of the corn crop in good or excellent condition compared with 69 percent a year ago at the same time; it rated 21 percent of the crop in poor or very poor condition compared with 11 percent at this time last year. For soybeans, USDA reported 56 percent of the crop in good or excellent condition compared with 64 percent a year ago and 16 percent of the crop in poor or very poor condition compared with 12 percent a year ago.]

The 2011-2012 corn numbers are coming after a 2010-2011 marketing year that, while the third largest harvest on record, saw year-end stocks of just 17 days. That's a historic low. The last time the carryover was that small – fall 1996 – corn was so scarce in Iowa – the No. 1 corn-producing state – it had to be shipped in from Texas, and other areas suffered similar shortages.

If the 2011-2012 grains forecasts prove true, corn and soybean consumption will need to be reduced. Indeed, USDA is projecting supplies for 2011-2012 to be their lowest since 2006-2007. Based on the most recent USDA projections and the assumption that year-ending stocks should be maintained at or above 5 percent of consumption, corn use would need to be reduced by about 30 million bushels, or 0.2 percent, during the 2011-2012 marketing year. Soybean consumption would need to be reduced by 122 million bushels, or 3.7 percent. The actual reductions will depend on the final consumption estimates for the 2010-2011 marketing year, the 2010-2011 crop inventories on Sept. 1 and the size of the 2011 harvest.

Some of the reductions in corn and soybean consumption during the 2011-2012 marketing year may occur as a result of weaker demand, which may be prompted by a generally weak economy and continued high unemployment that likely would weaken demand for meat and poultry products; by the current abundance of competitively priced wheat that could be substituted for corn and soybean meal in livestock feed rations; by lower energy prices that would weaken demand for biofuels; and by larger South American crops in response to the current high grain prices.

But, depending on the size of the 2011 harvest and on the crop inventories at the beginning of the 2011-2012 marketing year, weaker demand may not be enough to ration supplies. Grain prices may need to go even higher. The market clearly is expecting a substantial reduction in the forecast for the 2011-2012 marketing year corn supplies. Corn futures traded at the Chicago Mercantile Exchange (CME) already have climbed to the highest levels in more than three years. Futures indicate prices will remain above $7 a bushel through at least the middle of next year. Recently, traders held more than 4,500 call options in CME Group's corn market at strike prices – the price at which the option can be bought – of $11 and $12 a bushel. The number of such positions was up 15 percent from a month earlier, an indication of growing concern that this year's harvest will fall short of projections.

Last fall, $10 corn call options traded for the first time, with large firms such as JPMorgan Chase & Co. and MF Global Holdings Ltd. among the buyers of those calls, and analyst Kevin Van Trump, of Farm Direction, in Kansas City, Mo., says $9 or $10 corn could happen.

If corn goes to $10 a bushel or higher, there could be an unprecedented contraction in the pork industry, with many producers forced to liquidate herds as losses grow. Corn at $10 "will put a lot of sows in packing plants," University of Missouri agriculture economist Ron Plain told one publication. In fact, producers have reduced the breeding herd by more than 6 percent over the past two years – although higher productivity has mitigated the impact of that reduction on pork output.

The pork industry has seen the effects of tight grain supplies before, most recently just a few years ago. Despite (at the time) a record harvest in 2007, increasing demand saw prices for corn begin a rapid ascent, increasing from about $3.50 a bushel in mid-2007 to a peak of nearly $7.90 a bushel in mid-2008. While corn prices moderated over the next year and a half, falling back to around $3.50 a bushel, they began rising again as oil prices rose. The result was soaring costs of production. Total industry losses from October 2007 through January 2010 were more than $6 billion, and the average farrow-to-finish operations lost nearly $23 for each animal marketed. More than 6,300 pork operations went out of business. This financial disaster occurred despite near-record hog prices in 2008 and hog prices in 2009 high enough to have provided profits at the average production-cost levels that prevailed from 1999 to 2006.

Certainly, since early 2010 producers have been profitable, with hog prices recently at nearly historic highs. But a major reason for those higher prices is lower production relative to just three years ago, the result of producers' responses to sharply higher costs of production. Costs for typical farrow-to-finish producers will average about $87 per hundred pounds carcass weight for 2011 based on corn and soybean meal futures on Aug. 31. That is 27 percent higher than last year and 66 percent higher than the average for 1999-2006. These costs are now being passed along to consumers in the form of higher retail pork prices, which set six record monthly highs during 2010 and are almost certain to set new highs this year. Indeed, USDA in its April 25 food inflation forecast projected that retail meat prices will rise 6 to 7 percent this year, the largest jump since 2004. Further, because of the continued high feed grain prices and weak economy, hog prices have started to moderate. Pork producers now are projected for next year to see production costs above hog prices, with average losses of around $10 a head.

While other factors are pushing up meat prices, including increased global demand for protein – as developing countries switch from grain-based diets – and higher transportation costs because of higher fuel prices, production costs are the main driver –

and, as stated above, 60-70 percent of those costs are feed grains. And grain prices, like almost all commodities, are set by supply and demand.

U.S. Biofuels Policy's Role In High Corn Demand

While a number of factors combined to affect the profitability and competitiveness of the pork industry from October 2007 through January 2010, including the overall worldwide financial crisis, the relative value of the U.S. dollar and the emergence of the H1N1 flu and its associated trade impacts, the effects of drastic changes in grain markets that are in large measure driven by the increase in demand for corn from the ethanol industry have had the most significant impact on the pork industry.

Following passage in the fall of 2007of the Energy Independence and Security Act (EISA), which included a Renewable Fuels Standard (RFS II) that quickly accelerated the mandated production of corn ethanol, pork producers struggled to adjust to rapidly escalating prices and increased volatility in grain markets, which resulted in a reduction in hog production. An effort to include a safety valve that would have adjusted the RFS II in the event of a short-term crop shortage failed in the Senate as the EISA was being debated. Recently, debate over renewable fuels and their government-supported mandates and subsidies has intensified, with efforts to eliminate tax subsidies gaining significant support. In 2010, as the Volumetric Ethanol Excise Tax Credit (VEETC) was expiring, the ethanol and corn industries fought for a five-year extension of the subsidy. Congress approved a one-year extension, which expires Dec. 31, 2011. At the same time, the ethanol industry has sought to allow blends of up to 15 percent ethanol in motor vehicle fuels and subsidies to finance construction of ethanol pipelines, storage and other infrastructure.

USDA estimates that corn use for ethanol production increased following passage of the EISA from 1.603 billion bushels during the 2005-2006 marketing year to 5.05 billion bushels during the 2010-2011 marketing year. It is expected to absorb 5.15 billion bushels in the 2011-2012 marketing year. Ethanol use accounted for approximately 14 percent of total corn use in 2005-2006, was more than 37 percent in 2010-2011 and is expected to grow to about 39 percent in the current marketing year. Over the same

period, use of corn for feed fell from about 55 percent to about 37 percent and exports dropped from almost 19 percent to about 13 percent.

Those bushels of corn going to ethanol production could be put to better use. Economist John Lawrence of Iowa State University has calculated that a 100 million gallon ethanol plant creates about 80 jobs. But the same number of bushels needed to create that much ethanol support 800 pork industry jobs.

Furthermore, if ethanol is supposed to be the answer, or at least an answer, to how the United States reduces its dependence on foreign oil – ethanol displaces about 4.6 percent of "pure" gasoline – why did the ethanol industry *export* nearly 400 million gallons last year, a four-fold increase over 2009? And with tight world sugar supplies (other countries use sugar cane to produce ethanol), many analysts expect demand for the U.S. ethanol exports to strengthen.

The passage of EISA and the associated increase in the RFS-driven demand for corn are reflected in the breakout of the costs to produce hogs, with corn prices at levels about $10 per carcass hundredweight higher than historical averages would have suggested. This increase occurred despite a significant increase in the use of DDGS by the pork industry.

The higher corn cost premium is directly attributable to the ethanol demand for corn, the price of which now is largely a function of the price of petroleum, which is set by the demand for gasoline and diesel. A very strong case can be made that, as a result of the RFS and the ethanol blender's tax credit (VEETC), higher corn yields will have less of an effect on corn prices and instead will lead to greater ethanol production. Starting shortly after the advent of the modern RFS program in the middle part of this decade, the price of corn has closely tracked its energy value. As long as the market expects an expansion of ethanol production, there will be a symbiotic relationship between ethanol and the price of corn. And as long as the ethanol industry is receiving strong signals from the federal government that growth in the industry will be sustained, higher corn yields are not going to provide the level of relief in the form of lower prices to feed-grain users such as pork

producers. Larger corn crops from increasing yields will instead lead to greater flows into ethanol plants.

So U.S. pork producers are understandably concerned about the impact on their industry of the increased use of corn for ethanol production. The U.S. pork industry strongly believes the country needs a vigorous renewable energy sector, but it cannot come at the expense of the U.S. livestock and poultry industries. Reducing the use of imported oil – becoming energy independent – and focusing on renewable fuels are laudable, but markets must be neither distorted by subsidies and taxes nor compelled – or constrained – by mandates to the point where they cannot send effective price signals.

Where mandates and subsidies are allowed to exist, it is unconscionable that long-established laws would be ignored to drive greater ethanol production. But this is the path the Obama administration has taken in response to demands to allow an increase to 15 percent (E15) from the current 10 percent in the amount of ethanol that can be blended into gasoline. Despite the clear language in the Clean Air Act that fuel additives be safe in – that is, not harm – all vehicles, the U.S. Environmental Protection Agency approved E15 for 2001 and newer model year vehicles. NPPC and other stakeholders filed suit against EPA over its decision. Pork producers obey the rule of law, and they expect the U.S. government to do the same.

Additionally, it is NPPC's contention that the United States must invest in research and development for *other* energy alternatives, such as using animal manure and fat and biomass, including switchgrass and corn stover. The U.S. pork industry wants to emphasize that the right balance is needed to meet the needs of fuel *and* feed security.

Dried Distillers Grains with Solubles (DDGS)

It was noted above that pork producers are including more DDGS in their feed rations. But that product does little to allay the concerns of pork producers about the future cost and availability of feed grains and, consequently, the well-being of animals and the cost of pork to U.S. consumers.

The ethanol industry has claimed that feed problems created by its use of a substantial portion of the nation's corn supply are irrelevant because of the production of DDGS.

But there are several issues with feeding DDGS to pigs. They are inconsistent from ethanol plant to ethanol plant and even within a plant. There is variability in their nutrient content – protein, fat, phosphorus. If the fermentation or drying process for DDGS is changed or varies from batch to batch, it can have an impact on the digestibility of nutrients. Additionally, corn can contain mycotoxins that are, in some instances, detrimental to pig performance. The presence of mycotoxins varies by growing season, location and environmental factors. Since the ethanol production process removes the starch (two-thirds of the volume) from corn, DDGS produced from mycotoxin-contaminated corn will have three times the level of mycotoxin that was present in the corn itself. Depending on the percentage of DDGS fed and which toxins are present, pigs can experience multiple problems, including immune challenges, abortion and feed refusal. This is a severe limit on the widespread use of DDGS in gestation and lactation diets.

As pigs are fed increasing levels of DDGS, the corn oil present (also at three times the concentration as in corn grain) can increase the iodine value, leading to soft fat, of the carcass. This can result in belly slicing problems and possible rancidity or shelf-life issues. A higher percentage of DDGS in the diet also can have a negative effect on carcass weights, most likely because of the increased fiber content of the DDGS.

DDGS are far more useful in diets for beef and dairy cattle than they are for pork and poultry. This affects pork producers in two ways, both of them bad. First, DDGS will not be a cost-effective substitute for corn because beef and dairy producers will pay more for DDGS, preventing the products' use in swine diets. This already is happening. Second, the cost of producing beef and dairy products using DDGS will be lower relative to pork, providing a market advantage to those two sources of protein.

There also are handling issues with DDGS – humidity tends to make it clump, making it stick in railcars and feed bins – concerns over increased phosphorous levels in finishing hogs fed DDGS and issues with "pelleting" DDGS at feed mills. Additionally, the amount of DDGS returned to livestock producers as feed has been overestimated by USDA.

Finally, it should be noted that the ethanol industry is exporting DDGS. In 2010, it exported 9 million metric tons, a 60 percent increase over the amount exported in 2009 and double what was exported in 2008.

Tight Grain Supplies+Ethanol Corn Demand+Weather=Disaster

Any difficulties with the 2011-2012 U.S. corn and soybean crops could be disastrous for U.S. pork producers. Ethical care of animals requires producers to feed their hogs even when feed prices are high. But if there are feed shortages, livestock producers cannot simply turn a light switch to stop production and cannot stop feeding their animals. Taking animals to market before they reach market weight really isn't an option. Such an action likely would severely depress livestock prices, hurting producers' bottom line, and would make it harder to rebuild the U.S. swine herd. Producers will do all in their power to secure feed to care for their animals.

Producers may or may not adjust to higher feed-grain prices, but there's not much they can do about a lack of available feed supplies. While NPPC has faith in the American farmers' ability to produce feed grains sufficient to meet demand, it is concerned about factors beyond their control, particularly the weather.

The last real drought in the major corn-growing states happened in 1988, 23 years ago. Texas is experiencing the worst drought in its history – 81 percent of the state has the worst drought classification – and there have been reports of widespread crop failures in the state because of it. Oklahoma, Kansas and parts of the Southeast also have drought conditions that are affecting crops. Of course, too much rain also can cause problems. Flooding along the Mississippi and Missouri rivers earlier this year inundated millions of

acres of cropland. Should the Corn Belt suffer a weather event that reduces the harvest, there will be regional shortages of feed.

Some weather experts are forecasting an earlier-than-usual frost for some parts of the corn growing regions, including the Eastern Corn Belt, something farmers don't need after being hampered by a cold, wet spring and extreme heat over the summer. In a Sept. 1 report, Jack Scoville, an analyst with Price Futures Group in Chicago, said: "Corn losses are certain this year from the hot and dry weather seen in July and the poor spring weather that hurt planting."

Corn Yields and Weather

The advent of hybrid corn varieties has revolutionized corn production in the United States and has supported the profitable growth in feed grain-using sectors such as the pork industry. Yield increases have been strong and give many indications that they will continue, and some of the yield growth appears to be directly attributable to greater drought tolerance or resilience. But the empirical evidence is mixed on this matter, and it may be just as plausible that the sustained growth in yields since the mid-1990s has as much to do with favorable growing conditions as it does with corn genetics. University of Illinois agriculture economists Darrel Good and Scott Irwin in a recent analysis said that a significant portion of the sustained growth in yields may be because of better-than-average growing conditions or because there simply has been too little variability in weather since the 1990s to effectively test the hypothesis that the newer corn genetics have created effectively greater drought and bad weather tolerance.

Looking at the long record of corn data, it is clear that yields and total production could be highly vulnerable to severe and widespread drought. In fact, yield decreases from recent trends would not even need to be as large as they were in 1988 to cause major disruptions for the livestock and poultry industries. A yield decrease of only 10 percent would be very disruptive not only to those industries but to export markets and other corn consumers – other than the ethanol industry. And, as estimated by Irwin and Good, a poor weather scenario, with a 1-in–10 chance of occurrence, would result in a yield reduction

of about 14 percent, with corn use by livestock dropping more than 16 percent and corn prices rising in excess of $6.44 a bushel, possibly higher than $7 per bushel.

Other Factors to Consider

Another factor that could affect U.S. feed-grain supplies is a major corn purchase by another country. According to the U.S. Grains Council, China's corn reserves are 10 million to 12 million metric tons lower than previously estimated, and it is expected to import an additional 2 million to 3 million metric tons before the end of the current crop year. Such a major purchase would make tight U.S. supplies even tighter.

Changes in the cost structure of the U.S. pork industry and other factors have affected pork producers' ability to adapt to shocks to the feed grain supply. Modern confinement buildings, which have enabled so much progress in achieving economies of scale and in using inputs and energy more efficiently, have added greatly to the pork sector's fixed costs even while allowing producers to reduce their variable costs. It is now far more difficult for a pork producer to temporarily cut back on production given the need to continue to make payments on those fixed assets. Furthermore, production systems do not allow producers to shift animals quickly out of production. So while poultry producers may be able to adjust their supply in a matter of a few months in response to sustained higher corn prices and beef producers can move cattle to relatively more forages and pasture, pork producers have a more or less fixed supply of pigs for nine months, unless pregnant sows are slaughtered or baby pigs are euthanized. But, as noted above, the ethical and humane treatment of animals requires that producers maintain care even if producers are losing money, and the result is huge equity losses in pork operations that could lead to widespread bankruptcies and major disruptions in pork supply and prices.

In addition to the challenges of higher input costs, the dramatic increase in price risk and market volatility have made historic risk management tools less effective and more expensive. Changing grain demands and higher transportation costs have increased basis levels and basis risk. When using hedges to offset actual grain price risk, producers are facing significant margin calls as prices have moved far beyond their historic normal

ranges. These margin calls have, in turn, added to short-term credit issues with lenders. In addition, the capital needed simply to fund the increased cost of producing a pig has increased by more than 50 percent, resulting in significantly greater working capital requirements.

[As an aside, under the Dodd-Frank Wall Street and Consumer Protection Act, livestock and poultry producers using hedges to lock in feed grain prices could be regulated as swap dealers. This will only make it more difficult for producers to manage their risks. Another risk-management tool currently used by producers also is in jeopardy. USDA has proposed a regulation that could limit livestock and poultry marketing contracts, which allow producers to lock in prices for their animals. The GIPSA rule, if approved as proposed, would devastate the livestock and poultry industries.]

The increased need for capital comes at a time when there exists a serious credit crunch in the United States. The government's response has been to provide funding for the nation's largest banks, most of which have little or no presence in agriculture. Most of the banks that were provided federal Troubled Asset Relief Program (TARP) funds and that are lenders to the swine industry appear to be interested in reducing their exposure in agriculture and in middle-market credits (which comprise the majority of livestock businesses).

In a business environment where input price risk is dramatically increased for the foreseeable future and where U.S. lenders have a significantly smaller appetite for production agriculture and middle-market credits, the amount of capital available to the U.S. pork industry will be less and will only be obtained at a higher cost. Some producers have been unable to finance and sustain their operations, with the result being many otherwise profitable and highly performing producers exiting the business. For those producers who have been able to maintain the necessary levels of equity to stay in business, this will dampen their ability to invest in the next generation of genetics, technology and other improvements necessary to maintain the U.S. pork industry's world leadership position.

U.S. agriculture has provided significant benefits to this country and the world. It is often noted that because of the productivity of the U.S. farmer and food system, Americans pay on average less than 10 percent of their personal income on food. Hidden in this average is the fact that the working poor, the lowest 20 percent in personal income, pay more than 30 percent of their annual incomes for food. The food price increases that already have occurred are falling disproportionately on them. As lower-income people adjust their diets to reduce meat consumption, less healthy substitutes such as low-cost starches and carbohydrates likely will fill the place previously occupied by meat on the dinner plate, raising the specter of reduced health and increased health care costs.

CONCLUSION

The U.S. pork industry is the lowest-cost producer and No. 1 exporter of pork in the world, and U.S. pork producers continue to produce the most abundant, safest, most nutritious pork in the world. They have proved very resilient, most recently weathering financial crises in 1998-1999 and 2007-2009 as well as the vagaries of a free market economy, all while investing in and adopting new technologies that have promoted animal health, protected the environment and added thousands of jobs and billions in national income to the American economy.

But the rapid development of the corn-based ethanol industry – prompted mostly by federal subsidies and policy mandates – coupled with weather issues and economic conditions, have created challenges for pork producers. The potential long-term impacts have threatened the U.S. pork industry's competitiveness and the survivability of producers. The markets have rationalized demand for corn over time, but the potential for short-term dramatic price swings, as well as localized feed shortages, is jeopardizing the industry's competitiveness and reliability as a domestic food supplier and as an exporter.

Should the U.S. pork industry – and the beef and poultry industries as well – need to contract more than it has over the past few years, not only will consumers around the globe

be affected through higher retail prices, but corn growers no doubt also would feel the effects of the corresponding drop in feed demand.

NPPC has asked USDA to address potential feed-grain shortages, requesting that non-environmentally sensitive farm acres enrolled in the Conservation Reserve Program be released early and without penalty so that they may be planted to crops. Additionally, it asked the agency to consider allowing farmers to plant crops *after* they have received "prevented-planting" insurance payments. It also has requested that a contingency plan be developed should corn demand exceed supply. USDA has yet to take action to address the potential feed-grain crisis.

NPPC asks that Congress consider all policy options to help address and mitigate some of the unintended consequences of the transition to greater reliance on domestic renewable energy sources, including:

- Requiring the ethanol industry to bear some of the same risks that pork producers and other corn users bear from market supply and price shocks. It is bad public policy to force users of corn except the ethanol industry to bear almost 100 percent of the rationing that must occur if there is a short corn crop. Policies are needed that require the ethanol industry to share directly in this supply risk beyond simply the increase in prices paid for the raw material. With government mandates in the form of the RFS, the increase in ethanol feedstock costs can be passed on to consumers, but that is not possible for the U.S. pork industry.

  [Such a policy would be for dealing with relatively extreme market conditions, where corn is in relatively short supply and price increases are substantial if not at near-historic levels. The policy would simply lead to a greater sharing of the rationing in corn use among all users. Returns to corn producers with a crop to market in these circumstances would remain very substantial.]

- Providing relief to U.S. livestock and poultry producers for losses suffered because of high grain prices that were prompted by severe weather conditions or other natural disasters. Even with policy changes designed to reduce the inflexibility in ethanol's demand for corn, pork producers and other corn users still will bear a disproportionate share of the corn supply risks associated with weather and other forces. Pork producers and consumers (especially lower-income consumers) are also bearing a disproportionate share of the societal costs of helping to transition to less reliance on imported fossil fuels.

- Adopting mechanisms that would fairly and smoothly transition the ethanol industry to full reliance on the private marketplace for its supply signals and away from the signals provided by the public sector through the RFS, the VEETC and the ethanol import tariff. While such public-sector mechanisms may have been essential during its initial phases in the late 1970s, the ethanol industry now is a mature industry.

Randy Spronk

Randy Spronk of Edgerton, MN is a managing partner of Spronk Brothers III LLP and Ranger Farms LLP. Spronk oversees the production and financial aspects of both the hog and grain operations.

The hog operation, Spronk Brothers, was formed by the family in 1991. It began with 300 sows at the site of the office and mill, located in Pipestone County in extreme southwestern Minnesota along the Buffalo Ridge.

Spronk Brothers is a swine-only business, with ownership in two, 3,600-sow sites called Rosewood and Buttercup, part of a multi-state network of sow production units managed by the Pipestone System. The Pipestone System is operated by the Pipestone (MN) Veterinary Clinic, where brother Gordon is a partner.

Spronk Brothers procures weaned pigs from the two sow units. They feed out all of their pigs, projected at 120,000 in 2010, compared to about 6,000 when the partnership was formed. They also own 50% of the wean-to-finish and finishing facilities.

Ranger Farms consists of about 2,000 acres of adjacent cropland, which Randy Spronk manages with a long-time friend and employee.

Spronk Brothers also has ownership in an on-farm feedmill that produces about 50,000 tons of feed a year, and mills over 1 million bu. of corn to meet their feed needs.

Spronk currently serves as Vice President of the National Pork Producers Council and is an environmental advocate for the pork industry. He has previously served as chair and currently sits on the National Pork Producers Council's environment committee, in addition to sitting on the National Pork Board's environment committee. He is also serving his second term on the NPPC board of directors.

Spronk completed a degree in animal science from South Dakota State University (SDSU).