

USHBC PROMOTION COMMITTEE
MEETING MINUTES
February 29, 2008

USHBC Promotion Committee Chairman Kirk McCreary called the meeting of the USHBC Promotion Committee to order at 10.05 am on Friday, February 29, 2008. Roll call showed committee members Ray Biln, Bob Carini, Rod Cook, Stan Crafton, Denny Doyle, Keith Mixon, Bryan Sakuma, John Shelford and Tim Wetherbee in attendance. Also present at the meeting, held at the Pan Pacific Hotel in Vancouver, British Columbia, were USDA representative Rafael Manzoni and USHBC staff members Mark Villata and Mary Nezbeth.

At the start of the meeting, Chairman McCreary asked USHBC Research Committee member Amy Howell for background information on human research trials, a topic that was discussed by the Promotion Committee earlier this month during its "brainstorming session". Howell noted that in order to develop a qualified health claim for blueberries the FDA would require that we submit results of human feeding trials as documentation for a claim, animal trials will not be considered.

She noted that the USHBC Research Committee will be reviewing research to date to try to determine the most promising areas for human research. It was noted that the funding of human clinical trials could be handled in a number of ways. One approach would be to fund small trials at first to obtain base data and then bring this information to a major research organization such as the National Institute of Health (NIH) for their support of a major human study. Initial small trials could run in the \$100,000 to \$250,000 price range whereas major human trials could require a budget in the \$1 million range.

The second item of business was the approval of the minutes from the last Promotion Committee meeting of October 5, 2007. Denny Doyle moved, with a second from Tim Wetherbee, to approve the minutes as written. The motion carried. The committee then reviewed the market promotion budget of \$1,575,000 approved at the last meeting noting that \$40,000 had been added to Consumer/Foodservice Publicity to allow for a full blueberry segment on the PBS "Chef's a Field" program and \$3,500 had been added to market research to fund a price elasticity study as part of our 2008 consumer usage and attitude survey. It was also noted that the total of \$91,500 in reserve funds would be allocated to additional activities based on today's presentations.

The third agenda item was an update on USHBC Promotion Committee activities. Mark Villata reported on the results of the January meeting with the FDA he attended with Amy Howell, Leslie Wada and Ruth Lowenberg. He noted that it was a positive meeting that opened lines of communication with the FDA and established some valuable contacts. At the meeting Amy Howell provided an overview on current blueberry research and findings and we discussed how the benefits of blueberries could be communicated to the consumer.

Despite recent reevaluation of some qualified health claims, FDA feels claims will continue to be allowed and will be based only on human study results. Animal studies will not be considered as supporting evidence. Any statements made should discuss reducing the risk of a condition. A statement that claims a food or ingredient will affect a disease is considered a drug claim. He noted that obtaining a claim for a whole food (like blueberries) is preferable to a specific nutrient. It

would also be best to make a claim that states "blueberries" in general, rather than a claim specifically tied to wild or cultivated. Villata noted that this meeting with the FDA will provide direction to our Research Committee on future program direction.

Villata reported that new harmonized tariff codes have been approved for *Dried Cultivated Blueberries* (0813.40 20.20) and for *Blueberry Juice Including Concentrate* for both wild and cultivated (2009 80 60 31). The USHBC may now wish to consider requesting a tariff code for blueberry juice stock and whether import assessments should be expanded to include dried cultivated blueberries

He also noted that we have taken actions to date to narrow the definition of "blueberries" in the current U.S. Frozen Blueberry Standards so that only North American and South American highbush and lowbush blueberries (or other foreign produced blueberries with North American roots) are identified as a blueberry. This action was deemed necessary to address past sales of Chinese "wild blueberries" marketed as blueberries when they most likely were more closely related to a lignonberry than a blueberry. The following update will be discussed with USDA AMS:

PROPOSED UPDATED STANDARD DEFINITIONS DEC '07

Section 52.611 Product Description

Frozen blueberries are prepared from sound, properly ripened fresh fruit of the species *Vaccinium corymbosum*, *V. virgatum* (syn. *V. ashei*), *V. angustifolium*, and *V. myrtilloides* (some common names: highbush, cultivated, wild, lowbush, southern highbush, rabbiteye), including species and cultivars often called huckleberries, but not of the genus *Gaylussacia*; are cleaned and stemmed; are properly washed; are packed with or without packing media; and are frozen and maintained at temperatures necessary for the preservation of the product.

Section 52.612 Types of Frozen Blueberries

Native or Wild Type

Cultivated Type

A subcommittee will be assigned the task of communicating these standard modifications to the USDA along with the consideration of possible modifications to how "defects" are scored.

Villata's final update concerned the upcoming consumer usage and attitude study. Villata reported that the survey questionnaire is complete and the study is to be conducted on March 3, 2008. This telephone survey will consist of 800 respondents, and top line results are expected by early May. As previously noted, price elasticity questions will be included as part of the survey testing 1 pint packs (\$2.49), 16 ounce packs (\$3.99) and 2 pound packs (\$7.99). The research budget was increased to \$48,500 (up from \$45,000) to include the price elasticity component of the study.

Agenda item four was an update on market promotion publicity. Chairman McCreary asked Ruth Lowenberg from Lewis & Neale PR for her activity progress report. Lowenberg briefly reviewed activities from 2007 and actions planned for 2008 which included winter and summer press kit distributions; print media efforts; plans for a media spokesperson campaign; internet and printed material updates; television placements; efforts to reach health professionals; classroom activities; foodservice promotion including print advertising; restaurant promotions and retailer support.

She then provided the committee with five additional options for 2008, a "social media" internet activity, which included the development of a blueberry internet "blog", an expanded Hispanic media effort with face to face meetings with health and or food editors of Hispanic women's magazines as well as Spanish language television and radio placements; creation of a new Hispanic section on the USHBC consumer website; expanded television coverage; and an increased outreach effort to schools. The total of these five additional options would be \$105,000. (Note: Lowenberg was asked to hold her overview on Canadian activities funded by the British Columbia Blueberry Council for presentation to the Council at it's meeting the next day.)

Chairman McCreary then asked Tom Payne from TJP Market Development for his recap on food manufacturer publicity and export market promotion. Payne reviewed actions to date which include blueberry technical assistance, maintenance of the USHBC website; trade publicity and advertising; trade shows and company meetings; and the USHBC Product of the Year Competition. He noted that the USHBC *Bright Bold Beautiful* ad placed in the October 2007 edition of Food Processing magazine received the top ad score in their *Signet AdStudy* used to measure recall and readership of ads placed in particular issues of the publication. The USHBC ranking was above major companies such as Cargill, Sherwin-Williams and Kraft. Payne noted that most all of the activities for 2007 will be included in the 2008 program with the addition of a trade advertorial and a internet based "webinar" meeting to bring blueberry information directly to food manufacturers and the trade.

An additional food manufacturer activity for 2008, which was discussed in the "brainstorming" meeting earlier this month, was a market research effort to define and document the positive consumer perception of blueberries as an ingredient; establish a price value relationship relative to current branded products that contain blueberries, test price thresholds based on the percentage of berries included in the product; and probe for message keys that will support marketing communication efforts directed to food manufacturers. Research will consist of focus groups, one-on-one lab interviews, ethnography (observational research- monitoring targeted sections of retail grocery locations) and shop-alongs (accompanying shoppers on their trip through the grocery store to learn what happens at the "point of decision"), along with quantitative survey research. The total for these four research components would be \$115,855.

Discussion followed concerning how the various phases of this research could be split. It was noted that the total project could take approximately 6 months to complete and that the qualitative portion of the study would need to be conducted at one time followed by the quantitative component. The qualitative portion could be conducted during the last 3 months of 2008 and the quantitative portion conducted during the first 3 months of 2009 allowing for the project to be split over two budget years.

Payne then discussed international market promotion efforts which include participation in two Asian trade shows, *Food Ingredients Asia* and *Fruit Logistica*; food tech and fresh produce shows in Northern Europe; continued website updates in Japan, Korea and Taiwan; face to face meetings with the Taiwanese food trade; and trade publicity efforts in the United Kingdom.

Mark Villata provided an update on the USHBC magazine advertising schedule noting that, in addition to placements in medical publications such as the Journal of the American Dietetic Association, New England Journal of Medicine, American Medical News and Diabetes Educator,

the USHBC will also place ads in the following three consumer health magazines: Eating Well, Body + Soul and Natural Health. A total of thirteen magazine placements are planned from April to December of 2008.

The fifth agenda item was a discussion of the currently approved 2008 budget and the allocation of the market promotion reserve of \$91,500. The committee discussed possible "add-on" programs and agreed that the food manufacturer research should be conducted. However, given the total cost, the project should be funded over two budget years. Denny Doyle moved, with a second from Bob Carini, that the USHBC proceed with the qualitative portion of the food manufacturer research activity in 2008 (*Focus Groups at \$33,730; One-on-One Interviews at \$13,240 and Shop-alongs/Ethnography at \$11,615*). A total of \$60,000 is allocated to Food Manufacturer Publicity to allow TJP Market Development to contract with Hebert Research to conduct this research. Phase two of the project (*Quantitative Research at \$57,300*) is to be completed by Hebert Research during the first three months of 2009 and accounted for in the 2009 Market Promotion Budget. The motion carried.

The committee discussed the remaining reserve funds and decided that an expanded effort against the Hispanic market segment should be supported. Given this consensus Stan Crafton moved, with a second from Denny Doyle, that \$30,000 be allocated to Lewis & Neale PR to conduct their expanded Hispanic media effort. The motion carried. These budget amendments increased the line item budgets for Consumer/Foodservice Publicity and Food Manufacturer Publicity but did not change the total market promotion budget of \$1,575,000 (see Exhibit #1).

The final agenda item was a recap of results and directives from the February 2008 "Brainstorming" session and a discussion of the strategic goals assigned to the Promotion Committee for 2007 to 2011. Chairman McCreary discussed with the committee what he felt were the significant points of discussion during the session (see Exhibit #2). A discussion on funding issues followed. McCreary noted that Bill Steed, a member of the NABC and the California Blueberry Growers Association, wished to share some figures with the committee. Steed discussed current USHBC promotional funding and the funding of other groups such as the California Avocado Commission, a group that successfully faced the same concerns as the blueberry industry relative to increasing production. He talked about the total value of the blueberry industry and what other groups with that same value invest in market promotion. He noted that he felt that staying the current course and continuing promotional funding at current levels would lead to future problems, given our projected production in the next five years. McCreary noted that it was not the function of the Promotion Committee to recommend assessment and funding levels, but that the committee should suggest the issue be taken up by the Council at its meeting the following day.

Villata then reviewed the USHBC Promotion Committee Strategic Priority Assignments for 2007 to 2011 with suggested short term and long-term actions (see Exhibit #3). The Committee agreed with these actions and discussed how to proceed. Given future industry growth and budget concerns, it was the consensus of the committee that a business plan should be developed which could then be used to help educate the industry on production and marketing issues. Given this goal Rod Cook moved, with a second from Keith Mixon, that the Promotion Committee request the current publicity agencies (Lewis & Neale Public Relations and TJP Market Development) as well as an advertising agency (to be determined), propose a plan of action and projected budget to

double the per capita consumption of blueberries over the next four years. The agencies are also being asked to provide an overview of the marketing expenditures of other commodity groups. The plan of action, budget and overview of commodity group expenditures are to be provided to the Promotion Committee in July for review and discussion of next steps prior to our next meeting in Washington D.C. this October.

The final topic of discussion was the consideration of a policy for future agency reviews. Though all were in agreement that reviews were not necessary at the present time, it was the consensus of the group that a policy should be developed, and a system in place, whereby agency reviews will be conducted on a routine basis. The committee will now adopt a review policy and make it part of its ongoing action plan.

There being no further business the meeting was adjourned at 1:15pm.

EXHIBIT #1

USHBC 2008 MARKET PROMOTION BUDGET REVISIONS

February 29, 2008

| ACTIVITY | 2008 BUDGET Updated January 2008 | 2008 BUDGET REVISED February 29, 2008 |
|--|---|--|
| Consumer/Foodservice Publicity | \$815,000 | \$845,000* |
| Food Manufacturer Publicity | \$285,000 | \$345,000** |
| USDA/MAP Export Program (USHBC \$) | \$175,000 | \$175,000 |
| USDA/MAP/GBI/EMI Allocations (USDA \$) | \$0 | \$0 |
| Consumer/Health Professional Magazine Advertising | \$150,000 | \$150,000 |
| Berry Nutraceutical Seminar | \$0 | \$0 |
| Market Research Allocation | \$48,500 | \$48,500*** |
| Strategic Plan | \$0 | \$0 |
| PBH Children's Health Campaign (Year 2 of 5 Year Program) | \$10,000 | \$10,000 |
| Designated Promotion (Chilean Winter Donation of \$100,000) | Assigned to PR | Assigned to PR |
| Reserve | \$91,500 | \$1,500 |
| TOTAL | \$1,575,000 (USHBC Funds= \$1,475,000) | \$1,575,000 (USHBC Funds = \$1,475,000) |

*Includes additional \$40,000 in January to sponsor entire segment of PBS "Chef's A Field" program and \$30,000 in February for Hispanic Media, funded from Reserve

** Includes \$60,000 in February to fund Food Manufacturer Survey (Hebert Research), funded from Reserve

*** Increased by \$3,500 in January to cover price elasticity component of Consumer U&A Study, funded from Reserve

EXHIBIT #2

USHBC Promotional Committee- Significant Points of Discussion

- In light of the increasing production in North America and other producing areas throughout the world, which has not yet reached its full potential, increasing broad efforts must be made on the demand side to insure the continued economic success of the industry.
- At least domestically, labor related issues will continue to put negative pressure on the availability of workers to harvest berries for the fresh market. This will necessitate increased promotional efforts in all the process segments of the market, including frozen polybags.
- The foodservice segment is considerably below its full potential as users, both fresh and process. Increasing efforts are needed to expand user awareness, information and consumption.
- The domestic consumer is becoming more distinctly segmented, with each emerging group having its own set of characteristics including food preferences, lifestyle and their unique usage of an ever expanding mode of communications. It is well beyond "one size fits all".
- Domestic consumers are demanding more credible information about their foods including, but not limited to, nutritional and health benefits, product safety, "green" issues including the point of origin (who are the producers?), and new and innovative uses of familiar items, as well as the unfamiliar. The trust factor is paramount in all of this! Once lost, it is extremely difficult (and expensive) to gain back.
- Blueberries continue to enjoy a unique position with today's consumers, as was illustrated by Ruth Lowenberg, Lewis & Neale PR.
"Our Blueberry- Perfect Food for Today's Consumer"
 - Locally Grown/Globally Grown
 - Moving Toward Sustainability
 - "Smart Food"- Brain Booster
 - "Natural" Source of Nutrients/Phytonutrients
 - Low in Calories/Fat-Free
 - Additive and Preservative-Free
 - Convenient, Ready to Eat
 - Anthocyanin-Rich
 - Still the Antioxidant Gold Standard
 - Kid-Friendly/Child-Sized
- The potential world market for blueberries has just been scratched. It offers an almost unlimited opportunity, but developing that opportunity will come at an increasing cost to provide the resources necessary to take advantage of it.

EXHIBIT #3

USHBC PROMOTION COMMITTEE STRATEGIC PRIORITY ASSIGNMENTS- 2007 to 2011 ACTION PLAN UPDATED February 29, 2008

Build and Utilize Knowledge Base on Both Supply and Market for Blueberries *(Industry Relations Committee for Supply and Promotion Committee for Market)*

- Conduct and build on consumer and industrial research
- Develop economic study on elasticity of demand
- Conduct market research to determine price/supply relationships . . . price points of consumer demand
- Develop market research to demonstrate benefits of increased shelf space

ACTIONS:

Short Term (2007 to 2009)-

- Conduct Consumer U&A Tracking Study and Price Elasticity Study in 2008
- Conduct Research to Quantify Value of Blueberries to Encourage the Continued Use of Blueberries in Existing Products and in New Product Development
- Collect World Usage Information to Determine Export Markets with Greatest Potential

Long Term (2010 to 2011)-

- Conduct "Category Management" Research to Determine and Promote Retailer Awareness of Pricing, Stocking, Promotion, etc.
- Build Knowledge Base on Dual-Users (those consuming both fresh and frozen) and Determine How to Encourage Single-Users to Become Dual-Users

Expand Current and Develop New Markets

- Maintain a ratio between fresh and processed
- Prepare for down turn in the market
- Pursue collaboration for new product innovation
- Develop overseas demand in ... Europe, China, Mexico, Japan, Eastern Asia, Taiwan, Korea

ACTIONS:

Short Term (2007 to 2009)-

- Develop a Promotional Plan and Strategy to Move an Estimated 850 million pounds of Blueberries by 2013 and Double Per Capita Consumption. Ask USHBC to Explore Funding Options to Support the Expanded Program to Accomplish this Goal
- Place Increased Promotional Emphasis on the Frozen Market, Both Retail and Industrial

Industrial Activities-

- Develop a User Friendly Blueberry Suppliers List for Potential Customers (NABC Activity?)
- Use the Yearly American Frozen Foods Institute (AFFI) Meeting to Promote New Product and Industry Awareness Among Potential Buyers
- Expand "Made With Real Blueberries" Real Seal Campaign
- Expand Upon Current Blueberry Prototype Efforts, Particularly with the Military
- Develop Optimal Blueberry Usage Formulas for Food Manufacturers Starting With Baked Goods
- Work with and Provide Blueberries to University Food Science Departments and Bakery Schools (possible "seed" grants)
- Use the Yearly "Fancy Foods Show" as means to Publicize and Promote Yearly "USHBC New Blueberry Product Contest".
- Contract with American Council for Food Safety and Quality to Develop Microbial Specs then Turn this Information Over to USHBC Food Safety Committee for Action
- Include Efforts to Promote Blueberry Juice and Juice Stock as Part of the USHBC Food Manufacturer Publicity Program

Exports-

- Increase Investment in Export Market Promotion
- Rebuild Korean and Japanese Markets and Aggressively Promote the Taiwanese Market
- Expand Food Manufacturer Publicity Efforts in Mexico and Consider the Addition of a Consumer and Foodservice Publicity Program

Consumer Activities-

- Investigate Methods to Respond to the Consumer's Demand to be Better Informed at Retail Point of Purchase (Fresh and Frozen)
- Include Retail Consumer Advocates and Nutritionists, In-House Retail Customer Publications, Retail Store Staff, etc. in the Information Chain
- Include Drive Time Radio in Publicity Activities (Begin With Trial Markets for Evaluation)
- Place Increased Emphasis on Television Coverage of Blueberries (PBS, Public Service Segments, Local Cable, etc)
- Continue to Place Additional Emphasis on Foodservice Promotion and Publicity
- Expand Efforts to Reach Young Consumers Through Activities with Grammar Schools, Amusement Parks, Recreational Programs, Internet
- Expand Hispanic Outreach to Second Generation Latinos through Television, Magazines and Festivals/Events
- Expand Consumer Magazine Advertising Campaign to Meaningful Reach and Frequency Levels or Discontinue Program
- Investigate Retail Co-Op Newspaper Advertising on "Best Food Days"
- Develop an Understanding of the Increasing Importance of the Internet in Developing Consumer Intelligence and Communication. Hispanics and Younger Consumers are of Special Interest

Long Term (2010 to 2011)-

- Explore Blueberry Use in Cosmetics and other Non-Food Applications
- Consider Cable and Satellite Television Advertising and Sponsorships
- Consider Food Manufacturer Market Promotion Activities in Scandinavia
- Encourage Industry Members to Develop an "Export Trading" Group that can Work Directly with Offshore Importers and Industrial Users in the Areas of Pricing and Supply (NABC Function?)
- Conduct "Heavy Up" Media Campaigns in Western and Southern Regions to Increase Blueberry Purchase and Use (Expanded Publicity, Print and Radio Advertising, Spot Television Ads, etc.)
- Explore Clam Shell and Polybag as Means to Distribute USHBC Blueberry Information, Recipes, Offers, etc.
- Shift from Mass Media to More Personal Communications and Consumer Generated Media (Internet)
- More Aggressively Approach Major Fast Food Chains (McDonald's, Taco Bell, Wendy's, etc.)
- Develop Protocols to Allow Fresh U.S. Blueberry Shipments to Countries Currently Denying Access (Korea and India Currently Being Addressed).
- Promote Fresh Blueberries in Producing Countries to Encourage their Domestic Consumption (Chile, Argentina, South Africa, China)

Enhance Consumer Perceptions of Benefits of Blueberries

- | |
|---|
| <ul style="list-style-type: none">• Plan B following the health message could be taste and/or convenience• Encourage opinion leaders to seek valid research when forming their opinions• Maintain integrity of messages to maintain trust• Promote stories of farmers who grow blueberries |
|---|

ACTIONS:

Short Term (2007 to 2009)-

- Continue to Promote Health Message with Increased Attention to Weight Management
- Include Industry Members as Blueberry Spokespersons to Leverage the Consumer Interest in "Locally Grown" Foods

Long Term (2010 to 2011)-

- Encourage USHBC Research Committee to Fund Human Research Trials and to Develop a Qualified Health Claim Based on this Research to be Aggressively Promoted by USHBC