

# 'I would say Bruce Grim is a true grower and industry advocate'

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Association, Mid-Columbia Pear Marketing Association and Northwest Cherry Marketing Association have operated in Wenatchee since 2001. They're commonly referred to as "the marketing associations."

That they still operate is evidence of getting over "a trust hurdle" and figuring out "a way to do business to have critical mass to make them fly," Grim said.

It took time for him to build trust with the major packer-shipper-marketers. They shared information with him, some of it sensitive and proprietary, that he was allowed to share anonymously with all of them for the good of the whole. He did it without betraying confidences.

"I would say Bruce Grim is a true grower and industry advocate. His tireless work in establishing and leading the marketing associations was and is a bold attempt to raise grower returns by bringing together a competitive industry," said Mark Zirkle, president of Zirkle-Rainier Fruit Co., a large tree fruit company. "His ability to gain consensus and people's trust made him an ideal inaugural marketing association chief."

Grim's successor, Brian Focht, general manager and past domestic sales manager of Oneonta Starr Ranch Growers of Wenatchee, is anxious to make the associations even better, Grim said.

Focht, 55, has been with Oneonta for 17 years. He has previous sales experience with the Dovex and Northern fruit companies.

"Bruce has done a great job. I hope to continue and bring a little different perspective since I've been directly involved in sales with all the major retailers for the last several years," said Focht, pronounced "Foaf."

He said he will bring an "up-to-speed vision" of what's going on in the marketplace and doesn't think he'll have any problem gaining the trust of those who have been his competitors since he knows them all.

## The beginnings

Grim was born in Wenatchee and grew up on the family orchard 20 miles north in the small town of Entiat.

"My parents were products of the Great Depression with no opportunity for higher education," Grim said. "So Dad gave my brother (Doug) and I every dirty job in the orchard as enticement to go to school, like cleaning out the chicken house in July."

It worked. Both brothers became attorneys in Oregon and practiced law there until Bruce returned to run the 40-acre fam-



Dan Wheat/Capital Press

Bruce Grim picks a Rainier cherry. He's held four key industry leadership posts during his career.

ily orchard in 1980 upon their father's retirement.

Over time, he increased his holdings to 100 acres of apples, pears and cherries. He learned about marketing in the 1980s while on the board of Skookum Inc.

## The associations

He was board chairman of the Washington Apple Commission from 1999 to 2001, when many growers were going broke because of too many Red and Golden Delicious apples, poor fruit quality and the Asian financial crisis.

Companies were not meeting sales targets. Cutthroat competition held prices down.

"We were in difficult straits and needed to do something," Grim said.

In early 2001, the marketing associations were formed. Grim was drafted as first manager and began work June 11.

They could share information under the 1922 Capper-Volstead Act, which exempts associations from federal antitrust laws.

"Theoretically, under Capper-Volstead you could agree on a price. We never have and probably never will," Grim said. "There are too many variables, and members realize there are different marketing opportunities. Some contracts may be at higher prices than some spot markets. It's not one size fits all."

They talk about price and supply issues, and about market dynamics such as the strength of the dollar, tariffs, trade policies and anti-dumping issues. But they can't divide up markets or limit the number of trees planted.

The goal isn't a monopolistic price structure but greater equity "between retailers and growers to ensure a reasonable return and sustained profitability for all segments of the indus-

try," he said.

## How it works

Early on, the associations tried setting floor prices. That didn't work because of differences in markets and quality. Then they agreed to set price ranges that they were not bound to but would try to stay within.

On conference calls every other week, Grim presents shipping data and price averages from the Washington State Tree Fruit Association. Marketers discuss and adjust voluntary price ranges for varieties and grades.

The system works. A mid-October freeze in 2009 left companies with a lot of apples with a short shelf life. They lowered prices to move the fruit but not so low that it damaged prices for the rest of the season.

2012 was a perfect storm, a once-in-a-lifetime wonder. Washington growers had a then-record 128.8-million-box apple crop. Normally, huge supply means lower prices. But production in New York, Michigan, Canada, Mexico and Europe was way down and Washington enjoyed record prices and returns.

"By making everyone aware, we helped and encouraged to push higher. There would have been record prices without us, but maybe not as high. We took full advantage of it," Grim said.

Marketers say the associations have helped stabilize what can be chaos and kept them from being "lone rangers in the dark groping about for what to do." Information is more trustworthy, they say, than what they obtain about each other through buyers who play sellers against each other to get lower prices.

But there are limits to the associations' effectiveness.

Apple sizes have varied considerably in recent years,

creating "marketing headaches," making it harder to set price ranges and stay on critical shipping targets, Grim said.

There are also times, as was the case with cherries in July of 2009 and 2017, when there was simply too much fruit and too short a sales window, he said.

"Too large a volume in too compressed a marketing period. It breaks down. No question. Price is the only mechanism to move the fruit," Grim said. Price ranges go out the window, and it's every company for itself.

Another limitation is that less than a majority of companies belong to the associations. But, he said, there is a significant volume of production from those who do.

## Other achievements

Grim sold some of his orchard in 2007 and 2008. He planned to keep the rest but eventually sold it after his first wife, Candace, died of cancer in 2009.

In September 2008, he became the last executive director of the industry flagship Washington State Horticultural Association. It merged with three other associations in 2014 to form the Washington State Tree Fruit Association.

The 110-year-old Hort Association educated growers, packers and shippers on horticultural and storage issues and lobbied state lawmakers.

Being an attorney and grower made Grim a perfect fit, but some board members were unsure about having an attorney, said West Mathison, president of Stemilt Growers LLC, a large tree fruit company based in Wenatchee.

"Bruce is one of the few people in the industry that could effectively speak to the governor on a conference call and then line out a crew in the orchard in the next breath. He

was a great steward of our great industry," Mathison said.

Under Grim's leadership, the Hort Association created a food safety audit program to help small growers comply with the new Food Safety Modernization Act. The association was also successful in applying for and helping other organizations apply for federal specialty crop block grants, newly created in 2006.

## Labor and trade

From its commercial beginnings in the 1880s, Washington tree fruit has grown into a \$3.3 billion-a-year industry. Grim says the industry's greatest challenges are, first, the increasing cost and shortage of labor and, second, trade.

"We've moved heavily into H-2A (foreign guestworkers), which is very costly. There are some real challenges in maintaining a labor supply in a cost-effective manner," Grim said.

The minimum wage for H-2A workers and domestic workers in the same orchard is \$14.12 per hour compared to the state minimum wage of \$11.50. H-2A employers also have to provide housing and transportation between the country of origin and the orchard.

Labor costs increase 5 to 10 percent annually and are the largest part of production costs, Grim said. He questions how that is sustainable.

"At the warehouse (packing and shipping) we've used mechanization to reduce labor costs, but in the orchard we're not there yet," he said.

After 11 years of working on immigration reform there's still a need for "a guestworker program that allows workers to come and go home at a cost that doesn't drive growers out of business," he said.

The minimum H-2A wage is based on the state's wage profile, which is high because the state's minimum wage is tied to the Seattle Consumer Price Index, Grim said.

"The cost of living in different areas of the state isn't what it is in Seattle. So it only assures the cost of labor goes up, margins go down and we lose more growers," he said.

After labor costs, the industry's biggest challenge is the Trump administration's apparent move away from free trade agreements, Grim said.

"There is every likelihood that NAFTA (North American Free Trade Agreement) won't be renewed and Mexico and Canada are our two biggest export markets for apples. We export 34 percent of the apples we grow," he said. If exports decline, more fruit will be forced on the domestic market, driving prices down, he said.

## Cosmic Crisp

Another challenge is the marketing of Cosmic Crisp, a new Washington State University variety headed toward becoming the new state apple with an unprecedented fast ramp-up of market volume starting in 2019.

The cost of planting 12 million new trees in three years is estimated at \$275 million to \$550 million. Cosmic Crisp could be very profitable, but it all depends on whether consumers embrace it and whether it seamlessly replaces older varieties.

The industry is betting consumers will love its sweet, tangy flavor more than Honeycrisp, which is one of its parents.

"We probably know more about Cosmic Crisp from a research standpoint, horticulturally and storability than any managed variety we've come up with," Grim said. "What we don't know is how it will translate into the marketplace."

It's more a matter of hoping demand follows supply than supply following demand and "absolutely is a big risk," Grim said. "But it's an acceptable risk. A lot of smart people think so."

## Industry outlook

At the industry's annual meeting last December, Seattle investment banker Michael Butler predicted most small growers and smaller companies will die out and six to eight large companies will dominate.

Grim agrees there will be more consolidation. The number of apple and cherry growers is shrinking as production grows, while pears are more static and have a better chance of holding small growers, he said.

There have always been those in the industry who say they don't need to be part of collective solutions because they are too big and efficient to fail, Grim said.

"Let me suggest in the strongest terms possible that the 'last man standing' concept is ideological fool's gold. The apple segment of the tree fruit industry will survive or fail collectively. There will be no last man," he said.

If knowledge is power, shared knowledge is even greater power, he said.

"In many ways, the issues confronting the tree fruit industry that led to creation of the marketing associations 17 years ago are much like today. We need to be thinking in crisis mode," he said. "The industry does not need a 'heads down, go it alone' approach. We are stronger collectively and that has been the great value of the marketing cooperatives. By working together, the future is bright."

# Hammonds were charged under a federal anti-terrorism statute

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While many of the Hammonds' supporters didn't approve of the takeover, they saw the Obama administration's pursuit of longer prison sentences as vindictive. That sentiment was echoed in Trump's pardon announcement, which called the appeal "overzealous."

"I think the president recognized they're good and decent men and got a raw deal on the sentencing," said Nathan Jackson, a rancher and president of OCA. "The wheels of justice turn slowly but they do turn. ... These guys were railroaded and now they're getting out, and that is what is right and just."

The Hammonds were charged under a federal anti-terrorism statute, which caused many in agriculture to question the judgment of the prosecutors.

"Farm Bureau was shocked by the minimum five-year sentence the Hammonds faced," said American Farm Bureau President Zippy Duvall. "Even worse was the Justice Department's decision to use anti-terrorism laws to prosecute them. We could not be happier this ugly chapter in governmental

overreach has come to an end."

For some critics of the Obama administration, the Hammond case served as an example of a federal persecution of ranchers to bolster environmental aims.

The pardons will hopefully make it clear that federal managers are not free to put ranchers out of business and take their land, said Dave Duquette, national strategic planner for Protect the Harvest, an agricultural and hunting nonprofit.

"It will send a message to the lower-level bureaucrats," he said. "If it doesn't, then they're not paying attention because the Trump administration is not going to take that kind of stuff."

The federal government's approach to the Hammonds reflects "prosecutorial misconduct" that's evident in other cases, said Ramona Morrison, daughter of deceased Nevada rancher and "Sagebrush Rebellion" icon Wayne Hage.

"It's a little spooky that's how far they will go," she said. "It's the same tactic they've used across the West."

Morrison is less optimistic about the Hammond pardons changing how federal business is conducted on the ground, however.

"The deep state is alive and well in these agencies," she said.

The notion that Obama declared a "war on ranching" is contradicted by the amount of grazing on public land during his term, which remained stable, said Weiss of the Center for Western Priorities.

The Hammonds, meanwhile, were convicted of a "very serious crime" that shouldn't be brushed aside, he said.

The nonprofit would not have objected to Trump simply commuting the Hammonds' sentences and setting them free, Weiss said.

A full pardon grants broader absolution, which undercuts the dangerousness of setting fires and indicates that public land can be burned without consequence, Weiss said.

Militants who occupied the Malheur National Refuge and previously confronted federal agents at the Cliven Bundy ranch in Nevada will also see the Trump administration as sympathetic to their aims, he said.

"We think this sends a very dangerous message that will put America's park rangers, law enforcement officers and public land managers at risk," he said.

# Attorneys are arguing expansion decision was within president's authority and can't be reviewed in federal court

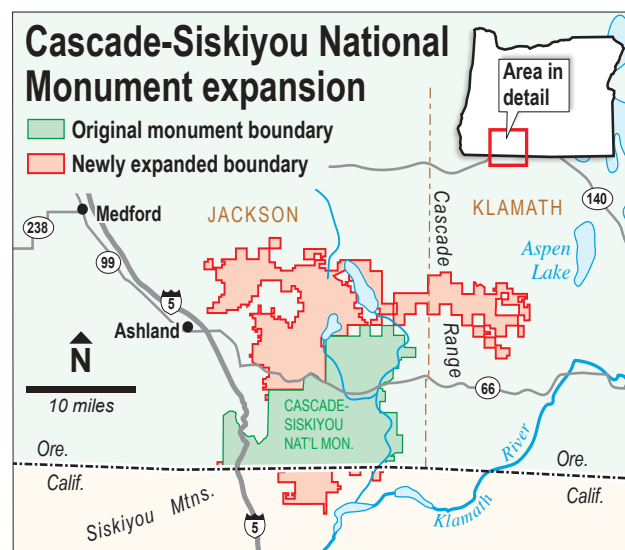
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In two cases pending in Washington, D.C., attorneys for the Trump administration are now asking a federal judge to deny that request, arguing the expansion decision was within the president's authority and can't be reviewed in federal court.

The government has yet to reply to a similar motion in the third lawsuit filed in Oregon.

Even if the expansion can be challenged in federal court, the plaintiffs have "misconstrued" the O&C Act because that law "does not require the agency to manage every tree on every acre of O&C lands for timber production," the government's attorneys said.

The Trump administration's arguments are similar to those made by environmental groups that have intervened in those cases — the Soda Mountain Wilderness Council, Klamath-Siskiyou Wildlands Center and Oregon Wild.



Alan Kenaga/Capital Press

It's unclear what the Trump administration's legal position portends for a possible reduction in the monument's size by administrative action, said Lawson Fite, AFRC's general counsel.

"I don't think this filing rules it out, but it's hard to say," Fite said. The Trump administration is probably defending the Obama-era decision to "defend the presidential prerogative" and preserve

the "power of the executive," he said.

Legal challenges to monument designations and expansions haven't been successful in the past, but the current litigation is different due to the unique aspects of the O&C Act, which requires a sustained timber yield, Fite said.

"Our view is they don't have as much discretion as they say they do," he said.