



June 10, 2018

The Honorable TJ Cox
Member of Congress
1728 Longworth HOB
Washington, DC 20515

Dear Congressman Cox,

We request your support in helping the California almond industry receive its full \$63.3 million damage allocation assigned by USDA for the market facilitation program.

As you know, California almond exports to the world were valued at \$4.5 billion in 2017, contributing substantially to the agricultural trade surplus that U.S. farmers and ranchers deliver to the U.S. economy each year. Almonds are one of California's top three valued commodities and the leading agriculture export. Unfortunately, since the imposition of retaliatory tariffs in spring 2018, almonds have been targeted by several key trading partners, and continue to face additional retaliatory duties in both China and Turkey. We can only anticipate what the outcome will be in India, which is also considering retaliatory tariffs resulting from withdrawal of their GSP status. The damage California almond growers have endured and continue to face is considerable and very troubling. This uncertainty does not take into consideration the further non-tariff implications which are more difficult to quantify.

The prolonged disruption in trade has hurt our industry. Since April 2018, tariffs in China on almond kernels/inshell have increased from 10% to 50%. With China's latest announcement, tariffs on processed/roasted almonds have increased to 15% and 30%. California almond exports to China/Hong Kong for FY 18/19 YTD (Aug 2018 - April 2019) are down by 33 percent from the same time last year – a direct result of these tariffs. If we look specifically at **direct China shipments** for the first quarter of 2019 (Jan-March), ***we are at about 60% of what we shipped in the first quarter of 2018.*** Importantly, the value is down \$0.20 per pound.

Meanwhile, Australia has taken full advantage of the 0% tariff under their FTA with China, increasing their 11-month almond exports into China by almost 2,000 percent. ***These retaliatory tariffs have impacted California's market share of almonds in China directly and the new market potential.*** Our industry takes a long-term view to market development; as such, we have invested about \$74 million



in China over the last 10 years to create demand for almonds – an investment that Australia is now leveraging.

In July of 2018, the California almond industry was awarded \$63.3 million in retaliatory tariff mitigation program through the Market Facilitation Program (MFP). In response, we mobilized to take full advantage of this program and successfully facilitated 5 workshops statewide in conjunction with Farm Service Agency (FSA) to roll out this program, solicit applications and close enrollment all within a 6-month period. This was extremely challenging, since most almond growers have not received direct payments in the past, necessitating they establish farm records with FSA which was also a time-consuming process. This was also at the time of the government shutdown, which further delayed submissions and review as FSA offices dug out of their respective backlogs.

The majority of almond growers were eliminated by the USDA's average gross income (AGI) limitations; only some of the smaller growers felt they would receive some benefits, and pursued enrollment in a new program to the California almond industry. Based on the last numbers from the California Farm Service Agency Director, there are approximately 2,500 loaded applications, with estimated payments at \$14.5 million. I understand there are still applications that need to be loaded.

The payment limit of \$0.03 per pound was a significant barrier which prevented our industry from accessing the entire \$63.3 million designated for the California almond industry in trade damages. In November of last year, the Almond Alliance submitted a letter requesting \$0.20 cents per pound direct payment to fully distribute the mitigation damages. While this request was denied, we believe that amount should be closer to \$0.35 per pound given the prolonged trade disruption, increasing retaliatory tariffs and the loss of market potential in key markets. As noted above, we know that the per pound value of direct shipments to China are already lower than \$0.20. Handlers have indicated that growers will experience even further reductions in their payments as the global market uncertainty persists.

It is important to note that 70% of the 6,800 growers of almonds are farming 100 acres or less. These small family farms are being penalized for growing a high value, **higher cost** crop, and have therefore been unable to access the full \$63.3 million of damages as a result of the AGI limitation which is geared to lower valued commodities. ***We are requesting that the balance of approximately \$48.8 million be rolled into the next direct payment program so the industry can access the entire amount of designated damages for the 2018 crop in 2019.*** These funds should be in addition to the 2019 trade mitigation damages.



As you know, the Almond Alliance is a trade association which advocates on behalf of the almond industry. We want to reiterate that approximately 91% of almond growers are family farms which are striving to stay competitive in an increasingly difficult trade environment. The California almond industry generates about 104,000 jobs statewide, over 97,000 in the Central Valley, especially in areas that suffer from chronic unemployment. The industry also generates more than \$21 billion in economic revenue and directly creates more than \$11 billion to the size of the state's total economy.

The focus of the California almond industry is on trade and market growth. as an industry we have worked hard over the last 30 years to develop strong international commercial partnerships and new markets. The current trade environment is putting these investments at risk, and have negatively impacted our industry. While direct payments are not the ideal solution, they will assist those that have been negatively impacted by the price-reduction effects resulting from the retaliatory tariffs and allow them to continue to operate in these uncertain times.

Please let me know if you have any questions or would like additional information. I can be reached on my cell phone at 916-595-0219. Thank you.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Elaine Trevino".

Elaine Trevino
President/CEO