

July 6, 2016

To: Interagency Partners: California State Transportation Agency, California Environmental Protection Agency, California Natural Resources Agency, California Air Resources Board, California Department of Transportation, California Energy Commission, Governor's Office of Business and Economic Development

SUBMITTED ONLINE (casustainablefreight.org)

Re: Comments on the Draft Sustainable Freight Action Plan

The agricultural representatives listed below appreciate the opportunity to comment on the California Sustainable Freight Action Plan – Draft Discussion Document, released May 2016 (Action Plan). We recognize the extensive collaboration of the state agencies in the development of this Action Plan for California in response to Governor Brown's Executive Order B-32-15.

As you know, the food, fuel, flora and fiber produced in California is transported multiple times before consumers can enjoy and utilize their enormous benefits. The wholesale shift to a zero or near-zero emission strategy will impact every operation in the industry and must be carefully evaluated to insure we maintain a vibrant agricultural community.

We urge the interagency partners to keep in mind the tremendous challenges inherent in transitioning the freight sector to zero-emission technologies and the need for state commitment and investment to overcome these challenges.

Reference to a Facility Emissions Cap

Agricultural facilities are currently paying the costs to comply with a myriad of air quality regulations, such as stationary source, mobile source and greenhouse gas (GHG) reductions, to name a few. While the Action Plan does not contain an explicit reference to facility-based rules, we understand that data collection on freight hubs is expected to move forward (Appendix C, Page C-41) with the intent of supporting future rulemaking and performance targets.

This sends a clear message to the freight industry that the Air Resources Board (ARB) will likely proceed with facility-based rules in the future, but in a less transparent fashion. For the reasons outlined in previous letters and in meetings with ARB, the Action Plan should affirmatively reject a facility emissions cap, now and into the future.

Moving forward, we request that the ARB take into account the unique nature of agricultural facilities. Many of the packinghouses, cooling facilities, processors and nut hullers are seasonal and operate for limited periods to process harvested product and then shut down until the next season. Also, both seasonal and year

round agricultural facilities have timing and temperature factors to consider when moving product. Maintaining the desired or ideal holding temperature along the whole supply chain is a major component in protecting perishable food against quality loss during storage and distribution. Even short periods of time during loading, transit, and unloading may cause a considerable amount of quality loss by the time the product reaches its destination. Spoilage can not only lead to potential food safety concerns, but losses of millions of dollars. These factors need to be considered when looking at the state's freight system as a whole, as well as determining the cost effectiveness of data collection and performance targets.

System Efficiency Target

Improve freight system efficiency 25 percent by increasing the value of goods and services produced from the freight sector, relative to the amount of carbon that it produces by 2030.

As stated in the Action Plan, the use of gross domestic product as a metric is consistent with industry practice. However, the freight efficiency metric is not. We encourage the efficiency workgroup, as called for in proposed State Agency Action #7 (Page 18), to additionally consider efficiency goals more reflective of priorities for infrastructure investment, such as velocity, throughput, reliability and congestion relief. These metrics are well understood to increase the efficiency of the freight system.

Zero-Emission Freight Targets

Deploy over 100,000 freight vehicles and equipment capable of zero emission operation and maximize near-zero emission freight vehicles and equipment powered by renewable energy by 2030.

As with most new technology, barriers exist. There is the potential for higher product and maintenance costs, lower reliability and limited infrastructure for both electricity and repairs. Future technology must ensure food safety and prevent spoilage of the product. In addition, electrical connection standards have not been established, preventing the development of standardized systems that work for both interstate and intrastate transit.

Before moving forward, ARB should conduct an extensive review of the economic and technological feasibility considering the cost to transfer to zero emission technology, the cost for renewable fuel technologies, incentives for infrastructure development, cost recovery value for owners who have already made investments upgrading diesel technology and the value that will be lost on diesel vehicles that will be sold or retired to adjust for complying with new regulations.

Further, we ask you to take into account the inability agriculture has to pass on costs. Farmers in California must compete with farmers in other states and countries that already have far lower wage costs. The buyers of our products – big box and traditional grocery chains, restaurant chains – set the price they will pay

our farmers. If California farmers cannot meet the stated price, the buyers can and do purchase from farmers in other states and countries. These facts, along with increasing regulatory costs, are driving family farmers out of business and fueling a trend toward consolidation and investor owned agriculture. It is important we continue to dialogue and work toward solutions to bring long-term, dedicated revenue to California's freight infrastructure. We urge the State to invest in technologies that will assist industry in reaching the goals, while minimizing the impacts of new regulatory barriers that will stifle innovation.

Economic Growth Target

Foster future economic growth within the freight and goods movement industry by promoting flexibility, efficiency, investment and best business practices through State policies and programs that create a positive environment for growing freight volumes, while working with industry to lessen immediate potential negative economic impacts.

The Action Plan should recognize that freight dependent industries compete for investment and business on a global scale and the State's policy focus is to help the industry remain competitive in the global market. To achieve meaningful reductions of climate change emissions, other states and countries must join the effort. With less than 1 percent (and falling) of global emissions coming from California, GHG reductions in California are not enough. For that reason, California should remember its goal is not ultimately just to reduce emissions but also to create a model for others, and therefore the state should strongly consider making new requirements conditional on action by others outside California.

In addition, the State's own purchasing programs and other regulations should support reducing GHGs. This commitment to addressing climate change is not occurring across all state agencies and local public entities. For example, just last year, a local school district chose to buy tens of thousands of dollars of cheaper food imports sourced from over 6,000 miles away. Meanwhile, several food facilities within a two-hour drive of the school district process the very same product. California farmers and food processors are subject to numerous directives to purchase lower emission tractors, forklifts and more fuel-efficient trucks that drive up operating costs. All of these environmental benefits--as a result of investments by farmers and food processors--are more than negated when public agencies import products with a large GHG footprint. The state must not undermine its significant efforts to reduce GHGs by spending taxpayer dollars to import products from nations not complying with equivalent emissions standards, not to mention food safety and other environmental standards.

Appendix D: Pilot Projects

Item A, Dairy Biogas for Freight Vehicles, has been highlighted as one of three pilot project concepts. We support exploring this demonstration and see it as a model for subsequent fueling centers utilizing the bio-methane from the state's many dairies. This project would have the benefit of creating a renewable low carbon fuel

produced in state, cleaning the air in some of the more disadvantaged locations of the State and providing much needed jobs in the Central Valley.

Appendix E: Discussion Concepts for Potential Future Action

Item D, Supply Chain Consolidation in the Agricultural Industry, discusses the concept for potential future action around a centralized location for storage and consolidation of perishable crops. While this is a big-picture idea and the Action Plan states that the concepts listed will need further exploration, we suggest utilizing the California Department Food and Agricultural (CDFA) to help determine feasibility and effectiveness based on the location where different crops are grown and their season.

In closing, thank you for the opportunity to provide comments on the Action Plan. Our industry has a committed interest in a sustainable, yet functional freight system. The safety of our products and many California jobs depend on it. We will remain engaged and welcome future opportunities to continue to discuss the Sustainable Freight Strategy.

Respectfully submitted by:

Agricultural Council of California
Almond Alliance of California
Association of California Egg Farmers
California Association of Nurseries and Garden Centers
California Association of Wheat Growers
California Bean Shippers Association
California Citrus Mutual
California Cotton Ginners Association
California Cotton Growers Association
California Farm Bureau Federation
California Fresh Fruit Association
California Grain & Feed Association
California Rice Commission
California Seed Association
California Warehouse Association
Far West Equipment Dealers Association
Milk Producers Council
Pacific Coast Renderers Association
Western Agricultural Processors Association
Western Growers Association
Western United Dairymen