

My name is Henry E. Rodegerdts, I am an attorney with the California Farm Bureau Federation's Natural Resources and Environmental Division.

The California Farm Bureau Federation is a non-governmental, non-profit, voluntary membership California Corporation. The California Farm Bureaus' purpose is to work for the protection of agriculture and the rural environment, and to find solutions to the problems of the farm, the farm home, and the rural community throughout the state of California. Its members consist of 53 county farm bureaus and through them, more that 95,000 individual family members.

In a March 21, 2001 opinion piece appearing in the Wall Street Journal entitled "Paradise Lost", Victor Davis Hanson, a fifth generation grape grower and professor of classics at California State University Fresno said:

California is no longer a public of 20 million or even 25 million souls, but will soon exceed 35 million. For all our self-inflicted

calamities, immigrants, both foreign and domestic, are still pouring into the state. Something must soon give in a sea of vast conflicting agendas. Our apparent birthright of sprawling suburbs with rye lawns, pools, residential lakes, and golf courses cannot exist alongside millions of acres of irrigated agriculture-at least not in the Mediterranean climate and deserts of California. We can either water 30 million Californians to surfeit, or continue to be the greatest food producer in the nation; we can no longer do both.

Our underground aquifers are tapped and our mountain runoff long ago claimed. Very soon, water shortages, rationing and astronomical price spikes will make our current electricity calamity pale in comparison. Water, even more so than power, is necessary for life – and for the good life it must flow in great abundance. Meanwhile, Californians talk of restoring uninterrupted rivers and streams for their rafts, fish, scenic hikes and bays. But they would do better first to ensure that there will be enough water in their taps and toilets.

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In one sense, we were parasites who lived off the work of our forefathers and the gifts of nature. And our unearned affluence spawned a smugness of the worst kind: Given water, power, universities and roads by others, we dawdled, pontificated and nuanced about the particulars of our own utopia. The result of this California disease is that we can save a newt but not always guarantee power in the library.

Imperial County ranks as one of the top 10 of California's counties in agricultural production value. In recent years it has produced more than 50 percent of the production value statewide of carrots, 38 percent for sugar beets, 22 percent for onions, 19 percent for wheat, 17 percent for alfalfa, 17 percent for sweet corn, 27 percent for cantaloupes, 22 percent for dates, and 18 percent for watermelons. It is a major factor in California's more than 50 percent contribution to the fruit, vegetable, and nut production in the United States and California's 25 percent contribution to the national food basket. In short, the Imperial Valley is a significant part of California's farmland

mix. It is an environmental resource of worldwide importance.

Because of that production of food and fiber, the land and the water which makes it productive are critical resources of immeasurable value.

Arguably, what is being proposed here by way of a water transfer can be said to be a model. It purports to be going forward by transferring only that water which becomes available by reason of more efficient use, while at the same time providing to the source of that water, the agricultural producers of the Imperial Valley, the ability to finance the infrastructure and improvements which will enable them to bring about the conservation program while still keeping land in production.

Certainly among the alternatives for making that water available are several which do not include the fallowing of land, and of course the Imperial Irrigation District has determined that there is to be no fallowing of land under the program.

But fallowing does remain a possibility on the future horizon and even among the alternatives currently proposed. It would be foolhardy to believe that if it is necessary to enable this program to go forward, and

to realize the amount of water required, that if it is necessary, fallowing will not be imposed. The stakes here are too high for it to be otherwise. If fallowing becomes a necessity, thousands of jobs will be lost and the reduction in business output will be in the hundreds of millions of dollars. We know that now; as time passes it could be even more.

About a tenth of California's land area is irrigated cropland, about 9 million acres in all. Some 500,000 of those acres are in Imperial County, including about 460,000 acres served by the Imperial Irrigation District.

Given the importance of what those acres produce for the state, the nation, and the world, one does wonder whether we have our priorities in order. But if it is determined in the end that this is the correct course and that this water should be shifted from agriculture to urban use, we should address the long term consequences of that now and realize that this only the beginning.

In recent weeks I have heard respected decision makers suggest that it is really foolish for Southern California to continue to look to the north for its future water supplies. Rather, the several million acre feet of water used to irrigate the agricultural lands of the Imperial Valley, should instead be utilized to serve the current and future population explosion in this part of the state. This phasing out of agricultural production in the Imperial Valley could perhaps take as long as a century. The only problem with doing that is to figure out what to do with the people who would be impacted. The thought is to make this a humane transition.

That brings on the issue of third party impacts. It is much like leap frog development in the transitioning of agricultural lands on the urban fringe to the ultimate highest and best use, which is not agriculture. We speak of orderly development, avoid the leapfrogging and keep viable agriculture on the fringe as long as possible.

The same concerns ought to be addressed upfront early on in connection with this proposal. Let's start talking about the third party

impacts now and put a realistic plan in place to keep the agricultural economy of the Imperial Valley intact for as long as possible.

Paul Wenger, Second vice President of the California Farm Bureau Federation, testifying before the House of Representatives Subcommittee on Water and Power, on the Western Water Enhancement Security Act in June of 2001 said:

There is a baseline of agricultural land and water resources that must be maintained in each community. The Farm Bureau is concerned about the government's continuing consumption of California's privately owned land and water resources because each purchase threatens our state's farming and ranching infrastructure. When the resources within a community drop below the agricultural resources baseline, the region is no longer able to support farming infrastructure. The processing plants, equipment dealers, transportation links, farm workers and other necessary farm support services either go out of business or leave the area. Once this occurs, the remaining agricultural lands within the region are sold to the highest

bidder because the farmers and ranchers are no longer able to sell and transport their fresh fruits, vegetables, nursery, meat and dairy products to the urban markets and the farm workers make other arrangements to continue to support their families.

In concluding his remarks he said:

California is an agricultural resource of international importance, being a unique place where the climate and soils converge. California agriculture cannot merely move somewhere else, where urban and environmental pressures are not so great, because we cannot recreate what we have here. For this reason, agriculture cannot continue to be the state's water well that it draws from every time a new water need arises. That well is going dry.

And indeed that is what we see happening here with this proposed transfer. We are not talking about sinking a new well, instead we are going to make better use of the water that comes out of the current well. But there are limits to what we can do to conserve that water;

there are limits to our efficiency. That is why I am suggesting that in the future there will be a need for an increased supply of Imperial Valley water even after this transfer is culminated. Until this state is prepared to develop new water resources, we will at first attempt to make better and more efficient use of the water now available, and after we have exhausted the efficiency option, then we will redirect the water. That is when the third party impact issue will come home to roost. So let us start talking about it now.

There has, of course, already been a gentle genuflection in the direction of talking about socioeconomic considerations in connection with the Environmental Impact Report/Statement. But no mitigation is required for any of the conclusions reached. Thus we have a large void in the environmental review process.

Even if this project is not in the near term expanded beyond the suggested maximum of 300,000 acre feet of transferred water and the project remains limited to its present scope, the third party impacts are still not predictable given the uncertainty of future hydrologic conditions, regulatory requirements, and project

operations. It may not always be possible to generate that 300,000 acre feet through the presently proposed conservation programs without going to fallowing.

Economic studies that have zeroed in on this third party impact issue because of curtailed water deliveries and retirement of agricultural land are not numerous. There was some activity in this area during the last major drought in 1987 through 1992. That drought substantially reduced the supply of federal and state irrigation water available to California farmers in the Central Valley.

Farm Bureau has served on the interested parties and seeks the introduction as exhibits in these proceedings two studies which emerged during that period.

Farm Bureau's Exhibit 2 is entitled "93640 at Risk: Farmers, Workers and Townspeople in an Era of Water Uncertainty," prepared by Don Villarejo in March of 1996 and published by the California Institute for Rural Studies Inc. This is a study of the third party impacts in the Mendota area of Fresno County California during the 1987-92

drought. The second Exhibit is also published by the California Institute for Rural Studies, Inc., and again it is by Mr. Don Villarejo, and was released in February 1995, "Impact of Reduced Water Supplies on Central Valley Agriculture."

The findings of the Mendota research suggest that the curtailed water deliveries had the following results: 1) Irrigated cropland decreased by 14 percent; 2) labor demand decreased by an amount that was proportionately larger than the decrease in cropland acreage; 3) packing, shipping, and hauling labor demand decreased and in fact three of seven Mendota area produce firms went out of business, or left the area during this time; 4) farm and packing wage and salary income in the Mendota area declined by 14 percent; 5) there was a net decrease of 26 percent in the farms remaining in production in the area with 70 percent of the small farms (these farms averaged in excess of 1,489 acres each) which were active in the beginning of the drought either quit or left the area by the time the drought was over; 6) retail sales experienced an 11 percent decrease in the area as compared to a 4 percent decrease in county wide retail sales during the same period; 7) agricultural land values declined by 30 percent;

8) Mendota city tax revenues declined as a result of the depressed business conditions and declining property values. *Exhibit 2, Executive Summary.*

The author concludes that there is a failure in environmental policy to address community impacts of irrigation water reductions. He identifies that as a major shortcoming of what he refers to as the new “water ethic.” Further in his opinion, the people and community of Mendota will require the assistance of knowledgeable and culturally-sensitive rural economic development specialists.” *Exhibit 2, Executive Summary.*

The question asked by this study was: “What was the impact of water reallocations on communities that lose irrigation supplies, especially the many towns who’s economies depend on irrigated agriculture?” *Exhibit 2 at 2* The answer should give pause to anyone who is about to embark upon, not a 5-year reduction in water supplied, but rather one which is guaranteed to last for 75 years.

Some interesting observations made by the author in connection with this study: 1) "Mendota Area Farm Operators did not alter their fruit and nut crop acreage throughout the drought, reflecting the fact that farmers seek to protect their perennial plantings." *Exhibit 2 at 15*; 2) "Vegetable crop plantings for the fresh market were reduced by an average of 37 percent in the period 1990-92 as compared with 1987. In the final year of the drought, the combined acreage of plantings of these crops was 48 percent lower than in 1987." *Exhibit 2 at 16*; 3) "This shift away from the production of vegetable crops for the fresh market in the Mendota area was an unexpected major finding in this research. It flatly contradicts the expectation that water shortages generally encourage higher-value crop production. Just the opposite occurred in the Mendota area." *Exhibit 2 at 17*; 4) "The fact that three wholesalers left the area or presently quit the business indicates that there are likely to be substantial long-term employment impacts on the community, lasting well beyond the drought itself." *Exhibit 2 at 2*.

The findings as to agricultural land values is particularly disturbing.

Recall that agricultural land values in the area fell 30 percent. On this issue the author says:

This is a remarkable finding, clearly demonstrating the severe impact of the unreliability of irrigation water supplies of adequate quality on underlying agricultural land values....That this is not a spurious finding is underscored by the extraordinary land auction held by the Travelers Insurance Company on May 11, 1993. Some 7,155 acres of Westside farmland as well as cotton gin facilities and labor housing were made available at auction.... In the auction itself land that had been valued in excess of several thousand dollars per acre by the insurance company for purposes of securing mortgage debt was bid down to just a reported eight hundred dollars per acre. This sale stunned Westside farmers and landowners. It also sent a signal to lenders: land values had fallen by such a large amount on the Westside that, unless proven otherwise, it was essentially worthless as collateral for loans....Lenders are now reportedly asking borrowers to demonstrate their water

supply circumstances before discussions of loans can even begin. *Exhibit 2 at 27, 28*

In conclusion the author states:

It is important to understand that environmental policy advocates strongly urge substantial cutbacks in irrigation deliveries to western United States farm operators, not only through the reallocations contemplated by legislation such as the CVPIA, but also through water marketing.

However, unlike the federal programs compensating timber and fishing industry workers for their loss of income, or the bailout of Chrysler Corporation, no programs have yet been enacted that recognize the adverse community impact of water reallocations. Industry cutbacks that are analogous to plant closings in their scope are less visible in farm communities. Land that is fallowed or planted to another crop does not have the visual impact of a locked plant gate or the adjacent empty employee parking lot.

Thus, compensation to communities for the damage experienced when their ability to grow crops is undermined by irrigation cutbacks must be at the forefront of water policy discussions..... Federal agencies, such as the Cooperative Extension Service, are not prepared to address these issues. While their staff is highly skilled in developing more efficient methods of crop production, they have little experience in community development issues. *Exhibit 2 at 29-30*

In Mr. Villarejo's second study "Impact of Reduced Water Supplies on Central Valley Agriculture (*Exhibit 3*) he reaches much the same conclusions. Among his policy recommendations: 1) Agricultural communities already adversely impacted by water supply cutbacks need direct emergency assistance. Thousands of people are either without work or have significantly diminished employment opportunities; 2) Farm operators and businesses providing services to agriculture need a definite time line for the determination of future water supplies. The present climate of uncertainty adversely influences business decisions of all kinds in the affected

communities; 3) Social and community impact assessments should be required prior to implementation of CVPIA-mandated changes in irrigation supplies to agriculture. *Exhibit 3 at 14*

It has been suggested that California has no choice but to manipulate water. Our water supply is now totally dependent upon 1,200 major dams and a north south network of aqueducts. There is no returning to nature. And we have no definite plans to expand our manmade system.

Limits are a foreign concept in California's culture. Our prevailing attitude about water is no exception. But the rubber has hit the road now and the demands for that limited water supply essentially exceed its availability.

There is a prevailing perception that agriculture has the water, and so returning to Professor Hanson's view, I would suggest we have made the decision that since we cannot both supply the needs of urban California and its food producers at the same time we are making the policy choice to favor the urbanites. But in the process we are

leaving in the dust at the end of a dry irrigation lateral, a group of third party folks, and in the redirection of that water resource we should be more realistic about the long term consequences to that group.

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