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CSU Bakersfield

Kern Economic Journal

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2017 Fourth Quarter

Featured Articles:

The Impact of the Current Minimum Wage Adjustment

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KERN ECONOMIC JOURNAL is a quarterly publication (February, May, August, November) of California State University, Bakersfield. Its purpose is to track local trends and analyze regional, national, and global issues that affect the economic well-being of Kern County. The journal provides useful information and data that can help the community make informed economic decisions. Sources of funding for this journal include university contributions and sponsorship and subscription fees.

Editorial and analytical articles on important local, regional, national, and international issues and trends are invited for consideration of publication in the journal. Articles (not exceeding 800 words in length) must be submitted to the Managing Editor in electronic copy. Individual authors are responsible for the views and research results.

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Kern Economic Journal

Inside this Issue:

Economy at a Glance!

2017 Fourth Quarter
by Dr. Richard S. Gearhart III and
Dr. Nyakundi M. Michieka

National Economy [1]

The world's largest economy of nearly $17 trillion, the United States, grew by a slower than expected 2.6 percent in the fourth quarter of 2017, a decrease from the 3.2 percent growth seen in the previous quarter. The increase in real GDP reflected increases in consumer spending, business investment, exports, housing investment, and federal, state, and local government spending. Imports, which reduce GDP, increased. Similar offsets to the growth in GDP occurred due to declines in inventories, which may signal that the higher-than-anticipated economic growth of 2017 was not matched by commensurate sales in the consumer space.

Real disposable personal income, which is adjusted for inflation and taxes, increased by 1.1-percent in the fourth quarter of 2017, after increasing by nearly 0.9-percent in the third quarter of 2017. This highlights that we are approaching the natural rate of unemployment in the United States, where instead of seeing unemployment decreases, we will start to see increases in wage pressures. The months with largest real personal income growth were in October (0.4 percent) and December (0.4 percent). Real consumer spending increased by a sizable 0.9 percent, indicating that nearly all of the personal income increases were spent. The real personal savings rate fell again, reaching 2.4 percent in December, indicating that, during the holiday season, consumers are spending and drawing down on savings.

The Conference Board's Index of Leading Economic Indicators – a measure of future economic activity – increased each month in the fourth quarter of 2017. The Index rose 1.3 percent in October, 0.5 percent in November, and 0.6 percent in December, ending at 107.0. If we are reaching the natural rate of unemployment in the United States, further upward wage pressure should continue to increase this number, if firms are willing to pass some of the tax savings that they may see under the tax revisions onto workers.

The University of Michigan's Consumer Sentiment Index fell substantially, from 100.7 in October of 2017 to 95.7 in December of 2017. The quarterly value for the fourth quarter of 2017 was 98.4, compared to 95.1 in the third quarter of 2017. This indicates that though consumer sentiment may be falling, it is still high based on anticipated increases in consumer income from the recently passed tax plan.

State Economy [2]

In California, the unemployment rate fell substantially in the fourth quarter of 2017 to 4.60 percent, down from 5.0 percent in the third quarter of 2017. Among counties, San Francisco (2.4 percent), Santa Clara (2.6 percent), Orange (2.8 percent), San Luis Obispo (3.1 percent), San Diego (3.3 percent), Sacramento (3.9 percent), Los Angeles (4.2 percent), and Riverside (4.3 percent) had unemployment rates below the state average. In contrast, San Joaquin (6.6), Fresno (8.1 percent), Kings (8.4 percent), and Kern (8.6 percent) had unemployment rates above the state average.

The state's civilian labor force gained 179,700 members, where 249,067 more employees had paying jobs (employed) and 69,333 fewer were left jobless (unemployed). While nonfarm industries hired 130,367 more workers, farming enterprises employed 333 fewer workers, indicating that farmers anticipate that the growing season in 2018 will mirror that of 2017. The lack of a drop in farm employment in the fourth quarter indicates that many of the farmworkers anticipate jobs coming soon, and so they will not exit the state in search of work elsewhere. A wide range of industries added jobs, including construction, manufacturing, retail trade, information, educational and health services, leisure and hospitality, and state and local government. Jobs were lost in mining and logging only.

Local Economy

The local economy saw a modest decrease in the labor force, decrease from 390,300 in the third quarter of 2017 to 384,667 in the fourth quarter of 2017. This continued the overall recent decline in the civilian labor force that has occurred recently in Kern County. A large part of the decrease, however, appears to be seasonal, as farmworkers are leaving Kern County to find employment elsewhere. In the fourth quarter of 2017, 433 fewer workers were employed, while 5,233 fewer workers were unemployed, indicating that there were little to no private-sector job market losses. If we are reaching the natural rate of unemployment in the

[1] U.S. economic numbers were obtained from the Bureau of Economic Analysis "U.S. Economy at a Glance". This is found at http://www.bea.gov/newsreleases/glance.htm. The information for the Index of Leading Economic Indicators is found at https://www.conference-board.org/data/bcicountry.cfm?cid=1. The University of Michigan Consumer Sentiment Index is found at http://www.sca.isr.umich.edu/tables.html.

private sector in Kern County, we should expect to see wage increases in the near future.

In Bakersfield, much of the slight decrease in nonfarm employment came from a few sectors: mining, logging, and construction (167 workers), manufacturing (33 workers), and food services and drinking places (400 workers). There was small growth in areas that indicate that spending patterns for consumers are increasing, including healthcare and social assistance (933 workers), general merchandise stores (767 workers), and department stores (333 workers). While business incomes fell by $500 million in the fourth quarter of 2017, labor incomes ($1 billion) and property incomes ($30 million) increased, indicating that wage growth may continue into 2018, including with the recent tax breaks.

The rate of unemployment ranged from 5.03 percent in Taft to 16.40 percent in California City. No city in Kern County experienced an increase in the unemployment rate. In Bakersfield, 6.97 percent of persons in the labor force are unemployed. In fact, there were sizable decreases in the unemployment rate in many rural communities in Kern County, hinting that labor conditions may be artificially improving as individuals leave the area for alternative opportunities, reducing the supply of workers and creating less competition for available jobs for those who stay.

The median housing price in Kern County decreased slightly to $220,000; however, coupled with the relative increase in home purchases (249 more homes purchased) indicates that individuals are choosing to purchase homes in the more rural areas of Kern County where prices have been depressed recently, as individuals may be more willing to travel to work.

The weighted price index for the five publicly traded companies doing business in Kern County (Sierra Bancorp, Tejon Ranch Company, Chevron Corporation U.S., Granite Construction, and Wells Fargo Company) increased by a significant 6.9 percentage points in the fourth quarter of 2017. Among the winners were Chevron (increase of 6.5-percent quarter-over-quarter), Tejon Ranch (increase of 8.1-percent quarter-over-quarter), and Wells Fargo (increase of 10.0-percent quarter-over-quarter. The losers were Granite Construction (decrease of 9.5-percent quarter-over-quarter) and Sierra Bancorp (decrease of 2.2-percent quarter-over-quarter). This indicates that local companies are benefiting from the recent increases in the stock market seen at the national level.

Even though the price of gasoline should have fallen with the "winter blend", gas prices increased by $0.11 to $3.10, largely in response to the recent increase in the gas tax in California. The unit price of California's Class III milk did not change in the fourth quarter of 2017, remaining at $15.85. Farmers in Kern County continue to lose out, as the Index of Farm Price Parity fell for the second consecutive quarter, reaching 81.0 percent, nearing a low set in the fourth quarter of 2016.

[2]The California economic numbers were obtained from the Bureau of Labor Statistics "Local Area Unemployment Statistics Map". This is found at https://data.bls.gov/map/MapToolServlet?survey=la&map=county&seasonal=u.

Tracking Kern's Economy[1]

by Dr. Richard S. Gearhart III and
Dr. Nyakundi M. Michieka

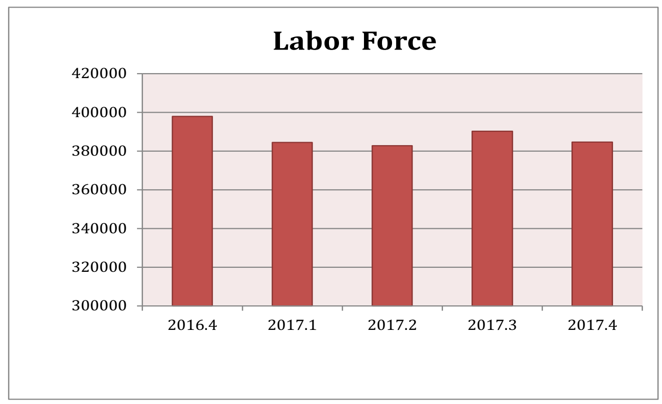
Growth of Personal Income – As enter the holiday season, we have seen an uptick in labor and property incomes that have outpaced the fall in business incomes, with a nearly $500 million increase in personal incomes in the fourth quarter. Between the third and fourth quarters of 2017, labor incomes increased by nearly $1 billion, property incomes increased by $31 million, and business incomes fell by nearly $500 million. This indicates that employers are likely shifting costs in anticipation of minimum wage increases, as well as tax cuts that will start in 2018. This means that personal incomes grew by 6.85-percent in the fourth quarter of 2017, outpacing the third quarter growth that we saw. This is important, as personal incomes fell for three consecutive quarters (2016.4 to 2017.2), indicating that with tax reform, we should see continued economic growth into 2018.

Labor Market

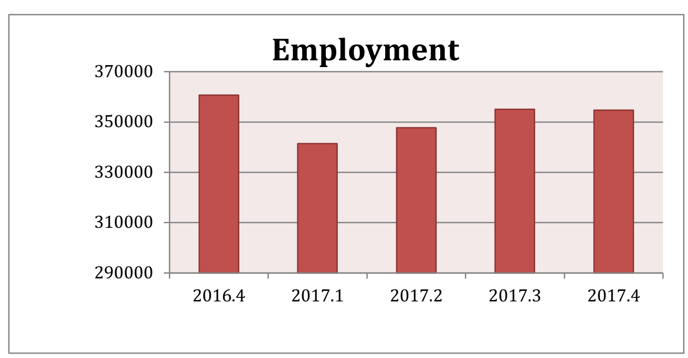
We adjust published data in three ways. Firstly, we averaged monthly data to calculate quarterly data. Secondly, we recalculated quarterly data to take into account workers employed in the "informal" market (i.e., self-employed labor and those who work outside their county of residence). Finally, we adjusted quarterly data for the effects of seasonal variations.

Labor Force -The civilian labor force decreased by 5,633 members from 390,300 in the third quarter of 2017 to 384,667 in the fourth quarter of 2017. It appears that the increase in the labor force seen in the third quarter of 2017 has been the recent anomaly, as the labor force in Kern County has declined consistently since the third quarter of 2016.

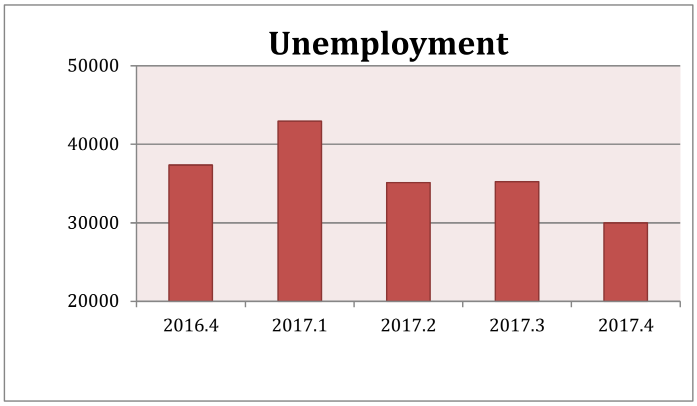
A large part of the decrease, however, may be seasonal, as farmworkers tend to migrate outside the County during the fourth quarter as jobs become more scarce.



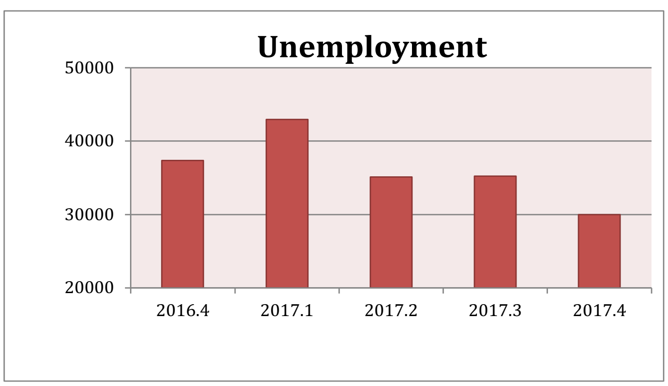
Employment – In the fourth quarter of 2017, Kern County hired 433 fewer workers as total employment decreased from 355,100 in the third quarter of 2017 to 354,667 in the fourth quarter of 2017. With a fall of over 5,000 individuals in the labor force, this indicates that much of the employment losses were concentrated in seasonal employment, rather than permanent employment, indicating that this is solely a seasonal trend. It will be important to monitor employment in the first quarter of 2018, as this will indicate whether the employment losses are tied to expectations of income growth in the area.



Unemployment – In the meantime, 5,233 fewer workers were unemployed, as the number of jobless workers decreased from 35,233 to 30,000. Coupled with the decrease in the labor force, this again indicates that the largest job losses are concentrated in seasonal employment, which in Bakersfield indicates the farm sector.



Unemployment Rate – Encouragingly, Kern County's unemployment rate fell again, reaching a point not seen since 2007. Though the unemployment rate will have fallen in large part due to the fall in the labor force, the sizable decrease in the number of unemployed indicates that long-term job prospects for non-season (private) workers in Kern County is bright entering 2018. This means that the unemployment rate fell by 1.2-percentage points between the third and fourth quarters of 2017.



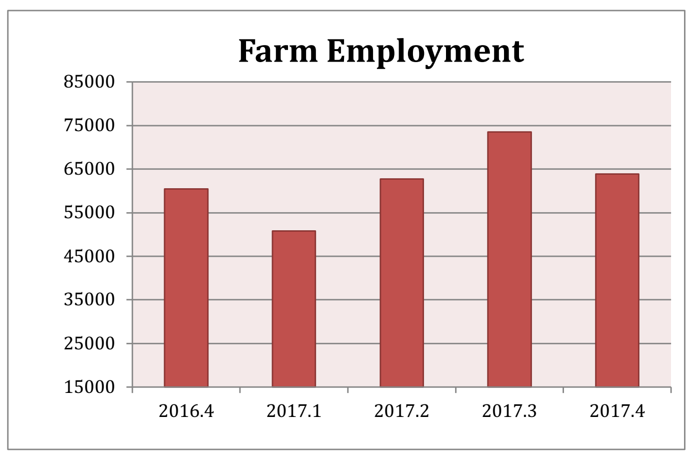
The rate of unemployment varied considerably across cities. Among cities shown below, the unemployment rate varied between 5.03 percent in Taft to 18.70 percent in California City. All cities in Kern County showed a decrease in the unemployment rate, with the biggest decreases occurring in Mojave and McFarland. In Bakersfield, the rate of unemployment was 6.97 percent, a decrease of 1.07-percentage points from the third quarter of 2017.

Unemployment Rate of Cities

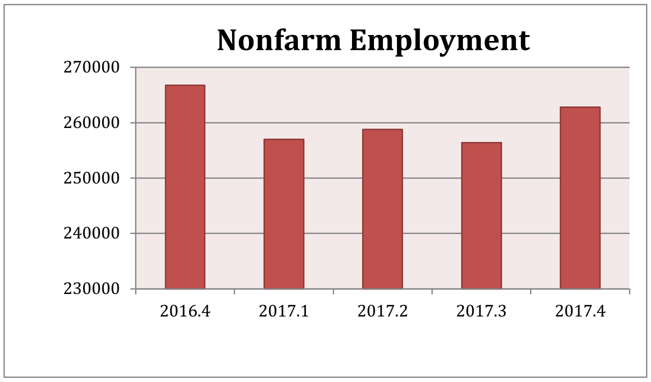
Location	Unemployment Rate (%)	Location	Unemployment Rate (%)
KERN COUNTY	7.80	Edwards	8.10
Taft	5.03	Rosamond	8.67
Ridgecrest	5.20	Oildale	8.93
Tehachapi	5.93	Arvin	9.10
Lamont	6.50	Delano	9.40
Frazier Park	6.63	Wasco	10.37
Shafter	6.67	McFarland	12.27
Bakersfield	6.97	Mojave	13.10
Lake Isabella	7.00	California City	16.40

Note: City-level data are not adjusted for seasonality and "informal" market workers.

Farm Employment – In the fourth quarter of 2017, Kern County hired 9,700 fewer farm workers. As a result, farm employment decreased from 73,533 to 63,833. Though this is the cyclical nature of farm employment, this accounts for nearly all of the decrease in the labor force and number of unemployed in the County, as nearly all of the farmworkers who lost jobs have left the County. Importantly, this number is still 3,400 higher than the fourth quarter of 2016, indicating that farmers in Kern County are anticipating a busy growing, planting, and harvesting season ahead.

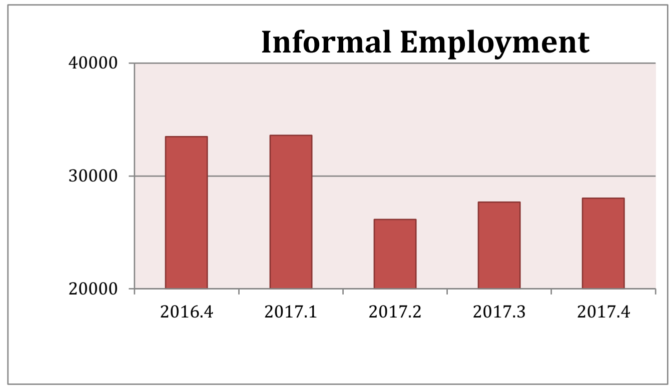


Nonfarm Employment –Local nonfarm industries employed 6,400 more workers this quarter. Hence, the number of nonfarm workers increased from 256,400 to 262,800. Conversely, nonfarm industries hired 3,967 fewer workers than four quarters ago. This indicates that the downswing we faced in 2017 in economic activity is mitigating, and that employment prospects for a wide variety of industries in Kern County not tied to resource or agricultural abundance are thriving.

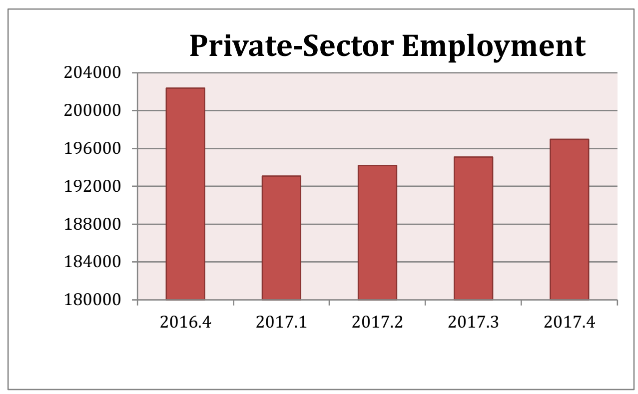


In Bakersfield, much of the increase in nonfarm employment came from a few sectors: service providing (6,700 workers), trade, transportation, and utilities (1,267 workers), retail trade (1,200 workers), general merchandise stores (767 workers), and health care and social assistance (933 workers). The growth in retail trade and health care are important indicators for expectations of future labor market growth, as these industries thrive on consumer spending.

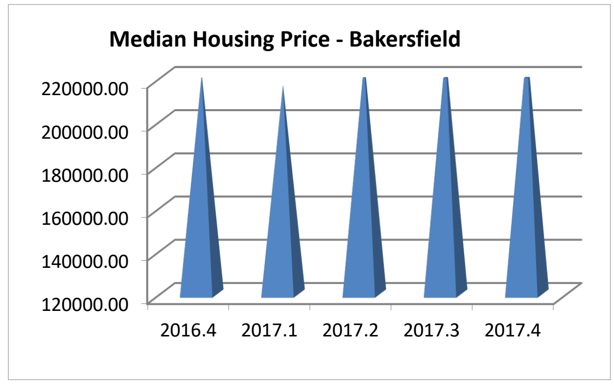
Informal Employment - Informal employment is the difference between total employment and industry employment. It accounts for self-employed workers and workers employed outside their county of residence. In the fourth quarter of 2017, the number of informal workers increased by 366 workers, 27,667 to 28,033. Conversely, there are 5,467 fewer informal workers compared to the fourth quarter of 2016. This is intriguing, as much of the informal employment happens in the farm sector. The fact that farm employment fell significantly but informal employment increased slightly indicates that a number of industries are perhaps finding alternative ways to employ individuals with the anticipated minimum wage increases that will continue into the 2020's.



Private-Sector Employment - Nonfarm employment is comprised of private-sector employment and public-sector employment. In the fourth quarter of 2017, private companies hired 1,867 more workers as their employment increased from 195,100 to 196,967. Conversely, the private sector employed 5,433 fewer workers this quarter than four quarters ago. This hints that 2017 may be viewed as a period of depressed economic growth in Kern County, and that we are recovering from this trough.

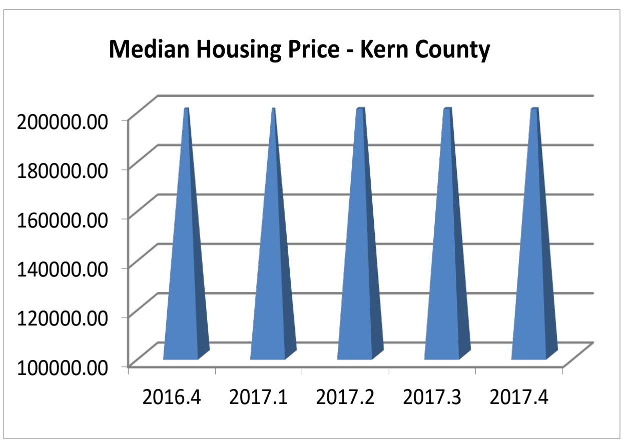


Public-Sector Employment – The public sector consists of federal, state, and local government agencies. The local government labor market includes county and city agencies and public education. In the fourth quarter of 2017, government agencies hired 4,533 more workers as their employment increased from 61,300 to 65,833, the highest that public sector employment has ever been in Kern County. This indicates that Sacramento is perhaps bucking trends at the federal level, and choosing to employee more public servants at the state and local levels in anticipation of what they view as unfavorable federal policies.



Housing Market

Housing Price - In the fourth quarter of 2017, Kern County's housing prices decreased slightly, by $2,000. Coupled with the massive increases in labor incomes in Kern County, this perhaps indicates that workers who are benefitting from income increases already have purchased homes, are paying down incurred debts from the 2017 fiscal year, or are saving up for the requisite down payment on a new home. Prices are still $8,333 higher than four quarters ago. Part of the recent decrease could also be tied to individuals moving into the holiday season and foregoing purchases until after this spending season is over.

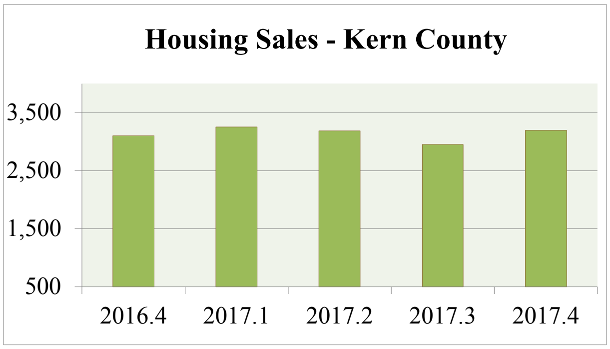


In Bakersfield, the median housing price increased in price by $3,000 (or 1.29 percent) from the third quarter of 2017, which hints that some of the increased labor incomes are being utilized in the metropolitan area of Kern County for housing. However, with limited supply increases, this means that demand pressures outweigh supply-side responses, indicating that housing prices will rise in general.

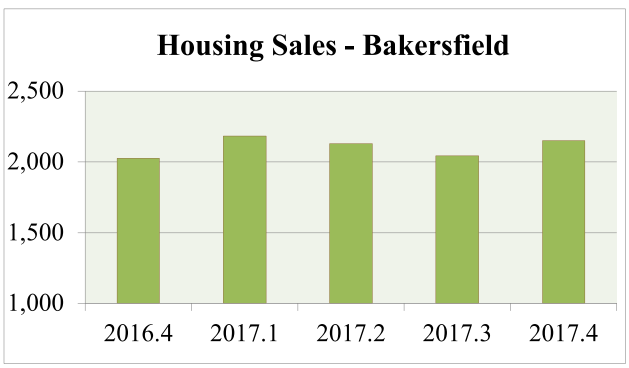
Housing prices varied across the county. Within the previous four quarters (2016 fourth quarter to 2017 fourth quarter), the median sales price increased in most of the major cities of Kern County, except California City and Delano. In dollar value, Ridgecrest had the largest price increase of $15,500.

Location	Median Price 2017.4	Median Price 2016.4	Price Change 2016.4 to 2017.4	% Price Change 2016.4 to 2017.4
Kern County	220,000	211,666	$8,333.33	3.9%
Bakersfield	235,000	221,500	$13,500.00	6.1%
California City	120,300	126,416	-$6,116.67	-4.8%
Delano	169,000	182,083	-$13,083.33	-7.2%
Ridgecrest	195,000	179,500	$15,500.00	8.6%
Rosamond	234,000	233,000	$1,000.00	0.4%
Taft	101,000	97,333	$3,666.67	3.8%
Tehachapi	255,000	248,833	$6,166.67	2.5%

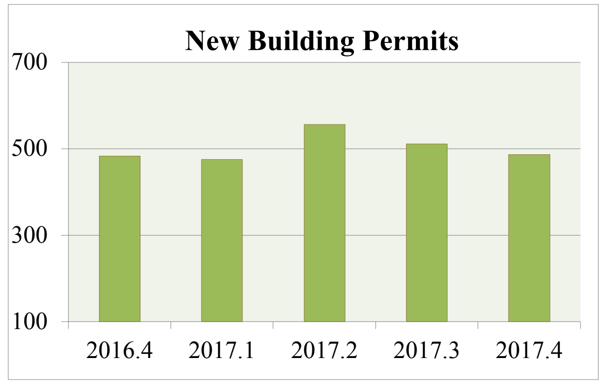
Housing Sales – In the fourth quarter of 2017, prices decreasing in Kern County from the prior quarter was accompanied by a large increase in sales, hinting that individuals may be taking advantage of depressed housing prices in the more rural areas of Kern County. In Kern County, 249 more homes were sold as total sales increased from 2,952 to 3,201. Compared to four quarters ago, there are 95 more units being sold. This indicates that some of the higher labor market incomes are being translated into home purchases, as the marginal renter chooses to purchase a home. This is an important phenomenon, as home purchasing should typically slow during the fourth quarter of a year, as households save for the high levels of spending typically found during the holiday season.



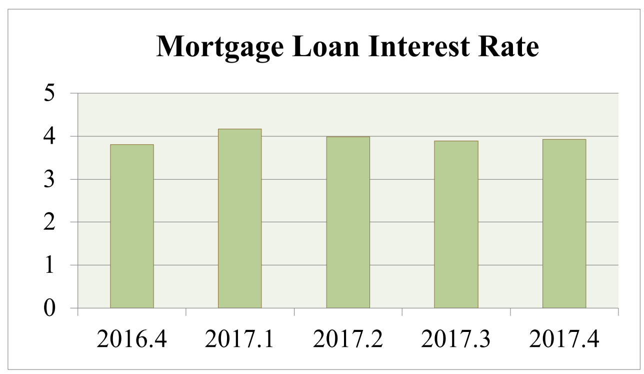
In Bakersfield, sales of residential units increased by 108 units, from 2,043 in the third quarter of 2017 to 2,151 in the fourth quarter. Thus, a majority of the housing sale increase was located outside of the major city in Kern County, indicating that many labor market participants outside of Bakersfield are seeing income increases and taking advantage of the depressed housing prices in rural areas of Kern County. There were 124 more houses bought this quarter, compared to the fourth quarter of 2016.



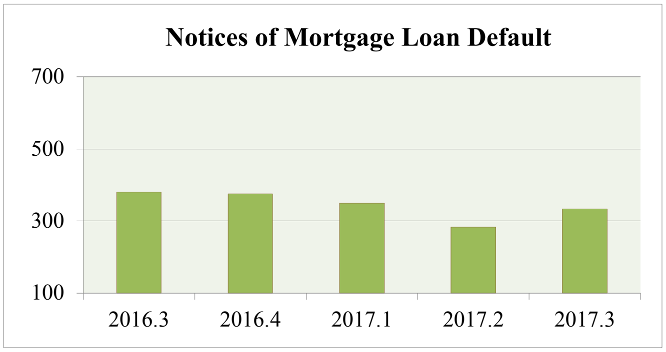
New Building Permits – In the fourth quarter of 2017, Kern County issued 25 fewer permits for construction of new privately-owned dwelling units compared to the third quarter of 2017, issuing 486 total permits (where there were 556 permits issued in the second quarter of 2017). The county issued 483 four quarters ago, showing that expectations for future housing growth is mitigating, as there may be a surplus of properties available in more rural areas of Kern County that are attracting the marginal buyer with low prices.



Mortgage Interest Rate – In the fourth quarter of 2017, the interest rate on thirty-year conventional mortgage loans increased from 3.87 percent to 3.92 percent. This indicates that home purchasing numbers may fall, and may indicate why new building permit numbers will fall, as the cost of borrowing for long-term housing projects is increasing. Coupled with increases in inflation at the national level, the Federal Reserve may increase the Federal Funds Rate in the nearby future, which would put further upward pressure on mortgage interest rates.

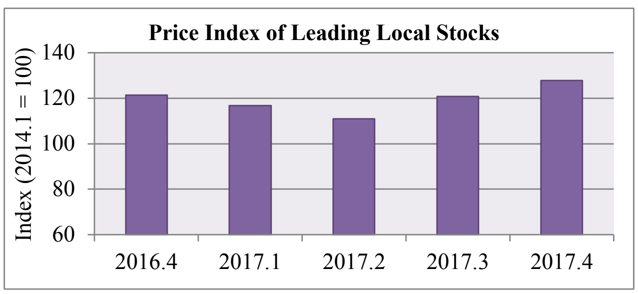


Housing Foreclosure Activity – Kern County saw a slight downtick in foreclosure activity, as the number of new foreclosures decreased by 3 foreclosures from the third quarter of 2017, to 330 new foreclosures in the fourth quarter of 2017. This number is also 45 units lower than four quarters ago. This hints that most of the at-risk homeowners in Kern County have either left the area or undergone foreclosure, indicating that most homeowners in Kern County are on solid financial footing. This correlates to the increased economic activity in the service providing sector in Kern County, as employment growth in this sector would largely occur if consumers had enough disposable income.

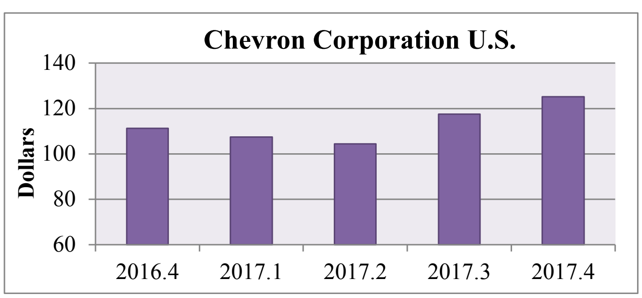


Stock Market

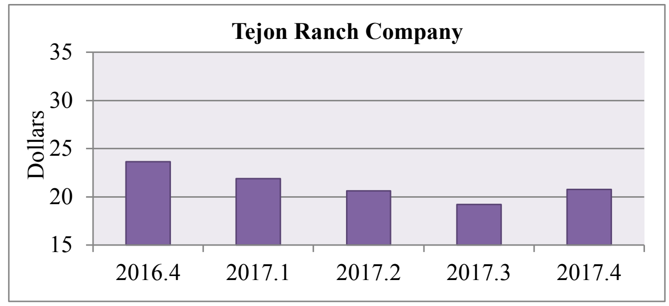
In the fourth quarter of 2017, the composite price index (2014.1=100) of the five publically traded companies doing business in Kern County increased significantly for the second consecutive quarter, increasing by 6.9 percentage points from the previous quarter, from 120.9 to 127.8. The index is also 6.4 percentage points higher than that of four quarters ago. Average "close" prices were measured for five local market-movers: Chevron Corporation U.S., Tejon Ranch Company, Granite Construction, Wells Fargo Company, and Sierra Bancorp.



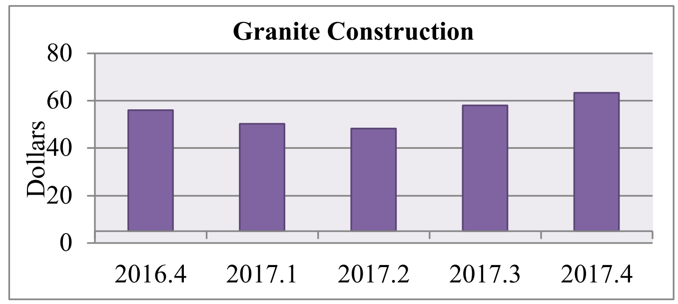
Chevron Corporation U.S.: CVX gained $7.69 (or 6.5 percent) per share as its price increased from $117.50 to $125.19. Relative to the fourth quarter of 2016, CVX was up $13.84 (or 12.4 percent).



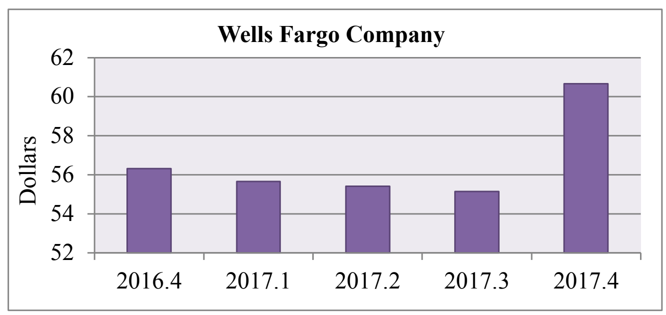
Tejon Ranch Company: TRC gained $1.56 (or 8.1 percent) per share as its stock price increased from $19.20 to $20.76. Conversely, TRC was down $2.87 (or 12.1 percent) relative to the fourth quarter of 2016.



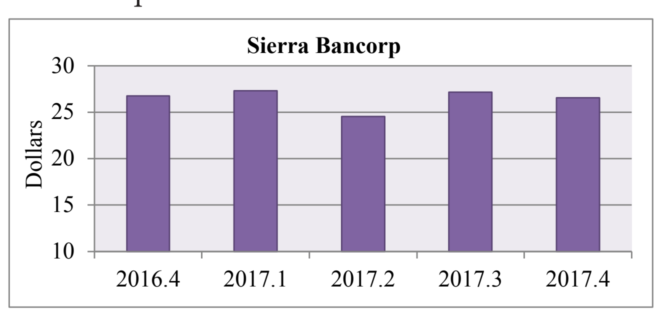
Granite Construction: GVA gained $5.48 (or 9.5 percent) per share as its stock price increased from $57.95 to $63.43. Similarly, GVA has gained $7.30 (or 13.0 percent) since the fourth quarter of 2016.



Wells Fargo Company: WFC gained $5.52 (or 10.0 percent) per share as its stock price increased from $55.15 to $60.67. Relative to one year ago, WFC is up $4.34 (or 7.7 percent).

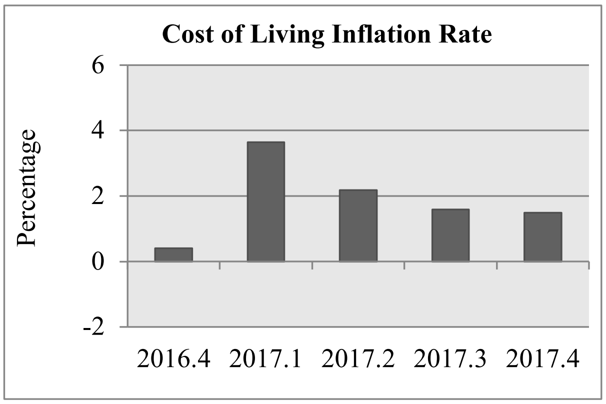


Sierra Bancorp: BSRR lost $0.59 (or 2.2 percent) per share as its price decreased from $27.15 to $26.56. Similarly, BSRR has lost $0.20 (or 0.7 percent) since the fourth quarter of 2016.

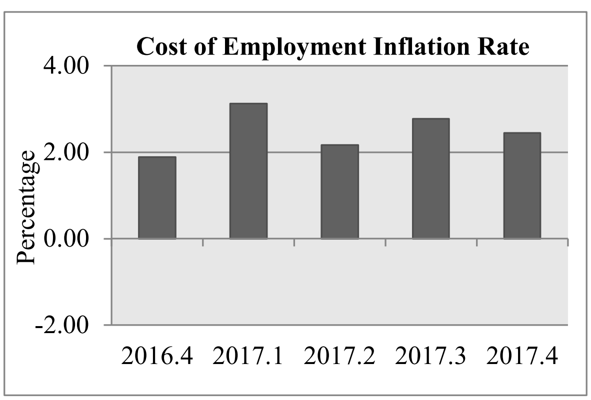


Inflation

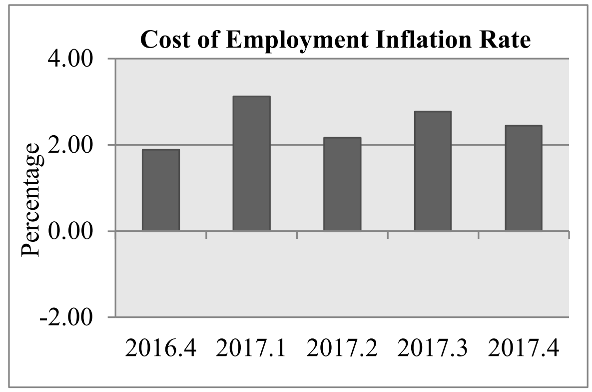
Cost of Living – In the fourth quarter of 2017, the Consumer Price Index for all urban areas (1982-84 = 100) increased slightly from 245.71 to 246.62. As a result, inflation for the cost of living increased at an annual rate of 1.48 percent. The cost of living inflation rate was 1.59 percent last quarter and 0.40 percent a year ago.



Cost of Production – The Producer Price Index for all commodities (1982 =100) increased from193.9 to 195.67. As a result, the cost of production increased at an annual rate of 3.64 percent. The cost of production inflation rate was 1.45 percent last quarter and 3.38 percent four quarters ago.

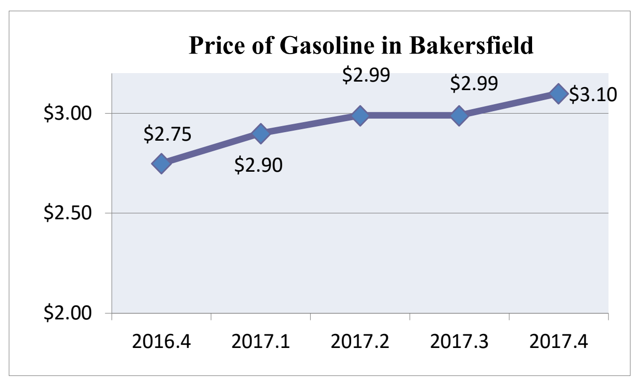


Cost of Employment - The Employment Cost Index (December 2005 = 100) for all civilian workers increased from 130.6 to 131.40. As a result, the cost of employment grew at an annual rate of 2.45 percent. The cost of employment inflation rate was 2.78 percent last quarter and 1.88 percent four quarters ago.

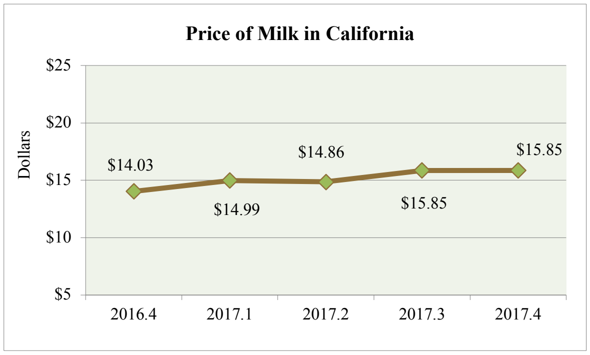


Commodity Prices

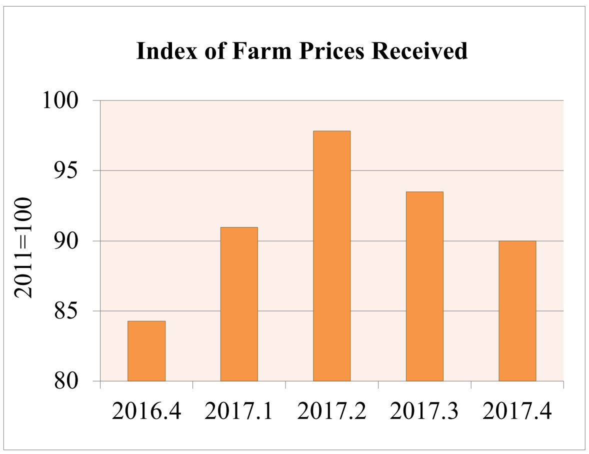
Price of Gasoline - In the Bakersfield metropolitan area, the average retail price increased by $0.11, rising to $3.10. Most of the gasoline rise is attributed to the new gasoline tax in California, as consumers are finally feeling their share of the tax burden. This is during a time when the “winter blend” of gasoline should be lower in price, so this increase is opposite of what we have seen in the fourth quarter of previous years. In fact, compared with the fourth quarter of 2016, fuel prices are $0.35 higher.



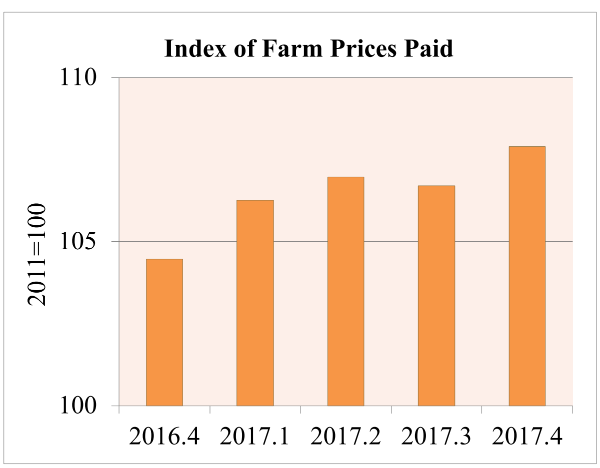
Price of Milk – The unit price of California’s Class III milk did not change from the third quarter of 2017, remaining at $15.85. Noticeably, the price fell from $16.56 in November to $14.44 in December. Even more noticeably, the price is $1.82 higher (13.2-percent higher) in this quarter than four quarters ago.



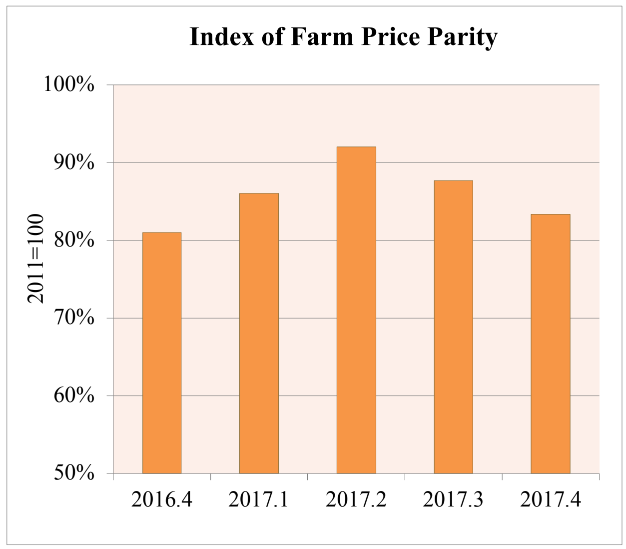
Farm Prices – In the fourth quarter of 2017, the national Index of Prices Received by Farmers for all farm products (2011 = 100) fell substantially, falling by 3.5 percentage points from 93.5 to 90.0. The index was 84.3 four quarters ago.



Meanwhile, the national Index of Prices Paid by Farmers for commodities, services, interest, taxes, wages, and rents increased slightly by 1.2 points to reach 107.9, meaning that farmers are worse off this quarter compared to last. The index was 104.5 four quarters ago.



We measure the Index of Farm Price Parity as the ratio Index of Prices Received to the Index of Prices Paid. In the fourth quarter of 2017, the gap between prices paid and prices received increased substantially, as the Index of Farm Price Parity decreased to 83.3 percent. This hints that costs for farmers are starting to outpace revenue growth, indicating that farmers may not be anticipating the water allotments they may have expected, or that farmworker labor bills are incredibly costly for the average farmer. Four quarters ago, the price ratio was 81.0 percent, meaning that conditions for farmers are still slightly better than they have been in the past few quarters.



[1] Source - Online databases: labormarketinfo.edd.ca.gov, bakersfieldgasprices.com, dqnews.com, economagic.com, bea.gov, bls.com, gpoaccess.gov, dairy.nu, msn.com, census.gov, kerndata.com, and bry.com

Whole Farm Revenue Protection in Kern County

By
California State University, Bakersfield

As with farmers across the country, farmers in Kern County manage risk by a variety of means, including hedging, purchasing crop insurance, and transferring risk through leasing agreements (e.g., leasing land not currently farmed). Crop insurance has become an increasingly employed method to manage risk due to the provision of government premium subsidies, the introduction of revenue insurance, and the expansion in the number of covered crops. Crop insurance is purchased through local private insurers, though the federal government subsidizes the premiums paid by farmers and reinsures the insurance company. The percentage of acres insured in California vary by crop, ranging from 3% for strawberries to 97% for rice. The percentage of acres insured for the major crops in Kern County range from 47% for pistachios to 83% for pistachios.

Although the number of covered crops has increased substantially over the years, some crops are still not covered or are not grown in sufficient quantities to qualify for any crop insurance plan. These farmers typically rely on ad-hoc disaster payments to offset any substantial yield shortfalls for uninsured crops. Beginning in 2015, the Risk Management Agency (RMA) created a pilot program - Whole Farm Revenue Protection (WFRP) - to insure the revenue generated from crop production on the entire farm, not just production associated with individually-insured crops (e.g., corn, grapes, cherries). Although available to a limited number of counties in 2015, WFRP was extended to all U.S. counties in 2016 (Olen and Wu, 2017).

The program is designed as a supplement to buy-up coverage where the farmer can only insure one or more crops on an individual basis. For example, a farmer who grows 90% of his land in grapes and the remaining 10% in two other crops would now be able to insure all three crops (not just grapes). The insurance applies to any farm that meets the eligibility requirements and which has $ 8.5 million in insured revenue. WFRP covers all commodities except timber, forest, and forest products, in addition to animals for sport, show, or pets (USDA, 2017). In addition, WFRP offers insurance for the cost of replanting up to 20% of expected revenue. (Farm Bureau, 2016). Although there are a number of eligibility requirements (see USDA, 2017), two of the major requirements are that a farmer must provide five years of Schedule F or other farm tax forms (three years if qualified as a beginning farmer) and must not receive Catastrophic (CAT) insurance.

The program is designed to insure (and promote) commodity diversity, so the coverage level increases with the number of commodities covered. For example, the farmer must insure at least three commodities to select a coverage level of 80-85%, while the insurance on two commodities is capped at a 75% coverage level. In addition, the premium subsidy increases with increased coverage levels, with higher subsidy rates for two or more commodities, but with subsidy rates falling for three or more commodities at the 80-85% coverage levels.

The three leading states in the adoption of WFRP (by liability) are Washington, Idaho, and California, with

California having the highest WFRP liability per policy ($ 1,462,379 in 2015-2016). Although the liability (and liability per policy) are high in California, WFRP represents only 0.2% of all crop insurance liability in California (Olen and Wu, 2017).

The following table contains WFRP crop insurance data for Kern County from the RMA Summary of Business Reports (USDA, 2018). Although the number of policies has increased over the period, very few farmers in the county use WFRP. Fresno County farmers have adopted WFRP to a greater extent, with 7 policies ($ 10,789,715 in liability) in 2015 and 28 policies ($ 80,866,540 in liability) in 2017. Most of the major crops in Kern County (almonds, table grapes, and pistachios) are still covered by Actual Production History (APH) insurance, the traditional insurance plan that covers yield (not revenue) shortfalls. Approximately 90% of crop insurance liability in California is through APH or Yield Protection (YP) policies. This high percentage is likely due to the long existence of these programs and the concern over yield (instead of price) variability, probably a function of concerns over drought conditions.

	2015	2016	2017
Number of Policies	2	6	10
Liability ($)	9,823,118	15,894,886	22,996,459
Premium ($)	395,420	675,135	1,072,629
Premium Subsidy ($)	217,841	374,412	661,520
Indemnity Payment ($)	3,648,339	1,092,966	0
Loss Ratio	9.23	1.62	0

It should be noted that indemnity payments were low in 2017 (as with all other insurance products) due to higher levels of rainfall in Kern County. The premium subsidies for WFRP as a percentage of total premium payments in Kern County ranged from around 55% to 62%. This was slightly lower than the national average of 72%, probably indicating that farmers covered fewer crops per policy on average in Kern County.

Although WFRP adoption on the west coast is higher than in the remainder of the country, the slow adoption is thought to be due to insufficient educational efforts on the part of the RMA. "California – the nation's most prolific and diverse farm economy – is a prime candidate for expanded educational efforts because its WFRP participation rates are surprisingly low" (Olen and Wu, 2017). In addition to insuring previously uninsurable crops, the WFRP would promote crop diversification and lower the costs of insuring multiple crops separately. Farmers in Kern County, especially those with diverse farming operations and uninsurable crops, could potentially benefit from this new insurance product.

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The Impact of the Current Minimum Wage Adjustment

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Starting in January of 2018 many states including California as well as some cities will be increasing the minimum wage rate to as much as $15.00 per hour. There has been a mixture of feelings regarding this movement with some business leaders suggesting that small business cannot absorb these new rates while wage increase proponents speak of fairness and economic equity.

In California there is a multi-year schedule to increase the minimum wage from the 2017 rate of $10.50 to the $15.00 per hour amount by the year 2023. Each year a wage increase will occur stepping the minimum wage higher. From 2018 to the cap year of 2023 the minimum wage will index upward by $1.00 per hour.

> *'There are going to be some people who get a raise. And that is the good news part of this. The bad news is there is no new money to pay someone $15.00 an hour, and so the money has to come from somewhere. And one of the places it will come from is from those people who would have gotten hired and won't now. Our estimates are that could be 700,000 people in California, something like 400,000 people in New York.'*
> Douglas Holtz-Eakin, The American Action Forum

Twenty – two cities in California have additional minimum wage ordinances that speed the rate of increase and this is by far the most cities of any state. For example, the Silicon Valley communities of Mountain View and Sunnyvale will hit the $15.00 per hour rate this year. San Francisco will also join this rate if the employer has more than 11 employees.

The Governor is empowered to intervene and pause the schedule for up to one year if significant statewide economic slowdown occurs. The wage increase is expected to impact as many as 2 million workers statewide. California will be the first state to reach the $15.00 per hour minimum wage schedule with New York also being aggressive in this effort.

The Living Wage Calculator for Kern County indicates that the minimum wage adjustment is critical for individual and family well-being. The living wage for one adult is calculated at $10.81 with the poverty rate at $5.00 per hour. For one adult and two children the living wage needed is calculated at $25.11 per hour and the poverty rate at $9.00. In each case the minimum wage of $10.50 is below the living standard. It is important to realize that wages do not equal total income in all cases. Wages are only a component of total income, as other forms of compensation where they exist such as health insurance, training opportunities, reduced prices of goods and services offered by the employer to the employee, uniform provision and sick leave and vacation options are also important

> *'When you look at what it actually takes for someone to have a modest, but decent standard of living in most cities in the United States, you're talking about a wage somewhere around $15.00 per hour. And, actually, if you look at where the federal minimum wage historically was, back in the late 1960's, just in terms of dollar value, it was equivalent of about $10.00 an hour in today's dollars. So. If you are going to phase in a minimum wage increase to get us back to at least where we were in the 60's, and you're looking out four or five years, you have got to set the target somewhere in the range of $11.00, $12.00, $13.00 to account for the fact that there is going to be inflation over that time period that is going to eat away at that value.'*
> David Cooper, The Economic Policy Institute.

The federal minimum wage rate was initiated in 1938 with the establishment of the Fair Labor Standards Act. This rule set the minimum wage rate for employees engaged in interstate commerce. In 1961 an amendment extended the coverage to employees of large retail and service enterprises as well as local businesses. In 1966 an amendment extended coverage to state and local government as well as not for profits. The Department of Labor oversees the Fair Labor Standards Act and current protections include: (1) ensuring the federally approved minimum wage rate for all employees, (2) overtime wage rate benefit policies and assurance of coverage, (3) restrictions on child labor, and (4) various record keeping requirements to ensure employer compliance.

There is much debate at the national level as well as local concern regarding the positive values of increasing minimum wage rates or the negative impact that these rates bring onto business and other employers. The two quotes shared in this article are but examples. Hundreds of research studies, policy analysis reports and other efforts have occurred working to assess the impact of increasing minimum wage rates.

The following is a summary of many of these studies identifying the perceived positives and negatives of the minimum wage adjustments. The magnitude of the recent California minimum wage movement is unprecedented in terms of size. That may impact the implications of some of these research findings and their direct application to California. Political views may also add into the mix and so shades of interpretation by various research and policy interests come into play. Here are seven of the most common arguments for or against the concept of increasing minimum wage rates.

Positive Perceptions and Arguments	Negative Perceptions and Arguments
Raising the minimum wage would increase economic activity and spur job growth. [The Economic Policy Institute; The Federal Reserve Bank of Chicago]	Increasing the minimum wage would force businesses to lay off employees and raise the unemployment rates. [The Congressional Budget Office; The San Francisco Office of Economic Analysis]
Increasing the minimum wage would reduce poverty for the individual worker. [Congressional Budget Office]	Increasing the minimum wage would increase poverty for the worker with dependents. [The Federal Bank of Cleveland]
A higher minimum wage would reduce welfare spending. [The Center for American Progress; The Economic Institute]	A minimum wage increase would hurt business and force companies to close. [2013 Gallup Poll; Forbes Magazine, 2016]
Minimum wages have not kept up with inflation. [The Economic Policy Institute]	Raising the minimum wage would increase the price of consumer goods. [The Federal Reserve Bank of Chicago]
Increasing minimum wage would reduce income inequity. [Organization for Economic Cooperation and Development; The Brookings Institute]	Raising the minimum wage would disadvantage low skilled workers dropping the need for the lower skilled worker. [The Cato Institute]
Increasing the minimum wage would increase worker productivity and reduce employee turnover. [The Federal Reserve Bank of Chicago]	Minimum wage increases would increase the movement for automation of the work of low skill workers. [Oxford University]
The current minimum wage is not high enough to allow people to afford everyday essentials. [Oxfam America; The Alliance for a Just Society]	The free market should determine minimum wage, not government. [The Small Business Network; The American Enterprise Institute]

Other issues have been articulated but these seven seem to be those of most concern and differences of opinion. In a 2015 nationwide survey by the Public Research Institute, those identified by political affiliation were asked if they support increases in the minimum wage rate. Note what was found: 59% of all those surveyed supported the increases with 84% of Democrats feeling positive and 58% of those identified as Independent also being supportive. Thirty-two percent of those identified as Republicans were supportive of increasing the minimum wage. It can be seen that political platforms differ on this issue.

'We should be raising the minimum wage to make sure that more workers who have been working full-time shouldn't be living in poverty. When you hear folks saying, well if you raise the minimum wage that's going to be fewer jobs - it turns out the states that have raised the minimum wage have had faster job growth then the states that haven't raised the minimum wage.'
-Barack Obama

'The minimum wage has got to go up. But I think that states [not the federal government] should really call the shot. As an example, it is very expensive in New York. You go to other states and its not expensive at all.'
-Donald Trump

Economists have concluded that many of the contradictory findings in the minimum wage literature is not necessarily due differences in political leanings, but perhaps more due to the differences in the methodology by which the researchers have gathered their data. This is an important thought to keep in mind as one contemplates this issue.

What are we to conclude? Perhaps these points from the Department of Labor will be helpful:

1. The minimum wage increases have not matched the cost of living index with a loss of buying power of about 25% since 1968.
2. Historically, there has been bipartisan support for regular minimum wage increases. Ten Presidents since 1938 of both parties have approved increases.
3. Many states have, independent of the federal rate, increased the minimum wage with several cities as well increasing the local rate.
4. The majority of Americans support minimum rate increases, though as mentioned, political affiliation makes a difference.
5. Companies large and small have increased the minimum wage rate for their lowest paid workers.
6. Most minimum wage earners are adults rather than youth. Ninety percent of minimum wage earners are 20 years old or older with 50% being women.

The work of John Schmitt [Center for Economic and Policy Research] reminds us that other factors besides the minimum wage impact employment growth. His findings suggest that the following four actions are pivotal when operative: (1) reductions in labor turnover, (2) improvements in operational efficiencies, (3) reductions in the wages of higher earners [known as salary compression], and (4) small price increases. He states, 'Given the relativity small cost to employers of modest increases in the minimum wage, these adjustment mechanisms appear to be more than sufficient to avoid employment losses, even with a large share of low wage earners.'
Many have felt that increasing the minimum wage rate is a positive long term solution for those workers or work sites that require minimal worker skill sets. Others conclude that this effort should be viewed as a short term temporary movement with increasing the education and work skill training of the American work force as the best approach for enhancing worker wages.

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