Dan Wheat/Capital Press

Kanzi apples in colorful 2-pound bags are shown at Columbia Fruit Packers, Wenatchee, Wash., on Feb. 4. Kanzi is one of many new varieties helping to increase U.S. apple consumption.

Apple prices plateau strong as shippers move fruit

By DAN WHEAT
Capital Press

WENATCHEE, Wash. — Wholesale prices of Washington apples have flattened at a good level after improving markedly this sales season compared to last.

Average asking wholesale prices of size 88, extra-fancy grade apples on March 7 were the same as a month ago on four varieties, according to USDA Market News.

Gala remains at $34 to $36.90 per box. Red Delicious is unchanged at $18 to $20.90. Golden Delicious is the same at $26 to $28.90 and Granny Smith stayed even at $24 to $26.90.

Cripps Pink was down at $30 to $34.90 versus $32 to $36.90 a month ago. Fuji was up on the low end at $32 to $34.90 versus $30 to $34.90 a month ago. Honeycrisp was not reported, having mostly sold out.

"This is fairly normal this time of year. Shippers are moving fruit that won't last into August," said Desmond O'Rourke, a retired Washington State University agricultural economist and longtime observer of the apple industry.

Prices have averaged $25 to $26 per box across all varieties and sizes at extra-fancy grade for the past five to six weeks, he said.

The industry's March 1 storage report shows the total crop now at 116.7 million boxes, down a fraction from 116.9 million a month ago and 117.1 million on Jan. 1. The record crop was 141.8 million in 2014.

The 2015 crop is 54 percent, 62.9 million boxes, shipped versus 54 percent a year ago and 56.7 percent two years ago. Weekly shipments are averaging a healthy 2.5 million boxes.

At 17.1 million boxes, exports are down 29.3 percent from a year ago because of a smaller crop and foreign buying power weakened by the strong value of the U.S. dollar, said Todd Fryhover, president of the Washington Apple Commission in Wenatchee.

Total season exports may end up around 34 million compared to 48.7 million from the much larger 2014 crop, he said. Increasing domestic consumption due to better fruit and more varieties also is competing with exports, he said.

The No. 1 export market, Mexico, has purchased 3.5 million boxes of Washington apples so far this season, Fryhover said. That's down 37.5 percent from a year ago. The market will end up around the normal 9 million boxes, down from 15 million a year ago, but not bad given preliminary tariffs of up to 20.8 percent imposed on shippers in January for alleged apple dumping in 2013, he said.

Exports to Mexico and India increased in February. Mexico bought 1 million boxes.

India bought 450,000 which is half of the 900,000 sold there so far this season. A port issue was resolved but a 50 percent tariff remains and along with the strong U.S. dollar probably will hold exports to India at 2 million boxes this season, Fryhover said. The record was 5.6 million last season.

China continues to build and was at 978,375 boxes at the end of February, he said.

Southern Hemisphere apple harvest is just getting underway and crops have been reduced by bad weather, O'Rourke said. That should prevent imports from challenging domestic sales.

The bigger challenge, he said, is the potential for a 150-million-box crop in 2016 while exports are hampered by a strong U.S. dollar, the Russian embargo and problems in the Middle East.

Eugene vineyards finally can say they're in Willamette Valley

By ERIC MORTENSON
Capital Press

A couple vineyards in the Eugene area, including King Estate, one of the state's biggest, have operated for 20 years or more without being able to put "Willamette Valley" on their labels.

Maps and simple geography would say they're in the valley, but the U.S. Treasury Department's Alcohol and Tobacco Tax and Trade Bureau, which designates American Viticultural Areas, or AVAs, said otherwise.

That changed March 3 when the bureau approved a 29-square-mile expansion of the Willamette Valley AVA. Now King Estate, a 1,033-acre organic vineyard and winery that was established in 1991, can finally tell consumers its wine is from the Willamette Valley. Until now, its Pinot noir and Pinot gris labels have described products simply as Oregon wine.

A neighboring business, Iris Vineyards, also will be able to list its wines as coming from the Willamette Valley.

The expansion had the blessing of the Oregon Wine Board and the Willamette Valley Wineries Association, said Michelle Kaufmann, the wine board's communications manager.

The original Willamette Valley AVA, established in 1983, didn't extend to the ground King Estate began farming southwest of Eugene in the early 1990s.

"This small chunk got left out," Kaufmann said. "They have the same soil, the same climate attributes, the same flavor in finished wine. It really was an oversight."

AVAs are part of an appellation system that defines distinct wine-growing regions. Oregon has 18 AVAs; the Willamette Valley AVA goes from the Columbia River south to the Lane-Douglas County line, about 120 miles, and from the Coast Range to the Cascades, about 60 miles wide.

But if a winery isn't within an AVA, it can't use the name. In addition, at least 95 percent of the grapes used to produce wine must be grown within the AVA. King Estate bought some grapes from within the AVA, but everything it produced and used itself didn't count toward the required percentage.

"Those are the rules," said Ed King, co-founder and CEO of King Estate.

Petitioning the federal agency for inclusion seemed complicated and a time-consuming chore, so the company at first concentrated on marketing its wines to consumers as being from Oregon instead, King said.

"If we couldn't get Oregon in their heads, we couldn't get 'Willa-met,'" he said, using a common mis-pronunciation of the valley's name.

In 2013, King Estate petitioned the Alcohol and Tobacco Tax and Trade Bureau for expansion of the AVA. The bureau approved the expansion March 3.

King and others acknowledged the AVA inclusion won't resonate with some consumers, and doesn't affect the nature of the wine produced.

"The other side of the coin is, it does put us in with our colleagues," King said.

Despite strong sales, some wineries financially stressed

More than one-fourth of wineries report poor financial performance

By MATEUSZ PERKOWSKI
Capital Press

Mateusz Perkowski/Capital Press

Wine is poured in an Oregon tasting room in this Capital Press file photo. A recent survey by Silicon Valley Bank found that 28 percent of the state's wineries report poor financial performance, compared to 16 percent for the industry as a whole.

Oregon wineries expect sales to surge in 2016 but that doesn't mean all of them anticipate a healthy bottom line.

Despite healthy demand for their wine, more than one-fourth of Oregon wine producers reported being in financial distress in a recent survey.

About 28 percent of Oregon wine producers surveyed by Silicon Valley Bank, a wine industry lender, said they were in poor financial health, compared to 16 percent for the industry overall.

According to that same survey, Oregon wineries predict sales will grow 13 percent in value and 9 percent in volume this year.

Experts say this seeming disparity between rising revenues and financial uncertainty isn't necessarily surprising.

"The good news is sales are up, the bad news is sales are up," said Joe Dobbes, a longtime Oregon winemaker.

Rapid growth in sales and production often reduces profits due to the hefty investment involved, said Christian Miller, proprietor of the Full Glass Research firm, which tracks wine industry trends.

"You're spending more on new tanks, a new crusher, better barrels," he said. "That's certainly been the case in Oregon for the past few years."

Sales of Oregon wine rose more than 14 percent, to $430 million, while wine grape production increased about 40 percent, to more than 78,000 tons in 2014, the most recent year for which Oregon Wine Board statistics are available.

By the time vineyards reach maturity, grapes are harvested and wines are bottled, producers have already spent a great deal of time and money, said Kurt Wittman, a relationship manager and vice president at Northwest Farm Credit Services, who's familiar with the wine industry.

Finding a market for a new brand also isn't immediate, so many wineries experience a "predictable 5-10 year negative cash flow, negative profitability cycle," Wittman said.

"It's a long time line," he said.

The challenge for small wineries is that some expensive equipment is only used once a year at harvest, said Michael Adams, wine business instructor at Chemeketa Community College in Salem, Ore.

"There is an economy-of-scale issue," Adams said.

Oregon has seen a rush of new entrants to the wine industry — the number of wineries climbed about 75 percent, to 676, in five years and nearly tripled over a decade, according to OWB's 2014 statistics.

In light of this influx of newcomers, it's perhaps foreseeable that many still haven't found their legs financially, said Wittman. "Maybe some of that exuberance when they started 10 years ago isn't there anymore."

The precarious economic position of these wineries is likely correlated with another survey finding by Silicon Valley Bank. Owners of Oregon wineries report a greater willingness to sell their operations, said Rob McMillan, founder of the bank's wine division.

Oregon wineries tend to be smaller than average, which may impede access to distribution channels, and many owners are reaching the age when they must either sell the company or transfer it to the next generation, he said.

According to Silicon Valley Bank's survey, 41 percent of Oregon wine producers said a sale is likely or possible, compared to about 25 percent for the industry as a whole.

"I think it has to do with winery size and difficulty in getting distribution," McMillan said.

The California wine industry is larger and more mature, so it's had a chance to undergo changes that are only now confronting Oregon producers, said Dobbes. "There's potentially been a lot of fallout in California that hasn't happened yet in Oregon."

Oregon lawmakers ratify wolf delisting, nullifying lawsuit

Critics argued lawmakers should not intervene in judicial review

By MATEUSZ PERKOWSKI
Capital Press

SALEM — Oregon lawmakers have ratified the removal of wolves from the state's list of endangered species, nullifying an environmentalist lawsuit against the delisting decision.

House Bill 4040, which holds that state wildlife regulators correctly delisted wolves, passed the Oregon Senate 17-11 on March 2 after earlier winning approval from the House.

Proponents claimed the bill was necessary to prevent implementation of the state's wolf management plan from being hijacked by litigation.

The Oregon Fish and Wildlife Commission delisted wolves last year but several environmental groups have challenged the legality of that decision before the Oregon Court of Appeals.

By affirming that the commission followed the delisting process properly, HB 4040 voids the environmentalist argument that the decision was unlawful.

Sen. Michael Dembrow, D-Portland, urged the Senate to vote against the bill because it was "troubling" that the legislature would preclude judicial review of an agency action.

"I don't know about you, but I don't feel qualified to be able to decide whether or not the right science was used in the agency making this decision," Dembrow said.

Sen. Chris Edwards, D-Eugene, said the legal challenge against delisting would only increase the hostility between ranchers and environmentalists, hindering the process of planning for wolf recovery and management.

"Environmental lawsuits are sure to deepen the divide and mistrust," he said. "At some point, we have to stop this cycle."

While wolf advocates claim their lawsuit is based on scientific concerns, its true purpose is to gain leverage in upcoming revisions to the wolf management plan, Edwards said.

As chair of the Senate Committee on Environment and Natural Resources, Edwards had a significant influence on the bill's progress after it was passed out of the House.

Apart from scheduling a public hearing and work session that prevented HB 4040 from dying in committee, Edwards cast the deciding vote in favor of the bill that allowed it to reach the Senate floor.

Supporters of HB 4040 worried that livestock groups would be left out of a potential legal settlement between environmentalists and the state government, short-circuiting public involvement in setting wolf policy.

Edwards said the bill's passage will make moot some of those worries without disrupting how wolves are managed in Oregon.

"The bill does not endanger wolf recovery in any portion of their territory," he said.