

**Testimony of Mr. Gary Malenke
President & Chief Operating Officer
Natural Food Holdings
Before the**

**Subcommittee on Agriculture, Energy and Trade
Committee on Small Business
U.S. House of Representatives**

July 7, 2011

Good morning Chairman Tipton, Ranking Member Critz and Members of Congress. My name is Gary Malenke. I am the Chief Executive Officer of Natural Food Holdings, earlier known as Sioux Preme Packing Co., in Sioux Center, Iowa. Our firm is not large enough to be classed in the top ten hog slaughterers. We have been in business for over 40 years, and I have been in the meat industry for over 20 years.

We are proud to have arrangements with a number of producers to bring us hogs to fit niche markets with whom we have marketing arrangements under various brands. To do this, we are looking for very specific types of hogs that often require the grower to follow a specific protocol. Our producers are then paid a premium for meeting these expectations. These products are then sold to markets and restaurants that differentiate our products to create an enhanced value. To accomplish meeting our customer expectations, we work with our producer partners that number over 500 growers to assure a consistent supply – we know that a disappointed end user of our product is unlikely to buy again, so meeting the requirements is critical to our growth and survival.

I am sensitive to the feeling in the countryside that producers are not getting a fair deal. I and my senior staff are involved in industry organizations to give a little and to gain a lot in terms of advice and resources to help us be better business leaders. Indeed, I am the President of one such group this year, a somewhat time-consuming activity, but I feel it is a modest pay-back for what our business gets.

At a recent meeting I attended, I visited with a young man who has inspired me to reach back to producers and to give back to the men/women and families who produce hogs for our business. I want these producers to know as much about fixing a fair value for pork as they know about the business of raising hogs.

Let me suggest a couple of things we can do together:

** Meeting consumer expectations for the pork they buy, at retail or on the center of the plate in a restaurant, is critical. I will develop with the organizations I belong to more information to make available to producers about how we can do this together. We are in this together, every week of the year, for the long haul, and the better we share and

communicate with each other, the more successful we will be at meeting the end consumer's expectations.

** There is already a great deal of information in the marketplace about price for hogs and pig meat. I will agree that it is very complicated, and not as accessible as it could or perhaps should be. Once again, I will develop, with the organizations I belong to, more transparency in the information that would be useful to producers. I believe that the enhancements set forth in current legislation will also be helpful. I also know that one of the organizations in which we hold membership has been meeting with the USDA's marketing officials to improve the information for pork price reporting, and I expect these efforts to be useful in improving the flow of information.

I grew up on a small farm, some 30 years ago, and have witnessed first hand the changes to rural America. There is no longer a hardware and grocery store in small towns, numerous school districts have merged and the economies of scale have been driven by the Wal-Marts of the world. This trend is not the fault of big business. It's driven by the changing consumer; that folks like Wal-Mart have done a great job of attracting customers (face it thousands of people shop there every day because they choose to do so). As much as I desire to look back with nostalgia, the realities of economic forces today are very strong. GIPSA's attempt to regulate the future by returning the way things used to will be a bad economic decision that will not succeed.

In the summer of 2009, our business was not good and we were not profitable. This year, we are doing better, and I know it is because of both domestic demand and much improved exports of pork. In 2009, the price of hogs were some 30-35% lower than in 2010, and, we lost money. In 2010 with the improved demand we did better, because of the difference in market conditions, even when the price of hogs was higher! My point is this "the primary influence on the price of livestock is the demand for the finished products we produce".

This is a very tough business – for producers and for packers. Working together in partnership and cooperation will give us the opportunity to be successful together. I am not here to cry about the very large firms – their very largeness denies them the flexibility that we enjoy at Natural Food Holdings. We don't need to enroll GIPSA, a government regulatory agency, in our business plan – enhancing our partnerships with producers for our mutual benefit is a much better solution.

Thank you for the opportunity to testify. I would be happy to answer any questions you may have.

Respectively submitted,
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President/CEO
Natural Food Holdings