2017 THE ALMOND CONFERENCE

ORGANIC: IT'S MORE THAN A LABEL

Room 312-313 | December 7 2017

CEUs – New Process

Certified Crop Advisor (CCA)

- <u>Sign in and out of each session you attend.</u>
- Pickup verification sheet at conclusion of each session.
- *Repeat this process for each session, and each day you wish to receive credits.*

Pest Control Advisor (PCA), Qualified Applicator (QA), Private Applicator (PA)

- Pickup scantron at the start of the day at first session you attend; complete form.
- <u>Sign in and out of each session you attend.</u>
- Pickup verification sheet at conclusion of each session.
- Turn in your scantron at the end of the day at the last session you attend.

Sign in sheets and verification sheets are located at the back of each session room.

AGENDA

- **Harbinder Maan**, Almond Board of California, moderator
- **Bryce Spycher**, Almond Board of California
- **Kelly Damewood**, CCOF
- **Tina Owens**, Kashi

Organic Almond Industry

The Almond Conference

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Almond Board of California

Agenda

1. Overview of the Organic Almond Industry
   - 2016 USDA/NASS Organic Survey
   - Almond Board Organic Statistics

2. Organic Advisory Panel
   - Formation of the Panel
   - Topics of Discussion

What is Organic?

- Organic Foods Production Act of 1990
  - Established the National Organic Program (NOP) and its authority to enforce agricultural products sold, labeled or represented as “organic” within the U.S.

- Growing Organic
  - Growers have gone through a 3 year transitional period where products cannot be marketed as “organic”

- Certified Organic Seal
  - Contents should be 95% or more certified organic
    - Free of synthetic additives like pesticides, chemical fertilizers, and dyes.
    - Cannot be processed using industrial solvents, irradiation or genetic engineering.

2016 USDA/NASS Organic Survey

United States

- 5 million certified organic acres in the United States
  - An increase of 15% from 2015
- $7.6 billion in certified organic commodity sales
  - $4.2 billion for crops
  - $3.4 billion for livestock, poultry and related products

California

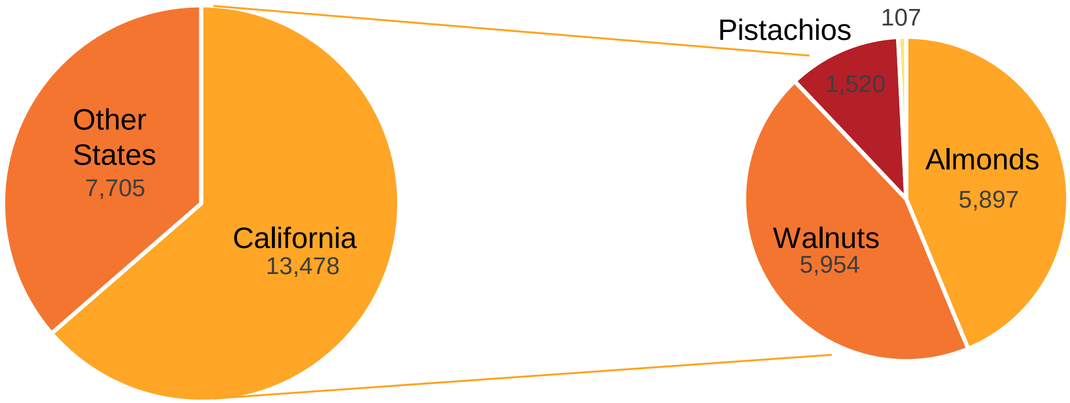
- 1.1 million certified organic acres
  - 21% of total U.S certified organic land
- 2,713 certified farms
  - 76 certified organic almond farms
- $66.3 million certified tree nut sales
  - 84% of total U.S. certified organic tree nut sales

USDA/NASS/RMA, *2016 Organic Survey*, October 4, 2017

Organic Tree Nut Acreage

- Majority of organic tree nuts are grown in California
  - 63.6% of organic tree nut acreage

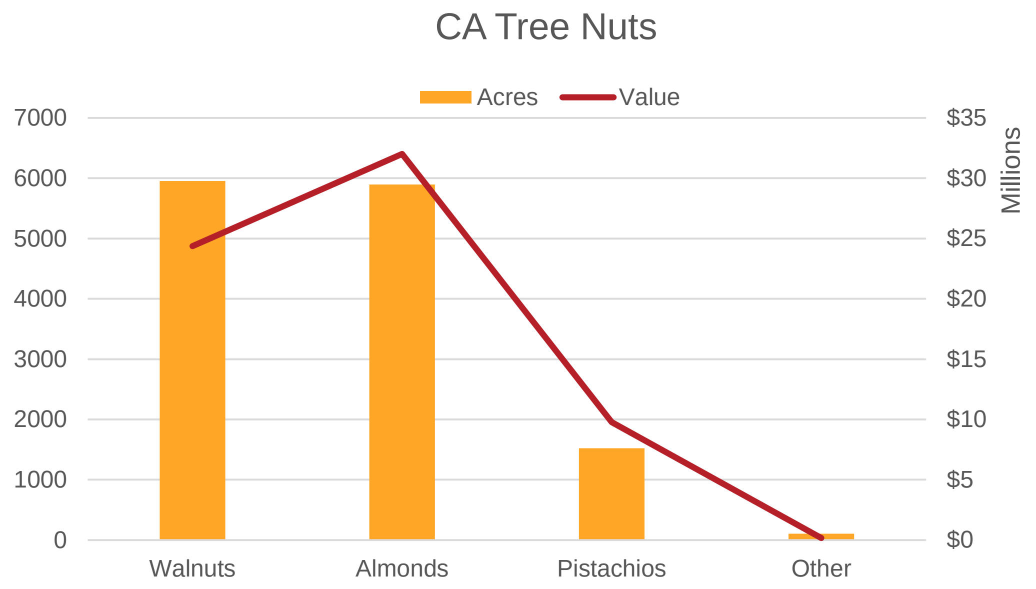
- California Tree Nut Acreage
  - Walnuts (44.2%)
  - Almonds (43.8%)
  - Pistachios (11.3%)



USDA/NASS/RMA, *2016 Organic Survey*, October 4, 2017

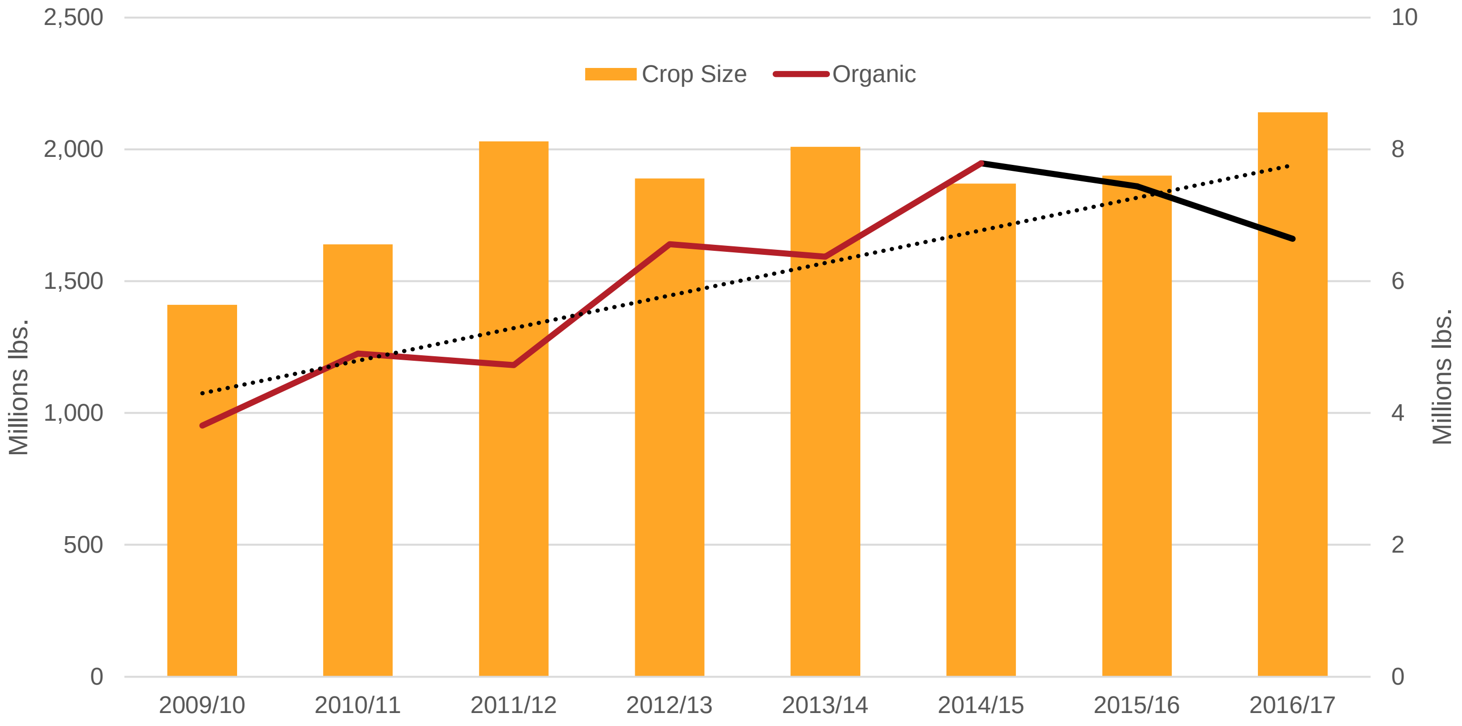
California Tree Nut Value

- Organic almonds provide a good return
  - $5,428/acre



USDA/NASS/RMA, *2016 Organic Survey*, October 4, 2017

California Organic Almond Production



Almond Board of California
USDA/NASS/RMA, *2015 Organic Survey*, September 15, 2016
USDA/NASS/RMA, *2016 Organic Survey*, October 4, 2017

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Organic Advisory Panel

- Organic Advisory Panel
  - Representatives from growing, hulling/shelling and processing/handling segments of the organic almond industry
  - Meetings on a quarterly schedule

- Functions of the Organic Advisory Panel
  - Provides a place for discussion on issues relevant to the organic almond industry
  - Panel provides insight to the Board of Directors or Committees on a variety of topics specific to the organic almond industry

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Relevant Topics

- Organic Almond Imports
  - Equivalency Agreements
  - Compliance & Enforcement

- Organic Research, Promotion, and Information Order

- Organic Statistics
  - Organic Position Report
  - Organic Production Reporting

- Research Areas
  - Biological Soil Amendments
  - Pollinator Health

Organic Advisory Panel

Next meeting is scheduled for:

- Thursday, March 22, 2018 @ 10:00am
  - Nonpareil Conference Room, Almond Board

Thank You!

Bryce Spycher

Manager, Marketing Order Services

bspycher@almondboard.com

Organic Integrity in a Global Marketplace

Kelly Damewood, CCOF
Director of Policy & Government Affairs

About CCOF

(California Certified Organic Farmers)

Members of CCOF Board of Directors – all certified organic producers.

CCOF Certification Services, LLC

USDA
ORGANIC

Certified
CCOF
Organic®

The CCOF Foundation

CCOF Policy & Advocacy

- Federal & California State Policy

- National Organic Standards

Advancing Organic Agriculture for a Healthy World

A Global Organic Marketplace

- Over 179 countries have organic activities.
- Global retail sales of organic food and drink in 2015 totaled $81.6 billion.
- 2.4 million organic producers worldwide.
- Exports to at least 104 countries.
- Imports to at least 111 countries.

Organic Trade Balance

- Organic Imports worth 2x as much as Organic Exports
  - $1.7 billion imports
  - $547.7 million exports

Organic Trade Partners

Equivalency Agreements

- Canada
- EU
- Japan
- Switzerland
- Korea

Other Key Trade Partners

- Taiwan
- India
- Israel
- New Zealand
- Mexico
- Peru
- Turkey
- Ukraine

Compliance & Enforcement Worldwide

- Audits of certifying agents
- Annual on-site inspections.
- Residue testing program.
- Suspending or revoking organic certificates.
- Issue-based investigations.

Organic Share of Almond Imports

Over half of imported almonds over the last 3 years were organic, ranging from 54-57% of all almond imports.

Unique Challenges in Global Supply Chain

- Uncertified handlers.
- Increased complaints and testing proficiencies.
- Increased volume of organic operations and products.
- NOP coordination with other agencies overseeing imports.

Fraud remains the exception, not the norm.

In 2017, less than 1% of the over 30,000 certified organic operations worldwide had a compliance issue resulting in suspension or revocation of their certification.

Organic Community Response to Fraud

- National Organic Standards Board (NOSB) recommendations
- National Organic Program Interim Instruction
- Organic Trade Association’s Best Practices Guide

CCOF at Work

- CCOF Uncertified Handler Affidavit.

- Advocating for straightforward solutions:
  - Expanding the Organic Integrity Database.
  - Mandatory acreage reporting for all certifiers.
  - Organic Consumer and Farmer Protection Act.

The Organic Farmer and Consumer Protection Act.

Spearheaded by the Organic Trade Association, this bill would:

– Increase NOP funding to keep pace with organic growth.

– Fund technology improvements to track imports.

– Directs multi-agency coordination.

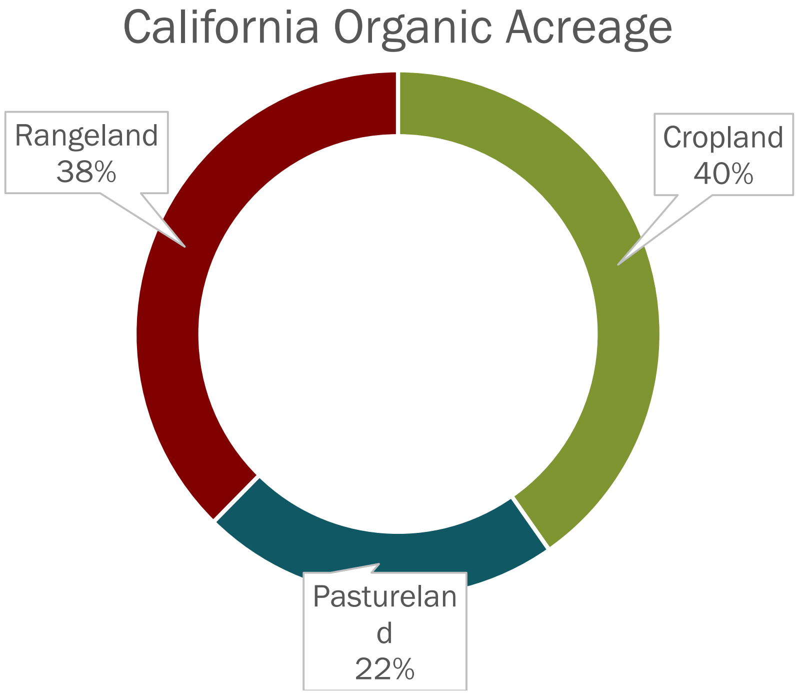
– Increase certifier authority over uncertified handlers.

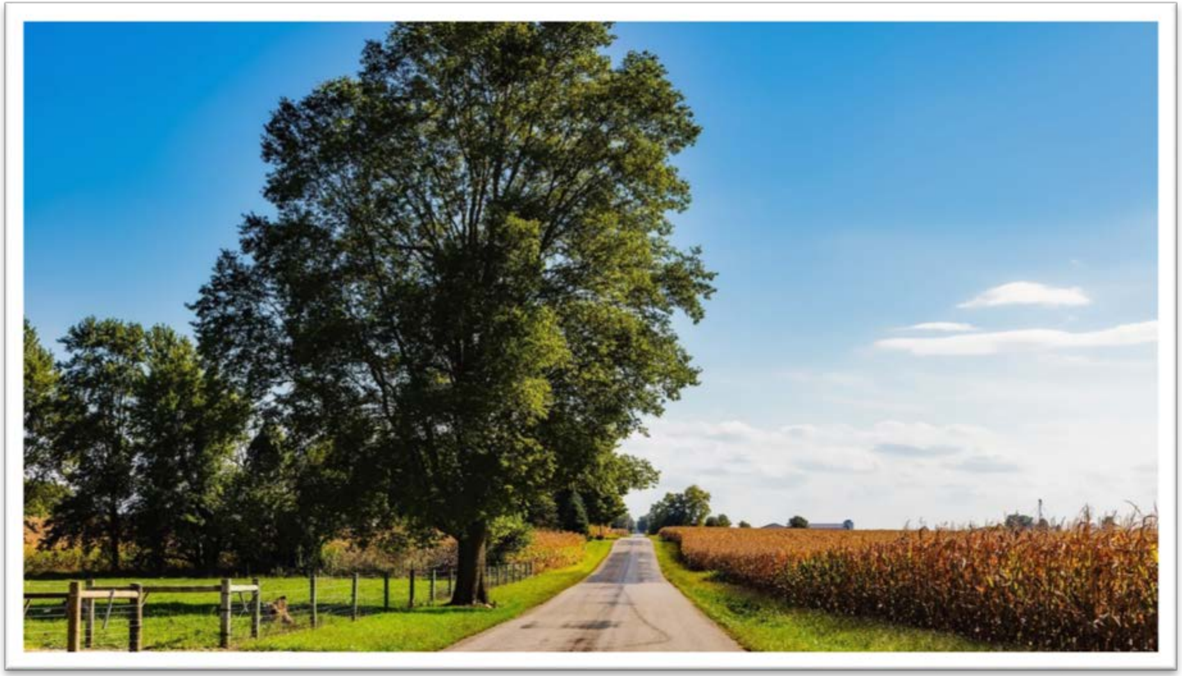
– Require annual compliance reports to Congress.

Growing & Supporting Domestic Supply

California is the number one producer of organic crops. . .

Yet, less than 4% of California agricultural land is farmed organically.





Roadmap for an Organic California

How to increase organic from
3.5% of the state's agricultural land by 2030.

Resources

- Exporting Organic Products from the U.S.
- Importing Organic Products into the U.S.
- Organic Trade Association U.S. Organic Trade Data: 2011 to 2016
- The World of Organic Agriculture 2017

Thank you.

Kelly Damewood, kdamewood@ccof.org.

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Organic Trends

By the Numbers

December, 2017

69% of consumers say company ethics influence a purchase

Source: MINTEL

Four overlapping zones of responsibility help explain how consumers think about, and act upon, sustainability issues

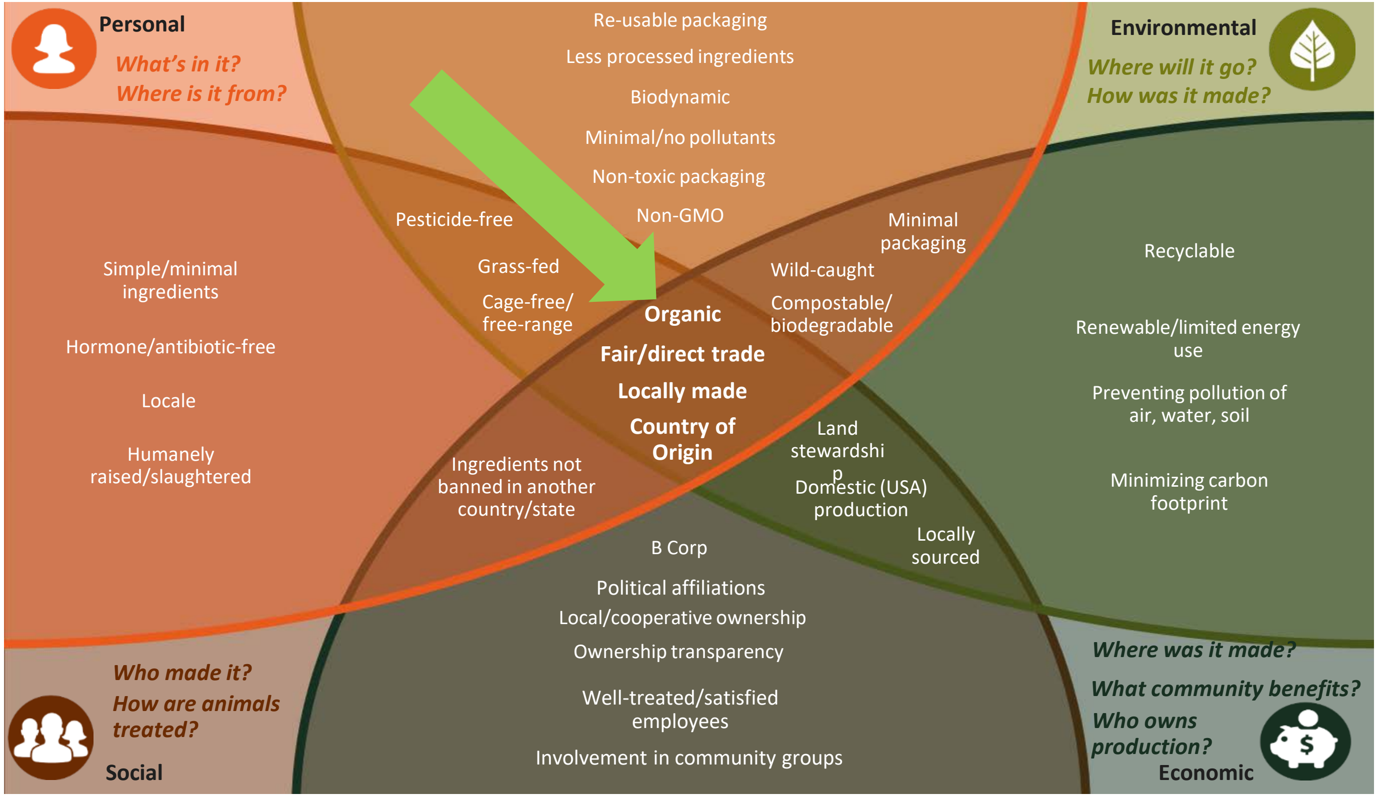
Sustainability is a complex term that incorporates not only the environment but also how humans interact and fit within it. Even unengaged consumers recognize connections between personal benefits and wider social, economic, and environmental issues.

Consumers tend to evaluate products, services, and actions through four zones of responsibility: *personal, social, economic,* and *environmental*.

Consumers can compartmentalize each of these zones into discrete areas separate from one another. However, for the engaged sustainability consumer, these zones do not exist in isolation; each is fundamentally linked to one another as parts of a whole.

In practice, the zones of responsibility overlap, especially for more engaged consumers who tend to think about sustainability holistically

In general, the more zones an attribute touches for a consumer, the more influential it is in their purchasing. Attributes in the center are especially powerful because they encompass more zones of responsibility for a wider set of consumers.



hartman GROUP
RESEARCH CONSULTING : CUSTOMIZED

Executive Summary

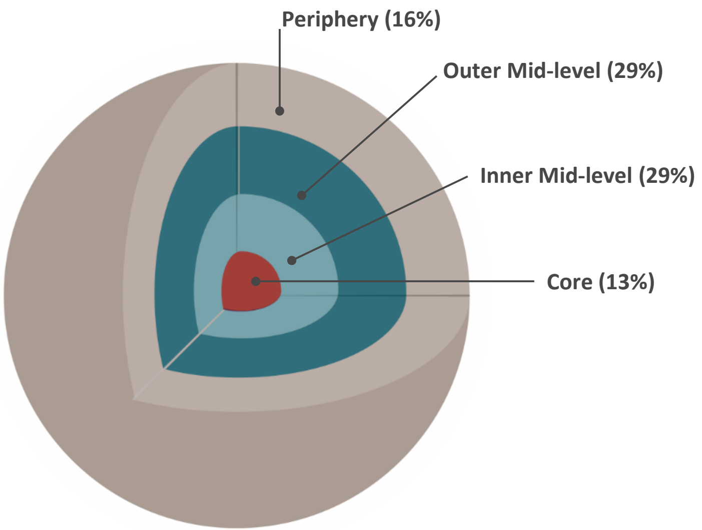
The Hartman Group has been tracking consumer attitudes and behaviors surrounding sustainability and related issues in the U.S. since the 1990s.

Eighty-seven percent of adult consumers are inside our *World of Sustainability*, meaning that sustainability-related concerns impact their values, attitudes, and actions in at least some measure.

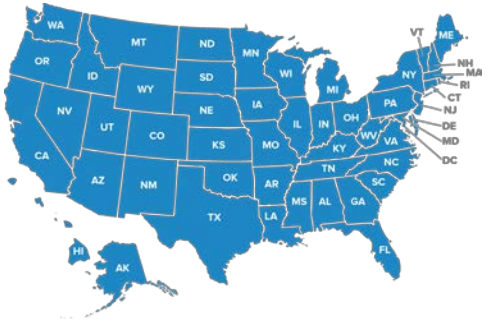
Within this World, we segment consumers based on the intensity of their involvement and how closely their aspirations match their actions.

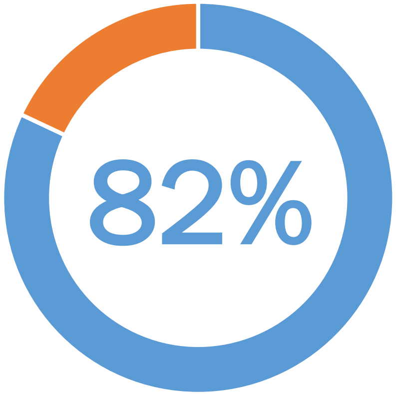
- The **Core (13%)** are the most intensely engaged and structure their lives around benefitting the "greater good." Their actions, attitudes, knowledge, and purchasing criteria filter out to other consumers as trends.
- The **Inner Mid-level (29%)** and **Outer Mid-level (29%)** represent the largest populations of consumers. Both pragmatically adopt trends set by the Core, especially where sustainability appears to overlap with more tangible personal benefits.
- The **Periphery (16%)** care about sustainability in a general sense but are the least engaged in their everyday lives. They buy sustainable products/services if they align with other personal benefits, especially health and wellness.

87% are inside the World of Sustainability



Organic is now in the kitchens of 82.3% of U.S. households





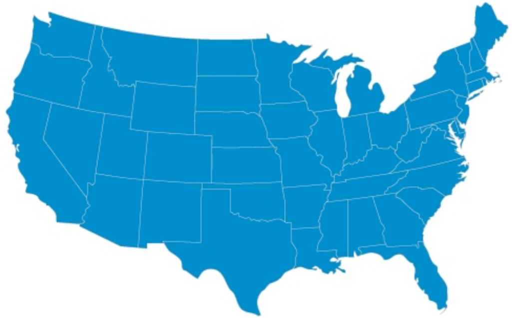
13%
increase

Source: nielsen

Data shows organic in the kitchens of 82.3% of U.S. households

The study of 100,000 households conducted in 2015 and 2016 reported that more households than ever bought organic food on a regular basis throughout 2016.

In the U.S. alone, volume sales of products with an organic claim on the package grew 13.1% over the 52 weeks ended July 30, 2016.



The states showing the biggest jump in households purchasing organic from 2015 to 2016 were:

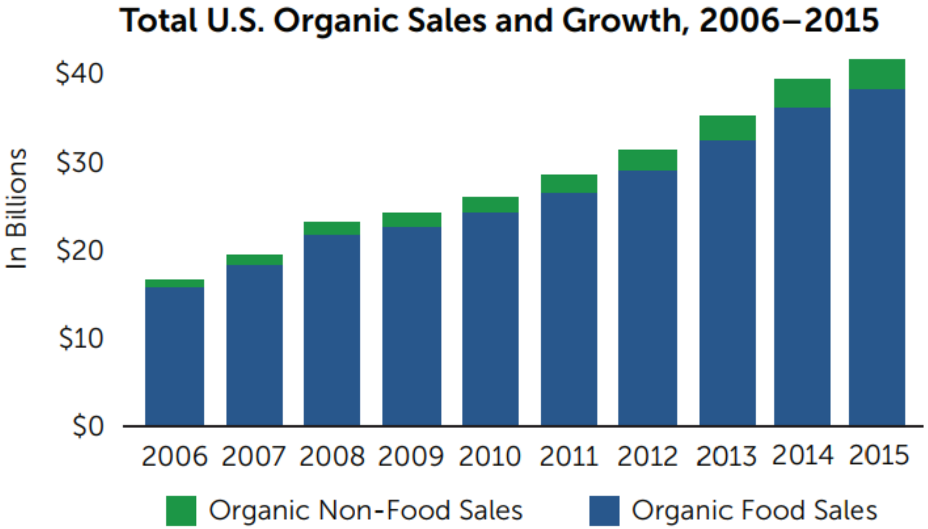
- North Dakota - 85.6% of households, up 14.2%
- Wyoming – 90%, up 10.8%
- Rhode Island – 88.3%, up 12.3%
- **South Dakota – 68.9%, up 10%**
- Wisconsin – 77.6%, up 9.1%

Source: nielsen

Growth in the Organic Market

FIGURE 2.8 - **U.S. ORGANIC FOOD VS. TOTAL FOOD SALES, GROWTH AND PENETRATION, 2005-2015**

CATEGORY	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Organic Food	13,260	15,629	18,188	21,571	22,497	24,123	26,336	29,023	32,335	35,952	39,754
Growth (%)	19.2%	17.9%	16.4%	18.6%	4.3%	7.2%	9.2%	10.2%	11.4%	11.2%	10.6%



12.38%

10-yr average

Source: Organic trade association

U.S. Organic Almond Shortage Example

Less than 1%

of farmland in the U.S. is certified organic*

Quick Case Study: Almond Milk

Case Study: Almond Milk

The almond milk category has grown by 249% since 2012, from $542MM to $1,348MM

From 2014 to 2017, the <u>organic</u> almond milk category has grown from 0.6% of the total market almond milk category to 2.2% (MULO channel)

The almond milk category is expected to reach $2,177MM in 2022, which is +161% from 2017 sales. These numbers include both non-organic and organic.

For nondairy consumers, almond milk outsells soy milk

- Almond milk currently holds 64% of the non-dairy milk category

- **41%** of non-dairy milk consumers look for organic or natural foods when shopping for food, compared to just 28% of dairy milk consumers.

Source: MINTEL

Quick Case Study: Complex Products

USDA
ORGANIC
Cascadian Farm
ORGANIC
DARK CHOCOLATE ALMOND
GRANOLA
Vegan
PERFECT Bar
ALMOND COCONUT
GLUTEN FREE
PRO BAR
bite
Organic Energy Bar
theo
ORGANIC
FAIR TRADE
Salted Almond
MILK CHOCOLATE
45% cacao
fair for life
COCONUT ALMOND
in Chocolate
Luna & Larry's
Organic
Coconut Bliss
Creamy coconut with an almond crunch, dipped in organic fair trade chocolate
Dairy, Soy & Gluten Free
Vegan
3 Bars
Non-Dairy Frozen Dessert
CLIF ORGANIC
TRAIL MIX BAR
Gluten Free
4g Fiber†
Low Sodium
CRANBERRY ALMOND

CLIF Bar holds 33% of market share in the health and lifestyle bar category and exports to 18 countries across Europe, Asia and Australia

Since 2013, the company has seen an annual compound growth rate of **20% YOY**

Theo Chocolate has experienced double-digit growth every year since it was started in 2006.

Perfect Bar is sold in 12,000 stores like Whole Foods, Costco, Sprouts & Target

2015/2016 - 50% YOY growth

The Future:

Today's Millennial: Tomorrow's Organic Parent

Organic Trade Association survey signals big new wave of organic consumers on the horizon

25% of the Millennials in America are parents.

In the next 10 to 15 years, 80 % of Millennials will be moms and dads.

Millennials are the largest consumer group in the U.S. and they're choosing organic.

Research shows becoming a parent will only deepen the strong affinity for organic shared by this powerful generation

Millennial parents – parents in the 18- to 35-year-old age range -- are now the biggest group of organic buyers in America

Today's organic buyers with children are already passing their organic habits on to the next generation, and so will the Millennial parents-to-be.

Among American mothers and fathers, 52% of those buying organic are millennials, which compares with 35% of Generation X parents and 14% of Baby Boomer parents.

nielsen

Global View Point

- **44%** of consumers want more organic products

In Germany, volume sales of organic products grew 10.6% over the 52 weeks ended April 3, 2016.

Asia-Pacific has the highest percentage of respondents who say they want more organic products (51% versus 44% globally).

45% of Latin American respondents preferred organic food

43% of Middle East/Africa/Pakistan respondents preferred organic food

Our Program:

Certified Transitional: Moving the Needle

- 3rd party protocol owned by QAI

- 2016 First Certified Transitional product was launched

- Taking the problem of 1% organic acreage directly to consumers

- Almonds are segregated through the full supply chain
- Offering a premium to the farmer which helps with conversion to organic

TRANSITIONAL CERTIFIED BY QAI

Certified Transitional Design:

TRANSITIONAL CERTIFIED BY QAI

Protocol designed to recognize farmers and crops that are organics in training

Created to increase accessibility to organic food

Open source protocol

Front of pack label for products following protocol

Tina Owens

Director, Sustainability & Strategic Sourcing

At Kashi Company

California Almonds
Almond Board of California

Thank you!

What's Next

Thursday, December 7 at 3:30 p.m.

- What to Consider Before and After Harvest – Room 308-309
- FSMA and Electronic Record Keeping: Moving Beyond Paper Logs and Excel – Room 314
- Proposition 65: When Is a Warning Required? – Room 306-307

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