

National Honey Board Meeting Minutes

PRESIDING: Eric Wenger, Chairperson

LOCATION: Virtual Meeting

DATE: April 23rd, 2020

National Honey Board Members Present: Eric Wenger, Michelle Poulk, Lisa Hansel, John Olney, Tom Sargeantson, Greg Olsen, Doug Hauke, Patricia Sundberg, Joseph Sanroma, Maren Martin,

National Honey Board Alternates Present: Jeffrey Dong, Darren Cox, Kevin Jensen

National Honey Board Absent: Tim Burleson, Alan Turanski, Andrew Sargeantson, Mathias Leitner, Jeff Hull, Mark Jensen

National Honey Board Staff Present: Margaret Lombard, Kelly Werning, Catherine Barry, Jessica Schindler, Jocelyn Martinez, Melissa Boone-Hall, Andrea Brening, Darren Brown

Others Present: Patricia Petrella (USDA/AMS), Katie Cook (USDA/AMS), Denise Willi (Bees Brothers), Jeff Caley (Dutch Gold), Jill Clark (Dutch Gold), Chris Stroh (Dutch Gold), Joan Gunter (Gunter's Honey), Tony Landretti (Local Honey) Nancy Burnett (Local Honey), Alan Holmberg (Anderson & Whitney)

THURSDAY, April 23rd, 2020

CALL TO ORDER

The Thursday session of the National Honey Board meeting was convened at 9:01 a.m. by Eric Wenger. Andrea Brening called the roll.

ACTION ITEM I TO ACCEPT THE AGENDA

Motion by Lisa Hansel seconded by Patricia Sundberg and carried to approve the consent agenda.

ACTION ITEM II TO ACCEPT THE MINUTES

Motion by Patricia Sundberg, seconded by Joseph Sanroma and carried to approve the minutes.

NHB DIVERSITY POLICY

Patricia Petrella with USDA/AMS began by welcoming the new members and explained that we would not be swearing in any new members today since this is a virtual meeting. We will plan on doing an onboarding meeting at the Fall board meeting. She then named the new and reappointed board members and alternates:

- Michelle Poulk First Handler Member & Alan Turanski First Handler Alternate
- Maren Martin Importer Member & Andrew Sargeantson Importer Alternate
- Lisa Hansel Marketing Cooperative Member & Jeff Hull Marketing Cooperative Alternate
- Joseph Sanroma Producer Member & Darren Cox Producer Alternate

Petrella then gave an update on the status about the recommendation by the Board to change the First Handler definition. The USDA is not able to approve it as-is, but is looking for members to serve on a subcommittee to move forward this request. There were no volunteers at this point to serve on the subcommittee.

Customs and Border Patrol issued a press release this week in regards to a postponement of assessments for up to 90 calendar days for payers who are experiencing any hardships. There are requirements for this and she will be sharing additional details as they learn more. The consensus of the board is that this should not impact the NHB and to this point there have not been any interruptions to customs.

FINANCIAL

Kelly Werning introduced herself as the Vice President of Finance and explained she will be running through finances fairly quickly. March financials were reviewed including assets and liabilities. It was mentioned that there was a change to the financials due to making the fulfillment program entirely free and the adjustment for writing off inventory.

At the end of the quarter there was an excess of revenue over expenses of \$162,324. Import assessments are trending about \$165,000 above what we had budgeted and domestic is at about \$12,000 ahead. The current mix of revenue is 73% imported and 27% domestic.

Assessment refunds are very high at the end of the first quarter, already showing \$278,000 in refunds with 96% of them being organic refunds. 2020 is going to be a rough year for refunds. Total revenue was \$1.7 million at the end of the quarter. Program expenses year to date are at \$1.4 million and spending is a little under forecast and general admin is at \$136,000. Our total expenditures YTD are at \$1.6 million which leaves us with excess revenue as previously mentioned of \$162,000.

2020 BUDGET PROPOSAL

Werning reviewed the 2020 Budget and carryovers, expenditures, assessments etc. The first adjustment is due to an increase in the assessment revenue to about \$6.8 million for the year. This increases the assessment revenue coming in the door by about \$100,000. The biggest change is due to assessment refunds. So, we have increased our expected refunds up to \$805,000 for the 2020 year. This provides us with an overall decrease in revenue of about \$149,000.

COMPLIANCE

Werning explained that compliance is going to look a little different this year due to COVID-19. The NHB has a list of who they plan to review and will try to do as many of those as they can virtually. The intent is to still to do about 10 to 12 audits in 2020.

The NHB mailed out a little over 500 questionnaires to different companies in the industry. The point of this questionnaire was to try to get companies updated information to ensure that those people who say they are exempt, still are and get their completed exemption forms. The NHB received approximately 71 responses and most were far below the exemption requirements. Four respondents were identified as potential payers and we will be contacting them for a possible virtual audit or schedule them for a visit in 2021.

EMPLOYEE HANDBOOK CHANGES

There are a couple of minor changes to our PTO policies which includes changing the PTO minimum from 4 hours to 2 hours. Then the other one is a 2-hour appointment allotment per month for general appointments and this does not go against PTO.

401K OVERSIGHT

The NHB formalized an update to something that has already been in place. By noting that there is a committee to oversee the plan which includes the CEO, VP of Finance and Patterson McKinley and all three must meet and agree to any changes to the 401K. The entire

Board does not need to approve this document, just the executive committee. Margaret will send out an email to the executive committee in the next few days.

ACTION ITEM III TO APPROVE BUDGET

Motion by Doug Hauke, seconded by Joseph Sanroma to approve the Budget Amendment and carried to approve.

ACTION ITEM IV TO APPROVE HANDBOOK

Motion by Lisa Hansel, seconded by Doug Hauke to approve Handbook including PTO and 401k changes and carried to approve

2020 AUDIT PRESENTATION

By Alan Holmberg with Anderson & Whitney

Alan Holmberg spoke to what all they review to determine how they get to their official opinion with any exceptions. They found no exceptions and this reflects that the financials are as stated. Holmberg spoke to the modified accrual systems and why it is used especially by government entities.

Holmberg then reviewed the fulfillment materials, accounts receivable, accounts payable and funds balance. He stated that the National Honey Board is in a good financial position and in a place to proceed with our operations according to our budget.

Requirements of the USDA were mentioned and he said that those are being met in regards to our budget, assessments and expenditures.

Internal controls were also reviewed and they found no deficiencies in the control system and quantified that the NHB is in compliance. These are constantly being reviewed to ensure that the NHB is compliant.

ACTION ITEM VI TO APPROVE AUDITED FINANCIALS

Motion by Patricia Sundberg, seconded by Lisa Hansel to approve the audited financials and carried to approve.

MARKETING PROGRAMS OVERVIEW

Catherine Barry began by mentioning that it has been interesting to see the way in which the NHB communicates and interactives with the target audience shift so drastically over the last couple of months. But she emphasized her confidence in the marketing team and agency partners to quickly adapt and continue to make honey relevant even in the current climate of COVID-19.

Barry then stated that the NHB once again developed a Year in Review video highlighting the marketing successes of 2019, as well as created a draft of the Annual Report that once finalized will be sent out to the Board, assessment payers and industry associations. For those who prefer a digital copy, the Annual report will also be made available on honey.com.

The NHB's current roster of agency partners and their roles were reviewed, with the announcement of a new agency partner, Westbound Communications based out of California, that will lead the reputation management efforts for the NHB moving forward.

Barry reviewed the rationale for the strategic marketing shift that was shared at the fall board meeting. She recapped the need to shift the NHB's strategy in order to address the changing consumer perceptions and purchasing behaviors, while also combatting honey's negative association within the sweetener category. The NHB identified the importance of leveraging honey's positive perception and health attributes in order to differentiate honey from the pack. Barry shared the NHB will focus the marketing messages from "how to use honey" to "why to use honey" by reinforcing how eating honey is not only good for them, but also good for the planet.

Due to the strategic shift in the core message pillars, the NHB determined the current target audience, Natural Balancers, no longer made sense. Utilizing MRI data and other research tools, the NHB redefined the target audience and named them the *Goodness Seeker*. Barry highlighted and described the new target:

- Demographics: high education, high household income, working full time, skews female and represents about 17% of the US population
- Eat right and are always looking for new ways to live a healthier lifestyle
- Choose to purchase products that align with their values whether that is supporting products that are environmentally safe or purchasing brands that support a cause they care about
- Very food involved target that enjoys cooking and they are regularly checks labels for natural ingredients
- Powerful group of influencers the NHB can leverage to extend reach and impact

MARKETING HIGHLIGHTS

Barry discussed the impacts of COVID-19 on the planned marketing initiatives and the adjustments that were currently underway by NHB staff and all the marketing agency partners.

Many conferences and tradeshow the NHB planned to participate in have been postponed or canceled. Decisions were made to postpone some NHB-hosted summits and events planned for late spring or early summer for later in the year, when possible.

Barry shared that partners and targets are impacted on different levels, with many focused on sustaining their operations. Current situation has forced the NHB marketing teams to re-evaluate how they reach the audience under the unique circumstances in order to maintain a presence. Some of the changes being made include redirecting funds to more virtual communications, if and when it makes sense.

Due to time constraints, Barry briefly highlighted a few of the marketing initiatives including the following:

- Media relations efforts focused on the nutritional benefits of honey through a partnership with a registered dietician influencer
- Developing new marketing collateral examining how other “natural” sweeteners are highly processed in order to bolstered ways to differentiate honey
- Launch of an advertising plan with Healthcare Professionals (HCPs) to activate the “Good for Me” pillar
- Broaden exposure of the Celebrating Beekeeping video through paid media on YouTube beginning with Earth Day and running through National Pollinator Week
- Media relations efforts targeting TV stations in top markets for a segment including an observation hive and honey tasting during a relevant bee-related holiday, such as National Pollinator Week, National Honey Bee Day, etc.
- Participation in Slow Food Nation, an event focused on caring about the foods we eat, where it comes from and how our food choices affect the world around us
- Activation of a National Honey Month promotion called Honey Saves Hives, a partnership with F&B companies to promote “made with honey” products with a portion of the proceeds being donated to support bee health research

MARKET RESEARCH OVERVIEW

Barry outlined the top market research projects completed in 2019 and mentioned that most of the final reports could be found in the Industry section on honey.com for those that were interested in the detailed findings.

The list of 2019 research projects included:

- Food Labeling Study: Consumer Feedback to New FDA Label Guidance
- Honey Consumer Awareness, Attitude & Usage Study
- Nielsen 2019 Category Review –Retail Sales Data
- Menu Tracking Study by Datassentials
- New Honey Product Introduction Tracking by Innova
- Ingredient Manufacturer Study
- Honey Label Insights Study – False Package Claims

The Annual Research Plan for 2020 was reviewed and the importance of the research projects to program measurement and tracking consumer behaviors and perceptions regarding honey was reiterated.

Barry also shared the NHB would be conducting a Volumetric Study for a second time. The last time the study was conducted was in 2016 and it was extremely helpful in determining where the NHB should direct program funding. The study is designed to determine US market sizing for honey across all channels, forecast growth and trends driving market changes and helps to refine or redirect programming for future growth. The results should be ready by the fall board meeting.

NUTRITION RESEARCH UPDATE

Following the completion of the Request for Proposals, it resulted in the NHB funding three nutrition research studies:

- Two digestive health projects
- One digestive health/anti-inflammatory combined project

However due to COVID-19, Barry explained that the research timelines are currently on hold because it is impacting human subject recruitment. The NHB is hoping to make progress later in the year and into 2021.

INDUSTRY OUTREACH OVERVIEW

The NHB confirmed plans to move forward with a Honey Industry Summit in 2020. The summit is to be held in conjunction with the fall board meeting in Denver. Barry noted that last year's event was the biggest and best summit to date, but the NHB recognizes the need to change gears to keep the content fresh.

Sessions the NHB is considering incorporating based on attendee feedback includes interactive panels covering the following topics:

- F&B Manufacturing Panel
- Retailer Executive Panel
- Live Consumer Focus Groups (in-person or video)

The NHB is also considering identifying a keynote speaker, as well as planning to introduce the Goodness Seeker, the newly developed target audience for honey consumption.

Details were then shared about the February launch of the new NHB online store free materials program. The NHB determined that it would best serve the industry by restructuring the traditional paid program to be a completely free program, with the exception of a flat shipping fee. Materials will be provided in limited quantities and the industry recipient orders will be limited to once a year, per customer.

Barry then described the initiative the NHB has been working on in partnership with Project Apis m. to aggregate bee health research being conducted throughout the research community. A mockup of the Bee Health Collective website was shared with the Board and the tentative summer launch date was announced.

INDUSTRY ISSUES UPDATE

Margaret Lombard reviewed the Food Labeling Study and went over the three versions of honey labels that were tested. The biggest concern is the consumer will think the honey brands are being misleading or deceptive, rather than following the directions of the FDA.

Key Takeaways:

1. All three labels create confusion
2. Labels result in consumers being less confident that honey has no added sugar
3. All three label contributes to declines in purchase intent

An additional industry issue was noted in regards to honey testing methods used to detect honey adulteration. It was suggested that the NHB come up with an FAQ's to address this and give guidance on what each of the honey testing methods are good at showing.

Michelle Poulk asked if it might be worth addressing some of the mythical testing and old wife's tales as part of these FAQ's. The NHB acknowledged the suggestion and will plan to explore additional information to be included.

RE-ELECTION OF CURRENT OFFICERS

Eric Wenger discussed the normal in-person process for electing officers. In light of the COVID-19 situation it has been discussed that we continue with the current officers and re-elect in the fall. We would then at our Spring board meeting do our voting election procedures for half a term. The Board was in agreement with this.

Lombard mentioned to the Board the current officers are Eric Wenger/Chairperson, Michelle Poulk/Vice Chairperson and Lisa Hansel/Secretary-Treasurer

ACTION ITEM VII TO RE-ELECT CURRENT OFFICERS

Motion by Doug Hauke, seconded by Joseph Sanroma to maintain current set of officers until fall meeting and carried to accept

Wenger briefly reviewed the upcoming board meetings dates and locations:

Fall 2020: Kimpton Born Hotel, Denver CO, October 28th & 29th

Spring 2021: Omni Hilton Head NC, April 22nd & 23rd

Fall 2021: Boulder Marriott, Boulder CO, October 28th & 29th

Lombard touched on the fact that we will follow up on the new and re-instated board members in regards to an orientation at a later date.

Petrella mentioned that they will just wait to hear from Werning on the Budget Amendment.

ACTION ITEM VIII

Motion by Eric Wenger, seconded by Doug Hauke to adjourn at 10:43