

Date of Hearing: April 6, 2022

ASSEMBLY COMMITTEE ON AGRICULTURE

Robert Rivas, Chair

AB 1678 (Fong) – As Introduced January 20, 2022

SUBJECT: Department of Food and Agriculture: Blue Ribbon Commission on Port Congestion and Supply Chain Deficiencies

SUMMARY: This bill would require the Californian Department of Food and Agriculture (CDFA) to establish and convene the Blue Ribbon Commission (BRC) on Port Congestion and Supply Chain Deficiencies. The BRC will recommend changes needed in the near and long-term future to mitigate the impacts of port congestion and supply chain issues on agricultural commodities. The BRC will submit, on or before January 1, 2023, a report to the Legislature documenting its recommendations. Specifically, *this bill*:

- 1) Defines BRC to mean Blue Ribbon Commission on Port Congestion and Supply Chain Deficiencies.
- 2) Requires CDFA to establish and convene the Blue Ribbon Commission, comprised of the following:
 - a) The Secretary of CDFA, who will serve as Chair.
 - b) A member appointed by the secretary that represents the agriculture industry.
 - c) A member appointed by the secretary that represents California ports.
 - d) A member appointed by the secretary with experience in goods movement.
 - e) Any other members that the secretary chooses to appoint who have relevant experience.
- 3) Requires the BRC to recommend changes needed in the immediate and long-term future to mitigate the negative impacts of port congestion and supply chain deficiencies on agricultural commodities.
- 4) Allows the BRC may take public input for recommendations made pursuant to subdivision.
- 5) Requires, on or before January 1, 2023, the BRC to submit a report to the Legislature documenting its recommendations developed pursuant, as specified.
- 6) This bill has an urgency clause.

EXISTING LAW: Requires CDFA to promote and protect the agricultural industry of the state.

FISCAL EFFECT: Unknown.

COMMENTS: 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.

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.

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.

According to the Author, the recent congestion at our ports and the subsequent disruption through the supply chain highlighted the vulnerable position our agriculture industry is in when it comes to the state's export policy and infrastructure. While the focus of recent solutions was on our coastal ports, farmers were left without viable export opportunities. A Blue Ribbon Commission on Agricultural Exports will identify inefficiencies, best practices, and recommend improvements to the state's export industry in order to sustain California's robust agricultural sector as a global leader.

REGISTERED SUPPORT / OPPOSITION:

Support

City of Bakersfield
County of Kern

Opposition

None on file.

Analysis Prepared by: Victor Francovich / AGRI. / (916) 319-2084