



AT THE CAPITOL

Providing One Voice for Blue Diamond Almond Growers

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BlueDiamondGrowers.com

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LOOKING BACK

Although it now sounds cliché, 2020 was nothing short of unprecedented – a global pandemic, economic uncertainty, and a historic presidential election all front and center.

At a national level, the focus was curbing the spread of COVID-19 and mitigating an economic crisis. The country also experienced an election year unlike any other. Meanwhile, California not only had to manage the pandemic, but the state saw the worst wildfires in its history. At the start of the year there were 2,203 bills introduced, which was dramatically decreased to 550. Ultimately 402 bills were sent to the Governor's desk.

Throughout the year, Blue Diamond's Government and Public Affairs team was largely focused on communicating the impact COVID-19 had on our business and our grower-owners, while also managing the many laws, executive orders and ordinances passed throughout the multiple levels of government. The team advocated for essential workforce designation at the federal, state and local levels, and direct payments for our grower-owners at the national level. However, there were a number of other priority issues the Blue Diamond team advocated on, too. Below you will find an overview of the unprecedented year that was 2020.

FEDERAL

COVID-19

Since the beginning of the pandemic, Blue Diamond worked tirelessly to communicate the impact of COVID-19 on the almond industry to federal officials. Because of our continued advocacy in partnership with our industry associations, the almond industry saw some relief throughout the year.

During 2020, Congress enacted a number of relief packages aimed at providing economic assistance to those impacted by the pandemic. The Coronavirus Aid, Relief and Economic Security (CARES) Act, passed in March 2020, provided \$2 trillion in economic relief including the Paycheck Protection Program (PPP), funding for Personal Protection Equipment (PPE), and the Coronavirus Food Assistance Program (CFAP). The CARES act was followed by the Health and Economic Omnibus Emergency Solutions Act (HEROES) act in October, which provided an additional \$3 trillion in economic assistance.

CFAP, specifically, provided \$16 billion in direct payments to producers affected by the pandemic, \$2 billion of which was allocated to specialty crops. Blue Diamond worked with the Almond Alliance to communicate the need to include the almonds within the payments. As a result of this advocacy, almond growers have received more than \$125 million in payments through CFAP 1 and CFAP 2.

Trade

The pandemic disrupted many economies and completely stifled travel making international trade uncertain and uneven throughout the last year. In addition to the pandemic, almonds faced retaliatory tariffs in key export markets of China, India and Turkey. Your Blue Diamond government affairs team communicated the impact these issues had on trade for the almond industry and the need for both short-term and long-term solutions.

CHINA

In early 2020, the United States entered into the Phase One agreement with China. As part of the two-year agreement, China agreed to purchase more than \$200 billion worth of goods from the United States — including food and agricultural products. Blue Diamond monitored these discussions to assess the impact it would have on the Almond Industry and the Cooperative. It is unclear if there will be a “Phase Two” agreement as the U.S.-China trade policy under the Biden Administration remains undefined. Regardless of the new administration’s policy, your Blue Diamond team will be conveying the importance of this market and the impacts the tariffs have on the almond business in China.

In 2020, Blue Diamond also worked with our Chinese customers to secure a tariff reduction of 25 percent for some of our almond products. Tariff reductions in this market are critical for the industry to remain competitive particularly as Australia has a Free Trade Agreement with China.



Blue Diamond meets with Former United States Secretary of Agriculture Sonny Perdue in February 2020 (pre-covid) to discuss the importance of the Agricultural Trade Promotion Program and the Market Access Program, which fund marketing activities in key exports markets.



INDIA

Blue Diamond helped open the Indian market for almonds decades ago and it remains critically important for the Cooperative and industry. During the onset of the Pandemic, the Indian government shut down the country and did not specify what was considered an essential worker. This resulted in massive disruption at the Indian ports causing delays on exports to India. Fortunately, the Indian government rectified the situation and clearly defined port workers as essential. Due to Blue Diamond communicating the impact, damages incurred from the shutdown was included in the calculation for CFAP payments.

PORT DISRUPTIONS

Supply chains throughout the world have experienced disruptions because of COVID-19, and the United States is no different. California saw significant issues of congestion and bottleneck at the ports beginning in 2020. These challenges stemmed largely from detention and demurrage charges, export container availability and container return practices, and was exacerbated by COVID-19. Because California's agriculture industry relies heavily on export markets, the entire industry, including Blue Diamond, have been working with the federal and state governments to alleviate these challenges as soon as possible, and find long-term solutions for the future. Blue Diamond, specifically, elevated the impacts to congressional

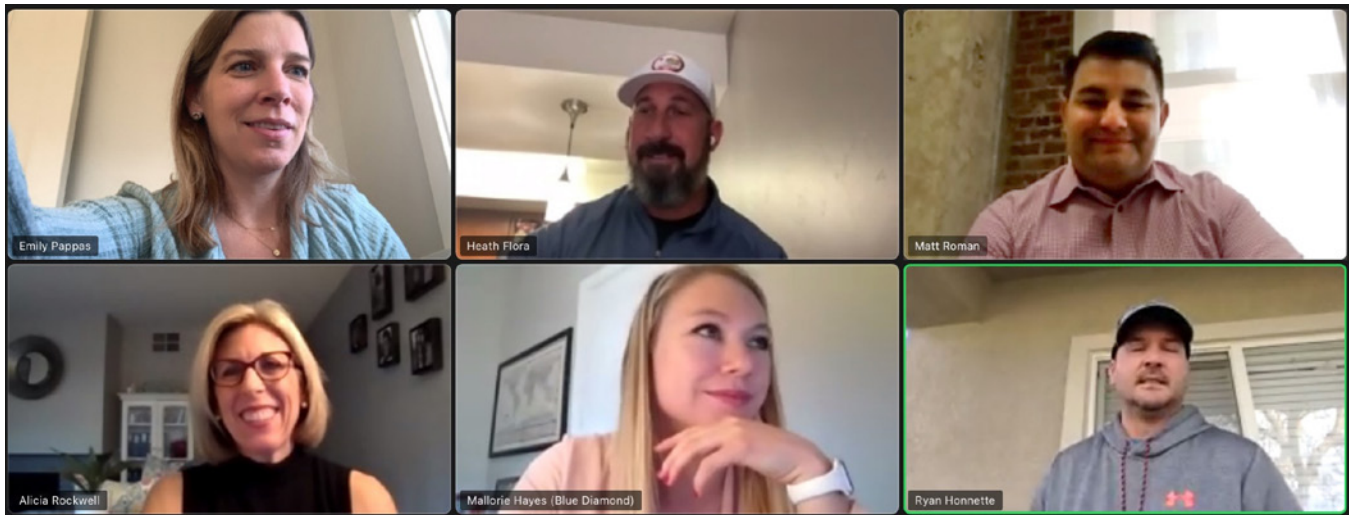
members within the central valley who are now fierce advocates for this issue.

The pandemic coupled with ongoing tariffs complicated trade for the almond industry, however Blue Diamond was steadfast in our advocacy —communicating the impacts of COVID-19 and tariffs, and importance of trade for the almond industry.

Presidential Election

The 2020 election was nothing short of contentious, historic, and uncertain. Democrats not only won the White House, but Congress as a result of Georgia electing two Democratic Senators in runoff election. With the Senate an equal number of Democrats and Republicans, Vice President Kamala Harris will now be the 101st vote.

On the heels of the election, the Biden team put together a transition team to outline top priorities for the incoming administration, including a coronavirus taskforce. Blue Diamond was paying close attention to what the new administration would prioritize for agriculture, trade, immigration, water and the pandemic. As a plan was formed and the Biden Administration took office, your Blue Diamond team was assessing the Administration's policy priorities and conveying the impact to the Cooperative, while also highlighting our own priorities.



Assemblymember Flora (R-Ripon) meets with Blue Diamond’s government affairs team and young leaders.

STATE COVID-19

Throughout 2020, Blue Diamond’s government affairs team was fiercely communicating the impact and consequences of COVID-19 on our growers and the Cooperative to our state representatives. Simultaneously, the team was also highlighting the actions taken by Blue Diamond and our members to keep employees safe and healthy.

California was aggressive in pandemic-related legislation and regulation it put forth. Governor Newsom signed numerous executive orders and legislation that had significant implications for business and agriculture. In coordination with our associations, Blue Diamond government affairs advocated on many of these bills to protect and promote the interests of our grower-owners and the Cooperative.

SB 1383, signed into law, expanded the California Family Rights Act to allow employers with five or more employees to use unpaid job-protected leave to care for a domestic partner, grandparent, grandchild or sibling.

SB 1867 temporarily required employers of 500 people or more to provide 80 hours supplemental paid sick if affected by COVID-19. **SB 1159** codified an executive order that makes it easier for essential workers to receive workers compensation benefits if they contract COVID-19.

On the regulatory front, the Occupational Safety and Health Standards Board passed a draft Emergency

Temporary Standards (ETS) for workplaces and COVID-19 protections in November of 2020. Since passage, CAL/OSHA began a stakeholder process to further clarify and amend the standard based on feedback from the business community. Blue Diamond and our associations have been engaged in stakeholder process to ensure the standards are consistent and reflect industry feedback.

Packaging

Packaging has been a priority for the legislature for the past two years. In particular, **SB 54/AB 1080** were two bills that were the center of attention in the packaging discussion. These bills would have required the state to achieve 75% reduction in single-use plastic packaging and single-use plastic products by 2030.

Blue Diamond in tandem with our associations, worked tirelessly to mitigate the detrimental impacts of the bills in an effort to allow the agriculture industry to comply more easily while at the same time acknowledging something needs to be done in the plastic waste space. Ultimately, the bills were unsuccessful in garnering the votes needed to pass them into law.

Taxes

Because of the pandemic, the demand for more revenue was immense in California. As such, the Governor and legislature looked at ways to find additional funding for the state. There were multiple proposals of tax legislation, however because of the

2/3rd majority needed to pass a tax bill, few found the votes needed to become law. Of particular importance in 2020, were the tax-related propositions on the ballot some of which impacted agriculture.

Prop. 15, known as the split roll tax initiative, would have amended Proposition 13 (1978) and removed property tax protections for agriculture and commercial real estate. The proposed ballot initiative would have significantly raised taxes on small businesses and many growers, by triggering a reassessment at market value for agricultural-related facilities and improvements. This included barns, structures, nut-bearing trees and more. A coalition of the agricultural and business community created an educational campaign on the negative consequences of this prop and ultimately, it was defeated at the ballot box.

Prop 19, which was passed in November, narrows the exclusions for reassessments of a property transferred from a parent or grandparent to their children. Prior to the passage of Prop 19 parents or grandparents could transfer their primary residence and \$1 million per parent of other real property to their children without triggering a reassessment. Beginning Feb. 16, a transfer is only exempt if the residence transferred becomes the primary residence of the child, or the family farm continues to be used for agricultural purposes. However, this exclusion only applies if the property does not exceed a specified value. There are many nuances to the proposition and the impact will be unique to the individual grower.

Crop Protection

Unsurprisingly, the legislature and regulatory agencies focused efforts on managing the use of crop protection tools within the state, some of which posed potential impacts on growers and the almond industry.

AB 1788, passed into law, prohibits the use of second-generation anticoagulant rodenticides statewide until the Department of Pesticide Regulation (DPR) takes measures to evaluate, restrict and only use SGARs when necessary. Exemptions for specified activities are available. The initial bill introduced would have dramatically increased costs for pest control in the agricultural community. Fortunately, the industry worked together on amendments that mitigated the detrimental impacts.

Department of Pesticide Regulations (DPR) began a pilot program in early 2020 aimed at reducing emissions from the use of **1,3 Chloropropene (1,3-D, also known as Telone)**. The pilot program, focused on three regions in the central valley, providing growers with 12 options applicators can adopt to reduce emission. Along with tarping, options include buffer zones, increased soil moisture, and deeper injections. The industry is concerned that these alternatives could become required in the future. Blue Diamond has worked with the Almond Alliance to assess impact and communicate the industry's concerns, while highlighting the safe practices growers currently employ in the field.

Bumble Bees

There has been an effort to list four subspecies of bumble bees under the California Endangered Species Act (CESA). If successful, it would make bees the first insect to be listed under CESA. The listing could have significant implications for agriculture as it would prohibit killing or harming native bumble bees or their habitat intentionally or unintentionally.



A coalition was created by the agricultural community to engage in these discussions. Blue Diamond has participated in these talks and is actively monitoring the issue. In late 2020, the Sacramento Superior Court ruled that insects are not eligible for listing under CESA. However, an appeal to this ruling is likely imminent. It is also likely we see legislation come to fruition in the future on pollinators in California.



Blue Diamond hosts a webinar with Assemblymember Blanca Rubio (D- Baldwin Park) and Assemblymember Jim Cooper (D – Elk Grove) to discuss top legislative issues within California.

LOOKING FORWARD

The beginning of 2021 started off strong and as we look to the second half of the year, the promise of vaccines and decreasing COVID-19 cases brings a sense of cautious optimism to government and the economy. More than 260 million doses are distributed, and almost 130 million people fully inoculated in the United States. Federal, state, and local governments are acutely focused on the pandemic particularly vaccine distribution, maintaining low infection rates and post-pandemic recovery. Although COVID-19 will continue to be the focus for legislators, there will still be movement on other important issues such as immigration, climate change, pesticides, water and infrastructure.

Federally, the Biden Administration is working to deliver on the promises made on the campaign trail of curbing the pandemic, prioritizing economic recovery and climate change, and addressing racial equity. In California, the legislature is in full swing with more 2,500 bills introduced. A large swath of the introduced bills is pandemic related, however there are numerous bills on other issues that have the potential to impact the Cooperative and growers such as climate change, water, crop management and more. Blue Diamond has been working tirelessly in the first few months of the year to build relationships, educate and advocate on behalf of our grower-owners and the Cooperative at all levels of government. Below you will find an overview of the work recently done and anticipations for the year to come.

FEDERAL COVID-19

The Biden administration recently surpassed 100 days in office during which he was keenly focused on fulfilling the promise made of 200 million vaccines distributed. On April 19, all people over the age of 16 were officially eligible to receive the vaccine in the United States. The administration has indicated they are optimistic that the nation will look close to “normal” by July 4, and have set a new goal of 70 percent of U.S. adults having received at least one vaccine by Independence day.

For agriculture, the USDA announced in late March that it would be establishing new programs and efforts to bring financial assistance to farmers, ranchers and

producers who have been impacted by COVID-19. The USDA has dedicated at least \$6 billion toward new programs as part of a new initiative – USDA Pandemic Assistance for Producers. With this announcement, USDA reopened the application window for CFAP 2 for at least 60 days from April 5. The original application period ended in December 2020. The reopening will allow those who did not apply, need to make modifications to their applications or had a pending application to receive payments.

Blue Diamond has and will continue to stress the impacts of COVID-19 on the almond industry and our grower-owners, and the need for a robust plan for economic recovery.

Infrastructure

With the passage of the COVID relief bill in February, the Administration and Congress are acutely focused on a \$2 trillion jobs and infrastructure package. The package would be paid for by a large corporate tax increase, which has been met with criticism from many Republicans. The Administration is working to find a compromise on points of contention but is steadfast in their commitment to getting this effort through Congress. The infrastructure plan aims to reshape the American economy and make significant investments to expand broadband access, particularly in rural areas, update transportation infrastructure from roadways, railways and bridges, water infrastructure, American homes and buildings, and advance research, development, and manufacturing.

Separately, the House Transportation and Infrastructure Subcommittee on Water Resources and Environment introduced the **Water Quality Protection and Job Creation Act of 2021** last week. This bipartisan legislation would authorize \$50 billion in direct infrastructure investment over the next five years to address America’s crumbling wastewater infrastructure and local water quality challenges.

Your Blue Diamond team will continue to participate in the infrastructure conversation and advocate for the inclusion of water, transportation and other key infrastructure investments needed within the state of California.

Trade

While the new administration has indicated it does not want to enter into any new trade agreements, it has

engaged in trade issues and related matters. The United States Trade Representative, Ambassador Katherine Tai, was sworn in by Congress in March. She is widely respected amongst both parties, and has made it clear her top priorities will be labor and climate in any new trade agreements entered into by the U.S.

Looking to China, relations between US and China remain fraught. The US recently sanctioned China and several high-ranking officials due to the treatment of their minority population, the Uyghurs. However, U.S. Trade Representative Katherine Tai recently said that the administration will be assessing the performance of the Phase One Agreement and determining a path forward. The administration is also conducting a full review of U.S. China trade policy. Blue Diamond will continue to communicate the importance of the Chinese market for almonds and reiterate the need for the removal or decrease of tariffs.

The extreme delay at the California ports for agricultural exporters continue. Blue Diamond and the Almond Alliance continue to communicate the impact of this issue and the need to solve this issue as soon as possible. Both federal and state officials continue to discuss potential solutions both in the short term and long term, however it remains uncertain how or when a solution will be implemented.

Immigration

We have seen some traction on the immigration front in Congress as the Biden Administration is prioritizing immigration reform. For agriculture specifically, **the Farm Workforce Modernization Act**, which passed the House mid-March, creates a path to citizenship for thousands of non-citizen farmworkers and expands the H-2A temporary agricultural worker visa program. This is only the second time an agriculture immigration reform bill has passed the House since 1986. The next step will be passage of the bill in the Senate, which will be difficult.

The California agriculture industry, and California congressional delegation, have been hard at work educating the need for immigration reform



Congressional Representative Josh Harder presents a Certificate of Recognition to Blue Diamond's Turlock facility for its Green Business Certification by the California Green Business Network.

amidst an immense labor shortage in the State. Blue Diamond continues to be involved in these discussions and is supporting the advocacy on this bill.

Climate Change

Addressing climate change was an issue President Biden ran on during the presidential campaign, and as such is a major focus for the administration. Climate change policies are interwoven throughout all major proposals of administration and its agencies. USDA is focused on Climate Smart agriculture; the recent infrastructure package has a keen eye towards a green economy; and USTR has signaled any new agreements must prioritize climate. There have also been a number of climate-related bills introduced on carbon capture for marketing credits, soil health incentive programs, incentivization for climate-smart equipment, system, and technologies, to name a few.

Blue Diamond will be assessing policy proposals put forth by the administration and Congress, communicating the great work being done in this space by the almond industry and advocating for sound, science-based approaches.

STATE COVID-19

Not surprisingly, the Pandemic is front and center in the minds of California's elected representatives. Your Blue Diamond team has been hard at work to educate on the impacts of the pandemic on the industry, and the

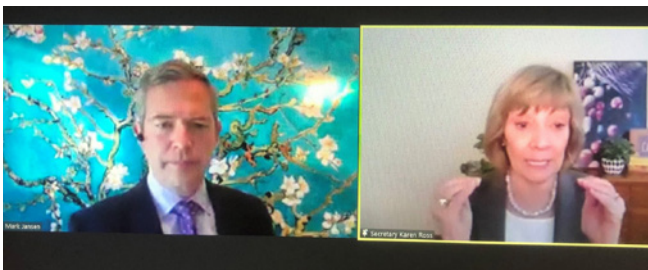
immense precautions and work done by the Cooperative and grower-owners to protect employees. There was a large swath of pandemic-related bills introduced and are now moving through the legislature that address issues such as worker safety, paid sick leave, economic recovery and more.

SB 95, passed in March, extends the supplemental paid COVID-19 sick leave of 80 hours retroactively beginning January 1, 2021 to September 30, 2021. In addition to having COVID-19, an employee is able to use the sick leave for obtaining a vaccine, symptoms from the vaccine, caring with someone with COVID-19, and school or childcare closures. Businesses with less than 25 employees are exempt from the legislation.

Additionally, the administration is acutely focused on vaccine distribution and economic recovery. The Governor opened eligibility for vaccines mid-April, allowing all individuals ages 16+ to receive a vaccine if they wish. Newsom also announced that the State will move away from its tiered system for opening activities within counties, The Blueprint for a Safer Economy. Beginning June 15, the state will fully open its economy as long as vaccines are widely available and hospitalization rates remain low.

Packaging

With the failure of two major packaging bills last year, the legislature is very focused on addressing the issue in this new legislative cycle. A multitude of bills were introduced and are moving through the legislative process that aim to increase recyclability of packaging and/or decrease non-recyclable materials such as plastic. Sustainability is and will continue to be a priority for elected representatives in all spheres of government, and consumers are keenly aware of it too. Blue Diamond is also committed to sustainability and is already shifting packaging to be more sustainable and meet the demands of the legislature. Simultaneously,



Blue Diamond President and CEO Mark Jansen hosts a virtual event with the Secretary of the California Department of Food and Agriculture, Karen Ross, to discuss the issues facing California Agriculture.

your Blue Diamond Team is working with the industry and elected representatives to ensure these packaging bills account for food safety, the necessary infrastructure and adequate runway needed for the industry to comply.

Water

With the reports of 2021 being the third-driest year on record for California, the state is preparing itself for drought. There has been an outcry of requests from congressional, state, and local leaders requesting the Governor declare a statewide emergency over the water crises, which would allow agencies more flexibility and minimize red tape. The governor instead is taking a regional approach to emergency declarations, putting 41 counties under a drought state of emergency. Newsom also unveiled a \$5.1 billion package of immediate drought response and long-term water resilience investments. The package, which will require passage by the legislature, is part of a larger \$100 billion economic recovery plan.

As we head into this dry year for the state, Blue Diamond and our industry partners will be working with the State, both elected officials and agencies, to adequately address California's water future and provide helpful resources to our grower-owners.

In addition to the drought, there are a number of water-related bills moving their way through the legislature. A bill that is of particular importance to the agricultural community is **AB 377**. This bill would require



the State Water Resources Control Board and regional board to evaluate impaired state surface waters and create a plan to bring all water segments suitable for drinking, swimming and fishing by 2050. The bill also puts a focus on enforcement measures and would significantly impact the ability to comply with discharge requirements in a timely and cost-effective manner. As a result of the industry's advocacy, this bill will now be a two-year bill.

There are three bonds on the legislature's docket **AB 125, AB 1500 and SB 45**. AB 125 allocates more than \$3 billion dollars to food and agriculture. AB 1500 and SB 45 are focused on wildfire prevention, safe drinking water and drought preparation. It is anticipated that only one of the bonds will pass the legislature and move to the 2022 ballot.

Pollinators

No one knows the importance of pollinators more than the almond industry. It is important that Blue Diamond reiterates this commitment to our state representatives by highlighting the work being done in the orchard to promote bee health. This work garners support for important legislation and funding for the agricultural industry to invest in pollinator health.

This legislative cycle, the Almond Alliance of California is sponsoring a bill, **AB 391**, California Pollinator Conservation: funding, authored by Assemblymember Carlos Villapudua. The bill will provide important funding for activities that accelerate the adoption of conservation practices designed to integrate pollinator habitat and forage on working lands. The bill would



Assemblymember Villapudua (D-Stockton) tours Blue Diamond grower John Thoming's family farming operation in the Central Valley.



Blue Diamond grower Christine Gemperle presents during a California Assembly Agriculture Committee on the topic of sustainable farming practice in California.

allocate \$5 million dollars to various agencies to provide technical assistance, outreach and grants to incentivize participation in state and federal conservation programs where pollinator habitat and forage is established.

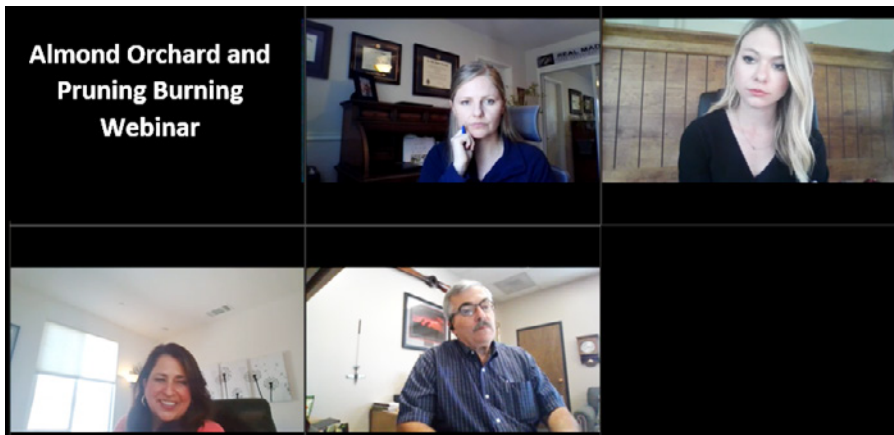
Additionally, a several of California agriculture and environmental organizations are forming a California Pollinator Coalition to address pollinator health within the state. The coalition is focused on increasing the value working lands provide to our environment while benefiting biodiversity and farmers alike.

Pesticides

In the beginning of the year, the Department of Pesticide Regulation put forth a budget proposal that would significantly restructure and increase the "mill tax" on crop protection and disinfectant products. The proposal would replace the flat fee on pesticide sales with a tiered approach based on the U.S. EPA toxicity warnings. DPR's

initial goal was to close an \$8 million gap in DPR's budget; however, the increase would raise \$45 million in new revenue. The proposed change would have significant impact on the agricultural and business communities adding significant costs to important crop protection tools and disinfectants. Blue Diamond is communicating the impacts this will have on our grower-owners and our plant facilities, while supporting our lobbyist team and associations in their advocacy.





Blue Diamond hosts an informational webinar on the past, present and future of agricultural orchard and pruning burning in the Central Valley with panelists Elaine Trevino, President of the Almond Alliance, the San Joaquin Valley Air Pollution Control District and Mel Machado, Vice President of Membership for Blue Diamond.

Agricultural Burning

On February 25, the California Air Resources Board voted to require virtually all agricultural burning to be phased out by January 1, 2025 in the San Joaquin Valley. Specifically, this vote affects eight counties, all under the jurisdiction of the San Joaquin Valley Air Pollution Control District, San Joaquin, Stanislaus, Merced, Madera, Tulare, Fresno, Kern and Kings. Over the next 6 months the District is expected to outline a path towards accomplishing the phase out. The industry is working with the District and CARB to find the best path forward given the vote, including seeking additional funding for burning alternatives. To date we have successfully lobbied the CA Senate to include \$180 million for agriculture burning, \$60 million annually for three years, and we will continue to lobby the Assembly and the Governor's office to include such funding in the final approved budget.



The goal of the Blue Diamond public affairs team is to use At The Capitol to keep you informed and engaged with your cooperative's advocacy efforts.

As our team works with some of the more urban legislators in Sacramento and those in Washington D.C., who are pursuing legislation impacting our vital industry, any feedback we receive from our growers that can help illustrate the demands and hardships facing the industry today (water shortages, labor, climate change, crop pricing etc.) would be extremely beneficial.

We encourage your questions and support, please contact:

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