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New AIC Project To Look At Tomato Industry

A comprehensive look at the competitive status and future outlook for California’s important processing tomato industry is under way as the AIC’s newest project.

Teams of UC researchers, with input from the industry and other sources, will focus on topics ranging from market analysis to technological change, grower-processor relationships and global competition. The year-long study, titled *The California Processing Tomato Industry at the Competitive Edge: Issues, Challenges and Opportunities*, will not make specific policy recommendations but will lay out options and discuss alternatives. The goal is to provide useful, research-based information to the processing tomato industry, finance and public policy decision-makers, the University and the public.

The processing tomato industry, one of the largest, most dynamic and most complex in California agriculture, is facing a number of issues that may determine its future. At the suggestion of individuals familiar with the industry, the Center explored the idea of an intensive study and organized a steering committee, including Mike Murray, UC Cooperative Extension county director in Glenn and Colusa counties, and AIC Director Daniel Sumner. “The study will cover the entire range of issues and concerns facing the industry and give enough background so non-specialists will be able to appreciate the results and the information underlying them,” Sumner said.

The new project is one of the Center’s “competitive edge” series of reports on individual industries. Others have dealt with beef, dairy, rice, canned fruit and walnuts.

Center Study Examines EU Tomato Subsidies

Economic gains and losses resulting from European Union (EU) programs protecting its processed tomato industry are identified in a new AIC report.

Subsidies and tariffs significantly affect EU tomato producers, consumers and taxpayers as well as other participants in the global market, according to the study on *Economic Consequences of European Union Subsidies for Processing Tomatoes*.

Results of the AIC case study, which are particularly relevant in light of the upcoming World Trade Organization (WTO) negotiations, will be presented to California tomato grower and processor groups, and to government agencies involved. The report will be available from the Center and also posted on our website.

The study focused on three mechanisms used by the EU to protect its processed tomato industry—export subsidies, import tariffs, and a domestic subsidy program. In all three cases, the AIC analysis indicates, there is a significant transfer from EU consumers and taxpayers to tomato producers and processors.

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Export subsidies apply to a relatively small portion of total EU tomato exports and “do not constitute a major force in the economics of the overall EU processing tomato market,” the report says. Still, the authors calculate that if the subsidy were removed, EU consumers and taxpayers would gain about \$5 million more per year than producers and exporters would lose.

The tariff rate (14.4%), already reduced somewhat to comply with the WTO agreement, applies to most processed tomato products imported into the EU. If it were removed, the AIC report estimates that EU imports would increase 100%, consumer prices would go down 12.6%, consumption up 6.3%, and EU production would drop 5%. In that case, the gain to EU consumers and taxpayers would exceed the loss in tariff revenue and producer profits by about \$6 million per year.

A new domestic subsidy program that provides direct payments to EU tomato growers and processors goes into effect in 2001. The AIC report says: “Our analysis shows that the new program has larger market and trade effects than the program it replaces because the subsidy rate is higher and the production incentives are more direct and less constrained.” Thus, the new program promises to be more generous than the previous one which provided about 25% of total EU processed tomato industry revenue.

Economic Consequences of European Union Subsidies for Processing Tomatoes will be available from AIC, and also posted on the Center’s website. The authors are Daniel A. Sumner, professor; Bradley J. Rickard, PhD student; and David S. Hart, recent MS graduate, all of the UCD Department of Agricultural and Resource Economics. Sumner is also Center director.

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AIC Proposes Larger State Farmland Total

Of California's 100 million acres, how many are used for agriculture? The number customarily heard is 27.7 million. For example, this is the number cited in the Center's statistical portrait of the state's agriculture, *The Measure of California Agriculture, 2000*. But after further examination we now reach a different conclusion: The total in the year 2000 is about 42.2 million acres of cropland and grazing land in California.

The explanation for this change lies in the definitions and methods behind the figures. The commonly-cited 27.7 million acre total for California agriculture originates from USDA National Agricultural Statistics Service (NASS) surveys and is published under the title "Land in Farms" in the *Census of Agriculture*. "Land in Farms" measures acreage of privately owned farmland as well as 3.1 million acres of federal grazing land leased by ranchers. But, significantly, it does not include federal grazing land used by permit—and in California that's 13.3 million acres.

Of this state's total acreage of federal grazing land used by permit in 1997, roughly 8.8 million were administered by the US Forest Service, 3.3 million by the Bureau of Land Management (BLM) and 1.3 million by the National Park Service. These agencies sell grazing permits, referred to as "grazing allotments," on parcels of land.

In many cases there may be little or no difference between land grazed by permit and land grazed by lease. For example, in 1994 the Desert Protection Act transferred about 3 million acres of BLM land to the Park Service, including roughly 1.3 million acres of grazing land. Before 1994, this land had been leased for grazing. After that year, grazing continued just as before, but by permit rather than lease. According to the definition of "Land in Farms," this acreage would have been counted as agricultural in 1992 but not in 1997—although there was no actual change in the land or its use.

In addition, the *Census of Agriculture* acknowledges that the measure of total "Land in Farms" is itself subject

to an undercount of 1.1 million acres. (*1997 California Census of Agriculture*, Appendix C, Table G). This is primarily land that was missed in the mail survey conducted by the Census. We believe it is more accurate to include this acreage, so our figure for "Land in Farms" is adjusted to reflect the undercount. (Another NASS report, *Farms and Land in Farms*, is our source.)

Also, AIC's comparison of Census data with the detailed mapping conducted by the California Farmland Mapping and Monitoring Program indicates another 1 million acres of farmland not included in the *Census* total. We believe this million acres also should be accounted for. Thus, our total, including grazing land under permit and the above two adjustments, is 14.5 million acres larger than the widely-used figure reported by the *Census of Agriculture*.

Clearly, different measures of California's farmland are helpful in addressing different questions:

If we are concerned with land available for agricultural production, then use of land rather than ownership is key, and we would use a figure that includes all public and private crop and grazing land. That's the 42.2 million acres.

If we are interested in the amount of privately owned land in agriculture, then we would exclude all government land and the figure to use is roughly 25.7 million acres.

If we are looking at public land policy, the total amount of federal grazing land in the state (leases plus permits) is 16.5 million acres.

Probably the main reason why the "Land in Farms" figure of 27.7 million acres is so widely used, even though a different measure would often be more appropriate, is that it is easily accessible through the *Census of Agriculture* and easily tracked over time. It is considerably more difficult to generate one's own figures for public and private farmland. AIC was able to do so only with the assistance of agency sources and some caveats.

As part of our continuing work on California land use and conversion, the Center has recently taken a close look at agricultural land statistics in general. The results summarized here are described in greater detail in an appendix to the online version of AIC Issues Brief No. 16, *Farmland Conversion: Perceptions and Realities* (<http://aic.ucdavis.edu/oa/briefs.html>). Electronic updates to *The Measure of California Agriculture, 2000*, as well as future paper editions, will discuss these different numbers.

Farmland Loss is Publication Topic

Values and viewpoints that energize the historic debate over loss of farmland in California, as well as statistics that clarify the problem, are explored in the new AIC Issues Brief titled *Farmland Conversion: Perceptions and Realities*.

The publication first addresses a question based on measurement: How much California farmland has been urbanized in recent years? The authors' answer, based on adjustments to data from the California Farmland Mapping and Monitoring Program: On average, about 50,700 acres yearly between 1988 and 1998.

The Issues Brief then explores the significance of these farmland conversion figures, placing them in perspective to the total amounts of farmland and of cropland that remain in the state. It also compares urban conversion to the amount of farmland removed from production for other reasons.

The publication then analyzes a number of commonly-held perceptions about the causes and effects of farmland conversion, as well as proposed remedies. Would government supports discourage farmland sales? Are most farmers hoping to sell out? Will continued urbanization jeopardize California's food supply? Does farmland conversion benefit or cost local governments and local economies? How important are non-market values of farmland?

Some of these issues have been previously explored here (*AIC Quarterly* No. 4, 1999) in reporting on AIC testimony to the Federal Commission on 21st Century Agriculture.

Authors of *Farmland Conversion: Perceptions and Realities*, are Nicolai V. Kuminoff, AIC staff research associate; Alvin D. Sokolow, UC Cooperative Extension public policy specialist in the Department of Human and Community Development at UC Davis and AIC Associate Director; and Daniel A. Sumner, professor of Agricultural and Resource Economics at UC Davis and AIC Director.

Issues Brief No. 16, *Farmland Conversion: Perceptions and Realities*, is available from the Center and posted on our website.

Right-to-Farm Ordinances Reviewed

Since the 1980s, right-to-farm ordinances have been adopted by most California counties and many cities. After a decade or more of experience, how are these ordinances viewed by knowledgeable observers?

That's the topic of AIC Issues Brief No. 15, *County Right-to-Farm Ordinances in California: An Assessment of Impact and Effectiveness*, which reports on a comparative study of 15 Central Valley and Northern California counties.

Right-to-farm ordinances, the authors point out, seek to reduce the opposition of urban neighbors to commercial agriculture, primarily by informing home buyers about possible negative effects of normal farming practices. Questions about effectiveness of the ordinances have been raised because implementation varies considerably from county to county and is less stringent than regulatory tools.

Interviews with about 40 agricultural commissioners, county planners, Farm Bureau leaders, real estate representatives and UC Cooperative Extension staff indicated that right-to-farm ordinances are viewed as

primarily educational tools that are useful for county officials who must deal with complaints about agriculture. There was agreement that (1) right-to-farm ordinances are not a substitute for good land-use planning and (2) they do not provide farmers with additional rights or insulate them from lawsuits (which are rare).

Respondents weren't certain whether the ordinances have actually reduced the number of complaints and litigation. They generally agreed that county governments exercise little oversight, and were especially critical of limited or inconsistent implementation of disclosure requirements for real estate transactions.

The Issues Brief briefly lists disclosure requirements of the study counties—Butte, Colusa, Fresno, Mendocino, Merced, Monterey, Napa, San Benito, San Joaquin, Solano, Sonoma, Stanislaus, Sutter, Tulare and Yolo.

The authors are Matthew Wacker, a graduate student in the Department of City and Regional Planning and Department of Environmental Science, Policy and Management at UC Berkeley; Al Sokolow, Cooperative Extension policy specialist in the Department of Human and Community Development and AIC associate director at UC, Davis; and Rachel Elkins, UC Cooperative Extension farm advisor in Lake County.

County Right-to-Farm Ordinances in California: An Assessment of Impact and Effectiveness, eight pages, is available from the Center.

Two Join Advisory Board

Two new members with distinguished careers in agriculture—Cornelius L. Gallagher, senior vice president of the Bank of America, and Richard E. Rominger, until recently deputy secretary of the US Department of Agriculture—have joined the AIC Advisory Board.

Cornelius Gallagher is the agribusiness executive for the Bank of America's Consumer and Commercial Banking Credit Risk Management Administration, heading a team that identifies and addresses agribusiness industry risks

and opportunities, and establishes agribusiness credit policies, underwriting guidelines and portfolio strategies. Gallagher represents the Bank of America on numerous agricultural leadership committees, serves on other boards, councils and committees dealing with California agriculture, and is treasurer of the California 4-H Foundation Board. He took part in California agricultural trade missions to Japan, China and other Asian nations in 1996 and 1997, and has studied finance, agriculture and the wine industry in Australia and Moldavia.

Richard Rominger, number two man at the USDA for the last eight years and director of the California Department of Food and Agriculture from 1977 to 1982, is a fourth-generation Yolo County field and row-crop farmer. He received the California Farm Bureau Federation's Distinguished Service Award in 1991, and was named Agriculturist of the Year at the California State Fair in 1992. He recently re-joined the National Board of the American Farmland Trust and has been active in a number of professional organizations concerned with soil and water policy, education, research and development and marketing. He's a graduate of UC Davis (Plant Science, summa cum laude) and a long-time supporter of the University.

New Associate Director Named

Dr. Karen M. Klonsky has agreed to become the new AIC Associate Director for issues involving agricultural environmental management.

An extension specialist in the UC Davis Department of Agricultural and Resource Economics for 20 years, Klonsky is well known for her work with multidisciplinary teams, especially on issues of environmental management for farmers.

She is also a recognized national leader in understanding the expanding role of organic agriculture, and is the author of AIC publications on that subject.

Klonsky also has developed research specialties in costs of production for California commodities, economics of integrated pest management, and economics of exotic weeds.

Originally from New York, Klonsky has a BA in mathematics from the University of Michigan and MS and PhD degrees in agricultural economics from Michigan State University. She has been a regular

contributor to AIC projects in the past, and we expect the relationship to deepen as she provides guidance to AIC projects in a number of areas involving agriculture and the environment. ■

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