#2A

01-02-2003

HMO Concerns:

991.04

Hops are clearly defined as different, yet will be regulated the same. I don't think that anyone in the industry would argue that the aroma hops are not the problem and in balance. Oregon has no super-high alpha hop option at this time.

991.08

Preparation of hops for market, no matter by whom should be considered as handled. Yearly budgets are projected by the spring strung acreage and production averages. Financial hardships on the Organization could result if any given percent of the strung crop are not assessed. Assessments could also be somewhat of a deterrent to growing inventory hops.

991.25

With the proposed voting structure, Washington and Idaho with similar climate and varietals production could pass policy that may adversely affect production in Oregon, a large aroma growing region. The demise of the last order was in part due to greed by the growers (135% salable), perhaps policy issues (setting of saleable) should have voting members with no financial interest in the industry. Percentage set purely on industry numbers.

991.26

Keep the language in the proposal that "takes into account current programs" when deciding were the research and promotion dollars will be spent.

991.31

Disposition of funds upon termination should be returned to the grower that paid them not the handler who merely passed the funds through. Also given the economic climate of the industry, the state's may have trouble affording both the regional and local programs. Moneys collected in the state are currently spent as the local growers decide, often times, on special needs of the state or region, as well as unforeseen emergencies, pests, or disease's.

Also there is no cap on assessments, perhaps a 1 ½% of crop value, as there is in the state of Oregon.

991.51
The ability to increase the salable during the market year would keep Oregon out of the emerging market. It takes at least two years to get a crop in Oregon. The only growers that could take advantage would be those with hop stocks or those that could plant and harvest the same year. There also is a risk that setting a higher salable in any given year will adversely affect the next crop year's salable, too many hops on the market if the advisory committee is wrong.

991.52
Alpha acid factor does not enter into the aroma hop equation. Aroma hops are sold by the raw hop pound. Setting the saleable according to alpha will severely penalize the grower that produces a higher alpha aroma hop by limiting his production by pounds. In the specialty aroma market often there are only a few growers growing a specific variety, for a specific market. As for the fact that this will only be set one year at a time, this would preclude aroma growers from the long standing forward contracting with A/B, as well as the traditional sold ahead relationships with the major dealers that we have worked with in the past. Also, yearly variations in alpha content.

991.53
The proposed representative base period comes after the Oregon growers grubbed hops in reflection of the market demands and trends. (1995, 8641 acres 2001, 6103 acres.)
The flat rate of 10% for aroma hops will grossly over inflate the initial allotment base. This will lead to further more drastic cuts in the overall salable percentage. This is unfair to the alpha grower who is going to get base on a real-alpha basis.

New base to new growers is far too restrictive. ½ of 1%. In the free market system a new grower can enter if a market can be established. New growers should be welcomed if they can grow hops or market hops differently or

more cheaply than the existing ones, without the added expense of buying base. Innovations by new growers should not be penalized, those who can no longer grow profitably should not expect those who can to bail them out.
As for the proposed minimum economic requirement, applicant's ability, area, and other factors; there is such diversity in the states that who will say what the parameters should be? What will work in one area may not work well in another. There is no "cookie cutter" hop ranch, each is as individual as we are.
With the exclusion of the reserve pool as a bona fide effort, those with large inventories will be able to market their unneeded production at the expense of the growers who wish to continue to produce. Salable will be set with those inventories in mind, and have to be lower than it would other wise have to be.

991.54
Written contracts can exceed grower allotment. I would propose that contract hops come out of the growers base allotment. Again, this will create a lower salable percentage through 2005.

991.56
Reserve pool alpha could be grown and stored with no limits, then marketed out in subsequent years under the bona fide effort, with the grower no longer taking any growing risk. This would work great for a large older grower, pack up the warehouse for a few years, sell his base, and let the marking order sell his inventory as time goes by. Remember that inventories must be included in the salable percentage calculations every year.

991.57
Subsections (1) & (2) enable what I fear in the paragraph above. The grower would not be able to dispose of the base until after the inventory is gone is the only bright spot.

991.78
Should the vote to terminate not be the same as it was voted in? Either by number of people or production? This states that the Secretary can terminate by a super majority. I think that what ever way it is voted in is the way it should be voted out.

991.79

Secretary can terminate the continuance review with findings that growers are not in favor of it? There are no set rules on the number of growers, or how long they have been growers, or if they want to continue to be growers.