



\$3 BILLION AND GROWING - CROP REPORT - Modesto Bee, The (CA) - September 1, 2012 - page A1

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Farming in Stanislaus County bounded to new heights last year to an estimated **\$3 billion** in gross income for the first time.

But did the leap leave this economic sector out of breath, prone to a collapse just when it appeared to be thriving?

That's what happened to the county's housing industry over the past decade -- a few years of stunning growth, followed by a slump that lingers today.

Agricultural leaders say their business has underlying strengths that will keep it on a generally upward slope in the county and beyond.

"We've said all along that agriculture is an economic stimulus for the state of California, and this (**crop report**) just proves it," said Paul Wenger, a Modesto-area nut grower and president of the California Farm Bureau Federation.

Last week's report from Agricultural Commissioner Gary Caseri shows an 18 percent increase in gross income from 2010, to **\$3.07 billion**.

Milk, almonds, walnuts and feed crops contributed most to the gain, more than making up for declines in poultry, tomatoes and nursery products.

Caseri cautioned that the report does not include production costs or profits. This is especially worth noting for dairy farmers, who got sharply higher prices for their milk but paid dearly for feed for their cattle.

Farming profits did get tallied in a state by state report from the U.S. Department of Agriculture. It reported last week that California had **\$16.3 billion** in net income last year, which was 34 percent of the **\$47.7 billion** gross.

It was the highest net on record, but farmers note that forces beyond their control could squeeze their margins in the future.

It could be drought, which started last winter and could do serious damage if it continues. It could be demand, which tends to shrink when the economy struggles. It could be a change in exchange rates toward a stronger U.S. dollar, making farm exports less attractive around the world.

"We know there are going to be good times and there are going to be tougher times," said Leonard Van Elderen, president and chief executive officer at Yosemite Farm Credit, based in Turlock.

Farm income has had a "steady, strong" increase over the long term and is not prone to the kind of bubble that hit the housing industry, he said.

Van Elderen noted the growth in global demand for almonds, walnuts and wine grapes as people heard about their health benefits.

That's not to say there won't be blips, he said. A dozen years ago, the farm price of almonds fell below production costs.

Wenger recalled walnuts dropping to 35 cents a pound in 1998, below the break-even point of about 50 cents.

Grape growers dealt with low prices for much of the past decade, as a glut developed in California and abroad.

The county **crop report** shows a turnaround for grapes. Red varieties sold for an average of \$509 a ton last year, up from \$337 in 2010, though still far below what growers get in the Napa Valley and other premium regions.

BOOST FROM CHINA, INDIA

Paul Van Konynenburg, a Modesto-area fruit farmer, said the county benefits from burgeoning middle classes in places such as India and China. He said many farmers specialize in a single crop, but he prefers a mix -- peaches, apples, apricots and cherries -- to spread the risk.

Van Konynenburg also cited exchange rates as a factor in farming's fortunes. "When the dollar got really strong in 1998 the almond price dropped quickly and stayed down for 18 to 24 months," he said.

Van Konynenburg is on the board of the Stanislaus Economic Development and Workforce Alliance, which sees farming as a key source of jobs. Farmers use some of their gross income to buy tractors, pesticides, and other goods and services. Canneries, wineries, dairy plants and other

processors employ tens of thousands of county residents. Others work as ag truckers, ag lenders, ag educators.

An estimated \$9 **billion** in total economic activity was created by the ripple effect from the \$3 **billion** received by Stanislaus County farmers last year, the **crop report** says.

Denny Jackman, a leader in farmland preservation in the county, agreed that the income gains are sustainable. "As we go from 7 **billion** to 8 **billion** people on Earth, there is more job security if you are a food producer," he said.

A "false economy" emerged in housing because of questionable mortgages and inflated values, said Jackman, president of the Central Valley Farmland Trust and a former Modesto city councilman. He said the lull in home construction is a chance to revisit growth plans to ensure that prime farmland is not developed.

Gross income also can grow by adding farmland. Most prominent is a 7,500-acre expanse of new almond orchards near Knights Ferry that is proposed for annexation to the Oakdale Irrigation District.

Strong nut prices make it worthwhile to develop foothill land that in the past was thought marginal.

The county and state have advantages that matter when it comes to farming. The warm and dry stretch from spring to fall means high yields for crops, which are watered mostly by snowmelt from the Sierra Nevada. Colleges turn out people skilled in farming and related pursuits, as well as research on pests, markets and other topics.

Wenger, leader of the state's largest farm group, said concerns remain about water storage, the labor supply, environmental rules and other issues, but farming overall holds promise.

"Let's celebrate and encourage our agricultural base," he said, "and all of California will be better for it."

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TOP 10

The leading farm products for gross income in Stanislaus County in 2011:

1. Milk: \$766.19 million, up from \$598.84 million in 2010. A large increase in milk prices drove the total, as volume was up just slightly. The report does not reflect high feed costs that have squeezed dairy farmers' margins.
2. Almonds: \$628.32 million, up from \$390.5 million. Increased yield per acre was the top factor, but acreage and prices rose, too.
3. Chickens: \$220.08 million, down from \$308.04 million. Most of the drop resulted from sharply reduced prices for chicks sold to poultry producers. Chickens sold for meat were little changed.
4. Cattle: \$207.65 million, up from \$167.33 million. The year brought a sizable increase in the number of head going to the beef market from ranches and dairy farms. The number of cows purchased for future milking also rose.
5. Walnuts: \$175.74 million up from \$116.25 million. The average price soared, while volume was little changed.
6. Silage: \$156.31 million, up from \$107.6 million. Prices hot up for this fermented dairy feed mainly made from corn. Volume rose, too.
7. Tomatoes: \$91.01 million, down from \$147.55 million. Volume dropped substantially for the cannery-bound portion of the crop, while prices rose slightly. The much smaller fresh-market drop had large drops in volume and price.
8. Deciduous nursery: \$71.41 million, down from \$77.53 million. Prices slipped for young trees and vines sold to fruit and nut farmers, while volume rose somewhat.
9. Alfalfa: \$70.07 million, up from \$40.96 million. Prices nearly doubled for this feed, used mainly by dairy farmers. Tonnage dropped.

10. Turkeys: \$67.24 million, down from \$72.05 million. The number of birds declined and prices dipped slightly.

THE \$3 BILLION CLUB

* Fresno County first reached **\$3 billion** in gross farm income in 1993. It hit **\$5.94 billion** in 2010 but has not yet reported for 2011.

* Tulare County first reached **\$3 billion** in 1999. It reported **\$5.3 billion** for 2011.

* Monterey County first reached **\$3 billion** in 2000. It reported **\$4.01 billion** for 2010.

* Kern County first reached **\$3 billion** in 2004. It reported **\$4.76 billion** for 2010.

* Merced County first reached **\$3 billion** in 2007 but dipped below the milestone afterward. It stood at **\$2.73 billion** in 2010 but has not reported for 2011.

* Stanislaus County reached **\$3 billion** for the first time in 2011.

(Note: San Joaquin County had gross farm income of **\$2.24 billion** in 2011, its highest.)

Source: County crop reports

OTHER SIZABLE CROPS

* Peaches: \$57.22 million

* Wine grapes: \$56.44 million

* Almond hulls (fed to dairy cows): \$43.55 million

* Cherries: \$42.11 million

* Chicken eggs: \$32.23 million

* Lima beans: \$26.24 million

* Oat hay: \$24.64 million

* Apricots: \$22.61 million

* Ornamental trees and shrubs: \$20.49 million

* Wood for power generation: \$13.36 million

* Melons: \$12.85 million

* Broccoli: \$12.76 million

* Apples: \$10.37 million

OTHER FOOD CROPS

* Sweet potatoes: \$9.99 million

* Black-eye beans: \$6.49 million

* Spinach: \$6.15 million

* Citrus: \$5.44 million

* Wheat: **\$3.41** million

* Rice: \$2.28 million

OTHER LIVESTOCK

* Hogs and pigs: \$2.93 million

* Squab (young pigeons): \$1.91 million

* Fish: \$646,000

* Goats: \$524,000

* Sheep and lambs: \$147,000

* Wool: \$22,850

* Duck eggs: \$332,000

* Quail eggs: \$21,000

OTHER THINGS OF NOTE

* Pollination services: \$43.41 million

* Honey: \$5.93 million

* Beeswax: \$1.15 million

* Queen bees: \$153,000

* Organic products: \$41.24 million

* Firewood: \$9.18 million

* Rangeland: \$8.72 million worth of cattle feed

* Irrigated pasture: \$6.37 million

* Manure: \$6.4 million

* Compost and worm castings: **\$3.01** million

* Seeds: \$1.47 million

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