

Colorado Potato Administrative Committee  
1305 Park Ave.  
Monte Vista, Colorado 81144

April 11, 2011

Chairman - Honorable Representative Scott Tipton  
House of Representatives- Subcommittee on Agriculture, Energy, and Trade

Dear Chairman Tipton and committee members,

I want to thank Chairman Tipton and the committee members for the opportunity to speak today on behalf of the Colorado Potato growers in the San Luis valley of southern Colorado. As executive director of the Colorado Potato Administrative Committee, the state and federal marketing order for potatoes in the San Luis valley I represent over 170 potato farmers. These growers typically produce over 2.2 billion lbs. of potatoes annually with a typical economic return to the growers between \$175-240 million, depending on the market price of potatoes. The San Luis valley is a high altitude alpine desert, base elevation 7600 ft., with less than 7 inches of moisture annually. Irrigation supplies are dependent on abundant snowpack and sustainable utilization of a vast underground aquifer. Our growers produce some of the highest quality potatoes in the United States. Colorado ranks as the second largest shipper of fresh market potatoes in the country with over 90 percent of our crop being marketed as fresh table stock.

This six county region of Colorado is dependent on agriculture as the economic engine for the valley's nearly 50,000 residents. The area is predominately rural with the largest city of Alamosa having a population of less than 10,000 when the students are in session at Adams State College. Unfortunately, we possess some of the poorest counties in Colorado with many rural families having incomes below poverty level and without the opportunity for better jobs.

I want to focus my testimony on three areas;

- The impact of high energy and gas prices on agricultural producers,
- The inability of the United States to increase domestic production of our vast energy reserves, and
- The cost of regulation to agricultural producers

### **The impact of high energy and gas prices on agricultural producers**

I recently read a report claiming that for every \$.10 increase in gas prices there is a net loss of \$5 billion dollars to the United States economy. When you consider the fragile state of the worldwide economy today this number has even greater significance. When you consider that petroleum based products are the only source for most of the transportation needs of the entire world there is real no mystery why limited supplies result in rising prices when worldwide demand is growing rapidly.

Agriculture requires energy as a critical input to production. Potato production uses energy directly as fuel or electricity to operate tractors and equipment, cool potato cellars,

process and package product, and indirectly in fertilizers and chemicals produced off the farm but needed as critical inputs for crop production. Total energy cost of an irrigated potato crop in the San Luis valley can be as great as fifty percent of total production expenses. Unlike areas of the country where irrigation is unnecessary or no-till practices are the norm, potato production requires intense irrigation dependent on electricity. Growers must use intensive tillage for a crop that is dependent on loose, friable soil conditions for proper tuber development and quality production. The crop must be stored at the correct temperature and humidity to insure marketable condition for a year round supply to satisfy consumer demand. The crop must be shipped in refrigerated trucks to distant markets across the country throughout the year.

So what happens when gas prices rise like they have this year? Because individual farmers are “price takers” and lack the capacity to pass on higher costs through the food marketing chain the result is net farm income will be reduced. The reality is prices of most fuel sources tend to move together so as gas prices rise typically other energy prices rise in concert. Fertilizer prices are dependent on natural gas prices and potatoes require large amounts of nitrogen, phosphate, and potash fertilizers. Harvest, sorting, grading, and shipping are all heavily mechanized energy dependent steps. The San Luis valley is located in an isolated mountainous region where winter can be fierce. High diesel prices affect freight rates and truck availability cutting into a grower’s bottom line. The economic reality for our area is when farmers make less money the local economy suffers. Farmers are forced to cut back on expenditures and this lack of economic activity impacts local businesses and communities.

### **The inability of the United States to increase domestic production of our vast energy reserves**

Because the United States relies on imported sources of oil for over 60 percent of our oil needs we export wealth daily, primarily to countries that are hostile to us. This not only causes economic stress but is a threat to our national security. Without a stable source of relatively economical energy for agriculture our nation’s food security is at risk and as a result our national security. As the proud father of a U.S. Marine currently serving in Afghanistan I am speaking from my heart when I write these thoughts.

I recently read a report from the Congressional Research Service detailing the potential fossil fuel reserves of the world. I was encouraged to see that the United States might actually have the largest fossil fuel reserves in the world but I was distraught because as a country we continually fail to develop these resources. It is time to find bi-partisan solutions to this embarrassing failure to develop all energy sources that are available. Energy prices are going to continue to rise with increasing worldwide demand even if we develop multiple sources of energy as quickly as possible. Failure to act puts our great nation and its ability to feed the world at risk.

In the San Luis valley potato growers are working within a local coalition to explore community based solar energy development. We are doing this to develop the abundant natural resource we are blessed with, and encourage economic development within the region. We recognize the need for sustainable energy development and fear the lack of energy availability in the future unless our nation’s energy policies change. The reality is solar energy doesn’t currently make economic sense but it will as energy prices continue

to spiral higher. This process has met and will continue to experience opposition over transmission line location, which provides a convenient transition to my last comment.

### **The cost of regulation to agricultural producers**

I encourage the committee to consider the economic impact over-regulation has on agriculture and small business across the country. Any new regulation should be thoroughly analyzed for the often unintended economic consequences that may result. I applaud the recent House vote to prevent the unnecessary NPDES permits that were being forced on agriculture without just cause. As a nation we must respect and consider everyone's opinion when we make decisions affecting the environment, food safety, school meal plans, etc. But as elected officials you have the responsibility to create laws that carefully represent the beneficial interest of the majority of citizens. It is not possible to please all interests and make progress. As an example potato growers should have to observe Good Agricultural Practices, but they should not have to follow the same practices as onion growers or lettuce growers. The potato industry is currently burdened with unnecessary food safety audits because retailers mandate them out of fear or as a marketing tool, not because potatoes have realistic science based risk levels. Another example is the Environmental Protection Agency proposing dust regulations for rural American when they don't have data from rural areas to show there is an actual problem. The reality is rural America is dusty and potatoes grow in the dirt. The good dirt that feeds us all.

In closing I would like to finish with a comment about the need for a transmission line for solar development in the San Luis valley. Currently there is only one transmission line serving the entire valley. The utility companies have identified the need for redundant service because of capacity issues and for solar energy development that would provide badly needed economic growth. Opponents to the transmission line basically are opposed because they want it located somewhere else, away from their property or view. I imagine there was the same type of local opposition when the railroads were built or the existing transmission line first provided electricity to the valley. The difference today is the regulatory process is used blatantly to prevent thoughtful progress for the majority of citizens.

Thank you for the opportunity to testify today. Colorado potato growers appreciate your commitment to agriculture and our nation, and we are grateful for your efforts.

Respectfully,

Jim Ehrlich  
Executive Director  
Colorado Potato Administrative Committee

