

'Tis the season for rude questions; here's how to handle them /Life, 3C

EAST VALLEY FALLS SHORT IN QUEST FOR 2A TITLE /1D



THE CHINA CHALLENGE

This is Part One of a four-day series that explores the apple industry in China and how it affects apple growers in Washington. Inside today:

- Why China buys up to a million apples per year from Central Washington/ 8A
- How shopping in China is growing and changing/ 10A
- A look at how apples get to China and how they're sold/ 9A
- Some information about how this series came about/ 11A



Workers bag Chinese Fuji apples under a buyer's cloth canopy along the main street of Guanshui in the Shandong Province of China. The apple harvest is about halfway finished.

Man held for arson, murder

Victim was found dead in burned home; suspect in custody in unrelated case

By MARK MOREY
YAKIMA HERALD-REPUBLIC

Police have arrested a 35-year-old Yakima man on murder and arson charges in connection with last week's death of a man found at a Naches Avenue home gutted by fire.

Capt. Jeff Schneider said detectives made the arrest late Friday after following up on information provided by community members.

The suspect was already in custody after violating his probation in an unrelated case, authorities said. He is being held at the Yakima County jail.

Investigators have tentatively identified Pablo Abundiz, the owner of the home destroyed in the fire early Wednesday, as the homicide victim.

Firefighters were unable to attempt a rescue because heavy

PLEASE SEE **ARREST** PAGE 12A

TREE FRUIT

Hort Association turns 100; party's in the SunDome starting Monday

By BEN ROMANO
YAKIMA HERALD-REPUBLIC

The 100th annual meeting of the Washington State Horticultural Association kicks off Monday in Yakima.

Some 2,600 people are expected to attend speeches, workshops and a trade show covering all aspects of the tree-fruit industry. The event at the Yakima Convention Center, 10 N. Eighth St., continues through Wednesday.

Monday morning, a documentary and interviews with industry leaders will celebrate "100 Years of Hort."

Major presentations during the rest of the meeting and post-harvest conference will focus on the tree-fruit industry's future. Highlights include:

- John McCliskie, chairman of New Zealand's Heartland Fruit Co., 10:30 a.m. Tuesday.
- Desmond O'Rourke, global agriculture consultant, 1:30 p.m. Monday.

- Bruce Peterson, senior vice president and perishables manager for Wal-Mart Stores Inc., 8:30 a.m. Tuesday.
- Jorge Madrazo-Cuellar, Mexican Consul, 9:30 a.m. Tuesday.

For the first time in the organization's history, Spanish translation will be available, starting with the Monday morning session.

More than 180 exhibitors are expected to fill the Yakima Valley SunDome on Tuesday and Wednesday for the Northwest Horticultural Exposition. The two-day event is billed as the largest of its kind in the country.

Vendors will display new technology and equipment, as well as new fruit varieties. The trade show is open from 10 a.m. to 6 p.m. both days. Admission and parking are free.

Registration and detailed schedule information can be found at www.wahort.org.

Apples to Apples

And how they're sold in China

GUANSHUI, China — There's chaos on the narrow road bisecting this rural farm town.

Straining under loads of apples, a seemingly endless array of motorcycles, trucks and small three-wheeled tractors jam the road, filling the air with gray exhaust and blaring horns. Buyers beckon from the stalls set up along the way.

It started before sunrise and will continue until dark. For two months it will go on. It's harvest time.

Because apples here are hand-picked individually according to size and color, farmers usually arrive with only a few baskets to sell before returning home to resume harvesting. A single tree may take weeks to completely pick.

Farmers cruise the town, checking prices chalked on blackboards or on

rusty sheets of metal. A pound of the best apples will bring the equivalent of about 9 cents.

After purchase, the apples are piled on straw mats on the ground, where women sort and box them for shipment.

Similar scenes are played out in thousands of villages across China, a nation whose latest crop is estimated at 1 billion boxes, or nearly one out of every two apples in the world.

Some will be pressed into juice; most will be eaten in China. But a growing share of those apples are headed into the international market where they compete against apples from Washington, where total production equals less than an eighth of China's.

In the United States, some worry that China's apple industry will follow an all-too-familiar trend, such as

in furniture and textiles, in which thousands of American jobs and entire businesses have been lost to low-cost Chinese production.

Ten years ago, cold-storage facilities and mechanized packing lines were rare in China. No longer. Both are being built at record rates.

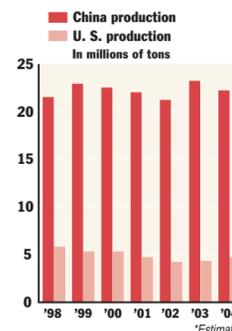
With China's apple industry growing in sophistication, Central Washington could be vulnerable. As this nation's largest apple-producing region, Central Washington grows more than half of all American apples. Tens of thousands of jobs are tied to the \$1.5 billion apple industry. It is the state's single largest agricultural product.

More than a third of the state's crop is exported, including to Southeast Asia, where markets are already

SEE **APPLES** PAGE 8A

Total China and U.S. apple production

Since 1997-98, the size of China's total apple crop has risen, while the U.S. crop declined slightly.



Sources: Chinese Dept. of Agriculture and the U.S. Department of Agriculture. World graphic/ Cheryl Graham

Stories by CRAIG TROIANELLO, Yakima Herald-Republic • Photos by DON SEABROOK, Wenatchee World



We should see the sun today, but our high will likely stay in the 30s. See Page 2A.

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Tuesday Unleashed



A West Valley junior is hoping to bring back the trolleys to downtown Yakima.

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Vol. 102, No. 33
6 sections, 80 pages

Countdown



20 days until Christmas

Name: Eduardo Garcia Jr.
Age: 5
Town: Granger
Parents: Eduardo Garcia and Lucinda Sanchez
How does Santa decide if you're naughty or nice? He asks my teacher Mrs. Glover.



TheChinaChallenge



Among offices and apartment buildings, a tiny glimpse of light emerges from a shop on Shang Xia Jiu Road, right center, that's part of two blocks of modern shopping opened within the past two years.

Westernization, wealth

Many Chinese can afford to spend more on luxury items, such as imported Washington apples

GUANGZHOU, China — This city doesn't attract tourists. It attracts business and industry.

The streets are dirty, the air smoggy and the canals reek of sewage.

But along the Pearl River, the city's wealth unfolds in staggering scale. For miles, the river is flanked by skyscrapers and high-rises. Casio, Kodak, Bridgestone Tire, China Mobile and dozens of other companies promote their presence with huge neon signs atop the buildings.

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We've made inroads and the market in China is growing.

JOHN LEDEBOER
Former export director,
Oneonta Trading Co.
Wenatchee

”

Once known as Canton, this city of 6 million is no stranger to international trade. Two centuries ago, merchants here were purchasing pelts from the Pacific Northwest.

Today, they are buying and selling just about everything under the sun, including Washington apples.

When foreign entrepreneurs look for new markets in China, they see places like Guangzhou, a city whose growing wealth allows indulgences unheard of a generation ago. Cars fill the streets. Restaurants are packed. Stores are busy.



Lee Tsan Yu

There is an almost palpable energy in the bustling streets. The region, whose 19th-century poverty launched the exodus of workers who helped build America's railroads, is now a magnet for rural Chinese seeking better-paying factory jobs.

Guangzhou, part of Guangdong Province, quickly became one of China's most affluent regions after its 1980 designation by the central government as a special economic zone. That helped attract foreign investments, and a bounty of new jobs and technical know-how.

The average Guangzhou worker earns about 22,446 yuan per year, according to Asian Labour News. That's 9 percent more than last year and translates to about \$2,737.



Girlfriends shop along Shang Xia Jiu Road with other cheerful young shoppers.



By Western standards, that's not much. But it's among the higher wages in China, where the average urban wage is about \$1,870. The extra cost of a premium Washington state apple is within reach of a growing number of people.

With the distinctive red, white and blue labels, Washington apples show up in the family-owned fruit stalls dotting the city and in the giant hypermarkets — gleaming, multilevel stores selling

everything from groceries to furniture to higher-end clothing.

Customers like the larger Red Delicious, with its elongated shape, dark red hue and pronounced dimples, explains Lee Tsan Yu, a Hong Kong-based wholesaler who has shipped fruit upriver to Guangzhou.

Central Washington growers say their hot summer days and cold nights create the dark red color, giving its Reds a selling advantage all over the world.

Washington apples aren't an everyday purchase for most people. A prime Washington Red Delicious can cost twice as much as a Chinese Fuji. Traditionally, the best apples are given during the holidays and for special occasions. Over the last decade, Washington apple growers have found a way to meet that demand, as well as a growing desire among the affluent for high-quality apples.

“We've made inroads and the market in China is growing,” said John Ledebor, former export director for Wenatchee-based Oneonta Trading Co.

About 8 percent of Oneonta's apples go to China, he said, adding that the company handles about 5.5 percent of the state's entire fresh apple crop.

China is the fifth-largest market for Washington state apples.

So far, the fresh apple trade has been a one-way street. Concerns about agricultural disease and pests have kept China's apples out of the United States, although it's generally assumed to be only a matter of time before they'll be allowed.

“We don't know how much of a threat (China's growing apple production) is. We are just enjoying the fact that the market is growing,” Ledebor said.

The future for Washington apples in China is “absolutely fabulous,” said Robert Kershaw, of Kershaw Fruits Co. in Yakima. “They are becoming a consumer nation.”

APPLES/

Continued from Page 1A

losing ground to exports from China.

This year, China's apple exports for the first time surpassed those of the United States. And China wants to expand exports by another 75 percent over the next four years, making it responsible for nearly a quarter of the global apple trade.

Others envision a different future. Washington ships more than 1.8 million boxes of apples to Hong Kong and mainland China each year. Although the price is higher, Chinese have shown a willingness to pay extra for premium Washington state apples — a trend that's likely to continue as China becomes more prosperous.

Still others see a cloudier picture, one involving elements of both scenarios, with some markets lost and others gained.

What's clear is that apples are part of the complex machinery of an evolving global economy.

The story begins with hard-working families laboring on vastly different orchards on both sides of the Pacific Ocean. It concludes with shoppers in vastly different markets from Holland to India to Southeast Asia.

In between, the story encompasses politics, economics and science, and the uncertain future of an emerging giant.

China's apples are gaining market share in Asia and parts of Europe and will arrive on American grocery shelves at some point.

“The situation is so complex, I don't think anyone is an expert,” said Barclay Crane, a Brewster grower who ships fruit to China. “I think China's rising economy is a good thing for the world. But I think our energy and wits will be tested.”

To learn more, the Yakima Herald-Republic and The Wenatchee World joined forces, traveling from the orchards of Central Washington to Shandong Province, China's biggest apple-growing region; to the crowded international fruit markets in Hong Kong and Guangzhou in south China; and to capitals of both countries, Washington, D.C., and Beijing.

Starting today, the four-day series of stories and images will explore China's apple industry and what it means for Central Washington.

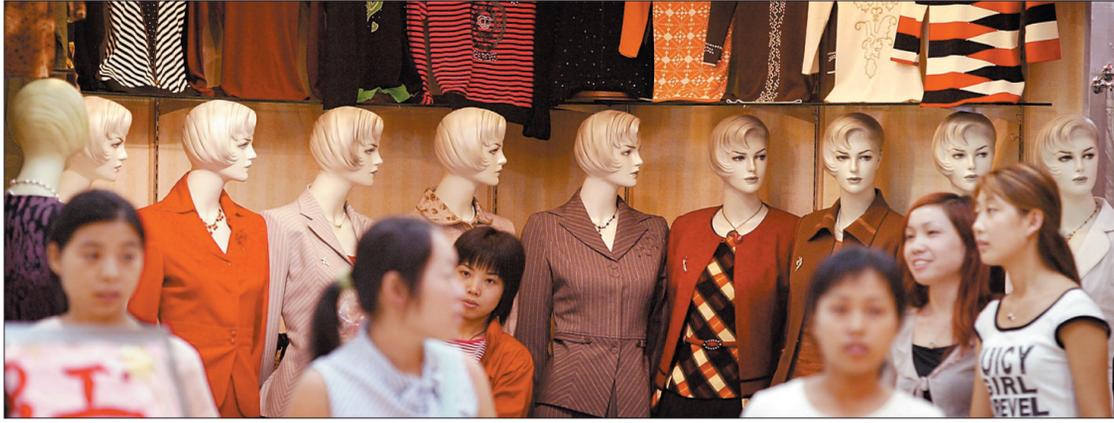
Monday: On the Farm

Tuesday: Packers and Exporters

Wednesday: What Does It All Mean?

TheChinaChallenge

How apples get to markets in China and how they're presented for sale



The mannequins may be from a different culture but the shoppers are all Chinese along Shang Xia Jiu Road. The streets are filled with happy, mostly younger shoppers browsing modern clothing in modern stores on a Monday night.

Appealing to the Chinese

GUANGZHOU, China — In his small, second-floor office overlooking the sprawling Lishui Fresh Fruit Terminal Market, Cheng Wei De offers two bowls of Red Delicious apples. One is Washington grown, the other is Chinese.

The Chinese apples aren't as crisp and sweet as Washington's, but they sell for less than half the price, Cheng says. If Washington apple prices can be lowered, they'd be better able to compete, he said.

The observation cuts to the heart of many of the issues surrounding China's emergence as the largest apple grower in the world: Its apples are cheap and plentiful. But for consistent high quality, many turn to imports from Washington.

While Chinese apple quality improves each year, Cheng estimates it will take at least five years to reach a quality comparable to Washington's product.



Cheng Wei De

Cheng isn't a casual observer. He's been importing apples from Washington since 1993, the first year it was allowed. Last year, he purchased 103,000 boxes, including apples from Washington Fruit Co. of Yakima and Columbia Pack of Wenatchee.

As living standards rose for the average Chinese in the last decade, so did sales of Washington apples, said Cheng, owner of Hua Sheng Fresh Fruit Trades, which resells to small marketers and supermarkets in China.

His sales were among the more than 1.8 million boxes of Washington apples that last year flowed into Hong Kong and China, making this the fifth-largest export market for Washington state apples. Only Mexico, Canada, Taiwan and Indonesia are larger.

Consistent quality is what's promoted in China by the Washington State Apple Commission.

And in a country regularly wracked by adulterated food scandals — earlier this year, tainted baby food killed dozens of infants in Anhui and Shandong provinces — American products enjoy a certain trust.

"The U.S. is held in such high esteem that it rubs off on consumer products," said Tracy King, Apple Commission export manager.



In the oldest section of Guangzhou, families still live in small rooms along aisles; it's a way of life that is changing for most of the city's residents.

Apple importer Wong Wing Fai, who also has an office at the Lishui Market, estimates it will take far more than a decade for China's packing-line technology and capacity to catch up with the United States.

Like Cheng, he's been importing Washington apples for years. He also brings in Washington cherries, as well as grapes and oranges from elsewhere in the United States.

Like a number of exporters interviewed for this story, he regularly travels to Central Washington to buy apples and tour packing facilities.

In the last decade, China has made

staggering advances in production and exporting, but the nation still faces significant challenges in transportation, storage and quality control.

At C.M. Holtzinger Fruit Co.'s office on a quiet north Yakima street, men and women wear headsets and monitor market data from computers atop a large common table surrounded by chairs intended for long hours of use.

Similar rooms — some with world maps and wall clocks reflecting time zones across the globe — can be found

in packing and trading companies across Central Washington. Here in these sales rooms, deals are struck to move apples from packing rooms to wholesalers or, in some cases, directly to supermarket shelves. It's a demanding job, but the successful are rewarded well. The best salespeople can make up to \$200,000 a year.

And increasingly, they are striking deals to sell in Hong Kong or China.

Once an agreement is struck, apples are typically placed aboard refrigerated 40-foot containers holding more than 1,000 boxes. The containers take a short ride to Seattle or

Tacoma. From there, they make a two-week Pacific crossing to the massive docks of Hong Kong.

Under an early 1990s trade agreement, United States growers got their foot into China's market by agreeing to ship only Red and Golden Delicious apples.

But mysterious things happen in Hong Kong. Apple varieties not covered by the trade agreement regularly find their way north into mainland China. Sometimes box lids are changed. Sometimes a container load

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TRACY KING

Washington Apple Commission

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One of many signs of the growing economy in Guangzhou, tour boats have started up on the Pearl River within the past five years, carrying people on the polluted waterway through skyscrapers with American and Chinese company names shining in neon.

TheChinaChallenge



Workers transport a load of Chinese Fuji apples below a Washington Apple Commission sign promoting Washington state apples at the Jiangnan Wholesale Fruit Market. The sign reads "Washington Apples" at left, and "Tasty and Crunchy" on the right.

Shopping changes; Washington sells

GUANGZHOU, China — Like nearly everything else in China, shopping is undergoing a profound change.

In urban areas, the traditional street markets are losing customers to supermarkets. Not just ordinary supermarkets, but hypermarkets — immense emporiums anxious to cater to a growing affluence.

At Jusco, a Japanese-owned hypermarket, the tiled floor is immaculate. Spacious aisles offer everything from corn flakes and Pepsi to fresh fish and noodles. Music plays in the background while workers in white jackets serve up breads and other goodies. Except for the smaller-sized grocery carts, the scene could be a supermarket anywhere in the United States or Europe.

But this store also offers clothing, electronics, cosmetics and a host of other products. It's a combination of Fred Meyer and Bon-Macy's spread over several floors.

With a billion potential new consumers, Jusco is expanding its hypermarkets into China. So, too, are Wal-Mart and the French-owned retail giant Carrefour. China's largest retailer, Lianhua Supermarket, has a series of hypermarkets under a variety of names.

"The supermarket trade in Asia is bursting at the seams," said John Ledebor, former export director for the Wenatchee-based Oneonta Trading Co. "They are huge and clean and have food safety written all over them."

Most food is still purchased in



In a market in Guangzhou, the boxes are from Chile, but the apples bear labels that say they are Washington state Red Delicious, making Victor Wang, local marketing manager for the Washington Apple Commission, think it's a fake.

small markets, but supermarkets are growing quicker in China than anywhere else in the world, some 30 percent to 40 percent per year.

For that reason, the Washington

State Apple Commission targets supermarkets for promotions, offering free samples and advertising programs that raise the profile of Washington apples.

Thanks to higher salaries and improved availability, the Chinese are eating more fruit. In the cities, fruit consumption has risen more than 37 percent since 1990. Even the poorest

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urban households now eat 70 pounds of fresh fruit a year, only slightly less than the level of the average American.

By contrast, across the street from the Jusco is a more traditional shopping venue.

Crowded together across several acres are scores of vendors hawking everything from shoes to poultry. The concrete floor is stained black, the stalls are crowded with jostling shoppers and traffic whizzes by just a few feet away.

Even in urban areas, most fruit is still purchased from these so-called "wet markets," which bear a passing resemblance to the stalls at Seattle's Pike Street Market.

Apples from different counties are sometimes mixed together in a common display.

Prices are posted, but unlike the hypermarkets, buyers can haggle over them.

These wet markets sell an estimated 70 percent of fresh fruit, and they aren't predicted to disappear anytime soon.

Some comparisons

- **Average annual wage for an urban Chinese worker:** 14,577 yuan in China, or \$1,756. (The yuan is the basic monetary unit of exchange in China. The exchange rate is 8.3 yuan to \$1.)
- **Average annual wage for a Washington worker:** \$38,794.
- **Retail apple costs observed in a Chinese market:**
 - For a pound of Washington Red Delicious: 7 yuan, or 84 cents.
 - For a pound of Chinese Fuji: 3 yuan, or 36 cents. (One pound equals about two apples.)
- **Retail apple costs observed in a Yakima supermarket:**
 - For a pound of Washington Red Delicious: 99 cents.
- **Time required to work to buy a pound of apples:**
 - Average Chinese worker — 1 hour for Washington Red Delicious and 25 minutes for Chinese Fuji.
 - Average Washington worker: 3 minutes for Washington Red Delicious.

Sources: China Daily and Washington State Employment and Security

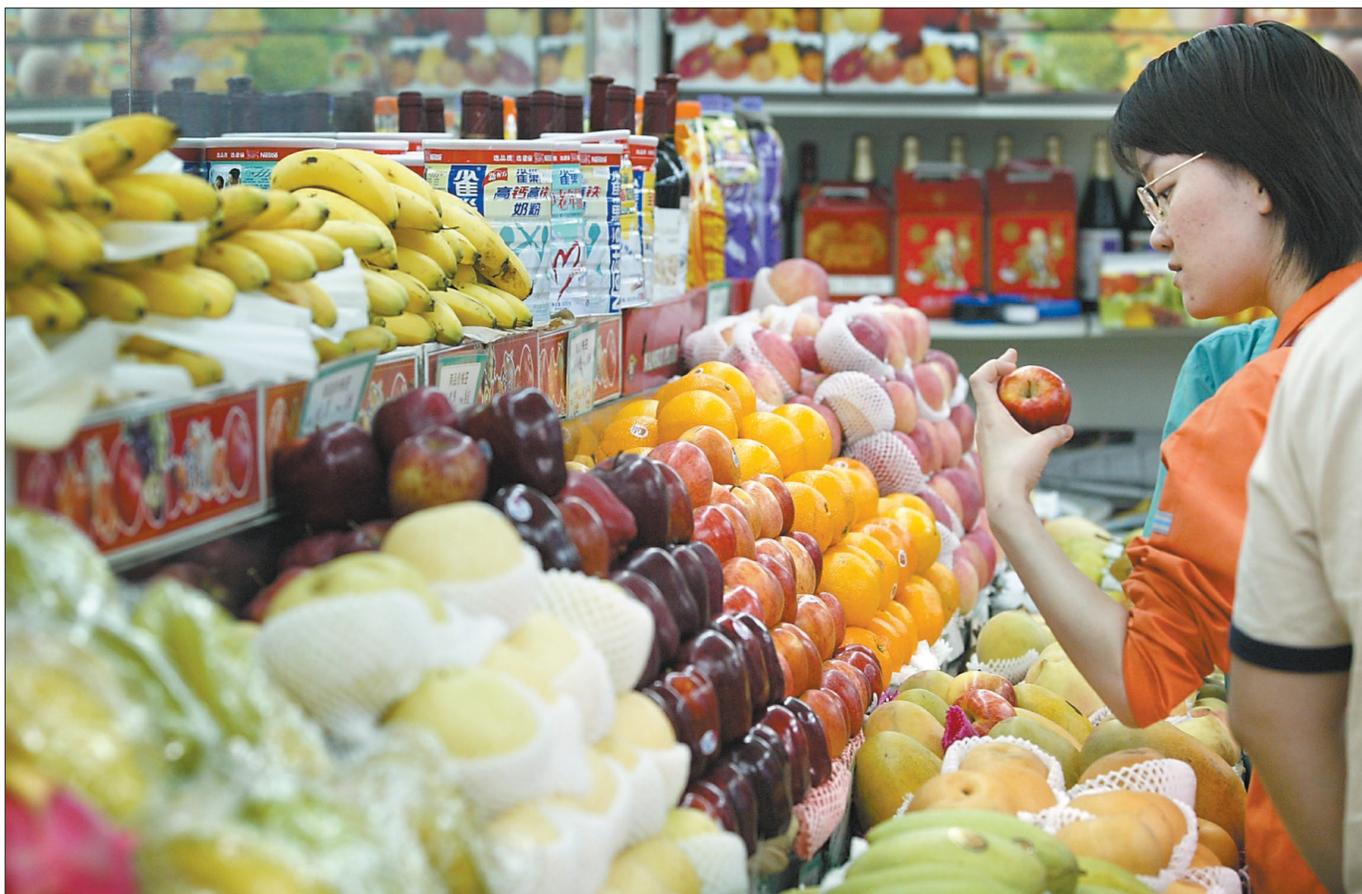


TheChinaChallenge

“We get copied all the time. It’s a big concern, but ... there’s not much we can do about it.”

TRACY KING

Washington Apple Commission



At a small “wet market,” something akin to a produce stand, in Guangzhou, a customer inspects a Washington state Gala, illegal in mainland China. In the foreground are Washington and Chinese Red Delicious and in the background, oranges and Fuji apples.

CHINESE/

Continued from Page 9A

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But mysterious things happen in Hong Kong. Apple varieties not covered by the trade agreement regularly find their way north into mainland China. Sometimes box lids are changed. Sometimes a container load of apples is opened to reveal Red Delicious, but the layer behind it may be Granny Smiths, Galas or Cameos.

Sometimes, whole containers arrive untouched.

There’s an old expression in China: “Heaven is high and the emperor far away.” And Hong Kong is 1,227 miles from the authority of Beijing.

Officially, exports of Washington apples to China stood at a high of 49,242 boxes last year. But an estimated 70 percent of the 1.8 million boxes shipped to Hong Kong last year found their way onto the mainland.

It’s a vast gray market, one vulnerable to crackdowns or other market shifts that sometimes have sellers scratching their heads. Exports into China took a nosedive last April, for example, but no one seems to know why.

Getting apples from Hong Kong to mainland China might involve a half-dozen different middlemen, all with their hands out, said one person familiar with the system.

If even one of them feels slighted or left out, the entire network can get shut down.

Washington growers would like to export a wide variety of apples to China. But they worry any push might prompt China to work harder to get its apples into the United States.



Boxes of Royal Gala apples from Yakima are inspected at the Jiangnan Wholesale Fruit Market. China does not officially allow this variety to be imported.

The writer, the photographer and how it all started ...



Troianello

Craig Troianello is coordinating editor for Central Washington news at the Yakima Herald-Republic. A graduate of Central Washington University, he has previously studied and traveled in various parts of Asia, including the People’s Republic of China, Taiwan, Korea and Japan. He has worked for nearly two decades as a reporter and editor at the Herald-Republic.



Seabrook

Don Seabrook is photography editor for The Wenatchee World, where he has worked for 21 years. A communications graduate of the University of Washington, Seabrook has won many state and national awards for his photography. In 2003, he was awarded a Society for Newspaper Design international award for his work.

This project was made possible by a World Affairs Journalism Fellowship, which allows journalists to design their own overseas story assignments to probe global issues of direct interest to their communities.

This year, 10 projects were selected nationwide from small- to medium-sized daily newspapers with the goal of generating stories that inform readers on the connections between local and global events.

The fellowships are funded by the John S. and James L. Knight Foundation, and jointly administered by the International Center for Journalists, the World Affairs Councils of America and the Newspaper Association Managers.

Today’s Valley Life section has more about Troianello and Seabrook’s impressions on their trip to China. **See Page 1C.**