



Kansas Special Committee on Economic Recovery
Verbal Testimony
Presented by Don Brown, Managing Director for U.S. State and Local Government Relations
Cargill, Incorporated
August 13, 2020

Chair Lynn and Committee Members, my name is Don Brown. I serve as managing director of U.S. state and local government relations for Cargill. On behalf of our employees, customers, and suppliers across Kansas, I appreciate the opportunity to testify before the Special Committee on Economic Recovery

Cargill is a global company with 155,000 employees in 70 countries serving customers in 125 countries to achieve our purpose of nourishing the world in a safe, responsible and sustainable way. As much as we are a global company, we are also a midwestern company. Cargill was founded just 450 miles Northeast in Conover, Iowa. For decades, we have had deep roots and operations here in Kansas, where today we employ nearly 4,500 hard-working Kansans.

- We have grain elevators in Atchison, Hutchinson Lenexa, Salina, and Topeka; animal feed plants in Kansas City, McPherson, Olathe, and Emporia,
- Cargill operates a salt evaporation facility in Hutchinson and a beef plant in Dodge City that employs over 2,500,
- In late 2018, Cargill opened a \$70 million, 188,000 square-foot headquarters for our Protein businesses in Wichita, which we are growing to meet the needs of our customers.
- In May of last year, we opened a \$90 million-dollar, state of the art biodiesel facility also in Wichita. When it is fully operational, it will produce 60 million gallons of biodiesel annually.

In our 155-year history, Cargill has withstood pandemics, economic downturns, and more, and always come through the other side. And we will again. Throughout this pandemic, Cargill we will remain focused on our values and mission.

We realize that our success starts with our employees – their health and safety are our top priority. Cargill is leveraging the capabilities of being a global company by continuously learning and implementing new protocols to protect our workers.

We are also supporting our valued customers that are also facing significant challenges resulting from this pandemic. We are working differently, but we remain committed to feeding the world safely, responsibly and sustainably.

And Cargill also understands the hardships families are facing during these times. Giving back to the communities in which we operate has always been part of our corporate DNA. Globally, we have committed \$35 million and more than three million pounds of food for global COVID-19 relief efforts

I would like to address three topics during my testimony: The impact of the pandemic on our sector, how we see our sector returning to pre-COVID levels, and what can government do or not do to assist in the recovery. Most of comments will focus on our beef and poultry processing businesses – this was the part of our business was most impacted -- however, I will also address how the pandemic has impacted other parts of Cargill.

Number One: The impact on the ag and food production sector was significant – especially for our beef and poultry operations.

As we responded to the COVID-19 pandemic, our priority was the health and safety of our employees. Our meat and protein processing facilities were literally transformed overnight to day to put in protective measures and rollout new health guidance as quickly as possible.

These measures meet or exceed the federal government’s health and safety standards as outlined in the guidance jointly issued by the Centers for Disease Control and Prevention (CDC) and the Occupational Health and Safety Administration (OSHA) regarding worker health and safety in meat and poultry processing facilities. Just a few of these measures include:

- temperature screening for all employees and contractors at the entrances;
- extensive and continuous monitoring by health services teams in our facilities;
- providing guidance on a 14-day quarantine for employees who have traveled internationally or exposed to another individual with COVID-19;
- implementing enhanced cleaning guidelines and procedures;
- installing screens between employee workstations,
- instructing carriers and suppliers how to deliver supplies safely to our facilities;
- daily roundtable meetings with plant leadership to communicate COVID-19 concerns; offering shift flexibility to keep our major production facilities open.

Cargill made – and continues to make –significant investments to put measures in place to keep our workers safe. Our partnership with local, state and federal health officials were critical as we all continue to learn more about the community-wide impact of the virus.

To recognize our employees’ tremendous contribution during the pandemic, we offered our production employees wage increases and additional paid leave. Cargill, Kansas ranchers, and

the entire food supply chain worked tirelessly to deliver protein to families throughout the nation and they continue to do so. We will continue to work together to keep our people safe, agricultural communities strong, and store shelves stocked.

We also saw dramatic changes in consumer behavior – the traditional market structure stretched the protein supply chain. Retail demand skyrocketed while foodservice channel and export markets essentially vanished. Shifting supply between the two channels creates operational challenges – packaging, product and transportation. Cargill optimized operations to address changing dynamics. We also looked for opportunity to provide streamlined packaging. We expect to see this shift in market structure to remain until restrictions impacting food service are lifted.

Our grain and oilseed supply chain business saw significant drops in commodity prices. In a study commissioned by the National Oilseed Processing Association, U.S. soybean farmers and crushers incurred losses of more than \$4.7 billion between January and June of 2020. As the economy shut down and people stopped driving, the consumer demand for vehicle fuels such as ethanol and biodiesel took a drastic hit.

This demand destruction caused prices to fall greatly for both the biofuels and the Kansas ag commodities that are used to produce the biofuels. These sectors continue to struggle from this market disruption, and we may not see markets rebound until COVID restrictions are lifted, travel returns to normal, and other sectors of the economy return to normal.

The second topic I have been asked to address is how long might it take the beef and poultry processing sector to get back to pre-COVID levels

This is a difficult question and the answer depends on how soon traditional food service operations can approach pre-COVID levels. Market data shows that currently 5 times more meals are prepared at home than purchased from restaurants. The data also shows that grocery stores and fast food chains are the most popular locations for prepared foods purchases.

We don't anticipate the food service market to fully return until restaurants, hotels, and schools are open without restrictions. A recent poll showed that 60% of consumers are *not very* OR *at all comfortable* dining in at a restaurant; and consequently, are leaning heavily on to-go orders and grocery stores for prepared food purchases.

My third and final topic I would like to address today: How can government assist the recovery process for the ag, food, and biofuels sector

Cargill and other Kansas food processing companies appreciate that Kansas referred to the guidance issued by the Cybersecurity and Infrastructure Security Agency (or CISA) when defining *essential critical infrastructure workers* who could continue to work during the stay-at-home and shelter-in-place orders. When other jurisdictions work to create their own definitions, it creates uncertainty as to what workers could continue to report to our facilities.

We would encourage state and local orders and guidance in Kansas that address food safety measures and other COVID-related directives to use federally established guidelines. Resilience and recovery require collaboration between the private sector and government leaders at all levels. Through collaboration we should continue to:

- Share our experiences and best practices among industry groups facilitated by public sector stakeholders;
- Communicate the complex nature of the food system to stakeholders – COVID has demonstrated how the entire supply chain, from point to point, is essential and that disruption in a single point of the supply chain can have significantly impacts;
- Consider the broad and long-term implications of stimulus packages and how these packages impact the supply of labor.

One of the significant challenges Cargill and other food processing companies continue to face is procuring enough personal protective equipment or PPE for our employees to keep our plants running.

As a result of the additional safety measures we have put in place, Cargill's use of masks and gloves has more than doubled to both protect our employees and maintain sanitary conditions. Further exacerbating the situation is that are limited to what types and brands of PPE will work in the environmental conditions in our facilities.

The healthcare industry has been made a priority for allocating the available supply – as of course they should be --but in order to keep the food processing and manufacturing plants running, we would like to see these plants made the next highest priority.

In closing, I would like to end on a positive note. We are working in unprecedented times – and we believe we can each learn from each other on how to meet these challenges.

Thank you for the opportunity to speak to you today.