

Future of Farming - "A Strategic Plan for Washington Agriculture"

Position Paper for the Tree Fruit Industry

Tree fruit growers in Washington State produce crops in the face of the everyday challenges of weather, supply fluctuations, dramatic annual shifts in farm gate value, internal competition, customer and producer consolidation, technological applications and cost impacts, pest control measures, and worldwide economics. They compete to capture enough of an economic margin to remain in business when competing with 36 other States as well as nations such as China, Chile, Argentina, New Zealand, Bulgaria, Poland, Latvia, Turkey, Iran and Iraq. In those nations, cost structures are significantly different and are becoming increasingly disparate from the State of Washington.

In the face of this competition and of these economic pressures, tree fruit growers of Washington State have become state-of-the-art, producing the highest quality fresh apples, pears, cherries, peaches, nectarines, and apricots. The tree fruit industry continues to provide a key economic base of activity within Washington State, providing nearly \$10 billion annually of statewide economic impact.

Washington's 5,000 individual growers firmly want to produce high quality food and to be competitive producers in a world context. They believe maintaining the ability for our nation to grow our own food is a key to national defense, and that the billions of dollars of tree fruit they currently sell to other nations is significant in reducing the US Trade Deficit. They believe farming is the key economic baseline for any nation's survival. They envision a future where the Washington tree fruit industry is a viable, strong and internationally competitive industry in 2028. To arrive at this future, they must have the focus and support of the state and of the nation.

As with any agricultural venture, survival is the end result of good years blended with poor seasons. Within the last 20 years, a large portion of the independent grower community and 30% of the packer processors have been lost. Tree fruit will continue to be a business with difficult survival. In a world where an apple grown in China competes with an apple grown in Washington, any and all additional costs to do business *subtract* from the ability of the Washington farmer to survive. The farmer has no control over the price at retail and has no ability to design the portion of a retail price that he captures for his own operations.

Long term survivability of tree fruit producers will hinge on these broad effects, ranked in order:

An adequate and competitively priced labor pool

- * Labor costs represent over 50% of the cost of growing fresh apples, cherries, and pears, so any cost increase is exponential.
- * The full gamut of workers is needed, from the willing field workers to the university-prepared individuals.
- * Additional legislated benefits drive costs up quickly when compared with the major worldwide competitor, China, or the primary US competitor, Michigan. Agricultural labor is unique in its seasonality and in its activity and is often ignored by broad state mandates in unemployment and worker's compensation. Tax rates increase as Workers Compensation Trust Funds are now routinely diverted to non-injury (inappropriate) uses. With low unemployment, the Employment Security Department needs to revisit how they direct recipients to job openings.
- * Robotics and technological innovations deserve the state's full support and financial commitment as a potential way to reduce labor inputs.
- * Mandated minimum wage increases place Washington tree fruit companies at a severe disadvantage. While they don't pay minimum, it raises the baseline and all wages above. No business can afford the medical coverage increases that appear to be poised at industry currently.
- * Another significant cost factor is that tree fruit is one of the very few industries that house their employees. This adds significantly to the cost of producing food for the nation.

- * The state should find ways to reduce mandated employment benefits (costs) AND work in every way to deliver work appropriate employees. The industry needs state help in on-farm housing by [1] uniform & responsive permit and code processes with one agency oversight, [2] financial assistance for capital costs, and [3] property tax exclusions.

Minimizing state regulation that constrains the ability to compete on a world stage

- * Un-layering expensive regulations from overlapping local, state, and federal sources
- * Allow the Federal Government to control without intervention what they are to control and not attempting to duplicate regulations or authority.
- * The overlapping current level of state regulation significantly impacts the ability to compete by adding significant non-competitive costs
- * Industry activities should not be regulated as if they were a factory floor because they are not
- * Historic farming and the Right to Farm (including changing farm products) should be protected over the right of public development and housing/zoning.

A consistent (and reasonably priced) availability of water and transport infrastructure

- * Downstream, adequate water supply can be our distinguishing worldwide advantage.
- * No water resources have been added in this desert climate in 60 years and water rights are continually parceled or restricted. Conservation of water should have no correlation to losing that water right
- * The state should choose to support agricultural water issues at least equal to the water interests of fish, the public, and the Tribes. Irrigation for frost protection should be recognized as a primary value
- * The state should support off stream storage of water for agriculture's use; should provide funding to maintain/improve current irrigation systems; maintain port and highway systems; and not add additional fees or cost structures to these efforts.

Minimizing state taxes and business costs imposed

- * Protect current tax exemptions focused on agri-business. Propane, as an environmental alternative to diesel fuels, should be tax exempt when used on farm (as is diesel).
- * Any new and future state assessments reduce dollars back to the farm from sales
- * Extending environmental regulations and fees will put agriculture out of business in this state. Water, land, vehicles, tractors, and streams are our tools and should be properly available to those who have lived on farm over generations.
- * Tax structures (and permit processes) should encourage good agricultural practices and conservation, not focus on punishment alone