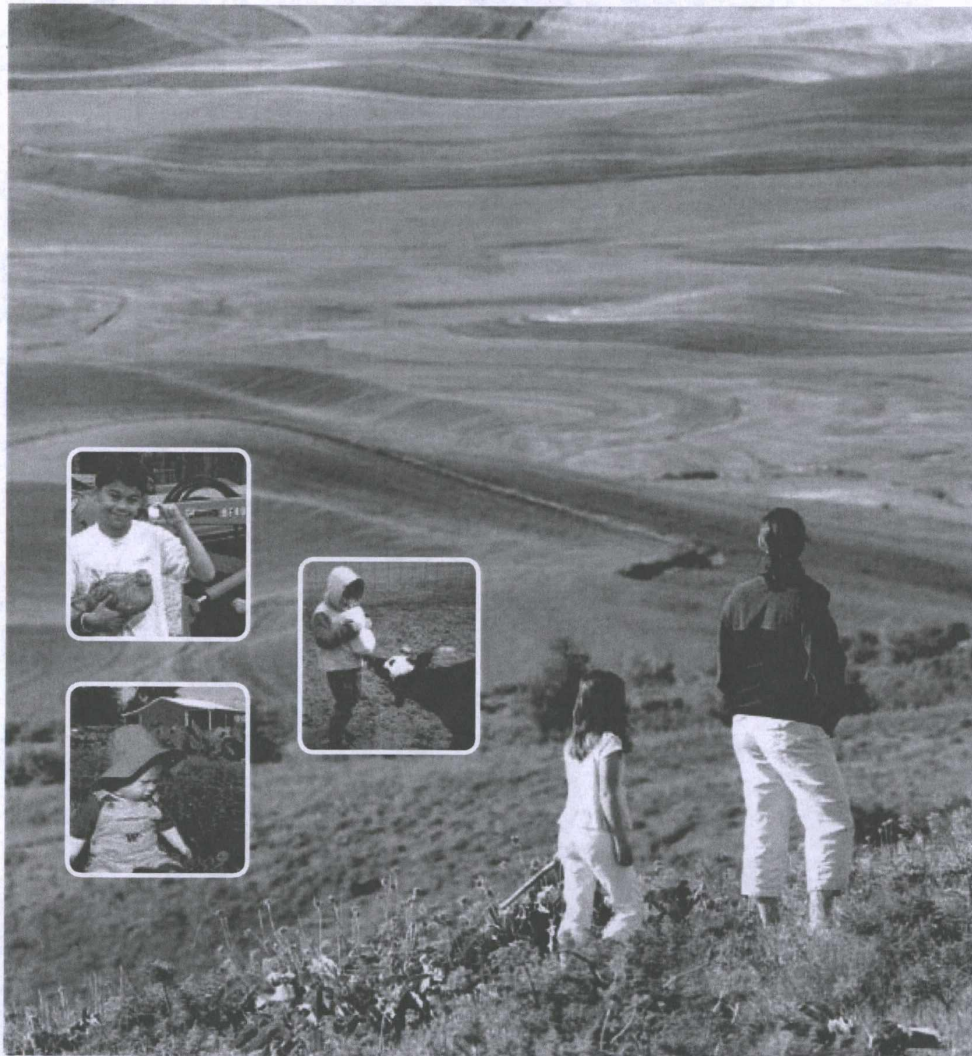


WASHINGTON Agriculture

Strategic Plan
2020 and BEYOND



Current Importance of Agriculture to Washington

Agriculture contributes extensively to Washington's economy and society. It generates a rich diversity of food, fiber, forage, and fuel for the state, nation, and the world. It generates income and employment on 33,000 farms in all 39 counties. It underpins a large food processing industry and supports many supply and marketing services in machinery, transportation, packaging, and more. Agriculture is the pillar of many rural communities, generating tax revenues for roads, schools and other services; injecting new technologies; and providing leadership in organizations. The quality and safety of Washington's agricultural products continues to raise the state's reputation around the world. Farmers are stewards of the state's private lands, protecting streams, lakes, birds, and wildlife, and maintaining the aesthetic appearance that casual observers enjoy.

"The quality and safety of Washington's agricultural products continues to raise the state's reputation around the world."

The economic impact of agriculture in Washington is considerable. Cash receipts at the farm level in 2007 were a record \$8.4 billion. Each dollar of farm cash receipts multiplies itself throughout the state's economy. Overall, agriculture boosted state economic activity by approximately \$21 billion in 2007.

There is a strong symbiotic relationship between agriculture, the many ancillary business activities it stimulates, and the social effects it generates. In 2007, the food processing industry had 937 establishments employing 34,000 workers and grossed \$9.1 billion. Agriculture also drives extensive activities for cleaning, packing, and preparation of fruits, vegetables, grains, legumes, and other specialty products. The rural communities that supply the land, water, and people of agriculture could not flourish without farming. That is why the Future of Farming project is so vital to the stability of Washington's socio-economic health.



Genesis of the Future of Farming Project

Washington agriculture went through a difficult decade between 1995 and 2005. Prices and profitability were weak and many producers left the industry. Competition intensified in both domestic and international markets and competition for resources such as land, water, and labor also rose. Proliferating regulations and non-governmental requirements added many new costs.

In response to widespread concern about the future of Washington agriculture, the 2007 Legislature directed the Washington State Department of Agriculture (WSDA) to conduct an industry-guided evaluation of the strengths, weaknesses, opportunities, and threats to agriculture. The project sought input on the present conditions and future challenges of Washington agriculture from as many industry segments as possible. It was one of the most inclusive efforts ever conducted in any state. Agriculture is a geographically encompassing and product-diverse industry, so the priorities that emerged do not apply equally to all segments.

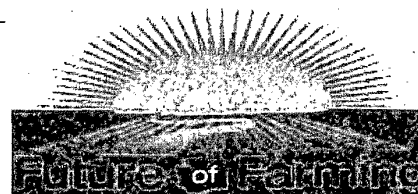
This study reports the agriculture community's recommendations to the 2009 Legislature that will keep farming strong for years to come. The plan is not the official policy or position of the WSDA, but rather represents a compilation of input from about 2000 participants. The working papers and other appendix materials represent the viewpoints and expertise of their authors. Their inclusion does not constitute approval by the WSDA or by all the project participants.

Need for a Globally Competitive Washington Agriculture

To survive in agriculture, farmers and agribusinesses must be globally competitive. Consumers are increasingly discriminating, and retail buyers more demanding. Products must meet many new government and non-government standards. Some countries can deliver products to U.S. customers more cheaply than can Washington.

All products compete in a constantly evolving social, economic, and politically driven global market system. The future of farming in Washington will be heavily influenced by the various factors that either enhance or reduce competitiveness. These factors fall into three main categories; the burden of regulation, the availability of resources, and the vitality of support services.

"This study reports the agriculture community's recommendations to the 2009 Legislature that will keep farming strong for years to come."



tion of well over 100 industry leaders participated in this phase. The findings were summarized in terms of the strengths, weaknesses, opportunities, and threats to the state's agriculture. The Steering Committee reviewed these findings and assisted in identifying those prominent recommendations that will help create a durable industry. The Future of Farming Project Appendix² contains many of the working materials generated during the life of the project, and is considered by some leaders to be one of the most comprehensive, detailed, and inclusive assessments of the state's agriculture ever conducted.

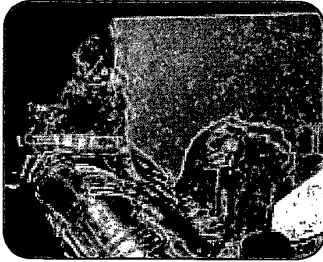
The Future of Farming study underwent external peer review³ by Dr. Steven Buccola, recent President of the American Agricultural Economics Association (now the Agricultural & Applied Economics Association) and award winning writer and editor. In a summary letter to FOF's managing agricultural economist Dr. Buccola said, "Overall, I find this document to be a balanced survey of the present state and future prospects of Washington agriculture, of the problems it faces, and of possible approaches toward alleviating the problems. In many ways, it is a blueprint of the agricultural resource policy situations around the country, and could well be taken as a model of a Strategic Plan in other states." The full review can be found here.

2.3.1 Steering Committee Formation Methodology

The Future of Farming Project Steering Committee members were appointed by the Director of Agriculture as authoritative industry representatives. Each member committed to help the Director develop a strategy to keep farms profitable and producing, and keep the state's agricultural industry sustainable and competitive. The members of the steering committee were as follows:

| | |
|---|--|
| Steve Bloomfield, Aquaculture Shelton | Brian Isaak, Wheat Coulee City |
| Jay Gordon, Dairy Elma | Les Wentworth, Hay Ephrata |
| Steve Hallstrom, Organic Oakville | Chris Voigt, Potatoes Moses Lake |
| Robert Hart, Nursery/Greenhouse Mount Vernon | Keith Mathews, Apples Yakima |
| Jim Wegner, Food Processing Seattle | Jeff Gordon, Wine Pasco |
| Andrew Stout, Small Farms/Direct Marketing Carnation | Maury Balcom, Irrigated Agriculture Pasco |
| George Irwin, Breeder Cattle Enumclaw | Larry Gady, Seed Rockford |
| Jean Berney, Range Cattle Okanogan | Daniel J. Bernardo, Washington State University Pullman |





2.3.2

Producer Meetings

Twenty producer meetings were conducted in every part of the state. Extension agents, commissions, associations, organizations, agencies, industry advocates, and nonprofits responded to the FOF mission, and helped with the recruitment of knowledgeable, diverse, and representative producer participants. FOF's goal was to keep respondents focused on the long view. Participants were asked specifically what actions would be needed to keep agriculture prosperous through 2020 and beyond. Many hours of intense discussion were spent with this set of respondents and participants of the FOF project. The listening sessions demonstrated that the opportunities and challenges faced by producers are similar across the state. Except for certain region-specific issues (such as local water management opportunities and challenges, and some crop and scale nuances), farmers and ranchers in every part of the state expressed the same hopes and concerns for the future. These hopes and concerns were mirrored by the survey responses, which were combined with listening session feedback to become the base of Steering Committee discussions and all subsequent specialist group meetings and working paper development.

2.3.3

Surveys

The Future of Farming survey was available on the Future of Farming website and distributed through the network of Steering Committee members, commissions, associations, industry advocates, and other public and private stakeholders. Other survey responses were obtained through rack cards, newsletters, electronic mail, radio spots, and by word of mouth. The project cast a wide net to ensure that the views of producers from every geographic location, farm size, and product type could be heard. The survey was fully completed by 800 respondents, including approximately 400 bona fide producers representing every size and type of farm. The summary of producer survey results is online⁴. A second survey was distributed to vocational agriculture education programs. The response rate was 35 percent. The educators' unified response is discussed later in this report, and a synopsis can be found online.⁵

2.3.4

Specialist Group Discussions

The surveys, focus and listening groups, input from the Steering Committee, comments from interested industry representatives, and interviews with participants from the precedent 1988 strategic plan covered a wide array of topics. As described in 2.4 below, a few factors emerged as having the potential to significantly affect the future of Washington agriculture. For many of these topics, the

project commissioned expert analyses or working papers.⁶ Finally, groups of specialists were convened by topic for in-depth discussions. The specialists were recommended by industry participants for their varied aspects of knowledge about the topics under discussion. The specialists were provided with producer quotes specific to the topic, as well as working papers from the FOF files. Subsequently, the specialists helped identify potential actions for the legislature to consider. The results from these meetings were compiled for the review of the FOF staff and Steering Committee members.

2.4

Organization of Findings

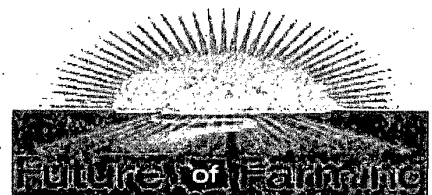
Participants at every level were asked for their vision for the future of farming. Clearly, some future developments cannot be controlled, but this question set a tone of looking forward into the foreseeable future. A unified vision emerged: Make agriculture a priority, with all its economic, social, and environmental benefits, in order to keep farms profitable, innovative, producing, and competitive both locally and globally into the foreseeable future. So, focused on this vision, the FOF project moved to identify opportunities, challenges, and a unified message that will help retain current production capacity and provide economic motivation for family farm succession and new entrants.

Important to the reading of this document, the colored text heading section IV Categories 1 through 5 contain statements and recommendations developed from the breadth of FOF participants. The recommendations are compiled in the table at the end of this document.

In the appendix,² readers and researchers will find current and forward-looking examinations of sectors and factors affecting viability written by industry members participating in the FOF process:

- Sector position papers exemplifying strengths, weaknesses, and priorities unique to specific commodities and areas of production
- Summarized findings from the producer survey, focus groups, and listening sessions
- Working papers and situation reports written by specialists and their associates, some commissioned for discussion background and others donated by industry representatives

"We agree that we need food safety, environmental and many other regulations, but we need to identify conflicting or unintended results, track our progress, and then evaluate this action 10 years from now."



Category 3 - Protect Resources

Policymakers need to ensure that farming has access to the key resources necessary to keep it viable. Among these the most critical are: land, water, labor, and electricity and other energy sources.

4.1

Factor 1 - Land

The availability of productive and affordable land is essential to the continuation of agriculture:

- Support the work of the Office of Farmland Preservation (OFP)³³
- Protect Open Space Taxation for farmland
- Encourage county efforts under GMA to maintain and enhance natural resource-based industries
- Improve enforcement and outreach consistent with the intent of Right to Farm Laws
- Increase the understanding by public officials of the long-term negative fiscal impact of farmland conversion
- Ensure that state-owned and managed working lands use agricultural Best Management Practices to protect adjacent farms and ensures environmental stewardship

THE LAND RESOURCE

Agriculture requires large areas of land for most of its productive activities. About one third of the land area of Washington, 15 million acres, is classified as agricultural, another one third as forest land, and the remaining one third is public land owned by federal or state governments. Other participants report that up to 50 percent of Washington's total land is owned by federal, state or county governments. Most housing and other development is on former agricultural land. In recent years, more people have been moving into what was once forest land.

Agricultural land varies widely in quality. Almost half of all agricultural land is classified as rangeland or pastureland that is normally unsuited for cultivation. Of the remaining 7.7 million acres, about 1 million acres are in the Conservation Reserve Program, indicating that they are of marginal productivity. About 2.3 million acres are classified as prime cropland, but less than one million acres of these are irrigated. There are small amounts of prime farmland included under forests or public ownership, but it would be difficult to make that land available for agricultural uses. The future of farming in Washington is heavily dependent on agriculture's ability to maintain the land resource that is currently available to it.

However, that land base is under constant threat of erosion since privately-owned agricultural land is also in heavy demand for non-agri-

cultural uses such as roads, houses, industry, commerce, and schools and other public services, especially on urban fringes. That demand is tied closely to population changes. If the population of Washington increases by one third to 8 million people by 2025, as currently forecast, it would lead to a commensurate increase in non-agricultural demand for land. As land is progressively lost, the core infrastructure for farming in the region falls below its critical mass, increasing costs to the remaining farmers and encouraging future conversion to other uses.

Particularly on the urban edge and other locations attractive for retirement, industry, or recreation, the per acre production value of land for agricultural use is almost always much lower than for non-agricultural use. If no social or environmental stewardship values are taken into consideration, non-agricultural uses consistently outbid agricultural uses for available land. The value of land in agriculture is derived from the value of the farm products that can be produced on that land. Similarly, the demand for land for an intensive centralized manufacturing facility is derived from the demand for the (per acre) relatively high-value products of the facility. Thus, based solely on business feasibility, non-agricultural activities can typically afford to bid high prices for the relatively small amounts of land that each operation needs.

The American Farmland Trust (AFT) estimated that agriculture used 50 percent of Washington agricultural land (17% of total land in the state) to generate two percent of the state's gross domestic product (at the farm gate). Allowing for multiplier effects, the total economic impact of agriculture is about 13 percent of state GDP. AFT estimated that in 2006, the value of Washington land in agricultural use was less than \$4 billion, compared to a total fair value in all uses of \$14 billion. In every county in the state, the current use value of land in agriculture was less than the "fair value" by a substantial margin. There is a strong financial incentive for cities and counties to permit development on agricultural lands, both to gain the benefits of increased economic activity and to capture the increased property taxes (Land Stats paper³⁴). Some would argue that the gain from the decision to develop agricultural lands is merely short-term due to the commensurate increases in services and infrastructure required to serve the increasingly dispersed population. Clearly, the importance of extra-market policy preferences for agricultural lands, such as open space programs, is critical for agricultural production over the long term.

Some development practices lead to the removal of land from farming. For example, a developer wishing to build on wetland in an urban or suburban area can win approval by buying farmland in an outlying area and converting (or attempting to convert) it into the equivalent area of wetland. In addition, governments at every level have used the power of eminent domain to take over farmland for various public purposes.



It can be difficult for the general public in Washington to see any immediate positive or negative impact in the conversion of land from agricultural to non-agricultural uses. Three quarters of the production of Washington farms goes to consumers in other states and countries. Over time, declines in production due to loss of land have not been apparent because increases in yield per acre have more than offset reduced acreage. Since Washington imports large amounts of food, consumers do not tend to consider if a reduction in production from Washington farmland would be reflected in a reduction in food supplies or an increase in food prices in their grocery stores. Therefore, educating voters and policy makers about the social and economic benefits of agriculture may increase the desire to take a proactive long-term vision for the future of agriculture.

On the other hand, urban dwellers may see short-term benefits from stopping the agricultural activities around them. As urban activities encroach into agricultural areas through subdivisions, individual home sites, and businesses or shopping clusters, the newcomers may become critical of, or hostile to, normal agricultural activities that create smells, noise, dust, machinery activity, use inputs, etc. There has been a tendency for urbanized societies to impose additional regulations and restrictions on normal agricultural activities. This increases costs and threatens the survival of agricultural enterprises. Over time, many agricultural operations move out of these mixed-use neighborhoods. However, once land moves out of agricultural use, its reversion to farmland becomes difficult or impossible. Decision-makers are increasingly aware that short-term development benefits do not make up for the long-term reduction of productive agricultural capacity and its inherent stewardship role.

During listening sessions FOF participants made clear their desire for public officials to realize that farmland conversion has a negative fiscal impact. Local officials frequently think in terms of the gains from bringing in new industry and business, however, they often do not factor in the costs associated with the new residential development that will be necessarily associated with that new industry. According to Don Stuart with the American Farmland Trust (AFT) there have been over 100 Cost Of Community Services (COCS) studies around the country, done by planning departments, universities, consultants, and others. All have come to the same conclusion: development of farm and forest land is an overall net loss to the fiscal well-being of



local communities. Fuller explanation is found in an AFT Fact Sheet on COCS studies and a list of the studies that have been done around the country.³⁵

AFT has done COCS³⁶ studies locally in Skagit, San Juan, and Okanogan counties. Skagit is a perfect example. For each \$1 paid in taxes by farm and forest lands in that county, those lands received back about 51 cents in services, contributing a 49 cent subsidy for the rest of the taxpayers in the county. For every \$1 paid in taxes by residential properties, those properties received \$1.25 in public services. This is quite typical. As farm and forest land disappears, this subsidy also disappears. Industrial and commercial uses also, typically, pay more than they receive, but unlike agriculture and forest lands, they almost always require ancillary residential growth, so their excess contributions are offset by the deficit county governments run on residential growth.

AGRICULTURE AS LAND STEWARD

Farmers play a major role in the stewardship of the state's land. Farmers work in daily contact with streams, lakes, birds, and wildlife. Farmers have a vested interest and associated skills to maintain the productivity of the lands they operate, in a way that urban dwellers with small plots of land often do not. Pesticides used by farmers are much more heavily regulated than those used by homeowners; correspondingly the pollution caused by homeowner use of pesticides is much greater.

Farm practices affect the soil, air, water, and esthetic appearance of the countryside. They also tend to be heavily impacted by various environmental laws. While these laws were often initially prescriptive, it has become increasingly clear that current farmer efforts can be more effective when regulators, environmentalists, and farmers are better educated and willing partners in meeting the goals of laws. Although the approach is slowly changing from punitive toward collaborative and incentive based, the laws as interpreted by the courts are considered by some producers to contain little room for logic or practicality.



The changing view on the role of farmers and farming has been reflected in the decision by the Washington Legislature to set up a new state entity, the Office of Farmland Preservation³³, within the Washington State Conservation Commission. That Office is still exploring strategies for carrying out its primary mission of farmland preservation. Importantly, the office acknowledges that if the farm is not profitable it is unlikely to stay in the family or be purchased by another farmer. Their actions may include the following:

1. Create grants for local strategic agricultural planning with staff support for farm advisory committees
2. Hire a state agriculture planner
3. Provide farm transition or succession programming
4. Work toward programming for purchase of development rights & transfer of development rights--long-term farmland retention programming
5. Explore other farmland preservation tools such as: linking existing and new farm incentives or benefit programs to existing GMA agriculture zoning or to properties protected by easement, agricultural enterprise district concepts, and methods to retain water with arable land

PRESERVING FARMLAND

A number of programs already exist at the federal, state, and local level, either to sustain farmers in farming or to maintain land in farms. The most widely available aid is provided through reduced levels of property taxes for land used in farming. The farm loses that tax concession if the land is sold for non-farm uses. In addition, the farmer must pay back-taxes for the difference between the non-agricultural and agricultural taxes.

As a local example of farmland preservation, beginning in the 1970s King County provided a pool of money that could be used to buy farmers' development rights. Farmers were paid the difference between the value of their land in farming and in development, but had to commit to maintain their land in farming. That program was limited when funds ran out. There are a number of federal, state, and local sources of funding, and some private funds, available for purchase of development rights from farmers. However, the funds available tend to be limited and intermittent. The Growth Management Act and zoning laws have limited the transfer of land from agricultural to nonagricultural uses, but zones are vulnerable to change under political pressure.

Despite these various measures, there has been a small but steady reduction of the total area of agricultural land in the state. The NASS statistics show that the number of acres in agriculture in Washington has decreased by an average of 67,860 acres per year over the last 10 years.¹² Exact data are not available on how much *prime* farmland is being lost

to non-agricultural uses. However, anecdotal evidence on where urban development has been taking place suggests that the losses of prime farmland are substantial. Given the financial strength of the non-farm sector in the state and the pressures from expected population growth, agriculture will not be able to maintain its current land resource without major intervention by state government (Land Protection Programs³⁷). There is much to learn from the successes and failures of the many entities protecting land both nationally and globally. Above all, interventions to preserve land must be well thought out in order to prevent an additional maintenance burden on the state.

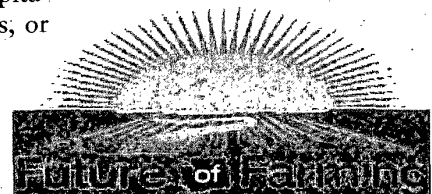
4.2 Factor 2 - Agricultural Water

Competing demands threaten to reduce farming's access to the water needed to produce, pack, process, and distribute the state's farm products:

- Conduct a state-wide assessment and prioritize projects for investment readiness; identify and apply for appropriate funding
- Change relinquishment statute to reward irrigation efficiencies and other best practices without removing water from agricultural land
- Develop watershed and other local level water resource management programs to continue water conservation, drainage, transfers, and irrigation efficiencies
- Upgrade and improve the antiquated water distribution, drainage, and irrigation infrastructure
- Continue current efforts to identify, evaluate, and develop increased water availability including storage capacity, flexibility, and reuse

WATER: THE LIFEBLOOD OF AGRICULTURE

Water is a critical ingredient of agricultural production. According to the 2002 census, over 75 percent of Washington's harvest by value was from the 11.9 percent (1,823,155 acres) of Washington farmland that was irrigated. While all water originates from rain or snowfall, it becomes available for human uses through many different intermediaries including rivers and lakes, wells and aquifers, and dams and other artificial storage systems. In general, agriculture that must depend on the natural cycle of precipitation is limited to the crops or pasture that can flourish in those natural conditions. For example, cool season legumes in Western Washington and grain in Eastern Washington. There is nothing that the producer can do to alter the volume or timing of this precipitation. In contrast, water drawn by users from wells, aquifers, dams, or



storage catchments can be controlled in volume and timing to suit the needs of a wide variety of crops. However, that same water is also desirable for numerous non-farm uses such as individual consumption and other municipal use, power generation, industrial uses, tribal needs, environmental goals, and transportation. Analogous to what goes on with land, more economically intensive non-agricultural users of water are able to outbid agriculture for transferable water rights. The implication here, similar to that in the discussion of agricultural land above, is that in the long-term agriculture is durable only if state government intervenes in the interest of long-term agricultural production and associated competitiveness policy.

Excess water can also be a problem, especially on the wetter west side of the state. It can bring problems of flooding, property damage, erosion of riverbanks, and increased flow of sediment into rivers and the ocean. Drainage systems and other controls of excess water remain important in Western Washington.

As the economy of Washington has developed, the number of claimants for the state's water resources from all sources has continued to grow. In some cases the perception of both agricultural and non-agricultural water users is that demand may have already outstripped available supplies. While access to water is particularly contentious in the state's desert areas, the growth in demand has increased the cost of access to new sources of water throughout the state. Thus, within the current structure of state water code, it has become more difficult for new producers to acquire existing water rights and for farms to expand operations. On the other hand, division sometimes occurs within the industry because the realizable value of water rights owned by farmers is going up, increasing incentive to sell those rights. Some specialists believe that the current situation regarding supply, demand, and increasing costs for water is to some degree an "artificial creation" within the state-controlled water supply.

However, participants are fairly unified in their opinion that the first and easiest place to find and "create" new water is to encourage conservation of that which they already have through incentives and changes in relinquishment laws. Decisions on how water will be allocated have become major public policy issues for federal, state, and local governments, public utilities, and other entities with control over various aspects of water use. Powerful groups representing different interests attempt to influence public policy outcomes on water.

WATER RIGHTS

Farms were among the earliest users of water in the state and many current water rights on farms derive from those early rights. Water ownership is governed by Western Water Law (first in time, first in right). Water rights are a property owned by the farmer or other land owner and are administered by the Washington State Department of Ecology. A key element of this water law is that failure to use all the



water available in a water right in at least one year out of five results in the permanent loss of that unused part, the "use it or lose it" principle. Farmers feel under threat that their water rights may be reduced, encroached upon, or lost under rules that have gradually been imposed upon them. Moreover, disincentives for conservation are cited by every type of FOF participant: They describe various ways that the inflexibility of current laws leads to inefficient use of water and prevents economic transfers of water both within agriculture and between agricultural and non-agricultural uses.

"The assumption is that somehow if we take water and farms away we'll just import what we need to eat."

Farmers are generally supportive of policies that would increase the total supply of water available. They have been strong supporters of retaining existing dams and irrigation systems, of enlarging those systems, and of providing additional storage facilities from which water can be drawn when needed. However, a number of environmental groups, tribal governments, and others either oppose expansion or favor reduction of the existing systems for providing water, such as by removing dams. Farmers are generally supportive of policies that would stretch the available water resources. A few examples of this are: improving the infrastructure for water delivery, increasing efficiencies in irrigation methods, increasing opportunities for the catchment of rain water, recapturing or treatment of waste water, and injecting greater flexibility into water regulations so that farm activities can be adapted to agricultural product demand, current conditions, and constraints.

REASONED WATER MANAGEMENT IN WASHINGTON

Decisions about water use in Washington are made by multiple agencies with conflicting goals and practices. These include federal agencies such as the Army Corps of Engineers and the U.S. Fish and Wildlife Service. More importantly from the standpoint of this state FOF project, Washington entities include the Washington State Departments of Ecology and Fish and Wildlife; Public Utility Districts and private power companies; conservation districts; irrigation districts; tribal governments; counties; and municipalities. Each of these has its own goals, missions, policies, and procedures. None have a specific mandate to ensure that agriculture's water needs are protected.

Participants in the Future of Farming project believe a more rational fact-based approach to the current supply and allocation system for water in the state could solve many of the most pressing problems. Many FOF participants, from producers through specialists, want to see more WSDA and other agricultural industry expertise in venues such as the Water Resources Advisory Committee (WRAC), watershed planning, the Columbia River Implementation Team (CRIT), and other state water planning efforts.

