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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%

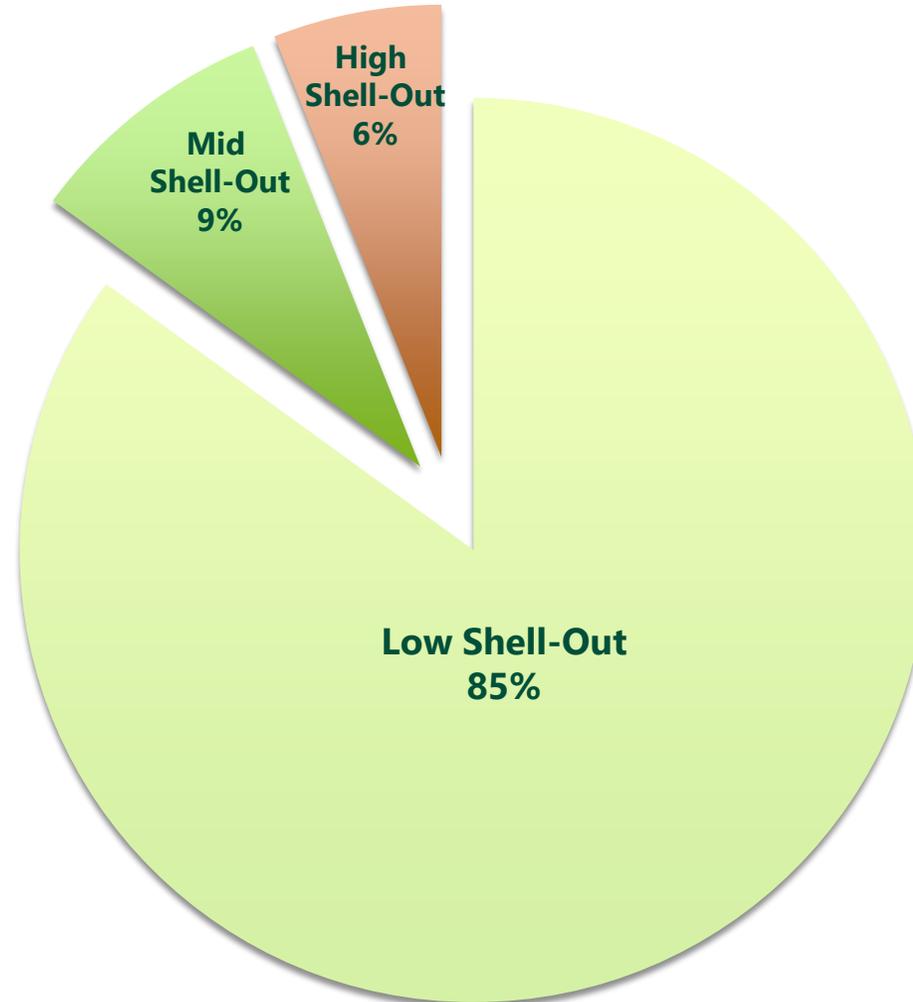
Inshell 38-40% Kernel
\$.90/lb. US Grower Price Pound

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

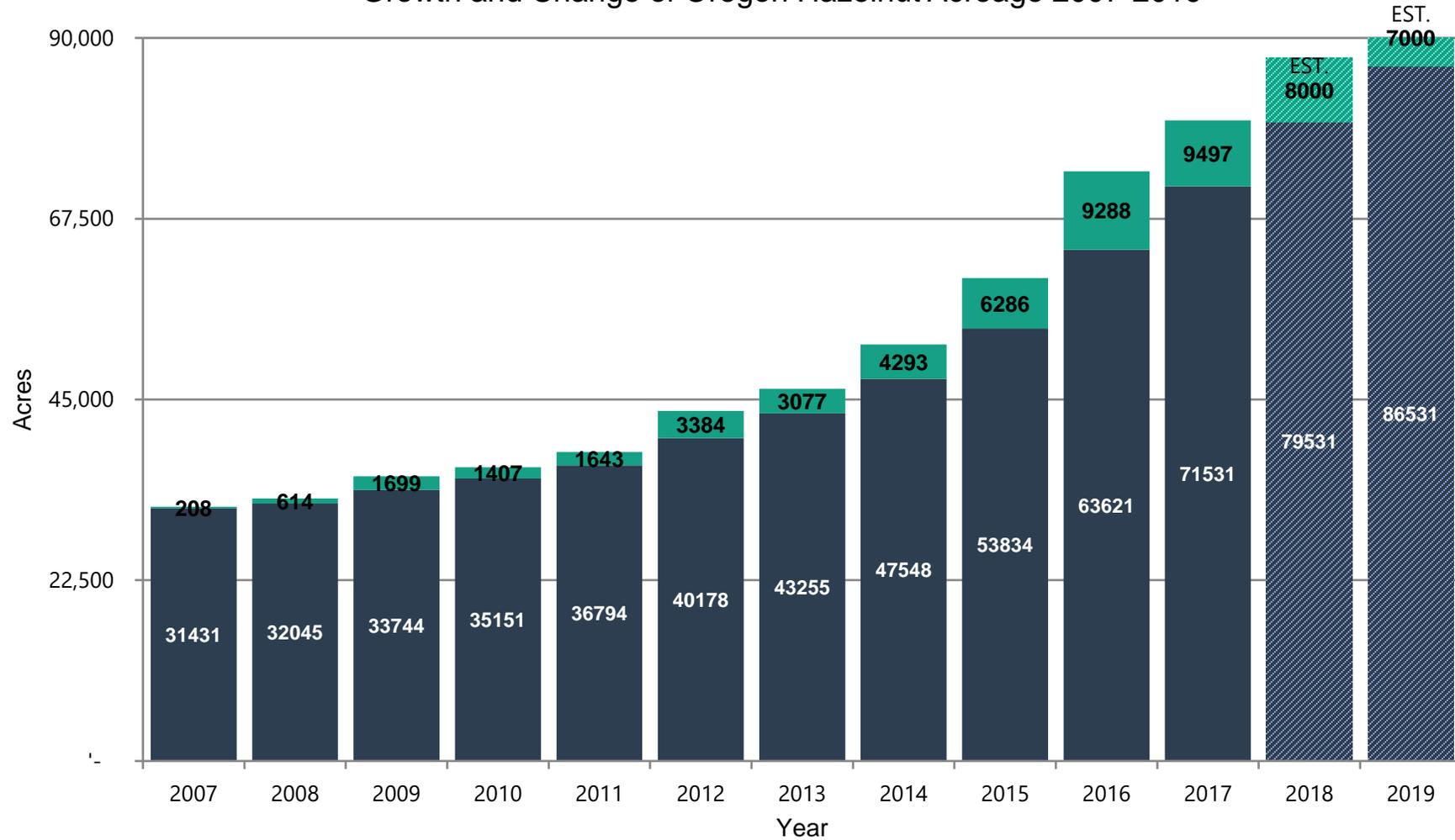


HOW ARE INSHELL NUTS SOLD IN CHINA?



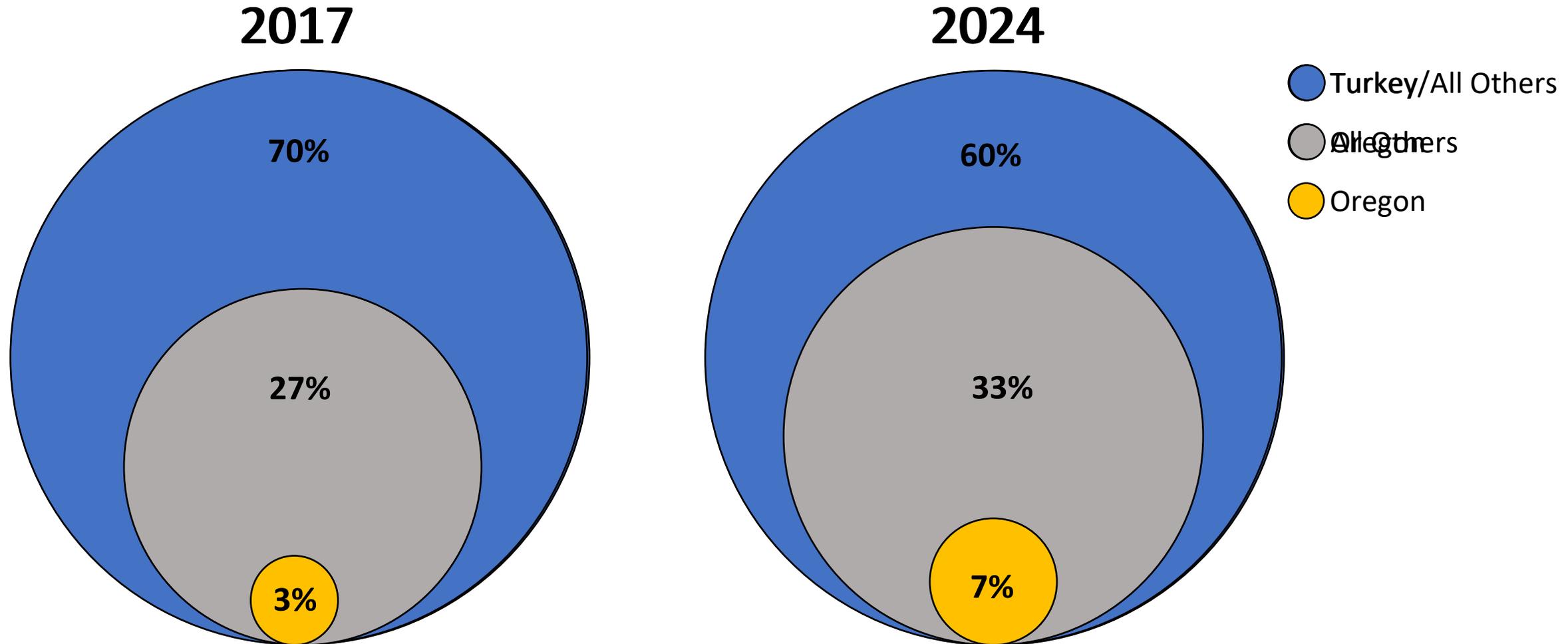
Success in Oregon

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?**

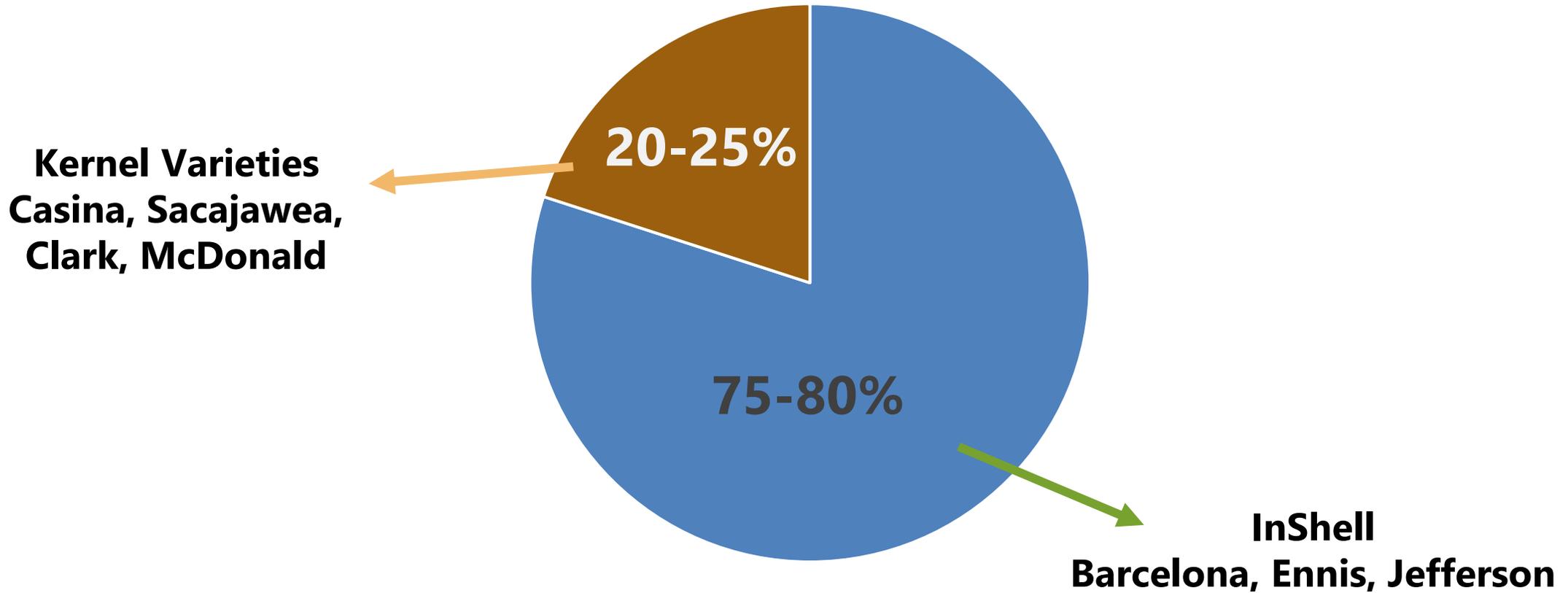
Maintaining Market Premium

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. —