State of the Tree Fruit Industry in Washington
Serves the growers, packers, and marketers of tree fruit in Washington state through:

• Education and training.
• Data and industry information.
• Government and public affairs.

*Enhance the value of all segments of the tree fruit industry.*
Industry Associations

Washington State Tree Fruit Association formed from a merger of:

• Yakima Valley Growers-Shippers Assn.
• Wenatchee Valley Traffic Assn.
• Washington Growers Clearing House Assn.
• Washington State Horticultural Assn.
Agriculture in Washington

• $10.7 billion in production in 2015.

• 2015 top crops:
  1. Apples $2.39 billion (22% of state’s ag value)
  2. Milk $1.13 billion
  3. Cattle $858 million
  4. Potatoes $772 million
  5. Wheat $600 million
Top Crops (Cont.)

6. Hay $499 million
7. Cherries $448 million
8. Eggs $331 million
9. Grapes $296 million
10. Hops $280 million

All together, tree fruit averages about 27.5% of WA ag value at the farm gate.
The Big Apple

• $3.4 billion in value after packing
  – $254.4 million in state and local taxes
• $7.5 billion in total economic impact
• 39,340 direct jobs (orchard to packing)
• 21,870 indirect jobs (transportation, suppliers)
• $955 million in direct employee compensation
• $1 billion in indirect employee compensation
This is the Place

• Ideal growing conditions.
• More than 60% of U.S. Apples produced in Washington State.
• 30% of our crop is exported overseas, where our quality is in high demand.
• Even in apple producing nations like China, which is number one at 9 times U.S. production.
Economic Future of Agriculture?
WA Farms with Apple Production

1910 – 27,150 farms
1920 – 35,535 farms
1935 – 44,293 farms
1954 – 10,318 farms
1964 – 6,364 farms
1987 – 5,169 farms
2007 – 3,052 farms
2012 – 2,839 farms
WA Apple Production: Spot the Trend

1919: 21,568,691
1986: 60,000,000
2001: 84,815,000
2014: 141,849,000

Measured in 40# box equivalents
Round Trees, Flat Acreage

Declining WA Apple Acreage:
172,000 acres in 1993
167,489 acres in 2011
2.6% decline in acreage.
Productivity Drives Growth

Growth of Apple Production in the same period:
83,088,000 boxes in 1993
128,294,000 boxes in 2012
An increase of 54.4%.
UFOs sighted
Varietal Development

Apple Varieties in 1999:
- 51% Red Delicious
- 17% Golden Delicious
- 10% Fuji
- 8% Gala
- 8% Granny Smith
- 6% Other Varieties

2015 Crop:
- 25% Red Delicious
- 21% Gala
- 15% Granny Smith
- 13% Fuji
- 7% Golden Delicious
- 6% Honeycrisp
- 13% Other Varieties
New Varieties

• Where do they come from?
  – Random discoveries
  – Breeding programs

• Patented material and trademarked names
  – Cost to buy in
  – Bet the farm on the right one

• Establishment costs of $50,000 per acre
  – $1 million for a 20 acre orchard
  – 3-5 years until full production
2014-15 Apple Export Markets

* In standard 40 pound boxes

1. Mexico 16,037,207
2. Canada 7,115,630
3. India 5,631,649
4. Dubai 3,313,081
5. Taiwan 3,184,389
6. Vietnam 1,706,694
7. Hong Kong 1,636,806
8. Saudi Arabia 1,405,350
9. China 1,350,642
10. Indonesia 1,325,850

Europe: 285,848
The 2014-15 port slowdowns began just as apple harvest completed and when peak Asian exports usually take place.
Disparate Price Impacts

• 2014-15 Average FOB
  – Red Delicious $14.10 per box
  – Honeycrisp $54.93 per box
  – Average packing charges $10-$11 per box

• Older varieties like Red Delicious are particularly dependent on the export market.

• Consumer segmentation.
This Is Not Manufacturing
Sorting and Standards

• Every variety of apple is sorted into multiple grades, from WA Extra Fancy Premium to US#1.
  – Also by size
  – Also by customer grading and specification

• Optical external and internal sorters
  – Lower packouts
  – Lower returns for anything less than perfect
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Water

• Growers pay for water infrastructure, not water itself.

• Adaptation costs such as shade cloth in place of overhead cooling. $4,000-$8,000 per acre.
Labor and Legal Status

- 160,000 total agricultural workers in WA
- 90,000 seasonal at July peak (cherries)
- H2-A visa program in WA
  - 814 workers in 2006
  - 13,697 in 2016
  - Housing and transportation plus higher wage
  - $12.69 minimum in WA in 2016
  - No guarantees that USDOL will meet deadlines
Labor Assistance

• Harvest equipment such as platforms, conveyors.

• Increases worker productivity, less physically demanding.
Our Robot Overlords

Robot harvester being tested now, may only be a few years from commercial release. During tests, picks up to one apple per second.
Organics

• 93% of US Organic apples are grown in WA
• 79% of US Organic pears are grown in WA
• 94% of US Organic cherries are grown in WA
• Tree Fruit is more than 60% of WA organic farmgate value and 23% of organic acreage
• Organic yields per acre are increasing as higher densities planted to organic, more acres being planted as well
• 11% of apple acreage is organic, about 7% of fresh sales
Conclusions

• Washington’s tree fruit industry is poised for continued growth and global competitiveness.

• Policy decisions and market forces will continue to force growers to replace existing inputs with new capital investments.

• Smaller growers will find this environment most challenging.

• The long-term trend toward consolidation paired with growth is likely to continue.