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Water Board lobbies for new positions, some paid for by farmers

Gov. Gavin Newsom delivers the May Revision of his budget proposal.

As the budget process plays out this week in the Legislature, state employees have been caught in the middle. The governor has imposed a hiring freeze on all agencies while also proposing a 10% cut to salaries for the budget year starting on July 1. In announcing a budget agreement on Thursday, the Legislature pushed back on those pay cuts.

The negotiations have progressed at a rapid pace, through weekend committee hearings and countless hours of closed-door discussions. While proposals for large cuts in other sectors have dominated much of the discussion, ag groups have taken notice of an effort by the State Water Resources Control Board to create dozens of positions to cover new initiatives like safe drinking water and the governor's Water Resilience Portfolio.

One of those proposals would charge farmers $1.3 million in additional waste discharge fees in order to cover eight new positions. The staff scientists would play a part in the Water Portfolio's effort to inventory and assess water quality issues across the state by preparing assessments for "California's rivers, lakes, beaches and other surface waters." The positions would also satisfy requirements for the Clean Water Act and a court order requiring the state to produce the assessments more quickly.

Another proposal would create six additional positions to directly support other Water Portfolio efforts, at a cost of another $1.3 million added onto waste discharge and pollution permits.

Raising permit fees to fund new positions sounded a familiar alarm in the ag community. Lauren Noland-Hajik, a policy advocate representing agricultural associations for the firm Kahn, Soares and Conway, pointed to the cumulative impact of these fees on an industry already in decline.

Agriculture is dealing with reduced surface water allocations from a dry winter, regulatory uncertainty due to multiple state and federal lawsuits, and the potential for the Sustainable Groundwater Management Act to fallow up to one million acres of land in the San Joaquin Valley.


Bob Gore, a senior advisor at the Gualco Group

"With all of these changes – and with drought, with cutbacks in water supply – we don't think it's appropriate for the State Water Resources Control Board to increase permit fees on an industry that may be shrinking," said Noland-Hajik during recent budget hearings. "Agriculture, as other industries, has been impacted significantly by COVID-19 and is going to take some time to recover and really can't have an increase on their permit fees."

Agricultural groups clarified that they do, however, support the draft Water Resilience Portfolio and its proposed policies.

"We are just opposed to the way they propose to fund these programs by raising fees on us," said Gail Delihant, the director of government affairs for the Western Growers Association, during an Assembly budget hearing on Thursday.

During a State Water Board meeting on water quality fees on Tuesday, staff assured stakeholders they will not be recommending the board raise fees to cover the cost of these positions.

"We honestly don't know where we're going to end up with the budget," said John Russell, a deputy director at the agency. "The takeaway message for you all this year is that staff are not recommending any fee changes or increases to this year's water quality (program)."

Russell added that reports of the State Water Board adding 26 new positions at a cost to farmers were misleading, since all but the 14 positions are covered through other sources. Staff for the board's safe drinking water program, for example, are paid for through cap-and-trade revenues.

Another staff member calculated that the cost for eight staff members to perform water quality assessments spread across stakeholders would amount to a fee increase of less than 1%, with some ag groups exempted.

Bob Gore, a policy advocate representing agricultural and irrigation groups for the Gualco Group, was optimistic after hearing Russell. Gore has worked closely with the staff for years on reducing the regulatory toll on farmers. He told *Agri-Pulse* the new positions would likely be accommodated within the existing program budget instead of through fees, if the board adopts the staff recommendation.

Yet he was frustrated by how the state presented the eight positions for surface water quality assessments. The proposal was not included in the original January budget proposal and showed up in the governor's May Revision, without public discussion.

"The budget change proposal was submitted at the 11th hour and there is no sufficient justification for new positions," he said. "I don't believe it's necessary at all."

Gore said the proposal lacks any justification for the positions and fails to define the analytics and data the staff would be gathering.

The proposal for six staff to support Water Portfolio efforts, on the other hand, could benefit the industry, he said. The positions would help the state enact voluntary agreements for Bay-Delta flows – if the Newsom administration and state water contractors are able to come to an agreement.

"These positions would help ag interests maintain their access to water supplies in the San Joaquin Valley by making sure that voluntary agreements are sound," he explained. "Some of this falls under the rubric of the cost of doing business."

Understaffed and 'struggling,' Central Valley Water Board trims programs

The State Water Resources Control Board and its regional branches are facing an uncertain time. While the budget for next year has yet to be passed, the Central Valley Water Quality Control Board is already taking drastic steps to prepared for a significant reduction in staffing. Farmers could face a potential fallout further down the road.

"All told, the board is looking at around a 30 to 35% reduction in productivity," said Patrick Pulupa, the executive officer for the regional board, during a meeting Thursday. "That is a huge impact on the board's operations for the next year."

The agency is tasked with regulating a region spanning about 75% of California's agricultural land, covering more than six million acres of irrigated cropland.

In his May Revision of the budget, the governor is proposing to slash state worker salaries by 10% – one among many austerity measures to account for the severe deficit brought on by the COVID-19 pandemic. Both houses of the Legislature have agreed to reject that proposal, relying instead on a federal stimulus package that is yet to be passed.

Other responses to the pandemic are costing the board in unexpected ways.

As it reopens the economy, the state is facing a shortage of volunteers to support a massive effort in contact tracing – a strategy for tracking community spread when new virus cases arise. The governor has responded by directing agencies to volunteer staff to fill the gaps. The State Water Board will be supplying 57 staff for the cause, while the nine regional boards will supply 41 in total, according to State Water Board Member Tam Doduc.

While the boards will not have to cover the costs for contact tracing, the loss in staff for a period of nine months or more comes at a difficult time for the Central Valley Board.

The contact tracing effort would take away about 5% of the regional board's staff, explained Pulupa, while the agency is already dealing with a vacancy rate as high as 15%. Pulupa and his staff asked the State Water Board for permission to hire staff members to fill more than 30 vacancies, explained Pulupa. They were allowed three positions.

The proposed 10% cut in state salaries would likely result in furloughing of staff as well. The budget uncertainty is also leading to a rising wave of retirements.


Central Valley Board Executive Officer Patrick Pulupa

In response, Pulupa has led a working group to find ways to streamline regulatory programs and cut costs. Yet he still expects to see "extreme prioritization" for the board's top water quality initiatives, such as for safe drinking water and meeting permitting requirements. All other programs may be put on hold for a year.

"There's very little horsepower that we have to devote to new water quality initiatives – virtually zero," said Pulupa.

The dramatic cutback could have a trickle-down effect at the local level. The regional water board has often "filled in gaps" on water quality monitoring and enforcement for county and city governments, which never fully recovered from the Great Recession, according to Pulupa.

It would lead to impacts on the regulated entities as well.

"I can certainly understand the stakeholders' concern," said Central Valley Board Chair Karl Longley. "We're to provide a service to them also, and they're paying for the service that we're providing to them. So how we do that?"

California wineries set for tasting room reopen under new COVID-19 reality

California wineries are facing a new world of shifting to plastic, using face masks, and maintaining social distancing as the state government allows tasting rooms to reopen on a county case-by-case basis this Friday.

The California Department of Public Health has released guidelines set to take effect later this week suggesting all guidance should "be implemented only with county health officer approval following their review of local epidemiological data."

Counties will be able to reopen based on cases per 100,000 population, rate of test positivity, and local preparedness to support a health care surge, vulnerable populations, contact tracing, and testing.

"It's not going to be the overly warm friendly experience that people are used to," Stephen Kautz, president of Ironstone Vineyards, told *Agri-Pulse*.

Ironstone Vineyards is in the Sierra foothills town of Murphys, two and a half hours east of San Francisco. It had been closed since March 10 but reopened two weeks ago at 25% capacity, and only if the wine was served outside and with food.

"I can do wine service by the glass or we can do small flight tastings with food only and nobody can come in the building," he said.

Kautz said it is great to see customers return, but when customers have to stay outside, weather is always top of mind. Recently, Kautz said rain forced him to lose outdoor seating.

He also strives to be environmentally friendly, but most recently COVID-19 has forced him to change how he conducts wine tasting moving forward — in plastic cups and plastic containers.

"I'm trying to maintain my sustainable credentials and plastic cups don't really fall within the sustainability realm, but I don't have any other choice at this point in time," he said.

The CDPH suggests tasting rooms continue to use reservations for customers (but the prearranged bookings are not necessarily required), provide a clean glass for each tasting, and keep interaction of people from different groups or places to a minimum.

Kautz noted when he reopens his tasting room, he will likely have garbage cans close by so people can easily dispose of plastic cups; he does not want to be responsible for coronavirus contaminating a glass and one of his employees coming in contact with it.

He sees about 350,000 people walk through his doors during a normal year, but COVID-19 has caused him to lose a quarter of his customers over the last two months. His venue also hosts concerts, fireworks displays, and car shows throughout the year. Not being able to host those events could cause him to lose 75% of his foot traffic for the year, he said.

An April analysis from wine industry expert Jon Moramarco, managing partner at wine and spirits consulting firm bw166, predicts revenue losses for some 10,000 wineries and 8,000 winegrape operations across the nation could total $5.9 billion on an annualized basis in 2020.

Jon Moramarco, bw166

He said even though the analysis was conducted in April and anticipated a longer shutdown, wineries will still lose billions of dollars this year.

The analysis noted 90% of all U.S. wineries produce less than 50,000 cases and are estimated to experience annual revenue losses of between 36% to 66%. Smaller wineries will see the biggest impacts.

"The small players, they are having a tough time because restaurants have been closed ... tasting rooms have been closed, that's a lot of the revenue for small wineries and that's dried up," Moramarco told *Agri-Pulse*.

He projects wineries producing 1,000 to 5,000 cases are expected to see revenue losses of 47.5% and a 66% for wineries producing under 1,000 cases. But Moramarco noted individual wineries will see different impacts depending on their channel of distribution.

"It's been devastating, I mean there is not much other way to describe it," Clay Mauritson, president of Mauritson Wines told *Agri-Pulse*. His winery produces 11,000 cases of wine a year with some 80% of sales going to restaurants.

Mauritson said the biggest blow to his sales was having to close the tasting room. He said his tasting room sales alone represent 25% of gross revenue for the winery overall.

"We sell a much higher percentage of case volume through distribution, but it doesn't represent as large of a component of our overall profits margin or gross sales because the margins aren't there," he said.

Mauritson said the other devastating part of COVID-19 has been the inability to acquire new customers since wine country was closed. He said the new guidance for reopening will help, but thinks having to serve food with wine makes no sense.

"A lot of the winery facilities just aren't equipped to handle food preparation or food service," he said. Mauritson said having to serve food makes his job more difficult at a time when his winery is already hurting.

According to Moramarco's analysis, tasting room sales are estimated to decline by 80%, or $3 billion this year. He does not expect wineries across the nation to be at 100% capacity until mid-to-late next summer.

Next generation of House aggies coming into focus

Voters are electing a new generation of lawmakers this year who will be faced with making decisions about the future of agricultural policy in the aftermath of crises created by trade wars and the COVID-19 pandemic.

A few of the new House members representing major agricultural districts are already known, given that they've won primaries in districts that are solidly Republican. There are 10 seats among the top 100 agricultural House districts in which the incumbents didn't seek re-election. All but one are held by Republicans, and the winners of the GOP primary will be heavy favorites in most of the general election races.

Voters are electing a new generation of lawmakers who will make important decisions about agriculture and food policy.

An 11th seat, **Iowa's 4th District**, will have a new representative because of GOP Rep. Steve King's defeat in the June 2 primary. State Sen. Randy Feenstra will be running in November against Democrat J.D. Scholten, who lost by three percentage points to King in 2018. The district is the second largest in terms of value of agricultural production, based on USDA's latest census.

The likely new House members include Mary Miller, who raises grain and livestock with her husband in eastern Illinois' 15th District, which ranks 19th in ag production, and is a sharp critic of the market power held by major meatpackers.

She won the Republican nomination in March to succeed the retiring Rep. John Shimkus. The district runs along the Indiana border and ranks 19th in agricultural production, according to the latest USDA census.

"We represent the family farm, both grain farming and the livestock industry," Miller told *Agri-Pulse* in a recent interview. "I would always be an advocate for American agriculture."

Miller says the pandemic and the disruptions in meatpacking that have depressed livestock prices demonstrate the problems of concentration in the meatpacking industry. "The coronavirus has been terrible and detrimental in many ways to our economy, but it's also exposed things that we need to change and address."

In what would be a sharp break from other congressional Republicans, she calls for breaking up the four largest packers, "so we can have true competition," and requiring country-of-origin labeling for meat.


Illinois Republican Mary Miller

Another Republican likely headed for Washington is August Pfluger, a veteran Air Force pilot who served on the National Security Council under President Donald Trump. The seventh-generation Texan, whose father still ranches near San Angelo, won the GOP nomination in **Texas' 11th District** to succeed the retiring Rep. Mike Conaway, the top Republican on the House Agriculture Committee.

"It's extremely important to this district what happens in the farm bill and how Congress represents agriculture in general," Pfluger told *Agri-Pulse*. "That's very, very important to our family to make sure that way of life is preserved."

He said he regularly talks to Conaway, who chaired the Ag committee from 2015 to 2019, and that Conaway aides have helped him get up to speed on policy issues.

The district, which ranks 87th in agricultural production, includes a portion of Texas' largest cotton-growing region, and he said Congress needs to be "taking an active role" in helping protect those farmers from unfair foreign competition.

He considers himself a fiscal hawk, but he also said the COVID-19 crisis has highlighted gaps in rural broadband that the government needs to help address. High-speed internet is critical to making it "viable to farm and ranch," as well as for schools and health-care providers, he said.

Other open seats this year include two of the largest agricultural districts, including **Kansas' 1st District**, which covers much of central and western Kansas and ranks third in agricultural production, according to the USDA 2017 agricultural census. Incumbent Rep. Roger Marshall is vacating the seat to run for the Senate seat being vacated by Senate Agriculture Chairman Pat Roberts.

Four Republicans are running for their party's nomination in August, including former Lt. Gov. Tracey Mann, who was endorsed by the Kansas Farm Bureau.

Also up for grabs is **Texas' 13th District**, which ranks seventh in agricultural production and stretches from the Texas Panhandle to the outskirts of Fort Worth. Mac Thornberry, who was elected to Congress in the GOP wave of 1994, is retiring. Josh Winegarner, a top official with the Texas Cattle Feeders Association and former agricultural adviser to Sen. John Cornyn, is in a July 14 runoff with former White House physician Ronny Jackson. Winegarner won 39% of the vote in the March primary compared to 19% for Jackson.

Dee Vaughn, a former president of the National Corn Growers Association who farms near Dumas in the northern part of the district, is backing Winegarner and is optimistic he'll get a seat on the Agriculture Committee if elected.

Vaughn said it is critical that Congress consider improving farm bill commodity programs, which have proven inadequate as a result of the trade and COVID-19 disruptions. "We've got to have more money, more baseline" for the next farm bill, he said.

Pfluger is seeking an Ag seat as well but also wants to get on the Armed Services Committee.

Another livestock and grain district with an open seat this year is **Montana's at-large district** (24th in ag production). Incumbent Republican Greg Gianforte is the state's GOP nominee for governor. Kathleen Williams, a former state lawmaker, won the Democratic nomination June 2 to challenge Republican state Auditor Matt Rosendale for the seat. The Cook Political Report rates the seat as "lean Republican."

In **Georgia's 14th District**, where Republican Tom Graves is retiring, there will be an Aug. 11 runoff for the Republican nomination between businesswoman Marjorie Greene and neurosurgeon John Cowan. Greene won a plurality of the vote in a primary Tuesday. The winner of the runoff will face Democrat Kevin Van Ausdal. The district ranks 99th among House districts in agricultural production.

Texas Republican Josh Winegarner

The lone Democratic open seat up for election is **Iowa's 2nd District** (18th in ag production), where Democrat Dave Loebsack is retiring.

Rita Hart, a former teacher who runs a 200-acre farm with her husband, won the Democratic nomination June 2 to run in November against GOP state Sen. Mariannette Miller-Meeks, an ophthalmologist who lost three times to Loebsack. The Cook Political Report and other ratings services consider the race a toss-up.

The other open seats among the top 100 ag districts are:

Alabama's 2nd District (ranks 72nd in ag production) - Republican Martha Roby is retiring. Republicans Jeff Coleman and Barry Moore are in a run-off election July 14 for the GOP nomination. Coleman won 38% of the vote to Moore's 20% in a seven-candidate field in the March primary.

Michigan's 10th District (ranks 81st in ag production) - Republican Paul Mitchell is retiring. Three Republicans and two Democrats are running in the Aug. 4 primary.

New York's 27th District (ranks 93rd in ag production) - Republican Chris Collins resigned last year after pleading guilty to insider trading charges. State Sen. Christopher Jacobs, a Buffalo businessman, is running in a June 23 special election against Democrat Nate McMurray, who is on leave from a corporate executive position.

Ag industry still has questions on dicamba use

Much of the ag industry was still in a state of confusion Tuesday over applications of dicamba this growing season following EPA's decision to cancel three registrations but allow use of existing stocks by growers and applicators.

The agency issued a cancellation order Monday evening that specified existing stocks could not be used unless they were already in the "possession" of commercial applicators or growers on June 3, when the Ninth Circuit Court of Appeals vacated the registrations of Bayer's Xtendimax, BASF's Engenia and Corteva's FeXapan.

The court cited the "social and economic costs" resulting from use of the products, including extensive drift damage in many of the 34 states where the herbicides were used.

Farm groups are looking for clarity on dicamba action taken by EPA Administrator Andrew Wheeler.

EPA's order left ag dealers who don't provide application services out of the equation, saying they have to return products to the registrants or dispose of them according to state law.

The Agricultural Retailers Association and National Council of Farm Cooperatives promptly sought clarification from EPA, sending a letter to the agency Tuesday asking whether retailers with product already bought or contracted for by a grower can legally "move the product for purposes of application."

"Additionally, some retailers were told by state authorities where they operate that they could continue the sale and distribution of the three dicamba products," ARA President and CEO Daren Coppock and NCFC President and CEO Chuck Conner said in the letter to EPA Administrator Andrew Wheeler. "The cancellation order, though, is retroactive to June 3. Our members are seeking guidance on what happens to product sold between June 3 and June 8, the date of the cancellation order? Similarly, does the cancellation order supersede state actions to allow product to continue to be sold and used?"

"These questions need quick answers during this critical time of the growing season as weeds will not wait for a protracted legal analysis," Coppock and Conner said.

Jean Payne, president of the Illinois Fertilizer & Chemical Association, agreed that EPA needs to let the ag community know whether dealers who don't provide application services can still distribute product.

Another question, Payne said, is whether integrated companies such as Nutrien that provide a full range of services to growers can ship products from their distribution centers to their own custom applicators.

The plaintiff groups that brought the lawsuit against EPA were not pleased with its order, saying it "**flies in the face of the court decision holding dicamba-based pesticides unlawful. It ignores the well-documented and overwhelming evidence of substantial drift harm to farmers from another disastrous spraying season.**"

They said they would "bring the EPA's failure to abide by the court's order to the court as expeditiously as possible."

"The plaintiffs are angry," said Andrew Thostenson, pesticide program specialist for North Dakota State University's Extension Service, adding that EPA's order is not the last word on the subject.

"Additional action in the courts is almost certain," the National Association of State Departments of Agriculture said in a blog post that outlined its concerns about EPA's order.

"Several questions remain for states and growers," NASDA said. "The EPA order clearly prohibits all use past July 31, 2020, which may not be enough time for all farmers using dicamba products to finish out the growing season," NASDA said, and posed a question to EPA: "What liability exists for growers or commercial applicators who purchased dicamba in their state after the June 3, 2020 decision?"

Thostenson said he's concerned some growers might turn to older dicamba formulations not labeled for over-the-top use on cotton and soybeans if they don't have the other products in stock.

But he also said there may not be much product left anyway. "People were scrambling all last week" to obtain the herbicides, he said, with trucks "lined up at retailer locations" June 4, the day following the court order.

As of late Tuesday, EPA had not said anything more about its cancellation order and there had been no filings in the Ninth Circuit case. Many groups have called on EPA to appeal the court's order.

Bayer and BASF both issued statements, with Bayer praising EPA's "swift action" and promising to "continue working with the EPA, growers, academics, and others to provide long-term access to this important tool." BASF said, "additional clarity and flexibility is required to address the complexities of the supply chain so that farmers have the opportunity to use Engenia this season in accordance with the EPA order**."**

Dave Scott, pesticide program administrator at the Office of the Indiana State Chemist, said in his state, "If [product] was already purchased and there was documentation for that, and the only thing that hadn't been done is it hadn't been delivered, we would probably not pursue an enforcement action."

"If it's already been purchased, where it sits physically is less important," Scott said.

He also said that any sales in the period between the issuance of the court order and EPA's cancellation order "we're not going to consider a violation" even though the court had vacated the registrations.

The five days between the court order and the cancellation order saw many states issuing statements allowing the continued sale of the dicamba products.

Scott was critical of EPA for not acting more quickly to provide guidance in the wake of the court decision, which he agreed with.

"Honestly, I think the court nailed it," Scott said. He said he did not believe the registration decision was based on science, but was instead "a business decision that was politically supported."

China falls short on US dairy imports

China, despite economic woes and its battle with COVID-19, is buying more foreign dairy this year, but the increased imports are doing far less for U.S. producers than the industry had hoped for after the "phase one" trade pact went into effect in February.

China pledged to purchase $36.5 billion in U.S. ag commodities this year under the pact. No specific amounts were laid out on a per-commodity basis, but dairy farmers were optimistic the deal would translate into large new cheese and milk powder sales, making new inroads into a vast market that had been slowly opening up to them before the U.S.-China trade war.

That hasn't happened.

Whereas U.S. exporters were expanding access to the Chinese market just two years ago, those sales have turned anemic.

"We were doing so well in 2018 and then the combination of tariffs and African swine fever brought it down," said Jaime Castaneda, U.S. Dairy Export Council senior vice president for trade policy. "We were growing. I knew folks that were connected with Pizza Hut and others that were actually increasing sales. We were going to be doing really well."

From January through April in 2018, before both countries started slapping each other with tariffs, the U.S. exported 6,422 metric tons of cheese to China, according to USDEC data. For the same period in 2019, the total fell to 3,830 tons; this year, it's dropped to 2,715 tons.

Some Chinese importers are applying for tariff waivers that the government is offering, but U.S. producers remain at a disadvantage to suppliers in New Zealand, a country that shares a free trade agreement and long history of business ties with China.

But the U.S. dairy sector is still hopeful that sales may still pick up in the second half of the year — particularly for whole milk powder. Chinese imports dropped off in February, a result of strong domestic fluid milk production and the shuttering of the food service sector at the height of the spread of COVID-19, but those purchases are returning to normal.

"There was a decline in the level of imports, but that was more than offset in April," said Castaneda. "We don't know what happened in May, but we assume that as China returns to normalcy, we'll see imports at least the same as last year."

But the trick is getting China to meet that demand by buying from the U.S.

"The bottom line here is that the number one deterrent of imports into China today is the tariffs," Castaneda said. "There's no doubt about that. Even though there's this Chinese commitment to purchase more product from the United States and there is the commitment to wave some of the tariffs, we need a long-term solution in which China can make business decisions and we can go back to selling what we were selling before."

Even U.S. exports of dry whey, a key component in swine feed that China desperately needs to help rebuild its pork sector after African swine fever decimated the country's pig population, are down. Long before "phase one," China dropped its 25% tariff on U.S. whey in September 2019. It was hoped then that the action would be the start of a major trade rejuvenation, but U.S. exports are still low six month later.

The U.S. has exported about 51,000 metric tons of dry whey to China so far this year. It's an increase over the 37,000 tons last year, but well below the 92,000 tons in 2018 and 82,000 tons in 2017.

Still, there was a Chinese import spike in April — a 116% increase from April last year — so future months hold some potential.

But what U.S. dairy farmers and exporters have now is uncertainty, USDEC President and CEO Tom Vilsack told *Agri-Pulse* in an interview. Not only is it unclear whether "phase one" will indeed boost exports during the remainder of the year, it's unclear if there even will be a trade pact much longer.

"It's as uncertain as predicting the next presidential tweet," he said. "Seriously, President (Donald) Trump could wake up tomorrow not satisfied with the performance of the Chinese and could decide to pull out of the 'phase one' agreement because it's good politics."

Just Friday Trump cast new doubt over his support of the trade pact while at the same time calling it a "great deal."

Tom Vilsack, USDEC

Trump's latest reason for bashing Beijing is the government's attempt to strip freedom of speech from Hong Kong, bringing it in line with China's virtual ban on any dissent, but the Chinese failure to contain COVID-19 remains a sore spot.

“We had a great deal,” Trump said. “And by the way, they are online. They’re doing OK, but the ink wasn’t dry on that deal when the plague floated in. So, I guess I view the trade deal a little bit differently than I did three months ago … Getting along with China would be a good thing. I don’t know if that’s going to happen. I’ll let you know. I think they want to get along very much with us.”

Vilsack agrees with widespread criticism that China is not yet on track to fully live up to its purchasing commitments, but stressed he hopes the Trump administration won’t pull the plug on “phase one.”

“There’s still hope, I guess and that’s why it’s important to maintain the agreement, because if we … pull the rug out from underneath this agreement, then those purchases that come at the end of the year, won’t come.”

The U.S. dairy sector isn’t writing off China — the country is too big and full of potential for growth — but it’s also far from the only market that officials like Vilsack and Castaneda are concentrating on. Southeast Asian countries like Vietnam, Indonesia, Malaysia, the Philippines and Singapore are buying more dairy and they’re increasing business with U.S. suppliers.

U.S. dairy exports — mostly milk powder — have seen eight consecutive months of growth in Southeast Asia.

“We saw a 61% increase in sales to Southeast Asia in April, which allowed us to have a pretty good month, notwithstanding the difficulties that (COVID-19) is causing,” said Vilsack.

Plant-based meat alternative sales experiencing pandemic boost

The coronavirus pandemic has given a big boost to sales of plant-based meat as consumers search for protein amid the current health crisis.

While processing plants are now close to normal production, the meat sector struggled with the closure of plants and reduced production as thousands of employees became ill and dozens died of COVID-19. Some resulting price spikes due to decreased supply may be one factor in causing consumers' eyes to turn to alternative sources of protein. Figures recently released by the Plant Based Foods Association showed sales growth of plant-based meat exceeded that of meat during the "peak panic buying" period of the pandemic.

Sales of both fresh and frozen meat alternatives "have seen tremendous gains throughout since early March when coronavirus upended many grocery shopping patterns," said Anne-Marie Roerink, president of 210 Analytics, in an analysis of the market. "Dollar and volume sales gains versus the same week in 2019 have been in the double-digits for 13 weeks running."

Year-over-year sales gains hit 152% and 148% during the two panic buying weeks in March, Roerink noted. Since then, they've tapered off, but for the week ending May 24, sales of meat alternatives were still 57% above the same week last year.

An increase in meat prices could also accelerate the trend toward purchasing of alternative protein. The Bureau of Labor Statistics' Consumer Price Index for April showed that over the past year, the price of meats, poultry, fish, and eggs, all popular proteins, increased 6.8%.

Plant-based meat companies may be the beneficiaries of these developments.

"We've seen a dramatic and significant uptick in our retail sales," says Dan Curtin, president of Chicago-based Greenleaf Foods, SPC, owner of plant-based brands Lightlife and Field Roast Grain Meat Co. Based in Chicago, Greenleaf is a wholly owned, independent subsidiary of Maple Leaf Foods out of Toronto, which established the company in 2018 after buying the brands. Lightlife goes way back: Its founders got things going four decades ago by making tempeh in their garage in western Massachusetts.

Sales of Greenleaf Foods' plant-based protein products grew from $36.8 million for the 12 months ending March 31, 2019, to $46.3 million a year later, a 26% jump, and the company expects plant-based protein sales to increase another 30% this year.

Lightlife and Field Roast products are now in more than 30,000 retail locations nationwide, and the company is building a new production facility in Shelbyville, Ind., to complement production operations in Toronto, Massachusetts and Washington state.

Danny O'Malley at Before the Butcher, a California-based company that makes plant-based burgers and other meat alternatives, tells a similar story. But he also notes that because of the pandemic, his business took a hit both from the collapse of the foodservice sector and because his products were sitting in distribution centers for three weeks as retailers stocked other items.

"We went from a raging stream — trying to navigate the rapids of foodservice because it was growing very quickly for us — to a trickle," says O'Malley, who started the company three years ago. Retail sales have nonetheless continued to grow, however, and now foodservice is bouncing back.

He says orders have come in over the past couple of weeks "from foodservice distributors that we did not see for upwards of six weeks before."

Dan Curtin, Greenleaf Foods

"There's a very dim light at the end of the tunnel today," he says. "I envision that light getting brighter and brighter each day as the economy begins to open up and rev up, and we see more restaurants opening up."

Both Curtin and O'Malley think plant-based meat has finally arrived. Asked whether the sales increases will continue, O'Malley says, "Plant-based was on a very clear path prior to COVID and what COVID did was put a little pause on us," but the industry has continued "to educate and open the eyes of the consumer" about the benefits of plant-based foods.

"Any plant-based meat provider today is riding a little bit of a wave," O'Malley says. "The only thing that will perhaps limit us is waiting for the foodservice industry, specifically, to catch up to us," he says.

Curtin also sees plant-based taking off. Asked whether the increase in sales will continue post-shutdown, he says, “We believe it will.”

“Clearly there’s been lots of buzz in the industry — what we’ve done with Lightlife and Field Roast, what Beyond [Meat] has done, what Impossible [Foods] has done,” he says. In addition, citing the myriad “eating groups” out there now – vegan, vegetarian, flexitarian, to name a few — Curtin says consumers are more open to trying new things.

“I don’t eat as much animal meat as I used to years ago,” he says. “Younger millennials are looking for options. The old days of just eating a black bean burger are gone. People are not going that way any more. People want products that are nutritious and delicious.”

Lightlife recently trimmed ingredients from its products in response to what it called “the most comprehensive research study in plant-based protein history,” in which it surveyed more than 11,500 consumers “to better understand their values and expectations from plant-based protein.”

What they wanted was ingredients they could recognize, so Lightlife reformulated its plant-based burger, removing modified corn starch, yeast extract and ascorbic acid “and only including ingredients you know, like pea protein, coconut oil, garlic powder and beet powder.”

At Quorn, which makes its alternative meat products using mycoproteins, Ben Sussna, head of marketing for Quorn Foods US, says,“We believe the demand for healthy and sustainable alternatives to meat will show no sign of slowing down as more consumers try and adopt meat-free protein into their diets. The higher price and lower availability of meat has pushed consumers to look to other options – including meatless products like Quorn.”

He adds, “The pandemic has raised even more awareness about global climate change and the impact of animal protein production on the environment.”

Of course, meat isn’t going anywhere anytime soon, and some research shows consumers haven’t changed their eating habits much. In a recent survey conducted by the International Food Information Council, about half of consumers said they were eating the same amount of meat and other animal products (eggs and dairy), and protein from plant sources (beans, legumes, and tofu or soy) as they were before the pandemic.

In addition, “The amount of people saying they’re eating more or eating less of these types of protein is nearly equal, and this also holds true for plant alternatives to animal meat,” said Allison Webster, IFIC’s director for research and nutrition communication.

210 Analytics' Roerink notes that since the week of March 15, “the meat department has seen tremendous year-over-year growth. During difficult times we often see people fall back into more conservative eating patterns. In this case, this notion of ‘back to the familiar’ resulted in big boosts for meat and poultry.” Between March 8 and May 10, meat department sales jumped 45.2% versus the same period in 2019.

She also noted, however, that meat alternatives over the same period saw increased sales of 86% over the year-earlier period, and were even higher during the “panic buying” that occurred in March. But she also said the size of the market matters.

While the 86% on sales gains generated an additional $100 million in sales over a year ago, meat sales brought in an additional $1 billion over the same period, without looking at "the tremendous gains in frozen meat sales."

"In other words, it is important to look at absolute dollars and pounds, in addition to percentage growth, as they will quickly spike when the base is small," Roerink said. "At its highest point, plant-based meat alternatives represented 1.51% of combined meat and alternatives sales. But given the tremendous dollar and pound grown seen in meat, plant-based meat alternatives' share actually dropped to a low of 1.18% during mid-April but has recovered somewhat to 1.27% the second week of May."

Russell Zwanka, an associate professor of food and consumer package goods marketing at Western Michigan University, says, "There wasn't as much around last year so it's going to be a big increase no matter what, because your base was so small."

Researchers take aim at the 'murder' hornet, threat to bees

USDA staff at the Agricultural Research Service are searching for the Asian giant hornet (AGH) in hopes of preventing a serious threat to the U.S. beekeeping industry. AGH is also a health concern for people with bee or wasp allergies, according to USDA.

Working in partnership with the Washington State Departments of Health and Agriculture, as well as USDA's Animal and Plant Health Inspection Service, Jacqueline Serrano, an insect chemical ecologist with ARS's Temperate Tree Fruit and Vegetable Research Unit in Wapato, WA, is investigating the AGH, dubbed the "Murder Hornet."

A few AGH specimens were discovered last year in Washington State and Vancouver Island, British Columbia.

Researchers say that, despite its ominous nickname, AGH is more dangerous to insects than anything else.

"If AGH were to become established in Washington State, it could pose a serious threat to the beekeeping industry," Serrano said. "AGH could subsequently impact the state's billion-dollar agriculture industry."

Serrano moved to Wapato after working with the late ARS entomologist Peter Landolt, a world leader in chemical ecology research. She is carrying on Landolt's work of developing traps used in Japan on a species like AGH by leading efforts to develop attractants for use as bait in AGH traps in Washington.

"There are many different aspects of AGH chemical ecology, including feeding attractants and pheromones, that can be used to develop attractive lures," she said.

This invasive species from Southeast Asia is the world's largest hornet at about 2 inches in length. It has a large orange or yellow head and black-and-orange stripes across its body. While the hornet's sting delivers a potent venom that can cause severe reactions—and in some cases, death—in some people who are allergic to bee stings, attacks against humans are rare. AGH earned its bad reputation from the way it hunts down honey bees and other insects, primarily during the late summer months when it seeks protein to feed its young, according to ARS.

AGH sightings in the United States have been limited to two verified reports near Blaine, WA, in December 2019, and a single AGH specimen found and verified in May 2020 near Custer, WA.

Should Serrano's traps collect more specimens, ARS scientists will use those specimens to conduct genomic sequencing as part of the ARS Ag100Pest initiative. This initiative focuses on deciphering the genomes of 100 insect species that are most destructive to crops and livestock and are projected to have serious bioeconomic impacts to agriculture and the environment.

According to Kevin Hackett, ARS national program leader for crop production and protection, assembling the genome could help scientists fight the hornet in many ways. "It would help us find pheromones to better attract the hornet and also help us look for targets within the genome that we could attack with RNA to 'turn off' genes." RNA, ribonucleic acid, carries instructions from DNA to control the synthesis of proteins

News Briefs:

Korean carrots cleared for export to U.S. USDA's Animal and Plant Health Inspection Service (APHIS) authorized the importation of fresh carrots from the Republic of Korea into the U.S. The decision comes after APHIS published a pest risk assessment and a risk management document for review and comment on November 12, 2019. APHIS. The pest risk assessment identified pests of quarantine significance that could follow this commodity into the U.S. The risk mitigation document outlined available measures to mitigate those pest risks. Based on this analysis, APHIS has determined that fresh carrots from the Republic of Korea can be safely imported into the United States under a systems approach to protect against the introduction and spread of plant pests. A systems approach is a series of measures taken by growers, packers, and shippers that minimize pest risks prior to importation into the United States. In this case, the systems approach includes place of origin restrictions, washing and disinfecting requirements, and the removal of soil and green tops. The Republic of Korea's national plant protection organization must also inspect shipments before export and issue a phytosanitary certificate. The docket with information about this decision is available in the Federal Register: http://www.regulations.gov/#!docketDetail;D=APHIS-2019-0062 California accounts for about 85% of the carrots produced in the U.S., which are produced year-round on about 70,000 acres.

Specialty crop farms, dairy farms have highest labor costs. Specialty crop farms spent more than three times more money on labor costs than other types of operations, according to data from USDA's 2018 Agricultural Resources Management Survey. According to a release from USDA's Economic Research Service, 39% of the total expenses for the farms — which produce fruits, vegetables and nursery crops — came from labor costs. Because these operations rely the most on labor, they are also at the most risk for labor shortages or wage shocks. Dairy farms came second in spending on labor costs at 14%, something ERS said was due to "large dairy farms mainly relying on hired labor." Both corn and soybean farms, which largely rely on unpaid operator and family labor, spent less than 4% on labor costs. According to farm labor data from USDA's National Agricultural Statistics Service, the number of hired workers declined from 2.33 million to 1.15 million between 1950 and 1990, but has since stabilized. In the 2018 Agriculture Resource Management Survey, USDA looked at both paid employees and contracted workers when compiling the data for hired farm labor and found that a total of 13% of input costs across all farm types were associated with farm labor.

Despite strong demand, US beef and pork exports slowed in April. As the spread of COVID-19 in April slowed meat processing facilities and important Latin American trading partners lost purchasing power, U.S. beef exports fell below last year's totals and pork exports grew at a slower rate than in the first quarter. "Considering all the challenges the U.S. red meat industry faced in April, export results were encouraging," Dan Halstrom, the president and CEO of the U.S. Meat Export Federation, said in a statement. "Exporters lost several days of slaughter and processing due to COVID-19, and shipments to Mexico and some other Latin American markets declined due to slumping currencies and the imposition of stay-at-home orders. But despite these significant headwinds, global demand for U.S. beef and pork remained strong." According to new USDA data compiled by USMEF, beef exports fell 6% from last year to about $600 million. That's despite seeing a surge of growth in Japan and high demand in China.
A decrease in slaughter numbers, likely due to U.S. meatpacking plant shutdowns and slowdowns, caused the beef export value per head of fed slaughter to rise 19% to $363.35. Pork exports grew 22% from April of last year to 264,048 metric tons, the lowest level observed since last November. Due to COVID-19, production fell in April and the pork export value per head slaughtered rose 43% to $72.55. China and Hong Kong continued to be the top consumers for pork, but exports to Japan, Vietnam and Chile also increased substantially. "International customers are relieved to see U.S. production rebounding, solidifying our position as a reliable supplier," Halstrom said. "This helps address a major concern for buyers, as COVID-19 has disrupted meat production in many countries — not just the United States."

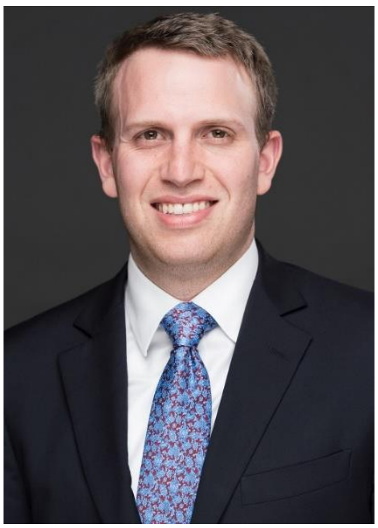
RMA tweaks Livestock Risk Protection provisions. USDA's Risk Management Agency will move premium dates and boost subsidies under the Livestock Risk Protection insurance program meant to protect producers against price declines. Under the changes announced Tuesday, premiums can be paid at the end of the endorsement period, a move that puts LRP in line with other policies. RMA is also increasing the premium subsidy for coverage levels above 80%; policies with an 80% or higher coverage level will get a 5 percentage point subsidy increase. RMA Administrator Martin Barbre says the changes "will make these policies more usable and affordable for livestock producers." The new language concerns policies for feeder cattle, fed cattle, and swine starting this summer for the 2021 crop year. Barbre says RMA is "working to ensure these improvements can be implemented by July 1." The program pays indemnities if prices drop below a set coverage level set by the producer — between 70% and 100% — when creating the policy. Premium rates, coverage prices and actual ending values are posted online daily.

Farm Hands West: California Table Grape Commission promotes Hearn

Karen Hearn has been promoted to vice president of domestic marketing for the California Table Grape Commission. Hearn joined the commission in 1999 and most recently worked in the role of senior marketing director.

After seven years at the California Department of Pesticide Regulation, **Charlotte Fadipe** is saying goodbye. She served as the assistant director of communications. She is headed to the California Earthquake Authority as the new chief communications officer. **Paul Verke** will fill her role at CDPR until the department hires a replacement.

Wern-Yuen Tan has been named chief executive officer of PepsiCo, Inc.'s Asia Pacific, Australia, New Zealand and China (APAC) region, effective June 15. Tan will be based in Singapore. Before coming to PepsiCo, Tan was president and CEO of Walmart China. Before that, Tan was managing director at McDonald's Taiwan. Tan succeeds **Ram Krishnan**, who will now transition to the newly created role of global chief commercial officer of PepsiCo.



Max Moncaster

Julie Borlaug has moved into the role of vice president of external relations for Inari. Borlaug previously worked in the role of vice president of communications and public relations. Before joining Inari in 2017, Borlaug was the director of strategic initiatives at Texas A&M AgriLife Research.

Max Moncaster has been promoted to director of public policy for the National Association of State Departments of Agriculture. Moncaster will lead the strategic policy engagement for the organization. Moncaster fills the role after the departure of **Aline DeLucia**, senior director of public policy. Her last day is June 19. Before joining NASDA last July, Moncaster was the director of policy communications at the National Cattlemen's Beef Association.

Kerry Lynch has left Michael Torrey Associates (MTA) and is headed to the National Stone, Sand and Gravel Association as the new communications director. Lynch worked for MTA for the past six years, most recently in the role of director of public affairs. Lynch has previously worked for the Society of Wine Educators and the Animal Agriculture Alliance.

Chaz Wilson, head of international sales for Pilgrim's USA, has been elected chairman of the board for the USA Poultry & Egg Export Council (USAPEEC) for 2020-21. He succeeds outgoing Chairman **Mark Barrett**, vice president of Lamex Foods Inc. Newly elected to the USAPEEC executive committee was **Martin Piffaretti**, vice president of export sales for Eastern Quality Foods. Newly elected to the USAPEEC board of directors were: **Fernando Amorim**, vice president of international sales, Gerber-Agri International; **Kathy Cline**, traffic manager/commodity sales, Cooper Farms; **Ernie Ferguson**, vice president of sales and marketing, MTC Logistics; **Haden Slain**, general manager, Poseidon Forwarding; **Emily Metz**, president/CEO, American Egg Board.

Blount International, Inc. has selected **Paul Tonnesen** as its new chief executive officer, effective immediately. Tonnesen succeeds **Josh Collins**, who served in the position since 2009. **David Willmott**, president and chief operating officer, will also be leaving the company. Before joining Blount, Tonnesen served as a global president of Fiskars Group, a global supplier of home, garden and outdoor products.

Harold Weisfeld, founder of Fruit Distributing Corp. of California, Commerce, died on June 2. He was 90. He grew up in the Rio Grande Valley in South Texas, where his father had a citrus packing shed. After serving in the U.S. Army in the early 1950s, he returned to Texas to work in the citrus groves. Shortly after, he moved to California and began working for Mendelson-Zeller Co., a distributor on the Los Angeles wholesale market. In 1958, he went out on his own and created Fruit Distributing Corp. of California later selling the company to his son in the early 2000s.

Best regards,

Sara Wyant
Editor
