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Bloomberg: California Drought Impact Seen Spreading From Fires to Food Cost.

The drought that's gripping California may soon have the rest of the country seeking relief.

The emergency, which follows the state's driest year on record, is likely to boost the prices of everything from broccoli to cauliflower nationwide. Farmers and truckers stand to lose billions in revenue, weakening an already fragile recovery in the nation's most-populous state. And California and other Western states are seeing a surge in wildfires.

As lawmakers rush to enact measures to help farmers and ranchers contend with the immediate threat to the nation's most productive agricultural region, the prolonged dry spell is sparking calls for a radical rethinking of how the state, and much of the West, distributes water to residents.

"We are at that point the risks for the future are really significant," said Peter Gleick, president of the Oakland-based Pacific Institute, a nonpartisan research organization. "We have to fundamentally change the way we manage water."

The drought is a stark reminder that California built the world's 10th-largest economy, the nation's top farming industry, and Silicon Valley, the epicenter of information technology, in a semi-arid environment that's struggling to sustain the water needs of 38 million people.

While rain doused San Francisco yesterday and more rain and snow are forecast in Northern California through the weekend, 17 rural communities are in danger of running out of water in as little as two months. Farmers may be forced to prune almond trees back by 90 percent, affecting yields for years.

Food Prices

The fallout may be felt on grocery shelves throughout the country in the coming months as prices of artichokes, celery, broccoli and cauliflower could rise at least 10 percent, said Milt McGiffen, a vegetable specialist at the University of California at Riverside. The state grows more than 80 percent of the nation's supply of these crops.

California saw an almost 50 percent increase in wildfires last year from 2012, setting a record. Governor Jerry Brown has ordered 125 additional firefighters hired for the northern part of the state and will keep seasonal firefighting forces in the south on the job longer.

Lost revenue in 2014 from farming and related businesses such as trucking and processing could reach \$5 billion, according to estimates by the California Farm Water Coalition, an industry group.

Brown's Plan

Water specialists say state legislators must add to a system that includes 34 reservoirs, lakes and storage facilities and more than 700 miles of aqueducts championed by Brown's father, the late

former Governor Edmund G. "Pat" Brown.

The State Water Project, as it is known, sends water from the Sierra Nevada Mountains in the north to Central Valley farmers and Southern Californians. For the first time in more than half a century, state officials said on Jan. 31 that they were unable to make deliveries through the project to 25 million Californians and about 750,000 acres of irrigated farmland.

Brown is championing a controversial plan to build two 30-mile (48-kilometer) water tunnels under the Sacramento-San Joaquin River Delta, an ecologically sensitive confluence of two rivers that's the hub of the state's water-distribution system. The \$15 billion tunnels are intended to ship water from Northern California to farms and cities in the south and bolster the delta ecosystem that's on the verge of collapse.

"We live in this 'Cadillac Desert' where we have a chronic undersupply of water," said David Goldhamer, a water-management specialist, referring to a 1986 book that criticized government-driven development policies in the West for degrading the environment. "We need to add water-storage capacity."

Not Alone

California isn't alone. Portions of 11 states have been declared disaster areas by the U.S. Department of Agriculture. Oregon is experiencing extreme or severe drought in more than 75 percent of the state as is about 80 percent of Nevada.

The drought in the West is forcing water managers to cope with new risks, such as tinder dry forests prone to wildfires that threaten to burn utilities built to collect runoff from snowpack. It may also foul stored water.

"It denudes the landscape and you get rain or erosion afterward, and it puts a lot of sediment or carbon in the water," said Holly Hartmann, director of the Arid Lands Information Center in Tucson, Arizona. "You're looking at tens of millions of dollars to get the system back to where it was."

Changing Agriculture

If California is to rethink its water policy, it has to include shifts in agriculture, which consumes 80 percent of the water supply.

That won't be easy. Water wars have been waged in the state for more than a century. William Mulholland's land grabs at the turn of the century prompted a violent reaction by ranchers.

In the early 1980s, environmentalists, farmers and ranchers, oil companies, land developers and water and power utilities took sides in a fight over the proposed Peripheral Canal, the predecessor to the tunnel that Brown is pushing now. Voters rejected that project 63 percent to 37 percent.

Now, as California reservoirs drop to 60 percent of their average and researchers report the lowest snowpack water content since records have been kept, Brown has called on residents and businesses to voluntarily cut water use by 20 percent. Mandatory water restrictions could follow.

Some residents don't have a choice. Two reservoirs serving Willits, a town of 5,000 nestled in the redwood trees of Mendocino County 135 miles north of San Francisco, hold an 89-day supply of drinking water.

Restricted to 150 gallons of water per day, residents are using paper plates and limiting showers to

five minutes by timing them on smart phones.

'Learning Experience'

In nearby Brooktrails Township, Stephanie Willcutt's family is on a water budget. When they need hot water, they capture in jugs the cold water that comes out of the tap first.

"It's been a learning experience," said Willcutt, 40.

The drought's impact is being felt unevenly, with residents in the usually water-rich north facing \$1,000 fines for water violations and ranchers in the Central Valley selling cows they can't feed, while Southern Californians continue to wash their cars.

"To place restrictions including fines on us while residents in Southern California have no restrictions makes no sense," said Karin Ignasiak, a retired state worker living outside Sacramento, where mandatory rationing is in place.

'Wake-up Call'

Even as residents try to conserve, water specialists said the drought calls for reconsidering the way the state uses water.

"It's going to be a wake-up call for some of the larger communities in Northern California," said Ellen Hanak, a water specialist at the San Francisco-based Public Policy Institute of California. "They haven't made as many investments in diversification as communities in the Bay Area and the south."

California voters in November will consider an \$11 billion bond measure approved by lawmakers in 2009 to shore up the state's aging water infrastructure.

Democrats, who control the state legislature, have signaled they intend to modify the proposal, which polls show isn't likely to pass. Republicans have said any final bill should include funding for more reservoirs and dams.

In the short-term, the drought could cause California to lose some of the 1 million jobs Brown says he added since 2010 to help bring the state back from its worst recession since the 1930s.

"Given direct and indirect impact, you could see a loss of 37,600 jobs, about 24,000 of those from agriculture," said Scott Anderson, chief economist at Bank of the West in San Francisco.

Lost Wages

Employees in health care, real estate, and retail trade could also be let go, he said, equaling \$1.5 billion in lost wages and salaries. Businesses could also be forced to budget additional millions for rising energy costs.

Californians must consider their long-term water habits, said Kevin Starr, author of the seven-volume "Americans and the California Dream."

"They invented California through water engineering — which is great as long as you have water to engineer," said Starr, a history professor at the University of Southern California. "The greater Palm Springs area has over 700,000 people in it and what did Mother Nature intend? Probably 7,000."

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