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Congressional Testimony

The State of the U.S. Livestock and Poultry Economies

Testimony before Subcommittee on Livestock and Foreign Agriculture

Committee on Agriculture

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Good morning and thank you Chairman Costa and Ranking Member Rouzer and members of the subcommittee. I am Holly Porter, the executive director of the Delmarva Poultry Industry, Inc, also known as DPI, the 1,700-member trade association that represents the family farmers, processors and allied businesses within Delaware, the Eastern Shore of Maryland and the Eastern Shore of Virginia, otherwise known as the Delmarva Peninsula.

It is a pleasure to be here today representing the meat chicken industry, an industry that started on the Delmarva nearly 100 years ago when Cecil Steele a farmer in Ocean View, Delaware received 500 chicks instead of the 50 that she ordered for eggs. She decided to raise the birds and sell them to a northern market – she made sixty-two cents a pound – which would be \$5-\$6 today, ordered 1,000 chicks for the next flock and the rest is history.

Today on Delmarva our agricultural economy is built on what we refer to as the three-legged stool – the family farmers raising the birds and the grain for feed, and the processors who they both partner with. If any one of those legs were to come off the stool, the economy would collapse. As of 2018, we have more than 1,300 individual family farmers that contract with five companies to handle the poultry health, processing and marketing, also known as the vertically integrated system. Those five companies are Allen Harim, Amick Farms, Mountaire Farms, Perdue Farms and Tyson. This may be unique to other areas of the country that produce chicken – our growers have various options of not only processors but also production type – from

raising Cornish hens (really small birds), broilers, roasters or even organic, depending on the company's market and niche. In 2018, these family farmers earned \$268 million in contract income, an increase of 5% from the previous year.

The five processors on Delmarva purchased more than 136 million bushels of corn, soybeans and wheat for feed for chickens in 2018 – most of which was grown on the peninsula. As a matter of fact, our grain farmers enjoy a premium for their commodity due to the proximity to the chicken industry. It's one of the reasons why my father, a small grain farmer tilling only 325 acres and others like him can still be profitable.

And we needed all that feed as our Delmarva farmers raised 605 million chickens in 2018, that equated to 4.3 billion pounds of chicken processed by the companies, generating \$3.4 billion in wholesale value. While the number of chickens raised on Delmarva is approximately the same as 20 years ago, the pounds have increased by more than 36%, due to efficiencies in feed, better genetics and increased technology within the chicken houses allowing for a better environment to raise healthy birds.

Another crucial aspect of the broiler industry on Delmarva is the amount of job opportunities it generates. The five companies alone employed more than 20,000 people across the Delmarva and paid \$784 million in wages. In an area with limited industries, these jobs are important for fueling the local economy. In the *2018 Economic Impact Study of the Poultry Industry*, conducted by John Dunham and Associates, it was estimated that the meat chicken industry generated \$2.98 billion, \$1.75 billion and \$1.33 billion in total economic activity in Delaware, the Eastern Shore of Maryland and the Eastern Shore of Virginia, respectively. This also generated tax revenues of \$74.87 million, \$112.8 million and \$294.17 million in state and local taxes, respectively.

I've focused on the economics within the Delmarva peninsula, but let me talk a minute about some nationwide statistics. According to the same *2018 Economic Impact Study of the Poultry Industry*, there was a nationwide economic value of \$347 billion, creating nearly 1.4 million indirect jobs and generating nearly \$27 billion in state and federal taxes.

According to the National Chicken Council, this was accomplished through 30 chicken companies that are processing and marketing chickens and 25,000 family farmers who partner with those processors. They raised more than 9 billion chickens, weighing in at 56.8 billion pounds of meat. With those numbers it is no surprise that the United States has the largest broiler chicken industry in the world. And while I'm proud to say that Sussex County, Delaware leads the United States in the number of chickens produced in one county, the top five broiler chicken states are actually Georgia, Alabama, Arkansas, North Carolina and Mississippi.

I am not an economist, so I won't try to forecast the chicken industry. But there are many basic factors that play into the growth or decline of any business – namely supply and demand.

Domestically, demand continues to increase, with Americans consuming more than 93.8 pounds of chicken per capita in 2018 – an increase of 11% over the past 10 years. However, in the past year there has also been an increase of animal protein supply on the domestic market, encouraging consumers to choose other meats – such as steak, pork or seafood.

While that market pressure has occurred, the chicken industry was in the middle of nationwide expansion, with six new poultry processing plants expected to be operational by 2020. This has also increased the demand for additional square footage of poultry houses.

The same expansion of new chicken houses has occurred on the Delmarva peninsula. If you recall, I mentioned that the industry has been in place for almost 100 years in our area. In 2018, DPI gathered a sample of two-thirds of the operating chicken houses on the peninsula and 26% were 31 years or older. Like any building, there is only so many upgrades that can be made before the houses are not efficient. In the past year, the

increase of new housing along with market pressures has caused some tightening of profit margins for both our companies and our growers.

Due to the proximity of the Delmarva region to millions of people in the Mid-Atlantic and Northeast, our production is mainly for fresh market or tray packed. However, several of the companies processing on Delmarva export dark meat and chicken paws and overall the United States exported about 17% of its production in 2018 or 7 billion pounds of chicken meat. This makes us second in broiler exports worldwide behind Brazil. Mexico and Canada are our top two export markets, with a combined value of over \$850 million in 2018. The passage of U.S.- Mexico-Canada Agreement (USMCA) is absolutely critical to the chicken industry not only in protecting the current market place but growing it. We call on Congress to vote on USMCA as soon as possible.

Just like any business, increased market opportunities through free trade agreements, will only help the economy of the chicken industry.

I appreciate the opportunity to provide this testimony and I am happy to answer any questions you may have.