Stemilt MANAGEMENT INCORPORATED

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MAR 20 2000

February 17, 2000

Army Corp of Engineers
Walla Walla District
201 North Third Avenue
Walla Walla, WA 99362-1876

Attn: Lower Snake River Study Group

My name is David Mathison; I am a partner and the general manager of Stemilt Management, Inc. in Wenatchee, Washington. We have a newly planted orchard along the north shore of the lower Snake River on Lake Sacajawea. It is located in Township 10 North, Range 32 East, Sections 1, 11, 12, 13, 14, 22, 23, 24 and 26. Our orchards are now in their 3rd, 4th and 5th year of growth with a total of 1,417 acres of permanent, irrigated fruit tree plantings.

I would like to take this opportunity to inform the interested and decision-making parties on the existing and potential economic contribution these irrigated orchards will bring to the Tri-Cities.

1 First of all I'd like to bring you up to date on the investment we have made in the permanent planting and development of our orchard. It takes approximately $18,500 to grow one acre of orchard up through its 5th year of growth. After the 5th year they generally have a sufficient crop yield and income to cover the annual cost of raising the crop. Over the last five years we've invested approximately $26,214,500 in this orchard. Roughly half of this is spent on labor.

Our continuing annual cost for raising a crop after the 5th year is generally around $3,500 per acre. Our contribution to the local economy is $4,960,000 each and every year. This will amount to a potential contribution of $49,595,000 up through the next ten years just from our farm alone.

Once the product leaves the farm an additional investment to handle the fruit is needed. It is similar to the initial orchard investment costs of approximately $10,000 per acre. This includes the plant and equipment used to store and package the product for the wholesale market. To provide the capacity to handle the product from our farm is an initial investment of $14,170,000.

To operate the plant it takes an annual expense of close to $7,000 per acre, using 50 bins at a cost of $140 each. Multiply this by 1,417 acres and you have another $9,919,000 being spent on labor and materials. Annually over the next ten years this will account to $99,190,000. The warehouse and packing plant will employ an additional 200 employees with nearly year round work.

These are contributions that are provided to the local economy with our wholesale product. The traditional markup at the retail level is approximately 100%. This includes brokers, freight distributors, exporters, importers and retailers all providing an additional opportunity for income of $14,879,000 annually. Over a ten-year period this would be roughly $148,790,000. Not counting the cost of their initial investment for their facilities to conduct business.

1 cont.

These are actual costs we have incurred. They are not assumptions or extrapolations from inconclusive scientific data. These are true facts that can be proven by audit on our enterprises. Several other permanent fruit tree enterprise's exist between the mouth of the Snake River and up through Lake Sacajawea. Following is a list of some of the larger ventures:

Broche	4,800 acres
Stemilt	1,417 acres
Borton	950 acres
Tagaras	400 acres
Zirkle	200 acres
	7,767 Total Acres

There is several other orchard enterprises not mentioned here. In addition to the above there are hundreds of acres of vineyards and tens of thousands of acres of irrigated row crops that are contributing hundreds of millions of dollars in active and continuing income to the community.

Using our actual costs over the above listed enterprises, the total contribution to the local economy is as follows:

1 cont.

CONTRIBUTION TO COMMUNITY

Ranch Name	Acres Planted	#1 Initial Capital Investment per orchard acre of $18,500	#2 Annual Orchard Operating Costs at $3,500 per acre	#3 Ten year accumulation of annual orchard expenses	#4 Initial Capital Investment to Warehouse of $10,000 per acre	#5 Annual Warehouse Operating Expenses of $7,000 per acre	#6 Ten year accumulated warehouse expenses	#7 (1&4) Total Current Investment in the Business Community	#8 (2&5) Annual Contribution	#9 (3&6) Total Ten year Future Opportunity to Local Economy	Total Initial and Future Contribution to Local Economy
Broche	4,800	$88,800,000	$16,800,000	$168,000,000	$48,000,000	$33,600,000	$336,000,000	$136,800,000	$50,400,000	$504,000,000	$640,800,000
Stemilt	1,417	$26,214,500	$4,959,500	$49,595,000	$14,170,000	$9,919,000	$99,190,000	$40,384,500	$14,878,500	$148,785,000	$189,169,500
Borton	950	$17,575,000	$3,325,000	$33,250,000	$9,500,000	$6,650,000	$66,500,000	$27,075,000	$9,975,000	$99,750,000	$126,825,000
Tagaras	400	$7,400,000	$1,400,000	$14,000,000	$4,000,000	$2,800,000	$28,000,000	$11,400,000	$4,200,000	$42,000,000	$53,400,000
Zirkle	200	$3,700,000	$700,000	$7,000,000	$2,000,000	$1,400,000	$14,000,000	$5,700,000	$2,100,000	$21,000,000	$26,700,000
Total	**7,767**	**$143,689,500**	**$27,184,500**	**$271,845,000**	**$77,670,000**	**$54,369,000**	**$543,690,000**	**$221,359,500**	**$81,553,500**	**$815,535,000**	**$1,036,894,500**
FULL TIME JOBS		**4,112**	**778**	**7,779**	**2,223**	**1,556**	**15,559**	**6,335**	**2,334**	**23,338**	**29,673**
									Annual Full Time *equivalent per year*	**Full Time Jobs** *in the next 10 years*	**Full Time Jobs** *that have been created over a 15 year period*

Calculations:

a) With permanent crops, roughly 50% of all costs are for labor.

b) Used an average wage of $8.40 per hour and 2,080 hours per year.

Salmon recovery is important to all of us. The potential income of over one billion dollars and over 30,000 full time jobs needs to be a major factor and an important consideration in the overall decision process.

Respectfully submitted,

David Mathison