

National Honey Board

Meeting Minutes

PRESIDING: JILL CLARK, CHAIRPERSON

LOCATION: AMELIA ISLAND, FLORIDA

DATE: April 21st-22nd, 2016

National Honey Board Members Present: Jill Clark, Eric Wenger, Brent Barkman, Ron Phipps, Mark Mammen, Doug Hauke, Charlie Kocot, Mathias Leitner

National Honey Board Alternates Present: Randy Verhoek, Michelle Poulk, Andy Sargeantson

National Honey Board Absent: Mark Jensen, Valeri Severson

National Honey Board Staff Present: Margaret Lombard, Sam Butler, Jessica Schindler, Jocelyn Martinez, Andrea Brening

Others Present: Patricia Petrella (USDA/AMS), Pam Phipps (importer), Laura Morin (Sterling Rice Group), Kate Thompson (Sterling Rice Group), Don Ladhoff (FreshSmartSolutions), Keith Seiz (Arland Group), Andrea Schepke (Evans Hardy + Young), Jenna Bell (Pollock Communications)

THURSDAY, APRIL 21, 2016

The Thursday session of the National Honey Board meeting was convened at 8:02 a.m. by Jill Clark. Andrea Brening called the roll.

ACTION ITEM I SEATING OF ALTERNATES

Motion by Brent Barkman, seconded by Doug Hauke and carried to approve seating of Randy Verhoek for Mark Jensen

ACTION ITEM II CONSENT AGENDA

Motion by Brent Barkman, seconded by Eric Wenger and carried to approve the consent agenda & minutes

DIVERSITY POLICY & NOMINATIONS

Clark read the Diversity statement and Lombard discussed the fact that we will need 18 names for all the positions that need to be filled.

We are requesting volunteers to present at some of the association meetings to give details on nominations and requirements.

CODE OF ETHICS AND CONFLICT OF INTEREST STATEMENTS

There was discussion on the fact that we need Code of Ethics forms from all board members and alternates and staff members. If they have not yet been completed then please do so and return to Brening.

AMS ORIENTATION AND SWEARING IN OF NEW BOARD MEMBERS

Patty Petrella, of USDA/AMS, presented the new board member orientation and all the details and expectations of being on the board and representing the National Honey Board. She then thanked all the new board members and announced their names and asked that they come forward. She then proceeded to swear them all in.

Valeri Severson –Producer Member, Absent

Jill Clark, 1st Handler Member

Tony Schmitz – First Handler, Absent

Charles Kocot – Importer

Andy Sargeantson - Importer

Nicholas Sargeantson – Importer, Absent

ORGANIC EXEMPTION

Petrella discussed the new Organic Exemption rule and the revised form required to claim that exemption. This is something that was part of the Farm Bill and it was required to be instituted by all boards. All organic honey can now be exempt if you have filed the appropriate documentation.

CUBA UPDATE

Petrella reviewed with the board the new rulings on trade between the United States and Cuba. This is a new and exciting opportunity for all. She went through the guidelines in place by the USDA for conducting business with Cuba. This is all very highly scrutinized and regulated. If there is interest in conducting business with Cuba she has a lot more information on what is required. This is in no way a directive, just simply an opportunity for anyone who is interested.

THANK YOU TO BOARD & STAFF

Lombard proceeded to do a welcome to the board and to take a moment to thank everyone for taking time to attend the meeting. There have been a lot of wonderful new changes and programs that have been implemented:

-) New E-Commerce website
-) New Automated payroll website
-) New Import Tool
-) New Expense Software Program
-) New Employee Handbook
-) Revised Employee Benefits
-) New Family Benefits
-) Created Organic Exemption process
-) Built in Strategic Alliances with Honey Bee Health Coalition

We also said good bye to several programs:

-) Minor League Baseball
-) Ketchum
-) Monthly Reports
-) Paying for a transcriber
-) Packer Tracker Study
-) Duplicate Inventories
-) Two Old Assessment rates
-) Honey Bear

Charlie Kocot asked if there were plans to replace Ketchum. Lombard said that there are and these discussions will take place during the board meeting.

FINANCIAL UPDATE

Sam Butler went on to discuss the financial status of the board and cash status. We have had larger expenditures with our collaboration with Disney for the Jungle Book movie. Cash is lower at the moment but there is no reason for concern as it will stabilize in the 2nd quarter as assessments are collected. Assessments are about 2% below budget, which may require some minor scaling back of some budgeted programs.

Barkman asked if Butler is talking to people in the industry in regards to the lower import assessments. Butler said that he does look at the journals, and does talk to people in the industry to keep up to date on the status of the industry. There is concern with circumvented honey being passed off as organic when it is not. How do we monitor this and regulate this? There is an organic program being put in place by the USDA to regulate all organic foods not just honey, this will be slow to implement.

Petrella asked if the National Honey Board wants to submit a comment to the USDA in regards to organic honey exemptions. Not necessarily in great detail but a simple statement that the board agrees to submit once the comment period opens.

Ron Phipps suggested that the board have the staff write a comment for the board to approve that states that the board supports that organic honey be assessed. We might also include in the comment that there be a choice for people to join the organic board or the National Honey Board.

Butler continued by mentioning the Budget amendments to be discussed further on Friday morning, also briefly reviewed the status of audits.

2015 AUDIT

At 9:35 a.m. Barb Clausen, CPA made a telephonic presentation of the 2015 audited financial statements for the governing board. She stated that they had completed the audit and the outcome of that audit, which all went well and there were no concerns. Barbara proceeded to discuss the financial statements which meet all the standards and are compliant.

ACTION ITEM III 2015 AUDIT

Motion by Brent Barkman, seconded by Randy Verhoek and carried to accept the 2015 audited financial statements as presented.

LEGAL COUNSEL

Clark brought up that we have entered into a legal agreement with Watkins law firm for any legal contractual issues that come up. For full disclosure he also works with other commodity boards and True Source

MARKETING

Disney, Jungle Book. Laura Morin, with Sterling Rice Group started by saying she was excited to be a part of two wonderful projects. The first project is our collaboration with Disney for the Jungle Book movie. It has done really well and provided a tremendous platform due to the strong inclusion of honey in the movie. Sterling Rice Group has really tried to reach out to the target market from this movie to make the most of our multiple promotions.

Brand Redesign. The second is the brand redesign for the National Honey Board. This has been a work in progress with a lot of moving pieces and lots of research to insure its success. They have created all new letterhead, business cards as well as an image library that is very inspiring. Social media has also been another aspect of the rebranding.

Mark Mammen asked Morin about reviewing the NHB logo so it pops more and doesn't fade out. She agreed that they would review that. This opinion was seconded by Clark and several other board members.

Market Research And Segmentations Study. Kate Thompson, with Sterling Rice Group presented on some of the research projects that Sterling Rice Group is working on. The Technomic's study is one that has a lot of different pieces. This includes Volumetric and how foodservice and retail markets are affected. Retail pure honey is 40% of the total volume of the US honey market which tells us the

importance of understanding the consumer target. Food service is 21%, Food processors is 28% while Industrial is 11%. Beverages are a key area of focus for food manufacturing programs as are baked goods, wholesome snacks and cereals. Sauces are the 3rd most important usage of honey in the foodservice industry.

Consumer Segmentation study allows us to indentify and quantify opportunities and challenges to growing demand for honey. It also explores and indentifies our target audience and how to reach them and what messages to tell them in regards to honey.

Some of the key takeaways on honey are as follows:

-) Regular honey shoppers appear to be more health involved.
-) Honey is used in 80% of households and on average eaten approximately three times per week
-) Breakfast, baked goods, beverages, and recipes that call for honey are the most common usage
-) Many respondents said there was no substitution of honey

This material and data will be made available at a later date to the board and a conference call will be scheduled to go over it and to decide where to place our focus and how. It will also be shared with our marketing agencies.

In-house Marketing Programs. Jessica Schindler did a review of the Disney Jungle Book movie highlights and the premier after party. Honeys messaging in the movie and at the premier were huge and we were lucky to have Gene Brandi there with an observation hive. The activities that the NHB provided for attendees were enjoyed by guests of all ages.

Taste of Home Cooking School is a program that we continue to be involved in and we receive a lot of honey exposure by reaching out to at least 140,000 people. We also submit 8-10 recipes for the magazine hopefully increasing overall honey usage.

We are also doing additional advertising in the TOH Flagship and Simple and Delicious magazines, which have large circulations.

South Beach Food and Wine Event was a 3 day event that draws 25K attendees and it's estimated to give us 3.8mm hits. Overall it was a great success. We are currently looking at participating in the Feast Portland & New York Food & Wine Show.

Chef David Guas has partnered with us for some media tours allowing us to benefit from his knowledge and love of honey and dynamic media personality.

Lastly she touched on some of the beautiful photographs that have been created on behalf of the National Honey Board by Mark Boughton. This is all a part of our new rebranding and revamping to give a new fresh look and feel to our images. Whitney Kemp who is a food stylist is also part of this goal to review all our recipes and provide us with some delicious beautiful recipes to work with. These will also be essential as we work on our new website and assuring we have solid recipes to share and use.

Hispanic Public Relations

Jessica did a brief overview of the Hispanic campaigns. Including Jungle Book, Honey Up Your Summer, Back to School & Get Inspired. These include different bloggers and chefs and media tours, tastings and a variety of events.

Social Media

Jocelyn Martinez presented this aspect of marketing. She discussed the 3 main social media goals for 2016 and reported where we stand so far in 2016 in obtaining these goals. Then she reviewed the goals set for social media in 2015 and is happy to report that we exceeded all goals for Facebook, Twitter, Pinterest, Instagram and Honey Feast. Social media ads on these sites are a huge part of growing our impressions, clicks, likes and subscribers.

The Honey Feast format is changing this year with a new look and feel to accommodate new brand standards and hopefully drive more traffic to this site.

New marketing trends that we are keeping an eye on are BuzzFeed, Cause Marketing, Snapchat, Videos and Live Streaming.

Retail Promotions

Don Ladhoff, with FreshSmartSolutions discussed the objectives for the NHB in the retail promotions. First and foremost the goal is to drive the increase of consumption of honey. Part of this is to build promotions that encourage honey purchase and educating the honey industry in doing this.

He started off by discussing current programs such as Honey Up Your Summer. This includes On-pack labels, \$5.00 mail-in rebates, consumer sweepstakes, in store audio spots, shelf signs and promotional splash pages on Honey.com. He also went into plans for 2017 and possible exciting partnerships with the following:

-) Thomas' English Muffins & Bagels
-) Skippy Peanut Butter
-) Quaker Oats
-) Country Crock

Ladhoff would like some feedback from the board as to what direction the board would like to pursue in regards to this partnership. He has questions and the board has questions, we will reconvene this discussion at 7:30 tomorrow morning after the executive session.

Ingredient Marketing

Keith Seiz, of The Arland Group, started off by bringing up current trends, which are still continuing from 2015 to 2016, such as clean labels and into simple and pure pantry foods. Other trends are little guys

are being bought out by the big dogs. Snacking is a growing trend along with beverages tea, beer and craft sodas. Condiments are a growing field for honey. Goal for the year is to try and make more direct contact with more businesses that maybe don't use honey as much as they could. To achieve this goal they intend to do more outreach and education. Inspire the food and beverage industry to use more honey focusing on public relations, advertising, direct outreach, category spotlight, tradeshow, digital and print campaigns. Another big goal for this year is to reach out to a large number of Home Brewers through the American Homebrewers Association at the Homebrew Con.

Industry communications is something new that they want to focus on in order to communicate back to the industry current trends to help them market their products.

Honey Baking Summits have proven to be very successful and they will be doing more of these this year, from which we obtain a lot of good recipes created by some of the country's leading bakers. Another successful campaign has been the Honey Beer Summit and that will be taking place again this year. This event is one of the few educational events for brewers and is greatly appreciated and welcomed.

Foodservice Public Relations

Andrea Schepke with Evans Hardy + Young began by reviewing the programs elements for the year. This was started with Arizona Cocktail week. This was a smaller event which allowed for lot of one on one discussion on honey in cocktails. They also attended or will be attending the following events:

-) South Beach Wine & Food Festival
-) Women Chefs & Restaurateurs
-) Marketing Executives Group
-) National Restaurant Association Show
-) Honey Summit 2016
-) Café/Gold Classroom Leadership Conference
-) Tales of the Cocktail
-) The Flavor Experience
-) International Foodservice Editorial Council Conference
-) Honey Innovation Awards 2016
-) Arizona Bartenders Guild Immersion Event

Beyond these events EH +Y is also working on menuing and partnership opportunities with restaurants etc. Trade media outreach, recipe creations including photography. They will also be working with us to update our foodservice website content and redesigning our E-Newsletter, Hot from the Hive.

They continue to create advertisements that reflect our rebranding and fresh new looks that demonstrate the variety of honey and what's trending. This will all be used in media placements.

FRIDAY, APRIL 22, 2016

Retail Program

The question was raised by the board as to how information is being communicated between the partners. Ladhoff explained that he knows we want a national component so that everyone can take advantage of the partnership, but the process may vary depending on the retailer. Conference calls could include all those that might be interested. Otherwise Ladhoff can be the point person and can then turn around and share all the information with the NHB via email, conference call. It all just depends on how the board wants to do this. There needs to be coordination on both sides. There needs to be a lot of lead time to ensure everyone can participate depending on the account. A planning conversation will be necessary in regards to how and what we are presenting depending on who it is. These programs would most likely include a consumer offer that drives sales and joint sales, then display activity, feature and PVR(?). The board would likely need to contribute towards a general offer. A decision will have to be made on who should be included in the conversation. Generally it is the people that are already a supplier, but the transparency is up to the board. Whose job is it to bring the suppliers together or just inform them of the promotion? We want to make it as easy as possible for the board and make it as simple as possible and insure that there is no inference of showing favoritism. Something such as a weekly update that the suppliers can follow up on, putting the responsibility on them and not the board. Make it so the retailer dictates this not the honey board. It is imperative that we communicate with the assessment payers as soon as possible. Inform them of partnerships that we are looking at for 2017 even from a very broad perspective and details can follow later. We as a board need to decide what we are going to do, so that it's more solid. Staff needs to confirm that the contact information we have for assessment payers is correct. Q1 with Thomas Bagels is the recommendation from Don and the natural balancers that we are trying to reach and more funding options. They can do coupons and have messaging capabilities in their trays. The whole year of 2017 looks as though we have enough money to do 2 programs in conjunction with the programs we currently have like the "Back to School". Skippy might be a good partnership that allows us a breakfast and lunch marketing option. Maybe stick with just doing 1 program until we know how it works for us. Either way lead time is essential to success. We believe we should have some funds remaining from the chicken program this year that can be applied towards the next 2 programs for next year. Pork is also another partnership option that has already been explored. Does the board want to continue with summer grilling? Keep in mind Thomas's offer includes an IRC. The cost for a clearing house runs 11-12 cents depending on negotiations and the retailer.

Ladhoff reiterated that communication seems to be the biggest issue to figure out.

Retailers are going to dictate in part who gets invited, we will share as much as we can. The selling meeting will be organized by Ladhoff and he will communicate with everyone. If there are displays that would be a retailer or store decision as to whose honey would be on display.

For 2017 the consensus is to hold on for a little bit and get some more information from SRG. We have 4 dates at the door. Oatmeal 4th quarter has a lot of versatility not just breakfast. Investigate Skippy as maybe a summer partnership when school is out and allergies and schools aren't an issue.

Ladhoff would like a contact list for his meetings for disseminating information.

Ladhoff is working with Foster Farm and trying to make this happen quickly and will be working on getting more information for the board on the other promotions. He is leaving this meeting with the intent of moving forward with Thomas' for Q1. These retail programs are generally of interest to packers and not so much importers, except from a pr side and keeping everyone informed on what the NHB is doing.

Board meeting called to order at 9:04

Honey & Health

Jenna Bell presented on behalf of Pollock Communications. They are a PR company specializing in health and wellness. She has a great background in this field. They currently work with Quaker Oats, tea council, raspberry, cranberries. She gave a general overview of current trends in food and health. She discussed the human health benefits, environmental advantages and the culinary uses. She reviewed the plans suggested by the Pollock Group to promote honey in 2016 and 2017.

PRODUCTION RESEARCH

The staff is requesting direction from the board for upcoming RFP for production research for the 2017. Whether to send out RFP requests as we usually do or partner with some other organizations that are getting similar research requests. Such as with Project Apis m (PAm) or the Almond board. Doug Hauke stated that he feels that partnering is definitely a good way to go, because the National Honey Board has more time limitations. Pooling our efforts will provide us with better research results. Pam is an organization specifically geared for research and has credibility with the board and the industry. The board would need communication on what research projects NHB funding is going towards.

ACTION ITEM IV 2017 RESEARCH

Motion by Eric Wenger and seconded by Ron Phipps and carried to contract with PAm to conduct research on behalf of the NHB for 2017. Brent and Doug are excusing themselves from this vote. Motion was passed unanimously.

We will communicate with the industry in regards to status of RFP to notify them that we have contracted with PAm in regards to research and are not taking RFP's for 2017.

The true up amount for research for 2016 leaves a balance of \$20,000 approximately and the board agrees to apply the money towards 2017 research projects.

Butler reviewed the budget amendment and explained the cash accrual

ACTION ITEM V AMENDED BUDGET

Motion by Brent Barkman and seconded by Mark Mammen and carried to accept the amended budget and carried to approve.

RETAIL PROGRAM

Clark reviewed with the board the retail program. She explained that there was definite interest to partner with Thomas Bagel with Q1 and moving forward with possible second partnership in summer or Q3 of 2017. Board and staff will be working diligently to make sure we have valid solid contract information for assessment payers and their marketing staff to make sure we have made every effort to contact them. So there is no chance of not getting information to all interested parties.

STRATEGIC PLANNING MEETING

The board discussed the upcoming strategic planning meeting in October and the time frame of this along with the normal board meeting. The question is whether the strategic planning meeting would or wouldn't be open to the public as are the board meetings. Do we want to communicate to the industry in advance that we are having a strategic planning meeting and try to be as open as possible and receive more input. Before the meeting lets reach out for more involvement and input from the industry via surveys etc.

ELECTION OF OFFICERS

Nominations for new Officers were done and the following board members were elected

-) Jill Clark for Chairperson
-) Eric Wenger for Vice Chairperson
-) Charlie Kocot for Secretary/Treasurer

NOMINATIONS

Lombard discussed the process for the upcoming board nominations and the requirements and how many people are needed. We also put out a request to have representatives that

Barkman will go to NHPDA & WSHPA and Mammen will communicate with the Marketing Cooperatives. ABF will be nominating producer position and alternate and then AHPA will have to nominate for an alternate position. Staff needs to make sure that we specify that nominees submitted details on their production number for the last 5 years.

PRODUCER REQUIREMENTS

ADHoc committee got together and recommended changing the producer limit from 150,000 to 50,000 this offers diversity and opens up the ability for candidates to serve and yet they still have a vested interest.

ACTION ITEM VI PRODUCER REQUIREMENT

Motion by Brent Barkman, seconded by Randy Verhoek and carried to approve proceeding with the process to change the order for the producer board members production requirements from a minimum of 150,000 pounds of honey in the United States annually based on the best three-year average of the most recent five calendar years to 50,000 pounds of honey in the United States annually based on the best three-year average of the most recent five calendar years.

PENALTY AND INTEREST

Butler then presented on the board recommendation for late payment charges and interest on unpaid assessments. He then read the order to the board. Staff recommends ten percent (10%) penalty charge and a monthly interest charge on the unpaid balance equal to an annual rate of eight percent (8%). This is in place as a deterrent and there was question as to whether these are high and there is no grace period. USDA would recommend a 30 day grace period with no penalties. This also applies to audits although we have used this as a negotiating tool to get payments promptly

ACTION ITEM VII LATE PAYMENTS & INTEREST

Motion by Eric Wenger, seconded by Doug Hauke and carried to accept the late payment (10%) and interest (8%) with the 30 day grace period. Motion was accepted unanimously.

ADJOURNMENT

ACTION ITEM VIII ADJOURNMENT

Motion by Randy Verhoek, seconded Eric Wenger and carried to adjourn

Meeting was adjourned at 11.47 a.m.

