

Smaller apple crops elsewhere may benefit Washington's marketers

By DAN WHEAT
Capital Press

YAKIMA, Wash. — Smaller apple crops elsewhere in the U.S. and in Mexico, Canada and Europe may help Washington marketers maintain sales and prices for the state's huge crop this season.

The total 2017 U.S. apple crop is estimated at 248 million, 42-pound boxes, down 8 percent from last season.

The national forecast was released Aug. 25 by the U.S. Apple Association at its annual outlook conference in Chicago.

"All in all, people were optimistic the U.S. crop should allow for solid prices," said Mike Preacher, director of marketing at Domex Superfresh Growers in Yakima, Wash. He attended the conference.

The global picture looks good for Washington apples but it's too early to know how good, he said. Early Gala prices are solid, he said.

Desmond O'Rourke, apple market analyst and retired Washington State University ag economist, said it's doubtful this season will be as good as 2012, but that it should be better than the 2016 season now ending.

Washington had a huge crop in 2012, when many other apple-producing regions were down. It enabled Washington to sell record volumes at high prices.

O'Rourke said he sees the year-long average wholesale price of all varieties bouncing back up to \$25 after being \$22 this past season.

Red Delicious should climb back up to \$20 from \$15 and Gala should go from \$21.50 to \$22, he said. Generally, \$17 to \$18 is breakeven.

Michigan's apple crop is 27 percent down at 20.3 million boxes because of a freeze.

"It's an easier market for



Dan Wheat/Capital Press

Susana Flores picks Gala apples at Cameron Lewis' orchard in East Wenatchee, Wash., on Aug. 28. Washington is starting harvest of a large crop and hopes to have a better season since other apple-producing regions have lighter crops.

our guys to tap into because it's closer than New York," O'Rourke said.

New York is advancing strongly in fresh market with growing volumes of its new SnapDragon and RubyFrost varieties, developed by Cornell University and marketed by Crunch Time Marketing Group, he said.

Mexico's crop is down 30 percent and is Washington's largest export market. It should be an excellent opportunity, O'Rourke said.

"That all helps, but big crops are always tough," said Andy Handley, a small grower in East Wenatchee, Wash.

There's a lot of new production in Quincy and it's

hard to know how big it really is, Handley said, adding he suspects the crop may be bigger than forecast.

Washington's fresh crop is forecast at 130.9 million, 40-pound boxes. Its total fresh and processing crop is estimated at 159.5 million, 42-pound boxes, down 8 percent from 2016.

Other state fresh and processing forecasts: New York, 28 million, even with 2016; Michigan, 20.3 million, down 27 percent; and Pennsylvania, 11.2 million, up 6 percent.

The next tier: Virginia, 5.2 million boxes, up 22 percent; Oregon 4.1 million, down 10 percent; California, 5 million, down 16 percent; North

Carolina, 2.3 million, down 7 percent; West Virginia, 2.3 million, up 21 percent; Idaho, 1.2 million, down 8 percent; and Ohio, 1.1 million, up 40 percent.

U.S. Apple's national forecast of 248 million boxes is even with its five-year average. It's 400,000 boxes less than a USDA estimate.

Mark Seetin, U.S. Apple's director of regulatory and industry affairs, there's real reason to be optimistic about the 2017 season given industry advancements of recent years. He listed the ability to effectively market larger crops, increased productivity, improved quality in storage, new varieties aimed at consumer preferences, innovative marketing and export prospects.

Apple production was 6 percent higher in 2016 than in 1995 but on 31 percent fewer acres, Seetin said. Yield per acre has increase 50 percent in the past 13 years.

In 2016, 67 percent of the U.S. crop was fresh market and 33 percent processed versus 51 percent fresh and 49 percent processed in 1994, Seetin said. Fresh market growth is driving grower income, he said.

Total U.S. USDA apple farmgate value was \$3.46 billion in 2016, up 3 percent from 2015, for a record. Even after adjusting the 1994 crop for inflation growers received more from the similar-sized 2016 crop, Seetin said.

Mark Boyer, a principal in Ridgetop Orchards, Fishertown, Pa., was elected chairman of the board at the U.S. Apple meeting. Kaari Stannard, president and owner of New York Apple Sales, Glenmont, N.Y., was elected vice chairman. Jeff Colombini, president of Lodi Farming, Stockton, Calif., was elected secretary; and John Graden, of Crunch Pak, Cashmere, Wash., was elected treasurer.



Don Jenkins/Capital Press

Corn grows in a dry field Aug. 29 in southwest Washington. The federal Climate Prediction Center forecasts temperatures far above normal in Washington during the first half of September.

An 'incredibly dry' Washington to heat up

Weather forecasters issue warning

By DON JENKINS
Capital Press

Washington state, already described in the USDA's latest crop report as "incredibly dry," likely will experience temperatures much above normal for the first 10 days of September, the National Weather Service warned Tuesday.

The agency's Climate Prediction Center's "hazardous outlook" for heat also included most of Oregon, Idaho and Northern California, but the probability of soaring temperatures is particularly high in Washington, according to the center.

The state already has been going through one of its hotter and drier summers on record. July was drier than in 2015, when Washington suffered a severe statewide drought. In a report released Monday, the USDA said that some corn fields are not developing and pastures are rapidly drying.

"The state as a whole has been incredibly dry and many of the operations were hoping for some rain to alleviate the dry conditions," according to the USDA's National Agricultural Statistics Service.

A wet winter and spring washed away drought conditions for much of the West, but those conditions are creeping back in, especially in Idaho and Washington.

The U.S. Drought Monitor last week classified 17 percent of Idaho in a "moderate drought," up from 4 percent the week before. A section of northeast Washington, making up 2 percent of the state, was also classified as in a moderate drought, the first time any part of Washington has been designated in a drought since October.

Washington State Assistant Climatologist Karin

Bumbaco said Tuesday that this summer has resembled 2015, but the conditions are comparatively favorable.

"The streams are still looking decent in a lot of places," she said. "If we return to fall rains, we'll be fine."

Sea-surface temperatures in the Pacific Ocean, a key indicator of the region's coming weather, are expected to be neutral this winter. Bumbaco said making long-range climate forecasts will be difficult. "There's not a strong signal one way or the other," she said.

Two-thirds of the streams monitored by the U.S. Geological Survey in Washington were running at normal or above-normal levels on Tuesday. Yakima River Basin reservoirs held 112 percent of the average amount of water for the date, according to the U.S. Bureau of Reclamation.

The Washington Department of Ecology in August issued curtailment notices to a total of 108 irrigators in the Chehalis and Similkameen basins and warned 75 other irrigators in three basins about possible water shortages.

Still, it's unlikely the state will move toward declaring a drought, Ecology drought coordinator Jeff Marti said.

"It's an interesting disparity between our water-supply picture, and the dry summer we've had," he said. "It goes to show our tank got filled up pretty well this winter and spring."

Clark County, Wash., farmer Bill Zimmerman said Wednesday that an extended growing season in Western Washington may help some crops, but a heat wave could have lingering effects.

He said his raspberries produced a good crop after struggling through a wet spring, but are now suffering in the heat. "I say we could see about a 60 percent loss for next year," he said.

Hop broker bankruptcy may signal industry turbulence

By MATEUSZ PERKOWSKI
Capital Press

The bankruptcy of a Washington state hop merchant may signal renewed turbulence in the hops market, with lower-than-expected demand for the crop raising oversupply concerns.

47 Hops of Yakima, Wash., has filed for Chapter 11 bankruptcy protection, which shields the company from creditors while it develops a restructuring plan to repay debts and remain operational.

The hop broker has more than \$7.4 million in debt and \$4.3 million in assets, according to the filing. In 2016, the company earned \$10.6 million in revenues, up from \$7.1 million the previous year.

Douglas MacKinnon, the company's president, did not respond to a request for comment, but on 47 Hops' website he blames the bankruptcy on slower growth in the craft beer market.

"Unfortunately, during the

past several years, brewers fueled by optimism contracted for more hops than they now need," he wrote.

Some brewers have delayed paying for hops and taking delivery of the crop, saddling 47 Hops with a higher inventory and debt burden, according to MacKinnon.

Judging from USDA statistics, 47 Hops is not alone in this predicament.

Earlier this year, growers and dealers held hops stocks of 105 million pounds, three times the amount held by brewers, according to the agency.

To compare, growers and dealers held hop stocks of 64 million pounds five years earlier, while brewers held 53 million pounds of the crop.

The growing inventories reflect excessive enthusiasm among brewers and farmers, who both overestimated demand for "aroma" hops used in craft beers, said John Annen, a hop grower near Mt. Angel, Ore., who supplies 47 Hops.

"There are too many aroma

hops around. Too many in the ground, too many in the warehouse," Annen said.

Craft brewers expected the steep upward trajectory of their beer sales to remain constant, spurring farmers to plant more hops, he said. "One thing builds on another."

When sales weren't as robust as projected, brewers pushed back deliveries of hops, Annen said. "It just starts backing up."

In 2014, sales of craft beer grew 22 percent by value and 18 percent by volume, but last year, sales increased 10 percent by value and 6 percent by volume, according to the Brewers Association.

"We have seen a deceleration," said Bart Watson, the group's chief economist.

Craft beers typically require three to four times more hops per barrel than conventional domestic beer, so the upswing in craft beer production had an outsized impact on hop demand, he said.

Many of the new breweries are small and lack storage space, though, which partly helps explain the rising hop stocks among dealers and growers, Watson said.

However, in some areas, the craft beer market has grown increasingly competitive but retailers have been slower to add shelf space and tap handles to accommodate new brands, he said.

"It's crowded out there," Watson said.

The hop industry is no stranger to turmoil.

In 2007, a shortage of hops caused brewers to start "panic buying," but strong production soon reversed that trend, leading to an oversupply in 2009, said Ann George, executive director of the Hop Growers of America. The situation has grown more complicated as farmers now produce numerous domestic beer, so the upswing in craft beer production had an outsized impact on hop demand, she said.



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