Statement Of

the

National Pork Producers Council

Before the

U.S. House of Representatives Committee on Small Business

On the

Pending Free Trade Agreements

November 1, 2007

Madam Chairwoman and Members of the Committee:

I am Doug Wolf, board member of the National Pork Producers Council (NPPC) and a pork producer from Lancaster, Wisconsin. I own and operate Wolf L & G Farms, a farrow-to-finish operation, marketing 20,000 hogs per year.

NPPC is a national association, representing 44 affiliated state organizations and the nation's 67,000 pork producers, who annually generate approximately $15 billion in farm gate sales, support an estimated 550,000 domestic jobs, generate more than $97.4 billion in total U.S. economic activity and contribute $34.5 billion to the U.S. gross national product.

Madam Chairwoman, I strongly believe that the future of the U.S. pork industry and the future livelihood of my family's operation depend in large part on further trade agreements, including the pending agreements with Peru, Colombia, Panama and South Korea.

As U.S. pork exports grow so do U.S. jobs. In 2006, the United States exported 15 percent of its domestic pork production. International trade contributed approximately 82,500 U.S. jobs in the pork industry alone, and a majority of those jobs are located in rural America. In my home state of Wisconsin, about 14,200 jobs are involved in various aspects of the pork industry. Using the 15 percent share, Wisconsin receives 2,130 jobs and $90 million of personal income from exporting pork products to foreign markets.[1]

Pork is the world's meat of choice, representing 40 percent of total world meat consumption. (Beef and poultry each represent less than 30 percent of global meat protein intake.) As the world moves from grain-based diets to meat-based diets, U.S. exports of safe, high-quality and affordable pork will increase because economic and environmental factors dictate that pork be produced largely in grain surplus areas and, for the most part, imported to grain deficit areas. However, the extent of the increase in global pork trade – and the lower consumer prices in importing nations and the higher quality products associated with such trade – will depend substantially on continued agricultural trade liberalization.

Potential FTA Impacts on Wolf L&G Farms LLC

Wolf L & G Farms is a small family-owned independent hog operation in south western Wisconsin. I run the business with my 30-year-old son, Shannon. Between 1998 and 2002, we faced tough financial times. It wasn't until 2002 that we started to recover, became financial stable and actually expanded our production. In September 2007, Wolf L & G Farms replaced an old sow facility and increased our sow capacity from 800 to 1,400. Due to this expansion, we will be able to increase the number of hogs we send to market significantly, from 20,000 to 30,000. We have also erected a new feed processing facility, increased competitiveness with new modern technology and purchased more energy-efficient equipment.

Increased pork exports over the last five years have contributed significantly to the profitability of our operation. Wolf L & G Farms markets hogs to the Waterloo and Columbus Junction, Iowa, Tyson pork processing plants. These plants export pork all over the world, including loins and tenderloins to Japan, bellies and butts to South Korea, hams to Mexico, picnic and trimmings

[1] Daniel Otto and John Lawrence, Extension Economists. "The Wisconsin Pork Industry 2006: Patterns and Economic Importance." Iowa State University, Ames, Iowa. January 2007.

to Russia and variety meats indirectly to China. Wolf L & G Farms is very proud to supply the world with our home-grown Wisconsin pork and pork products.

It is absolutely critical that U.S. pork exports continue to grow. Right now, though, high tariffs – the average global tariff on pork is a staggering 77 percent – and technical barriers to trade are stifling that growth and affecting the industry.

The four free trade agreements currently pending in Congress can help change that, and I am very excited about that. Each agreement aggressively cuts tariffs, and all tariffs are eventually phased out completely. Additionally, the governments of Peru, Colombia, Panama and South Korea have agreed to accept pork from all USDA-approved facilities. This ensures my products will not be stopped from entering these markets because of non-sciences based restrictions.

The potential impact of the pending free trade agreements on Wolf L & G Farms is very substantial. According to Iowa State University economist, once fully implemented, the Peru agreement will add 83 cents to the price I receive for each hog, the Colombia Trade Promotion Agreement will add $1.63, the Panama deal will add 20 cents, and the South Korea FTA will add a phenomenal $10 per hog. Assuming our current level of production, those agreements, respectively, would mean an additional $16,600, $32,600 and $4,000 and $200,000 in income, than otherwise would have been the case. That's more than a quarter million dollars in additional revenue to Wolf L & G Farms. Remarkably, these estimates are based on our current levels of production. However, we are expanding production and soon will be marketing 50 percent more hogs.

The added income from the pending FTAs will allow our small pork operation to grow and develop and will ensure a future in hog production for my son and his family. We eventually would like to invest resources in methane digester technology, which would help supplement profits by generating energy. It is also very important to continue to protect our environment. Given the proper resources, this could be a reality. Free trade agreements spur exports, which in turn drive our profits upward.

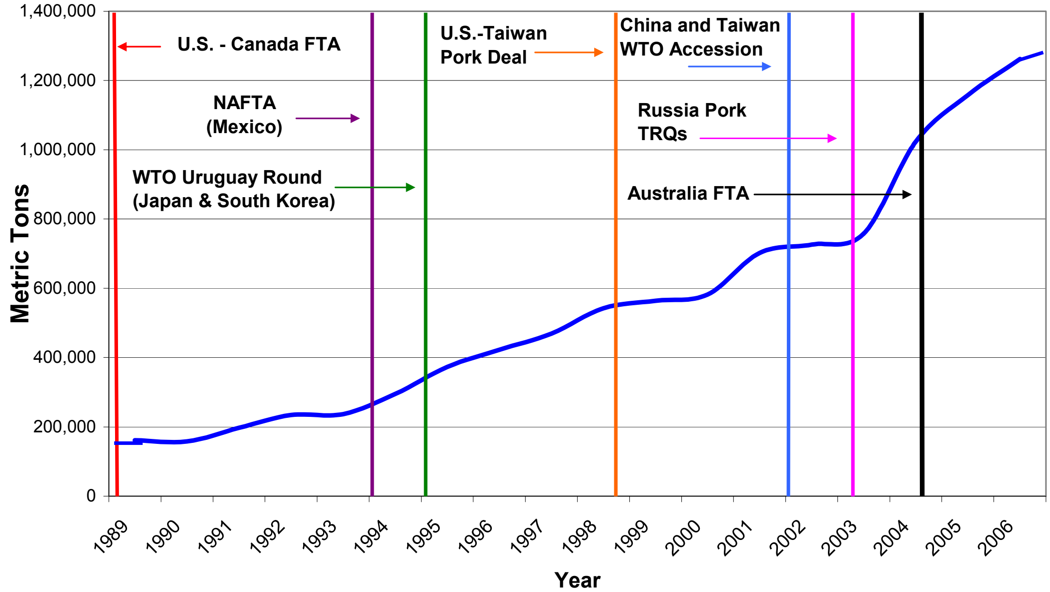
I strongly urge you to support the pending free trade agreements with Peru, Colombia, Panama and South Korea.

PORK PRODUCERS ARE BENEFITING FROM PAST TRADE AGREEMENTS

In 2006, U.S. pork exports totaled 1,262,499 metric tons valued at $2.9 billion, an increase of 9 percent by volume and 9 percent by value over 2005 exports[2]. U.S. exports of pork and pork products have increased by more than 433 percent in volume terms and 401 percent in value terms since the implementation of the NAFTA in 1994 and the Uruguay Round Agreement in 1995.

[2] All export data is from Foreign Agricultural Service's U.S. Trade Internet System. http://www.fas.usda.gov/ustrade/USTHome.asp?QI=

U.S. Pork Exports

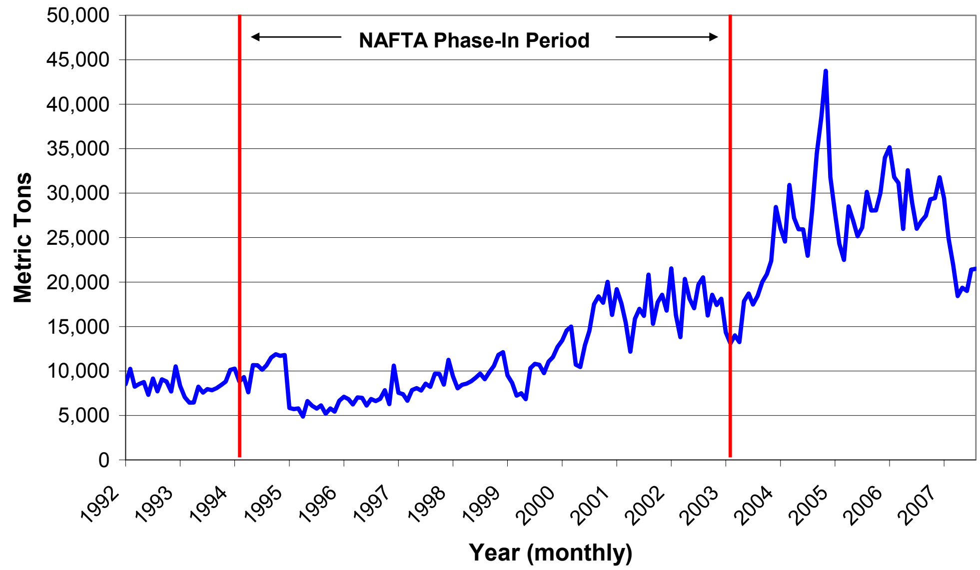


The following eight export markets in 2006 are all markets in which pork exports have soared because of recent trade agreements.

Mexico

In 2006, U.S. pork exports to Mexico totaled 356,418 metric tons valued at $558 million, an increase of 8 percent by volume and 9 percent by value over 2005 exports. Exports in 2005 were 331,488 metric tons valued at $514 million. Without the NAFTA, there is no way that U.S. exports of pork and pork products to Mexico could have reached such heights. In 2006, Mexico was the number one volume market and number two value market for U.S. pork exports. U.S. pork exports have increased by 274 percent in volume terms and 398 percent in value terms since the implementation of the NAFTA, growing from 1993 (the last year before the NAFTA was implemented), when exports to Mexico totaled 95,345 metric tons valued at $112 million.

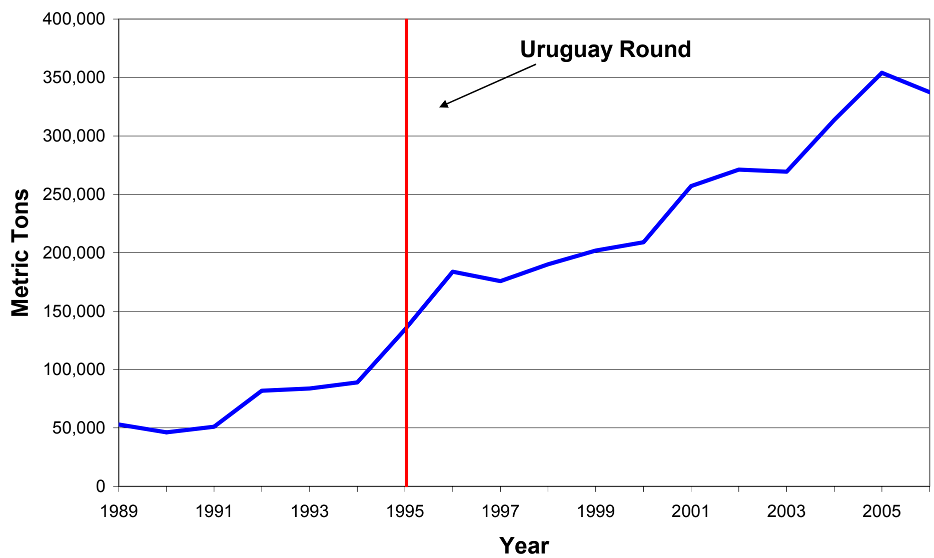
U.S. Pork Exports to Mexico



Japan

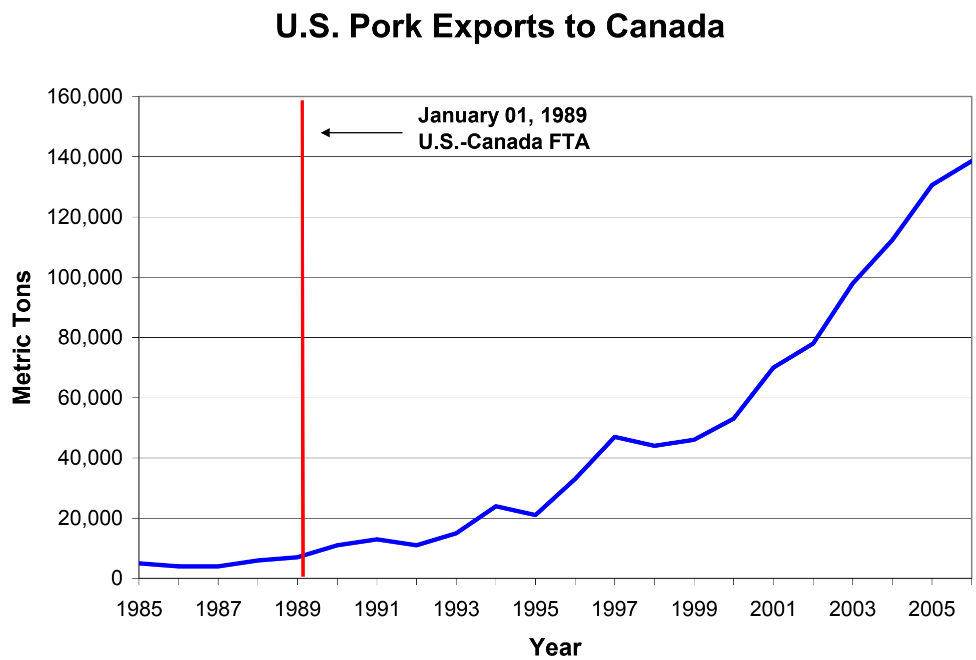
Thanks to a bilateral agreement with Japan on pork that became part of the Uruguay Round, U.S. pork exports to Japan have soared. In 2006, U.S. pork exports to Japan reached 337,373 metric tons valued at just over $1 billion. Japan remains the top value foreign market for U.S. pork. U.S. pork exports to Japan have increased by 279 percent in volume terms and by 178 percent in value terms since the implementation of the Uruguay Round.

U.S. Pork Exports to Japan



Canada

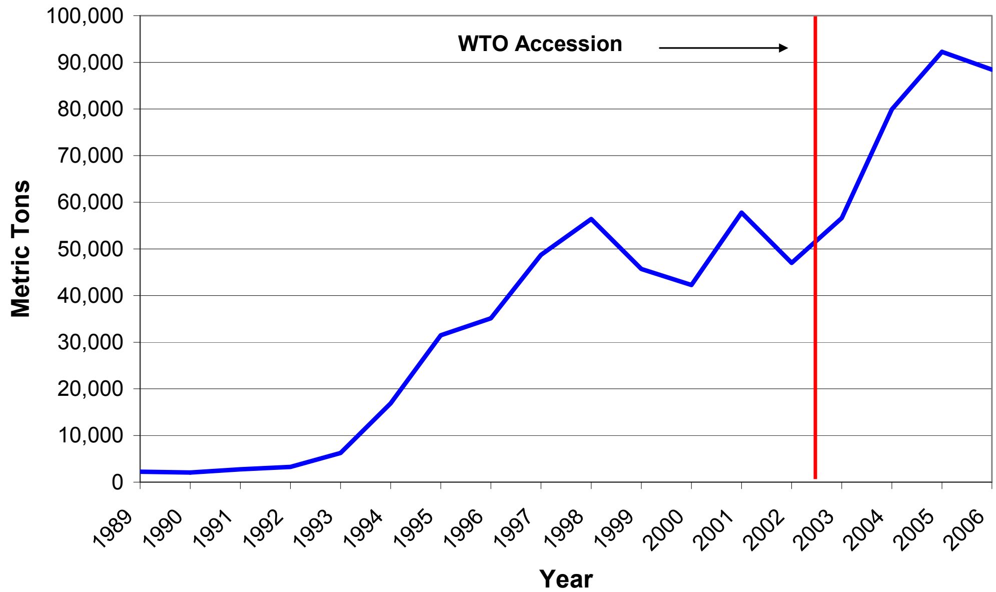
U.S. pork exports to Canada have increased by 1,933 percent in volume terms and by 2,689 percent in value terms since the implementation of the U.S.-Canada Free Trade Agreement in 1989. In 2006, U.S. pork exports to Canada increased to 138,564 metric tons valued at $437 million, a 6 percent increase by volume and an 11 percent increase by value over 2005 exports.



China

From 2005 to 2006, U.S. exports of pork and pork products to China increased 13 percent in volume terms, totaling 88,439 metric tons valued at $126 million. U.S. pork exports have exploded because of increased access gained from China's accession to the World Trade Organization. Since China implemented its WTO commitments on pork in December 2001, U.S. pork exports have increased 53 percent in volume terms and 90 percent in value terms.

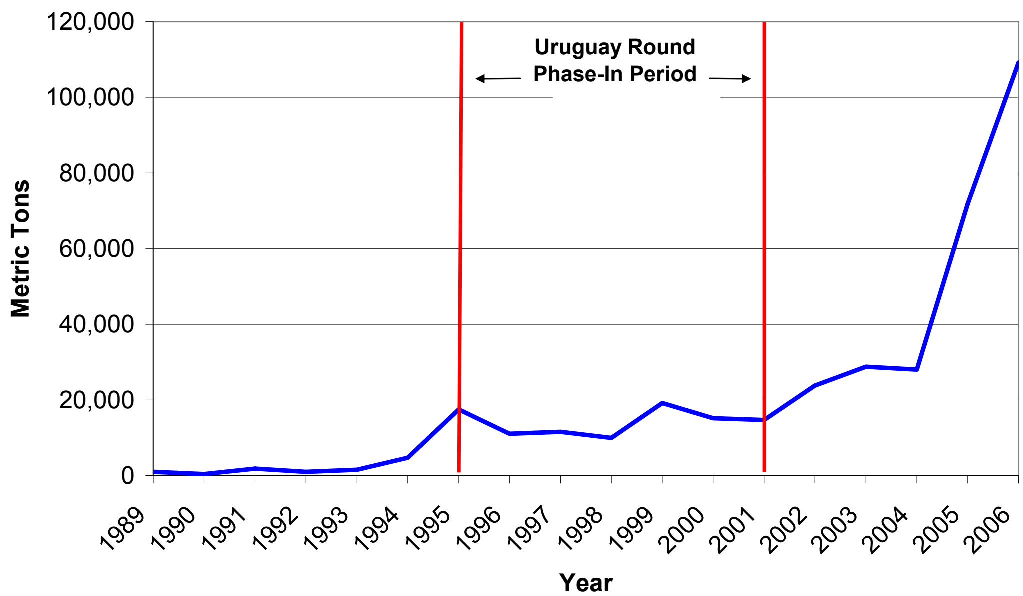
U.S. Pork Exports to China



Republic of Korea

U.S. pork exports to Korea have increased as a result of concessions made by Korea in the WTO Uruguay Round. In 2006, exports climbed to 109,198 metric tons valued at $232 million, an increase of 2,217 percent by volume and 2,606 percent by value since implementation of the Uruguay Round in 1995. Pork exports to South Korea in 2006 increased by 52 percent in volume terms and 50 percent in value terms over exports in 2005.

U.S. Pork Exports to South Korea

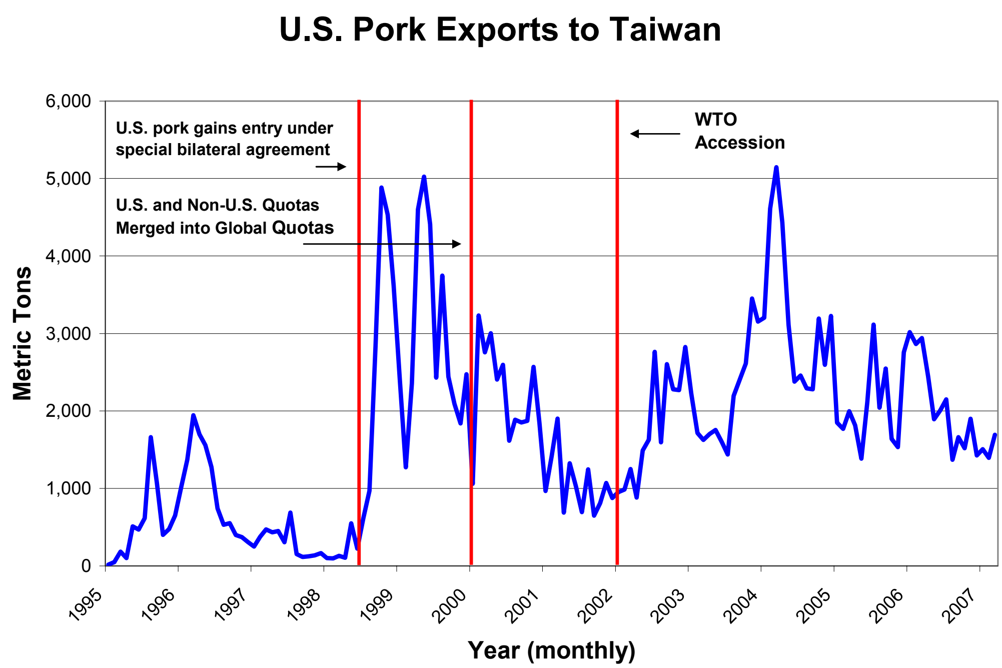


Russia

In 2006, U.S. exports of pork and pork products to Russia totaled 82,677 metric tons valued at $164 million, a 105 percent increase in volume terms and 127 percent increase in value terms over 2005. U.S. pork exports to Russia have increased largely due to the establishment of U.S.-only pork quotas established by Russia as part of its preparation to join the World Trade Organization. The spike in U.S. pork export to Russia in the late 1990s was due to pork shipped as food aid.

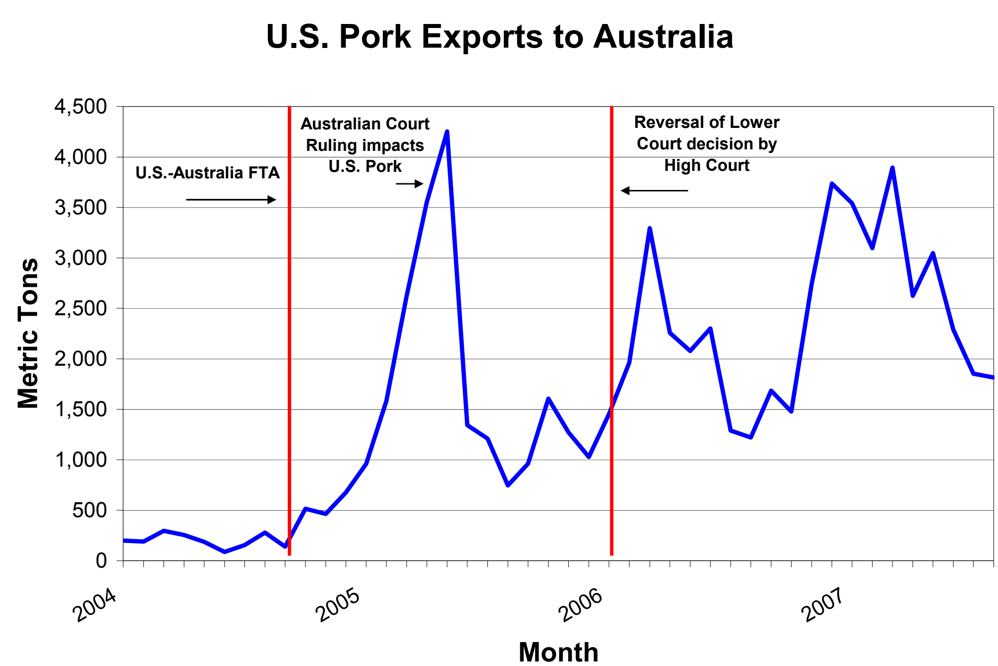
Taiwan

In 2006, U.S. exports of pork and pork products to Taiwan increased to 25,198 metric tons valued at $38 million. U.S. pork exports to Taiwan have grown sharply because of the increased access gained from Taiwan's accession to the World Trade Organization. Since Taiwan implemented its WTO commitments on pork, U.S. pork exports have increased 99 percent in volume terms and 103 percent in value terms.



Australia

The U.S. pork industry did not gain access to Australia until the recently implemented U.S.-Australia FTA. U.S. pork exports to Australia exploded in 2005 despite a legal case over Australia's risk assessment of pork imports. Australia is currently one of the top destinations for U.S. pork, with 2006 exports totaling 25,486 metric tons valued at $62 million.



Benefits of Expanding U.S. Pork Exports

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

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

Income Multiplier – The USDA has reported that the income multiplier from meat exports is 54 percent greater than the income multiplier from bulk grain exports.

Feed Grain and Soybean Industries – Each hog that is marketed in the United States consumes 12.82 bushels of corn and 183 pounds of soybean meal. With an annual commercial slaughter of 105.3 million animals in 2006, this corresponds to 1.34 billion bushels of corn and 9.63 million tons of soybean meal. Since approximately 15 percent of pork production is exported, pork exports account for approximately 201 million bushels of corn and 1.44 million tons of soybean meal.

As the benefits from the Uruguay Round and NAFTA begin to diminish because the agreements are now fully phased in, creation of new export opportunities becomes increasingly important.

The United States currently has four pending free trade agreements: U.S.-Korea FTA and the Colombia, Peru and Panama Trade Promotion Agreements. Each of these agreements will significantly benefit U.S. pork producers.

KORUS FTA

- U.S. pork exports to Korea have increased as a result of concessions made by Korea in the Uruguay Round. In 2006, exports climbed to 109,198 metric tons valued at $232 million, an increase of 2,217 percent by volume and 2,606 percent by value since implementation of the Uruguay Round. Exports to the Republic of Korea in 2006 grew aggressively over 2005 exports, increasing by 52 percent in volume terms and 50 percent in value terms. South Korea currently is the fourth largest export market for U.S. pork.

- The United States is the largest foreign supplier of pork to South Korea. Major competitors include the EU, Canada, Chile and Australia. The U.S.-Korea FTA will give U.S. pork preferences in this lucrative market over other foreign competitors.

- U.S. pork products currently face significant tariffs in South Korea. The current South Korean duty on bellies, a high demand pork product, for example, is 25 percent. Under the terms of the U.S.-Republic of Korea FTA, tariffs will be eliminated on all frozen and processed pork products by 2014. Fresh chilled pork will be duty free 10 years after implementation with a safeguard.

- In addition to ambitious market access gains, the Republic of Korea has agreed to accept all pork and pork products from USDA-approved facilities. This provision ensures trade will be possible without onerous technical or sanitary barriers.

- The U.S.-Republic of Korea FTA will add hundreds of millions of dollars to the U.S. pork industry through additional pork exports. Exports positively affect the price of live hogs and, therefore, the agreement will benefit all U.S. pork producers. According to Iowa State University economist Dermot Hayes, the Korea agreement, when fully implemented, will cause live U.S. hog prices to be **$10.00** higher than would otherwise have been the case.

Colombia Trade Promotion Agreement

- The Colombia Trade Promotion Agreement (CTPA) negotiated between the United States and Colombia, once fully implemented, will significantly benefit U.S. pork producers. Under the terms of CTPA, the tariffs on some pork and pork products will be eliminated immediately, while the tariffs on others will be phased out over a five-year period.

- In addition to the favorable market access provisions, significant sanitary and technical issues have been resolved. In a Feb. 26, 2006, letter, the Colombian government confirmed that it shall recognize the meat inspection system of the United States as equivalent to its own meat inspection system.

- Live hog prices are affected positively by the introduction of new export markets. According to Iowa State University economist Dermot Hayes, the Colombia agreement, when fully implemented, will cause live U.S. hog prices to be $1.63 higher than would otherwise have been the case. That means that the profits of the average U.S. pork producer will expand by 14 percent, based on 2005 data.

Peru Trade Promotion Agreement

- The free trade agreement negotiated between the United States and Peru, when implemented, will create important new opportunities for U.S. pork producers. U.S. pork exports to Peru currently are restricted by duties as high as 25 percent. The Peru Trade Promotion Agreement (PTPA), if implemented, will establish immediate tariff reductions on all pork products. Some pork products will receive unlimited duty-free access upon implementation of the agreement. Tariffs on most pork items will be phased out within five years. All pork tariffs will be completely phased out in 10 years.

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

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

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

Panama Trade Promotion Agreement

- The Free Trade Agreement negotiated between the United States and Panama, when implemented, will create important new opportunities for U.S. pork producers. U.S. pork exports to Panama are currently restricted by a very limited quota and by out-of-quota duties as high as 80 percent. The Panama Trade Promotion Agreement, if implemented, will provide immediate duty-free treatment on pork variety meats and will expand market access for U.S. pork through tariff-rate quotas.

- In addition to the favorable market access provisions, significant sanitary and technical issues have been resolved. In a Dec. 20, 2006, letter, the Panamanian government confirmed that it shall recognize the meat inspection system of the United States as equivalent to its own meat inspection system. This technical agreement ensures U.S. pork producers will benefit from the Panama Trade Promotion Agreement without being blocked by unnecessary sanitary barriers.

- U.S. pork competes in Panama with pork from Canada and the EU. The Panama Agreement, if implemented, will give U.S. pork products a competitive edge in the market.

- According to Iowa State University economist Dermot Hayes, the Panama agreement, when fully implemented, will cause hog prices to be 20 cents higher than would otherwise have been the case. Therefore, exports to Panama will be worth approximately $20.6 million to the U.S. pork industry in additional revenue than otherwise would have been the case.

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