

**ADMINISTRATIVE REGULATIONS
FOR THE CALIFORNIA PISTACHIO MARKETING AGREEMENT
Effective April 1, 2007**

The Department of Food and Agriculture has found that the practice of commingling Artificially Opened Pistachios with Naturally Opened Pistachios, the practice of bleaching or otherwise treating Pistachios with chemicals to remove shell stains and the shipment of Pistachio inventory to export markets designated by the Board that has not been tested for aflatoxin levels, are unfair trade practices and detrimental to the effectuation of the declared purposes of the California Pistachio Marketing Agreement and the California Marketing Act of 1937.

Signatories to the Agreement shall not commingle or cause to be commingled (referred to in the balance of this document as blend) Artificially Opened and Naturally Opened Pistachios. No Signatory shall cause Pistachios to be bleached or otherwise treated with hydrogen peroxide or other products (referred to in the balance of this document as bleach) to remove shell stains. No Signatory shall ship Pistachios for export to designated markets without an aflatoxin certificate as required by the Board. These Administrative Regulations detail procedures that will be used to ensure that Signatories to the Agreement do not commit the unfair trade practices of blending, bleaching or shipment into export to designated markets without an aflatoxin certificate as referenced above.

I. DECLARATION AND DISPOSAL OF PRODUCTS IN VIOLATION

- A. If any Signatory takes possession of bleached or blended inventory during the fiscal year as a result of merging of businesses, bankruptcies or other means, the Signatory must report the product to Pistachio Board staff within thirty (30) days of receipt.
- B. Signatories who acquire inventory in violation of these Regulations shall destroy bleached or blended inventory as quickly as possible. The Board may recommend to the Department the period of time the Signatory has to dispose of this inventory and a method of verification that the inventory has been destroyed.
- C. A new Signatory must report to the Pistachio Board all bleached or blended inventory in its possession by August 1 of the year in which it assents to participate. The new Signatory must thereafter dispose of all bleached or blended inventories by the beginning of the new fiscal year, being August 31.

II. DECLARATION OF EQUIPMENT

- A. If any Signatory takes possession of equipment that could be used for artificially opening or bleaching of Pistachios during the fiscal year as a result of merging of businesses, bankruptcies, or other means, the Signatory must report the equipment to Pistachio Board staff within thirty (30) days of receipt.
- B. A new Signatory must report to the Pistachio Board all equipment in its possession that could be utilized for artificially opening or bleaching pistachios by August 1 of the year in which it assents to participate.

III. COMPOSITION OF ARTIFICIALLY OPENED PRODUCT

It is recognized that it is not possible to remove all Naturally Opened Pistachios from the product stream during sorting. However, it is a violation of the these Regulations for any lot of product that is described or labeled as Artificially Opened to contain more than fifteen percent (15%) Naturally Opened Pistachios.

IV. AFLATOXIN VERIFICATION

All lots of open in-shell Pistachios and Pistachio kernels that are exported to markets designated by the Board shall receive aflatoxin certification. The designated export markets consist of Australia, Canada, the European Union, Norway, Switzerland, Japan and New Zealand. Signatories must sample and test all subject lots of Pistachios for aflatoxin to ensure the product does not exceed the tolerances established by the importing country for finished product. Processors are required to submit duplicate certificates to the Board for every subject export shipment and indicate the destination of the shipment. Signatories shall only use the verification program in Board designated countries.

V. RANDOM VERIFICATION AUDITS

- A. All Signatory Pistachio inventory shall be subject to random verification audits by the California Pistachio Board to ensure compliance with the terms of the California Pistachio Marketing Agreement and Administrative Regulations adopted pursuant thereto.
- B. The Pistachio Board is authorized to recommend to the Department a suitable agency to conduct the verification audits. The audits may be done by Board staff or by an established and experienced agency, either governmental or private, in accordance with the provisions of the California Marketing Act.
- C. The frequency of and procedures for the verification audits shall be recommended by the Board to the Department for approval. The Board or its agents shall have full access to all facilities of Signatory processors during the auditing procedure.
- D. In the event that possible violations of the Agreement are discovered during the auditing process, the auditors or other Board staff have the authority to take samples of subject inventory for use by the California Department of Food and Agriculture (CDFA) in any enforcement action. Auditors or other Board staff also have the authority to temporarily impound the product until a CDFA official can investigate the violation.
- E. CDFA officials or agents of the Board, based on information from the industry or knowledge of possible violations, may make buys of Signatory product in retail locations. If it is determined that violations of the Agreement have occurred as a result of the buys, CDFA shall take appropriate enforcement action.

VI. DISPOSITION OF PRODUCT

If Signatory product that is bleached or blended is found to be in violation of the terms of these Regulations, the product shall be confiscated by CDFA officials and shall be destroyed. Any other shipping errors, such as the lack of an aflatoxin certification, are subject to review by the Board. After review, the Board will recommend to the Department how the shipping errors will be treated.

VII. OUTGOING AFLATOXIN REGULATION

No Signatory shall export open in-shell Pistachios or Pistachio kernels to export markets as designated by the Board which exceed the tolerances established by the importing country for finished product.

VIII. INSPECTION

Each Signatory shall, at the Signatory's own expense and before exporting to designated markets, cause an inspection to be made of any lot of open in-shell Pistachios or Pistachio kernels to determine whether the Pistachios are at or below the aflatoxin maximum limit. An appropriate sample must be chemically analyzed by an accredited laboratory. The Signatory shall obtain inspection certificates stating that the Pistachios do not exceed the applicable aflatoxin maximum limit of the importing country, and all of the inspection certificates shall be available for examination or use by the Board. No inspection certificate shall be effective for more than twelve (12) months after the chemical analysis.

IX. REPORTING INSPECTION CERTIFICATES AND RESULTS OF AFLATOXIN TESTS

On the tenth day of each month, each Signatory, or its designated laboratory, shall provide the Board, or its designated agent, with the inspection certificates for the immediate past thirty (30) days and the results of all export aflatoxin tests completed by the accredited laboratory for the export aflatoxin program. If more than one aflatoxin test has been completed for an export shipment, the results of all chemical analysis tests for that shipment shall be provided with the inspection certificate to the Board.

When the Board deems it necessary, each Signatory shall cause its laboratory to furnish to the Board, within forty-eight hours, a copy of the inspection certificate and a copy of the results of the chemical analysis issued on a particular lot or lots of open in-shell Pistachios or Pistachio kernels. Such inspection certificates shall be retained by the Board, or its agent, for at least two (2) years after the crop year of their applicability. In addition, upon the request of the Board, each Signatory shall furnish other reports and information as necessary to enable the Board to carry out these provisions. All reports and records furnished or submitted by each Signatory to the Board which include data or information constituting a trade secret or disclosing the trade position, financial condition or business operations of the particular Signatory shall not be disclosed.

X. INSPECTION CERTIFICATE

The inspection certificate shall provide the following information: test used; product description; number or type of shipping containers; total pounds; lot number; sample number; test results or other country requirements of the country of destination; responsible laboratory official's signature; and date.

XI. BOARD'S REGISTERED CERTIFICATION MARK

All Signatories shall use the Board's Registered Certification Mark, which denotes it is an unfair practice to commingle Artificially Opened Pistachios with Naturally Opened Pistachios, to bleach or otherwise treat Pistachios with chemicals to remove shell stains and that the export Pistachio shipment has been chemically analyzed according to the Board's protocol. The certification mark shall not appear on the inspection certificate, but will accompany all certificates on a declaration. The Certification Mark may also be placed on Signatory's invoices. The Certification Mark may be placed on shipping containers at the Signatory's discretion, but may not be placed on smaller containers such as consumer packages.

XII. VERIFICATION OF REPORTS

For the purpose of checking and verifying reports filed by each Signatory or the operation of each Signatory, the Board, or its duly authorized agents, shall have access to any premises where Pistachios may be held by any Signatory at any time during reasonable business hours. The Board shall also be permitted to inspect any Pistachios held by the Signatory and any and all records of the Signatory with respect to the acquisition, movement, holding, processing or disposition of all Pistachios which may be held, or which may have been disposed of, by each Signatory. Each Signatory shall maintain records of Pistachios received, held and disposed of that will substantiate any required reports. These records shall be retained for at least two (2) years beyond the crop year of their applicability.

XIII. ACCREDITED LABORATORIES

An accredited laboratory will be any USDA laboratory currently testing for aflatoxin and any non-federal government accredited laboratory. An accredited laboratory is any laboratory that has been accredited by the USDA Agricultural Marketing Service (AMS).

XIV. AUTHORIZED SAMPLING

Employees and/or authorized agents of the USDA, CDFA, the Federal/State Inspection Service, and employees of the local County Agricultural Commissioners authorized CDFA are eligible to sample Pistachios for the aflatoxin chemical analysis. All sampling shall be done according to Board approved protocol. For each sample taken, a Notice of Sampling form (such as an FV-187 as used by USDA) shall be completed. One copy of this sampling form shall be retained by the sampler, one sent to the Pistachio Board and one given to the Signatory whose Pistachios are being sampled.

XV. AUTHORIZED AGENTS

The Board may, by a designation in writing, name any person, including any officer or employee of the United States Government, CDFA or any other organization, to act as the Board's agent or representative in connection with any of these provisions.

XVI. SPECIAL PROVISION FOR 2006-2007 SEASON *(This section to be deleted after August 31, 2007)*

In order to facilitate the implementation of the Agreement in mid-season without placing undue burden upon signatories, processors with inventories of bleached or blended pistachios on hand as of April 1, 2007 will have until August 31, 2007 to sell or dispose of them.