

»»»»» CONGRESSIONAL DISTRICT 10 «««««

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# AGRICULTURAL ROUNDTABLE

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October 2016  
Modesto Junior College Ag Pavilion  
Modesto, CA

# Table of Contents

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Executive Summary .....	Pg. 3
Roundtable Discussion Overview .....	Pg. 4 - 8
Key Recommendations .....	Pg. 9 - 10
Roundtable Attendees .....	Pg. 11
District Agriculture Profile.....	Pg. 12
State Agriculture Profile .....	Pg. 13
Key Industry Snapshots	
• Almonds .....	Pg. 14
• Dairy .....	Pg. 15
• Eggs .....	Pg. 16
• Fruit & Other Nuts .....	Pg. 17
• Pork .....	Pg. 18
• Poultry .....	Pg. 19
• Walnuts .....	Pg. 20
• Wine .....	Pg. 21

# Executive Summary

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The purpose of the roundtable is to provide an opportunity for the most prominent stakeholders in our district to receive updates from Rep. Jeff Denham and engage in open discussions with both him and their peers across agriculture sectors.

The forum focused primarily on:

- Water
- Trade and Trans-Pacific Partnership
- State and federal regulations
- Labor and immigration
- 2018 Farm Bill

From the discussions, the subsequent key recommendations largely revolve around the continuation of current efforts or the revival of inactive ones. Key recommendations of note are:

- Build off last Congress's water negotiation accomplishments to further progress innovative and permanent solutions.
- Continue work with USDA and the U.S. Trade Representative (USTR) on a case-by-case basis to ensure fair, secure trade for our domestic producers and safe imports for our domestic markets.
- Push for a WOTUS repeal by the new Administration.
- Push for comprehensive immigration reform with a suitable agricultural worker visa fix, and explore year-round visa proposals.
- Schedule industry-specific roundtables and House Ag Committee field hearings in the district leading up to the next Farm Bill.

# Roundtable Discussion Overview

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## WELCOME/INTRODUCTIONS

Opening remarks were given by Josh Rolph of California Farm Bureau, who served as the event moderator, and Rep. Jeff Denham. The roundtable's purpose and format were presented to the attendees, who subsequently were given the opportunity to introduce themselves and the group or operation they represented.

## WATER

Rep. Denham discussed the priority of completing Water Resources Development Act (WRDA) before the end of the 114<sup>th</sup> Congressional session, as well as the possibility of compromise language in a potential year-end omnibus package. He noted the enactment of language from his NEPA Reciprocity Act (H.R. 2497) through the FAST Act (P.L. 114-94), which authorizes a state to use state environmental review and approval laws and procedures, consistent with certain requirements, in lieu of federal environmental laws and regulations. He also highlighted the introduction of the New WATER Act (H.R. 6022) to authorize a pilot project for a water project financing program, as well as the exploration of utilizing repatriated funds for domestic projects. Additionally, Rep. Denham emphasized the issues of predation, pulse flows, and appropriate water bond spending.

Much of the water session focused on the California State Water Resources Control Board's (SWRCB) recent proposal - particularly the proposal for increased pulse flows for fish and habitat enhancement. One attendee expressed concerns with the Board's nearly exclusive reliance on Fish and Wildlife Service (FWS) and U.C. Davis studies and data, with little or no citation of other verified scientific resources – including those from the local irrigation districts themselves. Another commented that the Board's estimated economic impact of \$64 million in annual region-wide losses is wildly erroneous. By his estimates, Stanislaus and Merced counties could see a combined annual loss of \$1.6 billion and a 22% reduction in crop acreage. He also noted that within Merced, San Joaquin, and Stanislaus counties agricultural jobs comprise roughly 37 percent of all jobs. Another expressed frustrations with SWRCB's unwillingness to work with local irrigation districts, as well as with its unsatisfactory or unclear answers to public questions; a fellow participant echoed the sentiments. Both men inquired about the possibility of federal preemptions over SWRCB's actions within WRDA, or a general increase in federal oversight over certain state actions on water matters. To this, Rep. Denham responded that the window for any WRDA amendments had passed, and there is some aversion to crafting and enforcing blanket federal regulations on States. The current plan of action continues to involve pressuring state authorities, including the Board, for more public input opportunities.

An attendee asked if the delegation has discussed a path forward in the next Congress with a new Administration, if WRDA or other water legislation not move before the end of this session. Rep. Denham maintained that, regarding water negotiations, the goal for this year was planning and aligning votes in order to “hit the ground running”, should something need to spill over into next year. He noted the difficulty of anticipating Congressional mark ups and the focus on the lame duck session, reiterating WRRDA as the best opportunity. He emphasized that, with the push by legislators from both parties to include assistance for the Flint water crisis, there should be equal consideration for the water crisis in California.

An attendee asked what the estimated share of the state's water supply goes towards beneficial use. Denham staff responded that while “beneficial use” is open to interpretation, common figures estimate roughly 52 percent is set aside for environmental purposes; of the remaining supply, roughly five to seven percent goes towards “public use”. Staff reemphasized the importance of continuing to improve public education on the matter.

A roundtable participant inquired about the status of conference on the North American Energy Security and Infrastructure Act (S. 2012). Rep. Denham responded that there is currently no impression that the Senate wants to address it before year's end, although House Speaker Paul Ryan and Majority Leader Kevin McCarthy continue to look at it.

A participant discussed how many residents and business owners are facing costly repairs or replacements of broken or deteriorating wells. Although California's State Water Efficiency and Enhancement Program (SWEEP) is a current avenue for assistance, the funding levels are not adequate in many cases and the eligibility criteria is narrow. Noting further that Farm Service Agency (FSA)'s disaster programs do not generally cover these types of recovery projects, he asked if some sort of an assistance bill could be proposed. Rep. Denham and staff offered to look further into the issue.

*UPDATE: The Water Infrastructure Improvements for the Nation (WIIN) Act was signed into law on December 16, 2016, which contains critical water provisions for California including operational flexibility, additional storage, and Rep. Denham's fish predation pilot program.*

#### TRADE AND TRANS PACIFIC PARTNERSHIP (TPP)

Rep. Denham opened by commenting on the economic importance of our export market, as well as the continuing issue many growers are having with product being held up at port and quickly losing value. He highlighted the TPP's provisions on sanitary and phytosanitary measures (SPS) and Canadian market access as two priority areas for him. Regarding the likelihood of the deal's consideration in Congress before the end of the year, Rep. Denham remarked that President Obama needs to do more to get more Democrat members on board, present Congress with an implementation bill that will garner its approval (which at that point, the Administration had not) and support the United States. However, he expressed doubt that the deal would get thrown out entirely.

Several attendees expressed support for TPP. It was noted that 80 percent of all U.S. almond exports come from California, and the deal would result in \$1 million in new exports. According to one of the industry's representatives, the almond industry's key countries of interest are Australia, China, India and Japan, many of which have already established bilateral agreements between each other, and if TPP is unable to garner American approval, domestic processing expansion will be in doubt. She advocated for furthering public education on the deal and changing the current rhetoric surrounding it. Similar sentiments were expressed by the attending walnut stakeholders; with California's walnuts comprising 64 percent of the world's walnut trade, a failure to approve TPP would increase the likelihood of our product being undercut by competing countries and bilateral agreements. Regarding table grapes, it was noted that 35 percent is exported and that such trade expansions are needed to help balance domestic losses they are experiencing now and in the future; he highlighted increased regulatory and labor costs under California's recent laws. From the livestock perspective, a representative remarked that 25 percent is exported, with Asian markets becoming increasingly big consumers. A dairy representative restated the industry's concerns with Canada and the need for strong enforcement language.

A local tree nut stakeholder pointed to the significant West Coast port slowdown in 2014 as example of the continuous anxiety they face year to year with potentially harmful port bottlenecks. Rep. Denham acknowledged the issue, commenting that there is progress being made on inland ports based in the Central Valley, as well as that the Port of Oakland has a unique labor situation. He also mentioned his work on the F4A preemption to improve wait times, among other trucking issues.

Noting the high number of SPS certificates that were issued this year, a participant emphasized the need to "depoliticize" some trade barriers and ensure sound science is the primary factor considered. Increasingly politicized barriers puts U.S. exporters at risk of having their shipments rejected simply because of who the receiving foreign inspector is.

Rep. Denham closed the trade session by reminding the group that it took President Obama five years to take up the trade deals negotiated under the Bush Administration. While the internal politics surrounding the deal are no secret, the President needs to make more of an outreach effort to members of Congress.

*UPDATE: On January 23, 2017, President Trump released a memorandum officially withdrawing the United States as a signatory to the TPP and further TPP negotiations, emphasizing the need for trade on a bilateral basis.*

## STATE AND FEDERAL REGULATIONS

Given the record pace executive orders and agency rules have been pushed during the Obama Administration, Rep. Denham reaffirmed Congress's work to remain diligent and push back; he cited the House's repeated passage of the Regulations from the Executive in Need of Security (REINS) Act as one of many actions he has supported to ensure the executive powers are properly checked. Regarding the Environmental Protection Agency's (EPA) controversial Waters of the United States (WOTUS) rules, Rep. Denham spoke of efforts to take up WOTUS during the lame duck period and potentially hold a hearing on the issue.

As context for what WOTUS could mean for others nationwide, the ongoing federal case against local farmer John Duarte was briefly discussed, which stems from disputes over definitions of 'plowing' and 'discharge' under the Clean Water Act (CWA). The Endangered Species Act (ESA) was highlighted as a huge factor, since part of the argument against him is that his plowing acts disturbed vernal pools that protected species *might* occupy. He also mentioned how, in his experience in court, preference has predominately been given to the agency's justification. As WOTUS currently stands, it has been estimated that roughly 98 percent of all U.S. streams and wetlands will fall under the same level of federal jurisdiction and scrutiny. He noted that the whole situation has led to him being fined \$8 million and the agencies continuously demanding to access his budget books, financial statements, and other business documents. Mr. Duarte expressed a fear that, since now apparently wheat planting constitutes a violation, farming will become entirely a "by permit only" industry.

Another attendee noted that pending CWA lawsuits similar to Duarte's have resulted in many of the defendants getting loans from FSA or SBA delayed. She also reemphasized that WOTUS is a food security issue that is tied directly to our national security.

Mr. Rolph highlighted the Food Safety Modernization Act (FSMA) as another example of executive overreach, since the Act grants the Food and Drug Administration (FDA) unprecedented authority over the farming process. He also acknowledged that any potential reform or roll back efforts would be tricky from a messaging standpoint, since no one wants to give the perception that such efforts are anti-food safety. Another attendee spoke of his own industry's existing food safety work and how it meshes with FSMA. Overall, his industry feels secure with what the Act requires and does not want to backtrack on the independent work its producers are already doing. However, he commented that FDA has not delivered on the necessary guidance and hopes there will not be an increase to the number of audits conducted each year. A tree nut stakeholder expressed concerns over the FDA's new role in the auditing process, given the agency's little to no experience in the area; simply, the FDA auditors "come in but don't know what they are looking for." She noted that the private, industry-driven Global Food Safety Initiative already has an adequate audit infrastructure already in place and recommended that the emphasis should be placed on importers, not domestic producers. She also highlighted the fact that FSMA will have an uneven impact across the produce industry, since crops that don't have any history of contamination must now implement a system to abide by the same standards as those crops that already have such a system in place.

## IMMIGRATION AND LABOR

Rep. Denham spoke about how he is continuing to work with Speaker Ryan to address immigration reform, commenting that, regardless of who the next Administration is, the 115<sup>th</sup> Congress will have a stronger mandate to bring up solutions, especially related to the agricultural worker visa process.

An attendee noted that the current rhetoric playing out on the presidential campaign stage isn't helping the situation, and that employers continue to face challenges with the H-2A visa program's housing requirements. Another stakeholder opined that a better visa process will directly result in improved border security, since Customs and Border Protection (CPB) agents will be able to determine with certainty who should and shouldn't be entering the United States. A better process can also help to keep stable immigrant families together. Another commented that the ongoing immigration rhetoric, coupled with some intensifying anti-agriculture sentiments, could have a residual effect on the next generation. Specifically, the children of immigration farm laborers may develop a distaste for the industry and aim to find work elsewhere. Regarding the broad, long-term workforce challenges agriculture faces, he suggested that

more should be done to expand trade schools that emphasize ag-relevant jobs, as well as bolster outreach to “non-traditional” demographics.

Livestock representatives shared concerns about their industry’s unique labor needs. Year-round workers are needed but the current visas available to them are short term, making it more difficult and time consuming to find and train workers that will be temporary and replaced while avoiding a labor gap. Rep. Denham responded that livestock-specific visa proposals have been previously brought up to Speaker Ryan.

An attendee raised concerns shared throughout the industry over California’s new labor and wage regulations. The projected new labor costs will either force producers to bring on more workers or cut production, with the former option already being a struggle they face. Another predicted that such regulation and labor constraints will only work to force small farmers out of the industry, while the larger farmers and corporations will survive.

## 2018 FARM BILL

Rep. Denham emphasized the need for constant dialogue between the office and agriculture stakeholders, to ensure proper collaboration is done for any necessary draft language, amendments, or ancillary legislation. Collaboration will also be needed to ensure beneficial programs and provisions that are a win for the industry remain in the Farm Bill. Josh Rolph briefly discussed that American Farm Bureau held a working group this past July and plans to initiate field hearings this coming spring. Most of the Farm Bureau’s focus will be on specialty crops (which constitutes roughly one percent of the Farm Bill), dairy, agricultural research, conservation provisions like Environmental Quality Incentives Program (EQIP), and potential subsidy program changes under Title I.

Tree nut representatives expressed support for increased market access program (MAP) funding for value-added products like almonds and walnuts, respectfully. They highlighted existing MAP successes as well as new market opportunities; with TPP also up in the air, the industries need to be prepared to explore alternative ways into such markets. From the dairy perspective, a stakeholder remarked that the Margin Protection Program (MPP) should be reformed; no specific proposals were given.

In response to the calls for increased MAP funding, an attendee remarked that stakeholders need to be mindful of the swelling size of the Farm Bill and to not ultimately “trade the freedom to farm for free stuff”. He asked that more be done to assert the Natural Resources Conservation Service (NRCS) as the primary authority in oversight of wetland-oriented farming. Rep. Denham expressed appreciation for those remarks, reminding the group that the House Agriculture Committee is no longer predominately composed of farmers, making it even more vital that the industry’s value and needs are properly communicated to members throughout the committee and Congress. Josh Rolph added that, with the overall federal budget baseline declining, more funding for the next Farm Bill seems unlikely.

It was noted that California is a gateway for invasive pests and requested that USDA funding be maintained - if not increased - for its prevention efforts through the Animal and Plant Health Inspection Service (APHIS); a local farmer echoed the sentiments and emphasized citrus diseases. It was also highlighted that, while the invasive pressure has been increasing, federal funding to counter it has remained stagnant.

A stakeholder asked whether there are, or will be, efforts to remove the nutrition title. Rep. Denham replied that, while he fundamentally believes that the Farm Bill should deal with farm policy only, the inclusion of the nutrition title will better ensure bipartisan support and more timely passage of the legislation. With that, he prefers to increase such food programs’ direct nexus to agricultural commodities, rather than simply grow the federal welfare system. In general, Rep. Denham anticipates the next Farm Bill will be narrowed.

Rep. Denham concluded that, as the Committee and stakeholders look towards the next Farm Bill, more should be done to also highlight recent accomplishments for the industry, especially from the last Farm Bill.

## OPEN Q&A

The first question asked if there is Congressional consensus on the necessity for foreign workers; Rep. Denham responded that on House Agriculture Committee there is, but House-wide there is not. The inquirer followed up by suggesting that a visa process including elements of self-regulation be considered.

A local tree nut stakeholder commented that EPA recently barred the industry from applying a certain anti-microbial, anti-fungus treatment that is used to tackle walnut blight. He requested that EPA should replace its outdated policies and reviews related to this matter and conduct better grower outreach, which he contended it failed to do.

A local stakeholder remarked that the agriculture industry's public image is not great, especially within the arena of water quality, water management, labor, and pollutant regulation, and needs to be corrected. He highlighted some of the attending groups' grassroots outreach efforts. Another supported more money, either public or private, being directed towards increasing research, public education and outreach. He suggested potentially expanding the number of industries that do "in-industry certifications" or initiatives like the Beef Checkoff Program to general revenue for such endeavors. Final comments emphasized that social media should be more heavily utilized and that the industry cannot afford to be passive on this issue.

Rep. Denham closed the roundtable by thanking the California Farm Bureau for moderating, reminding everyone to leave their contact information for follow up, and stressing the office's desire to continue hosting meetings and further solidifying its relationship with stakeholders in our district's most important industry.



# Key Recommendations

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## WATER

- **Push for further water compromises amongst the California delegation and the passage of Rep. Denham's New WATER Act.** *The gains in the WIIN Act were significant, and it will be important to continue building on those bipartisan California efforts to push for more innovative and permanent solutions, which includes the New WATER Act's proposed water project financing program.*
- **Ensure Rep. Denham has a seat at the table for any potential infrastructure proposal pushed by the new Administration.** *President-elect Trump has repeated promises for an ambitious, \$1 trillion infrastructure package. Should something like this move forward, it will be vital that Rep. Denham be well positioned to push for water infrastructure language. Continued close collaboration with House Transportation and Infrastructure Committee and House Natural Resources Committee will be necessary.*
- **Maintain pressure on SWRCB.** *The proposal has been widely condemned by agricultural groups and water districts. While it is a state issue, the input of the public and inclusion of independent studies must not be overlooked; requests for deadline extensions and more open community forums is one way to remain active.*

## TRADE

- **Continue work with USDA and the U.S. Trade Representative (USTR) to ensure fair, secure trade for our domestic producers.** *In light of the U.S.'s withdrawal from the TPP, Rep. Denham must remain vigilant to advocating for the industry in new or existing bilateral relationships. Over the past few years, several contentious trade issues that have warranted office action include almonds to India, lemons from Argentina, apples from Poland, olive oil from Western Europe, peaches from China, and dairy products to Canada. Letters and phone calls to the U.S. Trade Ambassador, the European Union, and U.S. embassies overseas should continue as necessary, on a case-by-case basis.*
- **Ensure proper SPS analyses, reviews, and oversight is being conducted by the Administration.** *Several of the aforementioned trade issues concerned the Obama Administration's allegedly inaccurate reviews and hasty approvals of certain imports. The issue of invasive pests and diseases cannot be taken lightly in California; with a new Administration, it is crucial that such agency review processes are improved and are more inclusive of industry. Early letters to the Administration and conversations with industry can help ensure the import reviews in questions are done properly or scrapped entirely.*

## STATE AND FEDERAL REGULATIONS

- **Push for a WOTUS repeal by the new Administration.**
- **Enhance or reassert the role of USDA and NRCS over farming practices.** *The industry has long had concerns over the EPA and Army Corps' growing federal overreach, as well as their questionable working relationship with USDA.*
- **Explore ways to ensure certain vital farming or business loans are not held up solely to due lawsuits related to WOTUS.** *While there are legitimate concerns over allowing loans to go through to potentially questionable recipients in the midst of legal suits, the legally questionable nature of WOTUS itself arguably complicates WOTUS-based lawsuits. While the fate of WOTUS continues to be debated, options could be considered to give defendants certain relief related to loans they may be entitled to.*
- **Push EPA to reform regulations of walnut blight treatment and other treatment applications.** *The ever-growing threat of invasive pests and disease increases farmers' reliance on vital pesticide and fungicide treatments. EPA's burdensome regulations and approval processes limits the pest management toolbox for the industry. Efforts could be undertaken collaboratively with impacted stakeholders to identify reasonable updates to the EPA's processes or give more flexibility to farmers for emergency use situations.*

## IMMIGRATION AND LABOR

- **Push for comprehensive immigration reform.** *The new Congress and Administration gives the legislative body an opportunity to revived reform discussion. This has long been a top immigration priority for Rep. Denham, and agricultural worker visa reform must be a vital component of that. Specifically, support for any mandated E-Verify system will be conditioned on the inclusion of legitimate H-2A and H-2B visa reform.*
- **Explore year-round visa proposals.** *As highlighted by the livestock representatives, options for year-long visas or at least longer-term visas should be explored. Conversations with the relevant committee and agencies can help to gain more insight into the past or current consideration of this proposal.*
- **Conduct more extensive industry outreach to gauge their specific reform requests.** *While the topic has come up countless times in meetings and speaking events, a more detailed “wish-list” should be developed as a resource for any potential early negotiations the office participates in.*
- **Support avenues to increase agricultural job skills training in trade schools.** *The skilled workforce demands within the Central Valley span all economic industries. Bipartisan efforts to support career and technical education (CTE) programs in Congress have progressed in various iterations. A combination of local CTE site visits, and discussions with House Education and Workforce Committee (and potentially House Agriculture Committee) could produce new legislative ideas and opportunities to encourage greater collaboration between CTE programs and our local ag operations.*

## 2018 FARM BILL

- **Schedule industry-specific roundtables in the district.** *While this roundtable served well to bring together our diverse group of stakeholders and have Rep. Denham directly provide updates on their top unifying issues, it will become more important to meet with each industry to discuss specific needs and brainstorm on Farm Bill language or other legislative actions. A few of the roundtable attendees have already expressed interest in such discussions.*
- **Request House Ag Committee field hearings in the district.** *As the top producing agricultural state in the United States, the Committee must have a vested interest in ensuring California’s interests are fairly represented. Should Rep. Denham’s subcommittee assignments remain the same, conversations with the relevant Committee staffers will begin early in the 115<sup>th</sup> session to coordinate such an event. Collaboration with fellow California Committee members may be warranted.*
- **Expanding and maintaining provisions that promote specialty crops.** *As previously mentioned, specialty crops comprise one percent of the Farm Bill’s content; at the same time, California is the number one producer of specialty crops. Unlike many of the commodity crop sectors, specialty crops continue to enjoy relatively stable prices, increasing demand, and international market opportunities. Gains from last Farm Bill, like crop insurance and research funding, should be maintained.*
- **Emphasize invasive pest and disease prevention.** *Given its robust specialty crop industry and key U.S. ports, California is especially vulnerable to invasive diseases and pests. Opposing funding cuts and exploring ways to enhance APHIS’s partnership with CPB are two areas of priority to consider. Also, given the impact of the 2015 West Coast port slowdown, further safeguards to prevent inspection lapses could be explored.*
- **Actively participate in MPP reform discussions.** *Dairy was one of the most contentious sections during 2014 Farm Bill deliberation, and post-Farm Bill meetings reveal that new and existing problems continue to plague the industry. The calls for MPP reforms and other dairy program improvements vary regionally, so it will be vital that California’s dairy groups are represented. Early meetings with both producers and processors will need to take place, as well as close contact with other dairy-heavy state Representatives who may or may not have been around for the previous Farm Bill.*
- **Shut down any renewed efforts to undermine or override California’s egg cage laws.** *This was arguably Rep. Denham’s biggest priority during the last Farm Bill. While such efforts were successful, it will be necessary to start tracking any potential revival as soon as possible and conducting early outreach to the various egg and animal rights groups who were supportive last time.*

# Roundtable Attendees

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Almond Alliance: Ashley Hollis, Administrative Assistant

Almond Board: Bunnie Ibrahim, Government Affairs Analyst

Blue Diamond Growers: Steve Van Duyn, Board Director

Blue Diamond Growers: Alicia Rockwell, Director of Corporate Communications

California Farm Bureau: Josh Rolph, Manager of Federal Policy

California Farm Bureau: Chelsea Molina, Federal Policy Legislative Analyst

California Fresh Fruit Association: Ian LeMay, Director of Member Relations & Communications

California Walnut Board: Tim Sambado, Prima Frutta

California Walnut Board: Michelle Connelly, Executive Director

California Walnut Board: Carl Eidsath, Technical Support Director

California Walnut Board: John Mundt, Alpine Pacific Nut

California Walnut Board: Kenny Dickens, Alpine Pacific Nut

California Women for Agriculture: Pamela Sweeten

Crystal Creamery: Crystal Dohner, Business Development

Crystal Creamery: Frank Otis, President and CEO

Dairy Farmers of America: Steve DeBrum, North Area Manager

Dairy Farmers of America: Francis Pacheco, Vice President of Membership & Public Affairs

Duarte Nursery: John Duarte, President

Duarte Nursery: Jim Duarte, Chairman of the Board

Grower Nut Direct/J&T Cattle: Ted Gaylord

Land O' Lakes: Peter Garbani, Director of Member Relations

Ratto Bros Fresh Produce: Peter Reece

Ratto Bros. Fresh Produce: Anthony Ratto

San Joaquin County Office of the Agricultural Commissioner: Tim Pelican, Agricultural Commissioner

Stanislaus County Farm Bureau: Darrell Cordova, 2<sup>nd</sup> Vice President

Stanislaus County Farm Bureau: Tom Orvis, Government Affairs Director

Stanislaus County Office of the Agricultural Commissioner: Milton O'Haire, Agricultural Commissioner

San Joaquin County Office of the Agricultural Commissioner: Kamal Bagri, Assistant Agricultural Commissioner

Yosemite Meats Co.: Steven Lau, Vice President

Yosemite Meats Co.: Chance Reeder, Production Specialist

# District Agriculture Profile<sup>1</sup>

District-Wide	
Total Irrigated Crop Acres	411,475
Number of Farms	4,768
Agricultural Work Force	39,529

## Stanislaus County - #6 in State

Rank	Commodity	Value
1	Almonds	\$1.2 billion
2	Milk	\$647.8 million
3	Cattle & Calves	\$350.2 million
4	Chickens	\$304.2 million
5	Walnuts	\$171.7 million
6	Silage	\$163.6 million
7	Fruit & Nut Trees and Vines	\$129.4 million
8	Eggs, Chicken Market	\$73.5 million
9	Pollination, Almond	\$62.9 million
10	Turkeys	\$62.4 million
	All Other Commodities	\$616.6 million
	<b>Grand Total</b>	<b>\$3.9 billion</b>

## San Joaquin County - #7 in State

Rank	Commodity	Value
1	Almonds	\$433 million
2	Milk	\$372.2 million
3	Grapes (Wine)	\$351 million
4	Walnuts	\$320 million
5	Cherries	\$181 million
6	Cattle & Calves	\$152 million
7	Tomatoes	\$149 million
8	Silage	\$73 million
9	Hay	\$72 million
10	Eggs	\$62 million
	All Other Commodities	\$535 million
	<b>Grand Total</b>	<b>\$2.7 billion</b>

<sup>1</sup> Information obtained from: SJ County Agricultural Report 2015, Stanislaus County Agricultural Report 2015, CDFA Agricultural Statistics Review 2014-2015, 2012 Census of Agriculture

# State Agriculture Profile

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## QUICK FACTS

- California grows nearly half of the nation's fruits, nuts and vegetables.
- \$47 billion output in 2015
- 423,780 annual farm jobs
- 400+ commodities. Top 10 commodities: milk and cream, almonds, grapes, cattle/calves, lettuce, strawberries, tomatoes, flowers and foliage, walnuts, hay

## STATE-LEVEL ISSUES

**State Water Board SED:** In September 2016, the State Water Resources Control Board released its revised draft substitute environmental document (SED), which increased its flow demands to 40-50%, and revised regional economic losses to \$64 million. Criticism has been swift and broad, including towards the proposal's scientific justifications, goals and targets, cost estimates, and comment period.

**Minimum Wage Increase:** On April 4, 2015, Governor Brown signed into law, which increases California's mandatory minimum from \$10/hour to \$15/hour by 2022; by this time, a full-time minimum-wage worker would see annual earnings increase of \$10,000. The first increase will take place January 1, 2017 for businesses with 26 or more workers. The law includes a provision allowing the governor to postpone a wage increase in the event of an economic downturn. According to the state's Department of Finance, the \$15 minimum would cost California about \$4 billion a year.

**Ag Overtime Law:** On September 12, 2016, Governor Brown signed into law AB 1066, which eliminates the ag industry's longstanding overtime exception; overtime must be paid after 8 hours/day (40 hours/week), as opposed to 10 hours/day (60 hours/week) – making California the only state do to so. This is expected to increase labor costs, most drastically for vegetable farmers (9% increase), fruit farmers (15% increase), and tree nut farmers (5% increase). It is also projected that the new costs could force 1.25 million acres of farm land to be removed from production, cut seasonal agricultural employee earnings by as much as 28%, and endanger over 78,000 jobs in the farming, processing, transportation, and support industries.

**New Pesticide Restrictions:** In October 2016, the state Department of Pesticide Regulation announced plans to restrict the application of Telone - a common pesticide used on orchards, vineyards, and certain specialty crops - due to its links to cancer. The rules are expected to go into effect on January 1, 2017. EPA currently does not regulate Telone, nor does any other State.

**Methane Regulation:** As part of CARB's recent law to reduce "short-lived climate pollutants", methane emissions from livestock are to be cut by 40% by 2030, with the main focus on manure management.

**Nitrate Regulation:** Nitrogen is a key component in fertilizers. A UC Davis study found that California generates about 1.8 million tons of nitrogen every year, with more than half of it comes from agricultural sources. Roughly 23% leaches into groundwater, where it becomes nitrate and can lead to health issues if there is overexposure via drinking water. The report was commissioned in part to determine whether California should regulate nitrogen emissions as a greenhouse gas, and many in the industry worry about potentially burdensome and unrealistic new regulations that won't take into account farmers' current preventive or remedial efforts.

# ALMONDS<sup>2</sup>

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## BY THE NUMBERS

	San Joaquin	Stanislaus	California
Commodity Rank	1	1	2
Production (ton)	62,400	172,000	1.87 million (lb)
Value	\$433 million	\$1.2 billion	\$5.3 billion

## KEY INDUSTRY ISSUES

- **Water:** 70% of almond orchards use micro-irrigations or drip systems. Water usage has decreased by 33%. Emphasis on recharge, storage, and conveyance.
- **Trade issues with India:** Two of note have been 1) the illegal smuggling and mislabeling of CA almonds through Pakistan and the Kashmir region to India, and 2) repeated instances of contract breaches by Indian buyers/brokers and little help from Indian officials, resulting in lost product and revenue for producers. To date, India has offered little to no clarity, consistency, or concession towards improving the situation.
- **Pesticide Maximum Residue Limits (MRLs):** Phytosanitary issues - particularly harmonization of pesticide limits - are a significant potential trade barrier to exports. Exporters face numbers scenarios with respect to pesticide MRLs including national MRL lists, default tolerances, and deferral policies.
- **FSMA:** Almonds are the only nut with a mandatory pasteurization program to ensure consumer food safety. Regardless, the industry is not exempt. The biggest concern is the short timeframe, as well as the differing rules and definitions within FSMA.
- **TPP:** TPP represents a total value of U.S. almond exports in 2015 of over \$914 million. Large investments have already been made in market development activities in Canada and Japan.
- **Biomass:** In recent years, the ongoing controversy over biomass energy's cleanliness, coupled with a strong competitive solar market, have led to widespread plant closures in California, with roughly 25 left in the state. This trend has restricted options for farmers and ag businesses that have excess vines, trees, shrubs, and other post-production organic waste.

## RECENT NEWS

- **October 2016:** USDA announces 2016 Specialty Crop Block Grant awards. California is receiving nearly 36% (\$22.3 million) of the overall \$62.6 million awarded nationwide. CDFA will fund 72 projects, including \$150,000 for the Almond Board of California.
- **January 2017:** President Trump issues a memorandum to withdraw from the TPP.

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<sup>2</sup> Almond Board of CA, SJ County Agricultural Report 2015, Stanislaus County Agricultural Report 2015, CDFA Agricultural Statistics Review 2014-2015

# DAIRY<sup>3</sup>

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## **BY THE NUMBERS**

	San Joaquin	Stanislaus	California
Commodity Rank	2	2	1
Production (lb)	2.4 billion	4.1 billion	40.9 billion
Value	\$372.2 million	\$647.8 million	\$6.3 billion

## **KEY INDUSTRY ISSUES**

- **Resources Conservation and Recovery Act:** In 2015, a Washington State court ruled that, under RCRA, nitrates were “solid wastes” and dairies with existing manure lagoons were “open dumping” and otherwise inappropriately storage and handling animal manure. The industry argues that this ruling contradicts RCRA’s original intention and EPA’s own preexisting acknowledgement that it does “not apply to agricultural waste, including manure and crop residue, returned to the soil as fertilizers or soil conditioners.” Rep. Denham cosponsored HR 5685 in the last Congress, the Farm Regulatory Certainty Act (Rep. Newhouse, R-WA) which clarifies RCRA to not apply to dairies in this way.
- **Trade:** The key groups support TPP, with key areas being Canada, Japan, and New Zealand. The proposal’s geographic indicator (GI) and SPS provisions are strong. Regarding TTIP, GIs and SPS are arguably the biggest area of contention for the dairy industry, given Europe’s hardline stances and protectionist tendencies.
- **WOTUS:** The rule has currently been suspended by court order, although the EPA and Army Corps are continuing to push forward at the local level in California.
- **Child Nutrition reauthorization:** Supports a CNR that includes more flexible sodium standards and low fat flavored milk options in school meals.
- **Water:** Supports relief that includes expanding storage and increasing infrastructure while providing an emergency response as soon as possible.
- **Immigration:** The current H-2A visa system does not cover year-round labor needed by the dairy industry, and is inadequate at addressing the serious shortfall in documented seasonal labor.
- **Margin Protection Program (MPP):** Following its implementation in the 2014 Farm Bill, calls for fixes and reform began to materialize, particularly regarding the feed cost calculator.

## **RECENT NEWS**

- **August 2016:** USDA announced plans to spend \$20 million to purchase 11 million pounds of cheese, to address national surplus and falling dairy prices. Ultimately only \$7 million was spent, due to the short timeframe USDA had to obligate funds before the end of the fiscal year.
- **October 2016:** USDA announced plans to spend an additional \$20 million to purchase surplus cheese, give the low amount of purchases made in August/September.
- **January 2017:** President Trump issues a memorandum to withdraw from the TPP.

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<sup>3</sup> CDFA Dairy Statistics Annual 2015, 2015 Stanislaus County Crop Report, 2015 San Joaquin County Crop Report, National Milk Producers Foundation

## BY THE NUMBERS

	San Joaquin	Stanislaus	California
Commodity Rank	10	8	18
Production (doz)	32 million	29.2 million	4.5 billion
Value	\$62.4 million	\$73.5 million	\$528 billion

## KEY INDUSTRY ISSUES

- **High Path Avian Influenza:** From December 2014 to July 2015, HPAI strains spread to wild bird, backyard flocks and commercial flocks across the country. More than 48 million birds were euthanized to stem the spread of the disease, with turkey flocks being hit the hardest. The outbreak led to full or partial U.S. poultry import bans or limitations by 56 trading partners. California was able to insulate itself from greater levels of devastation.
- **GIPSA rule:** In 2010, GIPSA proposed rules to “establish basic standards of fairness and equity in contracting in the livestock and poultry industries.” However, industry argues that the rules go beyond its original 2008 Farm Bill directive and will dictate private negotiations between producers and processors, limit incentives for producers to produce a better product, increase documentation requirements for packers, and make contract disputes federal. House appropriations language has prevented the rules’ implementation in fiscal years 2012 through 2015.
- **AMS organic livestock and poultry rule:** USDA’s Agricultural Marketing Service (AMS) has been developing this rule to provide guidance on animal treatment and indoor/outdoor space requirements. With 25-30% of organic birds are in California, the industry argues that the AMS standards don’t match with existing FDA standards. Furthermore, requirement for outdoor access flies in face of HPAI concerns and prevention methods.
- **WOTUS:** The rule has currently been suspended by court order, although the EPA and Army Corps are continuing to push forward at the local level in California.

## RECENT NEWS

- **August 2016:** USDA announces plans to purchase \$11.7 million of shell eggs and egg products, to address national surplus and falling prices.

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<sup>4 4</sup> 2015 Stanislaus County Crop Report, 2015 San Joaquin County Crop Report



# FRUIT & OTHER NUTS<sup>5</sup>

*Includes, but not limited to: Apples, apricots, berry varieties, cherries, chestnuts, citrus varieties, figs, grapes, kiwis, nectarines, olives, peaches, pears, pecans, persimmons, pistachios, plums, pluots, pomegranates, prunes, quince*

**BY THE NUMBERS** (Statistics on individual crops are available through CDFA and individual commodity groups)

	San Joaquin	Stanislaus	California
Commodity Rank	N/A	N/A	N/A
Production	N/A	N/A	N/A
Value	\$610.4 million	\$178.6 million	N/A

## **KEY INDUSTRY ISSUES**

- **Water:** There is emphasis on protecting Prop 1 water bond resources designed specifically for larger, aboveground surface storage projects. The state's Sustainable Groundwater Management Act, as well as state and federal water quality regulations, continue to be a source of close review and concern for agricultural industries across the board.
- **Labor-related regulations and costs:** California's recent minimum wage increase and overtime changes present two of the biggest cost increases for businesses. Worker compensation costs can also be increasingly burdensome, when both contractors and client employers face joint liability for the failure to maintain valid compensation insurance for workers.
- **Food Safety Modernization Act of 2010:** FSMA greatly expanded FDA's food safety oversight authority. Seven "foundational" rules required to fully implement FSMA cover preventive controls for human and animal food, produce safety, foreign supplier verification, third party audit certification, sanitary transportation, and intentional adulteration. There is broad concern that the rules and guidelines will lack the timeliness and clarity needed for stakeholders, as well as that the law will impose standards on industries that have no history of contamination. Adequate funding for implementation has also been supported.
- **Immigration/E-verify/H-2A visas:** The current H-2A visa system is inadequate at addressing the serious shortfall in documented seasonal labor – particularly the cap limits, the level of onerous requirements employers must meet, and the lack of coordination with fluctuating harvest needs.
- **Health care mandates/ACA:** Growers securing labor through the services of a farm labor contractor are facing pass-through costs that vary depending on number of eligible employees and contract terms, which may include higher commission rates and added per employee charges.
- **Invasive pest issues:** European Grapevine Moth, Light Brown Apple Moth, and Spotted Wing Drosophila are some of the most harmful pests the industry faces.
- **Specialty crop insurance:** The 2014 Farm Bill expanded existing crop insurance products for specialty crops and included provisions related to whole farm insurance, organic prices, crop disaster assistance, index-based weather insurance, and food safety insurance studies.

## **RECENT NEWS**

- **September 2016:** An existing Asian citrus psyllid quarantine around southern San Joaquin County is expanded to encompass northwest Manteca. Stanislaus County also has three zones centered on Modesto, Turlock, and Oakdale. The psyllid can carry a non-curable disease called huanglongbing (aka citrus greening), which results in bitter, misshapen fruit and eventual tree death.
- **October 2016:** USDA announces 2016 Specialty Crop Block Grant awards. California receiving nearly 36% (\$22.3 million) of the overall \$62.6 million awarded nationwide. CDFA will fund 72 projects, including ones through the California Fig Advisory Board, California Olive Oil Council, Sunsweet Growers, Inc., American Pistachio Growers and California Apple Commission.
- **January 2017:** USDA approves a maximum of \$75.5 million in Section 32 "bonus buys" for raisins, apples, cranberries, tart cherries, canned peaches, frozen sweet cherries, canned plums, and dried figs.

<sup>5</sup> CA Fresh Fruit Association, 2015 Stanislaus County Crop Report, 2015 San Joaquin County Crop Report, CRS

# PORK<sup>6</sup>

## BY THE NUMBERS

	San Joaquin	Stanislaus	California
Commodity	Unranked	Unranked	53
Production (cwt)	N/A	31,995	3.9 million
Value	N/A	\$3 million	\$38.8 million

## KEY INDUSTRY ISSUES

- **TPP:** With the United States as the world's top pork exporter, TPP will boost pork producers and processors due to the amount that would be able to be exported to the Asian countries in TPP. Japan and Vietnam are key new markets, with tariffs and non-tariff barriers on several pork varieties being eliminated in those countries over time. Industry estimates that the deal will create more than 10,000 new jobs.
- **GIPSA rule:** In 2010, GIPSA proposed rules to "establish basic standards of fairness and equity in contracting in the livestock and poultry industries." However, industry argues that the rules go beyond its original 2008 Farm Bill directive and will dictate private negotiations between producers and processors, limit incentives for producers to produce a better product, increase documentation requirements for packers, and make contract disputes federal. For the pork industry, being able to negotiate contracts is critical to obtain the quality of hogs desired, especially for those processors that purchase a completely different type of market hog than the average processor. House appropriations language has prevented the rules' implementation in fiscal years 2012 through 2015.
- **Foot and Mouth Disease (FMD) Vaccine Bank:** Although FMD is not currently in the U.S., the existing vaccine supply and response timeline are not sufficient enough to respond to a large-scale outbreak. A limited number of FMD strains are currently stored at Plum Island, NY by APHIS, with a budget of \$1.9 million. If it were to show up in California, all state production would halt and remain stopped for a minimum of 60 days but more realistically to 3 or 4 months. Industry is advocating for APHIS to contract for an improved offshore bank, as well as authorized mandatory funding for the program.
- **WOTUS:** The rule has currently been suspended by court order, although the EPA and Army Corps are continuing to push forward at the local level in California.
- **DOT Hours of Service waiver/exemption:** In 2013, FMCSA issued a rule that requires truckers to take a 30-minute rest break for every 8 hours of service. It would have prohibited drivers hauling livestock and poultry from caring for animals during the rest period. In June 2015, FMCSA granted a two-year waiver for the industries, which argue that the rule puts livestock at risk and provides no apparent increased benefit to public safety. USDA programs also exist to educate drivers on transportation safety and animal welfare.

## RECENT NEWS

- **October 2016:** USDA has sent drafts of its GIPSA rules to OMB for final review, signaling a push to get them done before the end of the Administration.
- **December 2016:** USDA releases final GIPSA rules.
- **January 2017:** President Trump issues a memorandum to withdraw from the TPP.
- **January 2017:** President Trump issues a memorandum freezing for 60 days regulations that have been published in the Federal Register but have not taken effect, which includes the GIPSA rule.

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<sup>6</sup> Yosemite Meats Co, CA Pork Producers Council, 2015 Stanislaus County Crop Report, 2015 San Joaquin County Crop Report

# POULTRY<sup>7</sup>

*Includes: Broiler chickens, turkeys*

## **BY THE NUMBERS**

	San Joaquin	Stanislaus	California
Commodity Rank	Unranked	4, 10	11, 33
Production (lbs)	19.4 million	385.8 million	N/A
Value	\$17.2 million	\$366.6 million	\$1.1 billion

## **KEY INDUSTRY ISSUES**

- **Highly Pathogenic Avian Influenza:** From December 2014 to July 2015, HPAI strains spread to wild bird, backyard flocks and commercial flocks across the country. More than 48 million birds were euthanized to stem the spread of the disease, with turkey flocks being hit the hardest. The outbreak led to full or partial U.S. poultry import bans or limitations by 56 trading partners. California was able to insulate itself from greater levels of devastation.
- **GIPSA rule:** In 2010, GIPSA proposed rules to “establish basic standards of fairness and equity in contracting in the livestock and poultry industries.” However, industry argues that the rules go beyond its original 2008 Farm Bill directive and will dictate private negotiations between producers and processors, limit incentives for producers to produce a better product, increase documentation requirements for packers, and make contract disputes federal. House appropriations language has prevented the rules’ implementation in fiscal years 2012 through 2015.
- **AMS organic livestock and poultry rule:** USDA’s Agricultural Marketing Service (AMS) has been developing this rule to provide guidance on animal treatment and indoor/outdoor space requirements. With 25-30% of organic birds are in California, the industry argues that the AMS standards don’t match with existing FDA standards. Furthermore, requirement for outdoor access flies in face of HPAI concerns and prevention methods.
- **WOTUS:** The rule has currently been suspended by court order, although the EPA and Army Corps are continuing to push forward at the local level in California.
- **Immigration/E-verify/H-2A visas:** The current H-2A visa system does not cover year-round labor needed by the poultry industry, and is inadequate at addressing the serious shortfall in documented seasonal labor.
- **Trade:** Groups support TPP, with key targets being Japan and Vietnam. Trade issues with South Korea, South Africa, and China persist.
- **Biofuels:** Corn is a main feed source for the industry. The industry argues that when it is diverted to making ethanol, it drives up the cost of basic foods for the consumers and causes increased environmental damage, thus making RFS reforms or elimination necessary.
- **Rendering plants expansion:** Currently, California-based plants are running at maximum capacity on a regular basis. When there is any type of animal disaster, plants often must send extra carcasses to landfills. Industry supports efforts (largely at the state level) to allow expansion of rendering capacity.

## **RECENT NEWS**

- **October 2016:** USDA has sent drafts of its GIPSA rules to OMB for final review, signaling a push to get them done before the end of the Administration. According to the industry, the final rule still includes provisions estimated to cost the chicken industry as much as \$55.5 million annually.
- **October 2016:** The International Poultry Council plans to release a comprehensive report in coming months on antibiotic resistance, as part of its pledge to help minimize the development and transfer of drug-resistant bacteria while maintaining the industry’s access to antibiotics.
- **January 2017:** USDA announces it had detected a type of bird flu in a wild duck in Montana that appeared to match one of the strains found during the aforementioned outbreak. No U.S. poultry have been found to be sick or dead.
- **January 2017:** President Trump issues a memorandum to withdraw from the TPP.
- **January 2017:** President Trump issues a memorandum freezing for 60 days regulations that have been published in the Federal Register but have not taken effect, which includes the GIPSA rule.

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<sup>7</sup> 2015 Stanislaus County Crop Report, 2015 San Joaquin County Crop Report, Congressional Research Service

# WALNUTS<sup>8</sup>

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## BY THE NUMBERS

	San Joaquin	Stanislaus	California
Commodity Rank	4	5	9
Production (ton)	140,000	65,500	570,000
Value	\$319.7 million	\$171.7 million	\$977 million

## KEY INDUSTRY ISSUES

- **Market Access Program funding:** The CA Walnut Commission mostly recently received \$ 4,176,771 in FY2017.
- **TPP:** Specifically Japan 10% tariff is being reduced to zero. The SPS definition is important, due to potential for hold-ups at ports.
- **Food Safety Modernization Act of 2010:** FSMA greatly expanded FDA's food safety oversight authority. Seven "foundational" rules required to fully implement FSMA cover preventive controls for human and animal food, produce safety, foreign supplier verification, third party audit certification, sanitary transportation, and intentional adulteration. There is broad concern that the rules and guidelines will lack the timeliness and clarity needed for stakeholders, as well as that the law will impose standards on industries that have no history of contamination. Adequate funding for implementation has also been supported.
- **Methyl bromide:** EPA has classified the soil fumigant MeBr as a "Restricted Use Pesticide", for which there are no emergency use exemptions designated. MeBr is a key application for many pork and specialty crops, with growers using 3.8 million pounds on 30,000 treated acres in 2012. Rep. Denham cosponsored HR 3710 last Congress, the Safe Agriculture Production (Rep. LaMalfa, R-CA), which authorizes emergency uses of methyl bromide when alternatives are not available.

## RECENT NEWS

- **January 2017:** President Trump issues a memorandum to withdraw from the TPP.

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<sup>8</sup> 2015 Stanislaus County Crop Report, 2015 San Joaquin County Crop Report

# WINE GRAPES<sup>9</sup>

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## BY THE NUMBERS

	San Joaquin	Stanislaus	California
Commodity Rank	1 (raw crop)	Unranked	1 (finished product)
Production	92,000 (acres)	11,000 (acres)	280.2 million (cases)
Value (direct & indirect)	\$885.8 million		\$57.6 billion

## KEY INDUSTRY ISSUES

- **Trade:** US wine represents 3% of the total foreign market. Regarding TTIP, GIs and SPS are arguably the biggest area of contention for the dairy industry, given Europe's hardline stances and protectionist tendencies.
- **WOTUS:** The rule has currently been suspended by court order, although the EPA and Army Corps are continuing to push forward at the local level in California.
- **Pest/disease issues:** Phylloxera, Pierce's Disease, glassy winged sharpshooter, powdery mildew, and black rot are some of the most harmful pests the industry faces.
- **HR 2903:** The Craft Beverage Modernization and Tax Reform Act (Rep. Paulsen, R-MN) aimed to modernize the tax code and streamline regulations for producers of craft beverages, cider, wine, and distilled spirits. Some of the key provisions the industry supported include easing certain tax liability reporting and bonding requirements, excluding aging periods for capitalization rules, providing a new wine gallon credit, clarifies certain still wine tax rates. Rep. Denham was a cosponsor of this bill last Congress.
- **Market Access Program funding:** Current funding level is \$70 million. Most recent request is to increase MAP to a total of \$400 million. Targets include China, Hong Kong, India, Brazil, and Nigeria.

## RECENT NEWS

- **August 2016:** USDA and CDFA declared that the European grapevine moth (EGVM) is eradicated from California. Primarily a threat to grapes, its additional impact on stone fruit and berry crops threatened nearly \$5.7 billion in crop value. Quarantines impacted San Joaquin County during 2010-2012.
- **October 2016:** USDA announces 2016 Specialty Crop Block Grant awards. California receiving nearly 36% (\$22.3 million) of the overall \$62.6 million awarded nationwide. CDFA will fund 72 projects, including \$388,288 for the Wine Institute.

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<sup>9</sup> 2015 Stanislaus County Crop Report, 2015 San Joaquin County Crop Report, Wine Institute