

California Walnut Board

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JOINT CALIFORNIA WALNUT BOARD / CALIFORNIA WALNUT COMMISSION MARKET DEVELOPMENT COMMITTEE MEETING MINUTES

**Tuesday – March 30, 2010
Sacramento, CA**

A joint meeting of the California Walnut Board and California Walnut Commission Market Development Committees was held on Tuesday, March 30, 2010 at the Farm Bureau in Sacramento, CA. The meeting was called to order at 9:53am by CWB MDC Chairperson Jack Mariani and CWC MDC Chairperson Donald Norene. Ms. McConico called the roll and the following members were present:

CWB MDC

Jack Mariani
Jack Gilbert
Walter Deardorff
Jim Frazier
Frank Guerra
Michael Petz

CWC MDC

Donald Norene
Carl Cilker
Robert Driver
Peter Jelavich
Bob Lea
David Miller
Bill Tos

CWB Committee members Mr. Bill Carriere and Mr. Jerry Moore and CWC Committee member Mr. Jeb Headrick were absent. Ms. McConico informed the Chairpersons that a quorum was present for both Committees. Also in attendance were Mat Conant, Board Alternate, Debbie Wray of USDA, Kathy Diaz of CDFA, Deborah Lauricella and Kaley Todd of Torme Lauricella Public Relations, and CWB/CWC staff members Dennis A. Balint, Michelle McNeil, Jennifer Getz, Heather Donoho, Jennifer Williams and Anne McConico.

Chairperson Mariani called for a moment of silence in remembrance of Ms. Margaret Torme.

The first order of business was the approval of the minutes from the last Joint Market Development Committee meeting held on July 16, 2009.

MDC Board Chair Jack Mariani asked for a motion to approve the minutes as mailed. Mr. Jim Frazier so moved and Mr. Walter Deardorff seconded. The motion carried unanimously.

MDC Commission Chair Donald Norene asked for a motion to approve the minutes as mailed. Mr. Bob Driver so moved and Mr. Carl Cilker seconded. The motion carried unanimously.

The next item on the agenda was 2010-11 Domestic Program Discussion. Ms. Getz gave an overview of the U.S. market. Shelled shipments were up 30% and the projected ending inventory as presented at the Winter Meeting was approximately 74,000 short tons. She mentioned that the U.S. goal of 19.7 million pounds for shelled growth over five years was set during the December 2009 Strategic Planning meeting. Ms. Getz said the domestic planning assumptions are that the economy will stabilize, consumer confidence will recover, information regarding the health benefits of walnuts will continue to drive purchases, food safety will become important to consumers, and the 2010 crop will be at least 435,000 tons.

Ms. Getz then discussed two attitude and usage studies, one of walnut purchasers and the other non-purchasers. The purchasers group consisted of 1000 men and women, primary grocery shoppers who purchased walnuts in the past year. Of these 79% said they are eating healthier, 29% are eating more walnuts, 63% believe walnuts are a good value despite the economy, 42% know walnuts are a good source of omega-3s. This group uses walnuts primarily for baking, snacking and desserts. The non-purchasers group consisted of 500 men and women, primary grocery shoppers who have not purchased walnuts in the past year. In this group 67% said they are eating healthier. 25% of this group are not aware of the health benefits of walnuts, do not see them as convenient or versatile, and think walnuts are expensive.

Ms. Getz introduced Ms. Lauricella and asked her to continue with details on the 2010-11 Domestic Program Discussion. Ms. Lauricella said the program's objective is to increase the demand for walnuts by positioning them as an essential high value, great tasting, versatile, convenient food with clinically proven health benefits. She said the Fall Harvest Tour will take place again this year. This tour generates walnut media coverage, provides an opportunity to demonstrate safe industry practices, explain how the fresh walnut crop is delivered, and presents the media with information to include in their walnut stories throughout the year. A Chef's Council is being formed and will be headed by Mollie Katzen. The Council chefs will act as ambassadors for walnuts to increase their prominence in menus. Ms. Lauricella said media outreach will be maintained via print, broadcast, the internet, as well as working with influential partners like Dr. Michael Roizen, Dr. Mehmet Oz and Dr. David Katz. We will also participate in tradeshows throughout the year.

Ms. Lauricella introduced Ms. Kaley Todd to discuss the health science program for the upcoming year. Ms. Todd said we plan to announce new health studies that corroborate that walnuts are a good food option for the consumer. Since men are quickly becoming the primary shopper for their household, we will also consider specific studies aimed at men. To provide clarity regarding the omega-3 content in walnuts compared to other nuts and convey the message that walnuts are unique among nuts, we will utilize experts like Dr. Michael Roizen, Mollie Katzen and Petra Kolber as well as tools such as the comparison chart, visuals and graphics. A website IQ test launched in March gives consumers the opportunity to test their walnut knowledge as well as highlight walnuts' unique traits. In one week there were over 1200 site visits.

Ms. Lauricella then discussed the Food for Your Whole Life Symposium taking place in New York in June. The symposium represents all phases of life from boomers to middle age, young adults, children and families. Dr. Michael Roizen, Dr. Mehmet Oz, Dr. David Katz and others will speak about the latest research and theories regarding nutrition. Approximately 1,000 are expected to attend and will be well attended by the media. Ms. Lauricella then spoke about launching a national contest in Search of the Original Health Nut. Individuals or communities will nominate someone who is a champion of healthy eating, involved in exercise and stress management, and inspires others to lead a healthy lifestyle. This will be a multi media outreach campaign involving Dr. Michael Roizen, Mollie Katzen and a high profile celebrity. The contest will be posted on the walnuts.org website, highlight regional winners, and finally the general public will cast its vote for a national winner. Another planned campaign will focus on back to school kid-friendly recipes provided by the Chefs' Council. This campaign will include a Crunch to Your Lunch contest with consumers posting their favorite lunchtime recipes on the website for prizes.

Ms. Getz completed the 2010-11 Domestic Program Discussion. She spoke about the walnuts.org website which launched in September 2009. The site has had 100,000+ visitors and 1,000+ email signups, with 432 consumers creating an account. A few of the site's elements include feature boxes, search engine optimization, navigation bars, recipe development and photography. Promotions will include contests for referring a friend, passing on an email address or creating a recipe box. Recent successful campaigns include AllRecipes.com, MarthaStewart.com and RealAge.com. Advertising sites being considered for next year are Ziplist.com which is an online

grocery list, MarthaStewart.com, Oprah.com/Dr. Oz, Evite.com, Epicurious.com, FamilyFun.com, and Sunset.com. Ms. Getz said the cost to run a 1-2 month online campaign runs approximately \$50,000. A website's campaign success can be measured by the number of visits, where the consumer goes during a visit and number of e-mail signups. Our website will be a go-to place for industry members to obtain food safety information, important documents and relevant news. We also plan to develop some industry walnut wear and promotional items which will be available on the website for industry members to order.

Ms. Getz said we will continue to reach out to relevant dietary practice groups who support the walnut message and big state associations. On the trade program side we plan to attend the Institute of Food Technologist Annual Conference, provide foodservice and industrial use materials, reprints of the Buyers Guide and Scientific Summary, and an industry video reproduction for handlers to use with their customers. We are considering a new emphasis on food product design, utilizing a food technologist to develop some concepts and prototypes to share with industrial users.

Ms. McNeil continued with the next agenda item, 2010-11 Export Program Discussion. She gave an overview of the MAP and QSP programs. To date exports of in-shell are up 62% and shelled 67%. Shelled shipment volume is leading the way in Canada, Germany, Spain, Japan and Korea and there is significant market growth in China, Hong Kong and Turkey year-to-date. MAP program planning assumptions are that funding will be on par with last year at \$4.6 million, industry contributions will continue at 75% and currency markets will be steady.

Ms. McNeil said the Euro and Canadian dollar are weak because interest rates are being kept low to fuel the economy. Canada expects a rate hike later this year. Japan has decided not to raise interest rates which resulted in the yen falling against the dollar. Korea is struggling with interest rates and economic recovery. Change is not expected in China because the Yuan is tied to the US dollar. Favorable exports are expected to drive the value of the Indian rupee up over the course of the year. Ms. McNeil said that the Strategic Plan placed modest growth goals on Japan, Germany and Spain. However, an emphasis in growth was placed on Korea, China, Hong Kong and Canada.

Ms. McNeil then summarized activities in our export markets. In Korea activities are centered in the Seoul area because it has the largest population. Public relations outreach is conducted via print and broadcast with focus on power bloggers and conducting cooking classes. Advertising runs in key lifestyle magazines, daily newspapers, on buses/subways/trains, Lotte Busan Baseball Stadium, children's newspapers and on the website. On the trade side tie-in promotions continue to deliver strong results with chain bakeries and will target a new sector with wine/liquor distributors. The Product of the Year program is being conducted at a fraction of the cost of the Product Development Competition. The winners will be invited to California to showcase their industry during the Reverse Trade Mission. In Japan we plan to conduct activities to emphasize the health aspects of walnuts through tie-ins with publications, TV program coverage, and the Cookpad website which is equivalent to AllRecipes in the US. Our PR outreach collaborations are with entities such as the Japanese Society of Nutrition and the Japan Heart Foundation. On the trade side we are moving away from the traditional New Products Competition to focus on the Walnut Bread of the Year. Ms. McNeil said we plan to collaborate with beverage distributors to develop snacking opportunities. We are also working with several importers through on-line shopping sites to find opportunities to promote walnuts. Our China program is in its second year with activities being conducted in Beijing and Shanghai. We will collaborate a global based initiative for eastern China to develop the baking sector. If this is successful we will look at expanding into eastern China in 2012. This opportunity was provided by the US Agricultural Trade office and the US Wheat Associates. Our public relations activities include press events and on the trade side we continue with tie-in promotions. We plan to conduct a reverse trade mission this year to showcase the industry and look at opportunities to get walnuts included on formularies of leading manufacturers. In Germany we are emphasizing the website and working heavily with social media and bloggers. Our advertising will integrate a mix of print, online and in-

store. On the trade side, materials showcasing the product are provided to manufacturers. Walnuts will be placed as a go-to snack through tie-ins with wine and liquor distributors. Ms. McNeil said Spain is responding to our message points in spite of challenges this past year with the recession. High childhood obesity rates in Spain provide an opportunity to leverage work being done on Predimed and the Mediterranean diet which reinforces the walnut message. We are also considering a pilot program for school children focusing on healthy eating at a young age. Advertising will entail securing additional in-store space in leading retail stores. We will attend tradeshows, including Madrid Fusion and Girona Forum. Ms. McNeil then stated our direction in Canada has shifted, putting more emphasis on trade. The website continues to be key with e-newsletters, contests and mailings each month. We will also participate in Canada's Food Technology show and attend key congresses in order to reach health professionals.

Ms. McNeil mentioned India as an exploratory market. Discussions during the Strategic Planning Meeting in December included looking ahead for future markets which included India. She briefly discussed India's demographics pointing out that half of the current population of 1.1 billion is under the age of 24, interested in western styles and willing to try products outside their scope. She said there are discrepancies in export data with some sources indicating no shipments while others indicate exports to Egypt, France and the Netherlands and that 70% of the walnuts are sold by independent food stores. In order to clarify questions about the market she proposed that consumer and trade market research be conducted in 2011, including a trip to India, to explore the market and provide the committee with a report and recommendations for market development.

Ms. McNeil discussed the Quality Samples Program (QSP). She stated we received funding for the 2010 year and have leveraged the program by developing opportunities to sample walnuts in China at industrial food services and leading tradeshows. The QSP rules stipulate we cannot use QSP funding to cover freight or other trans-shipment in the market, thus the industry pays for this. She also mentioned that FAS provided funding to states in the form of specialty crop block grants. This is available through CDFA for specific projects and through UC Davis, Center for Produce Safety, which considers projects related to food safety. We have been informed that we are moving on to the second phase with a few projects with CDFA in Germany and China. If the Food Safety proposal is accepted, approximately \$100,000 would be funded through the block grant. The food safety RFP proposed with UC Davis/CPS is for developing food safety training for handlers.

The committee briefly discussed walnut exports from Turkey. Mr. Crain stated that at the time of the Strategic Planning Meeting, Turkey was not a big factor in re-exporting back into North Europe. He pointed out that most of the markets Turkey goes into are not friendly to the US or are areas we are prohibited from trading in and would be to our detriment to promote. Mr. Crain pointed out that walnuts originated in Turkey over 4,000-5,000 years ago and their uses are traditional therefore, there is not a need to leverage those markets as we do with newer markets.

The next agenda item discussed was New Health Research Proposal Reviews. Mr. Balint stated that only one paper has published since the last meeting and this was a cancer study done by Dr. Paul Davis of UC Davis. Mr. Balint then called upon a Torme Lauricella representative to comment on the results of publicity surrounding this study. Ms. Kaley Todd responded that Dr. Davis presented at a conference in San Francisco and said in laboratory mice he found that walnut consumption significantly reduced tumor growth. She said the media coverage picked up by Dr. Davis has been phenomenal with nationwide broadcasts and articles on the internet.

Mr. Balint then discussed research criteria for new proposals. He explained the first priority should be heart disease because it is a chronic illness and significant in every market we do business in and will build our database should an opportunity arise to move forward on an unqualified health claim. The second is cancer, which is where Dr. Davis' study would fall. Third is quality of life and the fourth priority is diabetes. He asked the committee to consider a request regarding a study being

worked on by Dr. Rosenblatt of Pennsylvania State University who is an expert in cholesterol. This study involves breaking the walnut into 4 cells, the whole walnut, walnut meal, walnut skins and walnut oil. Dr. Rosenblatt's theory is that walnuts are somehow flushing cholesterol out of the system. Mr. Balint made a request to the committee of \$60,000 for this study. Mr. Balint also made a request for \$120,000 for one year of the two year project that Dr. Paul Davis is conducting. The total request is for \$180,000 for both studies which is separate from the budget motion and would come from existing funds within this year's budget, including reserves if necessary.

Mr. Driver made a motion to approve \$180,000 in additional funds from the current year budget for Dr. Paul Davis' study and one year of Dr. Rosenblatt's two year study. Mr. Jelavich seconded. The motion carried unanimously.

MDC Board Chair Mariani asked for a motion to accept the proposed CWB domestic budget of \$4,400,000 to be presented to the full Board in May. Mr. Gilbert so moved and Mr. Petz seconded. The motion carried unanimously.

MDC Commission Chair Norene asked for a motion to accept the proposed CWC domestic budget of \$1,764,100, which includes \$164,000 in block grant funds, to be presented to the full Commission in May. Mr. Tos so moved and Mr. Miller seconded. The motion carried unanimously.

MDC Commission Chair Norene asked for a motion to accept the proposed CWC export budget of \$3,525,000 to be presented to the full Commission in May. Mr. Driver so moved and Mr. Cilker seconded. The motion carried unanimously.

Mr. Balint proceeded with the next agenda item, Other Business. He introduced Mr. Carl Eidsath who joined us as Director of Technical Support. Mr. Eidsath will spend some time getting familiar with the industry, provide information and develop educational materials. Mr. Balint also mentioned Mr. Sam Keiper's departure from Diamond Foods.

The time and place of the next meeting will be determined at a later date. There being no other business the meeting adjourned at 12:45pm.