

November 16, 2009

The Honorable Tom Vilsack  
Secretary of Agriculture  
US Department of Agriculture  
1400 Independence Avenue  
Washington, D.C. 20250

Dear Secretary Vilsack,

The undersigned organizations call for USDA **to immediately suspend all direct or guaranteed loans for the construction or expansion of specialized hog or poultry production facilities.** The undersigned organizations support the more than 25,000 Americans who called for a suspension of these loans on a petition delivered to your office on October 22, 2009. The use of public resources for this purpose, particularly at this time, hurts farm families and rural communities, and is a wasteful and risky use of American taxpayers' dollars.

Based on USDA data, the Farm Service Agency (FSA) provided direct and guaranteed loans for new hog and poultry building construction for FY 2008 and 2009 totaling \$264,466,341. FSA loans for new construction lead to expanded production. As overproduction leads to depressed prices and further consolidation for hogs as well as contract cancellations and payment reductions for poultry, common sense suggests this is not the time to provide loans for new construction.

When a similar oversupply situation occurred roughly ten years ago, USDA issued a directive that suspended 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 affecting the hog industry:

*"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 December 23, 2008, USDA announced an emergency purchase of more than 60 million pounds of chicken products at a cost of over \$42 million in an attempt to create a market for surplus product. On March 31, 2009, USDA committed to a \$25 million bonus pork buy, and in September, another \$30 million. Now the industry is asking for an additional \$100 million.

As organizations that support and work directly with beginning farmers, we understand that beginning farmers have unique credit needs and, in general, FSA programs providing credit access to beginning farmers are well advised. However, when those programs encourage beginning farmers to make large investments in high-risk operations, particularly in times of industry overproduction, the intent of the program is defeated. Given the long-term nature of this oversupply/low-price situation and the risky

economic conditions faced by poultry and hog growers, USDA should not use these FSA loans to encourage new farmers to enter these sectors at this time. Instead, the best way to usher in a new generation of farmers and keep them engaged in agriculture long-term is a healthy, well functioning marketplace with fair prices for the animals they raise and sell. Otherwise we are providing the same framework that existing farmers are facing -- long periods of low prices or unfair 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 and low payments. It will show proper government fiscal restraint in tight times. It will also prevent the government from choosing winners and losers which they are currently doing by giving favorable loans to some new or expanding producers while encouraging others to decrease herd sizes, or even leave poultry or hog production completely.

**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,

Agricultural Missions, Inc.  
Alabama Contract Poultry Growers Association  
Alliance to Develop Power (MA)  
Alliance for a Sustainable Future  
Ambler Environmental Advisory Council (PA)  
American Agriculture Movement  
Animal Welfare Institute  
Ashtabula-Lake-Geauga CFU (OH)  
Border Agricultural Workers Project  
California Farmers Union  
California Institute for Rural Studies  
Campaign for Contract Agriculture Reform  
Center for Food Safety  
Center for New Community  
Chemung County Council of Churches NY  
Chemung County Council of Women NY  
Church Women United of Chemung County NY  
Church Women United of New York State  
Clean Yield Asset Management  
Community Association for Restoration of the Environment  
Community Farm Alliance (KY)  
Concerned Citizens of Scotland County (MO)  
Concerned Citizens of the Yakama Reservation (WA)

Contract Poultry Growers Association of the Virginias  
Cornucopia Institute  
Court St Joseph #139 Catholic Daughters of the Americas, Corning/Elmira NY  
Family Farm Defenders  
Family Farms for the Future (MO)  
Farm Aid  
Farm and Ranch Freedom Alliance  
Farmers Supporting Independent Agriculture (IL)  
Farms Not Arms  
FAY-PENN Economic Development Council (PA)  
Federation of Southern Cooperatives  
Food Democracy Now  
Food for Maine's Future  
Food & Water Watch  
Friends of Family Farmers (OR)  
GrassWorks, Inc  
Greene County (Iowa) Farmers and Neighbors  
Hawaii Farmers Union  
Idaho Concerned Area Residents for the Environment  
Idaho Rural Council  
Illinois Stewardship Alliance  
Iowa Citizens for Community Improvement  
Iowa Farmers Union  
Jefferson County (Iowa) Farmers and Neighbors  
Johns Hopkins Center for a Livable Future  
Justice, Peace, Integrity of Creation Office, School Sisters of Notre Dame, St. Louis, MO  
Kansas Cattlemen's Association  
Kansas Rural Center  
La C.A.S.A. de Llano (TX)  
Ladies of Charity of Chemung County NY  
Land Loss Prevention Project (NC)  
Land Stewardship Project (MN)  
Livingston County Good Neighbor Association (MO)  
Mahoning Valley Organizing Collaborative (OH)  
McPherson County Farmers Union (KS)  
Michigan Farmers Union  
Michigan Organizing Project  
Michigan People's Action  
Minnesota COACT  
Minnesota Farmers Union  
Mississippi Association of Agricultural Producers  
Mississippi Association of Cooperatives  
Missouri Coalition for the Environment  
Missouri Farmers Union  
Missouri Jobs with Justice  
Missouri Rural Crisis Center  
Missouri Votes Conservation  
National Contract Poultry Growers Association  
National Family Farm Coalition  
National Farmers Organization

National Immigrant Farming Initiative  
National Latino Farmers and Ranchers Trade Association  
National Sustainable Agriculture Coalition  
Nebraska Farmers Union  
North Carolina Contract Poultry Growers Association  
Northern Plains Resource Council  
Northwest Atlantic Marine Alliance  
Ohio Farmers Union  
Past Regent's Club Catholic Daughters of the Americas, Diocese of Rochester NY  
Pennsylvania Farmers Union  
Pennypack Farm & Education Center (PA)  
Pomona Grange #1, Chemung County NY  
Progressive Agriculture Organization  
R-CALF USA  
Rocky Mountain Farmers Union  
Rural Advancement Foundation International (RAFI-USA)  
Rural Advancement Fund (SC)  
Rural Coalition/Coalición Rural  
Rural Life Committee of the North Dakota Conference of Churches  
Save Family Farms & Mainstreet America (MO)  
Show Me Local Food Coalition (MO)  
Sisters of St. Joseph of Carondelet and Associates, St. Louis Province  
Socially Responsible Agricultural Project  
Southeast Asian American Farming Association  
Southern Sustainable Agriculture Working Groups, SSAWG  
Syracuse United Neighbors (NY)  
Tri-State Coalition for Responsible Investment  
United Farmers USA  
Veteran Grange #1108, Chemung County NY  
Waterkeeper Alliance  
Western Organization of Resource Councils  
Women's International League for Peace & Freedom - Des Moines Branch  
Women's Voices Raised for Social Justice (MO)

For more information or to contact individual organizations, please contact NFFC at (202) 543-5675 or [nffc@nffc.net](mailto:nffc@nffc.net).