



A Look at Our Priorities for the Year Ahead

It was an honor to have been recently elected as Chair of the Northwest Food Processors Association. NWFPA is comprised of a special group of individuals and companies. All those who serve in leadership positions take off our company logos and look out for what's in the best interest of the entire food processing industry. That's one reason why NWFPA has continued to provide value to its members for 100 years.

Our job is to create the foundation for that success to continue into the next 100 years.

We are operating in difficult times. We have monumental tasks ahead as we deal with our elected officials, with environmental challenges, with food safety requirements, with transportation problems and with input costs, to name a few. These significant issues will not disappear overnight, nor will they easily be solved. NWFPA is in a strong position to help the industry navigate these serious trials.

Fortunately, we have a talented and dedicated staff. We also have a volunteer leadership team willing to spend the extra time and effort necessary on behalf of all the membership. Working together, we are committed to doing our utmost to posture the industry in the best possible position as we confront the serious challenges ahead.

We are committed to helping the staff by providing the tools necessary for success. One of those tools is an updated database and all that's necessary to make it function. In this age of internet and social media, we have to adapt in order to remain competitive.

We also need to seriously beef up our Political Action Committee funding in each state. It's difficult to ask our lobby team to continue to pull rabbits out of hats if we can't back them up with financial support for our political friends. Asking them to represent us without PAC funds is like sending fighters into the ring with one hand tied behind them. It just doesn't work for long. Please respond favorably when you are asked to help.

Lastly, as an organization we need to constantly reassess our priorities and make certain our revenue stream is sufficient to achieve our goals. This is obviously critical for any successful endeavor. As NWFPA moves away from public grants we must find other sources of income if we are to continue to operate as we have in the past.

Thank you for your membership and involvement in NWFPA. It's a tremendous organization comprised of dedicated and talented members. While we have serious challenges to face, I'm certain that we can live up to them while still having a great time as we interact together in celebration of our first 100 years. 🍷

Working together, we are committed to doing our utmost to posture the industry in the best possible position as we confront the serious challenges ahead.

Mark Dunn
Chair, NWFPA Board of Directors
J.R. Simplot Company



Honoring the Founders with an Expanded Reach

Back in 1914, a group of twelve cannery owners gathered to discuss grading standards and other issues. The group formed an association that lobbied members of congress to change tariff laws, establish sanitary canning practices, work on consumer protection regulations and address issues like compensation for injured workers. The association's founders were convinced that group action was essential to clear away obstacles and give food processors more opportunities to succeed in the Northwest.

The primary purpose of Northwest Food Processors Association is to strengthen the competitiveness of the industry in our region. We do that through powerful legislative and regulatory advocacy and providing resources like information and training on critical industry issues, energy management programs, and networking opportunities. The association also conducts annual events featuring speakers and programming of value to its members.

Nearly 100 years later, NWFP members and leaders support the association for the same reasons. The association has become respected throughout the industry as a strong, forward-looking organization that serves all the food processors of the Northwest and beyond.

I recently read a study on the emerging threat of "Flankers" across many food industry categories. According to the authors, these smaller, more nimble U.S. packaged food brands are disrupting conventional category dynamics. The smaller players are driving innovation and rising as viable food alternatives, particularly as they focus on health and wellness.

These and other small food processing businesses are vital to the overall economic health of the U.S. food industry.

In May of this year, the Northwest Food Processors Association board of directors approved a new membership category to help small food processing businesses like these join our organization.

Under a new Associate Member program, food processors with annual sales of \$1 million or less can become Associate Members of NWFP without having to pay annual membership dues. The purpose of this initiative is to strengthen the overall industry through greater food safety knowledge and a more robust processor network.

Associate Members will receive members-only discounts on select events and education products, and will be able

to post job openings in the association's online Jobs Board. They will benefit from a company name listing in the print and online directory, and will receive ongoing industry news and publications, such as the association's flagship newsletter, Northwest Reports. Food processors interested in becoming a member of NWFP can find more information and download an application from the association's web site, www.nwfp.org/membership.

To spread the word, NWFP plans to reach out to smaller, family-owned food processing companies through its broad network of public and private entities currently supporting local small businesses.

We hope all associates will become regular members of NWFP. Regular membership would give them ownership in the direction of the association, including voting rights to select our leaders, an opportunity to join our board, and eligibility to attend committee meetings without a special invitation from the committee chair. Direct access to our expert staff in food safety and policy, government affairs and regulations, workforce, energy and sustainability will not be included in the associates' membership level. Access to this type of information will be available through publications, online services and at our numerous training sessions and events. It is our hope that Associate members will upgrade their membership to benefit from the full value of what NWFP delivers.

The board made a powerful and promising decision. This new membership program honors the original intent of the association's founders by removing all barriers for small food processing businesses to receive food safety education, regulatory updates and the benefits of networking with industry leaders. It also recognizes the rapid pace of change and the burgeoning small food processing clusters within and surrounding our region.

Looking at NWFP's centennial anniversary in the coming year, I believe the founders would be pleased with where we have come. They built a solid foundation for today's NWFP that will, no doubt, continue to deliver value in new ways over the next 100 years. 🍷

David Zeponi
President, NWFP

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Legislative Affairs: Your Voice at the State Capitol

Newspaper headlines provide a constant reminder that state budgets are stretched thin during this slow economic recovery. Legislators continue to argue over tax increases and service cuts in Salem and Olympia, but they balanced the budget in Boise without the same fight. How did they do it with a healthy surplus while increasing spending by 3%? Actually, revenue is up in Salem and Olympia too. So what gives?

The fact is, the conflict over the size and scope of state government will always be with us, regardless of economic and budget cycles. But there are literally hundreds of policy battles that don't garner the same level of media attention and don't often split along party lines. More than 2,500 bills were introduced in the 2013 Oregon legislature, most of which are not tax or budget bills. They do, however, impact the size of government and the regulatory environment in which food processors must operate. These issues demand our time, energy and vigilance.

Take chemical and food packaging bills, for example. Proposals were considered in Salem that would impact the use of certain food packaging factors like BPA. One of which died in committee (HB 2928) while the other continued through the process only after a committee amendment to exempt food contact packaging (HB 3162). These victories would not have been possible without a strong lobby presence and NWFPA providing testimony in opposition.

In Olympia a committee considered three separate measures to regulate, restrict, ban or mandate labels on products deemed by state regulators to have potential public health impacts (SB 5250, SB 5252, SB 5348), including food packaging. These bills may not have been held in committee if not for NWFPA's close working relationship with the new chairman. Even in "deep red" Idaho, a resolution with serious implications for food packaging materials was given strong consideration (SCR 116). Cooler heads prevailed, but not without a concerted lobbying effort.

These issues don't get resolved without a strong government affairs team providing strategic, dedicated resources on the ground at each Capitol. Like the packaging and chemical issues, much of what we deal with is more properly handled at the federal level and is often just the issue du jour for a legislator or constituent group. They do make for great sound bites and feel good legislation that harms more than it helps.

Our PACs are the other side of the story, supporting candidates and incumbents during campaign season who share your interest in a healthy and stable business environment. NWFPA's government affairs and lobby team are your voice at the Capitol, cultivating key relationships, doing the research, and providing the right information at the right time to ensure that cooler heads do prevail. 🏛️



FDA's Breen Leaves Northwest Outreach Legacy

The Northwest is known throughout the country for its uncommonly cordial relationship between the food processing industry and the regulatory community. Retiring FDA Seattle District Director Charles Breen leaves his post in August as a key player in developing those bonds.

"We will have our work cut out for us to keep up with the pace Charles set on his outreach efforts, but we are committed to working hard at that," said Celeste Corcoran, Seattle District Director of Investigations. She will be Acting Director of the Seattle District until Region Director Mark Roh selects Breen's replacement.

Following passage of the Food Safety Modernization Act, Breen partnered with NWFPA and the Seafood Products Association to hold quarterly conference calls to discuss developments in enforcement with processor members. Corcoran intends to continue these outreach calls as Acting Director.

NWFPA's Operations and Technical Affairs Committee has set regulatory liaison activities as one of its highest priorities for over 20 years. The committee and staff work closely with individuals in the region's state and federal agencies to communicate their dedication to food policy that protects the food supply as well as the economic well-being of the Northwest food processing industry. Many Northwest regulators, including Breen, have been very influential in setting national policy; having a good understanding of the industry they regulate has been instrumental in their success.

Breen became the Seattle District Director in 1999 following the retirement of Roger Lowell, a NWFPA Distinguished Service Award winner for his outreach efforts with the Northwest food processing industry. Breen has worked for the FDA in positions of increasing authority since his graduation from college in 1972.



When asked what he intends to do when he retires on August 2, Breen told NWFPA that he wants to stay connected, but does not yet know exactly how. "I'll think about that on August 3rd," he said.

The members and staff of the Northwest Food Processors Association wish him and his family all the best and hope to have the opportunity to work with him again. 🍷

Genetically Engineered Food Controversies Heating up

Oregon and Washington have become battleground states in the West for the controversy over planting and labeling of genetically engineered foods. The latest incident involves destruction of two sugar beet fields in Jackson County, Oregon. The FBI has threatened federal felony charges of economic sabotage and domestic terrorism against the perpetrators.

Meanwhile, the investigation of how illegal plantings of unapproved genetically engineered wheat in Eastern Oregon occurred has led to discrepancies in inventory records at a USDA storage facility in Colorado. USDA was respon-

sible for storing the seeds before their destruction was ordered in 2012.

Prior to conclusion of the 2013 Oregon Legislative Session, Oregon House Rules Committee considered a Senate bill that would provide state preemption over counties, like Jackson, seeking to ban genetically engineered crop plantings in their counties. This was the last of half dozen or so bills on genetically engineered foods considered in Salem; it died in committee by the end of Session.

In Washington, the campaign to defeat Initiative 522, the hotly-discussed bill requiring state-specific labeling

of foods containing any genetically engineered food products (similar to California's Prop 37 that was defeated last year), is organizing to begin its campaign in the fall.

Connecticut became the first state to require labeling of genetically engineered foods, but the law only goes into effect when at least four other states, including at least one neighboring state, enact similar legislation. In addition, states in the Northeastern region of the country with a combined population of 20 million or more must do the same. The Maine Legislature promptly passed a similar law. 🍷



NWFPA Members Drive Advancement of Local Training Model

On June 25, 2013, Northwest Food Processors Association (NWFPA) held its first workforce cluster meeting at the Port of Morrow with twenty-two participants. With several member facilities located in that region, NWFPA hosted this collaborative meeting to gain a better understanding of the area’s training needs.

At the meeting, participants openly shared with one another their hunger for industry specific training. The association observed three key issues driving this growing demand: increasing regulations, increasing demand of skilled labor, and a lack of access to quality training.

“Regional training clusters will ensure that best-in-class instructors are hired to meet the most critical training needs” said Debbie Radie, VP Operations at Boardman Foods. “Cost savings include reduction in travel time, direct travel costs, and reduced seminar costs.”



To scope the demand, NWFPA conducted a training “wish list” exercise. The outcome was an exhaustive list of training topic possibilities and needs. Out of the top 12 items, HACCP and FSMA were high on the list.

The ultimate goal of the workforce cluster meeting is to provide training locally. As the regulatory climate shifts and food processing operations change in response, the association hopes to facilitate this discussion and provide the type of trainings that will strengthen the competitiveness of its membership.

“Together, we can deliver training to more people at reduced costs,” said Radie. “And we’ll be able to efficiently meet regulatory and auditing requirements for proper training and certifications.”

NWFPA serves as a resource to members and with this community- based approach it looks forward to providing local training opportunities and make adjustments as members’ needs change. 🏠

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The following companies have reserved their booths at the January 12-15, 2014 NW Food Processors Expo and Conference, Visit www.NWFPA.org/Expo2014 to learn more!

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Looking Forward to 100 Years of Expo

The NW Food Processors Expo & Conference is the place to be January 12-15, 2014. Sized to attract premier food processing industry experts and exhibitors, it is the largest regional food manufacturing trade show in North America. Seventy-five percent of the show floor has already been sold (336 booths) as of press date, representing more than 150 exhibiting companies.

Launching the 2014 Expo on Sunday, January 12 is the first-ever all-industry dinner celebrating the 100th anniversary of NWFP, presented by Ryan's Fresh Fruit Juices and Bolthouse Farms. New to Expo will be a Future of Manufacturing Conference (on Tuesday), an expanded Taste of the Northwest, 14 FREDtalks geared for technical minds, three certification courses, 25 conference sessions including updates on FSMA, GMO, combined heat and power, and economic development.

Leading-edge education focused on sustainability, energy efficiency, food safety, business strategies, innovation and productivity, global competitiveness, talent retention and replacement, government affairs, and water supply will strengthen attendee's competitiveness in an ever-changing food industry.

Opportunities to connect with colleagues and clients will be more plentiful too. On Tuesday afternoon is a reception on the show floor in addition to the walk-around lunch. Monday will feature the Sample Display with a new packaging component and an ice cream social in the afternoon. More networking time, and places to do so, will be built into the agenda.

All this makes the Oregon Convention Center the right place to be January 12-15. Help celebrate 100 years of NWFP at Expo in January! 🍷

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The Stink on Odor Nuisance

The Oregon Department of Environmental Quality (DEQ) has NWFPA members talking about smell.

DEQ receives a number of complaints daily regarding sources of odor including business activities and regulated facilities. Sources vary from small neighborhood food joints to large industrial facilities.

Communities develop around food manufacturing plants, and scents associated with food processing may not be agreeable to everyone. "Chocolate smells great to some, but to others it's repulsive," said one committee member. Odor is subjective; finding a way to quantify and monitor concerns is a challenge.

In April 2013, DEQ started to develop a more comprehensive plan and specific process for implementing DEQ's existing "air nuisance" rules, which had been adopted in 2001 but not enforced. Their goal is to develop a reliable and defensible way to apply DEQ's nuisance program, which includes monitoring, tracking, and responding to odor complaints,

determining the source of the complaint, and determining appropriate nuisance abatement. The proposed strategy is likely to become common policy for dealing with odor nuisance issues.

Through one of our members, staff learned about the proposed strategy and recognized the impact it may have on members who are permit holders. With a short window to submit comments, NWFPA worked quickly to gather members and create a list of concerns and suggestions from the food processing community.

NWFPA submitted comments focused on in-taking of complaints, documenting and evaluating further complaints, preparing for site inspection, informally negotiating with the source for odor abatement, and deciding whether to issue a notice of suspected nuisance.

NWFPA will continue to closely monitor the issue. A final strategy was expected to be produced by the end of July, 2013. 🏠



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FASB and IASB Move Closer to Convergence with Reexposed Leasing Standard



By Jeff Dieleman, Partner

Consistent with the original 2010 exposure draft, the Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) are proposing to recognize virtually all leases on the balance sheets of lessees through a right-of-use asset and a lease

liability. However, an exception would be available for short-term leases if a lessee elects an accounting policy to not recognize the associated lease asset and liability on its balance sheet. It would instead reflect lease payments in earnings on a straight-line basis over the lease term.

A final draft is expected to be issued in 2014 with an effective date unlikely to be earlier than reporting periods beginning after December 15, 2016.

What's New?

The 2010 exposure draft proposed that, when determining how to account for leases, a lessor would assess whether significant risks and benefits associated with the underlying asset are transferred to the lessee. The revised exposure draft proposes that a lessee and lessor would classify leases on the basis of whether the lessee is expected to consume more than an insignificant portion of the economic benefits embedded in the underlying asset.

The revised exposure draft doesn't provide any substantive relief on transitioning to the new standard, such as grandfather clauses for existing leases. During transition, both lessee and lessor would recognize and measure leases at the beginning of the earliest period presented using either a modified or full retrospective approach. It also includes new nomenclature (Type A and Type B) for referring to the classification for leases under the dual model approach.

Lessee Accounting

The accounting for Type A leases is generally consistent with the lessee accounting approach proposed in the 2010 exposure draft, which front-loads expenses with a straight-line amortization of the right-of-use asset and a declining interest charge over the lease term. The statement of cash flows would

present the reduction of the right-of-use asset as a financing activity for Type A leases, with interest paid being presented as an operating activity in accordance with Topic 230.

The accounting for Type B leases differs from the 2010 proposed lessee accounting approach in that the lessee would:

- Recognize a single lease expense on a straight-line basis, combining the unwinding of the discount on the lease liability with the amortization of the right-of-use asset
- Classify cash outflows arising from Type B leases as operating activities on the statement of cash flows
- The revised exposure draft adds specific relief for non-public entity lessees. They:
 - May elect an accounting policy to use (and disclose) a risk-free discount rate to measure the lease liability
 - Are exempt from disclosing a reconciliation of the opening and closing balances of the lease liability

Lessor Accounting

While the 2010 exposure draft proposed that a lessor would apply either the derecognition approach or the performance obligation approach, the revised exposure draft proposes that a lessor would account for Type A and Type B leases as follows:

- Type A: The lessor, upon lease commencement, would derecognize the underlying leased asset and recognize both a lease receivable and a separate residual asset (at discounted amounts). Any residual difference would be recognized in earnings, and income would be recognized over the lease term as the combination of:
 - The unwinding of the discount on the lease receivable and residual asset (using the interest method) as interest income
 - Any portion of variable lease payments received that were not included in the calculation of the lease receivable

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Increased foreign competition was another growing concern for these leaders, who are looking at new ways to gain competitive advantage in the face of transportation issues and certain tariffs imposed by foreign countries. Foreign affairs and exports were articulated by several members as important areas of focus in the coming year.

Growing regulatory climate

A top area of concern in the discussion was food policy and regulation. Anxiety surrounds the uncertainty of costs and compliance with the food safety regulatory system under the Food Safety Modernization Act (FSMA).

Food companies know that FSMA will modify how businesses operate and company leaders are working through ways to brace their organizations for significant change. Written safety plans, comprehensive record-keeping, vertical integration with the supply chain, ongoing monitoring and verification systems, hazard analysis and preventive controls, and the preparation for quick delivery of documentation are some of what is in store for processing businesses of all sizes.

While the proposed rules are important to advance food safety and level the playing field for good operators, smaller food processors may not be able to absorb the additional expense of implementing some of the proposed rules required under FSMA.

Company leaders also identified increasing government regulations around environmental and labor issues as significant concerns for their businesses. On both of these issues, a more demanding regulatory climate further limits these companies' ability to compete, particularly in foreign markets.

Jim Robbins of Bolthouse Farms noted the strong, long-held positive relationships that NWFPA has with regulators (see page 5), and the value of good communications in fostering a more positive regulatory environment. "This is unique to the Northwest, and I think it's critical that we continue to be engaged and supportive of NWFPA's management of these relationships," he said.

Costs are up—dramatically

One member mentioned a 20 percent increase in utility rates this year, and several others responded by sharing the big impact utility cost increases are having on their businesses. Rising commodity prices also continue to be a major concern for these industry leaders, and several members mentioned significant production cost increases over last year due to various factors.

It was noted that NWFPA's work on industrial energy use among food processing companies has been valuable in pro-

Continued on page 13 >



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viding resources to reduce energy costs in light of dramatic rate increases. This cutting-edge work has also positioned the organization as a national leader on industrial energy.

Anxiety about the long-term supply and quality of workers was raised as a continued problem. Company leaders are addressing new ways to develop a sustainable pool of management-level employees in light of changes in workforce demographics and seasonal labor issues.

Legislative Affairs

The weight of legislation and growing constraint of food-specific policy and laws continue to make it difficult for food processors to compete in a global system. On a state level, state-specific labeling for genetically engineered ingredients and other food packaging issues, tax increases, water agreements, low carbon fuel standards, onerous greenhouse gas reduction proposals, and a myriad of other policy issues are of significant concern to these companies.

On a federal level, board members noted that Farm Bill decisions will likely have a big impact on processed fruit and vegetables along with other sectors in the food industry.

Members guide where NWFPA leads

Northwest Food Processors Association is a member-directed organization with a robust process of member engagement that directs the association's priorities each year. The discussion among these board members provided valuable insight that helped direct the focus of NWFPA's annual leadership survey. The survey, distributed in the summer, is targeted to a broad range of industry professionals throughout the region – both members and non-members of the association. In early October during the Autumn Assembly of Committees, this valuable data will help committee and board members guide where NWFPA will lead in the coming year.

Continued from page 11

- Type B: Similar to operating lease accounting in Topic 840, the lessor would recognize lease income over the lease term on either a straight-line basis or another systematic basis if it is more representative of the pattern in which income is earned from the underlying asset. The lessor would continue to recognize the underlying leased asset on its balance sheet.

Lessors also need to closely follow the proposed changes on revenue recognition as it will likely intersect with changes in their accounting for service components embedded in a lease.

What Next?

It's important that you evaluate how you would comply with these changes now, because the proposed implementation provisions would require that virtually all leases in existence at the beginning of the earliest period presented be recognized and measured in accordance with the proposed guidance upon adoption. Visit www.mossadams.com for the latest developments.

Jeff Dieleman, CPA, Partner - Jeff has more than 20 years of experience providing auditing, accounting, and advisory services to clients in the Food Processing & Agriculture industry.

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Networking, Issues and Trends Key to Executive Business Summit

Industry professionals often report that networking is among the top benefits of membership with NWFP. This was evident at the 2013 Executive Business Summit, held May 16-18 at the Coeur d'Alene Resort. More than 100 participants representing 37 food processing companies enjoyed great weather and multiple opportunities to learn, mix and mingle.

Uncovering issues and trends of concern to the industry is also ranked among the top reasons industry professionals attend EBS. The "FSMA Update," presented by FDA District Director Charles Breen, received the highest rating by surveyed EBS attendees, followed by the "GMO Labeling Panel" and "National and Regional Legislative Issues."

"We would feel we missed out as a company if we didn't have at least one representative attend each year," said one survey respondent. "It's a great chance for exposure for up-and-coming leaders, too."

Spouse/partners enjoyed "Brunch in the Suite" with a local Idaho historian and golfers took to the links for the annual golf tournament. Thursday evening activities began on a boat and sponsors were showcased during the reception and dinner at the new Hagadone Event Center. On Friday night the installation and awards dinner took a different twist for an "All Star Celebration" with a casual interactive format that allowed for lots of friendly competition.

Mark your calendar for the 2014 Executive Business Summit in Coeur d'Alene May 15-17. 🏠



New Board Members and Slate of Officers for 2013-14 Fiscal Year

Northwest Food Processors Association appointed three officers and elected six new members of its board of directors for the 2013 - 14 fiscal year.

NWFP's Board of Directors appointed Mark Dunn, J.R. Simplot as Chair, to replace Kurt McKnight of Ever Fresh Fruit Company. Jim Robbins of Bolthouse Farms was appointed Chair-Elect and Steven Rowe of Darigold as Vice Chair.

The new directors will bring a diverse array of industry experiences and perspectives to the board:

Jon Brekken, Vice President Western Vegetable Operations for Seneca Foods Corporation

Mark May, President/CEO of RainSweet, Inc.

Greg Satrum, Vice President and a co-owner of Willamette Egg Farms

Doug Granitz, President of SVZ-USA, Inc.

Stephanie Nicholson, Director of Sales U.S. Beverage and Concentrates for Sun-Rype Products U.S.A.

David Lakey, President and CEO of Oregon Fruit Products

Each member of NWFP's Board of Directors serves a 3-year term. 🏠



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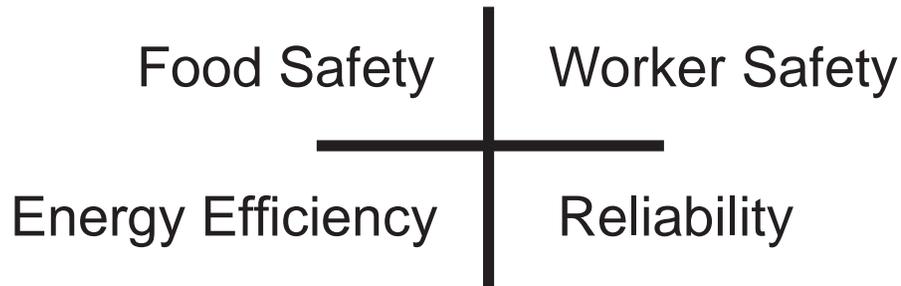
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