

Lawmakers and Gov. Newsom wrangle over budget details

Facing a \$54.3 billion deficit, California lawmakers checked their “to do” list earlier this week and approved a new budget just ahead of the June 15th constitutional deadline. While the measure largely aims to avoid deep cuts in education and health care and assumes that more federal funds will be forthcoming by Oct. 1, concrete details on what taxpayers can expect for the 2020-21 budget year are still somewhat illusive.

“We could have done all the devastating cuts, like some folks have asked about, and maybe that would have helped us with Wall Street,” said Phil Ting, a Democrat and chairman of the Assembly Budget Committee, during floor debate on Monday. “But this is a budget for Main Street.”

Most of the heavy lifting is taking place during negotiations with Gov. Gavin Newsom in preparation for the new fiscal year kickoff on July 1. But even by then, it’s unlikely the governor will know what funds will be available.

The filing deadline for state taxes was delayed until July 15, making it difficult to estimate incoming tax revenue.

U.S. Senate Majority Leader Mitch McConnell is not in any rush to push forward another COVID-19 aid package until more is known about how existing financial aid has worked.

The Senate may consider a larger COVID-19 aid bill in late June or July, but insists it won’t be nearly as large as the \$3 trillion HEROES Act the House passed last month, McConnell indicated during an interview with *Agri-Pulse* late last month.



Gov. Gavin Newsom

“It’s going to be important for it to be narrowly crafted and to fix some of the things that were not done correctly in other measures,” he told *Agri-Pulse*’s Jeff Nalley. He said the bill must contain liability protections to shield for businesses from coronavirus-related lawsuits, and also would likely include more funding for payments to farmers.

Newsom said the state will need at least \$14 billion from the federal government to avoid similar cuts in state programs, but urged state lawmakers to take a different path: Make budget cuts as if there would not be any more money from Washington.

The governor’s proposal to temporarily raise taxes on some businesses was also approved by the Legislature and is expected to generate an extra \$4.4 billion. As a result, over the next three years, businesses with more than \$1 million in revenue will be unable to claim losses as a tax deduction. The measure also limits the number of tax credits businesses can claim.

The budget outlook represents a stark change from the economic picture in January, when Newsom offered a balanced budget plan with a \$5.6 billion surplus and record reserve levels. As he noted with his May Revision, “the rapid onset of the COVID-19 recession in California has resulted in more than four million unemployment claims being filed since mid-March, the unemployment rate is now projected to be 18% for the year, and there is a \$41 billion drop in revenues compared to January’s forecast. With a higher demand for social safety net services increasing state costs, the \$54.3 billion deficit is more than three times the size of the record \$16 billion set aside in the state’s Rainy Day Fund.”

Still, there are several signals on priorities from both the Governor and the legislature related to food and agriculture.

One proposal in alignment is for CDFA to receive \$150 million “to backfill the loss of revenue from parks fees and the fuel tax as a result of COVID.” As parks closed and few people were on the roads during the stay-at-home order, CDFA lost valuable revenue streams.

The two branches also agree on spending \$40 million for CDFA to cover layoffs for civil service employees and other liabilities as state fairs close.

The budget also provides about \$6.5 million to pay for lawsuits against the Trump administration, including more than \$1 million to litigate the biological opinions for Bay-Delta flows.

In addition, \$10 million for a farm-to-school grant program remained in both budgets, while another \$70 million in funds for schools to procure healthier foods and conduct workforce training was dropped in the May Revise.

“I can’t predict, but chances seem solid that this (farm-to-school) program will survive,” noted Lena Brook, director of food campaigns for the Natural Resources Defense Council, based in San Francisco. She said the concept was supported by more than 80 organizations, including farmers, environmentalists and sustainable food advocates.

“It’s not only a way to benefit small and mid-size producers who are traditionally underserved in federal farm programs, but can help build regenerative regional food systems that can help us weather a future food chain crisis,” she added.

Citing racial inequality in ag, CDFA issues strategy for change

CDFA sent a [30-page report](#) to the Legislature on Tuesday detailing the many barriers for socially disadvantaged farmers in California and how the department can better serve these underrepresented groups.

“We recognize the historical legacy of racial inequity in agriculture, and this report is one way to acknowledge this past while simultaneously committing to address equity at the department,” said CDFA Secretary Karen Ross in the report. “This is an opportunity for CDFA to be a champion for Governor Newsom’s California For All.”

Under Assembly Bill 1348 by Assemblymember Cecilia Aguiar-Curry in 2017, CDFA is required to update lawmakers on its first year of implementing the measures, known as the Farmer Equity Act. Yet the report comes as the nation grapples with an epidemic of racially-charged police brutality and just a day after the Legislature approved a budget that pushes back on the Newsom administration’s “draconian” budget cuts, which zero out grant programs prioritizing these farmers.



UCCE Small Farms and Specialty Crops Hmong Agricultural Assistant Michael Yang, left, advises a farmer.

With that budget reality, the recommendations in the report focus largely on improving outreach and education efforts to disadvantaged communities while boosting partnerships with other agencies and nongovernmental groups.

The report focuses on key hurdles like leasing land, language barriers, engaging with industry groups and accessing grants and technical assistance. The findings are based on a series of interviews with farmers and staff from the department and affiliated agencies and boards.

More than 23,000 farmers and ranchers in California – about 19% of the total and covering more than four million acres of farmland – are considered socially disadvantaged. They are located in every county, but more heavily concentrated in San Diego, Fresno, Tulare, Stanislaus and Riverside Counties, according to 2017 USDA census data. Yet that number could be considerably higher, since the NASS data is based on voluntary surveys. As the report describes in detail, disadvantaged farmers are unlikely to engage with this type of government outreach or even hear about it.

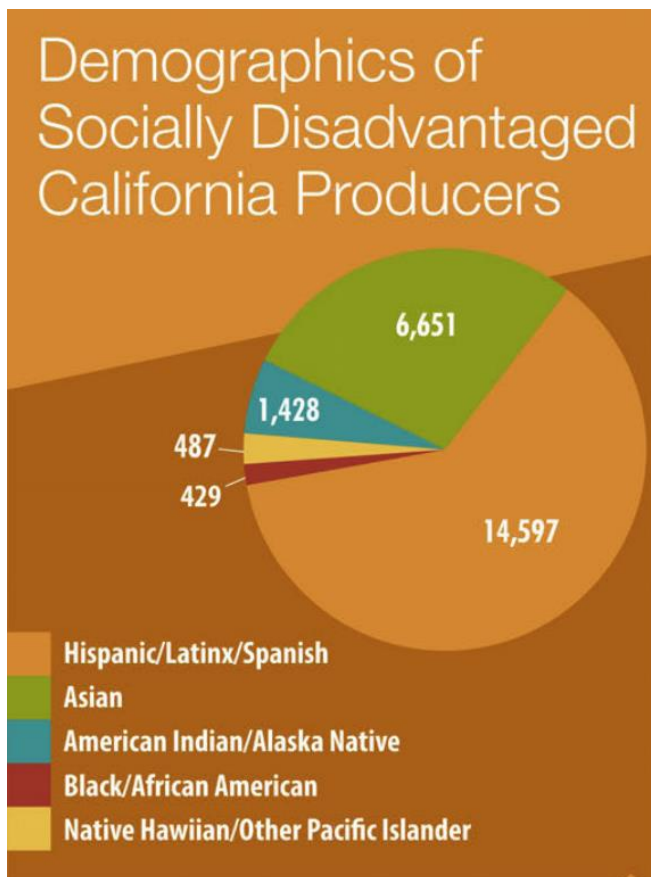
They also face racial, ethnic and gender discrimination. Female farmers, who make up less than a quarter of all farmers in the state, are considered part of the group as well, with women of color representing just two percent of all farmers.

“One of the biggest challenges as a female farmer is having a voice on policy issues, such as the Sustainable Groundwater Management Act (SGMA),” said Nikiko Masumoto, a third-generation Japanese-American farmer in Fresno, in an interview for the report. “It is difficult to find

information about the time, location and agenda for local SGMA meetings; once I arrive, it is often a room with 80-90% white men representing the largest farming operations in the area.”

Myrna Arambula, another farmer in the report, took out a six-month lease on land near Westmorland, planted perennial herbs and was then told by the owner the lease would not be renewed. She rebuilt from scratch after buying 45 acres near Holtville and also received help from USDA's EQIP conservation program to purchase hoop houses and install irrigation practices.

The report points out the challenges for the many immigrants who farmed in their home countries and then in California – from the Japanese farmers of the Coachella Valley to the 30,000 Hmong refugees who took up residence in the Fresno region after the Vietnam War. Without the capital to purchase land, many of these farmers are leasing and are vulnerable to rising rents, water scarcity and poor soils, according to the report.



They often depend on children or grandchildren for translation and rely on locally based farm advisors from UC Cooperative Extension (UCCE) or the USDA Natural Resources Conservation Service, write the researchers. In Fresno, farmers of color accounted for nearly 80% of those who engage with UC Small Farms Advisor Ruth Dahlquist-Willard. Nearly 85% also said they did not attend industry meetings “because they did not feel the meeting applied to them.” More than half had not joined an association or commodity group.

In 2019, Dahlquist-Willard testified in support of a bill proposing a farm equity center to support disadvantaged farmers. She shared how the declining UCCE budget has led to a reduction in small farms advisors.

“In Fresno and Tulare counties combined, we have about 8,000 small farms,” she said. “Many more are in the area between Fresno and Sacramento, where we don't have small farms advisors.”

Image courtesy of CDFA; Source: USDA 2017 Census of Agriculture)

Resources Center added that “there's a huge (Hmong) community up in Merced, Stockton, Sacramento and Yuba that have not been touched.”

A policy advocate for the Asian Business

The measure, Assembly Bill 838, was held in committee and later revived, but has stalled since January amid the state's budget crisis.

Meanwhile, CDFA had been prioritizing disadvantaged farmers for incentives grants on climate-smart agricultural (CSA) practices. For CDFA's flagship program, Healthy Soils, nearly half of the funded projects in 2019 were for socially disadvantaged applicants. In January, Newsom proposed \$18 million for that program. In May, however, the administration pulled funding for Healthy Soils and other CSA programs as it prioritized emissions reductions grants from the dwindling cap-and-trade revenue.

CDFA has been making inroads in other ways as well. The Strategic Growth Council, which Secretary Ross sits on, funded CDFA for 10 short-term cooperative extension positions to assist farmers in applying for CSA grants. The department has also been partnering with CalEPA and the Natural Resources Agency to specifically target their resources for disadvantage communities, particularly with issues related to the Sustainable Groundwater Management Act and safe drinking water.

“When funding becomes available, such as through the recent ban on chlorpyrifos,” said one unnamed staff member interviewed for the report, “we need to use these opportunities to leverage funding to improve outreach and communication as well as form working groups to improve cross-agency collaboration.”

The department has also hired bilingual staff to support outreach and, as part of AB 1348, an advisor to lead its farm equity efforts. The advisor, Thea Rittenhouse, has launched a web page in multiple languages to serve as a “[Farmer Resource Portal](#)” for disadvantaged communities.



Farm Equity Advisor Thea Rittenhouse (right) with AB 1348 author Asm. Cecilia Aguiar-Curry (center) and a legislative staffer.

CDFA is also hoping to broaden staff perspectives through a government alliance for supporting racial equity training.

“Creating a shared understanding of the challenges facing socially disadvantaged farmers and ranchers and rural communities will provide value as state agencies continue to address water quality regulations, pesticides, air quality and water supply,” the report notes.

Eight questions with State Conservationist Carlos Suarez

Carlos Suarez began his tenure as State Conservationist for USDA's Natural Resources Conservation Service (NRCS) in California in January of 2013, but the Puerto Rico native still has the same level of enthusiasm for soil and water conservation as when he started his career in the early 1990's as an unpaid volunteer and later as a soil conservationist in West Virginia. Since that time, he has held various positions across the agency, including serving as the State Conservationist in Florida, Deputy State Conservationist in Nebraska and California, Assistant State Conservationist for Field Operations in Wisconsin, Watershed Advisor for the U.S.

Embassy and U.S. Agency for International Development in Nicaragua, Farm Bill Program Manager in Indiana, Soil Conservationist and District Conservationist in West Virginia and Pennsylvania.

Suarez has also been a member of numerous national-level teams and has served on multiple occasions as an international environmental consultant to the U.S. Agency for International Development and The Millennium Challenge Corporation. In 2009, Suarez served as Acting Deputy Country Director for the U.S. Agency for International Development at the U. S. Embassy in Mexico.

Now, he leads over 400 permanent and contract employees charged with implementing a new strategic plan and deploying NRCS programs from the state headquarters in Davis. *Agri-Pulse* interviewed Suarez on Tuesday for a comprehensive overview of conservation efforts in the state. Some questions and answers have been edited for brevity.



State Conservationist Carlos Suarez. Photo Credit: NRCS

1. Q. You've worked in crisis situations in the past, including recovery efforts after hurricanes struck Puerto Rico and the Virgin Islands. How is your staff working during the pandemic?

A. I had experience in emergency situations in the past, but it doesn't compare to what we are doing here. We had to do adaptive management. We went to maximum telework and our NRCS family was able to adapt and deliver conservation. We did have staff go into offices but no more than one person at a time. We used rotational schedules and followed guidelines for all of the appropriate safety precautions. And although we were behind doors, we were open for service, through appointments and so forth.

2. Q. As you look at the issues you're trying to confront in California, being such a large state with so many different commodities, what are the top challenges?

A. Water Conservation. As you are aware, California went through a drought for almost 5 years and making sure that we have enough water to continue producing crops in a sustainable and an environmentally friendly manner was paramount, and it still is. A few years ago, I recall an interview that I had with farmers in Texas who were dealing with drought and I asked them for their best advice for California? One gentleman said, "Forget about this drought, prepare for the next one." And that changed my view on how to put resources out there - not only addressing the problem, but proactively working to minimize the impact of that challenge. So, it is creating resiliency. We are going to have those fears of water shortages. We have to be prepared.

Another challenge would be improving air quality, especially in the San Joaquin Valley, but it applies throughout the state. We, along with our partners, the air quality districts, the resource Conservation Districts, the NGOs and the Environmental Protection Agency, have been working on a voluntary approach to make sure we are obtaining the gains and improving air quality. In addition, replenishing groundwater, which kind of goes hand in hand with water conservation and soil health.

I'm very honored to partner with the Secretary Karen Ross for the past eight years. She has been a champion on soil health at the state and also national level, along with California Farm Bureau, the California Extension Service and the California Resource Conservation Districts. We work together to make sure that soil health is paramount and using the benefits of soil health to address many of these challenges.

3. Q. Do you have adequate funding to address these challenges?

A. The funding that we've received under the 2014 and now the 2018 farm bills has definitely allowed NRCS in California to address many, if not all of these issues – in different shapes and fashions. We are second in the nation when it comes to the Environmental Quality Incentives Program, following Texas. A lot of the money we received through EQIP goes to address air quality, along with soil health, water conservation – including groundwater- and water quality. We also have the Regional Conservation Partnership Program to address watershed concerns both within our state and multi-state. We leverage funding from our partners and we have many, including the California Rice Commission, The Nature Conservancy, Point Blue Environmental Science and many others.

I mentioned the Conservation Stewardship Program is becoming a very popular program. This is one that I'm very proud of. I'm going to make CSP one of the strongest programs not only in California but in the nation. We have been able to quadruple our funding and CSP in the last few years. And that's because of the efforts of our field offices, our program staff, and our partners. especially, the Almond Board, the California livestock and ranchers' associations and the California Farm Bureau who have been strong partners in promoting our programs and getting their constituents to participate. So, funding wise, it's been solid. But it's definitely a combination of the federal investments and our partners who help us get conservation on the ground.

4. Q. What's the status of the EQIP application process for this year and how does interest vary by regions of the state?

A. We have different funding pools for requests and batching periods. We completed our first period and our close to completing our second one and going into a third. Compared to other states, we are number three in the nation and when it comes to obligations of EQIP funds this year. Even with the pandemic, our field offices have been working with farmers, ranchers and forest owners to make that happen. We're hoping that we're going to spend all the money that we receive, and perhaps receive additional funds to supplement our needs.

Interest in EQIP is fairly widespread across the state. Air quality is certainly one that is mostly in the San Joaquin Valley. In the Sacramento Valley and in the Sierras, we had a lot of funding that has been dedicated for forest improvement and forest health improvement, wildfire, resiliency, and so forth. We also use EQIP funding to improve irrigation and address soil health.

5. Q. Any other NRCS programs that are of strong interest to the agricultural community?

A. The Regional Conservation Partnership Program (RCPP). Earlier this year, NRCS announced that the American Farmland Trust (AFT) would receive \$10 million for the San Joaquin Valley Land and Water Conservation Collaboration to address water resource issues using cutting-edge planning tools that ensure the most efficient use of resources and result in the strategic protection

and stewardship of agricultural land. The California Rice Commission received nearly \$5.5 million to engage rice producers in implementing a mix of proven and innovative wildlife practices on their farms to substantially increase the foraging, roosting, and nesting value of ricelands for wetland-dependent bird species in the Central Valley. Previous projects included the McMullin On Farm Flood Capture expansion and the Sierra Nevada Tree Mortality program.



Suarez working with partners on NRCS projects. Photo credit: NRCS

We have other partners that are looking at different ways to partner with NRCS to meet requirements under the State Groundwater Management Act. Also, we have substantial interest in the Agricultural Conservation Easement Program. California has been a leader in protection of farmland and also restoration of wetlands. Throughout the years, California has lost almost 95% of their wetlands but we are working with farmers and ranchers to recover and restore them.

I mentioned the CSP earlier. We have received a historic \$10 million to help farmers, ranchers and forest land managers enhance their level of stewardship. We have over 170 producers that applied for CSP that is a historic number of CSP applicants – probably the largest in the last 10 years. Although we still do not have the value of those applications, we are very optimistic that we're going to spend that \$10 million in those in contracts for producers in 2020. I knew the potential was there for CSP. Our farmers, ranchers and forest managers our great stewards of the land and they definitely qualified for CSP, yet they were not taking advantage of it. So, we explained the benefits of the program and how they can get into the program. We're definitely planting the seeds to grow a CSP into one of the top CSP programs in the nation.

6. Q. What about help for the dairy industry as they try to work on waste management? What is the role for NRCS?

Kudos to our dairy producers who are also excellent stewards of the land. They understand very well not only the benefit of managing that waste in a sustainable manner but also taking advantage of it. We are working with different dairy organizations but also the CDFA, which has a very strong dairy digester program. That program has seen some reductions in funding in the past few years. NRCS has always been solid in providing funding, but we stepped up our game. Digesters are very expensive. It's a practice that actually requires different funding from many private, state and federal levels. Last year, we funded 23 digesters at \$9.5 million. Fifteen of them have already started construction and five actually are nearing completion in 2020. We have interest for funding an additional 25 digesters. We anticipate that we're going to spend about the same amount of dollars or a little bit more in fiscal year 2020. In addition, we can provide technical assistance.

This is an excellent example of public-private partnership where you have agencies like CDFA, Cal EPA, NRCS, energy companies, and others who understand the benefits of not only waste management through the digester, but also energy production.

7. Q. As you look at helping farmers and landowners meet SGMA goals, how do you view the role of adopting new technology?

A. The role of technology will be number one. And that allows me to talk a little bit of our strategic plan. About three weeks ago, we rolled out our California NRCS strategic plan and that feeds into the national plan but also address the resource needs of the state. One of the key parts of this strategic plan is making sure we use proven conservation technology, but also cutting-edge technology. We have many organizations in the state that are developing cutting-edge technology. Groundwater recharge is an example. I'm biased on this, but our premier academic institutions are developing new technology not only for groundwater recharge, but also for geographic information systems, precision agriculture, air quality, wildlife management and so forth. Technology is not only is going to be key now, but it's going to be key in the next 5-10 years and beyond. As we develop more technology, we are going to become more efficient and able to address the resource challenges that our state faces.

8. Q. If you had a take home message that you'd really like to deliver to farmers and ranchers who are producing food and fiber in your state, what would that be?

A. We are in this together. As proud of the agency, but we cannot achieve this work without the support of our partners at the local, state and federal levels, along with the non-government organizations, but also our number one partners who are farmers, ranchers, and forest managers. They are the ones who make it happen. We're doing great things for conservation in California and we still have many opportunities to continue.

COVID questions abound in school lunch planning and prep

On March 12, school nutrition directors were forced to change menus and delivery methods overnight. That afternoon, phones started to light up and emails began to flow in to Gold Star Foods, in Ontario, Calif. Sean Leer, CEO of Gold Star Foods, a distributor that works with 600 vendors and serves 900 school districts in 18 states, said business literally changed overnight.

“We saw 300 to 400 order changes in the course of five hours,” Leer said. Nutrition directors needed to switch from bulk food products to individually wrapped items.

Following the nationwide shutdown of schools due to COVID-19, Gold Star Foods saw a twofold increase in orders for individually wrapped items that weren't previously in the supply chain. Much of the bulk food that was already in the system to meet school needs through the end of the 2019-20 school year remains in cold storage, and orders for the upcoming school year are pretty much are on hold.

The uncertainty about how schools will open this fall has elevated concerns that the food items and supplies the country's 13,698 public school districts need could be difficult to come by — and they'll be competing with private and charter schools.

As the extent of the pandemic became more widely known, USDA announced 13 temporary COVID-19 waivers to help school districts meet the challenge of shifting meal delivery methods and menus away from the school cafeteria through the 2019-20 school year. While USDA has extended three of those waivers — non-congregate feeding, meal service times, and parent pickup — through Aug. 31, the School Nutrition Association(SNA), nutrition directors, and meal distributors and manufacturers agree schools need more certainty given the virus’ continued threat.

On June 4, SNA sent a letter to USDA calling for an immediate extension of COVID-19 emergency feeding waivers through the end of the upcoming school year and asked for a new universal free meals provision that would allow all schools to provide all students with free breakfast and lunch at no charge.

The 2020-21 school year for Indiana’s Metropolitan School District (MSD) of Wayne Township starts July 29, and Sara Gasiorowski, child nutrition director for the district, said the district’s schools still aren’t sure whether they will be teaching students on site or via distance learning.

“We are in a sea of uncertainty,” she said. “We have to be more flexible and nimble than we have ever been.”

Amid that uncertainty, Gasiorowski’s team is planning for four different meal service delivery plans: in the cafeteria, in the classroom, at home, and a hybrid of at home and in the classroom. Each option requires different food items, labor needs, and supplies and equipment.



Sean Leer, Gold Star Foods

For instance, distance learning this fall would require the continuation of all the emergency feeding programs. And at this time, the Centers for Disease Control (CDC) is recommending all meals served on-site be delivered to the classroom, which would require different menus, procedures, and investments than meals served to students engaged in distance learning.

“We can’t hop from one program to another,” Gasiorowski said. “We need consistency and one process for districts to use all year long.”

Extending all of the COVID-19 waivers would provide that consistency. However, even with the waivers extended, schools still don’t know how many meals they will be serving when school starts or what they will cost.

In an SNA survey of school nutrition directors, 80% said their district was serving fewer meals since their schools had closed, and 59% saw the number of meals served drop by 50% or more. School closures have also left most School Food Authorities (SFA) with a critical lack of funds to meet shifting demands and their ability to restock school kitchens for the coming school year.

The survey also showed more than 90% of responding school meal program directors anticipated a financial loss (68%) for their 2019-20 programs or were uncertain about financial losses (23%). Among the 861 school districts that responded, combined total losses exceeded \$626.4 million.

The school meal program at the Gwinnett County Public Schools, a suburban Atlanta district serving 180,000 students, saw revenue fall 50% in March and April, culminating in a \$9 million loss, according to Ken Yant, executive director of school nutrition for the district.

Using several COVID-19 waivers this past spring, Yant was able to quickly transition to the Seamless Summer Option (SSO) of the school meal programs. SSO allows schools that have 50% or more students eligible for free or reduced meals to offer free meals to all students under the age of 18. He then opened 68 sites and designated 498 bus routes to distribute meals.

“Some schools were getting 400 to 500 people to drive up to get a meal,” he said. Yant’s district went from feeding 170,000 meals a day to serving between 40,000 and 80,000, and each meal was more labor-intensive and expensive to prepare because food portions had to be individually wrapped and cut.



Sara Gasiorowski, MSD of Wayne Township, Indiana

In late May, Yant had to order the first month worth of food for the district’s 2020-21 school year even though the district has not yet decided how it will open.

“Compared to last August, our menu is not going to be as expansive,” he said. “We will be relying on individually wrapped items or items that can be quickly prepared, wrapped, packaged, or cupped.”

That means mostly hand-held items like subs, wraps, cold and hot sandwiches, milk cartons, string cheese, fresh veggies and fruit, but nothing messy. Rice, pasta, meal trays, and even yogurt cups could be stricken from the menu unless manufacturers can come up with creative ways to make them spill-proof.

Gold Star’s Leer noted even without orders, some manufacturers have started to produce items they think schools will need when they reopen, but with retail demand so robust, manufacturers are having to compete for line time.

“Our company is making speculative purchases to make sure we have the items in place that our customers need. We are assuming distance learning, drive-through feeding, and some on-site learning, probably with meals served in the classroom,” he noted. “This has become a very narrow supply system for an extremely fragmented market.”

Gold Star also works with groups of farms and producers who are vertically integrated and who have retooled their processes to put products, including sliced apples, baby carrots, and celery, into individually wrapped items to get ready for an onslaught of orders.

If USDA grants SNA’s request for universal free meals, orders could get even bigger, but probably won’t match pre-COVID levels. According to SNA, school nutrition directors anticipate a significant decline in school meal participation next year, compared to prior years, as some schools continue to explore distance learning, hybrid models, or only allow the youngest students on-site. Thus, even if universal meals are offered next year, SNA said the overall number of meals served could drop due to fewer students being on-site.

Report: Foodservice demand won't recover until mid- to late 2022

Shuttered bars, restaurants, and food courts across the country are slowly opening back up, but experts say it could take years before they're experiencing pre-pandemic levels of business.

Shortly after the coronavirus pandemic spurred state and local governments nationwide to close restaurants to onsite dining, challenges in the supply chain became readily apparent. Dairy producers began dumping milk as orders from foodservice customers dried up. As the virus spread to processing plants, hogs couldn't be processed, forcing the humane destruction of thousands of animals. Beef processors also began shutting down, forcing producers to enter the queue and wait to send their cattle to market.

The tide is again shifting as food processors refit their operations for social distancing, and restaurants throughout the country reopen their doors — or at least their patios — to consumers, allowing parts of the idled supply chain to slowly start moving again. However, analysts expect a recovery in food demand at foodservice to take months, if not years.

According to a recent report by Rabobank, the worst of COVID-19's impact on U.S. foodservice is over, and sales declines are expected to moderate, from being down 50% at peak to down 12% to 14% over the next 12 months. "We expect this recovery to continue to strengthen and sales to return to pre-COVID-19 levels by mid- to late 2022," the report states.

Amit Sharma, senior consumer trends analyst at Rabobank, notes restaurants account for 85% of total foodservice sales, with the remaining 15% coming from other sectors, such as schools, cafeterias, and large events. Food demand from mass gatherings, such as concerts, conferences, and sporting events, remains on hold. Demand from schools also remains uncertain, and even the restaurant recovery will be uneven.

"It will be a longer trip back for the independents. People sitting down in a restaurant to eat is something that will take longer to come back," Sharma says.



Amit Sharma, Rabobank

While the Coronavirus Aid, Relief, and Economic Security (CARES) Act threw a lifeline to small businesses, the report notes that as many as 50,000 to 60,000 independent restaurants could close permanently over the next 12 months, an attrition rate of 15%-20%. The rate of attrition for all restaurants could rise to 8%-10% over the next year, according to Rabobank.

Some of the more permanent structural changes in restaurants going forward will include converting some restaurants to takeout and delivery only, exiting enclosed shopping malls, increasing automation, and providing less expansive menus. "The days of having a 25-page menu are probably over," Sharma adds.

Rabobank's baseline scenario assumes no relapse in COVID-19 infections this fall. **"If an effective vaccine were to become widely available, that would accelerate the recovery**

timeline,” Sharma says. However, later this year and next, Rabobank’s outlook for foodservice becomes more reliant on the economy, which officially entered recession in February, and less reliant on the virus.

Ernie Goss, economist with the Heider College of Business at Creighton University, says the outlook for the economy will depend in large part on the pandemic. “The number-one factor will be the direction of the virus. Does the infection rate increase?” Goss notes.

Worst-case for the economy, Goss says, would be for the virus to come back with a vengeance. A depression could occur if states shut down businesses again or if consumers themselves decide to quarantine. The best-case scenario would be for an early vaccine. In that case, economic growth could return to 2019 levels.

“If a vaccine comes out, all hell will break loose with consumer spending,” Goss adds. However, until the virus has waned, or a vaccine is developed and deployed, Goss expects restaurants to continue to struggle, as capacity is limited either by regulation or consumers’ reluctance to return to dining out.

From 2014 to 2019, spending on food eaten away from home increased from 50.1% to 53.3%, but the volume of food eaten at home is probably closer to 70%-75% of all food demand, Sharma notes. To entice consumers back to their restaurants, the price inflation seen over the last few years could moderate. “There will be more value-oriented offerings and dollar menu items offered by quick-serve restaurants,” he adds.



Ernie Goss, Creighton University

An earlier Rabobank report, *Catching up with U.S. Food Demand During the Coronavirus Crisis*, notes that every 10% drop in spending on food eaten out of the home translates into a 3% increase in spending at retail, meaning total dollars spent on food categories during the pandemic has also shifted. For example, beef, chicken and bacon are eaten in greater quantities at restaurants than at home, while pork is less exposed. About 40% of cheese, or 440 million pounds per month, is eaten away from home.

“Breakfast has been the meal that has suffered the most because people are not driving to work and stopping off for a quick breakfast. Two-thirds of bacon consumption is eaten away from home,” says Don Close, senior animal protein analyst with Rabobank AgriFinance. Demand for chicken wings also fell as sports bars and sporting events shut down.

At the other end of the spectrum, 85% of fresh fruit and vegetables are normally consumed at home, according to Rabobank.

“A different situation exists for frozen potatoes, since 85% of consumption occurs in the foodservice channel,” the report states. “The increase in retail frozen potato sales will not be enough to offset lost foodservice sales.”

Temporary disruptions in food supply chains continue to emerge but not to the degree they did when the foodservice sector suddenly closed, causing panic food buying and retail price spikes.

“Consumers went through a period of high prices and out-of-stock items, but given the quality of the product coming, they will be rewarded by an ample supply of product and very attractive prices,” Close says.

Eventually, a good selection of restaurant-quality beef will end up being sold through retail meat counters, and prices for lower cuts will decline.

“It will all clear the market. It will be consumed. It will find a market clearing price,” Close adds. While that might mean that producer prices could fall below where they were pre-shutdown, as supplies normalize later this year, prices will eventually recover to pre-COVID-19 levels.

With nearly 21 million Americans still filing for weekly unemployment checks and daily cases of COVID-19 infections increasing in many states, eating at home will likely be the default for the near-term.

“The American psyche is scared right now, and when you are scared you don’t spend,” Goss says.

Judge denies preliminary injunction on grizzly bears, stopping one challenge by environmentalists while another remains

U.S. District Court Judge Amit Mehta in Washington, D.C., declined to issue a preliminary injunction that would have immediately stopped ranchers from being allowed to kill a limited number of grizzly bears that threaten their livestock in the Bridger-Teton National Forest in Wyoming.

The Western Watersheds Project, Alliance for the Wild Rockies and Yellowstone to Uintas Connection sought the injunction in the case brought against the Interior Department.

However, another legal challenge seeking to deny the basis for the grazing permits is continuing, according to Jim Magagna, Executive Vice President with the Wyoming Stock Growers Association. **In March, the Center for Biological Diversity and the Sierra Club also filed suit in federal court in the District of Columbia, challenging the Fish and Wildlife Service’s biological opinion that enabled the U.S. Forest Service to allow livestock grazing, accompanied by the removal of problem bears, in the forest.** The Wyoming Stock Growers and the State of Wyoming are seeking to have the two cases consolidated and transferred to federal court in Wyoming for consideration.

Last fall, the USFS renewed livestock grazing permits across 170,643 acres in the Upper Green River Area Rangeland area of the Greater Yellowstone Ecosystem. The grazing period in the Bridger-Teton National Forest runs from June 14-October 15.

As part of the decision-making process, USFS consulted with the U.S. Fish and Wildlife Service, which issued a biological opinion last year, authorizing the killing of up to 72 grizzly bears over the next 10 years in the area where livestock are threatened. The FWS has been issuing biological opinions to remove a small number of bears since at least 1999, according to the motion.

In 2014, FWS produced a BO which exempted the lethal removal of 11 grizzly bears within any consecutive three-year period. But the plaintiffs argued that the larger, 2019 BO was “arbitrary and capricious and violated the Endangered Species Act because it did not consider the potential for a high number of female grizzlies to be killed.” As of 2017, the Greater Yellowstone Ecosystem supports an estimated 718 individual grizzly bears.

“It’s outrageous that the feds are caving to the livestock industry by allowing dozens of grizzly bears to be killed in their crucial habitats on public lands,” said Andrea Santarsiere, a senior attorney at the Center for Biological Diversity, said in a release. “Yellowstone’s grizzly bears are a national treasure that should be protected, not slaughtered.”

Magagna says the threats to cattle and the additional costs incurred by cattlemen have grown increasingly worse since more bears moved into the area in 2008 and wolves were reintroduced in the mid-1990s. In 2008, 22 cattle and calves were confirmed killed by grizzly bears. By 2015, that number had grown to 79, resulting in thousands of dollars in losses. Plus, ranchers incur additional costs related to moving their herds more often and keeping twice the number of cowboys on hand to try and prevent attacks, he says. At this point, cattlemen can continue to graze their herds under the 2014 BO.

News Briefs:

Retail orange juice sales rise in April during pandemic. Retail orange juice sales rose to the highest levels seen since 2015 in April as the COVID-19 pandemic prompted stay-at-home orders and business closures. Nielsen Sales data, retail stores sold 44.5 million gallons of orange juice in April. The only time in the last 5 years sales were higher was in January 2015, when over 45 million gallons were sold. “One reason for the increase is that U.S. consumers may have sought methods to increase their intake of vitamin C, a nutrient commonly believed to build up a healthy immune system,” the Economic Research Service said in a release. The average price of frozen concentrate orange juice grew 5% from March to April, ending up at \$2.40 per 12-ounce can. According to the release, U.S. consumption of orange juice declined 40% between 2010 and 2019, bottoming out at 2.25 gallons per capita. “The decrease in orange juice purchases is attributable to both demand and supply-side factors. Research has indicated that declining consumer interest in sugary beverages may be contributing to reduced purchases,” the release stated. “On the supply side, citrus greening disease, an insect-borne illness, has decimated the Florida orange juice industry, decreasing bearing acreage of juice oranges by 30 percent since 2005.”

Apple industry calls CFAP analysis flawed. The U.S. Apple Association, joined by the California Apple Commission and several other trade associations, are urging USDA to reconsider how it is funding growers for the Coronavirus Food Assistance Program (CFAP). The groups say the analysis “does not match the reality” of what is happening in the industry. According to USDA, apple growers did not qualify because prices had not declined by at least 5% between January and April. USApple is arguing in a 30-page statement that “record-shattering stocks, combined with sluggish domestic and export movement” have hurt apple growers badly. USApple CEO Jim Bair said 95% of the data on apple sales was not captured in the analysis. Groups that joined USApple on the letter include: California Apple Commission, Michigan Apple Committee, Midwest Apple Improvement Association, New England Apple Association, New York Apple Association, North Carolina Apple Growers Association,

Northwest Horticultural Council, Pennsylvania Apple Program, Washington Apple Commission, Washington State Tree Fruit Association and Wisconsin Apple Growers Association.

USDA highlights 'small agriculture' initiatives in online exhibit. As the U.S. grappled with the impacts of World War I, World War II and the Great Depression on the food system, USDA supported gardening and small food production initiatives to increase the supply of fresh food for the domestic population. Now, as COVID-19 has prompted a renewed interest in gardening, USDA's National Agricultural Library is highlighting these initiatives in its digital exhibit, "Small Agriculture." "We are in the process of digitizing pretty much all of the print publications that USDA produced across its life span," Emily Marsh, the designer of the exhibit, told *Agri-Pulse*. "We have hundreds of thousands of these digitized reports, but they don't have a lot of meaning in isolation. My idea for the exhibit was to collect these smaller scale initiatives into a container that would give them some context." The exhibit highlights three initiatives USDA pursued in support of small-scale farming: the school garden movement in the early 1900s that placed an emphasis on teaching children about the science of plants and "taking responsibility for a specific plot of land"; the subsistence homesteads movement that encouraged people in overcrowded cities to pursue part-time farming and combine the benefits of rural and urban living; and the Victory Garden program that urged citizens to produce food as a "defensive measure" during World War II. "All of this is very specific information," said Marsh. "It was designed to be easily understood by pretty much everybody ... The department was really trying to help people and, in this case, create food that they could eat in their day-to-day lives." The NAL also has published exhibits on George Washington Carver, Robert Frost, the USDA Bureau of Home Economics, Local Foods, and the History of Canning on its website.

Farm Hands West: Western Growers hires De Ann Davis

Western Growers has hired **De Ann Davis** as its senior vice president of science. Davis brings 25 years of experience in the development and execution of technical global programs, including food safety, quality assurance and regulatory compliance. She most recently served as food safety director for Commercial Food Sanitation, a provider of strategic consulting services, expertise and training that addresses food safety and sanitation challenges for food processing plants.

Del Monte Fresh Produce has promoted one of its longtime employees, **Ana Cristina Fonseca**, to the newly created role of vice president of product management. Fonseca has been with the company for the past 28 years, and in her new role will lead the product management team to help enhance supply-chain capabilities. This change comes as **Scott Owens**, an industry veteran who headed up Del Monte's the banana, pineapple and melon programs, left the company on June 10.

The California Department of Food and Agriculture (CDFA) Inspection and Compliance Branch has brought on **Lina Nguyen** as a senior environmental scientist specialist to help make sure farmers understand how to comply with the Produce Safety Rule (PSR) and can pass CDFA Produce Safety Program (PSP) inspections being conducted on their farms on behalf of the U.S. Food and Drug Administration. Before joining CDFA, she held positions in quality assurance/quality control at farms and other food facilities.

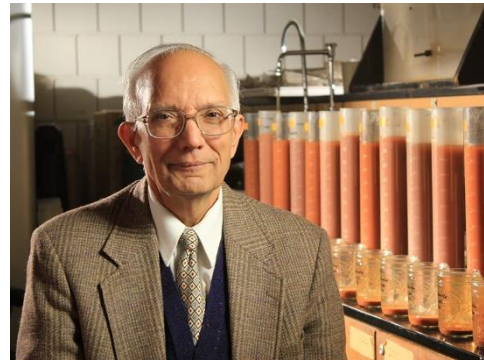
Colby Pereira has resigned from Costa Farms where she served in the role of manager since 2005. She is still active in the role of board president at the Monterey County Farm Bureau and a board member at the Grower Shipper Association of Central California.

Westfalia Fruit International Ltd. has selected **Johnathan Sutton** to fill the newly created role of executive of safety and environment for the multinational Group. Sutton will work with avocado experts to work toward goals of sustainability, and work to create protocols that ensure optimal levels of compliance with regard to environmental impact, food safety, and the health and safety of employees.

John Sutton, chief financial officer of The Wine Group located in Livermore, CA, was elected the Wine Institute Board Chairman for 2020-2021. Other officers elected to the board were **Suzanne Groth**, Groth Vineyards & Winery in Oakville, First Vice Chairman; **Rick Tigner**, Jackson Family Wines in Santa Rosa, Second Vice Chairman; **Randall Lange**, Lange Twins Family Vineyards and Winery in Acampo, Treasurer; and **Matt Gallo**, E. & J. Gallo Winery in Modesto, Secretary. Bobby Koch is President and CEO of Wine Institute.

Barry Bushue, a longtime Oregon farmer and current state executive director of the USDA Farm Service Agency, has been appointed as the new state director of the Bureau of Land Management for Oregon and Washington. For nearly 20 years, Bushue was president of the Oregon Farm Bureau, advocating on behalf of farmers and ranchers statewide. He was also vice president of the American Farm Bureau Federation from 2008 to 2016. In his new role, Bushue will oversee management of 16.1 million acres stretching across the Pacific Northwest.

Soil scientist Dr. **Rattan Lal** has been selected as this year's World Food Prize Laureate, receiving a \$250,000 award for his work in promoting soils for sustainable development. Lal focused on techniques such as no-till, cover cropping, mulching and agroforestry, finding that these techniques protected the soil from elements, conserved water and returned nutrients, carbon and organic matter to the soil. The agricultural practices Lal cultivated are now at the heart of efforts to improve agriculture systems in the tropics and globally. To read more on Lal's soil science career, click [here](#).



Dr. Rattan Lal

Best regards,

Sara Wyant
Editor

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