

**Oregon Sweet Cherry Commission**  
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REGULAR MEETING MINUTES

Hood River Ty Taylor Fire Station, Leonard Hay Community Room  
1785 Meyer Parkway, Hood River, OR 97031  
Tuesday, October 11, 2016, 10:00 A.M.

**Call to Order/Introductions**

Stacey Cooper, Vice-Chairwoman, called the meeting to order at 10:11 a.m. with the following Commissioners consisting of a quorum, including Stacey, present: Steve Sandau, Les Stephens, Ryan Bond and Tim Ramsey, Jim Markman and Jared Gidley.

Bryce Molesworth, Jeff Heater and Tom Brateng, Research Committee members, Mike Willet, Washington Tree Fruit Research Commission, Mike Steffey and Tom Kubitz, Seneca Foods, B.J. Thurlby, James Michael and Keith Hu, Washington State Fruit Commission, Kris Anderson, Commodity Commission Program Manager and Dana Branson, OSCC Administrator were also present. Dan Edge, Oregon State University (OSU) Associate Dean, College of Ag Science joined the meeting at 10:20; he stayed to discuss Mid-Columbia Agriculture Research And Extension Center (MCAREC) and then left.

The minutes of the regular meeting held on August 2, 2016 were emailed in advance and available at the meeting. *Jim Markman moved and Ryan Bond seconded to approve the minutes as submitted. The motion carried unanimously.*

The financial statements for August and September were emailed in advance and available at the meeting. *Tim Ramsey moved and Les Stephens seconded to accept the financial reports for both months as submitted. The motion carried unanimously.*

**MCAREC Update and Discussion**

There have been some personnel changes at the station. Joyce Loper will be in charge of overseeing operations at MCAREC while Brian Tuck will move to managing the regional Extension Services. OSU is looking at the best way to organize the management. There are several arrangements under consideration currently 1) full-time station director working with the Extension Service director, 2) one person splitting their work as station director part-time and as a scientist part-time, 3) a remotely located finance person to oversee station operations – perhaps leasing the portion

not involved in experiments to a local orchardist, 4) possibly a non-profit arrangement of some kind. These are just a few examples. Dan was going to discuss the options with Hood River County officials also for any restrictions they might have. A question was asked about the time frame for making a decision on the structure and getting it in place. The answer was hopefully by January or at least by the start of the growing season. OSU hopes to have post-doctoral entomology candidate in place for a two to three year duration within three months. There was a question about what type of scientist (pathologist, soils, etc) would be the best if the management structure were a lead scientist/station director. There was no definitive answer – depends on the individual. The administration position (Ilea's job) will not be filled unless a strong candidate is found. Dan will be invited to the next OSCC meeting to update the Commission on OSU progress.

### **2016 Fresh Cherry Season Review**

B.J. Thurlby started with a general overview. California didn't have much fruit. Which was not an advantage for the Northwest. California gets the price established and gears up the market. NW had a large crop – 20.97 million 20 lb. boxes were sold, even though Washington had lots of rain events. Oregon did too, but not as many and Oregon fruit quality was good. The crop was earlier than anticipated, lots of shipments in June. There was a graph of 2000 compared to 2016 crop levels showing the huge growth in production. China has helped absorb that increase so we need to find another growth market like China. The optical sorters now being installed and used in most packing houses are having an impact on product segregation – 7 row cherries can now be sorted and packed separately. Overall the percentage of larger cherries in the total crop is increasing. The Rainier crop was lower this year than last and organic production has increased to 3% of shipped crop, in 2009 it was less than 1%. The millennial age group is the large market for organic. There was a question regarding how new food safety requirements are affecting retailers? Thankfully there haven't been any food safety issues for cherries, but if there were B.J. said the first place they'd go would be back to the shipper. NW Cherries has a plan in place to react to a food safety event, but again, thankfully it has not been needed.

Keith Hu, International Marketing Director, gave a report by country and region in regard to cherry sales. Japan will not commit to promotions because the Japanese cherry season lines up closely with the NW and they wait to see how much domestic production there will be. By the time they are ready it's too late for us. European market is worse than ever – again because they do grow some fruit of their own and Turkey, a large supplier is closer and cheaper. With weak acceptance, the UK leaving the

European Union, certain chemical usage such as dimethoate, which is not tolerated in France, for example NW Cherries can't justify investment in promotions. More promotion dollars will be focused on China and other Asian markets where growth is. China is a late season buyer; they don't care for earlier varieties. They are beginning to plant cherries, but production is still low. The cherries are starting to look better, but the taste is not great and domestic prices are high. The percentage of the NW crop shipped to Hong Kong has declined, but shipments going to direct to their end destination has increased.

The meeting recessed for 10 minutes to fill plates. The 2016 Season review continued with James Michael, Domestic Marketing Director.

One failing of the season in the domestic market was that few ads were in place in May when the first cherries were shipped. The crop estimate timing didn't match up with the actual shipments. Those retailers that were on board with early ads had a better season. And at the other end we don't want to ignore late season, but this year there weren't many cherries left in August. Retailers are using more online outreach instead of newspaper ads such as contests, sponsoring a 5k run with cherries samples at the end as a healthy snack. 2016 was a good year for cherry-related articles in popular magazines. For a small investment in cherries, sent to bloggers and tastemakers new recipes and information about ways to keep and use cherries all year long are being circulated.

### **ODA Report**

Kris handed out an Industry Contact Form for the Commissioners to complete and return to ODA. It includes information on their operations. She also provided a handout detailing the process for collecting delinquent assessments accounts that was approved by the Commodity Commission Oversight Program Advisory Committee June 30, 2016.

Kris updated the Commissioners on Katy Coba's departure as ODA Director and Lisa Hansen as the acting Director.

Cathay Pacific is opening an air route from Portland direct to China on November 3<sup>rd</sup>. Theresa Yoshioka is coordinating a group of various agricultural producers to be at the Port of Portland event. Kris will check on getting an invitation for B.J. Thurlby representing NW Cherries. Dana has already contacted Hood River Cherry Company and Orchard View Farms for their invitations.

ODA has reorganized the Ag marketing and development area into region rather than by commodity. The representative for the Gorge is Erik

Garman. As soon as his schedule permits he will attend an OSCC meeting to introduce himself.

The Commodity Commission Oversight Program Advisory Committee still needs applications for two open positions. This committee gives advice to ODA on how to control costs of the Oversight Program and determines processes like distribution of costs among the commissions. The costs for program for last fiscal year are almost all accounted so we'll know shortly how close OSCC is to the maximum billing of \$38,000.

### **Administrator's Activity Report**

The Cherry Research Review dates this year are November 9 and 10 in Wenatchee this year. Dana is finishing the list of people planning to attend this week. The books with research reports and new proposals will be out at least two weeks before the Review.

The Denim & Diamonds event on Friday, November 18 OSCC sponsored is approaching. Les Stephens could not find another grower in the Willamette Valley that was interested in attending so there are still two tickets available. Stacey Cooper will check her schedule.

Dana handed out a cash estimate with assessments received to date and the projected collections for processed cherries still to come. This information will be used to determine how much is available for research projects and possible MCAREC funding. The fresh assessments were more than double last year's crop.

Dana handed out a list of 7 delinquent assessment amounts and the legally mandated 10% penalties and the 1 ½% interest per month. The document also included the dates the assessment checks were postmarked. (The list did not include the names of the late payers.) Dana suggested that the commission consider waiving the penalties and interest. Kris clarified that under the law commissions can only consider waiving the penalties and interest if the delinquent account requests it and explains good cause. *Tim Ramsey moved and Jim Markham seconded to charge the penalty and interest to all.*

The audit report from Merina & Company has been finalized and copies were handed out to the Commissioners at the meeting and emailed in advance. There was one internal control improvement suggested by the auditors and that was to give the Chairman online access to the bank account and records so that transactions can be reviewed at any time without the Administrator's knowledge. That suggestion has been

implemented and Dan Crouse has signed in to make sure it works. *Les Stephens moved and Ryan Bond seconded to accept the audit report for the year ended June 30, 2016. The motion carried unanimously.*

### **Chairman's Report & Research Committee**

Jeff Heater stated that OSU has realized that there is a problem with the management of MCAREC and that changes need to be made quickly. They are moving forward with entomologist position. Vaughn Walton, located in Corvallis, will supervise it. The position could be made permanent after some time. OSCC would like for OSU to search for more than just the one position at a time. There is discussion about leasing the farm operation to a local grower. Jeff urged the OSCC to invite Dan Edge and Joyce to all their meetings. A question was asked about who will be responsible for winterizing the farm equipment? There is no Station Manager, no Office Manager and no Farm Manager. Steve Castagnoli might help and a committee to oversee station activities in the interim is being formed. There was a question about how many acres are really needed to do research? The station is 50 acres and is divided up among four owners – maybe we don't need that much. Jeff feels like OSU finally has a sense of urgency regarding the station operations.

There was discussion regarding the cash estimate and how much is available for research in the coming year. Mike Willet came to Hood River today to talk with David Gibeaut about the two similar sounding project proposals he submitted for the Review.

### **Old Business**

There was no old business.

### **New Business Tim Ramsey- Maraschino Industry Update**

Tim went through some overall analysis of the sweet cherry industry focusing down to the maraschino segment of the market. Of the total sweet cherry market maraschino cherries are 18% with the Food Service industry buying 49% of that. McDonald's restaurants have been the buyer for about 15% of that volume since introducing their shakes with a cherry in 2010. They are considering a change in their menu, which would drop maraschino cherries. If other fast food restaurants followed, this could result in up to a 20 million pound surplus of cherries annually. That could have a significant impact to the amount of stemless cherries purchased from growers. In addition, there has been greater use of offline fruit in the processed industry the past few years. And offline fruit will increase with the installation of optical sorters that create much better quality culls than older methods. There are many possible implications from all this starting with surplus of processing cherries and a lower price to growers

for them, less packing charges to cover handler's costs, fees to dump cull cherries and more. Tim's suggestions to address the situation are to work with National Cherry Growers & Industries Foundation to develop the following plan: 1. A marketing plan focused on keeping maraschino cherries in milkshakes, 2. A set of standards for the maraschino cherry such as brix levels, cherry sizes, container sizes, flavors and colors. This is referred to as Category Management, 3. He recommends that the industry devote resources to product innovation working with an organization such as the OSU Innovation Center to create product concepts to utilize and improve profitability to growers and processors.

**Next Meeting**

The next regular meeting will be November 29, 2016 starting at 10:00 a.m. in the Oregon Wheat Commission's conference room. This is located in the Albers Mill Building, 1200 NW Naito Parkway, Suite 370, Portland, OR 97209.

**Adjourn**

The meeting adjourned at 2:12 p.m.