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California Legislature

ASSEMBLY AGRICULTURE COMMITTEE

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ASSEMBLY SELECT COMMITTEE ON PORTS AND GOODS MOVEMENT

Joint Informational Hearing

Agricultural Export and California Ports Issues

February 2, 2022
9:00 a.m. – 11:00 a.m.
State Capitol, Room 126

Background Paper

In 2020, California's farms and ranches received $49.1 billion in cash receipts for their output. This represents a 3.3 percent decrease in cash receipts compared to the previous year. California agricultural exports totaled $21.7 billion in 2019, an increase of 3.4 percent from 2018. In 2019, the top commodities for export included almonds, pistachios, dairy and dairy products, wine, and walnuts. California Agriculture's top five trading partners are the European Union, Canada, China/Hong Kong, Japan, South Korea, and Mexico.

"Containergeddon" and California Agriculture - Agricultural and Resource Economics: ARE UPDATE - Vol. 25, No. 2 Nov/Dec 2021

A Giannini Foundation of Agricultural Economics at UC Davis report analyzed the effects of the 2021 supply chain gridlock and resulting shipping container shortage on California agriculture. Due to exporters' difficulty obtaining empty shipping containers, the value of California's containerized agricultural exports fell by an estimated $2.1 billion, about 17%, from May to September 2021. The financial damages suffered by California agriculture from the supply chain disruptions exceed the industry's losses from the 2018 U.S.-China trade war.

The Covid-19 lockdown raised U.S. household savings to historical levels. Savings increased from an average of 8% of disposable income in 2019 to 16% in 2020, reaching as high as 34% in April 2020. Amplified by government stimulus payments, the extra savings led to an increase in

U.S. consumer spending. The resulting demand shock was partially met with imported goods from Asia, growing the 2021 U.S. goods trade imbalance with China by 15% for the first three quarters of 2021, compared with the same period in 2020.

Most goods from Asia arrive via containers, and before Covid-19, California ports typically handled around 40% of U.S. containerized imports. However, California ports became overwhelmed with the recent growth in imports. U.S. ports outside California handled more than 1.4 million additional loaded import containers (up 23%) from May to September 2021, compared to the average for the same five-month period from 2017–2019. In contrast, California ports moved only about 0.7 million additional loaded import containers (up 16%) during the same time period.

The Covid-related boost in imports resulted in increased demand for empty shipping containers in Asia, and freight rates from Asia to the United States rose so fast that more and more containers were being shipped back to Asia empty, as opposed to carrying U.S. export products. The empty containers were more valuable in Asia, as they could be quickly loaded and sent back to the United States, earning a much higher freight rate compared to the backhaul rate from California to Asia. This meant that outbound cargo from California was impacted due to a shortage of containers for loading, creating lost export opportunities for California farmers.

Governor's Newson's Executive Order N-19-21 related to address state, national and global supply chain challenges

In October, amid global supply chain disruptions, Governor Gavin Newsom signed an executive order directing state agencies to identify additional ways to alleviate congestion at California ports.

The executive order directs agencies to continue coordinating with the Biden-Harris Administration's Supply Chain Disruptions Task Force to address state, national, and global supply chain challenges. It also directs the Department of Finance to work with agencies to develop longer-term solutions that support port operations and goods movement for consideration in the Governor's Budget, potentially including infrastructure improvements, electrification of the goods movement system, and workforce development.

Additionally, the executive order directs state agencies to identify state-owned properties and other locations that could be available to address short-term storage needs, identify priority freight routes to be considered for a temporary exemption to gross vehicle limits to allow for trucks to carry more goods, and create workforce training and education programs.

This builds on the California Supply Chain Success Initiative, an effort led by the Governor's Office of Business and Economic Development—in partnership with the California State Transportation Agency, the Port of Long Beach, and the CSU Long Beach Center for International Trade and Transportation—to ease supply chain issues by engaging stakeholders along the supply chain to discuss key challenges and identify solutions. This effort, which brought together federal, state, and local leaders, was focused on both short- and long-term steps to address port congestion, including implementing a new 24/7 environment across the supply chain, improving collaboration, and exploring policies to remove obstacles and improve the movement of goods.

A copy of the press release and the signed executive order can be found here.

Port of Oakland Launches Program to Expedite Ag Exports – press release January 3, 2022

The Port of Oakland is set to launch an interagency effort to improve the flow of agriculture exports at the Port. The program involves the use of additional yard space and equipment, restored export ship calls and assistance to export users. The goal is to provide relief to agricultural exporters who are facing shortages of export capacity and skyrocketing logistics costs.

The Port will open and operate a 25-acre off-terminal, paved container yard equipped to move containers off chassis and store them for rapid pick-up. The yard will provide access to equipment and provide faster truck turns without having to wait for in-terminal space. Agriculture exporters will be assisted by federal and state agricultural agencies in using the yard. The Port of Oakland is the preferred export gateway for much of California's agricultural exporters and for refrigerated proteins. Under normal circumstances, the cargo volume at the Port is approximately 50% exports and 50% imports providing a match between inbound cargo and emptied containers for exports. However, the current import surge clogging up the ports is displacing ships and containers that are available to exporters, especially shipments of farm goods. The Port saw significant drops in export volume due to skipped sailings of crucial export lines and lack of equipment for export cargo.

The situation was the catalyst for a convening of State and Port officials with farm producers and transportation executives to solve a year-old shipping crisis. At stake was the state's multi-billion-dollar agriculture export industry. The meeting was led by Governor's Office of Business and Economic Development Director, Dee Dee Myers, State Transportation Agency Secretary, David S. Kim and California Department of Food and Agriculture Secretary, Karen Ross. Participants included seaport stakeholders within the broad and varied agricultural commodity sectors, freight forwarders, trucking and warehousing operators.

The meeting resulted in a list of potential solutions to unclog the supply chain for agriculture exports.

California wine industry lost more than $250 million in value due to port disruptions - Press Democrat, January 7, 2021

California's wine industry lost more than $250 million in value last summer because of crushing supply chain disruptions at West Coast ports, a new economic report reveals.

A study by UC Davis researchers issued late last year found overall state agricultural exports fell by $2.1 billion from May to September because of difficulties obtaining shipping containers. That's about a 17% decrease and exceeded losses from the 2018 trade war with China.

Researchers noted that American agriculture products in past years would typically fill more than 40% of all loaded containers leaving California ports and about one-third of those would transport state-grown farm products.

The biggest impact was against California tree nut producers, who were estimated to lose about $520 million in foreign sales during the period.

Link to full article