

Pork Exports Create U.S. Jobs

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The U.S. pork industry has 111,000 full-time, direct employees and supports an additional 450,000 in secondary employment such as veterinary services, input supplies and local government. The industry dominates its international competitors because it has access to feed grains and capital and because the productivity of workers in pork production and pork processing is the highest in the world.

U.S. pork producers have long recognized that opportunities for growth in the industry lie abroad, and as a result, they have been among the strongest supporters of trade efforts in Washington. Over the past 15 years U.S. pork exports have risen from almost zero to about 20 percent of production.

Pork exports are a benefit to the economy in two ways. The initial response to export growth is an increase in the price that pork producers receive for the approximately 110 million hogs that they sell each year. For each additional 1 percent of U.S. pork production that is exported, live hog prices increase by approximately \$3 per hog. Higher prices eventually stimulate additional pork production, and the industry expands to meet the new opportunity. For each 1 percent change in the size of the U.S. pork industry, the U.S. economy creates 920 direct full-time jobs and 4,575 jobs in total.

The U.S. pork industry currently is the low cost global pork producer and the number one worldwide pork exporter. The market access generated through the Uruguay round, the NAFTA, and other trade agreements has been the major catalyst in the expansion of U.S. pork exports. In addition, the weakening of the U.S. dollar coupled with excellent U.S. herd health status and recent dramatic increases in U.S. sow productivity have combined to provide the industry with a significant competitive advantage over all other international suppliers. As the world recovers from the recent economic crisis, consumers throughout the world will renew a trend toward additional meat consumption. It is far more efficient for food importing countries to import the finished meat products than it is to import the grain needed to produce meat domestically. This means that the potential for additional exports in the short to medium term is enormous.

To achieve its export potential, the U.S. pork industry must maintain access to important customers such as China and Russia and expand market access in markets such as South Korea, Colombia and Panama. This latter group of countries has agreed to eliminate tariffs on U.S. pork and other products in the context of free trade agreements (FTAs) negotiated with the United States.

I have calculated that an FTA with Panama would increase U.S. live hog prices by \$0.20 per animal and create approximately 600 full-time positions in the pork industry and among its input suppliers. A Colombia FTA would increase live hog prices by about \$1.15 per animal and create 3,500 full-time positions, and a trade deal with South Korea would increase live hog prices by

nearly \$10 per pig and create 3,628 direct jobs and 18,000 total jobs. My calculations assume that not only the U.S. but that Canada and the EU implement FTAs with South Korea and that Canada also implements the FTA it negotiated with Colombia.

Without question, however, the biggest export prize is China. If we assume that China imports 25 percent of its pork consumption and buys 60 percent of that amount from the U.S., we get 61,000 direct jobs and 306,000 total additional jobs. This is a very realistic possibility given that Japan is now importing 50 percent of its pork consumption and that most other Asian nations are following this trend and importing increasing amounts of food and agricultural products. Chinese pork production costs are simply too high and will be even higher in the future. With pork imports currently comprising less than 2 percent of Chinese pork consumption, the U.S. is poised to significantly increase pork exports to China. The importance of reducing barriers to pork trade in China cannot be overstated.