

Drought taking a lower-than-expected toll on Valley jobs, economy

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California's ongoing drought took about 500,000 acres out of agricultural production last year, but the number of farm jobs statewide actually rose from 2013 levels — a development that confounded economists trying to estimate the fiscal effects of the dry weather.

"It's a little surprising," said Jeff Michael, director of the Center for Business and Policy Research at Stockton's University of the Pacific. "If you look at the 2014 data, we had a severe drought last year, but the employment impacts have been much lower than most people anticipated."

In fact, the number of farm jobs reported by employers to the state Employment Development Department for last year was more than 417,000 — about 1.4% more than 2013, and highest number ever recorded in the state.

That statistic "contrasts with earlier forecasts of drought employment loss in 2014 as well as employment change experienced during previous droughts in California," Michael said. "A year ago, we projected as many as 20,000 agriculture-related jobs could be lost in the drought, very similar to a forecast of 17,000 lost jobs from UC Davis."

In the Fresno area, employment figures show that the annual average number of farm jobs fell by only 100 between 2013 and 2014, to 49,100. That's less than two-tenths of 1%, and it was more than made up for by gains in other industries, including construction, that are still bouncing back from the depths of the 2007-09 recession.

In its latest economic forecast for California and several Northern California metro areas including Fresno, the UOP center predicts the economy will keep growing despite the effects of the drought. UOP's Eberhardt School of Business issues its regional and metro forecasts three times each year.

\$38,400

Forecast per capita income in Fresno County in 2015

\$50,300

Forecast average annual wage in Fresno County in 2015

9.8%

Forecast annual unemployment rate in Fresno County for 2015

Source: UOP California & Metro Forecast

Michael estimated that in 2014, the drought reduced the state's total gross domestic product by about one-tenth of 1% — a drop in a very large bucket that continued to grow in other areas. Altogether, the total value of goods and services produced in the state last year rose to about \$2.3 trillion, or about 4.8% more than in 2013. Michael said the effects of the deepening drought "should be larger in 2015 as urban areas are forced to reduce consumption by 25% and agricultural impacts also grow."

But, he added, "the short-term statewide hit to the economy should remain a few billion dollars and no more than 0.25% of state GDP."

We've got a drought that is certainly hurting the economy, but a lot of other areas are recovering.

Economist Jeff Michael, Center for Business and Policy Research at University of the Pacific

"In the context of the larger economy, most agriculture is still there," Michael said. "Individual farmers have seen some pretty big losses in their bottom lines. They've had to keep production going by spending a lot of money on wells or pumping or emergency water supplies, and that definitely affects the profitability of their enterprise."

The reasons for the statewide increase in farm jobs in the face of the drought last year are difficult to pin down. But Michael said there are several factors that could be in play to explain the apparent contradiction:

- Lower labor requirements for crops that were grown on much of the acreage followed by farmers.
- A pre-existing shortage of farm labor from previous expansion of high-labor crops, reduced immigration and the improving economy.
- Focusing more farm labor on repair and maintenance of irrigation systems or using more labor for crop production on acreage that still has available water.

"It is important to realize that these (Valley farming) communities suffer from the highest poverty and unemployment in the state in both wet years and dry years," the forecast states. "In addition, drought-related problems are not limited to employment but have exacerbated chronic problems of inadequate and contaminated drinking water supplies as many of these struggling communities depend on wells."

Michael noted that while agriculture remains the largest industry in Fresno County, "the economy there is more than just agriculture."

The annual average unemployment rate in Fresno County is expected to fall to 9.8% by the end of 2015, according to the forecast. That would be the lowest average since before the recession and only the fourth time it's been below 10% in the past 25 years. Still, the unemployment rate is expected to remain above the pre-recession rate of 8.6% through at least 2019.

One factor to which Michael attributes modest employment gains in the next couple of years is California's high-speed train project, for which construction is expected to accelerate this year in the San Joaquin Valley. After omitting the massive transportation project from a couple of earlier editions of the forecast because of political, financial and legal hurdles in its way, "we have put a little high-speed rail back into our construction forecast for the Fresno area," he said. "We're projecting that construction employment will be up almost 11% next year, and not all of that is going to be related to housing."

"There's still so much uncertainty over the future of the project, we're being judicious about putting high-speed rail back into our forecast" by including the expectation for "a few hundred jobs" in 2015 and 2016, he added. "It could be even more once we start learning more about what's going to occur, and when and where."

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Employment in Fresno County

Estimated annual average number of jobs reported by employers in Fresno County.

Year	Farm employment	Non-farm employment
2014	49,100	313,400
2013	49,200	303,000

2012	48,900	291,500
2011	47,900	288,700
2010	46,000	288,100
2009	45,100	295,400
2008	48,900	311,300
2007	48,100	314,200
2006	46,500	310,100
2005	46,400	301,900
2004	46,000	294,500
2003	46,200	289,100
2002	46,600	287,800
2001	48,700	281,000
2000	55,600	275,700
1999	56,300	267,900
1998	58,700	259,300
1997	60,300	255,200
1996	62,000	251,500
1995	58,200	247,900
1994	56,900	241,400
1993	51,500	238,300
1992	47,900	235,200
1991	49,600	232,200
1990	52,700	228,800

Source: California Employment Development Department.