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Carbon Cycle Institute

June 27, 2024

The Honorable Mike McGuire
Senate Pro Tempore
1021 O Street, Suite 8518
Sacramento, CA 95814

RE: Funding for Alternative Proteins – OPPOSE

Dear Senate President Pro Tempore McGuire:

In February, you received a request regarding “Funding for Alternative Proteins” seeking “\$10 million...one-time funding as part of the FY 2024-25 budget to support existing research” and \$50 million in the resources/climate bond for a “facility for alternative protein development.” On behalf of the undersigned organizations, we respectfully **oppose** this proposal to fund alternative protein research and development projects within the UC system. Such funding will not benefit California’s farmers and ranchers, but rather serves to enrich venture capital firms which have heavily invested in the processors of alternative protein products. We urge you to instead consider allocating additional bond funds to existing state programs that directly assist farmers and ranchers in advancing the State’s environmental goals.

The cost of alternative protein research and development should not be borne by the State

As noted in the request for funding, “domestic sales for plant-based alternatives reach[ed] USD 1.4 billion in each of the last three years.... with six of the top seven revenue-raising alternative protein companies in the world based in our state.” These processors and the alternative protein sector generally have enjoyed robust investment from venture capital firms and other private investors hoping to realize significant profits from the projected growth of the alternative protein industry.¹ In 2022 alone, investors poured \$2.9 billion into the industry.² **The private investors who stand to profit from these investments in alternative protein research and development out to fund these investments, not the State.** Rather, the State’s resources should be prioritized to assist

¹ See, e.g., Marcel Bens, *Why Investors Need to Take the Long View on Alternative Proteins*, FORBES (June 23, 2023), <https://www.forbes.com/sites/forbesfinancecouncil/2023/06/23/why-investors-need-to-take-the-long-view-on-alternative-proteins/>.

² Good Food Institute, *Investing in Alternative Protein*, <https://gfi.org/investment/>.

California farmers and ranchers in sustainably producing California-grown agricultural commodities in a manner that promotes our State’s ambitious environmental goals.

Funding for alternative proteins is unlikely to benefit California agricultural producers

While funding for alternative proteins may benefit *processors* of plant-based protein products, such funding would not benefit California agricultural *producers*. While the budget request letter argues that “These groundbreaking alternative protein companies rely on support from farmers who cultivate the crops that go into these products, like peas, soybeans, legumes, and nuts,” the reality is that the industry’s reliance on many of these crops benefits producers *outside* of California. California’s production of soybeans, for instance, is so negligible that USDA’s National Agricultural Statistics Service does not report on soybean production within the state.³ Neither soybeans nor peas are grown in quantities sufficient to be included in the Department of Food and Agriculture’s Agricultural Statistics Review.⁴ Rather, the constituent ingredients for plant-based alternative proteins are often sourced from outside of California, including soybeans sourced from the Midwest and pea proteins sourced from China. Additionally, there is little incentive for California farmers to transition to major crops grown elsewhere, such as soybeans, as in-state producers enjoy a premium on specialty crops uniquely suited to California’s environment.⁵

Not only would state investments in alternative proteins *not* assist California’s crop producers, such investments could harm domestic dairy and beef producers. As the budget request letter notes, alternative proteins are “produced to provide the sensory experience and nutrition of animal meat” and the sector competes with the “global meat market” (the letter also repeatedly references “plant-based dairy alternatives”). Dairy products and cattle & calves are California’s first and third most valuable agricultural commodity sectors, respectively, with a total annual value of \$14.03 billion.⁶ The state’s prioritization of plant-based *alternatives* to these domestic products stands to economically benefit out-of-state crop producers at the expense of domestic beef and dairy producers.

Claims that alternative protein products promote climate resilience are inaccurate

Proponents of state funding for alternative proteins claim that “[t]he prospective investments in alternative proteins described above represent a highly leveraged approach to meeting California’s climate goals.” This claim is oversimplified and misleading.

First, it should be noted that California’s beef and dairy producers are among the most environmentally sustainable in the world. The California Air Resources Board estimates *all* livestock production in the state to account for roughly 6% of greenhouse gas emissions,⁷ well below global averages, and California producers are constantly striving to further reduce their climate impact

³ UNITES STATES DEPARTMENT OF AGRICULTURE NATIONAL AGRICULTURAL STATISTICS SERVICE, *Soybeans: Production by County* (2022), https://www.nass.usda.gov/Charts_and_Maps/Crops_County/sb-pr.php.

⁴ See generally CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE, *California Agriculture Statistics Review 2021-22*, https://www.cdffa.ca.gov/Statistics/PDFs/2022_Ag_Stats_Review.pdf.

⁵ Aaron David Smith, *California: We Grow That. And That. And That.*, University of California Department of Agricultural and Resource Economics (July 22, 2020), <https://asmith.ucdavis.edu/news/we-grow-that>.

⁶ California Department of Food and Agriculture, *California Agricultural Production Statistics* (2023), <https://www.cdffa.ca.gov/Statistics/>.

⁷ See CALIFORNIA AIR RESOURCES BOARD, *2022 Scoping Plan for Achieving Carbon Neutrality* p. 55, fig. 1-7 and p. 226, fig. 4-17 (Dec. 2022), <https://ww2.arb.ca.gov/sites/default/files/2023-04/2022-sp.pdf>.

through participation in programs such as CDFA's Alternative Manure Management Program and Dairy Digester Research and Development Program. Through these programs, CDFA estimates that California's dairy industry is on track to reduce its manure methane emissions by more than 57%. It should also be noted that livestock production results in significant wildfire suppression benefits attributable to livestock grazing and carbon sequestration benefits attributable to rangeland stewardship, advancing the state's wildfire resilience and greenhouse gas reduction priorities.

Secondly, as mentioned above, constituents for alternative proteins are often sourced from out-of-state, resulting in significant GHG emissions attributable to their transportation into California and the manufacture and production of the end-product protein alternatives. According to *The New York Times*, producers of plant-based meat alternatives do not "disclose[] the total amount of greenhouse gas emissions across all of [their] operations, supply chains or consumer waste. They also do not disclose the effects across all of their operations on forests or how much water they use."⁸ The *Times* also reports that the manner in which these companies source products like soy "could...be involved in deforestation issues." Indeed, *The New York Times'* reporting specifically calls out unverifiable climate claims made by at least two of the six alternative protein companies highlighted in the proponents' budget request. Without data on the GHG emissions from plant-based food processors, claims that their production benefits the climate are misleading at best.

The State's limited bond funding would be better directed at programs benefitting domestic agricultural producers in furtherance of the State's climate and biodiversity goals

Rather than funding alternative protein research and development that benefits out-of-state crop producers and enriches private venture capital, the State should direct its financial resources to aiding California producers in advancing the State's ambitious environmental goals.

For the reasons above, we urge you to **reject** funding for research and development of alternative protein products and to instead prioritize allocations which benefit California agricultural producers while advancing our state's environmental interests.

Sincerely,



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California Cattlemen's Association



Anja Raudabaugh, Chief Executive Officer
Western United Dairies



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California Climate & Agriculture Network



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⁸ Julie Creswell, *Plant-Based Food Companies Face Critics: Environmental Advocates*, THE NEW YORK TIMES (Oct. 15, 2021), <https://www.nytimes.com/2021/10/15/business/beyond-meat-impossible-emissions.html>.



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