

# As drought worsens, L.A. water agency offers cash to Sacramento Valley farmers

**Dale Kasler, Sacramento Bee, 3-17-15**

With the drought stretching into its fourth year, a heavyweight water agency from Los Angeles has come calling on Sacramento Valley rice farmers, offering up to \$71 million for some of their water.

The price being offered is so high, some farmers can make more from selling water than from growing their rice. Many are willing to deal: Nine irrigation districts, mainly serving rice growers along the Feather River basin, have made tentative deals to ship a portion of their water to the Metropolitan Water District of Southern California and several other water agencies later this summer.

Almost all of the buyers are located south of the Delta, where the water shortage is generally more critical than in the Sacramento Valley.

As many as 115,000 acre-feet of water could be sold, or more than 37 billion gallons, to Metropolitan and its fellow buyers. The result: a reduction in the amount of rice planted as farmers take fields out of production. As it is, California's rice industry is struggling to recover from a difficult 2014, in which 140,000 acres were idled due to drought and one-fourth of the crop didn't get planted.

The sale shows the growing influence of market forces on California's water allocations. A generation ago, many in Northern California agriculture fought tooth-and-nail against Metropolitan, which they viewed as the big bully from Los Angeles that would use any means necessary to grab their water. Nowadays, farmers are more apt to cut deals with the water giant, which serves 19 million customers, figuring it makes more sense to negotiate than to wage war against an entity with enormous political clout.

If farmers don't sell to Southern California, "we could really be open to a lot of criticism from various parties around the state," said Bryce Lundberg of Lundberg Family Farms, a Butte County rice grower that plans to participate in the big water transfer. "You could get opened to more than just criticism."

The deal also shows how severe the drought has become. A year ago, some of the same Sacramento Valley water districts shipped some of their water south at what seemed like an exorbitant price: \$500 an acre-foot.

This year's transaction will make 2014 look like a steal. Metropolitan and the others are paying \$700 an acre-foot. An acre-foot is 326,000 gallons, roughly a year's supply for two Southern California households.

"That reflects the desperation and the competition from the people down there," said Ted Trimble, general manager of the Western Canal Water District in Richvale, Butte County, one of the participating sellers.

Western Canal and eight other Sacramento Valley water districts agreed to the tentative sale to a group of purchasers led by the State Water Contractors, which represents agencies that rely on the State Water Project. Metropolitan will get 61 percent of the water and the Kern County Water Agency will get 31 percent. The rest will be split among seven smaller agencies, mostly south of the Delta.

The volume of water ultimately directed south could shrink. Several of the sellers, including Western Canal, won't participate if their allocations for this year are cut by the state.

To that end, Metropolitan is trying to scare up additional supplies from Northern California.

“We’re hoping to grow this pie larger,” said Steve Hirsch, the agency’s manager of water transfers and exchanges, in remarks made earlier this week to Metropolitan’s directors. “We’re still pursuing sellers.”

Southern California’s thirst for Sacramento Valley water doesn’t sit well with some. Barbara Vlamis of AquAlliance, an advocacy group in Chico, said selling water to Southern California harms the Valley’s environment and economy.

“When someone fallows 20 percent of their rice ground, it reverberates through the ag community,” she said.

Jim Morris, spokesman for the California Rice Commission, said the commission wasn’t familiar with the tentative sale and couldn’t comment on its impact on this year’s crop. “We’re still looking at what the upcoming season will hold,” he said.

For growers, participating in the sale is voluntary, but the economics make it hard to say no. Trimble said farmers in his district figure to make a profit of about \$1,000 to \$1,500 an acre planting rice. Idling an acre of rice would yield more than 3 acre-feet of water, or more than \$2,100.

Despite the big payoff, the district won’t idle more than 10,740 acres, or about one-sixth of its total. Trimble said growers have to take the long view; idling all their land would mean the financial ruin of the mills and other businesses that serve the rice industry, crippling farmers when the price of water drops and they want to plant again.

“There’s a big industry here built up around the rice; we’ve got to keep that going,” he said.

Growers along the Feather River are in a position of relative strength – water wise. Blessed with senior water rights, they received 100 percent of their State Water Project allocation last year. While this year’s allocation could be cut by as much as half, they’re better off than many growers in other parts of the state. Last month the U.S. Bureau of Reclamation announced that farmers can expect nothing this year from the federal government’s Central Valley Project, a major water source for many.

As water becomes more precious, the notion of selling some torments many farmers.

“We have growers in the district – they’re never going to sell a drop of water,” said Thad Bettner, general manager of the Glenn-Colusa Irrigation District.

Glenn-Colusa, which draws from the Sacramento River, isn’t involved in the sale to the Metropolitan group. But it has sold water at times. Last year it made deals with a neighboring agency, the Tehama Colusa Canal Authority, and the San Luis & Delta Mendota Water Authority, which serves a vast swath of the San Joaquin Valley.

Water sales also are occurring in Sacramento’s backyard. Conaway Ranch, a 17,000-acre Yolo County farm controlled by Sacramento land baron Angelo K. Tsakopoulos, has made deals with farmers who own vineyards and almond orchards – permanent crops that must be watered every year. Conaway’s rice and other field crops can be idled.

Conaway sold some of its water last year at \$325 an acre-foot and is fielding offers this year on pricier terms, said general manager Bob Thomas.

“Water is getting much more expensive,” he said. “South of the Delta, the price is going to be much higher.”

Metropolitan isn't thrilled about paying \$700 an acre-foot for water. But the Los Angeles agency needs the additional supply, despite having spent billions of dollars on storage and conservation projects over the last few years. The State Water Project, which provides about one-third of Southern California's water, expects to deliver only 20 percent of normal allocations this year. The Colorado River, Metropolitan's other main source, is running at less than 50 percent of normal. This year marks the first time since 2010 that Metropolitan has gone into the market to buy water from the Sacramento Valley.

Hirsch said Metropolitan and its partners had to compete against three other bidders, including the San Joaquin Valley's massive Westlands Water District, to make the deal for the Sacramento Valley water.

“What a difficult year it's been to negotiate transfers,” the Metropolitan official told the agency's water planning and stewardship committee earlier this week. “It reflects the competition ... and another year of drought.”