



## CALIFORNIA WALNUT COMMISSION

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## CALIFORNIA WALNUT COMMISSION MEETING MINUTES

**Friday, February 22, 2008**  
**Carmel Valley Ranch**  
**Carmel, California**

A meeting of the California Walnut Commission was called to order by Chairperson Sam Keiper at 1:40 p.m. Chief Executive Officer Dennis Balint called the roll. Mr. Balint informed Chairperson Keiper that a quorum was present. The following members and alternates were present:

**Members:**

Jim Hudson  
Peter Jelavich  
David Keyawa  
David Miller  
Robert Driver  
Jeb Headrick  
Sharon Hertlein  
Jerry Moore

Ren Fairbanks  
Sam Keiper  
Jack Mariani  
Jerry Siebert

**Alternates:**

Donald Norene  
  
William Waggerhauser  
Carl Cilker  
William Tos  
Bert Crane  
Phil Short

William Crain  
William Carriere  
Jack Gilbert

Commission Member Charles Crain was absent, as were Commission Alternates Bruce Lindauer, Lee Swall, Martin Mariani and Janet King. Commission Alternate William Crain sat in for member Charles Crain. Also in attendance were Mr. Duane Lindsay, CWC Technical Advisor; Mr. Glenn Yost of the California Department of Food and Agriculture; and Mr. David deBernardi, CPA, of Gilbert Associates.

The first order of business was the approval of the minutes of the California Walnut Commission meeting held on September 14, 2007. Dr. Siebert made a motion to approve the minutes as mailed, Mr. Jelavich seconded the motion and it carried unanimously.

Chairperson Keiper introduced Ms. McNeil to give the Market Development Committee Report. Ms. McNeil explained that she would give a report of the export marketing activities in the absence of Committee Chair, Chuck Crain. She stated that the initial funding from FAS of \$3.4 million of the \$5.4 million we requested for this year came in January. There is additional

funding pending the passage of the farm bill. Tentatively, we are expecting an allocation in March.

Ms. McNeil stated that the 2007 P.R. program efficiency for the export markets shows that the cost per thousand impressions ranges from .19 to .25 which is very good relative to the U.S. program.

In Germany, our Christmas campaign targeted female head of households with a one-third page ad in various publications. In January, we cooperated with Lufthansa Airlines to do a California based promotion which included California walnuts in the business class service. In the spring, we will be scaling back our advertising a little because of the late funding and our supply situation in the market. Point of sales materials included recipe brochures for the holidays and an upcoming spring recipe brochure featuring Italian dishes. The walnut tree was named by a division of the German government as tree of the year. We provided recipes and other information to be included in the materials being distributed. We also continued our outreach to health professionals and patients with educational materials using our health message. We will be participating in two nutrition conferences, the DGE Congress in March and the VDD Congress in April.

In Spain we completed the holiday campaign in November and December. This included a mix of indoor/outdoor advertising, in-store advertising and product placement. The advertising consisted of a squirrel in everyday situations, riding the subway, in the office, etc. Product placements included active and passive mentions on television dramas, highly watched by families in the evening and females during the day. In PR, we continue to go out to the media and trade with materials on our health studies and the benefits of walnuts. This past fall we participated in the Gourmet Exhibition as a means to open trade sector contacts. In the fall we participated in the Spanish Society of Cardiology, and upcoming congresses include the Arteriosclerosis Society and Alamentaria, one of the largest food trade shows in Europe. We also continue to do seasonal updates on our website in Spain and in the spring we will continue to focus on our PR efforts by expanding menus for our heart campaign and doing tie-ins with large restaurant chains.

Ms. McNeil moved on to the program in Japan. In late December and into January we tied-in with Dotour, one of the largest coffee chains in Japan with a special menu that included six walnut items. On the PR side, *Nikkei*, the national newspaper, had a nice feature on walnuts and the health benefits, as did two other publications, *Sokai* and *Kenko*.

In Korea, parents put a lot of emphasis on education for their children and the importance of getting into a good college. To that end, there is an industry around getting students ready to take the SATs. We had a campaign promoting walnuts as a food for students to get ready for the SATs, including a Dunkin' Donuts glutinous, chewy doughnut with walnuts, and walnut pies and cookies to give as gifts to students. We have also taken a new direction in consumer outreach with cooking classes, including one with Rachel Ray and another with *Chosun Ilbo*, a national newspaper with a circulation of about 3.5 million. We also held one-on-one technical seminars with several food service companies which have resulted in product production, including a premium menu for hospitals from CJ Food Systems and menu items at Farmer Beneken, a chain of restaurants.

This past year in Canada, we had our new product development competition and from that, five of the six products were launched into the marketplace. We continue to promote our health message through health brochures, dietician newsletters, and heart-healthy recipes. Consumer outreach included a walnut feature in *Experience* magazine from Longo Brothers Fruit Markets, participation in the Royal Agricultural Winter Fair, and four e-newsletters to over 2,000 CWC recipe club members on the website. We also cooperated in *Bakefest*, a recipe booklet distributed to four major women's magazines, by providing six walnut recipes. We held

a Harvest tour in the fall for members of the Canadian media. Several prominent Canadian journalists participated in the tour.

We wrapped up our program in Israel in December with several activities, including attendance at the National Diabetes Conference, the Medical Doctor's Association, and the Conference of Governors. We also worked in cooperation with Hadassah Ein Carem Medical University in Israel to do specific outreach to the Arabic sector by producing a visual nutrition chart for dieticians, a booklet of walnut highlights and recipe suggestions, and a nutrition booklet for medical doctors.

Moving into the timeline for the 2008/2009 marketing year, Ms. McNeil commented that Country Progress Reports, the reports on the export program that we present to FAS, are due on March 31, 2008. Tentatively we may see additional MAP funding in late March. Because of the situation with the farm bill, the Federal Register posting to announce the due date for the UES application is delayed. Tentatively we are anticipating a mid-May due date.

Chairperson Keiper asked Ms. McNeil to comment on the next agenda item, Toxics Testing. Ms. McNeil explained that CDFA has requested that all promotional items with our logo on them be tested for toxic levels to make sure they are safe for consumers. We are in compliance with this request and all current and future items will be sent to Berkeley for testing.

Ms. McNeil moved on to the next agenda item, Domestic Activities. She explained that the dominance of the CWC domestic activities has been health research publicity, however, as mentioned earlier, we have not had that many studies publish this year.

Our continuing education program was launched on our website this year in conjunction with the ADA conference in October. We also developed some health education tools for use by dieticians to educate patients. We will be participating in the International Vegetarian Conference in March, the Fatty Acid Conference in May, and the American Academy of Diabetes Educators in August.

We continue to advertise in health professional publications, including a pre-Christmas ad developed with Marion Cunningham featuring a cranberry/walnut salad and our "walnuts just click with a healthy lifestyle" series of ads that will appear on our website and in various health publications from January to August.

The CWC is also doing a pilot program with RealAge.com which was founded by Dr. Michael Roizen. He recently sold his ownership of the site, however, it has been heavily promoted on *Oprah* in conjunction with discussion about his book, *You: Staying Young*, co-authored with Dr. Oz. We will have banner ads on the site that will link to our website. So far, over 4 million consumers have signed up to receive communication from RealAge.

Chairperson Keiper moved on to agenda item E, Intra Industry Communication Committee to be presented by Committee chair Bill Wagershauser. Mr. Wagershauser commented that the committee is comprised of many new members to the Commission so there was a lot of discussion at their recent meeting about the grower presentation that will be used at the upcoming series of U.C. Cooperative Extension meetings. The decision of the committee was to provide more information on research that is being conducted by the universities. Mr. Balint stated that the grower presentation went through an entire restructuring this year, with more attention on the Board and Commission responsibilities, health research, post-harvest production and regulatory issues, and less emphasis on shipment and inventory figures. Another great suggestion by the committee was to provide hard copies and CD copies of the presentation for growers to take with them. It was also suggested that we link our presentation through the farm advisor websites which two or three of them have already done.

Chairperson Keiper called on Mr. Jack Gilbert, chair of the Issues Management Committee to give an update of that committee's activities. Mr. Gilbert stated that the committee recently underwent a name change (from Government Relations) and the annual trip to Washington D.C. will be taking place in April with Sam Keiper, Jack Mariani, and Bill Carriere joining Mr. Gilbert.

Chairperson Keiper skipped agenda item G, Health Research Update, since Ms. Carol Sloan presented the update at the morning meeting. Mr. Balint commented that there is one action item under Health Research Update and that is the Hu/Harvard Project Proposal. He reminded the members of Ms. Sloan's slide presentation of the meta-analysis that Dr. Hu has proposed. This project would go back over a period of 23 years, consolidate and interpret all of the research findings. This would build an important database of information for the industry. The cost for the untethered grant would be \$25,000 per year for two years for a total of \$50,000. The funds would come from reserves.

Mr. Driver made a motion to approve the untethered grant to Dr. Frank Hu at Harvard for the meta-analysis project at \$25,000 from this year's budget and \$25,000 from next year's budget. Mr. Moore seconded the motion and it carried unanimously.

Chairperson Keiper moved on to agenda item H, Strategic Plan Update. Mr. Balint commented that this is essentially a repeat of the morning's discussions. If the Commission agrees, staff will develop a document for review in September that will reflect any changes recommended to the Strategic Plan. Hearing no dissention, staff will proceed with that plan.

Mr. Balint commented that the next agenda item, Budget Review, is not necessary as the crop shortfall was much less than anticipated and therefore, there are no budget issues that need attention at this time.

Chairperson Keiper asked Ms. Donoho to present the next agenda item, Review of Annual Audits. Ms. Donoho introduced Mr. David deBernardi, CPA, of Gilbert Associates to provide a review of the Commission audit.

Mr. deBernardi stated that the audit was completed in about two weeks time in November by a senior and junior associate of Gilbert Associates. The audit entailed some new auditing standards which raised the bar in terms of controls they look at and in what they report. This audit resulted in very few adjustments and Gilbert Associates has expressed an unqualified opinion. Mr. deBernardi commented that going forward, there will be some additional items that will apply to the 2008 audit which will result in more intensive controls and an increase in audit fees. Gilbert Associates is looking forward to working with the newly formed Audit Committee to address any issues or concerns regarding the audit.

Chairperson Keiper asked Mr. Balint to present the next agenda item, New Appointments. Mr. Balint reiterated what was covered in the morning meeting—Martin Mariani has been appointed Treasurer for both the Board and Commission and the three members of the CWC Audit Committee are David Skinner, Bill Crain and Pete Turner.

Chairperson Keiper commented that agenda item L, CWC/MDC Predictor Market Research Project was thoroughly discussed in the morning's Board meeting. Any follow up questions for Mr. Brad Rose or Mr. Steve Rose can be directed to Mr. Balint and staff. Mr. Balint commented that the Predictor study was basically designed to evaluate the return on investment additional spending would generate, in our case the markets of Korea, Japan, Spain, Germany and the U.S. The information presented by the Rose's indicates that there would be a good return in the U.S., Spain and Korea.

Chairperson Keiper stated that the Meeting Schedule for 2008 and Beyond will follow the same schedule as the Walnut Marketing Board.

Ms. McNeil asked to revisit the Predictor research model under agenda item D, the report of the Market Development Committee. She stated that the results of the project were not encouraging in Japan, where prices greatly affect the market and trade sector. She would like to conduct a more thorough analysis of price elasticity in the Japanese marketplace. There is an estimate from Rose Research of \$100,000 to \$105,000 to conduct this additional piece of research and she is looking for action from the Commission today.

Chairperson Keiper stated that in light of what market prices have done in the last eight to twelve months, it is critical to get a sense of what the next step should be. Mr. Fairbanks asked how this would affect the budget that has been established. Mr. Balint indicated that the funds would come from the reserve. Mr. Driver asked for clarification of how the additional funds would be used. Mr. Balint stated that using the Predictor model, we will determine whether or not the consumer will react as negatively as the importers react to price fluctuations. If the consumers will continue to buy at the acceptable rate, then we need to convince the importers and the processors. The information could be valuable to handlers also.

Mr. Jack Mariani made a motion to approve \$105,000 for Rose Research to conduct a price elasticity study in Japan with the funds coming from the reserves. Mr. Hudson seconded the motion and it carried unanimously.

Mr. Balint asked Ms. McNeil to comment on the results of the Request for Proposal (RFP) for the original Predictor study. Ms. McNeil explained that the RFP was conducted during the summer and we received several applications from agencies. The agencies had various levels of knowledge; some did not have a real understanding of what we were looking to accomplish. The model that Rose Research presented was a clear standout amongst those that were evaluated. Chairperson Keiper stated that because we are expediting the additional price elasticity study using the Predictor data, we will forgo the RFP process.

There was no Executive Session necessary and Chairperson Keiper stated that the time and place of the next meeting would be at the discretion of the chairs of the Board and Commission.

Hearing no further business to come before the Commission, Chairperson Keiper adjourned the meeting at 3:00 p.m.