

Submitted Electronically

October 18, 2021

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U.S. Department of Transportation
1200 New Jersey Avenue SE
Washington, D.C. 20590-0001

Re: Docket No. DOT-OST-2021-0106—America's Supply Chains and the Transportation Industrial Base

On behalf of the undersigned members of the Ag CEO Council, thank you for providing the opportunity to comment on President Biden's Feb. 24, 2021, Executive Order on America's Supply Chains. The Ag CEO Council is composed of chief executive officers from national farm and commodity organizations and key supplier industries that make up the largest segment of U.S. agriculture.

The past few years brought serious disruptions to the agriculture sector and these disruptions are continuing to negatively impact our sector. The supply chains that are critical for inputs and sales of goods face multiple and simultaneous challenges. This has led to higher prices for inputs, lower prices for outputs and, in some cases, the inability to purchase goods or services regardless of price. Purdue University's Ag Economy Barometer reveals that about a third of all producers expect farm inputs to increase by more than 12% over the next year. About half expect inflation of more than 8%. For comparison, input prices paid by farmers have increased by 1.8% per year over the past 10 years, according to the Barometer.

The causes of these supply chain issues have been multifold. Tariffs and the trade war disrupted markets and resulted in higher domestic steel and aluminum prices. Cyberattacks have taken down grain elevators and a packing plant. The West and Upper Plains have suffered droughts, which has reduced forage, increased irrigation needs and lowered river levels. Hurricane Ida closed the Gulf port, slowed Mississippi River traffic and closed chemical plants. Perhaps most significantly, the COVID-19 pandemic has affected almost every aspect of the supply chain, from transportation costs to labor availability.

The following issues have been identified as the most 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. Federal food safety inspector shortages limit products that can be sold and shipped.
- **Barges:** Hurricane Ida closed the Lower Mississippi River and grain unloading facilities in New Orleans. Grain shipping volumes and prices have yet to recover.
- **Ports and shipping containers:** Import volumes have overloaded marine terminals, particularly on the West Coast. This has caused shipping delays, canceled bookings and surcharges. Containers are leaving the U.S. empty rather than being filled and returned with agricultural products, as is normal practice.
- **Trucking and rail freight:** More than 70% of all freight movement occurs on trucking and rail. Over the past 20 months, the transportation sector has experienced congestion, equipment

shortages and constrained capacity. General freight trucking prices increased by 21% since May 2020.

- **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:** 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 gasoline prices have shot up more than 40% 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.
- **Water availability:** 75% of the Western U.S. and the Dakotas are in severe drought. Ranchers have had to liquidate portions of their herds, and irrigation costs have increased.

The following pages provide further detail on the identified supply chain issues. The Ag CEO Council appreciates the opportunity to highlight these mounting issues within the agricultural supply chain.

Labor

An ample workforce must be available to plant and harvest crops and tend to animals. Agriculture's workforce shortage is a weak point in the food and agricultural supply chain, and this lack of available labor has ripple effects. Labor shortages exist on the farm, in processing facilities and among critical service providers upon which agriculture relies.

On the farm, guestworkers have long played integral roles in our nation's food and fiber production. If disruptions prevent their work on farms, agricultural production significantly decreases. However, the H-2A guestworker visa program, which brings laborers to the United States to work on farms, is costly to use, cumbersome, and unavailable to those engaged in year-round agricultural production.

On livestock operations, veterinarians serve as integral members of the animal health team and ensure use of best preventative health and husbandry practices. A shortage of veterinarians practicing medicine for food animals currently exists in rural veterinary practice areas across the United States. Economic issues surrounding veterinary college debt coupled with lower veterinary salary ranges for rural large animal veterinary practitioners play a major role in the veterinary shortage problems experienced in rural settings.

Agricultural supply chains cannot function properly without a steady supply of skilled labor. However, disruptions in the workforce are a significant challenge. A survey by the National Council of Farmer Cooperatives (NCFC) posed multiple questions pertaining to the pandemic's impact on the workforce. 77% of respondents indicated that their co-op experienced issues with retaining a skilled workforce during the pandemic. Lack of labor resulted in an inability for plants to run at full capacity, which reduced the throughput of those plants. At the onset of the pandemic, this was particularly evident in livestock processing, but it is a challenge for myriad types of food and fiber processing.

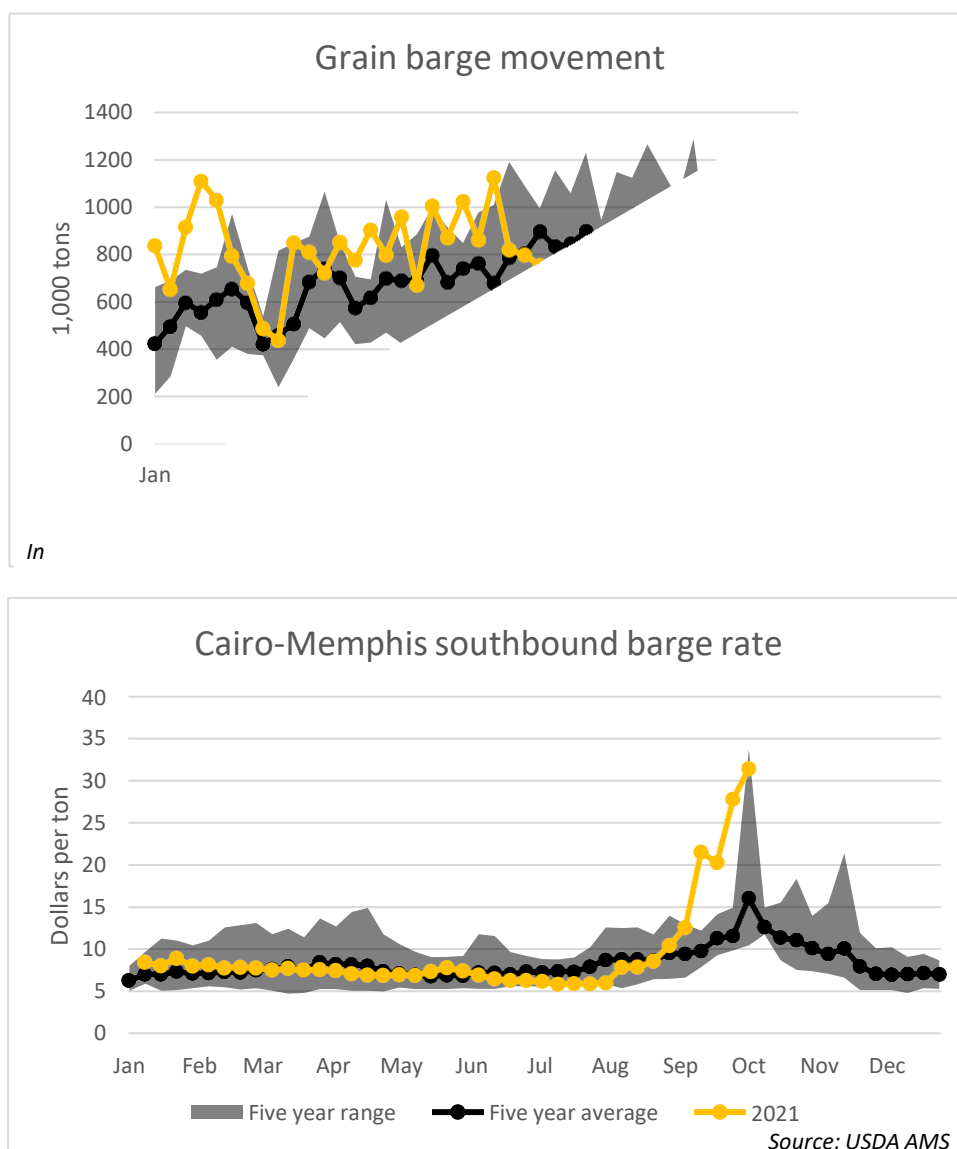
Beyond the direct workforce issues in processing facilities, challenges exist among service providers upon which the agriculture supply chain relies. Two examples of post-processing service providers are food safety inspectors and commercial truck drivers. The availability of federal food safety inspectors is critically important. Without federal food safety inspection, no product can be sold or shipped interstate. Similarly, finished products are worth little if they cannot be transported to market. In the same NCFC survey, NCFC member co-ops cited their struggles with finding enough truck drivers who hold commercial driver's licenses (CDL). Finally, vaccine mandates that may give rise to employee turnover have the potential to cause significant workforce disruptions.

Inland Waterways

Hurricane Ida initiated an array of issues for barge shipping in the Mississippi River basin. The storm surge came up the river and shut down traffic for multiple days. Many barges were damaged, and others were grounded or sunk. The grain export facilities in New Orleans were shut down with varying degrees of damage or lack of electrical supply. Fortunately, eight of the nine facilities operating before Ida are now back online. And, the Extending Government Funding and Delivering Emergency Assistance Act included \$6 billion in disaster aid directed to the U.S. Army Corps of Engineers; a portion will go to Ida repairs.

Despite this good news, many issues remain. Delays from the storm have created a backlog in the transportation system. Barges had to wait for the river and facilities in New Orleans to reopen before they could unload and start the return trip upriver to reload. Like other industries, labor remains a challenge in the barge industry. Drought in the Upper Mississippi basin has created low flows this year. Fortunately, dredging kept the channel at a depth that enabled traffic to continue with full loads. However, reports of light-loading due to the low river level resulting from the drought are developing.

The repercussions of these factors can be seen in the data for grain movement and barge rates. Barge traffic typically dips from September to October, but the 2021 movement is well below the five-year range, even when accounting for that seasonal drop. Adding to concerns, barge rates have skyrocketed despite barge movement being down. The Cairo-Memphis rate is more than twice the five-year average and is about six times the level from several months ago.



Port Issues and Containers

Ocean ports are an important gateway for both exports and imports. Since July 2020, import cargo has flooded into the United States in extraordinary volumes. The import volumes have overwhelmed marine terminals, particularly those on the West Coast, with Los Angeles and Long Beach being the most adversely affected.

The lingering effects of the COVID-19 pandemic's shock to global trade have resulted in users of maritime ports experiencing high rates of congestion, shipping delays, canceled bookings and unfair surcharges due to an unprecedented surge of import cargo following the COVID-19 pandemic. The reasons terminals have become challenged can be attributed to:

- congestion in and around the terminals
- lack of sufficient labor and automation to allow marine terminals to load and unload efficiently
- lack of information as to the locations of containers and times when they are available and ocean carriers' failure to provide accurate notice of arrival and departure
- lack of appointments for truckers to enter terminal gates to retrieve import containers, bring in containers with export cargo, or empty containers
- carrier/chassis company agreements causing shortages of chassis to carry the containers in and out of terminals
- lack of capacity of near-port distribution centers to accept and process massive volumes of import cargo; thus, import containers languish on terminals or at distribution centers and storage locations, creating havoc for truckers trying to move containers back to the terminals or even out of the area
- terminals being so full they cannot accept the return of emptied containers or containers loaded with exports

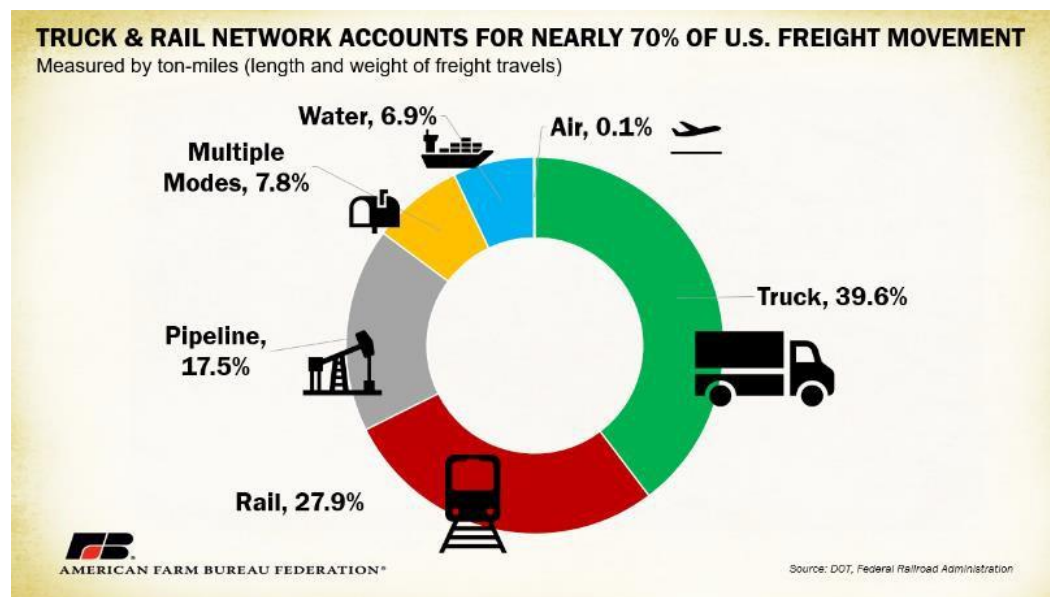
The issue of freight carriers electing to leave without refilling empty containers with American goods and products is limiting U.S. agriculture's ability to satisfy growing international demand for our goods. Shipping containers filled with imported goods are normally unloaded, sent to rural areas, 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.

At the ports, close coordination is necessary to ensure both imported and exported agricultural products are inspected efficiently to maintain quality of product and service. For exports, close coordination between APHIS, state-level phytosanitary certification agencies, and ag exporters is critical to ensure that products comply with import requirements set by foreign governments. For imports, communication between U.S. Customs and Border Protection, APHIS, and importers is needed so that seed imports can safely enter the United States in an efficient, timely fashion. Bottlenecks can occur when seed is moved from the port terminal to the agriculture exam station. Delays while waiting for CBP or APHIS examination and clearance of cargo can cost agricultural companies hundreds of dollars per day in container storage fees (detention and demurrage). Also, any substantial delays often reduce the overall quality of the perishable agricultural product due to inadequate storage conditions. Inconsistency in inspection times and lack of transparency during the process can make it difficult for

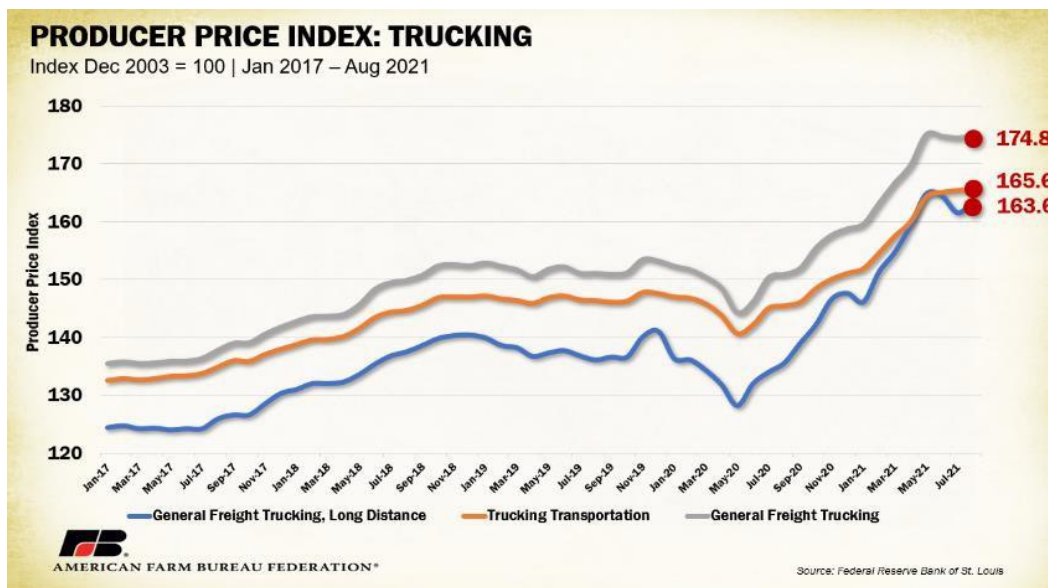
agricultural companies to budget accurately for shipping expenses and meet important planting windows for their farmer customers.

Trucking and Rail Freight

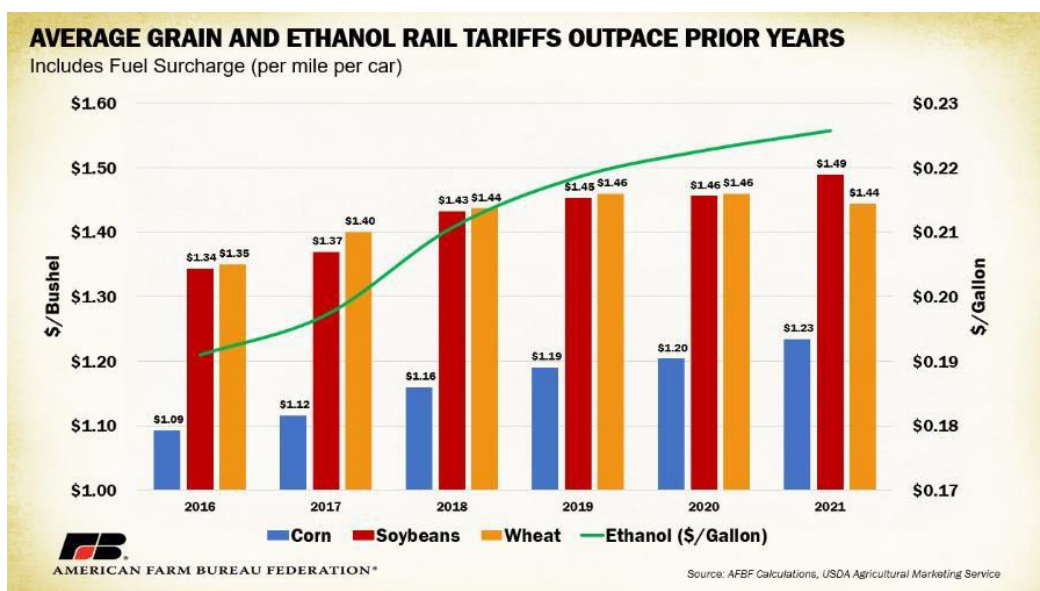
The domestic rail and trucking transportation network is vital to the movement of products and goods supplied by America's farmers and ranchers. Combined, these two transportation methods are responsible for nearly 70% of all freight movement (ton-miles). In 2019, more than 33 million carloads of U.S. goods navigated the nearly 140,000-mile U.S. rail system, generating over \$85 billion in total rail revenue. On the trucking side, nearly 12 billion tons of freight navigated the nation's highways and backroads on 36 million-plus registered trucks, generating more than \$791 billion in gross trucking revenues.



Over the past 20 months, the transportation sector has not been spared from COVID-19 supply chain disruptions. All modes have faced congestion, equipment shortages and constrained capacity, limiting producers' abilities to efficiently and cost effectively move their products. On the trucking side, freight rates have rebounded from their early 2020 lows and surpassed their pre-pandemic highs. The producer price index measuring rates for general freight trucking reveals a 21% increase since May 2020 and 27% from five years ago. Considering long distance movements, specifically, rates have increased 28% from May 2020 and 32% from five year ago. These increases are due not only to increased demand for the shipments of goods in a rebounding economy, but also are linked to increased fuel prices and a continued supply shortage of truck drivers. According to recent estimates, the trucking industry needs more than 60,000 additional drivers immediately to meet the current demand. This number is expected to nearly triple by 2028 and, when adjusted for expected retirements, the industry would need to hire 110,000 new drivers a year to meet demand. Hurdles to hiring qualified drivers and a state patchwork of weight limits have further exacerbated market failures, threatening the bottom lines for farms and ranches nationwide.

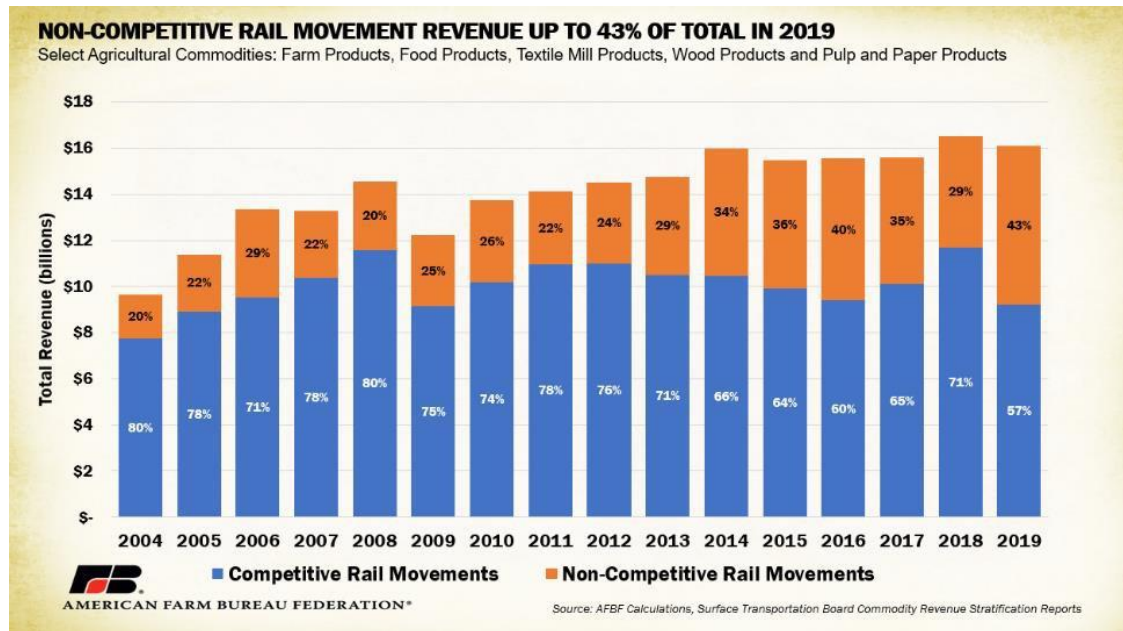


Over the last five years, the cost of shipping grain on railways has also increased. Rail rates on corn, soybeans and wheat, including fuel surcharges, have gone up 13%, 11% and 7%, respectively, since 2016. Similarly, rates to transport ethanol via rail have increased 18%. Digging into regional differences in rail rates, a state-by-state analysis revealed Ohio experienced the highest rate increase (26%) by origin, with an average rate (including FSC) of \$1.70/bu. Based on destination, North Carolina had the highest increase (22%), with an average rate (including FSC) of \$1.60/bu. Market disruptions—for example, increased demand pressures—structurally limited freight terminals, which restricts the supply that can be shipped to or from certain locations and normally would positively influence local tariff rates. The end use of a particular good also plays a role; a carload could be bound for international borders via seaports that are also structurally constrained in their ability to accept more shipments.



The organizational structure of the railway market also plays a role in tariffs imposed on rail freight customers, such as farmers and ranchers. Since 2004, the proportion of total revenue from

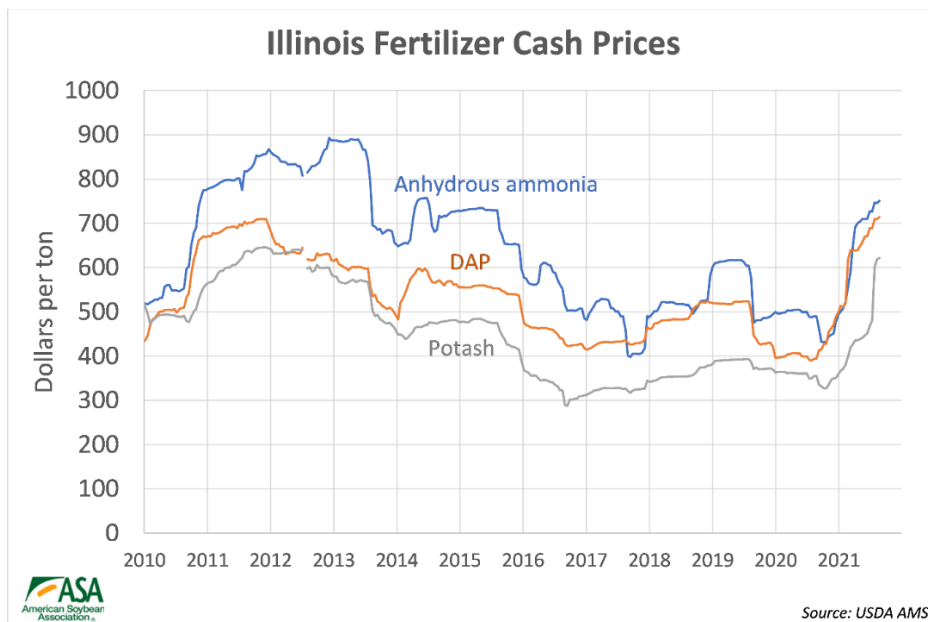
noncompetitive rail movements has increased twofold (20% to 43%). This means a larger percentage of revenue is from movements not subject to strong competitive forces, a possible incentive for railways to exhibit price setting behavior. If the Surface Transportation Board fails to evaluate rate increases on all noncompetitive movements, rate increases can slip under the radar and disproportionately impact customers limited in their ability to choose other transportation options.



Fertilizer

Half of all food grown around the world today is made possible through the use of fertilizer, hence its importance to farmers and food and fiber production. According to the Food and Agriculture Organization of the United Nations (FAO) almost 90% of fertilizer demand is located outside the United States. Fertilizer is a global commodity influenced by a host of domestic and international market factors.

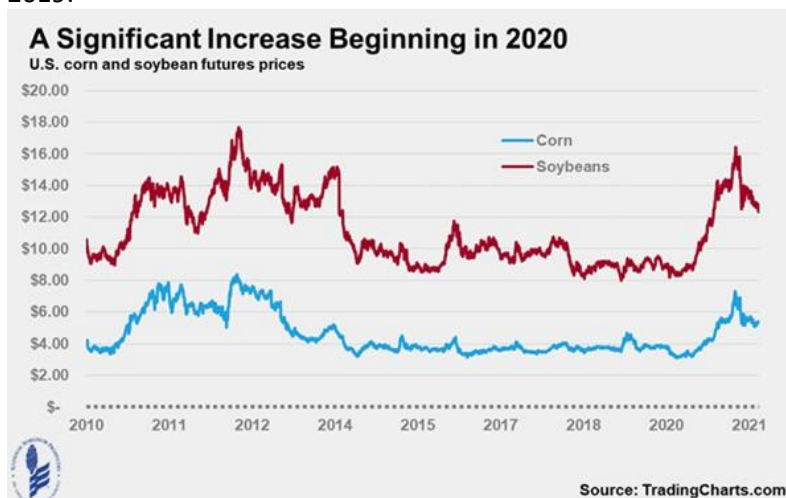
All three major nutrients—nitrogen, phosphorus and potassium—used in the production of primary row crops in the U.S. have experienced varying degrees of upward price pressure since late 2020. The figure below illustrates monthly average prices in Illinois for nitrogen (anhydrous ammonia), phosphorus (diammonium phosphate) and potassium (potash). Since mid-2020, nitrogen prices have climbed from approximately \$450 per ton to \$750 per ton, phosphorus prices from \$400 per ton to more than \$700 per ton and potassium prices from over \$300 per ton to over \$600 per ton.

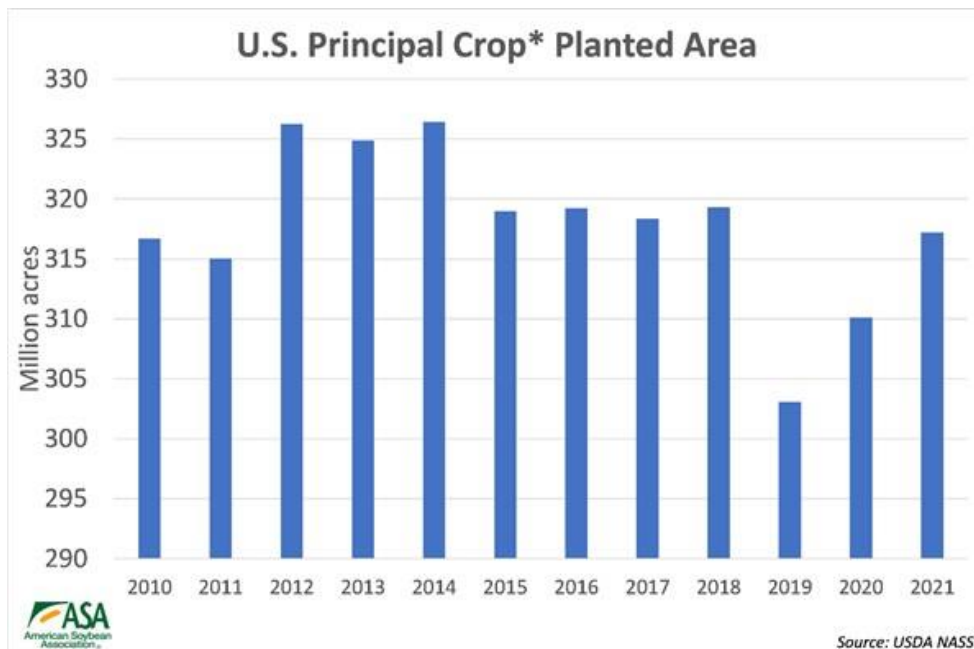


Concerns exist about specific local availability for certain products during certain periods. Some farmers are unable to obtain price quotes for specific fertilizer products currently, although this varies by locality. Alternative products may be available but might require different application equipment.

As is the case with many industries, the effects of the global COVID-19 pandemic continue creating challenges for the fertilizer supply chain. The pandemic forced many fertilizer production facility turnarounds—weekslong operational stoppages during which maintenance and upgrade activities are performed—to be postponed; this was done to limit the number of on-site personnel needed during the stoppages. With the effects of the pandemic subsiding, previously postponed turnarounds are now occurring simultaneously (rather than being spread out over time), disrupting normal domestic production.

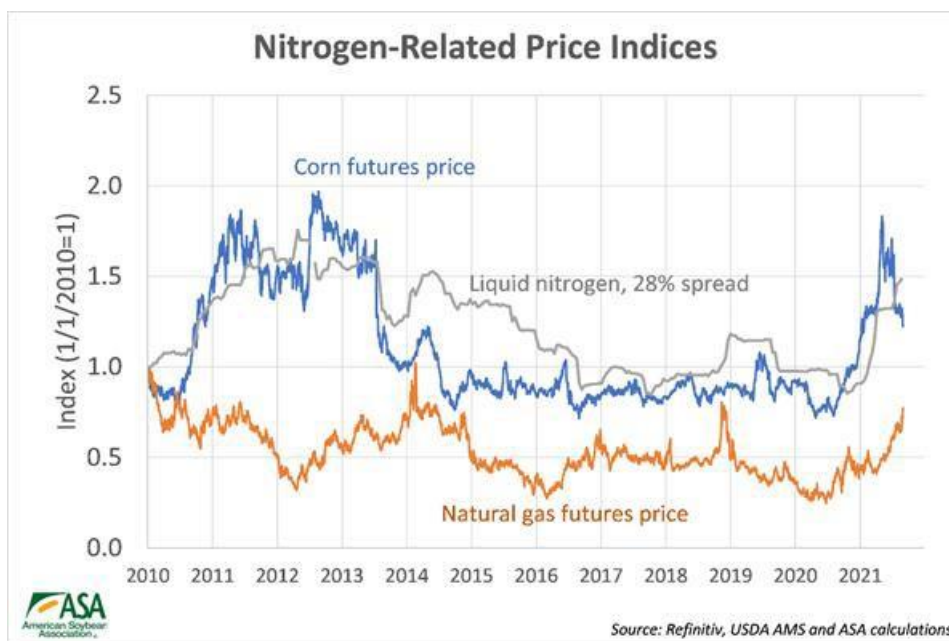
As previously discussed, the increase in row crop prices has put upward pressure on fertilizer prices via new and increased demand from row crop producers both in the U.S. and abroad. The figure below depicts corn and soybean prices, and the figure following that illustrates the increases in acres planted to principal row crops in the U.S. in 2020 and 2021, returning to more normal levels from the lows in 2019.





*Includes area planted to corn, sorghum, oats, barley, rye, winter wheat, Durum wheat, other spring wheat, rice, soybeans, peanuts, sunflower, cotton, dry edible beans, potatoes, sugarbeets, canola, and proso millet and harvested area for hay, tobacco and sugarcane.

The primary feedstock and process fuel for ammonia production is natural gas. The recent doubling of the Henry Hub natural gas price is increasing the cost of ammonia production – the building block for all nitrogen fertilizers. The figure below highlights the increases in both 28% liquid nitrogen fertilizer prices and natural gas futures prices. As can be seen in this chart, the prices for nitrogen are driven by both natural gas prices and crop prices. The current surge in natural gas prices has been driven by growing global demand coupled with lower supplies that have resulted from a year of extreme weather in the United States.



Multiple trade actions continue to affect both phosphorus and potassium prices. In 2020, the US International Trade Commission and US International Trade Administration affirmed the allegations of unfair subsidization of phosphorus imports from Morocco and Russia, levying 20% tariffs on Moroccan phosphorus and 9-47% tariffs on Russian phosphorus. During the investigation, U.S. imports of phosphorus from the two countries were reduced given the risk of retroactive tariffs. This resulted in a shift in global trading patterns which added to the rise in prices in the United States. A similar trade investigation is underway right now for urea ammonium nitrate.

In addition to phosphorus trade actions, global potassium trade has been disrupted by international political disputes. In August 2021, the U.S. government, and other countries sanctioned Belarus for election fraud. Although the sanctions did not directly include the country's solo potash exporter, potential legal liability may limit the purchase of its potash. Given Belarus accounts for 21% of global exports this action will reduce total global supply.

Furthermore, China has banned phosphate exports through June 2022. China is the largest phosphate exporter in the world and in 2020 accounted for 25% of monoammonium phosphate (MAP), diammonium phosphate (DAP) and triple superphosphate (TSP) global exports. While the U.S. has a Section 301 tariff on Chinese phosphates and was not currently purchasing the products, the decision reduces world supplies and thus further drives up prices.

Compounding the effects of the pandemic, global demand, natural gas prices and trade actions are local supply and demand shocks and other supply chain challenges. These include the impacts from hurricanes, ice storms, labor issues and even infrastructure breakdowns such as the one that occurred when a major bridge malfunction just outside Memphis, Tennessee caused a disruption to Mississippi River traffic in May 2021. In addition to these challenges, rail logistical issues have been particularly acute this year, compounding the 206% increase in freight rates for anhydrous ammonia over the last 20 years. In all, a confluence of factors has negatively contributed to the fertilizer market supply chain causing a variety of disruptions and market adjustments.

Crop Protection

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

As the industry looks toward the 2022 growing season, concerns exist about the potential for increased supply shortages for certain agricultural pesticides, along with higher costs resulting from multiple factors. Glyphosate prices are up more than 130%, glufosinate by 80%, and 2,4-D by 60%¹. Most dicamba and nearly all glufosinate, along with many product components, are produced in China, which has been increasing its regulations. As mentioned in other sections, the transportation sector has experienced delays, costs have risen, and there are labor shortages affecting raw ingredient availability. These outcomes have affected product availability and costs. Additionally, Hurricane Ida closed a major

¹ <https://www.dtnpf.com/agriculture/web/ag/crops/article/2021/09/22/ag-chem-supplies-four-things-know>

glyphosate plant in Luling, Louisiana at a time when container imports of the product were already down 71% from a year earlier².

The industry has been reducing inventories to reduce costs³. When multiple issues emerged in the supply chain this year, the remaining buffers were inadequate to bridge the gaps. As a result, producers report shelves bare of certain herbicides they need from input suppliers.

Regulatory actions taken by EPA to revoke tolerances (e.g., chlorpyrifos), increase application restrictions, or cancel pesticide products without adequate substitutes in the marketplace have also restricted access to necessary products. While not an issue arising from the marketplace, these decisions make the products unavailable—often without existing alternatives.

Energy

As a combination of factors collide all at once, world energy prices are rising. Energy supply constraints, increased energy demand, environmental policy implications and the ripple effects of extreme weather are all pressuring energy prices upward. The [September 14 Consumer Price Index \(CPI\) report](#) indicated a 25% increase of the energy index over the past year. Since people were not flying or traveling due to the pandemic, energy use over the same period was primarily consumed at home, which stymied demand for crude oil. Energy demand for the most part was focused on this one, home-consumption category. Then, rather than coming back slowly, it came back furiously and forced another supply chain shock that must now respond to the return in demand. In short, the supply chain is taking another 180-degree turn after being forced to pivot in response to pandemic safety precautions that kept people grounded.

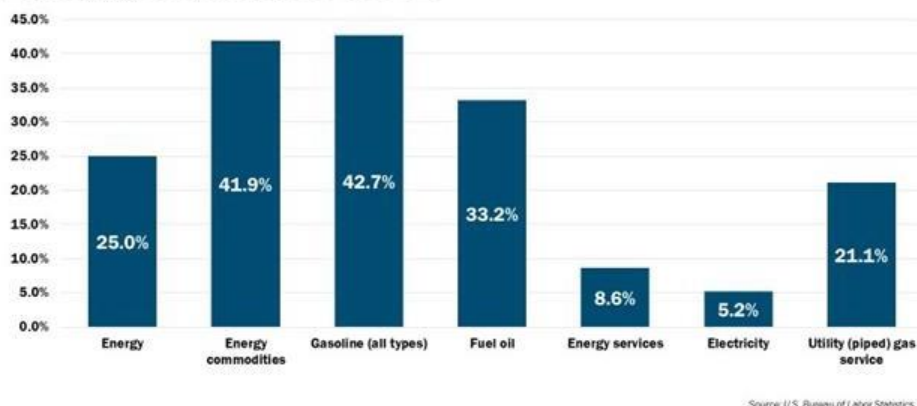
Overall, if demand remains consistent, reduced supply tends to lead to higher prices. Those higher prices are intensified, however, when supply reductions occur in times of increased demand, such as increased energy use through winter months, more time at home, or increases in overall consumption like what we have been currently experiencing.

For farmers and ranchers, spending on fuel has been trending lower both as a share of [total farm production expenses](#) and as an average per-farm expense. In 2020, fuel expenditures were the smallest expense category, representing 3% of all major input expenditures when compared to chemical/fertilizer/seeds, feed, livestock/poultry, farm services, labor, rent, taxes, and machinery. However, the CPI index for gasoline has increased 42.7% and fuel oil by 33.2% in the last year.

² <https://www.reuters.com/world/us/us-farmers-face-supply-shortages-higher-costs-after-hurricane-ida-2021-09-22/>

³ <https://www.reuters.com/world/us/us-farmers-face-supply-shortages-higher-costs-after-hurricane-ida-2021-09-22/>

12-Month Change in Consumer Price Index for Energy, September 2021



Diesel use makes up the largest portion of fuel expenses, representing 1.9% of total production expenses. Gasoline is only 0.5% of total production expense. LP gas and other fuels are 0.6%. This on-farm fuel expense varies and fluctuates from farm to farm because crop-drying strategies and livestock management practices differ.

Despite direct farm use of fuel expenses serving a relatively small portion of total farm expenses, energy price spikes will impact farmers the most in the production of farm inputs, particularly chemicals, fertilizer and seed.

Chemicals, fertilizer and seed production costs represent the largest share of major input expenditures for farms in 2020 at about 17.5% of total expenditures. From 2019 to 2020, chemicals went up 6% in price while fertilizer increased 9%. Both chemicals and fertilizer are at their highest cost for the last five years.

If energy prices continue to rise, there will likely be a ripple effect that will cause the total cost of production for farm inputs to also rise. This is because energy is used to produce chemical, fertilizer and seed products globally. Farmers and ranchers are already bracing for increased costs in inputs for the next several years due to these economic impacts and more. As costs rise, the potential to make a profit or break even lessens.

Equipment and Inputs

Machinery and vehicle costs represented the second-smallest share of major input expenditures for farms in 2020 at 6.7% of total expenditures. Energy is also used to manufacture farm equipment, machinery and vehicles. Increased costs of production for those items can lead to an increased cost to farmers and ranchers purchasing equipment.

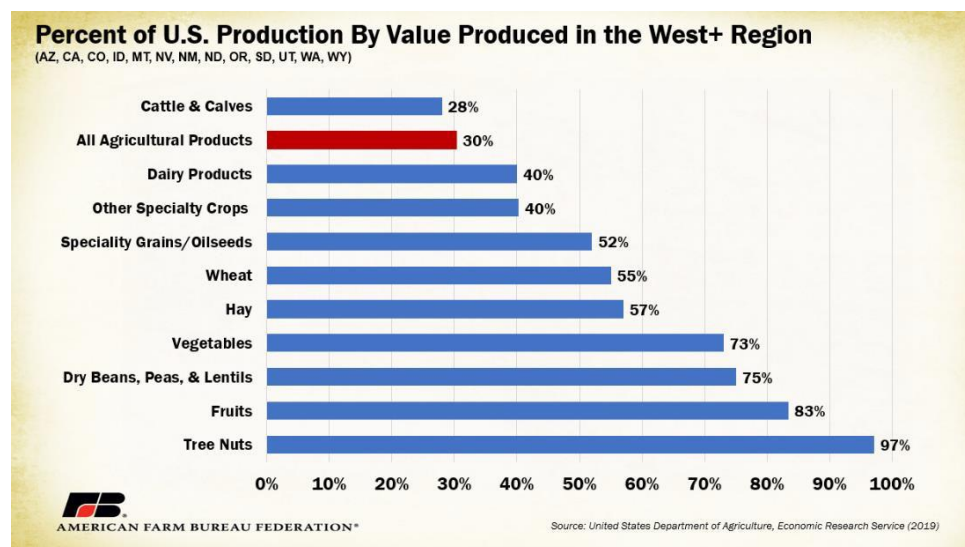
Steel used to manufacture equipment is also impacting supply chain access to new equipment, as stronger industrial demand for steel is creating a repeat economic shock to the supply chain and is thus meeting a lagged supply response. The steel futures price at one point increased more than 300% above pre-pandemic prices to [above \\$1,900](#) per ton compared to a range of \$500-\$800 per ton going back at least 10 years. While much of the price increase is due to increased demand for manufactured steel during and after the pandemic, there are concerns that the price of steel may remain high in the U.S. due to steel import tariffs that are still in place. If China were to pull back steel production—likely as a

result of those tariffs—the U.S. would need to respond with increased domestic production of steel to avoid current and future supply chain disruptions.

Microchips, also known as semiconductors, are responsible for controlling the electric current of farm machinery. Microchip availability to calibrate the technology and innovation used in today's farming operations has been challenging to find due to production pauses during the pandemic. This development is pushing many equipment dealers to lower inventory supplies. Many farm equipment manufacturers have been forced to halt production of farm equipment while they wait on microchip deliveries. The reduced production of farm equipment has led to a shortage of available tractors and associated parts including tires, filters, belts and other parts. There are also general delivery delays, which can impact a farmer's ability to get in the field to timely harvest crops necessary for the agricultural supply chain.

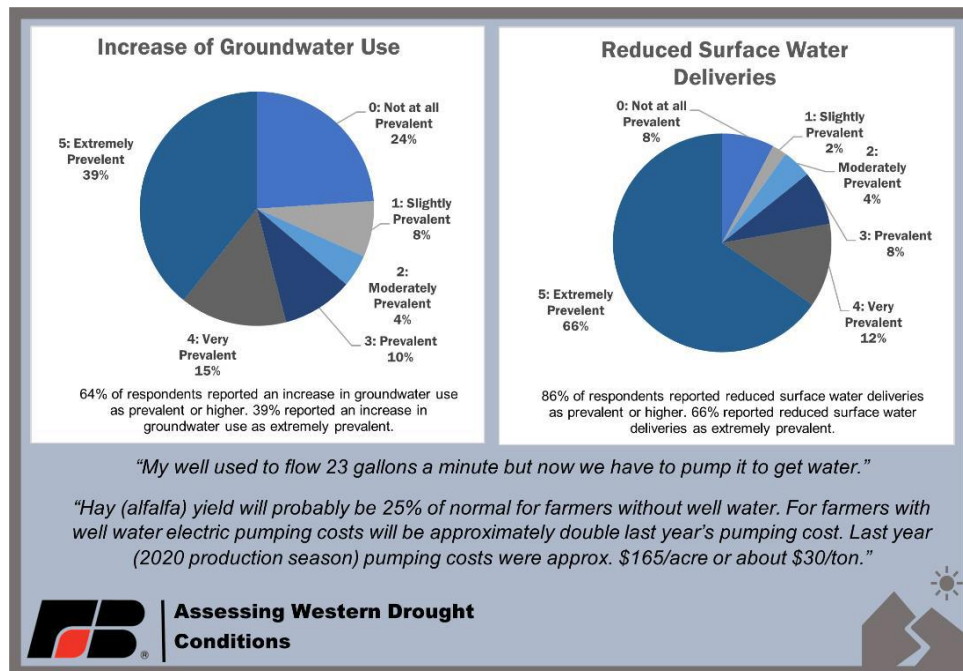
Water Shortages

According to the latest release of the National Drought Mitigation Center's U.S. Drought Monitor, nearly 75% of the Western U.S. and the Dakotas are categorized as severe drought (D2) or higher. The 11 states in the Western region and the Dakotas region are vital to the U.S. agricultural sector, supporting one-third, or \$112 billion, of total U.S. agricultural production by value. This includes 28% of cattle and calves (in total) responsible for 18% of U.S. agricultural production by value; 40% of dairy production (in total) responsible for 11% of U.S. agricultural production by value; and more than 70% of vegetables, fruits and tree nut production by value. Continued drought conditions put production of these and many other commodities at risk, along with the stability of farms and ranches reliant on their crops and livestock for income.



In an American Farm Bureau Federation survey June 2021, more than 64% of member participants reported an increase in groundwater use as “prevalent” or higher in their area, with 39% choosing “extremely prevalent.” 86% of respondents reported reduced surface water deliveries as prevalent or higher in their area, with 66% choosing extremely prevalent. Farmers have reported pumping water three to four months earlier in the year than normal, along with costly drilling of new wells and increased local restrictions on their water use. Ranchers have had to liquidate portions of their herds or whole herds due to lack of natural water flows and expenses related to hauling water. Hauling water

over rugged terrain can cost 1-10 cents per gallon, not including increased costs of fuel, maintenance, and labor to get water where it needs to go.



In the Colorado River Basin, which covers more than 246,000 square miles and provides vital water resources to Arizona, California, Colorado, Nevada, New Mexico, Utah and Wyoming, the largest reservoirs have reached their lowest water levels in history. Lake Powell and Lake Mead, both located in that region, have reached only 32% and 35% of their total capacity, respectively. In August, under Colorado River Basin guidelines, low reservoir levels have triggered the first shortage declaration in history, and with that shortage has come a range of water allocation curtailments. Arizona will lose 18% of its annual allocation, or 512,000 acre-feet of water, which translates to 8% of the state's water use. Nevada will lose approximately 7% of its allocation, or 21,000 acre-feet of water. Combined, both states generate nearly \$6 billion in agricultural receipts. Further cuts will likely impact agricultural use first, as municipal use typically receives preference, jeopardizing thousands more farm and ranch operations' access to vital water resources as drought conditions persist. Water access is the basis for agriculture and cannot be overlooked when analyzing supply chain shortfalls.

Conclusion

The issues addressed in our comments reflect the diverse challenges currently and eminently facing the U.S. agricultural sector. After many years of low farm prices, recent price increases were poised to help elevate market net returns. Given these supply chain issues, that optimism has faded into a desire to simply not do worse than those lean years. We at the Ag CEO Council and our respective organizations stand ready to partner on these issues and look forward to assisting in helping address these time-sensitive challenges.

Sincerely,



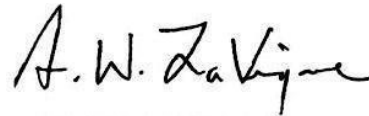
Daren Coppock, President & CEO
Agricultural Retailers Association



Zippy Duvall, President
American Farm Bureau Federation



Constance Cullman, President & CEO
American Feed Industry Association



Andrew LaVigne, President & CEO
American Seed Trade Association



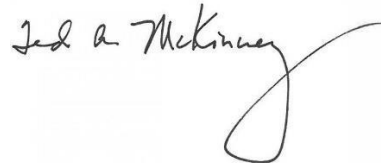
Stephen Censky, CEO
American Soybean Association



Christopher Novak, President & CEO
CropLife America



Todd Van Hoose, President & CEO
Farm Credit Council



Ted McKinney, CEO
National Association of State
Departments of Agriculture



Gary Adams, President & CEO
National Cotton Council



Charles F. Conner, President & CEO
National Council of Farmer
Cooperatives



Michael J. Seyfert, President & CEO
National Grain and Feed Association



Jim Mulhern, President & CEO
National Milk Producers Federation



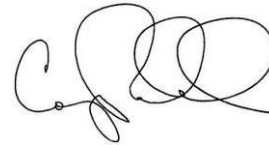
Neil Dierks, CEO
National Pork Producers Council



Tim Lust, CEO
National Sorghum Producers



Chandler Goule, CEO
National Association of Wheat Growers



Corey Rosenbusch, President & CEO
The Fertilizer Institute



Elizabeth Ward, President & CEO
USA Rice Federation