



The taste you love, the nutrition you want.

**FY 2014 Budget Narrative
National Processed Raspberry Council
As Amended, January 15, 2014
For the Period July 1, 2013 – September 30, 2014**

INTRODUCTION

In 2007, the Washington Red Raspberry Commission (WRRC) completed a Strategic Plan to examine current market conditions and identify key strategies to increase consumer and end user knowledge about raspberries with a goal of increasing demand for raspberries. A copy of that Plan is incorporated into this budget narrative as “Attachment A” as background information. Four key elements of that Plan and the associated rationale were:

1. Conduct nutrition research: *Fund additional scientific research to link raspberries to important health ramifications.*
2. Health and wellness messaging: *Use simple messages to articulate raspberry’s nutritional advantages; a diet rich in whole foods, including regular consumption of raspberries, is a preventive practice that can offer protection from chronic illnesses including cardiovascular disease, neurological disorders, cancer and diabetes.*
3. New product introduction: *Provide technical support for new product development, utilizing professional meetings and trade events to deliver the message.*
4. Emerging trends: *Address growing trade and consumer interest in “sustainability” as a marketing tool.*

Periodically the WRRC revisited its Plan to review market conditions and assumptions, and ensure that these key strategies remain appropriate to address the overall goal of increasing demand. At the conclusion of each review, it was agreed that while circumstances and conditions are evolving, the strategies remained correct and should continue to provide guidance in considering marketing tactics.

The National Processed Raspberry Council (NPRC), at its organizational meeting held June 3-4, 2013, reviewed the Strategic Plan and decided that it should also provide guidance during the development of NPRC programs.



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INCOME

National Processed Raspberry Council (NPRC) assessment income through March 31, 2014 is based on raspberry industry and USDA estimates of U.S. production and imports, respectively. It includes domestic production and imports for the period September 5, 2012 through March 31, 2013, the period since the NPRC Order became effective. Assessment income for the period ending March 31, 2013 includes an estimated 400,000 pounds of domestic production and 37.5 million pounds of imported product. For FY 2014, assessment income is based on 50.3 million pounds of domestic production and 57.8 million pounds of imports. For the amended period, conservative domestic production estimates are the result of discussion with industry leaders. Similarly, import assessment income has been conservatively estimated. Estimated domestic production income, while not likely to be received prior to September 30, 2014, is included recognizing an accrual basis of accounting. Import assessments due prior to September 30, 2014, either to be invoiced by the Council quarterly or collected by U.S. Customs at the time of importation, are also reflected for the same reason.

Minimal interest income will accrue from investments in short term investments during FY 2014. No other non-assessment revenue is forecast for FY 2014.

NON-PROGRAM EXPENSES

Administrative Expenses

The Act and the Order limit administrative expenses to 15% of revenue. The recommended budget complies with the administrative spending limits, capping general administrative expenses at 14.5 % of revenue.

For FY 2014, the NPRC will enter into Administrative Contracts with independent contractors to implement its programs and have no employees. With no employees, the Council will have no employer related costs. Contracts will be established for its Executive Director and Wellness Coordinator.

Travel and Meetings includes direct meeting costs, travel for Board members and alternates to attend the three Council meetings scheduled for FY 2014, and for contracted staff to conduct the business and programs of the Council. To maximize efficiency and minimize expenses, the Council will consider holding committee meetings in conjunction with scheduled Board meetings.



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Professional Service contracts will be utilized for Finance/Administrative Support and Legal Services. A Memorandum of Understanding will be executed for outside counsel.

Operational expenses include equipment purchase/lease, insurance/bonds, memberships, supplies, phone/fax/internet, postage/shipping, printing/copies, repairs/maintenance, software purchases, subscriptions, and miscellaneous expenses.

PROGRAM EXPENSES

Of total revenues estimated for FY 2014 of \$ 2.447 million, \$ 1.333 million will be available to fund market promotion, industry communications, nutrition research, new market development, and establish an operations reserve. Detailed promotion and research strategies and tactics are described in their accompanying Marketing Plan and Nutrition Research Plan. The goals of these programs are summarized below.

Market Promotion

Raspberries not only have a good story to tell but are a good story. The goal of market promotion activity is to raise consumer, food manufacturer, and commercial end-user awareness of how raspberries can contribute to overall health and wellness, and through that increased awareness, expand demand. Trade education, print, electronic, and social media, and targeted public relations messages will be drawn from factual information flowing from the industry's nutrition research program.

During FY 2014 all marketing programs will be implemented by independent contractors forming a virtual in-house agency. However, as the marketing program grows and in recognition of the time demands to manage a number of contractors, it is anticipated that a Request for Proposal for a skilled Public Relations agency to execute an integrated marketing program will be issued to be effective in FY 2015.

Industry Communication

Industry Communications will keep industry members apprised of activities of the Council, events impacting raspberries, report on program successes, and encourage constructive discussion within the industry. The raspberry industry's sustainability story will be developed and disseminated. These activities will be accomplished through a combination of electronic media, newsletters, and face-to-face meetings with members of the raspberry industry.



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Research

A growing body of research suggests that red raspberries, a rich source of bioactive polyphenols, have anti-inflammatory properties and may offer beneficial effects against inflammatory-related diseases including diabetes, cardiovascular disease, cancer, and musculoskeletal inflammation. The general consensus is that chronic inflammation is at the root of all chronic illness, and food with anti-inflammatory properties may play an important role in preventing chronic illness and/or helping to manage a host of related health issues. The goal of funded research is to establish a link between red raspberry consumption and its anti-inflammatory potential. Findings generated by funded research will be incorporated into public awareness campaigns about the health benefits of raspberries.

New Markets/Products

Establishing baselines for product usage and attitudes of users will be the result of market research. Subsequent studies will quantify the Council's ability to influence demand and be used to evaluate program effectiveness. Recipes will be continually developed to demonstrate the many ways that raspberries can be used. Learnings from the trade as to potential new uses for raspberries will be explored.

Government Fees

Repayment of USDA costs for program development and start-up costs totaling \$214,015 are amortized over three years. The amended budget reflects one and one-half year's repayment.

USDA has estimated annual user fees at \$72,000, which would include normal, but not extraordinary, OGC expenses. Budgets do not anticipate extraordinary USDA legal costs. The amended budget reflects one and one-half year's repayment.

For FY 2014, the Council will collect past due assessments and assessments to become due directly from importers and first handlers on a quarterly basis. At the same time, it has asked USDA to identify one-time U.S. Customs set-up fees to establish this service for future assessment collection on imported processed raspberries and products. \$250,000 has been budgeted to fund this activity once costs are known and the Board can initiate action.

Reserve Fund

As this first-year program completes submission and approval of organizational documents and plans, it will transition into full operation of its programs. As the ramp up process proceeds, Council contractors will continually look for emerging



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opportunities, and when identified, present these to the Council for possible funding if deemed in conformance and consistent with established goals and approved activity plans.



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Washington Red Raspberry Commission Strategic Marketing Plan

Summary

Washington is uniquely blessed for raspberry production, but the dynamics of the marketplace have not been in its favor. Faced with challenges within the industry, the Washington Raspberry Commission contracted with Wasson & Associates, an agri-food consulting firm, to research concerns in the industry, analyze the trade and make marketing recommendations. The firm interviewed over two dozen raspberry industry representatives from both the private and public sectors, held discussions with food processors and reviewed industry data and trends.

To secure the long-term viability of the North American raspberry industry, the Washington Red Raspberry Commission in partnership with the Raspberry Industry Development Council (representing British Columbia) needs to:

- 1) Provide technical support for new product development**
- 2) Simplify and articulate the nutritional advantages**
- 3) Communicate raspberry advantages to consumers and trade**
- 4) Address the growing consumer interest in “sustainability”**

The industry also had a strategic question to answer: Is it likely that fighting to keep imports out will be successful?

The next question is: “How do we enlist raspberry competitors to increase demand and grow the category for all raspberries, foreign and domestic?”

The answer to the second question is “voluntary” cooperation in the short term and a mandatory research and promotion program in the long term. If this is to be pursued, a “blue ribbon” committee needs to be formed immediately to develop the plan; work with USDA; and communicate to growers and importers. This program could include fresh raspberries too.

Situation

North American blueberry consumption has increased dramatically in the last several years, whereas raspberry demand has not matched this success.



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In Washington, raspberries are primarily grown for the consumer frozen market or to be used as a food ingredient. Trends have been generally away from frozen products and towards fresh everything. In the berry ingredient category, raspberries are overshadowed by the success of blueberries—often making raspberries an ‘also-ran’ when in fact raspberries are nutritionally comparable and superior in flavor.

However, “raspberry flavor” can be synthetically produced and the nutritional advantage of raspberries, ellagic acid, is relatively unknown and hard to explain.

I.Q.F. berries in polybag and other packaging are doing well and have growth potential from promotion, nutritional positioning and new product development. Raspberries’ share of new products seems to be dragging and the categories are ‘tired’, needing ideas, new products and industrial ingredient promotion. Areas that do get a lift such as dehydrated berries for cereals, juice and nutraceuticals are often quickly lost to imported raspberries.

There is general consensus among industry experts that the growth in the raspberry industry has been impeded by the following challenges:

- 1) Lack of cooperation and communication with foreign competition
- 2) Disorganized marketing – no clear message
- 3) Very little merchandising and new product encouragement
- 4) Excessive inventories
- 5) Lack of clear grades & standards (mixed opinions)
- 6) Dehydrated berries not fulfilling expectations

A prominent juice industry representative conveyed that fluctuations in quality and price as well as pressure to maintain the lowest possible production costs have resulted in many juice companies only utilizing 2% raspberry juice in fruit beverages. Real fruit has been replaced by synthetic product that tastes “better” than fresh to many consumers. The representative further commented that raspberries need a good nutrition story since food processors can make a good flavor without the fruit. “Blueberries have a story; raspberries are just another berry!” Additional product development specialists made similar remarks and supported the previous conclusions.

There is already a strong basis to support the health benefits of raspberries, but the current data has not been effectively communicated to food processors or the general consumer. While additional scientific research would have important health



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ramifications, unless the findings are accompanied with a simple marketing strategy to communicate significant results, the resulting impact on increasing raspberry consumption will be minor.

None of the challenges facing the raspberry industry are insurmountable, and more importantly, with strategic leadership, there are key opportunities that the raspberry industry can make use of to ensure future success, including most notably to:

- 1) Continue IQF growth
- 2) Model other berry successes
- 3) Identify & promote health benefits
- 4) Promote new product development
- 5) Target growing North American consumers' wellness trends

North Americans are increasingly concerned with promoting health and wellness, and raspberries are uniquely positioned to respond to the latest trends. First, consumers do not want to sacrifice flavor or enjoyment. Secondly, food choices are being made to effect "future health". In other words, people want to maintain health and vitality as they age. These interests overshadow linking food to prevention of a specific disease.

The maladies associated with aging are adversely stimulated by oxygen damage (oxidative stress). Oxygen damage to the body is caused by pollution, stress, smoking, rigorous sports and the wear and tear of modern living. This increases vulnerability to cancer, heart disease, mental decline and inflammation.

Consumption of anti-oxidants provides significant protection against disease. Antioxidants include the better-known Vitamin E, Lycopene, Beta Carotene, Anthocyanins and lesser known Phenolic compounds such as Ellagic Acid.

The science suggests that increased regular consumption of natural plant food sources (along with exercise and calorie restriction) improves wellness and vitality, and reduces risk or improves recovery from serious chronic diseases.

While all berries contain high levels of phyto-nutrients, raspberries are:

- 1) High in anti-oxidant capacity, and of all foods, have the highest content of ellagic acid, consumption of which is strongly associated with cancer prevention
- 2) The favorite flavor for millions



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- 3) Available 365 days a year as they are frozen in peak condition and reasonably priced for retail and food distribution
- 4) Responsibly produced in North America

In addition to health and wellness concerns, new product development is necessary to respond to consumers' increase in disposable income. According to a recent speech presented to the Grocery Manufacturer's Association by retired U.S. Federal Reserve Chairman, Alan Greenspan, "the food industry will be driven to new waves of value-added products by the high standards of living and relatively low population growth in the U.S." Greenspan added that this trend towards adding value to products began to pick up momentum as much as 30 years ago since the physical amount of food people eat doesn't really change.

The North American consumer wants it all: taste, nutrition, satisfaction and convenience.

Given this environment, the following objectives will be addressed:

- 1) Expand media coverage that mentions raspberries
- 2) Increase the number of new raspberry products
- 3) Increase demand for berries in general and increase the share of raspberries as a portion of berry sales
- 4) Maximize funding and research to promote consumption of raspberries

Strategies

- 1) **Host Raspberry Nutrition Researcher Roundtable to establish scientific team, focus the health message, fill holes in the nutrition story, identify spokesperson and generate publicity.**

Increased demand and new products will primarily come from a health-based message. Consumers are looking for products that are good for their family and products that will help them prevent future health issues.

All berries have an important nutritional contribution to make. For raspberries, it has been thought that since ellagic acid has been linked to cancer protection and heart health and no food matches raspberries for ellagic acid levels, this was the horse to ride. *Not so fast.*



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Although the industry has had substantial ellagic acid information to build on, this is too narrowly focused. Some nutraceutical niches exist for ellagic acid but not enough to give the industry a lift. Don't expect ellagic acid to sell to the end consumer. They don't want too much information; don't want to learn about an obscure nutritional component with "acid" in its name. Furthermore, they are not interested in linking their favorite foods to disease -- even as protection. Raspberries' nutritional platform needs to be broadened and updated before launching any new public relations and product development programs.

The most cost effective approach is to identify and organize existing research and to conduct a scientific roundtable. Graduate students in a reputable nutrition department can carry out the first stage of finding and organizing all raspberry related research to date. Key researchers (4-5) should be identified and brought together with selected industry committee members for the second stage.

This would be a 24-hour program: an afternoon, an evening and a morning session. After the discussion there would be statements drafted to capture what the science allows us to say about raspberries from the research to date. There would also be recommendations for further research in case funds become available. The summary would establish the base communications points for the trade and the end consumer.

2) Establish a product development process using consultants to create ideas/messages about raspberries as ingredients to include in nutraceutical products and yogurt/smoothies/juice/cereals etc. for retail, food service, and health and government program (including military) purchase.

Taste is still the number one selling point for raspberries. A product development consultant should be used to develop materials making the case for raspberries as an ingredient.

The finished product would be on line for downloading by the trade.

Focus groups would be conducted to gather new product ideas. What are the products that consumers would like to see offered with raspberries? (New product development must also incorporate consumer preference for convenience foods that can be eaten on the go.) Results would be distributed and shared with the industry sales staffs and the food ingredient trade.



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As part of the product development process, the Commission should have a representative attend key trade events to see how other ingredient products market to decision makers. New product development efforts need to target large-scale buyers in the food service industries, military, and other public institutions that can use extended shelf life products.

3) Engage a specialized publicist to prepare and place consumer and trade stories.

An integrated public relations program would incorporate a unified message to be communicated in newspapers, magazines and web-based consumer communications. Partnerships with grocery stores would further reinforce the message(s) with in store displays.

4) Remain actively engaged with all domestic and international berry initiatives (raspberry, blueberry, strawberry, etc.).

- a. Identify and pursue collective activities with other berry industry organizations such as working with retailers to promote polybag berries
- b. Maximize efficiencies in basic industry communications with continued website presence (work with Oregon, BC, other berries, national berry initiatives)
- c. Pursue shared funding and collaboration with all countries selling raspberries in the North American marketplace (R & P program)
- d. Establish a dialogue and seeking financial support from importers to support research and promotional activities.
- e. Take advantage of collaborative opportunities, particularly those that pertain to unified marketing messages, offered by the International Raspberry Organization (IRO)