

Oregon Sweet Cherry Commission
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REGULAR MEETING MINUTES
Mid-Columbia Area Extension Office meeting Room
Tuesday, October 8, 2013, 10:00 A.M.

Call to Order/Introductions

Megan Thompson, Chairwoman, called the meeting to order at 10:02 a.m. the following Commissioners consisting of a quorum, including Megan, were present: Les Stephens, Tim Ramsey, Jim Markman, Dan Crouse, Stacey Cooper and Steve Sandau. Commissioners Jeff Heater and Tom Brateng joined the meeting during the ODA report.

Dennis Hannepel, ODA Trade Policy Specialist, Brian Tuck and Ilea Bouse, MCAREC, Sue Root, Oregon Cherry Growers, B.J. Thurlby, James Michael and Keith Hu of Northwest Cherries, Eric Shrum, Western Ag Improvement, Dana Branson and LeRoy Nickerson, OSCC Administrators were also present.

The minutes of the regular meeting held on August 13, 2013 were emailed in advance. *Dan Crouse moved and Stacey Cooper 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. There were no questions. *Tim Ramsey moved and Dan Crouse seconded to accept the financial reports for August and September as submitted. The motion carried unanimously.*

ODA Report

Dennis Hannapel talked about the Food Safety Modernization Act (FSMA) comments from ODA that are being finalized to send in by the mid-November due date. The comments include a request for more research on tree fruit, the possibility of exempting drip irrigation systems, determining the factors necessary for e coli to live and suggesting an advisory committee to help with implementing and adapting the rules. Dennis also pointed out that there is no money budgeted to implement these rules when they are finalized. B.J. Thurlby added that irrigation water is an issue with the FSMA rules, although there has never been a food borne illness case that has been traced back to that source. He said growers are anxious to know what they need to do to be prepared for next season to meet the

requirements. Debbie Carter, Northwest Horticultural Council, has told him that the earliest the FSMA rules would go into effect would be 2015 and it could be as long as 2017 for smaller size operations. Dennis also added that one suggestion being made to the FDA is to incorporate all the comments being submitted in this round, re-write the proposed rules and have another round of comments before finalizing them.

Administrator's Activity Report

Dana briefly went over some of the details for the Cherry Research Review coming up November 12 and 13 in Wenatchee, WA. She sent around a spreadsheet for everyone to check their mailing address and to mark their response about attending if they haven't done it already.

The Policy and Procedure Manual review was on the agenda, but Kris Anderson has been working on a template recently and she was unable to attend today at the last minute. She sent several suggested additions and would like to discuss them with the Megan Thompson and Dana before bringing a revision to the meeting. *Tom Brateng moved and Jeff Heater seconded to table the Policy & Procedure Manual review until the next meeting. The motion carried unanimously.*

Chairman's Report

Senator Jeff Merkley's office invited representatives from our Commission, along with others, to participate on a conference call meeting with him discuss issues with crop insurance and other topics. OSCC was interested in participating in light of the recent letters and discussions we've been having the Risk Management Agency (RMA) about the discrepancies between crop insurance rates for Washington and Oregon growers. The call was focused more on the Farm Bill, but it gave us more contacts and visibility on the rates.

Jim Markman has pursued looking into the reasons why the T-revenue and T-yield amounts are lower for Oregon than Washington when some of the growing areas are just across the river from each other. RMA has been responsive to our inquiries and Jim learned that the data from various sources such as Farm Service Agency, Oregon Ag Statistics Service, the OSCC are hard to compare. RMA only uses the T-revenue when the client has less than four consecutive crop years of annual revenue history and the 2014 level for Wasco was increased by a special exception requested by RMA.

The actual participation (3200 acres) in the crop insurance program in Oregon is higher than we thought it would be. Jim's advice is if you're

considering insurance take you actual crop numbers in. The agents have good information and they can explain how it works.

Les Stephens asked if the OSCC should consider sponsoring a meeting to get the information about crop insurance out to growers. The consensus of the group after some discussion was that with the November 11 sign up deadline there wouldn't be enough time to organize a meeting. And another consideration is that we'd have to make sure all agents had an opportunity to present because it is a competitive product. The coverage and rates are calculated by county so there's considerable detail to be explained to a potential buyer.

Research Committee Report

There are 14 new project proposals on the agenda for the Research Review Meeting in addition to the final and continuing reports on the projects previously funded. After the poster session on Tuesday, November 12 there will be a presentation by Mike Willet on Powdery Mildew fruit damage and MRL's (minimum residue levels) at the evening meal.

Eric Shrum, co-Chair of the Research Committee, went to Prosser in August to look at the trees planted through the breeding program. He said the trees look better than in the past and some of the original crosses that haven't borne fruit are being taken out. It increases costs to maintain those crosses that don't appear to be productive. He also said the blocks are being managed to attempt to simulate conditions and treatment that as a commercial grower would.

Lynn Long and Matt Whiting were funded by the OSCC last year to conduct a study on ReTain to increase fruit production in Regina cherries. Lynn provided results from the trials in Prosser on Regina and Tieton and this information was handed out at the meeting. The pre-proposal for another year of study did not make the cut for presentation at the Cherry Research Review so the OSCC was asked to consider funding it alone. *Dan Crouse moved and Jim Markman seconded to fund Lynn and Matt's 2014 project 'Improving fruit set of Regina' for \$9,000.* The discussion followed. Eric Shrum said that Orchard View Farms (OVF) did some testing and from their results they are convinced it works. ReTain is approved on label now for this use so he didn't think any more testing was necessary. There were a couple of comments regarding all the variable factors from year-to-year and location-to-location that make it difficult to obtain definitive results. One Commissioner questioned why the manufacturer does not fund the study. That might be an option, but the public is skeptical of industry-funded studies sometimes. Eric was asked if OVF used a

control and variable rates to determine the best results and he said they did. And again the comment was made about the number of variables that have to be accounted for and that multiple sites should be used to include as many of those as possible, which raises the costs. Part of the original need for the study was to gain approval of ReTain for this purpose. That has been accomplished. And even though production of Tietons was increased that is a variety that's being taken out. Regina is still being planted. Western Ag Improvement will collect data in the next season and is willing to share their results. *The motion to fund was voted down unanimously.*

OSU Research & Extension Report

Brian Tuck reported that the budget for MCAREC was cut again for this year. The staff has already been cutting corners and trying to get by with less. Some things that should have been done in the new plantings did not get done this past season. With hiring a Farm Manager position and charging plot fees to help with maintenance costs he hopes to make up this work. A revised proposal for infrastructure funding was handed out along with a summary of how last year's funding was used. The 2014 proposal includes putting up temporary deer fencing. Permanent fencing was evaluated and the cost was prohibitive. He's hoping if the trees can have a chance to grow some they'll be better able to withstand some nibbling. This past season they harassed the deer to discourage them to no avail. MCAREC is not eligible for government grants for fencing because they are a government agency too. There's also money for weed barrier cloth and installation along with labor for pruning. Weed cloth is not the perfect solution, but it reduces mowing and hand labor, which is expensive and hard to find.

This request will be formally considered at the December meeting along with the projects presented during the Cherry Research Review.

Northwest Cherries 2013 Season Review

B.J. Thurlby, President Northwest Cherry Growers, started the review by saying that at the beginning of the season it looked like it was going to be a repeat of 2007 – degree days, weather conditions, etc. But cooler temperatures and rain at the end of May and early June changed all of that. It looked like there would be a lot of cherries in the market well ahead of July 4th, a traditional high point for cherry purchases and promotions programs for both the domestic and foreign market were primed for the early start. Plans were changed with the rain and for the first time more cherries were sold on the back end of July 4th than the front with the highest amount of daily shipments hitting on July 24th. He continued his report going through graphs of

monthly shipment comparisons, the total number of days cherries were shipped, average daily shipments and more from year-to-year. Rainier and other light colored cherries similar to Rainiers were 9.5% of the total cherry crop and 29.5% of the crop was exported. This was a challenge with weather damage and uneven supplies. Overall the market stayed strong with demand exceeding supply most of the season.

Keith Hu, Director of International Operations Northwest Cherries, gave a presentation on the export program and results. There was slow movement in the first half season just like here at home. Keith compared 2013 sales by country to 2010 sales because the total amount of the crop to be sold was most similar. As a result sales in China, Korea and Malaysia were up, Canadian sales stayed about the same at 35-37% of all exports and Japan, Taiwan and European sales lower than 2010. Some highlights of the year:

Korea was a bright spot this year for demand and sales of premium cherries. Retailers pushed cherries with large displays and eight weeks of retail/in-store promotions. There has been rapid expansion of NW Cherry awareness outside of the great Seoul area. A PR event was held on July 2 and billboard semi-trucks were sent into downtown Seoul and Pusan for an estimated exposure of 4 million people. Export sales increased from 8.1% of the total in 2012 to 11.7% in 2013.

Australia is a premium market with aggressive promotions adopted by both major retailers although Rainiers were disappointing this year due to poor supply. In addition, the on ground Australian pre-clearance inspectors made shipping to Australia a challenge as they were finding powdery mildew on almost all of the cherries that were fumigated for Australia...thus resulting in non-shipments.

Japan shipments percentage increased slightly with the "Systems Approach", but momentum never really got going as a result of June weather disruptions. Post July promotions were reduced or cancelled and there was a lack of Rainiers to meet demand. Efforts were made to reach out to new retailers north of Tokyo. Japan as a market has decreased in the last several years for NW Cherry growers due to timing of the crop as compared to California and their economic troubles.

Taiwan had the lowest volume sales in 10 years, but Mainland China help make up for some of the loss. Keith was able to connect with Gary Locke to do two promotions – one with Sam's Club/Wal-Mart

China and another one with TMall.com – sort of an equivalent with Amazon in the U.S. Both were very successful campaigns.

Sales in the UK were dismal because of lack of supply and competition from cherries grown in their own region. European growers are investing for the future with orchard covers, especially in rain prone areas.

The meeting recessed at 12:30 for lunch and reconvened at 12:53.

James Michael, Director of Domestic Promotions Northwest Cherries, went through the program for promotions in the U.S. and Canada. 2013 was anticipated to be a tough year because of the payroll tax increase, rising gas costs and possibly reduced shelf space, but cherry lovers don't let price stop them. Circular ads were lower than 2012, but that's to be expected because the crop was smaller. In June when it looked like the crop would be larger and earlier circular ads were above 2012, but as the season progressed and finished early July ad were down and August ads went way down.

The average retail price stayed up close to \$3.00 lb. although loss leader prices on cherries could be found at various times and retailers. Opportunities for local and national press coverage along with recipe ideas and demos were used to get the word out that cherries were in season and in the store. A health study approved by the USDA outlining the health benefits of cherries was released in time for use in the summer campaigns and announced with a Times Square billboard, an article in The Produce News and picked up by bloggers.

NW Cherries was able to connect with Weber Grills and OXO (cherry pitters) in a Pinterest campaign resulting in several cherry recipe ideas. Social media and phone apps are creating new ways to reach consumers and track their buying habits, which creates new ways to attract sales with online promotions, coupons and recipes.

Old Business and New Business

There was none.

Next Meeting

The next regular meeting will be December 12, 2013 at the Food Innovation 2nd floor classroom, 1209 NW Naito Pkwy in Portland, OR beginning at 10:00 a.m.

Adjourn

The meeting adjourned at 1:50 p.m.