

NATIONAL PROCESSED RASPBERRY COUNCIL

SeaTac Marriott, Seattle, WA

May 29, 2014, 9:00 a.m.

Board Attending:

<input checked="" type="checkbox"/> Sukh Kahlon	<input checked="" type="checkbox"/> Antonio Dominguez	<input checked="" type="checkbox"/> Hector Lujan
<input checked="" type="checkbox"/> John Clark	<input checked="" type="checkbox"/> Adam Enfield	<input checked="" type="checkbox"/> Rob Dhaliwal
<input checked="" type="checkbox"/> Rolf Haugen	<input checked="" type="checkbox"/> Brad Rader	<input checked="" type="checkbox"/> Jerry Stratton
<input checked="" type="checkbox"/> Karen Holzberg	<input type="checkbox"/> Eric Larson	<input checked="" type="checkbox"/> Jennifer Ryan

Alternates Attending:

<input type="checkbox"/> Arvinder Neger	<input type="checkbox"/> Gonzalo Bachelet	<input type="checkbox"/> Jon Maberry
<input type="checkbox"/> Frank De Vries	<input checked="" type="checkbox"/> Mark Van Mersbergen	<input type="checkbox"/> Don Sturm
<input type="checkbox"/> Erin Thoeny	<input checked="" type="checkbox"/> Jon Cotton	
<input type="checkbox"/> Guilia Tanghetti	<input type="checkbox"/> William Beadle	

Others Attending:

<input checked="" type="checkbox"/> Tom Krugman	<input checked="" type="checkbox"/> Tarun Harit	<input checked="" type="checkbox"/> Henry Bierlink
<input checked="" type="checkbox"/> Tom Skilton	<input checked="" type="checkbox"/> McKenzie Hall	
<input checked="" type="checkbox"/> Leigh Selby		

x = attending

o = absent

A. Call to Order; Establish Quorum; Crop Reports

The Meeting was called to Order by Chairman John Clark at 9:10 a.m. Roll call disclosed a quorum to be present. Members and guests were asked to self-introduce themselves and to provide a brief crop report. The consensus of Washington producers was that the Fall freeze coupled with warm weather in late Winter followed by a spring freeze had damaged the crop, but the extent was unknown. The Canadian crop was felt to be average or better with Chile reporting a below-average crop due to drought conditions. Oregon reported more damage to Marion blackberries than raspberries with California reporting a mild winter. One importer reported on the recent flooding in Serbia with damage unknown at this time. Prior to flooding the crop had looked good.

During introductions, Tarun provided an update on USDA rulemaking, noting that both requests, formal re-definition of the crop and fiscal years and approval for late fees and penalties, were moving forward. There were a few questions regarding late fees and penalties, but these were being addressed. He concluded by reporting that U.S. Customs would begin collection of assessments on imports effective July 1.

B. Review of Antitrust Guidelines

Tom S was asked to review the Antitrust Guidelines that pertain to the Council. He summarized the Council's policy, noting that their primary purpose was to prohibit agreements or activities that lessen competition in order to protect the interest of consumers. The Guidelines prohibit discussion of pricing, geographic market allocation, supply limitations, and similar subjects. He concluded by passing out an article discussing a recent antitrust enforcement action against the Music Teachers Association as a reminder of the need to stay vigilant about antitrust compliance.

C. Review and Approval of January 15, 2014 Conference Call Minutes

On a motion by Brad and seconded by Antonio, the minutes from the January 15, 2014 Conference call were unanimously approved as submitted.

D. Chairman's Remarks

John thanked all Council members for attending the meeting and was looking forward to lively discussion during presentations on proposed research and marketing programs.

E. Executive Director Report

Tom K reminded Council members that this meeting marked the one-year anniversary of the Council. He talked about the progress that had been made since that meeting, when much of the meeting was focused on infrastructure and organizational documents, to today's meeting with its focus on taking current programs into the new fiscal year. He then reviewed progress towards identifying a PR Agency and what its role would be before briefly summarizing the presentation on current marketing activity that would be forthcoming later in the day. He concluded his remarks by noting that the raspberry harvest video was on track and would be filmed during the week of July 14 in Lynden, WA.

F. Research Committee Report

Adam began by summarizing the proposed Research Narrative and Budget found in Council folders. The proposed research budget included an allocation for administrative overhead in addition to research activity. Research proposals fell into one of four areas: new FY 2015 nutrition projects; completion of FY 2014 projects; FY 2015 new technology/post-harvest proposals,; and the completion of FY 2014 post-harvest/new technology projects. He then directed Council members to a summary of projects proposed for FY 2015 and recommended by the Committee for Council adoption. Priorities include research into the impact of red raspberries on diabetes, general/chronic inflammation, and cardiovascular health.

Discussion then ensued on the Council's ability to fund research at the proposed level of over \$500,000. Tom K noted that in FY 2016 and FY 2017, funding for research would be at a lower level as there were only a few projects in the current year that were multi-year proposals, and no new proposals would be solicited before ensuring that the budget was in balance with current income. FY 2015 was reported as a unique opportunity, as there were sufficient carryover funds to front-end load the research program so that there would be results to incorporate into marketing from the ten new and ongoing projects.

Adam then directed Council members to a handout describing how the Research Committee would prioritize and evaluate post-harvest and/or new technology proposals in light of these being permitted but generally outside the scope of the majority or proposals being presented to the Council for consideration. It was important to review these priorities as the Committee had reconsidered, based on these criteria, two of the projects approved by the Council for funding during the current fiscal year. Because of IP implications, no contracts had been executed for these projects and no work or funds had been expended or begun. Therefore, the Committee decided not to recommend these projects for FY 2015. (It also was determined that the FY 2014 budget need not be amended to reflect the cancellation or non-funding of these projects in the current fiscal year.)

Sukh requested a status report on the Council's four projects in FY 2014 and specifically inquired as to whether updates had been received. Tom K reported that three of the four projects are underway and summaries were included in the Spring 2014 newsletter sent in early April.

On a motion by Adam and seconded by Brad, the FY 2015 Research Narrative and Budget as presented were unanimously approved.

G. Marketing Committee Report

Brad opened up his report by introducing Leigh and McKenzie who would be presenting the consumer and trade education portions of the marketing program. These staff driven programs represent one prong of marketing activity, with the Council's PR Agency, once selected, to be responsible for foodservice and food manufacturer promotion and advertising. Before calling on them to present the program, he directed members to the recent newsletter noting it was a big step ahead to inform the industry, importers, marketers, and trade partners what the Council is doing. He concluded his opening remarks by saying that the key was to balance research and marketing budgets in future years while utilizing carryover funds effectively.

Leigh began her report by stating that consumers and health professionals are the target audience she and McKenzie would be targeting. As part of the Council's web presence, a new site, www.razzrecipes.com, has been launched. It will be used to house and index all raspberry recipes in a simple, easy to use format, and will give the Council additional web presence. There are currently 28 recipes on the site with more to be added, including those submitted by viewers after review and approval. She noted that the average web viewer on the Council's site spends three minutes viewing it, which is considered a strong number. Over the last three months, there had been 2,500 page views.

The Council's relationship with SCAN had resulted in a sponsored webinar in conjunction with the website launch in February. Over 1,700 health professionals, food writers, and influencers, had watched the one-hour long webinar.

Guest blogs on the site provide professional outreach opportunities. An upcoming web interview will feature Houston Texans consulting dietitian Roberta Anding who will talk about raspberries and athletic performance.

Leigh's report went on to recognize the Berry Health Benefits Symposium and Raspberry Roundtable, two activities that are included in the proposed FY 2015 budget. A comparison of raspberries and Shredded Wheat in terms of fiber content and calories was used to demonstrate a health fact that most consumers did not know.

At this point, McKenzie took over and began by answering Rolf's question, "what is social media"? She defined social media as a way to quickly communicate online with a large audience and provide a forum for a real time conversation. She described the ripple effect of one conversation being picked up by others and spreading to multiple conversations. Rob asked about advertising on Facebook, and it was suggested by Jennifer that purchase of keywords be investigated. McKenzie stated that 66% of mothers use Pinterest when searching for recipes, and blogs create a loyal audience. A "Brand Relationship Arc" was presented to demonstrate how one builds loyalty among viewers based on their knowledge of the products. Karen also emphasized the increasing importance placed by consumers on

food safety and stated that that needed to be addressed in the marketing program. Tom K. mentioned that food safety was to be part of the forthcoming harvest video.

After questions and discussion about the presentation, Brad directed the Council to the proposed FY 2015 Marketing Narrative and Budget. He began by stating that the program was an ongoing work in progress with the Narrative describing what the Council intends to do in the new fiscal year. He recognized that the research programs are integral to marketing as it feeds health messaging.

Tom S was called on to report on the status of trademark registration. He indicated that registration had been cleared for "Tasteful Nutrition" and will be granted following evidence of use by the Council. Similarly, the mark "The Taste you Love, the Nutrition you Want" was published and not opposed, so final registration and notification is expected in July. Of the two marks, "The Taste you Love" will be registered to the WRRRC and then assigned to the Council.

Brad presented the proposed FY 2015 Marketing program noting both the staff driven and Agency driven components. He recognized the role the prospective agency would play in supporting staff activities while implementing food service and food manufacturer promotions and advertising.

Brad discussed the strategy for identifying a PR Agency, noting that Tom K would conduct Agency site visits with six Agencies starting the week of June 2. The six he will be visiting were selected from the ten that responded to the RFP. The current plan calls for between three and four Agencies to present their qualifications to the Marketing Committee by conference call with two or three invited to the November Council meeting to make presentations prior to final council selection later during that same meeting. This would result in an Agency being under contract and beginning to work for the Council in late 2014. The Committee had discussed the potential to accelerate the process and possibly have an Agency under contract by the November meeting so that a PR marketing plan could be presented for adoption. This would require the Council to authorize the Committee to make the final decision in the event the Committee identified an obvious, preferred agency. Discussion noted that while this accelerated process was generally acceptable, either the Committee or representatives of the Committee should meet with any preferred Agency face-to-face prior to making the final decision as otherwise Tom K would be the only person to have met personally with the Agency. It was felt that if there was a clear favorite, it and the next most desirable Agency should be invited for a face-to-face meeting with the Marketing Committee (or Committee representatives), but if there was no unanimous decision by the Committee between the top two Agencies, the original strategy should be maintained and these candidates invited to address the full Council.

On a motion by Brad and seconded by Adam, it was unanimously approved to authorize the Marketing Committee to select a PR Agency from the top two candidates after a face-to-face meeting with both candidates (by the Committee or its representatives). The Committee's decision must be unanimous for it to be binding. However, if there was no obvious preferred choice, or if the Committee's decision was not unanimous, then the top two Agency candidates would be invited to attend the Council's meeting in November for a final decision.

Discussion then returned to the proposed FY 2015 Marketing Narrative and Budget. With no additional questions, on a motion by Rob and seconded by Sukh, the proposed FY 2015 Marketing Narrative and Budget was approved as presented.

Rob mentioned that he felt the industry newsletter should be electronic and sent to growers monthly rather than a hard copy sent quarterly, using a hard copy once a year as the Council's Annual Report. Discussion noted the wide audience receiving the newsletter, and that a note will be included in the next edition notifying people that they need to contact the Council if they want a hard copy, otherwise they will receive future editions electronically.

H. Executive Committee

John indicated that the Executive Committee had met the prior evening and reviewed the overall budget and its components, and he called on Tom K to present the proposed consolidated budget. Tom began by presenting a series of pie charts showing the sources of frozen raspberries in the U.S. market as this represents the sources of income for the Council. In crop year 2013, 53% of supply was of domestic origin with 47% imported. Chile represented 54% of the imports, followed by Canada at 12%, and Italy at 13%. What was interesting to note was the appearance of China and Mexico as sources of frozen raspberries. Tom was asked to break down imports by type of product and send the information to Council members, and to continue to provide these data as trends in future years.

Tom S was asked to provide an update on the status of having U.S. Customs collect importer assessments. He stated this would begin effective July 1. He would prepare a letter to importers regarding how to report concentrate imports to prevent over-assessment. He went on to note that as a result of letters sent by his firm to importers that out of ninety-seven importers, there were only eight importers who were out of compliance with FY 2013 assessments and six where additional reconciliation of their import volume was necessary. Tom reported that we still do not know how much U.S. Customs intends to bill the Council for the establishment of this service.

In light of U.S. Customs beginning collection of import assessments effective July 1, 2014, Tom S was asked to review general assessment procedures. For IQF and Single Strength Juice/Puree products, he reported that the process as described in the Order under Section 1208.52 was clear. For these products, the assessment rate is \$0.01 per pound. Juice concentrate is to be assessed at the rate of \$0.1496 per kilogram (*i.e.*, $2.2 * 6.8 * .01 = \$0.1496$). This rate reflects the conversion ratio of 6.8:1 this was developed in consultation with domestic and foreign juice concentrate manufacturers to represent a "standard" concentrated product, recognizing variable brix ratios, used to convert juice concentrate to a single strength 10° brix juice. Tom asked concentrators and importers present if they considered this conversion ratio to be valid, and there was consensus that it was a good average and continued to represent an industry standard.

Tom S noted that there is the potential for confusion in regards to juice concentrate import assessments that the management team is attempting to address. Specifically, this potential for confusion stems from the way concentrate product is reported on the U.S. Customs Entry Summary form, with importers required to report the volume in its reconstituted form, as it will be following its port-import dilution into single-strength juice. Because the assessment is based on single-strength volume, there is the potential for customs officials and brokers to over report if they instead base the calculation on the diluted/reconstituted volume. Tom indicated that he would be contacting Customs to get clarification on its procedures and reporting requirements, and also would be sending a letter to all importers to remind them of the assessment collection change as of July 1 and of Customs' procedures as regards juice concentrate to avoid confusion. There again was consensus that this made sense and would provide another opportunity to engage with importers.

Tom K presented the consolidated budget, noting the inclusion of the previously approved research and marketing narratives and budgets. As presented, the budget would total \$1.8 million against total revenue, composed of carry forward reserves and assessment income of \$2.4 million, leaving a year-end reserve of approximately \$0.6 million. This led to a discussion on what constitutes an appropriate reserve. Rob asked whether the reserve should be a fixed amount. Tarun noted that USDA encourages a percentage but leaves it to each Board to establish the amount. A question was then raised as to the frequency of Customs' transfer to the Council of collected importer assessments. Tom K stated this would occur monthly.

At this time, an Executive Session was called. In returning to open session, it was announced that the Executive Director's contract would be amended to reflect compensation of \$9,000 per month effective October 1, 2014.

After further discussion on the Budget, on a motion by Brad and seconded by Adam, the proposed FY 2015 Consolidated Narrative and Budget as presented, with the sole amendment to the Executive Director's contract as approved in Executive Session, was unanimously approved.

I. Old Business

Tom S briefly reported on the pending rulemaking regarding the penalties and interest rates for delinquent assessments as recommended by the Council in January. The process is underway at USDA with follow-up questions from USDA being answered. There is no timeline for completion of rulemaking. In response to his earlier report on assessment compliance, Rolf asked whether there could be a list of importers and first handlers prepared for the next meeting. His interest was to ensure all those that should be receiving assessment invoices were receiving them, not to see amounts owed. With full importer compliance assured with Customs collecting assessments, his question is more appropriate to domestic first handlers.

All other subjects to be covered under Old Business had been previously discussed during other parts of the agenda.

J. New Business

The subject of recommending the appointment a Public Member to the Council was raised, following Antonio's question on this subject during the January conference call. It was felt that growers and importers were well represented and the Council should look for a health professional or product developer to bring additional perspective to the Council. John asked for volunteers for a Task Force, appointing Brad, Adam, and Rolf. The Task Force was charged with bringing names and qualifications to the next meeting of the Council.

John then presented discussion from the previous night's Executive Committee regarding the process for entering into contracts for activities that are included in the budget but not specifically described in the corresponding narratives. The Committee felt that contract review and approval is appropriate in such cases, but that full Council review would be burdensome. Therefore, the Executive Committee recommended that it be given authority to review and approve such individual contracts. On a motion by Adam and seconded by Rolf, by unanimous vote the Council approved the following resolution:

RESOLVED, that the Council amend the Policies and Procedures (Internal Contracting Procedures) to provide that the Executive Committee review and approve all proposed contracts in cases where the proposed contract falls within the scope of the approved budget but is not specifically referenced in the corresponding budget narrative.

K. Other Business; Future Meeting Dates

The Council established the next meeting date as November 17-18, 2014 at the SeaTac Marriott. Consideration will be given to inviting one of the Council's contracted researchers to present his/her research during dinner on the first day following a meeting of the Executive Committee. During the Council's meeting on the 18th, either one or two PR Agencies will present their marketing plans.

The Marketing Committee will have a series of conference calls following Tom K's site visits with Agencies which may require a Council Conference Call in the Fall prior to the November meeting.

ADJOURNMENT

There being no other business to come before the Council, on a motion by Brad and seconded by Jerry, the meeting was unanimously adjourned at 3:15 p.m.