

U.S. organic sales jump 23 percent in 2016

By CAROL RYAN DUMAS
Capital Press

U.S. farmers and ranchers sold \$7.6 billion in certified organic agricultural products in 2016, an increase of 23 percent from \$6.2 billion a year earlier.

Those sales came from an additional 1,399 certified farms, up 11 percent, and 657,547 more acres, up 15 percent, USDA National Agricultural Statistics Service reported Wednesday.

Ten states accounted for 77 percent of the sales, and California continued to lead the way.

The Golden State accounted for 38 percent of total U.S. sales at \$2.9 billion. With the largest share of certified farms and organic acreage, California added 76 farms to its organic ranks and nearly 300,000 acres in 2016.

Washington lost its No. 2 ranking to Pennsylvania but increased sales by \$10 million

Certified organic farms, land and value of sales

Item	U.S.		California		Idaho		Oregon		Washington	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Farms	12,818	14,217	2,637	2,713	168	166	409	461	598	677
Acres (x 1,000)	4,361.8	5,019.5	790.4	1,070	167.2	178.6	175.7	194.8	71.8	78.7
Sales (\$ millions)	6,163.5	7,553.9	2,435.6	2,889.2	85	98	269.5	350.9	626.4	636.2

Source: USDA NASS

Capital Press graphic

with 79 additional farms and about 7,000 additional acres.

Oregon held its No. 4 spot, increasing sales by more than \$81 million on 52 additional farms and 19,000 additional acres.

Nationwide, crops accounted for 56 percent of organic sales at \$4.2 billion, and livestock, poultry and their products accounted for 44 percent at \$3.4 billion.

Milk, however, led product sales at \$1.4 billion, an increase of 18 percent. Eggs followed at \$816 million, up 11 percent. Sales of broiler chickens were up a whopping

78 percent to \$750 million.

Other heavy hitters were apples, up 8 percent to \$327 million, and lettuce – which increased 6 percent to \$277 million.

Other top organic crops were strawberries, grapes, tomatoes, corn, potatoes, hay, spinach and mushrooms, NASS reported.

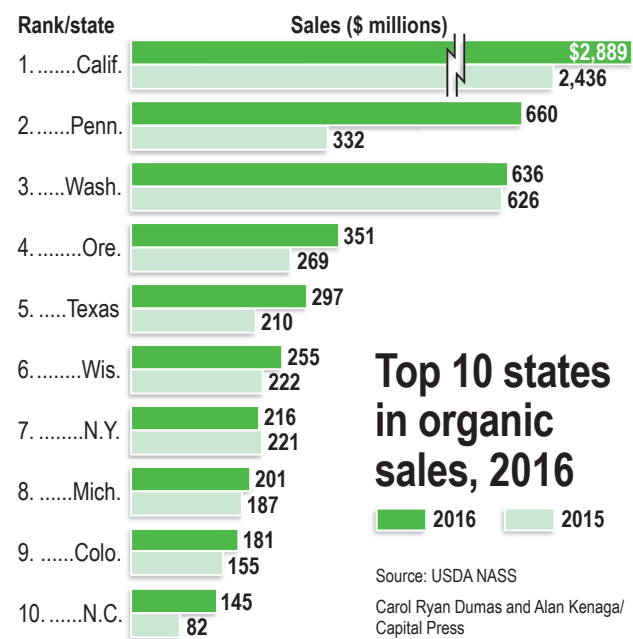
The agency also noted the 2016 survey was expanded to include grape data by variety and to separate information on fresh and processed fruits and berries.

The National Trade Organization said in an email that

while it welcomes USDA's commitment to providing important information on organic agriculture through its farmer-based census, certifier-based estimates show even higher numbers.

Numbers from accredited certifying agents in December showed 14,861 organic farms and 5.3 million organic acres, compared with the 14,217 farms and 5.0 million acres in the Sept. 20 report.

"Precise and current information on organic farm sales and acreage is vital for all organic stakeholders. The organic industry cannot con-



Top 10 states in organic sales, 2016

Legend: 2016 (dark green), 2015 (light green)

Source: USDA NASS

Carol Ryan Dumas and Alan Kenaga/
Capital Press

tinue to thrive and maintain stable markets without good data collection," OTA stated.

The organization also pointed out that while overall growth in sales of organic agricultural production is positive news, the latest re-

port highlights that growth in livestock feed grains doesn't parallel the dramatic growth in livestock products — noting an ever-widening gap between the supply of domestic organic feed grains and demand.

Amazon-Whole Foods combination may spark organic price war, economist says

By DAN WHEAT
Capital Press

PULLMAN, Wash. — Amazon maybe heading for a food price war with its acquisition of Whole Foods, and initial cuts have targeted the organic produce sector that's becoming more important to the Washington tree fruit industry, an industry expert says.

Seattle-based online giant Amazon closed a \$13.7 billion deal Aug. 28 to buy Austin, Texas-based Whole Foods Market Inc. and the same day cut prices of bananas 38 percent, organic baby kale 12 percent and tilapia 33 percent. In a news release, Amazon said its vision is to make "Whole Foods Market's high-quality, natural and organic food affordable for everyone."

"The big problem for competitors is Amazon doesn't appear to be worried about debt. It's stock is \$1,000 a share and keeps rising and as long as it does they can borrow from all sorts of markets," said Desmond O'Rourke, retired Washington State University agricultural economist and world apple analyst in Pullman.

What items Whole Foods carries is being decided centrally instead of locally and brand representatives no lon-

ger may promote products or check displays in-store, the Wall Street Journal has reported.



Desmond O'Rourke

Brooke Buchanan, a Whole Foods spokeswoman, had no comment on whether there will be price wars. She said Whole Foods will continue to discover and sell local products while selecting the best national products possible.

"This improves the customer experience and also ensures local supplier are represented in categories where they will be successful and positioned for growth," Buchanan said.

With 460 Whole Foods stores, Amazon is estimated to be the fifth-largest grocery retailer in the country behind Walmart, Kroger, Costco and Albertsons, according to Cowen financial analysts.

"What worries the retail food industry is that Whole Foods will indiscriminately cut prices and companies like Walmart and Kroger will have to borrow the money or generate it from their own sales to cut prices," O'Rourke said.

They're not growing as fast and can't borrow as much,



Capital Press File

Amazon's ownership of Whole Foods spawns many questions on pricing among organic tree fruit growers in the Northwest.

he said.

Retailers will pressure suppliers such as tree fruit companies for lower prices but suppliers can only go so low given production costs, especially with organics, he said.

"I think retailers are very concerned. They are poised to compete at the retail level. Markets will settle where markets settle," said Tom Riggan, general manager of Chelan Fresh Marketing in Chelan.

"The question is whether Whole Foods is willing to lower its overall margin. Any retailer will put pressure on suppliers to be as low as they

can, but they have to keep supply and quality so it's a fine balance," Riggan said.

Bob Mast, president of Columbia Marketing International in Wenatchee, said Whole Foods has a "deep-thinking group" that understands consumers.

"When Amazon speaks the world listens right now. They are a powerhouse. The day they made the purchase stocks of big retailers took a big dip," Mast said.

Whole Foods is "aggressively" pricing fresh crop organic Gala apples at \$1.49 per pound and other apples at

\$1.99 versus \$2.49 to \$2.79 every day pricing at this time last year, he said.

Whole Foods is "aggressively challenging" suppliers on price and appears to be passing the savings on to consumers, he said.

"We're obviously concerned because on organics you have to have a premium over conventional because of cost of production," Mast said.

Organic fruit costs more to grow and yields are lower, he said. Fruit is smaller and each drop in size equates to a 10 percent loss in volume of packed fruit, he said.

Organic fruit is also more perishable and doesn't store as well as conventional fruit so its sales season is shorter, O'Rourke said.

Yet large Washington tree fruit companies — including Zirkle-Rainier, Domex Superfresh Growers and Stemilt Growers — are moving heavily into organics, O'Rourke said.

This fall's Washington apple crop is forecast at 130.9 million, 40-pound boxes, and 13 million of that, close to 10 percent, is organic, Mast said. That's up 20.8 percent from last year, he said.

Stemilt announced Sept.

21 that 30 percent of its apples this year will be organic and that it will continue the three-year process of converting more acreage from conventional to organic.

Despite higher costs and risks, companies are moving to organics because they and managed varieties are the two largest areas of growth with consumers, Mast said.

Kroger and Walmart are positioned well to compete and tree fruit companies are concerned a spread of lower pricing on organics could hurt their viability, he said.

O'Rourke said it may take two to five years to play out and that the situation may not be as threatening as other retailers perceive.

"I think Amazon is taking a huge gamble moving into the retail food business because it's not familiar with it and it's completely dispersed from the business model they run now," O'Rourke said.

Amazon sells products online and ships them from large distribution centers where they have tight control of operations, he said. There are more operational variables with greater human factors in retail stores that companies like Kroger have had 100 years to master, he said.

Idaho starts anticipated large-scale recharge program

By JOHN O'CONNELL
Capital Press

BOISE — Though the irrigation season has not yet concluded, the state has already started recharging 61,100 acre-feet of storage water that groundwater users provided as mitigation to senior Surface Water Coalition irrigators.

Idaho Ground Water Appropriators Inc. is obligated to give the coalition 50,000 acre-feet of storage annually under terms of a 2015 settlement to the coalition's long-standing water call. It was filed based on declining Upper Snake River spring flows attributed to junior well irrigation.

Idaho cities that draw groundwater from the aquifer were also required to provide

2,600 acre-feet of mitigation water, and industrial processors reached their own agreement years ago to give the coalition 8,500 acre-feet.

The Upper Snake Reservoir system was still 69 percent full on Sept. 26, following an unusually wet water year. Twin Falls Canal Co. General Manager Brian Olmstead explained coalition members have no need for mitigation water this season, so they've donated it to support the state's recharge program — which pays canal companies fees to inject surface water into the aquifer through their unlined canals and adjacent spill basins.

"I think we could have a really dry winter and still fill those reservoirs,"

Olmstead said.

The state started recharging the storage water on Aug. 30 and now has recharge underway on three off-canal sites in the Upper Valley and one Lower Valley site, said Wes Hipke, recharge coordinator with the Idaho Department of Water Resources.

The storage water alone will nearly equal the total volume of recharge the state conducted in the 2015-2016 season, before recharging a whopping 317,000 acre-feet in 2016-2017. Measurements taken late last March from sentinel wells used to track the settlement's progress showed the aquifer gained 600,000 acre-feet in the span of a year, equal to half the capacity of Palisades Reservoir.

Amalgamated expects to equal or best record beet yield

By JOHN O'CONNELL
Capital Press

RUPERT, Idaho — Amalgamated Sugar Co. officials say their early harvest results suggest they'll equal or exceed last season's record sugar beet yields, despite facing harsh growing conditions this season.

Duane Grant, chairman of the board with Snake River Sugar Co., which owns Amalgamated, explained the Idaho and Oregon sugar beet crops got off to a slow start due to cool spring weather, which was followed by the arrival of excessive heat in June.

The company, nonetheless, projects its growers will at least equal the 41 tons-per-acre of beets they averaged during last year's harvest — and

Grant said it's possible they could set a record yield for a fourth consecutive year.

"They came out of a cooler spring than normal and a hotter summer than normal with good yields," said Grant, of Rupert. "We really attribute that to the steady improvement in the quality of the genetics of the crop we plant today."

Grant noted this was the first season that growers planted a variety developed specifically for Idaho's conditions, and more Idaho-specific varieties will be released next season.

However, Grant anticipates the sugar content in each beet will be down significantly from last season, resulting in less finished sugar production for the company. He said Amalgamated projects its av-

erage sugar content will be about 17.5 percent, compared to 18.3 percent last season.

"In my own personal harvest, we're seeing yields comparable with last year and up slightly," Grant said. "My sugar is down half a percent to a full percent."

Grant said growers are anticipating a profitable year, nonetheless, based on the strength of the domestic sugar market.

American Sugar Alliance economist Jack Roney said several factors have aligned to create a "bullish" U.S. sugar market outlook. Primarily, Roney said the U.S. recently reached an agreement with Mexico that effectively ends ongoing dumping of subsidized Mexican sugar onto the U.S. market.

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