

DEVELOPING A WASHINGTON TREE FRUIT INDUSTRY STRATEGIC PLAN: RESULTS OF THE FEBRUARY 2001 INDUSTRY SUMMIT MEETINGS

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Most of you are aware of efforts underway to develop a plan to revitalize and shape the future of Washington's tree fruit industry and specifically to return profitability to the tree fruit farmer. Many of you, I am sure, participated in the Industry Summit meetings conducted last month. This morning I would like to briefly apprise you of the results of those meetings, what has been achieved thus far and where the process is heading.

Before that though, in recognition that many have questions about the origin and exact nature of this endeavor, I would like to briefly outline its history and intended outcomes. Last fall Wenatchee Valley College (WVC) Agriculture Department faculty, Jim Hazen of the Washington State Horticultural Association (WSHA) and about a dozen concerned industry people from around Eastern Washington meet several times to discuss the potential of facilitating an industry-wide dialogue on the plight of fruit farmers and our industry. We also discussed the potential of developing an industry "white paper"- a strategic and tactical plan for our industry that would chart a course to profitable tree fruit farming.

The WSHA Annual Meeting organizers had already made plans to devote the first morning of that meeting to strategic planning. It was recognized, however, that such a session would only constitute a beginning if meaningful and substantive strategic planning were the intended result. As such it was decided to build upon the start and anticipated momentum of the annual meeting session through additional industry meetings that would facilitate further discussion, debate that could ultimately lead to some level of decision-making. Thus emerged the idea of the Tree Fruit Industry Summit meetings and the convening of a Summit Team.

The general intent of the annual meeting session and the subsequent Industry Summit meetings was to provide a forum for idea sharing and information/opinion gathering from the breadth of our industry. They were also intended to provide a more definitive indication of what kinds of changes and actions those in our industry preferred and would support. From verbal and written communication at the annual meeting session we identified specific issues and ideas individuals had regarding the industries situation. That information served to focus subsequent Summit Meeting discussion around specific issues/challenges and specific solutions to them.

Thinking that the development of a strategic and tactical plan for Washington's tree fruit industry could not be accomplished via general and large industry Summit meetings a Summit Team was created. Fifty-five or so industry leaders were invited to participate in this capacity. They were nominated and selected, by the Summit planning committee. Summit Team makeup was calculated to include fruit farmers, packers, shippers and sales agents. Supporting and/or peripheral entity representation was purposefully excluded per the thinking that industry

problems needed to be addressed and solved by the industry itself. Concerted effort was made to include representatives from all growing regions; all sizes of operations (large, small and in between), those who are solely farming for a living as well as those vertically integrated. The value and desirability of having particular “big players” participate was also recognized. Invitees were also selected on the estimation of their ability and willingness to constructively and amicably discuss and debate issues and ideas and contribute to resolution. Not all who were invited elected to participate. Others were reluctant and had to be persuaded.

The charge of the Summit Team was to attend the Industry Summit Meetings in Yakima and Wenatchee, to listen and learn from the discussion at those meetings and to participate in subsequent Summit Team sessions. The goal of the Summit Team meetings was to discuss and debate the relative merits of potential strategic plan elements and ultimately develop a the white paper outlining a strategic and tactical plan- that is, what they envisioned achieving and how they thought to get there- with the objective of restoring profitability and vitality to the fruit production sector of our industry.

From the information gathered at the WSHA annual meeting session seven general idea/solution areas where identified:

1. Do nothing
2. Seek fair trade policies
3. Seek rigorous enforcement of quality standards
4. Build and enhance the industries image
5. Seek formation of an industry marketing cooperative
6. Seek sales desk accountability
7. Seek production limits.

More specific ideas/solutions related to each category were also identified and utilized for discussion as well. The general Tree Fruit Industry Summit Meetings were held in Yakima and Wenatchee on February 1 and 5, 2001, respectively. At those meetings brief presentations (5 to 7 minutes) were made in which the idea/solutions were presented and explained. The presenters were not necessarily advocates of the propositions. After each separate presentation comments, response or other feedback was solicited from meeting participants. Any and all were free and encouraged to speak their mind. Each discussion/comment period took about 30 to 45 minutes, depending upon the extent of commentary. There was an estimated 600 participants at the Yakima session and 800 at the Wenatchee session. Discussion was vigorous, constructive and relatively well directed. In addition to noting verbal commentary participants were asked to express their opinions about specific solutions by responding to survey questions reflective of the solutions presented and discussed. As Rob Lynch, Yakima area orchardist said in his opening comments, the Summit Meetings were an “historical and precedent setting event”.

In general responses indicated some rather strong and definitive industry sentiment. For each question there were varying numbers of responses, from a few hundred to more than 650.

Only 4% of respondents supported a ‘do nothing’ strategy or letting the “invisible hand” as it is referred to, shape our industries future. Ninety-eight percent indicated their support for ‘efforts to strengthen the tree fruit industry’.

Ninety-nine percent indicated support for the concept of “seeking fair trade policies’. There were high levels of support (> 80 to 90%) for the imposition of import restrictions. Ninety-three percent thought that we should require retailers to display the country of origin and 98% indicated that imported fruit should be required to meet the same regulations and standards as U.S. fruit.

The ‘rigorous enforcement of quality standards’ hit another resonant note with participants; 94% expressed support for this concept with 77% advocating for ‘additional inspection agents’, 67% supported the ‘development of a premium label that enforces strict standards’ in internal quality and 65% indicated support for the concept of ‘developing fruit standards that would effectively reduce the supply of marketable fruit’.

There was very strong support (93%) for efforts to ‘build and enhance our industries image’ and for the ‘WSHA to engage in efforts to promote growers to legislators and the press’. Less clearly indicated was what image building messages should be promoted. There were modest levels of support for the ‘buy American/support American agriculture’ theme and the concept of ‘putting a face to our family farm based tree fruit industry/ Washington fruit grown by real people’. Significantly less popular was the concept of developing a WSHA grower certification program, denoting environmental stewardship and social responsibility as a means of industry promotion. Support for this concept was not entirely absent however.

A whopping 97% of respondents indicated their support for the formation of an industry marketing cooperative; 94% wanted that cooperative to be able to set floor prices but only 63% favored the added function of setting production limits. Less than 60% favored the formation of ‘marketing cooperatives based on specific apple varieties’.

More than 90% of respondents indicated the need to affect some sort of ‘sales desk accountability’ including the ‘establishment of minimum FOB prices by variety’. Eighty-seven percent supported the ‘establishment of a commission based sales plan that would reward high sales prices and discourage low sales prices’. Far fewer supported the concepts of ‘sharing rewards of above breakeven price sales’ (53%) and ‘sharing risk by having the sales office split losses with growers’ (66%).

Lastly, ‘seeking production limit’ was the least popular. Though overall response rates were lower only 56% were in support. Only 42% supported ‘an industry funded effort to help finance the removal of unprofitable trees’.

Armed with the information from the WSHA annual meeting and the two Industry Summit meetings the Summit Team has twice convened; the first meeting was held on February 27, 2001 and the second on March 6, 2001. Attendance at the first meeting was very good. Many whom we thought might not be inclined to participate came. At the first meeting the anxiety and trepidation of most and the disdain of a few was fairly palpable. Participation between the two Summit Team meetings, by all three groups was generally good indicating, I think, a desire to participate and confidence in the value of doing so.

The goal of the first Summit Team meeting was to build upon the momentum from the WSHA and Industry Summit meetings and especially to identify specific areas where consensus for action existed. Immediate (for the current marketing season), intermediate (for the 2001 crop) and long term (2002 and beyond) action steps were to be identified. For the most part, the day was spent discussing generalities and rehashing the same topics in a manor I would describe as circuitous (that is like a pup chasing it's tail in circles exerting a lot of energy with little result). Little was discussed that was substantive in terms of the development of a strategic plan. There was a good deal of posturing and stepping lightly. During the morning session it was generally concluded that short of reducing the marketable crop in storage or growers directing their sales agencies to not sell below cost of production, little if anything could be done to salvage to current season and bring immediate relief to growers. Directly addressing the issue of over supply one person did ask the large grower/shippers, who control a majority of the states production, if they were willing to divert or dump 10% of their fruit in an effort to boost FOB's. Response was brief and inconclusive at best. The afternoon session centered on intermediate strategies. Almost all the discussion revolved around "safe" topics that would require little sacrifice or action by the industry itself and thus elicit virtually no controversy. Those topics included reviewing the functions and fees associated with various industry service organizations, getting tree fruit into the federal Crop Reserve Program, the federal Marketing Assistance Program and the elimination of trade barriers. More controversial topics such as tree removal programs, elimination of low value or poor grade fruit, establishment of an old crop sales cut off date were briefly discussed but substantive delineation of strategies and action steps was avoided. Throughout the day there was commentary about formation of marketing cooperatives.

All in all, and not to be overly critical, little tangible was accomplished that day. However several expressed sentiment that the days efforts were not for naught. What was gained, they said, was a greater level of understanding and trust amongst the various people around the table as well as a greater understanding of the issues from various perspectives. It was conceded that our industry there exists a general lack of trust, that the industry is not even remotely used to an effort such as this and that various players have differing and competing interests. A grower said that in his experience with this sort of endeavor what transpired was to be expected, was necessary and indeed constituted progress. A Yakima area marketer put it this way: we spent all this time marking territory and getting to know one another- now it is time to move on to issues. We need to trust one another and accept the responsibility we are charged with- growers are expecting solutions.

The second Summit Team meeting last week took on a somewhat different tone. From the previous meeting it was suggested that a meeting facilitator with greater understanding of the industry could move the discussions along more rapidly and in a more pointed fashion. Steve Lutz, former Washington Apple Commission director agreed to take on the job. To refocus discussion participants were divided into groups of approximately six persons. There were four grower groups and two packer/shipper/marketer groups. These groups were asked to independently discuss each of the strategy/action ideas presented, discussed and surveyed at the Industry Summit meeting and to assign each to one of four categories or as Dead On Arrival. They were also motivated to think in terms of what they would have the Washington State Horticultural Association focus their efforts and resources on- that is what effort(s) would be

most doable, could we as an industry most directly affect, be most effective and yield the greatest and most immediate returns. The four categories were:

1. High impact can be done.
2. High impact, more difficult (long term).
3. Low impact can be done.
4. Low impact, difficult to do.

After an hour or so of deliberation within the small groups the whole Summit Team reconvened to compare conclusions. The Do Nothing (status quo) approach, it was conceded, had high impact potential and would be easy to do but it was assigned Dead On Arrival (DOA) status. Of course not all concur with this assignment. Of the other six strategy areas there was mixed evaluation.

Sales desk accountability was polarized in terms of impact potential. Three of four grower groups thought it to have high impact potential. The packer/shipper/marketer groups did not agree. All groups deemed it difficult to get done.

Image enhancement drew the most diverse evaluation. Two groups gave it a low impact; doable rating and conversely two groups gave it a high impact, difficult to do rating. Another group rated it high impact, easily done. And the last rating was low impact difficult to do. One grower group noted that they would change their rating from low impact, doable to high impact, doable if the industry were to adopt green labeling, ban organophosphates and team up with green movement people and organizations.

Seeking fair trade policies was nearly unanimously regarded. It was rated by all but one group as having high impact potential but difficult to do.

Production limits/supply control strategies also received mixed evaluation. Four groups assessed the imposition of production limits as a means to control supply as a high impact, hard to do idea. Two groups gave it a low impact, hard to do rating.

Formation of marketing cooperatives received a unanimous high impact rating. Two of the six groups thought it would be hard to do. All agreed, however, that marketing cooperatives could and would not solve all of the challenges we face.

Four groups assessed quality standard issues as having high impact potential and doable. Another group rated it high impact, difficult to do.

So, from these assessments an ratings the two areas of marketing cooperative formation and quality issues emerged as the two areas of greatest and immediate agreement; both could have high impact and a reasonable chance of being accomplished in a timely manner. Because the formation of grower marketing cooperatives was being addressed by other entities and was well underway the Summit Team directed it's attention to the topic of quality and discussion for the entire afternoon was devoted to the area of fruit quality, quality standards and quality regulation/enforcement.

The small grower and packer/shipper/marketer groups met again to focus their attention on identifying specific quality issues and devising reasonable quality related strategies. The

Summit Team then came together again to share and discuss each small groups deliberations and ideas. The Summit Team was productive and identified 10 specific strategies for immediate consideration and/or adoption. They are (in no order of priority):

1. Uniformly enforce (in the least) existing grade standards as well as the imposition of consequence for violators.
2. Require shipping dock certification instead of packing line certification.
3. Develop quality standards for all varieties to match consumer desires, not retailers.
4. Create a single Washington grade, by variety, based on appearance and internal quality. Eliminate all other Washington grades.
5. Impose an old crop sale cut-off date, likely Oct. 1 - Nov. 1.
6. Impose U.S. conditions standards on all varieties starting with the 2001 crop.
7. Require that grade standards be met all year long so that fruit quality is consistent.
8. Require that each size stand alone to meet grade requirements.
9. Restrict use of Ethrel.
10. Develop and implement grower level education programs about grade standards and annually convey price projections to growers before harvest to facilitate farm based crop reductions.

It was further recommended by the Summit Team that all ten strategies be fully devised and implemented for the 2001 crop.

It must be recognized that the Summit Team has no authority. As such others must act upon these recommendations. They have been or will be conveyed to the Washington State Horticulture Association Board of Directors and the Association's Grade and Pack Committee for action. The Grade and Pack Committee will meet in just a few days. It is the WSHA board and in particular the Grade and Pack Committee, both representatives of you, that have the ability to make things happen and facilitate the implementation of these recommendations. The question is, is there the collective will and fortitude to do so? In a few more weeks, after the WSHA has had time to digest these recommendations and begin action the Summit Team will meet to begin discussions anew. This time deliberations will focus on the very controversial but fundamentally important issue of supply reduction/control; another strategy area deemed to have high impact potential.

So, what has been gained from the Summit meetings? Certainly results are mixed. Looking at the glass half full I could say that:

1. The meetings brought small and large growers together.
2. The Northern and Southern growing districts have likewise been brought together like never before and they are beginning to work collaboratively.
3. A lot of education has occurred. The vertically integrated know much more about the smaller grower and vice-versa.

4. As an industry we are charting new territory and attempting to do something this industry has never done before; achieve a collective definition for our industry and a plan for it's future.
5. We have come to realize that we are in this together.

I also think the complexity of the challenges we face is being clarified. We have come to the realization that we didn't get into this situation overnight, that resolution would progress slowly and occur incrementally and that it will require those with divergent views to work together. Foremost it has become apparent that know one wants their ox gored, no one seems willing to sacrifice one iota for the good of the whole. We seem to seek a "win-win, silver bullet" solution when one simply does not exist. We aren't willing to dump fruit when it is selling for \$25.00 a bin! The truth is that growers are producing fruit in excess of demand and our industry has too much fruit storage and packing capacity. We know as an industry that adjustment will occur and a new equilibrium will be achieved, but how is the question as well as the basis for all the squirming and elusive, self-serving attitudes. It has become clear that two factions in our industry have opposing needs and hence agendas; the 3600 growers (90% of us) who produce 40% of the crop are dependent upon price. The 400 (10% of us) larger, vertically integrated packer/shippers who produce 60% of the crop are dependent on volume.

In conclusion I would offer that I, as well as others participating in this process, have come to fully appreciate the fact that all sectors of our industry have and continue to contribute to the problems we are experiencing and all of us will be required to contribute to the solutions