

# Views differ on promoting Cosmic Crisp

By DAN WHEAT  
Capital Press

A year from now Washington State University's new Cosmic Crisp apple will be in the marketplace and "if consumers love it all will be well" and if not "this could all be a disaster," says Desmond O'Rourke, retired WSU agricultural economist and apple market analyst.

The new apple, touted as the best yet by promoters, will enter a crowded market of more than half a dozen big-volume, main varieties from Washington and some 36 small-volume proprietary varieties, also called club or managed varieties.

A lot of newer varieties as well as Cosmic Crisp have Honeycrisp as one of their parents, thus competing with similar characteristics such as flavor. Cosmic Crisp rated excellent in consumer taste tests in the Seattle area. That's not representative of the U.S. market, O'Rourke said.

Retail volume will quickly accelerate from just under 200,000, 40-pound boxes of apples in 2019 to 2.2 million for 2020, 6.2 million in 2021 and to 22 million by 2026, according to Proprietary Variety Management, a Yakima company hired by WSU to manage commercialization of Cosmic Crisp.

Lynell Brandt, PVM president, says Cosmic Crisp can be priced high because it's an "extremely high-quality apple."

But O'Rourke says he doesn't see how "you can put 6.2 million boxes on a crowded market and get a big premium."

In a panel discussion at the Washington State Tree Fruit Association annual meeting the first week of December, Brian Focht, manager of the Washington Apple Marketing Association, said Cosmic Crisp



Dan Wheat/Capital Press

## Washington's Cosmic Crisp apple.

needs to start at a reasonable price.

"A lot of retailers are seeing price deflation on Honeycrisp and want to see an apple back at a higher level. I would not advise that. Too high a price will be tougher to launch. This is really an important launch so you need a reasonable price the first couple years and drive demand from the back side," Focht said.

Asked later about that, Brandt said Honeycrisp proved that wrong.

"We are in a very much marketing promotional game as opposed to a sales game. Once you have a low price, it is harder to build up a higher price," Brandt said. "We think there is demand for a good quality apple that eats well. We've seen that by Honeycrisp. We have a brand promise of an extremely high quality apple with a high shelf life and is worth a lot more."

O'Rourke agreed with Focht and said Honeycrisp, Pink Lady and other varieties started at reasonable prices and moved up in price as demand grew.

"You have the same thing at the start of every sales season," O'Rourke said. "If you price too high, movement slows and you get a glut. It happened in 2008. If you price too low you're giving money away. So it's a fine line to hit the right price at the start of a season, and for a new variety it's even trickier."

Previously, Robert Kershaw, president of Domex Superfresh Growers, of Yakima, expressed optimism about Cosmic Crisp while calling it a \$500 million gamble.

Brandt said he conservatively estimates the industry is investing \$537 million in planting 11,940 acres at \$45,000 per acre and that he's been told \$55,000 to

\$60,000 per acre is a truer cost.

O'Rourke is also critical of the management model.

Cosmic Crisp can be grown, packed and sold by any Washington companies under license from PVM. That's more open than proprietary varieties that are grown, packed and sold exclusively by one company.

The Washington Tree Fruit Research Commission wanted Cosmic Crisp available to all growers and packers because grower money supported its breeding.

After an initial five-year, \$10.5 million promotional push by WSU and PVM, Cosmic Crisp promotions will be up to individual companies.

O'Rourke foresees large companies undercutting each other in price to steal each other's customers.

"They didn't think this whole thing through. Making it available to anybody to grow, pack and market was a mistake because no single large company has a unique interest in seeing its success. The whole modus operandi of new varieties is to get a strong sponsor to push it as a top priority," O'Rourke said.

WSU would have done better, he said, to auction Cosmic Crisp rights to the highest bidder to have one strong sponsor.

But Brandt said the defining advantage of Cosmic Crisp will be critical mass.

That unlike proprietary varieties it will have enough volume for year-round market presence and that taste and quality will drive demand.

"It's a unique model that has never been tried before and it will work," he said.

The model incentivizes everyone to work for the best returns for growers and all stakeholders and the companies will collectively spend much more in promotions than the initial \$10.5 million by WSU and PVM once it is done, he said.

Promotions will dwarf those of competing varieties and Cosmic Crisp will make a bigger market impact than any competitor, he said.

"There is always a risk to anything you do in agriculture, but we have an extremely good product. We believe in it. We have a good program and will have critical mass and an industry that does this routinely," Brandt said. "The industry needs a new flagship and this does that. We are striving to make a global brand and are in the best position to capture that with the product we have and the plan we have."

WSU and PVM, on a 70-30 split, plan to provide the initial, five-year promotion budget of \$10.5 million from royalties received from sales of trees and fruit.

A \$1 royalty per tree sold is split 65 percent to WSU and 35 percent to PVM and Northwest Nurs-

ery Improvement Institute. A 4.75 percent royalty is collected on every box of apples sold at \$20 or more with 75 percent to WSU and 25 percent to PVM.

At the WSTFA annual meeting, several growers asked if royalties could be lowered. Scot Hulbert, an interim associate dean at WSU, said he didn't think so. Brandt said they shouldn't be and are competitive with royalties owners of proprietary varieties receive.

Growers also asked about access to PVM's marketing plan. Brandt said details cannot be made public without giving competitors too much information.

Later, he said he's careful about how much information he shares even with Washington companies on an advisory committee, that they have signed confidentiality agreements and that it is in their interests to market Cosmic Crisp as well as they do other varieties.

On Nov. 9, PVM won a temporary restraining order in Whitman County Superior Court preventing WSU from releasing details of its marketing plan to a freelance journalist. A court hearing is set for Jan. 16 to consider an injunction to the same effect.

WSU Board of Regents has postponed funding Cosmic Crisp promotions pending the outcome of the case.

## WINTER SAVINGS

 <p><b>JD 8235R</b> 2013</p> <p>PST-4 SCV, 380 TIRES, 3117-hrs, #DP073383 -Located in Hillsboro</p> <p><b>\$137,000</b></p>	 <p><b>JD 8235R</b> 2011</p> <p>IVT, PREM CAB, 4SCV, 480/420 TIRES, 4467-hrs, #BD046435 -Located in Tangent</p> <p><b>\$144,000</b></p>	 <p><b>JD 8235R</b> 2011</p> <p>IVT, PREM CAB, 4SCV, 480/420 TIRES, 4583-hrs, #BD046040 -Located in McMinnville</p> <p><b>\$125,000</b></p>
 <p><b>JD 8260R</b> 2012</p> <p>DLX CAB, PST-4SCV, 620/600 TIRES, 3354-hrs, #CP064684 -Located in Salem</p> <p><b>\$135,000</b></p>	 <p><b>JD 8260R</b> 2012</p> <p>PREM CAB, IVT, ILS, 5 SCV, 380 TIRES, 4072-hrs, #CD060914 -Located in Donald</p> <p><b>\$130,000</b></p>	 <p><b>JD 8320R</b> 2015</p> <p>PREM CAB, IVT, ILS, 5 SCV, 620/480 TIRES, 1379-hrs, #FD101396 -Located in Four Lakes</p> <p><b>\$240,000</b></p>
 <p><b>JD 8320R</b> 2015</p> <p>PREM CAB, IVT, ILS, 5 SCV, 620/480 TIRES, 1851-hrs, #FD101279 -Located in McMinnville</p> <p><b>\$234,000</b></p>	 <p><b>JD 8320R</b> 2014</p> <p>PREM CAB, IVT, ILS, 5SCV, 620/480 TIRES, 1228-hrs, #95945 -Located in Walla Walla</p> <p><b>\$239,000</b></p>	 <p><b>JD 8335R</b> 2013</p> <p>PREM CAB, IVT, ILS, 6SCV, 620 TIRES, FT HITCH, 2484-hrs, #DD060014 -Located in Salem</p> <p><b>\$195,000</b></p>
 <p><b>JD 8335R</b> 2011</p> <p>PREM CAB, IVT, ILS, 5 SCV, 480 TIRES, 6533-hrs, #BD042597 -Located in Merrill</p> <p><b>\$135,000</b></p>	 <p><b>JD 8360R</b> 2011</p> <p>PREM CAB, ILS, IVT, 5 SCV, 480/420 TIRES, 4436-hrs, #BD048167 -Located in Merrill</p> <p><b>\$159,000</b></p>	 <p><b>JD 8360R</b> 2011</p> <p>PREM CAB, IVT, ILS, 710/620 TIRES, 6823-hrs, #BD041850 -Located in Merrill</p> <p><b>\$149,000</b></p>

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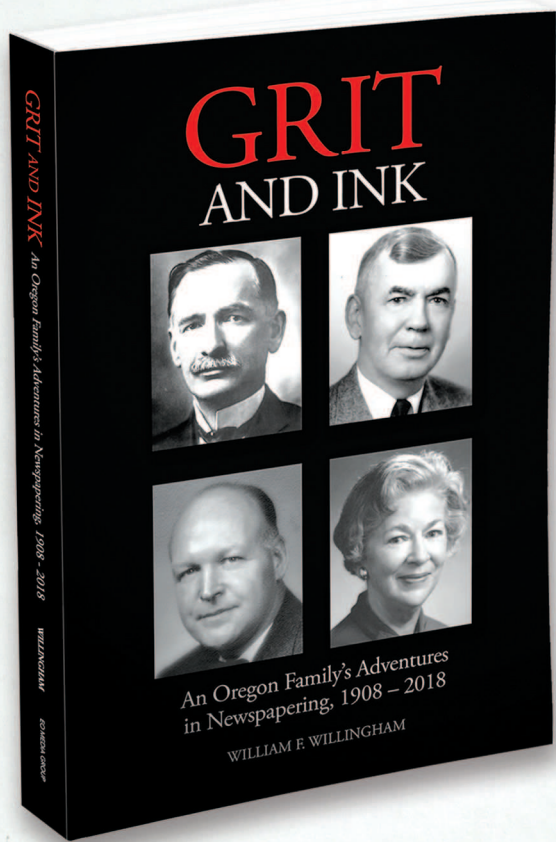
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