

**Testimony of Lawrence (Larry) George:**

Good Morning Your Honor, my name is Larry George, L-A-R-R-Y G-E-O-R-G-E and I am president of George Packing Company. We are the nation's largest hazelnut processor and are located at 15195 NE Ribbon Ridge Rd. in Newberg, Oregon. According to the Small Business Administration we are classified as a large processor.

Separately from George Packing, I am also a hazelnut grower.

Today, I would like to discuss points #7 and #9 of the Amendment Justification Document.

**Amendment Justification Point #7*****Would the proposal increase or decrease costs to producers, handlers, committees and/or the USDA?***

The proposed order amendment, if established, is expected to be cost neutral to producers. As any regulations that may be implemented under the new authority would only be applicable to handlers, this action would not burden producers with any additional or increased direct costs. In addition, it is not expected that handlers would seek to pass any additional regulatory expenses that may result from the proposal on to the producers.

The proposed amendment could increase handler costs, if regulations are established under the amendment to make treatment of outgoing hazelnuts mandatory. Handlers would bear the direct costs associated with installing and operating treatment equipment, or would be required to contract out the treatment of product by a third party. The cost of third-party treatment would also include transportation charges to ship product from the originating handler to the authorized treatment facility.

Many handlers, including George Packing Company, have already implemented steps to treat hazelnuts prior to shipment. These steps were taken on a voluntary basis and we are already absorbing those costs.

The cost of installing treatment equipment is high relative to the size of most hazelnut handling operations. It is expected that only a handful of handlers will incur such an expense should mandatory treatment of product be established under this proposal. Pasteurization equipment costs vary greatly depending on the method, size and capacity. However, there are many treatment facilities located in California capable of treating hazelnuts that are already servicing the almond, walnut and pistachio industries. For those handlers not able to justify equipment of their own, there are other options available from third-party vendors.

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Systems can range in cost from as much as \$5 million for a PPO chamber and \$3 million for a negative pressure steam blancher, to as little as \$100,000 for a used, low-volume, ambient pressure steam pasteurizer. In lower cost systems, however, decrease product quality and shelf-life become issues. Generally speaking, the amount of product expected to be treated by most handlers moving forward under mandatory treatment regulations would not justify the cost of building high-volume facilities like PPO chambers and negative pressure steam blanchers that would be used for only a brief period each year for relatively low volumes of product.

The actual PPO treatment process costs approximately \$.075 per pound, and the transportation cost to ship product from within the production region to a PPO treatment facility in California amounts to approximately \$.025 per pound, for a total of approximately \$.10 per pound (assuming a full container load for throughput volume and transportation).

A total of 6.5 million pounds of shelled Oregon hazelnut kernels were shipped to the domestic market in 2014-15 (which is the first market that is expected to be covered by quality regulations under the proposed amendment). The cost to have all of those hazelnuts PPO treated would have been approximately \$650,000. Kernel shipments to Canada for 2014-15, 9.5 million pounds, were almost exclusively destined for further treatment by the customer, which would have required no additional cost to handlers for treatment under proposed regulation.

Lastly, inshell sales to North America in 2014-15, 3.5 million pounds, would have been treated at an approximate cost to handlers of \$350,000. It is expected that costs related to steam pasteurization at facilities in California are typically slightly less than PPO treatment, while shipping costs are identical. Therefore, the estimated cost to the industry, if regulations were in place for the 2014-15 crop year, would have been approximately \$800,000 to \$1,000,000, depending on the type of treatment and the transportation required.

Small handlers that are currently treating product are either pooling product for shipping and treatment, or including their product in with other tree nuts at treatment facilities to maximize treatment chamber efficiency and to keep costs low. Those smaller handlers will continue to be encouraged to pool loads in the future. The 2009 food safety recall of hazelnuts involved one large handler that shelled product for many of the other smaller handlers. The cost to the smaller handlers to recall all product that had been shelled at the affected facility far eclipsed the modest amount that the handlers would have expended for treatment to kill pathogens.

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There should be relatively little additional cost to the Board or USDA relative to this proposal other than industry staff time in administering the program. Product already must conform to mandatory inspection and minimum grade and size requirements. The Board would have negligible additional expense in adding administration of additional requirements. There may be additional reporting requirements and the evaluation of an annual verification plan for Board staff to administer, but it is expected that this could be accomplished within current staffing levels.

**Now, I would like to discuss Amendment Justification Point #9**

***How would compliance with the proposal be effected?***

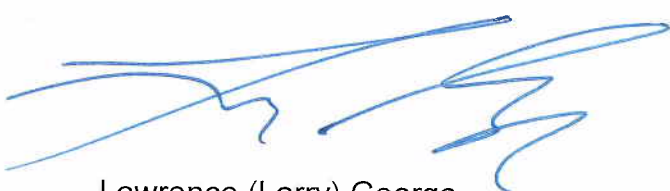
If the board decides to enact the proposed authority, then individuals with expertise in the development of the system for compliance would do so. Ultimately handlers would submit required treatment plans for the processes and facilities they would use.

It is highly likely that the system would be patterned after the Almond Board system, which has been in use successfully for several years.

The Hazelnut Marketing Board staff is already monitoring activities for grade and size and has specific actions to take in the case of non-compliance. Staff is also already working closely with the Oregon Department of Agriculture Inspection service and they may become a part of the system. Mandated reports of plans and activities would need to meet specifications and if they did not, a methodical plan for reconciliation of issues would be followed.

Thank you for your time and I would be happy to discuss any questions you may have.

Sincerely,



Lawrence (Larry) George  
President/Owner,  
George Packing Company