

STATEMENT REGARDING

**Promoting Agricultural Exports
Reviewing U.S. Agricultural Trade Policy
and the Farm Bill's Trade Title
Poultry and Meat Issues**

**HEARING OF
THE SENATE COMMITTEE ON AGRICULTURE
NUTRITION AND FORESTRY**

**THE HONORABLE BLANCHE LAMBERT LINCOLN
CHAIRMAN**

PRESENTED BY

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**TYSON FOODS
SPRINGDALE, ARKANSAS
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**RUSSELL SENATE OFFICE BUILDING
WASHINGTON, DC**

Good morning and thank you, Chairman Lincoln, Senator Chambliss, and Committee Members for the opportunity to present the U.S. poultry producers/processors views, comments, and recommendations regarding very important international agricultural trade issues, especially those relating to poultry and meat. This very timely hearing can serve as a most key opportunity to more fully and successfully address many difficult and somewhat frustrating trade issues. Please be assured the National Chicken Council appreciates the Chairman's invitation to be part of this critical discussion. It is the sincere hope of U.S. poultry companies that working together with the Committee our combined efforts will help contribute to and be a part of satisfactory resolutions for these trade issues. Without continued diligence and determination, the agricultural trade agenda cannot successfully move forward. Resolution of the issues outlined in my statement will undoubtedly help build poultry and meat exports in the months and years ahead.

I am Duane Rhodes, Vice President of Export/Poultry and Prepared Foods for Tyson Foods in Springdale, Arkansas. I also serve as Second Vice Chairman of the USA Poultry & Egg Export Council. This morning I am representing the National Chicken Council. NCC represents companies, including Tyson Foods, that produce and process about 95 percent of the young meat chickens (broilers) in the United States. NCC works very closely with the USA Poultry &

Egg Export Council and with Congress and the Administration to help promote an expanding export market for U.S. poultry. This committee's leadership on international trade issues is recognized and most appreciated.

The primary focus of my comments is on chicken exports, but since Tyson Foods is a major processor and exporter of beef and pork, I will also provide comments on the exports of fresh meats, as well. Further, many of the international trade issues impacting chicken, such as the use of non-science based sanitary and veterinary provisions as unfair trade barriers, apply equally well to beef and pork trade.

Before I address some of the issues and challenges confronting U.S. poultry and meat exports, I must thank you, Chairman Lincoln, Ranking Member Chambliss, and the other Committee Members for working closely and diligently with the Administration to re-open the Russian market for U.S. poultry. One-fourth of the Senate expressed in writing to President Obama the critical need to achieve a resolution of the six-month stalemate of U.S. poultry exports to Russia. I believe, as do all U.S. poultry producers and processors, that the strong support of the Congress on this difficult trade issue was a major factor in helping to convince Russian President Dmitri Medvedev to conclude an agreement to restore U.S.-Russian poultry trade. When the two Presidents met

in late June the necessary breakthrough was achieved and as I speak today 73 poultry processing plants and cold storage facilities are preparing and operating to export poultry to Russia. Last year, as has been the case for more than a dozen years, Russia was the largest export market for U.S. poultry. Madame Chairman, Ranking Member Chambliss, and other Committee Members, please accept the U.S. poultry industry's gratitude for helping us begin to re-build our exports to our major market. Poultry exports to Russia, like poultry exports to most foreign markets, consist mostly of chicken leg quarters. In 2009 more than 19.5 percent of the chicken produced in the United States was exported, a record percentage for exports. Exporting the "back-of-the-bird" is critical to keeping the U.S. chicken supply in better balance with overall chicken demand. The North American consumer prefers breast meat while the rest of the world, generally, prefers leg meat. By comparison, last year, 22 percent of the pork produced was exported, 10 percent of beef, and 10 percent of turkey. With export blockages of U.S. poultry's two largest markets, Russia and China, overseas sales have decreased for 2010. In contrast, beef exports are increasing and could total \$3.7 billion this year, just short of the \$3.855 billion exported in 2003 before the BSE issue erupted. Pork exports are expected to be the second largest on record, valued at more than \$4.5 billion and bolstered by a recovering global economy and lessened concern about flu that was unfortunately associated with swine.

Regarding a trade success, permit me to express the beef industry's gratitude to this Committee, the Congress, and the Administration for successfully securing a memorandum of understanding with the European Union in the context of the longstanding hormone dispute. The additional duty-free access to the large EU beef market has helped high-quality U.S. beef exports increase by 78 percent when compared to last year to more than \$37 million in the first five months of 2010 compared with year-ago, based on EU import data. The United States now accounts for over eight percent of the EU's chilled beef imports, a doubling of its market share from four percent in 2008. Further, expanded access for bone-in beef to Taiwan has also helped boost U.S. beef exports to that market, increasing 53 percent to nearly \$73 million in January through May 2010. The quick and prudent attention by this Committee and the Administration to the H1N1 situation and the resolution of related trade bans, especially in Russia and China, are gratefully acknowledged. Similarly, work related to residues and plant audits, which essentially closed the Russian market to U.S. pork in early 2010, is also appreciated. Although some issues remain, pork shipments regained momentum in April and the U.S. pork industry has benefited from the ability to again supply one of the largest pork import markets in the world.

National Export Initiative

President Obama has called for a doubling of U.S. exports, including agricultural exports, over the next five years. The President's plan (National Export Initiative) will not only facilitate the creation of greater employment in agriculture and the rest of the economy but its implementation is also sending a strong signal to foreign competitors that U.S. agriculture will become more aggressive in securing its fair share of the world market for our many food and agricultural products.

The National Chicken Council, USA Poultry & Egg Export Council, and U.S. Meat Export Federation are among the members of the Coalition to Promote U.S. Agricultural Exports. Over 100 members of this ad hoc coalition joined together to submit comments on July 26, 2010, to the U.S. Department of Commerce. These comments explained that the United States must have policies and programs that help U.S. agriculture compete effectively in world markets. Subsidized foreign competition remains one of the toughest challenges to overcome. USDA's Foreign Agricultural Service administers two important export promotion and market development programs. These are the Market Access Program (MAP) and the Foreign Market Development (FMD) program. Both programs will require stepped-up funding and staff resources to achieve the National Export Initiative goal. On July 6, 2010 this Coalition, sent a letter to

Senator Herb Kohl, Chairman of the Subcommittee on Agricultural, Rural Development, and Related Agencies/Committee on Appropriations, and Senator Sam Brownback, Ranking Minority Member on the Subcommittee on Agriculture, Rural Development, Related Agencies/Committee of Appropriations. This letter requested that Senators Kohl and Brownback oppose all measures that would reduce or eliminate funding for the Market Access Program or the Foreign Market Development Program. In addition to the MAP and FMD, USDA must improve its financing policies to better assist in markets where credit risks warrant insurance coverage. The bottom line is that all sectors of the U.S. economy and agriculture will need to be energized to meet the President's National Export Initiative goal. Maximizing exports of high-value agricultural products, notably meat and poultry, must be one important part of the effort.

Re-Gaining Poultry Exports to China

China was the U.S. poultry industry's second largest export market in 2009. Early this year, China imposed preliminary and prohibitively high import duties on U.S. chicken and chicken parts. China said that as a result of its investigation it found U.S. chicken producers were benefiting unfairly from government-subsidized corn prices and were also selling chicken parts below the cost to produce the whole carcass chicken. Reportedly, China made the preliminary

duties permanent last week. An official Chinese government announcement to this effect is expected soon. Much discussion has taken place about why China has imposed these duties and the validity of China's claims regarding the justification for imposing such extraordinarily high rates. However, the more pragmatic discussion at this time should focus on the most effective way for U.S. poultry exporters to regain fair access to the China market. One effort that may prove productive in re-establishing chicken trade with China is the USA Poultry & Egg Export Council's (USAPEEC) proposal to settle the antidumping case and subsidized corn price charges by implementing an import quota arrangement for U.S. chicken using an export trading company program and/or establishing minimum selling prices for a number of chicken parts. Both the U.S. Trade Representatives Office and the U.S. Department of Agriculture have agreed to support the USAPEEC initiative. Similarly, the Chinese government has indicated a strong interest in concluding such an arrangement. Although U.S. poultry exporters would prefer a freer and fairer trade environment with China, the U.S. poultry industry is also pragmatic in terms of finding an acceptable approach to maximize trade with China. If the initiative moves forward and plans are developed to implement such an arrangement, I request that the Committee give full consideration to supporting the arrangement.

It is also worth noting that a growing impediment to U.S. –China poultry trade is China’s continued ban on imports of poultry either processed, or transported through, U.S. states that have reported an incident of low-pathogenic avian influenza, U.S. states that have reported an incident of low-pathogenic avian influenza (AI). Unfortunately, China is not imposing or lifting these bans in accordance with World Health Organization (OIE) guidelines. I urge this Committee and the Administration to work with the Chinese government to review and lift these bans in accordance with OIE guidelines.

The beef industry also faces challenges in China, with China continuing to maintain its BSE-related ban on imports of U.S. beef, now in its seventh year. The value of this market for U.S. beef exports is estimated at \$200 million, with tremendous growth potential.

Three Pending Free Trade Agreements (FTAs)

At the G-20 Summit in Toronto in June, President Obama committed to securing Congressional approval of the U.S./Korean Free Trade Agreement. The accord has languished for more than three years. Last month, the National Chicken Council joined with more than 40 other agricultural and food organizations in letters to both the Senate and House leadership urging approval and implementation of the U.S./Korean FTA, as well as the trade agreements with

Colombia and Panama. I would also note that on June 1 16 Senators wrote a letter to President Obama requesting that Korea, Columbia, and Panama need to be given a “well-defined and finite list” of outstanding issues for their respective free trade agreements, as well as a specific timeline for enactment of their agreements. U.S. poultry and meat producers and processors believe that this is a reasonable approach to begin ending the stalemate on the FTAs.

These trade agreements should more appropriately be called job creation agreements because that is definitely what they are for agriculture. More than 29,000 jobs would be added through the three FTAs, according to a recent study by U.S. meat and poultry associations that evaluated the impact of the FTAs on domestic employment in the meat and poultry industry. These added jobs and increased exports for meat and poultry will, in turn, help boost the exports of corn, soybeans, and other crops that provide the primary feedstocks for our industry. The Committee is urged to continue to work to achieve passage of all three trade agreements.

Enhancing Exports to Cuba

Regarding the ongoing effort to improve the trade relationship with Cuba, the National Chicken Council and almost 140 other associations and non-government organizations recently issued a statement expressing strong

support for the Congressional effort to permit payment upon product arrival in Cuba rather than cash payment before the product is loaded at the U.S. port. The legislation would also eliminate the requirement that Cuban payment must pass through banks in third-party countries. Further, a general travel license for U.S. citizens would be available for sellers of food and medical supplies. Cuban-Americans could increase their visits to Cuba, as well, and their daily spending amounts would be increased. All of these measures can work to enhance U.S. agricultural exports to Cuba. Cuba is already a top ten market for U.S. poultry, but these provisions could better secure the Cuban market for U.S. poultry and help build future sales.

WTO Poultry Dispute Settlement With European Union

After a dozen years of U.S. poultry being excluded from the European market, the United States in January 2009 officially notified the World Trade Organization that the European Union's prohibition on U.S. poultry was in conflict with WTO rules and member country obligations. The issue was originally the use of chlorinated water during poultry processing, but subsequently the EU expanded its ban to include the use of any and all antimicrobials. To remedy this violation, the Office of the U.S. Trade Representative sought resolution through the WTO's dispute settlement process. In late 2009, the WTO announced its intentions to establish a dispute

settlement panel to evaluate the evidence and issue a ruling. To date no panel members have been selected and the process is not moving forward. The National Chicken Council would ask the Committee to urge the U.S. Trade Representatives Office to notify the WTO Director General that action on this issue is long overdue and that a panel must be formed in the very near future so that the process can proceed.

Conclusion

In summary, the list of issues facing U.S. poultry and meat exports is challenging and seemingly ever-growing. Whether or not the goal of doubling agricultural exports in five years can be achieved depends heavily on improved and expand market access, effectively overcoming non-science based sanitary and veterinary prohibitions, and supporting our industry's competitiveness, not burdening it with inappropriate and unnecessary regulations and policies. Reducing foreign trade barriers whether through one-on-one, case-by-case talks, or through bilateral negotiations to reach free trade agreements, or through a successful conclusion and agreement for the WTO Doha Round, will continue to be most difficult and somewhat frustrating. But, whatever the case, the strong support of this Committee will be necessary to achieve success.

The National Chicken Council and its sister organizations in the poultry and meat industry look forward to working with this Committee to meet the challenge of increasing our exports in the years ahead.

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