Allan Bros. builds large apple packing plant

By DAN WHEAT
Capital Press

NACHES, Wash. — Allan Bros. Inc., a small tree fruit company with more than century-old roots, is building a new $40 million apple packing facility managers say they need to remain competitive.

Construction of the 300,000-square-foot storage and packing facility began last March. It will be operational by the end of October, said Miles Kohl, company CEO.

"We are designing it to meet the needs of our five-year outlook and as additional volume opportunities present themselves," Kohl said.

Allan Bros. packs about 3.5 million, 40-pound boxes of apples annually and will have the capacity to pack 5 million to 6 million boxes with the new line, Kohl said.

Courtesy of Allan Bros. Inc.
Part of the new $40 million Allan Bros. Inc. apple packing and storage plant near Naches, Wash., in its initial construction phase last April.

The company also packs about 1.5 million, 20-pound boxes of cherries each season on a separate line.

The new line enables Allan Bros. to meet its packaging and marketing goals and handle its expanding orchard acreage and the increasing acreage of its Enza apple growers, Kohl said.

Allan Bros. markets most of its fruit through Rainier Fruit Co., Selah, and its Enza brand apples through The Oppenheimer Group in Seattle. Enza apples include Jazz, Envy and Pacific Rose.

At the Washington State Tree Fruit Association annual meeting in December, Michael Butler, CEO of the Seattle investment bank Cascadia Capital LLC, told growers more consolidation of smaller Washington tree fruit companies is likely within the next six to 24 months because new, expensive packing lines are running too far below capacity.

Asked about that, Kohl said the industry is poised for more consolidation due to ownership transitions, labor shortages and other factors. He said Allan Bros. is undertaking the largest investment in its history to position itself to better survive any potential consolidation.

The new apple line is being installed by Van Doren Sales with New Zealand Compac Spectrim defect sorters and graders. It features a 10-lane Compac pre-size portion with room to eventually expand to 15 lanes. The 7-lane commit-to-pack side can be expanded to 13 lanes, said Patrick O'Brine, Van Doren salesman. Van Doren is headquartered in East Wenatchee and has an office in Union Gap.

"It's a hybrid pre-size with three water bin fillers each capable of filling six different products, particular grade and size combinations," O'Brine said.

All the fruit goes through the pre-size first. Only the fruit to be packed right away goes to the commit-to-pack line, he said. The rest of the fruit, sorted and sized, is stored until needed for packing.

Pre-sizing has been used a long time but this is only the third line in the Rainier marketing group in which presized fruit can go directly to packing, he said.

The pre-size is capable of 100 bins per hour, the new industry norm, with a cruising average of 3,000 to 4,000 pieces of fruit per minute, O'Brine said. That speed is more than double that of the company's old 1970s commit-to-pack and 10-year-old pre-size line, Kohl said. The latter will be kept but not the old commit-to-pack, he said.

"The new line gives us the ability to reduce our ratio of labor hours to output significantly," Kohl said.

Food safety is enhanced with stainless steel and electric replacing hydraulic components so there's no chance of hydraulic fluid contaminating apples, he said.

Washington H-2A guestworker use keeps growing

By DAN WHEAT
Capital Press

WENATCHEE, Wash. — The H-2A-visa foreign guestworker program accounted for 20 percent of the peak seasonal farm workforce in Washington last year and is still growing, the director of the WAFLA farm labor association says.

A total of 18,535 H-2A visas were approved for the state in 2017, up 35 percent from 13,689 the year before, Dan Fazio, WAFLA director, said at the association's annual H-2A Workforce Summit on Jan. 17.

Of that amount, WAFLA hired 7,134, according to the U.S. Department of Labor. That was direct hiring for employers, like a labor contractor. WAFLA also helped less directly with approximately 5,000 more.

"The program is great except for the cost and the cost is mandating you have productive workers," Fazio told about 200 growers. Costs vary, but typically run about $1,300 per worker per year for hiring and transportation, excluding wages, he has said in the past.

Dan Wheat/Capital Press File
H-2A-visa foreign guestworkers thin Gala apples near Rock Island, Wash. In 2017, H-2A workers accounted for about 20 percent of Washington state's peak seasonal farm workforce.

The main driver of the cost is wages, with the Adverse Effect Wage Rate established by the U.S. Department of Labor, he said. That's the minimum wage for H-2A workers and has gone up an average of 4.5 percent a year for the past four years while most U.S. wages have gone up just 2 percent, he said.

Often H-2A workers are paid piece rate for harvest and make more than the AEWR, which is $14.12 this year in Washington and Oregon.

If 20,000 H-2A workers come to the state in 2018 and earn $30,000 apiece, that's $600 million, Fazio said.

Employers save $1,854 in payroll taxes on an H-2A worker staying six months — assuming 3 percent unemployment insurance, 45 hours per week and $15 per hour — which helps offset costs, he said.

Roxana Macias, compliance director of CSI Visa Processing, hired by WAFLA to recruit workers in Mexico, said workers are eager to sign up because the best workers earn $25 a day in Mexico but can earn that in two hours in the U.S.

"We're concentrating on worker quality, getting productive workers," Fazio said, adding it would help if the program allowed workers to return home for one week every three months. Workers miss their homes and their productivity tends to decline the longer they stay, he said. The program limits workers to 10 months.

Higher density plantings help offset shrinkage in pear acres

Smaller crop keeps prices strong

By DAN WHEAT
Capital Press

WENATCHEE, Wash. — While Washington pear acreage has declined 25 percent in the last 16 years, there's no reason to think pears are in jeopardy, says Kevin Moffitt, president of The Pear Bureau Northwest.

Higher density plantings and a bump in the number of trees planted doesn't fully offset the drop in acreage but enables Washington to continue to produce large pear crops, Moffitt told growers at the Northcentral Washington Pear Day on Jan. 17 at the Wenatchee Convention Center.

Washington typically produces 50 percent of the national crop with the other 50 percent split between Oregon and California.

A USDA National Agricultural Statistics Service survey of Washington tree fruit acreage, issued Nov. 8, showed a 4.7 percent drop in pear acreage from 22,008 acres in 2011 to 20,965 in 2017. The peak was 28,000 acres in 2001, Moffitt said.

There was a bump in trees planted between 2006 and 2011. They are just now coming into full production. Trees are planted at a higher density — 397 trees per acre, up from 191 before 1996.

"With the right weather conditions, we can still produce a large crop. Over time, if we continue to lose acres, that would be concerning. At this time, we can still have full and increasing crops with the right conditions. Pears are not going away," Moffitt said.

The Pear Bureau's Jan. 12 crop report shows the 2017 crop at 17 million, 44-pound boxes, down 5 percent from the 2016 crop and down 7 percent from the 18.3 million-box Aug. 22 estimate. It's 13 percent below the five-year average of 19.6 million boxes.

The crop is smaller from more cork than anticipated in Wenatchee and Hood River d'Anjous, Moffitt said.

Cork is decay caused by a calcium deficiency that's usually accentuated by heat.

As of Jan. 12, 53 percent of the 2017 crop had been shipped versus 59 percent a year ago and 62 percent two years ago. Movement is slower because of a later harvest, Moffitt said.

Bartlett and Starkrimson are down 20 percent from last year and moving well, he said. Bosc is down 23 percent and moving well while green d'Anjou is up 12 percent and red d'Anjou is up 11 percent and hopefully will begin picking up in sales, Moffitt said.

Exports are down just 100,000 boxes from the same point last year. Due to the smaller crop more small fruit, typically exported, is being held for domestic sales in increasingly popular pouch bags, he said.

Prices are strong.

The Jan. 18 average of industry asking prices in Wenatchee and Yakima was $30 to $36 per box for sizes 70s, 80s and 90s U.S. No. 1 grade Bartlett, according to USDA. That's up $2 per box on the low end and $4 on the high end from Sept. 22.

Jan. 18 prices were $25 to $30 for the same sizes and grade of d'Anjou. It was $28 to $34 for 70s and 80s No. 1 Bosc and $26 to $32 for 90s.