

# The economics of drought



H&N file photo by Jill Aho Potatoes are harvested last fall. Farmers are worried about availability of water this year, and when they plant their crops can help. For example, potatoes planted early in the season needed 22 acre-inches of water last year. Those planted a month later required 5 acre-inches or less.

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Willie Riggs doesn't know how many farms will fail this summer after a water shortage hits the Klamath Basin.

He doesn't know how many farm laborers will be out of work or how many businesses selling equipment and fertilizer will go under.

But he does know there will be economic fallout.

"There's going to be fewer dollars flowing through this community, but I don't know how much less," said Riggs, executive director of Klamath Basin Research and Extension Center. Upper Klamath Lake levels are at record lows this year as a result of below-average precipitation and because water was released into the Klamath River this winter for endangered fish species.

Because of the shortage, the Bureau of Reclamation has told Klamath Project farmers to expect only a third of the irrigation water they normally receive.

Though Riggs expects tough times for agriculture in the coming months, he also is optimistic.

The Basin survived a water crisis in 2001 when irrigation water was shut off to farmers and ranchers. He sees people using that experience to prepare themselves for this one.

"I don't see anybody sitting on their haunches saying 'poor me.' I see people trying to work through it," Riggs said.

Agriculture was a \$300 million-plus industry in the Basin in 2008 before gross farm sales dropped by about \$58 million last year. Even with that decline, sales in 2009 were twice the value as sales made in 2001.

Riggs said Basin farmers aren't farming the same way they were 10 years ago. The growth in niche markets, from organic products to operations that grow strawberry plants for farms in Southern California, boosted the region's agricultural economy.

But the impending water shortage puts everything at risk.

Without water to irrigate crops, Riggs said, farmers won't bring in their usual incomes, requiring them to lay off workers and delay equipment purchases.

Those losses will trickle down to the overall community, possibly causing further layoffs as people spend less on consumer goods, he said.

The long-term damage would be worse.

Agricultural producers are dependent on established market positions to sell their goods. Losing a year of production reduces that market share as buyers go elsewhere to find product.

Even if water is turned on next year, farmers will have to work harder and spend more money to regain their market shares, or to find new markets.

This also impacts people outside of agriculture because the industry will put less money into the economy for discretionary spending.

If the situation doesn't improve, food prices could increase.

Only 2 percent of the nation's population produces food and putting just a part of that group out of work impacts supply, Riggs said.

"How are we going to feed all these people, whether inside the U.S. or outside the U.S.?" he asked.

Riggs said Basin agriculture should still survive.

He said the warning of a water shortage months ago allowed producers time to plan. Many also still recall the water shutoff in 2001, giving them experience in dealing with a situation like this one.

"I think the agriculture sector is a resilient sector," he said.

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