

**The California drought’s impact on agriculture export**

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California’s lack of annual rainfall (year three) is impacting tree and field crop growers and their service providers which could cause supply issues for the rising demand in domestic and export markets. The California drought is a state of emergency and will also affect dairy and meat markets. The state’s 80,500 farms and ranches produce more than 400 commodities and is number one in the nation for a record output in 2012 of $44.7 billion and an export value of $18.18 billion.

In late February, the “Pineapple Express,” a highly concentrated atmospheric river of moisture from Hawaii brought some rain to Northern California, but thus far, well below 50% average for this point in the 2013-14 water year, as indicated by local weather reports. “A slight improvement is probably about the best we can expect because we won’t make up for 14 dry months in five weeks,” explained Dave Kranz, Communications/News Division Manager, California Farm Bureau Federation (CFBF) to the *American Journal of Transportation*.

California’s irrigated farmland has a base of 7 million acres and Kranz expects at least 500,000 acres to be left unplanted this summer due to water shortages. “This will impact tomatoes, lettuce, garlic, onions, cotton and other vegetables and field crops as well as anticipating reduced yields of a number of fruit, vegetable and nut crops due to water shortages,” he said. The San Joaquin Valley, located from the Sacramento-San Joaquin River Delta in the north to the Tehachapi Mountains in the south, is where much of the state’s nut and fruit production is centered.

Geller International, a Northern California exporter of foods to Asia and the Middle East, is one of many in the California agriculture community that finds a main impact from the drought could be to cattle ranchers. “At this point, we as exporters will see the impact on the pastures for the organic dairy cows producing milk for the organic dairies north of San Francisco,” said James Geller, President, Geller International. Kranz of the CFBF stated that, “livestock owners had to sell dairy and beef producing animals because of lack of feed on dried out rangelands.”

Milk is the number one commodity in California valued at $6.9 billion in 2012 and the largest U.S. dairy producing state. Cattle and calves were $3.299 billion accounting for exports of $374 million of beef and products with a 2 percent increase over 2011, according to the California Department of Food and Agriculture (CDFA) and the University of California, Davis, Agriculture Issues Center (AIC). Dr. Daniel Sumner, who analyzes export statistics at UC Davis’ AIC, told AJOT, “agriculture exports vary year to year due to prices and yields in any case and some, such as for dairy products have been rising rapidly, so what we may see this year is a pause in growth.”

The top destinations for California agriculture exports are Canada, the European Union, China/Hong Kong, Japan and Mexico. The growing middle class and consumer incomes in emerging and frontier markets of Asia, for example, also create more demand for California grown and harvested fruit, vegetables, alfalfa, and livestock products. The Fresh Connection is a California exporter of fresh fruit and vegetables and has not experienced immediate impact from the drought on their business. However, the California freeze that came in 2013 had a greater impact to their export business. “With soft citrus down upwards of 50% and oranges upwards of 25%-30%, export numbers will ultimately be impacted, said Will Mehrten, Chief Operating Officer. The Fresh Connection also sources from South Africa and South America, “obviously, with weather patterns such as freeze and drought it creates opportunities for new sources to meet consumer demand.”

Tree producing crops such as almonds and citrus are permanent crops and have their own patterns of growth and harvest with longer term investments by growers than row vegetables. Almonds are California’s third largest valued commodity after milk and grapes ($4.449 billion) with a value of $4.347 billion and are the number one export item of $3.387 billion in 2012 for a 20 percent increase over 2011. “In 2013, the almond crop was about 1.85 billion pounds and may have been closer to 2 billion pounds after all deliveries were received in last fall’s harvest and is being marketed now without affects from the drought,” according to Blue Diamond Growers.

It is still too early to know the water situation for this year. Cassie Keyse, spokesperson for Blue Diamond Growers gave some indication of the impact of the water shortage and the almond producing cycle. “The bloom period for the 2014 crop is just wrapping up and the trees will start to show their nut set in the next month or so. While it is rare to pull out an orchard in its prime, there are growers electing to pull out orchards (that are still producing) earlier than scheduled to concentrate their water supply on younger, more productive orchards.” Similarly, citrus growers will not know of the drought’s impact on exports until next season begins in October. The California Citrus Mutual (CCM) was not interested in speculating at this point and cited sufficient water at this time, but cited, “this season’s exports have been strong, albeit volume has been down slightly, mainly due to the freeze we experienced in early December.”

Growers and exporters are concerned with the loss of market share that may result from lower production volumes because of the drought. Kulwant Johl’s grandfather began Johl Orchards in 1924 in Sutter and Yuba counties. Now, his trees produce prunes for export to Japan, China and the European Union, peaches for Mexico and Canada and walnuts and almonds for export markets worldwide. Johl told AJOT that “exports of tree crops will be affected, if we do not produce as much, then we lose market share, then it is hard to get back.” However, Mehrten of The Fresh Connection praised the worldwide reputation for safety and quality of California grown fruit and vegetables. “So while we may have to fight for our market share after a period of exit from the market, there is a loyal following in our export community.”

The entire California agriculture supply chain will be impacted by the water situation. This includes packers, farm laborers and haulers. “Ocean and air carriers are all asking questions. Steamship lines have to make strategic decisions such as how to position equipment. The Fresh Connection is passing along real time information as it comes available.” Oakland is the premier export gateway for California Central Valley agriculture products. “We are concerned about the drought in this state, if it continues, and what impact it may have on future export volumes through our port this year,” explained John Driscoll, Maritime Director, Port of Oakland.

The recent lack of rain and mountain snowpack are compounding a perennial northern and southern California problem of adequate infrastructure and projects to store, recycle and conserve water. Water rights are also creating tensions among growers, environmentalists and urban and rural users of precious water sources. “Both the state and federal governments have made aid available. Most farmers believe that the best way government could address the situation in the long term is to create more water storage in California both aboveground and underground, to add flexibility to the water system in order to cushion the system from the impacts of the drought,” explained Kranz for the California Farm Bureau Federation.