

**Written Testimony of the  
National Pork Producers Council**

**Hearing from the Heartland:  
Perspectives on the 2018 Farm Bill**

**Before the  
Senate Committee on Agriculture,  
Nutrition & Forestry**

**Manhattan, Kan.**

**February 23, 2017**



## **Introduction**

The National Pork Producers Council (NPPC) is an association of 43 state pork producer organizations that serves as the global voice for the nation's pork producers. The U.S. pork industry represents a significant value-added activity in the agricultural economy and the overall U.S. economy. Nationwide, more than 60,000 pork producers marketed more than 118 million hogs in 2016, and those animals provided total cash receipts of nearly \$240 billion. Overall, an estimated \$23 billion of personal income and \$39 billion of gross national product are supported by the U.S. pork industry.

Iowa State University economists Daniel Otto, Lee Schulz and Mark Imerman estimate that the U.S. pork industry is directly responsible for the creation of more than 37,000 full-time equivalent pork producing jobs and generates about 128,000 jobs in the rest of agriculture. It is responsible for approximately 102,000 jobs in the manufacturing sector, mostly in the packing industry, and 65,000 jobs in professional services such as veterinarians, real estate agents and bankers. All told, the U.S. pork industry is responsible for nearly 550,000 mostly rural jobs in the United States.

U.S. pork producers today provide 25 billion pounds of safe, wholesome and nutritious meat protein to consumers worldwide, and exports add significantly to the bottom line of each U.S. pork producer. U.S. exports of pork and pork products totaled 2.3 million metric tons – a record – valued at \$5.94 billion in 2016. That represented almost 26 percent of U.S. production, and those exports added more than \$50 to the value of each hog marketed. Exports supported approximately 110,000 jobs in the U.S. pork and allied industries.

## **Next Farm Bill**

Obviously, pork producers have a strong interest in the next Farm Bill. NPPC has formed a Farm Bill Policy Task Force to gather input from producers from around the country. The task force will hold a number of meetings to review and evaluate many of the Farm Bill issues that will affect the U.S. pork industry. NPPC is committed to working with Congress to help craft the 2018 Farm Bill.

As it has requested in every Farm Bill on which it has weighed in, the U.S. pork industry asks that Congress in the next Farm Bill maintain the U.S. pork industry's competitive advantage, strengthen its competitiveness and defend the industry's competitiveness by supporting provisions that would be beneficial to agriculture and by opposing unwarranted and costly provisions and regulations that would negatively affect America's farmers and ranchers.

There are several issues pork producers would like Congress to address in the next Farm Bill that could help U.S. pork producers.

### **Foot-and-Mouth Disease Vaccine Bank**

Foot and Mouth Disease (FMD) is one of the most economically devastating foreign animal diseases affecting animal agriculture. It is an infectious and sometimes fatal viral disease that affects cloven-hooved animals, including pigs and cattle. It is easily spread through a number of methods, including through the air, contact with contaminated equipment and by predators. An outbreak today of the disease, which last was detected in the United States in 1929, likely would cripple the entire livestock sector. In addition to causing harm to production animal agriculture, the economic consequences undoubtedly would ripple throughout the entire rural economy, from input suppliers to packers and from processors to consumers.

FMD is endemic in Africa, Asia, some South American countries and the Middle East. The FMD virus has seven viral serotypes and more than 60 subtypes, with wide strain variability. Sporadic outbreaks with different types continue to pop up in countries around the world.

Increased travel and trade between affected countries make the United States increasingly vulnerable to introduction of the disease. Now, the country has to confront the possibility of terrorists using FMD as a weapon to inflict significant damage to the U.S. economy and affect food availability.

In the U.S. Department of Agriculture's Foreign Animal Disease preparation strategy document on the phases and types of an FMD outbreak, Dr. James Roth, professor and researcher at Iowa State University, identified four phases of the disease: 1) confirmation of an outbreak (typically three days); 2) surveillance and epidemiological work necessary to provide timely evidence of the extent of an outbreak to support decision making by government officials; 3) recovery from the disease; and 4) freedom from the disease (possibly with vaccination).

He categorized FMD outbreaks as having six types: Small Focal, Moderate Regional, Large Regional, Widespread or National, Catastrophic U.S. and Catastrophic North American, which includes Canada and Mexico.

Given the structure of the U.S. livestock industry, the likelihood of having a Small Focal or Moderate Regional outbreak is remote. The livestock industry estimates there are approximately 1 million pigs and 400,000 cattle moved daily in the United States, some over long distances. In addition, there are numerous auctions, fairs and exhibits that concentrate large numbers of animals in a single location, providing the opportunity for one infected or exposed animal to spread the disease to many animals. Thus, it seems unlikely that, if the United States had an outbreak, it would be on the smaller end of Roth's scale.

The World Organization for Animal Health (OIE) sets standards for managing and determining a country's disease status. Those standards range from "stamping out" (killing all infected and exposed animals) to being free of FMD, or "free with vaccination."

After watching countries such as the United Kingdom, Korea and Japan, whose livestock populations pale in comparison to the United States, struggle to manage FMD outbreaks by killing large numbers of animals, USDA's Animal and Plant Health Inspection Service (APHIS) changed its policy on managing the disease from "stamping out" to using vaccine to limit the spread.

This policy change was endorsed by the U.S. livestock industry as a cheaper and more practical alternative given the enormous size of the U.S. livestock herd and the movement of livestock around the country. The United States simply cannot “kill” its way out of an FMD outbreak.

The problem, though, is the United States does not have enough FMD vaccine available nor could a sufficient quantity be obtained in time to implement an effective control program.

U.S. law prohibits storing live FMD virus on the U.S. mainland, so foreign production companies are the only source of finished vaccines. The United States is the only country in the world that maintains its own vaccine antigen bank, which is maintained at the Plum Island Animal Disease Center on Plum Island, N.Y., and which has a limited number of antigens.

Currently, if there were an FMD outbreak in the United States, antigen would be shipped to a vaccine manufacturer in either Pirbright, England, or Lyon, France, to be turned into finished vaccine and shipped back to the United States. After three weeks, the process would produce only 2.5 million doses of vaccine.

Iowa State’s Roth estimates that at least 10 million doses would be needed during the first two weeks of an outbreak. Currently, there is no surge capacity to produce additional doses of vaccine; all the vaccine production capacity in the world is currently in use by other countries.

Additionally, it must be noted that the vaccine antigen bank serves as the North American Bank and thus includes Canada and Mexico.

Over the past several years, the United States has made significant progress in FMD preparedness through the development of secure supply plans for milk, pork and beef, and APHIS continues to work with the livestock industry to improve its preparedness

capability. Fixing the antigen bank capacity and improving vaccine availability must be a priority in future preparedness efforts.

Establishing a more robust FMD vaccine bank will require a significant increase in budget outlays. (The current FMD efforts are funded at just \$1.9 million.) But the cost pales in comparison to the economic cost of an FMD outbreak in the United States.

Because North America is free of FMD, an outbreak of the disease in the United States would immediately shut off all exports of U.S. livestock, meat and dairy products, creating a precipitous drop in livestock markets. Since U.S. consumers have little knowledge of the disease, which **cannot** affect people, there also likely would be serious disruptions in the domestic market because of decreased demand for those products. According to one recent study, prevention of FMD is estimated to be worth \$137 million a year to the U.S. pork industry.

Iowa State University economist Dermot Hayes estimates the cumulative impact of an FMD outbreak on the beef and pork industries over a 10-year period would be \$128.23 billion. The annual jobs impact of such a reduction in revenue would be 58,066 in direct employment and 153,876 in total employment. Corn and soybean farmers over a decade would lose \$44 billion and nearly \$25 billion, respectively, making the impact on those four industries alone almost \$200 billion.

The history of government involvement in disasters like an FMD outbreak is that, once a problem occurs, unlimited resources are committed to getting control of the situation. In the case of FMD, there is a clear opportunity to invest in a robust vaccine bank that would limit the economic impact on producers, feed suppliers and consumers and reduce the government's cost for control and eradication of the disease.

A recent study by Kansas State University estimated the cost to the U.S. government of eradicating FMD would be \$11 billion if vaccination is **not** employed. But costs could be

cut significantly if vaccination is used, and, the study estimated – depending on the strategy – losses to consumers and producers could be cut by 48 percent.

Congress should work with the Trump administration to address the alarming gap in the government’s preparedness for an FMD outbreak. Whether the disease introduction is the result of terrorism, careless travelers or carried on traded commodities, the calamitous result would be the same: devastation to the U.S. livestock industry and a significant hit to the U.S. economy.

NPPC urges Congress to provide the authority and \$150 million a year in mandatory funding for USDA APHIS to protect the U.S. livestock industry from an FMD outbreak. Specifically, the Farm Bill should direct APHIS to:

- Contract for an offshore, vendor-maintained vaccine antigen bank that would have available antigen concentrate to protect against all 23 of the most common FMD strains currently circulating in the world.
- Contract for a vendor-managed inventory of 10 million doses – the estimated need for the first two weeks of an outbreak.
- Contract with an international manufacturer(s) for the surge capacity to produce at least 40 million doses.

### **Disease Surveillance**

An adjunct to a robust FMD vaccine bank is a world-class disease surveillance system. Being able to detect and identify any disease that could affect the U.S. food supply is vital to the continued viability of the U.S. pork industry.

The United States faces an increasing threat from the introduction of a foreign animal disease (FAD) into the U.S. livestock herd, but there is evidence that the safety net in place to prevent such an introduction needs to be improved.

Late last year, the House Agriculture Committee held a hearing on American Agriculture and National Security, which highlighted the vulnerability of the U.S. food supply to the potential for FAD introduction by terrorists or by accident.

Additionally, in October 2015, the bipartisan Blue Ribbon Study Panel on Biodefense, co-chaired by former Department of Homeland Security Secretary Tom Ridge and former Sen. Joe Lieberman, released a report that highlighted the need for improving the U.S. system for protecting the U.S. livestock herd and the nation's food supply from FADs.

Disease surveillance is the foundation of disease prevention and preparedness. The threat of new and emerging diseases continues to grow, with scientists continually warning the public and animal health authorities about the increasing risks. In May 2013, for example, the first case in the United States of Porcine Endemic Diarrhea virus was identified on an Ohio hog farm. That disease, which USDA determined likely came from China, spread quickly throughout the Midwest and killed between 8 million to 10 million mostly young pigs over an 18-month period.

Other bacterial and viral diseases are lurking around the world, and that is the reason the U.S. pork industry has devoted significant resources to endemic and foreign animal diseases, funding more than 120 research projects and spending more than \$5 million for studying, monitoring and addressing swine diseases over the past 10 years.

The outbreak of H1N1 influenza in 2009 demonstrated the interrelationship of human and animal health when combating new and emerging diseases. From that experience, the U.S. pork industry learned that a Comprehensive and Integrated Surveillance System (CISS) is needed to ensure the capture of data about a broader range of diseases.

The industry has been working with USDA APHIS and the Centers for Disease Control and Prevention (CDC) to develop a CISS, including continuation and expansion of ongoing swine influenza surveillance. Completion of this is critical to maintaining the pork industry's known disease status, which, in turn, is vital to maintaining and



expanding U.S. pork exports. The CISS is designed to provide an “early warning system” and to allow for development of response plans in advance of an epidemic.

The U.S. pork industry is collaborating with APHIS to test implementation of a CISS and to determine how it can be connected to an animal traceability system. Currently, the most significant shortcoming is funds to build the infrastructure to accommodate a more robust system of surveillance.

The ability to expand and strengthen surveillance to include other diseases will help increase exports. Reducing surveillance, however, would give other countries justification to restrict U.S. exports because of inadequate surveillance data.

U.S. pork producers also support USDA’s animal traceability system. An effective traceability system is critical to the national animal health infrastructure and is required for certification by the OIE. The ability to quickly trace diseased and exposed animals during a foreign animal disease outbreak would save millions of animals, lessen the financial burden on the industry and save the American taxpayer millions of dollars.

With support from all sectors of the pork industry, approximately 95 percent of U.S. pork producers’ premises already are registered under the USDA livestock identification program. Premises identification is the key to meeting a goal of tracing an animal back to its farm of origin within 48 hours, which would allow animal health officials to more quickly identify, control and eradicate a disease; prevent the spread of a disease; and make certifications to trading partners about diseases in the United States.

NPPC requests that Congress include in the Farm Bill authority for \$30 million a year for the National Animal Health Laboratory Network, which conducts diagnostics on animal diseases, and \$70 million a year for block grants to the states for disease surveillance and other support.

## **Agricultural Research**

NPPC supports expanding federal funding for research, education and extension programs by improving the quantity and quality of USDA research through the agency's Agriculture and Food Research Initiative (AFRI). Basic, competitive agricultural research allows America's farmers to remain globally competitive in the face of a growing world population, improves public health and strengthens national security.

AFRI is the USDA's premier competitive research program and makes peer-reviewed, competitively-awarded research grants. The grants fund basic and applied research, education and extension to colleges and universities, agricultural experiment stations and other organizations conducting research in priority areas that are established partially in every Farm Bill.

The 2008 Farm Bill required AFRI to make available 60 percent of grant funds for basic research and 40 percent for applied research. Despite being authorized for \$700 million in the 2008 Farm Bill and reauthorized in the 2014 Farm Bill, the program never has received anywhere near full funding in the appropriations process. In fact, USDA's overall research funding has decreased by 30 percent since 2009.

While other federal research and development budgets have grown over time, agricultural research funding has stagnated. This stagnation has occurred despite studies consistently reporting high social rates of return – between 20 percent and 60 percent annually. The United States is falling behind developing nations in its commitment to funding agricultural research, which has created rapid increases in the country's productivity. Amid growing challenges, such as the threat of new diseases, maintaining the position as the world leader in agricultural research and technology should be an overarching goal.

NPPC supports increasing the funding for agricultural research to ensure that the U.S. livestock industry maintains its competitiveness in the global marketplace.

## **Production and Marketing Regulations**

NPPC works on behalf of America's pork producers to ensure that laws and rules don't impose unnecessary costs on the U.S. pork industry, restrict it from meeting consumer demands in an economical manner or prevent market-based solutions to issues. The structure of the pork production and packing sectors should be allowed to change with the demands of the growing global marketplace. This includes allowing producers and packers to adopt new technologies and pricing and marketing mechanisms that enable the former to reduce their risks and the latter to capture economies of scale.

The U.S. pork-packing sector is the envy of the world in terms of efficiency and food safety, and legislation and regulation should not take away or hamper that source of international advantage. Allowing producers and packers the freedom to develop new ways of doing business will enhance the value of U.S. pork products at home and abroad and reduce costs and risks.

The U.S. pork industry, which has developed a wide variety of marketing and pricing methods, including contracts, to meet the changing needs of a diverse marketplace, strongly opposes any provision that would eliminate or restrict such mechanisms. Limiting producers' options could force the livestock markets to revert to an inefficient system used more than half a century ago in which animals were traded in small lots and at prices determined in an open-market bid system.

Dictating how U.S. pork producers sell and raise their animals and how packing companies buy livestock would severely cripple the competitiveness of the U.S. pork industry. Mandates – whether pushed by lawmakers or activists – must not stand in the way of the free market.

Of particular and immediate concern to the U.S. pork industry is the Farmer Fair Practices Rules, specifically an Interim Final Rule, which was issued in the final weeks of the Obama administration.

Written by USDA's Grain Inspection, Packers and Stockyards Administration (GIPSA), the Interim Final Rule broadens the scope of the Packers and Stockyards Act (PSA) of 1921 related to the use of "unfair, unjustly discriminatory or deceptive practices" and "undue or unreasonable preferences or advantages."

USDA in 2010 proposed a number of PSA provisions – collectively known as the GIPSA Rule – which Congress mandated in the 2008 Farm Bill. But the agency was blocked by Congress through amendments to annual agricultural spending bills from implementing a provision that would eliminate the need to prove a competitive injury to win a PSA lawsuit. Protecting competition is the heart of the PSA. In fact, eight federal appeals courts have held that harm to competition must be proved for an action to be a violation of the PSA.

The Interim Final Rule would eliminate the need to prove injury to competition, which would prompt an explosion in PSA lawsuits by turning nearly every contract dispute into a federal case subject to triple damages.

The inevitable costs associated with increased lawsuits and the legal uncertainty they would create likely would lead to further vertical integration of the pork industry and drive packers to own more of their own hogs – reducing competition for producers of all sizes, stifling innovation and providing no benefits to anyone other than trial lawyers and activist groups that will use the rule to attack the livestock industry.

(An Informa Economics study found the GIPSA Rule, including the Interim Final Rule, now would cost the pork industry more than \$420 million annually, with most of the costs related to PSA lawsuits brought under the "no competitive injury" provision.)

The U.S. pork industry right now is enduring its fair share of headwinds. It does not need more of them in the form of the Interim Final Rule of the Farmer Fair Practices Rules.

NPPC urges Congress to work with the Trump administration to rescind the Interim Final Rule and to ensure that any USDA rule to amend the Packers and Stockyards Act not restrict producers' ability to sell or packers' ability to buy animals and not limit their ability to use technologies and pricing and marketing mechanisms that work for their mutual benefit.

Likewise, federal mandates on production practices, including ones that would dictate animal housing systems, would add to producers' costs and weaken the U.S. pork industry's competitiveness vis-a-vis foreign competitors.

Nearly three decades ago, the U.S. pork industry developed and implemented strict standards for animal care and judicious use guidelines for use of animal drugs. These standards and guidelines are part of the industry's Pork Quality Assurance Plus and Transport Quality Assurance programs, which require producers and handlers to be trained and certified in caring for and transporting animals.

Pork producers do not support Congress including animal care and handling provisions in the Farm Bill – a piece of legislation that has been aimed for more than 80 years at maintaining the competitiveness of the U.S. agriculture and livestock sectors.

### **USDA Export Programs**

Expanding foreign markets for U.S. pork products increases producers' bottom line and contributes significantly to the U.S. economy, fostering job growth and increasing the U.S. gross domestic product. Pork represents 37 percent of global meat protein intake, more than beef and poultry, and world pork trade has grown significantly over the past decade or so. The extent of the increase in global pork trade in the future will hinge heavily on continued efforts to increase agricultural trade liberalization.

The U.S. pork industry in 2016 exported nearly \$6 billion of product, which supported more than 50,000 jobs. It is estimated that U.S. pork prices were \$50.20 per hog higher last year than they would have been in the absence of exports.

It is important to strengthen the ability of U.S. agriculture to compete in the global marketplace. But the downside of growing exports is, of course, the larger economic impact on producers and the U.S. economy should there be any disruption in trade. Pork producers understand this dynamic and recognize that it would be devastating for the U.S. pork sector.

While the best way to increase U.S. pork exports is through free trade agreements that eliminate all tariff and non-tariff barriers on pork, programs run by USDA's Foreign Agricultural Service and authorized under the Farm Bill also are important to U.S. agricultural exports.

The Market Access Program (MAP) uses funds from the Commodity Credit Corporation to help producers, exporters, private companies and other trade organizations finance promotional activities for agricultural products of the United States. The Foreign Market Development Program, also known as the Cooperator Program, helps create, expand and maintain long-term export markets for U.S. agricultural products.

NPPC supports funding levels that will sustain those important programs.

### **Environment**

Protecting the environment is a top priority of the U.S. pork industry. Pork producers are committed to running productive pork operations while protecting the environment and meeting or exceeding environmental standards. Pork producers have fought hard for science-based, affordable and effective regulatory policies that meet the goals of today's environmental standards. To meet strict environmental criteria while maintaining production, they support the federal government providing through conservation programs within the Farm Bill cost-share support to help defray some of the costs of compliance.

For many farmers, USDA conservation financial assistance funds through the Environmental Quality Incentives Program (EQIP), the Conservation Stewardship

Program (CSP) and the Conservation Reserve Program (CRP) are integral to making investments in environmental protection practices and technologies possible. Certainly there will be advances made by many farmers without federal funding assistance, but conservation financial assistance is critical for many, and it will help build a foundation of practices that can sustain conservation improvements for the long term.

Under the EQIP program, however, pork producers have not received enough support to meet all the challenges they face related to conservation and the environment. Producers who use EQIP would like to see the scope of projects covered by the program widened.

NPPC wants in the next Farm Bill funding maintained for EQIP and the other critical working lands conservation programs, and on CRP, it supports the current limit on acreage that may be enrolled in the program.

### **Conclusion**

The U.S. pork industry is the lowest-cost producer and No. 1 exporter of pork in the world, and U.S. pork producers continue to produce the most abundant, safest, most nutritious pork in the world. Pork producers have proved very resilient over the past years, weathering financial crises and diseases as well as the vagaries of a supposedly free-market economy pushed and pulled in various directions by government intervention and regulation. All the while, they have invested in and adopted new technologies that have promoted animal health, protected the environment and added thousands of jobs and billions in national income to the American economy.

For America's pork producers to continue as leaders in the international and domestic economies, for them to take advantage of the opportunities and meet the challenges presented to them, Congress and the administration, through the next Farm Bill, should pursue policies and regulations that support the U.S. pork industry rather than hinder its ability to continue producing safe, lean and nutritious pork and pork products for the global marketplace.