

California Legislature

August 1, 2011

The Honorable Mary D. Nichols
Chairwoman
California Air Resources Board
P.O. Box 2815
Sacramento, CA 95812

Dear Ms. Nichols:

Food processors are an integral and critical part of California's agricultural framework with the industry valued at over \$50 billion a year. Processors provide a vast and ready market for the harvest of thousands of acres of California's commodities. Our state, national and foreign food system relies upon canning, drying, and otherwise processing of commodities that are not grown for and could not be sustained by the fresh market. In fact, almost 70 percent of the peaches and 95 percent of tomatoes grown here in California are processed in our state.

California's food processors are valuable employers, providing thousands of jobs, and have been world leaders in the past. However, import pressures are mounting with foreign processors having entered our domestic market, and they want a bigger share. With unemployment at record highs in the Central Valley, our state needs to keep all the jobs possible. An example of growing import pressures are the canned peach imports from China that have tripled from 2006 to 2010, causing our farmers and processors economic harm and uncertainty. This shows it is imperative that our state's agricultural industry remains competitive.

Given these concerns, we write on a matter of key importance to the food processing industry. The cap and trade proposal from the Air Resources Board (ARB), as part of AB 32, has designated food processing in the "medium leakage" emissions category. ARB's determination of the leakage category is based partly on the ability to pass on costs, coupled with domestic and international trade pressures. While the economic pressures are high for food processing, the intensity of food processing emissions are low. In the AB 32 Scoping Plan of 2008, Food Processing and Agriculture combined were estimated to emit only nine percent of greenhouse gas emissions in California.

While it is typically difficult to pass on cost for food products, under the current distressed economic conditions, it is even more difficult to compete. Foreign producers enjoy the benefits of generous government subsidies and target their prices below our domestic products. Consumers will purchase the lowest cost products due to their tight budgets, putting our food processors at a disadvantage if they attempt to pass along the costs. California food processors and their products are competing in a global market, and any price signal that applies to products from our state alone could cause job losses in



California. For these reasons, we urge ARB to designate food processing in the "high leakage" category for the purposes of cap and trade allowances.

Currently, California's food processors are voluntarily taking steps to become more energy efficient and adopt readily available technologies. We must not put them at such a great disadvantage in the domestic or global marketplace. By granting additional flexibility to the food processing industry under the high leakage designation, we will protect the California agricultural economy--from the farmer and the worker in the field to the employee of the processing facility--by securing jobs and tax revenue for the state, as well as providing consumers with safe domestic food.

Given these facts, we urge ARB to move food processing in the cap and trade proposal from the medium leakage category to the high leakage category. Thank you for your consideration.

Sincerely,

Cathleen Galgiani

Connie Conway

[Signature]

Douglas Melfo

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SHARPERMAN

Sharon Grove

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Tommy Boyhill

Jean Fuller

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Dan Fogue

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Legislators who signed the letter (in the order of appearance on the letter):

Assemblymember Galgiani

Assemblymember Conway

Assemblymember Valadao

Senator La Malfa

Assemblymember Perea

Assemblymember Ma

Assemblymember Bill Berryhill

Assemblymember Halderman

Assemblymember Grove

Assemblymember Huber

Assemblymember Olsen

Senator Tom Berryhill

Senator Fuller

Assemblymember Logue

Senator Blakeslee

Assemblymember Nielsen