

**Testimony of Rod Wells**

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**On behalf of the Agricultural Retailer Association**

**Before the Agriculture Committee, U.S. House of Representatives, November 3, 2021  
Regarding *The Immediate Challenges to our Nation's Food Supply Chain***

**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 10 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" (HR 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-cent-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 CO2 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 9<sup>th</sup> Circuit ruling issued in June 2020 that cancelled 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 9<sup>th</sup> 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<sub>2</sub>) 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 guest worker 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 plus 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 address 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 two 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 US 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 US 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.