

**INTRODUCTORY REMARKS
NEW VALUE-ADDED LIVESTOCK AND POULTRY INITIATIVES**

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Major issues impacting farm operators throughout the country include the rapid structural change occurring at the farm level that has threatened the independence of farm owner-operators, the diminishing share of the consumers' food dollar claimed by farmers, increased global competition, and the growing concentration in food manufacturing and retailing that limits markets. Buffeted by these factors and concern over growing limits to market access, producers in the livestock and poultry industry have increasingly turned to various forms of group action to shore up their deteriorating market position.

The use of value-added strategies has been adopted by many producer groups realizing that they need part of the marketing margin between the farm gate and the consumer's purchase if they are to survive as independent producers. Cooperative marketing represents a means of vertical coordination among independent farm units through which they can engage in ownership of downstream activities and share in earnings. It represents a means of garnering a modicum of marketing clout to compete with corporate interests attempting to dominate production agriculture. Furthermore, it presents opportunities to improve product quality and consistency sought by end users. In short, effective group action strategies are a means for producers to guide their own destiny and collectively secure their independence in era of increasing forms of nonmarket coordination.

Adoption of this strategy has come slow to these industries. Producers have traditionally prided themselves with their independence and have not even considered group action as an alternative course of action outside of live marketing activity, and a few successful poultry marketing efforts such as Gold Kist and Norbest. A parody can be drawn with the image of the Marlboro man in the ads -- riding free and easy in the saddle, breathing lots of fresh air, and dependent upon no one but himself. If something adverse happens to him, well that's just the way it was intended to be, i.e., very fatalistic thinking. But this self-ordained outlook has been changing and changing rapidly as many livestock and poultry producers recognize that it is the eleventh hour for them in their respective industries. Faced with demoralized prices, increased contracting (some of which are the piece-wage type), loss of markets due to processor consolidation or relocation, and consumer concerns over product quality and food safety, progressive leaders in these industries have determined that there is more potential in working together than continuing to act as isolated entrepreneurs. They are organizing to bring home more of the marketing margin to them as producers by organizing new value-added cooperatives.

Congress has recognized the need for these new initiatives and has supported them through various technical assistance, grant and loan guarantee programs. The Cooperative Marketing Act of 1926 -- soon to celebrate its 75th year -- established a Cooperative Services unit in the USDA for doing

research, offering technical assistance and education/information on effective group action efforts. The 1996 Federal Agricultural Improvement and Reform Act (FAIR Act) extended the Department's Business and Industry Loan Guarantee program to include producer loan guarantees for stock purchase in new value-added cooperatives. The Rural Development mission area has further established a loan guarantee set-aside within the Business and Industry program in recent years for use by cooperatives. Cooperative Development Centers have been established through the Rural Cooperative Development Grant program to provide another source of technical assistance to new startups throughout rural America. And in the recent Agricultural Risk Protection Act of 2000, Congress established a value-added agricultural product marketing development grant program to further help producers establish value-added business activity.

Today, we have the opportunity to hear and learn from the experiences of new producer initiatives in the pork, lamb, beef and turkey industries. These are individuals who have devoted considerable thought and leadership to the needs of their respective growers and who have developed plans of action enabling a better future for their industry groups. Perhaps most importantly, these new initiatives represent examples of proactive efforts to fight concentration in their industries and to provide members with continued market access.