

Walnut news



A New Beginning

A Time for Growth

In November of 2015, the California walnut industry began its first sizable advertising campaign in the US, featuring two television commercials which highlight walnuts' exceptional versatility as a recipe ingredient. The ads also remind consumers of walnuts' distinctive heart-healthiness. This represents a not just a new era for the industry but also an incredible opportunity for California walnuts. An estimated 22% of US households currently buy walnuts. This reflects a tremendous opportunity for the industry. The US is a market where we don't have some of the challenges that we do in export markets (currency, tariffs, competitors, etc.). An increase to 30% of households buying walnuts would potentially equal an additional 69,000 tons or 135 million pounds. This is especially important in a market

situation where world supply continues to grow. Not only has US production grown, but total world supply has grown as well, with record crops in China and Chile in 2014.

The three important things to remember are that advertising will lead to increased demand, over time. This is not an overnight process. Price will stimulate interest from industrial users and potentially increase food service consumption. Additionally, lower prices will encourage consumers to purchase more often and makes walnuts more attractive to new consumers. Programs take time to build. Just as a walnut tree will not produce a significant crop the same year it is planted, we must wait and continue our efforts over time to see results. This is just the beginning.



WORLD PRODUCTION CONTINUES TO GROW!

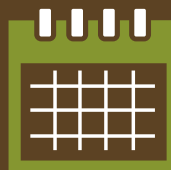
Three things to remember:



Advertising will lead to increased demand



Price will open new markets and opportunities



Patience

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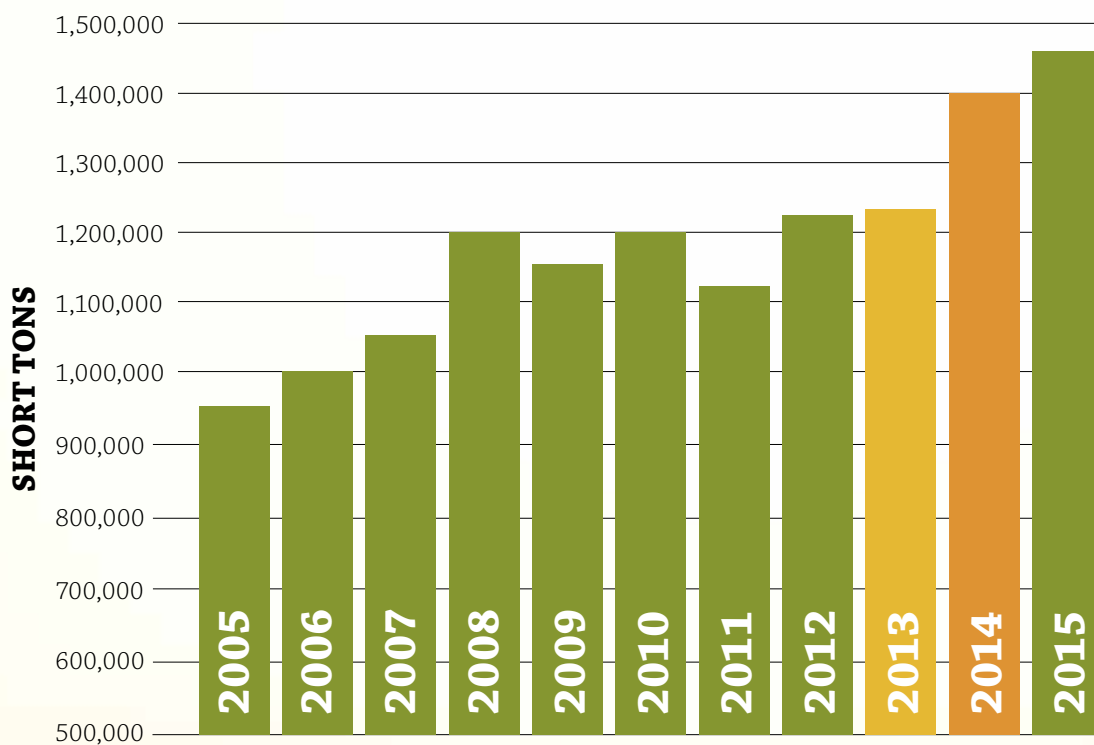
Letter from the Chairman

By Dave Keyawa, Chairman, Intra-Industry Communications Committee

How proud we are to be producers of walnuts? It is such a fabulous and nutritious commodity. We, as an industry (growers and marketers alike), must be prudent in keeping our crop amongst the elite. We need to be able to react with great assertiveness to any potential threats or opportunities. Our CWC/CWB has been working diligently to provide us with this up-to-date information. The Intra-Industry Communications Committee strives to put that relevant information into the hands of our industry members, the growers and handlers. These communications include the activities of the Board and Commission such as market development, production research, and health research, and also the latest news and information pertinent to our members. We communicate through a variety of ways in order to reach the most people. These include the newsletter, both in print and via email,

the website, advertising in industry magazines, and through presentations at the UC Extension Service meetings. The presentation given at the UC Extension Service meetings is by far the primary way the Board and Commission interact with the most industry members face-to-face each year. The content of this issue of the newsletter (the number one way we communicate with the industry on a year-round basis) is focused on the content of that presentation. I hope you got a chance to attend one of the meetings and hear the presentation in person, if so, this will be a great refresher for what you heard. If not, the following information will give you a taste of what you missed. You can download the presentation from the website, walnuts.org.

*Best for the 2016 growing season,
Dave*



Production

California walnut acreage has continued to grow, presently representing 300,000 acres. Production closely mirrors the increases in acreage with this year's crop reaching 602,000 short tons, nearly doubling in the past ten years. Increased yields from new varieties with higher yields, along with expanded acreage have contributed to significant growth. World production also continues to grow. The chart (to the left) illustrates a large jump in production from the 2013 crop year to the 2014 crop year due to increases in production in both the US as well as Chile and China.

Market Development - Domestic

The US marketing campaign consists of print, television, and digital advertising. Market research was key in the development and validation of the print ads. Research has also played an important role in the development of the TV commercial. First, we used focus groups and a quantitative survey to evaluate two different ways to translate the current print campaign to TV. Different user groups were exposed to the ad concepts. The most preferred concept was translated into an animatic, or a drawing version of the commercial. With research validated, we went into production and the commercials launched on November 9.

The campaign budget is **\$15 million** and will deliver **4.5 billion impressions** to adults 18+, and **95% of adults 25-54** will see the advertising an average of **26 times**. This is a significant investment. However, as an industry, we will still spend less than half of what is spent on advertising for pistachios (\$41 million), peanuts (\$37.5 million), and almonds (\$30.8 million). Even at this level of spending, the television ads only ran for 10 weeks during November through February.

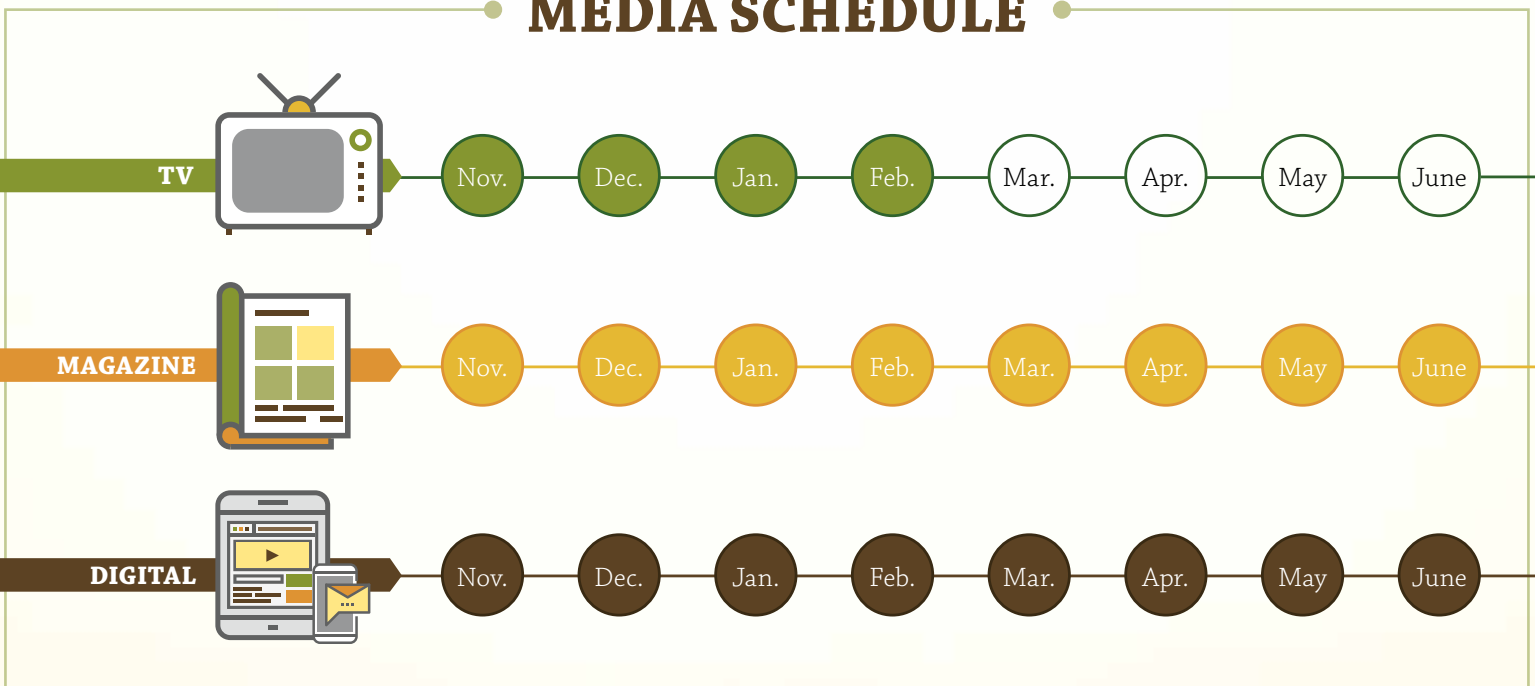
The television commercials have run on several national cable networks. These networks were chosen because these are the channels our core demographic watches, this is where they live. Several spot (local) markets were also picked to reach a maximum number of people within the campaign budget including Boston, Chicago, Chico/Redding, Denver, Fresno, Los Angeles, Milwaukee, New York, Philadelphia, Sacramento/Modesto/Stockton, and Seattle/Tacoma.



The new TV commercial builds on the success of the print advertising campaign which ran January through June of 2015. During the new 2015-16 campaign, updated versions of the print ads will run at a higher reach and frequency in women's service and culinary publications as well as health and fitness magazines.

We are confident that this campaign will heighten awareness and expand usage in the US market, but the support of our industry will impact the ultimate success. Not only do we need to increase consumer awareness, but walnuts should be easy to find in the supermarket. This means more inventory in more locations around the store, emphasizing walnuts' inclusion in all parts of the meal. The Heart-Check mark is an important piece of the advertising campaign to emphasize heart health as this is the most recognized front of pack label by consumers.

MEDIA SCHEDULE





Production research can be broadly categorized into the following categories:

| | |
|--------------------|---------------------|
| Plant Pathology | Genetic Improvement |
| Orchard Management | Entomology |

Production Research & Regulations

The ‘California Walnuts’ brand appeal can be attributed to the high quality nuts growers produce on a consistent basis. And one of the key reasons for this is the research based knowledge bank we can draw upon. This knowledge is based on industry funded production research for 45 years. In a nutshell, production research aims at increasing orchard productivity and protecting trees from pests and diseases.

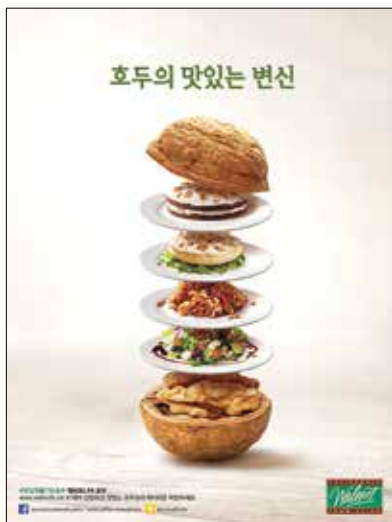
Production research can be broadly categorized into the following categories: Plant Pathology, Orchard Management, Genetic Improvement and Entomology. However, it should be noted that the research into one area can overlap with another as everything is interconnected in the farm system.

The walnut industry research collaboration with UC Davis goes back to early 70s. Fast forward to 2015-16 season when more than a dozen projects are underway to the tune of \$ 1.6 million. In addition, there is a \$2 million research endowment at UC Davis to ensure future research.

Market Development – Export

The export market remains important to the walnut industry as over 60% of shipments go overseas. In our export markets we continue to build demand for walnuts through marketing programs in eight countries and through our regional Industrial Program in the EU.

Walnuts versatility, as in the U.S., continues to be an important communication theme in the overseas markets. Consumers continue to seek new ways in which to consume walnuts. In Spain, the CWC recently launched a new ad campaign highlighting walnuts in several dishes. The in-store campaign was launched in 239 outlets of national



grocery chains, between November and January. Complementing this were print ads in leading daily print publications circulated nationally. In Korea, a new ad campaign was launched in November targeting primary shoppers 25 – 49. The new creative featured walnuts’ versatility and will be used in print ads in women’s/men’s, cooking and lifestyle publications through March.

In India, California walnuts versatility is featured on the leading cooking channel Food Food. Masterchef Sanjeev Kapoor and his fellow celebrity chefs feature walnut segments on healthy cooking

including breakfast, cooking for kids, dessert, healthy snacks and more, November through January. Chefs will also showcase their recipes through consumer events held in Delhi and Mumbai and in the recently launched Food Food magazine.



In order to increase consumer consumption in China, the CWC focused on communicating the brain boosting benefits of walnuts to consumers. The campaign targeted children preparing to take the Chinese equivalent of the SAT exam, and the parents of those children. The digital campaign featured our spokewalnut “Wallie” as the star of a music video with wal-nutty lyrics. The video focused on how California walnuts can give your brain a boost, and students can dance along with the girls in the video for relaxation during down time. The video reached over 180 countries and garnered over 3.5 million views, primarily from China, making it the number three video on Youku, China’s version of YouTube.

In the fall of 2014 the CWC launched a marketing program in Turkey. One of the challenges faced in the Turkish market is to bring a level of awareness to California walnuts at the point of purchase, ensuring that when the consumer goes to purchase product that they know what they are buying. In our first year the CWC worked closely with importers, distributors and manufacturers to emphasize origin awareness. As a result of our efforts we are pleased to say that we now have 10 brands indicating CA/USA.

FSMA & You

The FDA recently announced the final FSMA rules for growers. One of the key highlights includes that grower registration will not be required. Additionally, the requirements for agricultural water testing are less strict than originally proposed with untreated surface water needing 20 tests for the first two years and 5 annual tests thereafter, untreated ground water needs four tests the first year and only one annual test thereafter. Municipal or Irrigation District members don't need to test. Please see the previous issue of the newsletter, available on our website for a more detailed overview. The California Walnut Commission & DFA will also be conducting regional FSMA trainings. Stay tuned!

PHOSPHITE Update

Thanks to our efforts and industry support, we managed to get an extension for phosphite use until March 2019. It should be noted that the tree nut group was the only one to receive this extension. Further steps will continue to establish a permanent MRL. In the meantime, should growers feel the need to use phosphite, they are free to do so.

Health Research

Our health research program is the cornerstone of our communications efforts. The Commission is proud to have supported research in 9 countries (U.S., Japan, Spain, Israel, UK, China, Korea, Germany, and Australia) through 51 institutions. To date, there are 175 published papers, 20 publishing in 2015. The Commission's strategic focus on health research centers on weight management, cognition/diseases of aging, cardiovascular, cancer, diabetes/metabolic syndrome, and gut health. We have ongoing studies to continue to build evidence in each of these key focus areas.

Recent published health research includes studies from:

- Dr. David Baer of the USDA Agricultural Research Service titled *Walnuts Consumed by Healthy Adults Provide Fewer Available Calories than Predicted by the Atwater Factors*
- Dr. David Katz of Yale University's Prevention Research Center titled, *Walnut Ingestion in Adults At Risk For Diabetes: Effects on Body Composition, Diet Quality, and Cardiac Risk Measures*
- Dr. Frank Hu of Harvard University titled *Saturated Fats Compared with Unsaturated Fats and Sources of Carbohydrates in Relation to Risk of Coronary Heart Disease*

The CWC's health research program provides opportunities to communicate new and interesting information with the media, who in turn communicate with consumers. In the U.S. and many of our export markets, market research has shown that consumers agree that walnuts are nutritious and good for your health.

In Conclusion

The California Walnut Board and the California Walnut Commission continue to work diligently to build demand worldwide for California walnuts. Remember, advertising will lead to increased demand over time. Price will stimulate interest from industrial users and potentially increase food service consumption. And, programs take time to build. This new beginning is one important step towards achieving our goals.

The Commission has supported research in

9 COUNTRIES:



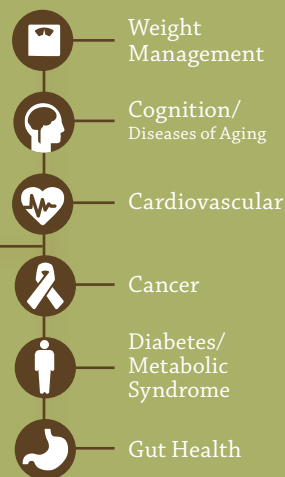
through **51 INSTITUTIONS**



175 Published Papers

20 Published in 2015

The Commission's
strategic focus on
health research
centers on:



Three things to remember:

- Advertising will lead to increased demand
- Price will open new markets and opportunities
- Patience