



# Capital Pork Report

2007  
ANNUAL  
REPORT

# 2007 A Successful Year For NPPC

The National Pork Producers Council solidified its position in 2007 as the global voice for the U.S. pork industry, taking action on a host of legislative, regulatory and international issues of importance to the country's 67,000 pork producers.

The Farm Bill and Agriculture Appropriations legislation, free trade agreements and multilateral trade negotiations, federal air and water rules and efforts inside and outside of Washington to restrict producers' production practices were some of the priorities for NPPC in the past year.

NPPC testified before Congress nine times and before the International Trade Commission twice in 2007, sent letters to lawmakers on nearly two dozen issues and submitted comments to regulatory agencies on eight proposed rules. In October, the organization led a delegation of pork producers to Europe to meet with World Trade Organization officials now

negotiating the Doha Round trade agreement, and over the past year, NPPC board members and staff made visits to Australia, Canada, China, the Czech Republic and Mexico, among other nations, to meet with pork industry leaders, trade officials and government representatives of those countries.

In addition to lobbying Congress, collaborating with executive branch agencies such as the U.S. Department of Agriculture and the Office of the U.S. Trade Representative, representing producers before the courts and working with foreign officials, NPPC strengthened its public-policy and political power, training 250 producers through its Legislative Education Action Development Resource and Public Policy Leadership Institute programs and building its political action committee – PorkPAC.

While NPPC represents the interests of all producers, it depends on the financial and grassroots support of its Strategic Investment Program investors. In 2007, NPPC added 220 investors to its ranks. Representing a variety of farm types and sizes, NPPC's 1,750 investors are involved with about 61 percent of the country's pigs. NPPC's revenue from its investors grew by about 3 percent in 2007 despite hog market prices being down about 10 percent for the year.

In all aspects and by every measure, 2007 was a successful year for NPPC, and the groundwork was laid for a successful 2008.



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## 2007 Vs. 2008: More Of The Same?

Undoubtedly, you've heard the saying: "The more things change, the more they stay the same." The successes of the National Pork Producers Council in 2007 and the challenges it faces in 2008 verify that adage.

On a host of issues, NPPC scored public-policy victories last year but is likely to be addressing some of the same issues this year. Here are our 2007 successes:

- Got significant and much-needed changes made to the Mandatory Country-of-Origin Labeling law, including an important provision that allows producers to use normal business records to verify an animal's origin.
- Kept out of the Farm Bill and the Agriculture Appropriations bill a number of provisions that would have been detrimental to our industry, including a prohibition on fatigued hogs entering the food supply and a ban on antibiotics.
- Won a major court decision that upheld a groundbreaking settlement with EPA and allowed a study of air emissions from farms to go forward.
- Continued to work with EPA on a CAFO rule to ensure that it is reasonable, cost effective and based on sound science. The rule is expected to come out later this year.
- Added to the Farm Bill provisions that increase funds for conservation programs, such as EQIP, and for the export-promoting Market Access Program.
- Got funds for swine genome research, the pseudorabies program and for a national trichinae certification program.
- Continued implementing our swine ID system, which will help us more quickly identify, control and eradicate any disease outbreak. More than 47,000 premises are now registered, or more than 68 percent of the U.S. pork industry.
- Passed a free trade agreement with Peru that will add 83 cents to the price we receive for each hog marketed. This FTA also is important for the momentum it helps build for passage of even bigger agreements with Colombia and South Korea.
- Worked to keep important markets in Australia and Mexico open, and we continued to press for a Doha Round multilateral agreement that gives the U.S. pork industry more access to the European Union and Japanese markets.

As we move further into 2008, NPPC most likely will again be fighting against efforts to ban antibiotics, to dictate our production practices and to restrict the U.S. pork industry's access to foreign markets. And with your help, we'll be just as successful at the end of this year as we were in 2007.

Jill Appell  
 NPPC President

Neil Dierks  
 NPPC CEO

# Environment Matters



Missouri pork producer Chris Chinn told the Senate Committee on Environment and Public Works that the livestock industry already is “highly regulated.”



EPA is conducting a study of air emissions from pork production facilities.

The National Pork Producers Council last year continued to fight on behalf of pork producers on issues related to the environment, conservation and energy.

NPPC was instrumental in keeping the groundbreaking air consent agreement on track. The agreement, which was initiated in early 2005, protects animal feeding operations from U.S. Environmental Protection Agency enforcement actions for past air emissions violations, as well as for violations that might occur while the agency conducts a monitoring study of emissions from farms.

Environmental groups tried to derail the agreement, challenging it in federal court. NPPC was part of a group of animal agriculture organizations that defended the consent agreement, winning two decisions before the U.S. Court of Appeals for the D.C. Circuit.

NPPC now is keeping producers informed about the progress of the air monitoring study, which began last fall. Nearly 1,900 hog operations signed the consent agreement.

NPPC also continued to work with EPA on a rule for concentrated animal feeding operations (CAFOs). The agency is set to finalize a rule later this year on discharges from CAFOs that will set a goal of zero discharges from livestock operations. NPPC worked to minimize the impact on producers of the regulation.

In October, NPPC joined several other agricultural organizations in submitting comments critical of a proposed revision to a federal Clean Air Act standard that, if adopted, could restrict production activities, pesticide uses, feeding operations and expansions of facilities. The U.S. Environmental Protection Agency proposed to lower the air-quality standard for ground-level ozone, a pollutant formed through a reaction of nitrous oxide and volatile organic compounds with sunlight. The move would have put nearly 1,250 counties – up from about 400 – including dozens of rural agricultural areas, out of attainment and required restrictions on businesses, including farms, in those counties.

On another environmental matter, NPPC lobbied lawmakers last year

to maintain funding for the Environmental Quality Incentives Program (EQIP), which helps producers improve environmental performance and meet or exceed regulatory requirements related to the environment. The Farm Bill pending approval by the House and Senate preserves the 2006 funding level for EQIP and makes changes to streamline the program.

NPPC also urged lawmakers to make reforms to federal conservation programs, including allowing producers to terminate Conservation Reserve Program contracts they have had for five or more years to return land to crop production.

In the energy area, NPPC weighed in on the Renewable Fuels Standard included in an energy bill approved by Congress in December. It raised concerns about an RFS for corn-based ethanol greater than 15 billion gallons. (The final energy bill included that target amount to be met by 2022.) NPPC also helped get added to the Farm Bill a tax credit for methane digesters and a \$1 per gallon tax credit for use of domestic animal fats in the production of renewable diesel and renewable jet fuels.



NPPC President Jill Appell participated in a forum on the Farm Bill with then-USDA Secretary Mike Johanns.



NPPC Past President meeting with Sen. Nelson serves on

## *NPPC Efforts On Farm Bill,*

**C**rafting a Farm Bill dominated the legislative agenda of the National Pork Producers Council in 2007, but the organization also dealt with dozens of other issues. NPPC lobbyists spent thousands of hours talking with lawmakers, interacting with congressional staff and working through coalitions, and its efforts paid off.

NPPC was successful in getting included in the House and Senate Farm Bills – at press time members of those bodies were working on a compromise measure – provisions that would increase investments in conservation, nutrition and renewable energy. It also got much-needed fixes made to the Mandatory Country-of-Origin Labeling law, with the revised statute proposing four label categories for pork, beef, lamb and goat meat and allowing producers to use existing records, such as normal business records, animal health papers and import or customs documents, to verify an animal's ori-

gin. Other Farm Bill victories included more money for the Market Access Program and funds for pseudorabies and swine genome research and authorization of a national trichinae certification program.

It kept out of the Farm Bill amendments that would have been detrimental to the U.S. pork industry, including ones that would have:

- Banned the use of formula pricing for hogs.
- Established an Office of Special Counsel to investigate livestock competition issues.
- Created an Agriculture Competition Task Force with powers to investigate agricultural competition issues and to develop guidelines governing competition.
- Required parties to prove that a merger, acquisition or “other transaction” would not “substantially lessen competition” or “tend to



ent Joy Philippi, far left, led a delegation of Nebraskans in a . Ben Nelson, D-Neb., right, to discuss pork industry issues. the Agriculture Committee.



NPPC board member Sam Carney, second from the right, a producer from Adair, Iowa, talks with Senate Agriculture Committee Chairman Tom Harkin, Iowa, about the issues of concern to the U.S. pork industry.

## Other Legislation Protected Pork Producers

create a monopoly in one or more geographic markets.”

- Prohibited packers from paying premiums for value-added livestock, such as “free-range,” by eliminating “business justification” as a defense against charges of unfair competition.
- Allowed lawsuits over “unfair” competition in which the plaintiff would not be required to show that he or she suffered a competitive injury.

On the annual Agriculture Appropriations bill, NPPC lobbied to defeat amendments that would have kept fatigued hogs out of the food supply, banned certain animal antibiotics and dictated livestock production practices. It was able to secure funding for:

- Animal health monitoring and surveillance.
- Pseudorabies in pest and disease management.

- Livestock genome sequencing.
- Livestock waste issues.
- Swine and other animal waste management.

On another important and emerging issue, NPPC weighed in on immigration reform, urging Congress to reauthorize the U.S. Department of Homeland Security’s E-Verify Program, also known as the Basic Pilot Program, which allows employers to verify I-9 employment data through an automated system linked to the databases of the Social Security Administration and DHS’s U.S. Citizenship and Immigration Services. NPPC asked that any immigration reform legislation include provisions to:

- Secure the country’s borders in a way that is fair and just.
- Provide a pathway to citizenship for the 12 million immigrants who are already in the U.S.

- Create a new temporary worker visa to ensure that industries have a sufficient supply of workers.

NPPC also submitted comments to USDA on proposed reporting regulations for swine in the law requiring meat packers to report the prices they pay producers for animals. The Livestock Mandatory Reporting Act, which was reauthorized in September 2006, includes three enhancements to the pork reporting provisions:

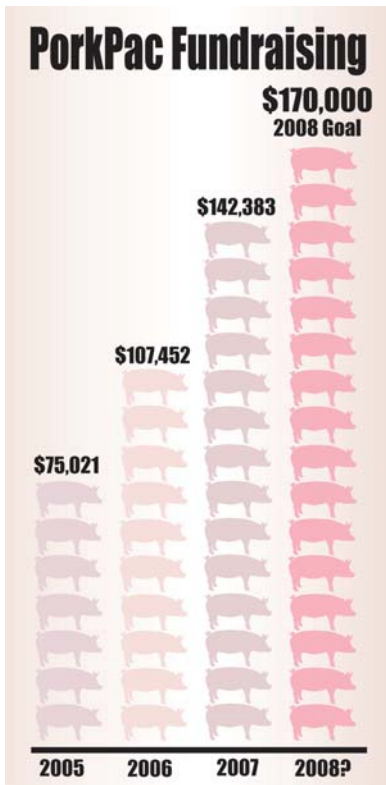
- More sows are included in pricing reports to more accurately reflect the sales and prices paid in the sow market.
- Changes to the timing for data reporting were made to help USDA with its workload and, thus, to increase report accuracy and efficiency.
- USDA may publish price distributions for net prices to provide more information that is more reflective of market situations.

## PorkPAC Had Successful Year

PorkPAC, the political action committee of the National Pork Producers Council, had a very successful fund-raising year in 2007.

It took in more than \$142,000, surpassing its goal of \$113,000. The average contribution was more than \$500. For 2008, the PAC has set a fund-raising goal of \$170,000.

PorkPAC contributed to the campaigns of 53 candidates for federal office during the year and is expected to increase its involvement in the political process in this presidential election year.



## NPPC Advanced Swine ID, Well-Being Issues

Iowa pork producer Barb Determan told the House Agriculture Subcommittee on Livestock, Dairy and Poultry that pork producers, not animal-rights activists, know the best care for the well-being of their hogs.

In the science and technology area, the National Pork Producers Council continued work on several issues of vital importance to U.S. pork producers, including a national swine ID system and swine well-being.

NPPC and the National Pork Board worked throughout the year to implement an ID system, urging producers to register swine premises. By the end of the year, nearly 45,000, or 66 percent, of the estimated 67,280 hog farms had been registered.

The two organizations in 2005 formed a Swine Identification Implementation Task Force made up of producers and other industry stakeholders to enhance the existing swine ID system that was set up in 1988 and used successfully to eradicate pseudorabies from the commercial herd.

NPPC and the Pork Board also collaborated on a “strategic conversation on swine well-being,” a series of meetings to discuss the future of the U.S. pork industry and its production methods.

Other science and technology issues addressed in 2007 included congressional legislation to ban the use in livestock of certain antibiotics, efforts by animal-rights

activists to prohibit the use of sow stalls – they are attempting to get an initiative on the California ballot in the upcoming elections – and fear-mongering over antibiotic-resistant bacteria, such as Methicillin-resistant *Staphylococcus aureus* (MRSA).

Food safety was another important topic NPPC tackled in 2007. The issue came to the fore after news reports on contaminated pet food, lead paint on toys and *E. coli* outbreaks.

NPPC worked with a coalition of agriculture and business organizations to ensure that any congressional food-safety legislation adopted was practical, cost-effective and based on sound science. Several food safety bills were introduced in Congress last year, including one that called for imposing user fees on food importers, limiting food imports to U.S. ports that are near a U.S. Food and Drug Administration laboratory and dramatically increasing import inspections. NPPC expressed its opposition to such a measure.

# Trade Continued To Bolster Pork Industry

Exports continued to be a success story in 2007 for the U.S. pork industry, and the National Pork Producers Council worked to open new markets and keep open existing ones.

Once again, pork producers shipped a record amount of pork to overseas destinations; 2007 was the 16th consecutive year of record exports, with sales topping \$2.75 billion.

NPPC kept open the important Australian, Canadian and Mexican markets, working in those countries to prevent restrictions on U.S. pork imports. Keeping the Mexican market open saved U.S. producers \$10 per hog, according to Iowa State University economists.

In mid-October, it took a delegation of U.S. pork producer representatives to Geneva, Switzerland, for meetings with U.S. trade negotiators, World Trade Organization Director-General Pascal Lamy and trade officials from a number of WTO nations. The NPPC delegation said significant new market access into the European Union and Japan is a prerequisite for pork producer support of a Doha Round trade agreement and that the web of tariff and non-tariff barriers that currently restrict U.S. pork exports must be lowered.

NPPC's biggest trade success in the legislative arena was passage of the Peru Trade Promotion Agreement. When it is fully implemented, live hog prices will be 83 cents higher than they would be in

the absence of the agreement, according to Iowa State University economists. The profits for the average U.S. pork producer will increase by 7 percent, and U.S. pork exports to Peru will be worth \$30 million annually.

Under the agreement, all pork products will see immediate reductions in tariffs and at the end of a 10-year phase-out period, all pork products will be duty-free.

In addition to the favorable market-access provisions, significant sanitary and technical issues were resolved. The Peruvian government, for example, agreed in writing to recognize the meat inspection system of the United States as equivalent to its own inspection system. The agreement also addresses labor and environmental issues, key sticking points to congressional approval of previous trade deals.

NPPC also worked with the Bush administration on a free trade agreement with South Korea, which was completed in March 2007. The pact, which still must be approved by Congress, would add \$10 to the price producers receive for each hog marketed.

As 2008 unfolds, NPPC will be urging lawmakers to approve the



trade agreement with South Korea, as well as ones with Colombia and Panama. It also will be working with U.S. negotiators as they try to complete the multilateral Doha Round agreement.



**NPPC Vice President and International Trade Counsel Nick Giordano, center, speaks with Peru Foreign Trade Minister Mercedes Araoz and David Lemor, a senior adviser.**



**Iowa pork producer Jon Caspers discusses the benefits of free trade with the House Small Business Committee.**

