

California farm revenue grew in 2014 despite drought

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Take a spin through rural California and evidence of the drought is everywhere: cracked soil, unplanted fields. Unprecedented cutbacks in deliveries of water from state and federal reservoirs have put agriculture on the defensive.

In terms of dollars and cents, however, farmers seem to be holding their own.

California growers took in more revenue in 2014 compared to the year before, although their profits declined by about 10 percent, according to new figures from the U.S. Department of Agriculture's Economic Research Service and the Pacific Institute, a water policy think-tank.

A continued boom in prices for almonds, citrus and other high-value crops helped soften the impact of the drought, experts said. So did farmers' increased reliance on groundwater pumping, which has largely made up for the substantial reductions in surface water availability.

Net farm income dropped to \$15.6 billion last year from \$17.4 billion a year earlier. Gross revenue increased to \$56.2 billion from \$54.3 billion. An [analysis from the Pacific Institute](#) released Thursday produced slightly different numbers but told the same story: The farm economy is proving resilient in the face of an epic drought.

Growers "are still doing well, not as well as they were doing in the previous year," said Heather Cooley, co-director of the Oakland institute's water program. Despite the drop in net income, "it's the second highest in California history," she said.

The revenue and profit figures are in line with other indicators suggesting the farm economy hasn't collapsed. Far from it. Farm employment in California totaled 411,600 in July, unchanged from the same month a year ago, according to the Employment Development Department.

That doesn't mean the drought hasn't taken a toll. [A recent study by UC Davis](#) said the cutbacks in water have cost the farm economy about \$2.7 billion this year, and eliminated 10,000 jobs that would have been created otherwise.

Farm advocates say the numbers for 2015, which won't be calculated until next year, will show a more pronounced impact. Restrictions on surface water have gotten worse this year for practically all farmers, and crucial commodities such as milk have seen prices decline.

Farmers' profitability has become a hot political issue as California endures its fourth year of drought. Critics have seized on agriculture's consumption of 80 percent of the "developed" water used by people in California; that figure drops to 40 percent when river water left to the environment is taken into account.

Farm advocates say growers shouldn't have to apologize for their profits. The growth in revenue reflects the boom in demand for almonds and other commodities in which California specializes.

"You've got a situation where people want to buy the things that California farmers are growing," said Dave Kranz, spokesman for the California Farm Bureau Federation. "This is a sector of the economy that could be even more successful than it is if we had the water supplies that we wish that we had.

"This is one of the economic sectors that California should be proud of and I think is proud of," Kranz added. "It's a success story."

Figures from individual counties reveal how growers have been shifting crop patterns to adjust for dwindling surface water supplies and fluctuations in consumer demand. For instance, production of relatively inexpensive cotton fell nearly 30 percent in Kern County last year, continuing a long-standing trend away from that crop, according to county figures.

But Kern's almond output increased 19 percent, and the price per pound increased 29 percent. As a result, Kern farmers took in \$1.43 billion from almond sales in 2014, a 55 percent increase in revenue, according to figures released by the Kern County agricultural commissioner. Almonds helped fuel a 12 percent increase in [total farm revenue](#) in Kern last year, to \$7.55 billion.

The growth in almonds and other permanent crops has emerged as a contentious issue as the drought has deepened; almond trees are relatively water intensive, and unlike seasonal crops, orchards can't be fallowed in bad water years. Growers say they're simply responding to market concerns and putting their scarce water supplies to their best economic use.

Farm experts say there are limits to revenue growth if the drought continues. Already, dairy farmers have seen prices tumble this year. That's causing concern in places like Tulare County, one of the San Joaquin Valley's leading farm producers, where the dairy industry accounted for nearly one-third of the county's agricultural bounty in 2014.

"It's costing more to produce a gallon of milk than they're getting," said Marilyn Kinoshita, the agricultural commissioner of Tulare County. "Pretty sad."

In addition, water cutbacks have been more draconian than last year. The UC Davis study said 542,000 acres of land are being fallowed this year, about 20 percent more than in 2014. That will likely take a toll on farm finances when the value of the 2015 harvest is toted up.

Surface water, when it is available, is more expensive. Farmers in the Glenn-Colusa Irrigation District, a major rice-growing area of the Sacramento Valley, are paying \$130 an acre-foot for water from the U.S. government's Central Valley Project this year, said district manager Thad Bettner. That compares with \$30 last year, he said.

At the same time, some farmers in the San Joaquin Valley are paying in excess of \$600 an acre-foot to purchase water from farmers north of the Delta in privately negotiated deals.

Many farmers are keeping their operations going through deeper, more extensive groundwater pumping. The UC Davis study said growers are pulling 6 million additional acre-feet of water from the ground this year, partially offsetting the loss of about 8.7 million acre-feet of surface water.

Although environmentalists credit farmers with embracing efficient drip-irrigation technologies, they say the groundwater pumping isn't sustainable. The relentless draining of age-old aquifers has caused large portions of the San Joaquin Valley floor to sink. The [sinking land mass](#), in turn, is causing canals and roadways to buckle.

"They've maintained production and revenue with serious groundwater overdraft, and that's bad news," said Peter Gleick, director of the Pacific Institute. "It can't continue forever."

The state's first-ever groundwater pumping regulations are due to take effect starting in 2020.

The groundwater pumping is taking a toll on farm finance, too: Costs have risen about \$590 million this year, according to the UC Davis study.

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