

Hearing
on
Trade Policy and Priorities
before the
Subcommittee on Livestock and Foreign Agricultural
Committee on Agriculture

Testimony
Of
Kent Stenderup
November 17, 2021

Mr. Chairman and Members of this Committee, thank you for holding this timely hearing on this very important subject. It is appreciated.

My name is Kent Stenderup, and I am the managing Partner of Stenderup Ag Partners, a family-owned farm in Arvin, California. We grow 850 acres of almonds, 900 acres of row crops including potatoes, carrots, sweet potatoes, processing tomatoes and processing onions.

We also grow 420 acres of Thompson Seedless grapes. These are processed into the best white grape juice concentrate available. White grape juice concentrate is in high demand as a non-added-sugar, non-corn fructose natural sweetener. It is used as an ingredient in a variety of products such as jams, jellies, fruit juices, confectionery products, energy bars and more.

I am here today to testify on behalf of Blue Diamond Growers and as a director and grower member. Blue Diamond Growers is a nonprofit grower owned cooperative which was organized in 1910. This year is our 111th anniversary. Over half the 6,000 almond growers in California belong to Blue Diamond Growers.

For your background, I am also a Director of Delano Growers Grape Products cooperative and have a strong background in the specialty crop and fresh produce sectors.

I am the immediate past President of the Almond Board of California, which is the Federal Marketing Order overseen by USDA that benefits our almond industry.

It is very much appreciated that you are holding this important hearing on Trade Policy and Priorities, since trade is the life blood of US agriculture and the California almond industry. Blue Diamond exports its members almonds to over 100 countries worldwide.

Blue Diamond is the world's leading almond marketer and processor. We employ over 1900 employees. The average size of our family farm members is under 100 acres. Its headquarters is in Sacramento, California. We have processing plants in Sacramento, Salida and Turlock. Our grower members deliver their almonds to our receiving stations in Sacramento, Salida, Chico, Arbuckle, and Fresno.

Blue Diamond almonds are sent to all 50 states and to India, Spain, Germany, China/ Hong Kong, UAE, Japan, Italy, and the Netherlands to name the top ten destinations. Of course, both Canada and Mexico are very good markets. Worldwide, Blue Diamond exports almonds and almond products to over 100 countries.

With your permission, may the next few minutes be focused on important trade issues that it is urged this Committee address. Since resolving trade issues is critical to the success of the California almond industry and all US agriculture, please direct your attention to putting the Agriculture Trade Ambassador in place at USTR. The President has nominated Mrs. Elaine Trevino to take this position. She is very well qualified and has widespread support in agriculture. While it is the job of the Senate to confirm her, it is requested that you do all possible to make it happen. This position needs to be filled to work on opening markets worldwide.

Second, the empty position of Undersecretary for Trade and Foreign Agriculture Affairs at USDA needs to be filled. The current acting Undersecretary is doing an excellent job, but the position needs to be filled.

Please allow me to identify four important markets and the current problems in each that need to be addressed by the Agriculture Ambassador at USTR and the Undersecretary for Trade at USDA.

First, it is important to note that the Foreign Agriculture Service at USDA and all its foreign offices are doing a wonderful job supporting all US agriculture exports and especially California almonds. This Committee is encouraged, and it is recommended that it do all possible and necessary to support the Foreign Agriculture Service all its employees and its necessary budget.

The three countries and one trading bloc of immediate concern are India, China, European Union, and Mexico. Please let me describe the situation in each.

India

India is a critically important market for California almonds, with shipments in 2019 valued at approximately \$733 million. India is the number one export destination for US almonds. California almonds have represented the leading agricultural product traded between the two countries, and the growth of India's market stands as a testament to the cooperative work of the U.S. government and Blue Diamond over the past 4 decades to establish, maintain, and grow this market. A primary objective is to eliminate the retaliatory duties currently in place. Then the actual duty should be reduced.

The following table provides an overview of India's current tariff structure for in shell and shelled almonds. India currently has imposed additional duties on US almonds in retaliation for US actions on steel and aluminum. The US has taken this case to the WTO where it is pending.

Product	Tariff
In-Shell Almonds	42 Rupees/kilogram
Shelled	120 Rupees/kilogram
Flour/Meal	30%
Prepared/Preserved	30%

Source: World Trade Organization, Tariff Download Facility

The following table provides a summary of exports to India in key categories over the most recent 4 years (2017-2020).

U.S. Exports to India (Value, US\$000)

Product	2017	2018	2019	2020
In-shell	583,623	543,361	691,922	783,492
Shelled	74,331	56,203	40,831	40,717
Pres./Prep.	246	0	30	103

On July 1, 2017, India implemented a new, nation-wide goods and services tax (GST). On the positive side, this action brought new transparency and predictability to doing business within India. Unfortunately, in implementing the new regime, the government placed dried fruits and nuts in a category subject to a 12 percent GST. There had been an expectation among the trade that these products would be placed in the 5 percent GST basket, which the Indian government in fact has selectively done for other commodities including cashews, walnuts, and raisins. While the new GST regime is not without positive elements, as previously noted, it is requested that India will subject all dried fruit and nuts, including almonds, equitably to the 5 percent GST level.

China

China has in the past ranked as the number one almond export destination. It is number one, when both direct and indirect channels are considered. While China is currently a significant market for California almonds, both through direct and indirect channels, the country holds significant potential for future market growth, particularly if all existing tariffs can be eliminated. The highest priority for China must be the elimination of the retaliatory duties currently in place. Almonds must be a high priority for duty reduction in China.

The following table provides an overview of China's most favored nation (MFN) tariff structure for products within the almond complex. It must be noted that China currently imposes additional duties on US almond exports.

Product	Tariff
In-Shell Almonds	55%
Shelled	55%
Flour/Meal	45%
Prepared/Preserved	30%

Source: World Integrated Trade Solutions

The following table provides a summary of exports to China in key categories over the most recent 4 years (2017-2020).

U.S. Exports to China (Value, US\$000)

Product	2017	2018	2019	2020
In-Shell Almonds	24,360	21,138	66,644	149,314
Shelled Almonds	74,893	98,369	106,536	191,770
Prep./Pres. Almonds	1,687	3,840	841	4,101

Australia enjoys preferential tariff access for its almonds under its Free Trade Agreement that entered into force in December 2015. The following table provides a comparison of the rate charged to U.S. products versus like Australian products. As noted, the tariffs on Australian products reached zero in January 2019 which gives them a definite advantage.

Product	Current Tariff for U.S.	Current Tariff for Australia	Date When Duty Free for U.S.	Date When Duty Free for Australia
In-Shell	55%	0%	N/A	January 1, 2019
Shelled	55%	0%	N/A	January 1, 2019
Flour/Meal	45%	0%	N/A	January 1, 2019
Prepared/Preserved	30%	0%	N/A	January 1, 2019

With the elimination of China's import duties on almonds and almond products, it is estimated that direct exports of almonds to China could reach \$800 million within 5 years. This estimate considers the growing demand from China's expanding middle class, together with the increased incentive to ship products directly to China. China did grant an exclusion for some processed almond products under the existing procedure. This exclusion should be granted for all Blue Diamond almonds and almond products.

European Union

The European Union (EU) is both a leading market and, to a lesser degree, a competitor for California almonds. While dwarfed by the size of U.S. production, Spain is the world's 2nd largest almond producer.

The following table provides an overview of the most favored nation (MFN) duty structure presently facing almonds entering the EU:

Product	Tariff
In-Shell Almonds	2% for first 90,000 MT* 5.6% for subsequent volumes
Shelled	2% for first 90,000 MT* 3.5% for subsequent imports
Flour/Meal	8.3%
Prepared/Preserved	9% pkgs > 1kg, 10.2% pkgs < 1kg

Source: European Commission, Market Access Database

*The 90,000 MT preferential quota is cumulative for HS tariff lines

0802.119000 (in-shell) and 0802.129000 (shelled)

The following table provides a summary of exports to the European Union in key categories over the most recent 4 years (2017-2020).

US Exports to the European Union (Value, US\$000)

Product	2017	2018	2019	2020
In-Shell Almonds	37,023	24,884	30,652	19,237
Shelled Almonds	1,439,716	1,470,911	1,652,394	1,505,155
Prep./Pres. Almonds	10,730	18,317	19,336	16,336

The U.S. almond industry had been seeking the elimination of the EU's existing tariffs applied to the almond complex on an immediate/expedited basis. It is requested that this continue to be a high priority objective of the U.S. government. It is estimated that, with the elimination of duties, U.S. exports of almonds and almond products to the EU could rise to over \$2 billion annually within 5 to 7 years. The current tariff rate quota was adopted when the EU was much smaller and has not been expanded with the new country members of the EU. It should be eliminated.

It is especially important to obtain a zero duty for almond meal and almond flour. These two products hold significant export potential.

The U.S. almond industry remains keenly focused on the EU's complex and evolving technical requirements, including in the critical area of maximum residue limits (MRLs). As the EU moves to adopt a green deal, it is moving to adopt many barriers to trade with no scientific justification. It is important to stop the adoption of Amendment 171 which is intended to protect domestic agricultural production.

Mexico

A new problem has just arisen in Mexico which needs to be addressed quickly. One of Blue Diamond's very successful products is known as Almond Breeze. This product is very successful in Mexico and many other world markets. This is a plant-based beverage made from almonds and satisfies a strong consumer demand for it. Mexico is considering a regulation that will require front of package labeling which will be hard to comply with considering current package sizes. Changing the labeling will be both expensive and not provide the consumer with any additional needed information.

Blue Diamond was a strong supporter of the USMCA. This is an important agreement that is beneficial. The new labeling regulation proposed impairs some of the benefits of the USMCA.

It is hoped and recommended that this Committee recognize the importance and benefit that US agriculture receives from the Market Access Program, often referred to as MAP. This program is an outstanding example of a real partnership between government and agriculture exports. The success Blue Diamond has had in sharing our California almonds with over 100 countries worldwide results in an important part from this cost sharing program. This program helps our members promote and advertise almonds in many countries where it would not otherwise be possible. We thank you for this program and recommend it be continued and funding be increased to support additional US exports. Increased funding is necessary.

Since Blue Diamond sells and exports its member almonds under the Blue Diamond brand, it is penalized with stricter rules and increased matching requirements. Since every US agriculture product exported has some person or some companies name on it as it travels overseas, there should be no difference in the way all exports are treated. May it be respectfully suggested that this Committee investigate this and correct this difference. Cooperative farmers should not be treated differently than farmers whose products are promoted by trade associations. This discrimination should end and will with your help.

Supply chain issues have been very serious and have been causing many delays nationally and internationally. It is not expected that these issues will be solved

soon, however a crucial aspect of this crisis that needs to be addressed are U.S. exports. American exports have been significantly hurt by the supply chain challenge and this has been directly affecting Blue Diamond's farmers.

As you know, U.S. exports are a key component of US agriculture. California is responsible for exporting 80% of almonds worldwide. With these supply chain complications, 80% of the world is affected. Further, the US economy relies on the export revenue that comes from the almond industry. \$11 billion is added to the economy. I am here today to express the great need to act and protect not only small farmers, but the 80% of the world that relies on those farmers for their almonds.

The route between Asia and California's West Coast is currently priced at 15 times higher than the price of the route from the US to Asia. Ships are eager to return to Asia, to make the commute back to the US. This causes ships to leave the American ports empty, rather than wait to be loaded with US exports, including Blue Diamond almonds. 70% of the Asian destined containers leave the US coast without any US products. In September of this year, California was exporting three-fourths of their normal export quantity. This issue is heightened by the lack of labor in US ports. Most ports worldwide function 24/7, however, US ports only recently, and temporarily, agreed to operate 24/7. The Administration, backed by Congress, needs to push for port workers and port infrastructure to operate and meet demand at rates that match our foreign competitors.

This is extremely troublesome for US exports. Not only are American products not being exported, in turn not making it to foreign markets, but foreign markets become accustomed to functioning without the American product. The supply chain crisis also brings into question American export's reliability and consistency. For example, the almonds typically used for the Chinese New Year celebrations will not make it to China in time for 2022 due to supply deadlines not met. Bookings that were planned for October, were pushed into the middle of November. Routes that include transshipment points are delayed; packers are discouraged and have been offering discounts to move product into other regions. Some buyers are giving up their bookings due to the uncertainty. The longer these issues persist, the more doubt that arises for America's export capabilities. Also, in the meantime, other foreign competitors can fulfill the market that American almonds previously fulfilled. While 80% of the world might always rely on California for its almonds, Blue Diamond's gluten free aspects can be

overshadowed. Blue Diamond's almond flour and other gluten free products can be replaced by other gluten free flours. The supply chain issues are problematic both currently and for future market demand.

Further, without foreign sales, the US industry becomes saturated with excess US products. This encourages wholesale product prices and costs the US providers an unlimited amount of money. Freight, storage, and demurrage prices have increased. For example, demurrage fees have increased by over \$15,000. The impact on 2021 has been over \$25 million and is expected to have the same impact on 2022.

So far, I have not even addressed the lack of domestic movement. While the US industry might have an excess of US products that were intended to go abroad, but without the supply chain functioning, no product is making it to the US market. Grocery stores are limited in supply, and US farmers are directly affected.

Blue Diamond is making leaps in sustainable farming and production. Over twenty years, almond growers have reduced their water use by 33% and have pledged an additional 20% water use reduction by 2025. Blue Diamond almond growers farm on 20% of California's irrigated farmland, yet they only use 13% of agricultural water. And 85% of our almond growers use highly efficient micro-irrigation systems.

Blue Diamond cares for the bee population. Bees are necessary to pollinate the almond blossoms. Further, Blue Diamond recognizes the environmental importance of maintain the bee population and wellbeing. Blue Diamond is proud partners with Pollinator Partnership and is Bee Friendly Farming Certified. Blue Diamond growers support bee health during bloom through programs like Seeds for Bees and Water for Bees.

Blue Diamond's Salida and Turlock facilities are Green Business Certified. All Blue Diamond facility sectors have a Facility Sustainability Team that works to ensure sustainable large- and small-scale practices. And there is a community grant program and employee volunteer program for employees to partake in. Blue Diamond incentivizes growers to join the California Almond Sustainability

Program. And with 90% of California almond farms are multi-generational family farms, Blue Diamond has a strong commitment to fostering the next generation of almond growers.

Mr. Chairman and Members of this Committee, thank you very much for the opportunity to present this testimony and for your attention. I will be pleased to answer any questions you may have.

Thank you,

Mr. Kent Stenderup

Managing Partner, Stenderup Ag Partners