



Water Economics

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MISC

WATER ECONOMICS, Misc. Notes for use in Econ. 148, S-01

WHO USES THE MOST WATER?

1. 1989. Irrigated pasture uses 1/7 of Cal's water, for 1/5000th of its economic output. Grass, alfalfa, rice, and cotton yield .4% of Cal's income (yet take about half of all its water).
-- Facts from Marc Reisner, "The Emerald Desert," Greenpeace Mag, July/Aug 1989, pp. 6-10, cit. in Incentive Taxation, March/April 91, p.2.
2. 1998. Imperial Valley's 2 largest water users are alfalfa and cattle. The Economist, 21 Feb 98 p.28.

FARM PREFERENCES, POLITICAL INFLUENCES

1. 1995. MWD of Southern Cal is proposing to raise its standby charge from \$5 per acre or parcel to \$15. Charge is to be applied to any land that receives, or might some day receive MWD water.
Riverside County Supervisor Bob Buster urges MWD to exempt areas zoned agricultural.
-- Doug Beeman, TPE, 7 Apr 95, A4, "Higher standby water fee stirs up storm."
2. A recent learned article, crediting the U.C. Water Resources Center for support, reads as follows.

"... a drainage charge ... may approximate the economically efficient solution. ... Because farmers will fight taxation ... one may have to consider other policies. One policy alternative would be to grant a subsidy ..." Caswell and Zilberman, 103.

Queries:

1. Whose side is U.C. on?
 2. When was a government policy ever changed because YOU "will fight taxation"?
3. 1993, Jean Auer, Mayor of Hillsborough, Chair of Bay Delta Oversight Council, resigns. Says Wilson derailed panel by withdrawing protection for Bay and Delta, in April, when Wilson told State Water Resources Control Board (WRCB) to shelve its proposed standards. Feds also abstaining.
-- Elliot Diringer, 1993. "Wilson's water panel in disarray." LAT 7 July p. A9.
 4. 1993, the Western Municipal Water District (WMWD) is raising water and sewer rates 50% for homeowners, but not farmers.
Is moving for the first time toward a standby charge, to make up for some of the prop tax rev the state wants to take for schools. However, it has long had a prop tax. Hasn't raised rates in 20 years, while MWDSC wholesale rates rose.
In the Lake Hills area (just west of La Sierra Ave., south of Indiana Ave.), monthly resid bill will rise from \$22 to \$30/mo.; sewer from \$13 to \$19. Lifeline rate, tiered rate structure (inverted block rate).
-- Douglas Beeman, 1993. "Western opens the faucet on the price of water." TPE, 17 June, B3.
 5. 1993. Pat Schifferle is a consultant with "Share the Water," a coalition of env and bus orgs that backed a Miller-Bradley (M-B) bill, 1993.
She and others note that Gov Wilson is holding up Cal's required share of funds to implement M-B. There was to be a fee on ag water users to pay for environmental water. Wilson killed it, and a host of other water regs, in April. Wilson wants to spread the cost over entire state, via bond issue. At best, no money until 1994, and no water for env.

M-B idea was to help env w/o hurting ag (except with the fee) by spending more money on dam improvements, e.g. a temp control device at Shasta, and restoring spawning gravel for migratory fish at Red Bluff.

-- Dean Murphy, 1993, "State blocking U.S. water reforms." LAT 27 May A3.

POWER COMPANIES

1. 1922, 1924, power companies overwhelmed campaigns for state water and power development.

Sinclair, I, Gov, p.43. See also Paul Taylor, history of Central Valley Project.

MUTUAL WATER COMPANIES

1. Mutual Water Cos. are not true Coops, because voting is not per member but per share, i.e. per acre. The only protection for the small member is state law, there is a duty to serve. If the trustee concept were to break down, small members would be helpless.

2. 1882. Some way was needed to subdivide water. Chaffey "invented" the Mutual Water Company (MWC). The first was at Etiwanda, 1882. (Etiwanda was an Indian from northern side of Great Lakes, whom Chaffey had known and liked in Kingston, his home.) 1882, trade was just picking up after the great slump of the 1870s.

Ontario came next, grander scale than Etiwanda. Both succeeded. (Australia and Imperial did not: he shoulda quit while he was ahead! So should Mulholland, later.)

-- J.A. Alexander, Life of Chaffey, pp. 34-36.

3. John Wesley Powell looked to division of water to overcome land monopoly. So did the Reclamation Act of 1902, and its marathon champion, Paul Taylor. With the MWC, when it was to the landowner's advantage to divide land, Chaffey cooperated in dividing water, too: hence MWCs.

QUASI-PUBLIC AGENCIES

1. The Kings River Water Association Board has one member from each member agency, regardless of "size." Thus, the huge Fresno I.D. has only one member. (Sounds like the MWD of Southern Calif, and the U.S. Senate.) Then there is an XCom of 6: one @ from Fresno, Alta and Consolidated; other three from "lower river agencies", i.e. the giant landowners. - Kings River Water Association, 1950, p.6. P.27 says XCom members are appointed by the full Board.

2. Taylor, 1949. P.249, confirms material re voting in Kings River Water Association.

3. 1995. The Met. Water District of Southern California (MWD) is proposing to raise its standby charge from \$5 per acre or parcel to \$15. Applied to any land that receives, or might some day receive MWD water.

MWD says to force a referendum, 15% of 4.6m "potential protests" must be exercised. Property owners get one protest vote for each parcel or acre, whichever is smaller. (Cute! Thus, the Irvine Co. could file 80,000 protests, based on acreage, and many more based on parcels it leases to others, while it would take 692,092 small owners to make 15% of 4.6m. I surmise that lessees of the Irvine Co., which never sells land, do not qualify as property owners; renters of Bren's pricey apartments, like students at UCI, certainly do not.)

So far, protests have been filed on just 9,540 parcels or acres.

-- Doug Beeman, TPE, 7 Apr 95, A4, "Higher standby water fee stirs up storm."

4. 1993. Castaic Lake Water Agency, serving the Sta. Clarita Valley, with 150,000 residents, spent \$304,000 on lobbying this year during state budget talks, April 1 - June 30. Castaic outspent every other govt. agency in Calif. Reached Sec of State March Fong Eu's list of top 10 spenders. (MWDSC, serving 15m residents, spent \$77,000, same period.)

Result: this agency got an exemption from Wilson's plan to divert prop tax revs from city, county, and special districts to schools. Saved \$6.5m in prop tax rev that Gov had threatened to take.

Like MWDSC, Castaic Lake buys from State water agency, then sells water for a profit.

--LAT 22 Sept 93 A3.

(Elsewhere, we have noted that Castaic is a satrapy of Newhall Land and Farming Co., lord of the Sta. Clara River and most of the lands it waters.)

WHOSE WATER?

1. Bringing water to dry land is more than an ordinary unearned increment, like extending a highway. Highways are open to all comers, and get crowded with newcomers over time. Water, however, adds the ownership of water to the ownership of land, and in proportion to the land previously owned. Water is finite, and scarcer than land surface. The water now may be sold separately

2. Kings River Water Association claims to own the power drop at Pine Flat and elsewhere.

-- Kings River Water Association, 1950, p.11,

3. Natural Resources Defense Council (NRDC) wins lawsuit vs. US Bureau of Reclamation. Forces it to enforce 960a limit. Hal Candee, is Atty. for NRDC. Reagan had widened loopholes. New Commissioner, Dan Beard, seems willing to enforce. (Dream on!)

-- Richard Paddock, 1993. "U.S. to tighten water subsidy rules." LAT 17 Sept A4.

4. What about USBR customers who have been breaking the excess land law? Shall they, too, have a salable vested interest in waters received this way? Based on past exhibitions of their political influence, they most likely will.

5. 1955. Big landowners allege they have "a moral claim to water in proportion to their landholdings, ... and to defeat ... equitable distribution of water among individuals."

-- Taylor, 1955, p.478. (N.B., U.S.S.C. overruled this claim in *Ivanhoe*, 1958.)

6. Cal Supreme Court covered unapprop waters with a property right based on landownership, an approp right modeled on riparian law.

-- Taylor, 1957. p.83.

(1958, U.S.S.C. overturned this doctrine, in *Ivanhoe*.)

7. Cal Constn nowhere says State holds water as trustee for the benefit of landowners or, indeed, for anyone.

-- Taylor, 1957, p.79.

(Evidently Calif. Supreme Court disagreed, ca. 1990, when it upheld "Public Trust Doctrine," *Mono Lake Case*.)

8. Haggin "bought up appropriation claims as readily as r.r. or mining stock." (I.e., they were transferable, even in the 1880s.)

-- Worster:106,

9. Cal. adopted riparian doctrine, but also accepted appropriative licenses

derived from the fed govt. Mining Act of 1866 had conceded such rights on the pub domain. Thus, water appropriations from fed land before 1866 were valid. They could be "exercised or sold as personal property."

Appropriations after 1866 were subordinate to riparian rts.

-- Worster:107.

10. I.D.s could condemn all individual water rights, including riparian. (Thus, in this matter, water rights were treated as real estate.)

-- Worster:109,

FARMLAND OWNERSHIP

1. Newhall land and farming is among the largest. Its holdings are centered around its Magic Mountain rec park on I-5, but extend westward down the Sta. Clara Valley of Ventura Cty., and include Valencia.

2. Bud Antle, Inc., is a wholly owned sub of Castle and Cooke (Murdoch). Antle owns or leases 12,715 acres vegetable land, Cal and AZ. Actual farming is done under jt arrangements with independent growers - except harvest, done by Antle's own crews. (Antle originated in the Salinas Valley, with lettuce.)

C&C also got Tenneco West (successor of Kern County Land Co.), 1987, and S&J Ranch, Inc. C&C thus is now the largest fruit and veg grower, and largest farm employer. 5400 acres citrus; 6,000 acres vineyards; 7100 acres almonds and pistachios; 300 acres dates. (No mention of thousands of acres of dryland.)

In Hawaii, 23,700 acres pineapples; 21,400 in Philippines; 5,000 in Thailand; 5700 in Honduras; more in Costa Rica.

Rural Cal Report, CIRS, Davis, July, 1989.

See also #3

3. IAT 18 Oct 95 D1

Dole Food plans to separate Castle & Cooke r.e. unit from "core business." Dole based in Westlake Village. Spinoff to be accomplished by distrib one share of new C&C Inc. for 3 shares of Dole common - **tax free**. Dole's 3rd 1/4 rpt will show an "after-tax charge" of \$118m for "write-down" of C&C's prop. holdings.

1993, Dole sold minority of C&C, a r.e. dev. "subsidiary," to public, \$15/share; 1994, repurchased. This time, will sever ties completely.

David Murdock will remain chair of both cos. He owns 23% of Dole stock.

Dole has modern fleet of refrig. ships.

The new C&C will develop urban land on Oahu. Also, 2 luxury resorts on Lanai, "which is 98% owned by Dole."

C&C will also dev. land in Bakersfield, Ariz, GA, NC, and MS.

Write-down + distrib. of stock reduces Dole's net worth from \$1.2b to .65b.

4. 1995. Salyer, legendary rival of J.G. Boswell (in the Tulare Lake Basin area), is selling out to Boswell, effective 1 March. (If you can't lick 'em, j'ine 'em.) Now there is just one employer in Corcoran. Sale of 25,000 acres (they must have kept a little).

Boswell, 129,000 acres, 1993 crop value est. \$100m = \$775/acre. Salyer got crops of \$40m from 33,000 a = \$1,212/a. (Great soil and climate!)

The original Col. Boswell divided his time between Corcoran and L.A., where he met and married Ruth Chandler, dtr. of Harry Chandler, land baron (Tejon Ranch) and publisher of L.A. Times.

Salyer objected to Boswell's controlling the local water district because Boswell had more land (voting based on landownership). Sued, went to USSC, which ruled for Boswell in 1973 "landmark decision."

In recent years, the two families have allied in politics, e.g. re Peripheral Canal.

LAT 10 Feb 95 A1

5. 1995. U.C. Regents choose 2,000 acre site in Merced Cty., "Lake Yosemite" site, for a new U.C. Campus. Buy all from one owner, the Va. Smith Trust, which holds back 5,000 acres, so Smith trust had 7,000 total. (Think of the unearned increment to come on 5,000 acres of dry grazing land, converted to apartments, shops, homes, etc.! Shades of Westwood Village, Irvine, etc.)

The trust is an educational "charity" that grazes the land and uses proceeds to fund scholarships for Merced Cty. h.s. grads.

(Regents chose this site over rival Table Mt., Madera Cty., because they would have had to deal there with 3 separate owners! Tough! They have no eminent domain? No bargaining power?)

Site is 50 mi n. of Fresno; Table Mt. is near Fresno, 5 miles n. of it. Regents chose farther site to avoid taking prime farmland; and because land was "donated." (Are they really that dumb, or is there a thumb on the scales?)

Ken Robbins is lawyer representing Va. Smith trust. Knows it will take time to get campus built. "We can sit on that site for as long as it takes." Clearly, he understands and enjoys having holdout power.

-- UC FOCUS, June/July 1995.

BANKRUPTCY AND PROPERTY LAW

1. 1994. Agribusiness firm Sun World files for protection under Chapter 11 of U.S. Bankruptcy Code.

Sun World is Bakersfield-based. Has 600 fulltime employees, and 4500 seasonal. Has offices and prodn in San Joaquin V., Coachella V., and Orange Cty. Its parent is Sun World International, which also filed.

Problem: Heavy debts on "farm property and equipment." *Caisse de Nationale de Credit Agricole* is the working capital lender; John Hancock the long-term lender. Hancock is considering "more investment in the restructured company" (equity, probably).

1,000 or more growers market thru Sun World. Those now sending fruit will be paid in full, "but those awaiting payment for previous shipments, like other creditors, may not be paid in full." I.e., the growers have been providing working capital, unsecured and at risk.

Note the highly functional distributional ethic in the Bankruptcy Code. Current sellers will be paid in full, but old debts may be cancelled. 14th Amendment does not protect old creditors - all it requires is due process of law. Thus, "due process" does not rule out confiscation - when it's a matter of keeping an old landowner in business. Cf. Munic. Bankruptcy Act, as

described in articles by J.R. Mason.

-- Parrish, Michael, 1994. "Agribusiness firm Sun World files for protection under Chapter 11." LAT 5 Oct D1

OPTIONAL READING, CONCENTRATION OF LANDOWNERSHIP

1. No personal author given. "Acreage Limitation and Excess Land Problems." This is bound in as the last 111 pages, of the ff. volume.

Bureau of Agricultural Economics, U.S.D.A., 1944. Acreage Limitation in the Central Valley, A Report on Problem #19, Central Valley Project Studies. Berkeley: mimeo.

pp. 13-25 are good on the history of concentration in Calif. farmland. Has materials not found elsewhere.