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Imperial Valley's Worst Agricultural Real Estate Market in 25–30 Years

An Opportune Time to Buy?

Jennifer Simmonson, MAI
Director - Real Estate Valuation
Marshall & Stevens

INTRODUCTION

The Imperial Valley of southeastern California remains a critical pillar of American food security, supplying between 50% and 90% of the nation's winter vegetables, including broccoli, cauliflower, and leafy greens. Despite this vital role, the region is experiencing one of its most difficult agricultural real estate markets in decades.

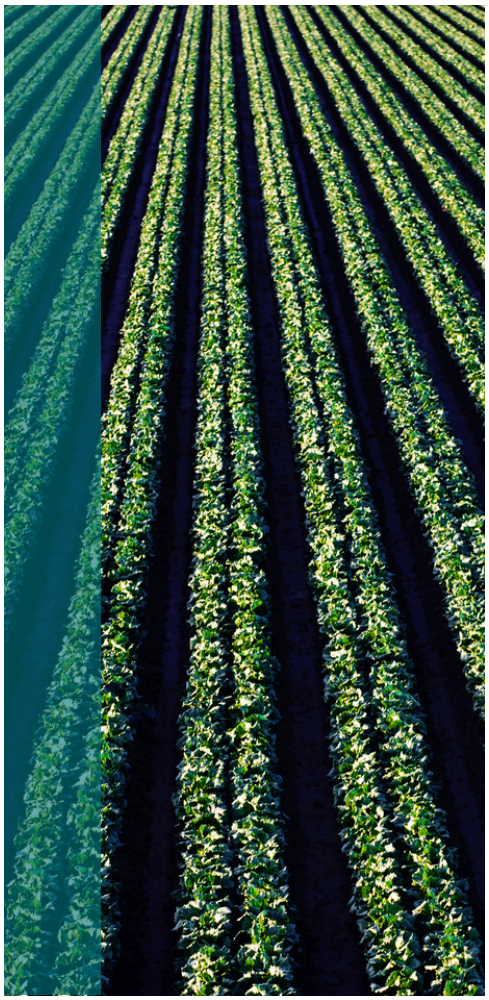
Over the past six months, farmland prices across the Valley have declined by 20% to 30%, driven by elevated capital costs, a sharp drop in alfalfa prices, the abrupt closure of the Spreckels Sugar Company refinery, and growing uncertainty surrounding Colorado River water negotiations. Together, these forces have created a rare market dislocation following peak pricing in 2022–2023.

"It's the worst I've ever seen it in my real estate career," reports longtime Imperial County broker Doug Dahm of The Dahm Team Real Estate Company. Yet Dahm believes the downturn presents opportunity. "It's a great time for well-capitalized investors to acquire large acreage farms at a significant discount."

Premium farmland that historically traded at $14,500 per acre in the Holtville region are now trading closer to $12,000 per acre, according to Dahm. Multiple large-acreage farms are listed or preparing to come online, creating entry points for institutional investors and REITs who have historically overlooked the Valley.

While capitalization rates for Imperial Valley cropland hover near 2% to 3%, lower than the 5% to 8% often observed for higher price coastal crops, the Valley offers a distinguishing asset: secure and inexpensive water. And in agriculture, it's always all about the water.

Imperial Valley Agricultural Real Estate Overview



In 2024, the Imperial Valley maintained 526,967 acres in active production. While livestock remains the single largest commodity by value (accounting for 28.36% of gross production), the valley's land use is dominated by field crops and high-value vegetables.

Commodity Performance Breakdown
The Valley's production is largely split between high-volume field crops and high-value produce:

- **Field Crops:** Occupying 68.21% of planted ground (359,443 acres), this category includes Alfalfa, Bermuda Grass, Cotton, and Wheat. It generated $519.7 million in gross production, averaging revenue of $1,446 per acre.

- **Vegetables & Melons:** While these crops account for only 20.25% of harvested acreage, they drive 41.23% of the total gross value. With a total output of $108.8 million, they yield a significantly higher average revenue of $9,617 per acre.

Land Classification and Pricing
According to Doug Dahm, agricultural land in the Imperial Valley can be categorized into acre-prices and per-acre-rents, both prior to the 2025 price correction and as of Q1 2026, as follows:

Tier	Primary Crops	Early 2025 (pre-decline)		2026	
		Price: $/AC	Rent: $/AC/Yr	Price: $/AC	Rent: $/AC/Yr
Tier 1	Vegetables & Melons (Broccoli, Lettuce, Onions, etc.)	$12,500 - $14,500	$400 - $650	$10,500 - $12,500	$375 - $650
Tier 2	High-Quality Field Crops	$8,000 - $11,000	$350 - $375	$7,500 - $9,000	$300 - $350
Tier 3	Low-Quality/Limited Field Crops (e.g., Sugar Beets)	$5,000 - $7,500	$175 - $275	$5,000 - $7,000	$175 - $250

Determinants of Value

Beyond soil classification, several infrastructure and location-based factors influence property premiums:

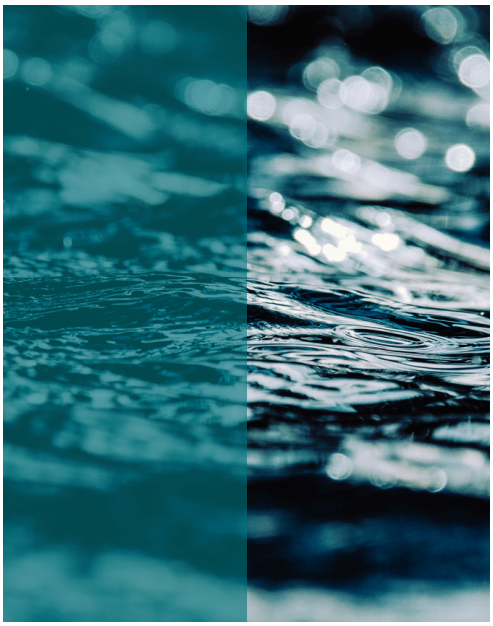
- **Water Rights:** A property's **Equitable Distribution Plan (EDP) water allocation** remains one of the most critical price considerations.
- **Infrastructure:** Concrete vs. dirt irrigation ditches, the presence of drain tiles (critical for soil health), and whether the field has been laser-leveled.
- **Logistics:** Proximity to Interstate 8 and Highway 111, with faster access to packing and cold storage facilities in Yuma.

Lease Structures

In typical Imperial Valley lease agreements, the landlord covers real estate taxes. The tenant is generally responsible for:

- Irrigation water costs and equipment.
- Ditch maintenance.

Water: The Valley's Defining Advantage - Now Under Pressure



Senior Water Rights and Historically Low Costs

Agricultural irrigation water in the Valley costs approximately $20 per acre-foot. By comparison, certain municipal districts in San Diego County exceed $2,000 per acre-foot. This cost differential has historically made Imperial Valley one of the most water-secure and economically efficient farming regions in the western United States.

Doug Dahm has long described the Imperial Irrigation District (IID)'s senior rights as "extremely strong." However, drought conditions and interstate tensions are testing even the most senior entitlements.

Imperial Valley's competitive foundation has long been its senior water rights to Colorado River irrigation water. The IID holds rights to 3.1 million acre-feet annually, including 2.6 million acre-feet of Present Perfected Rights (PPRs) —the highest priority class of water rights under federal law-- with a 1901 priority date. IID's water rights were further cemented in the Colorado River Compact of 1922 ("The Law of the River"). In an Op-Ed piece titled "A Shared River Demands Shared Responsibility," dated February 13, 2026, Karin Eugenio, Chairwoman of IID, stated: "Under the Law of the River, [IID's] PPRs must be satisfied first if supplies are limited."

The Seven-State Negotiations

Lake Powell, in Utah and Arizona, and Lake Mead, in Arizona and Nevada, remain at historically low levels, intensifying negotiations among the seven Colorado River Basin states. The Upper Basin states (Colorado, Wyoming, Utah, and New Mexico) and the Lower Basin states (California, Arizona, and Nevada) disagree over how to allocate shortages.

The federal government had imposed a February 14, 2026 deadline for compromise, but no compromise was reached. Absent an agreement, federal authorities may impose reductions—likely triggering litigation—by October 2026.

IID maintains that across-the-board percentage reductions conflict with long-standing priority doctrine. As IID Water Manager Tina Shields explained, Present Perfected Rights are the "golden ticket," and the Bureau of Reclamation has an obligation to deliver to PPR holders first.

While litigation remains possible, negotiated settlements are widely viewed as preferable. However, successful agreements require federal coordination, clear rules, funding mechanisms, and credible enforcement authority.

Although IID's legal footing is strong, Shields acknowledged that political optics pose a risk. IID is frequently portrayed as a major agricultural diverter in a time of scarcity. Narrative framing—invocations of "equity" and "fair share"—sometimes shape policy outcomes as much as hydrology or pre-existing water rights. IID's challenge is to defend its priority rights while demonstrating cooperative participation in basin-wide solutions.

While the Department of Interior has indicated it will be moving forward with the Post-2026 process to finalize operating guidelines for the Colorado River reservoirs despite not having a seven-states framework submitted by the recent deadline, the Secretary of the Interior also stated that "a fair compromise with shared responsibility remains within reach."[1]

Shields concurred that the Lower Basin states are continuing to meet and advocate for their proposal to reduce uses by 1.25 million acre-feet, (potentially up to 1.5 MAF with Mexico contributions) as a part of Reclamation's efforts and a broader program that includes certain system flexibilities, in order to manage the system with some level of certainty for at least the next five years or so, and perhaps lower the near-term litigation risks.

IID's Conservation Strategy

In response to drought pressures, IID has implemented one regulatory plan and two voluntary conservation programs:

- **On-Farm Efficiency Conservation Program (OFECP)** – Pays growers per acre-foot saved through efficiency improvements such as drip systems and tailwater recovery.
- **Deficit Irrigation Program (DIP)** – Compensates growers of certain forage crops for temporarily suspending irrigation during peak summer months.
- **Equitable Distribution Plan (EDP)** – Establishes annual water apportionments, requiring additional water to be purchased through a clearinghouse. The EDP currently allocates IID supplies with a hybrid methodology in which half of the allocation is based on a straight line average (thus, the same AF/AC value to all fields) and half based on a historical average (varies by field, but in general the sandier/high water usage fields will have a larger value). Cumulatively, these vary from 2.78 to 7.78 acre-feet per acre.

[1] "Interior Department Moves Forward on Guidelines for Colorado River Absent Full State Consensus." U.S. Bureau of Reclamation, 14 Feb. 2026, https://www.usbr.gov/newsroom/news-release/5283

IMPERIAL IRRIGATION DISTRICT WATER CONSERVATION PROGRAMS				
	On-Farm Efficiency Conservation Program (OFECP)	**Deficit Irrigation Program (DIP)**	**Equitable Distribution Plan (EDP)**	
Type	Voluntary	Voluntary	Regulatory	
Timing	Year-Round	Seasonal	Year-Round	
Timing	2016-Present	2024-Present	2023	
Water Conservation Method	Farmers implement measures—such as installing drip irrigation, using sprinklers for germination, or tailwater recovery systems—and are compensated per acre-foot of water saved.	Farmers of specific forage crops (Alfalfa, Bermuda grass, and Klein grass) are paid to stop irrigating for a set window (typically 45–60 days) during the peak heat of summer. This reduces water use while allowing the crop to survive and resume growth later.	IID assigns a specific water "apportionment" (a budget) to each farm unit at the start of the year. If a farmer needs more water, they must purchase it from a clearinghouse (often supplied by farmers who conserved water through the OFECP).	
Incentive	$475/AF for Tier 2 conservation measures (land leveling and field reconfiguration); $575/AF for capital/energy based conservation measures (drip, sprinklers, tailwater return systems, gated pipe, cascading fields, etc.)	In 2026, farmers compensated $334/AF during full summer window (June-Sept)	None	
Water Conserved				**IID's Cumulative Conservation Total***
2023	215,382 AF	N/A		**516,811 AF**
2024	205,871 AF	172,389 AF		**673,340 AF**
2025	~200,000 AF (Expected)	222,384 AF		**>700,000 AF**
***These cumulative conservation totals include the OFECP, DIP and system conservation projects such as canal linings, automations, interceptors as well as IID's solar fallowing programs**				

Voluntary, compensated conservation has proven effective, according to Tina Shields. Incentives have increased to as much as $575 per acre-foot saved under OFECP in 2026, and grower participation remains strong.

Shields emphasized that uncompensated mandates are neither politically nor operationally viable. Conservation must be "fully compensated," and funding—often federal—is essential for scalability.

"Alfalfa is Imperial Valley's largest field crop and second most valuable agricultural commodity after cattle."

"Farming the Water": A Policy Risk

An emerging concern is "farming the water"—where investors acquire land primarily to monetize conservation payments rather than sustain agricultural production. Shields cautioned that poorly designed programs could incentivize low-input cropping strategies that reduce jobs and weaken the local economy.

She stated that effective policy must distinguish between genuine efficiency improvements and water monetization strategies that hollow out rural communities. Shields notes that conservation programs must evaluate not only acre-feet saved, but also relative impacts on cropping intensity, employment, and economic stability.

Closure of Spreckels Sugar Refinery

Aside from concerns surrounding the Colorado River negotiations, Imperial Valley took another significant hit in 2025. In July 2025, the Spreckels Sugar refinery in Brawley abruptly ceased operations. The facility—owned by Southern Minnesota Beet Sugar Cooperative—was the last sugar refinery in the Western United States.

For context, in 2024, Imperial Valley planted 22,667 acres of sugar beets, generating over $89 million in gross revenue. Sugar beets represented 4.3% of planted acreage and 3.58% of gross crop value.

The closure was attributed to long-term financial losses, macroeconomic pressures, inflation, outdated federal sugar loan rates, and increased foreign competition.

Historically, sugar beets functioned as a rotation crop supporting onions and forage production. With the refinery gone, many growers are expected to shift acreage into alfalfa and Bermuda grass—adding supply pressure to already depressed forage markets.

Alfalfa: The Largest Field Crop Under Strain

Alfalfa is Imperial Valley's largest field crop and second most valuable agricultural commodity after cattle. In 2024, 183,252 acres were harvested with an average yield of 7.47 tons per acre. The average price was $174.40 per ton, down more than 15% from 2023.

National hay prices peaked in 2023 amid drought-driven pasture shortages. However, herd liquidation and declining beef cattle inventories have reduced feed demand. By 2025, U.S. cattle supply reached its lowest level since the 1950s.

By early 2026, national alfalfa prices averaged approximately $171 per ton, while production costs often exceeded $229 per ton. Many growers are operating below break-even levels.

Declining exports compounded the downturn. China, which once accounted for more than half of U.S. alfalfa exports, sharply reduced imports following a domestic dairy downturn. By 2024, China represented just 2.1% of Imperial County's agricultural exports. Trade pressures and currency strength further strained markets in 2025.

In this environment, IID conservation payments have provided critical supplemental revenue for forage producers.

Conclusion: Dislocation or Inflection Point?

Imperial Valley today sits at the intersection of legal water strength, political scrutiny, commodity volatility, and structural change. Farmland prices have declined sharply, yet the region retains attributes unmatched elsewhere in the West: senior water rights, low irrigation costs, year-round growing conditions, and strategic proximity to labor and transportation corridors.

The closure of Spreckels removes a historic pillar of crop rotation. Alfalfa markets remain weak. Interstate water negotiations introduce uncertainty. Yet IID's priority rights remain intact, conservation programs are functioning, and farmland pricing reflects significant adjustment from peak levels.

For long-term, well-capitalized investors, the current environment may represent not systemic collapse, but cyclical dislocation. Whether this period proves to be the Valley's most difficult chapter in decades—or one of its most attractive entry points—will depend on the outcome of water negotiations, commodity recovery, and disciplined policy design in the years ahead.

Jennifer Simmonson, MAI
Director
Real Estate Valuation
jsimmonson@marshall-stevens.com
619.248.6080

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