



AgMRC Advisory Council helps define projects at San Diego meeting

The AIC joined with its Midwest partners in hosting the initial meeting of the Agricultural Marketing Resource Center (AgMRC) Advisory Council on Feb. 7-8 in San Diego. Council members shared their expertise with the AgMRC principals from the University of California, Iowa State University, Kansas State University and Oklahoma State University. Director Dan Sumner and program analyst Marcia Kreith represented AIC. Californians Elizabeth Hund, managing director of Rabobank’s Western Region San Francisco Office, and Richard Rominger, Yolo County farmer and former Deputy Secretary of the USDA, participated as Advisory Council members.

Randall Torgerson, deputy administrator, Cooperative Services Program, USDA, discussed how value added marketing can help farmers. Torgerson, also explained how the consortium’s proposal was selected for USDA funding and complemented the balanced plans for research and extension using a web-based approach.

Advisory Council members identified reasons why some agricultural enterprises succeed and others fail and suggested information the AgMRC could develop to help independent producers and processors build successful value-added agriculture. Members of the Advisory Council suggested that the AgMRC could develop alternatives or choices for producers and processors to consider in extending their reach to value added marketing, together with pros and cons. This led to spirited discussion among the Council members about the best approach for a university center in providing information and analysis on marketing alternatives.

The Advisory Council noted the potential for cross-commodity lessons in agricultural marketing. For example, the AIC is studying value added prospects for the processing tomato industry, including an economic analysis of the use of contracts, and how growers can attain a larger share of the revenue. Results from this research should have lessons for other industries. A second AIC study is examining the value-adding process between the vineyard and wine consumer. Variations across winegrape growing regions are being examined in detail. Findings could be useful to those considering use of Controlled Origin Denomination labeling of other products, such as Iowa beef. Another AIC study is investigating the role of public policy, especially milk marketing orders, and how it affects milk processing and marketing cooperatives and the marketing margin from dairy farm to retail prices of beverage milk and manufactured milk products. This study may also have broader lessons.

Advisory Council members represent leaders from several states, occupations and industries. In addition to the two California members, they include: Stanley R. Johnson (chair), vice provost for Extension, Iowa State University; Dr. Duane Acker, Iowa farmer, former assistant secretary of USDA, and president of Kansas State University; Mark J. Hanson, attorney with the Minneapolis law firm, Lindquist & Vennum, P.L.L.P.; Steve Hunt, CEO, U.S. Premium Beef; Jeff Kistner, business development officer for CoBank’s Commercial Agribusiness Division, Omaha, NE; Kenneth D. Rutledge, president and CEO, Iowa Turkey Growers Cooperative; and Chris Williams, vice president of operations, 21st Century Alliance, Kansas.

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Fire ants light up several California counties

Add the red imported fire ant to the list of exotic pests that Californians have to deal with. If it becomes established in the state, the insect's indiscriminate appetite and testy attitude could cost Californians from \$387 to \$989 million a year. AIC's Karen Jetter and coauthors, reporting in the January, 2002 issues of *California Agriculture* magazine, note that approximately 90 percent of that cost would be borne by urban households and 10 percent by agriculture.

There's no way of predicting how far and how fast the ants, discovered in San Joaquin Valley almond orchards in 1997, will spread in California. A \$65.4 million, five-year eradication program under way by the California Department of Food and Agriculture and the nursery industry may prevent, lessen, or delay the projected losses from the ant's arrival in California. A quick and full response to the red imported fire ant infestation is essential if the ant is to be eradicated.

In agriculture, the ant's large mounded nests can damage mowing and harvesting equipment, irrigation lines, and electrical equipment. The ants also attack workers, girdle and kill young citrus trees, attack cattle and other livestock, damage vegetable and melon crops by eating developing fruit, seeds, roots and tubers, and subject nursery and hay crops to quarantine regulations.

The article, "Red imported fire ants threaten agriculture, wildlife and homes," was written by Karen Jetter, postdoctoral researcher at the AIC; Jay Hamilton, assistant professor at City University of New York; and John Klotz, urban entomologist at UC Riverside. It appeared in the January 2002 issue of *California Agriculture*.

Survey assesses specialty crop risks

California's 30,000 specialty crop producers are being surveyed to gather information that will help producers manage their production risks through more cost-effective insurance programs.

The AIC is participating in outreach activities associated with the survey. UC agricultural economists Hyunok Lee and Steven Blank, who helped design and plan the survey, will analyze the data as part of a joint project with the USDA.

All farmers growing two or more acres of a specialty crop (five or more acres for tree fruits and nuts) were mailed copies of the survey in late January and were asked to provide such information as size of their farming operation, major crops grown, per acre yields, marketing channels, risks effecting their net farm income, and why they did or did not purchase crop insurance.

Responses are confidential and will be used to help policymakers analyze risk management options for California specialty crop growers, especially for growers of crops that have little previous insurance data available.

The survey is focusing on California because California produces more than double the crop income of each of the next highest states—Texas and Iowa. Income from fruits, nuts and vegetables in California generates about 55 percent of the total farm revenue in the state.

New walnut economic analysis available

Sample Costs to Establish a Walnut Orchard and Produce Walnuts is available from the UC Davis Department of Agricultural and Resource Economics and from local UC Cooperative Extension offices. It also is available at: <http://coststudies.ucdavis.edu>

Study authors include AIC associate director Karen M. Klonsky and research associate Richard L. De Moura, both in the Department of Agricultural and Resource Economics. Other authors were County Cooperative Extension advisors Richard Buchner (Tehama and Shasta), John Edstrom (Colusa), Janine Hasey (Sutter and Yuba), William Krueger (Glenn), William Olson (Butte), and Wilbur Reil (Yolo and Solano).

Energy crisis powers down; long-term effects uncertain

Record high energy prices and power outages at the beginning of 2001 that created a state of emergency for farm producers, food processors, and cotton ginners had dropped to more normal levels by the end of July, making the 2001 crop season relatively normal. Processing plants operated without interruptions, the expected rolling blackouts did not materialize, food supply was not affected by energy issues, and, consequently, food prices were not disturbed by the so-called energy crisis.

Long term energy prospects remain uncertain, however. Electricity prices are still comparatively high, and structural limitations in the electricity and natural gas production capacity and transportation system, pipelines and power grid still need to be solved.

José E. Bervejillo, AIC research associate, and director Daniel Sumner are analyzing the effects of a volatile energy supply on farm production and food processing industries in California. Their goal is to identify and examine critical energy-dependent points and potential areas of change in major crops and food processing, for example, irrigation, nitrogen fertilizer, gas-powered dryers, and electricity for milking, cooling, processing and cold storage.

Personnel notes

Jeffrey Shimada has joined the AIC as a postgraduate researcher to work on the production input expenditure (PIE) project that the Center is conducting in partnership with the USDA. See *AIC Quarterly*, Vol. 15, No. 3 (<http://aic.ucdavis.edu>) for more information about the study.

Outreach

World Trade

AIC director **Dan Sumner** reviewed major WTO issues facing California agriculture at the fourth annual Congressional Forum on International Trade in Monterey on Jan. 10. Sumner stressed the importance of trade to California agriculture and highlighted the most important features of upcoming negotiations. He

also placed these trade issues in the context of the 2002 farm legislation and how large government payments in the U.S. will make achieving WTO results more difficult.

California commodity prices

Sumner addressed the California Cling Peach Summit in Napa on Jan. 24-25. He highlighted the depressed conditions for most California crops and stressed that, in several cases, the current low prices were not sustainable. Sumner discussed the role of the strong U.S. dollar and large crop supplies in depressing prices. He also pointed out that, unlike the 1980s, this period of low prices is not also plagued with high interest rates and general inflation.

Farm Bill analysis

On Feb. 14, Sumner reviewed the evolving 2002 farm bill outlook at the California Rice Commission's annual grower meeting. The U.S. farm commodity program is of critical importance to the rice industry because government payments represent more than half of total revenue for the industry. The 2002 legislation passed the House of Representatives last fall, but was still taking final shape in the Senate as Sumner spoke. The two bills were quite different, requiring a joint House/Senate conference to iron out legislation acceptable to both sides. Important issues for the rice industry relate to payment levels, incentives to overproduce, and certain targeting provisions that seem to be biased against California rice.

Processing tomato study

Bradley Rickard, Ph.D. candidate in the Department of Agricultural and Resource Economics, presented information about the AIC's competitive edge studies for processing tomatoes at several industry meetings. These included the Woodland and Fresno area tomato workshops in November, UC Tomato Day, Cooperative Extension's annual processing tomato meeting, and the Ontario Processing Vegetable Industry Conference (Canada). His presentations covered the competitive edge study, EU tomato policy, trends and statistics, production and consumption issues, including technical change, regulatory costs, and grower/processor relations. ■

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