

**Agricultural Marketing Service (AMS)—Livestock, Poultry and Seed (LPS) Program
Meeting with Pork Sector Stakeholders
May 8, 2014**

Stakeholder Representatives:

1. John Anderson, Deputy Chief Economist, American Farm Bureau Federation
2. Chelsea Keys, Director of Government Relations, National Pork Producers Council
3. Neil Dierks, Chief Executive Officer, National Pork Producers Council
4. Paul Sundberg, Senior Vice President, Science and Technology, National Pork Board
5. Mark Dopp, Senior Vice President, Regulatory Affairs/General Counsel, American Meat Institute
6. David Lehman, Managing Director, Chicago Mercantile Exchange
7. Marty Manion, Executive Director , American Association of Meat Processors
8. Mike Stranz, Senior Government Relations Representative, National Farmers Union

Introduction: On May 8, 2014, AMS-LPS hosted a meeting with 8 leaders from 7 organizations representing pork sector stakeholders. This was the second of a planned series of meetings with stakeholders from various sectors served by LPS. The meeting took place in the LPS Conference Room and started with introductory remarks from AMS Administrator Anne Alonzo. LPS Deputy Administrator Craig Morris explained the purpose of the stakeholder meeting, highlighting that input from these meetings will influence the LPS operating plan for 2015 and give sector stakeholders an opportunity to meet the LPS “bench”—the directors who head up a broad range of divisions and activities in the program. Dr. Morris provided a brief summary of print materials provided to participants, then National Organic Program (NOP) Deputy Administrator Miles McEvoy briefly explained NOP’s mission. LPS Division Directors introduced themselves and gave brief overviews of their respective divisions; each Division Director opened up the floor to questions and discussion after speaking. Below is a summary focused on capturing, and contextualizing where necessary, the main concerns and issues discussed with a focus on participant questions and contributions.

Primary Challenges:

Porcine Epidemic Diarrhea Virus (PEDV)—PEDV is taking a significant toll on the industry and participants are anxious about next steps in Government and industry. The disease is not considered an internationally reportable disease by the World Organization for Animal Health (OIE) because it is endemic in several countries and does not impact human health, nonetheless it is very destructive once it affects a herd. Participants expect to deal with PEDV’s ramifications until a vaccine is available and some expressed anxiousness about USDA’s forthcoming announcement of some kind of requirement for reporting the disease in the United States. In particular, some participants expressed concern that if USDA’s response to reported cases of the disease is onerous to producers in a larger area, producers may be hesitant to report their cases, as was the case with H1N1. One participant indicated that the movement of animals in the global economy today may make a disease such as PEDV a norm rather than an exception, and mentioned the possible need for a PEDV process verified program (PVP) in the future to certify that livestock did not have the disease.

Market News Disruption and Reauthorization—Participants expressed appreciation for Market News, emphasizing that a near-crisis occurred without it during the Federal Government shutdown in October 2013 and commending LPS for producing reports with the backlogged information as soon as the shutdown ended. (Since slaughter hog and pork reporting is covered by Livestock Mandatory Reporting (LMR) , market information was still coming in to Market News during the shutdown, but by law non-expected Federal employees were prohibited from working, e.g. validating, compiling, and reporting out market news during the shutdown.) Given the critical nature of the information to hog marketing and to

futures contracts, industry deployed emergency measures in some cases, such as the settling of CME futures contracts, during the time period. Participants also indicated at the meeting that another Government shutdown resulting in Market News being unavailable may lead industry to the development of an alternative system to replace AMS' Market News during a lapse. The CME Group needed to invoke alternative final settlement procedures for October 2013 Lean Hog Future and Options, because AMS data were not available to calculate the Lean Hog Index that is used to determine final settlement value.

Mandatory reporting is up for Congressional reauthorization in September 2015. Participants indicated support for continuing mandatory price reporting and are communicating internally within their organizations to identify what changes they might like to see if and when Congress votes to reauthorize mandatory reporting. (Since hog reporting is mandatory and prescriptive in the Act, many changes require changes to the law, unlike with the other LMR-covered commodities.) While some specific possibilities were mentioned, such as shifting pigs sold in the afternoon to the next day's report to boost negotiated hog numbers in the morning reports—this also led to discussion of larger questions about the adequacy and relevance of some of the current hog reports given the decreasing use of negotiated transactions for trading hogs and pork. For instance, participants questioned whether Market News reports could better reflect the market if they captured net prices and future sales. There was also discussion about reporting estimated net price information for current purchases based on historical carcass performance. Connecting final carcass prices to prior transactions is a challenge in part because when hogs are slaughtered, their identification does not continue through the mandatory price reporting system.

Board Diversity—Participants asked about the status of National Pork Board nominations recently sent to Secretary Vilsack and indicated that while they embrace diversity, it is challenging to identify nominees who are diverse in gender and ethnicity, and indicated that they also strive for diversity in geographic location and operation size and type when nominating board members. (One participant noted that the three women board members constitute 20 percent of the board which is greater than the percentage of women hog producers.) One participant asked that the Department help them in understanding our definition of diversity. The United Soybean Board was discussed as comparable in terms of having challenges nominating an ethnically diverse board because board members are overwhelmingly white men. The United Soybean Board is investing significant resources in conducting outreach to producers whose ethnic groups have not traditionally been represented in the board membership, and is making many efforts to ensure and demonstrate that minorities are not being overlooked.

Antibiotic Use— Participants discussed growing consumer, retailer, and trading partner demand for meat from animals that are raised without antibiotics or with “judicious use” of antibiotics, and pointed out that for hog farms, “judicious use” often means no use. One participant indicated that his organization is working to put a system in place and conduct consumer research on the matter. Another indicated that the challenges presented with an issue like this means they look to AMS early—not as a last resort—to establish a process verified program (PVP) as a proactive way of preventing onerous requirements that may result from establishment of export verification programs to maintain export market access.

International Animal Welfare—Participants expressed their gratitude to LPS Deputy Administrator Dr. Craig Morris for heading up an effort to identify consensus among industries, government officials, and animal welfare organizations in the United States on the topic of international animal welfare standards. Some participants voiced recognition that there are some fundamental and seemingly unbridgeable differences among these groups on the topic of animal welfare, and appreciate the challenge Dr. Morris faces in ensuring that U.S. processes and positions are considered in the effort to develop an ISO animal welfare standard that advances animal welfare in general worldwide. All participants stressed that

standards should be advanced that relate to animal health. (APHIS remains the U.S. lead on this issue with the OIE, which represents government-to-government efforts. Dr. Morris is the U.S. lead on the ISO effort, which is focused on achieving private sector standards. OIE supports the ISO effort.) One participant asked whether SSAFE—a public private partnership in the United States representing multinational restaurant chains—is as involved with this process as before. Dr. Morris said yes, and on the topic of animal welfare in general (not just specific to the ISO effort) mentioned that numerous retailers have announced their intention to move forward with no gestation crates.

Other Issues/Concerns:

FOIA

- Participants asked if there were Freedom of Information Act requests in AMS related to pork, and indicated that they would like to see AMS routinely make a list of incoming FOIA requests available to the industry and public. FSIS does something similar, and some participants indicated they would benefit from seeing who is submitting pork-related FOIA requests and on what issues. AMS will explore the possibility of doing something similar.

Dietary Guidelines

- Participants are concerned about criticism of processed meats in current discussions about dietary guidelines as much of the pork carcass is used for processed meats. One participant noted that discussing sustainability as a precursor to dietary guidelines is especially concerning in part because a definition of sustainability is not clear, and some participants indicated that environmentally, the pork industry does well with sustainability because consolidation of hog farms has lessened the industry's carbon footprint.

COOL

- COOL compliance enforcement numbers prompted questions about whether compliance has gone down—it has not. COOL retail enforcement protocols have changed this year so that retailers' recordkeeping practices are assessed through an interview as opposed to submitting records that verify COOL declarations at the point of sale. Additionally, AMS is conducting retail surveillance in smaller chains and independently owned stores—places that tend to have more compliance challenges as opposed to larger retail chains that have demonstrated systemic COOL compliance.
- There was a question about what the 93 percent compliance rate AMS refers to represents. The answer is that 93 percent of all covered commodities sold at retail are properly labeled for COOL. The figure is based on AMS' sample size in fiscal year 2013.

Procurement

- There was discussion regarding the role of pork products in USDA commodity procurement programs. The pre-cooked breakfast patties AMS purchased under the authority of a Section 32 bonus buy in late 2012 and early 2013 were very popular with end users who received the donated commodity through the Emergency Food Assistance Program (TEFAP). However, given the current market situation and outlook for pork, a bonus buy for pork does not appear to be likely in the near future.