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USDA rolls out new COVID-19 payments for farmers & ranchers

Surrounded by farmer leaders, Secretary Sonny Perdue and daughter Ivanka Trump at the White House on Tuesday, President Donald Trump unveiled the broad outlines of the next coronavirus relief payments for farmers and ranchers. Farmers can start enrolling May 26 for $16 billion in coronavirus relief payments, but the Agriculture Department has decided to prorate the aid to ensure there is enough money to go around.

USDA Undersecretary Bill Northey discusses CFAP details in this *Agri-Pulse* video.
Shortly after USDA released Coronavirus Food Assistance Program details, Bill Northey, USDA's undersecretary for farm production and conservation, joined *Agri-Pulse* to discuss key details of the program and what comes next for farmers and ranchers.

Farmers will receive 80% of their Coronavirus Food Assistance Program payment in the initial distribution. The remaining 20% will be paid at a later date as funds remain available within the $16 billion limit for the program, according to details released by USDA on Tuesday.

Cattle, dairy and hog producers as well as corn and soybean growers are expected to collect the largest shares of USDA's $16 billion in coronavirus relief payments, which are designed to compensate for losses in sales or market value between January and April.

But dozens of fruit and vegetable crops also are eligible for $2.1 billion in direct payments.

Producers that fall into one of the following categories may be eligible to receive a direct payment:

- Sales with a price loss of 5% or more between January 15 and April 15, 2020. Almonds, artichokes, beans, broccoli, cabbage, carrots, cauliflower, sweet corn, cucumbers, eggplant, lemons, iceberg and romaine lettuce, dry onions, peaches, pears, pecans, bell and other types of peppers, rhubarb, spinach, squash, strawberries and tomatoes are eligible.

- Shipments that left the farm by April 15 and spoiled due to no market or for which no payment was received. All specialty crops are eligible.
- Shipments that have not left the farm or mature crops that remained unharvested by April 15. All specialty crops are eligible.

The payment calculations vary depending on the commodities. Payment rates are available at this link. More commodities could be added, if they can provide the data needed to convince USDA they should be included. That's a major reason that USDA will prorate the initial payments to 80% of a producer's eligible total.

"During the pandemic, farmers, ranchers and their employees have worked hard to fulfill their commitment to provide essential food and farm products, but the market impacts of the pandemic have rocked every segment of the California farm economy," said California Farm Bureau Federation President Jamie Johansson.

"The new Coronavirus Food Assistance Program offers a lifeline to many farmers and ranchers who may be struggling to keep their essential businesses afloat. From a survey of our members, we know family farmers and ranchers have lost sales, customers and off-farm income due to the pandemic — all while their operating costs have risen. **We hope aid will be distributed quickly and equitably to farmers and ranchers representing the full range of California agriculture. We will work with Congress and the administration to ease restrictions on the aid and expand it to parts of agriculture not now included, such as nursery crops and wine grapes."**

California Farm Bureau Federation President Jamie Johansson.

Commodities that did not suffer a 5%-or-greater price decline from mid-January 2020 to mid-April 2020 are not eligible for CFAP. Specifically, this includes sheep more than two years old, eggs/layers, soft red winter wheat, hard red winter wheat, white wheat, rice, flax, rye, peanuts, feed barley, Extra Long Staple (ELS) cotton, alfalfa, forage crops, hemp, and tobacco. However, for all commodities except for hemp and tobacco, USDA may reconsider the excluded commodities if credible evidence is provided that supports a five percent price decline. USDA said it was particularly interested in the obtaining information with respect to the following specific categories: Nursery products, aquaculture products, and cut flowers. Read more about this request for information.

Cattle producers are expected to receive payments totaling just over $5 billion after the payment limits are considered, according to USDA's cost-benefit analysis released Tuesday along with the final rule for the Coronavirus Food Assistance Program. There is a payment cap of $250,000 per person or entity. The cattle payments are based on both market losses between January to April as well as the current herd.

Dairy producers are expected to receive $2.8 billion after a $700 million reduction because of payment limits. Hog producers are estimated to receive $1.6 billion after a $1 billion reduction because of the payment limits.

Not accounting for the impact of the payment limits, corn payments are estimated at $2.3 billion and soybeans at $845 million. Cotton growers, who have seen some of the biggest market losses from January to April, a drop of 25%, are expected to receive $442 million. Commodities had to suffer market losses of at least 5% to be eligible for the program.

Specialty crop growers are expected to qualify for $2.1 billion after payment limits. The largest amounts for individual commodities, not accounting for payment limits, will be for strawberries ($291 million), beans ($247 million) and broccoli ($205 million).

Without the payment limits, producers of all the eligible commodities could have qualified for as much as $19 billion, USDA estimates.

"This program is an important down payment in helping farmers and ranchers deal with the unprecedented and unexpected economic fallout related to COVID-19," according to an analysis by the American Farm Bureau Federation. "However, more help will likely be needed as the full extent of the crisis becomes known."

Shortly after USDA released Coronavirus Food Assistance Program details, Bill Northey, USDA's undersecretary for farm production and conservation, joined *Agri-Pulse* to discuss key details of the program and what comes next for farmers and ranchers.

Bill Northey, USDA's undersecretary for farm production and conservation, told *Agri-Pulse* he was confident payments would reach producers within a week after they enroll. Once an application is completed and approved by the county office "it can go right into our payment system," said Northey.

An application and payment calculator will be available online at farmers.gov. Farmers will be allowed to self-certify the amount of sales and inventory they apply to be covered under the program. They also will have to be meet conservation compliance requirements that apply to conventional commodity programs, crop insurance and conservation programs, Northey noted.

It may be late summer before producers will know whether they will get the full amount of the payment.

USDA is prorating the payments to ensure they stay under a $16 billion cap. The department needs to reserve money for commodities that aren't yet eligible and isn't sure how some commodities will be affected by the $250,000 payment limit, said Northey.

"This money is needed. We want to get it out as soon as we can," said Northey. "But it is important to be able to have enough money" so farmers who become eligible later "have an equal shot at being able to get paid on with this process."

Although the CARES Act provided an additional $14 billion that USDA can spend starting in July, he said the department doesn't know how much of that will be needed to make payments for existing programs and other purposes.

Northey is expecting a number of groups to request to be included in CFAP.

Wheat growers say that three major classes of wheat were unfairly left out of the program and will ask USDA to reconsider. Other producers of commodities including farm-raised fish, maple syrup and even turtle eggs, a product of Louisiana, have expressed interest in getting into the program.

Hard red winter, soft red winter and white wheat are not eligible for payments while durum and hard red spring wheat are.

USDA's methodology "neglects to incorporate price drops during the January to April time frame when wheat farmers were marketing their crop or that local cash prices that farmers were receiving were less than futures prices in many areas of the country," said Dave Milligan, a Montana farmer who is president of the National Association of Wheat Growers. He said NAWG provided evidence that prices for those classes fell by at least 10%.

Conventional eggs may be another issue, according to Northey. Eggs currently weren't made eligible for CFAP because USDA didn't distinguish between the impact of the COVID-19 crisis on shell eggs versus eggs that producers sell as liquid product for use in food service and food manufacturing. Prices for liquid egg product dropped dramatically after schools and universities shut down and restaurants and hotels emptied in mid-March, while shell egg prices skyrocketed.

"I just know we'll get" an appeal for payments to egg producers, "and we should, and they should give us some information and we should see if we can make it work or not or if it's logical," said Northey.

The payment calculations vary depending on the commodities, but the concept behind each is the same: The payments are designed to compensate for price losses that affected both crop and animal sales as well as the value of crops and livestock that hadn't been sold.

There are slightly different payment rates for money coming from two different accounts USDA is using to fund the program — the Commodity Credit Corp., a revolving fund from which USDA is drawing $6.5 billion, and a $9.5 billion account provided by the CARES Act enacted in March.

For corn, soybeans, cotton and other row crops, payments will be based on inventory subject to price risk held as of Jan. 15. The payment will be based on 50% of the producer's 2019 total production or the 2019 inventory as of Jan. 15, whichever is smaller. That amount will be multiplied by the commodity's applicable CARES Act and CCC payment rates.

The CARES Act and CCC payment rates for corn are 32 cents and 35 cents per bushel, respectively. The rates for soybeans are 45 cents and 50 cents per bushel. For cotton, the rates are nine cents and 10 cents a pound.

For cattle, hogs, and lambs and yearlings, the payment will be calculated based on the producer's number of livestock sold between Jan. 15 and April 15, multiplied by the payment rates per head, and the number of livestock the producer owned between April 16 and May 14, multiplied by the payment rate per head.

Dairy producers will receive a payment based on two different calculations. The first will be based on the farmer's milk production for the first quarter of 2020, multiplied by $4.71 per hundredweight, representing the national price decline during the same quarter. The second part will be based on a national adjustment to each producer's first-quarter production, or $1.47 per hundredweight. Milk that had to be dumped because a processor or cooperative wouldn't take it is eligible to be included in the farmer's production.

More details about the payment calculations and eligibility qualifications are available at farmers.gov.

In addition to the direct payments, USDA has implemented the Farmers to Families Food Box Program, in which the USDA Agricultural Marketing Service is partnering with national, regional and local suppliers to purchase fresh produce, dairy and meat products and have suppliers package these products into family-sized boxes, then transport them to food banks, community and faith-based organizations, and other nonprofits.

USDA will also make an additional $873.3 million in Section 32 purchases of specialty crops products for distribution to food banks. The use of these additional Section 32 funds will be determined by industry requests, USDA agricultural market analysis and food bank needs. The latest purchase solicitations are available at www.ams.usda.gov/selling-food-to-usda-terms/solicitations.

Hard-fought industry wins 'evaporating' under new budget reality

The release of the governor's updated budget proposal on Thursday has triggered a marathon session of budget hearings in the Legislature — continuing even through the Memorial Day weekend. Lobbyists are scrambling to analyze the many dramatic changes in the proposal as closed-door negotiations steer the debates ahead.


Gov. Gavin Newsom

The May Revise, as the updated draft is known, carries a number of cuts to agricultural programs across agencies — from CDFA's operating budget to incentive grants for emissions reductions and positions for farm advisers. The administration is also offering some creative proposals for covering a few of those spending gaps.

Like many agencies and departments, CDFA is now facing a 5% reduction from its state funding for next year. This puts it down $23 million from the January budget proposal. Those cuts pale in comparison to the $13.5 billion spending cut for schools and colleges. However, the May Revise only marginally trims the budgets of some other agencies regulating agriculture.

The overall budget for CalEPA, for example, is down just .4% from January, with about $16 million less. Within the agency, spending for the Air Resources Board is reduced by .5%, which adds up to less than $6 million, while the State Water Resources Control Board would see a cut of .75%. While the Department of Pesticide Regulation is set to lose 3% of its budget, that amounts to just $3 million. Similarly, the Office of Environmental Health and Hazard Assessment is slated for a 20% cut, or about $6 million. ***Read more on the May Revise at Agri-Pulse.com.***

The Natural Resources Agency, with an overall budget nearly double that of CalEPA, is listed for a cut of $1.6 million, or .02% of its January budget. Yet within that agency budget, funds would shift dramatically.

The State Parks and Fish and Wildlife departments within Natural Resources would each lose more than $30 million, with some of that recovered through other funding accounts. Yet if Congress and the White House pass an emergency infrastructure package, that funding is promised to return. California and a coalition of western states have been asking Congress for $1 trillion in its aid package. A number of other "trigger reductions" are also baked into the May Revise if Congress does not deliver by July 1.

Fish and Wildlife has already been short on funding for its programs protecting endangered and threatened species. Cutting an additional $33.7 million raises questions over how the department would be able to manage new protections for mountain lions, spotted owls and many other animals, along with a proposed listing for four bumblebees species spread across the state.

More uncertainties are found with the Cap-and-Trade Expenditure Plan. A priority for the administration is to continue funding the FARMER program for upgrading ag equipment. Yet the $50 million allocated in the January budget proposal for the incentives program was already down by $15 million from 2019 and down by $72 million from what then-Gov. Jerry Brown allocated in 2018. Before the pandemic, industry advocates argued the state would need to fund FARMER at $193 million for the next three years to achieve the air quality goals set for the San Joaquin Valley.

Part of the shortfall this year is due to an estimated decline of more than $400 million in revenues from the cap-and-trade program. As the quarterly auction reports come in, that decline could be even more dramatic, as the pandemic takes a toll on carbon markets.

"We may not even get $50 million for FARMER," said Taylor Roschen, a legislative advocate for the California Farm Bureau Federation. "We may get $1 million, if that's all that's left."

Roschen was also disappointed by a 10% cut to the budget for the UC Agriculture and Natural Resources Division. The January proposal was offering an additional 5%, or $3.6 million, to the chronically underfunded research and extension branch. Farm groups were pushing for a $20 million increase.

Many more details are still to be determined with the budget, especially if Congress fails to send the needed aid.

"We don't know what the larger implications are going to be if that happens," said Roschen.

She worried departments with inadequate funding would leverage user fees or borrow from an industry-funded program, which would reduce the amount of staff time for that program.

CalEPA Secretary Jared Blumenfeld mentioned in a press call that these fee structures are likely to change, with "polluters" paying more.

A case in point, Roschen pointed to Proposition 12, a ballot initiative expanding animal housing requirements that was approved by voters in 2018 and is beginning to be implemented this year. The May Revise proposes more than $4 million for CDFA to finalize and implement the new regulations. That money will come from a short-term loan out of the state's Food and Agriculture Fund. To repay the loan and cover the program's ongoing costs, the state is enshrining a new authority in CDFA to leverage fees.

"That's one example of how an agency's attempt to be flexible and nimble really means they're taking out a loan against their own debt," said Roschen, adding that this payment will now be carried "on the backs of farms and ranches."

CDFA Sec. Karen Ross explained in a press call she plans to "pivot" the program to operate like the department's organic certification program.

"We will develop the program for third-party certification, oversee the implementation of the program and do audits to ensure the integrity of that program, along with complaint-based investigations," she said.

A similar option was considered last year, when staff gave the State Water Board an option to increase fees in the agricultural regulatory programs in order to cover a $13 million shortfall in its new cannabis program. After protests from industry representatives, the board chose not to pursue that path.

Along with Prop. 12, the agriculture industry, and other businesses in the state, are concerned about an increase in the minimum wage, which went up $1 this year and is set to do so again on Jan. 1. Several business groups had asked Newsom to delay the increase during the recession. According to the May Revise, the wage increase will continue as planned.

Despite the Democratic supermajority in Sacramento, the budget debate is likely to be contentious this year. The Legislative Analyst's Office released a report on Sunday warning lawmakers of how much the governor's authority has grown during the pandemic crisis.

"We urge the Legislature to jealously guard its constitutional role and authority," the budget analysts cautioned.

The debate over the budget is also likely to be much more drawn out this year. The Legislature is bound by law to pass a budget bill by June 15. But that is likely to change significantly again in July or in a special session in September, once the delayed tax revenues funnel in and the state has a clear understanding of its actual revenues for the year. After that, the state will be looking at managing further cuts in budget years to come as the recession continues to deepen.

Branstad still hopeful for more agricultural purchases under 'phase one' deal with China

America's top diplomat in China says he's optimistic U.S. ag exports will soon find favorable trade conditions in China, but there are a number of factors that play into that decision both here, there, and in between.

Terry Branstad, U.S. Ambassador to China, has been basically quarantined in Beijing since the end of January. But Chinese leaders have now opened up travel within most regions of the country. This weekend, he and his wife, Chris, are looking forward to taking the train to Shanghai. He reports "things are beginning to get closer to normal and the traffic has picked up substantially in Beijing."

Terry Branstad, U.S. Ambassador to China

Agri-Pulse asked him several questions about the relationship between the U.S. and China during an exclusive interview Tuesday evening. Some comments have been edited for brevity.

1. President Donald Trump initially praised Chinese President Xi Jinping for his response to the COVID-19 outbreak. But lately, there's been a lot of blaming and concern expressed about how the Chinese have handled the situation. Do you think that the Chinese-U.S. relationship is at risk of breaking?

I think the President, like the rest of the world, believed what the Chinese were saying early on, and it turned out that they weren't open, honest and transparent. They stifled the doctor that originally discovered the virus and actually penalized him. And so, there were a lot of problems initially. And as a result of that, and the WHO (World Health Organization) not communicating that the virus could be transferred from one person to another, caused this to become a worldwide pandemic. They didn't do enough to warn the rest of the world.

This is a big and complex relationship. And we worked very hard to get the "phase one" trade agreement. And I know there was just recently a conversation between Ambassador (Robert) Lighthizer and (Treasury) Secretary (Steven) Mnuchin and (China's top trade negotiator) Liu He, and they all are indicating willingness and an interest in going forward with the implementation of the trade agreement.

2. Do you expect China to consider retaliation for some of the U.S. comments like they have against Australia?

Well, the Chinese tend to retaliate. And we saw that when we were dealing with the tariffs initially, and we've had that in the area of taking action against the journalists and things like that. So that's always a possibility. But I think both sides worked very hard to get the "phase one" of the trade agreement. And there seems to be interest among the parties that were involved in negotiations in seeing that it's implemented. We're concerned that there's more that needs to be done in agriculture purchases. They have purchased a significant amount of pork and beef and chicken, but soybeans — part of it has got to do with price, and part of it's got to do with the harvest that's going on in Brazil. But they've purchased more from Brazil than they have from us so far this year. We're hoping in the latter part of the year and we get into the harvest season, we'll see much more purchases from China.

3. So in general, are you fairly confident China will be able to make the purchase goals under "phase one," perhaps later in the year?

It's going to be difficult, but I'm hopeful that we're going to see that. Obviously, that's very important. We've got some areas like ethanol, where they have not reduced the tariffs as they promised and we're going to continue to press to see that happens because ethanol and DDGs are one area where I think there's a real need for that. As you know, we have a lot of ethanol plants in Iowa, and China really needs to address the issues of pollution here.

4. So we have seen China offer exemptions to tariffs that were placed in retaliation for the Section 301 tariffs. Do you anticipate that China is going to start doing more of those exemptions to make it easier to have U.S. commodities flow into China?

Yes, we're very hopeful about that. And I've been communicating with the various agriculture commodity groups to encourage them to push for that. A lot of our American producers don't understand the Chinese system and so we're trying to do what we can to educate them about what the needs are to get these exemptions.

5. What else can U.S. producer groups be doing?

Well, I think they need to do everything they can to stay in touch with their customers here in China and assure them that we can provide safe, quality food products. That's something that Chinese consumers are very interested in. They've been burned sometimes by their own local producers with not providing a quality or safe product. American products have a great reputation as being safe and quality. We just need to assure them that we're there and we want to continue to do business with them. And we're interested in seeing the opportunity for more exports here in the future.

6. U.S. beef producers have a lot of expectations of selling much more product to China. How big do you think the potential is for that market?

It's a big country, with 1.4 billion people. Pork is preferred in terms of a source of protein, but I think there's a lot opportunity. One of the challenges right now for beef is that hotels and restaurants have been their customers. And they've been curtailed somewhat. As they come back online, I think we'll see interest in purchasing more beef go up. But right now, a lot of the hotels are basically empty, and some of the major restaurants that have served the tourists are if not closed, have a very low volume of business. As international travel picks up, and as the demand comes on these sources, I think we'll see the interest in purchasing more American beef go up. And actually, with the issues they have with Australia right now, there might be a real opportunity for us there. As you know, we have corn-fed beef, which is better quality than the grass-fed beef they get from Australia.

7. We've all watched African swine fever drastically reduce China's hog herd. The government is putting in place a lot of incentives to help that industry recover. How quickly will the Chinese be able to get back to full capacity with their own pork production?

Estimates I saw early on indicated that could take three years. And we're about a year into it already. They haven't totally solved the problem with African swine fever. They've had some additional outbreaks here recently. So, they still have a ways to go on that and it’s probably going to take a couple years for them to get back. Of course, they have the biggest hog herd in the world by far.

They are purchasing from the European Union as well as the United States, but it's very difficult to basically meet the demand for pork here in China from the entire world. So I think it's a market opportunity, certainly for the next couple of years, if not beyond.

8. What do you see the Chinese government doing in terms of stimulus actions to try to get their economy going again?

They spent a lot of money on infrastructure after the worldwide recession in 2008. But they still have a significant amount of debt from that. Their National People's Congress is starting on the 22nd so we may get some indication over the next week or so. But we’re not convinced that they're going to spend as much as they did on infrastructure. They're not used to having a contracting economy. They've had 30 years of extraordinary economic growth. This is something that they're very concerned about.

9. As you think about the folks back home in your native state of Iowa, what do you think farmers should keep their eyes on for indications of how the Chinese relationship is going with U.S. agriculture?

The most important thing is the implementation of the "phase one" trade agreement. Agricultural sales is a big part of that. But there's also manufacturing and energy. And of course, part of the energy area is something we're concerned about because of the impact it has on things like ethanol. But I think that's one thing they need to watch. We're hopeful that as we get further into the year, we're going to see a significant increase in the purchases, especially with soybeans and with some of the other commodities. China has the capacity to do it. And a lot of the customers are state-owned enterprises. So if the national government here wants to fulfill their commitment, I think they have the ability to do it.

10. When will we see you back in Iowa?

I would like to go back for the Iowa State Fair, but I'm not sure we're going to have one this year. You know, I missed it for the first year that I was here as ambassador in 2017. I hadn't missed in 40 years. And I really miss Iowa sweet corn and a pork chop on a stick and the governor's charity steer show and all of the other things that go with the State Fair.

Specialty crops struggle to regain Chinese markets

The “phase one” trade deal with China is paying off substantially for commodities like soybeans, corn, wheat and sorghum, but it’s hit or miss for specialty crop farmers, many of whom are still trying to find replacement markets.

Chinese importers can't seem to get enough California oranges after China began lifting some tariffs in conjunction with "phase one," but U.S. producers of walnuts, almonds, cherries and other specialty crops aren't seeing a resurgence in trade. U.S. blueberry and avocado farmers are angling to make new sales to China, but it's still unclear if they will.

In early March, less than a month after the "phase one" deal became effective, China began exempting importers from paying tariffs on most U.S. ag commodities. Importers, on a case-by-case basis, could avoid paying the Chinese tariffs that were set in retaliation to the U.S. Section 301 tariffs on Chinese goods. That was a swift and major boon for soybean, corn, wheat and sorghum buyers. But China also has tariffs that correspond to the U.S. Section 232 tariffs on Chinese steel and aluminum. China is not exempting importers from paying those tariffs.

That means a punitive 15% tariff remains on U.S. cashews, pistachios, hazelnuts, walnuts, raisins, citrus fruit, grapes, apples and many other products.

The impact of those tariffs depends largely on the commodity, according to farmers and the farm groups that represent them.


Pamela Graviet, California Walnut Commission

For California's orange farmers, it hasn't stopped trade. For West Coast almond producers, it's still a major trade barrier.

"All the reports I've gotten from our marketers that do business in China show that trade has picked up significantly," says Casey Creamer, president and CEO of California Citrus Mutual. "The tariffs coming off in March — significantly reduced from where it was — was a huge thing for our exports and our domestic market."

China's tariff exclusion program is effectively cutting the tariffs on U.S. oranges from 56% to 26% and the results were immediate. March, April and May are the biggest months for U.S. orange exports to China, and business is booming Creamer said.

The totals are not in yet, but Creamer told *Agri-Pulse* he expects this year's exports to China to far surpass last year's, when tariffs were in full effect.

While it will be a much-needed improvement, sales still aren't expected to reach the highest level since the 2017-18 marketing year, which reached 71,000 metric tons and gave the U.S. 20% share of China's import market.

China's orange imports this year aren't likely to beat pre-trade war levels, but the new business is a major relief for California farmers, Creamer said. Many of the oranges that traditionally went to China had to be sold in other foreign markets that were already saturated or pushed onto the domestic market, and the result was lower prices.

It's been worse for walnut farmers. The California Walnut Commission reached out to U.S. sellers and Chinese importers when China announced the tariff exclusion process on March 2, but it did little good, said Pamela Graviet, senior marketing director for the group.

"At this time, has it made a significant difference in orders from China?" she said. "The answer is no."

U.S. walnut exports to China had been slowly declining as Chinese production rose before the trade war began in 2018, but that process accelerated quickly after China hit the nuts with multiple tariffs that added up to a total of 75% for inshell walnuts and 70% for shelled walnuts.

The exclusion would shave some of those tariffs down, but not enough to boost sales, as has been the case for oranges.

China imported 52,722 short tons of walnuts in the 2016-17 marketing year, according to commission data. That was cut roughly in half to 25,667 tons in 2017-18, and then dropped farther to 16,456 tons in 2018-19.

"China does have other viable places to import from, so they can buy from Chile or Australia, which both have tariff-free agreements with China," Graviet said. "At this time buyers are not likely to use the exclusion process unless they have specific customers that only want California products."

Adding to the problem is the fact that California farmers continue to produce more. The industry is diversifying its exports, but prices are declining.

"For the most recent crop year ending Aug. 31, 2019, the industry saw a 7% increase in production, reaching 672,723 short tons from 350,000 bearing acres," Graviet said. "Despite tariff and non-tariff barriers, the majority of the larger crop was sold, however at significantly reduced prices. Total value of the crop saw a 44% decline to an estimated $879 million — a loss in value of close to $700 million."

For U.S. almonds, exports had been growing before the trade war, but China's tariffs — even after the exclusions began — are significantly holding back trade.

Almond shipments to China fell by 25% last year and are down 20% so far this year, said Julie Adams, a vice president for the Almond Board of California.

It's unclear how many Chinese importers are taking advantage of the exclusion process, which would take the tariff level down from 55% to 25%, but it hasn't pushed trade back up to anywhere near previous highs, she said.

A major problem is that California farmers are competing with producers elsewhere that do not have to contend with any tariffs.

"In the case of almonds, Australia has a free-trade agreement with China, so there is (no tariff)," Adams said.

Before the trade war, China levied a base 10% tariff on U.S. almonds and they were still able to compete, but now that would be more than double even after an exclusion.

"We understand some importers have been looking at (tariff exclusions), but obviously the numbers don't bear out that it's had a significant impact on shipments," she said.

In the case of U.S. blueberries, farmers are still welcoming China's decision last week to open its border to the fruit for the first time, but tariffs are expected to block any sales in the foreseeable future.

China's base 30% tariff on fresh and frozen blueberries (25% on dried), plus 20-40% in punitive tariffs will make it very unlikely that U.S. farmers can take advantage of China's growing demand, says Elizabeth Carranza, trade director for the California Blueberry Commission.

Elizabeth Carranza, California Blueberry Commission

"We're hoping if there's a 'phase two,' it will address this, especially because we were just given market access," Carranza said. "China has a lot of opportunities for the U.S. I know there's demand in the market already and their consumption has been increasing over the past several years."

China, as a condition of "phase one," also just opened its market to U.S. avocados, and farmers are hoping to do a lot of business there, despite the tariffs.

"Yes, there are still some steep tariffs and it's too early to determine how this is going to play out, but I've got one packer already planning to make a shipment this week," said Ken Melban, a vice president for the California Avocado Commission.

What Melban and avocado farmers are counting on is a bet that wealthy Chinese will be willing to pay more avocados with the prominent oval sticker that reads "California."

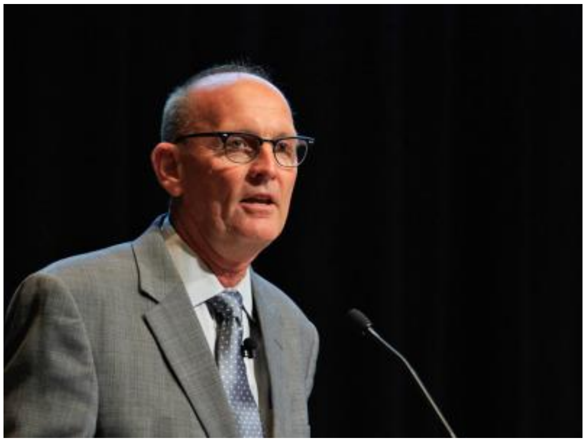
"We're targeting a very discriminating consumer — one who is willing to pay a premium price for a premium product," Melban said. "We're going to focus on Shanghai, Beijing and Guangzhou and see what happens there. There are 100,000 millionaires in those three cities and that's who our target customers will be."

Food box program debuts, but questions remain about contractors

USDA's massive Farmers to Families food box program kicked off May 15 with people lining up to get fresh produce, meat and dairy products. But questions lingered about the efficiency of the program and why USDA's Agricultural Marketing Service gave contracts to some companies that appeared unqualified to fulfill them.

USDA awarded $1.2 billion to nearly 200 companies around the country to procure, assemble and deliver boxes to food banks and other nonprofits. Boxes can include fresh fruits and vegetables, dairy products, precooked meat, a combination of items, and fluid milk.

In Vermont, so many people showed up at the Vermont Food Bank's distribution point at the Berlin airport that by 2 p.m., some had to be turned away. At one point, there were four-and-a-half miles of cars lined up.



USDA Undersecretary Greg Ibach

Traffic management became an issue, and portable toilets had to be set up. “We’ve never seen anything like it,” Vermont Food Bank spokesperson Nicole Whalen said.

People liked their USDA boxes, but demand was so high that after 1,000 of the USDA boxes were distributed, the food bank had to resort to giving people FEMA Meals-Ready-to-Eat (MREs), which she described as containing “much less compelling things.”

In El Paso, Texas, the situation was similar. “I’ve never seen five, six, seven miles of cars to get food,” said Rene Campos, operations manager for food box contract-winner Segovia’s Distributing, which is putting together fruit and vegetable boxes.

Campos said the company should have no problem fulfilling its contract. “As far as meeting the agricultural needs, it shouldn’t be a problem,” he said, “unless there’s an act of God.”

And Tom Stenzel, president and CEO of the United Fresh Produce Association, said from what he’s heard from members, “the rollout went pretty well. People are making it happen.”

Stenzel acknowledged “a couple of surprises in the early days with the contracts that went to some people who didn’t seem as prepared as what we had expected, but I do have confidence USDA is going to provide proper audit and oversight.”

In a May 11 letter to AMS Administrator Bruce Summers, Stenzel said, “We know of several upstanding companies that are current government contractors to USDA and the DOD Fresh program who were seemingly denied on mistaken grounds” and posed a series of questions about the program.

“They were rushing so fast and we were all pushing them,” Stenzel said. “They can only believe what was put on an application. I think they’re going to be very aware of the need to double-check.”

On a conference call Tuesday with reporters, Greg Ibach, USDA's Undersecretary for Marketing and Regulatory Programs, said some of the awarded contractors “have very great abilities that you wouldn’t necessarily be able to assess by looking at the name of the organization.”

“We feel confident that between our screening process and our audit process that we will be able to assure that those companies will be successful in fulfilling the responsibilities and the design of our program,” Ibach said.

Soon after the contracts were awarded, AMS was greeted with articles from Bloomberg, Politico and the San Antonio Express-News raising questions about some of the awardees, most notably CRE8AD8 (pronounced like “create a date”), a wedding and event planning company in San Antonio that won $39.1 million, one of the biggest contracts in the country, without seeming to possess relevant experience, or a Perishable Agricultural Commodities (PACA) license — a prerequisite for doing business in the produce world.

CRE8AD8's contract includes about $13 million for fruits and vegetables and dairy products and another $25.8 million for a precooked meat box containing pork and chicken.

CREA8AD8 CEO Gregorio Palomino did not respond to email and phone messages, but he told the Express-News he was applying for a PACA license. As of Tuesday, there was no record on AMS's ePACA website of CRE8AD8.

Maryland Gov. Larry Hogan, Ag Secretary Sonny Perdue and White House Advisor Ivanka Trump helped launch the Farmers to Families Food Box program in Maryland earlier this week.

He has been faced with wholesalers refusing to work with him, the newspaper reported May 18.

"I understand the sentiment from others that may have lost the bid, but I can't imagine turning away work or an opportunity to generate revenue for their business," Palomino told the newspaper. "We want to buy from local growers and purveyors, and help get San Antonio residents back to work, safely."

Brent Erenwert, CEO of Brothers Produce in Houston, has been the most vocal about his displeasure with the way contracts were awarded. He called it a "travesty" that CRE8AD8 received a contract.

"There are not enough answers" about how contracts were awarded, he said. "Did computers spin these out, did a bingo machine, we don't know."

"We've got something called a PACA license that protects us in case somebody doesn't pay us," he said. "That should have been the first box that was checked in this whole program."

USDA initially said PACA licenses were required, but an AMS spokesperson now says applicants for the food box program "must have, or acquire, a PACA license to comply with the contractual requirement."

"To be in the produce industry, you have to be PACA-licensed," Campos says.
Eric Cooper, president and CEO of the San Antonio Food Bank, says he has been working with Palomino on a strategy for distributing the boxes, which CRE8AD8 plans to begin doing June 1.

But it's the lack of a national plan that he says has he and other food banks concerned about the potential for food waste.

The program gives a lot of leeway to the distributors to determine where food goes. In its FAQ for the program, AMS says it **"**will not offer guidance on what nonprofit organizations to supply," which Cooper says has led to confusion about who is distributing food to whom.

“There’s no coordination of the nonprofits,” Cooper says.

The distributors he’s getting food from have all delivered food to the food bank’s warehouse, as opposed to distribution points, which is not how he reads the requirements in the Request for Proposal.

In addition, Cooper says that in a teleconference with other Feeding America food banks around the country, he heard stories of food going to nonprofits who didn’t need it, forcing them to call food banks for pickup and causing Cooper to worry that the program could result in food waste.

“I think there could be a more strategic plan and I hope USDA learns from the first round,” he said. The next round of distribution begins July 1 and runs through the end of August. USDA has the option of extending contracts beyond the initial base period of May 15-June 30 for three additional, two-month "option periods."

Both Cooper and the Vermont Food Bank’s Whalen mentioned the SNAP program as an avenue for food delivery. Cooper also brought up the already existing Emergency Food Assistance Program and other food assistance programs with which USDA already has experience.

“There’s plenty of proven strategies that just need funding behind them,” he says.
Under SNAP, people “can use an EBT card on their timeline to get food they can use instead of just getting a box,” Whalen said.

News Briefs

New process supports food safety audits. Mandatory government food safety audits of leafy greens farms under the California Leafy Greens Marketing Agreement are continuing during the COVID-19 pandemic, but the process could soon be conducted remotely and with less paperwork. Western Growers (WG) and the California Leafy Greens Marketing Agreement (CA LGMA), announced a new process developed through a collaboration with iFoodDecisionSciences (iFoodDS), that streamlines all verification documents and data for online review by government auditors. The groups say this process will allow the execution of remote audits and has been reviewed and accepted by the California Department of Food and Agriculture, which has oversight of the LGMA programs and auditors. “As an industry leader in produce safety, Western Growers remains committed to leading produce safety initiatives and solutions,” said Sonia Salas, WG assistant vice president of food safety, science & technology. “In a time where COVID-19 is testing all industries, this new auditing process will support food safety oversight during this pandemic.” The system is now available to certified members of the LGMA who are audited an average of five times over the year. “When the LGMA began in 2007, it was the first program of its kind in the nation. As we navigate through these unprecedented circumstances, the LGMA program continues to find innovative ways to move forward and achieve its objective of advancing food safety for leafy greens products,” said Scott Horsfall, Chief Executive Officer of the California LGMA. “This new auditing system is another example of the pioneering spirit of the LGMA and its commitment to find new and better ways to enhance the safety of leafy greens.”

No evidence of citrus greening in California commercial citrus groves. So far, citrus leaders in California say there is no evidence of citrus greening in commercial citrus groves, a disease that ravaged Florida citrus groves over the last 15 years. While that’s good news for

California, it's still cause for concern in Florida. A recent report by USDA's Economic Research Service suggests 2019/20 citrus production levels in Florida are forecast to be steady with last year despite the disease already affecting production levels. However, President of California Citrus Mutual Casey Creamer told *Agri-Pulse* the report could use some additional perspective. "I think that a little misleading when you look at the significant decline in production in Florida over the last ten to 15 years," Creamer said. Creamer also pointed out most of Florida's citrus crop goes to juice production, so it isn't as bad as getting an infected tree in California where most citrus heads straight to the fresh market. "When you are growing for a fresh market, the outside visuals of that commodity are paramount," he said. "It will have significant impacts because we are not able to do the kind blending or the things that can be done in Florida." He noted the state has been vigilant in trying to eradicate the Asian Citrus Psyllid, a bug that causes the disease by injecting bacteria into the leaf it is feeding on. "It this gets large spread in our industry, its total devastation of the California fresh citrus industry," Creamer remarked. The 2018/2019 citrus crop is valued at $3.35 billion, according to ERS. The 2019/20 U.S. citrus crop is forecast to be 7.63 million tons which is down 4% from the previous season, according to USDA's Fruit and Tree Nuts Outlook for March. The report noted declines in overall production is due to smaller lemon, tangerine, and mandarin crops in California.

USDA seeks five individuals for the National Organic Standards Board. The Department of Agriculture is seeking nominations to fill five open seats on the National Organic Standards Board. The board consists of 15 individuals selected by the department to make recommendations on the National List of Allowed and Prohibited Substances and other issues that are involved in the production, handling and processing of USDA certified organic products. Each member serves a five-year term and represents a specific sector of the organic community. The positions open for appointment include: two individuals who own or are employed by an organic farming operation; two individuals who represent public or consumer interest groups; and one individual who is a USDA certifying agent. Members attend two in-person meetings each year and participate in bi-monthly subcommittee conference calls. The USDA will reimburse members for approved travel and associated lodging expenses. Interested parties must submit a resume and an AD-755 application form to Michelle.Arsenault@usda.gov at the National Organic Program or mail it to: USDA-AMS-NOP, 1400 Independence Ave. S.W., Room 2642-S., Ag Stop 0268, Washington, DC 20250-0268.

USDA, FDA agree to collaborate on food facilities. The Food and Drug Administration and USDA have signed a Memorandum of Understanding designed to help prevent interruptions at FDA-regulated food facilities, including fruit and vegetable processing, the agencies announced Tuesday. Under the MOU, USDA has agreed to consult with FDA if that agency finds an existing or potential disruption in the food supply chain. Under an Executive Order issued last month, USDA was given authority to use the Defense Production Act to address shortages not just of meat and poultry but throughout the food supply chain. The MOU says once FDA identifies a potential or existing disruption to the supply of FDA-regulated food "of sufficient likelihood, seriousness or significance," it will contact USDA "to discuss appropriate action, including possibly invoking its delegated DPA authorities." "FDA maintains broad responsibility for ensuring that food is not adulterated or misbranded," regulating "food resource facilities that manufacture, process, pack, or hold foods, with the exception of certain establishments that are regulated exclusively by USDA," such as meat and poultry plants.

BLM tries new ways to handle wild horse overpopulation. The Bureau of Land Management, along with USDA, started testing a promising new fertility control vaccine this month that could help address the growing overpopulation of wild horses covering almost 27 million acres of public rangelands. Researchers believe the Oocyte Growth Factor (OGF) vaccine, administered to a captured wild mare through a single dose, may safely prevent pregnancy for up to three years or longer. The most common fertility control vaccines for wild horses in use today are short-lasting and require near-annual treatment to remain effective, the agency says. In Fiscal Year 2017, the BLM spent nearly 60% of its $81 million budget for the Wild Horse and Burro Program on the care of animals removed from the range, nearly $48,000 for each unadopted horse that remains in BLM's care over its lifetime. "For decades, the BLM has sought a long-term vaccine that could help effectively and humanely control the rapid growth of wild horse and burro populations on public lands," said BLM Deputy Director for Policy and Programs William Perry Pendley. "Now more than ever, an all-of-the-above approach is needed as a rapidly growing overpopulation of wild horses and burros threatens the long-term health of our public lands." BLM's annual wild horse and burro population estimates showed approximately 95,000 wild horses and burros on public lands — the most ever estimated by the agency. That compares to approximately 27,000 that roamed the land when the animals became federally protected and managed under the 1971 Wild Free-Roaming Horses and Burros Act. In addition to developing better fertility control tools, the BLM is also incentivizing horse ownership through a new Adoption Incentive Program (AIP). The AIP, which began midway through Fiscal Year 2019, helped the agency achieve a 15-year record for total placements that year of 7,104 animals. Total placements include animals adopted, sold or transferred to another public agency. Each animal successfully placed into private care is estimated to save taxpayers approximately $24,000 in lifetime off-range holding costs. That amounts to over $170 million in lifetime savings generated during Fiscal Year 2019 alone, according to BLM.

USDA Announces Grants for Urban Agriculture and Innovative Production. USDA announced the availability of $3 million for grants through its new Office of Urban Agriculture and Innovative Production, established as part of the 2018 farm bill. The agency is making $1 million available for planning projects that initiate or expand efforts of farmers, gardeners, citizens, government officials, schools and other stakeholders in urban areas and suburbs. Projects may target areas of food access, education, business and start-up costs for new farmers and development of policies related to zoning and other needs of urban production. Another $2 million will be available for implementation projects that accelerate existing and emerging models of urban, indoor and other agricultural practices that serve multiple farmers. Projects will improve local food access and collaborate with partner organizations and may support infrastructure needs, emerging technologies, educational endeavors and urban farming policy implementation. "California urban agriculture is at the forefront of food sovereignty, food security, and food justice initiatives, providing local fresh produce and bringing new life to food deserts," said NRCS State Conservationist Carlos Suarez. USDA will accept applications on Grants.gov until midnight July 6, 2020. A webinar, which will be held on June 3, 2020, from 2 to 4 p.m. EDT, will provide an overview of the grants. Information on how to register and participate in the webinar, or listen to the recording, will be posted at farmers.gov/urban.

Farm Hands West: Hammerich joins Cogent Consulting and Communications

Tim Hammerich has joined Cogent Consulting and Communications as senior director of strategic communications. Hammerich is the founder of AgGrad, a career development resource for agricultural professionals. According to Hammerich, he is no longer offering recruitment services and has shifted his attention to content creation and consulting full time.

Scott Horsfall announced he will retire as CEO of the California Leafy Green Products Handler Marketing Agreement (LGMA), after 13 years at the helm. Before LGMA, Horsfall was the CEO of the Buy California Marketing Agreement, the organization that created and aired the "California Grown" advertising and promotion campaign. Before that, he was president of the California Kiwifruit Commission and he also served as vice president of international marketing for the California Table Grape Commission.

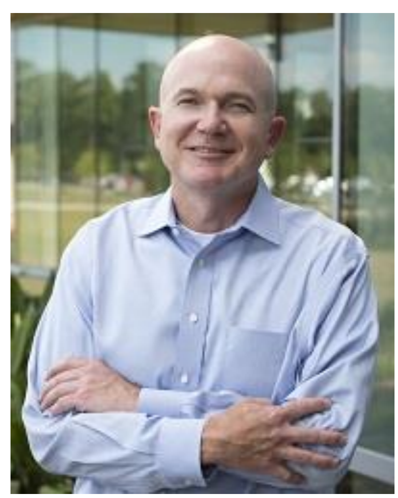
The Fresh Market Inc. has appointed **Kevin Miller** as its new chief marketing officer. Miller brings 30 years of experience in marketing and advertising. Most recently, he served as the chief marketing officer for Natural Grocers.

Gov. Gavin Newsom appointed **Jennifer Norris** as deputy secretary for biodiversity and habitat at the California Natural Resources Agency. Norris has served as fish and wildlife administrator for the United States Fish and Wildlife Service since 2013…… **Ted Craddock** has been appointed deputy director of the State Water Project at the California Department of Water Resources. Craddock has served as the acting deputy director since 2019. He first came to the Department in 1994 and has served in multiple positions including, assistant deputy director of the State Water Project, project manager of Oroville Spillways Emergency Recovery, chief of utility operations for the Hydropower License Office, program manager of the East Branch Extension, advisor to the State Water Project deputy director, and civil engineer.

Raley's has brought on **Jen Warner** as the new chief administrative officer, overseeing the company's food safety, sustainability and other programs. Most recently, Warner was vice president of legal at Columbia Sportswear Co., and also was chief development officer at Asheworks Inc. She also worked as the global chief compliance officer and general counsel of the Americas at XPO Logistics.

Terra Exports hired **Laura Peternostro** as its new chief financial officer. Peternostro will work as a liaison between leadership and sales on financial strategies, focused on maximizing sales growth while limiting risk. She most recently was director of treasury operations for On Your Mark Inc.

Syngenta is changing leadership roles to further support the firm's growth in North America and around the globe. **David Hollinrake**, currently Syngenta's regional director of North America Seeds, will be appointed to a new position as head of global seeds strategy and portfolio. In his new role, Hollinrake will lead long-term strategy development and planning for the global seeds business to continue to deliver increased choice and innovative products for growers, with a primary focus on the important U.S. seeds market. **Justin Wolfe,** currently regional director for Europe, Africa and Middle East (EAME) Seeds, will be appointed regional director North America seeds. Justin joined Syngenta in 2018 and has over 26 years of agricultural industry experience. Prior to joining Syngenta in 2018, Justin was with Monsanto for over 20 years, most recently as vice president Europe and Middle East commercial operations. The Syngenta EAME Seeds region will now be led by **Gaël Hili**, currently Syngenta crop protection head for Eastern Europe. All appointments will be



David Hollinrake

effective June 15. To read more about Syngenta's leadership changes, click here

The Biotechnology Innovation Organization has tapped **Michelle McMurry-Heath** as the next president and CEO of the organization, effective June 1. She succeeds former Rep. **Jim Greenwood**, who has led the organization since 2005. McMurry-Heath had previously worked for Johnson & Johnson since 2014. Most recently, she served as vice president of external innovation and global leader for regulatory science.

World Trade Organization director-general **Roberto Azevêdo** is stepping down from the helm, effective Aug. 31. He is leaving the position one year early, but has served seven years as the director-general.

The American Egg Board has tapped **Emily Metz**, former chief of staff at the National Milk Producers Federation, as the new president and CEO, taking over at the helm beginning in June. She most recently worked for the U.K.-based Genus Plc, as the head of global research and development communications and new product marketing. To read more on Metz's career, click here.

The **National Restaurant Association** has hired **Tom Bené** as its next president and chief executive. He succeeds **Dawn Sweeney** who announced last year she would step down from the position after leading the association for over 10 years. Bené previously was the president and chief executive of Sysco.

The American Feed Industry Association's board of directors has elected **Scott Druker**, of Church & Dwight Company, as the 2020-21 chair. He succeeds **Tim Belstra** of Belstra Milling Co., who served as the chair during the 2019-20 AFIA fiscal year. **Mike Schuster** of Laidig Systems was elected to become chair-elect of the organization. Schuster will succeed Druker in May 2021. The board also approved seven nominated individuals as additions to AFIA's Executive Committee: **Mike Gauss** of Kent Nutrition Group; **Carlos Gonzalez**, Ph.D., of Hill's Pet Nutrition; **Mike Van Koevering**, Ph.D., of Elanco Animal Health; **Mark Lueking** of Cargill Animal Nutrition; **Eric McMillan** of Cactus Feeders; **Lon Stephens** of Co-operative Feed Dealers; **Dean Warras** of Phibro Animal Health Corporation; and **Mindy Whittle** of Bayer U.S.-Crop Science.

Phil Karsting has joined Olsson Frank Weeda Terman Matz PC (OFW Law) as a senior policy adviser for the agriculture policy team. He most recently served as the vice president for public policy at the World Food Program, USA. He has also served as the administrator of the Foreign Agricultural Service at USDA. He worked on Capitol Hill and served as the chief of staff to Sen. **Herb Kohl**, D-Wis., former chairman of the Senate Agriculture Appropriations Subcommittee.

Jessica Robinson has joined HLK's strategic communications team to help work on the portfolios for Channel, Bayer's Regional Brands and the Environmental Science unit of Bayer. Robinson has built strategy and managed tactical teams in industry, government and associations, both as in-house leadership and an expert consultant. HLK is a creative and technology agency focused on understanding and changing behavior through deeply integrated brand experiences born out of customer insight.

Britt Aasmundstad has joined the Land O'Lakes team as the new manager of government and industry relations. Aasmundstad previously worked for the National Association of State Departments of Agriculture as an associate director of public policy.

Ways and Means Chairman **Richard Neal**, D-Mass., has brought on **Kelly Marie Fay Rodríguez** to the Trade Subcommittee staff to help work on the implementation of the U.S.-Mexico-Canada Agreement (USMCA). Fay Rodríguez previously served as the Bangladesh deputy country program director for the Solidarity Center, after working as a program officer supporting the Solidarity Center's efforts to monitor labor conditions, trade union organizing, and labor-related issues in Mexico and the countries of the South Andes.

UPL has promoted **Brian Ahrens** to head of U.S. ag sales. He previously was the lead for the professional products team. Ahrens succeeds **Brian Cardin**, who requested to step aside from his position after nearly 10 years of leading the U.S. sales team. Cardin now leads the key account manager team.

Best regards,

Sara Wyant
Editor
