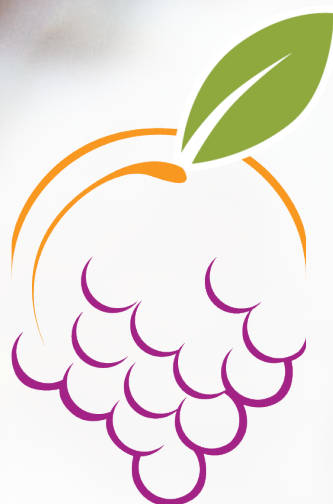


ANNUAL REPORT

2017 - 2018



CALIFORNIA
FRESH FRUIT
ASSOCIATION

President's Report

Ladies and gentlemen, the role of your Association remains just as important today, as it was 82 years ago: To serve as the primary public policy advocate for fresh fruit growers and shippers in California. Each day, our industry is bombarded with challenges from the State and Federal Government, regulatory agencies, the retail sector and labor unions. When I took over the Association a year and a half ago, many members expressed that they were "tired of losing." As a result, over the last eighteen months, our Association has focused on major water and labor initiatives that will position our industry for sustained success.

As I became President of this Association in August of 2016, we were hit hard by the passage of AB 1066, the Ag Overtime Bill. This bill, and the minimum wage increase, sent shockwaves through our industry. Once again, we were rolled by misguided legislators and the UFW, a feckless union that represents less than one percent of California farmworkers. Absent from the debate was concern for the rest of the farmworker community, the 99% who went unheard. Learning from this travesty, we worked closely with an insightful and innovative industry member, Joe Garcia of Jaguar Farm Labor Contracting, to give a voice to this community, so they will no longer be ignored. Joe took the critical steps to build, from the ground up, a foundation that supports our employees in areas like: health care, english language learning, citizenship training and immigration services. Joe's idea is now a reality. The Central Valley Farmworker Foundation now operates out of Kern County with a staff of four. Their services address farmworker needs, creating trust and strong relationships by building good will within the farmworker community.



George Radanovich
CFFA President

Their goal is to help farm employees become leaders and empower them to be their own advocates in their communities, in Sacramento and in Washington, DC. This Association helped the Central Valley Farmworker Foundation get off the ground and proudly stands by their side to assist them, wherever possible, in their goal of becoming a statewide farmworker foundation, and the true voice for the California farmworker. In Washington, we continue our effort for immigration reforms that will end illegal immigration, without creating a real disaster for American farmers. After years of inaction, most recently displayed in the unproductive debate over DACA and the misguided Goodlatte Bill, it has become clear that we need help from the President to get immigration reform right. For fifty years, like a broken record, the agriculture industry continues to rely on a Legislative fix, when history is on the side of the Executive branch for effective foreign worker programs. That is why it is imperative to lead and continue building support, in Congress and Agriculture, for the Ag Labor Agreement, a strategy of Executive action combined with Legislation to resolve immigration without disrupting the supply of skilled labor we need to harvest our crops. With the Ag Labor Agreement, we go to Washington, not with our hand out, but with a plan to end illegal immigration once and for all, while protecting our domestic food supply.

In early 2017, we contacted Dr. Jerry Meral, Governor Brown's key water policy advisor since his first administration, to collaborate on a water bond for the 2018 ballot. Over the next year, Association staff created and helped manage an unusual coalition of agriculture, water and environmental interests to craft the bond proposal. Unlike Proposition 1 in 2014, which was a creature of the California Legislature and Governor, The Water Supply and Water Quality Act of 2018 is a citizen's initiative, partially written by the agriculture industry and exempt from the authority and bureaucracy of the California Water Commission. We overcame initial doubts by raising more than two million dollars, and over 500,000 signatures, to qualify the bond for the ballot, and now look forward securing passage in November. This bond will invest \$8.8 billion dollars in California's water infrastructure, including key categories like: \$750 million for safe drinking water, \$660 million to implement the Sustainable Groundwater Management Act, funding for watershed restoration, fish and wildlife habitat, and \$750 million to the Friant Water Authority for conveyance and the restoration of the Friant-Kern Canal. Conveyance projects could include a new cross valley canal, which would enable the movement of excess flows out of Temperance Flat Reservoir or Millerton Reservoir, thereby increasing the financial feasibility and the effective yield off of the San Joaquin River system.



I would like to thank each of you for the support that you continue to give to the California Fresh Fruit Association. It is your support and involvement that makes our Association successful. I'd also like to give a special thanks to Harold McClarty for his leadership as Chairman over the last two years. Harold, your passion and vision for our industry is undeniable. You've lead our organization with purpose and dignity.

Thanks should also be given to the members of our Executive Committee. Your time and dedication to the effectiveness of our Association is greatly appreciated. To our Association Staff: Marcy Martin, Chris Valadez, Ian LeMay, Kayla Cardoza, Allyson Calderon, Erin

Ragnetti and Vicky Jones, thank you for your daily contributions to the advancement of our Association and the fresh fruit industry of California.

CFFA Leadership

Robert O. Bianco

Anthony Vineyards, Inc.

Steve Biswell

MJ Visalia Grape Farms, LLC

Nicholas Bozick

R. Bagdasarian, Inc.

Jack Campbell

Delano Farms

Kirk Cerniglia

Royal Madera Vineyards

Bill Chandler

Chandler Farms, LP

David Clyde

Grapeman Farms dba Stevco

Verne Crookshanks

Venida Packing, Inc.

Jerry DiBuduo

SunValley Farms

Moe DiBuduo

DiBuduo Fruit Co.

***Richard Elliot**

David J. Elliot & Son

Melissa Frank

Wonderful Orchards

Ralph Hackett

Dayka & Hackett, LLC

Steve Hash

Steve Hash Farms

Doug Hemly

Greene and Hemly, Inc.

Demetri Hronis

Hronis, Inc.

***David Jackson**

Family Tree Farms

Mike Jackson

Kingsburg Orchards

Casey Jones

Sun Valley Packing

Herbert Kaprielian

CRJ Farming Co. LP

Todd Kinosian

Sundale Vineyards

***Wayde Kirschenman**

Kirschenman Enterprises Inc.

David Marguleas

Sun World International, LLC

George Nikolich

Gerawan Farming, Inc.

Justin Parnagian

Fowler Packing Company, Inc.

Pat Ricchiuti

P-R Farms, Inc.

Cliff Rolland

Abe-El Produce

Patrick Scully

Scully Packing Co.

Brent Smittcamp

Wawona Packing Co., LLC

Kent Stephens

Marko Zaninovich, Inc.

Matt Surber

M. Caratan, Inc.

Russ Tavlan

Moonlight Companies

***Dean Thonesen**

Sunwest Fruit Company, Inc.

Mike Thurlow

Mountain View Fruit Sales

John Tos

Tos Farms, Inc.

Paul Wilson

Rivermaid Trading Co.

Cliff Woolley

Munger Bros., LLC

John D. Zaninovich

Merritt Farms

***Jon P. Zaninovich**

Jasmine Vineyards, Inc.

Marko S. Zaninovich

Marko Zaninovich, Inc.

Ryan Zaninovich

V.B. Zaninovich & Sons, Inc.

EX-OFFICIO

Micky George

*Executive Committee

CHAIRMAN

*Harold McClarty

HMC Farms

FIRST VICE CHAIRMAN

*RANDY GIUMARRA

GIUMARRA VINEYARDS CORPORATION

SECOND VICE CHAIRMAN

*Kevin Herman

The Specialty Crop Company

SECRETARY/TREASURER

*Louis Pandol

Pandol Bros., Inc.

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CALIFORNIA
FRESH FRUIT
ASSOCIATION

Chairman's Report

A while back, I was having a conversation with someone in my office about what I thought was an unreasonable retailer demand. After a few minutes, it occurred to me that our industry's apparent attitude in response to such demands has become one of "well that's the cost of doing business".

"Is this the new reality?" "How far have we gone and is this the world I am now living in?" These were the thoughts that went through my mind. What relevance does this most common attitude have with respect to the past and the future?

The most asked question ever is, where did we come from and where are we going? This question applies to almost everything. The theme for this year involves what circumstances we as growers are going to have to adapt to, in order to produce our commodities for the marketplace, while simultaneously adapting to the rapidly changing marketplace itself.

A corollary to these questions is what, and how, we are going to farm without our proverbial reliance on cheap labor, water, etc. This enraging misconception is then perpetuated by the media, without regard to reality. There is such a huge disconnect that people have regarding products in the grocery store and how it gets there and where it actually comes from. Many times, I have had to tell people that their food does not originate in the air conditioned grocery store.

The generations before us worked and risked very much to gain, or at least attempt to gain, an equal footing with buyers. I grew up knowing the real power was the box of fruit. All the slices of potential profits for everyone originated in that box of fruit. Without it, no one in the middle, between the grower and consumer, makes any money. Even with this "vehicle of profit", we needed help. There were different battles fought for farmers to achieve rights. The Perishable Agricultural Commodities Act of 1930 was enacted to regulate the marketing of perishable Ag commodities in interstate and foreign commerce. The primary purpose of the PACA was to prevent fraudulent conduct in the marketing and selling of perishable Ag commodities. Even back then farmers found it necessary to protect themselves from evil or even, perhaps, each other. Prior to this, we were given the Capper-Volstead Act of 1922. This act exempted farmers from the application of the anti-trust laws allowing farms to "act together". They could now lawfully unite to collectively market their products. This was, and is, such a huge unrealized advantage that was given to us.

When we were "attacked" as an industry, we generally came together and used our Ag organizations in struggles we felt were industry related, but not competitive...demands we felt were unfair. I think this became especially necessary with the consolidation of the marketplace starting in the 1990's.

In today's world, it is difficult to imagine the lost art of saying "no" to a retailer. I recently asked a friendly competitor if there was anything a buyer would ask for that one of us wouldn't agree to. The cynical answer was "no". We may not all be aware of how far down the road we have gone, but I picked a few examples out of contracts. Almost all deal with the shifting of responsibilities, once owned by the receiver or transporter, to the shipper. We are now living with everything from rebates, handling fees for rejections, losses in transit, truckers count instead of B.O.L., hold harmless clauses (making shippers economically responsible for loss of reputation), wrong pallets, late trucks, invoicing audits going back 3 years, individual retailer specific food safety and social audits paid for by the producers. I just recently received a couple of new ones. Unloading fees that were previously paid for by the truckers, now to be paid by shippers; and here's a big one, recall insurance. It sometimes seems each vendor is trying to outdo the other at our expense. The issue with the demands is that they will not stop until, collectively, we agree at some point that there is too great a price to pay.

I'm really not sure about the reality of the risks and potential liability we are accepting so that we can have the privilege of selling our fruit to receivers. An old friend of mine, Tom Oliveri of Western Growers, just retired, or I believe, as I asked him, if he started feeling like a rusty shovel leaning against an old shed. The times are now few and far between when Tom would get to interpret a PACA regulation and give his advice to help solve a conflict. Decades ago, this was a necessary part of the skills of a sales team. There are salespeople today, who either don't know about the PACA or believe it to be irrelevant in today's market. How many times have we heard "it is not my quality, just get it out of here."

I would like to bring up the example of the social responsibility demands retailers have tried to force on our industry. They are insulting! For me, it's ironic for a retailer to buy a large percentage of their goods from underdeveloped third world, where wages and conditions are a fraction of what they are in California, but will attempt to force California Ag producers to be audited to "the retailer standards". I was, in no uncertain terms, told they were doing this to "protect their brand". I, not being able to let that go, replied I have a brand also, and I have an ethical and legal obligation to protect the privacy of my employees. In my viewpoint, if there was any sincerity in what they were trying to do, they would not start with California and its labor protecting California AG laws.

There is a cost to the pressure a retailer applies to its suppliers to bring an everyday low price. The country and its citizens may be paying a very high price for low cost. I'm reminded of a Texas A&M Vlasic pickle study with Wal-Mart. Basically, it seems to me that they were so successful selling to Wal-Mart, they had to file for bankruptcy. Not to pick on Wal-Mart, there are plenty of other examples of not saying no. There is a cost to low prices. This is a quote from Marian Coombs in an article in the "American Conservatives", "If taxes are the price we have to pay for civilization, higher prices may be the price we have to pay for a First World Society."



Harold McClarty 2016/18

To put this all together, we now have to pay a very high price to do business. We will do almost anything for our “preferred vendors”, using the excuse of the potential of a full cooler because, if we don’t, someone else will. It’s called the prisoner dilemma. The decision regarding how we continue this “cost of doing business” will determine our viability.

The second part of this is cheap labor, which is not so cheap. It will, and already has, ceased to exist. Minimum wage will not be the denominator we will be discussing. It will quickly be replaced by the livable wage; to be defined by a third party, probably in San Francisco. Eisenhower said “farming looks easy when your plow is a pencil and you’re a thousand miles from a corn field.”

We are fighting to maintain a lifestyle that is inefficient and could quickly become extinct. The current culture and costs of getting fruit into a box is not sustainable. No matter what miracles George performs in D.C., or whatever other ag organizations may be able to accomplish, the politics of immigration and the California legislation of our existing work force, combined with the prevalent attitudes of the media, should make it obvious to us all that, to exist in these labor intensive commodities, some evolution to mechanization has to happen. California politicians cannot continue to poke the federal government without unpredictable and some negative reaction. The enemy gets a vote on how your day goes.



At some point in time, perhaps very soon, we are going to see E-verify, which will forever force a change in our world. The goal within our company is to increase our efficiency in production processes and capabilities. We want to diminish the pressure of our reliance on the current workforce exponentially each year. I don’t believe we can compete in an international marketplace without change. There are not many options, even if we attempt to use the current H2A program. I believe it to be a short-lived, stop-gap solution. Politically, I don’t think it has a future. Charles Rangel, a congressman from New York, condemned the H2A program, saying “the guest worker program is the closest thing I’ve seen to slavery”. Combine this sentiment with our study that said that less than 0.1% of the job seeking citizens took referrals for farm jobs, and you will understand what I am talking about.

The prevailing negative attitude with the non-ag population about farm laborers and their treatment, however misperceived, we have not been able to change. The reality of our labor supply, the quality and the cost, will drive us to make decisions that affect not just our economics, but our way of life. We are now at another crossroads in our existence. The reality of the politics in California is something we are going to have to live with...without complaining. Arguably, we have not had a political win in at least a decade, labor, water regulations, wages, etc.

The Golden Age of Ag (that none of us ever knew we were living in) is over. Nostalgia for the good old days is a veil of lies. If this all sounds bad, I don’t think so; we are now entering a time of incredible opportunities. I believe we are now on the potential verge of a real true golden age. Adversity and opportunity are two sides of the same coin.

We must be cautious, but we will invent our new existence. We can no longer try to ride luck into the next year. There will be casualties if we do not try to embrace the necessary changes. The culture that a family farm once provided has already been our first casualty.

However, this is an opportunity for the future. The United Nations has forecast that the world food production must double by 2050. They cannot all eat almonds. Governor Brown and his Democratic successor, if they continue to ignore the importance of California agriculture and continue to make it more difficult for farmers, will have to live with a legacy of crimes against humanity. California politicians will be guilty of building a regulatory and legislative wall that will do more harm to poorer people than any physical wall. There is no other state that can produce the quality and quantity of food like California. We can adapt our practices on the farm to industrial evolution, but we must win the hearts and minds in Sacramento and on the coast to truly preserve our way of life and our workers.

Mentally we must make room for technology, while understanding the demands of the vehicle that delivers our product to consumers. I’m not sure we can get there without paying attention to the lessons of the past and giving the respect to how we got there. There is a personal part of any industry that drives us to continue to get better. It is not all about economics. We dare not lose sight of also trying to produce that indescribably perfect peach that you only know when you eat it. This competitiveness to always get better is still what drives us and will make us successful.

I had a conversation with my wife’s relative in Dos Palos, who said he never liked peaches until he ate ours. Now in the summer, he gets off the tractor at 10am, goes to his refrigerator, and gets a delicious peach. That won’t pay the bills, but it is still a proud reason to grow.

We are still interacting with a base of people that are connected to the good dirt we still love more than anything. I am optimistic about our future. We will make the adjustments. It will not be mine, but the next generation that will have to make these tough innovations.

My chairmanship is over and I leave this organization in the good hands of an intelligent, hardworking, handsome younger version of myself. I have some remorse. I was hoping to do more. It’s a lament to my lost generation that thought they could change the world. Now, more than ever before, we need industry cooperation with all the ag organizations. Let us compete on price, quality, and service; but to survive we must have a culture of cooperation on issues that affect our ability to do this. We have been given these opportunities and we owe a debt of gratitude to George and his team. If we are to be successful, this organization has to be successful; but it is only a reflection of the membership. It will only be as good as the effort we put into it.

I am very passionate about this industry. My life, my family’s quality of life depends on it. I am often too defensive about our industry and this organization and will not be apologetic for my strong opinions.

Priority Issues

The Water Supply and Water Quality Act of 2018



The Water Supply and Water Quality Act of 2018 is a citizen's initiative water bond that will appear on the November 2018 statewide California ballot. On April 25, the California Secretary of State announced that sufficient signatures have been submitted to place the water bond on the ballot. The bond will invest \$8.877 billion dollars in California water infrastructure, including key categories like: safe drinking water, Sustainable Groundwater Management (SGMA) implementation, watershed restoration, fish and wildlife habitat conservation, infrastructure repair, and many other important water management programs.

The bond will benefit individual water users, the environment, and agriculture, and subsequently has received support across the board from conservation, agricultural, environmental justice, water and civic organizations. It is a balanced water bond measure, resulting in improved water supplies for every part of

the state, and provides some of the much-needed investment in California's sustainable water future.

Association staff participated in the crafting of the bond language and has subsequently worked to qualify and now promote, the bond's passage in November 2018.

Central Valley Farm Worker Foundation

The Central Valley Farmworker Foundation, also known as CVFF, was formed with the purpose of offering and creating opportunities that would enable farmworkers that reside in the Central Valley to develop personal and professional skills. Through the continued generosity and support from their donors, partners, and volunteers, they have been able to produce several programs and services aimed towards achieving this goal. Some of the services that they have offered and continue to offer include: Immigration Forums; Self-Defense Workshops; Financial Wellness Workshops; Fitness classes; and much more.

The five areas of services they offer are: Personal Development; Professional Development; Health and Wellness; Community Engagement; and Immigration and Citizenship. Services are based on data that allows CVFF to determine which are most

needed in a given community. After they have determined what these services are, CVFF then begins to work on developing programs that will help satisfy those needs.



CVFF believes in helping farmworkers become leaders; empowering individuals to become advocates for themselves and their communities. They have created a style of listening to farmworkers and using their experiences to help shape CVFF's projects. As a foundation that works to serve farmworkers, they carry this belief in all that they do.

The California Fresh Fruit Association continues to support the efforts of CVFF as they expand throughout the State of California, into multiple regions.



Administrative Action: Immigration Treaty

In the United States, as in many prosperous nations, foreign workers play a critical role in the production of our nation's food supply. As Congress struggles with the contentious issue of illegal immigration, it is important that legislators consider the disastrous consequences if no workers show up to grow, harvest and ship our nation's fruits and vegetables, even if only for one season.

If our president, senators and members of congress are willing to consider the needs of American farmers — and the importance of sustaining a domestic food supply — in their deliberations over immigration policy, the strategy they develop, could quite possibly end illegal immigration altogether.

In the past, most foreign worker programs originated from the executive branch of government as treaties. Some of those treaties became legislated programs, such as H2A. In the West, the Bracero program was negotiated with Mexico to address agricultural labor needs, until its termination in the 1960s. The border was open for migrant workers to cross to harvest crops as they ripened; generally, workers returned to Mexico when the growing season ended. However, as border enforcement increased over the years, so did the dangers and expense of crossing the border. As a result, many workers remain in the United States. Now, most agricultural labor in the Western United States is unauthorized residents — estimated at 400,000 in California and 800,000 nationally.

So, while every American should support the immediate removal of dangerous and violent criminals, a majority of these immigrants crossed the border as poor and downtrodden souls. The idea of immigrating by the letter of the law under desperate circumstances seems like ivory-tower semantics, especially in the absence of robust border security and a legitimate foreign worker agreement.

In this, the United States shares the blame of enabling illegal immigration, along with those who crossed illegally. It is those immigrants that specialty crop agriculture cannot survive without, even for one year, while waiting for a new guest worker program and tighter border security.

Since the annulment of the Bracero program, the agricultural workforce issue has not been adequately addressed. Sound immigration policy is mired down in the Beltway swamp of politics. In our partisan Congress, anything but border control and mass deportation is amnesty to some, while open borders and a pathway to citizenship seem perfectly acceptable to others. Fifty years of congressional debate has produced nothing.

Timothy J. Kane, JP Conte Fellow in Immigration Studies at the Hoover Institution at Stanford University, has it right when he says, "The immigration quagmire in Congress may be a consequence of misplaced authority. Is immigration a domestic policy or a foreign policy? A purely legislative, domestic approach has simply not worked." Indeed, the legislative branch will need help from the president, who could negotiate with foreign partners while working with Congress to end illegal immigration.

Through a diplomatic agreement such as a treaty, trade or executive agreement, President Trump could break the immigration impasse and provide the farm sector the assurance of an uninterrupted supply of labor while effective border control is put in place. On a parallel track, while Congress considers strengthening border security, the president could negotiate an agreement with foreign countries, resulting in conditional legal status for qualifying farm workers residing in the United States.



There are benefits to this strategy. It could:

- Eliminate incentive for hiring undocumented individuals by requiring use of a federal employment verification system (E-Verify);
- Serve as a blueprint for other industries that, to a lesser degree, depend upon a foreign labor supply;
- Secure cooperation with Mexico and/or other nations to make sure workers fulfill their obligations;
- Include a fee to address program administration and border security priorities;
- Specify immigration enforcement action, including deportation, against foreign nationals failing to qualify or refusing to participate.

The ultimate solution must use a scalpel, not a hatchet, to end illegal immigration and protect the U.S. food supply. The combination of an agreement from the executive branch, E-Verify and strong border enforcement from Congress could do just that. Now is the time to take a fresh approach to immigration reform, starting with agricultural labor.



Membership

When you support the Association, you are a part of a unified voice that advocates relentlessly for the fresh table grape, tree fruit and berry communities, so that our operations may stay viable, profitable and sustainable in California. We continually strive to be the best resource for our members regarding a wide range of labor, environmental, transportation, marketing, technical and regulatory issues. Above all else, we are committed to helping our members succeed.

It is due to your financial contributions and the organization's grassroots approach that we are able to accomplish the things that we do each and every year. This Annual Report summarizes areas on which the Association has worked this past fiscal year. As always, in addition to the Annual Report, the Association continues to publish our bi-weekly newsletter "On Target" to keep members up-to-date regarding important industry news.

The Association strives to serve our members to the best of our ability. The challenges are countless, but together we can make a positive impact for our industry. We look forward to continuing to represent you!

2017/18 New CFFA MEMBERS

The Membership & Communications Committee kept a steady pace to recruit new Association members and communicate to current members about the many benefits associated with membership. The newest additions included:

- A. Sambado & Son
- Advancing Eco Ag
- AGRIfinancial Services
- Berkley Agribusiness
- Birko Corp
- Denham Plastics
- Durand-Wayland, Inc.
- Farmers Business Network
- Fiesta Fruit Produce Inc.
- Multisteps U.S.
- Nachurs Alpine Solutions
- Oliver SC
- Orange Enterprises
- Packline Technologies, Inc.
- Produce Pay Inc.
- Ranch Systems
- Sutton Hague
- Tax & Financial Groups
- Tufenkjian Vineyards
- United Valley Insurance Services
- Western Ranch and Home, Inc.



The Membership & Communications Committee is responsible for exploring membership opportunities and overseeing communication to current and prospective members regarding the value of Association membership. The Committee plays a key role in helping CFFA's membership continue to be a strong-suit for the organization. Growth in membership is evidence that the Association continues to demonstrate the value of being part of a unified voice, where the members' resources are used in the most efficient manner to maximize benefits.

Programs & Services

TRANSPORTATION

CFFA has been successfully partnering with **C.H. Robinson** for full service logistics since 2007. The grower-shipper program offers benefits through transportation management assistance, which was designed to specifically address the transportation needs of fresh fruit operations. Through the partnership with CHR, a rebate is provided to CFFA for each load moved by a shipper member who uses the transportation company, which further strengthens the organization's advocacy efforts.



CROP INSURANCE

Rain and Hail Insurance Service, L.L.C. has served as an endorsed carrier for CFFA for more than 22 years, establishing a long-lasting and successful relationship with members. Although all insurance rates and procedures are the same, the Association encourages its members to select Rain and Hail for their crop insurance needs, based on top-quality service and the company's solid dedication to California's specialty crops. The company continues to be the leading crop insurance provider in the state, with approximately 30 percent of its business in California.

WORKERS' COMPENSATION

Zenith Insurance Company became CFFA's endorsed carrier of workers' compensation insurance in 2012, and the relationship grows stronger each year, with combined efforts to provide employers with resources to reduce exposures, claims and costs. Activities from the 2017/18 FY included exclusive safety seminars for CFFA members, which were developed to address the supervisors' safety responsibilities including safety enforcement, inspection and training. Zenith's Ag Summit was also open to CFFA members.



All training and outreach material is designed specifically to meet the needs and exposures unique to the California fresh fruit industry. Zenith's safety specialists address the exposures by providing examples of proven practices that have reduced or eliminated workplace injuries.

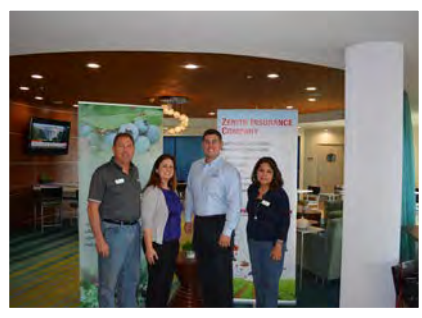
PROPERTY, CASUALTY & AUTO INSURANCE

On January 22, 2015, CFFA's Board of Directors approved **Zenith Agribusiness Solutions** as an endorsed provider of property & casualty insurance for California agribusiness and farms. Zenith Agribusiness Solutions, a division of Zenith Insurance Company, serves as the Association's partner to provide exceptional value, coverage and service to grower, shipper and associate members through independent insurance agencies.

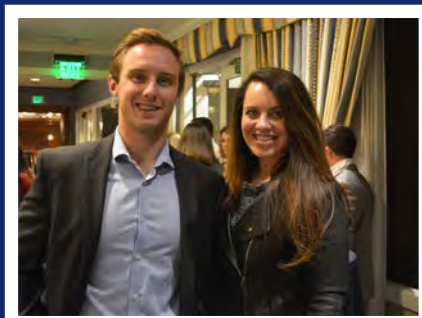


RETIREMENT

The Association's Board of Directors has endorsed **Alerus Retirement Solutions** since April 1998 for its group 401(k) program, after it was thoroughly reviewed by the CFFA's Insurance & Financial Benefits Committee. Association members are eligible to participate in a full-service retirement program with Alerus, which is a specialized program offering great value to participants because members receive additional services without the added charges and fees.



The Insurance & Financial Benefits Committee is responsible for monitoring the Association's group property insurance program, property & casualty insurance program, crop insurance endorsements, workers' compensation insurance program and the group retirement program. In addition, the committee is charged with creating additional insurance programs that may prove beneficial for Association members.



Ag Network

EDUCATIONAL OPPORTUNITIES

During the 2017/18 FY, the Association helped to educate members through workshops and seminars on a wide range of agriculture-related issues.

DELANO/MADERA ZENITH SEMINAR

Keeping employees safe is an ongoing, year-round endeavor, even for seasonal operations like those of CFFA members.

Safety training is an effective method of protecting the safety and health of workers. In April 2018, managers and supervisors representing our membership participated in two-hour training sessions that addressed critical topics: Heat Illness and Distracted Driving.

The sessions were held in Delano and Madera, respectively, with more than 60 attendees, in total, participating. Zenith's Safety and Health Consultant, Al Mirelez, led the Heat Illness session in Delano, which was provided in both English and Spanish. He emphasized the importance of communication in the event that an employee exhibits heat illness signs or symptoms. Mirelez explained that supervisors must respond immediately to symptoms by providing "water, rest and shade" to the employee. If symptoms don't subside, the supervisor must respond with next steps; all of which must be detailed in every employer's Heat Illness Prevention Plan.

Zenith Safety and Health Consultant, Monica Carbajal, opened the Distracted Driving session with a grim statistic: nine people die every day in the U.S. because of Distracted Driving. Then, she asked attendees about distracted drivers they have seen on the road. Attendees responded with examples of drivers putting on make-up, talking on the phone, posting on social media, using an electric razor to shave and more.

Ag employees cover thousands of miles every day and it is common for one person to cover hundreds of miles a day between ranches or the packing house and ranch. Attendees shared that they drove service trucks, fork lifts, and many had a long commute.

Carbajal explained the different types of distractions and what best practices will reduce distraction, which is ultimately reducing accident and injury.



PRODUCT RECALL SEMINAR

CFFA was pleased to host an educational seminar focusing on the benefits of Product Contamination/Recall Insurance. Local Fresno insurance professional, Eric Bell, Vice President with CRC Swett graciously volunteered his time to facilitate a seminar and answer member's questions.

Mr. Bell reviewed with attendees the reasons why a grower or shipper would need to obtain Product Contamination/Recall Insurance, what companies currently provide the service and the areas of an agreement on which participants would want to concentrate.

Mr. Bell pointed out that this insurance, like all insurance, may seem trivial today, but under the circumstances of a product recall, it can potentially save your operation.



COLLABORATING WITH OTHERS

During the 2017/18 FY, the Association continued to collaborate with other agricultural associations in positive advocacy efforts for the industry.



KOREAN MINISTRY OF AG & DELEGATION MEET CALIFORNIA STONE FRUIT INDUSTRY

On October 26, 2017 a delegation from Korea's agricultural sector, including the Ministry of Agriculture, Food and Rural Affairs Deputy Director, Horticultural Business Division, Korea Agro-Fisheries & Food Trade Corporation and other representatives, were hosted by California Fresh Fruit Association Board Member, Mike Thurlow of **Mountain View Fruit Sales, Inc.** and CFFA Director of Trade, Marcy Martin, at their research center in Reedley.

Mountain View's presentation and videos provided the delegation with the virtual reality of a stone fruit growing season within California; winter dormancy and chill, spring to bloom and onto fruit set and finally harvest, handling and packing. The program rounded out with discussions about water supply, third party certification for food safety and ended with an exchange, responding to questions presented by the various delegates. With export trade being the primary objective for California's stone fruit industry, developing a relationship with foreign regulatory agencies helps to project the views of an industry within the evolving international marketplace.



UNITED FRESH PRODUCE ASSOCIATION WASHINGTON CONFERENCE

California Fresh Fruit Association President, George Radanovich; Director of Environmental & Regulatory Affairs, Christopher Valadez; and Director of Member Relations & Communications, Ian LeMay, traveled to Washington, D.C. to participate in the United Fresh Produce Association's Washington Public Policy Conference, held September 18-20.



The conference covered a wide range of topics, including discussions about the Food Safety Modernization Act, the Fresh Fruit and Vegetable Program, the school nutrition standard for fresh produce in school meals, immigration reform and tax reform.

The Conference featured speeches from Senator Jeff Flake (R-Arizona) and Congressman Bob Goodlatte (R-Virginia), who both discussed the need to address immigration reform and also touched upon the difficulties of getting things done in Washington.

Sean Spicer, former Press Secretary to the White House, also addressed the conference, giving a unique glimpse into the day to day operations of the Trump White House. CFFA Staff also attended a White House briefing with National Economic Council Member, Ray Starling. Mr. Starling addressed the Administration's priorities on Immigration, Tax Reform and Infrastructure Funding.



Labor

The Labor Committee continually monitors complex agricultural labor regulations, at both the state and federal levels, that agricultural employers must judiciously comply with. Some of the Labor Committee's issues include: federal and state OSHA regulations, California Agricultural Labor Relations Board actions, wage and hour regulations and immigration policy.

OPPOSING ALRB NOMINEE ISADORE HALL

On January 13th, Governor Jerry Brown appointed Compton Democrat, Isadore Hall, to the California Agricultural Labor Relations Board, which oversees collective bargaining rights for farmworkers in the state. Hall served in the Legislature for eight years, including in the Assembly from 2008 to 2014, when he gave up his safe Senate seat to run for the House of Representatives. Hall voted for AB 1066 to extend overtime pay to farmworkers, which that UFW had long sought and farmers vehemently opposed as potentially ruinous. He also supported a 2015 legislative deal on back payments to farmworkers (AB 1513), amongst other legislative proposals sponsored by the UFW.

On March 1st, Mr. Hall's appointment, on a 3-0 vote, received Senate Rules Committee approval and now moves on to the full Senate which must confirm him through a majority vote. The California Fresh Fruit Association testified in opposition to Mr. Hall on the basis of his apparent bias toward the UFW, as made evident through his support of their legislative efforts, while failing to engage the agricultural employer community to discern impacts when proposals were under consideration. Mr. Hall has expressed a willingness to meet with the employer community, including the California Fresh Fruit Association, to demonstrate his ability to serve as an unbiased member of the Board.



GERAWAN PETITIONS U.S. SUPREME COURT OVER UNCONSTITUTIONALITY OF MMC

In March 2018, **Gerawan Farming, Inc.** petitioned the U.S. Supreme Court to retrieve the Gerawan case record from the Supreme Court of California for its own review. Within the filing, the petitioner (Gerawan) is asking "whether the State of California may impose a contract on one private employer and its employees through non-consensual, compulsory arbitration, thereby abrogating the workers' rights to determine their own bargaining representative, without violating the Due Process and Equal Protection Clauses of the 14th Amendment" of the U.S. Constitution.

The 5th District Court of Appeals had previously found the state-administered "mandatory mediation and conciliation" (MMC) statute to be unconstitutional, but was reversed by the California Supreme Court. The petitioner argues against the state Supreme Court's determination, highlighting precedent set by earlier cases in rulings made by the U.S. Supreme Court.



Agricultural Labor
Relations Board

"La Ley Laboral"



FEDERAL IMMIGRATION POLICY UPDATE

During the Week of September 18th, Association staff traveled to D.C. to meet with Administration officials and key Congressional offices to discuss immigration reform. While much of the attention paid by Congress was focused on an anticipated release of House Judiciary Committee Chairman Bob Goodlatte's, Ag Act visa legislation, CFFA President, George Radanovich, and Association Director, Christopher Valadez, took time to discuss an immigration policy concept where the Administration, not Congress, serves as lead in shaping work authorization for an existing agricultural workforce, as well as future guest workers. In addition to the meeting with Administration officials, Radanovich

and Valadez met with immigration policy experts at the Hoover Institute's D.C. office to discuss the concept, their interest in providing an assessment, and potential next steps. Following the interest received from the D.C. engagements, Radanovich and Valadez

are in the process of working with the Hoover Institute to set up an immigration policy roundtable discussion with Administration officials to discuss the concept.

During October 2017 the House Judiciary Committee met and passed Chairman Goodlatte's Ag Act by a 17-16 vote. All Democrats voted to oppose, as did two Republicans. Five Republicans refrained from voting. The bill creates the H-2C visa, creating an 18 month term for seasonal employees and a 36 month term for year-round employees, after which the employee must exit the U.S. Upon passage of the bill, undocumented employees must leave the U.S. and apply to enter to work in the U.S. under an H-2C visa. Employers seeking to petition for employees coming into the U.S. on an H-2C visa must go onto a national registry, file a petition with the U.S. Department of Agriculture describing the job, where it is located, and wages and benefits, as well as place said job order(s) with their state workforce agency. The bill would prohibit the H-2C visa from taking effect until after E-Verify is law, as a measure to ensure only those who've entered the U.S. under the H-2C visa are permitted to work in agriculture.



Government Relations

ANNUAL GOVERNMENT RELATIONS TRIP

In February 2018, twelve Association members traveled to Sacramento to take part in the 2018 Government Relations trip. The policy-oriented, 24-hour trip kicked off with a series of focused legislative meetings, followed by a reception and dinner event.

In the Capitol, trip participants met with Senator Steve Glazer (D-Walnut Creek) and Assembly Members Vince Fong (R-Bakersfield), Rudy Salas (D-Hanford) and Jim Cooper (D-Elk Grove). With all four members, issues such as Ag Overtime, Private Attorneys General Act reform, water availability and paid sick leave were discussed.

On the second day, trip participants first met with Marty Wilson from the California Chamber of Commerce (CalChamber). Mr. Wilson reviewed the 2018 election landscape and shared the Chamber's strategy to identify business-friendly candidates.

Trip participants also met with California Department of Water Resources Senior Engineer Geologist, Trevor Joseph, to discuss the State's current hydrology and the implementation of the Sustainable Groundwater Management Act (SGMA). Mr. Joseph outlined the State's role in SGMA implementation and provided updates on where groundwater sustainability agencies are in the planning process.

The group finished up the trip by meeting with political consultant, Steve Maviglio. Mr. Maviglio updated the group on current efforts to promote S.B. 623 and the legislative outlook for the bill's potential passage. The group discussed ways to get positive information regarding the bill out to the industry and members of the legislature.

Association staff would like to thank this year's participants for taking the time to engage with regulatory officials and legislators on key issues of importance to California agriculture.

2018 Government Relations Trip Participants: Harold McClarty (**HMC Farms**), Randy Giumarra (**Giumarra Vineyards**), Albert DeLeon (**Kirschenman Enterprises**), Melissa Frank (**Wonderful Orchards**), Pat Ricchiuti (**P-R Farms**), Erik Herman (**The Specialty Crop Company**), Doug Hemly (**Greene & Hemly, Inc.**), John Tos (**Tos Farms**), Dan Gallegos (**Sunview Vineyards**), Carmen Garza (**Sunview Vineyards**), Irene Zuniga (**Sunview Vineyards**) and Dieter Schellenberg (**Schellenberg Farms**).



ANNUAL FRUIT DELIVERY

CFFA Director of Member Relations and Communications, Ian LeMay, and Associate Director, Kayla Cardoza, traveled to Sacramento on Tuesday, August 22, 2017 for the California Fresh Fruit Association's Annual Fruit Delivery, which provides legislators, regulators and legislative staff with a reminder of the value of our fresh grape and deciduous tree fruit communities.

For 2017, state leaders were presented with a redesigned Association lunch pail, delicately packed with delicious fruit. More than 150 fruit deliveries were made, covering the Capitol and various regulatory agencies, including the California Department of Food & Agriculture and the California Environmental Protection Agency.

We would like to extend a special thank you to our Association members who donated produce for our Annual Fruit Delivery – Harold McClarty (**HMC Farms**), David Jackson (**Family Tree Farms**), Mike Jackson (**Kingsburg Orchards**), Louis Pandol (**Pandol Bros., Inc.**), Ryan Zaninovich (**V.B. Zaninovich & Sons, Inc.**), Jon P. Zaninovich (**Jasmine Vineyards, Inc.**) and Kevin Herman (**The Specialty Crop Company**).



Top Left: Assemblywoman Melissa Melendez (R-Murrieta) receives her 2017 lunch pail.

Top Right: Senator Jerry Hill (D-San Mateo) receives his 2017 lunch pail.

Bottom Right: Senator Anthony Cannella (R-Ceres) receives his 2017 lunch pail.

Bottom Left: 2017 CFFA Annual Fruit Delivery Lunch Pail.



Marketing & Trade

SUMMARY OF OBJECTIVES FOR THE NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA) RENEGOTIATION

As a follow through to campaign promises made by President Trump, NAFTA was opened for renegotiations. Since NAFTA's initial adoption, the U.S. economy and global trading practices have undergone substantial changes. Issues such as trade deficits were not addressed in the original NAFTA or how they impact the U.S. economy.

Once NAFTA was re-opened, consultations followed between the Administration, USTR, Congress, stakeholders and advisory committees (USDA Fruit & Veg. Ag Trade Advisory Committee), with results published in July 2017 by USTR in the Summary of Objectives for the NAFTA Renegotiation.

While a majority of the focus is to balance NAFTA inequities within the sections impacting manufacturing, US labor, goods and services, the agricultural sector has several sections that have direct impacts; Trade Remedy, Sanitary and Phytosanitary Measures (SPS) and Technical Barriers to Trade (TBT), being examples. However, the majority of agricultural stakeholders have continued to communicate that trade has benefited under the agreement but agree there is room for modernization.

NAFTA –

Establishing a free-trade zone in North America, was signed in 1992 by Canada, Mexico, and the United States taking effect on Jan. 1, 1994. NAFTA immediately lifted tariffs on the majority of goods produced by the signatory nations. It also called for the gradual elimination, over a period of 15 years, of most remaining barriers to cross-border investment and to the movement of goods and services among the three countries. Clearly, these have benefited U.S. agriculture.

GOOD FOR THE CONSUMER AND GROWERS –

NAFTA eliminated tariffs and resulted in more year-round availability for the U.S. consumer. Consumers have healthier eating options, with U.S. per capita consumption of fresh fruit and vegetables reaching 145.1 pound per year, a 14% increase from the 126.8 pounds per year in 1993 before NAFTA was enacted.

While there have been considerable increases in produce imports since the inception of NAFTA, the domestic production value of fruits and vegetables within the United States has expanded, as well.

Market access and competitiveness at the domestic and international levels are both of the utmost importance to growers, shippers and marketers of California fresh fruit. The Marketing & Trade Committee focuses on issues that could affect this aspect of the membership's operations, including the Farm Bill, Mexico Stone Fruit Export Program, phytosanitary measures, PACA regulations, produce traceability initiative (PTI) and foreign trade issues, including MRLs. The Committee also handles transportation issues, including interstate commerce commission regulations, railroad operating practices, loading rules and claim procedures.

for fruits and vegetables, geographical growing regions need to change with the seasons. Typically, this means that, during the winter, growing production begins in Mexico, and then moves to the United States and Canada with the approach of warm weather. The total value of agricultural trade (exports and imports) among all three NAFTA countries reached about \$82.0 billion in 2013, compared with \$16.7 billion in 1993 (the year before NAFTA's implementation).

Phenomenal agriculture growth coming out of Mexico since NAFTA can also be attributed to the millions of dollars invested in technology and growing innovations. Many investors include U.S. stakeholders with production within Mexico and/or importing seasonal production of a multitude of crops.

POTENTIAL CONCERNS –

The reduction of traditional trade barriers and the high growth in U.S. food imports has precipitated a growing interest in antidumping (AD) and countervailing duty (CVD) laws in the United States. Originally designed to protect domestic firms against unfair trade such as, price discrimination and below-cost-sales, trade remedy laws have become an issue of international discord for agriculture. While the application of these laws is in compliance with the World Trade Organization, there is often a lack of economic evidence to substantiate price discrimination. The level of protection afforded by AD and CVD laws can also be significant.

There are three distinct components of U.S. trade remedy law: antidumping (AD), countervailing duty (CVD), and safeguards, otherwise known as administered protection. The stated purpose of AD and CVD legislation is to offset "unfair" trade that injures domestic producers as a result of either foreign sales that are "dumped" into the United States at less than fair value (LTFV) or that are influenced by foreign government subsidies. Sales at LTFV are considered "dumped" when the goods are sold in the United States either below the exporting country's

TRADE

cost of production, or below the price of comparable goods sold in the exporter's home market or in third markets. Import relief laws, commonly known as "safeguards", do not require evidence of injury, and are intended to provide a temporary period of relief and adjustment for an industry facing import surges. If foreign exporters are found guilty of dumping into the U.S. market, or if exporting countries are found to be subsidizing the production or export of the commodity in question, and if those exports are found to injure (or threaten to injure) U.S. producers, then an AD or CV duty is applied

This has led some to view trade remedy laws in the developed world as hidden protectionism and that its use could be to suppress import competition rather than to deal with unfair trade practices.

AD - dumping occurs when a foreign manufacture sells goods in the U.S. for less than fair value, causing injury to the U.S. (or domestic) industry. AD cases are company-specific; duties are calculated to bridge the gap back to a fair market value.)

CVD - cases are established when a foreign government provides assistance and subsidies, such as tax breaks to manufactures that export goods to the U.S., enabling the sale of goods cheaper than domestic manufactures. CVD cases are country-specific and duties are calculated to duplicate the value of the subsidy.

NAFTA RENEGOTIATIONS -

Lobbyists working on behalf of Southeastern (SE) fruit and vegetable growers were largely responsible for the Administration including a new provision that would make it easier for growers to bring antidumping cases. Specifically, this proposal would make it easier for SE (or other U.S. regions) fruit and vegetable producers to prove that Mexico (or Canada) is dumping produce into the U.S. market at below market prices, impacting a region of the perishable commodity. Current trade law and practice typically requires antidumping measures to show injury to the "domestic industry", based on analysis of three years of annual data.

The proposed change to the current trade remedy section would allow an antidumping measure from data of a single marketing season AND requests that USTR work to develop a mechanism for the treatment of perishable and seasonal agricultural products.

Meaning, the ability to localize a perishable agriculture crop that can be grown during certain time periods and production, harvest comprises short periods of time, and therefore, has significant economic importance within the U.S. production vs. domestic producers of the like commodity, whose collective output of the product constitutes the major U.S. production for the total domestic product.

DISCUSSION -

U.S. exports to NAFTA partners totaled over \$4 billion in 2016. The proposed provisions would allow, for example, hothouse lettuce producers in British Columbia or apple producers in northern Mexico to seek protection for their industries as well, clamping down on their American competitors under new perishable or seasonal provisions that support conceptual changes within the traditional antidumping trade remedy.

To become established within a renegotiated NAFTA, it may raise its head in other parts of the world. But for now, it's on the table for our two largest export markets and, we know, our products make good targets for reprisals, at least in Mexico's case. Would Mexico and Canada gang up on us? Likely, Mexico has already discussed that possibility with Canada if the agreement is to be forced upon them.

NAFTA has been beneficial to the U.S., Canadian and Mexican agricultural sectors, and that is positive for growers and workers. Early in this discussion, U.S. agricultural sectors voiced a mantra to the Administration and USTR of "do no harm" during the NAFTA renegotiations. If there are changes within the antidumping trade remedy provisions to benefit regional and perishable crops, shouldn't we assume they will be equally effective in addressing a claim against a regional/seasonal U.S. producer of a commodity exported into Canada or Mexico?



Environmental Resources

PRELIMINARY COMPARATIVE ENVIRONMENTAL FATE AND ECOLOGICAL RISK ASSESSMENT FOR THE REGISTRATION REVIEW OF EIGHT SYNTHETIC PYRETHROIDS AND THE PYRETHRINS

In registration reviews, the U.S. Environmental Protection Agency (EPA) is assessing whether pesticides continue to meet the registration requirements established under the Federal Insecticide, Fungicide and Rodenticide Act.

The Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) provides for federal regulation of pesticide distribution, sales, and use. All pesticides distributed or sold in the United States must be registered (licensed) by EPA. Before EPA may register a pesticide under FIFRA, the applicant must show, among other things, that using the pesticide according to specifications "will not generally cause unreasonable adverse effects on the environment."

In recent years, the relative primacy of FIFRA over pesticide use requirements has been eroded, in large part, by activist litigation that has made overly precautionary aspects of the Endangered Species Act (ESA), the Clean Water Act (CWA) and other environmental statutes more dominant factors in determining pesticide use requirements. Despite FIFRA's rigorous, risk-based scientific review, some activists would prefer a policy shift in the U.S. to a less scientific, precaution-based system that would severely limit the availability and use of important crop protection materials that are crucial to American agriculture.

The critical benefits derived from pyrethroids include being an effective insecticide, an important tool in integrated pest management programs critical to many of the CFFA member commodities (table grapes, stone fruit, cherries and pomegranates). Because of this, a Crop Protection Working Group has been convened. The working group is comprised of growers and pest control advisors representing a number of the commodities impacted, and will assist in addressing key issues identified in the preliminary risk assessment and points that are important to make regarding the critical role of pyrethroids in pest management.

The number of products containing the active ingredients in the preliminary risk assessment phase of the registration review are more than five, and represent products from six different registrants. As stakeholders, we need to provide EPA with high-quality and compelling comments regarding the benefits, actual use patterns and critical nature in the available use for agriculture. Our goal is consistent, and that is to avoid unwarranted mitigation or loss of product uses that could diminish the utility of crop protection tools.

The Environmental Resources Committee is one of the most active CFFA groups, due to the intense regulatory pressure that exists in California. Some of the issues targeted include: regulation of air quality, Food Safety Modernization Act and water quality regulations (i.e. Irrigated Lands Program), water discussions, energy issues and pesticide use.

CALIFORNIA DEPARTMENT OF PESTICIDE REGULATION (CDPR) EVALUATION OF CHLORPYRIFOS AS A TOXIC AIR CONTAMINANT: RISK CHARACTERIZATION OF SPRAY DRIFT, DIETARY, AND AGGREGATE EXPOSURE TO RESIDENTIAL BYSTANDERS

In August of 2017, California Environmental Protection Agency (CalEPA) issued a press release outlining upcoming regulatory activities on chlorpyrifos. California's Department of Pesticide Regulation (DPR) published an updated draft risk assessment (Evaluation of Chlorpyrifos as a Toxic Air Contaminant; Risk Characterization of Spray Drift, Dietary and Aggregate Exposures to Residential Bystanders) for public comment. This action marks the start of a public and scientific review of the document, which could lead to increased restrictions on chlorpyrifos statewide. DPR is currently developing interim restrictions on use of the pesticide and recommendations were submitted to county agricultural commissioners in early October 2017.

In a review of the updated evaluation, CFFA and other stakeholders found that the analysis was incomplete and projected inappropriately conservative estimations that will, in turn, lead to excessive buffer zones or further limitations on use by growers. The dominant contributor to risk within the evaluation is the simulation of bystander inhalation exposure to spray drift. Currently, DPR creates an exposure estimate as if a child is at the edge of a field, downwind and exposed to an application every day for 21 consecutive days. Beyond being unrealistic, that type of use pattern is not allowed for relevant California crops. These types of assumptions result in inappropriate overestimation of risk. Additionally, DPR utilized a spray drift model used for predicting offsite deposition and the model has not been validated for prediction of air concentrations. DPR should use validated scientific tools for their analysis. Another concern about the assessment; DPR added an additional 10X Uncertainty Factor (UF), based on hypothetical risks related to potential neurodevelopmental effects. This additional UF add on will cause increased buffer zones unjustifiably and make the product less practical to use. The hypothetical effects are related in large part to the "Columbia" epidemiology study, conducted in New York City in the late 1990's. Multiple peer-reviewed publications described the epidemiology information as inadequate and biologically implausible for making decisions on neurodevelopmental effects.

SENATE BILL 623, INTERIM PLAN

This bill was removed from further consideration, due to an insufficient number of projected votes to pass out of the California State Assembly. In total, the bill was estimated to generate \$140 million annually for drinking water projects and ongoing operations and maintenance of those projects. It was made into a 2-year bill, meaning that, although it did not pass out of the Legislature in 2017, it may be resurrected in 2018.

In the meantime, growers directly affected by the State Water Board's Office of Enforcement contact are developing an interim measure to provide drinking water on a short-term basis. Negotiations are ongoing and may include short-term (1-2 year) liability protection, as is described below, for participating growers, which includes, but is not limited to, those who've been contacted by the Office of Enforcement. The measure under discussion is designed to serve as a clean drinking water stop gap until a longer-term solution is set into place. A description of this bill is below:

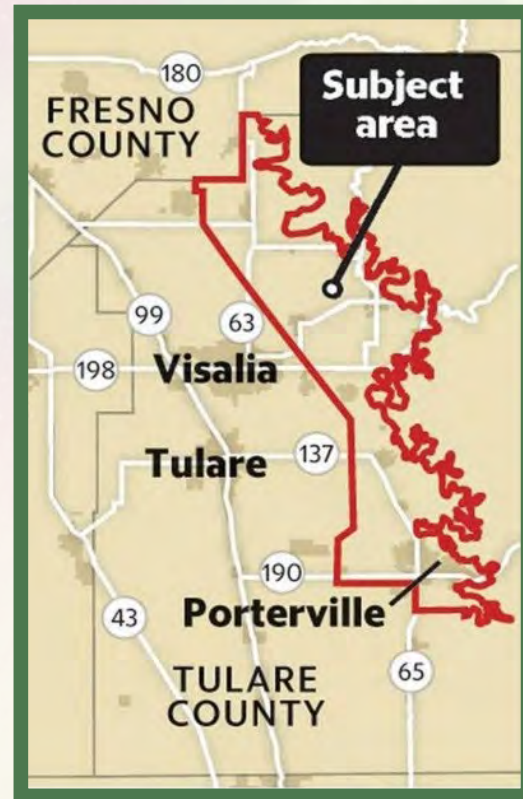
In addition to a dairy safe drinking water fee and a fee on each customer of a public water system, this bill, until January 1, 2033, would require a person who manufactures or distributes fertilizing materials, who is required to be licensed by the California Department of Food and Agriculture, to pay a fertilizer safe drinking water fee of \$0.005 per dollar of sale for all sales of fertilizing materials. The bill, on and after January 1, 2033, would reduce the fee to \$0.002 per dollar of sale and would authorize the Secretary of Agriculture to reduce the fee as necessary to not exceed the anticipated funding need in the most recent assessment by the state water board.



In exchange, the bill prohibits the state board or a regional board, until January 1, 2028, from subjecting an agricultural operation, as defined,

to specified enforcement for causing or contributing to an exceedance of a water quality objective for nitrate in groundwater or for causing or contributing to a condition of pollution or nuisance for nitrates in groundwater, if that agricultural operation demonstrates that it has satisfied certain mitigation requirements, including, among other requirements, the timely payment of the fertilizer safe drinking water fee or the dairy safe drinking water fee, as applicable, into the fund.

Additionally, the bill would prohibit the state board or a regional board, beginning January 1, 2028, until January 1, 2033, from subjecting an agricultural operation to specified enforcement for creating, or threatening to create, a condition of pollution or nuisance for nitrate in groundwater, if that agricultural operation demonstrates that it has satisfied the prescribed mitigation requirements, which is inclusive of being in compliance with an applicable regulatory program for achieving groundwater quality objectives for nitrate.



WATER QUALITY ISSUES UPDATE

The population scope impacted by nitrates in drinking water has since narrowed from an estimated 88,000 individuals to less than 3,000. Costs estimates are as high as \$800,000 per year for replacement water, based on a high of \$9.00/bottle cost and estimating 20 bottles per month (5 gallon). Or, put differently, \$63,000 per month or \$756,000 per year, excluding deposit and any administration costs, as borne by the parties to any settlement agreement committing parties to pay for the replacement water.

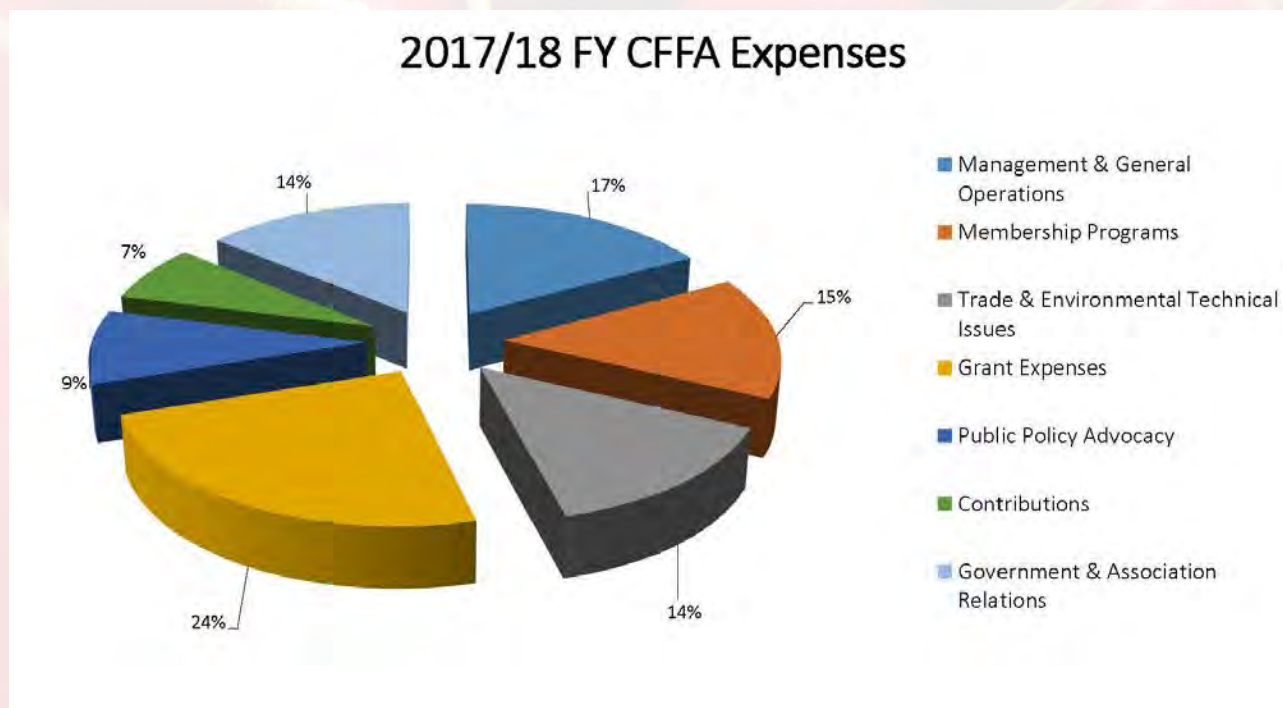
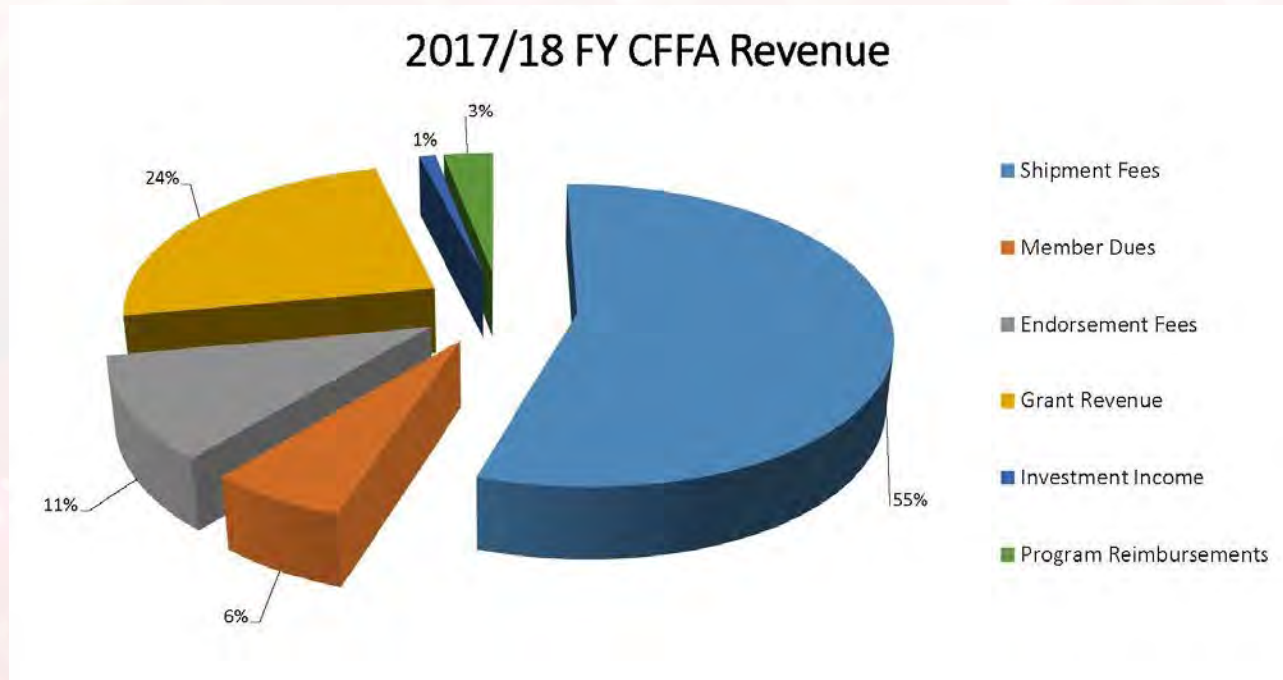
The parties would enter into a settlement agreement with the State Water Resources Control Board's Office of Enforcement. It is highly likely that not all growers who received draft cleanup and abatement threat letters will choose to become a party to the agreement. Not all parties are needed for an agreement to take place, but there would need to be an agreement in order for the Office of Enforcement to back down from issuing the cleanup and abatement order. Becoming a party to the agreement confers no guilt on the part of the participating party and, instead, it is an exchange of drinking water for no cleanup and abatement order for as long as the agreement is in place and the agricultural party provides drinking water. No agreement could mean the Office of Enforcement moves forward with issuance of an order requiring monitoring of groundwater wells and reporting of nitrogen application information, as well as modeling one's individual impact onto groundwater. This could still result in a cleanup and abatement order, if determined to contribute to or cause pollution. In addition, penalties range from \$1000 in administrative fines per day and up to \$5000 in civil penalty fines per day. Not all growers are on the same page. Some are likely to continue to explore discussions on the settlement agreement and others are not.

Financial Summary

The California Fresh Fruit Association's financial footing remained strong for the 2017-18 fiscal year.

The Association is truly fortunate to have a hands-on Secretary-Treasurer, Louis Pandol, who is actively involved in the financial management and oversight for the organization. Along with the Board of Directors, Executive Committee and staff, a network of tight fiscal control over expenditures is maintained, as is the consistent effort to add new members and revenues, so the Association can fulfill its mission.

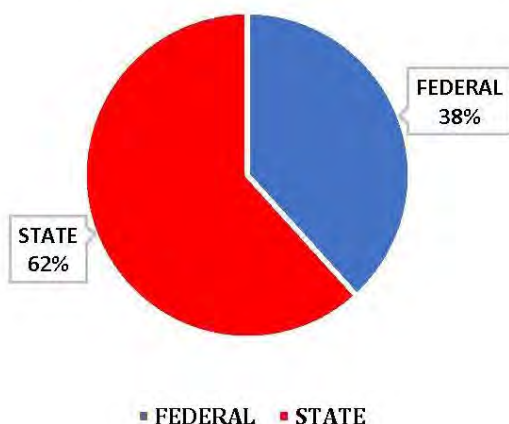
The following represents the Association's revenue and expenditures for the 2017/18 fiscal year:



FruitPAC

FruitPAC is the Association's Political Action Committee, which generates its support from member participation at three annual events—the Harvest Event in the fall, the Annual Meeting Raffle in the spring and the positive check-off program. All contributions are authorized by FruitPAC's Board of Directors.

2017 FRUITPAC CONTRIBUTIONS



CHAIRMAN

Kevin Herman, **The Specialty Crop Company**

VICE CHAIRMAN

Moe DiBuduo, **DiBuduo Fruit Company**

SECRETARY

David Jackson, **Family Tree Farms**

BOARD MEMBERS

Mike Bozick, **R. Bagdasarian**

Herbert Kaprielian, **CRJ Farming Co. LP**

Louis Pandol, **Pandol Bros., Inc.**

Melissa Frank, **Wonderful Orchards**

John D. Zaninovich, **Merritt Farms**

FRUITPAC HARVEST EVENT

100 guests were in attendance at the 38th Annual Harvest Event Reverse Raffle Drawing held at the Vintage Press Restaurant in Visalia on Friday, November 3rd. Ricki Peace (**Clifford & Bradford Insurance**) was the winner of the \$5,000 grand prize and generously donated the winnings back to FruitPAC. David Jackson (**Family Tree Farms**) was the lucky winner of the \$1,000 consolation prize, and was equally generous with his donation back to the PAC.

In total, a dozen terrific prizes were awarded and the Harvest Event was a huge success, largely due to the generosity and participation of the Association members who purchased tickets. The staff at the Vintage Press, under the direction of David and Greg Vartanian, provided great service throughout the reception and dinner.

A special thank you to the Associate members who helped to make this year's event possible through their generous support:

Gold Sponsors

Dow AgroSciences, PG&E, Snowden Enterprises, Syngenta, Wells Fargo Insurance Services, & Wonderful Nurseries

Silver Sponsors

Agrifinancial Services & Pan American Insurance Services-An Ascension Company

FruitPAC also offers sincere gratitude to gift donors **Monterey Plaza Hotel & Spa** and **Zenith Insurance Company**.



Year in Review



Top Left: CFFA Members meet with Steve Maviglio to discuss outreach efforts to promote SB 623.

Top Right: CFFA Second Vice Chairman, Kevin Herman (**The Specialty Crop Company**), shows Assemblywoman Blanca Rubio (D-West Covina) his fig orchard.

Bottom Right: CFFA Member, Dennis Parnagian (**Fowler Packing**), tours Assemblywoman Blanca Rubio (D-West Covina) in his table grape packing facility.

Middle Left: CFFA Members meet with Marty Wilson (CAL Chamber), during the Annual Government Relations Trip.

Bottom Left: CFFA Members attend the Annual Harvest Event, benefiting FruitPAC.





Top Left: CFFA Members participating in the 3rd Annual Bocce Ball Tournament during the 82nd Annual Meeting in Pebble Beach, CA.



Top Right: CFFA President, George Radanovich, awards Kathleen Nave, President of the **California Table Grape Commission**, with the prestigious Mentors' Award.

Middle Right: Future CFFA Board Members Andrew & Madeline Zaninovich (**V.B. Zaninovich & Sons**), help with the FruitPAC Raffle.



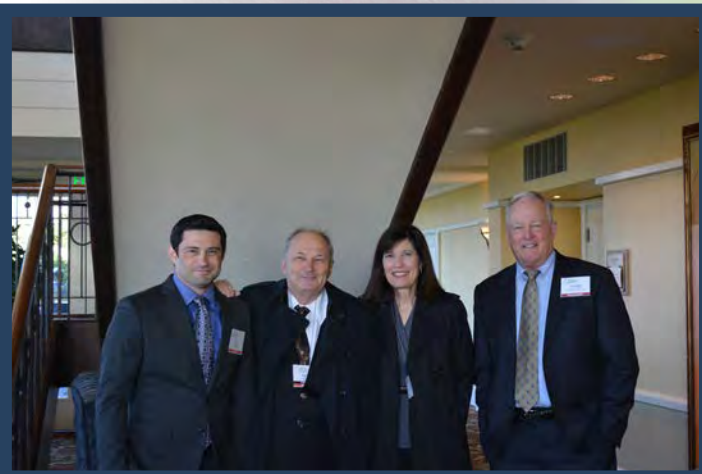
Second Middle Right: Peter Baldwin (**Alliant Insurance Services**) and his wife, Lynn, receiving the 2018 Supplier of the Year Award.

Bottom Right: Mr. Bill Bishop presenting during the Annual Industry Workshop.



Middle Left: Jon, Harold and Debbie McClarty (**HMC Farms**), pictured with CFFA President George Radanovich.

Bottom Left: The Giumarra Family (**Giumarra Vineyards**) attending the Chairman's Welcome Reception.



Legislative Review

ENVIRONMENTAL RESOURCES:

AB 176 (Salas): Water Project: Friant-Kern Canal; SUPPORT

Summary: Current law requires the Department of Water Resources, upon appropriation by the Legislature, to provide funding for a project that substantially conforms to the project description for the Reverse Flow Pump-back Facilities on the Friant-Kern Canal Restoration Project, as specified, provided that certain conditions are met. Current law requires that the appropriation be no more than \$7,000,000. This bill would appropriate \$7,000,000 from the General Fund to the department for this project. This bill contains other related provisions.

SB 1 (Beall): Transportation Funding; OPPOSE

Summary: Current law establishes that it is the policy of the state that certain rivers that possess extraordinary scenic, recreational, fishery, or wildlife values shall be preserved in their free-flowing state, together with their immediate environments, for the benefit and enjoyment of the people of the state. This bill would



revise that policy to specify that certain rivers that possess scenic, recreational, fishery, wildlife, historical, cultural, geological, or other similar values shall be preserved in their free-flowing state, together

with their immediate environments, for the benefit and enjoyment of the people of the state, and would revise the definition of "immediate environments," and define the term "extraordinary value" for purposes of that policy.

SB 252 (Dodd): Water Wells; OPPOSE AS AMENDED

Summary: Requires an applicant for a new well permit overlying a critically over-drafted basin to provide notice to adjacent landowners of intent to obtain permit as well as publically disclose proposed well location, depth, and production capacity. The permit, would be subject to notice, public comment, and a public hearing required on every new well application, before approval can be granted.

SB 602 (Allen): Pesticides: Neonicotinoids: Labeling; OPPOSE

Summary: Would, on and after July 1, 2018, require labeling, specified, of commercially available seeds and plants sold at retail establishments, excluding noxious weed seeds and plants, which have been treated with a neonicotinoid pesticide. The bill would specify that a violation of this requirement is not a crime, but would constitute an unfair and unlawful business act or practice.

LABOR:

AB 5 (Gonzalez): Employers: Opportunity to Work Act; OPPOSE

Summary: Would create the Opportunity to Work Act. The bill would require an employer with 10 or more employees to offer additional hours of work to an existing, nonexempt employee before hiring an additional employee or subcontractor and, except as specified, would require an employer to post a notice of employee rights and would require the employer to maintain certain documentation. The bill would authorize an employee to file a complaint for violations of these provisions with the division and to, in the alternative, bring a civil action for remedies under the act.

AB 77 (Fong): Regulations: Effective Dates and Legislative Review; SUPPORT

Summary: Would require the Office of Administrative Law to submit to each house of the Legislature for review a copy of each major regulation that it submits to the Secretary of State. The bill would add another exception to those currently provided, that specifies that a regulation does not become effective if the Legislature enacts a statute to override the regulation.

AB 156 (Thurmond): Work Hours: Overtime Compensation: Executive, Administrative, or Professional Employees; OPPOSE AS AMENDED

Summary: Currently, all exempt, salaried employees in California must earn no less than two times the existing minimum wage, plus satisfy the "duties test," in order to be exempt from various wage and hour mandates. This bill would require an employee to earn a monthly salary of at least \$3,956 or \$47,472 annually, up from \$45,760 in 2018 (reflects 2x California's minimum wage). This is an attempt to circumvent the Trump Administration's block on U.S. DOL's salary threshold increase rule.

AB 1658 (Frazier): State Agencies: Accountability; SUPPORT

Summary: Current law establishes, within state government, eight agencies. Current law requires each agency to be under the supervision of an executive officer, known as the secretary. This bill would require the secretary of each agency, by January 1, 2019, and every year thereafter, to review all programs that were created or expanded, either by statute or regulation, in the previous year that a department, office, or unit of that agency is responsible for administering. The bill would require the secretary to establish metrics to determine the success of that program and to continuously evaluate the performance of that program.

**This is only a partial list of bills supported and opposed during 2017/18. For a full list, please contact the Association office.*

CFFA Partnerships

The Association employs a collaborative approach to maximize its effectiveness by working together with other agricultural organizations and associations on issues that affect our members. Below are the group efforts in which the Association participated during the 2017/18 FY.

CENTER FOR PRODUCE SAFETY

Description: An effort to support best practices and food safety research.
2017 Contribution: \$100,000



AGRICULTURAL PRESIDENTS' COUNCIL

Description: To coordinate public policy issues among California agricultural associations and commissions.
2017 Contribution: Included in the Association's regular government relations expenses

AGRICULTURAL COALITION FOR IMMIGRATION REFORM

Description: To serve as a leading advocate, seeking legislative reform addressing the short and long-term labor needs of the nation's agricultural interests.
2017 Contribution: \$10,000



AIR COALITION TEAM

Description: Agricultural organizations that work together on issues related to air-quality litigation.
2017 Contribution: \$5,000

MINOR CROP FARMER ALLIANCE

Description: An alliance of agricultural organizations dedicated to addressing pesticide registrations.
2017 Contribution: \$10,000

CROP PROTECTION COALITION

Description: Coalition of national, regional and local agricultural organizations, seeking to obtain critical-use exemptions for methyl bromide, as well as funding for alternative research.
2017 Contribution: \$5,000



ALLIANCE FOR FOOD & FARMING

Description: Works in the areas of public relations, messaging and outreach related to food safety and pesticide-use related issues.
2017 Contribution: \$10,000

OTHER COLLABORATIVE EFFORTS

California Farm Water Coalition; California Foundation for Agriculture in the Classroom; California Women for Agriculture; The Maddy Institute; National Council of Ag Employers; Pacific Legal Foundation; and Specialty Crop Farm Bill Alliance



CFFA Past Chairmen

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1945/46 J. M. Prentice	1959/60 Leonard LeBlanc	1974/75 Allan Corrin	1989/90 Sarkis Sarabian	2003/04 David Elliot III
1946/47 Robert Taylor	1960/61 M. A. Nielson	1975/76 Franklin Debuskey	1990/91 Craig Rasmussen	2004/05 Tony Fazio
1947/48 E. L. Barr, Sr.	1961/62 Franklin Gindick	1976/77 Dean Morrison	1991/92 Doug Hemly	2005/07 Louis Pandol
1948/49 Harold Butcher	1962/63 Edward M. Zeller	1977/78 Milan Caratan	1992/93 Dennis Parnagian	2007/08 Jerry DiBuduo
1949/50 John J. Kovacevich	1963/64 Jack Pandol, Sr.	1978/79 Tony Tranel	1993/94 Kent Stephens	2008/09 John D. Zaninovich
1950/51 David J. Elliot, Sr.	1964/65 Grove E. Dye	1979/80 Lucille Tidwell	1994/95 Wayne Brandt	2009/10 Marko S. Zaninovich
1951/52 William A. Hamilton	1965/66 George Sadoian	1980/81 John Giumarra, Jr.	1995/96 Cliff Sadoian	2010/11 David O. Marguleas
1952/53 William A. Lambert	1966/67 Marion P. Newton	1981/82 James Ruby	1996/97 Steve Biswell	2011/12 Steve Hash
1953/54 Virgil E. Rasmussen	1967/68 Nick Buratovich, Sr.	1982/83 Howard Mason	1997/98 Rick Widhalm	2012/14 Ryan Zaninovich
1954/55 W. C. "Jerry" Day	1968/69 E. L. Barr, Jr.	1983/85 Jack G. Zaninovich	1998/99 Ken Enns	2014/16 David Jackson
1955/56 Martin Zaninovich	1969/70 R. K. Sanderson	1985/86 Darrel Fulmer	1999/00 Nicholas Bozick	
1956/57 Alfred Tisch	1970/71 Robert A. Grant	1986/87 Verne Crookshanks	2000/01 Fred Berry	

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 Vicky Jones, Bookkeeper
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CALIFORNIA
FRESH FRUIT
 ASSOCIATION

7647 N. Fresno Street, Suite 103

Fresno, CA 93720

P: (559) 226-6330

F: (559) 222-8326

www.cafreshfruit.com

cffa@cafreshfruit.com

www.facebook.com/calfreshfruit

www.twitter.com/calfreshfruit

"To fulfill the needs of its membership while serving as the primary public policy organization advocating on behalf of fresh fruit growers and shippers in California."

- California Fresh Fruit Association Mission Statement

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7647 N. Fresno Street, Suite 103

Fresno, CA 93720

P: (559) 226-6330

F: (559) 222-8326

www.cafreshfruit.com

cffa@cafreshfruit.com

www.facebook.com/calfreshfruit

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