

State faces hard choices over budget, costly regulations

California's state government is navigating a new world as leaders take the first steps in organizing public meetings from their dinner tables. The Legislature closed last week until at least April 13. Meetings for state and regional regulatory agencies have also dropped off calendars in rapid succession, following a shelter-in-place order by Gov. Gavin Newsom.



Yet some have continued, with commissioners and staff awkwardly steering through committee procedures with the usual call-in beeps, overtalking and uncomfortable pauses found with conference calls. Many regulatory and legislative processes will likely continue this way through the coming months, as the California government settles into its new work-from-home routine.

On Monday, the California Fish and Game Commission held its first public meeting by phone.

“We’re going to continue to do the things we need to do...by us passing the regulations necessary,” said Commission President Eric Sklar, “and that we continue to protect our precious environment, which we appreciate even more now than ever.”

Regulations are also still being considered that could significantly impact the agriculture industry. Last week, the state's Occupational Safety and Health Standards Board considered extending a temporary regulation that requires companies operating under poor air quality from smoke haze to either bring workers indoor or supply respirator masks.

While the meeting focused on an update rather than an actual vote, the board does plan to soon make the regulation permanent. For many on the call, it raised questions over how employers will now supply N95-rated masks when there is a worldwide shortage and a more immediate

need for protecting healthcare providers. With scientists now predicting an above-average year for wildfire activity, the board has further reason to act on this proposal.

Also on the note of air quality, the Air Resources Board (CARB) held a dial-in meeting last week on a regulation in development to restrict emissions from refrigeration units for cargo containers. In a letter to the board, the agricultural and trucking industries urged CARB to hold off on that conversation, as those stakeholders are overwhelmed with the critical task of transporting emergency food and medical supplies during the crisis.

Regulations like these are also raising questions over potentially burdening an industry now considered “critical infrastructure” and that, along with much of the rest of the country, is also facing a dire economic forecast.

Among the more contentious regulations currently under consideration is Agricultural Order 4.0. The Central Coast Water Quality Control Board had set a tight deadline to renew the regulation by January 2021. The board posted its draft regulation in February, sending agricultural groups into a race to submit comments by a deadline of April 6. The board has cancelled three outreach meetings scheduled for this month, which will instead be online, and extended the public comment period by two weeks, with further extensions possible. The board is also reconsidering the four days it had set aside in May to discuss the public comments.

The state and regional water boards have also issued a notice that staff are “developing solutions to allow for upcoming board meetings to proceed with opportunities for remote participation.”

The Department of Water Resources has also extended public comment periods for both the Delta Conveyance tunnel plan and the groundwater sustainability plans submitted in January.

To the disappointment of some dairy advocates, CDFA has cancelled an April hearing to consider stopping dairy quota, a meeting that one group had petitioned for over the last year. CDFA will likely reschedule the meeting.

When it comes to pesticide regulations, the Department of Pesticide Regulation cancelled an advisory committee meeting scheduled for last week that would have provided feedback on the department’s proposed regulations on 1,3-D. With upcoming regulations on four widely used neonicotinoids, DPR Assistant Director Karen Morrison has told reporters the process is continuing and she still expects public outreach this spring on draft regulations.

A spokesperson said DPR has been modifying some activities and functions but proceeding with work when possible.

The Legislature, meanwhile, is talking internally about how to manage the legislative session. With more than 2,000 bills introduced in February, there are ongoing discussions about limiting the number of bills each member can carry into this session, but policy analysts and lobbyists suggest that could change the longer they stay on recess.

“When it comes down to it, there are only two issues that need to be addressed - the budget and an economic stimulus package,” says Louie Brown, Jr., an attorney with Kahn, Soares & Conway.

The budget at large is open to speculation as well. The state tax board extended its filing deadline to July 15, which delays the revenues needed to fund the next fiscal budget cycle. By law, the Legislature must approve a budget by June 15.

Some political insiders have suggested this could simply be the skeletal framework of a budget that gets fleshed out later with trailer bills.

“The budget is where most, if not everything will happen this year,” adds Brown. “Of course, the governor could always call a special session to deal specifically with COVID-19 and possibly the economy.”

The Legislature faces the same issues over public input as the regulatory agencies. Just before closing the capitol for the first time in state history, the Senate passed a measure allowing them to meet remotely. The aim is to prevent large groups from gathering in the confined and poorly ventilated spaces of the capitol building.

Meeting by phone or video conferencing, however, has been raising accessibility and health concerns. Rural stakeholders, who are already often limited in cellular and broadband services, are also facing much more immediate challenges like the rest of the state, as schools remain closed and more than 100,000 Californians have been filing for unemployment each day.

Some groups switching to dial-up meetings are also setting aside conference space for the public to tune in and provide feedback. The Delta Stewardship Council is holding such a meeting on Thursday, hosting a remote location in downtown Sacramento and setting protocols for social distancing. The council notes this is compliant with open meetings laws as well as an executive order by the governor that waives certain public rights for meetings but requires agencies to provide at least one physical location for participation. A later order by the governor removed that condition.

More questions are being raised about the state’s ability to enforce its many regulations as the country is in the midst of a recession that is likely to be more painful than the recession a decade ago. At that time, CDFG was forced to cut staff, while agencies switched to fee-based revenues. Those fees for farmers from water quality regulatory programs have continued to rise in recent years, with a projected 10% increase this year based on the January budget proposal.

Environmental groups are also concerned that, once the nation is eventually safe to return to work after the outbreak, the focus on economic recovery will overshadow the state’s efforts over the years for stronger environmental regulations, particularly with climate-warming emissions. They fear a temporary dip in global warming that is anticipated as the world avoids most travel may reinforce such an argument, according to the *Los Angeles Times*.

California edges toward a water-short summer and fall

California’s skies opened this month with batches of rain north to south, generous snowstorms in the Sierra Nevada, and some dashes of hope to agriculture as the state’s rainy season nears its usual wrap-up in April.

Frequent rainfall has, in fact, recently soaked the state’s arid southern tip, and at her ranch in coastal mid-state Monterey County, Celeste Settrini says, “we got a couple of rain storms over

the past week, bringing two and a half inches to the ranch, which was a blessing,” and it raised her pastures’ fall-winter total to about nine inches (about five inches less than average).

At the end of what’s been a bone-dry January and February across nearly all of California, her ranch was still five inches shy of normal rainfall and Settrini feared having to take her Red Angus herd off pasture and sell the calves off early. But now, her pastures “look really good,” and although the grass is shorter than usual for March, “if it rains this next week, we’ll be OK,” she says.

However, Golden State 2020 moisture outlook is getting scary.

After a very wet and snowy early 2019, which pumped up the state’s reservoirs, California has averaged less than half of average precipitation and snowpack so far in its rain year (from Oct. 1), notes Daniel Swain, weather watcher and climate scientist at UCLA’s Institute of the Environment and Sustainability.

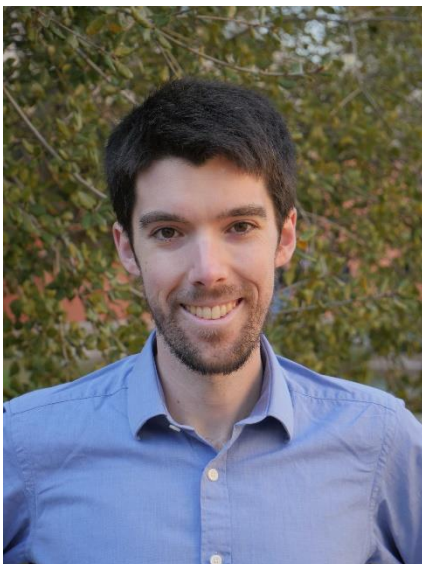
“In the northern part of the state, we may be getting close to record dry,” Swain says, and in “almost all of the northern Sacramento Valley ... a big part of California, we are actually at the driest in at least the last 40 to 50 years.”



Celeste Settrini

Dan Macon, a Cooperative Extension advisor and sheep rancher in the Sierra foothills and northern Sacramento Valley, confirms the serious moisture shortage for range there. The grass “in areas where we grazed in January and February has virtually quit growing,” he says. It’s springing up some now with recent rain, he says, “but the forage is very short at a time of the year when it should be growing rapidly.”

According to USDA’s snowwater report, while most of the Rocky Mountains and northern Cascades Range piled up snow aplenty, most of the Sierra Nevada and Southern Cascades show from about a quarter to three-quarters of normal accumulation.



Daniel Swain

Swain calls 2019 “a bit of a reprieve” from its years of drought. “But now we’re going into a spring and summer when, unless something really dramatic happens that isn’t in the forecast,” he says, most of the state is “going to have very dry vegetative conditions going into fire season.”

Thus, 2019’s snow glut remains critical to 2020 water supplies.

Current water levels in most of California’s large reservoirs are at or above average for late March.

“The current reservoir levels directly reflect last year ... (when) the snowpack was over 150% of average,” says Chris Orrock, public affairs officers for the California Department of Water

Resources (DWR). He notes that the Sierra snowpack provides “about 30% of our fresh water storage in California.”

“More importantly,” he says, “the (2019) snowpack was a very cold one and stayed around for a long time. It allowed for a slow melt and for the reservoirs to retain a lot of that water,” instead of melting fast and forcing big reservoir releases for flood prevention.

So far, 2020 reservoir water allocations are cautious, and for far less than last year.

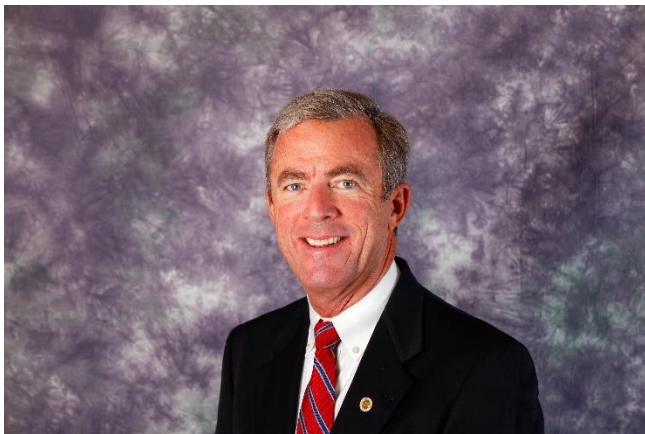
Water allocation announcements so far by the U.S. Bureau of Reclamation, agricultural use north of the Sacramento-San Joaquin River Delta, North-of-Delta are 50% of annual contract volume; farm use south of the delta is allocated 15% of contracts.

About 30% of DWR’s releases from reservoirs is delivered for agriculture, and its preliminary allocations put agriculture use at 15% of contract volume.

Last year, by comparison, DWR allocations, not finalized till June, were bumped up to 75% of contracts. However, look for this year’s allocations to be finalized in May, as is usual.

“We’re probably going to have below average deliveries” of water to agriculture this year, says Chris Scheuring, environmental attorney for the California Farm Bureau Federation. “The reservoirs started the year in reasonably good shape, so we aren’t looking at water deliveries as bad as the rain year alone might indicate,” he says.

But he points out reservoir levels “are average; that doesn’t mean full. The reservoirs are the savings account; they’re not the checking account, and our checking account (total precipitation) has been low in this rain year ... and they’re not going to want to blow all of that in one rain year.”



Chris Scheuring

“My eyes are on next year,” Scheuring says. “Is this a good water year for everybody? No, I don’t think so,” he says and suggests that “folks are going to have to make some planning decisions.”

California is getting drier; its weather, more extreme, in the long term, says Swain, who researches long-term climate trends.

Basically, annual rain and snow volumes aren’t declining, he says, but the warming climate means higher evaporation, so a drier California overall. “It’s becoming drier on

the landscape because of those rising temperatures,” he says.

“We’re seeing the effect (of warming) directly on the snowpack: if you get the same amount of precipitation, more of it is falling as rain rather than snow,” he said.

“So we do see a decrease in the Sierra Nevada snowpack” in the long term, even though 2019 was a big snow year, Swain explains, “with earlier melts and later (snow) accumulations.” With the latter trend, he says, “you’re limited in the ability to capture that (precipitation) in reservoirs.”

“We are seeing more of what we call precipitation whiplash,” he observes. He describes that as rain and snow “in shorter, sharper, more intense bursts,” which means more damaging storms and “making even more difficult to capture water in reservoirs.” He [summarizes here](#) his 2018 research report about it.

Farm groups press to restore ag extension staff and funding

San Diego County is one good place to explain why a bevy of California farm groups are begging for a 28% leap in state general fund dollars for the statewide cooperative extension system.

Governor Gavin Newsom had already called for a \$3.6 million boost, or 5%, in his [budget](#) for the year starting July 1 for University of California Agriculture and Natural Resources (UCANR), which provides the network of county advisors, on-campus researchers and other specialists that make up Cooperative Extension (CE).

But all manner of crop and livestock farmers, big and small, conventional and organic, instead want \$20 million added to the annual \$72.6 million in general funds allotted the past two years.

“In San Diego County ... maybe 10 or 15 years ago, there were 13 extension agents in the field, not counting the specialists on campuses who supported those agents’ work,” said Michael Mellano, who heads a [cut flowers growing and marketing operation](#) started by his grandfather. “Today I think there are four.”

That sort of contraction in expert staff in San Diego County reflects what has happened in California (see chart) and in many other states. Since the [Smith-Lever Act](#) over a century ago, the extension system nationally has been a crucial knowledge bridge bringing agricultural research results, farming ideas and advances to the farm level.

But that system’s staff numbers in California have shrunk significantly.



Michael Mellano

A letter from the California Farm Bureau Federation (CFBF) and other groups reminds legislators that extension experts, for example, “help local farmers identify harmful pests and diseases, implement water use efficient technologies, improve soil health and biodiversity, select more efficient growing methods or crops, and adapt to climate change.

However, the letter advises, “there has been a long-standing decline in funding,” and “since 1990, California has lost more than 55% of its farm advisor and specialist positions ... (and) in the last two decades, the state has reduced UCANR’s budget by 57%.”

With climate change and increasing globalization of travel and the farm economy, said Taylor Roschen, CFBF policy advocate, “the pest pressure on ag producers in California is tremendous. We need more help identifying exotic and invasive pests. We need different tools to try to protect our farms and to do pest management techniques while ... reducing the community impacts.”

“It’s about resource needs,” she said. “How do we maintain our yields with those dwindling resources? How do we (farm) in line with what California voters and the legislature have deemed appropriate. How do we provide forage habitat for pollinators while also maintaining agricultural production?”

Cooperative extension help is key to all of that, she said. Mellano agreed, saying San Diego County, “especially given its proximity to the Mexican border, has a lot of invasive pests. So a heavy emphasis needs to be on pest control and pest management” in his county, which he said has about 5,000 mostly small, high-value crop producers.

“For sure, the things we need to learn and do and change in our operations ... are coming at us faster and faster and faster every day, and there aren’t really any growers who are large enough to develop and implement the changes that need to happen on their own,” Mellano said. So a large group of growers working as CE experts “is really the best way to keep agriculture moving forward ... being competitive.” For him, that means competing with cut flower growers in Mexico, Colombia, Ecuador, India and Ethiopia.

Unfortunately for San Diego County, farmers do need help with integrated pest management (IPM) to deal with emerging pests. UCANR IPM Program Director Jim Farrar said “my IPM advisor in San Diego County is retiring this year and there are no plans to refill that position.” He was hoping a boost in state funding would let him refill that position.

Mellano said the greatest challenge climate change poses for him “revolves around the weather ... and its impact on water resources. Southern California is a water desert reliant on imported water. Even though there are wells ... recharging water basins is not predictable,” he said, “and the cost of imported water has gone through the roof.”

The cost per acre-foot “was \$200 to \$300 not that long ago. Now it’s \$2,300 to \$2,500 per acre-foot and the average crop takes two to three feet a year,” he said.

To deal with that challenge, Mellano said, university extension experts “help us understand and maximize the use of that resource,” using sophisticated sensor technology, for example, and soil moisture sensors.

Water demands were front and center, too, when Ruth Dahlquist-Willard, a cooperative extension advisor for small farms and specialty crops in Fresno and Tulare counties, took her position in 2016 during a severe extended drought. She is an entomologist but said her full-time job then was helping farmers find or improve their seasonal water sources “because if you don’t have water, you can’t farm.”

Under the Sustainable Groundwater Management Act, local water agencies have been developing groundwater management plans. Those within the most critically overdrafted basins are already starting to implement them.

Cooperative Extension experts have played an integral role in preparing for that improved water management.

As in San Diego County, Dahlquist-Willard's Central Valley counties have faced a constant invasion of crop pests to fight. One invader there, the Bragada bug from Africa, has been typical of pests that tend to thrive in areas they didn't before. This stink bug relative feeds on cole crops (cabbage, broccoli, cauliflower) and has increased its presence and crop damage in her counties.

“With warmer winters, there is less of a die-off of insects,” said Dahlquist-Willard. She viewed the Bragada as “a tropical pest that might have better winter survival as we have warmer winters.”



Glenda Humiston

UCANR Vice President Glenda Humiston said that despite years of shrinking state funds, her division has been able to maintain its staff level in recent years: by philanthropy donations and endowments, fees for service, co-funded positions and adding contracts by hiring grant experts to expand competitive grants. However, much of such funding, she pointed out, has been obligated to specific programs and purposes and couldn't be used to pay for ongoing payroll.

She said the governor's proposed 5% general fund increase was much better than the flat \$72.6 million for the past two years, but “it doesn't quite keep us whole,” owing to further various “unfunded obligations around salaries and benefits that are beyond our control.”

When UCANR asked for more state dollars, Humiston said she wanted folks to know the funds were not just to help farmers.

“Cities are wanting help now with things like control of urban pests, including rats, coyotes,” for urban foresters, improving urban agriculture.

CE has also been protecting towns and housing areas from wildfires, she said. Another major effort, she explained, has been “using grazing as a tool to manage rangelands and to reduce (forest) fuel loads. There's a huge demand now for more fire advisors,” she said. Further, “our extension advisors have been leaders in organizing communities to create controlled burn associations and ... they lead some of the controlled burns, particularly up in northern California,” she said.

UCANR has received less than 2% of what the University of California gets from the state general fund, and Humiston assumed CE has gotten lost from the view of land grant university leadership, who have been “very focused on the campuses and classroom teaching on those campuses,” whereas cooperative extension has taken place mostly out in the counties and on farms.

CFBF’s Roschen called statewide attention to CE. “There are great things that come out of the University of California and the ANR system,” she said, “and farm advisors serve as translators to the farm. That’s their job to be able to help the growers implement the research and findings we’ve had in the academic setting, or to test them through demonstration projects.”

“The difficulty” she said, “is that with every dollar invested in research we need to be asking: are we investing in the translators, the farm advisors? I think what we’re seeing ... (is) we are not making that dollar for dollar match.”

New poll: Enthusiasm for Trump grew despite farm economic woes

Producers’ support for President Donald Trump has grown despite sluggish exports and their own worries about their financial condition as the economic slowdown triggered by the COVID-19 has developed, according to the latest *Agri-Pulse* poll of U.S. farmers and ranchers.

Some 72% of 600 producers nationwide who were surveyed from Feb. 19 through March 13 said they were willing to support Trump’s reelection, up from 69% during the fall of 2018 and 45% in the spring of 2018.

Some 21% of those surveyed for the latest poll opposed Trump’s reelection. The remaining 7% don’t know how they’ll vote or refused to say.

At the same time, nearly two-thirds of the farmers surveyed said they had at least some concerns about their ability to repay loans, and 79% said it was important that farmers receive another

Selling more U.S. farm product overseas and protecting against terrorism continue to be the most important issues for farmers



Source: Total Rep Farmers/Ranchers (n=549)
Using a scale of 0 to 10, with 0 being “extremely unimportant,” 5 being “neither important or unimportant” and 10 being “extremely important,” please indicate how important each of the following issues are currently facing this country. * Wording in 2018 was “Preventing climate change”

round of Market Facilitation Program payments this year; 46% of the producers actually said it was “very important” that farmers receive additional MFP payments.

The survey, conducted by Aimpoint Research, was done with phone interviews as the COVID-19 pandemic was developing worldwide. The interviews ended just before the federal government called for nationwide limitations on public gatherings to slow the spread of the virus. The sample included farmers and ranchers with at least \$50,000 in gross farm income.

On March 15, the Centers for Disease Control and Prevention called for an end to public gatherings of more than 50 people for eight weeks. The following day, on March 16, Trump tightened the gathering limit to 10 people for 15 days.

According to the survey, trade remains the top concern for farmers, while climate change remains a minor concern, if even that, for most farmers. When the survey was conducted, producers' rating of the farm economy had already slipped somewhat compared to the fall of 2018, when the trade war with China was raging.

Consistent with previous surveys, the poll found that farmers heavily skew Republican. Some 74% of producers surveyed said they voted for Trump in 2016, compared to 16% who backed Hillary Clinton. Sixty-four percent of those surveyed identify as Republican, while 13% said they are Democrats or lean Democratic; 19% of those surveyed identify as independents.

Farmers' support for Trump is even more enthusiastic than it is for Agriculture Secretary Sonny Perdue, though both enjoy strong approval ratings.

Some 45% of those surveyed "strongly approve" of the job that Trump is doing and 28% "somewhat approve" of his performance for a combined approval rating of 73%.

Trump has maintained his backing among farmers because of the support he has shown for the ag sector, said Sen. John Hoeven, R-N.D. "He's worked hard to try to get better trade deals for ag. And in the meantime, because there was retaliatory action by our trading partners, particularly China ... he stepped up and provided those market facilitation payments."

The administration's actions to roll back some regulations, including the Obama-era "waters of the U.S." rule that expanded the jurisdiction of the Clean Water Act, also have helped win farmers' support, Hoeven said.

In the fall of 2018, Trump's approval rating was 79%, but the share of farmers who strongly approved of his performance at that point was lower then at 37%. An earlier poll in the spring of 2018, during the lead-up to the tariff war with China, only 51% of producers approved of the job Trump was doing.

Ninety percent of the Republican or GOP-leaning farmers who were polled said they would vote for Trump this fall, compared to 48% of the independents and 24% of the Democrats.

Among farmers who said they would vote in the Democratic primary, the overwhelming plurality, 46%, favored Vice President Joe Biden, compared to 13% for Vermont Sen. Bernie Sanders and 11% for Minnesota Sen. Amy Klobuchar.

But Biden's share is almost certainly higher at this point; when the survey interviews were starting, many candidates were still in the race. Klobuchar dropped out March 2 and endorsed Biden.

Perdue's overall approval rating at 74% is largely unchanged from 73% in the fall of 2018 but an increase from 54% in the spring of 2018.

Still, only 28% of producers in the latest poll said they "strongly" approved of the job the secretary is doing; 46% said they "somewhat" approve of his performance.

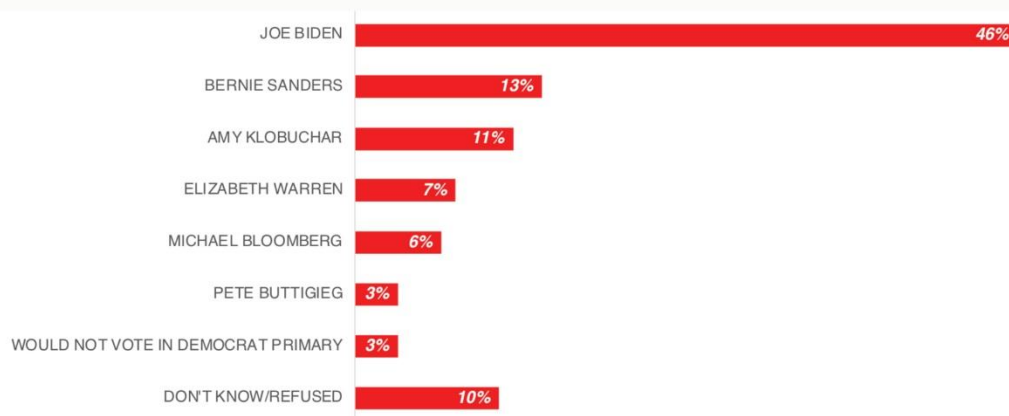
Before the national shutdown began last week because of the COVID-19 pandemic, producers were indicating some modest optimism about the farm economy even though they clearly have lingering concerns about their own situation. The concerns are even stronger among the largest farmers, perhaps because they may be more leveraged.

Some 71% of those surveyed said that financial conditions in agriculture were at least the same or better than a year ago, including 75% of farmers and ranchers with gross farm income of at least \$1 million.

Farmers were asked to rate the condition of American agriculture on a scale of one to 10, and the average response was 5.31, down from 5.47 in the fall of 2018. Twenty-three percent now rate the condition of U.S. agriculture at the top range (8 to 10), while 24% rate it between 6 and 7, and 20% are neutral at a rating of 5.

Some 24% of those polled said they were "very concerned" about their ability to repay loans this year and 38% said they were "somewhat concerned." Among farmers with gross farm income exceeding \$1 million, 33% said they were very concerned about repaying loans and 36% said they were somewhat concerned. Among farmers with \$500,000 to \$100,000 in sales, 64% said they were "very" or "somewhat concerned."

Biden the favorite among Democratic farmers



Source: Farmers/Ranchers who are Democrats/Lean Democrat (n=121)
Assuming you were going to vote in the Democrat primary, if you had to vote today, which one of the following would you choose to best represent you and your values?

The majority of farmers were at least somewhat optimistic about the impact of the "phase one" trade agreement with China. On a scale of 1 to 10 as to how satisfied they were with the deal, 42% of those surveyed responded with a rating of between 8 and 10, and 19% scored their satisfaction with the pact at 6 or 7.

Seventy-two percent of the surveyed indicated they were satisfied with the new U.S.-Mexico-Canada Agreement and 66% said they were satisfied with efforts by the Trump administration to repeal federal regulations on farms.

The survey found continued concern about the adequacy of rural broadband: 51% of those polled indicated they were at least somewhat satisfied with their internet service while 25% were neutral.

Farmers also were asked to rate each issue on a scale of 1 to 10 based on its importance to them, and trade is only growing as a top concern. Farmers gave an average score of 8.85 to the issue of “selling more U.S. farm products overseas.” That score is up slightly from 8.65 in the fall of 2018.

“Protecting against acts of terrorism” ranked second at 8.59, essentially unchanged from 2018. Reducing the federal deficit also was unchanged and ranked third at 7.98.

The issues of “creating jobs in rural America” and “repairing infrastructure” have grown slightly in importance with average scores of 7.93 and 7.92, up from 7.8 and 7.79 respectively in the fall of 2018. “Protecting gun rights” slipped in importance to 7.76, down from 7.9 in 2018.

“Protecting the environment” grew in importance, rising from 6.82 in 2018 to 7.05 in the latest survey. “Addressing climate change” also went up slightly in importance, from 4.89 in 2018 to 5.01 in the new poll.

However, concern about the climate issue remains politically polarized. Some 62% of the farmers who identified as Democrats or said they lean Democratic rated climate change as a top concern (8 to 10 on the scale of one to 10), compared to 29% of independents and 13% of Republican farmers.

US ports and ag exporters on high alert for coronavirus disruptions

When the coronavirus first swept through China, many ports effectively ceased to function as workers stayed home. Now, fears are rising about similar disruptions in the U.S. as the illness spreads.

The Department of Homeland Security has deemed port employees and government inspectors needed to approve ag commodities for export as “essential critical infrastructure workers,” but they are still human and vulnerable to infection. It’s a vulnerability that became obvious last week in Texas.

Test results came back to show that a Port of Houston dock worker had contracted the coronavirus and the port was quick to shut down two container terminals that handle beef, pork, seafood, fruits, vegetables, processed food, beer, wine and other beverages that are leaving and coming to the U.S.

The terminals were only shut for about a day and a half, but it was enough to spark concern that other terminals in the Port of Houston and in ports across the country could be shut down just as quickly in response to coronavirus infections that are multiplying rapidly.

“We certainly are concerned,” said Steve Mercer, a spokesman for the U.S. Wheat Associates. “Obviously, we never know what’s going to happen. The best we can do is monitor.”

The Port of Houston also keeps agricultural commodities such as wheat, cotton and dairy flowing to customers around the world, but so do other ports and groups like USW are staying in contact with them to make sure exports continue to flow.

Mike Klein, a spokesman for the USA Rice Federation, said California members reacted to the news from Texas by expressing alarm that the same thing could happen in the Port of West Sacramento, where producers were filling large orders for importers in Japan and South Korea.



Steve Mercer, U.S. Wheat Associates

Matthew Clark, the terminal manager for the Port of West Sacramento, told *Agri-Pulse* “the port will stay open and service all scheduled vessel calls until directed otherwise by the authorities.”

Likewise, John Akre, the marine terminal manager for the Port of Portland, which sends millions of tons of wheat worldwide every year, said shipments are running smoothly as special sanitation and other procedures are being put in place to avoid spreading the coronavirus.

The Port of New Orleans issued a statement Monday to say, “During this unprecedented crisis, the port and our maritime partners are proud to continue to do our part as a vital link in the global supply chain so essential goods continue to reach our communities.”



Matthew Clark, Port of West Sacramento

Still, many in the U.S. ag sector are looking for federal leadership in how the threat of infection is being handled.

“The question is how can these ports manage something that happens related to COVID-19 and continue to keep the flow of products going out or coming in, and not disrupt the supply chain that’s already on edge,” said Robert Guenther, senior vice president for public policy at the United Fresh Produce Association. “Our recommendation is that ports get together and create a protocol ... to figure out how we are going to triage this if something happens. This was a one-person case. What if it was three or four or five people? How does that impact the flow of products?”

And even the situation at the Port of Houston could have been much worse with just the single infection, said Guenther. Faced with the potential for an extended shutdown, United Fresh, other ag groups, retail companies and even USDA Undersecretary Greg Ibach convened quickly and started engaging with port officials.

Ibach was not available for immediate comment, but the undersecretary has been instrumental in USDA's outreach to assure exporters and importers that the supply chain will hold.

Stevedores are still working the docks, federal grain inspectors are still grading shipments, USDA meat inspectors are still approving product and ag commodities are still departing in bulk and containers to customers around the world, but importers and exporters alike are seeking reassurances.

Last week, ag commodity buyers in Japan and Taiwan began reaching out to their U.S. suppliers for reassurance that international deliveries would continue. Producers here say they are doing their best to provide, according to industry sources who asked not to be named.

“We’ve had customers ask us about it and we’ve given them all the reasons we think the (products are) still going to be able to go,” said one industry source.

It's not just the ports. In the case of meat, inspectors for USDA's Food Safety and Inspection Service must be present in the plants that process the beef, pork and poultry. In the case of grain, all importers depend on the availability of officials from the Federal Grain Inspection Service to perform grading on the crops before they are loaded on to ships.

The ability of human inspectors, whether in FSIS or FGIS, to stay healthy and perform the critical duties is another potential weakness that some in the industry are hoping USDA will do more to address “continuity of services” issues by publishing detailed plans.

FGIS and FSIS have been reaching out to exporters with assurances that even if inspectors become unavailable, others will be able to take their places, two industry sources confirmed for *Agri-Pulse*.

“In this time of much uncertainty, we know that many of you have questions about how the department will continue to ensure that grading and inspection personnel are available,” said Ibach and USDA Undersecretary for Food Safety Mindy Brashears in a joint statement last week. “It is more important than ever that we assure the American public that government and industry will take all steps necessary to ensure continued access to safe and wholesome USDA-inspected products.”

The Agricultural Marketing Service's FGIS went a step further Tuesday, assuring farmers and exporters that its inspectors will be issued latex gloves, masks, hand sanitizer and they will “be equipped with credentials authorizing them as essential personnel.”

Furthermore, if inspectors get sick, other USDA officials can pitch in to help.

“If needed, AMS is prepared to remedy any possible disruptions in services,” the agency said. “For example, FGIS may enlist employees from other parts of the agency ... to assist with providing services. If these measures cannot be taken, FGIS will inform customers of alternative options.”

COVID-19 impacts creep into food and ag financial sectors

Most rural and agricultural lenders entered 2020 in strong financial shape, but many are bracing for what could appear on the horizon as the human and economic fallout from COVID-19 unfolds.

“Some things are just starting to be felt in this new world we’re living in,” notes *Mark Scanlan*, senior vice president of agriculture and rural policy for the Independent Community Bankers America. **“Banks are in a good position, but they are expecting a storm to come. And they don’t know how long this is going to last.”**

In a recent letter to the House and Senate Agriculture Committees, ICBA provided the backdrop for their *concerns*.

“Although net farm income is projected to be slightly above its 2000-2018 average of \$91.7 billion, it is still projected to be over thirty percent below its 2013 peak of \$139 billion, in inflation-adjusted terms. Further, inflation-adjusted net cash farm income is forecast to decrease \$13.1 billion (10.7 percent) from 2019 and would be below the 2000-2018 average.”



Mark Scanlan

Farm production expenses are projected to rise by over \$10 billion in 2020. Working capital, a measurement of the amount of cash available to fund operating expenses after paying off debt due within 12 months, is forecast to decline 15.0 percent from 2019. Debt-to-asset levels have risen every year since 2014 and will be higher again in 2020.

Adding to potential stress for farm families, total median farm household income is forecast to decline 2.1 percent in 2020 after inflation and has declined every year but one since 2015. In recent years, roughly one-half of farm households have had negative farm income, forcing them to rely on off-farm income.”

Bankers are looking at falling commodity prices, erosion of collateral values and watching cash flows pretty closely, Scanlan says. **“The problem is you don’t know who is going to test positive, so you don’t know which business might have to close for a while. It’s hard to say who will be most impacted.”**



Todd Van Hoose

Todd Van Hoose, President and CEO of the Farm Credit Council agrees that the impact of the pandemic is not very clear.

“We’re open. We’re financially strong and prepared to fulfill our mission but we may have to do it a little differently because of the restrictions on person to person contact,” he says. **Indeed, thousands of farm credit employees are teleworking from their own homes with occasional office visits and reaching out to customers on the phone and internet.**

“People are stressed,” he admits. “Even before this COVID-19 stuff, people still had agriculture economy problems. Income has been down, leverage is going up, working capital going down – all trends going on for 5-6 years now.”

Anecdotally, Van Hoose says he’s hearing concerns about labor shortages as employees are sick or sheltering – things like processing plants and packing sheds. The other issue is that “we have a ton of part-time farmers in rural America who rely on off-farm income. **These are people who have a job in town and still have some cattle or whatever. And a lot of those people are going to get laid off.**”

Both Van Hoose and Scanlan agree that another round of Market Facilitation Program payments would be helpful to their customers. “That could go a long way,” Van Hoose emphasized.

Another concern for rural lenders is the housing market. Rod Hebrink, president and CEO of Compeer Financial, expects home lending in general will be an area impacted by the pandemic because there are going to be layoffs in rural areas.

Looking across all industry sectors, several lenders told *Agri-Pulse* they are most concerned about renewable energy and the dairy industry. Hebrink says he is worried about renewable fuels and ethanol in particular because gasoline demand is a primary driver of ethanol usage.

“Oil prices have dropped dramatically, and it was due to the overproduction of oil globally. That would have created challenges for renewable fuels regardless. Adding to that, a sudden demand shock for gasoline when usage is going to fall.”

He expects plants will idle because the demand isn’t there and “neither is the profitability.”

Hebrink says dairy is a bit more vulnerable because the sector was coming into this downturn with the weakest financial position.

“Dairy has been under pressure for the last 3-4 years. Things were starting to turnaround in the last half of 2019 and now we have another demand impact.

“In the immediate term, we’ve seen demand for proteins rise. We will see if that is a short-term or longer-term behavior,” he adds. “Underlying this all is that food is an essential industry. People don’t stop eating because they don’t go to bars and restaurants.”



Vince Bailey, Farm Credit Mid-America

Vince Bailey, Executive Vice President and Chief Credit Officer, Farm Credit Mid-America says overall, credit quality is very good. Currently, many of his customers are asking about potential servicing options. For example, a customer who had a load of cattle ready for market but, given that the cattle market had gone down so quickly, they wanted to hold them for a longer period of time.

Like Hebrink, he has concerns about ethanol and dairy borrowers, as well as part-time farmers and niche producers who may service high-end restaurants.

“We still have stress out there in several markets, but 2019 was actually our highest net farm income going back to 2013,” says Bailey. “Keep in mind we saw a big bounce from MFP payments that supported cash flow.”

Once the dust settles on a federal stimulus package, lenders hope that there will be more clarity for regulators, markets and their customers.

Bailey says he would like to see the federal government focus on “keeping supply chains open, keeping processing plants open, and making sure we have enough labor available for all sectors.

Access to labor is a primary concern for the fruit and vegetable industry, says Roland Fumasi, senior fresh produce analyst with Rabo AgriFinance.

He says the impacts of COVID-19 on the produce industry have been broadly positive on the demand side as consumers make a run for grocery items, including fresh produce.

But on the supply side, he expects more pressure on labor during peak strawberry season in California in May. “That industry is pretty reliant on H2-A,” he adds, and the situation could change rapidly over the next 30 days.

“We are already functioning against a backdrop where we have a general shortage of labor for years. Anything that slows that down anymore starts to be really significant,” Fumasi says.

The other concern is the potential for buyers to claim force majeure— particularly if a grower already shipped the product and the buyer doesn’t want to pay. He says that’s most likely to occur with crops like tree nuts and international shipments but could impact others.

However, it’s not all bad news for the lending community and their borrowers.

Farm Credit Mid-America has offered patronage back to customers for four years, including this week. **Bailey said he was in the process of sending out about \$186 million to customers. “It’s a great time to help fill this income gap.”**

Bailey also says he’s seen a fairly significant run of refinancing amidst changes in interest rates. Throughout the last six months, interest rates have been declining and borrowers throughout the U.S. are taking advantage of the lower rates.

“Our loans have a feature that allows clients to reprice or convert to new rates,” says Hebrink. “We are seeing clients do that and reduce their cash outlays. Plus, a certain amount of our portfolio is on a pure variable rate that generally follows the ups and downs in prime. Effective April 1, we are lowering our variable rate structure by 1%.

News Briefs

New report shows tripling of avocado consumption. New Department of Agriculture figures show per capita consumption of avocados has tripled since 2001, jumping to 8 pounds per person in 2018. The growing demand has led to increased prices for the fruit, which benefits producers in the U.S. even as Mexico’s production skyrockets. According to USDA’s Economic

Research Service, total U.S. avocado production in 2018 was 364 million pounds, 93% of which came from California. Prices for those avocados grew 22% between 2011 and 2018.

The majority of avocados consumed in the U.S. are imported, and the majority of those come from Mexico. That country overtook Chile as the dominant supplier of imported avocados in 2007 and now supplies 89% of fresh avocado imports, but Mexican avocado shipments tend to decline in the summer. Peru, the second largest supplier of imported avocados, tends to see increased shipments to the U.S. during the summer, ERS noted.

CDFA extends application deadline for dairy, livestock producers. As a result of difficulties associated with [COVID-19](#), the California Department of Food and Agriculture has extended the acceptance period for applications from dairy and livestock operators for its Dairy Digester Research and Development Program (DDRDP) and Alternative Manure Management Program (AMMP). The new grant application deadline is 5 p.m. PT, April 27, 2020, which is a 30-day extension. CDFA's dairy methane reduction programs provide financial assistance for the installation of dairy digesters and implementation of non-digester-based manure management practices that result in long-term methane emissions reductions and maximize environmental co-benefits on commercial dairy and livestock operations in California. These programs are funded through a \$34 million appropriation from California Climate Investments, authorized by the Budget Act of 2019. Prospective grant applicants are encouraged to visit the [DDRDP](#) and [AMMP](#) webpages for additional information about the programs and grant requirements, according to CDFA.

US confirms more progress on China 'phase one' deal. The USDA on Tuesday confirmed that China is continuing to follow through on several key provisions in the "phase one" trade deal with the U.S. As previously reported by *Agri-Pulse*, China has agreed to not place nationwide bans [on U.S. poultry](#) in the event of bird flu outbreaks, [lift its zero-tolerance policy](#) for hormone residues in beef, and approve [hundreds of beef and pork production and storage facilities](#) for exports. The country also published a list of U.S. companies that are eligible to export [dried distillers grains](#). In addition, the FDA has announced it is helping register companies to export livestock feed to China, which has agreed to simplify its process for registering new U.S. livestock feed products for trade. Furthermore, USDA is saying that "many importers report that they are receiving tariff relief for purchases of U.S. food and agricultural products" under China's exemption process. "These steps show that China is moving in the right direction to implement the Phase One agreement," Ag Secretary Sonny Perdue said. "We will continue to work with China to ensure full implementation of its commitments and look forward to seeing further improvement and progress as we continue our ongoing bilateral discussions."

Farm Hands West: Brashears confirmed for food safety post at USDA

The Senate confirmed **Mindy Brashears** Monday night as USDA's undersecretary for food safety after first being nominated two years ago. Brashears had been serving as deputy undersecretary while waiting for confirmation.

Mark Jekanowski has been appointed as the World Agricultural Outlook Board Chairman. Jekanowski is currently acting board chairman and will assume his new duties March 29. Jekanowski joined the board in 2019 as deputy chairman. Before that he worked in USDA's Economic Research Service, first serving as chief of the crops branch, and later as deputy director for the ERS commodity outlook program.

Secretary of Agriculture **Sonny Perdue** has appointed **David Wu** to serve as deputy assistant secretary for administration. Wu is assuming the role following the departure of deputy assistant secretary **Don Bice**, who has served in the role since February 2018. Wu officially joined USDA in October as the principal deputy assistant secretary for administration.



Mindy Brashears

Randy Russell, president of The Russell Group, Inc. and **Carmen Rottenberg**, former Administrator of the USDA's Food Safety and Inspection Service, have started Groundswell Strategy, a consulting firm focused on customizing strategic approaches for clients that interact with regulatory agencies.

Rottenberg will serve as managing director of Groundswell Strategy, and Russell will serve as chairman of the board. Rottenberg recently departed USDA's FSIS after thirteen years of service. She held several leadership roles at USDA, including acting Deputy Under Secretary for the Office of Food Safety from August 2017 through January 2019, and Administrator from May 2018 to March 2020.

President Donald Trump has nominated **Michael Nemelka** to serve as the deputy United States Trade Representative covering investment, services, labor, environment, Africa, China, and the Western Hemisphere, with the rank of rank of Ambassador. Nemelka currently serves as special adviser to Ambassador **Robert Lighthizer**. Before joining USTR, Nemelka was a partner at Kellogg, Hansen, Todd, Figel & Frederick, P.L.L.C.

Mike Stranz is now vice president of advocacy at National Farmers Union. He was previously the organization's policy director and has also worked at the House Ag Committee.

Rosemary Yang has been promoted to press secretary for Rep. **Paul Cook**, R-Calif. She previously was a press aide and legislative correspondent.

Ronce Almond now serves as Sen. **Maria Cantwell's**, D-Wash., counsel on the Senate Commerce, Science and Transportation Committee. He previously worked for Wicks Group as a partner and vice president.

CNH Industrial's board has accepted the immediate resignation of CEO **Hubertus Mühlhäuser**. **Suzanne Heywood**, CNH chair, will serve as the acting CEO. Heywood is also managing director of Exor, and has been chair of CNH Industrial since July 2018. CNH markets agricultural and construction equipment including the Case IH and New Holland brands.



Dick Meister

Richard (Dick) Meister, longtime editorial director for CropLife and the Farm Chemicals Handbook, passed away on January 28; he was 100 years old. From the 1940s through the early 2000s, Dick helped build Meister Media Worldwide. He earned his undergrad from Cornell University, College of Agriculture, and his M.B.A. from Harvard Business School. He served his country during World

War II, arriving in France just a month after D-Day. In 1946, he joined the family business started by his father, **EGK Meister**, as editorial director.

Carole Brookins, founder of World Perspectives and current managing director of Public Capital Advisors, passed away this week from the COVID-19 virus. She returned from Paris two weeks ago and fell ill. She was 75 years old. Brookins was a member of the Rabobank International's North American Agribusiness Advisory Board and the Center for Financial Stability's Advisory Board. She started her career as a municipal bond underwriter before moving to commodities at the Chicago Board of Trade and was a vice president of E.F. Hutton. In 1980, she founded and led the Washington D.C. consulting firm World Perspectives, Inc. for 20 years. She was appointed membership on the State Department's Advisory Committee on International Economic Policy and chaired the State Department's private sector Advisory Committee on Food, Hunger and Agriculture in Developing Countries, mandated by President **Ronald Reagan**.



Carole Brookins

Best regards,

Sara Wyant
Editor

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