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June 23, 2014

BOARD OF COUNTY COMMISSIONERS
COUNTY OF KITTITAS, STATE OF WASHINGTON

Re: Zoning Conditional Use Permit Application for Marijuana Production and Processing

Filed on May 13, 2014

5810 Naneum Road, Ellensburg, WA

Tax parcel no. 104334

June 23, 2014

Dear Sirs:

After reviewing the 5810 Naneum Road application and SEPA checklist, I request that you defer your decision in order provide citizens more time to consider the economic impacts such a decision will have.

I live in Badger Pocket and learned about the issue just two weeks ago. Subsequently I discovered many of my neighbors were also unaware of the matter before the Commissioners. I urge you to delay your decision to allow more citizens to carefully consider the long-term ramifications of marijuana production in AG-20 zones.

By way of this letter, I wish to present two concerns that are not NIBY issues but Zoning issues that will impact the economy of Kittitas County:

1. Timothy hay or marijuana: one or the other but not both

1a. Consumer perception

Kittitas County's agricultural economy is heavily dependent upon the foreign export of Timothy hay to Japan, and in lesser amounts to places such as South Korea, China and the United Arab Emirates. Kittitas farmers produce superior quality Timothy hay that brings an estimated \$120M into the local economy annually.

However, agri-business experts report that Timothy hay is only marginally better than other hays that sell at lower prices. What accounts for the more than \$35 million paid to Kittitas farmers each year is the consumers' perception of high value.

For the Japanese broker, the appearance of the product is paramount. The hay is graded according to its color, length of the seed head, the thickness of the stem, and the absence of other grasses such as bluegrass. In other words, the aesthetics and "purity" of the hay is determined by the exacting Japanese consumer standards for beauty.

While the actual nutritional value can be measured, the perceived subjective value is in the eye of the beholder.

When the loss of perceived value occurs -- as in the case of mad cow disease -- the resulting economic impact is devastating. In other words, the reputation of the Kittitas hay industry, particularly among Japanese brokers, is subject to the perceived value of the hay that is determined by the consumer not the producer.

If it becomes known to Japanese brokers that marijuana is grown in Kittitas County, in either AG-20 factories or open fields, they may perceive the hay is contaminated, whether it is or not.

As a Japan specialist, I can speak to the cultural norms of Japanese brokers. If one Japanese buyer/exporter decides to pull out of Kittitas hay, all the other Japanese brokers will/must follow to preserve their standing in the importers group and the credibility/ trustworthiness of their trade.

They will seek other sources of “safe” hay to satisfy their customers just as the beef brokers did even though consumer behavior was irrational and unwarranted.

Regardless of whether there is cross contamination, the Japanese brokers will not be persuaded by empirical analysis or the guarantees of purity by officials. And no expensive public relations campaign will be effective either. Only time -- years or perhaps even a decade -- will persuade unfaithful consumers to return, if ever.

The fact that the County is even contemplating zoning marijuana factories in the midst of hay fields may even now be raising red flags in the brokers’ minds. According to the USDA*, Timothy hay is grown in 48 US states, as well as Canada, France and Denmark. Brokers may already have started seeking alternatives in the states where marijuana production is still prohibited.

(Source <http://plants.usda.gov/core/profile?symbol=PHPR3>)

1.b Global implications

I urge the Commissioners to take additional time to consider the unexpected consequences of marijuana production in AG-20 zones, and to consider the cultural values of the hay customer as well as the financial objectives of the marijuana producers. The SEPA checklist prepared by the applicant failed to consider any potential financial impact to the county hay industry, Washington State trade with Japan, or the additional infrastructure costs associated with developing a factory outside an industrial zone.

Japan has strict laws prohibiting the import, production and sales of marijuana. Should the Commissioners approve marijuana production in AG-20 zones, it will certainly drive increased inspections, tighten restrictions and raise the cost of imports from Kittitas County and other counties as well where marijuana is produced on agricultural land. The imposition of a technical barrier, (an import standard or regulation that reflects a countries concern and valuation for safety, health, food quality and the environment), will surely create a price wedge between the producer and the customer.

The ban on U.S. beef imports is a cautionary tale about the risk of consumer perceptions. Japan was the world's largest importer of U.S. beef/beef products in 2003 (value of \$1.4 billion), when a single case of BSE was discovered in a cow (imported from Canada) in Washington State. Japan, Korea, Taiwan, among other major U.S. beef importers, banned U.S. beef imports as a result. It took several years for U.S. ranchers and producers to regain access to those markets, in part because of strong consumer concerns about the safety of U.S. beef. In South Korean consumer concerns about the safety of U.S. beef, triggered in part by sensationalist news coverage, led to large protests in 2008 after the Korean government agreed to reopen its market to U.S. beef imports, and set back the ability of U.S. exporters to recapture market share that had been lost to global competitor.

http://en.wikipedia.org/wiki/2008_US_beef_protest_in_South_Korea).

In Japan, it took until 2013 (ten years) before the Japanese government agreed to reopen its market to imports of U.S. beef from cattle under 30 months of age (from 2006, Japan had restricted U.S. beef imports to those from cattle under 20 months of age, despite international standards under which cattle under 30 months of age are considered statistically to be at less risk from contracting BSE). Only after that did Japan again become the leading export market for U.S. beef (value of \$1.39 billion in 2013, nearly 23 percent of all U.S. beef/beef product exports).

1c. Trade data

· Japan is Washington State's third-largest, export market, with exports of more than \$7 billion to Japan in 2013. Of this total, agricultural products comprised \$1.02 billion, or 14.5% of Washington state exports to Japan.

(Source: <http://tse.export.gov/TSE/ChartDisplay.aspx>)

· Kittitas County plays an important role in Washington State-Japan trade. Kittitas County's Timothy hay production is estimated to be valued at \$40 million annually to growers. Up to 90% of this hay is exported to Japan[i]. These exports have a multiplier effect as farmers exporting the

hay in turn purchase equipment, hire workers, and contribute to Kittitas County's economy; in 2011 this amount was estimated to be \$80 million.[ii]

(i. Source: http://www.columbiabasinherald.com/business/agriculture/article_2c5bc264-c0c4-11e3-b5e0-001a4bcf887a.html)

(ii. "It means \$35 million to \$38 million is paid to the farmers, and an additional \$80 million or so pumped into the economy as the farmers then spend money on everything from equipment to labor, according to the Kittitas County Chamber of Commerce."

Source: http://seattletimes.com/html/localnews/2016112558_hay05m.html)

2. Suitability of A20 zoning for pharmacological factories

2a. The zoning code states that its purpose is "...to preserve fertile farmland from encroachment by nonagricultural land uses; and protect the rights and traditions of those engaged in agriculture."

Under the AG-20 zoning code definition, marijuana factories are not agricultural. An agricultural field can be converted from wheat to grape production without damage to the land, but once a factory is built on farmland the land will become infertile and cannot be returned to traditional agricultural production.

Agricultural land is finite and diminishing worldwide. Every effort must be made to preserve arable land from the constant creep of urbanization and industrialization on farmland.

2b. AG-20 land is cheaper and tax and utility rates are lower than industrial land. By permitting marijuana factories to be developed in AG-20 zones, the Commissioners are doing a disservice to the community by allowing applicants to pay below market value for land and utilities. I call upon the Commissioners to justify their decision to give preferential treatment that will reduce the tax revenues to the county and lower returns to the citizens.

2c. Industrial land has services and infrastructure in place including police, fire, roads, water, sewage, electricity and waste removal. However, AG-20 land will need improvements in all areas.

Have the Commissioners determined the costs associated with such requirements and how will they be financed?

Thank you for your time and consideration of two of my concerns.

Sincerely,

Bonnie M. Mitchell