Written Testimony of
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"An Examination of the Implications of Proposition 12"

United States House Committee on Agriculture

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Chairman Thompson, Ranking Member Craig, and Members of the Committee, thank you for the invitation to testify. I appreciate the opportunity to provide perspectives on the current economic impacts of California's Proposition 12, as well as the potential impacts that additional state laws or a conflicting patchwork of regulations, would have on the U.S. pork industry.

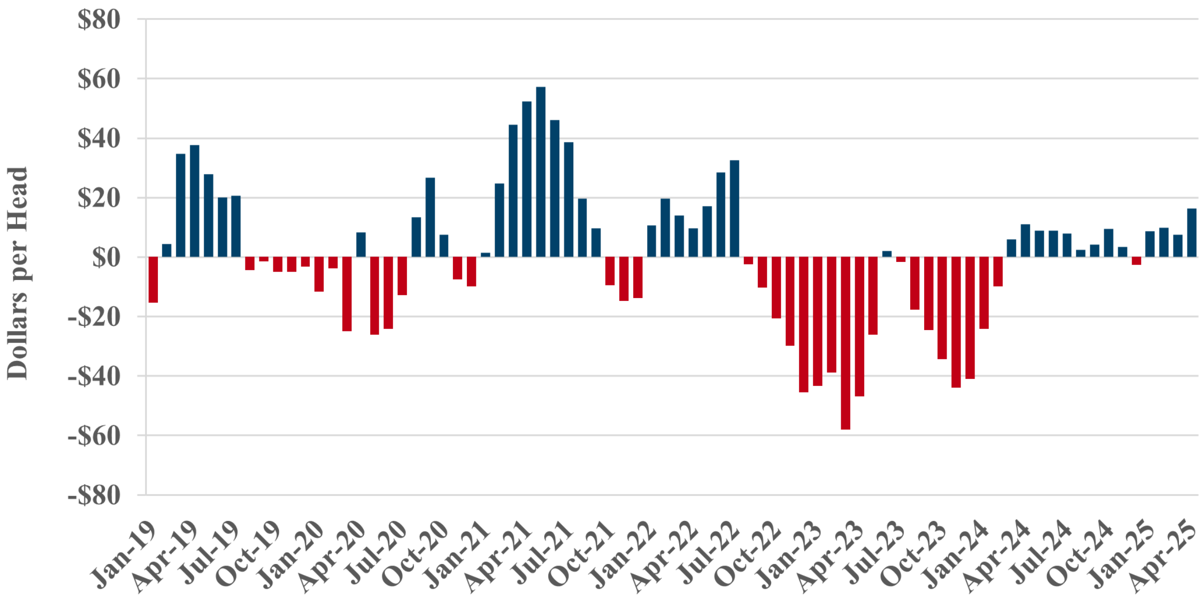
My name is Holly Cook, and I am an economist with the National Pork Producers Council (NPPC), an organization representing 42 affiliated state associations that fights for reasonable public policy while protecting the livelihood of America's pork producers. I hold a master's degree in Agricultural Economics from Iowa State University, and while I am a current resident of Washington, D.C., I grew up on a farrow-to-finish hog farm in northeast Iowa, where my family continues actively farming today.

U.S. Pork Industry Overview

From late 2022 to early 2024, U.S. pork producers experienced severe financial losses resulting from record-high production costs and lower hog prices due to a pullback in domestic consumer demand. According to reports by Iowa State University Extension and Outreach, losses for farrow-to-finish hog producers averaged $29 per head during this time, equating to billions of dollars in cumulative lost equity.[1] Beginning in April 2024, margins began to recover as lower feed costs and improved macroeconomic factors supported stronger demand for U.S. pork. As of June 2025, pork producers have seen nearly 15 months of positive profitability averaging nearly $10 per head, and many farms across the country are continuing to recover from the recent financial downturn.

[1] Iowa State University Extension and Outreach. (2025). *Estimated Livestock Returns- Swine*. Iowa State University.

Figure 1: Estimated Monthly Returns, Farrow-to-Finish Producers (Jan 2019 – May 2025)



While moderate profits have returned to the pork industry, producers continue to face significant risks impacting their businesses. From the threat of a foreign animal disease, which would shutter the export markets that account for 25% of U.S. pork production, to domestic and international demand uncertainty, labor shortages, endemic disease pressure, market volatility, and policy uncertainty, there is no shortage of challenges facing U.S. pork producers.

Over time, cycles of loss and profitability as well as significant market and production risk factors have influenced the structure of the pork industry. According to the latest U.S. Census of Agriculture, there were about 60,000 U.S. farms with hogs in inventory at the end of 2022. This represents a decline of 5,600 farms from the last Ag Census in 2017, with 99% of the farms lost being those that had less than 5,000 head in inventory.[2] Importantly, the latest Ag Census does not account for farms lost during the recent period of financial losses. Furthermore, the pork industry continues to see a transition toward contract production, which provides producers an opportunity to remain engaged in hog farming without production or market price risk, though over time has resulted in a greater percentage of U.S. sows owned by fewer farms. As of 2022, independent pork producers owned 35% of the U.S. hog inventory; 24% was owned and cared for directly by contractors or integrators, and 41% of the inventory was under the care of a contract grower but owned by a contractor.

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[2] United States Department of Agriculture, National Agricultural Statistics Service. (2022). *Table 20-23. Hogs and Pigs Sales, Herd Size by Inventory and Sales, Inventory and Sales by Number Sold per Farm, Inventory by Type of Producer.* 2022 Census of Agriculture, Vol. 1, Chap.1 U.S. National Level Data.

Issues like California's Proposition 12, and the threat of a 50-state patchwork of conflicting animal housing regulations, have only added to the uncertainty and risk that U.S. producers must consider when making critical decisions about the future of their businesses.

Background on California's Proposition 12

California's Proposition 12, formally known as the "Farm Animal Confinement Initiative," was approved by California voters in November 2018. The law establishes minimum space requirements for veal calves, egg-laying hens, and breeding pigs, and prohibits the sale of meat and eggs in California from animals not raised in compliance with those standards, regardless of where the animals are raised.

As it pertains to pork, Proposition 12 requires that any uncooked, whole pork cuts sold in California must come from sows housed in a minimum of 24 square feet of space and with the ability to turn around freely. At the time of passage, only a very small percentage of U.S. pork would have met the standards set by Proposition 12, and this product was presumably committed to other market channels that had demonstrated sufficient demand.

Proposition 12 further prohibits the use of gestation stalls for breeding sows, except during limited circumstances, such as the five-day period prior to the expected date of giving birth and any day the sow is nursing piglets. There is a partial exception for animal husbandry purposes, but it is limited to no more than six hours in any 24-hour period and no more than 24 hours total in any 30-day period. Effectively, Proposition 12 requires the mixing of sows while they are at their most vulnerable time, which in many cases results in higher sow mortality, lower conception rates, and reduced productivity.

After a series of legal challenges brought by NPPC and the American Farm Bureau Federation (AFBF), Proposition 12 was upheld by the United States Supreme Court in the May 2023 *National Pork Producers Council vs. Ross* decision. While the court acknowledged the concerns brought by NPPC, it found that an act of Congress would be most appropriate for addressing the far-reaching challenges created by Proposition 12. Implementation of the law was set for July 1, 2023, but a June 2023 announcement modified implementation to allow for any non-compliant pork already in the supply chain prior to July 1, 2023, to be sold in California until December 31, 2023. Full enforcement efforts and third-party certification requirements began on January 1, 2024.

Importance of the California Market

In 2024, California's 39.4 million residents accounted for 12% of the U.S. population[3], though retail data, consumption indices, and population demographics suggest that Californians

[3] U.S. Census Bureau. (2024). *State population totals and components of change: 2020-2024.* U.S. Department of Commerce.

consume more pork per capita than the U.S. average, indicating that California accounts for approximately 13% of domestic pork consumption.

The impact of Proposition 12 is complicated by the fact that it applies only to certain pork products, specifically, uncooked cuts of pork. This includes popular items such as pork chops, ribs, loins, fresh hams, and uncooked bacon. It does not apply to ground pork, sausage, or processed or cooked products like canned hams, or combination products, like hot dogs or pizzas. While covered items are estimated to account for 53-56% of the carcass, the entire pig must be raised in a compliant manner to supply covered products.

Additionally, California's consumption equates to about 10% of the U.S. pork produced, but because the state's consumption of covered pork cuts is almost certainly not proportionate to the cuts derived from a single pig, this creates a situation where more than 10% of U.S. hogs must be Prop 12-compliant. For instance, if ribs are more popular than another cut, more pigs must be compliant to supply the products Californians wish to purchase. Estimates indicate that approximately 700,000 sows would be needed to meet historical demand levels in California, equating to about 12% of the current U.S. breeding herd of 6.0 million.[4]

While it is the largest single-state market for pork, California's in-state hog and pork production is nowhere near sufficient to meet the pork demands of its residents. In 2023, California had a December 1 inventory of 39,000 total hogs on farms, including 6,000 breeding animals, and the state accounted for less than 0.1% of hog production.[5]

Consequently, the standards imposed by Proposition 12 require out-of-state producers to make conversions to continue supplying their products to California. While this is, in theory, a choice to be made by producers and packers across the country, the size and relative importance of the California market means pressures associated with Proposition 12 have widespread impacts.

An example of how the actions of one state can impact the national pork market was demonstrated in the months following the partial implementation of Proposition 12. After the June 2023 announcement that non-compliant pork already in the supply chain could continue to be sold in California until the end of the year, buyers looked to stock up on non-compliant pork, which put upward pressure on prices for certain covered pork cuts. According to weekly reports by USDA's Agricultural Marketing Service under Livestock Mandatory Reporting, the USDA calculated primal value for pork bellies, which incorporates the price and volume of specific pork belly cuts with an adjustment for labor and packaging, increased nearly 200% from June to August 2023, reaching the highest level in two years. Figure two shows how belly primal values in 2023 trailed 2021 levels by an average of 43% for the first half of the year before narrowing for the eight weeks following July 1. Additionally, the fundamental situation in hog and pork

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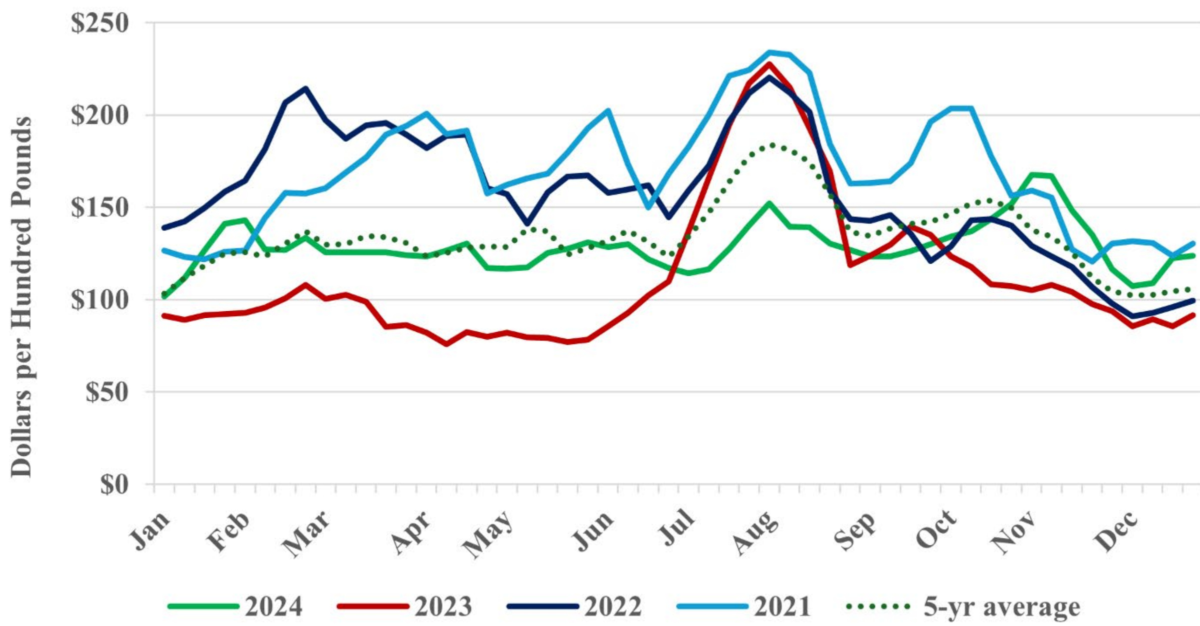
[4] Lee, H., Sexton, R. J., and Sumner, D.A. (2021). *Voter Approved Proposition to Raise California Pork Prices.* (ARE Update 24(6): 5–8). University of California Giannini Foundation of Agricultural Economics.
[5] United States Department of Agriculture, National Agricultural Statistics Service. (2025). *Meat Animals Production, Disposition, and Income, 2024 Summary.* USA Economics, Statistics, and Market Information Systems.

markets was drastically different in 2021 than in 2023, further emphasizing the influence that Proposition 12 had in pushing 2023 belly values within 5% of 2021 levels for several weeks in July and August.

Figure 2: Weekly Negotiated Belly Primal Value[6]



Farm-Level Costs of Producing Proposition 12-Compliant P ork

Complying with Proposition 12 requires adjustments to be made by pork producers, pork packers, distributors, retailers, and others across the supply chain. At the farm level, the way in which a producer may modify their operation to become compliant depends heavily on the individual farm, the starting point of existing barns, and to a degree, geographic location and the prospect of premiums offered. While the exact approach will be unique for each operation, producers will consider three general options for undertaking Proposition 12 compliance:

1. The seemingly least expensive option would be to reduce the number of sows in an existing barn without adding additional space. For a farm that is already engaged in group housing, the capital investment to reduce sows and increase the square footage available to each sow could start at $100-$200 per sow. However, farms currently utilizing gestation stalls and wanting to retrofit for Proposition 12 compliance could incur costs exceeding $1,000 per sow to remove stalls and install the necessary infrastructure. While this approach incurs the lowest upfront capital investment, a critical factor regardless of starting point is the lost throughput. Both would require a reduction in the number of sows, depending on the starting square footage, and would result in fewer weaned pigs

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[6] USDA Agricultural Marketing Service, Livestock, Poultry, & Grain Market News. (2021-2024). *National Weekly Pork FOB Plant- Negotiated Sales* (LM_PK610).

produced. The restricted use of gestation stalls to provide individualized care during the sow's most vulnerable times has been reported to further impact productivity. The combination of fewer sows and lower farrowing rates could be expected to result in a 30-40% reduction in weaned pig production for a farm transitioning 18 to 24 square feet. On top of lost revenue, there are also higher variable costs related to heating the building, labor, veterinary care, and feed efficiencies, and higher fixed costs per pig produced due to what would become underutilized farrowing and finishing capacity. Despite these significant cost considerations, this approach may be the only option for a producer who is limited by local permitting or farm construction limitations.

2. To avoid lost throughput, producers could consider retrofitting existing barns to achieve compliance while adding space to maintain their sow herd. However, due to expected productivity impacts related to higher mortality and reduced efficiencies, producers would likely need to expand the sow herd in hopes of maintaining weaned pig production. Estimates of farrowing rate impacts vary by farm and may evolve over time, but using an assumed 5% more sows needed to produce the same number of pigs, this option would require the construction of 38% more space to maintain pig flows while also incurring higher variable and fixed costs per pig.
3. Lastly, some producers have and will continue to face decisions when replacing or updating old barns and constructing new facilities. While initial impact estimates assumed that all Proposition 12-compliant pork would be produced on farms with the lowest cost of conversion, it is true that some producers have chosen to build new Proposition 12- compliant barns. Due to the 24-foot space requirement, new Proposition 12-compliant barns are estimated to cost as much as 25% more than conventional group housing and 40% more than a barn utilizing gestation stalls for the same number of sows. Reports in 2023 estimated new Proposition 12-compliant housing covering the farrow-to-wean phase of production to cost up to $4,000-4,500 per sow for larger units and potentially 10-15% more per sow for smaller farms, though the cost today could be considerably higher as construction costs continue to rise. [7,8]

For any farm to willingly accept higher costs and pursue an investment in Proposition 12-compliant facilities, producers should expect to receive a premium that not only offsets the added costs but makes them no worse off than before the investment. Premiums should also be sufficient to make a producer indifferent between alternative housing systems.

A study by economists at Iowa State University and the University of Minnesota analyzed the cost of constructing new facilities with increased square feet, similar to the requirements of Proposition 12, and used actual farm production data and industry reports to compare productivity and operating costs across styles of production.

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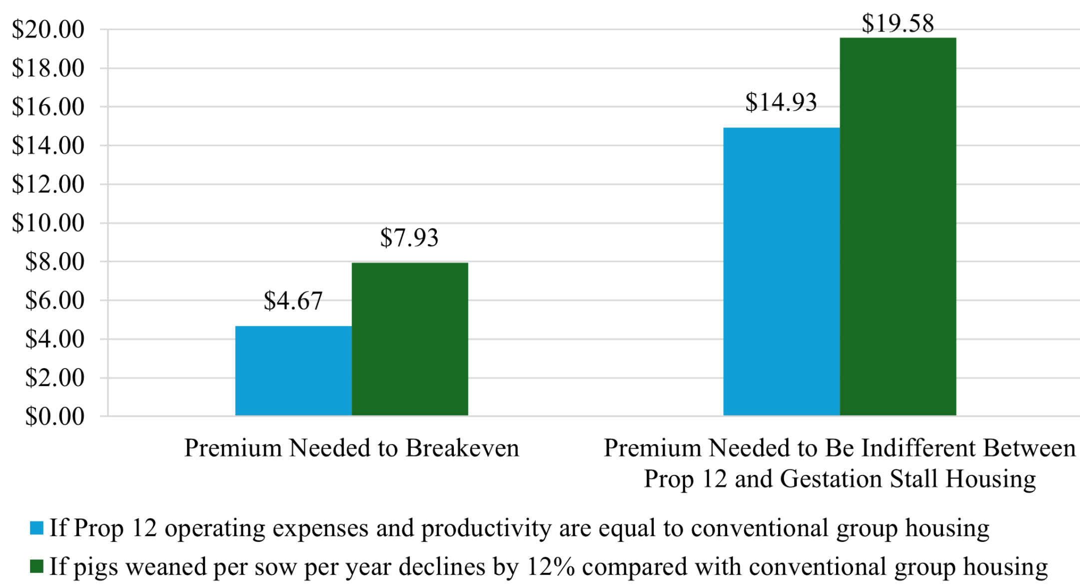
[7] Schulz, L.L, Hadrich, J.C., (2023). *An Economic Assessment of New Swine Gestation Facility Investment.*
[8] Goodwin, B.K. (2023). *California's Proposition 12 and the Impacts on the Pork Industry.*

With significantly higher construction costs per sow and 15.5% higher operating expenses per weaned pig produced, the study found that to break even on investing in a 4,800-sow group housing unit with increased square feet per sow, producers would need to receive a premium of $4.67 to $7.93 per weaned pig, depending on the realized productivity impacts of increased square footage versus conventional group housing. To be indifferent between gestation stall housing and group housing with increased square footage, a producer would need to receive a premium of $14.93 to $19.58 on every weaned pig sold for 15 years.[9]

It is also important to recognize that this size of operation realizes scale efficiencies due to cost savings and management potential. The study notes that farms with cost advantages, i.e., larger farms, will be better positioned to transition to Proposition 12-like housing systems and will require lower relative premiums to be indifferent between stalls, conventional group, and Proposition 12-like housing.

Figure 4: 15-Year Premiums Needed for a New 4,800-Head Sow Operation



At the time of the study, the size and availability of Proposition 12 premiums were largely unknown, and USDA reporting did not provide a disaggregated view of animal housing-related premiums in its Weekly Non-Carcass Merit Premium report. However, beginning in November 2023, USDA began reporting a separate category for "Animal Confinement Legislation" premiums, with values ranging from a low of $2.38 to a high of $14.13, with a simple average of $4.94 per hundred pounds. Assuming an average carcass weight of 205 pounds, these initially reported premiums translate to a range of $4.88 to $28.97 per head, or an average of $10.13 per head. The wide range of premium offerings could be an indication of the supply and demand situation for individual packers at the time, as well as the individual costs incurred by producers

[9] Schulz, L.L, Hadrich, J.C., (2023). *An Economic Assessment of New Swine Gestation Facility Investment.*

in supplying compliant hogs. Presently, premiums for Animal Confinement Legislation range from a low of $4.10 to a high of $13.14 per head with a simple average of $8.71.

Importantly, the values estimated by Schulz and Hadrich (2023) hinge on the requirement that premiums be received for hogs marketed for the entire 15-year life of the investment. Not only does this exceed the standard length of marketing agreements between packers and producers, presenting significant risk to the returns on investment, but language contained in sample contracts within the USDA Swine Contract Library suggests that hog buyers retain the right to change contract terms if there are significant changes in definitions, industry practices, or standards established by specified states that would create a variance between what is required and what the producer is providing. In the current environment, there remains significant uncertainty around the future availability and sufficiency of these premiums if standards change or if other states adopt new requirements.

Consumer Price Impacts

Due to the higher cost of production at the farm and processor level, as well as higher segmentation costs across the supply chain, it was expected that Proposition 12 would result in higher pork prices for California consumers. A study by economists at University of California Davis predicted a long-run outcome of 7.7% higher pork prices and a 6.3% decline in California's consumption of uncooked pork cuts, resulting in a $320 million hit to consumer welfare each year as Californians spend more but consume less pork.[10]

However, the magnitude of price increases in California so far has been much greater than the long-run expected outcome. A study released in 2024 by economists at USDA's Office of the Chief Economist compared retail pork prices and volumes in California and the rest of the United States for a period preceding Proposition 12 (October 2019-June 2023) and for 8 months after its partial implementation date (July 2023-February 2024). After subtracting any price increases that were also observed in the rest of the United States, the study attributed the following prices increases in California to the impact of Proposition 12 (also depicted in Figure 3 below): 41% increase in pork loin prices, 17% increase in pork rib prices, 17% increase in pork shoulder prices, 16% in bacon prices, and 20% increase in fresh ham prices.[11]

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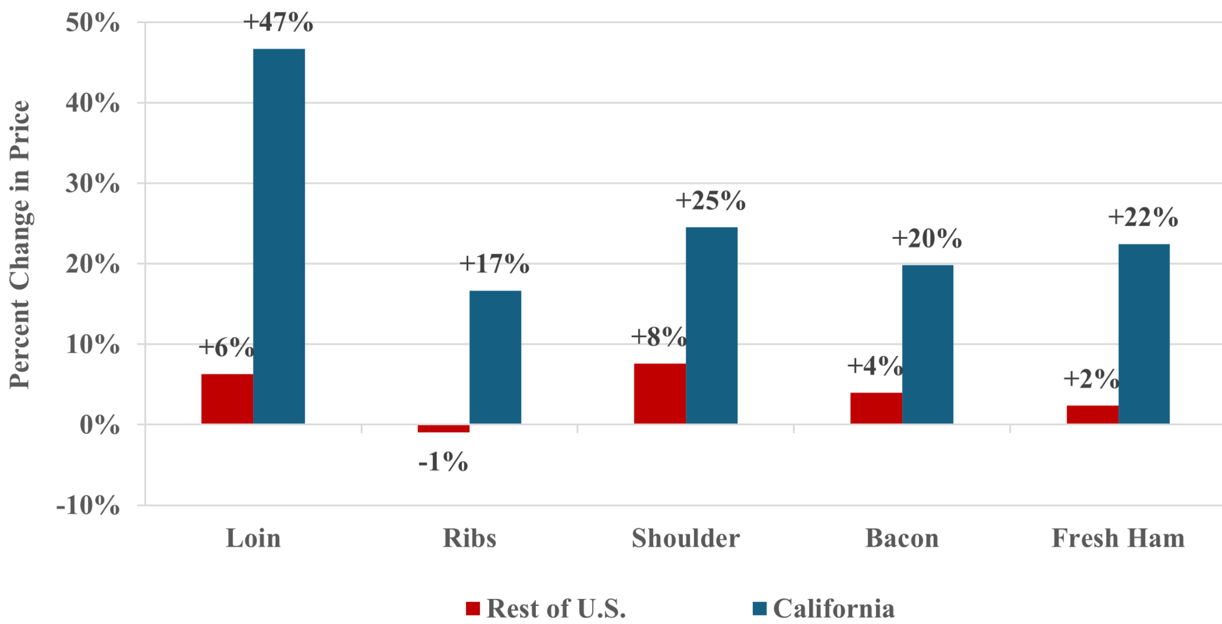
[10] Lee, H., Sexton, R. J., and Sumner, D.A. (2021). *Voter Approved Proposition to Raise California Pork Prices.* (ARE Update 24(6): 5–8). University of California Giannini Foundation of Agricultural Economics.
[11] Hawkins, H., Arita, A., and Meyer, S. (2024). *Proposition 12 Pork Retail Price Impacts on California Consumers.* (ARE Update 27(3): 5–8). University of California Giannini Foundation of Agricultural Economics

Figure 3: Change in Average Sales Price of Covered Pork Products, Pre-Proposition 12 (October 2019 to June 2023) vs. Post-Proposition 12 (July 2023 to February 2024)[12]



Overall, the report suggests a 20% average increase in the sales prices for pork products covered by Proposition 12 and minimal impacts on products not covered by the law, such as sausage. Unsurprisingly, the retail data also revealed a decline in pork volume sales in California and a 2-3% decline in California's share of national fresh pork sales.

Retail scanner data compiled by Circana confirms that these trends have held up over subsequent periods. From July 2024 to June 2025, the second year of Proposition 12's partial implementation, prices for popular covered pork products in California were 24% higher on average, with a range of 12% to 33% higher across covered products, than they were in the year leading up to implementation (July 2022 to June 2023).[13] This compares to an average 3.6% increase for the entire United States over the same period. California also continues to consume less pork, both in terms of overall volume and as a percentage of U.S. sales.

Imposing higher costs with no change or enhancement in consumer demand yields losses in consumer welfare. Proposition 12 has been called an "unfunded mandate," meaning voters approved the measure, but consumers have not demonstrated a willingness to pay the premium required to consume the same volume of pork products.

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[12] Hawkins, H., Arita, A., and Meyer, S. (2024). *Proposition 12 Pork Retail Price Impacts on California Consumers.* (ARE Update 27(3): 5–8). University of California Giannini Foundation of Agricultural Economics

[13] Circana Omnimarket Point of Sale. (January 2022 – June 2025). *Dollar Sales and Volume Data for Pork Loins, Ribs, Shoulders, and Bacon in California and U.S. Total MULO+.* All estimates and analysis based on Circana data are by author and not Circana.

Given the threat of additional states adopting similar measures, a study by Schulz and Tonsor (2024) examined various scenarios under which more states adopt Proposition 12-like regulations, requiring a greater percentage of the pork industry to adopt more costly production practices. While the magnitude of consumer losses will depend on farm adjustment costs and the percentage of the U.S. hog herd that must become compliant to maintain market access, a scenario where the entire U.S. herd must incur "intermediate" level adjustment costs results in a cumulative decline in U.S. consumer welfare of $41 billion over 15 years.[14] The study does not address instances where states adopt differing and conflicting regulations that would impose further costs not only on producers but across the pork supply chain.

While available data did not allow for an assessment of how households of varying income or pork consumption levels are impacted, the authors offer an expert opinion that lower-income, high pork-consuming households, which are more price sensitive and exposed to retail market changes, will bear a greater share of the consumer welfare losses.

Industry Consolidation Concerns

Compliance with Proposition 12 creates significant costs that are borne by California consumers and producers providing pork to the California market. As stated in Goodwin (2023), in the short run, there is likely to be bifurcation of the pork market whereby pork commands a premium in California. However, it is possible, particularly if other states adopt similar requirements, that high market segmentation costs may encourage widespread adoption of the standards in the long run, whether dictated by decisions at retail, distribution, processing, or at the pork packing level.[15] This could impose costs on farms without the promise of sufficient premium and would hasten the exit of smaller, independent sow farm operations. An even more costly situation could arise if states adopt conflicting animal housing requirements, resulting in a 50-state patchwork that would impose even greater costs and inefficiencies on the pork supply chain.

For many reasons, Proposition 12 and the prospect of a 50-state patchwork of state regulations pose the greatest risks to small and medium-sized hog farms across the country. As discussed previously, economies of scale allow a 5,000-head sow farm to make adjustments at a lower cost per pig than a 1,200-head sow farm. Large farms may also have greater options for diversification and enjoy more favorable terms of credit. Goodwin (2023) found that, based on USDA Economic Research Service (ERS) data, hog farms are typically more highly leveraged than other types of farms due to the substantial upfront capital investment that is required. Additionally, the return to equity on hog farms is usually progressively lower for smaller farms, suggesting small farms are likely to realize less favorable terms of credit and which may impact their ability to undertake significant capital investments. Lastly, surveys conducted and summarized in Goodwin (2023) revealed that segregation costs at the packing level likely also

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[14] Schulz, L.L. and Tonsor, G.T. (2024). *Evaluating the Economic Impacts of Proposition 12, Question 3, and Related Regulations on U.S. Consumers.*
[15] Goodwin, B.K. (2023). *California's Proposition 12 and the Impacts on the Pork Industry.*

favor large hog producers. If processors choose to process compliant hogs on a certain day or time, large producers can deliver multiple loads at once, reducing costs for packers and impacting premiums paid.

Conclusion

Proposition 12 requires pork producers wishing to supply the California market to undertake significant investments and production changes that, absent a sufficient premium, leave them worse off financially. Packers, further processors, and other supply chain participants also face higher costs associated with segregation, tracing, and labeling compliant product. These costs are ultimately passed on to California consumers, who face fewer choices at the grocery store and significantly higher prices for covered products. Because Proposition 12 restricts consumer choice and imposes higher costs, it results in lower levels of pork consumption and ultimately reduced consumer welfare in California. Importantly, lower-income, higher pork-consuming population groups will be most sensitive to the impacts and will bear the brunt of welfare losses.

Problems do not stop there. The Supreme Court's decision opens the door for other states to adopt similar measures—or worse, for each state to adopt its own conditions for selling pork within its borders. Whether raising pigs in a way that complies with Proposition 12 or not, U.S. pork producers across the country continue to face significant uncertainty surrounding the prospect of changing regulations or a state-by-state patchwork, the future availability and sufficiency of premium offerings, and the risk that investments made today will require modifications to maintain market access before a return is ever realized. Ultimately, the ability of other states to adopt their own Proposition 12-like measures threatens consolidation across the U.S. pork industry, as the largest industry participants will be the best equipped to comply.

The National Pork Producers Council urges Congress to address the challenges created by Proposition 12 and to prevent a 50-state patchwork of conflicting sow housing regulations that would impose significant costs, inefficiencies, and welfare losses on U.S. producers and consumers.