FUTURE ACTION ITEM #1
Increasing Market Demand for Cosmic Crisp®
(Stacy Pearson)

TO ALL MEMBERS OF THE BOARD OF REGENTS

SUBJECT: USE OF ROYALTY REVENUES TO INCREASE MARKET DEMAND FOR WSU APPLE COSMIC CRISP®.

PROPOSED: IT IS PROPOSED THAT THE BOARD OF REGENTS AUTHORIZE AND DELEGATE AUTHORITY TO THE PRESIDENT OR HIS DESIGNEE TO ENTER INTO A CONTRACT TO SUPPORT MARKETING OF THE WSU APPLE COSMIC CRISP®.

SUBMITTED BY: STACY PEARSON, VICE PRESIDENT FOR FINANCE AND ADMINISTRATION

DR. ANDRÉ-DENIS WRIGHT, DEAN OF THE COLLEGE OF AGRICULTURAL, HUMAN AND NATURAL RESOURCE SCIENCES

SUPPORTING INFORMATION: WSU IS THE OWNER OF INTELLECTUAL PROPERTY RIGHTS TO THE PATENTED APPLE CULTIVAR, WA 38, AND THE TRADEMARK RIGHTS TO COSMIC CRISP®. WSU HAS LICENSED THE INTELLECTUAL PROPERTY RIGHTS TO BRING THE APPLE TO THE MARKETPLACE. WSU WILL RECEIVE A SHARE OF ROYALTY PAYMENTS FROM EACH TREE SOLD, AS WELL AS PER BOX OF COSMIC CRISP® APPLES SOLD.

The patented apple cultivar has been broadly adopted through close collaboration with Washington growers. Washington growers planted approximately 6.7 million trees from calendar year 2017 and 2018 with projections for an additional 5 million trees in calendar year 2019. It will take approximately 2 to 3 years from the initial planting for the trees to bear commercial grade fruit.

As a result of the large uptake by Washington growers, projected yield data suggests that there will be a high supply of Cosmic Crisp® fruit in the marketplace for 2019 and beyond. For example, current estimates provide that there will be approximately 175,000 40-pound cases of apples in 2019, rising to approximately 5,000,000 cases by 2021.

With such a large supply of Cosmic Crisp® apples expected in the market, it is in the best interest of Washington growers and WSU to ensure that there is an appropriate, corresponding level of customer demand. In addition, with
37 competing apple varieties in the current market, competition for shelf space and “share of consumer wallet” is fierce and underscores the need to market the new variety. A consumer marketing campaign is critical to generating brand awareness, enticing consumers to taste the apple, and moving the fruit off retail shelves. Consumer demand will make it easier for Washington growers to place the new variety with large grocery stores and distribution chains. Since WSU will receive a fruit royalty if the apples sell for a price in excess of $20.00 per 40-pound box wholesale (FOB) price, it is highly advantageous to the University to assist in increasing customer awareness and demand.

WSU is currently negotiating with a firm to manage a marketing campaign directed at consumers for the apple. Once full financial due diligence, contractual terms and legal review is complete, WSU anticipates signing a one-year contract of approximately $700,000. This single year contract falls within the existing delegated authority of the President, and will not require additional Board approval. The cost of the contract will be paid using royalty revenue received as a result of WSU’s intellectual property rights to the patented apple cultivar, WA 38, and the trademark rights to Cosmic Crisp®

WSU is also negotiating with that firm to manage a multi-year marketing campaign directed at consumers for the apple. It is expected that this contract may cover four years, with the ability to cancel for convenience with 60 day notice. The expected cumulative value of the multi-year contract will require the Board of Regents to authorize and delegate authority to the President or his designee to enter into the agreement. The cost of the multi-year contract will be paid using royalty revenue received as a result of WSU’s intellectual property rights to the patented apple cultivar, WA 38, and the trademark rights to Cosmic Crisp®