# 6) New Witness – Bob Driver

Good morning.

My name is Robert Driver, spelled ROBERT DRIVER.

Today, I would like to speak in favor of the *Credit Back Authority* proposal. My comments will address justification points 4, 5 & 6 of the proposal.

Family History:

I am a fourth-generation walnut farmer. The Driver and Cover families have been growing walnuts since 1900 in both southern and northern California locations. For the past 70 years we have farmed in Stanislaus County. During that time, we have been both walnut growers and walnut nurserymen. Currently we are classified as small growers.

For the past 30 years, I have served the walnut industry on various boards, committees, and working groups. I am currently chairman of the *California Walnut Commission*, a member of the *CWB/CWC Joint Marketing Committee*, and vice chairman of the *CWB Production Research Committee*.

Walnut Marketing History:

First, I would like to briefly reflect upon the success of the Walnut Board and the Walnut Commission.

Before and during the Great Depression, the California walnut industry languished with grower prices trending lower each year for about 20 years. Even though walnut prices began to rebound during World War II, prices began to fall back again after the war.

By 1948, walnut growers and handlers decided that the only way to improve walnut prices was to pool their efforts and grow the walnut market. Those actions resulted in the establishment of the USDA marketing order which began to grow the walnut business through production research and marketing promotion. These activities are funded by a mandatory assessment on walnut handlers.

Then in 1987, the California Walnut Commission was established and is funded by mandatory assessments on growers. The Commission is an agency of the State of California that works in concurrence with the Secretary of the California Department of Food and Agriculture (CDFA). The CWC is mainly involved in health research and export market development activities.

These two organizations represent the interests nearly 100 handlers and 4,800+ growers spread across California’s Central Valley. The walnut industry generates $1,878,000,000 in farm gate revenue and supports some 85,000+ jobs directly and indirectly.

Industry Practices Relative to the Proposal:

The California Walnut Board is only authorized to conduct generic marketing activities for the promotion of inshell and shelled walnuts under the program. The CWB has previously developed new product formulations for handler use. However, because the CWB does not manufacture or otherwise sell, it is incumbent upon handlers to further develop and deliver new products to the market. The credit-back program would partially offset handler assessments due under the program and would incentivize handlers to support such initiatives.

I support this proposal because it provides an incentive for my handler to invest marketing dollars beneficially for the entire walnut industry.

The Elephant in the Room:

From my historical vantage point, I have observed that the richest and most stable marketplace is right here in the United States of America. Unfortunately, it has also been the place of least walnut marketing investment.

With just 4.25% of world population, we hold 20% of the world’s income. We have no trade barriers nor tariffs. We have a unified monetary system and the best transportation network in the world. Yet 66% of walnut income comes from the export market. That means that we are overly dependent upon markets that are here today and gone tomorrow.

As market conditions continue to evolve, with increases in world production and global trade issues, the need to increase domestic demand is imminent. The intent of the proposal is to encourage branded market promotion in the domestic market, while no markets are excluded, the objective is to encourage more activity domestically to grow consumption through trade and consumer activities.

Concluding Remarks:

Finally, growth of export markets coupled with increasing grower prices is a success story that has also fueled greater walnut plantings. Our reliance on the export engine has also contributed to greater price volatility. Eleven years ago, we had a short crop and for the first-time walnut prices paid to growers exceeded $1.00 per pound. The following year, we had a record crop, a financial crisis and the walnut price cratered at $0.64 per pound.

If it were not for our export markets and China’s entrance as a major buyer of California walnuts, we would have had a marketing disaster. Prices continued to advance for the next five years, reaching $1.86 per pound, by 2013. As China’s new plantings started coming into production world walnut prices began to retreat again – but not to the levels that were seen in 2008.

By 2017, Turkey and other Middle eastern countries were beginning to take up some of the slack in world market demand. Walnut prices rebounded to $1.25 per pound.

Then in 2018 the trade war hit! Grower prices crashed to $0.65 per pound. That was the year when the straw broke the camel’s back.

During this wild ride – input costs had not retreated. It is costing more to profitably grow walnuts than it ever has. Margins are thin at best.

It is this kind of price volatility that threatens our industry. We are not traders. We do not thrive on market uncertainty. We need our handlers to be profitable so that we can be profitable. We are all in this together.

I believe that this proposal supports that cooperation.

Thank you.

Exhibit – this written testimony