

UC

California Agriculture 2001: Trends and Issues

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AIC

The Importance of Agriculture

- **Contributions to global economy.**
- **Contributions to local economies.**

Economic Impact of California Agriculture, 1998

	Share of Income	Share of Employment
California	6.60%	7.37%
Sacramento Valley	8.17%	8.61%
San Joaquin Valley	31.65%	36.91%

Most Issues are Perennials

- **Some issues are unique to selected commodities or sub-sectors, but most span the industry.**
- **And, issues for one group are also important to customers, competitors and neighbors.**

National, State and Local Policy

- **Exotic pests and diseases (GWSS and many more)**
- **Farm land conversion and urban edge issues**
- **Agribusiness consolidation and competition policy**

National Farm Policy

- **Farm payment programs, the “baseline” spending levels and the “2002?” farm bill**
- **Crop insurance and risk management program reforms and implementation of 2000 changes**
- **Dairy supports and milk marketing order implementation issues**

Global Policy

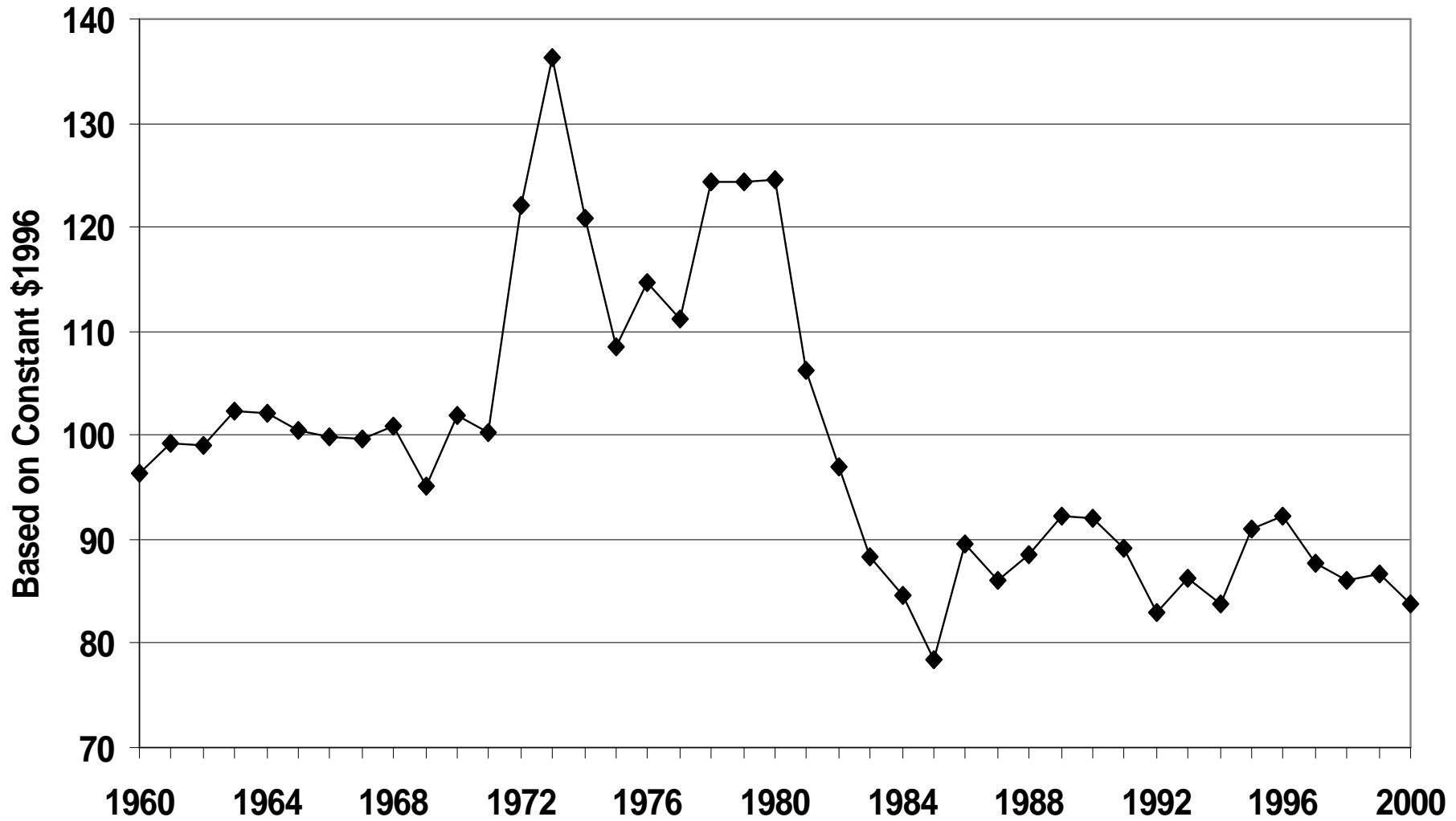
- **Implementation of commitments and trade disputes**
- **Biotech controversies as demand drivers and global policy issues**
- **Finalize China accession to the WTO,**
- **EU Agenda 2000 implementation**
- **The new WTO round**

Current Commodity Prices

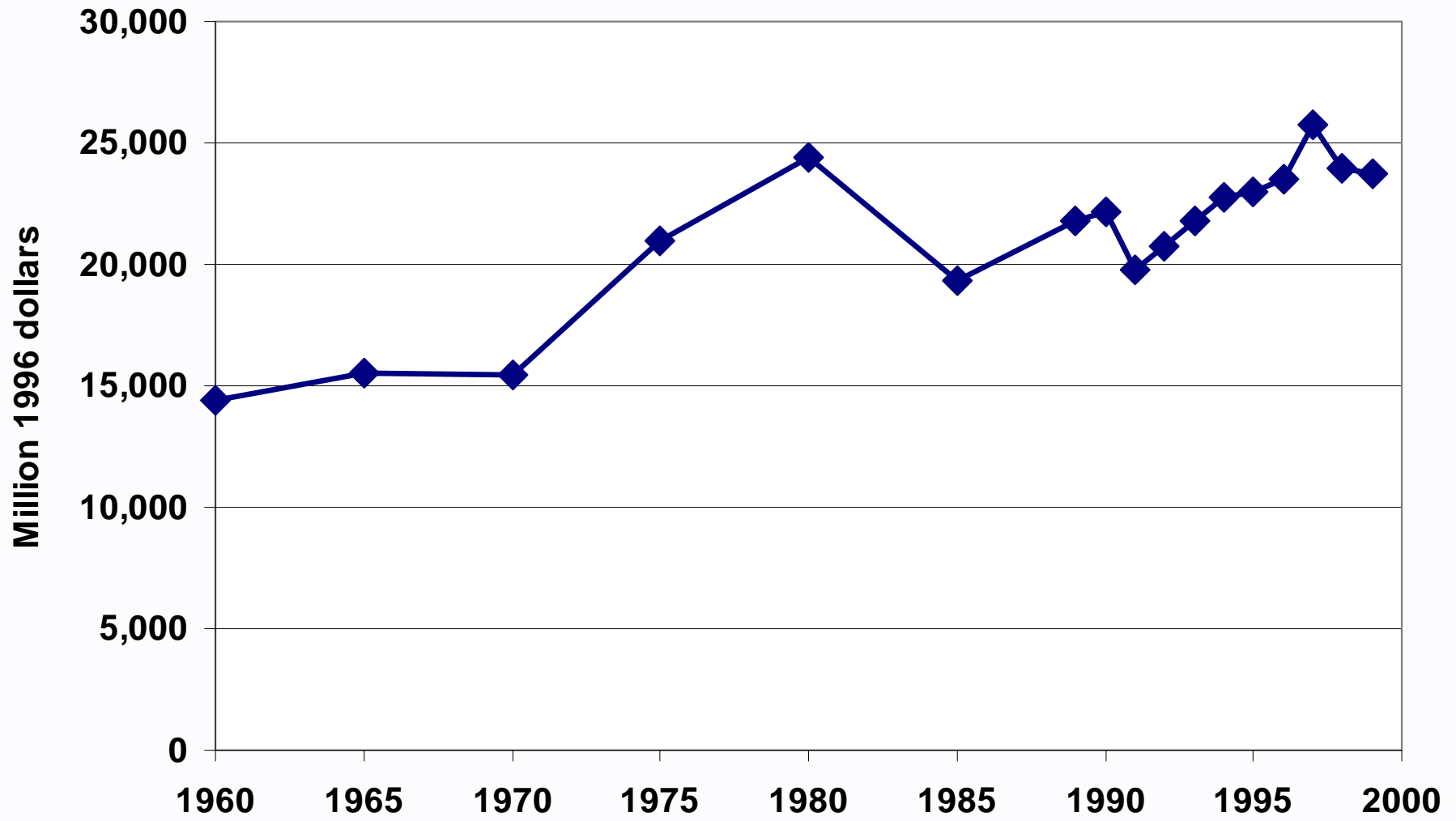
- **Low current prices are not sustainable.**
- **High prices in the past for some commodities were also not sustainable.**
- **That does not tell us when the turnaround is coming.**
- **Supply/demand fundamentals differ by commodity but are connected on both sides of the equation.**

Index of California Agricultural Commodity Prices, 1960-2000

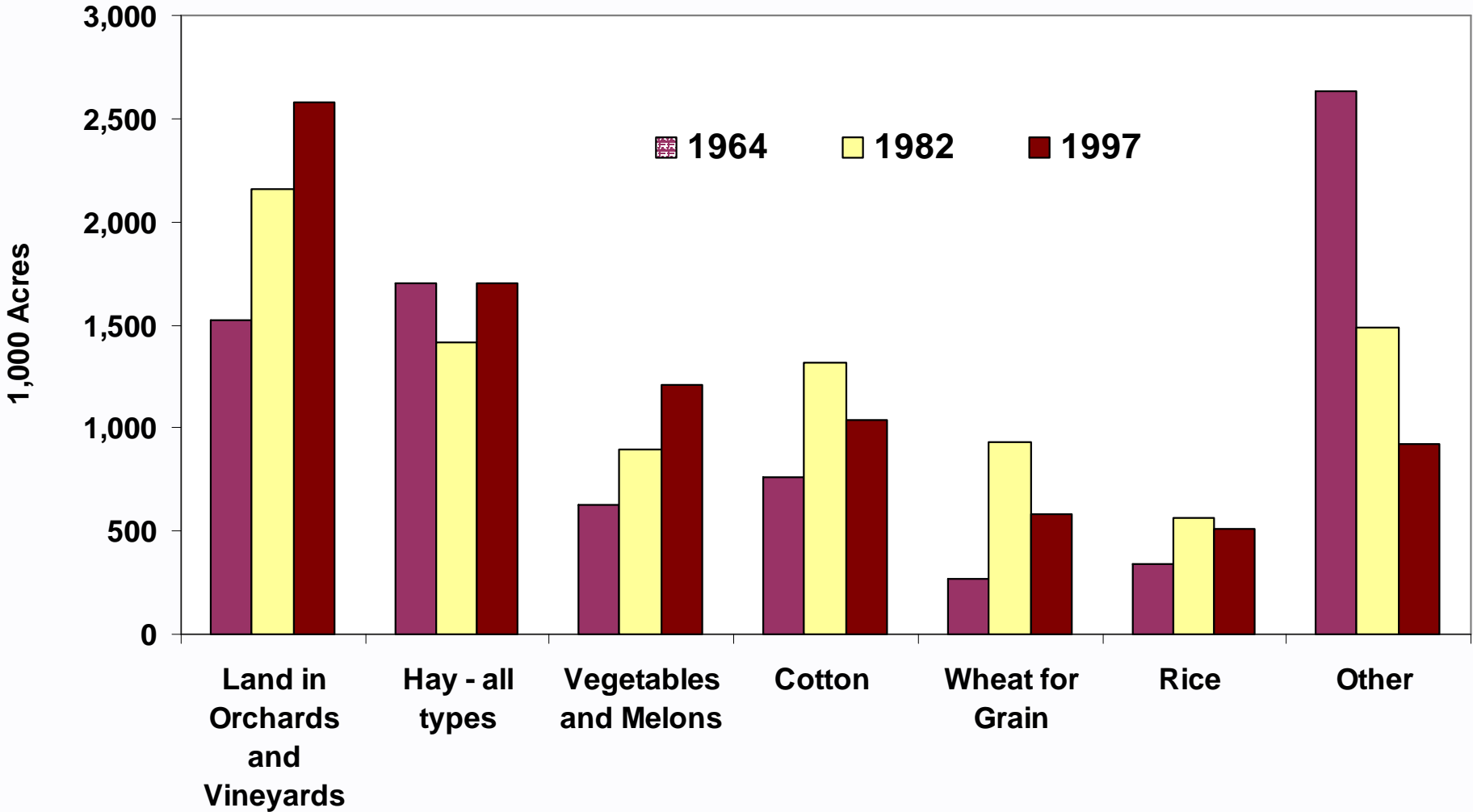
1965-1967 = 100



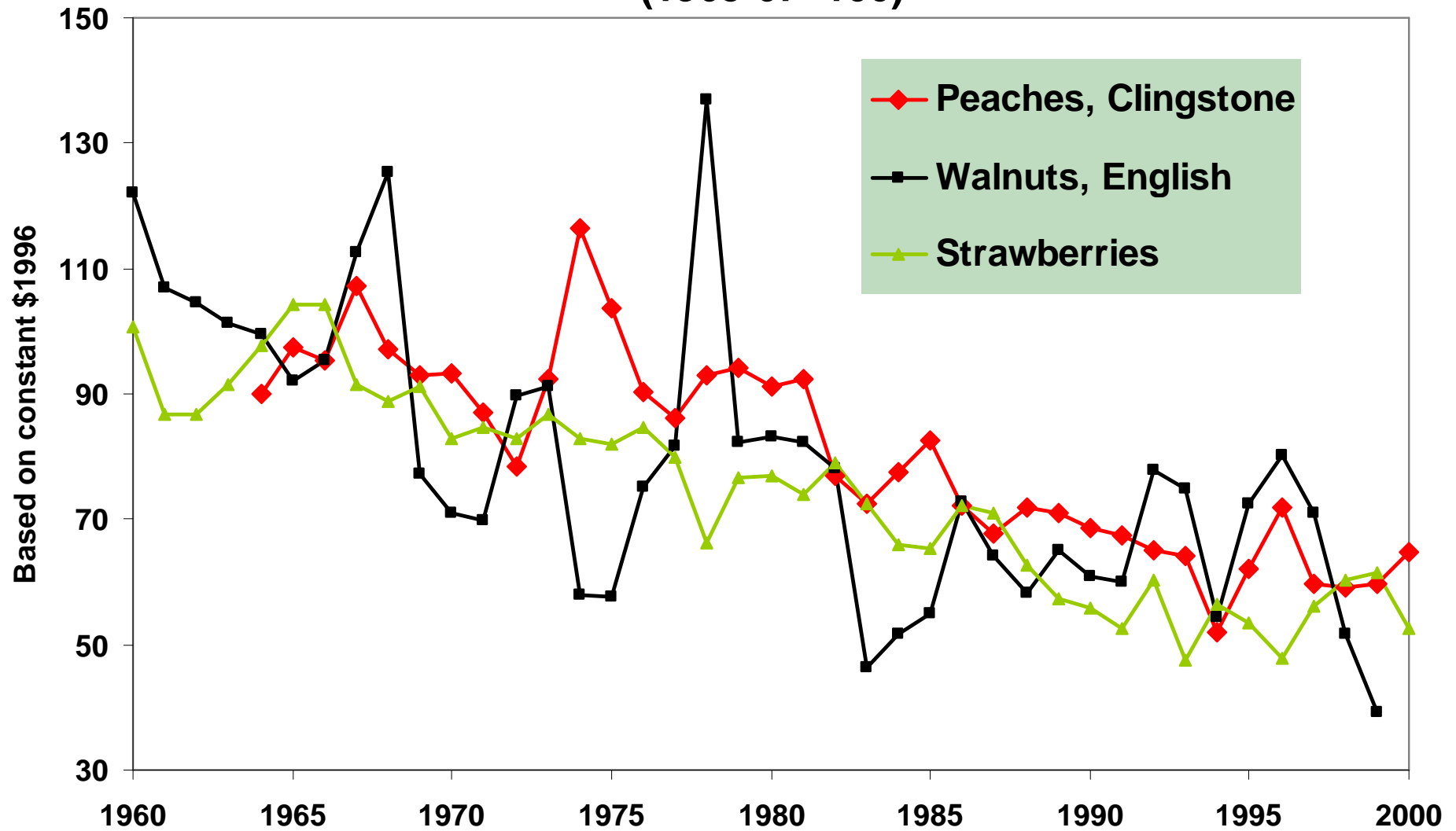
California Cash Receipts from Farm Marketings, 1960-1999



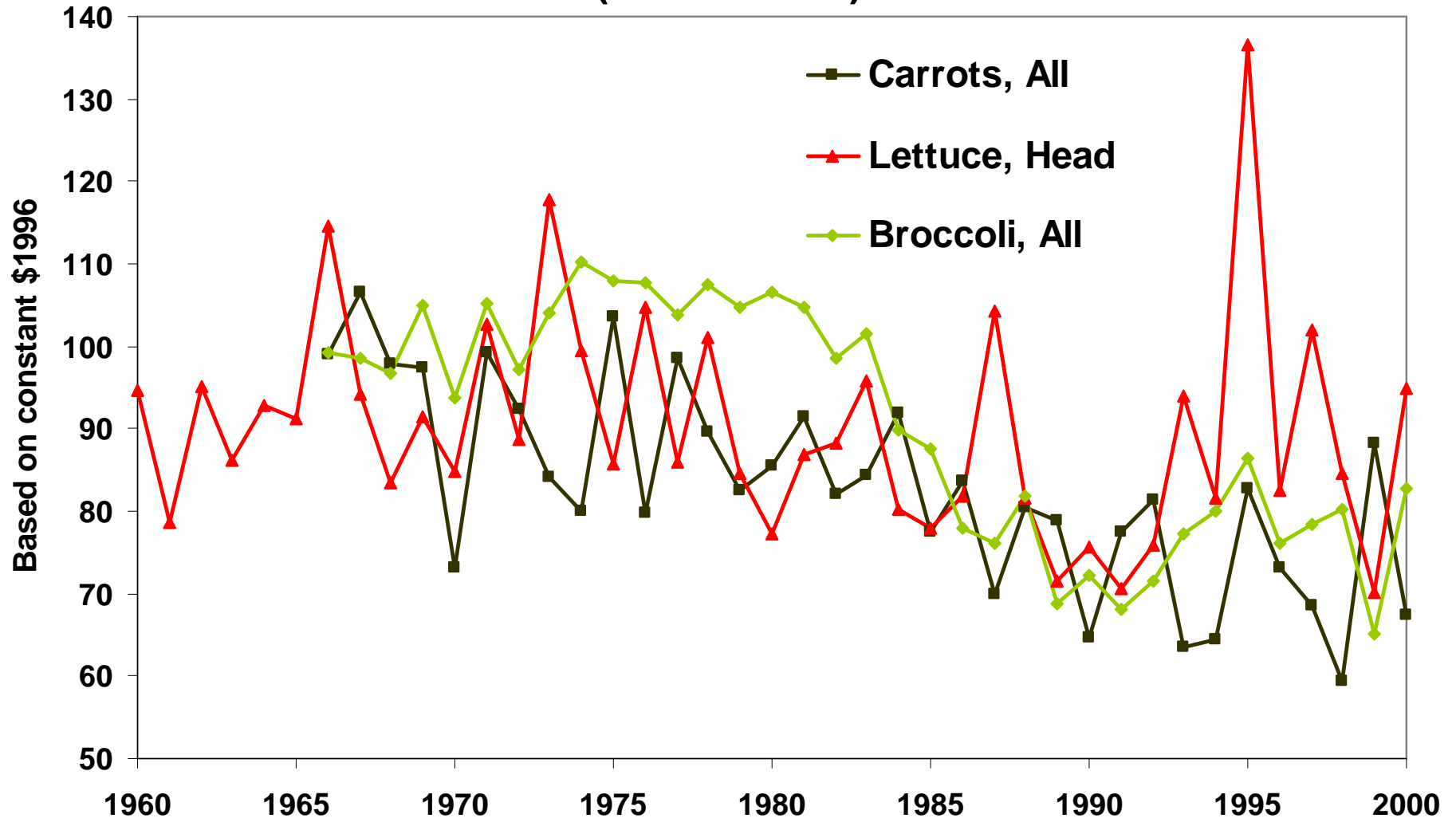
California Cropland Harvested by Crop, 1964, 1982, and 1997



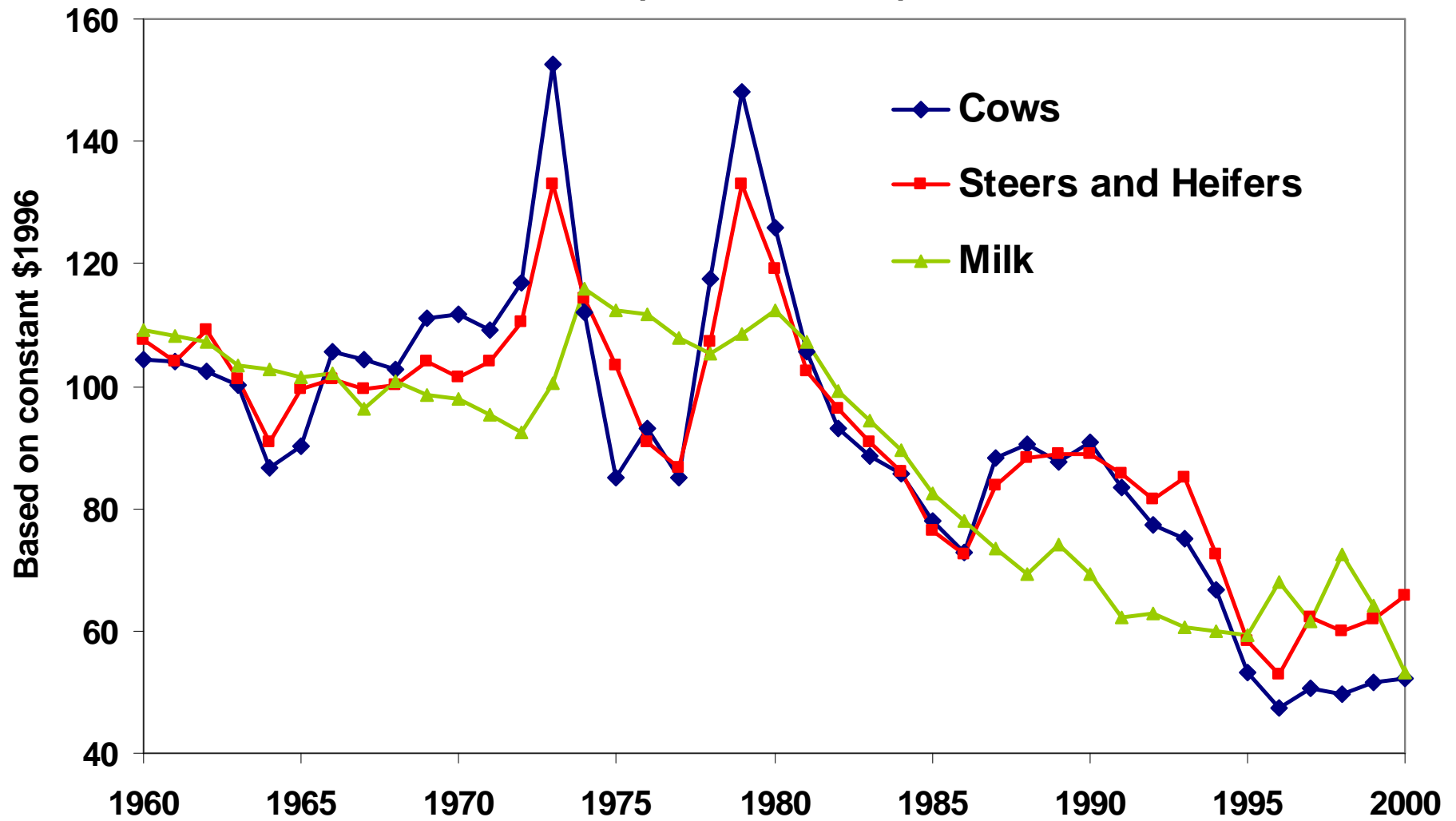
Price Indices for California Fruit and Tree-Nuts, 1960-2000 (1965-67=100)



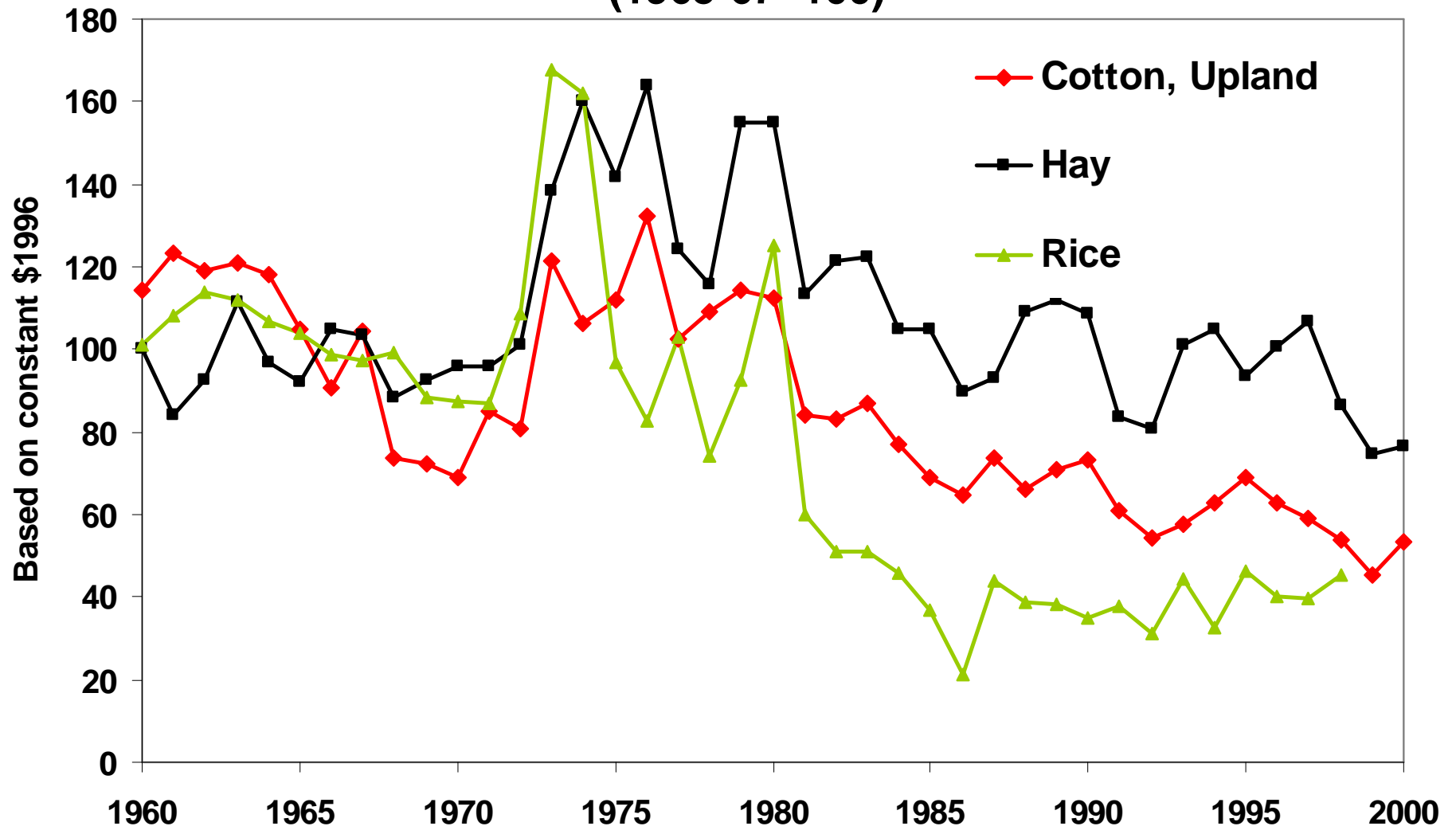
Price Indices for California Vegetables, 1960-2000 (1965-67=100)



Price Indices for California Cattle and Milk, 1960-2000 (1965-67=100)



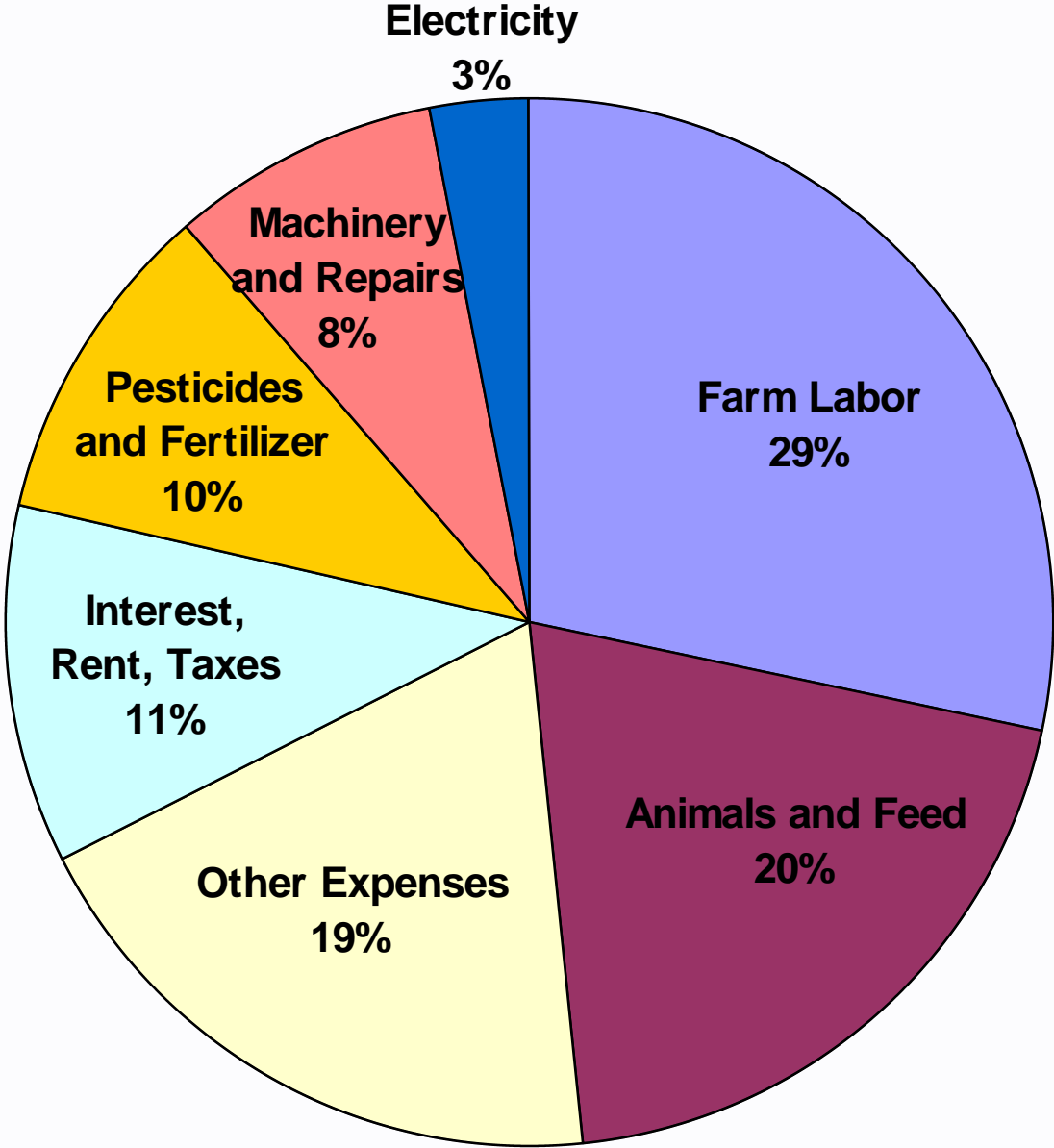
Price Indices for California Field Crops, 1960-2000 (1965-67=100)



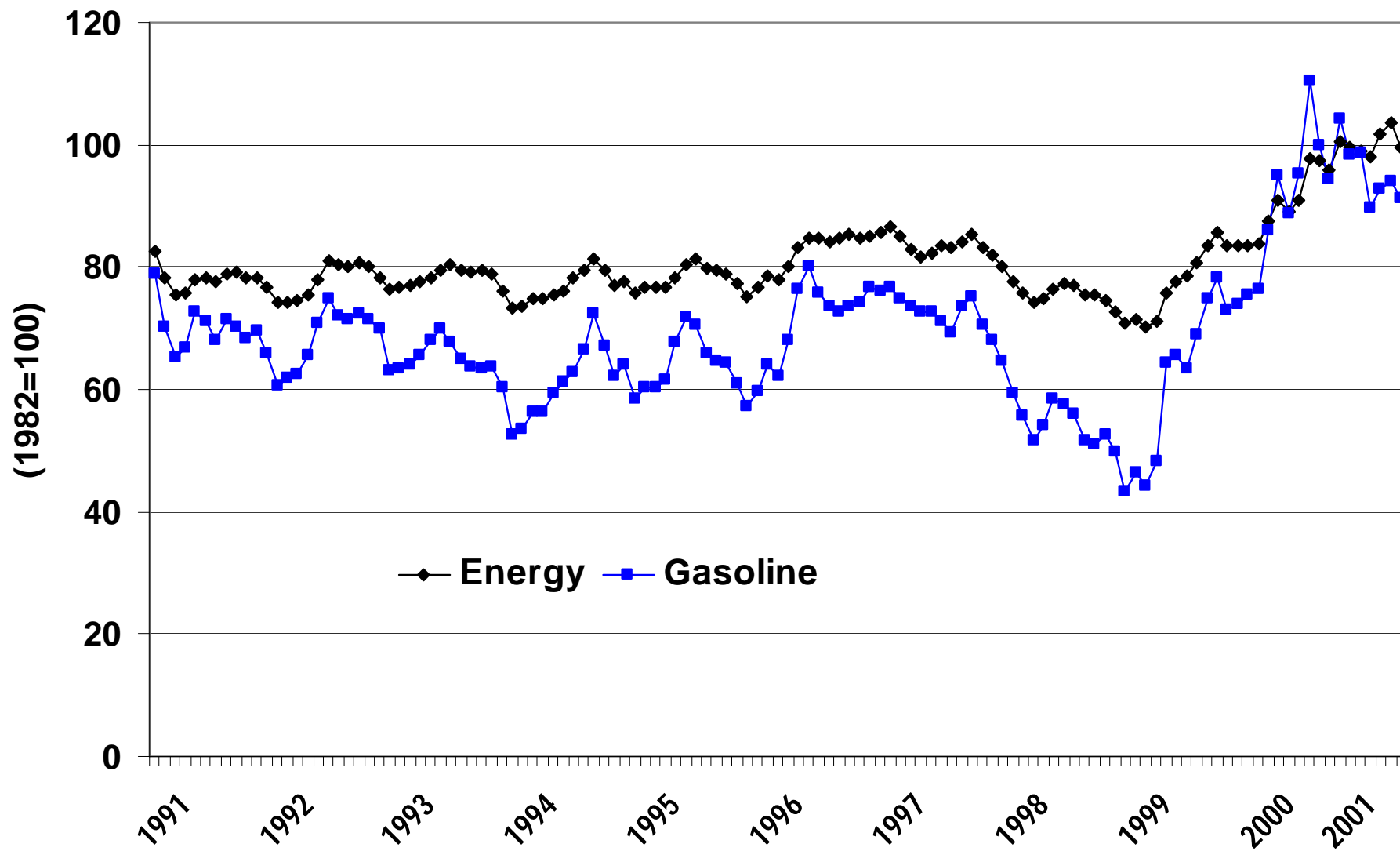
Input Prices and Availability

- **Energy and energy based materials**
 - **Big jumps from low prices in recent years.**
- **Water**
 - **Continues to be influenced by legal and regulatory forces.**
 - **Process is evolutionary.**

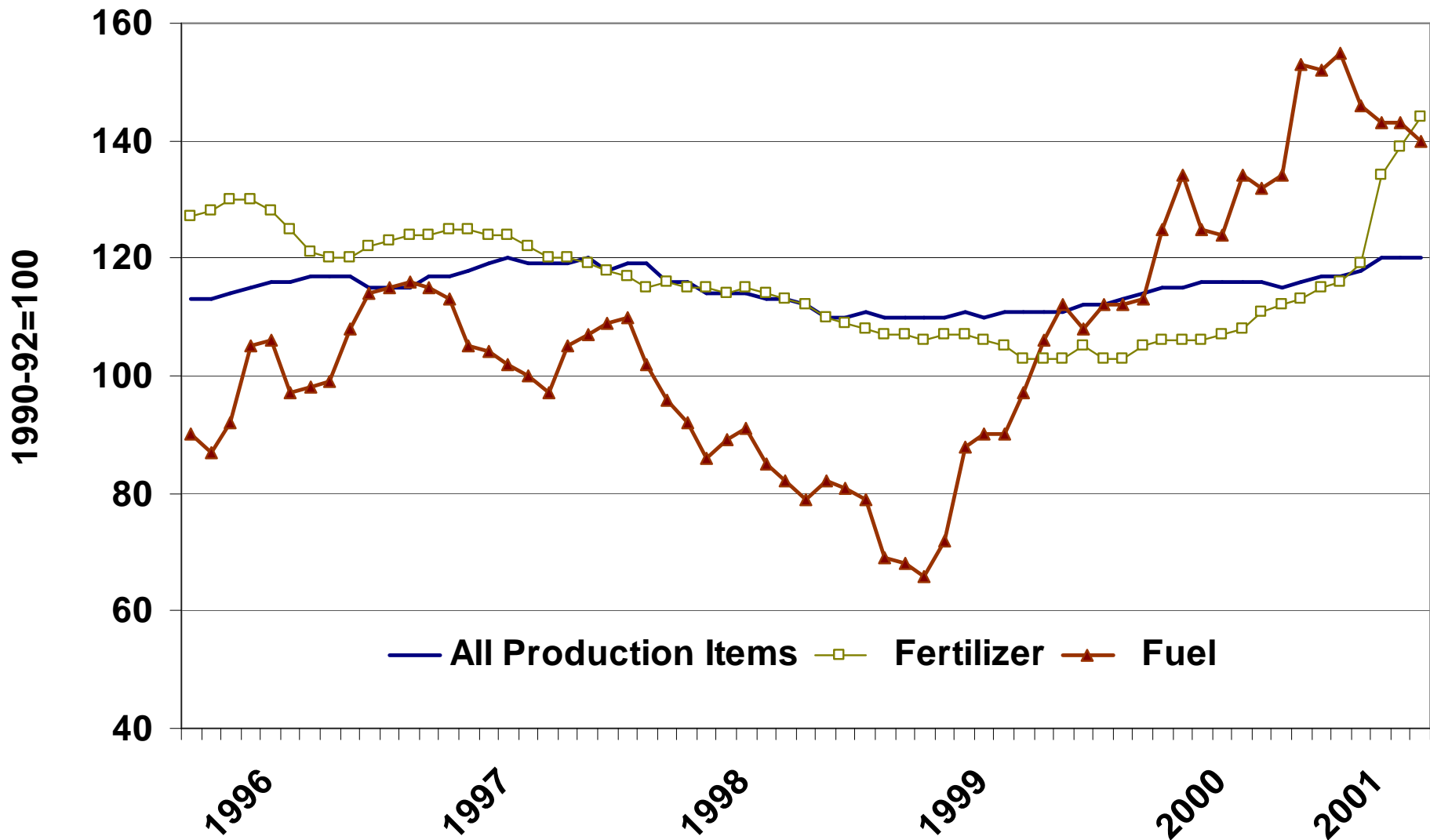
California Farm Production Expenses, 1997



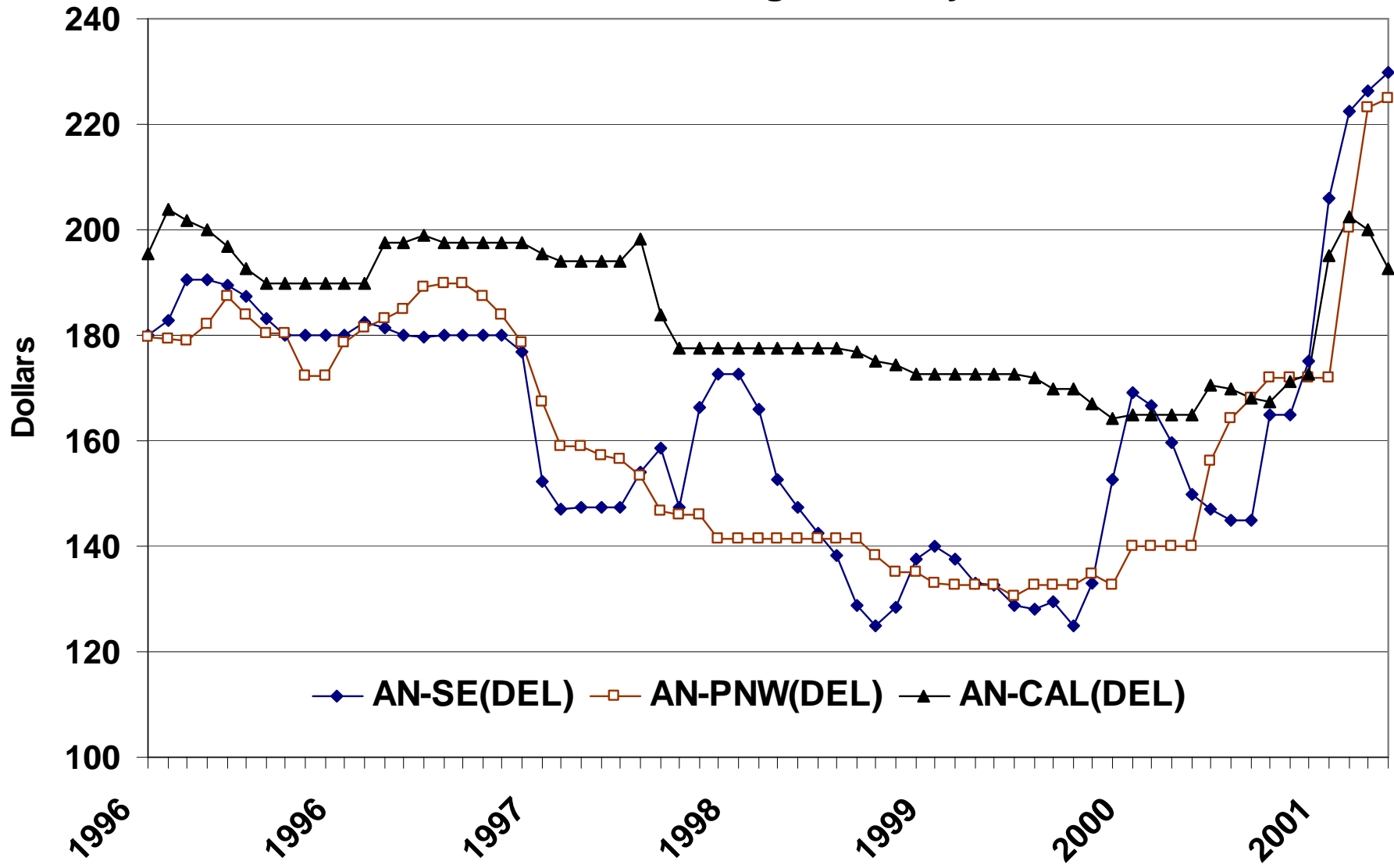
United States Producer Price Index, 1991-2001



Prices Paid by U.S. Farmers 1996-2001



Ammonium Nitrate Average Monthly Prices



California Rice Operating Costs, 2001

	\$/acre	% of Total
Chemicals	83	14
Fertilizers	72	12
Irrigation	54	9
Fuel & Lube	50	8
Total Operat. Costs	605	

California Walnut Operating Costs, 2001

	\$/acre	% of Total
Chemicals	271	19
Hull, dry	212	15
Irrigation	132	9
Fertilizers	59	4
Fuel & Lube	48	3
Total Operat.Costs	1407	

California Processing Tomato Operating Costs, 2001

	\$/acre	% of Total
Irrigation	135	12
Fertilizers	119	10
Fuel & Lube	99	9
Chemicals	82	7
Total Operat.Costs	1159	

Input Prices and Availability

- **Crop protection and chemicals**
 - **Regulation affects both availability and cost. FQPA remains a driver.**
- **Hired farm labor**
 - **Drift up in wages, continued supply problems.**
 - **This may be the year for another immigration (guest worker) law.**

National Farm Subsidy Programs

- **Farm payment programs do contribute to selected commodities.**
- **Crop insurance and risk management programs have expanded.**
- **Marketing orders and dairy supports are important without direct payments**

Direct Federal Government Payments to California Farmers

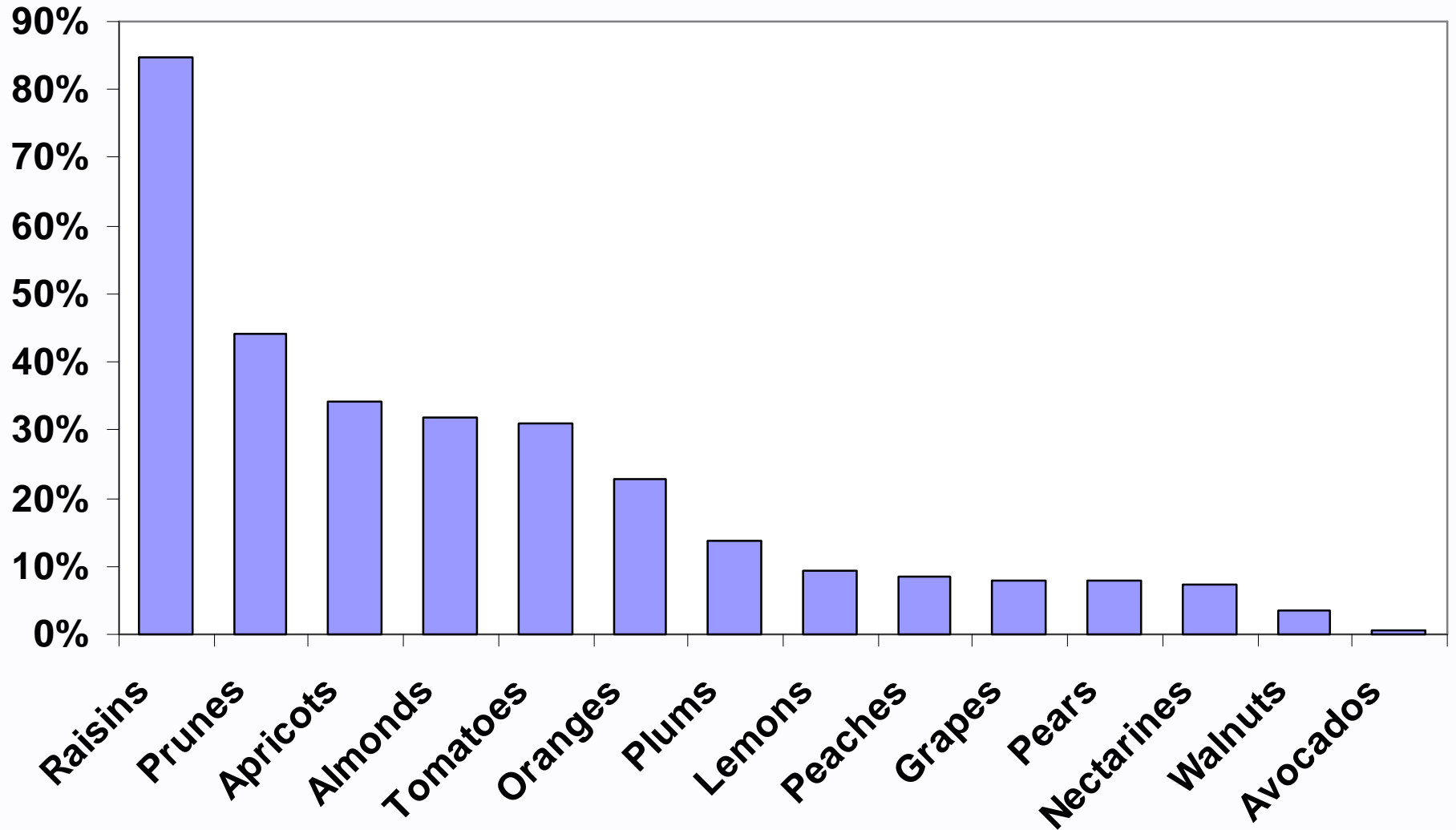
California as a Percent of Total U.S.

Year	\$ Million	Payments
1960	22	3.1
1970	132	3.5
1980	14	1.1
1990	252	2.7
1995	238	3.3
1996	301	4.1
1997	220	2.9
1998	353	2.9
1999	651	3.2
2000	~700	~3.0

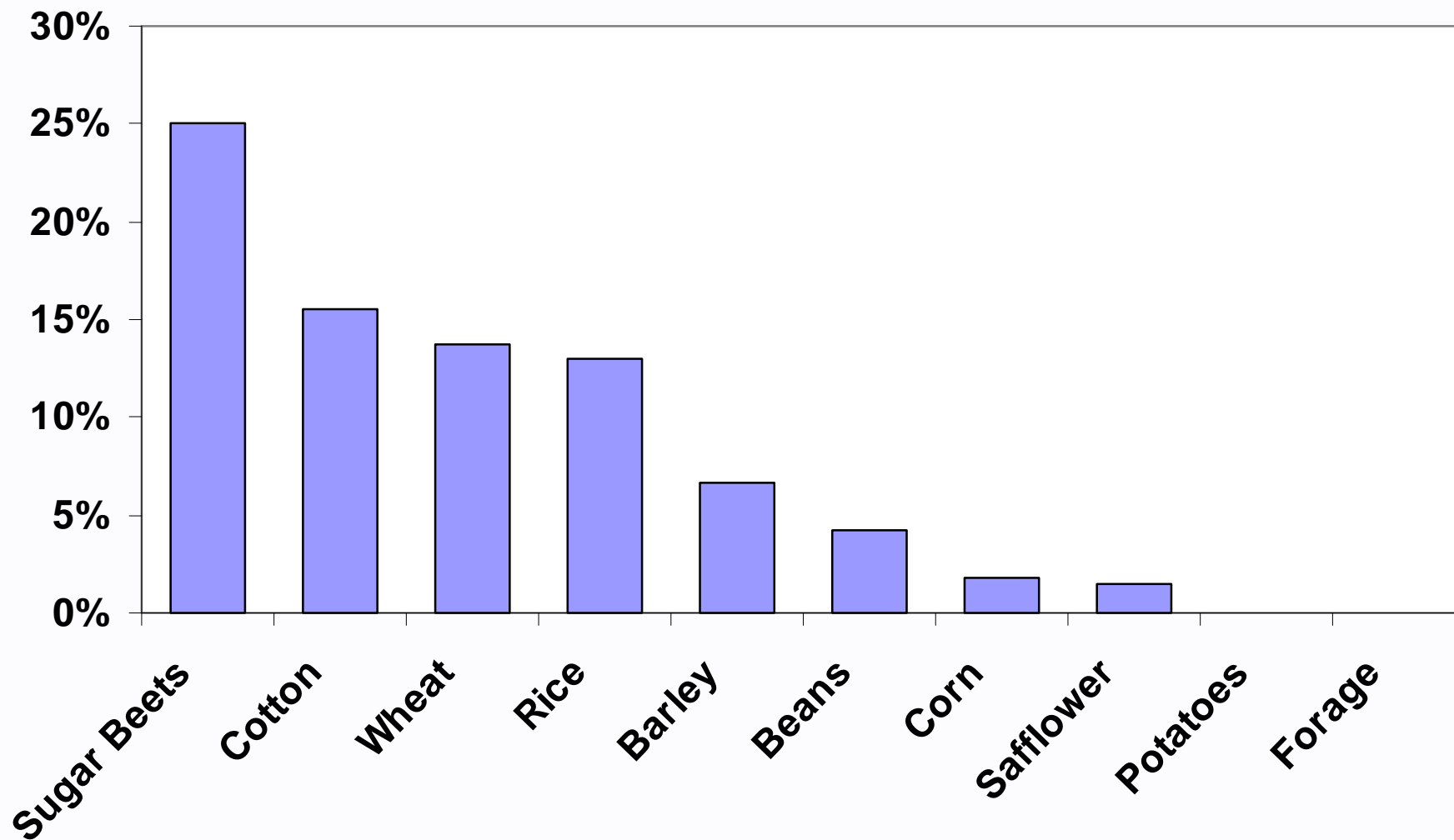
Use of Federal Crop Insurance by California Farmers

	Catastrophic Policies	Buy-up Policies	Acres Insured
1995	31,923	7,935	4,476,324
1996	29,591	8,602	3,686,363
1997	25,896	8,775	3,173,440
1998	23,617	9,942	3,526,321
1999	24,893	13,002	4,050,454

Percent of California Harvested Fruit, Tree-Nut and Vegetable Acreage with Buy-up Insurance, 1999



Percent of California Harvested Field Crop Acreage with Buy-up Insurance, 1999



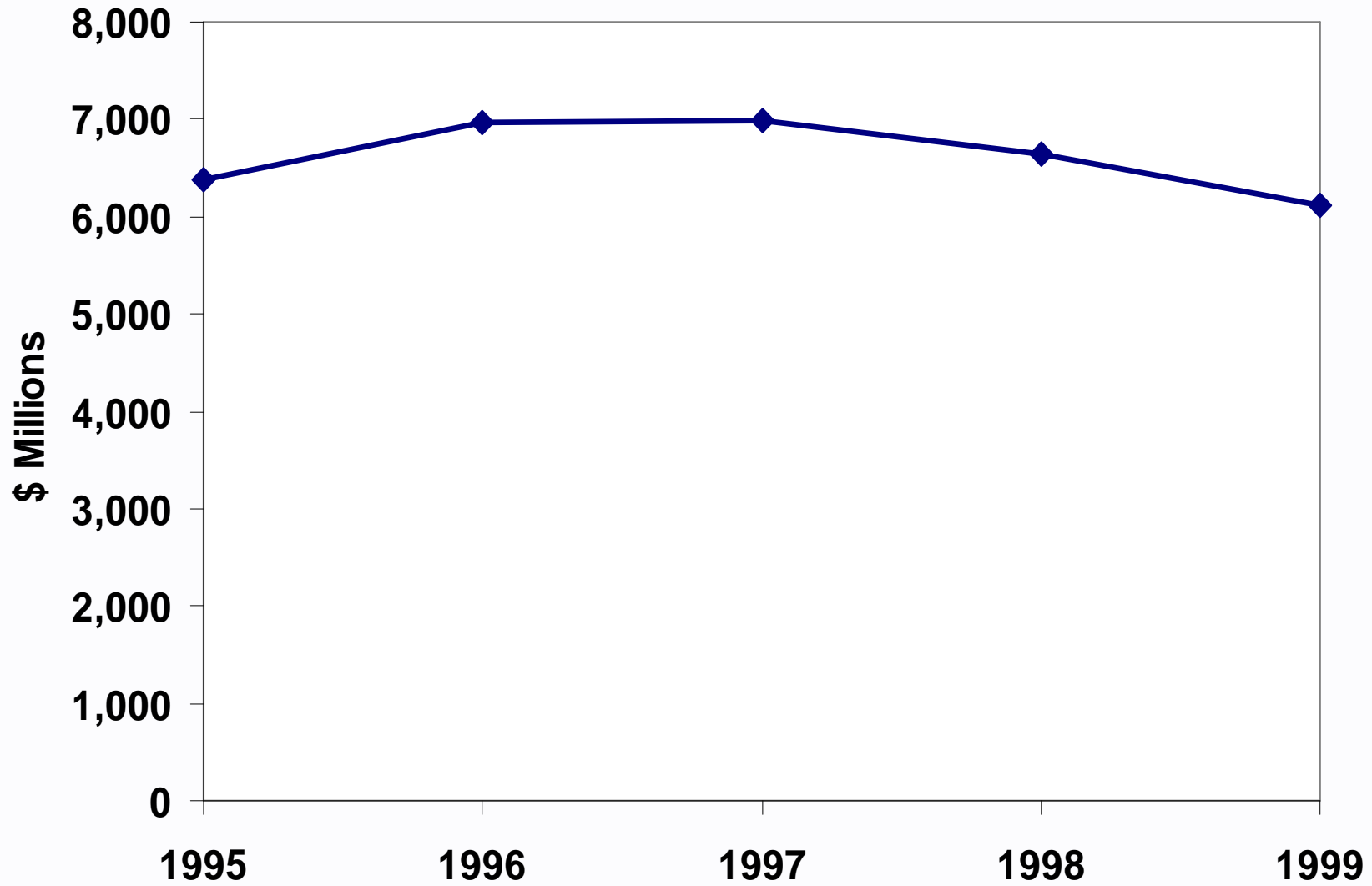
Global Issues

- **Trade remains important for California agriculture.**
- **Global investment is also important.**
- **About 20% of farm value is exported.**
- **Import competition and global competition in third markets are challenges.**

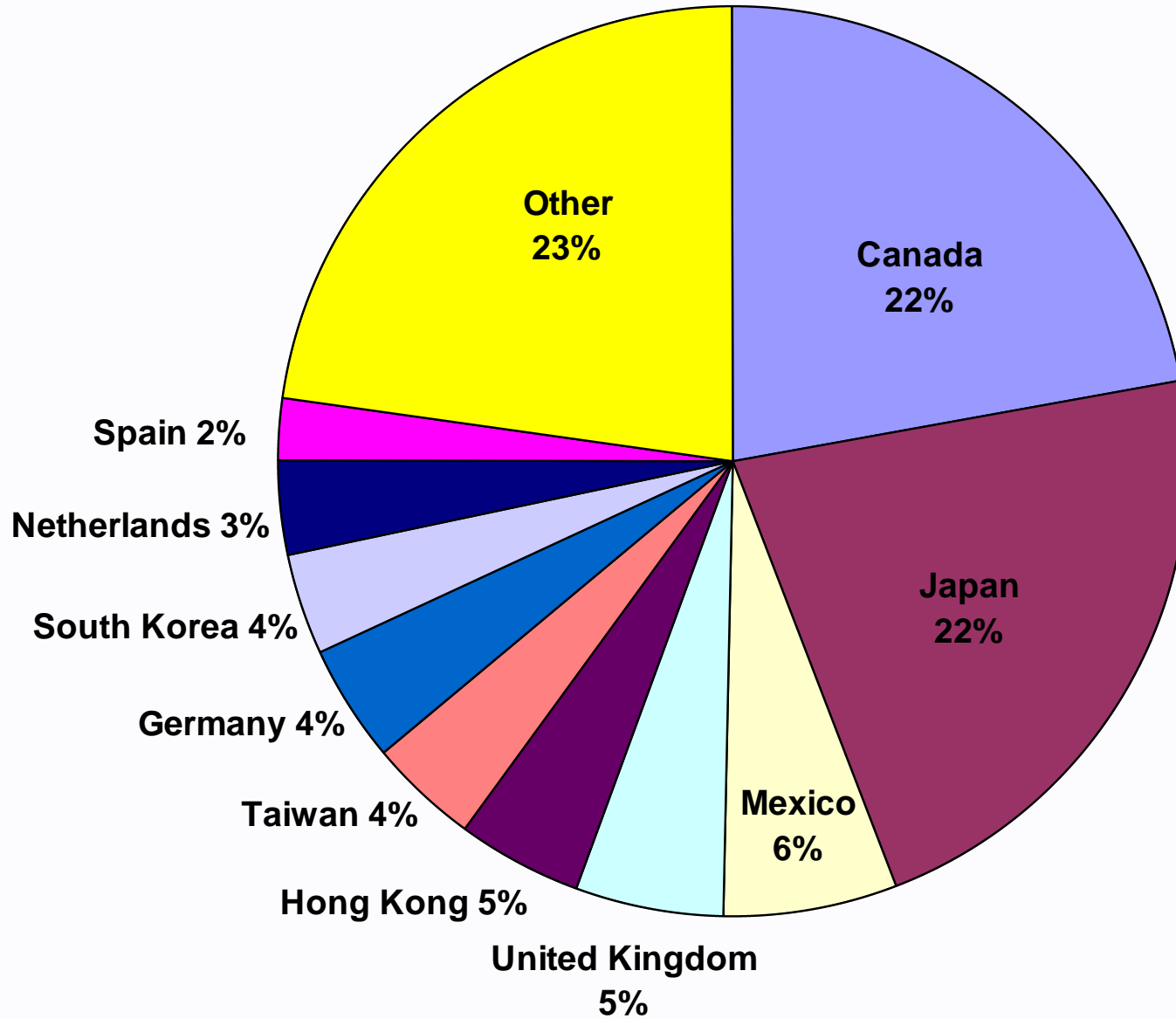
Indexes of Real Trade-Weighted Dollar Exchange Rates for All Agricultural Trade

	1998 Annual	1999 Annual	2000 Jan	2000 July	2001 Jan
US Markets	119.9	118.4	118.2	127.5	124.6
US Competitors	115.8	122.3	126.7	135.8	137.6
US Suppliers	111.4	113.6	115.2	121.2	120.8

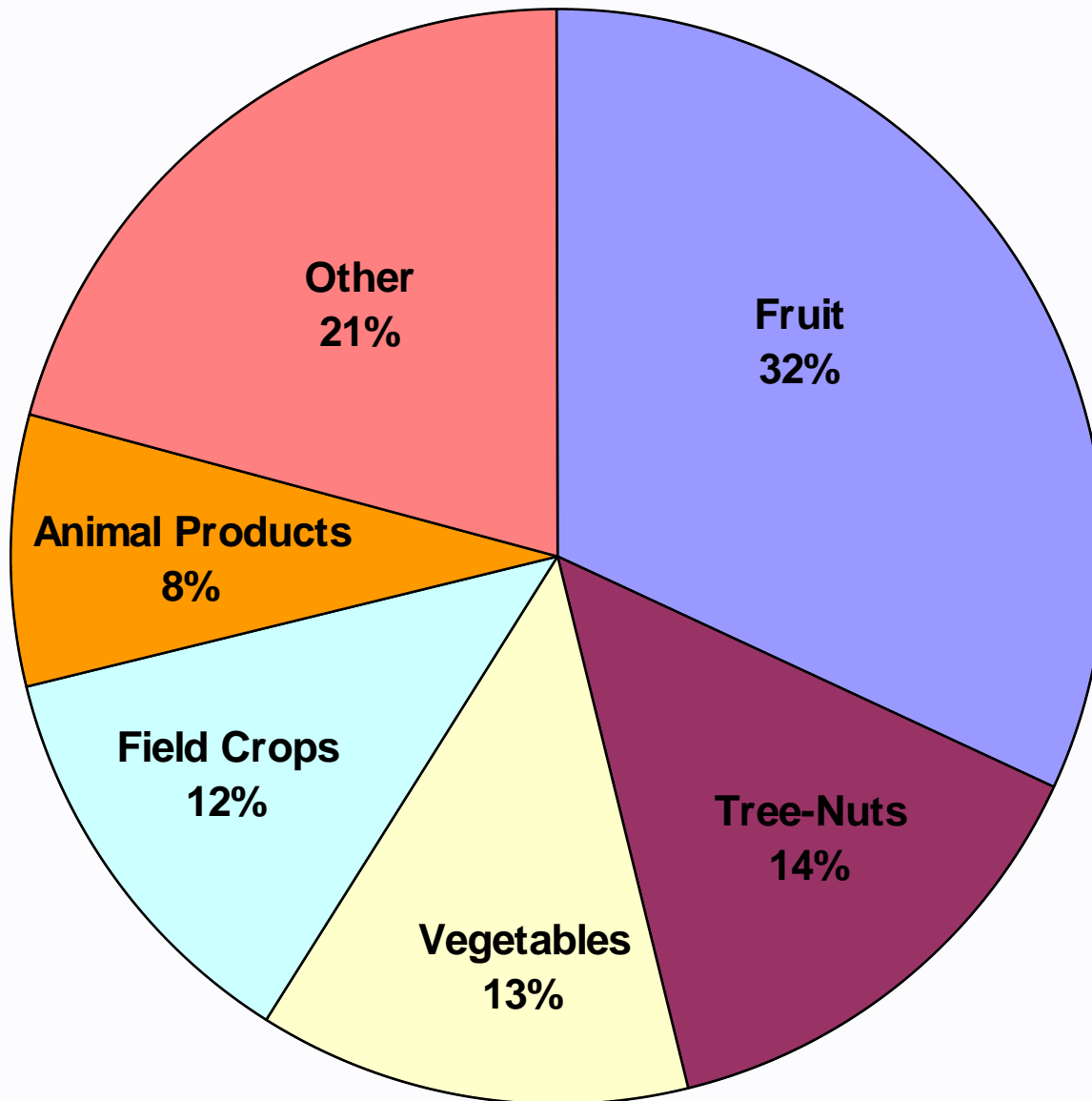
California Agricultural Export Value, 1995-1999



Agricultural Exports to the Top 10 Destinations by Value, 1999



California Agricultural Exports by Category, 1999



Where from here?

- **Most issues are perennials, but so is California agriculture**
- **Such low prices cannot continue much longer.**
- **But, how much longer is that?**