



## **Testimony Submitted for the Record**

**Julie Anna Potts, President and Chief Executive Officer  
North American Meat Institute**

**Hearing before the House Agriculture Committee**

**The Immediate Challenges to our Nation's Food Supply Chain**

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On behalf of the North American Meat Institute (NAMI or the Meat Institute) based in Washington, DC, and its 724 member companies around the country, thank you for the opportunity to submit this testimony.

The Meat Institute is the United States' oldest and largest trade association representing packers and processors of beef, pork, lamb, veal, turkey, and processed meat products. NAMI members include more than 350 meat packing and processing companies, large and small, and account for more than 95 percent of the United States' output of meat and 70 percent of turkey production. The Meat Institute provides legislative, regulatory, international affairs, public relations, technical, scientific, and educational services to the meat and poultry packing and processing industry.

In July, NAMI and eleven other organizations representing livestock producers, farmers and companies who produce the vast majority of America's meat, poultry, and dairy, as well as animal feed and ingredients, [unveiled the Protein PACT for the People, Animals, and Climate of Tomorrow](#). The Protein PACT is the first joint initiative designed to accelerate momentum and verify progress toward global sustainable development goals across all animal protein sectors to ensure customers, consumers, and policy makers trust that meat aligns with their sustainability expectations.

Through the Protein PACT, Meat Institute members have developed robust metrics for continuous improvement and publicly committed to sustain healthy animals, thriving workers and communities, safe food, balanced diets, and the environment and align with the United Nations' 2030 [Sustainable Development Goals](#).

## **COVID-19 Affected the Cattle and Beef Markets.**

The COVID-19 pandemic was a shock to the meat supply chain, as it was for every industry in America, and the shock continues to reverberate today, as evidenced in labor availability, consumer demand, and throughout the supply chain.

During 2020, pandemic-related plant interruptions temporarily idled about 40 percent of slaughter capacity for cattle and hogs at the peak of its impact. This disruption happened in tandem with unprecedented retail demand for beef due to panic buying and freezer stocking as shelter-in-place orders were effectuated. The situation was worsened by the significant operational changes needed to rebalance production, processing, and distribution away from foodservice toward retail. The cuts, product sizes, processing equipment, packaging, and distribution vary considerably between retail and foodservice and are not easily transitioned, but the industry was resilient and adapted.

The shift from foodservice to retail had a dramatic impact. In 2020, retail beef sales increased by 606 million pounds by volume, or more than 11 percent. All fresh meat and poultry sales increased 19 percent by value, an increase of \$9.6 billion. Beef sales increased by \$5.9 billion in value, accounting for 61 percent of that overall growth in protein demand. Ground beef sales alone grew by \$2.02 billion, accounting for 21 percent of the total increased aggregate demand for meat and poultry.<sup>1</sup>

Beef and pork demand remains high: the total volume of red meat retail sales January through September 2021, remained nearly four percent higher than the pre-pandemic levels over the same period in 2019. This increase in demand in 2020 happened while the packing sector's ability to process livestock was experiencing operational constraints, and has continued into this year because labor availability has similarly affected the packing industry's ability to operate at full capacity.

### **Labor is Capacity.**

Production in meat packing and processing plants is labor-intensive, and therefore tied to the number of employees working the line. Throughout 2021, even as the comprehensive COVID-19 protections instituted by the meat industry since the spring of 2020 successfully lowered transmission among meatpacking workers and held case rates lower than case rates in the general U.S. population, worker shortages have persisted. The Meat Institute regularly hears from member companies challenged with 20 percent absenteeism on any day, as [François Léger of FPL Food testified](#) before this Committee on October 7. Without a steady, reliable workforce, plants do not run efficiently and production declines. Labor is capacity.

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<sup>1</sup> Beef Checkoff, [Hindsight 2020: Retail and Foodservice Trends Through the Pandemic](#), accessed November 2021.

To be clear, labor challenges were not caused by the pandemic; COVID-19 only exacerbated the issue. The meat industry has been facing a labor shortage for some time and it continues today. The pace of Saturday shifts has also strained available labor and adds to processing costs. Recent media reports underscore the industry's recruitment efforts, including wage increases, signing bonuses, relocation bonuses, retention bonuses, and generous benefits. Several major companies have publicly announced starting salaries at or above \$20 per hour, and raising starting salaries means raising all other salaries up the chain. This labor shortage impact is not only on processing lines but also warehouse workers, skilled maintenance positions, and other jobs critical to maintaining the supply chain.

Meat and poultry processors are the harvest stage of livestock and poultry production, as field work is for so many crops. Meat and poultry packers and processors must have access to an expanded, year-round agricultural guestworker program. The current agricultural guestworker program fails to meet the needs of all of agriculture: it is seasonal and does not include the meat and poultry industry.

When American consumers head to the grocery store, they expect to see the meat counter filled with animal protein options. America's farmers, ranchers, and processors produce the highest-quality animal protein in the world. However, bringing nutritious and affordable animal protein to consumers requires a strong, efficient supply chain – and that supply chain is hindered by the lack of access to a skilled, reliable workforce for meat and poultry operations across the country.

### **Port Congestion is Putting Exports in Jeopardy.**

Over the past year, America's ports have experienced increasing pressure caused by myriad factors that have hampered U.S. agricultural trade with devastating consequences for farmers, ranchers, truckers, manufacturers, food industry workers, and rural communities. In addition to contending with excessive delays and congestion at many U.S. marine terminals, U.S. agricultural exporters, importers, truckers, and producers have experienced the near-constant predatory and unreasonable behavior of vessel-operating common carriers (called common carriers or ocean carriers from this point forward). This behavior has exacerbated existing delays and congestion concerns, and has gone largely unchecked, with no sign of abating.

Perhaps the most egregious action perpetrated by ocean carriers is their proclivity to decline to carry U.S. agricultural commodity exports, including meat and poultry exports, instead hastening empty containers to Asian markets to fill them with more lucrative consumer goods to export to the U.S. In some instances, common carriers are collecting freight rates ranging as high as \$12,000 to almost \$20,000 per container to carry U.S. agricultural exports. Because meat and poultry exports

are perishable, with a relatively short shelf-life in the case of chilled meat products, the decision by ocean carriers to cancel export bookings or bypass carrying U.S. agricultural products altogether is particularly consequential. These exports cannot withstand extensive disruptions or delays, and should not be forced to do so if there is sufficient space available on a vessel. Yet, often ocean carriers are departing U.S. ports with vessels loaded at less than 50 percent capacity – a stark contrast to the near 100 percent capacity observed on vessels making the journey to the U.S. These cancellations and delays are costing U.S. meat and poultry companies millions, as they are forced to downgrade, discard, or divert product in the case of exports, and source from non-traditional suppliers at extremely high prices in the case of imports.

Failure to hold the ocean carriers accountable could have long-lasting, detrimental effects for the trade-dependent U.S. meat and poultry industry and agriculture sector. If ocean carrier practices persist, and are not subject to oversight, then the U.S. meat and poultry industry, its workers, and the communities it supports will struggle to access these vital markets cultivated over decades. This threat is concerning because Asia accounts for a significant portion of U.S. meat and poultry trade, with China, Japan, and Korea among the top markets for both beef and pork annually. The U.S. meat and poultry industry has earned the reputation of being a reliable supplier of safe, high-quality products to these export markets. But the European Union, Australia, and countries in South America are ready to fill the void left by the U.S.'s absence – an absence resulting directly from ocean carriers' nefarious actions. Once foreign competitors seize previously held U.S. market share, it becomes increasingly difficult, if not impossible, to recapture the same level of hard-earned access.

The U.S. meat and poultry industry counts on these markets to send products that otherwise would not be consumed, or would be consumed in extremely low quantities, by Americans. As a result, the U.S. domestic market would not easily absorb these products, pressuring livestock producers, packers, and processors, and the communities they support. It would be cost prohibitive for many of these businesses to reengineer supply chains or to find alternative buyers to fulfill overseas contracts. Continued port disruptions could also undermine the U.S.'s food supply, which relies on imports to fill gaps in U.S. production. This would inevitably curtail consumer choice.

Those costs are compounded by excessive and unreasonable detention and demurrage fees assessed on U.S. importers and exporters by ocean carriers and marine terminal operators for the failure of these importers and exporters to either retrieve a container from a marine terminal or return one within a specified amount of time. The Federal Maritime Commission (FMC) has found that ocean carriers and marine terminal operators regularly issue these costly penalties even if delays in retrieving or returning containers are beyond the control of the importer or

exporter. Although the FMC has deemed such charges to be “unreasonable,” and in violation of the Shipping Act, ocean carriers and marine terminal operators have faced few consequences for imposing these exorbitant, punitive costs.

As the U.S. continues to emerge from the economic hardship inflicted by the COVID-19 pandemic, our farmers, ranchers, agricultural producers, manufacturers, and food industry workers need functioning ports, and access to export markets and critical inputs they afford. The Meat Institute appreciates the attention this issue has garnered in Congress, including the strong bipartisan support for the Ocean Shipping Reform Act of 2021, which, if passed, would address many concerns described in this testimony, including granting the FMC explicit statutory authority to enforce its detention and demurrage rule to help stem future abusive ocean carrier practices. American importers and exporters would also benefit from efforts to shift the burden of proof to carriers and terminals to confirm detention and demurrage charges comply with FMC’s rule. It is equally important to prevent ocean carriers from declining export cargo bookings if such cargo can be safely loaded on vessels in an appropriate timeframe; the fate of U.S. agriculture exports should not solely be determined by carriers.

Addressing this crisis not only involves holding ocean carriers accountable for their actions, but it also requires improving port efficiencies. Recent announcements by the Ports of Los Angeles and Long Beach to extend hours of operations must be matched with an adequate supply of labor, including truck drivers, along with extended warehouse hours to improve cargo flows. Urgent action is especially critical to enhance current port capacity, including using nearby empty lots for container storage and unloading, along with inland loading points.

Efforts to resolve equipment shortages, such as through a domestically-controlled supply of chassis, combined with investments in port data infrastructure, must complement improvements in capacity and operating hours to ensure the interconnected challenges that have contributed to, and exacerbated, this crisis are addressed comprehensively. The Meat Institute stands ready to work with Members of Congress to secure passage of the Ocean Shipping Reform Act of 2021 and to identify other legislative means to provide much-needed relief to America’s farmers, ranchers, agricultural producers, manufacturers and food industry workers.

### **Criteria for Line Speed Waivers Must be Issued.**

Last spring, a federal judge blocked the U.S. Department of Agriculture’s (USDA) New Swine Inspection System (NSIS) rule because of an Administrative Procedure Act technicality: the court found that in its final rule, USDA had failed to address comments the Department had received about worker safety. Then the Biden administration decided not to appeal the case, and line speeds for swine plants that

participated in NSIS have been slowed since July 1. Some of these plants have been running at elevated line speeds for upwards of 20 years and demonstrated their ability to do so safely while maintaining and continuously improving worker safety.

In June – before the July 1 slowdown – the Meat Institute provided information to USDA regarding worker safety practices and draft criteria that could be included in a line speed waiver to address worker safety and inform future rule-making. Since then, although the Meat Institute has been told repeatedly the Department is close to finalizing criteria for line speed waivers, nothing has been issued. It is beyond past time for USDA to issue the criteria for line speed waivers: the NSIS plants – specially configured and staffed to operate under NSIS – have been operating at a competitive disadvantage since July 1, and hog slaughter capacity has been reduced. With hog plants already running below capacity because of lack of labor, the additional slowdown due to slower line speeds is a self-inflicted wound by the administration.

### **COVID-19 Vaccine Requirement for Federal Employees and Contractors.**

The meat and poultry industry was among the first to urge the Biden Administration to prioritize vaccines for essential workers. The [Meat Institute partnered with the United Food and Commercial Workers International Union \(UFCW\)](#) to urge all 50 state governors to prioritize meat and poultry workers for the vaccine.

Meat Institute members provided significant support for vaccination efforts, holding onsite clinics for vaccination, providing paid leave for workers to obtain the vaccine, offering vaccine bonuses, holding vaccine lotteries with monetary prizes, providing information sessions, vaccinating family members of workers and other members of the community and much more: the industry supports vaccines.

The Meat Institute is concerned, however, about the vaccine mandate for federal employees and contractors. By statute, meat and poultry plants are subject to continuous federal inspection, without which product may not be shipped in commerce. The Meat Institute is concerned that if significant numbers of federal inspection personnel at USDA's Food Safety and Inspection Service decline to get vaccinated, it will compound the current inspector shortage and result in slowdowns at processing plants. Likewise, the Meat Institute has similar concerns about vaccine requirements creating labor shortages for federal contractors, such as the rail lines and trucking industry. The Meat Institute urges the federal government to develop viable contingency plans should there be significant attrition of federal inspectors due to this mandate.

**Conclusion**

The North American Meat Institute is prepared to discuss these supply chain issues and work with the Committee to resolve them. Thank you for the opportunity to provide this testimony.