

Talking Points

Economic Impacts of Proposed Central Coast Irrigated Lands Regulatory Program (Ag Order 4.0)

This Order Significantly Expands Requirements.

- Expansion of Requirements Compared to the Previous Central Coast Irrigated Lands Regulatory Program (Ag Order) to include:
- Expanded requirements for irrigation and nutrient management for both surface and groundwater, including targets and prescriptive nitrogen discharge limits
- Expanded pesticide management for surface water and groundwater, including specified surface water monitoring and threshold limits
- Limits on fertilizer applications that are not supported by agronomic science
- Expanded riparian habitat management requirements that would require retiring productive farmland and developing set-back areas from most ditches and streams and planting native riparian vegetation
- Expanded sediment and erosion management for surface water, primarily on sloped farmland
- Increased reporting and compliance requirements in surface water and groundwater reporting areas with an Annual Compliance Submission, Riparian Area Management Plan, Total Nitrogen Applied, Sediment and Erosion Management Plan, and Irrigation and Nutrient Management Plan.

Each of these components would impose significant costs on Central Coast growers.

Some regulatory components, such as proposed nitrogen discharge limits, may make current rotation systems economically or agronomically infeasible.

This would result in substantial economic impacts (e.g., precipitous drop in land values and property taxes, and lease rates) that were not quantified or discussed in the Draft Environmental Impact Report (DEIR).

Economic review in the DEIR does not evaluate the economic impacts on jobs, land use, and agricultural resources if Ag Order 4.0 is adopted.

- The DEIR includes estimates of some costs and requirements that would almost certainly result in changes in the physical farming environment. Costs of nitrogen discharge requirements, compliance with surface water discharge limits, riparian setback areas, and other key substantive provisions are *not* estimated. Examples of these costs include, but are not limited to:
 - Meeting the nitrogen discharge limits in the Ag Order would require reducing applied nitrogen and/or incurring additional management costs. This would result in potential changes to yield, quality, and costs that affect the mix (or number) of crops that can be grown in the region and lead to land being idled and permanently removed from production.
 - Implementation of the operational and riparian set-backs will automatically result in land-idling and land use changes because commercial crop production is prohibited in such areas.
- The DEIR presents some example accounting costs but does not use those costs to quantify potential economic impacts to growers, linked industries (processing, shipping, etc.), communities and the region as a whole.
- The DEIR states, in general, that economic effects were not estimated because the market and regulatory environment is complicated and/or because management practices are speculative. In fact, there is a well-established and widely used approach to quantify the economic impact of Ag Order 4.0.

The key economic impacts would be driven by:

- Direct costs of fees, assessments, and paperwork.
- Changing management practices, inputs, rotations, and land use to comply with discharge targets/limits (additional direct costs). This would include the effect of nitrogen discharge limits on the ability to continue multi-cropping (2-3 crops/year) that is prevalent in the Central Coast and directly contributes to current land and lease values in the region, as well as ability to meet surface water discharge limits using currently available pesticide chemistries.
- Changing land use / taking land out of production to comply with riparian and operational setback requirements and developing a RAMP.
- Opportunity cost of management time for compliance paperwork, training, and other administration.

The economic impacts of Ag Order 4.0 are likely to result in broader policy implications.

- Regulatory costs affect competitiveness of the California agriculture industry. This can push crop production out of the state or to other countries, and with it jobs and income for the state and region.
- Impacts disproportionately fall on disadvantaged or severely disadvantaged communities (DAC/SDAC) because these communities are where people that work the fields, coolers, processing facilities, and equipment often reside.
- Regulatory costs are cumulative. In addition to the Ag Order, the Central Coast is managing implementation of other regulations. For example, implementation of the Sustainable Groundwater Management Act will result in changes in the availability and cost of groundwater in Central Coast sub-basins. In addition, the study by Hamilton and McCullough (2018) identifies other regulatory compliance costs that are increasing over time and should be appropriately considered in any economic impact analysis of additional regulations specified under the proposed Order. In the past decade, regulatory compliance costs have increased 795% for a typical leafy-greens grower.

The bottom line is that farming economics will change if Ag Order 4.0 is adopted as proposed.

- Central Coast Regional Water Board is proposing an onerous and restrictive regulatory program in a time of great economic uncertainty for the farming community.
- Lower production values will lead to job losses, impacting communities with higher levels of unemployment and lower tax revenues.
- Regulatory compliance costs will reduce available funding for capital improvements.
- Change of land use due to land idling will become a much larger issue for Central Coast counties.

Provide comments on the draft Ag Order 4.0 to the Central Coast Water Board.

- All comments must be submitted to Central Coast Regional Water Quality Control Board by Monday, June 22, 2020 by 11:59pm.
- Submit to: AgNOI@waterboards.ca.gov with “Comments of Draft Ag Order 4.0” in the subject line of the e-mail.
- Letters can be mailed to: 895 Aeovista Place, Ste. 101, San Luis Obispo, CA 93401.
- Note that e-mail submissions are preferred.
- Address comments to the attention of Matthew T. Keeling, Executive Officer.