

Improving the Regulatory and Trade Environment for US Animal Feed

Manufacturers is Crucial for Supporting Affordable, Abundant Food Options Globally

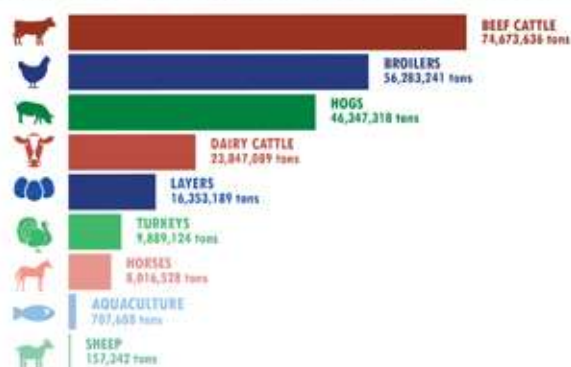
Experts often say that breakfast is the most important meal of the day. Whether it be a hearty helping of bacon, eggs and pancakes or a quick yogurt and coffee, it kickstarts your body into gear, providing the fuel you need to start your day off right. We know that a healthy diet, like exercise, is critical to one's ongoing growth and development, but for one in nine people around the world, undernourishment is a real and daily struggle.

In the United States alone, roughly 41 million people suffer from hunger – a staggering figure for an industrialised country. I, like many leaders in agriculture, wake up every morning wrestling with the great burden and responsibility of knowing that more must be done to address global hunger. I also recognise that agriculture must continue to innovate and produce 70 per cent more food over the next 30 years to accommodate a growing world population, but must do so in a sustainable way, given the earth's natural resources are finite and precious.

The feed industry, which I'm proud to be part of, plays a small, yet critical role in addressing this global challenge. Just as humans need a balanced diet to stay healthy, animals need the right nutrition throughout all stages of their lives to continue producing healthy, wholesome meat, milk, fish and eggs for our food supply.

In the United States, more than 5700 animal food manufacturing facilities are responsible for producing high-quality and safe animal feed to help farmers and ranchers keep their livestock and poultry happy and healthy. In 2016, the feed industry provided over 214.4 million metric tons of animal food to feed the country's roughly 11.73 billion livestock, poultry, aquaculture and horses. This process is highly regulated and manufacturers must comply with all applicable state, national and international regulations and standards.

THE DEMAND FOR ANIMAL FOOD IS STRONG



In 2016, over 236 million tons of animal food were consumed by nine animal species.



The American Feed Industry Association (AFIA) helps the industry navigate this regulatory framework and policy discussions happening at the state, national and

international levels. Based in the Washington, D.C. area, it is our job at AFIA to represent the business, legislative and regulatory interests of the US animal food industry and its suppliers before members of Congress, the White House, regulators, and state feed control officials. AFIA's members include more than 680 domestic and international companies, such as livestock feed and pet food manufacturers, integrators, pharmaceutical companies, ingredient suppliers, equipment manufacturers and supply companies that provide other products or services to animal food manufacturers. The association is also recognised as the leader on international industry developments, representing the industry at global forums, including within the International Feed Industry Federation (IFIF).

Over the past year, AFIA has worked on several initiatives to encourage policy-makers to reform regulations that do nothing to improve animal health and welfare, yet have the potential to block innovation from reaching the marketplace and drive up the cost of food for consumers. AFIA has also been working with Congress and the Trump administration to encourage a "do no harm" approach to existing and new trade agreements that support the export of US animal feed and pet food products, and our high standards in safe manufacturing, globally. The association, through its public charity, the Institute for Feed Education and Research (IFEEDER), has also been leading efforts to improve the industry's environmental footprint and educate consumers about where their food comes from.

AFIA Calls for Responsible US Regulations that Address True Animal Health Risks

The animal food industry is regulated by the US Food and Drug Administration. In recent years, the FDA has modified or put in place regulations that address real concerns to the benefit of public and animal health. However, the industry continues to face regulatory challenges from the agency that are burdensome, outdated and do nothing to improve animal or public health.

The most pressing example of this is the Food Safety Modernization Act (FSMA). Signed into law in 2011 by then President Barack Obama, this expansive regulation provides the FDA with sweeping new authorities and requirements in which to regulate the animal food industry. Of note, FSMA's animal food rule, which mirrors a rule for human food, even though the two industries are vastly different, authorised the agency to mandate current good manufacturing practices (CGMPs) and ensure firms not only conduct analyses of the hazards within their facilities, but document and control for these threats before they become issues. It is estimated that if fully implemented, this law will cost the US feed and pet food industries more than \$1 billion annually with little improvement to animal health, animal food safety or other real benefit.

Given the industry has known the major feed hazards for decades and has been mitigating those risks, this rule seems to be an answer in search of a problem and has the ability to drive up the cost of feed for producers, which consequently trickles down to the prices consumers pay

for meat, milk and egg products. In looking at the number and volume of reportable feed incidents where a serious adverse consequence or death in either humans or animals were reported to the FDA, AFIA found very little evidence that the industry is full of risks in need of such expansive prevention efforts. A miniscule number of these incidents, in terms of the nearly 1 billion tons of feed manufactured in the last five years, come from unknown hazards, but more so from human errors that would not have been prevented by any current FSMA rule.

The Trump administration has vowed to repeal two federal regulations for each one put in place, and AFIA has been using the opportunity to urge the FDA to consider streamlining or removing regulations and record-keeping requirements that are unclear, duplicative, antiquated or do nothing to enhance the safety of America’s animal food supply. AFIA has also been calling upon the agency to establish speedier and more consistent ingredient review processes that allow innovative products to come to market to benefit animal nutrition, animal food safety and human food safety.

In recent years, the FDA’s process for approving new ingredients has been stagnant at best, costing the industry an average \$1.75 million annually in lost revenue. What is worse, the agency’s ongoing delays have effectively stalled new ingredients from reaching the marketplace, meaning safe ingredients that could improve the health and welfare of the nation’s livestock, poultry and pets are left sitting on the shelves for upwards of three years. US ranchers and farmers are losing out, and the industry’s competitiveness in the global marketplace will continue to diminish if this does not change.

AFIA has continued to press the FDA to recognise the American Association of Feed Control Officials’ *Official Publication* as the legal framework for state feed control officials to follow when approving new ingredients. This publication is already recognised by many state feed control laws and international agencies as the legal framework, and AFIA believes that should the FDA make this change, it would greatly improve the opportunities for the sale of new ingredients in the marketplace.

Feed Industry Urges Trump Administration to Protect International Trade Benefits

Besides encouraging a responsible regulatory framework, given the global nature of the food supply, the US feed industry also depends on reliable trading partners and free

trade agreements, which allows for the flow of goods. Over the past year, the industry has actively been engaged in discussions to renegotiate and negotiate trade agreements with several countries.

In 2017, the US animal food industry exported roughly \$11.4 billion in feed, feed ingredients and pet food products. The top countries that import US animal food products include: Mexico, Canada, Japan, China, South Korea, Indonesia, the Philippines, Colombia, Turkey and Thailand.

Even on the campaign trail, then-presidential candidate Donald Trump made it clear that his “America first” agenda would mean renegotiating or ending trade agreements that he did not feel were supportive of US-manufactured goods. Upon taking office, he immediately withdrew from the Trans-Pacific Partnership (TPP), with 11 Asia-Pacific countries, leaving a large gap for how the US feed industry could compete in the Oceanic region. Now, the remaining TPP signatories are moving forward with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership with plans to begin implementing it in the coming months.

Given Mexico’s and Canada’s reliance on US animal food exports, as the country’s first and second most important trading partners, AFIA has made it a priority to work with the others in the US agricultural community over the past year on the renegotiation of the North American Free Trade Agreement (NAFTA). The 1994 tripartite agreement is the world’s largest free trade area and grants most-favoured-nation status to each of the parties, eliminates most tariffs and trade barriers between the parties, and establishes a number of other procedures for resolving trade disputes, protecting intellectual property and company products, and easing access into the markets.

The Trump administration has threatened to withdraw from NAFTA, but AFIA, with other organisations, have been calling on the administration and the US Congress to “do no harm” to the agreement. Since NAFTA’s implementation in 1994, animal food exports to Canada and Mexico have almost tripled, growing from \$764 million to roughly \$3 billion in 2016. Abandoning the agreement would be detrimental to the animal food industry, resulting in a rise in tariffs on US exports to the two countries and greatly diminishing the industry’s competitiveness in the global marketplace.

Another agreement the industry has been closely engaged in is with South Korea. Last June, President Trump announced his desire to renegotiate the US-Korea Free Trade Agreement (KORUS), in large part due to the trade deficit the country has with South Korea. KORUS entered into force in March 2012, and since then, has facilitated growth in US animal food and pet food exports by offering zero tariffs on these products. For example, US animal food and pet food exports to South Korea have gone from \$554 million in 2012 to \$580 million in 2016, a 4.7 per cent increase. With the immediate elimination of the 5 per cent tariff on dog and cat food under KORUS, there has been a 67 per cent increase in exports of those products alone to South Korea. Although many market access constraints still remain, AFIA is hopeful that renegotiating KORUS will provide an opportunity for the US industries to address, or at a minimum to highlight, some of these issues.

Industry Leads Way in Developing Internationally Recognised Sustainability Model

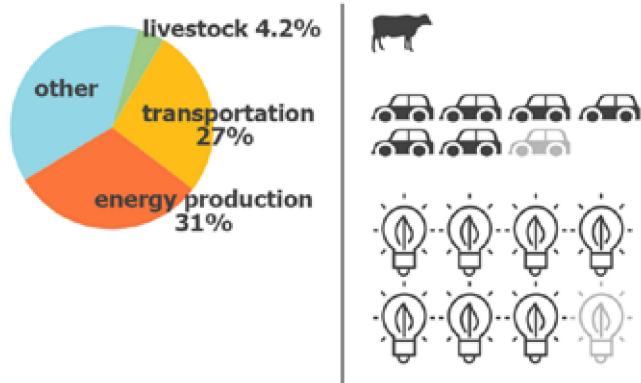
Along with the agriculture industry as a whole, the US animal food industry is also committed to improving its

U.S. 2017 Feed, Feed Ingredient and Pet Food Exports
in 1,000 dollars

	Partner	Total	% of total U.S. exports
	Total U.S. Exports	\$ 11,402,433	
1	Mexico	\$ 1,601,808	14.0%
2	Canada	\$ 1,464,325	12.8%
3	Japan	\$ 879,237	7.7%
4	China	\$ 781,847	6.9%
5	Korea, South	\$ 587,597	5.2%
6	Indonesia	\$ 486,609	4.3%
7	Philippines	\$ 482,496	4.2%
8	Colombia	\$ 464,361	4.1%
9	Turkey	\$ 325,000	2.9%
10	Thailand	\$ 308,329	2.7%

65%

Source: US Department of Agriculture’s Foreign Agricultural Service



US greenhouse gas emissions by industry segment based on data from the US Environmental Protection Agency.

sustainability efforts. The industry has been an integral partner in the Livestock Environmental Assessment and Performance (LEAP) Partnership, which released in 2016 a gold-standard model for organisations around the world to accurately measure the environmental impact of their livestock feed production processes.

This model, the result of more than three years of hard work between AFIA, the European feed industry, the International Feed Industry Federation, and the Food and Agriculture Organization (FAO) of the United Nations, is now the standard by which all livestock and poultry organisations, universities and other organisations can use to assess the emissions generated by species over their total lifecycles. Already, the model has concluded that the US livestock and poultry sectors contribute less than 4.2 per cent of total US greenhouse gas emissions.

As a next step, AFIA is also participating in the North American Global Feed LCA Institute (GFLI) project. This initiative is creating regional databases and a modelling tool to benchmark the environmental impact of feeding livestock and poultry production based on the scientifically robust life-cycle analysis (LCA) methodology for feed developed under LEAP. GFLI is providing the tools and data and is urging the feed industry to use a harmonised set of standard methods to monitor feed ingredient LCA, which will encourage and demonstrate continuous improvement throughout the feed industry. Inspired by the North American and European Union projects, China and Brazil, as well as the global aquaculture industry, have also pledged to develop their own regional databases.

Moving forward, the industry continues to find that one of its greatest challenges lies in the fact that many consumers within the United States and around the world are removed from the immediate throes of agriculture. They do not understand how their food is made, where it comes from or how the agriculture industry is continuously improving to be more sustainable, and often pit fearmongering tactics against science and level-headed decision-making. We have already seen how these loud voices can bend the ears of food retailers and policy-makers, searching for a larger market share and/or re-election.

We continue to urge decision-makers not to make regulatory and policy changes that do not improve animal health and welfare, yet have the potential to block innovation, restrict choices in the marketplace, raise food prices, and prevent the world's hungriest from eating their next meals. In the US feed industry, we feel the weight of the world's hungry on our shoulders and know that we

have a responsibility to continue producing high-quality, safe animal feed in a safe and sustainable way so that consumers around the world can continue having access to a safe, abundant and affordable food supply.



Joel Newman

Joel Newman is the American Feed Industry Association's president, CEO and corporate treasurer. Newman has more than three decades of diverse executive experience in agribusiness, with United Cooperative Farmers, Maple Leaf Foods and Agway. Newman represents AFIA on international issues and serves as a director and on the executive committee of the International Feed Industry Federation.