

**Written Statement for the Record
of the
National Pork Producers Council,
Minnesota Pork Producers Association**

**Trade in America: Agriculture and
Critical Supply Chains**

Agriculture Advisory Committee

July 10, 2023

The Honorable Michelle Fishbach
Minnesota Congressional District 7
U.S. House of Representatives

Dear Congresswoman Fishbach,

The National Pork Producers Council, which represents the nation's 66,000 pork producers, and the Minnesota Pork Producers Association, which has more than 3,000 hog producer members, thank you for holding this field hearing to listen to the concerns of America's farmers.

Introduction

As you know, the U.S. pork industry is a significant contributor to the economic activity of U.S. agriculture and the broader U.S. economy, marketing about 140 million hogs annually. Those animals provided farm-level gross cash receipts of more than \$30 billion in 2022 and about 27 billion pounds of safe, wholesome and nutritious meat protein to consumers worldwide. The U.S. pork industry supports more than 600,000 mostly rural jobs in the United States and last year contributed more than \$57 billion to the country's GDP.

To provide some context for the narrative that follows: 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 because of record-high production costs that have increased up to 50 percent over the past year, and those losses could force some producers to exit the industry, which would drive consolidation at the farm-level. This only adds to the uncertainty that already exists with tight credit markets, ongoing supply chain issues and the presence of African swine fever (ASF) in the Western Hemisphere.

A bright spot for the U.S. pork industry is its robust exports.

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 nearly \$7.7 billion of pork in 2022. Those exports equated to about \$61, or 25 percent, in value for each hog that was marketed last year, 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, including a strong U.S. dollar, supply chain issues and unwarranted tariff and non-tariff barriers in some foreign markets, the U.S. pork industry continues to export a significant amount of pork. In fact, through May of this year, America's pork producers have shipped almost \$3.4 billion worth of product to foreign destinations compared with about \$3 billion for the same period last year, a 13 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 and benefiting U.S. producers.

Trade Deals Key to Increasing Exports

The biggest reason for U.S. pork export growth over the past two decades, though, has been 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.

Just how important are trade initiatives? Consider that the U.S. pork industry exports more pork to the 20 countries with which the United States has FTAs than to the rest of the nations of the world combined.

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

So, 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.

NPPC is encouraged by the Biden administration’s efforts to forge closer economic ties with countries around the world, including through the Indo-Pacific Economic Framework for Prosperity (IPEF), the U.S.-Taiwan Initiative on 21st Century Trade and efforts in the Philippines, for example.

But to benefit America’s farmers and grow U.S. exports, such trade deals must address market access and must eliminate tariffs on and non-tariff trade barriers to U.S. pork and other U.S. agricultural products.

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 exacerbated by the pandemic. It is still an issue, with farms facing job vacancies despite offering good 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 annual number of visas available is the only solution. Currently, the visa allows only temporary seasonal labor.

A potential regulatory matter that may affect trade is the USDA Food Safety and Inspection Service’s proposed rule on “Product of the USA” labeling for meat. 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 with the World Trade Organization as an unfair non-tariff trade barrier and be authorized by the WTO to impose retaliatory tariffs on the United States as they did on COOL.

The biggest existing potential impediment to trade is the country's aging infrastructure, a critical link in the food supply chain. Deficiencies in roads and bridges have been detailed over the past two decades, and suppliers have been warned for some time about an impending dearth of truckers to haul goods. Both issues should be addressed.

More recently, attention has turned to the country's shipping ports, which need to be modernized. But the current issue threatening that part of the supply chain is labor strife. The union representing port workers from San Diego to Seattle and the organization that represents West Coast port facilities have been negotiating for about a year on a new labor agreement, with dockworkers occasionally using work slowdowns as a bargaining ploy.

Such disruptions in the supply chain, though, can be disastrous. Strikes and slowdowns at the same ports in late 2014 into early 2015 cost the U.S. meat industry millions of dollars in lost export sales and, in some cases, lost foreign customers.

Shipping ports are particularly important for U.S. agriculture. The U.S. pork industry, for example, sends about 60 percent of its exports by ocean freight, with the vast majority going out through West Coast ports to Asia – three of the industry's top export markets are China, Japan, and South Korea. Pork producers can ill-afford to have this vital link broken.

Finally, African swine fever (ASF) is another factor that could not only limit U.S. pork trade but stop it outright. While 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), it 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), the first line of defense in keeping agricultural contraband that could carry foreign animal diseases out of the United States.

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 every U.S. pork producer and to U.S. agriculture's balance of trade.

Free and fair 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, including with supply chains, that could negatively affect the ability to trade.

That means negotiating comprehensive trade agreements that eliminate or significantly reduce tariffs on and non-tariff barriers to U.S. exports; expanding market access in countries around the world; addressing the country's labor shortage; modernizing America's infrastructure; keeping the United States free from ASF; and adequately funding the federal agencies that deal with foreign animal diseases.