

Economic Implications of the Proposal - Rachael Goodhue

Greeting.

My name is Rachael Goodhue R-A-C-H-A-E-L G-O-O-D-H-U-E.

I am a professor and department chair in the Department of Agricultural and Resource Economics at the University of California, Davis. I have worked there since 1998, after earning my Ph.D. in agricultural and resource economics at the University of California, Berkeley.

Today I am testifying to the economic effects of the proposed changes.

Direct Costs:

The inspection process costs the industry in excess of \$6MM annually in direct costs based on the most recent 20/21 marketing year. The total cost based on a 783,500 ton(s) 2020 Crop shows an estimate of Dried Fruit Association of California (DFA) inspection costs at \$6,033,577. DFA is the CWB's inspection agency of record.

This total cost was obtained as follows:

1. Obtaining an average cost per ton from DFA
2. Multiplying that cost per ton by total tons.

Variable	Value
Average cost/ton	\$7.70
Tons (2020)	783,500
Total inspection costs (average cost/ton * tons)	\$6,033,577

To reflect the impacts by product type, this total cost was separated into the cost for inshell walnuts and the cost for shelled walnuts by multiplying the total cost by the percentage of the crop sold in each form in 2020 42% of sales were inshell and 58% of sales were shelled.

2020 Inshell cost estimate = \$2,007,327

2020 Shelled cost estimate = \$4,026,250

2020 Total cost estimate (based on 783,500 tons) = \$6,033,577

Indirect costs:

Handlers will benefit from the reduced redundancies for operational processes, associated costs and administrative burden. The proposed assessment mechanism is a process that handlers currently undergo for the California Walnut Commission, which should provide for additional efficiency for handlers. Producers could benefit through cost savings/efficiencies that may result in higher grower returns.

Consumers already benefit from quality California walnuts that surpass grade standard, therefore, no negative quality implications will ensue. However, consumers may benefit through improved pricing resulting from reduced handler cost of goods.