

U.S. Highbush Blueberry Council
Meeting Minutes
February 28, 2009

USHBC Chairman Art Galletta called the meeting of the U.S. Highbush Blueberry Council to order at 8:10am on Saturday, February 28, 2009. The following USHBC members, as well as USDA representative Marlene Betts and USHBC staff members Mark Villata and Mary Nezbeth, attended the meeting, held at Courtyard Gulfport Beachfront in Gulfport, Mississippi:

Verne Gingerich (Region 1)	Neil Moore (North Carolina)
Ron Bodtke (Region 2 Alternate)	Adair Chambers-Peterson (Georgia)
Art Galletta (Region 3)	Doug Krahmer (Oregon)
Ken Patterson (Region 4)	Rod Cook (Washington)
Bob Carini (Michigan)	Kirk McCreary (Public Member)
Denny Doyle (New Jersey)	John Shelford (Importer Member)

The first order of business was the approval of the minutes from the last Council meeting held on October 4, 2008. Minutes had been mailed to members and alternates following the October meeting. Neil Moore moved, with a second from Denny Doyle, to approve the minutes as written. The motion carried.

The second agenda item was an update from the USDA Agricultural Marketing Service (AMS) by Marlene Betts. Betts reported that her office is still in the process of expanding staff and that a USDA specialist should be assigned to the USHBC by April. She noted that there was no date yet on finalization of the computer system that will allow U.S. Customs to report assessment collections by product and country of origin. The change in administration was discussed and those now acting in various positions until appointments are made were noted, along with the fact that "transparency" and diversity will be very important in this new administration. Betts final comments concerned USHBC assessments and she reiterated that a rate change would not require a vote of the growers but would have to be posted in the Federal Register and go through the rulemaking process which at this point could take at least a year to complete.

Chairman Galletta then suggested a change in the order of the agenda and moved the USHBC Promotion Committee report and discussion of an expanded market promotion program to this point in the meeting. Promotion Committee Chairman Kirk McCreary began his report noting that his committee had reviewed progress on final market promotion activities for 2008 and actions taken to date on the 2009 consumer/foodservice publicity, food manufacturer publicity and export market promotion program. He also mentioned that his committee had been provided with results of recent consumer research that will now be used to generate food manufacturer awareness of the value of blueberries as an ingredient and the appeal of the *Made With Real Blueberries* seal. He completed his committee update with a budget recap. He noted that the committee had discussed how to assign the additional \$100,000 it had been allocated at this meeting and recommends that an additional \$80,000 be added to the expanded market positioning program and \$20,000 added to consumer/foodservice publicity to conduct an internet based recipe contest this

summer. McCreary moved for acceptance of the Promotion Committee report and recommendations. The motion was given a second by Denny Doyle and the motion carried.

McCreary then presented his committee recommendation concerning an expanded market promotion program. He introduced the topic noting that the Promotion Committee had been asked by the Council to look into the possibility of expanding market promotion activities to keep demand in step with increasing supply. The committee has been working on this project for the past year and has given considerable thought to this program considering not only marketing but economic and grower concerns as well. He then discussed issues that have been considered by his committee in designing the proposed plan including increased U. S. and world highbush blueberry production, which could increase from nearly 495 million pounds worldwide in 2007 to more than 800 million pounds in the next five years; the need to double our domestic per capita consumption over the next five years from 22 to 44 ounces per person to keep pace with anticipated North American highbush blueberry supply; and our relatively lower rate of consumption compared to other fresh fruit such as kiwi, pears, strawberries and grapes.

He noted that his committee had reviewed projected assessment income at the current rate of \$12 per ton and, even with domestic and import assessment collections on increasing production, funding would not allow for many more promotional activities than are currently funded (see Exhibit #1). Given this fact, the committee considered budgets at \$15 per ton, \$18 per ton and \$24 per ton (see Exhibit #2). Based upon considerable discussion, the Promotion Committee will be recommending an assessment increase of from \$12 per ton to \$18 per ton and with these added funds incorporate an advertising component to an expanded market promotion effort. Additional funds will also allow for increased funding for existing consumer and foodservice publicity, food manufacturer promotion and export market development. Funds would also allow for possible human feeding trials as part of our future blueberry health research efforts.

McCreary then introduced Buddy Ketchner from the Sterling Rice Group who presented a proposed expanded market development plan which builds upon the current consumer, foodservice, food manufacturer publicity and export market promotion programs and successes to date, while at the same time refocusing our core audience and adding an advertising component to take greater control of our health message. He reemphasized our current and projected production totals and the need to increase consumption at a time when many more fruits and vegetables are carving out their share of the health message and gaining consumer awareness. He also discussed the increasing need to control our message, given this competitive health arena. Ketchner discussed our current target audience and the opportunities we may have by shifting our focus to a slightly younger age segment and by creating greater awareness of the value of blueberries in order to encourage current consumers to use more. Through this expanded program the USHBC would be able to expand all current programs, add a new advertising component to make our message even stronger, and focus and integrate all programs for maximum impact.

Given these goals, Ketchner outlined a preliminary advertising and media approach as an illustration of what the USHBC could accomplish with additional funds. The target audience would be skewed slightly younger to a median age of 45. With this change we would be addressing 18% of the U.S. population (40 million people) rather than the current 14% of the nation (31 million people in the median age bracket of 54 years). Messages would be delivered through magazines

and the Internet in a national campaign timed to be year round to support both fresh and frozen blueberry sales. He noted that at a \$1 million spending level the USHBC could reach an estimated 45% of the target audience a minimum of four times which would be considered an advertising program with a favorable level of impact.

At the close of the presentation Kirk McCreary moved that the Council accept his committee recommendation of an \$18 assessment rate to fund an expanded market promotion program. The motion was given a second by Rod Cook and Chairman Galletta then opened the topic to discussion prior to a vote. A number of those attending the meeting voiced their opinion on the assessment issue. The point was made that some members of the industry might be adverse to an assessment increase, however the USHBC would not be doing its duty if it did not explore ways to maintain a supply and demand balance and work to try to maintain the health of the blueberry industry. Following this discussion Ron Bodtke moved for an amendment to the original motion by recommending an assessment rate of \$24 per ton. John Shelford gave his second to this amended motion and Kirk McCreary accepted the amendment to his original motion. At that point the motion was amended to a recommendation of a \$24 assessment rate.

Chairman Galletta then polled the USHBC members asking their thoughts on a \$24 assessment rate. A number of members felt that, given the facts, most growers would realize the need to increase the assessment. The time it will take to move a proposed assessment increase through the rulemaking process, and the fact that it would be at least two years from the time of decision to the time of implementation of an expanded program, was noted. Given projected production increases and current inventory and market conditions, a two-year delay in putting a plan into action was a concern to a number of members. It was also noted that there appears to be support among growers outside of the United States for more aggressive market promotion and the higher assessment rate needed for the USHBC to expand efforts. How an assessment increase might impact voting on the continuation of the USHBC in 2011 was noted, and how growers might respond to an assessment increase given the overall economic climate we currently face was also considered. The need to thoroughly educate the grower on the current and future blueberry supply and demand situation and the expanded USHBC market promotion activities necessary to maintain the health of the industry was discussed as was the need to show the blueberry industry how these funds would be invested and how success would be measured.

At the end of member and audience discussion the question was called for a vote. Chairman Galletta conducted the vote that resulted in 9 members in favor of a \$24 assessment rate and 2 members opposing a \$24 assessment rate. Given this vote the motion to increase the USHBC assessment rate to \$24 per ton carried. The members asked staff to distribute a letter to the industry detailing this decision and the factors that have led to this need to increase assessment and expand market promotion efforts.

The next agenda item was the final selection of the USHBC importer, exporter and public member and alternate for the three-year term beginning January of 2010. USHBC Industry Relations Committee Chairman Ken Patterson reported that his committee had discussed this issue and will make the recommendation part of today's committee report. Patterson noted the committee had made an effort to encourage potential candidates through notices in the USHBC Bluespaper and industry contacts. Based on their effort, the committee recommends the following candidates:

USHBC Public Member Position

Kirk McCreary- Member
Amy Howell- Alternate
Juan Silva- 3rd Candidate Option
Butch Greiffendorf- 4th Candidate Option

USHBC Importer Member Position

Parm Bains- Member
Ray Biln- Alternate
Gord Cheema- 3rd Candidate Option
Sid Kwantes- 4th Candidate Option

USHBC Exporter Member Position

Stan Crafton- Member
John Shelford- Alternate
Keith Mixon- 3rd Candidate Option
Francisco Allende 4th Candidate Option

For reference, Peterson also noted grower nominations have been taking place for regional member and alternate, though a minimum of four candidates for each region have not been received. The committee has therefore contacted additional growers from these regions and encouraged them to consider running as well. At this point the following industry members will be running for regional positions with voting by the growers in their regions to take place from April 20 to May 25, 2009. Growers will also have the option to add write-in candidates for these positions as well.

Western Region: Verne Gingerich, Roy Malensky, Robert Ditchen and Bill Steed

Midwest Region: Ron Bodtke, Bobbie Clemons, Patricia Goin, Shelly Hartman and Joe Leduc

Northeast Region: Dave Arena, Art Galletta, Joe Lucca and David Berger

Southern Region: Luciano Alvarado, Jr., Daniel Ebbecke, Keith Mixon and Duane Hatcher

Peterson noted that his committee had continued to discuss the possibility of a weekly frozen blueberry pack report. Staff has provided USDA Market News Service with contacts so that a handler/reporter list can be developed. Debbie Friday from the USDA Market News Service was in attendance today and discussed the reluctance and lack of support she has received when contacting handlers to date. Mark Villata also noted that there has not been tremendous interest in this report and the accuracy and usefulness of this report hinges on the cooperation of the industry in providing figures. Given the current lack of interest and support Verne Gingerich moved, with a second from Denny Doyle, to table the consideration of a frozen blueberry pack report at the present time. The motion carried.

Peterson then updated the Council on efforts to form an International Blueberry Organization. He noted the a letter has been issued by NABC President George Fritz inviting those interested in this type of organization to contact the North American Blueberry Council (NABC). A total of nine favorable responses have been received to date. The Industry Relations Committee recommends as the next step committee members Francisco Allende and Verne Gingerich serve as advisors to the NABC and assist the NABC and the nine international blueberry representatives in moving

forward with an International Blueberry Organization (IBO). The IBO Implementation Committee will then proceed with defining the mission and goals of this independent international organization; establish by-laws, voting rights; select officers and assign responsibilities; determine financial needs, dues structure and collections; establish an initial budget; determine IBO administration and staffing needs and work toward an initial meeting.

Peterson reported that his committee has initiated efforts to develop tariff codes for all products listed in our blueberry supplier list. Mark Villata has issued a letter to the Chairman of the Committee for Statistical Annotation of Tariff Schedules in Washington D.C. requesting that codes be established for Cultivated Blueberry Juice Stock, Cultivated Blueberry Powder, Osmotically Preserved Cultivated Blueberries, Freeze Dried Cultivated Blueberries, Cultivated Blueberry Puree and Puree Concentrate, Canned Cultivated Blueberries, Blueberry Fruit Filling and Blueberry Essence. The request will be reviewed and we should hear of the committee decision on whether or not to establish codes for these products by this August.

The Industry Relations Committee had also discussed future meeting dates and locations and recommends that meeting days for future meetings (with the exception of the meetings scheduled for Portland and Grand Rapids) be revised to a Tuesday to Friday schedule as outlined below:

- Monday- Fly In to Meeting Location
- Tuesday- NABC Tour (at attendees option)
- Wednesday- NABC and USHBC Meetings, NABC Dinner
- Thursday- USHBC Meetings, USHBC Reception
- Friday- USHBC Council Meeting (1/2 Day)

The committee also recommends that the February 2010 Spring Meeting be held in Phoenix, Arizona instead of Boston, Massachusetts and that Dallas remain the city for the March 2011 Spring Meeting unless Houston, Texas is determined to be a more economical site. *(Note: the committee may also consider Atlanta as the March 2011 site if found to be a better cost option than either Dallas or Houston).*

Peterson noted that Bill Steed had discussed the possibility of establishing a means to measure market trends and growth patterns, which has been used by other commodities and is being considered by the California Blueberry Association. The committee did not have time to fully discuss this potential source of information but will take it up as a topic of discussion at a future date. The committee also discussed a letter from a member of the industry that provided suggested options to current USDA defect, grading for blueberries. Rod Cook, Roy Malensky, Denny Doyle and Verne Gingerich will form a subcommittee to gather additional information on this topic and will provide a response to the letter once more details are collected.

Peterson closed his report noting that the committee had reviewed an updated proposal for the development of an industry film. Based on marketing concerns and inventory positions, the committee felt it would be better to invest funds in market development at this time, rather than in the production of a film so this topic was tabled. Ken Patterson then moved, with a second from Kirk McCreary, to accept the report and recommendations of the Industry Relations Committee. The motion carried.