Written Testimony of
Ms. Lori Stevermer, MN Pork Producer, President Elect National Pork Producers Council

Stakeholder Perspectives on Agriculture Trade

House Committee on Agriculture Subcommittee on Nutrition, Foreign Agriculture, and Horticulture

May 11, 2023

Introduction

The National Pork Producers Council (NPPC), representing 42 affiliated state associations, works to ensure the U.S. pork industry remains a consistent and responsible supplier of high-quality pork to domestic and international markets. Through public-policy outreach, NPPC fights for reasonable legislation and regulations, develops revenue and market opportunities, and protects the livelihoods of America's more than 66,000 pork producers.

The U.S. pork industry is a significant contributor to the economic activity of U.S. agriculture and the broader U.S. economy, marketing more than 140 million hogs annually. Those animals provided farm-level gross cash receipts of more than $30 billion in 2022.

To produce those hogs, pork producers used roughly 1.6 billion bushels of corn and soybean meal from 433 million bushels of soybeans in 2022. The industry also purchases more than $1.6 billion in other feed ingredients.

Economists at the NPPC l and Iowa State University estimated that in 2021 the U.S. pork industry was directly responsible for creating more than 366,000 full-time-equivalent jobs in pork production and generated roughly 122,000 jobs throughout all of agriculture. In addition, the pork sector was responsible for 138,000 jobs in meatpacking and processing and 399,000 jobs in professional services such as financial services, insurance and real estate. In total, the U.S. pork industry supports 610,000 mostly rural jobs in the United States and adds more than $57 billion to the country's GDP.

Most importantly, U.S pork producers in 2022 provided more than 27 billion pounds of safe, wholesome and nutritious meat protein to consumers worldwide.

Today is a challenging time in the U.S. pork industry. This year, hog producers are losing an average of $40 per head on each hog marketed. While hog prices have moderated significantly since 2022, current losses are largely due to record-high production costs that have increased up to 50 percent in the past year. These losses are putting a pinch on the pork industry, and this economic reality may force producers to exit the industry and drive consolidation at the farm-level. This only adds to the uncertainty that already exists with the credit market and the presence of African swine fever (ASF) in the Western Hemisphere.

Pork Exports

Trade is vital to America's pork producers, who annually export about a quarter of their total production to more than 100 countries. The pork industry exported $7.68 billion of pork in 2022. Exports equated to about $61, or 25 percent, in value for each hog that was marketed in 2022, supported 155,000 American jobs and contributed more than $14.5 billion to the U.S. economy, according to Iowa State University economists.

Despite numerous challenges, a strong U.S. dollar, ongoing supply chain issues and trade retaliation from some of its top foreign markets, the U.S. pork industry continues to export a significant amount of pork. In fact, through March of this year, America's pork producers have shipped $2.0 billion worth of product to foreign destinations compared to about $1.7 billion for the same period last year. This equates to nearly a 14 percent increase.

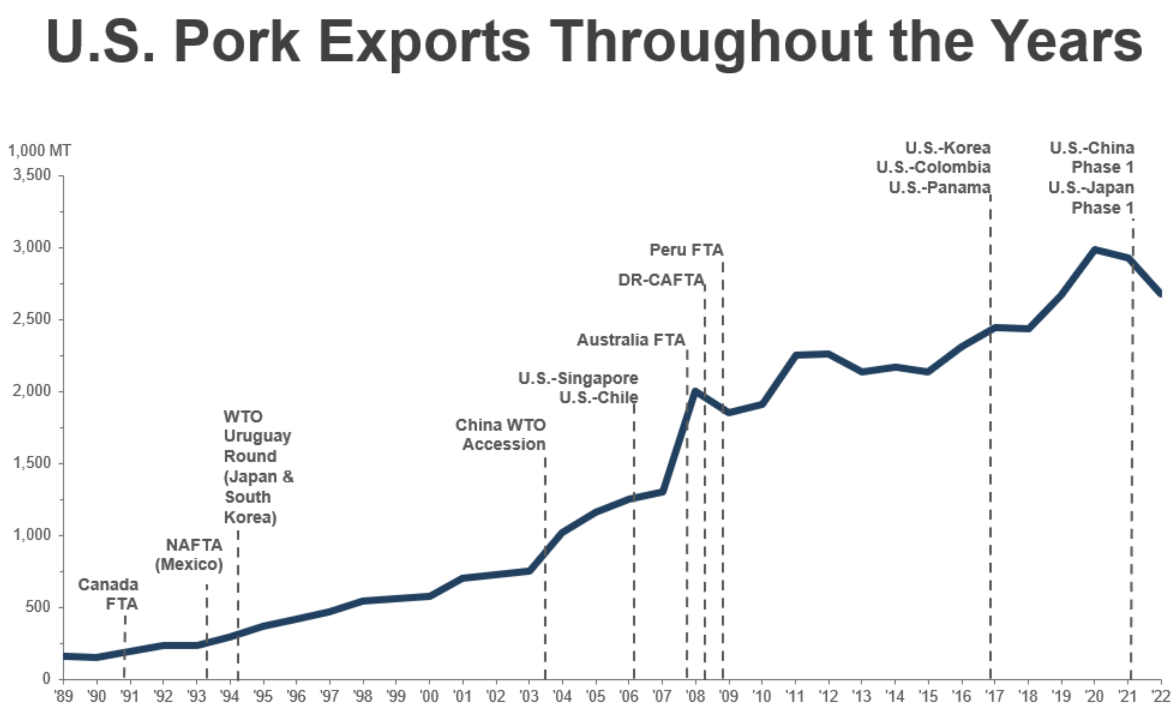
Annual exports of U.S. pork have been increasing for the past several years, generally because of improving economies and a rising middle class in countries worldwide. Other factors driving those increases include the emergence of robust hotel and restaurant industries in some nations – particularly as world travel has become relatively easier and affordable. Additionally, several important U.S. export markets in Southeast Asia, for example, have been battling ASF for the past several years creating demand for increased pork imports, benefiting U.S. pork producers.

Trade Deals Key to Increasing Exports

The biggest reason for U.S. pork export growth over the past two decades has been through trade initiatives, whether free trade agreements (FTAs), less-formal trade and investment framework agreements (TIFAs) or one-off market access deals. Through such initiatives, the United States moved from a net importer to a net exporter of pork in 1995.

In fact, due to trade agreements, U.S. pork exports have increased more than 1,850 percent in value and more than 1,560 percent in volume since 1989, the year the United States implemented its FTA with Canada and started opening international markets for value-added agriculture products.

Since 2000, pork exports to FTA countries have increased 913 percent, and in countries where the United States has negotiated preferential market access and where tariffs were slashed, pork exports increased tremendously. The chart below shows the trajectory of U.S. pork exports over the past three-plus decades.



In addition to comprehensive trade agreements granting better market access for U.S. pork, they are usually the best avenue for accepting U.S. agricultural science-based standards and for broader non-tariff market access issues to be resolved.

Policies that foster the free flow of goods and expand export markets – mostly through trade agreements – are critical to the continued success of America's pork producers, U.S. agriculture and the overall American economy. **The bottom line: The United States needs more**

comprehensive trade agreements that eliminate or significantly reduce tariffs on and non-tariff barriers to U.S. exports.

Success of FTAs

Proof of the success of FTAs can be seen in the robust trade among the United States, Canada and Mexico under the 1994 North American Free Trade Agreement (NAFTA), which set a zero-tariff rate for pork, and, now, the U.S.-Mexico-Canada Agreement (USMCA), which updated the 25-year-old NAFTA. In fact, Canada and Mexico are the top two destinations for U.S. goods and services, accounting for nearly one-quarter of total U.S. exports with an average value of $1.49 billion each day.

While trade between the United States and Canada has been good even before the countries signed their FTA, trade between the United States and Mexico before NAFTA was somewhat anemic, totaling only $50 billion each way in 1993. Today, U.S. exports to Mexico are valued at $324 billion. U.S. agricultural exports to Mexico have grown nearly 508 percent since NAFTA was implemented.

Regarding the U.S. pork trade, Mexico and Canada were the No. 1 and No. 4 export markets, respectively, for the U.S. pork industry in 2022. From 1993, the year before NAFTA was implemented, to 2022, U.S. pork exports to Mexico increased 915 percent, from just 210 million pounds to almost 2.1 billion pounds, and exports to Canada went from 33.6 million pounds to nearly 432 million pounds.

The United States has seen similar results after negotiating other FTAs, with the U.S. pork industry seeing growth in exports to Australia, Chile, Colombia, the DR-CAFTA countries – Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua – Panama, Peru, Singapore and South Korea.

It is important to note, and contrary to critics and as shown by data, FTAs do not negatively affect U.S. partner countries. The Mexican pork industry, for example, has grown significantly since NAFTA went into effect and U.S. pork exports to Mexico began increasing. Estimates are that from 1995 to 2011, pork production in Mexico increased by nearly 70 percent. That rise was accompanied by and often was the result of, improvements in Mexico of disease prevention and eradication efforts, efficiencies in slaughter and processing plants, and a significant increase in Mexican consumer demand. Its surge in pork production also prompted Mexico to start exporting pork to foreign destinations, including the United States.

Looking East

More recently, the U.S. pork industry has focused much of its attention on the Asia-Pacific region because of its strong economic growth and the population's cultural preference for pork.

In early 2020, for example, China and the United States struck the "Phase One" trade deal that helped boost U.S. pork exports to the Asian giant, which took in nearly $1.3 billion of American pork last year. That made it the No. 3 value market for the U.S. pork industry.

But exports to China continue to be constrained because of that country's 25 percent retaliatory duty. It had been 72 percent – on pork muscle cuts in response to U.S. tariffs on $34 billion of Chinese goods, including steel and aluminum, and concerns with forced intellectual property transfers. U.S. pork tariffs in China are a cumulative 33 percent compared with 8 percent for the rest of the world. Only pork variety meats are competitive in the Chinese market. The United States could be exporting more pork if not for the continued tariffs.

Japan continues to be a strong market for U.S. pork. The Phase One deal with Japan went into effect on January 1, 2020, which put U.S. pork on a level playing field with other major pork exporters and is the U.S. pork industry's No. 2 market in 2022. The Phase One deal has also helped regain some of the access lost in Japan after the United States withdrew from the Trans-Pacific Partnership (TPP).

In April 2021, after years of NPPC working with the U.S. and Philippine governments, the Philippines announced it would increase its quota (Minimum Access Volume, or MAV) and cut tariffs on pork to curb food price inflation caused by African swine fever (ASF) outbreaks in the country. NPPC worked with USDA and the Philippines government on a project to address challenges related to ASF and support safe international trade of U.S. pork.

U.S. pork exports to the Philippines have increased by 100 percent to over $122 million since mid-2021. Although these great results benefited U.S. pork producers, the tariff reductions are not permanent and set to expire at the end of 2023.

The U.S. pork industry continues to urge the Philippines government to make the tariff reductions permanent. A major downside of not having a comprehensive trade agreement is that tariff reductions are seldom permanent.

Vietnam also recently agreed to give better market access to U.S. pork through the reduction of tariffs, cutting its Most Favored Nation (MFN) duty on frozen pork to 10 from 15 percent. The U.S. pork industry is encouraged by the negotiations with Vietnam and hopes they lead to broader trade discussions.

Despite the reduction in tariffs, U.S. pork still faces a disadvantage in Vietnam. Countries such as Russia, the nations in the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) and the EU have FTAs with Vietnam that include zero or low tariffs on frozen pork.

Last fall, the Biden administration began talks with the 13 other countries, including the Philippines and Vietnam, that comprise the Indo-Pacific Economic Framework for Prosperity (IPEF). While NPPC is supportive of the negotiations, it wants to see market access addressed to help gain market share in the region. Cohesive standard setting and adoption of international sanitary and phytosanitary standards will not be enough to allow U.S. pork producers to compete in the region.

The U.S.-Taiwan Initiative on 21st-Century Trade was launched in June 2022 to develop concrete ways to deepen the countries' economic and trade relationship. NPPC supports the negotiations and hopes ongoing trade-limiting restrictions can be resolved.

In 2021, Taiwan implemented new food safety labeling that targets the United States. Since then, U.S. pork exports have dropped to $13 million in 2022 from $54 million in 2020. During that same period, Taiwan increased its imports from U.S. competitors. NPPC is urging U.S. negotiators to use the existing U.S.-Taiwan Trade and Investment Framework Agreement as a mechanism to resolve these market access issues.

A decade ago, the rise of markets in Asia and the potential for more access in that region – deals such as the Trans-Pacific Partnership (TPP) – prompted the U.S. pork industry to expand. The industry constructed five new pork packing plants across rural America while the United States negotiated the TPP.

Looking Across the Pond

Since 2020, the United Kingdom has sought closer economic ties with the United States when it began its divorce ("Brexit") from the European Union. Today, the UK is one of the world's top importers of pork, purchasing about $2.5 billion of pork annually. But because of its numerous tariff and non-tariff barriers, the country imported just $1.1 million – 0.04 percent – of U.S. pork in 2022.

Considering the UK's population of 67 million and its cultural and culinary tastes are similar to those of the United States, a comprehensive trade agreement with the country would potentially offer a major increase in UK demand for U.S. agricultural products, including pork.

NPPC is supportive of U.S. talks with the UK but wants any trade agreement to include the elimination of tariff and non-tariff trade barriers on U.S. pork and a requirement that the UK adopt international production standards.

Preferential Trade Programs

Almost every FTAs the United States has concluded was made possible by the enactment of Trade Promotion Authority (TPA) legislation. TPA gives U.S. negotiators the ability to extract the best deals possible from trading partners. Without it, no country would be willing to make concessions to the United States for fear that Congress could subsequently demand more. That is why NPPC and nearly every other agricultural organization in the United States are in favor of Congress expeditiously reauthorizing TPA, which expired July 1, 2021. TPA lets U.S. trade representatives negotiate from a position of strength, prompting U.S. trading partners to cut to their bottom-line negotiating position.

The U.S. Generalized System of Preferences (GSP) expired on December 31, 2020. GSP, which provides nonreciprocal, duty-free treatment of goods exported to the United States from beneficiary developing countries, is also an important trade enforcement tool that gives U.S. trade negotiators leverage to address market access concerns if GSP-eligible countries do not meet statutory eligibility criteria set by Congress.

The U.S. pork industry has successfully used GSP as a mechanism to gain market access to key countries where negotiations have stalled. A good example of where GSP could be used as leverage is with Thailand, which has a *de facto* ban on U.S. pork. The country maintains high tariffs and several non-tariff barriers on U.S. pork despite getting duty-free access to the United States under the GSP. (Thailand is part of the IPEF talks.)

NPPC supports the renewal of GSP, so U.S. trade negotiators have another tool to get countries to eliminate trade restrictions on U.S. products.

Like GSP, the African Growth and Opportunity Act (AGOA) provides nonreciprocal market access for eligible sub-Saharan African countries, with duty-free access to the U.S. market for over 1,800 products. Currently, 36 countries are eligible for AGOA benefits. In 2015, Congress passed legislation modernizing and extending the program to 2025.

During the last AGOA negotiations, South Africa agreed to partially lift its ban on U.S. pork. However, since then, it has continued to impose multiple restrictions on the importation of pork, meaning very little has been exported to that country. As Congress looks to renew AGOA in 2025, discussions must include negotiations on full market access without restrictions.

Trade-Limiting Issues Affecting U.S. Pork Trade

Like much of agriculture, the pork industry is dealing with a lack of available workers. The labor shortage was already a problem before COVID and was further exacerbated by the pandemic. It is still an issue, with some farms facing job vacancy rates as high as 30 percent despite offering record-high wages and benefits. Further, many pork packing plants lack enough workers to run second and/or Saturday and Sunday shifts, making it difficult for supply to keep up with demand, including for export markets.

Expanding the existing H-2A visa program to allow year-round agricultural workers, including packing plant workers, without a cap on the number of visas available is the only solution, given rural America's declining population. Currently, the visa allows only temporary seasonal labor.

A potential regulatory matter that also may affect trade is the USDA Food Safety and Inspection Service's proposed rule on "Product of the USA" labeling. Given that the regulation includes the same standard as a Country-of-Origin Labeling (COOL) statute that Congress repealed in 2015, there are concerns among the U.S. meat and poultry industries that Canada and Mexico will challenge the rule as an unfair non-tariff trade barrier with the World Trade Organization and be authorized by the WTO to impose retaliatory tariffs on the United States as they did on COOL.

ASF is another factor that could not only limit the U.S. pork trade but stop it outright. The swine-only viral disease has helped boost U.S. pork exports to some countries stricken with ASF, such as China and the Philippines. Now that it has been detected in the Western Hemisphere (the Dominican Republic and Haiti in mid-2021), ASF poses a bigger threat to the United States than it did when it was mainly confined to Southeast Asia and Eastern Europe. An outbreak here would reverberate throughout the farm economy. Not only devastating the pork industry but other U.S. proteins and the corn and soybean farmers who provide feed to livestock.

That's why the U.S. pork industry is working with USDA and other federal agencies to help stop the spread of ASF and to prevent the disease from reaching the U.S. mainland. Following its detection in the Dominican Republic and Haiti, the Agriculture Department dedicated $500 million in Commodity Credit Corporation (CCC) funds to prevent and prepare for ASF. More must be done to keep this high-mortality disease out of the United States.

To that end, NPPC is continuing to ask Congress to provide funding for additional staff for the USDA Animal and Plant Health Inspection Service's Veterinary Services field force, more money for the National Animal Health Laboratory Network (NAHLN) and support for U.S. Customs and Border Protection (CBP) stop agricultural contraband at U.S. ports of entry.

Additionally, the next Farm Bill should also include adequate funding for the agriculture industry's principal export promotion programs: the Market Access Program and the Foreign Market Development Program.

International Organizations

The United States must continue to be involved in international trade bodies, including the World Trade Organization (WTO) and the U.N. Food and Agriculture Organization's (FAO) and World Health Organization's (WHO) Codex Alimentarius, or Codex.

The WTO operates the global system of trade rules among 168 member nations and has a dispute settlement body for resolving trade disagreements. Codex sets international standards, guidelines and codes of practice to promote food safety and quality and fair trade. NPPC serves on the Codex committees covering veterinary drug residues, food hygiene, food labeling, import and export inspection and certification systems, and general practices.

Conclusion

The importance of trade to the U.S. pork industry and to the entire U.S. economy cannot be overstated. Exports account for nearly a quarter of U.S. pork production and contribute significantly to the bottom line of U.S. pork producers and to U.S. agriculture's balance of trade.

Free, fair and unfettered trade has helped the United States become an economic powerhouse. To maintain that position, the country must expand trade in existing markets and open new markets, and it must resolve issues that could negatively affect the ability to trade.

For the U.S. pork industry, that means: negotiating comprehensive trade agreements; expanding market access in Asian countries such as the Philippines and Vietnam; getting China to remove its retaliatory tariffs on pork; renewing U.S. preferential trade programs; addressing the country's labor shortage; keeping the United States free from ASF; and adequately funding the federal agencies that deal with foreign animal diseases.

Growth in pork sales and other agricultural commodities largely lies outside the United States. America's farmers can tap that potential and continue to fuel the U.S. rural economy if they have access to foreign markets, access that's gained through comprehensive trade agreements and international and domestic policies that allow for the free flow of goods.