

Faces of Food

Volume 2, Issue 2



We Feed You

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**YOUR FOOD
NORTHWEST
TEAM**

We're Here For You

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ENERGY EFFICIENCY NEVER CLOCKS OUT.

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EDUCATION & EVENTS

Food Northwest hosts a variety of conferences, summits, and networking events throughout the year. We also organize education courses throughout the region on topics such as food safety and leadership. For a full list of events, visit our website at www.foodnorthwest.org.

September 2018

FSMA Preventive Controls for Human Food

September 25-27 | Stoel Rives LLP | Portland, OR

October 2018

Autumn Assembly Golf Tournament

October 3 | Langdon Farms Golf Course |
Aurora, OR

Basic HACCP

October 9-10 | DACO Corporation | Kent, WA

January 2019

Northwest Food & Beverage World

January 14-16 | Oregon Convention Center |
Portland, OR

Taste of the Northwest

January 14-16 | Oregon Convention Center |
Portland, OR

4th Annual Career & Job Fair

January 16 | Oregon Convention Center |
Portland, OR



LET'S GET COOKIN'



Teri-Apple Chicken Wings



Ingredients:

1 cup Tree Top Apple Sauce
1/3 cup
soy sauce
1/4 cup salad oil
2 tablespoons molasses
2 teaspoons ground ginger
2 teaspoons dry mustard
1 tablespoons garlic powder
2 tablespoons orange marmalade
3 to 4 lbs. chicken wings

Directions:

Combine all ingredients, except wings if they will be served as appetizers. To disjoint, cut off small tip at joint and then cut at other joint, making two small drumstick looking pieces. Put chicken wings in a shallow pan and pour 2/3 of sauce to cover then refrigerate covered, four hours or overnight. Bake in 350°F oven for about one hour or until meat is tender. Spoon over remaining sauce once while cooking.

FOOD NORTHWEST GETS A BIT NUTTIER



Food Northwest is excited to welcome Hazelnut Growers of Oregon as the newest food processor member of the association! Founded in 1984 as a grower-owned cooperative, Hazelnut Growers of Oregon (HGO) is comprised of 150 growers managing orchards over 20,000 acres, representing one-third of Oregon's hazelnut crop.

Hazelnuts, also known as filberts, are the official state nut of Oregon. The state has the ideal climate for growing the world's highest quality hazelnuts. Temperate ocean, mountain, and river climates meet with rich volcanic soils to create prime hazelnut-growing conditions. Oregon grows 99% of the U.S. hazelnut crop and it is the official state nut!

800 Oregon farm families grow hazelnuts on 70,000 plus acres, and the industry is expected to double in the next seven years. Increased crop size and kernel varieties will allow for increased domestic and international sales. To meet this forecasted growth, HGO has built a 120,000 square foot state-of-the-art processing facility in Donald, in the heart of hazelnut country. The new hazelnut facility will process both in-shell and kernels, and will provide to food service supply companies, confectionaries, snack food makers, and bakers around the globe.

"The domestic and international market potential for hazelnuts is largely untapped," states Wilco CEO and President Tim Ramsey. "In a few short

years, the Oregon hazelnut crop production is anticipated to double, so we've brought in a new leadership team with a wealth of big CPG and food processing experience to drive product innovation and market growth. With the dynamic duo of our new processing facility plus our experienced leadership team, we are well positioned for the future."



HGO's new facility is designed to meet rigorous new FSMA food safety requirements and is the only hazelnut processing facility in the Pacific Northwest that uses steam pasteurization— a value-add benefit for growers. The facility in Donald will be capable of

- Receiving 160,000 pounds of hazelnuts per hour
- Storing 320,000 pounds in quality control silos

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- Storing 10,800,000 pounds in 4 massive storage silos (2.7MM pounds each)
- Steam pasteurizing more than 10,000 pounds of hazelnuts per hour
- Slicing/dicing in excess of 5,000 pounds of hazelnuts per hour
- Roasting more than 3,000 pounds of hazelnuts per hour
- Processing hazelnuts in 8 days from harvest, 7 days faster than the industry standard

Production begins this September, when the 2018 harvest begins, and HGO will employ 55 people during the peak season.

Hazelnuts provide over \$250 million in economic impact in Oregon alone, and this number is poised to grow as the industry expands. Oregon State University's Hazelnut Breeding Program develops new varieties with resistance to common hazelnut diseases, making it easier for farms to cultivate hazelnuts. Furthermore,



hazelnuts are a sustainable crop! They do not rely on irrigation, self-pollinate with the wind, and a tree provides up to 80 years of production.

Congratulations to Hazelnut Growers of Oregon on the new facility and joining Food Northwest!

For more information visit www.hazelnut.com

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FRESH N' LOCAL FOODS FEEDS THE NEXT GENERATION

Back in March of this year, Food Northwest's President David McGiverin sat down with Board of Directors member Evann Remington of Fresh n' Local Foods to discuss her company's history and success in building a successful business out of a societal problem.

David: What is your company's origin story?

Evann: When I started my business, I was literally alone in a garage. I spent my days calling potential customers, making and packaging food, delivering the food, doing all the accounting—everything on my own. I slowly started to get help when I hired my first delivery driver for two hours a week, and it just kept growing from there. Ten years later, we have 58 employees, operate in three states, and serve many thousands of kids healthy, delicious meals daily!

D: What was your company's big break or "Aha!" moment?

E: After we had a business plan and some seed funding (the first miracle!), the most exciting time was when a large, publicly-traded company said "Yes" and became our customer. We won that bid out over another global company and I knew that the market and opportunity for a better food option for kids was real.

D: How did you get your start in the food industry?

E: Fresh n' Local Foods was born on my sofa

while nursing my newborn daughter in 2006. I started to become aware, for the first time, the poor quality of the food we are feeding our kids. For the first time in history, kids have a shorter life expectancy than their parents and it is due to diet and lifestyle. I felt driven to try and do something to change that. It took an enormous amount of work, dedication, and a commitment to learning to figure out how to realize my dream while making sure we were producing safe food.

D: So, why Food?

E: Serving food is how we show love and care for each other. I am passionate about feeding children because it helps set the stage for joy and wellness for their entire lives.

D: What has been your most memorable moment?

E: When we opened our current facility in 2011, we had the Governor of Oregon, Oregon's Secretary of State, several Legislators, City Counselors, the Mayor of Salem, and



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many friends, family and other supporters attend the ribbon-cutting. To have so much encouragement and support was truly a surreal moment and one that we are very proud of.

D: What do your customers love about your company or products?

E: Our customers love the freshness and variety of the food that we provide for kids but I think we really stand out because of our very high level of customer service. We don't just satisfy our customers, we aim to delight them.

D: Could you share a positive customer story?

E: We began serving a school in downtown Seattle that had students that did not really have a lot of experience with fresh produce and other healthy food options available in school lunches. When we first began serving these kids, we almost had a riot on our hands because the children were demanding the junk food they had become accustomed too. We had to adjust the menu to meet them where they were, and with continued education and opportunity for the students to have a say in the menu, we

slowly began to see attitudes change. When we performed a student survey in the second school year after beginning our service, Chicken Caesar Salad was voted the favorite lunch by far!

D: What have you gained from your involvement in Food Northwest?

E: Food Northwest has been a safe and nurturing organization that has provided an enormous amount of support and encouragement in the 7 years that we have been a member. The staff has helped me personally make connections with industry leaders whom I would have never had an opportunity to meet otherwise, and have helped make sure that our team has the information and education necessary to continue to grow and protect our business.



CO-PACKING AND PRIVATE LABELING LIABILITY

IT'S OUR BRAND, BUT NOT OUR PRODUCT

JOSH HEDRICK | ACCOUNT EXECUTIVE, PARKER SMITH FEEK

Because of the increased risk of lawsuits and recalls, more and more companies are looking to co-packers and private labeling as a way to transfer liability and keep the cost of manufacturing products down. Outsourcing the production of an item can save on capital costs and avoid tying up an organization's cash in the expense of equipment, according to Jim Konsmo, VP of Operations and Quality Control for Essentia Water. The question arises, if it's our label and brand but someone else manufactures the product, who takes on the liability?

QUALITY CONTROL

It is helpful to know what percentage of the business your organization represents for that co-packer/private labeler (CP/PL). If you are large enough, you can receive preferential treatment. As CP/PLs are spread out all over the country, there may be logistical challenges with performing regular walkthroughs of the facility to ensure your brand and quality standards are being met. It is critical to regularly request updated third-party audits of the facility to make sure your partner is meeting federal standards as well. The co-packer should be held to your requested levels of certifications, product quality, packaging, and safety.

CONTRACTS

If proactive quality control is the first step to take in avoiding a recall, contracts and agreements are number two. Reviewing the roles and responsibilities of each party is a good first step in analyzing your exposure. Michelle Bomberger of Equinox Business Law Group recommends reviewing the life cycle of the product and asking how much control you have; full, partial, or no control? It is essential that your contract with each CP/PL spell out in the warranties section each party's responsibilities during each portion of the product lifecycle. Review indemnification clauses and criminal defenses, and set a framework in case the relationship goes sideways. It is helpful to spell out what your dispute resolution process is, should finger pointing occur.

INSURANCE

The third and final way to protect your balance sheet from a catastrophic event is a product recall liability policy. Recall policies can protect you as a first party for retailer slotting fees, defense cost, lost business income for up to 12 months, and brand rehabilitation. These policies also protect third-party organizations such as retailers, wholesalers and distributors and can replace their lost profits. Many of these policies include a percentage of the annual premium to be used on pre-incident costs such as a mock recall or a food safety audit.

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Budvarson from Out of the Box Manufacturing urges you to have a robust manufacturing agreement in place, advising further that everything is negotiable. She also warns, "Don't feel pressured to sign something just to close the deal." The contract should clearly state who is obligated for maintenance, service, and warranty issues, and what that process will look like. It should also have dispute resolution language to create a framework for disagreements.

Despite your best efforts at quality control, a product recall, whether voluntary or involuntary, can occur at any time. Be prepared by completing a mock recall with your staff and

have a thorough recall plan outlined. Spell out who is responsible for a recall and at what point you may be on the hook for expenses in your contract with your clients. Many clients are requiring that their co-packers carry Product Recall Insurance policies, and ask that they be included as an "Additional Insured" on that policy. Know what your policy covers, and be sure it includes third party damages if you are a co-packer; it will reimburse your client for their expenses associated with the recall even if you don't have any. Parker, Smith & Feek has extensive experience with product recall policies, call us today to learn more about what you can do to protect your business.

Josh is a Principal and Risk Manager at Parker, Smith & Feek. He helps lead the Food Practice which includes seafood processors, frozen vegetables, poultry, ice cream, bottled water, apple growers, and a variety of other unique organizations. He works with a team to develop responsive insurance programs that address the special needs of food processing clients such as cargo, auto, worker's compensation, equipment breakdown, and in particular food product recall and contamination.



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GET THE MOST OUT OF SELLING YOUR BUSINESS: SELL-SIDE DUE DILLIGENCE

MICHAEL PIHOWICH | SELL-SIDE LEADER AND MANAGING DIRECTOR

DAVID TERRY | PARTNER, TRANSACTION SERVICES

Conducting sell-side due diligence helps increase the probability the sale of a business will be successful. Performed correctly, the process uncovers opportunities for sellers to enhance their company's value prior to a sale while helping facilitate a faster close time. In the food, beverage, agribusiness, and related sectors, companies contemplating a sale can often benefit from leveraging sell-side due diligence to advance their strategic goals.

What Are the Benefits?

Sell-side due diligence is a proactive process that involves identifying and assessing issues and trends that either positively or negatively impact business value from a buyer's perspective. Business owners gain early, vital insights this way, which can help establish a strategic framework for selling a company later on.

Presenting Favorably

Armed with the due diligence findings, sellers can address weaknesses prior to a sale and prepare for questions they're likely to face from buyers. The process also provides sellers a reality check against their own expectations of business worth and deal value. With greater control over the sale narrative, sellers can project greater confidence in their position, helping to bolster a buyer's perception of the company.

After conducting sell-side due diligence, companies are also often better positioned to avoid major surprises or gaps in expectations that could delay or kill a deal. There are also generally fewer unforeseen costs and added professional or consulting fees, which can result from a lesser degree of preparation.

Enhancing Deal Value

Insights gained from the due diligence process often point to transaction structures that could help increase deal value as well as after-tax proceeds. By identifying weaknesses that could reduce deal value, sellers can usually anticipate buyer negotiation tactics as well.

By proactively managing the way issues, processes, accounting policies, and other aspects of the business are explained during negotiations, sellers can also better anticipate buyers' questions, keeping the discussion focused on the strategic basis for the transaction.

Managing Workflow

Sellers can leverage due diligence insights to proactively manage the stress of a future transaction on a business by gathering company information that will be requested by a buyer in advance.

The demands placed on a company's internal resources to support a transaction can be intense, and senior management is usually hit hardest as they struggle to balance go-to-market preparations with maintaining successful



operations. Sell-side due diligence helps avoid excessive demands on management's time and eases the potential disruption of buyer requests.

What are the Key Concerns for Companies Preparing for a Sale?

Performance metrics such as gross-to-net sales and gross margin by product, customer, and channel are essential as a company goes to market and will invariably be viewed closely through a buyer's lens. However, many companies in the food, beverage, and agribusiness industries aren't proficient at properly tracking and accounting for inventory costing and sales incentive activities.

Sell-side due diligence helps sellers identify and address weaknesses such as these that are specific to their company. These are some additional areas where food, beverage, and agribusiness companies can fall short include cost accounting systems, purchasing systems, inventory systems, and trade spend tracking and reporting.

In the event a company decides not to sell, it's stakeholders have still gained invaluable insight about the organization's profitability, performance, and other drivers of value they can then focus on improving.

When Should Companies Think about Preparing for a Sale?

Businesses should start preparing for a sale three to five years in advance. This timeframe

provides the sellers ample opportunity to begin positioning the company for sale, preparing multiple years of performance data, and putting systems and information in place that'll be seen as desirable by potential buyers.

Final preparations, including conducting sell-side due diligence, should begin six to twelve months prior to the anticipated go-to market date. This allows enough time for the seller to organize financial information and prepare management for a potential buyer's due diligence process.

How Do Accountants and Investment Bankers Fit into Sell-Side Due Diligence?

Experience in a seller's industry is a prerequisite to making sure sell-side due diligence is performed and presented in a way that's consistent with how buyers in the industry will consider the transaction. Sell-side due diligence is typically performed by certified public accountants. The reports provide credible financial information—such as potential adjustments to earnings—that investment banks rely on and include in an offering memorandum. The accountants also assist with preparing management to explain financial information to potential buyers in terms consistent with standard accounting practices.

Investment banks focus on positioning a company for sale and finding the best buyer for it. While they often accumulate significant information, they don't necessarily identify and address accounting issues in the level of detail that would be covered in sell-side due diligence.

What Can Companies Do If Deficiencies Are Found?

Deficiencies found during sell-side due diligence can and should be mitigated. It's important to note, though, that when it comes to changing policies, reporting, or processes, the closer companies are to a planned transaction, the more difficult it becomes for buyers to assess what's normal or the impact of those changes. If possible, sellers should avoid making changes to significant accounting policies and financial reporting systems within a year or two of a sale. Having consistent information makes it easier for buyers to assess the merits of a transaction. To the extent deficiencies are found, pro forma adjustments can be made during sell-side due diligence to account for these items, rather than changing the underlying data in the system.

We're Here to Help

If you'd like to learn more about how sell-side due diligence could benefit you and your organization, contact your Moss Adams professional.



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Northwest FOOD & Beverage WORLD

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What Exhibitors think of the show:

“Amazing! That is the word I would use to describe the Northwest Food & Beverage World this year. Not just quantity, but the quality of leads we were able to connect with far surpassed the combination of shows we’ve been a Vendor at previously.”

2018 Sean Pennington, Root’s Floor Coatings

What Processors think of the show:

“It was such a cool event for us. I’m pretty sure I did more business and made more significant contacts in two days than I have in all of 2017. It was truly awesome. The buyers were great. The other vendors were great.”

2018 Marilyn Roseburrrough, Kember’s Gluten Free

www.foodandbeverageworld.org

January
14-16

REGISTER
TODAY!

Registration is
\$99 and includes:

- 1 All Access Pass to Exhibitor Floor
- 2 World Class Education for two days
- 3 Lunch on the Floor at Taste of the Northwest
- 4 Hosted Opening Night Reception at Punch Bowl Social

2019

FOOD
NORTHWEST



IT'S STILL WARM ENOUGH
FOR A LITTLE ICE CREAM,
RIGHT?



Citrus Strawberry Ice Cream Sandwiches

Ingredients:

¾ lb (3 sticks) Tillamook Unsalted Butter
2 cups (16 oz) granulated sugar
2 teaspoons lemon zest
2 teaspoons lime zest
2 teaspoons orange zest
1 ½ teaspoons vanilla extract
2 eggs
6 cups all-purpose flour
1 ½ teaspoon baking soda
1 teaspoon salt
¾ cups Tillamook Sour Cream
4 cups (1 Qt) Tillamook Oregon Strawberry Ice Cream



Directions:

STEP 1 Cream Tillamook Unsalted Butter, sugar, and zest in mixer until fluffy. Add vanilla and eggs, one at a time. **STEP 2** Combine flour, baking soda, and salt and add slowly. Scrape sides of mixer as needed. Fold in Tillamook Sour Cream. **STEP 3** Divide the dough in half and roll into logs. Wrap tightly in plastic and keep in refrigerator for at least 3-4 hours or until cold and hard (if you have enough time, overnight works best because it's easier to work with the dough when it's nice and cold). **STEP 4** Once the dough is cold, preheat oven to 350°F. Cut into thin cookies and bake on a parchment paper-lined cookie tray for 8-10 minutes, until cookies are just barely browning on the edges. **STEP 5** Cool cookies for about 15 minutes. Once cooled, place cookies in freezer bag and freeze for at least one hour, until hard. **STEP 6** When ready, remove cookies and sandwich ice cream between two cookies.

MMM, SOUP



Mexican Black Bean and Beef Soup

Ingredients:

2 cups water
1 jar (16 ounces) Pace® Chunky Salsa - Mild
1 tablespoon chopped fresh cilantro leaves
1 teaspoon ground cumin
1 large onion, chopped (about 1 cup)
1 cup frozen whole kernel corn
1 can (about 15 ounces) black beans, rinsed and drained
1 pound beef for stew, cut into 1/2-inch pieces



Directions:

Step 1

Mix the water, salsa, cilantro, cumin, onion, corn, beans and beef in a 3 1/2- to 6-quart slow cooker.

Step 2

Cover and cook on LOW for 8 to 9 hours or until the beef is fork-tender. Short on time? Cover and cook on HIGH for 4 hours or until beef is fork-tender.



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