



((Winter 2012))

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An informational newsletter for water users and landowners in the San Joaquin River Exchange Contractors' service area.

EXCHANGE

perspective

March 2012

NEW ANALYSIS EXAMINES THE ROLE AND VALUE OF AGRICULTURE IN THE EXCHANGE CONTRACTORS SERVICE AREA

The analysis is a follow up to a 1997 report examining the role and value of agriculture in the area served by the four member entities of the San Joaquin River Exchange Contractors Water Authority (Exchange Contractors). The main focus of these studies was to examine the levels of agricultural production in the service area, including businesses linked to that production. The 1997 study was utilized in conjunction with other information such as crop acreage, water use and related information provided by the Exchange Contractors to develop a regional economic model which quantified the importance of agriculture and water to the region.

The purpose of the 2012 analysis was to update the 1997 report with a focus on the importance of agriculturally-related employment in the Exchange Contractors service area. Agriculture and agriculture-related businesses were shown to be the dominant source of employment within the Exchange Contractors' service area, constituting over 46% of total employment, nearly five times as much as the rest of California. Because of the region's historic and expected future dependence on agriculture, there is an ongoing need for information on the vitally important role of agriculture and on the many beneficial ways in which water supplies are used in the service area.

The 2012 report found that within the Exchange Contractors service area, about 80 crops are grown commercially, with an aggregate annual farmgate value of over \$397 million. This crop production supports an additional \$149 million of indirect production in such industries as seed, chemicals, farm

machinery, and more. The dairy industry also plays a critical role as well, with total output associated directly and indirectly with dairies within the service area exceeding \$293 million, for a combined total of \$840 million annually. The production from the Exchange Contractors service area is an important part of over \$7.3 billion in livestock and crop products throughout the four-county region, including nearly \$2.4 billion annually in dairy products.

The report showed some changes in the region since the previous report, and the combined pressures of population growth, limitations on water supply, and environmental restrictions pose real threats to agriculture on the west side of the San Joaquin Valley. Population growth in the region (nearly 42% from 1990-2010) has increased demand for municipal and industrial water and relies almost entirely on groundwater to meet their demands. Regional surface water supplies have also been reduced by pumping restrictions to protect endangered species. Years of significantly reduced deliveries from the Central Valley Project and the State Water Project, aggravated by the 2007-2009 drought, have pushed many farmers out of business.

Cropping patterns in the Exchange Contractors service area have also changed somewhat over time. These changes reflect factors such as market forces, water availability, and agronomic issues. While total cropped acreage has remained fairly consistent, alfalfa acreage has increased 70 percent, field crops have declined 75 percent, cotton has fallen 32 percent, permanent crops have increased 114 percent, and vegetables have increased

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341 percent. Alfalfa acreage has increased over time due to the needs of local dairy and other livestock industries. The largest acreage among crops grown in the service area is now alfalfa, followed by grains, cotton, vegetables, and permanent crops.

The report also highlighted the success of the Exchange Contractors' water transfer program which over the last two decades funded over \$90 million in conservation programs. These conservation measures improve both the efficiency of the member agencies systems and on-farm systems, improving the water supply to the region as a whole.

Economic reports such as these are critical in a variety of ways. Not only do they enable us to examine current trends in economics, crops, employment, and water use, but they also allow us to look at potential threats to agriculture in the San Joaquin Valley. Additionally, the Exchange Contractors will utilize the information from this report to communicate the critical economic role played by agriculture to policy makers throughout the state.

Crop Group	1995	2010	Percent Change (1995-2010)
Alfalfa Hay and Seed	54,042	62,299	15.30%
Cotton	82,129	39,255	-52.2%
Field Crops	16,717	7,432	-55.5%
Fruits/Nuts/Vines	8,264	23,962	190.0%
Melons	10,016	6,330	-36.8%
Vegetables	12,858	28,580	122.3%
Grains	33,985	51,803	52.4%
Pasture/Hay/Forage	7,530	7,359	-2.3%
Misc/Other	21	2,134	10061.9% *
Fallow	3,382	1,688	-50.1%
Total	228,943	230,842	0.8%

*Local cropping trends have changed significantly over the last two decades.
Percentage high because of low starting acreage.

Industry /Sector ¹	Four County Area		Exchange Contractors Service Area ²	
	Total	% of Total	Total	% of Total
Agriculture and Related	139,961	17.0%	14,582	46.1%
Mining	298	0.0%	17	0.1%
Utilities	2,787	0.3%	87	0.3%
Construction	46,360	5.6%	992	3.1%
Manufacturing (Non-Agricultural)	31,103	3.8%	304	1.0%
Wholesale Trade	23,945	2.9%	531	1.7%
Retail Trade	86,507	10.5%	2,880	9.1%
Transportation & Warehousing	29,385	3.6%	1,693	5.4%
Information Services	9,158	1.1%	125	0.4%
Finance & Insurance Services	21,882	2.7%	313	1.0%
Real Estate & Rental Services	26,636	3.2%	484	1.5%
Professional & Technical Services	30,362	3.7%	406	1.3%
Management of Companies	5,933	0.7%	12	0.0%
Administrative & Waste Services	37,456	4.5%	256	0.8%
Educational Services	8,098	1.0%	46	0.1%
Health & Social Services	84,341	10.2%	1,509	4.8%
Arts, Entertainment, & Recreation	8,731	1.1%	108	0.3%
Accommodation & Food Services	47,323	5.7%	1,735	5.5%
Other Services	49,742	6.0%	1,197	3.8%
Government and Unclassified	134,148	16.3%	4,355	13.8%
TOTAL	824,156	100.0%	31,632	100.0%

A breakdown of local employment shows the critical role of agriculture in our local economy.



Agriculture and related businesses account for approximately 46% of employment within the Exchange Contractors' service area.

THE STATE WATER RESOURCES CONTROL BOARD TO PROPOSE NEW SAN JOAQUIN RIVER FLOW OBJECTIVES

As part of its ongoing efforts to require additional fishery flows for the San Joaquin River system, the State Water Resources Control Board (SWRCB) is preparing to present proposed flow modifications on the river by mid-Spring of this year. The purpose, according to the SWRCB, is that increasing flows in the San Joaquin River and its tributaries will improve migratory fish populations.

Proposed flow modifications could have a dramatic effect on water supplies in the region, as well as impacting temperatures, salinity, seepage, groundwater conditions, channel capacity, and levee stability. Because of these concerns, the Exchange Contractors have been closely following this issue. Meetings continue to be held with other water right holders in the region and policymakers to protect our water rights.

While the Exchange Contractors support efforts to improve conditions in the San Joaquin River, it is critical that any new water flow requirement be based upon clear scientific data. Currently, the Exchange Contractors have expressed concerns that flow modification objectives are not well-defined, and that draft solutions circumvent the water right priority system of allocating responsibility to meet those flow modifications. As a community that relies on agriculture for more than 50% of our employment, any effort that simply takes more water and jobs away from our area must be opposed.

The proposed modifications are to increase flows at Vernalis on the San Joaquin River from January through June of each year, ranging from 20 percent to 60 percent of natural unimpaired flows. As all major tributaries on the San Joaquin River system are altered by dams or diversions, the imposition of such high flow requirements will have a profoundly negative impact on local water supplies and water quality. Residents and employees who rely on these supplies for food production or for municipal purposes within the San Joaquin Valley will be seriously hurt by such action.

The SWRCB's final determination is required to consider competing uses for the water, water supply cost and then water rights priority as its basis. Any decision which places these obligations upon unwilling parties and in disregard to the long-established water rights priority system will most likely be opposed by those of us who hold senior water rights on the San Joaquin River system.

DRY WEATHER CAUSES 2012 TO BE DECLARED A CRITICAL WATER SUPPLY YEAR

Exremely dry weather this winter has limited water resources for 2012. Inflow to Shasta Reservoir - the trigger that determines the Exchange Contractors' water supply - has been half of average since October 1st and the forecasted inflow is very dry. The first water allocation announcement by the U.S. Bureau of Reclamation was released on February 15th. Due to dry weather conditions, the Exchange Contractors, pursuant to their contract, received a Critical Year classification for the first time since 1994, thereby limiting water allocation to 75%. Updated forecasts will be ongoing throughout the winter and spring, and we, in conjunction with our member districts, will continue to keep our landowners updated on changes to the water supply forecasts.



2012 water allocations will be limited to 75% due to dry weather conditions.



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GREETINGS

To keep our landowners consistently informed with local, state, and federal water issues, we are embarking on a renewed outreach effort.

Included in our new outreach program will be quarterly newsletters, and a redesigned, user-friendly website that will provide additional up-to-date information on important water-related issues, in addition to developing an email contact list so that alerts can be sent out when necessary.

We, at the Exchange Contractors, will be very active in completing our main purpose — protecting your water rights. Some of the issues we face include legislative proposals on groundwater regulation and management, and fees on water supply and drainage discharges. As covered in this newsletter, the State Water Resources Control Board will also soon formally release its proposed new flow objectives for the San Joaquin River.

Please review our new newsletter and website to stay up to date on key issues - your comments and suggestions are appreciated.

Steve Chedester
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