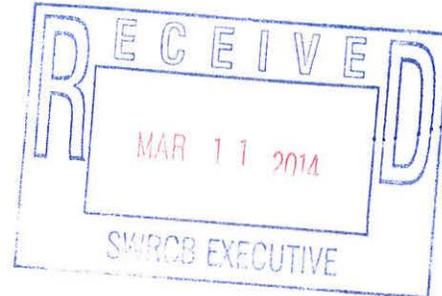


March 7, 2014

Ms. Felicia Marcus
Chairwoman, State Water Resources Control Board
1001 "I" Street
Sacramento, CA 95814



RE: SWRCB proposed reduction of surface water to agriculture both North and South of the Delta.

Dear Chairwoman Marcus:

Please take a moment to review the attached document regarding what impact a zero allocation would have on the Processed Tomato Industry. Throughout the year decisions and investments, by both growers and processors of our industry were made based upon existing state water rights and supply projections. A decision to further reduce allocations for agriculture could have long term impacts to the viability of our industry. California produces 96% of the US food supply of processed tomatoes and 34% of the world's supply. Given the current global shortage of processing tomatoes around the world, there will be a good chance that tomato products will not be available on the grocery store shelves.

The CTGA fully appreciates the current water situation and understand that difficult decisions are going to be made. We ask that all parties work together to ensure that the best data available is being used, and have an understanding that these decisions will severely impact California. These impacts will be felt in 2014 and beyond.

Sincerely,



Mike Montna
President/CEO

CC: Edmund G. Brown, Governor, State of California
Karen Ross, Secretary, California Department of Food and Agriculture
Mark Corwin, Director, California Department of Water Resources
SWRCB Members

California Tomato Industry

Processed Tomato Industry Overview and Impact of SWRCB Reducing Agriculture Allocations To Zero Percent

Industry Overview:

Processed tomatoes with a farm gate value of \$1,147,635,000 grown on approximately 290,000 acres, which will produce 13,500,000 tons of raw product. The central valley of California has a climate that produces a very consistent finished product with regards to taste and quality.

California Industry Facts:

- California is the largest producer of processed tomatoes in the world.
- California produces 96% of the Domestic supply of tomato products.
- Fresno County produces more tomatoes than any other country in the world.

The following is a list of counties that processed tomatoes are grown in by order of size:

- | | | |
|----------------|------------------|-----------------|
| 1. Fresno | 7. Kern | 13. Sacramento |
| 2. Yolo | 8. Stanislaus | 14. San Benito |
| 3. Kings | 9. Solano | 15. Santa Clara |
| 4. San Joaquin | 10. Sutter | 16. Glenn |
| 5. Merced | 11. Madera | 17. Tulare |
| 6. Colusa | 12. Contra Costa | |

There are 13 processors who operate 21 processing facilities spread throughout California. At least 50% of these factories will operate 12 months a year, re-processing products for consumers.

Many familiar brands purchase from local growers. A few are Heinz, Campbell's Soup, Hunt's, Ragu and Del Monte.

Markets:

California is the largest producer of tomato paste in the world. Approximately 22% of the California crop is exported to countries across the globe. The largest purchasers are Italy, Canada, Mexico, and the Netherlands. The majority of our crop goes to the domestic markets. Consumers eat approximately 75% of the tomato intake in the form of processed tomatoes. One acre of processing tomatoes provides 1,415 people their current annual consumption of processed tomatoes for the year. The California market has been attractive in recent years partially due to the following:

- Favorable economics due the conversion to drip irrigation.
 - Drip irrigation has reduced water requirements by 20-25%.
 - Increased yields by 10-15%.
 - Currently 80% of our industry has converted to drip in order to minimize the amount of water used, while at the same time increasing tons produced per acre foot of water.
- Consistent quality and safety for customers.

Impact on Processed Tomato Industry if SWRCB were to reduce a “zero allocation for Agriculture”

What is at risk with SWRCB implements zero allocation action?

Growers:

Based on a survey conducted during the first week of March, there are 2,855,956 tons at risk if the action were to be implemented. This represents 62,086 acres that will have insufficient water to be farmed. The areas in the state that would be impacted are not as heavily developed with well water as other parts of the Central Valley. It should be noted that given the current supply of water available, the majority of growers in these districts had already set aside acreage to be fallowed this year.

Financial Impacts:

- The 2.85 million tons represents a gross revenue of \$242,784,820 to the growers.
- The loss of 2,450 seasonal jobs and 184 full time jobs on the ranch.
- The financial impact to processors would be approximately \$997,500,000 in gross revenue lost.
- Processing facilities would operate 3 weeks less out of a 13 week on average season. This would result in fewer jobs and fewer hours for the remaining employees at the 21 processing facilities.
- **Total impact to both growers and processors \$1,240,254,820 to California’s agriculture industry with additional multiplier effects to local and rural communities.**

Market Impacts:

- If the 2.85 million tons were to not be produced, there would be no place in the world to replace this product at this time. The markets are nearing all-time prices, as the world supply of tomato products is very tight.
- Major Branded companies would be at risk of being short of product for their shelves.
 - This may bring a long-term implication for the California industry of the multi-national companies spreading the risk to purchase in other places in the world.
- Domestically the 62,086 acres would represent a total of 87,851,690 people that would not have their current food supply of processed tomatoes for the upcoming year.

Current Status (as of 2/28/14):

- All ground preparation has been completed
- Currently 5% of crop is in ground
- 50% of the crop is in the green houses and will be planted when at proper maturity
 - 95% of processed tomato crop is done through transplanting.
 - The 50% represents tonnage deliveries that will be made between the third and fourth week of August.
 - It should be noted that this does not mean that each grower has 50% of their crop in green houses. In some cases growers in impacted areas have 100% of their transplants in already.
- Growers have significant amount of expenditure in processed tomato crop at this point of the process (ground work, pre-irrigation, treatments, seed, and land costs/rents).

Compiled on behalf of the Processing Tomato Industry by Mike Montna, President/CEO, California Tomato Growers Association.