



UPDATE

Agricultural and Resource Economics

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SPECIAL ISSUE:

California Agriculture: A Mid-Decade Appraisal

Editors' Note

We are pleased to present a special and longer issue to readers of *ARE Update*. We feature three articles that provide an assessment of California agriculture at the midpoint of the first decade in the new millennium. We believe that such an assessment is timely, given the concerns that have been expressed by various commentators in light of the challenges posed by increasing globalization of markets, tensions at the interface of agriculture and the environment, and the recent failures of some prominent California agribusiness firms.

The papers in this special issue also illustrate the power and essence of economic analysis. Economics aims to sort out the essential processes from the noise of current affairs and random events. This issue suggests that in spite of perceived weaknesses and pressure, California agriculture is on solid footing. It is sustainable and likely to grow and prosper. We are fortunate to have favorable conditions in our state, including unique human capital and research capacity that contribute to keeping California agriculture on the cutting edge.

Our lead article by Warren Johnston and Alex McCalla provides a broad assessment of the future of California agriculture as we move forward in the 21st Century. Johnston and McCalla identify the 20 most important historical factors influencing California agriculture from 1769-2000. They then proceed to provide an assessment of the changes that will play

key roles influencing the state's agricultural economy moving forward. Although the authors identify some key challenges facing the state, they conclude that, given the abundance of its natural and human resources and demonstrated resilience, California agriculture can persevere and thrive in the 21st Century.

Our second article by Shermain Hardesty focuses specifically upon the role of cooperatives in California's agricultural future. Recent failures of some prominent cooperatives have raised doubts about cooperatives as a viable business form in the 21st Century. Hardesty concludes that, although some aspects of traditional cooperative structures have challenged their ability to survive in the current economic climate, new structures and concepts are emerging that can help to insure the future of cooperatives as a key element of California agriculture.

Finally, Steve Blank provides a profitability report card for California agriculture for the period from 1960-2002, comparing California's profitability to that of the other 49 states. California passes this test with high honors, ranking fourth among states in average return on assets at 7.7 percent. Blank breaks down the data to examine the factors that characterize the leading and lagging states in terms of profitability. He concludes from this assessment that California's rates of return are likely to remain high relative to the remainder of U.S. agriculture.

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