

California Walnut Board

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

Tuesday – April 30, 2013
Sacramento, CA

A joint meeting of the California Walnut Board and California Walnut Commission Market Development Committees was held on Tuesday, April 30, 2013 at the California Farm Bureau in Sacramento, CA. The meeting was called to order at 9:35am by CWB MDC Chairperson Jack Mariani and CWC MDC Chairperson Carl Cilker. Ms. McConico called the roll and the following members were present:

CWB MDC Committee Members

Jack Mariani, Chairperson
Jack Gilbert, Vice Chairperson
Bill Carriere
Jim Frazier
Frank Guerra
Jerry Moore
Michael Petz
Lisa Warner

CWC MDC Committee Members

Carl Cilker, Chairperson
Robert Lea, Vice Chairperson
Bob Driver
Jeb Headrick
David Miller
Donald Norene
Bill Tos

CWC Committee members Mr. Kevin Wagner and Mr. Steve Zaffarano were absent. Ms. McConico informed the Chairpersons for both Committees that a quorum was present. Also in attendance were Ms. Andrea Ricci of USDA, Ms. Deborah Lauricella and Ms. Kaley Todd, MS, RD of Torme Lauricella, Ms. Lily Katz-Smolenske and Ms. Viv Minton of EvansHardy+Young, Ms. Carol Berg-Sloan, RD and CWB/CWC staff members Mr. Dennis A. Balint, Ms. Michelle McNeil, Ms. Jennifer Olmstead, Ms. Heather Donoho, Ms. Julie Krueger and Ms. Anne McConico.

The first order of business was approval of the Joint CWB/CWC Market Development Committee Meeting minutes of May 1, 2012.

CWB MDC Chairperson Jack Mariani asked for a motion to approve the minutes of the May 1, 2012 meeting as mailed. Mr. Bill Carriere so moved. Mr. Jim Frazier seconded. The motion carried unanimously.

CWC MDC Chairperson Carl Cilker asked for a motion to approve the minutes of the May 1, 2012 meeting as mailed. Mr. Donald Norene so moved. Mr. Bob Driver seconded. The motion carried unanimously.

Mr. Jack Mariani asked Ms. Carol Berg-Sloan to proceed with the next agenda item, New Health Research Proposal Reviews. Ms. Berg-Sloan outlined four recommendations. (1) Cancer Prevention/Nutrition Education, Fredi Kronenberg, PhD, Stanford Hospital and Columbia University. This project consists of nutrition education interventions with health professional staff at Stanford Cancer Center. The project will incorporate the dietary guidelines promoting a plant based diet that includes vegetables and nuts. (2) Cardiovascular, Michael Oda, PhD, Children's Hospital Oakland Research Institute. The study will examine the effects of dietary walnuts on high density lipoprotein HDL function. (3) Colon Cancer, Yuri Kim, PhD, Ewha Women's University Seoul Korea and co-PI Dr. Choi, CHA University. The proposal was received after the

2011 Mini SAC meeting in Seoul, Korea. The study looks at colon cancer by performing studies of animal and human cell models to determine the genetic and epigenetic effects of walnuts. (4) Gut Health, Lauri Byerly, PhD, Louisiana State University. This study falls under our Strategic Plan in terms of diseases of aging. The study adds to a current colon cancer study by Dr. Byerly which CWC funded with AICR. It is thought that gut health is indicative of overall health. Dr. Byerly and a guest investigator conducted a project looking at the fecal DNA of animals and found that those eating walnuts had a better gut flora. Because of the positive results, Dr. Byerly would like to do additional assays to determine what positive bacteria are affected by walnut within the gut. Ms. Berg-Sloan pointed out there are funds in the current budget to begin year 1 studies without delay and the cancer prevention/nutrition education and cognition studies will continue into years 2 and 3.

Mr. Carl Cilker, CWC Chair called for a motion to approve the four projects presented by Ms. Berg-Sloan with \$162,696 from the 2012/2013 budget, \$123,000 from the 2013/2014 budget and \$62,054 from the 2014/2015 budget, for a total of \$347,750. Mr. Driver so moved. Mr. Lea seconded the motion and it carried unanimously.

Mr. Mariani asked Ms. Jennifer Olmstead to proceed with the next agenda item, 2013-14 Domestic Program discussion. Ms. Olmstead stated shipments were down over the past three years with shelled down 1.9% and inshell down 4.2%. The 2011 Strategic Plan set a goal to increase shipments by 25,000 short tons over five years within the U.S. by increasing shipments to 225,000 ISE tons from baseline 2010 crop year. Even though we are below the baseline, market research indicates consumer demand is at its highest. 2011 Strategic Planning objective is to refocus on the domestic market through increased advertising, fostering key relationships with organizations such as AICR and AHA, and launching product development activities. Plan assumptions for budget purposes are that 2013 crop will be at least 486,000 tons; demand in the overseas market will continue to put pressure on the domestic market; health benefits will continue to be a key driver of purchase; light/non-users of walnuts will require education on using walnuts; and food safety will continue to be a priority for consumers. The three agencies representing the domestic market include Torme Lauricella, Public Relations; EvansHardy+Young, Advertising, Foodservice & Online Initiatives; and Fleishman-Hillard Sacramento, Crisis Communications. Ms. Olmstead said the proposed budget of \$7,995,950 is an increase of 6.7% over the current year. Budget changes include shifting the usage news bureau fund to the Board in order to add Food for Your Whole Life to the Commission budget for 2014. Other changes include moving the health professional advertising budget to the Commission; combining the website and social media line items, expanding our focus on the food service program; and reducing the tradeshow budget. Regarding market research, a Predictor study was conducted in 2012 to see what advertising spend would result in significant sales in the U.S. should the need arise. 400 face-to-face interviews were conducted in 4 markets with females 25+ years old, who are primary grocery shoppers that purchased walnuts in the past year. The experimental group was exposed to the Natural Defenders of the Human Body campaign before going into the mock shopping situation. The results gave no evidence of increased purchase from the group viewing the Natural Defenders ad verses those who did not view the ad. Future purchase intent was high for both groups. Media spend was evaluated at \$3 million, \$5 million and \$10 million levels with only a slight sales lift of 2-3% at \$10 million. The market research group recommended focusing on the light/non-users of walnuts which resulted in our pulling back the advertising campaign spending of \$149,226. An in depth attitude and usage study will be conducted to determine next steps with creative and media planning.

Ms. Olmstead introduced Ms. Deborah Lauricella and Ms. Kaley Todd, MS, RD of Torme Lauricella Public Relations. Ms. Lauricella stated the objectives for 2013/2014 are to increase demand for walnuts utilizing key influencers to deliver health and usage messaging; reinforce current purchase behavior; and cultivate new purchasers. Our core audience consists of women 25-55 years, health professionals, trade press, and men 25-55 years. She recommended participating in the Food for Your Whole Life symposium in New York City in June of 2014 (attended by health professionals, consumers and media); continuing the taste program focusing on the Mediterranean style diet consisting of fruits, walnuts and grains; and Chef Menus at Home with Chefs Randall Selland, Joanne Weir, and Stephanie Izard. A Mediterranean Diet event will be held in New York with Better Homes & Gardens' television network – Better, featuring Aida Mollenkamp and Dr. Wendy Bazillian delivering the walnuts health message. We will highlight the video on walnuts.org after the

program run ends. The 2013 Harvest Tour will be held in the Sacramento Valley to include domestic/international media, key bloggers, and experts Dr. James Beckerman and Chef Randall Selland. Regarding the walnuts.org website, Torme Lauricella plans to focus on the recipe section, feature boxes, newsletters, media center, and toolkit updates. They will attend the International Association of Culinary Professionals (IACP) and Foodbuzz tradeshow.

On the health side Ms. Todd stated the obesity epidemic, with 1 in every 3 adults being obese and 1 in every 5 adults having diabetes, can be controlled through lifestyle changes such as diet, exercise, and meditation. Ms. Todd recommends we continue with the health program to position walnuts as a whole food benefitting the whole body; as an essential food to be consumed daily; and a nutritious food with a unique nutrient profile. A Natural Defenders toolkit was developed with a variety of components for consumers to track their health and view nutrition information and fitness ideas. Health research studies continue to be the backbone of our health research outreach with publications expected in cardiovascular, diabetes, cancer, weight management, male reproductive health, and cognition. Ms. Todd recommends continued support for HealthCorps; expanding the grocery RD program by partnering with the Academy of Nutrition & Dietetic Association's supermarket practice group to reach consumers at the point of sale; working with Komen Race for the Cure; and partnering with Men's Health Urbanathlon which provides a media partnering opportunity with *Men's Health* magazine.

There was discussion about advertising with regard to instant gratification and walnuts. Since a body of evidence is not available to make a claim in this regard, it was suggested perhaps we speak to the sensory aspects such as texture and flavor. Ms. Lauricella said our chef spokespeople frequently point out walnuts are designed to carry flavor in their nooks and crannies, have a crunchy texture, and a woody tasting element. The Committee discussed non-users and Ms. Olmstead spoke of a 2010 non-user study finding that the biggest barrier for consumers is not knowing how to use walnuts with taste being a lesser barrier however, price is also an obstacle to walnut purchases. Reference was made to the Predictor study discussed earlier in the meeting and Mr. Balint said Predictor looks at a period of time instead of the long term program as well as how quickly we can respond if a need arises to increase demand in the domestic market. The Committee discussed why the advertising needle hasn't moved from 25% walnut users and 75% non-users. It was agreed this could be prioritized once the U&A study results are received.

Ms. Olmstead introduced Ms. Viv Minton and Ms. Lily Katz of EvansHardy+Young to discuss the advertising campaign, social media, website and foodservice program. Ms. Katz said the various nut groups' advertising and media spend reached a total of \$81 million in 2012. California walnuts spend was \$6.5 million compared to almonds, the highest, at \$21 million. Regarding the Advertising Campaign, the Natural Defenders of the Human Body with three iterations (park, suburb, and city) support the message that walnuts provide energy. In February 2013 the remainder of the consumer print plan was cut back due to research findings for a budget reduction of \$149,226. Also, media rates for the digital plan were negotiated at 50%-60% below the rate cards. The 2013/2014 consumer schedule focuses on the months of December and January to target walnut users in publications like *Better Homes & Gardens*, *Good Housekeeping*, and *Sunset*.

Ms. Minton of EH+Y discussed the Social Media campaign, walnuts.org website and foodservice program. She said social media has become influential through Facebook, Twitter, Pinterest, and Instagram. We engaged in a 3 phase strategy: (1) the recruit strategy introduced the Natural Defenders of the Human Body mission with consumers posting and voting for the best ideas on naturally defending their body; (2) the engage phase was intended to turn consumer ideas into content for social media where ideas were grouped with inspirational text and then made public through social media sites; (3) the ignite phase launched in March drove mass participation on the various sites. Followers increased from 1,454 to 14,573 on Facebook and 1,474 to 5,204 on Twitter. Another Twitter activity targeted interested in health and fitness influencers who had at least 1,000 Twitter followers and generated 62 blog posts reaching 466,000 followers.

The walnuts.org website was redesigned to give it a fresher, contemporary, sophisticated look. Content was reorganized to easily access information including the recipe section because it is the number one reason

people visit the site. Since the September re-launch new site visits are up 9.10%. Content strategy is being developed to drive website traffic and engagement. The backend of the site will be reorganized to save the walnut team maintenance and update time.

The Foodservice program began with a research study through Technomic who delved into the marketplace asking foodservice providers how they used walnuts and their attitude toward using or not using walnuts. Versatility and ease of use is key for this sector as well as branding 'California walnuts'. A three day Walnut Summit was held at the Culinary Institute of America (CIA) in Napa Valley. Ten chefs from various backgrounds (i.e. corporate foodservice, hospitality, restaurant chains) participated. An attendee from Guckenheimer created a Facebook page to keep in touch with everyone attending the event; Souplantation ran a 'Fresh Ideas' promotion with a blog featuring California walnuts; and Sysco suggested holding a fresh produce and walnuts recipe competition involving all their culinary associates. Three finalists of the Sysco competition will meet at the CIA in August where a winner will be selected. 2013/2014 strategy includes developing a series of on-line education modules educating chefs about walnut use; becoming a part of the Research Chefs Association; using a chef demonstrator to act as an independent voice for California walnuts; potential participation in another CIA event; engaging in foodservice media outreach; and looking for foodservice promotion/partnership opportunities.

Ms. Olmstead briefly spoke about the crisis communication program, market research, the trade program, tradeshow attendance, health professional network, and industry outreach. She said the Crisis Communication Plan is in place with plans to conduct a crisis drill and test the execution of the plan. We also have a website page focused on food safety. Market research involves advertising tracking to measure awareness/impact of the advertising campaign amongst the target market. Trade Program market research will test walnut attitudes of food processors. This research will be used to evaluate development of product prototypes. Tradeshow attendance includes Academy of Nutrition & Dietetics (FNCE), American Institute for Cancer Research (AICR), Dr. Roizen Preventive & Integrative Medicine Conference, Preventive Cardiovascular Nurses Association (PCNA), American Academy of Nurse Practitioners (AANP), American Academy of Diabetes Educators (AADE) with possible attendance at PriMed East in September 2013 and PriMed West in May 2014. A health professional network was also developed to assist with our marketing activities in relation to health professionals. Under the industry outreach budget we will continue the bi-monthly e-newsletters to industry members, continue to update the website communication, and prepare collateral needed for grower meetings.

Ms. Olmstead stated a block grant to promote the best agricultural practices for walnut growers through bilingual materials/regional workshops as well as a block grant for consumer new product market research to evaluate the viability of the 1.0oz pack in the market is currently in the proposal phase with the California Department of Food and Agriculture. Matching funds would be used for these projects if the grants were approved.

CWB MDC Chairperson Mariani asked for a motion to accept the proposed 2013/2014 California Walnut Board domestic marketing budget of \$5,328,000. Mr. Carriere so moved. Mr. Moore seconded. The motion carried unanimously.

CWC MDC Chairperson Cilker asked for a motion to accept the proposed 2013/2014 California Walnut Commission domestic marketing budget of \$2,667,950. Mr. Driver so moved. Mr. Lea seconded. The motion carried unanimously.

Ms. Michelle McNeil proceeded with the next agenda item 2014 Export Program Discussion. She said the proposed Commission budget is an increase of 8.5% over last year. She began with an overview of shipments year to date. Germany, Spain, Turkey and UAE (Iran, Iraq, Syria) show a softening in the inshell market. China/Hong Kong and Viet Nam account for 25% crop utilization. Shelled shipments are strong in Germany, Japan and Korea however Spain is down due to economic challenges. Ms. McNeil mentioned that due to sequestration MAP funding for 2013 was limited to \$3.9 million.

Ms. McNeil then gave an overview of the overseas markets. The strategic planning goals for short tons are 44,000 (Germany), 28,000 (Spain), 30,000 (Korea), 80,000 (China), and 22,000 (Japan). The public relations program generated 1.2 billion impressions in Germany, 918 million impressions in Spain, 361 million in Korea, 3.4 billion in China, and 2.8 billion in Japan. Under the public relations program the health message for omega-3 and heart health tracked strong in all countries however there was room for growth in this area for Japan.

Retail remains the core driver for the German market. One component of the public relations program involves bringing a German blogger to California for the purpose of learning how walnuts are used in the industry and at home and then blogging to communicate their findings. Germany's walnuts website jumps from an average of 30,000 hits per month to 97,000 during special promotions. To engage consumers we plan to expand our use of You Tube to hold contests and show cooking skills videos. Online advertising will include ad rotations during the fall, pre-Christmas, spring, and in the summer to coincide with the World Cup. Recipe brochures and retail bins will be used for the retail trade program.

Ms. McNeil said there is a budget reduction in Spain because the economy is not expected to recover until the latter part of 2014. Ms. McNeil said retail is the core driver in the Spanish market with 60% of the purchasing decisions being made in-store. The consumer side of the public relations program will involve interaction with chef, dietitian and blogger ambassadors as well as cooking workshops to showcase walnuts in a variety of applications. The Spanish website and social media will continue with recipes, polls/contests and e-newsletters. A Scientific Advisory Board will be formed in Spain to engage health professionals with media events and desk side briefings. Our outreach to health professionals will also include attendance at various conferences and tradeshow. The food industry program is a key component to our program in Spain and includes plans to work with up and coming pastry students; collaborate with mk2 on key tradeshow such as Alimentaria and Private Label Manufacturers Association (PLMA); work with Tamar on school food service; Eurest for a walnut menu/ingredient campaign; and one-on-one meetings with food distributors and restaurants.

In the EU region (Germany, Austria, Netherlands, Switzerland and Spain) the goal is to expand industrial use of walnuts. The CWC will attend targeted trade shows such as PLMA and Food Ingredient Europe (FIE), and conduct seminars to educate potential users. QSP funds will be used to make walnut samples available for the various activities and for potential manufacturers.

The Korean budget is similar to last year with shifts in budget for public relations and tie-in promotions. The market sector overview shows bakery, confectionery and retail as predominant. Print advertising will include a new ad campaign focusing on 'Because it's My Family' and is intended to involve the consumer. A pilot project of 5-30 second commercials on 187 movie theatre cinema screens is also planned. Health communications will involve collaboration with the Korea Heart Association through online and offline advertising promoting heart health as well as attending key health professional conferences and collaborating with the ICAN program through the schools. Trade activities include tie-in promotions, TV home shopping/e-commerce promotions, Product of the Year activity, and a retail sales competition to generate a high level of visibility. Food service includes collaboration with *Nutriand* (a dietitian magazine); working with up and coming chefs to promote walnuts on menus; and mass catering promotions.

In China the market sector overview shows that bakery, confectionery and retail are predominant. The public relations media outreach will focus on press events, media tie-ins and paid publicity. We will provide consumers with information through WEIBO, which is similar to Facebook/Twitter. Media will be invited to California to attend our harvest event in the fall. Advertising will entail outdoor and online ads for consumers as well as bi-monthly ads in trade based publications. Tradeshow attendance will expand to regional shows. QSP funds will be used to make walnut samples available for the various activities. Retail promotions will continue during Chinese New Year and will be expanded for non-holiday consumption. Trade competitions include regional baking association contests and regional snack food product innovation contests.

Ms. McNeil said Japan is a maintenance market. The core sector for volume utilization is the bakery sector. A bakery segmentation map is being developed to see what challenges and opportunities exist for this sector as well as how we can better target the consumer through promotional partnerships. Activities for Japan include Walnut Bread of the Year competition, new product development efforts, baking seminars and consumer bakery promotions and tie-ins to keep visibility high. Online and offline promotions will be conducted through media tie-ins, public relations and paid publicity efforts, as well as reaching out to key trade based publications to support our efforts with the bakery trade.

Currently we do not have market access in India. In November we responded to a draft protocol as well as informal discussions addressing protocol questions. Consumer research is being completed to assess attitudes and usage for walnuts to establish a baseline for our activities and shape strategy. India has a population of 1.3 billion with 150 million middle class as our target audience. The retail sector is the key driver of consumption and is valued at \$250 billion. Market potential exists as consumers in India are exposed to international products and the western lifestyle. The plan for the trade program is to expand distribution, encourage consumption, as well as an awareness campaign to assure consumers recognize California walnuts. We will conduct buyers' missions for key members of the trade to showcase the industry through the Emerging Markets Program (EMP). QSP funds will be used to make walnut samples available. There is a slight increase in the India budget in order to expand activities should access become available.

Ms. McNeil said budget was approved to conduct consumer and trade research in Turkey. The Turkish market has 74 million consumers. Our reach found 78% are under 30 years of age; 40-45% are middle class; and household expenditure for food/beverage is at 23%. The retail sector is valued at \$187 billion and expected to reach \$250 billion by 2014. Consumer research found that 84% purchased walnuts in the last year with 34% purchasing most often; inshell purchases were 4.69x per year and shelled 4.77x; health at 67% is the predominant reason for purchasing walnuts; 30% said they would purchase walnuts more often if they knew of more ways to use them; and the likelihood of purchase grew if they knew walnuts reduced the risk of disease. Origin awareness is low at 6% for California however, 89% of consumers could not name other producers which presents an opportunity to educate them about California walnuts. Trade research found that demand continues to increase 10%-25% annually; trade awareness of California is high; and health benefit awareness is the key driver. Ms. McNeil said we are looking at a small public relations program for consumers to build awareness for origin and promote health benefits. On the trade side we plan to dialogue with retailers/wholesalers in terms of trade education to promote and place origin on packaging and displays.

Ms. McNeil presented an overview of the market in Russia. She said the population is 141 million with 104 million being middle class; commercial nut production is limited and relies on imports; walnuts are produced in country at 3,530MT and is used for private consumption; 26% of the total nut market is walnuts; imports come from Commonwealth Independent States (Kazakhstan, etc.); import duty is 5%; health awareness drives the trend for tree nut consumption; 60% of nuts are used by the confectionary and bakery sectors and dairy industry. The retail sector is estimated at \$654 billion. She said Resolution #559R passed in April 2012 and is a federal government initiative undertaken to modernize the food processing sector and provide opportunities for growth to companies and manufacturers. The bakery industry in Russia is valued at \$342 million and is expected to reach \$406 million by 2017. Ms. McNeil recommends consumer market research take place in the Moscow/St. Petersburg area. She also proposed market research take place with the trade sector to explore opportunities that may exist along with looking at trends within production. If the research in Russia goes well, Ms. McNeil suggested using market development funds to visit Russia and add to our knowledge base to make a determination on market feasibility.

The overall 2014 export market program and budget was discussed. Ms. McNeil stated there is an increase in spend in Germany in order to maintain visibility in the market. Due to Spain's economic situation, the budget has been reduced slightly. Japan and Korea remain the same as last year. China's budget is increased to expand our regional based program on the trade side. India has a slight increase assuming market access which would require us to step up our activities. The EU region remains the same. The Turkish

program is a baseline program. Market research is suggested for Russia with \$45,000 for consumer and \$45,000 for trade. QSP is reduced slightly; EMP remains the same; \$50,000 of the market development budget will be used for opportunities that arise and could include the exploratory trip to Russia. The total MAP request is \$6,120,000 with CWC contribution of \$4,461,000 for a total export market budget of \$10,581,000.

CWC MDC Chairperson Cilker asked for a motion to accept the proposed 2014 California Walnut Commission export marketing budget of \$6,120,000 and a MAP proposal of \$4,461,000 for a total California Walnut Commission export marketing budget of \$10,581,000. Mr. Tos so moved. Mr. Norene seconded. The motion carried unanimously.

The meeting moved to the next agenda item, Other Business. Mr. Dennis Balint suggested to both MDC committees that the Commission and Board Winter meeting be held February 20 and 21. All agreed.

There was no Closed Session necessary. Hearing no further business, the meeting was adjourned by CWB MDC Chairperson Jack Mariani and CWC MDC Chairperson Carl Cilker at 1:17pm.