

General Overview of the Proposed Amendments - Jack Mariani

Greeting

- My name is Jack Mariani (JACK MARIANI)
- I am Co-founder of Mariani Nut Company, a growing and handling operation based in Winters, CA.
- I am testifying today as a large handler, but we also operate a large growing business.
- I serve as Vice Chairperson for the CWB and sit on the Executive and Market Development Committees of the Board.

Today I would like to provide a general overview of the proposed amendments.

Background:

Discussions regarding the amendments began in fall, 2020 as the CWB sought to modernize the order to allow inspections to meet current industry needs. The original grades and standards enacted in 1948 were put forth with varieties that no longer exist and/or are not viable in today's domestic and international markets. The industry has grown exponentially over the past 73 plus years, further making the existing grade standards obsolete. The quality control programs of handlers across the industry have advanced significantly over time. Customer specifications exceed USDA grade standards. Handlers meet those customer expectations to promote the quality for which California walnuts are known. The Board, its Grades & standards Committee and staff worked with USDA for nearly a year to find a workable solution, however, the complexities of the Order left the industry with few viable solutions. Thus modernizing quality authority by eliminating inspection requirements in the Order was pursued. Currently, a moratorium of inspection enforcement is in place, while this rulemaking is taking place.

The amendment would revise Marketing Order sections 984.50 (Grade, quality and size regulations), 984.51 (Inspection and certification of inshell and shelled walnuts), and 984.52 (Processing of shelled walnuts). The purpose of doing so is to remove the regulations that no longer are adequate for today's market driven standards that exceed USDA grade standards. Further the requirement for inspection as it was written tied certification for inspection to assessments. In order to allow the industry to implement a new assessment mechanism, the proposed language separates the assessments from certification. However, the new proposed language allows the industry to maintain the authority for quality control regulations should the industry desire to implement in the future. All handlers will benefit from this change, as inspection is a \$6MM annual cost to industry, which is based on the Dried Fruit Association of California (DFA) figures for the 2020 crop. DFA is the CWB's inspection agency of record. Further, handlers will benefit from indirect cost savings by eliminating the administrative burden which results in duplicative inspection staffing and reporting. It is anticipated that producers may benefit from the decreased administrative burden and costs, as overhead cost reductions may be shared with growers. Handlers continue to invest in efficient equipment and practices, although levels of sophistication vary by handler and are dependent on

customer needs. Bulk/cold storage, fumigation, inshell and shelled processing and inventory management are accessible to all handlers. Individual handler practices are dependent on crop handled and on customer needs.

The amendment requires conforming changes, including a new mechanism for assessment collection (§984.69). A provision for the application of interest and late payment charges is being proposed as well. The application of interest and late payment charges is a standard business practice that would help the CWB to encourage timely payment. CWB would like to add this language to further enhance handler compliance with requirements of the order. Interest and late payment charges would equitably apply to all handlers in industry and ensure that they are following the rules that we, as industry, under the Board recommend to USDA.

The proposals further refine the order to eliminate previously stayed provisions regarding volume control (§984.49). Volume control has not been used by the industry in over 30 years. The industry has invested heavily in building demand with the goal of selling and moving the crops vs. limiting the supply. Further, the stayed provisions of the language no longer align to the deleted quality regulation language, therefore, this cleans up the Order to reflect only those authorities/provisions that are in effect.

If implemented, the proposal will better align the Order to industry practices and eliminate redundancies in inspection, while reducing costs and administrative burden for handlers and the CWB and providing cost savings to producers. Further, the industry - producers, handlers and the CWB - all benefit from the collective, equitable change that modernizes the Order to make it work harder for industry.

My colleagues will be testifying today and providing additional detail as to the proposals and their implementation.

I support the amendment as proposed to allow the marketing order to work for industry in the most efficient way, reflecting today's business environment.