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Oregon Pear Growers Sour on Land Law

Farmers Say Landmark 1970s Measure Aimed at Conserving Agricultural Areas Limits Their Ability to Nurture Investment

By JOEL MILLMAN

MEDFORD, Ore.—Farmers say conditions in southern Oregon's Rogue River Valley are among the best in the world for raising pears. Yet for the past decade, acreage planted in pears has been halved, as has the number of growers.

Land-use regulations designed to maintain open space and preserve farmland are to blame, pear growers here say.

It is a paradox few foresaw in 1973, when Oregon passed Senate Bill 100. That measure, considered a landmark of the budding environmental movement, put Oregon on the map as the "greenest" of U.S. states by placing zoning decisions with a central agency, outside the purview of local authorities.

The law had a huge impact in restricting suburban sprawl throughout the state, preserving environmentally critical habitats.

But since the mid-1990s, more than 3,500 acres planted in pears have gone out of production here. From 87 pear farms operating in 1992, only 48 remain.

Three big companies here combine to operate 90% of the Rogue River Valley's pear industry. Oregon is the second-biggest pear producer in the U.S., behind Washington. Pear cultivation produced \$900 million in sales and ancillary services in Jackson County last year.

Pear Country

Oregon's Rogue River Valley has ideal growing conditions, but the area's remaining orchard owners say they are struggling to maintain their farms.

Jackson County pear cultivation

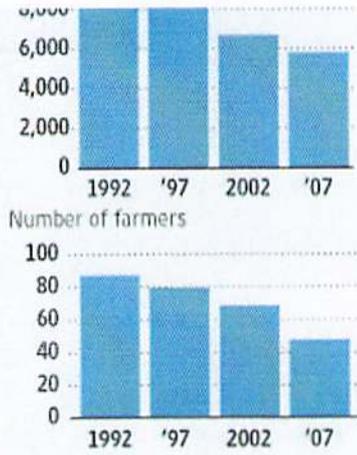
Number of acres

10,000



The biggest of the "Big Three" is Harry & David, the high-end grower known for its mail-order Christmas baskets of fruit and treats. The company, with \$489 million in annual revenue, is the county's biggest employer, but it has shed over 100 jobs and frozen pay during the recession. Two other large growers, Associated Fruit Co. and Naumes Fruit Gifts, face similar difficulties.

The credit crunch and consumers unwilling to splurge for \$30 boxes of pears are behind much of the pain, growers say. Yet they



insist their real headache is their inability to raise capital by selling land at top value, which they say would let them buy farmland further from residential areas. That is because land-use laws say their orchards must remain in agriculture.

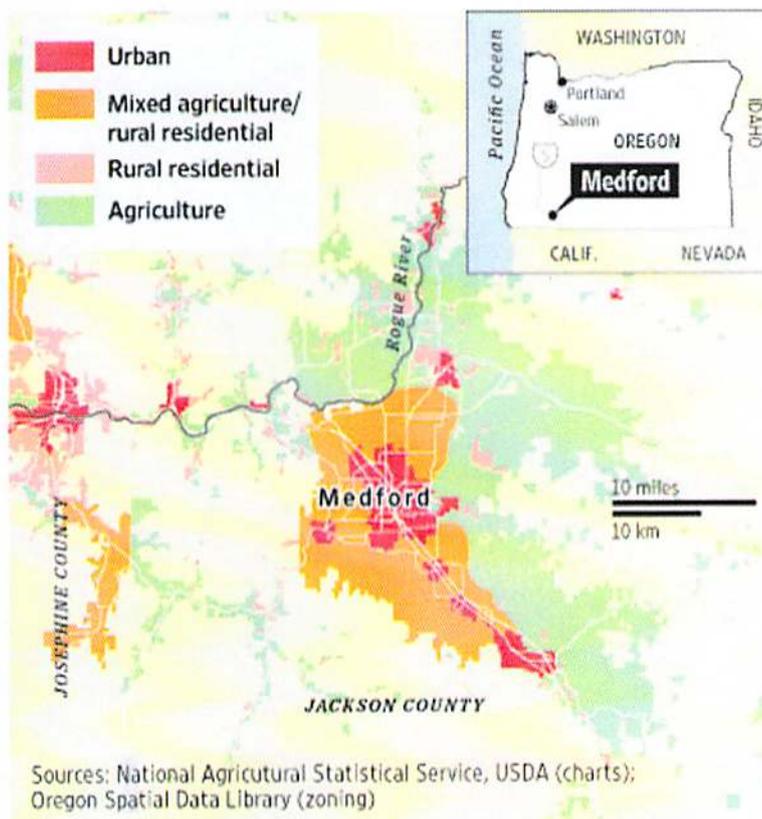
"It's the worst case of unintended consequences you can imagine," says David D. Lowry, chief executive of Associated Fruit Co., the smallest of Medford's Big Three, who fears his business could be the next to close. Like others, he has plenty of land to sell, but no one willing to buy as long as it is zoned for farming only.

Environmentalists point out that some of the land once devoted to fruit orchards is still being farmed with other crops. Farmers say those crops, such as olives, don't yield nearly the same value per

acre as pears.

Land-use issues have defined Oregon politics for a generation. A tug-of-war among voters over what brings a better quality of life—healthy industry or a pristine environment—colors everything from how much Columbia River water can be dammed during salmon runs to whether timber harvests should be subordinated to protect the spotted owl.

Already \$10 million in debt, Associated Fruit faces a crisis, Mr. Lowry says as he strolls through an orchard first planted by his family 75 years ago. The parcel, which abuts a housing development called Phoenix Acres, would fetch \$100,000 per acre if the Lowry family could sell it to a housing developer, he says.



Selling the 70-acre orchard would raise \$7 million, Mr. Lowry says, enough to refinance Associated Fruit's debt, with plenty left over to plant new orchards on land further from Medford's core. Instead, the land is valued at just \$10,000 per acre, he says, a moot point since there are no takers.

"There's a huge amount of land, either fallow or in low-value crops like hayfields" Associated could acquire and replant in pears, the 65-year-old farmer says. But, unless he can raise the cash to move, he may lose everything.

Growers like Mr. Lowry joined with Medford's delegation to the state legislature this year in an unsuccessful effort to lobby to change the land-use law.

Environmentalists and local activists argue that loosening the restrictions on agricultural land sales would give developers an inside track over ordinary homeowners.

"Citizens in general, and local residents in particular, would be almost entirely shut out of the rezoning process," says Brian Hines, a representative of a neighborhood group called Keep Our Water Safe Committee.

Meanwhile, the community is divided over land-use rules, especially in light of a looming crisis involving Harry & David. Wall Street private-equity king Bruce Wasserstein purchased Harry & David in 2004 for \$252.9 million, anticipating its future sale through an initial public offering. But when a poor 2006 Christmas season put those plans on hold, the Wasserstein group instead floated \$245 million in debt.

Allowing the company to sell land and raise cash might stabilize Medford's biggest employer, and protect more than a thousand Oregon jobs. But critics say any dispensation would jettison environmental protections while offering a bailout to owners who engaged in a reckless leveraged buyout.

"It starts a downward spiral," says Greg Holmes, southern Oregon planning advocate for 1000 Friends of Oregon, a nonprofit that monitors compliance with Oregon's land-use laws. "If some landowners get special privileges to sell land at development prices, that reduces the amount of agricultural land that's available to everyone. That drives land prices up, which will make it harder for other farmers to buy land."

Mr. Wasserstein died in 2009. Harry & David executives declined to comment on the company's operations.

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