

**California Walnut Board/
California Walnut Commission**

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/
CALIFORNIA WALNUT COMMISSION
JOINT MEETING MINUTES**

**September 10, 2010
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 9:36 a.m. on Friday, September 10, 2010 at the Marriott Hotel in Rancho Cordova, California. The roll was called by Mr. Dennis Balint, Executive Director/CEO. Mr. Balint 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
Earl Lindauer
Vacant
Jack Mariani
Jim Frazier
Frank Guerra

CWB Alternates:

Lynn Morgan

Michael Petz
Walter Deardorff
William Tos
Vacant
Jack Gilbert
Steve Giovannoni
Pete Turner

CWC Members:

Charles Crain

Peter Jelavich
David Keyawa
David Miller
Robert Driver

CWC Alternates:

William Crain
Jim Hudson
Fred Spanfelner
Robert Lea
Carl Cilker

Jonathon Graves
William Tos
William Carriere
Jack Gilbert
Martin Mariani
Jerome Siebert, Ph.D.

Board Alternates Matthew Conant and Bruce Beard were absent. Commission members Donald Norene, Jeb Headrick and Janet King were absent, as were Commission alternates Nacho Martin and Bert Crane. Also in attendance were Ms. Carol Berg-Sloan, CWC Nutrition Consultant; Mr. Duane Lindsay, CWC Technical Advisor; Dr. David Ramos, CWB Research Director; Mr. Vic Tolomeo and Ms. Jennifer Van Court of CASS; Mr. Jeff Smutny and Ms. Debbie Wray of USDA/AMS; and Ms. Kathy Diaz of CDFA.

Chairperson Siebert called for a motion to approve the minutes of the June 11, 2010, California Walnut Board meeting. Mr. Frazier made a motion to approve the minutes as mailed. Mr. Carriere seconded the motion and it carried unanimously.

Chairperson Crain called for a motion to approve the minutes of the June 11, 2010, California Walnut Commission meeting. Mr. Wagner made a motion to approve the minutes as mailed, Mr. Miller seconded the motion and it carried unanimously.

In the absence of Committee Chair Donald Norene, Chairperson Crain introduced Committee Vice-Chair, Carl Cilker, to give the report of the CWC Market Development Committee. Mr. Cilker commented that the Committee met in March jointly with the Market Development Committee of the CWB to review the past year's marketing program and discuss the upcoming marketing year activities. He stated that, as of the July 2010 shipment report, export shipments of inshell product have increased 22.5 percent and shelled exports have increased nearly 15 percent. Mr. Cilker then asked Mr. Jack Mariani, Chair of the CWB MDC to comment on the domestic market activities.

Mr. Mariani stated that the CWB Market Development Committee has not met since the last meeting in March, so there is not a lot to report. However, some good news to report - domestic shipments through July 2010 indicate an increase of almost 17 percent from the previous year.

Mr. Mariani mentioned that Dr. Michael Roizen has continued to be a spokesperson for the walnut industry, promoting the health message through appearances on shows such as "Good Morning America." Other media hits over the past year have included coverage of Dr. Abha Chauhan's study on walnuts and Alzheimer's disease and mention of Dr. Paul Davis's prostate cancer study.

Mr. Mariani closed his presentation by mentioning his attendance at the annual Scientific Advisory Council meeting, hosted by the California Walnut Commission. This conference brings together doctors and researchers from all over the world and their interaction at the meeting is invaluable to our industry. Mr. Mariani then introduced Ms. Jennifer Getz to continue with the domestic marketing activities.

Ms. Getz discussed the Food for Your Whole Life Symposium that was held in June. To recap, the two-day symposium was attended by about 1,000 consumers on the first day and 500 health professionals on the second day. There were 43 members of the media in attendance as well. We worked with several sponsors to put on the symposium, including the American Institute for Cancer Research, HealthCorps (Dr. Oz's foundation), the New York State Dietetic Association, the Wild Blueberry Association and U.S. Dried Peas and Lentils. During the months of June and July, the symposium generated 200 million media impressions.

Ms. Getz then showed a series of media mentions on walnuts from Wellsphere.com, RealAge.com, *Today's Diet & Nutrition*, Prevention.com and AllRecipes.com. She also

mentioned the industry's participation in tradeshow such as the Institute for Food Technologists and the Association of American Diabetes Educators.

Mr. Mariani thanked Ms. Getz for her report. Chairperson Siebert asked Ms. Michelle McNeil to give the Export Marketing Update. Ms. McNeil stated that in Korea, we have been working with the second largest market chain that conducts cooking classes in their cultural centers. We have also worked with a leading chef on a social media site and have underwritten a "stop smoking" campaign for consumers. We also conducted our final new product development contest in Korea this past June in conjunction with the Korean Bakers Association. Our relationship with that association will continue, just not in the format of a contest.

In Japan, Ms. McNeil explained that we conducted a press tasting in June where we partnered walnuts with wine, chocolates and blue cheese. Over 40 media members attended the event and we also introduced some consumer materials to support the activity. We also continue our tie-ins with bakeries and large retail chains, and we recently introduced a new recipe card that was promoted in a large retail store.

In China, we had over 30 media in attendance at an event in Beijing where we introduced new recipes focused on healthy nutrition. Ms. McNeil stated that a large part of our program in China is introducing manufacturers to California walnuts and how to incorporate them into their products. We are also conducting advertorials in leading publications targeted at those audiences who need baking or confectionary information.

Ms. McNeil explained that in Germany, we have conducted our big pitch for the holiday season. Also, health research has been a big driver of media coverage. On the advertising side, we will conclude our campaign in December; in total we will have had 85 ads throughout the year in 15 different types of women's, lifestyle and cooking publications with a reach of 20 million. Also, we will be working with the leading food websites and conducting a contest to drive traffic to our newly designed German website.

In the Spanish market, we conducted five press conferences to promote our Menus with Heart Campaign, working with the Spanish Heart Foundation. Leading chefs and restaurants developed cardio health menus that were promoted throughout the media. We also had recipe outreach to the media and consumers with over 600 hits equivalent to \$2.2 million.

In the Canadian market, our spring and summer media pitch received a tremendous amount of coverage both on-line and in print. Recipes are an important outreach to consumers and we've created four holiday season entertaining recipes along with in-store demos and promotions.

Ms. McNeil concluded her export marketing program report by explaining that, in an effort to stretch budget and share amongst agencies, the product development guide created in Canada was adopted for the U.S. market and the "brain food" creative developed for Spain was also reused. Ms. McNeil also explained our opportunities for federal funded programs such as MAP and QSP.

Chairperson Siebert thanked Ms. McNeil for her report and asked CWC Nutrition Consultant, Ms. Carol Sloan, to give the health research update. Ms. Sloan stated that since the last meeting in June we have had one study publish in the *Journal of Nutrition*. This study, which shows that eating walnuts can help reduce some of the risk factors for metabolic syndrome, was conducted at the National Institute of Health and the Harvard School of Public Health by Drs. Hu and Lin. We also have three papers that have been accepted and are awaiting publication; two on cancer and one on cardiovascular health. Ongoing projects include

four on cancer, three on cardiovascular, and one each on cognitive function, diabetes, male reproductive health, and weight management. We also have seven ongoing studies as part of the larger PREDIMED project from Dr. Ros.

Ms. Sloan explained that because we have expanded our areas of health research, we get proposals in many different areas of health concern. It became apparent that we needed to prioritize our areas of interest, so internally last spring, with input from many of our researchers and Scientific Advisory Council members, we narrowed our focus for the coming year to four areas: cardiovascular, cancer, aging and diabetes.

Ms. Sloan mentioned the Scientific Advisory Council meeting that was held in August. One of the main health topics during the two-day event was cancer research. We continue to work successfully with the American Institute of Cancer Research and had four of the researchers that we have funded projects with in attendance at the SAC meeting. Ms. Sloan presented a slide showing the AICR/CWC partnership projects which demonstrates the value of the partnership.

Ms. Sloan then talked about a long-term (four year) cardiovascular/cognitive function research project that Dr. Ros and Dr. Sabate are going to put together. The proposal will be presented to the CWC by the end of the year. She also mentioned a research proposal concept that would provide a comprehensive review of all the walnut cancer research conducted thus far by the CWC. New projects that we are waiting to receive proposals on include: a prostate cancer proposal from Dr. Paul Davis with 50 percent funding from AICR; a cancer research proposal from Dr. Cheryl Rock; and a colon cancer proposal from Dr. Mantzoros.

Mr. Balint commented that the Dr. Davis project that is funded 50 percent by AICR has not been guaranteed funding for year two until they see the results of year one. The way the CWC is writing the contract with Dr. Davis is that we will have the option of funding the entire year two, or we are hoping the results of year one will be positive and AICR will fund 50 percent again. If AICR funds Dr. Davis for year two, that brings the AICR contribution to the CWC health research program to \$370,000 over the last four years.

Because the CWC Market Development Committee will probably not meet again until after the first of the year, Mr. Balint asked the Commission to approve the four new health research proposals as presented by Ms. Sloan. The total expenditure for year one (2011) of the four projects is \$287,268. Mr. Graves made a motion to approve the four new health research proposals, Mr. Jelavich seconded the motion and it carried unanimously.

Chairperson Siebert asked Mr. Balint to give the report of the Korean Free Trade Agreement. Mr. Balint stated that there was a recent meeting in Sacramento with the Korean Ambassador to discuss the Korean Free Trade Agreement. The Ambassador believes the bill will probably not go to the floor until after January 1st when new members are seated, so we are still waiting for a decision.

Chairperson Siebert introduced Production Research Committee chair, Mr. Jerry Moore, to give the report of the Committee. Mr. Moore stated that the Research Committee met yesterday for the first time since March when the budget and proposals were approved. The purpose of the meeting yesterday was to review three proposals. The first proposal reviewed and approved was the second six-month period for the Walnut Improvement Plan; the second was a support proposal for the walnut farm advisors; and the third was Dr. Dandekar's research on transgenic crown gall resistant rootstock. Mr. Moore stated that members of the Committee continue to be involved in the Production Research Advisory Council meetings with two

members attending both the genetic improvement/plant pathology and the orchard management working groups over the summer.

Mr. Moore called on Mr. Duane Lindsay to give an update on methyl bromide status. Mr. Lindsay commented that we are submitting our 2013 request to EPA in the next couple of days. We will be asking for just under 100,000 pounds of methyl bromide for the industry. For 2010 use, we asked for 250,000 pounds and EPA allocated just over 1,100 pounds of methyl bromide for the walnut industry. Mr. Lindsay stated that EPA has suggested the industry revert to cold storage and better fumigation chambers in order to use Phostoxin. Based on industry analysis, that would cost us a minimum of 35 percent of the industry's Farmgate to put into place and the turnaround time with Phostoxin is too slow for the program to work.

Chairperson Siebert asked Mr. Lindsay to move ahead on the agenda to item H, report of UN/ECE. Mr. Lindsay commented that at the UN/ECE meeting a year ago, we were able to get a five-year moratorium on discussion of the inshell walnut grade standard. This past year, Dr. Bickelman and the German delegation had proposals ready to present to reduce the tolerance levels on the grade standard on inshell walnuts. With the support of France, Turkey, Italy and Spain, we have been able to defer the discussion for another year.

Mr. Moore continued with the report of the Research Committee by asking Dr. Ramos to present the issue of sustainability. Dr. Ramos stated that sustainability is a broad-based topic dealing with economic, environmental and social issues. For the walnut industry, most of the issues we have to contend with are environmental – air, water, land and energy resources. In his recent discussion with the CWB Grades & Standards Committee and the PRAC Orchard Management working group, Dr. Ramos explained that there seems to be some consensus for the walnut industry to acknowledge sustainability as it seems to have become a major factor in the choices customers make.

Dr. Ramos encouraged handlers to provide feedback to the CWB on their interactions with their customers and to help the CWB learn more about customer concerns about sustainability. By and large, the walnut growers are very sustainable in their practices, but we may not be doing enough at getting that information out.

Mr. Moore thanked Dr. Ramos for his comments and concluded the report of the Research Committee. Chairperson Siebert introduced Mr. Carriere, chair of the Grades & Standards Committee, to give the committee report.

Mr. Carriere asked Mr. Don Barton, Chair of the Food Safety Working Group to give a report. Mr. Barton stated that the working group met in July to discuss several issues: the first was a presentation from a representative from Chico Wash (a solution used to achieve a 5-log kill on pathogens); the second issue was the unfortunate and erroneous comments made by Ms. Jenny Scott of FDA at the Almond Board meeting in July where she reported to the group that there had been two positive hits for salmonella in walnuts – her comments were later challenged by some walnut grower/handlers at the meeting and found to be a clerical error; the third issue discussed was Senate Bill 510, a major food safety bill, which has been hung up in the senate for some time – the major aspects of the bill are that voluntary recalls would no longer be voluntary, but mandated by FDA and that a large number of additional FDA inspectors would be funded and hired to visit food processing facilities.

Mr. Carriere thanked Mr. Barton for his report and asked Mr. Carl Eidsath to talk about the upcoming food safety workshops that will be held by DFA during the winter meeting of the Board and Commission. Mr. Eidsath stated that when senate bill 510 passes, the Board and Commission will make sure our handlers are well aware of any changes in requirements in

regard to food safety. To that end, DFA, in conjunction with the Board, will be putting on food safety seminars at the winter meeting again this year. Mr. Eidsath encouraged everyone who has not been to a HACCP training seminar to attend. HACCP training will be mandatory for all food processing facilities under the food safety bill when it passes.

Mr. Carriere stated that the Grades & Standards Committee met on September 2nd to discuss several of the issues that were just mentioned. The Committee also has several recommended proposals for Board approval. The first is an extension of the PPO validation study that was already approved. The Committee recommended a shelf life and taste study for \$14,035. Dr. Siebert stated that the Committee moved for approval of the proposal in the amount of \$14,035. The motion carried unanimously.

Mr. Carriere stated that the second proposal the Committee reviewed was a salmonella prevalence study from Dr. Linda Harris that will test the walnuts as they are being received at the handler. DFA has offered to help with the study and to fund \$30,000 to cover most of the cost. This blind study would take a thousand samples as they arrive at the handler and test them for salmonella. The Committee recommended providing \$10,000 to cover miscellaneous expenses such as shipping costs. Mr. Carriere made that recommendation in the form of a motion. Mr. Guerra seconded the motion and it carried unanimously.

The final recommendation by the Committee is to set aside a \$50,000 reserve allocation for Grades & Standards for potential new projects from Dr. Linda Harris. Within the next 30 days, Dr. Harris anticipates presenting additional projects to the Committee as a result of her previous work in salmonella testing. This would allow the Committee to review and fund projects as necessary without reconvening the full Board. Mr. Carriere made this recommendation in the form of a motion. Mr. Driver seconded the motion and it carried unanimously.

Mr. Balint commented that, with the approval of the projects recommended by the Grades & Standards Committee today, they have exceeded the budget allocation of \$125,000 for 2010/2011. Mr. Carriere made a motion to recommend that the difference between the \$125,000 budget and the amount the committee has recommended for approval for the 2010/2011 crop year (approximately \$150,000 in projects), be allocated from Board reserves. Mr. Mariani seconded the motion and it carried unanimously.

Mr. Carriere called on Mr. Balint to give the update on Mancozeb time limited tolerance. Mr. Balint stated that we had indicated to EPA that the drop-dead date for time limited tolerance would be August 20th and we got the time limited tolerance on August 20th. The time limited tolerance expires December 31, 2013, so we are going to be asking again for another Section 3 on Mancozeb.

Chairperson Siebert thanked Mr. Carriere for his Committee report and asked Mr. Balint to report on the next agenda item, Review of the Meal Rule. Mr. Balint commented that handlers now have the option, with the USDA approved change to the marketing order, of chopping product before or after it is inspected. DFA will require that each handler declare their choice of inspection prior to the beginning of each crop year, September 1.

Chairperson Siebert asked Mr. Lindauer, chair of the CWB/CWC Diversity Committee, to give the Committee report. Mr. Lindauer stated that the joint CWB/CWC Diversity Committee met in June to review options for encouraging under-represented groups to participate on the Board and Commission. He indicated that the Board and Commission have a difficult task in attracting and keeping qualified candidates for membership, especially due to demands on time. Mr. Balint commented that he sent out, on behalf of the Board and Commission, several letters

to organizations that represent our underrepresented groups. He indicated that he has yet to receive any response, but will continue to pursue those organizations.

Chairperson Siebert thanked Mr. Lindauer for his report and asked Mr. Martin Mariani, Board and Commission Treasurer, to give the report of the Audit Committees. Mr. Mariani stated that the CWB/CWC Audit Committees met on July 28th to discuss two main topics, the upcoming audits for the fiscal year and to review the policies and procedures of the Board and Commission. He indicated that the Committees made some minor changes to procedures, mostly related to reimbursement rates and rules on business meals. Those changes were distributed to the Board and Commission prior to this meeting.

Mr. Frazier made a motion for the Board to accept the changes to the CWB Policies and Procedures as recommended by the CWB Audit Committee. Mr. Carriere seconded the motion and it carried unanimously.

Mr. Hudson made a motion for the Commission to accept the changes to the CWC Policies and Procedures as recommended by the CWC Audit Committee. Mr. Zaffarano seconded the motion and it carried unanimously.

Chairperson Siebert 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 2010 objective measurement survey was conducted on 716 orchard blocks, two trees per sample, during the period of August 1 through August 26. 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 2010. He also showed a slide on bearing acres versus bearing trees per acre from 1996 through 2010. The bearing acres for 2010 are 227,000 with 67 trees per acre.

Mr. Tolomeo stated that the walnut crop estimate for 2010/2011, released on September 3rd, is 510,000 tons. He showed a chart that graphs the objective measurement forecast against the final production from 1996 through 2009.

The 2010 walnut growing season had good chilling hours, above average rainfall that replenished groundwater supplies and helped the trees build a more vigorous root system, and a mild summer with few days over 100 degrees. Nut set is up throughout the state and is at its highest since 2001. Mr. Tolomeo then presented a slide on the percent distribution of walnut shell suture sizes. Jumbos are down from last year to 58%, with Large and Mediums up slightly to 18% and 14% respectively.

Mr. Tolomeo stated that the CASS office has added a staff member to focus on objective measurement surveys and test new procedures or modifications in procedures.

Chairperson Siebert thanked Mr. Tolomeo for his presentation and asked for a motion to accept the CASS report. Mr. Carriere made a motion to accept the CASS objective measurement for the 2010 crop as presented by Mr. Tolomeo. Mr. Gilbert seconded the motion and it carried unanimously.

Chairperson Siebert introduced Mr. Balint to present the next agenda item, Review of Statistics. Mr. Balint stated that this year the U.S. market was very strong, as were Korea and Germany in the shelled market. Mr. Balint showed slides on competing tree nuts, foreign walnut production and U.S. imports of foreign walnuts.

Mr. Balint then presented supply and utilization charts which include eleven months of actual shipments (September 2009 to July 2010) and one month of estimated shipments (August 2010). Beginning inventory for the 2009/10 crop year was just over 115 million pounds of inshell equivalent product; production was 872 million pounds; and the total availability for 2009/2010 was just over 987 million pounds. The 2009/10 utilization is estimated at almost 920 million inshell equivalent pounds. The estimates for 2010/2011 are 67 million pounds of inshell equivalent for the beginning inventory with an estimate just over one billion pounds of production, bringing the estimated availability to almost 1.1 billion pounds. Utilization for 2010/2011 is projected at 970 million inshell equivalent pounds.

Mr. Balint also presented charts on conversion rates, on exports as a total of shipments which shows exports at about 55% of the total, on exchange rates, and U.S. imports of foreign walnuts.

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 2010/2011 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. Driver so moved, Mr. Mariani seconded and the motion carried unanimously.

Mr. Balint presented a slide on parity prices from 1990 through 2009. He indicated that the Board will need to take action on parity prices. Mr. Driver made motion that prices will not exceed parity for the 2010/2011 crop year. Mr. Frazier seconded the motion and it carried unanimously.

Chairperson Siebert asked for approval of the Resolution recommending for the approval of the Secretary a Compliance Plan for the 2010/11 marketing year and authorizing the Executive Director to make controlled buys. Mr. Frazier made a motion to accept the resolution, Mr. Carriere seconded and the motion carried unanimously.

Chairperson Siebert asked Mr. Balint to present the next agenda items, Status of Informal Rulemaking and Field Activity Affecting Food Safety and Assessments. Mr. Balint stated that the proposed rule on the CWB assessment reduction (from \$1.77 last year to \$1.74 for the 2010/2011 crop year) has been approved by USDA. He also mentioned that last year the Board took some action via letters to alert hullers and growers in the field that selling directly to buyers (circumventing handlers) is a violation of the marketing order. As a result of the letters, there were many calls into the Board for verification of the marketing order rules and several new handlers have come on board. Staff will be doing what they can during the next few months to get out into the field and do some handler and huller visits.

Chairperson Crain asked Mr. Balint to address the next agenda item for the CWC, CDFA Oversight. Mr. Balint commented that there was a meeting with CDFA about two months ago to discuss audits of state boards and commissions that CDFA will require as part of their oversight plan. The alternative to having CDFA conduct the audit would be to hire a private audit firm, but it would have to be conducted to standards acceptable to the state. Ms. Donoho mentioned there was a conference call yesterday and CDFA is working with some of the programs and audit firms to put together an audit procedures manual that is acceptable to CDFA and that

would provide the audit firms guidance when conducting the audits. This would allow the CWC's audit firm to conduct the financial audit and the state required audit as well.

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 11:46 a.m.

I HEREBY CERTIFY that the above is a full, true and correct copy of the minutes of the meeting held on September 10, 2010 in Rancho Cordova, California, by the Boards of the California Walnut Board and the California Walnut Commission



12/20/10

Date

Dennis Balint, Executive Director/CEO