

**CALIFORNIA AVOCADO COMMISSION
BOARD MEETING MINUTES
June 8, 2023**

A meeting of the California Avocado Commission (CAC) Board was held on Thursday, June 8, 2023 with the following people present:

MEMBERS PRESENT

Gary Caloroso
Will Carleton
Jason Cole
John Cornell
Maureen Cottingham
Rob Grether
Jessica Hunter
Ohannes Karaoghlanian
Rachael Laenen
Daryn Miller
Michael Perricone
Peter Shore

ALTERNATES PRESENT

Connor Huser
Robert Jackson
Jamie Johnson
Hayden McIntyre
Jamie Shafer
Charley Wolk

MEMBERS ABSENT

None

ALTERNATES ABSENT

None

OFFICIALLY PRESENT

Laura Bertagnolli, *Signature Analytics*
Katie Cook, *USDA*
Brittany Ferrant, *MediaHub*
Ben Kardokus, *CDFA*
Kim Kurata, *Kurata Communications*
Matt Schraut, *Fusion*
George Soares, *Kahn, Soares & Conway*
Tim Spann, *Spann Ag*
Corinne Wood, *Moss Adams*

STAFF PRESENT

April Aymami
Zac Benedict
Angela Fraser
Ken Melban
Jeff Oberman
Terry Splane

GUESTS PRESENT

David Anderson
Carolyn Becker
Maddie Cook
David Cornell
Dan Coxe
Emiliano Escobedo
Kathleen Johnson
Danny Klittich
Gray Martin
Marji Morrow
Steven Muro
Jill Netzel
Doug O'Hara
Laura Paden
Barb Peirce
Lecia Rdzak
Joanne Robles-Swanson
Sarah Sackett
Samantha Schaitberger

ITEM #1 CALL TO ORDER

Roll Call/Quorum – Item 1.a.

Rob Grether, CAC chairman, called the meeting to order at 8:30 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, legal counsel, agency personnel 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

David Cornell, an individual previously considered for CAC's public member position, commented that the Executive Committee was recommending only two members for the currently vacant position, and that he was not included. He stated that he had zero financial interest or any other business involvement in the avocado industry. Mr. Cornell commented that the Executive Committee believed he was not qualified for the position but asked the Board to reconsider his application.

On behalf of the Avocado Growers of California (AGC), District 2 grower Dan Coxe thanked CAC staff for their strong efforts to hear grower concerns and emphasized his position that CAC needed to continue to work hard to advocate for and engage with industry. He specifically noted

that CAC should research what could legally be done to curb the volume of imports coming from Mexico.

Joanne Robles-Swanson commented that the AGC was formed to address grower challenges and that the group wished to partner with CAC to address these issues. She specifically noted the desire to review the United States-Mexico-Canada Agreement and stated that the AGC also had ideas for marketing California avocados.

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 through 3.e as presented.

(Cole/Perricone) MSC Unanimous

MOTION 23-6-8-1

The Consent Calendar is included in the June 2023 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Items 3.a through 3.e.

ITEM #4 CONSIDER APPOINTMENT OF PRODUCER ALTERNATE MEMBERS TO FILL EXISTING VACANCIES FOR TERMS ENDING OCTOBER 31, 2023

Mr. Grether remarked that the Board was responsible for appointing individuals to fill the currently vacant Board positions and that in the past the Board had done this through an election process. He noted this could be done again, however in order to ensure the appointed individuals have majority support from the Board, as required by CAC law, he proposed clearly outlined election procedures, which was formalized in the following motion:

MOTION:

For each of the vacant Producer Alternate member seats in districts 3 and 4, the board shall appoint the candidate supported by a majority of the board in an election using the exhaustive ballot method, wherein if in a round of voting no candidate receives the majority of the votes, the candidate who has received the fewest number of votes shall be eliminated and the process shall be repeated. Votes call be cast using paper ballot or by direct message on Zoom to April Aymami.

(Laenen/Cottingham) MSC Unanimous

MOTION 23-6-8-2

District 3 Producer Alternate Member – Item 4.a.

Mr. Grether gave District 3 producer alternate candidates, Doug O'Hara and James Shafer, an opportunity to address the Board.

Mr. O'Hara referenced his candidate statement included in the Board packet, noting that he had previously served on the CAC Board as both chair and vice-chair, and felt that his experience could once again help the Commission.

Mr. Shafer provided an overview of his qualifications, noting he was a sixth-generation farmer with previous experience serving as a consultant in Washington D.C. for a firm specializing in emerging markets, and currently with a venture capital firm. He commented that he wanted to join the Board as a representative of the next generation of growers and assist in financial oversight.

Mr. Grether asked for additional nominations from the floor, and hearing none, an election for the District 3 producer alternate member seat was conducted with Doug O'Hara and James Shafer as declared candidates.

The election of District 3 candidates resulted in Mr. Shafer being declared the winner with eight votes; Mr. O'Hara received four votes. **MOTION 23-6-8-3**

District 4 Producer Alternate Member – Item 4.b.

Mr. Grether gave District 4 producer alternate candidate Hayden McIntyre an opportunity to address the Board.

Mr. McIntyre provided his background and experience in the avocado industry commenting that he brought broad representation of growing regions throughout California.

Mr. Grether asked for additional nominations from the floor, and hearing none, the following motion was offered:

MOTION:

***The CAC Board of Directors moves to appoint Hayden McIntyre as District 4 producer alternate member with term ending October 31, 2023.
(Caloroso/Perricone) MSC Unanimous*** **MOTION 23-6-8-4**

The *District 3 and 4 Candidate Statements and Disclosure Forms* are included in the June 2023 Board Packet and are attached to the permanent copy of these Minutes and identified as EXHIBIT A, Items 4.a and 4.b.

ITEM #5 CONSIDER RECOMMENDATION OF PUBLIC MEMBER TO FILL EXISTING VACANCY FOR TERM ENDING OCTOBER 31, 2024

Mr. Grether reported on the Public Member selection process, noting that work had been done to develop the selection process, advertise the availability of the public member position which resulted in the Executive Committee's review of interested individuals and subsequent recommendation of two individuals, Quinn Cotter and Maddie Cook, for the Board's consideration. He stated that both Ms. Cotter and Ms. Cook were attending the meeting and provided them opportunities to address the Board.

Ms. Cotter commented that she was from Ventura County and was currently working in food safety for a cooling company. She noted that she previously worked for Calavo as their food safety coordinator and had a desire to remain active in serving the agricultural industry and working with CAC. Ms. Cotter confirmed that she would be available to attend meetings in-person.

Ms. Cook stated that she was looking for opportunities to become further involved in the agricultural industry, noting that was involved with the Young Farmers & Ranchers in Fresno, as well as the County Farm Bureau. She commented that her employer, Tree Top, was very supportive of her filling the public member position on the CAC Board and that Tree Top did not have any present, or future, financial interest in the avocado industry.

Jason Cole, CAC treasurer and member of the Executive Committee, addressed comments made earlier by David Cornell during public comment. Mr. Cole stated that his remarks made during the Executive Committee review of public member candidates did not suggest that Mr. Cornell was unqualified, but rather that his experience in marketing did not add new expertise to the Board, as CAC had staff and agency personnel with this same experience.

The Board discussed Ms. Cotter and Ms. Cook with consensus that both individuals were qualified to serve as public members and would be of value to the organization. An inquiry of CDFA was made as to whether CAC could appoint both a public member and alternate public member, to which Ben Kardokus, CDFA representative, confirmed that CAC law stated that the Commission shall appoint an alternate public member.

MOTION:

The CAC Board of Directors moves to recommend to the California Department of Food and Agriculture the appointment of Quinn Cotter, as CAC public member, and Maddie Cook, as CAC alternate public member, with term ending October 31, 2024.

(Laenen/Carleton) MSC 8 Yea/1 Nay

MOTION 23-6-8-5

The Public Member Resume Submissions are included in the June 2023 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 5.

ITEM #6 TREASURER'S REPORT

Consider Acceptance of 2021-22 Audited Financial Statements – Item 6.a.

Mr. Cole introduced Corinne Wood with Moss Adams, CAC's auditors, to present the results of the 2021-22 annual audit.

Ms. Wood presented an overview of the annual audit process and procedures, as well as a summary of the findings included in the report. She went into specific detail regarding the changes to the financial reports for the current year, noting that CAC had adopted and implemented GASB 87, which resulted in an entry to record lease assets and corresponding lease liabilities at October 31, 2022 and 2021 and a restatement to the 2021 financial statements for a cumulative effect of approximately \$6,000. She noted that Moss Adams did not find any material weaknesses or significant deficiencies and had issued an unmodified opinion as a result of their audit of the 2021-22 CAC financials.

MOTION:

The CAC Board of Directors moves to accept the 2021-22 Audited Financial Statements as presented.

(Hunter/Cole) MSC Unanimous

MOTION 23-6-8-6

The Draft Annual Financial Report for years ended October 31, 2022 and 2021 is included in the June 2023 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 6.a.

The Moss Adams Audit Results Presentation is attached to the permanent copy of these Minutes and identified as EXHIBIT B.

Introduction of Signature Analytics – Item 6.b.

Ken Melban, CAC vice president of industry affairs and operations, introduced Laura Bertagnolli to provide an introduction and overview of CAC's new outsourced accounting firm, Signature Analytics.

Ms. Bertagnolli presented an overview of Signature Analytics, the team working on CAC's business and who they interact with on the CAC staff, a review of the first four months working with CAC and goals/tasks identified for the future. She also provided examples of the technology Signature Analytics utilized for project management, financial reporting and process documentation.

The Board discussed the financial reports included in the meeting materials, providing input on what type and format of reporting would be most appropriate and useful. It was confirmed that moving to an outsourced accounting structure had resulted in cost savings to CAC, while also strengthening the CAC team by having access to financial expertise at all levels.

The Signature Analytics Presentation is attached to the permanent copy of these Minutes as identified as Exhibit C.

Consider Approval of CAC Line of Credit – Item 6.c.

Mr. Cole referred to the write-up in the packet noting that CAC's existing line of credit was up for renewal and that the Board had directed management to work with the Finance Committee to secure a line of credit in the amount of \$3 million. CAC's current lender, Bank of the West, indicated that until the 2021-22 financial statements had been approved, they were not able to extend terms for the line of credit renewal, but that most likely CAC's current terms would be extended once again. He noted that the Finance Committee reviewed the terms of CAC's existing line of credit and directed management to confer with Signature Analytics on current credit line market norms, deferring further discussion and approval to the Board.

The Board discussed the current terms and a range of various rates provided by the Signature Analytics team. With the Bank of the West terms unable to be finalized at this time, the following motion was offered to allow management flexibility to secure a line of credit:

MOTION:

***The CAC Board of Directors moves to authorize CAC management to secure a \$3 million line of credit with a rate not to exceed prime plus 1%.
(Cole/Perricone) MSC Unanimous***

MOTION 23-6-8-7

The CAC Line of Credit Write-Up is included in the June 2023 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 6.c.

Consider Finance Committee Recommendation on Corporate Insurance – Item 6.d.

Mr. Cole reported that the Committee had reviewed the schedule of corporate liability insurance policies as included in the Board Packet. Mr. Melban explained that CAC utilizes a third-party broker who takes each policy to market annually to identify the best carrier and rate. He noted that some of the current renewal premiums were slightly higher than the previous year, but lower than the approved budget. Mr. Cole stated that the Committee had deferred a recommendation on approval of the insurance schedule, pending further information on claims covered by the director and officers' policy, and that management had provided the requested information and the current policies were considered appropriate.

MOTION:

***The CAC Board of Directors moves to approve the schedule of corporate insurance as presented.
(Hunter/Cottingham) MSC Unanimous***

MOTION 23-6-8-8

The Schedule of Corporate Insurance is included in the June 2023 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 6.d.

ITEM #7 2023-24 PLANNING

2022-23 Forecast Revenue and Ending Reserves – Item 7.a.

Mr. Grether reported that management had been tracking revenues and ending reserve projections in light of the lower-than-expected crop value. He noted that CAC was currently not

anticipating a detrimental impact to the ending reserve balance, but management would continue monitoring throughout the season should conditions worsen.

Board discussion turned to market conditions and U.S. supply and demand. There was concern about the volume of imported fruit continuing to put downward pressure on market pricing. Suggestions were made that CAC should look at ways to increase sales at retail, explore possible trade remedies and grow markets outside of the U.S. to relieve the pressure on the U.S. market.

Review and Discussion of CAC Priorities, Objectives and Strategies – Item 7.b.

Jeff Oberman, CAC president, provided an overview of the CAC planning process, noting that management had already begun meeting to review the existing business plan and potential changes for the coming year. Terry Splane, CAC vice president of marketing, Mr. Melban and Ms. Aymami presented objectives for Marketing, Industry Affairs and Research/Outreach, while Mr. Oberman presented new objectives for Organization and Resources. Thorough Board discussion ensued for each program area, with the following noted:

Marketing

- Have metrics for the number of meetings/touch points with retailers.
- Current CAC objective to retain or increase awareness should be reworded to “retain and increase.”
- Reword CAC objectives to include grower viability.
- Concern that nothing can be done to curb imports and that CAC will be unable to market their way out of the current problems growers are facing.

Industry Affairs

- CAC should be networking and building relationships at HAB and other industry meetings.
- Consensus to form a task force to identify and recommend potential pathways to support grower viability, including analysis of likelihood for success and potential costs.

Research and Outreach

- Support for additions to the existing objectives that would elevate the importance of grower-driven projects and education.

Organization and Resources

- Desire to have metrics and measurable deliverables to evaluate the effectiveness of all of CAC's programs.

Mr. Grether commended the Board on the thoughtful discussion and suggested that while the organization had been focused on governance in recent years, they should now engage in more of this type of strategic planning for the future.

The *2023-2024 CAC Planning Presentation* is attached to the permanent copy of these Minutes as identified as Exhibit D.

ITEM #8 MARKETING

Mr. Splane provided an overview of CAC's efforts to incorporate the California sustainability story into CAC's messaging, using an example of how approved talking points on sustainability had been used by the Today Show in a recent piece showcasing a local organic California avocado grower.

Business Impact of Bagged Avocados – Item 8.a.

Matt Schraut of Fusion Marketing presented information and statistics on bagged avocado sales drivers, including insights on trends and behaviors that led to growth during the California avocado season. A key takeaway from the data indicated that bagged avocados generated greater value for retailer total market basket. Mr. Schraut suggested that action items from these results should be focused on educating retailers and handlers on the opportunities that exist with bagged avocados and developing collaborative sales strategies to capitalize on these opportunities.

The *Bagged Avocado Sales Drivers Presentation* is attached to the permanent copy of these Minutes as identified as Exhibit E.

ITEM #9 INDUSTRY AFFAIRS

Request for CAC to Publicly Support Rainbow/Fallbrook Water Agency's Application to Change Water Suppliers and Oppose AB530 – Item 9.a.

Mr. Melban reported that CAC had received a request from growers within the Rainbow and Fallbrook water districts to come out publicly in support of their efforts to change water suppliers. Due to the time sensitive nature of this request, and need for action prior to a Local Agency Formation Commission meeting where a vote was scheduled to take place, the issue was brought to the May 31, 2023 Executive Committee meeting, where the Committee voted to issue a letter publicly supporting the Rainbow and Fallbrook change in water suppliers. In addition, the Committee also approved CAC writing another letter opposing proposed legislation (AB530) that would seek to undermine the Rainbow/Fallbrook detachment by requiring a vote of all customers within the territory of the county water authority to approve this change in water suppliers.

Mr. Melban noted that he had submitted the letter of support at the San Diego County LAFCO meeting on June 5, 2023, where the LAFCO Board directed their staff to revisit the potential cost of \$24 million to members detaching and come with a recommendation at their next meeting. He also noted that while AB530 had been scrapped, the author was currently looking for another pathway and CAC would be monitoring this issue closely.

Request for CAC to Write a Letter Opposing the BL516 Royalty Structure – Item 9.b.

Mr. Melban stated that he had received a request from CAC Board member John Cornell to write a letter to the University of California opposing the proposed royalty structure for a new cultivar, BL516, as it would result in significant expense to California growers who already invested in the development of the variety through CAC's decades-long financial support of the UC breeding program.

The Board reviewed the letter and Mr. Cornell asked that a sentence be added that calls out the specific financial impact of the proposed royalty structure which would result in royalties a hundred times high than those currently paid.

MOTION:

The CAC Board of Directors moves to approve the letter opposing the BL516 royalty structure.

(Cole/Hunter) MSC Unanimous

MOTION 23-6-8-9

The *Letter Opposing the BL516 Royalty Structure* is included in the June 2023 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 9.b.

ITEM #10 PRODUCTION RESEARCH

Report of May 26, 2023 Production Research Committee Meeting – Item 10.a
Consider Approval of PRC Recommendation on Pine Tree Ranch Lease Renewal – Item 10.b.
Consider Approval of PRC Recommendation on Avocado Branch Canker Research Proposal –
Item 10.c.

Dr. Tim Spann, CAC research program consultant, provided a brief overview of the recent Production Research Committee meeting, going into detail of the Committee's recommendations regarding the Pine Tree Ranch lease renewal and avocado branch canker projects.

For the Board's consideration, Dr. Spann presented the PRC's recommendation on the Pine Tree Ranch lease renewal – to accept Cal Poly's proposed terms – 5% the first year, followed by 4% each of the remaining four years, with the addition of a clause in the lease renewal agreement stating that the necessary variable frequency drive be installed by December 31, 2023, or CAC would pay \$0 monthly rent until the VFD was installed, and that CAC's grove manager would work with Cal Poly's grove manager to ensure the VFD installed serves the needs of both parties. With the Pine Tree Ranch lease expiring June 30, 2023, and the PRC's recommendation being very specific, there was concern that if Cal Poly did not agree to the terms, CAC management would be unable to continue negotiations without Board approval, therefore a motion was made to delegate authority to finalize negotiations to the Executive Committee.

MOTION:

The CAC Board of Directors moves to approve the Production Research Committee recommendation regarding the Pine Tree Ranch lease renewal, and if the terms are not accepted by Cal Poly, delegates authority to the Executive Committee to finalize negotiations for the lease renewal.

(Hunter/Perricone) MSC Unanimous

MOTION 23-6-8-10

Dr. Spann reported that the PRC had recommended approval of Dr. Khodadadi's avocado branch canker research project, with the stipulation that Dr. Spann work closely with researchers to ensure minimal duplication of work that had already been funded with other researchers, and that a pathway to registering effective fungicides be identified. The Board discussed the project and concerns about duplication of research efforts and the need to ensure a pathway for registering effective fungicides. At the conclusion of the discussion Board consensus was to table the proposal until the next meeting when a more thorough review of the proposal and deliverables could be conducted.

The Production Research Report is included in the June 2023 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 10.

ITEM # 11 CLOSED SESSION REGARDING THE APPOINTMENT, EMPLOYMENT, EVALUATION PERFORMANCE, OR DISMISSAL OF AN EMPLOYEE PURSUANT TO CALIFORNIA GOVERNMENT CODE SECTION 11126(a)

Mr. Grether reported there was no need for the Board to convene a closed session.

ITEM #12 NEW/OTHER BUSINESS

Mr. Cornell stated that he had a few items he had wanted to address but would bring them up at the next meeting instead.

California Avocado Commission
Board Meeting Minutes
June 8, 2023

ADJOURN MEETING

Mr. Grether adjourned the meeting at 12:33 p.m. The next regularly scheduled Board meeting will be held on August 17, 2023.

Respectfully submitted,

April Aymami, CAC Industry Affairs Director

I certify that the above is a true statement of the Minutes of June 8, 2023 approved by the CAC Board of Directors on August 17, 2023.

Jessica Hunter, CAC Board Secretary

EXHIBITS ATTACHED TO THE PERMANENT COPY OF THESE MINUTES

EXHIBIT A June 2023 Board Packet
EXHIBIT B Moss Adams Audit Results Presentation
EXHIBIT C Signature Analytics Presentation
EXHIBIT D 2023-2024 CAC Planning Presentation
EXHIBIT E Bagged Avocado Sales Drivers Presentation
EXHIBIT F June 8, 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>Hybrid In-Person – Irvine Online - Zoom</i>	Meeting Date: <i>June 8, 2023</i>
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<i>Attendees Who Voted</i>	<u>MOTION</u> <u>23-6-8-1</u>	<u>MOTION</u> <u>23-6-8-2</u>	<u>DISTRICT 3</u> <u>ELECTION</u>	<u>MOTION</u> <u>23-6-8-4</u>	<u>MOTION</u> <u>23-6-8-5</u>	<u>MOTION</u> <u>23-6-8-6</u>	<u>MOTION</u> <u>23-6-8-7</u>	<u>MOTION</u> <u>23-6-8-8</u>	<u>MOTION</u> <u>23-6-8-9</u>	<u>MOTION</u> <u>23-6-8-10</u>
Michael Perricone	Yea	Yea	O’Hara	Yea						
Jessica Hunter	Yea	Yea	O’Hara	Yea						
Ohannes Karaoghlanian	Yea	Yea	Shafer	Yea	Nay	Did Not Vote	Yea	Yea	Yea	Yea
John Cornell	Yea	Yea	Shafer	Yea	Recused/ Did Not Vote	Yea	Yea	Yea	Yea	Yea
Rob Grether	Did Not Vote	Did Not Vote	Shafer	Did Not Vote						
Maureen Cottingham	Yea	Yea	Shafer	Yea						
Jason Cole	Yea	Yea	Shafer	Yea						
Rachael Laenen	Yea	Yea	Shafer	Yea						
Daryn Miller	Yea	Yea	Shafer	Yea	Yea	Did Not Vote	Yea	Yea	Yea	Yea
Will Carleton	Yea	Yea	Shafer	Yea						
Peter Shore	Yea	Yea	O’Hara	Yea						
Gary Caloroso	Yea	Yea	O’Hara	Yea						
Outcome	Unanimous	Unanimous	8 Shafer 4 O’Hara	Unanimous	8 Yea/1 Nay	Unanimous	Unanimous	Unanimous	Unanimous	Unanimous