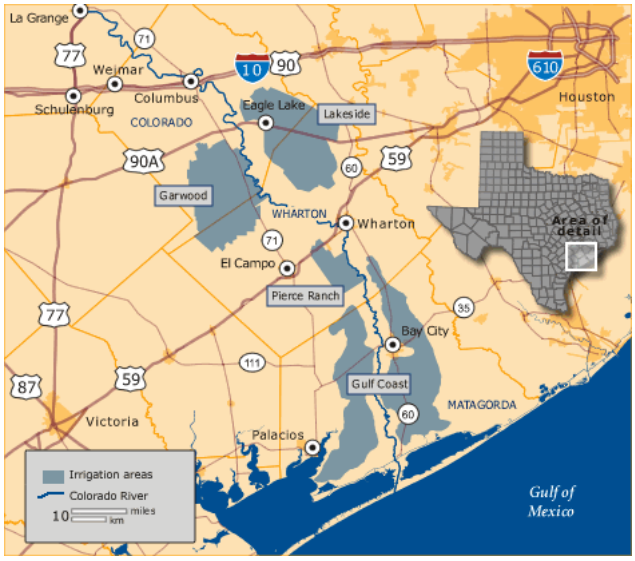
Rice Farmers Respond to Call for LCRA to Buy Their Land
March 2013

Rice farmers in the lower Colorado River basin believe the proposal by the Central Texas Water Coalition (CTWC) for LCRA to buy their land is misguided, unfeasible and based on false information.

To correct the misinformation, the Colorado Water Issues Committee (CWIC) – a group of farmers in Wharton, Matagorda and Colorado counties – would like to set the record straight. CWIC advocates for the continued supply of irrigation water that is based on historic rights to the waters of the Colorado River.

1. **CTWC Statement** - *"… CTWC requested the LCRA's voluntary acquisition of water-intensive irrigation lands in the lower reaches of the river as an affordable, sensible, water-saving action to meet the needs of its firm customers and free up billions of gallons of water a year within the lower Colorado River system.*"

CWIC Response – Rice farmers use about the same amount of water per-acre to irrigate their crop as urban residents do in irrigating their lawns - the difference being that a rice crop provides the yearly calorie consumption for 3 ½ million people annually. The LCRA has a statutory mandate to provide irrigation water and was created for three purposes – flood control, irrigation and power generation.



LCRA Irrigation divisions shown in gray.

2. **CTWC Statement** - "*It's time, says CTWC, to re-examine the serious and wide-ranging consequences of providing heavily subsidized water to rice farmers in the Colorado River basin.*"

CWIC Response –Irrigation water is not subsidized as this group claims. It is true that irrigators pay less for their water than firm water customers. This occurs for two important reasons: 1) the current highly-interruptible nature of stored water for irrigation; and 2) the promises that were made to irrigators years ago in order to keep them from opposing the creation of the LCRA.

First, irrigation water is interrupted to assure water availability to the higher paying firm water customers. This lack of reliability of irrigation water places tremendous financial risks upon the

irrigators, including the potential for complete crop failure. CTWC argues that irrigators should pay the same as other customers, implying that irrigation water would have to be "firm". Firming up irrigation water supplies would leave LCRA unable to meet all of its firm demands during drought, and thus ALL users would be put at risk.

Second, irrigators were here and utilizing Colorado River water for irrigation for decades before the LCRA and the highland lakes existed. They may still not exist if not for agreements that were reached in the 1930s between the irrigators and interests desiring to develop the lakes. The essential elements of one such agreement indicated clearly that stored water was to be supplied in perpetuity to firm up the run-of-river supply at rates that would be affordable to the irrigators. While the firmness of that supply is no longer reality, the LCRA still has a responsibility to supply interruptible water at affordable rates for irrigators.

It is of note that the vocal recreational and aesthetic interests talking about irrigation water rates pay nothing for the water present in the lakes that enable their use and enjoyment of the lakes' surfaces. All of LCRA's paying water customers are subsidizing the recreational interests' abilities to enjoy the lakes' surfaces.

3. **CTWC Statement** - "*Offering a plan to buy land from only those who are interested is a way of providing financial aid to those in distress due to drought*."

CWIC Response – We appreciate efforts at mitigating the impacts of drought on downstream rice-producing communities. This proposal falls far short, though. Rice farmers have tried a multitude of other crops with little success largely due to the soil types in the area. Much of the land in these counties, where rice farming dominates, is flat and sandy. It dries out quickly, leaving dry land crops to wither away. In the event of heavy rain, the land drains slowly and crops drown. Both the local climate and soils bode well for rice production and poorly for other crops.

A buy-out would devastate businesses and entire communities as trade associated with irrigated agriculture came to a screeching halt. In addition, it is highly unlikely that even a small percentage of landowners would be interested in selling their land or any rights associated with the land – land that has been in their families for three, four and five generations.

4. **CTWC Statement** - "*Many are still allowed to draw water from the river at no charge at all -- called "run of river" water. And the Garwood irrigation district is allowed entirely free storage water based on previous LCRA negotiations*."

CWIC Response – The Garwood irrigation operation is provided water under the provisions of the contract that enabled LCRA's purchase of that irrigation operation and its associated water rights. The provisions of that contract are not subject to review or change.

"Run of river" water is water that can only be diverted for the use and at the location and at a specified rate in accordance with a state-issued water rights permit. The state does not charge permittees for water diverted under these permits. LCRA, as a not-for-profit quasi-state agency cannot simply choose to charge for water for which it has paid nothing. The small amount of stored water diverted at the Garwood location is part of LCRA's payment to the former Garwood Irrigation owners in accordance with the sale contract.

5. **CTWC Statement** - "*CTWC says that instead of buying the actual land, you could also conceivably buy just the "rice farming rights" from willing sellers, just as ranch owners have been selling "development rights" on land in Central Texas. Even if only some of the farmers agree to sell their "rice farming rights" (and others sell their land outright) the total costs would likely be in the neighborhood of $100 - $150 million, even less than the $206 million cost for just one of the downstream reservoirs*."

CWIC Response – There are over a half million acres of land serviceable by the irrigation operations. Buying a portion of this land or even the irrigation rights for a portion would not necessarily lead to a reduction in irrigated acreage. The irrigation would simply move to other acreage because the soil, flat land and climate are ideally suited to rice production.

Moreover, an irrigation district cannot legally refuse service to land that is located in the system's service area to the extent that the irrigation water is available. Even the least desirable land in the area sells for in excess of $2000 per acre between a willing buyer and a willing seller (of which there would be very few). CTWC's numbers and logic do not add up.

6. **CTWC Statement** - "*It's time, says CTWC, to re-examine the serious and wide-ranging consequences of providing heavily subsidized water to rice farmers in the Colorado River basin.*"

CWIC Response – See response to item 2 above. Most water customers pay for the assurance of supply and delivery costs associated with that supply rather than the water itself.

7. **CTWC Statement** – "*Few people realize that downstream farm operations, representing approximately 70,000 acres, normally use more than three times the amount of water that Austin uses each year*."

CWIC Response – It takes 1,000 times as much water to produce the food that one person consumes in a day than it does to provide essential water needs for that same day, according to the Food and Agriculture Organization of the United Nations. Irrigation water is essential to the sustainability of this state's growing population.

8. **CTWC Statement** – "*In addition, they pay only $6.50 per acre-foot of water while "firm" customers, like the cities, pay $151.00 per acre-foot. The agricultural customers pay only about 4% of what firm customers pay for water, and yet the farmers normally use the vast majority of the entire water supply*,"

CWIC Response – – LCRA's irrigation customers pay water rates that vary between operations depending on the pumping and delivery costs of the particular operation within which they are located. These rates include a per acre charge that ranges from $57/acre to $69/acre in addition to a volumetric charge that ranges from $14.01 per acre-foot to $19.47 per acre-foot. Combining the flat and volumetric charges yields a total cost that averages about $43/acre-foot. Irrigation customers have been faced with rate increases eight of the last ten years. The "vast majority of the water supply" is not convertible to firm use due to its unreliability, therefore it is perfect for use as an interruptible supply for irrigation and must be valued accordingly.

9. **CTWC Statement** – "*In some of the farming counties farmers already use groundwater, and more wells can be drilled. Farmers prefer the LCRA water, of course, because well water is typically more expensive than the heavily subsidized LCRA water, and of course it is more expensive than the free run of river water.*"

CWIC Response – Virtually no additional groundwater is available in the three groundwater districts governing the irrigation areas. Current pumping quantities fall only 10,000 to 20,000 acre-feet short of the total groundwater available within these three counties. Even if all of this additional groundwater could be applied to replacement of the surface water (which it cannot) it would only replace a small fraction of the LCRA water.

It is of further note that there is very little cost difference between groundwater and surface water depending on power source and length of amortization.

10. **CTWC Statement** – "*In many river basins, such as the Brazos River, agricultural users pay much higher prices for water, as much as 70% of what the cities pay. Using this formula, rice farmers would pay about $106 per acre-foot, instead of the $6.50, for stored water. Perhaps a low price for water made sense when there was excess interruptible water available. Today, however, crippling drought has ended the supply of "interruptible" water and with a major urbanized region having a population of over a million people solely dependent on the Colorado for its drinking water, it's time for the practice to end*."

CWIC Response –There is <u>one</u> river basin where some farmers have in recent years had to pay an exorbitant price for irrigation water, and yes that basin is the Brazos basin. In that case the farmers are buying 100% stored water. As a result of the drought-driven price escalation by third-party permit holders the rice acreage in those affected areas has dramatically reduced to only seed rice production acres.

This water pricing scenario is by no means the norm across river basins and is in fact the exception. The LCRA with its statutory mandate to provide irrigation water and responsibility to provide water to its customers at cost cannot legally use exorbitant pricing to simply drive irrigators out of business.

The Water Management Plan and its water curtailment provisions are LCRA's required tool for assuring the water supplies of its firm customers.

11. **CTWC Statement** – "*While a million Central Texans are totally dependent on the Highland Lakes for their drinking water, the few affected farmers can plant other less water intensive crops instead and have other sources of income, such as duck and geese hunting, to make up for reduced rice farming*."

CWIC Response – The water supply for central Texans who depend on water from the Colorado is assured through the LCRA's Water Management Plan, though recreational lake levels are not. It is the concern over recreational lake levels that has CTWC presuming to be agronomic experts. The soils upon which rice is grown are uniquely suited to rice production with their shallow topsoil under-laid by a thick, impenetrable layer of clay. These same soil characteristics make the area almost useless for other farming practices.

Duck and goose hunting revenue would cease - another casualty of the loss of rice production. Waterfowl overwinter in the rice producing counties primarily as a result of the available forage in recently harvested rice fields and the wetland habitat existing primarily in area rice fields, all of which would no longer exist under the scenario CTWC presents.

The Colorado Water Issues Committee (CWIC) of the Texas Rice Producers Legislative Group exists to advocate for the continued supply of historic irrigation water from the Colorado River. CWIC has sought to accomplish this goal by relying on facts and sound science throughout.

For more information visit our website at http://www.texasricefarming.org/.

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