



Beyond the Bin: Agriculture and California's Packaging Future

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Since 2018, Ag Council has taken a leadership role in recycling and packaging issues relating to food and agricultural products given the potential impact on our members.

In 2022, Governor Newsom signed *The Plastic Pollution Prevention and Packaging Producer Responsibility Act*, SB 54 (Allen), into law. The statute requires that all single-use plastics be 100 percent compostable or recyclable by 2032.

SB 54 came together because of the increasing challenges of managing plastic waste in California. Costs have increased throughout the waste management system and beach clean-up has been an ongoing issue for decades. Ultimately, the Legislature decided to shift the responsibility of plastic and other packaging management to the producers of packaging.

Even before SB 54 was signed into law, Ag Council actively worked with legislators, CalRecycle and a broader agricultural coalition to provide for the use of plastics for food safety purposes, to protect human health and prevent environmental issues. CalRecycle heard some of our concerns and created a "Categorical Exclusion" for food and agricultural products that require the use of plastics due to mandatory federal regulations. Though the exclusion is not as helpful as initially proposed, our team is working diligently to create workable solutions for the food and ag sector.

Broadly, SB 54 requires that all single-use plastics be 100 percent compostable or recyclable by 2032. Impacts will be felt throughout the entire California economy well beyond food and agriculture, including single-use packaging from online retailers, as one example. Fees are also associated with differing types of plastics as part of the regulation. The goal of the fees is to assist with plastic mitigation and clean up, as well as build the necessary infrastructure to capture and recycle or compost packaging. The costs will be distributed throughout the supply chain; thereby, working against other affordability efforts taking place in Sacramento.

Infrastructure is Lacking

One of the obvious questions I receive is, "Does California have the infrastructure to manage an extensive recycling program for almost 40 million people?" The simple answer is, "No." We do know the cost to build statewide infrastructure to manage waste will be monumental.

Meanwhile, the funds collected may or may not go to improving the infrastructure in California – only time will tell. Some would say, this is putting the cart before the horse. Ag Council's Dairy Committee Chair Melvin Medeiros said, "This is like buying 1,000 dairy cows and not having a barn to milk them in."

State and federal partnerships will likely be needed to secure the funding required to fully implement this regulation and build the necessary infrastructure. The cost will no doubt be enormous.

Driving Up Costs During an Affordability Crisis

The fees to be paid by producers into the regulatory system are anticipated to be in the millions of dollars annually -- per entity. Those of us in agriculture know that for most commodities, our farmers are price takers with little to no room to negotiate market prices. SB 54 includes an on-farm exemption in the statute. However, plastics will be regulated throughout the supply chain and at the retail level.

How will these costs manifest themselves throughout the system? It is highly likely some will push through to the marketplace, possibly further increasing food and agricultural prices, while some will have to be absorbed at the processing and farm level. We believe this regulation will easily exceed many of California's other regulations, including that of the statewide Cap & Invest (previously Cap & Trade) law.

The irony is not lost on us that while elected officials in California lament an affordability crisis, they continue to drive up costs throughout the supply chain with environmental mandates that have no obvious, cost-effective solutions.

Coupled with the affordability crisis, California's term limits work against us. The original legislators who supported SB 54, and related measures, will soon leave office and there is little to no follow-up to ensure implementation is successful through a cost effective and workable regulation. Essentially, California legislators can pass bills and move on to their next job, and we are left holding the invoice.

Patchwork of Regulations

It is important to note that California's version of this regulation was not the first in the nation. Oregon, Colorado, Maine, Maryland, Minnesota and Washington have passed packaging laws, and several other states are considering similar legislation. So, while we work through our process in Sacramento, it is imperative that we work with the trade groups across the nation to harmonize the varying state regulations. Otherwise, having a patchwork of regulations will add additional costs and compliance issues for our food producers here at home.

Ag Council Works Toward Soft Landing

Ag Council is working with our members to identify opportunities and gaps within the regulation and the underlying statute. We have also engaged CDFA Secretary Ross on the issue. It is our hope that for products requiring plastics and other sanitary materials -- used for the purposes of food safety, to protect human and environmental health, as well as food preservation and shelf life -- we can create a clear compliance pathway that does not increase



costs to the industry. Workable solutions are not easy to come by but will be found through deep conversations and a commitment to partnerships.

Compliance is Immediate

Entities that must comply with this regulation must register with Circular Action Alliance (CAA) by May 31. Additional information will be required at the time of registration, including baseline numbers and annual supply reports. CAA anticipates questions regarding mandatory reporting and is working with producers throughout the process.

Ag Council is collaborating with other agricultural organizations to seek an extension of the May 31 deadline, as there are unanswered questions throughout the regulation and it lacks implementation clarity.

CAA will issue invoices for California's early fee system in August along with program fees after January 1, 2027.

If you are unsure whether you are required to comply with the regulation, please contact Ag Council staff at jacob@agcouncil.org, and we can assist with guidance.

CAA's California website can be found at: <https://circularactionalliance.org/california>.

Learn more about Ag Council at www.agcouncil.org.

