



# Trade Policy Report

## January-June 2012

### Mid-Year Overview

- NPPC was instrumental in removing a trichinae mitigation requirement, inhibiting exports of fresh/chilled pork, prior to implementation of the U.S.-Colombia Free Trade Agreement.  
*CONTINUED ON THIS PAGE*
- The Codex Alimentarius Commission adopted a science-based standard for ractopamine during their July meeting.  
*CONTINUED ON PAGE 2*
- In a letter to Administration officials, NPPC called for Taiwan to lift its ban on ractopamine.  
*CONTINUED ON PAGE 2*
- NPPC continues to push for the entry of Japan, the top value market for U.S. pork exports, into Trans-Pacific Partnership (TPP) negotiations.  
*CONTINUED ON PAGE 2*
- Mexico was invited to join the Trans-Pacific Partnership negotiations in June.  
*CONTINUED ON PAGE 3*
- NPPC urged the Obama administration to comply with a World Trade Organization decision against the U.S. Mandatory Country-of-Origin Labeling (MCOOL) law and will work to promote harmonization of the North American hog market.  
*CONTINUED ON PAGE 3*
- The U.S.-Korea Free Trade Agreement entered into force March 15, expanding market access for pork products.  
*CONTINUED ON PAGE 4*
- Russia will become a member of the WTO on August 22. NPPC is concerned about a number of matters related to Russia's WTO accession package, primarily related to non-science-based trade barriers.  
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### Overview

During the first half of 2012, U.S. exports of pork and pork products totaled 1,133,550 metric tons (MT) valued at \$3.17 billion, an increase of about 5% by volume and 13% by value compared with the same period for 2011.

### Free Trade Agreements

Exports will increase as a result of the implementation of free trade agreements (FTAs) with South Korea, Colombia and Panama. The Korea and Colombia FTAs entered into force in March and May 2012, respectively. The U.S.-Panama FTA is expected to enter into force in the latter half of 2012.

### U.S.-Colombia FTA Update

The U.S.-Colombia FTA will phase out tariffs on most pork products over the next five years, and tariffs on bacon and pork skin were eliminated upon entry into force. Iowa State University economist Dermot Hayes

### U.S. Pork and Pork Variety Meat Exports

Country/Region	Volume (Metric Tons)			Value (US \$1,000)		
	January-June			January-June		
	2011	2012	% Change	2011	2012	% Change
Japan	249,483.6	231,984.9	-7%	944,321	1,013,548	7%
Mexico	260,930.5	294,097.4	13%	485,141	537,473	11%
Canada	95,794.7	110,876.1	16%	334,361	402,777	20%
China/Hong Kong	173,335.7	221,874.9	28%	260,419	448,605	72%
Russia	32,640.4	47,750.5	46%	98,326	138,603	41%
South Korea	122,899.0	86,088.4	-30%	301,449	245,771	-18%
Australia	36,961.3	36,656.0	-1%	118,275	112,674	-5%
ASEAN	28,048.1	22,417.6	-20%	64,173	57,980	-10%
Central and South America	18,693.0	21,837.7	17%	86,570	101,624	17%
Caribbean	17,580.5	16,554.2	-6%	41,580	41,251	-1%
European Union	4,463.2	3,676.7	-18%	17,410	11,735	-33%
Taiwan	16,619.9	9,368.7	-44%	28,913	20,950	-28%
Other	24,129.7	30,366.4	26%	24,990	32,346	29%
<b>World Total</b>	<b>1,081,579.6</b>	<b>1,133,549.5</b>	<b>5%</b>	<b>2,805,928</b>	<b>3,165,337</b>	<b>13%</b>

Source: USDA

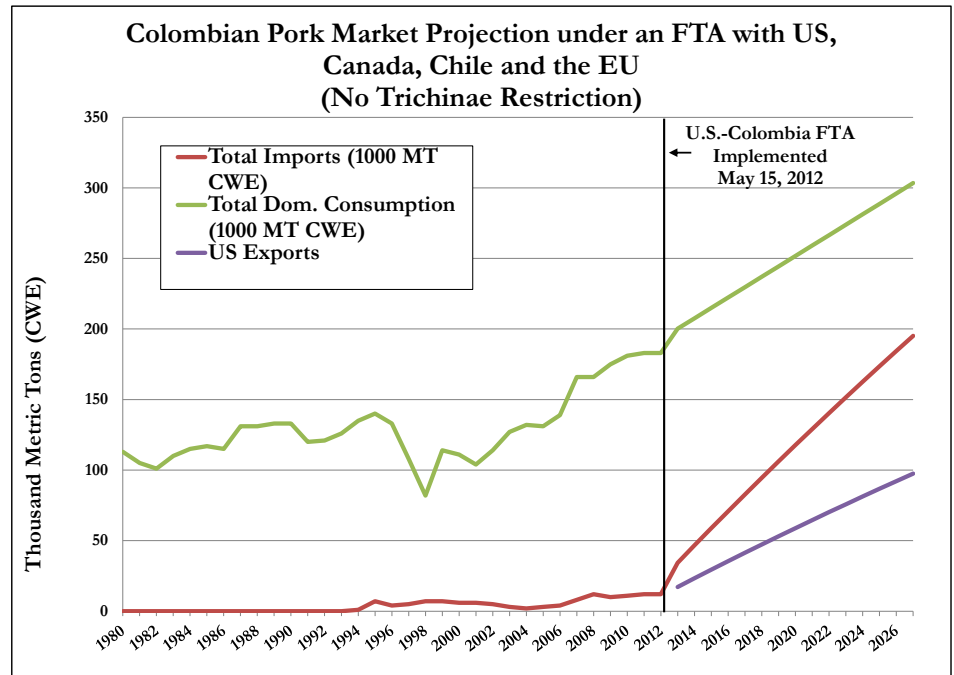
estimates that after full implementation the U.S. pork industry will export an additional \$68.9 million. However, this projection took into account the trichinae mitigation measures Colombia required the U.S. pork industry to meet, which included testing and freezing of U.S. pork. Since there is a negligible risk for trichinae in the U.S. swine herd, this

requirement represented a non-scientific barrier to trade that inhibited access of U.S. chilled pork exports to Colombia. NPPC worked closely with U.S. and Colombian officials and was instrumental in removing the trichinae mitigation requirement prior to implementation of the FTA. In a revised *continued on next page*

analysis, Hayes now forecasts the removal of the trichinae restrictions and ability to ship fresh/chilled pork will allow exports to reach \$225 million fifteen years after implementation.

## Colombia Marketing Plan

NPPC has also been developing plans with members of the Asociación Colombiana de Porcicultores (the Colombian Pork Producers Association) for Colombia's local pork marketing campaign. Though current domestic pork consumption in Colombia is low (197,000 MT in 2011), Colombian pork producers believe a successful pork marketing campaign will increase pork consumption. Increased domestic pork consumption in Colombia will benefit both domestic Colombian and U.S. producers.



Source: Dermot Hayes, Iowa State University

## CODEX

### Codex Approves Standard for Ractopamine

At the July meeting of the Codex Alimentarius Commission, the United Nations food standards body, a science-based standard was adopted for ractopamine, a feed ingredient used to promote leanness in pork and beef. Ractopamine has been evaluated and approved by the U.S. Food and Drug Administration and approved for use in pork production in 25 other countries. A Codex panel of independent international scientists, including scientists from the European Union, has confirmed the safety of ractopamine three times.

The adoption of the standard had been stalled for four years because of unscientific concerns by several countries, primarily members of the European Union, which refused to conduct a risk assessment on the compound.

The EU, China, Taiwan and Thailand currently ban imports of pork from pigs fed ractopamine.

NPPC is using the adoption of maximum residue levels for ractopamine as a path forward to engage with trading partners that have food-safety concerns related to science and to encourage those that have erected unscientific barriers to remove them based on yet another scientific based decision reaffirming the safety of the compound.

## TAIWAN

### Policy Update

In July, the Taiwanese legislature passed legislation that set an MRL for imported beef muscle, but did not include beef offals or any pork products. Taiwan has had a zero tolerance policy on ractopamine in pork since 2007.

NPPC recently send a letter to the Administration expressing its objection to re-opening Trade and Investment Framework Agreement (TIFA) negotiations with Taiwan due to its failure to remove a ban on ractopamine. NPPC also urged U.S. officials to “up the ante” on Taiwan by indicating that the United States will not support Taiwan's entry into Trans-Pacific Partnership negotiations until it drops its ractopamine ban on imports and by exploring all potential tools, including legal options, to get the Taiwanese to open their market.

If Taiwan removed the ractopamine ban on pork imports, U.S. exports to that country would increase to \$417 million within 10 years, according to Iowa State University economist Dermot Hayes.

## JAPAN

### Market Overview

In 2011, the United States exported 493,315 MT of pork products to Japan valued at \$1.96 billion, making it the highest value market and second highest volume market.

### Policy Update

Last November, Japan expressed interest in joining the Trans-Pacific Partnership (TPP) negotiations. The United States and Japan are continuing consultations regarding Japan's entry into the TPP. U.S. officials have highlighted outstanding issues to Japan's entry, including opposition by the Big Three auto manufacturers. Also, Japanese Prime Minister Yoshihiko Noda faces a volatile political environment and strong domestic opposition to the TPP, including enormous push back from Japanese agriculture. NPPC continues to push for Japan's entry into negotiations as soon as possible. NPPC has been active on the Hill in support of Japan, has run several advertisements in Roll Call and other publications read widely on the Hill, and led a coalition of 64 agriculture and food industry groups in a letter to Congress in support of Japan joining the TPP negotiations.

# CANADA

## Market Overview

Canada's exports have been strong because of large shipments to the United States, Russia and China.

Canada is now the No. 2 supplier of pork to Russia and is pursuing further growth.

The U.S.-Korea FTA will provide an advantage to U.S. pork that will increase in subsequent years and reduce Canadian exports to South Korea.

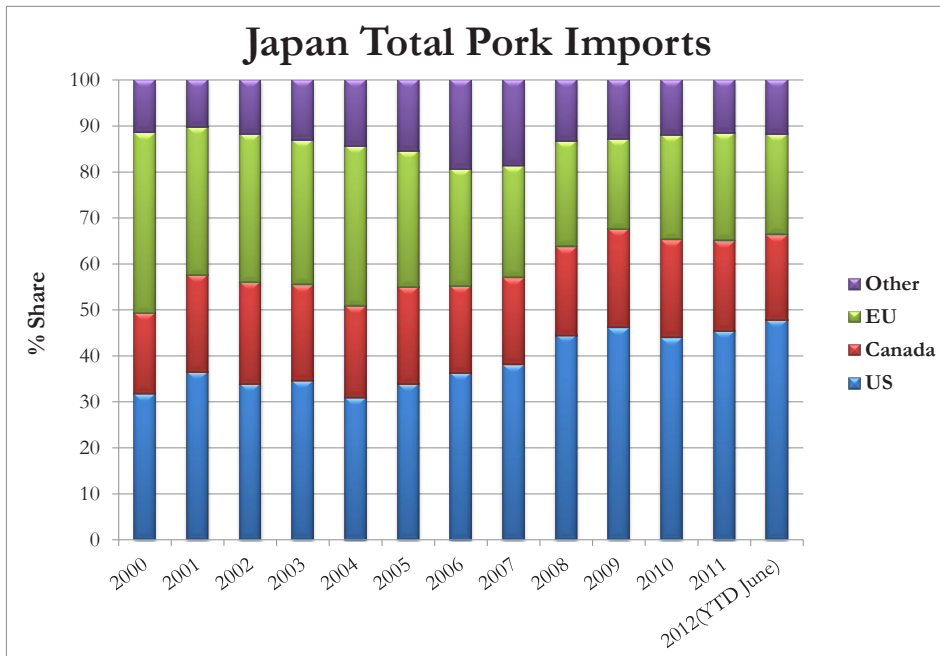
Domestically, Canada's pork production is forecast slightly higher in 2012, with expected sow stocks nearly steady.

## Policy Update

In June 2012, Canada was invited to join the Trans-Pacific Partnership (TPP) negotiations.

The World Trade Organization (WTO) Appellate Body recently upheld a previous WTO dispute settlement panel ruling that the U.S. Mandatory Country of Origin Labeling (MCOOL) law violates U.S. trade obligations. NPPC will urge the Obama administration to comply with the WTO decision and will continue to work to promote harmonization of the North American hog market. The United States risks retaliation from Canada and Mexico, both of which filed complaints with the WTO over the U.S. labeling law, if it refused to comply with the MCOOL ruling. NPPC's

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Source: Japan Customs

# MEXICO

## Market Overview

The recent escalation in corn prices is expected to lead to liquidation in Mexico. U.S. ham prices, which hit a 30-month low in April, have since increased by approximately 40%. This rapid increase of U.S. ham prices could restrain pork exports to Mexico in the short term, especially if liquidation drives down the price of domestic pork.

## Policy Update

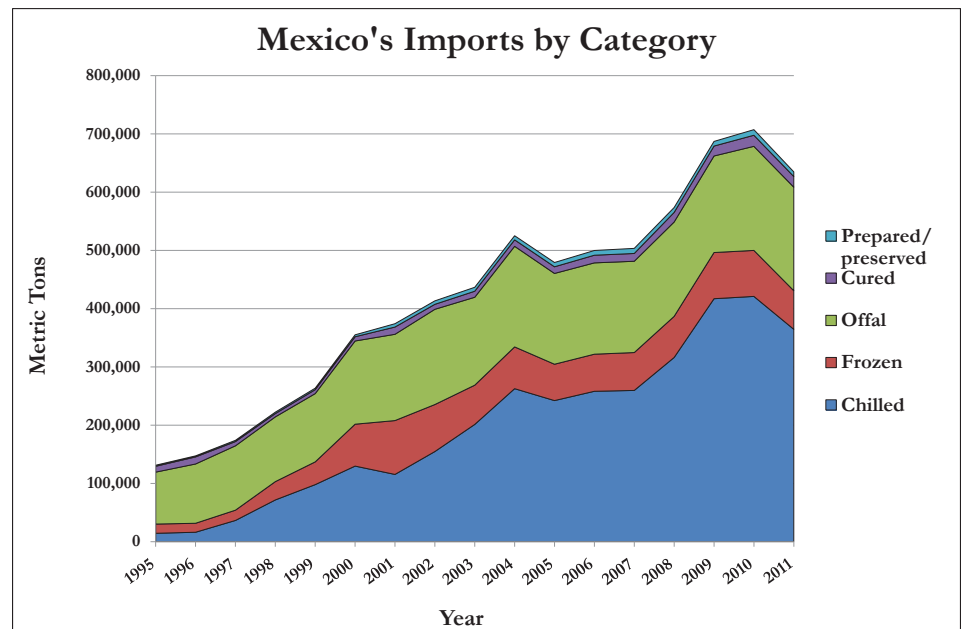
In June 2012, Mexico was invited to join the Trans-Pacific Partnership (TPP) negotiations.

With the support of NPPC, the U.S. Department of Agriculture's Animal and Plant Health Inspection Service (APHIS) has continued to make sure Mexico has the necessary animal health infrastructure and laboratory and disease management protocols to declare certain Mexican states free of classical swine fever (CSF). NPPC supports Mexico's efforts to export pork and pork products to the United States from regions that APHIS determines pose no risk of disease transmission. NPPC supports the principle of regionalization as a way of facilitating trade with areas free of contagious swine diseases and will continue to work with APHIS to address Mexico's animal health concerns.

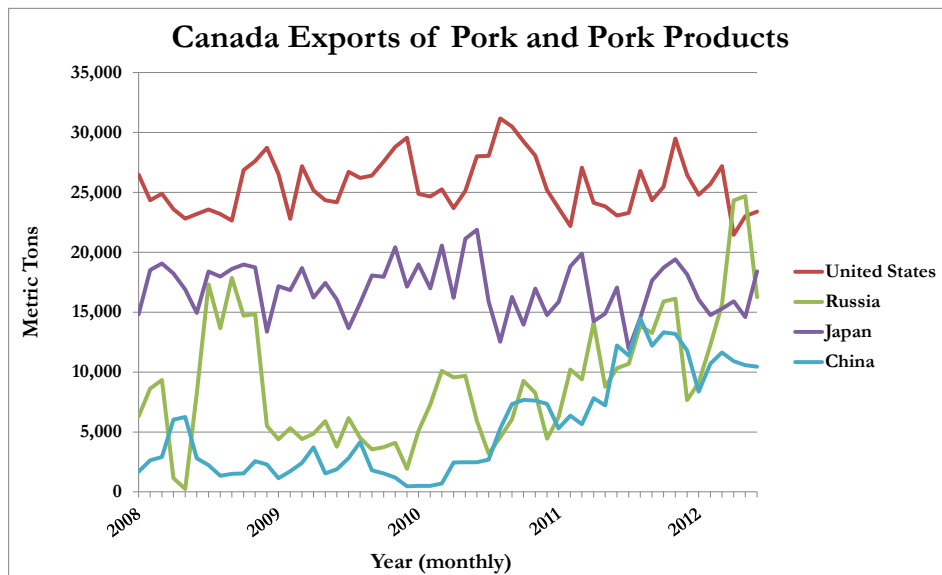
As part of the North American Free Trade Agreement (NAFTA), Mexican trucks were

permitted to haul goods into the United States. However, U.S. implementation of this provision was delayed, resulting in retaliatory tariffs by Mexico against U.S. agricultural products, including pork in 2010. The tariffs were removed in October 2011 following the issuance of long-haul operating authority to Mexican carriers as part of a U.S. Department of Transportation (DOT) pilot program. DOT requires a certain number of crossings for a strong statistical sample to determine the overall safety of Mexican carriers.

In August, Mexico decided to impose anti-dumping duties on imports of U.S. chicken leg quarters.



Source: INEGI



Source: Statistics Canada

position on MCOOL is consistent with its long-standing support for harmonization of North American meat and livestock policies with regard to product labeling, food safety, animal health and subsidy programs. On the latter two issues, NPPC has asked the Canadian government to recognize the U.S. swine herd health status as equivalent to Canada's – recognition that will facilitate hog trade between the countries – and to reform its hog subsidy programs, which distort the North American hog and pork market, limiting the growth of U.S. pork production, employment and profitability. Ontario's Risk Management Program, for example, would boost Canadian hog production by more than 606,000 animals, cut U.S. pork production by more than 430,000 hogs worth more than \$73 million and cost nearly 600 U.S. pork

industry jobs over five years, according to an estimate by Iowa State University economist Dermot Hayes.

## SOUTH KOREA

### Market Overview

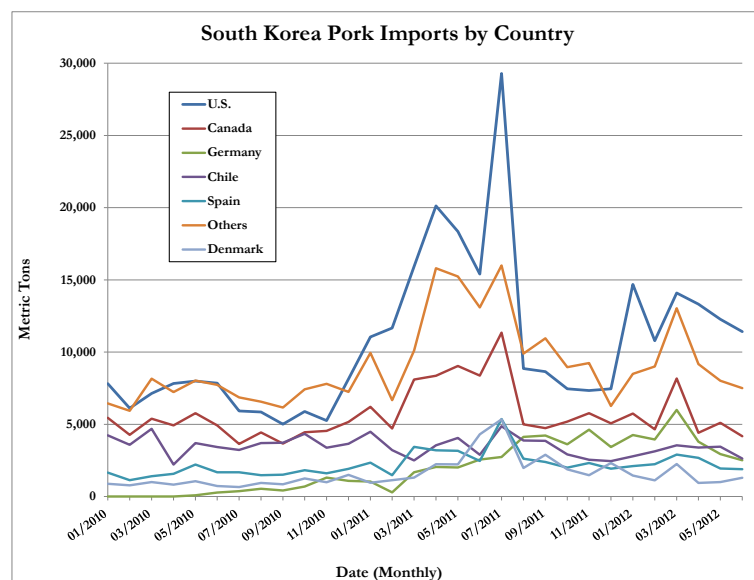
Year-to-date, U.S. pork exports to South Korea were lower by volume and value than during the same time last year when a Foot and Mouth Disease (FMD) outbreak in the Asian country led to supply shortages and resulted in increased pork imports. As expected, domestic production has increased in the past several months, decreasing the demand for imported pork.

The South Korean government issued a duty-free pork quota of 70,000 MT from January 1, 2012, through March 31, 2012. The quota was for pork bellies and frozen pork for processing. That quota was limited to 20,000 MT for the April-June period.

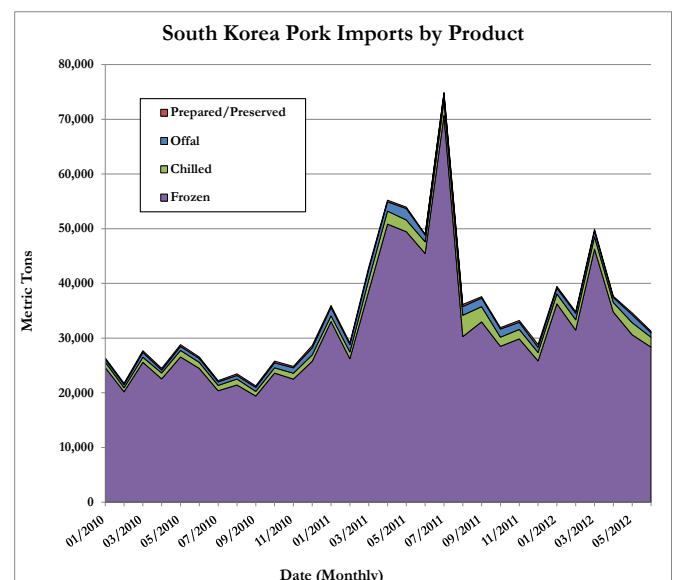
Domestic production is still rebuilding after last year's FMD outbreak. Recovery is occurring faster than expected and domestic production is estimated to return to 90-95% of pre-crisis levels by the end of 2012.

### Policy Update

The U.S.-Korea Free Trade Agreement (KORUS FTA) entered into force March 15, 2012. Before implementation of the KORUS FTA, U.S. pork exports to South Korea were subject to significant tariffs of 25% on frozen pork products and 22.5% on fresh or chilled pork products. Under the agreement, tariffs will be eliminated on all U.S. frozen pork and some processed pork products Jan. 1, 2016, and fresh-chilled pork will be duty-free 10 years after implementation. According to economist Dermot Hayes, the FTA with Korea will increase annual U.S. pork exports by \$687 million and add \$10 to the price for each hog. NPPC was instrumental in getting the Korea FTA approved.



Source: Korea Customs and Trade Development Institution



Source: Korea Customs and Trade Development Institution



# RUSSIA

## Market Overview

President Putin has pledged support to producers, including a recent decision to allocate 6 billion rubles annually (about US\$193 million) to subsidize pork processing in the next three years.

Per the WTO accession agreement, Russia will apply zero tariffs on pork products within the tariff rate quota. Russia's current applied tariff on these products is 15%. Pork duties above the quota will decline from 75% to 65%.

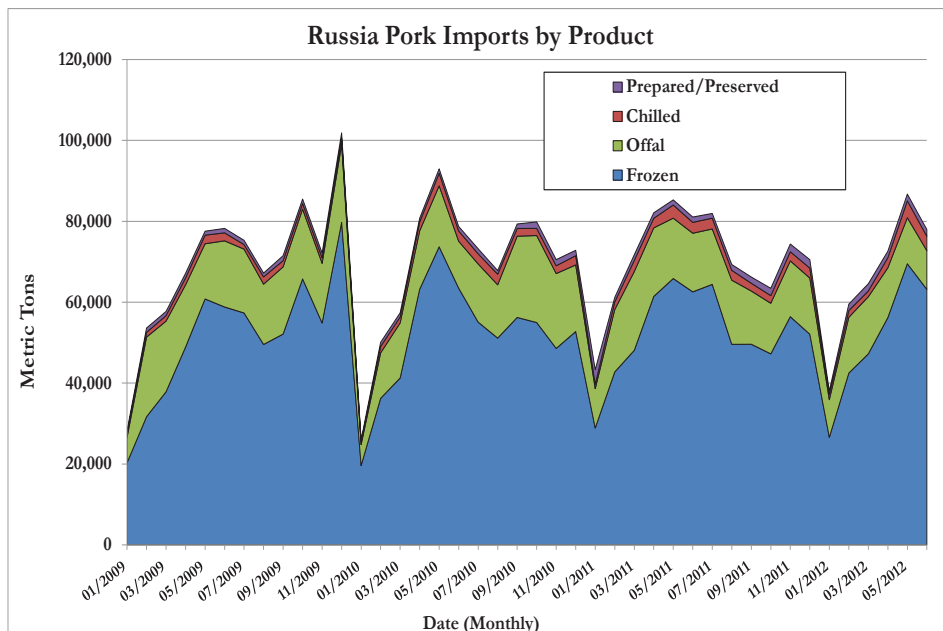
USDA estimates a 2.4% increase in Russian pork production in 2012, driven by cheaper feed prices and state support.

Brazilian pork exports to Russia have been severely affected because of Russian delisting of Brazilian pork plants.

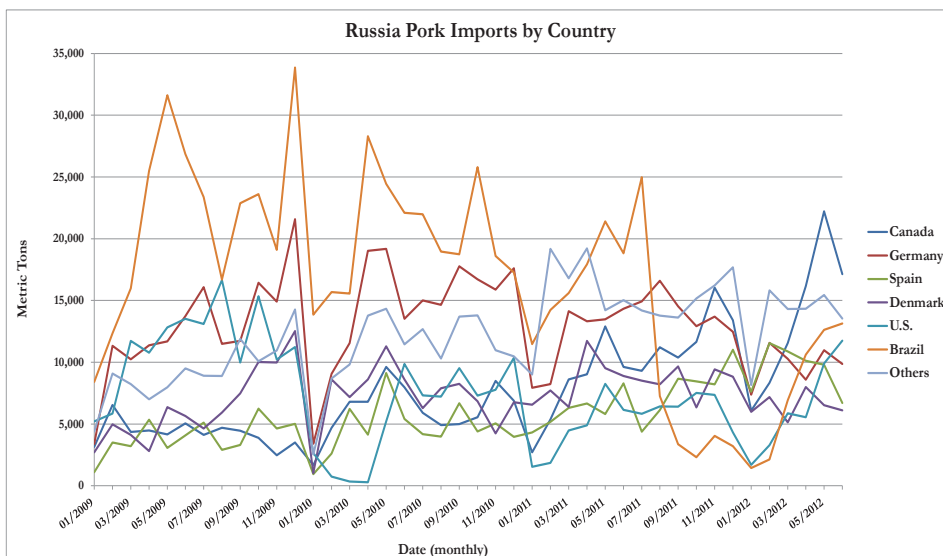
## Policy Update

Russia will become a member of the WTO on August 22, a move that will compel Congress to vote on extending permanent normal trade relations (PNTR) status to Russia and on repealing the Jackson-Vanik amendment, which affects U.S. trade with countries that restrict freedom of emigration and that have poor human rights records. NPPC has concerns about a number of matters related to Russia's WTO accession package, primarily related to non-science-based trade barriers that have severely affected exports to Russia.

In June, 34 senators, led by Sens. Chuck Grassley, R-Iowa, and Ben Nelson, D-Neb, signed a letter to President Obama asking the administration to obtain firm commitments from Russia on outstanding sanitary-phytosanitary issues and guarantees to uphold science-based international standards for trade in pork, beef and poultry products.



Source: Customs Committee of Russia



Source: Customs Committee of Russia

Your input in the first edition of NPPC's Trade Policy Report will be very helpful as we consider both the usefulness of the Report as well as specific changes. Please pass on any suggestions to NPPC's trade policy team.

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