Apple commission not eager to promote clubs

By DAN WHEAT
Capital Press

WENATCHEE, Wash. — The Washington Apple Commission discussed whether it should start promoting club varieties at its March 24 meeting but the idea didn't appear to gain any traction.

Club varieties are those grown, packed and sold exclusively under the direction of one company versus open varieties like Red Delicious and Gala that anyone can grow, pack and sell.

The apple commission promotes nine open varieties in export markets, this year with $5.2 million in USDA Market Access Program funding and $2.2 million from a 3.5-cent per box assessment on growers.

"We don't want club variety folks to say they pay money but get no representation," said West Mathison, a commissioner and president of Stemilt Growers in Wenatchee. He said more club varieties are being exported and that some clubs have reached more than 1 million boxes in annual production.

Commission Chairman Jon Alegria, president of CPC International Apple Co., Tieton, asked if companies charge additional fees for club promotions.

Mathison responded that companies handle that differently and that an alternative strategy would be to exclude clubs from commission assessments.

That would require a change in state law, which would be long and cumbersome, said Todd Fryhover, commission president.

Commissioner Dalton Thomas, president of Oneonta Starr Ranch Growers, Wenatchee, said some club varieties, such as Ambrosia, will soon expire and become open.

Commissioner Bob Mast, president of CMI International, Wenatchee, said the company is careful to keep its funds for Ambrosia, Kiku Fuji and Kanzi separate from other varieties so growers that don't grow them don't pay for them.

"It's a very touchy subject with the growing community," he said.

Commissioners Cass Gebbers, president of Gebbers Farms, Brewster, and Barbara Walkenhauer, owner of Larson Fruit Co., Selah, said generic promotions do the most good.

"We shouldn't start slicing it all up. Pretty soon (if we do that) we'll all be mad at each other and lose market share," Gebbers said.

Five other commissioners didn't comment.

Later, Fryhover noted that assessment revenue from club varieties is minimal. The 3.5 cents per box assessment totals $35,000 on 1 million boxes and $3,500 on 100,000 boxes.

Under House plan, tax breaks for processors face expiration

By DON JENKINS
Capital Press

OLYMPIA — A House budget proposal does not renew tax exemptions that Washington food processors have received for a decade, potentially raising taxes on fruit, vegetable, seafood and dairy handlers by a total of $12.2 million over the next two years.

House Finance Committee Chairman Reuven Carlyle, D-Seattle, held open the possibility that he would eventually support renewing the tax breaks. But he said he wants the Senate to propose ways to make up for the lost revenue.

"We are open to those discussions," he said.

The Democratic-controlled House on Friday rolled out a two-year, $38.8 billion spending proposal, which would take effect July 1. The budget relies on an improving economy and nearly $1.5 billion in tax increases to raise spending by about $5 billion over the current budget.

The tax exemptions for some 242 food processors are due to expire June 30. Gov. Jay Inslee has proposed renewing the exemptions for 10 years. Renewal of the exemptions will also likely have strong support in the Republican-controlled Senate, which has yet to release a budget proposal.

Don Jenkins/Capital Press

House Finance Committee Chairman Rueven Carlyle, D-Seattle, talks about plans to fund state spending over the next two years, as Majority Leader Pat Sullivan, D-Covington, looks on March 27 in Olympia. Carlyle's proposal would end tax exemptions that food processors have enjoyed for a decade.

Carlyle, however, argues that Washington's tax code has too many exemptions — more than 600.

"Our tax system is unfair. It's full of more exceptions to the rule than rules itself," he said.

He proposes to repeal several tax exemptions, including sales tax-free shopping in Washington by Oregonians. Under Carlyle's proposal, Oregonians would have to pay sales tax on purchases under $25.

In the case of the food processors' tax breaks, the House plan would simply let them lapse. Come July 1, food processors would pay the same tax on revenue from out-of-state sales as other agricultural producers.

The governor's office Thursday reaffirmed its support for renewing the exemptions at a Senate budget hearing. "This is an important bill to our agricultural community in providing jobs, most often in our rural communities," said John Lane of the Office of Financial Management.

The Northwest Food Processors Association argues the tax exemptions are important for retaining jobs. "This program has done wonders to make Washington food processors more competitive against food processors in other states where there is no (business and occupation) tax," association lobbyist Dan Coyne said.

The House's biggest tax proposal is a 5 percent capital gains tax on investment income above $25,000 for an individual and $50,000 for a married couple. The tax would not apply to the sale of a farm or home.

Planning grant to help city untangle rail congestion

Project to address outdated interchange

By MATTHEW WEAVER
Capital Press

A $50,000 planning grant from the state will help the city of Connell, Wash., determine how to resolve a bottleneck for rail traffic in the area.

Using the Community Economic Revitalization Board grant, the city will hire a rail planning consultant, said Jed Crowther, city administrator. The study will be completed by the end of the year.

The short-line Columbia Basin Railroad and the Burlington Northern Santa Fe Railway's Lakeside Subdivision line intersect at an interchange in Connell.

Most longer trains come from the north, but have to enter Connell from the south because of the way the rail interchange is designed. That means trains must travel an extra 35 miles south to Pasco before returning to Connell.

Pat Boss, a consultant for Columbia Basin Railroad, said that company has problems getting rail cars in and out of Connell because of congestion, and BNSF is building a second track from Spokane to Pasco that will run through Connell. The double track is likely to reach Connell within the next year, Boss said.

Boss said possible rail projects at the Moses Lake and Warden port districts will generate even more traffic through the Connell interchange.

"It was built about 80 years ago," Boss said. "It wasn't set up to handle 10,000 rail cars a year."

The Columbia Basin line's traffic is half regional agriculture and half industrial, he said.

The grant will allow Connell to determine the costs of addressing the railroad bottleneck, Boss said. A Connell rail coalition will put together a request for federal funding, he said.

Crowther said $5 million in construction funding is under review by the state House of Representatives.

"The sooner we can get a formal plan done, the easier it will be to get all of the pieces put together," Boss said. "The good news is we've got everybody talking with each other."

Photos by Dan Wheat/Capital Press

Jim Willard, left, a grower and Roza Irrigation District board member, shows Gala apple buds to district engineer Wayne Sonnichsen, center, and district manager Scott Revell.

New water reservoir to help irrigators

By DAN WHEAT
Capital Press

The Roza canal is shown. Water will be pumped 1,900 feet from the canal up to the new reservoir being built in the background.

SUNNYSIDE, Wash. — It won't be done in time to help with this year's anticipated drought, but it's intended to make the Roza Irrigation District more efficient and help in future droughts.

With aid from federal and state agencies, the district is building a $26 million, 35-acre water basin in Washout Canyon five miles north of Sunnyside.

Earthmovers, bulldozers and dump trucks began the big dig a year ago and have moved more than 1 million cubic yards of dirt, mostly into a neighboring draw, said Scott Revell, district manager.

Most of the earth work will be done by the end of May, but a concrete spillway has yet to be built and pumps have to be installed, Revell said. The reservoir may be operational by the end of 2016 or early in 2017, he said.

It will hold 1,600 acre-feet of water, a mere drop in the bucket of the 300,000 acre-feet of water the district uses annually.

But it's a re-regulation basin with water flowing in and out, conserving 5,500 acre-feet of water in the Yakima River for fish flow and providing an extra 3,300 acre-feet of water for irrigation in most years, he said.

The Roza system starts at a diversion dam in the Yakima River, 10 miles north of Selah. Ninety-five miles of main canal and more than 350 miles of laterals serve 1,700 growers on 72,000 acres on the northern edge of the Yakima Valley from Selah to Benton City.

Right now, when a grower in the lower part of the district orders water, it takes two days to arrive from the dam, and by then the weather may have changed and the grower may use less, said Wayne Sonnichsen, district engineering manager.

Water that isn't used goes into one of several wasteways that takes it back to the Yakima River.

The new re-regulation reservoir, 30 years in the planning, will allow the water master to fine tune the amount of water diverted into the canal daily, saving more water in the river, Sonnichsen said. The water master will be able to draw on water in the reservoir to serve the needs of users along the last 40 miles of the main canal, he said.

"It means running the canal with less water and giving an equal share to everyone in the district," said Jim Willard, a district board member who grows apples, juice and wine grapes eight miles north of Prosser.

Willard dealt with droughts in 1992, 1993, 1994, 2001 and 2005. He spent money on supplemental wells and converting from rill to drip irrigation.

He never lost trees but left some ground fallow in drought years. This year, he's thinking of leaving some vineyard fallow that he had planned to replant. Grapes take about half the water of apples, he said.

The new reservoir, along with automated check structures, enclosed conduit replacing open laterals and two other small (10 and 150-acre-foot) re-regulation basins, means the main canal can be operated down to 450 cubic feet per second of flow where previously the limit has been about 700 to 750 cfs, Sonnichsen said.

Normally, the flow is about 1,000 cfs, he said.

The district is 100 percent junior water right, which means in drought years it can be cut back or shut down, Sonnichsen said.

Because of that and because it serves so many high value crops, the district has been proactive in water conservation, he said.

"We only use about 80 to 82 percent of our entitlement in a normal year," he said. "We can run as low as 70 percent without too much problem, but below that it gets difficult."

The district enclosed 8.5 miles of laterals this year for $800,000, which was borne by ratepayers, Revell said.

The U.S. Bureau of Reclamation is paying 65 percent of the $26 million for the new reregulation reservoir and the state Department of Ecology and Roza district are each paying 17.5 percent, he said.