

August 6, 2021

The Honorable Gina M. Raimondo
Secretary of Commerce
U.S. Department of Commerce
Attn: Enforcement and Compliance
APO/Dockets Unit, Room 18022
14th Street and Constitution Avenue, NW
Washington, DC 20230

C-821-832
Investigation
Public Document

Re: Urea Ammonium Nitrate Solutions from the Russian Federation: Initiation of
Countervailing Duty Investigations

Dear Secretary Raimondo:

The Agricultural Retailers Association (ARA) is aware of the U.S. countervailing duty (“CVD”) petition filed on June 30, 2021 by CF Industries Nitrogen, LLC; Terra Nitrogen, Limited Partnership; and Terra International (Oklahoma) LLC against imports of certain Urea Ammonium Nitrate Solutions (“UAN solutions” or “UAN”) from the Russian Federation (“Russia”) and the Republic of Trinidad and Tobago (“Trinidad”), and we write to you in opposition to the petition.

ARA represents agricultural retailers who supply farmers and ranchers with essential crop input products and services. These products include seed, nutrients, crop protection products, feed, equipment, and precision agricultural technology. Retailers also provide consultative services such as crop scouting, soil testing, field mapping, custom planting and application and development of nutrient management and conservation plans.

Agricultural retailers range in size from small, family-held businesses to large private 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.

ARA’s long-held public policy position regarding trade states that our organization will support policies that promote free trade of agricultural products, equipment, and crop input materials (pesticides, fertilizers, seeds) that creates opportunities for the benefit of American agribusinesses and farmers. Our position on this CVD petition is consistent

with past positions we have taken on requests for CVD levies on imported agricultural input products requested by other companies.

Petitioners represent a substantial amount of the domestic production of UAN. Domestic UAN production is primarily in the center of the country, and much of the imported UAN is used in markets on the US West and East coasts. Approximately 75% of all UAN used in coastal markets is presently imported. Therefore, the effect on farmers and retailers would be especially sharp on the US East and West coasts. The threat of material injury occurring in this scenario is the prospect of losing access to 75% of current UAN supply in the coastal markets. That outcome would pose severe material injury to growers and retailers.

ARA members and their farmer customers purchase UAN from both domestic and foreign manufacturers. CF Industries is a member of our association. While ARA strongly supports the domestic fertilizer industry and policies that will make them more efficient and competitive globally, we also support reducing both domestic and international trade barriers. Our overriding priority is what will be best for farmers and the retailers who serve them. Limiting fertilizer supply options for America's farmers and ranchers in today's marketplace will without question increase prices to farmers and limit product availability.

High transportation costs due to noncompetitive rail service and Jones Act requirements for ocean shipping between US ports serve to make the domestic industry less competitive in reaching these coastal markets. The single US-flagged vessel owned by CF Industries cannot supply markets on both coasts in a timely manner.

We do not argue against the position of the petitioners that manipulated markets for natural gas and other subsidies aid exporters in other countries, but we believe that removing obstacles to competitiveness for domestic industries is a better remedy than imposing duties on imports. One significant way to do this would be to abolish the Jones Act requirements for domestic shipping between US ports that unnecessarily raise costs. The original justification for the Jones Act was to support a US merchant marine fleet that could be called upon in times of military need to transport materiel. This function has not been used in decades despite multiple deployments of US military assets. Therefore, the fundamental justification of the Jones Act no longer exists.

Recently, the Rail Customer Coalition published a research report¹ performed by Escalation Consultants on consolidation and increasing freight rail rates. The analysis revealed that over the last fifteen years there has been a dramatic increase in the share of revenue the Class I railroads obtain from customer's rates considered non-competitive by the Surface Transportation Board (STB).

¹ Economic Analysis: Consolidation and Increasing Freight Rail Rates (freightrailreform.com)

The analysis in the report covered the change in railroad pricing for eight major commodity groups. They include Farm Products, Food Products, Wood Products, Pulp & Paper Products, Chemicals, Stone & Glass Products, Metal Products and Transportation Equipment. The following are some important changes in railroad pricing practices that have occurred over the last fifteen years:

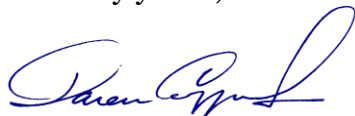
- Revenue from non-competitive rates increased 230%, while revenue from competitive rates increased only 24%.
- Half the commodities had non-competitive pricing revenue increase by more than 300%.
- In 2019, half of all railroad revenue was generated from non-competitive rates, up from 27% in 2004.
- The large increase in non-competitive revenue caused the overall average Revenue to Variable Cost Ratio (RVC) for competitive and non-competitive movements to increase from 134% to 165% between 2004 and 2019 for shipments of the eight commodities in the analysis.
- Real rail rates (inflation adjusted rates) increased 43% while real rail expenses increased only 8.1%.
- Since 1980, the average percent increase in rail rates of the U.S. railroads was 2.4 times the rate of Inflation, as well as long-haul trucking.

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 in the planting season. Hence, it is necessary for the US agriculture industry to have a strong and steady supply of fertilizer available to ensure adequate supply and to avoid wild price swings in the market.

We write today to reiterate our support for unfettered global trade in these products and specifically in opposition to this CVD petition. Our policy position supporting fair and free trade of agricultural products is a top priority, set by our board of directors, and this includes foreign and domestic manufacturers alike. We ask that you deny the CVD petition.

Thank you for your time and attention to this important issue.

Sincerely yours,



W. Daren Coppock
President & CEO
Agricultural Retailers Association