California Walnut Board/ California Walnut Commission

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CALIFORNIA WALNUT BOARD/ CALIFORNIA WALNUT COMMISSION JOINT MEETING MINUTES

February 21, 2014 Silverado Resort & Spa Napa, 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 Mr. Bill Tos at 9:30 a.m. on Friday, February 21, 2014 at the Silverado Resort & Spa in Napa, California. The roll was called by Mr. Dennis Balint. Mr. Balint advised Chairperson Siebert and Chairperson Tos that a quorum was present for both the Board and Commission. The following members and alternates were present:

CWB Members:	CWB Alternates:
Jerome Siebert, Ph.D.	Lynn Morgan
William Carriere	
David Keyawa	Michael Petz
Robert Driver	Lisa Warner
Jerry Moore	William Tos
Donald Norene	John Kuster
Steve Zaffarano	Steve Lindsay
Jack Mariani	Kevin Wagner
Mike Poindexter	Pete Turner

CWC Members:

Frank Guerra

William Tos

Donald Norene
Todd Ramos
David Keyawa
Pat Mecklenburg
Robert Driver
Jerry Moore
Jeb Headrick
Ray Perez
Charles Crain
Kevin Wagner
Steve Zaffarano
Martin Mariani
Jerome B. Siebert, Ph.D.

CWC Alternates:

Bruce Beard

Steve Zaffarano John J. Gilbert Vacant Robert Lea Carl Cilker

Vacant
Bert Crain
Jonathan Graves
William Crain
William Carriere
John J. Gilbert
Jack Mariani
Lynn Morgan

Board alternate Matthew Conant was absent, as was Commission alternate Atanacio Martin. Also in attendance were Ms. Carol Berg Sloan, CWC Nutrition Consultant; Dr. David Ramos, CWB Research Director; Mr. Vic Tolomeo and Ms. Jennifer Van Court of CASS; Ms. Andrea Ricci, Ms. Debbie Wray, and Ms. Melissa Schmaedick of USDA/AMS; Mr. Ben Kardokus of CDFA; and CWB/CWC staff Dennis Balint, Michelle McNeil, Jennifer Olmstead, Jennifer Williams, Nate Samelson, Carl Eidsath, Abhi Kulkarni, Heather Donoho and Dana Hull.

Chairperson Siebert called for a motion to approve the minutes of the California Walnut Board meeting on December 23, 2013. Mr. Guerra made a motion to approve the minutes as mailed. Mr. Carriere seconded the motion and it carried unanimously.

Chairperson Tos called for a CWC motion to approve the minutes of the joint meeting of the CWB/CWC on September 13, 2013. Mr. Ramos made a motion to approve the minutes as mailed. Mr. Perez seconded the motion and it carried unanimously.

Chairperson Siebert asked Mr. Vic Tolomeo of CASS to present the next agenda item, CASS Report. Mr. Tolomeo reported that last September, CASS forecast a 495,000 ton crop; acquisitions as of December 31 were 490,554 tons. That is less than a 1 percent difference between the projected and final crop numbers. Mr. Tolomeo also mentioned that the census of agriculture for 2012 is going to be released in May 2014. The walnut acreage survey is being conducted right now; it will also be published in May.

Chairperson Siebert asked Mr. Balint to present the next agenda item, Inventory Report. Mr. Balint stated that the inshell inventory as of December 31, 2013 is almost the same as the inventory at the same time last year – just over 108,207,000 pounds. Shelled inventory is down from 197,601,000 last year to 186,821,000 pounds as of December 31, 2013. Total availability of inshell equivalent tons is just over 536,000.

Mr. Balint presented production by county which indicates that San Joaquin County is still the top producer with 16.42% of the total crop, with Butte County close behind with just over 15%. Chandler is still the biggest variety with over 46% of the total crop, and Howard, Tulare and Hartley rounding out the top four varieties that combined, account for 84% of the total crop. Shipments through December show that the top six inshell export countries are China, Hong Kong, Italy, Spain, Turkey and Vietnam. The top six shelled export countries are Australia, Canada, Germany, Japan, Korea and Spain. We exported 62 percent of our product in 2012. Supply and utilization show a projected total availability for 2013/2014 at just over a billion pounds with a projected ending inventory for the crop year of just over 47,000 tons.

Chairperson Siebert asked Mr. Jack Gilbert to give the report of the Issues Management Committee. Mr. Gilbert stated that the committee has not met recently, however, its annual trip to Washington D.C. will occur in March. He turned the discussion over to Mr. Balint to present the reports on Korea, Japan and the Farm Bill/MAP. Mr. Balint stated that MAP funding was continued at \$200 million in the Farm Bill. The money still has to be appropriated; FAS takes some of its operating expenses from the budget now, so of the \$200 million, only \$180 million will be allocated in grants to cooperators like the California Walnut Commission. One change that may benefit some of our committees, like the Grades & Standards and Production Research Committees, is that specialty crop block grants may now be spent for food safety and plant pest and disease control. Mr. Balint then discussed the Trans-Pacific Partnership which is a new trade negotiation partnership. Japan is part of TPP; Korea and China are not, however. We hope that when the TPP dialogue is completed, we will have a significantly reduced or eliminated duty in Japan.

Mr. Balint also talked about the drought issue that may affect the walnut industry. He stated that up until this point, the Commission has not engaged in drought or water issues; he

asked for comments from the members if it is time for the Board and/or Commission to get actively involved. Mr. Norene stated that it is having an impact on everyone in the industry and creating hurdles that we will have to face for some time – issues such as groundwater pumping, additional tax on surface water – and he believes it merits a review by the CWB/CWC. Mr. Driver also stated that prices are being established between growers for surface water and that the irrigation districts will take note of the prices being paid between growers; he is concerned it will affect future prices being charged. Mr. Balint commented that the Issues Management Committee can review the water/drought issue prior to the trip to Washington DC, if it desires.

Chairperson Siebert asked Mr. Balint to continue with the next agenda item, Report of the Marketing Order Revision Committee (MORC). Mr. Balint stated that the MORC met and decided to move forward with drafting some preliminary language to tighten up the definition of "to handle" in the marketing order. The reason for this proposed change is to ensure that anyone registering as a handler would have an investment in the industry. Mr. Balint asked Ms. Schmaedick of USDA to provide a timeline for enacting a change to the order. Ms. Schmaedick stated that the definition of "to handle" is a fundamental definition of any program and does require rule making. The formal rule making process takes about two years and relies on a tremendous amount of work within the industry before even going to USDA. The industry is required to complete the nine points justification which will identify the issue and quantify the solution in terms of impact on growers and handlers in the industry at large, i.e. does it follow the intent of the act, does it benefit the industry, is it going to stabilize the market? Once the groundwork is laid, USDA gets involved.

Ms. Schmaedick explained that once the proposal is forwarded to USDA, a request for a public hearing is made. The public hearing is held within the production area; the purpose is to receive testimony in support, hear potential alternatives, or testimony not in support of the proposal. USDA will evaluate all the information given and write a recommended decision that is sent out for public comment. Based on any comments received, the Secretary issues a decision and a notice for referendum; the referendum is the vote that goes out to growers to determine whether or not the proposal being made is favorable. If the proposal fails, the marketing order remains as it is; if the proposal passes, then the change is implemented. The last step is to issue a final order which actually changes the regulation. Typically the entire process takes 18 to 24 months. Ms. Schmaedick also commented that it is important to have an industry-wide discussion and outreach of the issue prior to a proposal being recommended to USDA.

Chairperson Siebert stated that the MORC will schedule another meeting and follow up with a report to the Board in June. He moved on to the next agenda item, Report of the CWB/CWC Market Development Committees. Mr. Jack Mariani began with a report of the CWB MDC Domestic Marketing Update. He stated that the *Huffington Post* published an on-line article on foods for longevity, one of which was walnuts. The article specifically mentioned that walnuts reduce inflammation and bad cholesterol. On Martha Stewart's weekly program she featured chef Sarah Carey making a pork medallion and walnut slaw. In the November issue of *Men's Health*, an article featured information on heart health benefits of walnuts from Jeff Blumberg and Penny Kris-Etherton; Dr. Blumberg has been on the panel at past Scientific Advisory Council (SAC) meetings, and Dr. Kris-Etherton is an active member of the SAC. The December issue of *Men's Health* featured the PREDIMED study; the article compared three different healthy diets and the Mediterranean diet featuring nuts was best for losing belly fat.

Mr. Mariani asked Ms. Olmstead to continue with the review of domestic marketing activities. Ms. Olmstead first introduced a new member of the CWB/CWC staff, Mr. Nate Samelson, Assistant Marketing Director for the domestic program. She continued with the presentation by stating that the year-end media impressions reached 7.3 billion; also, our PR program was very efficient at a cost of 30 cents per thousand.

Ms. Olmstead explained that we held our annual Harvest Tour in October; the tour included media representing national publications such as *Better Homes & Gardens*, *Ladies Home Journal* and *Family Circle*. Also on the tour was a group of Korean media. Key spokespeople participating in the Harvest Tour included Dr. James Beckerman, a cardiologist at Providence Heart Institute in Portland, and Aida Mollenkamp, a Food Network alum and cookbook author. Aida Mollenkamp continues to go above and beyond her spokesperson's duties in promoting walnuts and recipes she had developed for her own blog. She created a cinnamon swirl bundt cake with walnuts over the holidays, as well as a walnut-cacao nib rocher. *La Cucina Italia* magazine did a feature this past December in an article titled "Happy Christmas to All and to All a Good Nut." They mentioned that "whether pureed, roasted, stirred into risotto, stuffed in ravioli or baked into desserts, walnuts are a staple ingredient in the Italian holiday kitchen."

On the science side, Ms. Olmstead stated that we conducted a satellite media tour with Dr. Roizen on December 19th that generated 10.7 million impressions from 513 airings in 47 of the top 50 markets for TV and radio. She showed a video clip from the tour. Also, in *Consumer Reports' Smart Shop* magazine's December issue, there was a whole page on walnuts titled "5 Surprising Things About Walnuts." They included our health messaging about heart healthy benefits of walnuts and a recipe for walnut butter. Doctoroz.com did a 30 Days of Beauty feature; Ms. Olmstead showed a video clip of the segment which talked about beauty and walnuts. In the December issue of *Better Homes & Gardens*, there was an article that referred back to the 2010 study from Penn State about eating walnuts to combat spikes in blood pressure during stress.

Ms. Olmstead stated that the CWB exhibited at the Academy of Nutrition & Dietetics Food & Nutrition Conference where over 8,000 dieticians were in attendance. We held a media dinner with Dr. Roizen and Rocco the Cowboy, one of Dr. Roizen's success stories. Rocco was able to lose a lot of weight and reverse health issues by eating healthy foods including walnuts. After the conference, 1,100 registered dieticians signed up to receive regular communication from us through our newsletter. In consumer print advertising, we are shifting our focus to target light and non-users who are consuming other nuts already. Based on ad concept testing, we have pulled back on a national campaign for this year and instead will be spending a smaller amount on some regional advertising. The digital campaign has included a campaign called "Simple Goodness" where we provide consumers with easy ways to add walnuts to their diets. Ms. Olmstead showed a clip of green beans with walnuts. Also, in January we re-launched our walnuts.org website; many of the updates are on the back-end, but the new site does feature lots of large, beautiful photographs to engage our visitors.

In the foodservice area, we conducted a promotion with Guckenheimer, a large foodservice company that serves 1.8 million people per day. We did a weekly featured walnut recipe in their cafeterias along with table tent cards, recipe cards and nutrition information as take-away items for the consumers. We will also be attending the Research Chefs Association conference in March and the Culinary Institute of America's Menus of Change in June.

Ms. Olmstead moved on to the next agenda item, Sustainability. She provided an update of what the CWB is doing from a communication standpoint in regard to sustainability. We have been working with Carolyn Pickel who conducted a systematic review of the past 20 years to see how far we've come as an industry. Ms. Pickel developed a paper demonstrating the progress; some of the things the industry has accomplished are better use of sprays, progress in irrigation and pruning, refinement of puffers and better rootstocks. Ms. Olmstead explained that our goal now is to take that data and communicate it to consumers on our website and also to the foodservice audience. For industry members we have worked with Ms. Pickel and Mr. Steve Sibbett to develop some sustainable practices that growers can view on our website as well as some success stories about the progress the industry has made.

Mr. Mariani thanked Ms. Olmstead for her report and turned the presentation over to Ms. McNeil to give an update of the Export Marketing Activities. Ms. McNeil began with the program in China. She stated that we formed a partnership with the Westin Guangzhou Hotel's chef and developed new recipes featuring walnuts; five new items were introduced in their restaurant and were rolled out at a media event. We expect media coverage over the next two months from the 38 publications in attendance at the event. Also in China, we collaborated with Betty's Kitchen, one of the leading publications, on a contest for consumers to tell us how they use walnuts in heart healthy ways. Eight winners will be chosen and the recipes distributed through the publication. The "Heart Home" TV show in China is a chef program that airs on the travel channel and is available in over 30 provinces in China. We collaborated with the show to produce an episode featuring walnuts in an American style Thanksgiving.

In Korea, Ms. McNeil stated that we were an active participant in the Korea Nutrition Society Symposium; we had two speakers, Dr. Elaine Hardman and dietitian Cheryl Toner, sit on the panel and give scientific talks about walnuts and cancer. In addition, we held a press conference with 30 media in attendance to learn about the latest health research we are conducting. The SAT season in Korea is very important to students; we worked with *Nutriand*, a magazine distributed to over 10,000 school dieticians, to feature walnuts as a food to eat during SAT season. Also, as part of our health and nutrition platform in Korea, we worked with two celebrity fitness experts to develop some easy and quick exercises and tips on how to use walnuts in their daily diet.

Ms. McNeil moved on to the program in Japan. One of the most widely watched morning shows in Japan is Asaichi; in December we participated in an 18 minute program on omega-3s. The day the show aired, we had a 451 percent increase in consumer purchases of walnuts. The bakery sector in Japan has experienced a resurgence over the past year; we worked with a chef to develop ten new healthy bread applications that we rolled out at seminars held throughout Japan.

In Spain, we have our first smart phone application that was launched as part of our advertising campaign; the app allows you to take a photo of your food and upload and share it via social media. This past fall we included media guests from China, India and Spain in the annual harvest tour.

Ms. McNeil stated that we just held our first flavor pairing seminar in Germany. We worked with chefs to introduce new applications of walnuts, as well as share with the participants the numerous health benefits of walnuts. Back in the fall, we developed and tested our new creative for the market, My Walnut Moment, which was well-received by consumers; the program was designed to inspire consumers to take everyday moments as walnut moments. The campaign generated 8 million impressions and 16,000 visitors to the website.

Ms. McNeil visited India this past December where we held three seminars for the trade in New Delhi, Jammu and Mumbai. Also during her visit, she attended the India Dietetic Association meeting and conducted a media event with 78 guests who had a tasting prepared by a chef and learned about the health benefits of walnuts. We also introduced trade banners in the wholesale market in India to increase our visibility within the market; we are also working with our partners in the trade community to increase awareness of the availability of California walnuts.

Chairperson Siebert asked Ms. Carol Berg Sloan to present the next agenda item, Health Research Program Review. Ms. Sloan stated that in 2013 we had six publications in various areas of health. There are also 24 ongoing projects including four in a partnership with AICR. Also of note, Dr. David Katz of Yale-Griffin is working on the final analysis of his third diabetes project; this third project has a longer six-month intervention and more participants. There is also a USDA project that just came to fruition and will be shared at the Experimental

Biology meeting in San Diego in April. USDA is looking at metabolized energy and walnuts; they have found that some foods that are high in fat and fiber, as walnuts are, may have a lower calorie count than expected. Also ongoing are the male reproductive health/infertility study by Dr. Wendie Robbins and the large WAHA study being conducted in dual sites, Loma Linda University and Barcelona. The WAHA study is headed by two of our very prominent researchers, Dr. Emilio Ros and Dr. Joan Sabaté; there will be 350 subjects at each site and they will be looking at cognitive function and age-related macular degeneration.

Ms. Sloan stated that we now have a total of 133 publications – 73 funded by the CWC and another 60 from the larger PREDIMED trial for which the CWC provided tons of walnuts. She also mentioned that we will be holding our annual Scientific Advisory Council (SAC) meeting in July. We are looking to bring two dozen or more researchers from around the globe to discuss our current research projects and give us direction for future projects. Also, there will be a mini-SAC meeting in Japan in October; we have held mini-SAC meetings previously in Germany, Spain and Korea. We will also be hosting a symposium in April in conjunction with the American Society of Nutrition in San Diego. Lastly, Ms. Sloan mentioned that the USDA mandates that every five years the Dietary Guidelines Committee convene and come up with new recommendations. We are a big part of that for 2015; Connie Diekman who is a registered dietician and past president of the Academy testified on our behalf in January.

Chairperson Siebert thanked Ms. Sloan for her presentation and asked Mr. Balint to present the next agenda item, Budget Considerations for 2014/2015. Mr. Balint explained that for the past several years, we have been using a two- or three-year rolling average for budgeting purposes. In anticipation of the upcoming Budget & Personnel Committee meeting on April 22nd, staff has been working on numbers for the 2014/2015 marketing year using an average of 481,000 tons for budgeting purposes. He asked for feedback from the Board and Commission if anyone has concerns about using the 481,000 ton crop size for budgeting; it is a number we can justify to AMS and CDFA because it is based on an average.

Hearing no questions for Mr. Balint, Chairperson Siebert moved to the next agenda item, Report of the Intra Industry Communications Committee. Mr. Keyawa, Chair of the Committee, stated that the last meeting was held on December 4th to discuss the results of the grower survey, communication activities in anticipation of the upcoming Board referendum, and the annual grower meeting presentation for the UC extension service meetings. Mr. Keyawa asked Ms. Olmstead to present more details on communication efforts.

Ms. Olmstead stated that the industry outreach program has included inserts/ads in ag publications such as Ag Alert, Pacific Nut Producer, and Western Farm Press. We have also conducted online ads in e-blasts and on websites, radio advertising and media outreach. We have leveraged our accomplishments in production research through a series of interviews that have generated 330,000 media impressions to date. The concept for the outreach is "An Industry Working Together" which showcases the success of this industry from the hard work of growers, handlers and the California Walnut Board and Commission all working together. We have developed advertising, inserts, handouts and tradeshow banners with this theme. We have also attended several tradeshows this year, including the Pacific Nut Producer Tree & Vine Expo, as well as their Grape, Raisin & Nut Expo; the California Farm Bureau's annual fall meeting; the West Coast Nut Grower Guide Annual Walnut Show; the Colusa Farm Show; and the World Ag Expo.

Ms. Olmstead stated that the grower meeting presentation for the UC Extension service meetings also features "An Industry Working Together." Staff has already been to meetings in Visalia, Chico and Red Bluff with upcoming meetings scheduled for Sutter-Yuba-Colusa, Hollister and Lake County.

Mr. Keyawa then moved on to the next topic, Walnut Theft. He indicated that we have a one billion dollar industry that has attracted the attention of thieves; to that end, the CWB has created a walnut theft program. A flyer was distributed to every audience member outlining the industry best practices for preventing theft, from the field to the handlers. He also emphasized that communication in the industry is critical; if something doesn't seem right, let everyone know.

Chairperson Siebert asked Mr. Martin Mariani to present the next agenda item, Report of the CWB/CWC Audit Committees. Mr. Mariani stated that the Committees met on February 3rd where Mr. David Ljung from our auditing firm, Gilbert Associates presented the financial statements of the 2012/2013 fiscal year. Mr. Mariani introduced Mr. Ljung to present the statements to the Board and Commission.

Mr. Ljung stated that the audit process for the Board and Commission is quite effective; the committee is comprised of individuals who have a suitable financial background and are very engaged in the audit process. There are essentially three components to the audit of the Commission – the audit of the financial statements themselves, the federal government mandate and compliance audit of the MAP program, and other specific procedures required by the California Department of Food & Agriculture. The Board audit is a traditional audit of the financial statements only.

Overall, Mr. Ljung stated, the audits went very smoothly; Gilbert Associates has issued an unmodified or clean opinion on the financial statements of both the Board and Commission. They did not identify any material or accounting errors or any deficiencies in the organizations' internal controls or processes. For the third year now, in addition to the financial audit, the Commission was required by CDFA to conduct some additional procedures which revolve around compliance with CDFA guidelines for things such as travel, entertainment, use of vehicles owned by the Commission (of which there are none), certain contracts, and internal controls over accounting procedures and documentation of transactions. This additional testing identified no exceptions and no recommendations regarding accounting procedures. Mr. Ljung stressed the overall effectiveness of the Commission and the Board accounting policies and procedures and the very high ethical standard of both organizations. He commended staff and the Audit Committees for the clean audit results.

Mr. Mariani thanked Mr. Ljung and asked both the Board and Commission to entertain a motion to accept the financial statements for 2012/2013 and to engage the services of Gilbert Associates to conduct the audit for the 2013/2014 fiscal year. Mr. Norene, on behalf of the CWB, so moved; Mr. Driver seconded the motion and it carried unanimously. Mr. Tos, on behalf of the CWC, so moved; Mr. Ramos seconded the motion and it carried unanimously.

Chairperson Siebert asked Committee Chairperson Jerry Moore to present the next agenda item, report of the Production Research Committee. Mr. Moore stated that the Research Committee had a budget of \$1.5 million for 2013/2014, \$400,000 of which was allocated In November to Dr. David Neale and the Walnut Improvement Program. At the Walnut Research Conference in Bodega Bay in January, the Committee was presented with 24 projects – six from plant pathology, four from genetic improvement, six from orchard management and eight from entomology. The Committee will meet in March to allocate the remaining \$1.1 million to the projects they approve. Mr. Moore asked Dr. David Ramos to talk about the Walnut Research Conference and the drought issues/implications.

Dr. Ramos stated that the Walnut Research Conference is open only to walnut farm advisors, researchers, extension specialists, the research committee members and the Production Research Advisory Council. There were 86 attendees at the conference this past January. Dr. Ramos stated that the walnut conference began in the 1970's after the walnut marketing order was amended to include the funding of production research.

Dr. Ramos explained that the funding process begins each year in June with the preparation of research proposals and the Production Research Advisory Council working groups meet during the summer to develop research priorities. Once proposals are submitted and presented at the conference in January, the CWB Research Committee reviews the projects and makes funding decision in February or March.

Dr. Ramos continued with the potential impact of the drought on the industry. He stated that the PRAC orchard management working group recognized the need to embark on more research on effective irrigation practices; to that end a proposal was developed and presented to the Research Committee at the Walnut Research Conference. The proposal went through the PRAC evaluation process and received high marks; the Committee will review it in March at their meeting. Dr. Ramos commented that the last real study conducted on walnut irrigation and water management was back in the 1970's. In the case of walnuts and the effect of a drought, we know that the nuts are really on the tree already; for the 2014 crop, the crop has already been predetermined in the vegetative growth of the buds that were formed in 2013. It is when the trees are coming into bloom that we are going to see the effects of whatever the drought will have on our walnut production. He indicated that we know from prior research that you can expect between April and June, the main effect on the trees will be nut size. We also know that a shortage of water in July through early September can increase instances of shriveling, dark colored meats, sunburn and mold. The sense that Dr. Ramos gets from his colleagues is that the potential problems will be more serious in the southern San Joaquin Valley, but that walnuts are going to fare better than almonds and pistachios.

Mr. Moore thanked Dr. Ramos for his comments and asked Ms. Donoho to present the next agenda item, Report on Research Endowment. Ms. Donoho stated that the UC Davis Endowment Report is issued annually on June 30th which is the state's fiscal year-end. The market value of the endowment on July 1, 2013 was just over \$1.4 million. With our additional \$1 million contribution to the endowment, and investment earnings in the fall of just over \$200,000, the new total, minus a modest payout for 2013/2014, is just over \$2.5 million.

Mr. Moore asked Mr. Balint to present the next agenda item, EPA/DPR Innovators Award. Mr. Balint stated that he, Joe Grant, Hal Crain and Carolyn Pickel attended an event at the EPA/DPR office to receive the Innovators Award on behalf of the work done by PRAC and the entomology working group.

Chairperson Siebert thanked Mr. Moore, Dr. Ramos, Ms. Donoho, and Mr. Balint for their reports. He then asked Mr. Carriere to present the next agenda item, Report of the CWB Grades & Standards Committee. Mr. Carriere stated that the Committee has not met since the last Board meeting. He asked Mr. Eidsath to give an update of the ongoing work in food safety research.

Mr. Eidsath stated that the third annual pathogen survey has been completed; the survey is a blind test conducted throughout the industry. The results show an extremely low prevalence rate for *salmonella* of .10% and no *e.coli* in walnuts. Another project to report on is the huller wash test using peracetic acid (PA). The second year results using a higher concentration of PA showed that plain water cleans about as well as PA on the walnuts, however, the acid did keep the equipment very clean over the length of the run. The down side was the corrosive properties of the acid and the irritation to the employees. This third year of the project, the concentration was lowered to 25, 50 and 80 parts per million. Again, looking at the equipment, the results indicate that the PA does keep huller equipment cleaner than plain water.

Mr. Eidsath also reported on the on-going fumigation project using sulfuryl fluoride combined with propylene oxide (SF/PPO) conducted by ARS in Parlier. He indicated that they

are getting very good results with the vacuum chamber and may be close to having a replacement to methyl bromide.

Mr. Eidsath explained as part of a routine surveillance of inshell walnuts, a German testing lab reported residues of fosetyl-Al above EU limit of 2 ppm in tree nuts. Fosetyl-AL is a fungicide not approved for use on bearing tree nut orchards. After investigations by CWB, DFA and the implicated walnut handlers it was determined that no illegal usage of fosetyl-Al occurred. The EU MRL for fosetyl-Al is defined as the sum of fosetyl-Al + phosphorous acid and its salts. Review of the lab reports confirmed that no fungicide was detected. CWB is working closely with USDA FAS and EU trade organizations to resolve this issue prior to next harvest.

Mr. Eidsath asked Mr. Abhi Kulkarni to report on the next items, Mancozeb Section 3 and the Food Safety Modernization Act (FSMA). Mr. Kulkarni stated that the public comment period for FSMA closed in November; FDA is going to review all the comments it received over the next 12 to 18 months and publish a final ruling sometime in 2015. Based on some information that we have received, this summer FDA is going to issue a revised guideline for growing, specific to water testing standards raw manure and compost usage, and mixed use facilities for grower/huller/dryers. There will be a public comment period specific to those guidelines and we will keep the industry up to date on any potential impacts it may have to the industry.

Mr. Kulkarni stated that Mancozeb received the Section 3 last summer, but EPA made an error on the final label. The label currently has a ten-day application and a respirator requirement only for walnuts. This was intended for field application, but there is no distinction on the final label so it stands for both ground and aerial applications. The registrant is working with EPA to get these requirements reversed; and in the meantime, we are working with EPA on a special 24-C registration for ProStick, one of the most common forms of Mancozeb.

Chairperson Siebert asked Mr. Balint to address the next agenda item, California Walnut Board referendum. Mr. Balint stated that in 2008 when the marketing order was revised, one of the items that was voted in was a continuation referendum to be conducted every six years. The CWB will be conducting their first continuation referendum in April. Mr. Balint asked Ms. Ricci of USDA to give us a timeline for the referendum. Ms. Ricci confirmed that the notice for the referendum has not posted in the Federal Register yet, however, she is still anticipating the referendum will take place from April 1 to April 19th. Several Board members expressed concern about the language on the ballot and accompanying letter; Ms. Ricci stated that the ballot will be very simple with "do you favor" or "do you not favor" the continuation of the marketing order with a check box. Ms. Schmaedick stated that the language is standard for all referendums and that there will be a press release accompanying the ballot that will clearly explain that the ballot is for a federal marketing order continuation. She also confirmed that the vote is based on the individuals that participate and the volume those voters represent; it is not based on an industry-wide participation threshold.

Chairperson Siebert asked Mr. Balint to continue with the next agenda item, Distinguished Service Award. Mr. Balint stated the at the banquet dinner the previous evening, Dr. David Ramos was presented with the walnut industry's Distinguished Service Award. Mr. Balint was unable to attend the banquet dinner, so he gave a brief slideshow to honor Dr. Ramos and thanked him for his many years of service to the walnut industry.

There was no Executive/Closed Session necessary. Chairperson Siebert stated that the time and the place of the next joint meeting of the Board and Commission will be Thursday, June 5, 2014 at the Marriott Hotel in Rancho Cordova, California. Hearing no further business, Chairperson Siebert and Chairperson Tos adjourned the joint meeting at 12:07 p.m.

HEREBY CERTIFY that the above is a full, true and correct copy of the minutes of the meeting held on February 21, 2014, in Napa, California, by the Boards of the California Walnut Board and the California Walnut Commission.
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4/29/14

Dennis Balint, Executive Director/CEO

Date