



Assessing Assessments

The Washington Apple Commission has recently proposed a substantial increase in the assessment growers pay to support the commission. The plan, to increase the assessment from a quarter a box up to forty cents a box, would fund a massive increase in consumer advertising. Currently the Washington Apple Commission budgets \$7 million a year for consumer advertising, a figure which would rise to \$23 million a year if the assessment is approved.

The whole issue of commodity promotion boards is controversial. Many growers take umbrage at being compelled to participate in such ventures. Although recently there was a Supreme Court decision upholding the constitutionality of such boards in a controversy that revolved around freedom of speech issues, one can count on additional challenges in the future. Some believe that such boards represent an unconstitutional delegation of congressional powers of taxation, and there are those who would like to launch a new court case against all boards.

But now, and for a long time to come, the industry will have boards and commissions. If one's interest is increasing produce consumption, this is a good thing.

In the absence of having any kind of overwhelming market share, produce companies are hesitant to do any kind of consumer advertising. First, even a large shipper usually finds its product in only a fraction of available retail outlets, so building consumer demand for an unavailable product is something of a waste. Second, even if consumers come to prefer a particular company's products, increasing production is very difficult. Literally, one may have to wait years for trees to grow to obtain new capacity and then there is no assurance the new product will be as acceptable to the consumer as the old production. Finally, the distinction between any given shippers product and those of the rest are usually sufficiently small that one company's consumer marketing is as likely to increase sales of its competitors as of itself.

Logically, boards and commissions can be the answer to these roadblocks on the road to consumer advertising for produce. By promoting generically, we know the product is widely available, the entire production is available to satisfy increased demand and, as the ads are paid for by the whole industry, no competitor gets a free ride.

Still, that doesn't mean that growers in Washington State or anywhere else are going to leap at the chance to boost the assessments placed upon them. In some cases the opposition is from large companies who see their own ability to do various types of marketing and promotion as a competitive edge. They see commissions and boards, in general, by the virtue of the overall services they provide the industry, as operations that deny the biggest players a competitive edge. Though harsh, this position is not without merit. Those who remember the now-defunct California Iceberg Lettuce Commission will remember it was killed principally because iceberg lettuce was a highly concentrated industry and certain big players just didn't see what they were getting from the commission.

The Washington apple case is different though, because, in this situa-

tion, the money is to go to consumer advertising. It is highly unlikely that any apple shipper will spend 15 cents a case on true consumer advertising if the board's proposal does not go through. As such, this proposal is to fund a commission activity that even the biggest players really can't do themselves.

It is often assumed that the assessment comes right off the grower's bottom line, but this is not necessarily true. In the absence of assessment, the natural forces of supply and demand may take the additional 15 cents out of the grower's hands anyway. In effect, the assessment enables growers to legally conspire to do what every non-commodity consumer product vendor does already: build a marketing budget into the price. This can happen only because Washington State is such an overwhelming factor in U.S. apple production that competitors don't

have the volume to undercut pricing with significant impact.

The whole idea of effectiveness is one of great concern. If the money ends up being used to build a bureaucracy, the anger will be so great that the whole commission will be abolished in a few years. But both the board and top executives know this. Commodity boards often have trouble getting support because the boards, especially the smaller ones, so often over-promise. Marketing depends on a sufficiency of resources applied to obtainable goals. The Washington Apple Commission is one of the very few boards in a position to spend enough money to actually impact consumption on a national basis via consumer advertising.

If I had to critique the Washington Apple Commission's proposal, it would be, first, that it should be even bigger. Probably around 50 cents a box is the amount that would generate the kind of money really needed. Second, I think all this

regional marketing causes consumer confusion. If we go on TV big time and get people to eat apples, it would be smart to just promote apples, including varieties not grown in Washington. Perhaps one day we can look at a National Apple Promotion Board getting assessments from all over the country and from any imports to build demand for apples.

Yet is important not to let the best be the enemy of the good, and the truth is that there are no alternatives. Export markets in Asia are being hit hard by the Asian financial crisis, and, although these markets must not be abandoned, in the short term these markets are unlikely to take the export volume they did in the past - certainly not at the prices they bought at in the past. Combine this with increased apple production and one sees a crisis in the making.

The only solution is marketing. And the only mechanism set up to do that right now on the scale needed is the Washington Apple Commission. I recommend a yes vote on the increased assessment.

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