

**CALIFORNIA AVOCADO COMMISSION
BOARD MEETING MINUTES
AUGUST 17, 2023**

A meeting of the California Avocado Commission (CAC) Board was held on Thursday, August 17, 2023 with the following people present:

MEMBERS PRESENT

Gary Caloroso
Will Carlton
Jason Cole
Quinn Cotter
Maureen Cottingham
Rob Grether
Jessica Hunter
Rachael Lanean
Daryn Miller
Michael Perricone
Peter Shore

MEMBERS ABSENT

John Cornell
Ohannes Karaoghlanian

ALTERNATES ABSENT

Hayden McIntyre
Charley Wolk

OFFICIALLY PRESENT

Katie Cook, USDA
Ben Kardokus, CDFA
Tim Spann, Spann Ag

GUESTS PRESENT

John Berns
Dan Coxe
Marji Morrow
Joanne Robles
Jacqueline Solares

ALTERNATES PRESENT

Maddie Cook
Connor Huser
Robert Jackson
Jamie Johnson
Jamie Shafer

STAFF PRESENT

April Aymami
Zac Benedict
Dave Cruz
Stacia Kierulff
Ken Melban
Jeff Oberman
Terry Splane
Cristina Wede

ITEM #1 CALL TO ORDER

Roll Call/Quorum – Item 1.a.

Rob Grether, CAC chairman, called the meeting to order at 8:00 a.m. with a quorum present.

Introductions – Item 1.b.

April Aymami, CAC industry affairs director, announced the California Department of Food and Agriculture (CDFA) and US Department of Agriculture (USDA) representatives, CAC staff and known guests participating in the meeting. She asked for all other guests to announce themselves and recorded all participants in attendance.

ITEM #2 OPPORTUNITY FOR PUBLIC COMMENT

Joanne Robles from Avocado Growers of California provided comments that what she learned from the 8/16/23 Breakout Sessions is as a small grower, “if you do not have volume, then you do not have a seat at the table”. She stated every grower contributes regardless of how big or small and if we want to grow this industry, we must include everyone. Her recommendation is for any grower with a volume less than 300,000 to be excluded from the Commission. She also stated that the survey used for this meeting was cursory and only gave Board members, not all growers, a chance to reply within a very short amount of time.

Mr. Grether responded specifically to Ms. Robles’s comment regarding “if you do not have volume, then you do not have a seat at the table”. He stated that it was important for the record to reflect that under CAC Law a “producer” or “grower” is defined as a person with an average annual production of 10,000 pounds or more of avocados in three preceding marketing years. He added that all legally defined producers may run in an election to serve as a director. He said

this organization is intended to support the California avocado industry at large and, in that language, it recognizes that production is relevant. He reiterated that 75% of respondents of the referendum voted for the continuation of the Commission showing that most growers recognize the value of the Commission.

ITEM #3 CONSENT CALENDAR

Mr. Grether introduced the consent calendar items and asked for questions or comments. With no comments on the consent calendar items, the following motion was put forward:

MOTION:

The CAC Board of Directors approves the Consent Calendar, Items 3.a and 3.b as presented.

(Cole/Miller) MSC Unanimous

MOTION 23-8-17-1

The Consent Calendar is included in the August Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Items 3.a and 3.b.

ITEM #4 BOARD STRATEGIC PLANNING

CAC Management Report on Day 1 Breakout Group Discussions – Item 4.a.

Mr. Grether explained that CAC management would be presenting a summary of their prior day group discussions.

First to present was Terry Splane, CAC vice president of marketing, on the marketing discussion main topics. Mr. Splane reported the marketing group common themes as: 1) Rewrite the Marketing objective to aspire to an average price per pound that meets or exceeds the target determined by CAC's Board of Directors so that it does not tie into the financial budget; 2) Marketing needs to play up what is special about California avocados to command a premium price (locally grown, seasonally available, sustainability message, ethically sourced, etc.); 3) Move from communicating seasonal availability to something more exclusive (limited time/regional availability/scarcity marketing); and, 4) Make the new campaign more clearly focused on California.

Next to present was Tim Spann, PhD from Spann Ag Research & Consulting, LLC on the production research. Dr. Spann reported the group messaging was consistent among groups, and the three distinct areas were: 1) Continue traditional historical research project categories (pest/disease, cultural management, breeding genetics), and look more into soil health and weed management; 2) Regional grower-initiated trials; and, 3) Information examination – consolidate industry information for easy grower access.

Last to present was Ken Melban, vice president of industry affairs and operations, on the group discussions. For the grower education and grower outreach, Mr. Melban said that the crux of the group discussion was about what items the Commission is responsible for and can potentially effect change with growers' production practices. He said CAC is responsible for representing the California avocado industry and making it as strong as possible. With a smaller staff now and a smaller budget, CAC has less resources to provide additional educational opportunities next year. He said many organizations (CAC, CAS, Index, etc.) are providing grower education materials and seminars on cultural practices. He said there remained support for CAC's issues management efforts, which is 45% of the department's budget. In terms of issues management, there was a lot of input from the discussions to continue to build in that area and look for

opportunities that result in bottom-line savings to growers. Melban indicated all groups offered that CAC needs a greater presence in Sacramento to gain the attention of government officials on issues, such as water.

Board Discussion-Key Learnings, Changes, New Ideas – Item 4.b.

Jason Cole, CAC treasurer, commented on the marketing discussion asking how long it will take to receive tangible results on the 'Locally Grown' messaging that the CAC Marketing team is creating. Mr. Splane replied that the messaging will resonate with a certain section of consumers immediately and as time goes on, it will continue to resonate with consumers that care about local grown produce, it will be a process.

Gary Caloroso, CAC board member, commented on the marketing discussion stating he believes that to expedite the 'Locally Grown' messaging with consumers, CAC needs to engage frequently with retailers so that there is more of an in-store experience as well as tying it in with the social media work that CAC performs.

Daryn Miller, CAC board member, commented on the marketing discussion on the metrics and definition of 'Locally Grown' for consumers. Marji Morrow from Rockwell Morrow replied to Mr. Miller that she has provided CAC with data on consumer perception for 'Locally Grown' and it is different from person to person, CAC cannot define it.

Jessica Hunter, CAC board member, commented on the marketing discussion on clearly defining trade versus consumer. She wanted to know specifically where the shift will be on trade and consumer marketing. Mr. Splane replied that this information will be revealed at the October 2023 Board Meeting. He shared that currently the proposed marketing budget is roughly 53% trade and 47% consumer focused, although that could change.

Will Carlton, CAC board member, commented on the production research discussion that CAC should consolidate all avocado growing materials and information into one location for growers to reference. Mr. Carlton requested other organizations information such as the California Avocado Society be consolidated for CAC growers to use. Ms. Aymami replied that the CAS information is intended for CAS members and CAC cannot endorse other organizations.

Mr. Grether commented on the grower education and outreach that under budget constraints and limited resources for this upcoming year, creating more content is not CAC's best investment, however we can do an exploration of what is involved with creating an information suppository.

Ms. Aymami commented on the grower education and outreach that the educational resources from organizations such as Index Fresh and CAS provide these services for their specific members. CAC can reach out to these organizations to request the sharing of information; however, they may not be open to freely providing information with non-members. She also commented that as opposed to advertising that is costly in From the Grove magazine, CAC could offer an industry directory for a nominal fee that could be included annually with an issue of the magazine.

Mr. Carlton commented on the grower education and outreach discussion that the CAC websites and the From the Grove magazine are the most valuable outreach tools.

Mr. Cole commented on the grower education and outreach discussion regarding the group idea for creating a one page for each district that includes contact information FSA, NRCS, USDA, etc. so that growers know the place to contact and if there is any grant funding available.

Dan Coxe from Avocado Growers of California commented on the grower education and outreach that he would like an 'Avocado 101' on what growers should be doing to increase their yields. He also suggested packers visit groves, visit with the farmer, and make sure the grower is doing the right things. A discussion ensued on the comments from Mr. Coxe asking him if he believes this is a job for CAC or for CAS and should CAC be using their resources for items like this. CAC is supposed to be creating a premium for the California fruit. With the decreased budget, CAC only has funds for two buckets, marketing and political advocacy. Mr. Melban responded that packers have a vested interest in getting growers' fruit and serving growers because that is how they make money. This service already exists and he asked has all this information changed growers behavior?

Mr. Grether commented on the grower education and outreach that the Board would not be doing its job if we didn't contemplate the investment in grower education and outreach. This is one possible way to help the industry and California growers. It doesn't sound like it currently is the best place to commit resources in the context of all the other things that we also want to accomplish.

Mr. Caloroso commented on issues management that this area of issues management and lobbying is critical and is one of the most important priorities for CAC along with the economic impact study to show how much the California avocado industry contributes to the economy, GDP, jobs, etc. that can be used in Sacramento.

ITEM #6 2023-24 PLANNING

CAC Management Review of Priorities – Item 6.a.

Mr. Grether asked for Board input to provide the CAC management team some direction on how to put together next year's budget to address reduced funding but also meet the expectations of the Board's strategies to lay a foundation for years to come. He asked the Board to provide feedback on what's working, what's not working and how we should piece this all together.

Mr. Caloroso commented on Mr. Grether's request for CAC staff direction of budget funds. He stated we have a fresh start with a new Marketing agency coming on board. He believes that whether its growers, Sacramento, etc., innovative story telling is the key and should be the driving force. Economic impact, sustainability, locally sourced messages need to be communicated featuring the growers. The growers are the stars.

Mr. Melban commented that the Commission is geared toward a uniform message that resonates with our external customers, external elected officials, NGO's, citizen-based groups, etc.

Proposed 2023-24 Objectives and Strategies – Item 6.b.

Peter Shore, CAC board member, commented on CAC marketing and that avocados need to be where the consumers are and where consumers make their purchases. California avocados are competing with other countries of origin. The premium market is in the west, so we have the advantage of being in California, one of the largest avocado markets in the world. We need to have California avocados on the stage at retail outlets such as Kroger, Albertsons, Vons, etc.

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and have extremely good relationships with retail outlets. This is a necessary spend and collaborating to promote our avocados. Mr. Grether asked if the level of investment that CAC has is adequate or should we be doing more. Mr. Shore replied that it should flow with the size of the crop but we could be doing more. He also said a focus on scarcity marketing and building the demand for our fruit is important.

Mr. Grether commented that it is valuable to have the perspective of our handler members as they are highly integrated in this business. CAC has marketing funds, and we can assist growers and we can help the industry, but we can't sell the fruit because we don't have a direct transactional relationship with the retailers. We need to get in front of the major western retailers with a thoughtful integrated message that resonates with them.

Mr. Miller commented that there is an obsession with social media, and we may be putting too much of our resources into it. He says that he rarely sees anything on social media outlets such as Facebook that he goes out of his way to buy. He thinks there is value in advertising on social media but after discussing the CAC survey, targeting trade and consumer advertising at the stores has more value. Mr. Miller commented that he thinks we may be missing an opportunity to advertise on our billboards for a podcast for consumers to listen to while they are driving and give us another platform to tell the growers' story.

Ms. Hunter, CAC board member, commented that she likes the QR code idea for telling the growers' story and she likes the radio spots that CAC used to have in-store because if builds an emotional connection, the growers' story still resonates.

Robert Jackson, CAC board alternate member, commented that there is an opportunity for CAC and the packers to look at the alternative types of avocados for distribution such as GEM and Reeds that are only grown in California. He understands it's a small percentage of avocados but no one else at present can bring those varieties into our market.

Mr. Caloroso asked about the packing house PLU's for GEM and where we stand on that issue. Mr. Melban responded that the California Avocado Distributors Organization (CADO), consisting of the principals of the different packing houses in California, applied and received one PLU for GEM that encompasses all sizes. There was a conversation started on whether the PLU for GEM should mirror the PLU for Hass but the discussion was tabled. Ultimately, it's the packers' decision on using PLUs but CAC can assist in facilitating that conversation if there is interest by the Board. Mr. Caloroso replied that he is interested because it would directly help GEM growers and help sell the fruit, and there was consensus of the Board for Mr. Melban to work with the handlers to facilitate this discussion on GEM PLUs.

2023-24 Budget/Assessment Rate Discussion – Item 6.c.

Mr. Grether commented that the Finance Committee met last week and reviewed our current financial position and projected ending reserves to see how next year will shape up. CAC management needs guidance from the Board on expenditures, an assessment rate, and feedback on crop size.

Mr. Melban reported the Commission has been attempting to spend down the reserves for quite a few years. At every turn, we had a larger than expected crop, higher value crop or both. He said at one point ending reserves saw an increase even though we were attempting to spend down the reserves. This resulted in the Commission living beyond its means for several years.

We are now at a point where we no longer have that luxury. Even the new proposed budget will still tap into some ending reserves. He reminded the Board of CAC's five-million-dollar reserve policy.

Mr. Cole commented that if we did not have the reserves, we would be tapping into our credit line. He also stated that as a reminder, the 1.5% assessment rate that was entered in for this growing season was done to draw down the reserves and provide some relief to growers with the anticipation that this year was going to be difficult with both crop size and potential pricing. The CAC budget and assessment rate calculations were listed on the projector screen for the Board to review. Ms. Aymami made several adjustments to crop size, price per pound, assessment rate on the screen based on requests from Board members so everyone could see how each rate change affected the budget sections and total budget.

Mr. Grether commented that we need to be reasonable about the crop estimate, be reasonable about the price estimate and bump up the assessment rate without pushing too high. This is why CAC staff is contemplating a thirty percent overall reduction on the 2023-24 budget to accommodate. He commented that the Finance Committee asked CAC management to move salaries back into each separate department this year so that it is easier to see what the budget amounts are by department instead of all salaries in the Operations portion of the budget.

Mr. Melban added that we have already started conversations with the USDA as the Hass Avocado Board assessment is limited to only marketing functions within the US to build demand. He said the salaries of the marketing staff that are working in those areas should be appropriately allocated to use HAB money toward their salaries, which will change the budget allocations.

Mr. Grether asked Mr. Splane if with six or six million seven hundred and fifty thousand dollars total marketing budget, can you do something effective with that and how do you feel that budget? Mr. Splane replied, year over year effectiveness will not be as effective but it will be as effective as we can get it. We are changing everything, our agency, the messaging, the creative, and the positioning. We will not be as effective this year based on the decreased budget. Mr. Splane stated that he let the new potential agencies know about the 30% budget decrease and they were all still interested and willing to work with CAC.

Mr. Grether asked a question to the group about how everyone feels about the assessment rate thresholds. He proposed to provide guidance to CAC management that the assessment rate land somewhere between 2% and 2.25%, maintaining a reserve of at least 5 million per our policy, size the level of expenditures by department appropriately as informed by meetings with new agencies and work to find other costs to cut.

The final Board consensus was to base the 2023-24 budget with a on a crop estimate of 200 million pounds, price per pound at \$1.15, and CAC assessment rate at 2.25%.

ITEM #7 NEW/OTHER BUSINESS

Mr. Grether commented that the Hass Avocado Board is looking for nominations to the Hass Avocado Committee to be done by October. If anyone has any interest in serving, contact CAC staff. He also informed the Board of the upcoming HAB meeting on September 21 in Oxnard.

Mr. Grether commented that he would like the October Board meeting to be in-person only.

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ADJOURN MEETING

Mr. Grether adjourned the meeting at 11:45 a.m. The next scheduled Board meeting will be held on October 11, 2023.

Respectfully submitted,

Stacia Kierulff, CAC Human Resource Manager

I certify that the above is a true statement of the Minutes of August 17, 2023 approved by the CAC Board of Directors on October 11, 2023.

Jessica Hunter, CAC Board Secretary

EXHIBITS ATTACHED TO THE PERMANENT COPY OF THESE MINUTES

EXHIBIT A August 2023 Board Packet

EXHIBIT B August 17, 2023 Board Meeting AB 2720 Roll Call Vote Tally Summary



CALIFORNIA AVOCADO COMMISSION
AB 2720 Roll Call Vote Tally Summary
To be attached to the Meeting Minutes

Meeting Name: <i>California Avocado Commission Regular Board Meeting</i>	Meeting Location: <i>Pasadena Hilton 168 S. Los Robles Ave. Pasadena, CA 91101</i>	Meeting Date: <i>August 17, 2023</i>
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<i>Attendees Who Voted</i>	<u>MOTION</u> <u>23-8-17-1</u>
Michael Perricone	Not Present
Jessica Hunter	Yea
Rob Grether	Did Not Vote
Maureen Cottingham	Yea
Jason Cole	Yea
Rachael Laenen	Yea
Daryn Miller	Yea
Will Carleton	Yea
Peter Shore	Yea
Gary Caloroso	Yea
Quinn Cotter	Yea
<i>Outcome</i>	Unanimous