

California Walnut Board

101 Parkshore Drive, Suite 250
Folsom, CA 95630-4726
Phone: (916) 932-7070
Fax: (916) 932-7071
info@walnuts.org
An Equal Opportunity Employer and Provider



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

**Tuesday – May 1, 2012
Sacramento, CA**

A joint meeting of the California Walnut Board and California Walnut Commission Market Development Committees was held on Tuesday, May 1, 2012 at the Farm Bureau in Sacramento, CA. The meeting was called to order at 9:39am 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
Jeb Headrick
David Miller
Donald Norene
Bill Tos
Kevin Wagner
Steve Zaffarano

CWC Committee member Mr. Robert Driver was absent. Ms. McConico informed the Chairpersons for both Committees that a quorum was present. Also in attendance were Mr. Jeff Smutny of USDA, Ms. Deborah Lauricella and Ms. Kaley Todd of Torme Lauricella, Mr. Dennis Hardy, Ms. Lily Katz-Smolenske, and Mr. Seinn Schlidt of EvansHardy+Young and CWB/CWC staff members Mr. Dennis A. Balint, Ms. Michelle McNeil, Ms. Jennifer Olmstead, Ms. Heather Donoho, Ms. Jennifer Williams, Ms. Julie Krueger and Ms. Anne McConico.

The first order of business was approval of the minutes from the CWB Market Development Committee Meeting of April 5, 2011 and CWC Market Development Committee Meeting of February 16, 2012.

CWB MDC Chairperson Jack Mariani asked for a motion to approve the minutes of the April 5, 2011 meeting as mailed. Mr. Jack Gilbert so moved. Mr. Jim Frazier seconded. The motion carried unanimously.

CWC MDC Chairperson Carl Cilker asked for a motion to approve the minutes of February 16, 2012 as mailed. Mr. Donald Norene so moved. Mr. Robert Lea seconded. The motion carried unanimously.

The next item on the agenda was Turn the Tide Foundation. Mr. Dennis A. Balint stated the Foundation was established by Dr. David Katz of Yale University who is also a member of our Scientific Advisory Council. This foundation was created to help combat childhood obesity and diabetes. A few notable Board members include Dr. Dean Ornish, Dr. Mehmet Oz and Dr. Walter Willett. Mr. Balint said he was invited to serve on the Board of Turn the Tide Foundation. He asked

the CWC MDC Committee to approve a \$5,000 sponsorship which would come from funds we have in the current 2011/12 budget.

CWC MDC Chairperson Carl Cilker asked for a motion to provide funds from the 2011/12 budget in the amount of \$5,000.00 for Turn the Tide Foundation sponsorship. Mr. Robert Lea so moved. Mr. Donald Norene seconded. The motion carried unanimously.

Mr. Jack Mariani asked Ms. Jennifer Olmstead to proceed with the next agenda item, 2012/13 Domestic Program Discussion. Ms. Olmstead first introduced new employee Ms. Julie Krueger, Assistant Marketing Director, Domestic.

Ms. Olmstead gave some background on the domestic marketing program. She said we have a projected ending inventory at just over 38,000 tons. The industry held a Strategic Planning meeting in January 2012 and set a goal of growing U.S. shipments by 25,000 tons over the next 5 years. One of the key objectives is to refocus on the domestic market through increased advertising and product development activities and to continue to foster key relationships with associations such as the American Institute for Cancer Research and the American Heart Association. Assumptions for the 2012/13 plan are that the 2012 crop will be at least 480,000 tons, health benefits will continue to be the primary driver of purchase, food safety will remain a high priority for consumers, and demand in overseas markets will continue to put pressure on the U.S. market.

Ms. Olmstead mentioned that Torme Lauricella Public Relations; EvansHardy+Young (advertising/web activities); and Fleishman-Hillard (industry crisis communications), are the three agencies representing the domestic market. Ms. Olmstead briefly discussed the proposed budget summary which included a total domestic marketing spend of \$7,343,500, a 6.3% increase over the current year's budget. She mentioned changes include adding the Fleishman-Hillard program for crisis communication efforts as well as adding a small food service program under EvansHardy+Young. Some PR activities will move to the Commission, such as key opinion leaders, for contracting purposes and health professional outreach, which is responsible for science communications. Ms. Olmstead also pointed out that we plan to renew our Heart-Check mark certification with AHA.

Ms. Olmstead indicated that another wave of an Attitude and Usage Study was conducted in November 2011. We interviewed over 1,000 consumers, both men and women, who purchased walnuts within the past 5 years. Of these, 86% believe walnuts are healthy and 51% know walnuts contain omega-3, which is the highest mark ever received in this area. We also learned that 46% mistakenly believe almonds contain omega-3. The top four health attributes cited are that walnuts contain omega-3, they may reduce risk of heart disease, they are a good source of antioxidants and they reduce cholesterol. The primary usage for walnuts is baking at 77% and snacking at 74%. In the past 15 years walnut snacking showed a 90% increase and use in salads has more than doubled. 85% of consumers believe walnuts are versatile, 85% say they would buy walnuts if available at a reasonable price, 61% said they purchase walnuts more than they did 5 years ago because of their nutritional benefits. Ms. Olmstead stated the Heart-Check mark certification is the most widely recognized front-of-pack mark with 83% of consumers aware of it and 75% saying they are more likely to buy a product with the Heart-Check mark. Regarding non-purchasers of walnuts, 85% said walnuts are inconvenient to use and 37% say they are not versatile.

Ms. Olmstead then introduced Ms. Deborah Lauricella and Ms. Kaley Todd of our public relations agency, Torme Lauricella.

Ms. Lauricella spoke about the domestic market situation. She stated that consumer confidence continues to vacillate from month to month and consumers are reevaluating their priorities by pursuing new food preferences and changing their buying behaviors. This year's annual IFIC

study shows price and health as the purchase drivers for consumers. Consumers report they want to hear about the foods they can eat instead of those they cannot eat. They are consuming 73% of their daily meals at home and still mistakenly associate walnuts' unique omega-3 benefits with other nut products.

Regarding the media, Ms. Lauricella stated newspapers and magazines continue to see profits decline and are taking steps to reverse this by developing online editions, apps and blogs. Television remains the #1 news source for consumers. CNN, The New York Times and the Washington Post make up two-thirds of the most visited online news sites. She said our walnuts.org newsroom has been redesigned to give editors the opportunity to package a complete story to share. We have also exceeded 6 billion impressions while maintaining our cost per thousand in 2010/11. Ms. Lauricella mentioned that Dr. Oz is a big fan of walnuts and we received many mentions from him during his time on the Oprah show. As The Dr. Oz show increases in popularity, messages have become influenced by sponsors resulting in fewer mentions for walnuts. It's important that we begin looking for new key opinion leaders for the future. For the coming year, we will continue to work with Dr. Oz, other third party endorsers and media to increase awareness of walnuts' unique health benefits and versatility. "Natural Defenders of the Human Body" will be the PR strategy this year to extend the reach of the ad campaign.

Ms. Lauricella then introduced Ms. Kaley Todd, MS, RD to speak about the science program for the upcoming year. Ms. Todd said one-third of consumers are self-treating more and visiting the doctor less. Consumers are concerned about health and are turning to foods to fight diseases. Omega-3 continues to be a common trend in consumer purchasing and because the 2010 Dietary Guidelines emphasize a plant-based diet, vegetable protein has gained traction. Ms. Todd pointed out that a daily dose of walnuts can have heart health benefits, help manage diabetes, prevent and fight against cancers and delay age related cognitive decline. She also said that next year's program will include breakfast as a key component.

Ms. Todd stated we plan to arm consumers with the proper tools to defend their health. A possible element would include a Natural Defenders tool kit and California Walnuts iBook to direct consumers and media to the walnuts.org website for walnuts background information, history, health benefits, clinical research and recipes. She stated we also plan to showcase on our website three exemplary people who take proactive healthy measures to defend themselves and offer inspiration and guidance to others.

Ms. Todd explained that the backbone of our program is health research. In the next year we expect new research to publish in the areas of cancer, cardiovascular and blood pressure, cognition, metabolic syndrome / weight management, diabetes, endothelial function, and male reproductive health. She said we've found success in promoting studies in two phases. First, is the hard news phase that weighs the study for media value. This stage has a short time frame and is controlled by the universities and publishing journals. The second phase is the soft news phase which consists of broadcast, print, and social media networks. We bring our messaging to the forefront by packaging research information, additional statistics, and recipes that tie into the study. Our key opinion leaders are Dr. Michael Roizen, Dr. David Katz, registered dietitian Wendy Bazilian and cookbook author Mollie Katzen. Potential additional experts include cardiologist James Beckerman, MD, cancer expert William Li, MD, and two chefs who are focusing on recipes for specific disease states, Chef Alex Stratta and Chef Franklin Becker. Ms. Todd pointed out seasonal timing opportunities to promote California walnuts will be during October for National Breast Cancer Awareness and February for American Heart month.

Ms. Todd said we will attend conferences directed at various target audiences. FNCE is one of the largest health professionals' conferences. Many of the registered dietitians (RDs) are also involved in media and this provides an opportunity to hold a media event. American Heart month is

another PR opportunity. We will send materials to registered dietitians in the grocery store setting to showcase how walnuts "have heart" for an opportunity to win registration and accommodations to the upcoming dietetic meeting (FNCE 2013). Ms. Todd stated we will increase visibility for walnuts and the fight against breast cancer through Komen Race for the Cure. This year we will go into North Jersey and Sacramento. We will also participate in Blue September, an awareness initiative for prostate cancer in partnership with the Prostate Cancer Foundation of America.

Ms. Lauricella then spoke about the taste program. Our goal is to educate consumers and media to incorporate walnuts into a daily routine. We plan to work with Chef Aida Mollenkamp, a TV personality on Food Network; and Mollie Katzen. Together they will illustrate unique cooking techniques as well as 20-minute recipes with ten ingredients or less. We will also work with new chefs such as Carla Hall and Stephanie Izard, both Top Chef contestants, Jaques Pepin, TV personality and cooking legend, and Domenica Catelli, Chef/owner of Catelli's in Geyserville, CA.

Ms. Lauricella said the traditional Harvest Event will take place every other year and this year the tour will be customized for a large publication that will go out in the orchard and package their own harvest event story. We will also conduct a mini-tour for food bloggers so they can write about California walnuts during the harvest. Ms. Lauricella stated we plan to continue the consumer e-newsletter focusing on recipes and will add video capability to our website featuring the Chef Menus program. We will also send Health Research Alerts to the health professional community whenever a new study finding is announced. Tradeshow participation is slated to include FNCE (Food & Nutrition Conference & Expo), New York Wine & Food Festival, IFEC (International Foodservice Editorial Council), Dr. Roizen's Preventative Care and Integrative Medicine Conference, AHA (American Heart Association) Scientific Sessions, International Congress on Vegetarian Nutrition, IACP (International Association of Culinary Professionals), Oldways Supermarket RD Symposium, and AANP (American Association of Nurse Practitioners).

Ms. Olmstead then introduced Mr. Dennis Hardy, President, Ms. Lily Katz, Senior Media Director, Mr. Seinn Schlidt, Senior Digital Strategist, all of EvansHardy+Young our advertising agency.

Ms. Katz outlined advertising expenditures across the nut products category for 2011. She said this category, as defined by Nielsen, includes chips, nuts, popcorn and pretzels. In this category media spending is \$350M for advertising. Nut brands and boards accounted for \$75M or 22% and nut boards alone account for \$22M or 6% of the category. With regard to media spending, consumer magazines account for 39%, cable TV 30% and network TV 16%. Nut spending alone for almonds constitutes \$42M, pistachios \$21M, peanuts \$3.5M and walnuts about \$500,000. In terms of Board spending, the Almond Board reported media spending at \$19M, National Peanut Board at \$2.5M, California Walnut Board at \$430,000 and pecans at \$32,000. The Boards spending by media is in consumer magazines at 89% and TV about 5%. After looking at the category's competitors, the Almond Board of California is the key competitor to walnuts. The Almond Board spends about 10 times more than the Walnut Board on advertising. Ms. Katz stated consumers are interested in healthy products which creates a demand for the snack/nut category.

Mr. Hardy spoke about the 2011/12 consumer creative. He stated the Natural Defenders of the Human Body campaign was a success. Mr. Hardy said before this advertising launched there were many months of conversations with the California walnut staff as well as a benchmark study of consumer awareness and attitudes by the Rose Research team. Another study will take place in May and will be compared to this current study to evaluate how the advertising is performing.

Ms. Katz said the campaign ran 37 insertions in consumer magazines on a \$1.8M consumer media budget. She spoke about the digital media budget of \$250,000 that consists of a combination of website, Facebook and health network advertising. The overall goal was to deliver 50M impressions and to date we are at almost 80M impressions. She stated EH+Y also delivered 50%-

60% discounts on published rates. Ms Katz stated that the primary target is women 25-54 with a household income of \$50,000+ and we are reaching 66% of this target audience. She also mentioned our media objectives are to increase awareness and maintain continuity of the walnut message by targeting nutrition savvy and health conscious consumers. We will continue with current consumer magazine schedules and a web-based digital media plan. Publications recommended for 2013 are Eating Well, Cooking Light, Saveur, Real Simple, Health, Sunset, Better Homes, Living and Women's Health. Our ads will also appear on the tablet version of these publications at no additional charge.

The media budget for health professionals advertising is \$50,000. Advertisements were placed in Food & Nutrition, Today's Dietitian, Weight Management DPG, Diabetes Educator and RD411.com with rates discounted by 40%-50%. We will continue to target health professionals to reinforce walnuts as a healthy choice focusing on dietitians and nurse practitioners and focusing on relevant specialties where it makes sense.

Mr. Schlidt gave a brief description of the various social media applications such as Twitter, Facebook, YouTube, and LinkedIn. He said our strategy is to find the 1% of social media users who love walnuts and who will create content that recommends walnuts to their friends. He said our Natural Defenders of the Human Body Facebook page provides an opportunity by engaging the consumer to spread the walnut health message and create content. EH+Y utilized tools to measure 3 months of social media conversations. He said almonds had over 200,000 conversations and we are close with 150,000 walnut conversations. Mr. Schlidt then discussed the website. He said traffic to the website has increased even though we are spending less on online media than in the past because of increased focus on social media. Website traffic was up 97% in 2010/11 with roughly 30,000 monthly visits to walnuts.org. He said the current website is busy therefore EH+Y is looking at a site redesign. Mr. Schlidt discussed e-newsletters currently produced and stated the consumer e-newsletters will focus on a simpler design and recipes. Health professionals will receive e-blasts when a new research study publishes, and industry relevant e-blasts will go out to industry members as an alternative to the print newsletter.

Mr. Hardy then spoke about opportunities for outreach to foodservice and food processors. The objective is to increase awareness and usage of California walnuts as an ingredient. EH+Y is recommending we work with Technomic Research to get the program started. He said Technomic Research was founded in 1966 and is a leader in research and consulting for the food industry and is the standard in America for food related research. Technomic Research recommends we utilize the iLab program to provide California walnuts with a dedicated pool of high volume operators for research purposes. This program would allow us to gauge food service operator awareness of California walnuts, as well as usage and applications in foodservice venues. We would understand the types of nut products purchased, purchase frequency, walnut volume, use and trends, walnut knowledge including nutritional benefits and the attributes that drive the purchase decision.

Mr. Hardy stated we plan to conduct a walnut summit in cooperation with the Culinary Institute of America in Napa which would consist of a 2-day hands-on session covering a variety of issues related to the culinary use of California walnuts. Attendees would include an elite team of chefs and would provide a unique opportunity to meet, educate and influence key decision-makers from leading restaurant chains. Mr. Hardy also recommended a modest budget to cover collateral needs after the CIA event and the iLab study.

Ms. Olmstead then discussed the Crisis Communication plan. She said we are working on this plan with Fleishman-Hillard which has offices in Sacramento as well as our export countries. In March we conducted handler workshops throughout the state with 59 handlers attending. She mentioned a food safety section will be developed for the website consisting of a video that shows the steps taken to assure we deliver a safe product. Ms. Olmstead said that while the project was started with a focus on food safety, it is adaptable to any situation the industry might face that threatens our reputation.

Regarding other activities, Ms. Olmstead stated we will continue to support Dr. Oz' HealthCorps foundation by sponsoring two schools in Sacramento. In the market research area we will continue to track the success of advertising with research in December 2012 and spring of 2013. Ms. Olmstead recommended a Predictor study early next year in the U.S. to assess advertising levels to move additional product, if needed. Ms. Olmstead stated she would like to conduct a second study of health professionals to track changes in attitudes and opinions about walnuts over the past few years, comparing to findings from the research study done in 2010.

She mentioned we also have more tradeshows in this year's plan and have added the Cleveland HeartLab Annual Symposium. This symposium addresses the heart/brain connection which is relevant to walnuts and provides an opportunity to network and get our message to scientists and physicians. We've also added the International Congress on Vegetarian Nutrition which takes place every 5 years and is chaired by Dr. Joan Sabaté. The American Academy of Nurse Practitioners is an important addition because of the profession's ability to communicate the walnut health message to its patients. Ms. Olmstead said we will develop a Health Professional Think Tank which will bring together registered dietitians and other health professionals to provide advice on trends, obtain feedback on our collateral materials and the message we are communicating about California walnuts. They could also be a resource for media interviews and providing articles for walnuts.org.

Ms. Michelle McNeil proceeded with the next agenda item 2013 Export Program Discussion. Ms. McNeil stated we applied for money for both India and China under the Quality Samples Program (QSP) and should receive our official letter regarding funding sometime in May. She said we will be underspent in the current year because we plan to secure the walnut samples in the fall. In India we are waiting for market access. Our pest risk assessment is moving forward. However, we do not have a definitive time frame for access. She mentioned that due to the outbreaks of the keffer beetle, India is looking into alternatives to methyl bromide for all imports. In Canada, the maximum residue limit (MRL) is established for propylene oxide at 330ppm which is awaiting publication. She also mentioned the program in Canada will be discontinued as part of the plan proposal. Inshell shipments have seen declines in Germany, China, Hong Kong and Turkey. Germany's inshell shipment volume was lost to France. She said with regard to shelled shipments we are considering additional research toward new emerging markets to expand the kernel side of the business. This is extremely important because we are losing shelled volume to competitors such as China and Turkey who are processing California walnuts and creating a situation where we are competing against ourselves. Further, new challenges emerge such as the phytosanitary protocol change in Korea that allows market access for other foreign producers. Chile has a free trade agreement with Korea, the phase out is complete therefore walnuts enter the market duty free. She said it is critical that we maintain share of our key markets.

Ms. McNeil spoke about planning assumptions and stated we want to optimize our MAP funding with emphasis on emerging markets such as India and China. She also said to remain competitive in the MAP application process we need to increase our contribution slightly in order to present a positive application and continue to procure funding. We are also assuming production stability (with a crop of 480,000 tons) and steady currency exchange rates. Our strategic planning goals will be used as guidelines. She stated the Euro is stable. In Spain, unemployment is high and currency is unstable however, we have continued to incrementally grow our shelled walnut business. In Japan, the Yen weakened but then strengthened back up as the Japanese government intervened due to the tsunami and earthquake. In Korea, the Won is expected to stabilize, currency is stable in China and in India as the Rupee remains relatively steady with a favorable outlook.

Ms. McNeil briefly discussed the Strategic Planning Goals. She said our goal is to distinguish California based on origin, quality, taste, versatility and health. We want to leverage third party credibility with our key opinion leaders. Ms. McNeil stated we will reach the consumer through

advertising, public relations, media, and cross-over activities. On the trade/food service side we plan to strengthen our relationship with trade members through activities such as tie-in promotions, in-store demonstrations, and collateral materials.

Ms. McNeil proceeded with an overview for each country beginning with Germany. In Germany, purchase frequencies remained strong for shelled and processed products. We're conducting on line advertising that includes ad rotations with leading cooking websites and several banners. We also utilize Google Display and Google Adwords and have seen website traffic increase by 34% in the first 4 months of the campaign. On the public relations side we continue to work with our key opinion leaders. We've reached out to Dr. Frank Hu to give a presentation at the German Dietetic Association annual meeting. Ms. McNeil said we recently launched a new website in Germany that contains service downloads, a walnut kitchen dictionary, and recipes. On the social media side we have a Facebook page with 3,000 fans. There is also a plan to utilize YouTube for preparation and skills videos demonstrating walnut use to consumers. Ms. McNeil stated on the retail side we are working with Aldi North and South to distribute over 1M recipe brochures.

In Spain, purchase frequencies continue to be strong. Spain has some of the highest numbers in terms of health messaging with omega-3 awareness being one of the highest at 67% and good for your heart at 76%. In Spain the supermarket continues to be the primary place to shop at 83%. Media consumption has declined for the television market in Spain however, there is growth in internet and outdoor advertising. Our print campaign will continue to use Chef Twiggy as well as advertising in leading women's cooking and lifestyle publications. We will introduce a digital mix for our online campaign including display ads in cooking, health and lifestyle sites to drive traffic to our website, YouTube for posting videos, and Facebook to create content such as games and ads to keep the consumer coming back. Ms. McNeil stated through our public relations efforts we continue to participate in health related tradeshow such as the Congress of Nutrition, Mediterranean Diet Congress and the AEDN. We will continue Menus with Heart activities which include walnuts as a key component. We plan to work with leading chefs in their development of cardio healthy recipes to be promoted at our press events. Ms. McNeil said we continue to maintain a recipe community of 500 followers on the website. There is a plan for an insta-gram contest allowing consumers the opportunity to showcase how they include their daily serving of walnuts in their diet. She explained on the food service side there is a need for a small budget to maximize efforts within the Spanish market. We plan to collaborate with a coffee chain that has over 250 outlets, a local bakery chain with 25 outlets, and 29 new contacts made at the Alamentaria Conference.

Ms. McNeil spoke about the European Union. She proposed a plan to target industrial users in the EU (Germany, Spain, Australia, Netherlands and Switzerland) enabling the CWC to follow through on contacts established in key European wide trade shows. The program will include participation in tradeshow, one to one meetings and use the QSP to supply walnuts to potential manufacturers.

In Korea, the Strategic Planning goal is to increase the market by 30%. Ms. McNeil stated our PR program has seen 30% of its impressions coming from health. There is a slight increase in home shopping over last year with a softening on the retail side. She stated in terms of advertising we are looking at subways and buses in major cities such as Seoul, Busan and Daegu. Daegu has a population of 4M and is the #3 city in Korea. She said advertising will take place at the beginning of the year to coincide with the first full moon and the spring season. Advertising will consist of print in leading cooking and women's publications and on-line advertising on leading portal sights. The Korean website was redesigned. We will outreach on the website and Facebook with a new recipe newsletter and activities to drive the consumer back to these sites. There will also be media tie-ins with leading TV programs. Vitamin plans to visit California and meet with Dr. Robbins and Dr. Sabaté for a one hour feature on walnuts which will drive consumer consumption up when it airs. She stated we will also work on an education campaign for health professionals for the Korean Society of

Nutrition. We are also looking at direct to consumer activities consisting of an in-store promotion and working with leading retailers to conduct 130 promotions during the year. We will also pilot a retail sales competition to increase shelf visibility at major retailers. Trade activities will consist of tie-in promotions targeted at the SAT season as well as LeJour and Paris Baguette which are two leading grocery chains. TV home shopping and e-commerce continue to be important and we will conduct promotions with five television channels and their respective e-commerce outlets. The Korean Bakers Association will undertake development of new walnut recipes to place in their publications. Ms. McNeil spoke briefly about the food service sector. She said we have an opportunity to work with the ATO in conjunction with the Culinary Institute of America to showcase our product and work with influential chefs in the market. We plan to continue working with ICAN school nutritionists to educate their membership about California walnuts.

Ms. McNeil next addressed China. She stated the strategic planning goal is 80,000 short tons, an increase of 32% over 5 years. We saw a dip this year in our health message due to the change in methodology for evaluation however; we will revert to the previous methodology going forward. She mentioned there were gains in the retail sector and a softening in bakery and confectionary. Social media networks in China are very popular with over 300M internet users. Facebook is not accessible in China however, micro blogging via Chinese specific sites is used to post information and content because it is more anonymous and less scrutinized by the Chinese government. She stated our plan is to work with the blog news sources to increase product awareness. The Ms. California Walnut Competition will take place via the website. Consumers will nominate individuals who embody California walnuts as nutritious, healthy and who will act as a spokesperson for media outreach. Advertising will take place predominantly on buses and in subways as well as online targeted publications. We will attend tradeshow and technical seminars on a quarterly basis in several regions throughout China. The QSP program will be used to support our efforts in this area. Bakery promotions will also be conducted at leading chains in Shanghai, Beijing and Qingdao, with a goal of introducing 5 to 6 new products with at least two receiving permanent placement. Ms. McNeil stated it is difficult to promote California origin walnuts at the retail level because much of the product enters the country through the grey channel. Therefore retail promotions continue to be a small portion of our efforts. She said we plan to expand California walnut use within the industrial sector and will work specifically with the Chinese Bakers Association and hold a competition to generate interest in applications for California walnuts.

Ms. McNeil said we have a modest goal in Japan. Nine television programs boosted the PR numbers resulting in 2.1B impressions however there is still room to grow when it comes to omega-3 awareness at 28% and heart health awareness at 17%. The shelled volume trend has remained at the 20M mark for the past five years. There was softening in the bakery market sector last year which was made up in new products entering the retail sector. Ms. McNeil stated the Japanese market is a maintenance market for us. In the area of public relations we plan to utilize several media tie-ins and paid publicity to boost awareness of California walnuts and drive traffic to our website. The fall season continues to be the largest consumption period with in-store and tie-in promotion activities. We plan a second Walnut Bread of the Year Competition which was extremely successful last year and had several hundred entries. To keep the product flowing through the market we plan promotions through key partners such as ATO and American Fairs.

Ms. McNeil stated India's budget dollar request remains the same as last year because we are uncertain what the market will bear. The market as a whole has a 1.3B population with the middle class projected to increase from 150M to 267M by 2016. The predominant consumption of walnuts is in retail at 85% and foodservice at 10% with the remainder in the industrial sector. The peak walnut consumption period is September through January. Consumer consumption has increased because guru Baba Ramdev recommends walnuts. Guru Baba Ramdev's recommendations are taken much like those of Dr. Oz in the U.S. Ms. McNeil stated that initially there will be an emphasis on the trade program in India in order to drive awareness and expand product distribution. We plan to bring

buyers to California during the harvest season utilizing the Emerging Markets Program (EMP) and will also utilize the QSP to purchase walnuts for use during outreach activities. She also said when health related news hits the European newswire it is immediately communicated to the Indian market. Our Indian website and collateral pieces have been developed for our outreach when the program is ready to launch.

Ms. McNeil stated Turkey has a population of 74M with a large percentage under the age of 30 and 40-45% is middle class. The retail sector is expected to reach \$250B by 2014, with 54% of the total retail market food related. Modern retail investments have advanced the market through major retailers such as Migros, Carrefour, Tesco and Metro. The Turkish government heavily regulates nut and dry fruit bars and kiosks. They are pushing to move out bulk food in an effort to shift toward EU standards as Turkey prepares for ascension in to the EU. Bulk nut sales currently account for more than 90% of the nuts and dried fruits sold. Artisanal bread is the largest selling item with cake products being the #2 product. Walnut brownies have emerged as a new hot item in the last few years. Before making any decisions about entering the market, we propose to conduct research of consumer and trade attitudes toward walnuts, California origin, purchase patterns and feasibility of promoting California. This will be done with Commission dollars as self-funded in order to maintain control.

Ms. Olmstead then proceeded with the next agenda item, Review and Approval of Proposed Budgets – Domestic Program. She pointed out that one of the key shifts is moving key opinion leaders to the Commission budget next year. This makes contracting easier because activities they currently participate in are already Commission based. Collateral development has moved to the Board because EvansHardy+Young develops these materials. She pointed out the increase in the sample budget is due to the escalating cost of walnuts and the development of new film for the sample packs to feature the Heart Check mark. Ms. Olmstead said there is a 6.3% increase for this year's Domestic budget.

There was some discussion regarding the proposed domestic budget. Mr. Balint explained to the Committee that Dr. Oz has been a tremendous asset to the industry therefore we would like to maintain our strong relationship by supporting HealthCorps which Dr. Oz founded. He told the Committee he would like them to consider adding two more HealthCorps schools to the budget in the total amount of \$150,000 which would increase the domestic program budget to \$4,822,500.

Ms. Olmstead clarified the key opinion leader budget item by pointing out that key opinion leaders not only speak at our events or attend media tours but also speak about walnuts at some of their own outreach opportunities. There was some question about the increase in the tradeshow budget and Ms. Olmstead explained that we want to expand our outreach to health professionals and nurse practitioners. She said we added the American Heart Association which requires additional investment. She also went on to explain the 'Other' category of the budget which will be used to address opportunities that arise such as the Dr. Wendy Robbins' male reproductive health study. Dr. Robbins' abstract was accepted at the Andrology Society Conference which had media presence and provided an opportunity to attend a tradeshow not normally on the schedule. She further explained this budget item may or may not be used depending on what opportunities arise in regard to health research studies which are picked up as abstracts are published.

CWB MDC Chairperson Mariani asked for a motion to accept the proposed 2012/2013 California Walnut Board domestic marketing budget of \$4,672,500 with an additional \$150,000 to support the addition of two HealthCorps schools for a total California Walnut Board domestic marketing budget approval of \$4,822,500. Mr. Gilbert so moved. Mr. Moore seconded. The motion carried unanimously.

CWC MDC Chairperson Cilker asked for a motion to accept the proposed 2012/2013 California Walnut Commission domestic marketing budget of \$2,671,000. Mr. Tos so moved. Mr. Headrick seconded. The motion carried unanimously.

Ms. McNeil proceeded with the export program marketing budget and recapped a few highlights for the Committee. She pointed out there is an overall increase in the Commission contribution by 9.4% which brings us to \$3,992,000 for MAP and an overall request of \$4,188,000. She outlined the major changes in Germany and Spain and shifting funds to the EU regional program. She stated Japan remains the same, Korea has challenges with the Chilean competition and is requesting additional budget to accommodate this. China has a modest increase of \$200,000 and India remains the same as last year. The EU regional program is new and the Turkish market research is a new budget item adding \$75,000. She stated the QSP is a new request for the EU regional program with China and India carrying over from the current fiscal year.

CWC MDC Chairperson Cilker asked for a motion to accept the proposed 2013 California Walnut Commission export marketing budget of \$4,188,000 and a MAP proposal of \$5,757,000 for a total California Walnut Commission export marketing budget of \$9,945,000. Mr. Norene so moved. Mr. Lea seconded. The motion carried unanimously.

Ms. Olmstead proceeded with the next agenda item, Crisis Communication Update. She explained this item was discussed earlier in the presentation and asked if there were additional questions. There were none.

Ms. Olmstead continued with the next agenda item, Other Business. She let both Committees know lunch would include a new product from Raley's Supermarket called a Super Food Salad which features walnuts and blueberries. There being no other business the meeting moved to the next agenda item, Time and Place of Next Meeting, which will be determined at a later date.

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 12:52pm.