

# Upstream

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The firm pitched the idea just as federal lawmakers took note of What's Upstream. At the urging of U.S. Sens. Pat Roberts of Kansas and Jim Inhofe of Oklahoma, the EPA's Office of Inspector General is looking into whether the tribe or fisheries commission misused federal funds to lobby.

The newly released records, mostly emails between the EPA and the fisheries commission, show EPA officials were concerned that What's Upstream was too focused on agriculture and regulations, rather than taking a broader view of pollution sources in

Puget Sound and the possibility of voluntary actions.

The EPA, however, didn't stop What's Upstream from posting a "take action" link on its website. The link facilitated sending form letters to state legislators urging them to mandate 100-foot buffers.

In a March 23 email exchange with a fisheries commission official, Strategies 360 Senior Vice President Matt Davidson outlined a plan to direct more people to the website via change.org, which promotes itself as, "The world's platform for change."

The site alerts past petition signers to new petitions for similar causes.

"If they do support us, we'll get access to their contact information," Davidson wrote. "We can then use

this list to message our supporters through social media to go to the What's Upstream website to contact their legislators."

The day after Davidson's email, the Capital Press reported on the EPA's connection with What's Upstream. In the week that followed, an EPA official was cool to using change.org, calling it "inappropriate," according to emails between the agency and the fisheries commission.

Efforts to obtain a comment from the EPA were unsuccessful.

Larry Wasserman, the Swinomish tribe's environmental director, was "eager" to post the online petition, according to the fisheries commission. Wasserman declined

to comment for this story.

Jeff Reading, Strategies 360's vice president of communications, said Tuesday that the EPA nixed the online petition.

"The EPA was part of every step," he said. "The EPA was very intimately involved as the campaign emerged."

The head of a Whatcom County-based group formed to rebut What's Upstream said that using change.org would have extended the lobbying campaign started with the "take action" link.

"It looks to me that they were clearly trying to automate as much as possible gathering citizen support for their campaign and feeding that directly to the Washington state Senate," Save Family Farming di-

rector Gerald Baron said.

The EPA has stopped discussing What's Upstream, pending the audit by the agency's independent watchdog. Previously, the agency said the campaign didn't constitute lobbying because it did not advocate for a particular bill.

Once lawmakers inquired about What's Upstream, the EPA pressed the fisheries commission to tally the amount spent on the campaign. The EPA has yet to confirm the accuracy of the fisheries commission's estimate of \$655,529.

Reading said the campaign — which had planned to continue newspaper, radio and billboard advertising through at least February 2017 — is on hold.

# Apples

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Russia imported 1.3 million metric tons — or about 74 million, 40-pound boxes — of fresh apples before the embargo in 2013. Most were from Poland.

"That's huge. It's equivalent to all the apples Washington typically sells in the U.S. in one season," O'Rourke said of Russia's apple imports.

The world's second-largest importer of fresh apples is Germany at about 650,000 metric tons annually — about half the volume Russia formerly imported.

Russia was not only the largest apple importer but the fastest-growing because of its red-hot economy fueled by oil and natural gas production.

## Hit to Washington

Washington state was just a small player, exporting 16,755 metric tons — 921,558 boxes — of apples to Russia in 2007. That fell to 376,377 boxes by 2012 because of the devaluation of the ruble but had rebounded to 598,028 boxes in 2013.

The Washington Apple Commission, the industry's export promotional arm, had high hopes for growing its share of the Russian market.

"Russia was one of the few markets that preferred large-sized apples and took a lot of Red and Golden Delicious, varieties falling in U.S. popularity," said Todd Fryhover, the commission's president in Wenatchee, Wash.

But the embargo put an end to that. Washington apple exports to Russia fell to zero and have stayed there, a loss of about \$12 million annually.

## Poland reacts

Before the ban, Poland exported 43 million boxes of apples to Russia per year. Poland is a volume producer of low-priced apples and grows a lot of older varieties bred in the former Soviet Union.

Caught by the embargo, Poland diverted much of its 2014 crop to processing for juice, but that brought in less money than fresh market sales, so exporters began looking for other overseas customers, sending wave after wave of concerns through world markets.

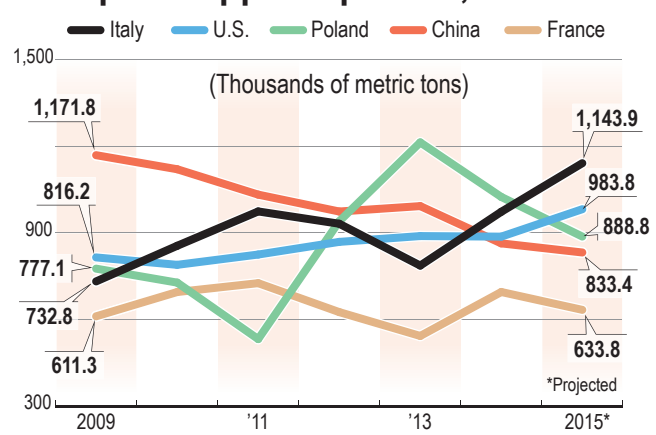
In 2015, Poland made a major push into the Middle East "causing all kinds of problems for us and the French and the



Dan Wheat/Capital Press

Marina Mendoza sorts Kanzi apples at Columbia Fruit Packers, in Wenatchee, Wash., on Feb. 4. Columbia acquired the North American rights to Kanzi in 2009. The Belgian variety is popular in Europe.

## Top five apple exporters, 2009-15



Source: 2016 World Apple Review, Belrose Inc.

Alan Kenagal/Capital Press

Italians," Fryhover said.

"A lot of fruit is grown in Syria, Iran and Lebanon. It was intruding on their turf," he said.

Poland also tried to sell apples to the European Union, Asia and Canada, but didn't find much success because of the inferior quality, O'Rourke said.

But it's not a static condition. The Poles and other Europeans are smart and will adapt quickly to market demands, said Steve Lutz, vice president of Columbia Marketing International in Wenatchee.

"Loss of a major market creates a powerful incentive to do things differently," Lutz said.

"We see more competition from all of Europe into the Middle East and Asia that we never saw before," said Mark Pflugrath, CMI export sales manager.

European marketers have a freight advantage over the U.S. when selling into the Middle East, pushing prices downward, Pflugrath said.

Poland and the European Union are also seeking reduced

phytosanitary restrictions to get more apples into the U.S.

"Poland is trying to jump ahead with other European nations that were further along in the evaluation process," said Kurt Gallagher, executive director of the U.S. Apple Export Council in Washington, D.C. The council promotes apple exports from states other than Washington.

Poland may not get much for its efforts.

"Who here is going to buy their apples, even at 50 cents a pound? That market — the cheap, low-quality market — is gone," O'Rourke said.

However, apples from France can compete because shipping costs from France to the U.S. East Coast are half of what they are from the West Coast, \$4 per box versus \$7 to \$8 per box, Fryhover said.

"I don't think it will be a huge influx, but it could be in certain time frames," he said.

A so-called gray market for Polish apples into Russia developed in 2014 through such

countries as Belarus and Moldova.

"I would guess it was 400,000 metric tons (22 million boxes) the first year but it fell to 200,000 the second year because the Russians tightened controls and no longer have the income to buy," O'Rourke said.

Russia is now in a recession because of the Western sanctions and collapsed oil prices, causing the value of the ruble to drop. Now a U.S. dollar is worth 66 rubles.

## Russia's new norm

Russia now imports 725,000 metric tons of apples, a little more than half what it did before the embargo, O'Rourke said. In addition to gray market sources, apples come from countries that were not embargoed such as Belarus, China, New Zealand, Chile, Brazil and South Africa.

"China thought it would move in and replace the Poles but it hasn't worked out because Russian income fell," O'Rourke said. "Southern Hemisphere producers got excited until a couple of Argentinean exporters didn't get paid. It's a very complicated picture."

Turkey, the fourth largest apple-producing nation, sent lower-priced fruit to Russia until its air force shot down a Russian plane and Turkey was added to the embargo, he said.

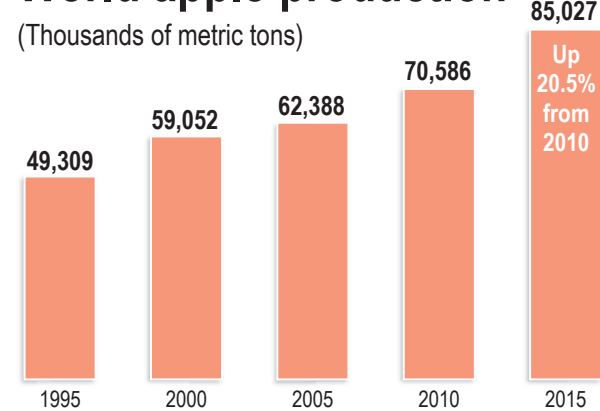
## Market disappears

With the Russian embargo, the market for about 30 million boxes — a little more than a half a million metric tons — disappeared, Fryhover said.

It comes at a time when world apple production is expected to increase 18 percent,

## World apple production

(Thousands of metric tons)



| Rank   | Country | Production (Thousands of metric tons) |
|--------|---------|---------------------------------------|
| 1..... | China   | 43,112                                |
| 2..... | U.S.    | 4,561                                 |
| 3....  | Poland  | 3,280                                 |
| 4..... | Turkey  | 2,740                                 |
| 5..... | Iran    | 2,500                                 |
| 6..... | Italy   | 2,210                                 |
| 7..... | India   | 2,200                                 |

Source: 2016 World Apple Review, Belrose Inc.

Alan Kenagal/Capital Press

from 85 million metric tons to 100 million metric tons by 2025, O'Rourke said.

Meanwhile, global apple exports have been flat for six years because of the cooling global economic.

China is the world's largest apple producer at 43 million metric tons, but its 1.3 billion people consume most of its production.

Europe — mainly Italy, France, Germany and Poland — produces 8 million metric tons and the U.S., mostly Washington state, grows about 4.5 million metric tons. Turkey, Iran and India are all major producers but smaller than the U.S.

Through 2013, Poland was the world's largest apple exporter followed by China, the U.S., Chile and Italy. Russia was the largest importer, followed by Germany, the United Kingdom, Mexico and Spain.

## Market fallout

Per-capita apple consumption has shown a 1 percent annual increase in the U.S. but is basically flat in the U.S. and most wealthy countries, O'Rourke said.

Per-capita consumption is growing in China, Indonesia and some under-developed countries, but not rapidly enough to offset production growth, he said.

In addition, blueberries and other fruits are increas-

ingly competing with apples for consumers' disposable income.

Despite the outlook, major apple-producing countries and large Washington state tree fruit companies continue to increase the number of high-density plantings.

"The last man standing philosophy is very strong in Washington state," O'Rourke said. "It's that 'I'm more efficient. I can expand and be the last one standing.'"

He predicts the industry will come down to the survival of the fittest in Washington, Europe and elsewhere.

The Russian embargo will ultimately have the same effect on Europe as the Asian financial crisis had on Western U.S. growers in the late 1990s and early 2000s, O'Rourke believes.

During that time there was a big shakeout and years of retrenchment and gradual retooling by the surviving growers and packers.

"It took us 10 years of pain to reduce our industry from the Asian crisis. Grower-by-grower and packer-by-packer decisions. Europe and Poland will go through the same painful process," he said.

Even if Russia's embargo were lifted tomorrow, it wouldn't be able to buy as many apples as it once did, he said.

# Wheat

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Monsanto developed the test for MON 71700 and USDA has validated it.

Japan had already been testing U.S. wheat for MON 71800. The new test will be capable of detecting both MON 71800 and MON 71700, Mercer said.

Western white wheat already purchased but not yet delivered will not be halted, Mercer said. Japanese tenders this month are for delivery in October. Japan typically keeps 1.8 months of inventory on hand.

"The test materials and instructions are in Japan, but we think MAFF and other agencies will validate the test before putting it to use," Mercer said.

Japan is the biggest customer for wheat grown in the Pacific Northwest. About 80 percent of the wheat grown in the region is exported.

U.S. Wheat doesn't expect changes in importation, such as vessel loading, discharging or the execution of existing sales contracts.

There may also be a temporary hold on the distribution of supplies of Western white wheat that are already stored in Japan

for mills, pending the set-up of the new tests, Mercer said.

No genetically engineered wheat is commercially available, and there is no evidence of GE wheat in commerce, according to APHIS. The U.S. Food and Drug Administration says it is unlikely the wheat presents any safety concerns if present in the food supply.

Industry members hope open communication with overseas customers will keep the event from disrupting the market.

Blake Rowe, Oregon Wheat CEO, said APHIS' approach is more proactive compared to the 2013 incident.

"I think there was earlier conversation with our trading partners and their governments," he said. "They were aware, they knew what kind of work was going on. I think that was maybe something we learned from 2013, early communication and keeping them in the loop as to what progress is being made, so when the information (was announced), they weren't surprised. They had some time to get comfortable."

## Farmers react

"I know there are procedures in place, APHIS was called in right away and the buyers were notified right away,"

said Ron Jirava, a Ritzville, Wash., wheat farmer. "I think it's a wait-and-see again what their final determinations are."

"I hope it doesn't amount to much — it shouldn't amount to much," said Ben Barstow, a farmer in Palouse, Wash.

The GE wheat discovery comes during a season that has also seen concerns about protein levels, falling number tests, stripe rust and low prices.

"It's just one more thing," Barstow said.

Like other farmers, Barstow is curious about how the GE wheat turned up in the field.

"The protocols that were in place to keep this stuff contained were as good as we could think of at the time — I'm sure they're better now than they were 10 or 15 years ago, but still, it's a mystery as how that stuff is showing up there," he said.

Barstow said he is concerned about incorrect news stories he saw coming out of South Korea implying that GMO wheat is produced commercially in the U.S.

"Nothing could be further from the truth," he said.

"I'm always concerned about how these things will be handled by the press. It's really easy to frighten people about these things, and there's

no need for it, at all."

Jirava expects similar situations will occur.

"As long there's geese, deer and mice, stuff's going to move around that we don't know about until it shows up," he said. "Nobody, I don't think, is trying to deliberately do something underhanded. I think this is just something the wildlife have gotten into and we see it move around a little bit."

"We're not surprised by this at all," said Amy van Saun, an attorney for the Center for Food Safety in Portland. The center is a nonprofit public interest and environmental advocacy organization. "Contamination by GE crops and GE organisms generally is inevitable. It keeps happening over and over again."

This is the third discovery of genetically engineered wheat in the U.S. Besides the 2013 discovery in Eastern Oregon, in September of 2014 a different variety of glyphosate-resistant wheat was found in a Huntley, Mont., research plot, where genetically engineered wheat had been legally tested 11 years before.

Van Saun said the center wants to see better regulations for field trials to protect farmers who grow non-GE crops.

"These field trials were

taking place back in the late 1990s-early 2000s, so why is this still happening now?" she asked.

## Whole crop tested

APHIS says it has taken measures to ensure no GE wheat moves into commerce.

"Out of an abundance of caution," the agency is testing the farmer's full wheat harvest for the presence of any GE material, according to an APHIS notice. The farmer's harvest is finished and will be held while USDA completes testing of the grain.

So far, all samples have tested negative for any GE material. If any wheat tests positive for GE material, the farmer's crop will not be allowed into commerce.

The farmer's name and the location of the field were not disclosed.

Grain import officials in Japan and South Korea have tested for the "GE event" identified in 2013 in virtually every load of U.S. wheat delivered to those countries since August 2013, U.S. Wheat and the National Association of Wheat Growers said.

No GE wheat has been identified in more than 350 million bushels of wheat exported to

Japan alone, the organizations said. Researchers at Washington State University have conducted routine phenotype screening for glyphosate tolerance in wheat since 2013. Varieties included in WSU's trials represent more than 95 percent of the wheat planted in Washington and much of the acreage planted in Idaho and Oregon, according to the U.S. Wheat and NAWG statement.

"Screening to date has revealed no glyphosate-tolerant wheat plants in these trials," the statement said.

Genetically engineered crops are alternatively called genetically modified organisms, or GMOs.

Dan Steiner, grains merchant for Morrow County Grain Growers in Boardman, Ore., said the market has not responded further to the incident.

Soft white wheat and club wheat on Aug. 2 ranged from 4.67 per bushel to \$4.90 per bushel on the Portland market.

"I don't know if we're seeing a weaker basis as a result of this GMO thing or if it's just strictly harvest pressure that's coming onto the market right now," Steiner said. "It looks more like it's just precautionary at this time. Right now it looks more like a temporary blip."