

October 11, 2002

Victoria Whitney, Program Manager  
Hearings and Special Projects Section  
Division of Water Rights  
State Water Resources Control Board  
P.O. Box 2000  
Sacramento, CA 95812-2000

BY FACSIMILE  
(916) 341-5400  
(Original to follow by mail)

Re: Transfer of Water (IID and SDCWA petition to modify diversion and place of use),  
Permit 7643 on Application 7482

Dear Ms. Whitney:

Kuhn Farms, Inc./Kuhn Hay is a farming, processing, dairy, and cheese manufacturing operation in California's Imperial Valley. We also own a significant number of acres of land in the Imperial Valley which are legally accompanied by water rights. We would like to submit comments as to the general acceptability of the Order referenced above, and suggest specific changes.

Begun in the 1940's, our company farms 10,000 to 15,000 acres in the Imperial Valley and owns a substantial number of those acres. We grow hay, feed, seed, and other crops, specifically alfalfa hay and seed, bermuda hay and seed, Sudan grass, Klein grass, wheat, corn, and sugar beets, among others. We also own KF Dairy, a 4,500-cow dairy facility, which is vertically integrated with our hay operation. We have substantial ownership in Imperial Valley Cheese of California, which is the only commercial producer of Swiss and Muenster cheeses in the state of California and sells its products to all of the major supermarket chains such as Trader Joe's, Safeway, Albertsons, Vons, Wal-Mart, etc. Imperial Valley Cheese is vertically integrated with our milk and hay operations.

We employ over 300 people year-round.

Kuhn Farms has grave concerns with many of the assumptions and statements in the draft Order, and the SWRCB's decision to ignore entire blocs of significant and substantiated testimony that was presented at your hearings. We will limit our comments at this time, however, to the references in section 6.4 (Socio-Economic Impacts) of the Order regarding alfalfa hay. In summary, the SWRCB should not be in the business of picking winners and losers in the mix of agricultural crops and producers in the Imperial Valley. At most, SWRCB should only suggest a framework for evaluating, minimizing, and mitigating the impacts of the proposed water transfer.

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Specifically, we strongly urge you to:

- 1) strike the sentence in Paragraph 7 of Section 6.4 (page 78 of the Draft) which reads, “Economic impacts would ... such as alfalfa hay were fallowed.”
- 2) Insert instead: “The economic impacts of fallowing might be reduced to the extent that water conservation programs provide incentives to reduce farming of particular crops. Crops should be evaluated as to: 1) water use; 2) use of labor and other economic inputs; 3) economic importance to value-added industries; 3) net revenue and economic benefit provided to Imperial County; 4) net revenue and economic benefit provided to the State of California; and 5) value in providing animal and bird habitat.”
- 3) encourage the development of a scientific, economically-sound analytical formula for determining the relative value of crops to Imperial County and to the State of California and their relative utility in the use of water, utilizing the criteria listed above.

You state that alfalfa hay is less valuable than other crops and should therefore be targeted for fallowing in order to reduce socio-economic impacts. We must ask, “Less valuable to whom?” Less valuable to the Imperial Valley farmers who depend upon alfalfa production in order to secure bank financing for their high-value, high-risk vegetable crops? Less valuable to Imperial Valley landowners who protect the productivity of their land with alfalfa rotations that renew nitrogen in the soil? Less valuable to the beef industry, Imperial County’s highest-dollar agricultural sector, which recently opened a processing facility that employs over 600 workers?

Less valuable to the multi-billion-dollar dairy industry in California, which relies upon alfalfa as its primary feed? Less valuable to the state of California’s economy, to which agriculture is the largest contributor (and dairy being the largest component of that agricultural economy)? Less valuable to those who sell pizza or Mexican food? Less valuable to the makers of café lattes and bagels-with-cream-cheese?

If use of water and labor inputs is to be your only determinant in targeting crops for fallowing, there are other hay and forage crops which have similar water-use and labor-utilization profiles that may not have the same economic benefits to Imperial County and to the State of California as alfalfa does. There are many other factors that **MUST** be weighed in deciding which crops or lands to target. This Order should **NOT** decide which will be the individual winners and losers, even if only listing alfalfa as an example. The precedent-setting risk of your document and your responsibility to all of your stakeholders is too great.

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We look forward to your sincere consideration of our request. Please do not hesitate to call if you have questions.

Sincerely,

James E. Kuhn  
President

Heidi L. Kuhn  
Co-Owner

cc: Imperial Irrigation District  
Imperial County Farm Bureau  
Milk Producers Council  
Western United Dairymen  
California Milk Advisory Board