

CALIFORNIA AVOCADO COMMISSION
BOARD MEETING MINUTES
October 20, 2016

A meeting of the California Avocado Commission (CAC) Board was held on Thursday, October 20, 2016 at the CAC office, 12 Mauchly, Suite L, Irvine, CA 92618, with the following people present:

MEMBERS PRESENT

Art Bliss
Wayne Brydon
John Burr
Gary Caloroso
Gene Carbone
John Lamb
Ed McFadden
Leo McGuire
Kellen Newhouse
Doug O'Hara
Rick Shade
Jerome Stehly
Jim Swoboda
Steve Taft

MEMBERS ABSENT

Leesa Eichberger

ALTERNATES PRESENT

Robb Bertels
Gary Clevenger
Tyler Cobb
Jason Cole
Robert Grether
Jessica Hunter
Ohannes Karaoghlanian
Cristina Leon
Donny Lucy
Ryan Rochefort

ALTERNATES ABSENT

Bryce Bannatyne, Jr.
Catherine Epperson

OFFICIALLY PRESENT

Marlene Betts, USDA
Emiliano Escobedo, HAB
Ben Kardokus, CDFA

CAC STAFF PRESENT

Monica Arnett
April Aymami
Tom Bellamore
Zac Benedict
David Cruz
Jan DeLyser
Angela Fraser
Tim Spann

GUESTS PRESENT

Kristyn Dunlap
Kristen Hukari
Marji Morrow
Steven Muro
Gwen Peterson
Lori Small
Rebecca Wojcicki
Charley Wolk

ITEM #1 CALL TO ORDER

Roll Call/Establish Quorum- Item 1.A.

Doug O'Hara, CAC chairman, called the meeting to order at 9:30 a.m. with a quorum present.

Introductions – Item 1.B.

Mr. O'Hara announced that Marlene Betts, US Department of Agriculture (USDA), Kristen Hukari, California Avocado Society (CAS), and Emiliano Escobedo, Hass Avocado Board (HAB), were in attendance.

ITEM # 2 OPPORTUNITY FOR PUBLIC COMMENT

There was no public comment.

Tom Bellamore, CAC president, reported that the staff was just back from the Produce Marketing Association (PMA) 2016 Fresh Summit Convention where Jan DeLyser, CAC's vice president of marketing, was awarded PMA's 2016 Robert L. Carey Leadership Award. He read highlights from a PMA press releasing indicating the award was presented to individuals demonstrating outstanding leadership skills and an exceptional commitment to PMA and the produce industry. Mr. Bellamore and Mr. O'Hara commended Ms. DeLyser on her well-deserved achievement.

The PMA 2016 Robert L. Carey Leadership Award Press Release is attached to the permanent copy of these Minutes and identified as EXHIBIT A.

ITEM # 3 CONSENT CALENDAR

Mr. O'Hara introduced the consent calendar items and asked for questions or comments. Hearing none, a motion was put forward.

MOTION:

*The CAC Board of Directors approves the Consent Calendar, Items 3.A and 3.B.
(McFadden/Shade) MSC Unanimous*

MOTION 16-10-20-1

The Consent Calendar is included in the October 2016 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT B, Items 3.A and 3.B.

ITEM #4 CLOSED SESSION

President's Performance Review pursuant to Section 11126(a)(1) of the California Government Code – Item 4.A

Mr. O'Hara called the Closed Session to order at 9:42 a.m.

Return to Open Session & Report of Action Taken, if any, in Closed Session – Item 4.B

The Board returned to the general session at 10:30 a.m. and Mr. O'Hara reported they had evaluated President Bellamore's performance for the 2015-16 fiscal year and accepted the Executive Committee's recommendation.

ITEM # 5 CHAIRMAN'S REPORT

Status of CAC Modernization Effort – Item 5.A

Mr. Bellamore reported that AB 1976, the assembly bill carrying the most recent round of changes to CAC Law, had been signed by Governor Brown and would become effective January 1, 2017. He stated that a copy of the bill was included as a handout and provided an overview of the changes, which included a reduction in the number of handlers on the CAC Board and added language defining a commercial producer for the purposes of withholding CAC assessments. Mr. Bellamore noted that while the changes to the CAC Law were effective January 1, 2017, that implementation of the non-commercial grower assessment wouldn't begin until November 1, 2017. He also reported that management had been working on the issue of implementing the assessment exemption and after review of current processes and procedures, as well as discussion with legal counsel, have determined that producer exemptions will be based upon the use of annual average production for the three preceding marketing years for which complete data is available. Therefore, for the fiscal year commencing November 1, 2017, CAC will use production data from 2016, 2015 and 2014 to determine whether the average annual production threshold has been met for each producer and provide data to handlers and growers prior to November 1, 2017.

In closing, Mr. Bellamore commended Mr. O'Hara and the CAC Board for their modernization efforts over the past two years and work in situating the organization and industry for the future.

Mr. O'Hara also commended the CAC Board and Governance Committee for their efforts on the modernization project, stating that it was a long time in the making, but in the end the changes to move forward passed with overwhelming support.

The Assembly Bill No. 1976 is attached to the permanent copy of these Minutes and identified as EXHIBIT C.

Update on Current U.S. Market Supply Situation

Mr. Bellamore provided the Board with a copy of The Fresh Fruit Portal's recent article entitled *The Hass Horn: Impact of the Mexican avocado strike* and gave an update on recent meetings between CAC and APEAM that occurred during the PMA Fresh Summit Convention. He provided a general overview of the current supply situation, stressing that the critical issue for the avocado industry is the trade's lack of confidence in the supply of avocados, regardless of origin. Mr. Bellamore stated that Ms. DeLyser and her team will need to be out in full force ahead of the 2017 California crop assuring customers of California's supply. Ms. DeLyser addressed this concern stating that the Marketing Committee would meet twice before the 2017 season commenced and that the retail marketing directors would be working with handlers and retailers to secure commitments to California and tailor promotions that fit each customer's need.

There was Board discussion regarding the current supply shortages and when Mexico would resume shipping, projected Mexican crop on the trees and how both would impact California's 2017 season. Mr. Bellamore indicated that management would continue to monitor the situation and keep the Board apprised of developments.

The Fresh Fruit Portal's The Hass Horn: Impact of the Mexican avocado strike is attached to the permanent copy of these Minutes and identified as EXHIBIT D.

Member Organization Meeting Regarding HAB's Hass Avocado Committee

Mr. O'Hara reported that during PMA's Fresh Summit Convention HAB had held a meeting among HAB Member Organizations (MO) to discuss the Hass Avocado Committee (HAC) and garner feedback regarding the committee's current composition and whether any changes were warranted. Consensus from the meeting was that MO were happy with how the HAC was running and that changes were not warranted.

Charley Wolk, CAC's HAC member representative, suggested that CAC consider encouraging growers to step up and serve on the HAB. He said that California growers need to recognize the importance of HAB to the industry and get involved.

ITEM #6 TREASURER'S REPORT

Consider Approval of Letter of Engagement from Macias Gini & O'Connell for Financial Audit Services - Item 6.A

Art Bliss, CAC treasurer, stated that the Finance Committee reviewed the letters of engagement provided by Macias Gini & O'Connell (MGO) for financial audit services and recommends that the Board approves them as presented.

MOTION:

The CAC Board of Directors approves the MGO Letters of Engagement for Financial Audit Services as presented.

(Shade/Lamb) MSC Unanimous

MOTION 16-10-20-2

Consider Finance Committee Recommendation on 2016-17 Budget and Assessment Rate - Item 6.B

Mr. Bliss reported that the Finance Committee reviewed and approved management's recommended assessment rate and budget for the 2016-17 fiscal year.

ITEM #7 PRESIDENT'S REPORT

Consider Approval of 2016-17 Proposed Action Plans and Budgets- Item 7.A

Monica Arnett, CAC director of finance and administration, presented CAC's current financial position for 2015-16 which reflected a projected ending reserves balance of approximately \$9.67 million, a variance of \$3.5 million over original projections.

Mr. Bellamore then presented management's proposed 2016-17 budget, highlighting that, as a result of recent field meetings, the crop size had been reduced to a conservative estimate of 200 million pounds and the projected price had been increased by five cents to \$1.10 per pound. Management's proposed assessment rate of 2.3 percent remained unchanged. He noted that the proposed budget of \$12.7 million represented an increase from the proposed budget presented in August of \$1 million dollars as a result of the strong ending financial position coming out of 2015-16. Mr. Bellamore distributed details on how the additional one million dollars would be spent by marketing and stated that if the Board approved management's recommendation, the programs and activities would be incorporated into the final 2016-17 Business Plan and Budget. Mr. Bliss stated that the Finance Committee had discussed the financial position and recommended that the assessment rate remain at 2.3-percent for stability.

The Board discussed the draft business plan activities and questioned if additional spending in other areas, specifically research, were warranted based on the current financial position. Dr. Tim Spann, CAC research program director, stated that spending levels at this point were adequate and that the Production Research Committee (PRC) had planned to take the next year to conduct a thorough review of what research has been done, what needs to be done and develop a strategic and focused research plan for the future.

MOTION:

The CAC Board of Directors approves the Finance Committee's recommendation to approve the 2016-17 Business Plan and Budget as presented.

(Shade/McFadden) MSC Unanimous

MOTION 16-10-20-3

The CAC Current Financial Situation and Proposed 2016-17 Budget handout is attached to the permanent copy of these Minutes and identified as EXHIBIT E.

The 2016-17 CAC Business Plan – DRAFT is attached to the permanent copy of these Minutes and identified as EXHIBIT F.

The CAC 2016-17 Marketing Budget Addendum handout is attached to the permanent copy of these Minutes and identified as EXHIBIT G.

ITEM #8 ESTABLISH ASSESSMENT RATE FOR 2016-17 FISCAL YEAR

With discussion already taken place during the President's Report, there was no further discussion regarding the assessment rate and the following motion was offered:

MOTION:

The CAC Board of Directors moves to set the 2016-17 Assessment Rate at 2.30% of the gross dollar value of sales for all varieties during any full or partial month the Federal Hass Avocado Promotion, Research, and Information Order (Order) is in effect, and at 4.41% of the gross dollar value of sales for all varieties during any full month the federal assessment under the Order is not in effect.

(Lamb/Newhouse) MSC Unanimous

MOTION 16-10-20-4

Consider Funding Request for Avocado Brainstorming 2017- Item 7.B

Mr. Bellamore referred to the Board Packet write-up on the Brainstorming item noting that a revised proposal, including further details regarding the Brainstorming Organizing Committee and program, had been provided as a handout. He stated that CAC had previously funded the event and that HAB would also consider the funding request at their November meeting. Dr. Spann provided an update of his experience at the 2015 Avocado Brainstorming, indicating that while the event may not return immediate value to CAC, that it was valuable to the research community, which CAC utilizes, in that it facilitates international discussion and collaboration.

During Board discussion there was consensus in the value of the meeting, however concern over the disproportional share of the costs being requested from CAC and that the full schedule and discussion topics for the event had not yet been provided. There was also agreement that if CAC funded the event, a requirement be that Dr. Spann's attendance would be compulsory. In conclusion, the Board requested that their comments be taken back to the Brainstorming Organizing Committee and that a representative from the committee be invited to attend the next meeting and address the concerns raised.

The Revised Avocado Brainstorming Proposal Dated October 13, 2016 is attached to the permanent copy of these Minutes and identified as EXHIBIT H.

Draft CAC 2016-17 Meeting Schedule

Mr. Bellamore called the Board's attention to the draft CAC 2016-17 Meeting Schedule included as a handout. He asked that the Board review and advise management if they had any concerns with the proposed schedule, as it would be included for approval as a Consent Calendar item in November. One suggestion was made to include the Annual Meeting as part of the Meeting Schedule for commissioners.

The CAC 2016-17 Draft Meeting Schedule is attached to the permanent copy of these Minutes and identified as EXHIBIT I.

ITEM # 12 HASS AVOCADO BOARD REPORT

Emiliano Escobedo, HAB executive director, reported that HAB had recently concluded their elections and that the USDA Secretary of Agriculture would be announcing appointments soon. He stated that the appointment process would result in two alternate producer vacancies and said that he would send the vacancy

information to CAC so that it could be announced to producers through the GreenSheet. Mr. Escobedo also commented briefly on the U.S. supply situation reiterating the importance of reestablishing confidence in the market and speaking with one voice. He stated that HAB would be watching the issue carefully and that it is most important that all organizations work together toward HAB's vision of being the most consumed fruit in the U.S.

ADJOURN MEETING

Rick Shade, on behalf of the CAC Board, thanked Charmain O'Hara for his service as a Board Member and CAC Chairman. Mr. O'Hara adjourned the meeting at 12:04 p.m. The next Board meeting will be held on Thursday, November 17, 2016 in Irvine, California.

Respectfully submitted,

April Aymami, CAC Industry Affairs Manager

I certify that the above is a true statement of the Minutes of October 20, 2016 approved by the CAC Board of Directors on November 17, 2016.

Jim Swoboda, CAC Board Secretary

EXHIBITS ATTACHED TO THE PERMANENT COPY OF THESE MINUTES

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| EXHIBIT A | PMA 2016 Robert L. Carey Leadership Award Press Release |
| EXHIBIT B | October 2016 Board Packet |
| EXHIBIT C | Assembly Bill No. 1976 |
| EXHIBIT D | Fresh Fruit Portal's The Hass Horn: Impact of the Mexican avocado strike article |
| EXHIBIT E | CAC Current Financial Situation and Proposed 2016-17 Budget handout |
| EXHIBIT F | 2016-17 CAC Business Plan – DRAFT |
| EXHIBIT G | CAC 2016-17 Marketing Budget Addendum |
| EXHIBIT H | Revised Avocado Brainstorming Proposal Dated October 13, 2016 |
| EXHIBIT I | CAC 2016-17 Draft Meeting Schedule |
| EXHIBIT J | October 20, 2016 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>California Avocado Commission 12 Mauchly, Suite L Irvine, CA 92618</i>	Meeting Date: <i>October 20, 2016</i>
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<i>Attendees Who Voted</i>	<i><u>MOTION</u> 16-10-20-1</i>	<i><u>MOTION</u> 16-10-20-2</i>	<i><u>MOTION</u> 16-10-20-3</i>	<i><u>MOTION</u> 16-10-20-4</i>
John Burr	Yea	Yea	Yea	Yea
Jerome Stehly	Yea	Yea	Yea	Yea
Kellen Newhouse	Yea	Yea	Yea	Yea
Leo McGuire	Yea	Yea	Yea	Yea
Ed McFadden	Yea	Yea	Yea	Yea
Doug O'Hara	Yea	Yea	Yea	Yea
John Lamb	Yea	Yea	Yea	Yea
Art Bliss	Yea	Yea	Yea	Yea
Jim Swoboda	Yea	Yea	Yea	Yea
Rick Shade	Yea	Yea	Yea	Yea
Steve Taft	Yea	Yea	Yea	Yea
Gary Caloroso	Yea	Yea	Yea	Yea
Wayne Brydon	Yea	Yea	Yea	Yea
Gene Carbone	Yea	Yea	Yea	Yea
<i>Outcome</i>	Unanimous	Unanimous	Unanimous	Unanimous