Drought Issues Management Update
## Situation Overview

**Almonds Feature Prominently in Drought Coverage, but Conversation Expanding**

<table>
<thead>
<tr>
<th>Current Position</th>
<th>Communication Goal</th>
<th>Progress</th>
<th>Spokespeople (not inclusive)</th>
<th>Goal Message</th>
</tr>
</thead>
<tbody>
<tr>
<td>Almonds exclusively featured</td>
<td>Decrease</td>
<td>Moderate</td>
<td>Growers, UC</td>
<td>Almonds are <strong>part of</strong> the CA bounty negatively impacted by the drought.</td>
</tr>
<tr>
<td>1 gallon = 1 nut</td>
<td>Broaden conversation / increase context</td>
<td>Moderate</td>
<td>Growers, UC</td>
<td><strong>All foods need water.</strong> Almonds don’t require significantly more than many foods.</td>
</tr>
<tr>
<td>Total almond acreage water</td>
<td>Provide context</td>
<td>Moderate</td>
<td>Growers, CFWC</td>
<td><strong>Almonds are efficient water users.</strong> Almonds use 12% of irrigated ag land, but only 8% of irrigation water.</td>
</tr>
<tr>
<td>requirement</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Farmers aren’t sharing the</td>
<td>Correct Misinformation</td>
<td>Moderate</td>
<td>Growers, CFCW, PPIC, State Gov., Farm Bureau</td>
<td>Farmers are sharing in the sacrifices; 20% of usual state water and zero federal water</td>
</tr>
<tr>
<td>sacrifices</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current almond acreage footprint</td>
<td>Provide context</td>
<td>Moderate</td>
<td>Growers</td>
<td>Almonds are a large crop, however, ~<strong>90% of CA acreage is planted in the bountiful variety of CA ag.</strong></td>
</tr>
<tr>
<td>Future almond acreage footprint</td>
<td>Provide context / educate</td>
<td>Minimal</td>
<td>Growers, investment groups</td>
<td>Almonds are a desirable crop because they are efficient water users and have <strong>high value to growers and consumers.</strong></td>
</tr>
<tr>
<td>Benefits of almond production</td>
<td>Provide rationale</td>
<td>Moderate</td>
<td>Health Professionals, CDFA, Farm Bureau</td>
<td>Californians = locally grown food that contributes to GDP Consumers = nutritious, sustainable food that empowers your healthy life</td>
</tr>
<tr>
<td>Current groundwater management</td>
<td>Demonstrate responsible use</td>
<td>Not yet underway</td>
<td>CFWC, Farm Bureau</td>
<td>Groundwater is and has been an important tool to farmers in CA. Almond growers are participating in the dialog about future groundwater oversight.</td>
</tr>
</tbody>
</table>
Secondary messages that may elevate over time

- Large and Small Farms
  - ABC needs to set the tone that both produce the almonds you love

- 2% GDP
  - ABC can participate in the conversation that 2% is notable: entertainment industry (3%), foodservice industry, Computer Systems

- Ag sectors competing with each other
  - ABC must broaden the conversation, but not at the appearance of another industry

- Ag competing with urban users
Balanced Coverage is Beginning to Appear Regularly

@NYTimes @Bittman discuss misplaced Fear of #Almonds and commonsense #drought thoughts nyti.ms/1de0ugv

Don’t scapegoat #almonds. Mark Bittman on sane #water use in California. @nytimes #drought nytimes.com/2015/06/03/opi...

Growing Almonds in California's Drought

Farmer Tom Rogers runs a 175-acre family farm in Madera, California, producing 2,500 pounds of almonds per acre. Says Rogers, "No water, No food."

11 PHOTOS

70% of California almonds are micro-irrigated which uses a similar amount of water to many other crops.

Almond farmers unfairly roasted during the drought?

Posted: May 13, 2015 10:26 PM PDT

By Ken Wayne, Reporter, Anchor

FRESNO COUNTY, Calif. (KTVU) - It takes a gallon of water to grow a single almond. But almond farmers say that widely publicized fact is not the whole story and they’re the target of scorn from some who say the crop uses too much water in the middle of California’s record drought.

California almond orchards now cover a million acres of Central Valley farm land. California supplies all of the United States’ and much of the world’s almonds.
April Media Overview

- April was by far the heaviest media month for almonds and drought-related coverage, but with a significant taper in the final week.
- The water intensity of almonds and groundwater usage were the two most discussed topics.
April Social Media Overview

- Social media activity sustained higher mentions

- Although all social tonality for almonds remains flat to up
Crop of Choice Issues Management

Going Forward
Passing through a new threshold
- California farming scrutinized as never before
- Permission to farm questioned
- The status quo can no longer be sustained
- Threshold: Farming fundamentals being permanently altered

2014 – 2024
- The Crop of Choice decade

Paradoxical Crossroads
- Unprecedented achievements
- Unprecedented challenges

Industry Scale & Success = Visibility & Responsibility
Dealing with Perception

Where do we find ourselves?

• Fundamental agricultural change is evolving our industry
• Unprecedented media and public policy scrutiny is affecting the future of our industry
• We run the risk of having the “perception game” escape from our grasp
• This isn’t a “crisis du jour” – this isn’t just about damage control; this requires a different, long term approach
• Water is much more than H2O: it’s life as we know it…and then there’s dust, PPO, salmon, bees…
• Very soon we will be the largest acreage and most valuable crop in California
### Growth of Top Natural Companies

<table>
<thead>
<tr>
<th></th>
<th>CAGR</th>
<th>3 yr Growth</th>
<th>2 yr Growth</th>
<th>% Chg vs YA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ttl CPG</td>
<td>2.8%</td>
<td>8.0%</td>
<td>3.8%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Top 5 &quot;Natural Companies&quot;</td>
<td>14.9%</td>
<td>46.0%</td>
<td>19.4%</td>
<td>7.6%</td>
</tr>
<tr>
<td>Top 5 Traditional</td>
<td>0.4%</td>
<td>-0.1%</td>
<td>-1.1%</td>
<td>-1.0%</td>
</tr>
<tr>
<td>Rest of CPG</td>
<td>2.6%</td>
<td>7.5%</td>
<td>3.5%</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

Source: Nielson, 08/02/2014
Baby Boomer vs. Millennial

Our consumer model was built to serve baby boomers and is completely out of step with Millennials.

Baby Boomer
- 1946-1964
- 25% of Population
- Mad Men
- Shopping Malls
- Fast Food

Millennial
- 1980-2000
- 1/3 of population by 2020
- Connected
- Tech-savvy
- Transparent
Millennial Food Movement

Millennials are especially interested in the story behind their food and looking to learn more about what’s in it and how it’s made.

- Connect with lifestyle brands
- Value authenticity
- Transparency and ingredient focus
- Comfortable with unknown brands if discovery is theirs
Almond farming in California is considered by all to be good for the state and the country, and has a long-term competitive advantage vs. other countries of origin.

The use and consumption of almonds is considered essential to global importers, manufacturers, product developers, marketers, retailers and consumers.

Built on tremendous equities and perceptions:

* Great taste
* Simple, natural and unprocessed
* Nutrient dense, powerful health benefits
* Versatile, convenient and portable

* Grown in pristine, beautiful CA
* Global consumer demand
Where is the Tipping Point?

Currently, the discussion of water usage and industry growth is mostly in the context of the drought.

But occasionally a story or comment pierces through the drought’s shadow to ask the real question – one that’s not going away:

Are almonds good?
For me?
For my family?
For my environment?
For my community?
The Future of California Almond Agriculture

- Where do California almond growers fall along the continuum of “Status Quo” and “a new possible reality” – our bell curve.

Almonds are “A Crop of Choice”!
- Drought will end soon
- Reasonable/Achievable Regulations

Are Almonds “A Crop of Choice”?
- Climate change = unending drought
- Unreasonable/Unachievable Regulations

Status Quo

New Possible Reality
Consumer Outlook and Behavior – Consumer Bell Curve

• How could consumer attitudes change?

Almonds are “The Nut of Choice”!

Consumers choose Almonds as a snack and an ingredients in the products they buy because they are healthy, delicious and fit their lifestyle and values.

Are Almonds “The Nut of Choice”?

Consumers limit their purchase of almonds because of concerns about the impact that Almonds have on the environment: water, bees, pollution.

Today

Possible challenges
Food Company Perspective

• How could retailer and CPG food company attitudes change?

Almonds are “The Nut of Choice”!

Almonds add consumer demand, health, texture, crunch, great taste, versatility and value

Are Almonds “The Nut of Choice”?  

Negative environmental impact doesn’t align with consumer needs. Supply and price concerns make other options more appealing

Today

Possible challenges
Reputation Management is Broader than Drought and Water: Almonds Are at the Center of Multiple Tension Points

- My Health
- Health of My Environment
- Water
  - Pesticides
  - Bee Health
- Eat Local
- Exports = Jobs and Economy
- Monoculture
  - “Big Ag”
- Safe Food
- Unprocessed Food
- Pasteurization
  - PPO
- Good Reputation
- Transparency and Trust
- Labeling

Eat Local
Exports = Jobs and Economy
Safe Food
Unprocessed Food
Good Reputation
Transparency and Trust
Areas of Industry Alignment:
- Position Taking
- Goal Setting

- Applied Water
- Ground Water Management
- Precision Agriculture
- Central Valley Air
- Healthy Bees
- Additional Growth of the Industry
We are leaders

• Health+
• Conscious Consuming
• Transparency = Trust