Written Testimony of
National Pork Producers Council

Trade Policy and Priorities

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and Foreign Agriculture

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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 60,000 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 131 million hogs in 2020. Those animals provided farm-level cash receipts of more than $22 billion.

To produce those hogs, pork producers used roughly 1.1 billion bushels of corn and the soybean meal from 455 million bushels of soybeans in 2020. They also used roughly 5 million tons of distillers dried grains with solubles (DDGS), a major by-product of corn ethanol production.

Economists Daniel Otto, Lee Schulz and Mark Imerman of Iowa State University estimated that in 2016, the U.S. pork industry was directly responsible for the creation of more than 37,000 full-time-equivalent jobs in pork production and generated roughly126,000 jobs in the rest of agriculture. In addition, the pork sector was responsible for 124,750 jobs in meatpacking and processing and 33,400 jobs in professional services such as financial services, insurance and real estate. In total, the U.S. pork industry supports nearly 514,000 mostly rural jobs in the United States.

Most importantly, U.S pork producers in 2020 provided more than 28 billion pounds of safe, wholesome, and nutritious meat protein to consumers worldwide.

Pork Exports

Trade is vitally important to America's pork producers, who annually export over a quarter of production to more than 100 countries. The pork industry exported $7.9 billion of pork in 2020, and those exports accounted for about $56 of the average price received for each hog marketed and supported 110,000 American jobs, according to Iowa State University economists.

Despite COVID-19 and many other challenges, including trade retaliation from two of its top foreign markets, the U.S. pork industry exported a record amount of pork in 2020, and it is poised to set a new record this year. In fact, through September 2021, America's pork producers already had shipped to foreign destinations $6.7 billion worth of product compared with about $6.1 billion at the same point last year, a 9.6 percent increase.

Annual exports of U.S. pork have been increasing for the past several years, generally because of improving economies and rising middle classes in countries around the world. Other factors also have driven those increases, including in some nations the emergence of robust hotel and restaurant industries – particularly as world travel has become relatively easier and cheaper – and disease challenges. A number of important U.S. export markets in Southeast Asia, for example, have been battling African swine fever (ASF) for the past several years so have needed to increase pork imports.

Trade Deals Key to Increasing Exports

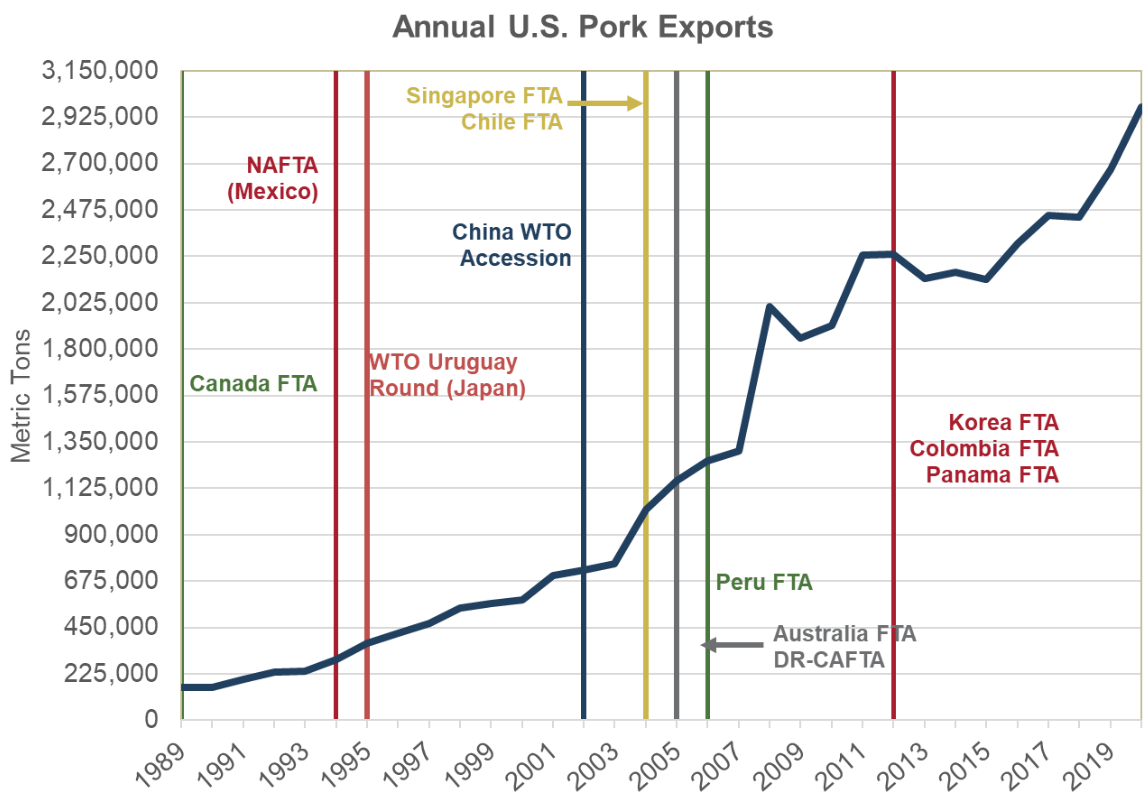
The biggest reason for U.S. pork export growth over the past two decades is trade initiatives, whether free trade agreements (FTAs), less-formal trade and investment framework agreements (TIFAs) or one-off market access deals. Through such initiatives, the United States moved from a net importer to a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

In fact, as a result of trade agreements, U.S. pork exports have increased more than 1,850 percent in value and nearly 1,750 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 649 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 two decades.

In addition to FTA's granting better market access for U.S. pork, the agreements usually are the best avenue for U.S. agricultural science-based standards to be accepted 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 free 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 FTAs, which eliminate or significantly reduce tariff on and non-tariff barriers to U.S. exports.



Success of FTAs

Proof of that 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 more than one-third of total U.S. exports (Jan.-Sept. 2021) and supporting 14 million American jobs. Those jobs produce the nearly $1.4 billion of goods that are shipped to Canada and Mexico each day.

While trade between the United States and Canada has been good since 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 $212 billion and support 1.5 million U.S. jobs. U.S. agricultural exports to Mexico have grown nearly 292 percent since NAFTA was implemented.

With regard to U.S. pork trade, Mexico and Canada were the No. 3 and No. 4 export markets, respectively, for the U.S. pork industry in 2020. From 1993, the year before NAFTA was implemented to 2020, U.S. pork exports to Mexico increased 16-fold, from just 98 million pounds to almost 2.1 billion pounds, and exports to Canada went from 36.4 million pounds to nearly 500 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, Nicaragua and Panama – Peru, Singapore and South Korea.

It must be pointed out that, contrary to critics – both here and abroad – 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 2020 pork production in Mexico increased by 60 percent. That rise was accompanied by – and often was the result of – improvements in disease prevention and eradication and in slaughter and processing plants and by a significant increase in Mexican consumer demand. Its surge in pork production also prompted Mexico to start exporting pork, including to the United States.

Looking East

More recently, the U.S. pork industry has turned much of its attention toward 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 historic "Phase One" trade deal that helped boost U.S. pork exports to the Asian giant, which took in nearly $2.3 billion of American pork last year, making it the No. 1 value market for the U.S. pork industry.

The United States is sending record amounts of pork to China despite that country's tariffs, including a 25 percent retaliatory duty – it had been 60 percent – on U.S. pork 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 are a cumulative 33 percent compared with 8 percent for the rest of the world. The United States could be exporting more pork if not for the continued tariffs.

Additionally, the Phase One deal with Japan went into effect on Jan. 1, 2020, which put U.S. pork on a level playing field with other major pork exporters, kept U.S. product flowing there – the U.S. pork industry's No. 2 market in 2020 – and 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 Minimum Access Volume (MAV) and slash tariffs on pork to curb food price inflation caused by ASF outbreaks in the country. U.S. pork exports to the Philippines have increased by 100 percent to over $122 million since then. Although these are great results for U.S. pork producers, who have already seen the benefits, the tariff reductions are not permanent and are set to expire within 12 months. The U.S. pork industry continues to urge the Philippines government to make the tariff reductions permanent. This is a major downside of not having a comprehensive trade agreement – tariffs reductions are seldom permanent.

Also this year, Vietnam agreed to give better market access to U.S. pork through the reduction of tariffs. Although details have not been finalized, the pork industry is encouraged by the negotiations with Vietnam and hopes they lead to broader trade discussions.

Now, the U.S. pork industry, through the advocacy of NPPC, is urging the Biden administration to join the TTP's successor, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), whose 11 member-countries combined have 500 million consumers and a gross domestic product of $11.5 trillion, representing 13.5 percent of global GDP.

U.S. pork producers were strong proponents of the TPP, which in addition to the United States included 11 Pacific Rim countries, including Japan, which at the time of the TPP negotiations was the U.S. pork industry's No. 1 value market despite the United States not having a trade agreement with it. In fact, the prospects of shipping much more pork to the Asia-Pacific region under the TPP were so good, they helped prompt construction of five new pork packing plants across rural America.

Trade Promotion Authority and Preferential Trade Programs

Almost every one of the FTAs the United States has concluded were made possible by the enactment of Trade Promotion Authority (TPA) legislation. TPA gave U.S. negotiators the ability to extract the best deals possible from trading partners. Without it, no country would be willing to make tough 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 of this year. TPA lets U.S. trade representatives negotiate from a position of strength and prompts U.S. trading partners to cut to their bottom-line negotiating position.

The U.S. Generalized System of Preferences (GSP) recently expired, too. GSP, which provides nonreciprocal, duty-free treatment of goods exported to the United States from beneficiary countries, also gives U.S. trade negotiators leverage when discussing market access with GSP-eligible countries.

Supply Chain Issues Affecting U.S. Pork Trade

There also are a number of domestic issues that could hamper exports, including a severe labor shortage – particularly at packing plants, which process and package product for export – and disruptions at America's shipping ports.

With regard to U.S. ports, the United States is facing a massive backlog of containers waiting to be loaded into vessels and dozens of ships waiting to offload cargo at West Coast ports. Such disruptions are particularly acute for agricultural goods, many of which are perishable, including pork. A majority of farm products exported to the Asia-Pacific region route through the ports in Long Beach, Los Angeles and Oakland, Calif., and Seattle and Tacoma, Wash.

In 2020, the U.S. pork industry sent 52 percent of its exports – $3 billion worth – through the West Coast ports. But shipping delays are increasing costs to the industry and making the United States an unreliable trading partner.

Frequent last-minute cancellations of U.S. pork shipments have undermined certainty and eroded trust with buyers in whom the pork industry has invested heavily to earn. Some large international retailers and restaurant chains are looking at sourcing pork from other countries rather than waiting for U.S. product. If shipping delays continue, more retailers are likely to follow suit.

Congress and the administration must address the ports issues or shipping delays may also negatively impact future trade negotiations with Southeast Asian trading partners. NPPC supports the "Ocean Shipping Reform Act of 2021" introduced by Reps. John Garamendi (D-CA) and Dusty Johnson (R-SD), which would address the issues plaguing U.S. exports.

On the labor front, like much of agriculture, the pork industry is dealing with a lack of available workers. The shortage of labor was a problem before COVID and has been exacerbated by it, with some farms facing job vacancy rates as high as 30 percent despite offering record-high wages and benefits. Many pork packing plants do not have enough workers to run second and/or

Saturday and Sunday shifts, meaning supply is having a hard time keeping up with demand, including export demand.

Reforming the existing H-2A visa to include year-round agricultural workers – currently, it allows only temporary seasonal labor – without a cap on the number of visas available, is the only solution given rural America's declining population.

Finally, a wild card issue is ASF. While the swine-only disease actually has helped boost U.S. pork exports to some countries that are dealing with it, such as China, ASF now is in the Western Hemisphere (the Dominican Republic and Haiti) for the first time in more than 40 years and poses a bigger threat to the United States than it did when it was confined mostly to Southeast Asia and Eastern Europe.

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. USDA recently asked the World Organization for Animal Health (OIE) to recognize Puerto Rico and the U.S. Virgin Islands, which neighbor the Dominican Republic and Haiti, as a "protection zone," a classification that allows the United States to maintain its current animal health status should a case of ASF be detected on either U.S. territory. Such an OIE designation is critical because it would let the United States, as an ASF-free country, continue exporting pork.

NPPC commends Agriculture Secretary Vilsack for dedicating $500 million in USDA Commodity Credit Corporation (CCC) funds for prevention of and preparation for ASF, a pig-only disease that would be devastating for the U.S. pork industry. The effects of ASF would reverberate through the farm economy, devastating not only for the pork industry but also other U.S. proteins and the corn and soy farmers who feed producers' animals. This is why NPPC also has been asking Congress for increased funding of $20 million for additional staff for the USDA Animal and Plant Health Inspection Service's Veterinary Services field force, $30 million to fully fund the National Animal Health Laboratory Network (NAHLN) and funding for additional Customs and Border Protection (CBP) agents and canine teams as authorized in P.L. 116-122, the Protecting America's Food and Agriculture Act of 2019.

Conclusion

The importance of trade to the U.S. pork industry – indeed to the entire U.S. economy – cannot be overstated. America's pork producers get more than a third of their income from exports, and those exports contribute significantly to U.S. agriculture's positive balance of trade.

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

For the U.S. pork industry, that means: joining the CPTPP; expanding market access in Southeast Asian countries such as Vietnam; getting China to remove its retaliatory tariffs on pork; renewing TPA; addressing the country's aging ports and labor shortage; and keeping the United States ASF-free.