

Unusual water deals struck in drought-stricken Central Valley ag country

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By Mark Grossi and Robert Rodriguez



These citrus trees in a Terra Bella orchard have not been watered and are dying. The near-record drought is resulting in some unlikely agricultural water deals in the Central Valley.

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In drought-scarred farm country, coffee shop talk turns obsessively to water and its cost — which several months ago hit a shocking \$1,000 per acre-foot and then climbed to more than \$2,000.

But it's far too simple to say drought-buster deals in the San Joaquin Valley are all about making a pile of money. A sale in the last week featured a passionate offer of San Joaquin River water at only \$250 per acre-foot.

It's complicated, because there never has been a water year like this in the Valley. The near-record drought left millions of acres with no river water at all from the federal Central Valley Project.

So there has been little water to buy, trade or move, unlike most years when deals routinely happen through the Valley's vast plumbing.

This year, Westlands Water District in west Fresno County and other Valley districts are hoping to buy a little water mostly from Northern California in the more than 30 deals documented by state and federal agencies.

Some farmers are tapping groundwater banks, while others are using water held over from a previous year.

At this point in the summer, west Valley farmers with the senior rights to the San Joaquin River are in the best position to help out east-side farmers by making water available from Millerton Lake.

The senior rights farmers are part of the San Joaquin River Water Exchange Contractors Authority, 240,000 acres from Mendota to Patterson. Their water rights date back to the 1800s.

They made the compassionate water sale last week, offering 13,500 acre-feet of water to five east-side districts — Terra Bella, Lindmore, Kern Tulare, Stone Corral and Orange Cove. The districts are part of the Friant Water Authority, which takes in 1 million east-side acres where 15,000 farmers are struggling with a zero allocation of river water.

The west-siders passed up a possible \$27 million pay day to help out these districts, and east-siders know it.

"We definitely appreciate the affordable price," said east-side citrus grower Geoffrey Galloway, whose small farm is in the Terra Bella area where there is little groundwater. "Any water will help now."

If not for a late spring boost in Northern California water deliveries to the historic rights growers, the deal could not have been struck. Both east and west sides wanted to make it happen.

"This was not water marketing," said executive director Steve Chedester of the west-side exchange contractors. "This water could have gone for a lot more money, but there is a dire need for people to help each other."

Elsewhere in the Valley, districts are struggling to make it through the season.

Steve Collup, manager of the Arvin-Edison Water Storage District in Kern County, said his agency is keeping its water within its boundaries.

"I don't know of anybody who is selling water just to make money," he said.

Collup was involved in a water swap last month with the west-side exchange contractors to get a small amount of water to Terra Bella. The payback was not money. Instead, Arvin-Edison will get back additional water in future years.

The Valley's high-profile water deals — \$1,000 per acre-foot and higher — happened earlier this year, not during summer. One acre-foot is about 326,000 gallons, or a 12-to-18-month supply for an average Valley family.

In February, Buena Vista Water Storage District in Kern County auctioned about 12,000 acre-feet of stored water for about \$13.5 million. The average price was more than \$1,100 per acre-foot. The district reportedly used the money to help fallow land and reduce groundwater demand in the area.

In March, Madera Irrigation District sold 3,200 acre-feet for \$6.69 million, or an average of \$2,091.85 per acre-foot.

Recent media accounts of the sale confused the issue by making it sound as though the water had been part of the sparse winter precipitation. People were asking: How did the district get this water in such a dry year?

The river water actually had been saved from 2013. It had been released last fall for San Joaquin River restoration activities, captured downstream and stored in San Luis Reservoir in Merced County.

"We sold the water early in the year when nobody knew what was going to happen," said general manager

Thomas Greci of the Madera Irrigation District. "The money obviously helped us."

Money is a big issue this year for water districts. With zero water allocations, they're struggling to make enough money to keep paying the costs of running the federal water project.

Canals, pumps, roads and other parts of the Central Valley Project must be maintained, even if there isn't much water around. Without maintenance, there is risk of leaking and even flooding.

The only way to avoid paying these operations and maintenance costs on the federal project is to take no water whatsoever this year, said Friant general manager Ron Jacobsma.

But many of Friant's districts are using the federal water system to move some water, so they will be paying for upkeep.

"We can reduce costs in some ways, but there still will be big bills to pay," Jacobsma said. "It will probably be tens of millions of dollars."

Farmers are in survival mode. Instead of buying water for as low as \$60 to \$100 an acre-foot, some got loans to pay 10 times that much.

Some people just can't afford it. Galloway in Terra Bella said it's pretty obvious which citrus orchards are getting water and which ones are not.

"My trees will live, but I don't know that I'll have much of a crop," he said. "I have to cut back on water, and the trees are stressed."

Longtime Kings County pistachio farmer Larry Easterling says he has been trying to just get by for the past few years.

Easterling and five other farmers make up Kettleman Pistachio Growers with 1,800 acres of pistachios. They are State Water Project contractors, and they have been receiving little water.

Easterling said the area has no underground water to tap. So the growers have been forced to buy surface water on the open market.

"Over the last eight years, we have probably spent nearly \$8 million over and above what we normally spend on water," Easterling said.

"And depending on how desperate someone is, the price for water can range from \$800 to \$2,400. That is money that comes right off the top."

Easterling said that during his 43 years of farming pistachios he has dealt with insect problems, disease and other challenges. But the drought has been among the toughest fights.

"If we can't get water, we are dead," he said.

"I don't know of anybody who is selling water just to make money." — Steve Collup, manager of the Arvin-Edison Water Storage District in Kern County

The reporters can be reached at (559) 441-6330, mgrossi@fresnobee.com, brodriguez@fresnobee.com or @markgrossi and @fresnobeebob on Twitter.