

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

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A meeting of the California Avocado Commission (CAC) Board was held on Thursday, March 18, 2010 in the Hass Avocado Board (HAB) boardroom in Irvine, California, with the following people present:

**MEMBERS PRESENT**

Scott Bauwens  
Gene Carbone  
Reuben Hofshi (partial)  
Ben Holtz  
Ohannes Karaoghlanian  
Bob Lucy  
Tom Markle  
Bradley Miles  
Doug O'Hara  
Tom Pecht  
Don Reeder  
Steve Taft  
Charley Wolk  
Gary Woodworth

**MEMBERS ABSENT**

Andria Pontello  
*Public Member*

**CAC STAFF PRESENT**

April Aymami  
Tom Bellamore  
Zachary Benedict  
Jan DeLyser  
Jonathan Dixon  
Angela Fraser  
Angie Hanson  
Dave Howald  
Aria Lukman

**ALTERNATES PRESENT**

Ron Araiza  
Ernie Arana  
Andy Bailard  
Laura Eggering  
John Lamb  
Ed McFadden  
Bob Schaar  
Nick Stehly, Jr.  
Shane Tucker  
San Vaccaro

**ALTERNATES ABSENT**

Todd Elder  
Rick Shade  
Donna Singmaster  
Bob Witt

**OFFICIALLY PRESENT**

Sandra Ahn, Red Door  
Lauren Dougherty, Red Door  
Dennis Manderfield,  
CDFA(afternoon)  
Crosby Noricks, Red Door  
Jose Luis Obregón, HAB  
Gwen Peterson, Data  
Designers

**GUESTS PRESENT**

Jennifer Baker-Asiddao  
Betty Bohr  
Will Carleton  
Gahl Crane  
Austin Gavin  
Kathleen Johnson  
Doug Koegeboehn  
John Lindstrom  
Marji Morrow  
James McCormac  
Steven Muro  
Ann Segerstrom  
Connie Stukenberg  
Mark Weinfeld  
Katie Wild

**ITEM #1 CALL TO ORDER**

Roll Call/Establish Quorum- Item 1.A.

Don Reeder, CAC Chairman, called the meeting to order at 8:30 a.m. with a quorum present.

Introductions – Item 1.B.

There were no introductions at this time.

The Chairman noted that all discussions will include Board Alternates; however, each speaker will be limited to three minutes for each topic they wish to address.

**ITEM #2 CONSENT CALENDAR – ITEMS 2.A,B**

Chairman Reeder asked for questions or comments regarding the Consent Calendar items. Hearing none, the following motion was offered:

**MOTION 10-15-2:**

***The CAC Board of Directors approves the Consent Calendar, Item 2, in its entirety:***

***Item 2. A. Board of Directors' Meeting Minutes of January 21, 2010;***

***Item 2. B. Appointment of the following persons to serve in the positions***

***indicated on the Avocado Inspection Committee for two-year terms commencing May 27, 2010 and expiring May 27, 2012:***

***Reuben Hofshi – Handler Member***

***Ohannes Karaoghlanian – Grower Member***

***Peter Changala – Grower Member***

***Will Carleton – Alternate Grower Member***

***( Karaoghlanian/Miles) MSC Unanimous***

**ITEM #3 TREASURER'S REPORT**

Finance Committee Report – Item 3.A.

Information Item

CAC Board Treasurer and Finance Committee Chairman, Ben Holtz, reported the Finance Committee met yesterday afternoon and they have many agenda items to handle this year. He provided an overview of the committee's discussions, thanking Aria Lukman, CAC Finance and Accounting Manager, who had been helpful in working with an outside consultant on the risk assessment and procedure policies. Mr. Holtz showed the 11 finance policies and the code of conduct policy, noting that it will take some time to go through each policy and bring recommendations to the Board. He invited interested persons to attend the Finance Committee meetings held the day prior to Board meetings, to hear policy discussions before they go to the Board.

The big concern for the Finance Committee is negative cash flow, which to date has depleted Reserves by \$1.6 million. There is, however, a \$3.0 million line of credit as yet untapped. The crop sizing curve is currently peaking 50/50 on size 60's and 48's, bringing down the average price.

Mr. Holtz explained that the Executive and Finance Committees will watch this crop and revenue situation carefully during the next six to eight weeks and the Board will be kept informed.

One of the Finance Committee's large tasks is comprehensive risk assessment. Mr. Lukman assembled a risk assessment matrix and the committee is reviewing the controls at every level in the Finance Policy.

A copy of the final audited CAC Annual Financial Report for the 2008-09 season, prepared by independent auditors Macias Gini & O'Connell, LLP, was displayed and all Board Members received a copy prior to this meeting. Prompted by Mr. Carbone's concern that interest expense still was not shown as a separate item, Mr. Lukman explained that it is shown on pages 10 and 27 of the Audit Report as "*Investment* expense" instead of "*Interest* expense." This was due to the auditor's use of terminology they are familiar with as government auditors. A recourse at this point to change their terminology is not needed.

Mr. Lukman mentioned the second request from the previous Board meeting was to list the insurers rather than the broker through whom CAC purchases insurance. Multiple companies were obtained by broker Brown & Brown of California for various liability policies; for simplification, only the broker's name appeared in the Audit. However, the five liability coverages are now listed in the final Audit: commercial general liability, automobile liability, umbrella liability, travel accident liability, and Directors and Officers liability and employment practices liability.

The third request from the January Board meeting was to add an "Original Budget" column to the Budgetary Comparison schedule. It is now in the final Audit on page 26, first column. It was noted that portions of the Audit will be in the 2008-09 Annual Report.

Mr. Holtz noted that metrics of measurement and details regarding purchase orders (PO's) and scopes of work were also discussed at the Finance Committee meeting. He feels responsible and wants to be satisfied that the Commission is getting value for the work billed when he reviews the invoices.

The general topic brought forward for Board discussion and directive today: Does the Board prefer to exercise its authority to review all PO's and related scopes of work in regard to invoices, or does the Board wish to delegate the details to CAC management with Board oversight? Following lengthy discussion, the consensus of the Board was that Mr. Holtz should not be burdened with the details and that CAC management should handle and report their findings to the Board.

CAC President Bellamore added that staff and agencies are continually working toward more effective programs and welcome Board input during the season.

2009-10 Financial Update – Item 3.B.  
Information Item Only

Mr. Lukman next presented the financial overview, noting that the Statement of Revenues, Expenses and Changes in Net Assets Report showed approximately \$2.6 million was expended against a small assessment revenue stream of \$942,440, which required the use of Reserves in the amount of \$1.6 million. If the current crop presents more of a size challenge and reduced assessments, the \$3.0 million credit line, if required, can be activated in two or three days. The full report is in the March Board packet as Exhibit C.

He further noted that some of the financial reports formatting will be changed for future meetings, based on feedback from the Finance Committee. Financial reports will be sent to the Finance Committee even in the months without meetings.

2009-10 Crop Update – Item 3.B.  
Information Item Only

Mr. Bellamore reported that CAC staff met for another round with the handlers to gather additional crop input; the consensus is to stay with the 470 million pounds, all varieties, for the 2009-10 crop season.

**ITEM #4 CHAIRMAN’S REPORT**

2009-10 Meeting Schedule - Item 4.A.  
Information Item Only

Chairman Reeder stated that four *Annual* meetings in April will be held in the field. All CAC *Board* meetings will be held in the HAB board room or at CAC.

Annual Meeting Dates, Locations, and Format – Item 4.B.  
Information Item Only

Annual meetings are scheduled in the following areas:

Temecula: Thursday, April 22, South Coast Winery, 9 – 11 a.m.

Escondido: Friday, April 23, San Diego County Farm Bureau, 9 -11 a.m.

San Luis Obispo: Tuesday, April 27, UC Cooperative Extension,  
8:30 – 10:30 a.m.

Ventura: Tuesday, April 27, UC Cooperative Extension, 1:30 – 3:30 p.m.

All Commissioners in each area of the annual meetings should attend. The closely scheduled timing is doable, and the meetings are designed to be seated meetings with dialog about CAC’s direction for the 2010-11 fiscal year.

Vendor Management – Item 4.C.  
Information Item Only

CAC Treasurer Holtz had requested the summary list of contracts and contractors’ rate schedules be provided to the CAC Board to further understand how the CAC operates. He explained that this summary was originally prepared at the request of the California Department of Food and Agriculture (CDFA) during their last audit. CAC has continued to update the summary each year since it provides an overview of the vendor side of the business.

Preliminary Discussion of Potential Role for CAC in Industry Good Agricultural Practices (GAP) Certification Efforts – Item 4.D.

Information Item Only

Chairman Reeder introduced this issue, stating that GAP is a very serious undertaking that involves grower education and adaption to grove certification, which also covers grower identification (ID) for the traceability issue as well. The packers want to put this grove certification in place as soon as possible but there are key issues that need to be resolved with growers.

Commissioner Bauwens reported that his packing house is getting heavy pressure from customers to buy only fruit from groves that are GAP certified. They are being influenced by Mexico and Chile who already certify their fruit. He said his as well as other packing houses are certifying some of their groves and they receive a premium on fruit from those groves. There is a need for uniformity and to do that a better job of educating growers will have to take place. There will be only a handful of growers who will certify their groves; there are misperceptions out there as to the reason, but certification is not difficult to employ.

In response to Chairman Reeder's questioning the availability of standard forms, Mr. Bauwens said he could provide a *cookie cutter* form to get site maps, etc.

Ms. Eggering noted that although it is costly to have groves certified, some packers are offering package deals with six groves to split costs; maybe let growers sign up according to their district and by putting six growers together it would save a lot of money and make it less obtrusive than each paying \$1300 up front. Each grower would still fill out his own paperwork. Another suggestion would be to have packers deduct costs for certification like they do for picking costs.

Mr. Bauwens added that certification rates have declined and he has negotiated some at \$350 per grove.

Regarding the soundness of certifiers, Mr. Taft responded they have been doing audits for many years, so they are experienced. Mr. Wolk suggested that growers be provided names and information for the two known certifiers.

Mr. Hofshi explained that since California does not have an export market tied to the European GAP, a customer who calls the packing house to question their certification standards should be told they are doing the certification for their own USA. He added that we have to defend ourselves with our own California GAP standards and limit ourselves to the details customers ask; otherwise, the process will become too consuming. He had experienced intense questioning of minute details with Chilean fruit as had Dr. Dixon in New Zealand.

The consensus of the Board was that CAC could take a leadership role in the development of standardized GAP procedures for the industry. Customers would be likely to accept these standards if they are adopted industry-wide.

Mr. Bellamore said he had given the avocado grove certification program a lot of thought, which also included other groups with GAP programs as well as handler

specific programs that are being used now. One idea was to seek a “common denominator” by devising a standardized program with the support of our packer community. He concluded by stating that CAC would look at the current GAP program and then meet with the packers to determine a common denominator that would make the program workable for everyone. Grower education would be an important component.

Chairman Reeder told the Board that today’s discussion is informational only. He would appoint a committee, but first asked for comments and suggestions from the Board:

- Marketing Committee could handle this certification program. We do not want the government mandating something like a GAP program.
- Have a collective bargaining power as far as the certifiers for the program are concerned. We can negotiate the cost and custom design the program for avocados.
- What are other commodities doing about certification? The Strawberry Commission had a program for some time which started as food safety but evolved into GAP certification. Dave Riggs was a speaker at the recent grower seminars and he would be a good resource to involve. Also talk to Ben Drake about the Wine Grape program.
- Include Jan DeLyser on the committee when it is appointed.
- Do something similar to the Avocado Inspection Committee (AIC). The AIC can set standards for oil content; why can’t we set standards for what the certifiers should be looking for in avocado groves?
- Explore the traceability issue that leads to grove ID.

Chairman Reeder appointed Reuben Hofshi to chair a GAP committee to spearhead CAC’s efforts. Members of the committee will be appointed following discussions between Chairman Reeder and Mr. Hofshi. A progress report will be given at the next Board meeting in May 2010.

Chair Hofshi recommended: 1) Asking Dave Riggs to become involved, and 2) Reading the original 2006 GAP manual to understand what we are facing.

#### **ITEM #5 PRESIDENT’S REPORT**

##### **Introduction of Research Program Director and Industry Affairs/Communications Manager - Item 5.A. Information Item Only**

Mr. Bellamore introduced Ms. Angie Hansen, formerly with Christopher Ranch, the largest garlic grower/shipper, and a staff writer for Vance Publishing who publishes the Packer produce newspaper. She is a journalist who has been working with produce growers and is deeply engrossed in the produce industry. She is CAC’s new Industry Affairs/Communications Manager with communication and outreach responsibilities.

Dr. Jonathan Dixon from New Zealand was also introduced as the new Research Program Director, with responsibilities to oversee researchers and research projects as well as grower liaison and industry issues such as GAP. He briefed the Board on his recent activities that included attendance at grower meetings and visitation to all of the current researchers; next he will meet with the handlers. He explained his experience with the Euro-GAP program while in New Zealand and noted that GAP accountability will escalate in the U.S. He said the key to managing GAP is to set the standards yourselves and get them accepted/approved by the authority; then you *own* the process and have control overall.

Commissioner Miles noted that growers appreciated Dr. Dixon's comments at recent grower meetings and he encouraged every Commissioner to include him when they schedule their required district meetings.

*Eligibility to Serve as an Alternate Member of the Board – Item 5.B.*  
*Action Item*

In January Chairman Reeder asked for issues to review and act upon this year, so the process was begun to place these issues on the Board agendas. GAP is one issue. Another is the eligibility to serve as an alternate member on the Board. This issue came forward because of the 2009 election. It is important to acknowledge there was no violation of the election rules but it raised some questions:

- 1) Should limits be placed on the eligibility of a candidate for a mid-term alternate member vacancy? The Board fills mid-term vacancies by majority vote, but the rules do not speak to who is eligible and who is not;
- 2) Filling a mid-term vacancy is in the statute, but *not* in the statute might be an *addition* to the election rules; you could address the eligibility issue without going to statute; and
- 3) Should length of service requirements be changed in any way? Mr. Bellamore explained that an individual could serve for many years and the details are laid out in the Issue Brief (5.B-3.)

If the Board did want to make an Election Procedures change, rules require that the Secretary concur in any change. The Board would need to *act no later than May 2010* and send any change in procedures to the California Secretary of Agriculture in order to get the Secretary to approve and get the change adopted by June or July 2010, in time for the 2010 election.

Commissioner Charley Wolk offered an historical comment: The rules CAC has were derived from the genesis when we voted in districts that alternated and members served forever. There were never consecutive terms. Growers were satisfied but the underlying current was that change was needed.

Commissioner Laura Eggering expressed her objection to the paragraph following Item 6 in the Issue Brief (Item 5.B-3), “Nonetheless, some growers viewed the resignation of a seated board member who was up for election and that member’s subsequent bid for an alternate seat with half-term remaining as circumvention of the electoral process.” She felt it was an inaccurate statement that reflected on her and did not help the process being discussed. Mr. Bellamore stated that the issue would not have been brought to the Board’s attention had some people not thought those events did not seem right, which would then cause you to modify election procedures. He apologized to Ms. Eggering, stating there was no intent to take exception to her actions.

The following Motion was offered for discussion and then approved:

**MOTION 10-16-5.B:**

***The CAC Board of Directors approves modification of the CAC Election Procedures by providing language stating that a resigning Commissioner cannot fill a partial vacancy in an election process. (Wolk/Karaoghlanian) MSC Unanimous***

Mr. Bellamore was requested to prepare, for Board review and approval at the May 2010 Board meeting, the proposed language regarding eligibility to serve as an alternate member.

**Executive Committee Spending Authority – Item 5.C.**

**Action Item**

The Board had asked in January to revisit this section of the By Laws since several of the members expressed the opinion that the grant of spending authority to the Executive Committee is unnecessary.

The current \$25,000 spending limit is granted to the Executive Committee in the CAC By Laws (Article IV, Section 2) has some conditions attached, e.g. the circumstances must be *urgent*. It was noted that a By Laws change requires a two-thirds vote of the Board to carry the action.

Discussion followed. Treasurer Holtz explained that if there are funds in the approved CAC budget, they can be easily and quickly allocated without this Executive Committee authority, rather than the Executive Committee authorizing new money. Mr. Wolk felt there was nothing to be gained by Executive Committee action to spend \$25,000; just leave it to the Board to spend. Other Board members preferred to leave the Executive Committee’s spending authority as it stands because the authority provides flexibility.

Following discussion, this Motion was offered:

**MOTION 10-17-5.C:**

***The California Avocado Commission Board of Directors approves suspension of the Executive Committee’s spending authority until further action by the Board.***

***(Karaoghlanian/Wolk) MS Defeated 7 no, 5 yes, 1 abstention by  
Roll Call Vote as follows:***

***No: Pecht, Miles, O'Hara, Lucy, Bauwens, Hofshi, Carbone***

***Yes: Taft, Wolk, Holtz, Woodworth, Karaoghlanian***

***Abstention: Markle***

***The Public Member was absent from the vote. The Chairman did not  
vote.***

**San Diego County Water Authority Special Agricultural Water Rate – Item 5.D.  
Information Item**

Mr. Bellamore referred to the February 24, 2010 Board memo update on water rates. At that time it was the subset of the San Diego County Water Authority (SDCWA) committee that was poised to carve away some of the rate in the supply component which would have reduced the rate \$61. Messrs. Larson, Wolk and Bellamore met with the work group and asked them *not to* take the supply discount and to value agriculture in the region while keeping San Diego County water districts' rates linked to the Metropolitan Water District (MWD) water rate. The current MWD agricultural rate program – Interim Agricultural Water Program (IAWP) – will be phased out in December 2012. Before then the work group would meet again with agriculture and work on a successor program. Mr. Bellamore noted that on March 15, 2010 the work group voted to recommend to the SDCWA Administrative and Finance Committees that the county water board extend the current rate program to the end of the IAWP. Action will be required by the full water authority board but the situation appears better than it did at the onset of discussions.

Mr. Wolk added that a key turning point, after they had met with the work group the first time, was writing them a letter and, at the group's February 17, 2010 meeting, following up in person with comments regarding the sustainability of the agricultural industry.

Comments were heard from the Board:

Mr. Woodworth said he attended the Rancho Water District meeting last evening. He had asked at a previous general meeting why Rancho could not have a reduced rate; their attorney said there is a Proposition that states they are required to give everyone the same rate. He still questioned why volume discounts cannot be given.

In response, Mr. Bellamore explained that CAC had researched intensely on this issue and concluded that, at the wholesale level, Proposition 218 does not provide any constraints to different rates for different classes of service or allowing consideration of an agriculture rate at the expense of another group. However, even if Proposition 218 did apply, rate differentials can be permissible if the difference is funded with a different pool of money, e.g., property tax, rather than the rate charged.

Mr. Woodworth noted that at Rancho last evening there was discussion on water which included the history of why we do not have water. There was concern expressed that agriculture needs to be given priority for water. From a conservation standpoint, there are things we can gain, e.g., the inside-the-house rate in Rancho Water District whereby the price increases beyond a home's allocation. This will conserve our water use long-term but it will not get us out of this short-term shortage. However, short-term we could get by with *major* conservation issues. Half of residential use is outside of houses, so curtailing lawn watering would help. He felt the growth potential for agriculture long-term is still there. There is a bond issue at Rancho Water District this fall; the details need to be studied. There is no money for a peripheral canal.

Mr. Bellamore explained that alliances between different sectors of agriculture are often possible and effective, particularly at the local level. Forging such alliances becomes more of a challenge for issues at the regional level, however, such as operation of the State water project.

Ms. Eggering stressed that grove quality is diminishing. Trees are dying due to high salinity in the water.

Mr. Hofshi felt the focus should be on water *quality*. He asked if there is there a way to blend in less of the higher-salinity Colorado River, to which Mr. Bellamore responded that the idea has been brought up many times; however, there are facility constraints (such as Lake Skinner) but they expect to improve their facility in the future. Even the state water project is not going to be sufficient with its planned reduction of 20% in 10 years, but until we can get a state water bond, there will be no change in water quality.

Mr. Lucy said the Rainbow Water District will be allocated 7000 square acre-feet of desalinated water for \$70,000, as a result of the Carlsbad desalination facility. Initially it was thought that Rainbow might trade their allocation for water from a neighboring district, but the desalination water would be better suited for agriculture.

Mr. Holtz expressed his opinion that rising costs of water are signing a death warrant for the industry's sustainability. Small fruit is a result of less water use and groves are going out of business. He noted the shrinking acreage survey that would be presented at this meeting by Gwen Peterson.

Mr. Bellamore stated he and his water team will advise the Board on how they fare at the upcoming County Water Authority Meeting.

Mr. Miles further noted that in the north (Santa Barbara, Ventura, San Luis Obispo and Monterey Counties) the Regional Water Quality Control Board has come up with new parameters for monitoring run-off and has lumped avocado growers in with field crops. They did not look at avocado ag issues, and small farmers will be further hurt with all the additional paper work. A Central Coast Water Workshop is planned for May 2010 where the parameters will be explained and discussed.

Mr. Bellamore said the Central Coast Ag Discharge Waiver was once pointed to as the model since to staff it seemed to be right on target; now it has taken off in another direction. We are watching it and San Diego County as well, to determine if it “morphs” into something bad for growers. CAC has not gotten involved in the north, but many people are working on it now that a proposal has been presented by 10 county farm bureaus. He asked that the Board advise him if it prefers CAC to be more involved.

Mr. Hofshi explained that the water situation will only get worse and some people are drilling wells down to 200-400-foot levels. It is difficult to propagate those trees and productivity is not good. There are both root rot and salinity challenges in the south and growers are concerned about salinity in new-planting rootstocks that are rot root resistant. He did not think you could get rid of salts in the water. Some growers are switching to growing salt-tolerant rootstocks. Other measures, like reverse osmosis, are expensive and end with the problem of disposing of toxic brine that is removed from the water.

Researchers are looking at the salinity issue in water quality.

*Mr. Holtz asked if the Board could be provided, at its next meeting, with an issue brief on salt-tolerant rootstocks.*

Chairman Reeder ended the comment period and told the Board that the issue paper would be provided at the next meeting. It was noted that the Production Research Committee is scheduled to hold a meeting on April 13, 2010.

*Acreage Survey Results for San Diego and Riverside Counties – Item 5.E.*

Mr. Bellamore explained that since the last acreage imagery in 2005, many changes have taken place. Following the freeze, the Board was presented an option to acquire imagery in 2009 to assess changes to the acreage inventory. The Board allocated \$33,000; Rainbow and Valley Center water boards are contributing \$5,000 each to fund the analysis by Geospatial Partners.

He introduced Gwen Peterson, Data Designers, as the project manager for acreage assessment. She presented the 2009 *attrition* assessment results, which were different from the usual five-county acreage *inventory* assessment that was taken on a four-year cycle from 1997 to 2005. Since 1997, through the advancement of technology, the acreage inventory has progressed from film to digital, digital to a Geographical Information System (GIS) and GIS enhanced with satellite spectral analysis. In consideration of significant changes in acreage condition in the southern counties as well as budgetary constraints, the focus in 2009 was on San Diego and Riverside counties where the most significant changes were taking place. She recapped the effort that goes into an analysis of spatial resolution comparison through imagery to achieve the end results of avocado delineation and classification.

Ms. Peterson next displayed a *Summary of Crop Estimating Acreage Application* that compared 64,768 acres for all counties in 2005, to 64,555 adjusted acres for the 2008-09 season.

Historically an attrition factor was applied to each county based on the ratio of abandoned acres found. New acres in the north rolled-in at 25% over four years. Topped acres were presumed to return to production since topping/stumping was primarily for cultural purposes. A grower survey assessed the condition of groves and acres were adjusted statistically until the next imagery.

However, with the many changes that have taken place in the industry, and in particular topped acreage in the south, the right questions need to be asked in the forthcoming grower crop estimate form to get the best answers about topped trees, e.g., acres that will return to production or acres removed, along with other circumstances growers may have. Also in question are the 25% “new acres” rolled in each year in the north; many of the new acres were burned out or frozen out and replanted. She requested input from the Board, noting that attrition would not be applied until next year because we are looking at imagery done in 2009. There were 10 years of good estimates but then the last four years were *off*. We need to determine what factors were involved.

Comments from the Board on improving the crop estimate:

- The imagery study will pick up large brown vs. green so delineation will be clearer.
- Rainbow Water District is planning to survey its district because they think there are hundreds of “brown” avocado acres out there. They may be able to provide some input since they need to know this information for their water revenue situation.
- There is a large quantity of growers less than two acres but there is a good cross section of *all* acreage involved in the grower surveys. It was suggested to survey only the 200 of top-acreage growers and ignore some of the low acreage groves.
- Hire a pilot to fly your district and you could quickly verify.
- Every year it is possible that more growers will shut down their grove water supplies. However, some may wait it out this year due to the increased rains. Talk to growers who turned off their water since the October 2009 crop survey.

Treasurer Holtz stressed that when the crop estimate is not accurate, it also affects the CAC budget.

Mr. Bellamore stated that imagery is only one of several inputs. The 470 million-pound estimate is based on qualitative discussions with the packers. That may be as flawed as this imagery but the modifications are helpful.

Ms. Peterson also noted that in the April survey for the 2010 crop the hope is growers will give us a good estimate on production vs. topped trees. There is a lot of uncertainty in the groves, especially in the south.

Sizing this year is abnormal and is coming in about 20%-70s, 50%-60s, and 25%-48s. Historically fruit has been based on an 8-ounce weight vs. 6-ounce fruit this year. So many fruit are already compromised that some believe size will not increase much. Soil temperatures are also a factor, as is the high salt content of irrigation water.

In response to what percent of growers have shut down or stumped trees, Mr. Holtz offered that Districts 1, 2 and 3 cannot reflect historical patterns. You need to go grove-by-grove and manager-by-manager to determine acreage. Hopefully we can get better answers to strengthen the industry and come out with less ambiguity on acres and crops.

Mr. Karaoghlanian suggested: 1) Look at real estate properties that are for sale, and 2) search title companies to find groves that are not for sale and get the acreage of each.

For current crop information, it was noted that Board members and packing houses are highlighting information to growers through any medium they can. Growers are advised to stay in close contact with their field men and packing houses throughout the season.

Mr. Bellamore explained that CAC wants to poll the packers further into the season to get a better crop indicator, but first CAC will send out a grower survey in April. The survey questions must be shaped correctly to gather the most significant information, and an educational paragraph could be inserted to clarify the language for grower understanding.

It was suggested to have the surveys available at district meetings where growers could fill them out and turn them in that day. A suggestion was also offered to have a *June* survey *after* trees have bloomed. Trees are beginning to flower but a stressed tree that does not bloom will not produce fruit for next year. However, a *June* survey would not help in marketing *this* year's crop, since crop surveys tell CAC what is yet to be marketed in 2010.

Copies of the *2009 Acreage Attrition Assessment report* are available for all Board members' district meetings that will soon occur.

### **ADJOURN FOR LUNCH**

The Chairman adjourned the Board for lunch at 11:50 a.m. and reconvened the CAC Board meeting in the HAB offices at 12:50 p.m.

### **ITEM #7 HASS AVOCADO BOARD REPORT**

#### **Nutrition Program Report – Item 7.A.**

##### **Information Item Only**

HAB Managing Director Jose Luis Obregon reported that he and the HAB Nutrition Committee, chaired by Charley Wolk with members Dan Sanders and Ohannes Karaoghlanian, recently met with a few nutrition researchers. Proposals for nutrition research will be reviewed by the committee and then brought forward to the HAB Board. By mid-year 2010 the hope is to have a deliverable message on avocado nutrition that can be used by the industry.

#### **Regulatory Flexibility Act Review – Item 7.B.**

##### **Information Item Only**

Mr. Obregon advised the Board that on February 23, 2010 there was a Notice in the Federal Register that USDA would conduct a *Section 610 Review* of the *Regulatory Flexibility Act* to consider regulations of small businesses. Avocados and blueberries will be audited this year. The Comment Period ends in April 2010. Contact Mr. Obregon for further information regarding where you can comment.

### **ITEM #6 MARKETING REPORT – 6.A through 6.D.**

#### **Marketing Advisory Committee Report – Item 6.A.**

##### **Information Item Only**

Marketing Advisory Committee (MAC) Chairman Bob Lucy reported the group met on March 4, 2010. They discussed the projected volume and their concern over sizing with a greater than normal percentage of 60s, 70s and 84s, particularly in the south. He said they discussed the possibility that the California season will extend into October. He said the committee wants to be sure there is *muscle* applied to a big upswing during the peak season, with consideration for extending marketing support into the fall.

CAC Vice President of Marketing Jan DeLyser explained that input from the MAC helps guide the timing and markets for CAC's marketing program.

Mr. Lucy noted the opportunity to sell bagged avocados this year and referenced the effort to reach out to customers who sell small-size fruit to get them to start early and stay late with this program. Foodservice is another area for promoting use of 60 and 70 size avocados.

He concluded his report stating that the MAC wants to be involved in the planning process this year and will schedule a planning meeting for May.

Mr. Lucy stated the MAC discussed Good Agricultural Practices (GAP) and the possible role of CAC. There was consensus from the committee that CAC further explore opportunities for involvement in GAP for the California Avocado industry.

CaliforniaAvocado.com Web Site Update and Social Media – Item 6.B.  
Information Item

Ms. DeLyser explained the process CAC used in conducting last year's search for a new online marketing agency. Red Door Interactive received the appointment and hit the pavement running with an analysis of the entire CAC digital program. She introduced the Red Door team of Lauren Dougherty, Crosby Noricks, and Sandra Ahn. She also introduced and recognized CAC staff members Angela Fraser, Marketing Manager and Zachary Benedict, Marketing Assistant, for their work on the Web redesign and development of CAC's social media program. They presented an update on the program.

Web Site Redesign Overview

Ms. Fraser said they have enjoyed the partnership with Red Door in redesigning the Web site. The goal of the project was to improve navigation and increase return visitors while improving user interactions. CAC is in the top 10 rankings of Web site visits and will strive to maintain high rankings even with increased competition. She noted the various ways the site has been improved:

- Optimized content
- Enhanced the recipe dataset and overall site search
- Separated Consumer, Retail and Foodservice sites from the Grower site
- Built the Web site on a new Content Management System (CMS) to provide site stability, ease and efficiency

Mr. Benedict explained that the updated content management system (CMS) provides CAC the ability to add or delete content immediately. As an example he said that adding a press release or a recipe can now be handled internally rather than processing through an outside source. He noted the new Frequently Asked Questions (FAQs) section with an extensive list of common questions and answers that will streamline response to individual inquiries. An improved *Contact Us* form now includes categories and subject options to make it more user friendly. He said these new features have reduced time commitment and costs.

Ms. Fraser reported the success measurements/key performance indicators for the Web site redesign which include:

- Traffic Monitoring – Year-over-year and month-over-month growth in total visits, new/repeat visitors, page views per visit, e-mail/MyRecipe sign-up rate
- Increase organic search traffic to CaliforniaAvocado.com against priority/competitive keywords by at least 15% from current search volume
- Conversion rates for recipe e-mail sign up and recipe search
- Top Content (most popular pages viewed)
- Engagement – *Share This* usage and time spent on site
- Viral Features – Measurement of increased traffic due to viral features as well as use of viral features, e.g., what consumers are viewing

- Results of pre-and-post Web site redesign surveys

### Redesigned Web Pages – New Features

Ms. Dougherty, Ms. Noricks and Ms. Ahn presented an overview of the redesigned Web site pages. There is an interactive feature provided by clicking on a tab throughout the entire site that tells why *California* avocados are different.

The team demonstrated the new features in Web site pages:

- Meet the Growers Updates with a sub-section video for quick, easy navigation to access grower content; interactive featured grower areas with basic profile, videos and photos
- Recipes Updates with options to search recipes by keyword or category; ability to browse recipes by top categories with unique landing pages for each category and sub-category, e.g., “kid friendly” or “low calorie”
- Recipes Detail Updates highlights recipe ratings and displays of calculated preparation, cook and total time; shopping list feature; nutritional information per serving displayed; print feature with option to print in 3 sizes
- Retail Updates – Site has unique look and feel with different accent color and different navigation; ability to navigate to Consumer and Foodservice sites; Promotional Planner highlight (interactive promotional planner to launch in April 2010); important resources for retailers are highlighted, e.g., research, ad kits and POS order forms
- Foodservice Updates – Site has unique look and feel with different accent color and different navigation; highlights POS order form from foodservice home page; dedicated area to upcoming foodservice events

### Social Media Overview

Ms. Noricks explained that *Social Media* is people sharing ideas, thoughts, news, photos, video, and suggestions with other people online. It is a fundamental shift in the way we communicate. *Social Media* mobilizes consumers through blogs, *Facebook*, *Twitter* and customer reviews. These are considered the most effective tactics for mobilizing consumers to talk up products online. According to research surveys, consumers are 67% more likely to buy from the brands they follow on *Twitter*, and 51% more likely to buy from a brand they follow on *Facebook*; 90% of consumers online trust recommendations from people they know, while 70% trust opinions of unknown users.

### Social Media Plan

The team outlined their strategy to extend the experience of simply eating a California Avocado into being part of a community of California Avocado *aficionados*.

- Build an online social media community of California Avocado fans through a lively communication strategy that highlights key messaging, builds conversation, drives buzz and keeps the California Avocado top of mind
- Develop community of consumers who “*Insist on California Avocados*” and spread the word

- Cross promote CAC programs when possible with geographically-targeted updates (via state or city)
- Promote recipes, growers' stories, featured chefs, general avocado information and e-mail sign-ups on fan pages
- Drive traffic to CAC's Web site

CAC's *Social media* program includes the following:

#### Facebook Fan Page

- Banners on side of page drive traffic back to the consumer Web site to visit recipe e-mails, recipe search, recipe widget for menu ideas, and nutritional information
- Featured Grower tab will profile various California avocado
- Recipe cards tab features seasonal California Avocado recipes

#### Twitter Page

- Communication with the followers allowing for direct response to sender; 80 followers so far

#### YouTube Page

- Opportunity to show videos and deliver avocado messages
- Fresh content will be added throughout the year

#### Consumer E-mail Marketing Program

- Refreshed consumer e-mail template and welcome letter to coincide with the Web site redesign
- Apply *Google Analytics* tracking for continuous analysis and optimization based on performance
- *Social media* integration and cross-promotion; implement "share to social" functionality in e-mails
- Grow E-mail list through acquisition tactics and on-site optimization
- Explore cross-promotion opportunities with retail partners
- Re-engagement campaign to inactive subscribers

#### New Consumer E-mail Creative

A sampling of new creative was shown, e.g., an e-mail postcard sent in February and an informational/recipe piece titled "California Avocado Season is Finally Here!" with fresh recipes and "The Guacamole of the Month."

#### Upcoming Priorities for Online Communications

- Grower Web site redesign with new content management system (CMS)
- *Greensheet* update and optimization
- Seasonal consumer promotions micro sites: *Cinco de Mayo*; *Build a Better Burger*
- Continue to develop and grow *Social media*, e-mail marketing campaigns and Web site traffic

- Increase Web site and keyword rankings

Comments and questions from the Board were addressed.

Measuring Marketing Programs Using the “Dashboard” Tool – Item 6.C.

Ms. DeLyser presented the *Dashboard* for key marketing performance indicators. She said this tool has been designed to communicate marketing measurements to the Board and invited their questions and input. The *Dashboard* will be made available to Board members after the meeting. It was suggested that handouts of the *Dashboard* measures be made available for distribution to growers.

USDA Oversight of CAC Consumer and Trade Messaging – Item 6.D.  
Information Item Only

This year’s marketing program is funded with the 85% rebate received via HAB. Examples of comments made by USDA during their review of CAC promotion materials were provided to the Board. This review is often time-consuming and costly, and CAC staff and USDA may not always see “eye to eye” on message content. Ms. DeLyser and Mr. Bellamore asked for Board direction on the position CAC should take when such disagreements arise.

Following Board comments and discussion, Mr. Bellamore stated he understood the Board’s position and would implement it, exercising due care to ensure compliance with the law.

**ITEM #8 OPPORTUNITY FOR PUBLIC COMMENT**

In response to questioning by Mr. Holtz, Ms. DeLyser said the February 26 “Avocado Fresh Trends” published by the *PACKER* noted in error that 53% of avocado shoppers prefer green/unripe fruit. She will communicate with the appropriate people to correct their statement.

**EXHIBITS**

*A copy of the March 18, 2010 Board Packet is attached to the permanent copy of these Minutes and identified as EXHIBIT A.*

*A copy of the audited final CAC Annual Financial Report for the 2008-09 crop year, in its entirety, is attached to the permanent copy of these Minutes and identified as EXHIBIT B.*

*A copy of the CAC Financial Reports for the month ending February 28, 2010, are attached to the permanent copy of these Minutes and identified as EXHIBIT C.*

*A copy of the CAC Board Meeting Schedule, which includes the April Annual Meeting Schedule, is attached to the permanent copy of these Minutes and identified as EXHIBIT D.*

*A copy of the CAC FY 2009-10 Summary List of Contracts and Rates is attached to the permanent copy of these Minutes and identified as EXHIBIT E.*

*A copy of the California Avocado Acreage Attrition Assessment 2009 is attached to the permanent copy of these Minutes and identified as EXHIBIT F.*

*Copies of the California Avocado Commission Online Marketing Overview, presented March 18, 2010, and CAC Season Opening Marketing Materials are attached to the permanent copy of these Minutes and identified as EXHIBIT G-1,2.*

**ADJOURN MEETING**

Chairman Reeder polled the Board regarding their meeting location. The majority preferred the HAB board room location. CAC staff also agreed. With no further business, Chairman Reeder adjourned the meeting at 3.00 p.m. The next Board meeting will be held May 20, 2010 in the HAB board room, located at 230 Commerce, Suite 190, Irvine, California 92602.

Respectfully submitted,

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Betty Bohrk

I certify that the above is a true statement of the Minutes of March 18, 2010, approved by the CAC Board of Directors on May 20, 2010.

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Bradley Miles, CAC Board Secretary