

CALIFORNIA LEGISLATURE

Joint Informational Hearing

Senate Committee on Agriculture

Senator Cathleen Galgiani, Chair

and

Assembly Committee on Agriculture

Assemblymember Anna Caballero, Chair

Initiative to Establish New Standards for Confinement of Certain Farm Animals; Bans Sale of Certain Non-Complying Products (#1823)

State Capitol, Sacramento

June 19, 2018

ASSEMBLYMEMBER ANNA CABALLERO: Good morning, everyone. I want to welcome you to the Senate and Assembly Agricultural Committees' joint informational hearing on Initiative Statute No. 1823 regarding new standards for confinement of certain farm animals, ban sale of certain non-complying products.

My name is Anna Caballero. I'm the Assembly Chair on Agriculture. And I'd like to welcome you to this joint hearing.

Pursuant to section 9034 of the Elections Code, the Legislature is required to hold public joint informational hearings on measures that qualify for the ballot. Today's hearing serves to meet this statutory requirement.

I would like to remind everyone in attendance today that the committee hearing is only informational and this committee has

no authority or power to make changes of any kind to the proposed proposition. The successful passage or failure of this issue rests in the hands of all California voters.

That said, I'm looking forward to an informative discussion that will examine the current state of farm animal confinement. It is my intent that this hearing examine information necessary to best inform the public of the initiative's content and provide a forum for public discourse.

For those of you interested in testifying during the public comment period of the hearing, please sign up with the sergeants. I'd also ask that public comment be limited to one minute per person so that all voices may be heard today. And we expect senators and assemblymembers to come in and out, but we're ready to proceed today.

So if we could, I'd like to ask panel number one, which is Overview by the Legislative Analyst Office, Shawn Martin, Principal Fiscal and Policy Analyst. Welcome.

MR. SHAWN MARTIN: Thank you very much for inviting me here today. My name is Shawn Martin. And I will be speaking from a handout. And so first, I'm going to go over the LAO role in the initiative process, and then I'm going to provide you with some background information relative to the initiative. Then I'll go over the proposal and briefly describe our estimate of the fiscal effects.

So if you turn to page one in your handout. Our role in the

initiative process is different than the role that you typically see us play in front of budget subcommittees and policy committees where we . . . In those settings we often make recommendations.

With regards to the initiative process, state law requires our office, along with the Department of Finance, to prepare an impartial fiscal analysis of each initiative, and the law requires this analysis to provide an estimate of the measure's fiscal impact on state and local government. The summary of the fiscal impact is included on petitions that are circulated for signatures for the initiatives.

And after we complete that process, we do an analysis of the measure, an impartial analysis for the statewide ballot propositions for the statewide voter information guide. The analysis includes a description of the measure and the fiscal effects. And we're currently in the process of preparing that analysis for initiatives that have qualified or have a reasonable chance of qualifying for the 2018 ballot.

So consistent with our mandate to provide an impartial fiscal analysis of the statewide ballot propositions, today I'm really limiting my comments to a description of the measure and its fiscal effects.

So if you'll turn to page two in the handout where we give some background information. California leads the nation in agricultural production; but California also buys some food from

other states, including most of the eggs and pork that Californians eat. Recently, there has been growing public interest in farm animal production practices and how these practices affect the treatment of animals. And various animal farming industries have produced guidelines and best practices aimed at improving the care and handling of farm animals. And also, some major food retailers and restaurant chains and other major food-related businesses have announced that they're moving towards requiring their suppliers to provide the animals with more space to move around -- for example, by only purchasing eggs from farmers who use cage-free housing for hens.

A bit of background on previous propositions. Proposition 2 generally prohibits California farmers from housing pregnant pigs, calves raised for veal, and egg-laying hens in cages or crates that do not allow them to turn around freely, lie down, stand up, and fully extend their limbs. And under Proposition 2, any person who violates the law is guilty of a misdemeanor.

Following up on Proposition 2, the Legislature passed a law that made it illegal for businesses in California to sell eggs, including out-of-state farms, produced from hens housed in ways that do not meet Proposition 2's egg-laying -- standards for egg-laying hens.

And now if you'll turn to page four in the handout, I'm going to go over the proposal. This initiative, the requirements would be phased in over the next several years; and

the requirements are regarding the minimum size of housing used for egg-laying hens, breeding pigs, and calves raised for veal. The requirements generally specify the minimum amount of floor space that must be provided to each egg-laying hen, a breeding pig, or a calf raised for veal in terms of square inches or square feet.

The measure would make it illegal for businesses in California to sell eggs, pork, or veal that were produced from animals housed in ways that do not meet the measure's requirements. The sales ban applies to products from California and out of state. A violation of the proposition would be a misdemeanor. And the California Department of Food and Agriculture and the California Department of Public Health are required under the measure to promulgate regulations to implement the proposition.

And now turning to page five, I'm going to conclude by going over the fiscal effects. Compared to current practice used by some farmers, the proposition would require more space and also alternate methods of housing for breeding pigs, calves raised for veal, and egg-laying hens, potentially resulting in higher production costs. To the extent that these higher production costs cause some farmers to exit the business or otherwise reduce their overall production and profitability, there could be reduced state and local tax revenues. The potential decrease in state and local tax revenues from farm businesses is likely

not to exceed the low millions of dollars annually.

And another potential fiscal effect: state costs ranging up to \$10 million annually to enforce the measure. The Department of Food and Agriculture would likely require additional resources to enforce the provisions of the proposition that establish requirements regarding the minimum size of housing used for egg-laying hens, breeding pigs, and calves raised for veal and make it illegal for businesses in California to sell eggs, pork, or veal that were produced from animals housed in ways that do not meet the measure's requirements.

So that concludes my overview for the day. I'd be happy to answer any questions you have.

ASSEMBLYMEMBER CABALLERO: Questions of Mr. Martin? I have one question and that . . . The report, your report indicates that a -- I was looking for the exact -- that most of the eggs and pork that Californians eat are produced in other states.

MR. MARTIN: Uh-hmm.

ASSEMBLYMEMBER CABALLERO: So if we're talking about a majority, or most of the eggs and pork, and that product ends up -- if this proposition passes and the product ends up in California, how would Cali . . . How would our regulatory agencies determine that the product was grown pursuant to our rules and regulations as opposed to any other state's rules and regulations?

MR. MARTIN: So that's where our estimate of costs ranging

up to \$10 million for the California Department of Food and Agriculture come in. And we had discussions with that department regarding what they would need to put in place in order to enforce the measure. And they said that they would need to have a system in place, potentially a licensing and registration system, for out-of-state providers -- or out-of-state farmers who provide these products to California so that they would actually be able to verify that the products came from sources that meet the proposition's requirements.

ASSEMBLYMEMBER CABALLERO: And the proposition's requirements say that any sale . . .

MR. MARTIN: Uh-hmm.

ASSEMBLYMEMBER CABALLERO: . . . of product. So theoretically, if people left the state to buy product for their own use, they could purchase it from anyone out of state and bring it in for their own use, but not purchase -- but it regulates the purchase of product by California retailers, I guess, is the point. The point I'm trying to get to is that this is going to increase the cost for everyone in the state, as well as CDFA to actually do the regulation.

MR. MARTIN: It will increase costs for the California Department of Food and Agriculture to regulate the industry and make sure that it's complying with these requirements, yes.

ASSEMBLYMEMBER CABALLERO: But it would also increase the cost for consumers?

MR. MARTIN: I think that we're still working on our ballot [inaudible], and we're going to be very careful about not going beyond what we've already said in our title and summary at this point.

ASSEMBLYMEMBER CABALLERO: Okay. Okay. Questions?

ASSEMBLYMEMBER DEVON MATHIS: So to get into that portion of the conversation, I'm going to make sure I'm understanding you right. So this would allow California Food and Ag to license out-of-state farmers to sell product within the state?

MR. MARTIN: The measure doesn't specifically speak to how the California Department of Food and Agriculture would enforce the measure with regards to out-of-state farmers. But in discussions with the California Department of Food and Agriculture that we had when we came up with this estimate of their costs, they indicated to us that they've done this type of activity in the past and that they estimated that they would need additional staff, additional information technology resources, and potentially new resources for their border inspection stations in order to enforce the measure.

ASSEMBLYMEMBER MATHIS: Okay. And then do you have the number on the signature count on how many were paid versus unpaid on the signature gathering?

MR. MARTIN: I don't have that information, no.

ASSEMBLYMEMBER MATHIS: I'd love to know that number.

ASSEMBLYMEMBER CABALLERO: Other questions? Yes,

Ms. Aguiar-Curry.

ASSEMBLYMEMBER CECILIA AGUIAR-CURRY: Yeah. Thank you very much for the information. So a couple things is that -- in your estimate of costs, are opportunity costs included, such as if we have businesses leave the state of California or stay in the state of California? I'm concerned about the cost ultimately to the consumer, because it will be passed on to them.

So for instance, I don't know if you have any data or you will be putting anything in your analysis, is the fact that we are now looking at our . . . We'll use the chickens for the discussion. Larger cages, larger barns to accommodate, I mean, all those kinds of things are not factored anywhere. Do we have that factored anywhere at all for the cost ultimately to the consumer? Because this particular chicken, many of my people eat. And as the price goes up, you know, we want to make sure everyone's fed. But the price is going to go up. So I'm just interested if that was factored into any of your numbers.

MR. MARTIN: Well, we did take into account that potentially farmers in California could choose to reduce, you know, their operations; and this would have an effect on state and local tax revenues.

With regards to the question that you're asking me about increased cost to the consumer, as I said before, at this point we're fairly limited to speaking to just the analysis that we've done so far for the title and summary. But the measure does

require that both out-of-state and in-state farmers meet these production costs. So someone . . . Whether you're bringing the pork, the eggs, the veal in from out of state or it's being produced here in California, all the farmers would have to meet the same standards.

ASSEMBLYMEMBER AGUIAR-CURRY: So we're asking other states to meet the California standards?

MR. MARTIN: If they want to sell their -- if those farmers want to sell their products in California, yes.

ASSEMBLYMEMBER AGUIAR-CURRY: Thank you.

ASSEMBLYMEMBER MATHIS: So the . . .

ASSEMBLYMEMBER CABALLERO: What we know is that a majority of the veal and the eggs that come into California that get consumed by Californians are produced out of state. So yes, we're asking them, if they want to sell in our state, to meet the requirements of this proposition if it passes.

And my concern is that we already have increased requirements on eggs, and I've seen the difference when I've traveled to other states. And they're sometimes as much as half the cost. No question that it's good for the animals. I'm just talking about the economics of it right now. So . . .

Mr. Mathis?

ASSEMBLYMEMBER MATHIS: I'm just . . . This is going to go after folks in agriculture who are raising these animals. But I mean, on a consumer basis, what's going to stop, you know,

somebody from going online or ordering a steak from a magazine or something like that? I mean these things happen on a regular basis. I mean people nowadays are ordering fresh food off of Amazon. So I mean, how is Food and Ag with an increase of a \$10 million budget -- I mean what do you foresee them being able to do on that? I mean, they're going to regulate the internet and watch every single buy in every mail order state that goes through? I mean, I don't see the practicality in doing that. I think we're just wasting money to regulate something that's going to be done regardless. I mean from a regulation standpoint, I mean how are they going to do this?

MR. MARTIN: You know, when we talked to the Department of Food and Agriculture, they were in the -- they're still figuring out how they're going to enforce this measure. And I think they, too, were pondering a number of issues, like the one that you just raised and how they could effectively enforce against some of the types of issues that you just raised.

ASSEMBLYMEMBER MATHIS: I'd [inaudible] we have many laws that are on the books that I have trouble with enforcement. So I don't . . . It's hard to say let's get behind another one.

MR. MARTIN: Uh-hmm.

ASSEMBLYMEMBER CABALLERO: Well, the other issue, obviously, is that we're being sued right now by other states on this very issue we're talking about, which is: can we regulate their businesses or their business practices through our own

regulatory process? So obviously, that's probably something the courts are going to have to decide in terms of constitutional issues.

But are there any questions for this gentleman? If not, we'll move on to our second panel. Thank you very much. Appreciate your overview.

Panel number two is Crystal Moreland from the Humane Society of the United States. Welcome.

MS. CRYSTAL MORELAND: Good morning, Madam Chair and members. Thank you for allowing me to testify in front of the committee about the importance of Prevent Cruelty to Farm Animals Act. In 2008, California voters overwhelmingly approved Proposition 2 with nearly 64 percent of the vote, establishing that hens, pigs, and calves statewide must be able to stand, lie, turn around, and extend their limbs, with an effective date of 2015. Two years later, in 2010, the California Legislature enacted AB 1437 to apply Prop. 2 standards to eggs sold statewide regardless where they are produced.

Although many producers invested to convert their operations to cage free after the passage of Prop. 2 to properly be in legal compliance, others pushed for a disingenuous interpretation of the law to keep hens in cages. Furthermore, in the decade since the passage of Proposition 2, the marketplace in states such as Massachusetts have adopted even stronger food safety and animal welfare requirements. The

measure will simply insure that California isn't lagging behind.

The only legal means to modify Prop. 2 is via a ballot initiative, which the proposed Prevention to Cruelty to Farm Animals Act properly does. This measure would upgrade current animal cruelty and food safety laws to insure that calves raised for veal, egg-laying chickens, and breeding pigs are given more space, including cage-free conditions. It would also insure that veal, eggs, and pork sold in the state meet this modest animal welfare and food safety requirement.

More than 660,000 California voters have signed the petition in order to qualify this measure. The initiative is backed by a large coalition of leading national and state animal protection nonprofits, food safety and consumer organizations, as well as hundreds of California veterinarians. Key egg producers are also backing this new measure, recognizing that good business and better treatment of animals are in alignment. Since the passage of Prop. 2, 300 major food retailers have committed to phase in cage-free purchasing practices. This movement of 90 percent of the food retail sector demonstrates our ideas are solidly in the mainstream and practical forum of food procurement and sale perspectives.

We recognize the transition to cage free cannot suddenly happen in 2025, which is the date that a large number of retailers choose as the deadline for their commitments. Farmers need to build new housing systems year by year in order to

convert the entire egg industry to cage free by that date, given the magnitude of this conversion and the billions of dollars that must be invested. Some major food retailers, such as Costco, Compass Group and others, have made cage-free pledges that are much sooner to take effect, and they are in need of farmers who have made investments in cage-free systems to fill their shelf space. That's what our new California ballot initiative does. This proposed measure would upgrade the law by triggering a shift towards cage-free housing systems for egg-laying hens, veal calves, and breeding pigs. The transition for egg producers will happen over a multi-year and multi-step period to insure an orderly transition to cage-free systems.

California has already been a leader in the production of cage free. However, in order to have a thriving, growing industry in California, there has to be certainty for producers. If they are implementing new practices, which is the way the market is growing, they need certainty that they will be able to sell their eggs, pork, and veal from these systems so they can have a plan and invest appropriately. It will also insure that California will have a competitive edge in supplying the enormous burgeoning cage-free market.

Time and time again, we've seen that voters learn the truth about factory farming and its strong relation to food safety; and they are ready to embrace a new vision for agriculture, one that enshrines their ethical values and principles. Our current

polling shows the favorability for California voters of this measure at a staggering 72 percent of both Democrats and Republicans. These days it's hard to find any issue with such a widespread bipartisan support.

California has long been a leader in innovation and creating change that the rest of the United States strives to follow. Passage of this ballot initiative will stand true to that record. A win with this proposition on election day will be good for animals, consumers, and farmers trying to do the right thing. Thank you. And I'd like to defer the rest of my time to Dr. Jim Reynolds, who is a farm animal veterinarian and endorser of this measure.

DR. JIM REYNOLDS: Welcome and thank you, Madam Chairman. Thank you for the opportunity to speak in support of the act. My name is Jim Reynolds. I was raised on a dairy in San Diego, quite a while ago. I graduated from U.C. Davis Veterinary School in 1982 and have practiced bovine medicine in several areas of California in private practice. I completed a residency with the California State Health Department and was chief of service for dairy production medicine for U.C. Davis Veterinary School for 12 years in Tulare.

I am currently a professor of large animal medicine and welfare for Western University Health Services College of Veterinary Medicine in Pomona, California. I've worked internationally in livestock production, humanitarian aid, and

animal welfare. My background includes, I have chaired the American Veterinary Medical Association and the American Bovine Association of Bovine Practitioners Welfare Committees. I'm currently a member of the California Veterinary Medical Association Welfare Committee. And I am board certified in the specialty area of animal welfare.

I believe that when we use animals for our purposes, including raising them for food, we have responsibilities to the animals. We must provide them with good lives and provide basic common sense principles. These basic needs include, among other things, enough space so they can move, exercise, socialize, and express typical behaviors. This is sometimes called the social contract we have with animals.

The salient parts are sows, hens, and veal calves are all sentient, intelligent animals that have emotions and feelings. These animals have behavioral needs that include the need to socialize, groom, exercise, and express other species-typical behaviors. The science of animal welfare is very clear that these animals need more space than gestation crates, poultry cages, and veal crates allow. Animals confined in these small spaces demonstrate stereotypies, boredom, and have increased rates of metabolic and infectious diseases. Gestation crates, poultry cages, and veal crates are not there for the benefit of the animals but the ease of management of the producers. Confinement of animals in these spaces that do not allow them to

move or socialize is inhumane. The act will provide a compromise between what animals involved want and need and what commercial livestock production wants to provide.

I think we'll take questions.

ASSEMBLYMEMBER CABALLERO: Ms. Aguiar-Curry.

ASSEMBLYMEMBER AGUIAR-CURRY: Thank you. A couple of questions. So you wrote Prop -- we had Proposition 2, and you wanted cage-free housing. Why did you not write Prop. 2 to require cage-free housing then?

MR. KURT ONETO: Sure, Assemblymember, Kurt Oneto on behalf of the coalition in support of the initiative. You know, this is an incremental process. Prop. 2 was, I think, the first in the nation of its kind. And so it's sort of incremental in terms of phasing in and not trying to be too drastic in terms of the producers' costs. So it's a step-by-step approach. It makes it easier both for the producers to handle and, in addition, for the market to adjust as well.

ASSEMBLYMEMBER AGUIAR-CURRY: So we required farmers to upgrade at millions and millions and millions of dollars. So we have this next phase coming in. What's it not . . . How can I be guaranteed you're not going to come back in a couple of years and require more regulations on our farmers?

MR. ONETO: Sure. Well . . .

ASSEMBLYMEMBER AGUIAR-CURRY: Because you just said it was phased in. So is this the end of phases or will you have more?

MR. ONETO: This measure, at least for hen confinement, the ultimate -- the end result is that it adopts the industry standard as the final sizing requirements for poultry cages. So it's whatever is in the industry's sort of best practice. That's what the initiative requires. So it moves over to what the poultry industry has determined to be the most appropriate housing standards. That's in the initiative. It's the 2017 United Egg Producers animal husbandry guidelines.

ASSEMBLYMEMBER AGUIAR-CURRY: I just . . .

MR. ONETO: So it's . . .

ASSEMBLYMEMBER AGUIAR-CURRY: I don't want to see this getting out of control. I mean, you know, I understand -- I'm all for making sure things are humane. But I also have to go back to the cost to the farmer, the cost to the economy, the cost to my consumers. And I got to tell you, I really worry about my consumers, if there's anything. A lot of my people are on limited income, and chicken is one of the top products that they eat. And so every time something goes up, everyone says the state of California is so expensive, you know. This is just one of them. And . . .

MR. ONETO: Sure. Crystal, do you want to talk about cost?

MS. MORELAND: Yes. So the initiative only covers eggs.

ASSEMBLYMEMBER AGUIAR-CURRY: Right.

MS. MORELAND: So, shell and liquid eggs. And with companies like McDonald's and Walmart making these conversions,

that really specialize in keeping prices low, there's been a lot of studies done in what the cost transfer to consumers would be -- and that ranges about 1 to 2 cents per egg that consumers would have the impact of.

ASSEMBLYMEMBER AGUIAR-CURRY: I find that so hard to believe. I don't know if you've been in to buy eggs recently, but they've gone sky high. So anyway, okay. Thank you.

ASSEMBLYMEMBER CABALLERO: Well, and it's not just -- it's in comparison to states that don't have the same regulations. The difference is fairly significant.

Mr. Mathis?

ASSEMBLYMEMBER MATHIS: Yeah. I mean how many more phases do you guys have?

MR. ONETO: Well, again, Assemblymember Mathis, this can only be changed by the voters. So you know, it . . .

ASSEMBLYMEMBER MATHIS: I understand that.

MR. ONETO: It doesn't take, you know . . .

ASSEMBLYMEMBER MATHIS: [Inaudible]

MR. ONETO: That won't be -- you know, that slows the process.

ASSEMBLYMEMBER MATHIS: And that's why the proposition . . .

MR. ONETO: I'm sorry.

ASSEMBLYMEMBER MATHIS: You said you have a plan to phase in. So what is your ultimate goal?

MR. ONETO: Well, we started with, as you . . .

ASSEMBLYMEMBER MATHIS: You could have wrote this into Prop. 2, and you didn't because you wanted to move incrementally. And you've cost industry in California over \$250 million. You've increased the cost of eggs, which has a net increase on other state budgets, not just Food and Ag. But I mean, you also have to look at the number of . . . You know, our programs like WIC and CalFresh give eggs to families who are in need, which is then another incurred budgetary, you know, for the state. We have to eat that cost.

And so, I mean, does the LAO -- I should ask this question with the LAO. LAO, do you have any numbers on the increased costs for the WIC programs or CalFresh and numbers on how many families are getting eggs and the increased cost to the state there?

MR. MARTIN: Shawn Martin, Legislative Analyst Office. I don't have that information available to me right now to share with you. I know that they -- that included in the measure there is a provision that, as I understand it, that would require that the measure supersedes the requirements on -- is it the supplemental nutrition program? But as for how much this would potentially increase cost for the programs that you just named, I don't have an estimate.

ASSEMBLYMEMBER MATHIS: Okay. I ask that because in my district we -- you know, 56 percent of my district is on some kind of social aid or Medi-Cal or something like that. And, you

know, the average income is under 35,000 a year. So as we go to increase these things -- and we're having a hard enough time insuring that families can literally feed their families versus having to make other choices on, you know, how much gas to put in their tank. And so, you know, here we are with another phase that could have been written in before. I just have a hard time seeing how families can digest all these increases. So . . .

MR. ONETO: Assemblyman Mathis, maybe I can elaborate on that. I think in 2008, there was much more disagreement between animal welfare groups and agriculture industry in terms of the proper -- or, you know, the confinement standards for animals. We've moved to a point now where in the initiative we adopt the United Egg Producers animal husbandry guidelines. So I think we've reached a point in that, sort of, in this phase in the process where there is actually agreement between animal welfare groups and producers of what the proper standards are. And I think that's a great development, frankly.

ASSEMBLYMEMBER MATHIS: But as you all just testified, the market's already doing this. You just said Costco's already adopting this. So if the market's already doing it on their own, what's the need for a measure?

MR. ONETO: To insure that there's no outliers in the market -- (excuse me) -- that all animals have the proper protections.

ASSEMBLYMEMBER MATHIS: So we're more concerned . . .

ASSEMBLYMEMBER CABALLERO: Well, the other thing is to set a

date, right? I mean, that's what it does is it . . .

MR. ONETO: It does. That's correct.

ASSEMBLYMEMBER CABALLERO: . . . it reaches a date. And I think it's significant that there's agreement. My concern -- and we'll hear from the opposition -- is just whether the date works. I've had an opportunity to do ag tours all over the state of California, and I've had an opportunity to visit the farms. And I don't think there's disagreement about getting to this new standard. The question is amortizing the cost over time and then getting enough -- having enough time to actually move the equipment out and bring in new and have it line up with when the hens are producing from the hen perspective. So . . .

MS. MORELAND: An important part that I hear from farmers who are looking to make these investments -- because they know the writing's on the wall. Prop. 2 was 13 years ago that this was -- this idea was adopted. And going back to what I said about providing certainty, banks need to understand that they also have -- that they're making the right investment to these farmers in loaning money, and that they're loaning money to something that is going to be bought by consumers, and that is going to be the mainstream idea. So it also does provide certainty for those financial institutions that want to help them upgrade.

ASSEMBLYMEMBER MATHIS: We're bound by consumers because, I mean, this is a vital part of our diet. This is the reason why

WIC and CalFresh cover things like eggs under the program. So they're going to be bought because consumers won't really have any other choice. You know, other people up here on the dais might be okay with the increased additional cost to farmers and having to loan more money to them and everything else. And I'd like to see them prosper as it is. And I'm more concerned about, you know, money for the families that are out there struggling in California's over-regulatory system, as it is, for trying to provide for their families. And I just don't see how one more phase, as you all put it, is going to help families at the end of the day. Because we have too many families struggling as it is now.

And from a state budgetary standard, I mean, yeah, we just passed the largest state budget in history. There are so many programs that already got overlooked. And your measure is going to increase a burden on the state, and it's going to increase more regulatory markups. And we already have people that are struggling. So I mean, how is this going to help families out there that are struggling to get by?

MR. ONETO: Assemblymember, I think our studies show that the cost is about 1 to 2 cents per egg. We feel that's a [inaudible] welfare.

ASSEMBLYMEMBER MATHIS: Yeah, 1 to 2 cents per egg, on top of 12 cents a gallon increase, on top of everything else, my friend.

MR. ONETO: This measure doesn't cover those other items, so we won't take credit or blame for those. But the cost is minimal in terms of the -- in terms of implementing this measure.

ASSEMBLYMEMBER CABALLERO: So Mr. Levine, you had a question?

ASSEMBLYMEMBER MATHIS: Yet another increase.

ASSEMBLYMEMBER MARC LEVINE: Sure. Yes. Thank you very much. And I thank you all for participating. This is great that we're able to have these hearings on these ballot initiatives.

I think that Prop. 2 in 2008 certainly moved the conversation. It was imperfect, and we've worked as a legislature to make it work for California. And perhaps you learned a little bit from that in your approach here. But I think, as you've heard in the conversation that we've had, there are a lot of issues that we deal with in the Legislature and we try to, you know, consider when we're making laws. And here you are using the initiative system to advance something when you actually could work with the Legislature to pass laws to get to the same effect that you wanted. Why would you go ahead and use the initiative system rather than actually being an advocate and working to pass laws?

MR. ONETO: Sure. I think I might be able to address that. Proposition 2 covers the same animals and, again, in more of

a -- as I think you mentioned, Assemblymember -- as sort of the first step. There's no provision for legislative amendments.

ASSEMBLYMEMBER LEVINE: [Inaudible] said it was the first step.

MR. ONETO: Yeah. Oh, I'm sorry. Okay. There's no provision for amendments in this initiative by the Legislature for animal protection, so there is a need to have an initiative to modify these standards.

ASSEMBLYMEMBER LEVINE: And secondarily, how much extra money did your organizations raise in 2008, and are you anticipating raising -- doing it again 10 years later?

MR. ONETO: I don't have those numbers how much was raised, but that information's publicly available in the campaign reports on the Secretary of State's website.

ASSEMBLYMEMBER MATHIS: Since the LAO was unable to answer, how many of the signatures were paid versus unpaid?

MR. ONETO: So we . . . I don't have the exact breakdown, but I do know anecdotally that this campaign had more volunteer signatures collected than any other measure that will appear on the ballot in November 2018.

ASSEMBLYMEMBER MATHIS: And how much money did you guys spend on collecting signatures?

MR. ONETO: That is all publicly reported at the Secretary of State's website. That information can be found there.

ASSEMBLYMEMBER MATHIS: So I got to Google it -- or are you

going to give me the answer?

MR. ONETO: No. The California Secretary of State has that information on his web page.

ASSEMBLYMEMBER MATHIS: Yeah. I can ask Siri right now, but I'm asking you.

MR. ONETO: Oh, I don't have the number right in front of me. I would do the same thing. I would go to the Secretary of State's page and look as well. It's available to the public to look at.

ASSEMBLYMEMBER MATHIS: Yeah. Thank you.

ASSEMBLYMEMBER CABALLERO: Any other questions? Thank you very much. Appreciate your time.

Panel number three is John Bidell, JS West, egg producer; and Bradley Miller, the Californians Against Cruelty, Cages and Fraud Campaign. Welcome.

MR. JOHN BIDE LL: Good morning. And I want to thank the committee for allowing me to speak today. My name is John Bidell, and I work for a 109-year-old family farm in Modesto, California, that raises chickens. And I am a third-generation chicken farmer, which my 78-year-old mother still does today. So I am very passionate about this issue. And I know it's going to be hot today, and I got to get back to work and make some eggs, so I've kept my comments written so I stay within my timeline. But there will be some passion.

This initiative is another poorly written and ill-advised

attack on the egg industry only three years after complying with the nation's strictest housing standards for chickens, Proposition 2. California egg farmers just spent \$250 million, and the state lost the production of 7 million laying hens, forcing consumers to buy more expensive out-of-state eggs.

The local farm-to-fork movement took an arrow in the leg January 1, 2015, not to mention the jobs that were lost in the state and money that transferred directly into the Midwest egg farmers' pockets. Already limping from the last fight, now the same battle once again -- this time guaranteeing the death of even more family farms and less local food produced by Californians for Californians.

Animal wealth -- sorry. Animal welfare and health is everything to the chicken farmer. Most consumers have never been on a farm, much less understand the science of animal behavior. HSUS uses emotions and ignorance to get policies like this passed but never think about what this means to local, state, and national economies and our ability to provide locally grown products.

The egg industry has been moving towards cage-free production for decades. Major retailers/restaurants have made commitments to cage-free only eggs. They've been working directly with egg farmers, planning so supply and cost to consumers would be manageable -- 2025 has been the target date. And now, for some arbitrary reason, this needs to happen three

years ahead of schedule. Three years may seem insignificant to most people, but the time necessary to build barns in this state with all the land use requirements is absolutely daunting.

So another \$250 million will be spent. Twenty-one percent of this state's cage layers will be sent out of state. And the major problem here is the timeline. ACEF, the Association of California Egg Farmers, are family farmers that have fed Californians for generations. The once largest egg-producing state in the nation is again being systematically whittled down through ill-designed initiatives like this. ACEF has always strived to provide Californian consumers with wholesome, affordable food.

The accelerated 2022 date will hurt the most economically challenged Californian families. The responsible course of action would be to recognize what major retailers and consumer trends have already planned for -- use a 2025 date. Stop forcing more economic burden on the state because one vocal group has misinformed people who do not truly understand all the issues.

How much will this cost? Will the lowest-income Californians have to bear the burden once again before we see the real problem here? Okay, in a perfect world, we would all live on small farms and produce our own food. Initiatives like this would never be considered. The reality is much different. Forty million hungry Californians depend on family farms and

expect value for their hard-earned dollar. This initiative will increase the cost of food, the cost of agricultural enforcement. Jobs will be lost or moved to other states. Tax revenue will be lost -- and so will local farmers.

HSUS and their allies wrote Prop. 2. California farmers have spent hundreds of millions of dollars to comply and several million dollars annually to enforce. And what is the result: higher prices for poor Californians, less California-grown eggs, expensive lawsuits. And now they're back. We oppose and encourage you all to oppose and find a reasonable alternative. Thank you.

MR. BRADLEY MILLER: Madam Chair, members, thanks for this opportunity. My name is Bradley Miller. I'm a spokesperson for Californians Against Cruelty, Cages and Fraud. We are the ballot committee that will be primarily charged with opposing this initiative, which we refer to as the "rotten egg initiative." We will head up the "No on Proposition whatever-number-it-winds-up-getting."

I'd like to point out that there are really closer to three sides of this issue. We could say there's two sides, but there's actually three sides. There's the HSUS position that believes that what they said about Proposition 2 should be completely ignored, that California should not be cage free in the year 2015; but rather, we should explicitly keep cages legal in the state for a certain number of additional years. HSUS

believes that the guidelines of United Egg Producers should be inserted into California state law.

The egg industry agrees with them on those primary points. We disagree with both the egg industry and HSUS on those points. The discrepancy seems to be almost nonexistent. The reason . . . Now, in their presentation, they meticulously avoided saying anything specifically, specifically about the content of the initiative that they would like to create as state law. They were asked very direct questions. And I'm not going from prepared statements here. I'm going to try and fill in some of the gaps that they deliberately left open.

Senator, you asked -- in no particular order, you asked for -- was this truly a volunteer-based effort. If you look at their rhetoric, this was the greatest volunteer effort, that they surpassed all their expectations. Throughout their campaign, there were volunteers leaving in droves as they found out what this -- the content of this measure did. They themselves admitted all along the line that they were well behind in their signature gathering campaign -- that they had intended to do this through volunteers.

To the best of our ability, the numbers that we have, based on the numbers published by the proponents themselves, it appears that there were, as they said -- they did say one thing correctly -- that there were about 664,000 names gathered. Apparently only 164 - approximately -- thousand were gathered by

volunteers. The remainder were from paid signature gatherers, the vast majority of which were paying a bounty per signature.

So what troubles us is not simply that they were paying for the signatures, it's that they were misleading people while they were gathering those signatures. This is one of their key pieces of campaign material right here. And as you can see, it says, "Vote yes to prevent cruelty in California" -- prevent cruelty in California. And here you could see a picture of a veal crate and a calf in a veal crate. You could see a picture of a pig in a gestation crate. You can see the really compelling photos that just so happen to be taken out of state many years ago -- were the same images that they used while promoting Proposition 2. And none of these practices exist in our state. There weren't veal crates in California at the time of Prop. 2. There are no gestation crates in California now -- and haven't been for years. But they have gotten people to sign that petition based on the claim that they will be preventing these practices in California.

They were given a direct question as to why Proposition 2, if it was to ban cages, why didn't it say "this bans cages." And that's the key question. And that's why we're here today. It's not like, "Well, way back in 2008 -- oh, in those days we didn't know that if you want to ban cages you have to say in the text of the legislation 'cages'." We knew in 2008 if you want to give a hen 216 square inches or more of cage space, or living

space, that you put that into the legislation. You put that into the initiative. They made the conscious choice not to do that. They made the conscious choice of putting in very vague language, so depending on what audience they were selling this to, they could craft their argument accordingly. You don't want cages? Well, this doesn't say cages. You want to ban cages? Well, this is a de facto ban on cages.

California voters went to the polls in 2008 and overwhelmingly voted for something that they were told by both sides of the issue, by HSUS and by the industry itself, that if this measure passes cages would be banned by 2015 and they would be getting no less than 200 square inches per hen. Now, HSUS has come here today to talk about the egg industry's disingenuous misinterpretation of Proposition 2. We are one of the most fervent adversaries of the egg industry. Unlike HSUS, we have not endorsed this gentleman's facility. We did not hold this gentleman's facility up as a model for the nation like HSUS did. Now, they're not doing that today because they're flip-flopping back and forth depending on the circumstances. But we've been consistent in saying that it's the voter intent that matters here. And there's no debate that the voter intent was that there be a deadline at 2015. The disingenuous misinterpretation/reinterpretation is for the sponsors of Prop. 2 to not own up to their mistake.

Assemblyman Levine asked, why can't we settle this

legislatively? The answer is they're not -- the difference isn't simply that they want to keep them in cages 24 months longer than HSUS wants to keep them in cages. It's not simply that they want them in cages for nine years after Proposition 2 was supposed to go into effect and HSUS wants them in cages for seven years after that. With the legislation, it becomes clear. If they had been correct about what Proposition 2 said, we would not be here today. And if they were telling the truth about their present rotten initiative, we would be among the first to support it.

We're opposed to it because we believe that the voters have already spoken. Californians have already spoken. And we don't believe that California's ballot measure system should be exploited by animal-themed corporations from the East Coast that every several years or so fly into California and tell Californians how we should regulate farm animals -- not only in our state, but in other states. We basically have people from Maryland flying to California to tell Californians that they should regulate Iowa. That's what's going on here. And the reason why they are not on board with AB 3021 -- which we openly oppose, we're opposed to it; we think it should be cage free now; we think that one square foot per hen is insanely cruel -- but the reason why they aren't doing it is because the legislation is clear. The legislation -- what you see is what you get. It says, here's cages. They're legal until this date.

Here's how much space you're going to get. The reason why HSUS feels uncomfortable endorsing that -- even though they're endorsing the exact same policy, the exact same cage size in the initiative -- is that in the initiative it's buried in a bunch of other garbage, so they don't have to admit that Prop. 2 failed. They can act . . . This gentleman here said, oh, the reason why we didn't say cage free explicitly in Prop. 2 -- only every single piece of propaganda said it -- the reason why we didn't say it is because we wanted to phase it in. That is complete double talk. That's complete double talk.

Proposition 2 was a phase-in. Proposition 2 in 2008 said, we're going to give the egg industry six years to provide more cage space and eventually, in the year 2015, be cage free. That is a phase-in. That is a phase-in that many animal organizations were not comfortable with. They thought six years was too long. We thought six years was too long. However, when six years came along, lo and behold, the hens are still in cages. HSUS was told prior to submitting their ballot measure language that exactly this was going to take place. But they spent the last 10 years raising money and making heroes out of their now-disgraced former CEO, who is not here to answer the real questions that Californians have about the fraud that is taking place here. He's no longer in the picture. So we've got the new regime coming in trying to pick up the pieces.

The other thing that I want to touch on is the legislative

analyst. When you're looking at the cost, they haven't yet factored in the cost of defending this thing in court. The State of California has already spent a truckload of money defending the laws that are on the books. This is a ham-fisted overreach that is already causing tremendous blowback both in Congress and in the courts.

And in all likelihood, none of these provisions -- for those concerned about the rising cost of pork, don't worry because, ultimately, this is going to be rendered null and void. But it's going to come after a lot of costs. It's going to come after many millions of tax dollars. It's going to come after dollars from the industry that could have been used to improve conditions. It's going to come from money from the humane community that could be using that money to actually help animals.

If HSUS really . . . Oh, the other argument against the legislation that HSUS will say is that, well, the legislation doesn't do anything to protect those poor calves in crates who can't turn around. If HSUS cared about calves in crates who can't turn around, they need go no further than Southern California. We have calf farms in California where calves are tethered in crates, very similar to veal crates, where they are unable to turn around. HSUS has explicitly said no. They've refused to do anything about California animals. Instead, they're saying, we're going to let the calves in California stay

in crates, but we want to pass an initiative that's going to tell Pennsylvania veal producers that you shouldn't keep them in crates. They're okay here for California, but we're going to regulate you in Wisconsin. And that's absurd. That's absolutely absurd. It's disingenuous. They know that it isn't going to fly.

And the problem here is not simply that it's going to be rendered null and void. The problem is the damage that it's going to have on a wide array of other consumer, animal, and environmental protection laws -- because when the courts and Congress come back and gut this thing, they're not going to use a scalpel, they're going to use a cannon. And that cannon is going to destroy a lot of legislation that all of us have worked on over the years. It's going to destroy legislation that, frankly, is protecting the California egg producers in some, in many ways. All of that's going to be rendered null and void because they are so concerned with loading this up with distractions. This is a publicity stunt in search of a lawsuit. And for them, they're looking for the quick, immediate gratification. They feel like anything that has the word "farm animal" and "protect" -- if it has those words and you put it on the ballot, it's going to pass. And perhaps they're right. But this time around, it's going to face major opposition. I don't see the major opposition coming from Wisconsin pork producers or veal producers. It's the Humane Farming Association. It's

Friends of Animals. It's People for the Ethical Treatment of Animals. It's Showing Animals Respect and Kindness. It's Action for Animals. It's the vast majority of rank-and-file animal advocates that are appalled by this rotten egg initiative. And that's why we are waging this "No" campaign. Thank you very much.

ASSEMBLYMEMBER CABALLERO: Thank you very much, Mr. Miller. Any questions on this panel? Mr. Mathis?

ASSEMBLYMEMBER MATHIS: First, I want to thank John for taking the time. I got to respect any man that's got a little dust on his boots, who's actually doing it. Mr. Miller, I think your points are spot on. I sit on a legislative board dealing with interstate, and for agricultural and rural issues. And the idea of California mandating another state, I think most other statesmen and women in other states would find preposterous. And I think you're spot on to say that we're going to end up spending millions upon millions of dollars on yet another lawsuit of California fighting -- which goes into my further concern.

Mentioned earlier, in what's not in this is, you know, we talked about land use. And there's nothing in the initiative prescribing a faster EIR process to change the cage size, or a CEQA exemption, or anything along those lines. And quite frankly, in the state of California it takes over 12 years to build a super Walmart. So we have some issues here. So thank

you, gentlemen, for being here today.

SENATOR CATHLEEN GALGIANI: I have a question. There was a concern, after, well, with the introduction of Proposition 2 that some of the egg-producing businesses in California would leave the state. Are there any estimates as to what percentage of the industry or the number of farms that actually left the state? I know it was said earlier that we lost about a million egg-laying hens.

MR. BIDE LL: It's closer to seven million. And businesses, there was only a few small that actually closed. What ended up happening was the industry actually shrunk. We reduced our density, the number of hens we would have in a barn. And with that, we also lost employees. That's the saddest thing that happened.

SENATOR GALGIANI: Do we have a sense of what that percentage is? Is it 20 percent, 25?

MR. BIDE LL: Roughly 19 percent.

SENATOR GALGIANI: Okay. Thank you.

ASSEMBLYMEMBER CABALLERO: Other questions? I want to thank you both for being here today. I appreciate your testimony. And as I said at the beginning of the hearing, we don't take any action. This is just an informational hearing. But your data is really, really important. I think it hits right on the issues we're concerned about, which is the impact on our farming industry, as well as the impact on . . . I think we all want to

go in the right direction, but we've got to have time to be able to make it happen. And ultimately, it's the public that pays the prices and that actually keeps our industry going. So thank you both very much for being here. Appreciate it.

MR. MILLER: Thank you very much.

ASSEMBLYMEMBER CABALLERO: We bring it to our public comment portion of the hearing. And we only have one individual that signed up. So if you wanted to sign up, you needed to sign up with the sergeant. I ask you to do that.

Erica Sanko from the California Pork Producers Association. Welcome and thank you for being here.

MS. ERICA SANKO: Thank you. Are we on? Yes. Erika Sanko with the California Pork Producers Association. Appreciate the opportunity just to provide some short comments.

We are opposed to the initiative in its entirety. We do believe that those making decisions regarding animal care and production practices should be made by those who have the expertise and knowledge -- our farmers, our producers -- not out-of-state animal activist groups with a certain hidden agenda.

There is absolutely no scientific justification for this initiative, and there is no benefit to it for California or its citizens. It will increase food prices -- without a doubt. The majority of pork products that are imported into California -- or the majority of pork products sold in California are imported

from states where producers do not have to comply with this legislation: Iowa, Illinois, and a variety of other states. As a result, as we know, and has been discussed already, changes in production practices come at a significant cost -- and those will be passed on directly to consumers through higher retail prices. Low-income households are already struggling with higher living costs in California.

To answer a few questions very quickly: A University of Minnesota study in 2015 has shown that retail egg prices here in California since the 2015 law have increased \$70 per household. A Cornell study in 2016 and again in 2017 has noted that for retail pork purchases consumers spend 2.2 more per capita in their expenditures on pork. So if you do the math, that's over \$170 more per household will be spending on pork if this initiative passes.

If it is a taxpayer-funded program, such as WIC or SNAP, or any institutional funding, those costs will also transpire in that. So to say there are not any direct impacts on cost to consumers is incorrect. There will be. And that is the issue.

And finally, I would like to say that we do believe -- the California Pork Producers do believe that we would have seen increases in growth in our industry if it were not for these type of policies. Thank you.

ASSEMBLYMEMBER CABALLERO: Thank you very much. Is there anyone else? Going once, going twice. Thank you very much for

being here today. We really appreciate your participation. For all of you who testified, thank you very much. That concludes our informational hearing. And we will turn the mic over to Senator Galgiani because she has a hearing that follows. So thank you very much.

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