

Date of Hearing: April 27, 2022

ASSEMBLY COMMITTEE ON AGRICULTURE
Robert Rivas, Chair
AB 2499 Maienschein – As Amended April 20, 2022

SUBJECT: Organic products sector: Organic Transition Pilot Program

SUMMARY: This bill establishes the Organic Transition Pilot Program (OTPP), within the California Department of Food and Agriculture (CDFA), to help limited resource (LR) and socially disadvantaged (SD) farmers or rancher’s transition to organic farming. Specifically, *this bill*:

- 1) Defines, in the Farmer Equity Act of 2017, “Limited resource farmer or rancher” has the same definition as in Section 760.107 of Title 7 of the Code of Federal Regulations.
- 2) Requires CDFA to create a grant program to aid LR and SD farmers and ranchers transitioning to organic farming.
 - a) Requires CDFA’s Office of Farm Equity to administer OTPP.
 - b) Requires OTPP to provide incentives, including, but not limited to, grants, research, technical assistance, and educational materials and outreach, to farmers or ranchers who intend to transition land to organic certification, as specified.
 - c) Requires LR and SD farmers to meet either of the following eligibility requirements:
 - i) LR or SD farmers or ranchers who self-certify their intent to farm or ranch organically, or,
 - ii) LR or SD farmers or ranchers who are certified organic and self-certify their intent to expand organic acreage.
 - d) Allows applicants with year-to-year leases to be eligible to participate in the pilot program.
 - e) Allows repeat applicants to be eligible to participate in the pilot program.
 - f) Requires, if selected to receive an incentive, an applicant is eligible for advance payment of that incentive.
 - g) Requires CDFA to provide incentives to applicants who identify as socially disadvantaged farmers or ranchers before providing incentives to other applicants.
 - h) Requires CDFA to prioritize the provision of incentives to new applicants.
 - i) Requires the following expenses to be eligible for incentives pursuant to OTPP:

- i) Organic seeds and starts.
 - ii) Organic livestock, poultry, and related expenses.
 - iii) Organic feed.
 - iv) Soil building supplies.
 - v) Compost, compost building or generating supplies, or compost structures supplies.
 - vi) Organic fertilizer and pest control or organic integrated pest management supplies.
 - vii) Hedgerow and ecosystem enhancement planting and design.
 - viii) Hiring consultants for translation services, business planning, recordkeeping, agronomic practices, certification, and marketing.
 - ix) Inspection and certification fees.
 - x) Educational materials on organic certification and production.
 - xi) Development of an organic system plan.
 - xii) Farm supplies and repair.
 - xiii) On-farm processing and handling equipment.
 - xiv) Farm improvements and construction.
 - xv) Rent.
 - xvi) Labor.
 - xvii) Other expenses deemed necessary by CDFA that further OTPP.
- j) Requires CDFA make available at least 15 percent of the funds appropriated CDFA for purposes of OTPP to technical service providers with organic expertise, as specified, for any of the following purposes:
- i) Providing organic-specific technical assistance (TA) training, organic certification support, financial and farm planning, communication support, program recruitment, recordkeeping support, support with the application process, and translation support.
 - ii) Establishing a mentorship program for organic farmers and ranchers to support transitioning farmers and ranchers.
 - iii) Supporting annual information sharing for the continuous improvement of program guidelines, application processes, and relevant organic research.
 - iv) Developing capacity and expertise of technical assistance providers to support limited resource and socially disadvantaged farmers or ranchers to transition to organic.
- k) Requires CDFA to submit a report to the Diversity, Equity and Inclusion Committee to advise the secretary on the development and implementation of OTPP. on the outcome of OTPP, on or before January 1, 2024, and annually, as specified:
- i) The report shall include, but is not limited to, all of the following:
 - (1) The number of grants awarded, including the number of grants awarded to socially disadvantaged farmers or ranchers.
 - (2) The amount of funds awarded.
 - (3) The number of grant awardees who obtained organic certification.
 - (4) The names of the technical assistance providers that received grants, and a summary of the technical assistance they provided.

- ii) Requires CDFA to post the reports on CDFA's internet website.
- 3) Requires CDFA to convene the Diversity, Equity and Inclusion Committee to advise the secretary on the development and implementation of OTTP.
- 4) Requires Governor's Office of Business and Economic Development (GO-Biz), on or before July 1, 2023, to conduct a comprehensive statewide market analysis (market analysis) of the total economic impacts of California's organic products sector.
 - a) Requires the market analysis, at a minimum, do all of the following:
 - i) Compile employment and wage data connected to production, distribution, and sales of organic products in California.
 - ii) Assess the economic impacts of California's organic trade sectors.
 - iii) Evaluate revenues that the California state government derives from the California organic products sector.
 - iv) Identify and assess economic and growth opportunities related to California organic products and trade.
 - b) Requires GO-Biz to post the market analysis on its internet website.
 - c) Repeals GO-Biz's requirement to create and post the market analysis after January 1, 2028.
- 5) Repeals OTTP after January 1, 2032.

EXISTING LAW:

- 1) Requires CDFA to promote and protect the agricultural industry of the state.
- 2) Requires CDFA to ensure the inclusion of SD farmers and ranchers in the development, adoption, implementation, and enforcement of food and agriculture laws, regulations, and policies and programs.
- 3) Establishes the Governor's Office of Business and Economic Development (GO-Biz) to serve the Governor as the lead entity for economic strategy and the marketing of California on issues relating to business development, private sector investment, and economic growth.

Federal regulations define LR farmer or rancher as:

- 1) A producer whose direct or indirect gross farm sales do not exceed \$100,000 in both of the two calendar years that precede the calendar year that corresponds to the relevant program year, adjusted upwards for any general inflation since fiscal year 2004, as specified, and
- 2) A producer whose total household income is at or below the national poverty level for a family of four, or less than 50 percent of the county median household income for the same two calendar years.

FISCAL EFFECT: Unknown

COMMENTS: Organically grown food is food grown and processed using no synthetic fertilizers or pesticides. Pesticides derived from natural sources (such as biological pesticides) may be used in producing organically grown food. California follows the United States Department of Agriculture’s National Organic Program (NOP) guidelines and enforces the Organic Food Production Act of 1990 and the California Organic Food and Farming Act, formerly the California Organic Products Act of 2003. The California Department of Food and Agriculture’s State Organic Program (SOP) assumes the NOP’s oversight and enforcement authority in the state, and California is the only state in the U.S. with an NOP authorized state organic program. The laws and regulations in place protect consumers, producers, handlers, processors, and retailers by establishing standards for agricultural products and foods that are labeled and/or sold as organic.

AB 1348 (Aguiar-Curry), Chapter 620, Statutes of 2017, codified the definition of “Socially Disadvantaged Group” and “Socially Disadvantaged Farmers,” and established the CDFA as the coordinating agency for Socially Disadvantaged Farmer Programs. This law was designed to empower farmers by ensuring that CDFA includes socially disadvantaged farmers and ranchers in the development, adoption, implementation, and enforcement of SD farmers programs and policies. It also required CDFA to coordinate efforts and share information regarding socially disadvantaged farmers with the federal government.

To earn organic certification, farmers cannot apply prohibited synthetic pesticides and fertilizers to the land for three years prior to their first organic harvest. Farmers cannot sell their products under the organic label during this transition period and most experience yield losses and higher production costs as the soil adjusts to ecological management and the farmer learns and invests in new practices. The three-year transition often creates an insurmountable barrier to entry for underserved farmers and ranchers. LR farmers manage their business on thinner margins that prevent them from assuming additional risk. SD farmers have faced historical discrimination, some of which still exists today, that limits access to resources and information.

According to the author, organic certification is an important economic strategy for farmers to stay in business and access market opportunities. The organic transition period asks farmers to carry three years of risk on top of the myriad of economic, climate, and COVID-related challenges they already face. This bill will help LR and SD farmers or rancher’s transition to organic farming.

Supporters state that this bill expands opportunity for all farmers by making organic certification an accessible option. In addition to establishing an OTTP, this bill requires a statewide market analysis of the organic sector. Organic farmers need this information to identify and build new market opportunities so they can take advantage of the growing consumer demand for organic products. Ultimate success for current and future organic farmers depends on ready markets for organic products.

Considerations:

- 1) The Farmer Equity Act was set up to ensure that CDFA includes Socially Disadvantaged Farmers and Ranchers in the development, adoption, implementation, and enforcement of SD farmers programs and policies throughout all of CDFA’s divisions and programs. This bill

creates OTPP within CDFA's Office of Farm Equity. Two concerns arise from this bill related to this issue: 1) there is technically not an Office of Farm Equity; the Farm Equality Act created a position within CDFA called the Farm Equity Advisor, and, 2) is the Farm Equity Advisor best suited for administering OTPP or are there other divisions within CDFA that are better suited. The author may wish to consider this if this bill moves forward.

- 2) This bill requires CDFA to submit an annual report to the Diversity, Equity and Inclusion Committee on OTPP's outcome. Typically, pilot programs report on outcomes at the end of the program. CDFA uses external organization to evaluate programs such as California Farm to School and Healthy Refrigeration Grant Program Evaluations via a budget change proposal. The author may wish to consider different methods of evaluation and improving OTPP as this bill moves forward.

REGISTERED SUPPORT / OPPOSITION:

Support

Agriculture & Land Based Training Association	Foodwise
American Farmland Trust	Friends of the Earth
Archi's Acres	Good Earth Natural Foods
Ayoquezco Organic Produce	Larocca Vineyards
Blossom Bluff	Leadership Counsel for Justice & Accountability
Bolthouse Farms	Lost Coast Ranch
California Certified Organic Farmers	Lundberg Family Farms
California Climate & Agriculture Network (CALCAN)	Mixtec Produce Organic Farms
California Farmer Justice Collaborative	National Young Farmers Coalition
California Food and Farming Network	Natural Resources Defense Council (NRDC)
Californians for Pesticide Reform	Organic Pastures
Carbon Cycle Institute	Pesticide Action Network North America
Center for Farmworker Families	Robert Sinskey Vineyards
Center for Food Safety; the	Roots of Change
Central California Environmental Justice Network	Safe Ag Safe Schools
Community Alliance With Family Farmers	Salazar Organic Farms
Daily Harvest	Sespe Creek Organics
Earthbound Farm Organic	Straus Family Creamery
Environmental Working Group	Sustainable Agriculture Education
Esperanza Community Farms	The Center for Regenerative Agriculture and Resilient Systems
Families Advocating for Chemical and Toxics Safety	Tomkat Ranch
	Wilber-Ellis Organic

Opposition

None on file.