

# ***CAMPAIGN FOR FAMILY FARMS & THE ENVIRONMENT***

United States Secretary of Agriculture Tom Vilsack  
1400 Independence Avenue, Suite 200  
Washington, D.C. 20250

Dear Secretary Vilsack,

Please find attached a letter signed by more than 25,000 American citizens – farmers, consumers, rural residents – calling for USDA **to immediately suspend all direct or guaranteed loans for the construction or expansion of specialized hog or poultry production facilities.** The use of public resources for this purpose at this time hurts farm families and rural communities, and is a wasteful and risky use of American taxpayers' dollars.

The Farm Service Agency (FSA) is continuing to provide loans to build new hog and poultry facilities that expand production, at a time when overproduction in these sectors is greatly depressing prices, leading to contract cancellations, abusive contract terms and further corporate consolidation.

When similar oversupply situations occurred in the past, USDA suspended the use of loan programs for the construction of these specialized facilities to ensure that the Agency did not continue to contribute to the detrimental impacts of severe overproduction.

Specifically, USDA issued a directive on January 8, 1999 suspending all direct and guaranteed loan financing for the construction of specialized hog facilities, citing concerns that FSA loans could exacerbate the crisis of oversupply and low prices that were affecting the hog industry. Below is a statement USDA made in 1999 when describing why it was suspending loans to new and expanding hog facilities.

*“It is inconsistent with USDA policies for FSA to continue to finance construction of additional production facilities through direct loans and loan guarantees while other agencies within USDA expend resources to ameliorate over-supply conditions.”*

*Federal Register-January 1999*

**This same action and leadership is needed from USDA now.**

USDA is using taxpayer dollars for bonus pork and poultry buys, ostensibly to stabilize prices resulting from the very overproduction that USDA is facilitating through direct and guaranteed loans. On March 31st, USDA committed to a \$25 million bonus pork buy, and in September, another \$30 million – and now the industry is asking for an additional \$100 million. On December 23, 2008, USDA announced an emergency purchase of over 60 million pounds of chicken products, at a cost of over \$42 million in an attempt to create a market for surplus product.

Despite the current overproduction situation and subsequent oversupply in the hog and poultry sectors, FSA loans are continuing to be made for specialized hog and poultry facilities, which necessarily increase production and depress prices. **Based on USDA data, FSA direct and guaranteed loans for new hog and poultry building construction for FY 2008 and 2009 totaled \$264,466,341.**

There are clear indications that these loans and loan guarantees are being used to subsidize the expansion of the relative handful of mega-hog integrators, including lending to farmers who can qualify as "beginners" to set up industrial scale contract hog operations in which they raise the integrators' livestock for them.

Given the long-term nature of this oversupply/low-price situation, and because the economic conditions faced by poultry and hog growers are so extreme and the contract terms so risky, USDA should not use these loans to encourage new farmers to enter these sectors at this time. Beginning farmers should not be used as an excuse to continue these questionable loans.

As organizations that support and work directly with beginning farmers, we understand that beginning farmers have unique credit needs. However, a healthy and well functioning marketplace and fair price for the animals they raise and sell is the best way to usher in a new generation of farmers and keep them engaged in agriculture for the long-term. Otherwise we're providing the same framework that existing farmers are facing -- long periods of low prices or abusive contract terms that leave farmers financially distressed and potentially defaulting on loans at the expense of taxpayers.

Furthermore, timing is critical because we are seeing unprecedented demand for other FSA direct and guaranteed loans. With the deepening economic and financial crisis facing farmers, their communities and rural economies, combined with a scarcity of non-USDA credit, we need USDA funds to be available for as many farmers as possible. Rather than continuing the issuance of misguided loans that further depress an already depressed marketplace, USDA should ensure that these funds are available to the many farm families who will desperately need them.

Suspending government loans and loan guarantees for specialized hog and poultry facilities is a sound course of action, for several reasons. It will prevent such loans from exacerbating the current overproduction that is resulting in low prices. It will show proper government fiscal restraint in tight times. And it will prevent the government from choosing winners and losers, which they are currently doing by giving favorable loans to some producers, while encouraging others to decrease herd sizes, or even leave the hog production business. What's clear, from everything we are seeing and hearing in farm country, is that industrial livestock operations are considered "too big to fail" and that our tax dollars are being used by way of government subsidized and protected loans as a tool for their expansion, which benefit the integrators *at the expense* of farm families and their communities.

**For these reasons, we call for USDA to suspend all direct or guaranteed farm ownership or operating loans for the construction or expansion of specialized hog or poultry production facilities.**

Sincerely,

**Campaign for Family Farms & the Environment**

Missouri Rural Crisis Center

Land Stewardship Project (MN)

Iowa Citizens for Community Improvement

Other groups contributing to this effort include: Rural Advancement Foundation International - USA, Campaign for Contract Agriculture Reform, National Family Farm Coalition, Farm Aid, Food & Water Watch and Food Democracy Now