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TO: Supervisor Paloma Aguirre, Chair Pro Tem  
Supervisor Joel Anderson  
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Supervisor Monica Montgomery Steppe, Vice Chair  
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FROM: Vince Nicoletti, Director  
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## **FINAL REPORT ON SUSTAINABLE AGRICULTURAL LANDS CONSERVATION (SALC) PROGRAM 2.0**

The Sustainable Agricultural Lands Conservation Program (SALC), administered by the California Department of Conservation (DOC), funds planning efforts that protect agricultural land and support local farms. In partnership with the San Diego Local Agency Formation Commission (LAFCO), the County of San Diego's (County's) Department of Planning & Development Services (PDS) has completed SALC 2.0, a planning effort that analyzes the economic challenges facing local agricultural producers and identifies strategies that jurisdictions and partners can advance to strengthen the long-term sustainability of San Diego County agriculture, which includes the highest number of small farms across the nation. This memo summarizes the key findings of SALC 2.0 and acknowledges receipt of the SALC 2.0 Final Report (Attachment A), prepared by both PDS and LAFCO, which provides a comprehensive economic assessment of the region and outlines data-driven strategies to support long-term farm viability. Attachment B highlights existing County efforts that already align with the Strategic Action Plan and demonstrates how current programs will be able to support early implementation of SALC 2.0 recommendations.

### **REPORT SUMMARY**

Each year, the California DOC allocates money to support the conservation of agricultural resources and agricultural planning programs. The SALC Program is a component of the Strategic Growth Council's Affordable Housing and Sustainable Communities Program and is part of California Climate Investments, a Statewide program that puts billions of Cap-and-Trade dollars to work reducing GHG emissions by making strategic investments to protect agricultural lands from conversion to more GHG-intensive uses while supporting agriculture. In 2021, LAFCO and the Resource Conservation District of Greater San Diego County (RCDGSDC) were

awarded a SALC planning grant for the San Diego Agricultural Planning Program. The San Diego Agricultural Planning Program, or SALC 1.0, identified 10 policy priorities to strengthen the future of agriculture in San Diego County. Of the 10 policy recommendations, one identified the need to quantitatively analyze trends and opportunities for different commodity markets to summarize the key costs required to operate a small agricultural business in San Diego County. To continue supporting the agricultural community in the San Diego region, LAFCO and PDS were awarded a Round 8 SALC Planning Grant in 2022 to provide a deeper understanding of agricultural economics in San Diego County and identify practical strategies to strengthen farm viability through three key components:

- Market Analysis
  - Goal: To identify major cost centers for agricultural operations and overall profitability county-wide.
  - Key Findings: The Market Analysis revealed that the San Diego region's agricultural sector is facing sustained declines in both the number of farms and total acreage in production.
- Gap Analysis
  - Goal: To identify the "profitability gap" in four crops (avocados, lemons, strawberries, and tomatoes) at the crop level.
  - Key Findings: The Gap Analysis identified several findings consistent across all four commodities, including persistent profitability gaps, labor and water as dominant cost drivers, effects of scale and operational differences, and limited resilience to external pressures. These findings were consistent with producer input received throughout the project.
- Strategic Action Plan
  - Goal: To identify incentives, technical support, regulatory streamlining, and other mechanisms to help bridge the "profitability gap." It is intended to help local governments, regional agencies, and partner organizations take informed steps to support the long-term economic sustainability of agriculture in San Diego County.
  - Key Findings: The Strategic Action Plan translated the results from the Market Analysis and Gap Analysis into a set of actionable strategies organized around four long-term goals (Seeds), (1) to improve infrastructure and systems that support local producers; (2) grow consumer awareness and local market demand; (3) cultivate a supportive policy environment; and (4) foster regional alignment and agricultural advocacy. Each Seed is advanced through a set of strategic actions (Tools), which are implementable strategies that public agencies, local governments, nonprofits, and regional partners can use to address specific challenges. This framework is designed to move SALC 2.0 from analysis to action, offering a practical roadmap to strengthen the economic sustainability of small farms while supporting a resilient regional agricultural economy. Attachment B highlights existing County efforts that already align with the Strategic Action Plan and demonstrates how current programs will be able to

support early implementation of SALC 2.0. Producer feedback repeatedly stressed that agricultural sustainability cannot be achieved without addressing economic feasibility as the foundational condition for success.

The project combined technical analysis with extensive stakeholder engagement. In addition to being the grant manager, LAFCO was responsible for the Market and Gap Analyses while PDS was responsible for the project's outreach components and Strategic Action Plan. Both LAFCO and PDS prepared and delivered the attached Final Report. LAFCO, as the lead on and interagency coordination to move the Strategic Action Plan forward and provide annual progress reports to the LAFCO Commission.

## **PROJECT COMPONENTS**

### Market Analysis

The Market Analysis, included in Appendix B of the Final Report (Attachment A), was designed to fill critical data gaps about the economics of farming in the region and to provide a firm analytical foundation for SALC 2.0. The analysis addressed three overarching research questions:

- Trends - How have the number of farms and acreage in the San Diego region changed over time, and what do projections show if current trends continue?
- Expenses - What are the operating costs faced by agricultural producers, and how have these costs trended over recent decades?
- Profitability - What are the patterns in operating profit margins for farms in the San Diego region, and how do they compare with benchmarks for financial health?

To answer these questions, the analysis leveraged detailed financial data from the 2022 USDA Census of Agriculture, which covered 4,031 farms in the San Diego region, combined with historical trend data and inflation-adjusted cost metrics.

The Market Analysis revealed that the San Diego region's agricultural sector is facing sustained declines in both the number of farms and total acreage in production, with recent trends suggesting potentially significant reductions in active operations ahead. Despite producing a diverse mix of high-value commodities, average operating profit margins were about 13% in 2022, roughly half of the 25% benchmark commonly associated with financial health, indicating many producers may struggle to maintain sustainable operations under current economic conditions. Meanwhile, operating costs have risen across most categories, especially labor, and several expense lines, including fertilizer and chemicals (pesticides, herbicides, etc.) are increasing faster than inflation. Because the Market Analysis looked at all agricultural operations in San Diego County, water was not a critical cost for all commodities on a countywide scale; however, in the ensuing Gap Analysis, it was found to be a driving cost for key crops in the region like avocados.

By providing a data-grounded view of trends, expenses, and profitability, the Market Analysis offers an empirical basis for understanding the economic realities of farming in the San Diego region. These findings help move conversations about agricultural sustainability beyond

generalizations, enabling policymakers, producers, and other stakeholders to make more informed decisions about where support and intervention may be most needed.

### Gap Analysis

The Gap Analysis, included in Appendix C of the Final Report (Attachment A), built on the previously described Market Analysis by examining profitability at the crop level for selected commodities. Whereas the Market Analysis established broad trends in farm costs, revenues, and profitability countywide, the Gap Analysis focused on four key commodities that represent a cross-section of production types in San Diego County: avocados, lemons, strawberries, and tomatoes. These crops were selected early in the project based on data availability, their economic significance in the region, the number of farms and overall acreage producing the crop, and direct input from producers and stakeholders during initial engagement activities.

To assess profitability gaps, the analysis combined multiple data sources, including University of California Davis cost and return studies, detailed financial records provided by local producers, and information gathered through interviews and farm-level observations. These sources were used to estimate costs, revenues, and net returns under various scenarios for each commodity, allowing the analysis to isolate how labor, water, yields, prices, and other key inputs affect financial outcomes.

The Gap Analysis identified several findings consistent across all four commodities, including persistent profitability gaps, labor and water as dominant cost drivers, effects of scale and operational differences, and limited resilience to external pressures. Across all commodities analyzed, the Gap Analysis found that many farms operate with narrow or negative net margins, even when yields and production levels are relatively strong. In most scenarios, estimated net returns fell below thresholds typically associated with long-term economic sustainability. This indicates that productivity alone is often insufficient to offset rising costs and market pressures. Labor and water emerged as the most significant and volatile cost components affecting profitability. In several scenarios, increases in water rates or labor expenses were enough to eliminate already-thin profit margins. Profitability outcomes were not uniform across farms growing the same crop. Differences in scale, access to water sources, production practices, and market channels led to wide variation in net returns. Smaller operations consistently faced greater challenges achieving sustainable margins due to limited economies of scale and reduced ability to absorb cost shocks. Across commodities, the analysis showed that many operations lack financial buffers to withstand external pressures such as drought, input price spikes, or market disruptions. This lack of resilience increases the risk of land being fallowed, operations downsizing, or agricultural land transitioning to non-agricultural uses.

It also identified important crop-specific differences. Avocados were found to be highly sensitive to water costs, yield variability, and market price fluctuations, with declining yields exacerbating cost pressures. Lemons demonstrated relatively stable production costs but faced price volatility and limited flexibility to absorb rising input costs. Strawberries showed high gross revenue potential but also the highest exposure to labor costs and market competition, resulting in thin net margins. Tomatoes faced challenges related to labor intensity, price competition, and scale, with smaller operations particularly vulnerable.

The Gap Analysis confirms that rising costs, particularly for labor and water, are outpacing revenue growth for many producers and that these pressures manifest differently across crops and operation types. The results underscore the need for targeted, crop-specific, and regionally coordinated strategies, rather than one-size-fits-all approaches. These findings directly informed the Strategic Action Plan by identifying where financial tools, incentives, regulatory streamlining, infrastructure investment, and coordination efforts could most effectively help close profitability gaps and strengthen long-term economic sustainability for agricultural producers in San Diego County.

#### *Agricultural Profitability Assessment Tool*

As part of the SALC 2.0 Gap Analysis, the project team developed the Agricultural Profitability Assessment Tool (AG-PAT), an Excel-based model designed to help users estimate farm-level returns per acre for the four key crops analyzed. AG-PAT allows users to input crop-specific variables such as yields, prices, labor, water, and other input costs to generate tailored estimates of net returns. By adjusting these inputs, users can explore how changes in key cost drivers or market conditions influence farm profitability under different scenarios. This capability makes the tool useful for producers evaluating business decisions and policymakers considering targeted interventions.

AG-PAT complements the countywide Market Analysis and commodity-specific Gap Analysis by providing a user-driven, transparent modeling tool that makes financial dynamics more accessible and actionable.

#### Strategic Action Plan

The Strategic Action Plan, included in Appendix D of the Final Report (Attachment A), represents the culminating phase of the SALC 2.0 project and translates the results from the Market Analysis and Gap Analysis into a set of actionable implementation-oriented strategies. The Strategic Action Plan is designed as a regional guiding document to help local governments, regional agencies, and partner organizations take informed steps to support the long-term economic sustainability of agriculture in San Diego County. It is flexible and non-prescriptive. Rather than mandating a single path forward, it provides a menu of strategies that jurisdictions and partners can adapt to their local context, capacity, and priorities. This approach reflects stakeholder input emphasizing the need for practical, scalable solutions that respond to real-world conditions while allowing for incremental implementation over time.

The Strategic Actions are organized around four long-term goals (Seeds) that reflect the most pressing barriers to agricultural sustainability in the region:

- **Seed 1: Improving infrastructure and systems that support local producers.** Invest in the physical infrastructure (e.g. cold storage facilities, distribution facilities) and operational tools that support small-farm producers in accessing processing and distribution systems.

- **Seed 2: Growing consumer awareness and local market demand.** Build a strong regional identity for San Diego-grown products by enhancing branding, marketing, and consumer education efforts.
- **Seed 3: Cultivating a supportive policy environment.** Advance policies and regulations that reduce barriers, streamline processes, and empower small farm producers to operate sustainably.
- **Seed 4: Fostering regional alignment and agricultural advocacy.** Promote coordinated action across jurisdictions, agencies, and organizations to elevate the voice of small farms and ensure regional investments reflect farm needs.

Each Seed is advanced through a set of Tools, which are implementable strategies that public agencies, local governments, nonprofits, and regional partners can use to address specific challenges. The Tools are supported by Field Actions, which provide practical examples of how strategies may be operationalized through pilot projects, policy updates, partnerships, or program alignment.

Implementation timeframes are provided to help users understand relative levels of effort and sequencing, ranging from short-term actions that build on existing programs to longer-term initiatives that may require additional coordination, funding, or policy change. Together, this framework is designed to move SALC 2.0 from analysis to action, offering a practical roadmap to strengthen the economic sustainability of small farms while supporting a resilient regional agricultural economy.

### Stakeholder Engagement

Community and stakeholder input played a central role in shaping the deliverables of the SALC 2.0 project. Engagement activities were structured to reach a broad range of stakeholders, including agricultural producers, public agencies, industry representatives, and partner organizations ensuring they are grounded in lived experiences and reflect the realities of the San Diego County's agricultural landscape. Input was gathered through a series of targeted engagement efforts aligned with each project phase and included two virtual public workshops, two in person outreach events, and public review periods. This phased approach allowed stakeholders to inform early project direction, validate findings, and contribute directly to the development of strategies and actions. Community input helped ground the technical analyses in lived experience, identify priority challenges, and shape practical, implementation-focused recommendations. A complete summary of the input provided throughout the project is included in Appendix A of the Final Report (Attachment A).

Across all engagement phases, producers emphasized that escalating operating costs, limited labor availability, and structural market disadvantages are driving long-term declines in farm viability, crop abandonment, and land-use transitions. Participants repeatedly stressed that agricultural sustainability cannot be achieved without addressing economic feasibility as the foundational condition for success.

## NEXT STEPS

Implementation of the SALC 2.0 Strategic Action Plan will rely on a broad network of partners. Local jurisdictions, including the County, cities and special districts, will be critical for advancing updates to land use policies, permitting processes, and infrastructure investments to benefit agricultural operations. Regional and State agencies, resource conservation districts, nonprofit organizations, and agricultural industry groups are also expected to play key roles in delivering technical assistance, administering programs, piloting strategies, and supporting producers directly. LAFCO, as the lead on both SALC 1.0 and 2.0, will bring a countywide perspective on land use, governance, and interagency coordination to move the Strategic Action Plan forward and provide annual progress reports to the LAFCO Commission. For LAFCO to advance the SALC 2.0 Strategic Action Plan it will require continued outreach and expansion of leadership, partnership, and coordination across jurisdictions and organizations. The following next steps provide a practical path forward for initiating implementation or partnerships without requiring additional County funding:

- **Socialize the Strategic Action Plan across the region.** Share the Final Report and Strategic Action Plan with cities, special districts, regional agencies, and partner organizations throughout the San Diego region to build awareness, alignment, and momentum around the recommended Tools and Field Actions.
- **Identify lead and supporting entities for priority actions.** LAFCO is well-positioned to take leadership roles in convening partners, coordinating across agencies, and advancing regionally focused actions. Other Tools may be led by cities, the County, special districts, nonprofit organizations, or collaborative partnerships depending on scope and capacity.
- **Advance near-term, achievable actions.** Jurisdictions, including the County, and partners are encouraged to prioritize short-term Field Actions that build on existing programs, policies, and partnerships. Early implementation successes can help demonstrate value, refine approaches, and support future funding efforts.
- **Initiate and evaluate pilot projects.** Pilot initiatives, such as the Online Producer Resource Hub identified under Tool 1F, provide an opportunity to test strategies, build collaboration, and generate measurable outcomes. Lessons learned from pilot projects can inform broader implementation and scaling over time.
- **Integrate SALC 2.0 strategies into ongoing planning efforts.** Where appropriate, Strategic Actions can be incorporated into policy implementation documents, climate action plans, food system initiatives, grant applications, and other local or regional planning efforts to reinforce alignment and sustainability.

While the Strategic Action Plan is designed as a regional guide to foster agricultural sustainability, the County will build momentum by leveraging existing efforts that already align with the Plan's Strategic Actions and strengthening them through targeted coordination, funding pursuits, and policy updates. SALC Planning Grants support the development of land-use strategies but do not finance implementation or program delivery. Therefore, it is anticipated that several of the Strategic Actions may be advanced using current resources, budgets, and work

plans in the near-term. SALC 2.0's economic analysis and Strategic Action Plan provide a practical roadmap for aligning priorities across County departments and partner organizations.

Existing County Board Policies and County General Plan components provide a framework to support and strengthen agricultural viability in the region. Board Policy I-133, *Support and Encouragement of Farming in San Diego County*, recognizes the Board's long-standing commitment to encourage farming in the San Diego region through the establishment of partnerships with landowners and other stakeholders to identify, secure, and implement incentives and programs that support the continuation of farming as a major industry in San Diego. The County's General Plan includes several goals and policies that collectively support agricultural protection, economic viability, climate resilience, and a healthier regional food system. A table has been provided with existing County efforts that align with the Strategic Action Plan (Attachment B).

The Board has already directed several actions that align with the Strategic Action Plan through the Office of Sustainability and Environmental Justice's (OSEJ) Food Justice Community Action Plan (FJCAP), particularly related to direct-to-consumer markets and opportunities for leasing County-owned land for agricultural production and food system infrastructure. The Department of Agriculture, Weights and Measures (AWM) implements a multitude of programs aimed at providing resources to producers and consumers on agritourism, water resources, organic certification, and access to Certified Farmers' Markets. PDS implements the Purchase of Agricultural Conservation Easement (PACE) Program, which has preserved 3,497 acres of agricultural land in the unincorporated area. PDS is also responsible for several amendments to the Zoning Ordinance to expand uses on agriculturally zoned land. Collectively, these cross-departmental efforts demonstrate alignment with the Strategic Action Plan to preserve working lands, expand market access, improve water stewardship, and advance equity across the food system.

PDS and LAFCO will continue to pursue alternative funding—such as competitive grants and external partnerships—to move priority actions forward. Meanwhile, strengthening interdepartmental coordination offers a cost-effective way to scale impact without creating new programs by aligning policies, timelines, permitting processes, and outreach efforts. This dual strategy—advancing what can be done now within existing structures while actively seeking implementation funding—positions the County and its partners to make measurable progress and to capitalize quickly on future funding opportunities.

Please contact Vince Nicoletti ([Vince.Nicoletti@sdcounty.ca.gov](mailto:Vince.Nicoletti@sdcounty.ca.gov)), PDS Director, if you have further questions or to request further information.

Respectfully,

*Vince Nicoletti*

VINCE NICOLETTI, Director  
Planning and Development Services

**ATTACHMENT(S)**

Attachment A – SALC 2.0: CULTIVATING SOLUTIONS (FINAL REPORT)

Attachment B – COUNTY ALIGNMENT WITH SALC 2.0 STRATEGIC ACTIONS

|                     |                                                                                    |
|---------------------|------------------------------------------------------------------------------------|
| cc: Dahvia Lynch    | Deputy Chief Administrative Officer, Land Use and Environment Group                |
| Andrew Potter       | Clerk of the Board of Supervisors                                                  |
| Marko Medved        | Director, Department of General Services                                           |
| Brandy Winterbottom | Interim Director, Department of Human Resources                                    |
| Migell Acosta       | Director, San Diego County Library                                                 |
| Jason Hemmens       | Director, Department of Parks and Recreation                                       |
| Marisa Barrie       | Director, Department of Public Works                                               |
| Ha Dang             | Agricultural Commissioner/Sealer, Department of Agriculture, Weights, and Measures |
| Amy Harbert         | Director, Department of Environmental Health and Quality                           |
| Eden Brukman        | Chief Sustainability Officer, Office of Sustainability and Environmental Justice   |