

Statement of Alfred G. Montna
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Little Hoover Commission
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Thank you Chairman Hancock, members of the commission, for calling this hearing on California's regulatory development process. This issue is of great importance to California farmers, ranchers and food processors. I am Al Montna, President of the California State Board of Food and Agriculture and a rice farmer in Sutter County.

California is the largest agricultural producer in the United States with more than \$34.8 billion in farm production. We have more than 25 million acres in crop and pasture land representing an estimated 25 percent of California's land base. We have approximately 81,500 farms – with 75 percent of them farming on less than 100 acres. Our farm exports lead the nation valued at more than \$12 billion – supporting jobs and economic growth within California.

Sadly, however, California farmers, ranchers and food processors continue to face significant challenges on the unpredictability as well as the cumulative effects of regulations on food production. However, let me be very clear – California farmers and ranchers are leaders in agricultural stewardship and in protecting our natural resource base. We strongly support regulations that address a real environmental need, ensure a safe food supply and protect the citizens of this state. We expect to be regulated, but fairly.

I have been asked to address three questions before you today – the first is the overlapping and conflicting nature of regulations. The Congressional Research Service, in a report issued in May 2010, included a specific example of the conflicting nature of regulations within California. The regulation concerned animal feeding operations and their inclusion within the Clean Air Act. However, the report states, “Even before the (Air Resources Board) defined which existing facilities would face new requirements, some local air quality control districts had moved ahead with permitting and emission reduction requirements.” The report further stated that one air district adopted rules for agricultural operations of 500 or more cows and another for 50 or more. As a result, you could have been a dairy operation with 500 cows and faced two different sets of rules.

The California State Board of Food and Agriculture has heard from a great deal farmers concerning the conflicting nature of regulations. One innovator, Russ Lester, a walnut farmer in Winters, is facing regulatory challenges in regards to the interconnection of on-farm generated renewable energy to the power grid. The California Energy Commission’s Rule 21 and AB 1969 present conflicts for renewable energy interconnection – one program lays out rules for interconnection and the other provides for standard contracts and tariff rates regarding the purchase of renewable energy. However, compliance with one does not guarantee harmonization with the other.

In general, California’s farmers and ranchers face regulatory oversight from several different state and local agencies, creating overlap and indirect regulatory conflict. Cooperation, real cooperation, is needed between various regulatory entities to improve

the administration of regulations affecting agriculture. The cumulative effect of regulations enforced by multiple agencies is having a negative impact on California's farmers and ranchers. That is the next issue I would like to address.

The competitiveness of California's farmers and ranchers is essential to the viability of farming within our state. Over the last few years, as a result of the economic downturn, the regulatory drought and the cost of doing business within this state – farming operations are leaving California. Regulatory cost is a key factor.

In 2002, a California citrus packing house paid \$400 for an annual waste water discharge permit, according to California Citrus Mutual. This same packing house, without violations or enforcement actions, paid \$6,577 in 2008– about a 1,500 percent increase over the course of six years. In June, agricultural burning within the San Joaquin Valley was eliminated –creating an additional \$450-750 an acre in tree removal costs for citrus growers because burning is no longer an option.

Citrus growers in Texas, according to a 2006 study by the California Institute of Specialty Crops, pay approximately \$31 an acre in regulatory costs. For California that figure is \$401. The regulatory costs of lettuce grown in Arizona is \$70 an acre and in California \$114 per acre, according to the same study.

California's forest landowners also face significant regulatory costs to harvest timber. These costs are attributed to California's Forest Practices Act and the resulting forest

practice rules and regulations. Forest landowners are required to submit a timber harvest plan to Cal Fire prior to harvesting any timber. This plan is required to be approved by both Cal Fire and the Regional Water Quality Control Board. During the initial plan review process Cal Fire receives input from the Department of Fish and Game, the Regional Water Quality Control Board, the State Mining and Geology Board as well as federal agencies. In addition to plan approval, a landowner also needs to obtain a waste discharge permit or comply with a conditional waiver from the Regional Water Quality Control Board. This landowner must also comply with any listed species regulations from Fish and Game and/or the two federal agencies with oversight of listed species. Finally, the landowner must obtain streambed alteration agreements from Fish and Game. Each of these permits would require additional fees above the cost of completing the timber harvest plan.

Today's Forest Practices Act went into effect in the mid-70's and it cost less than \$2,500 in today's dollars for forest landowners to have a timber harvest plan completed by a registered professional forester. Today the average cost of completing a timber plan is around \$30,000. This figure is derived from a study by the California Institute for the Study of Specialty Crops analyzing timber plan costs. The study concluded, "...with the cost of an individual timber plan now running over \$30,000, it is likely that California's growing regulations have only created costlier sales, not 'cleaner' ones." In today's depressed timber markets small forest landowners are hurt by these regulatory costs. The study mentions that small timber sales often achieve net revenues of only around

\$50,000. These landowners are simply choosing not to harvest their timber, leaving forests in unhealthy conditions, and more likely to burn, adding costs to fight wild fires.

While California produces more than 400 different agricultural products, we are not a market unto ourselves. Agricultural prices are determined at a national and global level. These cumulative regulatory costs are a significant barrier in allowing California's farmers and ranchers to be better environmental stewards, maintain jobs and keep California innovative and competitive.

Another area I would like to address is the impact of regulations on innovation.

California's farmers and ranchers continue to make great strides in renewable energy development, sustainable agricultural practices, and new production methods. Early adopters pave the way for an industry – just like Mondavi did for Napa and Boswell did for the Central Valley. California has a strong future in this arena, generating renewable energy and creating green jobs – but the regulatory process must also reflect this priority.

The largest hurdle that these innovators have is the regulatory unknown. A venture capital firm testified before the California State Board of Food and Agriculture that one of the primary investment deterrents is permitting. These capital firms have money to invest in agriculture's future but cannot take the risk in most cases with unknown regulatory costs. In the case of Dixon Ridge Farms, Russ Lester has estimated that the time to issue an Authorization to Construct and Authorization to Operate a renewable energy generator is four years. Dairy farmers seeking to convert to dairy digesters

continue to face regulatory unknowns – how do we meet California’s goal of reducing greenhouse gas emissions and increasing renewable energy use when the regulatory framework is in disarray?

Houweling Nurseries in Camarillo provides additional insight into the cost inhibiting innovation. Houweling’s is a state of the art greenhouse production facility that generates renewable energy, reduces water consumption and is self contained, resulting in no environmental runoff. The company estimates that with excessive permitting and development costs, combined with one year’s loss of profits because of permitting delays, the regulatory cost exceeded \$8 million. This breakdown includes over \$1 million in water permitting and penalties, \$545,000 in constructing a bridge required by regulations, and \$364,000 in installing fire hydrants.

Innovators, farmers and ranchers, and especially our dairy farmers, need a regulatory framework that provides clear guidelines for compliance, allows flexibility, and demonstrates coordination among regulatory agencies to avoid overlap and conflicting directives. Reform is needed to improve the effectiveness and implementation of our regulatory infrastructure.

The last area I would like to address is the impact of regulations on California’s water supply. All of us are familiar with the variety of challenges surrounding the Delta and water quality, but I believe few are aware of the combined impact that low water allocations and pumping restrictions have on California’s farmers. The California Latino

Water Coalition has estimated that with projected increases and overlapping environmental protections, pumping from the Delta can realistically occur for one month out of the year. In 2009, according to the University of California Davis, the drought and environmental pumping restrictions resulted in more than 21,000 jobs lost. The regulatory framework needs to allow for flexibility and timeliness in supporting pumping, water transfers and exchanges within our water system – we cannot wait for the next drought to hit.

In addition, California’s farmers and ranchers continue to improve water efficiencies and invest in new technologies to conserve and use less water. From investments in drip irrigation and irrigation scheduling to outreach on water conservation practices – California farmers and ranchers understand the value and importance of our limited water supply.

I would like to emphasize again that California farmers and ranchers are leaders in agricultural stewardship and in protecting our natural resource base. We strongly support regulations that address a real environmental need, ensure a safe food supply, and protect the citizens of this state. We expect to be regulated, but fairly.

Thank you for the opportunity to testify before you here today – I strongly encourage the Commission to continue its look into the regulatory infrastructure surrounding California agriculture. Thank you.