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Commission explores program payment limitations

AIC Director Dan Sumner was one of several national economic experts invited to address a public workshop of the Commission on the Application of Payments Limits for Agriculture in Washington, D.C. The June 17 workshop covered a range of issues related to limitations on farm program payments.

The 2002 Farm Bill created the Commission to study the potential impacts of further payment limitation on agricultural producers and related industries.

Sumner told the Commission that while farm program payments shift wealth from taxpayers to owners of program crop base, the payments also stimulate production and lower market prices of program crops, reduce production and raise market prices of competing crops, increase farm exports and reduce imports, smooth program crop income flows, and cause a host of other impacts. To the extent that payment lim-

its become more binding, they reduce the impacts caused by the payments. As proposed, tighter limits will have minor impacts on payment programs in aggregate—for example, for traditional midwest crops such as corn, soybeans and wheat.

However, additional payment limits would have differential impacts on certain industries and farms, including California's rice and cotton industries, placing them at a strong competitive disadvantage. Any tightening of limits will create adjustments that raise costs for the rice and cotton industries; tighter limits will also be reflected in lower land rental rates and lower land prices in cotton and rice producing regions.

Several California rice growers and cotton industry representatives also attended the Commission meeting.

AIC organizes science and technology site visits for international ministers

Ministers representing seventy-seven countries who attended the June 23-25 USDA-sponsored International Ministerial Conference and Expo on Agricultural Science and Technology in Sacramento visited Northern California laboratories and field sites showcasing agricultural science and technology in action.

At Hilmar Cheese Co., Ahlem Farms Partnership, and Nyman Brothers' dairies in Merced County the international ministers and their aides learned about new products and



Ministerial visitors to UC Davis Foundation Plant Services

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technologies for efficient processing of dairy products and about dairy nutrition, waste management and tracking technologies. Rice quality improvement and water and pest management research were the primary foci of the visit to the California Cooperative Rice Research Foundation Rice Experiment Station in Butte County, while technologies to assure food safety, differentiate quality attributes, and monitor for flow management were viewed at the nearby rice milling facility of SunWest Milling Co. In Napa County, at the UC Davis Experimental Vineyard and Research Station the visitors observed and learned about rootstock evaluation and innovative cultural practices that can be used to influence the chemistry of grapes and character of the wine.

UC Davis labs and centers hosted three of the visits on campus. The Department of Food Science and Technology lab visits emphasized technologies used to analyze effects of food processing methods and for phytonutrients, about development of edible films and coatings, and the brewing laboratory. The Animal Health and Food Safety Laboratory demonstrated the latest diagnostic techniques to detect and identify animal diseases and their sources to ensure safety of foods of animal origin as well as support control of livestock and poultry diseases, while the Foundation Plant Services and National Grapevine Importation Program demonstrated its procedures to test and maintain virus and disease-free plant materials, including use of serological and DNA technologies, micro-propagation and tissue culture, and quarantines.

Nearby, in the private sector, AgraQuest, Inc. demonstrated how they discover, screen and develop environmentally benign pesticides. Other visitors toured the greenhouses and labs of Seminis Seeds, Inc., learning about vegetable seed breeding operations—sourcing, selective breeding, field testing, and scaling-up to commercial seed production.

Marcia Kreith took the lead in arranging and coordinating the site visits. Dan Sumner and Laurie Treacher from AIC and Susan Webster with the UC Davis Seed Biotechnology Center were also instrumental in the effort.

Sun-Maid hosts AgMRC

Sun-Maid Growers of California hosted the April meeting of the Agricultural Marketing Resource Center's

(AgMRC) Advisory Council. Sun-Maid President Barry Kriebel is a member of the council for the multi-state AgMRC that focuses on research and outreach activities promoting value-added agriculture. Other Californians on the board are Elizabeth Hund, managing director of Rabobank's Western Region San Francisco Office; and Richard Rominger, Yolo County farmer and former USDA Deputy Secretary.

The AIC is an active partner in the AgMRC. More information about the Center and its programs is available at www.agmrc.org.

Agriculture faces healthy future, despite current challenges

Dan Sumner presented a view of the outlook for agriculture to the North American Agribusiness Advisory Board of Rabobank International.

Agriculture faces a positive future—in the long term. However, more adjustments will occur first, and serious economic challenges loom for some commodities. Climate and yield fluctuations—both in the United States and abroad—will continue to add risk and unpredictability to short-term markets.

Water concerns have not been the driving force in agriculture recently. Water transfers can be a profitable alternative to crop production for some, but agriculture overall will not be driven by water transfer potential.

What happens in China will affect world markets. China's competitive advantage with respect to low labor costs implies competition for horticultural crops, an area that is growing rapidly in China. Extent of the competition depends on quality and marketing, domestic demand and the performance of China's competitors and collaborators. The United States and California could promote and differentiate products based on the quality advantage and also could invest in partnership with China. Another option for California and the United States would be to shift to commodities that provide a comparative advantage over China.

California agriculture is a major net exporter and generally benefits from more access to world markets. However, the most important free trade agreement for California is that among states within the United States.

The 2002 Farm Bill increases production incentives and price regulation, and ties more subsidy to prices than the previous bill. Most payments go to dairy, cotton, rice, grains and oilseeds. Horticultural commodities get nothing from direct farm subsidies and the dairy deficiency payments are biased against large dairies, producing negative effects in California.

Average California farmland prices continue to increase, indicating that most land owners/growers/bankers remain confident about the viability of California's agricultural industry. The highest land values are associated with secure water.

Korean agricultural leader discusses policy reform

Young-Jin Kim, Minister of Agriculture and Forestry for the Republic of Korea addressed "The Challenges for Agricultural Policy Reform in Korea" at a UC Davis seminar and discussion on June 24.

Kim has received national and international attention for his strong advocacy of higher prices and protection for farmers in Korea and served as the agricultural advisor to President Roh during last year's Korean presidential campaign.

The seminar was sponsored by the AIC, the Department of Agricultural and Resource Economics, and the Institute of Government Affairs. AIC director Dan Sumner served as discussion leader.



Left: Jung-sup Choi, William Lacy, Milenda Meders, Daniel Sumner, Young-Jin Kim, Betsy Marchand, Corny Gallagher.

2003 AIC Issue Briefs

So far this year, the AIC has published *Issues Briefs* dealing with California's agricultural exports, effects of NAFTA in California Agriculture, new uses for whey, and how grape characteristics affect the price of wine.

What Determines the Price of Wine? considers how information about grape characteristics and wine assessments affects wine prices. The analysis uses data from the prices of 8,460 individual California wines and is the first reported thorough empirical study on California wine prices.

Potential Gains to Producers from New Uses for Whey discusses potential new uses for whey being developed in UC Davis Food Science and Technology Department laboratories and how successful marketing of these innovations can result in increased demand for whey, with ripple effects throughout the U.S. and California dairy industries.

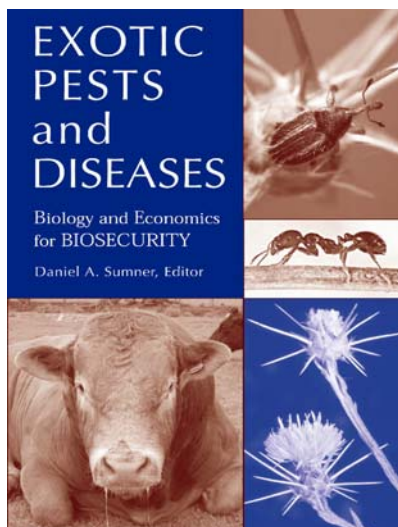
Role of NAFTA in California Agriculture: A Brief Review assess the effects on 45 important California commodities of 13 years of free trade with Canada and eight years with Mexico under the North American Free Trade Agreement.

California's International Agricultural Exports in 2001 describes international agricultural exports for 50 California commodities, giving their value and relative rankings as well as international destinations.

These briefs are available from the AIC or at <http://aic.ucdavis.edu/oa/briefs.html>. Previously published briefs are also available at this site.

Each *AIC Issues Brief* is a four to eight page exploration of a particular topic related to California agriculture. They are timely, non-technical summaries of research projects, written for a broad audience with an interest in the particular subject. In many instances, more detailed studies from which the briefs are created are also available on the AIC website at <http://aic.ucdavis.edu/>.

Exotic Pests and Diseases book published



Exotic Pests and Diseases: Biology and Economics for Biosecurity, edited by Dan Sumner and an outgrowth of a large AIC interdisciplinary project, contains detailed case studies on foot and mouth disease, BSE, plant-parasitic nematodes, red imported fire ants, citrus canker, yellow starthistle, karnal bunt, avocado insect and mite pests, rice blast, and ash whitefly. It also includes an introductory discussion by Sumner on exotic pests and public policy for biosecurity and chapters on economics of pest policy, the regulatory framework, international trade and WTO rules, and historical perspectives on exotic pests.

Other AIC authors contributing to the 276-page volume include Marcia Kreith, José Bervejillo, Karen Jetter, and Karen Klonsky among a host of coauthors and collaborators.

Sumner notes that the threat of exotic pests and diseases cannot be eliminated, but that improved analysis of policy alternatives can reduce the costs and increase the benefits of policies selected to respond to the threat. The book is designed to help policy makers, regulators, academics, students and others interested in pest management focus on this goal.

Exotic Pests and Diseases: Biology and Economics for Biosecurity is available from Iowa State Press, (800) 862-6657, or www.iowastatepress.com.

Studies explore pear and organic almond production costs

New cost of production studies for alfalfa and pears have been added to the list of cost studies for various commodities available online at <http://coststudies.ucdavis.edu/>. The studies can be used to make production decisions, determine potential returns, prepare budgets and evaluate production loans. Tables show establishment costs, profits over a range of prices and yields, monthly cash costs, hourly equipment costs, investment and business overhead costs.

The studies were prepared by, among others, AIC Associate Director Karen A. Klonsky and research associate Richard L. DeMoura, both of the Department of Agricultural and Resource Economics at UC Davis.

PBS series features America's role in feeding the world: The future of food

By the People: America in the World, a new initiative of MacNeil/Lehrer Productions, is developing a series of national and local broadcasts and events that demonstrate the relevance of foreign policy issues to local concerns. The project includes three national PBS specials, two cycles of local programming to be produced by PBS stations in cooperation with community organizations, national and local forums for civic dialogue, and an interactive web site.

As part of this project, AIC Director Dan Sumner participated as a panelist to address questions and concerns arising from a moderated discussion forum that examined a variety of different approaches to America's role in feeding the world. The event was videotaped by KVIE, Sacramento's public service television station.

Further information on *By the People: America in the World* is available at www.kvie.org/bythepeople.

China trade book orders being accepted

Advance orders for the book *Agricultural Trade and Policy in China: Issues, Analysis and Implications*, edited by AIC Associate Director for China Programs Scott D. Rozelle and AIC Director Daniel A. Sumner are now being accepted online by Ashgate Publishing (www.ashgate.com). The book will be available in October.

A part of Ashgate's Chinese Economy Series, this 334-page volume collates the best research available on China's agricultural trade. Critically analyzing the agricultural supply and demand factors that underlie trade patterns such as agricultural productivity and policy, it also explores China's agricultural trade and policy including implications for China and elsewhere. Long term issues and productivity growth are taken into consideration, as are specific issues such as WTO accession.

The slate of authors combines the leading established scholars in the field and the best of the next generation, including those from China.

California agriculture contributes to state's economy

(Excerpted from revised Summary Cards for *The Measure of California Agriculture*, compiled by the AIC in May 2003. Available at <http://aic.ucdavis.edu/pubs/moca.html/>.)

- California's farmers generate about 6.6 percent of the state's total personal income.
- Agricultural supports 1.1 million jobs in California, accounting for about 7.4 percent of all employment.
- Fresh and processed fruits, tree nuts and vegetables have the greatest impact of any commodity group, leading to \$30 billion in personal income and 567,000 jobs.
- Agriculture is especially significant to the economy of California's Central Valley where it accounts for 21 percent of all income and 25 percent of all employment.

Balagtas joins AIC staff

Joseph Balagtas is joining the AIC staff as a research economist. Joe is completing his Ph.D. in Agricultural and Resource Economic from UC Davis this summer. His Ph.D. dissertation considers the interaction between marketing orders and milk grading, and evaluates the implications for producer benefits.



Joe is the author several research publications including work on various aspects of dairy markets and policy. An article recently published in the *Review of Agricultural Economics* evaluates the regional distribution of costs and benefits from regional dairy compacts. An analysis of the dairy provision of the 2002 Farm Bill will appear in a forthcoming AIC-Giannini Foundation report. An analysis of the returns to R&D for new uses of dairy products appeared in the *Journal of Dairy Science*.

Before beginning his Ph.D., Balagtas earned an M.S. in agricultural economics from Iowa State University. He was also a Peace Corps volunteer in Bolivia.

Joe is originally from the Chicago area. He is an active swimmer and runner, and finished the 2001 Napa Marathon. Joe is married to Arlene who is a nurse at UC Davis Medical Center. They live in Davis with their 15 month old son Luke.

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