



U.S. Department of Agriculture

Notice of request for public comment on supply chains for the production of agricultural commodities and food products

Re: Docket No. AMS-TM-21-0034

June 21, 2021

The Institute for Agriculture and Trade Policy (IATP) thanks the USDA for seeking input on how to strengthen and secure agriculture and food supply chains. IATP is a 35-year-old non-profit 501(c)3 organization based in Minneapolis, Minnesota. IATP works to ensure fair and sustainable food, farm and trade systems.

Major disruptions to our food system from the COVID-19 crisis, severe climate-related events (including the current drought), and recent trade fights have made clear the fragility of our food and agriculture supply chains. These disruptions come on the heels of seven straight years of low prices (although prices have risen somewhat in recent months) for farmers, often below the cost of production, and rising debt and farm bankruptcies. A series of antitrust, bid rigging and price-fixing investigations, particularly in raw milk and poultry, reveal an agricultural marketplace that is controlled by a handful of global companies to the detriment of farmers and consumers.

Our current food supply chains are the result of deliberate policy choices made within the Farm Bill, trade, labor, health, environmental, antitrust and competition policies and enforcement. To make supply chains more resilient will require a clear-eyed view of what outcomes we want, and what policy changes are necessary to get there. IATP believes there are clear vulnerabilities to long (often global), highly concentrated supply chains controlled by multinational companies that are not motivated by the public interest. A more decentralized system, with more redundancy combined with regional or local ownership, can be more accountable to public interest goals for a fair, environmentally sustainable, healthy food system.

IATP's comment below focuses on the need to address excess corporate concentration within the food and agriculture sector; the inherent risks of large-scale confined animal feeding operations (CAFO) to supply meat, poultry and milk; the necessity to expand workers' rights and empowerment for stronger supply chains; and reforms to farm policy programs to emphasize resilience.

In nearly every sector of our food system, a handful of large corporations control much of the production, processing and distribution.<sup>1</sup> Many of these corporations are multinational companies, with operations and subsidiaries that may or may not support U.S. food system policy priorities. There are significant risks to granting control of food supply chains to multinational companies (including those with U.S. headquarters) that have a fundamentally different set of priorities than those of any nation, region or community. The recent COVID-19 related disruptions revealed some of the vulnerabilities of this type of system.

Many of the questions asked in the federal register notice cover overlapping issues. To avoid repetition by going question by question, we responded to multiple questions at once, outlining here what we see as key supply chain challenges and opportunities to build a more resilient food system supply chain.

**Supply chain secrecy** – Almost from the outset of the pandemic outbreak, meat companies, particularly global pork giant Smithfield, demanded that meat processing plants be exempted from public health restrictions that could have limited their operations, warning of potential U.S. supermarket meat shortages. Other global meat companies, including JBS, Cargill and Tyson joined this call. President Donald Trump signed an Executive Order ordering the packing plants to operate at the risk of spreading the COVID-19 contagion from plant workers to their families and communities. Even if we were to accept the questionable premise that the availability of meat supplies must override public health protection considerations, in this case, there was no clear data or evidence that an actual U.S. meat shortage existed.

The USDA National Agricultural Statistics Service (NASS) issues monthly reports on Cold Storage surveys of commercial and public warehouses for meat (and dozens of other commodities) — which provides some information on how much meat is available in the U.S. It does not provide company specific cold storage data or how much a particular company may have in cold storage in another country that could be imported into the U.S. In February 2020, cold storage data showed the U.S. had 650 million pounds of frozen pork, up from 500 million pounds in 2017. While levels of pork in cold storage dropped throughout 2020, levels never reached below 400 million pounds in cold storage.<sup>2</sup> Those supplies in cold storage could have been used to allow companies to slow processing lines and provide additional protective equipment and testing for workers. But it turned out these global companies, who had aggressively lobbied to keep their operations open, had another objective — to expand exports.

National level export data later indicated that while these companies were warning of shortages, they were also exporting large quantities of meat, including to China.<sup>3</sup> Overall, U.S. agriculture exports had its second highest level on record in 2020, and pork exports were up 11%.<sup>4</sup> And of course, with integrated operations in multiple countries including Mexico and Canada, these companies always had the option of importing meat from their other operations to address any shortages. It turned out that the meatpacking plant workers, largely immigrants and refugees, were risking their health and that of their families and communities not just to fill U.S. supermarkets, but also to expand foreign sales during a crisis. The meat supply chain “managed” the COVID-19 shock, not by slowing down production or using U.S. cold storage supplies, but by risking the health of its workers and their communities.

*Recommendation:* The lack of reliable, transparent information about the U.S. meat supply during the pandemic was alarming and revealed an enormous vulnerability. The USDA should examine whether its Cold Storage survey data is adequate to assess meat supplies for the nation, what percentage of meat in storage and production is headed for export, and what additional information is needed to better understand supplies and associated risk. The U.S. must develop with public input a policy for the use of Cold Storage supply as part of an overall food policy to apply during presidentially declared National Emergencies. Because public health experts anticipate future pandemics, the U.S. must never again endanger its public health by allowing food companies to maximize production for export and to receive federal protection from liability from harm to worker and community health, and the economic consequences of that harm.

**Multiple risks of concentrated production** — Several additional issues emerged from the COVID-19 crisis about the risks of highly concentrated market share meat production. While pandemic-related shutdowns of meatpacking plants clearly affected workers, it also affected the large-scale concentrated

animal feeding operation (CAFO) system that supplies livestock to those plants. Both farmers and animals paid a price and remain vulnerable if new shutdowns were to occur. A massive culling of millions of poultry and hogs was necessary when processing plants closed even for a few weeks.<sup>5</sup> There was nowhere else for these producers to take their animals because most small and mid-sized meat processing plants were run out business over the last several decades by these global companies. The loss of small and mid-sized processing plants hurts larger CAFO producers, but it also hurts smaller scale producers, who during COVID-19 were often closed out of their traditional processors. These smaller-scale producers now can face wait times of over a year to get their animals to the processor, incurring more feeding costs and animal health risks during the prolonged wait.

Numerous risks to our concentrated meat supply chain remain. Recently, poultry markets appeared to see shortages attributed to worker-related disruptions (caused in large part by concerns over low pay and poor working conditions),<sup>6</sup> and extreme weather events in the southern U.S.<sup>7</sup> The U.S. beef industry is now facing challenges with a major drought hitting 60% of the nation's cow herd, necessitating tough decisions about culling cattle as they struggle to find water and pasture.<sup>8</sup> And JBS, the largest meat producer in the U.S., was recently hit by a cyber-attack forcing the closure of all of its beef packing plants and many of its pork and poultry plants as well.<sup>9</sup> JBS controls 20% of U.S. beef production.<sup>10</sup>

*Recommendation:* The USDA can play a major role in building more resilient supply chains by diversifying meat processing capacity specifically by supporting small to mid-sized processors to get established and grow in all federal states. A processing resilience grant program, outlined in the Agriculture Resilience Act, would be a good start.<sup>11</sup> A COVID-19 outbreak, food contamination spread or climate-related weather event should not cripple an entire supply chain due to meatpacking oligopolies.

**The cost of less competition** – The loss of competition in many sectors of our food supply chain is hurting farmers and producers, workers and consumers. Some costs are being calculated as major poultry, pork and beef companies are facing a series of price-fixing investigations for collusion. In October 2020, JBS poultry division, Pilgrim's Pride, settled price fixing charges for a \$110 million fine and a month later settled pork prices fixing charges. In May 2021, Tyson Foods settled turkey price fixing charges with the Department of Justice, following a 2020 settlement of chicken price fixing charges.<sup>12 13</sup> Both Cargill and Smithfield are under investigation and subject to other price fixing lawsuits.

While price fixing affects consumers, workers and farmers are also getting squeezed. This month, JBS's Pilgrim's Pride settled antitrust charges that the company conspired to depress wages for workers in their meat processing plants.<sup>14</sup> Only a week earlier, Tyson Foods settled charges that it conspired to depress payments to its contract poultry farmers.<sup>15</sup>

Recent seed and fertilizer company mergers threaten to further raise operating costs and options for farmers. The limits of concentrated markets played out in the summer of 2019 when farmers experienced shortages in seeds for cover crops following the extreme Midwest flooding that limited the planting of conventional crops.<sup>xv</sup> A recent analysis of 89 studies found that perennials and cover crops improve the ability of soils to soak up and retain extreme rainfalls, which is critical to withstanding floods and droughts.<sup>xvi</sup> Small grain breeders and independent seed companies are trying to fill this gap left by the three global seed companies that dominate the U.S. agriculture markets – Bayer/Monsanto, Dow/DuPont and Syngenta/ChemChina. In addition to limiting seed variety options, the lack of competition in the U.S. seed market has led to higher seed prices for farmers.<sup>xvii</sup>

Farmers are squeezed throughout the agriculture system marketplace by tightly controlled concentration. For example, the top four firms control 86% of corn processing, 85% of cattle slaughter, 71% of pork packing and 79% of soybean crushing.<sup>xiv</sup> As these companies exert more power over the marketplace, they are taking more of the profits. The latest USDA data show farmers getting only 14.3 cents of the food dollar, the lowest level since the agency has been tracking this data.<sup>16</sup>

*Recommendation:* We urge the USDA to assess the impact corporate consolidation and a loss of competition has on farmers, workers, consumers, rural communities and the climate, rather than only narrowly assess consolidation impacts by econometric modeling of consumer welfare. USDA should take actions that can restore competition and ensure fairness for farmers and workers to support resilience in our food system. Some immediate actions the USDA should take include:

- Reinstatement of the Grain Inspection Packers and Stockyards Administration (GIPSA) as a stand-alone agency within USDA. A restored GIPSA must also act to develop, implement and enforce better regulations on meat, poultry and egg companies' conduct and contractual terms with farmers and ranchers.
- We applaud the Secretary's recent announcement to reopen rulemaking to strengthen farmers' rights to challenge unfair or deceptive practices by companies and ensure fairness in poultry contracts. We urge the USDA to use the 2016 version of the Farmer Fair Practices Rules as the starting point for a new rulemaking process (based on the 2008 Farm Bill).
- Close loopholes in regulations for *voluntary* country of origin labels to require that meat displaying a U.S. label verifiably comes from animals that were born, raised and slaughtered in the U.S. and work with Congress to reinstate *mandatory* country of origin labeling for meat and expand it to include dairy products.
- Investigate and address alarming trends in live cattle futures and beef markets that require immediate attention. Livestock producers are losing money, and the companies are slowing processing, while charging consumers higher prices.<sup>17</sup> Senators are calling for the Department of Justice to act, but the USDA also plays a role here, including using its investigative and economic research office and cooperative agreement with the Commodity Futures Trading Commission to determine what is happening to pricing and deliverable supply in cattle markets.<sup>18</sup> In particular, the USDA should republish for public comment the 1996 WORC Rule on Captive Cattle supplies,<sup>19</sup> which would restore price discovery and fair prices for ranchers in the live cattle and require imported cattle to be priced in an open public market, e.g., bid on an electronic market.
- Address market share concentration in the seed industry. Seeds are one of the most concentrated sectors and the consequences of concentration for higher seed prices and loss of seed diversity can be significant for farmers. Farmers have filed an antitrust case against seed companies that are attempting to block e-commerce efforts to sell seeds, preventing farmers from comparison shopping and thereby inflating prices for seeds, pesticides and fertilizers.<sup>20</sup> The USDA could help farmers by increasing price transparency in seed markets, including but not only within e-commerce ventures. More immediately, USDA should work with the Department of Justice to intervene on behalf of farmers in the anti-trust lawsuit.
- Address the loss of rural grocery stores that result in food deserts in many parts of the country. The lack of rural grocery stores (as well as urban food deserts) is a missing link in U.S. supply chains. Consolidation in the retail sector has led to superstores and more recently "Dollar Stores," as well as the steady loss of rural grocery stores. Forty rural counties have been without any grocery stores since 1990, according to a recent USDA report.<sup>21</sup> Rural citizens, particularly those living in poverty, faced higher travel costs and fewer retail options. Independent grocery stores have charged that national chain retailers abuse their market power over suppliers

(getting priority during the pandemic) and marginalize smaller grocers.<sup>22</sup> The National Grocers Association, which represents independent groceries, is calling for the Department of Justice enforcement of the Robinson-Patman Act, which protects smaller retailers against unfair competition by larger chains. The USDA can use its economic and investigative resources to report on the impacts of grocery consolidation on rural communities, and to support this proposed Department of Justice enforcement action.

**Resilience Risks from the CAFO system** — The COVID-19 outbreak is only the latest example of the enormous and growing risk associated with a factory farm system of animal production. Multiple hurricanes have hit a cluster of factory farms in North Carolina over the past decade, while torrential rains and resulting flooding has hit Iowa factory farms. Each of these weather events has resulted in CAFO manure lagoon breaches, manure spills and water pollution.<sup>23</sup>

CAFOs liquefy animal waste and store it in manure lagoons that generate large amounts of methane.<sup>iv</sup> They also produce more, often uncomposted, waste than the surrounding cropland can use as fertilizer. The excess manure is often overapplied to surrounding cropland, which can result in substantial nitrous oxide emissions.<sup>v</sup> CAFOs are driving the overproduction of meat and dairy, which in turn is contributing to low prices and the loss of small and medium-size independent producers, further weakening the resilience and diversity of U.S. supply chains.

This factory farm system also is tightly linked to the overuse of antibiotics in animal feed and the creation of antibiotic resistant bacteria, including multi-drug resistant bacteria (MRSA).<sup>24</sup> Many of these antibiotics are critical for human health. It has also been linked to a number of deadly animal-diseases over the last decade, including the PEDv virus for piglets<sup>25</sup> and avian flu outbreaks<sup>26</sup> – both of which spread quickly throughout this concentrated factory farm system and left the supply chain vulnerable.

*Recommendation:* The USDA should stop subsidizing new and expanding existing CAFOs through conservation and guaranteed loan programs, and require stronger environmental review for any publicly-backed loans. Specifically:

- Stop subsidizing CAFOs through the Environmental Quality Incentives Program (EQIP). EQIP was designed to provide cost-share and incentive payments to farmers to address natural resource concerns on their farms, and it has been used by hundreds of thousands of farmers nationwide to make environmental improvements that benefit the land, family farm operations and their communities. Unfortunately, the 2002 Farm Bill revised EQIP to allow CAFOs to access the program's funding. We must invest all EQIP funding as the program originally intended: to support small and mid-sized family farm operations as they implement conservation practices. USDA should reallocate the 50% of EQIP funding for livestock production to support more sustainable pasture-based livestock, dairy and poultry operations by providing technical assistance, outreach and more robust payments to producers seeking to initiate, improve or transition to grass-based operations. Advanced grazing systems, particularly management intensive rotational grazing, can reduce water pollution, reduce the amount of methane produced by each animal and sequester carbon.
- Many CAFOs around the country would not exist without Farm Service Agency (FSA) guaranteed loan support. Because there is a cap on FSA loans, those financing CAFOs have come at the expense of support for independent farmers and ranchers who are protecting rural waterways, air and the climate. USDA should explore approaches to limit or prohibit issuance of

any direct or guaranteed farm ownership or operating loans for the construction or expansion of a specialized hog or poultry production facility.

- A full accounting of possible environmental risks, including potential climate, water and air impacts, should be a minimum standard before any public subsidies or other resources are invested. In August 2016, FSA quietly announced it would no longer require an environmental review under the National Environmental Protection Act (NEPA) prior to the approval of loans for mid-sized CAFOs. Nor would neighboring farmers, rural residents or local government officials have notice that such an operation was being built until construction had begun. The Agency's ruling is currently the subject of a legal challenge.<sup>27</sup> At a minimum, USDA should require a full environmental review under NEPA, including climate implications, for any FSA loans for new or expanding mid-sized CAFOs.

**Risks to food system workers** — The alarming number of COVID-19 outbreaks, and resulting deaths and illnesses, among food system workers, often people of color, throughout the supply chain exposed several fundamental weaknesses.<sup>28</sup> The breakdowns in the supply chain production, whether in meatpacking or vegetable processing plants, among farmworkers in the field or people working at grocery stores, demonstrated clearly that these are essential workers. They are not, however, treated by agribusiness as essential. The breakdowns also exposed the lack of protections and agency these workers, often immigrants or refugees, have when exposed to a health threat, and the absence of a strong regulatory system to protect workers throughout the supply chain.

Among the lessons from the COVID-19 debacle for food system workers that need to be addressed by multiple U.S. government agencies are:

- The slow and resistant response of meatpacking companies to provide personal protective equipment;
- The lack of transparency in the COVID-19 testing of employees – not only did companies not share information with employees, but also rural communities and public health officials.
- The lack of paid sick days for employees, even in the midst during a global pandemic;
- The inability of the Occupational Health and Safety Agency (OSHA) even today to set a mandatory standard, even a temporary emergency one, to protect for food system workers;
- The USDA approval, during the pandemic, of increased production line speeds for poultry plants, which requires workers to be close together to keep up on the line, thereby increasing the likelihood of COVID-19 spread.

Food system worker protection goes beyond responding to threats that emerged from the COVID-19 crisis, including heat-related stress<sup>29</sup> and chemical exposure for farmworkers in the field.<sup>30</sup>

*Recommendation:* Given OSHA resistance to regulating to protect workers, USDA's decision to allow increased line speeds is a dereliction of duty. That decision should be withdrawn and the data integrity of the Public Health Information System that justifies line speed-ups under the guise of modernization should be audited by the USDA inspector general. While the USDA is not directly responsible for worker safety, no systemic analysis of the food supply chain is possible without addressing the risks and vulnerabilities of food systems workers. The USDA should work more closely with OSHA, the EPA and

CDC to assess the risks to essential food systems workers from the farm to the grocery store. Then the agencies should use their respective authorities and the assessments to protect these workers.

**Integrating climate risk and resilience within farm credit and insurance** — USDA-backed farm lending currently does not integrate climate-related risk and supply chain resilience into lending terms, nor does it coordinate lending with relevant technical assistance to reduce those risks. Federally subsidized crop and livestock insurance policies could be written to reduce premiums and increase indemnification payouts for farmers and ranchers who comply with practices to reduce their climate-related risk exposures. Those practices would include Natural Resource Service Conservation standards and practices approved by the USDA's Risk Management Agency (RMA) that oversees taxpayer subsidized and RMA approved private crop and livestock insurer applied to those adopting climate-resilient practices such as crop diversification that reduce climate-related risks.

The RMA already offers Whole Farm Revenue Protection (WFRP) policies with increasing premium discounts for planting up to seven crops. Crop diversification and rotation have climate adaptive benefits. WFRP follows traditional risk management principles by pooling risks to protect up to 85% of historic revenue by insuring across risks, instead of insuring against just one risk.

Although certain cover crops are insurable, there is not yet a federal premium discount to foster widespread continuous cover crop adoption, nor are other good agricultural practices yet insurable. To the contrary, government backed crop insurance offers premium discounts for repeated planting of monocrops, e.g., “corn on corn”, that have a documented history of increasing risk and greenhouse gas emissions.

Current crop insurance is either revenue and/or yield focused. RMA or independent development of actuarial tables of nitrogen use efficiency (NUE) for certain soil types in certain growing regions would be a measurement that insurance agencies could use to develop climate-resilient insurance policies and premiums tailored to local agronomic and climate conditions. A NUE-related premium discount could make it economically rational for a farmer to accept reduced yield from more efficient NUE in exchange for long-term sustainable yields without large expenses for repeated use of synthetic nitrogen fertilizers to “shock” nutrient depleted soil.

The RMA helps ranchers locate RMA approved private insurance agents who will insure against adjusted gross revenue loss by means of policies that indemnify policy holders for 70-100% of the livestock cash price if it falls below the projected price, e.g., for beef cattle, at the end of the policy period. The indemnification formula includes head and weight of cattle with a cap on herd size. But that formula includes no incentives concerning husbandry practices, mitigation of greenhouse gas emissions or adaptation to climate change, e.g., by paddock and rotational grazing, to increase the amount of the indemnification for loss and/or reduce the insurance premium.

*Recommendations:* RMA should work with the NRCS and USDA Climate Hubs to develop regionally specific models of climate-resilient insurance policies for row crops and specialty crops for adoption by RMA approved private insurers. Implementation of such policies should be tested in regional pilot voluntary participation programs to learn what works for small and large-scale farmers and ranchers across the commodity spectrum. Taxpayers would support subsidies for private insurance if they could see the benefits of climate and supply chain resilience of crop and livestock insurance for the 21st century.

An RMA regulation to support climate-resilient grazing would require RMA approved private insurers to issue policies that pay higher rates of indemnification for loss of Managed Intensive Grazing livestock grazed on carbon sequestering pastures than are paid for livestock feeding on nitrous oxide releasing corn.

Other U.S. financial regulators, such as the regional banks of the Federal Reserve System and the Commodity Futures Trading Commission, are beginning to calculate climate change as a systemic financial risk. The Farm Credit Administration (FCA) should research the development of rules for the Farm Credit Service (FCS) to incorporate climate resilience criteria into their lending and bond issuance requirements. The FCA could issue a rule that requires FCS lenders to give preferable loan terms to farmers and ranchers applying for loans with climate-resilient insurance as collateral. The FCA has a statutory obligation to ensure the stability of federal agricultural finance, just as the Federal Reserve System has a statutory responsibility to ensure the stability of the entire financial system. Climate change is a systemic risk to that stability. USDA agricultural finance and USDA guaranteed agricultural finance must not be left behind in taking measures to shore up that stability.

**Soil as pillar of food system supply chains** – Recent research indicates that the Midwest has lost nearly one-third of its most fertile topsoil due to conventional farming practices.<sup>31</sup> When considering resilience of food production supply chains in the U.S., soil health should be considered a foundational pillar. The USDA should make improving soil health a national-level priority following well-recognized soil health principles used by NRCS: 1) keep the ground covered; 2) as little disturbance as possible; 3) increase crop diversity; 4) keep living roots in the soil; 5) integrate livestock.

The USDA should also act to protect valuable soil from contamination. Otherwise, fertile agricultural soils have been contaminated with persistent, toxic and bio-accumulative PFAS (per- and polyfluorinated alkyl substances) caused by polluted runoff from Department of Defense installations and the routine use of contaminated municipal sewage and industrial wastes and compost as “soil amendments”, i.e., as fertilizer. PFAS uptake from contaminated soil has resulted in adulterated milk and beef and caused the closure of farms, along with the financial devastation of affected farmers. Financial assistance to farmers for disruptions caused by required testing or farm closures has been inadequate, and existing emergency assistance programs at USDA have not been adapted to meet their needs. While DOD, EPA and FDA need to exercise their authority to clean up and prevent pollution from these chemicals and ensure the safety of food supplies, USDA should also take an active role to prevent PFAS contamination of soils and food and address the financial devastation faced by affected farmers.<sup>32</sup>

*Recommendations:* The Conservation Stewardship Program’s (CSP) whole farm approach supports systems that boost soil health, which improves a farm’s ability to withstand droughts and floods, reduces the need for synthetic inputs and results in carbon sequestration. Practices supported by CSP include planting cover crops, diversifying crop rotations, decreasing tillage and implementing management-intensive rotational grazing. Currently, farmer demand for the program far exceeds the supply of CSP funds, and interest in conservation programs has been steadily growing. USDA should explore administrative strategies (such as through the Commodity Credit Corporation) to increase resources for CSP to make it accessible to more farmers, with special focus on historically disadvantaged communities and farmers of color. Expanded CSP should be coupled with expanded resources for NRCS staff to work with farmers on prioritized soil health practices.



USDA should work with other federal agencies to stop the use of PFAS-contaminated wastes and compost as soil amendment and take a leadership role to establish limits for PFAS in common food and food products including milk and related products (e.g., cheese and yogurt), meats, poultry, vegetables, fruit and animal feed. USDA should expand and enhance the existing Dairy Indemnity Payment Program (DIPP) so that it can address the needs of PFAS-affected dairy farmers and establish a new financial support fund for PFAS contaminated farms (not limited to dairy). USDA has a key responsibility to provide research support to understand the agronomic uptake of PFAS into plants and animals in order to reduce PFAS exposure throughout the food supply chain.

**Export-led trade policy increases risk** — U.S. trade policy and U.S. farm policy have been in sync the last several decades in pushing for constant growth in production and expanded trade. But while the U.S. has expanded exports for some crops and meat and livestock, it has also increased imports of fruits and vegetables. It is clear that global agriculture traders have benefited from this policy framework, but a quick look at the Agriculture Census tells the story of lost farmers, lower populations in rural communities and disappearing small rural-based businesses. While U.S. trade policy has focused on opening markets to absorb overproduction of certain commodity crops, the goal of strengthening U.S. food and agriculture supply chains and sustainable rural livelihoods (in any country) has clearly not been a priority.

*Recommendations:* To start to prioritize U.S. agriculture and food supply chains, there are a few concrete steps U.S. trade policy could take:

- Reinstating mandatory Country of Origin Labeling (COOL) for meat and poultry products and adding dairy. While mandatory COOL has been successfully challenged at the World Trade Organization, there are revisions to the label that could make it valuable to consumers and to U.S. producers. Implementing mandatory COOL would provide an immediate boost to cattle markets and stop the highly misleading use of Product of the USA labeling for beef that has been raised in other countries but received final processing in the U.S. This misleading voluntary label has undermined U.S. beef producers, particularly grass-fed beef producers, in the U.S. market.
- Rejecting at the port of entry or earlier fraudulent organic imports that are undermining U.S. organic producers. One of the fastest growing markets continues to be high value organic foods, including organic meat. Yet, U.S. growers, particularly of organic soy and corn, routinely have been undermined by fraudulent organic imports from other countries.<sup>33</sup> Careful examination and inspection of organic imports, including supply chain tracing and use of “smart” digital contracts, will help stop that practice and make organic corn and soy markets more accessible to U.S. producers.
- The U.S. should stop trying to actively undermine food supply chains in other countries. It was very disappointing to see the U.S. bring a dispute under the USMCA against Canada and its dairy supply management program, despite clear signals from family farmers and workers in the U.S. that expanded market access would not make a meaningful contribution to the problems of overproduction, low prices and corporate concentration in U.S. dairy.<sup>34</sup> That program is designed to support Canadian dairy farmers and strengthen that nation’s supply chain. The U.S. should drop its USMCA complaint.
- Mexico is also working to strengthen its supply chains by building up markets for its small and medium sized farmers, including those growing corn. To protect their traditional varieties of

corn, to promote local agroecological production and for human health reasons, Mexico is phasing out the use and import of genetically engineered corn that is resistant to glyphosate. Agrochemical companies are pressuring the U.S. to challenge Mexico's ban under the USMCA. But the U.S. can clearly supply Mexico with non-GE corn.<sup>35</sup> The U.S. should not attempt to undermine Mexico's actions to strengthen their own food supply chains.

**Explore farm policy strategies to stabilize supply** – Farmers are facing an agriculture economy plagued by overproduction that is lowering farm incomes and pushing many farmers out. The worsening climate crisis is escalating risk for farmers and food supply chains. Climate-related events will increase market volatility, making it more difficult for farmers to transition toward climate-resilient systems. A reformed and updated supply management system could achieve multiple goals that strengthen supply chains. A supply management system includes a set of complementary programs: setting marginal farmland aside; storing grain in reserves at times of overproduction in preparation for disruptions; implementing price floors and ceilings to protect farmers and consumers from market volatility; and controlling the volume of imports with a quota system. A strong supply management system would ensure a fair price (called “parity”) for farmers that covers their costs, both to farm and to live.

An updated supply management system grounded in parity prices that integrates climate adaptation and mitigation goals could bring multiple benefits, including:

- Keeping farmers on the land – Establishing predictable parity price levels is essential to keeping independent family farmers on the land and generating economic activity in their rural communities.
- Significant taxpayer savings that can be reinvested – Supply management programs produce considerable taxpayer savings, since market prices are ensuring farmers a fair income. A recent analysis by University of Tennessee agriculture economists found that a supply management system would save \$234 billion over the next 10 years – money that could be reinvested to support more climate-resilient farming and rural development.<sup>36</sup>
- Accelerating the transition toward climate resilience – Stable and fair prices take farmers off the treadmill of trying to survive and allow them the space to transition toward climate-resilient practices grounded in improving soil health.
- Boost new, more sustainable agriculture markets – By removing below-cost of production feedgrains for CAFOs, climate-friendly managed grass-fed meat and dairy production will be more price competitive. Market trends clearly show growing consumer demand for grass-fed, organic and locally-produced foods – each of which pay a price premium to farmers. Deeper public investments in infrastructure to help these domestic markets grow would further help farmers transition to meet this demand.

*Recommendation:* Analyze, report and assess how an updated supply management system might strengthen supply chains. A core part of the original New Deal farm programs, supply management is not new to U.S. farmers. While these supply management programs were weakened and undermined over time and finally eliminated in the 1996 Farm Bill, this approach continues to work for American sugar producers by providing them a fair income, while protecting them from tariff-related disruptions that are hurting other commodity producers.

**Expand community food systems role in supply chains** —The Biden-Harris Build Back Better plan includes a commitment to “foster the development of regional food systems,” by partnering with small and mid-sized farmers and working to build out institutional supply chains.<sup>37</sup>

In 2017, the St. Louis Fed published a report on the economic value to communities, job creation and potential growth for local food systems.<sup>38</sup> The Fed report outlined a suite of successful strategies that could use more investment, the positive impact these systems can have on rural communities and food equity, and ways these systems can support the next generation of farmers.

*Recommendation:* IATP is a member of the National Sustainable Agriculture Coalition (NSAC). NSAC’s transition plan for the Biden administration outlines clear steps the USDA can take to strengthen and build out regional food systems including renewed investments in Value Added Producer Grants, Farmers Market and Local Food Promotion Program and Regional Food Systems Partnership Program.<sup>39</sup> The USDA can also expand and improve data collection and transparency in local markets, such as for local and organic markets to help ensure farmers are paid fairly.

**Government procurement Supporting Resilience** — During the pandemic, school food programs implemented a number of innovative strategies to allow kids to continue to receive school meals, even as schools were shifting to remote learning. Schools implemented grab and go meals on and off campus.

The Center for Good Food Purchasing has been building a model for institutional buying that supports environmental, nutrition, worker, animal welfare and local economic development goals in cities and communities around the country.<sup>40</sup> The Real Food Challenge has developed similar strong standards for university food purchasing incorporating environmental protection, health and local economic development.<sup>41</sup>

Food policy councils have been growing around the country, focusing mostly on building a local policy framework to support community-based food systems and supply chains at the local, state or regional level. In response to the pandemic, these food policy councils kicked into action to connect local farmers to new local markets as some larger supply chains broke down, such as food shelves and local supermarkets, and focused on policies supporting food access for those in poverty and local food processing infrastructure.<sup>42</sup> These food policy councils are a great resource and vehicle for strengthening and expanding more resilient, community-based food systems.

*Recommendation:* Explore the implementation of standards for procurement established by the Center for Good Food Purchasing and the Real Food Challenge within USDA purchasing programs. These successful models could be the basis for a reformed federal food procurement program that integrates food system resilience, health, fairness and environmental sustainability.

We thank the USDA for the opportunity to submit these comments. We applaud the President for putting a spotlight on supply chain resilience and identifying how government can act to support greater resilience. Food supply chains are complex and face many challenges, but we believe there are steps the USDA can take immediately to strengthen this increasingly vulnerable system.

We are happy to answer any questions or supply additional information related to this comment. Please contact Ben Lilliston: [blilliston@iatp.org](mailto:blilliston@iatp.org).

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