



Capital Press File

Wheat is harvested in Eastern Idaho in late July. A rule allowing the Idaho Wheat Commission to gain access to the contact information of farmers will be proposed in the state Legislature.

Proposed rule would require wheat buyers to give grower info to Idaho commission

By SEAN ELLIS
Capital Press

BOISE — After being delayed for two years, a proposed rule change that Idaho Wheat Commission officials say will benefit Idaho grain farmers will be re-introduced during the 2018 legislative session.

IWC and Idaho Grain Producers Association board members last week agreed to move forward with the proposed rule change, which would require first purchasers of Idaho wheat, such as elevators, to submit the names and contact information of all growers to the commission.

The commission's enabling legislation gives it the authority to have that information but it currently lacks the mechanism to collect it, so the IWC only has a partial data base of Idaho wheat growers, said IWC Executive Director Blaine Jacobson.

"The (IWC) has a statutory responsibility to educate Idaho wheat growers and to conduct periodic referendums of Idaho wheat growers on how their check-off dollars are being spent," Jacobson told Capital Press in an email.

He said the Idaho Attorney General's Office "has strongly encouraged us to get this fix done so that we can fulfill our statutory responsibilities."

Other farm commissions have the ability to collect grower names and contact information and "this rule change will give us the same tools that other commissions have," said IWC board member Bill Flory, a North Idaho wheat farmer.

The IWC initially proposed the rule change during the 2016 legislative session but pulled it when it ran into opposition from some elevators.

At the recommendation

of those elevators, the commission held off on its plan to re-submit the rule during the 2017 session.

Jacobson said that after two years and six negotiated rule-making meetings, the commission believes it has answered the primary concerns that some elevators and lawmakers had about the proposed rule change.

That includes whether the grower information is subject to Idaho's public records law. It is not.

Some elevators were also concerned about how the data base would be used, so the IWC adopted a policy on that.

"In a nutshell, the grower names and addresses will only be used for the Idaho Grain magazine and to conduct the periodic referendum," Jacobson said.

Flory said the grower list is held internally and the commission performs any mailings itself.

"It is not available to any of our partners, public or private, and that is absolute," he said.

Dennis Capson, a merchandiser for Scoular Co., which specializes in marketing grain, said his company balked at the originally proposed rule because it also sought bushel and dollar amounts in addition to grower names and contact information.

The IWC dropped the bushel and dollar request and Scoular is now OK with the currently proposed rule.

"All they need is a name and address," he said. "To me, that's something they should have so the wheat commission can do its job for the growers of Idaho."

Thresher Artisan Wheat was also opposed to the proposed rule but CEO Don Wille recently told Capital Press, "I support their decision and them going forward with it."

Lenders see consolidation of tree fruit companies

By DAN WHEAT
Capital Press

KENNEWICK, Wash. — Lenders are bullish on the Washington tree fruit industry for the long term but in the short term they see consolidation pain as the industry sorts through too many apples and cherries and too many packing houses.

More consolidation of companies is very likely within the next six to 24 months because new, expensive packing lines are running too far below capacity, Michael Butler, CEO of the Seattle investment bank Cascadia Capital LLC, told more than 1,000 growers at the Washington State Tree Fruit Association annual meeting in Kennewick on Dec. 4.

Apple crops likely will approach 175 million boxes in the next five years and cherries 35 million, jeopardizing profitability, Dennis Bigness, Northwest Farm Credit Services relationship manager, told growers.

"How much can we profitably market and get picked. We might be constrained to do it well, beyond 150 million boxes (of apples)," Bigness said.

This year's record crop of 27 million, 20-pound boxes of cherries was profitable on the front end but wasn't after the Fourth of July, he said.

The hope in apples lies with newer, managed varieties, the upcoming new state apple Cosmic Crisp and Honeycrisp, but older strains of Red Delicious, Gala and Fuji won't be reduced fast enough, Bigness said.

Yet, Northwest Farm Credit Services remains bullish on the industry and the \$1.5 billion it has invested in it will grow to more than \$2 billion in the next few years, he said.

"The industry is at an inflection point. Very powerful buyers like Kroger, Trader Joe's and Whole Foods dictate to fruit companies what they want and companies need to consolidate to match the power," Butler said.

Mid-size tree fruit companies of less than 1,500 acres of orchard, running at or under 30 percent packing capacity and who are not vertically integrated — meaning they don't grow, pack and sell their own fruit — are most at risk, Butler said.

The better managed ones better suited to generate the most revenue and who have the most capital to invest will end up with assets of others, he said. The industry will come through the pain better positioned, he said.

In recent years, many com-



Dan Wheat/Capital Press

Apples head into a Compac Spectrim defect sorter-sizer that takes up to 500 high-definition images of a single piece of fruit as it passes through at a rate of 12 pieces per second at Chelan Fruit Cooperative. A proliferation of new packing lines in recent years has left the industry with too many.



Dan Wheat/Capital Press

Michael Butler, a Seattle investment banker, at the Washington State Tree Fruit Association annual meeting in Kennewick, Dec. 4. He says more industry consolidation is coming.

panies have invested millions of dollars in upgrades and new, high-tech apple and cherry defect sorting and sizing on packing lines. Many companies have substantial debt, Butler said.

They need more fruit to service that debt if they are running at 30 percent capacity so six to seven of them have approached Cascade Capital looking to borrow so they can replant into more high-density orchard, he said.

Individual companies need

more fruit but collectively the industry has too much fruit and too many packing facilities, Butler said, adding not all will survive.

He said he knows of six mid-size companies that are vertically integrated, well managed and only need more acreage and volume.

"They all have potential but there's not room for all of them," he said.

Right now those companies and others are looking to borrow money to acquire more acreage, but in six months those that haven't been able to do so will start going away, he said.

Companies in a position to buy will be able to acquire assets at bargain prices, he said.

Already, Blue Road Capital, a private equity firm in New York that specializes in acquiring agricultural-focused businesses, was involved in Vanguard International's purchase last spring of 3,000-acre Pride Packing in Wapato and is looking for more acquisitions, Butler said.

Foreman Fruit Co., Wenatchee, bought Earl Brown & Sons, in Milton-Freewater, Oregon's largest grower and packer of apples. Chelan Fresh

Marketing in Chelan, Wash., gained marketing agreements with Borton Fruit in Yakima, and Columbia Valley Fruit in Union Gap.

All of that is part of the consolidation and, for Chelan Fresh, gaining more fruit for bargaining power with retailers, Butler said.

"You have to control 10 percent of the sales market to be a long-term competitor," he said.

Chelan Fresh Marketing, Stemilt Growers of Wenatchee, Washington Fruit & Produce of Yakima and Zirkle-Rainier, Selah, are all in that top tier.

Investors looking to invest in tree fruit companies need to evaluate their investments on a rolling average over time, not year-to-year, Butler said. Family and pension fund investors make the best investors in tree fruit because they have the long-term view and are willing to be minority, not controlling, investors, he said.

In considering what company to invest in, Butler said, his top criteria is quality of management that is efficient, looks ahead and is open to new technology. Secondly, he said, is quality of assets of the packing houses and orchards.

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