

National Honey Board

Meeting Minutes

PRESIDING: JILL CLARK, CHAIRPERSON

LOCATION: BOULDER, COLORADO

DATE: October 19th-20th, 2016

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

National Honey Board Alternates Present: Michelle Poulk

National Honey Board Staff Present: Margaret Lombard, Catherine Barry, Jocelyn Martinez, Andrea Brening, Marlys Christensen, Darren Brown

Guests Present: Diana LeDoux, Patricia Petrella, Tim Burleson, John Rzeszut, Tom Sargeantson, Don Ladhoff, Keith Seiz, Andrea Schepke, Laura Morin, Pam Phipps, Kate Thompson

WEDNESDAY, OCTOBER 19TH, 2016

The Thursday session of the National Honey Board meeting was convened at 8:05 a.m. by Jill Clark. Andrea Brening called the roll.

ACTION ITEM I CONSENT AGENDA

Motion by Charlie Kocot, seconded by Mark Mammen and carried to approve the consent agenda & minutes

AMS PRESENTATION

Patty Petrella, of USDA/AMS, began by sharing about a few things she has been doing with AMS and spoke of recent meetings provided for commodity boards in regards to marketing, nutrition and FDA guidelines.

GMO was then mentioned and some of the strict guidance's with it and the involved process to get honey labeled as non-GMO which is most likely not going to happen. USDA's statement is "*We want to keep our focus on developing the positive GMO disclosure regulations, and at this time we do not want to make policy decision regarding what is or what is allowable for negative GMO claims.*" Waiting on administrative decision.

Margaret Lombard asked if we were to do research to prove honey is non-GMO would that make a difference and would it be considered by AMS? Petrella said she would check.

The status of the rulemaking in regards to changing the producer requirement from 150,000 lbs. to 50,000 lbs. is moving forward but slowly.

It was asked if it is possible to do a rule making on the threshold level for exemptions for packers. Yes, but It is a lot of work to do so.

FINANCIAL UPDATE

Lombard introduced Diana LeDoux and gave a little background information and explained how she has been assisting us with our financial organization and structure.

The board will need to approve the 2017 budget soon. As it is supposed to be approved 60 days before the end of the year including approval by AMS. Approval will require a phone call and a vote by the board.

LeDoux requested a 30 day extension from AMS to submit the 2017 budget for approval.

ACTION ITEM II BUDGET EXTENSION

Motion by Mark Jensen, seconded by Brent Barkman and carried to accept the 2017 budget extension an additional 30 days.

LeDoux discussed the September financial statements and the assessment shortfall for the year and the expenses year to date. The 2016 budget amendment was reviewed and she mentioned that it was developed with a 3 year average and she is now looking at a more conservative projection using a 5 year average.

Catherine Barry then came forward to explain the budget reductions for the Marketing programs. This includes fulfillment, marketing opportunities, advertising, Marketing admin-travel, food & wine events and then finally retail programs which is where the majority of the funds were cut. Barry explained that for the most part the reductions were relatively painless. She is also working on additional ideas on further cuts if necessary.

A brief compliance update from LeDoux provided the results and expenses for audits year to date. She also stated that there will be no further compliance audits for the last quarter of the year.

LeDoux made recommendations to alter 4 accounting practices as follows:

1. Accounting procedures with documentation on the process
2. Compliance procedures to include random audits
3. Employee benefits including requirements for time off
4. Inventory process revision

THANK YOU TO THE BOARD

Lombard proceeded by thanking the board for participating in the strategic planning meeting on the first day.

GLYPHOSATE UPDATE

Lombard discussed the NHB crisis response for Glyphosate and any other issues that arise. It is important to try and stay ahead of any issues. She discussed how the staff had reached out to about 8 PR agencies and only 1 Porter Novelli recognized and came forth with solutions for the Glyphosate issue.

She noted the necessity to have a plan from the board on how to handle these situations. Whether it be as a board or subcommittees. The consensus from the board was that beekeepers need to be involved. It was mentioned that it is also an international issue and if there is subcommittee it needs to include importers too. Therefore the participation of the entire board would be a great learning experience for the entire board and include all areas producers, packers and importers. There is concern about drawing more attention to an issue by trying to address it and the fine line with that.

Lombard asked Petrella how FOIA affects everyone and what is documented. And what information is documented in minutes. Maybe a 3rd party could vet a short list after reviewing all the possibilities?

Consensus is to start putting together some framework and invite all the board to participate and then it is up to them to participate at whatever level they want. It is important to at least be prepared. Direct contact and discussion with some of the Monsanto companies etc. might be a good direction too.

CONSUMER PR AGENCY

Consumer PR Agency and revised logo status was reviewed by Barry. She really wants to try and take time to find the best agency for the board and hopefully have a long term relationship with them. From the 7 RFPS received the staff has narrowed it down to 2 agencies Porter Novelli & Edelman. It was asked if there is something we are really looking for in a new agency? Barry said that the day to day things are important with the people specifically working on our account. We hope to make a decision in the next couple of weeks. It was disclosed by Lombard that we are currently working with Porter Novelli on a short term contract for the current crisis.

REBRAND & LOGO

Barry began discussing the logo status and colors that have now been established and have a strong read for how it is seen and viewed. There is a focus to be consistent in all our programs.

LABELING FOR SUGAR ADDED

Kate Thompson, with Sterling Rice Group addressed the issue of added sugar labeling for honey. The recommendation from the FDA was that we come with facts and figures and labeling recommendations. Thompson did a great job preparing for this meeting. She provided a brief review on what some of those recommendations were and the results of some of the studies that they conducted. The studies

show how much of a negative impact the new FDA Added sugar required labeling affects the perception of consumers.

The board needs to decide if they want to proceed and continue to pursue this with the FDA to try and find a label that we can all find more acceptable. Eric proposes trying to pick which ever label is most likely to be accepted by FDA and do the least amount of damage. Anything beyond this needs to be pursued by the industry itself. So far everything that the honey board has done to try and make changes to this requirement is based on research and education. Which is acceptable, but anything beyond that falls on the industry itself. Lombard asked the board how collaborative do they want to be with the maple syrup industry since they are also impacted by this labeling too? Or deal with this just from a "honey" standpoint? Working with the maple industry might not be comparing apples to apples and could hurt us. This current label goes into effect July 18th, 2018 and packers are already being pressured by retailers to comply. So time is of the essence. The next step is to send a letter to Dr. Susan Mayne, Director of the FDA's Center for Food Safety and Applied Nutrition n attachment of our top 3 or 4 favorite labels and request her feedback. Then decide from there how to proceed. It would be nice to have a resolution by January, so that the industry can then decide if they want to continue with other options and this would allow 16 months or so to do so.

Phase 2 of this could be to pursue changing the serving size from 1 tablespoon to 1 teaspoon, which might also lessen the impact of this labeling change.

The consensus of the board in regards to collaborating with Maple syrup is to read the materials shared with us by the maple industry to see if there is any benefit to us, but most likely just communicate through phone calls and not really share any hard information.

WEBSITE

Laura Morin, with Sterling Rice Group presented information about the new website and the importance that it presents by providing facts and information to the public and consumers. She shared what their research has shown. There are several phases to this process:

1. Hub of NHB website
2. Updated Easily and Often
3. Visually Beautiful
4. Simplify
5. Inspire Natural Balancers
6. Educate
7. Be Where Natural Balancers Are

The plan is to have this new website ready for a soft launch come January 2017.

CONSUMER MARKETING

The next topic was the Consumer Marketing Update from Catherine Barry in regards to PR, In-house and Hispanic. Food festivals have been very successful with a focus on smaller more intimate events that

allow us to really talk with and interact with attendees. Also media outreach is another important key with these festivals. Media tours and secured media publications have been very successful.

Bloggers that we have been working with this year have proven to be very beneficial in many aspects with outreach and providing us with some wonderful recipes and photographs.

Next In-house marketing programs were reviewed. Taste of Home has been a good program for the NHB and we are looking at continuing and expanding this partnership.

Our recipe database is important and we have been working hard to improve this part of our database to refresh it and make sure it reflects our brand and enhances our other programs.

The Hispanic PR Program has mirrored a lot of other programs we do to support and promote all aspects of what we are doing. Also creating a consistent brand all the way around. The bilingual spokespeople we have worked with have done a great job providing us with media placements and television segments.

In reviewing our goals to reach our target audience we reviewed the Hispanic program. We found the natural balancers of Hispanic ethnicity are generally bilingual and are already getting the honey message through all of our general marketing outreach. Hence making our Hispanic program not the most cost effective way to reach the Hispanic consumers. Therefore it is Barry's recommendation to not continue this program. The board voiced no objection.

SOCIAL MEDIA

Jocelyn Martinez reviewed the progress of our social media campaigns and meeting our goals and getting quality followers. Impressions and hits on all our social media platforms have also increased due to our different programs.

Honey up your summer was a top activity in 2016 with a lot of different components and increased a bunch of our social channels.

When the social media goals were presented at the April meeting and we had already meet most of the goals. Martinez revised those goals and is still working hard to meet them.

Social media has a big role in reaching Natural Balancers. Research shows that they live busy lifestyles but enjoy cooking however convenience is important to them. Martinez will continue to share relevant recipes that will interest them. Education is another important goal along with the story of honey.

FOODSERVICE

Andrea Schepke, with Evans Hardy + Young covered the information in regards to PR and Food service promotions and highlights:

1. Trade Media Outreach
2. Hot From the Hive

3. Honey Summit
4. Foodservice Advertising
5. Tales of the Cocktail/Flavor Experience

6. Menuing and Marketing Partnerships
7. 2017 Program Implications

RETAIL PROGRAMS

Don Ladhoff, with FreshSmartSolutions gave retail program updates. He touched base on the developing relationship with Nielsen that assists as we look at retail partnerships.

Highlights from 2016 began with groundwork and becoming familiar with the honey industry. This led to the following partnerships:

1. Summer Grilling program with chicken
2. Oatmeal with Quaker Oats
3. Thomas' Bagel

In regards to the whole Thomas' Bagel promotion, he has been working hard with Walmart, Kroger, Albertsons , Publix, Safeway and other retail stores as we build this partnerships with Thomas' Bagel and figure out the details. Ladhoff has not made any contacts with the honey buyers, so he would like help with that by those industry members that are participating with this. Target has not been receptive to working with any joint ventures between vendors.

Nationally if anyone has a retail customer they want to include in this promotion, please get in touch with Ladhoff and he will make sure to reach out to Thomas' sales team to coordinate this.

Q2 is focusing on Quaker Oats and has a strong penetration rate. They are specifically interested in partnering with us for overnight oats. This definitely speaks to our Natural Balancer consumer. Quaker is very excited about this promotion and has a large budget dedicated to this.

The status of 2016 retail goals seem to be doing well and have been successful. And we have been learning as we go, as to what works and where we can improve with partnerships.

As we move forward and we focus on Natural balancers, do we also want to try and focus on some of the retail stores that tend to attract more NB shoppers? Pursuing more emphasize on food and flavor and health benefits.

FOOD INGREDIENT

Keith Seiz, with The Arland Group shared that the food ingredient promotions have had a good year with good growth in the following areas:

1. Baking
2. Beverages (alcohol & non-alcohol)

3. Snacking

All of which targeting through education and direct outreach. With a goal to raise awareness and gather leads.

Top five highlights are the following

1. Honey Beer Summit (28 brewers attended)
2. Honey Baking Summit Reunion (attended by 12 of the country's best bakers and pastry chefs)
3. Public Relations
4. Honey Summit for Editors (11 editors)
5. Breaking into new markets (Home Brewers)

Direct outreach to food and beverage manufacturers was a goal for 2016 and will continue to be so in 2017.

For 2017 they are reflecting on how to go after our target market "Natural Balancer". And have a plan that follows as such:

1. Focus category efforts, expand outreach
2. Target brands and categories that appeal to Natural Balancers
3. Develop campaign targeting products marketed at children
4. Launch clean label sweetener initiative
5. Capitalize on the immediacy of product development in craft beer
6. Own the booming snacking/convenience market

ACTION ITEM III AMEND 2016 BUDGET

Motion by Brent Barkman, seconded by Eric Wenger and carried to amend the 2016 budget to decrease the assessment revenue and marketing and promotion line items by \$1.2 million to adjust for the assessment revenue short-fall.

LABELING-SUGAR ADDED

Laura Morin, with Sterling Rice Group discussed the outcome of the discussions with the board members and other attendees as to what their top picks are for the label options to be re-submitted to the FDA.

1. Includes 17 g Added Sugars, with 34% DV included, and below that, a line that reads "Honey contains only natural sugars"
2. Includes 17 g Added Sugars, with 34% DV included/ and below that, a line that reads "Sugars are naturally present in honey"
3. After the term "Added Sugars" in the new Nutrition Facts Panel include (Naturally Occurring)

Meeting was adjourned at 4:54 motion by Mark Mammen and seconded by Brent Barkman and passed.