



# California Drought and its Economic Impact on Agriculture in 2016

**by Leonard Sahling**

*Vice President, Knowledge Exchange*

**Dan Kowalski**

*Director, Knowledge Exchange*

## Inside this Issue...

Introduction .....	2
Update on the Drought .....	2
Growers' Responses to Water Restrictions .....	4
Drought Damage – Overview .....	5
Concluding Comments.....	6

## Key Points:

- *California's 2015/16 rainy season just ended and delivered nearly normal rainfall and snowpack, unlike the four previous years. Yet the state's parched conditions persist, with substantial portions of Central and Southern California still blanketed by severe to exceptional drought.*
- *Due to the lingering effects of the drought, California's growers and agribusinesses will face another round of water restrictions in the current growing year, but the new restrictions are shaping up to be less onerous than those imposed last year.*
- *Growers' first line of defense against the water restrictions is to draw more heavily on their underground water resources.*
- *Growers are expected to fallow between 300,000 and 350,000 acres this year, versus the 540,000 acres fallowed last year. The accompanying losses in income will fall heaviest on growers of field crop such as corn, wheat, cotton, alfalfa, and pasture.*
- *Among the crops least susceptible to the drought are the permanent plantings such as tree nuts, citrus and other tree fruits, and vine-grown fruits. These crops yield the highest returns and cannot be fallowed without lasting damage to the trees and vines.*
- *For cattle ranches and dairy farms, the main drought-related risk hinges on a higher cost of locally-grown feed. But fewer acres are being fallowed this year, so locally-grown feed prices should be lower, while grain and feed prices have declined nationwide.*
- *California's lingering drought is projected to result in agricultural losses of \$1.0-1.5 billion this year, versus last year's estimated losses of \$1.8 billion. This year's losses would amount to a 5-7 percent haircut from the net cash income that would otherwise be earned.*
- *For 2017 and beyond, the outlook for California agriculture will depend largely on how much moisture the state gets in coming years and also on the continued availability of groundwater.*