

Hazelnut Commodity
Workshop



Presented by:

Gene Sobeck & Regina Sobeck

Global Hazelnut Situation

- **World supply**
- **Political Influence**
- **Demand based on pricing and marketing initiatives...**



Estimated World Hazelnut Production



(Metric Tons, Inshell Basis)



ORIGIN	CARRY-IN 09/06	PRODUCTION 2006	TOTAL SUPPLY	CONSUMPTION	Est Carry-in 09/07
TURKEY	80,000	750,000	830,000	720,000	110,000
ITALY	0	130,000	130,000	130,000	0
SPAIN	0	28,000	28,000	28,000	0
USA	0	37,200	37,200	37,200	0
OTHERS	0	50,000	50,000	50,000	0
TOTAL	80,000	995,200	1,075,200	965,200	110,000

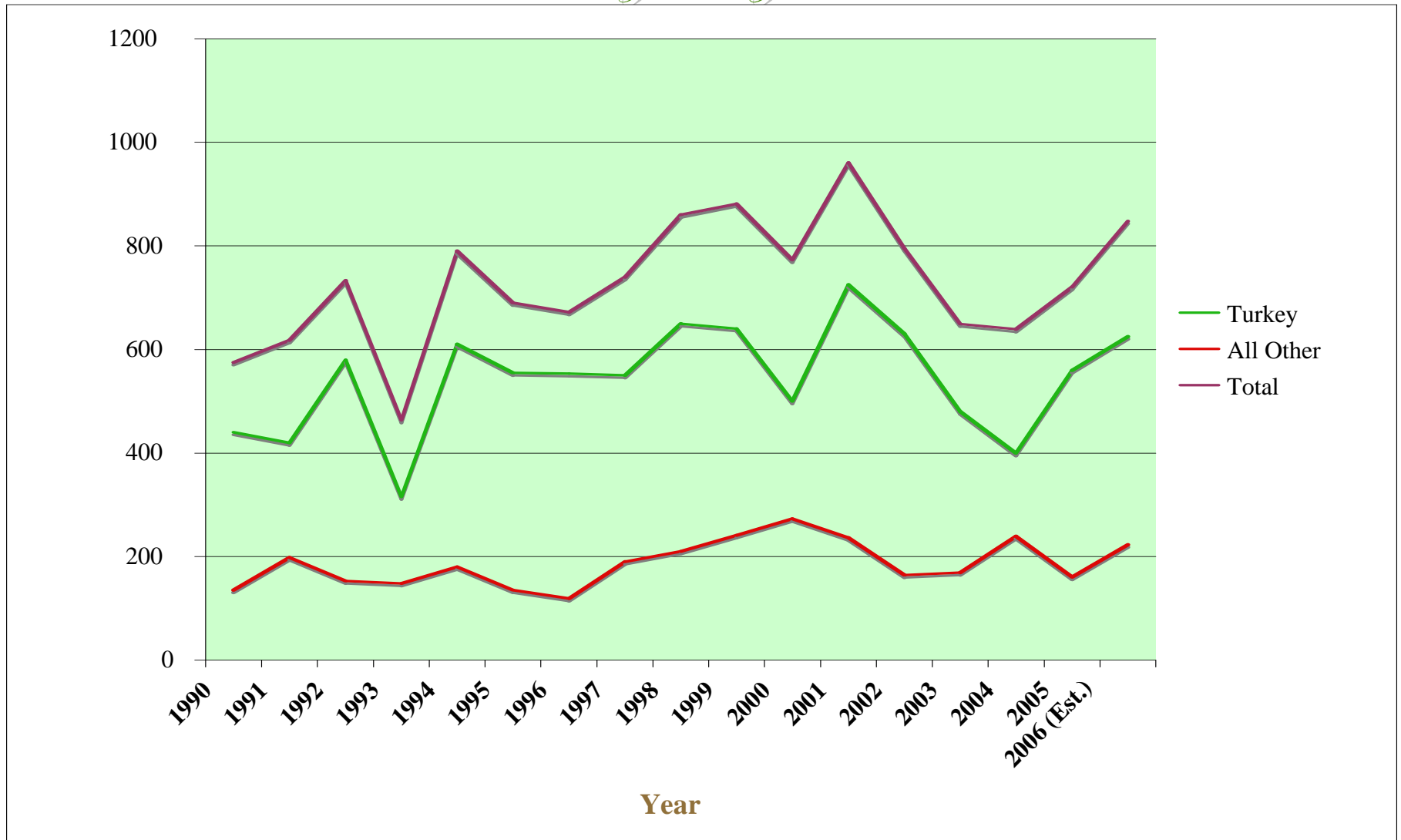
Possible Weather Impacts:

- **Possible threat of frost (temperatures below 15° F) through April in Turkey**
- **Excessive dry heat**
- **Excessive rain & high winds**
- **Limb breakage resulting from ice storms**
- **Extreme rain during harvesting**



World Hazelnut Production

by origin



Turkish Outlook

- **Bumper crop year**
- **Estimating a crop of 750,000 MT inshell**
- **Good weather & careful processing contributing to high quality standards**



Hazelnuts in Turkey



- **Over 2 million people make a living in the Black Sea region growing hazelnuts with over 850 producers.**
- **Hazelnut lobby is a powerful presence in Turkish government**
- **Elections will be taking place in Turkey first week of November.**

Introduction of TMO

- **Until 2003, Fiskobirlik purchased excess hazelnuts from growers and recorded an average loss of 100 million Turkish Lira.**
- **TMO is government run, unlike Fiskobirlik**
- **TMO's mission is to limit supply, NOT trade...**



TMO

- **9/16/2006: Turkey's state grain office (TMO) has signed a preliminary deal to borrow \$400 million from international banks to buy hazelnuts from growers because of low prices.**
- **Paying 4 Lire (\$2.73) per kg.**
- **Last year average market prices were 7 Lire, but have fallen to 2.5 Lire this year.**



TMO & Fiskobirlik

- **9/22/2006: Fiskobirlik (FKB) and TMO agricultural products offices have agreed to purchase & store surplus hazelnuts from growers and use FKB storage facilities.**
- **10/19/2006: TMO is buying record amounts of hazelnuts, purchasing of 158,000 MT inshell with 50% of payout being made in cash upfront and remaining 50% being paid within 2 weeks.**
- **The average price was 3.63 Turkish Lire, inshell**



Fiskobirlik

- **Fiskobirlik bought 43,000 MT inshell from market**
- **Paying higher prices than TMO**
- **Payout promised within first 6 months of 2007**



Impact of TMO on Hazelnut Market

- **TMO expected to hold reserves in an effort to stabilize price fluctuations.**
- **Effects of TMO's actions expected to impact world supply over next 5 years**
- **Market prices will be contingent on TMO's actions moving forward**



Oregon Crop



- **USDA estimate the size at 38,700 short tons.**
- **Substantial amount gone to in-shell sales.**
- **Crop in excellent condition with historically low amount of defects.**
- **Non-committed quantities very tight from last year's crop.**
- **Approx. 50% of crop already shipped and expecting very little carryover into 2007 crop.**

Marketing Efforts



- **Hazelnut Council Celebrates 10 year Anniversary**
- **Hazelnut Council comprised of the Oregon Hazelnut Marketing Board, the Black Sea & Istanbul Exporters Unions, and certain members of the Association of Food Industries**

Getting the Message Out

- Through industry meetings, culinary incentives, and marketing communications, new hazelnut product introductions have increased awareness & consumption.
- Editorial outreach initiatives led to media placement in consumer publications



Marketing Results

- **Hazelnut coffee #2 choice in America**
- **Study done by Publicis 2 years ago found taste preference for hazelnuts translates into demand across food categories**



Marketing Support



- **Marketing partnerships creating success through**
 - Cooperative advertising
 - New product development support
 - In-store POP displays
 - Consumer awareness and nutritional education

Looking Ahead...

- **Record supply from current crop**
- **Uncertain release & impact of TMO reserves**
- **Anticipated stabilization of price**
- **Increased consumer awareness & product introductions expected to spur demand**
- **Very little carryover into 2007 crop expected**

