



CAPITAL PORK REPORT



THE YEAR IN REVIEW

2019-2020 NPPC Board of Directors



NPPC's Maria Zieba as a National Ag Day Panelist



NPPC President-Elect AV Roth and his family



Congresswoman Cheri Bustos (D-Ill.) addresses NPPC Legislative Action Conference Producer Attendees



It was a busy and eventful year for U.S. pork producers who faced unprecedented domestic and international challenges. Trade retaliation by Mexico and China caused significant financial pain, while in Japan, U.S. pork producers faced market share loss as international competitors gained more favorable access through trade deals. In addition to the trade headwinds, U.S. pork producers faced the increased risk of African swine fever and re-doubled efforts to prevent this and other foreign animal diseases. Together, we leveled the

playing field with emerging alternative proteins by ensuring these products will face USDA oversight and worked to raise awareness for the importance of establishing the right regulatory framework for gene-edited livestock. Despite these challenges, NPPC and its members achieved significant public policy wins. In this special edition of Capital Pork Report, we look back at NPPC's top accomplishments, as well as some important issues for 2020.



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IN CASE YOU HADN'T HEARD...

2019 NPPC SUCCESSES INCLUDED:

- ★ Led the charge in the resolving the North American metal dispute, prompting removal of Mexican punitive tariffs of 20% (\$12 hit per hog) on U.S. pork in May.
- ★ Successfully pushed in Washington, D.C. and Tokyo for an early harvest U.S.–Japan trade deal covering pork and other farm products.
- ★ Aggressively engaged with USDA and Homeland Security to prevent African swine fever (ASF) from entering the United States.
- ★ Secured \$1.7 million USDA grant to support Vietnam in the prevention and control of African swine fever, helping them build its veterinary workforce while giving the U.S. an invaluable research opportunity to better understand ASF.
- ★ Beat back FDA and the fake-meat crowd in establishing regulatory oversight of cell-cultured protein product names, labeling and processing at the USDA.
- ★ Succeeded in terminating safeguard investigation on pork in Panama.
- ★ Secured \$4 million in USDA funding for trichinae surveillance program and prompted industry-wide participation in a program that will help the U.S. pork industry achieve negligible risk status for trichinella in the World Organization for Animal Health. The status will eliminate the ability of other countries to impose costly mitigations on U.S. pork and it help us reach more international markets.
- ★ Led the charge against FDA's land-grab of gene edited livestock so that regulatory oversight is moved to USDA.
- ★ Marshaled the effort to secure permanent U.S. Environmental Protection Agency rules exempting farms from emissions reporting.
- ★ Worked to get the New Swine Inspection System implemented.
- ★ Advocated for the repeal of the Waters of the U.S. rule (WOTUS), laying groundwork for a new final rule.
- ★ Successfully petitioned before the 4th Circuit Court of Appeals to protect free speech rights of pork producers to defend themselves and overturn broad gag order imposed by N.C. trial court.
- ★ Secured permanent livestock exemption from Electronic Logging Device requirement and initiated the process of establishing new Hours of Service rules.
- ★ Successfully worked with USDA to publish new requirements for reporting exports of pork and beef under the Export Sales Reporting Program, a win for producers who depend on reliable and accurate data. The rule clarifies that "muscle cuts" of pork include whole carcasses, whether divided in half or further subdivided into individual primal, sub-primal or fabricated cuts, with or without bone.

MEXICO METAL TARIFFS LIFTED

The pain being inflicted from Mexico's punitive 20 percent tariff on pork was the issue NPPC heard most about from producers in 2018. Removal of these punitive tariffs was the top NPPC priority in 2019. When the U.S. – Mexico – Canada trade deal was signed on Nov. 30, 2018, the broadly held assumption in the private sector of all three nations was that it would lead to settlement of the metal trade dispute and that Mexico's 20 percent punitive tariff on U.S. pork would be removed. Unfortunately, that didn't occur, leading NPPC to initiate an aggressive advocacy campaign, targeting Trump administration officials, the Congress and Canadian and Mexican officials. On the Hill,

behind the scenes, at public forums, in media coverage and through coalition efforts, NPPC detailed how damaging the trade dispute was to U.S. pork producers, costing \$12 per animal or \$1.5 billion on an annualized basis.

In May of this year, the Trump administration lifted metal tariffs on Mexico, prompting removal of its punitive tariffs on U.S. pork. NPPC and its members were a driving force behind removal of the tariffs and the restoration of zero-tariff trade to U.S. pork's largest export market.



NPPC President David Herring and NPPC President-Elect Howard (AV) Roth attending the U.S., Japan trade agreement signing in New York City.



President Donald Trump and Japanese Prime Minister Shinzō Abe sign the U.S., Japan trade agreement in New York City.



NPPC's Nick Giordano, AV Roth and David Herring pictured with Ambassador Doud prior to the U.S., Japan trade agreement signing in New York City.

JAPAN-U.S. TRADE AGREEMENT LEVELS PLAYING FIELD

NPPC's top offensive trade priority over the last year was securing a trade agreement with Japan that would put U.S. pork producers on a level playing field with competitor nations which already had FTAs with Japan.

NPPC's advocacy for a trade deal with Japan began in early 2017 after the United States walked away from the Trans-Pacific Partnership. NPPC was the first organization to publicly call for a bilateral trade agreement. NPPC pushes hard during 2017 and 2018 for trade talks with Japan to commence.

In late 2018, the administration notified Congress under the Trade Promotion Authority law that it would commence trade negotiations with Japan. While that announcement was welcomed, NPPC realized that it would take too long to negotiate a full-fledged FTA and get it through Congress. Waiting until 2022 or later would have caused a massive market share loss for U.S. pork in Japan. So, NPPC

became the leading advocate in Washington and Tokyo for an "early harvest" trade deal with Japan. The U.S. and Japan were able to reach an early harvest deal that puts U.S. pork producers back on a level playing field with international competitors in Japan.

The U.S.-Japan trade deal was signed in September and attended by NPPC President David Herring, President-Elect AV Roth and Vice President and Counsel, Global Government Affairs, Nick Giordano. NPPC was proud to be in attendance with President Trump for the signing of an agreement. Japan's Diet recently ratified the agreement, and it was implemented on Jan. 1, 2020.

The export opportunities to Japan are significant. Dr. Dermot Hayes, an economist at Iowa State University, estimates exports to Japan will grow from \$1.6 billion in 2018 to more than \$2.2 billion over the next 15 years as a result of the United States pork industry getting market access in Japan as favorable as its competitors.



FMD VACCINE BANK: OUR ‘BEST INSURANCE POLICY’ TO FIGHT OUTBREAK

In 2018, NPPC celebrated passage of the 2018 Farm Bill, which included mandatory funding for a Foot-and-Mouth Disease (FMD) vaccine bank. USDA is making progress towards establishing the bank, but in 2019, NPPC led agriculture groups in urging for faster implementation.

Currently, the USDA, which has prescribed vaccination for dealing with an FMD outbreak, does not have access to enough vaccine to avoid devastating economic consequences to the U.S. economy should an outbreak occur. FMD is an infectious viral disease that affects cloven-hooved animals, including cattle, pigs and sheep; it is not a food safety or human health threat. The disease is endemic in many parts of the world and would have widespread, long-term fallout for livestock and crop agriculture, including the immediate loss of export markets. According to Iowa State University research, an outbreak would result in \$128 billion in losses for the beef and pork sectors, \$44 billion and \$25 billion, respectively, to the corn and soybean farmers, and job losses of more than 1.5 million across U.S. agriculture over 10 years.

In October, NPPC hosted a press conference attended by more than 25 journalists to publicly urge USDA to move as quickly as possible to set up this essential vaccine bank. NPPC enlisted the participation of representatives from the National Milk Producers Federation and the National Corn Growers Association, as well as Dr. Jim Roth of Iowa State University.

“If the United States had a large outbreak of FMD, it may be impossible to control without the rapid availability of adequate supplies of vaccine,” said Roth, a professor in the department of Veterinary Microbiology and Preventative Medicine at Iowa State University’s College of Veterinary Medicine. “The U.S. vaccine bank is our best insurance policy to respond to an FMD outbreak in the United States. As with most insurance policies, we hope to never use it, but it’s paramount that we have fast access to enough vaccine if we ever need it.”

Additionally, Iowa Pork Producer Association President Trent Thiele testified at a Senate Agriculture Committee hearing on behalf of NPPC, reinforcing the importance of the FMD vaccine bank. On the heels of his appearance—which included questions on the need to expedite establishment of the vaccine bank, and the press briefing—USDA issued its “sources sought” notice to gather information from vaccine manufacturers on their ability to supply the vaccine. USDA plans to issue a request for vaccine supply proposals in early 2020.

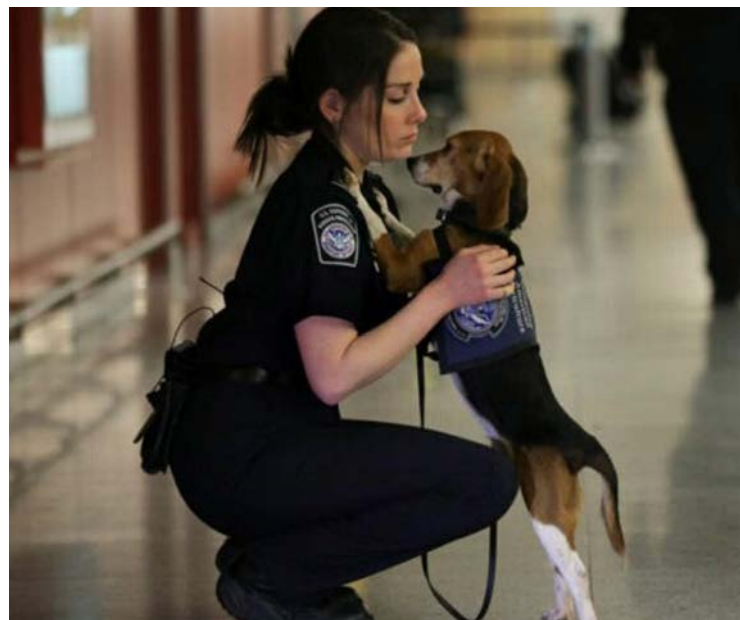
NPPC appreciates USDA’s actions to date and will continue to push on expeditious implementation of this vitally important vaccine bank.

LEADING ASF PREVENTION EFFORTS

Prevention of African swine fever was and continues to be the top domestic priority for NPPC. In 2019, we worked with USDA and the U.S. Customs and Border Protection on strengthened biosecurity that has included increased and more robust inspections, a bolstered Beagle Brigade, greater clarity of risks on customs forms and increased awareness across the industry. The United States is in a better position than it was more than a year ago when ASF broke in China, but NPPC's work isn't done.

NPPC is pushing for 600 more agriculture inspectors at our borders, to bring the total number to 3,000. In October, the full Senate unanimously approved legislation which authorizes the annual hiring of 240 agricultural specialists and 200 agricultural technicians each fiscal year until the shortage is filled. NPPC worked with the bill's sponsors -- Sens. Gary Peters (D-Mich.), Pat Roberts (R-Kan.), Debbie Stabenow (D-Mich.) and John Cornyn (R-Texas) -- to establish urgency in addressing the inspector shortfall. Meantime, a companion bill by Rep. Filemon Vela (D-Texas) has been introduced in the House and NPPC is working with Congressman Vela and others to ensure passage in that chamber.

Additionally, NPPC participated in a four-day ASF training exercise that was simultaneously held in 14 states with state animal health officials, producers and other industry stakeholders. The drill simulated various outbreak



scenarios as participants worked through response protocols spanning disease investigations, a confirmed outbreak, depopulation and disposal, control zones and permitting processes. The exercise was beneficial and yielded information on what worked and what needs improvement.

In August, the Swine Health Information Center, with active support from NPPC, received an approximately \$1.7 million grant from USDA's Foreign Agricultural Service to fund a multi-phase research project in Vietnam, which is currently ASF-positive. It's an excellent learning opportunity for NPPC and others, and our industry will continue to participate in efforts to ensure the U.S. pork industry is well equipped should an outbreak occur.

STOPPING FDA LAND GRAB ON CELL-CULTURED PROTEIN

In 2019, the Food and Drug Administration (FDA) attempted to make a regulatory land grab to gain oversight of cell-cultured protein (CCP).

The Meat and Poultry Inspection Act clearly indicates that CCP—produced from cultured cells taken from pigs and other livestock—should be under the oversight of the U.S. Department of Agriculture's Federal Safety Inspection Service (FSIS). FDA will have a role in ensuring that ingredients used in the manufacture of CCP products are safe (just like they currently do for ingredients used in the preparation of traditional meat products). When it comes to making products from these cells, only FSIS has the

capability to provide continuous, risk-based inspection and apply strict labeling standards that will ensure consumer awareness of what CCP is and how it's produced.

Through proactive outreach to the USDA, FDA, White House and the media, NPPC made sure consumer interests were understood and that the industry's science-based position was clear.

Thanks in part to NPPC's efforts, on March 7, 2019, the FDA and USDA's Food Safety Inspection Service signed a formal agreement to regulate CCP on terms that ensures a level playing field.

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STOPPING FDA LAND GRAB ON CELL-CULTURED PROTEIN

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USDA will have ultimate authority over product names, label claims and processing, while FDA will have oversight of the earlier cell collection and culture phases. It's critical that product names and label claims protect the investments livestock farmers have made to establish a definition of meat protein that is widely understood by consumers.



ENSURING USDA OVERSIGHT ON GENE-EDITED LIVESTOCK

Gene editing in livestock is an emerging technology that promises significant animal welfare, food safety and environmental benefits. It accelerates genetic improvements, and reduces the need for antibiotics and the environmental footprint of pork production. However, the development of the technology in the United States is being stifled by the U.S. Food and Drug Administration's (FDA) approach of classifying gene edited animals as drugs — and a pork producer's operation as a drug manufacturing facility.

In 2019, NPPC launched an aggressive campaign to lobby the administration to move oversight of gene edited livestock from the FDA to the USDA, which according to the

the Animal Health Protection Act, is the proper regulatory body for oversight. In June, NPPC supplemented its advocacy efforts with a communications campaign, “Keep America First in Agriculture,” to highlight the importance of establishing a proper regulatory framework for gene editing in American livestock. More than 25 reporters attended NPPC's press conference to announce the campaign and it garnered significant media coverage.

“Allowing the FDA to regulate gene editing could drive elite animal breeding out of the U.S., long the international leader, and place U.S. producers at a potentially

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A Campaign to Properly Regulate Gene-Editing in Livestock

Keep America First in Agriculture.



ENSURING USDA OVERSIGHT ON GENE-EDITED LIVESTOCK

catastrophic competitive disadvantage with foreign competitors,” Dr. Bradley Wolter, president of The Maschhoffs, said at the press conference. “International competitors that commercialize this technology will gain as much as a 15 percent production efficiency advantage over U.S. pork. It’s critical that America remains the global leader in agricultural innovation and gives regulatory oversight to the USDA, the agency that is most equipped to do so.”

While countries like China, Canada, Brazil and Argentina are moving quickly on this advancement to gain competitive advantage in the market, the United States is running the risk of falling behind as a result of FDA’s approach. Under FDA regulation, gene editing faces an impractical, lengthy and expensive approval process that will render the technology unavailable to U.S. producers and undermine their competitive position globally.

NPPC’s advocacy work has stalled FDA’s efforts and put the agriculture industry on a path toward primary USDA oversight. NPPC is hopeful for a positive resolution in 2020.



Pictured is Dr. Bradley Wolter, President of The Maschhoffs.

LOOKING FORWARD: USMCA, CHINA TRADE DEALS IN OUR SIGHTS

With 2019 in the rear-view mirror, NPPC is setting its sights on what a wide range of trade and domestic policy objectives.

One of NPPC’s top priorities is implementation of the U.S.-Mexico-Canada (USMCA) trade agreement, which will allow the U.S. pork industry to maintain long-term zero-duty market access to two of our largest export markets. In 2018, Canada and Mexico took over 40 percent of the pork that was exported from the United States and a similar percentage is expected for 2019.

NPPC remains focused on improved market access in China. We closed 2019 with the promise of a trade deal that will benefit U.S. pork and look forward to seeing the details of this agreement. According to Iowa State University Economist Dermot Hayes, the United States, if it gained unrestricted access to the Chinese market, would reduce the overall trade deficit with China by nearly six percent, generate 184,000 new U.S. jobs and produce \$24.5 billion in new sales, all in the next decade.

With African swine fever (ASF) continuing to spread in many parts of Asia, NPPC hopes to expand export opportunities in The Philippines, Vietnam, Thailand, Indonesia and other countries. Pork is the preferred protein in these countries and our growth opportunities are significant.

Domestically, NPPC’s top priority for 2020 will be continued vigilance to ensure ASF and other foreign animal diseases don’t enter our country. NPPC will be working with lawmakers to ensure there are additional agricultural inspectors at our borders and ports, and that a Foot and Mouth Disease vaccine bank is established.

These are just a few of NPPC’s top priorities for 2020. Others include finding solutions for livestock agriculture’s labor shortage, advancing our legal challenge against Proposition 12 in California and reauthorization of the Livestock Mandatory Reporting Act.

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