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Animal Agriculture: Selected Issues in the 113th Congress

Joel L. Greene
Analyst in Agricultural Policy

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Summary

Animal agriculture is an important part of the U.S. agricultural economy, and consequently is important to U.S. policymakers. The farm value of animal production is estimated at $169 billion in 2012, nearly 44% of the total value of U.S. agricultural production. In addition, the value of animal product exports and imports grew to about $43 billion in 2012. Approximately 1.1 million of the nation's more than 2.2 million farms were classified in the 2007 Census of Agriculture as primarily animal production operations. These included cattle farms and ranches; cattle feedlots; dairies; operations with hogs, poultry, eggs, sheep, or goats; and farms with horses, bison, beekeeping, and aquaculture.

Except for dairy, livestock and poultry products generally are not eligible for the price and income support programs authorized in farm bills for major crops such as grains, cotton, and oilseeds. Livestock and poultry producers count on federal government leadership in policy areas such as food safety, animal health, the promotion of fair and competitive trade practices, and foreign trade for the benefit of animal agriculture. Other long-standing public policy concerns include animal agriculture's obligations with respect to animal welfare and environmental protection.

A couple of key animal agriculture issues are expected to be part of the omnibus farm bill debate in the 113th Congress. The 112th Congress proposed substantial changes to U.S. dairy policy, including the creation of a Dairy Production Margin Protection Program and a Dairy Market Stabilization Program. Similar provisions may be reintroduced in the 113th Congress as part of a new omnibus farm bill. Also, three expired livestock disaster assistance programs—the Livestock Forage Disaster Program, the Livestock Indemnity Program, and the Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program—may be proposed for reauthorization with mandatory funds in any farm bill introduced this year. The farm bills in the 112th Congress would have reauthorized the programs.

The House and Senate Agriculture Committees might be involved in a variety of issues through their oversight of the U.S. Department of Agriculture (USDA). The livestock and poultry industries have intently focused on a repeal or revision of the Renewable Fuels Standard, which they say has harmed their sectors by driving up feed costs.

The 113th Congress also might address issues related to livestock and poultry contracts. In the FY2012 Agriculture Appropriations Act, the 112th Congress prohibited USDA from finalizing parts of its proposed rule on contracts. Proposals in the FY2013 House Agriculture appropriations bill and the House farm bill would have repealed the provisions that USDA finalized in 2011. The repeal of the USDA rules may be reintroduced this year.

Oversight of USDA's food safety responsibilities could also be of interest to Congress as USDA is in the midst of rulemaking for some significant food safety–related issues. Trade agreements could be addressed as the United States negotiates the Trans-Pacific Partnership and considers engaging the European Union in free trade negotiations. Congress may address legislation on horse slaughter and laying-hen cages. Congress might also consider environmental regulations that impact livestock and poultry, and conservation programs that have benefited animal agriculture.

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Introduction

Animal agriculture is an important part of the U.S. agricultural economy, and consequently is important to U.S. policymakers. The farm value of animal production is estimated at $169 billion in 2012, nearly 44% of the total value of U.S. agricultural production. In addition, the value of animal product exports and imports grew to about $43 billion in 2012. Approximately 1.1 million of the nation's more than 2.2 million farms were classified in the 2007 Census of Agriculture as primarily animal production operations. The total included more than 656,000 classified primarily as cattle farms and ranches, 31,000 as cattle feedlots, nearly 57,000 as dairy operations, 30,000 as hog operations, 65,000 as poultry or egg producers, nearly 67,000 involved in sheep or goat production, and more than 245,000 involved in some other livestock activity (e.g., horses, bison, beekeeping, aquaculture).

With the exception of dairy, livestock and poultry products generally are not eligible for the price and income support programs authorized in farm bills for major crops such as grains, cotton, and oilseeds. Nor have meat and poultry producers generally sought such assistance, except aid to recover from losses caused by natural disasters such as droughts and hurricanes. Instead, the livestock and poultry industries seek federal government leadership and support in food safety, monitoring animal diseases, and promoting fair and competitive trade practices that benefit consumers and animal agriculture. Livestock and poultry producers count on the U.S. government for negotiating international market access, monitoring trade agreements, and settling trade disputes. Other long-standing public policy concerns include animal agriculture's obligations with respect to animal welfare and environmental protection.

Selected Issues

Major animal agriculture issues likely to be of interest to the 113th Congress include a proposal to restructure U.S. dairy policy as part of any omnibus farm bill and several regulatory issues. In addition, Congress continues to oversee U.S. Department of Agriculture (USDA) activities related to livestock and poultry markets and USDA's food safety responsibilities, such as meat and poultry inspections. Other key issues, including animal welfare, the role of trade in the animal sector, and environmental regulations that impact animal agriculture, continue to generate interest in Congress. CRS reports on animal agricultural issues are available in the "Agriculture" section of the *Issues in Focus* on CRS.gov.

Dairy Policy

Current U.S. federal dairy policy is based on five major programs—the Dairy Product Price Support Program (DPPSP), the Milk Income Loss Contract (MILC) Program, Federal Milk Marketing Orders, Dairy Import Tariff Rate Quotas, and the Dairy Export Incentive Program—which together are designed to provide price and income support and market stability for dairy producers. In recent years, dairy producers have argued that a simple price-based system fails to reflect the sharp increases in milk production costs, especially feed costs, which have occurred since the mid-2000s.

In response to producer concerns and to the volatile dairy price and margin developments of the past decade, the 112th Congress spent substantial time and effort during 2012 reviewing existing farm programs, consulting with stakeholders, and preparing new legislation to serve as the next five-year version of an omnibus farm bill. The Senate passed its version of the farm bill, S. 3240, in June 2012, and the House Agriculture Committee approved its version, H.R. 6083, in July. Both bills proposed replacing the current U.S. dairy programs that rely on a simple price trigger (DPPSP and MILC) with two programs—the Dairy Production Margin Protection Program (DPMPP), a new income support program based on the monthly difference (i.e., the margin) between the national average farm all-milk price and a formula-derived estimate of feed costs, and the Dairy Market Stabilization Program (DMSP), which, under certain conditions, would reduce payments to participating producers for their milk when the margin falls below proposed statutory thresholds.[1] The DMSP proposal has generated considerable debate among dairy producer groups, which generally support it, and dairy processors who oppose it. The producer groups view the proposal as a means to reduce margin volatility through temporary production adjustments. Dairy processors argue that the proposal would raise dairy product prices compared with international prices and hurt export competitiveness.

The American Taxpayer Relief Act of 2012 (P.L. 112-240; ATRA), signed into law on January 2, 2013, extended the 2008 farm bill (P.L. 110-246) for one additional year. Many of the provisions of the 2008 farm bill had expired on September 30, 2012, including the Milk Income Loss Contract (MILC) program. The Dairy Product Price Support Program (DPPSP) expired on December 31, 2012, and has been extended one full year to December 31, 2013. The 113th Congress may write a new farm bill in 2013, and could use S. 3240 and H.R. 6083 as starting points.

Disaster Programs for Livestock and Poultry

The 2008 farm bill (P.L. 110-246) authorized three new livestock disaster assistance programs for losses that occurred on or before September 30, 2011. The Livestock Forage Disaster Program (LFP) assists ranchers who graze livestock on drought-affected pastureland or grazing land. The Livestock Indemnity Program (LIP) compensates ranchers at a rate of 75% of market value for livestock mortality caused by a disaster. The Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP) compensates producers for disaster losses not covered under other disaster programs.[2] From 2008 through early January 2013, USDA has distributed payments of more than $753 million to farmers and ranchers through the three disaster programs.[3]

The three programs expired on September 30, 2011, and are no longer available for livestock and poultry producers. The one-year farm bill extension that was included in the American Taxpayer Relief Act of 2012 (P.L. 112-240) provided authorization of appropriations for FY2012 and FY2013 but no mandatory funds.[4] In the 112th Congress, both the Senate-passed (S. 3240) and House Agriculture Committee-reported (H.R. 6083) farm bills would have reauthorized LFP, LIP, and ELAP with mandatory funds for FY2012-FY2017.

[1] See CRS Report R42736, *Dairy Policy Proposals in the Next Farm Bill*.

[2] See CRS Report RS21212, *Agricultural Disaster Assistance*.

[3] USDA, Farm Service Agency, *Disaster Assistance Programs*, "Payments by State for the 5 Disaster Programs (SURE, LFP, ELAP, LIP, TAP)," January 2, 2013 (updated monthly), http://www.fsa.usda.gov/FSA/webapp?area=home&subject=diap&topic=landing.

[4] Section 702 of P.L. 112-240.

Given general widespread support for livestock disaster aid, many expect the reauthorization of the disaster programs with mandatory funds to be included in any farm bill reauthorization that is introduced in the 113th Congress. However, the timing of when such funds become available depends on whether a farm bill or an appropriations measure is enacted first with such provisions, whether appropriators find resources or offsets for such a provision, and whether such aid is made retroactively. Meanwhile, on January 24, 2013, Senator Baucus introduced S. 141, which would reactivate livestock disaster assistance programs from the 2008 farm bill (plus the Tree Assistance Program) for losses in FY2012 and FY2013.[5]

Feed Prices

Feed is the single largest input cost for livestock and poultry producers, accounting for 50% to 80% of cash operating expenses for livestock and poultry producers.[6] Livestock, poultry, and dairy producers faced record-high feed costs during 2012 as widespread drought conditions cut corn and soybean production and drove up feed prices. USDA's projected corn and soybean prices for marketing year 2012/2013 are record-high and 16% and 14% above the previous marketing year.[7] The Congressional Budget Office forecasts a record corn crop of 14.5 billion bushels for 2013,[8] but that forecast is based on normal weather, and yield uncertainty remains. USDA reported that hay production in 2012 was about 9% lower than 2011, and increased use of hay during the dry summer and fall months resulted in December 1, 2012, hay stocks falling 16% below a year earlier.[9]

The *U.S. Drought Monitor* shows that drought conditions continue to hold in large portions of the Great Plains, West, and the Southeast.[10] Furthermore, the National Oceanic and Atmospheric Administration's (NOAA's) seasonal outlook is for persistent drought in these areas through April 2013.[11] These conditions contribute to uncertainty about 2013 crop prospects and adversely affect livestock producers who already have been hit with poor forage and pasture conditions over the past two years.

Livestock and poultry producers are concerned about agricultural policies that can raise feed prices. These may include conservation programs that take cropland out of production, or ethanol incentives that can bid up the price of corn. Incentives such as tax credits and Renewable Fuels Standard (RFS)[12] mandates have already helped to boost significantly the portion of the total U.S.

[5] *Congressional Record*, vol. 159, part 9 (January 24, 2013), p. S288.

[6] See CRS Report R41956, *U.S. Livestock and Poultry Feed Use and Availability: Background and Emerging Issues*.

[7] USDA, *World Agricultural Supply and Demand Estimates*, WASDE-515, February 8, 2013, http://www.usda.gov/oce/commodity/wasde/index.htm.

[8] Congressional Budget Office, *CBO's February 2013 Baseline for Farm Programs*, February 5, 2013, p. 9, http://www.cbo.gov/sites/default/files/cbofiles/attachments/43893_USDAfarmPrograms.pdf.

[9] National Agricultural Statistics Service, USDA, *Crop Production*, January 11, 2013, pp. 5, 7, http://www.nass.usda.gov/Publications/Todays_Reports/reports/crop0113.pdf.

[10] National Drought Mitigation Center (University of Nebraska-Lincoln), USDA, and NOAA, *U.S. Drought Monitor*, January 31, 2013, http://droughtmonitor.unl.edu/.

[11] NOAA, *U.S. Seasonal Drought Outlook*, January 17, 2013, http://www.cpc.ncep.noaa.gov/products/expert_assessment/seasonal_drought.html.

[12] The RFS mandates that 36 billion gallons of biofuels be blended into the gasoline supply by 2022. The use of corn-based ethanol is capped at 15 billion gallons in 2015. See CRS Report R40155, *Renewable Fuel Standard (RFS): Overview and Issues*.

corn crop processed into ethanol. Proponents argue that the RFS reduces investment risk for renewable fuels, which support U.S. energy security and provide environmental benefits over fossil fuels. However, livestock and poultry industries have intently focused on repealing or revising the RFS, which they say has harmed the livestock and poultry sectors by driving up feed costs. During the 112th Congress, several bills were introduced to eliminate tax incentives and prevent the expansion of the ethanol blend beyond 10%. Several bills were introduced that would have waived the RFS when corn inventories were low (H.R. 3097 and S. 3428); another would have eliminated the RFS (H.R. 3098). The RFS remains a primary concern of livestock and poultry producers, and they likely will continue to advocate for curtailing or eliminating it in the 113th Congress. Two bills already introduced in the 113th Congress (H.R. 550 and S. 251) would require that cellulosic biofuel mandates be based on actual cellulosic production levels.

Markets and Competition

Some advocates in the livestock and poultry industry contend that market consolidation over the past several decades has caused meat packers and poultry processors to have substantially more market power than individual producers when negotiating contracts. Others argue that consolidation has created efficiencies that benefit the market and consumers. In 2010, according to USDA's Grain Inspection Packers and Stockyards Administration (GIPSA),[13] the market share of the four largest slaughter/processing firms in each sector was 85% for steers and heifers, 65% for hogs, 65% for lambs, 51% for broilers, and 58% for turkeys.[14]

The 2008 farm bill (P.L. 110-246) amended the Packers and Stockyards Act (P&S Act; 7 U.S.C. §181 et seq.) to include production contract provisions (Section 11005) that give poultry and swine contract growers a three-day window to cancel a contract and require contracts to disclose if additional capital investments will be required. The section also provided that contract disputes shall be heard in the federal judicial district where the contract is performed and that contracts may specify which state laws govern the contract. Lastly, contract growers have the right to participate in meaningful arbitration, and the right to decline an arbitration clause if included in contracts. In Section 11006 of the farm bill, the Secretary of Agriculture was required to promulgate regulations establishing criteria for determining violations of the P&S Act.[15]

In June 2010, USDA published a proposed rule to implement Sections 11005 and 11006 of the 2008 farm bill.[16] The proposed rule was controversial among the livestock and poultry industries, and some Members of Congress expressed concerns about it during the comment period in letters to USDA. USDA issued the final rule on December 9, 2011, and it was substantially different than the proposed rule because Section 721 of the FY2012 Agriculture Appropriations Act (P.L. 112-55) prohibited USDA from using funds to implement most of the proposed provisions. The final rule included criteria to determine violations of the P&S Act for four provisions from the proposed rule: (1) suspension of the delivery of birds, (2) additional capital investment

13 GIPSA's Packers and Stockyards Program monitors livestock and poultry markets to ensure fair competition and guard against deceptive and fraudulent trade practices under the P&S Act.

14 USDA, GIPSA, *2011 P&SP Annual Report*, March 2012, pp. 34-39. The market share of the top four firms is one measure used to gauge market concentration.

15 See CRS Report R41673, *USDA's "GIPSA Rule" on Livestock and Poultry Marketing Practices*.

16 USDA, GIPSA, "Implementation of Regulations Required Under Title XI of the Food, Conservation and Energy Act of 2008: Conduct in Violation of the Act," 75 *Federal Register* 35338, June 22, 2010.

requirements, (3) breach of contract conditions, and (4) arbitration. The final rule became effective on February 7, 2012.

Like the FY2012 appropriations act, the FY2013 House Agriculture appropriations bill (H.R. 5973) would have prohibited USDA from implementing the GIPSA rule provisions. In addition, the bill would have repealed the provisions that USDA finalized in December 2011. The continuing resolution for FY2013 (P.L. 112-175), which expires March 27, 2013, prohibits only the use of USDA funds as in FY2012.

The 113th Congress may again address the issue of prohibiting funding for implementing certain proposed GIPSA rule provisions and repealing the finalized provisions when appropriations are considered for the rest of FY2013. Also, Congress might address the GIPSA rule provisions during debate on any omnibus farm bill. In the 112th Congress, the House Agriculture Committee-reported farm bill (H.R. 6083) contained a provision to repeal the finalized GIPSA provisions, and a similar provision may be reintroduced unless a repeal of the final provisions is achieved first in an appropriations act.

Food Safety: Meat and Poultry Inspection

The safety of the U.S. meat and poultry supply is primarily the responsibility of USDA's Food Safety and Inspection Service (FSIS).[17] FSIS inspectors continuously inspect meat and poultry slaughter and processing plants to monitor sanitary conditions, ingredient levels, and packaging, and to conduct statistical pathogen and residue sampling and testing of products. FSIS also is responsible for certifying that foreign meat and poultry plants are operating under an inspection system equivalent to the U.S. system before they can export their product to the United States. FSIS inspectors are located at U.S. ports of entry to conduct re-inspections and statistical sampling programs to verify the safety of imports.

Congress monitors the efforts of FSIS and industry to address problems that may cause outbreaks of severe and sometimes fatal foodborne illness. Various proposals related to meat and poultry safety were offered in the 112th Congress. These included proposals to set pathogen reduction standards (S. 1529); to expand testing of ground beef for E. coli, declare pathogens such as salmonella as adulterants, and increase recall notifications (S. 1157); and to humanely euthanize nonambulatory livestock and keep them out of the food supply (H.R. 3704).

FSIS is in the rulemaking process on various issues that could be of interest to the 113th Congress. For example, the 2008 farm bill transferred the responsibility for catfish inspection from the Food and Drug Administration to USDA. FSIS released a proposed rule for catfish inspection in February 2011, but the rule has not been finalized.[18] Two bills (S. 496 and H.R. 4296) were introduced in the 112th Congress to reverse the transfer of catfish inspection. The Senate-passed farm bill (S. 3240) also would have repealed the transfer of catfish inspection to USDA. FSIS also is in the rulemaking process for labeling mechanically tenderized meat, setting pathogen reduction standards for ready-to-eat processed meat and poultry products, and requiring recordkeeping for ground beef in retail stores.

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[17] See CRS Report RS22600, *The Federal Food Safety System: A Primer*. FSIS has the authority for meat and poultry safety under the Federal Meat Inspection Act (21 U.S.C. §601 et seq.), the Poultry Products Inspection Act (21 U.S.C. §451 et seq.), and the Egg Products Inspection Act (21 U.S.C. §1031 et seq.).

[18] FSIS, "Mandatory Inspection of Catfish and Catfish Products," 76 *Federal Register* 10343, February 24, 2011.

Poultry Modernization

USDA has proposed to modernize its poultry inspection system by expanding the FSIS HACCP-Based Inspections Models Project (HIMP).[19] The new system would reduce the number of online FSIS carcass inspectors, rely on poultry plant personnel to sort carcasses, and allow for faster line speeds. FSIS inspectors would focus on pathogen reduction and offline food safety inspection activities. Currently, 20 broiler and 5 young turkey slaughter plants participate in HIMP. USDA's evaluation of HIMP has shown improved safety and consumer protection in the current HIMP plants. Some food safety advocates have questioned the advisability of adopting the proposed system.[20] In December 2012, four Members of Congress sent a letter to Secretary of Agriculture Vilsack expressing concern about USDA's proposed poultry inspection modernization and asking USDA to withdraw the proposal.[21]

Meat Import Inspections

FSIS is responsible for certifying that foreign meat and poultry plants are operating under an inspection system equivalent to the U.S. system before foreign countries can export meat and poultry products to the United States. FSIS inspectors located at U.S. ports of entry carry out a statistical sampling program to verify the safety of imported meats before they are released into domestic commerce. FSIS conducted annual audits of foreign plants to ensure the safety of foreign meats destined for the United States, but in 2009 FSIS started to adopt a risk-based approach to foreign audits, conducting fewer audits based on the performance of the foreign plants. FSIS did not announce this change in policy until January 2013.[22] Representative DeLauro, a member of the Agriculture Subcommittee of the House Committee on Appropriations, has questioned USDA about making this policy change without issuing public notice.[23]

Antibiotic Use in Food Animals

Public health experts have expressed concern about growing resistance of infectious diseases to antibiotics, and about patients whose infections were difficult or impossible to treat as a result. Antibiotic resistance has been linked to a number of causes, including the overuse of antibiotics by medical professionals, and the use of antibiotics for non-medical purposes in food animals. Antibiotics are added to feed for some types of food-producing animals not only to treat and prevent diseases, but also to improve growth and efficient use of feed rations. Some public health

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[19] FSIS, "Modernization of Poultry Slaughter Inspection," 77 *Federal Register* 4414, January 27, 2012. Hazard Analysis and Critical Control Point (HACCP) is the system used in slaughter and/or processing plants that identifies points where contamination could occur and have a plan to control it, and document and maintain records. Under HACCP regulations, all operations must have site-specific standard operating procedures (SOPs) for sanitation. USDA inspectors check records to verify plant compliance.

[20] Helena Bottemiller, "Debate Heats Up Over Poultry Inspection Proposal," *Food Safety News*, April 9, 2012.

[21] Letter from Senators Gillibrand, Merkley, and Blumenthal, and Representative Pingree to Secretary Vilsack, December 6, 2012, http://foodpoisoningbulletin.com/wp-content/uploads/Letter-to-USDA-Sec-Vilsack-on-Poultry-Slaughter-Inspection-Program-12-06-2012.pdf.

[22] FSIS, "Ongoing Equivalence Verifications of Foreign Food Regulatory Systems," 78 *Federal Register* 5409, January 25, 2013.

[23] Amber Healy, "DeLauro demands answers from USDA on equivalency changes," *Food Chemical News*, February 1, 2013, p. 19. DeLauro letter available at http://delauro.house.gov/index.php?option=com_content&view=article&id=1153:secretive-usda-decision-making-process-harms-public-health&catid=2:2012-press-releases&Itemid=21.

advocates argue that non-medical uses in food animals should be limited to drugs that are not useful in human medicine. Others oppose this approach, arguing that animal production may not be commercially viable without the drugs' routine use, and that the linkage between such use and antimicrobial resistance in humans lacks a strong scientific basis. In the 112th Congress, the Preservation of Antibiotics for Medical Treatment Act of 2011 (PAMTA) was introduced in both the House (H.R. 965) and Senate (S. 1211) and would have curtailed the non-medical use of some antibiotics in animal feeds. These bills did not advance, but could be reintroduced in the 113th Congress.

Trade Policy

U.S. exports of animal products reached $29 billion in 2012, and imports totaled nearly $14 billion. Red meat, poultry, dairy products, and hides and skins account for nearly 90% of the value of exports. For imports, meat, dairy products, and live animals (primarily cattle) accounted for 90% of value. Foreign demand for U.S. animal products provides significant support to domestic livestock and poultry prices, and imports meet U.S. consumer demand for a variety of livestock and dairy products. The U.S. livestock and poultry sectors look to the U.S. government to negotiate market opening agreements, monitor international trading policies, and settle trade disputes. Several ongoing trade issues could be addressed by the 113th Congress. These include the WTO dispute over country-of-origin labeling (COOL), non-tariff trade barriers that disrupt trade, and potential free trade agreements.

Country-of-Origin Labeling

In March 2009, USDA implemented the 2002 and 2008 farm bill provisions that required country-of-origin labeling (COOL) for red meat and poultry.[24] In response to COOL's implementation, Canada and Mexico, major suppliers of live cattle and hogs that are processed into beef and pork in U.S. meat packing plants, requested consultations with the United States about concerns that COOL would adversely affect their livestock sectors. In November 2009, Canada and Mexico requested that the World Trade Organization (WTO) establish a dispute resolution panel to consider their case. In November 2011, the WTO's dispute settlement panel ruled that COOL violates WTO trade standards by discriminating against imported cattle and hogs. The United States appealed the WTO ruling, but the appellate body upheld the dispute settlement panel ruling. In arbitration between the three parties, the United States was given until May 23, 2013, to bring COOL into WTO compliance.

If COOL is not brought into compliance, the United States would be subject to trade retaliation measures by Canada and Mexico. The Canadian pork industry argues that COOL has caused $500 million in harm to its sector each year that COOL has been in place. This does not include Canada and Mexico cattle and beef industries, so retaliatory claims could be substantially higher.[25] Other than saying the United States would fulfill its WTO obligations, the U.S. Trade Representative (USTR) has not announced how the United States will comply. Some argue that a legislative

[24] See CRS Report RS22955, *Country-of-Origin Labeling for Foods and the WTO Trade Dispute on Meat Labeling*. Other covered commodities include farm-raised and wild fish and shellfish, fresh fruit and vegetables, ginseng, macadamia nuts, peanuts, and pecans.

[25] "Canadian Pork Industry Warns of $500 Million in Retaliation Over COOL," *World Trade Online*, January 14, 2013.

solution is necessary because the COOL law is specific about how meat must be labeled.[26] A group of 31 Senators asked the USTR and the Secretary of Agriculture to pursue a regulatory solution that brings COOL into compliance and also provides accurate information for consumers about the origin of meat purchases.[27]

Ractopamine

Ractopamine is a veterinary drug used as feed additive by livestock producers in the United States and other countries that aids the development of lean beef and pork in cattle and hogs. However, several major markets for U.S. meat exports, such as China, Taiwan, the EU, and Russia, have banned the import of beef and/or pork that are produced using ractopamine. In July 2012, the Codex Alimentarius Commission, a United Nations organization that sets international standards for food safety and quality, established minimal risk levels (MRLs) for ractopamine in beef and pork.[28]

In December 2012, Russia announced a zero-tolerance level for ractopamine in beef and pork imports. Starting February 11, 2013, Russia will ban the imports of beef and pork that are not certified free of ractopamine. In 2012, the U.S. shipped more than $500 million worth of beef and pork to Russia. The U.S. livestock industry is concerned that Russia is erecting unscientific barriers to trade that are in violation of its WTO commitments. Both the Administration and Congress have expressed their concern over Russia's action. Following Russia's December 2012 announcement, USTR and USDA jointly commented: "The United States is very concerned that Russia has taken these actions, which appear to be inconsistent with its obligations as a member of the World Trade Organization. The United States calls on Russia to suspend these new measures and restore market access for U.S. beef and pork products."[29] Senator Grassley noted that Russia was using unjustified trade barriers that violate its WTO obligations, and he called on USTR "to take every action possible in response to Russia's ban."[30]

Trade Agreements

Free trade agreements (FTAs) are important for the U.S. livestock, poultry, and dairy sectors because of additional market access that is secured in these agreements through tariff reductions and/or quota increases. The ongoing negotiations for the Trans-Pacific Partnership (TPP),[31] a comprehensive agreement between 11 Pacific Rim countries, has implications for the animal agriculture sector, as many see the potential for expanded market access. However, some are cautious, especially in the U.S. dairy sector due to the potential expanded access to the U.S.

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[26] Ian Elliott, "Only small changes needed to comply with COOL ruling," *Feedstuffs*, December 24, 2012.

[27] Letter from Senator Tester and Senator Enzi to Ambassador Kirk, USTR, Secretary Vilsack, USDA, January 31, 2013, http://www.tester.senate.gov/?p=press_release&id=2755.

[28] Codex Alimentarius Commission, *Joint FAO/WHO Food Standards Programme*, Draft Report, July 2012, pp. 16-23, ftp://ftp.fao.org/codex/meetings/CAC/CAC35/Draft%20report/CAC35_draft_report_e.pdf.

[29] USTR and USDA, "United States Trade Representative Ron Kirk and United States Agriculture Secretary Tom Vilsack Call on Russia to Suspend its New Testing Requirements for U.S. Meat Exports to Russia," press release, December 8, 2012, http://www.ustr.gov/about-us/press-office/press-releases/2012/december/kirk-vilsack-russia-meat-statement.

[30] Senator Grassley, "Russian ban on U.S. beef and pork exports," press release, January 31, 2013, http://www.grassley.senate.gov/news/Article.cfm?customel_dataPageID_1502=44404#.

[31] See CRS Report R42694, *The Trans-Pacific Partnership Negotiations and Issues for Congress*.

domestic dairy market by New Zealand, and the tight tariff-rate quotas and high above-quota tariff rates U.S. dairy products face in Canadian dairy markets.

Separately, the United States and the European Union (EU) established the High Level Working Group (HLWG) for Jobs and Growth to explore the possibilities of a U.S.-European Union FTA. Livestock groups have supported the goals of an FTA with the EU, but also have expressed reservations about the EU approach to long-standing sanitary and phytosanitary issues and non-tariff trade barriers that the U.S. animal agriculture sectors have confronted over the years.[32] U.S. beef that has been produced with hormones has been banned in the EU since 1989, and U.S. poultry exports have been halted due to the EU prohibition on the use of chlorine washes as a pathogen reduction treatment (PRT) during processing. The U.S. dairy industry is especially concerned about the EU's approach to geographical indications (GI) and how they might be negotiated in an FTA framework.[33] In early February 2013, the EU lifted a ban on the import of U.S. hogs and a ban on the use of lactic acid as a PRT in the beef industry, ahead of further talks between the United States and the EU.[34]

Animal Welfare

Farm animals are not covered under the Animal Welfare Act (AWA; 9 U.S.C. §2131 et seq.), which requires minimum care standards for most types of warm-blooded animals bred for commercial sale, used in research, transported commercially, or exhibited to the public. Farm animals are covered by other federal laws addressing humane transport and slaughter. The slaughter of horses has been a contentious issue in recent Congresses and is a concern for the livestock industry. Legislation in the 112th Congress that would have established regulations on table-egg-laying-hen cages also proved contentious.

Horse Slaughter

Starting in 2006, congressional action prevented horse slaughter in the United States when the FY2006 appropriations bill (P.L. 109-97) for USDA prohibited that year's funds from being used to pay for the ante-mortem inspection of horses. The Consolidated Appropriations Act, 2008 (P.L. 110-161), expanded the prohibition on horse slaughter inspection to prevent USDA from using user fees for voluntary inspection. These annually renewed prohibitions, through appropriations, were lifted when the Consolidated and Further Continuing Appropriations Act, 2012 (P.L. 112-55), did not include any provision prohibiting USDA from inspecting horses. At least two plants indicated an interest in starting horse slaughter operations in 2012.[35]

The FY2013 House Agriculture appropriations bill (H.R. 5973, Section 744) contained language prohibiting FSIS funds for horse slaughter plant inspections, but that language is not included in Continuing Resolution Act of 2013 (P.L. 112-175). Horse slaughter could again be part of the

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[32] Letter from U.S. food and agricultural organizations to Ambassador Ron Kirk, United States Trade Representative, November 15, 2012, http://www.nppc.org/wp-content/uploads/2012-11-15-Ag-US-EU-FTA-Letter1.pdf.

[33] See industry comments on "*US-EU Regulatory Compatability*," Docket ID: USTR-2012-0028, Regulations.gov, http://www.regulations.gov/#!docketDetail;D=USTR-2012-0028. Geographical indications are place names used to identify the origin and quality, reputation or other characteristics of products.

[34] Carman Paun, "EU to allow US live pig imports," *GlobalMeat.com*, February 6, 2013.

[35] Dan Flynn, "Two Applications in For Horse Slaughter; Opposition Gears Up," *Food Safety News*, June 15, 2012.

appropriations discussion to provide funding for FY2013 beyond March 27, 2013, when P.L. 112-175 expires.

In the 112th Congress, the American Horse Slaughter Prevention Act of 2011 (S. 1176) was introduced and would have prohibited the shipping, transporting, moving, delivering, receiving, possessing, purchasing, selling, or donation of horses and other equines to be slaughtered for human consumption.[36] A similar bill may be introduced in the 113th Congress.

Table-Egg-Laying-Hen Cages

During the 112th Congress, the Egg Products Inspection Act Amendments of 2012 (H.R. 3798 and S. 3239) were introduced in the House and Senate but did not move forward.[37] The provisions in the bills reflected an agreement between United Egg Producers (UEP) and the Humane Society of the United States (HSUS) to establish uniform, national cage size requirements, including enrichments, for table-egg-laying hens. The bills would have codified national standards for laying-hen housing over an 18-year phase-in period, included labeling requirements to disclose how eggs were produced, and set air quality, molting, and euthanasia standards for laying hens.

Egg producers who supported the two bills argued that the legislation was in the long-term interest of American egg farmers. Egg producers would benefit from national egg standards that halt costly state-by-state battles over caged eggs that have resulted in a variety of laws across the country. For HSUS, which has actively campaigned for cage-free egg production, accepting enriched cages was a compromise, but one that could result in significant federal farm animal welfare legislation. Farm group opponents criticized the legislation for mandating management practices for farm animals, something that had not been done in the past. These groups argued that the bills could set a precedent, paving the way for future legislation on animal welfare for other livestock and poultry industries. Additionally, opponents were concerned that the capital cost of transitioning to enriched cages would be high, and could be prohibitive for small producers.

New bills containing the provisions from the legislation from the 112th Congress may be reintroduced in 113th Congress, and both UEP and HSUS likely would advocate for passage. Egg legislation could also become part of an omnibus farm bill debate during 2013.

Environment

The application of federal environmental laws to livestock and poultry operations has been controversial for many farmers and ranchers.[38] As animal agriculture increasingly concentrates into larger, more intensive production units, concerns arise about impacts on the environment, including surface water, groundwater, soil, and air.

One of the primary regulatory focuses for animal agriculture is the Clean Water Act, since the release of sediment, nutrients, pathogens, and pesticides from production can degrade the quality of water resources. Other issues associated with soil erosion, air particulates and farm chemical

[36] See CRS Report RS21842, *Horse Slaughter Prevention Bills and Issues*.

[37] See CRS Report R42534, *Table Egg Production and Hen Welfare: Agreement and Legislative Proposals*.

[38] See CRS Report R41622, *Environmental Regulation and Agriculture*.

emissions, and livestock odor may also be regulated under other federal laws such as Clean Air Act and air emissions and reporting laws. Federal environmental laws largely do not regulate animal agriculture, in many cases giving the regulatory responsibilities to the states.

During the 112th Congress, the House conducted vigorous oversight of the Environmental Protection Agency (EPA) and approved a number of bills that would overturn specific regulations or limit the agency's authority. Particular attention from the livestock industry was paid to the Clean Air Act and potentially revising the National Ambient Air Quality Standard (NAAQS) for particulate matter (in this context, sometimes referred to as "farm dust"). EPA ultimately announced that it would not be changing the standards; however, because both the health and economic consequences of particulate matter standards are potentially significant, they are likely to remain a prominent issue in the 113th Congress.[39]

The livestock industry continues to support the voluntary approach to environmental quality improvement, generally through the use of conservation programs administered by USDA. Programs such as the Environmental Quality Incentives Program (EQIP), the Conservation Stewardship Program (CSP), and the Grasslands Reserve Program (GRP) were established in farm bills and have provided funding to farmers and ranchers for conservation projects.[40] Conservation programs are likely to be addressed during the appropriations process and any farm bill debate in the 113th Congress, especially because of recent cuts in funding for these and other conservation programs.

Author Contact Information

Joel L. Greene
Analyst in Agricultural Policy
jgreene@crs.loc.gov, 7-9877

[39] See CRS Report R42934, *Air Quality: EPA's 2013 Changes to the Particulate Matter (PM) Standard*.

[40] See CRS Report R40763, *Agricultural Conservation: A Guide to Programs*.