STATEMENT REGARDING

AGRICULTURAL NEGOTIATIONS

DOHA DEVELOPMENT ROUND

WORLD TRADE ORGANIZATION

HEARING OF THE COMMITTEE ON AGRICULTURE

THE HONORABLE ROBERT W. GOODLATTE
CHAIRMAN

PRESENTED BY

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Thank you, Chairman Goodlatte, for the opportunity to present the views and recommendations of the National Chicken Council, the National Turkey Federation, and the USA Poultry and Egg Export Council regarding the very important agricultural trade issues involved in bringing the World Trade Organization's Doha Development Round of negotiations to a timely and successful conclusion. Mr. Chairman, Congressman Peterson, and Committee members, your strong interest in and vital support of the current round of multi-lateral trade negotiations is very much appreciated. Today's hearing will serve to help achieve a beneficial outcome of the trade talks.

Mr. Chairman, I respectfully request that my entire testimony, including the *Ag Trade Coalition 2005 WTO Policy Statement*, be included in the written record of the hearing.

My name is Cliff Butler and I am Vice Chairman of Pilgrim's Pride Corporation. Our company has been in the poultry and egg business for 59 years. We have operations in the states of Virginia, Texas, Pennsylvania, Alabama, Arkansas, Georgia, Kentucky, Louisiana, North Carolina, Tennessee, West Virginia, Arizona, California, Iowa, Mississippi, Utah and Wisconsin. Pilgrim's Pride is a publicly traded company and is listed on the

New York Stock Exchange under the symbol PPC. More than 40,000 employees and 5,000 dedicated chicken farm families work hard each day to help us produce and process the chickens, turkeys, and eggs we need to serve our customers here at home and abroad.

When you combine all the companies together in the poultry and egg industry, employees total over 400,000 and farm families are more than 40,000. In addition, there are hundreds of thousands of other workers indirectly employed by our industry, and are highly-dependent on the continued success of the U.S. poultry and egg industry.

The National Chicken Council (NCC) represents companies that produce and process about 95 percent of the chickens in the United States. NCC works very actively with Congress and the Administration to help promote an expanding export market for U.S. poultry. Increasing overseas poultry sales builds a stronger, more robust market for not just poultry producers but also for farmers who supply corn, soybeans, and other necessary feed ingredients. The National Turkey Federation (NTF) represents more than 95 percent of the turkeys produced in the United States, including all segments of the turkey industry from breeders and hatcheries to growers

and processors. Like the other poultry organizations, NTF has strong membership support from companies allied to the poultry business. USA Poultry and Egg Export Council represents companies involved in exporting all types of poultry and egg products. Members include producers, processors, further processors, export brokers, shipping companies, port authorities, and other related businesses that benefit from expanding poultry and egg exports.

I, like my fellow U.S. poultry producers, am proud to market poultry that is unsurpassed by any other country in quality and food safety. The tremendous trust and confidence consumers have in U.S. poultry is a critical component in successfully addressing the current avian influenza (AI) concern. I can assure this committee that individual companies, the poultry industry, and federal, state, and local governments have stepped-up safeguards and firewalls to minimize any avian influenza problems in this country. We, in the U.S. poultry industry, do not accept the notion that it is inevitable that the Asian-variety of AI will come to the United States.

Exports Are Vital

It is vitally important that consumer confidence not be jeopardized with respect to U.S. poultry, whether the consumer is here in the United States or abroad in the more than 100 countries that receive U.S. poultry exports. Exports are critical for my company, like they are most major poultry companies. Being able to export helps companies better balance the supply and demand for the front of the chicken with the back half of the bird. Analysts have calculated that at least 40 percent of the chicken leg quarters produced must be exported if the U.S. chicken industry is to have a reasonable opportunity to make a fair return on our investment. For the turkey industry the experience and situation are similar. About 95 percent of all turkey exports are in the form of cut-up parts, and the overwhelming majority of those parts are leg meat. To export this level of leg quarters, leg meat and similar products, each and every export market must be fully-serviced so that marketing opportunities are not diminished nor lost. U.S. consumers overwhelmingly prefer chicken and turkey breast meat while the rest of the world has a great preference for the back half of the bird. So, exporting leg quarters and other leg meat is critically important in balancing supply with demand.

Recommended Trade Policy Objectives / Market Access

In September of this year the AgTrade Coalition issued a set of principles or trade policy objectives that should be used in the Doha Round of negotiations. U.S. poultry organizations and more than 50 other groups support these principles. A copy of the principles is attached to my statement. Most important for U.S. poultry producers and exporters as an outcome of the Doha Round is achieving greatly improved market access. Cutting high import tariffs will better assure U.S. poultry of having improved opportunities to compete in world markets. But, high tariff trade barriers are not the only issues to be addressed. Import quotas and tariff-rate quotas must also be reduced and eliminated.

Improved market access also encompasses the appropriate application of the provisions of the Sanitary and Phytosanitary Agreement (SPS). Any restrictive measures on trade with respect to veterinary and food safety issues are to have a sound scientific basis, according to the SPS Agreement. As tariff trade barriers have come down, unfortunately, non-tariff trade barriers, most predominantly SPS barriers, have gone up.

One example of not following the SPS Agreement is the European Union's prohibition against the use of chlorinated water as an antimicrobial during the processing of poultry. Since 1997 U.S. poultry has not been permitted to be exported to the EU. In 1997, U.S. poultry was shut out of 15 countries, but since then with the expansion of the EU to 25 member countries, U.S poultry is shut out of 25 countries. Next year, if there is no resolution of this issue, U.S. poultry will be shut out of two additional countries, Romania and Bulgaria, when they join the EU. Permit me to note that EU compensation to U.S. poultry exporters for not being allowed to continue to export to the ten new EU member states reportedly reached a very unsatisfactory resolution last month. Although the EU acknowledged the United States is due compensation for being damaged due to loss of markets in the ten new EU member countries, the compensation package from the EU provides little, if any, value in the form of potential, future U.S. poultry exports.

Rather than follow proper risk assessment based on good science as required by the SPS Agreement, the EU apparently prefers to apply the precautionary principle for the issue of antimicrobials during the processing

of poultry. The fallacy of the precautionary principle is that no product nor process can be scientifically proven to have absolutely no risk.

Another example of a market access problem is Canada's supply-management program for poultry. Since 1980 Canada has overly-protected its 2,400 chicken farmers by limiting domestic production and tightly limiting imports of poultry. Illustrating how distorted the supply management system has become for Canadian poultry is to note that quota for the license to produce a chicken north of the U.S. border costs over $50 per bird. Thus, if a farmer has production quota for 50,000 chickens, the value of the quota is more than $2.5 million. Of course, the quota cost does not include the investment needed for the land, farm buildings and equipment necessary to grow the chickens. It is time WTO negotiations address programs that have become so overly trade-distorted.

Also, we cannot overlook the way some of our trading partners have used worldwide concern about avian influenza as an excuse to improperly close their borders to U.S. poultry. The Office of International Epizootics (OIE), utilizing overwhelming scientific evidence, has determined that only H5 and H7 strains of avian influenza are of concern. Some countries, however, are

shutting their borders when a low pathogenic AI H3 strain appears in a poultry flock, and these nations are keeping their borders closed long after the region where the strain appeared has been certified as free of avian influenza. H3 influenza poses no human health threat whatsoever and it should not be used as a trade barrier. It is vital that the United States ensure all our trading partners conform to OIE guidelines with respect to avian influenza.

Another issue that needs full attention by trade negotiators is the issue of special and differential treatment for developing countries. It is obvious that many developing countries have very developed and advanced segments of agriculture. For example, Brazil's poultry industry has world-class production and processing with costs among the lowest in the world, if not the lowest. It is time the WTO rules recognize that just because a country has determined itself to be developing country, it does not necessarily mean all segments of its agriculture are in the developing stage. More than two-thirds of the 148 member countries of the WTO consider themselves to be developing countries. At the same time, it is recognized that the general theme of the Doha Round is a "development" round so that more international trade can help less-developed countries become more

advanced. Developing countries have fewer obligations under WTO policies, but that lower standard of obligation should not be used to tilt the playing field when such preference is unwarranted.

Breakthrough U.S. Proposal on Agriculture

Proposals by the United States last month that are somewhat more aggressive than envisioned even following the July Framework Agreement may provide the necessary and sufficient momentum to carry agricultural negotiations to a point where certain outstanding issues can be successfully resolved prior to or during the ministerial meeting in Hong Kong next month. For this prediction to prove valid, a number of other countries, especially the EU, must meet the ambitious offering of the United States with equally ambitious proposals. Although the market access aspects of the U.S. proposal is most troubling for the EU, it is also the area where much progress must be made to gain U.S. agriculture support for the outcome of the Doha Round.

When the Hong Kong ministerial meeting was first arranged it was envisioned that the convening would be an end point, not another milestone. If the meeting proves to be just an important milestone on the

pathway toward an unspecified end to the Doha Round, there may be no end point on the horizon. The President's trade promotion authority (TPA) expires in mid-2007. It would be accurate to characterize the U.S. poultry industry's belief that if TPA is re-approved by Congress it will not happen without a major, and, perhaps, prolonged effort.

Conclusion

Thank you, Mr. Chairman and committee members. U.S. poultry producers and exporters appreciate your support and continued strong interest in achieving a more fair and open international market for our products. We look forward to working with you to achieve that goal.

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