Written Testimony Of
National Pork Producers Council

On

The Importance of Trade to U.S. Agriculture

United States House of Representatives
Agriculture Committee

March 18, 2015

The National Pork Producers Council (NPPC) hereby submits the attached written testimony to the U.S. House Agriculture Committee for its March 18, 2015, hearing on “The Importance of Trade to U.S. Agriculture.” This submission, submitted March 16, 2015, is for consideration by the Committee and for inclusion in the printed record of the hearing.

Introduction

The National Pork Producers Council (NPPC) is an association of 43 state pork producer organizations that serves as the voice in Washington, D.C., for the nation’s pork producers. The U.S. pork industry represents a significant value-added activity in the agriculture economy and the overall U.S. economy. Nationwide, more than 68,000 pork producers marketed more than 111 million hogs in 2013, and those animals provided total gross receipts of over $20 billion. Overall, an estimated $21.8 billion of personal income and $35 billion of gross national product are supported by the U.S. hog industry. Economists Daniel Otto, Lee Schulz and Mark Imerman at Iowa State University estimate that the U.S. pork industry is directly responsible for the creation of nearly 35,000 full-time equivalent pork producing jobs and generates about 128,000 jobs in the rest of agriculture. It is responsible for approximately 111,000 jobs in the manufacturing sector, mostly in the packing industry, and 65,000 jobs in professional services such as veterinarians, real estate agents and bankers. All told, the U.S. pork industry is responsible for more than 550,000 mostly rural jobs in the United States.

U.S. Agriculture Benefits from Trade

The economic well-being of American agriculture depends on maintaining strong export markets and creating new market access opportunities. Export markets are in large part the result of trade agreements negotiated over the past two decades. Since 1989, when the United States began using bilateral and regional trade agreements to open foreign markets, U.S. agricultural exports have nearly quadrupled in value and are now a record $150.5 billion. During that period, earnings from U.S. agricultural exports as a share of cash receipts to farmers have grown from 22 percent to 35 percent. Exports of high-value products such as pork have recently overtaken bulk products and now represent nearly two-thirds of the total; 25 years ago it was the reverse.

Farm and food exports have a positive multiplier effect throughout the U.S. economy. According to the Office of the U.S. Trade Representative, every $1 in U.S. farm exports stimulates an additional $1.22[1] in business activity. Off-farm activities and services include purchases by farmers of fuel, fertilizer, seed and other inputs and post-production processing, packaging, storing, transporting and marketing the products shipped overseas. Exports of $150.5 billion in 2014, therefore, generated another $184 billion in economic activity in the United States, bringing a total benefit to the economy of $334 billion. This economic activity creates jobs. Every $1 billion of U.S. agricultural exports requires the full-time work of approximately 7,580 Americans throughout the economy. Exports in 2014, therefore, supported more than 1 million full-time jobs, and more than half of those jobs were created in the past 10 years.

Agricultural exports also help offset part of the U.S. nonagricultural trade deficit. Agriculture has been a positive contributor to the nation's trade balance for more than 50 years. In 2014, the agricultural surplus is estimated to be around $40 billion.

Each and every one of the trade agreements that made these remarkable achievements possible were themselves made possible by the enactment of Trade Promotion Authority (TPA) bills. Those bills gave U.S. negotiators the ability to extract the best deals possible from other countries. Without it, no country would be willing to make the toughest concessions to the United States for fear that Congress could subsequently demand more. That is why NPPC and virtually every other agricultural organization in the United States are in favor of Congress expeditiously moving TPA legislation. Attached to this statement is a letter sent by NPPC and 70 other agricultural organizations in support of TPA.

The key reason TPA is needed is so the Obama administration can conclude the Trans-Pacific Partnership (TPP) negotiations. The TPP has the potential to be the highest-standard, most economically significant regional Free Trade Agreement (FTA) ever negotiated. And the United States is largely driving the proverbial bus on the trade talks. It is critically important that the

---

[1] ERS Agriculture Trade Multipliers were last updated February 26, 2015

United States get TPP right. While NPPC and most other private groups will make a determination on support for TPP once there is a final agreement to review, U.S. trade negotiators will have the final push they need to close the negotiations when Congress passes TPA. It will allow nations to cut to their bottom line negotiating position in TPP.

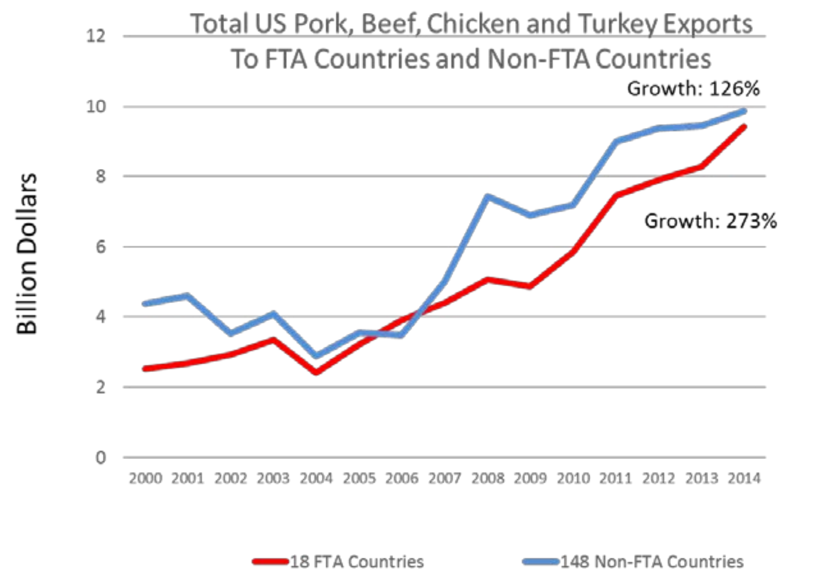
But it gets better. Other nations already are lining up to come into this U.S.-lead regional FTA. With the World Trade Organization Doha multilateral trade negotiations on life support, TPP clearly has the potential to become the *de facto* platform for future global trade expansion.

If Congress does not pass TPA, the 11 TPP countries with which the United States is negotiating won't be empowered to get to their last and best position. Instead, it will signal to those TPP partners, to the Asia-Pacific region – the fastest growing economic area in the world – and to all the world that the United States is turning its back on the Asia-Pacific region and that it is willing to allow other nations to write the rules of trade. There are myriad other FTAs under negotiation in the Asia-Pacific region. Some are small bilaterals, while others are large, such as the RCEP – Regional Comprehensive Economic Partnership, which involves the 10 nations of the Association of Southeast Asian Nations (ASEAN) and Japan, South Korea, China, India, Australia and New Zealand – that, if implemented, would undermine U.S. competitiveness in the region.

The U.S. pork industry, U.S. agriculture, indeed the entire U.S. economy needs TPA, and they need it soon.

The U.S. Meat and Poultry Sectors Benefits from Trade

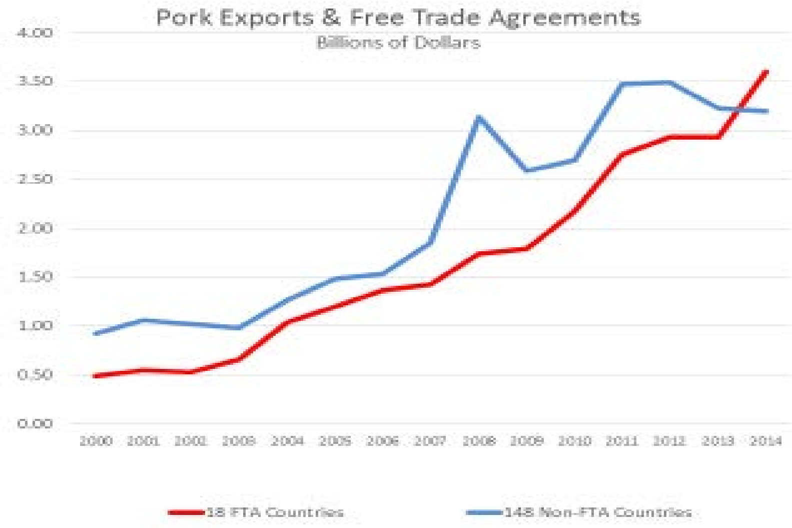
The United States exports almost as much meat and poultry to the 18 nations with which it has FTAs as it does to the 148 nations with which it does not have FTAs. Additionally, the rate of trade growth is much faster to FTA nations than to non-FTA countries. Since 2000, pork, beef and poultry meat exports to the 18 FTA countries increased 273 percent, while exports to the 148 non-FTA countries increased by just 126 percent. (See the chart below.)



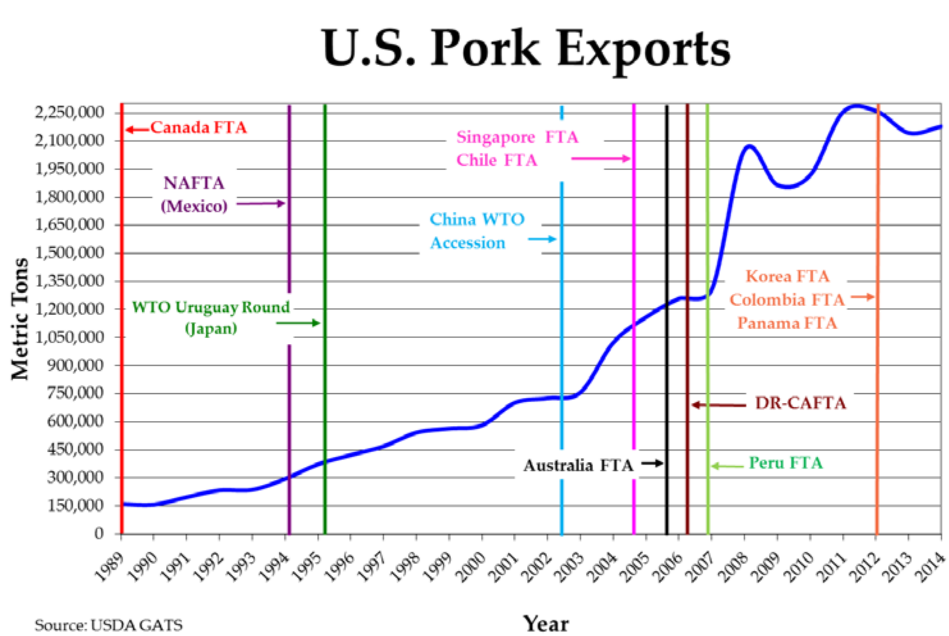
<u>Pork</u>

The U.S. pork industry has benefited tremendously from trade agreements and expanded trade. As a result of trade agreements, exports have increased 1,550 percent in value and 1,268 percent in volume since 1989, the year the United States implemented the FTA with Canada and started opening international markets for value-added agriculture products. The U.S. pork industry, the No. 1 pork exporter in the world, now exports more pork to the 18 FTA partners than to the rest of the world. Anyone who says that trade doesn't benefit the U.S. pork industry is either seriously ill informed – or lying.

The benefits from TPP are expected to exceed the benefits delivered in past trade deals, representing, in the words of Iowa State University economist Dermot Hayes, "the most important commercial opportunity ever for U.S. pork producers."



Since 2000, pork exports to all 18 FTA countries increased 642 percent. Pork exports to the 148 non-FTA countries increased by only 245 percent. The accession of China and Taiwan to the WTO are included in the graph below, which details the tremendous pork export explosion that commenced in 1989, with the U.S.-Canada FTA.



Exports of pork have hit new records for 20 of the past 22 years. In 2014, the United States exported more than $6.6 billion of pork to more than 100 nations, which added about $62.45 to the price that producers received for each hog marketed. (That amount is significant given that the average price producers received for a market hog in 2014 was $162.) According to a study conducted by economists Daniel Otto, Lee Schulz and Mark Imerman of Iowa State University, U.S. pork exports support more than 147,000 U.S. jobs. According to economist Dermot Hayes of Iowa State, the TPP has the potential to create 10,000 more U.S. jobs through increased pork exports.

Beef

The U.S. beef industry has gained incredible opportunities from trade agreements. Beef exports in 2014 reached a record high even with production being down 5.6 percent for 2013. Beef exports have been on an upward trajectory for the last 30 years. In 1984, the United States exported only 330 million pounds of beef (150,000 metric tons), which represented just 1.4 percent of total U.S. beef production; by 1988 exports exceeded 1 billion pounds. Less than 10 years later, in 1997, exports exceeded 2 billion pounds. (That number would later decline to 460 million pounds in 2004 because of the first case of BSE in the United States.) The industry was able to recover by 2010 to a record volume exports of nearly 2.8 billion pounds (1.267 million metric tons).

In 2014, beef exports reached $7.13 billion, which accounted for a 16 percent or a nearly $1 billion increase from 2013. Export volume was just under 1.2 million metric tons, and exports equated to 14 percent of total production and 11 percent of muscle cuts. The value per head averaged a record $297.68 last year, up $52.72 from the previous year. December export value was $340.69 per head, up $61.53 from a year ago.

Poultry

The U.S. poultry industry also has seen tremendous gains from exports. Poultry meat and egg exports in 2013 reached a record high of $5.862 billion. Combined U.S. chicken and turkey export value climbed to $5.527 billion, egg exports reached a new record value of $335.4 million and exports of broiler meat was valued at $4.3 billion. The top export markets for U.S. broiler meat (including paws) are Mexico, China, Russia, Angola and Hong Kong, which combined imported 3.6 million tons valued at $4.6 billion in 2013.

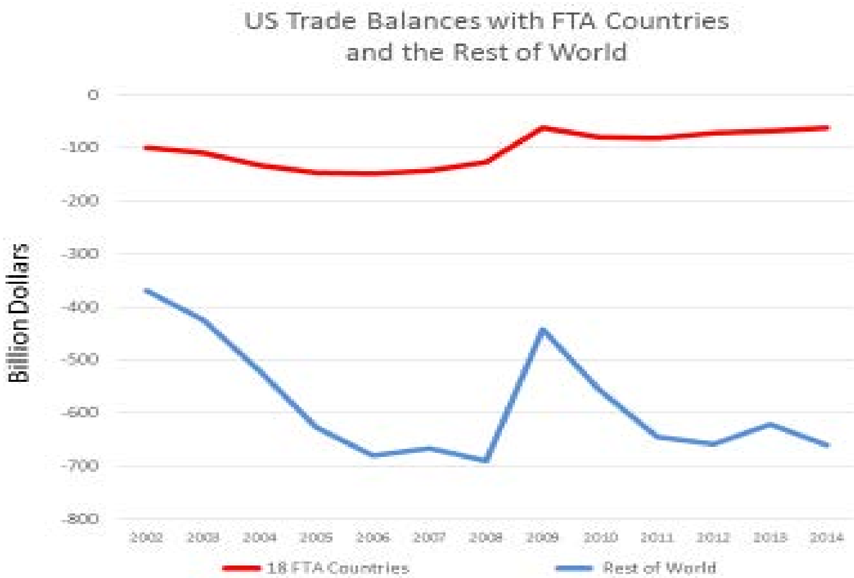
The industry also supports approximately 300,000 jobs at chicken processing plants nationwide and another 60,000 in feed mills, hatcheries, distribution centers, corporate headquarters and other locations.

In recent years, exports of poultry products have increased with the success of various trade agreements such as the WTO Uruguay Round, NAFTA and CAFTA so that export sales now represent approximately 22% of production. However, successful exports of U.S. poultry can sometimes be frustrated by the sudden imposition of non-tariff barriers, such as those the United States has long faced in South Africa, and some that have recently been imposed in historically important markets such as China and Russia.

The U.S. poultry believes that for the industry to be successful in the long term, it needs fair and open access to as many markets as possible. TPA will make it possible for the U.S. government to pursue additional market opportunities in Asia, Europe and Canada where there are substantial opportunities for exports of U.S. products.

The U.S. Trade Balance

Finally, much has been said about the impact of FTAs on the United States balance of trade in goods. As the chart below clearly demonstrates, FTAs do not have a negative impact on the overall trade balance of the United States. As noted previously, agriculture has been a positive contributor to the nation’s trade balance for more than 50 years. In 2014, the agricultural surplus is estimated to be around $40 billion.


US Trade Balances with FTA Countries
and the Rest of World
Billion Dollars
0
-100
-200
-300
-400
-500
-600
-700
-800
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
18 FTA Countries
Rest of World

February 5, 2015

Dear Member of Congress,

The undersigned organizations strongly support the introduction and enactment of Trade Promotion Authority legislation as quickly as possible. The people we represent – American farmers, ranchers, food and agriculture companies, retailers and their workers – are heavily dependent on trade for their livelihoods. Their ability to compete in global markets is tied to the ability of the United States to eliminate impediments to international trade.

As a result of trade agreements implemented since 1989, when the U.S. began using bilateral and regional trade agreements to open foreign markets to our goods, U.S. agricultural exports have nearly quadrupled in value and now stand at a record $152.5 billion (fiscal 2014). During that period, earnings from U.S. agricultural exports as a share of cash receipts to farmers have grown from 22 percent to over 35 percent.

These farm and food exports have a positive multiplier effect throughout the U.S. economy. Every $1 in U.S. farm exports is estimated to stimulate an additional $1.27 in business activity. Off-farm activities and services include purchases by farmers of fuel, fertilizer, seed and other inputs as well as post-production processing, packaging, storing, transporting and marketing the products we ship overseas. Exports of $152.5 billion in fiscal 2014 therefore generated another $194 billion in economic activity in the U.S., bringing the total benefit to the economy to $347 billion.

This economic activity creates jobs. Every $1 billion of U.S. agricultural exports requires the full-time work of approximately 6,600 Americans throughout the economy. Exports in fiscal 2014 therefore supported over 1 million full-time jobs, and more than half of these have been generated in the past 10 years as our exports have more than doubled in value.

Each and every one of the trade agreements that delivered remarkable achievements was made possible by the enactment of trade promotion authority bills. Those bills gave U.S. negotiators the ability, with clear direction and backing from Congress, to extract the best deals possible from other countries.

Without TPA, our negotiating partners would be unwilling to make the toughest concessions, and why should they if they judge that the U.S. will be forced to backtrack on a “final” deal as a result of congressional amendments to the implementing legislation? In short, trade agreements such as those being negotiated with 11 other countries under the Trans-Pacific Partnership (TPP) and with the European Union under the Transatlantic Trade and Investment Partnership (TTIP) cannot achieve U.S. goals without TPA.

There are myriad trade deals under negotiation in the Asia-Pacific region, the fastest growing economic region in the world. TPP is not the only agreement under consideration, but it is the most important. In the TPP, the administration is working hard to close a comprehensive, high-standard, 21st century deal that will eliminate barriers to our exports and raise standards within the TPP nations. Should Congress not pass TPA, it will signal to our TPP partners and to the world that we are turning our back on the fastest growing economic region in the world.

TPP can become the most important regional trade negotiation ever undertaken if the result is truly comprehensive. But for TPP to become a reality, Congress needs to pass TPA. We urge you to vote for TPA.

Agribusiness Council of Indiana

American Farm Bureau Federation

American Feed Industry Association

American Peanut Council

American Peanut Product Manufacturers, Inc.

American Seed Trade Association

American Soybean Association

Animal Health Institute

Archer Daniels Midland Co.

Biotechnology Industry Organization

Blue Diamond Growers

Bunge North America

California Cherry Export Association

California Dried Plum Board

California Farm Bureau Federation

California Fresh Fruit Association

California Pear Growers

California Walnut Commission

Campbell Soup Company

Cargill, Incorporated

Commodity Markets Council

Corn Refiners Association

CropLife America

Distilled Spirits Council of the U.S., Inc.

Food Marketing Institute

Grain and Feed Association of Illinois

Grocery Manufacturers Association

Juice Products 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 Corn Growers Association

National Council of Farmer Cooperatives

National Fisheries Institute

National Grain and Feed Association

National Oilseed Processors Association

National Pork Producers Council

National Renderers Association

National Sorghum Producers

National Sunflower Association

National Turkey Federation

North American Blueberry Council

North American Equipment Dealers Association

North American Meat Institute

Northwest Horticultural Council

Ohio AgriBusiness Association

Oregon Potato Commission

Pet Food Institute

Produce Marketing Association

Sunmaid Growers of California

Sunsweet Growers Inc.

Sweetener Users Association

Texas Grain & Feed Association

Tyson Foods, Inc.

U.S. Apple Association

U.S. Apple Export Council

U.S. Canola Association

U.S. Dry Bean Council

U.S. Hide, Skin and Leather Association

U.S. Livestock Genetics Export, Inc.

U.S. Wheat Associates

United Egg Producers

USA Poultry & Egg Export Council

USA Rice Federation

Wal-Mart Stores, Inc.

Washington State Potato Commission

Western Growers Association

Wine Institute

WineAmerica