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INTRODUCTION
The National Pork Producers Council is an association of 43 state pork producer organizations. NPPC is the voice in Washington for the nation's pork producers. Joy Philippi is immediate past president of NPPC.

The U.S. pork industry represents a significant value-added activity in the agriculture economy and the overall U.S. economy. Nationwide, more than 67,000 pork producers marketed more than 103 million hogs in 2005, and those animals provided total gross receipts of $15 billion. Overall, an estimated $20.7 billion of personal income and $34.5 billion of gross national product are supported by the U.S. hog industry. Economists Dan Otto and John Lawrence at Iowa State University estimate that the U.S. pork industry is directly responsible for the creation of 34,720 full-time equivalent jobs and generates 127,492 jobs in the rest of agriculture. It is responsible for 110,665 jobs in the manufacturing sector, mostly in the packing industry, and 65,224 jobs in professional services such as veterinarians, real estate agents and bankers. All told, the U.S. pork industry is responsible for 550,221 mostly rural jobs in the U.S.

The hog industry in the United States has seen rapid structural changes in recent years, yet total hog numbers have trended up since 1990. In 1990, inventories were 54.5 million head; data from December 2006 showed inventories over 62 million head. And in 2006 2.74 billion pounds of pork and pork variety meats were exported; U.S. consumers purchased 18.8 billion pounds of U.S.-produced pork. Domestic consumption of pork in 2006 was 3 billion pounds higher than it was in 1990; exports were 2.2 billion pounds higher than they were in 1990.

The U.S. pork industry today provides 21 billion pounds of safe, wholesome and nutritious meat protein to consumers worldwide. In fact, 2006 will be the fifth consecutive year of record pork production in the United States, and all indicators point to another record in 2007.

Exports of pork also continue to grow. New technologies have been adopted and productivity has been increased to maintain the U.S. pork industry's international competitiveness. As a result, pork exports have hit new records for the past 15 years. In 2006, exports represented nearly 15 percent of production.

2007 FARM BILL

Pork producers have a keen interest in the next Farm Bill. NPPC formed a 2007 Farm Bill Policy Task Force to gather input from producers from around the country. The task force has held a number of meetings over the past year and a half, reviewing and evaluating many of the Farm Bill issues that will affect our industry. Pork producers have participated in several congressional field hearings on the Farm Bill and attended USDA Secretary Mike Johanns' Farm Bill listening sessions. NPPC is committed to working with Congress to craft a new Farm Bill.

As the next Farm Bill is written, we hope Congress will consider the needs of the nation's pork producers: 1) maintain the U.S. pork industry's competitive advantage globally; 2) strengthen the industry's competitiveness; 3) defend the industry's competitiveness by opposing unwarranted and costly provisions and regulations.

RENEWABLE ENERGY

Pork producers support the development and use of renewable and alternative energy as a way to reduce the country's dependence on foreign oil. But the U.S. pork industry continues to have the jitters over the rapid expansion of the corn-based ethanol industry and the challenges that expansion presents to maintaining our competitiveness with domestic and international meat protein competitors. Additionally, we are concerned about not having an adequate transition period to adjust to the rapid expansion of the ethanol industry. Primarily, though, we are concerned about the availability of corn to feed our pigs and about corn prices. That is why pork producers support expansion of alternative fuels that are not corn based.

Of immediate concern is the availability of corn next summer. Economist Bob Wisner at Iowa State projects, based on data available as of April 1, an end-of-year corn carryover of only 788 million bushels for 2007. This is less than four weeks' worth of utilization. The last time there was this small a level of carryover was in the fall of 1996 when supplies got down to about two and a half weeks' worth. Corn was so scarce in Iowa that it had to be shipped in from Texas.

Wisner's forecast assumes that corn exports this year will increase by 3.9 percent. However, corn export sales to date are running 11 percent above the same period last year. If this pace of export sales continues, some parts of the country in livestock-dense areas could face significant corn pressures.

Projections are that about 26 million acres of corn will be needed to supply the 4 billion bushels of corn that will be used by the ethanol industry by 2008. (It is estimated that we will plant about 90.5 million acres of corn this year, a 15 percent increase over last year and an amount that may alleviate some of the supply pressures.) The huge demand for corn for all uses, reflected in the prices of corn futures contracts for delivery in 2008, is providing strong incentive for farmers to plant more acres to corn. But that same demand may mean there will be significant challenges to meeting the country's food, fuel and feed needs.

Current corn supply pressures coupled with high demand mean rising prices. The surge in corn demand already has resulted in higher corn prices, with Omaha cash corn prices passing $4 per bushel in February and remaining near $3.50 today. Those prices compare with about $2 per bushel last summer. And higher corn prices have resulted in higher soybean prices - and therefore higher soybean meal prices - as acres are being shifted from soybean production to corn production. The net result is that producer feed costs have risen dramatically, from about $35 a pig last year to about $65 dollars now. In an industry that has seen average margins of $2 to $3 per hog since 1992, a $30 per head cost increase is a disaster.

Iowa State economist Dermot Hayes says the ethanol industry is expanding at such a rapid pace mainly because of two factors: it is selling an energy product that is priced relative to gasoline and, ultimately, crude oil, and it is subsidized. As long as OPEC is successful at maintaining crude oil at the current $60 per barrel target, ethanol will enjoy a high price floor. The ethanol industry's 51-cent per gallon blender's tax credit will be added to this ethanol value. The tax credit, which was put in place when crude oil prices were much lower, alone adds $1.40 per bushel to the price of corn.

In addition to the blender's credit, the ethanol plants benefit from a 10-cent per gallon income tax credit and a host of additional state and federal incentives. Ethanol prices are protected from imports by a 54-cent tariff. It is estimated that the total value of these subsidies is approximately $2 per bushel of corn. It will be difficult for pork producers to compete against ethanol for corn as long as the ethanol industry receives the subsidies it does. The combination of high oil prices and generous subsidies gives the ethanol industry incentive to grow, and that growth will continue to put pressure on corn supplies.

The latest study of the impact of the ethanol industry on U.S. agriculture conducted by Iowa State University's Center for Agricultural and Rural Development (CARD) shows that by early 2010 the ethanol industry will use slightly more than 5 billion bushels of corn. (Should crude oil prices increase by $10 a barrel, that amount could more than double.) To give some perspective to that number, in 2006 corn farmers produced 10.535 billion bushels, and the livestock industry alone is projected to use nearly 6 billion bushels of that this year. Exports will account for 2.23 billion bushels, and another 1.4 billion bushels will be for food, seed and industrial uses.

Certainly, the pork industry will adjust to changing costs and supply challenges as it always has. High production costs will reduce profitability and, initially, many producers will try to ride it out, hoping that other producers will reduce output first. We know that there are diversified producers who will consider retirement of their livestock operations if corn and bean prices remain high and they can turn a profit in their farming operation without livestock production.

Production will eventually fall enough to bring the hog market to a new level. According to CARD, pork production will need to contract by 4.6 percent, under a scenario where corn goes to just $3.16 a bushel, to allow the industry to recoup the higher production costs, and retail pork prices would rise by 4.2 percent. Under a less-favorable scenario, where corn goes to $4.42 per bushel, pork production falls another 4.6 percent and retail pork prices rise another 4.2 percent. These hikes also would occur in beef, dairy and broiler prices. We will end up with a smaller livestock industry in the U.S. and with higher retail prices and food price inflation.

For pork producers the question remains: Who ultimately benefits from subsidized ethanol production? Ethanol plant owners have benefited greatly to date. Corn growers will certainly gain from higher corn prices this year and possibly in 2008, and soybean growers will benefit as well during that period. Eventually, though, higher corn and soybean profits will be bid into higher cash rents for crop acres thus driving up production costs for corn and soybeans and reducing profits. Higher rents will drive up land prices, and the eventual beneficiaries will be landowners.

It is uncertain what effect the surge in ethanol production will have on rural America. Economist John Lawrence at Iowa State has calculated that a 100 million gallon ethanol plant creates about 80 jobs. But if the bushels of corn required to produce that much ethanol are diverted from use in pork production, rural America will lose 800 direct on-farm jobs. Given the multiplier calculated for the pork industry, that would mean an estimated 12,000 lost jobs economy wide.

It has been suggested that all of the feed problems created by using a substantial portion of the nation's corn supply for ethanol production are irrelevant because of distillers grains, a major co-product of the ethanol production process that can be fed to livestock. But, as we told this committee in testimony Jan. 10 of this year, distillers dried grains with solubles, or DDGS, do little to allay the concerns of pork producers regarding the future cost and availability of feedstuffs and, consequently, the well-being of our animals and the cost of pork to U.S. consumers. Pork producers have several issues with regard to feeding DDGS to pigs, including the consistency of DDGS's nutrient content from ethanol plant to ethanol plant and even within a plant, flowabililty problems of DDGS at the feed mill as well as in the complete feed in the feed bin and problems with digestibility and palatability.

Finally, DDGS are so much more useful in ruminant - beef and dairy - rations than in hog rations that the ruminant market virtually will always bid it away from hogs. It will typically sell at a small discount to corn so that hog producers chose corn and ruminant producers chose DDGS.

Pork producers believe that to maintain a healthy rural economy - indeed a healthy economy in general - market-based energy policies and regulations must ensure a balance between the food, fuel and feed needs of the country. That is why we have communicated our concerns to Congress, USDA and our counterparts in agriculture. And that is why pork producer delegates - most of whom also raise corn and soybeans - participating in NPPC's recently concluded National Pork Industry Forum approved the following resolutions that call for:

? Allowing the 51-cent per gallon ethanol blender's tax credit and the 54-cent tariff on imported ethanol to expire.
? Developing - should the blender's credit be extended - a countercyclical blender's credit

system based on the price of oil.
? Increasing the use of bio-diesel as a renewable fuel source.
? Seeking incentives for capturing and digesting methane from swine farms as an alternative energy source.
? Urging the federal government to appropriate funds for research on the use of bio-fuels co-products for swine feed rations and for research on swine utilization of DDGs and their impact on meat quality and animal health.
? Considering the findings of a Center for Agricultural and Rural Development study on the impact of corn-based ethanol production on the livestock industry during formulation of the 2007 Farm Bill.
? Releasing early and incrementally - without penalty -Conservation Reserve Program acres back into crop production.

Further research and development are needed to find other energy alternatives, such as using animal manure and fat and biomass, including lignocellulose, switchgrass and corn stover. NPPC has established a Renewable Fuels working group to evaluate this issue further. The right balance is needed to meet the needs of fuel and feed security.

Pork producers are hard at work implementing an ambitious program to improve the environment and create new sources of renewable energy from our operations. One option allows us to accomplish this through the construction of manure lagoon covers that will reduce odors and capture methane that can be turned into energy. Although the technology to do this exists, until now it has not been economical to do so.

Two things have changed, though, that give us hope. One is the emergence of a viable market for greenhouse gas emission credits that will enable us to realize a significant value for manure incorporation and/or for methane utilization as other industries look to offset their carbon emissions. The other is the renewed attention focused on the need for increased production of renewable energy. And we are now working hard to take down the regulatory hurdles that have stood in the way of our ability to receive a fair price for the energy our methane can create.

Producers feel that they can contribute to the efforts to ensure fuel security for our country by ramping up our efforts in the area of methane production. By providing another source of energy, we are doing our part to bring balance to the country's fuel, food and feed needs.

It is the U.S. pork industry's belief that as the bio-fuels and alternative fuels industries continue to expand, our concerns as livestock producers must be recognized and respected in the legislative and regulatory decision-making processes. The U.S. pork industry supports a market-based bio-fuels policy that:

? Helps reduce our nation's dependence on foreign oil.
? Ensures a balance between the fuel, food and feed needs of our country.
? Takes into account the livestock industry's need for a transition period to adjust to the rapid expansion of the corn-based ethanol industry.
? Maintains the competitiveness of the livestock producers who feed our country and the world.

CONSERVATION AND THE ENVIRONMENT

Pork producers would like to see dismantled the regulatory hurdles they face in trying to incorporate conservation planning into their production operations. We suggest streamlining the Natural Resources Conservation Service approval process for financial assistance, reducing duplicative processes and providing more flexibility to producers in contracting with technical service providers and in adopting conservation practices. We also support expansion of the Conservation Security Program (CSP) program to make it national in scope while at the same time ensuring that the program is easier for producers to understand and manage. It should also be responsive to producers and provide some level of guidance on participation within a short, set time frame to allow producers to develop more effective and precise long-term plans.

Pork producers have reduced the environmental footprint of their operations on the country's natural resources and landscape through the adoption of sound and advanced manure management and utilization practices. The vast majority of the resources pork producers have invested in these practices have been provided by producers themselves - without public assistance. But pork producers remain very interested in participating in USDA's working-lands conservation programs, such as the Environmental Quality Incentive Program (EQIP), to raise the level of their environmental performance and to address any remaining critical conservation and environmental needs on their operations. During debate on the 2002 Farm Bill, U.S. pork producers took a lead role with other livestock groups to advance major funding increases for EQIP. So we are quite disappointed in how little assistance EQIP has provided pork producers over the 2003 to 2005 program years.

After a thorough review of several hog-producing states' EQIP programs, NPPC presented its findings to the Natural Resources Conservation Service. Despite what we believe to have been sincere efforts by NRCS to correct the program's problems, EQIP continues to fail pork producers. Using NRCS data and our own estimates, we calculated that approximately $1.98 billion in cost-share assistance was provided by the EQIP program to both crop and livestock producers from 2003 through 2005. Of this amount, approximately $1.26 billion or 63 percent was provided to livestock producers. This percentage is consistent with the 2002 Farm Bill recommendation that 60 percent of funds go to livestock and poultry. Looking at the 2003 data, pork producers received just 3 percent of the cost-share assistance provided to all livestock producers that year - less than goats, emus, ostriches, elk and bison received. After reviewing the data from 2004 and 2005, we found similar results.

EQIP spending under the 2002 Farm Bill on all livestock, 2003 to 2005
and total over that period, by species

Species	2003-2005 $	'03-'05%	2005 $	'05%	2004 $	'04 %	2003 $	'03%
Horses	$7,147,193	1%	$0	0%	$4,421,244	1%	$2,725,949	1%
Sheep	$16,858,540	1%	$8,883,826	2%	$4,522,929	1%	$3,451,785	1%
Swine	$43,061,095	3%	$17,582,432	4%	$14,569,213	3%	$10,909,450	3%
Other	$46,002,475	4%	$18,867,510	4%	$15,459,060	3%	$11,675,905	4%
Poultry	$73,275,499	6%	$32,524,429	7%	$25,645,002	6%	$15,106,068	5%
Dairy	$248,745,439	20%	$91,143,643	18%	$88,806,934	20%	$68,794,862	22%

Beef $825,055,530 65% $327,827,898 66% $296,134,316 66% $201,093,316 64%
Total $1,260,145,771 $496,829,738 $449,558,698 $313,757,335

Even in the eight states (Iowa, North Carolina, Minnesota, Indiana, Illinois, Missouri, Nebraska, and Oklahoma) that account for 78 percent of the nation's pork output, producers received only 11 percent of the EQIP cost-share assistance funds provided to all livestock producers from 2003 through 2005. While an improvement, it still indicates a significant under-investment in the environmental practices of pork producers. NPPC would like this imbalance corrected and would like EQIP funds to be allocated for specific on-farm practices that have a clear environmental benefit, such as development of comprehensive nutrient management plans and the use of technical service providers; odor and emissions reduction practices; and manure storage, transfer and field application technologies.

Pork producers believe the marketplace should decide how to meet the demand for renewable energy, which could mean crop-producing acres currently in the Conservation Reserve Program (CRP) be placed back into production between now and 2010. Without these additional acres being made available for crop production, producers are facing run-ups in feed prices in years to come. Pork producers remain committed to leaving in the CRP, even among its current corn acres, those portions of fields that are planted to filter strips, buffer strips, grass waterways and other partial field enrollments that provide extremely high environmental benefits. Pork producers also support returning CRP land to crop production in a manner that preserves CRP-developed organic matter and minimizes erosion through the use of practices such as conservation and no-till techniques. But the bottom line, in our view, is that much more crop land must be made available to ensure there is an adequate feed supply to meet demand. (We applaud USDA's recent announcement that 4.6 million acres will come out of CRP between now and 2010.)

We also hope lawmakers and regulators will recognize livestock producers as valuable contributors to meeting the nation's renewable energy needs and that the various projects implemented by producers are recognized for their environmental value and are supported equally along with other renewable energy projects.

ANIMAL CARE, HOUSING AND TRANSPORTATION

America's pork producers established the world-class Pork Quality Assurance (PQA) program to provide responsible animal care through the application of scientifically sound practices. That means proper care and handling at each stage of the production process, with no tolerance for mistreatment of animals, and it means well-kept facilities to allow for the safe and humane movement of each animal and development of herd health programs with veterinary advice. Further, we enhanced our commitment to animal care through the Pork Quality Assurance Plus program. This is a first-of-its-kind animal well-being program in the U.S. livestock sector that combines producer education and on-farm assessments, verified by third-party audits, to ensure the highest levels of animal care. Furthermore, we have a Trucker Quality Assurance (TQA) program that addresses animal care and handling issues during transport. For producers, there is no higher priority than maintaining the well-being of their animals, and they have shown their commitment by funding PQA (and PQA Plus) and TQA through their check-off dollars.

While the pork industry has invested hundreds of millions of dollars in research and practical applications to enhance swine well-being, our industry is under attack by those who would legislate how farmers raise livestock and poultry for food. We are faced with provocative ad campaigns used to sway public opinion, lawsuits that seek to halt our production practices and scare tactics that question the safety of our product. In the next Farm Bill, we expect so-called animal-rights groups to push for a number of provisions that, if adopted, would be very detrimental to the viability of the U.S. pork industry. Among those provisions, all of which pork producers oppose, are:

? Extension of an 1870s law known as the "28-hour rule" to the transportation of all livestock to all destinations. The law was enacted to deal with the movement by train of cattle to slaughterhouses. Applying the rule to livestock transported by truck would raise a number of problems, including lack of off-loading facilities, biosecurity risks at off-loading facilities and increased stress of animals during the additional off-loading and loading. The pork industry already has a Trucker Quality Assurance program that addresses animal care and handling issues during transport. TQA has become the de facto industry practice because it's the right thing to do.

? A ban on non-ambulatory or fatigued hogs from the food supply. Several animal-rights groups tried in the last three Congresses - including an effort during the 2002 Farm Bill - to include such a ban. For pork producers, this would be particularly devastating given that previous versions of federal legislation called for the euthanasia at auction markets and slaughterhouses of any animal that, for whatever reason, does not get up and move under its own power at delivery. The physiological makeup of the pig often prompts it to lie down, particularly after transport because of stress or weather conditions. Under the strict conditions of pending legislation to ban such non-ambulatory animals, these pigs would be killed without regard to their health, the ownership of the animals or cost to the producer and with no chance for testing and surveillance for disease. All non-ambulatory or fatigued hogs are inspected by Food Safety Inspection Service inspectors and veterinarians regarding their fitness for processing and entering the human food supply.

? A ban on the use of certain antibiotics. Pork producers use antibiotics judiciously and responsibly. The pork industry, through the National Pork Board, has developed an animal-health program - Take Care - that includes responsible-use principles on and guidelines for antibiotic use. All antibiotics used by pork producers are approved by the U.S. Food and Drug Administration after they undergo rigorous review for safety to animals, humans and the environment. FDA sets withdraw periods that require animals to be off antibiotics for certain times prior to going to market. Pork producers use antibiotics to treat illness, prevent disease and control disease. Producers and their veterinarians use their experience and knowledge in combination with scientific information to decide when to use antibiotics in pigs. A ban on antibiotics ignores all of the work done by scientific and regulatory agencies, sends the wrong message to consumers and says USDA and FDA don't know about these issues but Congress does. Proponents of a ban suggest that producers are overusing antibiotics and that such overuse is causing antibiotic resistance in humans. Antibiotic-resistant bacteria develop from many factors, including human use of antibiotics and routine household use of disinfectants such as antibacterial soap. A 2006 report from the international scientific society Institute of Food Technologists said "eliminating antibiotic drugs from food animal production may have little positive effect on resistant bacteria that threaten human health."

? A mandate on production practices, including a ban on the use of sow stalls, on farms that produce food animals that are purchased by the federal government for school lunches, prisons and the military. We oppose such legislation for several reasons: cost to the American taxpayer, practicality and because no one production practice has a better animal well-being record than any other. Pork producers use various production systems today. All of them are based on the well-being of the pigs. The pork industry has for many years supported programs that promote animal well-being, including:

1. Swine Welfare Assurance Program (SWAP) - An on-farm assessment tool that ensures that farms comply with animal care guidelines and good management and production practices.
2. Pork Quality Assurance Plus (PQA Plus) - Built on the success of the Pork Quality Assurance (PQA) and SWAP programs, PQA Plus, which debuts this June, addresses food safety and animal welfare priorities. USDA-inspected slaughter facilities are required to ensure that producers participate in the PQA Plus program as part of company HACCP programs.
3. Take Care Program - A program supporting producers' responsible use of antibiotics.
4. Trucker Quality Assurance Program - A program certifying truckers to incorporate humane care and handling when transporting pigs.

Another issue that will have an adverse affect on the pork industry is mandatory country of origin labeling (MCOOL). The provision, which was included in the 2002 Farm Bill ostensibly to assure consumers that meat products are safe, is set to take effect September 30, 2008. Congress twice delayed MCOOL implementation because the provision has serious flaws. We are confident that MCOOL:

? Will reduce U.S. pork exports by creating comparative advantages for our export competitors such as Canada.
? Will place U.S. pork producers at great financial peril due to the need to indemnify their customers for damages that a producer error might cause.
? Will favor vertically integrated pork production systems in both the U.S. and Canada.
? Will impose onerous requirements and additional costs on U.S. pork producers if administered as Congress intended.
? Will create a permanent cost advantage for chicken and turkey, even if those species were to be covered by the law. (They are exempt.)
? Will not result in long-term higher hog prices for U.S. pork producers.
? Will not provide additional food-safety assurances to U.S. consumers.
? Will not provide adequate traceback to handle a foreign animal disease emergency.

MCOOL is NOT a food-safety law. It is a trade-protectionist law designed to restrict the access of imported meat and meat from imported animals to U.S. retail meat cases. It will not enhance the U.S. government's ability to address food-safety emergencies or foreign animal disease outbreaks, such as foot-and-mouth disease, nor will it provide additional food-safety assurances to U.S. consumers. The law enables consumers to determine the country-of-origin for fresh pork sold only through retail meat cases - not for pork that is either sold by food service establishments or further processed. This excludes more than 50 percent of the pork consumed in the U.S. today! The information required by this law is not sufficient to find the state, let alone the county or farm of origin to identify and respond to a food-safety emergency or a foreign animal disease outbreak. In fact, the law actually prohibits the Secretary of Agriculture from requiring an animal identification system, a key element for any workable food-safety traceback system. USDA already has the authority to require animal identification to protect U.S. consumers from the threat of illegal residues and food-borne pathogens.

If implementation of MCOOL does move forward, USDA will need to reissue the 2003 proposed rule. Additionally, we believe that any effective MCOOL system must include a mandatory animal identification system for all relevant species.

ANIMAL IDENTIFICATION
The U.S. pork industry already is moving forward with implementing a swine ID system to ensure herd health - and that means ensuring the safety and wholesomeness of pork products. Bio-security remains a cornerstone in our production facilities so that absolute confidence in the safety and wholesomeness of pork can be maintained by domestic and international consumers. U.S. pork producers believe in the establishment of a mandatory National Animal Identification System and are committed to an industry-wide approach to identifying our animals. We believe animal ID enables state and federal animal health officials to address existing diseases, foreign animal diseases and emerging diseases. An ID system will allow for monitoring and establishing efforts to control and eradicate these diseases, and a surveillance system will facilitate tracking and containing the spread of disease. Pork producers believe that the ability to rapidly identify animals and detect, contain and eliminate disease is an essential food security tool that will preserve the domestic and international marketability of U.S. livestock.

NPPC and the National Pork Board formed an identification implementation task force made up of producers and other industry stakeholders to enhance the existing swine ID system, which was set up in 1988 and used successfully to eradicate pseudorabies from the commercial herd. The organizations are calling for:

? Mandatory premises registration, which includes owner and location data, by Dec. 31, 2007.
? Mandatory animal IDs for groups/lots by Dec. 31, 2008.
? Mandatory individual animal IDs for market breeding swine and show pigs by Dec. 31, 2008.

More than 50 percent of swine premises already have been registered, and NPPC and the Pork Board are working diligently to get the remaining premises registered as soon as possible.

MARKET STRUCTURE AND INFORMATION
The U.S. pork industry has enjoyed unparalleled prosperity over the past three years. Average farrow-to-finish producers in Iowa - the nation's No. 1 pork producing state - completed their 35th consecutive profitable month in December - the longest string of such months since Iowa State University's Estimated Costs and Returns series was started in 1973. While the string of profitable months was broken in January, new ISU estimates based on modern technology and production coefficients indicate that these operations have remained profitable through March of this year in spite of near-record feed costs.

Pork cutout values reached record levels in 2004, and Iowa-Minnesota cash hog prices have been near-record high on several occasions since that time. Iowa-Minnesota hog prices have broken the downtrend of the 1990s and established a new, higher trend over the past four years. This new trend was started by a surge in domestic and export demand in 2004, with domestic demand bolstered by the popularity of low-carb, high-protein diets and export demand driven by better market access for U.S. products, a weaker U.S. dollar and U.S. products better tailored for export markets.

The success of the pork producers has come while the structures of the U.S. industry and of U.S. pork and hog markets have changed. So, we urge Congress to focus not on structural issues but on the more important market efficiency measures of conduct and performance as it deliberates the wisdom of government intervention in these matters. While the 1990s were a difficult time for U.S. pork producers, policy should based on the realities of today, not the past. This industry went through a major restructuring in the '90s, changes driven by new consumer demands, new technology and rationalizations of both old-line packing and old-line production capacity. Such sweeping changes are always painful and should not be forgotten, but they also must be kept in context and not used to forever drive a desire for the "way things used to be."

The focus of most debates regarding competition has been the number and market shares of the various participants. That is, many try to use industry structure to draw direct conclusions that firms behave in certain ways and that prices and quantities are moved away from their competitive optimums.

The pork production and packing sectors are more concentrated than they once were. Some areas have only one or two packers bidding for hogs. Some producers now control substantial shares of the live hog supply. But that does not mean that market power is being exerted on hog or pork prices. The key is whether sufficient competitive pressure exists to make the fewer packers and fewer producers behave in a way that approaches competitive norms and yields competitive prices and quantities. This can only be measured by looking at actual transactions to determine how firms act and what the results of those actions are.

Congress has invested significant taxpayer resources in researching the current situation in livestock markets, including the recently released Grain Inspection, Packers, and Stockyards Administration (GIPSA) Livestock and Meat Marketing Study. Much of that research is relatively new, and the pork industry has had little time to consider what it tells us. We would urge Congress to move slowly as USDA and the industry digest new knowledge and apply the findings.

Although the process of restructuring is ongoing, and the merits of this industry restructuring are still being debated, the net result is that the U.S. pork industry has held its ground domestically and has made major inroads in export markets. The U.S. now has one of the most competitive pork industries in the world but still faces challenges both from other meat sources and from other countries, such as Canada and Brazil. The pork industry has done well because of the variety of marketing options available to pork producers. Open and transparent hog markets are working well for the pork industry. U.S. hog and pork markets work because pork producers and packers are able to use any of several methods to market and price pigs. These include spot market transactions, cooperatives, bargaining associations and contractual arrangements. We support the right of all producers of any size or type of production system to market access, and we are opposed to anything that hinders that access. Furthermore, we do not believe that U.S. pork producers will be well-served by eliminating or requiring any particular marketing or pricing mechanism.

Pork producers also continue to need accurate and complete price and quantity information such as that found in the reports created by the Livestock Mandatory Price Reporting Act of 1999, which last year was reauthorized and enhanced with additional swine reporting requirements for the pork industry. We will say that USDA is being a little slow in getting out a proposed rule for the reauthorized Price Reporting law.

TRADE

Pork producers are the most ardent promoters of free trade agreements, which have prompted rapid growth in pork exports and record profitability. We realize that as an industry we must continue to work to remove trade distortions that impinge on the free market. There is a considerable global demand for pork and pork products. Pork represents 44 percent of global meat protein intake, far more than beef and poultry. The extent of any increase in global pork trade in the future hinges heavily on continued efforts to bring about further agricultural trade liberalization. We support the Market Access Program (MAP) and the Foreign Market Development Program (FMD), which help expand export opportunities for U.S. pork, and we urge continued funding for these programs, which have long-term market benefits. NPPC is part of the broad Coalition to Promote U.S. Agricultural Exports seeking an increase in MAP funding to $325 million annually and an increase in FMD funding to $50 million annually. It is important to emphasize the need to strengthen the ability of U.S. agriculture to compete in the global marketplace. American agriculture is among the most competitive industries in the world, but it should not be expected to compete alone in the export markets against foreign governments. Reductions of MAP and FMD funding would put American farmers at a substantial competitive disadvantage. Congress should pass trade agreements negotiated with Peru, Colombia, Panama, and South Korea and extend Trade Promotion Authority. Implementation of these trade agreements and extension of TPA will strengthen the ability of U.S. agriculture to compete efficiently in the global and domestic marketplaces.

RISK MANAGEMENT

U.S. pork exports in 2006 accounted for nearly 15 percent of production, up from 12 percent in 2005. The U.S. pork industry enjoyed its 15th straight record year of pork exports in 2006. Our success in expanding exports has created a new market environment. The downside of growing exports is a larger adverse economic impact should there be any trade disruption. Pork producers understand this dynamic, and Congress must recognize that a trade disruption would be devastating to the U.S pork sector. Iowa State economist Dermot Hayes estimates a $3.6 billion loss for the industry if export markets are lost.

Given that potentially significant shock to the U.S. pork industry - and to the U.S. economy - NPPC supports programs to minimize the economic impact of any trade disruptions. We understand that a USDA Livestock Risk Protection program and an Iowa program were placed in the 2002 Farm Bill. Pork producers are evaluating these futures market-based programs and the reasons for their limited success among producers. NPPC is looking at federal revenuebased assurance options that would assist producers should export markets ever be interrupted.

RESEARCH

USDA's research is critical to the pork industry, be it improving swine genetics by completing the mapping of the swine genome; testing and deploying new and improved animal vaccines; improving the usefulness of energy production by-products, such as distillers dried grains; further increasing animal productivity; or the development of new environmental management and mitigation technologies. Research also can assist in monitoring diseases and preventing a disease outbreak.

A significant amount of research has been devoted to other animal genomes. It is time for USDA to do the same for the swine genome. Genome sequencing is only the first step to unlocking key genetic information. Annotation is the identification of the functional genes associated within the sequence of the genome and will provide the industry with tools to quickly and efficiently improve production efficiencies in nutrition, swine health, reproductive physiology, animal welfare, nutrient management and pork quality. In addition, the pig is an excellent model for human research in health and nutritional disciplines. Annotation of the swine genome will assist in the development of research models in human nutrition, physiology and medicine.

We also support pending legislation to establish within USDA the National Institute of Food and Agriculture, which would conduct research and studies to "ensure that the agricultural innovation that has been so successful in the past continues in the future."

CONCLUSION

As Congress begins to craft the 2007 Farm Bill, please keep in mind that pork producers are working to maintain, strengthen and defend their competitive advantage both domestically and internationally.

The National Pork Producers Council and the many pork producers we represent, thank you for holding this hearing and allowing us to share the U.S. pork industry's thoughts on this critical legislation. We respectfully request your continued and focused attention on the matters we have brought to you today, and we look forward to working with the committee.