Pre-hearing Brief for the
International Trade Commission Hearing on
United States - Mexico – Canada Agreement: Likely Impact on the U.S. Economy and Specific Industry Sectors

Investigation No. TPA-105-003

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The National Pork Producers Council (NPPC) welcomes the opportunity to present a pre-hearing brief to the U.S. International Trade Commission (ITC), related to its investigation of the impact of the U.S. – Mexico – Canada Agreement (USMCA) on the U.S. economy, and specific sectors (Investigation No. TPA-105-003).

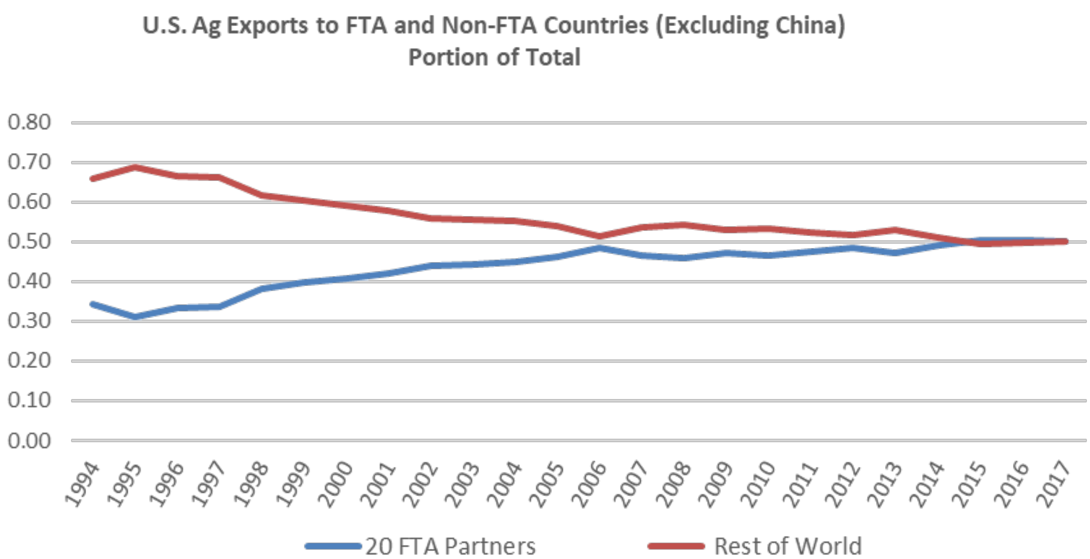
NPPC is a national association representing a federation of 42 state producer organizations. As such, NPPC represents the federal and global interests of 60,000 U.S. pork operations. The U.S. pork industry is a major value-added component of the agricultural economy, and a significant contributor to the overall U.S. economy. U.S. pork producers shipped 2.5 million tons, valued at $6.7 billion, to over 100 nations in 2017.

Importance of Free Trade Agreements To U.S. Agriculture

Food and agricultural exports in 2017 totaled $138 billion, which generated $445 billion in U.S. economic activity in 2017, based on USDA's Economic Research Service (ERS) multiplier. Agricultural exports as a share of cash receipts to farmers have grown from 22 percent to 35 percent since the early 1990s. ERS estimates that each dollar of agricultural exports stimulates another $1.27 in business activity in the economy. The $138 billion of agricultural exports in calendar year 2017, therefore, produced an additional $175 billion in economic activity, for a total of $313 billion economy-wide.

In addition, every $1 billion of U.S. agricultural exports requires 8,070 American jobs throughout the economy. Agricultural exports in 2017 required over 1,113,000 full-time civilian jobs. Exports to Canada and Mexico, our second and third largest foreign markets, totaled over $39 billion in 2017, or 28 percent of our total to the world. Those exports generated over $48 billion in additional business activity throughout the economy and accounted for some 306,000 jobs.

Importantly, much of the growth in U.S. agricultural exports has occurred during the period the United States implemented new trade agreements. The U.S. agricultural sector, as the most efficient and competitive in the world, has benefited greatly from more open markets brought about by these agreements. We now export as much to our 20 FTA partner countries as we do to the rest of the world (over 150 countries), excluding China.



Source: USDA/FAS Global Trade Atlas

The following table provides a breakdown of agricultural export growth by FTA in chronological order since NAFTA. While exports to at least some of these countries would have increased without the FTAs, there is no doubt that the FTAs played a major role in the growth. In all cases, very high tariffs or other restrictive measures were negotiated away, allowing for freer access for U.S. products and, in many cases, preferential access over products from competitor countries.

Growth in U.S. Agricultural Exports to FTA countries

FTA	Date Entered into Force	Year Before Agreement	2017	Growth
		Million Dollars		Percent
Canada FTA/NAFTA	1/1/89	2,019	20,608	+921
Mexico - NAFTA	1/1/94	3,618	18,601	+414
Jordan	1/1/02	122	287	+135
Singapore	1/1/04	266	817	+207
Chile	1/1/04	144	930	+546
Australia	1/1/05	410	1,417	+246
El Salvador -CAFTA	3/1/06	239	463	+94
Honduras - CAFTA	4/1/06	249	591	+137
Nicaragua - CAFTA	4/1/06	125	205	+64
Guatemala - CAFTA	7/1/06	455	1,101	+142
Morocco	1/1/06	164	396	+141
Bahrain	8/1/06	15	74	+393
Dominican Rep.	3/1/07	629	1,200	+91
Costa Rica - CAFTA	1/1/09	608	694	+14

FTA	Date Entered into Force	Year Before Agreement	2017	Growth
Oman	1/1/09	77	59	-23
Peru	2/1/09	424	1,225	+189
South Korea	3/15/12	6,976	6,869	-2
Colombia	5/12/12	868	2,525	+191
Panama	10/31/12	206	647	+214

It is clear from the table that zero tariff access for virtually all U.S. food and agriculture products through FTAs with Canada and Mexico have been of critical importance to U.S. farmers, ranchers, and food companies. It is imperative that Congress expeditiously pass the United States – Mexico – Canada Trade Agreement (USMCA) in order for pork and other U.S. farm products to maintain their zero tariff access.

Mexican WTO tariff rates were substantially higher in the agricultural sector (45 percent bound and 15.6 percent applied) than U.S. WTO rates in agriculture (4.8 percent bound and 5.2 percent applied). It is clear which country's agriculture would suffer more from moving away from USMCA tariffs – which are essentially zero in both directions – and back to WTO levels.

With the productivity of U.S. agriculture growing faster than domestic demand, the U.S. food and agriculture industry – and the rural communities that depend on it – relies heavily on export markets to sustain prices and revenues. Disrupting U.S. agricultural exports to Mexico and Canada would have devastating consequences for our farmers and the many American processing and transportation industries and workers supported by these exports.

Pork can be considered the poster child for sectors that have benefitted from free trade agreements. U.S. exports of pork have increased by 1,544 percent in value and nearly 1,449 percent in volume since 1989, the year the United States implemented an FTA with Canada and began the process of opening international markets for value-added agriculture products. The importance of trade deals is evident given that the United States now exports more pork to the 20 countries with which it has FTAs than to all other nations combined.

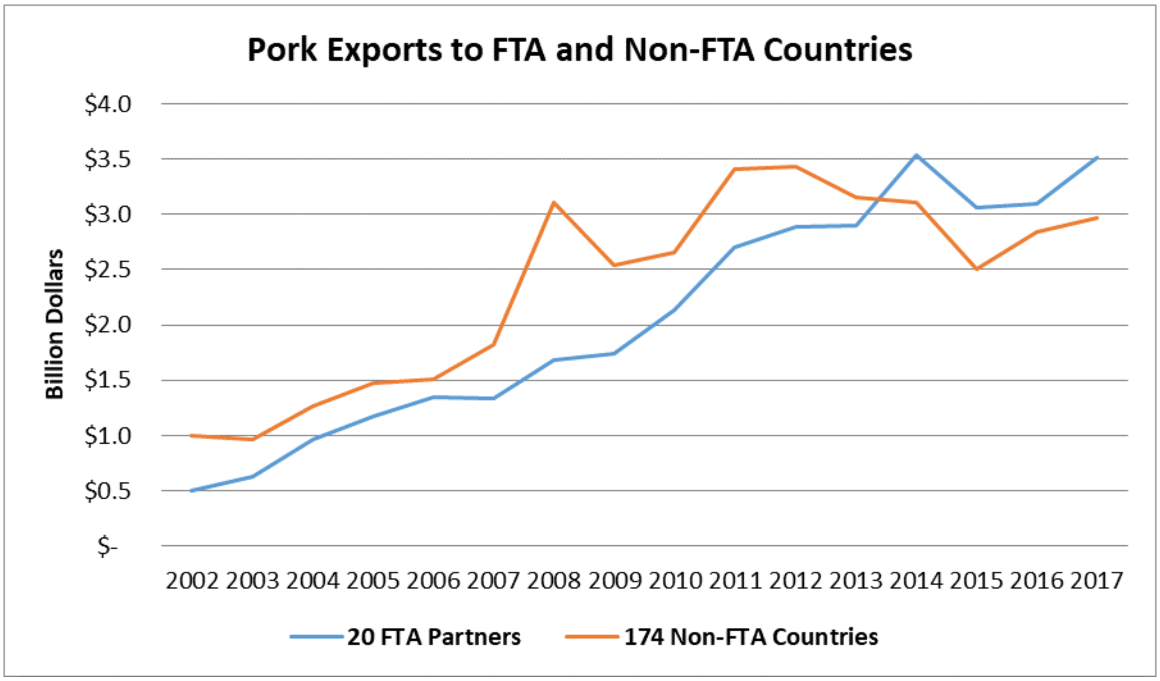
The following table and charts show the importance of U.S. FTAs, and NAFTA in particular, to our pork exports.

Growth in U.S. Pork Exports to FTA countries

FTA	**Date Entered into Force**	**Year Before Agreement**	**2017**	**Growth**
		Million Dollars		Percent
Mexico (NAFTA)	1/1/94	164.7	1,514	+819
Canada (NAFTA)	1/1/94	46.9	792	+1,688
Jordan	12/17/01	.009	.222	+2,466
Singapore	1/1/04	1.6	15.7	+981
Chile	1/1/04	0.2	84.5	+4,250
Australia	1/1/05	11.3	208	+1,840
El Salvador (CAFTA)	3/1/06	0.8	13.8	+1,625
Honduras (CAFTA)	4/1/06	11.3	54.3	+380
Nicaragua (CAFTA)	4/1/06	0.4	13.7	+3,325
Guatemala (CAFTA)	7/1/06	8.4	49.1	+684
Morocco	1/1/06	0.03	0.04	+33
Bahrain	8/1/06	0.025	0.129	+416
Dominican Republic	3/1/07	6.6	70.3	+965
Costa Rica (CAFTA)	1/1/09	1.3	14.7	+1030
Oman	1/1/09	.004	0	

FTA	Date Entered into Force	Year Before Agreement	2017	Growth
Peru	2/1/09	0.7	11.4	+152
Korea	3/15/12	497.9	475	-4
Colombia	5/12/12	29.0	163.2	+462
Panama	10/31/12	13.4	31.8	+137

Source: USDA/FAS/Global Trade Atlas



Source: USDA/FAS/Global Trade Atlas

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Over the past 10 years, on average, we have been the top exporter of pork in the world. Exports contribute significantly to the bottom line of all U.S. pork producers, adding more than $50 to the value of each hog marketed in 2017, when about $6.7 billion of U.S. pork was exported. For these reasons, the opening of new and the expansion of existing markets for U.S. pork through free trade agreements have been and will continue to be vital to the success of the U.S. pork industry.

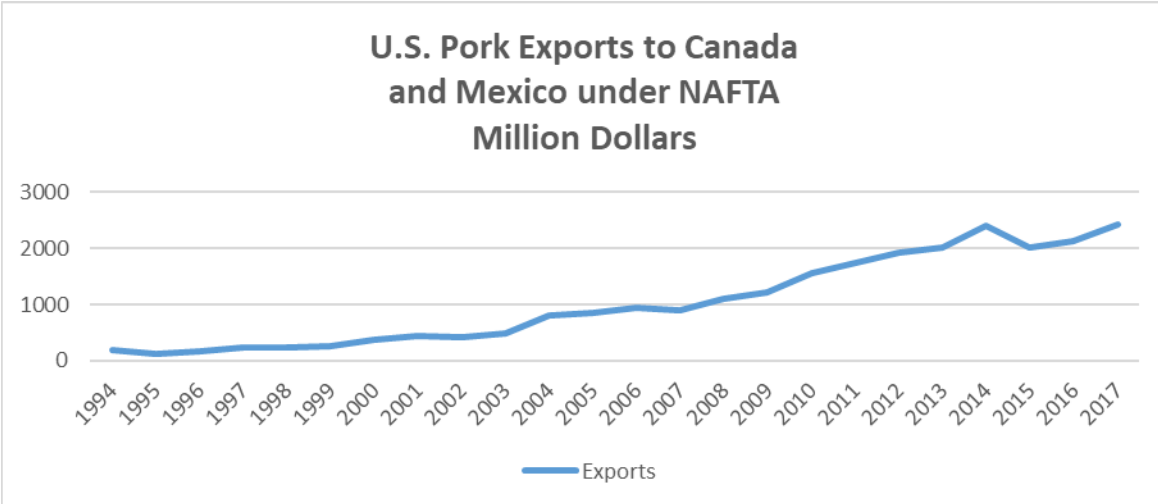
In 2017, the United States exported 857,433 metric tons of pork and pork products, valued at $1.62 billion, to Mexico, making it the largest volume market and the second largest value market for U.S. pork exports. According to Iowa State University economist Dermot Hayes, U.S. pork exports to Mexico have created more than 9,000 U.S. jobs. Canada is our third largest market, taking almost $800 million in pork in 2017. Together, the two countries account for over

40 percent of our exports to the world and about 15 percent of our production.

Professor Hayes calculates that if the U.S. Congress fails to pass the USMCA and Mexico keeps in place the 20% duty it now has in place based on Mexico's Section 232 steel and aluminum retaliation, the United States would eventually lose the entire Mexican market to pork from Mexico, Chile and Canada. A loss in exports of that magnitude would be cataclysmic for the U.S. pork industry. Removing the 20 percent duty that Mexico has imposed, and acquiring duty free access to the Mexican market, would cause a 10 percent increase in the U.S. live hog market. At today's live hog prices that is an increased value of $12.40 per hog, Professor Hayes concluded. Based on 121.3 million hogs harvested in 2017, that's an aggregate benefit to the U.S. pork industry of nearly $1.5 billion annually.

From NAFTA to the USMCA

The North American Free Trade Agreement (NAFTA) has been enormously beneficial to the U.S. pork industry. U.S. pork exports to Mexico and Canada, which were valued at just $190 million in 1994, the first year of NAFTA, grew to $2.4 billion by 2017. Because of NAFTA, Mexico and Canada now collectively account for over 40 percent of overall U.S. pork exports.



As we consistently pointed out during the course of the recent negotiations with Canada and Mexico, the loss of duty free access to these two markets would have a devastating impact on the U.S. pork industry.

For this reason, NPPC was elated when the United States, Mexico and Canada arrived at the USMCA deal. The agreement preserves duty free access to the Mexican and Canadian pork markets, thus offering the prospects for continuing growth in U.S. pork sales to two of our largest export markets. Preservation of the North American market is particularly vital to U.S. pork producers, as we suffer the consequences of retaliatory tariffs in China, a country which has historically been another major U.S. export market.

The USMCA also includes strong sanitary phytosanitary (SPS) provisions, which expand upon rules contained in both NAFTA and the WTO SPS Agreement. This includes expanded SPS provisions related to equivalence, plant auditing and regionalization of SPS measures. The strong SPS provisions in the USMCA provide us with additional confidence that this deal, if approved by Congress, will serve as a launching pad for further growth in U.S. pork sales to our North American neighbors.

Section 232 Tariffs on Steel and Aluminum

Even though the United States, Mexico and Canada have reached an agreement on trade under the USMCA, U.S. Section 232 tariffs on steel and aluminum, and the Mexican and Canadian retaliatory duties imposed in response to the Section 232 tariffs, remain in place. This includes Mexico's 20 percent retaliatory duty on U.S. pork, imposed during the summer of 2018, in response to the Section 232 action. In order for the U.S. pork industry to take full advantage of the duty free access afforded both through NAFTA, and prospectively through the USMCA, Mexico's retaliatory duty on U.S. pork must be removed. We therefore urge the Trump Administration to seek the earliest possible resolution of the Section 232 steel and aluminum dispute with Mexico and Canada.

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