TODAY, TOMORROW, AND YEARS TO COME

January 31, 2018
MISSION

The Mission of the California Walnut Board and Commission is to:

Increase demand for California Walnuts
CALIFORNIA WALNUT PRODUCTION

Crop Year

'07 '08 '09 '10 '11 '12 '13 '14 '15 '16 '17

Short Tons (in thousands)

0 100 200 300 400 500 600 700

*estimate
CALIFORNIA WALNUTS

BRANDING
95% of survey respondents like the logo

Top 5 words associated with walnuts based on the logo:
  ‣ Natural
  ‣ Healthy/nutritious
  ‣ Fresh
  ‣ High Quality
  ‣ Premium

71% said they would be more likely to purchase the package with the logo over other available packages

71% rated the package with the logo as high quality
DOMESTIC MARKETING
NEW ADVERTISING - PRINT

California Walnuts
FOR THE BEST SIMPLE MEALS EVER
For nutritious, delicious, and healthy meals, remember the
California walnut. For more recipes, visit Walnuts.org.

KID FRIENDLY
California Walnuts
FOR THE BEST KID FRIENDLY MEALS EVER
For flavor, crunch, and heart-healthy goodness, remember the
California walnut. For more recipes, visit Walnuts.org.

MEAL

BAKING

CALIFORNIA WALNUTS
NEW TV AD – VERSION 1
NEW TV AD VERSION 2
DIGITAL

California Walnuts
FOR THE BEST SIMPLE SALADS EVER

California Walnuts
FOR THE BEST SIMPLE SALADS EVER

California Walnuts
FOR THE BEST SIMPLE SALADS EVER

View Recipes

View Recipes

View Recipes
NEW WEBSITE

For the Best Simple Salads Ever

For flavor, texture and heart-healthy goodness, toss in chopped or toasted California walnuts.

VIEW RECIPES

California Walnut Recipes

Choose from a selection of walnut inspired recipes, everything from soups and salads to entrees and desserts.
ADVERTISING REACH

- **95%** of Adults 25 – 54 will see California Walnuts advertising an average of **26 times**
- Delivering over **4.1 billion impressions** to adults 18+

16 Weeks
Oct - June

65 Insertions
Oct - Aug

10 Months
Oct – July

[Images of magazines and media outlets]
TEAM GOOD FAT

• 9 in 10 consumers don’t know which fats are good and which are bad.

• Partner with other good fat foods.
  • Avocados
  • Seafood
  • Olive Oil

• Supermarket RD program during American Heart Month
2018 REGIONAL TEST PROGRAMS

- Two markets: Charlotte & Minneapolis
- 4-week promotion - February, 2018
- Support with local advertising (i.e. spot TV, print, radio, etc.)
- Engage supermarket RDs through participating retailers
INDUSTRIAL DEVELOPMENT

Likelihood to Purchase Walnuts – In a Food

- 72% Would buy it
- 20% Might or might not buy it
- 8% Would not buy it

Fig 1. US new product introduction with various types of nuts, 2011-2015

Source: Mintel
INDUSTRIAL PROGRAM OBJECTIVES

Establish CWC as a dedicated resource to industrial needs

Drive awareness among the food industry about walnuts

Freshen image of walnuts

Promote successful CWB/CWC consumer-facing campaigns

New formulations from Mattson
CALIFORNIA WALNUTS

EXPORT MARKETING
Over 67% of the California walnut crop has been exported during the 16/17 crop year.
### EXPORT MARKETS 16/17

<table>
<thead>
<tr>
<th>Market</th>
<th>Volume (ISE Lbs.)</th>
<th>% of Total Shipments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>126 MM</td>
<td>9.1%</td>
</tr>
<tr>
<td>Turkey</td>
<td>124 MM</td>
<td>8.9%</td>
</tr>
<tr>
<td>Greater China</td>
<td>105 MM</td>
<td>7.6%</td>
</tr>
<tr>
<td>Japan</td>
<td>79 MM</td>
<td>5.7%</td>
</tr>
<tr>
<td>Spain</td>
<td>72 MM</td>
<td>5.2%</td>
</tr>
<tr>
<td>Korea</td>
<td>64 MM</td>
<td>4.7%</td>
</tr>
<tr>
<td>Italy</td>
<td>63 MM</td>
<td>4.6%</td>
</tr>
<tr>
<td>UAE</td>
<td>43 MM</td>
<td>3.1%</td>
</tr>
<tr>
<td>Canada</td>
<td>39 MM</td>
<td>2.8%</td>
</tr>
<tr>
<td>India</td>
<td>32 MM</td>
<td>2.3%</td>
</tr>
</tbody>
</table>

*As of July 2017*
CURRENT MARKET MIX

China
Japan
South Korea
Germany
Spain
UK
EU Industrial Region
Turkey
India
TACTICS

• Advertising
• Public Relations/Media
• Social/Digital Media
• Trade Promotions/Education
• Opinion Leader Outreach/Health Professional Programs
• Retail & Food Segment Promotions

The most healthy snack of the year.
CONSUMER ACTIVITIES

Digital – Recipe Videos - Japan

- Walnut Lasagna
- Walnut Energy Bar
- Walnut Cheese Cake

大人の糖質オフ＆グルテンフリー
くるみでヘルシーチーズケーキ

CALIFORNIA WALNUTS
CONSUMER ACTIVITIES

Point of Sale Promotions

• Retail
• Bakery
• E-Commerce
• Home Shopping
• Department Store Food Hall

Mankattan Bakery Company Launch a New Product “Brown Sugar California Walnut Cake”
TRADE ACTIVITIES

- Trade Shows
- Technical Seminars
- Recipe Development
- Chef Inspiration Contests
- Trade Public Relations
- Trade Advertising – digital and print
TRADE ACTIVITIES

Food Service

- Menu Promotions
- Technical Seminars
- Collaboration with Food Service Publications
- School Lunch Programs
- Institutional/Mass Catering Promotions
Dr. H. K. Chopra

- Explore opportunities to define new areas for walnut research in India
- Establish network of Indian researchers and medical professionals

153 placements including print and web reports covering total readers of 912.91 million.
NEW FOR 2018

• New Market Exploration
  • UAE, Saudi Arabia and Malaysia

• New Market Segments
  • Halal product and recipe development
FOOD SAFETY MODERNIZATION ACT (FSMA) UPDATE
WHAT IS THE PSR?

• FDA’s food safety law will require growers to do the following:

• **Water Testing**: Required for any water touching the produce (foliar spray for instance), hand washing, equipment washing.
  
  • **Surface water**: 20 tests over 2 years, 5/year thereafter
  
  • **Ground water**: 4 test in the first year, 1/year thereafter

• **Employee Food Safety Training**

• **Compost and Manure use** per the USDA NOP program
## WHO IS COVERED UNDER PSR?

<table>
<thead>
<tr>
<th>Farm Classification</th>
<th>Compliance Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Very Small</strong> businesses (those with more than $25,000 but no more than $250,000 in average annual produce sales during the previous three year period)</td>
<td>Jan 2020</td>
</tr>
<tr>
<td><strong>Small</strong> businesses (those with more than $250,000 but no more than $500,000 in average annual produce sales during the previous three year period)</td>
<td>Jan 2019</td>
</tr>
<tr>
<td><strong>Large</strong> businesses (those with more than $500K)</td>
<td>Jan 2018 (Compliance inspections Jan 2019)</td>
</tr>
</tbody>
</table>
WHO IS GOING TO DO THE INSPECTIONS?

• Not FDA. CDFA is contracted to do PSR inspections

• Inspection team called “Environmental Auditing Unit (EAU)"

• Inspections will start Jan 2019 for large (over $500K) farms. State estimates there are approximately 25,000 large farms and they will have 9 inspectors. Goal is to conduct 200 to 300 inspections/year

• CDFA wants to inspect during harvest operations

• They are asking for “volunteer” farms to practice mock inspections in 2018
HOW DO YOU GET READY?

- FDA will pay CDFA $450,000 in 2018 for grower training classes
- State will be split into 4 regions, 7 classes/region (one in Spanish)
- Each class is 8 hours for certificate (good for life per FDA)
- Walnut board contracted with DFA for 6 regional PSR trainings: January 22 (Modesto), February 9 (Yuba City), February 26 (Stockton), March 1 (Sacramento), March 15 (Tulare), March 22 (Chico)
- FSMA requires at least 1 person per farm to be trained
USDA STANDARD CHANGE

- Livermore (red walnuts) added to USDA standard.
- Livermore can now be marketed as US#1 or US#2
- Subject to assessments like other varieties
BUDGET ALLOCATIONS

CALIFORNIA WALNUT COMMISSION
% OF BUDGET

- Domestic Marketing: 17%
- Health Research: 13%
- Industry Communications: 1%
- Operating/Personnel: 9%
- Export Marketing: 59%

CALIFORNIA WALNUT BOARD
% OF BUDGET

- Domestic Marketing: 80%
- Production Research: 8%
- Grades & Standards: 3%
- Surveys: 1%
- Industry Communications (Plus Sustainability): 1%
- Operating/Personnel: 7%
CALIFORNIA WALNUTS

WALNUT RETAIL SALES YEAR-TO-DATE
VALUE PERCEPTIONS OF WALNUTS

Perceptions of Walnuts – Convenience + Value

- Are a convenient snack: 78% in 2013, 84% in 2017
- Are convenient to eat/serve: 72% in 2013, 81% in 2017
- Are versatile: 66% in 2013, 78% in 2017
- Are a good value for the money: 49% in 2013, 59% in 2017

Source: 2017 California Walnuts Attitude & Usage Study
PURCHASE INTENT

Likelihood to Purchase Walnuts - Overall

- 73% Would buy them
- 16% Might or might not buy them
- 12% Would not buy them

Source: 2017 California Walnuts Attitude & Usage Study
CONSUMER PERCEPTIONS OF HEALTH

0% ← CONSUMER BELIEF THAT WALNUTS ARE NUTRITIOUS → 92%

0% ← HEALTH BENEFITS OF WALNUTS IMPACTS PURCHASE DECISION → 82%

- “Walnuts are nicknamed brain food. They help support brain function” (Woman’s Day, 7/10/16)
- “Walnuts - They’re Good for the heart and Offer Other Health Benefits” (Today’s Dietitian, 10/4/13)
- “A couple of handfuls of walnuts a day can make a man’s sperm stronger, faster and prettier” (NBC News, 8/17/2012)
- “Walnuts pack a more potent heart-health punch than other nuts” (WebMD, 1/05/2009)
- “Walnuts were found to reduce inflammation and oxidation of the arteries by harmful fats” (Time Magazine, 12/25/2006)
- “Good for Salads & Snacks” (USA Weekend, 9/23/2007)
- “Good Fat vs. Bad Fat: Nuts are Good” (LA Times Syndicate 2/22/1999)

EXPORT RESULTS

- '12
- '13
- '14
- '15
- '16

ISE pounds (thousands)

UK, India, Korea, Spain, Japan, Turkey, Germany
CALIFORNIA WALNUTS

BEARING ACREAGE

Bearing Acreage  Non-bearing Acreage

'07  '08  '09  '10  '11  '12  '13  '14  '15  '16  '17

Thousand Acres

'07  '08  '09  '10  '11  '12  '13  '14  '15  '16  '17

Bearing Acreage  Non-bearing Acreage
WORLD PRODUCTION

Metric Tons

'05 '06 '07 '08 '09 '10 '11 '12 '13 '14 '15 '16

0 250,000 500,000 750,000 1,000,000 1,250,000 1,500,000 1,750,000 2,000,000 2,250,000

CALIFORNIA WALNUTS
TODAY, TOMORROW, & FUTURE

- Production Research
- Post-harvest Research
- Health Research
- Export Marketing
- Domestic Marketing
TODAY, TOMORROW, & FUTURE

- New Markets
- New Segments
- New Customers
- New Consumers
THANK YOU