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Southern Valley
Norman Park, Ga

Georgia Fruit and Vegetable Growers Association



U.S. House Committee on Agriculture

Washington, D.C.

November 3, 2021

Chairman Scott, Ranking Member Thompson, and members of the Committee, thank you for the invitation to participate in today's hearing. Today, I want to bring attention to the resiliency of the produce industry and ask for assistance as we continue to adapt through the current supply chain crisis.

My name is Jon Schwalls, I'm an Executive Officer at Southern Valley in Norman Park, Ga, here today on behalf of Georgia Fruit and Vegetable Growers Association. Southern Valley is a fully integrated, year-round growing, packing, and shipping operation for fruits and vegetables.

In my 26 years with Southern Valley, I've had the opportunity to work in multiple capacities, from my direct involvement in the supply chain, to the development and implementation of a vertically integrated business structure, to the daily oversight of all operations.

I appreciate the opportunity to speak to the Committee today and share how the pandemic has created unprecedented challenges to our supply chain, placing the produce industry in crisis.

When the pandemic began in March of 2020, Southern Valley did as many farming operations - we quickly implementing procedures to protect our workers and consumers to mitigating any potential exposure to the virus.

With the spring crop planted at the height of the pandemic, we knew harvesting was necessary and we had to protect our employees, even though nearly half of our market had disappeared with the closure restaurants, school cafeterias, and more. In the first six months of the pandemic, our costs for COVID-19 prevention were over \$120,000. This included initial costs of \$27,500 for personal protection items and housing/facility alterations to maintain employee protection and social distancing.

We survived 2020 and the first half of 2021, but it has not been without significant input costs. Recurring input costs for covid prevention which continues today include our Health Task Force, led by a physician to examine operations and improvements at \$3,000/month, security to protect our employees from the risk of infection from non-employees being brought in at \$5,400/month, as well as PPE, quarantine housing, and related supplies at an additional \$7,500/month.

We've made substantial adjustments in our spending model to help alleviate costs. With price forecasting, Southern Valley purchased our year's supply of crop protection products, fertilizers, and fuel for farm operations in January and February of this year.

Farming operations are facing, not only increased field input costs, but also a shortage in supply of many inputs. Suppliers can no longer guarantee supply with the increased demand, and they are unable to give us a price on crop protection products or fertilizers going forward.

While we were able to lock in some input prices, the industry has seen unprecedented increases over the past twelve months for field input costs. Specific cost increases Southern Valley has experienced year to date include:

Field Input Cost Increase

Fertilizers- 35%

Crop Protection Products- 25%

Fuel- 48%

Plastic Mulch and Drip Tape- 35%

Packing Cost Increase

Corrugated Boxes- 17%

Packaging supplies- 30%

Pallets- 75%

Refrigerant- 200%

Transportation Increase

Outbound Freight 40%

Now we find ourselves in the middle of a supply chain crisis. The U.S. ports we rely on are backed up and products needed for farming such as tractor tires and computer chips are waiting to be unloaded.

Once unloaded, there are not enough drivers, warehouses, and shipping containers to keep the products moving to their intended customer, in this case the farmer. Some examples of this are:

- Previously, Crop Protection Products could be sourced by the same or next day. This is important as diseases and fungus are very time sensitive, even a few days delay can have a significant impact on crop yield and or total losses. We currently have a 7-10 day wait to source these products.
- Fertilizers could previously be sourced within a week; we are now waiting 3-4 weeks.
- Tractor tires could be sourced the same day, within the last year it's moved to 5-7 days, currently many of the tires we need cannot be sourced with a delivery date.
- Tractor parts. Normally same day – 2 days at most, now we have backorders for 2-14 weeks.

This problem hits close to home in Georgia with Savannah's port, the largest in the western hemisphere, unable to move shipments. There are reports that on an average, pre-pandemic, there would be 10,000 containers waiting to be trucked from the port in Savannah, but in the past several months that number has increased almost to 80,000 containers waiting to be moved.

In the early days of the pandemic, our federal and state governments took swift action to invest in food systems and to work together to keep supply chains moving. The situation we now face echoes some of the challenges we faced in the spring of 2020.

Finally, Georgia lacks a processing facility for produce. Today's consumer and retailer want a flawless product. Currently, if a fruit or vegetable is cosmetically flawed, it is thrown away with no other opportunity for market. The addition of a processing facility would allow products that are currently tossed to be sold in one of four categories: fresh cut, fresh prepared, frozen cut, frozen prepared. A facility like this would make great strides in reducing food waste as well as adding shelf life to these fruits and vegetables. In times when producers are spending more to grow their product, a processing facility would incentivize growers to stay in farming- to better balance out the additional costs incurred throughout the pandemic and supply chain crisis.

Thank you for allowing me to participate today. I look forward to the discussion and am able to answer questions today or in follow-up after the hearing.

Jon Schwalls is the Executive Officer of Southern Valley, a fully integrated, year-round grower, packer, and shipper of fruits and vegetables. Southern Valley is headquartered in Norman Park, Georgia. Schwalls has been with Southern Valley since 1995 and has served in various roles of leadership since 2004.

Schwalls' hands-on involvement through the years at Southern Valley range from his direct involvement with all levels of the supply and value chain, to the development and implementation of a vertically integrated business structure, to his continual daily oversight of all operations. His many years of experience in the produce and ag industries have given him a tremendous amount of knowledge and familiarity of the challenges associated with it.

Schwalls is active in industry councils and has served on the Board of Directors for the Southeast Produce Council.

Schwalls and wife Amber reside on a farm near Norman Park and have two children, Carter and Ellie.

Truth in Testimony Disclosure Form

In accordance with Rule XI, clause 2(g)(5)* of the *Rules of the House of Representatives*, witnesses are asked to disclose the following information. Please complete this form electronically by filling in the provided blanks.

Committee: Agriculture

Subcommittee: _____

Hearing Date: 11/03/2021

Hearing Title :

"The Immediate Challenges to our Nation's Food Supply Chain"

Witness Name: Jon T. Schwalls

Position/Title: Executive Officer

Witness Type: Governmental Non-governmental

Are you representing yourself or an organization? Self Organization

If you are representing an organization, please list what entity or entities you are representing:

Georgia Fruit and Vegetable Growers Association

FOR WITNESSES APPEARING IN A NON-GOVERNMENTAL CAPACITY

Please complete the following fields. If necessary, attach additional sheet(s) to provide more information.

Are you a fiduciary—including, but not limited to, a director, officer, advisor, or resident agent—of any organization or entity that has an interest in the subject matter of the hearing? If so, please list the name of the organization(s) or entities.

NO.

Please list any federal grants or contracts (including subgrants or subcontracts) related to the hearing's subject matter that you, the organization(s) you represent, or entities for which you serve as a fiduciary have received in the past thirty-six months from the date of the hearing. Include the source and amount of each grant or contract.

Please list any contracts, grants, or payments originating with a foreign government and related to the hearing's subject that you, the organization(s) you represent, or entities for which you serve as a fiduciary have received in the past thirty-six months from the date of the hearing. Include the amount and country of origin of each contract or payment.

Please complete the following fields. If necessary, attach additional sheet(s) to provide more information.

- I have attached a written statement of proposed testimony.
- I have attached my curriculum vitae or biography.

* Rule XI, clause 2(g)(5), of the U.S. House of Representatives provides:

(5)(A) Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof.

(B) In the case of a witness appearing in a non-governmental capacity, a written statement of proposed testimony shall include— (i) a curriculum vitae; (ii) a disclosure of any Federal grants or contracts, or contracts, grants, or payments originating with a foreign government, received during the past 36 months by the witness or by an entity represented by the witness and related to the subject matter of the hearing; and (iii) a disclosure of whether the witness is a fiduciary (including, but not limited to, a director, officer, advisor, or resident agent) of any organization or entity that has an interest in the subject matter of the hearing.

(C) The disclosure referred to in subdivision (B)(iii) shall include— (i) the amount and source of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) related to the subject matter of the hearing; and (ii) the amount and country of origin of any payment or contract related to the subject matter of the hearing originating with a foreign government.

(D) Such statements, with appropriate redactions to protect the privacy or security of the witness, shall be made publicly available in electronic form 24 hours before the witness appears to the extent practicable, but not later than one day after the witness appears.