

RR Calif - Water crisis

14—Santa Cruz Sentinel — Sunday, April 17, 1977

Drought May Cost State More Than \$1 Billion

By COPLEY NEWS SERVICE

California is likely to lose more than \$1 billion because of the drought, and will drop additional millions because of the winter Eastern weather crisis.

To be sure, the East's ill winds will blow some benefits in this direction (increased tourism, higher citrus prices), but these won't begin to make up for the other losses, said economists in interviews.

The state could easily lose \$500 million (and perhaps double that) in agriculture alone because of the drought, and could lose another \$500 million from

increased energy costs.

In addition to agriculture and energy, other industries that could get belted are pulp and paper, recreation (access to parks may be restricted this summer), food processing and several others.

Such unrelieved gloom comes at a time the state should be smiling. In recent weeks, several airlines have placed large orders for aircraft, and they could help fatten aerospace employment.

"It looks like losses could come to \$1 billion — half from agriculture, half from energy," said Bank of America's Eric Thor, who explained, as did the

others, that much depends on the weather the next several weeks.

Thor said he does not think loss of jobs needs to be that high, however.

"In agriculture, the crops likely to be involved are ones which are mechanized, so I would think a loss of (10,000 to 15,000 jobs would be a maximum. In pulp and paper, where encroaching saltwater is threatening to lead to plant closings, job loss could be much more — say 50,000. In all the other areas, such as water-intensive recreation and food processing, I would think the maximum would be 40,000 to 50,000 jobs." But B of A is

still sticking to its cautious estimate that California can pick up 250,000 non-agricultural jobs this year, up from 200,000 last year.

B of A's Richard Courtney is tentatively adding 0.5 per cent to his prediction of California inflation because of the drought and Eastern cold, but like other researchers hasn't revised his forecast yet.

Willard Sprague, regional economist for Wells Fargo in San Francisco, said, "A gentleman in our agriculture loan department suggested that California could lose close to \$1 billion in cash

receipts," although he said that could be a very high estimate. (Total gross expected to be around \$10 billion this year.)

For some products in short supply, higher prices will coensate for the shortfall. But not in all, said Sprague. "There is an enormous surplus of rice today, and the supplies of beef are also still ample. It seems to me the beef people will suffer the most — they'll have trouble getting feed and water for their stock, and they're not likely to make it up on price."

"The year 1977 is likely to be the first year of this decade that significant cropland will be idled for lack of water,"

said Tom Lieser, Security Pacific Bank economist.

Added Bill Gentle, Security Pacific's agricultural economist based in Fresno, "Some 250,000 acres could lie fallow this year for the first time since the mid-1960s. As much as \$500 million could be shaved off farmers' gross receipts this year — there will be a tremendous reduction in tomatoes; farmers won't plant as much cotton; conditions will be detrimental to cattlemen; alfalfa-hay acreage may not be readied because they require a high amount of water and rice growers won't have sufficient water."