

September 3, 2021

The Honorable Thomas J. Vilsack
Secretary
U.S. Department of Agriculture
1400 Independence Avenue, S.W.
Washington, D.C. 20250

Dear Secretary Vilsack,

Over the last few weeks, American Farm Bureau Federation (AFBF) staff have interacted with several members of your USDA team, and other individuals within the administration, to discuss critical supply chain issues. We are grateful for the opportunity to provide comments and discuss solutions in response to President Biden's Executive Order on America's Supply Chains.

We are now in our 18th month of the COVID-19 pandemic. During this period, our nation has witnessed vulnerabilities throughout the supply chain that haven't been seen before. Consumers faced empty grocery store shelves and mile-long food bank lines, while farmers and ranchers were being asked to cull animals, dump milk and plow under fresh produce. Supplies of farm inputs like crop protectants, fertilizers, and seeds have been difficult to obtain, and expensive to purchase. Highway transportation of farm products and supplies is more expensive and less available today than pre-pandemic levels, and timely maritime transport of value-added agricultural exports is frustrated, at best. All the while, agricultural labor, both domestic and foreign, is increasingly difficult to access and expensive, making already small margins even tighter.

Below, we outline specific challenges and offer solutions we believe are within the capabilities and authority of this administration.

Livestock Markets and Processing Capacity

The pandemic emphasized areas beyond the farmgate where food supply chain systems need improvement, especially within the livestock processing sector. AFBF supports any effort to modernize the packing and processing sectors of meat production. When labor availability is diminished, processing facilities cannot run at full capacity which reduces throughput of the plant. In addition, AFBF supports the use of technology in meat inspection. In many areas of the country, a shortage of meat inspectors is inhibiting the development of newer independent and regional packing plants.

AFBF supports USDA's commitments and efforts to bolster the role of small capacity meat packers in the supply chain. We also support the grant program, under development, to assist those small plants in becoming FSIS inspected.

As mentioned in our comments to the RFI on *Investments and Opportunities for Meat and Poultry Processing Infrastructure*, AFBF would like to offer the following suggestions as

spending priorities for the \$500 million from USDA's Build Back Better Initiative to expand processing capacity and increase competition in meat and poultry processing. AFBF supports efforts to bolster processing capacity and appreciates the consideration of stakeholder input. We look forward to participating in future stakeholder meetings and public engagement on the issue.

The following considerations are based on farmer and rancher feedback from state Farm Bureaus:

- Grants to processors for modernizing or expanding an existing facility, including expansion and modifications to existing buildings and/or construction of new buildings at existing facilities;
- Grants to processors for modernizing processing and manufacturing equipment;
- Grants for down payments to build new packing facilities. While many interested parties can obtain financing for a packing facility, some rural businesses could use the assistance in acquiring a down payment for new construction; and
- Grants or cost share made available for state governments to assist in developing and implementing state inspection programs.

We encourage these funds to be available for all packers and processors, whether they run a federally-inspected, state-inspected or custom-processing facility. We look forward to working with the administration in the allocation of these funds.

We do want to recognize the Administration for its thoughtful and thorough rule regarding contract growers, allowing for the long-anticipated relief provided in the Consolidated Appropriations Act of 2020. We appreciate USDA recognizing the incredible losses farmers endured during the height of the pandemic and crafting a rule that helps contract growers who were previously not eligible for this much needed assistance.

Farm Inputs

Given that fertilizer costs are such a significant portion of production costs, farmers keep a close eye on anything that might cause fertilizer costs to increase, like the recent U.S. International Trade Commission anti-dumping and countervailing duty investigations on urea ammonium nitrate solutions from Russia and Trinidad and Tobago. Over the last several years fertilizer prices have risen considerably for all major field crops in the U.S. USDA's Economic Research Service is already projecting that fertilizer prices will rise 5% in 2022 over 2021, and that's before the potential tariffs on UAN are factored in. If realized, this would mean that between 2018 and 2022, fertilizer prices will have increased by double digits for every major field crop in the U.S. Over this period, fertilizer prices will have increased by 16.5% for cotton, 16.6% for barley, 16.7% for oats, 17.1% for wheat, 17.6% for peanuts, 18.1% for rice, 18.6% for sorghum and corn, and 18.9% for soybeans. Rising input costs make it difficult for farmers to remain competitive in global markets.

Farm Bureau recommends that USDA work with the Department of Commerce and the International Trade Commission to ensure the impacts and increased costs to farmers and ranchers from tariff rulings on necessary agricultural inputs are fully considered in the investigation and decision-making process.

In addition to fertilizer, pesticides are another valued tool to improve crop quality and ensure adequate yields. Farmers need regulatory certainty and predictability in the pesticide supply chain. Recently EPA has taken steps that endanger the future availability of critically needed crop protection tools.

A recent decision by the EPA to revoke tolerances for chlorpyrifos due to a Ninth Circuit Court decision has caused great concern and confusion among farmers. The process in which this decision was made supersedes the judgment of EPA's career scientists, setting a dangerous precedent for the future registration of other agrichemicals. The manner in which this revocation has been announced and implemented has confused farmers as chlorpyrifos products are still on the market; therefore, chlorpyrifos residues will still be detectable in the food supply chain well after the revocation goes into effect in less than six months. Furthermore, this decision by the EPA leaves producers of some crops without viable alternatives to combat insect threats, leading to yield loss and proliferating insect pesticide resistance issues.

Farm Bureau urges USDA to work closely with EPA as the agency makes decisions regarding the future availability of crop protection. By having USDA's input, EPA can better understand the impacts on agriculture, including the importance of certain chemistries to specific crops and if reasonable alternatives are available to producers.

USDA and the EPA should also work together to identify information gaps, such as those surrounding the chlorpyrifos tolerance revocation, to ensure farmers clearly understand how to comply with EPA actions on chemistries.

Data used in EPA's decision-making processes can also impact the future availability of crop protection tools. Recent draft biological evaluations for pesticides important to farmers have failed to incorporate realistic pesticide usage data. By not using the best available science and data, EPA's draft biological evaluations for pesticides overestimate the potential impact on species and critical habitats. This improper analysis could lead to further limitations on pesticide use or removal from the marketplace due to alleged species concerns based on inaccurate data.

Farm Bureau urges USDA to work with EPA to ensure the agency incorporates actual use data in its registration review process, including biological evaluations.

Transportation

As Congress considers bipartisan infrastructure legislation, we continue to encourage the Administration to provide needed flexibilities for agricultural haulers and the overall trucking industry. 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 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.

Farm Bureau recommends 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.

Rail

On July 9, President Biden signed an Executive Order encouraging the Surface Transportation Board (STB) to adopt certain initiatives to promote freight-rail competition. Farm Bureau shares the President's desire for a more competitive rail industry and urges the STB to adopt the initiatives that the Executive Order identifies to enhance rail competition and prevent railroads from abusing their market dominance. We believe that enhanced competition is an important vehicle through which the STB can address pervasive challenges faced by rail shippers, including poor rail service, and unreasonable rail rates and practices.

Farm Bureau recommends that the STB complete a rulemaking proceeding to make reciprocal switching (also called "competitive switching") more accessible and adopt similar competitive access rules.

Ports

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. In an effort 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-foot 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% jump 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 overseas contracts has been significantly impacted, with some estimations nearing \$1.5 billion in lost agricultural exports.

Farm Bureau recommends that USDA work with the Federal Maritime Commission to continue investigations into the challenges at our ports and take any corrective measures they are

empowered to make. We also urge the administration to support the recently introduced Ocean Shipping Reform Act of 2021 (H.R. 4996) which would update the Shipping Act to better reflect current federal policy governing ocean shipping.

Agricultural Labor

There must also be ample access to a workforce to plant and harvest crops and tend to animals. Agriculture's workforce shortage is a weak point in the food supply chain and these shortages have ripple effects. Guestworkers have long played integral roles in our nation's food production, and if disruptions prevent their work on farms, agricultural production would significantly decrease.

Additionally, the H-2A guestworker visa program, which brings workers to the United States to work on farms, is costly to use and not available to those engaged in year-round agricultural production. While much of the jurisdiction is outside of USDA's scope, AFBF urges USDA to work across the federal government to streamline the application process, ensure timely arrivals of guestworkers, and take steps to eliminate barriers to the program.

While much of the jurisdiction is outside of USDA's scope, AFBF urges USDA to work across the federal government to streamline the application process and ensure timely arrivals of guestworkers. USDA should also address cost barriers, including the adverse effect wage rate, application fees, housing, and travel expenses. AFBF urges USDA to continue engagement with Congress to meaningfully address workforce concerns, including program costs, year-round access to the H-2A program, and stabilization of farmworkers with improper documentation

During the pandemic, as farms 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. AFBF is pleased to see that USDA will be implementing a grant program to help offset the costs of COVID-19 mitigation and looks forward to swift program implementation.

In planning for the next crisis, USDA should ensure that the food supply chain continues to be deemed essential and receives priority access to necessary supplies in future response plans. Furthermore, USDA should consider efforts to create national stockpiles of supplies, such as respirators and face masks which are required for application of certain pesticides on farms.

Trade

The Phase One Agreement, signed by the United States and China in January 2020, committed China to large purchases of U.S. agricultural products in 2020 and 2021. Phase One laid out that over the course of 2020 and 2021, total exports of U.S. agricultural products to China would increase by \$73.8 billion, which is equivalent to \$80 billion in Chinese imports, after shipping and freight are added. The agreement split the total purchases into individual annual commitments: 45% of the total, or \$33.4 billion, was to be purchased in 2020 and 55% of the total, or \$40.4 billion, was to be purchased in 2021. China missed the 2020 target by \$6.15 billion and is 12% behind through the first six months of 2021, but purchases are coming on strong.

Given what we have seen thus far in 2021 in terms of sizable purchase commitments of new crop commodities expected to ship later in 2021 and current commodity prices, there is a real chance that the 2021 Phase One commitment level will be reached. If achieved, the \$40.4 billion in exports to China would surpass the \$27.2 billion record for exports of agricultural products achieved last year.

As the purchase commitments in the Phase 1 Agreement expire at the end of this year, Farm Bureau supports further discussion between the U.S. and China with the goal of setting Chinese purchase commitments of U.S. agricultural products. Failure to do so, would upset the agricultural market and add additional chaos to an already confused marketplace.

As you engage in continuing discussions with China and other leading export destinations, we ask you to consider the impacts of trade actions on agricultural exports and U.S. farmers and ranchers. Farm Bureau strongly urges you to resolve trade concerns with China within the boundaries of the U.S.-China Phase 1 Agreement and work to extend purchase commitments.

Thank you for your attention to the critical issues affecting our food and agriculture supply chain. As our country moves through what we hope are the final chapters of the COVID-19 pandemic and turns its focus to growth and recovery, we ask that USDA continue to engage with Farm Bureau leaders and staff on matters of critical importance to American agriculture. We applaud your leadership and commitment and stand ready to work with you, your team and the administration on these important matters.

Sincerely,

A handwritten signature in cursive script that reads "Zippy Duvall". The signature is written in black ink and is positioned above the typed name and title.

Zippy Duvall
President