Written Testimony of
National Pork Producers Council

Reforming the Generalized System of Preferences to Safeguard U.S. Supply Chains and Combat China

House Committee on Ways & Means
Subcommittee on Trade

September 20, 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 regulation, develops revenue and market opportunities and protects the livelihoods of America's more than 66,000 pork producers.

Economic Contributions to the U.S. Economy

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 purchased more than $1.6 billion in other feed ingredients.

Economists at NPPC and Iowa State University estimated that in 2021, the U.S. pork industry was directly responsible for creating more than 36,000 full-time-equivalent jobs in pork production and generating roughly 122,000 jobs throughout all of agriculture. In addition, the pork sector was responsible for 138,000 jobs in meatpacking and processing and 39,000 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 important, U.S. pork producers in 2022 provided more than 27 billion pounds of safe, wholesome and nutritious meat protein to consumers worldwide.

We are in a challenging time in the U.S. pork industry. Over the past ten months, hog producers have lost an average of $20 per head on each hog marketed. This year, hog prices have averaged 14% lower than in 2022, though current losses are largely due to record-high production costs that have increased by as much as 60% in three years. These losses are putting a pinch on the pork industry, and this economic reality may force producers to exit the industry, further driving consolidation at the farm-level.

Pork Exports

One bright spot for producers is the pork industry's continuing robust exports. Annual exports of U.S. pork have been increasing for several years because of improving economies and a rising middle class worldwide. Other factors driving those increases include the emergence of hotel and restaurant industries in some nations – particularly as world travel has become relatively more accessible and affordable. Additionally, several important U.S. export markets in Southeast Asia, for example, have been battling African swine fever (ASF) for several years, raising demand for increased pork imports and benefiting U.S. pork producers.

America's pork producers 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. Those exports equated to around $61 in value for each hog marketed last year, supported 155,000 American jobs and contributed more than $14.5 billion to the U.S. economy.

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, a 14% increase.

Generalized System of Preferences

The U.S. Generalized System of Preferences (GSP) expired December 31, 2020. GSP provides nonreciprocal, duty-free treatment of goods exported to the United States from beneficiary developing countries. NPPC supports the objective of the GSP program to offer opportunities for many of the world's poorest countries to use trade to grow their economies and climb out of poverty. NPPC believes promoting the economic growth and development of GSP recipient countries is a good business proposition, because increased income and buying power in those markets will create future export opportunities for U.S. pork producers.

NPPC also views the GSP program as an essential trade enforcement tool that gives U.S. trade negotiators leverage to address market access concerns. GSP-eligible countries are required to meet statutory criteria set by Congress. Should they fail to meet those requirements, the United States can withdraw GSP benefits.

The GSP statute provides that the President shall not designate any country as a beneficiary developing country if it "affords preferential treatment to the products of another developed country, which has, or is likely to have, a significant adverse effect on United States commerce." In addition, when determining whether a country should be eligible to continue to receive GSP benefits, the President is instructed to take into account the "extent to which such country has assured the United States that it will provide equitable access to [its] markets."

In presenting the original GSP bill, the U.S. Senate Committee on Finance emphasized the importance of market access for U.S. goods as a precondition for GSP eligibility, stating in their report that "the Committee feels strongly that the beneficiary developing countries should reduce and eliminate their own barriers to U.S. commerce before they should be granted preferential treatment in the U.S. market." During the floor debate in the U.S. House of Representatives, it was noted that "perhaps the most compelling reason" for the GSP program was the opportunity it would provide to increase U.S. exports to beneficiary countries.[1]

GSP was successfully leveraged to obtain market access for U.S. pork producers in India. At the time of the petition, in 2017, India was the number one recipient of preferential trade benefits under the U.S. GSP program – nearly $5.6 billion – and restricted or prohibited importing many U.S. agricultural products, including pork.

[1] 119 Congress, Rec 40,555 (1973) (statement of Rep Whalen).

The list of restrictions was quite extensive. Many of the constraints imposed by India on U.S. pork were contained in the Indian Department of Animal Husbandry's Veterinary Health Certificate for Pork and Pork Product Imports. Among the restrictions imposed through that certificate were 1) a scientifically unjustified ban on ruminant feeding, and 2) trichinae-related restrictions on pork imports from the United States. India imposed trichinae-related restrictions on U.S. pork, despite not even a single case of trichinosis detected in the U.S. commercial herd in over a decade. Ultimately, the U.S. government used the threat of removing GSP benefits as leverage and successfully negotiated the myriad issues. Currently, the U.S. pork industry is working on exporting its first shipment of U.S. pork to India.

NPPC has also used the GSP review process as a mechanism to address market access barriers in key countries where negotiations have stalled. In Thailand, GSP could be used as leverage, due to the country's *de facto* ban on U.S. pork. Despite obtaining duty-free access to the United States under the GSP, Thailand maintains high tariffs and several non-tariff barriers on U.S. pork. In 2018, NPPC successfully petitioned for a review of Thailand's GSP benefits. As a result, Thailand's duty-free access under GSP was suspended October 30, 2020. However, the current expiration of GSP has removed an important incentive for Thailand or other GSP-eligible countries to provide equitable market access to U.S. pork.

Similarly, NPPC has supported the removal of GSP benefits for several other countries that have imposed unjustified barriers to imports of U.S. pork, including Ecuador, Jamaica and South Africa.

While the threat of removing GSP benefits can induce countries to improve market access conditions for U.S. pork, the possibility of being added to the eligibility list is another way to persuade countries to remove long-standing barriers. For example, when Argentina was under consideration for GSP eligibility in 2018, the United States Department of Agriculture was able to use that leverage to finalize the development of an export certificate for U.S. pork. This removed restrictions that had previously impeded U.S. access to the Argentine market.

NPPC also urges Congress to consider adding stronger enforcement mechanisms in the GSP program to ensure that recipient countries provide equitable and reasonable access to their markets. A mechanism that more quickly responds to unjustified barriers imposed by GSP recipient countries is welcome.

Conclusion

NPPC strongly supports the renewal of GSP, as it is a valuable program that will give U.S. trade negotiators another tool to persuade countries to eliminate trade restrictions on U.S. products. Further, a renewal of GSP should include stronger enforcement mechanisms that provide U.S. trade negotiators the tools to ensure countries are meeting their obligations.