San Diego County
Local Agency Formation Commission
Regional Service Planning | Subdivision of the State of California

7c

AGENDA REPORT
Business | Action

June 15, 2026

TO: Chair Becker and Commissioners

FROM: Michaela Peters, Analyst II
Meghan Traynor, Analyst I

SUBJECT: **Final Report on State Planning Grant | Helping Bridge the Economic Gap of Small-Scale Farming (SALC 2.0)**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will receive the final report for its Sustainable Agricultural Lands Conservation (SALC) planning grant, known as SALC 2.0. The report represents the culmination of a collaborative effort between LAFCO and the County of San Diego's Planning & Development Services (PDS) to identify strategies that support the long-term viability of small-scale agriculture in the region. The report consolidates technical analyses, stakeholder input, implementation recommendations, and planning tools into a comprehensive framework for advancing agricultural sustainability in San Diego County. The findings help to quantify and sharpen a familiar concern: the region's small farms remain viable but operate on thin margins – averaging roughly 13% – and readily vulnerable to changes in water and labor costs. Stakeholder engagement identified water affordability as the most significant challenge facing the sector. In response, the report identifies potential actions, a pilot project, and coordination opportunities to support the sector. It also outlines potential future roles for LAFCO and includes several recommendations for formal consideration by the Commission, including facilitating regional agricultural water coordination, expanding consideration of agricultural economics in planning activities, and monitoring implementation progress through periodic reporting. It is recommended the Commission formally receive and file the report and provide related direction to LAFCO staff with respect to pursuing one or more of the report's recommendations.

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BACKGROUND

Sustainable Agricultural Lands Conservation Program

The SALC program was created in 2014 as a component of the California Strategic Growth Council and administered by the Department of Conservation. It is funded primarily through California Climate Investments – the statewide program that directs cap-and-trade auction proceeds toward reducing greenhouse gas emissions – and supports both agricultural conservation easement acquisitions and planning grants. The principal goals of SALC are to:

- Protect at-risk agricultural lands from sprawl, promote infill growth within existing jurisdictions, maintain open space, and support a healthy agricultural economy.

- Further the purpose of Assembly Bill 32 by avoiding increases in greenhouse gas emissions associated with conversion of agricultural lands to higher-emission uses.

Grant Application and Approval | San Diego LAFCO and County of San Diego PDS

Building upon findings from SALC 1.0 – which identified the need for commodity-specific market analyses to better understand future agricultural opportunities and constraints – San Diego LAFCO, in partnership with PDS, submitted a SALC planning grant application in September 2022.[1] The proposal sought to quantify and evaluate economic challenges facing local agricultural producers, particularly small-scale farms, and identify opportunities for public policy interventions to strengthen long-term agricultural viability. Following Commission authorization and subsequent approval by the California Department of Conservation, LAFCO was awarded a two-year planning grant in the full amount of $500,000, with project implementation commencing in June 2023.[2]

San Diego LAFCO subsequently partnered with Agricultural Impact Associates and Rick Engineering, working collaboratively with PDS. The grant was organized around six primary tasks and deliverables: Grant Management; Market Analysis; Gap Analysis; Outreach & Education; Strategic Action Plan; and Final Report (*Cultivating Solutions*).

DISCUSSION

This item is for San Diego LAFCO to receive the final report for SALC 2.0, titled *Cultivating Solutions*, marking completion of the planning grant. The report synthesizes the project's market and gap analyses, stakeholder engagement, and Strategic Action Plan into a single framework for supporting the long-term viability of agriculture in San Diego County. In

1 The SALC 1.0 Final Report is provided for context as Attachment Three.

2 San Diego LAFCO and PDS signed a Memorandum of Understanding (MOU) in August 2023 following the Commission's approval of a draft MOU at its August 7, 2023 meeting. The MOU formalized roles and responsibilities in proceeding with SALC 2.0 and designated specific tasks to San Diego LAFCO and PDS. The grant was originally scheduled through September 2025 and has since been amended to reach completion by June 2026.

addition to receiving and filing the report, the Commission is asked to consider its recommendations and provide related direction to staff as appropriate.

With respect to the report itself, it is premised on recognizing the protection of farmland and keeping farms profitable are explicitly tied. The report accordingly is structured to measure whether, and under varying conditions, small-scale agriculture in San Diego County remains economically viable and at what economic margins. The report is anchored by a countywide market analysis of core measures – the number of farms, acreage in production, expenses, and earnings – drawing on a recent USDA census data and San Diego County Crop Report paired with operating data supplied by local producers.[3] A gap analysis expands to evaluate the individual-farm scale, modeling four representative crops – avocados, lemons, strawberries, and tomatoes – and testing how profitability shifts as key variables (water cost, labor, market price, and yield) change. An expanded discussion of the report's analytical method, organized by project task, along with the related findings is provided in Appendix A.

Specific to LAFCO, the report identifies three potential roles for the Commission in supporting the region's small farms going forward.

1. Coordinate with regional partners to explore establishment of a Regional Agricultural Water Advisory Committee to help address water affordability and efficiency issues;

2. Expand consideration of agricultural economic conditions and contributions in Municipal Service Reviews and other planning efforts, where appropriate; and

3. Support implementation tracking through the development of an implementation strategy and annual progress reporting on Strategic Action Plan recommendations.

ANALYSIS

See Attachment One.

RECOMMENDATION

This item is presented to San Diego LAFCO as part of a planned presentation with a request for the Commission to formally support the recommendations in the Final Report.

ALTERNATIVES FOR ACTION

The following alternative actions are available to San Diego LAFCO:

Alternative One (recommended):
Support the recommendations as presented in the Final Report.

[3] The analysis drew on USDA and county-level agricultural statistics, in-person farm visits conducted by Agriculture Impact Associates, and anonymous Schedule F (Form 1040) data used by farmers and agricultural business owners to report farm income and losses.

Alternative Two:
Continue consideration of the item to a future meeting.

Alternative Three:
Take no action.

PROCEDURES

This item has been placed on San Diego LAFCO's agenda for action as part of the business calendar. The following procedures are recommended in the consideration of this item:

1) Receive verbal presentation from staff unless waived.
2) Invite comments from interested audience members.
3) Discuss item and provide any related feedback.

On behalf of staff,

Michaela Peters

Michaela Peters
Local Government Analyst II

Attachments:

1) Final Report: "Cultivating Solutions" (Online only)
2) Strategic Action Plan (SAP) (Online only)
3) SALC 1.0: Final Report (Online only)
4) SALC 2.0: Market Analysis (Online only)
5) SALC 2.0 Gap Analysis (Online only)
6) Correspondence/SALC Recommendation – Edward Grangetto

Appendix A

The SALC 2.0 grant produced four primary work products that collectively informed the project's recommendations. The Market Analysis established baseline economic conditions affecting agriculture in San Diego County, the Gap Analysis evaluated crop-level profitability, the Strategic Action Plan identified potential implementation strategies, and the Final Report integrated these findings into a single framework intended to support long-term agricultural sustainability.

Supporting these efforts were project management and stakeholder engagement activities, including grant administration, consultant coordination, and outreach to agricultural producers, partner agencies, and other interested parties. While these activities did not result in technical reports, they provided the administrative and public engagement foundation necessary to complete the project's analytical and planning components.

A brief summary of key tasks follows.

Task 2 | Market Analysis

The Market Analysis evaluated countywide agricultural trends, economic conditions, and cost pressures affecting producers. Key findings follow.

1. **Trends:** San Diego County is currently losing an average of 18 acres of farmland per day and one farm approximately every three and one-half days.

2. **Expenses:** Analysis of 4,031 farms identified property taxes as the most common expense and labor as the largest operating cost, averaging $283,334 per farm in 2022. Most farm expenses increased faster than inflation over the preceding 20 years, particularly fertilizer, chemicals, and labor.

3. **Profits:** Financial data provided by local producers showed significant fluctuations in operating profit over time, with average margins of approximately 13% in 2022 – below the 25% threshold commonly cited as indicative of long-term financial health.

The Market Analysis established the baseline economic conditions affecting agriculture in San Diego County and provided the empirical foundation for subsequent phases of the SALC 2.0 project. Findings highlighted the scale of agricultural land conversion, increasing cost pressures, and profitability concerns affecting the long-term viability of farming operations.

The full report (Market Analysis) is provided as Attachment Four.

Task 3 | Gap Analysis

The Gap Analysis examined profitability challenges associated with four targeted crops — strawberries, lemons, tomatoes, and avocados.[4] Key findings include:

- Profitability varied significantly among the four crops evaluated.
- Under modeled 2022 conditions, avocados, lemons, and tomatoes generated positive net returns, while strawberries generated negative returns.[5]
- Profitability was found to be highly sensitive to water costs, labor expenses, market prices, and crop yields, with water affordability emerging as a particularly significant factor affecting agricultural viability.

These findings informed development of the Strategic Action Plan and Final Report.[6] The analysis also demonstrated that relatively small changes in water costs, labor expenses, market prices, and crop yields could significantly affect profitability outcomes, underscoring the importance of addressing agricultural affordability and operational resilience.

The project also produced the Agricultural Profitability Assessment Tool (AG-PAT), an Excel-based model that allows users to evaluate farm-level profitability under varying cost, yield, and market scenarios. The tool is publicly available on San Diego LAFCO's website.

The full report (Gap Analysis) is provided as Attachment Five.

Task 5 | Strategic Action Plan

The Strategic Action Plan served as a foundational component of the broader Final Report and translated the findings of the Market Analysis and Gap Analysis into implementation-oriented strategies. Developed through extensive stakeholder engagement, including the Forum for Cultivating Solutions and coordination with agricultural partners and public agencies, the Strategic Action Plan identified a series of flexible "Tools" and "Field Actions" intended to support agricultural sustainability in San Diego County, and organized around four long-term goals, or "Seeds":

1. Improve infrastructure and systems supporting local producers;
2. Grow consumer awareness and local market demand;
3. Cultivate a supportive policy environment; and

[4] The four crops were selected based on stakeholder input received through project workshops, surveys, interviews, and other outreach activities, and were identified as commodities warranting focused analysis due to their economic significance and/or unique production challenges within San Diego County.

[5] Crop-specific findings showed avocados were highly sensitive to water costs, yield variability, and price fluctuations; lemons faced price volatility despite relatively stable production costs; strawberries achieved high gross revenues but operated with narrow margins due to labor and market pressures; and tomatoes were constrained by labor intensity, price competition, and limited economies of scale.

[6] Complementing these technical analyses, stakeholder engagement activities — including workshops, public review periods, interviews, and coordination with producers, partner organizations, public agencies, and underserved agricultural communities – helped validate findings, identify implementation priorities, and inform the development of the Strategic Action Plan and Final Report.

4. Foster regional alignment and agricultural advocacy.

Collectively, the Strategic Action Plan established an implementation framework consisting of policy, programmatic, partnership, and educational strategies intended to support agricultural sustainability and guide future action by public agencies, agricultural organizations, and other stakeholders.

Task 6 | Final Report ("Cultivating Solutions")

The Final Report, titled *Cultivating Solutions*, represents the culminating deliverable of the SALC 2.0 grant and integrates the project's technical analyses, stakeholder engagement findings, implementation strategies, and supporting tools into a single framework for advancing agricultural sustainability in San Diego County. In addition to consolidating prior work products, the report identifies implementation priorities, a pilot project concept focused on agricultural water affordability and efficiency, opportunities for continued regional collaboration, and performance measures intended to support ongoing implementation and monitoring efforts.

Among its recommendations are three potential future roles for San Diego LAFCO:

1. Coordinate with regional partners to establish a Regional Agricultural Water Advisory Committee to evaluate the impacts of state and local water policies on agriculture and identify opportunities to improve agricultural water affordability and efficiency;

2. Expand consideration of agricultural economics within local planning efforts, including Municipal Service Reviews, to better recognize and communicate the contributions of the region's agricultural industry; and,

3. Develop an implementation strategy and provide annual progress reports to the Commission and stakeholders regarding the status of Strategic Action Plan recommendations.

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