

# California farm economy surprisingly resilient amid drought

By Dale Kasler and Phillip Reese  
dkasler@sacbee.com

The land is bare, except for a few weeds, and the ground is cracked. For the second year in a row, Dan Errotabere is fallowing one third of his ranch: 1,700 acres of California farmland that might have grown tomatoes, garlic, onions and garbanzo beans.

"I can't do this every year," Errotabere said, inspecting an idle field on his family's Fresno County farm. "I've got to grow. I've got to farm."

This is the state of California agriculture in the fourth year of record-setting drought. With deliveries of surface water through state and federal pipelines slashed by 70 percent overall, the state's 77,000 growers are struggling to produce the diverse agricultural bounty that makes California the nation's leading farm state. At least 800,000 acres likely will sit idle this year, or nearly 9 percent of the statewide total, according to the California Farm Water Coalition. The coalition says about 690,000 acres were taken out of production last year due to drought, although other estimates have been lower.

Even as many farmers cut back their planting, California's farm economy overall has been surprisingly resilient. Farm [employment increased](#) by more than 1 percent last year. Gross farm revenue from crop production actually increased by two-tenths of 1 percent last year, to \$33.09 billion, according to the U.S. Department of Agriculture. The revenue figures don't take into account animal agriculture, such as beef and dairy production.

The statistics don't mean farmers and their employees are having an easy time of it. Rather, the data show how farmers are coping with the shortages of water. Forced to make choices, they're diverting more of their dwindling water supplies to keep high-value crops going. Almond prices, for example, have been sky high, and farmers such as Errotabere have idled other crops to preserve their almond orchards and reap the financial rewards. As for jobs, many of the crops that have held up the best also happen to be the most labor intensive, such as strawberries, which has helped pump up employment.

"The agricultural economy is, in a general sense, not that bad if you have a product to sell," said Dave Kranz, spokesman for the California Farm Bureau Federation. "If you don't, you're not going to be able to take advantage of that."

Without question the drought is reining in a sector of the economy that's been a juggernaut. Between 2003 and 2013, annual agricultural output adjusted for inflation grew by 24 percent, to \$46.4 billion. The full impact of the unplanted acreage won't be known for months, but it's obvious that many farmers are cutting back.

Some 27,000 acres of California grapevines have been ripped up in the past year, and another 20,000 acres of orange and lemon trees are expected to get bulldozed this year. Sacramento Valley's rice crop likely will shrivel by at least 25 percent, and growers fear they're losing access to critical export markets because they can't meet obligations to customers.

While crop revenue grew last year, the profitability of farming was depressed. Farmers in much of the state had to pay considerably more for their water, said farm economist Vernon Crowder, a senior vice president at Rabobank.

"Sometimes aggregate numbers lose sight of the very real challenges that farmers are experiencing on a local level, the incredible difficulties some of them are experiencing in getting water," said Mark Jansen, chief executive of [Blue Diamond Growers](#), the giant almond cooperative based in Sacramento. Almond production is expected to decline slightly this year as water problems interfere with yields.

So far the drought hasn't had huge impacts on consumers. California's celebrated wine grapes will be relatively plentiful. Overall food prices haven't risen much. Much of the drop in production has occurred with crops, such as rice, where California contributes a relatively small share of the world's supply and doesn't have much impact on price. The crops in which California dominates world production – almonds, strawberries, many vegetables – have seen only limited declines in output.

"Consumers mostly won't notice at all," UC Davis farm economist Daniel Sumner said. "Your California rolls might be a nickel more expensive because the price of rice became more expensive."

## **No apologies for water use**

Changing consumer tastes have spurred a revolution in California agriculture that began well before the drought. In the past decade, farmers have nearly [doubled the number of acres](#) devoted to almonds and pistachios in order to meet growing global demand, taking out hundreds of thousands of acres of cotton and other lower-value commodities. With last year's almond crop estimated at nearly \$6.5 billion, almonds have overtaken wine grapes as the second-largest California farm commodity, trailing only the dairy industry.

"I grow what people want," said Errotabere, whose operation includes 900 acres of almonds and 100 acres of pistachios.

No one's rushing to thank him. Environmentalists and others have been pummeling farmers for taking 80 percent of the water used by people in California. (Farmers say they account for just 40 percent of the state's supply when river water left to the environment is taken into account). Critics have been particularly scornful of almond growers south of the Delta for planting comparatively thirsty permanent trees in a region where water rights are weak and the supply has been unreliable for years.

The farmers' response: They are reacting to booming worldwide demand for almonds and using good economic sense by putting the water on a high-value crop. Farmers are [continuing to plant](#) new almond orchards.

"I don't apologize for using water," said Errotabere, whose family has been farming in the San Joaquin Valley since the 1920s. "We need it to grow crops. I'm a pretty good steward."

Errotabere, 59, farms in one of the most drought-stricken regions of the state. Much of his farm sits in the giant Westlands Water District, which normally buys its water from the federal government's vast statewide plumbing network, the Central Valley Project. Not so this year: Westlands is getting no water whatsoever from the project, for the second year in a row.

That doesn't mean farms in the region have gone completely dry. Westlands growers expect to pump 650,000 acre-feet of groundwater this year, said the district's general manager Tom Birmingham. An acre-foot is 326,000 gallons.

The pumping leaves no one particularly happy. Westlands still expects half its fields to lay fallow, and growers are wary about wells going dry.

"Groundwater is a finite supply," Errotabere said, standing alongside a well irrigating a tomato patch. "We're already taking out too much." The Legislature enacted the [state's first groundwater regulations](#) last year, although local agencies have another five to seven years to develop plans for implementation.

A Westlands board member, Errotabere, like many farmers in the parched San Joaquin Valley, criticized government policies that he said has resulted in too much river water being diverted for fish in recent years. To him, the situation raises troubling questions about farming's future in California.

"Ultimately, the question is, does California want agriculture?" Errotabere said. "We're farming in an urban state

(where) the connection to agriculture over the years has drifted apart. We're not understood."

Even with higher prices for almonds, Errotabere said the drought has taken a toll. He used to pay \$150 an acre-foot for water delivered by the Central Valley Project. Now he spends about \$200 to pump water from underground, and hundreds more for whatever supplies can be scrounged on the open market.

Every acre that's quiet, he said, represents 30 hours of lost labor, at about \$12 an hour. With 1,700 acres out of production, that's about \$600,000 in lost wages.

"We're not a big faceless company here," he said. "This is family farming."

## **Broader fallout from idled fields**

The drought's impact goes beyond the farm fields. Holt of California, a farm-equipment dealer with offices from Redding to Los Banos, reported a 30 percent drop in sales of its largest machines – the tractors and combines that sell for anywhere from \$200,000 to \$500,000 apiece.

"Farmers are being very careful with their capital," said Kent Monroe, president of Holt. "I would say that's all drought-related, with the farmers not willing to take the risk on a capital outlay."

Standing last week in a field that normally would be under several inches of Sacramento River water but this year has been left idle, Colusa County rice grower Donald Bransford gestured toward a series of businesses that depend on farmers to raise crops.

"That seed plant employs people," Bransford said. "That's a storage facility; it employs people. There are some rice mills over here."

Even commodities that had withstood the effect of drought in prior years are a source of anxiety. Last year, the tomato industry in California delivered a record crop, 14 million tons worth, as farmers responded to record prices offered by manufacturers of pasta sauce and other products. So far this year, prices haven't been set and it's unclear how big the crop will be.

"Most growers are struggling with the water issues," said Winters farmer Bruce Rominger, chairman of the California Tomato Growers Association. "A lot of those people are out in the market, trying to buy water."

California's giant dairy industry, the state's largest farm commodity, is losing its price cushion. Producers enjoyed a 24 percent jump in revenue last year, to around \$9.4 billion, thanks to increased milk prices, according to a [study produced by UC Davis](#) for the industry-supported California Milk Advisory Board. The high prices helped dairy farmers cope with the drought, which drove up the cost of feed.

The situation is different this year. Annie AcMoody, director of economic analysis at Western United Dairywomen, said farmers are getting squeezed because feed prices are still high but milk prices have plunged by one-third. Now in retrenchment mode, California dairy farmers have scaled back production 3 percent compared with last year, AcMoody said.

Rice growers along the Sacramento River, whose historic water rights are strong compared with other regions of California, are using that positioning to create their own financial buffer. They've lost 25 percent of their federal water this year – a heavy hit, but far better than the zero water deliveries for landholders with lesser rights. Many growers have agreed to sell a portion of their remaining water, mainly to farmers in Westlands and other districts south of the Delta, for \$665 an acre-foot.

Selling the water is probably a bit more lucrative than actually planting rice at today's crop prices, said Bransford, who is president of the Glenn-Colusa Irrigation District.

But it also means fallowing more fields, which puts more stress on the valley's rice industry. Production fell 25 percent last year and probably will decline further in 2015.

One casualty is the export business, which normally consumes about 55 percent of the valley's rice crop. The diminished output is hurting sales; so is the strength of the U.S. dollar, which makes California's rice comparatively more expensive. Valley farmers are starting to lose business in Turkey, Jordan and certain other markets they spent years cultivating, said Kirk Messick of Farmers' Rice Cooperative, a Sacramento marketing firm owned by farmers.

Getting those customers back won't happen overnight.

"When you lose a market, you just don't lose it for a year," said Tim Johnson, chief executive of the California Rice Commission. "It takes a number of years to get that market back (and) re-establish relationships."

Dale Kasler: [\(916\) 321-1066](tel:9163211066), [@dakasler](https://twitter.com/dakasler)