

Thirsty Farmers Turn to Wine

High Water Costs Near San Diego Spur Avocado Growers to Convert to Vineyards

Hannah Karp, Wall Street Journal, 1-31-13

Phil Pace checks avocados in his Escondido, Calif., grove. Watering the trees has gotten so costly that some area farmers are turning to other crops.

A year and a half ago, Phil Pace bought a 15-acre property in Escondido, Calif., covered in avocado trees that were producing nearly \$100,000 worth of fruit a year. But watering them turned out to be so expensive that he began ripping them out by the hundreds to clear space for a new endeavor: a vineyard.

"I'm just hoping grapes are a little more profitable," says Mr. Pace, a restaurateur who agreed to sell future grape harvests to a local winery. Though he had to invest \$70,000 to plant the merlot and cabernet vines, Mr. Pace says he expects to save thousands annually on his water bill.

Faced with skyrocketing water prices and an uncertain supply, avocado farmers in San Diego County, long the nation's top avocado-producing region, are uprooting their trees in favor of more water-efficient crops. Many are growing grapes and getting licenses to operate wineries. Others are replacing avocado trees with exotic flowers or specialty fruits that they can hawk at local farmers markets.

It's a wrenching decision for many growers, especially in Fallbrook, home to one of the country's biggest avocado festivals. Much of the once emerald-green landscape is now barren: Avocado acreage in the county, which extends 30 miles inland and down to Mexico, fell to 17,673 acres in 2011 from 26,012 acres five years earlier, according to the San Diego County Farm Bureau's latest data. Meanwhile, 416 acres of wine grapes were harvested in the county in 2011, up from 309 acres five years earlier.

U.S. demand for avocados has grown in recent years, and avocados fetched a record \$1.52 a pound in the 2010-11 season, thanks to a small crop. But prices fell after a larger harvest last year. Much of the supply to sate U.S. demand now comes from Mexico and Chile: San Diego County farmers produced 81,467 tons of avocados in 2011, down 33% from five years earlier.

For years, local avocado farmers stayed afloat thanks to a roughly 20% agricultural discount on water given by the Metropolitan Water District, a Los Angeles entity that sells and transports water to agencies in Southern California, including the San Diego County Water Authority. Farmers agreed that in exchange for the cheaper water they would allow the district to cut back supply in drought years.

But a dry spell that began in 2007 spurred many farmers to opt out of the discount program so they could have a more reliable supply. The agency eliminated the discount in 2009.

Farmers are now struggling to slake their groves at household water prices, which have tripled in the area over the past 10 years to as much as \$1,200 an acre-foot. Avocados need three to four acre-feet a year, adding up to nearly \$50,000 a year for the typical 10-acre grove.

"It's killed us as farmers down here," says Rua Petty, a longtime Fallbrook farmer who recently uprooted nearly 13 acres of avocado trees and replaced them with proteas, South African flowers that sell for as much as \$7 a stem. "I use half the water I used four years ago and my expense is the same."

largest producers, is developing a new breed of salt-tolerant trees that could be irrigated with well water, which is cheaper but tends to be salty near the coast.

Ken Melban, director of issues management for the California Avocado Commission, says he is encouraging farmers to cram more trees into their groves. While typical avocado groves have 110 to 120 trees an acre, Mr. Melban says it is possible to squeeze 430 trees into an acre and use about the same amount of water. However, few small growers can afford to quadruple their crop outlay because trees cost about \$30 apiece.

It takes three to five years for a tree to begin producing fruit in commercial quantities. A mature tree produces about 64 pounds of avocados each year. "Their margins are very thin—we're not sure what they're going to do," says Mr. Melban, adding that many simply shut the water off, which eventually kills the trees.

Grapes, which thrive in the hilly area's hot days, cool nights and coastal breezes, are luring San Diego farmers because they require relatively little water, and even less as the vines mature. Though wine grapes rarely yield as much revenue as avocados, which can generate as much as \$15,000 an acre, vineyards attract income from visitors, too.

The decades-old Fallbrook Winery has been offering to manage vineyards and promising to buy their eventual grapes. General manager Ted Gourvitz says the winery now operates small vineyards on 20 local properties, half of those added just over the past two years.