



AT THE CAPITOL

One Voice for Blue Diamond Almond Growers

2023 Yearly Report

BlueDiamondGrowers.com

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2022 was a busy year for Blue Diamond and the almond industry — ongoing drought, a major freeze, the war in Ukraine, catastrophic floods, continued supply chain pressures, mid-term elections, to name a few.

In California, almost 4,500 bills were introduced over the 2021–2022 legislative cycle, with over 1000 making their way to the Governor's desk. Everything from a robust climate agenda to labor to air quality was included, and Blue Diamond and our partners were engaged throughout the process. As the passed legislation moves to the regulatory phase, our work continues to ensure that implementation and compliance occurs as efficiently as possible.

On the federal front, we saw both inflation and interest rates climb, an acute focus on climate, sustainability, and supply chain issues, and a busy election season. Amidst the commotion, Blue Diamond was able to secure significant wins and further our relationships with key elected officials within D.C.



Blue Diamond's government and public affairs team, Alicia Rockwell and Mallorie Hayes. Rockwell receives Women in Manufacturing award from the California Manufacturing and Technology Association.

As we now enter 2023, the year is moving quickly. California will face a budget deficit for the first time in several years, while the entire nation suffers from rising costs. Newly elected officials have taken their oaths, set priorities, and introduced bills. Blue Diamond has and will continue to engage both new and returning members educating them on the Cooperative and our grower-owners. Building relationships and increasing understanding of Blue Diamond is critical to our efforts to promote and protect the Cooperative.

Below you'll find Blue Diamond's *At The Capitol* yearly report highlighting work done in 2022 and what's expected in the year ahead.

State

With more than 2,000 bills introduced in 2022, the California legislature kept Blue Diamond's government affairs team busy. We saw activity on many issues that had the potential to impact the Cooperative and growers, some of which gained national attention. Blue Diamond prioritized and worked with key partners to mitigate impacts as much as possible, while identifying opportunities to achieve key wins. This work will continue as we take on 2023. The budget deficit will be a major factor as the administration and legislature decide what will and will not get funding. Meanwhile, the legislature introduced a record number of bills by their February deadline, which will now move through the legislative process until September.



Water

As always, water was and will continue to be a top focus for the legislature and administration. As the drought surged on last year, we saw voluntary water conservation orders, zero percent surface water allocations for most in agriculture, and an entire water supply strategy for the state unveiled. Blue Diamond and our partners were involved in many conversations educating on the impacts of the drought on growers and the importance of a reliable water supply.

In August, the Governor released his California's Water Supply Strategy in response to a new study showing California will receive 10% less water over the next 10 years. The strategy includes increased storage space to capture storm water, recycling and reuse goals, conservation efforts, stormwater and desalination efforts, and expedited permitting for water projects. Agriculture groups were generally supportive, but unfortunately, the proposal never materialized after heavy opposition

from the environmental community. We do expect negotiations to continue this year and will be engaged directly and through our partners throughout the process.

From the legislature, we saw one bill that created significant concern amongst the agricultural industry, **AB 2201**, which would have had substantial impacts on

well permitting. The bill would have imposed extensive, costly, and duplicative requirements on groundwater permits. As a result of significant opposition, the was held on the Senate floor and failed to pass.

Late in the year the Department of Water resources, in coordination with the Department of Food and Agriculture, announced the LandFlex Program that will support groundwater sustainability agencies and local growers to limit groundwater pumping in drought-stricken areas. The program was created to protect domestic wells and drinking water, provide drought relief and assist with SGMA compliance. The program provides grant funding to local GSAs in critically over drafted basins to pay growers to idle land as a one-year drought-relief measure. Three GSAs have now been approved for funding — Madera County Ground Sustainability Agency, Greater Kaweah Groundwater Sustainability Agency, Eastern Tule Groundwater Sustainability Agency. The creation of and advocacy for the program was in large part due to the almond industry, and the Almond Alliance's innovative leadership.



Blue Diamond's Alicia Rockwell and Mallorie Hayes with California's Lieutenant Governor Eleni Kounalakis.

Since the beginning of the year, the state has seen severe storms causing significant flooding across the state, and a boost in water availability. Both the State Water Project and the Central Valley Project have increased their allocations from 35 percent in February to at least 75 percent in the recent weeks. The governor also just released an executive order that will suspend environmental laws to allow state officials to hold more water in reservoirs. The order authorized the State Water Resources Control Board to consider modifying state requirements that dictate how much water in the Sacramento-San Joaquin Delta is allowed to flow into the San Francisco Bay. This directive could allow for more water to be stored in reservoirs increasing supply to be delivered this summer across the Central Valley.

As the water conversation continues, Blue Diamond will be working directly with and through our associations with legislators and regulators on water.

For those affected by the winter storms and inclement weather, there are disaster programs available at the local, state and federal levels. Reporting damages as soon as possible is critical to accessing financial and technical assistance. [Click here](#) for more information on available resources.

Sustainability



Blue Diamond Board Director Matt Efrid discusses almonds and agriculture with Governor Gavin Newsom.

Unsurprisingly, sustainability was a big focus last year for the Newsom administration and we saw several bills to demonstrate. **SB 54**, a comprehensive packaging bill, was passed with overwhelming bipartisan support after four years of negotiations. SB 54's goal is to reduce single-use packaging from ending up in landfills. The bill will require all single-use packaging to be reusable, compostable, or recyclable by 2032. The business and agriculture industry worked to include several key measures in the bill for food and agriculture



Blue Diamond and the Almond Alliance worked with Senator Alvarado-Gill to pass proclamation designating February 16 as Almond Day in the State.

packaging protections. With the passage of SB 54, a more burdensome ballot measure was removed from the 2022 ballot. Blue Diamond and our partners now look to the regulatory process for SB 54 to ensure compliance and a seamless implementation of the legislation.

A win for food producers in 2022 came in the form of funding for the Food Production Investment Program (FPIP). FPIP is a matching grant program that assists California food producers in reducing energy and lowering carbon emissions by replacing high-energy food processing equipment with advanced technologies and equipment. The Cooperative has previously taken advantage of the program and with the continued funding of the program could utilize it again in the future. Blue Diamond has been and will continue to be supportive of the FPIP funding and its inclusion in the budget.

We anticipate sustainability to be a continued focus for California both legislatively and in the regulatory arena. With a less than ideal budget, the state could see funding

for helpful programs like FPIP decrease. Blue Diamond will be there every step of the way advocating for funding for programs that help to implement sustainable practices.

Plant Health

After previous attempts to outright ban neonicotinoid pesticides failed, we saw a scaled back version introduced, **AB 2146**, this past year. This bill would have banned neonics for non-agriculture use, however it again did not receive the support needed to pass the legislature. It is possible that we will see another neonics bill again this year.

Two years ago, the Department of Pesticide Regulation sought to increase the mill tax levied on all pesticide sales in California. To reach a compromise, the Governor agreed to increase DPR's funding from the general fund to delay the discussion around mill tax. This discussion will be revived this year as the funding provided to DPR runs out. Blue Diamond and our associations will be engaging in these discussions as they unfold.

Lastly, DPR has recently released proposed regulations on 1,3-Dichloropropene (Telone, 1,3,-D), used for

preplant fumigation in almonds, that could have significant impacts on growers' usage of the tool. The industry, led by the Almond Alliance, has been working with DPR and submitted a letter in response to the proposed regulation. As this process continues, Blue Diamond in coordination with our partners, will be actively engaged.

Climate

Climate change continued to be a top focus for the Newsom administration in 2022. We saw the unveiling of a \$54 billion action plan dubbed the California Climate Commitment, a five-prong, comprehensive plan. To complement the action plan, the Governor introduced a climate legislative proposal, most of which signed into law, to transition to clean energy, cut emissions, and end oil drilling. The budget and legislative package will certainly have implications for agriculture and business within the state. However, with the budget deficit, the state could see a reorganization of climate spending. As this develops, Blue Diamond will be assessing impact, having conversations, and relaying all relevant information to growers.



Blue Diamond grower-owners meet with Assemblymember Aguiar-Curry for state lobby day.



CDFA Undersecretary Birdsong (left photo) and Assemblymember Flora (right photo) speak to Blue Diamond's Leadership Program.

A climate bill supported by almond industry in 2022 was **AB 2101**. This bill expands the list of projects that may be included on the California Carbon Sequestration and Climate Resiliency Project Registry to include whole orchard recycling projects. This comes after the Agricultural Burning Ban that was enacted by the San Joaquin Pollution Control District and could provide grant funding for orchard recycling projects within the state.

Emissions reporting is a trend we are seeing at the state and federal level. The Security Exchange Commission (SEC) is now requiring some public companies to report their emissions. **SB 260** would have required all companies with more than \$1 billion in revenue doing business in California to report their emissions to the state. Blue Diamond would have been subject to the bill; however, it did not receive the support to pass.

Because climate is top of mind for the state, national and frankly, the world, Blue Diamond is very active in educating our elected officials on our sustainability efforts both within our facilities and within growers' orchards. Programs such as OSIP provide the government affairs team with a great story and helpful information when having these discussions.

Labor

In 2022, the most visible labor issue for agriculture was the "Card Check Bill", **AB 2183**, which allows farm workers to choose, for the purpose of union elections, between the current practice of voting in-person at a physical location or utilizing a new option of voting by mail or dropping off a ballot card to the Agricultural Labor Relations Board office. Governor Newsom had vetoed a similar bill the previous year, however, after an immense amount of pressure from President Biden, federal and state elected officials, and labor unions, the Governor signed the bill.

In addition to signing the bill, the Governor issued a statement saying that he wants to see additional changes to the law made, including: a cap on the number of card-check petitions over the next five years, and allowing the Agricultural Labor Relations Board to adequately protect worker confidentiality and safety. This agreement will need to be passed in legislation this year.

Federal

On the federal front, 2022 was a challenging year for many, however because of Blue Diamond's consistent advocacy efforts and long-standing relationships, the Cooperative saw several successes throughout the year in Washington D.C. As we look ahead, 2023 will continue to challenge us, though with challenges come opportunities. Our efforts will be focused on key issues such as the Farm Bill, Supply Chain Resiliency, farm labor, infrastructure, water, and trade.

Climate and Sustainability

Like California, climate and sustainability continue to be priorities for the Biden Administration and many legislators in D.C. This focus extends into federal agencies and is top of mind for regulators. As such, we are seeing more policies and programs promoting and requiring sustainable and climate smart practices, particularly as it relates to agriculture and business.

In late 2022, Blue Diamond was awarded a \$45 million grant by the USDA as part of a climate protection partnership activation, a \$1 billion grant program. Blue Diamond was one of 70 out of 450 proposals submitted that received funding. The grant will be used to help expand the implementation of cover crops, conservation plantings, hedgerows, and whole orchard recycling, and



help to offset the costs of these activities for our grower-owners. This program allows Blue Diamond to accelerate its investment in sustainable agricultural practices and measure and communicate the benefits of almonds to the world. It also will provide Blue Diamond the ability to enhance the marketability of both branded and ingredient products to customers and consumers around the world.

We anticipate sustainability and climate to be priorities throughout 2023. Blue Diamond will be looking at how the Cooperative can capitalize any opportunity to further our sustainability goals, while also ensuring that policies put forth are reasonable and not cost-prohibitive for growers.

Supply Chain

Supply chain issues and port disruptions plagued the almond industry since the start of the COVID-19 Pandemic. A 20 percent surge of U.S. imports from Asia caused an already stressed system to falter and wreak havoc on the country's ability to efficiently export products throughout the world. U.S. Exporters saw a 100 percent increase in freight costs in less than a year and by 2022 the industry had almost 900 million pounds of carry over due to the crises.

As the world's largest almond marketer and processor, Blue Diamond needed to focus on finding alternative and innovative solutions that would allow for our products to arrive at their intended destination and customer as timely as possible. By leveraging the power and partnership



Former Blue Diamond CEO Mark Jansen meets with USDA Secretary of Agriculture, Tom Vilsack.

of the industry, Blue Diamond helped lead the effort of finding alternative shipping methods for almonds. A shining example included a partnership of almond industry, Union Pacific, the shipping carrier CMA CGM, to inaugurate a rail service from the Port of Oakland's Union Pacific ramp to terminals at the Port of Los Angeles and Long Beach. This rail service, dubbed the Almond Express, ensured almonds could find their way onto a carrier. This work was made possible by the 100+ year relationship between Blue Diamond and Union Pacific, the leadership of the Almond Alliance and the tenacity of the industry.

In addition to diversifying supply chain channels, Blue Diamond has also been actively engaged with key government officials on this issue, including advocating for **the Ocean Shipping Reform Act (OSRA) of 2022**, which was signed into law by President Joe Biden over summer. OSRA will improve transparency of movement of agricultural products by requiring carriers to report to the Federal Maritime Commission more frequently and incentivize the movement of more American goods especially agricultural exports, prevent retaliation of international shipping companies, and relieve port congestion across the country.

As the supply chain issues continue to evolve, Blue Diamond will remain vigilant in its efforts to communicate the impacts to state and federal policy makers.

Freeze

One of the most detrimental environmental effects on growers in 2022, was the severe freeze that hit California in February. As a result, the almond industry saw over 230,000 damaged acres and almost \$703 million in losses in only a few months. This freeze was especially harmful for our growers in the Sacramento Valley and the northern part of the state with crop losses reaching up to 95 percent.

Because of the significant impact, Blue Diamond worked in coordination with the Almond Alliance to seek emergency aid and assistance for our growers. As a result of our cooperation and advocacy and your direct communication to us, USDA Secretary Vilsack granted a Secretarial Disaster Declaration for the damages and losses experienced during the February 2022 freeze. This Declaration included resources such as Emergency Loans and Noninsured Disaster Assistance Programs.

As we assess the turbulent weather, we've experienced in 2023, Blue Diamond and our partners will communicate any damage and impacts experienced to officials with the intention of securing resources for growers.



Blue Diamond team meets with the Foreign Agricultural Service representatives.



Blue Diamond team meets with Congressman Panetta for agriculture stakeholder meeting.



Blue Diamond provides briefings for elected officials and staffers in Washington, D.C.

Trade

Because nearly 70 percent of California almonds are exported around the globe, trade is paramount to the success of the almond industry and to Blue Diamond. The Cooperative sells our products, both branded and ingredients, to over 100 countries in total. And, although the administration's focus was not on official trade agreements, Blue Diamond saw success on the trade front in 2022.

Throughout 2022 the Cooperative was invited to participate in several USDA trade missions through the Foreign Agricultural Service to countries important to the industry. These opportunities are critical in building relationships with high-ranking USDA officials and potential customers in country. Not only do they highlight the importance of Blue Diamond, but the almond industry and almonds as a major U.S. export. In 2023, Blue Diamond will be attending a trade mission in Japan with a Californian delegation that will provide an opportunity to build our presence in a key market with Japanese officials and customers as well as California officials.

An important tool Blue Diamond has successfully leveraged for many years now is the **Market Access Program** (MAP). This program is a USDA Foreign Ag Service grant program funded by the Farm Bill



Foreign Agriculture Service Administrator, Daniel Whitely, and the US Counsel General to Dubai, Meghan Gregonis, visit the Blue Diamond team at the Gulf Foods show in Dubai.

and provides cooperators funds to market American agricultural products worldwide. Blue Diamond is successful each year in securing these funds to launch and expand our branded products in strategic markets across the globe from Canada to Brazil to Japan.

For this year's farm bill, Blue Diamond and the almond industry will be advocating for an increase in MAP funding to allow for the continued expansion of our products in other countries.



Blue Diamond hosts Vietnam delegation at Sacramento facility.

The Importance of Advocacy

Advocacy is at the heart of Blue Diamond's Government and Public affairs. Successful advocacy requires a continued commitment to be at the table and engaged on the many issues impacting the Cooperative. Whether it's water, plant health, trade, supply chain issues, or sustainability, key decisions are being made in these areas and more that both directly and indirectly affect growers' bottom lines. This is why Blue Diamond has and continues to invest time and resources into a robust government affairs strategy and team.

This past year, the team spent time in Washington, D.C., Sacramento, and our local communities advocating on issues important to the business and our membership. For the first time, Blue Diamond hosted briefings in D.C. for officials and staff to learn about Blue Diamond's supply chain, sustainability, and innovation. The briefings were well attended and allowed Blue Diamond to cultivate new and old relationships.

In 2023, our focus will be to educate new representatives on the Cooperative and our key issues. There are many new faces in all spheres of government and cultivating relationships early is key to successful advocacy.

While Blue Diamond's team is solid, grower advocacy is as much if not more impactful. Having elected representatives and regulatory officials hear directly from those feeling the effect of their decisions provides the first-hand knowledge of how these policies work in practice.



Blue Diamond celebrates Almond Day with state and local elected leaders.



Blue Diamond grower-owners and staff at the Agricultural Council's Legislative Day.

We are proud to have growers who actively engage and advocate on behalf of themselves and Blue Diamond through farm tours, direct lobbying, and Blue Diamond programs.

Our Leadership program spends their first session in Sacramento, learning about the business and the importance of advocacy. The group spends one day learning about Blue Diamond's government affairs and hears from both legislators and regulators.

Every May, Blue Diamond participates in the Agricultural Council of California's lobby day. The day is spent educating and discussing key issues impacting agriculture. Blue Diamond, a founding member of the Ag Council, brings a large contingent of growers and staff to the event. This year's event will be May 17 — we invite all growers interested to join.

If you are interested in learning more about how you can get involved, contact the government and public affairs team at publicaffairs@bdgrowers.com.

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 educates and works with our legislators in Sacramento and those in Washington D.C., any information we receive from our growers that can help illustrate the demands and hardships facing the industry today (i.e. water shortages, storm damage, crop pricing, ect) is extremely helpful. Additionally, we are always looking for growers who would like to be more involved in advocacy efforts.

We encourage your questions and support, please contact:

Alicia Rockwell
arockwell@bdgrowers.com
916.446.8354

Mallorie Hayes
mhayes2@bdgrowers.com
916.446.8326



1802 C Street • Sacramento, CA 95811
BlueDiamondGrowers.com