



RURAL CALIFORNIA REPORT

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The Working Group on Farm Labor and Rural Poverty was formed in 1987 by professors at various campuses of the University of California in collaboration with the California Institute for Rural Studies, a non-profit research and educational institute located in Davis, California. The Working Group advisory board is composed of 8 members from the University of California and 9 members from the California community. The Working Group has four main goals:

1. To encourage and support policy-oriented research on rural labor and poverty in California;
2. To bring together academics, activists and policy makers, both to define the research agenda and to carry on a continuing dialogue over policies;
3. To encourage, fund and assist organizational development and action-oriented research in rural California community groups;
4. To act as a clearinghouse for information on rural labor and poverty in the West. A library and other resources available to the public are maintained at CIRS in Davis.

U.S. Senate Reconsiders Reclamation Law

Faced with charges of widespread evasion of limits on the amount of federally subsidized irrigation water a single user may receive, the U.S. Senate Sub-committee on Water and Power held public hearings in Washington, DC on September 12, 1991 to consider proposed amendments to existing law. Phillip Doe, Dr. Don Villarejo and Hal Candee, longtime critics of federal policy, sharply criticized the failure of both the Congress and the U.S. Department of Interior to carry out the mandate of reclamation law. Agricultural water subsidies benefiting any single user are to be limited and are intended to encourage the creation of resident family farms.

Committee chair Sen. Bill Bradley (D-New Jersey) pointed out that only two bills were being heard: S. 1501 (Burns, R-Montana) and H.R. 429 (Miller, D-Martinez). Both proposals claim to address the fact that a number of large-scale farms are receiving more than 960 acres of subsidized water and thus exceed the limitation set by the 1982 Reclamation Reform Act. The General Accounting Office has found substantial evidence of these illegal subsidies.¹

Phillip Doe, former Chief of the Acreage Limitation Branch of the Bureau of Reclamation, testified that large-scale agricultural water users have repeatedly sought to bend the law to their advantage. He stated,

"Paul Taylor points to at least four times, 1944, 1947, 1959, and 1960, when large growers, primarily from the Central Valley Project in California, came to the Congress seeking exemptions from Reclamation law. Each time they were turned away. I think they are back again with S. 1501, and I hope they will be turned away once again..."

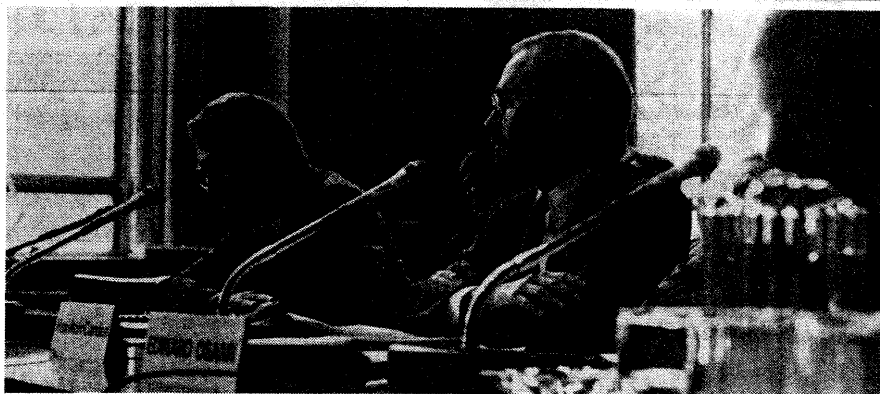
"In 1978, the farming operations in all Reclamation projects exceeding 960 acres numbered about 1,200

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farms, a little fewer than 3% of all reclamation farms. But this is the clincher, and I think it brings into relief what this bill is all about. This 3% controlled over 30% of the land, and given their size distribution, perhaps as much as a million and a half acres would have become subject to full cost under the 1982 Act without some relief such as the present rules and this bill provide. In other words, rather than having the taxpayer pick up the lion's share of their water and power costs, these large-scale farming interests might have to pay them themselves for a change. And how much money are we talking about? Somewhere in the neighborhood of \$150,000,000 a year perhaps. In the face of such numbers, can anyone doubt Gladstone's observation that property never sleeps...

"In preparing my testimony and being forced to revisit my experiences over the past thirteen years, I would like to respectfully submit that perhaps it is time to completely change the program's emphasis. Clearly as I think S. 1501 tends to expose, the program has become an entitlement program without any regard to real need. You don't have to be a farmer. You don't even have to need taxpayer support. Those are not tests for eligibility. You only have to be rich enough to own land in a Reclamation project service area, and the more you own or operate the more subsidy you're entitled to. It has become what I.F. Stone, bless his soul, would have described as a welfare system for the rich paid for by the private enterprise of the many, if not always the poor. Perhaps it is time to make the program need activated where only real farmers, those who actually make their living from the land, are eligible and can expect public assistance, and even then, only



Don Villarejo (left) and Hal Candee testify before Senate Subcommittee on Water & Power

when needed and only up to a reasonable level of generosity."

Don Villarejo argued that both bills would widen existing loopholes by writing into law the flawed language of the Bureau's administrative rules. Thus, both proposals might actually permit even more federally subsidized water to improperly flow to large-scale farm businesses. In his testimony he stated:

"The central issue before this committee is whether or not you are prepared to close the loopholes. The federal reclamation program was intended to provide a limited amount of subsidized water to resident family farmers and to insure that the benefits of this program be as widely shared as possible. By setting firm limits on the amount of federally supplied water that any one farm could receive, the program sought to prevent monopoly of a public resource and to prevent speculation in land values enhanced by that public resource. Neither bill closes the loopholes...

"Both bills fail to recognize that the largest farm businesses have devised a relatively simple and clever scheme to retain control of very large tracts of land and continue receiving federally subsidized water. The heart

of this scheme is the use of farm management or custom farming businesses to manage two or more legal entities, each of whom are entitled to receive federally subsidized water, as we have documented in several of our publications...²

"Under present law farm operators in reclamation service areas are not required to report on their operations. Only landholders must report. Thus, the Perez family has set up a number of partnerships, each holding less than 960 acres, and their family operation, Perez Ranches, Inc., actually conducts the operation as a 'management service' for the partnerships. More than 9,000 acres of irrigated San Joaquin Valley land are involved. Since Perez family members own each of the partnerships and also own Perez Ranches, Inc., the control of the land remains as it has always been. But now pieces of paper exist that claim that the partnerships are the landholders and are in compliance with the law...

"Both S. 1501 and H.R. 429 permit custom farming or farm management relationships for multiple entities whose combined holdings would otherwise not qualify for fully subsidized water if the custom farmer or farm manager does not bear a direct risk of loss in the crop."³ We have

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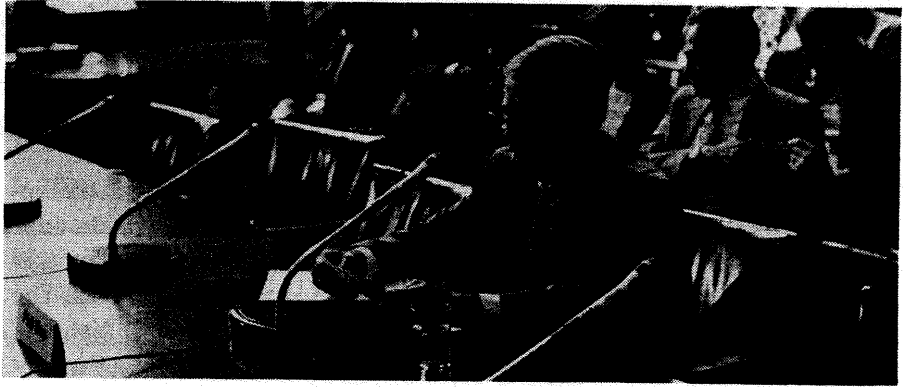
found that, as in the case of the Perez family, indirect relationships are being used to mask the manner in which the control of the land is being maintained...

"Interior itself saw the possibility of this type of relationship. It originally proposed that custom farming would be considered a lease for reclamation purposes if the `...person or entity performing the custom farming has no interest, directly or indirectly, in the crop on the farm.'⁴ Final regulations published by the Bureau deleted the crucial words `...or indirectly...' and opened the loophole.

"The use of the terms directly or indirectly' gets to the main point of this hearing. If indirect relationships are to be permitted then, in effect, you will be saying that anything goes, that you care little about correcting the abuses which GAO and others have found. Explicitly prohibiting direct and indirect relationships is the only way to firmly set limits."

Villarejo also pointed out that rural communities are harmed by the failure to adhere to the Congressional mandate regarding reclamation law. He stated, "More than \$700 million has been spent by the taxpayer to create the San Luis Unit of the Central Valley Project. And yet, thirty years later, the region's largest towns, Huron and Mendota, do not have a single high school. And Huron, with more than 4,500 residents, does not even have a junior high school. No wonder that 92% of Huron's adult residents lack a high school education. Why can't all of you in Senate and all of the wealthy people who are fighting to keep their water subsidies manage to provide a basic education

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Phillip Doe testifies before Senate Subcommittee on Water & Power

Senate Committee Hides Boswell Company Records

As part of his U.S. Senate Water and Power sub-committee testimony, Dr. Don Villarejo submitted, for the published record, eight years of full financial statements of the J.G. Boswell Company, the nation's largest cotton grower. Within five days after the hearing had concluded, Mr. Edward C. Gierman, Vice-President of the company, contacted Sen. J. Bennett Johnston (D-Louisiana) and asked him to suppress publication of the documents. Sen. Johnston complied, citing Senate Rule 10 pertaining to "confidential records" and notified Gierman that the company's wishes would be followed.

The suppressed documents show that the J.G. Boswell Company had earned after-tax profits of more than \$10 million in each of the years 1982-1988. Villarejo said, "The main point of releasing these financial statements at this public hearing is to show how the largest single beneficiary of federally subsidized water is earning a very handsome profit at public expense."

A summary of the highlights of the financial statements follows. All dollar figures are in millions, "net income" refers to after-tax income, and the rate of return is calculated by dividing "net income" by "stockholders equity," expressed as a per cent.

Year	Operating revenue	Net income	Rate of return
1982	\$134.6	\$17.1	8.15%
1983	191.7	18.7	8.85
1984	165.4	17.1	7.92
1985	158.8	21.8	10.28
1986	152.4	10.6	5.10
1987	139.4	20.5	10.07
1988	157.6	24.5	10.52

Source: Audited Financial Statements of the J.G. Boswell Company.

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for the children of Huron and Mendota? Please explain that to me."

Hal Candee argued that the Bureau of Reclamation has damaged the environment by permitting virtually unlimited amounts of subsidized water to flow to large-scale farm businesses at the expense of the environment. He stated:

"We would like to remind the committee of the serious environmental harm the government causes when it underprices irrigation water in the West and allows huge farms to ignore the full cost pricing requirements adopted in 1982. I offer these views in the particular context of California's Central Valley, where five years of drought have inflicted massive harm on fish and wildlife, while the government continues to dole out heavily subsidized water to some of the country's largest farms."

At this writing it appears that Sen. Bradley is considering offering his own versions of amendments to Reclamation law designed to close the loopholes. Rural California Report will continue to follow those developments.

References

¹ See, for example, United States General Accounting Office, Interior Issues, GAO/OCG-89-24TR, November 1988 and subsequent reports.

² For instance, see D. Villarejo and J. Redmond, Missed Opportunities -- Squandered Resources, California Institute for Rural Studies, 1988, pp. 25ff.

³ See S. 1501, Sec. 1702, (B), (v).

⁴ "Rules and Regulations for Projects Governed by Federal Reclamation Law," Sec. 426.7, Federal Register, Vol. 51, No. 216, November 7, 1986, p. 40756.

Department of Labor Issues Report on 1990 National Agricultural Worker Survey

The Department of Labor recently released a report with descriptive statistics on the farm worker population in the United States. The report, Findings from the National Agricultural Workers Survey (NAWS) 1990: A Demographic and Employment Profile of Perishable Crop Farm Workers, is based on 2,115 interviews with current farm workers conducted between October 1, 1989 and September 30, 1990. The area sampling methodology utilized meant that these workers were interviewed in 72 different counties in 25 states.

The NAWS was created so that the Department of Labor could fulfill its mandate in the Immigration Reform and Control Act of 1986 (IRCA) to estimate the exit rate of legal farm workers. It is limited to current farm workers in those crops covered by the Special Agricultural Worker provisions of IRCA, so-called Seasonal Agricultural Service workers (SAS). Due to political pressure, SAS crops were broadly defined, so in reality only workers in livestock and related feed crops are significant exclusions.

These estimates have been used as one part of the formula for determining whether additional legal farm workers are needed (RAWs). But the survey also captures general information on demographics and employment. The report, which was written by Rick Mines of the Department of Labor, and Susan Gabbard and Beatriz Boccacalandro of Aguirre International in San Mateo (the survey contractor), summarizes this information.

The following paragraphs high-

light some of the findings. We report the sample estimates, although it should be kept in mind that there is a confidence interval associated with every number. We have emphasized some of the data of most interest in California. It is well to remember that while the NAWS survey found that 62 percent of SAS farm workers were foreign-born, in California the number is likely over 90 percent. In future issues of this newsletter we will examine the implications of some of the NAWS findings.

49% of SAS workers interviewed performed harvest work. 77% were hired directly by producers or packing houses, the other 23% by farm labor contractors. 43% worked in vegetables, 32% in fruits and nuts, 15% in horticulture, 7% in field crops, and 3% in other crops.

The median age of the SAS farm workers was 31, with 61% between the ages of 18 and 34. 57% were born in Mexico, 62% were foreign-born. The corresponding 38% born in the United States can be broken down as follows: 23% non-Hispanic white, 13% Hispanic, 2% African-American. Of the foreign born, 11% had been in the United States 20 or more years, 18% for 15-19 years, 24% for 10-14 years, 27% for 5-9 years, and 28% had been in the United States for 4 years or less (i.e. subsequent of enactment of IRCA).

Of the total SAS worker population, 12% were unauthorized, which is to say 19% of the foreign-born were unauthorized. (The authors note