

Testimony before the Hop Marketing Order hearings. October, 2003.

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Thank you for the opportunity to express my support of the proposed hop marketing order. I come from a large hop growing family. Starting in the 1940's there were at one time, seven Newhouse families growing hops on 2000 thousand acres in the same area southwest of the city of Sunnyside. Today there are three of us left last year raising less than 600 acres. My own farm has reduced to less than half of what we formally raised.

This is a shrinking industry. Total acres are shrinking. People have left voluntarily and involuntarily. An unstable market has cost the industry tremendously both in financial and human terms. The current market system I predict will continue to have the same effect until the American hop industry is reduced from the 50 or so growers today to just a handful of very large growers. We have been our own worst enemy. Because of our ability to respond to price fluctuations so rapidly compared to other producing regions, and the independent nature of the American farmer we generally have too many hops chasing too few markets.

Many in the industry understand this is a problem. No one believes everything is fine. We just have different opinions as to the solution. Many of us have come to the conclusion through years of experiencing these losses and discussing with our fellow growers what can or should be done that a new Hop Marketing Order would give us the tools necessary to return stability to our industry. Has this been an easy conclusion? No. We actually wanted something-anything but another order. A voluntary solution without government involvement would have been the best way to go. As you have heard, we tried that. While many participated in a voluntary set aside effort to reduce the surplus that plagued our industry, others actually increased production. It has become painfully obvious that as an industry we needed the structure that a federal order provides.

There have been concerns that an order will restrict supply to artificially increase prices and in the process lose market share to foreign producers. I disagree with that notion. First of all the order will manage any over or under supply. More closely aligning supply with demand in my mind is not restricting but is balancing. If that has a positive effect on prices that would be a good thing but keep in mind that in an international market our prices must reflect the worldwide situation. If prices rise higher than the market will bear we will get that message. No one is suggesting we at any time produce less than our customers require. That would be foolish. However, producing more than our markets can absorb does not garner any extra market share and is equally foolish.

As for our personal situation, we would be better off if the period used to determine base went back more than the 5 years proposed. We started reducing our acreage ten years ago while others have increased or remained constant. Even so, I believe we would be better off at a

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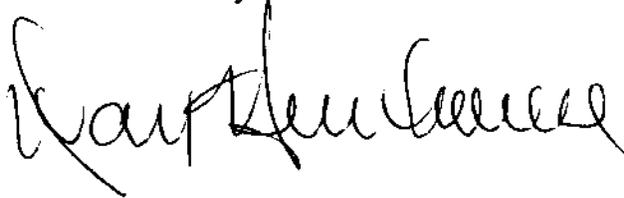
reduced production position than our historical high and be provided the opportunity to continue producing than remain as we are.

Many have expressed concerns of government intervention in our industry. I respect that concern. In my view, a federal marketing order is only a tool that we can use as an industry to manage our oversupply. It will be run by us, decisions will be made by us, and we will be responsible to ourselves. Is it perfect? No. Does it guarantee success of any individual or the industry? No. Does it prevent the possibility of us making mistakes? No. But I believe it offers the best chance for us as an industry to remain competitive and survive.

I am asking, now that you have heard the cases presented for and against, that you take the next logical step. Allow us, the industry, to vote on whether or not an order is the solution we need. A referendum will decide this issue and we can then go forward, whatever the result, together working for the future of our industry.

Thank you,

Dan Newhouse

A handwritten signature in cursive script, appearing to read "Dan Newhouse". The signature is written in dark ink and is positioned to the right of the typed name "Dan Newhouse".