



The Humboldt County Export Economy: SPECIALTY AGRICULTURE

Prosperity! was developed with the direction of over 300 business and community people. It's about growing and sustaining our community—our people, our businesses, our environment, our lifestyle. It's about competing—and winning—in an extremely competitive global marketplace. It's the North Coast strategy for economic development. And it's working.

The export industries of Humboldt County grew wages 11.2% in the last two years... that's faster than the whole economy, and that's the point. These industries *drive* the local economy...and *thrive* on the quality of life that we all cherish.

As a fifth-generation Humboldt County rancher, Jay Russ likes to tell how the family patriarch, Joseph Russ I, found the promised land here in the 1850s. "He rode over from the Central Valley and saw the grasslands and rangelands, and he decided this was the place to be raising cattle," Russ says.

In the decades ever since, thousands of cattle ranchers, farmers and horticulturists have been drawn to that same Humboldt quality of life—the mild climate, the clean water and air, and the fertile soils that today make agriculture one of the county's most important and enduring industries. In addition to supporting hundreds of livelihoods tied directly to the land, farming activity in the county sustains a wide range of service jobs in equipment and supplies, financing, transportation and more.

BEEF CATTLE RANCHING

Humboldt County is home to around 65 beef cattle ranches with 100 or more animals, accounting for more than 70 percent of the county's beef cattle population, according to the most recent U.S. Census of Agriculture. The market value of cattle and calves in the county totaled \$20.8 million in 2004, making livestock one of Humboldt's most valuable commodities. Because local production is still small by state standards, however, many Humboldt ranchers take advantage of their highly productive pastures and long growing seasons to raise products that stand out in the marketplace. A 2004 Headwaters Fund grant has provided additional assistance, funding a program to help more ranchers diversify and achieve a market premium through value-added beef products labeled "natural," "grassfed" or "organic."

"When beef prices are really good, people don't look at other alternatives for marketing their beef," explains Gary Markegard, director of the University of California Cooperative Extension for Humboldt and Del Norte counties. "But when prices go down, that's when people really pay attention and ask, 'Is there another way I can market my beef and get more money?'" Ranchers are enjoying good prices right now, Markegard says, but they know the lean years are coming because prices run in somewhat regular cycles. ►

Jay Russ knows. He has already taken steps to get a premium for a large portion of his cattle, which he supplies to the “natural” Angus operation at Harris Ranch in Coalinga. (The “natural” label identifies beef products with minimal processing and no artificial additives.)

Russ oversees around 1,000 animals in his integrated grazing operation spread over part of his grandfather’s estate, on which his two cousins also operate separate ranches. Like many ranchers in timber-rich Humboldt County, Russ also maintains an ongoing, sustainable harvest of family timber resources to diversify his business and shore up earnings when beef prices fall.

As manager of Humboldt Auction Yard in Fortuna, Leland Mora sells other ranchers’ cattle to feedlots, primarily in the Midwest and Northwest, which then finish the cattle in preparation for slaughter. Most Humboldt County cattle still follow this path to market because it makes the most economic sense for local ranchers, Mora says. A limited percentage of Humboldt cattle are finished and even processed locally, including those in Mora’s other business, Humboldt Grassfed Beef. Unlike natural and organic cattle, which may consume a more varied diet, the “grassfed” designation is reserved for cattle that consume mostly pasture grasses over their entire lifetime.

That appeals to many consumers interested in the unique nutritional benefits found in grassfed products. Although grassfed beef does receive a higher market

price compared to conventional beef and has seen growing demand, Mora is quick to point out that raising a grassfed product isn’t for everyone. “The opportunity cost of raising that grassfed animal is quite high,” he says. “That’s a hidden cost that I don’t think a lot of people recognize.”

Several hundred of Clint Victorine’s cattle meet the strict standards of diet and maintenance that earn the “certified organic” label. Victorine markets his Eel River Organic Beef brand to local restaurants and also online for shipment across the U.S. He looks no farther than Eureka for processing at Redwood Meat Co., Humboldt County’s only beef processor and a certified organic facility. He also ships certified cattle to Nebraska for processing, after which the organic beef products return to the West Coast for sale in the Whole Foods grocery chain. Victorine is one of only two Humboldt ranchers who have opted for the extra cost and effort of the certified organic label, he says, but he believes consumers gain confidence from the independent audits of his operation that ensure his compliance with organic standards.

Although the lush pastures of Humboldt County do offer many advantages, local ranchers also have their share of challenges. Chief among them is the fact that Humboldt County is inaccessible to standard-size truck-trailer combinations used in a variety of industries nationwide. A 2003 California law extended an exemption for standard 70-foot livestock trucks entering the county until January 1, 2007; even so, the law still calls for a maximum kingpin-to-rear-axle length of 40 feet, which most livestock trucks exceed. “This is a very significant issue that’s affecting all livestock producers in Humboldt,” Mora says.

Preserving valuable ranchland amid increasing rural development is one challenge being met, in part, by California’s Williamson Act, which for decades has offered tax incentives to property owners who keep land in production. Today the county has more than 273,000 acres in the program. A 2002 update to county guidelines stipulated that grazing land under contract may not be subdivided into parcels smaller than 600 acres, except in cases of immediate family transfers.

That didn’t sit well with some ranchers, who saw it as an infringement of private property rights, Russ says. The federal estate tax doesn’t sit well, either, because farmers and ranchers fear it will force them to sell part or all of the family business just to pay the tax on valuable inherited land. “It’s a great detriment to family operations in our industry nationwide,” Mora says. Although the estate tax has undergone a gradual phaseout since 2002 toward a complete repeal in 2010, without further action from Congress the repeal would last only one year before reverting to the provisions in place in 2001.

Higher costs of labor in California have also forced ranchers like Russ and Victorine to work hundreds of cattle each day with little or no help—a problem shared by smaller ranchers statewide. Whereas the Russ family operation once had as many as 15 people on the payroll, Jay Russ today manages his portion of his grandfather’s estate with the help of one part-time employee. He says minimum costs of \$12 per hour for semiskilled labor have constrained hiring, as have California’s high workers’ compensation premiums. ►

Threats to Agricultural Production, Working Landscapes

LIMITED LAND AVAILABILITY: a strong majority of producers agree that land available for agriculture is decreasing; this threatens the future viability of agricultural production. A critical mass of land is needed to sustain dairy and cattle producers that supply local production cooperatives, employ local people, and utilize local businesses.

REGULATIONS: a strong majority of producers agree that agency regulations hinder Ag business profitability and threaten family-run agricultural operations. Nonetheless, a significant majority agree that appropriate regulations are needed to secure productive Ag lands from conversion to other uses.

MARGINAL PROFITS: Survey results conclude that the majority of local producers are financially ‘just making it’. Marginal profits threaten continued operations and are a key factor in a landowner’s decision to sell their land.

Source: 2003 Humboldt County Agricultural Survey, Ben Morehead, Farm Bureau of Humboldt County and HSU

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CROP FARMING

While some of Humboldt County's small crop farmers sell regionally and bring in revenue from outside the county, most sell locally and perform a valuable service by making the region more self-sufficient and by keeping local food dollars in circulation here, says T Griffin, director of the North Coast Growers Association, which sponsors five farmers' markets that serve around 100 growers. About two-thirds of the association's members work 10 acres or less, Griffin says; some are merely hobby growers. Larger farms such as Warren Creek Farms, Willow Creek Farms and Potter's Produce serve some markets out of the area. In all, Humboldt County produced vegetable crops worth \$868,000 in 2004.

Although farming in Humboldt is smaller in scale, Griffin believes there is good potential for growth. Ideas such as a local farm-to-school program, which would place produce into county school systems, and a cooperative distribution center could help pool the production of small farms into "Humboldt brand" shipments suitable for larger markets interested in sustainable agriculture, she says. Farmers could also benefit from a better understanding of their consumer so they can grow their products accordingly, says Susan Ornelas, executive director of the Jacoby Creek Land Trust. In other words, farmers must also think of themselves as business owners. "If you're a commercial farmer, you're growing for a customer," says Ornelas, who formerly taught sustainable agriculture at Humboldt State University. "You may be farming because you like the lifestyle, but you're doing all that work in order to sell it."

As owners of Warren Creek Farms in Arcata, Carla and Paul Giuntoli harvest potatoes, squash, pumpkins and dry beans on 114 acres, all certified organic. "Organics have provided a niche market that has made it

feasible for people to farm here on the North Coast again and survive," says Paul Giuntoli. "It's getting more and more competitive. There are a lot more organic growers in the state and the nation now, so it's becoming a little harder to compete."

Although the majority of Humboldt's farmers use sustainable agricultural methods, most have chosen not to incur the expense of being certified organic, Griffin says. "Unless you're selling wholesale, it doesn't give smaller growers a lot of benefit," she adds. That's because the average farmers' market customer relies more on their direct relationship with the local farmer than a USDA label. Even so, the reach of organic agriculture is widespread. As of 2004, a total of 102 different crops had been produced organically in Humboldt County, according to a report by Annie Eicher of the UC Cooperative Extension.

While Carla and Paul Giuntoli sell a majority of their products inside the county, their certified organic status has opened up markets in the Bay Area, which they supply through Veritable Vegetable, a San Francisco distributor of certified organic produce. But organic cultivation does add costs, ranging from increased paperwork to the need for more labor to pull weeds. Operating Warren Creek Farms can require up to six helpers, usually a mix of family, friends and volunteers. "Farming takes a major commitment," says Carla Giuntoli. "There are very few people who are willing to do what it takes to be a farmer. It requires so many sacrifices."

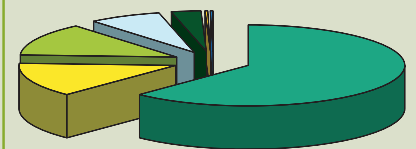
HORTICULTURE








In recent years, nursery and floral products have grown to become one of Humboldt County's most valuable crops, worth about \$35.8 million in 2004. Leading the way has been The Sun Valley Group, one of the largest growers and distributors of premium cut flowers in the U.S. The company employs around 400 people at

its Arcata headquarters, including a large Hispanic workforce that it has supported with Humboldt Literacy Project language training for more than a decade. Sun Valley also operates divisions in Willow Creek, Crescent City and Oxnard.

Because of the size of its shipments, the company has wrestled with the same trucking restrictions that plague the county's cattle ranchers. During normal seasons of the year, Sun Valley fills up to three semitrailers in Arcata six days a week for distribution ▶

2005 Humboldt County Agricultural Production



	TIMBER PRODUCTION \$198,958,000
	NURSERY STOCK \$43,460,700 <small>(cut flowers, ornamental, forest tree)</small>
	MILK & MILK PRODUCTS 42,507,700
	LIVESTOCK \$23,986,000 <small>(beef cattle & calves, dairy cows, sheep, lambs, misc.)</small>
	FIELD CROPS \$9,530,600 <small>(alfalfa, silage, range, etc.)</small>
	VEGETABLE CROPS \$920,000
	FRUIT & NUT CROPS \$811,000

Source: Humboldt County's Crop and Livestock Report 2005, Agricultural Commission, County of Humboldt

HIGHLIGHTS

Source: Dennis Mullins, EDD:
www.labormarketinfo.edd.ca.gov

In 2005 there were 106 establishments within the Specialty Agriculture cluster. This number decreased by 10% from 2003, while the number of employees rose by 3.5%. During this period, total wages rose 7.6% to more than 21 million. Average wages also rose by 3.9% to \$24,548 per person. The Specialty Agriculture cluster represents 1% of the total economy and 4% of the base economy in Humboldt County.

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around the country. Over time, fewer trucks that fit the county's limits have remained in operation. "It's becoming an increasingly bad problem," says Lane DeVries, Sun Valley's president and CEO. "I'm not sure most people truly understand what it is doing to our local economy." While higher costs of fuel and natural gas have affected the company's competitors, including those overseas, in roughly the same way, Sun Valley's trucking dilemma is unique. DeVries believes the kind of grass-roots effort that brought broadband access to Humboldt County will be required to convince state and federal lawmakers of the need for modern transportation access.

For years, the labor-intensive nature of Sun Valley's operation meant high workers' compensation premiums, despite a longtime company safety program. Only recently has the company grown large enough to leave the state system entirely and become self-insured, in the process boosting its safety program with a team-based employee incentive system backed by valuable prizes. "It's worked out very well," DeVries says. The innovative program saved the company \$1.5 million in 2005 alone.

On a smaller scale, specialty horticulture companies like Jonsteen Co. take advantage of Humboldt's quality of life and mild climate to produce niche products for national markets. For 15 years, Jonsteen has supplied tree products such as grow kits and live seedlings to state and national parks around the U.S. Today the company also drop-ships novelty products for catalog companies and operates its own retail Web site. With the help of a small staff, partners Steen Christensen and Jonathan Claasen grow about 500,000 seedlings a year. Orders ship directly from their McKinleyville farm and range in size

from one seedling to thousands, such as the large order for cherry tree kits recently shipped to the Smithsonian Institution.

Christensen says Humboldt County is an ideal location because of the wealth of tree cultivation expertise present in the forest products industry. "That was a resource that was here that I definitely tapped into," he says. While the higher cost of moving materials generally adds about 10 percent to his product cost, Christensen believes it is offset by the quality of life and entrepreneurial atmosphere he finds here. "I think it's something you have to figure into your business model when you're first starting out," he advises.

After Blaine Maynor moved from Bakersfield to attend HSU in the early 1990s, he chose to stay in Arcata to keep the better life he found here. In 1999 he started Orchids

for the People and later moved the business to its present McKinleyville location. Today Maynor and his wife maintain an inventory of 6,000 to 7,500 orchids in about 5,000 square feet of greenhouse space. The company sells on site and at area farmers' markets, but it also provides unique local services such as plant boarding, repotting and plant leasing for local businesses and special events.

Although Maynor plans to start some local wholesaling this year, he sells roughly 75 percent of his orchids out of the area with low overhead using eBay—a strategy that has paid off after only one year. "We sold more in two weeks on eBay than we did in two years on our regular Web site," Maynor says. It's just another example of how agriculture—as it has for decades—can share Humboldt's beauty and rural charm with the world one product at a time. ■

Specialty Agriculture Workplan Goals

CROP FARMING CLUSTER

- Goal 1: Increase value and profitability of farming in Humboldt County.
- Goal 2: Maintain agriculture land base that supports sustainable production.
- Goal 3: Support best practices in farming and management
- Goal 4: Stabilize labor force

RANCHING CLUSTER

- Goal 1: Maintain and enhance infrastructure necessary to process and move goods.
- Goal 2: Maintain agriculture land base in a scale that supports sustainable production.
- Goal 3: Proactively address environmental concerns and help shape workable solutions.
- Goal 4: Develop workforce.

HORTICULTURE CLUSTER

- Goal 1: Maintain/enhance transportation infrastructure to process/move goods and people.
- Goal 2: Maintain agriculture land base in a scale that supports sustainable production.
- Goal 3: Attract quality workers to Humboldt County.
Make it easier to recruit and retain workforce.
- Goal 4: Increase market competitiveness.
- Goal 5: Cultivate Working Cooperative relationships

Developed by Specialty Agriculture industry leaders in their Prosperity! industry cluster work-plan.