

Testimony of Jon Caspers
President
Of the
National Pork Producers Council
Before the
Senate Finance Committee
On
US—Singapore and US—Chile Free Trade
Agreements

June 17, 2003

Mr. Chairman and Members of the Committee:

I am Jon Caspers, President of the National Pork Producers Council (NPPC) and a pork producer from Swaledale, Iowa. I operate a nursery-to-finish operation, marketing 18,000 hogs per year.

Mr. Chairman, I greatly appreciate everything that you and other members of this Committee have done to advance U.S. export interests, particularly for agriculture. I strongly believe that the future of the U.S. pork industry, and the future livelihood of my family's operation, depend in large part on further trade agreements and continued trade expansion.

The National Pork Producers Council is a national association representing pork producers in 44 affiliated states that annually generate approximately \$11 billion in farm gate sales. The U.S. pork industry supports an estimated 600,000 domestic jobs and generates more than \$64 billion annually in total economic activity. With 10,988,850 litters being fed out annually, U.S. pork production consumes 1.065 billion bushels of corn valued at \$2.558 billion. Feed supplements and additives represent another \$2.522 billion of purchased inputs from U.S. suppliers which help support U.S. soybean prices, the U.S. soybean processing industry, local elevators and transportation services based in rural areas.

Pork is the world's meat of choice. Pork represents 47 percent of daily meat protein intake in the world. (Beef and poultry each represent less than 30 percent of daily global meat protein intake.) As the world moves from grain based diets to meat based diets, U.S. exports of safe, high-quality and affordable pork will increase because economic and environmental factors dictate that pork be produced largely in grain surplus areas and, for the most part, imported in grain deficit areas. However, the extent of the increase in global pork trade – and the lower consumer prices in importing nations and the higher quality products associated with such trade - will depend substantially on continued agricultural trade liberalization.

Pork Producers are Benefiting from Trade

In 2002, U.S. pork exports set another export record totaling 726,484 metric tons (MT) valued at \$1.504 billion. Exports to Japan, the largest market for U.S. pork exports, increased 5 percent to 271,129MT. Exports to Mexico, the second largest destination for U.S. pork, also continued to grow increasing by 7 percent from 2001 levels to 217,909MT.

Much of the growth in U.S. pork exports is directly attributable to new and expanded market access through recent trade agreements. However, as the benefits from the Uruguay Round and the North American Free Trade Agreement (NAFTA) begin to diminish, the negotiation of new trade agreements becomes paramount to the continued growth and profitability of U.S. pork producers. For this reason, NPPC led a coalition of more than 80 U.S. agriculture organizations in working to get Trade Promotion Authority through the U.S. Congress last year. On behalf of U.S. pork producers, NPPC is now deeply involved in many trade initiatives, including the World Trade Organization (WTO) agriculture negotiations. The potential payoff to producers from a new WTO agriculture agreement is high. As good as past trade agreements have been, global pork tariffs still average a whopping 77 percent.

Even in Japan - America's largest pork export market - U.S. pork exports are severely limited due to a gate price system and safeguards designed to protect Japanese producers. Moreover, the U.S. pork industry must compete globally with subsidized pork from the European Union and other countries.

In addition, NPPC continues to be active in bilateral and regional trade negotiations. While the WTO negotiations clearly offer the single largest opportunity to increase exports, bilateral and regional negotiations also offer significant opportunity.

Chile FTA Negotiation Process Was a Great Success

The Free Trade Agreement (FTA) that was recently signed with Chile will bring great opportunities to U.S. pork producers. Mr. Chairman, I want to thank you for your personal involvement in helping pork producers achieve this great result. I also want to thank Senator Baucus and other members of this Committee who have worked to make market access for U.S. meat in Chile a reality. I also want to thank U.S. Trade Representative Robert Zoellick, USTR Chief Agriculture Trade Negotiator Allen Johnson, Secretary of Agriculture Ann Veneman, and their staffs for their tireless efforts on our behalf.

Mr. Chairman, as you and other Members of this Committee recognize, when U.S. pork producers are given fair access to foreign markets it is a win-win situation. Our producers win because we have a new market in which to sell our product. Prices rise in the short term while jobs are created and value is added to the industry in the long term. Consumers in foreign markets win because they have a safe, high-quality, and affordable alternative to the status quo.

We could not have had a better outcome in Chile. All tariffs on pork and pork products will immediately be eliminated upon the implementation of this agreement. Equally, if not more important, the sanitary issues that restricted U.S. pork exports to Chile were resolved. A Sanitary-Phytosanitary (SPS) 'working group' of U.S. and Chilean SPS officials was established to handle the non-tariff issues. As a result of the work of the SPS group, Chile now recognizes USDA's meat inspection system as equivalent to its own. This makes it possible for pork to be exported to Chile from any USDA-approved facility.

This important precedent, of taking great care to ensure that non-tariff measures are discussed and resolved alongside of tariff negotiations, is a precedent that I hope will be followed in all the other ongoing bilateral and regional trade negotiations. Whether the issue is equivalence of the meat inspection system, or non-scientific claims about the transmission of animal disease through meat imports, or problems in the transparency of the import system, or any of a multitude of other measures, these non-tariff trade barriers can be just as stifling and restrictive as a high tariff. Put differently, a FTA that lowers tariffs to zero but that does not remove other non-tariff impediments to trade is of no use to U.S. producers. We need real market access and that is what we are getting in the Chile agreement.

Prompt Congressional Action Needed

In Chile, our two top global competitors (Canada and the European Union) already have agreements that provide them with preferential tariff rates on pork. Every day that goes by provides these countries another opportunity to export pork (and hundreds of other products) to Chile with the advantage of a reduced tariff. The sooner the U.S. Congress is able to approve this agreement the better.

Mr. Chairman,

I thank you for the opportunity to present this statement.

