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# **OREGON AGGREGATION AND MARKET: HOW DOES IT WORK?**

# Hazelnut Traceability Program





# HAZELNUT AGGREGATION IN OREGON/WASHINGTON/BRITISH COLUMBIA

## GROWERS

5-2,000 Ac. – Average 50 Ac.  
15 Different Varieties

**PROCESSOR  
TAKES TITLE**

## RECEIVING STATIONS

Paid by Growers for cleaning and drying  
Paid by Processor \$.0425/lb. for handling/logistics/service

## PROCESSOR

7 Processors – 75% of tonnage in two handlers  
Packer works on \$.33/lb. inshell as a fixed margin  
Cleans, sorts, separates for market, provides all logistics, shells, roasts, etc.  
Food safety, regulatory compliance, etc.

Oregon processors take possession **in October**, pay in full in 45 days,  
and are required to pay growers ALL upward market movement.



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

## WORLD MARKET

Inshell/Kernel/Processed Goods

Average Market Price per Variety Calculated Back to Inshell Value



## PACKING COMPANY

Sets fixed price in September – grower price only goes up with market

Takes Fixed Processing/Marketing Fee of \$.33 Inshell Pound

Subject to a Third-Party Audit



## GROWER FIELD PRICE

Growers Get September's Guaranteed Minimum

Get Market Bonuses in November-July



# HAZELNUT AGGREGATION IN OREGON/WASHINGTON/BRITISH COLUMBIA

## CUSTOMERS/END USERS



**SMALL END USERS:**



**LARGE INDUSTRIAL:** 



**INSHELL USERS:**





# CURRENT OREGON PRODUCTION BY SHELL-OUT

## WHAT DOES \$7,500 USD/MT MEAN TO GROWERS?

### Low Shell-Out – 85%

Inshell 38-40% Kernel

\$.90/lb. US Grower Price Pound

### Mid Shell-Out – 9%

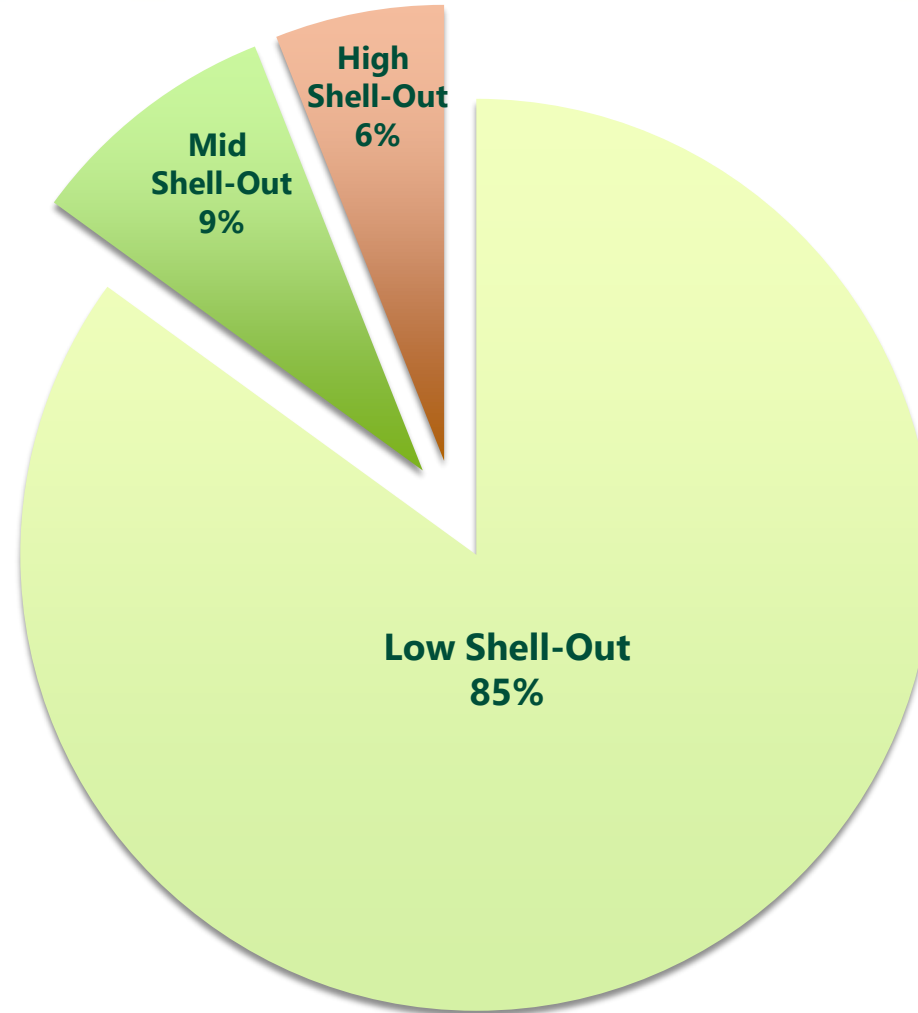
44-47% Kernel

\$1.02/lb. US Grower Price Pound

### High Shell-Out – 6%

48-52% Kernel

\$1.20/lb. US Grower Price Pound





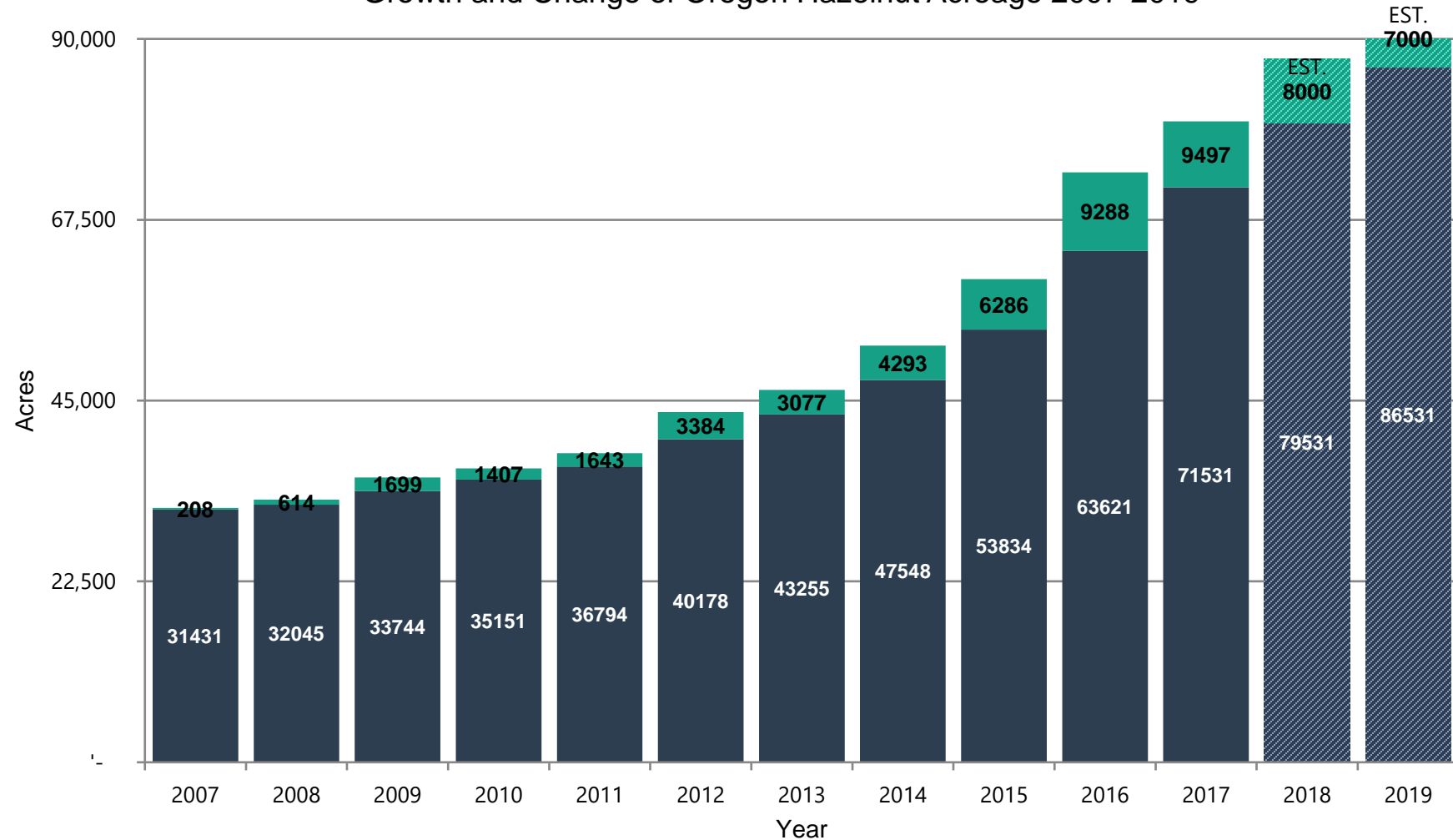
# HOW ARE INSHELL NUTS SOLD IN CHINA?





# Success in Oregon

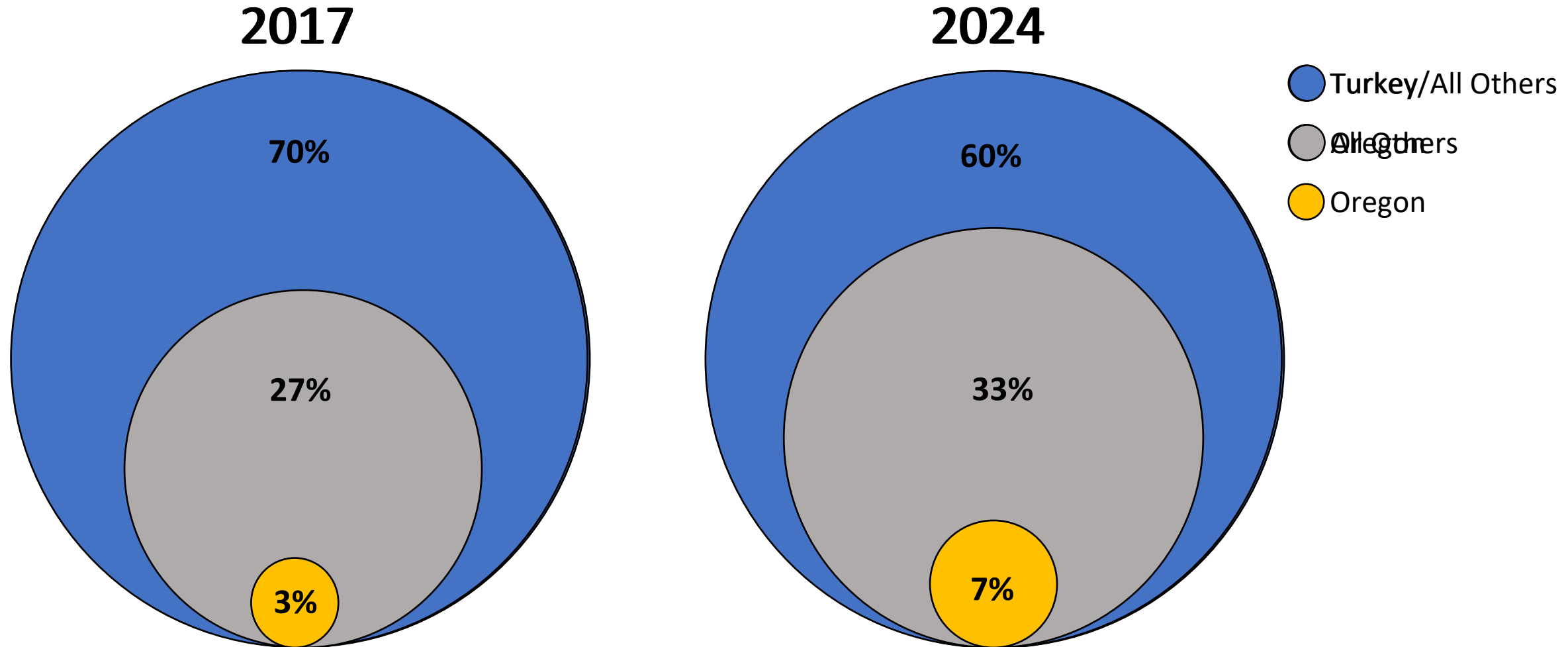
Growth and Change of Oregon Hazelnut Acreage 2007-2019



Data Source: USDA NASS, Pacific Agricultural Survey LLC



# World Market for Hazelnuts Over Time





# WHAT DIRECTION FOR THE FUTURE?





# Maintaining Market Premium

1. Alternative Market – Not Turkey
2. Certification/Sustainability
3. Quality!

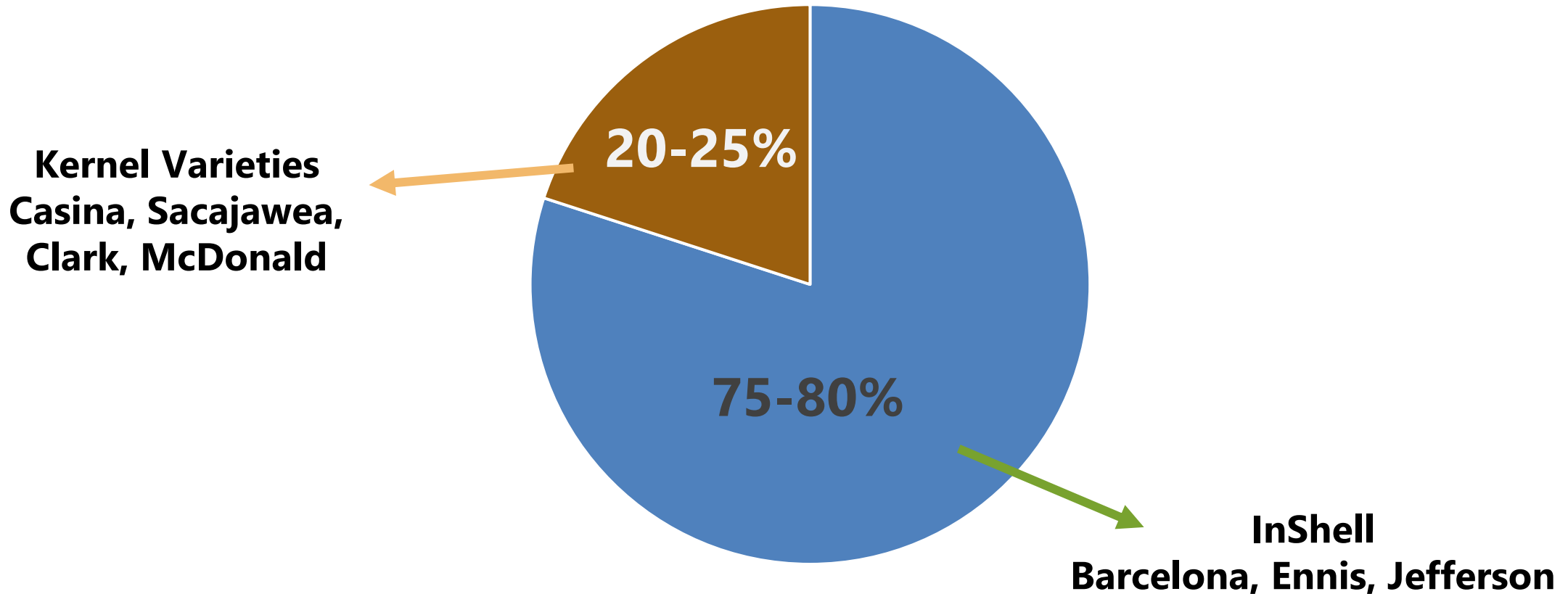


# Certifications Means Higher Quality!





# Future Oregon Hazelnut Production InShell Varieties vs. Shelling Varieties



**Oregon Industry is Heavily Invested in “InShell” Hazelnut Varieties**



# 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.





# Unfavorable “Most Favored Nation” Tariffs (MFN Rate) Led to Transshipments

-  From 2001-2018 a very high 25% MFN Rate and a 10% VAT Rate led to: **+\$\$.45-\$.86/lb.Tariff/Tax.**
-  High China Tariffs led to 100% of Oregon Hazelnuts **Transshipped** Through Other Routes.
-  High Tariffs **Limited Market Pipeline** for Oregon Hazelnuts (650-750 Containers?).
-  Prior to 2018 Future Growth in InShell was **Extremely Limited.**



# Current Tariff Situation

HAZELNUTS - CHINA	HS 0802.21 (in shell)	HS 0802.22 (shelled)
MFN Rate	25%	10%
Section 232 Retaliation (April 2, 2018)	15%	15%
Applied Rate (April 2 - July 6)	40%	25%
Section 301 Retaliation (July 6, 2018)	25%	25%
Applied Rate (July 6 - Present)	65%	50%

Historically a 25% MFN Rate and a 10% VAT Rate led to \$.38-\$.86/lb. Tariff/Tax led to transshipment sales.

China's Retaliatory Tariffs, and Shut Down Transshipment Routes, Led to **Pricing Crisis**.

Tariff/Tax for 2019: **Minimum of \$.815/lb.** Up to \$1.87 for Jumbo Ennis!



# 2018 Trade War: Big Opportunity for Oregon Hazelnuts

-  "China Tariff" was a Project 2012-2018 ZERO Progress From US or China Side.
-  2018 Trade Conflict Allows Oregon Hazelnut Industry To Address **2001 MFN** Very High Tariffs.
-  Changing Tariff on Oregon Hazelnuts Provide a Win-Win for Both US and China!





# HAZELNUT

GROWERS BARGAINING  
— ASSOC. —