

Hort 421/521

Outline of topics for discussion

- 1. Fruit industry conditions currently**
- 2. Control of new and future varieties**
- 3. Syndication of these varieties**
- 4. Patent Law for Plant Material**
- 5. Controlled Scarcity for Profitability**
- 6. Access to genetic material**
- 7. Potential impact on the Industry**
- 8. New rootstocks showing potential**

Quote made by Manager of a large Wenatchee grower and packer business in 1999:

“We grow a lot of Red delicious and make them available for sale.”

My observations of the Washington Industry since 1999:

Red Delicious Production has gone from 50 million boxes in 1998 to less than 30 million boxes in 2005 and the prices have stayed at or below other varieties.

Industry conditions that influence the profitability for growing fruit:

1. There is fierce competition among all Marketers for fruit sales.
2. Each marketer is looking for something to show they are different and better or **cheaper**. (last resort)
3. New product advertising or product promotion is being done more by individual marketers and less by the industry cooperations.
4. There is a major consolidation of Grocery chains. As the Stores become larger they want to buy more of there products from fewer and fewer places. One stop shopping & product traceability.
5. We are seeing a consolidation of Packing houses marketing their products as a group effort to try and meet this demand from larger Grocery Chain stores.
6. Presently, most growers and packers are competing with “commodity varieties” available to everyone. For example, **Fuji, Gala, Braeburn, Goldens, Reds, and Grannies**.
7. Redder sports of these varieties give the grower and packer marketing advantage. So high color on fruit drives the selection process of new sports of “commodity varieties.”

- 8. Many people are now beginning to think that “Controlled Scarcity of a new and outstanding variety” will help bring profitability at a time when the countries of the world are competing fiercely for markets.**

- 9. ENZA experience—3 years ago, New Zealand deregulated its apple and pear industry for the first time in 40 years, following South Africa-
giving up its single desk selling advantage. This has been a disaster for small NZ growers.**

- 10. Is it possible to control the production and marketing of a variety in order to keep it profitable? I believe that it will be easier now than ever before.**

The way I see the future

Everyone will probably still be involved in growing commodity varieties, subject to over production and wide price swings.

However, People are now looking for additional opportunities to grow varieties that will not be over produced and will bring a premium price in the markets.

Where will these new varieties come from?

- 1. Chance discoveries** Granny smith, Red & Golden Delicious
- 2. Public Breeding programs** - WSU's Apple breeding program, Univ of Minnesota Program
- 3. Private breeding programs**

Present varieties from breeding programs:

Gala, Fuji, Honeycrisp, Jonagold, Pacific Rose, Sonya, Jazz

Can the owner of intellectual property control and protect it from infringement by unauthorized persons?

1. The new Plant Patent Law Amendment passed by the US Congress in 1998. – because of Cut Flowers

Amendment to Title 35, United States Code.

“Sec. 163. Grant

“In the case of a plant patent, the grant shall include the right to exclude others from asexually reproducing the plant, and from using, offering for sale, or selling the plant so reproduced, or any of its parts, throughout the United States, or from importing the plant so reproduced, or any parts thereof, into the United States.”

This new amendment applies to patents obtained after 1998. The new patent life is 20 years.

This will be a big weapon in protecting variety rights!

2. Anyone involved in the **growing, packing, and marketing** of an illegally propagated variety is subject to lawsuits from the variety owners. The deep pockets, now will not be the growers ONLY, but the packers and the stores.

3. This will motivate Packers and marketers to help insure that patented material is protected.

4. Fruit will be **marketed** commercially **under trademark names**. Illegally grown fruit appearing in commercial markets, will immediately be known. The fruit can be traced back to the shipper and packer and the grower.

Production Based Royalties will be a part of the future of exclusive varieties. Due to limited acreage planted.

What type of organizations are forming around the world to bring about the controlled production of fruit varieties?

- 1. Rose Marie Pear coop in Australia**
- 2. Delblush growing club in France**
- 3. ENZA -Northern Hemisphere Production program**
- 4. Pink Lady- worldwide production effort**
- 5. Cameo- Marketing Cooperation**
- 6. Piñata – Stemilt**
- 7. Ambrosia – PICO variety- McDougall**
- 8. Sonya – Nevis Variety**
- 9. MN 1914 – NBT variety**

What is needed to fast track a variety into commercial production? In 10 years!

- 1. All parts of the production chain must proceed together;**
- 2. The evaluation of the variety**
- 3. The commercial growing of the variety**
- 4. The packing of the variety and**
- 5. The marketing of the variety.**

What kind of organization is needed to make this happen?

I think we will see different sizes of production efforts in the future

New and unique plant material is going to be the key to bring success to these new production efforts.

Controlled fruit quality is essential to the success of a new variety. Poor fruit kills the market. Members of group must work together in controlling quality grown and packed.

Spreading the risk of variety testing over several growers is need, but the rewards must also be shared with several growers.

Producing enough critical mass of fruit to keep the variety available in the stores, is very important.

Advertising and Promotion of the Variety will require a group effort, something most grower/packers have not done in the past.

This becomes a **Group Effort**

Questions???

Other sources of reading on this topic:

Good Fruit Grower last 3 years editions

<http://www.goodfruit.com/>

Several articles: By Geraldine Warner

1. “Cameo is an example of the growing club concept.”
2. “Control of new varieties should maintain prices.”
3. “Patent law change implicates packers and retailers.”
4. “How to graft trees legally”
5. “Fruit Breeders consider how to protect varieties”

Also:

“The technology Roadmap for Tree Fruit Production 2010”

Industry effort to re-invent it self for global competition!

Website is :

[Http://www.treefruitresearch.com/technology_roadmap.htm](http://www.treefruitresearch.com/technology_roadmap.htm)

Title page to this work is included in the handouts.

Agrinews Service- Wenatchee

Article by Jamie Howell Dated Dec 31, 1999
quoting WSU economist Tom Schotzko.

“Business philosophy may help industry control its destiny”

By JAMIE HOWELL
AgriNews Service
WENATCHEE, Wash.

“Ag industry players who want to survive economic globalization should begin teaming up,” according to Washington State University economist Tom Schotzko.

1. A new business philosophy is taking hold, one that makes alliances with other companies imperative.
2. In his presentation, called “A New Paradigm for Inter-Industry Cooperation and Consumer Satisfaction,” Schotzko outlined an emerging management style called “supply-chain management.”
3. Supply-chain management requires building a business that has some control over every aspect of the food production and distribution process, from seed to shelf.
4. And because few firms are large enough to operate their own plant nurseries, orchards, packing houses, sales desks and trucking operations all under one roof, the answer is to form alliances.
5. Nurseries, orchardists, packing sheds, brokerage firms and shipping operations will build vertically-integrated teams, predicts Schotzko, that will be able to provide the reliability, quality and variety of product that major retailers are beginning to demand.
6. Such a scenario might not have been possible a decade ago. “One of the biggest problems that will have to be overcome will be the flow of information,” said Schotzko.

7. But advances in technology, with Internet and e-mail communications becoming the standard, have knocked down that hurdle. It is now possible for companies almost anywhere on the planet to stay in regular contact efficiently and inexpensively.
8. The shift to supply-chain management is a natural evolution of business, said Schotzko. Companies have focused internally in the past, squeezing out every possible inefficiency in their own operation. "Now they are looking beyond themselves and at the larger system," said Schotzko.
9. Supply-chain management has already made major advances, particularly in Europe. "European firms are much farther ahead (than the U.S.) in supply-chain management," said Schotzko.

Schotzko outlined a list of reasons U.S. firms will want to do their best to catch up:

1. **Retailers will want to deal with fewer suppliers:** The companies selected are likely to be those that can offer the broadest range of products and are the most technologically advanced.
2. **There will be fewer retailers:** Analysts predict that by 2005, as few as 10 retailers will control half of all food sales in the world.
3. **Contract sales will become more common:** Price and volume specifications will be required by the world's top retailers.
4. **Wholesale markets will fade away:** Direct buying may account for as much as three-quarters of all fresh produce sales.
5. **Specialty store sales will grow:** Especially online sales as consumers get pickier about produce quality.
6. **Per capita consumption will increase:** Projections are that by 2005 per capita food consumption will increase by 15 percent. Companies that are part of a vertically-integrated system or alliance will reap the benefits of that increase, predicted Schotzko.

**Rootstocks for Apples in the future
Will have to be resistant to Fire
Blight bacteria.**

**Some of the most promising
rootstocks right now are coming
from the Cornell Breeding Program.**

Geneva 3041 may replace M9

and

Geneva 11 & Geneva 935 may replace M26

**Dr. Gennaro Fazio is in charge of this program
at Geneva, NY**

Website:

**[http://www.nysaes.cornell.edu/hort/breeders/apple
roots/applerootstocks.html](http://www.nysaes.cornell.edu/hort/breeders/apple_roots/applerootstocks.html)**