

Northwest REPORTS

WINTER 2017
WWW.NWFPA.ORG



George Smith Reflects on a Changing Food Industry



George Smith retired from NORPAC on March 31, 2017. NWFPA interviewed him the day before he left the company to get his take on the changing food industry and the company's view of the association.

NWFPA: Tell us about your history with NORPAC – your first job and how you became CEO.

George Smith: I started in 1978 as the administrative assistant to the vice president of operations. I focused on production planning and scheduling for plants in Oregon. After about 10 years, my boss was promoted to CEO and I took over as vice president of operations, and then later became chief operating

officer. In 2006, I became CEO, just the sixth person to do so in the 92 years NORPAC has been in business.

NWFPA: What's the biggest change to the food industry since your time at NORPAC?

GS: Consolidation is the biggest change, not only across the nation, but particularly in the Pacific Northwest. Companies in our industry have either closed, been sold, or merged. This is really a natural course of events as the world got smaller and businesses became more global.

The other big change is there has been a gradual shift away from canned foods, with emphasis growing for frozen and fresh fruits and vegetables. There are two main reasons for that – distribution and production systems evolved so that frozen foods became more reliable, and the modern palate has changed. People are more interested in foods that are fresher.

NWFPA: Several NWFPA members are cooperatives of fruit or vegetable growers. What are the benefits of the cooperative model? And what are the challenges?

GS: NORPAC is a cooperative, and the biggest benefit to the farmer is that the

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Faces of Food

Highlights from some of our members

Darigold Goes Digital with Its Impressive CSR Report

Darigold has released the third version of its Cooperative Social Responsibility (CSR) report, following successful reports in 2010 and 2012. The recently released report covers CSR performance from 2012 to 2015, and summarizes the material environmental, social, and economic impacts and improvement initiatives for all Darigold production facilities and operations. The report also covers leadership efforts, services, and programs that Darigold provides for its cooperative dairy producer-owners in the Northwest Dairy Association (NDA), which wholly owns Darigold.

The current CSR report is available in its full form online, with an optional printed brochure also available. The robust website, named “Moving Forward,” is easily accessible from the cooperative’s website and contains six main areas of focus ranging from creating value, to working with farms, and promoting health and nutrition. The visually appealing report also includes remarkable “Innovation Spotlights” that show cutting-edge practices in use on NDA farms and Darigold plants.

In moving to an online CSR report, Darigold is being more intentional about “walking the talk” and plans to update the website periodically with the impacts, issues, performance and improvement initiatives from CSR efforts. This allows for accessible communication to customers and stakeholders on what NDA and Darigold are currently improving on farms and in plants, breaking from the occasional formal paper reports developed by many businesses that report on sustainability.



Darigold has been involved with NWFPA’s industry energy intensity goal set in 2009—25% in 10 years and 50% in 20 years—from the very beginning. The cooperative has reduced its carbon footprint intensity by 2.6% over the last four years and by 16% from its 2005 baseline. Darigold’s corporate energy team meets every two weeks, and each of its plants has an Energy Team dedicated to continuous improvement and education for all plant employees. Furthermore, the company has received recognition from the U.S. Department of Energy’s Better Buildings, Better Plants Challenge on the many ways it has improved energy intensity since 2009.

A long-time NWFPA member, Darigold operates eleven production facilities in Washington, Idaho, Oregon, and Montana, which combined processed more than 8.3 billion pounds of milk in the co-op’s fiscal year 2016. The cooperative creates retail and ingredients products including a full range of milk, whey, cheese, cream, butter, recovery beverages, and more. It sells to customers worldwide, and continues to innovate through new products and partnerships.



Lamb Weston Completes Separation from ConAgra Brands

EAGLE, ID (Nov. 10, 2016) – Lamb Weston Holdings, Inc. (NYSE: LW) announced today that it has completed the previously announced spinoff from Conagra Brands, Inc. (formerly ConAgra Foods, Inc.).

“Lamb Weston is well positioned to continue to drive growth and capture share in the global frozen potato market,” said Tom Werner, Chief Executive Officer of Lamb Weston. “As an independent, pure play company, we’re better able to sharpen our focus on what we do best to create shareholder value over the long term.”

At 11:59 p.m. EDT on Nov. 9, 2016, Conagra Brands distributed all of the outstanding shares of Lamb Weston common stock to Conagra Brands’ shareholders of record as of Nov. 1, 2016. The distribution was based on a distribution ratio of one share of Lamb Weston common stock for every three shares of Conagra Brands common stock. Lamb Weston began trading today on the New York Stock Exchange under the ticker symbol “LW”.

Lamb Weston is a leading supplier of frozen potato products to restaurants and retailers around the world. Started in 1950 and headquartered in Eagle, Idaho, Lamb Weston employs more than 6,000 people worldwide, and its products can be found in more than 100 countries.

Please visit www.lambweston.com/investors for additional information, including links to filings with the SEC.



Richland, Washington Plant

About Lamb Weston

Lamb Weston is a leading supplier of frozen potato, sweet potato, appetizer and vegetable products to restaurants and retailers around the world. For more than 60 years, Lamb Weston has led the industry in innovation, introducing inventive products that simplify back-of-house management for our customers and make things more delicious for their customers. From the fields where Lamb Weston potatoes are grown



to proactive customer partnerships, Lamb Weston always strives for more and never settles. Because, when we look at a potato, we see possibilities. Learn more about us at lambweston.com.



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Upcoming Events

MAY 4 - 6, 2017: *NWFPA LEADERSHIP SUMMIT* (FORMERLY EBS) - SUNRIVER, OR

SEPTEMBER 13, 2017: *NWFPA SUSTAINABILITY SUMMIT* - MCMENAMIN'S EDGEFIELD INN, PORTLAND, OR

OCTOBER 4, 2017: *NWFPA AUTUMN ASSEMBLY GOLF TOURNAMENT* - LANGDON FARMS, AURORA, OR

JANUARY 8 - 10 2018: *NORTHWEST FOOD & BEVERAGE WORLD* - OREGON CONVENTION CENTER, PORTLAND, OR

JANUARY 10, 2018: *NW INDUSTRIAL ENERGY EFFICIENCY SUMMIT* - OREGON BALLROOM, OREGON CONVENTION CENTER, PORTLAND, OR



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Continued from page 1 - INTERVIEW WITH GEORGE SMITH

farm becomes vertically integrated in the food chain. Farmers not only grow the produce, they can pool resources and through this unity of effort, take their products to market. Cooperatives allow them to participate in the market and provide them with consistent, reliable access to the market. It's something they can count on one year to the next. While the farmers can share in those gains, market conditions can fluctuate. So, the disadvantage is that they also share in losses when the market goes that way.

NWFPA: Tell us about some of the crops NORPAC farmers grow – or don't grow.

GS: Our farmers grow about 35 different kinds of vegetables – yellow carrots, orange carrots, green beans, sweet corn, winter squash, pumpkin, and broccoli, just to name a few. Organic produce is also becoming a much bigger piece of the market, and will continue to build. Farmers are also moving toward mechanization, growing crops that can be harvested by machine, such as blueberries or tree nuts. The reason is that there is a farm labor shortage for crops that require hand-picking. For example, the production of strawberries in the Northwest has greatly been reduced. Several seasons in recent years, a portion of the strawberry crop has been left in the fields because there weren't enough people to pick them. The same thing happened years ago to pole bean crops. Not enough labor to pick them. That's why bush beans are grown today. They can be mechanically harvested.

Smaller farms with niche businesses, such as selling direct to consumers or at farmers' markets, will continue to grow strawberries and other labor intensive fruits and vegetables, but larger farms that cannot solve the hand-labor problem will not.

NWFPA: How has NORPAC been involved with the NWFPA over the years?

GS: NORPAC has been a very active member. Three of the six NORPAC CEOs were chairmen of the board of NWFPA. We've always seen the association as a vital part of our ongoing business.

NWFPA: What have been the biggest rewards from NORPAC being a member of the association?

GS: The technical expertise and resources the association provides for technical training are essential. We rely on them for employee training, especially in food safety. Their connections with regulators is also a primary benefit, as they advocate for the industry and keep us informed on issues with the State Departments of Agriculture, U.S. Department of Agriculture and the Food and Drug Administration. The NWFPA is also our frontline representation with legislators throughout the Northwest and on a federal level. We look to the association to be our advocates. These are all things we can't do on our own – they are our best resource.

NWFPA: In what ways can the NWFPA improve its mission to support the food industry in the Northwest?

GS: One challenge the NWFPA has is how to respond to different niches in the food industry. As the industry has consolidated, the association has diversified. It's not just fruits and vegetables anymore. They have had to broaden their scope and representation, while at the same time focusing on each niche. While the food industry has many issues in common, what the egg producer needs is not necessarily what the vegetable producer needs. Going forward, the association will be challenged to continue to respond to those diverse interests.

NWFPA: Thank you for your time, and enjoy retirement.

GS: I plan to stay active, but first, I'm going to relax for a few days!

- Interview conducted by Nan Devlin



Non-Profit Spotlight: Urban Gleaners

Urban Gleaners is a small non-profit that shares surplus food with those who need it most: children. Urban Gleaners delivers fresh food to more than 4,100 kids and their families each week – all with a small staff and an extraordinary troupe of volunteers. Through a simple model of picking up excess food and delivering it directly to those who need it most, Urban Gleaners distributes more than 61,300 meals for kids to take home each month.

Last year, Oregon was the only state to see a significant increase in childhood hunger.

Urban Gleaners is working tirelessly to make sure that children who are in need have free access to healthy, wholesome foods. You can easily help in the following ways:

- **Donate Food:** Set up a food donation! Donating food is easy and totally risk-free. Give us a call at 503-226-8061 to learn more about the process.
- **Donate Funds:** Become a corporate sponsor! Urban Gleaners thrives because of support from the community. Sponsorships are now available for our annual fundraising event.
- **Throw an Employee Giving Campaign:** Spread awareness and give your employees the opportunity to team up in the fight against childhood hunger.

You can find out more by visiting www.urbangleaners.org or by contacting Ashley Hess at ashley@urbangleaners.org.



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New Processor Members

 **Maberry and Maberry Berry Associates, LLC**
 Maberry's grows and processes premium quality Pacific Northwest strawberries, red raspberries and blueberries. Maberry Packing is recognized as one of the industry leaders in the premium fruit business.
<http://www.maberrypacking.com>

 **Fresh Breeze Organic**
 Washington State's premier grass to glass dairy. Providing small batch organic 1%, 2% and specialty milks in glass and plastic containers.
<http://www.freshbreezeorganic.com>

 **Bake Works**
 Bake Works offers a variety of original baked goods ranging from iconic jumbo cookies to sports nutrition bars and power-packed Zac Omega bars.
<http://www.bakeworksinc.com>

 **Snoqualmie Ice Cream**
 Located in Maltby, Washington, Snoqualmie Ice Cream brings delicious flavors to their customers across the Northwest while promoting and practicing environmental awareness and responsibility.
<http://www.snoqualmieicecream.com>

 **Oregon Ice Cream**
 Oregon Ice Cream creates extraordinary frozen desserts to bring friends and family together. With a mix of unique capabilities, highest quality ingredients and attention to detail, they produce great tasting, safe and innovative products.
<http://www.oregonicecream.com>

New Associate Processor Members


Lazy Soul LLC, LDB Beverage, Young Mountain Tea, Agape's Affections LLC, Clutch Coffee, Inc., Improper Goods LLC, American Soul Brothers, Naija Foods Seattle, Little Handfuls Organic Inc.

New Supplier Members


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 **Container Supply Company**
containersupplycompany.com

 **Ivanhoe Industries, Inc.**
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Continued from page 7 - NEW MEMBERS



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OXARC
<http://www.oxarc.com>



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Fox Engineering Company
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Key Process Innovations
<http://keyprocessinnovations.com>



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North American Roofing

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Midwest Rubber

<http://midwestrubber.com>



Antea Group

<http://us.anteagroup.com/en-us>

La Costa Energy Efficiency

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Sealed Air

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F&H Food Equipment

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Allpak Container

<http://Allpak.com>



Calibration Technologies

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Food & Beverage World 2017



Despite the inclement weather, the NWFPA Expo enjoyed record attendance. Neither rain, snow, wind or sleet kept food & beverage processors and suppliers from attending the Food & Beverage World Conference & Expo in January at the Oregon Convention Center in Portland.

Attendees numbered 3,700 - the most ever - and 37% of them were food processors. The remaining attendees represented suppliers, service providers, industry experts and media. A big change this year was the layout of the show itself. The main stage, breakout rooms, Taste of the Northwest and Sample Display were on the expanded exhibit floor, making it easier for people to attend educational sessions and visit exhibit booths.

The floor doubled in size, giving space for over 500 booths, six large classrooms and a 10,000 square foot "Town Square" that housed the keynote breakfasts and food safety education. Attendees and exhibitors alike embraced the new design, bringing a cohesiveness to the expo and conference portions of the event like never before.





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Monday's dynamic keynote speaker was Peter Skrbek (left), CFO of Deschutes Brewery. As the brewery expands to the east coast, Mr. Skrbek shared the company's strategy on retaining its "Northwest cool," the company's strong and collaborative culture. Thank you to Fisher Construction Group for sponsoring this general session.

Also on Monday, special guest speaker Rod Wheeler (right) of the Global Food Defense and Asset Protection Institute and a spokesperson on security for Fox News, presented ideas and case studies about creating a food safety

culture and securing facilities against intruders with intent to harm or contaminate.



Tuesday's keynote presentation was a panel with Gary Jay Kushner, Ron Simon and Joseph Bottiglieri, litigators specializing in foodborne illness cases. They offered recommendations on how to manage the



From left to right: Ron Simon, Chair-Elect Debbie Radie, Joseph Bottiglieri, Gary Jay Kushner, NWFPA President David McGiverin

consequences of an incident, avoid making reactionary mistakes, and not lose brand following. Bank of America Merrill Lynch sponsored the Tuesday Keynote breakfast.

Taste of the Northwest bloomed this year from 9 booths to 38. A variety of beverage and food companies set the stage for tastings and sales - that serves to increase awareness of the up and coming food & beverage makers as well as the impact the industry has on our region as a whole. Join us next year when it doubles in size again!

This was our second year hosting the scavenger hunt with support from six exhibitors, including Wonderware PacWest, WITT Gas, SQFI, PawTawJohn, Agrian, and NTN Bearing. The grand prize this year was a cruise for two through Mexico! Make sure you participate next year and you could win one of the three awesome prizes.

Food & Beverage World 2017 also played host to the 1st Annual Craft Beverage Conference, an educational forum focused on the needs of startup beverage makers in the Northwest. This two-day summit was the stage for 12 educational sessions spanning 18 hours. The Craft Beverage Conference will return to Expo in 2018 - make sure you stop by and learn!



2017 ERI Educational Endowment Scholarship Winners



Stefani Evers



Stefani is a senior at Oregon State University where she is double-majoring in Agricultural Sciences and Sustainability, with three minors in Animal Sciences, Business and Entrepreneurship, and History. She grew up on her family's dairy farm in Banks, Oregon, and has worked in various sectors of agriculture since beginning college; she plans to continue with a career in agriculture after graduating college. While keeping up with her studies and working part time, Stefani is staying very involved in agriculture: she is currently the President of the OSU Dairy Club, an active member of OSU Collegiate FFA, and is also spending the year representing the American Guernsey Association as the 2016 National Guernsey Queen. Although she stays very busy at school, she still heads home to Banks whenever she gets a chance to spend some time on the dairy.



Emily George



Emily George is a senior at the University of Idaho. She grew up on a farm near Yakima, WA, which is where her enthusiasm for agriculture began. Emily is majoring in Agricultural Business with minors in International Political Economy and Economics. Once she graduates this spring, Emily plans to attend law school and focus in agricultural and environmental policy. With these degrees, she will be able to participate in and support the agricultural industry and food-processing sector through handling difficult issues that food processors may encounter, and working to help managers with any legal issues associated with expansions or other ventures. Additionally, Emily hopes to use the experience gained this past summer interning in Representative Dan Newhouse's (WA-4) Washington DC office to work with government officials to help pass favorable legislation that helps sustain the agricultural and food industries.



John Johnson



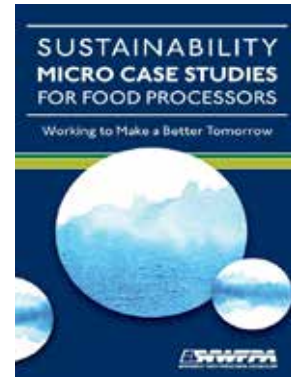
John Johnson is a non-traditional student at Washington State University. He is majoring in Food Science with an emphasis in dairy food manufacturing. As a young man, John dropped out of school during 7th grade to work full time on the family dairy farm in Arizona. In 2010 at 26 years old, John received his GED from Dixie State College in St. George, Utah. In 2012 he moved to Moses Lake, Washington and began attending Big Bend Community College. After graduating with honors with an AA degree from Big Bend, John transferred to Washington State University to pursue his Food Science degree. John has several years of experience in dairy food processing and, after completing his education he wants to pursue a career in the dairy food processing industry here in the Pacific Northwest. He is particularly interested in production and new product development



Success Stories for the Food Industry:

Social Sustainability

Boardman Foods, Inc. got permission for the school bus to make a stop the Boardman plant every day. Employees are now able to pick up their children right at the facility where they work, and students can spend time with a tutor while waiting for their parents. Employees have the ease of mind that the children's homework has been completed and a snack has been provided.



Environmental Sustainability

J.R. Simplot Company built a process water treatment and return plant that saves its newest potato processing facility 52 million gallons of water a month, lowered freshwater use by 46%, and recovers up to 75% of wastewater flow.

Economic Sustainability

Tim's Cascade Chips began cross-training its employees and enrolling them in online learning programs that help production grow 10-15% per year while decreasing accidents by 9.4%.

Find these stories and many more in *Sustainability Micro Case Studies for the Food Industry, 2nd Edition*. <http://a.co/9zLesf9>

For additional information and a free copy, contact sustainability@nwfpa.org or Josh Monifi at 503.327.2213. www.nwfpa.org/sustainability

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Legislators in Washington and Oregon Consider Carbon Pricing

Placing a price on carbon emissions has been a significant issue this year in Washington and Oregon. By making carbon (including greenhouse gas emissions) more expensive, the hope is to reduce state-based emissions that contribute to climate change. However, Washington and Oregon's emissions are very low and their contribution to global emissions is insignificant. Furthermore, the proposals under consideration would do little to reduce greenhouse gas emissions, but will make energy very expensive to food processors in each state. This will hurt the ability of NWFPA member companies to compete with food processors in other states that have no such carbon pricing mandate and thus will not see their energy prices increase. This competitiveness is critical if the Northwest food processing industry will continue to thrive.

NWFPA's Carbon Policy clearly states that, "NWFPA opposes state solutions that would impose carbon taxes or mandate cap and trade. Such approaches will increase the price of energy and make food processors in those states less competitive while having little impact on overall carbon reduction." (NWFPA Policy 3.06) This year, Washington is considering a carbon tax, while Oregon is looking at a cap and trade system. NWFPA opposes both pieces of legislation.

Last November, Washington State citizens voted no on Initiative 732, which would have created a carbon tax, by a 20-point margin. Despite the overwhelming public vote against I-732, Governor Inslee, Democratic lawmakers, and the environmental community are making a carbon tax their number one legislative priority. While these discussions are ongoing in Olympia, NWFPA will continue to educate the Legislature on what the impact will be to our member companies should a tax on carbon pass. For example, one food processing company in Washington has estimated that a \$25 tax per ton of carbon dioxide would cost them more than \$1 million annually.

The Oregon Legislature, on the other hand, is exploring a cap and trade program where the Oregon Department of Environmental Quality would create a market in which companies that emit over 25,000 metric tons of carbon dioxide equivalent would be required to buy allowances or credits to meet their compliance obligations or pay a penalty. When talking energy policy in Oregon, one needs to keep in mind that we still have not seen the full effects of the Renewable Portfolio Standard (RPS) that requires utility providers to increase their percentage of renewable energy (excluding hydropower) in their energy mix or portfolio. The RPS was increased to 25% in 2007 and 50% in 2016 through legislative action. Also, Oregon's low carbon fuel standard (passed in 2015) reduces carbon in transportation fuels, but has resulted in higher gasoline prices. There is a lot that Oregon is doing to reduce carbon emissions in the state without a cap and trade program.

The future of Oregon's cap and trade program will depend on politics. A transportation infrastructure package is sorely needed—have you driven through Portland lately? Any transportation funding package would need additional state revenue, and that means an increase to the gas tax, an increase in registration fees, and increased license fees. In Oregon, that will require a 3/5 "supermajority" vote in each chamber of the Legislature. While Democrats have a majority in both the Senate and the House of Representatives, they do not have the supermajority needed to pass a tax increase. Republican votes are needed for any transportation package to pass. Republican lawmakers have said they would vote for a tax increase for a transportation package that alleviates congestion, but not if Democratic leadership forces a vote on cap and trade or other job-killing measures.

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The politics in Washington State are quite different from Oregon. The House and Governor's office is controlled by Democrats; however, the Senate is led by the Majority Coalition Caucus or the "MCC" (24 Republicans and 1 Democrat). The MCC is not in favor of a carbon tax, but the fate of their Senate control is in question. The death of late Senator Andy Hill (R-45) will require a special election in the fall of 2017 that puts this seat, currently held by Republican Dino Rossi, in jeopardy because it is a "swing seat" with close voter registration. Additionally, the threat of another carbon tax ballot measure looms over these discussions. Will Democrats take full control of the Senate in 2018? Will the environmental and labor groups form a coalition (unlike in 2016) for a 2018 carbon tax initiative? Will the business community raise enough funds needed to defeat a larger coalition of carbon tax supporters? These are the questions being asked in Olympia by all interested parties on this issue. NWFPFA will continue to support sound public policy that gives food manufacturers the ability to be competitive in the global marketplace and oppose any state-based carbon pricing proposals.

Even though carbon pricing legislation and the politics in each state are very different, there is one commonality that impacts this legislative process: the make-up of each state Legislature. The Oregon State Senate gained a Republican seat with the election of Alan DeBoer in Ashland, which was strongly supported by NWFPFA's Oregon Food PAC. That election, and the need for a transportation package, now gives Republicans in that chamber the ability to negotiate cap and trade proposals that benefit the industry. Similarly, the Washington State Senate Majority Coalition Caucus holds the votes to avoid carbon taxes. NWFPFA's Washington Food PAC supports the campaigns of MCC legislators. Because of the current political make up in each state, the Northwest food processing industry can defeat these pieces of legislation that would result in higher energy rates for your facility, but little in the way of real emissions reductions.

We will know by early summer if any of these bills become law. Either way, the effort to reduce greenhouse gas emissions by putting a price on carbon will continue in the form of a ballot measure, regulatory rulemaking, or future legislative sessions. This is why support for your industry PAC is vital to ensure legislative victory. The ongoing cycle of legislative sessions and campaigns has a large impact on the ability of food manufacturers to remain competitive in the Northwest.

To get more information on the 2017 Legislative sessions or about Washington and Oregon Food PAC, contact Ian Tolleson at itolleson@nwfpfa.org.

This issue of Northwest Reports is sponsored by Moss Adams LLP's Food Processing and Agricultural Practice group of business and financial consulting CPAs. Moss Adams serves as advisors to hundreds of food processing and agricultural companies. |

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