

April 25, 2022

The Honorable Tom Vilsack
Secretary
U.S. Department of Agriculture
1400 Independence Avenue, SW
Washington, DC 20250

The Honorable Pete Buttigieg
Secretary
U.S. Department of Transportation
1200 New Jersey Avenue, SE
Washington, DC 20590

Mr. Brian Deese
Director, National Economic Council
1600 Pennsylvania Ave, NW
Washington, DC 20500

Dear Secretary Vilsack, Secretary Buttigieg, and Director Deese:

American agriculture exporters have incurred significant damages as a direct result of supply chain disruption, and specifically challenges faced with the international ocean freight system. To address these ongoing export disruptions, we urgently request your leadership to convene a meeting with the ocean carrier companies and American agricultural exporters to negotiate a restoration of export services immediately.

American almonds, dairy products, fresh produce, and other agricultural communities have been unable to reliably ship sold products to buyers worldwide and can no longer bear the burden of the persistent ocean shipping obstacles. This has included empty container and equipment shortages, broken export contracts and canceled bookings, and inadequate receiving windows by shipping carriers that have gone unaddressed for over a year. This comes on top of rapidly escalating prices and new fees that have been assessed when equipment and accommodations are made available. These export shipping challenges have been damaging to our community, our industry, and our nation's position in the global economy, depressing our foreign market opportunities.

We are mindful that President Biden and his Administration have been focused on this issue, and we appreciate the leadership you three have shown in seeking solutions. We applaud the letter from the U.S. Department of Agriculture and U.S. Department of Transportation to these carrier companies in December asking that they improve service to Oakland and other ports, and to ask that empty containers be made more available in the United States. The effort to establish pop-up port terminal facilities in

Oakland, Seattle, Savannah, and elsewhere has also been constructive. However, despite these efforts, the problems our members face getting our goods to export markets have persisted and need further attention.

Below are some examples of the ongoing ocean shipping challenges and consequences American agriculture producers are facing:

Container Shortage

- Three out of four containers at U.S. ports are returning to Asia empty.
- In January and February of 2022, the Port of Oakland exported 35,775 and 32,135 empty containers, compared to just 17,282 and 19,981 in 2020.
- According to a recent University of California at Davis study, **California agriculture lost \$2.1 Billion in exports in a five-month period in 2021.**

Almonds

- At the end of the 2021 crop year (July 2021), the carry out was 608.1 Million pounds. As of February 2022, U.S. Almond inventory was 2 Billion pounds. **That is approximately 229% of last year's carry out.**
- To meet that same carry out by the end of the 2022 crop year, **we need to move 1.392 billion pounds of almonds across both domestic and export markets between now and July 31st. This will require approximately 31,000-34,000 containers.**
- At this point last year 1.25 billion pounds had been exported from August 1st to February 1st. This year, only 993 million pounds have been exported. **A difference of 258 million pounds.** This is directly related to export shipments not getting loaded onto vessels.
- At the end of the 2021 crop year (July 2021), the carry out was 608.1 Million pounds. At our current reduced export rate, **the carry out will be nearing 900 Million pounds or 48% higher than the previous year.** Nearly the exact amount lost because of export shipment delays/problems.
- From September 2021 to February 2022, **almonds have lost over \$1.00 per pound** due to price degradation directly related to the inventory build up from the inability to ship exports. Multiplied by the 2 billion pounds of current inventory, **almonds alone have lost \$2 Billion** in addition to the UC Davis reported \$2.1 Billion in total ag exports lost. This revenue is gone; the ramifications are limited to cash flow to our farmers, reduced income to employees and reduced business to related industries, and tax revenue lost to communities.

Fresh Produce & Stone Fruit

- Extremely perishable exports like vegetables have a very short window in which it can successfully be delivered. As such, many commodities are 'harvested to order' and cannot be stored or held for a later departure. Without the certainty of ship routes out of Oakland or reasonable receiving windows, the crop is either dumped onto the domestic market (where it drives down prices), or it goes unharvested entirely (forcing the farmer to eat the loss).
- **For one notable stone fruit exporter, 95% of their supply goes through Oakland.** The combination of eliminated ship calls and long delays on the remaining ones has forced them to

pursue air freight – an extremely expensive option that will lead to a higher cost for the product. They are also looking to cut back on exports entirely, risking losing ground in established foreign markets.

- A common sentiment has been shared by key vegetable, citrus, and stone fruit exporters: **Their operations and staff are working twice as much to move half as much product.** Navigating the constant stream of cancellations, delays, receiving window changes, lack of equipment, and price fluctuations is driving up operational and logistic costs without the guarantee of the product making it to market on time and in proper condition.

Dairy

- In 2021, supply chain challenges are estimated to have **cost dairy exporters \$1.5 billion** due to higher direct costs, lost export sales and reduced value.
- Dairy exporters have reported losing long-term customers to other foreign producers due to an inability to reliably deliver product. A dairy export competitor noted that they are “getting additional milk powder business from China because **shipping from New Zealand is more reliable than from the United States.**”
- Some dairy exporters have had to **resort to extraordinary measures like airfreight** to assure they can get their products to foreign customers.
- One dairy exporter reported that **over 99% of its 2021 ocean shipments had been canceled** and re-booked for a later date at least once, if not twice, and in some cases up to 10 times or more.

Walnuts

- Walnuts are a semi-perishable commodity that has specific U.S. shipping windows for inshell (Sept. – Apr.) vs. shelled product (year-round).
- Historically, exports of California walnuts during the first 7 months of a season (Sept. 1 to Mar. 31), should average 52% of the total crop. This year, export shipments are only 43% - **a difference of 117 million pounds!** – Which is directly related to supply chain issues preventing agricultural exports.
- **With continued challenges exporting walnuts,** China (the #1 walnut producer) and Chile (the #3 walnut producer) have filled the gap eroding US market share as well as **damaging the USA’s reputation as being a reliable supplier.**
- In order for the California walnut industry to achieve its average annual carry out percentage of 10%, **it needs to move the remaining 398 million pounds of walnuts, both domestically and internationally between now and August 31** (the end of the 2022 crop year). **This will require approximately 18,000 containers** to move this volume.
- Since September 2021, **walnuts have lost an average of \$0.50 per pound for inshell and \$1.50 per pound for shelled** due to price erosion directly related to inventory build-up from the inability to ship exports. **Projected losses to the walnut industry, to date, are between \$600-700 million by shipping issues alone** not including increased costs for freight, demurrage and other port charges, lost contracts, and lost market share to competing producers. **This is on top**

of the \$1.7 Billion in losses over the past four years due to tariffs/trade wars and other COVID-induced losses.

- For the past 5 years, carry out has averaged 139 million pounds per year. With continued lack of availability of containers and bookings, combined with pressure from southern hemisphere shipments starting in April, **carry-out for the current crop season is anticipated to more than double that average to a projected volume of 280 million pounds!** - 20% of the total crop.

Your time, attention, and leadership to this very real crisis has produced results and momentum through on-the-ground developments at the Port of Oakland, and the poignant letter to carriers in December of 2021.

As Secretary Vilsack and Secretary Buttigieg stated, “It is also critical that we restore reciprocal treatment of imports and exports that is inherent in trade. Shippers of U.S. grown agricultural commodities and goods have seen reduced service, ever changing return dates, and unfair fees as containers have short-circuited the usual pathways and been rushed to be exported empty. This imbalance is not sustainable and contributes to the logjam of empty containers clogging ports. The poor service and refusal to serve customers when the empty containers are clearly available is unacceptable.” Unfortunately, these supply chain disruptions have continued, and the negative effects on our growers, businesses, and communities increases daily. Indeed, recently one more carrier line announced its intention to discontinue service to Oakland ports, further reducing agriculture export options.

We need your continued leadership and ask that the administration act as the lead negotiator, convening a meeting with carriers to negotiate the following:

1. Make available the necessary number of containers and required equipment, and
2. Commit to adequate receiving windows (2-4 days)

These two objectives are our bottom line. We must move products. Our goal is to restore services and functionality to our supply chain, for all parties involved - farmers, truck and rail transportation, and carriers.

If we do not restore export services at the pace required, cash flow will be nearly eliminated, in what is quickly becoming the most expensive in farming. We will lose farmers, farms, acreage, and market share as a result. We cannot emphasize this enough; the viability of our industry, the rural and disadvantaged communities that depend on it, and the global competitiveness of our nation, are at stake.

We are active and willing partners in driving toward this solution. Please let us know how we can support your leadership in these next steps. Thank you for your attention in this matter.

Sincerely,

A handwritten signature in black ink that reads "Jamie Johansson". The signature is fluid and cursive, with the first name being more prominent.

Jamie Johansson

President

California Farm Bureau Federation

A handwritten signature in black ink that reads "Dave Puglia". The signature is cursive and somewhat stylized.

Dave Puglia

President & CEO

Western Growers

A handwritten signature in blue ink that reads "Jim Mulhern". The signature is cursive and clearly legible.

Jim Mulhern

President & CEO

National Milk Producers Foundation

A handwritten signature in black ink that reads "Krysta Harden". The signature is cursive and elegant.

Krysta Harden

President & CEO

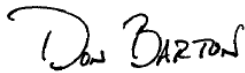
U.S. Dairy Export Council



Aubrey Bettencourt
President/CEO
Almond Alliance of California



Anja Raudabaugh
CEO
Western United Dairies



Don Barton
California Walnut Handlers Coalition

cc: Karen Ross; Secretary, California Department of Food and Agriculture (CDFA)
Toks Omishakin; Secretary, California State Transportation Agency (CalSTA)
Dee Dee Myers; Senior Advisor and Director, CA Governor's Office of Business and Economic
Development (GO-Biz)
The Honorable Dianne Feinstein; U.S. Senate, California
The Honorable Alex Padilla; U.S. Senate, California
Members of the California Congressional Delegation