

United States Department Of Agriculture;  
Hop Marketing Order Hearings

October 24, 2003

To Whom It May Concern,

My name is Darren Gamache and I am a fourth generation WA hop grower. I am currently employed as a controller, quality control supervisor, and general jack-of-all trades by Virgil Gamache Farms Inc. a company owned by my father and his brothers. I have been around hops and hop growing all of my life, however it has only been within the last five years that I have actively participated at the industry level. Since I started participating it has become apparent to me that the industry requires the stability of an industry wide marketing order. I justify this opinion based on the following observations.

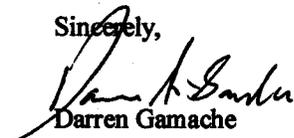
Over the last ten years a certain level of industry consolidation has occurred. This consolidation is not limited to just the producer. It also encompasses the handler and end user. I cite the recent merger of Hop Union USA with the Jon Barth Company, and the recent purchase of Miller Brewing Company by South African Breweries. The significance of these mergers to a producer and handler is that the amount of product necessary to fill a sale is much greater. Thus the investment in infrastructure must be large enough to handle large increases of through-put. However conversely, if the sale is not made large gaps in throughput also appear thus affecting the health of those firms involved. A marketing order will slow the number of large volume "shifts" within the industry.

Secondly, the industry has experienced a severe loss of equity due to current market instability. Two farms of very similar sizes (212 acres and 208 acres respectively) and production capacities were sold. The first was sold six years ago in 1997 and the second sold this last spring of 2003. The first farm sold to a local hop grower for 2.4 million dollars, while the second and most recent sale was to a handler for 850,000 dollars. The seller of the most recent sale felt that he should have received 40% more for his hop farm and equipment, but due to the recent overproduction of hops he received substantially less. An active Hop Marketing Order would have provided the secondary effects of equity stability. This is an important concept, especially when operations weigh the benefits of re-investment or re-capitalization in the industry. And of course re-capitalization is absolutely essential to the long-term survivability of any industry.

Lastly, the hop industry has created what is known in the trade as down-stream products. These products are raw-hops that have been processed into forms that are more stable, easier to handle, and refined or have an enhanced potency. These products are not necessarily new to the industry, but they will have the same effect on the production acreage that the adoption of super high alpha hops did. An active Hop Marketing Order gives the hop industry a tool to keep supply in balance with demand.

Finally, I would like to thank the USDA for providing a forum to debate and refine the concepts surrounding the proposed Hop Marketing Order.

Sincerely,

  
Darren Gamache