

**LONG-TERM HAZELNUT MARKET OUTLOOK:**



**NORTH AMERICAN HAZELNUTS ARE ON A ROLL!**



- Tree Nut Consumption is Going Up as Developing Countries Create More Middle Class

.....

- Hazelnut Consumption is Going Up Due to China and Increased in Confectionary Demand Worldwide

.....

- US Consumption is Far Below Targets Due to Lack of Supply and Lack of Market Development

.....

**THE NORTH AMERICAN INDUSTRY DESPERATELY  
NEEDS TO GROW TO BECOME A WORLD-WIDE FORCE.**

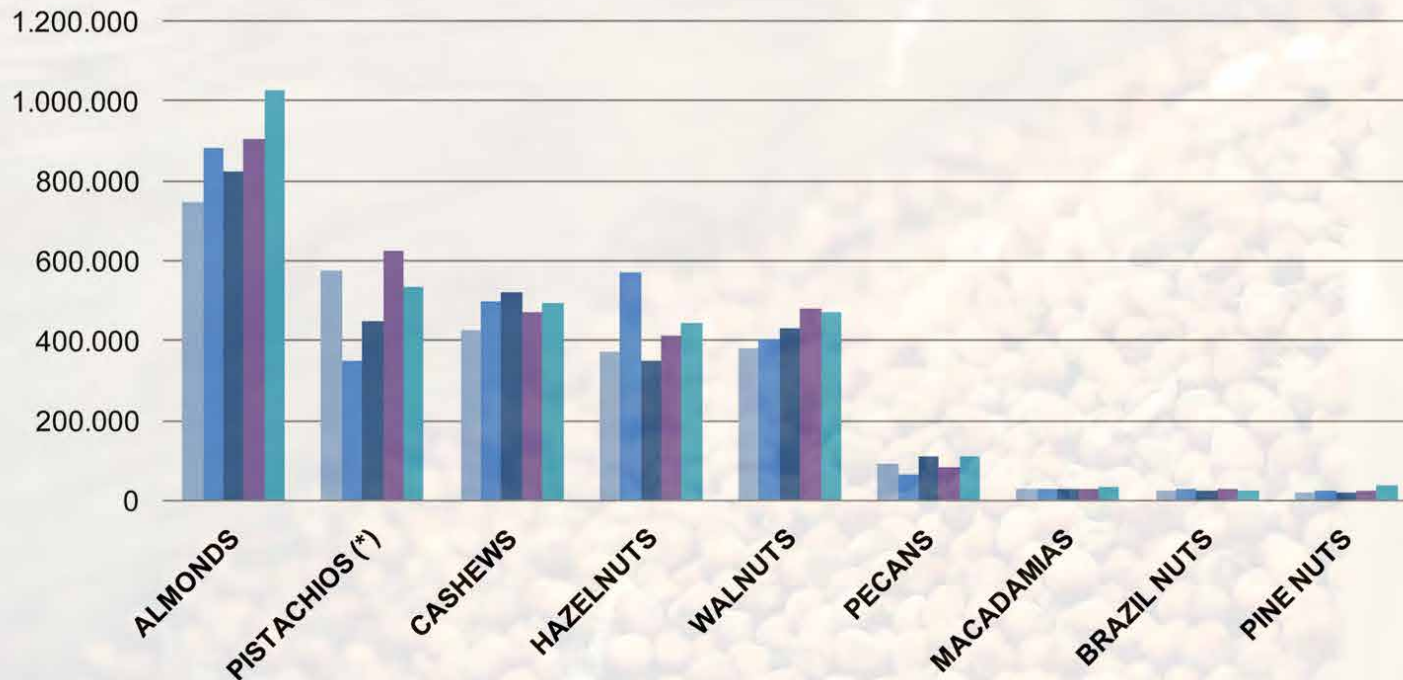




## WORLD TREE NUTS PRODUCTION

Metric Tons · Kernel Basis

■ 2007 ■ 2008 ■ 2009 ■ 2010 ■ Est 2011



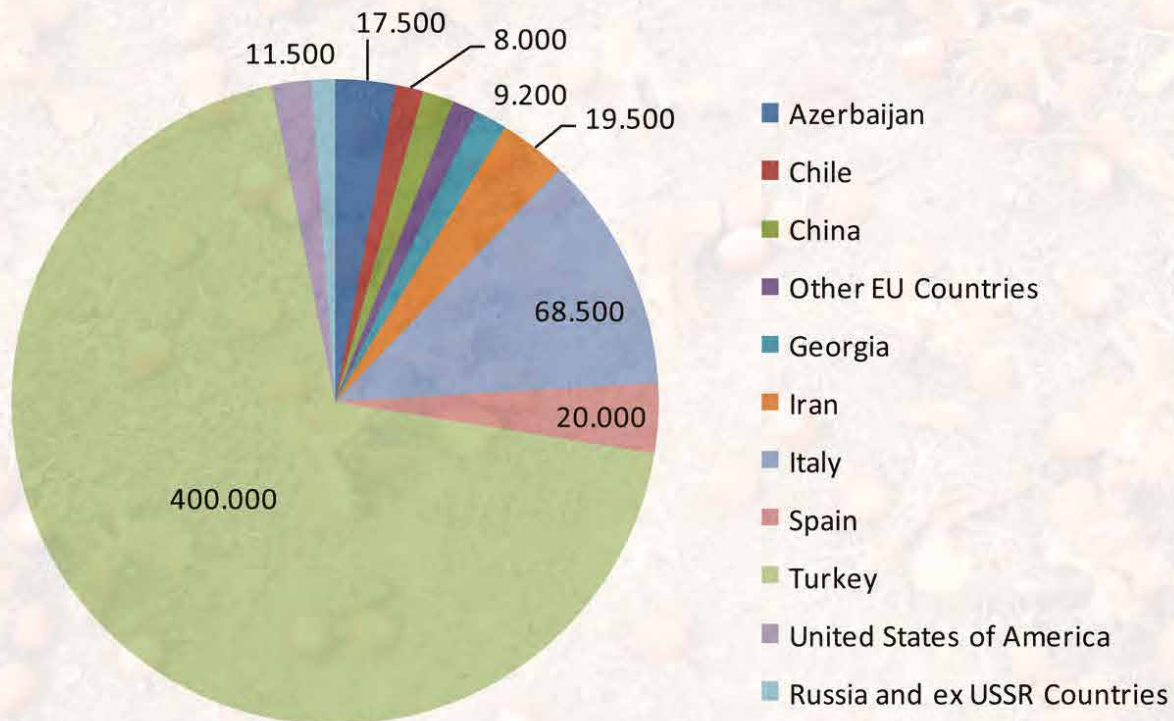
(\*) In shell basis

Source: Nuts and Dried Fruits: World Market Trends  
Pino Calcagni – Chairman of Scientific and Government affairs  
Committee international Nut & Dried Fruit



# HAZELNUT CULTIVATION

- Hazelnuts Cultivation (Ha) -

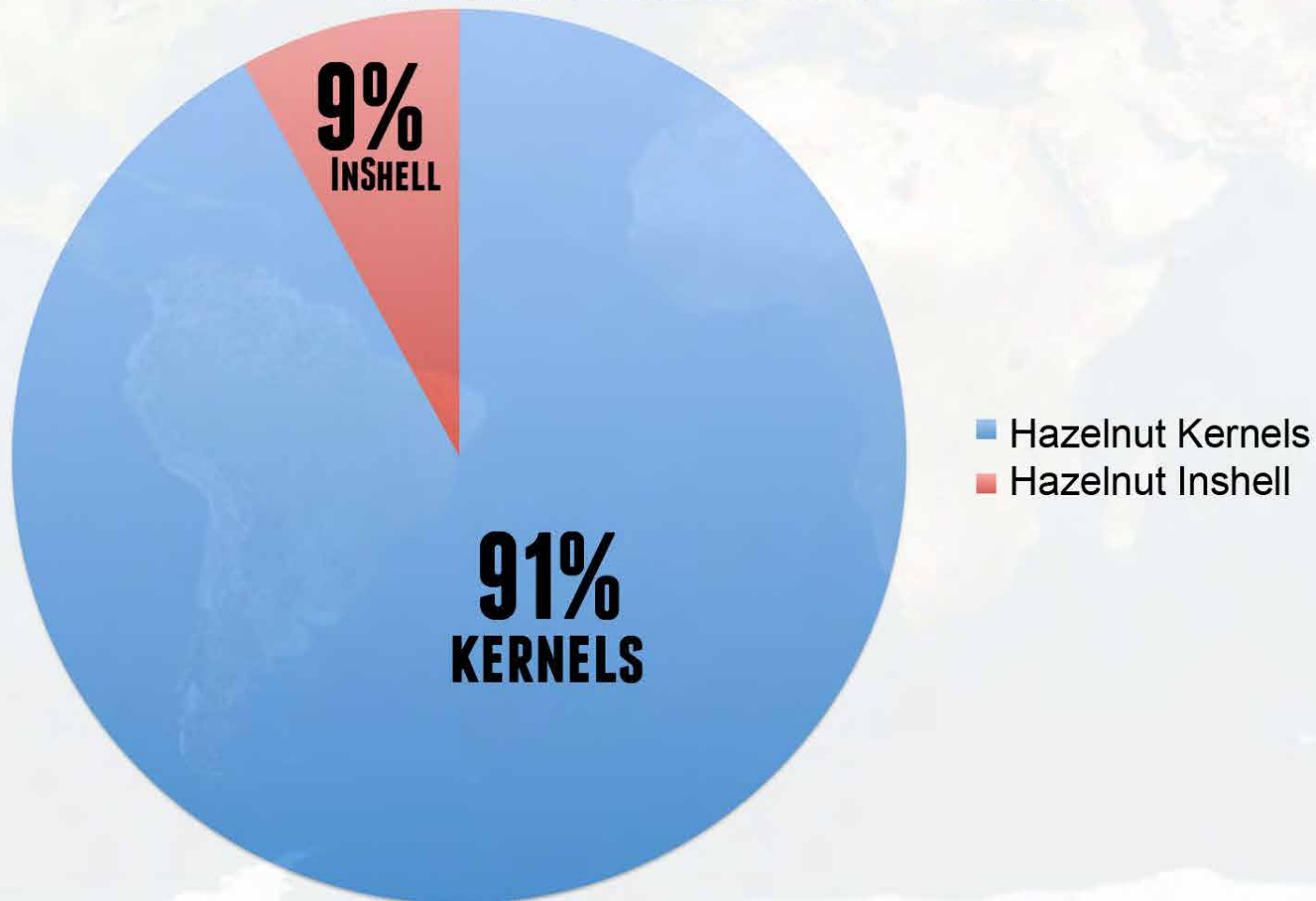


**Total: 580.000 ha**





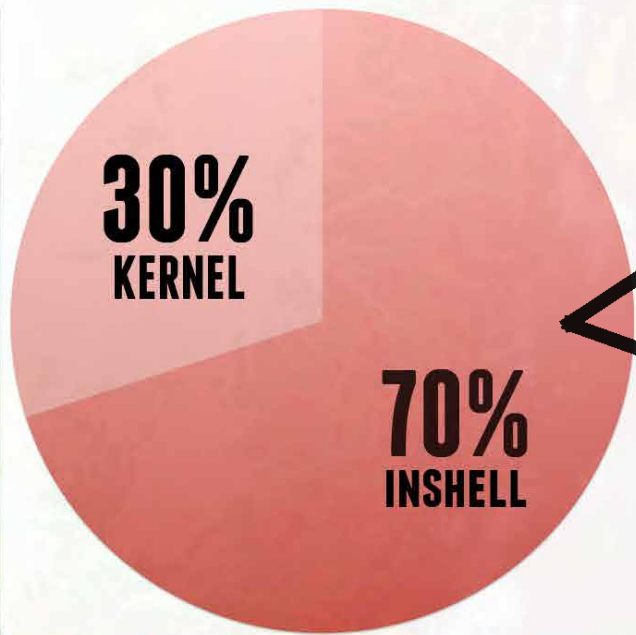
# WORLD HAZELNUT SALES



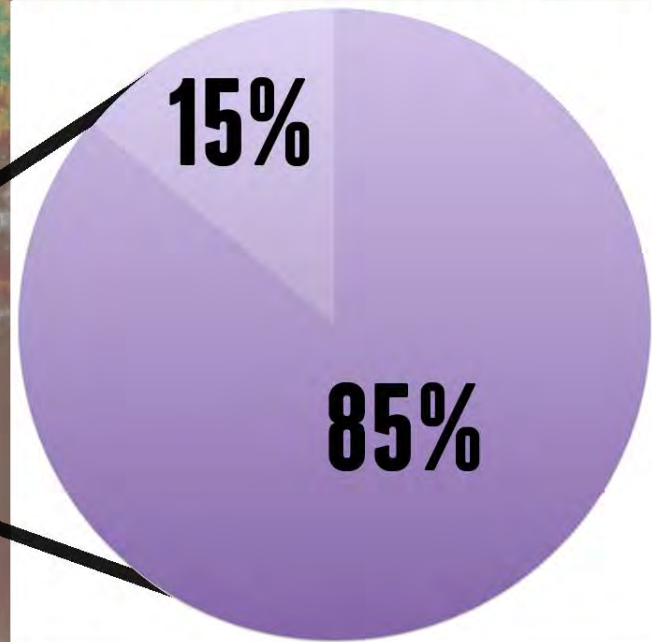
# **NORTHWEST INSHELL EXPORTS**

## **MORE DEPENDENT ON NORTHERN CHINA EVERY YEAR!**

### **NORTHWEST TOTAL SALES**

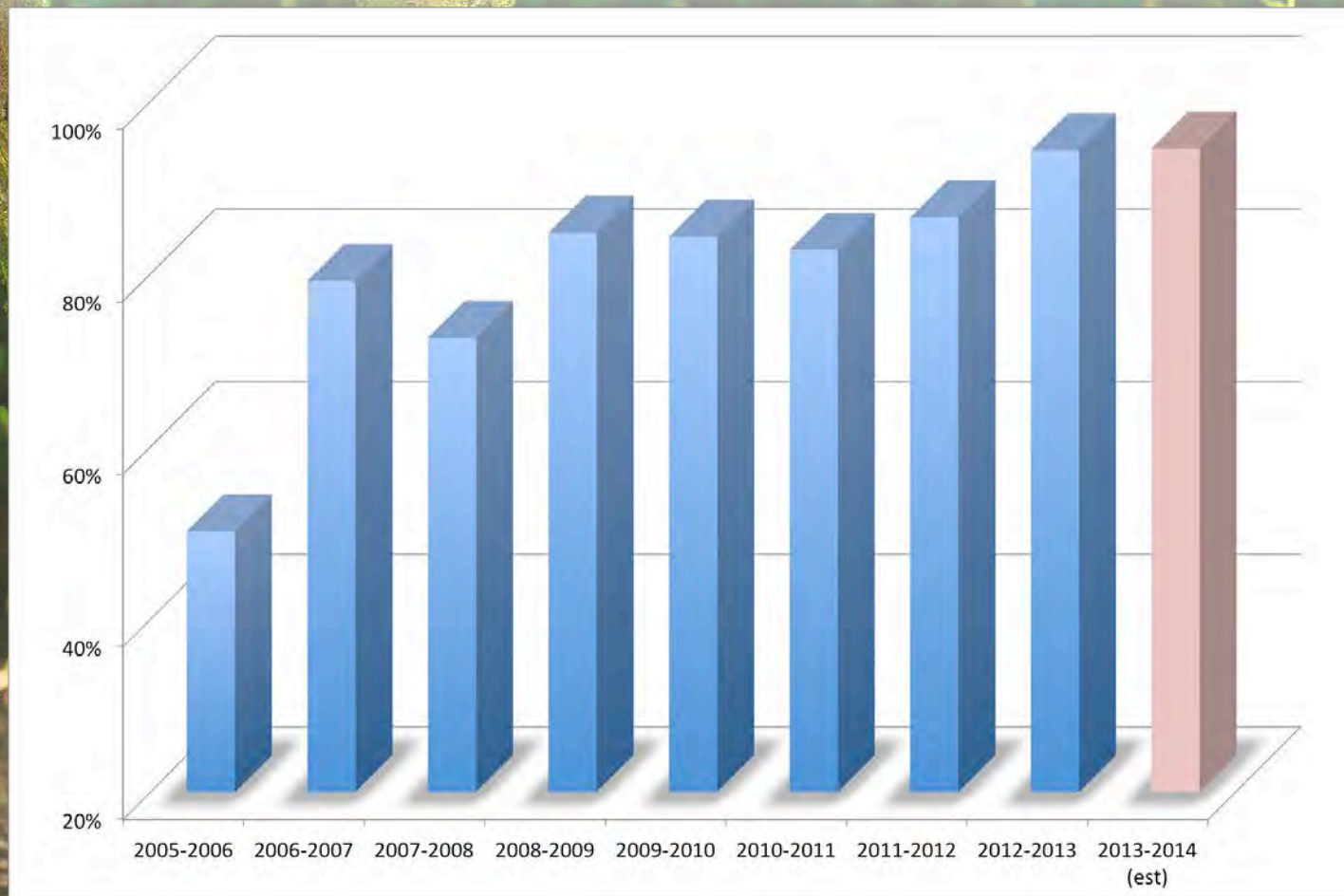


### **OREGON INSHELL SALES**





# PACIFIC NORTHWEST INSHELL EXPORTS MORE DEPENDENT ON NORTHERN CHINA EVERY YEAR!





# HOW ARE INSHELL NUTS SOLD IN CHINA?





# INSHELL COMPETITION IN CHINA MARKETS WILL INCREASE.

## FRANCE

*Plans On Doubling Production*

**Advantage:** close to EU markets for Christmas. High quality inshell for China



## TURKEY/ITALY:

*Mature Markets with Some Large Inshell (18mm+)*

**Advantage:** Big Volumes, High Quality



## GEORGIA/AZERBAIJAN:

*Huge capacity, low costs (quality problems)*

**Advantage:** Low cost will keep prices capped



## CHILE

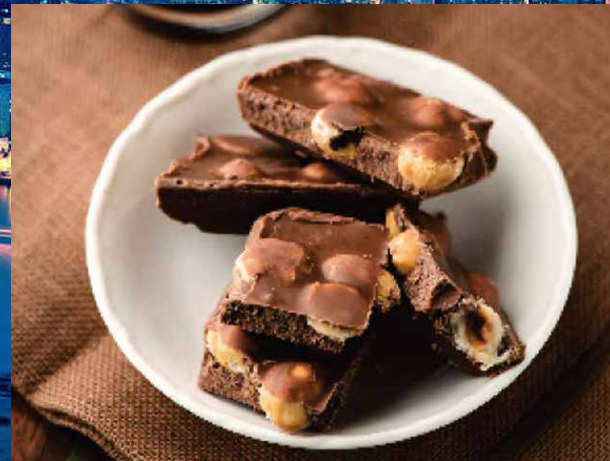
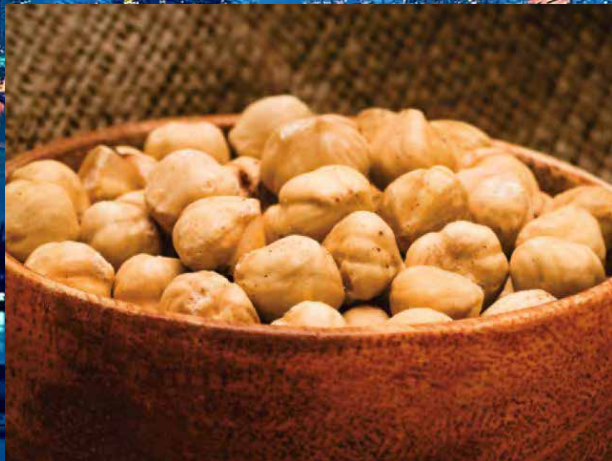
*Between 60-70% of New Plantings (estimated at 20,000+ acres) to be Inshell Barcelona.*

**Advantage:** Timing, can get current season product to market months earlier, large production in 2017 and beyond.





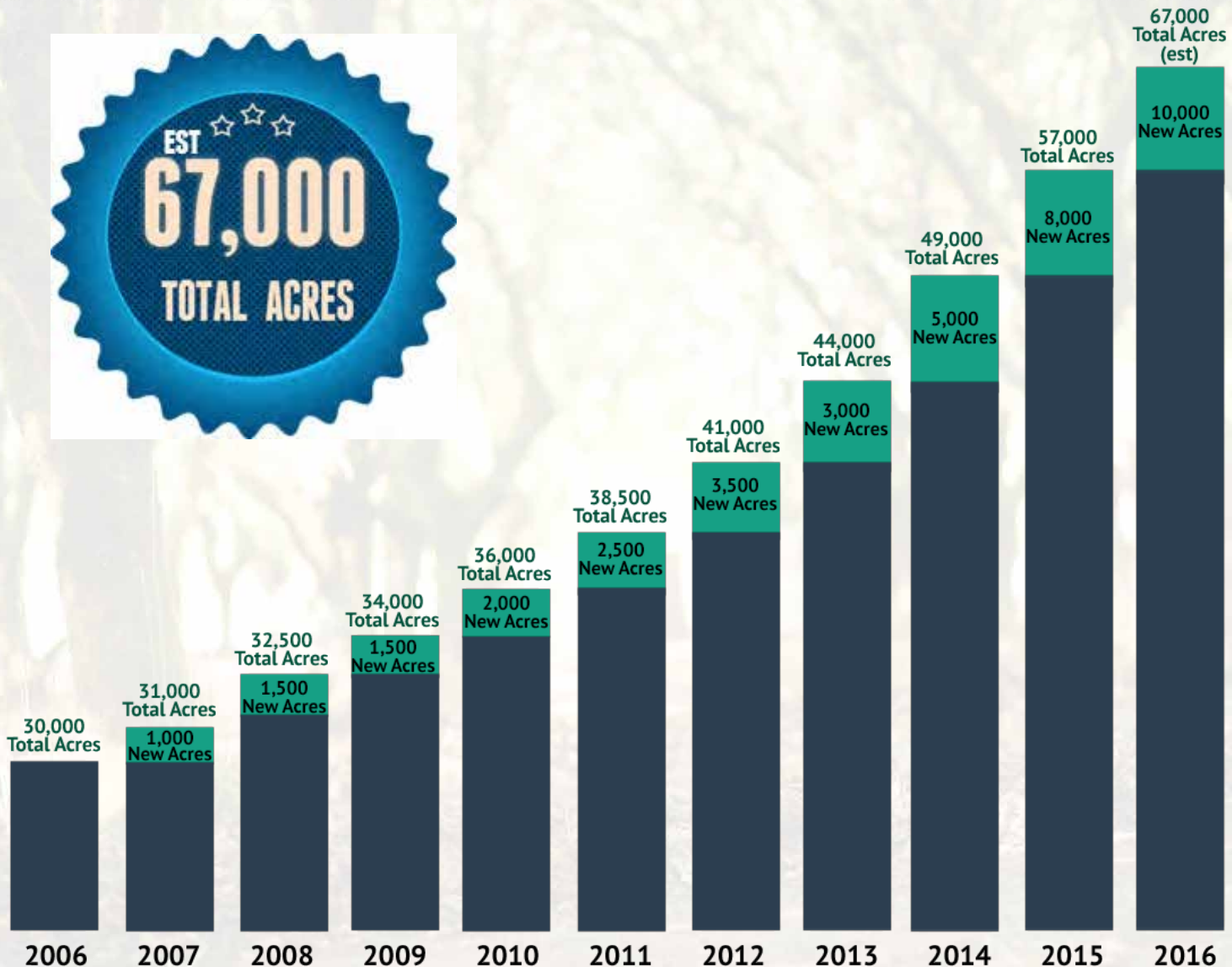
# WHAT IS THE FUTURE OF HAZELNUTS IN CHINA?







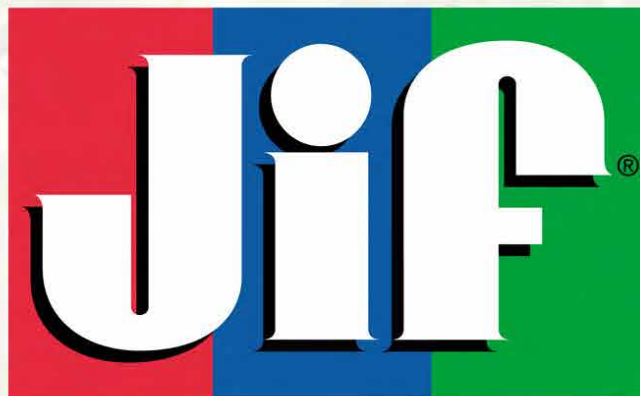
# HAZELNUT SUCCESS IN OREGON – ESTIMATED PLANTED ACRES IN USA





THE PROBLEM IS NOT TOO MUCH PRODUCTION IN OREGON  
THE PROBLEM IS THAT THERE IS NOT ENOUGH PRODUCTION

**FERRERO**



*Lindt* 

**nutella**



**Nestlé**

**HERSHEY'S** <sup>®</sup>

Inshell Prices Will Very Likely Return to Close to Kernel Values  
Inshell Bonus Likely a Short-Term Anomaly With Growing World Supply

.....

## TWO ORCHARDS AT \$3.75/LB KERNELS:

### *Orchard #1:*

Barcelona  
3000lb. acre  
39% Kernels  
1170lbs. Kernels  
\$4387/acre Gross Industry Return

VS

### *Orchard #2:*

Sacagawea/Casina  
3000lb. acre  
50% Kernels  
1,500lbs. Kernels  
\$5625/acre Gross Industry Return

**128% HIGHER  
GROSS INDUSTRY  
RETURN**



# OREGON FACES EASTERN FILBERT BLIGHT



- **NO KNOWN CHEMICAL CURE**
- **AFFECTS NEARLY 100% OF TREES**
- **CURRENTLY 90% OF PRODUCTIVE TREE VERY VULNERABLE**
- **SIGNIFICANTLY AFFECTING PRODUCTION AND GROWTH**



# RECEIVING STATIONS



- **GROWERS OWNED AND OPERATED**
- **PAID BY BOTH GROWER AND PROCESSOR**
- **INDEPENDENT THIRD-PARTY -- DETERMINES LOSSES DUE TO DIRT AND DEBRIS**



# HAZELNUT AGGREGATION IN OREGON/WASHINGTON/BRITISH COLUMBIA

## GROWERS

5-1000 ACRES - AVERAGE 30 ACRES  
12 DIFFERENT VARIETIES



## RECEIVING STATIONS

LOCATED FROM EUGENE, OREGON TO BRITISH COLUMBIA, CANADA  
PAID BY GROWERS FOR CLEANING AND DRYING (BASED ON DISAPPEARANCE)  
PAID BY PROCESSOR \$.035/LB. FOR HANDLING/LOGISTICS/SERVICE



## PROCESSOR

11 PROCESSORS - 70% OF TONNAGE IN TWO HANDLERS (GPC/NWH AND LOCAL COOPERATIVE)  
GPC WORKS ON \$.33/LB INSHELL AS A FIXED MARGIN  
CLEANS, SORTS, SEPARATES FOR MARKET, SHELLS, ROASTS, PROCESSES, ETC.  
FOOD SAFETY, REGULATORY COMPLIANCE, ETC.



# HAZELNUT AGGREGATION IN OREGON/WASHINGTON/BRITISH COLUMBIA

## CUSTOMERS/END USERS

**RETAIL:**



**SMALL END USERS:**



**LARGE INDUSTRIAL:**



**INSHELL USERS:**





# **GROWER FIELD PRICES IN PACIFIC NORTHWEST GROWER/PROCESSOR RELATIONSHIP CHANGED POST 1994**

## **WORLD MARKET**

**INSHELL/KERNEL/PROCESSED GOODS (ROASTED/DICED/MEAL/PASTE, ETC)  
AVERAGE MARKET PRICE PER VARIETY CALCULATED BACK TO INSHELL VALUE**



## **GEORGE PACKING COMPANY**

**SETS FIXED PRICE AT HARVEST – PRICE ONLY GOES UP  
TAKES FIXED PROCESSING/MARKETING FEE OF \$.33 INSHELL POUND  
SUBJECT TO A THIRD-PARTY AUDIT**



## **GROWER FIELD PRICE**

**GROWERS GET SEPTEMBER'S GUARANTEED MINIMUM  
GETS MARKET BONUSES IN NOVEMBER-JULY**





**MARKET DIVERSITY  
IS KEY TO SUCCESS!!!**





**HAZELNUT WORLD MARKET,  
DRIVEN BY CHINA IS GROWING**

**INSHELL MARKETS  
ARE STABLE**

**GROWTH WILL BE PROCESSED  
GOODS IN NORTH AMERICA  
AND CHINA**

**NORTH AMERICAN MARKET  
UN-TAPPED**