



December 14, 2017

Hon. Xavier Becerra
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Ashley Johansson
Initiative Coordinator

Dear Attorney General Becerra:

Pursuant to Elections Code Section 9005, we have reviewed the proposed initiative (A.G. File No. 17 0042, Amendment No. 1) that would impose new standards for confining certain farm animals.

Background

Agriculture Is a Major Industry in California. California leads the nation in agricultural production and exports. In 2015, livestock commodities produced in California—such as dairy products, meat, and eggs—generated \$12 billion in farm revenues. In addition, California imports some crops and livestock commodities, such as eggs and pork. The California Department of Food and Agriculture (CDFA) is charged with protecting and promoting agriculture, including animal health and food safety. Many of the department’s activities are conducted in partnership with county agricultural commissioners.

State Law Prohibits Cruelty to Animals. Under state law, any person who keeps an animal confined in an enclosed area is required to provide it with an adequate exercise area, and permit access to adequate shelter, food, and water. Depending upon the specific violation to these requirements, an individual could be found guilty of a misdemeanor or felony, either of which are punishable by a fine, imprisonment, or both.

Farm Animal Production Practices Have Undergone Changes. There has been a growing public awareness about farm animal production methods, and how these methods affect the treatment of the animals. In particular, concerns have been expressed about some animal farming practices, including the housing of certain animals in confined spaces such as cages or other restrictive enclosures. In addition, some major food retailers and restaurant chains have announced that they are transitioning towards requiring that their suppliers keep animals confined in less restrictive spaces. For example, some major retailers and restaurant chains are moving towards only purchasing eggs from farmers who use “cage-free” housing systems for egg-laying hens. Partly in response to these concerns, various animal farming industries have

developed guidelines and best practices aimed at improving the care and handling of farm animals and have made changes in their production methods.

Proposition 2 (2008) Established Confinement Standards for Certain Farm Animals.

Effective January 1, 2015, Proposition 2 of 2008 generally prohibits the confinement on a California farm of pregnant pigs, calves raised for veal, and egg-laying hens in a manner that does not allow them to turn around freely, lie down, stand up, and fully extend their limbs. Under Proposition 2, any person who violates this law is guilty of a misdemeanor, punishable by a fine, imprisonment, or both.

Legislation Prohibits Sale of Shelled Eggs That Do Not Meet Production Standards.

Effective January 1, 2015, state law prohibits the sale in California of *shelled* eggs for human consumption produced on farms—including out-of-state farms—that do not comply with California’s animal care standards for egg-laying hens. Any person who violates this law is guilty of a misdemeanor punishable by a fine, imprisonment, or both. The legislation does not cover *liquid* eggs, which generally consist of egg yolks and whites that have been broken from their shells, processed, and repackaged for human consumption.

Proposal

This measure phases in new requirements over the next several years that increase the minimum size of restrictive enclosures used by California farmers to confine egg-laying hens, breeding pigs, and calves raised for veal. In addition, the measure prohibits businesses in California from buying or selling liquid eggs, pork, and veal that were produced from animals confined in more restrictive enclosures that would not comply with the measure’s requirements. This prohibition applies to both in-state and out-of-state production of these livestock commodities. Violation of the measure would be a misdemeanor punishable by a fine, imprisonment, or both. The measure also requires CDFA and the California Department of Public Health to issue regulations to implement its provisions.

Fiscal Effects

Compared to current practice most commonly used by California farmers in the affected industries, this measure would require more space and/or alternate methods for housing pregnant pigs, calves raised for veal, and egg-laying hens. As a result, this measure would increase production costs for some of these farmers. To the extent that these higher production costs cause some farmers to exit the business or otherwise reduce overall production and profitability, there could be reduced state and local tax revenues. The magnitude of this effect would likely not exceed the low millions of dollars annually.

The CDFA would likely require additional resources to enforce the provisions of the measure that (1) require restrictive enclosures for pregnant pigs, calves, and egg-laying hens to meet specified requirements, and (2) prohibit the sale of pork, veal, and liquid eggs produced by farms that do not comply with the measure’s requirements. These enforcement costs could range up to ten million dollars annually.

Summary of Fiscal Effects. The measure would have the following fiscal effects:

- Potential decrease in state and local tax revenues from farm businesses, likely not to exceed the low millions of dollars annually.
- Potential state costs ranging up to ten million dollars annually to enforce the measure.

Sincerely,

Mac Taylor
Legislative Analyst

Michael Cohen
Director of Finance