

Joint Agriculture Sector Statement
to the
Subcommittee on Transportation Security and Infrastructure Protection
Committee on Homeland Security
U.S. House of Representatives

“Chemical Security: A Rising Concern for America: Examination of the Department’s Chemical Security Regulations and its Effect on the Public and Private Sector.”

July 23, 2007

The purpose of this statement is to present the views of the undersigned organizations on the Department of Homeland Security’s (DHS) Chemical Security Regulations and their impact on the agriculture sector. We represent hundreds of thousands of stakeholders who are in or who serve the U.S. agriculture community. We believe that stationary propane storage does not warrant coverage under these regulations. We believe the DHS regulations will increase the cost of propane with no associated increase in security. We believe that the DHS regulations will reduce the safety of farming operations using propane. We believe that the DHS regulations will disrupt our propane suppliers during the critical winter heating season.

Propane storage does not warrant coverage under these regulations. Propane is a critical fuel source used on rural residences, farms/ranches, mills, food processors, farm supply outlets, and various other agriculture and food related operations. It burns cleanly, and effectively meets the energy needs of customers. The vast majority of agriculture operations that rely on propane are located in rural areas with no conceivable impact on homeland security. Any incident that might occur would certainly be local in nature without any lasting impact on the security of the American homeland. In light of this fact and the significant compliance burdens associated with the DHS regulations, we believe that propane should be excluded from coverage under the rule.

The DHS regulations will reduce the safety of propane customers. By establishing an arbitrary threshold for propane above which the regulations kick in, DHS has set up powerful incentives for customers to keep their storage below the threshold level. This will force suppliers to make multiple deliveries of smaller quantities. This means more trucks on the road during the winter heating season, and drivers will spend more hours delivering fuel to customers. The least safe aspect for propane users is the transfer operation from truck to storage tank, while the safest aspect of propane use is stationary storage. Increasing the number of deliveries will therefore increase safety risks for customers.

The DHS regulations will discourage agricultural users from keeping their storage tanks full as they enter the winter heating season. The critical winter heating season presents special risks for agriculture operators. Any disruption of fuel supplies places their investments in jeopardy. The significant compliance costs of the DHS regulations force propane users to make a terrible choice: keep their tanks full and be regulated by DHS, or stay beneath the regulatory

threshold but risk running out if the distribution chain is interrupted. The regulatory compliance burdens will encourage agricultural users to keep their storage tanks only partially full.

Therefore, any disruption to the fuel delivery infrastructure, such as winter snow and ice storms that slow down or stop truck deliveries, could jeopardize a large number of farm operators.

The DHS regulations will increase the cost agricultural businesses have to pay for propane.

Agriculture operations are no different from others in America in being squeezed by the higher costs of the fuels they use. The DHS rules, however, will additionally and disproportionately affect the price of propane. Suppliers will be asked to make more deliveries of smaller quantities to ensure that their customers stay below the regulatory threshold quantity. We expect that this will mean suppliers will have to increase the size of their fleets of delivery trucks. The added capital expense would have to be spread over the same overall volume, thus increasing the per-gallon cost of the fuel.

Respectfully submitted,

Agricultural Retailers Association
American Feed Industry Association
American Farm Bureau Federation
CHS, Inc.
National Agricultural Aviation Association
National Association of Wheat Growers
National Cattlemen's Beef Association
National Chicken Council
National Corn Growers Association
National Grange
National Propane Gas Association
National Turkey Federation
Southern States Cooperative, Inc.
United Egg Association
United Egg Producers
U.S. Poultry & Egg Association