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CSU Bakersfield

Kern Economic Journal

Winner of the Award for Merit from California Association for Local Economic Development

2018 Fourth Quarter

Featured Article:

Trade Wars and Central Valley Agriculture

Executive Communication: Dealing with the Difficult Employee

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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!

2018 Fourth Quarter
by Dr. Nyakundi M. Michieka and
Dr. Richard S. Gearhart III

National Economy [1]

The U.S. economy grew at an annual rate of 2.6 percent in the fourth quarter of 2018, compared to 3.4 percent in the third quarter. The Bureau of Economic Analysis (BEA) reported that the increase in GDP reflected positive contributions from personal consumption expenditures, nonresidential fixed investment, exports, private inventory investment and federal government spending. These were offset by negative contributions from residential fixed investment, and state and local government spending. Imports continued to increase after increasing in the third quarter of 2018, though the increase was less. The slowdown in real GDP growth reflected deceleration in private inventory investment, and federal government spending, along with a downturn in spending at the state and local government. These movements were offset by an uptick in exports and an increase in nonresidential fixed investment.

Current dollar personal income increased $225.1 billion in the fourth quarter compared to an increase of $190.6 billion in the third quarter. Real disposable personal income, which is adjusted for inflation and taxes, increased by 4.2 percent in the fourth quarter of 2018, compared with an increase of 2.6 percent in the third quarter. Personal saving was $1.06 trillion in the fourth quarter compared to $996 billion in the third quarter. The BEA derives the personal saving rate by calculating personal saving as a percentage of disposable personal income. The personal saving rate in the fourth quarter was 6.7 percent, up from 6.4 percent in the third quarter.

The Conference Board's Index of Leading Economic Indicators – a measure of future economic activity – declined 0.1 percent in December to 111.7 after rising 0.2 percent in November and declining by 0.3 percent in October. At the time (before the government shutdown), the economy had been projected to decelerate towards 2 percent growth in 2019.

The University of Michigan's Consumer Sentiment Index decreased from 98.6 in October of 2018 to 98.3 in December of 2018. The quarterly value for the fourth quarter of 2018 was 98.2 compared to 98.1 in the third quarter of 2018. The index did not change much between the first (98.9) and fourth (98.2) quarter of 2018.

State Economy [2]

In California, the unemployment rate fell again in the fourth quarter of 2018 to 4 percent, down from 4.17 percent in the third quarter of 2018. Among counties, San Francisco (2.2 percent), Santa Clara (2.4 percent), Orange (2.8 percent), San Luis Obispo (2.8 percent), San Diego (3.2 percent), Sacramento (3.7 percent), Los Angeles (4.6 percent), and Riverside (4.1 percent) had unemployment rates below the state average. In contrast, San Joaquin (6.1 percent), Fresno (7.5 percent), Kings (8.2 percent), and Kern (7.6 percent) had unemployment rates above the state average.
The state's civilian labor force gained 155,733 members, where 152,067 more employees had paying jobs (employed) and 3,667 fewer were left jobless (unemployed). While nonfarm industries hired 82,400 more workers, farming enterprises employed 8,967 more workers. The mining and logging, construction and manufacturing sectors hired 167, 5,200 and 7,867 more workers, respectively, while the service sector added 69,167 workers. Other sectors adding jobs include professional and business services (29,967) and leisure and hospitality (16,333). The retail trade sector lost 11,933 jobs while education services saw 4,333 less workers.

Local Economy

The local economy saw a modest increase in the labor force, rising from 386,500 in the third quarter of 2018 to 388,033 in the fourth quarter of 2018. This increase in labor force is smaller than that experienced between the second to third quarter. The second to

[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.

[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.

third quarter saw labor force increase by 4,433 while the third to fourth witnessed a 1,533 increase. A large part of the increase, however, appears to be seasonal, as the number of farmworkers decreased by 6,000 and service providing went up by 6,700. In the fourth quarter of 2018, a total of 64,367 workers were hired in the farming sector compared to the 70,367 in the third quarter. Service sector employees increased from 223,567 to 230,267 during that period.
The unemployment rate varied between 3.13 percent in Ridgecrest to 15.33 percent in Delano. All cities in Kern County showed a decrease in the unemployment rate except Ridgecrest city which saw unemployment stay at the same rate as the second quarter of 2018. The biggest quarter to quarter decrease in unemployment occurred in Delano going from 17.6 percent to 15.3 percent. In Bakersfield, the rate of unemployment was 5.13 percent, a decrease of 0.60 percentage points from the third quarter of 2018.

In the fourth quarter of 2018, the median home price in Bakersfield was 238,917 compared to 245,000 in the third quarter. This indicates that the median price is back to where it was in the first and second quarter of 2018, and the temporary increase that occurred in the third quarter of 2018 was an isolated case. Home prices are $1,916 higher than four quarters ago.

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) fell by 14 percentage points from 116.6 to 100.3. The index is 21.5 percentage points lower than that what it was four quarters ago. All companies lost as follows: Chevron (decreased 11-percent quarter-over-quarter), Tejon Ranch (decreased 23.6-percent quarter-over-quarter), Granite Construction (decreased 11.9-percent quarter-over-quarter), Wells Fargo (decreased 12.3-percent quarter-over-quarter and Sierra Bancorp (decreased 15.1-percent quarter-over-quarter).

The average retail price of gasoline decreased by $0.11 to $3.52. This mild decrease in gasoline prices stems from the decrease in crude prices as a result of decreased demand from consumers. The unit price of California's Class III milk fell slightly from the third quarter of 2018, decreasing from $14.25 to $14.85. Noticeably, the price has been on an upward trend from January 2018. The Index of Farm Price Parity fell to 80 percent from 83 percent in the third quarter.

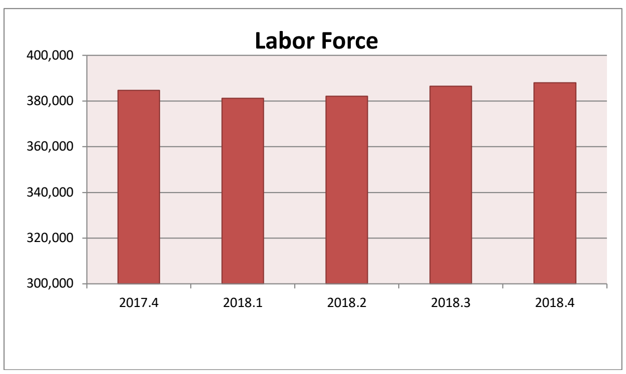
Tracking Kern's Economy[1]

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

Labor Market

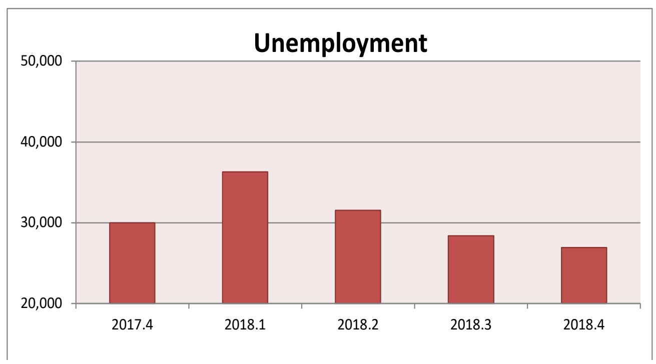
We adjust published data in three ways. Firstly, we averaged monthly data to calculate quarterly data. Secondly, we recalculated quarterly data to take into account workers employed in the "informal" market (i.e., self-employed labor and those who work outside their county of residence). Finally, we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

Labor Force - The civilian labor force increased by 1,533 members from 386,500 in the third quarter of 2018 to 388,033 in the fourth quarter of 2018. The increase in labor force is a change in the trend over the past four years, where we have witnessed a decrease in labor force between the third and fourth quarters. The last time Kern County experienced a growth in labor force was in 2013. In 2017, the labor force dropped by 5,633 between the third and fourth quarter. Perhaps workers possess the skills to perform today's jobs, or are more willing to work in the type of jobs available.

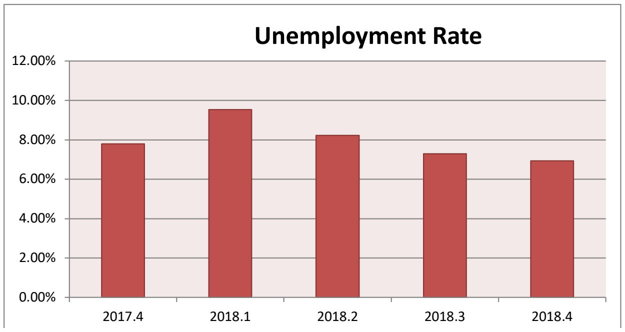


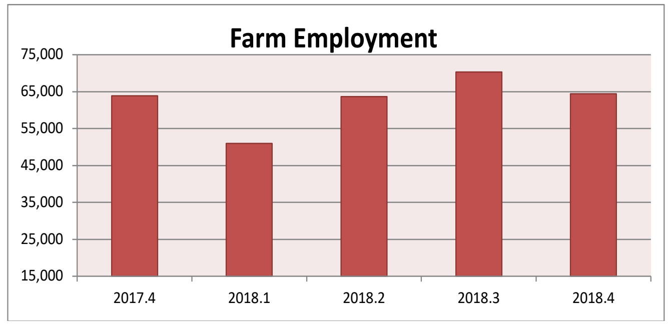
Employment – In the fourth quarter of 2018, Kern County hired 2,933 more workers as total employment increased from 358,167 in the third quarter to 361,100 in the fourth quarter. This is a 1.81 percent increase in employment compared to the third quarter of 2017. The growth rate is similar to that which occurred between the third and fourth quarter of 2013 where employment increased by 2,300.

Unemployment –In the meantime, 1,433 fewer workers were unemployed, as the number of jobless workers decreased from 28,367 to 26,933. The number of unemployed workers dropped by 10.22 percent compared to four quarters ago. In the fourth quarter of 2017, there were 30,000 unemployed workers compared to 26,933 today. Today's numbers are similar to those witnessed in 2013.



Unemployment Rate –Encouragingly, Kern County's unemployment rate fell by 0.37 percentage points. The average unemployment rate in the fourth quarter of 2018 was 6.93 percent, which was the lowest in ten years. The last time Kern County had similar rates was the first quarter of 2007. This continues to paint a positive picture of the economy which once had an unemployment rate of 11.17 percent in the spring of 2017. The current hiring in the service sector may be providing jobs to an already growing economy that has become accustomed to low oil prices.



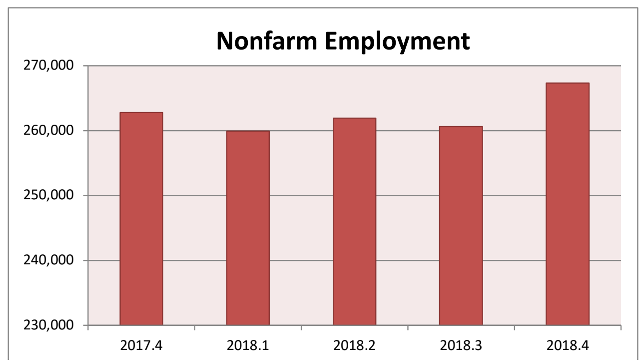


The rate of unemployment varied considerably across cities. Among the cities shown below, unemployment rate varied between 3.13 percent in Ridgecrest to 15.33 percent in Delano. All cities in Kern County showed a decrease in the unemployment rate, except Ridgecrest, which did not experience any change since the third quarter. The biggest quarter to quarter increase in unemployment occurred in Delano going from 17.63 percent to 15.33 percent between the third and fourth quarter of 2018. In Bakersfield, the rate of unemployment was 5.13 percent, a decrease of 0.60 percentage points from the third quarter of 2018.

Unemployment Rate of Cities			
Location	Unemployment Rate (%)	Location	Unemployment Rate (%)
KERN COUNTY	6.93%	McFarland	10.47%
Arvin	7.80%	Mojave	11.63%
Bakersfield	5.13%	Oildale	8.47%
California City	14.80%	Ridgecrest	3.13%
Delano	15.33%	Rosamond	7.80%
Edwards	6.20%	Shafter	7.80%
Frazier Park	5.33%	Taft	3.33%
Lake Isabella	5.33%	Tehachapi	5.07%
Lamont	5.33%	Wasco	12.40%
Note: City-level data are not adjusted for seasonality and "informal" market workers.			

Farm Employment –In the fourth quarter of 2018, Kern County hired 6,000 less farm workers. As a result, farm employment decreased from 70,367 in the third quarter to 64,367 in the fourth. Nonetheless, 533 more workers were hired in the farm sector compared to last year. The number of farm workers employed in the fourth quarter continues to rise despite the drop in the fourth quarter of 2016. The number of workers employed in the fourth quarters of 2014, 2015, 2016, 2017 and 2018 were 43,950, 62,500 60,433, 63,833 and 64,837, respectively.

Nonfarm Employment – Local nonfarm industries employed 6,733 more workers in the fourth quarter of 2018. The number of nonfarm workers increased from 260,633 to 267,367. Conversely, nonfarm industries hired 4,567 more workers than four quarters ago. Since 2016, Kern County has hired an additional ~6,000 workers going into the fourth quarter, and the numbers remain the same in 2018.

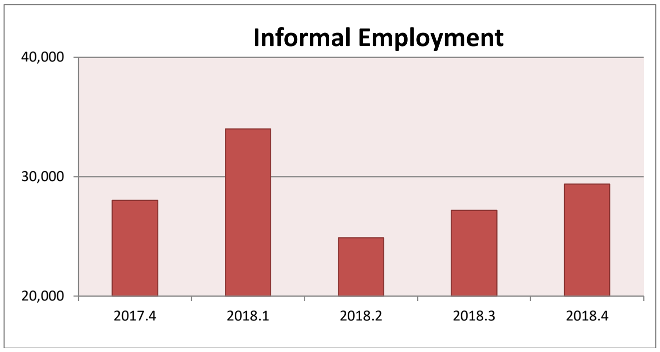


In Bakersfield, much of the increase in nonfarm employment came from a few sectors: private service providing added (2,000 workers), trade, transportation and utilities (1,367 workers), retail trade (1,200 workers), educational and health services (633 workers), general merchandise stores (533 workers), accommodation and food services (333 workers), leisure and hospitality (300 workers), and restaurants (233 workers). These increases were offset by declining employment in the manufacturing (467 workers), administrative support and waste services (233 workers), financial activities (133) and real estate, rental and leasing (67).

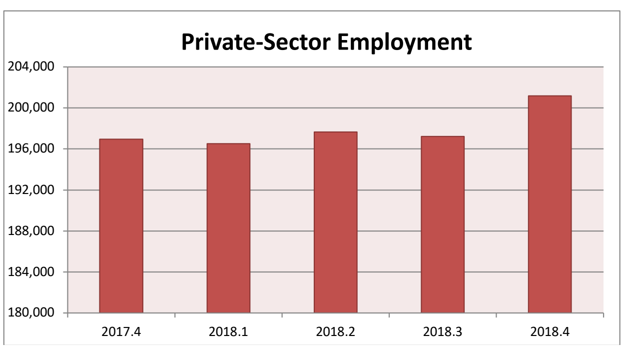
Informal Employment - Informal employment is the difference between total employment and industry employment. It accounts for self-employed workers and workers employed outside their county of residence. In the fourth quarter of 2018, the number of informal workers increased by 2,200 workers (27,167 to 29,367). Compared to the fourth quarter of 2017, there are

1,333 more informal workers. This implies that there is increasing confidence in residents who have sought to create their own jobs.

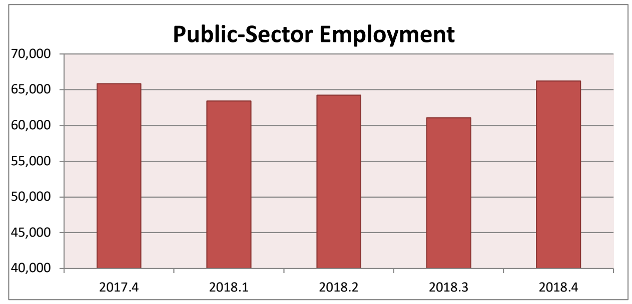
Although Kern County had 29,367 non-informal workers, numbers continue to remain lower than the 30,000 high reached in the second quarter of 2017. The last time numbers were within this range was in 2001.



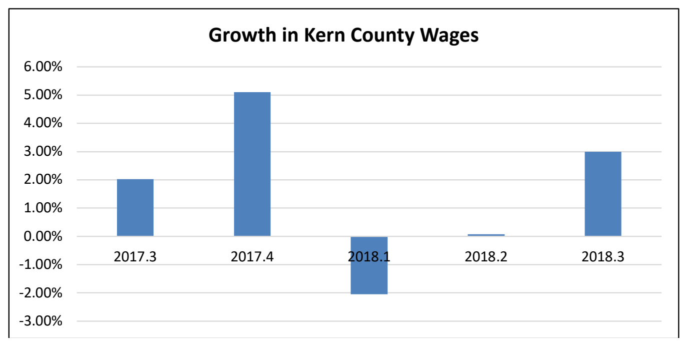
Private-Sector Employment - Nonfarm employment is comprised of private-sector employment and public-sector employment. In the fourth quarter of 2018, private companies hired 3,933 more workers as their employment increased from 197,233 to 201,167. Conversely, the private sector employed 4,200 more workers this quarter than four quarters ago. The figures are at par with those witnessed in the third and fourth quarter of 2016.



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 2018, government agencies hired 5,133 more workers as their employment increased from 61,067 to 66,200 – an 8.41 percent increase. The year to year increase in employment is 0.56 percent.

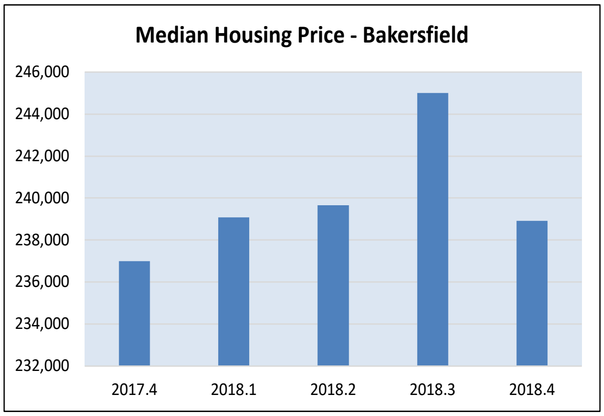


Growth in Salaries and Wages - Salaries and wages in Kern County increased from 3,665,501 (thousand) in the second quarter of 2018 to 3,775,281 (or 2.99 percent) in the third quarter of 2018. Compared to four quarters ago, salaries were higher 217,617 (thousand dollars) or 6.12 percent. The positive growth in salaries in the third quarter of 2018 is similar to that of 2017. Between 2013 and 2018, third quarter growth rates have averaged 3.74 percent, implying that the 2.99 percent growth in salaries is within the five year average.



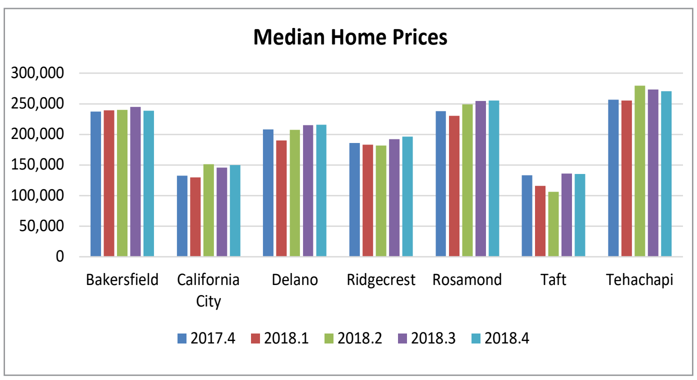
Housing Market

Housing Price - In the fourth quarter of 2018, Bakersfield's housing prices decreased by $6,083 (2.48 percent) compared to the third quarter. The median home price was 238,917 in the fourth quarter compared to 245,000 in the third quarter. This drop in home prices is follows trends that occur between the third and fourth quarter of every year where prices decline due to decreased demand. Price are $1,916 higher than four quarters ago.



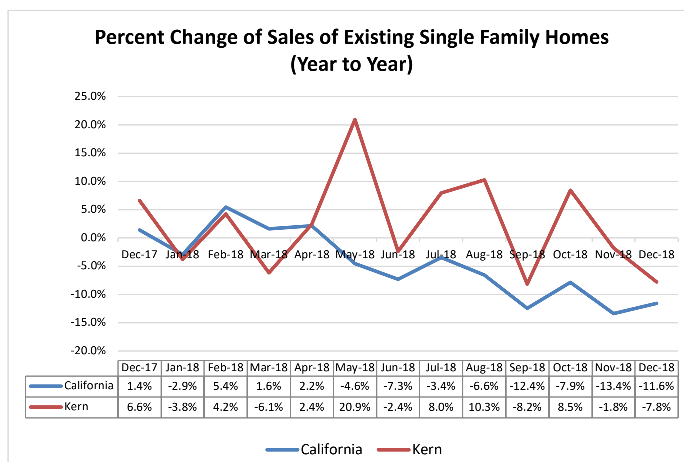
Location	Median Price	Median Price	Price Change ($)	% Price Change
	2017.4	2018.4	2017.4 - 2018.4	2017.4 - 2018.4
Bakersfield	237,000	238,917	1,917	0.81%
California City	132,250	150,000	17,750	13.42%
Delano	208,000	215,667	7,667	3.69%
Ridgecrest	186,000	196,417	10,417	5.60%
Rosamond	238,000	255,333	17,333	7.28%
Taft	133,000	135,250	2,250	1.69%
Tehachapi	256,375	270,333	13,958	5.44%

Regional Housing Prices - The housing demand decreases felt in Bakersfield are likely to spread to the surrounding towns as individuals who are on the margin of buying are likely not located in the Bakersfield MSA directly. Overall, third to fourth quarter increases in home prices occurred in California City (3.1%), Ridgecrest (2.31%), Rosamond (0.33%) and Delano (0.15%). Prices decreased in Tehachapi and Taft.

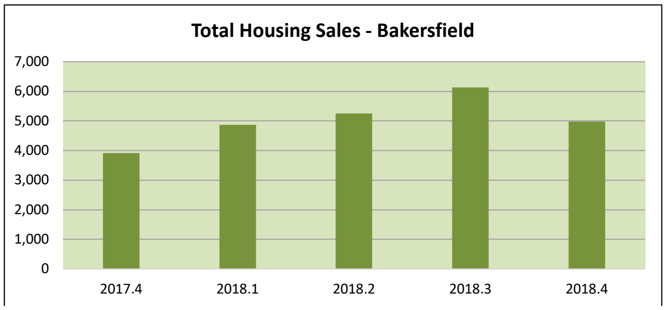


Housing prices varied across Kern County. Within the previous four quarters (2017 fourth quarter to 2018 fourth quarter), the median sales price increased in all of the major cities of Kern County. Most cities recorded double digit increases in prices, with California City witnessing the largest rise in prices. Over the last year, the median home price in California city (150,000) rose by 13.42 percent.

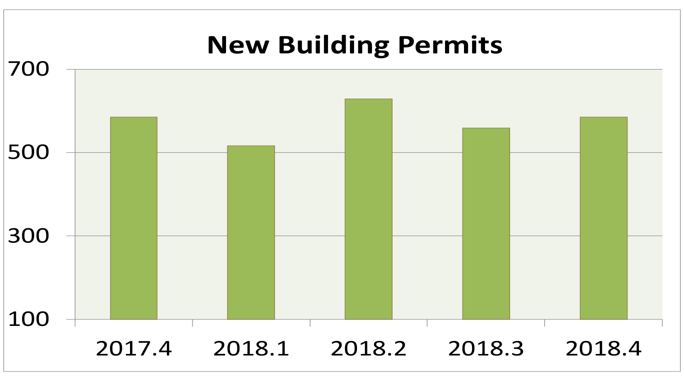
Growth in Housing Sales – We compare growth in sales of existing single family homes in Kern County with growth of sales in California. Positive values indicate that more homes were purchased this year compared to last year. In December 2018, sales of single family homes in Kern County were 7.8 percent less than they were in the previous year, while sales were 11.6 percent lower in California. The 2018 numbers show that home sales in California were lower than the 2017 figures. Average growth in home sales in California between December 2017 and December 2018 was -4.6 percent while the number was 2.4 percent in Kern County. Kern County home prices are lower than California's and the recent demand from consumers from neighboring counties have kept continued to increase demand. Overall, sales in Kern County averaged 7 percent points higher than California.



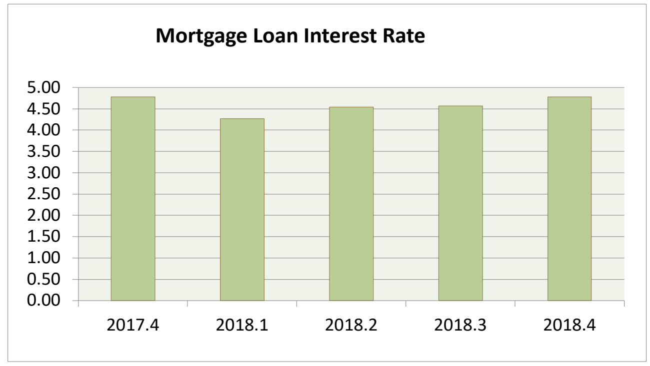
Housing Sales –In Bakersfield, sales of residential units decreased substantially, by 1,158 units, from 6,133 in the third quarter of 2018 to 4,975 in the fourth quarter of 2018. Demand for housing has decreased possibly due to the surge in mortgage interest rates.



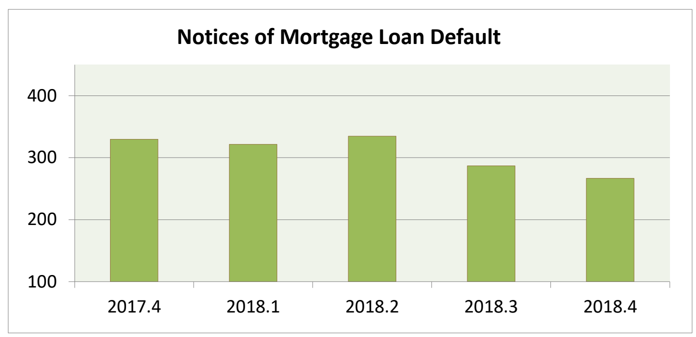
New Building Permits –In the fourth quarter of 2018, Kern County issued 26 more permits for construction of new privately-owned dwelling units compared to the third quarter of 2018. A total of 585 permits were issued this quarter compared to 559 in the fourth quarter of 2018. This increase in permitting indicates a growth in construction plans in Kern County. Nonetheless, the number of permits that have been issued this quarter are identical to those issued in 2017. The 5-year average of permits issued in the fourth quarter is 535.



Mortgage Interest Rate – In the fourth quarter of 2018, the interest rate on thirty-year conventional mortgage loans increased from 4.57 percent to 4.78 percent. Should interest rates rise further, we may witness a decrease in demand for homes, pushing down home prices. The mortgage interest rate is the identical that in the fourth quarter of 2017. The last time mortgage interest rates were higher than this (4.78) was in the first quarter of 2011 when they were 4.85 percent.

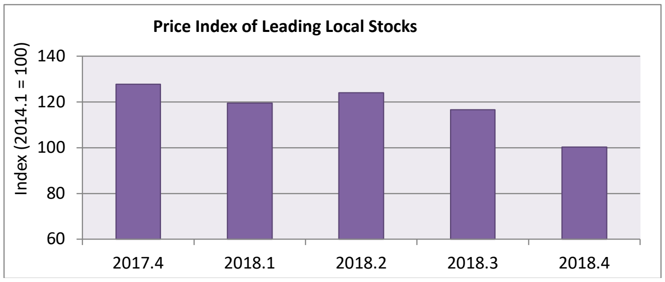


Housing Foreclosure Activity –The downtick in foreclosure activity continued as the number of new foreclosures decreased by 20 foreclosures from 287 in the third quarter of 2018, to 267 new foreclosures in the fourth quarter of 2018. This number is also 63 units lower than four quarters ago. This decrease in foreclosures mirrors national trends. This is a good sign for those employed in the housing industry and construction sectors. The concomitant increase in issuance of new building permits paints an optimistic picture for Kern County.

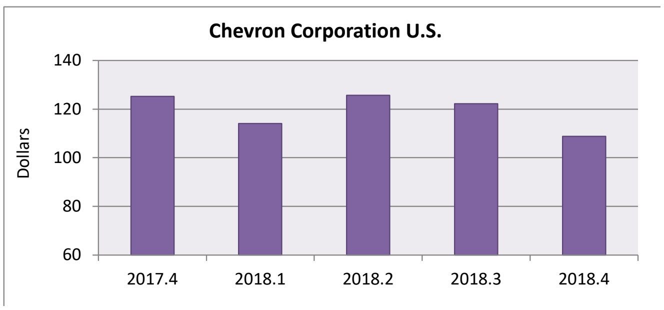


Stock Market

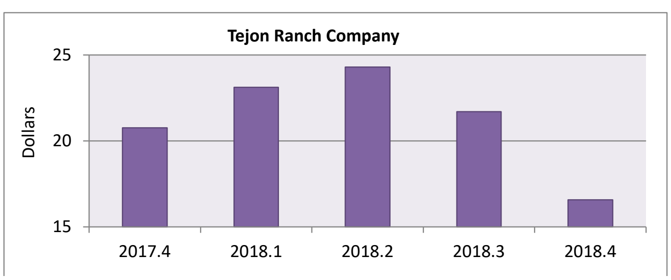
In the third quarter of 2018, the composite price index (2014.1=100) of the five publicly traded companies doing business in Kern County fell by 14 percentage points from 116.6 to 100.3. The index is 21.5 percentage points lower than that what it was four quarters ago. Average "close" prices were measured for five local market-movers: Chevron Corporation U.S., Tejon Ranch Company, Granite Construction, Wells Fargo Company, and Sierra Bancorp.



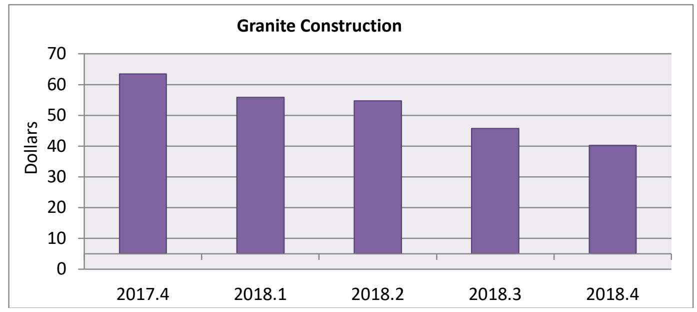
Chevron Corporation U.S.: Compared to the last quarter, CVX lost $13.49 (or 16.4 percent) per share as its price decreased from $122.28 to $108.79. Relative to the fourth quarter of 2018, CVX was down $16.40 (or 13.1 percent).



Tejon Ranch Company: TRC lost $5.13 (or 23.6 percent) per share as its stock price decreased from $21.71 to $16.58 between the third and fourth quarter of 2018. Compared to last year, the TRC stock price is down $4.18 (or 20.1 percent decrease).

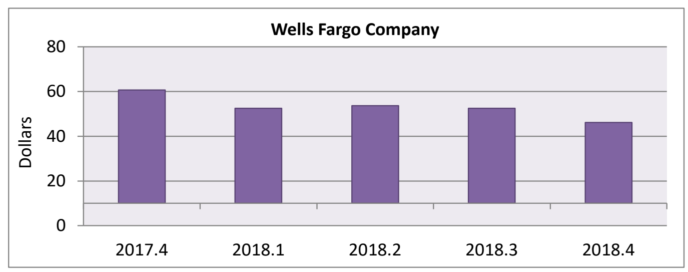


Granite Construction: GVA lost $5.42 (or 11.9 percent) per share as its stock price decreased from $45.70 to $40.28 between the third and fourth quarters of 2018. Similarly, GVA lost $23.15 (or 36.5 percent) over the last four quarters.

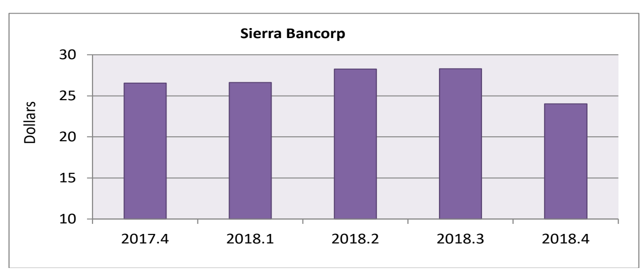


Wells Fargo Company:

Wells Fargo Company: WFC lost $6.48 (or 12.3 percent) per share as its stock price decreased from $52.56 to $46.08 between the third and fourth quarter of 2018. Relative to one year ago, WFC is down $14.59 (or 24 percent).

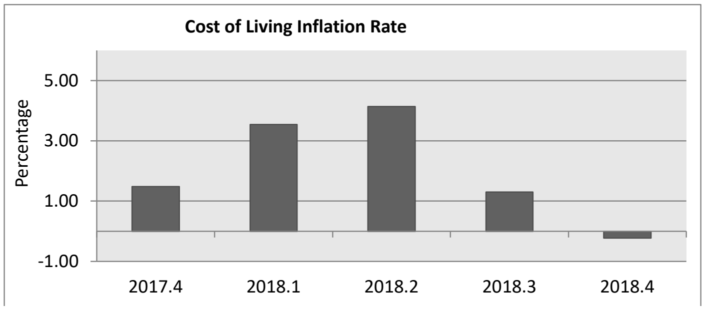


Sierra Bancorp: BSRR lost $4.26 (or 15.1 percent) per share as its price decreased from $28.29 to $24.03. Similarly, BSRR lost $2.53 (or 9.5 percent) since the third quarter of 2018.

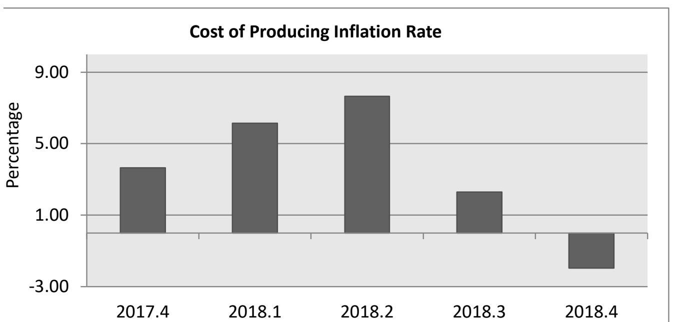


Inflation

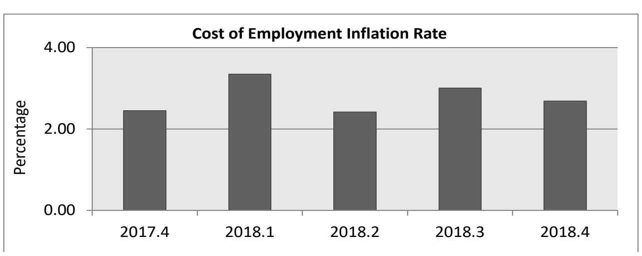
Cost of Living – In the fourth quarter of 2018, the Consumer Price Index for all urban areas (1982-84 = 100) did not change much. Inflation for the cost of living decreased by 0.23 percent. This is good news for the economy, especially with a stable economy and low unemployment numbers.



Cost of Production – The Producer Price Index for all commodities (1982 = 100) did not change between the third and fourth quarter of 2018. As a result, the cost of production decreased at an annual rate of 1.96 percent. The cost of production inflation rate was 2.3 percent last quarter and 3.64 percent four quarters ago.

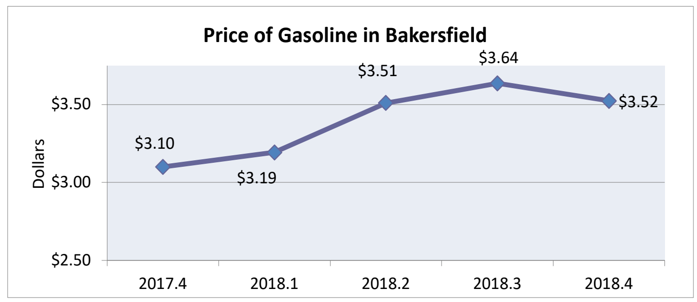


Cost of Employment - The Employment Cost Index (December 2005 = 100) for all civilian workers increased from 134.30 to 135.20. The cost of employment grew at an annual rate of 2.68 percent. The cost of employment inflation rate was 3.00 percent last quarter and 2.45 percent four quarters ago.

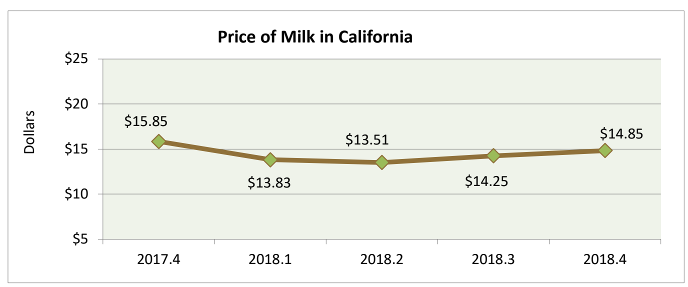


Commodity Prices

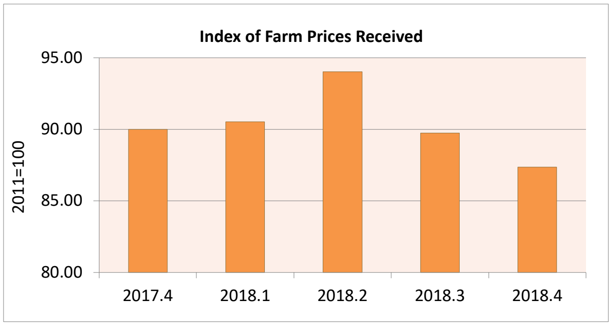
Price of Gasoline - In the Bakersfield metropolitan area, the average retail price of gasoline decreased by $0.11 to $3.52. Prior to October, oil prices had been increasing due to looming sanctions on Iran's crude exports. This downtick in prices may have stemmed from decreased global demand for crude oil. These gasoline prices in Bakersfield are very similar to those experienced in the second quarter of 2015. Compared to four quarters ago, gasoline prices are $0.42 (or 13.7 percent) higher.



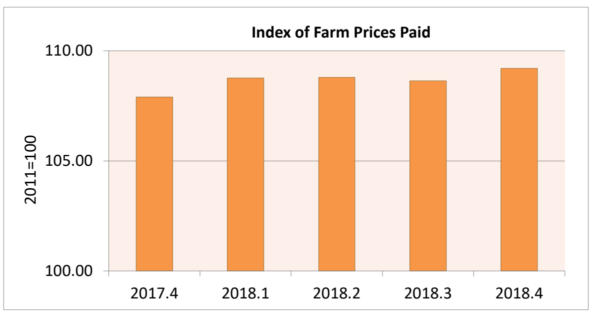
Price of Milk – The unit price of California's Class III milk fell slightly from the third quarter of 2018, decreasing from $14.25 to $14.85. Noticeably, the price has been on an upward trend from January 2018. The price is still $1 less than what it was four quarters ago.



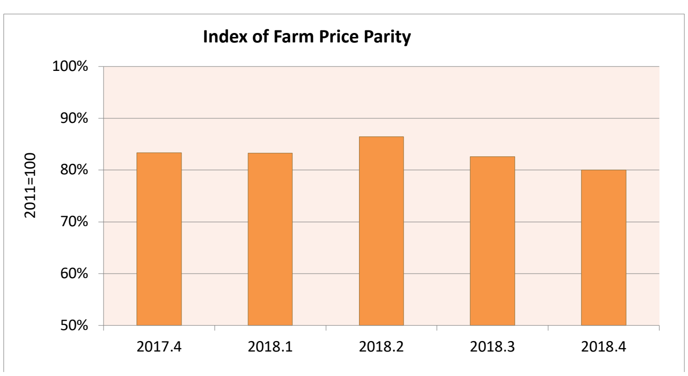
Farm Prices – In the fourth quarter of 2018, the National Index of Prices Received by Farmers for all farm products (2011 = 100) dropped by 2.6 points, to 87.37 compared to 90.00 recorded in the fourth quarter of 2017. This is a slight decrease from the 89.73 points recorded in the third quarter of 2018.



Meanwhile, the National Index of Prices Paid by Farmers for commodities, services, interest, taxes, wages, and rents decreased by 0.52 percent, dropping 0.6 points to reach 109.2, meaning that farmers are better off this quarter compared to last. The index was 107.9 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 2018, the gap between prices paid and prices received decreased slightly, as the Index of Farm Price Parity decreased to 80.2 percent. This parity levels are similar to those witnessed in the last quarter of 2016. Four quarters ago, the price ratio was 83 percent, meaning that conditions for farmers are much worse than they were just a year ago.



[1] Source - Online databases: http://www.labormarketinfo.edd.ca.gov; www.usda.com; www.bakersfieldgasprices.com; www.bea.gov; www.car.org; www.trulia.com; www.census.gov; www.freddiemac.com; https://www.cafmmo.com; www.bls.gov

Trade Wars and Central Valley Agriculture

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Tariffs, taxes imposed on imports from foreign countries, are imposed to protect domestic producers from import competition by raising the price of imported goods. While helping domestic producers, tariffs raise the price that consumers pay for products. When tariffs are imposed unilaterally by the US, the targeted countries usually respond by imposing tariffs on imports from the US. The Trump Administration imposed tariffs on steel and aluminum imports from a number of counties (e.g., China, Canada, Mexico) in the spring of 2018. In addition, the U.S. imposed tariffs on a large number of other goods from China to penalize China for its "unfair trade" practices. In response to this, the impacted countries imposed tariffs on commodities which accounted for 18% of agricultural exports in 2017 (CRS).

There are at least three potential negative impacts on U.S. producers due to the imposition of tariffs by China. First, exports fall as U.S. products become more expensive compared to domestically produced goods in China. Second, prices in the rest of the world fall due to the excess supply created from reduced exports to China. This leads to an overall loss of revenue for U.S. exporters. Finally, long-term trade patterns with China may be eliminated as they look for alternative suppliers. Economists at UC Davis estimate that the loss in revenue for the major crops in California will exceed $ 3.3 billion alone due to the fall in prices as exports are diverted away from China and other tariff imposing countries. Particularly hard hit would be almonds, with a projected loss of revenue of almost $ 1.6 billion (Sumner and Hanon).

While this tariff war could have a large impact on Central Valley farmers, the Trump Administration's decision to withdraw from the Trans-Pacific Partnership (TPP) could have an even bigger impact by eliminating potential income gains for the United States of $ 357 billion by 2030 (Petri, et al.). The larger loss could come from the renegotiation by the eleven remaining countries (e.g., Canada, Japan, Australia), which resulted in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), having gone into effect on December 30, 2018. At a time when tariffs are increased for U.S. exports, they are being reduced for signatories to this new agreement. The reduction in tariffs for the CPTPP countries (with higher tariffs imposed on U.S. producers) could alter trade patterns between the U.S. and its traditional trading partners. In particular, farmers are concerned that U.S. producers may lose a large share of the Japanese market (Schlesinger).

To mitigate against harm due to tariff retaliation, the USDA announced temporary aid programs of up to $12 billion in July of 2018 for farmers impacted by the trade wars. The largest of the programs, the Market Facilitation Program (MFP), provides direct payments of up to $ 9.6 billion (to be disbursed in two rounds) for a number of crops thought to be susceptible to retaliatory tariffs, including soybeans (with over $7.2 billion in payments), cotton, wheat, corn, and sorghum. The only commodities produced in the Central Valley to receive payments were milk and shelled almonds, with a total of $318 million in payments nationally. The other two programs allowed the USDA to purchase and distribute excess supplies ($1.2 billion) and provide assistance in helping farmers find new markets ($200 million). Under the food purchase program, the only crops of major importance to the Central Valley to receive payments are pistachios ($85.2 million) and grapes ($48.2 million) (CRS). The benefits of these assistance programs generally do not go to California or Central Valley farmers, but flow to farmers in the Midwest. While California contributes approximately 15% of US agricultural exports, it will receive approximately 3% of temporary aid program payments. While the tariff wars are likely to continue to harm Central Valley producers (particularly producers of almonds and pistachios) as exports to traditional markets fall, the long-term harm may come from the reduction in tariffs for CPTTP countries that compete with US agricultural exports. Unless favorable trade agreements can be negotiated with each individual importing country, the U.S. may still be at a competitive disadvantage due to the more favorable tariff rates enjoyed by CPTPP countries, even after the current trade wars end. The lack of government aid and the additional impacts of government shutdowns only make the tariffs more painful for Central Valley producers.

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Executive Communication: Dealing with the Difficult Employee

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It is essential that executives foster the highest level of communication skill as they work to led their organization, meet the needs of their customers and clients and inspire their work force. One area that is particularly troubling for supervisors, managers and executives is dealing with the difficult or disruptive employee. These unfortunate moments can stress the very best of what we have in our communication toolbox.

The difficult or disruptive employee can be found in all types of work settings and the executive must approach this type of employee with professionalism and forethought exactness. The difficult employee might be one who: makes rude, condescending, insulting and demeaning statements to or about others; uses angry and hostile tones in their speech; shouts or slams doors when displeased; berates staff and collogues in front of others; shows insensitive, curt and disrespectful treatment of peers, staff, customers and clients; is verbally abusive toward others; attacks immediately if criticized or questioned; threatens litigation when displeased or challenged; distains authority and believes that rules do not apply to them; regularly is the source of many issues, that if taken singly would be of limited relevance, but when taken together becomes highly significant.

An inexperienced executive might conclude that the difficult employee is to be fired - and to do so - immediately. However, experience teaches that there are a number of considerations that may come into play. The issues of possible legal protections, union and collective bargaining contracts, organizational policies and procedures, professional codes of conduct, employee rights and protections, grievance and appeals processes and the whole area of employee disciplining strategies are to be considered.

One source of resolution is the conflict communication skills of the executive. We know that this type of employee attitude, behavior and communication cannot be permitted to continue, must be resolved and prevented in the future. There are at least five ways that the executive can approach these types of issues. Let me detail these communication modals and discuss their application to dealing with the difficult employee.

Model one: avoiding: or the lose/lose approach or the 'no way': We have already noted that this is not an option for the executive and the ramifications for the organization will be unhealthy. Here the executive would purposely choose to ignore the situation and to stay away from any possible conflict. Of course the difficult employee's behavior would go unchecked and would imply to other employees that it is the accepted culture of the organization. Frustration, discomfort, pessimism, misunderstandings, resentments disappointments and loss of loyalty to the organization would be quick to come about. Even worse the work place could become contaminated and the dysfunctional attitude spread. As it applies to dealing with the difficult employee this model is not an option.

Model two: accommodating: or the lose/win approach or the 'your way': This is an option that the skilled executive who is working with the difficult employee would never use. In this situation the executive accepts the disruptive behavior as appropriate or at least acceptable to the work place and allows the employee to continue on with their interaction style. The executive says in essence, we will do it 'your way'. The executive accommodates the employee's behavior and only chaos would be the result. There may be times when the accommodating model is appropriate but that would not be true here. When the issue with the employee is minor and there may be extenuating circumstances then out of kindness or generosity the executive might yield. Overall this approach is a concern for the executive in that staff may perceive the manager as a push over.

Model three: collaborating: or the win/win approach: or the 'our way': This approach sounds good but again it could not and should not be used when working with the difficult or disruptive employee. The idea here is that both parties in the conflict show a degree of concern and acceptability for the view of the other. It is hard to image that an executive would agree that some portion of the employee's disruptive attitude is appropriate and that certain behaviors will therefore be allowed. The goal of collaboration is to find a solution that works for both parties. There may be some slight value to this model if the executive, when speaking to the difficult employee finds that the misstep of the employee was a one time occurrence and that the employee is deeply regretful and promises that this situation would never happen again.

Model four: compromising: or the partial lose/lose, or the 'half way': In this approach both parties gain at least some of what they want, although both parties sacrifice a portion of what they want. The idea is that partial satisfaction is the best that can be achieved. When it comes to dealing with the difficult employee rarely is the executive and the employee on the same level of power. There would be little to no reason for the executive to think that this is a good option. Again, if the disruptive behavior is a one time occurrence then perhaps there is some value in finding middle ground. But we are speaking about the employee that in a rather continuous way is disruptive. Some executives may think that compromising is better than losing everything but rarely would this be true in the work place. Executives must always be leery of bad compromises.

Model five: competing: or the win/lose approach: or the 'my way': As harsh as this approach sounds it very much may be the best way that the conversation between the executive and the disruptive employee must go. The executive perceives that the attitudes, behaviors and communications of the employee are unprofessional and inappropriate for the work place. They simply must be corrected. There can be no compromise. Power is fundamental in the use of this model. The supervisor has every proper right and authority to correct these offensive situations. The employee may comply or continue with their aggressive actions either directly or passively. Now if there is some reason for the employee to be acting out this way then perhaps another model would have value. But our assumption here is an employee that simply is difficult and disruptive.

If the very best communication effort of the executive to correct these matters fails then the executive moves on to that organization's policies and procedures that focus on employee disciple and perhaps termination. Are there times when these five models of communication might be effective? Yes, please consider the following:

Avoiding	Accommodating	Competing	Compromising	Collaborating
When the issue is of little importance	When you discover you are wrong	When there is not enough time to seek a win-win	To achieve quick, temporary solutions to complex problems	When the issue is too important for the compromise
When the balance between confrontation and benefit is uneven	When the issue is more important to the other person than to you	When the issue is not important enough to negotiate at length	When opponents are strongly committed to mutually exclusive goals	When long-term relationship between you and the other person is important
When there is a need to cool down and gain perspective	When long- term cost of winning isn't worth the short-term gain	When the other person is not willing to cooperate	When the issues are moderately important but not enough for the stalemate	T merge insights with someone who has a different perspective on the problem
-	To build up credits for later conflicts	When you are convinced that your position is right and necessary	As a back up mode when collaboration doesn't work	To develop a relationship by showing commitment to the concerns of both parties
-	To let others learn by making their own mistakes	To protect your organization from being taken advantage	-	To come up with creative and unique solutions to problems

In dealing with the difficult or disruptive employee the very best of executive communication skills are required. It is possible that solutions are hard to find and termination becomes the only option. However, the executive might consider if any of the above mentioned models seem appropriate for their situation.

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