



October 15, 2021

Michael Shapiro
Deputy Assistant Secretary for Economic Policy
U.S. Department of Transportation
1200 New Jersey Avenue SE
West Building, Ground Floor (W12-140)
Washington, D.C. 20590-0001

RE: Docket # DOT-OST-2021-0106

Dear Deputy Assistant Secretary Shapiro:

The Agricultural Retailers Association (ARA) appreciates the opportunity to provide input regarding current and future challenges to supply chain resilience in the freight and logistics sector. On February 24, 2021, President Biden issued Executive Order 14017, “America’s Supply Chains” directed several Federal agency actions to secure and strengthen America’s supply chains. On June 8, 2021, the President also established a Supply Chain Disruptions Task Force – co-chair by the Secretaries of Transportation, Agriculture, and Commerce – to address near term supply chain challenges, with a focus on alleviating bottlenecks and supply constraints in the transportation sector, particularly for ports, rail, and trucking.

Statement of Interest

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 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.

Comments

The request for information (RFI) states that DOT seeks information “from the public on the current challenges faced within the freight and logistics sector, including, but not

limited to topics such as major infrastructure or operational bottlenecks and chokepoints across all aspects of the freight and logistics supply chain...that slow or impede the efficient cargo movement with the freight and logistics sector, and the most effective investments and management practice improvements that could be made to alleviate those bottlenecks.”

To that end, ARA will address issues of infrastructure, crop input production and regulation, energy, labor, pro-growth economic policies, and food equity.

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 pavements rated in poor condition, 21 percent rated in mediocre condition and 10 percent of rural bridges rated structurally deficient. ARA is a member of Rebuild Rural, which supports transportation infrastructure investment in rural America. ARA is also a member of Transportation Facts, a diverse coalition that supports a competitive and equitable transportation sector.

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 and retailers, farmers, and energy producers with consumers. Unfortunately, freight railroads are failing to deliver reliable service and competitive rail rates to many shippers. Modernizing the Surface Transportation Board (STB) regulations will ensure that it 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. Short lines provide first and last mile of service to over 10,000 customers – particularly in rural America. 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 tax credits or grants should be made available to agribusinesses that own private industrial spur lines / tracks 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 end-products of America’s farmers and ranchers utilize our country’s many ports. Whether these products originate in America or are arriving from other countries, they are an essential part of the supply chain’s 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.”

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, travel 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 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. 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. ARA supports 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, health care & 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 lacking internet, digital connectivity is a direct need for supply chain resilience.

Crop Input Production and Regulation

Americans today have access to one of the safest, most diverse, and most affordable food supplies in history, 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, alongside 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 Pesticide (BMPs) for safe pesticide use as well as environmental issues such as 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 in the soil. Fertilizers and biostimulants 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 taken 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.

U.S. agriculture remains the leader in innovation for planting 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, and decreasing food waste.

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

ARA is concerned by recent actions by the U.S. Environmental Protection Agency (EPA) to revoke all tolerances for the insecticide chlorpyrifos. We believe the actions by EPA is 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 and irreparable harm to the food and agricultural industries and directly impact supply chains. We are concerned EPA may take similar future actions 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. It will result in food shortages and increase prices for American consumers.

Energy

ARA also supports federal policies that increase domestic energy production resulting in reduced production costs for crop input materials manufactured in the U.S. Our nation needs to remain energy independent by including oil, natural gas, and other domestic energy supplies such as renewable fuels (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 in supporting 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, and 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 (USDA). 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 these 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 labor market has become significantly more challenging during the Covid-19 pandemic as a record number of Americans are quitting their jobs. According to the Bureau of Labor Statistics (BLS) report roughly 2.9% of the workforce left their positions in August, or roughly 4.3 million people. People leaving the workforce can be attributed to government benefits being paid to individuals such as increased unemployment insurance paid during the pandemic as well as the push for a Covid-19 federal vaccine mandate being imposed on federal and state government employees as well as private companies with 100 or more employees.

ARA is a member of the Agriculture Workforce Coalition (AWC) which brings together organizations representing the diverse needs of agricultural employers across the country. AWC serves as the unified voice of agriculture in the effort to ensure that America's farmers, ranchers, and growers have access to a stable and secure workforce now and in the future. 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 because it currently requires the cooperation of multiple federal agencies which can complicate the program even further.

Our economy is expanding quickly in response to the post COVID-19 shutdowns. Supply chains for consumer, industrial, and agriculture businesses need to move more supplies 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 we noted above, road infrastructure is important and truck deliveries are critical to keeping supplies on our retail shelves, inputs to manufacturers, and agriculture productive. A practical proposal with immediate results would be to increase weight limits for trucks on roads to 88,000 lbs. June 30 – November 1 across the nation. Resupplying America could be a boost to the economy by having raw materials and finished goods in the right place for purchase during this period of high demand.

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

Additionally, agricultural retailers heavily depend on commercial drivers for "just in time" delivery of farm supplies and other essential products and services to their farm and ranch customers. Commercial truck traffic is a vital component to the nation's economic prosperity. Our industry, like many others, are experiencing a growing driver shortage and higher shipping prices due to increased regulatory costs and burdens from Hours of Service (HOS) regulations do not work for today's agricultural industry and the Electronic Logging Device (ELD) requirements. There is also a growing driver shortage due to retirements or departures to other industries due to increased regulations.

Seventy percent of the nation's freight is carried by commercial trucks, yet as our economy strengthens, motor carriers are having difficulty finding the drivers they need to handle growing capacity. According to recent estimates by the American Trucking Associations (ATA), there is a shortage of drivers has grown to 100,000 this year and is expected to grow to more than 174,000 by 2026. Trucks account for roughly 73% of the nearly 12 billion tons of freight transported across the U.S. each year. 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 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 for 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 seasons 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

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 while operating in a safe and sound manner on the nation's rural roads. 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.

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

Pro-Growth Economic Policies

ARA sees a need to support and advocate for pro-growth economic policies that will aid in our members finding a more business-friendly marketplace in which to operate. There are several barriers to entry within the American tax code that 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 allowing for deductions for retailers is also paramount in stemming growth. The estate tax has long been a detriment to our member business and, as such, we support its full repeal.

ARA has also been supportive of a workable sale and use tax collection system to shield retailers and farmers from burdensome tax compliance requirements and we continue to support 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. That 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 Sec. 199A business income deduction.

ARA also supports a consistent corporate tax structure and would 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 is also confident that the free and fair trade of agricultural products, equipment, and crop inputs are essential to food supply chain resiliency. We believe this will create opportunities of economic benefit between farmers, ranchers, retailers, and other members of the supply chain. ARA members and their farmer customers purchase crop inputs from both domestic and foreign 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 is in achieving competitive sources of product from 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 in the planting season. Hence, it is necessary for the US agriculture industry to have a strong and steady supply of crop protection products and fertilizer 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 and this includes foreign and domestic manufacturers alike, and imports and exports equally.

Food Equity

We believe that all people should be able to rely on a stable, affordable food supply both now and into the future. Further, we are committed to meeting that need on a

foundation of social responsibility and equity. In that vein, we, as an industry, follow the principles of sustainable agriculture.

Food equity is a concept that all people have the ability and opportunity to grow and consume healthy, nutritious, and affordable food. Access to healthy food is essential for a healthy life. Maintaining the ability to grow and produce food is at the heart of our food system. This effort is led by America's agricultural retailers working with their farm and ranch customers. Every item that consumers eat in the United States and around the world starts out being grown or produced and eventually makes its way to our plates.

Conclusion

There is no easy fix to the supply chain disruptions facing the agriculture industry and any solutions need a multi-pronged approach including, but not limited to, issues of infrastructure, crop input production and regulation, energy, labor, pro-growth economic policies, and food equity. Any long-term solutions to addressing the challenges we face in supply chain disruptions will only be found through the continued partnership between the agricultural retailer, their farmer customers, and regulating authorities.

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

Sincerely,



Richard D. Gupton
Senior Vice President, Public Policy & Counsel