

**Testimony of Norman Krug  
CEO, Preferred Popcorn, Chapman, Nebraska**

**Subcommittee on Surface Transportation, Maritime, Freight, and Ports**

**U.S. Senate Committee on Commerce, Science, and Transportation  
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Chair Peters, Ranking Member Fischer, Chair Cantwell, and Ranking Member Wicker,

Thank you for the opportunity to testify today. I am Norm Krug, CEO of Preferred Popcorn, and a farmer in Chapman, Nebraska. We grow yellow dent corn, white corn, soybeans and especially love growing popcorn. My father grew popcorn for forty-five years, and I have now been producing popcorn for over forty-four years.

Twenty-three years ago, a mile and a half from my house, there was a popcorn cleaning facility that been vacant for two years. It became my vision to reopen that facility allowing for us to market our own popcorn as well as provide more opportunities for local farmers. I called ~~some~~ close friends who were also farmers and the Aurora Cooperative. Together we decided to see if we could make this new venture successful and market the products of our toils.

I hoped that we could begin by selling our popcorn to Nebraska concessionaires, cinemas, and stadiums, and then expand beyond that to ship into other surrounding states. In our first year, we grew enough popcorn to fill 200 semi truckloads. I called the University of Nebraska to see what their consumption would be. It turns out that the University of Nebraska only used one truckload per year for all their sporting events, and even that popcorn was donated. Thus, my plan of opening a popcorn company to supply the needs in the state of Nebraska was not going to be enough. We quickly learned that we needed to look outside of the state and maybe even outside of the country to sell all the popcorn we had produced.

A few days after forming the new company, my wife and I, as well as some of the owners, attended our first trade show. At that trade show we saw the evidence that the US market for popcorn was nearly saturated. There were few US companies that seemed to need a new popcorn supplier. Thankfully at that show we met a man named Doddy from Indonesia, and he was willing to hear about our new company, Preferred Popcorn. We started shipping our popcorn to him two months after our initial meeting, and I am thankful to say that twenty-three years later, we still ship to my good friend Doddy. In the first few years, we had numerous stories like this. While we struggled to gain name recognition and credibility with the large domestic theater brands, we were growing quickly in the global marketplace. Countries

including Mexico, Indonesia, China, India, Thailand, and Taiwan were loving our high-quality American popcorn. We started investing in exporting to support our international customer base. We staffed international documents specialists at our facility to learn the customs requirements in the countries we were shipping to, and we started traveling to trade shows overseas to find more distributors for our popcorn. With the support of the EXIM bank, we were able to ship to these countries without concerns about receivables. These investments paid off and soon we were shipping to over fifty countries. We purchased a second facility in Palmyra, Indiana to help with our domestic and international sales and we continued to innovate to meet the diverse needs of our customers. We've been blessed with substantial growth over the last twenty-three years, and we thank God often for leading us and giving us a vision for the future. Our mission statement reads, "Preferred Popcorn strives to honor God by providing high quality products and serving our customers with integrity." With His help, we have been able to do just that.

2020 hit our business hard. Today much of our popcorn goes to the cinema business. COVID's effect on the movie industry cannot be overstated. I always believed that our diverse allocation of international customers meant we would be cushioned from the ever-changing global trade landscape. On many occasions, we observed one country's popcorn needs decrease, while at the same time, another country's needs would increase. In the case of 2020, the difference was that in every country there were no operating theaters. We had bins full of popcorn, and our largest category of customers were shut down in an instant. But we are farmers, and farmers will always find a way.

For the next six months we "left no stone unturned." We reached out to contacts in new markets and to old friends, trying to keep our employees working and our facility up and running. Thankfully it worked, and we were able to move dramatically into new markets in the Middle East and Asia. These countries tend to consume popcorn in their daily diet and not just in cinemas. Countries like Egypt and Dubai were taking dozens of containers towards the end of 2020. It was then that we started to see a shift. Our logistics team began informing me that the steamship line bookings were not coming back from our forwarders as quickly as they had in the past. Within a few weeks I started getting calls from customers asking why our popcorn was taking so long to get to their ports. For the next few months, we heard about the problems on the west coast and the buildup of ships waiting to be unloaded. At first there were not enough containers to load at our local depot in Omaha. Then, we could not get space on steamship lines going from the west coast to our customers in Asia.

At the beginning of 2021, we started to see a large increase in wait times for steamship line bookings off the east coast as well. This drastically slowed our ability to ship from our Indiana facility. In April of this year, we had a customer fly urgently from Cairo, Egypt to Nebraska. We had contracted to sell over 300 containers of popcorn to companies in Egypt. Sadly, because of the logistics breakdown, we had not been able to ship many of them. Our Egyptian customer visited Nebraska to find out if it was our fault that these containers had not shipped. At that

time, much of the world did not know what was happening in the freight industry and what American businesses were facing as they shipped their goods overseas. Some of these containers were arriving three months later than normal transit times.

Explaining the global freight crisis to our customers has now become part our daily routine. Had there not been these logistics obstacles, Preferred Popcorn would have shipped over 600 more containers in 2020 from our docks. Through October of this year, we would have shipped more than 900 additional containers to our customers who desperately need our popcorn.

For cinemas, popcorn provides the highest margin and nets the most profit of anything being sold at the concession stand. Popcorn is a pillar in the financial stability of any cinema chain. Theater owners often tell us that popcorn is the one thing that they simply can never run out of. The container freight issues have obviously affected our bottom line as well. Many of the contracts that we write with our customers have a hard stop date. Meaning that after a certain date, the contract is void and we lose those sales. Because we were not able to ship the necessary containers, we have lost many sales entirely; many times, to our competitors who produce popcorn in other countries. In the last two years we have seen many of our customers turn to popcorn producers in Argentina and Brazil because we are not able to get the necessary containers or steamship line space to ship our products. Unfortunately, once we lose these customers, it is a struggle to regain them. Our international distributors sell our brand, Preferred Popcorn, to their customers. Once they change their product line from American products to alternatives, it can be difficult to switch back. Our brand has hard-earned name recognition in many countries, and losing market share due to logistical issues has become a stark reality. Preferred Popcorn employs over eighty people in small Midwest towns. We contract with over 125 farmers to grow our popcorn in seven states. The millions of pounds we sell to our customers overseas represent dozens of hard-working families that rely on good paying jobs.

Along with the container shortages and steamship line delays we have experienced a large increase in freight cost. We are continually being told from our freight carriers that the current shortage of drivers and dock workers are raising prices for businesses all over the Midwest. Preferred Popcorn has seen a 30% increase in freight costs since 2020. In many cases we have had to absorb that additional cost, but most impactful has been the opportunity cost of the freight increases. Over the last twelve months we have lost some ability to compete in the global market because we can no longer move our product affordably to many international ports. Overall, this has equated to a loss of sales for Preferred Popcorn totally more than \$10,000,000. It has meant strained relationships with international partners and distributors that we have fought hard to maintain over these twenty-three years, and it will mean a higher cost to the consumer.

Over the last year our team and I have met with our forwarders and trucking companies to try and find solutions to our shipping problems. We have been given many reasons for the current situation including the lack of containers in the Midwest, the lack of space on the steamship lines, trucker shortages, and port congestion. Solving any one of these problems is difficult but finding ways to ship consistently in this freight climate has become insurmountable.

Our popcorn is a good-for-you, affordable snack food that is cost effective enough to be consumed in some of the most impoverished nations. The current freight situation has been passed on to the end consumer in many countries including our own. Trucking, and rail costs have both risen in conjunction with container costs. This has meant a higher popcorn cost to US businesses and theaters.

Our industry is not unique in how the container freight crisis has affected us. Many Nebraska small businesses are feeling the burden of lost revenue and high cost of goods. We have heard from our forwarder partners that many containers that could be filled with American products are being returned across the ocean empty to be loaded again with goods coming into the United States. This practice confines our exports and limits our potential new sales. Small businesses need these containers in the Midwest. We are hoping for more accountability between the steamship lines and the Federal Maritime Commission to accomplish our mutual goals of fast and affordable trade. Hopefully this would allow US exporters a fighting chance at loading and shipping containers and providing American goods to a global audience.

I believe that, if given equal trade opportunity, American farmers can compete in any market, but we need free trade to do so. The trade limitations facing American farmers are putting all of us at a disadvantage with our competitors. The rising cost of inputs for our growers and high import duties into many countries mean American farmers are getting besieged on multiple fronts. Import duties on US goods, including popcorn, can be as high as 55% into many countries. These import duties, on top of the freight crisis, have meant losses for our company and many other small exporters in the Midwest.

Exports are essential to Preferred Popcorn and to the state of Nebraska. Our state has a population of 1.9 million and operates 45 million acres of farmland. Nebraska farms exported nine billion dollars in goods in 2019 alone. We grow and raise more food products than our state could ever need. We want to be able to better serve our global customer base and provide them with the high-quality products that our state offers.

I appreciate the opportunity to share our story and to respectfully encourage the committee to provide the relief and assistance to Nebraska processors and the agricultural community at large who work tirelessly, every day, to feed the world.