

New Washington apple lines speed packing

By DAN WHEAT
Capital Press

YAKIMA, Wash. — Walk in the door at Washington Fruit & Produce Co.'s new apple packing plant in Yakima and you wonder where all the people are.

You also may question if you're really in an apple plant. It's so clean, bright and quiet. But a little farther in you find most of the 110-person crew involved in some defect sorting, filling trays and packing boxes at 60 drops off 10 lanes sorted by a Compac optical sorter. It sorts for up to 17 sizes and five grades.

"The old plant (that the company sold five years ago) was like a dungeon. Low ceilings, poor lighting, really dirty and agri-tech green. Not a pleasant color for the modern age," says Mikey Hanks, systems operator at the new plant.

At his monitors, Hanks can check on 90 images from two levels of infrared and one color optics of each apple that crosses through the Compac spectrim defect sorter and grader.

"With Granny and Gala we got down to no hand sorting and we will get there on Fuji," he said, explaining it takes time to "dial in" the computer program when another variety is run.

The new plant began operating at the beginning of November. Eight miles to the north in Selah, Zirkle Fruit Co. began operating a similar, new apple line about a month later. Both lines were built by Van Doren Sales, Wenatchee and Yakima, and use the latest Compac optical sorters and graders made in New Zealand. Washington Fruit and Zirkle would not disclose costs.

A half-dozen or more new, high-tech apple packing lines



Dan Wheat/Capital Press

A Spectrim optical defect sorter-sizer by Compac, New Zealand, at Washington Fruit & Produce Co. sorts apples by five grades and 17 sizes almost twice as fast as older plants.

and more like a dozen new, high-tech cherry packing lines have been built in Central Washington in the past few years, launched by banner apple prices and returns from the 2012 crop.

"New packing houses are amazingly more efficient. They come with a hefty price tag but most (companies) are moving in that direction," Robert Kershaw, president of Domex Superfresh Growers, Yakima, said at the Washington State Tree Fruit Association annual meeting in Yakima, Dec. 7.

Washington Fruit & Produce turns 100 years old in 2016 and operates with the most completely modern packing and storage facilities of anyone in the state.

It now has 840,000 square feet of buildings on River Road at the north edge of town, all built within the past five years.

First was a \$30 million apple packing plant built in 2010, now called South Plant.

It's 230,000 square feet of packing, storage and shipping with a 15-bay truck loading dock. An 85,000-square-foot cherry packing plant with cold storage was built in 2014. And the new, 300,000-square-foot apple plant has a 30-bay truck dock. Most of the rest of the 225,000 square feet is controlled-atmosphere storage. The two apple plants have the capacity to store 800,000 boxes of packed apples, Tommy Hanes, operations manager, said.

A new corporate office building is still being finished.

While the new apple plants each still use 110 workers per shift, fewer workers are defect sorting and there's a 25 percent labor savings because the new lines normally run at 90 bins per hour versus 75 at the old plant, Hanes said.

The company has been packing all of its apples at South Plant since 2010. That was 7 million boxes that year and 9 million in 2014, Rick Plath, company presi-

dent has said.

With a smaller 2015 harvest, something less than 9 million will be packed this season but by two plants, Hanes said. Each plant can run up to 100 bins of apples per hour, the new industry norm, double the capacity of some older systems. They can pack 35,000 boxes of apples per day.

It's good to have the second plant to lighten the load on the South Plant, Hanes said. It ran a lot of double shifts, seven days a week to run 553,000 bins last year, he said.

"It's good to be able to have one day off a week to lubricate bearings and such," he said.

Five robotic arms stack packed boxes on pallets at the end of the line in each plant.

At Zirkle Fruit, an old line was removed, space enlarged and a new line was added for softer-skinned varieties like Honeycrisp and Pink Lady, Mark Zirkle, company president, said.

Organic apples claim larger market share, experts say

By DAN WHEAT
Capital Press

YAKIMA, Wash. — Demand for organic tree fruit will continue to grow for the foreseeable future as consumers increasingly look for healthy foods, said speakers at the Washington State Tree Fruit Association's annual meeting.

"Twenty to 25 percent of our industry could go organic before we feel a ceiling, and it could be more if more goes export," said Mac Riggan, director of marketing at Chelan Fresh Marketing, Chelan, Wash.

Wholesale prices and sales of organic apples were a bright spot in the otherwise dismal year of too many apples and low prices from the 2014 crop, marketers said.

About 9 percent of U.S. apple sales are organic now. The past 52 weeks saw a 5 percent decline in sales of conventional apples and a 14 percent increase in organic sales "so organic is driving growth," said Howard Nager, vice president of marketing at Domex Superfresh Growers in Yakima.

Nager and others on an organics panel at the meeting on Dec. 8 said the nutritional benefit of organic over conventional apples is more consumer perception than proven fact.

"You get higher vitamin levels and antioxidants but it's more a probability factor, that you are more likely to get more with organics," said David Granatstein, sustainable ag specialist at the Washington State University Tree Fruit Research and Extension Center in Wenatchee.

Organic food sales took a big hit in the 2008-2009 recession but it wasn't as bad for organic produce, Granatstein said. Consumer demand for

organics is growing by about 10 percent a year and "we are approaching 5 percent of all food sales in the U.S. being organic," he said.

Globally, 1.8 percent of apple production land is organic but it is growing and at about 20,000 acres annually in the U.S., mostly in the West, he said.

Washington shipped about 9 million boxes of organic apples from the 2014 crop with the largest export market for that being Canada, Granatstein said.

Frank Padilla, vice president and general merchandise manager of Costco, said organic food consumption is a lifestyle change "that's here to stay." People who buy organic are concerned about healthful eating, pesticide residues, genetically modified organisms and what antibiotics animals are being fed, Padilla said.

Costco is in 43 states and nine countries and sells organic foods in every one, he said.

Berries are Costco's top organic seller at \$120 million annually and growing at 29 percent but they are very temperature sensitive, he said. Apples are \$68 million, up 48 percent with organic Fuji, Gala, Honeycrisp, Red Delicious and Cripps Pink as the main organic varieties, he said.

Consistent supply is the top concern, he said. Alternate bearing cycles of fruit, weather and other factors play into that.

Organic accounts for almost 20 percent of all fresh fruit in U.S. stores, Nager said, with apples, bananas and grapes leading the way. Apples, pears and cherries make up 27 percent of fresh fruit organic sales, he said. Gala, Fuji and Honeycrisp are the top organic apple varieties, he said.

Merger's impact on competition may draw scrutiny

Analysis

By MATEUSZ PERKOWSKI
Capital Press

The planned merger between Dow and Dupont would make the combined firm a top global producer of seeds and pesticides, prompting concerns about stifled competition, experts say.


Whether those worries will convince federal regulators to block the union or force a large sell-off of assets is less clear, experts say.

While the merged Dow Dupont would eventually be split into three companies devoted to agriculture, plastics and specialty materials, the seed and pesticide firm would nonetheless control a huge portion of that market, said Peter Carstensen, a law professor specializing in agricultural antitrust at the University of Wisconsin.


"It would make it much easier to coordinate competition, though not overtly," he said.

Dow and Dupont estimate that its combined seed and pesticide sales will be \$19 billion a year, putting it ahead of rivals Monsanto, Syngen-

The companies at a glance



Name: Dow Chemical Co.
Type: Public (NYSE: DOW)
Industry: Chemicals
Founded: 1897
HQ: Midland, Mich.
President and CEO: Andrew N. Liveris
Net revenue: \$58.2 billion*
Net earnings: \$3.4 billion*
Products: Plastics, chemicals, and agricultural products
Operations: 35 countries
Employees: 53,000 worldwide*
Website: www.dow.com



Name: DuPont
Type: Public (NYSE: DD)
Industry: Chemicals
Founded: 1802
HQ: Wilmington, Del.
President and CEO: Edward D. Breen
Net revenue: \$28.4 billion*
Net earnings: \$3.6 billion*
Products: Plastics, chemicals, biosciences and energy
Operations: 90 countries
Employees: 54,000 worldwide*
Website: DuPont.com

*FY 2014

Alan Kenagal/Capital Press

ta and Bayer, which currently have higher revenues than either company.

"It offers prospects of increasing market concentration and increasing prices for farmers," said Jean-Paul Chavas, an agricultural economist who studies the biotech industry at the University of Wisconsin. "As the options decrease,

the farm input companies can charge higher prices."

However, it's theoretically possible that greater efficiencies at the combined company will allow it to reduce the cost of production, thereby offsetting those price increases, Chavas said.

When fewer competitors dominate a market, they can

more easily coordinate prices without actually forming a cartel, said Carstensen.

For example, if demand for seed falls, it's less likely that companies will begin discounting if there isn't much competition in an industry, he said. "We won't start stirring the pot if you don't start stirring the pot."

Dan Turner, a spokesman for Dupont, downplayed the prospect of reduced competition, noting that the companies don't currently have much product overlap in most areas.

"The merged company will be well-positioned to provide growers around the world additional product choice in what remains a highly competitive ag industry," Turner said in an email.

If regulators do force the merged Dow Dupont to divest some of its agricultural assets, the sale could be problematic, said Carstensen.

If Monsanto, Syngenta or another major rival bought those assets, that could still suppress competition, he said.

With lower commodity prices, agriculture isn't seen as a desirable industry for investment, as it was a few years ago, so finding a buyer from outside the industry could also prove challenging, Carstensen said.

Earlier this year, concerns about consolidation in the seed and pesticide industry were similarly sparked by Monsanto's proposed takeover of Syngenta.

However, Syngenta resisted that deal, in part due to likely antitrust action by regulators, and Monsanto eventually backed away from the merger.

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Idaho's top farm commodities face challenges in 2016

By SEAN ELLIS
Capital Press

NAMPA, Idaho — Farm industry leaders expect 2016 to be a challenging year for Idaho's top six farm commodities.

"Gloomy prices. It's a tough, tough market," Idaho Barley Commission Administrator Kelly Olson said while summarizing her grain presentation Dec. 10 during the 2016 Idaho Ag Outlook Seminar.

High world grain production and depressed prices will make 2016 a tough year for barley, wheat and corn growers, Olson said.

For example, 2016 malt barley contracts in Idaho range from \$4.78 to \$5.64 per hundredweight, down from \$5.60-\$6.20 a year ago, she said.

U.S. barley production increased 18 percent this year and the nation's stocks-to-use ratio, or the level of carryover, is 45 percent.

"This is a very burdensome stocks-to-use ratio," Olson said during the seminar, which was hosted by University of Idaho Extension educators.

The price for soft white and hard red spring wheat grown in Idaho is forecast to be down by more than \$1 a bushel in 2016, Olson said.

World wheat production increased 1 percent this year and U.S. wheat exports were down 6 percent, in large part because of the strengthening U.S. dollar, Olson said. "The worst thing for grain is the strong dollar."

The daylong seminar in-

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cluded presentations on barley and wheat, potatoes, hay, dairy and beef cattle, the state's top six farm commodities in terms of cash receipts.

"Hay's not moving. There's hay everywhere," said UI Extension educator Steve Hines. "When alfalfa is not moving, it has a major effect on (western) agriculture because we produce so much alfalfa."

A lot of dairies, pinched by lower milk prices, are feeding their cows less hay and substituting grains for protein and straw for fiber, Hines said.

"There's no market for all that hay sitting out there," he said.

U.S. potato production increased 1.2 percent this year and fresh shipments are down 5.1 percent from a year ago, a sign of decreasing demand, said Bruce Huffaker, president of North American Potato Market News.

The average U.S. potato price this year was \$6.57 per hundredweight, slightly better than last year but still below the cost of production for most Idaho potato growers, Huffaker said.

Early signs point to U.S. fall potato acreage increasing 1.9 percent next year, a development that would not be good for potato growers, he said.

"We estimate that to get to break-even (prices), growers need to cut back on acres by 4 percent," Huffaker said. "Potato growers need to cut back on acres; they don't need to plant more."

This year was about a break-even year for Idaho's 500 dairy operations and 2016 looks to be a similar situation, said Rick Naerebout, director of operations for Idaho Dairy-men's Association.

On the cattle side, UI Extension educator Joel Packham said U.S. beef cow inventory is in a steep climb and producers can expect tighter margins.

"Profitability has peaked," he said. "The margins are going to decrease. ..."

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