

Next witness – justification revising quality control/inspection (proposal 1)

Greeting

- My name is Chuck Crain (CHUCK CRAIN)
- I am President of Crain Shelling, a division of family farming operation, Crain Orchards, Inc.
- I am testifying today as a large grower and large handler.
- I am a California Walnut Commission member and serve on several committees for both the Board and the Commission (Executive, Marketing Order Revision, Grades & Standards and Market Development).

Today I would like to discuss several justification points regarding the proposal to revise quality control and inspection. I will be addressing sections 984.50, 984.51 and 984.52 as published in the notice of hearing.

The CWB, established in 1948, administers the Federal marketing order 984 program (program) that regulates research & promotion and quality control of walnuts produced and handled in California. The amendment would revise Marketing Order sections 984.50 (Grade, quality and size regulations), 984.51 (Inspection and certification of inshell and shelled walnuts), and 984.52 (Processing of shelled walnuts). The revised authority will remain in place, subject to regulations the CWB can implement in the future, as necessary. The amendment requires conforming changes to include a new mechanism for assessment collection (§984.69) and provision for the application of fees for late payments, which revises the definitions of § 984.12 substandard walnuts and §984.32 to certify. Conforming changes will remove sections §984.450, §984.451 and §984.452. If implemented, the proposal will better align the Order to market driven practices and eliminate redundancies in inspection, while reducing costs and administrative burden for handlers and the CWB.

The current industry practices authorize the CWB to conduct quality control (§984.50), inspection (§984.51, §984.52) and assessment collection (§984.69) under the program. Handlers must meet minimum grade, quality and size regulations, and all walnuts must be inspected prior to being placed into the current of commerce. Handlers are required to obtain a certificate for each inspection that includes the handler name, quantity of walnuts and date of inspection. Each handler's pro rata share of assessments is the rate of assessment as fixed by the Secretary times the kernel weight of merchantable walnuts he has certified.

Under the proposed changes multiple benefits are expected. All handlers will benefit from the modified quality control authority and removal of regulations pursuant to the mandate for outbound inspection through reduced redundancies in operational processes, associated costs and administrative burden. The proposed assessment mechanism would use receipts as reported on the annual crop acquisition report (CWB Form #1) for the application of assessment, so there would be no additional handler reporting burden. This should provide for additional efficiency for handlers. Producers are expected to benefit through cost savings/efficiencies that may result in higher grower returns. Consumers already benefit from

quality California walnuts that surpass USDA grade standards, and consumers may also benefit through improved pricing resulting from reduced handler cost of goods.

The cost of inspection to the industry is \$6 MM annually, which is based on the Dried Fruit Association of California (DFA) figures for the 2020 crop. DFA is the CWB's inspection agency of record. It is estimated that modifying inspection authority and removal of regulations will provide efficiencies and reduced redundancies and cost for administrative oversight. The reduced burden on the handlers is anticipated to benefit the producer through higher grower returns resulting from decreased handler costs. Handlers across the industry have improved quality control programs over time and have made significant investments in technology and storage to ensure that quality and food safety standards not only meet, but also exceed USDA standards.

Handlers can expect a consolidation or decrease in costs as a result of the revised quality authority and removal of inspection regulations, as well as reduced administrative burden. Under the new mechanism for assessments there is no anticipated change in cost to the handler. The proposed changes to the Order have been discussed at a series of committee and full Board/Commission meetings. Industry support has been strong for improving efficiencies and saving costs.

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