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THE IMMEDIATE CHALLENGES TO OUR NATION'S FOOD SUPPLY CHAIN

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTEENTH CONGRESS

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THE IMMEDIATE CHALLENGES TO OUR NATION'S FOOD SUPPLY CHAIN

WEDNESDAY, NOVEMBER 3, 2021

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The Committee met, pursuant to call, at 10:02 a.m., in Room 1300 of the Longworth House Office Building and via Zoom, Hon. David Scott of Georgia [Chairman of the Committee] presiding.

Members present: Representatives David Scott of Georgia, Costa, McGovern, Adams, Spanberger, Hayes, Delgado, Rush, Pingree, Kuster, Bustos, O'Halleran, Carbajal, Khanna, Lawson, Craig, Harder, Axne, Schrier, Bishop, Thompson, Austin Scott of Georgia, DesJarlais, LaMalfa, Davis, Allen, Kelly, Bacon, Johnson, Baird, Jacobs, Balderson, Cloud, Mann, Feenstra, Miller, Moore, Cammack, Fischbach, and Letlow.

Staff present: Prescott Martin III, Lesley Weber McNitt, Kelcy Schaunaman, Ashley Smith, Luke Theriot, Parish Braden, Patricia Straughn, Jennifer Tiller, Erin Wilson, and Dana Sandman.

OPENING STATEMENT OF HON. DAVID SCOTT, A REPRESENTATIVE IN CONGRESS FROM GEORGIA

The CHAIRMAN. The Committee will come to order. I want to welcome everyone, and thank you for joining us with this very critical, important, and urgent hearing. It is very important that we take stock of where we are at this point, in terms of making sure that we keep our food supply chain safe and secure, and moving our goods, our food products, our equipment that our farmers need to really make sure that we are responding to this very critical need. We have a distinguished panel, and I am so delighted with the great work that my staff has done in assembling this hearing. This is very important.

After brief opening remarks, Members will receive testimony from our witnesses today, and then our hearing will be open to questions. Members will be recognized in order of seniority, alternating between Majority and Minority Members, and in order of arrival for those Members who have joined after the hearing was called to order. And, as always, when you are recognized, please make sure you are muted when you are not speaking, and when you are speaking, you can unmute. And I want to start with my own opening statement here.

I really, really wanted to hurry up and have this hearing so that we will be able to relay to the American community that our food supply at this point is secure. We do not have, at this point, a

shortage of food. And the purpose of this hearing is to make sure, as the challenges continue to unveil with the pandemic, which is causing so much of this problem—we hope it can go away quickly. We hoped that a year ago, but it is still here. We don't know how much longer it will be here. But we cannot wait to be able to look today at the immediate challenges that face us in order to keep our food supply plentiful and secure.

Today's hearing is a very important, with widespread look at our supply chain issues. We want to look at the logistics involved with ensuring that our grocery store shelves, our convenience store shelves, all of the retail elements where our people get their food products, are well stocked, and we want to make sure that we in Congress are doing what we need to do to make sure that that stays constant.

To start, our supply chain challenges are yet—our food is—supply is safe so far, but we do have some challenges that are widespread and unprecedented, and they are not just limited to food and agriculture. They are global. We are a global force. We have the world's greatest agriculture system, and it spans the world. So, whatever happens in whichever part of the world that is not good, it impacts us. It impacts our farmers. It impacts our grocery stores, all of that. And we want to make sure that we in Congress, and this Committee, get to the bottom of what some of the serious immediate challenges are. And I want to commend several of our House Agriculture Subcommittees who have held hearings on this, including the beef supply chain, small and local supply chains, and we also have had a meeting with the Federal Maritime Commission to discuss shipping issues and possible remedies.

I do not want to understate that these complex disruptions are causing economic hardships, delays, limited product choices, increased costs of production, and most notably, for much of our American people, the prices have zoomed. So, we are caught in the middle here, and we are committed to doing our part in Congress, and we in the House Agriculture Committee will shine a light on these issues and move forward.

I also want to bring attention to—while we are sailing fairly smoothly in terms of no disruptions in our supply chain, we do have a serious immediate challenge, and it is a challenge that we have to address, and it is this. We need, right now, 15,000 more commercial truck drivers. If there is an Achilles' heel in our challenge, it rests with these huge vacancies in our truck drivers, commercial truck drivers. Let me tell you why. Right now, according to our food service distribution industry—they are the ones that brought this to my attention, and I need to share it with this Committee, because we are going to have to do something about this. Right now, we are 15,000 commercial drivers short, and we have to move forthrightly to respond to that.

But more than that—and here is the real element of this Achilles' heel. According to not just the Food Service Distribution Association, but our Transportation Department and others, here is the problem: 90 percent of our commercial truck drivers don't last 1 year, and so we have before us a major recruitment problem, and a retention problem. And I have moved on this in our Committee, and we are going to call upon, and work with, as our Agriculture

Committee, and work with our Education and Labor Committee, and work with our Transportation and Infrastructure Committee, and I've asked my staff to begin to reach out.

I believe strongly, ladies and gentlemen, that if we do not address this immediate concern of getting 15,000 more truck drivers, and if we do not especially address the question and the issue why are 90 percent of our commercial truck drivers not lasting a year, that doubles the impact of this challenge. It is sort of like trying to fill the bucket up, and we can put all the water in it, but it is meaningless if we don't close the holes at the bottom of the pail. And so, this is why I wanted to let you know that this Agriculture Committee is not waiting 1 second on that. We are already moving to put this in action, and we are calling upon the impacted committees, Transportation and Infrastructure, and Education and Labor, to try to see what we can do, and then pull in the Labor Department, the Transportation Department, the Secretary, and, of course, our Secretary, Tom Vilsack.

Now, some of this is going on already, and I want to give President Biden some credit here, folks. He gets a lot of blame, but he has moved on this already. With his 24/7 Plan, that has opened up a way for us to get what truck drivers we have on the road that can travel weekends, they can travel nights now, 24 hours, 7 days a week. But, if we don't have the truck drivers, what good is that? So, this is why we have to move urgently, and put together a major recruitment and retention program for commercial truck drivers.

And now I just want to also thank our Secretary of Agriculture, who has moved on this, in terms of putting money already out there. I think it is about $10 billion that he is already putting into action, in terms of making sure that the Agriculture Department is ready right now to assist with this in providing emergency funds to make sure we maintain. But all I say is that we have a tremendous challenge here. We can't shy from it.

And I want to conclude my opening remarks by saying that we are a great nation, and we have gone through some major challenges. At this point, this is our Paul Revere moment. We have to sound the alarm on this weakness that we have right now of needing 15,000. This is what they are saying. We need 15,000 truck drivers right this moment. This will maintain where we are. And then we really need to work with the nitty gritty of it of retention. I was just shocked when they informed me that 90 percent right now of our truck drivers don't last a year.

So, this is a serious problem, we are moving forward, and I just appreciate everybody here today, and I wanted to just sound the alarm. But also, now we must have a Franklin Delano Roosevelt moment. When they had the Depression during the 1930s, we responded, and we did things we did not even do before, didn't know how to do. And as a result of going through that, we put things in place as a result of the Depression that are lasting and helping us right to this day. This is our shining moment, Committee. Let us rise to the occasion, and let us address this real tough issue of getting more commercial truck drivers, and retaining them.

[The prepared statement of Mr. David Scott follows:]

PREPARED STATEMENT OF HON. DAVID SCOTT, A REPRESENTATIVE IN CONGRESS FROM GEORGIA

Good morning, and welcome to today's hearing as we discuss a critical issue that impacts every single person in this country—the immediate challenges to our nation's food supply chain.

Today's hearing will be an important look into how widespread these supply chain issues are, the logistics involved with ensuring our shelves are stocked, how the food and agriculture industry has had to pivot to rise to the moment, and ultimately, what Congress and our House Agriculture Committee can do to alleviate these disruptions.

To start—the supply chain challenges are widespread and unprecedented. They are not limited to food and agriculture, and they are global in nature. These challenges were largely driven by the pandemic and have persisted, due to the uneven recovery and the Delta variant of COVID–19. The pandemic created significant new challenges, and it revealed and intensified other issues in our supply chain that existed before the pandemic, like labor shortages and shortages of our critically important truck drivers. For example, the food service distribution industry has an estimated 17,500 warehouse positions and 15,000 driver positions currently open.

Congress and this Committee have been working with the Administration to get to the bottom of these challenges and understand how we can partner with industry to assist the recovery and rebuilding process.

Some of our House Agriculture Subcommittees have already held hearings on specific sectoral concerns, including the beef supply chain and small and local supply chains. We also had a meeting with the Federal Maritime Commission to discuss shipping issues and possible remedies. This full Committee hearing will take a broader, holistic view of the food and agriculture supply chain.

While these supply chain disruptions are serious and unprecedented, it is important to remember that we are not facing a scarcity of food and agricultural commodities. The U.S. is still the world's best producer of an abundant, secure food supply. Despite the challenges our agricultural industry is facing, it is also still on pace to set record export levels. And in the cases of commodities that have enjoyed higher prices recently, those prices are welcomed by farmers, many of whom suffered from low prices for years prior to the market improving.

I also do not want to understate that these complex disruptions are causing economic hardship, delays, limited product choices, increased costs of production, and most notable for much of the American public, increased prices for consumer goods.

We are committed to doing our part in Congress and the House Agriculture Committee to shine a light on these issues and partner with industry and the Administration to find solutions. I commend President Biden for his hard work to take these supply chain challenges head on, as evidenced by his recent deal with ports to run 24 hours a day, 7 days a week, and the workforce development provisions in the Infrastructure Investment and Jobs Act. The President also had the wisdom to include Agriculture Secretary Tom Vilsack as one of the co-chairs of his Supply Chain Disruptions Task Force. Secretary Vilsack has announced significant USDA resources, targeted toward resolving the bottlenecks in the food and agriculture supply chain. I look forward to working with him to help our incredible food and agriculture industry get through these formidable challenges.

With that, I'd now like to welcome the distinguished Ranking Member, the gentleman from Pennsylvania, Mr. Thompson, for any opening remarks he would like to give.

The CHAIRMAN. And with that, I will yield to our Ranking Member for his remarks.

STATEMENT OF HON. GLENN THOMPSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. THOMPSON. Well, Mr. Chairman, thank you very much, and I agree with you. We need to sound the alarm, because I think we are actually in a crisis, when I look at all aspects of this, and things that were perhaps avoidable, and most importantly, things that we can address with the right action, so I am looking forward—we have a talented group of witnesses today on the panel that have come forward to share their perspective. I am really interested to hear—we really do need a root cause analysis of all the

things that have contributed. I have worked on—in my role as a senior Member on Education and Labor, and a leader on career in technical education, I have worked on the CDL drivers for many years, and we actually have tools out there to help people get trained, so it is not a matter of not having resources dedicated there.

This hearing today is a very important and long overdue hearing to review the current strains within the supply chain, and their impact on American agriculture, and I see this as the first of what I hope will be many public conversations on this topic by our Committee. We have a talented panel today, but this is impacting every American family, and we have a lot of key stakeholders that we weren't able to fit onto the panel today, so I would certainly encourage—and this is a crisis. I would encourage that we do a series of these hearings.

I point to just an article yesterday, in one of my largest newspapers, probably one of my largest newspapers, *The Derrick,*[1] of Oil City, that talked about the Cranberry Area School District, that normally receives, from their food distribution, 100 cases of food. That is what it takes to provide something I think that we somewhat take for granted, school lunches, and they are getting 50, and the wonderful men and women that are working in food services at that school district are trying to do their best to be creative as to how they deliver the nutrition that they need to do for those school lunches, or breakfasts, that the kids need to have. That is a crisis, when you have school districts that have their supplies cut in half.

I am looking forward to hearing about workforce issues, looking forward to hearing—I think there is an entire side of this that the Biden Administration has ignored, in terms of disruption of food supply, and that is the fact that our farmers, who rely on domestic exports—we have a lot of—a tremendous amount—probably the majority of shipping containers going back overseas empty, and we have these commodities that are so important to our rural communities, and our farmers and ranchers, that are sitting there ready to go. We don't need truck drivers for that. I don't know what we need. We need some type of change to—where these containers are not allowed to go back overseas empty.

We need flexibility, and regulation implementation. We need a transition, a pivot, from the Biden energy policy that has reduced the amount of natural gas production. And I am not—specifically about that as an energy source—as the derivatives used to manufacture plastics, because for every food supply, we need packaging, and plastics are an important part of that. So, there is a lot that I am looking forward, hopefully, to hearing about today.

As the United States emerges from the pandemic, we are facing a new combination of challenges and consequences, including rapidly rising inflation, skyrocketing energy costs, and a shortage of available goods and labor. Now, as we approach the holidays, these issues are on the minds of every American. And in addition to everyday needs, meals, gifts, and celebrations will look wildly different this year as families face an onslaught of high prices, limited

[1] **Editor's note:** the article referred to is located on p. 141.

stock, and minimal customer service. Now, the Biden Administration would lead you to believe that these are "high class problems." That is kind of a flippant statement, and I believe that it represents just how out of touch this Administration is with main street. Main street and farm lanes, let me put it that way, and the everyday people who see their hard-earned dollar stretched thinner every day.

Mr. Chairman, I would have liked to see the Administration participating in today's hearing, because whatever solutions that we can identify, we need them to be able to execute or to administer. That is what the Executive Branch is supposed to do. And while I appreciate the peril that each of our witnesses is working through, I think it is necessary to hear from one of the main culprits. In too many instances the White House uses industry as a scapegoat, rather than partnering with them to solve problems.

And while we can pull other factors, like natural disasters, much of what we will hear about today is how feckless liberal policies under consideration by this Administration are compounding, instead of mitigating, this crisis. This Administration has single-handedly perpetuated a fear of high taxes—higher taxes, contemplated regulations without any type of flexibility that will limit crop protection tools and land use, reduce our nation's energy dependence, and reverted to divisive and unreasonable vaccine mandates, and challenged regulations in our transportation sector. And to make matters worse, as we sit here, trillions more in reckless spending are being readied behind closed doors. Funding that will only add fuel to the fire of skyrocketing inflation and economic uncertainty.

More so, and let me be very clear, this is a ruinous crisis for our farmers and ranchers. You buy retail, sell wholesale, and pay shipping each way. Increased input costs are hampering producers' abilities to provide an affordable food and fiber supply. To add insult to injury, transportation and shipping delays, as you have reflected on, have had serious consequences on their ability to export products, a void being filled by foreign competitors.

Now, I can only hope that this excellent panel will shed some light on a path out of this mess. We are looking for solutions, that is what we do in the Agriculture Committee, and I hope this Committee considers inviting the Administration to testify about this issue as well. I look forward to working with you, Mr. Chairman, to bring forth solutions, many of which we will hear about today, and I want to thank the expert witnesses who have joined us today on very short notice, and the numerous associations, organizations, and businesses who have provided additional testimony in advance of the hearing. With that, Mr. Chairman, thank you, and I yield back.

The CHAIRMAN. Thank you, Ranking Member. And now the Chair would request that other Members submit their opening statements for the record so witnesses may begin their testimony, have ample time, and to ensure that they do indeed have ample time to answer our questions, and be able to share their knowledge with us. And now it is my great pleasure to welcome our distinguished panel of witnesses. First of all, thank you very much for coming, and preparing, and sharing with us your information.

Our very first witness is Mr. Jon Schwalls. Mr. Schwalls is the Executive Officer of Southern Valley Fruit and Vegetable, Incorporated, from the great State of Georgia. Southern Valley is a produce growing, packing, and shipping facility, and Mr. Schwalls is testifying on behalf of the Georgia Fruit and Vegetable Growers Association. Welcome.

Our next witness is Mr. Ed Cinco, who is the Director of Purchasing for Schwebel's Baking Company, based in Youngstown, Ohio. He is testifying on behalf of the American Bakers Association.

And our third witness today is Mr. Greg Ferrara, who is President and Chief Executive Officer of the National Grocers Association, NGA. NGA represents America's 21,000 independent community grocers, and the wholesalers that service them.

And now to introduce our fourth witness today, I am pleased to yield to our distinguished Chairman of our Livestock and Foreign Agriculture Subcommittee, our colleague from California, Mr. Costa.

Mr. COSTA. Thank you very much, Mr. Chairman, and this is a very important and serious hearing that we are having, and it is timely, and I thank you for that. And I know you are in a good mood this morning because the Braves did bring it home last night, so you have a smile on your face.

The CHAIRMAN. Yes.

Mr. COSTA. This next gentleman—if you like pizza, you are going to like my friend, Mike Durkin from Leprino Foods. They are the largest producer of mozzarella cheese in the nation, which means the world, but they also produce a lot of other important proteins, and lactose and dairy ingredients that are critical to our food supply chain. And Mr. Durkin's experience in other leading roles puts him in a good position to testify this morning, Mr. Chairman, and Members of the Committee, of the critical challenges, and the crisis that we are facing in our supply chain. We look forward to hearing his testimony, as well as the other witnesses'.

The CHAIRMAN. Thank you, Mr. Costa. Now our fifth witness is Mr. Jon Samson, Vice President of Conferences and Executive Director of Agriculture & Food Transporters Conference, American Trucking Association. The American Trucking Association represents every sector of the trucking industry, including members who work in the food supply chain. What a distinguished panel that we have.

And now, finally, to introduce our sixth witness, I am pleased to yield to our colleague, the distinguished gentleman from Illinois, Mr. Rodney Davis.

Mr. DAVIS. Thank you, Mr. Chairman, and I have to say, the winning Braves manager comes from Illinois's 13th District. Brian Snitker grew up in Macon, Illinois, and, as an almost lifelong Braves fan, I am right with you on the championship, Mr. Chairman.

The CHAIRMAN. Man, thank you. What a night, what a World Series.

Mr. DAVIS. It was a great night, great night. And I do want to say thank you to my good friend Rod Wells. He is the Chief Supply Chain Officer at GROWMARK, Inc., and he is here on behalf of the

Agricultural Retailers Association. GROWMARK employs and serves an incredible number of constituents that I represent in my ag-centric district in Illinois, but for all of you on this Committee who know me, you may feel very sorry for Mr. Wells, because he was my neighbor when I moved to Illinois back in 1977, so he had to put up with me on a very personal basis. Even when he went to—he and his family moved halfway across the State to Olney, Illinois, I used to spend a lot of holidays and New Years' down with he and his family. But I couldn't ask for a better witness to talk about the issues affecting central Illinois, and southwestern Illinois, and my constituents, and this great nation, for that matter, when it comes to the supply chain. Welcome, Rod, and you are lucky I didn't give away any secrets. I yield back.

The CHAIRMAN. Thank you, Congressman Davis. I appreciate that. And I am so pleased to have this distinguished panel of witnesses before us, and each of you will have 5 minutes. The timer will be visible to you on your screen, and will count down to zero, at which point your time has expired. So why don't we get right into it? Mr. Schwalls, you will be first. Please begin when you are ready.

STATEMENT OF JON T. SCHWALLS, EXECUTIVE OFFICER, SOUTHERN VALLEY FRUIT AND VEGETABLE, INC., NORMAN PARK, GA; ON BEHALF OF GEORGIA FRUIT AND VEGETABLE GROWERS ASSOCIATION

Mr. SCHWALLS. Chairman Scott, Ranking Member Thompson, Members of the Committee, thank you for your invitation to participate in today's hearing. My name is Jon Schwalls, and I am the Executive Officer at Southern Valley in Norman Park, Georgia. I am here today on behalf of the Georgia Fruit and Vegetable Growers Association. Southern Valley is a fully integrated year-round growing, packing, and shipping operations of fruits and vegetables. I appreciate the opportunity to speak with me today and share how the pandemic has created unprecedented challenges to our supply chain, placing the produce industry in a crisis.

When the pandemic began in March of 2020, Southern Valley did as many farming operations did, we quickly implemented procedures to protect our workers and consumers by mitigating any potential exposure to the virus. Even though nearly half of our market share had disappeared due to closure of restaurants, schools, cafeterias, our spring crop had already been planted at that time, so we had no choice but to harvest that crop, while also protecting the health and the safety of our employees.

For the first 6 months of the pandemic, our costs for COVID–19 prevention and employee health and safety were over $120,000. We survived 2020, and first half of 2021, but it has certainly not been without significant increase to inputs and costs. Recurring monthly costs of $16,000 for COVID prevention continue today. These costs include our health task force, which is led by a local physician, additional security measures, PPE, quarantine housing, and related supplies.

We have made substantial adjustments in our purchasing model to help alleviate costs with the price forecast. Southern Valley has contracted our year's supply of crop protection products, fertilizers,

and fuel for farm operations during the first quarter of the year. Farming operations have not only increased in field input costs, but also shortage in supply of many inputs, and suppliers can no longer guarantee our price due to the shortages, shipping delays, and production.

The industry has seen unprecedented increases over the past 12 months for production costs. Specific cost increases that we have seen here today are fertilizers, which are up 35 percent; crop protection products, 25 percent; fuel, 48 percent; and plastic and drip tape, 35 percent. We have also had significant increases of packing costs. Corrugated boxes, up 17 percent; packing supplies, 30 percent; pallets, 75 percent; and refrigerant, 200 percent. Our outbound freight to customers is up 40 percent.

We are in a supply chain crisis. The U.S. ports we rely on are backed up, and products needed for farming, such as tractor tires and computer chips, are waiting to be unloaded. There are not enough drivers, warehouses, chassis, and shipping containers to keep the product moving to their intended customer, which in this case is the American farmer. Some examples are: previously crop protection products could be sourced the same or next day. Now that is 7 to 10 days. That is very important, because diseases and fungus are time sensitive. Even a few days' delay can have a significant impact on crop yield and/or total crop loss. Fertilizers that could previously be sourced within a week, we are waiting 3 to 4 weeks now. And things like tractor tires that could be sourced the same day, we are not even being given a delivery date.

In the early days of the pandemic, the Federal and state governments took swift action to invest in the food systems, and to work together to keep supply chains moving. The situation we now face echoes some of the challenges we faced in the spring of 2020. Finally, Georgia lacks a processing facility for produce. Currently there is no opportunity to market produce that is cosmetically flawed. The addition of a processing facility would allow products that are currently tossed to be sold in one of four categories, fresh cut, fresh prepared, fresh frozen, or frozen prepared. A facility like this would make great strides in reducing food waste, as well as adding shelf life to these fruits and vegetables.

In times when producers are spending more to grow their product, a processing facility would incentivize growers to stay in farming to better balance out the additional costs incurred throughout the pandemic, and supply chain crises, and create food safety and stability. I thank you for allowing me to participate today. I look forward to the continued discussion, and I will be able to answer any questions you have today or follow up after the hearing. Thank you.

[The prepared statement of Mr. Schwalls follows:]

PREPARED STATEMENT OF JON T. SCHWALLS, EXECUTIVE OFFICER, SOUTHERN VALLEY FRUIT AND VEGETABLE, INC., NORMAN PARK, GA; ON BEHALF OF GEORGIA FRUIT AND VEGETABLE GROWERS ASSOCIATION

Chairman Scott, Ranking Member Thompson, and Members of the Committee, thank you for the invitation to participate in today's hearing. Today, I want to bring attention to the resiliency of the produce industry and ask for assistance as we continue to adapt through the current supply chain crisis.

My name is Jon Schwalls, I'm an Executive Officer at Southern Valley in Norman Park, GA, here today on behalf of Georgia Fruit and Vegetable Growers Association. Southern Valley is a fully integrated, year-round growing, packing, and shipping operation for fruits and vegetables.

In my 26 years with Southern Valley, I've had the opportunity to work in multiple capacities, from my direct involvement in the supply chain, to the development and implementation of a vertically integrated business structure, to the daily oversight of all operations.

I appreciate the opportunity to speak to the Committee today and share how the pandemic has created unprecedented challenges to our supply chain, placing the produce industry in crisis.

When the pandemic began in March of 2020, Southern Valley did as many farming operations—we quickly implementing procedures to protect our workers and consumers to mitigating any potential exposure to the virus.

With the spring crop planted at the height of the pandemic, we knew harvesting was necessary and we had to protect our employees, even though nearly half of our market had disappeared with the closure restaurants, school cafeterias, and more. In the first 6 months of the pandemic, our costs for COVID–19 prevention were over $120,000. This included initial costs of $27,500 for personal protection items and housing/facility alterations to maintain employee protection and social distancing.

We survived 2020 and the first half of 2021, but it has not been without significant input costs. Recurring input costs for [COVID] prevention which continues today include our Health Task Force, led by a physician to examine operations and improvements at $3,000/month, security to protect our employees from the risk of infection from non-employees being brought in at $5,400/month, as well as PPE, quarantine housing, and related supplies at an additional $7,500/month.

We've made substantial adjustments in our spending model to help alleviate costs. With price forecasting, Southern Valley purchased our year's supply of crop protection products, fertilizers, and fuel for farm operations in January and February of this year.

Farming operations are facing, not only increased field input costs, but also a shortage in supply of many inputs. Suppliers can no longer guarantee supply with the increased demand, and they are unable to give us a price on crop protection products or fertilizers going forward.

While we were able to lock in some input prices, the industry has seen unprecedented increases over the past twelve months for field input costs. Specific cost increases Southern Valley has experienced year to date include:

Field Input Cost Increase	
Fertilizers	35%
Crop Protection Products	25%
Fuel	48%
Plastic Mulch and Drip Tape	35%
Packing Cost Increase	
Corrugated Boxes	17%
Packaging supplies	30%
Pallets	75%
Refrigerant	200%
Transportation Increase	
Outbound Freight	40%

Now we find ourselves in the middle of a supply chain crisis. The U.S. ports we rely on are backed up and products needed for farming such as tractor tires and computer chips are waiting to be unloaded.

Once unloaded, there are not enough drivers, warehouses, and shipping containers to keep the products moving to their intended customer, in this case the farmer. Some examples of this are:

- Previously, Crop Protection Products could be sourced by the same or next day. This is important as diseases and fungus are very time sensitive, even a few days delay can have a significant impact on crop yield and or total losses. We currently have a 7–10 day wait to source these products.
- Fertilizers could previously be sourced within a week; we are now waiting 3–4 weeks.

- Tractor tires could be sourced the same day, within the last year it's moved to 5–7 days, currently many of the tires we need cannot be sourced with a delivery date.
- Tractor parts. Normally same day—2 days at most, now we have backorders for 2–14 weeks.

This problem hits close to home in Georgia with Savannah's port, the largest in the western hemisphere, unable to move shipments. There are reports that on an average, pre-pandemic, there would be 10,000 containers waiting to be trucked from the port in Savannah, but in the past several months that number has increased almost to 80,000 containers waiting to be moved.

In the early days of the pandemic, our Federal and state governments took swift action to invest in food systems and to work together to keep supply chains moving. The situation we now face echoes some of the challenges we faced in the spring of 2020.

Finally, Georgia lacks a processing facility for produce. Today's consumer and retailer want a flawless product. Currently, if a fruit or vegetable is cosmetically flawed, it is thrown away with no other opportunity for market. The addition of a processing facility would allow products that are currently tossed to be sold in one of four categories: fresh cut, fresh prepared, frozen cut, frozen prepared. A facility like this would make great strides in reducing food waste as well as adding shelf life to these fruits and vegetables. In times when producers are spending more to grow their product, a processing facility would incentivize growers to stay in farming—to better balance out the additional costs incurred throughout the pandemic and supply chain crisis.

Thank you for allowing me to participate today. I look forward to the discussion and am able to answer questions today or in follow-up after the hearing.

The CHAIRMAN. Thank you very much, Mr. Schwalls. And now we will recognize Mr. Cinco. Please begin when you are ready.

STATEMENT OF ED CINCO, DIRECTOR OF PURCHASING, SCHWEBEL'S BAKING CO., YOUNGSTOWN, OH; ON BEHALF OF AMERICAN BAKERS ASSOCIATION

Mr. CINCO. Good morning, Chairman Scott, Ranking Member Thompson, and Members of the House Agriculture Committee. Thank you for holding this hearing, and for the opportunity to testify today on the unique supply chain challenges that face the baking industry. My name is Ed Cinco, and I am the Director of Purchasing for Schwebel's Baking Company. Schwebel's Baking Company has been a household name in Youngstown, Ohio since 1906, a company founded by Doris Schwebel, and family-owned since its inception. Currently Schwebel's has a workforce of 800 employees in two bakeries, with a dedicated delivery team. Schwebel's product lines include hearth breads, traditional white bread and buns, variety breads spanning wheat and breakfast breads. I am testifying today on behalf of the American Bakers Association, of which Schwebel's is an active member, who represents 300 companies and 1,600+ facilities. Today I will provide an overview of the multi-faceted supply chain disruptions that the baking industry is currently facing, and what we will be facing in the future.

First issue I would like to discuss is the workforce shortage in the baking industry. Schwebel's Baking Company has not been immune to the workforce shortage. We have experienced high levels of turnover due to the need of 24/7 production runs to provide a fresh quality product to our customers. The shortage of workers in our sector means we do not have enough workers for our shifts. We are forced to shut down production lines, this results in fewer products being delivered to retail stores and food services, including restaurants and institutions. Additionally, many wholesale bakers

provide baked goods for Federal feeding programs, including the School Breakfast and Lunch Programs, SNAP, and WIC. The baking industry is also facing a shortage of drivers. The baking industry has one of the largest trucking fleets in the United States and is reliant upon drivers to transport our products to the end-user.

Further, these workforce challenges have significantly impacted our suppliers. ABA has a real concern over President Biden's COVID–19 action plan that will make this workforce tighter, due to the fact that they will have to be vaccinated. The baking industry does support the President's goal of getting Americans vaccinated, but we have real concerns about the rulemaking and the negative impact on the fragile workforce. We also worry about the access to COVID–19 rapid tests.

Baking industry uses a variety of transportation modes, including ports, rails, roads to move supplies to and from the bakery. The industry is reliant on the U.S. ports to move the freight to—these recent bottlenecks have negatively impacted the smooth flow of trade for both ingredient suppliers and exports of the American products. Failure to alleviate these will lead to unusable products due to short shelf lives of some ingredients. Successful baking operations require sourcing of a unique combination of inputs, including commodities, specialty ingredients, packaging, and baking equipment to keep producing products. Reliable and consistent procurement of supplies under normal circumstances is a complex, difficult task, but when supply chains are unpredictable or slowed, bakers become highly vulnerable.

Depending on the baked goods produced, companies will need a wide array of inputs, flour, oil, sugar, spices, gluten, *et cetera.* Recently we have seen a supply shortage of critically important ingredients such as gluten, emulsifiers, soybean oil, and packaging. Upcoming issues are being projected for honey, sesame seeds, and durum flour, which is a main part of the school lunch programs. The demand for soybean oil and other vegetable oils has exceeded the current domestic supply. There are several factors influencing the edible oil supply availability. The 2020 drought, lower than projected plantings in 2021, and President Biden's EPA's Renewable Biodiesel Program. This means for some food companies edible oil will literally not be available at any price due to the diversion of the edible oil to the biodiesel industry.

Some bakers can order ingredients and supplies ahead of their normal ordering schedule to ensure delivery of products to customers. Unfortunately, this comes at a substantial cost to the manufacturer, as it takes significant planning, resources, and additional space, as well as carrying costs. ABA members are reporting that because of the lack of certain ingredients, they will no longer be able to manufacture 10 to 15 percent of their product line. If the United States is unable to alleviate the pressure around the critical baking ingredients, bakers could anticipate less products on store shelves and in food services, as well as those dependent on USDA feeding programs. Bakers will have to make tough decisions, and this is going to impact American families.

The baking industry is facing numerous challenges, workforce, transportation, supply, procurement, and regulatory requirements,

all of which threaten to disrupt the fragile supply chain. Thank you for the opportunity to testify.

[The prepared statement of Mr. Cinco follows:]

PREPARED STATEMENT OF ED CINCO, DIRECTOR OF PURCHASING, SCHWEBEL'S BAKING CO., YOUNGSTOWN, OH; ON BEHALF OF AMERICAN BAKERS ASSOCIATION

Chairman Scott, Ranking Member Thompson, and Members of the House Agriculture Committee:

Thank you for holding this hearing on "the immediate challenges to our nation's food supply chain" and for the opportunity to testify today on the unique supply chain challenges that are facing the baking industry. My name is Ed Cinco, and I am the director of purchasing for the Schwebel's Baking Company.

Schwebel's Baking Company has been a household name in Youngstown, Ohio since 1906. The Company was founded by Dora Schwebel and has been owned by the family since its inception. Currently, Schwebel's has a workforce of 800 employees spanning two bakeries along with a dedicated delivery team. Schwebel's product line includes Hearth breads, traditional white pan bread and buns, as well as variety breads spanning from wheat breads to breakfast breads.

I am testifying today on behalf of the American Bakers Association (ABA), of which Schwebel's Baking Company is an active member. ABA is the Washington, D.C.-based voice of the wholesale baking industry. Since 1897, ABA has worked to increase protection from costly government actions, build the talent pool of skilled workers with specialized training programs, and forge industry alignment by establishing a more receptive environment to grow the baking industry. ABA's membership has grown to represent more than 300 companies with a combined 1,600+ facilities. The baking industry employs almost 800,000 skilled individuals, generates over $44 billion in direct wages, and has an overall economic impact of over $154 billion.

Today, I will provide an overview of the multi-faceted supply chain disruptions that the baking industry is experiencing currently and what we will be facing in the future. ABA members want to ensure a continuity for a reliable and steady production and supply of delicious, nutritious, baked goods throughout the country for American families, food service and the USDA's Federal feeding programs to ensure food security for all.

Workforce Shortage

Workforce shortages are a critical supply chain barrier the baking industry is facing. The baking industry was designated as essential critical infrastructure by the Department of Homeland Security at the outset of the COVID–19 pandemic. Our workers are essential and when the industry faces a worker shortage, it poses a major threat to the baking industry's supply chain.

Schwebel's baking Co. has not been immune to workforce shortages, we have experienced high levels of turnover due to a need to run 24/7 in order to produce a fresh quality product. In addition to the lack of new employees the aging and experienced workforce are leaving at an alarming rate due to the new issues facing the world. This lack of new trained employees and the loss of experience has put a strain on the current workforce the likes not seen by Schwebel's in its 115 year existence.

The shortage of workers in our sector; means that if we don't have enough workers for our shifts, we are forced to shut down production lines. This results in fewer products being delivered to retail stores and food service including restaurants and institutions. Additionally, many wholesale bakers provide baked goods for the Federal feeding programs that include the School Breakfast and Lunch Programs, SNAP and WIC. In the current supply chain hurdle climate, many bakers are turning down additional business as they only have the workforce to run limited production lines—forcing difficult choices on which products to make, and when.

The baking industry is also facing a shortage of drivers. This issue is being felt by many manufacturing sectors, which makes it even more difficult to find and retain talent. The baking industry has one of the largest trucking fleets in the U.S. and is reliant upon drivers to transport our products to the end customer. Further, these workforce challenges are impacting our suppliers. For example, we depend upon specific ingredients and supplies to make and package our products. Some ingredient suppliers are hesitant to take on new business for fear of being unable to deliver their product to the manufacturer, forcing bakers to consider other methods of sourcing thus further increasing the prices of ingredients.

Last, the industry is already struggling with retaining and recruiting workforce. ABA members have real concern that the President's COVID–19 Action Plan will only make the workforce situation worse. The baking industry supports the President's goal of getting Americans vaccinated, but we have real concerns on how such a rulemaking will negatively impact our industry's fragile workforce.

ABA is a member of the U.S. Rapid Action Consortium (RAC) whose mission is to safely and effectively reopen the U.S. economy faster through a COVID–19 rapid action testing system to enable U.S. businesses to better create safer workplaces. The Consortium has already seen a significant supply chain strain on members' ability to access COVID–19 rapid tests through these efforts. The logistics of COVID–19 vaccines, booster shots and testing are challenging and with the ongoing workforce shortage, thoughtful and flexible compliance implementation with a vaccine and testing policy will be critical to keeping our bakeries operational.

I am incredibly proud of Schwebel's workforce and the entire baking industry. Throughout the pandemic, we have been hard working and resilient to ensure a steady supply of baked goods for communities across the nation.

Operational Bottlenecks

The baking industry uses several transportation modes including ports, rails and roads to move supplies and end products to customers. The industry is reliant upon U.S. ports to move freight. The recent bottlenecks at the ports have negatively impacted the smooth flow of trade for both ingredient and supply imports and exports of American products.

ABA is supportive of the move to begin operating ports 24 hours a day, 7 days a week to begin to alleviate this congestion. In the baking industry, manufacturers are operating 24 hours a day. Logistical transport for bakery products is typically done overnight as there is less traffic and so that fresh products can be delivered to customers in the early morning hours.

Additionally, failure to alleviate the port bottlenecks could mean rancid ingredients, rendering these inputs unusable due to excessive delays in transit. For example, soybean oil, a crucial component in many baked goods, has a short shelf life. Recently, a U.S. soybean oil supply crisis has made the U.S. a net importer of this ingredient, forcing U.S. bakers to become increasingly dependent upon imports of this expirable product. If a vessel remains at port for an unforeseeable time, this could make the ingredient unusable. Such a situation could result in halting production of specific products in which the ingredients are essential.

Rail is another mode of transportation that is used by bakers to deliver large quantities of ingredients, such as flour. However, bakers are experiencing issues with rail as the deliveries are often inconsistent and unreliable. Bakers are experiencing deliveries that are getting stuck at the rail yards. This has led many bakers to consider alternative modes of transportation to ensure delivery of supplies and ingredients.

Last, as mentioned previously, the driver shortage creates another barrier to delivering products by truck. Bulk transportation for tank or silo materials is especially short drivers due to the logistical issues associated with a time sensitive delivery. Timing is critical as not to run out or overload the tank or silo at time of delivery and can occur at any time on any day. It is important that these transportation and logistics issues be resolved to ensure the continued reliable and steady supply of baked goods throughout the U.S.

Supply Procurement

Successful baking operations require sourcing of a unique combination of inputs, including commodities, specialty ingredients, packaging, and baking equipment to keep producing merchantable, quality products. Reliable and consistent procurement of supplies under normal circumstances is a complex and difficult task, but when supply chains become unpredictable or slowed, bakeries become highly vulnerable.

Among all inputs, the sourcing of commodities and ingredients are often the largest challenge for baking manufacturers. Depending on the baked goods produced, companies will need a wide array of inputs, such as flour, oils, sugar, spices, gluten, vinegar, *etc.* Recently, we have seen supply shortages on critically important ingredients such as gluten, emulsifiers, soybean oil, packaging, and printing capabilities for the packaging. Upcoming issues are being projected for Honey Sesame Seeds and Durum Flour which is a main part of the school lunch program. Many of these challenges directly result from the global disruption of the highly connected global supply chain further exacerbated by COVID–19.

The demand for soybean oil and other vegetable oils has exceeded the current domestic supply. There are several factors influencing the supply availability. The 2020 drought, lower than expected projected plantings in 2021 and the EPA's re-

newable biodiesel program play a large role in the soybean oil supply crisis bakers are experiencing today. Additionally, non-food use for biodiesel and renewable diesel has expanded greatly and this demand is anticipated to double in the next 2 years. As a result, economists report that vegetable oil prices have tripled in the past 12 months and that the food sector faces rationing and shortages for the third quarter of 2021 and into 2022. The increase in biodiesel has also reduced the processing capacity available for vegetable oils. Additional capacity is being created but is not projected to go on-line until 2023.

This means for some food companies, edible oil literally will not be available at any price due to diversion of edible oil from producing food to burning as fuel at the end of this calendar year. One solution is for the Environmental Protection Agency (EPA) to use its statutory authority under the Federal Renewable Fuel Standard (RFS) program to consider food and commodity prices and impact to the supply chain when setting the 2021 and 2022 Renewable Volume Obligation (RVO) mandates for biodiesel and renewable diesel. Congress gave EPA flexibility in setting targets and intended that EPA transition the program away from burning food, and toward next-generation cellulosic technology using residuals and other non-food feedstocks. EPA has the authority to set the RVO targets at levels that do not disrupt agricultural markets and our food supply.

Another critical issue impacting bakers is the shortage of gluten. The domestic Gluten supply is currently depleted, which means the gluten needed for bread production must now rely on imports. However, the vessel and container shortages coupled with bottlenecks at the U.S. ports complicate the receipt of this critical ingredient. The result was a simple case of supply and demand which forced many suppliers to default on 2021 contract since they simply did not have the necessary volume. The lack of volume caused a bidding war where gluten price more than tripled from their budgeted prices.

The last ingredients I want to discuss are spices and seasonings. These ingredients are typically imported from India. India has been greatly impacted by the COVID–19 pandemic. Workers in India are retreating from crowded industrial areas to rural areas thus impacting the workforce and productivity. There are expected delays for spices, seasoning including, pepper, salt and cinnamon.

Other issues within the supply chain are the lack of available containers to put new product in. The aforementioned bottleneck at the ports is slowing the return of empty containers to the origination point of an ingredient such as the spices and seed coming from India.

The delay or lack of an ingredient could stop operations within a plant, resulting in store shelves going empty and workers being let go. Some bakers can order ingredients and supplies ahead of their normal schedule ensuring deliver of products to customers. Examples of current lead time increases are Emulsifiers (2 weeks to 8 weeks), Seeds (2 weeks to 5 weeks), Gluten (6–8 weeks), all liquid deliveries (3 weeks to assure a driver). Unfortunately, this comes at a cost to the manufacturer, as it takes significant planning, resources and additional onsite or offsite storage capacity building and carrying costs. ABA Members are reporting that because of the lack of certain ingredients they will no longer be able to manufacture 10–15% of their product line. If the U.S. is unable to alleviate the pressure around the critical baking ingredients, bakers could anticipate less products on store shelves and in food service, as well as those dependent on USDA's feeding programs. Bakers will have to make tough decisions, and this will impact American families.

Food Labeling

The ongoing challenges the baking sector is facing in the supply chain are now creating concerns about our ability to meet regulatory labeling obligations. In January 2021 and as recently as August, ABA expressed concerns to the USDA's Agricultural Marketing Service (AMS) regarding its compliance date for the National Bioengineered Food Disclosure Standard (NBFDS or rule) of January 1, 2022. We recommended the USDA's AMS maintain the compliance date and exercise enforcement discretion for an additional year, January 1, 2023. This is an approach that has worked well for the FDA for food safety and nutrition regulations. However, to date USDA has determined that it does not have the authority to do so without conducting rulemaking.

The supply chain issues have also driven formula changes to specific products. In turn these changes are cause ingredient and nutritional changes adding expense in packaging design.

Additionally, FDA recently released its voluntary sodium reduction strategy guidance that only provides a 2½ year compliance period. Even in stable times, the timeline that bakers had requested with the Agency to reformulate, test, label, market and bring to retail and food service, is 4 to 5 years. Bakers have strong concerns

that in the current stressed supply chain environment, it will be extremely difficult, if not impossible, to reach that short compliance goal.

Additional Effects

All the issues discussed above are causing double digit percent price increases that are being passed on to the customers (grocery store, fast food, entertainment venues, schools). The increases are necessary for companies to stay viable for their employees and shareholders. Unfortunately, the end-user will see prices go up on the products they need. However, the real concern is access to the commodities, ingredients, and supplies, without that access we can't produce our products. Food security remains our top concern.

Conclusion

The baking industry is facing numerous challenges: workforce, transportation, supply procurement and regulatory requirements, all of which threaten to disrupt the fragile supply chain. The baking industry wants to ensure store shelves, restaurant menus and Federal food programs continue to receive the nutritious and delicious baked goods American families depend on to feed their families.

Thank you for the opportunity to testify before the Committee on the supply chain challenges the baking industry is experiencing.

The CHAIRMAN. Thank you very much. And now, Mr. Ferrara, please begin when you are ready.

STATEMENT OF GREG FERRARA, PRESIDENT AND CHIEF EXECUTIVE OFFICER, NATIONAL GROCERS ASSOCIATION, WASHINGTON, D.C.

Mr. FERRARA. Good morning, Chairman Scott, Ranking Member Thompson, and Members of the House Agriculture Committee. It is an honor to have the opportunity to testify before you today to provide the perspective of the independent grocer on America's current food supply chain challenges. My name is Greg Ferrara, President and CEO of the National Grocers Association. NGA is the voice in Washington for America's 21,000 independent community grocers, and the wholesalers that service them.

Independent community grocers account for 33 percent of all grocery sales, exceeding $250 billion, and more than one million American jobs. We are inherently tied to the strength and vitality of the markets we serve, at the heart of the local communities, and the U.S. economy. Independents provide jobs and boost local tax revenues while bringing choice, convenience, and value to hard-working Americans. We serve as a critical market for agriculture products for independent small-scale farmers, as independents differentiate themselves from their competition by sourcing locally.

Without a doubt, the last 18 months have been the most challenging time in grocery that anyone in our industry can remember, and the COVID pandemic has made the grocery supply chain literally a kitchen table issue for millions of Americans. Since the beginning of the pandemic, we have experienced unprecedented levels of consumer demand. While the early days of the pandemic were marred by panic buying and acute shortages of must-have consumer products, this new phase of the global supply chain crunch presents a brand new set of challenges.

The good news is that American consumers no longer have to confront the stark images that marked the beginning of the pandemic of empty grocery shelves and hour-long lines at checkout. America's food supply chain, from farmers to manufacturers, wholesalers to retailers, demonstrated its resilience and flexibility by catching up with demand in most grocery categories. The great-

est risk we face in the market is not the supply chain challenges under discussion today, but rather the panic buying mindset of—is what poses the greatest risk to the availability of food, and the ability of grocers to keep the shelves fully stocked.

As industry and government leaders, we must be responsible spokespeople for the food system, and reassure the American public that there is plenty of food to go around. With that being said, the global pandemic has changed the economy, and the food supply chain is adjusting to deal with the new challenges presented by the new economic order. From the independent grocer's perspective, there are three central factors contributing most significantly to the current supply chain crunch.

First, labor availability. A common denominator from every witness is that the lack of labor availability is impacting all of us. People have left the workforce, perhaps for good. Others left temporarily, and still have not come back. More Americans are working from home, leading to a culture shift in how consumers shop, and what they purchase. The food industry continues to adapt to a shifting marketplace, but the bottom line is we must have access to a stable workforce in order to adequately meet the demands of American consumers. Despite the record wage growth and endless opportunities, we still face a major labor shortage.

Second, shortcomings in America's transportation infrastructure capacity is driving supply bottlenecks and delays. Specifically, the trucking industry faces an acute shortage of truck drivers, a critical cog in the supply chain required to move product along each step in the food production cycle. America is still short by more than 100,000 truck drivers, and the problem is only getting worse. The Federal Government must take actions to increase transportation efficiency and capacity, while maintaining current regulatory flexibility, such as the hours-of-service waivers, as we see the letup in demand.

Finally, third, power buyer and supply chain concentration. The pandemic has exposed a growing problem in the food and agriculture sector, market concentration has led to uneven supply. The largest retail power buyers use their immense economic power to pressure suppliers into prioritizing their shipments over other retail customers, while extracting concessions on wholesale pricing. As a result, independent grocers have lost access to both popular products and promotional pricing, often putting them at a disadvantage when competing with their largest rivals. Consumers that live in rural or low-income food-insecure areas that are typically served by independents are disproportionately impacted and must travel longer distances to find products they need at more crowded retailers.

Although the current crisis has exacerbated economic discrimination in the grocery sector, this phenomenon is not confined to the pandemic. For decades independent grocers have not had equal access to pricing promotions and packaging deals that are provided to the largest firms, and during this time independent grocers have lost ground in many rural and urban areas where food deserts now exist, in large part to competitive disadvantages in the marketplace that often favor the biggest chains and dollar stores. To fix our supply chain, NGA believes we must fix the competitive free market

and enforce anti-trust laws that are already on the books. That is why NGA, along with farmers, and business groups, and the Main Street Competition Coalition, is calling on Congress to revive anti-trust enforcement of existing laws that level the playing field like the Robinson-Patman Act (Pub. L. 74–692).

Although we expect some inconveniences in product availability to be present in the near future, I have no doubt that American ingenuity, and the dedication of the patriotic individuals that comprise our food sector, will prevail over the headwinds that we face in the marketplace. It will take time to adjust to the new economic reality, but targeted interventions from our Federal policymakers will help us get back on the right track even quicker. With that, I am happy to take your questions.

[The prepared statement of Mr. Ferrara follows:]

PREPARED STATEMENT OF GREG FERRARA, PRESIDENT AND CHIEF EXECUTIVE OFFICER, NATIONAL GROCERS ASSOCIATION, WASHINGTON, D.C.

Introduction

Good morning, Chairman Scott, Ranking Member Thompson, and Members of the House Agriculture Committee. It is an honor to have the opportunity to testify before you today to provide the perspective of the independent grocer on America's current food supply chain challenges. My name is Greg Ferrara, President & CEO of the National Grocers Association (NGA). NGA is the voice in Washington for America's 21,000 independent community grocers and the wholesalers that service them.

Independent community grocers account for 33 percent of all grocery sales, exceeding $250 billion and more than one million American jobs. We are inherently tied to the strength and vitality of the markets we serve—at the heart of local communities and the U.S. economy. Independents provide jobs and boost local tax revenues while bringing choice, convenience and value to hard-working Americans.

From the customers they see each day to the local producers who fill their shelves, the country's independent community grocers offer insight into America's communities that is truly unique. Their aggregate influence is more than matched by their cornerstone role in every Congressional district, nourishing their neighbors not only with food and goods, but through leadership and service.

COVID–19's Enduring Impact on the Grocery Supply Chain

Without a doubt, the last 18 months has been the most challenging time in grocery retailing that anyone in our industry can remember. Since the declaration of the national emergency and the industry's designation at an essential infrastructure, independent grocers have experienced sustained and unprecedented levels of consumer demand. In the early days of the pandemic, we were confronted by the 2 biggest weeks in grocery retailing in documented history as we experienced the effects of panic buying and the closure of food service establishments. Customers came in large volumes and stocked up on groceries and household products taking fewer trips with much larger basket sizes than normal.

We experienced shortages across a variety of products from household cleaners, paper products, and shelf-stable goods like canned soup, vegetables, rice, beans, and pasta. When Americans visited their neighborhood grocery store, they were confronted with empty shelves and extremely long checkout lines. Many Americans wondered whether there would be enough food to go around to feed their families. But despite the initial onslaught and disruptions to our daily lives, America's food supply chain demonstrated its flexibility and resilience and caught up with demand in most grocery categories. The food supply chain recovered from the initial shocks and consumer confidence in food retailers steadily recovered. America's farmers, ranchers, and workers throughout the food distribution chain responded heroically and rose to the occasion to keep our food supply stable. In short order, retailers and consumers alike no longer worried about the prospect of empty grocery shelves and coming home empty handed after a grocery run.

From the American farmer to the independent supermarket operator, our food supply chain is strong and endured the greatest test in generations. We are fortunate to live in a country that sources the vast majority of its food domestically. Although import and export delays are crippling for many industries who rely on for-

eign trade, bottle necks at the ports have spared most grocery list items because our food is largely produced right here on American soil. As other nations' food systems face a major test in the current supply chain crunch, it serves as a sober reminder never to take the abundance of Americas food supply for granted. Our stable agriculture and food system not only guarantees our economic security, but also our national security. A population's access to sufficient, safe, and nutritious food has been a core state interest since the beginning of civilization itself.

It is important to frame our current supply chain challenges by remembering that America is blessed to enjoy the most robust and safest food system in the world. We as food industry representatives and elected officials must continue to reassure the public and educate our constituents about the reliability of our food supply chain to avoid the panic buying that marred the industry during the early days of the pandemic. It is the panic buying mindset that poses the greatest risk to the availability of food, not the challenges that we are here to discuss today. I do not mean to downplay our current challenges—we are likely stuck with inconsistencies in select product availability and moderate food price inflation for the near future. But we can avoid the worst scenarios by being responsible spokespeople for America's food and agriculture sector. Alarmism can easily spiral into news sensationalism or viral social media cycles that influence the buying patterns that we seek to avoid. It happened once and it can happen again.

With that being said, the global pandemic has changed the economy and the food supply chain is adjusting to deal with the new challenges presented by the new economic order. From the independent grocery sector's perspective, there are three central factors that are contributing most significantly to the current supply chain crunch:

(1) ***Labor Availability***—The common theme from all industries represented on this witness panel is that we all suffer from a lack of labor availability. People have left the workforce, perhaps for good. Others left temporarily and still have not come back. More Americans are working from home leading to a culture shift in how consumers shop and what they purchase. The food industry continues to adapt to a shifting marketplace, but the bottom line is that we must have access to a stable workforce in order to adequately meet the demands of American consumers.

(2) ***Freight Capacity Constraints***—Shortcomings in America's transportation infrastructure capacity is a driving factor behind supply bottlenecks and delays. Specifically, the trucking industry faces an acute shortage of truck-drivers, a critical cog in the supply chain required to move product along to each step in the food production cycle. America is still short by more than 100,000 truck drivers and the problem is only getting worse.

(3) ***Buyer Power and Supply Chain Concentration***—The pandemic has exposed a growing problem in the food and agriculture sector: market concentration is exacerbating product shortages by depriving the market of much needed redundancies and driving unfair distributions of products in short supply. The supply chain crunch has illustrated that capacity cannot easily increase in concentrated markets, so when one firm experiences a shock, everyone suffers. Retail concentration enables dominant retailers to use their immense economic power to pressure suppliers into prioritizing their shipments over other retail customers thus harming independent retailers and their largely rural and urban customer base.

I will explore each of these concepts in greater detail later in my testimony and offer solutions for how Congress and the Federal Government can address the mounting supply chain challenges that the food sector faces today. I have great confidence that the food industry will rise to the occasion and meet these challenges like we always do. Our food system is the envy of the world because the industries that comprise our sector—from farmers to retail stores—always find a way to persevere.

Workforce Challenges in Grocery

Throughout the pandemic, grocers have faced workforce challenges in keeping up with immense operational demands. Responding to historic demand from consumers—in addition to implementing of comprehensive safety and sanitation measures—has required grocers to scale up the workforce significantly. The industry's ability to meet our customers' needs would not have been possible without the dedicated and talented frontline workers who showed up to work every day to keep store shelves stocked. These Supermarket Superheroes, as we call them, served as they faced serious challenges, including childcare, transportation, interruptions, and health concerns.

Grocers have done everything in their power to protect their workforce throughout the pandemic. As essential frontline workers, NGA worked hard to secure personal protective equipment during the onset of the pandemic when PPE was in short supply to protect the grocery workforce. When vaccines became available, grocers made every effort to vaccinate their workforce. Many grocers allowed their workers to take paid time off to get vaccinated and to recover if they experienced side effects.

18 months of working on the front-lines of the fight against COVID–19 has come at great personal cost. To put it bluntly, our workers are mentally and physically exhausted. Grocers have stepped up to recognize these supermarket superheroes by increasing pay and other benefits to their workers. According to NGA survey data, more than 93% of independent grocers reported additional pay and bonuses to their workers in recognition of their service during the pandemic. NGA was disappointed that Congress did not also step up and recognize frontline workers for their service to the country in any of the economic rescue packages passed in 2020 and early 2021. We continue to believe that these individuals are deserving of recognition from their leaders for going above and beyond to serve the country in a difficult time. We have publicly supported policies such as a payroll and income tax holiday for frontline food supply chain workers, such as the legislation that Ranking Member Thompson proposed last year, the AG CHAIN Act.

The pandemic's strain on the food industry workforce is driving the most significant constraints the food industry faces. Inadequate labor availability has become the single greatest challenge to the entire food supply chain. As the pandemic has worn on, grocers and wholesalers have increasingly struggled to fill open positions throughout grocery operations, including warehouse workers, truck drivers, stockers, clerks, and the higher-skilled positions around the store perimeter, like butchers, chefs, bakers, and deli managers. The labor shortage makes it a greater challenge to serve our customers, sometimes leading to longer wait times at check-outs and delays in restocking shelves.

Grocers are fighting tooth and nail to retain and recruit workers by taking extraordinary steps to keep staffing at a manageable level. NGA survey data finds that 85% of independents are increasing wages and making overtime hours available to its workforce. Many are instituting one-time signing and referral bonuses for new workers that come on staff. Despite these efforts, we still face the most difficult staffing environments in memory and the shortfall has a compounding effect. The continuous and sustained high levels of consumer demand add pressure to the existing workforce. And with most operations being short-staffed, existing workers have to work even harder to deal with the labor shortfall. Over-extending current staffing is not the answer because it leads to burnout, exhaustion, and greater rates of attrition. A common theme is that we're seeing an increasing number of grocery storefronts adjust for shorter store hours.

The bottom line is that our workforce is exhausted and our industry needs help. As we work to adjust to the new normal in food retailing, we need the government's help in attracting talent into the grocery workforce. We can offer stable, reliable, good-paying jobs to millions of Americans, especially those seeking the enter or reenter the workforce. We have jobs for just about every skill level from clerking, to chefs, to IT, to marketing and even top management.

As Congress and state and local governments consider recalibrating workforce development and training programs to match unemployed workers into good jobs, NGA is urging policymakers to develop and implement vocational training and hiring programs that offer a pathway into the grocery industry. These jobs are available in nearly every community across the country and can offer new career opportunities. If individuals are interested in becoming a chef or mastering the culinary arts, grocery stores are often the perfect fit as independents differentiate themselves in offering quality pre-made and prepared foods. If workers unemployed during the pandemic were inspired by the popular Netflix show, The Great British Bake Off, we offer meaningful opportunities to talented bakers as well.

The key to re-staffing the grocery and food sectors is that we need to think outside of the box in terms of how we educate and prepare workers entering the workforce. We are in a new reality and programs must reflect the needs of both workers and employers. NGA applauds ongoing bipartisan efforts to tackle the issue of updating workforce training programs to offer solutions to help Americans looking to start or change careers. We stand prepared to offer our ideas on how to craft solutions that will works for the grocery sector, one of the largest employers in the country.

While we strongly support the use of vaccines to stop the spread of [COVID–19], we are concerned about the potential unintended consequences of the business vaccine mandate that the Occupational Safety and Health Administration is expected to release any day now in the form of an Emergency Temporary Standard (ETS). If the rule is too onerous, particularly for small businesses, it could exacerbate the

labor and workforce challenges we're experiencing today. The industry is already so strained that it cannot sustain another hit to employment. We encourage Congress and the Administration to consider providing the food sector with flexibility in vaccinating our workforce. We hope that any ETS will mitigate any potential disruptions to the food supply that would occur should it place a significant burden on employers. The last thing we need is a worsening workforce crisis as the existing labor force works in overdrive to feed the American people.

Trucking Constraints in Food Retail

America's grocery distribution system relies heavily on motor carrier freight transportation capacity and efficiency. Grocery wholesalers and self-distributing independent retail grocers employ a significant number of truck drivers and require large fleets of tractor trailers to ship product from warehouses to grocery store shelves.

Our industry has been heavily impacted by the ongoing truck driver shortage, which has only worsened during the COVID–19 pandemic and the current supply chain crunch as trucking capacity is being redirected towards alleviating log-jams at the ports. As a result, freight costs have increased dramatically since March 2020 with some NGA members reporting increases in costs up to five times higher than pre-pandemic levels. Higher freight costs translate directly to higher food prices in the grocery store checkout as grocers are forced to pass down increased costs onto consumers. Increasing freight costs are one of the drivers of the current inflationary pressures that we see on retail food prices.

In addition to higher freight costs, NGA members are also experiencing much lower in bound service levels of goods than pre-pandemic norms. Some of our members are reporting aggregate service levels as low as 60 percent compared to the high 90s before March of 2020. A number of retailers and wholesalers are also reporting late deliveries that miss critical stocking windows, leaving some shelf-space empty for longer periods than anticipated.

To increase transportation efficiency and capacity, NGA recommends adoption of policies that would mitigate the ongoing truck driver shortage, such as removing the commercial driver's license (CDL) restriction on drivers aged 18–20 from transporting across state lines. Such a move would expand the labor pool for potential truck drivers and provide young adults with well-paying jobs that are currently average in the six figures. Currently 49 states allow 18 year olds to obtain a CDL, but Federal law prohibits them from interstate delivery. NGA supports the Bipartisan Infrastructure Framework's inclusion of the DRIVE SAFE Act in the legislation. This measure would ensure that roads would continue to remain safe by requiring younger truck drivers to complete an apprenticeship program so they have plenty of experience behind the wheel before being authorized to drive interstate and long-haul distances.

As we continue to experience sustained high levels of consumer demand at the grocery checkout counter, non-scheduled and emergency delivery of products to grocery loading docks are required to keep shelves full. Flexibilities provided by the Federal Motor Carrier Safety Administration (FMCSA) such as relief from Hours-of-Service requirements has played a critical role over the last 18 months to allowing our distributors to keep up with demand. The industry has proved that we can maintain a high degree of trucking safety while keeping shelves stocked with nutrition and affordable foods. NGA is asking the FMCSA to maintain these flexibilities as we see no letup in consumer demand.

The Effects of Consolidation and Buyer Power on the Food Supply Chain

The COVID–19 pandemic has made the grocery supply chain literally a kitchen table issue for the American people. While shortages and limited availability of critical inputs and supplies affects everyone, the impact of these shortages are felt disproportionately by independent grocers and smaller players in the market. Inconsistent distribution and apparent shortages of consumer goods has made it more difficult for customers of independent grocery stores to obtain high-demand products because we compete against dominant players with immense economic power that can wield tremendous influence over their suppliers.

Today 65 percent of grocery shelf-space in America is controlled by five grocery retailers. These dominant firms that we call "power buyers" have taken advantage of supply chain crunches to entrench their economic power at the expense of smaller competitors and producers. Many independent grocers have struggled throughout the pandemic to stock must-have products—such as essentials like paper towels and toilet paper, cleaning suppliers, and critical packaged foods like canned soup—while large national chains have exercised their buyer power to demand on-time, compete

orders, and in some cases to secure excess supply.[1] In addition to supply inequities, independent grocers are experiencing unprecedented levels of price discrimination. Our largest competitors use their influence to maintain favorable wholesale pricing as independents experience a retreat of promotional trade spending, a critical marketing tool that allows independent grocers to compete on price.

According to the USDA Economic Research Service, areas with a higher share of low-income households, as well as rural areas, tend to have more independent food retailers and fewer chain stores.[2] The same study found that stores with a higher share of Supplement Nutrition Assistance Program (SNAP) redemptions are more likely to be independently owned, particularly in rural areas.[3] These consumers are represented most directly by the House Agriculture Committee whose Members overwhelmingly represent rural and low-income districts. Therefore, it is your constituents who are the greatest victims of the current supply chain crunch and mounting food price inflation.

Rural and low-income consumers must travel longer distances to find the products they need at a more crowded large national retailer. In rural areas, customers often drive 30 to 50 miles to secure necessary household and food products at the larger chains. We also believe that these consumers are bearing the greater burden of food price inflation. Historically, dominant chains have been able to resist inflationary cost increases thanks to their uneven bargaining leverage over suppliers. As a result, suppliers are forced to impose higher costs onto their smaller customers who have less clout in the market

A consolidated food marketplace is a system that benefits a select few at the expense of everyone else, including consumers, workers, and independent retailers and suppliers. The COVID–19 pandemic and supply chain crunch has only exposed these underlying weaknesses as consumers experience in real time the unequal effects of buyer power and consolidation. However, this problem is not new, so it is important to examine the history and nature of competition issues in the food and grocery sector to help inform our understanding of the supply chain issues we are experiencing today.

According to the U.S. Census Bureau, in the last 25 years, grocery storefronts have shrunk by a third. Fifteen of the top 20 grocers in the 1980s either merged or were acquired by the 2000s. During this time independent grocers lost ground in many rural and urban areas where food deserts now exist due in large part to competitive disadvantages in the marketplace that favor big box retailers and dollar stores. These retail store formats use their size and national reach to influence terms of trade in their favor at the expense of independent retail competitors. Demands from power buyers impose disadvantageous terms, conditions, and prices on independent grocers. This economic discrimination reduces the smaller rivals' competitiveness through higher costs or reduced product supply or quality, and directly harms competition consumers, and the economy. The largest national chains have buyer power because of their significant bargaining leverage over suppliers. This leverage exists because the national chains are critical "gatekeepers" between grocery suppliers and consumers, controlling a majority of grocery shelf-space in the country. Critically, the dependency is asymmetric; the dominant grocery retailers are not nearly as dependent on a particular supplier as the supplier is on the retailer. This is because a particular grocery supplier's products generally represent only a small fraction of a grocery retailer's sales, which may encompass tens of thousands of products. A dominant retailer often enjoys several branded suppliers for a particular product in addition to selling its own, private label version. As a result, a dominant retailer has a substantial advantage over its suppliers in a negotiation because the risk for the retailer, if the supplier refuses its demands an no deal results, is substantially smaller than it is for the supplier.

The paradigmatic example for this one-sided bargaining dynamic is Walmart. Its ability to unilaterally demand concessions from suppliers is legendary. For example, in 2017, Walmart announced a new requirement that suppliers for Walmart stores and Walmart's e-commerce business must provide on time and in full deliveries 75 percent of the time. Since then, Walmart has repeatedly tightened this requirement, raising the bar for on time, in full deliveries from 75 percent to 85 percent and then to 87 percent in 2019. In September 2020, while manufacturers and suppliers throughout supply chains were struggling to safely meet demand during the COVID–19 pandemic, Walmart raised the bar again, demanding 98 percent on time, in full deliveries. Walmart penalizes suppliers that fail to meet its demands by

[1] *https://www.freightwaves.com/news/walmart-tightens-on-time-in-full-requirements.*
[2] *https://www.ers.usda.gov/webdocs/publications/85783/err-240.pdf.*
[3] *Id.*

charging a penalty of three percent of the cost of goods sold—a devastating penalty in an industry already operating with razor-thin margins.

Another example that hits close to home if you represent rural and low-income areas is how the problem of economic discrimination enables the proliferation of dollar stores. We call this brand of economic discrimination packaging discrimination (*i.e.,* refusing to provide certain package sizes or promotional packaging to certain grocers, while providing them to competing retailers). The dollar stores use their buyer power to demand "cheater size" products, which include smaller amounts in a package that can be sold at a lower price. These "cheater packs" create a false impression among consumers that they are paying a lower price for the same product they see at independent grocers. This provides dollar stores an unfair edge over traditional grocery stores who offer a greater assortment of healthy and nutritious foods. In fact, it is often the case that dollar stores perform the bare minimum depth-of-stock and perishability requirements necessary to be authorized for a SNAP license.

Proliferation of dollar stores throughout rural and urban America has not only pushed countless independent grocery stores out of business, but they are directly contributing to food desert and healthy food access challenges that many Members of this Committee are committed to addressing through legislation.

For decades, these patterns of retail consolidation and increasing buyer power has been the driving force for further consolidation upstream in the food supply chain. In order for food suppliers to compete, they must achieve scale for two reasons: to accommodate the vast distribution networks of the largest retailers and to attempt to regain bargaining leverage. Food suppliers have responded by consolidating at an unprecedented rate. Just in 2019, over 300 food industry mergers and acquisitions were recorded.[4]

The spiral of consolidation throughout the food supply chain has advanced to the point where just a handful of firms compete to buy agriculture products. A lack of competition at the farmgate results in unreasonable producer demands and it drives down prices paid to farmers and ranchers to anticompetitive lows. But consumers often do not see the advantages of those low acquisition costs because the large suppliers capture that revenue and price discrimination amongst retailers reduces price competition in the retail market.

Supplier consolidation is directly responsible for a number of the supply chain shocks we experienced during the pandemic. Early in the pandemic, COVID–19 outbreaks in various meat plants took nearly 40 percent of meatpacking capacity offline at one point. This resulted in skyrocketing meat prices, limited product availability, and farmers and ranchers being forced to euthanize livestock due to a lack of buyers in the marketplace. This is just one example where supply chain shocks could have been avoided if more redundancies were built into the supply chain through more robust competition. We also saw huge spikes in price and diminished output in other concentrated protein markets such as eggs.

While much of the stocks have been replenished on high-demand consumer products like cleaning supplies and many shelf stable good categories, the industry continues to see diminished service levels on key products. The problem is especially troubling heading into the busy holiday season where retailers and wholesalers have already received out-of-stock notices on key products, such as canned gravy, frozen pies, pastry shells, stuffing, amongst other holiday staples. Other key categories impacted by shortages and out-of-stocks include, processed meats, deli meats, paper and bath tissue, cookies and crackers, dairy and plant-based creamers, yogurt, baby food, and cereal. Some out-of-stock product availability is due to the lack of shortages in product packaging in plastics and aluminum. Although NGA understands that shortages and access to key product inputs is impacting everyone throughout the food supply chain, and suppliers are doing their utmost to meet increased consumer demand, we continue to see evidence that the independent grocery segment is being impacted disproportionately relative to our chain competition. NGA members too often find full shelves and display cases of products that we cannot source when we visit our large national chain competitors. Our wholesalers routinely see products not available to them by their primary suppliers available in large quantities on the "diverter wire," a secondary market for excess products.

Much of the current supply chain challenges and market inequities wrought by excess consolidation and buyer power can be addressed through more robust competition. The current outcome was not inevitable. The antitrust laws were designed to protect against anticompetitive economic discrimination. Congress recognized the benefits of independent business and the threats posed by economic discrimination when it enacted the Robinson-Patman Act in 1936, a law designed to foster robust

[4] *https://www.foodandpower.net/ownership-control.*

competition and protect against coercion by dominant firms. The Robinson-Patman Act reflects Congress' determination that discriminatory treatment among competitors is pernicious and should be prohibited. But current antitrust enforcement efforts have failed to address these anticompetitive harms, and judges have inappropriately limited the scope of the law despite clear statutory language. Despite Congress' broad goals in 1936, the Federal Trade Commission has not brought a case under the Robinson-Patman Act in more than 20 years. Nor has the FTC brought an enforcement action against economic discrimination using other antitrust.

That is why NGA is a founding member of a coalition that launched last week known as the Main Street Competition Coalition. The coalition is comprised of Main Street business groups and agriculture producers that are committed to promoting competition and reviving and reforming the Robinson-Patman Act. We advocate for antitrust policies that ensure a level playing field to benefit both businesses and consumers. The coalition is not only concerned about anticompetitive economic discrimination in the food sector, but in other industries as well, including alcohol, convenience stores, pharmacies, restaurants, and in the shipping industry.

Our goal is to harness the renewed interest in the antitrust reform in the Big Tech sector to drive reforms that impact every day Main Street businesses. We are urging Congress to consider the views of our coalition as part of the conversation around competition challenges throughout the economy. We believe strongly that many of the problems confronting our economy, including shortages, inflation, and disruptions, can be ameliorated by curbing anticompetitive economic discrimination and promoting free markets through rigorous enforcement of the antitrust laws

Conclusion

Americans are blessed to live in a country that features the safest, most abundant, affordable food supply in the world. The supply chain challenges the food sector currently faces is not insurmountable. Although we expect some inconveniences and distribution inconsistencies to be present in the near future, I have no doubt that American ingenuity and the dedication of the patriotic individuals that comprise our food sector will prevail over the obstacles and headwinds that we face in the marketplace. It will take time to adjust to the new economic reality, but targeted interventions from our Federal policymakers will help us get back on the right track even quicker. To this end, we recommend that Congress consider measures to help industry attract workers seeking to enter or re-enter the workforce. We need legislative solutions to add much-needed capacity to our nation's freight and trucking sector. Finally, we need to rededicate our antitrust policies to the benefits that flow from free enterprise and fair competition, rather than giving dominant players free reign to set terms of trade for everyone else in the marketplace.

With that, I am happy to take your questions.

The CHAIRMAN. Thank you. Mr. Durkin, please begin when you are ready.

STATEMENT OF MIKE DURKIN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, LEPRINO FOODS COMPANY, DENVER, CO; ON BEHALF OF INTERNATIONAL DAIRY FOODS ASSOCIATION

Mr. DURKIN. Good morning. Good morning, Chairman Scott, and Ranking Member Thompson.

The CHAIRMAN. Good morning.

Mr. DURKIN. Good morning, Chairman Scott, Ranking Member Thompson, and Members of the House Committee on Agriculture. My name is Mike Durkin, I am the President and CEO of Leprino Foods Company, and I am here to testify on behalf of the dairy industry and our company. Leprino Foods is a family-owned and privately held company headquartered in Denver, Colorado with 4,500 employees and nine plants across States of California, Colorado, New Mexico, Michigan, Pennsylvania, and New York.

Leprino is the single largest purchaser of milk in the United States, and actually supporting over 1,000 dairy farms. We are the world's largest producer of mozzarella cheese, and a leading supplier of dairy nutrition products, including lactose and whey pro-

tein. The supply chain challenges have significantly impacted our business, and we don't expect them to ease anytime soon. I am here to talk about a critical component of this disruption that has not received a lot of attention lately, and that is exports. America cannot ignore the impact the crisis is having on U.S. exports. Mr. Chairman, to use your words, I am here to sound the alarm on the export crisis we are experiencing.

Exports are critical to the overall financial health of the entire United States agricultural sector, in our case the U.S. dairy industry. Leprino exports 26 percent of our milk equivalent volume to over 55 countries, well above the industry average of 16 percent. I am here to share our story and call on this body to help with solutions across all aspects of the supply chain, including exports, because this is a severe threat to the U.S. agriculture industry.

Freight rates from Asia and the U.S. West Coast are currently 15 times higher than freight rates from the U.S. to Asia, creating a clear financial incentive for ships who depart empty, with no U.S. goods on board, *versus* waiting to be loaded. As a result, shipping companies are refusing to load U.S. agricultural exports, and over 70 percent of the containers are returning to Asia empty. In September, volume from the California ports was just ¾ of the normal export volume. This works for carriers. We have been told it is more cost effective to skip the Port of Oakland, one of our primary export ports, than to accept exports. U.S. agricultural exporters, however, are in a crisis.

For Leprino, over 99 percent of our 2021 ocean shipments have been canceled or rebooked to a later date at least once, and in some cases up to ten times or more. Over 100 bookings this year have been canceled or rebooked 17 times. This equates to a 5 month delay for our customers, who depend on our products, including infant formula companies around the world, that is necessary to feed millions of babies across the world. We have been forced to hold loaded containers in carrier yards using equipment already in short supply.

These delays not only put our customers at risk, but we have also experienced unprecedented increases in freight and storage and demurrage fees. One freight bill of $5,500 was dwarfed by the detention and demurrage fees of over $20,000. In total, our freight and storage costs have spiked $25 million in 2021, and we expect it to increase another $25 million in 2022.

This export crisis may result in irreparable harm to the American agriculture, as customers around the world are questioning the U.S. dairy industry's reliability as a supplier. For example, one of our largest customers have incurred over $½ million in air freight to get the product to where they need, and they also informed us recently that they will now source their product from Europe. These relationships took years, and even decades, to develop, and they will not be quickly or easily regained.

The U.S. dairy industry cannot stay competitive with expensive and unreliable freight costs. And as this cascades through the entire supply chain, the loss of foreign sales pushes more product into the U.S. market, which pressures wholesale prices, and ultimately farm milk prices. There is no doubt this is contributing to the extended period of weak dairy farm margins. In response, the dairy

herd is now contracting at its fastest rate since 2009. The bipartisan Ocean Shipping Reform Act of 2021 (H.R. 4996) begins to address the problem. This bill will prohibit the opportunistic carrier practice of sailing to Asia empty when U.S. agriculture exports await shipment. It has bipartisan cosponsorship, which is growing, and should be passed and signed into law.

The bill is a great start, but more is needed. For example, major ports across the world operate at 24/7, and only recently did the U.S. begin to do so temporarily. Given the labor shortage and required training, however, this action is unlikely to provide any relief for at least 6 to 12 months. In addition to prohibiting foreign carriers from leaving the U.S. empty, the Administration and Congress must work together to provide our major ports and port workers with the infrastructure and environment to operate and meet demand. Thank you for the opportunity to share the exporter perspective. I am happy to answer any questions.

[The prepared statement of Mr. Durkin follows:]

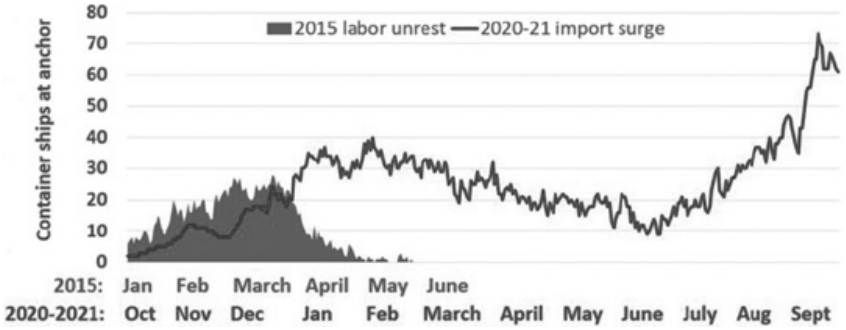
PREPARED STATEMENT OF MIKE DURKIN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, LEPRINO FOODS COMPANY, DENVER, CO; ON BEHALF OF INTERNATIONAL DAIRY FOODS ASSOCIATION

Good morning, Chairman Scott, Ranking Member Thompson, and Members of the House Committee on Agriculture. My name is Mike Durkin. I am President and CEO of Leprino Foods Company and I'm here to testify on behalf of the dairy industry and our company. Leprino Foods, a family-owned and privately held company, is headquartered in Denver, Colorado and has over 4,500 employees in the U.S. in six states including California, Colorado, New Mexico, Michigan, Pennsylvania, and New York. Leprino is the largest purchaser of milk in the United States supporting over 1,000 dairy farms. We are the world's largest producer of mozzarella cheese, and a leading supplier of dairy nutrition products, including lactose and whey.

The supply chain challenges have significantly impacted our business, and we don't expect them to ease anytime soon. I'm here to talk about a critical component of this disruption that has not received as much attention—exports. America cannot ignore the impact this crisis is having on U.S. exports.

Exports are critical to the overall financial health of the entire U.S. agriculture sector, and in our case, the U.S. dairy industry. Leprino exports 26% of our milk equivalent volume to over 55 countries, well-above the industry average of 16%. I'm here to share our story and call on you for solutions across all aspects of the supply chain—including exports—because this is a threat to U.S. agriculture. The West Coast port disruptions of 2015 pale in both magnitude and duration when compared to those of the current crisis (see chart).

10/4/21—Los Angeles/Long Beach Congestion: 2015 *vs.* 2020–21

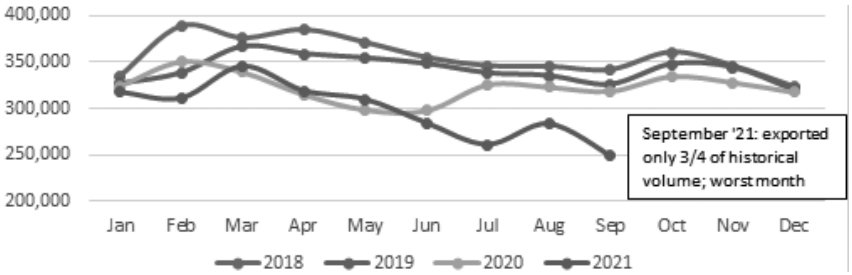


Source: American Shipper/based on data from Marin[e] Exchange of Southern California.

Freight rates from Asia to the U.S. West Coast are currently 15 times higher than freight rates from the U.S. to Asia, so there is now a clear financial incentive for ships to depart U.S. ports empty—with no U.S. goods on-board—*versus* waiting to be loaded. As a result, shipping companies are refusing to load U.S. agricultural exports, and over 70% of containers are returning to Asia empty. In September alone, volume from California ports was just ¾ of normal export volume (see chart).

Loaded Outbound TEUs Processed at Major California Ports

(30 Day Months)



Source: Ports of LA, Long Beach, Oakland.

This seems to be working well for carriers. We've been told it is more cost effective to skip the Port of Oakland (one of our primary export ports) than to accept exports, and at least one carrier has reported record-breaking financial performance. U.S. agricultural exporters, however, are in crisis.

Here is what Leprino has been facing:

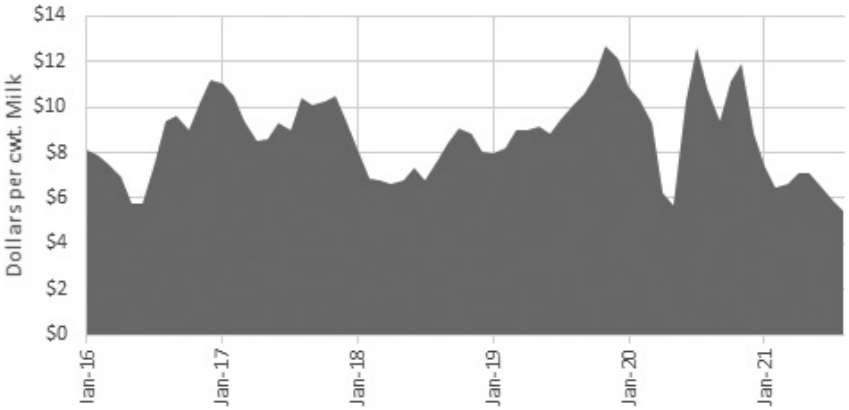
- Over 99% of our 2021 ocean shipments have been canceled and re-booked for a later date at least once, if not twice, and in some cases up to ten times or more.
- Over 100 bookings this year have been canceled and re-booked 17 times. This equates to a 5 month delay for customers who depend on our products, including infant formula ingredients necessary to feed millions of babies around the world.
- We have been forced to hold loaded containers in carrier yards, using equipment already in short supply.

These delays not only put our customers at risk, but we have also experienced unprecedented increases in freight, storage, and demurrage fees. One freight bill of $5,472 was dwarfed by detention and demurrage fees of more than $20,000. In total, these costs have spiked $25 million in 2021 and we currently anticipate a similar $25 million impact in 2022.

While some believe this issue will resolve itself, this export crisis may well result in irreparable harm to American agriculture as customers around the world are questioning the U.S. dairy industry's reliability as a supplier. For example, one of our biggest nutrition customers recently informed us they now source from Europe due to shipping delays. These relationships take years to develop and will not be quickly or easily regained and the U.S. dairy industry cannot stay competitive with expensive and unreliable freight practices in markets where we are already fighting for market share because of tariff disadvantages.

These export challenges cascade through the supply chain. The loss of foreign sales pushes more product onto the U.S. market, which pressures wholesale product prices and ultimately farm milk prices. This is no doubt contributing to the extended period of weak dairy farm margins (see chart). In response, the dairy herd is now contracting at its fastest rate since 2009.

Milk Market Income Over Feed Costs



Source: USDA.

The bipartisan Ocean Shipping Reform Act of 2021 begins to address the problem. This bill will prohibit the opportunistic carrier practice of sailing to Asia empty when U.S. agricultural exports await shipment. It has bipartisan cosponsorship which is growing and should be passed and signed into law.

That bill is a good start, but so much more is needed.

For example, most major ports around the world routinely operate 24/7. Only recently did the Administration and certain U.S. ports agree to begin doing so temporarily. Given labor shortages and required training, however, this action is unlikely to provide any relief for at least 6 months. In addition to prohibiting foreign carriers from leaving the U. S. empty, the Administration and Congress must work together to provide all our major ports and port workers with the infrastructure and environment to operate and meet demand. That is crucial.

I urge all Members on this Committee to work together to allow U.S. agriculture and our exports to thrive.

Thank you for the opportunity to share the exporter perspective.

The remainder of this written testimony was prepared by our respected industry partner, the International Dairy Foods Association. On behalf of the entire U.S. dairy industry, I ask that you consider these important additions that reach beyond the scope and time allotted for my oral testimony.

Supply chain issues have become an increasing headwind for food and agriculture over the past year and a half. Demand for dairy goods is near an all-time high, yet inputs and reliable transportation are harder and harder to come by in a timely manner while the labor market will likely remain strained for months. Our industry has shown itself to be resilient and we will continue to work hard to make sure all Americans continue to have access to affordable, nutritious, and healthy dairy foods. We are working together as an industry to ensure these products remain readily available during periods of rising demand, such as the approaching holiday season.

The International Dairy Foods Association (IDFA) represents the nation's dairy manufacturing and marketing industry, which supports more than 3.3 million jobs that generate $41.6 billion in direct wages and $753 billion in overall economic impact. IDFA's diverse membership ranges from multinational organizations to single-plant companies, from dairy companies and cooperatives to food retailers and suppliers, all on the cutting edge of innovation and sustainable business practices. Together, they represent 90 percent of the milk, cheese, ice cream, yogurt and cultured products, and dairy ingredients produced and marketed in the United States and sold throughout the world. Delicious, safe and nutritious, dairy foods offer unparalleled health and consumer benefits to people of all ages.

Our testimony will focus on supply chain challenges facing dairy companies, both in terms of our domestic operations as well as the problems processors are currently encountering in exporting our products overseas.

Farm to Table Supply Chain Challenges for U.S. Dairy

All members of our industry face similar problems impacting our domestic supply chains, including labor shortages, limiting production and difficulty moving products all the way through to the consumer, along with steadily increasingly costs for pro-

curing inputs for our products. Supply chain pressures have persisted for so many months and at so many levels that every aspect of the dairy business now is impacted, creating a high level of uncertainty from farm to table. In our industry, the last thing we want is to be unreliable suppliers to our customers which will make us unprofitable and unable to compete globally as an industry.

Unfortunately, the reality of today's supply chain means that producing dairy products in the United States has gone from complex to difficult, and already thin margins have become razor thin. There are pain points at every link in the domestic dairy supply chain impacting all parts of the industry. Here are a few examples:

- *Equipment and Ingredients:* Whether ingredients are imported or domestically produced, prices have increased, and availability has significantly tightened. In some cases, our industry is having to find new supply altogether and ships cannot reliably get terminal appointments to offload imports while trucks sit empty at facilities awaiting drivers to distribute ingredients. Importantly, this is true for equipment and supplies necessary to manufacture, such as protective clothing for employees, not just ingredients.
- *Product Manufacturing:* As demand has increased for dairy products, many companies have expanded operations and invested in new facilities. However, because of these growing supply chain issues, we cannot find enough workers to fully operate even previously existing facilities, leading to lost shifts or running fewer product lines and making fewer products, which puts greater strain on the entire food system.
- *Packaging and Storage:* Packaging and storing our products has become difficult as the resins and glues required to seal our packaged goods are in short supply and prices have significantly increased. Even wood pallets, which are used for storing and sorting products for distribution, have doubled or tripled in cost. Our industry is scouring the globe for supplies while prices rise and availability shrinks, further impacting our members' bottom lines.
- *Distribution:* We're facing a major crisis in transportation: a major truck driver shortage and now the beginning of a truck shortage due to a lack of computer chips. Our members are providing attractive incentives to drivers, but there are only so many truck drivers and they are limited in the number of hours they can drive and the weight they can haul.
- *Customers:* Our customers expect the same high quality, business reliability, and consistency from our members that they've always known. Dairy companies are working to solve problems behind the scenes to deliver on time, but it's getting increasingly difficult to meet those demands, and due to the problems encountered in manufacturing, processors have fewer products to allocate to customers. In many cases, dairy companies may have contractual obligations to make deliveries, which adds another layer of distress that reverberates through our supply chain.

There are many other examples that are equally well documented—such as the increasingly empty shelves at grocery stores, missed milk deliveries at schools, or restaurants trimming their menus—but the story is consistent and worsening across our supply chain.

Not even considering foreign markets, the above start-to-finish domestic supply chain story is a constant struggle for U.S. dairy and agriculture across the board. Altogether, without accounting for significantly increased labor costs, procurement prices alone are up between 20–30% for most U.S. dairy businesses. This level of inflation is neither something processors are willing nor able to pass on to consumers nor realistic to maintain a profit margin. In sharing all these examples, our goal is to provide each Member of this Committee with a clear view of the many challenges dairy processors are experiencing. These supply chain issues are severe and eroding our ability to compete. Our supply chains are stretched beyond anything we have ever experienced, and urgent action is required.

Importance of Trade to the U.S. Dairy Industry

Considering the current domestic supply chain environment, the obvious question might be, why bother trying to export? In the United States, approximately 1 day's worth of U.S. milk production each week goes to exports, which results in approximately $6.5 billion in U.S. dairy products being exported to over 133 countries around the world every year. Recent estimates show that the United States now exports more dairy production than we consume in fluid milk products at home. There has never been a time when trade was more important to the U.S. dairy industry than it is today.

Companies and cooperatives in the U.S. dairy exporting community are committed to doing as much as possible with as few resources as possible to support our long-term global business relationships and maintain our presence in global markets. We recognize that once lost, our market share will quickly go to competitors in producing countries such as those in Europe or New Zealand and is unlikely to be regained given their preferential tariffs compared to ours.

But the value of trade to U.S. dairy is less in what we have built and more in what we are building. Looking ahead, with continually rising production, we believe that opportunities to share in global markets abound if we can create a supply chain to service them. Given the abundant resources and tremendous ingenuity and efficiency of American agriculture, USDA predicts an additional 25 billion pounds of milk will be produced in the United States by 2030. Based on current consumption trends, we would need to export 40% of that increase in production for dairy farming and processing to remain economically viable. If we do not build our globally competitive market access now through reduced tariffs, competitive prices, and consistent shipping, our farmers will be unable to grow. There is hardly a more critical priority for the U.S. dairy industry than trade.

The Export Challenge

Unfortunately, international business has now become a significant challenge and liability as dairy manufacturers struggle to find ways to export products. At any given time in recent weeks, between 70–90 cargo ships are anchored outside the ports of Los Angeles and Long Beach, waiting to unload thousands of containers. Once unloaded, many of these ships are finding it more profitable to turn around and depart for Asia empty rather than wait to reload U.S. agricultural exports, resulting in a backlog of products waiting to be exported. Industry coalition data estimates an average of 22% of U.S. agricultural foreign sales are currently unable to be fulfilled due to shipping rates, ships departing without export cargo, and other detention/demurrage challenges.

With supply chain pressures, the U.S. dairy industry is losing its global competitiveness as exporters are grasping at any opportunities to maintain relationships with buyers and trading partners. As previously mentioned, many customers require their suppliers to enter into contracts, and many of those contracts include clauses that stipulate a product's remaining shelf life after delivery, the length of time a supplier may be the supplier of choice for that customer, and the expected level of products to be delivered over the course of the contract. Unforeseen ripples in the supply chain would be expected and manageable under normal circumstances, but when shippers are unable to obtain container space for export for multiple weeks or even months, many customers rightly evaluate their contracts. Although it's no fault of any manufacturer, the current supply chain challenges are not the fault of the customers either. Regardless, the liability for each is enormous.

U.S. dairy processors take their sales commitments seriously and as such have been evaluating every option to meet the terms of global contracts, but the export shipping crisis has made performance impossible on a consistent basis. Exporters are begging to borrow container space on outbound vessels or are losing money on products due to freight surcharges but doing so anyway to preserve a global contract. We hear reports of rail cars sitting on sidings for weeks due to a lack of other options, while shippers have tried to reroute their entire distribution chains to access new ports for export. Air freight has become one of the only reliable, albeit extremely costly, delivery tools. Additionally, U.S. importers, who have very publicly struggled to find import shipping capacity, have started leasing their own vessels, which has even further decreased the available carrier supply for exports. Surely, we can—and must—find a better, more efficient way of servicing global customers.

Brainstorming a Better Way

Across U.S. dairy we recognize that these problems are complex and will likely require a variety of solutions. We also recognize that many solutions may not be quick fixes. As a business community, we must collaboratively brainstorm with Congress and the Administration to develop ways to improve the current situation, share information, and ultimately solve these problems. IDFA supports Congress taking the following steps to benefit U.S. dairy's supply chain:

- **Pass the Ocean Shipping Reform Act of 2021 (H.R. 4996):** Congress should pass the Ocean Shipping Reform Act of 2021 which would address unreasonable detention and demurrage charges, export cargo bookings, and other carrier practices that are currently hurting U.S. agricultural exporters.
- **Pass the Infrastructure Investment and Jobs Act (H.R. 3684):** The current bipartisan infrastructure bill includes a provision that would help address the current shortage of commercial truck drivers. Specifically, the bill establishes a

pilot apprenticeship program to train 18 to 20 year old qualified commercial driver's license (CDL) drivers to operate vehicles in interstate commerce. Not being able to travel across state lines for drivers in this age range is one of the single biggest obstacles to having enough truck drivers. This is despite the fact that 49 states already allow 18 year olds with a CDL to drive within their borders.

- **Increase Truck Weight Limits:** Congress should pass legislation to increase the gross vehicle weight limits for trucks that travel on Federal highways from the current 80,000 pounds to 91,000 pounds with an additional sixth axle. This configuration complies with the Federal bridge formula and is shown to have better braking capacity than 80,000 lb., five-axle trucks. This adjustment would allow manufacturers to transport products more efficiently while also reducing industry's carbon footprint.

In addition, here are some additional ideas we've been discussing within our industry:

- **Empty Containers for Exports:** Whether seeking additional generalized trade commitments by reopening the World Trade Organization's Trade Facilitation Agreement, or by seeking a structure of financial incentives for filling outbound containers (or disincentives for not doing so), or by establishing a code of practice on filling containers to minimum levels when goods are available, all options need to be considered to resolve the crisis of carriers exporting such high quantities of empty containers when a backlog of agricultural exports are waiting to be shipped. Beyond the economic impacts, this current practice of shipping excessive volumes of empty containers creates unnecessary carbon emissions, as well.
- **Provide Supply Chain Transparency:** Establish one or more additional advisory committees of industry representatives devoted to shedding light on problems in the supply chain to the Administration on a real-time basis before pain points become crises.
- **Discuss Options to Prioritize Perishable Goods:** It is not uncommon to give preference to perishable goods in trade scenarios; for example, the U.S.-Mexico-Canada Agreement has provisions built into its Chapter on Sanitary and Phytosanitary Measures that allow for expedited import check procedures for perishable goods. Similar provisions could be applied to loading goods for export.
- **Consider Threshold for Emergency Protocol for Servicing Exports/Imports:** Following the example of the Jones Act, consider whether emergency situations exist (*e.g.,* food security, national security) which require temporary/provisional or permanent authorities that require carriers servicing U.S. ports to prioritize offloading or accepting certain goods for import or export, respectively.
- **Designate Responsibility for Supply Chains in USTR:** Direct the Office of the U.S. Trade Representative to immediately engage in supply chain matters, both domestically and abroad, which are impacting U.S. agricultural exporters, with a view of, for example, developing improved and enhanced trade facilitation text commitments in the future or monitoring state-owned shipping actions by China.
- **Review the U.S. Oversight of the Supply Chain:** The Federal Maritime Commission (FMC) has limited authority over ocean vessels and has moved slowly to address some of these challenges. At the same time rumors of new offices or agencies exist. Before changing existing Federal authorities, consider directing the Government Accountability Office (GAO) to determine whether additional authorities, new roles, or less Federal intervention is needed to support the resilience of the U.S. supply chain for U.S. agricultural exporters.

Conclusion

Chairman Scott, Ranking Member Thompson, and Members, the time for solutions is urgently upon us. As a dairy industry, we take pride in feeding global communities with nutritious and delicious dairy products, but we cannot continue to do so in the current environment. We request immediate attention to this significant escalating challenge. Here, we have suggested actions that can be taken today to address and improve our supply chains and offered longer-term solutions that require action by Congress and the Administration. Thank you for considering our views as part of today's hearing.

The CHAIRMAN. Thank you, Mr. Durkin. And now, Mr. Samson, you are recognized when you are ready.

STATEMENT OF JON SAMSON, VICE PRESIDENT OF CONFERENCES, EXECUTIVE DIRECTOR, AGRICULTURE & FOOD TRANSPORTERS CONFERENCE, AMERICAN TRUCKING ASSOCIATIONS, ARLINGTON, VA

Mr. SAMSON. Good morning. Thank you, Chairman Scott, Ranking Member Thompson, Members of the Committee. To be honest, I was very excited to be able to come out and join this hearing, and then, after hearing both the Chairman and the Ranking Member's opening statements, hearing the passion of wanting to actually go in and fix this, talking about crisis, but there is also opportunity out there. And so, we are engaged, we are excited to be here, but to see the Committee jump into this, to see the agriculture side really take away from the news cycle of we are going to be short Christmas trees and Christmas presents, and actually look at our nation's food, fuel, fiber, and feed, and look at that as—this is the real important piece of the supply chain that we need to fix. And so, the fact that you are raising that right now is extraordinarily important, and we are extraordinarily excited to be part of the process.

I am proud to testify on behalf of ATA's Agriculture and Food Transporters Conference, the specialty advocacy arm within the American Trucking Association dealing with those that are hauling our food and agriculture products. ATA members play a critically important role in our food supply chain. ATA is an 80 year old federation, and the largest national trade association representing the trucking industry, with affiliates in all 50 states, and so we have an arm in each state and work closely with our state trucking associations. Our membership encompasses over 34,000 motor carriers and suppliers directly and through affiliated organizations.

Importantly, for the purposes of today's hearing, ATA members serve agriculture producers, agriculture and food processors, food distributors, restaurants, many of my fellow panelists here. More than 80 percent of U.S. commodities rely exclusively on trucking to meet their freight transportation needs. Overall, trucking moves 72.5 percent of the nation's freight tonnage annually.

In March 2020—I think it is important to go back and look quickly at the supply chain breakdown that we saw during the COVID pandemic, understanding that we face a separate supply chain concern right now, but we did—in March 2020, as schools and restaurants began to shutter at the onset of the pandemic, our food supply chains broke down. The markets disappeared over night, restaurants closed, schools closed, and so we worked closely within the supply chain, within the industry, as well as USDA and FDA, to figure out how we can come together, communicate, figure out alternative marketplaces to really get everybody back on track.

We saw, and everybody witnessed, the slaughtering of chickens, putting those into the landfill, milk being dumped, beans being tilled back into the soil, stuff that we did not like to see from a U.S. food supply chain, that food waste, and so we worked closely to try to limit that. Communications were a big piece of that, you can see that in the written testimony, as well as looking at any sort of technology to really allow us to contact and tap into other marketplaces. And as we saw similar shutdowns in the fall, winter of 2020, we started to see some of that food waste minimized, and so

we believe that, through the communication, we were able to see some positive impacts out of that.

In my full written testimony, we touch on five separate key issues for motor carriers in the food supply chain. Of course, as we are communicating right now with the bipartisan infrastructure, the congestion caused by decaying infrastructure is definitely a top focus within ATA. Workforce development, I know that is top of mind for many people, the labor shortages right now, and Mr. Chairman, you had mentioned the driver shortage. I believe our economist looks at the number of 80,000 short after the pandemic. And so, these retention issues, bringing on new drivers, attracting new drivers, has been an extraordinarily difficult task, and something that we have been fully involved and focused on, and hope to have some positive results within the next couple years.

Vaccine mandate consequences, as we know, there are a lot of companies out there that are hesitant, especially when it comes to the trucking side within the supply chain, and so we have been focusing and working with our companies on the vaccine mandate as well. Flexibility and cooperation in commercial relationships, this is something, of course, within that initial shutdown of COVID, we really needed to make sure that our relationships within the industry supply chain were strong, and this, I believe, is something that we are going to be able to point towards as we go into these new food supply chain issues that we are currently witnessing.

And last, and I know it is going to be talked about significantly during this hearing, but the port productivity issues that we are facing. Everybody is well aware of them, and we are trying, from a carrier angle, to work through the supply chain issues, and come out with something that is going to be workable for everyone. So, with that, Mr. Chairman, I would like to open it up to any questions.

[The prepared statement of Mr. Samson follows:]

PREPARED STATEMENT OF JON SAMSON, VICE PRESIDENT OF CONFERENCES, EXECUTIVE DIRECTOR, AGRICULTURE & FOOD TRANSPORTERS CONFERENCE, AMERICAN TRUCKING ASSOCIATIONS, ARLINGTON, VA

Chairman Scott, Ranking Member Thompson, and Members of the Committee, I am grateful for the opportunity to testify on these important issues on behalf of the American Trucking Associations (ATA).[1]

ATA is an 88 year old federation and the largest national trade organization representing the trucking industry, with affiliates in all 50 states. ATA's membership encompasses over 34,000 motor carriers and suppliers directly and through affiliated organizations. Our association represents every sector of the industry, from Less-than-Truckload to Truckload, agriculture and livestock transporters to auto haulers and movers, and from the large motor carriers to owner-operator and mom-and-pop one-truck operations. Those members who work in the food supply chain, whether they serve producers, packagers, distributors, wholesalers and grocers, or others, have overcome tremendous challenges over the past eighteen months and continue to adjust as inefficiencies arise in international and domestic supply chains.

Agriculture and food transporters play a critical role in our nation's economy. We produce the world's safest and most abundant food supply and trucking serves the producers and companies at every point in the supply chains to support agricultural production, processing, export, and domestic distribution. The trucking industry

[1] *American Trucking Associations* is the largest national trade association for the trucking industry. Through a federation of 50 affiliated state trucking associations and industry-related conferences and councils, ATA is the voice of the industry America depends on most to move our nation's freight. Follow ATA on *Twitter* or on *Facebook. Trucking Moves America Forward.*

moves over 70 percent of the nation's freight tonnage every year, and agriculture and food transporters are responsible for transporting the subset of goods that, unlike stereos and televisions, are perishable products that cannot survive excessive wait times on maritime or warehouse docks.

Trucks deliver critical foodstuffs to store shelves and school lunch tables in every community nationwide. We enable flexible multi-modal supply chains for agricultural producers and their service providers by moving goods the last mile from maritime, rail, air, and intermodal facilities. Truck drivers perform an indispensable service, and their work moving goods across the country is necessary and critical to our economy and way of life.

As evidenced by the response to the COVID–19 pandemic, and as highlighted by the current challenges facing our supply chains, trucking is the dynamic linchpin of the U.S. economy. Our industry currently moves more than 70 percent of the nation's annual freight tonnage.[2] Over the next decade, trucks will be tasked with moving 2.4 billion more tons of freight than they do today, and will continue to deliver the vast majority of goods to American communities.[3]

More than 80 percent of U.S. communities rely exclusively on trucking to meet their freight transportation needs. In 2017, trucks moved $10.4 trillion worth of goods, 71.6% of the value of all goods moved in the U.S.[4] The trucking industry is also one of the country's leading employers, including over 3.6 million drivers.[5] Overall, nearly eight million people are employed in trucking-related occupations.[6] Trucking accounts for one out of every eighteen American jobs and "truck driver" is the top job in 29 states.[7]

This hearing presents an opportunity for stakeholders to highlight major headwinds for agriculture and food transportation, and to consider the opportunities that this Committee and the House of Representatives have to ensure the safety, efficiency, and reliability of the agriculture supply chain during this ongoing national recovery. Deteriorating roads and bridges, severe congestion, freight bottlenecks, and unprecedented backlogs of cargo at our U.S. ports and inland terminals all reduce the resiliency and efficiency of the agricultural supply chain. ATA and its Agriculture and Food Transporters Conference are grateful for the opportunity to provide insights on these challenges and potential solutions.

As the Committee examines agricultural supply chain challenges, please consider five key areas: (1) infrastructure investment, (2) workforce development, (3) potential consequences of an employer-based vaccine mandate, (4) the role that commercial flexibility played in the initial response to COVID–19 challenges, and (5) challenges created by equipment and labor shortages at U.S. maritime ports and inland storage facilities and distribution centers. I will address each of these areas in detail in my testimony, as they are critical to ensuring the economic competitiveness of the American trucking, agriculture, and food service industries.

America's truckers proudly answer the call to deliver necessities across the country day and night. They perform that duty whether challenged by a global pandemic, dilapidated and failing infrastructure, and rising prices and regulatory burdens that make it harder for companies to operate their businesses. Thank you for holding today's hearing to consider these critical issues. I look forward to working with you to share information and inform potential legislative solutions to protect the safe and efficient movement of our nation's goods.

Key Issues for Food and Agriculture Transportation:

(1) Infrastructure Investment

With H.R. 3684, the Infrastructure Investment and Jobs Act, pending final passage by the U.S. House of Representatives, I strongly encourage Committee Members to support its historic investment in our nation's roads and bridges. Congress is on the cusp of finally ensuring that the roads and bridges that carry the nation's economy are safe, reliable, and prepared for future growth.

No legislation is perfect, but the American Trucking Associations strongly supports passage of the IIJA because the costs of inaction are too high and because it is our best option at this time. Agriculture and food transporters working with perishable products depend on a well-maintained, reliable, and efficient network of highways that enable the timely and safe delivery of their cargo. Without highways

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[2] U.S. Census Bureau Commodity Flow Survey, 2017.

[3] *Freight Transportation Forecast 2020 to 2031.* American Trucking Associations, 2020.

[4] U.S. Census Bureau Commodity Flow Survey, 2017.

[5] *American Trucking Trends 2020.* American Trucking Associations.

[6] *Ibid.*

[7] *https://www.marketwatch.com/story/keep-on-truckin-in-a-majority-of-states-its-the-most-popular-job-2015-02-09.*

in good repair, our nation's agriculture and food producers will struggle to get their commodities to domestic and global markets; food distributors will struggle to get their goods to store shelves, restaurants, and schools; and American families will suffer as a result.

For years, underfunded roads and bridges have increasingly choked our economy's supply lines, making it costlier and more time-consuming to transport all goods, including agricultural and food products. Furthermore, congestion caused by decayed infrastructure adds nearly $75 billion to the cost of freight transportation each year.[8] In terms of agriculture and food transport, as the Committee is likely aware, the consequences of these losses are far-reaching and extend to the need to dispose of expired or unsafe food products such as spoiled milk, tilled beans, or slaughtered meat products.

The bipartisan IIJA provides important investments to maintain and improve our core interstate system, and targets additional funding for intermodal freight connectors and projects of national significance that are critical for efficient agriculture supply chains. I echo the comments of Chris Spear, the CEO and President of the American Trucking Associations, who has spoken to this issue before Congress, the industry, and national media: Infrastructure is not partisan, and anyone in Congress who believes that roads and bridges are political hasn't been driving on them. The time to pass a bipartisan infrastructure bill is now.

(2) Workforce Development

The IIJA does more than invest in those critical aspects of our nation's infrastructure. It authorizes critical programs and lays a path to ensure a highly trained, safe, and diverse workforce is available to truck goods across the country. According to statistics released just last week, the trucking industry is currently short 80,000 drivers.[9] That deficit will only continue to grow without studying and modernizing regulations on who can drive in interstate commerce, and without targeted investments in programs to attract a new, diverse generation of drivers and supply chain workers. By 2030 and at current trends, the gap could grow to 160,000.[10] Overall, nearly one million new drivers will need to be trained and hired in the next decade to keep pace with increasing consumer demand and an aging workforce.[11]

The truck driver shortage is only one aspect of how unmet labor force needs create supply chain inefficiencies. Drivers working at maritime ports or transporting goods between domestic distribution facilities all rely on local labor forces to load or unload perishable cargoes so that trucking companies can keep their assets moving in service of their customers and so that drivers can maximize their on-duty time under Federal hours of service regulations. The staffing shortages for these workers substantially decreases driver efficiency if they also have to wait for loading and unloading.

Accordingly, ATA and the members of our Agriculture and Food Transporters Conference strongly support the workforce development provisions in IIJA that will help ensure a resilient, safe, and diverse workforce. In particular I want to highlight the importance of the pilot program (based on the DRIVE Safe Act, H.R. 1745) to study allowing highly trained younger drivers to participate in interstate commerce, the establishment of an advisory board to promote the recruitment and retention of women in the trucking workforce (Promoting Women in Trucking Workforce Act, H.R. 1341), and the authorization of a program to promote and improve job opportunities for a diverse transportation workforce (Promoting Service in Transportation Act, H.R. 3310).

The DRIVE Safe Act pilot program will allow the U.S. Department of Transportation to collect the data to show what 49 states already recognize, that 18 to 20 year olds can be trained to operate safely in interstate commerce and help meet the critical need for 80,000 new truck drivers nationwide. This pilot program will remove an obsolete Federal regulatory barrier for up to 3,000 drivers, and will demonstrate that young drivers can be trained in trucks equipped with the latest safety technology and deployed to add critically needed resilience and capacity to national supply chains. To qualify to operate in interstate commerce under the pilot program, drivers must complete 400 hours of training using leading safety equipment, including 240 hours with an experienced mentor, on top of the current minimum requirements to obtain a commercial driver's license for drivers of all ages. For agriculture and food transporters, the capacity that can be unlocked by bringing safe, trained

[8] *Cost of Congestion to the Trucking Industry: 2018 Update.* American Transportation Research Institute, Oct. 2018.

[9] *Driver Shortage Update 2021.* American Trucking Associations. October 25, 2021.

[10] *Ibid.*

[11] *Ibid.*

younger drivers into the workforce is critically important to ensure the resilience of the supply chains on which they depend.

The Promoting Women in Trucking Workforce Act and the Promoting Service in Transportation Act are also important tools for our nation's supply chains to attract a younger and more diverse workforce. Although women currently make up 47% of the workforce, only 7% of truck drivers are women[12] and only roughly 26% of all transportation and warehousing jobs are held by women.[13] For too long, blue-collar professions like trucking have been stigmatized, and the disproportionate emphasis on 4 year colleges at the expense of vocational schools and the skilled trades has discouraged too many potential drivers from getting behind the wheel. ATA supports both of these important legislative efforts and applauds their inclusion in the IIJA.

Agriculture producers, processors, and distributors have seen the consequences of an undersized and less resilient workforce as they struggled to meet surging demand and adjust to constant challenges over the past 2 years. The inclusion of these workforce provisions will play a key role in bolstering the transportation industry and helping it attract and retain a new generation of labor that will ensure its ability to respond to future food supply chain disruptions. ATA strongly encourages the Committee to be aware of the importance of these workforce provisions in the pending infrastructure bill to the reliability of the agriculture and food transportation.

(3) Vaccine Mandate

The challenges facing our food supply chains are rooted in inefficiencies that are out of the control of truckers—potholes, closed bridges, congestion, and prohibitions on younger drivers—but those challenges impact everyone in the highly competitive trucking industry equally. As the Committee studies the challenges facing the food supply chain, ATA respectfully requests consideration of the negative consequences that an employer-based Federal vaccine mandate will have on the resilience and sustainability of the supply chain.

As mentioned above, there are labor shortages causing inefficiencies at ports, inland warehouses, and distribution facilities. America's trucking industry is built on a deregulated model with hundreds of thousands of licensed motor carriers of all sizes. Setting an arbitrary threshold for vaccine mandates based on company size puts the companies above that threshold at a disadvantage where their drivers and workers can simply leave for jobs at companies where they will not be subject to a mandate. Trucking workforce data gathered by ATA indicates that an employer-based vaccination mandate based on the arbitrary threshold of 100 employees could mean the loss of up to 37% of drivers for covered companies to retirements, attrition to smaller carriers, or conversion to independent contractor owner-operators. Federal regulations should not play favorites among competitive industries but this proposal does exactly that.

ATA strongly supports efforts to provide access to vaccination and COVID–19 testing broadly throughout the country. Our members working in the supply chain play a major role in ensuring distribution of vaccines and medicines nationwide. More broadly, agriculture and food transporters ensure that the institutions and families across the country have access to necessities despite the ongoing challenges to daily life—milk, eggs, bread, produce, and the COVID–19 vaccine itself. Truckers in fleets of all sizes play a role in meeting that demand and transporting the goods we all need.

As of the drafting of this testimony, the Occupational Safety and Health Administration's (OSHA) COVID–19 Emergency Temporary Standard (ETS) had just cleared the Office of Management and Budget's review. While this Committee considers ways to support resiliency in food and agricultural supply chains, ATA requests that Members be aware of the following necessary provisions that ATA explained to the Administration need to be included:

(1) An exemption for truck drivers akin to that provided by Canada for its drivers or alternatively deferring coverage of truck drivers to the traditional regulating agency with transportation expertise—the Federal Motor Carrier Safety Administration (FMCSA)—rather than OSHA;

(2) Federal contractors that implement the vaccine mandate required in Executive Order 14042 should not have to comply with a second set of OSHA rules—those that implement the E.O. 14042 mandate should be deemed com-

[12] *American Trucking Trends 2020.* American Trucking Associations.

[13] *Monthly Employment in the Transportation and Warehousing Sector.* USDOT Bureau of Transportation Statistics. September 2021.

pliant with the OSHA ETS and ideally vice versa to avoid overlapping and contradictory requirements; and

(3) A reasonable implementation timeline for any ETS of not less than 90 days.

While much of the country was sequestered in their homes over the past eighteen months, the trucking industry served its essential function and did so successfully with safety standards developed by public health experts. In fact, ATA surveyed its members and provided data to the Administration showing that our drivers were well below the infection and mortality rates of the general population. We support the Administration's goals of increased vaccination rates and clear health guidelines to enhance protections for all Americans. We have urged trucking industry employees to get vaccinated and will continue to do so. We will also continue to work with Federal authorities to increase voluntary vaccination rates for our sector.

Unfortunately, however, the anticipated OSHA rule as outlined together with the Federal contractor vaccination mandate may have vast unintended consequences. The scope of the mandate was an open question as of the drafting of this testimony, but the Committee should know that if the ultimately-published ETS and Federal contractor requirements do not take into account the effects on our industry, ATA may be forced to take action against the ETS and contractor mandate to protect the industry. Because of its potential one-size-fits-all approach, such a rule would inherently fail to balance the risks of a single standard for all industries against the broad impact that such a rule will have in exacerbating challenges to the supply chain and economy. Even if the ultimate goal is something we all agree on—increasing vaccination protections and defeating the COVID–19 pandemic—it is vital that public health measures first do no harm, especially to critical elements of our food supply chain.

(4) Supply Chain Adjustments in Response to COVID

The landscape-level challenges that face the entire trucking industry place unique challenges before the food and agriculture haulers. As I mentioned, these companies were at the forefront of helping their shipper customers adjust to an economy where the entire marketplace of mass food distribution disappeared almost overnight. Shippers and carriers were forced to find new homes for their products, and ATA worked closely with supply chain partners and regulators to accommodate those changes while minimizing waste and disruption.

By focusing on improving communication between supply chain partners outside their contractual obligations and addressing the ability to repackage from a large-market focus to the consumer level, the food supply chain evolved to meet the unique demands of the COVID–19 pandemic. Supply chain horror stories of dumping tankers of expired milk, containers of harvested products left to rot, and disposing of thousands of slaughtered animals that went unprocessed in a timely manner all illustrate the consequences of inefficiency and highlight the need for the private-sector and regulators to strengthen the resiliency of supply chains to meet future challenges.

As shippers' traditional marketplaces collapsed they were left scrambling to find other consumers for their products. This immediate shift exposed the initial lack of connectivity among partners in the supply chain when faced with the dramatic changes wrought by the pandemic. However, by bringing together technology providers, logistics companies, shippers, government agencies, and charitable organizations, supply chains were cooperatively able to piece together short-term solutions to minimize disruptions.

We witnessed schools and restaurants shutter overnight, and many food distributors were left with commercially packaged foodstuffs. The market took a few days, but started to repackage those goods for consumer purchase. Many restaurants turned into "bodega-like" operations selling packages of uncooked goods to customers who ordinarily would have been sit-down restaurant customers. Produce trucks parked in parking lots also sold their perishable products directly to consumers.

A common thread in the discussions between supply chain partners is that there is no one silver bullet to ensuring resilient food and agriculture supply chains. The improved level of communication made necessary by COVID–19 response efforts must continue, and unique solutions must be found to workforce challenges facing our respective industries supply chains struggle to provide necessary capacity to meet consumer demand. America's agriculture community produces the world's safest and most abundant food supply, and our motor carriers remain dedicated to playing their role in bringing those goods to market.

(5) Port Productivity Challenges

As media and policymakers focus on the backlog of import cargo at U.S. maritime ports, particularly on the West Coast, it is an opportunity to examine the long-term trends in port practices that reduce the resilience of food supply chains. Volumes are surging at a time when labor and equipment shortages leave inland distributors unable to accommodate the demand. Inabilities to process cargo at ports, dray import and export containers between ports and inland distribution facilities, and transport inland goods efficiently between production facilities and warehouses all create challenges for our food supply chain.

The entire food supply chain would benefit from steps to incentivize communication between supply chain partners, realign financial incentives by modernizing regulations related to detention and demurrage charges by ocean carriers and marine terminal operators, and address the chassis and equipment shortage.

Improving Communication

Private-sector partners need to continue improving their communication to avoid supply chain breakdowns, even in the face of peak season demands, a lack of carrier capacity, a lack of equipment availability, and ongoing labor supply challenges. In that context, Congress and Federal regulators must understand the context of the current and potential bottlenecks in order to respond accordingly with effective and meaningful relief. For instance, a port remaining open 24/7 will do little to increase the flexibility of the supply chain if the port does not have adequate equipment available to move containers, they are slow to process the trucks that serve the facilities, inland warehouses are full, or if inland warehouses are only staffed to open their shipping docks for limited hours. Solutions should focus on addressing the constraints specific to those port facilities, not merely increasing the amount of time a driver can legally operate in order to overcome the inefficiencies.

In addition to the delays and limited hours of operation at inland facilities complicating the carriage of goods to and from ports, the ports themselves struggle with disjointed information sharing. ATA members working in intermodal freight, as well as those transporting agriculture and food, report that information systems and notifications vary substantially between facilities. Each terminal within a larger port often has its own information sharing system, an inefficient state of affairs for truck drivers and supply chain participants that would otherwise benefit from more global availability of information. Truckers working at ports often must return containers or chassis at one terminal then pick up new equipment at a different terminal, and most terminals operate on different systems. Miscommunication is often exacerbated by short notice of constantly-changing windows of availability for cargo and equipment pickup and drop-off at each terminal.

Modernizing Incentives at Ports

The Federal Maritime Commission has studied the issue of unjust and unreasonable practices relating to detention and demurrage penalty charges levied on carriers and shippers by ocean carriers and marine terminal operators. Fines intended to incentivize the efficient movement of goods to and from U.S. ports are, obviously, failing to do so. Rather, motor carriers and food shippers working at ports are too often forced to pay unfair penalties and then weigh the risks of pursuing litigation or arbitration with large, global shipping lines to recover their losses.

Too often, the delays for pickup and return of equipment and cargo for the movement of food and agriculture goods at ports are due to circumstances beyond motor carriers' control. Part of the challenge is in obtaining the necessary equipment, particularly chassis, to move containers to warehouses. Another aspect of the challenge is that labor shortages at those inland facilities slow the loading and unloading of goods. Federal hours of service regulations do not account for or accommodate labor challenges, so the time a driver spends waiting on a chassis to move goods from the port, or missing the delivery window at an inland facility because of delays at the port is unrecoverable. Drivers and equipment are critical resources for the overall food supply chain, and effective utilization of both is critical to alleviate the current port backlog.

The answer to these myriad challenges is not increasing the amount of time a driver can be on-duty, but rather restoring financial incentives for ocean carriers and marine terminal operators to work with shippers and carriers to move goods efficiently. These entities should not benefit from unreasonable demurrage charges when cargo is not made available to carriers and shippers in a timely manner, and they should not be able to levy unfair charges for the late return of containers when there is no space for the carrier or shipper to return the equipment.

If drivers are unable to return a container and obtain the proper chassis, they cannot pick up their next container, slowing operations and contributing to the

buildup of containers at the port. In addition to improving port information sharing and restoring fairness to the financial incentives for moving cargo, there is a critical need to incentivize better chassis management and to secure more chassis and equipment to move more containers at ports.

Equipment Availability

There is virtually zero availability of chassis, which is a critical chokepoint for U.S. ports at this time. Trucking companies and intermodal equipment providers that purchase this equipment rely on both domestic and foreign suppliers. Recent trade actions, including Section 301 tariffs imposed during the Trump Administration and an antidumping and countervailing duty ruling from the Department of Commerce and the U.S. International Trade Commission (USITC) earlier this year, limit chassis availability from global sources. ATA is concerned that the combination of the tariffs and duties only increases the cost of chassis without providing a sizeable increase in domestic production to meet the demands of the U.S. intermodal marketplace. Without increased chassis availability, the carriers serving our food supply chain will continue to struggle to meet consumer demand in an efficient and timely manner.

A lack of interoperability for chassis in certain locations further strains the motor carriers and shippers moving food and agricultural products through our ports. Many ocean carriers require motor carriers to use chassis from their preferred intermodal equipment provider in order to pick up a container from that shipping line. This is true even for merchant haulage where the shipper contracts with the motor carrier for land transportation rather than with the ocean carrier. This could require a motor carrier to return one chassis and pick up another one just to pick up a container from a specific ocean shipping line. This inefficient system that allows ocean carriers to sideline competition also prevents motor carriers from choosing their own chassis provider, adding time and expense that is eventually passed on to consumers.

Finally, the supply chain challenges that make it harder to move agriculture and food products efficiently are manifesting in an inability to receive new trucks and the necessary parts to maintain fleets. Making it harder to keep trucks that are already operating on the road places the economy at risk of an even greater capacity shortage. Semiconductor shortages are slowing delivery of new equipment because OEM companies are being forced to idle plants as they wait to build up sufficient stock to produce trucks. Fleets are cannibalizing older equipment to keep their assets moving as best they can. These shortages will continue to challenge those companies working in the food supply chain, and we encourage the Members of this Committee to consider these industry concerns.

Conclusion

Chairman Scott, Ranking Member Thompson, and Members of the Committee, thank you again for the opportunity to testify before the Committee at a moment where significant challenges face our nation's agricultural and food product supply chains. The members of the American Trucking Associations are working ceaselessly to move goods across this country, and on their behalf I am grateful for the opportunity to present you with insights on steps that can be taken to help the industry.

The entire ATA federation stands ready to work hand-in-hand with you, Congress, and the Biden Administration to address the issues we are discussing today. Thank you.

The CHAIRMAN. Yes. Thank you, Mr. Samson. And now I recognize Mr. Wells. Please begin when you are ready.

STATEMENT OF ROD WELLS, CHIEF SUPPLY CHAIN OFFICER, GROWMARK, INC.; CHAIRMAN OF THE BOARD, AGRICULTURAL RETAILERS ASSOCIATION, BLOOMINGTON, IL

Mr. WELLS. Thank you. Good morning, Chairman Scott, Ranking Member Thompson, and distinguished Members of the House Committee on Agriculture. Thank you for allowing me to testify today regarding the immediate challenges to our nation's food supply chain. My name is Rod Wells, and I serve as the Chief Supply Chain Officer of GROWMARK, Incorporated, headquartered in Bloomington, Illinois. GROWMARK is a North American ag cooper-

ative owned by local member companies and farmers, and provides grain supplies, farm supplies, and grain marketing services. I also appear before you today on behalf of the Agricultural Retailers Association, as the Chairman of the ARA Board of Directors. ARA represents agricultural retailers, who supply farmers and ranchers with crop inputs, feed, equipment, technology, and services that help to successfully manage their operations.

The agriculture industry is experiencing supply chain disruptions. We must act on both short-term and long-term solutions and utilize a multi-pronged approach to mitigate these disruptions. The importance of improving our infrastructure, crop input production, energy availability, access to labor, and regulations that work for rural America is very clear now. Rural America's transportation infrastructure needs improvement. Rural America contains many of the country's natural resources, and is the primary producer of food, fiber, and energy. Roads, bridges, highways, and waterways provide the first and last links in the supply chain from farm to market for all citizens in our country. We compete in a global marketplace, and our infrastructure must be world-class and efficient.

In short, ensuring an economically strong supply chain infrastructure is critical to the health of the U.S. economy. Waterways, ports on our coasts, and freight railroads are safe and effective means of transporting commodities. Freight railroads need to make track improvements to be in the best position to deliver consistent, dependable service, while also providing competitive rail rates to shippers. Our waterways need new 1,200′ locks, and more ports need to be capable of offloading containers. Our growing supply chain challenges pinpoint an immediate need for waterway, port, and rail track upgrades to connect ag retailers and their customers to domestic and international markets.

Trucking is vital to agriculture, and we depend on just-in-time delivery of farm supplies and services to our customers. Our country is experiencing a growing driver shortage, and higher shipping costs. 48 states currently allow drivers to obtain a commercial driver's license at 18, however, they are prohibited from driving in interstate commerce until they are 21. The DRIVE-SAFE Act (H.R. 1745), legislation we support, would create a two-step apprenticeship program to allow these younger drivers to safely enter the industry. Hours of service regulation should allow more flexibility for drivers working within the food supply production system, along with streamlining electronic logging device requirements that can be a burden for small trucking companies.

Planning for the 2022 growing season is already underway. Seed and crop protection products all rely on the supply chain being discussed today. We feel part of improving the supply chain involves the timely and science-based regulatory approval process for biotechnology and crop protection products. The Ag Retailers Association supports biotechnology and crop protection products being assessed within the traditional U.S. EPA science- and risk-based regulatory process. American farmers and ranchers become more sustainable and strengthen the food supply system long-term with science-based enhancements.

Reliable, diverse, and cost-effective energy sources are essential for agricultural production and supply chain system. Agricultural

producers produce renewable fuels that include ethanol, biodiesel, solar, wind, and gas from digesters. But until renewable energy can meet all demand, traditional domestic energy sources must be available.

The Census shows rural America continues to struggle to grow its population, while the demand for qualified workers increases. The current H–2A ag guestworker visa program is broken and does not work for all of agriculture. We desire an H–2A program that is simpler and more flexible.

The Ag Retailers Association urges Congress to continue to explore solutions that improve the supply chain, and also promote pro-growth economic policies. As a farm supply retailer, I am confident that acting on these priorities will help farmers improve production, and contribute to growing the economy, while supplying the food, fuel, and fiber that our citizens need. Thank you for your commitment to, and support of, American agriculture, and I look forward to your questions.

[The prepared statement of Mr. Wells follows:]

PREPARED STATEMENT OF ROD WELLS, CHIEF SUPPLY CHAIN OFFICER, GROWMARK, INC.; CHAIRMAN OF THE BOARD, AGRICULTURAL RETAILERS ASSOCIATION, BLOOMINGTON, IL

Introduction

Good morning, Chairman Scott, Ranking Member Thompson, and distinguished Members of the House Committee on Agriculture. Thank you for allowing me to testify today regarding "*The Immediate Challenges to our Nation's Food Supply Chain.*"

My name is Rod Wells and I serve as Chief Supply Chain Officer for GROWMARK, Inc. headquartered in Bloomington, Illinois. GROWMARK is a North American agricultural cooperative serving local ag and energy cooperatives, farmers, retailers, and businesses in the U.S. and Canada.

I also appear before you today on behalf of the Agricultural Retailers Association (ARA) as the Chairman of the ARA Board of Directors. ARA represents agricultural retailers who supply farmers and ranchers with products and services. These products include seed, nutrients, crop protection products, feed, equipment, and technology. Retailers also provide consultative services such as crop scouting, soil testing, field mapping, custom planting and application, and the development of nutrient management and conservation plans.

Agricultural retailers range in size from small, family-held businesses to large companies and farmer-owned cooperatives with many outlet stores. Large and small retail facilities are scattered throughout all 50 states and provide critical goods and services, as well as jobs and economic opportunities in rural and suburban communities.

The agriculture industry is experiencing supply chain disruptions. While there is no easy fix, any solutions require a multi-pronged approach including, but not limited to, addressing issues of infrastructure, crop input production and regulation, energy, labor, and pro-growth economic policies.

Infrastructure

Rural Roads & Bridges—Rural America's transportation infrastructure needs serious investment. Home to 60 million people and playing a vital role in the U.S. economy, rural America contains much of the country's natural resources, and is the primary source of food, fiber, and energy. Roads, bridges, highways, and waterways provide the first and last links in the supply chain from farm to market.

The roads and bridges that serve and connect our country's rural areas face significant challenges. Inadequate capacity to handle growing levels of traffic and commerce, limited connectivity, the inability to adequately accommodate growing freight travel, and deteriorating road and bridge conditions top the list. The nation's rural roads and bridges have significant deficiencies due to underfunding: 15 percent of the nation's major rural roads have pavement rated in poor condition, 21 percent rated in mediocre condition and ten percent of rural bridges rated structurally deficient.

Railroads—Freight railroads are a safe and effective means of transporting bulk commodities and ensuring an economically strong rail network is critical to the health of the U.S. economy. Freight rail is a vital link that connects thousands of U.S. manufacturers, agricultural distributors, retailers, farmers, and energy producers with consumers. Freight railroads need to make track improvements to be in the best position to deliver consistent, dependable service while also providing competitive rail rates to shippers. Modernizing the Surface Transportation Board (STB) regulations will ensure that the freight railway system works better for both the railroads and America's shippers that rely on them.

The nation's 603 short line and regional railroads operate 29 percent of the nation's freight rail network. In four states, short lines operate 100 percent of freight rail, and in 36 states they operate more than 25 percent. For large areas of rural and small-town America, short lines offer the sole method for shippers to connect to the national rail system, helping businesses and employment stay local. The Short Line "45G" Rehabilitation Tax Credit, first enacted by Congress in 2005 and made permanent in December of 2020 as part of the Consolidated Appropriations Act, has allowed short lines to privately invest over $5 billion since its inception. Providing incentives for these types of rail infrastructure investments is good public policy. ARA believes similar financial incentives such as tax credits or grants should be made available to agribusinesses that own private industrial spur lines or trackage used to load and unload railcars at their facilities.

Ports and Inland Waterways—Many of the agricultural products, including essential crop inputs used to produce a sustainable food supply and the production of America's farmers and ranchers, utilize our country's many ports. Whether these products originate in America or arrive from other countries, they are an essential part of supply chain resiliency. Recently, Gene Seroka, executive director of the Port of Los Angeles, testified before the U.S. House of Representatives' Transportation & Infrastructure's Coast Guard and Maritime Transportation Subcommittee on the port congestion issues stating, "we must revisit a national strategy that targets infrastructure investment and supply chain performance to key industrial sectors of our economy. Such a strategy should focus on exports of American products, but also on procurement of essential goods for American businesses and consumers. For example, we must reverse the impact that retaliatory tariffs have had on our agricultural exporters. We must enhance their connectivity to major trade gateways through infrastructure investment and leverage digital solutions that make it easier for them to marshal the equipment necessary to reach foreign markets."

As often reported on the national news, there has been a serious port backlog since earlier this year. Now more than ever it is important for the Federal Maritime Commission (FMC) to act. FMC should leverage its authority to limit the impact of rising demurrage and detention costs to shippers and, eventually, consumers. We ask Congress to review legislation such as the bipartisan "Ocean Shipping Reform Act" (H.R. 4996) to address practices that are currently damaging U.S. agricultural exports.

Additionally, America's inland waterways system provides the lowest-cost, most fuel-efficient and environmentally friendly method to transport products. Exports of agricultural goods make up 20 percent of farm income and support more than one million jobs. In 2017, 70 percent of U.S. agricultural exports, valued at $90.5 billion, traveled by water. And every $1 billion in U.S. exports shipped through ports supports 15,000 U.S. jobs.

The system of locks and dams that facilitate this transport urgently needs extensive maintenance and modernization. Most were built in the 1920s and 1930s and have far exceeded their 50 year design lifespan. In 2017, 49 percent of barge vessels experienced delays, up from 35 percent in 2010. These delays cost nearly $45 million annually and adversely affect the price farmers pay for their inputs and earn for their commodities.

The inland waterways system currently benefits from a successful public-private partnership. Commercial users help pay for inland waterway construction and rehabilitation through a 29¢ per gallon diesel fuel tax paid into the Inland Waterways Trust Fund (IWTF). Under the Water Resources Development Act of 2020, the IWTF funds 35 percent of the cost of these projects while 65 percent is funded through the Treasury.

However, we need additional investment to keep commerce flowing on our inland waterways. GROWMARK and ARA support prioritizing increased funding to complete the 17 Congressionally authorized inland waterways navigation projects. In addition, a continued focus to ensure that Harbor Maintenance Trust Fund dollars go towards their intended purpose of dredging will also help to boost American competitiveness and improve supply chain resiliency.

Rural Broadband—Broadband access is vital to rural economic development, education, precision agriculture data transfer, health care, and public safety activities. According to the Federal Communications Commission's (FCC) latest broadband deployment report, 14.5 million Americans lack internet connectivity. However, a Broadband Now study released in February 2020 estimates that as many as 42 million Americans do not have the ability to purchase broadband internet. An FCC report from 2017 estimates it would cost $80 billion to bring high-speed internet to the remaining parts of our country that do not have access. Broadband connectivity links farmers and ranchers to today's online markets. Without connectivity, rural communities can be cut off from domestic and international supply chains. Given the high number of communities that lack internet services, digital connectivity is a direct need for supply chain resilience.

Crop Input Production and Regulation

Today, Americans have access to one of the safest, most diverse, and most affordable food supplies in history. This is thanks in large part to the efficiency, productivity, and innovation of U.S. agriculture enabled by agricultural crop protection products, fertilizers, seed protections, and biotechnology products. These products are approved for use within the United States' robust science- and risk-based regulatory system.

Agricultural retailers employ commercial pesticide applicators that receive extensive education and training to apply pesticide products in accordance with laws and regulations under the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA). EPA has financially supported training of certified commercial applicators through state grants. The programs generally cover Best Management Practices (BMPs) for safe pesticide use as well as environmental issues like endangered species and water quality protection. Thousands of agricultural retailers and their commercial applicators have raised their professional status by also participating in voluntary programs such as the Certified Crop Advisor (CCA) program administered by the American Society of Agronomy. Our industry is licensed and extensively trained to store, handle, and apply Restricted Use Pesticide (RUP) products.

For healthy and productive growth of nutritious food, plants also require essential nutrients. Fertilizers and bio stimulants serve as a supplement to the natural supply of soil nutrients, build up soil fertility to help satisfy the demands of crop production, and compensate for the nutrients removed by harvested crops. Higher crop yields are well documented with better crop and soil management. Adopting nutrient stewardship contributes to the preservation of natural ecosystems by growing more on less land with fewer inputs.

U.S. agriculture remains the leader in plant breeding innovation due to clear, predictable, and science- and risk-based regulations. Plant breeders continue to strive to provide solutions to new and emerging challenges facing farmers, consumers, and the environment. Ag biotechnology such as genetically modified organisms (GMOs) and gene editing can help increase global food security. New innovations in plant breeding provide benefits such as reducing CO_2 emissions, dramatically increasing crop productivity, providing more food to remote communities, reducing input load, and decreasing food waste.

GROWMARK also strongly supports a science- and risk-based regulatory system which fosters innovation, values the environmental benefits that biotechnology enables agriculture to achieve, and recognizes the long and safe track record of plant and animal breeding along with overwhelming evidence of the safe use of genetic engineered plants and animals. By protecting existing and emergent technologies that enhance production, American farmers and ranchers become more sustainable and strengthen the food supply long-term.

The Agricultural Retailers Association is concerned by recent actions taken by the U.S. Environmental Protection Agency (EPA) to revoke all tolerances for the insecticide chlorpyrifos. We believe the actions by EPA are inconsistent with Federal statutes, the agency's own extensive record on chlorpyrifos, and sound, science-based and risk-based regulatory practices. This action by EPA will cause significant harm to the food and agricultural industries and directly impact supply chains. Other examples of disruptions to the marketplace include the U.S. Court of Appeals for the 9th Circuit ruling issued in June 2020 that canceled the registration of three dicamba herbicides for over-the-top usage in registered crops. The Federal court decision was delivered in the middle of application season, well after seed and pesticide product selection decisions were made by American cotton and soybean farmers. If EPA had not allowed for these products continued use during the 2020 growing season under their long-standing "Existing Stocks" policies, there may not have been enough alternative products available for agricultural retailers or their farmer customers. Congress and EPA need to protect the agency's policy on "Existing

Stocks" of pesticide products if there are future cancellations to prevent severe disruptions in the marketplace.

We are concerned with the onslaught of lawsuits filed by anti-pesticide, non-governmental organizations (NGOs), especially in the 9th Circuit, in an effort to secure bans on pesticide products that are safe, essential tools used by the industry. A perfect example relates to glyphosate, a widely used herbicide that controls broadleaf weeds and grasses. It has been registered as a pesticide in the U.S. since 1974, reviewed and reassessed as safe, and not considered to cause cancer (Source: *Revised Glyphosate Issue Paper: Evaluation of Carcinogenic Potential,* EPA's Office of Pesticide Programs, December 12, 2017). NGOs seek the Federal courts, who have no scientific expertise, to impose their decisions over the conclusions of career EPA scientists and peer-reviewed scientific data.

We are concerned with potential future actions by EPA to ban other essential crop protection products that will significantly harm crop production as there will not be readily available alternative and effective replacement products. This scenario may result in food shortages and increased prices for American consumers.

Energy

GROWMARK and ARA also support Federal policies that increase domestic energy production, resulting in reduced costs for crop input materials manufactured in the U.S. Our nation must remain energy independent by including oil, natural gas, and other domestic energy supplies, such as renewable fuels like ethanol and biodiesel, in our efforts to promote economic growth in the nation's ag sector and reduce U.S. dependence on foreign sources of energy. Overall, we support an "all of the above" energy strategy and believe this approach is necessary to support a resilient food supply chain.

According to a recent study conducted by Environmental Health & Engineering, Inc., ethanol reduces gasoline's greenhouse gas emissions by 46 percent. Additionally, by 2022, USDA anticipates that corn ethanol's relative carbon benefits could reach up to 70 percent thanks to continued innovation in the ethanol process.

ARA issued a commissioned study in October 2020 entitled, "Economic Impacts to U.S. Biofuels, Agriculture, and the Economy from Subsidized Electric Vehicle Penetration." The study examined three scenarios for electric vehicle (EV) market penetration through 2050 and their potential impacts on biofuels consumption, the agricultural sector, and the greater economy. The three scenarios include:

1. Base Case: EV market penetration increases to 13 percent of light-duty vehicle sales by 2050, following Annual Energy Outlook Reference Case projections.
2. ICE Ban by 2050: EV market share reaches 100 percent of light-duty and freight vehicle sales by 2050 due to a ban on internal combustion engines (ICE).
3. ICE Ban by 2035: EV market share reaches 100 percent of light-duty vehicle sales by 2035 and 100 percent freight vehicle sales by 2040 due to a ban on internal combustion engines.

These scenarios were selected to present a full range of possible impacts across the biofuels value chain and supporting supply chains. The biofuels value chain includes farm seed, fertilizer, and other inputs required for crop production, maintenance, harvesting, intermediate transportation, and biofuels manufacturing. The ICE Ban by 2050 and ICE Ban by 2035 scenarios were designed to represent scenarios where non-market policy factors, including a potential ban on the sale of vehicles with an internal combustion engine, could require EV adoption. Relative to the Base Case, this study found that in 2050:

- U.S. light-duty and freight vehicle consumption of ethanol and biodiesel could decline up to 90 percent to 1.1 billion gallons and up to 61 percent to 0.8 billion gallons, respectively
- Corn and soybean consumption decrease by up to 2.0 billion bushels and up to 470 million bushels, respectively.
- Corn prices fall up to 50 percent to $1.74 per bushel.
- Soybean prices fall up to 44 percent to $4.92 per bushel.
- U.S. Net Farm Income decreases by up to $27 billion.
- U.S. GDP declines by up to $26.4 billion, resulting in cumulative GDP losses of up to $321 billion.
- U.S. job losses could reach up to 255,300 in the year 2050.

These studies demonstrate that biofuels, like ethanol and biodiesel, must continue to be critical pieces of a low-carbon economy. According to the U.S. Energy Information Administration (EIA) biodiesel is considered to be carbon-neutral because the plants (soybeans) that are the source of the feedstock for making the renewable fuel absorb carbon dioxide (CO_2) as they grow (Source: *https://www.eia.gov/energyexplained/biofuels/biodiesel-and-the-environment.php*). All forms of domestically produced energy should be fully utilized to develop and promote low-carbon emission vehicles as it will help keep energy, manufacturing, food, and fuel costs low for American consumers and ensure economic prosperity for America's domestic industries. For these reasons, we oppose efforts to ban the internal combustion engine as it would have an adverse impact on the U.S. agricultural industry and rural communities.

Labor

The agricultural community is dependent on a sustainable workforce now more than ever. Every farm worker engaged in high-value labor intensive crop and livestock production sustains an average of two to three off-farm jobs. With the added burden of a global pandemic, employers and employees are strained even further.

The current H–2A ag guestworker visa program is broken and only available for part of the agricultural industry. Additionally, agriculture needs the H–2A program to be more flexible as it currently requires the cooperation of multiple Federal agencies which can complicate the program.

We support the use of vaccines to fight the spread of COVID–19 but are concerned with the issuance of an Emergency Temporary Standard by OSHA for businesses with 100+ employees as it has the potential to create even larger labor shortages within our industry. Agricultural retailers currently struggle to find workers for existing job openings. Federal policies should provide flexibility for agribusinesses to address this issue through increased educational outreach efforts and other programs to increase the number of vaccinated workers.

Our economy is expanding quickly in response to the post COVID–19 business openings. Supply chains for consumer, industrial, and agriculture businesses need to move more products in a short amount of time and in higher volumes to keep pace with demand. Trucking demand is outpacing the supply of available drivers. As noted above, road infrastructure is important and truck deliveries are critical to keep supplies on our retail shelves, raw materials to manufacturers, and agriculture productive. A practical proposal with immediate results would be to increase weight limits for trucks on roads to 88,000 pounds from June 30–November 1 across the nation. Resupplying America would boost the economy by ensuring raw materials and finished goods are in the right place for purchase during this period of high demand.

Allowing higher payloads to resupply America's supply chains is the right policy to consider because it would increase efficiency, reduce costs, and lower emissions with fewer trucks in a short amount of time. The increased weight on the roads would occur before most areas have significant freezing and thawing. Increased inventory would be available to consumers, easing price increases and providing inputs for manufacturing and agriculture.

Seventy percent of the nation's freight is carried by commercial trucks, yet as our economy strengthens, motor carriers have difficulty sourcing the drivers they need to handle growing capacity. According to a recent estimate by the American Trucking Associations issued October 25, 2021, the nation needs an additional 80,000 truck drivers immediately—a shortage that is expected to surpass more than 160,000 by 2030. In many supply chains, companies are being forced to increase prices to account for higher transportation costs. This will ultimately result in higher prices for consumers on everything from electronics to food.

While 48 states currently allow drivers to obtain a commercial driver's license at 18, they are prohibited from driving in interstate commerce until they are 21. The DRIVE-Safe Act, legislation we support, would create a two-step apprenticeship program to allow these younger drivers to enter the industry safely. Candidates would be accompanied in the cab by experienced drivers for a total of 400 hours of on-duty time with at least 240 hours of driving time. Trucks would be required to be outfitted with the latest safety technology including active braking collision mitigation systems, forward-facing event recording cameras, speed limiters set at 65 miles per hour or less and automatic or automatic manual transmissions.

The Farm-Related Restricted Commercial Driver's License (CDL), or more commonly referred to as the "Seasonal Ag CDL" program, has been an essential seasonal program for farm-related service industries since 1992. These industries have historically had a very strong transportation safety record and it has not been diminished since these Federal regulations have been in place. The Seasonal Ag CDL

program has helped promote economic growth for America's agricultural industries serving the essential needs of farmers during the busy planting and harvesting seasons. Due to challenging weather events, the increase in crop production diversification, technological advances, and weight increases in light duty pickup trucks and agricultural equipment over the past several decades, it is necessary to modernize the Federal regulations providing the framework for these state-administered programs. The temporary shutdown of the state department of motor vehicles offices throughout the nation during the height of the [COVID–19] pandemic also caused major disruptions for farm-related service industries and their rural communities.

Please support modernizing the Farm-Related Restricted CDL program with the following reforms:

- Provide more flexibility by expanding the total days allowed to utilize Farm-Related Restricted CDL drivers up to 270 days to accommodate for the longer seasons, which can fluctuate from year to year due to climate change as well as more diversified crop production. The state would maintain the ability to set the seasonal periods these days could be utilized by the industry.
- Ensure the new 12 month seasons restart each calendar year on January 1 to prevent any overlap of seasons from the previous year.
- Ensure Farm-Related Restricted CDL drivers can also operate Class A commercial vehicles in recognition of the advances and changes made to light duty pickup trucks, agricultural equipment, and trailers over the past 30 years.
- Eliminate the requirement for in-person seasonal renewal of the Farm-Related Restricted CDL

There is a strong need for long-term modifications to this program to ensure economic growth for our industries and their rural communities while continuing to maintain a strong transportation safety record. This essential seasonal CDL program is currently authorized in 24 states. The surface transportation reauthorization bill offers an opportunity to enact needed reforms that can help provide necessary transportation flexibility for farm-related service industries and ensure there are no disruptions to America's agricultural production and the supply chain.

The Hours of Service (HOS) agricultural operation exemption has been vital for our industry to ensure "just in time" delivery of farm supplies and other essential products and services to farm and ranch customers. The electronic logging device (ELD) requirements highlighted issues with the existing HOS regulations and the need to modernize the agricultural exemption. While it has had the largest impact on the livestock industry, there has also been an impact on farm supply transporters and smaller trucking operations. To addresses these issues, ARA requests support of legislation eliminating the HOS ag exemption's planting and harvesting season provision. Over 30 states already have a year-round "planting and harvesting season" designation. Eliminating this provision ensures the HOS ag exemption is year-round for all states, promoting regulatory consistency and alleviating unnecessary regulatory burdens highlighted by the ELD mandate. We also request support for expanding the current air mile radius of 150 air miles up to 200 air miles for farm supply transporters following an FMCSA pilot program to collect safety data to address continued industry consolidation and driver shortages.

These regulatory changes will help our nation's freight continue to move while preserving the safety of our highway system.

Pro-Growth Economic Policies

The Agricultural Retailers Association sees a need to support and advocate for pro-growth economic policies that will aid our members by developing a more business-friendly marketplace in which to operate. There are several barriers to entry within the American tax code we would like to see changed to protect our freedom and license to operate. These pro-growth policies will also positively impact our nation's food supply chain and its resiliency.

Protecting current tax provisions is also paramount in promoting growth. The estate tax has long been a detriment to our member's business and, as such, we support its full repeal.

ARA also supports a workable sale and use tax collection system to shield retailers and farmers from burdensome tax compliance requirements and we continue to advocate for efforts to streamline these requirements.

ARA recently signed onto a letter to Congressional leadership regarding the need to preserve several tax provisions that would support new and multi-generational farm operations, thus ensuring a robust and dependable food supply chain. The letter noted that with more than 370 million acres expected to change hands in the next 2 decades, tax policies will determine agricultural producers' ability to secure

affordable land to start or expand their operations. Highlighted were three critically important tax provisions:

- Stepped-Up Basis: Assets in agriculture are typically held by one owner for several decades, so resetting the basis on the value of the land, buildings, and livestock on the date of the owner's death under a step-up in basis is important for surviving family members and business partners to ensure the future financial stability of the operation.
- Like-Kind Exchanges: This provision allows businesses to buy and sell like assets without tax consequences, thus helping farmers and ranchers, who are typically "land rich and cash poor," maintain cash flow and reinvest in their businesses.
- Sec. 199A Business Income Deduction: In order to maintain a reasonable level of taxation for pass-through businesses, like farms and ranches, it is critical to preserve Section 199A business income deduction.

We also support a consistent corporate tax structure and oppose changes to the current corporate tax structure. These provisions are fundamental to the financial health of production agriculture and the businesses that supply its inputs, transport its products, and market its commodities.

ARA strongly advocates for the free and fair trade of agricultural products, equipment, and crop inputs that are essential to food supply chain resiliency. We believe this will create opportunities for economic benefit for farmers, ranchers, retailers, and other members of the supply chain. ARA members and their farmer customers purchase crop inputs from both domestic and international manufacturers. While ARA strongly supports the domestic crop input manufacturing industry, and policies that will make them more efficient and competitive globally, our primary interest lies in achieving competitive sources of products with which our retailer and distributor members can best serve their growers.

We have consistently supported reducing both domestic and international trade barriers. The agriculture industry is heavily weather dependent; thus, to ensure a strong U.S. food supply, farmers require large volumes of agriculture inputs during tight time spans during the planting and harvest seasons. Hence, it is necessary for the U.S. agriculture industry to have a strong and steady supply of crop protection products and fertilizers available to ensure adequate supply and to avoid wild price swings in the market. Our policy position supporting fair and free trade of agricultural products is a top priority that includes foreign and domestic manufacturers alike and treats imports and exports equally.

Conclusion

In closing, any long-term solutions crafted to address the challenging disruptions to the food supply chain we face will only be found through the continued partnership between the agricultural retailer, their farmer customers, and regulating authorities.

America's farmers are among the most resilient people on the planet, and they should be commended for their hard work and dedication to feeding a growing world population. As a farm supply retailer, I am confident that mitigating supply chain disruptions in our industry and working to lessen regulatory burdens that hinder production, will significantly contribute to a burgeoning economy.

Thank you for your continued commitment to supporting America's agriculture industry and I look forward to your questions.

The CHAIRMAN. Thank you, Mr. Wells, and I want to thank each of you for your very informative testimonies, and I just appreciate your sense of urgency and understanding of what we are doing. Our job here today is to keep our food supply chain operative and functioning at the level that we really, really need. And so, let me begin the questions.

I will tell you this, I am very, very worried. I am worried that we could possibly have a major delay in our food supply chain if we do not address this pressing issue of a need for commercial truck drivers. It is an extraordinary profession, and we are now pulling the covers off all of that to really—I have magnified my deep appreciation for truck drivers. They hold the key right now as to whether or not we will have a food supply challenge and

shortage. We do not have a food shortage, but the supply is in the hands of our truck drivers.

So, I just want to stress to you the urgency that I feel about this, because as Chairman of the Agriculture Committee, first and foremost, our number one priority is to make sure our people are eating, that our schoolchildren are getting their meals. But I am hearing from our school boards, you all know the story, the food may be there, but the utensils, something like the forks and spoons—you mentioned something about the type of paper and packaging that our meat processors have. All of this is coming from places like China, and that is why I am saying this is such an important issue here.

And so, let me start with you, Mr. Samson. You are with the Trucking Association, correct?

Mr. SAMSON. Correct.

The CHAIRMAN. All right. We have a two-pronged problem here. Number one—and it has come out, 15,000 driver vacancies right now, but I have just heard that number is up to 80,000. And then on top of that, I am informed that our truck drivers' careers last less than a year for 90 percent of them. If this isn't a barnburner of a crisis waiting to happen—and our failure to address it properly could be detrimental to our nation, and the world, because we supply food. And as you can see, in Los Angeles, in Long Beach, 40 percent—those ports in California bring in 40 percent of our trade, and our commodities.

One of the other things I found out about this, as I am getting into it, and this is a danger, but we will put this on the back burner for now, but we are too dependent on China for some very basics. Deere Tractor, I talked to them, they depend on China for some of their equipment that they can't get. That delays it. So, I just want to stress the importance of this hearing, and I am moving—as I said, as we speak now, my staff is meeting with the committee staffs of the Transportation and Infrastructure Committee, the Education and Labor Committee, and, of course, our Agriculture Committee, and Secretary Vilsack is already moving on this. We have a little something in the infrastructure bill that is a pilot for some of the things I am talking about.

But share with me this answer—this question. What is it that is causing this, because if we go get these drivers, and don't address the fact that 90 percent of them don't last a year—please tell us why that is happening, and what we must do to fix it so that, as we recruit new drivers, we are also moving simultaneously to address those issues of retaining those drivers. And that is why I call this movement that we are making jointly with the Agriculture Committee, and then we bring in those departments as well—because the Labor Department is going to have to be key to help us get out there, and identify some of these drivers that may have quit that we can identify, that have the license already, that we have a need here, and could come and help us in our need.

So, I want to just bring those to you, and I want us to leave here with an understanding that we are not going to let this happen any way, any shape, to have a delay in our food supply system. Why is it that we can't keep these drivers a year, 90 percent of them?

Mr. SAMSON. I guess I will start with the driver shortage issue. Of course, this is something that was pre-pandemic, something that has been a systemic problem in trucking for years, and the COVID pandemic just exacerbated the issue, and that is why we saw an uptick, I believe, from about 55,000 short to 80,000 short. What we are doing within the industry, we are trying to increase pay, of course, increase incentives, increase flexibility. Of course, the over the road truck driver could be a taxing position to have. We have a lot of competition as well within other industries. The truck driver is a great—a fantastic career, but then, all of a sudden, if they need to stay home, or stay closer to family, then they will go to an alternative construction, or other job in a similar career path, as they would be for a truck driver.

And so, from a trucking industry, we are looking at, of course, the DRIVE-SAFE Act (H.R. 1745). We are looking at recruiting younger drivers right now. We miss that 18 to 20 year old recruitment. We can't go to high schools, we can't go to the Future Farmers of America, and recruit them as an original career. And so, if they come in at 21 or 25, they have probably already had a career, and so if we are able to get to them, educate them on the industry, maybe they buy in a little bit more as we are moving forward, and build a career out of that, as opposed to an alternative career. And so, there are a lot of things going on, both military, women in trucking, urban as well, and that is kind of been our focus, but retainment has definitely been a big issue.

The CHAIRMAN. Yes. Thank you very much. And now I recognize the gentleman from Georgia, Mr. Austin Scott, for 5 minutes.

Mr. AUSTIN SCOTT of Georgia. Thank you, Mr. Chairman, and I appreciate you having this meeting. I am going to focus on Mr. Schwalls from Colquitt County, my district, with a few questions.

I think a lot has been said here, but I do want to point out, in my part of Georgia, Mr. Chairman, in southwest Georgia's economic region, the unemployment rate is 2.8 percent, and that includes Colquitt County. And in Tift County, which is just to the east of Mr. Schwalls's district, it is 2.3 percent.

And one of the things that we do have a problem with, and the reason the unemployment rate is so low, which is a good thing, but the labor participation rate is also down, and that is a bad thing, and so I do think that the Federal Government has made some of these issues worse with some of the enhanced unemployment benefits, and other things that have been paid out. And I do hope that since those enhanced unemployment benefits have stopped that the labor force participation rate will move back to a more normal level. But did I understand you, Mr. Schwalls, to say that your price of fuel is up 48 percent?

Mr. SCHWALLS. Yes, sir.

Mr. AUSTIN SCOTT of Georgia. Is that since January of this year?

Mr. SCHWALLS. Yes, sir, that is what we are experiencing currently.

Mr. AUSTIN SCOTT of Georgia. So, it is costing Americans more to get to the grocery store, as well as costing Americans to get out of the grocery store, and certainly the increased cost of fuel and transportation increases the cost of everything.

One of my concerns in talking with the farmers back home is products that we have always been able to get—you don't use it a whole lot in—or I should say you wouldn't use as much as a cotton grower, I don't think, but Roundup, for example. The farmers that I know are being told that they need to go ahead and make their purchases for next year this year if they want the chemicals. You spoke to it a little bit, but could you speak more to the crop protection products, and their availability? And one of the things I want to point out to the people that may be watching this that are not in ag production is farmers have a window of time in which they have to apply—whether it is a pesticide, or a fertilizer, or some other type of chemical, you have windows in which you have to do everything from plant the seed, to fertilize the crop, to put the crop protection products there. Can you speak to that supply chain issue, and the potential damage to the supply of food for the American citizens?

Mr. SCHWALLS. Yes, sir, thank you. I think Mr. Cinco alluded earlier, he was talking about the hardship of trying to secure the products which you need for manufacturing on their side, of course from us, from a production side. It was very difficult and very hard on our business to try to secure products earlier in the year, as we were not using those products for, obviously, a great deal of time for crop being made in the spring, and then through the summer and the fall, but we were trying to secure those products to ensure that we would have crop protection products.

People in the crop protection product business were telling me, back as early as February, that there would be strains on the supply chain. So, as we started trying to secure that, and then, of course, we saw price increases coming after that. As you mentioned a while ago, biphosphate, Roundup, for example, is basically nonexistent at this point. Many of these chemicals that we are looking for: fungicides, bactericides, those sort of things are getting harder and harder to find, and it is becoming a longer and a longer period of time even if you can find it. So, you have the issue of the crop protection products being a lot more expensive, not being readily available, and now it is getting to the point where they are not available at all, or certainly not in the time period of which to be able to make a crop.

So that is going to be an incredible strain—it is an incredible strain that is going to continue to get worse, it appears, the strain on being able to secure these products in order for us to be able to produce the crops. So, obviously, the less protection products we have, the less yields we are going to have, and crop failures, and that is going to tax the American farm, but also the American food supply chain.

Mr. AUSTIN SCOTT of Georgia. Thank you for that answer. And, Mr. Chairman, I am almost out of time, but I am—look, when I go to the grocery store in Tifton, Georgia, there are many times that I come home without the yogurts that my kids want to eat, and I know what the impact of the price increases has done to my family, and I certainly know that it is hurt a lot of people very bad in this country. And so, I appreciate you having this hearing, and I look forward to working with you to help solve the problems.

The CHAIRMAN. Thank you very much, Congressman Scott. And now I recognize the gentleman from California, Mr. Costa, who is also the Chairman of the Subcommittee on Livestock and Foreign Agriculture. You are recognized for 5 minutes.

Mr. COSTA. Thank you very much, Mr. Chairman. Mr. Durkin, in your testimony you talked about the importance at Leprino Foods, that export 26 percent of their products. In California, the number one agricultural state in the union, we export 44 percent of our agricultural products. Clearly, when you talked about an example that you may lose some market share as a result of this supply chain crunch, there is no guarantee you are going to get that customer back, right?

Mr. DURKIN. Absolutely. As I mentioned earlier, this took decades of relationship building and—over time. We have no idea whether we will be able to regain that customer, and our hope is over time we will. The ability to be able to do that, though, means that we need to be competitive. In order to be competitive, we need to make sure that we have shipping rates and prices that we can, obviously, go to our customer——

Mr. COSTA. That is a good segue, because you also referenced the importance of the bipartisan Ocean Shipping and Reform Act of 2021 (H.R. 4996) that I have been working with my colleagues on, and Representative Garamendi. And I think that we need to look at this effort, this crisis that we are in, and certainly we saw underlying tones of it when restaurants and schools were closed last spring because of the pandemic. When you take a complicated, complex food supply chain and you turn it upside down, the disruptions can occur.

And the—now, one of the factors that—we have talked about multiple factors that are causing the supply chain crunch that we are dealing with, but also demand by American consumers for products as this economy is beginning to come back. I mean, the 60 to 70 container ships that we see at Long Beach and Los Angeles Port, they are telling me that—I mean, this is in part because of the pent-up demand as a result of the pandemic and other factors, and the economy growing.

To you, and to the other witnesses, I think we need to look at this in short-term and long-term solutions. Certainly, the issue in the short-term efforts, the 24/7 operations with Long Beach and L.A. is a positive, but I think we ought to do that with Oakland, don't you think? And we ought to do that with some of other ports and harbors during this crisis. The infrastructure package, that deals more with long-term efforts to increase our capacity in those areas. On the Ocean Shipping and Reform Act, do you put that in the long-term, or the short-term? We would like to get that passed this year so the Maritime Commission can deal with these containers that are going back empty.

Mr. DURKIN. That would be a short-term, absolutely.

Mr. COSTA. Right.

Mr. DURKIN. But we need to get it passed immediately.

Mr. COSTA. Yes. And the task force that the President has set up is helpful with the different disciplines, DOT, USDA, the Trade Representatives. Chairman Scott talked about the efforts to reach out with the corresponding efforts of the other three committees

that have jurisdiction in this area. I think we have to be working together in a collaborative effort to list both short-term and long-term solutions, and we have to do it at the same time. Any of the other witnesses, Mr. Durkin and others, have advice to give us on how we orchestrate that?

Mr. SAMSON. Congressman Costa, good to see you. I would say that agency-wide we are working very closely with both USDA, DOT, and I think having the committees of jurisdiction working as closely would be extraordinarily helpful. I think, when you are looking at the L.A./Long Beach port system and the 24/7, we are running into bottleneck issues. As you continue down the process, we are running into equipment/chassis issues, we are running into driver issues——

Mr. COSTA. And we have had those for a number of years, and we are devising rail corridors that will help, but that is the longer-term infrastructure package that will update our capacity.

Mr. SAMSON. I think you are looking at communication problems. I think the ship line has one goal, of offloading and then heading out. I think the port itself has another goal, the carrier has another goal, and the warehouse has another goal. And I think, unless you have the communication throughout that entire supply chain, and everybody on the same page, I think we are going to continue to see those issues. But I think, to your point——

Mr. COSTA. And our products that are coming in and going out. Mr. Durkin, you and I discussed about the perishable nature, and they are not all the same.

Mr. DURKIN. They are not all the same, Representative Thompson [Costa], yes, absolutely, and you have concerns on this. We will be able to get the product that—out of date in a certain period of time, and obviously our customers are waiting for that, and if they miss a window on that, it is an issue that we have and they have.

Mr. COSTA. Would any other witnesses care to comment? My time is expiring here, Mr. Chairman, but I think that when you hit on the collaboration of the other corresponding jurisdictional committees, as well as the task force that the President has set up, we ought to have a meeting together and really divide these into short-term efforts and longer-term efforts to figure out how we can do both at the same time to address this crisis that all of us know is upon us.

The CHAIRMAN. You are absolutely right, Congressman Costa, and that is why we are moving with all deliveries, feed—and, as I mentioned, we are already in contact with Education and Labor, and the Labor Secretary. We are already in contact—of course, as you know, we are working closely with Secretary Vilsack, and, of course, Transportation and Infrastructure.

Mr. COSTA. Well, you have my complete support, and Committee, and let us know how we can help you.

The CHAIRMAN. I thank you.

We certainly will, thank you. And now I recognize the gentleman from Nebraska, Mr. Bacon. You are recognized for 5 minutes.

Mr. BACON. Thank you, Mr. Chairman. I appreciate the time today and appreciate all the panelists that are here, and their testimony. My first question is to Jon Schwalls. You mentioned fertilizers are up 35 percent. I have heard the same thing from our

agriculture producers in Nebraska, and what do you think is contributing to these inputs being so much higher, and fertilizer being probably the best example?

Mr. SCHWALLS. Well, what I am being told is the lack of tech supplies, that we use a tremendous amount of tech materials that are using crop protection products imported from China. So, I am being told the lack of tech supplies coming in, and then obviously—so there seems to be the same demand for these products, but there is a very short side of supply.

Mr. BACON. Thank you. It is a big concern in Nebraska, the price of these inputs, so I am sure that is a concern for all of our farmers right now, not just in Nebraska. My next question is to Mr. Wells. You say 70 percent of our exports use water, our agriculture exports. Can you talk a little about the state of our lock system? Because I hear a lot of concerns on that as well.

Mr. WELLS. Absolutely. GROWMARK ships a tremendous amount of crop nutrition production via the inland waterway system. We have a number of facilities that are located on that inland waterway system, and we are impacted quite a lot from high water situations, from low water situations, where they are having to dredge. We are also a big proponent of increasing our lock system and repairing our lock and dam system: 1,200′ locks would be our goal. As they bring tows up the river, without 1,200′ locks, they are breaking those tows. It just adds to the time delay and the time lag for us to get products into our facility, so those would be a few comments I would make on that subject.

Mr. BACON. I appreciate those comments. The research I have done—you have Brazil rebuilding their locks, and they are going to be triple the size of ours, so we could produce corn, soybeans, beef and pork at a price more competitive than anybody in the world, but if we can't—if our logistics adds to the cost over our competitors, that is going to cut into our trade, so I think it is important to put some priority on the lock system on our—in our ports. It is—been a proponent of that.

Finally, I would just like to transition to our trucking side of this. An 80,000 shortage of truck drivers, that is a grave concern. I know a lot of our trades are in the same boat, whether it is welders and what not, and I could go on and on. Could you again talk a little about some of the things we could do to incentivize folks to get into the trucking industry? You mentioned it a little bit, but I would love to hear a little more.

Mr. SAMSON. Sure. Yes, no, we have been working on industry-wide incentives, trying to figure out how to increase driver pay, increase flexibility, provide them a schedule that may be a little bit more family friendly, benefits, bonuses. And, of course, we are also trying to work on the younger drivers, bringing them in. We have done—there are a lot of high schools right now that are looking at CDL programs. We have been working closely with FFA. I know they have almost 700,000 FFA students that are part of the system.

And so, we have been reaching out to the younger set. We have always been reaching out on the military side, trying to get more women in trucking, trying to reach out to those folks that are in the urban communities, really educating them that this is a real-

ly—this is a fantastic career, this is a fantastic opportunity, and this is something that we have been pushing on—and the image of the industry as well. We have really been pushing hard. Agriculture does that very well on their side, but from a trucking standpoint, we have also been showing them that this is a valuable career path, and something that should be looked at.

Mr. BACON. What impresses me in Nebraska, a lot of the trucking companies will pay folks to go through the training, with health insurance, and then you have a great job when you come out, and I think that is a model for a lot of our trades right now that we could build on. Now, one of the things that concerns me is that we have two percent unemployment in Nebraska, we have only about 61 percent workforce participation, and that is sort of true nationally. In your view, are there Federal policies that are inhibiting folks from getting back into the workforce? We are sitting at 61 percent, it used to be around 67 percent, 68, if I have my numbers right, and yet we only have two percent unemployment in Nebraska. I know it is under five nationally, roughly. Are there things the Federal Government is doing that is inhibiting folks getting back in the workforce, in your view?

Mr. SAMSON. I think it has been difficult to figure out exactly why they have stayed out of the workforce. There has been incentives industry-wide—or sector-wide, not just in trucking, but all places. We are starting to see an increase in hourly wages, and we still haven't seen a lot of those workers come back. And so, we have heard a handful of things, but haven't quite been able to put our finger on the pulse of exactly what is keeping these people outside of the current workforce.

Mr. BACON. Well, thank you very much for your time, and Mr. Chairman, I yield back.

The CHAIRMAN. Thank you, sir. And now I recognize the gentlewoman from North Carolina, Ms. Alma Adams, who is also the Vice Chair of our Committee on Agriculture, you are recognized for 5 minutes.

Ms. ADAMS. Thank you, Mr. Chairman. Thank you to the Ranking Member as well for hosting the hearing today and thank you to the witnesses for your testimony. The COVID–19 pandemic has highlighted a number of underlying issues with our supply chain, but perhaps the clearest, the fragility of our food supply chain. The pandemic has also amplified the importance of having a durable and an adaptable food supply chain, one of the most complex yet important logistics programs that we need for our sustainability.

As we heard from our witnesses today, some of the challenges our supply chain continues to face are congestion at ports, and driver and labor shortages, and while these shortages are affecting the entire country, we must not forget the impact that they have on our school districts, and our food service institutions. These institutions continue to struggle to provide children and adults with adequate food as they respond to supply chain disruption.

Mr. Cinco, in your testimony you mentioned that bakers are often providing baked goods to the Federal feeding programs, such as school breakfast, lunch programs, SNAP, and WIC, so can you elaborate a little bit on how the various supply chain disruptions could impact bakers' ability to continue to serve that program?

Mr. CINCO. Yes. Thanks, Congresswoman. The impact of the specifications for the ingredients for the school products makes it difficult to get the specific ingredients you have to have. Durum flour, for example, comes from North Dakota, and the crop was 50 percent less than what was expected. The price has gone up almost to double. It is hard to get, it is hard to make, and until those specifications get adjusted or moved, I think we are going to have some issues with supplying the schools.

Ms. ADAMS. Okay. So, Mr. Ferrara, the COVID–19 pandemic continues to impact the ability of labor to prepare food for school districts, for restaurants, retail, and institutional food service settings, such as hospitals and prisons, so what policy measures can address labor shortages in the institutional food sector?

Mr. FERRARA. Was that for Mr. Ferrara? I am sorry, ma'am, we have a——

Ms. ADAMS. Yes. Yes, Mr. Ferrara. Yes.

Mr. FERRARA. Okay. Yes.

Ms. ADAMS. Yes.

Mr. FERRARA. Yes, ma'am, I think this is going to take a full approach. There is not going to be one single bullet item. I do think we need to change the conversation. There is dignity of work, and dignity in working in a supermarket. You think of the different career paths, chefs, bakers, technology, customer service, there are so many different opportunities that I think we need to continue to focus on educating our young people, educating others that maybe are sitting out of the workforce that these are great jobs and great opportunities to come back and to work in stores.

Particularly for retail, there is a tremendous amount of flexibility. Whether you are looking for full time or part time, it could be really attractive to those folks who are looking for a little bit more flexibility in their lifestyle.

Ms. ADAMS. Right. Mr. Durkin, USDA has stated that the COVID–19 pandemic exposed a food system that was rigid, consolidated, and fragile. So, what was this experience, was it your experience, and can you elaborate a little bit based on your own company's experience?

Mr. DURKIN. Yes. I mean, COVID–19 actually had a significant impact; however, I would say, a testament to our organization and all of our workforce, that actually we were able to get through the pandemic in a very, very positive way. We actually would say there wasn't one customer order that we did not—that did not miss. We were confident in that. It continued to face some challenges. Like the rest of the panelists—my co-panelists on this, we have some labor shortages that we certainly are dealing with, but, from a port issue standpoint, that has actually been our biggest challenge, going forward.

And I view this—and, as I said earlier, to—using the Chairman's words, this is—exports are in a crisis, and any help that the House Agriculture Committee, and this body, can help on that, I think will be really, really important, and useful for the entire——

Ms. ADAMS. Thank you. Thank you. Mr. Samson, in your testimony you mentioned that there is currently an 80,000 truck driver shortage. According to current trends, that gap could double by

2030, so what factors do you attribute to the shortage of truck drivers, and how does that compare to the pre-pandemic environment?

Mr. SAMSON. I think, quickly, we have an aging workforce, which is one of the big issues, and the problems that they ran into with having to deal with the COVID pandemic drove a lot of those that were close to retirement towards retirement. I think we are having an issue with trying to bring these younger folks in is a big deal that we are currently focused on. And so, there are a handful of things that we are trying to do to retain and recruit, as the Chairman had expressed earlier, but it is a difficult environment right now.

Ms. ADAMS. Thank you, sir. I am out of time. Mr. Chairman, I yield back.

The CHAIRMAN. Thank you very much. And now I recognize the gentleman from Tennessee, Mr. DesJarlais. You are recognized for 5 minutes.

Mr. DESJARLAIS. Thank you, Mr. Chairman, and I thank all of you for being here today to discuss the supply chain shortage. I want to focus a little bit, though, on the mandates, and how that is impacting our shortage of workers not just in the trucking industry, but on the railroads. CSX has a mandate coming on November 8. We have the Federal mandate slated to take effect on November 22, and, Mr. Samson and Mr. Wells, how helpful would it be if these mandates were delayed, pushed back? And then I also want to talk about natural immunity.

Mr. SAMSON. Sure. Just quickly, I just want to make it clear that the trucking industry is not anti-vaccination, we are anti-supply chain inefficiency, and what we have heard from a lot of our carriers is you have some very large carriers that have vaccine hesitancy in their drivers. And let us just say 50 percent of their drivers are not vaccinated, and we have heard 80 percent of those 50 percent will never become vaccinated. And so, we are looking at the potential of them leaving larger companies to go to a company that is under 100 drivers, or they have the alternative to leave the industry altogether. And so, we are looking at that as it compounding—it negatively significantly compounding the driver shortage issue, and growing that, which is of great concern to our industry.

Mr. DESJARLAIS. All right. And I have Big G and Titan Trucking in my district in Shelbyville, Tennessee, and they have been sounding the alarm as well. I have heard numbers 40 percent, you said 50 percent, and these are educated people. They have been through the worst of the pandemic. Here we are, the Delta variant is subsiding, we have been 18 months into this, we have had first responders, frontline workers, police officers, our military personnel, border agents, I mean, just all walks of life that have made it through the pandemic.

And I am pro-vaccine, I am vaccinated, but it is not right for everyone, and thankfully we have excellent therapeutics, and monoclonal antibodies, which can keep you out of the hospital 70 percent of the time. We know that the deaths with this pandemic, 95 percent have occurred in people over 50. You start looking at the younger age groups, and I can understand some of their concerns about the vaccine and some of the side effects.

Plus, we don't know how long that the vaccine actually works. We know that—I am due for a booster. I had Pfizer back in November. I am not 65, so we know that the vaccine efficiency does wane with time, but natural immunity, on the other hand, if we are not afraid to follow the science, which we shouldn't be, that is what this whole thing has been about, according to the CDC, Dr. Fauci, and others, we need to look at the studies coming out of Israel, and Britain, and other European countries that show natural immunity to be superior to the vaccine.

I was on a Fox show the other night where the host said that, yes, but they said that the natural immunity only lasts 16 months. Well, guess what, they have been tracking it 16 months, so at 18 months they will probably say 18. At 2 years, they may say 2 years. Bottom line is SARS–1, that happened 20 years ago, those people are still immune, so why aren't we looking at natural immunity, and counting that as the same as being vaccinated? It just doesn't make any sense. And I get that they want to get as many people vaccinated as possible, but what you are telling me is we could have a catastrophe here in a short time, in terms of supply chain, if up to 40 or 50 percent of your truckers leave. And Mr. Wells, do you agree with that, in terms of——

Mr. WELLS. Yes. We are, yes. We are short of workers at this point in time. We have, I believe, around 290 openings today just in Illinois, Iowa, and Wisconsin for our area; but, mandates, such as a vaccine mandate, we are really concerned that it will lead to more openings. We operate a lot in rural America, as you well know, and it is hard to find labor in rural settings to begin with. They may be a little more reluctant, and so—I heard a study repeated on the radio the other day that they expect potentially up to 33 percent of the workforce that are unvaccinated to leave the workforce.

Mr. DESJARLAIS. Yes.

I think it would be helpful for you guys if you issued letters. I have written letters on behalf of TVA, Arnold Air Force Base, that deal with hypersonic weapons. You can't replace some of these skilled people. You can't just replace a trucker overnight. And so, I think if we could ask, at the very least, for a pause in this mandate, push it back after the holidays, let us see how the pandemic turns into an endemic, and look at the new drugs that are coming out, consider natural immunity, and we just need some more time. This hard mandate just feels like it is going to create a disaster, almost like we saw in the withdrawal from Afghanistan. We need a contingency plan, so I would urge you guys to write letters to the President, the Administration, and ask at the very least for a pause so we can look at this. Let us follow the science.

People aren't afraid to. I don't blame people for looking at things skeptically, but we can handle the truth. We just need to know the truth and thank you guys. I know I am out of time. Thank you, Mr. Chairman, for your indulgement.

The CHAIRMAN. Thank you. And now I recognize the gentlewoman from Connecticut, Mrs. Hayes, who is also the Chairwoman of the Subcommittee on Nutrition, Oversight, and Department Operations. You are recognized for 5 minutes, Mrs. Hayes.

Mrs. HAYES. Thank you.

The CHAIRMAN. You may want to unmute, Mrs. Hayes.

Mrs. HAYES. I am sorry. Thank you, Mr. Chairman.

The CHAIRMAN. Sure.

Mrs. HAYES. Thank you, once again, for holding this very important hearing. I have heard of the immense daily impact of global supply chain disruptions from constituents all over my district. 90 percent of Connecticut restaurant operators report paying more for food. Connecticut Costco stores imposed a one per customer limit on paper towels and toilet paper in early October due to disruptions in shipments, and school districts have reported continued anxiety of supply chain disruptions interfering with their ability to feed children during the school day. These trends are disturbing, but they can be fixed.

When faced with empty grocery store shelves and struggling producers in 2020, we tackled the issue with emergency policies. Our COVID–19 response bills provided direct payments to agricultural producers, established grants for farmworkers, meat packing workers, and frontline grocery workers, invested in and expanded processing capacity for small producers. Additionally, the USDA announced that they will use a total of $2 billion to address supply chain issues nationally and in schools. This week I joined the Ocean Shipping Reform Act, which would also help address global disruptions.

While all of this has worked to mitigate what could have been a more dire situation, we still clearly have more work to do. In the testimony today we heard how a lack of labor availability is at the core of industry disruptions. Of course, we must ensure our agricultural supply chains are resilient, stable, and fortified for the future, but we cannot do so at the expense of workers' dignity and compensation.

So, Mr. Ferrara, in addition to grocery store owners raising wages, offering overtime compensation and sign-on bonuses, you recommended that Congress invest in workforce training programs for workers entering the grocery industry. Can you go more into detail into how that would benefit workers looking for long-term stable employment?

Mr. FERRARA. Yes, Congresswoman, and I'm glad you mentioned what our members have done, over 93 percent have increased wages, bonuses, provided other benefits to their members. We have a tremendous opportunity—when you think of the grocery store, there are so many different departments within that store that are specialized, and we have opportunities to help train bakers, to help train chefs, to help train deli workers, florists, meat cutters in our stores. We cut meat in our stores still.

These are skilled jobs, they are high demand, and it is really a tremendous opportunity for us to get to folks, particularly local—excuse me, young folks, to get them into the workforce with a skill that will stay with them, and can be very, very beneficial throughout their career. And we would gladly work with you and the other members to be able to do that.

Mrs. HAYES. Thank you. On my other Committee of Education and Labor, I have been intensely focused on career training programs, technical programs, that would address some of the very things that you have just said. Additionally, a lack of access to H–

2A workers has impacted dairy farms across the country, especially those in my district. Earlier this year we voted to pass the Farm Worker Modernization Act (H.R. 1603), which would help address the H–2A bottleneck, and improve workforce protections for H–2A workers. Mr. Durkin, can you explain how impediments to accessing H–2A visas have affected your members, particularly small dairy farms?

Mr. DURKIN. Yes. Obviously, the labor shortage is a significant impact across the country, and dairy farmers are by no means exempt from that, so clearly anything that we can do on that end to support our farmers. We don't own any of the farms personally. We supply all of our milk—get all of our milk through the DFA and co-ops across the country, and we—they are valuable supporters of us. And anything we do, we say it all starts with milk, and so anything we can do to help the farmer be more successful on their end is a benefit to us.

Mrs. HAYES. Thank you. And, last, I am deeply concerned about reports of disruptions to school food deliveries across Connecticut and the nation. Mr. Cinco, you mentioned in your testimony that several of your members may no longer be able to supply baked goods to schools due to global disruptions. In your opinion, how can we strengthen local supply chains to prevent such catastrophic disruptions?

Mr. CINCO. Well, Congresswoman, I think we need to worry about the transportation of ingredients. We can't do anything about the weather situations that cause disruptions in durum flour, but if we could get the material here, we could make it and distribute it. It is just very difficult to get it here at this point. Other than that, I would say that is about the extent of that.

Mrs. HAYES. Well, thank you for your input. I think that is what we are all trying to do, to lessen the disruptions, and open up access to the supply chain. My time has expired, Mr. Chairman. I yield back. Thank you.

The CHAIRMAN. Thank you, Mrs. Hayes. And now I recognize the gentleman from Illinois, Mr. Davis. You are recognized for 5 minutes.

Mr. DAVIS. Thank you, Mr. Chairman. I think this stakeholder conversation is a very important one for us to have, and we have to try to continue to mitigate the ways Americans are actually being crushed by high prices on gas, groceries, natural gas, and to no fault of any of the industries that are represented here today.

Every sector is being crushed beneath the weight of this Administration's rampant spending agenda that is driving high costs and inflation. There is a shortage of everything from semiconductors to shrimp paste right now in this country. And when we look at this problem holistically, there is an obvious worker shortage that—as all of you have testified, and as my colleagues have continually brought up, there is a worker shortage that is contributing greatly to our supply chain issues. There are approximately 11 million work ready adults, certified by their state workforce agencies, who are receiving SNAP benefits, but could start working immediately to fill some of the 10.6 million jobs that are open today. Chairman Scott mentioned it. Mr. Samson mentioned the thousands of truck driving jobs that are available.

We have to look under our jurisdiction to what we can do to invest in our SNAP Education and Training Program to get these families that are receiving benefits trained for the jobs that we know are open. And, frankly, we tried that, when we were in the Majority, during the last farm bill, and some of us were called evil for saying if we don't do it then, when the economy is great, when will we ever do it? Now we see the failure of that failed policy is that we don't have enough workers trained to address this new supply chain crisis, and this Administration seems to want to do nothing about it.

Now, as we look—we can shift our workforce development programs, especially in the industries that all of you represent today, and we can fill these jobs, we can put this piece in the puzzle. But I want to start with Mr. Wells, since I know him the best—I would like to start by asking you, what do you think we can do to maybe work with our SNAP Workforce and Training Program to pair up our community colleges in places like Bloomington and Normal, and be able to get people trained to take the jobs you mentioned are available at GROWMARK just a few minutes ago?

Mr. WELLS. Yes. Actually, we are reaching out to community colleges in a lot of the areas that we do business. We have technology that we purchased recently that allows them to, for instance, virtually drive a spray machine, and so—they are very high-tech machines, and so, Congressman, we are working very diligently in those areas, and see that as an opportunity to source that level of labor, so we would be happy to engage in that.

Mr. DAVIS. Great. Anybody else want to tackle that issue?

Mr. Ferrara?

Mr. FERRARA. One of the opportunities, Congressman, in the grocery business, retail and wholesale, is we will train you. On the job training. Get us in the—our distribution center, get us at our stores, we will teach you to drive a forklift, we will teach you to slice meat, we will teach you to be a baker. We talk about truck drivers, some of our members will pay for trucking school, for those that go through that. One of our members told us yesterday that three of their truck drivers made over $150,000 a year. We need to be talking more about that, and those kind of careers that can get people into these jobs, and really making great wages for their family.

Mr. DAVIS. Well—and you mentioned, you know—and your industries employ a lot of our blue-collar workforce. Don't underestimate how many blue-collar workers actually have student debt. They went to college, they incurred debt, and they didn't get a degree, and now they are working in industries that have shortages right now, and they are making good money at that.

But there is a new benefit that all of us, Republicans and Democrats passed in the CARES Act (Pub. L. 116–136) that allows employers to pay down student debt and have that debt tax-free for their employee up to $250. This is a great recruitment and retention tool that many of the companies that you all represent ought to actually take advantage of. You don't have to fill out some grant paperwork. You don't have to wait for appropriations for a program to apply for. This is actually using the same provisions as the Tuition Reimbursement Program that many of your companies that

you represent have used for years. Take advantage of this. If you need more information, go to my website, *rodneydavis.house.gov*, and you will be able to see some information on this student loan repayment program. But get employers engaged. This is a new program that you could all take advantage of. And I have to go to another hearing, so I am going to yield back.

The CHAIRMAN. Thank you. And now I recognize the gentleman from Illinois, Mr. Rush. You are recognized for 5 minutes. Mr. Rush, you are recognized. You may need to unmute. No sound?

VOICE. Okay. Well, go to Ms. Pingree while he works out his technical issues.

The CHAIRMAN. Okay. If word can get to Mr. Rush, we will allow him time to work out those communication difficulties, and we will come back to him. Staff, let me know when he is available. And we will now recognize the gentlewoman from Maine, Ms. Pingree, for 5 minutes.

Ms. PINGREE. Thank you very much, Mr. Chairman. Thank you to all of the witnesses for being with us today to talk about such an important topic, and I really appreciate all of the answers that you have been giving us. I will bring up a couple of questions.

For Mr. Ferrara from the National Grocers Association, about consolidation, I really appreciated your comments in the testimony about how consolidation has exacerbated supply chain issues. We all saw the impacts of this in another highly consolidated sector, in meat processing, early in the pandemic when a small number of very large meat plants shut down, significantly reducing processing capacity and disrupting the supply chain nationwide. Could you expand a little on—about how consolidation in the food and agriculture sector, including grocery retail, is affecting the supply chains, and do you have any recommendations that you would make to improve competition, and level the playing field for small and independent businesses?

Mr. FERRARA. Yes, Congresswoman. As we have seen the most dominant players get larger, their suppliers have to get larger to be able to just compete with them and engage with them, and that does leave a lot of the local and smaller regional folks maybe not at the most competitive advantage to be able to compete. One thing about independent grocers is that we are so local, we are so connected to those local food systems, to those local producers, that we were able to take advantage of that, quite frankly, during the pandemic.

We certainly felt the impacts of the meat shortages during those few weeks, but I think we had an advantage in, one, we have butchers in our store. They are cutting meat. We were able to work with other suppliers. A lot of our members were able to work with local producers, local ranchers and meat packers, to be able to get supply, and to keep their shelves full. I think it is an area where it is a huge advantage for independent grocers to work with local producers. They are tied in so strongly, and it is an area that they can differentiate, but we do need to have a focus on really how the dominant players in the marketplace are influencing the full supply chain, and that includes the impact on local producers.

Ms. PINGREE. Yes. Thanks for your answer. I think it is a really important focus for this Committee, and one that does come up,

and I appreciate your remarks about being able to purchase more locally because you have that connection. We certainly saw that in a state like Maine, where there was great demand for buying more locally, and I think that is also an important part of the investments that we need to be making, is making it possible for more food to be sold locally.

I guess I will have anybody on the panel answer my second question. The agriculture sector is, in particular, on the front lines of climate change, and we have seen the impact of more frequent and extreme weather events. Just a few weeks ago Hurricane Ida destroyed crops and livestock, and they took key crop input production facilities offline. The drought out West has had similar devastating impacts. Mr. Cinco, you mentioned some of the challenges with durum wheat, which was dramatically affected by the drought, the ability to get that. So, while we are here today talking about trucking shortages, labor shortages, some of those things in the supply chain, it is much harder to impact the weather issues that are dealing with our food supply, and our availability, and that is something that doesn't appear to be going away in the future. Mr. Cinco, I don't know if you want to comment on that, or anybody else, just about how we factor that into these future supply chain challenges.

Mr. CINCO. There is going to have to be some formulation changes, there is going to have to be some technological advances in the food industry. As I said before, gluten is a very short commodity right now, and most of my suppliers are coming up with enzymes that reduce the usage of gluten in the facility, so we have gone from 25,000 pounds a week down to, like, 12,000 or 13,000, which is helping us. Even though you are paying for an enzyme, at least you can produce, and you don't have to fight the lack of gluten in the world. So, I think technology, going forward, is going to help for the baking industry itself.

Ms. PINGREE. Yes. That is an interesting perspective. Anybody else who has been talking to us about supply chain issues and availability want to weigh in on this issue of weather that is going to continue to be unpredictable, and how we attempt to plan around that?

Mr. WELLS. I believe, on the biotechnology side, for row crops, certainly there has been tremendous advances in biotechnology. There is a lot of talk about developing more heat-resistant hybrids of corn, more drought-resistant hybrids, and so I think it is important that we, again, utilize that technology to the advancement of the industry, and to feed the country.

Ms. PINGREE. Yes. Resistance, and crop resistance, and all of those kinds of things I think are an important part of the research going into the future, so thank you for that. I am over my time, but I really appreciate all of you being here with us today, and I yield back, Mr. Chairman.

The CHAIRMAN. Thank you, Ms. Pingree. And now I recognize the gentleman from Georgia, Mr. Allen. You are recognized for 5 minutes.

Mr. ALLEN. Well, thank you, Mr. Chairman.

Can you hear me okay?

The CHAIRMAN. Yes, we can.

Mr. ALLEN. Good. Thank you. And thanks for having this hearing today. This is very critical. We need to have a sense of urgency with this issue, and we need an all of government approach, because we have talked about this now for months, and we talk about solutions, that sort of thing, and we are talking top-down solutions. We are talking about spending more money, and all these other ideologue—that really don't address the problem. And, of course, we continue to do the same thing, and expect a different result, and we know what that is.

So, my concern is that we could solve this problem, but we can't solve it under the current template, meaning that, whether it is incentivizing people to go to work, for example, we have 25 million work capable people on the SNAP Program right now that would enjoy a great opportunity to make $150,000 a year. They just need to be trained up. We have ten million people sitting on the sidelines, for whatever reason, because of loan forgiveness, and all these other things, or some government stimulus program, they are not motivated to work.

So, what we have done is created this whatever, utopia, you want to call it, and now we have a huge labor problem. We have a Labor Department that won't even allow legal programs to work for—to get people in here. We have solved our labor problem for generations with immigrant labor. And so here we are, and we can't even get those programs to work. The Labor Department is creating havoc with that.

So, somewhere—and I want to hear from every witness. Somewhere we have to do this from the bottom up, rather than the top down. And what I want to know is what do we need to do in the—the fastest way to do it is the Executive Branch, and I will give you an example. In the 1980s the air traffic controllers pretty much went on strike, and it shut down the airline industry. President Reagan immediately—it got his full attention, he addressed it, and he fixed it. And, much to the chagrin of the union, but, again, you have a situation where the country was at stake, and he did it with Executive Orders, which is his privilege in the event of an emergency. We have an emergency here.

So, what I want to hear from the witnesses is what do we—and Congress moves entirely too slow, but where do we need to put pressure on the White House to either relax union jurisdictional rules, pause regulations, whatever we have to do to fix this problem and get this economy moving again. And, I will start, Mr. Cinco, with you, and go through the entire panel.

Mr. CINCO. Congressman, we could use people that just want to be here. The 24/7 work/life balance, so for another sake I am using it, is very difficult for us, but the fresh bread that needs to go to places can't be stored for days. So, we need to find a way to incentivize weekend work, or extra shifts, or things like that. Like, people don't want to work midnights. People—there are a lot of jobs out there where people can go to places where they don't have to work midnights, they don't have to work the weekends. It is very difficult for us to keep people here around the clock. That would be somewhere to start.

Which we do that, but it becomes financially tough on a bakery of our size to pay extra money. I mean, bread is a commodity that

everybody buys, and the increase that we would pay is going to increase to the end-user, and it is going to be detrimental to our survival, so to speak.

Mr. ALLEN. Yes. Mr. Wells, I am sorry. I am out of time here. But anyway, I think you need to share that with this panel. As we go forward, what do we need to do to correct this situation immediately and fix this problem? And I think if we put our heads together, and we do it bottom up, we will get it done. Thank you, and I yield back, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Allen, and you are absolutely right. We have to move out here right now, and get this problem solved. The gentleman from Illinois, Mr. Rush, you are recognized for 5 minutes.

Mr. RUSH. I certainly want to thank you, Mr. Chairman. This has been a very outstanding hearing, and I glad about it. Mr. Chairman, I have heard from stakeholders in my district, and around our nation, about the unsustainable and dramatic cost increase due to issues in the supply chain. I am currently drafting a letter to the FTC, asking them to immediately begin to investigate and review price gouging in the supply chain.

Mr. Durkin, you mentioned that for U.S. dairy businesses, procurement prices are up between 20 to 30 percent. And, Mr. Wells, in your testimony you describe how the port backlog is resulting in rising—and retention costs to shippers, and eventually to consumers. Mr. Durkin and Mr. Wells, for your industries, can you expand upon the extent to which your members have suffered large cost increases, and more importantly, is price gouging in the food supply chain a problem that the Federal Government should be seeking to address? Why, or why not?

Mr. DURKIN. Absolutely we are having challenges from a cost standpoint, and I would argue, in my 40 years in business, it has been unprecedented, in terms of—across the board, where the increases are happening. Focusing on the export side of it, as I mentioned in my testimony, we have seen increases going up not only on the freight costs going across, but then demurrage charges that actually—booking will get rolled—we will get charged on those bookings or on those rolls, and it will happen, and we have no idea that a booking has been rolled, and we get charge after charge after charge. So, a $5,000 bill turns into a $20,000 bill. So, is that actually impacting us? Absolutely.

Mr. RUSH. Mr. Wells?

Mr. WELLS. Congressman, we routinely face demurrage charges with the nature of our business. As you know, agriculture moves extremely quickly, and when weather windows allow us to operate, we need to operate, and so it leads to a lot of congestion, and has for years. The prices for products that farmers pay for have gone up considerably. I would point to a convergence of factors. Feedstocks, natural gas, which is a primary piece of—and nitrogen production has gone up. Transportation has gone up for reasons that we have talked about today. I can't point to any instances where I can say price gouging occurred, but I could tell you that it is of great concern to our members, and to our farmer-owners, the rising costs that they are paying today.

Mr. RUSH. Thank you. I recently met with members of the National Confectioners Association, where we discussed supply chain issues. While Chicago confectioners have the same supply chain problem that other food manufacturers do, they bear an additional burden. That is because the USDA rigidly controls the import of sugar and is slow to allow adequate supplies to enter the U.S. even when they are needed. We are seeing the highest sugar prices in many years, and yet—at the same time, USDA steadfastly claims there is enough sugar on the market. To be frank, my constituents feel differently. That is—Mr. Cinco, do you agree with me that it is time to finally reform our sugar policies, and if so, what reforms do you recommend?

Mr. CINCO. Yes, you are very correct, Congressman. The sugar is at a high price. We are seeing upwards of 20 percent increases in granulated sugar. The beet sugar that we are using out of Michigan is all dependent on the crops, as we referred to before, depending on the weather, and how the crop reacts. That is a very important part of how much we have in the country. So, if their crop is good, it seems to be less of a problem. When their crop is bad, USDA doesn't let us import.

There is a hearing coming up, speaking about sweeteners, in mid-November about honey, about how much we are going to import of that, so that is going to be the next problem on the sweetener side that is going to be a price gouge, I guess, as you said before. But yes, we need to look at how we import that.

Mr. RUSH. Thank you. Mr. Chairman, thank you so much. I yield back.

The CHAIRMAN. Thank you, Mr. Rush. I appreciate it. And now I recognize the gentleman from Pennsylvania, our Ranking Member Thompson. You are recognized for 5 minutes, Mr. Ranking Member.

Mr. THOMPSON. Thank you, Mr. Chairman. Congress has a job to do to address many of the issues that are being brought up to our attention today, however, action by the Administration to provide regulatory relief, or what I would say would be regulatory flexibility, would have the swiftest impacts on the current bottlenecks in the supply chain. And I am going to start with Mr. Wells. Mr. Wells, what immediate action can the Biden Administration take, through USDA or other Departments, to provide regulatory relief, or regulatory flexibility, and mitigate the current crisis?

Mr. WELLS. One of our biggest challenges is in the transportation sector, as many have talked. I think there are some things that can be done with potentially raising weight limits for transportation that would allow more product to be transported at one point in time. We talked about hours-of-service exemptions. We talked about the air miles, increasing air miles from 150 to 200 miles. Those would all be some immediate impacts on the transportation side of the business, where we face tremendous pressure.

Mr. THOMPSON. Mr. Wells, thank you for those very concrete recommendations. I want to note to other members of the panel that may have any suggestions for what this Administration could do immediately, whether it is USDA, or another agency department, for increased regulatory flexibility.

Mr. DURKIN. I mean, from the standpoint of—we talked about the Ocean Shipping Reform Act, and what we need to do there. That is something that has to get done and get done immediately. And I know the bill is out there, but when we follow kind of the timing on this, the delay in terms of getting it approved by the House, and then going to the Senate, my concern is what can be done very quickly on that, and the same thing on the 24/7. The Administration put a lot of focus on that, but that is not a law, it is not an Executive Order, and that needs to be done immediately as well.

Mr. THOMPSON. Yes. We saw, throughout 2020, with the Trump Administration, a significant amount of flexibility was exercised through waivers because we were in a health crisis, but we are in a significant crisis when it comes to impediments to the food supply chain, so point well taken. Biden Administration might want to look at some of the—that flexibilities—similar flexibilities exercised previously. Any other panelists have—go ahead, Mr. Ferrara.

Mr. FERRARA. Yes, sir. I would also add a reinforced hours of service waiver. That has been something the Trump Administration and the Biden Administration have both been very flexible on, but we are going to need to continue to have that, and even a longer-term waiver is important. The other is the WIC Program, the Women, Infants, and Children's. With the supply chain challenges we are having, if there are shortages of certain WIC package items, I think it is very important that we are quickly, emphasis on *quickly,* providing the flexibility so that those participants can get the item that they need that is available in the store, that they are not in a situation having to go without those items. So, I think that is something that could be done quickly.

Mr. THOMPSON. Very good. Anyone else? Go ahead, Mr. Samson.

Mr. SAMSON. I would just like to add on that the hours-of-service flexibility piece and the emergency declarations were definitely helpful, both on the wait side and the hours-of-service side. But you get into the port as well, and what used to be four to five turns from a truck is now down to three because of the detention time that they are waiting in line. And so being able to pause a clock, whether it is in the port or if it is going around an urban area, is nice to be able to try to limit the congestion that they are actually sitting in.

Mr. THOMPSON. Thank you. I see this crisis every bit as dangerous as what we experienced with the plague of 2020, because this is an assault on our economy, and an assault on getting access to nutrition. The WIC Program is a great example of that, and I would hope the Biden Administration would rise to the occasion, much as we saw the previous Administration do throughout 2020.

Mr. Durkin, I just want to circle back. I really—your testimony highlights, as you refer to it as the export crisis. Can you provide just an estimate of the cost that this crisis is to your business, and the dairy industry more broadly?

Mr. DURKIN. Well, from our standpoint, I talked about the incremental freight and storage charges that we have incurred, and clearly it is in the millions of dollars, there is no doubt about that. What can't be measured is the potential loss of customers that not only we have, but really the dairy industry as a whole. So—we are

a large purchaser of milk, we are a large part of the dairy industry, but you can multiply our numbers by hundreds, and then you really kind of get into the impact of what it is having on the overall dairy industry, which is significant.

Mr. THOMPSON. I think, Mr. Chairman, we have some really good folks who are pending for confirmation at USTR, specifically in the agriculture area. It would be great if we could get them confirmed, and, quite frankly, they go to work working with our trading partners, and our trading partners put pressure to—well, put pressure on our trading partners to make sure they are not taking back these storage containers empty, but full of good, American-produced agriculture commodities. So, thank you, Mr. Chairman.

The CHAIRMAN. Yes. Thank you, Ranking Member, and you are absolutely right. Now I recognize the gentlewoman from New Hampshire, Ms. Kuster. You are recognized for 5 minutes.

Ms. KUSTER. Thank you so much, Mr. Chairman. Today's hearing topic hits close to home for my district, and my region. Northern New England isn't an area you can easily pass through on your way to someplace else. We are at the end of many delivery lines, and it must be very deliberate to get to us. The vast majority of goods not already produced in New England have to be trucked into our region, and, of course, there is a lot of labor and time required to do just that. So, these realities have long contributed to higher prices for some goods. The pandemic supply chain disruptions have exacerbated the challenges we face.

I do appreciate, in the grand scheme, our nation's food supply chains are incredibly efficient and resilient, and the steps we took with the COVID relief packages in 2022, especially the American Rescue Plan this year, have gone a long way to help supply chain stakeholders, from farmers all the way to grocers, remain solvent, and weather these very challenging times. Nevertheless, it is clear it will take food supply chains a long time to recover. I want to make sure my constituents, especially those who struggle with hunger and food insecurity, are able to access and afford nutritious food. This takes on added meaning as we head into the holiday season with our families.

To ensure that happens, while also not shortchanging our farmers and frontline workers all along the food supply chain, is very challenging, but it is a balance we must strike. One important thing we can do, and I am seeing this happen with grocers and co-ops in my district, is buying and sourcing locally wherever possible. A silver lining of the pandemic has been heightened consumer interest in supporting local agriculture and producers with food choices.

Mr. Ferrara, from your position with NGA, I am curious if you are seeing your members increasingly working with local food producers, and sourced from regionally connected distributors, and what can we do to help foster these relationships?

Mr. FERRARA. Yes, Congresswoman, thank you for the question. Again, this is an area that independent grocers really take upon very seriously. It is an area how they differentiate from their chain competition. They are local, they know their local producers, they know the local farmers, and, quite frankly, customers come to their stores to be able to source those local items from local producers.

But I think we really need to look at the supply chain and ensure that those local producers continue to have a chance, because we are going to continue to see more consolidation, and more influence from the largest power buyers across this country, and it is really important that those local producers have an outlet for their products, and the independent grocer is the perfect outlet for that.

We need to make sure that the industry is competitive, and that the anti-trust laws are enforced, so that those independent grocers can continue to serve those communities, like your district, and can serve those customers who need access to nutritious and a wide variety of foods.

Ms. KUSTER. Thank you so much. Now, shifting gears slightly, stakeholders in my district have been sharing with me examples of backlogs, where food and value-add products themselves are not in short supply, but packaging for them is hard to come by. Mr. Durkin, could you comment on what challenge is your company, or IDFA more broadly, still seeing in terms of packaging shortages, and have you been developing strategies to mitigate packaging supply challenges, or even minimize packaging, as we move forward?

Mr. DURKIN. I mean, obviously there we have been—there isn't probably an input item we haven't had a challenge with this year, so packaging is a good example of that. We have had certain challenges where we have had to work with our suppliers to try to get that in place. We have avoided certain things, but there has—come down to situations just really in the last couple of weeks where we have had to change out production schedule because of delays in receiving our packaging.

What we have also seen, as we mentioned earlier, and the panelists have also said this, is the inflationary component of this as well, so all of our packaging costs have gone up. And, to your point, we have been, and continue to work from a sustainability standpoint to reduce the amount of—obviously cardboard, as an example, and other packaging-type materials to make sure that we can—are good corporate citizens in that regard. But in the near-term, that availability is still a challenge, and we are working with our suppliers to try to eliminate that.

Ms. KUSTER. Well, thank you. My time is coming to a close, but I am very grateful to the panel, and to everything we are doing, to work together to ensure that we have a safe, healthy, accessible, and affordable food supply chain for all Americans as we head into the holidays. So, thank you very much. With that, Mr. Chairman, I yield back.

The CHAIRMAN. Thank you very much as well. Now I recognize for 5 minutes the gentleman from South Dakota, Mr. Johnson.

Mr. JOHNSON. Thank you, Mr. Chairman, and before I ask my questions, I just want to thank Mr. Durkin. Sir, in your testimony you highlighted the bill that I have with John Garamendi related to the ocean shipping reforms that haven't taken place for 30 years, but are much needed, so I just wanted to say thank you.

Clearly, these supply chain problems are a terrible problem, and they are rippling from almost every segment of the American economy. It is good to hear a lot of agreement on some of the things that might help. Mr. Wells, in your testimony you mentioned the power of unlocking all of these safe 18, 19, 20 year old drivers, and

how much that could alleviate the shortage of drivers in the trucking industry. Mr. Ferrara, you noted that every industry has these shortages, but that getting these young truckers on the road really would help. Mr. Samson, you estimated that we are short 80,000 truck drivers, and you suggested that this pilot could unlock opportunities, perhaps as many as 3,000.

You gentlemen probably know this, but I am leading a letter that has 55 signatories that is calling on DOT to expedite their reconsideration of a Trump Administration rulemaking.[2] It would take just exactly the action that you gentlemen highlighted, getting these safe drivers, who are already driving intrastate loads into the interstate system. What I want to ask of Mr. Wells, Mr. Ferrara, Mr. Samson, what are your thoughts on the long-term—and clearly the pilot is helpful—what are the prospects for long-term reforms, and to what extent could they help with our long-term supply chain weaknesses? Let us start with Mr. Wells.

Mr. WELLS. Yes, this is a good start. Obviously, the earlier you get folks into the industry, the better chance you have for them to develop a career out of it. So, while this is a short-term fix, it also could yield long-term results in the fact that those drivers, those youngsters, would tend to stay in the business longer. So, I think they are both part and parcel.

Mr. JOHNSON. Yes. I think Mr. Samson will correct me if I am wrong, but I think the average age that somebody begins truck driving is in their 30s, and so getting people connected younger, presumably, would help them make better careers even earlier. Mr. Ferrara, any thoughts on long-term prospects?

Mr. FERRARA. Yes, absolutely. We need to get into high schools. We need to get into—not everyone is destined for college, and everyone wants to be weighted down with college debt, and these are good paying—these are great jobs, great careers, and let us get to these young folks early. Let us make sure they are exposed to these opportunities in their community and give them the tools and resources they need at the right age so that we can get them involved early on, and we can give them the tools they need to be very successful in their careers.

Mr. JOHNSON. Yes, because these truck drivers—this is the glue that holds the American economy together. Let us get more safe drivers out on the road. Your thoughts, sir?

Mr. SAMSON. First, I want to thank you for your Ocean Shipping Reform Act legislation. We have been intimately involved in that, and believe it is going to have extraordinary impact to kind of start to loosen the logjam. As far as the driver issue goes, we have worked with FFA. They have 700,000 folks that are part of FFA. We went out to their meeting, explained there are not 700,000 agriculture jobs, but there are jobs that go and work with agriculture, whether it is transportation, or whether it is working in a warehouse, and giving them this viable, fantastic career option is a great way to kind of educate these young kids, and get them into the industry. And so, I think the DRIVE-SAFE Act is a foot in the door. I think we have additional opportunity that we can build on, but, as Mr. Ferrara said, getting into the high schools, getting into

[2] **Editor's note:** the letter referred to is located on p. 144.

these younger folks before they get too much into their career option, gives them a choice that they wouldn't regularly have.

Mr. JOHNSON. Thank you very much, gentlemen. Mr. Chairman, I just want to thank so many of my colleagues who have gotten on the Under-21 letter that I am circulating, and so many that have gotten on the Ocean Shipping Reform Act that Mr. Garamendi and I are pushing. We can do so much more together than we can on our own. Thank you, sir, for your leadership. I yield back.

The CHAIRMAN. Yes. Thank you very much, Mr. Johnson, and you are absolutely correct, and I want to commend you for the leadership you are providing on this issue as well. And now I recognize the gentlewoman from Illinois, Mrs. Bustos, who is also the Chair of the Subcommittee on General Farm Commodities and Risk Management. You are now recognized for 5 minutes, Mrs. Bustos.

Mrs. BUSTOS. All right, thank you so much, Mr. Chairman, and I really appreciate you holding this very timely hearing today. I want to thank all of our witnesses for your testimony also. Let me start by saying, Mr. Wells, welcome to a fellow Illinoisan. It is great to have you here with the Agriculture Committee. Now, in your testimony you mentioned the dire state of disrepair that our rural roads and our bridges are in, and, believe me, I know exactly what you are talking about. I have this 14 county, 7,000[2] mile district, and when I am driving—whether it is Joe Davis County, to the far northwest corner, or whether it is down to Mercer County, one county south of where I am, I am driving a lot of miles over these roads and these bridges, and see the desperate need for revitalization.

Obviously, it is not just you and I who experience how bad our hard infrastructure is. I hear it over and over again from our family farmers, who are really just trying to get their goods from one end of the district to the other, from one part of the state to the other, or whether it is—to get their commodities over to the Mississippi River, whether they are crossing the river to go into Iowa, whether they are sending their commodities down the river through our locks and dam system.

And really, with each year that goes by, our roads, and our bridges, and our locks, and our dams, you look back—especially the locks and dams built during the Depression Era, but everything is getting older and older, and it becomes that much more difficult for our ag producers to get their goods to market. So, Mr. Wells, can you speak on the impact that the bipartisan Infrastructure Investment and Jobs Act (Pub. L. 117–58), the $150 billion investment in that for roads and bridges, or the nearly $20 billion investment in our waterway infrastructure, how will that impact our farmers in a region like ours, since you know Illinois well?

Mr. WELLS. Yes, thank you, Congresswoman. We support that Act. As you so eloquently stated, the roads and the bridges in Illinois—I travel a lot across the Midwest, and other areas, and I have to say that ours win the prize, potentially, for being in disrepair. As you mentioned, the locking system is critical to the flow of goods and services to our customers, from fertilizers coming upriver, as you know, to grains going back down the river. So, we are supportive, we think that will be a great start, and we appreciate the support on the infrastructure.

Mrs. BUSTOS. Absolutely. Can you talk a little bit about how these investments in our infrastructure will translate into food and agricultural supply, that the supply chain investments are—and what we are facing with our supply chain issues right now?

Mr. WELLS. Yes. It—you know, farming is very time sensitive, right? And so, as we ship products upriver, it is imperative that we have adequate locks and dams to get products to the right place at the right time. Some of our locks are not very far away from a catastrophe that would just totally stop transportation on the river, and would lead to critical shortages of fertilizer products, and the same going downriver. We rely heavily on that river system to get products to the market, to get products to the Gulf, and so any breakdown in that system could be catastrophic to our producers and our farmer-owners.

Mrs. BUSTOS. Yes, to the tune of billions of dollars. I have a minute 20 seconds left. I would like to take the rest of my time to address some troubling issues that were raised in testimony today. I certainly agree that the issues that our entire ag and food supply chain face are serious. We know that, we are seeing that. I look forward to continuing to work with those on this panel, our witnesses, our colleagues on the Agriculture Committee, and, of course, with the Biden Administration to find solutions in a timely and an effective manner.

But, we have heard from our tremendous panel of witnesses about a bunch of issues that our food and our ag supply chain face, including trucking, that Mr. Johnson was just asking about, shipping slowdowns, I mean, global commerce, increase in input prices, the labor shortages that we are all hearing about. I do find an issue with the Renewable Fuel Standard part that was talked about earlier. I think it is shortsighted. Intentionally undercutting demand for domestically produced biofuels would pull the rug out from beneath our corn and our soybean growers and create a whole new cascade of supply chain issues in our food, fuel, and fiber sectors.

So, I just want to say this Committee needs to focus on solutions for the wide array of issues that we are discussing today, rather than on stopgap measures that could end up doing more harm than good, and I just wanted to make sure that I addressed that. With that, with my 11 seconds over, I will yield back. Thank you so much.

The CHAIRMAN. Thank you, Mrs. Bustos. And now I recognize the gentleman from Indiana, Mr. Baird. You are recognized for 5 minutes.

Mr. BAIRD. Thank you, Chairman Scott, and Ranking Member Thompson. I really appreciate having this hearing. And, I really appreciate all the witnesses here. I mean, you bring the ideas, and you cite the main parts of our supply chain that have been disrupted in the last year or so, and so that is really beneficial to us trying to make decisions, so I thank each and every one of you for being here and sharing your concepts with that.

But, Mr. Schwalls, in your comments, you mentioned the increasing costs and shortage of inputs like fertilizers and crop production tools, and I can appreciate that. These disruptions are very concerning to me, particularly as I similarly continue to hear from our

farmers in my district, who are concerned about the increasing input costs, and the decreasing margins, and unfortunately compounding the supply chain troubles, we now hear that the Administration and the EPA have begun revoking some of the key crop protection tools and the pesticides for the U.S. agriculture.

And so, as Mr. Wells mentioned in his testimony, in August the EPA made an overly conservative decision to revoke the approval of chlorpyrifos for use on food products, and unfortunately, the decision was made despite the agency's own findings, and that the product does not pose potential risk for concern and backed up by U.S. Court of Appeals ruling. So, Mr. Schwalls, can you share your perspective about—and this is just one example, but how the impact of regulating this pesticide, as well as others, will further compound the supply chain issues for producers? You care to elaborate on that?

Mr. SCHWALLS. Yes, sir, thank you, chlorpyrifos is a very important chemical used in the ag industry, from pecans, to onions, to corn, cabbage. It is widely used, and has been for 30 or 40 years. The main food my family eats is—comes from the—our—from our farm, and chlorpyrifos is a chemical that we do use. It is a crop protectant that we have been using for years and years. So, while I obviously do not feel like it poses a potential risk of concern, and it ended up—the fact that my family is eating the food produced on a farm that is using chlorpyrifos, now I do err on the side of caution, but I follow the science and the research.

For our company, we constantly run trials on different seeds, growing practices, and crop protection practices, so any changes made by the EPA would need to be trialed and tested on the farm level to see what the result of those changes would have on efficacy, crop quality, nutrition, and yields before we would need to make a transition to any other crop protection products.

Mr. BAIRD. So, I appreciate your comments, and you know I am a very science-based individual, and I think that is important in the decision-making process. I am not sure that we used the appropriate science to make those kinds of decisions, and so if anyone else—any one of the other witnesses would like to make a comment in this regard? I think I have about a minute and 20 seconds left, so you can make your comments.

Mr. WELLS. Well, I would just add that farm plans are made well in advance of the growing season, so growers are sitting down and making those plans today, and so having consistent science- and risk-based methods of evaluating those products to ensure that we have a steady supply and access to them is really critically important. Uncertainty, marketplace disruptions, just make it very difficult to plan, and in some cases, there may not be alternate products that fit the need that the growers have for the product that was evaluated, and potentially canceled.

Mr. BAIRD. Thank you. I have about 30 seconds left. Anyone else? If not, I really appreciate your thoughts and your perspective, and I appreciate you being here, testifying to this Committee. And with that, Mr. Chairman, I yield back.

The CHAIRMAN. Thank you, Mr. Baird. And now I recognize the gentleman from Arizona, Mr. O'Halleran. You are now recognized for 5 minutes.

Mr. O'HALLERAN. Thank you, Chairman Scott, and Ranking Member Thompson, for holding this important hearing today. And I am sitting here looking at my remarks, and then I thought, what a surprise. We are surprised that we don't know that our ports haven't been in good shape for the last 20 years? Are we surprised that the truck drivers across this country—that we have had a shortage even before the pandemic? What else have we been surprised about? That our roads are not in good shape? We as a Congress, we as a country, have to start looking forward aggressively, making sure we don't deal with just a crisis, but looking forward into our future.

The pandemic has tested our food supply chain. Thanks to the work of many companies, and their essential workers, we were able to get through that. There were some stocked shelves that weren't stocked in a while. We also had to bring the National Guard in, but it happened, and people did not have to starve to death in our country. I am concerned that if we do not address the potential choke points that have emerged in our nation's food supply in the coming months, we remain at risk for potential shortages during future national emergencies.

And also, it is not just about food. It is about everything that goes into the core of allowing farms and the agricultural industry to work. The pandemic showed that our supply chain is overly dependent on foreign adversaries, like, China. Moving forward, we need to ensure that our supply chain is secure, to ensure that we do not see disruptions and delays in getting Americans the food and other necessities that we depend upon.

I am also very concerned about the increased food costs we are seeing. This impacts families, it impacts restaurants, it impacts the fabric of our communities. These problems are compounded for Americans who live on Tribal reservations or in rural communities. Congresswoman Bustos highlighted the roadway system. The cost of traveling right now because of gas prices is a tremendous cost to rural areas and Tribal lands. For instance, nearly 25 percent of Native Americans are faced with food insecurity. 15 percent of rural Americans are food-insecure as well. Price pressures will only further harm these rural and Tribal communities, in which most of Arizona's first district is comprised of. It already is struggling to assess healthy and nutritious food to feed their families.

Americans who live in rural and Tribal communities are already prone to pre-existing health disparities like diabetes. Access to high quality food is absolutely critical in these areas, and I would like to work with the panel on some other solutions on these issues.

Mr. Durkin, southern Arizona has a number of dairy farms, that I know supply many American dairy producers. Can you talk through some of the supply chain issues that you are seeing in the entire dairy industry, from the farmer to the end consumer?

Mr. DURKIN. Yes. Well, the supply chain issues that we have talked about, I, again, express all the perspectives that my fellow panelists have had. Everything from the trucking side, to—we have had issues just recently where we have had to defer some milk coming into our plants because of unavailability to have truck drivers available. You take the truck driver availability, and then the equipment unavailability, *per se,* are all interrelated, when even

you then get to the port issue that I focused on heavily at this hearing. When that equipment gets tied up, that causes backlogs in the entire industry, so it follows through the entire supply chain. So, whether it is an equipment issue, a personnel issue, that—all that—it just is a circular thing that you don't seem to be able to get out of. So, the issues that we have talked about, and the solutions that my fellow panelists have also talked about, and myself, are clearly needed, and needed now.

Mr. O'HALLERAN. Are you surprised at all that we are in this situation, based on the years of addressing the import and export markets, and not doing it correctly, and also the state of the infrastructure in our country?

Mr. DURKIN. So, I would say I am surprised to a point, that it is as deep of a crisis that it is actually at. We have started to raise the issue back at the first of the year, probably even a little bit before that, as we started to see things happening, but I would argue we are at a point where—I know things were talked about, and I was on a panel discussion with—just a couple weeks ago on this specific issue, and they had the head of the Long Beach Port on that panel, and actually he had recommended 24/7 actually back a couple of years ago. So, this is something that we foresaw coming in. Obviously, nobody saw a pandemic that was about to hit us, so that clearly has exacerbated the issue, but certainly there were warning signs that this was on its way.

Mr. O'HALLERAN. Thank you very much, and, Mr. Chairman, I yield back.

The CHAIRMAN. Thank you, Mr. O'Halleran. And now I recognize the gentleman from Ohio, Mr. Balderson. You are now recognized for 5 minutes.

Mr. BALDERSON. Mr. Chairman, thank you very much, and I want to thank all of you for being here today, and I want to thank Chairman Scott and Ranking Member Thompson for doing this important hearing. My direction goes towards Mr. Samson. Mr. Samson, I hope everyone participating in this hearing understands just how important the DRIVE-SAFE Act is, as it serves to address both the supply chain crisis and the ongoing shortage of qualified truck drivers. I was proud to offer this bill as an amendment during the Transportation and Infrastructure Committee's markup of their transportation bill last Congress, and also this Congress. It is clear that the trucking industry needs our help, but I am hoping you can touch on what ATA and the industry is doing to recruit and retain truckers on their own. And I know you have spoken a little bit about it, but if you could just give a couple other things, that would be great.

Mr. SAMSON. Thank you, Congressman, and thank you for your support of DRIVE-SAFE Act, something that we have been working closely with your office and others to try to recruit these younger folks into the industry. I think we have touched on it a little bit today, but we are trying to incentivize not only new drivers to come in, but also retain, and the Chairman noted the high turnover rate at the beginning of the hearing. We have benefits, we have higher salaries, we have flexibility. We are really attempting to educate those that are coming into the industry how great of a potential ca-

reer that this is, and so we are working closely with them in order to do that.

Something we haven't touched on today is a significant DMV backlog of CDLs that we are trying to loosen up, and get that process started to get it back operating at the top efficiency, and so that is another piece that we have not quite touched on, but I think is very important here as well.

Mr. BALDERSON. That is great that you did that, and we are going to touch on that in just a second, but I do want to do a follow up, and just make sure everyone is aware, the *Wall Street Journal* did a video on their website yesterday that discussed the benefits and bonuses that trucking companies are offering to new and existing employees, and I encourage everyone to watch that.[3]

Mr. Samson, as you just started to state there, during the onset of the pandemic the Trump Administration acted quickly to put in place a variety of waivers for CDL and CLP holders to ensure trucks were able to deliver critical supplies, such as PPE and medical equipment, and food on time. Can you discuss some of the waivers you felt had the biggest impact in ensuring timely delivery of goods over the pandemic?

Mr. SAMSON. Of course. Yes, no, we had a handful of ones that were very positive towards the industry on obtaining CDLs. There were certain things that were waived from the DMV standpoint that allowed us to get quicker access to those, and now, since then, we have continued to see the backlog start to pile up. But during the process, we were able to obtain CDLs a little bit more efficiently. Some of the other declarations that were put out there, one of them, of course, was on the weight side. They were allowed—provided the states to increase weights to get certain products from A to B, which, of course, with a driver shortage, with an equipment shortage, that allowed us to increase our productivity over the course of the pandemic as well.

Mr. BALDERSON. Okay. And my follow up to you, do you think extending some of these waivers through the duration of the supply chain crisis would be helpful?

Mr. SAMSON. I do, and I think my colleague Mr. Ferrara would agree, especially on the foodstuff side of things, the livestock side of things. We know we have had a gas and oil issue as well, and so far throughout the pandemic it seems like these have been extraordinarily helpful to the industry, and also come across as very safe and efficient so far as well.

Mr. BALDERSON. Thank you for your responses, Mr. Samson. Mr. Chairman, I yield back my remaining time. Thank you.

The CHAIRMAN. Thank you very much. And now I recognize the gentleman from California. Mr. Carbajal is recognized for 5 minutes.

Mr. CARBAJAL. Thank you, Mr. Chairman, and thank you to all the witnesses being here today. The COVID–19 pandemic has disrupted every aspect of our lives, and has created supply chain disruption, as many of you have touched on, including container shortages and shipping delays. The agriculture sector is especially impacted by these delays, including producers in my Central Coast

[3] **Editor's note:** the video referred to is retained in Committee file.

District. As Chair of the Transportation and Infrastructure Subcommittee on Coast Guard and Maritime Transportation, I am actively exploring ways to address this issue with my colleagues.

Mr. Schwalls, have you been forced to take on certain costs or losses associated with crops arriving in poor condition due to delays and congestion? And what types of policies from the USDA or Congressional action would be helpful, from your vantage point, to address these added challenges in the market for fresh, frozen, and processed fruits and vegetables?

Mr. SCHWALLS. Well, thank you. Yes, sir, we have a lot of challenges with the supply chain that—and it has caused disruption, and caused a loss of crop and yield. And when you consider the fact that all of the agricultural costs go in and—on an acre basis, and all of the returns come back on a by the box, or by the ton, or whatever particular commodity it may be—so it is—the input costs are pretty much identical, regardless of the yields. So, when we are able to have a better crop utilization, obviously it lowers the impact of the costs of the product that is being grown, and also the amount of land that is required to grow that crop.

So, we think that there is a tremendous amount of opportunity, looking forward, for food security and safety for the American public for—utilize different things like fresh frozen, fresh prepared, where we could add shelf life and stability to the food supply chain. Many of the commodities, especially in the fruits and vegetables industry, those are seasonal commodities, so they are not readily available. Someone was thinking earlier, a Congresslady, I believe, about buying local and locally sourced, and that is true, but there is a tremendous amount of time of the year where products are not available local. They are only available in the areas where, obviously, they have a growing season at that time.

And the crop utilization during those times could be spread out a lot to cover the rest of the year, because there is a lot of waste that goes in as—where the—a situation where, essentially, unless the product is flawless, especially not being able to use on a retail basis. And—so we are having to find—subvert areas to use that, such as food service, which we all know that that had a massive increase during COVID, and it is—that industry is still greatly off today. So, we need to re-look at how are we utilizing the products that are being grown now, the crops that are being grown, and how to further increase the shelf life and the—so that we can take an approach that gives greater security to food stability for the people of the nation.

The CHAIRMAN. Does the gentleman have additional questions?

Mr. CARBAJAL. Yes. I am sorry, I was muted. I just wanted to say thank you to Mr. Durkin for meeting with me this week, and I appreciate him being a witness today. Mr. Durkin, I know you have already addressed these questions, but if you can expand on them a little bit more, I would appreciate it. How long has ongoing port congestion affected food and agriculture trade involving either U.S. imports or exports, from your vantage point?

Mr. DURKIN. Yes. I think the impact is that—as I mentioned just a few minutes ago, it has gone back—we noticed the increase back in the, what I would call late 2020, when it started to really see the impact, and really became acute right at the end of the year

to the beginning of the year of 2021 and has gotten continually to get—what I call worse, and maintaining.

The unfortunate part about this is, given the current situation from a—operating from a—whether from a shipping reform—things that we are looking to do in the Ocean Shipping Reform Act, as well as, I know, the 24/7, we are 6 to 12 months out before any of those things will have an impact on our ability to reduce the backlog on those ports. That is the concern. My hope is that the Committee, and obviously Congress, is that we can enact some of these things either through other types of bills, or Executive Orders, or what we need to do to address the situation immediately.

Mr. CARBAJAL. Can you also touch on how your company has been personally impacted with increases in transportation costs, and how it is affecting your market share in other countries?

Mr. DURKIN. Yes. We are actually seeing—basically talking about millions of dollars. We saw, in 2021, a $25 million increase in terms of our freight and transportation costs. That is going to be another $25 million going into 2022. Throw on top of that the potential loss from a customer standpoint, given the inability to get some of our products to our customers. That is the concern. Short-term abilities on the freight and storage, the longer-term impact to not only us, but the rest of the dairy industry, on ability to—losing customers to potentially other dairy exporting countries.

The CHAIRMAN. The gentleman's time has expired. I now recognize the gentleman from Texas, Mr. Cloud. You are now recognized for 5 minutes.

Mr. CLOUD. Thank you, Mr. Chairman, and I do appreciate your comments at the beginning of this hearing to highlight that we are leading the world in ag, and that we have a great nation. We certainly do. The U.S. ag industry leads the world, really, in innovation over the last year. As we have seen the inputs decrease, and the outputs increase, that is a wonderful thing not only for the industry, but just for the world's food supply at large. In spite of that, we are looking at what some people have called the most expensive Thanksgiving ever.

Mr. Schwalls, you mentioned in your statement some of the costs that you are seeing. Could you kind of relay that to us again, some of the costs you are seeing, and what you are dealing with?

Mr. SCHWALLS. Yes, thank you very much. Increase in costs, the main components—we have three essential costs in the fruit and vegetable industry, from our perspective. We have a growing and production cost, then we have the packing cost, and then, of course, we have the transportation cost. The vast majority of the products that we sell to retailers, we deliver. So, we do absorb a tremendous amount of that cost. A lot of the products that we are selling are on contract with programs where the prices are locked in, and we take into account the cost of the transportation prior to that. But there is no way to track those numbers now, and so we have to absorb the increase in the transportation costs——

Mr. CLOUD. Right. Yes, go ahead.

Mr. SCHWALLS. Sorry. So, we are absorbing the transportation costs. Then, as far as the field input costs, fertilizers being—are moving—we had another six percent increase, I believe it was yesterday, on fertilizers. Those are currently up 35 percent year to

date. The extra products up 25 percent, with fuel being a massive increase force at 48 percent.

Mr. CLOUD. Right.

Mr. SCHWALLS. We need some significant areas, obviously, and the majority of this stuff is affected directly by transportation. If we could have——

Mr. CLOUD. Yes. You mentioned fertilizers 35 percent, crop protection products 25 percent, fuel 48 percent, mulch and drip tape 35 percent, packing supplies 30 percent, refrigerants 20 percent, freight 40 percent. It occurs to me that the vast majority of those things, probably 80 percent of it are either products or byproducts of the oil and gas industry, and we have seen, for the last few months, really, an attack against the oil and gas industry here in the United States, while promoting it overseas, even begging OPEC to produce more. I think that is kind of a backwards approach to it. It is important that as we continue to move towards a cleaner air, cleaner water, brighter future, that we do so in a sensible and responsible way, and not one that increases food costs for our families.

I wanted to talk a little bit about the trucking issue. It has been talked about a lot, but one little thing I wanted to key in on is that I noticed that California, they have implemented a law restricting gig workers and independent contractors. This has notably—my understanding is that it has reduced the workforce, specifically truckers in California. They are also considering moving everything away from diesel trucks in short order. I am curious about what this would do. Right now, we have a major Federal investment in the ports in California, we have a major Federal investment in the highways, under the assumption that we are going to be using these ports not only for the region of California, but as a gateway to the food supply and resources for the entire nation, and it is curious to me that California would present a stranglehold on the U.S. economy in that way, and that might be something worth a discussion later on.

But I wanted to ask—I think, Mr. Cinco, you had mentioned in your testimony the vaccine mandates, and some of the issues were involved in that when it came to workforce right now. We have a number of issues with workforce. Some have been discussed already, some of the policies implemented under COVID that have kind of outlived their usefulness in keeping workers at home. Could you speak to that, please?

Mr. CINCO. We are very fragile with our workforce right now. We have shut down lines specifically to—when you are short people, we just scavenge lines together and shut lines down. I think if these mandates come into effect now, before the holidays, it is going to make it even worse. This is, like you said, the most expensive Thanksgiving in history, and to make bread, and buns, and things for actual Thanksgiving, stuffing bread, stuff like that, we are not going to be able to produce a lot of that product if they have these mandates because we, like, every other industry, have—40, 50 percent of our workforce is vaccinated, and the rest of them are not. And, as I have heard before, I don't think there is going to be a lot of people running to go get vaccinated if you get man-

dated. So that is just going to cut into our workforce, and make the fragileness expire.

The CHAIRMAN. Thank you. The gentleman's time has expired. I now recognize the gentleman from California, Mr. Harder. You are recognized for 5 minutes.

Mr. HARDER. Thank you, Mr. Chairman. I want to begin by thanking Chairman Scott and Ranking Member Thompson for hosting this hearing on the critical issues around our food supply chain, and thanks also to all of our witnesses for joining us.

I represent California's Central Valley. We are the fruit and nut basket of the world, and we make our living selling our produce in every corner of the globe, and that means we actually have to be able to actually get our products there so they can be consumed around the globe. So today I would like to focus my remarks and questions primarily on the portion of the supply chain that has been top of mind for every one of my producers, processors, and distributors.

For the last few months, I have been closely monitoring the disaster unfolding at our ports. In 2 months alone last year shippers rejected more than 177,000 crates of American products, instead sending empty shipping containers back to China to be filled with Chinese goods. When I talk to farmers and ranchers in my community, they tell me it is taking weeks longer than normal to get their products onto a truck, to the port, and onto a ship. Each one of those delays hits their bottom lines at a time when they simply can't afford it.

And to make matters worse, ports like the one in Long Beach are seeing huge backups in part because they have local rules that prioritize beachfront views over actually getting crates in and out of the door every day. All of that together means the farmers and ranchers in my community, really the backbone of our entire economy, are losing money every single day. When the supply chain fails, it hits our community first, and it hits us the hardest. That is why I am working with my colleagues, and Representative Garamendi on his bipartisan bill, to update our global shipping regulations to combat China's influence on international shipping, as well as working with the letter of my Agriculture Committee colleague, Mr. Dusty Johnson, that urges the Department of Transportation to implement the Congressionally authorized Under-21 Commercial Driver Pilot Program to get more truckers onto the roads.

So, my first question is for Mr. Durkin. Mr. Durkin, as the President and CEO of Leprino Foods, which I know well, given their presence in my district, it would be helpful to hear directly about how the dairy industry specifically has been impacted with the ports and supply chain backups in California. What has been the biggest challenge, and where exactly could Congress be a better partner to you?

Mr. DURKIN. Yes. The biggest challenge, obviously, is getting all of our products loaded onto a ship, and getting out to all the countries, and to our customers where we need to have that put. Everything from having a right, as we talked about, from a trucking standpoint, getting it to and from the ports, but when we have bookings that get rolled multiple times, as I put in my testimony—

and one, as an example, we had over 100 bookings this past year that were rolled 17 times. That created a 5 month delay, not just weeks. At this point we would be happy with weeks, but months it actually really turns into significant issues for not only Leprino, really the dairy industry as whole.

And I know that working with California dairies who, surprise, supply a lot of our milk in the State of California, they are running into the same issues as well, so clearly the Ocean Shipping Reform Act, and what it has done in terms of putting guidance over the empty containers that go back, obviously, and the demurrage fees and excess charges that happen would be significant, and a big help for both dairy companies, as well as all of agriculture, so we are excited about that, and anything we can do on the 24/7—but our biggest concern, really, is the timing of this. As I mentioned earlier, we noticed this issue back in January, where it really got to be a significant issue. We are now really getting to where this is almost a year later, in terms of this. So anything we can do to get that Ocean Shipping Reform Act passed quickly would be helpful.

Mr. HARDER. Thank you. I agree. Urgency is imperative here. It has already taken a lot longer than it should have. Thank you for that. My second question is for Mr. Samson. Mr. Samson, I am very glad you are here to share your testimony and demonstrate how important it is not just to grow and sell our ag commodities, but to get them from point A to point B, and beyond. Anybody who lives in our area, and drives down I–5, or Highway 99, every day knows how important trucking is to our region. I have heard from you that we have 80,000 drivers short of where we need to be right now.

In my district we have programs that actually train students so they can graduate directly from high school into the trucking business, but they can't actually take a lot of jobs because they are not eligible until they are 21. I don't think that makes a whole lot of sense. As I said, I am working with my colleague, Dusty Johnson, to try to make sure that we are reforming these Federal rules. But I would love to hear from you about what else we can do in Congress to address the shortage that we are seeing in the trucking industry.

Mr. SAMSON. To give you a quick example—and thank you, Congressman—out of your district, we have a handful of great members out of the Central Valley, and earlier this summer, when they started harvesting carrots and other produce out of the Southern Valley—or the Central Valley, they were running into, of course, the driver shortage—and getting the products harvested and to the processing plant. And so, we were working with Governor Newsom, and Caltrans, and this body as well, to try to see if we could get some increase in truck weights just until we got through that harvest period.

And so, we constantly are trying to focus on what can we do in the near-term as we know these commodities are either harvested in short order, or they are going to be tilled back under, and left behind. And so, we try to figure out how we can best focus on these as we are moving forward, and we were able to do that outside of your district as well.

The CHAIRMAN. Thank you. The gentleman's time has expired. Now I recognize the gentleman from Iowa, Mr. Feenstra, for 5 minutes.

Mr. FEENSTRA. Thank you so much, Chairman Scott, and thank you, Ranking Member Thompson, for holding this hearing today on the national food supply chain, and the concerns that we have. I represent the 4th District in Iowa. This is probably one of the largest ag industries in our nation. We are number one or two when it comes to soybean and corn production. And, with that, I would like to address a concern regarding fertilizer costs.

This has been brought up already, but I would like to ask Mr. Wells, some of our farmers who have been able to guarantee fertilizer availability for next planting season have also reported prices being quoted to them that are six times higher than 2021. Mr. Wells, can you shed any light on the main factors that are driving this dramatic increase, and is there any way that we can mitigate this as we move forward?

Mr. WELLS. Yes. Speaking specifically to a couple of products, nitrogen and phosphate, one of the feedstocks and one of the catalysts to make the products are natural gas, and, of course, everyone knows the impacts to the energy complex. We have talked about that. Natural gas has skyrocketed in price, and it directly impacts the prices of those particular products. And so, if you take into account weather—Hurricane Ida shut down a significant amount of production in the State of Louisiana, which took tons out of the marketplace, transportation costs, getting things in a timely fashion, it has just been—I hate to use the term *perfect storm,* but it has been a perfect storm of high input costs, high transportation costs, shutdowns. There have been a number of turnarounds related to COVID that were delayed that took tons out of the market, so there are a number of factors that have led to the increase in prices.

Mr. FEENSTRA. Absolutely, and that is what we are seeing, and my greatest fear is what this does for the future, when you have our producers putting in their corn and soybeans this spring, obviously, that input cost goes directly to them, but it also then—hopefully it will—through the commodity prices will get—will increase, and then that cost gets passed on to the consumer. Do you also see these mitigating factors—I mean, is this a concern for you also in what you see as we move forward in the food supply chain?

Mr. WELLS. Can you state that again, please?

Mr. FEENSTRA. Yes. I was just wondering, if you look at future yields, and future crop production, and things like that, I mean, is there a concern where we are—have such increased costs when it comes to fertilizer?

Mr. WELLS. Yes. Obviously, anytime you have dramatic increases in costs for the farmer, it leads to widespread concern. Farmers, as has been stated, buy at retail and sell at wholesale, so they are kind of caught in the middle of all that, and so they have to accept prices given to them on the retail side. Yes, we are concerned about that.

Mr. FEENSTRA. Yes. It is very significant, I agree. I want to address a comment made earlier by Mr. Cinco regarding the Renewable Fuel Standard and biofuels impacting soybean oil prices and

availability. You think about over the last decade, soybean production and processing capacity has grown dramatically, significantly. In fact, October, the WASDE Report forecast soybean production at 4.4 billion bushels. That is up 74 million bushels from the year before, based on the higher yields. While our farmers are projected to produce a record crop this year, the biodiesel and renewable diesel industry are using approximately the same amount of soybean oil that they did compared to last year at this time.

So, my question, Mr. Cinco, is, were your comments subjective? I mean, it seems like you are going after the biofuel industry, and I would need to ask you that question, why?

Mr. CINCO. Actually—so the way it is for me, I buy soybean oil twofold. I buy it on the market commodity, and then there is the basis, which is the transportation, refining, and all of that. Last November, typically for us it is 10¢ a pound. It went to 54¢. You cannot get quotes from vendors that you don't do business with, competitive quotes, because they don't have the capacity to do that. They are telling us the shortage will be the next 6 months for sure. The refining capacity is at a premium right now.

The refiners are actually going to build more capacity, but it is not supposed to go online until 2023. They are telling us that next year is going to be a terrible year. My prices of soybean oil have tripled from——

Mr. FEENSTRA. I guess thank you for those comments, but I see it a different way. I mean, biofuels obviously, just like everybody else, have dramatic input costs, transportation and all these things, and I just don't think that we need to wreck an industry that is providing a great——

Mr. CINCO. I am not saying to wreck it, I am saying delay it, because right now there are companies that I am hearing that have booked their soybean oil for the quantities that they need for a quarter, and they want it on June 3, but it is not showing up until June 6 because there is no drivers, the refining capacity they are——

Mr. FEENSTRA. Yes.

Well, I appreciate your comments, Mr. Cinco. Thank you so much, and these are all big issues. And I am obviously very passionate about the ag industry, and how it affects Iowa. Thank you, Mr. Chairman, and I yield back.

The CHAIRMAN. Thank you. Now I recognize the gentlewoman from Iowa, Mrs. Axne, for 5 minutes.

Mrs. AXNE. Thank you, Chairman Scott, and I want to echo the words of my fellow colleague from Iowa, Representative Feenstra, in talking about our farmers. So, before I get to my questions for our witnesses here, I would like to ask for unanimous consent to submit an op-ed from American Soybean Association CEO Stephen Censky. Mr. Chairman?

VOICE. Without objection——

The CHAIRMAN. Without objection. I am sorry.

[The op-ed referred to is located on p. 137.]

Mrs. AXNE. Thank you. Mr. Censky's op-ed corrects the record on some misconceptions about soybean oil production. I want to let folks know, as Representative Feenstra said, our farmers are working hard to harvest a record soybean crop this year, producing

more soybeans with less land and energy use, and we will continue to meet the needs of consumers to feed and fuel the world. And now the new markets for domestic soybean oil are translating directly into new investments in soybean crush capacity across the Midwest, which means more money in rural economies, like those here in Iowa, and more return for Iowa farmers, and more protein and oil for use by America's food processors. So, any suggestion to reduce the amount of biodiesel blended in our nation's fuel supply isn't based on facts, and will work against, unfortunately, our farmers, our rural communities, and our climate objectives.

Now, I am thankful to the Chairman for holding this hearing, as the effects of COVID–19 pandemic continue disrupt our nation's supply chain, leading to bottlenecks, and, of course, to delays and uncertainty. As consumer habits have shifted in response to the pandemic, we have seen a drastic increase of imports into the United States, which has been overwhelming our supply chain, and exacerbating infrastructure issues.

I strongly urge my colleagues to support the Infrastructure Investment and Jobs Act because it is a bipartisan legislation to help us provide significant and long overdue investments in our crumbling infrastructure. And as many of our witnesses have testified, this legislation will address years of underinvestment, and allow us to meet the needs of the future. So, I appreciate the President's leadership in developing the Build Back Better agenda to help grow our economy, and create good paying jobs. Our witnesses have also pointed to specific legislation before this Congress that will address specific issues within the supply chain, and I look forward to hearing more about that.

So, Mr. Durkin, my question—as my State of Iowa is our nation's second largest exporter of ag products, I am concerned about how some foreign-owned shipping companies are essentially dictating trade. They are bringing in imports into our ports, but yet they are leaving with empty ships, without our products being exported on them. This is very contrary to standard import/export trade. Can you elaborate on your testimony on how the Ocean Shipping Reform Act can address this problem, and other solutions that we might act on here in Congress?

Mr. DURKIN. Two of the key components of that shipping reform bill, one is that it would put a limit on terms of the empty containers that are going back. There was always a portion of that did go back—given the import/export imbalance, but that number was at around ten percent prior to COVID, and now we are at 70 percent, so there clearly is an issue that has kind of escalated to a point—where I call this, obviously, is a crisis. And then the second component of that is when those orders get rolled, and we lose those bookings, as I mentioned, there are fees from—demurrage fees, and other excess charges that us, as well as other companies, have to handle. And I notice—that is a big component—a second component of the Ocean Shipping Reform Act that would help.

And, again, I can't emphasize enough how quickly—if we can get this thing—get it kind of—I know it has bipartisan support, how quickly we can get this bill passed and approved, and I think that would be a big help.

[The information referred to is located on p. 185.]

Mrs. AXNE. Thank you for that, and really appreciate that. Now, my second question, Mr. Samson, you noticed in your testimony the trucking industry needs about 80,000 more drivers to meet demand. I will tell you, I always have Iowans in my office on this issue. We know these are tough jobs, but they are critical to our nation. So, can you expand to us here what the industry is able to do to recruit workers so that we can better support those efforts?

Mr. SAMSON. We are understanding that there is an aging workforce. We are understanding that COVID had a strain on the industry, an industry that really showed up, and kind of provided—that—they were heroes during the COVID pandemic. What we are trying to do is go out and recruit younger drivers. We are trying to diversify the workforce. We are trying to bring in those from the military. Women in trucking has been a big piece as well. That percentage continues to grow, incentivized through monetary, or benefits, or flexibility, and so there are multiple things that we are trying to focus on to make sure that we get these drivers into the industry, but then we also keep them as well, we retain those employees as well.

The CHAIRMAN. Thank you. The gentlelady's time has expired. I now recognize the gentlelady from Illinois, Mrs. Miller, for 5 minutes.

Mrs. MILLER. Thank you, Mr. Chairman. I have a question for Mr. Ferrara. Mr. Ferrara, in your testimony you mentioned that you have advocated for the government to help your member stores attract talent. How do you—or do you know offhand how many employees your member stores lost due to overburdensome, unconstitutional vaccine and mask mandates? And furthermore, do you think it would be helpful for the Federal Government to halt Federal COVID vaccine mandates and mask mandates?

Mr. FERRARA. Congresswoman, first thing I would say is, we do, as an industry, support vaccines. We were a big part of helping get those vaccines into communities, and, of course, prioritizing our workers. The concerns that we have, for any mandate, particularly going into the holidays, are one, how is this going to be implemented, the impact, of course, it will have on our workforce, who is going to be responsible for testing, how are we accessing those tests, who is paying for the test, and then, of course, the penalties that these businesses could be fined, upwards of $13,000 in OSHA penalties. So that is obviously a concern up and down the full supply chain.

I think our industry, again, has been very proactive in working toward incentivizing, and helping get those workers vaccinated, done clinics at their stores, at their distribution facilities, and we are committed to continuing to do those.

Mrs. MILLER. Okay. Thank you. And, Mr. Cinco, in your testimony you mentioned that an experienced workforce is leaving your industry at an alarming rate due to issues facing the world, new issues. Can you tell me how the COVID–19 vaccine mandates and mask mandates have impacted your workforce, and also, can you tell me how unemployment benefits, which have not had work requirements since March of 2020, how have they impacted your workforce?

Mr. CINCO. So, the mask mandate issue, as I mentioned before—we are very fragile with the amount of people that we have, and if the masks and everything keep getting mandated, we are going to have less people showing up, because there is 45 to 50 percent of us are vaccinated. We are not against vaccines, but we can't force it on our employees. At the holidays, it will be a complete catastrophe for us if the mandates are there.

As for the unemployment benefits, I think it affected us because the wage difference between somebody who wasn't working and the actual pay that they would get if they were working didn't seem like it was fair. So, the difference between the two didn't measure up to what they were actually having to do in the bakery.

Mrs. MILLER. Yes. Yes, I agree. And, Mr. Wells, China is the leading producer of agriculture chemicals, and now with the ongoing trade, economic and defense tensions between our two countries, would you please describe the risk that U.S. farmers face from disruptions of critical production tools, and then also how can we begin to mitigate against this risk?

Mr. WELLS. Disruption in these critical production tools can, obviously, lead to delayed planning. If crop protection products are late to the market, it can obviously impact the control of weeds, and weeds compete with crops, and can reduce yields. And so, from multiple standpoints, it can lead to reduced productivity and reduced profitability, by extension for farmers, and it could also lead to higher food prices if less is produced. And so that would be most impactful, obviously, on people that can least afford it.

Mrs. MILLER. Yes.

Mr. WELLS. I think we can mitigate the risk by crafting policies that promote trade and ensure regulatory certainty for those who produce these pesticide products. The importance of good trade relationships can't be overlooked, as well as the certainty of the U.S. EPA's regulatory approval process that I touched on earlier. So those are some things to mitigate, and some of the impacts they could have.

Mrs. MILLER. Okay. Thank you. And I represent a highly productive district in Illinois, Illinois District 15. We produce a lot of soybeans, and, actually, my family, we are soybean producers, and it is actually—this is an alarming situation that we are in. Thank you so much. And I——

The CHAIRMAN. Thank you. The gentlewoman from Washington is now recognized, Ms. Schrier, for 5 minutes.

Ms. SCHRIER. Thank you, Mr. Chairman. Well, supply chain dysfunction made worse by the pandemic was first brought to my attention over a year ago by hay farmers in Ellensburg, Washington. Since then, I have been in frequent communication with growers and exporters all around the 8th District, and even around the country, about these issues that they are facing, and I am hearing it from my colleagues as well. It has become more apparent to others.

For more than a year, these farmers have shared with me how pandemic conditions, but also the behavior, the really bad behavior, of foreign-owned shipping carriers, you could almost refer to them as a cartel, are hurting their industry. They are threatening export markets, they are threatening relationships that have been built

up over decades with foreign purchasers, and the costs and the availability of transportation to both domestic and export markets continue to be a big challenge for wheat, cherry, apple, pear growers, hay growers in my district. I would mention that, even with trucking, some growers in my district have said that the cost for a truck to the East Coast has more than doubled in the last year, and others say that the cost to move fruit just to a port to be loaded on a ship for export costs as much as the entire trip did just about a year ago. And a lot of you know this, because you are living it.

There has been some discussion about the Federal Maritime Commission, and, Mr. Wells, in your testimony you talked about how it could be doing more to alleviate the backlog at our ports. I was wondering, because sometimes it feels like they just don't have the teeth to do what they need to do, especially since we have no American shipping companies to compete, I was wondering what teeth you think the Commission has, what more they can do to enforce rules, and in addition to the Ocean Shipping Reform Act of 2021, which I am proud to support, what else can Congress do to help?

Mr. WELLS. Yes, great questions. Frankly, I probably need to get back with you, Congresswoman, on that. I am not up to speed fully on the maritime and the port, given my central Illinois background. But if I could get written comments back to you, I can address that question at a later time.

[The information referred to is located on p. 190.]

Ms. SCHRIER. That would be amazing. Does anybody else have comments about that, as to, like, what—where is our leverage? What specifically can the Federal Maritime Commission do?

Mr. DURKIN. Well, obviously—Congresswoman, this is Mike Durkin. I think the—we—there are a fair amount of goods that come into the U.S., obviously, from an import standpoint. Our inability to—we—if you look at it from a leverage standpoint, there is clear leverage, so—with all the imports that are coming in, and I still think there is an opportunity, with the Ocean Shipping Reform Act, to make sure that those containers that aren't going back—when you think about 70 percent of those containers going back empty, it just is really hard to understand how we can let that happen; and, then, again, when that happens, and we have no control over that, and then fees are then charged to the exporting company as well, therein lies the double thing.

Ms. SCHRIER. Okay.

Mr. DURKIN. So if you looked at, as I mentioned earlier, from 2020 through 2022, our freight and storage costs will have doubled, as a company, in 2 years. That is the effect that this is having.

Ms. SCHRIER. It is unbelievable. And those D&D fees, they can't contest them, or they will be blackballed by the industry. I wanted to touch on two more items really quickly. One is I just wanted to talk about the school food supply. Over the past few weeks my office has heard from schools, and parents, and local officials throughout my district about insufficient food stocks in schools, and the inconsistent supply of school lunches. I just got an e-mail from my son's middle school the other day saying, "Hey, we don't have

enough food, if you can just send your kids with lunches, that would be so much better, it would take the pressure off."

The Washington State Office of Superintendent of Public Instruction raised similar issues and said that it could take up to a year for them to get the funds from the USDA's recent $3 billion announcement regarding supply chain issues, and so I just wanted to state that in upcoming weeks I will be sending a letter to USDA with some questions about how we are going to implement this, and make sure we can actually get the food to our kids.

Last item I wanted to touch on was that I have heard a lot of hyperbole—I believe it is hyperbole, as a physician—about vaccine mandates, and how people are just going to fall apart, and they won't do their jobs if you ask them to do that. We have looked at police departments, we have looked at airlines—the mandates do work, and—even though all the crying wolf about how we thought we were going to have thousands of police officers in Washington State who would leave their jobs, it ended up being 35.

And so, I just want to kind of pull the air out of that argument and say that it would be a real bummer if a truck driver carrying all those turkeys to market got COVID mid-transit, and then couldn't work. And my colleague said you can't just pull a trucker out of nowhere. It is a really big deal to make sure that our workforce stays healthy and can do their jobs. With that, I yield back. Thank you.

The CHAIRMAN. Thank you. And now I recognize the gentleman from Alabama, Mr. Moore, for 5 minutes. Mr. Moore, you may need to unmute.

VOICE. If Mr. Moore is not ready, go with Mrs. Fischbach.

The CHAIRMAN. If Mr. Moore is not ready, we will work with him until he gets ready. And now I recognize the gentlelady from Minnesota, Mrs. Fischbach, 5 minutes.

Mrs. FISCHBACH. Thank you Mr. Chairman. I appreciate the opportunity, and I do appreciate the conversation, and about an issue that is so important right now. And we just had some awesome questions and discussion today, but I just had a question for Mr. Cinco. You noted that high input and commodity costs are affecting your business, and we see inflation across the board in all of the commodities. Farmers' cost of production is increasing alongside everyone else, and they are doing what they can to ensure that their product gets to market.

Much of this is due to the bottlenecks in the supply chain, that we have been hearing about today. It appears that most commodities have increased in costs, but the increase in wholesale sugars' costs have been much less than other commodities. Is that your observation?

Mr. CINCO. Yes, that is correct. Soybean oil has about tripled, gluten has gone up three times what my contracted price was because of the supply—lack of—lack thereof. Sugar's gone up about 15 percent. The other commodities, like yeast and things like that, most of the input I am getting is it is 10 to 12 percent, basically all because of freight. It is drivers that—they don't—can't get drivers, they want to make sure that you can get the product. So I am hearing 10 to 15 percent on those commodities, but it is strictly—

their argument is strictly freight. Sugar is 15 to 20. It is a little higher, but it is not, compared to the rest of them, flour, oil, gluten.

Mrs. FISCHBACH. And you mentioned a couple, and I am just wondering, which one have you seen the greatest increase in costs?

Mr. CINCO. Soybean oil.

Mrs. FISCHBACH. I need to get my pencil ready.

Mr. CINCO. Soybean oil.

Mrs. FISCHBACH. Okay.

Mr. CINCO. Gluten—during the mid-part of the year I got *force majeure* on a contract that went from 80¢ to $2.65. Next year's contract is $1.35.

Mrs. FISCHBACH. Okay.

Mr. CINCO. So it spiked, then it came back. Flour has gone, with all the processing fees, from 18¢ a pound to 28¢ a pound starting in January. My new contract in January will be 28¢.

Mrs. FISCHBACH. Okay. All right. Well, thank you very much. And I think I am just going to kind of open this up for everybody, and anyone who would like to chime in, the current hours of service emergency declaration from the Federal Motor Carrier Safety Administration has allowed flexibility to ensure that disruptions in the supply chain are minimized. The current declaration ends on November 30. What are the potential impacts on the supply chain on everything from cattle processing to stocking grocery store shelves, if anyone wants to chime in on that one?

Mr. FERRARA. Congresswoman, this is Greg Ferrara with the Grocers, I will take the first stab at that. It has been an incredibly important tool. While I was talking with our member wholesalers yesterday, I was just remarking that the flexibility that this has given them has allowed them to get orders that otherwise might have been left on a distribution center dock to the store as they managed the complete—the lack of—uncertainty around whether freight is coming in and when freight is going out. So, it effectively means that there are—able to get product to the stores—to the store shelves, and that they are able to be as efficient as they can.

And, of course, what has been really great about this is really it has been done in a safe way, and so we would continue to ask for the flexibility, and for that to be extended for as long as possible, so that we could give some certainty to our distributors. Jon?

Mr. SAMSON. And just to add briefly to that, Congresswoman, especially from a foodstuff standpoint, since we are seeing these supplier issues, these backups, we still are seeing some scant shelves at the grocery store. Could potentially even broaden this to look at school shipments and deliveries to the schools that we are seeing, not being able to properly stock their meals for the children, and so I think it has been a great tool to provide flexibility for those that are hauling both food, and from the livestock side as well.

Mrs. FISCHBACH. Well, thank you all very much. And, unless there is someone who wanted to add something else, Mr. Chairman, I will yield back my remaining time, and thank you very, very much.

The CHAIRMAN. Thank you very much. And now I recognize the gentlewoman from Virginia, Ms. Spanberger, who is also the Chair of the Subcommittee on Conservation and Forestry. You are now recognized for 5 minutes.

Ms. SPANBERGER. Thank you so very much, Mr. Chairman. And, as we have heard from our witnesses today, the impacts of the coronavirus pandemic continue to reverberate throughout the U.S. economy, global supply chains, and our agricultural sector. And if there is one thing that we have learned from this experience, it is that the U.S. supply chains lack resilience, and are not adequately prepared for the kind of disruptions that occurred.

Certainly, we couldn't necessarily have anticipated all of the disruptions that we have seen over the last year and a half because of the pandemic, but we have to ensure and recognize that disruptions in the future are possible, and we have to ensure that this—disruptions on this scale never occur again. So, while there is really no silver bullet, making our agricultural and food supply chains more resilient really requires addressing a multitude of factors that have caused some of these bottlenecks. It is a priority for consumers, it is a priority for those represented among our witnesses today, and, frankly, it is a priority from a national security perspective.

So many of the factors that we are looking at result from decades long trends that have been exacerbated by the pandemic, including industry consolidation, and changes in the composition of our workforce, and there has been a fundamental, at times, mismatch between the labor needs of an employer, and the available labor. And as a Member of this Committee, I am keenly aware of these challenges, and I have been working hard to address them. So, the availability of labor across our food supply chain has long been a challenge with significant economic and national security implications. That is why I was a proud original cosponsor, and proud to vote for the Farm Workforce Modernization Act (H.R. 1603), a common-sense bipartisan bill that would reform our broken immigration system, and ensure our agricultural sector has the workforce it needs. And I would hope that the U.S. Senate will pass this bill without further delay.

I am also deeply concerned about the difficulties posed by our overburdened freight infrastructure and workforce, and so, to that end, I was proud to cosponsor H.R. 4966, the Ocean Shipping Reform Act. This legislation would help reduce port congestion by giving Federal Maritime Commission the authority to levy fines against ocean carriers that refuse to take U.S. exports on return trips from port. Really, without a robust freight workforce and infrastructure, America cannot compete globally. And, to that end, I was proud to support the creation of an Under-21 Commercial Driver Pilot Program to empower those 18 to 21 that want to enter a career in truck driving to do so, and I urge the Department of Transportation to prioritize the implementation of this program. Likewise, I am also encouraged by the Senate-passed Infrastructure Investment and Jobs Act, which contained similar provisions to recruit and train truck drivers, while making long-term investments in our highways, bridges, rails, ports, and other freight infrastructure.

So, for all of the panelists, before I ask any additional questions, it does seem that we have a bit of a consensus across the panel, so I do want to ask each of our panelists whether they agree that Congress should prioritize passing the provisions that invest in our

truck driver workforce, and invest in our aging infrastructure, such as those contained in the bipartisan Infrastructure Investment and Jobs Act. And, to be very clear, I am not asking about the whole piece of legislation. I am just asking if you think we got it right on the truck driver workforce piece and recognizing the need to invest in our infrastructure.

Mr. SCHWALLS. Yes, ma'am. There is a tremendous need for an increase and investment into trucking in general. I think there could be further—we discussed today education, recruiting truck drivers at a younger age, and use of CTA programs at the high school level to try to recruit those truck drivers where they could actually get into the industry before they are 21 years old. I think there are other—certainly other things could be done, and I have heard a lot of discussion today about things that could affect the trucking industry, but currently a thing I think that deters truckers and—from getting into the industry, or staying in the industry—I believe we need a moratorium on e-logs, such as we had back during COVID–19, to mitigate some of the costs in the ship lanes and time delays, and relax some DOT regulations for non-egregious violations.

I think there is certainly a possibility to allow a lot of these—in the system for at least 2 to 5 years so trucking companies could afford to invest in added infrastructure. And also, as far as the—concerned, allow more double trailers on interstate and state roads to be able to help unclog the ports and the distribution centers that are there. And all in all, decrease regulations that interfere with supply chain logistics. I don't believe that any regulations should deny people from the—food security.

Ms. SPANBERGER. Thank you very much. And, Mr. Wells, I will go to you.

Mr. WELLS. Yes, in the essence of time, I would agree, 100 percent. I think Jon hit on a lot of key points, and we would agree with him.

Ms. SPANBERGER. Mr. Ferrara?

Mr. FERRARA. Agreed.

Ms. SPANBERGER. Mr. Durkin?

Mr. DURKIN. We agree.

Ms. SPANBERGER. Thank you. Well, I have so many other questions, but I am really appreciative of your time, Mr. Chairman, I am appreciative of this Committee, and I want to just thank all of our witnesses for your work in making sure that you are bringing light and clear understanding to so many of the supply chain issues that our country is facing. Certainly, I think you have commitments from so many of our Agriculture Committee Members to continue working on this issue, addressing the bottlenecks—addressing the reforms that need to occur, and again, I just thank you for your time and your testimony today.

The CHAIRMAN. Thank you, Ms. Spanberger. And now I recognize the gentleman from Alabama, Mr. Moore, for 5 minutes.

Mr. MOORE. Thank you, Mr. Chairman. Can you hear me okay now?

The CHAIRMAN. Yes, I can.

Mr. MOORE. We were having some issues here in the office, but I think we have them worked out. So, Mr. Wells, I want to ask a

question real quick. I would like you to elaborate a little bit on your answers you gave to Congressman Bacon, and on one of the points you made in your testimony regarding the use of inland waterways. In my home State of Alabama, we are fortunate to have over 1,200 miles of inland waterways, which we use to transport approximately $1.5 billion in freight every year, and support about 200,000 jobs in that region. In your testimony you described a need for extensive maintenance and modernization of our locks and dams, right alongside the need to address congestion in our ports. Can you go into a little more detail regarding the need for strategic investment in these areas, and what improvements should we prioritize to alleviate future challenges to our supply chain?

Mr. WELLS. Sure. Well, the port congestion I think speaks for itself. I think we have all seen pictures of containers stacked at ports. Regarding the inland waterway system, GROWMARK would move roughly 1,500 barges a year on the inland waterway system, Mississippi, Ohio, Illinois predominantly. As I stated earlier, the need for regular maintenance, many of these locks and dams were built in the 1920s and 1930s with a 50 year useful life. They have exceeded that, obviously, today. They are at real risk, many of them, of failing on us, and so failure of that lock and dam system, any one of those, would be potentially catastrophic to the movement of goods up and down that river, from grain, to fertilizers, to coal or other products.

When tows come up, they have to be broken if they are less than 1,200′ locks, and so that just takes time. They have to disassemble them, push them through, get the other half, push them through, reassemble them. And so, the need for repair and replacement is high, and we are at great risk of really impact—further impact to the supply chain.

Mr. MOORE. Thank you, Mr. Wells. And I might add, you guys find this probably unusual, but I actually have my CDLs, and have a company, and so I have been having a hard time finding drivers. It is across the board out there. And, it is interesting, I talk to my superintendent all the time, we actually put out advertisements to interview, and out of ten you might get maybe six that answer, and then one that shows up for the interview, and then the rate that they want to receive in salary almost puts the freight cost—you know, it—we just can't adjust that quickly in this part of the world.

This isn't a question, but I think it is worth mentioning. State governments have had a hand in addressing this issue for some period of time, and Congressman Cloud mentioned during his time, at the Federal level we can do what we can, but when states like California are passing laws that cover thousands of independent drivers and contractors with red tape, they only add to the problem in our supply chain. I actually had a call with a friend of mine this morning that is a CDL driver, and they moved from California, these independents, because of some of the requirements. It didn't make sense for them to work in California. So, there are some things we can do, and I hope we will continue to pursue reducing government regulations to increase—decrease costs, I should say.

So, with that, Mr. Chairman, I have a little time left, but I will just yield back, and I appreciate the witnesses for their time today.

The CHAIRMAN. Thank you very much. And now I recognize the gentleman from Florida, Mr. Lawson, for 5 minutes.

Mr. LAWSON. Thank you, Mr. Chairman, and welcome other witnesses to the Committee. Mr. Samson, you spoke about the importance of improving communication between supply chain suppliers to avoid a supply chain breakdown and provide Congress and Federal regulators a better understanding of how to provide effective and meaningful relief. At the risk of not sounding like a broken record, if possible, could you tell us again what your ideal communication system would look like, and what steps should be taken by Congress to incentivize the communication network?

Mr. SAMSON. So briefly—thank you, Congressman. Briefly, I just want to go back to the breakdown, March 2020, of our COVID pandemic. The communication that we were able to establish along the supply chain, everyone from growers, through processors, into the grocery or the manufacturing side, had the same goal in mind, and so the communication, once established, was fruitful. We were able to go through and have a good conversation, figure out how to make things more efficient moving forward, and minimize or eliminate food waste.

Now, the communication that we have currently in our food supply breakdown doesn't have everybody looking towards that same direction. And I think I had mentioned this earlier today, but the fact that the ocean liners have a certain agenda of what they want to accomplish, the ports have their own issues that they are dealing with, and then the carriers, all the way to the warehouses. And so I think the communication is extraordinarily important to get everybody on that same page, and I think some things, like the Ocean Shipping Reform Act, will assist in pushing the carriers in that direction. I think being able to get the warehouses—if the port is operating 24/7, the warehouses need to operate 24/7, or else you are going to run into those constant bottleneck issues. So I think in order for us to actually work together and fix this issue on a communication side, everybody has to be speaking towards the same direction, and I don't think we are getting that right now.

Mr. LAWSON. Okay. Did anyone else care to comment on that? If not, I will go to my next question. Clearly, and hearing most of the discussion today, we are talking about the situation that we have with truckers and truck drivers, and things that can be recommended. Here in Tallahassee, at the community college, they set up a program to train truck drivers, which I think is very significant. But I hope that someone on the panel can tell me, in their perspective, what they think of—because when I calculate—since March of last year—that might come up to as much as $3,600, or $4,000.

What do you think has caused the problem—because that is not enough money for them to survive—for so many of them to leave the industry? And this is one of the things that I am asking to the panel, because there has to be something that is going on, other than the amount of money that they have from stimulus dollars, for their families. Because I know, for example, that I had a young man that I coached when I was coaching basketball, and he is still a truck driver, and I had the opportunity to talk to him, and—but

I couldn't get a clear picture. And before my time has run out, I would like to see what can I hear from the panel?

Mr. WELLS. I guess, from a trucking standpoint, it has been difficult for us to pinpoint why we are not seeing more interest. We are getting carriers that are paying for the training itself. We are getting grant money, state grant money, that is able to provide for these drivers going through these different college programs. We are getting the younger high school education in there as well, and we are still not quite sure—there are other alternative careers out there that have a similar path and similar pay structure, and so that is one thing that we see as competing with what we are trying to do here, but it has been difficult to really pinpoint that.

Mr. FERRARA. Congressman, only other thing I would add is I think that a lot of people are jumping around. You can go get $18 an hour to make a burrito right now, and I think there are a lot of people who are jumping around. They may not be working this week. They can pick up gig jobs doing Uber or Doordash, or whatever it is. There are just a lot of opportunities out there. We need to help people focus on careers so we can get them focused on the long-term.

Mr. LAWSON. Thank you very much. Mr. Chairman, I yield back.

The CHAIRMAN. Thank you very much. And now I recognize the gentleman from California, Mr. LaMalfa, for 5 minutes.

Mr. LAMALFA. Thank you, Mr. Chairman, for having this key hearing at a key time here on our supply chain, and what that means for all American consumers. Covered a lot of good info today. I think we still really need to drill right down to what is it we can do that would be the most effective, the most immediate, relief for what is going on at the ports, and the whole chain of getting these products out, and that bottleneck down, and getting things to the store shelves, whether you are talking about the context of Christmas, or just in the general terms of keeping food on the shelf, and perishables from going bad, waiting to go—whether it is for export or, when you are talking trucking, just in general around the country.

So, some of the things we talked about is—or thinking about too is, as a California Member, we deal with things to an extra degree. We have AB–5, which was also attempted to be passed here, known as the PRO Act (H.R. 842, Protecting the Right to Organize Act of 2021), which basically is—really zapped owner/operators of trucks. The California Air Resources Board phasing out trucks that are older than 2011 engines or 2010 model trucks. The DMV has a 2 month backlog at least on getting truck drivers licensed. We have what was mentioned a couple times, I think most recently Ms. Spanberger, on getting more people that are the—age 21 requirement, get them down to the age 18 requirement so they can do intrastate trucking, the hours of service. We need some flexibility on that.

We need to have whatever we can do at the Federal level, and our governors and our state level folks look at some of these issues and say, can we at least put a variance on this for a period of time to get caught up, you know? Weight limits on trucks, can we put a variance on that for a while to deal with just getting through the backlog, because we are all being harmed by what is going on. It

is really harming our economy, and the people that produce these products, and we are going to see, as it has been talked about earlier in the Committee, a shift of where these products are going to come from. So let me talk to Mr. Durkin about this.

You spoke earlier about your markets, basically, and people will shift to buying things from EU, or from New Zealand, Australia, wherever—whoever can supply this. Please emphasize that a little bit for this Committee.

Mr. DURKIN. Yes. There are three primary dairy exporting countries. It is ourselves, the U.S., the European Union, and New Zealand. And I gave an example in my testimony where we have had the—again, the one customer where that actually—has actually incurred significant air freight charges because they can't get it to—on a boat, and there is an expectation on there that we pay for that, which we will be unable to do. We are trying to do the best we can, and—with some pricing there—to kind of mitigate that, but the costs are significant.

The most concerning thing over the long-term is the loss of that customer. And, again, going to European Union, as they had indicated, and this will not be the first. It will just be the start of this, and that is my concern on this.

Mr. LAMALFA. What does the loss of that customer actually mean to an American consumer, do you think?

Mr. DURKIN. The loss of that is, obviously, millions of dollars in product that we were able to come back. But now what is going to happen, from an American consumer standpoint, it is going to increase supply in the United States, *per se,* but it is going to drive pricing down to—make it very volatile, and what you are going to see is actually lower milk prices for the dairy farmer. That is also our concern, because the big part of growth for dairy farmers is actually going to be exports.

Mr. LAMALFA. So, the dairy farmer won't be around very long at that rate?

Mr. DURKIN. It is a concern on our end for the viability of the dairy farmers.

Mr. LAMALFA. When we are talking about the issues at the ports, once again, you mentioned earlier that the costs of a freight train I think was $5,500. Just to use that container to fill with product, but, things that are out of your control, the detention and demurrage fee, you said was up to $20,000, right?

Mr. DURKIN. That is correct.

Mr. LAMALFA. And that is something you don't control, right?

Mr. DURKIN. That is out of our control.

Mr. LAMALFA. Is that something you even anticipate until it happens?

Mr. DURKIN. We cannot—you—until it rolls, and you get the actual invoice, you don't know that you are actually incurring those charges, and we have actually had to hire temporary people to actually go and research those charges to try to go back to the carriers to try to get rid of that, but it has been a challenge.

Mr. LAMALFA. This is a lot like surprise medical billing, you get a surprise bill on your demurrage.

Mr. DURKIN. That is a good analogy.

Mr. LAMALFA. Yes. Okay. Do you ever feel like it is your fault for that, or is it just—because it is more out of your hands with the shipping, and the loading, and all that, isn't it?

Mr. DURKIN. Absolutely not our fault, because we have the goods on time, at the port, ready to go. As we talked about, there are challenges on getting containers, as well as chassis, there, but we have worked very hard to be able to do that.

Mr. LAMALFA. You mentioned too that you—was it 70 percent of ships leave the U.S. with empty containers, or in some cases no containers, because they have left them on the dock because they are in a hurry to get back?

Mr. DURKIN. Correct.

Mr. LAMALFA. Has the 24/7 port order helped to change that situation any?

Mr. DURKIN. The 24/7 port order was a suggestion for the ports to work towards that.

Mr. LAMALFA. Suggestion?

Mr. DURKIN. Suggested.

Mr. LAMALFA. So, it is not in place yet?

Mr. DURKIN. Correct. It is not in place yet. And there—I think the reality of this is—I know they have a union negotiation—the—labor negotiations coming up in the springtime, and they will have to get—probably work through that. They will have to hire people, and obviously train people. In our mind, this is 6 to 12 months out at best.

The CHAIRMAN. The gentleman's time has——

Mr. LAMALFA. My time is out, but I would hope the panel, in other questions, would you emphasize what things we could be fixing right now to get results right now in other questions? Thank you.

Mr. DURKIN. Yes.

The CHAIRMAN. Yes. And if you could provide those in writing back to him, we would appreciate it. Thank you. And now the gentlelady from Louisiana, Ms. Letlow, is recognized for 5 minutes.

[The information referred to is located on p. 188.]

Ms. LETLOW. Thank you, Mr. Chairman, and thank you to the witnesses for your time and testimony here today to discuss the important issues our agriculture industry is facing in the food supply chain. As I travel throughout the 5th District and the state, I continue to hear the many concerns of our farmers, ranchers, and agriculture retailers. A common theme, one that has also been highlighted throughout this hearing, is the ongoing and constraining labor shortage, not only with domestic workers, but within the H–2A seasonal workforce as well. Specifically, one crawfish peeling plant in Louisiana applied for 190 H–2B workers, but were ultimately denied because the cap was met within the first few days of implementing the 6 month application period.

While this not an unknown circumstance in recent years, the shortage of seasonal workers for agriculture processing is catastrophic for our farmers, that rely on these operations to process their perishable harvested crops. Compounding this issue, if our employers can't find domestic workers to fill jobs, then we need these seasonal workforce programs to work for our agriculture industry in a sufficient and efficient manner.

In addition to labor, it is also essential that our farmers are equipped with the tools and machinery necessary to have a successful planting season and harvest. From fertilizers to herbicides, as well as parts for farm equipment, the farming community has experienced an increase in prices, delays on delivery, and lack of availability. All this to say we are not just looking at one impactful challenge. While these supply chain issues affect our farmers, they also affect the consumers and the greater U.S. economy. At the end of the day, this is a national security issue, and one we should not take lightly.

I have heard from many growers in my district who are troubled by shortages of major herbicides used on tens of millions of acres. Several of these chemicals have seen prices nearly double in recent months. Many are also concerned with reports that the U.S. Environmental Protection Agency is considering a label change ahead of the next growing seasons that could pull the rug right out from under farmers. If growers order seed and chemicals expecting certain use conditions, and because of EPA label changes, now have an entirely different product registration to work with, it might not meet their needs. Many could have to entirely switch to new seed and chemical varieties.

Mr. Wells, from the retailer perspective, how is the herbicide and seed market currently, and what impact might it have if EPA does make a significant label change ahead of the 2022 growing season?

Mr. WELLS. Yes, I would characterize the herbicide industry specifically with a couple of key actives, glyphosate and glufosinate, as being very disrupted right now. A lot of that production, as has been discussed, comes from China. We have some domestic production, actually, in Louisiana, but those farm plans are being made today, and any disruption—we sell a lot of herbicide and seed systems, and so you buy the seeds, the herbicide is used along with it, and so disruptions on one side of the supply chain directly impact the other side of the supply chain. One of our concerns is if there is a disruption from an EPA ruling of some type that takes a tool away from us, is there another tool that is effective against the weeds, or whatever we are trying to control with the first.

Ms. LETLOW. Thank you so much, Mr. Wells. Mr. Chairman, I yield back.

The CHAIRMAN. Thank you very much. And now we have reached the conclusion of this hearing. I can't—is there one other? I am sorry. The gentlelady from Florida.

Mrs. CAMMACK. Forgive me, Mr. Chairman.

The CHAIRMAN. My deepest apologies to you, Mrs. Cammack. You are now recognized for 5 minutes. Thank you.

Mrs. CAMMACK. Thank you. Thank you, Mr. Chairman, and thank you to all the witnesses for appearing here today for this most important topic. I am a little shocked that, 11 months in, we have been dealing with these issues, and we are just now getting to them, but, nevertheless, I am very excited to have these conversations, so I am going to jump right in.

Mr. Ferrara, your testimony speaks to the government helping your member stores in attracting talent. As you know, there are a myriad of workforce development programs in existence, including those that help very specific populations, *i.e.,* SNAP recipients,

homeless veterans, *et cetera.* If you held the pen to recalibrate these programs, how would you go about doing so?

Mr. FERRARA. Congresswoman, we actually just held a seminar with some of our members through our foundation to attract folks with disabilities into our industry, and it was very well attended. I think the most important thing is we need to give our grocers, and our wholesale distributors as well, a lot of tools in the toolbox, because every community is different, and their needs are different. And so, to make sure that we have access to as many of these different programs and resources, and that they are easy to use and easy to implement, I think that is another thing that is very important. I think that can go a long way to making a dent in the challenges we are facing today.

Mrs. CAMMACK. I appreciate that, and we are very excited to work on ways that we can put more tools in the toolbox. And, throughout the year I have put forward measures to move funding away from the more handout-based SNAP programs and towards workforce development programs, however, what we have seen with the Majority, and this Administration—and they have made it very abundantly clear, that its policy towards SNAP—recently that was highlighted by the fly-by-night Thrifty Food Plan update, with no data backing, that they were perfectly content with paying Americans to stay home, and, quite frankly, that is very frustrating, disincentivizing Americans from working. I was called cruel and heartless in this Committee for suggesting that we work to find ways to mobilize, and incentivize, and encourage Americans to get back to work, and that has been very frustrating, especially when we have so many that are begging for help and ways that we can get people back on their feet.

So, I am going to shift a little bit here, and hit something that is very close to home for me. Mr. Wells, you mentioned in your testimony the need for free and fair trade of agricultural products, equipment, crop inputs, that are essential to supply chain resiliency. I share your concern here greatly, because most recently the International Trade Commission had considered restricting the import of urea ammonium nitrate solutions, which is a critical input for many of our producers. Now, what would the impact be if the International Trade Commission, under this Administration, bans the import of these nitrate solutions, or other imported inputs? Can our domestic production under this Administration, with the increased red tape and regulatory environment, realistically pick up the shortfall in a way that does not impact our producers and consumers on either end of the supply chain?

Mr. WELLS. Yes. Well, obviously I wouldn't want to speculate regarding the ongoing investigation I think that was just filed not long ago. I am doubtful there will be a ban on the product, perhaps duties. We have had one other situation come through.

Currently U.S. producers, they have really upgraded their capacity over the last decade. There has been significant investment in the nitrogen space. It all depends on what products they want to produce in what ratios, but technically there is enough production to meet the U.S. UAN demand, the urea ammonium nitrate demand. I think the biggest concern of the retailers that I talk to is the ability to get the products shipped where they need to be, and

particularly on the coasts, the West Coast and East Coast, and what the cost of doing so might be.

The sense is it is probably less costly to come from offshore destinations. Time will tell, we will see, but I think the big concern, again, is just the shipping conditions of getting the product in the right place at the right time.

Mrs. CAMMACK. Well, I appreciate that, and we will be continuing to monitor this, and we do have great concerns about the regulatory environment, and how that is going to impact domestic production. And obviously, this is an active investigation.

Before my time expires, I do want to associate myself with Representative Fischbach's comments. Mr. Cinco, you had made some statements about high sugar prices, *et cetera,* and I would just like to say I need to emphasize the importance of a domestic production of our sugar industry. It is critical. We cannot rely on foreign imports, and so I would like to associate myself with Representative Fischbach's comments. And, Mr. Chairman, with that, I yield back.

The CHAIRMAN. Thank you, Mrs. Cammack. And now, this reaches the end of our discussion here. The points that you all have made have been illuminating, and it has opened our eyes to much of what we were only dimly aware getting into this. But we have to have two trains running here, gentlemen, and I think that that would be the conclusion of what we have heard. Two trains running, we need. We need a long train running, and we need a short train running. We can discuss the recruitment, working with the 18 year olds, getting young people involved, long-term. What we have to be concerned about now, though, gentlemen, is how and where we can get commercial licensed drivers in the trucks now.

And so, in my concluding statement, I want to ask this question to you. How can we do that? Now, I had an uncle who was a truck driver, and I can tell you that truck drivers are very unique individuals. It takes a special kind of person to do this task, but they are like a brotherhood, a fraternity, and I want to ask—perhaps Mr. Samson, I think you are with the trucking, is it possible that we can work with the Teamsters? We have to bring—the Teamsters are the unions for the truck drivers. What role is there, if there are truck drivers out there already with the license, that perhaps are in between jobs, or they left, but now that we have this crisis here—and let us call it what it is. I thought 15,000, but you have informed me 80,000 commercial drivers short. We have to respond to this now.

What about our military? There are veterans who have experience with long haulers. My Lord, if you know what our military and our soldiers do, they have the talent, they have the experience of driving these huge vehicles, hydraulics, 18-wheelers, that move tanks and artilleries on the battlefield. The other thing is so many of our young people find that they are accustomed to the automatic transmission. Man, when you get into truck driving, it takes a special kind of training. The gear shifting, the movements. So, is there a way we can reach out to veterans' organizations, find individuals that may be able to help us in the short-term? This is an immediate crisis.

Finally, we do without a lot of things, but, gentlemen, we cannot do without food. And if there is anything that we never need a

shortage of in supplying to the American people, it is food. So, tell me, is there a way we can reach out, involve our military, involve our Teamsters, who know drivers, who may have left, can assist us in locating them. We need immediacy here. This is the way we make sure that we never have a food shortage.

And then we have to do the recruiting. We have the young people coming in, but we need drivers now. Can you assist us here with coming up with a way? We have the Labor Department, we have Federal, we have the Congress of the United States in our hands, where we can appropriate necessary emergency money to use as an enticement, as a reward, as a bonus for those who may come out of retirement, who are young, but taken early. Our Teamsters know who these people are. I work with Teamsters. It is a brotherhood, and they call it that. They could be helpful. Our veterans, who fought in the wars, they would be helpful.

There are people out there who will come and help us in our moment of need. We need to identify these sources, and put us here in Congress to work, to provide whatever you need to get these commercial licensed drivers into these trucks so we will never face a food shortage in this country. And make sure we are capable of assisting, so that there is never a food shortage anywhere in the world. Food is our most important industry. I say that all the time, because there are a lot of things, as I said, we can deal with, but we can't deal without food. You talk about pressures, you talk about turmoil, that would bring it. So, we have put our Paul Revere hats on here today, we have sounded the alarm.

Before I close, could you respond to that? Have any motions been made to that? I can assist you with that. I worked with the unions, the Teamsters. They are ready to work with us. I have worked with veterans' organizations over the years. They would be ready to help us. They have the experience. Many of them already have the commercial driver's license. What can we do to engage them to come help their nation at a time where we need help the most?

Mr. SAMSON. And that is extraordinarily important, and I think we need to look at all options, like you said, I mean, all options on the table. From a military perspective, we have been engaged, understanding that they have that background of the large machinery, trying to streamline their ability to get into the industry. And I believe we have been successful at that, but there is a lot more that can be done. And I think, as you mentioned, all options are on the table, crisis mode, to be able to go out and recruit and bring those in from a diverse array of different areas around the U.S., and internationally, but it is extraordinarily important. It is something that we focus on, on a daily basis and realize the importance of it.

The CHAIRMAN. And have you been in touch with the Teamsters?

Mr. SAMSON. I believe we have, yes, and we have members that work through the union side as well, and so——

The CHAIRMAN. Good.

Mr. SAMSON.—correct.

The CHAIRMAN. Good. Well, please, if there is anything that this Committee, and us here in Congress, can do to help your forward progress with getting a hold of people who can come and help us now, please call on me to help you, call on our Committee, and the

Congress of the United States. We cannot, we must not, and we will not ever have a food shortage in our nation. All we have to do is go to work and prepare for the storm before the hurricane is raging.

With that, under the Rules of the Committee, the record of today's hearing will remain open for 10 calendar days to receive additional material and supplementary written responses from the witnesses to any question posed by a Member. Thank you, God bless you, this hearing is adjourned.

[Whereupon, at 2:09 p.m., the Committee was adjourned.]

[Material submitted for inclusion in the record follows:]

SUBMITTED LETTERS BY HON. DAVID SCOTT, A REPRESENTATIVE IN CONGRESS FROM GEORGIA

LETTER 1

ON BEHALF OF MATTHEW OTT, PRESIDENT AND CHIEF EXECUTIVE OFFICER, GLOBAL COLD CHAIN ALLIANCE

November 3, 2021

Chairman Scott, Ranking Member Thompson, and Members of the Committee:

Thank you for holding a hearing on challenges facing the nation's food supply chain. I am submitting this testimony on behalf of GCCA's members, designated essential businesses, who are working tirelessly to ensure that consumers have reliable access to safe, high-quality food across the United States and globally. GCCA represents all major sectors of the cold chain and unites partners to be innovative leaders in the third-party temperature-controlled logistics industry. The cold chain refers to the temperature management of perishable products to maintain quality and safety from the point of slaughter or harvest through the distribution chain to the final consumer. GCCA is committed to forging a universally strong cold chain where every product retains quality and safety through each link. Through its four Core Partners, GCCA represents more than 1,100 companies in 85 countries who serve the food industry by providing third-party, temperature-controlled supply chain services.

The cold chain serves as a crucial link in the supply chain, as our members ensure the food safety, security, and reliable access to over 213 billion pounds of perishable food annually. While parts of the country shut down, GCCA and our members realized the vital role our industry plays for the integrity of the food supply chain and remained open and operating throughout the pandemic.

GCCA appreciates the opportunity to provide testimony on challenges and opportunities for strengthening the food supply chain for the future. GCCA has identified major issues and trends currently impacting the food supply chain and offers recommendations including:

- Support for workforce development initiatives and policies to address labor challenges across the food supply chain.
- Regulatory flexibility to address current and future supply chain disruptions and shifts in consumer patterns.
- Improved FSIS policies and capacity including increased FSIS personnel, identifying alternative methods for achieving veterinary signatures and revision of the "50 mile" rule for import establishments.
- Increased support for continued development and implementation of supply chain technology, including the strengthening of cyber security across the food industry.
- Utilization of COVID relief programs and funds to assist food supply chain companies in mitigating pandemic related expenses and strengthen their operations post-pandemic.

Below are additional details on the key issues our industry has identified for consideration:

Labor Constraints

The pandemic has placed strains on the labor market, causing major challenges to our members. Our members have faced a labor shortage during this pandemic making it difficult to meet growing demands. To stay operational, our members have been paying overtime and premium pay rates to those who are willing to work and in addition many have hired outside labor, which often comes with a hefty price tag.

Even as lockdowns ease, finding labor has continued to be a challenge. While facilities have increased the starting wages and adjusted the pay of experienced workers along with the minimums increase, many people are choosing not to work in cold environments, even for more money and benefits, over unemployment or working in unskilled positions. This is driving many companies to look at automation systems, which require automation technicians and additional specialty training in fields where there is not yet a developed pool of workers.

In addition, GCCA is concerned about the OSHA Emergency Temporary Standard (ETS) requiring COVID vaccinations and testing for companies with 100 or more employees and the potential impact it could have on the food supply chain. Given the already existing labor challenges our industry faces these new requirements

under the ETS would place additional strains on the supply chain. The potential of labor shortages in our industry, and for our members' partners across the food industry, could dramatically increase as employees may exit to avoid these new requirements. To alleviate these concerns, we encourage the Administration and Congress to explore the opportunity to provide an exemption for those companies within the food supply chain to ensure our country and the world has reliable access to safe and high-quality food.

Supply Chain Capacity and Infrastructure

The food supply chain is interconnected and disruptions in one part of the chain have ripple effects upstream and downstream. It is important that the infrastructure of our ports for both imports and exports be modernized and automated to prevent the slow down or stoppage of commerce. Supply chain infrastructure for cold storage capacity is reliant on planned cycles of food producers harvesting produce and proteins. Supply chain disruptions continue to cause challenges to the efficient flow of import and export containers. In addition to negatively impacting the efficient movement of food through the chain, these disruptions to container availability and flow are also resulting in significant per diem, detention and demurrage charges outside of the control of our members. The disruption in flow of containers is also leading to added fuel and energy costs to keep refrigerated containers at the proper temperature to preserve food safety and quality while our members wait for the supply chain to move. In some cases, our members have been forced to use refrigerated trailers to be used for storage, as opposed to transportation, to hold product destined for export that has not been able to move do to port congestion. Supply chain disruptions have also caused increased costs related to critical materials and inputs and led to much longer lead times in procurement.

The food industry continues to experience significant challenges at port terminals. One of the major issues is a lack of land used to return empty containers. Currently, imports are exceeding exports on the west coast and in some cases, containers are returning to Asia empty, even though there is a large quantity of U.S. product destined for export that needs access to the containers. Predictable and consistent access to refrigerated containers will be critical to ensuring an efficient food supply chain in the future.

There are also challenges regarding the capacity for refrigerated transportation equipment. Current build times for key equipment are backed up to next year and prices are increasing due to raw material sourcing, component delays and current [COVID] restrictions. Trailer manufacturers are having to slow their lines down due to lack of availability of components needed to build the units. Raw material is not stable in pricing, so it is difficult for manufacturers to provide pricing to their customers. Demand is high and the lines are closed out for the entire 2021 year. These issues will continue to place a strain on the food supply chain.

It is important to note that industry cannot build a supply chain specifically designed to handle a pandemic, as a significant percentage of the cold chain capacity would be idle during normal times. Instead, we should look for ways to build flexibility and collaboration within supply chain to meet potential disruptions in the future. Both government and industry will need to work together to build flexibility and cooperation to fill those gaps in a state of emergency.

Shifts in Consumer Buying Patterns

Challenges with recent food supply disruptions presented by the pandemic were not due to a shortage of food in the U.S. Rather, disruptions were largely caused by consumers shifting how and where they were purchasing food.

Grocery (retail) and food service (restaurants) are the two main channels by which consumers access food. Both channels have very different requirements as to size of packaging, preparation, and distribution supply chain channels. According to a National Restaurant Association (NRA) report in January 2020, 51 percent of the U.S. Consumer dollar spend was at restaurants in 2019. At the beginning of the pandemic, the U.S. experienced what seemed like shortages in the grocery stores for two main reasons (1) abrupt shifting consumer buying patterns (2) surge buying.

In a matter of days, the U.S. consumer shifted from purchasing 50 percent of their food from restaurants to nearly 100 percent from grocery as the nation sheltered in place. Restaurant and grocery have two different channels (customer/vendor relationships) that do not typically crossover.

One of the challenges related to shifting consumer patterns is that current packaging practices are very different between food service and retail. For example, food processors package specifically for restaurants in much larger quantities such as 20 pound packages, while packages for retail are usually much smaller, such as 2 pound packages. In many cases, product in 20 lbs and 50 lbs packages could not

be used for retail and sat idle in cold storage facilities. This created the illusion of food shortages. Even today, some cold storage facilities have restaurant product that is still sitting in their warehouses.

We appreciate USDA and FDA providing regulatory flexibility to facilitate some shifting of product from food service to retail during the pandemic. We recognize there are some regulatory and even private-sector limitations to how product can be redirected. However, the future ability to redirect food products between channels will be imperative to mitigate the impacts of shocks to the supply chain.

Development of allowances in standards/regulations for low-risk food items to be converted from bulk to retail packaging during emergency situations could limit shortages, reducing waste and lost product. This could be done by building packaging option capacities at the food processor that transforms the food to have the capability to shift restaurant (bulk) packaging to consumer packaging so that they could shift to the different channels Grocery/Restaurant if needed. The issue could also be addressed at the end of the supply chain, where distribution centers or grocery stores could breakdown restaurant quantity packaging to consumer packaging.

Another challenge to the food supply chain was surge panic buying. It is important that U.S. consumers have confidence in the food supply chain and that product will reliably be on the shelves. Surge buying creates a bubble that takes time for food production and distribution to catch up. The problem is compounded as once shelves are bare, the consumers continue to surge buy when available which creates additional bubbles. Better end-to-end supply chain visibility would help provide stakeholders, government, and consumers the confidence in the cold chain distribution.

The shift in consumer patterns also impacts refrigerated transportation. Within cold chain transportation, equipment in distribution to the grocery and food service is very different in specifications and design. The workhorse of grocery is a 48′ to 53′ refrigerated trailer, as opposed to food service distributors that may require a 28′ or 36′ refrigerated multi-temperature trailer to distribute multiple stops in smaller areas. When these two channel competitors attempt to work together, the smaller refrigerated trailers due to their capacity make them harder to utilize in the grocery business. These two very different distribution channel segments will need to continue to communicate and work with one another to help ensure efficient asset utilization in the future.

Food Supply Chain Technology

Further advancements in supply chain technology and logistics need to be explored and implemented. Due to sourcing efficiencies that have been gained and supply chains getting longer, supply chains have become more vulnerable to disruptions. The lengthy and complex networks of contemporary supply chains make them difficult to regulate and manage. This is compounded with a linear disconnected supply chain of one up, one back where data resides in individual company systems that cannot be shared in the supply chain ecosystem. Visibility will be key to building a more resilient cold chain.

Digitization can be an important step to increasing the resiliency of the supply chain. The process would include marking, digitizing and utilizing data at the product level across the supply chain. The use of IoT markers, like RFID can automate the process without physically engaging the product, as well as provide economic benefits and improve visibility to the supply chain. This visibility would allow supply chain stakeholders to provide real-time inventory data, understanding when and where to surge or transform a product and provide consumer confidence in the supply chain to reduce future panic surge buying. In addition, the ability to scan and retrieve documents can remove friction along the supply chain.

With the increased reliance on technology across the food supply chain, the threats to cyber security become even more challenging. GCCA members ranging from single facility companies to companies with locations worldwide have been targeted with cyber-attacks. Those attacks, coupled with high profile incidents involving the meat and oil industries highlight the risks to the supply chain. GCCA encourages Congress and the Administration to work with industry to develop additional resources to assist the food industry in strengthening cyber security.

Limitations of USDA–FSIS Policies and Staffing

Staffing levels of FSIS personnel represent another capacity challenge for the cold chain. We greatly appreciate the dedication and commitment of FSIS employees during the pandemic to maintain inspection operations. However, even before the pandemic, our members have reported that an increase in FSIS inspection capacity would enable increasing in exports and imports of meat and poultry.

We urge the Department examine the possibility of increasing the number of FSIS inspectors who can support exports and imports across the country. We also recommend that inspectors be authorized to handle both export and import inspections. The current lack of inspection capacity is leading to inefficiencies in the supply chain. For example, some members have given up attempting to unload and inspect containers in the same day. As a result, they unload the container, palletize the cargo and put it away in the freezer to be presented for inspection at a later time when an inspector is available. This adds significant costs and inefficiencies to the supply chain.

We strongly recommend that FSIS reexamine the current "50 mile" rule that limits import inspections to facilities within 50 miles of a port of entry. This policy limits the number of available facilities to move product for inspection and creates significant bottlenecks at the ports moving cargo in and out.

Eliminating or modifying this policy would increase food supply chain capacity and throughput, thus strengthening the resiliency of the supply chain and helping alleviate congestion.

The availability of Federal veterinarians to sign export documents is another limiting factor for supply chain efficiency. While GCCA appreciates FSIS efforts to facilitate greater usage of electronic means for processing export documents, some countries maintain the requirement for wet signatures by veterinarians. In some cases, members drive over 150 miles each way to secure signatures, pay costly couriers to transport documents for signature, or utilize overnight shipping services. The current system places a strain on both industry and agency resources, creates delays, and causes costly inefficiencies.

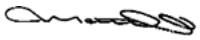
GCCA urges FSIS to work with countries to eliminate/modify wet veterinarian signature requirements and examine alternative methods for meeting signature requirements to improve the efficiency of exports through the food supply chain.

USDA Pandemic Relief Program Opportunities

GCCA members experienced, and continue to experience, significant added expenses as they work to maintain the viability of the food supply chain. GCCA has been encouraged by the potential funding opportunities that USDA has announced in the forms of loans and grants to food logistics companies to help strengthen the food supply chain for the future. However, additional details and implementation of the programs have yet to be released. The financial impacts of the pandemic have placed major constraints on the ability of our members to invest in facility improvements and capacity expansions. Resources were shifted away from capital budgets to address the extraordinary expenses incurred responding to the pandemic. Loans and grants should be made available as soon as possible to provide viable capital options so these companies can strengthen their infrastructure to meet future supply chain needs.

Thank you for the opportunity to provide testimony on behalf of GCCA and its members across the cold chain. The food supply chain has shown great resiliency throughout the pandemic, thanks to the efforts of essential workers. However, there are opportunities to address challenges and strengthen the food supply chain for the future. We stand ready to support Congress as it reviews the food supply chain and considers new policies, especially as you begin to craft the next farm bill. Please let us know how we can be a resource and support these important efforts.

Sincerely,



MATTHEW OTT, CAE, CMP *President & CEO.*

LETTER 2

ON BEHALF OF GRAHAM OWENS, CO-CHAIR, GOVERNMENT AFFAIRS COMMITTEE, NATIONAL INDUSTRIAL HEMP COUNCIL; PRESIDENT, DELTA AGRICULTURE

Hon. DAVID SCOTT,
Chairman,
Committee on Agriculture,
U.S. House of Representatives,
Washington, D.C.;

Hon. GLENN THOMPSON,
Ranking Minority Member,
Committee on Agriculture,
U.S. House of Representatives,
Washington, D.C.

Dear Chairman Scott and Ranking Member Thompson,

On behalf of the National Industrial Hemp Council (NIHC)—the only Washington, D.C.-based trade association in the hemp industry with a mission to protect consumer safety, the consumer's right to know and to create a hemp economy that works for everyone—I respectfully submit these comments for the record for the November 3, 2021, hearing entitled "The Immediate Challenges to our Nation's Food Supply Chain."

Producers of industrial hemp are dedicated to utilizing hemp and its natural environmental qualities to employ sustainable farming methods that will enable the United States to produce plant-based foods and animal feeds for generations to come. Regenerative agricultural practices and hemp's natural soil-building and carbon-sequestering properties will provide new tools for American Agriculture to deliver food for a growing population and bring stability to the Food Supply Chain in the United States. To this end, we applaud the Committee for holding this hearing and your ongoing leadership in ensuring all Americans have access to the food they need without compromising the health of American farmland.

One particular issue—and solution—we wish to draw this Committee's attention to is the ongoing global feed and grain shortage, which has been largely caused by worldwide drought. Congress has the opportunity to alleviate this situation through the utilization of our country's increasing supply of hemp grain and fiber (hereinafter "hemp"). As outlined in detail below and in *Appendix A,* we urge Congress to work with the appropriate regulators to authorize industrial hemp for use as a feed ingredient for animals not intended for human consumption or the creation of animal byproducts for human consumption—especially in the short-term to address the global feed shortage.[1] We further urge Congress to designate funding to better enable hemp producers and researchers to study the effects of hemp-based animal feed on livestock and animal products intended for human consumption, which, under this proposal, would still require approval by the U.S. Food & Drug Administration's Center for Veterinary Medicine (FDA–CVM) to ensure all safety standards are met.

Doing so would not only provide much needed relief to American farmers struggling to feed their livestock, but would also create jobs, support American farmers, and provide consumers access to healthy, affordable food.

A. Congress Must Act Now to Address Global Animal Feed Shortage

While Americans have only recently started to notice the increased prices of basic food staples like eggs, poultry, meat and milk, the writing has been on the wall for a long time among our nation's food suppliers. The winter storm that hit Texas this year wiped out about $600 million in food, not to mention $300 million in loss of livestock.[2] All of this is occurring while many western states and regions—including west Texas—are engulfed in extreme or exceptional drought.[3] These issues have only been exacerbated by the ongoing global pandemic, which itself has been a stress test for global food supply chains. These and other factors have collectively wreaked havoc on numerous supply chains and the effects will likely reverberate for years to come.

Few industries are feeling the impact more than the grain market, which is critical to maintaining the livestock Americans depend upon to keep affordable food on their tables. As highlighted recently by the *New York Times,* U.S. ranchers simply "can't grow enough feed for their cattle, so they're selling off the animals before they starve."[4] Simply put, the drought and resulting animal feed shortage is costing farmers their livelihoods, with ranchers that have spent their entire lives or generations building their cattle herds to now suddenly be forced to sell or cull herds because they simply don't have enough feed to maintain them.

The issue is so dire that even the nation's largest animal protein producers are struggling to find sufficient feed. In the effort to meet demand, many American protein producers and livestock farmers are importing vast quantities of grain. One

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[1] Nat'l Feed Consortium, *Hemp Animal Feed Proposal Overview* (2021) [*Appendix A*].

[2] *See, e.g.,* Hope Ngo, *Food Prices Will Continue To Rise in 2021. Here's Why,*† MASHED (Mar. 5, 2021), *https://www.mashed.com/349212/food-prices-will-continue-to-rise-in-2021-heres-why/*.

Editor's note: references annotated with † are retained in Committee file.

[3] *See* Danny Dougherty & Peter Santilli, *Drought's Toll on U.S. Agriculture Points to Even Higher Food Prices,* WALL STREET JOURNAL (July 1, 2021), *https://www.wsj.com/articles/droughts-toll-on-u-s-agriculture-points-to-even-higher-food-prices-11625137201*.

[4] Henry Fountain, *The Worst Thing I can Ever Remember: How Drought Is Crushing Ranchers,* N.Y. TIMES (Aug. 29, 2021) [*Appendix B*].

leading poultry provider was forced to secure more than 30,000 metric tons of Brazilian soybeans in order to feed its livestock.[5]

B. Hemp Provides the Best Available Solution to Alleviating the Hardships U.S. Farmers and Consumers Are Facing Due to the Feed Shortage, While Greatly Benefiting the U.S. Economy and Environment

Although the feed shortage is a global problem not unique to the United States, our nation is exceptionally situated to be a leader in solving the problem. And part of that solution can be found in the hemp plant—which ironically enough was illegal to grow in the U.S. until very recently. With a change in hemp's legal status should come a more concerted effort to use hemp to address the global livestock feed shortage.

It is projected that there will be *201 million pounds* of excess biomass in the supply chain prior to the 2021 planting season.[6] Thus, while the nation's farmers face a feed and grain shortage, there are literally millions of pounds of hemp plant material available right now to help feed cattle and other livestock.

Hemp has all the nutritional traits of other grains used for animal feed—and then some. To start, the FDA already evaluated and recognized hemp seed oil, hemp hearts, and hemp protein powder as "Generally Recognized as Safe" (GRAS) for human consumption.[7] Not only is it safe, but it is also one of the only complete plant proteins on the planet and is richer in nutrients than many compounds already consumed by our livestock, which is why you'll find hemp-based nutritional supplements and food products for human consumption in just about any grocery store.[8] Hemp feed is high in protein, contains high amounts of omega-3 and omega-6 fatty acids, and can be made into different forms of animal feed, including seed, oil, cake, meal, silage, and roughage. Several studies show that animals' health improved when fed hemp-based diets.[9]

Last, the hemp plant is uniquely situated to withstand the very droughts that created the grain and feed shortage now endangering our nation's food supply chain. Hemp needs little water, and therefore requires far less irrigation than corn, wheat, or soybeans.[10] The crop needs half as much water as cotton, and significantly less than almonds.

The industrial hemp industry stands ready to work with Congress, the U.S. Department of Agriculture, the Food and Drug Administration, and all relevant stakeholders to ensure that U.S.-grown hemp can safely and effectively help address the global feed shortage and provide much needed relief to U.S. meat producers. We all share the Committee's goal of ensuring that all Americans have access to sufficient food to meet their nutritional needs, and that consumers can trust that all hemp-derived animal feed is safe and nutritious.

Sincerely,

GRAHAM OWENS,
Co-Chair, NIHC Government Affairs Committee;
President, Delta Agriculture.

CC: Members of the U.S. House of Representatives' Committee on Agriculture.

[Appendix A]

[Hemp Animal Feed Proposal Overview]

NFC
NATIONAL FEED CONSORTIUM

ADVANCING POLICIES TO SUPPORT U.S. FARMERS, CONSUMERS, AND THE ENVIRONMENT.

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[5] *See* Fabiana Batista, Michael Hirtzer, & Isis Almeida, *Soy Buyers 'Left With [Virtually] Nothing' in U.S. Turn to Brazil,*† BLOOMBERG (May 20, 2021), *https://www.bloomberg.com/news/articles/2021-05-20/soy-buyers-left-with-virtually-nothing-in-u-s-turn-to-brazil*.

[6] Riley Rice, *Growers in Wasco County navigate a young and dynamic hemp industry,*† THE TIME-JOURNAL (Aug. 30, 2021), *https://timesjournal1886.com/growers-in-wasco-county-navigate-a-young-and-dynamic-hemp-industry/*.

[7] *See* U.S. Food & Drug Admin, *FDA Responds to Three GRAS Notices for Hemp Seed-Derived Ingredients for Use in Human Food*† (Dec. 20, 2018), *https://www.fda.gov/food/cfsan-constituent-updates/fda-responds-three-gras-notices-hemp-seed-derived-ingredients-use-human-food*.

[8] *See* Cathleen Crichton-Stuart, *Health Benefits of hemp seeds,*† MEDICAL NEWS TODAY (Sept. 11, 2018), *https://www.medicalnewstoday.com/articles/323037#_noHeaderPrefixedContent*.

[9] *See, e.g.,* L. Karlsson, M. Finell, & K. Martinsson, *Effects of Increasing Amounts of Hempseed Cake in the Diet of Dairy Cows on the Production and Composition of Milk,*† ANIMAL 4:11, pp 1854–1860 (2010), *https://doi.org/10.1017/S1751731110001254*.

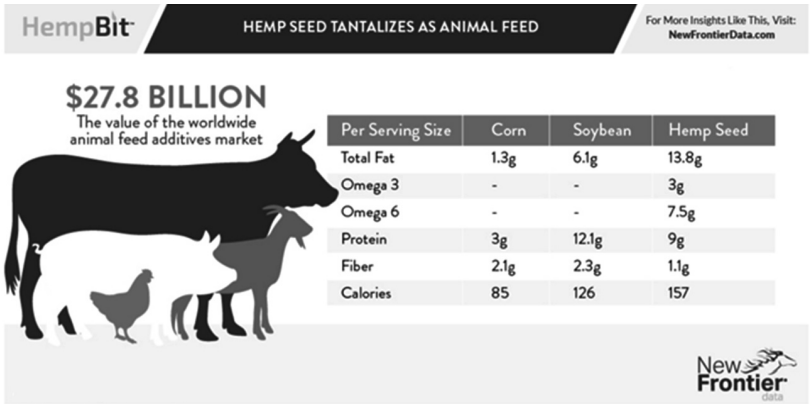
[10] *See* David Silverberg, *New heights but no high—why hemp sales are soaring,*† BBC (Mar. 7, 2019), *https://www.bbc.com/news/business-47400789*.

The National Feed Consortium (NFC) is a collection of businesses and thought leaders working together in a post-partisan fashion to advance policies that address the global animal feed shortage. NFC advocates for authorizing industrial hemp grain and fiber (hereinafter "hemp") for use as ingredients in animal feed and bedding in the United States. Hemp provides the best available solution to alleviating the hardships U.S. farmers and consumers are facing due to the feed shortage, while greatly benefiting the U.S. economy and environment.

Overview

- **NFC proposes policymakers start authorizing hemp for use as feed ingredients for animals not intended for human consumption** (*e.g.,* pets; specialty pets; exotic pets; ornamental fish; horses; livestock not intended for human consumption). Feed for livestock intended for human consumption would continue to require FDA–CVM approval to ensure all safety standards are met.
- **The global feed shortage is creating unprecedented competition for feed sources.** Animal feed is becoming so expensive it's upending global trade flows. Absent action from policymakers, consumers will feel it soon in increased prices.
- **This proposal furthers the development of feed regulations and does not avoid them.** Authorizing hemp as feed for non-production animals will enable U.S. regulators and industry stakeholders the opportunity to fully study its effects, fund additional research and develop long-term regulations based on sound science.

Why Hemp?



Per Serving Size	Corn	Soybean	Hemp Seed
Total Fat	1.3g	6.1g	13.8g
Omega 3	-	-	3g
Omega 6	-	-	7.5g
Protein	3g	12.1g	9g
Fiber	2.1g	2.3g	1.1g
Calories	85	126	157

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- **Hemp is a superfood!** Hemp has all the nutritional traits of other grains used for animal feed and then some. It is richer in nutrients than many compounds consumed by livestock. Hemp feed is high in protein, contains high*
- **Abundance of hemp in the United States.** There are millions of pounds of hemp grown over the past 2 years are bagged and ready for sale.

What Are the Additional Benefits of Hemp As Animal Feed & Bedding?

- **Dual cost benefit.** Use of domestic hemp for feed enables U.S. farmers to directly support U.S. ranchers while keeping food costs for consumers low.
- **Drought resistant.** Hemp needs little water, and therefore requires far less irrigation than corn, wheat or soybeans.
- **Increase U.S. competitiveness against global competitors.** China currently exports over 60% of the world's industrial hemp. In a struggle to meet traditional feed demand, many American operators are importing vast quantities of feed grain.

Dispelling Common Hemp Feed Myths

- **Hemp feed is not marijuana, cannabinoids, or even CBD.** While hemp has long been associated with its psychoactive cousin, marijuana, industrial hemp

*__Editor's note:__ the bulleted line is incomplete. It has been reproduced herein as submitted.

has none of the psychoactive traits. Under U.S. law, hemp cannot contain more than 0.3% THC (the compound most associated with getting a person "high"). *Animal feed comes from hemp grain and fiber and not from cannabinoid or CBD hemp.*

- **Yes, hemp has been found safe for consumption.** The U.S. Food & Drug Administration evaluated and recognized hemp seed oil, hemp hearts, and protein powder as "Generally Recognized as Safe" (GRAS) for human consumption.

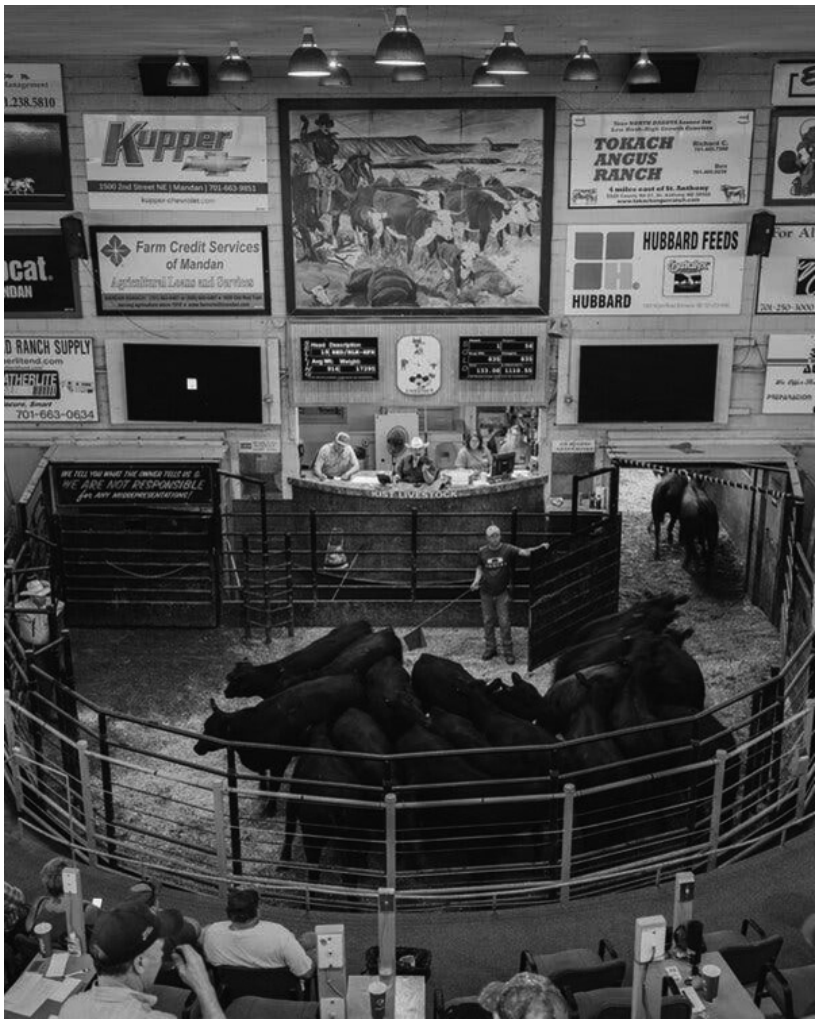
[Appendix B]

The New York Times

[*https://www.nytimes.com/2021/08/25/climate/drought-cattle.html*]

'The Worst Thing I Can Ever Remember': How Drought Is Crushing Ranchers

North Dakotans can't grow enough feed for their cattle, so they're selling off the animals before they starve.



A truckload of yearling steers from Tom and Kim Fettig's ranch at the Kist Livestock Auction in Mandan, N.D., last month.

By HENRY FOUNTAIN *
Photographs by BENJAMIN RASMUSSEN
Published Aug. 25, 2021 Updated Aug. 29, 2021

Towner, N.D.—Darrell Rice stood in a field of corn he'd planted in early June, to be harvested in the fall and chopped up to feed the hundreds of cows and calves he raises in central North Dakota.

"It should be 6′, 7′, 8′ tall," he said, looking down at the stunted plants at his feet, their normally floppy leaves rolled tight against their stalks to conserve water in the summer heat.

Like ranchers across the state, Mr. Rice is suffering through an epic drought as bad or worse than anywhere else in this season of extreme weather in the Western half of the country.

A lack of snow last winter and almost no spring rain have created the driest conditions in generations. Ranchers are being forced to sell off portions of herds they have built up for years, often at fire-sale prices, to stay in business.

Some won't make it.

"It's a really bad situation," said Randy Weigel, a cattle buyer, who said this drought may force some older ranchers to retire. "They've worked all their lives to get their cow herd to where they want, and now they don't have enough feed to feed them."

Since December, in the weekly maps produced by the *United States Drought Monitor,*[1] all of North Dakota has been colored in shades of yellow, orange and red, symbolizing various degrees of drought. And since mid-May, McHenry County, where Mr. Rice ranches and farms, has been squarely in the middle of a swath of the darkest red, denoting the most extreme conditions.

The period from January 2020 to this June has been the driest 18 months in McHenry and 11 other counties in the state since modern record keeping began 126 years ago, according to the National Oceanic and Atmospheric Administration.

"I've been ranching for 47 years and then this year had to come along," said John Marshall, who ranches with his son, Lane, not far from Mr. Rice in this sprawling county where the county seat, Towner, bills itself as the cattle capital of North Dakota. "It's the worst thing I can ever remember."

Drought conditions that are affecting *nearly half the land area of the lower 48 states*[2] are helping send beef prices higher in America's grocery stores. But ranchers here say they aren't seeing that money—slaughterhouses and other middlemen are. If anything, the ranchers said, they are losing money because they are getting less from the forced sale of their animals.

The Marshalls have already sold about 100 cows and plan to sell at least another 120, which would leave them with about ⅔ of their usual herd. "Never had to do it before," Mr. Marshall said.

Mr. Rice's corn, which is stored as silage to feed his animals later in the year, is so short that if he tried to harvest now it he couldn't. "It's unchoppable," he said.

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* *https://www.nytimes.com/by/henry-fountain.*
[1] *https://droughtmonitor.unl.edu/.*
[2] *https://www.nytimes.com/2021/08/25/us/drought.html.*

Darrell Rice, in an oat field on his ranch outside Towner, N.D., in late June, showed how high the crop would normally have been.

Corn stalks, curled, stunted and without cobs because of drought, on John and Lane Marshall's ranch.

If he gets some rain—a big if, as the forecast into the fall is for continued heat and dryness—the corn may reach 6′, or ½ its usual height. Even then he would be looking at a shortage of feed, and would very likely have to have his cows weighed at the communal ranchers' scale off Main Street in Towner and then sold to a buyer elsewhere.

"If we don't get silage," he said, "the cows are going to town."

Rachel Wald, who works for North Dakota State University advising and supporting ranchers, said that livestock auction houses, called sale barns, had been very busy this spring and summer. "We've got 2,000 critters heading down the road each week" in the county, she said. By some estimates, half the cattle in the state may be gone by fall.

For ranchers who have spent years building up the genetics of their herd, that can mean a giant step backward. "Every year we try to better our breed," said

Shelby Wallman, who with her husband, Daryl, has been ranching for decades in Rhame, in the southwestern corner of the state.

"It's a calling," she said. "You spend your entire life with these cattle. I can tell you, there's going to be tears."

North Dakotans have seen drought many times before. One in 1988 was particularly bad, although John Marshall and others who made it through that year said the current drought is worse.

Ranchers point to the variable nature of the climate here—where a dry year or 2 may easily be followed by a wet period—instead of talking about *climate change.*[3] Yet climate change is occurring in North Dakota, as it is everywhere else.

"We're at the epicenter of a changing climate," said Adnan Akyuz, the state's climatologist and a professor at North Dakota State University. The state has warmed by 2.4° Fahrenheit (about 1.3° Celsius) over the past century, he said. That's one of the largest increases in the United States.

Raking what little has grown on Shane Anderson's oat field outside Towner. At summer's end, the field will have produced less than half it would have in a normal year.

[3] *https://www.nytimes.com/2021/08/29/climate/climate-change-hurricanes.html.*

Rachel Wald of North Dakota State University tested levels of sulfates and total dissolved solids concentration in a watering hole on John Marshall's ranch.

North Dakota's climate is expected to become even more variable, with more extreme rainfall and heat. And as elsewhere, droughts are expected to grow in intensity and frequency.

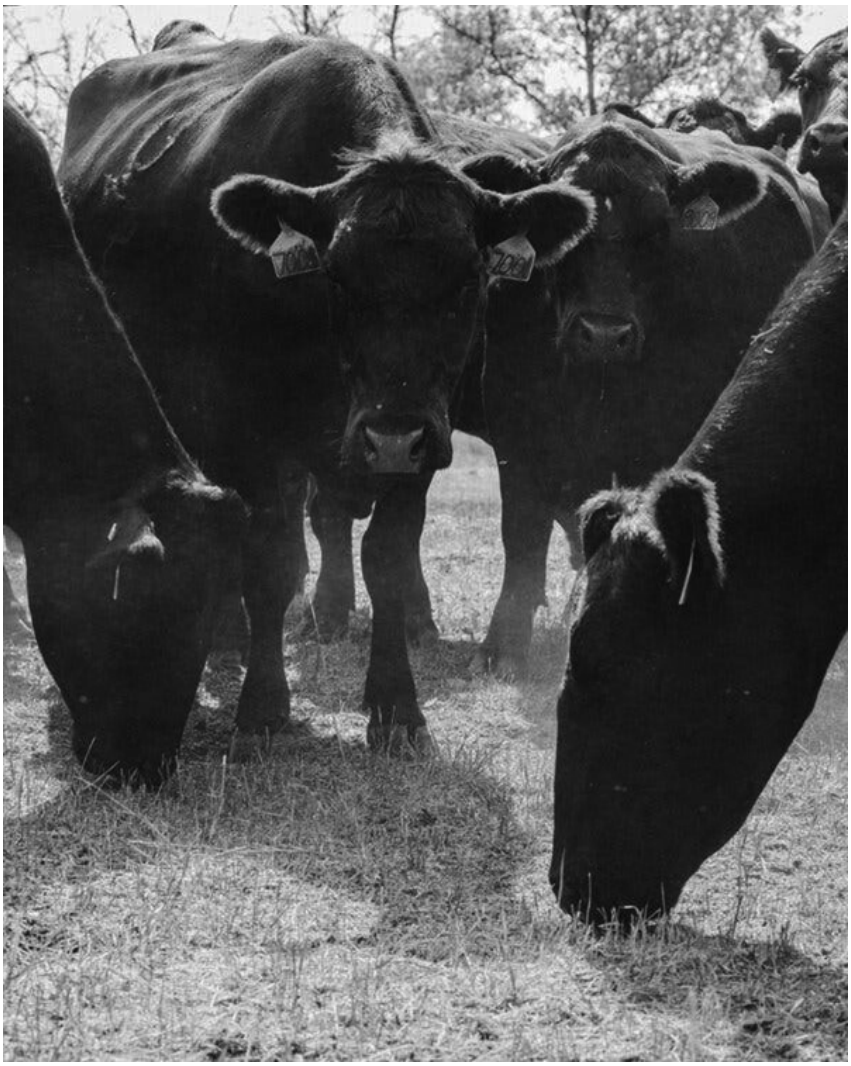
Conditions are highly variable in large part because North Dakota is so far from the oceans, which have a moderating effect on climate. When the state doesn't get moisture from them, it relies on local sources, including lakes, rivers and reservoirs, along with moist air that funnels into the region in late spring and summer from the Gulf of Mexico.

But that Gulf moisture did not arrive this year. And heat has dried up many of the local water sources. The result is air that sucks all the moisture it can from the soil and from plants.

Signs of drought-stressed vegetation can be seen across McHenry County. Stunted silage corn like Mr. Rice's is called pineapple corn, because the tight leaves make it look more like a pineapple plant. Elsewhere, soybean plants have flipped their leaves over to reduce photosynthesis and thus the need for water, giving them a paler green appearance.

And in the Marshalls' pastures, grass that would normally be green and reach the knee is brown and stubby.

Lane Marshall, speaking with his father, John, on their ranch. “It’s stuff you don’t want to do,” the elder Mr. Marshall said of selling off cattle.



Grazing on stubs of grass on the Marshall ranch.

The Marshalls rely on clean well water pumped into troughs for most of their cattle. But they and other ranchers also use watering holes, which collect snow runoff and rain. And as watering holes dry up, nutrients and other compounds in the water become more concentrated, which can sicken animals.

In one of the Marshalls' watering holes, the level had dropped by several feet. Ms. Wald, from the university, tested for sulfates and dissolved solids and told the Marshalls that the water was still good. But she noticed something else.

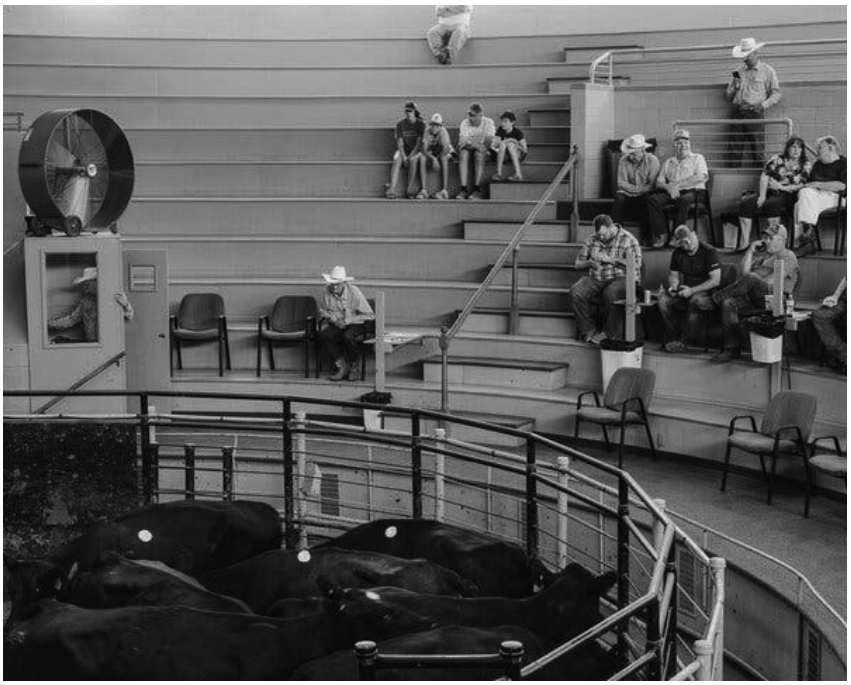
"Lane, one of the things I'd watch out for here is actually blue-green algae," she said. Amid the heat the organisms were flourishing and could eventually release toxins that could harm cattle. "If a bloom occurs you have to move the animals out of here and find them a new water source," Ms. Wald said.

Like other ranchers, the Marshalls have bought supplemental feed. But with the drought sending feed prices higher, at some point it makes more financial sense to sell animals.

That has kept auctioneers busy. At a recent sale at Kist Livestock Auction in Mandan, just across the Missouri River from Bismarck, ranchers in pickup trucks, trailers in tow, lined up to unload cattle they couldn't afford to keep.

Tom Fettig and his wife, Kim, were there with 60 yearlings, about half of a herd they were helping their son raise on the outskirts of Bismarck. The animals had been bought in February with the goal of fattening them until October, when they would be sold to a feedlot.

Tom Fettig looking over his family's steers before they went up for auction at the Kist Livestock Auction in Mandan last month.



Buyers and sellers at the Kist Livestock Auction on July 28.

The drought ruined those plans. "We've only had them out on pasture since June 1," Mr. Fettig said. "And there's nothing left."

Their hay crop has been abysmal as well. In a normal year they'd end up with 800 to 900 bales. So far this year they have only 21.

Inside the semicircular auction ring, the Fettigs sat on a bench and waited for their yearlings to come up for sale. They watched as a parade of other animals entered and the auctioneer, Darin Horner, rattled off prices in a droning hum. Weights and prices flashed on screens above the auctioneer's head.

"There's a nice set of steers right off the prairie," Mr. Horner announced as the Fettigs' animals crowded the ring in two groups of 30. They sold for about $1,250 apiece—perhaps $150 a head less, Mr. Fettig said, than if they'd been able to feed them all summer.

The Fettigs and John Marshall are fortunate in that their sons have followed them in the ranching business. But Jerry Kist, a co-owner of the auction barn, noted that older ranchers whose children have left the land were the most vulnerable in this drought, as were younger ranchers who don't have ranching parents they can rely on to help them become established.

"You just don't want to see these guys folding and selling their whole cow herd," Mr. Kist said.

Washing livestock in preparation for the North Dakota State Fair in Minot last month.

Henry Fountain specializes in the science of climate change and its impacts. He has been writing about science for *The Times* for more than 20 years and has traveled to the Arctic and Antarctica. *@henryfountain • Facebook*[4]

A version of this article appears in print on Aug. 26, 2021, Section A, Page 1 of the New York edition with the headline: *A State So Dry, Ranchers Are Selling Cows Before They Starve.*

LETTER 3

ON BEHALF OF KEVIN SCOTT, PRESIDENT, AMERICAN SOYBEAN ASSOCIATION

November 3, 2021

Hon. DAVID SCOTT,
Chairman,
Committee on Agriculture,
U.S. House of Representatives,
Washington, D.C.;

Hon. GLENN THOMPSON,
Ranking Minority Member,
Committee on Agriculture,
U.S. House of Representatives,
Washington, D.C.

Dear Chairman Scott and Ranking Member Thompson:

On behalf of the American Soybean Association (ASA), I write to thank you for holding today's hearing on "The Immediate Challenges to our Nation's Food Supply Chain" and welcome this opportunity to provide the Agriculture Committee with background on how current supply chain constraints are impacting our industry. ASA represents more than 500,000 U.S. soybean farmers on domestic and international policy issues important to the soybean industry and has 26 affiliated state associations representing 30 soybean-producing states.

From the COVID–19 pandemic to natural disasters, the past few years have led to major disruptions to the soybean industry. As you know, soybeans and all agricultural commodities rely on a multimodal network to move product to market. As

[4] *https://www.facebook.com/henryfountain.*

such, a strong supply chain built on reliable infrastructure systems represents the largest competitive advantage for American soybean farmers over our competitors in Brazil and Argentina. Unfortunately, the recent supply chain challenges that this hearing seeks to address related to transportation and infrastructure, input supply, and labor continue to negatively impact soybean growers and the agricultural industry as a whole; but we are thankful that the soybean supply is not one of these challenges.

Currently, the largest supply chain constraint facing the agriculture sector is an inadequate labor supply. While challenges exist throughout the supply chain, long-term commercial truck driver shortages have been compounded by COVID–19. Current estimates suggest that over 60,000 drivers are required just to meet current demands. Hurdles to hiring qualified drivers and a state patchwork of weight limits have further exacerbated market failures. Transportation costs to bring inputs to farms or haul farm goods have risen dramatically, due to both trucking constraints and dramatic increases in Mississippi barge and ocean-going vessel rates. These labor and transportation challenges continue to squeeze soybean farmers' margins.

We are also greatly concerned about disruptions to input supply chains, which have resulted in significant shortages and price hikes on essential products, such as fertilizer and pesticides. Soybean growers are dependent upon fertilizers to ensure plants receive proper nutrients throughout the growing season. Nitrogen, phosphorus, and potassium—the three major fertilizers utilized by soybean producers—have experienced significant price increases over the past year. Multiple factors have played a role in these price increases, including the COVID–19 pandemic, trade actions by the U.S. International Trade Commission, transportation costs, and global demand. ASA members who have been able to guarantee fertilizer availability for next planting season have relayed being quoted prices up to six times as high as they were in 2021. The price of monoammonium phosphate (MAP) is reported to be up by 72% this year. In other cases, retailers are not even able to guarantee these inputs will be available at all in spring 2022.

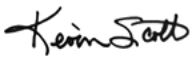
Major herbicides used on hundreds of millions of crop acres have seen similar challenges. In recent months some chemistries have experienced doubling in price or more, assuming supplies can be obtained at all due to shortages. While there are a number of factors that have impacted pesticide markets, such as labor shortages and natural disasters, we strongly urge regulatory agencies to first do no harm and not make the situation worse. Should regulatory changes occur for pesticide registrations that would result in significant product and variety demand shifts ahead of the 2022 growing season, it could inflict an even greater shock that supply chains would be unable to accommodate.

The supply chain challenges highlighted above underscore the unfortunate fact that prices have increased for soybean oil, as well as a number of other agricultural products. During this hearing, testimony suggested that the expansion of renewable fuels capacity is both inflating the price of soybean oil and creating rationing and shortage concerns for the food industry. The data tells a more complicated story. America's soybean growers are currently in the process of harvesting another record soybean crop—over 4.4 billion bushels—and are poised to meet market demands from both food and biofuels sectors. While soybean growers look forward to meeting increased demand from the biofuels sector in the future, the overall use of soybean oil for biofuels has not increased in 2021 compared to 2020 while domestic soybean oil supplies are projected to reach a record high by USDA.

While we expect to see an increase in soybean oil demand in the years ahead, we are excited about several announcements for new facilities or plant expansions that will increase domestic crushing capacity by about 13%. U.S. soybean growers are proud to play a part in offering a homegrown energy solution through biodiesel and renewable diesel and believe that we have the capacity to meet market demands for food, feed, fuel, and other soy-based products.

ASA appreciates your continued focus on supply chain challenges impacting the agricultural sector and your consideration of our comments. We look forward to continuing to work with the Committee to address the needs of soybean growers and the agricultural industry at large.

Sincerely,



KEVIN SCOTT,
President.

LETTER 4

ON BEHALF OF HON. STEPHANIE STUCKEY, CHIEF EXECUTIVE OFFICER, STUCKEY'S CORPORATION

November 2, 2021

Hon. DAVID SCOTT,
Chairman,
Committee on Agriculture,
U.S. House of Representatives,
Washington, D.C.;

Hon. GLENN THOMPSON,
Ranking Minority Member,
Committee on Agriculture,
U.S. House of Representatives,
Washington, D.C.

Dear Chairman Scott and Ranking Member Thompson:

Thank you for the opportunity to provide my perspectives at today's hearing on "Immediate Challenges to our Nation's Food Supply Chain". I am particularly grateful for the opportunity to cross paths again with Chairman Scott, a former Georgia State Legislature colleague of mine and my father Billy's.

As the Chairman knows, Stuckey's, the multi-generational family-run small business that I currently operate, is part of the fabric of Georgia, creating jobs and lasting memories throughout the state and the entire Southeast. My grandfather Sylvester founded Stuckey's as a roadside pecan stand along Highway 23 in Eastman, Georgia in 1937. He traveled the state, buying pecans from local farmers to sell at his stand, along with local honey and souvenirs. My grandmother, Ethel, added her delicious homemade candies—southern delicacies like pralines, Divinities, and our iconic Pecan Log Rolls.

Today, I am proud to carry on the legacy Sylvester and Ethel built, and while our business is always on the lookout for opportunities to grow, we face several challenges—some that existed before the COVID–19 pandemic, and some that have been exacerbated by it.

One of our major supply chain challenges is the perpetual problem of the U.S. Sugar Program, which adds significant supply and cost pressures to my business and so many other food manufacturing businesses across the country. The U.S. Sugar Problem severely restricts the supply of sugar in the United States to artificially inflate prices. American businesses that rely on a steady supply of sugar to make their products always pay more, sometimes two to three times more, than what our competitors pay for sugar on the global market.

The United States does not and cannot grow enough sugar to meet demand. Yet, under current law, in times of sugar shortage, domestic sugar producers and processors are restricted from expanding output because they are subject to legally binding marketing allocations. Even worse, sugar imports are not permitted to meet demand because they are subject to strict import quotas, and the government's hands are tied by law from taking steps on the world market to increase import allocations from countries with excess sugar.

Sugar is a major commodity used in billions of dollars of food manufacturing, yet Federal statute severely restricts the supply of sugar, and prevents regulators from making real-time decisions to increase supply and prevent shortages. We at Stuckey's have felt this problem more acutely this year than ever before. In fact, one of our main suppliers has suffered serious shortages and delays in getting us one of our main ingredients because they do not have access to enough sugar. As the Committee considers solutions to supply chain problems, I strongly encourage you to reform the U.S. Sugar Program.

In addition, we are also dealing with increased costs and delays in shipping, and difficulties getting the raw ingredients needed to make our many products. Perhaps our largest supply chain issue right now has been securing a manufacturing workforce. We are hiring constantly and investing in training only to have the new trainees leave before our 90 day introductory period has ended. The labor force issue has deeply limited our ability to pursue new sales and grow our business, and I encourage Congress to invest in workforce development programs to address these problems.

Thank you, Chairman Scott and Ranking Member Thompson, for your tremendous leadership, and for the opportunity to offer these comments for your consideration. I am grateful for the Committee's interest in my perspective on the many supply chain challenges this country faces.

Sincerely,

STEPHANIE STUCKEY,
Chief Executive Officer,

Stuckey's Corporation.

SUBMITTED COMMENT LETTER BY HON. DAVID SCOTT, A REPRESENTATIVE IN CONGRESS FROM GEORGIA; AUTHORED BY AGRICULTURAL TRANSPORTATION WORKING GROUP

October 18, 2021

Hon. PETE BUTTIGIEG,
U.S. Department of Transportation
Washington, DC 20590–0001

RE: Docket No. DOT–OST–2021–0106

Dear Secretary Buttigieg:

The associations that make up the Agricultural Transportation Working Group (ATWG) submit this statement in response to the U.S. Department of Transportation's (USDOT) request for information that will be used to prepare a report for President Biden on supply chains for the industrial base.

The undersigned agricultural producer, commodity, agribusiness and food-related national organizations respectfully request the Biden Administration's support to advance transportation infrastructure and policies for truck, rail, waterways and ports that will enhance the efficient and cost-effective transport of agricultural and food products. The farmers, ranchers, food and beverage manufacturers, processors, package suppliers, farm supply dealers and agricultural product marketers that comprise our collective memberships are dedicated to providing safe, abundant, affordable and sustainably produced human and animal food, fiber and other agricultural products that directly benefit U.S. and global consumers and contribute significantly to U.S. economic growth and trade. Importantly, they also support and sustain millions of American jobs, many in rural communities.

The COVID–19 pandemic and subsequent surge in consumer demand has resulted in major supply chain disruptions, including in the food and agricultural supply chain. The disruptions are ongoing, and the work performed by President Biden's Supply Chain Disruptions Task Force that is co-chaired by the Secretaries of Transportation, Agriculture and Commerce is important to support resilient, diverse, and secure supply chains. Such supply chains are buttressed by strong transportation infrastructure and flexible policy and are needed to ensure America's farmers, ranchers, commodity handlers, processors and food manufacturers can reliably deliver high-quality, cost-effective products to domestic and global consumers.

More needs to be done to institutionalize the lessons that are being learned from the pandemic to ensure resiliency of the food and agricultural supply chain. We respectfully offer for your consideration the following recommendations:

Labor

Presently, inadequate labor availability is the largest supply chain constraint facing the U.S. agricultural industry. ATWG members are unable to fill open positions throughout the production, transportation, warehousing, and processing phases of the supply chain. These shortages are directly impacting our members' ability to meet consumer demands. Not only does a labor shortage make it difficult to keep pace with open positions, but it also makes it more challenging to add shifts to keep pace with increasing demand for agricultural products. The lack of access to labor threatens operations and supply chain resiliency and leads to lost productivity and higher prices for food and agricultural products along the supply chain.

During the pandemic, as agriculture continued to operate while also prioritizing the health and safety of their employees, the shortages of personal protective equipment, disinfectants, and other COVID–19 mitigation tools created challenges. In planning for the next crisis, the U.S. Government should ensure that the food supply chain continues to be deemed essential and receives priority access to necessary supplies in future response plans. Furthermore, the U.S. Government should consider efforts to create national stockpiles of supplies, such as respirators and face masks which are required for application of certain pesticides.

Specifically, within DOT's jurisdiction, policies to increase trucking productivity would be helpful as would harmonizing the Federal truck driving age limit with the state age limit to provide a more accessible pathway into the trucking industry for drivers aged 18–20.

Another specific concern is how a forthcoming Emergency Temporary Standard (ETS) regarding vaccines is implemented. We support the use of vaccines to fight the spread of COVID–19, but as announced, the ETS could cause serious labor dis-

ruptions for agribusinesses. We encourage the Administration to continue to recognize the critical infrastructure status of the food and agriculture sector and provide flexibility for agricultural employers to avoid the negative effects a vaccine mandate would have on the efficiency and reliability of the agricultural supply chain. We would like to partner in developing solutions and educational programs that will expand the number of vaccinated workers without introducing additional risks to the agricultural supply chain.

Climate Policy

The ability for the U.S. food and agricultural sector to continue as the world's largest hinges on the availability of cropland to produce raw agricultural commodities. The production of raw agricultural commodities is the beginning and most important part of the food and agricultural supply chain. An abundant, affordable, sustainable, and wholesome supply of raw agricultural commodities is a prerequisite for the remaining steps in the food and agricultural supply chain.

Due to the inherent linkage between the first step in the food and agricultural supply chain, the production of raw agricultural commodities, and the climate change policies that are under consideration, the ATWG urges the Transportation, Agriculture and Commerce Departments to assess their climate change policies and supply chain policies in tandem. Policies that idle cropland and reduce U.S. agricultural output result in less U.S. agricultural market share and harm rural economies.

As an alternative to cropland idling climate change polices, the ATWG urges the U.S. Department of Agriculture (USDA) to prioritize Federal resources toward working land programs to achieve large environmental and economic benefits by incentivizing broader adoption of best management farming and ranching practices across potentially hundreds of millions of our nation's best acres for agricultural production.

Transportation Policy and Infrastructure

The ATWG recommends strengthening U.S. freight transportation policy and infrastructure to help ensure there are many efficient ways for agricultural commodities and products to flow throughout the agricultural supply chain. The ATWG believes the U.S. freight transportation system can be strengthened through the following ways:

1. Adopt solutions to better balance the needs of ocean carriers with the needs of our agricultural exports.
2. Increase Federal investment to modernize U.S. inland waterways locks and dams—particularly those on the Upper Mississippi River and Illinois River (UMR–IR) System—and fully utilizing the Harbor Maintenance Trust Fund for its intended purpose of dredging U.S. ports and harbors.
3. Foster increased competition among freight railroads and other transportation modes, provide a better method for challenging unreasonable rail rates and require railroad carriers to provide increased access to railroad service data to enhance agricultural supply chain operations.
4. Increase motor carrier capacity through regulatory reform and legislative change and investing strategically in rural roads and bridges through collaboration with states.

Container Shipping

We are supportive of efforts to better balance the needs of ocean carriers with the needs of our agricultural exports. Concerns over ocean carriers and terminals practices at U.S. ports include ignoring the Federal Maritime Commission's existing demurrage and detention guidelines, making containers unavailable to carry agricultural export cargo, canceling or refusing export container bookings and a persistent lack of timely notice of changes to U.S. shippers.

The lingering effects of the COVID–19 pandemic's shock to global trade have resulted in a backlog of container ships waiting to unload outside the West Coast's most critical shipping ports. Ongoing congestion and related logistical obstacles threaten U.S. farmers' and ranchers' ability to meet much-welcome increases in foreign demand for our products.

Elevated imports and exports have caused considerable congestion both on water and land as the ports fill with the extra containers. To avoid congestion and to get containers back to Asia as quickly as possible so that they can be refilled with more import goods, there has been an increase in the shipment of empty containers out of the West Coast ports. Some consider it more efficient to ship empty containers,

rather than waiting for export goods to be loaded, which has led to a significant decline in the number of containers available to agricultural exporters.

Across California's three major ports, the shipment of empty containers jumped 56% from an average of 1.16 million TEUs (20′ equivalent units) in the first quarters of 2018–2020 to 1.81 million TEUs in the first quarter of 2021. Compared to the first quarter of 2020 alone, the first quarter of 2021 represents an 80% increase in empty export container units. At the Port of Los Angeles, in 2021, through July, nearly 75% of all exported containers were empty. Accessibility to export containers has been further limited by record shipping costs and harmful surcharges. With these factors combined, the ability for farmers and ranchers to fulfill oversees contracts has been significantly impacted, with some estimations nearing $1.5 billion in lost agricultural exports.

All these harmful patterns are contributing to supply chain dysfunction, increased costs for U.S. agricultural exporters and preventing U.S. shippers from capturing export opportunities. The ocean shipping industry has vastly changed in recent years, increasingly to the detriment of U.S. exporters.

Inland Waterways

A modern, efficient inland waterways transportation system (locks and dams) is critical to U.S. agriculture and the entire U.S. economy. Our nation's inland water navigation system is a low-cost and environmentally sustainable way to get crop inputs, such as fertilizer and farm supplies, to farmers and for delivering harvests, such as grains and other crops, to domestic and international markets. In 2020, the United States exported 29 percent of its grains and oilseeds. Of this quantity, more than half transited the Mississippi River System, while 29 percent moved through the Columbia-Snake River System in the Pacific Northwest, and five percent was shipped through the Texas Gulf. U.S. agricultural exports traditionally contribute a nearly $15–$20 billion surplus to the U.S. balance of trade, as well as provide upwards of 20 percent of U.S. farm income.

Unfortunately, most locks on the UMR–IR System were built in the 1930's and have long surpassed their projected 50 year design life. These locks were built when 600′ locks were the standard. Today, a full barge tow is 1,200′ so upgrading this aging infrastructure is a necessity and will strengthen U.S. agricultural competitiveness and the resilience of the country's supply chain. A 2016 study by the University of Tennessee and funded by USDA, looked at two locks along the UMR–IR and found that unscheduled outages would result in the loss of 12,500 jobs and reduce economic activity by $4.2 billion.

Another significant study issued in August 2019 and conducted by Agribusiness Consulting (formerly Informa Economics) under a contract with the USDA Agricultural Marketing Service, entitled "Importance of Inland Waterways to U.S. Agriculture", quantified both the critical connection between the inland waterways and the competitiveness of American agriculture in global markets, as well as the economic costs of delaying renovation of America's river transport network.

Among other things, the study found that the inland waterways system saves between $7 billion to $9 billion annually over the cost of shipping by other modes (values based on all goods currently being moved on the water compared to the same volume transported by rail). It also found that every dollar of waterways activity output results in $1.89 in additional U.S. economic activity directly related to the waterways.

Most significantly, the study found that compared to the status quo, increasing investment in the inland waterways system by $6.3 billion over a 10 year period (through 2029) and $400 million per year thereafter through 2045 cumulatively would grow the waterways' contribution to U.S. gross domestic product by 20 percent (to $64 billion) and increase waterways-related employment by 19 percent, to 472,000 jobs. The study says this option would more than offset the cost of completing all the proposed projects and would increase the market value of U.S. corn and soybeans by $39 billion. Conversely, reduced investment would decrease the market value of those commodities by $58 billion.

In addition to the economic and competitiveness enhancing benefits of the inland waterways transportation system, the environmental and energy efficiency qualities must also be recognized. According to a 2017 study by the Texas A&M Transportation Institute prepared for the National Waterways Foundation, barge transportation produces the least amount of CO_2 emissions compared to rail (30% more) & truck (1,000% more). Further, a 15-barge tow can carry the same amount of cargo as 1,050 semi-trucks or 216 railcars. Barge transportation is the most fuel-efficient form of surface transportation and policymakers should prioritize the modernization of U.S. locks and dams in any infrastructure bill as well as the annual appropriations process.

Specifically, the ATWG urges support for the funding and construction of the top 15 lock and dam projects identified by the Army Corps of Engineers in the 2020 Capital Investment Strategy (CIS). The CIS outlines a scenario where all 15 projects could be constructed in 10 years at a cost of $7 billion. This includes seven additional 1,200′ locks on the Upper Mississippi River and Illinois Waterway as part of the Navigation Ecosystem Sustainability Program (NESP). Lock and Dam 25 on the Upper Mississippi River is part of NESP, and the top ranked new construction start on this list of 15 priority projects. The ATWG urges USDA to continue to reinforce with Congress and the Office of Management and Budget, the importance of funding and constructing the NESP locks and dams to bring U.S. inland waterways transportation into the 21st century.

Rail Competition and Service

Rail transportation remains an important mode for transporting agricultural products, even though its modal share has declined significantly. While truck and water transportation are often viewed as potential competitors to rail, they have significant limitations that prevent them from providing effective competition on all but a narrow range of movements. Water transportation cannot compete with rail except for traffic moving between an origin and destination on a navigable waterway. Truck transportation is significantly less efficient than rail, making it uncompetitive except for short distances. Today, four railroads haul more than 90 percent of all freight rail traffic and rail rates[1] have crossed a threshold that can make truck transportation the only viable option for many shippers.

Rail carrier implementation of large cost-cutting initiatives, such as so-called precision scheduled railroading (PSR), have disrupted rail service to many agricultural shippers. PSR focuses on removing network capacity in rail carrier operations to increase their operating-ratio profits. The loss of this capacity generally results in poor service for shipping and receiving customers and removes substantial rail network elasticity. This can turn an upward change in demand or a weather event into a severe and long-lasting disruption to service. The removal of capacity through PSR may make the rail carriers slightly more profitable but it comes at a high cost for rail customers in the agricultural sector.

The ATWG believes it is necessary to seek all available options to increase competition among freight railroads and other transportation modes and provide shippers and receivers with increased access to railroad service information to enable informed business and capital investment planning.

The Surface Transportation Board (STB) can increase competition among railroads by finalizing a long-pending proceeding on reciprocal (also referred to as "competitive") switching. Competitive switching will enable shippers and receivers that are captive to one rail carrier, but are near a second rail carrier, to gain access to the second carrier via a short distance switch.

For shippers and receivers that are not close to a second rail carrier to benefit from competitive switching, there is a rulemaking underway at STB—known as the Final Offer Rate Review—that the ATWG hopes will result in a more streamlined, simplified, and less costly process for challenging unreasonable rail rates.

Last, greater access to rail carrier data is needed by shippers and receivers to help optimize their supply chain operations. The ATWG commends STB for requesting information on first-mile/last-mile rail service, which is an often overlooked, but extremely important area in the agricultural supply chain.

While STB has jurisdiction over disputes related to railroad service and rates, there are some areas where the USDOT can help. The DOT has delegated authority to the rail industry via the Association of American Railroads (AAR) Tank Car Committee (TCC). For many years, shippers have been trying to work with AAR and DOT to reform the processes of the TCC. Historically, TCC has imposed measures on shippers that raise serious concerns about the extent of TCC authority. While this is a complicated issue, to date, DOT has not responded to a shipper-industry petition filed in 2016 on this matter.[2] In recent years, regulatory actions imposed or initiated by the TCC, without a cost-benefit analysis, have raised shipping costs for the fertilizer industry by millions of dollars. DOT can and should make an effort to reform the AAR Tank Car Committee.

Motor Carrier Freight Transportation Efficiency

The ATWG believes supply chain resiliency can be enhanced by strengthening the motor carrier freight transportation sector through streamlined and cost-effective

[1] Rail rates to ship anhydrous ammonia, which is a key ingredient for 75% of the essential fertilizers utilized by farmers, have increased over 200% in the past 20 years.

[2] Petition No. P–1678; Docket No. PHMSA 2016–0093.

regulatory and/or legislative policy. To increase transportation capacity and efficiency of this sector, the ATWG recommends the following regulatory and legislative policies:

1. Adoption of policies to mitigate the ongoing truck driver shortage, such as removing the commercial driver's license (CDL) restrictions on drivers aged 18–20 that creates an obstacle to recruiting a new generation of drivers into the industry. There are 49 U.S. states that allow 18 year olds to obtain a CDL, but Federal law prohibits them from driving across state lines until they are 21. The ATWG is supportive of pathways that include additional training to bring more drivers aged 18–20 into the industry.
2. With the challenges facing supply chains and a shortage of drivers, we continue to see bottlenecks, supply constraints and increased costs when moving goods across the country. As we saw in the early days of the pandemic, much of the agriculture supply chain relies on just-in-time delivery. This is also extremely important when considering the need for animal feed, farm supplies to arrive at the appropriate time during planting season as well as completing harvest before crops spoil or the season ends. It is also critical that we can safely transport our live animals and insects to their destinations without delay.

   We recommend that USDA and USDOT continue to coordinate to ensure agricultural haulers and the rest of the trucking industry have the flexibilities needed to provide timely delivery of essential products. Flexibilities such as relief from Hours-of-Service requirements have been critical over the last 18 months. Our industry has proven that we can maintain a high level of safety while also efficiently delivering wholesome and affordable food to the American consumer.
3. Adoption of a 10% axle tolerance for dry bulk shipments. This bipartisan policy, supported by Rep. Anthony Brown (D-Md.) and Rep. Mike Gallagher (R-Wis.), was included in *H.R. 3684,** the INVEST in America Act.

   Load shifts during transport can result in tickets for drivers because a portion of the truck becomes heavier than allowed under current law, even though the overall truck weight is below the Federal truck weight limit of 80,000 pounds. The ATWG supports this policy already adopted by 38 states on state/county roads that authorizes an axle weight tolerance to account for this shifting during transport.
4. Adoption of a pilot program to achieve economic and environmental efficiencies through a modest increase in Federal truck weight limits.

   Lower Interstate Highway System truck weight limits relative to state road truck weight limits are a barrier to economic and environmental efficiency. The 80,000-lbs. gross vehicle weight (GVW) limit on Interstate Highways has been in place since 1982 despite major advancements in vehicle safety and paving technology.

   If a state's truck weight limit for its roads is 91,000 pounds and the Interstate Highway weight limit is 80,000 pounds, and the route includes an Interstate Highway then the driver's utilized freight limit is only 80,000 pounds. This can prevent trucks from utilizing the best shipping route if it includes Interstate Highways, which are our nation's safest and best built and maintained roads. A tractor-trailer combination loaded to 80,000 pounds carries approximately 50,000 pounds of freight. At 91,000 pounds, the tractor-trailer combination carries about 60,000 pounds of freight, amounting to about a 20 percent increase in freight efficiency and an associated reduction in its carbon footprint.

   The ATWG urges authorization of an opt-in pilot program to modestly increase truck weight limits by allowing 91,000-lb., six-axle vehicles on Federal Interstate Highways in ten states. This configuration complies with the Federal bridge formula and is shown to have better braking capacity than 80,000-lb., five-axle trucks.

   In March 2020, Congress provided states with the option to determine truck weight limits for 120 days through Section 22003 of the CARES Act and the ensuing trucking efficiencies were gained safely.
5. Maintaining the existing minimum financial liability coverage level for motor carriers. Efforts to increase liability insurance for motor carriers beyond the

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* *https://www.congress.gov/bill/117th-congress/house-bill/3684?q=%7B%22search%22%3A%5B%22H.R.+3684%22%5D%7D&s=1&r=1.*

current $750,000 level will increase freight costs without any known safety benefits. Annual premiums for each truck are already significant at about $5,000 per year. Whereas the minimum automobile liability insurance for most states is less than $100,000, which is inequitable to the $750,000 minimum for truck financial liability. Raising the minimum financial liability coverage level for motor carriers will increase the already inequitable difference between coverage for automobiles and motor carriers.

6. Support necessary reforms to modernize the Farm-Related Restricted CDL program, which has currently been adopted by 24 states. The Farm-Related Restricted Commercial Driver's License (CDL) or more commonly referred to as the "Seasonal Ag CDL" program has been an essential seasonal program for farm-related service industries since 1992. These industries have a very strong transportation safety record and it has not been diminished since these Federal regulations have been in place. The Seasonal Ag CDL program has helped promote economic growth for America's agricultural industries serving the essential needs of farmers during the busy planting and harvesting seasons. Due to challenging weather events, the increase in crop production diversification, technological advances and weight increases in light duty pickup trucks and agricultural equipment over the past several decades, it is necessary to modernize the Federal regulations providing the framework for these state administered programs. The temporary shutdown of the state Department of Motor Vehicles offices throughout the nation during the height of the [COVID–19] pandemic also caused major disruptions for farm-related service industries and their rural communities.

   More flexibility is needed and can be provided by expanding the total days allowed to utilize Farm-Related Restricted CDL drivers by up to 270 days to accommodate for the longer seasons, which can fluctuate from year to year due to climate change as well as more diversified crop production. Individual states would maintain the ability to set the seasons these days could be utilized by the industry. The new 12 month seasons restart should occur each calendar year on January 1 to prevent any overlap of seasons from the previous year and the requirement for an in-person seasonal renewal should be eliminated.

Concluding Statement

The ATWG commends the Departments of Transportation, Agriculture and Commerce for seeking ways to support resilient, diverse, and secure supply chains to help ensure U.S. economic prosperity and national security. Such supply chains are needed to ensure America's farmers, ranchers, commodity handlers, processors and food manufacturers can reliably deliver high-quality, cost-effective products to domestic and global consumers.

The ATWG's most pressing recommendation is to address labor availability, which is among the largest supply chain constraints facing the agricultural sector. The lack of access to labor threatens operations and supply chain resiliency and leads to lost productivity and higher prices for food and agricultural products along the supply chain. Specifically, within DOT's jurisdiction, policies to increase trucking productivity would be helpful as would harmonizing the Federal truck driving age limit with the state age limit to provide a more accessible pathway into the trucking industry for drivers aged 18–20.

Further, the ATWG recommends USDA agencies collaborate on their climate change and supply chain polices due to their inherent linkage to the production of raw agricultural commodities—the first step in the food and agricultural supply chain and the most likely step to be impacted by climate change policies. As an alternative to cropland idling climate change polices, the ATWG urges USDA to prioritize Federal resources toward working land programs to achieve large environmental and economic benefits by incentivizing broader adoption of best management farming and ranching practices.

The ATWG supports strengthening U.S. freight transportation policy and infrastructure to help ensure there are many efficient ways for agricultural commodities and products to flow throughout the agricultural supply chain. The ATWG believes the U.S. freight transportation system can be strengthened through the following ways:

1. Adopt solutions to better balance the needs of ocean carriers with the needs of our agricultural exports.
2. Increase Federal investment to modernize U.S. inland waterways locks and dams—particularly those on the UMR–IR System—and fully utilizing the

Harbor Maintenance Trust Fund for its intended purpose of dredging U.S. ports and harbors.

3. Foster increased competition among freight railroads and other transportation modes, provide a better method for challenging unreasonable rail rates and require railroad carriers to provide increased access to railroad service data to enhance agricultural supply chain operations.
4. Increase motor carrier capacity through regulatory reform and legislative change.

Thank you for this opportunity to provide information that will be used to prepare a report for President Biden on supply chains for the industrial base. We believe our responses provide ideas to support supply chain policies that will allow U.S. farmers, ranchers, commodity handlers, processors, and food manufacturers to reliably deliver high-quality, cost-effective products to domestic and global consumers.

We look forward to working with you to support U.S. agriculture's adoption of resilient, diverse, and secure supply chain practices.

Sincerely,

Agricultural Transportation Working Group

Agricultural and Food Transporters Conference
Agricultural Retailers Association
Agriculture Transportation Coalition
Amcot
American Beekeeping Federation
American Farm Bureau Federation
American Feed Industry Association
American Frozen Food Institute
American Pulse Association
American Seed Trade Association
American Sheep Industry Association
American Soybean Association
Corn Refiners Association
Farm Credit Council
Fresh Produce Association of the Americas
Growth Energy
Hardwood Federation
Institute of Shortening and Edible Oils
International Dairy Foods Association
Livestock Marketing Association
National Aquaculture Association
National Association of Wheat Growers
National Barley Growers Association
National Cattlemen's Beef Association
National Corn Growers Association
National Cotton Council
National Council of Farmer Cooperatives
National Grain and Feed Association
National Grange
National Grocers Association
National Milk Producers Federation
National Oilseed Processors Association
National Potato Council
National Sorghum Producers
National Sunflower Association
North American Millers' Association
North American Renderers Association
Pet Food Institute
Specialty Soya & Grains Alliance
The Fertilizer Institute
United Dairymen of Arizona
United Fresh Produce Association
United States Cattlemen's Association
USA Dry Pea & Lentil Council
USA Rice
U.S. Canola Association
US Dry Bean Council
U.S. Pea & Lentil Trade Association
U.S. Poultry & Egg Association
Waterways Council, Inc.
WineAmerica

SUBMITTED STATEMENTS BY HON. DAVID SCOTT, A REPRESENTATIVE IN CONGRESS FROM GEORGIA

STATEMENT 1

ON BEHALF OF JULIE ANNA POTTS, PRESIDENT AND CHIEF EXECUTIVE OFFICER, NORTH AMERICAN MEAT INSTITUTE

On behalf of the North American Meat Institute (NAMI or the Meat Institute) based in Washington, D.C., 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.*[i] 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,

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[i] *https://www.meatinstitute.org/ht/display/ReleaseDetails/i/192863/pid/287.*†
Editor's note: references annotated with † are retained in Committee file.

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.*[ii]

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.[1]

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*[iii] before this Committee on October 7. Without a steady, reliable workforce, plants do not run efficiently and production declines. Labor is capacity.

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

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[ii] *https://sdgs.un.org/goals.*

[1] Beef Checkoff, *Hindsight 2020: Retail and Foodservice Trends Through the Pandemic* (*https://www.beefitswhatsfordinner.com/retail/sales-data-shopper-insights/pandemic-market-trends*),† accessed November 2021.

[iii] *https://docs.house.gov/meetings/AG/AG00/20211007/114110/HHRG-117-AG00-Wstate-LegerF-20211007.pdf.*†

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)*[iv] 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

[iv] *https://www.meatinstitute.org/ht/display/ReleaseDetails/i/186143/pid/287.*†

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.

STATEMENT 2

ON BEHALF OF NATIONAL COTTON COUNCIL

Market & Supply Chain Disruptions Facing U.S. Cotton Merchandisers and Other Cotton Industry Segments

The NCC is the central organization of the United States cotton industry. Its members include producers, ginners, cottonseed processors and merchandizers, merchants, cooperatives, warehousers and textile manufacturers. A majority of the industry is concentrated in 17 cotton-producing states stretching from California to Virginia. U.S. cotton producers cultivate between 10 and 14 million acres of cotton with production averaging 12 to 20 million 480 lb bales annually. The downstream manufacturers of cotton apparel and home furnishings are located in virtually every state. Farms and businesses directly involved in the production, distribution and processing of cotton employ more than 115,000 workers and produce direct business revenue of more than $22 billion. Annual cotton production is valued at more than $5.5 billion at the farm gate, the point at which the producer markets the crop. Accounting for the ripple effect of cotton through the broader economy, direct and indirect employment surpasses 265,000 workers with economic activity of almost $75 billion. In addition to the cotton fiber, cottonseed products are used for livestock feed and cottonseed oil is used as an ingredient in food products as well as being a premium cooking oil.

Role of Cotton Merchandisers

Cotton merchandisers provide benefits and services to all supply chain participants. Traditionally, growers desire to market their entire crop, consisting of a wide variety of qualities, at one time, at the highest price possible, receiving payment in full. Conversely, mills and manufacturers desire to purchase at the lowest possible price, as they consume throughout the year, in very specific quality specifications, paying as they go. Neither party traditionally manages the delivery logistics. The merchandisers' role is to harmonize the needs of the producers and consumers and assume their price risk and other risks. Merchandisers effectively bridge the gap between timing mismatches of supply and demand fundamentals in the global marketplace.

Summary of Market Disruptions

Since March 2020, the cotton market has experienced unprecedented disruptions that have caused significant financial losses for cotton merchandisers. The COVID pandemic and subsequent surge in consumer demand has resulted in major supply chain disruptions.

Between March and July 2020, COVID restrictions led to sharp declines in retail clothing sales and in cotton processed by mills around the world. The loss in demand caused U.S. cotton to be stored for a longer period than originally expected, leading to increased storage costs and carrying charges.

As COVID restrictions relaxed and world economies began reopening, the supply chain experienced a level of stress unlike any previous time. In part, stress on the supply chain has been amplified because supply chain providers took significant capacity out of the system during the government-imposed shutdowns. This decreased supply chain capacity made handling an unexpected demand spike even more difficult and has resulted it a supply lag both for goods and supply chain capacity which has not been made up for yet.

The impact on cotton is unique and more acute due to cotton's lack of fungibility relative to other commodities; cotton's dependence on export sales; containers as the sole method of cotton export shipments; and cotton's reliance on Los Angeles/Long Beach ports.

There continue to be concerns over the practices of ocean carriers and terminals operators at U.S. ports. These include ignoring the Federal Maritime Commission's existing demurrage and detention guidelines, limiting container availability to carry agricultural export cargo, canceling or refusing export container bookings and a lack of timely notice of changes to U.S. shippers.

Across California's three major ports, the shipment of empty containers jumped 56% from an average of 1.16 million TEUs (20′ equivalent units) in the first quarters of 2018–2020 to 1.81 million TEUs in the first quarter of 2021. Compared to the first quarter of 2020 alone, the first quarter of 2021 represents an 80% increase in empty export container units.

At the Port of Los Angeles, in 2021, through July, nearly 75% of all exported containers were empty. Accessibility to export containers has been further limited by record shipping costs and harmful surcharges.

The issue of freight carriers electing to leave without refilling empty containers with American goods and products is limiting U.S. cotton's ability to satisfy strong export demand. Shipping containers filled with imported goods are normally unloaded, sent to rural areas, filled with agricultural commodities and then shipped abroad. However, the increased disparity in freight rates paid by the import cargo that has resulted this past year, combined with congestion and delay at ports on our West and East Coasts, are leading carriers to immediately return empty containers to their overseas ports of origin. Freight charges from Asia to the U.S. have been driven as high as $15,000 to $20,000 per container. By comparison, freight charges for an export container carrying agricultural products typically costs $400–$1,800.

While there continues to be much focus on the problems at the West Coast ports, it is important to point at that U.S. South Atlantic ports, which are strategic cotton shipment ports and are noted for their efficiency and forward-looking strategic initiatives, have also faced unimaginable challenges due to the surges in volume and unmanageable schedule changes.

Additionally, the lack of adequate labor is one the largest supply chain constraints limiting the efficient movement of U.S. cotton. According to recent estimates, the trucking industry needs more than 80,000 additional drivers immediately to meet the current demand. Labor shortages are not just limited to the trucking industry as ocean carrier's abilities to provide services have been hindered significantly not only at terminals and on vessels but also in administration, communication, scheduling, and documentation since March of 2020 through today due to numerous factors affecting their labor forces.

Key Issues and Economic Impacts

To highlight some of the most challenging shipping issues facing U.S. cotton merchandisers and the harmful and costly impacts resulting from these issues, the below table catalogs the key problems, with further details provided below.

Key Issues	Major Impacts
• Warehouse Date Inconsistency • Driver Shortages • Chassis Shortages • Limited Container Availability • Vessel Schedule Variability • Port/Rail Congestion • Transshipment Delays • Increased Import Volumes • Delayed Documents • Inefficiencies Due to Staff Shortage, Remote Work, Etc.	• Additional Storage Costs • Increased Ocean Rates • Increased Truck Rates • Late Warehouse Fees • Missed Loads • Driver Disincentive for Export Loads • Ocean Carrier Disincentive for Export Loads • Operational Inefficiencies • Reconcentration Costs (Truck and Warehouse) • Rolled Bookings • Detention and Demurrage Charges at Port of Destination • Customer Frustration with a Traditionally Reliable U.S. Supply Chain • Concerns Meeting Export Commitments

- **Increased Carrying Costs from Erosion of Demand:** Cotton accrued more storage, interest, insurance, and other costs as consumption halted due to COVID.
  - At the height of the COVID shutdown, cotton had to be stored for longer periods of time than originally anticipated, in some cases as much as an additional 3 months.
  - Even as markets have reopened, delays of 1 to 2 months continue due to driver shortages, chassis shortages, port/rail congestion, and other operational inefficiencies.
- **Comprehensive Increases in Supply Chain Costs:** COVID based spending trends have overwhelmed the intermodal supply chain vastly increasing costs for:
  - Trucking—The Bureau of Labor Statistics reports that the PPI for General Freight Trucking in September 2021 is 23% higher than pre-pandemic levels.

- Ocean Freight—According to USDA data, outbound ocean freight rates from Los Angeles to Shanghai have more than doubled between March 2021 and September 2021, going from $800 per 40′ container to $1,710 per 40′ container.
- Rail Service—Since May 2020, rail freight rates increased by 28%.
- Intermodal Equipment Provisioning.

- **Costs Associated with Broken Supply Chain Links:** As the intermodal supply chain has become overwhelmed with cargo, acute points of congestion have created tremendous delays and costs related to detention, demurrage, storage, rolled bookings, canceled sailings and renegotiation of documents, among others. The industry is experiencing on-going disruption costs for changing vessel schedules and resulting early return date and intermodal and port cutoff changes that directly impact planned pickups shifting them days or weeks into the future on top of other demand with no capacity to recover. The costs include:
  - Team resource costs.
  - Elongation of trade-to-cash cycle.
  - Split shipment to customer.
  - Warehouse pickup rescheduling costs and late pickup fees.
  - Warehouse late pickup fee.
  - Incremental trucking costs.
  - Storage costs for loaded container.
  - Per-diem costs for containers and chassis.
  - Chassis per diem costs.
- **Domino Effect:** Trade frictions with China have delayed shipments and added to the economic costs of the COVID pandemic.
  - Cotton merchandisers have continually provided liquidity to producers and consumers of U.S. cotton without compromise or default throughout these catastrophic events.

In addition to the severe disruptions and related costs being experienced by cotton merchandisers since COVID struck, there are more recent supply chain disruptions impacting cotton producers and others through the entire cotton and textile production value chain.

As noted by numerous agricultural organizations and companies, the following issues have been identified as some of the other problematic for the agricultural supply chain and are directly causing higher prices and/or shortages for the agriculture sector.

- **Labor:** Labor shortages exist on the farm, in processing facilities, and among critical service providers. A National Council of Farmer Cooperative survey found that 77% of responding coops had issues retaining a skilled workforce during the pandemic.
- **Fertilizer:** A confluence of factors negatively impacting global fertilizer market supply chains include, (1) global demand for fertilizer, which is largely driven by crop plantings and prices; (2) recent weather events that disrupted domestic production; (3) COVID–19-related deferral of facility maintenance that is now being undertaken; (4) trade actions; (5) transportation costs; and (6) the supply and cost of natural gas.
- **Chemical Inputs and Seed:** Regulatory action by EPA is limiting the availability of pesticides necessary for agricultural production. Transportation issues are creating issues in product delivery, and Hurricane Ida has disrupted a critical region for herbicide production.
- **Energy:** Energy during the early stages of the pandemic was primarily consumed at home. That abrupt change suddenly reversed, and fuel prices have soared in the past year. Not only does energy affect fuel costs, but also it is an input for chemical, fertilizer and seed production.
- **Equipment and Parts:** Steel prices rose dramatically during the pandemic due to both demand and tariffs levied on multiple steel products in August 2021. And, a lack of microchips stemming from COVID-era demand for laptops and other home electronics has forced many farm equipment manufacturers to halt production, creating delays in shipping new equipment that sometimes last

a year or more. In addition, parts needed to repair equipment may not be available.

Thank you for the opportunity to catalog the numerous supply chain disruptions and costs that are negatively impacting the U.S. cotton supply chain and the real concern about additional costs and supply shortage for key production inputs moving into the 2022 growing season. The National Cotton Council appreciates the leadership of this Committee and your colleagues in Congress to take actions to help address these issues and urging the Administration to take all actions possible to provide both immediate relief and remedy structural issues for the long-term. We are particularly concerned about the stress the current situation is placing on our merchandising segments. We would be pleased to provide any additional information and data that will be helpful and to respond to any questions.

STATEMENT 3

ON BEHALF OF THE FERTILIZER INSTITUTE

Thank you for holding today's hearing on "The Immediate Challenges to our Nation's Food Supply Chain." The Fertilizer Institute ("TFI") appreciates the opportunity to share information regarding supply chain challenges that are impacting TFI's members and fertilizer markets.

TFI represents companies that are engaged in all aspects of the fertilizer supply chain in the United States. Fertilizer is any combination of specific nutrients designed to provide the nourishment essential for growth and maintenance of crops. Three primary macronutrients—nitrogen (N), phosphorus (P_2O_5) and potassium (K)—are the major building blocks of most fertilizers and comprise the bulk of all fertilizer produced. The fertilizer industry ensures that farmers receive the nutrients they need to enrich the soil and, in turn, grow the crops that feed our nation and the world. Fertilizer is a key ingredient in feeding a growing global population, which is expected to surpass 9.5 billion people by 2050. Half of all food grown around the world today is made possible through the use of fertilizer,[1] hence its importance to farmers and food production.

A variety of factors impact fertilizer markets, and most recently, are negatively impacting supply and raising costs. Many in the agricultural sector have experienced some challenges related to crop inputs. Fertilizer is an essential input for the economic viability of U.S. farmers and for feeding a growing global population. Challenges impacting the fertilizer industry can also impact farmers.

Overview

Fertilizers are resourced based materials and produced primarily in countries where these limited resources exist. While the number of countries that produce fertilizers are more restricted due to the availability of these resources, the demand for fertilizer is truly global in nature and fertilizers are used by farmers in nearly every country in the world. In addition, fertilizer demand, driven by crop production, is seasonal with the window available to apply these materials limited by crop planting seasons as well as weather. Consequently, fertilizers are truly *global* commodities as these materials are transported from the limited number of countries which produce them to the global market which requires them. In fact, nearly 44% of all fertilizers produced globally, or more than 200 million tons of material, are exported annually. Moving this material from production facilities to farms requires virtually every mode of transportation and a carefully orchestrated system of logistics to serve farmers on a just-in-time basis.

Fertilizer markets and related supply chain challenges must be considered within a global context. A variety of global and domestic factors can impact the supply of fertilizer and fertilizer markets and prices.

Domestic Production and Imports

Unlike microchips or other critical components, the U.S. has substantial domestic nitrogen and phosphate fertilizer production. From the standpoint of our nation's supply chain and food security, this is good news. In 2020, the U.S. was the world's third largest producer of nitrogen-based fertilizers and the second largest producer of phosphate fertilizer. While we are a large producer, we also import. In 2020, 27% of our nitrogen supply and 16% of phosphate supply was imported. In contrast, the U.S. imports most of its potash supply, with 86% coming from Canada in 2020.

[1] Stewart, W.M., Dibb, D.W., Johnston, A.E. and Smyth, T.J. (2005), *The Contribution of Commercial Fertilizer Nutrients to Food Production.* AGRON. J., 97: 1–6. *https://doi.org/10.2134/agronj2005.0001.*

Domestic production of fertilizers is at 5 year historical norms while total planted acreage of corn, soybeans, wheat, and cotton are down 0.3% from recent 2017 highs. However, relative to the last 2 years, domestic production is slightly below historical norms due, in part, to weather events.

About 60% of domestic ammonia production capacity is located near large natural gas reserves in Louisiana, Oklahoma, and Texas.[2] The February winter ice storms and Hurricane Ida disrupted production in this critical production region. The winter storms in February of this year resulted in missed production of approximately 250,000 short tons of nitrogen fertilizers.[3] This comprises 3.3% of the total domestic nitrogen production between January and June.

Perhaps the pandemic's biggest impact on domestic fertilizer production is the deferral of necessary maintenance that is now being undertaken throughout 2021 and likely into 2022. Fertilizer production facilities are multi-billion-dollar facilities that must undergo periodic "turnarounds" that result in production shutdowns for about 2–6 weeks. Turnarounds were deferred to reduce potential exposure to COVID from additional personal onsite in the middle of the global pandemic. This has an impact on fertilizer supply as more production facilities are currently undergoing maintenance than would otherwise be the case. Moreover, this further erodes the ability of domestic manufacturers to recover from February's lost production.

International/Governmental Supply Disruptions

Disruptions across the global supply chain can have an impact on fertilizer production and supply, and this can further impact America's farmers in terms of fertilizer prices and availability. For example, Belarus has historically comprised 21% of the global exports of potash. In August 2021, the U.S. Government, and other countries sanctioned Belarus. Although the sanctions did not directly include the country's solo potash exporter, potential legal liability may limit the purchase of its potash. The U.S. only imported about 5% of our annual potash supply from Belarus in each of the last 3 years. TFI does not have a position on the sanctions themselves, but the sanctions are an example of how the global nature of fertilizer supply can impact the supply-demand balance and, consequently, fertilizer prices. The sanctions against Belarus are negatively affecting potash markets and supply.

Another example of governmental actions that impact the market is a ban imposed by China on exports of phosphate fertilizer. In 2020, China accounted for approximately 25% of global phosphate fertilizer exports. The ban on phosphate fertilizer exports by China at the end of September has negatively impacted global supply by reducing the quantity of phosphates available for import. On October 15, China also instituted tighter export controls on other fertilizer materials including urea. Urea accounts for 49% of global nitrogen use and China accounted for 10% of global urea exports in 2020 so these additional restrictions on Chinese exports have further tightened the global nitrogen market.

Natural Gas

Natural gas prices are a key input cost for fertilizer production. Depending on its cost, natural gas accounts for approximately 70–90 percent of the production cost for ammonia, with 40% used as fuel and 60% as the feedstock. Ammonia is directly applied as a fertilizer and is also the building block for all other nitrogen fertilizers. It is also required for the manufacture of ammonium phosphates, the most widely used phosphate fertilizer materials which also contain nitrogen. While the U.S. has enjoyed low natural gas prices in recent years, in the past 6 months, domestic natural gas prices have *increased by 224 percent.*[4] The steep increases in natural gas prices substantially raises production costs for domestic fertilizer producers.

In Europe, record natural gas prices—which are currently four times more expensive than in the United States—combined with other pressures are forcing the continent's ammonia producers to reduce output or idle plants which will lead to lower availability and higher prices of fertilizers for farmers. The European Union comprises approximately 9% of global nitrogen production, and these shutdowns are impacting the global supply of fertilizer.

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[2] U.S. Geological Survey, *Mineral Commodity Summaries,*† January 2021; *https://pubs.usgs.gov/periodicals/mcs2021/mcs2021-nitrogen.pdf.*

Editor's note: references annotated with † are retained in Committee file.

[3] Calculated based on 2019 and 2020 average February production levels. Between 2016 and 2019 ammonia production facilities operated at an average of 90% of capacity, there is limited ability for manufacturers to "make-up" for lost production.

[4] Energy Intelligence; *Natural Gas Weekly; https://www.energyintel.com/.* Wellhead prices have more than doubled from $2.52 to $5.45 from April 2021 to October 18, 2021.

Rising domestic prices of natural gas are a chief concern as it relates to domestic production of fertilizers. As experienced in Europe, domestic facility closures would disrupt global markets and negatively impact U.S. farmers.

Transportation

Fertilizer moves by rail, truck, barge, pipeline, and ocean vessels and America's farmers and their suppliers rely on a safe and efficient transportation network for their success.

Trucking capacity and the infrastructure of rural communities, including broadband and roadways, must be addressed. All fertilizer utilized in the United States touches a truck at least once, and the timeliness of deliveries is crucial to farmers. Trucking capacity, which impacts everyone in the agricultural sector, can be improved through investment, regulatory reform, and efficiency gains. For example, the current Gross Vehicle Weight (GVW) limit for Federal Interstate Highways of 80,000 lbs. on five axles is woefully outdated. Congress should authorize a voluntary program to allow up to ten states to opt-in to allow 91,000 lb., six-axle, bridge formula compliant trucks on Federal Interstate Highways within their borders. At 91,000 pounds, freight efficiency increases by 22 percent along with a commensurate reduction in the carbon footprint per pound. Modernizing weight restrictions for six-axle trucks would make U.S. farmers and businesses more competitive and reduce the number of trucks needed to haul the same amount of goods, reducing infrastructure wear-and-tear, enhancing capacity, and benefiting the environment by reducing vehicle miles traveled.

Both Congress and industry also need to find ways to broaden the pool of available drivers. To this end, the Senate-passed bipartisan *Infrastructure Investment and Jobs Act,* which should be enacted as soon as possible, includes an important pilot program for up to 3,000 interstate professional drivers ages 18–20.

The following examples regarding the rail marketplace uniquely impact the fertilizer industry.

On a ton-mile basis, more than half of all fertilizer moves by rail. U.S. Government data indicates that fertilizer relies more on rail transportation than other agricultural commodities.[5] As such, rail network disruptions can be a serious challenge. Rail carrier implementation of large cost-cutting initiatives, such as precision scheduled railroading ("PSR"), have disrupted rail service to many shippers. PSR has made it more difficult and expensive to ship fertilizer. Regarding rail rates, over the past 20 years, rail rates to ship anhydrous ammonia—the building block of all nitrogen fertilizers and one of the most efficient sources of nitrogen for farmers—increased 206%, which is more than triple the average increase for all commodities combined.

Another element of fertilizer transportation costs is the Tank Car Committee. The Department of Transportation has delegated authority to the rail industry via the Association of American Railroads ("AAR") Tank Car Committee ("TCC"). For many years, shippers have been trying to work with AAR and DOT to reform the processes of the TCC. Historically, TCC has imposed measures on shippers that raise serious concerns about the extent of TCC authority. While this is a complicated issue, to date, DOT has not responded to a shipper-industry petition filed in 2016 on this matter.[6] In recent years, regulatory actions imposed or initiated by the TCC—*without a cost-benefit analysis*—have raised shipping costs for fertilizer by millions of dollars.

Conclusion

In summary, fertilizer is critical for food production and is truly a global commodity. Our nation is blessed by a strong domestic production industry. A confluence of factors impact global fertilizer market supply chains. Current factors that have most influenced the current market supply of fertilizer include (1) global demand for fertilizer, which is largely driven by crop plantings and prices; (2) recent weather events that disrupted domestic production; (3) COVID–19 related deferral of facility maintenance that is now being undertaken; (4) international actions, including Belarus and China; (5) transportation costs; and (6) the supply and cost of natural gas.

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[5] *The Importance of Highways to U.S. Agriculture;† https://www.ams.usda.gov/sites/default/files/media/Main_Highway_Report.pdf.* U.S. Department of Agriculture; December 2020; page 13.

[6] Petition No. P–1678; Docket No. PHMSA 2016–0093.†

Editor's note: the entire docket of the petition (totaling nine documents) is retained in Committee file.

Thank you again for holding today's hearing and for the opportunity to submit this statement. TFI looks forward to working with Congress to address the challenges facing our nation's food supply chain.

SUBMITTED OP-ED BY HON. CYNTHIA AXNE, A REPRESENTATIVE IN CONGRESS FROM IOWA

[*https://www.agri-pulse.com/articles/16649-opinion-the-soy-oil-crisis-that-never-heated-up*]

Opinion: The "soy oil crisis" that never heated up

10/18/21 11:30 a.m.

By *Stephen Censky* *

If you listen to certain groups in the food industry right now, you may have heard claims that there are potential shortages or even rationing of edible vegetable oil. Some go as far as using this unfortunate fearmongering to suggest that Renewable Fuel Standard volumes for bio-mass based diesel (made from used cooking oil, vegetable oils, and animal fats) should be rolled back.

Is there indeed a soybean oil supply crisis?

Very simply, no. The data does not support the alarm.

Harvest is currently underway for more than 86 million soybean acres, with U.S. farmers projected to produce a record soybean crop of over 4.4 billion bushels this year. From that record soybean crop will come a record amount of soybean oil available to meet both food and fuel needs. Growers are efficiently producing more per acre and meeting current demands. And, if the market signals for more soy next year, soy farmers are more than capable of responding.

Not only are America's farmers *growing* more soybeans using less land and energy per bushel, but also the soybean industry is gearing up to *process* more soybeans, thus ensuring adequate soybean oil is available for market needs. At least seven new oilseed processing plants are under development, and soybean oil production by our domestic processing industry is projected by USDA to reach a record level this year—on top of a 26% growth in supply over the last 10 years. In short, the markets are responding to the new demands.

Increased soybean crushing here in the United States has a beneficial side effect for U.S. consumers as well: An even greater supply of this less expensive protein is available for food production. When a soybean is crushed, about 4 pounds of soybean meal are produced for every pound of soybean oil, and that meal is an excellent source of protein for the animal food industry. As a result, ongoing industry expansion to meet soybean oil needs will reduce feed costs and, subsequently, lower meat prices for consumers if other factors remain equal.

The unfortunate fact is that prices have increased not only for soybean oil right now, but likewise for many products. Farmer input costs have rapidly increased. For example, fertilizer prices have approximately doubled this past year. Other parts of the supply chain downstream from the farm are also experiencing higher costs, with the producer price index for general freight trucking increasing by more than 20% in slightly over a year and barge freight costs on the Mississippi River about six times higher than just a few months ago.

Attempting to pin the inflationary pressures impacting the food and agriculture sector across all cost categories solely on renewable fuels expansion is illogical. Doing so would only stifle our ability to reduce carbon emissions, could potentially increase protein prices for livestock producers, and would keep the market from adopting soybean processing expansion that would allow it to meet growing demand. This would hurt farmers' ability to withstand the higher costs they, along with much of the world, are facing.

Rather than create concern over edible soybean oil supplies, we encourage our food industry peers to recognize that America's soybean growers are meeting current demands at the same time the soy industry prepares to meet even greater future demand for our versatile commodity—be that for food, feed, fuel or soy's many other diverse uses.

There are numerous real challenges, both ongoing and developing, in food and agriculture. We are thankful soybean oil supply is not one of them and that every bit

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* *https://www.agri-pulse.com/authors/404-stephen-censky*.

of each bean—whether meal or oil—can be used for America's vital, evolving agricultural markets.

Stephen Censky is CEO of the American Soybean Association.
For more opinions and ag news, go to: www.agri-pulse.com.

SUBMITTED LETTER BY HON. JIMMY PANETTA, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA; ON BEHALF OF BRITISH COLUMBIA PRODUCE MARKETING ASSOCIATION, *ET AL.*

Joint Statement from North America's fresh produce industry on supply chain disruptions

On behalf of North America's fresh produce industry, we are calling for urgent government action to address significant ongoing supply chain disruptions with impacts to our food systems, economies, and ultimately individuals and families across the continent and around the globe.

The COVID–19 global pandemic has created unprecedented public health, economic, and logistical challenges for communities and supply chains around the world. The fresh fruit and vegetable industry has been no exception. From the seed to the dinner plate, our sector has continued to work daily to find solutions to mitigate the impact of the outbreak and ensure consumers continue to have access to our safe, healthy and nutritious products.

Almost 2 years since the start of the pandemic, substantial increases in costs and delays along the supply chain threaten our food security and the long-term economic viability of the North American fresh produce sector. It is important to note that these costs cannot be fully borne by the industry and will ultimately be passed to consumers. Sadly, these increases, which are already being felt by the end consumer are likely to escalate, affecting most those who can least afford it.

Examples of ongoing supply chain disruptions include:

- **Crippling port congestion**—Gridlock at all major North American ports has resulted in lines of ships waiting to dock and containers stacked high waiting for unloading and pick-up. For our highly perishable products, long delays at port can result in loss of product, sales and ultimately food waste. Significant delays in receiving equipment, building materials and other inputs also serve to threaten upcoming growing seasons.
  - *According to Goldman Sachs, more than 30 million tons of cargo are waiting for delivery.*
  - *Even once a vessel berths, it can take days to discharge the containers.*
  - *Soaring demurrage and detention fees resulting from port delays cannot be sustainably absorbed by the industry.*
  - *Long wait times for drivers picking up containers result in further congestion and delays in delivery.*
  - *For Canada and parts of the United States, it is important to note that much of our 2021 growing season has ended and the busier import season is set to begin.*
- **Delays and exploding costs in container shipping**—While major international shipping companies have been sending empty containers back to Asia and posting record profits, weeks-long shipping delays have resulted in major losses of product and sales for the North American industry. Coupled with exponentially growing container costs and a limited number of refrigerated containers, this situation creates serious challenges for the fresh produce industry and our countries' food security. Governments must work together to provide greater oversight of international ocean carriers and ensure fair and ethical practices to support the continued flow of goods.
  - *The cost of shipping containers has tripled or more in the past year, with estimates increasing from $3000 per container to $15,000 to $18,000, and even as high as $25,000 per container.*
  - *Due to the highly perishable nature of our commodities, there are already a limited number of carrier companies that accept fresh produce shipments. One of the largest of these has recently announced it will no longer carry fresh produce due to the increase in claims being made.*

- *Despite the significant delays in product delivery, shipping companies are holding container rates for shorter periods of time. These companies have also begun cancelling bookings, only to reschedule them at a higher rate.*

- **Cascading effects of inconsistent product delivery**—When a significant delay in receiving perishable product is followed by receiving a large amount at once, a string of new issues and costs arise, including arranging distribution and sourcing additional labour required to re-grade and re-package salvageable product to recover sales and avoid waste. Barriers to exports resulting in more domestic product remaining in North America also have the potential to create new supply and demand challenges, including decreased profitability to all domestic supply chain partners.
  - *Many aspects of our supply chain are designed to penalize late or lengthy deliveries. For example, distribution centres charge fees for missed appointments or changes, carriers charge fees for detention and demurrage, and upstream distributors charge fees for partial or unfilled orders. This further inundates the supply chain with additional costs.*
  - *These ongoing disruptions have brought about unprecedented issues over extended periods of time, unforeseen challenges that many contracts simply did not account for. This has resulted in an increasing number of legal proceedings over contract disputes, placing further stress on the supply chain.*

- **Continuing labour shortages across the supply chain**—The significant labour shortages in the fresh produce industry have extended from the farm throughout the supply chain, and are impacting everything from planting and harvest, to packing, transportation and retail/foodservice. Governments have a key role to play in incentivizing workforce re-engagement and facilitating access to both domestic and international labour.
  - *The challenges agricultural employers are facing in attracting workers is exacerbated by procedural delays and COVID–19-related protocols.*
  - *The National Council of Agricultural Employers recently cited a report that in Q2 of 2020 more than 100,000 job openings were posted in the U.S. agriculture sector which called for workers with no or limited experience; even so, Department of Labor records show that only 313 of these openings were filled by domestic workers.*
  - *The American Trucking Association has estimated that the U.S. alone has a shortage of around 80,000 truck drivers, and the driver shortage tops the American Transportation Research Institute's list of Top Industry Issues. The scarcity of commercial truck drivers is made worse in the produce industry, as drivers may opt to take on less urgent, non-refrigerated loads rather than the urgent, time-sensitive and highly temperature-controlled loads necessary in fresh produce.*

- **Growing input shortages**—From fertilizer, crop protection products and greenhouse building materials, to pallets, cardboard and packaging, the fresh produce supply chain is experiencing increasing shortages and rising costs in inputs that are critical to our sector, with impacts being felt now and threatened for the future.
  - *In spring 2021, lumber shortages drove wood prices up nearly 350%, resulting in a pallet shortage that lasted for nearly 6 months. This shortage had significant impacts on our sector, as fresh produce cannot move without pallets, and fresh produce's status as a low margin item, our industry was the last to receive new pallets from suppliers when they finally became available.*
  - *In summer 2021, prices for paper 'pulp', the raw material used to make boxes, were reported as being as much as 40% higher, year-over-year, which has resulted in a massive increase in the price of cartons—the primary shipping container for fresh produce.*
  - *Fertilizer costs have risen by more than 20% over the past year, with China's recent announcement of restricted energy consumption in key phosphate production regions leading to anticipated shortages headed into the 2022 growing seasons.*
  - *The Canadian greenhouse sector has reported delays of more than 8 months in receiving critical building materials, posing a major barrier to preparations for the next growing season.*

- **Stockpiling of product by consumers**—While the issues outlined above pose significant concerns, it is vitally important that they are not further exacer-

bated by consumer panic buying or stockpiling of goods. Every effort must be made to address supply chain disruptions while also clearly communicating this to the broader public.

In the early days of the pandemic, our governments took swift action to invest in food systems and to work together to keep supply chains moving. The situation we now face echoes some of the challenges we saw in the spring of 2020, with the added complications of heavier border traffic, consumer purchasing habits that have been significantly increased over the course of the pandemic, and government support programs that are winding down or have ended.

We cannot emphasize strongly enough the need for our governments to work together to address these issues in a multi-lateral and holistic manner. The examples outlined above demonstrate clearly the complexity, interconnectedness and dependencies of our supply chain and the challenges we face. It is imperative that governments work urgently with all parts of the supply chain to mitigate the serious threats of food insecurity and food shortages. These multi-faceted problems will not be resolved overnight and delays in course correction are likely to compound and further complicate the situation.

Simply put, without multilateral engagement to find solutions, these issues will create long lasting impacts to the detriment of all North American economies. These include: bankruptcies, legal disputes, industry consolidation, inflation, inaccessible food supplies, and many more. Time is against us, and the necessity of addressing these challenges now cannot be understated.

Our organizations stand ready to work with governments and partners throughout the supply chain to ensure a path forward that enables the continued flow of our essential goods.

[British Columbia Produce Marketing Association]

[California Strawberry Commission]

[Canadian Horticultural Council]

[Canadian Produce Marketing Association]

[Fruit and Vegetable Dispute Resolution Corporation]

[Florida Fruit & Vegetable Association]

[Florida Tomato Committee]

[Fresh Produce Association of the Americas]

[Northwest Horticultural Council]

[Ontario Fruit & Vegetable Growers' Association]

[Ontario Greenhouse Vegetable Growers]

[Ontario Produce Marketing Association]

[Great American Media Services and Produce Processing]

[Association des producteurs maraîchers du Québec]

[Association Québécoise de la distribution de fruits et légumes]

[Texas International Produce Association]

[Toronto Wholesale Produce Association] [United Fresh Produce Association] [Western Growers]

SUBMITTED ARTICLE BY HON. GLENN THOMPSON, A REPRESENTATIVE IN CONGRESS FROM PENNSYLVANIA

TheDerrick.com

Home of **THE DERRICK.** and **The News-Herald**

[*https://www.thederrick.com/free/cranberry-schools-thinking-outside-the-box-to-keep-students-fed/article_6f9c11fc-3eff-11ec-92a0-4bae287f7f79.html*]

Cranberry schools 'thinking outside the box' to keep students fed

By LAURA O'NEIL, *Staff writer* *

Nov. 2, 2021

Cranberry Area High School students Preston Forrest, front, and Aidan O'Brian visit the cafeteria for lunch on Monday. They were served by Connie Schwabenbauer, left, and Carolyn Parkes, right In the background, Kim Daugherty puts a tray of food in the oven.

Photos by Laura O'Neil.

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* *https://www.thederrick.com/users/profile/lauraoneil*.

Connie Schwabenbauer serves Cranberry Area High School students. from left. Kenny Lavrich, Avery Keenan and Coin Zerbe their lunches on Monday.

Photos by Laura O'Neil.

Carolyn Parkes serves chicken dinner to Cranberry Area High School students Colin Zerbe, left, and Braden Rekiel, right.
Photos by Laura O'Neil.

"We've been improvising . . . We made our own muffins one morning. We are really thinking outside the box."

KIM DAUGHERTY

As labor, transportation and food shortages spread across the country, local schools are adjusting to keep their students fed.

"We have scaled back considerably from what we used to do," said Kim Daugherty, food services director for the Cranberry Area School District. "If you go back before COVID, we had seven or eight homemade condiments."

"We have just cut back on a lot of our offerings . . . Instead of having seven main entrées, we have cut it to three."

Even though there are fewer options in the cafeteria line, Daugherty said people shouldn't worry. The kids are still getting fed.

"This year all the students are eating for free, so our participation is really high," she said. Between the high school and elementary schools, the school district is providing more than 800 lunches and about 500 breakfasts.

The district purchases its food from various suppliers, including US Foods, which is a national supplier, and Schneider's Dairy. The U.S. Department of Agriculture provides the district with cheese, ground meat, fruit and vegetables.

In October, US Foods limited how many cases a buyer can purchase at once. Now, instead of ordering 100 cases a week, Cranberry schools can only order 50 cases.

Limiting the size of orders has enabled US Foods to replenish its inventory, but it has also forced buyers to look for other options.

"We go through 11 cases of cereal a week and ten cases of mini muffins. That's 20 cases right there that we are just using at breakfast time," Daugherty said.

To compensate, the cafeteria has been serving more foods from local suppliers, such as Schneider's Dairy. Daugherty said she has purchased things like salt and sugar from local stores.

"We've been improvising . . . We made our own muffins one morning. We are really thinking outside the box."

The cafeteria is also facing a shortage of disposable products like straws, plastic wrap and aluminum foil. Daugherty has had to buy these items from places like Walmart and Sam's Club.

Last year, during the height of the COVID–19 pandemic, the cafeteria switched to using paper plates and disposable silverware. At the beginning of this year, it switched back to regular plates and silverware.

On Monday, Cranberry Area High School students lined up to receive helpings of chicken dinner. One student remarked, "Chicken dinner! That looks rad." Another was disappointed that there weren't any muffins.

Overall, Daugherty said, the high school students have been understanding about the adjustments in the cafeteria. "The kids are fantastic. They are just very gracious."

The district's cafeteria staff, Daugherty said, has been able to "rise to the occasion, whatever it is, and they all work together. We couldn't do what we do without them."

"Everything just has to come together, and you have to be ready to feed 800 people around 11 o'clock."

LAURA O'NEIL, reporter for *The Derrick* and *The News-Herald,* can be reached at *lauraoneil.thederrick@gmail.com* or (814) 677–8357.

SUBMITTED LETTER BY HON. DUSTY JOHNSON, A REPRESENTATIVE IN CONGRESS FROM SOUTH DAKOTA

November 4, 2021

Hon. PETE BUTTIGIEG,
Secretary,
U.S. Department of Transportation,
Washington, D.C.

Dear Secretary Buttigieg,

Amid the growing supply chain crisis, drivers in the trucking industry have stepped up to ensure the timely delivery of goods. Yet even with their efforts, there simply aren't enough truckers on the road to meet the demand.[1] Given this, we urge the Department of Transportation (DOT) to proceed with the Federal Motor Carrier Safety Administration's (FMCSA) Under-21 Commercial Driver Pilot Program.

Currently, only commercial driver's license (CDL) holders over the age of 21 can operate commercial motor vehicles (CMVs) in interstate commerce. However, 49 states and the District of Columbia already allow 18 to 20 year old CDL holders to operate CMVs in intrastate commerce. Accordingly, Congress supported, and the Trump Administration began, the process to implement the FMCSA's Under-21 Commercial Driver Pilot Program to allow drivers aged 18, 19, and 20 to operate CMVs in interstate commerce. This new pilot program would create a road map to drastically increase the number of truck drivers and alleviate the current crisis. Yet, the DOT has not taken action to move this program forward.[2]

As our supply chain issues continue to grow, we should be doing everything we can to fix the problem. Therefore, we urge implementation of FMCSA's Under-21 Commercial Driver Pilot Program. It's critical that we pursue all avenues to alleviate the supply chain crisis and get goods moving again.

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[1] Wanted: 80,000 truck drivers to help fix the supply chain. *https://www.cnn.com/2021/10/19/economy/trucking-short-drivers/index.html.*

[2] FMCSA Proposes New Under-21 Commercial Driver Pilot Program. *https://www.fmcsa.dot.gov/newsroom/fmcsa-proposes-new-under-21-commercial-driver-pilot-program.*

Thank you for your attention to this letter. We look forward to your prompt response.

Sincerely,

Hon. DUSTY JOHNSON,
Member of Congress.

Hon. JOSH HARDER,
Member of Congress.

Hon. DAVID G. VALADAO,
Member of Congress.

Hon. ABIGAIL DAVIS SPANBERGER,
Member of Congress.

Hon. BILL JOHNSON,
Member of Congress.

Hon. SANFORD D. BISHOP, JR.,
Member of Congress.

Hon. TROY BALDERSON,
Member of Congress.

Hon. JIM COOPER,
Member of Congress.

Hon. JACKIE WALORSKI,
Member of Congress.

Hon. JIM COSTA,
Member of Congress.

Hon. BOB GIBBS,
Member of Congress.

Hon. JIMMY PANETTA,
Member of Congress.

Hon. DON BACON,
Member of Congress.

Hon. CYNTHIA AXNE,
Member of Congress.

Hon. MADISON CAWTHORN,

Hon. DAN NEWHOUSE,

Member of Congress.

Hon. DAVID B. MCKINLEY,
Member of Congress.

Hon. ERIC A. "RICK" CRAWFORD,
Member of Congress.

Hon. MO BROOKS,
Member of Congress.

Hon. ASHLEY HINSON,
Member of Congress.

Hon. LAUREN BOEBERT,
Member of Congress.

Hon. LOUIE GOHMERT,
Member of Congress.

Hon. ANN WAGNER,
Member of Congress.

Hon. FRED KELLER,
Member of Congress.

Member of Congress.

Hon. RANDY K. WEBER, SR.,
Member of Congress.

Hon. BRIAN J. MAST,
Member of Congress.

Hon. BILL POSEY,
Member of Congress.

Hon. STEPHANIE I. BICE,
Member of Congress.

Hon. JAMES R. BAIRD,
Member of Congress.

Hon. ROBERT J. WITMANN,
Member of Congress.

Hon. RONNY JACKSON,
Member of Congress.

Hon. CAROL D. MILLER,
Member of Congress.

Hon. KELLY ARMSTRONG,
Member of Congress.

Hon. JAKE LATURNER,
Member of Congress.

Hon. WILLIAM R. TIMMONS IV,
Member of Congress.

Hon. MIKE BOST,
Member of Congress.

Hon. JOHN H. RUTHERFORD,
Member of Congress.

Hon. JOHN R. MOOLENAAR,
Member of Congress.

Hon. LARRY BUCSHON,
Member of Congress.

Hon. CLAUDIA TENNEY,
Member of Congress.

Hon. RUSS FULCHER,
Member of Congress.

Hon. RICK W. ALLEN,
Member of Congress.

Hon. H. MORGAN GRIFFITH,
Member of Congress.

Hon. MARIANNETTE MILLER-MEEKS,
Member of Congress.

Hon. ADRIAN SMITH,
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Hon. MIKE GALLAGHER,
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Hon. BARRY LOUDERMILK,
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Hon. PAUL A. GOSAR,
Member of Congress.

Hon. BEN CLINE,
Member of Congress.

Hon. PETER MEIJER,
Member of Congress.

Hon. ANDY HARRIS,
Member of Congress.

Hon. GLENN THOMPSON,
Member of Congress.

Hon. RON ESTES,
Member of Congress.

Hon. RANDY FEENSTRA,
Member of Congress.

Hon. SCOTT PERRY,
Member of Congress.

Hon. BRAD R. WENSTRUP,
Member of Congress.

Hon. DARIN LAHOOD,
Member of Congress.

Hon. MARKWAYNE MULLIN,
Member of Congress.

Hon. VICTORIA SPARTZ,
Member of Congress.

Hon. HAROLD ROGERS,
Member of Congress.

Hon. DANIEL MEUSER,
Member of Congress.

Hon. BYRON DONALDS,
Member of Congress.

Hon. STEVEN M. PALAZZO,
Member of Congress.

Hon. RICHARD HUDSON,
Member of Congress.

Hon. ANDY BARR,
Member of Congress.

Hon. ELISE M. STEFANIK,
Member of Congress.

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SUBMITTED VIDEO BY HON. TROY BALDERSON, A REPRESENTATIVE IN CONGRESS FROM OHIO

WSJ | VIDEO

[*https://www.wsj.com/video/series/on-the-news/help-wanted-truck-drivers-to-unclog-the-supply-chain/86C1B309-522E-4C81-88D1-16CAC0ADE1BB*]

Help Wanted: Truck Drivers to Unclog the Supply Chain

Trucking companies desperately need drivers. Here's how they're tackling the problem

Editor's note: the video is available at the hyperlink above, and is retained in Committee file.

By *Wall Street Journal*

Nov. 3, 2021 5:37 p.m.

The trucking industry has long been dealing with a shortage of drivers and high job turnover, but supply-chain bottlenecks have underscored the need for new recruits. Here's how some companies are trying to get them behind the wheel. Photo: Robyn Beck/AFP via Getty Images.

SUBMITTED COMMENT LETTER BY HON. MICHELLE FISCHBACH, A REPRESENTATIVE IN CONGRESS FROM MINNESOTA; AUTHORED BY JACK RONEY, DIRECTOR OF ECONOMICS AND POLICY ANALYSIS, AMERICAN SUGAR ALLIANCE

June 18, 2021

Hon. THOMAS J. "TOM" VILSACK,
Secretary,
U.S. Department of Agriculture,
Washington, D.C.;

BRUCE SUMMERS,
Administrator, Ag. Marketing Service
U.S. Department of Agriculture,
Washington, D.C.

Dear Secretary Vilsack & Administrator Summers:

We write today to provide information on critical goods and infrastructure for the U.S. sugar sector in response to your request for information. The structure of the domestic sugar industry in the United States was resilient in meeting the joint challenges of adverse weather in 2019, which lowered domestic sugar stocks, and the COVID–19 pandemic in 2020, which shocked consumer demands in multiple ways. The U.S. sugar supply chain is deliberately configured to withstand such shocks, which are all too common for agricultural commodities.

On February 24, 2021, President Biden issued an Executive Order (E.O.) on "America's Supply Chains," which directs the Secretary of Agriculture to submit, within 1 year, a report to the President that assesses the supply chains for the production of agricultural commodities and food products. The U.S. Department of Agriculture (USDA) has requested that the public submit comments and information ("Supply Chains for the Production of Agricultural Commodities and Food Products," 86 FR 20652) to assist the USDA in preparing the report required by E.O. 14017. This submission from the American Sugar Alliance is in response to that request.

As noted in 86 FR 20652, USDA notes its particular interest in those essential goods necessary for nutritional security given its related importance to national and

economic security. This submission will detail how sugar is a critical and essential good for national and economic security.

Moreover, as noted by USDA, sufficient processing, distribution, and production capacity across all agricultural commodities are critical for ensuring adequate access to essential goods. This submission will discuss how the current domestic sugar and trade policies were critical in maintaining the integrity and resilience of the domestic supply chain for the production, processing, and distribution of safe and adequate supplies of sugar for the American public during the pandemic despite a challenging economic situation.

***Introduction:* America's Supply Chains for Sugar**

The USDA notes in the request for public responses to direct comments at the policy objectives outlined in EO 14017 as they affect agricultural and food products supply chains.

In E.O. 14017 President Biden affirmed that the

> ". . . United States needs resilient, diverse, and secure supply chains to ensure our economic prosperity and national security. Pandemics and other biological threats, cyber-attacks, climate shocks and extreme weather events, terrorist attacks, geopolitical and economic competition, and other conditions can reduce critical manufacturing capacity and the availability and integrity of critical goods, products, and services. Resilient American supply chains will revitalize and rebuild domestic manufacturing capacity, maintain America's competitive edge in research and development, and create well-paying jobs. They will also support small businesses, promote prosperity, advance the fight against climate change, and encourage economic growth in communities of color and economically distressed areas . . ."

The most recent report examining the U.S. sugar-producing industry estimates that 142,000 jobs in 22 states and $20 billion in annual economic activity are associated with domestic sugar production.[1] Many of the jobs and businesses associated with the U.S. sugar industry are in highly vulnerable and economically distressed rural areas.[2]

American food manufacturers and consumers depend on a reliable, dynamic, geographically-dispersed domestic sugar industry to provide safe, high-quality, responsibly-produced sugar at a reasonable price.

U.S. sugar policy is working well for American consumers, food manufacturers, and taxpayers. In 2020, 34.4 million tons of sugarcane and 33.6 million tons of sugarbeets were produced in the United States for processing into sugar for domestic food manufacturing and for household consumption. In total, 4.3 million tons of sugar from domestic sugarcane were refined and 5.1 million tons of sugar from domestic sugarbeets were processed.

And as noted in E.O. 14017, resilient supply chains, like those around our domestic sugar supplies, are

> ". . . secure and diverse—facilitating greater domestic production, a range of supply, built-in redundancies, adequate stockpiles, safe and secure digital networks, and a world-class American manufacturing base and workforce. Moreover, close cooperation on resilient supply chains with allies and partners who share our values will foster collective economic and national security and strengthen the capacity to respond to international disasters and emergencies . . ."

However, concerns over adequate domestic supplies of sugar are not new to the United States. For example, for reasons of food security, from 1890–1894 the U.S. Congress offered a bounty to entice investment by farmers to grow the crop and investors to build factories to encourage the growth of a domestic sugar industry.[3] During WWII sugar was the first commodity rationed and the last commodity to come off rationing.

More recently, during the 2020 pandemic, consumer hoarding behavior was observed at the nation's retail grocery stores and supermarkets as essential food and consumer goods supplies were overwhelmed by spiking demands. Ingredients for

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[1] LMC International, "The Economic Importance of the Sugar Industry to the U.S. Economy—Jobs and Revenues," Oxford, England, August 2011.

[2] See examples of how the U.S. sugar industry helped recovery last year in rural America at *https://sugaralliance.org/sugar-industry-sustains-communities-during-pandemic/15934* and *https://sugaralliance.org/sugar-industry-lends-helping-hand-to-support-nations-recovery/15953*.

[3] See F.R. Rutter. 1902. "The Sugar Question in the United States," *Quarterly Journal of Economics,* Vol. 17(1): 44–81.

baking and cooking (sugar, flour, oils, *etc.*) were top food items in demand as retail food service shuttered overnight. To meet those challenges and to provide sufficient supplies to food manufacturers, during March–May 2020 the domestic sugar industry put an equivalent of an additional 53 million 4 lb bags on the shelf in record time to meet consumer needs and provided a calming effect of a resilient supply chain.

Moreover, sugar is an essential ingredient in the manufacture of most baked goods, snacks, soft drinks, and desserts.[4] Without reliable supplies of sugar over the past year, it is likely we would have seen several food manufacturers having to idle operations resulting in lost jobs and shortages of staple goods at grocery stores at a time when consumers needed those more than ever, due to the closure of most food service establishments.

Section (i) "critical goods and materials underlying agricultural and food product supply chains.";

As noted in the Presidential Policy Directive 21 (PPD–21) on Critical Infrastructure Security and Resilience and as outlined recently by the Food and Drug Administration (FDA) and USDA, ". . . all components of the Food and Agricultural Sector are considered critical infrastructure." Sugarcane and sugarbeets are critical for the production of sugar and sugar is a critical natural food ingredient necessary for food manufacturing and for household consumption.[5–6] In fact, *68% of packaged foods and beverages purchased in the United States contain added sugars.*[7]

Real sugar comes from sugar beets and sugar cane. Sugar occurs naturally in all green plants. Of all plant varieties, sugar beet and sugar cane contain the highest concentrations of sucrose, making them the most efficient way for farmers to grow and harvest sugar. The same pure sugar extracted from sugar cane and sugar beets is identical to the sugar that is found in your pantry.

Sugar has several functional properties in food and beverages. Sugar plays a crucial role in food preservation, helping to extend the shelf-life of certain food products.[5] For example, in jams and jellies sugar's ability to attract water prevents microorganisms from multiplying and spoiling food. In breads and baked goods this same quality keeps the bread moist, extending the shelf life thus reducing waste. Sugar can act as a preservative for medicines too and is also used for coating and flavoring medicines to mask their bitterness. There are over 60 different forms of sugar that provide a multitude of functions in the U.S. marketplace from making healthy foods more palatable to coatings on medicines masking their bitterness.

The 2020–2025 *Dietary Guidelines for Americans* recognize that "added sugars help with preservation; contribute to functional attributes such as viscosity, texture, body, color, and browning capability; and/or help improve the palatability of some nutrient-dense foods."[4] For example, sugar is a key component of the Maillard Reaction in products like bread and other nutrient dense foods, improving palatability.[8] Because of the multiple roles it plays, there is no single ingredient that can replace sugar's flavor and function. When sugar is removed, often several ingredients are added.

> "Overall, the public health recommendation about 'added sugars' must be balanced with the reality that sugar added to food is an important piece of the food science puzzle given its several functionalities in food. Not only can a spoonful of sugar help the medicine go down, but it can help fruit, vegetables and fiber go down as well." (Goldfein and Slavin, 2015).

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[4] A reported 74 percent of consumer-packaged foods contain caloric sweeteners (Ng, S.W., M.M. Slining, and B.M. Popkin. 2013. "Use of Caloric and non-caloric sweeteners in U.S. consumer packaged foods," *Journal of the Academy of Nutrition and Dietetics,* Vol. 112 (11): 1828–1834.

[5] See Presidential Policy Directive (February 12, 2013; *https://obamawhitehouse.archives.gov/the-press-office/2013/02/12/presidential-policy-directive-critical-infrastructure-security-and-resil*).

[6] See the FDA–USDA MOU (May 20, 2020; *https://www.usda.gov/sites/default/files/documents/mou-between-fda-usda-dpa.pdf*).

[7] Popkin B.M., Hawkes C. *Sweetening of the global diet, particularly beverages: patterns, trends, and policy responses.* LANCET DIABETES ENDOCRINOL. 2016; 4: 174–86.

[5] Davis, E.A. *Functionality of sugars: physicochemical interactions in foods.* AMERICAN JOURNAL OF CLINICAL NUTRITION. 1995 ;62 (suppl.): 170S–177S.

[4] U.S. Department of Agriculture and U.S. Department of Health and Human Services. *Dietary Guidelines for Americans, 2020–2025.* 9th Edition. December 2020. Available at DietaryGuidelines.gov. Accessed January 14, 2021.

[8] [1] Davis EA. *Functionality of sugars: physicochemical interactions in foods.* AMERICAN JOURNAL OF CLINICAL NUTRITION. 1995; 62(suppl.): 170S–177S [3] Goldfein KR, Slavin J.L. *Why Sugar is Added to Food: Food Science 101.* COMPREHENSIVE REVIEWS IN FOOD SCIENCE AND FOOD SAFETY. 2015; 14(5): 644–656.

Sugar is a key partner in nutrient delivery. Adding a limited amount of sugar to foods that provide important nutrients—like whole-grain cereal, flavored milk, or yogurt—to improve their taste makes sugar a key partner in nutrient delivery.

According to the 2020–2025 *Dietary Guidelines,* improving palatability of some nutrient-dense foods, helps to meet food group recommendations. "In fact, the nutrient dense choices included in the Health U.S.-Style Dietary Pattern are based on availability in the U.S. food supply and include 17–50 calories from added sugars, or 1.5–2 percent of total calories." (USDA 2020).

Sugar is a simple carbohydrate, providing glucose that the brain and muscles need to function. Carbohydrates are an integral part of a healthy diet.[3] Carbohydrates (sugars and starch) are the primary source of energy for the body because they are broken down into glucose. Glucose, which makes up half of each sugar molecule, is essential to the function of the brain, muscles, and other organs (our brains require around 130 grams of glucose per day).

Sugar is an ingredient that consumers know and recognize—and during the Pandemic, consumers turned to simple, essential ingredients like sugar for baking and cooking at home to both feed their families and bring some joy as restaurants closed and home cooking replaced food service purchases. Sugar, whether from fruits and vegetables, or extracted and crystallized, has been an important part of human diets throughout time. Consumers recognize sugar on an ingredient list, whether on the side panel of a food product or in a recipe. Sugar is pure and contains no preservatives or additives of any kind. Replacing sugar in food is a difficult and time-consuming process of trial and error. Changing food recipes at the industrial level is also quite expensive requiring product reviews by the appropriate food regulators.[7]–[8]

Section (iii) "the manufacturing or other capabilities necessary to produce [sugar]";

American sugar producers are among the world's most efficient, while adhering to standards and costs for environmental, consumer, and worker protections that are among the highest in the world. American sugar producers can compete against foreign producers on a level playing field, free of government interventions, but cannot compete against foreign sugar subsidies that lead to a world sugar market with dumped surpluses and depressed prices.

The current U.S. sugar policy is a critical response to foreign subsidization and dumping practices that result in a highly volatile global market for sugar. Absent current policy, American jobs in sugar production would be lost to foreign unfair trading practices and the viability and resilience of the U.S. food supply chain would be threatened. As noted at the 2018 Sugar Symposium by an industry representative, "Historically big food companies demanded high-quality sugar but didn't want to pay for its actual cost of production. Now dependable delivery and a reputation with consumers for having top-end products is of increased importance. I am more worried about availability and security of supply."[9]

The U.S. sugar industry is among the world's largest and its producers are among the most competitive (see *figure 1* below). The United States is the world's fifth largest sugar producer, the third largest consumer, and the third largest importer behind China and Indonesia. Despite the high cost of complying with some of the world's highest labor and environmental standards. The United States has the 20th lowest cost of production, compared to the other 94 sugar-producing countries.[10] Most of those other sugar producers are developing countries with far lower government-imposed labor and environmental standards, regulations and costs.

More than half of U.S. sugar production is from sugarbeets and a little less than half is from sugarcane.

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[3] Goldfein K.R., Slavin J.L. *Why Sugar is Added to Food: Food Science 101.* COMPREHENSIVE REVIEWS IN FOOD SCIENCE AND FOOD SAFETY. 2015; 14 (5): 644–656.

[7] *https://onlinelibrary.wiley.com/doi/full/10.1111/1541-4337.12151#:~:text=Sugar percent20 provides percent20bulk percent20which percent20impacts,than percent20sucrose percent20 (Spillane percent202006).*

[8] *https://www.foodbusinessnews.net/articles/7433-g-m-o-labeling-alone-may-cost-americans-3-8-billion.*

[9] See article at *Agri-pulse* (*https://www.agri-pulse.com/articles/11320-availability-and-exemplary-top-grade-service-gaining-higher-priority-in-sugar-market*).

[10] LMC International, "Sugar Production Costs: Global Benchmarking 2011 Report," August 2012, Oxford, England.

Figure 1. U.S. low costs of sugar production

The United States: One of the World's Largest and Lowest-Cost Sugar Producers

U.S. rank among world sugar markets [1]

	U.S. Rank
Production	5
Consumption	3
Imports	3

U.S. cost of production rank among all producers [2]

	U.S. Rank	# of Producing Countries/Regions
All	**20**	**95**
Beet	1	35
Cane	35	61

[1] USDA, Foreign Agricultural Service, May 2021. Rankings based on 5 year Olympic Average (2015/16–2021/22).
[2] LMC International, Sugar Production Costs: Global Benchmarking 2011 Report, August 2012, Oxford, England. "One" ranking = lowest cost.

The U.S. industry has 45 mills, factories, and refineries that process sugarbeets, sugarcane, and raw cane sugar, with that sugar distributed from 91 locations strategically located throughout the United States (see *figures 2* and *3* below).

Figure 2. U.S. sugar industry profile

U.S. Sugar Industry Profile
2020/21

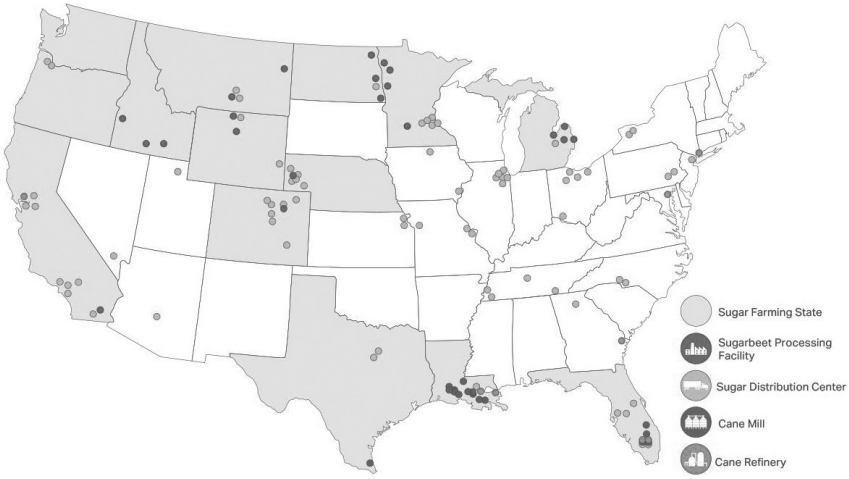
(Thousand short tons, raw value)

Beet Sugar Production	5,118	21 beet factories in 9 states [1]
Cane Sugar Production	4,181	16 cane mills in 3 states
Total	**9,299**	**37 facilities in 12 states**
Sugar consumption	12,230	
TRQ Imports [2]	1,673	40 WTO quota-holding countries + FTAs
Mexico Imports [3]	981	Additonal U.S. import needs
Cane Sugar Refineries		8 refineries in 6 states
Jobs generated	142,000	22 states [4]

[1] Sugarbeets grown in 11 states.
[2] Tariff-rate quota imports for domestic food use, actual entries. Total minimum access provided: 1.6 mst.
[3] Limited under suspension agreements negotiated between U.S. and Mexican Governments in 2014; amended in 2017.
[4] LMC International, "The Economic Importance of the Sugar Industry to the U.S. Economy—Jobs and Revenues ," Oxford, England, August 2011. Revenues generated: $20 billion per year.
Data source: USDA, June 2021 WASDE.

The sugar industry is largely structured as farmer-owned cooperatives. The cooperative model has, in some circumstances, been used when corporations choose not to remain in such narrow-margin businesses as sugar. Cooperatives have proven to be effective in eliminating excess costs in the U.S. sugar industry, improving efficiency, and providing growers the opportunity to vertically integrate, govern, and earn more of the food production dollar. Thus, the farmer-owned cooperative business model is a mainstay of the domestic sugar industry.

Figure 3. U.S. sugar industry locations



Beet sugar is produced in 11 states primarily in the north, because cold winter temperatures permit beets to be stored outside with minimal loss of their sucrose content. The outside storage of beets permits beets to be efficiently processed long after their harvest. Beet sugar primarily serves the interior of the country. This source of sugar is located near major food manufacturers, who have facilities close to other agriculture raw materials.

Sugarcane is grown in three states, processed into raw sugar, then refined at eight coastal refineries. Cane sugar primarily serves the heavily populated coastal regions of the country.

Beet and cane refined sugar warehousing and distribution terminals are strategically located throughout the U.S. to meet customer needs on a just-in-time basis. Refined sugar is sensitive to heat and moisture and as food grade product must be kept under seal during shipment by train and truck. Sugar is heavy and transportation is expensive, so moving the product short distances is preferred to reduce costs and maximize efficiencies.

For the past 5 years, sugarcane and sugarbeet processing capacity has been currently sufficient to provide 65–76 percent of U.S. sugar needs. American cane sugar refiners refine most of the imported sugar such that more than 90 percent of sugar consumed in the U.S. comes from American farms or American cane refiners. The remaining ten percent of sugar consumed in the U.S. is imported as refined sugar. At a minimum, the United States has agreed to market access commitments under the World Trade Organization (WTO) or through bilateral/regional free trade agreements (FTAs) to allow approximately 1.4 million metric tons per year of raw and refined sugar to enter the United States on preferential terms, and in most cases duty free. In years when the production of sugarcane or sugarbeets is sufficiently low, the

United States will seek additional supplies of imported sugar, first from Mexico as required under the antidumping and countervailing duty suspension agreements and then from other foreign sources. If domestic sugar from U.S. sugarcane or sugar beets exceeds 85 percent of U.S. needs, as it has rarely done in the past, sugarcane and sugarbeet processors would place surplus sugar in storage, at their own expense, until the following production year.

Section (iv) "contingencies that may disrupt, strain, compromise, or eliminate the supply chain [for sugar]";

There are a number of contingencies that have the potential to disrupt, strain, compromise, or eliminate the current, effective supply chain for domestic sugar. These would include policy changes, demand shocks, and supply shocks.

Policy—Though the U.S. industry is efficient by global standards, long periods of low prices and high risks have resulted in the shuttering of over half of the beet and cane sugar processing facilities since 1985, with third party owners exiting the business and most of the remaining companies purchased by farmers to avoid closure (see *figures 4–6* below). The loss of milling and refining capacity from further

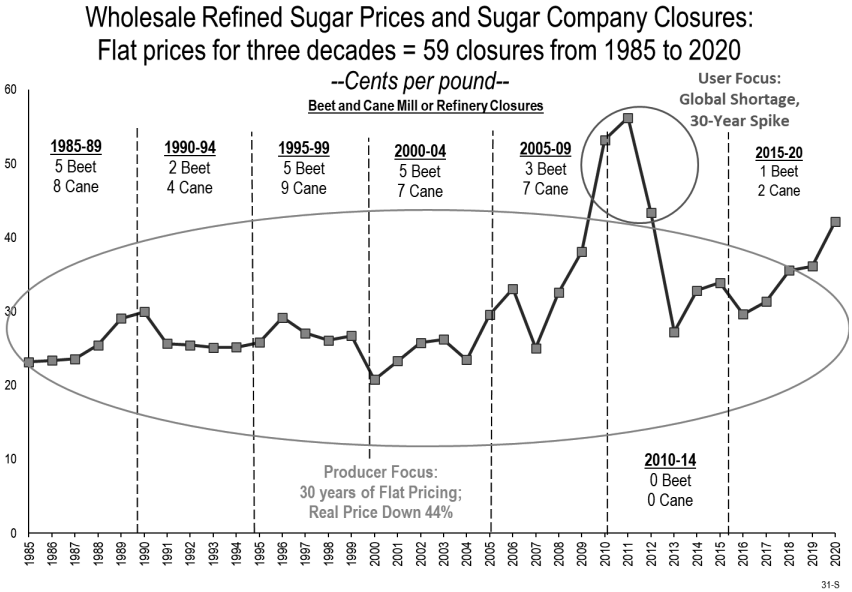
closures would threaten the domestic industry's ability to provide a safe and reliable supply of sugar, carefully tailored to the complex needs of U.S. food manufacturers and consumers and would cause further distress in many hard-pressed rural areas.[11]

Figure 4. Real sugar price falling over time

Data sources: BLS—CPI–U. USDA—wholesale refined beet sugar, Midwest markets; annual averages 1985–2020; 2021 January–May average.

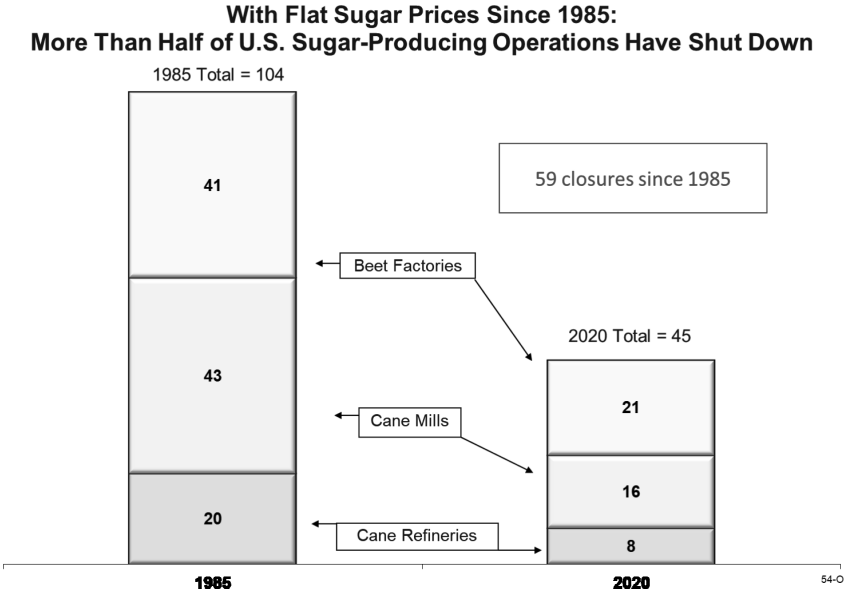
[11] See how the U.S. sugar industry supports economic opportunities in rural America at *https://sugaralliance.org/u-s-sugar-policy-supports-american-jobs-strong-communities/15898*.

Figure 5. Low prices lead to consolidation



Source: USDA, annual average wholesale refined sugar prices, Midwest markets, 1985–2020. More operations would have closed had farmers not organized cooperatively to purchase independent beet and cane processing and refining facilities. User access to domestic sugar would have suffered.

Figure 6. Sector consolidation since 1985



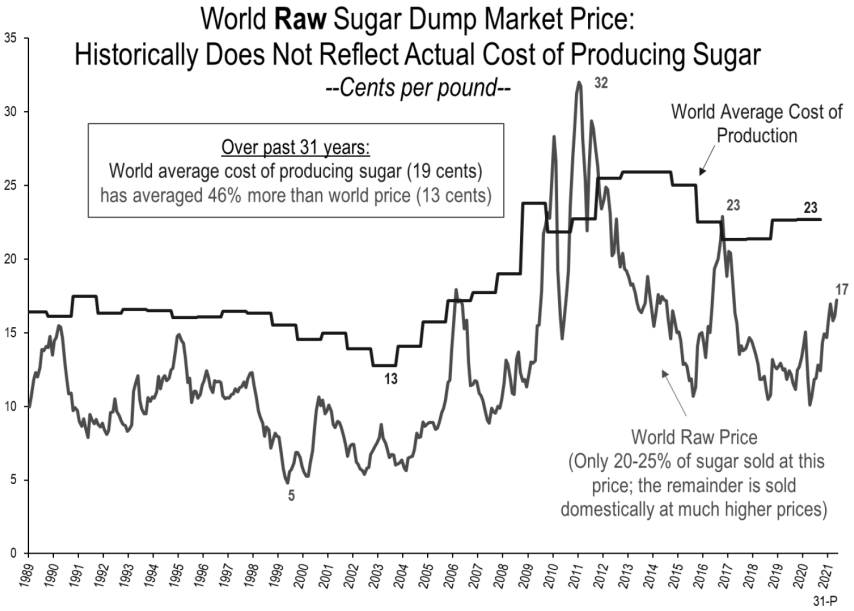
Source: American Sugar Alliance, 2021.

Two main risks exist to maintaining stable prices at levels that allow for orderly production and marketing of sugar domestically and allow investments in the sup-

ply chain (from research and development of seed varieties to broadband installation): changes to trade policy and changes to farm policy.

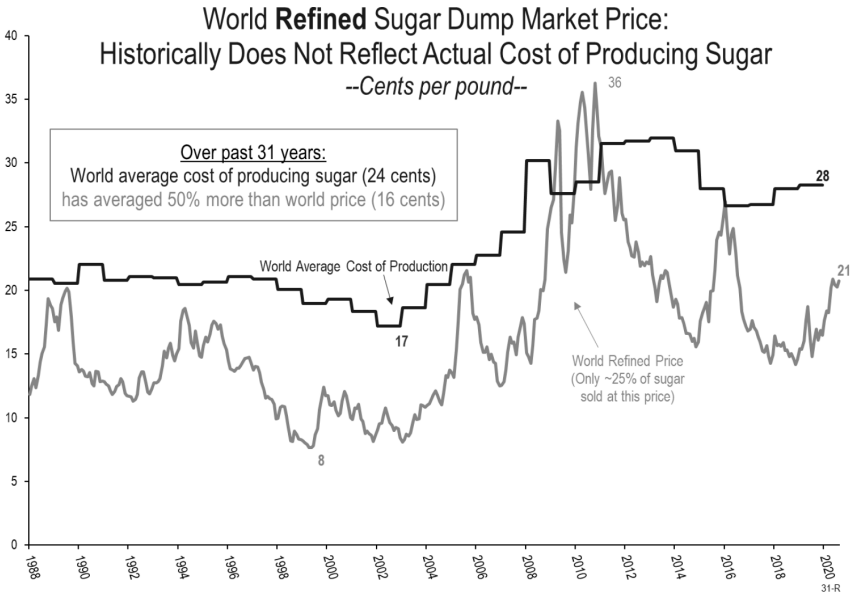
- *Trade Policy:* The current U.S. sugar policy buffers the U.S. market against highly subsidized foreign competition, but some may argue for weakening the existing measures. It is clear that a subsidized and oversupplied global market results in depressed and volatile prices. Due to the economic and political importance of defending sugar production, and consumption, every sugar-producing country's government intervenes in some aspect of its sugar industry (price, production, consumption, imports, and exports) to provide economic stability and profitability to sustain their domestic industry. Surplus production is sold (dumped) on the world market to prevent oversupply in their own market and to clear storage for the next crop, regardless of the world price. This results in world prices below the world average cost of production, posing a direct threat to more efficient producers in the United States and elsewhere (see *figures 7–8* below).

Figure 7. World raw sugar prices are lower than costs of production



Sources: World Price: USDA, #11 raw contract, Caribbean ports, monthly average prices, 1989–2021. Cost of Production: LMC International, "World Sugar Prices vs Costs of Production," Oxford, England, April 2021.

Figure 8. World refined prices are lower than costs of production

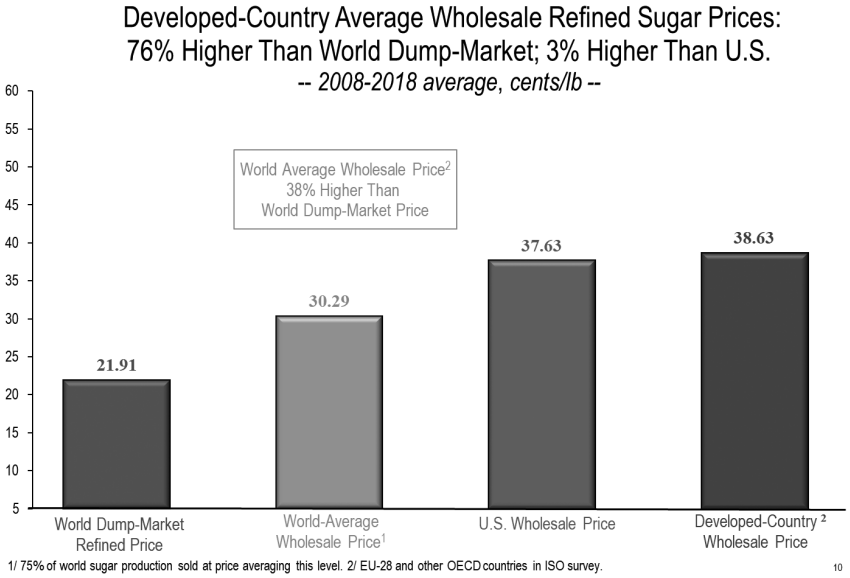


Source: World Price: USDA, London #5 contract. Monthly Average prices, 1970–2021. Cost of Production: "Sugar Production Cost, Global Benchmarking Report," LMC International, Oxford, England, April 2021.

Subsidized and dumped sugar has driven out smaller sugar producers around the world, some who were once suppliers to the U.S. market. The International Sugar Organization (ISO) surveyed 78 countries to learn actual wholesale prices—the price producers in those countries receive for their sugar. The ISO documents that, globally, actual wholesale refined sugar prices have averaged 38 percent higher than the world price over the past decade. Prices in other developed countries have averaged 76 percent higher than the world market price, and three percent higher than U.S. prices (see *figure 9* below).[12]

[12] International Sugar Organization, "Domestic Sugar Prices—a Survey," MECAS (19)05, May 2019.

Figure 9. Wholesale sugar prices within countries exceed global price

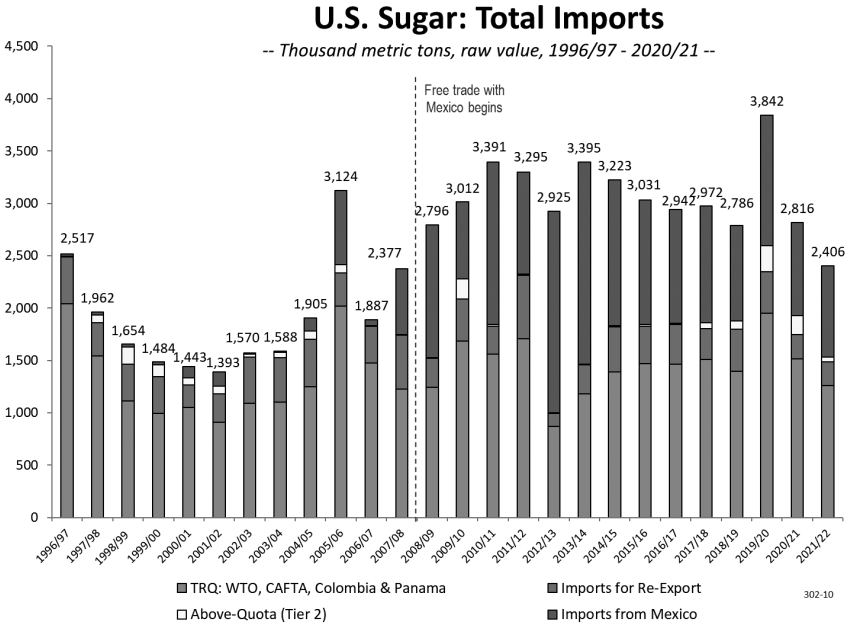


Sources: International Sugar Organization (ISO), "Domestic Sugar Prices—a Survey", May 2015 (MECAS(15)06) & May 2019 (MECAS(19)05); USDA, U.S. Midwest wholesale refined price and London #5 refined sugar futures contract.

Though the U.S. industry is efficient by global standards, long periods of low prices have resulted in the shuttering of over half of the beet and cane sugar processing facilities since 1985, with most of the remaining companies purchased by farmers to avoid closure. There is too much risk and not enough returns for third party investors to own sugar processing assets.

Concessions the United States has made in the WTO and in a number of bilateral/regional FTAs ensure that the U.S. is, and will remain, a net importer of sugar. These commitments, along with a growing population will produce a higher of rate of overall demand to continue to outpace production. This has made the United States the world's third largest sugar importer (behind China and Indonesia), importing some 25–30 percent of U.S. needs in a given year (see *figure 10* below).

Figure 10. U.S. sugar imports



Data Source: USDA, 2020/21 forecast; 2021/22 projection.

Our import commitments to 40 countries under the WTO, plus in FTAs with Mexico, Canada, the CAFTA–DR countries (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Dominican Republic), Colombia, Peru, and Panama, and have grown over time (see *11* below).

Further opening the U.S. market to the global market for sugar would likely drive additional U.S. producers out of business. For example, Mexico's open access to the U.S. market provided under NAFTA led to the dumping of subsidized Mexican sugar on the U.S. market in 2013, depressing U.S. prices, costing U.S. farmers approximately $4 billion.[13]

Figure 11. U.S. sugar market concessions as of 2020/21

	Minimum Import Amount (or Recent Average)		
	WTO	FTAs Metric tons, raw value (MTRV)	Total
WTO *(41 countries, including below)*	1,139,195		1,139,195
NAFTA/USMCA			
Mexico (recent average) [1]	—	1,089,666	1,089,666
Canada	10,300	9,600	19,900
CAFTA/DR [2]	311,700	155,780	467,480
Colombia	25,273	56,750	82,023
Peru [3]	43,175	13,160	56,335
Panama [4]	30,538	7,650	38,188

[13] A successful anti-dumping and countervailing duty case in 2014 led to the current regime of Suspension Agreements with Mexico, that still guarantees duty-free access under certain conditions. See the U.S. Department of Commerce fact sheet at *https://www.commerce.gov/news/fact-sheets/2017/07/final-amendments-mexican-sugar-suspension-agreements-fact-sheet*.

	Minimum Import Amount (or Recent Average)		
	WTO	FTAs Metric tons, raw value (MTRV)	Total
Total (WTO + FTA minimums + Mexico actual)	**1,139,195**	**FTAs (excl. MX): 226,320**	**2,892,787**

[1] Suspension Agreements (SAs) signed December 2014, revised June 2017, limit imports from Mexico to U.S. import needs above WTO and FTA quotas. Mexico FTA total is 3 year average actual entries (2017/18–2019/20). The SAs are subject to annual administrative reviews and to sunset reviews every 5 years; next sunset review in 2024.

[2] Central American Free Trade Agreement/Dominican Republic access for CY 2021; includes 2,000 tons of specialty sugars for Costa Rica. CAFTA countries' WTO access included in WTO total. Other CAFTA/DR countries: Guatemala, El Salvador, Honduras, Nicaragua, Dominican Republic.

[3] Peru FTA access is 11,160 MTRV, subject to net exporter status (not yet achieved) and 2,000 MTRV of specialty sugars not subject to net exporter status.

[4] Panama FTA specifies 6,600 tons of access must be raw; the remainder raw, refined or products. (CAFTA, Colombia and Peru FTAs do not specify raw or refined.)

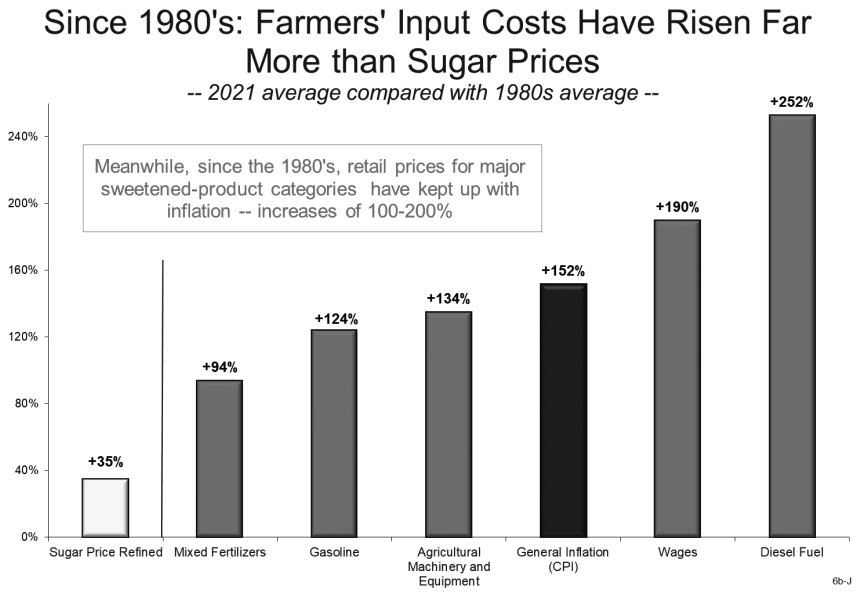
Note: TRQs set in the FTAs for CAFTA/DR, Peru, Colombia, and Panama are subject to net-exporter provisions (exports, excluding those to the U.S., minus imports). This requirement may limit access under these TRQs for some of these countries in some years. For 2021, the DR, Panama and Peru were determined not to have met the trade surplus provision and are unable to utilize their respective raw/refined TRQs (raw TRQ in the case of Panama).

Moreover, there are additional challenges of moving foreign refined sugar to the U.S. market, such as questionable product quality (resulting from a host of issues, such as packaging, polarity, foreign materials, heat and humidity in transit). There are significantly higher handling and transportation costs for importing global sugar, and at times, logistical obstacles. For example, the pandemic-induced container shortage has significantly hampered India's ability to export sugar this year. In Brazil, the world's largest sugar exporter, ships have experienced lengthy delays (3+ weeks) and associated demurrage costs waiting to load sugar due to shipping challenges exacerbated by both the pandemic and China's voracious demand for soybeans. Looking back more than a decade, when droughts hit the four major exporters (Brazil, India, Thailand, and Australia) at the same time in 2010, sugar prices shot up, leading these countries to concentrate on delivering shipments to nearby markets to save freight costs.

- *Farm Policy:* Domestically, the current sugar program, as detailed in the farm bill, provides a safety net for sugarbeet and sugarcane farmers by providing nonrecourse loans to assist with orderly marketing throughout the year. That maintains a steady flow of sugar supplies to consumers and industrial food manufacturers without requiring wholesale intermediaries or industrial facilities to invest in, construct, and maintain costly storage facilities. Legislative proposals weakening USDA's sugar program administration could jeopardize supply-chain resiliency by causing additional consolidation and contraction. Less geographic dispersion of the industry implies greater vulnerability to regional weather anomalies.

Rising input costs for sugar production (equipment, fertilizer, fuel, seed, labor, *etc.*) also put at stress the supply chains for sugar production and distribution (see *figure 12*). For example, labor availability is a perennial issue for sugarbeet and sugarcane producers at harvest. Because the beet and cane sugar content is best maintained for optimal extraction though speedy harvests, the demand for labor during those periods often exceeds local availability.

Figure 12. Input prices rising



1980s average compared with 2021 average-to-date.

Sugar price data source: USDA Table 5; Wholesale refined price (Midwest markets). Input cost and inflation data source: U.S. [Bureau of Labor] Statistics.

- *Other policy issues*—In addition to changes in trade or farm policy putting the resilience of the sugar supply chain at risk, there are myriad other policy changes that could threaten the supply of safe, reliable, and quality sugar to Americans.
  - Crop insurance is an essential risk management tool for growers and is usually a requirement by their bankers. Historically, crop insurance has served beet growers with minimal but adequate coverage. Purchase of buy-up policies by the cane sector has been more limited. However, RMA has always worked well with our growers and we appreciate their attention to our concerns.[14] And with continued improvements to both the sugarcane and sugarbeet policies as well as new products offering hurricane coverage there has been continued growth in polices and coverage for the sector. For example, in 2019, a year with adverse weather for beet as well as cane, total premiums for sugarbeets totaled $53.6 million and for sugarcane $6.1 million. Indemnities totaled $172.5 million for beets and $4.8 million for cane.
  - Continued public- and private-sector research and development is needed to provide continued advances in sugarcane and sugarbeet plant genetics that are more productive and more resilient to adverse growing conditions. Over the past 20 years, sugar growers have produced 16 percent more sugar on 11 percent less land: sugarbeet yields are up 42 percent and sugarcane yields are up 12 percent.
  - Similarly, continued access to plant protectants and other production inputs such as improved fertilizers will continue to remain a priority for growers who continually improve productivity to accommodate falling real commodity prices. Use of science-based rules rather than the precautionary principle to maintain access to those inputs is essential.
  - Changes to tax policy without safeguards for farm ownership may interfere with the orderly succession of farm ownership from one generation to the next

[14] See for example *https://www.rma.usda.gov/News-Room/Press/National-News-Archive/2018-News/2018-News/RMA-18-074-Crop-Insurance-for-Sugar-Beets-Sees-Improvements* and *https://www.rma.usda.gov/en/Topics/Hurricane-Insurance-Protection-Wind-Index*.

and could be disastrous for U.S. sugarcane and sugarbeet growers. Recent tax proposals have involved re-examining capital gains taxes and the treatment of stepped-up basis at the time of an owner's death. Changes to long-standing tax policies that would make it more difficult for family members to continue efficient farm operations or force them to sell off parts of the farm to satisfy tax liabilities would be particularly difficult for capital-intensive operations (such as beet or cane) to survive long without significant consolidation. Farm operations have often been in a family for generations and built up to scale over time. Efficiency is driven by economies of scale and our growers achieved efficiencies that have allowed them to remain in business. Changes to tax policy that would eliminate the efficiencies of scale would be disastrous to our industry and would be hard to reverse. Such threats underscore the importance of maintaining a broad sugarbeet and sugarcane production base as an important component of a resilient U.S. supply chain.

Shocks to Demand and Supply—It is clear that an important aspect of a resilient food and agricultural supply chain is the ability to adjust to rapid changes in demand or supply. As weather shocks becomes more frequent, the inelastic nature of demand for food suggests that, absent a resilient supply chain, year-to-year supply and price variations could be severe.

- For example, in 2019, severe weather disrupted sugarbeet production in several U.S. regions and in Canada, as well as sugarcane production in Louisiana and Mexico. Several sugar marketing companies were forced to invoke *force majeure* because of their inability to fulfill all their sales contracts. Despite the 850,000-ton, or ten percent, decline in domestic sugar production in 2019/20, the U.S. sugar market remained stable. The United States was able to replace that lost supply by increasing its imports of raw and refined sugar. During that marketing year no food manufacturing company was required to idle production for lack of sugar availability.
- Moreover, the U.S. sugar industry was able to ensure adequate retail supplies as consumers shifted their demand away from food-service establishments. To meet those challenges and to provide sufficient supplies to food manufacturers, during March–May 2020 the domestic sugar industry put an equivalent of an additional 53 million 4 lb bags on the shelf in record time to meet consumer needs and provided a calming effect of a resilient supply chain.

Section (v) "the resilience and capacity of American [sugar] manufacturing supply chains and the industrial and agricultural base of the United States to support national security [as it relates to nutritional security] in the event that contingencies occur";

As noted in E.O. 14017, resilient supply chains, like those around our domestic sugar supplies, ". . . are secure and diverse—facilitating domestic production, a range of supply, built-in supply redundancies, adequate stockpiles, safe and secure digital networks, and a world-class American manufacturing base and workforce. Moreover, close cooperation on resilient supply chains with allies and partners who share our values will foster collective economic and national security and strengthen the capacity to respond to international disasters and emergencies . . ."

The supply chain for sugar production and distribution in the United States has remained strong, despite the closure of more than half of all sugar processing operations since the 1980's. Rising costs and declining real prices led to the loss of large portions of American sugar production and manufacturing but the remaining, more consolidated, industry has continued to invest to sustain efficiency and flexibility.

As noted earlier, the sugar industry is largely structured as farmer-owned cooperatives. The cooperative model has, in some circumstances, been used when corporations choose not to remain in such narrow-margin businesses as sugar. Cooperatives have proven to be effective in eliminating excess costs in the U.S. sugar industry, improving efficiency, and providing growers the opportunity to vertically integrate, govern, and earn more of the food production dollar. Thus, the farmer-owned cooperative business model is a mainstay of the domestic sugar industry.

Sec. (v) part (A) "manufacturing or other needed capacities of the United States, including the ability to modernize to meet future needs";

Though U.S. sugar producers and farmer-owned cooperatives remain under some economic duress, they have continued to make investments to survive and respond to supply and demand challenges. For example, sugarbeet processors have built or expanded refined storage facilities in major demand centers, such as Chicago, to better supply consumers and industrial users in the Midwest. Following the disastrous railcar shortages in the Upper Midwest in 2014/15, which severely hampered the

orderly marketing of agricultural commodities, sugarbeet processors expanded storage capacity in demand centers to help mitigate future transportation bottlenecks.

Similarly, continued investments by the sugarcane refining sector in Louisiana and Florida have expanded domestic refining capacity, lowering the need to import refined sugar.

Sec. (v) part (E) "exclusive or dominant supply of critical goods and materials and other essential goods and materials by nations that are likely to become unfriendly or unstable";

As mentioned, the U.S. sugarbeet and sugarcane processing industry has the capacity to meet approximately 75 percent of U.S. demands, with the remainder of that demand being met by our trading partners, with most of the imported raw sugar being refined by U.S. refineries. The United States provides preferential access in commitments made under the WTO and various bilateral/regional FTAs. Our largest foreign supplier is Mexico.

Mexican access to the U.S. market is determined by the antidumping and countervailing duty Suspension Agreements (SAs) negotiated by the U.S. and Mexican governments in 2014 and revised in 2017. The SAs were in response to the damage done to domestic producers when Mexico unleashed a flood of dumped and subsidized sugar into the U.S. market in 2013. As a result, prices collapsed, seriously injuring American farmers and their refiners, causing them to lose an estimated $4 billion total from 2013 to 2014—and for the first time in over a decade U.S. sugar policy incurred a budgetary cost ($259 million) to the detriment of U.S. taxpayers.

To combat these unfair trade practices and restore balance and stability, U.S. sugar producers filed anti-dumping (AD) and countervailing duty (CVD) cases in 2014. The U.S. International Trade commission ruled unanimously that Mexico had injured the U.S. sugar industry.[15] The U.S. Department of Commerce (DOC) determined that combined duties of up to 80 percent were justified and would be needed to eliminate the injurious effects of Mexican dumping and subsidization. Such duties would almost certainly have stopped all, or nearly all, imports of sugar from Mexico. This was not the goal of the U.S. sugar industry. The goal was to stop dumped and subsidized sugar from threatening the viability of our industry and placing a burden on U.S. taxpayers. Therefore, in lieu of AD and CVD duties, the U.S. and Mexican governments negotiated the SAs in December 2014 to attempt to eliminate injury and, at the same time, allow the Mexicans substantial access to the U.S. sugar market.

Unfortunately, these SAs did not work as intended and proved totally ineffective. They neither eliminated dumping nor removed the injury to our producers, resulting in economic damages to the sugar industry of an additional $2–$2.5 billion (which totals $4–$4.5 billion in reduced income).

This situation was brought under control only when the DOC successfully completed a revision of these SAs, which came into effect on October 1, 2017. Since then, the SAs appear to have been effective in ending Mexican damage to the U.S. sugar industry.

Sec. (v) part (F) "substitutes or alternative sources";

The sweetener sector is very competitive. As mentioned, the U.S. sugar sector is a highly dispersed and competitive marketplace characterized by roughly 50 percent domestic beet sugar supplies and 50 percent domestic or imported cane sugar supplies. Other sweetener supplies include caloric sweeteners such as honey or high fructose corn syrup and non-caloric artificial sweeteners such as aspartame. None have the multiple properties that sucrose provides. Changes in consumer preferences will drive longer-term trends; and replacing sugar with current alternative sources in the event of a short-term supply-chain disruption is not likely. If we consider the pandemic, consumer demands required swift movement of supplies from food service to retail grocery outlets. Such a movement was accommodated by the resilient sugar supply chain. In some cases, if industrial users wished to move to another sweetener, that would have required lengthy experimentation with ingredient lists and Federal food product approval—not the type of the swift response required during a supply chain disruption.

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[15] See "Sugar from Mexico Injures U.S. Industry," at U.S. International Trade Commission, News Release 15–098 (October 20, 2015; *https://www.usitc.gov/press_room/news_release/2015/er1020ll513.htm*).

Sec. (v) part (G) "current domestic education and manufacturing workforce skills for the relevant sector and identified gaps, opportunities, and potential best practices in meeting future workforce needs for the relevant sector";

The sugar industry provides well-paying full-time jobs for many communities supporting small independent businesses in the United States, often in rural areas. Investments in automation at beet processors and cane mills and refineries have helped the sector build supply-chain resilience.

The most recent analysis estimates that the U.S. sugar industry generates 142,000 jobs across the country and U.S. sugar companies pay fair wages and offer good benefits. Importantly, the sugar industry provides opportunities in communities where jobs can otherwise be limited. Sugar companies take pride in fostering a skilled workforce. Whether it is partnering with community colleges to develop educational opportunities or providing tuition reimbursement, additional training and technical classes, the sugar industry is continually encouraging growth and career advancement. The U.S. sugar industry is also strongly supported by its largely unionized workforce. In fact, 100 percent of beet sugar processors employ union labor, as do most cane refineries.

Sec. (v) part (H) "the need for research and development capacity to sustain leadership in the development of critical goods and materials and other essential goods and materials, as identified in subsections (c)(i) and (c)(ii) of this section";

Continued public- and private-sector research and development is needed to provide continued advances in plant genetics. Both beet and cane producers benefit from the USDA investments in the research stations located in:

- Cane: Canal Point, Florida; ARS Sugarcane Research Unit in Houma, Louisiana
- Beets: ARS stations in Fargo, North Dakota; Fort Collins, Colorado; East Lansing, Michigan Kimberly, Idaho, Sidney, Montana Beltsville, Maryland, Pullman, Washington, and Wyndmoor, Pennsylvania. Additional research is conducted by nine land-grant universities, eight sugar companies and three seed companies. That research will improve the resilience of the supply chain for sugar in the longer run by making U.S. beet and cane crops less vulnerable to severe weather and disease.[16]

Section (ix) "policy recommendations for ensuring a resilient supply chain for the sector, including reshoring supply chains and developing domestic supplies, enhancing access to financing, expanding research and development to address risks posed by climate change";

Last year posed enormous challenges to the U.S. food and agricultural system. The disruptive impacts of the COVID–19 pandemic on the U.S. agricultural system were broad and varied. Markets—food, commodity, labor, energy—were jolted by global, national, and regional shutdowns, slowdowns, and overall uncertainty. Those shocks to the U.S. and global economies affected both the supply and demand for food in the U.S. and led to short-term, localized shortages in the U.S.[17] However, as USDA's 97th annual Agricultural Outlook Forum highlighted this February, U.S. agriculture was buttressed in this challenging period by innovation, which allowed the supply chain for food and agriculture to be resilient.

Consumer food purchasing switched almost overnight with retail spending growing by more than 50 percent in March 2020, while hotel and restaurant spending fell by more than 60 percent as many states imposed emergency measures to control the pandemic.[18] In addition, food manufacturers were challenged with receiving ample supplies of product to process as well as safeguarding their workers and ensuring sufficient labor supply to remain open. By and large, with few exceptions, the resiliency of the U.S. food supply chain ensured adequate food supplies for Americans throughout 2020. However, there were instances when that supply chain was strained, and the Federal Government had to step in and ensure the movement of food to Americans that either had little access to those food products or were having difficulties accommodating the rise in consumer food prices we saw at this time.

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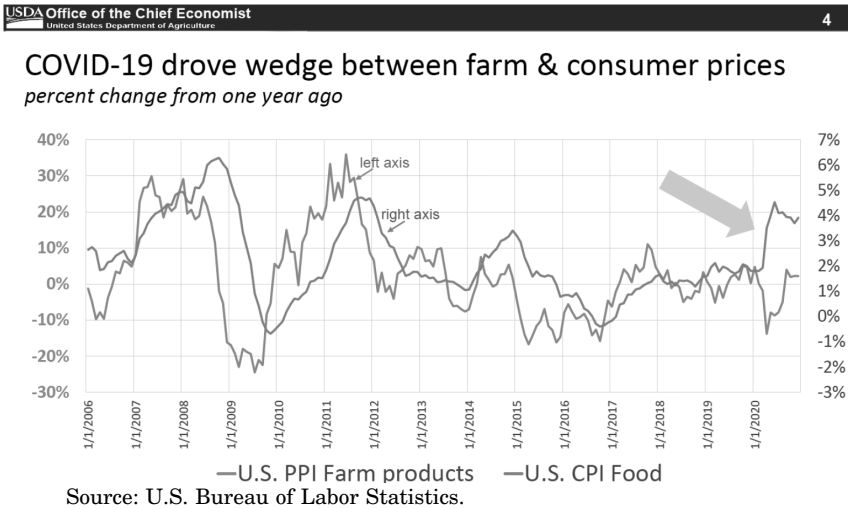
[16] See examples at *https://sugaralliance.org/research-in-louisiana-supports-sustainable-sugarcane-production/37544*.

[17] *https://www.usda.gov/media/blog/2020/09/24/americas-farmers-resilient-throughout-covid-pandemic*.

[18] See J. Balagtas and J. Cooper. 2021. "The Impact of Coronavirus COVID–19 on U.S. Meat and Livestock Markets," USDA Office of the Chief Economist, working paper (March: *https://www.usda.gov/sites/default/files/documents/covid-impact-livestock-markets.pdf*).

But the bottom line is that no food manufacturer had to shut down due to a lack of sugar supply.

We can see from this graphic provided by the USDA at the Agricultural Outlook Forum (see graph below (from *https://www.usda.gov/sites/default/files/documents/2021-meyer-slides.pdf*) that as producers received lower amounts for their products in the first months of the pandemic, consumer prices were surging due to the stress on the supply chain.



Source: U.S. Bureau of Labor Statistics.

The supply chain for sugar, like many throughout the food supply chain, was also stressed by the pandemic and change in consumer demands last year. In addition to the stress on the sugar supply system due to the pandemic, the domestic sugar industry was ending a disastrous 2019 crop for many parts of the industry, due to cold wet weather in the Northern states and dry weather in Louisiana and Texas. Severe weather caused U.S. beet sugar production in 2019/20 to drop 12 percent from the previous year while Louisianan and Mexican cane sugar production each dropped by 18 percent. Meanwhile, the pandemic threatened sugar processing, transportation, and overall demand. However, because of the strong sugar policy enacted by Congress and administered by USDA, USTR, and DOC, the divergence in the PPI and CPI experienced by most of the U.S. food and agricultural sector was not as apparent for the sugar sector.

Lessons Learned—ensuring a resilient supply chain for U.S. sugar

1. **The current trade policy for sugar is working.**

   The U.S. sugar industry is a major player in the world sugar market. The United States is the world's fifth largest sugar-producing country and is among the most efficient. The U.S. is the 20th lowest cost among the 95 largest sugar-producing nations. Most of these are developing countries with far lower government-imposed costs for worker, consumer, and environmental protections. U.S. beet sugar producers, mostly in northern-tier states, have been called the lowest-cost beet producers in the world.[19]

   The United States is also the world's third largest sugar-consuming country and the third largest sugar importer behind China and Indonesia, providing guaranteed, largely duty-free, access to 41 countries. This makes the United States one of the world's most open markets to foreign sugar. The amount of preferential access is prescribed under the World Trade Organization and other trade agreements to which the United States is a party.

   Since, U.S. sugar producers are among the lowest cost in the world, one might ask why the industry requires a sugar policy at all. To mitigate the potential for globally subsidized sugar to be dumped on the U.S. market, sugar policy has evolved to provide substantial access to trading partners per

[19] LMC International, "Sugar & HFCS Production Costs: Global Benchmarking," Oxford, England, August 2011.

agreed upon quantities at the higher U.S. price. Similarly, Mexico, has agreed to limit exports to the United States albeit at the higher U.S. price, through negotiations with the Department of Commerce to avoid anti-dumping duties levied against Mexican sugar exports by the United States in 2014 and amended in 2017.

Researchers at Texas A&M University's Agricultural and Food Policy Center have written: "Policymakers in the United States have long recognized that the world sugar market is heavily distorted by foreign subsidies and market manipulations and have provided U.S. sugar farmers with some form of safety net for more than 200 years. Major producers and exporters of sugar do not respond to the signals of the world market but rather to the policies of their governments that enable them to export sugar below their costs of production and their own domestic prices."[20]

A published study by University of Tennessee researchers has noted: "The U.S. sugar program protects domestic sugar producers from world sugar prices because the world sugar market consists of heavily subsidized sugar from countries such as India and Brazil. The world sugar market carries the moniker of being the most distorted commodity market because nearly all sugar-exporting countries subsize and protect their sugar industries."[21]

2. **Current farm policy for sugar is working.**

U.S. beet and cane sugar producers process their crops into sugar much faster than the market can absorb it. Producers have to store sugar for many months at their cost until their customers need it. The current sugar policy provides nonrecourse loan to sugar producers so that they can manage stocks, market their crop throughout the year, and benefit from a needed economic safety net. U.S. sugar policy requires close monitoring by the USDA to ensure that supplies and demand remain in balance, targeting a range of stocks to use from 13.5 percent to 15.5 percent to avoid government costs. When supplies or demand move outside of normal patterns, interventions can occur. With ready supplies generally available from our main sugar trading partner, Mexico, the close cooperation between the USDA, the DOC, and Mexico ensures that the appropriate quantity of raw and refined sugar from that country is available for relatively quick purchase and delivery should the market require it.

The sugar provisions in the farm bill are designed to provide a safety net for farmers. Legislative threats to undermine the policy would accelerate the consolidation or collapse of the domestic industry putting consumers at higher risks. Rising costs of goods (inputs) and services (labor) and flat sugar prices continue to threaten production over time. To that end, we are experiencing greater costs to adopt greater sustainability/climate solutions to meet challenging growing conditions, but also to meet consumer expectations. Proper administration of the U.S. sugar policy is key to balancing the domestic market.

Conclusion

Thank you for reviewing and strengthening the supply chains for critical and essential goods and infrastructure needed for national food security. We understand that you will be considering these public comments and information as you determine and develop the Department's response to President Biden's Executive Order 14017. We trust that the attached information from the American Sugar Alliance regarding the current supply chain for sugar production and distribution to the American people and the U.S. food manufacturing sector will be helpful in that effort. Again, it bears mentioning that thousands of U.S. sugarbeet and sugarcane farmers and sugar industry workers, as well as millions of consumers, rely on USDA to maintain the strength and certainty of the U.S. sugar program and to collaborate with USTR and DOC to maintain the integrity of the system governing U.S. sugar imports.

Sincerely,

JACK RONEY,
Director of Economics and Policy Analysis,

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[20] J. Outlaw and J. Richardson. 2016. "Analysis of the Coalition for Sugar Reform Amendments to U.S. Sugar Policy: Potential Effect on Policy and Industry," Agricultural and Food Policy Center, Texas A&M University (May).

[21] Carlos J.O. Trejo-Pech, Karen L. DeLong, Dayton M. Lambert, and Vasileios Siokos, University of Tennessee, "The impact of US sugar prices on the financial performance of US sugar-using firms," *Agricultural and Food Economics,* August 2020.

American Sugar Alliance.

SUPPLEMENTARY MATERIAL SUBMITTED BY JON T. SCHWALLS, EXECUTIVE OFFICER, SOUTHERN VALLEY FRUIT AND VEGETABLE, INC.; ON BEHALF OF GEORGIA FRUIT AND VEGETABLE GROWERS ASSOCIATION

Insert

Mr. LAMALFA. You mentioned too that you—was it 70 percent of ships leave the U.S. with empty containers, or in some cases no containers, because they have left them on the dock because they are in a hurry to get back?

Mr. DURKIN. Correct.

Mr. LAMALFA. Has the 24/7 port order helped to change that situation any?

* * * * *

Mr. LAMALFA. So it is not in place yet?

* * * * *

Mr. LAMALFA. My time is out, but I would hope the panel, in other questions, would you emphasize what things we could be fixing right now to get results right now in other questions? Thank you.

* * * * *

The CHAIRMAN. Yes. And if you could provide those in writing back to him, we would appreciate it. Thank you. And now the gentlelady from Louisiana, Ms. Letlow, is recognized for 5 minutes.

February 14, 2022

Hon. DOUG LAMALFA,
U.S. House of Representatives
Washington, D.C.

In Re: U.S. House Committee on Agriculture November 3, 2021 Committee hearing, follow up question

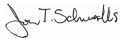
Question: Has the 24/7 port order helped to change that situation any?

Dear Congressman [LaMalfa]:

In California that seems to have helped to an extent. Our nation has many ports, and the American supply chain has numerous parts that are interwoven. There is not a single source of failure, so the solutions must be diverse and flexible. Here on the eastern seaboard, Savannah specifically has operated 24/7 for decades and still encountered problems until it was solved through solutions like problem solving partnerships with CSX and Norfolk Southern that lead to an increase in truck capacity. Other specific solutions related to the trucking industry would be a moratorium on E-logs as we had during the pandemic. Relaxed DOT regulations that would move from fines for non-egregious violations to warnings and lowering CDL applications from the current age of 21 to 18, as used in the military. I believe in general that we can find solutions through decreases in regulation that will not compromise safety. I do not feel that regulations should be the cause of food insecurity for our nation.

Thank you in advance for your question and leadership in such an important issue.

Respectfully,



JON T. SCHWALLS,
Executive Officer,
Southern Valley Fruit and Vegetable, Inc.

SUPPLEMENTARY MATERIAL SUBMITTED BY ED CINCO, DIRECTOR OF PURCHASING, SCHWEBEL'S BAKING CO.; ON BEHALF OF AMERICAN BAKERS ASSOCIATION

November 12, 2021

Dear Chairman Scott, Ranking Member Thompson, and Members of the House Agriculture Committee:

Thank you for the opportunity to testify at the November 3, 2021, hearing on "the immediate challenges to our nation's food supply chain." To follow up on questions

the American Bakers Association (ABA) received, we are providing the Committee with additional information for the record to supplement ABA's responses on a few topics from the hearing:

Baking Industry Response to COVID–19

From the beginning of this crisis, as baking is a Department of Homeland Security designated essential critical infrastructure sector, ABA has advocated for actions that protect workers, including priority access to personal protective equipment, critical hygiene and cleaning supplies, testing, and early access to vaccines. ABA works collaboratively with the Federal Government, including the U.S. Food and Drug Administration (FDA), U.S. Department of Health and Human Services (HHS), The Centers for Disease Control and Prevention (CDC), and U.S. Department of Agriculture (USDA) to effectively communicate and share information on best practices, industry hurdles and valuable guidance throughout the pandemic. Additionally, ABA has a comprehensive section on its website devoted to resources to help members understand best practices and guidance around COVID–19. ABA is a member of the U.S. Rapid Action Consortium (RAC) whose mission is to safely and effectively reopen the U.S. economy faster through a COVID–19 rapid action testing system to enable U.S. businesses to better create safer workplaces. ABA members remain committed to providing a safe and healthy work environment for all employees while producing and delivering wholesome, nutritious baked goods to Americans.

Edible Oils

The demand for soybean oil and other vegetable oils has exceeded the current domestic supply. *Attachment A,* is an economic report on the surging biofuel demand on the U.S. Soy oil Market. This report completed in September 2021 by agricultural economist Bill Lapp, President, Advanced Economic Solutions, Inc. provides an in-depth outlook on the edible oil market supplementing ABA's testimony on soybean oil. Soybean oil is the most widely used cooking oil in the United States. We have seen the demand of soybean oil rise faster, in part because of steadily increasing renewable volume obligations as dictated by the EPA's Renewable Fuel Standard. If the Biden Administration were to maintain the renewable volume obligations at the current levels through 2022, it will help to alleviate the growing strain of the baking industry supply chain now and in 2022.

Sugar Subsidy Program

The current USDA sugar subsidy program contributes to food industry supply chain hurdles. In addition to enforcing artificial price inflation, the program's complicated labyrinth of rules pertaining to imports and supply management bake bottlenecks and uncertainty into the domestic sugar supply chain. As a matter of policy, the current sugar program creates supply chain shortages for manufacturers of food, beverage, and other sugar-containing products.

The current sugar shortage cannot simply be explained as another phenomenon of larger pandemic-related supply chain issues. With regards to the domestic sugar supply, supply continuity concerns have been ongoing for food manufacturers for decades. While workforce shortages, shipping costs and transportation bottlenecks are all contributing factors to the current supply chain crisis, they are exacerbated by the current sugar USDA subsidy program. The process for requesting tariff-rate quota reallocations and other import remedies is slow, bureaucratic, and arcane. Reforms are desperately needed to guarantee market responsiveness and ensure a steady supply for domestic industrial users and U.S. consumers.

If Congress wants to ease supply chain burdens for the food and beverage production sector, it should pass H.R. 4680, the *Fair Sugar Policy Act of 2021.* This legislation would safeguard an adequate supply of sugar at reasonable prices for our nation's food and beverage producers without jeopardizing the safety net for American sugar producers and refiners.

Workforce Shortage

The baking industry depends on drivers with commercial driver's licenses (CDL) to help move and deliver their products. Bakers are often moving ingredients and products across state lines. Currently, 49 states and the District of Columbia allow individuals under the age of 21 to obtain a CDL and operate in intrastate commerce, however, those individuals would be prohibited from driving a truck across state lines until they are 21.

ABA supports the bipartisan DRIVE-SAFE Act (H.R. 1745) which would create a rigorous two-step apprenticeship program creating a path for drivers under 21 to enter the trucking industry. This legislation requires candidates to complete at least 400 hours of additional training—more than what is required for any other CDL

holders in the nation; safety is the priority of this legislation. ABA believes we need to continue to provide more opportunities for individuals under the age of 21 with extensive training opportunities to participate in the workforce and create a new pipeline for truck driving as a career choice. The driver shortage poses a major threat to the baking industry's supply chain.

Thank you again for the opportunity to testify on the unique supply chain challenges facing the baking industry and for the opportunity to submit this additional supplemental information for the Committee's consideration as we all continue to work together to support and strengthen our supply chain and feed American families.

Respectfully submitted,

Ed Cinco,
Schwebel's Baking Co.

Lee Sanders, CAE,
SVP, Government Relations & Public Affairs/Corporate Secretary

Attachment A

Outlook and Implications of Surging Biofuel Demand On the U.S. Soyoil Market [1]

BILL LAPP, *President,* Advanced Economic Solutions

September 2021

Summary

Demand for and production of renewable forms of biodiesel has begun to surge due to demand from biofuel mandates outpacing supply of soy and canola oil agricultural feedstocks. This market imbalance has caused edible oil prices to nearly triple and markets are anticipating supply shortages in upcoming quarters.

Advanced Economic Solutions (AES) projects that renewable diesel production will double from 2020 to 2021 to reach 1.0 B gallons, thus straining already significant demand for vegetable oils as feedstocks for various forms of biodiesel fuels. Beyond 2021, significant refining capacity expansion and resulting demand driven by Federal and state biofuel mandates is expected to drive domestic renewable diesel production to 3–4 B gallons, triple the current level of production.

Background

Growth in the use of soyoil to produce biofuels has risen sharply over the past 10 years, initially to produce biodiesel and more recently renewable diesel. The key drivers of rising demand for soyoil and other fats/oils are the Federal Renewable Fuel Standard (RFS) and state mandates such as California's Low-Carbon Fuel Standard (LCFS).

During the October–September 2021/22 year, USDA is forecasting that 11.5 B pounds of soyoil or 43% of total U.S. soyoil demand will be used to produce biofuels.[2] This represents a 26% increase from a year ago. The 11.5 B pounds includes soyoil used in the production of both renewable diesel and biodiesel. AES estimates that more than ⅓ of the feedstock used to produce renewable diesel during 2021 will utilize refined (RBD) soyoil. Because RBD soyoil is required by both food users and a sizable share of renewable diesel producers, a severe availability problem for RBD soyoil has developed. Demand for RBD soyoil for renewable diesel will continue to trend higher over the next 12–24 months, creating a significant challenge in meeting both food and renewable diesel demand for RBD soyoil. In the coming years, a growing share of the total advanced biofuel will be renewable diesel due to its higher impact upon reducing greenhouse gases and other credits under biofuel programs. An already extremely tight supply/demand situation for U.S. soyoil would be exacerbated if the EPA does not adjust advanced biofuel renewable volume obligations (RVOs) for 2021 and 2022 beyond the 2020 mandated level (5.09B gallons).

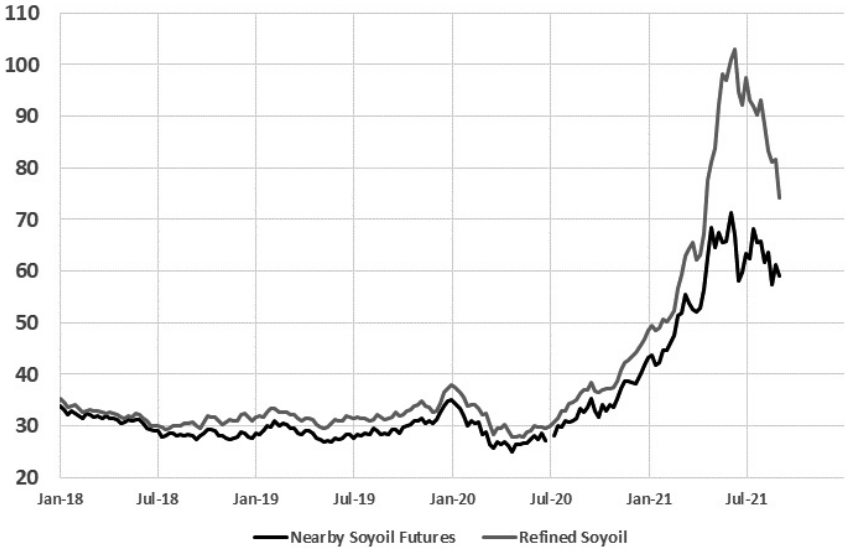
As an indication of these market disruptions, soyoil prices, including both futures and RBD soyoil, have surged in response to a sharp increase in the amount of soy used to produce biodiesel and renewable diesel. After reaching a peak of $1.03 per pound during early June, RBD soyoil prices have relaxed into a $.70–80 range as of early September, but are still double year ago levels. Without changes in state or Federal biofuel policy, vegoil prices are expected to remain at unprecedented high

[1] Revised September 6, 2021.
[2] USDA *World Agricultural Supply and Demand Estimates,* August 12, 2021.

levels during the coming year. Further, in the case of RBD soyoil there remains significant availability issue that should not be overlooked. Without a reduction in state or Federal mandates for biofuel usage, the bidding tension for RBD soyoil between food interests and renewable diesel producers is likely to become even more pronounced over the next 12–24 months.

Over the next 24–36 months, the high prices and reduced availability of soyoil (and particularly RBD soyoil) will require an increase in supplies through increased domestic production (plantings) and imports,[3] as well as a reduction in the demand for soyoil for uses other than renewable diesel. In the short-term, the combination of Federal and state mandates, as well as tax credits, has led to a bidding war between biofuel producers and food user. The resolution of the shortfall in supply will be challenging, and several critical assumptions/risks that could compound the availability problem need to be recognized—these include weather disruptions, expansion of biofuel mandates to other states and an expansion of Federal RFS annual volume mandates.

Soyoil Futures & Refined (RBD) Soyoil Prices (Cents/Lb)



Key Take-Aways

1. The price of refined soyoil has more than doubled over the past year, rising from $.35 per pound to over $.70.[4] Availability of adequate supplies of refined soyoil to meet demand for traditional food use as well as rising demand for renewable diesel remains a concern during 2022 and beyond.
2. It is notable that the United Nations' FAO Food Price Index reports that in August their vegetable oil sub-index is 68% higher than a year earlier. This is further indication that increased biofuel production is impacting vegoil markets beyond the U.S.
3. U.S. soyoil used to produce biofuel—both biodiesel and renewable diesel—is forecast by USDA to rise to 11.5 B pounds during the 2021/22 year, a surge of 26% from a year earlier. This means that U.S. soyoil used to produce transportation fuel will represent 43% of total usage—in other words nearly half of edible soy food crop is being combusted in vehicles.
4. The recent surge in soyoil demand, and the resulting supply shortage, is being driven by Federal and state mandates to produce transportation fuel made from fats and oils. A reduction in the RVOs would allow for the vegoil markets to "catch up" with the sharp increase in demand.

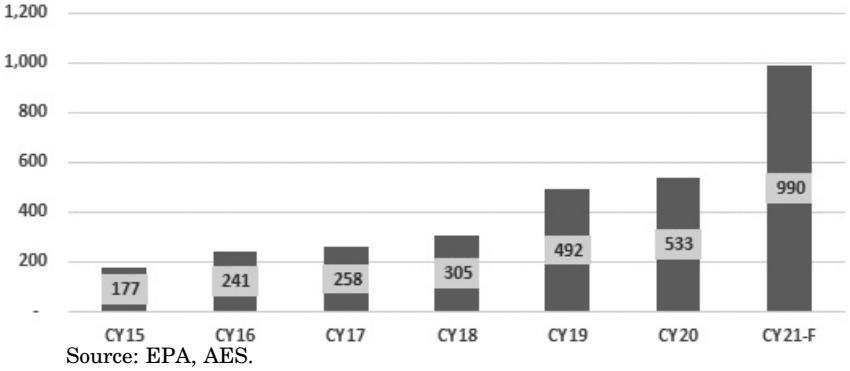
[3] US soyoil imports are currently subject to a 19.1% import duty.
[4] The Jacobsen.

5. AES expects that the demand for soyoil (and other fats and oils) to produce renewable diesel will at least triple over the next 3 years based on already robust renewable fuel mandates increased by expanded renewable diesel production to meet more stringent mandates.
6. Higher prices for soyoil and other fats/oils are expected to lead to market adjustments, including reduction in demand for other uses, as well as increased supplies of soyoil and imported canola oil. However, these adjustments will take time, and in the interim vegoil prices are expected to trade at historically high levels, with availability/shortages remaining a risk.
7. Rising vegoil prices are impacting the cost of food production: the July 2021 producer price index for fats and oils is 47% higher than a year earlier. Although the consumer price index for fats and oils during July 2021 is only up 4.0% from a year earlier, inevitably higher vegoil prices being incurred by producers will be passed on to consumers.

Renewable Diesel Production Surging

Demand for and production of renewable diesel has been growing in recent years and is poised to surge during 2021 and beyond. EPA RIN data shows that domestic renewable diesel production tripled between 2015 and 2020, rising from 177 mm gallons to 533 mm gallons. AES estimates that renewable diesel production will nearly double between 2020 and 2021 to 1.0 B gallons. Based upon EPA RIN data, year-to-date production during January–July 2021 is 39% above year-ago levels.[5] Beyond 2021, significant refining capacity expansion and further tightening of biofuel mandates is expected to drive domestic renewable diesel production to 3–4 B gallons, more than double the projected 2021 forecast.

Domestic Renewable Diesel Production (MM Gallons, 2021F)



Source: EPA, AES.

The dramatic increase in renewable diesel production and related investments has been driven by the need to meet the requirements of California's Low-Carbon Fuel Standard (LCFS).[6] The LCFS took effect in January 2011 , with the ultimate goal of reducing the carbon intensity of California's transportation fuel by 6.25% during 2019 (relative to 2010), increasing linearly to a reduction of at least 20% by 2030.

Carbon Intensity Benchmarks for Gasoline and Diesel Fuel and their Substitutes

Year	Gasoline Average CI (gCO_2e/MJ)	Diesel Average CI (gCO_2e/MJ)
2019	93.23	94.17
2020	91.98	92.92
2021	90.74	91.66
2022	89.50	90.41
2023	88.25	89.15
2024	87.01	87.89

[5] EPA EMTS data and EIA production data.
[6] *https://ww2.arb.ca.gov/sites/default/files/2020-09/basics-notes.pdf.*

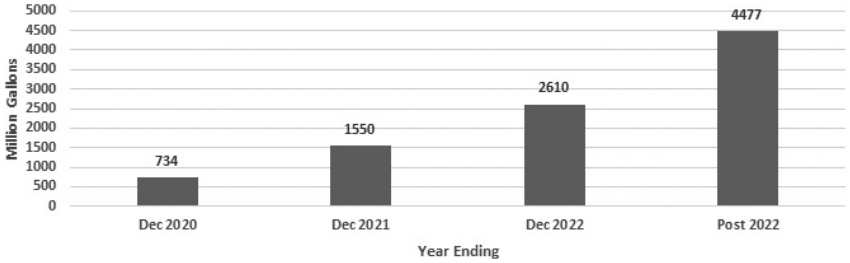
Carbon Intensity Benchmarks for Gasoline and Diesel Fuel and their Substitutes—Continued

Year	Gasoline Average CI (gCO_2e/MJ)	Diesel Average CI (gCO_2e/MJ)
2025	85.77	86.64
2026	84.52	85.38
2027	83.28	84.13
2028	82.04	82.87
2029	80.80	81.62
2030 onwards	79.55	80.36

The net result of the biofuel mandates has been a surge in investment in renewable diesel capacity in recent years, with additional capacity expected in the coming years. Based upon survey of industry participants, AES estimates that biofuel refining industry capacity will increase from 734 mm gallons to 1,550 mm gallons by the end of 2021 and increase by an additional 68% to 2,610 mm gallons by December 2022. AES has identified nine renewable diesel plants that are currently in operation, with annual operating capacity as large as 275 mm gallons. By the end of 2022, AES estimates that a total of 19 plants will be in operation, capable of producing over 2.6 B gallons.

Beyond 2022, there are at least nine additional projects that are planned and have been announced that would increase industry capacity to produce renewable diesel to well over 4 B gallons. AES believes that several of these announced projects will not materialize, and that it is possible that domestic renewable diesel capacity will ultimately peak at 3–4 B gallons.

Estimated Potential U.S. Renewable Diesel Production Capacity



Source: AES, Industry Estimates.

Role of the Renewable Fuel Standard in Driving Increased Soyoil Demand

The Renewable Fuel Standard (RFS) was established by Congress via the Energy Policy Act of 2005 (P.L. 109–58) and expanded in 2007 by the Energy Independence and Security Act (P.L. 110–140). Both of these statutes amended the Clean Air Act to create the RFS which requires that transportation fuels sold in the U.S. contain a certain volume of renewable fuels. The U.S. Environmental Protection Agency (EPA) administers annually the required volume obligations (RVO) under the RFS by setting minimum volumes to be included in the annual fuel supply.

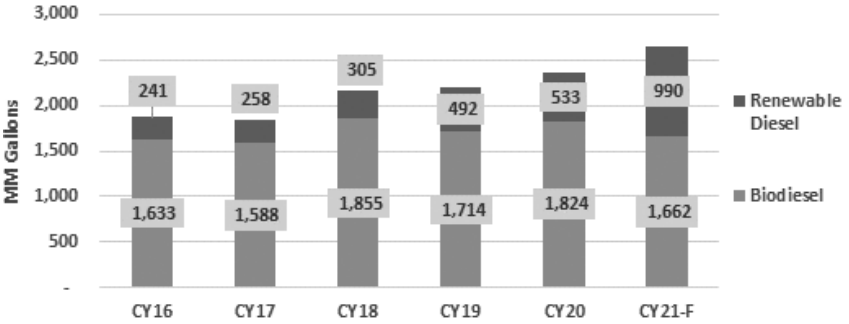
Under the RFS, EPA sets an overall volume for based on target volumes for conventional biofuel such as corn-based ethanol, and an advanced biofuel mandated volume. Each advanced biofuel is assigned a lifecycle greenhouse gas (GHG) emission value threshold relative to the baseline lifecycle GHG emissions for gasoline. This value is measured in ethanol equivalent gallons to standardize the RVO requirements across different types of fuel. Each gallon of biodiesel equates to 1.5 ethanol-equivalent gallons, while each gallon of renewable diesel equates to 1.7 ethanol-equivalent gallons toward meeting the advanced biofuel requirement. Biodiesel and renewable diesel comprise most of the advanced RVO quota, with cellulosic and various other advanced biofuels filling the balance.

The advanced biofuel RVO for 2020 was established by EPA at 5.09 billion ethanol-equivalent gallons. To meet this volume, 1.8 billion physical—or "wet"—gallons (2.7 billion ethanol equivalent gallons) of biodiesel and 530 million wet gallons (900 million ethanol-equivalent gallons) were produced in the U.S. Together biodiesel and

renewable diesel supply represent about ⅔ of the advanced RVO. The balance was made up by cellulosic and the various other types of advanced renewable fuels.[7]

Historically, a majority of renewable fuel produced in the U.S. to meet the advanced biofuel RVO has been biodiesel. In the coming years, however, a growing share of the total advanced biofuel will be renewable diesel due to its higher ethanol-equivalency and other credits granted under state low carbon fuel programs. Based upon EPA RINs data, domestic biofuel production during January–July 2021 rose by 3.5% to 1,373 mm gallons—this includes a 2.5% decline in biodiesel and a 39% increase in renewable diesel production. AES is forecasting 2021 domestic biodiesel production to total 1,662 mm gallons (−9%), offset by an 86% increase in renewable diesel production to 990 mm gallons. A key unknown over the remainder of 2021 and 2022 is the size of EPA RVOs for advanced biofuels, which as of early September 2021 have yet to be proposed or established.

Domestic Production of Advanced Biofuels Biodiesel ***vs.*** *Renewable Diesel (2021F)*

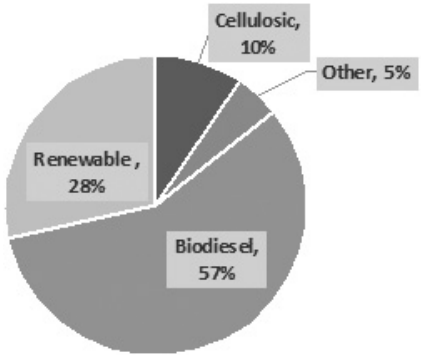


Source: EPA, AES.

Combined, in calendar 2021, AES estimates that a total of 20.5 B pounds of feedstock will be used to produce biodiesel and renewable diesel, an increase of 16% from 2020. This includes an estimated 9.2 B pounds of soyoil.

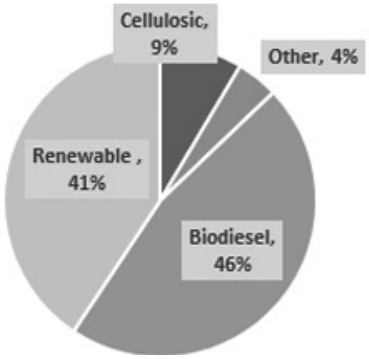
Looking ahead, an already extremely tight supply/demand situation for U.S. soyoil would be exacerbated if the EPA elects to increase the advanced RVOs for 2021 and 2022 beyond the 2020 level.

2020 Advanced Biofuel Breakdown



Source: EPA.

2021F Advanced Biofuel Breakdown



Source: EPA, AES.

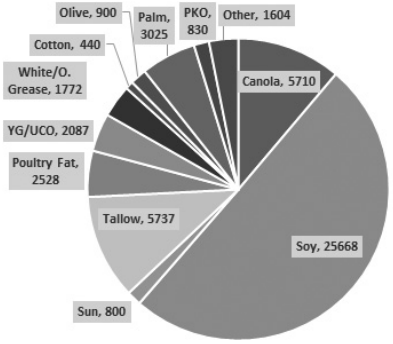
Implications for U.S. Fats and Oils Availability

The annual U.S. supply of fats and oils is estimated to total 51.1 B pounds.[8] This includes both production and imports during the 2020/21 year. Of this total, soyoil

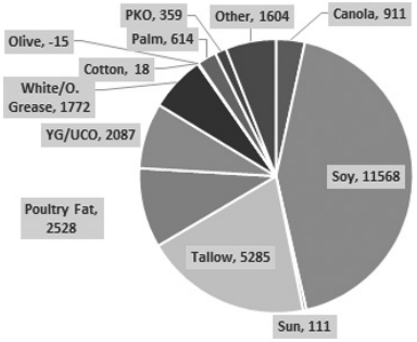
[7] Based upon data from the EPA Moderated Transaction System (EMTS).
[8] USDA Foreign Ag Service, The Jacobsen.

represents 25.7 B pounds or 50% of the total. Excluding food use, the U.S. has a total available fats and oils supply of 26.8 B pounds to meet all other demand components—renewable diesel, biodiesel, exports and feed/industrial use.

Estimated U.S. Fats and Oils Supply (MM Lbs)



*Estimated U.S. Fats and Oils Supply—**Excluding Food Use*** (MM Lbs)

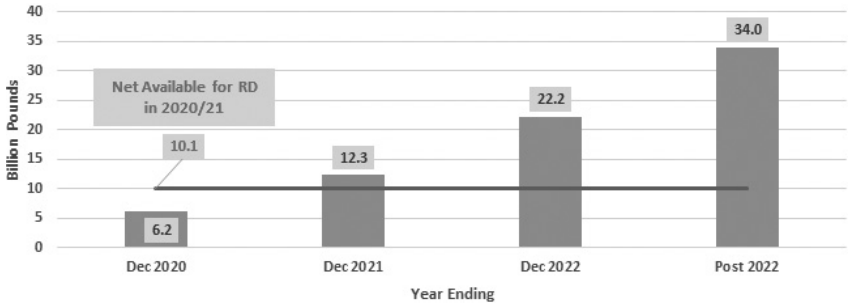


2020 Production + Imports
Source: USDA, Census.

Overall availability of U.S. fats and oils to meet renewable diesel requirements is already very limited and will become an even greater challenge in the next 2 years. Based upon estimated 2020/21 U.S. fats and oil supplies, renewable demand will exceed the net available supply (total excluding food and biodiesel usage) by mid-2022.[9]

With industry capacity rising to 2.6 B gallons by the end of 2022, renewable diesel feedstock requirements could rise to over 20 B pounds—compared to 4.1 B during 2020 and an estimated 8.4 B during 2021. Further expansion of industry diesel refining capacity toward 4 B gallons or more will **make** the challenge even greater. Markets are already attempting to adjust to the shortfall, but the outlook for U.S. fats and oils availability is forecast by AES to be extremely tight.[10]

Estimated Year-End Feedstock Requirements for U.S. Renewable Diesel



Post 2022 assumes capacity only rising to 4.0 B gallons (vs. announced/planned capacity of 6. 7 B gallons.
Source: AES, Industry Estimates.

[9] Based upon USDA FAS and Jacobsen data; assumes 8.5 pounds of feedstock per gallon of renewable diesel.

[10] In January 2021, the Energy Information Agency began publishing feedstock usage for the production of biofuels—biodiesel and renewable diesel combined. The data indicates that during January–June 2021, 9.1 B pounds of feedstock was used—an annualized usage rate of over 18 B pounds. Soyoil usage during these 6 months totaled 4.1 B pounds (45% of the total). *https://www.eia.gov/biofuels/update/*.

US Fats/Oils Availability
(MM Lbs)

2020/21 U.S. Supply	51,101
less	
2020/21 U.S. Food Use	24,260
2020/21 U.S. Biodiesel Use	12,548
2020/21 U.S. Exports	4,223
Net Availability	10,070

Potential Annual Renewable Diesel Feedstock Required

Dec. 20	6,239
Dec. 21	12,283
Dec. 22	22,185
Post Dec. 2022	34,000

Source: USDA, EIA, AES Analysis.

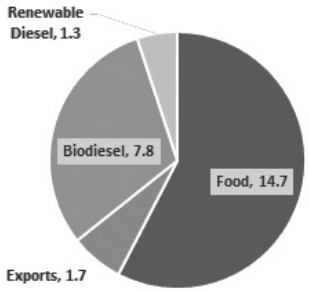
Implications for Soyoil Availability and Prices

Total U.S. soyoil usage during the October–September 2020/21 crop year is forecast to total 25.5 B pounds, roughly equal to total supply (production plus imports). The breakdown of forecast soyoil usage during 2020/21 includes 14.7 B pounds (58% of total usage) for food use, 7.8 B pounds for biodiesel (31%), 1.3 B pounds (5%) for renewable diesel and 1.7 B pounds for exports (7%).[11]

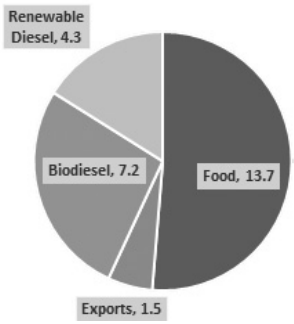
Due to the growth in renewable demand, the breakout of usage is forecast by USDA to change significantly during the 2021/22 crop year. Renewable diesel usage is forecast rise by 230% to 4.3 B pounds. Each of the other usage categories are forecast to decline—food use declining 7% to 13.7 B pounds, biodiesel declining 10% to 7.2 B pounds and exports declining 15% to 1.5 B pounds.

Food use patterns for all vegoils are already being impacted by the surge in the use of soyoil to produce renewable diesel. USDA is forecasting a decline of 7% in soyoil food use to 13.7 B pounds. This will be offset in part by increased use of other oils, led by canola oil gaining 7% to 4.6 B pounds (despite drought in Canada). Overall usage of the nine major vegoils is forecast to decline by 0.6% to 24.2 B pounds, driven primarily by a lack of supply.

2020/21 U.S. Soyoil Usage (B Lbs)



2021/22F U.S. Soyoil Usage (B Lbs)



The impact of the dramatic growth in renewable diesel production has created an extremely tight U.S. supply/demand situation for soyoil as well as other fats and oils. This has led to a doubling in the price of soyoil futures over the past year.

Because a significant share of the renewable diesel plants requires refined (RBD) soyoil, an even greater concern has been availability of RBD soyoil. Because RBD soyoil is required by both food users and more than ⅓ of renewable diesel producers, a severe availability problem for RBD soyoil has already developed.

AES expects renewable diesel plants currently requiring RBD soyoil will invest in "pre-treat" capabilities over the next 12–24 months—this will give these plants

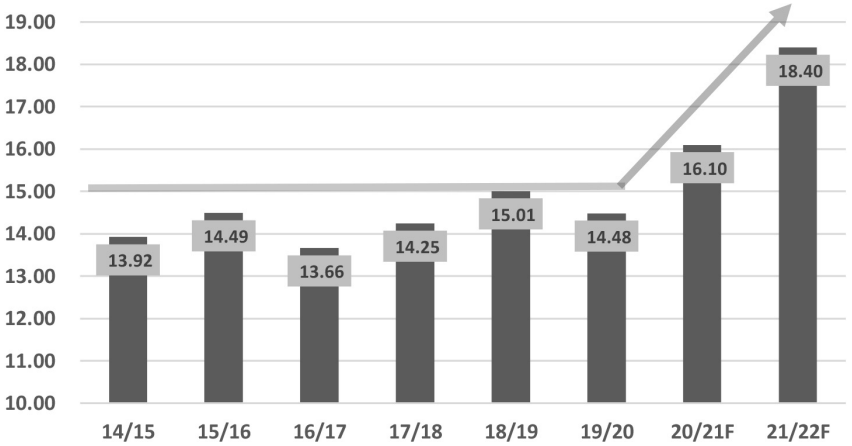
[11] USDA World Ag Outlook Board, August 2021; breakdown between renewable diesel and biodiesel is an AES estimate.

the latitude to use a wider variety of fats and oils. However, in the near-term, the demand for RBD soyoil for renewable diesel will remain large and continue to trend higher, creating a significant challenge in meeting both food and renewable diesel demand for RBD soyoil.

U.S. RBD soyoil total demand (food and renewable diesel) was steady between 2014/15 and 2019/20 averaging 14.3 B pounds. However, during 2020/21 RBD soyoil usage surged to 16.1 B pounds during 2020/21, driven entirely by a sharp increase in the use of RBD soyoil to produce renewable diesel.

Looking ahead, demand for RBD soyoil during 2021/22 is forecast to rise by 14% to 18.4 B pounds. While the use of soyoil for food during 2021/22 is expected to decline by 7%, this will be more than offset by an expected 230% increase in the use of soyoil to produce renewable diesel.

U.S. RBD Soyoil Demand (B Lbs)



US soyoil refineries operate with limited excess capacity, and thus the surge in demand for RBD soyoil during 2020/21 has led to a sharp increase in the premium paid for RBD soyoil over futures (the "basis"). The basis for RBD soyoil is typically less than $.04 per pound but has risen to as high as $.30 per pound in recent months—a seven-fold increase from the long-term average premium.[12]

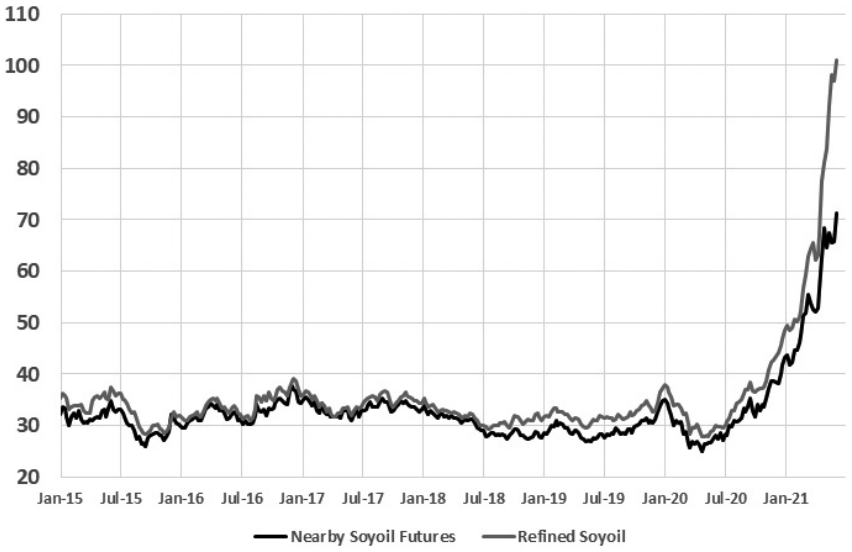
The shortfall in RBD soyoil is expected to become more extreme during 2021/22 as RBD soyoil demand is forecast to increase by an additional 14%. Eventually (12–24 months from now) the amount of renewable diesel requiring RBD soyoil may decline, as renewable diesel plants add "pre-treat" capabilities and are able to use a wider variety of feedstock. However, in the near-term, availability of RBD soyoil will remain a major challenge.

Soyoil prices, including both futures and RBD soyoil have surged in response to a sharp increase in the amount used to produce renewable diesel. Prices peaked in early June—soyoil futures reached $.713 per pound (+154% *vs.* a year earlier), while RBD soyoil reached a record was at a record $1.04 per pound (+347% *vs.* a year earlier. Prices have eased in recent months but as of early September remain 80–100% higher than a year earlier.[13]

The current economics imply soyoil prices (both futures and RBD soyoil) will remain at extreme levels during the coming year. Further, in the case of RBD soyoil there remains an availability risk that should not be overlooked. The bidding war for RBD soyoil between food interests and renewable diesel producers is likely to continue for at least the next 12–24 months.

[12] The Jacobsen.
[13] Chicago Mercantile Exchange, The Jacobsen.

Soyoil Futures & Refined (RBD) Soyoil Prices (Cents/Lb)



Market Solutions: How and When Will Markets Adapt to Rising Renewable Diesel Production

As the use of soyoil and other fats and oils increases further in the coming year, prices have the potential to rise further and availability will remain a concern. End-users in both the food and renewable diesel sector have highly inelastic demand, as witnessed during the past year.

With soyoil prices rising dramatically, the current shortfall will eventually be resolved, but it will require 2–3 years of supply/demand adjustments. These include these seven expected adjustments:

Near-term—beginning to occur[:]

(1) Declining U.S. soyoil exports: As the U.S. has become uncompetitive in world markets, export demand for U.S. soyoil has begun to decline (2020/21 exports are forecast to decline by nearly half to 1.5 B pounds). The USDA is forecasting a 15% decline in export during 2021/22.

(2) Reduced use of soyoil to produce biodiesel: From the 2020/21 total of 7.8 B pounds, use of soyoil to produce biodiesel is forecast by AES to decline to 7.2 B pounds during 2021/22. Achieving the forecast decline is predicated upon the EPA establishing a reduced annual advanced biofuel mandate for 2021 and 2022.

Medium-term—expected to occur during the next 12–24 months[:]

(3) Adding "pre-treat" capabilities at renewable diesel plants that currently require RBD soyoil: There currently are four plants in operation that require RBD soyoil, and an additional three plants that will initially require RBD soyoil to operate (total potential demand of 5.5 B pounds). Each of these plants is expected to invest in pre-treat capabilities, and eventually (in 12–24 months) have the capability to use a variety of feedstock in the production of renewable diesel.

Longer-term: 24 months and beyond[:]

(4) U.S. imports of Canadian canola/canola oil: U.S. supplies of canola are expected to increase modestly during 2021/22 (+0.4 B pounds vs. 2020/21). However longer-term, Canada has already announced plans to increase their crush capacity from 11.0 MMT to 15.6 MMT by 2023/24—enough to add over 4 B pounds to the North American vegoil supply. The additional canola oil will be used to displace soyoil in food use and renewable diesel production.

(5) Additional U.S. crush capacity: U.S. producers have announced plans to add over 100 mm bushels of crush capacity over the next 2–3 years, increasing the supply of U.S. soyoil by 1.1 B pounds.

(6) Development of other non-food oilseeds: Several alternative oilseeds that produce inedible oil are under discussion (*e.g.,* camelina and jatropha). These hold longer-term potential, but the scale and timetable are uncertain.

Soyoil (and particularly RBD soyoil) is expected to remain in extremely tight supply for the next 24 months. Beyond that, over the next 24–36 months, the high prices and reduced availability of soyoil (and particularly RBD soyoil) is expected to be largely "remedied," primarily through the seven economic dynamics outlined above if current estimates hold true. Supply and demand adjustments should eventually make the availability challenges diminish.

However, the resolution of the shortfall in U.S. soyoil supply over the next 24–36 months is not certain, and several critical assumptions/risks that could compound the availability problem need to be recognized:

- *Weather:* if U.S. soybean or Canadian canola production is reduced due to adverse weather, the availability and price challenges in the vegoil markets will continue.
- *Expansion of LCFS to Other States:* Currently only California has implemented a LCFS program, but other states (OR, WA, MN, MO), as well as Canada, are implementing or considering adopting a program similar to the LCFS. If the LCFS expands beyond California, the availability and price challenges facing the vegoil market would become greater.
- *Maintaining or Expanding RFS Mandate Levels:* If the EPA maintains or increases the annual Renewable Volume Obligations (RVOs) from 2020 levels (particularly for advanced biofuels), the Federal requirements will drive demand for soyoil and other fats and oils higher, and thus exaggerate the already tight supply of soyoil.

Appendix

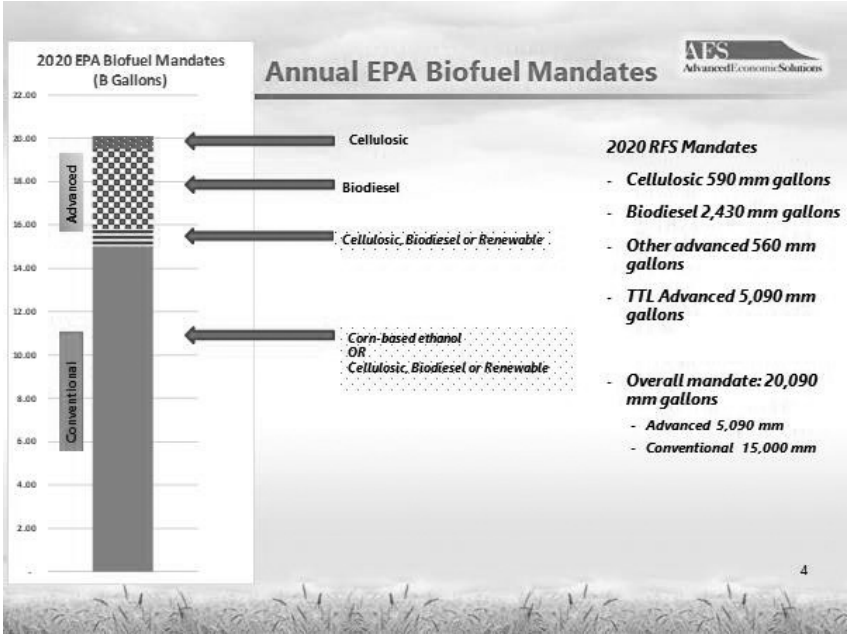
What is Renewable Diesel:

Renewable diesel is a biomass-based diesel fuel that is chemically the same as petroleum diesel fuel. It may be used in existing petroleum pipelines, storage tanks, and diesel engines. It can be produced from a variety of biomass materials but is almost exclusively produced using fats and oils. It qualifies as an advanced biofuel under the Renewable Fuel Standard (RFS) program.

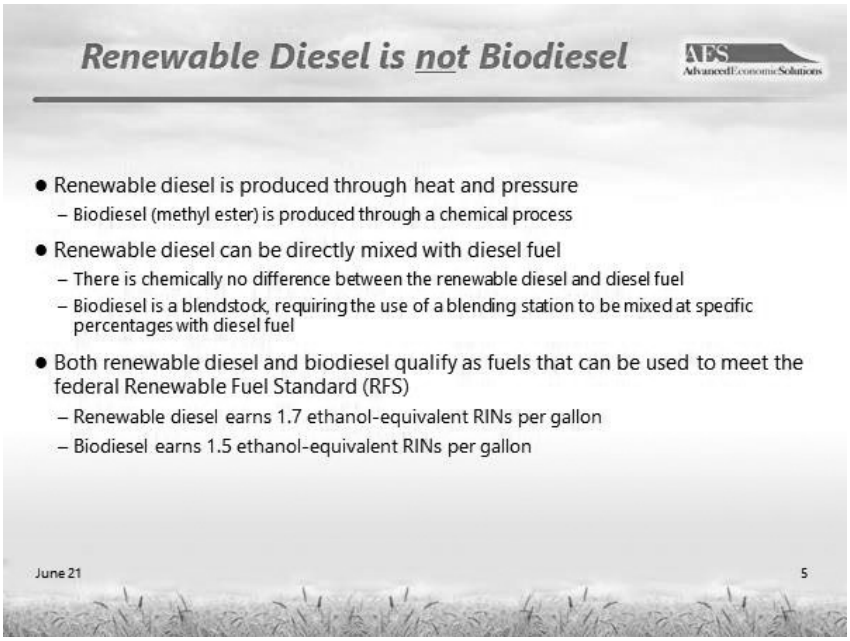
Renewable diesel is produced through various thermochemical processes such as hydrotreating, gasification, and pyrolysis. This differs from biodiesel (methyl ester), which is produced through a chemical process involving the introduction of a catalyst (methanol). Because renewable diesel is chemically the same as petroleum diesel, it may be used in its pure form (called R100) or mixed/blended with petroleum diesel.[14]

[14] *https://www.eia.gov/energyexplained/biofuels/biodiesel-in-depth.php*.

2020 EPA Renewable Volume Obligations



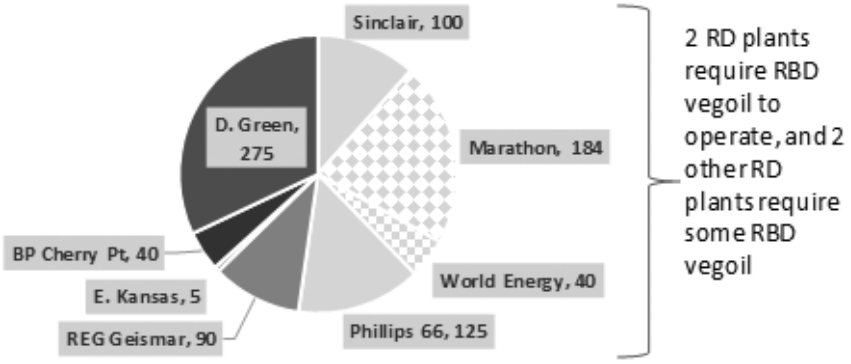
Renewable Diesel *vs.* Biodiesel



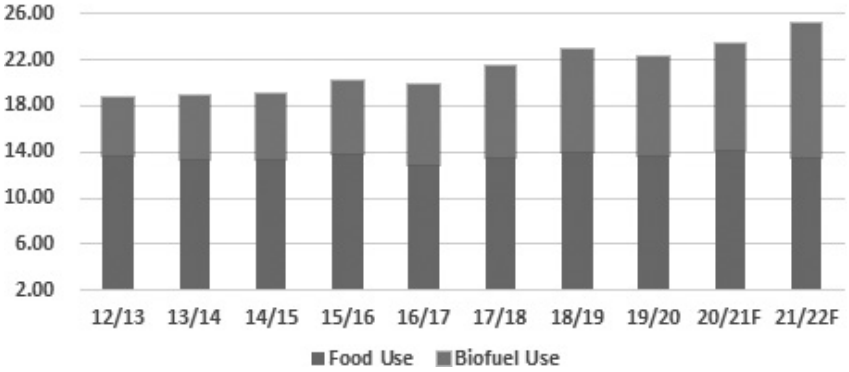
Current U.S. Renewable Diesel Plants and Capacity

Current Est. Annual U.S. Renewable Diesel Capacity

As of May 2021: 900 MM Gallons Annually



U.S. Soyoil Food Use *vs.* Biofuel Use (B Lbs)



Source: USDA, AES.

HEARING INSERT

Mr. LAMALFA. You mentioned too that you—was it 70 percent of ships leave the U.S. with empty containers, or in some cases no containers, because they have left them on the dock because they are in a hurry to get back?

Mr. DURKIN. Correct.

Mr. LAMALFA. Has the 24/7 port order helped to change that situation any?

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Mr. LAMALFA. So it is not in place yet?

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Mr. LAMALFA. My time is out, but I would hope the panel, in other questions, would you emphasize what things we could be fixing right now to get results right now in other questions? Thank you.

* * * * *

The CHAIRMAN. Yes. And if you could provide those in writing back to him, we would appreciate it. Thank you. And now the gentlelady from Louisiana, Ms. Letlow, is recognized for 5 minutes.

February 9, 2022

Dear Congressman LaMalfa,

Please find below, my response to the question asked at the November 3, 2021, House Agriculture Committee hearing on "the immediate challenges to our nation's food supply chain."

Ports Efficiencies

Since the outset of the pandemic and the associated supply chain challenges, ABA has been active in briefing Congress, the Department of Transportation, and the Federal Maritime Commission on how delays can disproportionately harm bakeries seeking timely and necessary imports of ingredients and supplies. While official reports from select ports have seen some delay time improvements, including the West Coast ports of Los Angeles and Long Beach, industry reports indicate the opposite. Despite isolated improvements, port efficiencies remain a major challenge, even after the Christmas rush. On the whole, American ports are moving more goods than they ever have and the ability to continue baking production often relies on consistent and timely access to imported supplies.

As port efficiencies remain a major challenge, ABA is cognizant of the multi-faceted nature of this problem. The baking industry has struggled with its own workforce shortages and understands how that can hamper the effectiveness of any logistical operation. As detailed in the hearing, ABA remains supportive of government policies that seek to address staffing shortages and allow for maximum employment. ABA has also supported the Ocean Shipping Reform Act of 2021, that really seeks to address and diminish the power ocean carriers have over the process, establishing minimum service standards and bringing transparency to detention and demurrage changes. In congruence with other importers, this legislation is supported by a wide coalition of agricultural and food manufacturing entities seeking reliable port access, whether for import or export purposes.

Cross-Border Vaccination Policy for Truck Drivers

A recent development since the November 2021 hearing is a new policy mandating the COVID–19 vaccine for truck drivers delivering goods between the U.S. and Canada. The North American agricultural supply chains are deeply intertwined. The policy to require truck drivers to be fully vaccinated will create additional strain on the truck driving workforce and cause additional supply chain issues. Specifically, for the baking industry, it has a considerable impact on grain shipments from Canada to the U.S., which is a significant ingredient for bakers. ABA asks that various exemption and testing options be provided to truck drivers to ensure the supply chain is not disrupted.

Edible Oil

Since the November 3 hearing, the Environmental Protection Agency's (EPA) issued proposed annual Renewable Volumes Obligations (RVO) under the Federal Renewable Fuel Standard ("RFS") Program (Docket EPA–HQ–OAR–2021–0324). As I mentioned in my previous Committee testimony, I am greatly concerned that EPA's proposal to increase annual volumes of subsidized biofuels for 2022 will further heighten the ongoing edible oil supply crisis the food industry is experiencing. Additionally, I testified before EPA at their January 4 RFS Public Hearing and reemphasized my previous concerns. I also shared that in its proposed rule development, EPA used out of date economic impact data on the edible oil supply to develop the proposal. The Clean Air Act requires EPA to correct and update its Regulatory Impact Analysis to use accurate and current food and commodity economic data. The actual price for soybean oil for 2020/21 was 75% higher than the assumption used by EPA. The actual price of soybean oil for 2021/22 was 91% higher than EPA's assumption. These faulty assumptions prevent EPA from recognizing the cumulative, incremental, soybean oil cost to consumers of nearly $8 billion over 2 years. Further, I emphasized that EPA should work closely with USDA to understand and accurately analyze this significant impact.

I was alarmed when the divergence of vegetable oils for use in biofuels led to a tripling of soy oil prices during 2021. Consequently, for some food companies and bakers, edible oil literally will not be available at any price due to diversion of edible oil from food production to fuel production.

EPA's proposed RVO levels would further worsen the problem. For the reasons listed above, to avoid exacerbating inflation and the edible oil supply crisis, EPA should set biodiesel and renewable diesel volumes for 2022 and future years no higher than actual production for 2021. The current price shock and supply crisis threatens to intensify the inflationary pressures that are being felt in the general economy, impacting American families at the kitchen table. ABA is asking that EPA use its statutory authority under the RFS program and consider food and commodity prices when finalizing the upcoming RVOs for biodiesel and renewable diesel. It would be helpful for Congress to also encourage U.S. EPA to accurately up-

date their regulatory impact analysis with current data and to use their statutory powers as they should when setting the biodiesel and renewable diesel RVOs as the Agency finalizes this important rule.

Thank you,

ED CINCO, Schwebel's Baking Co.,
On behalf of the American Bakers Association.

SUPPLEMENTARY MATERIAL SUBMITTED BY GREG FERRARA, PRESIDENT AND CHIEF EXECUTIVE OFFICER, NATIONAL GROCERS ASSOCIATION

Insert

Mr. LAMALFA. You mentioned too that you—was it 70 percent of ships leave the U.S. with empty containers, or in some cases no containers, because they have left them on the dock because they are in a hurry to get back?

Mr. DURKIN. Correct.

Mr. LAMALFA. Has the 24/7 port order helped to change that situation any?

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The CHAIRMAN. Yes. And if you could provide those in writing back to him, we would appreciate it. Thank you. And now the gentlelady from Louisiana, Ms. Letlow, is recognized for 5 minutes.

January 26, 2022

One of the biggest challenges for independent retail supermarkets and the wholesalers that serve them is the acute labor shortage. The pandemic has driven able bodied people out of the workforce and many simply aren't returning. This impacts everything from truck drivers, where we face a shortage of 80,000 to 100,000 drivers to warehouse workers to in-store customer facing positions. While our industry is adjusting to this new reality, including embracing more technology, the reality is we need more workers and we need them now. Congress should take up the challenge to help fund training programs ranging from truck driving to butchers, bakers to chefs that give our young people and those who are currently facing barriers to employment the tools they need to develop marketable skills that lead to good quality careers.

The other challenge impacting the independent supermarket industry is the lack of competition which has caused hundreds of local supermarkets to shut down over the years, leaving communities without access, while also impacting local producers who have fewer outlets to sell their goods. Strong, local communities are the key to a healthy American economy, which is why Congress and the Administration should be doing everything they can to ensure we have a strong, competitive food supply that ensures local communities can thrive.

Respectfully Submitted,

GREG FERRARA.

SUPPLEMENTARY MATERIAL SUBMITTED BY MIKE DURKIN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, LEPRINO FOODS COMPANY; ON BEHALF OF INTERNATIONAL DAIRY FOODS ASSOCIATION

Insert 1

Mrs. AXNE. . . .

So, Mr. Durkin, my question—as my State of Iowa is our nation's second largest exporter of ag products, I am concerned about how some foreign-owned shipping companies are essentially dictating trade. They are bringing in imports into our ports, but yet they are leaving with empty ships, without our products being exported on them. This is very contrary to standard import/export trade. Can you elaborate on your testimony on how the Ocean Shipping Reform Act can address this problem, and other solutions that we might act on here in Congress?

Mr. DURKIN. Two of the key components of that shipping reform bill, one is that it would put a limit on terms of the empty containers that are going back. There was always a portion of that did go back—given the import/export imbalance, but that number was at around ten percent prior to COVID, and now we are at 70 percent, so there clearly is an issue that has kind of escalated to a point—where I call this, obviously, is a crisis. And then the second component of that is when those orders get rolled, and we lose those bookings, as I mentioned, there are fees from—demurrage fees, and other excess charges that us, as well as other companies, have to handle. And I notice—that is a big component—a second component of the Ocean Shipping Reform Act that would help.

And, again, I can't emphasize enough how quickly—if we can get this thing—get it kind of—I know it has bipartisan support, how quickly we can get this bill passed and approved, and I think that would be a big help.

The correct response is:

- The actual % empty containers going back pre-COVID was under 60% (source: *Hoard's Dairyman* *). The average rolled bookings pre-COVID was 10%.

ATTACHMENT

HOARD'S DAIRYMAN

[*https://hoards.com/article-31036-west-coast-port-woes-pile-up-for-dairy.html*]

Hoard's Dairyman Intel—Thursday [1]

Oct. 21 2021 08:01 AM

West Coast port woes pile up for dairy

By STEPHEN CAIN, National Milk Producers Federation [2]

The West Coast receives top billing in any discussion of ports and dairy exports. Roughly ⅔ of all U.S. dairy exports, on a product-volume basis, leave the United States via the West Coast. On a milk solids equivalent basis, that number jumps to roughly 85%.

The importance of the West Coast as a dairy export center cannot be understated—and over the last 18 months, it has been put to the test. Greater trade vol-

* *https://hoards.com/article-31036-west-coast-port-woes-pile-up-for-dairy.html.*
[1] *https://hoards.com/articles.sec-137-1-hoards-dairyman-intel---thursday.html.*
[2] *https://hoards.com/by-author-662-1.html.*

ume, labor constraints, global container shortages, and higher operating costs have strained a system that's inadequately prepared to deal with it.

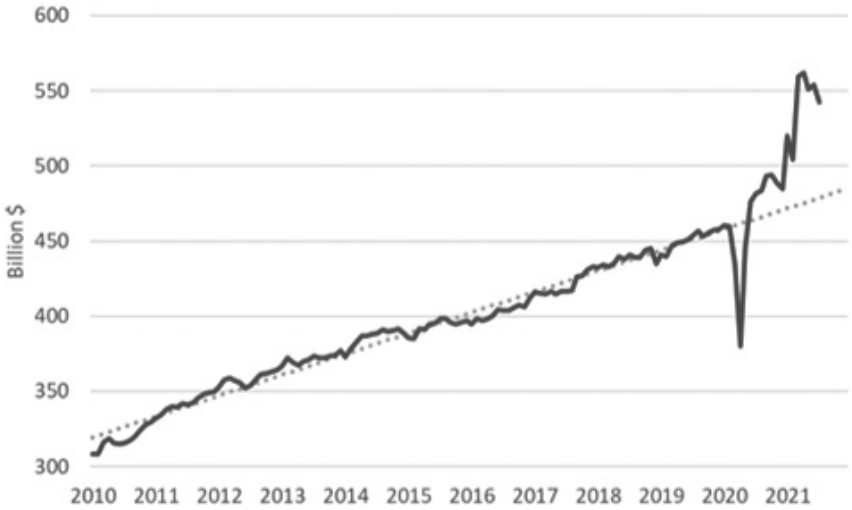
The result?

Delays and congestion that's limiting U.S. dairy's opportunity to expand on what's already record demand for its products overseas.

The congestion is centered around Southern California, where a staggering 75 vessels at times have been waiting to berth in the Los Angeles and Long Beach ports. Average wait times are approaching 10 days . . . some vessels have waited 20 days to berth. U.S. consumer purchases are the most immediate cause of the congestion.

This U.S. Retail Sales chart below shows the level at which consumer retail spending has incrementally grown over the last decade compared with the tremendous spike over the last year.

U.S. Retail Sales

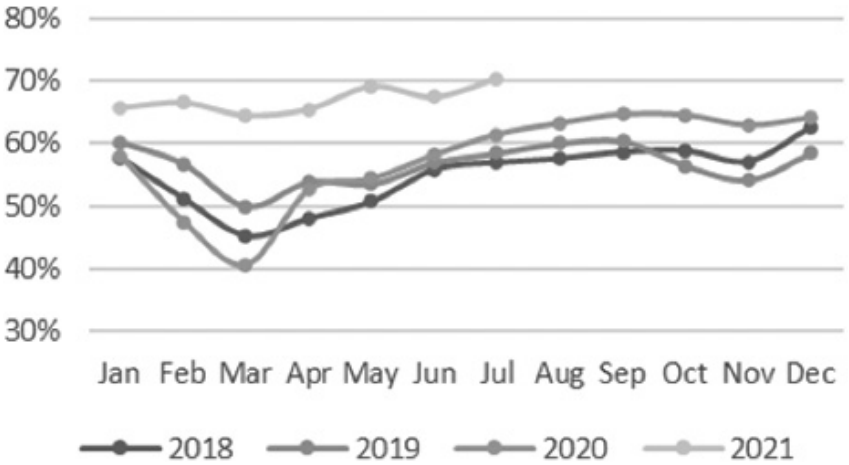


That's created a shipping container imbalance driven by the huge demand for high-value products out of Asia. To put that demand in dollars, the average amount shipping companies are charging per container leaving Asia bound for the U.S. West Coast is currently around $8,000—that rate had reached a dizzying height of over $15,000 only a few short weeks ago.

Comparatively, the average cost per container headed to Asia from the West Coast is, while still record high, much less, at around $1,200. This difference has led to a further compounding issue of an increasing number of empty containers being sent back to Asia in an attempt to save a few days in transit time; the faster a shipping company can get a vessel back to Asia, the faster it can benefit from the higher freight rates.

Shipping companies would rather eat the cost and ship a vessel back to Asia empty than wait for a full load of products to ship back. The chart below shows the increasing percentage of empties leaving select West Coast ports.

Percentage of Empties Boarded in LA-LB-Oakland



Unfortunately, dairy isn't immune to the congestion, and like other industries, it's attempting to divert product through other ports. In the 12 months leading up to June of this year (latest data available), dairy exports out of West Coast ports dropped nearly 10% while dairy exports out of the East Coast and the Gulf climbed 30% and 22%, respectively.

But in many cases, diversion isn't economically viable, given the inland shipping costs of moving product to a port further away, country of destination, and labor constraints. Adding to the bad news, congestion won't clear up in the short-term. Dairy likely will struggle with port congestion through much, if not all, of 2022.

Despite all of this, though, dairy continues to show its resiliency. U.S. dairy exports over the last 12 months are up 10%; a testament to the strength of the entire industry and the strong global demand for our products. While the water ahead may (literally) look a little choppy regarding export logistics, the U.S. dairy industry will continue to do what it is does best; produce high-quality dairy products for consumers, both domestically and abroad.

© *Hoard's Dairyman Intel* 2021

Insert 2

Mr. LAMALFA. My time is out, but I would hope the panel, in other questions, would you emphasize what things we could be fixing right now to get results right now in other questions? Thank you.

Mr. DURKIN. Yes.

The CHAIRMAN. Yes. And if you could provide those in writing back to him, we would appreciate it. Thank you. And now the gentlelady from Louisiana, Ms. Letlow, is recognized for 5 minutes.

Thank you for this important question and opportunity to respond in writing for the record. It is imperative that we take immediate action to help alleviate the bottlenecks at the ports. All sections of the supply chain are interdependent and resolving one area alone will not solve the issue. The following are suggestions that would have immediate impact:

1. *Provide immediate incentives for carriers to load U.S. agricultural exports awaiting shipment* vs. leaving with empty containers. This could include prioritized berthing access, reduced terminal fees or financial incentives for shipping loaded outbound containers. Currently 70% of the containers leaving the U.S. are empty.
2. *Prioritize perishable goods:* It is not uncommon to give preference to perishable goods in trade scenarios; for example, the U.S.-Mexico-Canada Agreement has provisions built into its Chapter on Sanitary and Phytosanitary Measures that allow for expedited import check procedures for perishable goods. Similar provisions could be applied to loading goods for export.
3. *Temporarily halt detention, demurrage, and penalty fees that are related to rolled and omitted bookings.* Carriers penalize the exporters by charging daily

fees for sitting in a yard waiting for the next booking. This compounds the problem, holding up much needed equipment such as chassis and further exacerbating the downstream supply chain issues. This year, our company has been invoiced more for detention and demurrage than we have for freight from the two carriers who export most of our goods. They are currently incentivized to leave goods accruing penalties, if that were to be halted, they may have more incentive to load goods.

4. *Expand port hours of operations beyond the LA and LB ports,* for example Oakland, Houston, Seattle) and incentivize labor to help clear congestion in off hours. Include all operations, not just crane operations.
5. *Review chassis availability and how to efficiently turn equipment.* If suggestions 1–3 above are put into action, carriers will have incentive to load containers and will be disincentivized to cancel or roll bookings if they are not accruing penalties. This will free up the chassis currently held up with loaded goods ready for export and allow them to be released back into the supply chain to move additional containers. At any given time, we have 100–175 loaded containers sitting on chassis waiting to be loaded.
6. *Provide waivers on trucking restrictions for both trucks and drivers that eliminate capacity.* For example, provide a waiver to allow gross vehicle truck weight limits to increase from 80,000 lbs. to 91,000 lbs. with an additional sixth axle. This configuration complies with the Federal bridge formula and is shown to have better braking capacity than 80,000-lb., five-axle trucks. This adjustment would allow manufacturers to transport products more efficiently while also reducing industry's carbon footprint.
7. *Cosponsor and support the quick passage of the Ocean Shipping Reform Act of 2021 (H.R. 4996).* Congress should pass the Ocean Shipping Reform Act of 2021 which would address unreasonable detention and demurrage charges, export cargo bookings, and other carrier practices that are currently hurting U.S. agricultural exporters.

SUPPLEMENTARY MATERIAL SUBMITTED BY JON SAMSON, VICE PRESIDENT OF CONFERENCES, EXECUTIVE DIRECTOR, AGRICULTURE & FOOD TRANSPORTERS CONFERENCE, AMERICAN TRUCKING ASSOCIATIONS

Insert

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Mr. DURKIN. Correct.

Mr. LAMALFA. Has the 24/7 port order helped to change that situation any?

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Mr. LAMALFA. My time is out, but I would hope the panel, in other questions, would you emphasize what things we could be fixing right now to get results right now in other questions? Thank you.

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The CHAIRMAN. Yes. And if you could provide those in writing back to him, we would appreciate it. Thank you. And now the gentlelady from Louisiana, Ms. Letlow, is recognized for 5 minutes.

Thank you for the opportunity to speak on current and future solutions. Due to ongoing high demand, but particularly during the peak shipping season we saw in the third and fourth quarters last year, shipping lines returned empty containers to Asia from U.S. ports rather than loaded agriculture export containers because they were able to extract higher profits from Chinese and other Asian manufacturers seeking expedited loading of consumer goods bound for the United States.

Initiatives like the 24/7 port order are a part of the longer answer towards improving cargo throughput and efficiency at our ports. Trucks working at our ports also need inland warehouse facilities to remain open for longer hours so that goods can be dropped off or picked up, better notifications and data sharing to enable loaded agriculture export cargo to be prioritized and loaded, and infrastructure improvements to reduce bottlenecks and congestion.

Improvements under the Infrastructure Investment and Jobs Act will help to alleviate some of those problems. We also welcome the inclusion of the Ocean Shipping Reform Act by the House of Representatives in the America COMPETES Act and hope to see that language, especially changes to detention and demurrage penalty charge practices, enacted into law. Finally, commercial partners are working to improve data standardization and real-time cargo visibility to improve supply chain planning. All of these elements can play near- and long-term roles in ensuring resilient agriculture supply chains.

SUPPLEMENTARY MATERIAL SUBMITTED BY ROD WELLS, CHIEF SUPPLY CHAIN OFFICER, GROWMARK, INC.; CHAIRMAN OF THE BOARD, AGRICULTURAL RETAILERS ASSOCIATION

Insert 1

Ms. SCHRIER. Thank you, Mr. Chairman. Well, supply chain dysfunction made worse by the pandemic was first brought to my attention over a year ago by hay farmers in Ellensburg, Washington. Since then, I have been in frequent communication with growers and exporters all around the 8th District, and even around the country, about these issues that they are facing, and I am hearing it from my colleagues as well. It has become more apparent to others.

For more than a year, these farmers have shared with me how pandemic conditions, but also the behavior, the really bad behavior, of foreign-owned shipping carriers, you could almost refer to them as a cartel, are hurting their industry. They are threatening export markets, they are threatening relationships that have been built up over decades with foreign purchasers, and the costs and the availability of transportation to both domestic and export markets continue to be a big challenge for wheat, cherry, apple, pear growers, hay growers in my district. I would mention that, even with trucking, some growers in my district have said that the cost for a truck to the East Coast has more than doubled in the last year, and others say that the cost to move fruit just to a port to be loaded on a ship for export costs as much as the entire trip did just about a year ago. And a lot of you know this, because you are living it.

There has been some discussion about the Federal Maritime Commission, and, Mr. Wells, in your testimony you talked about how it could be doing more to alleviate the backlog at our ports. I was wondering, because sometimes it feels like they just don't have the teeth to do what they need to do, especially since we have no American shipping companies to compete, I was wondering what teeth you think the Commission has, what more they can do to enforce rules, and in addition to the Ocean Shipping Reform Act of 2021, which I am proud to support, what else can Congress do to help?

Mr. WELLS. Yes, great questions. Frankly, I probably need to get back with you, Congresswoman, on that. I am not up to speed fully on the maritime and the port, given my central Illinois background. But if I could get written comments back to you, I can address that question at a later time.

November 11, 2021

Hon. KIM SCHRIER,
United States House of Representatives,
Washington, D.C.

Dear Congresswoman Schrier:

Thank you for participating in the U.S. House of Representatives Agriculture Committee on November 3, 2021, regarding *The Immediate Challenges to our Nation's Food Supply Chain.* During your time for questions, you noted supply chain disruptions were brought to your attention by hay farmers in the 8th U.S. Congressional District. Farmers across the nation are experiencing supply chain challenges like you described and are interested in seeing steps taken to restore supply chain integrity, while also learning what actions will be best long-term for our country.

You noted that there has been discussion regarding the Federal Maritime Commission, questions about their authority, and if they are doing enough to help. What teeth does the commission have, what more can they do to help shipping, and what more can Congress do?

Legislation you are cosponsoring, Ocean Shippers Reform Act (H.R. 4996), is a step Congress can take now that would address a number of challenges we reviewed at the hearing. The legislation would be a critical move toward improving port oversight, operations, and taking steps toward addressing unfair demurrage and detention practices impacting agriculture exports.

Listed below are additional actions that could be taken and are consistent with the Agricultural CEO Council recommendations to the President:

- Direct the U.S. Department of Justice to review the existing Shipping Act law to determine if the enforcement tools in that act can be activated to gain compliance with the other provisions of the act setting forth reasonable practices.
- Establish an interagency working group focused on facilitating agricultural exports.
- Sponsor initiatives that increase operational tempo, including increasing gate operations, to include port authorities, terminal operators, labor, ocean carriers, shippers, and truckers.
- Encourage and support the expansion of dual transactions, to improve port efficiency, for motor carriers of all firm sizes.
- Encourage investment in an expansion of the overall supply of containers.
- Provide Federal support for deployment of port and national data sharing portals such as already developed by the Port of Los Angeles.
- Incentivize ocean carriers to increase export flows by fully utilizing their existing capacity.
- Increase coordination between the Federal Maritime Commission (FMC) and the Surface Transportation Board on oversight of multi-modal container shipments to ensure that the FMC and the Shipping Act apply to the complete international transit of goods from origin to destination.
- Provide public support for and any necessary resources towards the activities the FMC is undertaking on this issue, including the Interpretive Rule on Demurrage and Detention and other enforcement and administrative actions.

We know supply chain disruptions involve a number of challenges converging at a similar point in time. It will likely take a number of actions to improve our supply chains, so they are less vulnerable in the future. Passing the bipartisan infrastructure bill will be helpful in addressing our nation's infrastructure needs. Additional actions Congress could take include passing a working H–2A program to help fill labor shortages in agriculture, consider additional flexibility in Hours-of-Service rules so trucking can respond in a timely manner to periods of high demand, consider increasing weight limits, and focus on constructing new 1,200′ long locks on our inland waterway system to efficiently meet the capacity demands of modern shipping.

Attached is a comprehensive list of potential actions assembled by the Agriculture Transportation Coalition. You may find several valued suggestions.

We look forward to working with you and other Members of the U.S. House Agriculture Committee to improve our supply chains to meet the demands of a strong economy.

Sincerely,

Rod Wells

ROD WELLS,
Chief Supply Chain Officer, GROWMARK,
Chairman of the Agriculture Retailers Association.

ATTACHMENT

Inventory of Supply Chain 'Solutions'—November 2021

The *Agriculture Transportation Coalition* has been asked by U.S. Government agencies, the White House, and Congressional Committees for 'solutions' to the supply chain crisis—big or small, easy or not.

This **Inventory of Supply Chain 'Solutions'—November 2021,** was proposed by exporters, importers, port leaders, truckers, terminal operators (*very* confidentially), public officials such as Governor Newsom, and most importantly, those clos-

est to the crisis, the membership of the AgTC. Some could be implemented immediately, some already are, others will take years, some are logical but controversial, some sound simple, but none are. That does not mean these shouldn't be considered and as appropriate, pursued aggressively. Most would agree: the status quo is not sustainable.

Each of these 64 'solutions' requires a more detailed description and discussion of the feasibility, cost, benefits, interests of various stakeholders, the short-term and long-term impacts on the supply chain. We are glad to discuss, and add others. We encourage private parties and/or governments to consider these, add other 'solutions', and as appropriate, implement.

The agriculture shipping community continues to urge, together with importers, exporters, service providers, passage of *H.R. 4996,* the bipartisan Ocean Shipping Reform Act of 2021 introduced by Rep. John Garamendi (D–CA) and Rep. Dusty Johnson (R–SD).

Feel free to contact the AgTC team at: *info@agtrans.org*.

This list of 'solutions' is organized as follows:

1. Marine Terminal Operations/Trucking into Terminals
2. Additional Land/Warehousing—Near Ports and Inland
3. Trucking Costs and Truck Driver Shortage
4. Information/Transparency of the Supply Chain Investment
5. Rail Service at Inland Rail Ramps for Ag Access to Marine Terminals
6. Chassis Shortage
7. Ocean Carrier Practices; Federal Maritime Commission Enforcement
8. Creating a Competitive Marketplace
9. Federal Agency Contribution to Increased Export and Import Fluidity
10. Federal Financial Assistance for Agriculture Lost Sales, Transport Costs, Product Damage
11. Restoring Port Authority Control over Port Operations

1. Marine Terminal Operations/Trucking into Terminals

a. Expanded marine terminal gate hours; while 24/7 would be ideal, however, opening the gates just 2 hours earlier in the morning ("flex" hours), and perhaps another hour in the afternoon, would help immensely.

b. Stagger lunch hours rather than completely shut down terminals/cranes/gates in the middle of the day.

c. Street turns—various methods. For instance, truck hauling an import container out of the terminal, after dropping container and chassis at importer DC or other location, either hooks up a container (full or empty) and returns to the marine terminal. Alternatively, after dropping the import container, proceeds to an exporters facility to hook up a loaded export container and returns to the terminal. This reduces congestion and cost and trucking shortages, by converting two round trips, to just one round trip.

d. Earliest Return Date: At West Coast ports follow example of many East Coast ports where the ERD is 'frozen', meaning no demurrage charge assessed against the shipper if the ERD changes. Further, carriers/terminals must allow sufficient time for the shipper to collect a container from the terminal, and then unload/load it, and return it to the terminal. Currently carriers are providing as little 12 hours!

e. Set aside Saturdays and Sundays for dedicated removal of containers of the largest volume (number of containers to be determined) importers, from the terminals. Those importers (or the ocean carriers) who arrived those containers, to pay for the terminal operations (longshore labor) on those days.

f. Peel-off piles—to expedite the unloading and evacuation of containers from marine terminals. This requires planning and information sharing by the foreign shipper, the carrier, the marine terminal here, the importer, and the truckers.

g. Automate all or at least some marine terminal operations. Install the automation that is operating at major ports globally.

h. Suspend the PierPass appointment system, which is not working as intended

i. Suspend marine terminals' dual transaction requirements for trucks at marine terminals

j. If a trucker shows up for a container and it is not available, the terminal must pay $500 for a truck not used.

k. If the terminal takes more than 2 hours to turn a truck inside the terminal then the terminal must pay $100/hour or part thereof.

l. If a carrier refuses to take back an empty, or a booked loaded export container, then the carrier must pay a penalty of $500 for each violation

m. If a carrier requires a trucker to go to a different facility to either drop an empty or pick up a chassis, the carrier will have to pay a charge of $500. per violation

n. As appropriate, move homeless encampments that interfere with truck access to the marine terminals.

o. Terminal congestion caused by 'box rules'—see Chassis section

p. Determine if carrier practices to provide certain champion account importers lengthy "free time" (which means no detention or demurrage charges), and generous chassis terms, reduces their incentive to remove their containers off the terminals. (Compare to small/medium importers who get only 2, 3 or 4 days free time, no waiver of demurrage/detention). Similarly, if carriers pass port authority-imposed container dwell fees onto some shippers, but not others, does this constitute a Shipping Act violation?

q. **West Coast Labor Agreement Uncertainty.** As always, the approaching expiration of the PMA–ILWU contract (July 2022) creates uncertainty. At this time of extreme stress on the supply chain, perhaps PMA and ILWU could alleviate (or delay) the uncertainty by early agreement to extend the current contract another year.

2. Additional Land/Warehousing—Near Ports and Inland

West Coast marine container terminals abut densely populated cities, with minimal room for expansion (in contrast to East and Gulf Coast ports with ample acreage to expand container capacity). So when cargo volume surges, or congestion slows the ability to evacuate containers from the terminals, west coast terminals can be (and currently are) overwhelmed. As the containers crowd the terminals, productivity drops. Thus the urgent need to find 'space' for containers, off the terminals.

a. **On the terminals:** Level set free time at the terminal for all importers and exporters, to create equal incentives to expedite removal of containers, and make space to work the terminals. See item 3.p. above.

b. **Container storage close to marine terminals:**

i. Immediately acquire land near ports for storing shipping containers and logistics. Expedite permitting or re-zoning that is necessary for land acquisition.

ii. As per City of Long Beach, allow higher stacking of containers.

iii. Find and improve (only as essential) unused lots in the vicinity of the marine terminals, where containers can be temporarily stacked.

iv. To expand inventory of local container sites, cities in the port areas should amend or suspend local zoning/land use restrictions in order to provide land for excess container storage near the ports.

v. CA state agencies should aggressively find land to temporarily store cargo and to expedite leasing on state-owned land.

vi. Increase the number of employees at warehouses that are holding agricultural products through Federal incentive programs for employment.

c. **Space within 2 hours of marine terminals:** Develop inland terminals, even if just rudimentary truck and storage yards, within 1 or 2 hours of the ports. A California example is "French Camp", in the Central Valley, serving as a container yard to which containers can be removed from Oakland marine terminal, and serving Central Valley destined and originating cargo. Investments in these rural areas will create additional jobs and economic activity.

d. **Inland Ports:** Ports on the east coast have multiple 'inland ports' where cargo can be brought, loaded on train, and moved 100 to 200 miles to the ports, and enter the marine terminals, thus avoiding and reducing truck congestion at the marine terminal gates. Loaded import containers can be brought back to these inland load points as well. But there are no such facilities at U.S. West Coast ports. Some sites have been identified in the Central Valley, which could create economic activity and employment opportunities for Rural America. CA state and local agencies must facilitate streamlined approval and implementation of these facilities.

3. Trucking Costs and Truck Driver Shortage

a. **Nationally:** Increase our restrictive national uniform truck weight limits (lowest in the world) to the global standard (adopt the Canadian model, currently in place in various states, including WA, OR, ID, etc.

b. **California Truck Weights:** CA truck weight limit (80,000 lbs GVW) is lowest in the U.S., should adopt weights long in place on designated freight corridors in other states (105,500 lbs GVW with extra axle). Current restrictions mean that cargo requiring two trucks throughout the world, require three trucks in California, adding to congestion, truck and driver shortages. While such weight increase to the global standard is urgently needed nationally, increasing weight limits on certain CA truck corridors, as proposed by Governor Newsom recently, is most urgent at this moment; this would be immensely effective in reducing the number of trucks on the roads, reducing congestion, limiting the truck driver shortage.

c. Washington and California. Modest increase in two-axle trucks would reduce truck, chassis and driver shortages.

d. Immediately reduce age for eligibility for training and testing for Commercial Driver Licenses, to 18 years. Currently 21 years and above. This will increase the number of drivers, lower the average age of the aging trucker driver pool.

e. Allow for those in the U.S. Military who are trained to operate large equipment to qualify for their CDL. Since they are qualified to operate large machinery in the U.S. Military they should be well trained and qualified to operate trucks and should qualify for a streamlined process to receive their CDL.

f. Delay or Suspend U.S. DOT Restrictive Rules for CDL, to be effective Feb. 7, 2022 which will further reduce truck driver supply.

g. Extend Hours of Service: for *draymen,* either a set number of hours per day or a formula based on when they get on line outside the terminal until they are outgated (perhaps 1 hour extra HOS for every 2 hours of waiting). For *over-the-road* truck drivers, consider modest adjustments to the HOS formula to increase efficiency, and increase safety.

h. Terminals must pay for the trucking cost if trucker arrives timely for marine terminal appointment, but the container is not available.

i. Carrier must pay trucker if it refuses to accept an empty container return, or if it requires the trucker to take the empty container to a location different from where the container was picked up for the same carrier.

j. CA Air Resources Board requirements on drayage trucks are uncertain, mandating technology that is either non-existent or unaffordable, imposing uncertainty and hesitation to invest in increased trucking capacity.

k. For safety and unhindered cargo movement, remove the homeless encampments which are in and around goods movement corridors. This is a safety risk for the homeless in those areas.

4. Information/Transparency of the Supply Chain Investment

a. **Single Real-Time Data Portal:** Create a single data portal that tracks cargo movement shipping availability; trucking wait time; terminal appointments and gate operations, cargo cut, equipment location and availability, etc., to allow better business operations and logistics. Mandate participation by all port stakeholders—particularly the marine terminals, ocean carriers, chassis providers. Start with one portal for the entire LA/Long Beach port complex, then expand to a . . . .

b. National Supply Chain Data Portal, to include all ports and inland rail ramps.

k. Ocean carriers should report to port authorities within 1 day of leaving and arriving at all U.S. container ports the accurate number of loaded export containers, empty export containers, and import containers. All U.S. container ports should provide such total numbers to the FMC on at least a monthly basis, and published.

5. Rail Service for Ag Access to Marine Terminals

Note: Rail service is critical to the movement of agriculture exports from locations, distant from the coasts, where much agriculture is grown and processed. Efficient on-dock rail and near-terminal transload facilities are vital for ag exports. Congestion and service shortcomings at inland rail ramps directly impact coastal marine terminal operations. The following is not intended to be comprehensive inventory of rail supply chain matters, but rather, focused on some of the most apparent factors determining ag access to the coastal terminals.

a. Inland rail terminals should seek adjacent space for storing containers short-term from nearby communities.

b. Inland rail terminals should expand operating hours and, as with port terminals, start to ramp up to 24/7 hours of operation with incentives for off-hours use to truckers and BCO's.

c. Railroads should identify possible additional container storage and intermodal service at other rail terminals that are currently little or non-used for container service.

d. Railroads should participate in the individual port central data portals, and in the National Supply Chain Data Portal.

e. Railroads should work with port authorities to develop or expand inland load facilities (AKA 'inland ports') serving the coastal ports.

f. Railroads, at their inland rail ramps, should not enforce or apply ocean carrier restrictions on chassis choice.

6. Chassis Shortage

a. Additional land will allow for empty containers to be moved and stored, freeing up chassis for use.

b. Remove trade barriers that increase costs of chassis being exported to the U.S.; and/or stimulate U.S. manufacturing of chassis for U.S. ports.

c. Ocean carriers should provide chassis at the same cost, and set "free time" (no detention or demurrage) for their champion account importers at same terms as they do to smaller/medium importers, to assure all importers have equal incentive to get containers off chassis and off terminals.

d. Any available chassis should be eligible to carry any container. End "box rules": some ocean carriers require their containers to be carried only on chassis owned by a particular company. When that company's chassis are not available, even if those of other brands are idle nearby or if the trucker has his own chassis, the trucker must drive around to find the 'right' chassis. Until then the container can sit on the ground.

7. Ocean Carrier Practices; Federal Maritime Commission Enforcement

a. Mandate carriers provide their shipper customers, terminals, truckers with accurate data of arrival times, loading windows, cargo cut, container return dates (ERD) and continuously update (as airlines do for their flights).

b. Mandate carriers contribute all necessary data to each port's central data portal

c. Incentives for export carriage (*vs.* mandate); could include non-monetary options like preferred berthing access (first-in-line status) for carriers agreeing to increase export carriage

d. International ocean carriers, should be required to carry our U.S. exports (as long as they can be loaded/carried safely, and tendered timely, and are destined for the ports to which the carrier is already scheduled to arrive).

e. Establish at the FMC a shipper advocate to resolve disputes between a carrier or terminal and the U.S. exporter or importer.

f. Prohibit ocean carriers from "marking up" marine terminal demurrage charges as set forth in their published tariffs. Typically, the marine terminals' demurrage ranges from $20/day to $40/day. But the carriers add another $100 to $200/day, then invoice the BCO.

g. Enforce the Federal Maritime Commission's Interpretive Rule on Detention and Demurrage, which declares many current charges to be "unreasonable" (and thus a violation of the Ocean Shipping Act), as they are imposed even when the container is not available to the importer, exporter, trucker.

h. Require carriers to certify compliance with the FMC D & D Rule as a condition to invoicing a shipper for such charges.

i. Provide informal mechanism at the FMC allowing a shipper who is unfairly charged D & D or any fee by an ocean carrier, to submit the charge to the FMC (informally, without lawyers); the FMC will investigate, and if finding failure by carrier to comply with the D & D Rule, order waiver or refund of the charges, and as appropriate, impose Shipping Act penalties.

j. Prohibit ocean carriers from imposing D&D or other charges on 3rd parties with whom they have no contractual relationship—freight forwarders, customs brokers, truckers.

k. Prohibit demurrage or detention charges when a container is being held by a government agency for inspection or other purpose

l. Earliest Return Date—reasonable notice: carriers must provide accurate ERD, may not charge detention/demurrage when the carrier changes it.

8. Creating a Competitive Marketplace

The Justice Department should assess if the current structure of ocean container shipping services is limiting competition (facilitating freight rate increases and control of capacity).

9. USDA and CBP Contribution to Increased Export/Import Cargo Fluidity

a. USDA Inspection Services (APHIS, AMS, FSIS, *etc.*)—due to long delays of product leaving the port allow for inspections and associated documentation to allow for those delays. Having to re-inspect product, after an initial inspection and approval for shipment, causes additional delays that are unnecessary.

b. Expanded CBP/APHIS hours of operations to prevent inspection/exam bottlenecks and impeded increased port hour operational success

c. CBP should review its import enforcement and facilitation processes, including for instance, policies relating to "holds", intensive exams, advance import cargo data sharing with ports/ terminals, and initiate changes which would increase import fluidity through the terminals and to the importer. CBP should share with Ports the vessel arrival information and container contents it gains through AMS filing, to give the ports and terminals time to plan for container processing prior to the vessel's arrival.

10. Federal Financial Assistance for Agriculture Lost Sales, Transport Costs, Product Damage

a. **Farmer Payments for Product Loss or Sales as a Result of Port Delays:**

i. Loss of sales based on previous 2 year export sales.

ii. Delayed arrivals at scheduled export destinations.

iii. Rotten or lost product arriving at ports of entry. With increased delays of product arriving at ports of entry perishable products arrived rotten or damaged causing customers to seek payment for lost product and sales.

b. **Transportation Cost Off-set:**

i. Transportation costs for freight of U.S. products domestically is sky-rocketing due to fuel costs and a shortage of truck drivers. This puts U.S. farmers, ranchers and processors at a disadvantage when competing against low-cost imported product; and increases the cost of products for consumers. USDA should prioritize funding to a program that off-sets the sky-rocketing transportation costs for producers.

11. Restoring Port Authority Control over Port Operations

Port Authorities which control terminal operations and policies can operate them in the public interest; several Southeast states are "operating ports". U.S. West Coast ports are "landlord ports", leasing port property to companies which control terminal operations and pricing. If state laws were changed to allow Port Authorities to take control over marine terminals, would Port Executive Directors be able to take steps to increase terminals' efficiency and more reasonable pricing?

Summary

Each of these 64 "solutions" requires a more detailed description and discussion of the feasibility, cost, benefits, interests of various stakeholders, the short-term and long-term impacts on the supply chain. We are glad to discuss, and add others. We encourage private parties and/or governments to consider these, add other 'solutions', and as appropriate, implement.

Feel free to contact the AgTC team at: *info@agtrans.org*.

Insert 2

Mr. LAMALFA. You mentioned too that you—was it 70 percent of ships leave the U.S. with empty containers, or in some cases no containers, because they have left them on the dock because they are in a hurry to get back?

Mr. DURKIN. Correct.

Mr. LAMALFA. Has the 24/7 port order helped to change that situation any?

* * * * *

Mr. LAMALFA. So it is not in place yet?

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Mr. LAMALFA. My time is out, but I would hope the panel, in other questions, would you emphasize what things we could be fixing right now to get results right now in other questions? Thank you.

* * * * *

The CHAIRMAN. Yes. And if you could provide those in writing back to him, we would appreciate it. Thank you. And now the gentlelady from Louisiana, Ms. Letlow, is recognized for 5 minutes.

January 31, 2022

Hon. DOUG LAMALFA,
United States House of Representatives,
Washington, D.C.

Dear Congressman LaMalfa:

Thank you for participating in the U.S. House of Representatives Agriculture Committee on November 3, 2021, regarding *The Immediate Challenges to our Nation's Food Supply Chain.* During your time for questions, you noted the significant number of shipping containers leaving the U.S. empty and raised a question regarding the impact the 24/7 port order has had on this dynamic. You also asked the panel for their inputs regarding points of emphasis that might achieve quick results.

The Agricultural Retailers Association and GROWMARK appreciate your focus on getting America's supply chain functioning in a manner that is productive for agriculture and our nation's overall economy.

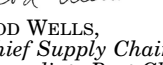
Supply chains across the county continue to experience challenges. As stated in my written testimony, many of the agricultural products, from essential crop inputs used to produce a sustainable supply of food to our country's exports, utilize our waterways and ports. Whether these products arrive from other countries or originate in America, they are an essential contributor to enhanced supply chain resiliency. There has been a serious port backlog since early 2021 impacting this flow of products.

Congressman LaMalfa, in your comments you mentioned providing flexibility to transportation rules for a period of time to allow for supply chains to catch back up. In my written testimony we proposed to provide flexibility to weight limits during the non-freezing and thawing time periods in our country to allow for more efficient truck loads to be delivered with increased weights. We proposed calling this effort "Resupply America". A practical proposal would be to allow increased road weight limits to 88,000 pounds for trucks. The increased number of 18–20 year old drivers allowed in a truck driver pilot program approved in the infrastructure bill is a start and needs to be expanded as soon as reasonable. Flexibility in the Hours of Service program, as you suggested, would be a good opportunity to support our nation's drivers to help supply chains catch up. Each of these proposals, and any others, could be considered in an effort to Resupply America.

We note the 24/7 port order has not been implemented to this point. Many other sectors of the supply chain will need to coordinate, have more flexibility with current rules, and become more efficient if expanded working hours can improve the supply of goods through our ports. We continue to feel it is important for the Federal Maritime Commission (FMC) to act. FMC should leverage its authority to limit the impact of rising demurrage and detentions costs to shippers which eventually impact consumers.

Thank you for cosponsoring and helping the House of Representatives pass the Ocean Shipping Reform Act, H.R. 4996. We look forward to timely action in the Senate so this proposal can become law as soon as possible. We realize it will take a collection of actions to experience a recovery in the supply chain in 2022.

Sincerely,



ROD WELLS,
Chief Supply Chain Officer, GROWMARK,
Immediate Past Chairman of the Agriculture Retailers Association.

SUBMITTED QUESTIONS

Questions Submitted by Hon. Salud O. Carbajal, a Representative in Congress from California

Response from Jon T. Schwalls, Executive Officer, Southern Valley Fruit and Vegetable, Inc.; on behalf of Georgia Fruit and Vegetable Growers Association

Labor

Question 1. Back in March, the House passed the Farm Workforce Modernization Act of 2021, which I am a cosponsor of.

I am happy to see that the Georgia Fruit and Vegetable Growers Association recently recognized the urgent need to pass this bill, but I am concerned that industry groups are not expressing enough support for the Senate to prioritize passage.

What are your biggest challenges finding and retaining labor in the fruit- and vegetable-grower, packer, and processor sectors?

Question 1a. Are there existing Federal policies that could help alleviate some of these challenges?

Food Security

Question 2. Food banks report sustained demand still due to the economic hardship from the pandemic, now complicated by their ability to feed their community as they are facing many of the same cost increases, labor shortages, and other impacts from the supply chain crunch.

What could the USDA do to better support your industry, such as incentivizing local procurement or addressing last-mile costs, that help take on current supply chain challenges and would also help the nation support food banks and reduce food insecurity?

Answer 1–2. February 14, 2022

Dear Congressman Carbajal:

Thank you for this question. There are currently two major challenges.

First, production input costs are increasing at a much higher rate than perishable commodity prices. The average perishable commodity price increase from the last 2 years is approximately 1.3%. This does not align with the significant increase in input costs. Input cost such as fertilizers and soil nutrients during the last 2 years has increased between 125–300%; the cost of crop protection products increased on average by 30%, the cost of farm fuel has increased by more than 100%.

The input cost increases are not sustainable without an increase in consumer pricing. However, low-income families will continue to be impacted by price increases to fresh fruits and vegetables. Studies show a lack of fresh fruits and vegetables in a child's diet has a higher likelihood of diabetes and obesity. With already limited access to fresh fruits and vegetables in many areas (exacerbated by the pandemic, supply chain logistics, and increased cost) children have less access to produce. Increases in input costs will only lead to continued increases in food prices.

The second challenge is the significant shortage of domestic workers interested in applying for and taking up seasonal agricultural jobs. Consequently, domestic farmers and ranchers are forced to turn to the H–2A program to source temporary foreign workers. Southern Valley participates in the H–2A Visa work program due to the lack of a reliable, willing, and able seasonal farm workforce domestically.

A survey performed by the National Council of Agricultural Employers (NCAE) of all 50 State Workforce Agencies (SWA's) in 2020 found that of the 97,691 H–2A jobs that were certified in the period March 1, 2020, to May 30, 2020, only 337 domestic workers applied for the positions.

As a domestic producer, the H–2A program is very cumbersome and extremely costly. In addition to the required wage rate which is 214% higher than the Federal minimum wage, it costs an employer approximately $4.90 per hour on top of the hourly rate to employ workers under the H–2A program. In addition to all the administrative costs, H–2A employers are required to provide to H–2A workers free housing, meals or kitchen facilities, free transportation to and from housing, reimbursement of all travel expenses to and from the U.S. for H–2A workers including bus or plane fare, meal costs, visa costs, etc. These free benefits are not considered as W–2 wages by the U.S. Department of Labor (DOL) when determining wages for H–2A workers.

As this trend continues, more and more farmers will be forced to close or move operations to another country. The ag industry will see an increase in bad actors cutting corners to make a profit, thus tarnishing the industry's reputation.

Today, according to USDA, over 60% of the fresh fruit consumed in the U.S. and over 35% of the fresh vegetables are imported from our foreign competition. Wages

in Mexico average $1.50 per hour. Wages in Guatemala average $1.75 per hour. Wages in Canada average $9.00 to $12.50 per hour. All while the U.S. average for H–2A workers is $15.56 per hour. This is not sustainable. Therefore, you are more likely to find foreign sold in your neighboring San Luis Obispo grocery stores over California grown produce. Producers need a foreign labor program wage.

Unfortunately, proposed Federal policies have the ability to create more harm than good. For example, the Department of Labor's proposed ruling on Adverse Effect Wage Rate for the H–2A program seeks to increase the wages of all workers based on any one single duty that a worker might perform. Farmworkers performing agricultural duties should be paid based on the prevailing wages comparable to other farmworkers. We need a common-sense application of this.

Thank you in advance for your question and leadership on such an important issue.

Respectfully,

JON T. SCHWALLS,
Executive Officer,
Southern Valley Fruit and Vegetable, Inc.

Response from Greg Ferrara, President and Chief Executive Officer, National Grocers Association

Question 1. Would you say the trend towards consolidation in the food supply chain has had an impact on grocers, especially the smaller ones?

Question 2. And what can we do to ensure there is still a competitive market out there that doesn't lead to more disruptions which effects consumers options at stores and prices of items like beef?

Answer 1–2. January 26, 2022

NGA does believe consolidation in the food supply chain, including the significant growth of retail power buyers over the years, has had a negative impact on consumers and communities. As these retail power buyers have grown in size, their influence over suppliers has also grown to the point where they are often able to dictate favorable terms from suppliers that other smaller competitors in the marketplace do not have access to. Due to the lack of enforcement of antitrust laws, such as the Robinson-Patman Act, suppliers are often faced with an unwinnable solution; comply with the power buyer demands or risk losing their business. As a result, smaller competitors are at a significant disadvantage, unable to get access to new products, the best promotions, terms, or as we have seen during the pandemic, appropriate allocation of product. Unable to remain competitive, we've seen communities lose their local supermarket, which has a negative economic ripple effect on rural and urban communities. We believe proper enforcement of existing antitrust laws, such as the Robinson-Patman Act, will go a long way to rebalancing the scales so all competitors have a fair shot at winning the customer's business and ensuring all consumers have access to the products they need, when they need them.

Respectfully Submitted,

GREG FERRARA

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