Statement Of

the

National Pork Producers Council

Before the

U.S. House of Representatives
Subcommittee on Trade
of the Committee on Ways and Means

On the

Panama Trade Promotion Agreement

March 30, 2011

The National Pork Producers Council is an association of 43 state producer organizations, representing the federal and global interests of 67,000 U.S. pork operations, which annually generate approximately $15 billion in farm gate sales and add nearly $35 billion to the U.S. gross domestic product.

The future of the U.S. pork industry and of America's family hog farms depend on the continued expansion of exports. Demand in the United States for pork continues to grow, but demand in global markets for pork is growing much faster. The United States must take the steps necessary to increase our access to those overseas markets or we will start to lose even the shares of those markets we currently have.

In short, there is no standing still when it comes to trade. If we do not implement the trade agreements we have negotiated, such as the Panama Trade Promotion Agreement, and fail to move ahead with new ones, we will forfeit those sales to foreign competitors who are aggressively negotiating free trade deals of their own.

In 2010, nearly 20 percent of the pork produced in the United States was exported compared with only about 6 percent 10 years ago. In 2010, the United States exported more than 1.9 million metric tons of pork, valued at $4.8 billion. Virtually all of this trade today is the direct result of U.S. efforts over the years to tear down foreign import barriers through bilateral, regional and multilateral trade agreements.

There is no disputing that free trade agreements have been a major factor in the rapid growth in U.S. pork exports over the last two decades. Since the year before NAFTA was implemented in 1994, U.S. pork exports to Mexico have increased 780 percent to $986 million last year; since the year before the Australia FTA was implemented, our exports to that country have grown by 1,300 percent to $148 million; since the year before the Central America FTA was implemented, U.S. pork exports to the CAFTA countries have increased by 313 percent to $119 million; and in the two years since the Peru FTA took effect, our pork exports to that South American country have almost doubled to $1.2 million.

The United States is now the lowest-cost pork producer in the world, and we have established ourselves as the No. 1 global exporter. But we will not stay in that position, even as the lowest-cost producer, if competitor countries cut trade deals in key markets and the U.S. does not. How could we possibly compete in a foreign market if we face tariffs that may almost double our price to consumers and our competitors are free of those tariffs? This is what is happening and will continue to happen if we sit on the sidelines as other nations implement free trade deals.

But increasing pork exports is important to more Americans than just pork producers. The U.S. pork industry supports an estimated 550,000 domestic jobs, 110,000 of which are the result of U.S. pork exports. And the industry generates more than $97 billion annually in total U.S. economic activity. For each 1 percent increase in the size of the U.S. pork industry, the U.S. economy creates 920 full-time pork industry jobs and 4,575 jobs in total. And for each additional 1 percent of U.S. pork production that is exported, live hog prices increase by approximately $3 per hog, making the total value of exports worth $56 per hog. Higher prices eventually stimulate additional pork production, and the industry expands to meet the new opportunity, thus creating more jobs. Just last year, U.S. pork exports grew by almost $500 million. The U.S. Department of Agriculture estimates that each $1 billion in additional agricultural exports generates approximately 8,400 new U.S. jobs. For the meat sector, however, USDA puts the job-creating number at more than 12,000. So, the increase in pork exports last year created about 6,000 new jobs.

According to Iowa State University economist Dermot Hayes, the Panama Trade Promotion Agreement would increase U.S. live hog prices by $0.20 per animal and create approximately 213 full-time positions in the pork industry and in supporting sectors.

As an aside, Hayes found that the Colombia FTA would increase live hog prices by about $1.15 per animal and create 919 new jobs, and the FTA with South Korea would increase live hog prices by nearly $10 per pig and create over 9,100 pork industry jobs. NPPC strongly supports all three of the pending FTAs.

Hayes's calculations assume this growth even with Canada and the EU implementing FTAs with Korea and with Canada implementing an FTA with Colombia. But he also found that if foreign FTAs take effect and the United States fails to implement its own FTAs, our pork exports will decline and we will lose jobs. For example, he calculates that under the previous scenario, within 10 years the United States would be completely out of the Korean pork market, currently our sixth best in the world, because the EU is implementing its FTA with Korea. And, according to Hayes, if we fail to implement our FTA with Colombia, we would lose that market in 10 years to Canada, which is moving forward and implementing its FTA with Colombia. Likewise, Hayes says we will be out of the Panama market in 10 years if we fail to implement our FTA with Panama and Canada implements its FTA with Panama. While the United States is the top global pork exporter and the world's lowest-cost producer of pork, it cannot compete with zero tariffs. We must not allow our competitors to have that advantage.

The Panama Trade Promotion Agreement will create important new opportunities for U.S. pork producers. U.S. pork exports to Panama are currently restricted by a very limited quota and out-of-quota duties as high as 80 percent. Under the Agreement, however, pork variety meats will receive immediate duty-free treatment, and other pork products will receive immediate expanded market access through tariff rate quotas.

In addition to the favorable market access provisions, significant sanitary and technical issues have been resolved. By a letter dated December 20, 2006, the Panamanian government confirmed as part of the FTA talks that it would recognize the meat inspection system of the United States as equivalent to its own meat inspection system. This technical agreement ensures that U.S. pork producers will benefit from the Panama Trade Promotion Agreement without being blocked by unnecessary sanitary barriers.

Panama does not currently have an FTA in place with any major pork exporting country, but it (along with other Central American nations) finalized free trade agreements with Canada and the EU in 2010. Once again, we will win if we implement the Panama Trade Promotion Agreement, and we will lose if we do not.

Pork producers are joined by virtually all of U.S. food and agriculture in supporting the Panama FTA – as well as the pending FTAs with Colombia and Korea. By a letter dated February 14, 2011, which is attached, 50 agricultural trade associations expressed strong support for the Panama agreement. Plain and simple: The Panama FTA is good for pork producers, good for U.S. agriculture and good for the United States.

Before concluding, it must be noted that U.S. trade policy does not exist in a vacuum. It is not separate and apart from our business conducted inside the borders. So U.S. domestic policy can and does affect our exports. Currently, we are awaiting from USDA a final rule on the buying and selling of livestock and poultry, which, if implemented as currently drafted, would have a devastating impact on our producers. According to an analysis of the GIPSA rule conducted by Informa Economics, it would cost the U.S. pork industry nearly $400 million annually. Industry analysis of the regulation concludes that it likely will have a chilling effect on innovation and flexibility, leading to a race toward mediocrity. It will create legal uncertainty that will drive costs higher and cause an increase in vertical integration in the livestock sector, driving producers out of the business and possibly affecting supplies. None of that bodes well for our exports. Again, free trade agreements and our position as the world's lowest-cost producer have made U.S. pork exports extremely attractive around the globe. But if we no longer are the lowest-cost producer, our exports will become less competitive with other countries, and all the FTAs in the world won't help us much. NPPC continues to urge USDA to scrap the current GIPSA rule and to write a regulation that sticks to the five mandates it was given by Congress in the 2008 Farm Bill.

At this time of very tight budgets, America's pork producers are not asking for U.S. tax dollars. We receive no subsidies and we seek no subsidies. What we are asking is that our government take actions necessary to keep us competitive in global markets so that we can retain and expand those markets and, in turn, can keep creating new U.S. jobs. NPPC calls on the Obama administration to send up the implementing legislation soon and urges Congress to approve the Panama Trade Promotion Agreement and the other pending FTAs before the end of summer.

February 14, 2011

The Honorable Barack Obama
President of the United States
The White House
Washington, DC 20500

Dear Mr. President:

Many of the undersigned food and agriculture organizations first declared their support for the Colombia and Panama free trade agreements (FTAs) in 2007. Four years of trade benefits for U.S. farmers, ranchers and food processors have now been forfeited by our inaction on these agreements, and competitor countries have taken advantage of this lapse to grab U.S. market shares. It is time to bring this situation to an end.

We greatly appreciate Ambassador Kirk's recent statement to Congress that the Administration is committed to intensifying negotiations with Colombia and Panama and to resolving the issues that have prevented you from submitting the implementing legislation to Congress. We urge you to direct U.S. negotiators to move forward with these efforts as quickly as possible.

Colombia and Panama each have undertaken important changes in policies to correct problems identified by members of Congress. There is little debate that those governments have worked hard to address U.S. concerns. We believe that a strong and mutually beneficial relationship between our respective nations may well advance legitimate U.S. objectives in these areas more than continuing to withhold approval of the FTAs. At some point, the current approach could cause us to lose not only the trade agreements but the friendships of those important regional allies.

As you know, each agreement will provide important new market access benefits to U.S. food and agricultural exports that will in turn create U.S. jobs and strengthen rural economies. Many U.S. food and agricultural products will become eligible for duty-free treatment in those countries immediately upon entry into force of the agreements, and virtually all will receive duty-free treatment over specified phase-in periods.

According to the American Farm Bureau Federation, the U.S.-Colombia FTA would result in U.S. agricultural export gains of more than $815 million per year at full implementation, and the Panama FTA would add another $195 million. This extra $1 billion in exports would generate 6,000-8,000 new jobs here at home. But we are already several years behind in implementing the agreements, and those jobs are going elsewhere.

Colombia is on the verge of implementing FTAs with Canada and the European Union, and other major agricultural exporting countries, such as Argentina and Brazil, already have preferential access to that market. Our share of that market in wheat, feed grains and other products is certain to plummet unless we act promptly to correct these inequities. According to USDA, the U.S. share of Colombia's total agricultural imports has already fallen from almost 44 percent in 2007 to 27 percent in 2009.

Mr. President, implementation of these agreements, along with the Korea FTA, will significantly advance your effort to double U.S. exports over five years. On the other hand, because these countries are negotiating agreements with some of our main competitors, the failure to implement the agreements will be a real set-back to that objective. Once again, we urge you to move forward rapidly to finalize the FTAs and submit the implementing bills as soon as possible.

Sincerely,

American Farm Bureau Federation
American Feed Industry Association
American Frozen Food Institute
American Meat Institute
American Peanut Product Manufacturers, Inc.
American Seed Trade Association
American Soybean Association
Animal Health Institute
Blue Diamond Growers
California Table Grape Commission
Commodity Markets Council
Corn Refiners Association
Distilled Spirits Council of the United States
Grocery Manufacturers Association
Idaho Barley Commission
International Dairy Foods Association
National Association of State Departments of Agriculture
National Association of Wheat Growers
National Barley Growers Association
National Cattlemen's Beef Association
National Chicken Council
National Confectioners Association
National Corn Growers Association
National Council of Farmer Cooperatives
National Grain and Feed Association
National Meat Association
National Milk Producers Federation
National Oilseed Processors Association
National Pork Producers Council
National Potato Council
National Renderers Association
National Sorghum Producers
National Sunflower Association
National Turkey Federation
North American Equipment Dealers Association
North American Export Grain Association
Northwest Horticultural Council
Produce Marketing Association

Sweetener Users Association
U.S. Apple Association
U.S. Canola Association
U.S. Dairy Export Council
U.S. Livestock Genetics Export, Inc.
U.S. Wheat Associates
United Egg Association
United Egg Producers
USA Dry Pea & Lentil Council
USA Poultry & Egg Export Council
USA Rice Federation
Western Growers Association

cc: The Honorable Ron Kirk, U.S. Trade Representative
The Honorable Tom Vilsack, U.S. Secretary of Agriculture