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SENATOR
ANTHONY CANNELLA
TWELFTH SENATE DISTRICT



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October 19, 2011

The Honorable Mary D. Nichols
Chairwoman
California Air Resources Board
P.O. Box 2815
Sacramento, CA 95812

RE: Food Processing Leakage Designation

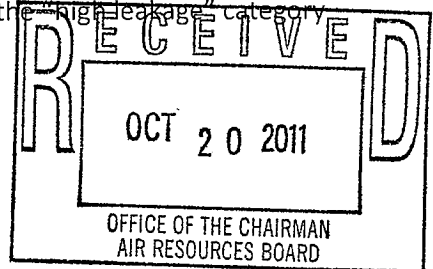
Dear Chairwoman Nichols:

I respectfully ask the Air Resources Board (ARB) to revisit its decision to classify the food processing industry in the "medium leakage" category under the AB 32 cap-and-trade proposal and consider moving the industry to the "high leakage" category. Food processing is an extremely important industry in California, but it has limited ability to mitigate increasing costs and is extremely susceptible to domestic and international trade pressures.

The "medium leakage" category does not properly recognize the increased cost pressures foreign competitors have been exerting on California food processors in recent years. For example, canned peach imports from China have more than tripled between 2006 and 2010, reducing already small profit margins for food processors in our state. Any future attempts to pass along costs generated by AB 32 will most likely result in job losses and decreases in economic production for the industry as foreign competitors like China enjoy generous subsidies and low production costs.

As a \$50 billion industry in California, food processing is an integral component of the Central Valley's economy. It complements California's \$35 billion agriculture industry well, processing millions of tons of raw fruit, vegetables, nuts and dairy products annually. However, foreign competition in recent years has grown and caused many farmers and processors anxiety. With more than 3,000 food processing plants calling the Central Valley home, more needs to be done to ensure the industry can compete with foreign companies and continue to bring revenue back to the state.

Furthermore, because California's food processors have voluntarily taken measures to reduce greenhouse gas emissions and reduce energy use, ARB regulations should reflect their positive contributions to the environment and the agricultural industry. Reclassifying the food processing industry under the "high leakage" category would incentivize them to continue their efforts.



For these reasons, I respectfully request the ARB look again at its decision to categorize the food processing industry under the "medium leakage" category classification. If you have any further questions, please feel free to contact me.

Sincerely,



Anthony Cannella
State Senator, 12th District