

My name is Garry Rodakowski and I am a grower. My orchard is on the McKenzie River near Vida. I currently serve as Chairman of the Oregon Hazelnut Commission and have served on both the Hazelnut Marketing Board and the Nut Grower's Society. I would like to address justification points 3 and 4.

3. What are the current requirements or industry practices relative to the proposal?

Northwest hazelnut handlers are not currently subject to any mandatory quality control requirements under the order or any other regulation. Handlers are only subject to size and grade requirements. In addition, all product handled under the order must be inspected. In light of the recent food safety events in the hazelnut industry, and the general consumer movement prioritizing food safety, the hazelnut industry does not believe that the current order provisions are sufficient to address the industry's concerns with regard to product quality.

The Northwest hazelnut industry's Food Safety Steering Committee (FSSC), an industry wide committee has issued recommendations to the industry in regards to treatment of hazelnuts to reduce foodborne pathogens. The FSSC continues to research best practices for the industry and intends to issue findings as soon as substantiated. Many handlers, in response to food safety concerns, are voluntarily treating their hazelnuts prior to shipment to North American destinations and/or are requiring customers to provide documentation attesting that the product will be subject to a treatment step within their own manufacturing process. These handlers have employed various treatments intended to achieve the level of pathogen reduction recommended by the FSSC. However, as the treatment of outgoing product is not required by the order, there could be some handlers who have chosen not to respond to the perceived food safety risks present in hazelnuts and ship product without regard to the recommended food safety measures.

The FSSC has been instrumental in addressing the hazelnut industry's food quality challenges since its inception in 2010. Through that body, the industry is currently conducting a prevalence study to analyze the pathogen load present in field run hazelnuts to assist in the development of base load levels. The Committee is also actively seeking to identify specific processes that have been determined to effectuate a 5-log reduction in pathogen population, lowering the number of microorganisms by 100,000-fold. Such processes, often referred to as a "kill step", may include, but are not limited to, fumigation with propylene oxide gas (PPO), steam pasteurization, or heat treatment. Validation studies to determine the minimum time and temperature for effective heat or steam treatments, and the minimum dosage of PPO, are currently in process. While several different technologies have undergone successful testing by hazelnut handlers to date, only a steam pasteurizer has been validated by the Food and Drug Administration (FDA) as a kill step for hazelnuts. Some of the other processes are currently being employed by the hazelnut industry on a voluntarily basis. Requiring the entire industry to employ a kill step prior to the shipment of hazelnuts outside the production area (with the provision that different regulations may be applied to different markets) would help ensure that only hazelnuts of the highest quality are released to the market.

4. What are the expected impacts on producers, handlers and consumers?

The proposed amendment is expected to have an overall positive economic impact. Under the order, only handlers are regulated, so only handlers would incur any increased direct costs that may be associated with regulations established under a new quality control authority. In addition, it is not expected that the cost of any regulation under the new authority would be passed on to producers in the form of lower producer prices. Rather, producers and handlers are expected to both benefit from the increased market stability that should result from assuring the market that only high quality hazelnuts, reasonably free from food borne pathogens are shipped from the production area. In addition it is expected that the domestic hazelnut market would be less susceptible to the negative impacts of a food safety issue.

The addition of quality regulation authority to the order, and anticipated mandatory treatment regulations established under the authority, would have a direct operational and financial impact on handlers, as they would be required to bear the cost of such treatment. If the treatment costs were to be passed along to buyers, as would be expected, this amendment could result in higher prices for end product consumers. However, any potential price increase would be mitigated by the fact that a percentage of hazelnut shipments are already being treated under current market conditions, and the cost of such treatment has already been incorporated into the market price. In addition, the industry believes that the potential savings from a reduction in foodborne illnesses and/or product recalls would more than offset any of the additional handling costs.

Mandatory treatment, if established, would also address the current "free rider" situation in hazelnuts. Many handlers are employing some level of treatment to their product prior to shipment out of the production area. The handlers that are doing so are building a quality reputation for hazelnuts by seeking to reduce the risk of food safety incidents. Those handlers who treat their product absorb all of the cost of such treatment. Conversely, handlers who may not treat product incur food safety risks that, in part, would negatively impact the industry at large should a food safety event in untreated hazelnuts occur.

The cost associated with the treatment of hazelnuts by chemical process or heat pasteurization is estimated to be \$0.10/pound. This cost, as detailed below, would include the cost of the treatment and transportation charges to and from a contract treatment facility. Many of the hazelnuts currently being shipped from the production area are treated by some process. There would be no additional cost associated with establishing mandatory treatment requirements for those nuts. Only if the Board chooses to recommend mandatory treatment for a certain market, and only if a handler shipping to that market does not currently treat their product, would this proposal represent a potential additional cost over and above the handler's current cost structure.

The biggest potentially positive impact on the industry would be that hazelnut consumers could have confidence in the high degree of product quality that would be consistently and uniformly available in the market. As recent food quality incidents in nuts have begun to erode the positive reputation that has been carefully cultivated by marketing efforts for hazelnuts over the past two decades, a concerted effort by the

hazelnut industry to address those challenges is expected to resonate with consumers. If product were guaranteed to be treated to reduce levels of harmful pathogens, consumers could continue to include hazelnuts as part of their balanced diet without the fear of a food quality incident.

