

**California Walnut Board/  
California Walnut Commission**

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**CALIFORNIA WALNUT BOARD/  
CALIFORNIA WALNUT COMMISSION  
JOINT MEETING MINUTES**

**Thursday, June 9, 2011  
Marriott Hotel  
Rancho Cordova, CA**

A joint meeting of the California Walnut Board and California Walnut Commission was called to order by Board Chairperson Dr. Jerome Siebert and Commission Chairperson Charles Crain at 10:10 a.m. on Thursday, June 9, 2011, at the Marriott Hotel in Rancho Cordova, California. The roll was called by Ms. Dana Steindorf. Ms. Steindorf advised Chairperson Siebert and Chairperson Crain that a quorum was present for both the Board and Commission. The following members and alternates were present:

**CWB Members:**

Jerome Siebert, Ph.D.

William Carriere

David Keyawa

Robert Driver

Jerry Moore

Vacant

Jack Mariani

Jim Frazier

Frank Guerra

**CWC Members:**

Charles Crain

Donald Norene

Peter Jelavich

David Keyawa

Robert Driver

Jerry Moore

Kevin Wagner

Steve Zaffarano

Jack Mariani

Vacant

**CWB Alternates:**

Lynn Morgan

Michael Petz

Walter Deardorff

William Tos

Vacant

Jack Gilbert

Steve Giovannoni

Pete Turner

**CWC Alternates:**

William Crain

Jim Hudson

Fred Spanfelner

Robert Lea

Jonathan Graves

William Tos

William Carriere

Jack Gilbert

Jerome Siebert, Ph.D.

Board member Earl Lindauer was absent. Board alternates Matthew Conant and Bruce Beard were absent. Commission members David Miller, Jeb Headrick, Ray Perez and Steve Zaffarano were absent, as were Commission alternates Carl Cilker, Nacho Martin, Bert Crane and Martin Mariani. Mr. Graves sat in for Mr. Perez and Mr. Gilbert sat in for Mr. Zaffarano on the Commission. Also in attendance were Mr. Duane Lindsay, CWC Technical Advisor; Dr. David Ramos, CWB Research Director; Mr. Jeff Smutny of USDA/AMS; and Ms. Kathy Diaz of CDFA.

Chairperson Siebert called for a motion to approve the minutes of the February 18, 2011, joint California Walnut Board/California Walnut Commission meeting. Mr. Carriere made a motion to approve the minutes as mailed. Mr. Frazier seconded the motion and it carried unanimously.

Chairperson Crain called for a motion to approve the minutes of the February 18, 2011, joint California Walnut Board/California Walnut Commission meeting. Mr. Jelavich made a motion to approve the minutes as mailed, Mr. Moore seconded the motion and it carried unanimously.

The next item on the agenda was the update of the California Walnut Commission continuation hearing. Mr. Balint stated that the CWC is mandated by law to hold a continuation hearing every six years. The hearing was held on April 19, 2011, with many industry members providing testimony to the Department of Food and Agriculture. Mr. Balint asked Ms. Diaz for a report of the hearing. Ms. Diaz stated that the Department reviewed the testimony that was presented on April 19<sup>th</sup> and it is the Department's decision that there was no significant question among industry members whether the Commission should continue. Therefore, the statutory requirement for the Commission to continue for another six years has been fulfilled and the order was issued to continue the CWC on June 3, 2011.

Chairperson Crain thanked Ms. Diaz for the report and continued with the next agenda item, Report of the CWB/CWC Market Development Committees. Mr. Mariani, Chairperson of the CWB Market Development Committee, stated that the MDC Committees met jointly on April 5, 2011, to review the marketing activities for 2011/2012 and to make recommendations to the Board for a domestic marketing budget of \$4,635,000. He commented that domestic shipments through the last reported month of April 2011 are approaching 118 million pounds, down nine percent from a year ago. The good news is, the trend seems to be picking up.

Mr. Mariani then showed a video clip of Dr. Mehmet Oz talking favorably about walnuts and how they lower triglycerides. In the April issue of *Health Magazine*, walnuts were noted as a super power that eases stress. The article states that snacking on walnuts lowers blood pressure during intense situations. Mr. Mariani then presented a video clip of cookbook author and *Early Show* correspondent, Kathie Lee, talking about walnuts as a source of omega-3s. Mr. Mariani mentioned the long-term investments made through our annual spring and fall media tours. A media tour from 2009 recently generated a mention in the May issue of *Relish*, a weekly newspaper insert that is distributed to over 30 million readers. Mr. Mariani then showed another video clip of Dr. Oz on the Gayle King show explaining why walnuts are his favorite nut.

Mr. Mariani asked Ms. Getz to give the Domestic Marketing Highlights. Ms. Getz presented an article from *Whole Living Magazine*, a Martha Stewart publication, regarding omega-3s and their sources; walnuts had a mention as a natural source of omega-3s. Ms. Getz also mentioned the spring media tour that took place in May. There were about a dozen media in attendance and we conducted an orchard tour as well as a processing plant tour. Another

component of the media tour was the Chef's Council where we brought together a new group of chefs to talk about food trends and how walnuts can be used throughout any meal.

Ms. Getz commented that we have seen a lot of science press in recent months, including coverage of the Penn State study in the April issue of *Everyday with Rachel Ray* and the presentation of Dr. Joe Vinson's abstract on antioxidants in nuts at the American Chemical Society meeting in Anaheim in March. In terms of media coverage, in just over a month we saw 178 clips and 135 million impressions. Over the past year, we have also been doing more outreach to food service and trade publications. Online highlights include advertising with Realage.com, Cooking Light/MyRecipes.com, and a gadget giveaway promotion on walnuts.org which generated the highest traffic month ever on our website with over 62,000 visits.

Ms. Getz then moved on to the next agenda item, Review AMS Oversight. She indicated that the pilot program with AMS has been on-going for over a year. She went to Washington, D.C. in May to attend a task force meeting. The consensus of that meeting was that everyone felt strongly that it is a good program and it should continue. Mr. Smutny of USDA/AMS commented that the program is going smoothly, though there are still some outstanding issues with regard to social media oversight; he recommends caution when using Twitter and Facebook.

Mr. Mariani turned the presentation over to Mr. Norene to give the CWC Market Development Committee's report of Export Marketing Activities. Mr. Norene commented that at the Committee meeting on April 5<sup>th</sup>, they discussed the export marketing program, marketing activities for 2011/2012 and the CWC Market Development's domestic marketing budget. The Committee approved a domestic program of \$2.2 million from the Commission and the MAP request for the 2012 program year of \$6.129 million with a Commission contribution of \$3.79 million. The CWC has received additional MAP funding for the current 2011 marketing year of \$173,011, bringing the overall MAP funding for the current year to \$4,728,611. The Budget and Personnel committee approved the additional CWC spend to match these funds.

Mr. Norene then mentioned the year to date shipment figures (up to May 2011) for inshell exports are up 46% versus the prior year, largely attributed to growth in Germany, China and Hong Kong. Shelled exports are also strong, up more than 14% versus prior year, with strong growth in Germany, U.A.E. and China/Hong Kong.

Mr. Norene turned the presentation over to Ms. McNeil to present the details of Export Activities. Ms. McNeil stated that, in Canada, we continue to conduct point-of-sale activities to encourage purchase of walnuts, including a flyer ad promotion and an in-store demonstration at Costco. We also participated in a Food Science Institute annual meeting where we provided walnut samples to over 1,200 members of the trade.

In China, Ms. McNeil stated that we exhibited at the Wan Zhou Food International Exhibit which targets south China markets and manufacturers. We established 80 new contacts as a result of our participation in the exhibition. In store promotions continue in China with Lai Fung, a snacking company with over 2,000 outlets in the Shanghai area. We also participated in a technical seminar in Shanghai with over 25 manufacturers represented. Trade advertising continues to be a critical tool for us to reach audiences in China. We are reaching out to Chinese snack foods, baking and industrial manufacturers through advertising.

In Japan, we are partnering with Salad Café, a chain of 45 stores in the greater Tokyo area, on a carrot and mandarin salad with walnuts. We are also working with Van Houten Cocoa Powder to develop recipes and distribute them during a three-month promotion to over 180 grocery stores. In PR, we had national TV coverage on a Japanese program that featured

walnuts as one of the foods to eat to reduce blood pressure. Walnuts were also featured on All About, a leading lifestyle website in Japan.

In Korea, to date, we have had 38 ads appear in print in national publications. Advertising in subways and bus lines continues; year-to-date we have had 20 million impressions generated from advertising.

We attended our first trade show in the German market in some time – the Private Label Manufacturer’s Association annual meeting. We established relationships with over 100 new manufacturers to expand our industrial use in the German market. Online advertising continues to play an important role in Germany; we advertise on leading women’s, culinary and general interest websites. We are conducting a metabolic syndrome campaign for the German media and healthcare professionals to educate about metabolic syndrome and dietary intake of walnuts.

In Spain, recipe development continues to be an important outreach to consumers. We also participated in Heart Week in May that had over 18,000 attendees. Outreach to the Spanish trade industry continues as well, with participation in trade shows and events. Also, in two weeks, we will be conducting a “mini” Scientific Advisory Council meeting in Spain with over 50 health researchers in attendance to learn about walnuts and the Spanish market.

Ms. McNeil moved on to the next agenda item, the EU Health Claim. She reported on the health claim at the February meeting and since that time, we have received favorable opinion on four of our walnut health claims. We are currently conducting consumer research to test the wording of the claim that we will present to the European Union, who is the ultimate decision-maker on the claim. This is an on-going process that will conclude sometime next year; we are taking steps that will ensure claims that are useful.

Mr. Norene thanked Ms. McNeil for her report and commented that the CWC Market Development Committee, at their April 5<sup>th</sup> meeting, recommended for the Commission’s approval, a domestic marketing budget of \$2.2 million and an export marketing program budget of \$3,831,425. These figures were subsequently approved and recommended by the Budget & Personnel Committee. The CWC Market Development Committee’s budget will be included in that B&P report for Commission approval later in this meeting.

Chairperson Crain moved on to the next agenda item, Report on INC Congress. Mr. Balint stated that he attended the INC Congress in Budapest a few weeks ago. A major highlight of the conference for Mr. Balint was during the scientific session of the INC science committee; a question was posed to the panel, “why is it that walnuts were the only nut to receive a health claim in EFSA?” Some other information that Mr. Balint took away from the meeting: one-third to one-half of all product we are shipping to Turkey is staying in Turkey. Ms. McNeil is planning a trip to Turkey in the next month to determine whether or not this is a market that we should have a program in. Another piece of information obtained from the INC Congress is that China has a thirty percent increase predicted for their 2011/2012 crop. Mr. Balint cannot say whether or not this is true because we have heard this before from China. He does believe that our customers are happy buying product from California.

Chairperson Crain thanked Mr. Balint for his report and asked the Commission to take action on Authority to Approve Health Research Contracts. Mr. Wagner made a motion on behalf of the CWC to grant authority to the Market Development Committee to approve health research contracts. Mr. Norene seconded the motion and it carried unanimously.

Chairperson Crain asked Mr. Balint to give the next report, Health Research Update. Mr. Balint stated that there are four accepted papers for publication; two on cardiovascular and two on cancer. All of these papers should publish in the next four months. Submitted papers include two on cancer, one on cardiovascular health, two on cognitive function and one on weight management. There are three new studies to begin October 1, 2011 and twenty-four studies on-going in many areas of research, including ALA, bone health, diabetes, and male reproduction.

Mr. Balint presented a new health research project from Dr. William Harris that was presented to the CWC recently. Because there was no time to schedule a Market Development Committee meeting to review and approve this project, Mr. Balint is asking for the Commission to review and approve the project. Dr. Harris is a pre-eminent expert on omega-3s in humans and the effect they have on humans; he will be attending our annual Scientific Advisory Council meeting in August for the first time. His project will look at the distribution of ALA in the body. Mr. Balint is asking for approval of this project at a one year budget of \$98,894.

Mr. Driver made a motion on behalf of the CWC to approve the \$98,894 for the project entitled "Identification of Alpha-linolenic Acid Oxylin Species in Plasma from Humans Consuming Walnuts" from Drs. Shearer and Harris at the Sanford Research Group at South Dakota University. Mr. Norene seconded the motion and it carried unanimously.

Chairperson Siebert asked Mr. Moore to give the Report of the CWB Production Research Committee. Mr. Moore indicated that the Research Committee met in March to review 26 proposals and approved 20 of them in the areas of genetic improvement, plant pathology, orchard management and entomology. The 2010/11 budget was \$1,042,000 and the total of the proposals approved was \$1,036,515. The Research Committee has recommended to the Board a budget for the 2011/12 marketing year of \$1,096,000.

Mr. Moore also stated that the CWB calls for evaluation of the walnut breeding program endowment every five years. A group from U.C. Davis, appointed by Chris Van Kessel, is evaluating the program and will report to the Committee at their next meeting. The goal is to improve the long-term effectiveness of the breeding program.

Chairperson Siebert called for action on the next agenda item which allows the Production Research Committee the authority to approve production research contracts. Mr. Carriere made a motion to give the Research Committee the authority to approve production research contract. Mr. Frazier seconded the motion and it carried unanimously.

Chairperson Siebert asked Mr. Carriere to present the next agenda item, Report of the CWB Grades & Standards Committee. Mr. Carriere stated that the Grades & Standards Committee has met twice since the Board's winter meeting; on March 29<sup>th</sup> and again this morning. The Committee has been very active in researching proposals to improve the food safety and confidence of the walnut supply. Mr. Carriere mentioned that last year's budget for the Committee was \$125,000 and the budget for the coming year is \$150,000.

Mr. Carriere asked the Board to give authority for the Committee to approve Grades & Standards/Post Harvest Research Contracts. Mr. Frazier made a motion on behalf of the Board to grant the Grades & Standards Committee that authority. Mr. Guerra seconded the motion and it carried unanimously.

Mr. Carriere then asked Mr. Eidsath to review the Committee's on-going activities. Mr. Eidsath stated that there are some food safety-based projects that will take place this year. The first will be our second annual salmonella survey; this year the number of survey samples will

double as will the size of each sample (from 200 grams to 400 grams). The second project the Hazard Analysis for California Walnuts, will use last year's lab findings and move toward a more commercial testing forum. They will compare micro loads at pre- and post-hulling dehydration; they will test antimicrobial wash strategies at the huller; and evaluate the survival of salmonella and E.coli 0157 on inshell walnuts after drying and storage.

Mr. Eidsath then gave an update on EPA/ USDA. He stated that now that the walnut industry has transitioned from methyl bromide to sulfuryl fluoride, the EPA is proposing a three-year phase out of sulfuryl fluoride. Public comments are due to EPA by July 5<sup>th</sup>. Based on the phase outs of both methyl bromide and sulfuryl fluoride, the Grades & Standards Committee has been working with Dr. Spencer Walse, a researcher out of USDA in Parlier, to investigate the effectiveness of phosphine gas.

Moving on to the activities of the Food Safety Working Group, Mr. Eidsath mentioned that Devon Zagory at NSF in Davis has been working with the FSWG to develop some on-line training modules and to conduct some regional food safety training meetings later in the summer. Also, the FSWG is working closely with Dr. Linda Harris on the second annual salmonella survey. Lastly, because food safety does not start at the handler level, the FSWG is working with walnut hullers and dehydrators to establish best practices for food safety, GMP's, pest control and sanitation.

Mr. Eidsath then reported on two ongoing projects. The first is a project on propylene oxide (PPO) validation to demonstrate pasteurization of kernel meat. This does not mean that we are looking at an industry-wide scope of pasteurization; it would only be used at the handlers to mitigate risk of pathogens. The second project is on a fumigant mixture of PPO and sulfuryl fluoride. If the gases are mixed at a certain ratio, they have a very good egg kill – better than sulfuryl fluoride alone. Mr. Eidsath expects to have more details to report on this project at the next Board meeting.

Mr. Eidath introduced Ms. Jenny Scott from FDA to give an update on the Food Safety Modernization Act. Ms. Scott stated that the FSMA was signed into law on January 4, 2011. She then gave a brief overview of the FSMA and how it may affect the walnut industry. The priorities for FDA in the FSMA are: Prevention; inspection, compliance and response; and imports. Ms. Scott mentioned that the data for walnuts is very limited; however, the research being conducted by the walnut industry is timely and important for determining what effective, practical preventive controls are available. A discussion ensued about a recent pathogen in Canada being attributed to walnuts, however, Ms. Scott stated that all samples that FDA tested were negative.

Mr. Keyawa asked Mr. Eidsath to elaborate on how preventive controls at hullers and dehydrators will be implemented. Mr. Eidsath stated that there is a draft of what we consider expectations that the hullers and dehydrators would comply with including basic, good manufacturing practices. The draft has been presented to the Food Safety Working Group for their consideration, however, nothing has been implemented yet.

Mr. Carriere stated that there is no recommendation from the Grades & Standards Committee at this time in regard to hullers and dehydrators. The only food safety projects the Grades & Standards Committee has implemented as of this date are the prevalence study and the hazard analysis studies with Dr. Harris. He thanked Mr. Eidath and Ms. Scott for their presentations.

Chairperson Crain asked Mr. Gilbert to present the next agenda item, Report of the CWC Issues Management Committee. Mr. Gilbert stated that several of the Committee members and Mr. Balint took their annual trip to Washington, D.C. to lobby on behalf of the California Walnut Commission. Over two days, the group made a number of calls on Congressional offices and Senate offices, the USDA and EPA. Mr. Gilbert asked Mr. Balint to provide more detail on the trip.

Mr. Balint stated the Market Access Program (MAP) was one of the key areas of interest for the Committee on their trip to Washington. The MAP program is arguably one of the most successful federal programs ever instituted – it brings \$35 back for every dollar invested. The CWC receives nearly \$5 million per year through the MAP program from FAS and we are actively lobbying to our support of the program. Other issues that the Committee addressed while in Washington were the farm bill, the Korean Free Trade Agreement, methyl bromide, and the World Trade Organization.

Chairperson Siebert thanked Mr. Balint for his comments and moved on to the next agenda item, the Board & Commission Laws for review and adoption. The proposed change to the CWB By-Laws affects how the Board reimburses expenses for Board members and alternates. Mr. Moore made a motion to accept the proposed change to the CWB By-Laws. Mr. Driver seconded the motion and it carried unanimously.

Chairperson Crain stated that the CWC has similar proposed changes to the CWC law and by-laws. Ms. Donoho commented that staff is recommending an update to the Commission law regarding member and alternate reimbursements that will allow for reimbursement to alternate members for their attendance at meetings at the same rate as members. The Commission law change can be tacked on to an existing bill that will go through legislature. The Commission by-laws will be updated to reflect the law change and to be made consistent with the CWB by-laws.

Mr. Norene made a motion on behalf of the CWC to approve the changes to both the Commission law and the CWC by-laws in regard to member and alternate expense reimbursement. Mr. Graves seconded the motion and it carried unanimously.

Chairperson Siebert moved on to the next agenda items, a series of resolutions that require Board action. The first resolution was the authority for the CWB Executive Director to execute research contracts. Mr. Frazier made a motion to approve the resolution, Mr. Carriere seconded and the motion carried unanimously.

The next resolution was the authority for the CWB Executive Director to execute market development contracts. Mr. Mariani made a motion to adopt this resolution; Mr. Frazier seconded the motion and it carried unanimously.

Item M was the authority for the CWB Executive Director to execute USDA/FAS/CCC Agreements. Mr. Driver made a motion to adopt this resolution; Mr. Mariani seconded the motion and it carried unanimously.

The next resolution was the authority for the CWB Executive Director to execute research contracts with the Department of Pesticide Regulations. Mr. Mariani made a motion to adopt this resolution, Mr. Guerra seconded the motion and it carried unanimously.

The next resolution was the authority for the CWB Executive Director to obtain outside legal counsel on personnel matters and on health communication. Mr. Mariani made a motion to adopt this resolution, Mr. Carriere seconded the motion and it carried unanimously.

The next resolution was the authority for the CWB Executive Director to obtain outside legal counsel to review general contracts. Mr. Frazier made a motion to adopt this resolution, Mr. Carriere seconded the motion and it carried unanimously.

The next items pertained to the CWC and required action by the Commission. Item Q was the authority for the CEO to execute Health Research Contracts. Mr. Norene made a motion to approve this authority; Mr. Jelavich seconded the motion and it carried unanimously.

Item R was the authority for the CEO to Execute Market Development and General Consultancy Contracts. Mr. Graves made a motion to approve this authority; Mr. Wagner seconded the motion and it carried unanimously.

The next item was the authority for the CEO to Execute USDA/FAS/CCC Agreements. Mr. Jelavich made a motion to approve this authority; Mr. Graves seconded the motion and it carried unanimously.

Chairperson Siebert asked Mr. Carriere to present the next item – the report of the CWB Budget and Personnel Committee. Mr. Carriere stated that the Budget and Personnel Committee met on May 27, 2011 and is recommending to the Secretary a 2011/2012 marketing year budget, based on a two-year crop average of 470,000 tons, of \$7,402,450. This equates to a Board assessment rate to the handlers of \$1.75 per hundredweight of shelled inspected product for the 2011/2012 crop year. Mr. Carriere made this recommendation in the form of a motion. Mr. Gilbert seconded the motion and it carried unanimously.

Chairperson Crain presented the next agenda item, California Walnut Commission 2011/2012 Budget Approval. The CWC Budget & Personnel Committee also met on May 27, 2011 and is recommending a budget of \$16,906,853 for the 2011/2012 marketing year. Mr. Norene made a motion to accept the CWC budget as presented. Mr. Wagner seconded the motion and it carried unanimously.

The CWC Budget & Personnel Committee is proposing an assessment rate to the handlers of \$.009 per inshell pound for the 2011/2012 crop year. Mr. Graves made a motion to approve the California Walnut Commission 2011/2012 assessment rate. Mr. Wagner seconded the motion and it carried unanimously.

Chairperson Siebert asked Ms. Steindorf to report on the next agenda item, Board & Commission Elections. Ms. Steindorf stated that the CWB elections are complete, with the ballots counted by staff and USDA representative, Jeff Smutny. We are waiting for USDA to complete the certification process on the candidates and then the selection order will go to the Secretary for approval. The CWC election is also in the certification process; however, the CWC certifications are done prior to the ballots going out. Once the candidates complete the certification paperwork, the ballots for the Commission will go out at the end of June for a July 1-31 voting period. Results for both elections will be announced later in the summer.

There was no Executive/Closed Session necessary. Chairperson Siebert stated that the time and the place of the next meeting of the Board and Commission will be determined by staff and the Chairpersons. Hearing no further business, Chairperson Siebert and Chairperson Crain adjourned the joint meeting at 12:40 p.m.

I HEREBY CERTIFY that the above is a full, true and correct copy of the minutes of the meeting held on June 9, 2011, in Rancho Cordova, California, by the Boards of the California Walnut Board and the California Walnut Commission

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

9/9/11

\_\_\_\_\_  
Date

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Dennis Balint, Executive Director/CEO