



## CALIFORNIA WALNUT COMMISSION

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# CALIFORNIA WALNUT COMMISSION MEETING MINUTES

***Wednesday, May 28, 2008***

***Radisson Hotel  
Sacramento, California***

A meeting of the California Walnut Commission was held on Wednesday, May 28, 2008 at the Radisson Hotel in Sacramento, CA. The meeting was called to order by Chairperson Sam Keiper at 12:47 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  
David Keyawa

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

**Alternates:**

Donald Norene  
Bruce Lindauer

William Tos

Phil Short

William Crain  
William Carriere  
Jack Gilbert

Commission Members David Miller and Robert Driver were absent. Commission Alternate William Tos sat in for Mr. Driver. Commission Alternates Carl Cilker, Bert Crane, Lee Swall, Martin Mariani and Janet King were absent. Also in attendance were: Ms. Janyce Wong of CDFA; Mr. George Soares of the law firm Kahn, Soares & Conway; 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 22, 2008. Mr. Jelavich made a motion to approve the minutes as mailed. Mr. Crain 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 so far this year, once in March to discuss the upcoming year's marketing program and again just before the Board meeting today. The meeting today was to discuss a proposal to increase the domestic spending on the Predictor study. The Committee recommendation is to conduct some additional research prior to continuing with the Predictor Study with a budget increase of \$595,000, making the total U.S. domestic marketing budget \$2,275,000. The Committee's recommendation is that those additional funds, taken from the CWC reserves will only be used if the results of the additional pending research to be conducted by Rose Research shows a reasonable return on investment.

Mr. Crain made a motion to increase the Market Development Committee budget by \$595,000, to come from the CWC reserves, to be used for a continuation of the Predictor Study by Rose Research. These funds will only be spent in the event the Committee determines the return on investment justifies the spend. Mr. Crain also requested in his motion that the Commission give the authority to the Market Development Committee to review the data and determine if the justification is there to continue with the Predictor Study and spend the \$595,000. Mr. Tos seconded the motion and it carried unanimously.

Mr. Crain explained that the export market development budget that was recommended during the March meeting was \$7,754,968, of which we received MAP funding of \$3.8 million, leaving a deficit of \$1.6 million. Additional allocations for the remaining year will come after the farm bill is resolved. Staff will submit a 2009 MAP request following the resolution of the farm bill. Mr. Crain introduced Ms. McNeil to continue with the export activities.

Ms. McNeil presented the Export Market Update. In Germany, she stated that our advertising campaign began in April with 12 insertions in women's and cooking publications. A new point of sale brochure was developed that focused on Italian cuisine. The trade program continues with the second of eight mailings being completed recently. These mailings continue to keep the trade aware of the activities that the industry is doing in the market. In public relations, we conducted media outreach during the asparagus season and in early summer with berries and walnut recipes. Press coverage included Dr. Reiter's work on melatonin and promotions of fit and fun nutrition for summer. We also attended the annual meeting of the German Society of Nutrition and the German Association of Dieticians.

Ms. McNeil explained that activities in Spain include ongoing media outreach with El Pais, Casadiez and 20 Minutes. We made our first foray into the industrial program by participating in Alimentaria, a European food service show. In PR, we participated in the National Conference of Nutrition in Spain. We worked with Dr. Ros' colleagues on a session workshop that presented walnuts and their cardio-healthy benefits. We have also partnered with the Spanish Heart Foundation and chefs for the heart campaign which will include press conferences in Barcelona, Madrid, Valencia, Bilbao and Marbella.

In Japan, PR impressions have reached over 131 million households. We have begun a sweepstakes campaign that will continue through June called "Be Healthy with California Walnuts." We recently participated in FABEX, a large delicatessen and food service exhibition. Bakeries and confectioners continue to be our primary vehicle for driving contest entries for new product competitions. This year we are expecting six seminars and hope to have 70 participants in each. Project 21 has been scaled back a little this year. We will continue our advertising until the end of June and tie-in promotions in Kanto.

Ms. McNeil continued with the marketing activities in Korea. She stated that we are using outdoor advertising, originally created in Spain, from April to September. We are also using the internet to advertise on NAVER which has over 11 million visitors per day. In PR, we have had over 20 articles per month in various print publications and television. In store promotions continue to be a vehicle to influence the consumer at the point of purchase. We have been conducting technical seminars to communicate our message to trade and media.

In Canada, our New Product Development Contest was held in March. Mr. Balint attended and presented the award to the winner who created a California walnut raisin rye bread. We also exhibited at the Bakery Showcase in Toronto in May and displayed the winning products from the competition. We are again partnering with the California Wine Institute to educate the media and trade through two events in Toronto and Montreal.

In China, we just completed the request for proposal process in our search for an agency to represent us. Ms. McNeil will be traveling to China next month to meet with the final candidates.

Ms. McNeil then presented the 2008/09 timeline. She noted that the agenda erroneously states 2007/08. We are awaiting the passage of the farm bill to complete our funding for the current marketing year. Year-to-date we have received \$3.8 million of our request of over \$5 million. Until USDA publishes the Federal Register, we cannot apply for MAP funds for 2009, so we are in a holding pattern for now. Tentatively, the 2009 funding will be in late fall. The CWC MDC Committee will meet again in early 2009 to discuss planning for 2010.

Ms. McNeil turned the presentation over to Ms. Getz to present the domestic marketing activities. Ms. Getz stated that advertising in the U.S. continues to focus on health professionals and professional journals such as *Cardiovascular Nursing*, *Diabetes Educator* and *Today's Dietician* among others. She presented samples of ads from the journals. In February through March, we participated in a pilot program on realage.com, a website founded by Drs. Oz and Roizen. The pilot included a banner ad on the website for one month and targeted email to 187,500 subscribers. As a result, our landing page was viewed over 13,000 times.

Ms. Getz explained that we also partnered with Highbush Blueberries on a summertime press release. It featured a salad recipe and a dessert recipe with walnuts and blueberries. Trade shows included the International Vegetarian Congress in March, the International Fatty Acid Conference in May, and the American Academy of Diabetes Educators coming up in August.

Hearing no questions for the marketing staff, Chairperson Keiper introduced Mr. Jack Gilbert to present the Issues Management Committee update. Mr. Gilbert stated that several members of the Committee made their annual trip to Washington, D.C. at the end of April. Traveling with him were Mr. Bill Carriere, Mr. Sam Keiper, Mr. Jack Mariani and Mr. Dennis Balint. One of the major issues of the Committee was the Farm Bill. Almost everyone they spoke to in Washington indicated that the issue was out of their hands, however, money remains for specialty crops in the Farm Bill. The other main issue was the Korean Free Trade Agreement. Mr. Gilbert stated that the Committee members were told that the Korean Free Trade Agreement will probably be on hold until issues are resolved with the Columbian Free Trade Agreement.

Mr. Balint commented that Washington is probably in the worst state of affairs that we have seen in years. He indicated that the WTO is another problem issue we are dealing with.

Countries like Japan, where we are engaged in discussions about lowering tariffs, will not deal with the issue bilaterally; they want to do it within the context of the WTO which poses a problem for us.

Mr. Balint also stated that the Committee met with USDA/AMS to discuss the oversight of Board/Commission collateral materials, press releases, etc. He indicated that he will be writing a letter to AMS, FDA and FTC with a list of questions he would like to have answered before he returns to Washington in June for a private meeting.

Chairperson Keiper asked the Commission if anyone missed the UN/ECE report from the morning meeting. Hearing no questions, he moved on to the next agenda item, 2008/2009 Budget Approval.

Mr. Balint stated that the Budget and Personnel Committee met on April 22<sup>nd</sup> and approved the CWC budget as presented, with one change to the domestic activities of \$595,000 as discussed earlier by Mr. Crain. That brings the total of all programs to \$13,776,312 which leaves us with a deficit of just over \$1.5 million. This would bring the CWC reserve to about \$2.5 million at the end of the 2008/2009 fiscal year. We are cautiously optimistic that the coming crop year will generate enough revenue to offset some of that deficit.

Mr. Crain made a motion to approve the California Walnut Commission budget for the 2008/2009 marketing year of \$13,776,312. Dr. Siebert seconded the motion and it carried unanimously.

Mr. Fairbanks made a motion to approve the California Walnut Commission assessment for the 2008/2009 marketing year of one-cent per inshell pound. Mr. Jelavich seconded the motion and it carried unanimously.

The next item on the agenda was Increasing Assessment Cap/Referendum. Mr. Balint stated that during the Budget and Personnel Committee meeting in April there was a discussion about meeting deficits and additional spending to fortify our activities in the domestic market. Also, there is a concern about the economy in the EU and Asia. An alternative discussed by the Committee for handling these issues was a grower referendum to increase the assessment cap. Mr. Balint presented a timeline for the possible referendum (copy attached). If the CWC made the recommendation today to go forward, it would take CDFA 30 to 45 days to gather grower lists. If that was completed by June 20<sup>th</sup>, the law allows anywhere from 10 to 60 days for a referendum. George Soares, CWC attorney, has recommended 15 days. This would give us a voting completion date of about August 5<sup>th</sup>. Mr. Balint explained that CDFA allows up to 10 days for slow mail and other problems with delivery of ballots which would bring us to August 15<sup>th</sup>. CDFA would then count and certify the ballots and hopefully we would be in a position to notify the industry of the results by the first of September.

Ms. Hertlein asked Mr. Balint for the reasons behind increasing the assessment cap. Mr. Balint explained the history of the CWC assessment and that for a number of years the assessment rate was at a half-cent per inshell pound. As a result of MAP funds being diminished with the 1990 Farm Bill, we decided to raise the assessment to 8/10<sup>ths</sup> of a cent. In recent years, the assessment has been at 8/10ths, 9/10ths, back to 8/10ths and finally at one-cent. An increase in the cap to 1.5 cents per inshell pound would give the assurance to maintain an aggressive stance in our programs and keep the momentum that we have, generate adequate reserves and conduct programs without concerns about crop shortages.

Chairperson Keiper commented that over the last four or five years there have been a number of changes taking place; we used to match every dollar from the federal government MAP programs by \$1.50, now we match it about 75 cents for every MAP dollar; our health

promotion and research programs have grown; the purchasing power of the dollar overseas has diminished significantly; and our reserves have been tapped into more because of activities we are currently supporting.

A discussion ensued about the timing of the referendum and the rules governing the voting procedures. Mr. Soares commented that a referendum requires that 40 percent of the industry vote, and of those voting, a majority of 40 percent of the volume must support the referendum. It is a weighted vote by inshell production by grower. Mr. Soares also stated that the role of the CWC staff in the referendum is strictly one of education. This can be accomplished through informative newsletters, press releases, meetings, etc.

Mr. Tos made a motion to proceed with the California Walnut Commission referendum to increase the assessment rate cap to 1.5 cents per inshell pound. Mr. Moore seconded the motion and it carried unanimously. The Commission also directed staff to distribute an informative newsletter to the industry regarding the referendum prior to the ballots being mailed, as well as posting information on the website and distributing press releases.

Chairperson Keiper moved to the next agenda item, Taking a Position on Foreign Currency. Mr. Balint explained that several years ago, staff had the authority given to them by the Commission to take a position on foreign currency to cover the contracts of our overseas representatives. Again, staff is looking for such authority, with limitations if the Commission desires. Ms. Donoho stated that when the CWC purchases foreign currency, the auditors will note it in the financial statements as a risk. It does not change the opinion that the auditor would render, but it is considered a risk. Mr. Balint explained that staff would like the ability to cover any currency for marketing activities within a contract, not just the contracting fees themselves, but is looking for direction from the Commission. Ms. Donoho stated that the Euro amount we are looking to purchase is somewhere between \$500,000 to \$700,000 and would not include any MAP money.

Dr. Siebert and Mr. Crain expressed their interest in the possibility of purchasing of foreign currency to cover certain European marketing activities. Chairperson Keiper suggested that staff put together a concept proposal to present to the Commission in September with assistance and input from the Treasurer.

Under other business, Mr. Mariani mentioned that the industry has been concerned about access to ports and container availability which is limiting ability to get product to overseas buyers. Mr. Balint will work with members of the industry to put together a letter to send to the Secretary of Agriculture and other state departments, such as secretary of international trade, expressing the industry concerns.

The time and place of the next meeting will be in conjunction with the California Walnut Board on September 12, 2008 at the Marriott Rancho Cordova. Hearing no further business to come before the Commission, Chairperson Keiper adjourned the meeting at 2:00 p.m.