WATER & AGRICULTURE IN CALIFORNIA

Who Gets the Water, Who Profits, and Who Pays the Price

A briefing for California's next Governor

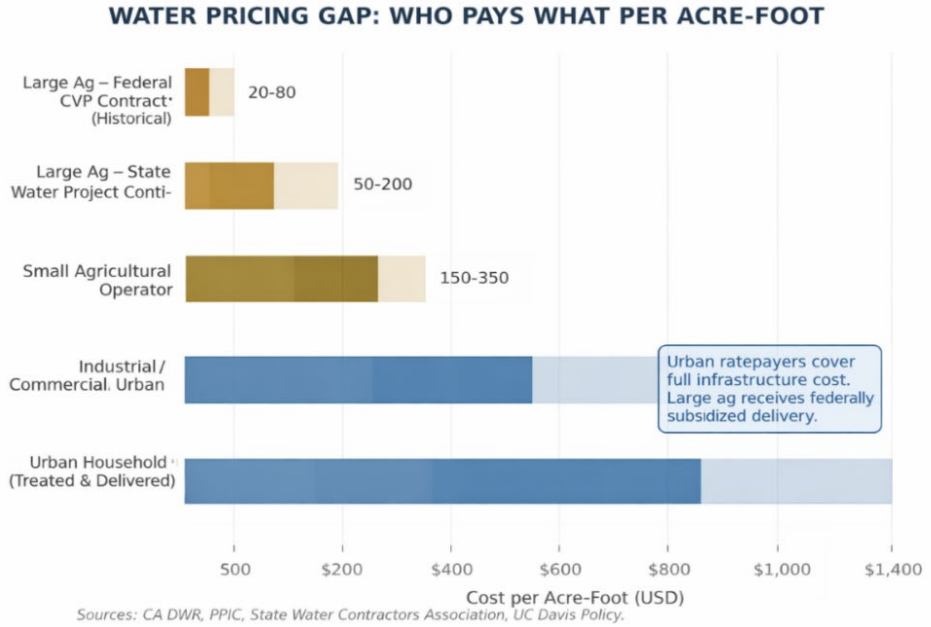
CALIFORNIA COASTKEEPER® ALLIANCE

1. A SYSTEM THAT BENEFITS THE WEALTHY FEW, SUBSIDIZED BY THE REST

California's water crisis is not simply the result of drought or climate change – it is the product of a system built to serve the few. Decades of legal, financial, and regulatory decisions have determined who has access to water, at what price, and under what conditions. Nowhere is this more visible than in our agricultural communities. Groundwater basins are in chronic overdraft, drinking water systems are failing, and rivers are running dry. Small farmers fallow land. Farmworkers lose jobs. Rural communities face contaminated and disappearing drinking water.

Meanwhile, the largest agricultural operations – often backed by institutional capital – are positioned to profit. Hundreds of thousands of acres of permanent crops – supported by subsidized water, entrenched water rights, and governance systems dominated by large agricultural interests – continue to demand reliable supply, even in extreme drought. Multi-year commodities like almonds, pistachios, and vineyards now cover roughly half of all irrigated land in the San Joaquin Valley and represent more than $7 billion in investment. Large corporate interests have locked in demand, even as climate change makes water supply more volatile. Unlike seasonal crops that can be temporarily fallowed to restore soil and conserve water, permanent crops require a steady supply of water year after year, regardless of drought conditions.

When water becomes scarce, growers of annual crops – often smaller, family-run operations – are forced to cut back, while large, permanent-crop growing corporate farmers with deeper reserves continue to secure water and protect their investments. Moreover, the largest agricultural operations receive discounted water from state and federal water projects, while household ratepayers across the state subsidize the full costs of water delivery.



This is not an unintended outcome. It is how the system is designed to function. California's water system was built on a foundation of inequity. The question facing California's next Governor is not whether change is coming, but whether state policy will continue to reinforce these inequities – or begin to correct them.

80%	<2%	5–10x
of developed water goes to agriculture	of CA's $4 trillion GDP comes from agriculture	the price gap between subsidized ag water and urban water

2. THE LAND GRAB HIDING IN PLAIN SIGHT

The agricultural lobby will tell you that 90% of California farms are family owned. That is technically true, but deeply misleading. A 5,000-acre almond operation structured as a family LLC counts the same as a 40-acre vegetable farm in the data. The reality underneath that statistic: just 4.6% of landowners hold nearly half of all California cropland. The top 7% of farms – those grossing over $1 million annually – produce 60% of all agricultural profit. 82% percent of farmland is owned by white, non-Hispanic growers, while nearly two-thirds of farmworkers are Hispanic.

California's Sustainable Groundwater Management Act (SGMA), the 2014 groundwater law that for the first time required sustainable management of California's aquifers, accelerated this imbalance. The law was necessary, as California was the last state in the nation to comprehensively regulate groundwater pumping statewide. However, the law has unfairly shifted transition costs onto the growers least able to bear them. Large agribusiness operations that pumped freely for decades have the capital to drill deeper wells, buy water on the open market, or initiate legal proceedings to protect their water rights. Small family farmers operating on thin margins do not. As water-poor parcels collapse in value, private equity firms and pension funds move in, acquiring water-secure farmland across the Central Valley at fire-sale prices. California is replacing family farming with financial farming – absentee ownership optimized for export profits, not community stability.

> *Water scarcity is becoming a consolidation tool, where the biggest players buy up land and water while everyone else gets squeezed out.*

Meanwhile, the state's legal water system makes conservation irrational. Under California's prior appropriation doctrine, failing to use a full water right can weaken one's legal claim to that right in future years. As a result, efficiency and restraint present greater legal risks than habitual overuse. For decades, California's water system has grandfathered in benefits for senior rights holders – while everyone downstream competes for what's left.

4.6%	67–70%	~1M acres
of landowners hold roughly half of all CA cropland	of CA almonds exported overseas	projected fallowed under SGMA by 2040

3. WHO PAYS: THE PEOPLE THE SYSTEM WAS NEVER BUILT FOR – SMALL FARMERS AND RURAL COMMUNITIES

Not all agricultural water use serves the same purpose. Crops like vegetables, stone fruits, and grains feed California families and domestic markets. Others – almonds, pistachios, wine grapes – are grown overwhelmingly for export. Export agriculture does contribute to California's trade balance – but that economic benefit flows overwhelmingly to large landowners and institutional investors, not to the farmworkers and rural communities bearing the environmental and social costs.

When SGMA forces land out of production, it is not large almond operations that go under first. It is the small farmers – vegetables, annual crops, diversified operations – who lack both time and money to compete for scarce groundwater. When fields go fallow, the first jobs lost are farm jobs, and the communities that depend on them – already among the most underserved in the state – lose the tax base that funds their schools, roads, and services. By 2045, 50,000 jobs are projected to disappear from the San Joaquin Valley alone.

Many of the farmworkers and rural families who stay are already drinking the consequences of commercial agricultural practices. Nitrate contamination from decades of agricultural fertilizer runoff is the single leading source of groundwater pollution in rural California. Between 750,000 and 900,000 Californians – many in rural, agricultural regions – lack access to safe drinking water. More than two-thirds of the water systems that fail to meet safe drinking water standards serve communities of color. California law recognizes clean water as a human right. California is not delivering it.

> *No Californian should lose access to safe drinking water – recognized under California law as a human right – so that inefficient water use can continue unchecked.*

The cruel irony is that the communities bearing the heaviest costs – fallowed land, contaminated wells, vanishing jobs – are the same communities that built California agriculture with their labor, and the same communities that have been systematically excluded from owning it. This is not a coincidence. It is the combined result of exclusion acts, alien land laws, and a century of policies that transferred land wealth upward and outward.

4. THE NEXT CALIFORNIA GOVERNOR'S CHOICE

The people least responsible for California's water crisis – farmworkers, small farmers, and low-income rural communities – are first in line to suffer its consequences. Climate change has already started rewriting California's water future by shrinking snowpack and extending droughts, making every cycle less predictable than the last. The next Governor doesn't control the climate but does control who bears the cost of it.

It's clear the status quo isn't working. Letting corporate consolidation continue unchecked will benefit Wall Street, not California communities. But this is not the only way. The next Governor has an opportunity to build a water system that rewards efficiency, protects small farmers, invests in rural communities, and delivers on California's promise of clean water for all.

- Price water honestly. Phase in true-cost pricing for large agricultural users, with firm protections for small farmers. Large agricultural users currently pay as little as $20 to $200 per acre-foot for water delivered through state and federal projects. Urban households, by contrast, pay $500 to over $1,000 per acre-foot once treatment, infrastructure, and environmental compliance are included. That 5-10x subsidy gap is a policy choice, not an inevitability.
- Regulate agricultural nitrates. Set enforceable agricultural discharge limits for nitrates to stop the fertilizer runoff that is poisoning drinking water disproportionately in Latino, low-income rural communities. Pair enforcement with a Low-Income Rate Assistance program to ensure safe drinking water remains affordable for those most impacted.
- Stop the land grab. Implement the California Agricultural Land Equity Task Force recommendations: limit farmland acquisition by investment companies and create a Land Market Monitoring Program so the state can see consolidation happening in real time.
- Fix groundwater governance. Groundwater Sustainability Agencies are currently dominated by the largest water users. Reform them to include meaningful representation from small farmers, farmworkers, and disadvantaged communities.
- Map the groundwater-surface water connection. Agricultural groundwater pumping affects more than aquifers: it depletes connected streams, rivers, and wetlands that communities and ecosystems depend on. Establish county-level oversight of groundwater pumping independent of SGMA to protect the public trust of local waterways – ensuring that pumping does not silently drain streams. We need to invest in monitoring, modeling, and reporting needed to fully understand these connections to make smart water decisions.
- Fund a just transition. Invest in job retraining, fallowed land repurposing, and solar and habitat development in rural communities – the people bearing the cost of fixing a system they did not break.
- Redefine "public benefit." Water-intensive crops like almonds consume roughly 10% of agricultural water – yet two-thirds of production is exported overseas. During drought emergencies, the state must have the tools to prioritize drinking water, local food systems, and community stability over purely export-driven uses.

THE BOTTOM LINE

California is trying to manage water in the 21st-century with 19th-century laws and a system designed to serve the powerful few. The farmworker whose well runs dry, whose water is too contaminated to drink, and who has been priced out of water didn't create this crisis. The next Governor can choose to make it right — or hand the keys to Wall Street.