

# Oregon hazelnut growers face small crop, lower prices

Stalled negotiations may force mediation, arbitration

By MATEUSZ PERKOWSKI  
Capital Press

Oregon's hazelnut industry appears headed for turbulence as harvest begins, with domestic production projected to drop while global factors may weigh down prices.

Meanwhile, packers and growers haven't been able to agree on an initial price for the crop, potentially requiring them to undergo mediation and arbitration.

Hazelnut production in Oregon — the foremost domestic producer — is forecast to be 36,000 tons in 2017, down 18 percent from last year, according to USDA's National Agricultural Statistics Service.

Meanwhile, the global ha-



Mateusz Perkowski/Capital Press

Farmer Bruce Chapin observes a sweeper prepare hazelnuts for harvest at his orchard near Salem, Ore. Various factors have contributed to turbulence in the hazelnut market as the 2017 harvest begins.

zelnut crop is expected to increase 15 percent over 2016, said Terry Ross, executive director of the Hazelnut Growers Bargaining Association, which negotiates with packers on behalf of growers.

"There's downward pressure on the kernel market," he said.

The Chinese New Year, a

major holiday for in-shell hazelnut consumption, will begin late next year in mid-February, allowing buyers in China to procrastinate with their purchases, Ross said.

Generally, such delayed buying doesn't bode well for strong in-shell hazelnut prices, he said.

Another unknown is how

much increased Chinese hazelnut production will affect its appetite for Oregon's crop, Ross said. "We don't know how big of an impact that's going to have."

Conflicting views about supply and demand in the hazelnut market have stalled efforts among growers and packers to agree on an initial price, Ross said.

Unless the deadlock is soon broken, it's likely the parties will enter into mediation, he said. If that process fails, they'll present their evidence to an arbitrator, who will then determine the price.

The current impasse is "very unusual" in Oregon's hazelnut industry, which hasn't been forced to enter mediation or arbitration for roughly 35 to 40 years, Ross said.

"It could prolong (arriving at an initial price) by two weeks to a month, maybe more," he said.

The diverging opinions on hazelnut market conditions

could be due to some packers having more inventory left over from last year than normal, said Jeff Fox, CEO of the Hazelnut Growers of Oregon cooperative.

Last year, packers paid an initial price of \$1.18 per pound of hazelnuts, and the final price ended up at \$1.24 per pound.

Fox said he expected a similar initial price in 2017 but some packers are proposing a per-pound price in the range of 90 cents.

"We haven't seen those kinds of prices in about six years," he said.

Due to the large kernel crop in Turkey, the world's predominant hazelnut grower, a price reduction would help domestic packers to be more globally competitive, he said.

The push for a lower price is unfortunate, though, since rising prices have inspired Oregon farmers to invest heavily in planting more hazelnut trees recently, Fox said.

"I was really happy with

that trend and would like to see that continue," he said.

As for the 18 percent decrease in Oregon's hazelnut production, farmers attribute the change to "our normal ups and downs," said Jeff Newton, a grower near Amity, Ore.

Growth was hindered in spring by cold, wet weather, which impaired flower retention and slowed the development of nuts, he said.

Periods of high heat during summer caused moisture stress, which also brought yields down, said Bruce Chapin, a farmer near Salem, Ore.

A "blow up" of eastern filbert blight, a fungal disease, two years ago prompted heavy pruning in hazelnut orchards, which has temporarily lowered production as well, he said.

Despite the expansion of hazelnut orchards in recent years, those young trees aren't yet mature enough to substantially affect Oregon's overall production, Chapin said.

# Oregon farmer faces big penalty for planting project

Placing materials along stream allegedly violated fill-removal law

By MATEUSZ PERKOWSKI  
Capital Press

An Oregon farmer faces a \$6,000 penalty for planting willows into materials he placed next to a stream, which state regulators allege violated fill-removal laws.

Kelly Sampson, who grows hay and nursery stock on 80 acres near Canby, Ore., said he put hay bales onto rocks next to the creek to retain moisture for the young trees.

"My goal here is to do good things for fish," he said.

Ordinarily, landowners don't need a fill-removal permit from the Oregon Department of State Lands if they're adding or removing less than 50 cubic yards of material in a waterway or wetland.

In this case, however, Milk Creek — a tributary of the Molalla River — is designated as "essential salmonid habitat," so any amount of disturbance requires a permit, according to the agency.

"Planting vegetation into a bank doesn't require a permit, but when you add substrate, you may need a permit," said Lori Warner-Dickason, field operations manager for DSL.

A complaint received by DSL indicates that Sampson placed hay bales as well as "horse manure and barn cleanout" below the creek's



Mateusz Perkowski/Capital Press

Farmer Kelly Sampson stands near Milk Creek, a tributary of the Molalla River, which runs through his 80-acre property near Canby, Ore. He faces a \$6,000 fine for allegedly violating state fill-removal law by planting willows into hay bales and other materials placed along the stream.

ordinary high water mark, she said.

"I think his intent was probably to plant some willow cuttings, but he needed a permit to do that," said Warner-Dickason.

Sampson said he's disappointed by the potential enforcement action because the DSL's website states that habitat restoration projects are exempt from fill-removal laws.

The agency doesn't make it sufficiently clear that a permit may still be required under certain circumstances, he said.

"I feel like I'm getting hustled here," Sampson said. "I'm planting willows and it's like you're talking to a drug dealer here."

Vegetation along streambanks is often seen as having a positive impact on streams,

since it cools the water to the benefit of sensitive fish.

However, whenever you're working in or near a stream, it's worthwhile to seek guidance from the Oregon Department of Agriculture, the local soil and water conservation district, or an Oregon State University Extension agent, said John Byers, manager of ODA's agricultural water quality program.

"Natural resource agencies want to help citizens do the right thing," Byers said.

For example, if the ODA requires a landowner to rectify a water quality problem with vegetation, the agency will develop a planting plan, he said.

"What should you grow here, and what should that look like," Byers said of the plans.

Using hay bales or oth-

er materials may or may not be appropriate in certain situations, but such decisions should be made with the help of a professional, he said.

"There are standard practices, standard protocols for everything," said Byers.

The Department of State Lands receives roughly 100 complaints a year about potential fill-removal law problems, with about half of those ultimately determined to be violations, said Warner-Dickason.

"There's very few violations that are intentional," she said.

Most violations pertain to filling of wetlands that landowners didn't realize were classified as such, she said. About 10 percent of the violations relate to placing rocks or other materials along a stream bank.

# Wine in small batches works fine for little vineyards

By ERIC MORTENSON  
Capital Press

OREGON CITY — They're using fitted sheets this year to cover their "punch down" vats and keep fruit flies off the "really young" Leon Millot wine beginning its fermentation process. The advantage over plastic coverings, co-owner Jan Wallinder said, is that the bedsheets can be washed and used again, of course.

That may sum up an overlooked facet of Oregon's high-flying wine industry as the 2017 grape harvest is underway. For all the praise and prestige accompanying the Pinot noir producers of Yamhill County and elsewhere in the Willamette Valley, smaller and lesser-known vineyards are chugging along just fine.

Wallinder and her husband, Rob Webb, own and operate Forest Edge Vineyard south of Oregon City and about a half-hour drive out of Southeast Portland. They're among 15 relatively small, independent operations that make up the Cascade Foothills Winegrowers on the east side of the Willamette Valley.

Forest Edge produces an average of about 500 cases a year and sells at an on-site tasting room, at farmers' markets and online. You won't find their wines at grocery stores, but as Webb said, "It keeps the two of us more than busy."

For perspective, the Oregon Wine Board says the state's wineries are primarily small to mid-sized family operations, and about 70 percent produce less than 5,000 cases a year.

The Cascade Mountain foothills is a slightly cooler growing region than the opposite side of the Willamette

Valley, but producers such as Webb and Wallinder — like vintners in the Columbia Basin and Southern Oregon — tweak their operations to take advantage of what they have.

Forest Edge grows Pinot noir and Chardonnay grapes, but also the unusual Leon Millot variety, which produces a lighter red wine. They have some Gamay noir grapes as well. They don't make \$45-a-bottle Pinot noir. Most of their wines sell for \$11 to \$14, with a port-style dessert wine going for \$25. An \$11 chilled wine that sold well over the summer was Forest Mist, a blush-like blend of Pinot noir and Chardonnay that they don't make every year.

Wallinder and Webb bought the property in 1984 and do most of the vineyard and wine-making work themselves, including bottling and labeling. They use a "minimal prune" canopy management system that probably costs them some yield, but eases the workload. "It works for us," Webb said. For many years they've employed members of an extended family — most of whom have regular full-time jobs or are students — to help pick the grapes.

Webb is the winemaker. He relies on sugar levels, called brix, plus pH tests and his own taste buds, to know when it's time to pick.

"My approach is, science on a need-to-know basis," he joked.

The couple have 45 acres, most of it forested. Their house is a geodesic dome, they irrigate the grapes with captured rainwater and generate enough electricity with their solar system to sell it back to the grid, and produce more than they use.

# Hop stocks continue to outrun demand

By DAN WHEAT  
Capital Press

YAKIMA, Wash. — Even before this fall's harvest, U.S. hop stocks are up substantially from a year ago, reflective of an oversupply that's putting pressure on dealers and growers.

Stocks were up 15 percent at 98 million pounds on Sept. 1 versus 85 million pounds a year ago, according to a report released Sept. 20 by the USDA National Agricultural Statistics Service.

It is the largest percentage increase in inventory of the four reports showing supply increases dating back to March 1, 2016. The new report shows dealers and growers with 64 million pounds of hops and brewers with 34 million pounds.

"It's actually a pretty good-sized overage and it was expected. We knew craft (beer) was slowing while aroma variety hop acreage is still increasing," said Pete Mahony, director of supply chain management and purchasing for John I. Haas, a major processor and grower in Yakima.

Previous overages, years ago, were high alpha commodity varieties that keep for years, he said. This year's overage is of aroma varieties for craft beer. Aroma varieties need to be used in a year or two, he said.

During the summer, 47 Hops of Yakima, a hop broker, filed for Chapter 11 bankruptcy protection to shield itself from creditors while developing a restructuring plan to pay more than \$7.4 million in debts and remain operational.

Doug MacKinnon, company president, blamed the bankruptcy on craft brewers contracting for more hops than they needed.

"There definitely will be pressure on the entire supply chain, whether growers or dealers. And will there be other casualties? I don't know," Mahony said. "Larger dealers are pretty solid. We've lived through these markets for decades. Smaller ones may struggle. It's all about proper management of inventories. Aroma varieties are expensive inventories."

For years the proliferation of small, craft breweries fueled

the demand for more aroma hop varieties. While still growing, the rate of craft brewery growth has slowed, resulting in some breweries renegotiating contracts that were based on expectations of higher growth, said Ann George, executive director of Hop Growers of America and the Washington Hop Commission in Moxee.

That returns the hops to dealer and grower inventories, she said.

George said the U.S. produces more than 80 hop varieties, and while there's an excess supply of some, demand for others is still growing.

"The key is re-balancing by changing varieties in response to new contracts," she said.

It takes a couple of years to bring new hops into full production and for the past five years the industry has been trying to catch up to brewer demand, she said.

"Now it appears hop acreage has exceeded current brewer demand, so it will be important to take the foot off the gas pedal until brewer demand catches up with hop acreage," she said.

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