

California Walnut Board

101 Parkshore Drive, Suite 250

Folsom, CA 95630-4726

(916) 932-7070

(916) 932-7071 Fax

info@walnuts.org

An Equal Opportunity Employer and Provider



CALIFORNIA WALNUT BOARD MEETING MINUTES

Friday, September 11, 2009

Marriott Hotel

Rancho Cordova, CA

A meeting of the California Walnut Board was held at the Marriott Hotel in Rancho Cordova, CA on Friday, September 11, 2009. The meeting was called to order by Chairperson Dr. Jerome Siebert at 10:09 a.m. The roll was called by Mr. Dennis Balint, Executive Director. Mr. Balint advised Chairperson Siebert that a quorum was present. The following members and alternates were present:

Members:

William Carriere

Earl Lindauer

Jack Mariani

Jim Frazier

Jerome Siebert

Sam Keiper

Alternates:

Walter Deardorff

Pete Turner

Steve Giovannoni

Karen Klonsky

William Tos

Michael Petz

Jack Gilbert

Board Members Al Bonturi, Earl Perez and Jerry Moore were absent, as were Board alternates Donald Norene and Phil Short. Alternate Walter Deardorff sat in for Mr. Bonturi, Mr. Tos for Mr. Perez, Mr. Petz for Mr. Moore and Jack Gilbert filled in for the vacant position left by the passing of Mr. Wagershauser. Also in attendance were Mr. Duane Lindsay, CWC Technical Advisor; Dr. David Ramos, CWB Research Director; Mr. Vic Tolomeo of CASS; and Ms. Debbie Wray of USDA/AMS.

Chairperson Siebert announced that the report of the Grades and Standards Committee will be moved from item I on the agenda to the end of the meeting, just prior to Other Business.

Chairperson Siebert called for a motion to approve the minutes of the May 18, 2009, California Walnut Board meeting as mailed. Mr. Keiper so moved and Mr. Frazier seconded. The motion carried unanimously.

Chairperson Siebert introduced Ms. Donoho of the California Walnut Board to present the next item on the agenda, Reporting Requirements for Board Members and Alternates. Ms. Donoho stated that with the recent Board and Commission elections, she wanted to remind all

the members and alternates of the reporting requirements for civil rights and ethics training. USDA has seven different training modules for civil rights and members are required to review the materials and send acknowledgement forms back to the Board. The State of California also has some modules for new Commission members and alternates to review. The Federal modules are completed just once; the state modules every two years. The Board and Commission appreciate the cooperation of members and alternates in reviewing the modules and returning the acknowledgement forms that they will receive from staff.

Mr. Balint commented that it is especially important for those members who serve on the Commission to comply with the requirements, as it could jeopardize the funds we receive through MAP. Ms. Donoho added that USDA has a civil rights department that periodically sends an auditor to the Board office to review compliance.

Chairperson Siebert asked Mr. Jack Mariani to present the next agenda item, Report of the Market Development Committee. Mr. Mariani commented that the Market Development Committees of the Board and Commission met for a strategic planning session in July as a precursor to the full strategic planning meeting that will take place on December 9th and 10th. The Committees worked on developing some projections and marketing goals to present to the full Board and Commission at that meeting.

Mr. Mariani mentioned that our public relations agency, Torme Lauricella, monitors media impressions for the industry and from September 2008 to May 2009, we hit a milestone of 2 billion impressions.

In August, Mr. Mariani had the opportunity to attend the CWC Scientific Advisory Council's annual meeting. The purpose of the meeting was to discuss current and future research and the role California walnuts may play in diet, health and disease prevention. There were 29 researchers in attendance from all over the world. The attendees included: Dr. Emilio Ros, the lead researcher of the PREDIMED study in Spain; Dr. Jim Joseph of Tufts University; Dr. Peter Pribis of Minnesota who is conducting a 12-week study on walnuts and how they affect memory; Dr. Elaine Hardman from Marshall University; and Dr. Frank Hu from Harvard.

Mr. Mariani then showed some television clips, one from Dr. Oz that appeared in the Cleveland market but is going nationally soon and another from news station KABC in Los Angeles, both on omega-3 in walnuts compared to fish sources. Walnuts have also been featured recently in Martha Stewart's publication *Body & Soul*, *Redbook* magazine and MSN.

Mr. Mariani then introduced Ms. Getz of the California Walnut Board to continue the presentation on the domestic PR program. Ms. Getz stated that we have been working with Dr. Michael Roizen and Mollie Katzen on the Smart Menus program for the past year. Recent Smart Menu activities have included menus for picnics and outdoor entertaining. Upcoming menus will focus on harvest and holiday season. Smart Menu media coverage included a mention in the *New York Times* and generated over 2.5 million web impression.

Ms. Getz presented a brief update of health research activities. Recent publications have included: Dr. Hu's meta-analysis research that published in the *American Journal of Clinical Nutrition*; Dr. Joseph's walnuts and motor and cognitive function research published in the *British Journal of Nutrition*; Walnuts and Fatty Fish from Dr. Sabate in the *American Journal of Clinical Nutrition*; Walnuts and Type 2 Diabetes from Dr. Tapsell in the *European Journal of Clinical Nutrition*; and a PREDIMED study from Dr. Ros in the *European Journal of Clinical Nutrition*. Publicity generated by these studies included interviews with Dr. Tapsell in the *Prevention Guide to Weight Loss*, an interview with Dr. Hardman on her research with walnuts

and breast cancer in *Today's Diet & Nutrition*, and media dinners in Chicago and Los Angeles where Dr. Ros talked about the Mediterranean diet and walnuts.

In the new marketing year, Ms. Getz explained that we are going to continue to work with Mollie Katzen and with Dr. Roizen who is coauthor of the *You* series of books with Dr. Oz. We will also conduct our annual media Harvest Tour in October. Dr. Roizen and Ms. Katzen will join the Harvest Tour to talk about the healthy benefits of walnuts.

In advertising, Ms. Getz mentioned that we continue to reach out to health professionals through advertising in various journals and trade magazines such as *Diabetes Educator*, the *Journal of Cardiovascular Nursing*, the *Journal of American Academy of Physicians Assistants*, *American Journal of Lifestyle Medicine*, *Diabetes Forecast* and *Today's Dietician*. Consumer advertising has been conducted through banner ads on WebMD.com and targeted sponsored e-newsletters. Moving into the fall, we have three online advertising campaigns with betterhomesandgardens.com, allrecipes.com and marthastewart.com.

Ms. Getz stated that Tuesday, September 15th is an important day for the CWB as we are launching our completely redesigned website (walnuts.org). The site will be more user-friendly and have an expanded recipe section, a more robust industry resources section, and e-mail sign-up for e-newsletters.

Mr. Mariani thanked Ms. Getz for her presentation and introduced Ms. McNeil to give an update on Export Marketing activities. Mr. Balint explained that we are expanding the morning presentations to include some of the CWC export activities in order to reach a larger audience, since we lose many attendees following lunch.

Ms. McNeil stated that a significant portion of funding we receive for export marketing activities comes from the Market Access Program (MAP). We submitted our MAP application for 2010 back in May and hope to hear about funding in the next month or so. Ms. McNeil then moved on to highlights of the export markets.

In Germany, a shelled campaign was conducted throughout the summer focusing on the unique use of walnuts and versatility in salads and desserts. Sixty ads have run for a total circulation of 13.5 million impressions. Trade mailings were also conducted to over 150 members of the trade. Consumer point-of-sale activities have included recipe brochures and an upcoming Christmas brochure. We continue to find new ways to reach consumers and have expanded activities to social networking sites in Germany such as Facebook, Twitter and Google. The holiday season activities in Germany include a walnut recipe archive DVD for food journalists and new holiday menus.

Ms. McNeil moved on to marketing activities in Spain. These include: the Menus with Heart, a consumer education program that included five press conferences in several cities that generated over 30 million impressions; and promotion of California Walnuts on Spanish websites.

In Japan, we attended the Annual Breast Cancer Society Meeting in July. Bakery promotion activities continue with Little Mermaid developing six new items in May; promotions through Aoen's, a leading Japanese retailer; a walnut and cheese fair through Fujipan, a huge bakery chain in Japan; and a bakery competition from Mont-Thabor where eleven new items were introduced.

Advertising continues to drive the consumer market in Korea, where we advertise in daily publications as well as magazines and on subways and buses. We also worked with the Korea Bakers Association to conduct seminars in order to entice chefs to introduce walnut products. This served as a lead-in to our new product development competition which was held in June.

In China, our program is about to have its one-year anniversary. The goals of the program in China are to educate the trade and industrial side, as well as consumers, on California walnuts and differentiate ourselves from Chinese product. This is being done through advertising, media events and participating in trade shows.

In Canada, we introduced a consumer e-newsletter with new recipe ideas, wrote and distributed a newsletter to key dieticians, and worked with a food service distributor to introduce four new walnut items. In the fall, we will work with nine universities across Canada to conduct a Brain Food Campaign to introduce future consumers to walnuts and their health benefits.

Ms. McNeil also mentioned the upcoming Global Staff Conference that the CWC conducts annually. Every January, the CWC brings together the export marketing agencies to exchange ideas and plan for the coming year.

Mr. Mariani thanked Ms. McNeil for her presentation which concluded the Market Development Committee report.

Chairperson Siebert asked Mr. Balint to comment on the next agenda item, Report on Korean Free Trade Agreement. Mr. Balint stated that he and Dan Haley, our CWC representative in Washington, are members of the Agricultural Technical Advisory Committee (ATAC) and both recently attended a meeting of that Committee where progress on free trade agreements was discussed. It appears there is a pecking order, with Panama and Columbia taking precedence and then Korea will follow.

Chairperson Siebert moved on to agenda item G, Report of the Walnut Production Research Committee. In the absence of Committee chair, Jerry Moore, Chairperson Siebert asked Committee vice-chairperson Robert Driver to give the report. Mr. Driver first thanked outgoing Committee Chairperson Earl Lindauer for his many years of leadership in production research. In June, the Research Committee held a strategic planning meeting as a precursor to the full strategic planning retreat that will take place in December. The Research Committee and several members of the Production Research Advisory Council (PRAC) came together to develop a clear direction of goals and priorities for the future of production research which will be presented to the full Board at the strategic planning retreat.

Chairperson Siebert thanked Mr. Driver for his report and asked Mr. Duane Lindsay to comment on the status of methyl bromide. Mr. Lindsay stated that the Board and Commission continue to ask for a critical exemption on methyl bromide each year, and each year, EPA cuts back our allocation. The European markets have asked for a complete phase out of methyl bromide as of March 2010 in the EU. That does not mean that we cannot ship to those countries; there is a maximum residue level (MRL) in place for the EU. EPA is pushing for sulfuryl fluoride as a replacement for methyl bromide; however, recent tests on sulfuryl fluoride have indicated that it has a 30 to 100 year half-life.

Mr. Balint commented that the manufacturer of Profume (sulfuryl fluoride) has been seeking letter of support from the industry. The Board will not give a letter of support until such time as all the questions we have about the efficacy of Profume or sulfuryl fluoride under all

potential conditions and all stages of life are addressed. If anyone from the industry is contacted regarding such a request for support, Mr. Balint asked that they contact him at the CWB office.

Chairperson Siebert asked Ms. Donoho to update the Board on the U.C. Davis Endowment. Ms. Donoho stated that as of June 30, 2009, the U.C. Davis Endowment fund was valued at \$1,037,000, down 18 percent from the prior year, which is not surprising given the state of the economy.

Chairperson Siebert asked Dr. David Ramos to report on the Tentative Schedule of Upcoming Meetings for the Production Research Committee. Dr. Ramos stated that, as a follow-up to the June 3rd Research Committee strategic planning meeting, the Committee and the PRAC are planning to meet jointly in October or November in an attempt to integrate their goals and priorities. Also, the annual U.C. sponsored Walnut Research Conference will be held in Bodega Bay on January 20-22, 2010. Members of both the Research Committee and PRAC are expected to attend that conference. Following that meeting, the Research Committee will meet sometime in February to review and fund projects.

Chairperson Siebert thanked Dr. Ramos and asked Mr. Lindsay to cover the next agenda item, UN/ECE Report. Mr. Lindsay stated that each year he goes to Geneva as a representative of the walnut industry to negotiate trade standards with the European community. Dr. Bickelmann, head of the German delegation, has continued to challenge our standards. Last year we were able to convince the UN/ECE committee to disallow the practice of a standard being dismantled just because it has been challenged. There is now language in place that requires proof and reasoning before a standard can be changed. This year we were also able to negotiate a five-year moratorium on the inshell standards; we will have three years of working to develop a change in the basic layout of standards and two years of a trial of the new standards (but without changes to the tolerance level for inshell walnuts). Dr. Bickelmann is still pressing for a change in that tolerance level.

Ms. McNeil commented that in our work with the UN/ECE, we have submitted an application for TASC funds for specialty crops. The UN/ECE has requested that we produce color grading/internal defect brochures for their use. The TASC proposal was submitted September 10th and we hope to have an answer back in the next couple of months in order to provide the materials to the UN/ECE as they have requested.

Chairperson Siebert stated that Item I, Grades and Standards Report will be moved to Item X. He asked Mr. Martin Mariani to present the next agenda item, Audit Committee Report. Mr. Mariani, CWB/CWC Treasurer, stated that the Audit Committees of the Board and Commission met in August to review and complete the charter, review the audit schedule with our CPA/Audit firm Gilbert Associates, and to review the automobile policy. As a result of the automobile policy review, the committee decided to make some changes. Mr. Robert Lea, a member of the CWB Audit Committee, worked with the Board's personnel attorney to draft a new automobile usage policy for employees. The Committee is recommending to the Board that it should sell all the company vehicles the Board currently owns and at the same time, make a one-time salary adjustment for selected employees. The Committee forwarded these recommendations to the Budget & Personnel Committee for their review.

Chairperson Siebert asked Mr. William Carriere to give the report of the CWB Budget & Personnel Committee. Mr. Carriere stated that B&PC of the CWB and CWC met to discuss the

sale of company vehicles, increased insurance coverage and a new automobile policy. The committee recommends that staff be given authorization to sell the two company owned vehicles and make a one-time salary adjustment to the two employees who will be affected by the sale of these vehicles. The committee also recommends authorizing staff to increase liability insurance coverage. Finally, the committee reviewed a newly drafted automobile policy, which outlines employee requirements for the business use of their personal vehicles.

Mr. Carriere made a motion to accept the new automobile policy and increased insurance coverage. The motion was seconded by Mr. Frazier and passed unanimously.

Next, Mr. Carriere stated that the Budget and Personnel Committee reviewed the estimated reserve for 2008/09 and recommends that the CWB hold the reserve, as the CWB is permitted to carry a reserve, per the revised marketing order. Mr. Tos asked if the order stipulates a maximum reserve amount that the CWB may hold. Mr. Balint clarified that the order states we can hold up to two years of budgeted expenses.

Finally, Mr. Carriere stated a motion was needed to approve the salary adjustments for the two employees affected by the sale of the company vehicles. He made such a motion, which was seconded by Mr. Frazier. The motion passed unanimously.

Chairperson Gilbert introduced Mr. Vic Tolomeo of the California Agricultural Statistics Services (CASS) to present the next agenda item, CASS Crop Report. Mr. Tolomeo indicated that the field work for the 2009 objective measurement survey was conducted on 736 orchard blocks, two trees per sample, during the period of August 1 through August 22. Every 5th walnut on the selected branch was picked for size measurements.

Mr. Tolomeo showed a slide of how the bearing acreage and samples by variety have changed from 1999 through 2009 and a map of the sample locations.

Mr. Tolomeo then showed a slide of the linear regression which is a way of taking measurements and converting them into the forecasted number. They use the percent sound, the number of acres, trees per acre, nuts per tree and weight, width, thickness and length per nut as the model for calculating the forecast.

Mr. Tolomeo stated that the walnut crop estimate for 2009/2010, released on September 4th, is 415,000 tons. He showed a chart that graphs the objective measurement forecast against the final production from 1996 through 2008.

The 2009 walnut growing season had an adequate number of chilling hours, favorable weather during bloom, and a mild summer with the exception of some heat spells that may have resulted in sunburn at modest levels. Nut set is down slightly in the San Joaquin Valley and up about 10% in the Sacramento Valley. Nut sizes are about the same as 2008.

Chairperson Siebert asked for a motion to approve the objective measurement survey and the crop forecast from CASS of 415,000 tons for the 2009/2010 crop year. Mr. Gilbert so moved, Mr. Frazier seconded and the motion carried unanimously.

Mr. Tolomeo acknowledged the work of the researchers who worked on the objective forecast; Jennifer Van Court, Adam Wosoba and Robin Clements. Mr. Tolomeo then showed a chart of the confidence intervals of forecast versus final production. With an 80% confidence interval, Mr. Tolomeo explained that statistically we can expect an off year every five years or so. Some sources of variability in the confidence interval can be attributed to the bearing acreage,

trees per acre and the estimated nut set per tree. Nut set per tree has been associated with high variability. Declining nut set per tree can be attributed to production moving to the top of the trees, changes in pruning practices, smaller tree spacing and a shift in popular varieties.

Mr. Tolomeo proposed a CASS research project that would reduce set variability by sampling more trees from targeted varieties and develop an estimated nut set per tree by periodically comparing the estimated to actual nut counts and analyzing the relationship between observed count, location, age, spacing, variety and actual count. They will also review the sampling plan and make necessary adjustments and study additional models and growers' surveys and examine the relationship between variety, year planted and peak production. CASS is also asking for industry support in comparing estimated to actual nuts per tree and actual sizing data. The additional cost for this work is estimated at \$5,000.

Mr. Deardorff made a motion to approve the proposed CASS research at the additional cost of \$5,000. Mr. Gilbert seconded the motion and it carried with one dissenting vote.

Chairperson Siebert thanked Mr. Tolomeo for his presentation and asked Mr. Balint to present the next agenda items M through Q. Mr. Balint showed slides on competing tree nuts, foreign walnut production and U.S. imports of foreign walnuts.

In the export markets, Mr. Balint stated that Korea is again the star export market this past year. Hong Kong, China and Turkey were also stellar performers, as was Israel. We had marginal performance in Spain and Germany. Price is probably a factor and we are unsure if product is coming in from elsewhere. He does believe that market opportunities found in 2008/2009 are going to repeat themselves in 2009/2010. Exports accounted for approximately 48 percent of the total crop in 2008/2009.

The data for competing tree nuts indicates that pecans are estimating a large increase over the 2008 production, as are pistachios. The almond estimate is down from 2008. Foreign walnut production estimates for 2009 remain relatively flat across the board.

Mr. Balint presented a slide on parity prices from 1990 through 2008. He indicated that the Board will need to take action on parity prices. Mr. Frazier made motion that prices will not exceed parity for the 2009/2010 crop year. Mr. Lindauer seconded the motion and it carried unanimously.

The numbers on the supply and utilization charts that Mr. Balint presented represent eleven months of actual and one month (August 2009) of estimated due to the ending inventory figures not being available prior to this meeting. Beginning inventory for the 2008/09 crop year was just over 44 million pounds of inshell equivalent product; production was 868 million pounds; and the total availability for 2008/2009 is estimated at just over 912 million pounds. The 2008/09 utilization is estimated at over 783 million inshell equivalent pounds. The estimates for 2009/2010 are 129 million pounds of inshell equivalent for the beginning inventory with an estimate of 830 million pounds of production, bringing the estimated availability to just over 959 million pounds. Utilization for 2009/2010 is projected at 802 million inshell equivalent pounds. The charts will be updated and re-sent to all members once the ending inventory is released in the next two week or so.

Mr. Balint then presented the Marketing Computation Policy table for the Board's review and recommendation following the report of the Export Committee. Chairperson Siebert called on Mr. Jack Gilbert to give the report of the Export Committee. Mr. Gilbert stated that the Export

Committee met the previous afternoon and it is their recommendation that no reserve and no minimum export price should be established. Mr. Frazier made a motion to accept the Export Committee recommendation of 100% free tonnage with no reserves and no minimum export price for the 2009/2010 crop. Mr. Carriere seconded the motion and it carried unanimously.

Chairperson Siebert asked for a motion to adopt the Marketing Computation Policy as presented by Mr. Balint. Mr. Petz so moved, Mr. Carriere seconded and the motion carried unanimously.

Chairperson Siebert then moved on to agenda item T, 2009/2010 Budget and Assessment Review. Mr. Balint stated that based on the recommendations by the various Committees, there are no changes in the budget that was approved in May; no action is necessary.

Chairperson Siebert asked Ms. Steindorf to present the next agenda item, Review and Approval of the 2009/2010 Compliance Plan. Ms. Steindorf explained that the 2009/2010 Compliance Plan was mailed to all Board member and alternates prior to the meeting. Ms. Steindorf stated that Mr. Deardorff brought an item to her attention that requires an adjustment. On page 11, item 5, Ms. Steindorf will add some wording on the overpayment of assessments not held in reserves.

Mr. Lindauer made a motion to approve the 2009/2010 Compliance Plan with the noted revision as presented. Mr. Frazier seconded the motion and it carried unanimously.

Ms. Steindorf then presented the next agenda item, Review and Approval of CWB By-Laws. She indicated that the only changes to the by-laws at this time are minor housekeeping changes – updating the name of the California Walnut Board (from Walnut Marketing Board) and updating the current address of the CWB as mentioned in the by-laws. There will be additional changes to the by-laws forthcoming regarding voting procedures. Those changes will be presented at a later date following approval from USDA of that language.

Mr. Petz made a motion to approve the California Walnut Board By-Laws as presented with the minor housekeeping changes. Mr. Frazier seconded the motion and it carried unanimously.

Ms. Steindorf moved on to the upcoming Strategic Planning Meeting, agenda item X. She stated that the meeting, for Board and Commission members, will be held on December 9th and 10th at the Embassy Suites in Sacramento. More details will follow at a later date.

Chairperson Siebert asked Ms. McNeil to comment on the Status of AMS Communications. She indicated that there have been two meetings since the Board last met in May; however, the process has stalled with AMS as they continue to try to decide internally how to proceed.

Chairperson Siebert asked Mr. Keiper to present the Report of the Grades & Standards Committee. Mr. Keiper commented that the Grades & Standards Committee has evolved in the past six months to include a Food Safety Working Group which met twice in August to address some important issues to our industry, including research and education. Dr. Linda Harris of U.C. Davis met with the working group to present some research that she has been working on regarding *Salmonella*.

Mr. Keiper stated that the Grades & Standards Committee met on September 10th to hear Dr. Harris' presentation on the behavior of *Salmonella* in inoculated walnuts and her proposal for consideration on research that she would like to conduct during the 2009 harvest. The strategy of Dr. Harris' proposed research project is to systematically evaluate the steps in the production, harvest and handling of California walnuts for impact on levels of introduced *Salmonella*. The first objective will be to determine the behavior of *Salmonella* on walnuts during hulling; then they will determine the fate of *Salmonella* on walnut shells during drying, storage and bleaching; the third objective will be to determine the ability of *Salmonella* to transfer from the shell surface to the kernel during the shelling process; and finally, they will determine the behavior of *Salmonella* on walnut kernels. The cost for the project, which the Committee is recommending for approval to the Board, is \$40,482.

After some consideration, however, Mr. Keiper would like to recommend that a contingency fund be added to the project that would allow staff to work with Dr. Harris and her researchers to develop some further peer review. Mr. Keiper made a motion to recommend approval of the project at \$60,000 to cover the cost of the proposal at \$40,482 and a contingency of \$19,518. The funding will come from the Grades & Standards budget of \$100,000. Mr. Carriere seconded the motion and it carried unanimously.

Mr. Keiper commented that the second function of the Food Safety Working Group is to educate the industry on food safety issues. To that end, the Committee is recommending to the Board food safety workshops to be held in conjunction with DFA at the Annual Winter Meeting in February. The workshops will be designed to educate the handlers on proper Good Manufacturing Practices (GMPs) and Good Agricultural Practices (GAPs).

Mr. Gary Ford of DFA commented that the workshops will be a series of 20-minute presentations with 15 to 20 minutes for questions and answers on various topics. DFA is also hoping to bring in experts in new legislation to speak to the industry.

Mr. Keiper stated that the Grades & Standards Committee is also recommending that, due to the urgency and importance of food safety issues, and in order to have maximum attendance of handlers at the workshops, the Board cover the cost of workshop registration fees for up to two attendees from each handler. Mr. Keiper would also like to include an extra amount in the budget to cover additional costs, i.e. printed materials, professional speaker fees.

Mr. Keiper made a motion to direct CWB staff to work with DFA to design and conduct workshops to be held at the annual winter meeting in February 2010 and to budget \$25,000 to cover the registration fees for up to two attendees per handler and other associated costs (i.e. printed materials, speaker fees). Mr. Tos seconded the motion and it carried with one dissenting vote.

There was no Executive Session necessary and Chairperson Siebert stated that the time and the place of the next meeting of the Board and Commission at the direction of the Chairs and staff. Hearing no further business, he adjourned the meeting at 12:30 p.m.

I HEREBY CERTIFY that the above is a full, true and correct copy of the minutes of the meeting held on September 11, 2009, in Rancho Cordova, California, by the Board of the California Walnut Board.

A handwritten signature in black ink, appearing to read "Dennis Balint". The signature is written in a cursive style with a large initial "D".

12/7/09

Date

Dennis Balint, Executive Director

California Walnut Board
 Domestic Marketing Update
 September 11, 2009

Jack Mariani
 Jennifer Getz



Report of the
 Market Development
 Committee

Jack Mariani



Impression Numbers

2.0 billion
 September '08 to May '09*

*Does not include all health clippings from May.

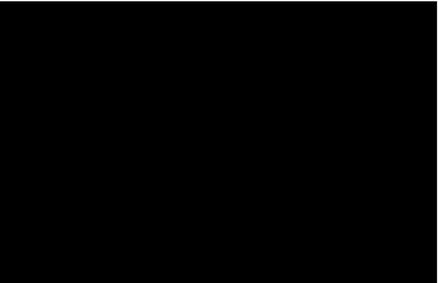


Scientific Advisory
 Council Meeting

- Purpose: To discuss current and future research and the role California walnuts may play in managing lifestyle diseases, disease prevention, and health promotion.
- 29 Researchers In Attendance
- Panel Discussion
 - Antioxidants
 - New and Developing Areas of Health Research
 - Vascular disease is the key to most chronic illness



Superfoods
 KABC in LA



122,510 impressions



Body & Soul Magazine
 September 2009
 2,254,435 impressions

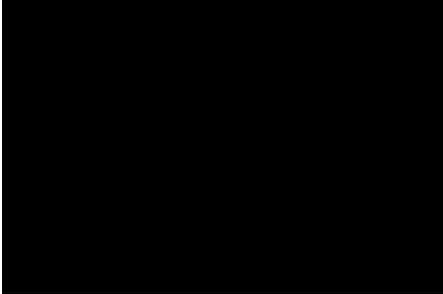


Action Plan
 6 simple ways to better your life and the planet

Draw for Peace
 Join the 9th annual Draw4Peace contest...
Go Dancing
 Tired of the boredom of hot out of the gym...
Eat Walnuts
 According to a new study, eating these smugly...
Stay Balanced
 In Ayurvedic tradition, autumn can provoke...
Save Your Back
 Give your shoulders and lower back a rest by engaging your...



Dr. Roizen – Health Do-Overs
WLS Chicago (ABC Affiliate)

383,496 impressions

Redbook Magazine
August 2009
10,860,835 impressions

nutrition

All-star food duos

When it comes to nutrition, sometimes 1+1=3. Pair these ingredients to fend off heart disease, cancer, and more with every meal. *By Sabrina Sakata*

Sometimes are discovering that when you combine certain foods in your daily diet, you get a supercharged health boost that far exceeds the individual benefits of either food. Get more nutritional bang for your buck with these power couples.

The perfect pair	How they work	How to combine them
<p>blueberries + walnuts</p>  <p>onions</p> 	<p>These delicious happen combine different types of polyphenols, chemicals that boost our memory and cognition. Together, they also appear to reduce the oxidative stress and inflammation that underlie our aging. <i>See, Jim Strang, head researcher at the Human Nutrition Research Center at Aging in Boston.</i></p>	<p>Teas a handful of blueberries into cereal, oatmeal, or yogurt along with a cup of heated walnuts for a filling breakfast or snack.</p> <p>People who eat lots of allium vegetables (like in the garlic and onion) have a lower risk of heart disease.</p> <p>Add onions and garlic into soups, stews, and pasta.</p>




PR Program



Export Marketing Update

Marriott Hotel
Rancho Cordova, CA
September 11, 2009



Germany



60 print ads supporting shelled product appear in 16 women's, lifestyle and culinary publications from April to Oct. 2009

Total circulation of 13.5 million



Germany



Nine direct mailings send to 150 importers, retail buyers and other trade contacts




Germany



Consumer recipe brochure distributed at POS

Negotiations currently taking place with retail leaders like Kaisers Tengelmann, Aldi & Rewe to have material placed in their affiliates



Germany - Highlights

Health: Social Media Release

- Latest health studies on walnuts posted to social media sites (Twitter, Facebook, Mr. Wong, Google, etc.)
- 450 health media (print and online) and institutions in Germany




Germany - Highlights

Pre-Holiday Media Outreach

- Walnut recipe archive DVD for food journalists
- Features New Holiday Menu
- Targeted 165 to media




Spain

Fifth edition of Menus with Heart:

- Launch of the campaign in the main Spanish cities with **five press conferences** with more than 80 attendants (journalists, importers, food industry).
- **Key spokespersons to attract media attention:** the Head of the Spanish Heart Foundation, Dr. Leandro Plaza; renowned chefs; speakers from professional chef societies and local authorities.






Spain

- **Menus with Heart: examples of clipping**






Spain

XXV Heart Week in Madrid





Spain

Promotion of CW in Internet

CW's presence in specialized searchers



Most popular searcher of recipes, Coogle, has included all our recipes and links to the Spanish website nuecesdecalfornia.com.






Japan Annual Breast Cancer Society Meeting



Date : July 3-4, 2009
Place : Grand Pacific
Le Daiba (Tokyo)




Bakery Promotion- Little Mermaid






Bakery Promotion- Aoen's Bread Factory



Bakery Promotion - Fujipan Store

"Autumn Walnut & Cheese Fair" Poster



Bakery Promotion - Mont-Thabor



Japan – Bakery Promotion Schedule

	# of Outlets	Aug.	Sept.	Oct.	Nov.	Dec.
Generic Retail Bakery Campaign		↔	↔	↔	↔	↔
Aeon's Bread Factory	140				↔	↔
Fujipan	700	↔	↔			
Mont-Thabor	80		↔	↔		
Andersen	70			↔		
Popadour	70			↔	↔	
Takaki Bakery (Wholesale)	2,500		↔	↔		
Shikishima/PSS	500		↔	↔	↔	
Yamazaki Wholesale	5,000					IBD
Doughnut Plant	19				↔	↔
Pronto (Café/Bar)	170		↔			
News Deli	5		↔	↔	↔	

Korea

- Consumer Advertising



Korea

- Technical Seminars with Korea Bakers Association



Korea

- New Product Development Contest



CHINA – Advertorial Sweet Industry



June 2009



China – Advertorial Betty's Kitchen



June 2009



CHINA - CWC Shanghai ATO lifestyle Media Event



CHINA Media Coverage – Cuisine & Food



July 2009



The 12th China International Bakery & Confectionery Trade Fair

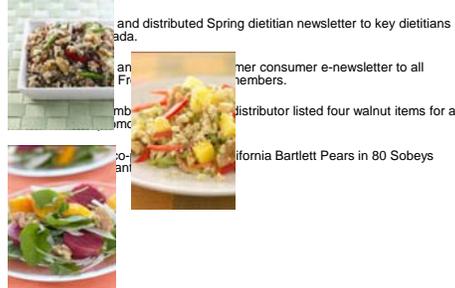


CWC Shanghai/Beijing Technical Seminars



Canada

Fall Highlights



and distributed Spring dietitian newsletter to key dietitians in Canada.
 and distributed Summer consumer e-newsletter to all members.
 distributor listed four walnut items for a California Bartlett Pears in 80 Sobeys



Canada



- EZFood4All, a foodservice distributor, listed four walnut items for a summer foodservice promotion:
 - Curried Turkey Sandwich with Walnuts
 - Waldorf Turkey Salad with Walnuts
 - Cheese Platter with Walnuts
 - Beef Tenderloin and Walnut Salad
- The promotion will run from June to September. CWC will provide promotional support via weekly e-mail blasts and an advertisement on the distributor's website.



- CWC co-partnered with California Bartlett Pears in a California Bistro Salad demo on July 31st, in 80 Sobeys stores in Atlantic Canada.



Canada



Fall Highlights



- Mid September: Brain Food Campaign
 - Target university students across Canada to educate this market about California walnuts' positive cognitive effects.
- Late September: retrospective DVD
 - A multipurpose DVD will be distributed to our key media contacts containing CWC's best recipes, accompanying photographs, key walnut facts, as well as harvest footage.
 - Will include focus on new holiday hors d'oeuvre recipes.
- September/October: will distribute consumer, dietitian, foodservice and trade newsletters.
- October: planning to hold free technical seminars about walnuts for product developers.



2009 WALNUT PRODUCTION

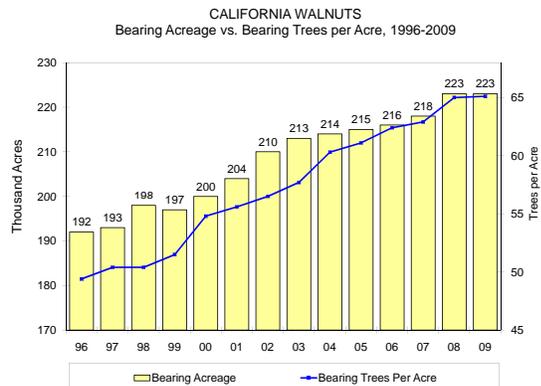
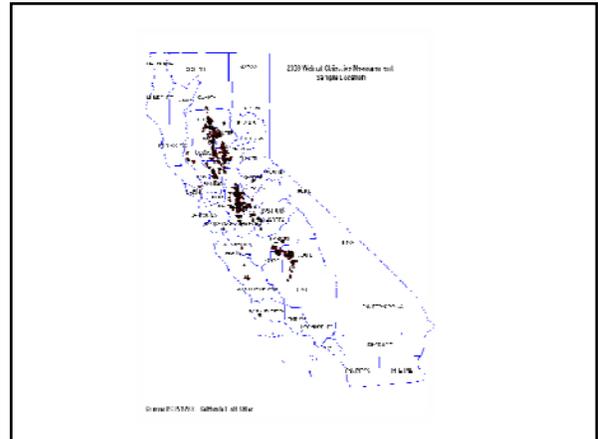
Presented by Vic Tolomeo
 USDA, National Agricultural Statistics Service
 California Field Office
 September 10-11, 2009

2009 WALNUT OBJECTIVE SURVEY

- ✘ Sample:
736 Orchard Blocks
- 2 Trees per Sample
- ✘ Field Work:
Aug 1 - Aug 22, 2009

BEARING ACREAGE AND SAMPLES BY VARIETY

	1999	2001	2003	2005	2007	1999 Samples	2009 Samples
Chandler	36,424	46,081	54,532	57,907	61,653	139	263
Hartley	50,525	47,937	44,237	41,655	40,398	203	154
Howard	931	1,897	4,296	9,053	13,235	1	63
Tulare	944	1,948	6,310	8,660	11,013	3	57



2009 WALNUT OBJECTIVE SURVEY

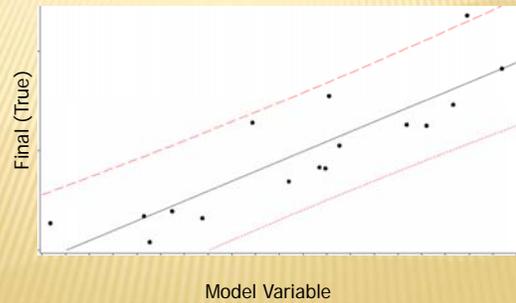
- ✘ Count the walnuts on the selected branch and pick every 5th nut for sizing



OBJECTIVE MEASUREMENT

- ✘ Models Used
 - + Linear regression
 - + Acres, trees per acre, nuts per tree, and percent sound
 - + Weight, Width, Thickness and Length
- ✘ Analysis
 - + Standard Errors
 - + Absolute Differences
 - + Relative Differences (percentage)

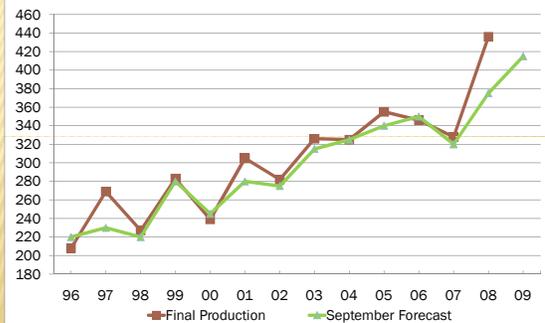
Linear Regression



2009 WALNUT OM FORECAST

- ✘ 415,000 Tons (In-Shell)

CALIFORNIA WALNUTS
Sept. Objective Forecast vs. Final Production



2009 WALNUT SEASON

- ✘ Adequate number of chilling hours
- ✘ Mostly ideal weather conditions during the spring
- ✘ Mild summer, with the exception of some heat spells, resulted in sunburn at modest levels:

- ✘ 2009: .57%
- ✘ 2008: .01%
- ✘ 2007: .01%
- ✘ 2006: .73%
- ✘ 2005: .54%

2009 WALNUT OBJECTIVE MEASUREMENT SURVEY RESULTS

- ✘ Nut Set by Area
 - + San Joaquin Valley (SJV): down 2%
 - + Sacramento Valley (SV): up 10%
 - + State Level: up 8%

	SJV	SV	State
2006	1,267	1,660	1,458
2007	1,162	1,548	1,357
2008	1,270	1,592	1,416
2009	1,250	1,758	1,523

2009 WALNUT OBJECTIVE MEASUREMENT SURVEY RESULTS

- ✦ Nut sizes
 - + In-Shell Weight: down 1%
 - + In-Shell Width: down less than 1%
 - + In-Shell Cross Width: up less than 1%
 - + In-Shell Length: unchanged

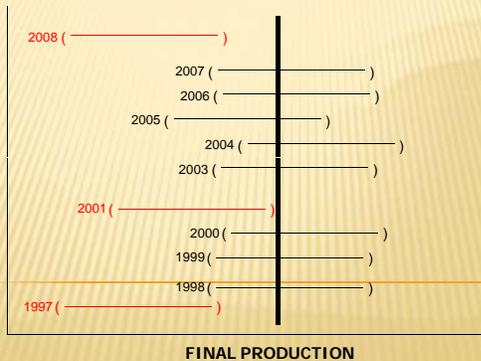
	<u>Weight</u>	<u>Width</u>	<u>X-Width</u>	<u>Length</u>
2006	22.7	31.4	33.6	39.5
2007	20.3	31.9	32.6	37.6
2008	22.2	32.6	32.9	39.3
2009	22.0	32.5	33.0	39.3

2009 Walnut Objective Measurement Survey Results

- ✦ Percent Distribution of Walnut Shell Suture Sizes

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Mammoth	1%	1%	1%
Jumbo	55%	67%	66%
Large	16%	16%	14%
Medium	15%	11%	11%
Baby	12%	6%	8%
Other	1%	0%	0%

Confidence Intervals



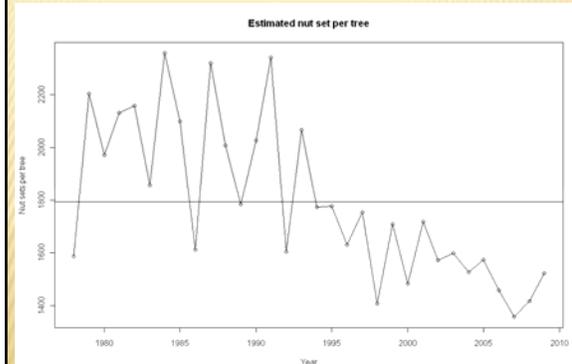
Survey Review

Sources of Variability

- + Bearing acreage
- + Trees per acre
- + Estimated nut set per tree

Nut Set Per Tree

- ✦ Associated with high variability
- ✦ Previous Studies
 - + In 1998 the estimated set were 38% of the true value
 - + In 1999 - 31%



Declining Nut Set per Tree

- + Production moving to the top of the trees
- + Changes in pruning practices
- + Smaller tree spacing
- + Shift in popular varieties

Proposed Research

- ✗ Reduce set variability
 - + Sample more trees from targeted varieties (Chandler)
- ✗ Develop an adjusted estimated nut set per tree
 - ✗ Periodically compare estimated to actual nut counts
 - ✗ Relationship between observed count, location, age, spacing, variety, and actual count

Proposed Research

- ✗ Adjust Sampling Plan
 - + Review variability associated with nut size categories
- + Can we reduce the number of picked walnuts and still provide accurate estimates of size distribution?
- + Divert resources from size measurements to additional tree samples

Forecast Models & Methods

- ✗ Additional Models Studied
 - + Models using weather
 - + Models using new combination of variables
 - + Models using the expected direction of production
 - + Tracking new models to see how well they perform
- ✗ August Growers' Survey
- ✗ Relationship between variety, year planted, & peak production

Request for Industry Support

- ✗ Comparison of estimated to actual nuts per tree
- ✗ Actual Sizing Data

2009 WALNUT OBJECTIVE MEASUREMENT SURVEY RESULTS

Presented by Vic Tolomeo
USDA, National Agricultural Statistics Service
California Field Office
September 10-11, 2009



CALIFORNIA WALNUT BOARD

September 11, 2009

FORECAST OF PRODUCTION 2005 - 2009 Crop (Tons)

CROP YEAR	FORECAST	USDA FINAL	Forecast % of Final
2005	340,000	355,000	95.8%
2006	350,000	346,000	101.2%
2007	320,000	328,000	97.6%
2008	375,000	436,000	86.0%
2009	415,000		

SCHEDULE OF COMPETING TREE NUTS 2007 to 2009 Production Tons - Inshell Basis (Almonds 1,000 Lbs Shelled)

TREE NUT	2007	2008	2009
Walnuts	328,000	436,000	415,000
Hazelnuts	37,000	32,000	38,000
Pecans	174,000	97,000	156,000
Pistachios	208,000	139,000	200,000
Almonds	1,390,000	1,630,000	1,350,000

FOREIGN WALNUT PRODUCTION 2008 to 2009 (short tons)

COUNTRY	2008	FORECAST 2009
Chile	25,000	28,000
China	540,000	617,000
France	39,000	39,000
India	41,000	40,000
Italy	22,000	17,000
Turkey	94,000	95,000
TOTAL	761,000	836,000

U.S. IMPORTS of FOREIGN WALNUTS 2007 and 2008 (ISE Pounds)

COUNTRY	2007	2008
Austria	1,521,000	2,638,011
China	33,000	1,394,641
Germany		3,067,440
India	1,029,532	5,698,068
Spain	3,259,173	2,867,756
TOTAL	6,360,000	18,718,985

WALNUT SUPPLY AND UTILIZATION September 11, 2009

AVAILABILITY	2008/09 (000's lbs)	2009/10 (000's lbs)
Beginning Inventory		
Inshell	650	1,227*
Shelled	<u>19,607</u>	<u>56,500*</u>
Inshell Equivalent	44,124	129,636*
Production	<u>868,602</u>	<u>830,000*</u>
Total Available	912,726	959,636*

WALNUT SUPPLY AND UTILIZATION
September 11, 2009

UTILIZATION	2008/09 (000's lbs)	2009/10 (000's lbs)
Inshell Domestic	<u>22,000*</u>	<u>22,000*</u>
Inshell Export	<u>152,000*</u>	<u>144,000*</u>
Shelled Domestic	<u>150,000*</u>	<u>153,000*</u>
Shelled Export	<u>118,000*</u>	<u>124,000*</u>
Inshell Equivalent	783,090*	802,782*

WALNUT SUPPLY AND UTILIZATION
September 11, 2009

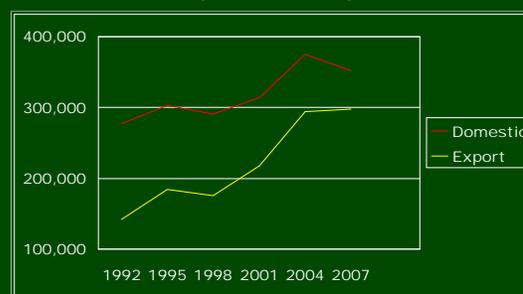
ENDING INVENTORY	2008/09 (000's lbs)	2009/10 (000's lbs)
Inshell Equivalent (lbs)	129,636*	156,854*
Inshell Equivalent (tons)	64,818*	78,427*

WALNUT SUPPLY AND UTILIZATION PROJECTION
September 11, 2009

- Conversion Rates:
 - Beginning Inventory 2008/09 = 45.1
 - Projected Utilization 2008/09 = 44.0
 - Projected Ending Inv 2008/09 = 44.0
 - Projected Utilization 2009/10 = 43.5

* Estimated / projected figures

ISE Shipments - Domestic vs. Export
1992 - 2007
(1,000 Pounds)



Shelled Shipments - Domestic vs. Export
1992 - 2007
(1,000 Pounds)

