



**NORTHWEST  
HAZELNUT  
COMPANY**

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# HAZELNUT MARKET NEWS

A NEWSLETTER FOR THE GREAT NORTHWEST HAZELNUT COMMUNITY

2020 | WINTER ISSUE



## A 2019-20 MARKET REVIEW MAINTAINING THE OREGON PREMIUM

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**In the world of hazelnuts,** Oregon hazelnuts (along with hazelnuts from Chile) have enjoyed a 10-25% premium over Turkish hazelnuts due in part to higher standards set to uphold the "Oregon Premium." Hazelnuts from Turkey typically set the "floor price" for hazelnuts worldwide, followed in the next tier up by Italian hazelnuts, and then Chilean and Oregon hazelnuts in the top tier.

To maximize our grower field price, Oregon producers need to hold a holistic view of all markets and customers. To maintain the "Oregon Premium" we need to build and grow every one of these markets.

In 2019 hazelnut markets continued to be impacted by global events, however, hazelnut prices recovered significantly since the original 2018 tariff/currency issues. You are reading Part 1 of a two-part series presenting a broad review of all markets and offering growers important background. This offers those who attend our Growers Breakfast a meaningful opportunity to ask

questions at the meetings (reserve your space at [www.filberts.com/upcoming-events](http://www.filberts.com/upcoming-events)).

**We remain incredibly optimistic about the future of Oregon hazelnuts, market growth, and the desperate need for more high-quality hazelnuts from the Pacific Northwest.**

### NEXT ISSUE READ PART 2

- **Ingredient Markets**
- **Retail Snacks & More**
- **Wholesale & Food Service**

## INSHELL HAZELNUTS

# EXPORT MARKETS

**Oregon is unique and blessed to have a wide range of different specific hazelnut varieties**, each offering specific uses and benefits. Some Oregon varieties produce a larger inshell product (20mm+) than the rest of the world (Barcelona, Ennis, Jefferson). Oregon has dominated this valuable niche market for decades due to these distinctively large inshell varieties.

Our customers for inshell markets pay us not only for the edible kernel, but additional dollars for the large shell. Oregon hazelnut growers consistently received a 15-20% premium over the kernel value alone, due to this large “inshell premium.” The downside to the premium inshell market is two-fold: it is a small niche market, and it is dependent on China.

The inshell varieties (with a larger shell percentage) have lower kernel yield, or 20-28% less kernel than shelling varieties. This presents a dilemma. If we don't expand, don't service, or oversupply the inshell markets, inshell variety growers will be forced to compete solely on the kernel value of their crop—thus losing the very premium they have enjoyed for the extra shell they produce. Chinese buyers still prefer Oregon inshell hazelnuts and readily accept the newer Jefferson as an excellent addition to our Barcelona and Ennis premium nuts. Bottom line: we still need to open-up and expand China's markets.

Our companies are leading the charge to restore and expand the China inshell market for those of you who grow Barcelona, Jefferson, and Ennis varieties. We are very optimistic about the future of your inshell markets and we are investing heavily in your future!



SIAL TRADE SHOW, SHANGHAI, CHINA, WITH U.S. AMBASSADOR BRAINSTAD

## HAZELNUT MARKETS

# TARIFFS & TRADE UPDATE

**The 2018 U.S.-China trade war continues to weigh on Oregon's unique and valuable inshell market** for Barcelona, Jefferson, and Ennis varieties. Historically, the Chinese paid a premium for Oregon's large (20mm+) inshell product; however, the China market growth was always limited by not having a “direct” open trade route. The U.S.-China Phase 1 trade agreement, signed January 15, does not fix the tariff issues but gives us a pathway to gain more direct access, as well as a process to address tariffs. We will discuss more at the Growers Breakfast.

Our company's advocacy in Washington D.C. is resulting in positive impact. Last October the U.S. and Japan trade agreement reduced the tariff on Oregon hazelnuts to 0%. We owe sincere “thanks” to the USTR office in D.C. and to our lobby team there. We remain very optimistic about current U.S.-India trade talks working to eliminate tariffs on hazelnuts. The USTR requested that Northwest Hazelnut submit supporting comments and we anxiously await news of the new trade agreement.

## KERNEL MARKETS

# DOMESTIC & NORTH AMERICAN

**As you know, Northwest Hazelnut and George Packing Companies have focused aggressively on developing domestic kernel markets for the past two decades.**

In 2010-2012 we even created a hazelnut nursery to subsidize planting of kernel varieties needed for growing kernel markets in North America. We were very concerned about the push by some to plant inshell varieties exclusively, without regard to the limits on growth in Chinese markets (due to “trans-shipment”), or the need to meet growing demand for kernels in domestic markets. Opening markets in North America takes a long-term and strategic approach with increasing supply, while also building markets to protect the “Oregon Premium.”

We’ve witnessed our decades-long effort paying off in the dramatic increase of hazelnut products available to consumers in North America. This is due in large part to huge financial investments into domestic market research and development with the MSL Group of Seattle—our PR agency. MSL has worked on behalf of the hazelnut industry for 13 years, expanding hazelnut usage with food manufacturers, and literally deploying millions of dollars in the promotion and development of U.S. markets. We continue to be the undisputed leader in hazelnut sales and promotion in the North American market on your behalf, and the entire industry is seeing the results of our combined efforts.

However, we’ve recently experienced significant short-term disruption in domestic markets. One major processor, who advised growers to plant inshell varieties for their own Chinese markets, has suddenly pivoted to the domestic market over the past two seasons. In an effort to gain quick domestic market share they not only under-bid Oregon processors, but under-bid lower-priced Turkish hazelnuts. This effectively under-prices the “Oregon Premium.” Most of your Oregon processors have developed premium domestic markets consistent to their size without trying to “race to the bottom.” We see this only as a short-term disruption, but important to watch how it impacts prices.

We are optimistic about the growing demand for hazelnut products in North America and the emergence of “hazelnut entrepreneurs” launching new retail products. Learn more at our Growers Breakfast near you (reserve your space at [www.filberts.com/upcoming-events](http://www.filberts.com/upcoming-events)). Watch for Part 2 of this series in the next issue.

## LEADING BY EXAMPLE

# SKURDAHL FAMILY



BACK ROW: ERIC, KEVIN, MARK, SCOTT SKURDAHL  
FRONT ROW: BRUCE, CHARLOTTE, ELMER, DAWN SKURDAHL

**Meet Skurdahl Farms: Elmer & Charlotte Skurdahl, Bruce & Dawn Skurdahl.** At age 96, Elmer is a legacy grower who started farming hazelnuts in the early 1980s after “retiring” from life as an engineer. His son, Bruce, now runs the farm with his wife and four sons. The Skurdahl family also represent four generations of OSU Beavers and stepped up to donate \$25,000 to the OSU Endowment for Hazelnut Research (OHREE). “Our success is based on hard work by the people at OSU,” says Bruce. “We feel a responsibility to continue that legacy and do the things that matter. Everybody should give back to their industry. The more you give, the more you get back. Always. We and our four sons are locked and loaded for a future in Oregon Hazelnuts!”



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PO Box 276  
Hubbard, OR 97032

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## UPDATE | HAZELNUT LEGACY PROJECT



Oregon State University  
Foundation



SHAWN MEHLENBACHER, REBECCA MCCLUSKEY, DAVID SMITH AND JACOB SNELLING OF THE OSU HAZELNUT RESEARCH LAB IN THE RESEARCH ORCHARD DURING HARVEST.

## OSU HAZELNUT RESEARCH ENDOWMENT NEARS \$600,000!

*\$100,000 Match From Northwest Hazelnut, George Packing Company & Willamette Hazelnuts Exceeded at Nut Growers January Meeting*

Thank you to all growers who stepped up to contribute to the OSU Foundation's OHREE fund (Oregon Hazelnut Research and Extension Endowment) during the January Winter show. Our 2019 year-end drive ended with a grand total of nearly \$200,000! We've raised nearly \$600,000 in three years toward our \$1 Million goal. Keep up the friendly reminders to other processors to contribute to the fund and participate in the culture of giving within our industry. **Special thanks to the Elmer Skurdahl family for taking us over the top!**

It's never too late to give! Call the OSU Foundation, 1-800-354-7281 to pay or pledge to the Oregon Hazelnut Research & Extension Endowment Fund (Designation Code #6220-10184)

### SIGN UP TODAY

## GROWERS BREAKFAST & HAZELNUT INDUSTRY SEMINAR

Choose your location and reserve your seats at [Filberts.com/upcoming-events](http://Filberts.com/upcoming-events)

All meetings 9-11 am. Doors open at 8:15. Come spin the prize wheel!

- February 25 – Salem
- February 28 – Eugene/Springfield
- March 3 – McMinnville
- March 6 – Woodburn

### UPCOMING IN THE NEXT ISSUE

- **Ingredient Markets** – the massive hazelnut market you don't see!
- **Retail Markets** – how do we hold our "Oregon Premium" in the dog-eat-dog of U.S. retail?
- **Wholesale & Food Service** – getting others to promote our hazelnuts: the exciting markets of restaurants, hotels, bakeries, and home use!