August 11, 2011

Clerk of the Board
California Air Resources Board
1001 I Street
Sacramento, California 95814

**Re: Comments on CARB Modified Text for the Proposed California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanism Regulation**

Dear California Air Resources Board Members:

The California Farm Bureau Federation appreciates the opportunity to submit comments on the Proposed California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanism Regulation.

The proposed cap-and-trade program will have significant impact on California’s family farms and ranches because they utilize the products and services of many of the entities subject to the mandatory greenhouse gas emission reductions. The fuel and electricity providers that provide our energy inputs and the food processors that add value to the numerous agricultural commodities grown in California will have to pass along their price increases to achieve their GHG reductions.

One of our key remaining concerns is that we believe the formula for trade exposure and emissions leakage should be reevaluated to recognize the complexity and impact of agricultural import and export markets. Food processing should be moved to the “high” leakage risk category, due to increasing competition from international and domestic markets.

Food manufacturing is located in the second Industry Assistance Factor and should be moved to the top industry assistance factor tier.  The Industry Assistance Factor is essentially the ability an industry has to pass-on carbon costs.  With low-cost competitors throughout the world, even a minimal increase in cost could displace local U.S. markets, giving more ground to domestic and international competitors.

California grows and processes approximately 90% of all U.S. processing tomatoes.  However, China is now the world’s second largest producer, nearly doubling its crop size over the past few years.  Additionally, China has tripled its processed peach exports from 2006-2010.  Any fraction increase in price will put our local farmers at a further disadvantage.

The California agricultural community is diverse and our issues span the entire journey from the farm to the fork. We appreciate your attention to our concerns from a production agricultural perspective in addition to the needs of many of our 400 commodities that require handling or processing.

Sincerely,

Cynthia L. Cory
Director, environmental Affairs