# Written Testimony of the

# National Pork Producers Council

# On Free Trade Agreements

# Before the

# House Committee on Agriculture

# May 12, 2011

## INTRODUCTION

The National Pork Producers Council (NPPC) is an association of 43 state pork producer organizations and serves as the voice in Washington 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 67,000 pork producers marketed more than 110 million hogs in 2010, and those animals provided total gross receipts of $15 billion. Overall, an estimated $21 billion of personal income and $34.5 billion of gross national product are supported by the U.S. hog industry. Economists Dan Otto and John Lawrence at Iowa State University estimate that the U.S. pork industry is directly responsible for the creation of 34,720 full-time equivalent pork producing jobs and generates 127,492 jobs in the rest of agriculture. It is responsible for 110,665 jobs in the manufacturing sector, mostly in the packing industry, and 65,224 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 U.S.

Exports of pork continue to grow. New technologies have been adopted and productivity has been increased to maintain the U.S. pork industry's international competitiveness. As a result, pork exports have hit new records for 17 of the past 19 years. In 2010, the U.S. exported more than 1.9 million metric tons of pork valued at $4.8 billion of pork. Exports last year represented about 20 percent of pork production. The U.S. pork industry today provides 21 billion pounds of safe, wholesome and nutritious meat protein to consumers worldwide.

The demand for meat protein is on the rise in much of the world. Global competitiveness is a function of production economics, regulations, labor costs and productivity. The U.S. pork industry can continue to be a leader in food production and meet the needs of increased consumer demands as long as exports continue to grow, feed grains are available and producers are allowed to operate without undue legislative and regulatory burdens.

**FREE TRADE AGREEMENTS**

There is considerable global demand for pork and pork products. Pork represents 44 percent of global meat protein intake, far more than beef and poultry. And 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 the North American Free Trade Agreement was implemented in 1994, for example, U.S. pork exports to Mexico have increased 780 percent to $986 million last year; since the year before the Australia FTA was implemented, U.S. pork 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, U.S. pork exports to that South American country have more than doubled to $1.3 million. Iowa State University economist Dermot Hayes estimates that U.S. pork prices were $56 per hog higher in 2010 than they would have been in the absence of exports.

The United States is now the lowest-cost pork producer in the world, and the U.S. pork industry has established itself as the No. 1 global exporter. But the industry will not stay in that position, even as the lowest-cost producer, if competitor countries cut trade deals in key markets and the United States does not.

U.S. pork producers have been and continue to be strong supporters of trade agreements, including the deals with Colombia, Panama and South Korea, which are pending congressional approval. Iowa State University economist Dermot Hayes estimates that, when fully implemented, those FTAs will generate more than $770 million in additional pork exports, causing live hog prices to increase by $11.35 per head and creating more than 10,200 direct pork industry jobs.

The failure of the United States to approve free trade agreements with Colombia, Panama and South Korea would result in the U.S. pork industry eventually being out of those markets. Not only would U.S. pork producers forgo the increase in hog prices, but the

U.S. pork industry and the U.S. economy, in general, would lose thousands of jobs, according to analyses conducted by Iowa State University economist Dermot Hayes.

Given that South Korea already has an FTA with Chile and that its agreement with the European Union becomes effective July 1, 2011, and under a scenario in which the U.S. dollar returns to a price of 1.25 to the Euro – reflecting the long-run equilibrium between these two currencies – if the United States fails to implement its FTA with South Korea, U.S. market share in Korea would fall by 3 percentage points per year for the entire projection period, and the U.S. would be eliminated from the Korean market over a 10-year period. That, Hayes calculates, would cost the United States more than 3,600 full-time positions in the pork industry and 18,000 total full-time positions after allowing for indirect employment affects.

Likewise, because Colombia and Panama have concluded FTAs with Canada, if the United States fails to implement its agreements with those countries, it will be out of the markets in 10 years at a loss of hundreds of jobs.

## U.S. TRADE OBLIGATIONS

As it demands of other countries, the United States must live up to its trade obligations. Bilateral and multilateral trade agreements lay out specific commitments for the signatories, and failure to abide by them can – and often does – lead to disputes that hurt one or more countries.

Such was the case with the trucking provision of the North American Free Trade Agreement (NAFTA) among the United States, Canada and Mexico. The provision allowed each country's trucks to haul goods into the other nations, but the United States refused to allow Mexican trucks into the country. Mexico took its case to a NAFTA dispute-settlement panel, which ruled that it could retaliate against the United States. In March 2009, the Mexican government placed tariffs of up to 20 percent on 89 U.S. products worth $2.4 billion; in August 2010 – after no U.S. action to resolve the dispute – it added more products, including pork, to its retaliation list. The duties made U.S. goods going to Mexico less competitive with products from other countries and placed more than 26,000 U.S. jobs in jeopardy.

NPPC is pleased that the U.S. and Mexican governments have reached a framework agreement that should lead to resolution of the dispute. Under the agreement, the United States will implement its NAFTA obligations over time, and Mexico will suspend the tariffs on U.S. goods while the U.S. implements its commitments. Congress should allow a U.S. pilot program that lets Mexican trucks haul products into the United States to go forward. If it does not, Mexico undoubtedly will reinstate, and possibly raise, the tariffs on pork and other U.S. goods.

## OTHER TRADE ISSUES

### Russia

Russia until recently has been a very important market for U.S. pork exports. In 2008, U.S. pork sales to Russia totaled more than 203,000 metric tons (MT), making it the fourth largest market in the world for U.S. pork exports. Since that time, however, U.S. pork sales to Russia have plummeted, totaling only 83,000 MT in 2010.

The rapid decline in U.S. pork exports to Russia can be attributed primarily to restrictive Russian import policies. Since 2008, Russia has unilaterally reduced the tariff rate quota (TRQ) it provides for pork imports. In addition, it has imposed a series of sanitary and phytosanitary (SPS) restrictions that have resulted in the delisting of a large number of U.S. pork plants, representing close to 60 percent of U.S. pork production capacity.

For the United States to maintain access to the Russian pork market and to begin recovering sales it has lost in recent years, it is critical that the Obama administration use the World Trade Organization (WTO) accession negotiations with Russia to eliminate non-science-based and WTO-inconsistent Russian restrictions on U.S. pork.

Russia currently maintains a global tariff rate quota for pork of 472,100 MT, 57,500 MT of which is allocated to the United States. This stands in contrast to the commitments

Russia made in a bilateral Meat Agreement with the United States in 2008, under which it was supposed to provide a global pork TRQ of 531,900 MT, 100,000 MT of which was allocated to the United States. In recent WTO accession negotiations, Russia has been proposing to even further reduce the size of the global TRQ for pork, while maintaining the U.S. country allocation at close to its current level of 57,500 MT, by increasing the U.S. share of the overall quota. This approach is unacceptable to the U.S. pork industry and would essentially freeze the U.S. country allocation at an unacceptably low level.

In addition to a larger quota, pork producers seek either elimination of or a deep reduction in Russia's current 15 percent in-quota tariff rate applied under the TRQ. As a secondary priority, the industry would like to see a reduction in the out-of-quota duty, currently set at 75 percent. Also, it is important that Russia include commitments on a fair and transparent system for administering its pork TRQ.

In addition to restricting U.S. pork exports by reducing the size of the TRQ, Russia has used spurious SPS measures to limit U.S. pork exports. The most serious SPS problem that the U.S. pork industry faces with Russia is the Russian government's arbitrary, unpredictable and non-science-based delistment of U.S. pork plants from eligibility to ship product to Russia. Over the course of several years of discussions, U.S. officials have amply demonstrated the efficacy of the U.S. meat inspection system in ensuring product safety. U.S. consumers and U.S. trading partners around the world recognize the effectiveness of the U.S. system in ensuring a safe product. In spite of this, the Russian government has refused to recognize the U.S. pork plant approval process, continues to insist that U.S. establishments strictly comply with Russian plant approval rules and has delisted a large number of U.S. plants from eligibility to export to Russia. At present, U.S. plants representing 60 percent of U.S. pork production capacity have been banned from exporting pork to Russia.

A fundamental principle contained in the WTO Agreement on the Application of Sanitary and Phytosanitary Measures is that of "equivalence." The equivalence principle requires that WTO members recognize the SPS measures of other trading partners as equivalent to their own if they achieve an appropriate level of health and sanitary protection. The United States was able to extract highly valuable commitments from China and Vietnam as part of the WTO accession process, recognizing the U.S. federal meat plant inspection system as fully equivalent to their own. It is critical that United States obtain the same kind of clearly worded equivalence commitment from Russia through the WTO Accession negotiations.

Directly linked to the massive delistment of U.S. pork plants are a variety of Russian SPS measures covering technical issues such as compound and pathogen tolerance levels in pork products. For example, Russia maintains an effective zero tolerance for the antibiotic tetracycline in pork production, even though both the U.S. Food and Drug Administration and the Codex Alimentarius have found the controlled use of the antibiotic to be safe in pork production. Russia also maintains an effective zero tolerance for pathogens such as salmonella on meat products, even though it is virtually impossible for any country, including Russia, to ensure absolute freedom from such pathogens. Russia insists on testing for trichinosis in fresh/chilled pork from the United States, even though there has not been a single case of trichinosis in the U.S. commercial herd in more than a decade.

SPS technical measures of this kind have frequently been used by the Russians as a pretext for the delistment of U.S. plants. None of these measures is based on legitimate food safety concerns. They violate fundamental requirements of the WTO SPS Agreement that SPS measures be based on a scientifically based risk assessment or internationally established standards.

To address these issues in a systemic way, the United States will need additional assurances from Russia that go beyond the commitment to accept the U.S. federal meat plant inspection and approval system as equivalent to its own. Along with the equivalence commitment, Russia should provide a specific commitment that it will abide by the WTO SPS Agreement obligations as it relates to tetracycline, pathogens on meat, trichinosis and other SPS import measures by either adhering to internationally established standards or conducting a science-based, peer reviewed risk assessment in the establishment of import policies.

## Trans-Pacific Strategic Economic Partnership

NPPC strongly supports U.S. participation in the Trans-Pacific Strategic Economic Partnership (commonly referred to as TPP). U.S. pork producers would derive major benefits from this proposed regional free trade agreement, through the elimination of import duties and sanitary-phytosanitary (SPS) barriers to trade in participating countries.

The U.S. pork industry has a number of non-tariff issues with some of the countries now negotiating to join the TPP. U.S. trade negotiators must focus not only on the removal of tariffs but the removal of all non-tariff barriers to trade, particularly SPS barriers.

Of the countries currently participating in the TPP negotiations, Vietnam offers the most potential for expanded U.S. pork exports. According to Iowa State University economist Dermot Hayes, the short-term potential for U.S. pork exports to Vietnam if import duties and SPS barriers are eliminated is $80 million, while the long-term potential is $600 million. Market prices in Vietnam are three times higher than those in the United States, and more than 60 percent of Vietnam's pork is produced by inefficient backyard producers. Unfortunately, Vietnam recently has taken a series of actions that seriously restrict U.S. pork sales. These actions run contrary to the trade liberalizing objectives of the TPP negotiations and are having a negative impact on U.S. pork exports to Vietnam.

Vietnam instituted in July 2010 an effective ban on the importation of all pork offals. No explanation was given for the import ban. As a result of the de facto ban on pork offals, U.S. pork offal sales to Vietnam plummeted from 5,868 MT in 2008 to 611 MT in 2010. Vietnam also refuses to recognize the scientific process of applying a "reference" maximum residue level (MRL) for compounds in pork offals. This process is recognized by the Codex Alimentarius and used by the United States and most other countries. In lieu of establishing a reference MRL, Vietnam has instead established non-science-based

MRL requirements for individual pork offal products. So even if the import ban on offals is lifted, this practice will continue to inhibit our exports of offals.

Further, Vietnam's zero-tolerance policy for pathogens on raw meat products, including pork, is not acceptable. No country in the world, including Vietnam, can guarantee the complete absence of pathogens on raw meat products. The United States and many other countries use the Hazard Analysis and Critical Control Points (HAACP) process to ensure product safety as it relates to pathogens. Vietnam's zero-tolerance policy for pathogens is not based on science and likely violates numerous provisions of the WTO's Agreement on the Application of Sanitary and Phytosanitary Measures. If strictly applied to U.S. pork, it would act as an effective ban on U.S. pork sales to Vietnam.

Malaysia is another country with excellent potential for increased pork imports from the United States. There is a large ethnic Chinese population in Malaysia, and an estimated 10 million people in that country consume pork. Per capita consumption among those who consume pork in Malaysia is 22 kilograms per year, a level roughly equal to that of Australia and New Zealand. Malaysia's domestic pork production industry is small and inefficient. According to Iowa State's Hayes, the long-term potential in Malaysia if import tariffs and SPS barriers are eliminated is $100 million.

Malaysia's Department of Veterinary Services maintains a list of pork products that are allowed entry into Malaysia. The allowable import list includes bellies, pig feet, ribs and intestines for the fresh market and hams and other cuts for further processing. However, except in cases of exceptional shortages, Malaysia does not allow imports of most fresh and frozen pork cuts for direct sale on the Malaysian retail market. Malaysia has never provided an adequate explanation of why it maintains an effective import ban on sales of most pork products into its retail market. The effective ban is clearly WTO illegal.

In addition, Malaysia has indicated that it intends to impose a new and highly burdensome registration process for all foreign meat establishments supplying product to Malaysia. This includes a long questionnaire that requires all foreign plants to provide confidential business information on their operations. Many U.S. plants are unlikely to complete the Malaysian plant registration process for this reason. The plant registration process acts as a significant barrier to trade and should be removed through the TPP negotiations.

As a result of the 2005 U.S.-Australia FTA, U.S. pork exports have surged to Australia from about 2,700 MT in 2004, the year before the agreement went into effect, to 43,800 MT in 2008, valued at $111 million. However, there is still potential for growth in U.S. pork sales to Australia if SPS barriers are removed.

Australia has implemented an unreasonable and unscientific zero-tolerance approach to two commonly managed diseases that are endemic in the U.S. and other major pork producing countries in the world, including the European Union and Canada: Porcine Reproductive and Respiratory Syndrome (PRRS) and Post Systemic Wasting Syndrome (PMWS). Neither disease is a food-safety issue and does not pose a risk to human health.

As the result of a 2004 risk assessment, Australia partially opened its market to U.S. pork, allowing processed pork and frozen boneless pork for further processing. The risk of introduction of PRRS or PMWS from U.S. pork to the Australian pork herd is negligible. Therefore, Australia should take action to fully open its import market to U.S. pork.

New Zealand restricts imports of U.S. pork for further processing and only a few months ago allowed imports of consumer-ready high-value cuts. These restrictions are because of an unreasonable and unscientific zero-tolerance approach to two commonly managed diseases that are endemic in the U.S. and other major pork producing countries in the world, including the European Union and Canada: Porcine Reproductive and Respiratory Syndrome (PRRS) and Post Systemic Wasting Syndrome (PMWS). Neither disease is a food-safety issue and does not pose a risk to human health. The New Zealand restrictions are not justified by any legitimate health or sanitary concerns.

Chile, Singapore and Peru impose restrictions on U.S. pork exports based on unscientific concerns of transmission of trichinae. These countries impose costly and unnecessary trichinae risk mitigation requirements such as freezing and testing of all U.S. pork. These testing requirements are prohibitively expensive and act as a major barrier to U.S. exports of fresh/chilled and frozen pork and pork products to these countries.

While trichinae is a concern in domestic pork from many developing countries, there is negligible risk in the U.S. commercial herd because of the high level of biosecurity and commercial production practices. According to Dr. Ray Gamble, president of the International Commission on Trichinellosis, the odds of trichinae in the U.S. commercial food supply is 1 in 300 million. Under the USDA Agricultural Marketing Service's Trichinae Export Program, more than 38 million tests have been conducted for trichinae in pigs. Not a single pig was infected with trichinae.

NPPC and virtually every other U.S. food and agriculture group support the addition of Japan to the TPP negotiations. NPPC urges the Obama administration and Congress to make this a reality should Japan request to become part of the TPP.

**Thailand**

Although Thailand has relatively high per capita consumption of pork, it imports only a small amount of pork from the United States because of a variety of import restrictions. In the absence of current import barriers, Thailand could be a very good market for U.S. pork exports.

Thailand imposes an import inspection fee of 5 Baht per kilogram, currently equal to about $166 per MT, on pork imports. Thailand argues that this fee is needed to cover the cost of health inspections for imported pork, but the fee is far in excess of the cost of any legitimate inspection costs. Domestically produced pork in Thailand is assessed an inspection fee of only $15 MT. Thailand needs to reduce the import fee on pork imports, which contravenes WTO rules, to a level no more than the fee currently applied to domestically produced pork. Additionally Thailand's Department of Livestock and

Development rarely, if ever, grants import licenses for U.S. pork, other than cooked pork. The policy has been in place for a number of years, but the Thai government never has provided a justification for this arbitrary import permit refusal. Indeed, there is no justification for this practice, which violates WTO rules.

Thailand also has a ban on imports of pork produced with ractopamine despite the fact that its Ministry of Health has approved ractopamine for domestic use. Ractopamine is a feed ingredient that is used to improve efficiency in pork production in the United States and in other pork-producing countries. In 1999, it was approved and recognized as safe by the U.S. Food and Drug Administration and has been proved safe in several scientific safety reviews by the Joint FAO/WHO Expert Committee on Food Additives (JECFA) – the independent international scientific advisory committee to the Codex Alimentarius Commission. At least 26 countries now recognize the safety of ractopamine in pork production. In fact, some countries such as Japan, which is the No. 1 importer of U.S. pork, have already adopted the JECFA safety tolerance for imported pork.

**WTO Doha Round**

NPPC remains hopeful that the WTO Doha Round negotiations, which have been going on for nearly 10 years, can be resumed. For NPPC, a successful Doha Round agreement would include improved market access for U.S. pork in developed and developing countries – particularly Japan, the EU and the Philippines – and the elimination of the European Union's trade-distorting export subsidies for pork. The average global tariff on pork is a staggering 77 percent.

**Ractopamine**

As noted above, ractopamine is an FDA-approved feed ingredient that is used to improve efficiency in pork production in the United States and in at least 25 other pork-producing countries, including several Asian nations.

Despite the product being deemed safe by FDA, 25 other national authorities and the JECFA, several countries, including China, the European Union, Singapore, Taiwan and

Thailand, have banned imports of pork produced using ractopamine without any scientific justification

The feed additive has been up for final adoption the past three years by the Codex Alimentarius Commission, which establishes international food standards, guidelines and codes of practice for the trade of safe food. At its last meeting in July 2010, the commission determined that a "draft" maximum residue level (MRL) for ractopamine, the same standard that has been up for adoption the past three years, met human safety standards. However, because of unscientific concerns raised by several Codex members, the adoption of the ractopamine MRL has been delayed, causing further market disruptions for U.S. pork producers. NPPC is concerned that the commission has become politicized and that decisions are not being based on science. NPPC strongly urges the Codex Alimentarius Commission to adopt without further delay the MRLs for ractopamine at its next meeting in July 2011.

**Legislation and Regulation**

As NPPC recently testified before the Committee on Agriculture's Livestock, Dairy, and Poultry Subcommittee, while exports have been, and with new FTAs will continue to be, a boon for the U.S. pork industry, they will do little good if domestic policies hamper producers' ability to operate.

NPPC restates its strong opposition to the U.S. Department of Agriculture's proposed regulation on the buying and selling of livestock and poultry – the GIPSA rule. Congress in the 2008 Farm Bill asked USDA to address five specific issues related to production contracts. But USDA's proposed rule goes well beyond those issues and includes provisions considered and clearly rejected by Congress. If implemented as currently drafted, the GIPSA rule would have a devastating impact on livestock producers. According to an analysis of the rule conducted by Informa Economics, it would cost the U.S. pork industry nearly $400 million annually. Industry analysis of the regulation concluded that it likely will have a chilling effect on innovation and flexibility, 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 meat supplies. All of those effects will harm the U.S. pork industry's international competitiveness, costing U.S. on-farm and pork processing jobs as well as negatively affecting the U.S. balance of trade.

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. It wants USDA to conduct a cost-benefit analysis – open to public comment – *before* any rule is finalized. It also requests Congress to conduct oversight hearings on the origins of the rule, the legal and economic analyses used to develop it and the rule's impact on small businesses.

## CONCLUSION

The U.S. pork industry is the lowest-cost producer and No. 1 exporter of pork in the world, and U.S. pork producers continue to produce the most abundant, safest, most nutritious pork in the world. They have proved very resilient, most recently weathering financial crises in 1998-1999 and 2008-2009 as well as the vagaries of a free market economy, all while investing in and adopting new technologies that have promoted animal health, protected the environment and added thousands of jobs and billions in national income to the American economy.

To continue as leaders in the global and domestic economies, the U.S. pork industry needs free and fair trade and domestic policies that support America's pork producers.

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

January 24, 2011

The Honorable John Boehner
Speaker
U.S. House of Representatives
H-232, U.S. Capitol
Washington, D.C. 20515

The Honorable Harry Reid
Majority Leader
U.S. Senate
S-221, U.S. Capitol
Washington, D.C. 20510

The Honorable Nancy Pelosi
Democratic Leader
U.S. House of Representatives
H-204, U.S. Capitol
Washington, D.C. 20515

The Honorable Mitch McConnell
Republican Leader
U.S. Senate
S-230, U.S. Capitol
Washington, D.C. 20510

Dear Speaker Boehner and Leaders Reid, Pelosi and McConnell:

The undersigned food and agricultural groups and companies, representing nearly all sectors of the agricultural economy, applaud the recent agreement between the United States and the Republic of Korea on issues that have delayed approval by Congress of the Korea- U.S. Free Trade Agreement (KORUS FTA). We strongly support this agreement and urge that it be approved at the earliest possible opportunity.

Below we offer a number of compelling reasons for supporting the KORUS FTA. But the simple heart of the matter is that the agreement is overwhelmingly good for American agriculture and presents no risks. It will create significant new and expanded market opportunities for U.S. exports but will not result in any appreciable increase in agricultural imports.

Risks for U.S. agriculture – and they are extremely serious – arise if the KORUS FTA is <u>not</u> implemented. If this agreement is rejected, we stand to relinquish our export sales to countries that have implemented their own FTAs with Korea.

This is not a trivial concern. There are 13 such agreements in place or in the works involving some 50 nations around the world. They include some major agricultural producing and exporting countries: Chile, Australia, New Zealand, Canada, the 27-nation European Union, Mexico, Mercosur (Argentina, Brazil, Paraguay and Uruguay), Peru and the ASEAN bloc. In fact, South Korea's FTA with the European Union is set to enter into force on July 1, 2011. This, coupled with the failure to implement the KORUS FTA, will put U.S. food and agriculture products at a severe disadvantage with respect to competition from the European Union in the Korean market.

Imagine, for example, Korea's current 25 percent tariff remaining in place on U.S. pork but eliminated for pork from the European Union. Our standing as the top global pork exporter would count for nothing. Iowa State economist Dermot Hayes has calculated that we would be completely out of the Korean market in 10 years. The same predicament would face a wide range of U.S. agricultural exports.

Another example of a U.S. agricultural product losing out on an important export market is corn starch. The European Union secured a highly advantageous deal for its starch exports. In some cases, European starches received approximately four times the market access that U.S. starches did. Moreover, tariffs on European starch products are eliminated more rapidly than tariffs on U.S. corn starch exports. If Congress fails to ratify the agreement in a timely manner, the U.S. corn refining industry will be placed at a significant competitive disadvantage relative to its European competitors.

With the KORUS FTA, on the other hand, existing import barriers will be removed immediately for nearly $3 billion of U.S. food and agricultural products. These exports represent more than 60 percent of our sales and include wheat, feed corn, soybeans, hides and skins, cotton and a large number of high-value agricultural products, including almonds, pistachios, wine, raisins, grape juice, orange juice, fresh cherries, cranberries, frozen French fries, frozen orange juice concentrate, Bourbon, Tennessee Whiskey and pet food.

In just two years, many other products will be tariff-free, including avocados, lemons, dried prunes and sunflower seeds. In five years, more products will gain free access, including food preparations, chocolate and chocolate confectionary, sweet corn, sauces and preparations, alfalfa and other forages, breads and pastry, grapefruit and dried mushrooms.

Still other important U.S. farm products will benefit from new or expanded tariff rate quotas. These include skim and whole milk powder, whey for food use, cheese, starches, barley, popcorn and soybeans for food use. Market access improvements were also achieved for beef and pork products, eggs and egg products, pears and table grapes.

Put together, these access benefits mean greatly expanded exports to Korea. According to an analysis by the American Farm Bureau Federation, the KORUS FTA would result in $1.8 billion in additional sales to Korea, a 46 percent increase over existing sales. This analysis appears very conservative according to Dr. Hayes of Iowa State and the American Meat Institute, who forecast increased U.S. beef, pork and poultry exports alone to be more than $2.1 billion.

These new exports would create thousands of new jobs on the farm and in rural communities and throughout the economy. They would expand our share of trade in a growing economy with the 15th highest GDP in the world. For three years, these important benefits have been forfeited while the implementing legislation has been on hold.

We can either lose jobs as our market share declines in Korea, or we can create new jobs by expanding exports to that market. We urge Congress to choose the latter. In addition, we urge Congress to work with the Obama administration so that the Colombia and Panama trade agreements also may soon be sent to Congress for approval. These agreements, like the KORUS, will generate additional agricultural exports and create new jobs.

Sincerely,

Agri Beef Co.
American Farm Bureau Federation
American Feed Industry Association
American Frozen Food Institute
American Meat Institute
American Peanut Product Manufacturers, Inc.

American Soybean Association
California Dried Plum Board
California Fig Advisory Board
California Strawberry Commission
California Table Grape Commission
California Walnut Commission
Cargill
Commodity Markets Council
ConAgra Foods, Inc.
Corn Refiners Association
Distilled Spirits Council of the United States
Grocery Manufacturers Association
Hormel Foods
International Dairy Foods Association
JBS USA
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 Grape Cooperative Association Inc.
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 Turkey Federation
North American Equipment Dealers Association
Northwest Horticultural Council
Ocean Spray Cranberries, Inc.
Pet Food Institute
Produce Marketing Association
Seaboard Foods
Smithfield Foods
Sunmaid Growers of California
Sunsweet Growers Inc.
Sweetener Users Association
Tyson Foods, Inc.
U.S. Canola Association
U.S. Dairy Export Council
U.S. Premium Beef
United Egg Association
United Egg Producers

United States Dry Bean Council
USA Dry Pea & Lentil Council
USA Poultry & Egg Export Council
Valley Fig Growers
Welch Foods Inc., A Cooperative
Western Growers Association

cc: Members of the U.S. House of Representatives
Members of the U.S. Senate

**Sam Carney Bio**

Sam Carney, a pork producer from Adair, Iowa, is currently past-president of the National Pork Producers Council (NPPC) and chairman of the NPPC Trade Policy Committee.

Carney is owner and operator of Carney Farms Inc., which he runs with his son Randy. They market about 6,000 hogs annually from their wean-feeder to finish operation. They also raise corn, soybeans and hay. They also have a cow-calf herd, and they feed cattle.

For more than 20 years, Carney has served in various pork industry leadership positions, including as president of the Iowa Pork Producers Association. He has served on the NPPC board of directors for the past six years. Carney is a member of the Iowa Farm Bureau Federation, Iowa Cattlemen's Association, Iowa Corn Growers Association and the Iowa Soybean Association. He also has served on his local school board, Farm Service Agency board and county extension council.

Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2008.

Name: Sam Carney

Organization you represent (if any): National Pork Producers Council

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2008, as well as the source and the amount of each grant or contract. House Rules do NOT require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source:______ Amount:______

Source:______ Amount:______

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2008, as well as the source and the amount of each grant or contract:

Source:______ Amount:______

Source:______ Amount:______

Please check here if this form is NOT applicable to you: ✓

Signature:______

* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.