Washington Association of Wheat Growers
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July 11, 2022

The Honorable Patty Murray
United States Senate
154 Russell Senate Office Building
Washington, D.C. 20510

The Honorable Jay Inslee
Office of the Governor
PO Box 40002
Olympia, WA 98504

Dear Senator Murray and Governor Inslee:

On behalf of the Washington Association of Wheat Growers, thank you for the opportunity to provide comments on the draft Lower Snake River Dams Benefit Replacement Report. The Washington Association of Wheat Growers (WAWG) represents over 4,000 producers across the state of Washington, who rely on the Columbia-Snake River System, and the Lower Snake River Dams (LSRD) in particular, for their livelihoods. While we appreciate the opportunity to provide public input as part of the Joint Federal-State Process, WAWG has significant concerns with the draft report and the direction this process is moving. We strongly urge you to reconsider this process, which lacks the resources and scientific integrity to guide decision-making on this important topic.

The draft report significantly underestimates the impact dam breaching would have on farm families across Washington, as well as the region-wide impacts to food security, affordable energy, climate, our local and regional economy, and much more. Breaching the LSRD would undermine our economy and way of life. The Northwest is heavily reliant on our dams and the working waterways they support, to provide zero-carbon energy, water for drinking and for crops, safe and fuel-efficient transportation of goods and people, and access to international markets. Losing the ability to irrigate and move crops on the river system spells the end of this central economic spoke for Washington State and the region. Not to mention, fundamentally altering Washington's transportation network would not only harm Washington's farmers, but would also directly contradict the State of Washington's own goals of reducing harmful emissions and addressing climate change.

Dams and salmon can and do co-exist. Time and funding would be better spent on adding fish passage capabilities to dams that don't have them and addressing other resource concerns, such as predation and habitat restoration.

<u>Washington's agriculture industry, and its ability to produce and export products globally, are critical to the state's economy.</u>

Washington is one of the largest agricultural exporters in the nation, with over $7.7 billion in

Washington-grown or processed food and agriculture exports in 2021. Washington's wheat growers are reliant on trade, exporting up to 90 percent of our crop, totaling $962 million in 2021[1]. Roughly 20 percent of U.S. farm income comes directly from agricultural exports, which help support rural communities across the state and country.

Our nation's inland waterways system is vital to moving American goods from farms to ports for export, saving anywhere from $7 to $9 billion in annual shipping costs over other forms of transport[2]. Washington's sophisticated transportation and port network handles over $14.3 billion of food and agriculture products from outside Washington, coming from as far as the Midwest, including exports such as wheat, soybeans, and corn destined for key markets globally[1]. The Columbia-Snake River System is the nation's single largest wheat export gateway, transporting over 60 percent of Washington wheat to key markets overseas[3] and supporting nearly 4,000 jobs across the sector[4]. More than half of all wheat exported from the U.S. goes out through lower Columbia-Snake River ports in Washington and Oregon. Ten percent of ***all*** U.S. wheat exports travel by barge through the LSRD to Portland-area ports each year[5].

Farmers are facing extreme economic pressures impacting their bottom lines. This report fails to even recognize the current challenges farmers face.

Several of the proposed solutions in the draft report are not only unfeasible, but are also tone deaf to the current operating environment wheat producers across Washington and the entire country currently find themselves in.

The report seems to imply that an increase in transportation costs associated with moving from barging to rail or trucking would be marginal when compared to the average price of wheat per bushel in recent market conditions. The report fails to acknowledge the significantly increased costs and market volatility seen by farmers over the past several years due to the pandemic, supply chain disruptions, drought, and global political instability impacting wheat markets. These disruptions cannot be minimized or ignored in determining future action on the operations of the LSRD.

The rising price of fuel, fertilizer, and other inputs – with no end in sight – is significantly impacting farm operations. Recent data from the U.S. Department of Agriculture (USDA) Economic Research Service estimates that the cost of fuel, lube and electricity combined is projected to increase 34 percent in 2022 compared to 2021[6].

Fuel prices have risen sharply since Russia's invasion of Ukraine, directly impacting costs farmers have to pay for gasoline and diesel used on-farm. U.S. diesel prices rose 74 percent in June 2022 compared to the same period in June 2021[7]. In Washington, diesel prices hit as high as $6.38 in June 2022[8].

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[1] Washington State Department of Agriculture: Export Statistics.
[2] USDA Agricultural Marketing Service: Importance of Inland Waterways to U.S. Agriculture, August 2019.
[3] U.S. Wheat Associates.
[4] Pacific Northwest Waterways Association: National Transportation Impacts and Regional Economic Impacts caused by Breaching Lower Snake River Dams.
[5] Pacific Northwest Waterways Association.
[6] USDA Economic Research Service: Cost of Production Data, June 2022.
[7] American Farm Bureau Federation: Rising Fuel Costs Continue to Impact Farmers, June 2022.
[8] AAA: Washington Average Gas Prices: June 2022.

Additionally, global fertilizer prices are at near record levels and may remain elevated throughout 2022 and beyond. Fertilizer accounts for 35 percent of a wheat farmer's operating costs, according to USDA[9]. Russia's invasion of Ukraine has exacerbated the already limited fertilizer supply situation and has triggered import-export restrictions that will compound shortage concerns.

Farmers are already facing economic headwinds on their operations, with USDA forecasting that net farm income will decrease by $9.7 billion in 2022, a nearly 8 percent decrease over 2021[10]. USDA predicts fertilizer prices could take a heavier toll on 2023 agricultural production decisions, which could have major ramifications for on-farm income moving forward.

The historic drought of 2021 also significantly impacted Washington's farm operations, with the state's wheat production falling by nearly half in 2021. Wheat yields in Washington dropped from 72.4 bushels per acre in 2020 to just 39.1 bushels per acre in 2021[11]. With farmers already reeling from the impact of last year's drought and threats of sustained drought in the upcoming years, adding additional costs would further threaten the viability of Washington's wheat farmers in the future.

The fallout from Russia's incursion into Ukraine has resulted in volatility in the grain markets. While wheat growers might see more favorable prices in the short term, farmers are also likely be hurt in the long term by volatile prices and increased costs for inputs tied to the conflict.

Simply put, now is not the time to even consider adding burdensome costs onto Washington's farmers. While some operations may be able to absorb increased costs associated with breaching the LSRD, at the end of the day, smaller and family farms would bear the brunt of these increases, and could be forced to shut down altogether.

It cannot be overstated that dam breaching would fundamentally alter the agricultural economy not only in Washington, but in the Pacific Northwest and across the country, which relies on our transportation network to move goods to export.

Breaching the LSRD would directly influence market conditions, transportation flows, production decisions, and a number of other variables with a direct impact on farmers' bottom lines. The report doesn't even begin evaluate these broader economic affects that breaching the dams would have on farm operations in the state and across the region. Some issues requiring further examination include:

- Subsequent reductions in farm-gate cash prices for crops tributary to export facilities in the Pacific Northwest (PNW);
- How shifts in modes of grain/oilseed transportation will impact the future capacity, speed, competitiveness, and ability of these farming operations to export grain/oilseeds via the PNW;
- Likely shifts in crop acreage due to these shifts vis a vis the loss of grain/oilseed barge traffic on the Snake River;
- Direct and indirect costs imposed on crop producers outside the region (Montana, North Dakota, South Dakota, Nebraska).

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[9] USDA Foreign Agricultural Service: Impacts and Repercussions of Price Increases on the Global Fertilizer Market, June 2022.
[10] U.S. Department of Agriculture, Economic Research Service. Farm Sector Income & Finances: Highlights from the Farm Income Forecast*,* February 4, 2022.
[11] USDA Field Crop Area Planted and Harvested, Yield and Production Report, January 2022.

<u>Shifting commodity flows from barging to rail and trucking is not feasible and would significantly raise costs and weaken the competitiveness of Washington's wheat producers in global markets.</u>

The report states that the significant benefits of the LSRD can be replaced or mitigated. WAWG strongly disagrees with this assessment. Though some of the harm from removing the dams can be mitigated – albeit at substantial expense – many of the solutions proposed in the report cannot be feasibly carried out due to significant logistical, economic, and cooperative challenges. One of the most troublesome assumptions is that all cargo that moves by barge on the Snake River today could be replaced by expanding rail and trucking capacity.

Increasing our reliance on rail and trucking will only drive-up costs for farmers and consumers, further congest our transportation network, and add harmful emissions to our environment. The increased rail and trucking congestion that would occur as a result of removing barge access would impact farmers as far as the upper Midwest, as well as the major cargo ports of Seattle and Tacoma.

Nationwide uncertainty is impacting U.S. railroads today, including high congestion, aging infrastructure, and a lack of adequate staffing to move existing cargoes. While the draft report mentions current challenges with the U.S. rail system, as highlighted by the recent Surface Transportation Board hearing in April 2022[12], there is little attention given to the matter in the report, casting further doubt on the feasibility of the rail recommendations provided.

Farmers are seeing these rail disruptions play out in front of them right now – with rail service declining significantly over the past several months, impacting the movement of both crops and crop inputs. When these supply chain disruptions happen, it means further unpredictability for the movement of commodities. Reliability goes down and costs go up for products across the board for growers and consumers alike. <u>These disruptions in the U.S. rail network should not be considered a short-term problem, and any consideration to alter the rail infrastructure in the Pacific Northwest must take these factors into account.</u>

The existence of barging as a transport mode helps to discipline rail rates, ensuring that the price of moving goods in the PNW remains competitive. Barging is critical because it provides a competitive check on the rail system. For decades it has been this competition between rail and barge that keeps transportation costs competitive for the wheat producer in the region. Consolidation in the rail industry has driven up rail rates over the last decade, particularly for wheat and soybeans. Losing barge access would give railroads the power to raise rates further, which will affect the long-term competitiveness of U.S. agricultural exports.

Wheat and other grains are typically a lower-margin, high volume commodity compared to other goods. Competing with those higher value goods is a difficult challenge for our industry. In February 2022, the Surface Transportation Board put out its annual study on rail rates, which showed that, over the last 15 years, rail rates for grain were nearly double those of other commodities, including intermodal, coal, and chemical[13]. Additionally, railroads typically offer discounts on corn, wheat and soybeans traveling longer distances, meaning producers harvesting in the PNW going to West Coast ports would face higher rail rates compared to our counterparts in other regions.

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[12] Surface Transportation Board: STB Issues Hearing Notice for Urgent Issues in Freight Rail Service, April 2022.

[13] Surface Transportation Board: Annual Rail Rate Index Study: 1985-2020, February 2022.

A U.S. International Trade Commission study on the effects of rail prices for U.S. agricultural exports from April 2021 concluded that higher rail transportation costs are often transferred to the producer, reducing their incomes and profit margins and negatively affecting the competitiveness of U.S. grain exports[14]. <u>The report estimates that more than 40 percent of the price of wheat may be tied to rail rates.</u> Continued increases in rail rates would directly impact U.S. wheat's competitiveness in global export markets.

Additionally, one of the most advantageous aspects of transporting the region's wheat by barge to Portland is the fact that there is no seasonality or seasonal restriction on this mode of transportation other than the regularly scheduled planned yearly maintenance. The region's rail capacity, by comparison, is severely limited on a seasonal basis due to the significant demand to move soybeans to PNW export facilities destined for export to China via the same rail line used for PNW wheat. U.S. soybean exports to China via these same PNW ports dominate the use of the rail line once new-crop soybeans are harvested. This means that from September through at least mid-February and possibly through April, rail capacity for the transport of wheat to Portland is hugely constricted. This leaves only about four months – May through August – for more unfettered access via rail for wheat shipments, which is when China seasonally shifts its soybean import program to Brazil. This seasonality of rail demand for soybeans versus wheat is challenging as the PNW soft white wheat harvest is a mid-July to mid-August affair.

The report also lays out additional investments that would be needed to support increased trucking of wheat and other commodities if the LSRD were breached. If barge transportation was no longer available, many wheat growers would be required to transport their products to the nearest rail grain terminal or to ports in the Tri-Cities. For many growers, this means adding hundreds of miles to trucking routes to sell their product, and with it, increased costs for fuel and labor. During harvest, these challenges would be compounded, potentially requiring growers to add more trucks to their operations and hire additional drivers to keep harvest on track.

For the Lewiston to Tri-Cities run alone, it would take an incredible 98,261 semi-tractor trailers carrying 1.150 bushels each to replace the 113 million bushels shipped on the Snake River via barge on an annual basis. That's 269 trucks per day, making a 254-mile round trip, 365 days per year. **Imagine, more than one semi-tractor trailer on the road, every mile, in each direction, every day, on a two-lane road!**

The current trucking environment also lacks reliability. As the report mentions, there is currently a shortage of more than 80,000 truck drivers across the country – although it claims "it is unknown if this driver shortage will persist as a significant factor several years into the future to a time period when the dams might actually be breached." The truck driver shortage has been impacting farmers and other businesses for several years, so we would strongly disagree with any notion that it should not be factored into any assessment on the feasibility of adding trucking capacity to replace barges on the LSRD.

<u>Replacing the dams by expanding rail and trucking would undermine the State of Washington's own climate targets to reduce emissions by 25 percent by 2025, adding carbon pollution from our roads and railways.</u>

In addition to the transportation benefits, the LSRD are crucial to keeping carbon emissions as low as

[14] U.S. International Trade Commission: The Effects of Rail Prices on U.S. Agricultural Exports, April 2021.

possible as commodities travel from farm to market. Barges move more product, using less fuel than trucks or rail cars. Without barge access, 39,000 rail cars or 152,000 semi-trucks would have been needed to replace the cargo volume shipped on the Snake River in 2019.

Barging is also 40 percent more fuel-efficient than rail and 270 percent more fuel-efficient than semi-trucks. In fact, moving commodity flows from barge to rail and truck would result in over 1.25 million additional tons of carbon and other harmful emissions per year, which would directly counteract the State of Washington's efforts to lower carbon emissions to address climate change.

<u>Direct payments to farmers won't make up for the loss of the Lower Snake River Dams and are not a practical solution for federal or state governments to implement.</u>

The draft report discusses how certain impacts of dam breaching could not be entirely mitigated, including those for transportation and navigation. The report outlines several suggestions by stakeholders to develop direct payments, mitigation funds, or other financial benefits to offset the costs that cannot be mitigated. While the report acknowledges that any such form of payment would require Congressional authorization and that Congress would need to consider the implications for direct farm payments on international trade agreements, we cannot overstate the myriad of both political and policy challenges that the agriculture community would face in standing up a federal direct payment that would offset losses producers would experience as a result of dam breaching. Such a federal program could put the United States out of compliance with its commitments to the World Trade Organization (WTO), including those commitments that govern domestic farm policy spending limits in the WTO Agreement on Agriculture.

Additionally, determining which growers would receive payments would be extremely difficult, given dam breaching would directly impact the market competitiveness of several grains and oilseeds, as well impacting specialty crops and other commodities currently relying on other forms of transportation. Given the impacts breaching would have on growers across commodities and regions, USDA's Farm Service Agency would likely not have the current mechanisms in place to identify which producers would be eligible for a direct payment. A direct payment program would have to be either product-specific or non-product specific, and depending on the size of the payment, could also lead to the U.S. exceeding its WTO payment limits.

<u>The Lower Snake River Dams also provide vital sources of clean energy and irrigation to Washington's farmers and families.</u>

The draft report fundamentally misunderstands the requirements of maintaining a reliable electric grid. As an example, the report assumes a diminished importance of the LSRD in a zero-carbon future, but power cost modeling demonstrates the exact opposite. With baseload resources being replaced by massive amounts of intermittent generation, the LSRD's ability to provide power, on-demand, will become increasingly critical for reliable grid operations and public safety, especially under extreme weather conditions.

We are also concerned the draft report fails to provide any real examination of the energy-related CO2 emissions implications of removing the LSRD. It is very likely that removing the LSRD will delay the completion of a zero-carbon grid by years and add millions of metric tons of CO2 emissions to the atmosphere. In doing so, LSRD removal actually threatens the viability of the decarbonization policies the region has envisioned.

Losing the LSRD could increase consumer electricity rates by 25 percent or more. Replacing the generating capabilities of the LSRD, alone, would cost $15 billion (Net Present Value) in a zero-carbon future[15]. This type of financial hardship threatens to irreparably harm the communities we serve, and in particular, the most vulnerable.

Additionally, the study claims only about 50,000 acres receive Snake River irrigation. However, USDA reports Benton, Franklin, and Walla Walla counties include 1.9 million acres of farmland and 494,106 acres (25 percent) of that farmland is irrigated[16], nearly ten times the area included in the report.

Whether the irrigation in those counties is supported by the Snake River, the Columbia River, or the local aquifer is not reported by the USDA, but the drawdown of the water table from destroying the LSRD would harm the entire area.

The study suggests the water table would drop 100 feet during the first two years after dam destruction and indicates some wells would need to be deepened at least 80 feet to find water. Well digging costs approximately $100 a foot plus the cost of an 8-inch steel casing, the smallest agricultural well would cost at least $15,000[17]. The study claims an estimated total mitigation cost of between $14 million and $147 million, a huge range, and even concedes that irrigators themselves believe the costs will be significantly higher.

The hit to farmers doesn't take into account the additional loss of clean water to towns, cities and rural communities, or the loss of a key utility to industry in the region.

<u>WAWG is concerned with the cost estimates and methodologies provided in this report, many of which lack scientific integrity to guide decision-making.</u>

In summarizing the draft overall replacement and mitigation costs, the report indicates "the research, outreach and drafting of this report was conducted over four-and-a-half months." We are very concerned with the speed at which this process has been conducted on a topic that has such significant ramifications for farmers across Washington and the region. It simply doesn't hold up to the Columbia River System Operations Final Environmental Impact Statement Record of Decision released by the federal government in 2020, which followed a multi-year, NEPA-compliant process, which in the end, recommended against removing the LSRD.

The report also bases many of its cost assumptions in part by utilizing a controversial ECONorthwest Study published in August 2019, as well as Congressman Mike Simpson's unfounded proposal to breach the dams released in February 2021. We do not support the findings of these analyses and recommend they not be considered in evaluating any potential actions regarding the future of the LSRD. WAWG has previously shared its positions on both the ECONorthwest Study[18] and the Simpson proposal[19].

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[15] Northwest RiverPartners

[16] USDA National Agricultural Statistics Service: 2017 Census of Agriculture.

[17] Washington Policy Center: Agriculture continues to be under-rated in study to destroy Snake River Dams, June 2022

[18] Pacific Northwest Ag Network: WAWG, PNWA React to ECONorthwest Report, August 2019

[19] Washington Association of Wheat Growers: A Congressman plans to breach dams, February 2021.

<u>To be clear, the Washington Association of Wheat Growers fully supports science-based salmon recovery and agree that more can be done to help our salmon runs.</u>

The issues outlined above are just a few of the concerns we have with the draft report and its assumptions about the impacts of dam breaching. And yet, with these impacts and many others outlined in the report, there is no concrete science that shows removing the LSRD – which have world-class fish passage and juvenile survival rates upwards of 95 percent – will quantifiably improve salmon returns. Multiple studies by federal agencies charged with salmon recovery confirm that there are many factors contributing to the decline in fish runs, and that dam breaching is not supported by the science.

We support collaborative efforts to try and improve salmon populations on the river system. Incredible work is being done by federal and state authorities, tribes, and river partners to install fish ladders and other mechanisms along the river to ensure salmon runs remain intact. We support the investments you both have made at the federal and state levels to support culvert removal, fish habitat restoration, toxics reduction and predator abatement; this is the kind of real work and investment of tax dollars that is needed to help our salmon and our region survive and thrive.

According to the Washington State Recreation and Conservation Office[20], there are 157 unfunded salmon recovery projects east of the Cascades in need of $56.6 million that would benefit salmon in the Columbia, Yakima and Snake Rivers. The federal Bipartisan Infrastructure Law includes over $1 billion for culvert removal, fish passage restoration and grants to support salmon recovery. If passed, President Biden's Build Back Better package would also include $1 billion to the National Oceanic and Atmospheric Administration for salmon recovery efforts. There is a lot that can be done to improve salmon habitats in the region without taking the unnecessary, and unproven, step of removing the dams.

The report concludes that "Given the potential magnitude of these costs, significant federal investment will be needed. Funding from the recently enacted Infrastructure Investment and Jobs Act, for example, could be applied to defray the costs of road, rail, and water infrastructure, and provide economic development through improvement of broadband services." Rather than spending tens to hundreds of billions in taxpayer dollars to fundamentally alter Washington's agriculture sector and transportation networks, a logical approach would be to invest the necessary level of resources into new technologies and solutions to improve salmon recovery at a fraction of the cost with much greater efficacy.

Thank you again for the opportunity to comment on the draft Lower Snake River Dams Benefit Replacement Study Report. WAWG welcomes the opportunity to speak with you and your staff directly about these concerns.

Sincerely,

Michelle Hennings	Howard McDonald
Executive Director	President

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[20] The Spokesman Review: 'A giant step' for salmon: As dam-breaching debate rages, Cantwell quietly secures billions for fish recovery, October 2021.