



**Written Testimony Of
National Pork Producers Council**

On

**The Small Business Trade Snapshot:
Agriculture and Labor**

**United States House of Representatives
Committee on Small Business
Subcommittee on Rural Development, Agriculture,
Trade, and Entrepreneurship**

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Introduction

The National Pork Producers Council (NPPC) is a national association representing a federation of 42 state producer organizations. It represents the federal and global interests of 60,000 U.S. pork operations. The U.S. pork industry is a major value-added component of the agricultural economy, and a significant contributor to the overall U.S. economy. In 2018, pork producers marketed about 124 million hogs, and those animals provided total cash receipts of more than \$20 billion. Overall, an estimated \$23 billion of personal income and \$39 billion of gross national product are supported by U.S. pork.

Iowa State University economists Daniel Otto, Lee Schulz and Mark Imerman estimate that the U.S. pork industry is directly responsible for the creation of more than 37,000 full-time equivalent pork producing jobs and generates about 128,000 jobs in the rest of agriculture. It is responsible for approximately 102,000 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 supports more than half a million American jobs, in mostly rural parts of our country.

Today, U.S. pork producers provide 26 billion pounds of safe, wholesome and nutritious meat protein to consumers worldwide. Exports are vital to the livelihoods of America's pork producers. New technologies have been adopted and productivity has been increased to maintain the U.S. pork industry's international competitiveness.

Exports of pork add significantly to the bottom line of each pork producer and support approximately 110,000 jobs in the U.S. pork and allied industries. In 2018, U.S. pork exports totaled 5.3 billion pounds – valued at nearly \$6.4 billion. That represented over 25 percent of U.S. production, and those exports added more than \$51 to the value of each hog marketed with the average price received for a market hog in 2018 being \$141.

The biggest driver of increased exports over the past three decades has been free trade agreements, which importantly eliminate or significantly reduce tariff and non-tariff barriers to U.S. exports.

U.S. pork exports have risen over 1,500 percent in value and over 1,400 percent in volume since 1989 – the year the United States began using bilateral and regional trade agreements to open foreign markets.

Indeed, the importance of free trade agreements (FTAs) to the U.S. pork industry is underscored by the fact that it exports more pork to the 20 nations with which the United States has FTAs than to the rest of the world combined.

Effects of Tariffs on U.S. Pork Producers

Mostly because of free trade agreements, the United States is the leading global exporter of pork. As a result, U.S. pork is an attractive candidate for trade retaliation. America's pork producers – and many other farmers – are experiencing such reprisal now.

The U.S. pork industry has the dubious distinction of being on three retaliation lists: China and Mexico related to U.S. actions under Section 232 of the Trade Expansion Act of 1962 and China in response to U.S. tariffs imposed under Section 301 of the Trade Act of 1974.

China and Mexico are very important export markets for U.S. pork. China was the No. 3 volume market at more than 350,000 metric tons and a value market of over \$851 million in 2018. Mexico is U.S. pork's largest volume market and the No. 2 value market, taking almost 777,000 metric tons of pork worth more than \$1.3 billion last year.

China, which already had a 12 percent tariff on pork imports, one year ago today put an additional 25 percent duty on a host of American products, including pork, in response to the United States imposing tariffs on imports of steel and aluminum. Then a few weeks

later it levied another 25 percent tariff – bringing the total duty to 62 percent – in retaliation for U.S. tariffs on \$34 billion of Chinese goods because of its theft of U.S. intellectual property and for its forced technology transfers.

On June 5, 2018, Mexico, where the U.S. pork previously shipped product at a zero-tariff rate under the North American Free Trade Agreement (NAFTA), imposed a 10 percent duty on pork imports in response to the U.S. steel and aluminum import tariff. That retaliatory tariff increased to 20 percent one month later. According to Iowa State Economist, Dermot Hayes, the pork industry stands to lose the entire Mexican market if we continue to face the 20 percent punitive tariffs. According to Professor Hayes, Mexico's retaliatory tariffs have cost U.S. pork producers \$12 per animal, translating into industrywide losses of \$1.5 billion annually.

There never is a good time to have an export disruption, but the timing now is particularly bad. U.S. pork has been in expansion mode predicated on past profitability and because it expected exports to continue growing, with production projected to grow by over 4 percent in 2019. That expectation was well-founded.

As the world's most competitive producer of pork, the United States was anticipating increases in access to Japan and Vietnam under the Trans-Pacific Partnership (TPP) and, under existing U.S. free trade agreements, was counting on shipping more pork to Australia, Canada, Central America, Colombia, Mexico, Peru and South Korea.

Those export prospects also are what prompted construction of five new pork packing plants across rural America. In fact, U.S. pork producers marketed nearly 124 million hogs in 2018 up from 120.5 million in 2017. Unfortunately, restricted market access from ongoing trade disputes is making it increasingly difficult for U.S. pork producers to respond to uncertain export conditions. Investment decisions are made years in advance.

We are playing defense when we have enormous opportunity to go on offense with one of America's most competitive export products. Rather than undermining existing trade

agreements that are working so well for U.S. agriculture, we should be working to expand exports by opening new markets and improving access where it already exists.

For U.S. pork, export growth potential is enormous, particularly as people in developing nations add meat to their diet. This includes China.

U.S. pork alone can put a huge dent in the U.S. trade imbalance with China if it were to terminate its punitive tariffs on pork and numerous other barriers which restrict U.S. access.

Opening Markets to U.S. Trade

Pork producers are eager to see ratification of the US-Mexico-Canada (USMCA) trade agreement. We are very pleased that the USMCA preserves zero-tariff rate for pork in North America. Under the terms of our previous agreement with our North American trading partners, Mexico and Canada became our No. 1 and No. 4 export markets respectively. In fact, those two countries account for 40 percent of all U.S. pork exports.

The benefits of the USMCA are being diluted by U.S. metal tariffs, resulting in Mexico's retaliation against U.S. pork. These tariffs have opened the door to some of our largest competitors in Mexico, including pork from the European Union and Canada, which enjoy duty-free access. Professor Hayes of Iowa State looked at the possibility of U.S. pork finding alternative markets and concluded that, without the Mexican market, it would be left with a net loss of about 600,000 tons of pork, or five percent of total U.S. production. A loss in exports to Mexico of that magnitude would be cataclysmic for the U.S. pork industry and for all American agriculture. Please keep in mind that Canadian retaliation against U.S. pork remains a possibility as long as it faces the U.S. metal tariffs.

In addition to calling for a swift resolution of current trade dispute with Mexico and Canada, pork producers have been urging the Trump administration, since its inception, to begin negotiating new free trade agreements, particularly with countries in Asia, starting with Japan.

Japan is the No. 1 export market based on value for U.S. pork – for now. Last year it concluded a trade agreement with the European Union and is also part of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or TPP-11. Both trade deals have begun to erode U.S. market share in Japan, as pork from EU nations and other TPP countries enter at (eventually) much lower tariffs than U.S. pork.

A U.S. free trade agreement with Japan would restore U.S. pork's competitive position in a critical market, and this can't happen fast enough.

I do want to recognize positive development facilitated by the Trump administration. New markets for U.S. pork – Argentina and Paraguay – were opened last year and the administration continues to work with the pork industry to open other markets, such as Brazil, India and Thailand.

We have also urged the administration to include agriculture in future negotiations with the European Union. We are encouraged that the administration and the Congress have made it clear that agriculture needs to be included in the negotiations.

Trade is vital to the success of U.S. pork producers. But tariffs on U.S. pork exports to two of our top three markets, no clear timeline for new trade agreement negotiations with Japan and other key markets, uncertainly surrounding the ratification of USMCA and growing competition from other pork-producing nations have U.S. pig farmers like me more than a little worried.

The bottom line is that U.S. pork is shouldering a disproportionate share of trade retaliation against the United States, and producers need relief.

**Mark Meirick
Protivin, IA**

BRIEF SUMMARY

Mark Meirick is a pork producer from Protivin, Iowa and is currently serving as the District 3 Director for the Iowa Pork Producers Association.

Mark and his brothers, Joel and Dennis, own and manage Farmers Mill, Inc., a grain, feed, seed and fertilizer center serving Northeast Iowa. Mark's father started the business as a small feed bagging facility in 1964 and the business has grown to a large commercial grain elevator serving three counties.

Mark has served on the Iowa Pork Producers board for seven years and is involved in the finance and public policy committees. Mark is also active in his community by serving on the Howard County Economic Development Fund and the Howard County Community Foundation committees. He is a member of the Holy Trinity Parish and active in the Turkey Valley Community School.

Mark is married to Wendy and they have three sons, one of which is involved in the business.