

## Report: California ag is a major economic driver for the state

A new report by the University of California Division of Agriculture and Natural Resources (ANR) adds new dimensions to the “massive economic juggernaut” of the California agricultural industry. **The findings reveal that agriculture contributed more than \$263 billion to the economy in 2018 through direct sales and employed more than 1.2 million people, while benefiting urban and rural regions alike.**

The report examines the entire “working landscape,” which also includes fishing, forestry, mining, outdoor recreation and renewable energy, in addition to agricultural distribution, production, processing and support. Together, the sectors represent \$333 billion in sales, 1.5 million jobs and 6.4% of the total California economy, outranking the healthcare, real estate, construction and retail sectors. Agriculture accounted for 85% of the working landscape businesses and 79% of the sales income. According to ANR Vice President Glenda Humiston, the working landscape likely surpasses the finance sector as well.



UC ANR Vice President Glenda Humiston

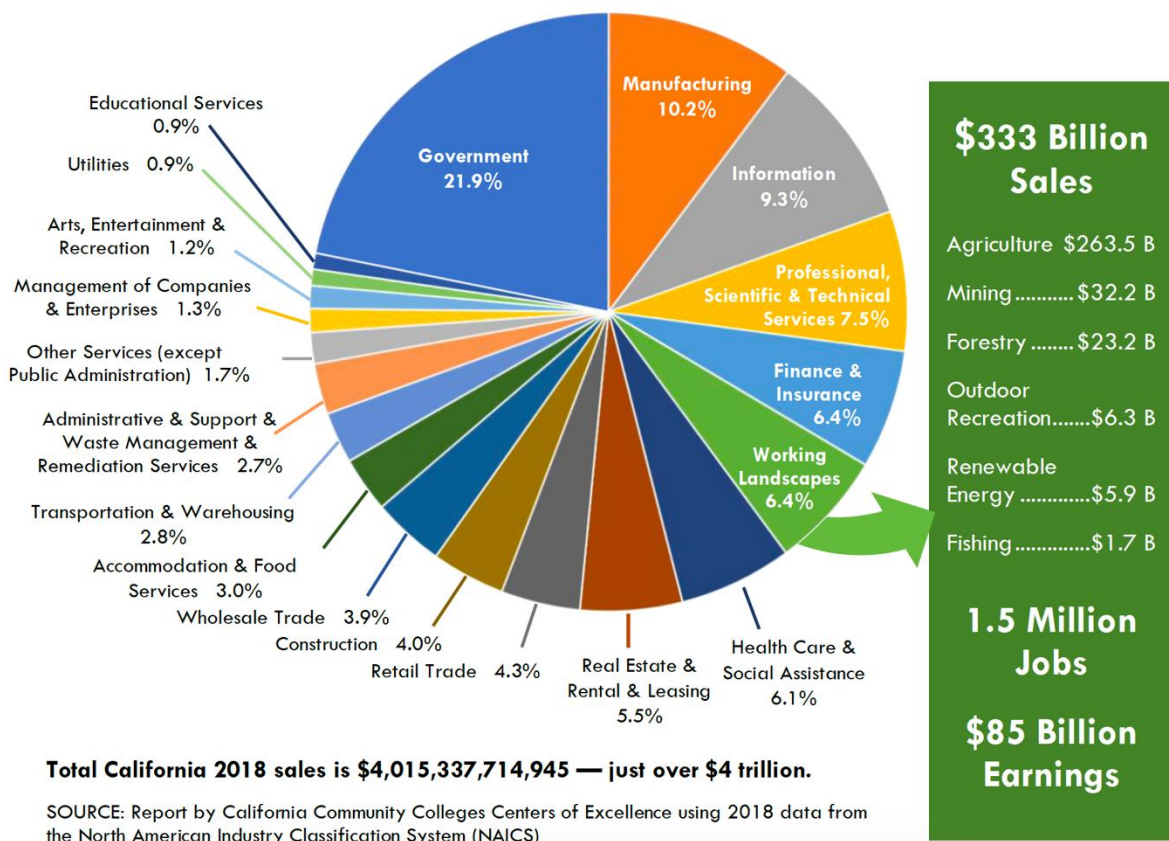
**Humiston explained to *Agri-Pulse* the estimate is conservative when it comes to interpreting industry classification codes.** Veterinary services, for example, were not included in the report, since the researchers could not separate livestock from pets. When ANR published a similar report about seven years ago, it faced criticism over being too liberal with the codes. This time, Humiston personally reviewed the codes herself. The report also excludes ecosystem benefits for this reason.

**“Ecosystems services is unbelievably large and important, and it probably dwarfs this,” she said.**

Regardless, the direct sales for agriculture are five times the value of what has been the benchmark for calculating the ag economy. CDFA’s most recent annual reporting of cash receipts totaled about \$50 billion. Humiston said this is why ANR decided more than a year ago to commission the report, which was in partnership with the California Community Colleges Centers of Excellence.

**“I keep hearing this unbelievably ridiculous statement from a wide range of people that agriculture is less than 2% of the state's (gross domestic product),” she said. “You really can't use GDP to look at the economy anyway. It's just not an apples-to-apples comparison.”**

Humiston explained that GDP is a good indicator for products like cellphones and laptops, when inventory moves quickly. “But if you're doing trees or livestock, you're managing inventory for years or even decades,” she said.



UC Davis Professor Dan Sumner emphasized to *Agri-Pulse* the study counts sales all the way through the value chain. An example of farm sales would be a farmer selling a peach for \$1. Direct sales associated with that peach, meanwhile, would include the distributor selling it for \$1.50 to a fruit stand, which then sells it to a customer for \$3, totaling \$5.50. Adding in labor contractors and trucking costs, it could factor out to \$6.30 for that peach.

"That is how we get the big sales number," Sumner explained in an email.

The report also reveals the geographic reach of agriculture. Agricultural processing, which topped the sales income category, at \$113 billion, also generated \$30 billion in sales and 63,000

jobs in the Los Angeles and Orange County region, while the Bay Area accounted for \$25 billion and 58,000 jobs from processing.

“We wouldn't want (processors) on farmland,” explained Humiston. “We want them in cities, near highways and railroads and where there's water treatment and sewers. That's where they belong.”

She said the report could help in creating urban-rural partnerships and policymaking for agriculture. Humiston timed the release of the report to coincide with the California Economic Summit on Nov. 7, in order to get it “in front of the economic development professionals, the finance world, the elected officials, the urban public – a lot of interest groups who don't always see this kind of message,” she said. Humiston and ANR were active in several work groups ahead of the summit as well.

CDFR Secretary Karen Ross has also been seeking out such economic studies on agriculture.

**“It is gratifying to see such a comprehensive study,” she said in a prepared statement. “It’s much more than just agricultural production – it’s the full range of products, services and jobs, and it all starts with dedicated stewardship of lands that sustain us.”**

Earlier this year, Ross worked with state legislators on a bill that would have enabled CDFR to study and report on the role of agriculture in rural economies. That would have included calculating the economic impact of the Sustainable Groundwater Management Act as agencies begin to implement plans next year. Already, agricultural land values have changed dramatically in anticipation of the regulation. Yet in October, Governor Gavin Newsom vetoed the bill, suggesting in his veto message he may instead include a position for an economist with these responsibilities in the next budget.

The report also falls on the heels of another economic study Ross helped bring to fruition, which sheds light on how the industry will fare over the next three decades.

For Humiston, ANR’s Working Landscape report is also a valuable messaging tool for farmers to use with their contacts outside of agriculture.

**“If people start understanding the importance of working landscapes to the state's economy,” she said, “I have to hope we're going to get folks willing to invest in it much more than they have in the past.”**

## **Six questions with Merced’s Adam Gray**

As a moderate Democrat, Assemblymember Adam Gray of Merced has been an outspoken advocate for water for agriculture and is deeply familiar with the amount of regulations layered onto the industry over the decades.

Gray grew up on a dairy in Merced and hails from a long line of Democratic farmers. He worked at the family feed store in high school and his father later ran a dairy equipment company.

Gray’s experience at the Legislature began as a college intern and then as a staffer for then-Assemblymember Dennis Cardoza, who chaired the ag committee. For a dozen years, Gray

worked across both houses in “every position, from answering phones to serving as somebody's chief of staff.”

Gray spoke with *Agri-Pulse* on how that upbringing inspired his political career, on his frustrations with the administration of former governor Jerry Brown and on the industry’s challenges when it comes to messaging.

### **1. How has growing up in the dairy business influenced your work today?**

I thought that bringing all the experience I had about public policy and agriculture and putting that to work for this community made a lot of sense. I could balance both having some background in agriculture with expertise in how state government works, and hopefully be more effective.

It's important to understand that when you represent a rural community, we're often treated like the redheaded stepchildren of both state and federal politics. Some of that is just the math. We don't have as many elected representatives in a smaller population. We have less members of the legislature from rural communities. Therefore, we have less members of the Legislature who have a deep understanding and appreciation of agriculture. Those are things that I set out to change when I got elected in 2012.

### **2. How have you seen the perception of agriculture change during your time at the capitol?**

Fewer and fewer people are connected in a personal way to agriculture. There was a time in the country when most people had a family member who farmed or lived in a rural community. That's less and less true as our urban populations grow and cities become denser. There's less direct contact with agriculture. The perception is one of just indifference, not knowing much about it.

A lot of my colleagues and many of their constituents think that milk grows on the shelf at Whole Foods.

### **3. How do you navigate challenging topics like water among your many constituents?**

A lot of it is education. I spend a lot of time with other members of the Legislature. I've sponsored trips to my district for many members of the Legislature to get personally familiar with different aspects of agriculture and different industries.

Water is not an area people understand. The simplistic view of it is that water is a natural resource that belongs to everybody. The reality of water is that for a hundred years, we've built a legal system where water is treated as not that different from property rights.

What if you owned a home in downtown Los Angeles and one day somebody came along and said, “You no longer have the ability to access water for your home?” Well, the value of your home would immediately decrease in a significant fashion. The bank that you borrowed money from to pay for that home still expects to be paid back. They’re not going to give you a discount because you no longer have water.

That's the exact circumstance that urban legislators and interests ask rural farmers to deal with. We're going to take away your water and the reliability of that water, which is going to decrease

the value of your business and your home and your farm, and with no compensation or recognition that in order to make a living farming you need that water.

Without water, our farms are also inhabitable, and there's real risks there for the next generation of farmers.



Asm. Gray with Rep. Jim Costa during a Merced town hall meeting.

I try to make people aware of the amount of production here in California – 13% of the nation's food supply. That's not an insignificant number.

**All of these layers of regulatory costs have driven small family farmers out of business and created a whole bunch of consolidation. You've seen it in dairy and across the board. I find it amusing that (policymakers) want localized agriculture, with smaller production, but they want to pass a bunch of regulations, laws and restrictions that put those very people out of business and force people to have large-scale operations.**

On a visit we had from Kamala Harris when she was running for U.S. Senate, we sat across the table with a bunch of people who came from a variety of agricultural production areas. Every single person around this table introduced themselves as a small family farmer.

When they got done talking, I looked at Attorney General Harris and said, “With all due respect, ma’am, the reality is some of these people are pretty big family farmers. But the reason they have to couch themselves in those terms is because if they admit to being big family farmers, then they are dismissed as corporate agriculture. Do you do the same thing when you go to Silicon Valley? Does Google introduce themselves as a small family tech company?” She got it.

Why do we have to apologize for being successful? We have the best, most productive agricultural region in the world. We have the highest quality, safest food. We should be proud of that and celebrate it, not vilify it.

#### **4. Do you feel you've had to defend agriculture more?**

Constantly. I'm a highly nonpartisan individual. I'm a registered Democrat. If you take my grandfather from North Dakota, many of the farmers he knew were all Democrats. They go back to FDR. The Democratic Party stood up for the small family farmer. Fast forward to 2019, I'd venture to guess that two-thirds of our farming community or more are Republican now.

In California, the Democratic Party isn't really the Democratic Party anymore. They're more the Green Party. They've moved so far to the left, particularly on environmental issues, that they put themselves crossways with agricultural communities. They're constantly asking for more sacrifice and providing no support: Use less water, but we're not going to store more water. We're going to raise the cost of labor, but we're not going to do anything to support this industry.

As people have rightfully gotten frustrated, the state has become more and more a one-party state. Not only do we have to overcome the urban-rural divide and the natural bias that urban legislators have, we also have to overcome the partisan divide. Agriculture becomes viewed as a Republican industry. That's not helpful when three-fourths of the State Assembly is Democratic.

It's a constant fight, both in a partisan sense and in a cultural sense to keep enough legislators thinking about the impacts some of these public policies have on agricultural and rural communities. If you look at our region, we have 14 or 15 members who live here in the San Joaquin Valley. Of those about half are Democratic and half Republican.

When you go to L.A., every single member of the delegation is Democratic. They're united both in a cultural sense that they're all from an urban community and also in a partisan sense. They stand together on issues.

#### **5. What are your thoughts on the governor's term so far?**

There are hugely positive signs and I am cautiously optimistic. This governor has given us every reason to believe he intends to strike a fair balance. We do have to consider he's the governor for the whole state. But he has given more attention to this region than any governor in recent memory.

Governor Newsom has been to my district specifically more times in one year than Jerry Brown came in my six years. Governor Newsom's been down here looking at our drinking water situation and water reliability for agriculture.

When former chair of the State Water Board Felicia Marcus refused to have any compromise or any inclusion of our local irrigation districts and communities in the discussion around the Bay-Delta update, he fired her. He moved in a different direction and appointed a new chair.

We can fight all this stuff out in court, and you can find the lawyers on both sides. We could litigate for 10 years and both sides seem to think that they could win. But the environment doesn't gain a single drop of water during that time and agriculture doesn't gain a single bit of water security for the future. There's a lot of people that believe there's a path forward.

## 6. What do you expect next year to look like?

The large effort I remain committed to – and I'm sure we'll have some legislation next year on – is how to increase our water supply in the state.

I had a bill this year that unfortunately got vetoed, but would have required the Department of Water Resources to study climate change as it relates to our reservoirs and make some recommendations about changes to the way we operate our reservoirs and what additions we need to make sure that we have a reliable water supply.

Climate change is going to take a major toll on farming, just as it is on other aspects of the environment, and we need to be prepared. In the last 40 years, almost half a century, we've increased our state water supply by 1% and we've almost doubled our population. That's not going to provide security and reliability for the future.

**One of my frustrations with the previous administration was they never actually had a plan. If you look at the California Water Action Plan, there's not really any plan there. There was always a plan to work on the twin tunnels.**

A real plan is going to involve an all-of-the-above approach. We need to be able to move water around and share water. We need new storage. We need conservation. We need recycling. If we do that all together, I am so confident that we could have an adequate water supply for the future and every community could come out on top. It just requires cooperation and collaboration.

There's a group of folks in Sacramento working on a water and resources bond. The governor has been involved in it and some of the Senators have been involved in it. When we get back in January, that's going to be probably No. 1 on the front burner.

## **Congressional negotiators face decisions on FY20 spending, policy**

House and Senate negotiators will have to sort out some sharply different priorities and spending targets for USDA and other departments and agencies important to agriculture, but congressional leaders still haven't agreed on spending limits for the fiscal year that started over a month ago.

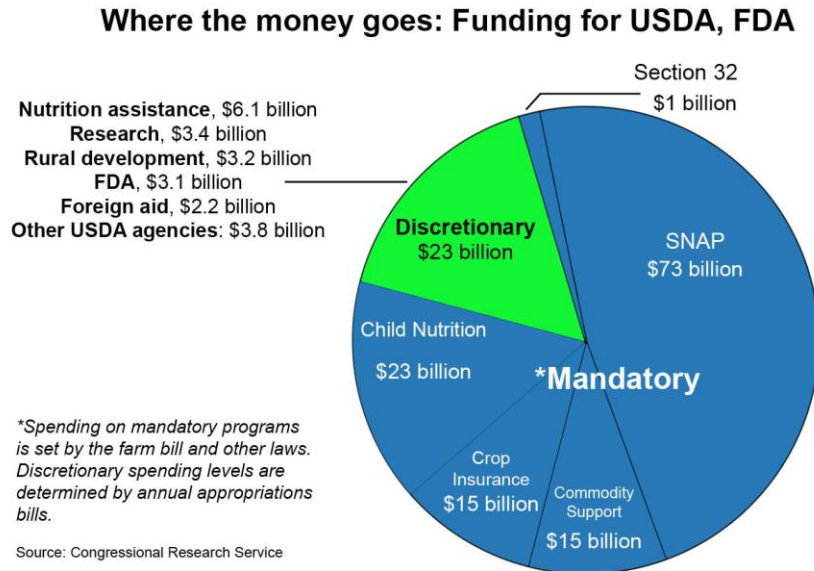
The Republican-controlled Senate, for example, has put a priority on beefing up funding for USDA's Agriculture Research Service in fiscal 2020, which began Oct. 1, while the Democratic House has put an emphasis on shoring up rural development and expanding rural broadband.

**The House has approved spending more than \$3.4 billion for rural development programs in FY20**, a \$412 million increase over fiscal 2019, which ended Sept. 30, according to an analysis by the Congressional Research Service. The Senate version would increase rural development programs by just \$5 million in FY20.

The House bill would provide more than \$500 million in a third tranche of funding for USDA's ReConnect loan and grant program for rural broadband. Congress created ReConnect as a pilot program in 2018, and the first money is being awarded this fall. There is no new funding in the Senate bill for the program.

**The Senate bill would boost spending for ARS by \$45 million to \$1.73 billion in FY20, while the House bill would cut ARS by \$287 million and instead increase funding by \$146 million for the National Institute of Food and Agriculture, which underwrites research at colleges and universities.**

Before negotiators can sort out their differences on those spending priorities, congressional leaders have to agree on spending limits for each of the 12 individual spending bills that dictate federal spending allocations each year, and there is no agreement yet on those levels, known as 302(b) allocations.



**“We’re having serious discussions” about the spending caps, Senate Appropriations Chairman Richard Shelby, R-Ala., told reporters recently. However, the overall spending negotiations have remained deadlocked over the White House insistence on additional spending for the U.S.-Mexico border wall, he said. “That’s the linchpin,” Shelby said.**

A continuing resolution that has been funding the government at FY19 levels since Oct. 1 expires on Nov. 21. Lawmakers are expected to consider an extension into December next week, but still have a long way to go before they can have a spending bill ready for all the departments and agencies. That means final spending decisions could easily be delayed into 2020.

The House set an overall limit of \$24 billion for so-called “discretionary” spending programs, those subject to annual appropriation bills, at USDA and FDA. The Senate bill would provide \$23.1 billion for USDA and FDA.



Senate Appropriations Committee Chair Richard Shelby, R-Ala.

FDA is funded at nearly \$3.27 billion under the House bill, which would be a \$185 million increase over FY19. The Senate bill would fund the agency at \$3.16 billion for FY20.

Discretionary spending doesn’t include programs whose spending levels are dictated by laws that Congress passes, including the farm bill.

The House also has put a higher priority on boosting spending for environmental regulation.

The House-passed bill that includes the EPA, Interior Department and USDA’s Forest Service



is funded at \$37.3 billion, a \$7.2 billion increase over what President Donald Trump requested and \$1.7 billion more than was authorized for FY19. The Senate bill, by comparison, would provide a total of \$35.8 billion.

Here's a look at other issues that negotiators will have to address:

### **Ag research**

On paper, one of the biggest policy differences between the House and Senate is over Agriculture Secretary Sonny Perdue's relocation of NIFA and the Economic Research Service from the nation's capital to Kansas City, Mo. The House's funding bill for USDA barred any spending for the relocation.

But supporters of the relocation view the move as a *fait accompli* since the employees who agreed to move have already done so, and the government has signed a contract on permanent office space in downtown Kansas City. The two agencies held a job expo in Kansas City on Nov. 6; ERS is currently advertising for seven vacancies for economists.

The Senate bill would provide \$25 million for relocation expenses, and a senior Senate appropriator, Roy Blunt, R-Mo., told *Agri-Pulse* he expects negotiators to agree on including some funding.

### **Biotechnology**

The Senate bill would renew a battle over GMO labeling and genetically engineered salmon by requiring a study of the impact on salmon consumers of USDA's new bioengineered labeling rules before the fish can be marketed. There is no such provision in the House bill.

The Senate provision was the work of a senior Senate Appropriations Committee member, Lisa Murkowski, R-Alaska, who has long worked for restrictions on the sale of the genetically engineered salmon, developed by AquaBounty Technologies.



Sen. Roy Blunt, R-Mo.

### **Climate change**

The House bill also contains a provision barring USDA from removing the term "climate change" from any publication the department funds. There is no such provision in the Senate version.

### **Farmer stress**

There is bipartisan support for doing more to stop farmer suicides. The House bill would increase funding for USDA's Farm and Ranch Stress Assistance Network, which funds local farm stress assistance programs, from \$2 million in FY19 to \$10 million in FY20.

The Senate version that came out of the Appropriations Committee in September initially included only a \$1 million increase for the network, but Sen. Tammy Baldwin, D-Wis., got an amendment added on the Senate floor in October that would boost spending to \$8 million. So, the House and Senate are now just \$2 million apart on the issue.

### **International food aid**

Both the House and Senate bills reject repeated White House attempts to kill two international food assistance programs.

The House bill earmarks \$1.85 billion, while the Senate bill includes \$1.7 billion for the Food for Peace program, the U.S. government's primary program for delivering American-grown food to alleviate hunger overseas.

The McGovern-Dole International Food for Education and Child Nutrition Program is funded at \$235 million under the House bill and \$210 million under the Senate version.

### **Land and Water Conservation Fund**

The House bill would provide just under \$524 million, or \$491 million more than Trump requested, for the Land and Water Conservation Fund, which subsidizes the acquisition of land for recreation and other purposes.

The Senate bill has \$465 million for the LWCF, \$30 million more than the FY19 funding level.

### **Payments in Lieu of Taxes**

Both the House and Senate bills would fully fund Payments in Lieu of Taxes, which are estimated at \$500 million in FY20. PILT payments are intended to offset the loss of local tax revenue from federal lands.

### **Livestock issues**

Both the House and Senate bills include provisions directing USDA to implement a rule that would require USDA to modify the origin of livestock requirements for organic dairy cows. USDA has never finalized changes proposed by the Obama administration in 2015, but the provisions in the FY20 bills appear to have nudged the department into action: In October, USDA reopened the comment period on the 2015 proposal.

Both the House and Senate bills for funding the Transportation Department in FY20 would extend a waiver for livestock haulers from a requirement that trucks have electronic logging devices, which are intended for enforcement of hours-of-service limits. The livestock industry continues working to get the hours-of-service limits revised.

### **Meat exports enjoying resilient growth, despite tariff wars**

Though often still holding their breath, American red meat exporters can expect continued growth in overall sales abroad, setting records by both volume and value this year, topped by further records in 2020.

That's the market outlook Dan Halstrom, president and CEO of the U.S. Meat Export Federation, described at the federation's recent planning conference in Tucson, Ariz.

Surprisingly, market growth continues unabated after recent years of disruption on many fronts in America's major farm exports markets, including the 2017 U.S. exit from the inked Trans-Pacific Partnership, President Donald Trump's ongoing trade war with China, a threatened exit from the North American Free Trade Agreement and its replacement awaiting action in Congress, among other challenges.

**“We've had a lot of tension on a lot of fronts in virtually all (meat animal) species,” Halstrom said. “I would argue today that we still have the volatility, especially with regard to China. There's a lot of moving parts with China.”**

“But we're starting to feel tail winds on some issues versus all headwinds,” he said.

**Based, in part, on USDA data, USMEF projects foreign sales of pork products will exceed 2.7 million metric tons (mmt) this year, up 12% over 2018, and then jump to 13% in 2020, to 3.1 mmt, coming to \$8.3 billion by value.**

It projects a beef exports record this year at near 1.4 mmt, rising 4% more in 2020, reaching \$9.1 billion by value.

Lamb meat exports for 2019 are in a rally, too, and will reach 16,000 metric tons (mt), more than doubling since 2017.

Halstrom addressed major components of the relentless U.S. red meat export market:

- Although U.S. and Chinese officials are still wrestling toward an initial deal to ease their trade war, a USDA Foreign Agricultural Service official involved in the negotiations advised a USMEF committee that "we're very close" to a deal. Meanwhile, the tonnage of American meat to China continues to mount, and that's despite China's duties of 72% on U.S. pork and 42% on beef. “The business is still growing; even with the duties,” he says.
- The fundamental driver behind that growth is the African swine fever (ASF) epidemic that has killed up to half of China's pigs and has invaded herds in Vietnam, South Korea, and the Philippines. China is by far the leading pork consuming country, and China's pork deficit “will have an impact that will be ... a five-year to 10-year phenomenon, no one really knows. Demand is going to increase globally on all proteins,” Halstrom says.
- Trump inked a trade deal in September with Japan, which will include phasing in lower tariffs on beef and pork. Japan is the top U.S. meat export market by value, at \$3.7 billion, Halstrom says, so “there's nothing bigger than this agreement we're about to embark on with Japan,” and he notes the U.S. absence from the TPP is eroding the U.S. market share in Japan. He says approval of the deal in the Japan Diet is expected by early December, with implementation starting in January.



*Dan Halstrom, President and CEO, USMEF*

- Exporters are also holding their breath, hoping for congressional approval of the U.S.-Mexico-Canada Agreement (the NAFTA replacement), which Halstrom declares as “essential ... to provide stability to the supply chain” in meat trade with the U.S. neighbors.
- Expected to firm up soon, too, is an agreement the U.S. inked with the European Union in August establishing an expanded duty-free tariff rate quota (TRQ) exclusively for the United States. The current TRQ, at 13,000 mt a year, will sell up to 18,500 metric tons in 2020, and gradually to 35,000 mt annually in seven years — nearly tripling, yet still a small slice of U.S. beef exports. Erin Borrer, USMEF economist, says to expect a series of EU committees and the EU Parliament to approve the deal by year’s end, with implementation in 2020.

**In general, Halstrom says, expect to see “a lot of broad-based growth in a lot of countries — Mexico, Japan, (South) Korea, central and South America; the list goes on.”**

Even in the petite U.S. lamb export market, he said, “we’re looking at dramatic growth in 2019 ... up 31% through September; to Mexico, Canada, the Caribbean, and Central America,” plus new “high-end (market) potential in Taiwan and Japan,” owing to recent opening of access to those markets, he explains.

## **Plant-based meat is a mixed bag abroad, and a pricey one**

While Americans tread into the market of Impossible Burger, Beyond Burger, and other planted-based meat alternatives, millions of consumers around the planet are trying such products, too.

So, when the U.S. Meat Export Federation met recently in Tucson, Ariz., it called in its international scouts to report on how consumers abroad are receiving the emerging products.

**Jihae Yang, USMEF’s South Korean director, says the Beyond Burger was marketed this year in South Korea “with a lot of media attention,” but such products “are not working in the Korean market.”**

Yang explains Korean incomes did not rise enough for meat to be common in diets until the 1980s, making Koreans and their meat a sort of new marriage. Diets there are closely bound to meat and soy substitutes essential to daily meals.

So much so, she says, that “Korea is a difficult country for foreigners to travel if they are looking for a vegetarian menu. Every single food has meat ingredients, and we don’t have a vegetarian menu in regular restaurants.”

**In general, new meat alternatives are but “a curiosity,” in Korea, she says. While shoppers can now afford meat there, a growing number are opting for meat substitutes owing to “a religious reason, or animal welfare, or environmental concern or sustainability issue.” But such trends “are in the initial stage,” she says.**

She found the retail price of the Beyond Burgers were “3.5 times more expensive than the price of a (U.S. beef burger) right now,” and some meals featuring the patties were priced at USD \$30 to \$50, far out of range for most consumers.

Further, she says, ground meat patties “are not the way we eat beef” in Korea. And when Beyond Meat cutlets and nuggets were tasted in a recent trial, “all were reviewed as a bad smell in cooking and a need to cover up with sauces,” Yang said.

Meanwhile, Yuri Barutkin, USMEF’s representative in Eastern Europe and Russia, says a lot of Europeans are finding reasons of personal health, animal welfare, food fashion and novelty to dine with meat substitutes. Plus, some governments are pushing meatless diets, and some restaurants add them to menus when it can mean a premium price, he says.

“Europe is seen by many as a trends setter in food standards and food patterns,” he says. Generally, “Europe has embraced the alternative meats.”

**“But Europe is very different from one part to another,” Barutkin says. The European Union’s 28 nations includes countless nationalities, he says, “and there are 100 nationalities in Russia alone.” In many areas, income supports limited eating of traditional meat, let alone pricier meat alternatives, and environmental sustainability is not high in their meat selection criteria, he points out.**

On the global scale, the emergence of meat alternatives is only beginning, said Glynn Tonsor, a Kansas State University livestock economist who joined the USMEF discussion, and “more choices in the ground meat space” are on the way.

Pricing remains a market barrier, Tonsor said, noting market surveys listing plant-based burgers at \$7.50 to \$12 in the U.S. But in the U.S. and abroad, the products will gain market appeal if and when prices come down, Tonsor expects.

Also, he says, market growth for the new alternatives doesn’t mean less success for livestock producers and the conventional meat market, or vice versa.

**“It is certainly possible that we can have a growing protein pie in the world, (and) I believe that is occurring,” Tonsor said. “So, one can have smaller share of that protein pie and still have a bigger industry than you had five years ago.”**

Meanwhile, Allen Gray, a Purdue University agricultural economist also speaking at the conference, pointed to one popular analysis that projects vegan meat alternatives will capture 10% of the global meat supply by 2025 and 25% by 2040, while conventional meat will slide from 90% to 40% over the same period and cultured meat claims 35% of the 2040 market.

**Gray thinks those projections exaggerate the likely market growth for alternatives; the estimates also assumed a 3% annual drop in consumption of traditional meat. He expects markets for traditional meat will instead continue to grow at 3% to 5% in the coming decades, “though that leaves room for the alternative meats market to grow as well.”**



*Allan Gray serves as director of the Center for Food and Agricultural Business at Purdue.*

## Ag bankers told to expect familiar conditions in the near future

Call it what you want — a “plateau” or a “slow-motion recession” — the ag economy is not performing well, and successful producers will be those who can innovate and manage their farms well, speakers at the annual Agricultural Bankers Conference in Dallas said this week.

**“Booms fade, and then you get the long plateau,” said Jason Henderson, director of Purdue Extension, at Tuesday’s session of the conference put on by the American Bankers Association. “It’s going to be a thin profit margin out there.”**

He predicted another decade of flat commodity prices and low profit margins, which will force farmers to diversify and become more entrepreneurial.

**“I think we’re in the small-ball, low-margin type of an era,” David Kohl, an ag and applied economics professor at Virginia Tech, told attendees.**

“If ag wants to capture a bigger share of the food dollar, ag has to get closer to the consumer,” Henderson said, suggesting producers visit their local chambers of commerce and local campuses to get an idea of what today’s consumers want.

“There has to be better collaboration and integration between urban and rural if we’re going to get through the plateau,” he said.

Net farm income is forecast at \$88 billion for 2019, but \$33 billion of that is from trade mitigation payments and other support payments, such as insurance indemnities, according to government figures.

More than one speaker wondered aloud what might happen without those payments. Nathan Kauffman, lead economist for the Kansas City Fed, pointed to a number of “one-offs” that have helped keep the ag economy stable over the past few years, including Russia’s invasion of Ukraine in 2014 and production problems in South America, both of which created selling opportunities, as well as the payments from the Market Facilitation Program.



Jason Henderson, Purdue

**However, “It’s hard to have a lot of confidence in temporary factors,” he said.**

Kauffman focused in his talk on factors that have kept ag afloat during the recent downturn of about five years, including the strength of the economy overall, which has allowed more farm families to get jobs off the farm. Off-farm income is expected to increase slightly this year, from \$65,841 in 2018 to \$67,314, according to USDA's Economic Research Service.

**Bankruptcy numbers are up, but “in reality the increase has been pretty modest,” Kauffman told the bankers.** After his speech, he mentioned a tweet he sent Nov. 1 where he said, “We should recognize growing financial stress for smaller ag operations. But, even if all Chapter 12 filings in the past year were at the max farm debt allowed in the [bankruptcy] code (prior to recent increase), it would amount to just 0.6% of total U.S. farm debt.”

Kauffman also pointed to continued low interest rates, which have helped underpin strong land values. “The reality is there has been pretty strong demand for farmland,” he said.

**In addition to low interest rates, there have not been a lot properties on the market, said Jackson Takach, chief economist and head of strategy, research and analytics at Farmer Mac, in explaining why land values have held steady.**

Land values “look pretty good, but how steady can they be and for how long?” Takach said. “This low-interest-rate environment continues to give me a lot of comfort.”

Denny Everson, a longtime ag banker who’s on the board of directors of First Dakota National Bank in Yankton, S.D., said he’s worried that strong land values are “lulling us to sleep. I think we have to be really cautious.”

**"We're in admittedly a slow-motion ag recession," Everson said.**

“You do see signs of stress you didn’t see a few years ago,” Takach said, pointing to a continued decline in working capital.

The trade wars also have hurt U.S. ag, not just in the near term but for years to come, a point made forcefully by former ag trade negotiator Darci Vetter.

“The tensions we’re seeing are not a one-off,” Vetter said. Instead of the U.S. “playing offense” in the last couple of years and seeking trade liberalization, she said “we’re looking inward now” to protect domestic industries.

**The effects will be long-lasting, said Vetter, who is now head of public affairs at Edelman, a public relations and marketing consultancy in Washington, D.C. "The longer we focus inwardly, the more the landscape is permanently altered."**

Of the China deal being promoted by the Trump Administration, Vetter said, “I don’t think I would choose to use the word deal; I might use ‘cease-fire’ or ‘truce.’”

Vetter was skeptical of the \$50 billion in U.S. ag goods President Donald Trump said China has promised to buy. “That number gives me a little bit of pause,” she said.

Vetter also downplayed the significance of the U.S.-Mexico-Canada Agreement, which she called “NAFTA 2.0.” “The terms of trade don’t really change,” she said. If approved, “the trade gains are negligible.”



Darci Vetter, Edelman

The “bigger thing” to look at as the U.S. works on a trade deal with China, Vetter said, is what is happening without the United States’ involvement, such as the 11-country deal now known as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, which Trump pulled the U.S. out of shortly after taking office. (It was then known as the Trans-Pacific Partnership, or TPP.)

Those 11 countries are “in active engagement” on trade agreements with 27 other countries, she said. “The [European Union] is actively and aggressively forming new trade agreements with countries around the globe.”

**“Trade tensions and a less offensive approach to trade are going to continue to exist” no matter who gets elected, she said.**

“I’m particularly concerned on the lack of a plan in Southeast Asia,” she said. “That population’s size and buying power are both increasing at a rapid rate.”

“You may not agree TPP was a good deal, but that was firmly planting us in that region,” she said.

## **News Briefs:**

**PPIC report lists water priorities for climate resilience.** The Public Policy Institute of California recommended a number of policy actions in its latest report last week. One hurdle PPIC recognizes is that the farming sector “must prepare for future droughts, while also bringing groundwater basins into balance.” This will require supply investments and “judicious demand management.” Groundwater recharge is a high priority as well, though the state is lacking incentive programs for farmers, the report notes. It points to temporary water trades as a way to keep orchards alive during drought, though farmers are increasingly seeking long-term trades to ensure reliable supplies. PPIC writes that this could cut SGMA costs to farmers by more than half in the San Joaquin Valley. During a PPIC summit on the report, CDFA Sec. Karen Ross said we have “an opportunity of a lifetime for farmers to step up and identify how they can be part of the solution to climate change.” She said the administration was also hopeful a draft of its Water Resilience Portfolio will be ready within two weeks.

**Dean Foods declares bankruptcy.** The largest dairy milk producer in the U.S. has begun Chapter 11 bankruptcy proceedings, citing “a challenging operating environment marked by continuing declines in consumer milk consumption.” Dean Foods announced the move in a Tuesday morning news release. The company termed the filing as “voluntary Chapter 11 reorganization proceedings” during which it “intends to use this process to protect and support its ongoing business operations and address debt and unfunded pension obligations while it works toward an orderly and efficient sale of the company.” The company says it is engaged in “advanced discussions with Dairy Farmers of America Inc. regarding a potential sale.” Eric Beringause, president and CEO of Dean Foods since July, said the filing and sale discussion “are designed to enable us to continue serving our customers and operating as normal as we work toward the sale of our business.” He said the company will continue “to provide customers with an uninterrupted supply of high-quality dairy products” and support “our dairy suppliers and other partners.” Dean Foods has created a company website to provide updates on the process. The news comes at a turbulent time in the dairy industry as many producers are looking for the exits themselves after years of tight margins have squeezed them out of business.

**Senate Dems say MFP payments create inequity.** A new report from a group of Senate Democrats outlines their frustration with the Trump administration’s trade mitigation package and the way it allocates relief to certain producers rather than others. In a report released Tuesday, the group led by Michigan Democrat Debbie Stabenow, Senate Ag’s ranking minority member and Minority Leader Charles Schumer of New York pointed to a high percentage of the



highest-paying county rates falling in southern counties. In a separate letter to Ag Secretary Sonny Perdue, the group of 17 says there are “significant gaps and flaws that create inequity, fail to account for the actual damage to producers, and even leave some producers shut out.” “The USDA does nothing to target assistance to those most vulnerable, including beginning farmers and small farms,” they write. “We are concerned that it will lead to further consolidation of family-owned farms and wipe out the next generation of farmers.” Specifically, the senators pointed to geographic disparities in top MFP payment rates, commodity purchases that included foreign-owned companies, and a lack of a plan “for rebuilding market access.” In a statement, a Department of Agriculture spokesperson said the payment formulas are “based on trade damage, not based on region or farm size.” To date, the spokesperson notes, “the Midwest region has received more than 60% of the funds” distributed so far. “While criticism is easy to come up with, we welcome constructive feedback from any member of Congress with recommendations as to how the program could be better administered.”

## Farm Hands West: Western Growers taps Talley

Western Growers has tapped **Ryan Talley**, co-owner and farm manager of Talley Farms, to serve as chairman of the Board of Directors for a one-year term. He succeeds outgoing chairman **Ron Ratto**, president of Ratto Bros., Inc. Talley leads Talley Farms, a diversified family-owned farming company and grower- shipper of bell peppers, cilantro, spinach, lettuce, Napa cabbage, avocados, lemons and grapes.



Ron Ratto and Ryan Talley

Church Brothers Farms of Salinas, Calif., has hired **Grace Ho** as vice president of food safety and quality. Ho brings more than 18 years of experience to Church Brothers, most recently serving as senior vice president of food safety and quality at the Castellini Group of Cos., Cincinnati. She also has been director of food safety and technical services for Misionero Vegetables LLC, Gonzales, Calif., and senior principal scientist for Chiquita Brands International/Fresh Express.

The Citrus Research Board (CRB) voted to recommend three members to the Secretary of the California Department of Food and Agriculture **Karen Ross** for approval to serve as the organization's executive officers. The recommended officers are: **Justin Brown**, CRB Chairman; **John Konda**, CRB Vice Chairman, and **Mark McBroom**, CRB Secretary/Treasurer.

Litehouse Inc., a leading salad dressing brand, promoted **Kelly Prior** to the position of president and chief executive officer, effective immediately. Prior previously served as president of Litehouse. Prior joined Litehouse in 2002 and became CFO in 2005. In 2010 Prior was appointed executive vice president of the company, took on the role of interim president in 2018 and officially moved into the president role in February of 2019.

The San Benito County Farm Bureau has tapped **Mary Lou Coffelt** to serve as the new president. She succeeds **Pat Wirz**.

Sakata Seed America of Morgan Hill, Calif., hired **Brian Just** as sweet pepper lead and senior plant breeder. Just brings more than 15 years of experience in breeding sweet peppers, previously working with Seminis, Monsanto and Bayer.

The World Food Prize Foundation has tapped **Barbara Stinson** to serve as the new president of the organization, effective Jan. 4. Stinson previously served as a co-founder and senior partner of the Meridian Institute. She will succeed Ambassador **Kenneth Quinn**, who has served 20 years as president. Stinson will become the second president of the Foundation since Norman Borlaug established it in 1986.

The Grocery Manufacturers Association has tapped **Roberta Wagner** to serve as vice president of regulatory and technical affairs, effective Dec. 2, and **Spencer Pederson** to serve as vice president of federal affairs. Wagner has over 33 years in public service, most recently serving as the assistant administrator of the office of policy and program development at USDA's Food Safety and Inspection Service. She also served 20 years at the FDA, holding roles such as analytical chemist and associate director for the Food Safety Modernization Act. Pederson previously worked at the American Chemistry Council as the director of federal affairs.



John Irving

**John Irving** is now the deputy assistant administrator for the Office of Enforcement and Compliance Assurance at the EPA. He previously worked as a partner at the law firm Holland & Knight LLP.

The Plant Based Products Council selected **Jessica Bowman** to serve as its new executive director. Bowman previously worked at the American Chemistry Council as the executive director of the FluoroCouncil. She holds a J.D. with a concentration in environmental law from the University of Maryland School of Law.

Tyson Foods' board of directors named independent director **Dean Banks** as the new president of the company, effective as of December 20, 2019. Tyson's current president and chief executive officer, **Noel White**, will continue as CEO. Banks previously worked as a project lead at X, an Alphabet Inc. company formerly known as Google [x].

CME Group today announced that **Alex Pollock** will step down from the company's Board of Directors effective Nov. 15 as he accepts a new role within the U.S. Treasury Department as Principal Deputy Director of the Office of Financial Research. Pollock has served as a CME Group director since 2004.

**Lauren Broccoli** is now the assistant director of government relations at the American Veterinary Medical Association. She previously worked as a lobbyist at Lewis-Burke Associates.

**Dana Peterson** is now the chief of staff at USDA's Farm Service Agency under Administrator **Richard Fordyce**. She previously served as a policy adviser to USDA's Cooperative State Research, Education, and Extension Service. In her career she has also served as the CEO at the National Association of Wheat Growers.

WISErg Corporation, a Washington State-based ag-tech company, has appointed **Andy Thomas** as CEO of the company. Thomas previously served as the global general manager of innovation and strategy and president of Nuseed Americas. Thomas succeeds **Brian Valentine**. Valentine will continue to serve on the company's Board of Directors.

The Association of Equipment Manufacturers has hired **Justin Metzger** as the new PR manager. Metzger will take over for **Pat Monroe**, who is retiring at the end of the year. Metzger spent the previous seven years in various marketing and communications roles for the County of Milwaukee, Wis.

The U.S. Meat Export Federation (USMEF) elected new officers at its Strategic Planning Conference in Tucson, Ariz. **Cevin Jones**, a cattle feeder from Eden, Idaho, was elected USMEF chair succeeding Iowa pork producer **Conley Nelson**. Jones became president of the Idaho Cattle Association in November 2003, and later he chaired the Idaho Beef Council and the Federation of State Beef Councils and served on the Beef Promotion Operating Committee. The new chair-elect is **Pat Binger** of Wichita, Kan., a vice president at Cargill Protein Group. **Mark Swanson** is USMEF's new vice chair. He is CEO of Birko Corporation, headquartered in Henderson, Colo. **Dean Meyer** was elected secretary-treasurer. He is a corn, soybean and livestock producer from Rock Rapids, Iowa.

Indigo Ag announced **John Mulliken**, former Wayfair CTO, will be joining the company as chief integrated product officer. Mulliken will oversee Indigo's regenerative and microbial product teams. Indigo has also hired **Persis Elavia**, a former general manager at Uber, and **Amit Menipaz**, a former eBay executive, as marketplace general manager and head of global transport.

The American Hereford Association elected Oklahoma rancher **Joel Birdwell** as the new president at the annual meeting in Kansas City. Birdwell succeeds retiring president **Pete Atkins** of Tea, South Dakota. **Mark St. Pierre** of California was tapped to serve as vice president. **Bill Goehring** of Iowa, **Whitey Hunt** of Georgia and **Becky King-Spindle** of New Mexico will serve on the Hereford board of directors.

**Jake Jackson** now serves as a legislative assistant for Rep. **Xochitl Torres Small**, D-N.M., covering the agriculture and food, animal welfare, energy, environmental protection, transportation, public lands and natural resources portfolio. He was promoted to this position from legislative correspondent.

**Caitlin Kovalkoski** is the new legislative assistant for Rep. **Judy Chu**, D-Calif., covering the transportation portfolio. She previously served as director of federal policy for the Corporation for Supportive Housing.

**Steve Brown** announced his retirement from the Department of Education where he served as an education program specialist and was appointed to serve as the National FFA advisor and board chair. Brown served in the advisor role for FFA since 2011. The department has not yet announced his successor.

**Bob Nunes**, founder of Nunes Company, died at his home in Pebble Beach, CA as the age of 88. He was raised on a farm in Chualar, Calif., and following graduation from Stanford University, he became a vegetable inspector with Monterey County before joining a Salinas grower-shipper as the bookkeeper. In 1966, Nunes and his brother founded Nunes Bros. of California Inc., an

integrated grower-shipper of vegetables. In 1968, United Fruit Company bought Nunes Bros., one of five Salinas Valley vegetable grower-shippers that would become Interharvest. Nunes and his brother briefly ran that company until resigning in 1972. In 1977, they restarted and launched The Nunes Company. He was the recipient of numerous awards and well-recognized for his innovative efforts to market fresh produce directly to consumers.

**Best Regards,**

**Sara Wyant**

**Editor**

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