



Government Relations & Public Affairs Committee

August 31, 2012

RUCS Tour: The Infrastructure of Agriculture

Issue: Staff is organizing an agricultural tour to showcase some examples of aggregation, distribution and processing infrastructure that supports agricultural production in the region. The tour will follow the 8:30 a.m. Board meeting on September 20th at West Sacramento City Hall to allow for an early 3:30 p.m. conclusion of activities.

Recommendation: None. This item is for information only.

Discussion: Last year, SACOG received funding from the Strategic Growth Council and the USDA Specialty Crop Block Grant program to analyze the types and scale of aggregation, processing and distribution infrastructure needed to support agriculture in our region. This infrastructure is critical not only to national and international food chain systems; it was also identified by RUCS Local Market workshop stakeholders and the Next Economy initiative as the key component needed to scale up a local/regional food system. As staff commences this infrastructure work, we are preparing a tour on the topic of agricultural infrastructure to help board members become more familiar with the types of facilities that support agriculture production.

In 2008-2009, SACOG conducted a successful series of county-by-county agricultural tours that addressed a range of issues and examples of agriculture in the SACOG region. Since that time, approximately two-thirds of the SACOG Board Members are new and the RUCS project has continued to evolve. Building on those popular tours, this tour will focus on businesses that connect farmers to markets by providing the infrastructure needed to move product from field to consumer. In addition to highlighting market opportunities, speakers will also discuss challenges the agriculture industry faces in growing crops and moving product through the supply chain, including issues such as water supply reliability, labor, and regulations. Although the tour concentrates on facilities in Yolo County, it is intended to provide examples of facilities and opportunities throughout the SACOG region. Some of those facilities in other counties will be discussed.

Staff is still working on an itinerary for the tour; however, we anticipate the day will include visits to the destinations listed in Attachment A. We will have more details for you as the tour comes together. We hope you will be able to join us for the entire tour.

Approved by:

Mike McKeever
Chief Executive Officer

MM:DS:sb

Attachments

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Draft RUCS Tour Destinations

- **Farm Fresh to You (www.farmfresh toyou.com):** The local operations expansion in West Sacramento aggregates and distributes fresh vegetables and fruits to customers throughout the region and state. What was once a small local organic farm started in the mid-70s in the Capay Valley is now the largest distributor of Community Supported Agriculture (CSA) boxes in California. This transition is not only a great story, but a model for how farmers in the Sacramento region can capitalize on opportunities in the fast growing consumer demand for organic food and locally grown food.
- **Port of West Sacramento (www.cityofwestsacramento.org):** The port is a major conduit for moving agricultural product from the Sacramento Valley to international markets. The port's operations were enhanced by USDOT TIGER funding to build a marine highway between inland ports and the Port of Oakland. In particular, the rice industry uses the port to move a large portion of their production to markets abroad. As world demand for food continues to grow, the strategic advantage of goods access to international markets will grow and increasingly be a key asset for producers in the Sacramento region.
- **University of California, Davis:** UC Davis is the top agricultural research institution in the world. The College of Agricultural and Environmental Science has initiated Seed Central (www.seedcentral.org) to bring together seed researchers, seed companies and government to facilitate the transfer of technology from campus to incubate businesses in the Sacramento region. A companion effort called Food Central is being launched in September and will broaden the scope of collaboration to include food companies.
- **Tomato Farm:** California produces approximately 95 percent of the processing tomatoes in the nation. Tour participants will have an opportunity to visit a farm that produces tomatoes for the Pacific Coast Producers processing facility in Woodland. The visit will highlight the relationship between processor and producer, as well as the challenges producers face in growing and delivering product to market.
- **Pacific Coast Producers (www.pcoastp.com):** PCP is the last remaining tomato processing facility in the SACOG region. The facility is an important part of the Woodland economy, employing around 1,200 people. It is also an important market for growers in Yolo and Sutter counties, without which tomato production could decrease and/or have to be transported longer distances to processing facilities outside of the region. In the face of challenging global market changes and state and federal regulations, PCP has been able to keep the Woodland facility in operation. The region can learn about future processing opportunities from the success of this company's strategy and operation (see Attachment B).

Dan Morain: Will jobs be lost with cap and trade?

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California is scheduled to begin auctioning carbon credits, or allowances, in November under its cap and trade program, which was set up to help achieve the state's landmark legislation to combat climate change. Business interests believe it will lead to some businesses leaving the state, other say it will help reduce greenhouse gases. Should the state proceed with its cap and trade program? Vote in our poll at right. To comment, go to sacbee.com/sendletter or go to our Facebook page.

Extraordinarily smart people at the California Air Resources Board have taken to using the term "leakage" as they go about devising the experimental cap and trade system for reducing greenhouse gases.

Homer Perez, head boiler mechanic at Pacific Coast Producers' tomato cannery off East Main Street in Woodland, might use a word that is more familiar to the rest of us: "layoff."

The cannery has been operating under one owner or another since the 1920s. A cooperative of 16 growers in Yolo, Solano and Sutter counties owns it now. Perez has worked there for 28 of the past 29 years. He and his wife have raised two sons and a daughter.

"I'm lucky to have a good job with this economy," Perez said, sitting in the control room where he monitors four massive boilers that drive the cannery where 1,200 people work.

In the world's richest tomato-growing region, at the height of harvest, Perez's job is secure for now. But that's subject to change. Or leakage. In air board parlance, leakage refers to the possibility that a job or business might leave the state. Leakage would be collateral damage as California embarks on cap and trade, by which polluters buy and sell credits to offset emissions in auctions set to begin in November. The board believes the cannery is at medium risk for leakage.

Sen. Roderick Wright, a Los Angeles-area Democrat, held a hearing last week on leakage, and left no doubt that he thinks California will leak jobs as the air board leads us on the bold new adventure. Cap and trade will add costs and complications, and business will close or cut production. He has seen it before. In his youth, Southern California factories produced tires, cars, jets and steel. Little remains.

Richard Corey, a top official at the air board, testified that the board's goal is to minimize economic dislocation as it combats climate change.

"Six full-scale analyses have been conducted and found that the cap and trade program will have nearly imperceptible impact on the California economy as it continues to grow to 2020," Corey said.

Perceptions about impacts can vary, however. Economists seem able to find lucrative consulting contracts. The 1,200 union workers at Pacific Coast Producers might endure a more perceptible impact if the full-scale economic analyses happen to be flawed.

About 600 polluters fall under cap and trade. Some are obvious, like refineries. But there also are 37 food processors, including 17 tomato canneries. All but three of the 37 are in the Central Valley, where the air is notoriously bad and where joblessness far exceeds state and national averages.

Food processors account for about 1.7 million tons of greenhouse gas emissions a year. That's 0.4 percent of the 457 million tons emitted by all California sources in 2009 and 2 percent of the 81 million tons emitted from industrial sources.

Underscoring the uncertainty of it all, the cost of cap and trade depends on who's doing the figuring. Air board spokesman Stanley Young said Pacific Coast would spend about \$60,000 in the first two years to comply with cap and trade.

Pacific Coast attorney Mona Shulman said the cost would be twice that, easy. By 2020, she said, the cannery will have spent a total of at least \$1.4 million to comply. In addition to buying "allowances," the air board's term for the commodity that will be auctioned, the co-op will need to pay employees to track emissions and pay brokers who trade the allowances. We'll all pay when the costs are passed along.

"The market for canned tomatoes and tomato paste is a national and global market, and pennies and dimes make a big difference," Shulman said.

Frank Muller is a tomato grower in Yolo County and chairman of Pacific Coast Producers. A lifelong farmer who is the son and grandson of farmers, Muller understands the vagaries of weather, pests, water, mechanical harvesters and labor supply. He complies with worker safety, wastewater and air emission rules.

In his office, he thumbs through a manual detailing the steps he must follow to comply with one of his customer's demands that he practice sustainable agriculture. Safeway, Sysco, Wal-Mart and other customers audit the cannery to make sure it complies with quality standards.

He can handle all that. But he knows nothing about auctions, especially not those in which traders from Goldman Sachs and other sharp operators are involved.

"We don't have a trading desk," Muller said.

Muller led me on a tour of the cannery one day last week. He figured 306 truckloads would arrive that day. Roughly 80 percent of the tomatoes are grown within a 15-mile radius of Pacific Coast Producers.

That's an important point. Growers use far less diesel fuel to truck tomatoes from a Yolo County field to the Woodland cannery than if the packing plant were across a state line in, say, Nevada. And imagine the amount of fuel used to ship tomatoes across the Pacific Ocean from China, a growing presence in the processed tomato business.

Once at the cannery, tomatoes flow down water slides and on merry-go-rounds of conveyers, past laser guided graders that sort green from red, and through steam baths that remove the tough skins of processing tomatoes.

Some are sliced. Others are left whole. Teamsters, 400 per shift, eyeball the bounty, discarding what isn't up to standard. A tomato picked at 6 a.m. will be in a can by 10 a.m. The cannery produces 500 million cans a year. Each is heated to 195 degrees for 16 minutes to kill bacteria, cooled and labeled with store brands that use Pacific Coast tomatoes.

It all takes energy, and that's where Perez comes in.

Muller stopped by Perez's office and asked about Perez's kids. They're all doing well. One just graduated from Temple University. Another works at the cannery while he pursues his degree.

Perez's father worked in a cannery in Davis that closed two decades ago. Perez himself knows what it's like to lose a job. A previous owner, Del Monte, closed the Woodland cannery in 2000.

"You leave the front gates and look in the rear mirror, and you wonder what is next," Perez said.

As his severance pay disappeared, he took a lower-paying job. Then he got a call from Pacific Coast, which needed someone who could operate the boiler.

From the control room, Perez monitors computers that gauge water temperature, 224 degrees, in four huge boilers. Perez showed me the window through which you can see the fire that heats the water.

"Everyone likes to see the flame," he said.

The flame is alluring. It's also what concerns air regulators. The co-op has cut emissions over the years. But rules of nature apply. Perez needs to fire the boilers to produce the steam that processes tomatoes that we all eat.

He sees the need to reduce air pollution. What parent doesn't? But he's also concerned about jobs. Having been without one, he understands the hard meaning of "layoff." Or, as an economist with a theory might say, leakage.

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