

By Ken Melban Vice President of Industry Affairs & Operations

Commission Supports Detachment for Rainbow and Fallbrook Water Agencies

n May the California Avocado Commission's executive committee took action to support Rainbow Municipal Water District's and Fallbrook Public Utility District's reorganizations. In early 2020, Rainbow and Fallbrook applied with the Local Agency Formation Commission, San Diego for detachment from San Diego County Water Authority and annexation to Eastern Municipal Water District. Rainbow and Fallbrook's purpose in detachment is to stabilize customer costs.

Within the Rainbow and Fall-brook service areas are approximately 600 growers representing 20% of California's total avocado growers. They produce about 10% of the state's crop on about 5,300 acres.

CWA strongly opposes the detachment, arguing the debt for previous project costs —which had been agreed upon by Rainbow and Fallbrook — would now be reapportioned to the remaining customers. Throughout the three-year process, upon request, the Commission provided industry data to LAFCO. Commission staff also remained engaged with growers in the Rainbow and Fallbrook service areas, along with growers in the remaining



une 5, 2023

Local Agency Formation Commission (LAFCO), San Diego Chair Jim Desmond

Re: June 5, 2023 LAFCO meeting

Agenda Item No. 6a: Proposed "Rainbow Municipal Water District and Fallbrook Public Utility District Reorganizations: Wholesale Water Services" | Concurrent Annexations to Eastern Municipal Water District and Detachments from San Diego County Water Authority with Related Actions (RO20-05 & RO20-04)

Sent via email to erica sellen@sdcounty.ca.gov

Honorable Chair Desmond and Commissioners

The California Avocado Commission (Commission) is established in state law and authorized to represent California's 3,000 commercial growers who produce avocados on about 50,000 acres. California produces 90% of total U.S. avocado production and 100% of domestic Hass production, with an average annual farmgate value of more than \$400 million.

One out of five California avocado growers farm within the Rainbow Municipal Water District and Fallbrook Public Utility District. In these two districts, approximately 600 growers produce about ten percent of the state's crop on about 5,300 acres.

For these growers, water is the highest input cost and continues to increase year-after-year. In addition, they have experienced tremendous cost increases in other areas including labor, fertilizer, and energy. All this while increasing avocado imports continue to put downward pressure on revenue.

California avocados are a highly nutritious and healthy fruit, grown locally for local consumers. The avocado groves sequester carbon, provide open green space, and serve as a hedge against urban sprawl and wildfires, all of which help to mitigate climate change. While our growers provide these environmental benefits, they also provide local jobs and generate local taxes.

If our growers are unable to pay their bills, the inevitable is obvious. When they go out of business the environmental and socio-economic benefits they provide will disappear, as well.

Currently, agricultural customers account for 60-65% of Rainbow's total water sales and 30% of Fallbrook's. Unfortunately, over the past few years, some growers have been forced to turn off their water, resulting in abandoned groves and eventual urban development. Many remaining growers are in peril. A stabilization in water rates will provide much needed relief.

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Accordingly, the Commission strongly supports LAFCO's Option One:

"Approve both reorganization proposals as submitted (no modifications) with standard conditions. No exit fees would apply given deference to the County Water Authority principal act and its silence on the topic. Approval is prefaced on prioritizing the standalone merits of the proposals and its local benefits – including direct support to agriculture in North County. Approval includes exemption findings under CEQA and subject to confirmation by registered voters within the affected territory." (LAFCO June 5, 2023 meeting; LAFCO staff 6a Agenda Report, Public Hearing: www.sdlafco.org/home/shoupublishedocument/6896/638211259312070000)

The Commission remains hopeful this process will be completed in accordance with existing law and in a timely manner. The Commission will oppose any legislative effort that attempts to circumvent the will of our growers.

Thank you for your thoughtful consideration of the foregoing.

Respectfully submitted,

Ken Melban Vice President, Industry Affairs & Operations

c: Rob Grether, Chair
Jeff Oberman, President
Michael Perricone, District #1 Board Member
Jessica Hunter, District #1 Board Member
Ohannes Karaoghlanian, District #2 Board Member
John Cornell, District #2 Board Member
Robert Jackson, District #1 Board Alternate
Charley Wolk, District #2 Board Alternate

CWA service area, such as Valley Center, Escondido, and Oceanside.

In mid-May a group of growers requested the Commission take a position supporting the detachment at the LAFCO June 5, 2023, hearing. In response, Commission staff reviewed the proposal and impact reports from Rainbow, Fallbrook and CWA. In addition, likely impacts on growers in the CWA service area but not in Rainbow and Fallbrook were considered.

After a comprehensive analysis Commission staff recommended supporting the detachment. Any action like this that may result in varying impacts across the grower base is not taken lightly. Ultimately the recommendation was based on the belief that the benefit to growers in Rainbow and Fallbrook would be significant, and the impact on remaining CWA growers would be negligible.

At the hearing Commission staff submitted a letter and provided comments, and the matter was continued until July 10, 2023, when a LAFCO decision is expected. Any LAFCO decision will undoubtedly be challenged. If the detachment is approved, it is expected to come with a multimillion dollar exit fee for Rainbow and Fallbrook.



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To contact a CAC representative, please visit: CaliforniaAvocadoGrowers.com/Commission/your-representatives

CAC Opposes BL516 Royalty Structure

he University of California at Riverside, over the past few years, has looked to privatize their varietal development program through licensing agreements. As part of this privatization, the licensing rights for BL516— an avocado cultivar developed in large part through years of Commission funding— were sold to Eurosemillas, a Spain-based company. BL516 was discovered in the 1990s by Dr. Bob Bergh at UCR and shows promise as a pollinizer with "Hass like" fruit.

Commission staff met with representatives from Eurosemillas to hear of their planned BL516 royalty structure in California. It was disappointing to learn that their proposal was for an annual sliding-scale royalty structure based on production size. Their proposed royalty scheme asks growers to pay annual royalties on top of the millions the California industry spent on developing BL516.

Based on requests from industry members the matter was placed on the Commission's May 2023 board meeting agenda for action. The board unanimously agreed to oppose the Eurosemillas royalty structure and petition UCR to intervene.

Accordingly, the Commission has submitted a letter to Rodolfo H. Torres, Vice Chancellor, UCR, requesting a change to the BL516 royalty structure for California avocado growers to one that is in alignment with royalty struc-

tures for other varieties.

Hopefully, this will lead UCR to reevaluate Eurosemillas' royalty structure. The Commission will continue to advocate for a royalty structure that appropriately reflects the millions of dollars in funding already provided by California avocado farmers in the development of BL516.



June 12, 2023

Rodolfo H. Torres Vice Chancellor, Research & Economic Development University of California at Riverside

Re: BL516 Royalty Structure

Dear Vice Chancellor Torres

The California Avocado Commission (Commission) is established in state law and authorized to represent California's 3,000 commercial growers who produce avocados on about 50,000 acres.

For many years, through the Commission, California avocado growers funded research totaling millions of dollars to University of California Riverside for development of avocado cultivars. One of these cultivars known as BL516 was discovered in the 1990s by Dr. Bob Bergh using California avocado growers' money and further subsidized by California taxpayers. It shows promise as a pollinizer and since its fruit is "Hass like" has the potential to fetch higher prices than other pollinizer's fruit.

Growers were looking forward to evaluating this new promising cultivar. Unfortunately, this all changed when we discovered that the University of California licensee, Eurosemillas, is proposing a royalty for growers unlike any previous royalty.

Most avocado cultivars have one-time royalties associated with their purchase and growers have paid these royalties for decades. For example, the Dusa avocado rootstock has been widely adopted by California avocado growers who paid a royalty of about two dollars a tree without objection.

However, it is our understanding that growers who purchase BL516 will have to agree to an annual slidingscale royalty structure based on production size. This proposal by Eurosemillas asks growers to pay hundreds of dollars per tree or more. Simply put, California avocado growers cannot afford to pay these royalty fees on top of the millions the California industry spent on developing BL516.

Based on the foregoing factors, the Commission is requesting a change to the BL516 royalty structure for California avocado growers to one that is in alignment with royalty structures for other varieties.

Respectfully submitted,

Ken Melban

Vice President, Industry Affairs & Operations

: Rob Grether, Chair; Jeff Oberman, President; Dr. Tim Spann, Research Program Director Glenda Humiston, Vice President, Agriculture and Natural Resources, UC, Office of the President Brian Suh, UCR; Joyce Patrona, UCR; Santiago Suris, Eurosemillas, S.A.

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