

**CALIFORNIA AVOCADO COMMISSION  
BOARD MEETING MINUTES  
November 18, 2010**

A meeting of the California Avocado Commission (CAC) Board was held on Thursday, November 18, 2010 in the CAC board room in Irvine, California, with the following people present:

**MEMBERS PRESENT**

Scott Bauwens  
Gene Carbone  
Reuben Hofshi  
Ben Holtz  
Ohannes Karaoghlanian  
John Lamb (Alt. Pecht)  
Bob Lucy  
Ed McFadden  
Bradley Miles  
Doug O'Hara  
Andria Pontello,  
Public Member  
Don Reeder  
Steve Taft  
Shane Tucker  
Charley Wolk  
Gary Woodworth

**MEMBERS ABSENT**

Jim Donovan,  
ex-officio HAB  
Tom Pecht

**CAC STAFF PRESENT**

April Aymami  
Tom Bellamore  
Zachary Benedict  
Dave Cruz  
Jan DeLyser  
Jonathan Dixon  
Angie Hanson  
Dave Howald  
Stacia Kierulff  
Aria Lukman

**ALTERNATES PRESENT**

Ron Araiza  
Keith Reeder  
Joanne Robles  
Bob Schaar  
Rick Shade  
Donna Singmaster  
Jerome Stehly  
Nick Stehly, Jr.  
San Vaccaro  
Bob Witt

**ALTERNATES ABSENT**

Ernie Arana  
Mark Bottiani  
Todd Elder

**OFFICIALLY PRESENT**

Dennis Manderfield, CDFA  
Jose Luis Obregón, HAB  
Maureen Pello, USDA/AMS  
Ken Roberts, Cooper Roberts  
Research  
Mark Weinfeld, DGWB

**GUESTS PRESENT**

Betty Bohrk  
Wayne Brydon  
Will Carleton  
Chris Henry  
Doug Koegeboehn  
James McCormac  
Steven Muro  
Don Reeder  
Catherine Sosa  
Ross Wileman

**ITEM #1 CALL TO ORDER**

**Announcement of Election Results and Introduction of New Members and Alternates –  
Item 1.A.**

**Information Item**

Dennis Manderfield, representing the California Department of Food and Agriculture (CDFA) Marketing Branch, read the official results of the 2010-11 California Avocado Commission (CAC) Board of Directors election for two-year terms.

<u>Producer</u>	<u>Member</u>	<u>Alternate</u>
District 1	Shane Tucker	Jerome Stehly
District 2	Ben Holtz	Bob Schaar
District 3	Ohannes Karaoghlanian	Joanne Robles
District 4	Ed McFadden	Keith Reeder
District 5	Bradley Miles	Mark Bottiani

**Handler Member**

Gene Carbone (Calavo)  
Scott Bauwens (West Pak Avocado)

**Handler Alternate**

Todd Elder (Index Fresh)  
Ron Araiza (Mission Produce)

The complete CAC 2010-11 Board of Directors roster is identified as EXHIBIT B.

**Roll Call – Item 1.B.**

Mr. Manderfield called the first meeting of the 2010-11 CAC Board of Directors to order at 9:35 a.m. and announced a quorum was present. He presided over the meeting until the chairperson was elected.

**ITEM #2 ELECTION OF OFFICERS**

**Instructions on How Nominations and Voting for Board Officers will be Conducted –  
Item 2-A.**

**Information Item**

Mr. Manderfield provided instruction on how nominations and voting for officers would be conducted, explaining that only grower members are eligible for officer positions. Officers can serve one-year terms or until new officers are elected, but they cannot serve more than three consecutive terms in any one office.

**Nominations and Election of Chairperson – Item 2-B.**

**Action Item**

Mr. Manderfield opened nominations for Chairperson and Mr. McFadden nominated Mr. Wolk; Mr. Woodworth nominated Mr. Karaoghlanian.

It was moved by Mr. Miles, seconded by Mr. Holtz, to close nominations. Both nominees gave oral statements to the Board.

A roll call open vote was polled that resulted in a tie, with seven votes for each nominee and one abstention (Carbone).

***A second roll call open vote was polled with the following results:  
Wolk – 8 votes; Karaoghlanian – 7 votes.***

Chairperson Roll Call Vote

*Wolk:* Tucker, Wolk, McFadden, Lamb (Alt. Pecht), Miles, O'Hara, Bauwens, Carbone  
*Karaoghlanian:* Taft, Holtz, Woodworth, Karaoghlanian, Lucy, Hofshi, Pontello

Mr. Manderfield congratulated Mr. Wolk. Mr. Wolk thanked the Board and said he was honored to serve as its Chairperson. He took the gavel and continued with the election of officers.

**ITEM #3 CHAIRPERSON TAKES GAVEL AND PRESIDES**

***Nominations and Election of Vice-Chairperson, Secretary, and Treasurer – Item 3.A.  
Action Items***

Vice-Chairperson

Chairman Wolk entertained a motion to open nominations for Vice- Chairperson. Messrs. O'Hara and Karaoghlanian were nominated and a motion by Mr. McFadden, seconded by Mr. Holtz was unanimously approved to close nominations.

A written vote was tabulated and the final count read by Chairman Wolk:

***Ohannes Karaoghlanian – 8 votes; Doug O'Hara – 6 votes.***

Vice-Chairperson Written Vote

*Karaoghlanian:* Woodworth, Taft, Holtz, Karaoghlanian, Pontello, Lucy, Hofshi,  
and Carbone

*O'Hara:* Tucker, Bauwens, McFadden, O'Hara, Lamb (Alt. Pecht), Miles

Mr. Karaoghlanian was declared the new Vice-Chairman.

Secretary

Chairman Wolk entertained a motion to open nominations for Secretary of the Board. Ed McFadden was nominated. Hearing no other nominations, a motion was made by Mr. Holtz and seconded by Mr. Carbone to close nominations and cast a unanimous ballot for Mr. McFadden as Secretary.

Treasurer

Chairman Wolk entertained a motion to open nominations for Treasurer.

Mr. Holtz and Mr. Miles were nominated. A motion to close nominations was made by Mr. Tucker, seconded by Mr. Lamb and unanimously approved. A written vote was tabulated and President Bellamore presented the final count:

***Ben Holtz – 10 votes; Bradley Miles – 4 votes.***

Treasurer Written Vote

*Holtz:* Bauwens, Karaoghlanian, Hofshi, Pontello, Woodworth, Carbone, Holtz, Taft,

Lucy, McFadden  
*Miles:* Tucker, O'Hara, Lamb (Alt. Pecht), Miles

Mr. Holtz was declared the new Treasurer.

*Chairperson's Opening Remarks – Item 3.B.*

Chairman Wolk congratulated the new officers and added that he looked forward to working with them on the challenges facing the Board this year.

**ITEM #4 CONSENT CALENDAR – ITEMS 4.A,B.**

*Action Item*

Questions or comments regarding the Consent Calendar items were requested by Chairman Wolk. Hearing none, the following Motion was offered:

**MOTION 10-11-18-1:**

***The California Avocado Commission Board of Directors approves the Consent Calendar, Item 4, in its entirety:***

***Item 4.A. Board of Directors' Meeting Minutes of October 28, 2010;***

***Item 4.B. Proposed 2010-11 Meeting Schedule*  
***(Carbone/McFadden) MSC Unanimous*****

Consent Calendar items are included in the November Board Packet (EXHIBIT A) as *Item 4.A, 2-12* and *Item 4.B-1-2*.

**ITEM #5 FINANCIAL UPDATE**

*2009-10 Financial Highlights – Item 5.A.*

*Information Item*

Aria Lukman, Finance and Accounting Manager, reported that through September 2010 496 million pounds had been harvested in California; 99% were Hass and Lamb Hass. The average price was 74.5 cents per pound; 74.7 cents per pound for Hass; 81.8 cents per pound for Lamb Hass. October is predicted to come in at 35.6 million pounds with an average price of 90 cents per pound. If this holds true, the total 2009-10 season pounds would be 531.5 million pounds at an estimated \$358 million, and a season price average of 75.5 cents per pound. He noted this would mark the fourth time CAC reached a 500+ million pound crop since 1972. Mr. Lukman also noted that the near \$400 million crop value for this season will be the biggest gross dollar value in the industry's history.

In response to questions about the growers' price-returns, he explained the reported prices are gross before deductions for HAB and CAC assessments.

It was noted also that expenses during the 2009-10 fiscal year are at \$12.8 million, which is lower than the original estimate of \$13.6 million.

Mr. Lukman stated that there is good momentum moving forward into the 2010-11 season and prices are good. There may be an under-supply in the U.S. next year. The 2010-11 fiscal year of aggregate volume projected to be marketed in the U.S. is graphically shown in the November Board Packet as *Item 5.A-11*.

Mr. Hofshi added that this year's crop will cause an alternate bearing crop next year. A three-to-five year average should be the benchmark to use on assessing the health and productivity of the avocado industry.

The 2009-10 *Financial and Crop Update* is included in the November 2010 Board Packet (*EXHIBIT A*), *Item 5.A-1-11*.

**ITEM #6 USDA-AMS OVERSIGHT GUIDELINES**

*Presentation by Maureen Pello, USDA-AMS – Item 6.A.*

*Information Item*

Ms. Pello explained that in addition to CDFA oversight of CAC's program there must be federal oversight because CAC is using 85% rebate money from the Hass Avocado Board (HAB). She noted that CAC has been adhering to the USDA Guidelines and commended CAC's Angela Fraser for her diligent work as liaison between CAC and USDA/AMS.

Ms. Pello next reviewed for the CAC Board the checklist of criteria for advertising, promotion and other material. These guidelines are used by the USDA/Agricultural Marketing Service (AMS) and its marketing order committees and research and promotion boards to provide a framework for the review of advertising and promotional materials (all media), internet sites, press releases, articles for magazines and industry newsletters.

Regarding the CAC/HAB fund separation for marketing activities, Mr. Bellamore noted that only the 85% of HAB rebate funds used for CAC's messaging must filter through USDA reviews; this year consumer advertising and foodservice are funded with HAB rebate funds.

Discussion ensued on consequences of inappropriate actions in CAC messaging, to which Ms. Pello responded that the Federal Trade Commission (FTC) would first write a warning letter and, if necessary, further move to impose a fine or pull an advertising campaign. The FTC could also take the same action with another country regarding its advertising statement, if warranted. CAC would have to file a complaint with the FTC and the FTC would be required to act on it with the other country involved. However, before filing a complaint, CAC discussion with the other country might be the better first step to take.

*Avocado Managers and Chairpersons Meeting – November 19, 2010*

*Information Item*

Mr. Bellamore noted the participants and agenda for this meeting were outlined in

Exhibit D and gave a brief explanation of each item. Bob Keeney, Deputy Administrator, Fruit and Vegetable Programs, AMS, will lead the meeting.

The second agenda item, "Importer association membership Issue," drew interest from all parties involved in HAB and will be discussed. CAC had sent a letter to the USDA expressing concern about the process used by USDA to arrive at its latest position on this issue.

The third agenda item, "Program successes," is a recap of HAB's accomplishments in building the U.S. market.

The fourth agenda item will cover issues raised in USDA review of the HAB program, e.g. board composition; referendum criteria; board contract with CAC to manage promotion program; and administration expenses.

Messrs. Wolk, Bellamore and Karaoghlanian will attend and report back to the CAC Board. Ms. Pello noted that Mr. Keeney envisions this to be the first of a series of meetings.

The Guidelines for Committee/Board Advertising, Promotional Material, Web Sites, and Other Publications is identified as EXHIBIT C.

The Avocado Managers and Chairpersons Meeting agenda is identified as EXHIBIT D.

Change to CDFA's Fiscal and Compliance Audit Program

CDFA's Fiscal and Compliance Audits of California's agricultural marketing programs, which in the past had been performed by the Department's Audit Unit, will now be performed by a CPA firm selected by each program and approved by the Department. The audit will occur on an annual basis in conjunction with the program's annual financial audit. This change will have two main benefits: 1) Audits will be performed annually instead of the Department's current cycle of once every 6 to 7 years; and 2) Efficiencies will be realized by having the same auditors perform both the financial audit (attesting to the accuracy of the program's financial statements) and the compliance audit (assuring compliance with the Department's Accounting Guidelines and General Rules and the program's internal policies and procedures) at the same time.

Prior to this ruling, input had been requested from a CDFA Audit Working Group, consisting of CPAs who perform financial audits for marketing programs and staff with accounting expertise from programs. CAC's Mr. Lukman participated and was complimented for his knowledge and insight offered to the group. This group developed a Manual for Performing Agreed Upon Procedures for California Agricultural Marketing Programs for CPA firms to follow when performing the compliance portion of the annual audit. A copy of this Manual is on file in the CAC offices.

Mr. Manderfield added that the CDFA is hopeful that this annual audit will be a less costly procedure over time. They are looking to get uniformity and non-inflammatory reporting of findings without bias by the auditors.

The CAC has already approved its auditing firm for the 2009-10 season, Macias Gini & O'Connell, and the CDFA has concurred. However, prior to the compliance audit, the CAC Board will need to approve the agreed-upon audit procedures. Since the CDFA would like CAC to implement these changes for the 2009-10 audit, there may be a tight timing issue. Mr. Holtz said options will be reviewed and the final decision will be made at the Board's January meeting (or sooner teleconference if necessary) to decide on the audit timing.

The Change to CDFA's Fiscal and Compliance Audit Program is identified as EXHIBIT E.

### **ITEM # 7 AVOCADO ATTITUDE & USAGE TRACKING STUDY**

Presentation by Ken Roberts, Cooper Roberts Research – Item 7.A.  
Information Item

Mr. Bellamore introduced Mark Weinfeld, DGWB Advertising chief strategist to set the stage for the tracking study presentation with the "2009 and First Half 2010 Competitive Spending" report. Mr. Weinfeld reported on competitive spending, stating that in 2009 Mexico spent a total of \$21,018.0 million; Chile spent \$591,000 and California had \$1.556.0 million in tracked media spending. Mexico has been promoting usage and nutrition information and has made inroads in building the category versus the Mexican Avocado brand.

Ken Roberts, Cooper Roberts Research, discussed the Fall 2010 Avocado Consumer Tracking Study funded by HAB. The study monitored changes in California brand awareness and purchase patterns in CAC's advertised markets as well as the rest of the U.S. markets.

Note: CAC's ad markets include Los Angeles, San Francisco, San Diego, Phoenix, Portland, Seattle, Denver, Dallas, Houston and San Antonio.

Avocado Advertising Tracking Study Methodology:

*When* - This wave of study was completed in mid/late September of 2010 to coincide with the end of CAC advertising.

*Who* – 1,996 grocery shoppers.

Avocado Tracking Study Conclusions:

*Preference* – The fall tracking study showed increased preference for California Avocados; increased importance that avocados are grown in the U.S.; increased proportion of consumers checking the growing source for avocados. While Mexico realized some gains in Texas, their efforts appear to have had more impact on the "it doesn't matter" sentiment.

*Advertising* – Consumers aware of advertising for avocados have improved avocado purchase and consumption behavior, e.g. more frequent purchase, use in more ways,

and are more likely to check origin. The emphasis on stronger California branding is working. There was increased awareness in the ad markets of advertising specifically for California avocados, as well as increased directed recall of California branding. California continues to build on the premium ratings in the ad markets.

*Ad Markets vs. Texas* - The situation is different in Texas vs. the other CAC ad markets: Mexican avocados are on par with California in terms of advertising awareness, and significantly ahead of California for total brand awareness even though Mexico significantly outspends California in Texas. Mexico's efforts in Texas are helping Mexico some, but generally are helping the category more than the brand. CAC's inconsistent spending in Texas is evident in this research. Avocado consumers are fairly different in Texas vs. ad markets, meaning the messaging that works in Ad Markets may not be as appropriate for Texas.

*Avocado Consumption and Imagery* - Both household penetration and annual purchase of avocados remain significantly higher in Ad Markets than the remaining U.S. Summer remains the dominate season for consumption, but there is much cross-seasonal use. Avocados are most associated with "contains good fats," and "good for heart health."

Mr. Bellamore added that this tracking study is useful in evaluating CAC advertising effectiveness. CAC had a goal of strengthening the California branding in advertising and the positive results in the tracking study demonstrate success. He added that Texas is an important market but inconsistent spending and nature of the messaging in Texas are factors to review and consider in making adjustments to the program.

The *CAC 2009 and First Half 2010 Competitive Spending* report is identified as EXHIBIT F.

The Cooper Roberts Research *California Avocado Tracking Study CAC Presentation* is identified as EXHIBIT G.

#### **ITEM #8 HASS AVOCADO BOARD REPORT**

Jose Luis Obregón, Managing Director of the HAB, reported that the HAB Board for the calendar year 2011 had been seated at its recent meeting. Officers are: Jim Donovan, Chairman; Ken Roth, Vice-Chairman; Giovanni Cavaletto, Secretary; and Jimmy Lotufo, Treasurer.

The American Dietetic Association's (ADA) annual conference was held early in November in Boston, with a strong presence shown by CAC, HAB, CAIA and MHAIA. 8,500 registered dietitians attended. Mr. Obregón mentioned that HAB had its booth and participation from all associations was phenomenal.

An extended benefit of this event will be the indirect endorsers – attendees who will broadcast avocado information to their audiences. This ADA event will be held in San Diego next September.

**ITEM #9 OPPORTUNITY FOR PUBLIC COMMENTS**

A suggestion was offered to consider purchasing logo t-shirts for the new Board to wear as representatives of CAC.

**ADJOURN MEETING**

With no further business, Chairman Reeder adjourned the Board meeting at 12:25 p.m. and a luncheon was served.

The next Board meeting will be held on Thursday, January 19, 2011 in the CAC board room located at 12 Mauchly, Suite L, Irvine, California 92618.

Respectfully submitted,

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Betty Bohrk

I certify that the above is a true statement of the Minutes of November 18, 2010, approved by the CAC Board of Directors on January 19, 2011.

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Ed McFadden, CAC Board Secretary

**EXHIBITS**

A copy of the November 18, 2010 Board Packet, in its entirety, is attached to the permanent copy of these Minutes and identified as EXHIBIT A.

A copy of the CAC 2010-11 Board of Directors roster is attached to the permanent copy of these Minutes and identified as EXHIBIT B.

A copy of the USDA/AMS Oversight Guidelines is attached to the permanent copy of these Minutes and identified as EXHIBIT C

A copy of the Avocado Managers and Chairpersons Meeting agenda, held in the HAB offices on November 19, 2010, is attached to the permanent copy of these Minutes and identified as EXHIBIT D.

A copy of the Change to CDFA's Fiscal and Compliance Audit Program, dated November 10, 2010, is attached in its entirety, to the permanent copy of these Minutes and identified as EXHIBIT E.

A copy of the DGWB CAC 2009 and First Half 2010 Competitive Spending, dated November 2010, report is identified as EXHIBIT F.

A copy of the Cooper Roberts Research presentation, California Avocado Tracking Study, dated November 18, 2010, is attached to the permanent copy of these Minutes and identified as EXHIBIT G.

California Avocado Commission  
Board Meeting Minutes  
November 18, 2010

A copy of the 2010-11 Business Plan, approved October 28, 2010, is attached to the permanent copy of these Minutes and identified as EXHIBIT H.

A copy of the 2010-11 Projection & Budget, approved on October 28, 2010, is attached to the permanent copy of these Minutes and identified as EXHIBIT I.

A copy of the ROR Dashboard Update including Key Performance Indicators, updated November 16, 2010, is attached to the permanent copy of these Minutes and identified as EXHIBIT J.