

American Hazelnut Company, LLC
Annual Members Meeting
January 11, 2020

The annual members meeting was held at Three Bears Resort in Warrens WI. It was started by Chair Lilja at 10:15 AM. Attending members were: Crittenden, Fischbach, Hansen, Hovel, T Klemp, M Klemp, Lilja, Mahan, Niemcek, Ronsheim, Saunders and Smith.

Introduction: Lilja opened the meeting with an overview of the agenda. There is company business to complete: voting on the revised Operating Agreement and electing members to the board to replace the expiring terms of Lilja, Niemcek and Crittenden. A vote is proportional to the units owned by the voting member and quorum is 2/3 of the member units.

Reviews of sales and production costs will be presented, followed by discussion of grower cluster benefits.

Vote on amended Operating Agreement: Working with attorneys Glazer and Ogden, the board made revisions to the Operating Agreement, clarifying language and strengthening the LLC structure. Voting can only be done by those present or by proxy, if the member specified their proxy in writing. Of 1058.6 total units outstanding, 743.6 voted to approve the Agreement or 70.24%, meeting the quorum requirement.

Elect board members to replace those on expiring terms: Three board members have expired terms: Crittenden, Lilja and Niemcek. Crittenden nominated Pam Saunders to the board, Ronsheim nominated Niemcek, and Smith nominated Lilja. There were no other nominations. All nominations were accepted and approved by unanimous vote of the attending members. This constitutes 64% of member units.

Review of 2019:

Sales: Niemcek distributed a summary of the past three years sales numbers, showing a consistent increase from \$6478 in 2017 to \$18313 in 2019. Oil is the largest revenue producer, but new products such as flour and puree have made important gains. The kernel sales are difficult to maintain being 100% mid-western product and expensive to clean. The puree is the residue that settles to the bottom of the oil storage container, mainly a solid. Luv Ice Cream in St. Paul is using it as a flavor additive in their Nutella-like spread.

A Google ad campaign was tested in the fall. An investment of \$1500 resulted in a similar website order increase. However, after Amazon bought the right to use our search terms, AHC lost visibility and it was not useful to continue.

The Upper Midwest hazelnut development initiative, UMHDI, holds its informational meeting this year on March 6 and 7th in Decorah, IA. Plant trial updates will of interest to growers.

The Northland College Agreement is up for renewal in March. AHC does all the in-shell processing there, delivering clean kernel to Gays Mills for the oil and flour production. Northland College is more expensive than the Kickapoo Culinary Center but is benefited by proximity to Jason Fischbach and has storage space to accommodate the annual harvest in September.

Equipment: Fischbach reviewed current in-shell processing equipment. He has three roller-sizers that are too slow and should be sold, perhaps some members would be interested. A sizer from M. Shepard was returned. The drill cracker can run 150 lbs/hr but the material has to pass through three times to

get enough cracked. Dave Bohnhoff's drum sizer, loaned for free, is in use. There is a vibrating sorting table that is owned by AHC.

New Equipment on Order: New processing capability is needed to reduce costs. Fischbach processed 4953 pounds of in-shells in 2019. 47% of the nuts were in the 12-13 mm size bucket. This size is very difficult to crack whole kernels. A 'Universal Cracker' was tested by UW. 100 nut samples of 15- and 12-mm sizing were sent.

	15 mm diameter	12 mm diameter
Cracked	97	84
Whole kernel	68	68
Splits	9	18
Uncracked	3	14

Our current spindle cracker does not perform nearly as well on the 12 mm size. The Sample Cracker from a Spanish manufacturer yielded 93% whole kernel on the 12 mm size. This is the most desirable as the whole kernels can be cleaned by rolling them on a tilted, vibrating table. This cracker will be delivered in February. It seems very well suited to mid-western hazelnut sizes. The three-drum sizer is ordered and can help separating half-kernel from whole kernel if using a round-hole sleeve.

Processing Costs: This year, processing kernel cost \$4.65 a pound; adding the facility charge brings it to \$6.34. AHC pays its members an effective \$4.65/pound of kernel making the total kernel cost \$10.99/pound.

Funding update: AHC members donated \$12500 as seed money for processing equipment development. A WEDC application for funding has not been successful. The Savanna Institute and their financial investor Grantham have a \$5 million initiative in hazelnut development, including planning of a 40 acre test farm in SW Wisconsin.

Clones: Clonal material from Fischbach's five selections have been sent to grow places in the Northwest for propagation. Availability to growers is yet unknown.

Plan out approach to Savanna Institute: AHC should organize a proposal to approach Grantham – what is our vision for hazelnut planting and production and how their funding could enable it. The Board will take this mission (Lilja).

Harvesting development: Bohnhoff has made progress on the harvester evaluations. Two BEI methods of over-the-top harvesting use slappers to dislodge the clusters or more gentle vibrating poles. Both are successful and the main problems that remain are due to poor plant characteristics such as a wide suckering base and uneven ripening dates. An olive harvester with vibrating bows is considered more gentle still, and is large enough to handle any mid-west hazelnut bush. UW is getting that machine ready for 2020 harvest.

Grower clusters for shared processing: AHC member M Hovel found a low-cost husker that runs off a tractor PTO that did a good job of husking and cleaning the harvest. An idea (Fischbach) could be to purchase several huskers at a discount and have them distributed in grower clusters. They could pool

their resources and buy one or an individual could take the lead with the purchase and rent/loan it to the others.

A discussion on AHC strategy for the future will be briefly summarized here. Fischbach suggested we view the choices as

1. Pick-your own 'Agritourism' or a road-side stand open only in the fall.
2. Wholesale company selling ingredients for value-added products
3. Branded, AHC value-added products, mostly wholesale

AHC seems already in #3, but product expansion will be crucial. The following points were made: Selling of a product that is an inclusion in the final consumer product can be profitable. Nutella is selling mostly sugar and oil with the expensive hazelnuts a smaller fraction. Our puree is an example also. AHC flour has been very successful with chefs. Our pricing is lower than Bob's Red Mill, therefore, perhaps we can dominate in this product in the mid-west. Marketing dollars will be needed to break the olive oil monopoly on light food oil. Perhaps this is our Grantham proposal. AHC needs our own 'nutella'. We could sell low cost sugar and oil with a local hazelnut inclusion.

Meeting Adjourned at 2:20 PM.