PROTECTING WATER FOR WESTERN IRRIGATED AGRICULTURE

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Steve Benson

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Republican Forum
"Skyrocketing Energy Costs are Hurting Americans"
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Ranking Member Westerman and House Republicans:

Thanks for this opportunity to speak with you today. My name is Steve Benson. I'm a fourth-generation farmer of winter vegetables, hay, grain, and seed crops in Brawley, California. I'm on the board of directors for the Family Farm Alliance and Imperial Valley Vegetable Growers Association.

Today I'm here representing the Alliance and my own businesses. I am currently the managing partner of Benson Farms, LLC, our 85-year-old family farm where I have the privilege to work alongside my 82-year-old mother, Carolyn Benson and follow in the footsteps of my deceased father, Big John, who would love to see this moment right now. He was politically active and served 24 years on our city council, 8 years on the Imperial Irrigation District, and various national boards. I look forward to visiting many of you in the future and welcome your visit to Brawley.

The Family Farm Alliance (Alliance) is a grassroots organization of family farmers, ranchers, irrigation districts, and allied industries in 16 Western states. We are committed to the fundamental proposition that Western irrigated agriculture must be preserved and protected for a host of economic, sociological, environmental and national security reasons – many of which are often overlooked in the context of other national policy decisions. The American food consumer nationwide has access to fruits, vegetables, nuts, grains, dairy and beef throughout the year largely because of Western irrigated agriculture and the projects that provide water to these farmers and ranchers.

Water and energy are connected everywhere, but especially in the Western United States. I'd like to share with you some of my personal challenges trying to grow, harvest, and transport food in the past year, where my production costs have gone through the roof. Farmers and ranchers

throughout the West are facing similar challenges. To make matters worse, we are still dealing with a severe drought along the Colorado River, which is the sole water source for the Imperial County, with a population of 150,000, including over 300 local farmers and ranchers. In today's rapidly changing environment, everyone is scrambling, looking for ways to stretch water supplies and meet production budgets in light of rising costs for fuel, fertilizer, labor and raw inputs. Today's environment is going to have a very real impact on the ability of farmers to grow crops and water managers to implement projects intended to improve water supplies.

First, I'd like to tell you about my community. The Imperial Valley encompasses 450,000 acres of fertile farmland with a rich history of producing winter vegetables and year-round forages. Our largest crop is cattle with over 400,000 head fed daily in our valley and we are home to the newest packing house, One World Beef, in the Western US. Nearly a third of the Imperial Valley's acres are dedicated to alfalfa, serving as a rotation for vegetables and feeding dairy cows and beef cattle regionally and across the globe. The top nine crops include three types of grasses, lettuce, wheat, sugar beets, carrots, broccoli and onions and account for over 50 percent of irrigated acreage within the district. A virtual cornucopia of produce, grains, herbs and nursery stock make up the remaining acreage, as nearly 80 different types of crops are grown by Imperial Valley's farmers.

In the past year, I've seen a shocking rise in my production costs. For farmers, production expenses cover everything from input costs, like operating costs and variable costs, to fixed costs. Operating costs for a farm require upfront purchases necessary to begin production. These are items such as fertilizer, pesticides, seeds, weaned animals, feed and any other production input. Variable costs are costs that will change depending on the amount of consumption on a farm or ranch and include items like fuel and oil, electricity, labor, repairs and maintenance, water, packaging, and storage. Fixed costs are costs that must be paid but are not dependent on the level of production. These include operator labor, machinery, taxes, asset depreciation/capital consumption, rent and interest expenses.

The biggest changes in production costs in the past year relate to escalating prices of fertilizer, fuel, and supplies like plastic, twine, and packaging. Fertilizer costs have doubled or tripled in the past year based on supply constraints, energy inputs and foreign policy. I've seen a 50-100% cost increase in fuel costs this past year for gasoline and diesel in pickups, tractors, and irrigation pumps. Local gas pumps recently surpassed $7.00 for diesel and $6.50 for gasoline. Employees struggle to cover commuting costs.

Product transport costs are also getting expensive, rising faster than fuel and growing costs. A standard refrigerated truckload carries 24-26 pallets totaling 1,000 to 1,500 cartons of vegetables or melons, depending on the weight. Over the last three years, the cost of transportation from Los Angeles to New York City has more than doubled from $6,000 to over $12,000. Recent quotes due to COVID and electronic log induced driver shortages have exceeded $14,000. For example, with a $12 per carton breakeven to cover growing costs, it now costs $10-14 per carton.

It now costs more to ship vegetables across the United States than the cost to grow. Our region grows 90% of the nation's winter vegetables. It is not sustainable. Unfortunately, the public blames the grower, and not the rapidly rising energy prices.

In general, farmers prefer contracts. I grow lettuce and onions on contract for regional shippers and processors. In the six to twelve months since I signed contracts in 2021, my costs have increased 25%, well above my contracted price. For renewals, other growers for carrots, garlic, melons, corn, and leafy greens are seeing 15-25% impacts to their budgets due to ratcheting of input costs.

Can farmers, processors, and the public absorb this? I will tell you farmers cannot. Farm margins are continually squeezed, and we are subject to ever increasing regulation on our businesses, including labor, water, transportation, fertilizer and crop protection. Farming is simply not fun anymore.

Alfalfa is a large rotational crop in our valley and as a result there are 20-25% of the acres dedicated to this important forage crop. While prices have gone up to farm and harvest the crop, the largest increases have been in the transportation and trucking of products to buyers in California and the West. With droughts and water restrictions in California and Arizona, dairies are importing more alfalfa hay from further away, increasing the cost on a large part of the ration to produce milk, cheese, and dairy products.

Many farmers simply will not grow some of these commodities in the future, if they are going to lose money as a result of soaring energy prices. Who will grow them? Time will tell.

Fertilizer prices and availability are also a major concern right now. Russia, Ukraine, and Belarus are major exporters of the three main nutrients that fertilize crops: nitrogen, phosphate, and potassium. Russia is also currently the world's top exporter of natural gas, which is used to make nitrogen fertilizer. The U.S. imports 80 percent of the fertilizer we use from outside the US. The current war in eastern Europe will affect those supply chain issues around the world, including here in the United States. Fertilizer prices have skyrocketed in the past year and reached record levels in recent days. Since January 2021, many fertilizer types have doubled or tripled in price. There are several reasons for this, including supply chain disruptions and technical difficulties at some production plants. However, natural gas is both a key ingredient and a fuel source needed to manufacture fertilizer. When petroleum prices rise, so do fertilizer costs.

Increasing prices across the country have resulted in some farmers transitioning to crops such as soybeans and other low input crops that rely less on fertilizer. Limited plantings of wheat and corn, which require heavy use of high-cost fertilizer, could drive up the cost of bread, cereal and other staple foods.

This was a topic that some of you discussed at your drought forum last month. As noted at that forum, the U.S. is facing yet another record-breaking drought year in the West. Farmers and ranchers in some of these areas are receiving little to no water from federal water projects as we

enter the dry summer months. Electric utilities that normally receive hydropower from these water projects also face increased energy costs due to the need to replace reduced hydroelectric capacity with more expensive power from other sources. Meanwhile, the war in Ukraine has decreased and destabilized worldwide agricultural commodity production and availability. Rising input costs, combined with the ongoing energy and supply chain crises, continue to impact food supply and demand.

Inflation has affected the entire U.S. economy. Consumer prices surged 8.6% in May over last year, the highest rate since 1981, according to the U.S. Department of Labor. Prices for some key materials in infrastructure construction have risen even more. Inflation is taking a toll on water projects across the U.S., driving up costs so much that state and local officials are postponing projects, scaling back others and reprioritizing their needs.

We're hearing many stories of water projects delayed or foregone because of escalating costs. For example, NBC recently reported that when Tucson, Arizona, launched the first part of a four-phase water main replacement project in September 2020, a ductile iron pipe cost $75-a-foot and a gate valve cost $3,000. When it bid the most recent phase this spring, pipe costs had risen to nearly $90-a-foot and gate valves to nearly $4,100. The city is now prioritizing what other projects it can afford, and which ones have to wait.

Fossil fuels are critical ingredients towards tackling challenges associated with aging infrastructure, water conservation and improving water efficiencies. Water conservation and modernization of small and large water systems throughout the West rely on petroleum and natural gas for fuels and the many modern materials that go into these improvement projects. Resins for pipe, coatings, and canal and reservoir linings are refined from natural gas and petroleum. Coal and petroleum are used for carbon black that protects polyethylene products from ultra-violet rays. In some areas, PVC and HDPE are great plastic materials that are expected to last more than a century. Corrosion blocking and life extending coatings of steel and other metallic pipe and fittings also come from petroleum.

Many of these critical water savings projects are in remote areas where the costs of diesel for transportation and construction threaten the success of once feasible projects.

Habitat, fish passage and beneficial projects outside of water supply are also impacted.

Many of our members are concerned about how rising energy costs and availability of petroleum products with impact current and near-term projects, many of them funded with the $8.3 billion for Western water projects provided by the infrastructure plan President Joe Biden signed into law seven months ago. Efforts to reduce carbon emissions and eliminate use of fossil fuels now will limit needed water supply enhancements for many decades to come.

All of these factors have led to significant grocery price increases and food availability worldwide. Some experts believe that there will be a global agriculture collapse near the end of the year.

Everyone knows inflation is real and food costs are going through the roof. This fall, just around the time the White House food and nutrition summit is scheduled, we'll be seeing higher food costs, and more empty store shelves. Global food scarcity will be in the news every day. The question is this: Will American people care what food costs? Or will they be more concerned about just trying to find food items that were once plentiful?

The U.S. needs a stable domestic food supply, just as it needs a stable energy supply. As we teeter on the brink of world war, that stability becomes even more pressing. Many farmers are fearful that we are entering a time similar to the Great Depression – food lines, dust bowls, and war. I pray our leadership has the wisdom to help change the direction of our country and stabilize our future. My four children don't want to become farmers due to the daily hardship they witness. So, who will grow tomorrow's food?

Thank you for this opportunity to testify, and I look forward to answering any questions you may have.