

Testimony of Dean Meyer

U.S. Senate Committee on Agriculture

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Good morning Chairman Roberts and Ranking Member Stabenow. My name is Dean Meyer. I farm in Lyon County in Northwest Iowa, where I run cattle-feeding and swine-finishing operations and raise corn and soybeans. In addition to my farming activities, I serve on the Executive Committee of the U.S. Meat Export Federation (USMEF) and am a Director of the Iowa Corn Growers Association. I am here today to highlight the vital role that funding from the USDA's Market Access Program (MAP) and Foreign Market Development (FMD) program plays in building demand for U.S. red meat exports and to ask for the committee's continued support for fully funding these programs through the 2018 Farm Bill.

As the U.S. red meat industry's representative in export markets, USMEF is a long-standing participant in the MAP and FMD programs. Sustained funding from these two programs has made it possible for USMEF to build and maintain a global office network, including hiring, training, and retaining experienced, professional staff with extensive meat industry and marketing expertise. USMEF's locally-retained staff are engaged in the markets every day, serving as the red meat industry's boots-on-the-ground, building relationships with key players in the marketing chain, and compiling and reporting in-depth market intelligence.

In a very dynamic and competitive global marketing environment, USMEF's long-standing presence in our leading export markets, made possible by ongoing support from the MAP and FMD programs, has sent a clear and reassuring message that the U.S. red meat industry is committed to being a reliable supplier and a dependable partner to our international customers. This is especially important today in a time of growing uncertainty about the future of the rules-based global trading system and the broad-based consensus supporting open markets and trade liberalization that has existed since World War II.

MAP and FMD funding has also been critical to USMEF's ability to attract and build financial support from industry partners. USDA's ongoing financial support has served as a vote of confidence for USMEF's programs to investors in the U.S. production and marketing chain. Today, investments by the beef, pork, soybean, corn and lamb checkoff organizations, as well as contributions from allied industries, account for the majority of USMEF's total revenue.

In my leadership role at USMEF, I have had the opportunity to witness firsthand the effectiveness of USMEF's market development activities funded by the MAP and FMD programs. A good example is

USMEF's approach to rebuilding consumer confidence in the safety of U.S. beef in the wake of our first case of BSE in December 2003. Markets around the world closed, and as they began to reopen, we realized that one of the biggest challenges we faced was convincing consumers that the United States, both the industry and USDA, is completely committed to ensuring the safety of our beef supply. In critical East Asian markets like Japan, South Korea, and Taiwan, USMEF conducted carefully calibrated messaging campaigns that restored consumers' faith in the safety of U.S. beef. To make this strategy work, USMEF developed culturally sensitive messages that addressed consumers' core concerns and worked with local retailers and other partners who were seen as credible sources of information on food safety to deliver these messages.

To a large degree, the impact of USMEF's strategy speaks for itself – after our exports to Japan, South Korea, and Taiwan fell to zero when all three markets closed, exports have rebounded and are on pace to set new records this year. So far this year, the average export value of every steer and heifer slaughtered in this country is \$270, up eight percent from last year. Cattle producers like me rely on this export dividend to be profitable and to continue contributing to the rural economy.

Another example of the way USMEF uses support from the MAP and FMD programs is its strategy for building demand for U.S. pork by processed meat companies in markets around the world. Just like here at home, the majority of pork consumed in markets overseas is as an ingredient in processed meats like bacon, ham, and sausage. This means that some of our biggest export customers are processed meat companies in countries as diverse as Mexico, China and South Korea. One of the keys to building buyer loyalty among these companies is demonstrating the profitability that comes from using U.S. pork as a primary ingredient in their finished products. To accomplish this objective, USMEF conducts company-specific seminars on the attributes of U.S. pork and introduces targeted processed meat companies to new product ideas that are tailored to match their needs and business objectives.

USMEF's strategy is paying dividends in the form of increasing exports of hams, picnics, and other pork cuts that are traditionally used as ingredients in processed meats. In fact, U.S. pork exports set an all-time record last year of more than 5 billion pounds, accounting for one-fourth of total U.S. production. So far this year we are on pace to break that record, and even though U.S. pork production is setting new records, we are exporting an increased share of that production. Exports also are commanding higher prices, due to strong demand in foreign markets, which has pushed the average export value of every hog slaughtered to \$55, a seven percent increase over last year.

Two weeks ago, Agriculture Secretary Sonny Perdue was in Beijing to welcome U.S. beef back to the Chinese market after a 13-year absence. Restoring access for U.S. beef to the world's largest red meat import market was an impressive early achievement by Secretary Perdue and the Trump administration. But now that we have access for beef and pork in this huge and growing market, developing a loyal customer base for U.S. red meat in China will be an extremely complex undertaking that will require substantial resources. Starting at the border, meeting China's restrictive import requirements will be an ongoing challenge. In addition, China's distribution infrastructure is still developing, and the sheer size of the potential consumer base is daunting. Major regional differences in eating habits and cuisines mean that separate marketing strategies will need to be tailored to each of China's particular geographical areas. Most importantly, our major competitors are all spending heavily to build their own presence in the market, and in some cases, they are being aided by preferential duty rates gained through bilateral trade agreements with China.

As these examples show, well-designed and executed market development programs, supported by FMD and MAP funding, have been, and will continue to be, a fundamental element of building global demand for U.S. red meat exports. A study completed last year by Informa Economics and a team of economists at leading agricultural research universities showed that these programs have a long track record of yielding strong and consistent returns on investment. The Informa study estimated that each dollar invested in MAP and FMD and their predecessor programs between 1977 and 2014 returned \$28.30 in additional exports. Between 2001 and 2014, these investments produced an average annual increase in net farm income of \$2.1 billion while creating 239,800 new full-time and part-time jobs. These impressive results clearly demonstrate the impact of MAP and FMD on U.S. agricultural exports and the associated benefits for the broader agricultural economy.

In closing, I would like to thank the committee for the opportunity to be here today to testify on the benefits of USDA's MAP and FMD programs to America's red meat industry and to producers like me. Exports will play a critical role in maintaining the future profitability of the U.S. red meat industry. Opportunities abound in the export markets, but our industry also faces many challenges in the form of market access barriers and determined competition from countries like Australia and the European Union. Overcoming these challenges so we can capitalize on the opportunities that the global market has to offer will require us to redouble our efforts as an industry. It also will require a substantial increase in private and public sector resources. USDA, through the MAP and FMD programs, has been a reliable and invaluable partner to USMEF and the red meat industry. As we focus our energies on

making a bigger push into the export markets we ask that you continue your strong support for these two vitally important programs through the 2018 Farm Bill.