

California farmers, ranchers face further losses as drought persist

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Despite nearly normal rainfall and snowpack during the 2015-2016 rainy season, California agribusinesses could face up to \$1.5 billion in losses due to persistent drought conditions, according to a new report from CoBank of Greenwood Village, Colorado. The bank has a California office in Roseville.

The drought's lingering effects will lead to another round of water restrictions for producers through the remainder of the growing year and beyond, the bank predicts.

While Northern California saw the most precipitation during the rainy season, much of the state is still gripped by severe drought, especially in the central and southern regions, it notes.

"Government agencies in the state will again need to enforce water restrictions, allocating less than 60 percent of the state's contracted water supplies," the bank says. "These restrictions will result in a 5-7 percent loss in net cash income for farmers, ranchers and agribusinesses across the state."

"Although California's cities, rural communities, and farmland are less parched today than they were a year ago, water remains in short supply," says Leonard Sahling, vice president with CoBank's Knowledge Exchange Division. "While for some areas water allocations will be more than double last year's amounts, growers will still fallow up to 350,000 acres this year."

In addition to fallowing land, growers have several other options to offset water restrictions and drought effects including increasing their use of groundwater stores, purchasing additional water from senior rights holders, increasing the use of crop insurance to mitigate risk and lost income, and shifting their crop mix in favor of crops that require less water, says the bank.

"Some sectors will feel the effects of these water restrictions more so than others," says Mr. Sahling. "Crops that yield the highest returns on investment, like permanent plantings of tree crops and vines, should be impacted the least. At the same time, we expect a large reduction in acreage for field crops that require significant amounts of water, including corn, wheat, cotton and alfalfa."

For cattle and dairy farms, the biggest drought-related risk stems from potentially higher feed costs, the bank's report says. "Fallowing decisions will affect the price and availability of locally grown feed ingredients," Mr. Sahling says. "However, grain and feed prices have declined across the nation, mitigating this risk."

Despite a projected reduction in farm income, Mr. Sahling says California's ag sector remains strong enough to manage through another year of drought.

"Looking beyond this year, the outlook for California agriculture will depend on how much moisture the state receives, continued availability of groundwater and future regulations that impact access to surface and groundwater," he says.