A large, high-angle photograph of a waterfall cascading down a rocky ledge. The water is white and frothy, contrasting with the dark blue sky above. The waterfall is the central focus of the background image.

# **Water, Certainty and Our Future**

## **The Perspective of the NW Food Processing Industry**

**Presented to the Columbia  
River Task Force**

**July 28, 2005**

# Northwest Food Processors Association

## 91 Years of Advocacy & Leadership

- Established 1914
- 485+ Members – processors and suppliers
- 55,000 employees of member companies
- 3<sup>rd</sup> Largest Washington Manufacturing Sector with \$8 billion in annual sales
- 14 Staff, 125 years experience

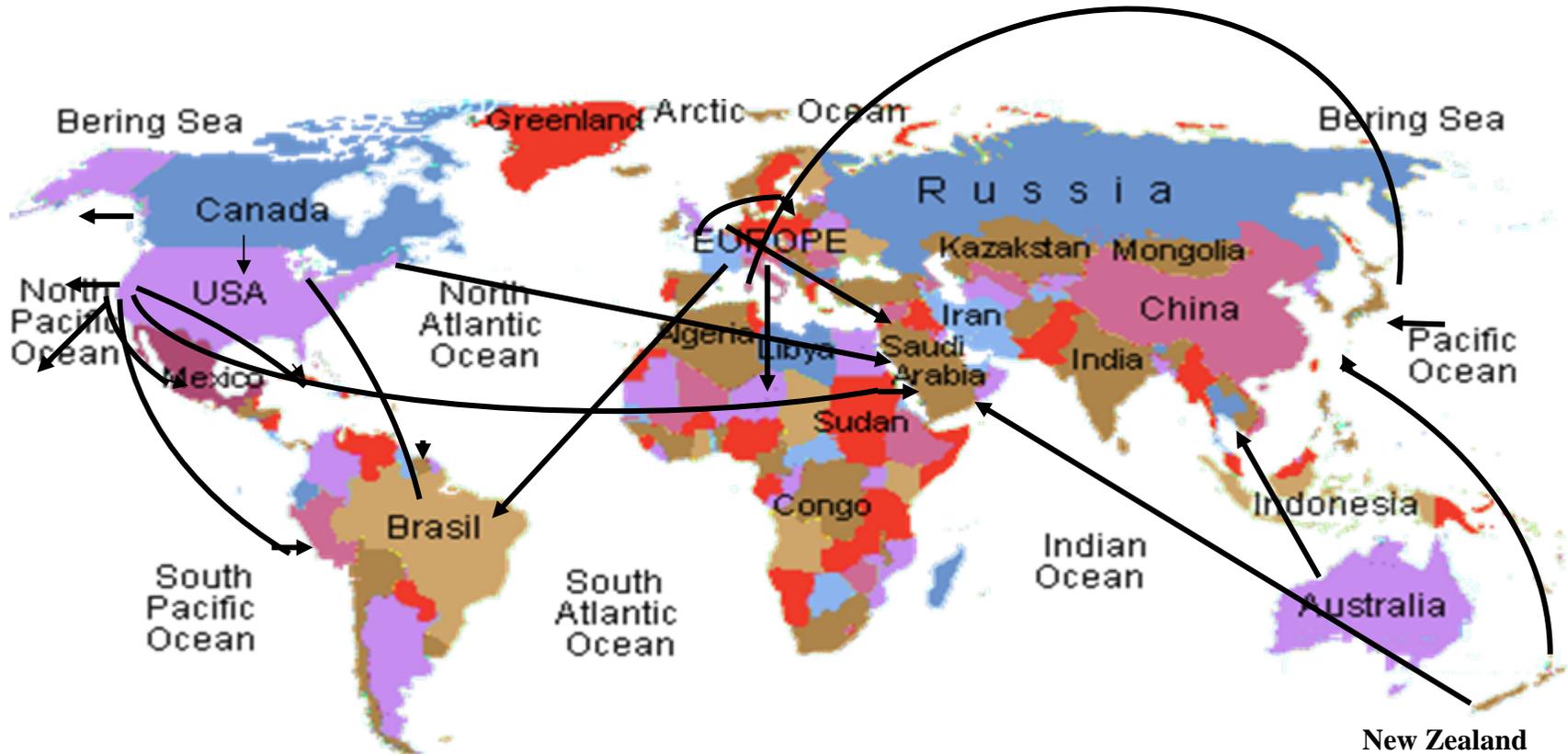


- ★ NWFPFA Office
- ★ NWFPFA
- ★ Affiliate Members



# Food Processing Characterized

Global, Mature, Oligopolistic with Many Fringe Players, Production and Channel Driven

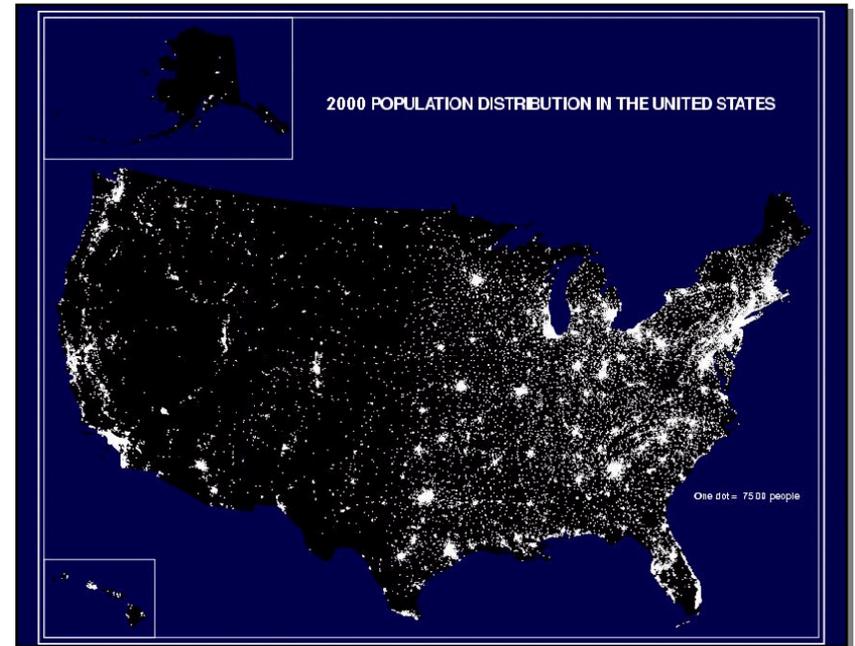


**Global Markets – Regional Base**

# An Industry Under Siege

## CONDITIONS/CHALLENGES

- Perishable
- Transportation Dependent
- Global/Traded Sector
- Volume/Scale Orientation
- Natural Resource Dependent
- Far From Markets
- Mega-Customers Consolidation
- Restrictive Regulation
- Currency Exchange Risk



*Industry Conditions*

# **Dramatic Change is Essential - Drives Need For Regulatory Certainty**

- **Thin Profits**
- **Global Overcapacity**
- **Poor Return on Assets**
- **Margin Erosion**
- **Intellectual Property Risk**
- **Branding Companies**
- **Industry Consolidation**
- **Geographic Diversification**
- **Financing Challenges**
- **Slow Adoption**



# **Uncertainty is Having A Long Term Effect**

- **Measuring the Effects of Uncertainty is Impossible**
- **Processors are Looking to Move or Locate Outside NW**
- **Risk of “Sole Source” from NW is Now Too Great**
- **Loss is Incremental, Investment Moves to New Plants**
- **We Are No Longer the Low Cost Production Region**
- **Uncertainty over Water Supply is Critical to Investment**
- **Potatoes are a Key Indicator – Pay Attention to Trends**

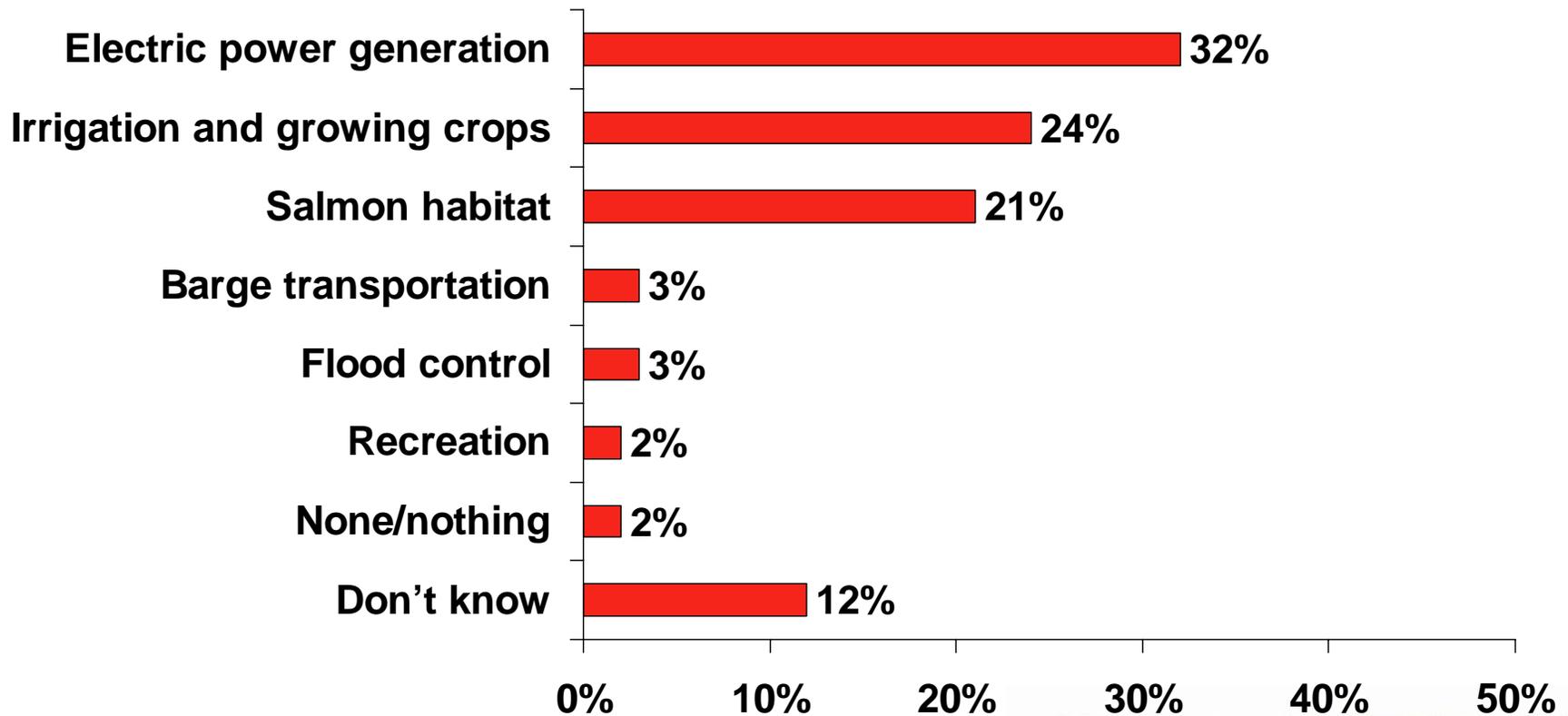
# Electric Costs Are Increasing Dramatically

BPA Wholesale Rate in 2000	\$23 per megawatt
BPA Wholesale Rate – Currently	\$31 per megawatt
BPA Estimated Rate – w/spill	\$32.50 per megawatt

Wholesale Rate Increase over 5 years – **41%**

# Three Most Important Columbia/Snake Rivers Uses

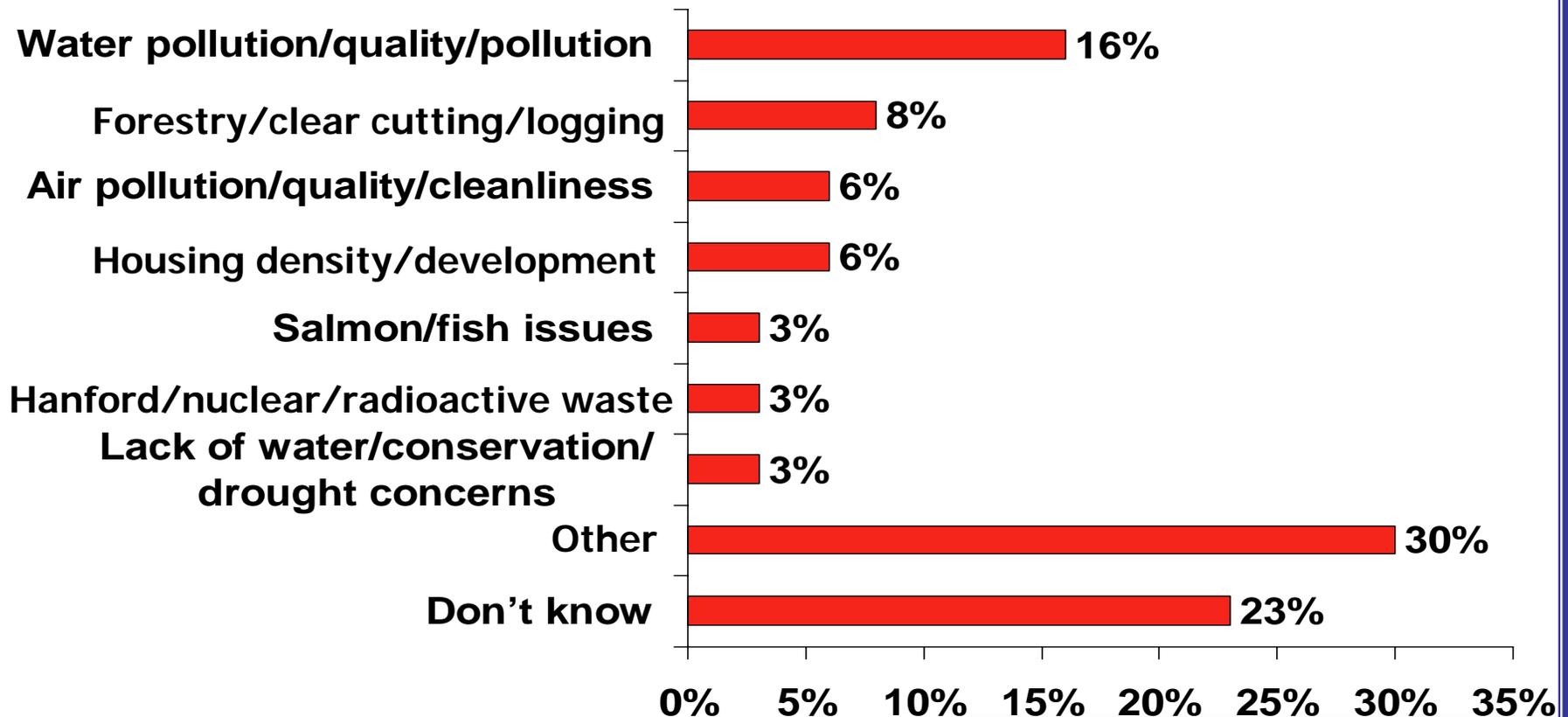
“Which one of the following is the most important use of the Columbia and Snake Rivers and tributaries?” (Q3)



Moore Research – May 2005

# A Voters Perspective on Salmon

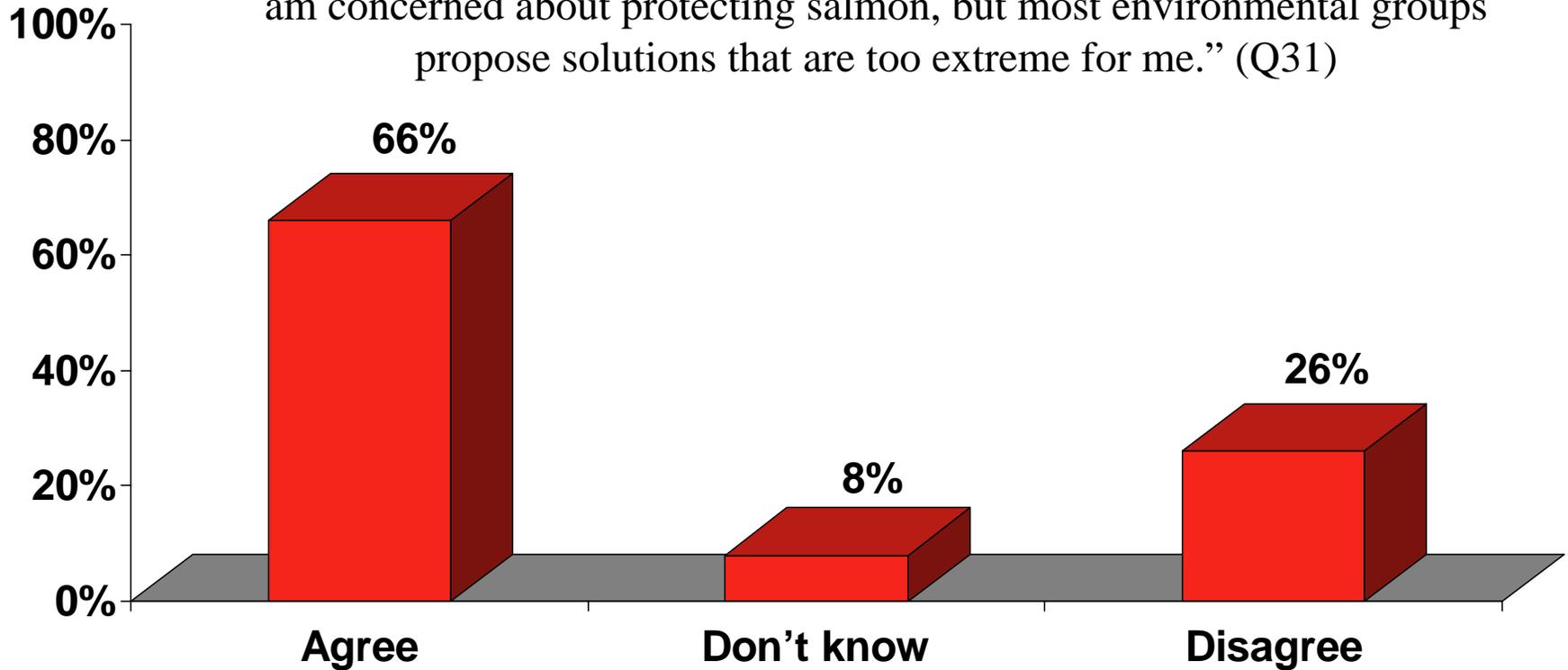
“What, in your opinion, is the most important environmental issue facing ID/OR/WA today?”



Moore Research – May 2005

# Environmental Group Solutions are Too Extreme

“Please tell me if you agree or disagree with each of the following statement. I am concerned about protecting salmon, but most environmental groups propose solutions that are too extreme for me.” (Q31)



Moore Research – May 2005

# What Won't Work

- **3 for 2 – the base of the original CRI proposal**
- **Policy assumptions based on flawed science**
- **One size fits all policies**
- **Policy that ignores historical commitments to water right holders**
- **Policy that does not acknowledge water rights as property rights**

# What Will Work

- **New Storage – This is the long term answer**
- **Creative legislation that supports local efforts**  
ie: CSRIA proposal, Western WA Ag Assn., Columbia Basin Development League
- **Focus on Critical Issues First –** Such as the Odessa Sub-Aquifer
- **Investment Incentives for Private Development and Conservation**
- **Creative, Negotiated Solutions –** ie: Berg Farm water right decision

# What We Need From the State of Washington

- **Stability and Reasonable Certainty**
- **Policies that Support Capital Investment**
- **Coordination with NW States**
- **End to Continued Litigation**
- **Action**

# Bottom Line

Washington's Position on Columbia River Issues will Impact Key Decisions on Plant and Equipment Investment and the Future of Food Processing.