

Chair Clem and Members of the Committee:

Thank you for your invitation and for your support of the Oregon hazelnut industry. My name is Michael Severeid. I manage a third-generation hazelnut farm in Yamhill County and am also VP of Sales & Marketing for Willamette Hazelnut, a processor and sheller based in Newberg.

I'd like to give an overview of the Oregon industry, its relationship to China and the impact of trade tensions on growers as well as express appreciation the Oregon legislature for its continuous support of the hazelnut industry.

As many of you are aware, 99% of the hazelnuts grown in the United States are from Oregon. Hazelnuts or filberts as we Oregonians more commonly call them, are a long-term crop in the Willamette Valley dating back to the Dorris Ranch in 1905. Today there are 1,000 hazelnut growers, 90% of which are family farms. The Oregon hazelnut industry contributes \$250 million annually to the Oregon economy. While the US only represents 4% of global hazelnut production, we have the highest yields per acre and are recognized as the leader for quality product and professional processing.

Chinese Market

China has been a major customer of Oregon hazelnuts since the early 1990s and has been our largest single market for 13 of the last 15 years. In China the hazelnut is a historic food with native varieties growing in every province of the country. As China's middle class grows, demand for quality food has also risen. Chinese buyers desire Oregon hazelnuts' large size and outstanding quality and pay a premium over competitors' nuts. As the producer of the world's largest-sized varieties of hazelnuts, Oregon is uniquely suited to serve this market.

The trade conflict with China has been detrimental to our industry. Duties imposed in 2018 resulted in much higher import costs and a decline in sales in this market. The effective duty on US hazelnuts entering China rose from 10% to 81.5% as a result. The farmgate price in 2018 was down 30% from the prior year, and new plantings have declined considerably. Furthermore, in 2018 we had our largest crop on record of over 50,000 tons.

Despite these headwinds, we found resilient demand in China and excellent demand elsewhere. We have not had difficulty selling out last year's crop. USDA in particular has been very supportive, incorporating hazelnuts into their existing crop purchase program and making a direct payment to hazelnut farmers.

Industry Profile

In the past ten years planted area has grown from 28,000 acres to over 80,000 acres. Estimated grower investment in new acreage over this period exceeds \$250 million. In addition hazelnut processors in Oregon have added capacity and modernized their facilities, spending substantial funds in the same time period.

This growth was fueled in part by rising global demand for tree nuts but more fundamentally by the joint investment made by Oregon State University and the grower community. The Oregon Hazelnut Commission has funded hazelnut breeding research and OSU professorships through a grower assessment. Growers have contributed \$11.7 million dollars resulting in 14 new varieties being released since 2005. These varieties yield more, have better appearance and flavor and are resistant to disease compared to legacy varieties. OSU's hazelnut breeding program is the most advanced in the world and is our industry's greatest asset.

We wish to recognize Drs. Shawn Melanbacher, David Smith and Rebecca McCluskey along with the members of the Oregon Hazelnut Commission for their contributions in varietal research over the past 30 years. In addition OSU extension and college of agricultural science provide essential field support to our growers. Without their hard work our crop would not be positioned to enter new markets and weather current events.

Disease Pressures

As an industry we have faced adversity before and are stronger for it. The main focus of the OSU breeding program is to develop varieties that are resistant to Eastern Filbert Blight or EFB. EFB is a fungal disease native to the northeast United States that found its way to Vancouver, WA in the 1970s. The fungus strangles branches, choking them off from water and nutrients provided by tree roots. The disease is fatal to all legacy hazelnut varieties planted here. By the 1980s and 1990s EFB threatened the very existence of the Oregon hazelnut industry. Since then more effective treatments have been developed but, at the time, the future was much less certain. Growers supported the breeding program and invested heavily in research and in putting experimental, disease resistant varieties on their farms.

Hazelnuts are a very long-term investment. We have had 95-year-old trees on our farm that were only removed due to Eastern Filbert Blight. The trees planted during my tenure should be there for my children and grandchildren to enjoy.

The hazelnut community is grateful for the support received from the state legislature for OSU, extension and research stations. Between grower assessments, royalties earned on new varieties, industry donations and grants, the breeding program's budget is 4.5 times the direct state and federal funding it receives, an outstanding use of public dollars. In addition Oregon's growers are making private donations toward endowed professorships show our commitment to OSU.

We wish to thank the Oregon legislature for its support of the land grant university system and for continuing its generous funding of OSU. This partnership has truly created a competitive advantage for Oregon farmers and a legacy that will go onto future generations.

MES - 9.16.19