Will small apple growers someday be gone?

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Some people share that view. Others dispute it.

"It's been said that yesterday's 60-acre grower is today's 600-acre grower and tomorrow's 6,000-acre grower," Lyall said.

Ever-thinning profit margins contribute to 4.3 percent fewer principal farm operators in the U.S. between the last two U.S. agricultural censuses of 2007 and 2012. The shrinkage was greater for Washington apple growers, whose ranks dropped 7 percent during that time.

"It's remarkable to me how many farmers have hundreds of acres or smaller and are going concerns but don't seem to have anyone in their families who want to take over when they retire," he said. He doesn't plan to retire. His brother, Charles Lyall, runs the farm in Mattawa. His nephew, Jim Lyall, works with him in Grandview.

Some 120 miles to the north in East Wenatchee, Susan Droz Rankin, 71, and her brother, Paul Marker, 68, sold their small orchards, totaling about 16 acres, a few months ago because they wanted to retire, no one in their families wanted to farm and regulations, costs and a shortage of labor continued to erode profits.

"In 2005, we had people stopping in looking for work. In recent years, no one has. It's been a real struggle to find people, and we even increased our wages to higher than H-2A (foreign guestworker) piece and hourly rates," Rankin said.

Food safety paperwork is "overwhelming" and mechanization and variety replacement is too costly, she said. New pesticides that are softer on the environment have to be applied more often, adding more costs, she said.

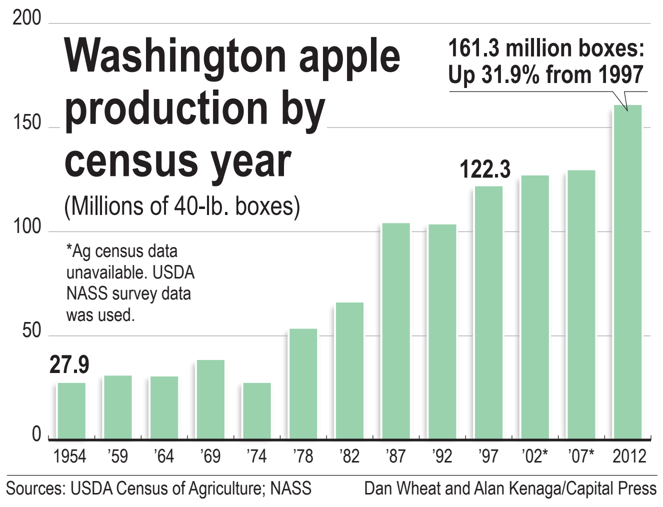
"Farming used to be a lot of fun. The whole family got out and worked from dawn to dusk and enjoyed it, especially at harvest," Rankin said. "Now all these issues have taken some of the fun out of it."

About 135 miles farther north, near the U.S.-Canadian border town of Oroville, Dave Taber, owner-operator of 275 acres of tree fruit, said he has been questioning his survival for years, largely due to less labor availability and higher costs.

"Small growers have been in decline in most commodities. Lack of capital to modernize and the burden of regulations hits them hardest and discourages their children from taking over," said Desmond O'Rourke, a retired Washington State University agricultural economist.

Dan Wheat/Capital Press

Concord grapes, the old standby crop, on the left of Frank Lyall's driveway near Grandview, Wash., on Feb. 7. New Cosmic Crisp apple trees, right, are his hope for the future.



"There are specialized niches where small growers can shine if they can get the capital. They can't make it on low-priced mainstream varieties," he said.

Apple history

A closer look at Census of Agriculture numbers shows 27,150 Washington farms producing apples in 1910, increasing to 35,535 in 1920 and 46,240 in 1925. The Great Depression hit them hard, and many growers went bankrupt. Federal loans eventually helped save the industry.

USDA also recommended the formation of the Washington Growers Clearing House Association, which started in Wenatchee in 1941 and tracked fruit prices, which helped growers and packers determine prices.

But the biggest drop was from 35,571 farms in 1950 to 10,318 just four years later.

"The U.S. economy was booming after World War II. It was the only world economic power. A lot of people got out of farming, not just apples, but all farming, to make more money in the cities. It was a huge societal shift," O'Rourke said.

The 1989 Alar scare — a suspicion that the pre-harvest growth regulator caused cancer — crashed apple sales and prices and caused another multi-year decline in the ranks of growers. So did poor returns in the late 1990s.

"I don't think small growers ever recovered from the Alar panic. That really shifted the economic model. It ended the industry dominance of the small family farmer and the co-op (grower-owned packing cooperative) model," Lyall said.

A different era

"It used to be a farm family was a basic unit of labor or production in a tree fruit operation. A man and wife and kids could run 30 to 60 acres and do most of the work themselves, hire help at harvest and make a living. It's become increasingly difficult to do that," Lyall said.

"Towns, once prosperous middle class communities on tree fruit, are now less than that. They're reliant on government assistance programs. There's a general decline in the social health of communities as we see more crime and social dysfunction. That's been the tragedy of the whole thing," he said.

The shift has impacted whole communities, he said.

"It use to be Wenatchee was the Apple Capital of the World and was a very attractive small city on the banks of the Columbia, a desirable place to live," Lyall said. "I would say the apple capital now is Mattawa, but no one wants to move to Mattawa. It's a town significantly below average income and socio-economic levels."

Consolidation of retailers has forced the consolidation of the tree fruit industry and the new model is about a dozen large companies controlling around 80 percent of production and sales. Large companies are better equipped to deal with labor, mechanization and replanting costs and government regulations, but "it's coming at a large socio-economic cost to the farming communities of Central Washington and it's a subject no one wants to touch with a 10-foot pole," Lyall said.

Regulations have always been the bane of small growers because they take the focus away from growing fruit and reduce nimbleness, he said.

Larger retailers favor food safety regulations but aren't willing to pass increased costs on to consumers, he said.

He credits President Donald Trump with rolling back regulations that, he says, grew the most under presidents Barack Obama and George W. Bush.

It's also ironic that big companies complain about outside investors driving up land prices even as they partner with them to buy more land and plant more trees to have enough fruit volume for new packing lines, making land unaffordable, causing overproduction and consolidation, he said.

Will small survive?

Will small apple growers someday be gone and a few large companies grow, pack and sell all the fruit?

Lyall says it's hard to know, and that it depends on what government and large buyers want, since they created the current economic model.

Michael Butler, CEO of Cascadia Capital, a Seattle investment bank, believes most small growers will eventually die out and six to eight large companies will remain. A few small growers will survive if they have a niche product and link up with a large company that can distribute their fruit, he said.

The best model, he said, is the large company growing, packing and selling mostly its own fruit with the remainder from small growers.

"We find a lot of mid-sized companies filling 30 percent of their volume with their own fruit and 70 percent with fruit of small growers. These companies are in the danger zone," Butler said.

As independent growers go away, those mid-size companies need more fruit and are borrowing to buy land and make or buy orchards, he said.

"The big vertically integrated (grow, pack and sell their own fruit) companies are just as happy if the small growers go away. The mid-sized vertically integrated not so much, as they need to replace the fruit," Butler said.

Chuck Zeutenhorst, general manager of First Fruits Marketing of Washington in Yakima, said he's not aware of any large companies that want their small growers gone.

"It's a competitive industry but there's a lot of goodwill," he said.

Companies have wonderful partnerships with independent growers and "there is a general feeling that we want everyone to be profitable," he said.

First Fruits is the sales arm of Broetje Orchards, of Prescott, and two other companies. Zeutenhorst, 61, grew up on an orchard, and said that years ago growers were the industry kings but now have taken a backseat to marketing. Small growers suffered from the loss of generic domestic promotions when the Washington Apple Commission lost its domestic authority in 2003, he said.

"In the short term, with the level of worldwide apple production coming at us, I think times are coming that could be very difficult. Will the industry be dominated by four to six large companies? I think there's a chance of that. I don't want it to happen," Zeutenhorst said. "In the long term, I think the small grower may make a comeback."

The industry is becoming saturated with new varieties to be sold domestically while domestic consumption is not increasing and varieties that do well for export are being reduced, he said.

Overall volume is substantially increasing and "at some point something has to give. It reminds me of the federal debt," he said.

Development costs of new varieties are "incredible" and only large, vertically integrated companies can afford them, he said.

Jon DeVaney, president of the Washington State Tree Fruit Association in Yakima, said consolidation is a natural economic trend in any industry as it grows but that small growers won't totally vanish.

Lots of towns had breweries 60 years ago, he said. Consolidation reduced them to a few big companies and now small craft breweries represent a new variation of small hometown breweries.

"It's hard to predict what will happen because there are broader economic trends that drive what happens. There's a lot of pressure to get fruit marketed through fewer channels because large retailers want to deal with fewer suppliers," DeVaney said.

Consolidation may be disrupted, he said, by Amazon's acquisition of Whole Foods, increasing fruit sales via the internet.

There are immediate efficiencies to large companies growing their own fruit and it gives them dependable supply, but then they also have tremendous capital tied up in land, which may not be efficient, he said.

"I hear companies talk about the importance of maintaining close relationships with independent growers. A good producer who can produce quality is an asset," DeVaney said.

But Lyall maintains the consolidation of four industry organizations four years ago to form the Tree Fruit Association "was designed to help small growers go away" because their voice was significantly reduced with the loss of the Washington Growers Clearing House Association, on whose board he served.

"If large companies wanted small growers they would have left Growers Clearing House in place because they would have recognized the importance of independent growers having an independent voice in the industry," he said.

DeVaney replied that consolidation occurred throughout the Clearing House's existence and the merger of the four organizations was not designed to force small growers out.

"The focus is to provide services to all growers. Five of 13 board seats are set aside for independent growers and there are more growers than packers," DeVaney said. "We try our best to represent all and there is more that unites us in common interests than divides us."

Washington's wolf plan holds out the possibility of translocating wolves if recovery stalls

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House Bill 2771 now goes to the Senate, where it could be blocked by senators concerned that their districts would be on the short list of places to introduce wolves. The House bill moved because the chairman of the Agriculture and Natural Resources Committee, Aberdeen Democrat Brian Blake, set aside his opposition and let the bill through for a vote.

The bill was supported by a few westside lawmakers with rural constituents, but the lopsided vote was driven by eastside Republicans and urban Democrats.

Cattle Producers of Washington President Scott Nielsen, a Stevens County rancher, said he understands resistance to taking in wolves. Still, he said that he supports the bill because translocation would expand support for protecting livestock and the public from wolves.

"While I don't wish wolves on anyone, it will bring the rest of agriculture and rural folks into the fight," Nielsen said. "It's a social battle, and the best way to win a social battle is to have as many people on the same page as us."

Nielsen said regional de-listing would be a better way to help northeast Washington ranchers who are losing cattle.

"I understand why people don't want wolves in their backyard because I'm in the same boat," he said. "We'll welcome them into the fight."

Under the bill, WDFW would look for places without wolves, but with enough prey to feed them. A review to satisfy the State Environmental Policy Act could take a year or longer and would be further complicated by the fact that the U.S. Fish and Wildlife Service has jurisdiction over wolves in Western Washington.

Wolves are not federally protected in the eastern one-third of Washington, where they are well established. Wolves have yet to colonize the North Cascades, South Cascades or the Olympic Peninsula and appear to be at least several years away from meeting the state's recovery goals.

Washington's wolf plan, adopted in 2011, holds out the possibility of translocating wolves if recovery stalls. WDFW predicts recovery will happen without capturing and transporting wolves west.

Kretz said his district already has enough wolves to colonize the state. He said that he fears the consequences of having dozens of packs in northeast Washington without a plan to manage them.

"What we're asking is for the department to take (translocation) seriously. Their response over the last few years has been, 'We'd rather not do that. We'd rather let them naturally disperse. And we have to start (an environmental review) to do that.' My response has been, 'You should have started (it) a long time ago,' " he said.

Federal wildlife managers have moved wolves in Montana, Idaho and Wyoming to get the predators away from cattle. A study published in 2005 by Fish and Wildlife, the National Park Service, the University of Montana and the Nez Perce Tribe concluded that 88 wolves translocated between 1989 and 2001 had a higher mortality rate and a strong tendency to head back toward where they came from.

Mercury may soon become a more relevant subject for growers in the Willamette River Basin

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"It's not a common topic of conversation," Horning said. "There's going to have to be an education process."

Mercury may soon become a more relevant subject for growers in the Willamette River Basin because of upcoming regulatory decisions.

Last year, a federal judge ordered the region's water quality standard for mercury — known as a total maximum daily load, or TMDL — to be revised by April 2017 due to an environmental lawsuit that faulted how the limit was calculated.

Oregon's Department of Environmental Quality has now pulled together a committee, which includes representatives of the agriculture and timber industries, to advise on the revision process.

The state agency's TMDL for mercury, which it's updating with new data, is overseen the U.S. Environmental Protection Agency to ensure compliance with the Clean Water Act.

The Oregon Farm Bureau is troubled by the lack of input that DEQ is accepting about its estimates for the amount of mercury that's deposited in the Willamette Valley and released into waterways.

Agriculture and other industries aren't being given enough opportunity to review and weigh in on the agency's assumptions about mercury sources, said Mary Anne Cooper, the organization's public policy counsel and an advisory committee member.

Farmland is a major land use in the region, so it's likely to be considered a "big player" in controlling mercury pollution, she said.

"I think this is probably going to be one of the most meaningful TMDLs for agriculture, certainly in recent memory or even ever," Cooper said.

During a Feb. 15 meeting in Portland, DEQ officials told committee members their primary role was advising on how the TMDL will be implemented to reduce mercury levels.

The technical work of calculating the TMDL will mostly be decided by the DEQ and EPA due to time constraints, though the public will be able to comment on their findings, officials said.

However, assumptions about the sources of mercury are closely linked to the implementation of controls, since both involve crop types and farm practices, said Cooper.

Since sedimentation from farmland will likely be considered a significant source of mercury, the "fix" may involve a DEQ directive on managing soil erosion, she said.

Agricultural water quality regulations are overseen by the Oregon Department of Agriculture, but the concern is that DEQ may provide that agency with prescriptive instructions to reduce mercury pollution, Cooper said.

Such a directive could be burdensome for farmers and discourage innovation in erosion control, she said. However, the ODA cannot realistically become much more drastic about controlling sediment, which is already a major focus of its agricultural water quality program, said Paul Measles, an agency hydrologist and committee member.

"The staff we have and the amount of places we can look at any one time isn't going to change," he said.

Erosion control in the region could be improved, but farmers are constrained by regulations in what they can do to reduce streamside sedimentation, said Horning, who is also a committee member.

Work to reduce bank erosion can be quickly performed with a front-end loader but generally requires cumbersome permitting from state and federal agencies, Horning said.

"It's frowned upon and it shouldn't be," he said. "It should be embraced."