

Agriculture

In *Decline*

The

*Valley Center Municipal Water
District Story*

October 3, 2012

Ag In *Decline*

- Prior to imported water being available in the early 1950's, North San Diego County Agriculture was limited to areas with local supplies.
- With completion of the 1st San Diego Aqueduct in the late 1940's and the formation of several Municipal Water District's (VCMWD, Rainbow, Yuima) in the 1950's, North County Agriculture expanded and flourished.

Ag In *Decline*

- MWD had just completed the second phase of the CRA and, unlike today, there was an abundance of imported water.
- Rapid urbanization of LA & Orange Counties in the 1960's & 70's pushed ag into SD County.
- MWD encouraged agricultural development with early pricing discounts for agricultural water.

Ag In *Decline*

- Ag expanded rapidly in North County during the 1960's, 70's and 80's based upon the availability of relatively inexpensive water.
- VCMWD ag sales grew from a few hundred AF in 1957, to 11,000 AF in 1970, to peak at 49,300 in FY 03' -04' .

Ag In *Decline*

- During the 91' -92' Drought, ag supplies were cut 31% and the MWD Ag Discount was removed.
- After the drought, rates began to increase rapidly and ag began to decline.
- 1994 - MWD re-instituted the Ag Discount and North San Diego permanent tree crop ag began to recover.
- What has happened since then?

Ag In *Decline*

- Local Permanent Tree Crop Ag has been challenged by NAFTA import competition.
- Ag has been burdened by increased water quality regulations.
- Since 2005-2006, ag has experienced an 111%+ increase in water rates.

VCMWD WATER RATES

<u>Fiscal Year</u>	<u>Domestic/AF</u>	<u>MWD-IAWP</u>
05-06'	\$759	\$554
06-07'	\$883	\$626
07-08'	\$908	\$664
08-09'	\$974	\$723
09-10'	\$1,119	\$880
10-11'	\$1,302	\$1,036
11-12'	\$1,444	\$1,170

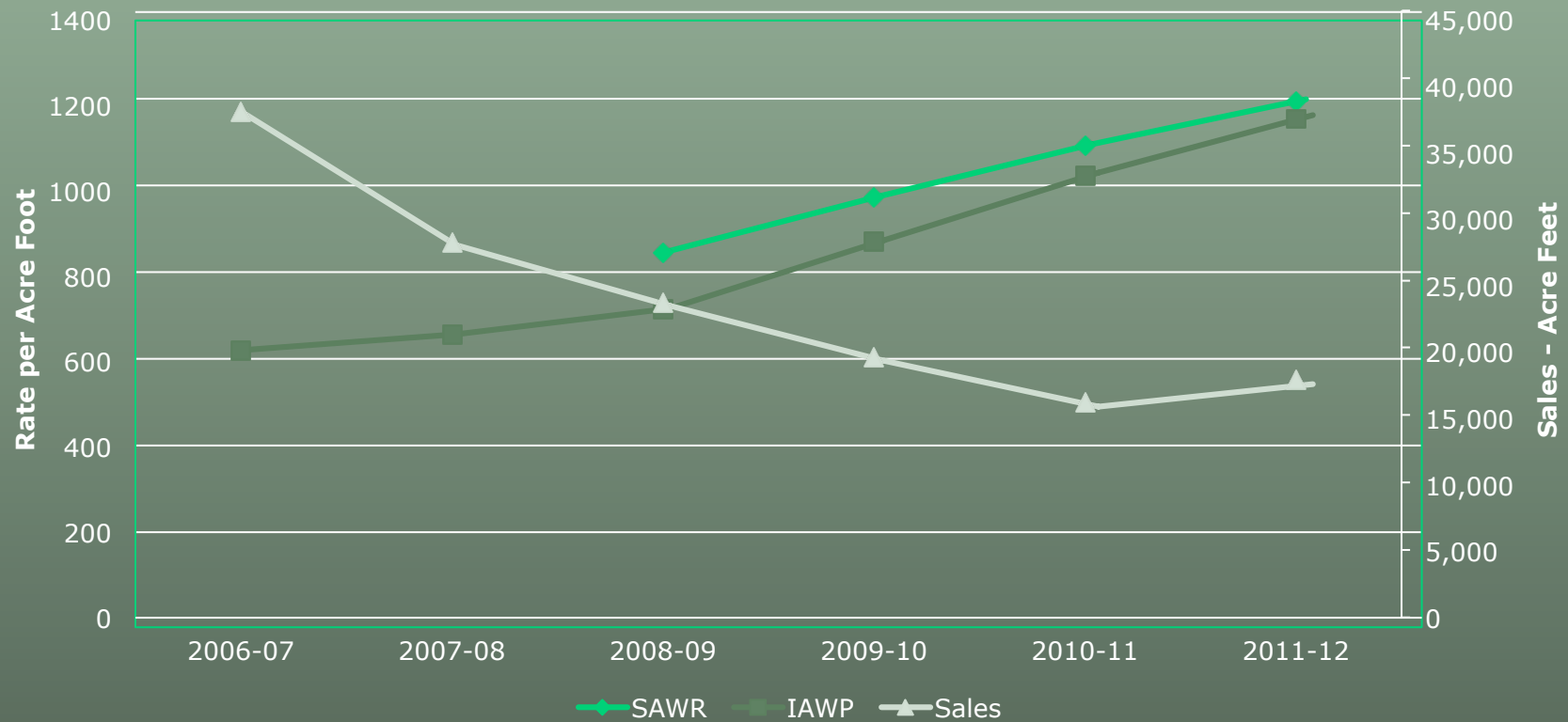
VCMWD Ag Sales

<u>Fiscal Year</u>	<u>Ag. Sales</u>	<u>Conditions</u>
06-07'	38,917	Normal
07-08'	28,168	El Nino
08-09'	24,209	Ag Cuts
09-10'	20,917	Disc. Red.
10-11'	16,248	Disc. Red.
11-12'	17,943	Full Supply

Decline of 20,974 AF, or 54%

VCMWD Ag Rates and Sales, 07-12

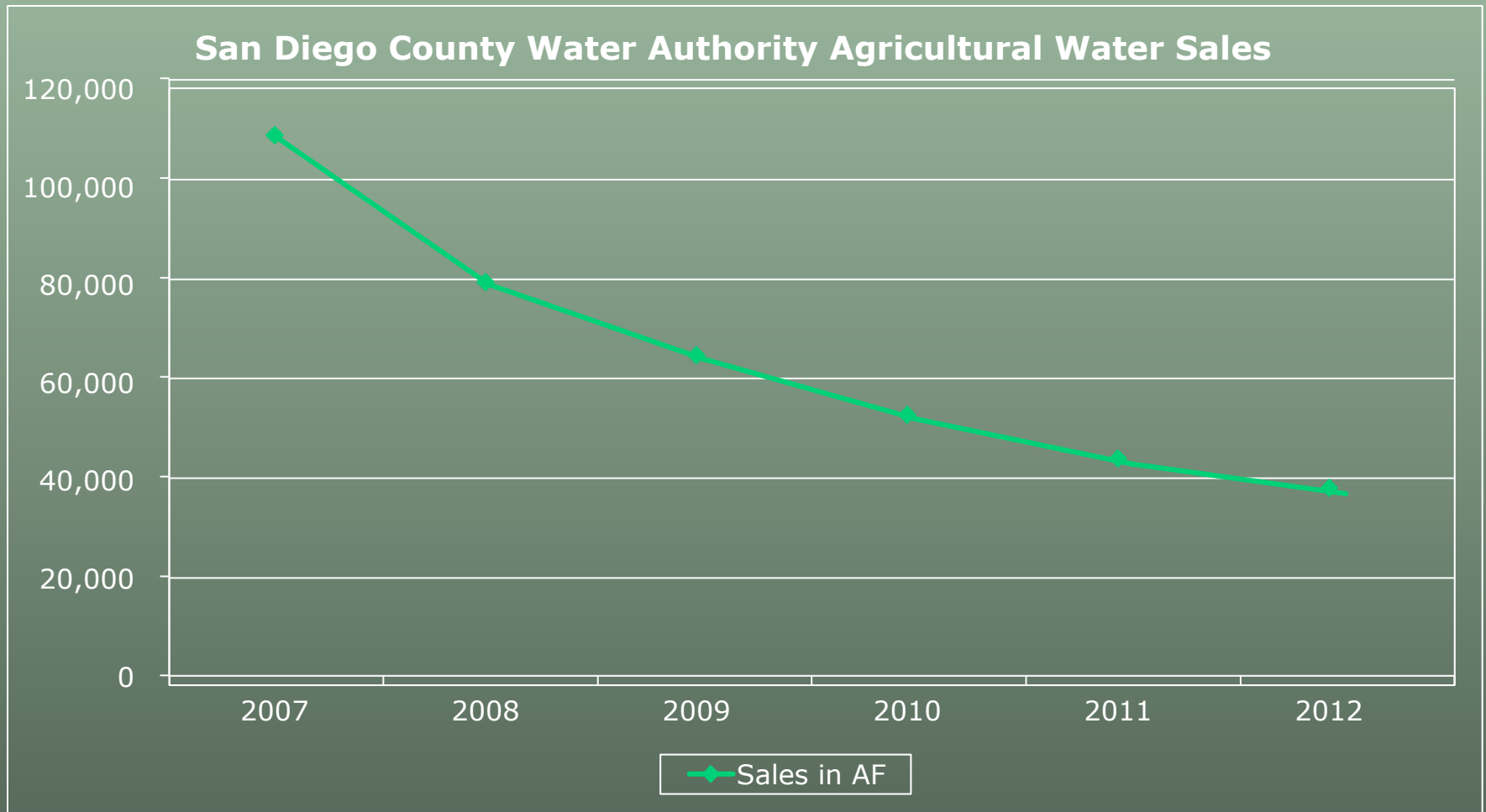
Valley Center Municipal Water District Ag Rates & Sales



Ag In *Decline*

- 2010 Ca. Avocado Commission Completed an Aerial Assessment of Avocado Acreage in SD County.
- Results - From 2005 to 2010 producing avocado acreage dropped from 25,656 Acres to 17,763 Acres, or 31%.
- Ag water sales have dropped county-wide.

Ag Water Sales in San Diego County



















Ag In *Decline*

- Using MWD Rate Projections and considering SDCWA and local rate increases, retail rate could be between \$2,200 and \$2,500 per AF by 2020.

Ag In *Decline*

- North County Permanent Tree Crop Ag is in rapid decline.
- Rather than stumping, growers are simply turning off their meters.
- Permanent tree crop ag is not sustainable at current retail water prices and certainly not at projected prices.

Ag In *Decline*

- Agricultural Districts will continue to see sharp declines in revenue.
- VCMWD sales are down over 50% from 06-07' .
- Revenue declines of this magnitude result in deferred maintenance and CIP and eventually unreliable water systems.

Ag In *Decline*

- Ag agencies struggling with declining revenues are forced to raise rates.
- Increased water rates, due to dropping sales revenue, puts great stress on surviving agriculture.
- These agencies & communities are facing a long and difficult transition period.

Ag In *Decline*

- Preservation of Local Agriculture is an Issue of:
 - Regional Economic Health/Jobs
 - Local Food Availability; and
 - Food Safety and Security
- What Can Be Done to Save Local Ag?

■ Immediate Action:

- Secure Legislative Commitment to Preserve Local Ag;
- MWD Re-consideration of Interim Ag Water Program Discount Phase-out;
- SDCWA Maintaining Special Ag Water Rate Program as currently structured

(MWD IAWP Expires 12/31/12 and SDCWA SAWR Diminishes after 12/31/14).

- Long-Term Action

- Charge agriculture the price of the lowest cost segment of the imported water supply portfolio; and
- Provide ag with more reliable, more affordable alternative supplies of acceptable quality, e.g., highly treated recycled wastewater.

Ag In *Decline*

- With these short and long-term actions, Food producing Ag is provided:
 - An immediate price reduction.
 - Long-term price stability.
 - The chance to survive that it doesn't have now.

Ag In *Decline*

Questions

Gary Arant

General Manager

Valley Center Municipal Water District

760-735-4515

gary@valleycenterwater.org