



COVID-19 AND THE  
**RESILIENT  
HAZELNUT  
MARKET**

By Shaun George

Oregon hazelnut growers have asked us about the impact of the COVID-19 (C19) virus' massive financial disruption, Turkey's projected crop size, and the ongoing Chinese market uncertainty. So, how do these events affect the 2020 hazelnut market? What influence will this place on future hazelnut growers' field prices?

In the C19 pandemic environment, some Oregon hazelnut market segments have collapsed, such as food service, retail, and the China inshell market. However, other markets have demonstrated amazing strength, as seen in the ingredient and confectionery markets. Fortunately for Oregon hazelnut farmers, prices of hazelnuts have remained relatively stable while tree nuts such as almonds and walnuts have fallen sharply. All of us at George Packing Company (GPC) remain optimistic that the market for Oregon Hazelnuts will remain strong for the 2020 crop.

### **2020 MARKET OUTLOOK**

Oregon produces roughly 3-4% of the world's hazelnuts; as a result, a big crop in Oregon has minimal impact on the world commodity market, making it highly likely Oregon farmers could have a large 2020 crop and still see strengthening prices. How? World production limits and market diversity.

Turkey produces nearly 70% of the world's hazelnuts and is now expected to have a significantly lower 2020 crop than its 2019 crop. This drop in world production has resulted in prices moving up in the commodity kernel market, which helps Oregon's specialty markets move up. Oregon's 3-4% of the world hazelnut production is so small, an increase of 20-30% in Oregon production has very little impact on global hazelnut prices.

### **WHAT DOES MARKET DIVERSIFICATION MEAN?**

Nearly two decades ago, GPC adopted the strategy that our company would tackle every profitable market possible and not place all the hazelnuts in one Chinese basket.

Like others, we built strong market relationships in China, but then we also worked to build North American markets that would be able to absorb all new production and build long-term price stability. Starting in 2007, we internally began working on what we called "strategic diversification beyond China." This strategy applied to both where we sold Oregon hazelnuts and what hazelnut varieties we urged farmers to plant. (CONTINUED PAGE 2)

(CONTINUED FROM PAGE 1)

Ten years ago, when others were pushing the industry towards planting an inshell variety for the single Chinese inshell market, GPC started subsidizing the planting of high shell-out kernel varieties to help us build the domestic/North American market even faster. We take each variety and sell them to specific markets to maximize the price back to the grower. We knew over a decade ago that we had to build diversification beyond the very lucrative China inshell markets, so that the Oregon hazelnut market would remain stable and profitable in the long run.

Since 2007, GPC has been laser focused on building the largest and most sophisticated shelling/processing plants in the industry. Our sales teams have spent a decade doing the tough work of consistently building a strong North American kernel market that would stabilize the entire industry. Today, our diversification plan, coupled with technology-driven modernization, have proven to be the correct strategy for our company and the entire Oregon hazelnut industry.

In this time of C19 and other market uncertainties, we are extremely proud of our team, our industry-leading processing plants, and the quality product produced by Oregon hazelnut growers. With these advantages, we are extremely optimistic that hazelnuts will be bright for Oregon farmers in 2020, and far beyond. Keep watching for market updates as we move through the summer, and we expect to see strong prices and hopefully a huge crop for Oregon hazelnut growers!



The Horning family has been farming in the Valley since the early 1900s. Over that period, they have grown numerous crops and been through multiple transitions. The most recent of those transitions occurred in 2009 when they decided to start planting hazelnuts. While there was a steep learning curve starting their nursery and learning to manage orchards rather than grass or row crops, they are incredibly thankful to have such a welcoming group of people. Steve credits the culture of sharing and encouragement to their continued growth in hazelnuts: "Without our peers welcoming us into this great industry, we would have been completely lost." Today, 4th-generation farmer Steve and his wife Krissy manage most of the day-to-day operations, while his parents Gary and Jenny are still heavily involved in the management as well. They also get plenty of help from a great group of employees and 5th-generation farmers Ivan and Greyson.

## AVELLANA AG RECEIVING STATION

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# HMB AUDITS ALL PROCESSORS' INVENTORY

## CARRYOVER DIRECTLY IMPACTS GROWER FIELD PRICE

The Hazelnut Marketing Board (HMB) is a subsidiary of the US Department of Agriculture (USDA) and empowered by US Federal Hazelnut Marketing Order No. 982 (enacted by Congress). The HMB is the regulatory body that tracks and then reports official US hazelnut production and sales figures.

Each marketing year, the HMB requires processors (handlers) to accurately report the size of the crop, then requires each processor to precisely report monthly sales and shipments. This ensures transparency in tracking the disposition of the Oregon hazelnut crop (July 1–June 30) and accurately states the industry's crop carryover.

The year-end carryover report is released annually on July 15 and gives world buyers insight on how well the Oregon industry has been able to sell the previous year's crop. This report has served as a vital tool during negotiating higher prices with world buyers.

Over the past couple of years, the annual report has shown more "carryover" inventory than expected. This reported excess inventory has put significant downward pressure on new crop prices, as it gives the impression to buyers that the industry is not able to sell the entire crop. We do not believe that the stated inventory has been accurate, leading us to consider there is some kind of reporting issue that is making the carryover inventory appear larger than it truly is.

### For example, this 2019 crop year:

As of June 1, 2020, the Oregon industry is showing nearly 21 million pounds of unshipped carry-in inventory, about 35% above what would be healthy for the market. Many have been calling for an audit to correct any reporting errors that may have built up between the HMB and hazelnut processors. Because of this pressure, the HMB approved funds to conduct an audit at its May meeting.

The audit began June 1 with third-party auditors inspecting each plant and weighing all inventory in time for the year-end closing report on July 1.

Having an accurate number will strengthen our industry's negotiating position as we prepare to market the 2020 crop, as well as firm up the 2020 field prices.

### What Is the HMB?

The Hazelnut Marketing Board is part of the hazelnut industry office, and it is the industry's regulatory implementing body of US Federal Marketing Order No. 982.

Many new hazelnut farmers hear the term "Marketing Board" and mistakenly believe it is an internal advertising firm. It is not. The HMB is primarily a regulatory body; it regulates hazelnuts in the US market for quality and sales.



### The purpose of the HMB is fourfold.

- (1) HMB sets the quality standards for the industry. All product going into a US channel of trade must be inspected. In addition, all imported product must meet US standards per inspection by the USDA.
- (2) HMB is the source of hazelnut industry statistics for the United States.
- (3) HMB coordinates funding of research, education, and promotions on behalf of the hazelnut industry.
- (4) HMB allows handlers to implement volume control when the board determines it is in the best interest of the industry.



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# NEW! CLASSIFIED ADS FOR HAZELNUT GROWERS!



We are pleased to announce that George Packing Company has added a Classified Ads service for the hazelnut industry under "Grower Resources" on our website [filberts.com](http://filberts.com). There's no cost to take advantage of this service; we just ask that the ads are for items and services in the hazelnut industry.

To post your ad, go to the website and fill out the form. Listings must include a general description, contact information, and when applicable, make, model, year, condition, price, and measurements. You can upload up to 5 photos for your ad. Photos must be .jpg or .png files and good quality to ensure the item is accurately represented.

Once you submit your ad, we'll review it and contact you if we have any questions. Approved ads will be posted in approximately 48 business hours.

We're excited to offer this new venue to support our industry and encourage you to take advantage of it should the need arise.

