



## CALIFORNIA WALNUT COMMISSION

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# CALIFORNIA WALNUT COMMISSION MEETING MINUTES

***Monday, May 18, 2009***

***Marriott Hotel  
Rancho Cordova, California***

A meeting of the California Walnut Commission was held on Monday, May 18, 2009, at the Marriott Hotel in Rancho Cordova, CA. The meeting was called to order by Chairperson Sam Keiper at 1:00 p.m. The roll was called by CEO Dennis Balint. Mr. Balint advised Chairperson Keiper that a quorum was present. The following members and alternates were present:

**Members:**

Jim Hudson  
Pete Jelavich

Robert Driver  
Jeb Headrick  
Sharon Hertlein  
Jerry Moore  
Charles Crain  
Ren Fairbanks  
Sam Keiper  
Jack Mariani  
Jerry Siebert

**Alternates:**

Robert Lea  
Carl Cilker

William Crain  
William Carriere  
Jack Gilbert

Commission Members David Keyawa and David Miller were absent. Commission Alternate Robert Lea sat in for Mr. Keyawa and Commission Alternate Carl Cilker sat in for Mr. Miller. Commission Alternates Donald Norene, Bruce Lindauer, William Tos, Bert Crane, Phil Short, Lee Swall, Martin Mariani and Janet King were absent. Also in attendance were: Ms. Janyce Wong of CDFA; CWC Nutrition Consultant, Carol Berg-Sloan, R.D.; CWC Technical Advisor Duane Lindsay; and CWC staff members Michelle McNeil, Jennifer Getz, Heather Donoho and Dana Steindorf.

The first order of business was the approval of the minutes of the California Walnut Commission meeting held on February 27, 2009. Mr. Moore made a motion to approve the minutes as mailed. Mr. Lea seconded the motion and it carried unanimously.

Chairperson Keiper asked Mr. Crain to give the report of the Market Development Committee. Mr. Crain stated that the Committee has met twice since the February meeting in conjunction with the CWB Market Development Committee; once in March to review the 2009/2010 domestic and export marketing programs; and again in May to review an impact program for the domestic market. As indicated by CWB MDC Chair, Jack Mariani, the Committees decided to shelve the additional domestic advertising program that was proposed.

Mr. Crain stated that inshell exports are up 45 percent and shelled exports are up nine percent. The declines in several key export markets have narrowed in recent months and Korea continues to have strong shipments at almost 30 percent over last year.

Mr. Crain asked the Commission members and audience if anyone missed the Health Research Update from Ms. Sloan during the morning meeting. Hearing no requests for her to repeat the presentation, Mr. Crain called on Ms. McNeil to give a detailed report of the export marketing activities in Korea, Japan and China.

Ms. McNeil stated that Korea continues to be our star market and several key activities continue to encourage demand. Activities include: a walnut rice cake promotion at Bizeun; broadcast coverage on a show called *Secret of Healthy Human Life*; menu presentations in the food service sector; an exhibition at Joongang University's wine symposium; and retail cooking classes. In Japan, activities include: a television show featuring walnuts on Nippon Television Network; an article about fatty acids for weight loss featuring walnuts in *Nikkei Health*; and tie-in promotions with chain bakeries.

Ms. McNeil moved on to the Chinese market activities. She stated that the program in China is still in its infancy. The CWC is conducting many promotions to generate interest in our product and to differentiate California Walnuts from the local product. Activities include: media events in Shanghai and Beijing focusing on how to use walnuts and showcase them in western style dishes; a mooncake ingredient seminar in Tianjin; and advertorials and coverage in publications such as *Betty's Kitchen*, *Baking Information* and *Reader's Digest*.

Mr. Balint asked Ms. McNeil to explain the significance of home shopping in Korea. Ms. McNeil stated that the home shopping program in Korea has been a huge driver in the market; a Korean retailer reported that in February alone, the home shopping show generated over \$12 million in walnut sales for them. The sales have also trickled down to online, traditional and big box retailers.

Ms. McNeil asked Ms. Getz to continue with the marketing activities for Germany, Spain and Canada. Ms. Getz stated that the activities in Germany include a shelled print ad campaign in 15 women's and culinary publications, new promotional brochures distributed to consumers and three direct mailings to the trade. We also participated in the German Society of Nutrition's annual convention that was attended by 800 dietitians. In Spain, the shelled print advertising campaign is about to kick off in various magazines, newspapers and Sunday supplements. We are also conducting in-store and online advertising, and technical seminars for the food service industry. There was good media coverage in Spain of the Loma Linda University study that published in the spring. Also, the Menus with Heart program is having its fifth anniversary this year and will kick off with press conferences in five major cities in June.

Ms. Getz stated that in Canada, trade and retail activities continue to be strong and include: several new product launches including a maple nut pie in Metro, maple and nut cookies from Randeau Cookies, and a trail mix cookie from Tim Horton's; and in-store demonstrations at Sobeys Ontario and T&T Supermarkets. We recently participated in the

filming of an episode of *How It's Made* for the Discovery Channel. Filming completed in February and the episode will air worldwide tentatively starting in October.

Mr. Crain thanked Ms. McNeil and Ms. Getz for their presentations. Mr. Crain made a motion for the Commission's consideration to approve the Market Development Committee's domestic program activities funded by the Commission for 2009/2010 at \$1,437,500. He included in his motion the request for the Market Development Committee's export market program activities for the 2010 MAP year of \$3,125,000. Mr. Moore seconded the motion and it carried unanimously.

Chairperson Keiper thanked Mr. Crain for his report and moved on to agenda item E, the report of the Issues Management Committee. Mr. Gilbert, Committee Chair, stated that on May 5-6, 2009, Committee members Mr. Carriere, Mr. Mariani, Mr. Keiper and himself, along with Mr. Balint, traveled to Washington D.C. for their annual trip. He asked Mr. Balint to give a detailed report of the activities. Mr. Balint stated that while in Washington, the group met with various sections of USDA, including AMS and FAS. The primary reasons for meeting with AMS were to thank them for the school lunch purchase and to discuss the modification through informal rulemaking to allow an alternative way of inspecting meal. Mr. Balint hopes to have word back from USDA/AMS within 30 days. The group also met with EPA on regulatory issues, with USTR regarding free trade agreements, and with USDA/Foreign Agricultural Service (FAS) regarding the Market Access Program (MAP).

Chairperson Keiper also asked Mr. Balint to comment on the next agenda item, UN/ECE report. Mr. Balint stated that last year we were able to get the UN/ECE standard back to 2002 standards, but we expect Dr. Bickelman of the German delegation to once again try to put the issue back on the table at this year's meeting in Geneva.

Chairperson Keiper thanked Mr. Gilbert and Mr. Balint for their reports and moved on to the next agenda item, report of the Audit Committee. Mr. Balint spoke on behalf of the Committee in the absence of Mr. Martin Mariani, Treasurer. Mr. Balint stated that the joint CWB/CWC Audit Committee meeting that had been scheduled for earlier in the month was cancelled because the documents for review by the Committee were more extensive than anticipated. Staff will review and prepare the necessary documents and present them to the Committee at its summer meeting.

Chairperson Keiper moved on to the next agenda item, 2009/2010 Budget Approval. He stated that the Commission members have in front of them the proposed budget as recommended by the Budget and Personnel Committee of the Commission. The budget is based on a three-year crop size average of 370,000 tons which equates to \$7.4 million in CWC revenue at \$.01 per inshell pound. The budgeted MAP funding total is \$5,678,400. The total proposed 2009/2010 budget for the California Walnut Commission is \$14,278,983. Mr. Mariani made a motion to approve the budget for 2009/2010 as presented. Mr. Driver seconded the motion and it carried unanimously.

Mr. Balint stated that there is money in next year's budget to cover the addition of office staff early in the marketing year. To accommodate the additional staff, the CWB/CWC office is expanding by 603 square feet. There is enough money in the remainder of the 2008/2009 budget to cover the additional rent cost. Therefore, Mr. Balint would like the authority from the Commission to allow construction to begin on the office expansion and to make the lease agreement for the additional space effective July 1, 2009. Mr. Driver made a motion to approve the additional rent expenditure beginning July 1, 2009 from the current year budget. Mr. Lea seconded the motion and it carried unanimously.

Chairperson Keiper moved on to the next agenda item, Authority for CEO to Executive Contracts. Mr. Balint commented that in light of the state audits and expanded oversight, it would be prudent to have the Commission approve this authority like the California Walnut Board does annually. Mr. Lea made a motion to grant the authority to the CEO to executive contracts on behalf of the California Walnut Commission. Mr. Fairbanks seconded the motion and it carried unanimously.

The next agenda item was the CDFA Audit/Oversight Report. Mr. Balint asked Ms. Wong of CDFA to bring the group up to speed on the audit guidelines and communications oversight. Ms. Wong stated that the final copy of the guidelines were sent out last week to all boards and commissions with no significant changes at this time. Mr. Balint stated that staff has not reviewed these final guidelines, but once they have, a report will be made to the Commission. Chairperson Keiper asked that the Audit Committee receive a staff review of the final CDFA report at their meeting this summer. Ms. Wong stated that the CWC has been scheduled for a CDFA audit the second quarter of 2010.

Chairperson Keiper asked Mr. Balint to comment on the next agenda item, Strategic Planning Meeting. Mr. Balint stated that the Production Research Committee will conduct its one-day strategic planning meeting on June 3<sup>rd</sup>, the Market Development Committees will conduct theirs on July 16<sup>th</sup> and both committees will report their results to the full Board and Commission at the strategic planning retreat in December.

The next item on the agenda was the California Walnut Commission Referendum. Mr. Balint stated that at the February meeting the Commission discussed re-running the assessment cap referendum in March or April 2010. In light of the current crop year, he has to ask the members if that is still a good time to run the referendum and what cap should be requested. Mr. Balint stated that it may be advisable to raise the cap to two cents. No matter what the Commission decides, however, it is going to require that the members and handlers play an active role in bringing this issue to the attention of the grower voters. The Commission cannot advocate, only educate.

Mr. Balint commented that the Commission law on referendums requires that 40 percent of the growers must vote in order for the referendum to be valid; and of the 40 percent that vote, a simple majority will pass the referendum. Mr. Driver expressed his support for conducting the referendum, as did Mr. Crain. A discussion ensued about what amount to request for an assessment cap and the difficulty in achieving the 40 percent voter turnout. Mr. Crain expressed his desire to ask again for a 1.5 cent cap on the assessment rate in the coming referendum, whereas Mr. Driver expressed support for a 2 cent cap. Chairperson Keiper suggested that staff review the voting methodology to determine any strategies or tactics that may make the referendum process run smoother and produce a favorable result. He asked that staff come back in September with some guidance and a recommendation for moving forward with the referendum.

The time and place of the next meeting of the Commission will be September 11, 2009, following the California Walnut Board meeting at the Marriott Hotel in Rancho Cordova.

Hearing no further business to come before the Commission and no executive session needed, Chairperson Keiper adjourned the meeting at 2:04 p.m.