

**Statement Of**

**Joy Philippi**

*National Pork Producers Council*

**Before the**

**Senate Finance Committee**

**On**

**The U.S.-Peru Trade Promotion Agreement**

**June 29, 2006**

Mr. Chairman, Mr. Ranking Member and Members of the Committee:

I am Joy Philippi, President of the National Pork Producers Council (NPPC) and a pork producer from Bruning, Nebraska. I own and operate Pine Alley L.L.C. a 2,000 head nursery that is networked with other local producers. My parents and I are partners in our family farm operation that also includes 400 acres of corn and soybeans.

Mr. Chairman, I greatly appreciate everything that you and other members of this Committee have done to advance U.S. agricultural exports. 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.

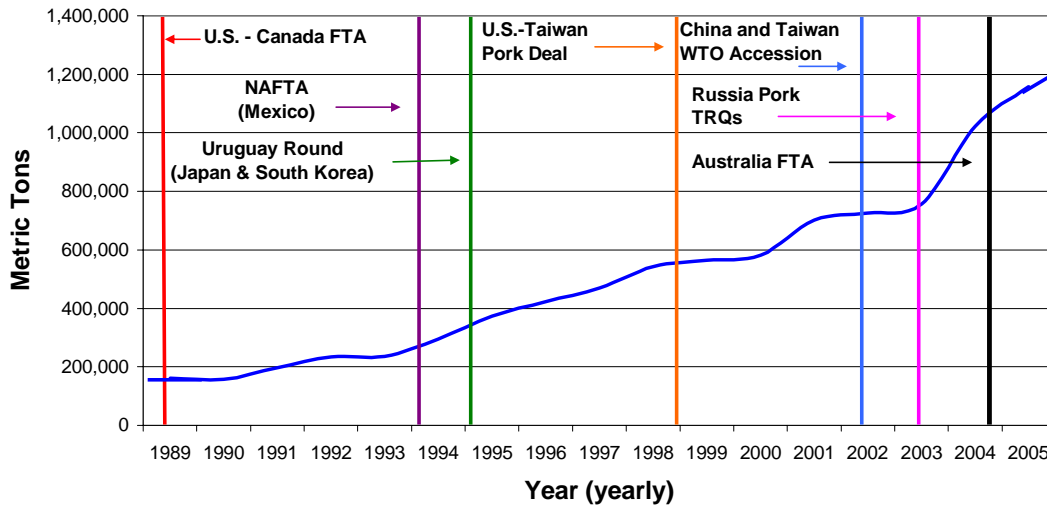
The National Pork Producers Council is a national association representing 44 affiliated states that annually generate approximately \$14.35 billion in farm gate sales. The U.S. pork industry supports an estimated 566,000 domestic jobs and generates more than \$84 billion annually in total U.S. economic activity.

Pork is the world's meat of choice. Pork represents 43 percent of total world meat consumption. (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 PAST TRADE AGREEMENTS**

In 2005 U.S. pork exports set another record. Pork exports totaled 1,157,689 Metric Tons valued at \$2.6 billion, an increase of 13 percent by volume and 18 percent by value over 2004 exports. U.S. exports of pork and pork products have increased by more than 389 percent in volume terms and more than 361 percent in value terms since the implementation of the NAFTA in 1994 and the Uruguay Round Agreement in 1995. Total exports increased every year in this period and set a record in 2005 for the 15<sup>th</sup> straight year.

## U.S. Pork Exports

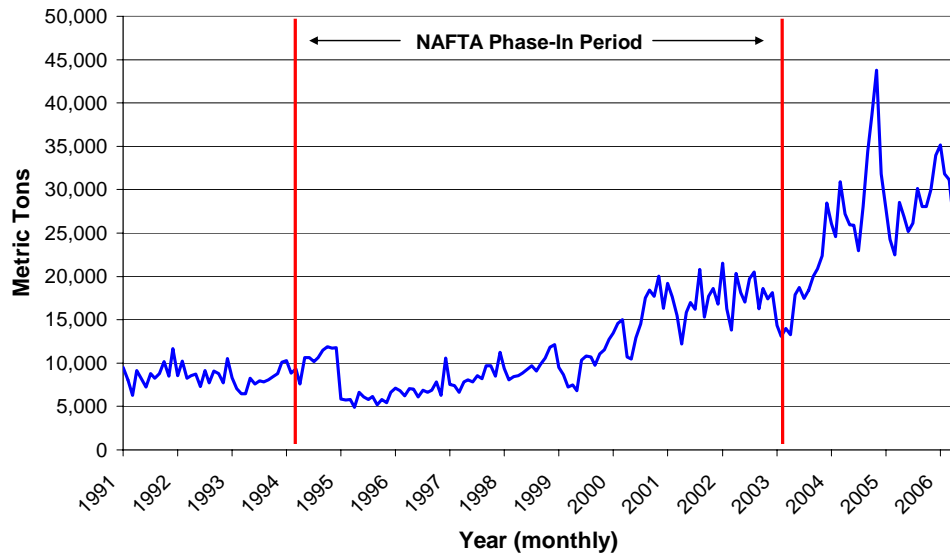


The following 8 export markets in 2005 are all markets in which pork exports have soared because of recent trade agreements.

### **Mexico**

In 2005 U.S. pork exports to Mexico totaled 331,488 metric tons valued at \$514 million. Without the NAFTA, there is no way that U.S. exports of pork and pork products to Mexico could have reached such heights. In 2005, Mexico was the number two market for U.S. pork exports by volume and value. U.S. pork exports have increased by 248 percent in volume terms and 358 percent in value terms since the implementation of the NAFTA growing from 1993 (the last year before the NAFTA was implemented), when exports to Mexico totaled 95,345 metric tons valued at \$112 million.

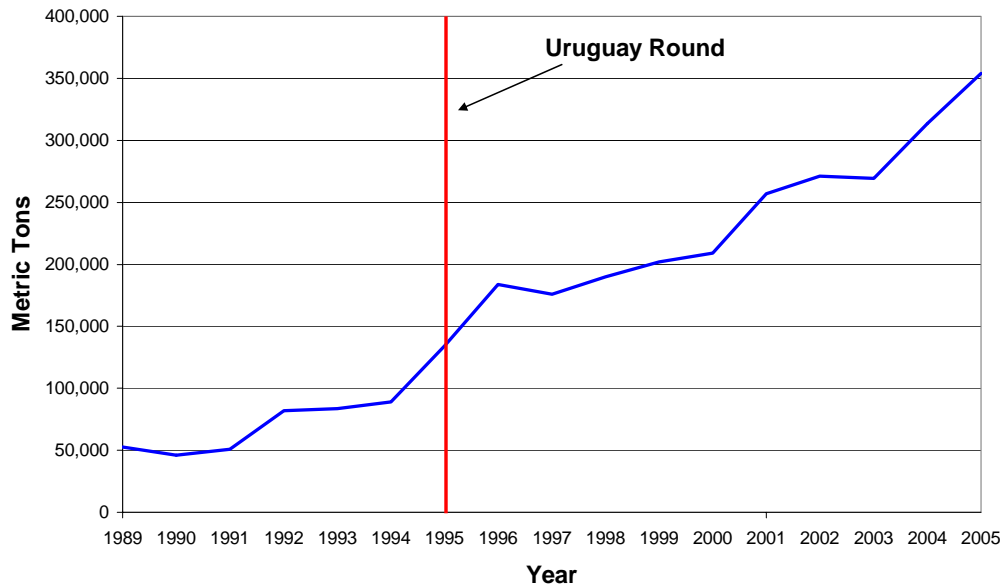
## U.S. Pork Exports to Mexico



## Japan

Thanks to a bilateral agreement with Japan on pork that became part of the Uruguay Round, U.S. pork exports to Japan have soared. In 2005, U.S. pork exports to Japan reached 353,928 metric tons valued at just over \$1 billion. Japan remains the top value foreign market for U.S. pork. U.S. pork exports to Japan have increased by 322 percent in volume terms and by 191 percent in value terms since the implementation of the Uruguay Round.

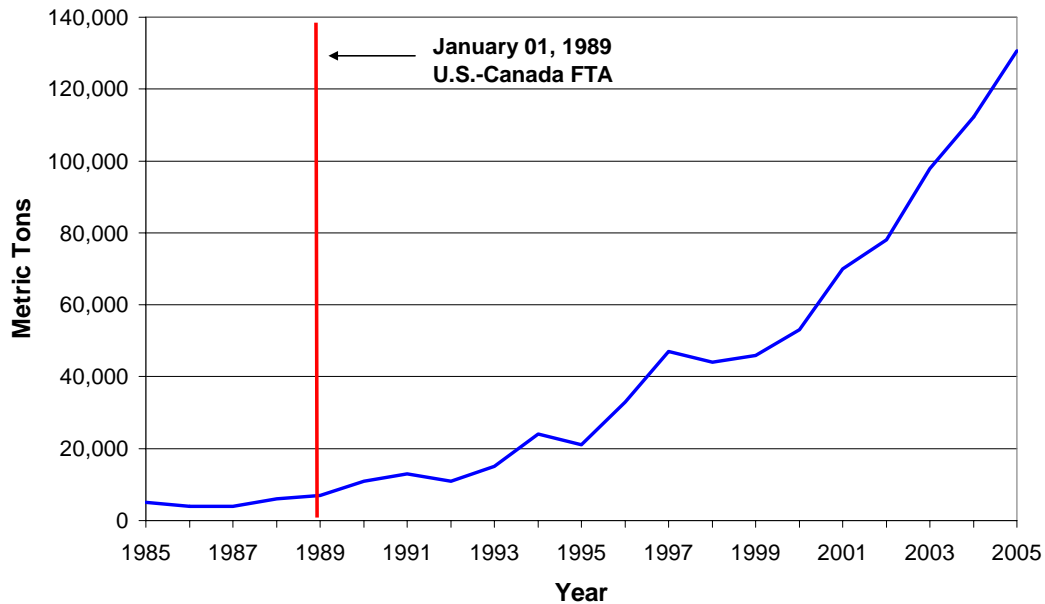
## U.S. Pork Exports to Japan



## Canada

U.S. pork exports to Canada have increased by 1,816 percent in volume terms and by 2,422 percent in value terms since the implementation of the U.S. – Canada Free Trade Agreement in 1989. In 2005 U.S. pork exports to Canada increased to 130,581 metric tons valued at \$396 million.

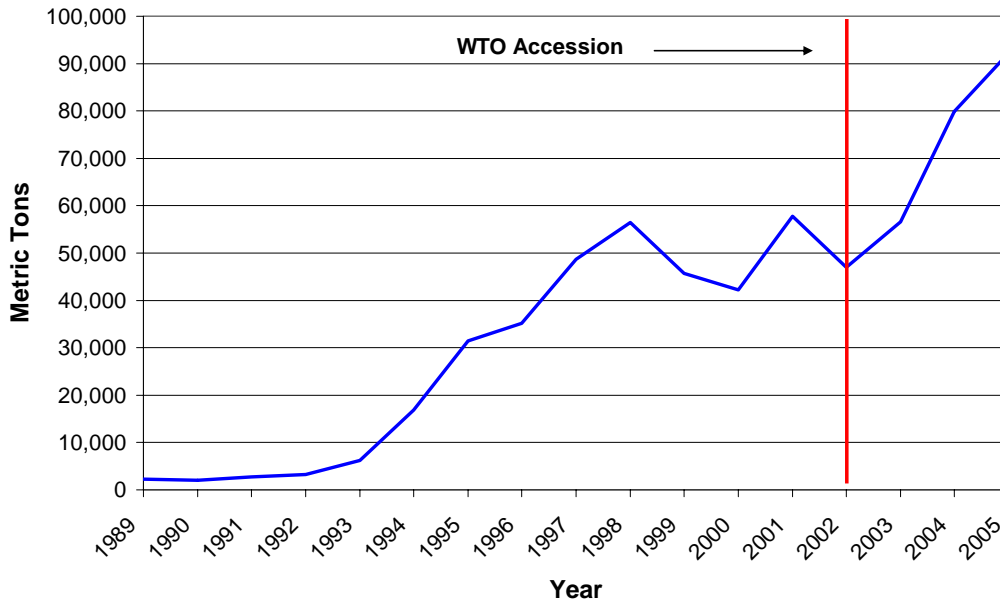
## U.S. Pork Exports to Canada



## China

U.S. exports of pork and pork products to China increased 22 percent in value terms and 16 percent in volume terms in 2005 versus 2004, totaling \$111 million and 92,255 metric tons. U.S. pork exports have exploded because of the increased access resulting from China's accession to the World Trade Organization. Since China implemented its WTO commitments on pork, U.S. pork exports have increased 60 percent in volume terms and 67 percent in value terms.

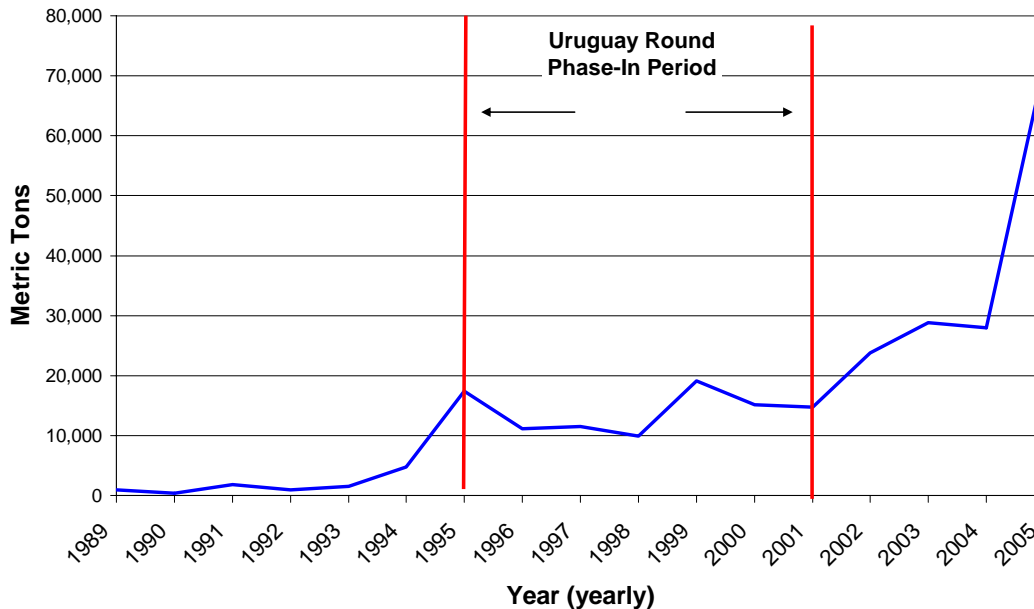
### U.S. Pork Exports to China



## Republic of Korea

U.S. pork exports to Korea have increased as a result of concessions made by Korea in the Uruguay Round. In 2005 exports climbed to 71,856 metric tons valued at \$155 million, an increase of 1,425 percent by volume and 1,705 percent by value since implementation of the Uruguay Round.

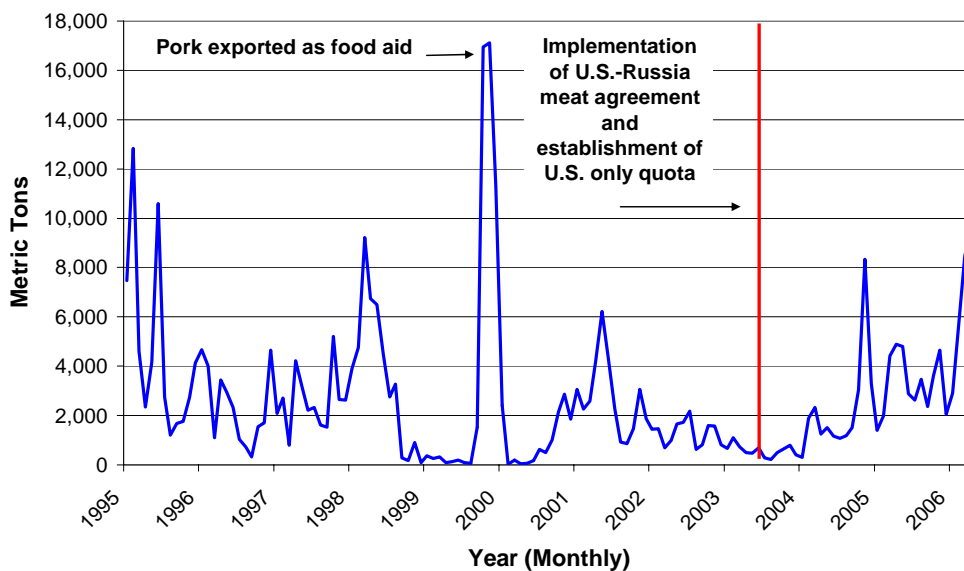
## U.S. Pork Exports to South Korea



## Russia

U.S. exports of pork and pork products to Russia increased 48 percent in volume terms and 71 percent in value terms in 2005 versus 2004, totaling 40,315 metric tons valued at \$72 million. U.S. pork exports to Russia have increased largely due to the establishment of U.S.-only pork quotas established by Russia as part of its preparation to join the World Trade Organization. The spike in U.S. pork export to Russia in the late 1990s was due to pork shipped as food aid.

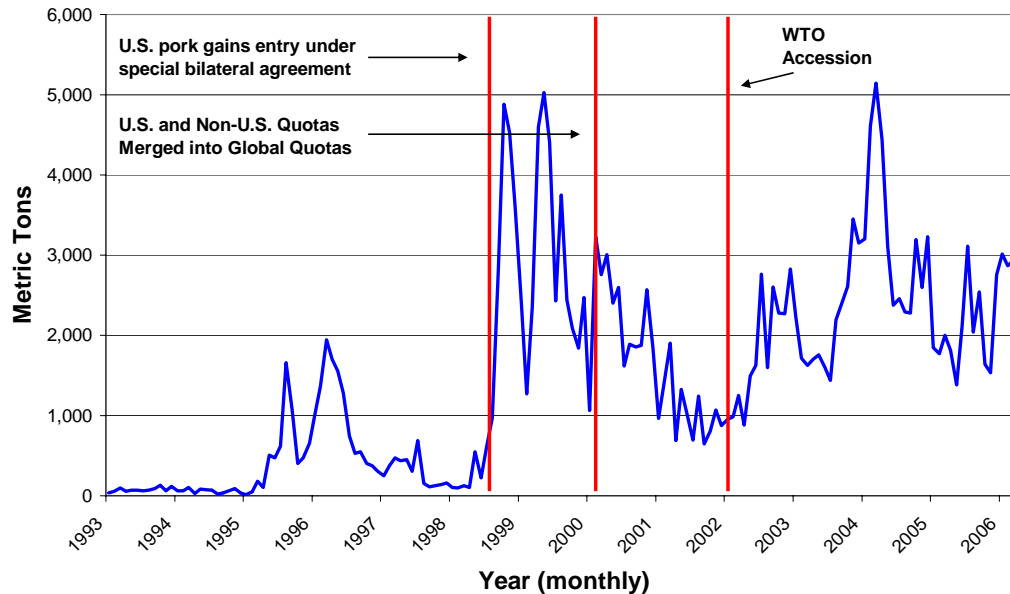
## U.S. Pork Exports to Russia



## Taiwan

In 2005, U.S. exports of pork and pork products to Taiwan increased to 24,555 metric tons valued at \$41 million. U.S. pork exports to Taiwan have grown sharply because of the increased access resulting from Taiwan's accession to the World Trade Organization. Since Taiwan implemented its WTO commitments on pork, U.S. pork exports have increased 94 percent in volume terms and 132 percent in value terms.

### U.S. Pork Exports to Taiwan

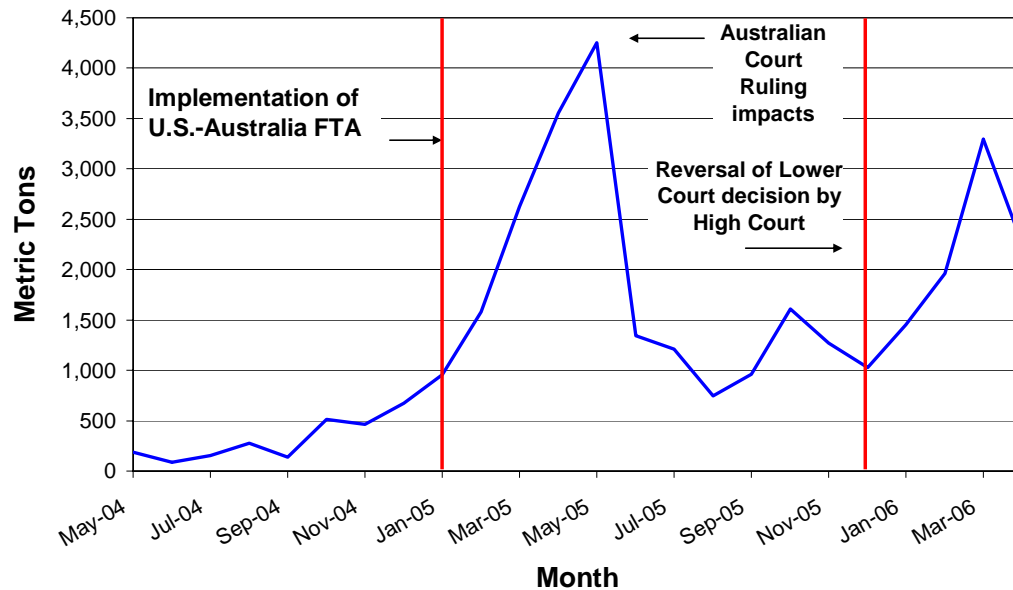


## Australia

The U.S. pork industry did not gain access to Australia until recently, thanks to the U.S. – Australia FTA. U.S. pork exports to Australia exploded in 2005 making Australia one of the top export destinations for U.S. pork. Even with the disruption caused by a legal case over Australia's risk assessment of pork imports, U.S. pork exports to Australia in 2005 totaled \$60 million—a 463 percent increase over 2004 exports.



## U.S. Pork Exports to Australia



### Impact of Pork Exports on Prices

The Center for Agriculture and Rural Development (CARD) at Iowa State University has calculated that in 2004, U.S. pork prices were \$33.60 per hog higher than they would have been in the absence of exports.

### Impact of Pork Exports on Jobs

The USDA has reported that U.S. meat exports have generated 200,000 additional jobs and that this number has increased by 20,000 to 30,000 jobs per year as exports have grown.

### Impact of Pork Exports on Economy

The U.S. Bureau of Economic Analysis (BEA) has calculated that for every \$1 of income or output in the U.S. pork industry, an additional \$3.113 is generated in the rest of the economy. The USDA has reported that the income multiplier from meat exports is 54% greater than the income multiplier from bulk grain exports.

### Impact of Pork Exports on Feed Grain and Soybean Industries

Pork production is a major user of U.S. feed grains and oilseeds. U.S. hog slaughter in 2005 consisted of 100.807 million head of U.S.-fed pigs and 2.774 million head of pigs fed in Canada and imported into the U.S. for slaughter. The U.S.-fed pigs consumed an estimated 1.062 billion bushels of corn, 105.8 million bushels of other feed grains such as barley, grain sorghum and wheat and the soybean meal from 418 million bushels of soybeans.

U.S. pork exports in 2005 accounted for 12.5% of total U.S. pork production. This implies that 136.3 million bushels of corn and the soybean meal from 52.2 million bushels of soybean were exported in the form of pork from U.S.-fed pigs.

## **CONGRESS NEEDS TO PASS PTPA**

The Peru Trade Promotion Agreement, when implemented, will create important new opportunities for U.S. pork producers. U.S. pork exports to Peru currently are restricted by duties as high as 25 percent. However, PTPA, if implemented, will establish immediate tariff reductions on all pork products. Some pork products will receive unlimited duty free access upon implementation of the agreement. Tariffs on most pork items will be phased out within five years. All pork tariffs will be completely phased out in ten years.

In addition to the favorable market access provisions, significant sanitary and technical issues have been resolved. By a letter dated January 5, 2006 the Peruvian government confirmed that it shall recognize the meat inspection system of the United States as equivalent to its own meat inspection system. The aggressive market access provisions coupled with the agreement on equivalence make the Peru agreement a state of the art agreement for pork producers to which all future FTAs will be compared.

Live hog prices are positively impacted by the introduction of new export markets. Recent price strength in U.S. pork markets is directly related to increased U.S. pork exports. Mexico continues to be a strong and growing export market for U.S. pork. The same competitive advantage that has resulted in expanded U.S. pork exports to Mexico will also facilitate an expansion of U.S. pork exports to 28 million new consumers in Peru.

The most important impact of this agreement is the income growth that accompanies free trade. Most consumers in Peru currently are at an income level that does not allow them to consume meat on a regular basis. Prosperity created by a free trade agreement will create millions of new customers for U.S. meat and other agricultural products.

According to Iowa State University economist Dermot Hayes, the Peru agreement, when fully implemented, will cause hog prices to be 83 cents higher than would otherwise have been the case. That means that the profits of the average U.S. pork producer will expand by 7 percent.

Much of the growth in U.S. pork exports is directly attributable to new and expanded market access. However, as the benefits from the Uruguay Round and NAFTA begin to diminish due to the fact that benefits from these agreements are now fully phased-in, the creation of new export opportunities becomes increasingly important. PTPA is an important part of this process and will bring real benefits to U.S. pork producers.

Contact:  
Nicholas D. Giordano  
International Trade Counsel  
National Pork Producers Council

122 C Street N.W., Suite 875  
Washington D.C. 20001  
Phone 202-347-3600  
Fax 202-347-5265  
e-mail [giordann@nppc.org](mailto:giordann@nppc.org)

## **Joy Philippi**

### **President, National Pork Producers Council**

**Joy Philippi** of Bruning, Nebraska owns and operates Pine Alley L.L.C. a 2,000 head nursery that is networked with other local producers. She and her parents are partners in their family farm operation that also includes 400 acres of corn and soybeans.

Philippi believes that the National Pork Producers Council has matured as the trade organization representing member investors in many legislative and regulatory arenas.

In 2000, Joy was the president of the Nebraska Pork Producers Association. She has chaired most committees for that group, is co-chair of the State and National relations committee and is a member of the executive committee.

Joy was elected to a two-year term on the National Pork Producers Council Board of Directors in 2002.

Currently Joy is the chair of the National Pork Producers Council's Animal Health and Food Security Committee. She has served on many task forces and committees including COOL, Antimicrobial Working Group, Budget and Vote Yes. She has also been called upon by the National Pork Board to serve on committees including Plan of Work, Swine ID, COOL and Trade.

Philippi was appointed by the Nebraska Dept. of Agriculture to serve on the Rural Rehabilitation Advisory Committee and is co-chair of the identification subcommittee of the department's SAVE committee. She was a member of Nebraska Governor Mike Johann's trade mission team to South America in 2001.

Joy is actively involved in her local community and church activities and is a member of many state commodity and producer organizations.