

## Written Testimony of Matt Cook - President/CEO of Norbest

April 30, 2014

Good morning, Chairman Crawford, Congressman Costa and members of the Subcommittee. My name is Matt Cook, and I am the President/CEO of Norbest, a grower owned cooperative based in Moroni, UT, and current member of the National Turkey Federation's Executive Committee. Thank you for inviting me.

I have spent my professional career in and around the turkey industry and am proud of the industry's accomplishments and growth. For the last 3 years, I have been the President/CEO of Norbest, a turkey processing co-op founded in 1930. Membership in the Norbest cooperative has changed a few times over the last 80 plus years of its existence, as local farmer co-ops have merged, dissolved, or changed focus. Today, I am here on behalf of the National Turkey Federation. NTF is the national advocate for all segments of the \$29 billion turkey industry that provides services and conducts activities that increase product demand enhancing members' ability to profitably provide wholesome, high-quality, nutritious products. The NTF represents integrators, processors, growers, and allied members. There is no one-size-fits-all model in the turkey industry. We rely on the important grower relationships along with the rest of our allied members to remain successful. We have family owned companies, grower owned cooperatives, and large, agriculturally-diversified international companies that all play a critical role in determining NTF policy at each level, all the way up to our Executive Committee.

### **Feed Costs and Industry Profitability**

From 2006 to 2013, U.S. turkey producers watched their average feed costs increase from 22.7 cents to almost 51 cents per pound of turkey raised, a 125 percent increase. To compensate for the higher cost of feed, wholesale prices had to increase – and they did. But while feed costs more than doubled, average turkey prices increased by only 26 cents per pound. The cost increases from feeding turkeys with rising costs of corn and soy meal increased the costs to consumers of \$1.3 billion dollars last year. The total cost increase for all foods was much higher.

But that's just on average. Twice in periods lasting about a year each, an unexpected oversupply of turkey brought prices down – yet our purchase of corn and soy meal to feed turkeys remained

uncommonly costly. In those years, all throughout the turkey business, hundreds of millions of dollars were lost. Most companies responded to this crisis by reducing production, but at Norbest we had to cease all production for three months. As feed supplies were reduced, the short-term lower consumer prices evaporated. And to this day, food costs, on average, remain higher as costs to feed turkeys remains high.

What Congress does impacts my bottom line, so I ask this committee to remain vigilant about how Federal energy and agricultural policy play a key role in shaping supply and demand forces that influence food costs. We in the turkey industry are on the eventual losing end when our product prices go up because of higher costs, and thus consumers pay more and eventually buy less. Please insist that your colleagues in Congress consider the full consequences of the policies put into place in both the renewable energy and agricultural arenas. The policies of the last eight years have been strongly biased in the direction of higher-cost consequences with an unfair burden on turkey producers and our customers, the American food consumer.

We also continue to be challenged with a multitude of issues that impact those of us in the turkey business and look forward to working with each of you to address these issues. I have outlined below a list of priority issues that we remain focused on fixing.

### **Future Challenges**

#### **RFS**

As previously mentioned, the Renewable Fuel Standard in its current form has, and will continue to negatively distort feed costs for turkey producers - as well as the rest of livestock producers – if the policy does not change. We commend EPA for its proposal to lower the 2014 RVO levels, by acknowledging that a problem exists with the current policy. The inflexible RFS mandate continues to have a detrimental impact on the economy and makes feeding animals a risky business because our industries are simply not competing on a level playing field. So while EPA's actions are a step in the right direction, the responsibility still falls back on Congress to find a lasting solution to this rigid policy. Turkey producers feed corn and soybean the season after harvest, and especially this past season, we are still paying high prices for corn while the

corn producers saw their market drop from the artificial oversupply of the ethanol mandate of the RFS. The flawed policy from RFS will cause continued volatility that distorts feed prices unnecessarily. Let's be clear, we are not advocating a policy that would keep feed costs artificially low; we are just seeking a policy that allows true market forces to act on feed pricing.

### **GIPSA**

NTF was disappointed that the provisions that clarify Grain Inspection, Packers and Stockyards Administration (GIPSA) authority were not corrected in the Farm Bill. While we applaud the administration for reducing the scope of its final rules that came out of the 2008 Farm Bill on production and marketing, we remain concerned that new regulations will result in negative impacts on farmer and processor relationships. We hope this committee will remain committed to finding a vehicle to put this topic to rest soon.

### **Modernization of Poultry Slaughter**

The proposed Modernization of Poultry Slaughter Inspection rule has been scrutinized from every perspective, and we want to commend USDA for its efforts to enhance food safety, maintain the safety of poultry plant workers and FSIS inspectors while creating more jobs in rural communities. Starting with implementation of the HACCP rule in the late 1990s, continuing efforts to further improve the U.S. meat and poultry inspection system has been one of this nation's finest examples of non-partisan, public-interest policymaking. The U.S. turkey industry understands and recognizes the complexity of this rule, but we feel strongly that science and data compiled over the last decade at the 25 poultry plants currently operating under this system clearly demonstrate that the food produced at these plants is at least as safe as that being produced in traditional poultry plants, while maintaining high worker safety standards. We appreciate the Chairman and Ranking Member of this sub-committee and the full committee for their support for this proposed rule.

### **Feed Mill**

NTF is working to address concerns with a rule that FDA recently proposed as part of Food Safety Modernization Act (FSMA). The proposed rule requires mills producing animal food to prepare detailed and expensive preventive control (food safety) plans that incorporate current

good manufacturing practices. We understand the intent is to protect buyers from low-quality, unsafe feed, but are concerned it places an additional burden that is not justified in the case of the turkey industry. Because our industry is vertically integrated, where the owner of the mill and the turkeys are one in the same, the economic incentive to prepare high quality, safe feed effectively negates the need for this regulation. However, FDA's proposal limited the exemption to cases where there was common ownership of the mill, the animals and the land on which the animals are raised. This exempts one portion of the animal producing industry (primarily cattle feedlots) while requiring most other segments (especially poultry and swine) to prepare the costly plans. We agree the exemption currently proposed by FDA is appropriate; it just needs to be expanded. In recent industry comments, NTF requested that FDA amend the definition of farm in the proposed rule or otherwise expand the types of mills eligible for an exemption to address production issues as they pertain to the turkey industry.

### **Propane**

What started as a Midwest propane supply shortage developed into a larger, national discussion with over 20 governors declaring a state of emergency, scrambling to secure adequate supplies to meet the need during the critical winter months. Why did this occur? A large, late and wet corn harvest along with an early start to the cold season started the drawdown in propane storage, but fuel stocks were never able to rebound when early sub-zero winter weather set-in across much of the Midwest and Northeast, hindering propane gas movement by pipeline and rail. Additionally the increase in exports of propane has made it more difficult to get the needed supply to many areas around the country. This ultimately hit the people in rural communities that heat their homes with propane along with those in the turkey business that need propane to keep turkey barns warm in the winter directly in the pocket book. The turkey industry is appreciative for the leadership of Ranking Member Collin Peterson and his staff this past winter to elevate and step in to avert this year's dangerous propane shortage. While there are many things that can be done, at the very least, the government should establish an early warning system to allow time to adjust before our hands are tied and next winter's danger presents itself again.

### **Immigration**

The turkey industry supports comprehensive immigration reform that includes the following policies and provisions that will maximize benefits to the turkey industry and ensure a strong and

durable immigration system that meets the needs of the U.S. economy. Most turkey plants are located in rural, low-unemployment areas. To fully staff these plants, the industry must recruit from outside their local area and, in many instances, must rely on first-generation Americans. Practical immigration reform is important to the industry's future. There is currently no one bill that is a "silver bullet," but it is time to resolve the immigration debate for the good of the country. In order for companies to ensure the legal hiring of enough qualified workers, using a trusted E-Verify program is essential, and critical to long term success.

### **EPA - CWA**

Before closing, I must mention that EPA and the U.S. Army Corps of Engineers recently released proposed rule to revise the definition of "waters of the United States" under the Clean Water Act. Despite the agencies' stated aim that the proposed changes will clear up confusion and have little impact on agriculture, we remain concerned that the measure may greatly expand the universe of farms facing new permitting and regulatory requirements.

### **How Government Can Help**

Though I know I have emphasized areas of concern here, I want to acknowledge that certain government programs have, and can continue, to play a positive role in the poultry and livestock industry. We appreciate the measures taken in the 2014 Farm Bill to expand the disaster assistance program. The Livestock Indemnity Program (LIP) is a critical program for our industry and with the program expansion turkey growers will be able to better utilize the program in the event of a disaster. We also continue to be supportive of the Environmental Quality Incentive Program (EQIP) and the Rural Energy for America Program (REAP) as these programs continue to provide additional assistance to turkey growers as they work to meet the needs of state and federal regulations. As implementation begins, we look forward to working with the committee in the area of oversight.

Thank you again for the opportunity to discuss the state of the turkey industry. I will be happy to answer any questions you may have.