

**CALIFORNIA AVOCADO COMMISSION
BOARD MEETING MINUTES
January 20, 2011**

A meeting of the California Avocado Commission (CAC) Board was held on Thursday, January 20, 2011 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
Bob Lucy
Ed McFadden
Bradley Miles
Doug O'Hara
Tom Pecht
Steve Taft
Shane Tucker
San Vaccaro (Alt. Woodworth)
Charley Wolk

MEMBERS ABSENT

Jim Donovan,
ex-officio HAB
Andria Pontello,
Public Member
Gary Woodworth

CAC STAFF PRESENT

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

ALTERNATES PRESENT

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

ALTERNATES ABSENT

Ernie Arana
Todd Elder

OFFICIALLY PRESENT

David Anderson, Merchandiser
Mark Burrell, WestMark
Group
Jon Gothold, DGWB
Sarah Hughes, DGWB
Linda Hurley, MGO
Cece Krumrine, Merchandiser
Dennis Manderfield, CDFA
Lynne Netty, MGO
Jose Luis Obregón, HAB
Maureen Pello, USDA/AMS
(via conference call)
Catherine Sosa, DGWB
Connie Stukenberg,
Merchandiser
Mark Weinfeld, DGWB

GUESTS PRESENT

Dan Bernal
Betty Bohr
Wayne Brydon
Will Carleton
Veronica Espinoza
Austin Gavin
Doug Koegeboehn
James McCormac
Marji Morrow
Steven Muro
Gwen Peterson

ITEM #1 CALL TO ORDER

Roll Call/Establish Quorum- Item 1.A.

Charley Wolk, 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.

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

Action Item

Chairman Wolk asked for questions or comments regarding the Consent Calendar items. Ben Holtz, Treasurer and Finance Committee Chair, requested that full committee approvals (**Item 2. B “Consider Approval of Committee Appointments”**) be removed from the Consent Calendar and approved separately, to allow for discussion.

A motion made by Ed McFadden was adopted, “that the Board approve the consent calendar items as presented, less Item 2.B.”

(McFadden/O’Hara) MSC Unanimous MOTION 11-1-20-1

Note: The consent calendar consisted of the following items, and are included in the January 2011 Board Packet, EXHIBIT A), 2.A, 1-10, 2.B, 1-2 and 2.C-1:

Item 2.A. Board of Directors’ Meeting Minutes of November 18, 2010;

Item 2.C. Consider Approval of CAC as Provider of Avocado Inspection Program Administrative Services for the CDFA for the period from July 2011 through June 2012.

Consider Approval of Committee Appointments – Item 2.B

Action Item

Mr. Holtz stated that he would like to review the nature of the 2010-11 Finance Committee as provided in the Board Packet since his input into the process of nominations for his appointed committee was not acted upon.

Chairman Wolk responded that, according to the CAC Bylaws, the Chairman has the responsibility to appoint committees and the Board has responsibility to approve those appointments. Chairman Wolk stated that he had met with Mr. Holtz prior to the board meeting to discuss the appointments, as well as other matters with regard to the Finance Committee. He stated that he tried to get new people involved and bring a balance across growing areas, while removing two who were on the Executive Committee and including three handlers as an integral part of the committee. He noted that any other names suggested could attend the meetings even though they were not a committee member.

Following Board discussion a motion made by Doug O'Hara was adopted, "to approve the Finance Committee appointments made by Chairman Wolk." (O'Hara/Pecht) MSC by a Roll Call vote of 7 yes, 5 no MOTION 11-1-20-2

No: Taft, Holtz, Vaccaro, Karaoghlanian, Lucy

Yes: Tucker, McFadden, Pecht, Miles, O'Hara, Bauwens, Carbone

Mr. Holtz asked if consideration was given to having a representative from each district sit on the Redistricting Committee. Chairman Wolk explained that he chose Redistricting Committee Members from Districts 1 and 5 where the redistricting impact will be minimal. Chairman Wolk also clarified that Nick Stehly Jr., had been replaced with Jerome Stehly on the Redistricting Committee prior to the meeting.

A motion made by Shane Tucker was adopted, "to accept the Marketing and Redistricting Committee appointments as presented." (Tucker/Miles) MSC Unanimous MOTION 11-1-20-3

ITEM #3 TREASURER'S REPORT

Consider Acceptance of 2009-10 Audited Financial Statements – Item 3.A.
Action Item

Linda Hurley, Partner, and Manager Lynne Netty with CAC's audit firm, Macias Gini & O'Connell (MGO), presented an overview of the following three reports:

- Annual Financial Report – October 31, 2010 and 2009, which includes CAC's financial statements
- Report to the Board of Directors for the Year Ended October 31, 2010
- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.

Ms. Hurley stated that MGO had issued an unqualified opinion, the highest level of assurance, that CAC's financial statements as presented conform with accounting principles generally accepted in the United States. , She also reported that MGO had no current year recommendations for CAC and that all previous year recommendations had been implemented.

It was noted that the new CDFA fiscal and compliance agreed-upon procedure requirements will be incorporated into next year's CAC audit.

A motion made by Gene Carbone was adopted, "to accept the 2009-10 audited financial statements as presented by Macias Gini & O'Connell (MGO)." (Carbone/McFadden) MSC Unanimous MOTION 11-1-20-4

President Tom Bellamore noted that CAC is fortunate to have a staff that works at a very high level. He and Board Members applauded Aria Lukman and his staff in recognition of a clean audit.

The MGO 2009-10 audit reports are included in the Board Packet as Item 3.A, 1-44. Bound copies are available from Mr. Lukman at CAC.

Consider Approval for Establishing New Bank Account – Item 3.B.

Action Item

Mr. Lukman, Finance and Accounting Manager, reiterated that some Board Members had requested CAC staff to review bank fees; management has been negotiating with its current bank (Wells Fargo) and soliciting proposals from seven other banks to significantly lower fees without sacrificing the security of its funds. By switching to management's recommendation of Bank of the West, CAC can realize five hundred dollars a month savings in fees. Bank of the West also offers a credit earnings allowance that can be applied to deposits to offset fees. They will also provide CAC the same line of credit as the one CAC currently has with Wells Fargo.

Mr. Lukman noted that the Avocado Inspection Program (AIP) account, which is administered by CAC, will also be moved to Bank of the West. CAC's credit card program will be moved over as well; the new card will be a *purchasing* card, which is a credit card with more controls (e.g. CAC can authorize only certain merchants and set limits on spending amounts).

Mr. Holtz requested postponement of Board action until the March meeting since the Finance Committee had not reviewed the economic viability of making a new banking choice. Chairman Wolk explained it was appropriate for Mr. Lukman to bring this decision to the Board today since staff had done the research and management was convinced that money could be saved by switching to Bank of the West. Chairman Wolk clarified that per CAC's Internal Control Policy; the establishment of a new bank account requires board approval.

Following discussion regarding the aspects of changing banks a motion made by Bradley Miles was adopted, "that CAC establish a new bank account with Bank of the West."

(Miles/Carbone) MSC by a Roll Call vote of 8 yes, 5 no MOTION 11-1-20-5

No: Taft, Holtz, Karaoghlanian, Lucy, Hofshi

Yes: Tucker, Vaccaro, McFadden, Pecht, Miles, O'Hara, Bauwens, Carbone

A discussion on use of credit cards was *deferred* to Item 3.C, following the Item 3.D report.

2010-11 Financial and Crop Update – Item 3.D.

Information Item

Mr. Lukman reported on the CAC financial position and operational indicators for the first two months of its 2010-11 season as outlined in Item 3.D-1 of the Board Packet. He noted that, as of December 31, 2010, there was a total Cash and Investment of \$10,465,481; of which \$1,052,191 was AIP money CAC holds for them; total Liabilities were \$1,643,588; Reserves were \$9,313,598.

Items 3.D-3 through 3.D-7 further report line items in the Balance Sheet/Reserves and Statements of Revenues, Expenses & Changes in Net Assets showing comparisons year-to-date vs. annual budget and actual vs. budget.

Item 3.D-8 documented 14.0 million pounds and \$11.1 million of gross dollar value for all varieties of avocados handled during November 2010, as reported by handlers. CAC estimated about 1.0 million pounds would be handled in December, which would bring the total carry-out from the previous season to about 15.0 million pounds.

Item 3.D-9 and 3.D-10 provided a 2009-10 fiscal year U.S. aggregate (all varieties/all countries) avocado volume marketed by month, and the projected 2010-11 volume by month (as provided by HAB).

Mr. Holtz then noted that the Finance Committee had not met in January but will meet as usual before a Board meeting from here forward.

The industry estimate of 1.26 billion pounds of avocados to be marketed in the U.S. was polled for problems or concerns. The Board consensus was that it appeared a viable estimate at this time.

Finance Committee 2010-11 Activity Calendar and Operational Plans – Item 3.C.

Information Item

Mr. Holtz first read from the CAC Bylaws, page 16, the section regarding the Treasurer's responsibilities. He next read an Activity Calendar he had prepared for this year's review by the Finance Committee which included:

- How bank records are reviewed
- CAC contracts and CAC credit card request for some staff members
- Bank evaluation for new checking account
- Annual comprehensive risk assessment
- Rules and regulations in Bylaws for various committees
- Corporate insurance and incentive programs
- Assessment rate and reserves; cash flow
- In-depth review of 2011-12 business plan and its impacts from the financial side
- Recommendation for 2011-12 budget and assessment rate

Mr. Holtz was requested to send an e-mail to all Board members detailing these items.

Chairman Wolk noted there is a difference in philosophy: the Finance Committee is not operating on its own but works at the direction of the Board. Chairman Wolk stated that in his opinion, the Board must consider backing out of micro-management of the Commission. He stated that he would meet with Finance Committee Chairman Holtz to discuss this issue further and would send a suggested summary of Finance Committee action items for the Board to review. The Board at that point could decide what it would like the Finance Committee to focus on.

Multiple board members expressed concern with the Finance Committee backing too far out of Commission activities. Specifically, they made it clear that it was imperative to continue with strong internal controls over CAC's financials. They commended the Finance Committee Chairman Holtz on an exceptional job over the past year in working with CAC staff to create sound policies and procedures to ensure proper oversight. However, CAC management should be responsible for managing day-to-day operations, while the Board should provide oversight to ensure appropriate controls are in place.

(Deferred from previous discussion in Item B)

There was discussion on the use of credit cards. Chairman Wolk stated his problem with staff's use of their own credit cards and the reimbursement process. He believed President Bellamore could control the use of CAC credit cards in place of personal cards, particularly for those traveling on CAC business. There was opposition to issuing credit cards to employees, referencing the same concerns outlined in the paragraph above with regard to proper oversight and internal controls. Following the discussion, Chairman Wolk stated that it was at the discretion of the President as to whether credit cards would be issued, and to which employees.

The 2010-11 Treasurer's Report Items are included in the Board Packet, 3.A-1 through 3.D-10.

ITEM #4 CHAIRMAN'S REPORT

Consider Approval of Research Strategic Initiatives – Item 4.A.

Action Item

Facilitator Mark Burrell reported on the Research Strategy Meeting held on January 19. He said it seemed a rich discussion in the sense there was an opportunity to share different points of view – a structure that worked in terms of the Board members and alternates making thoughtful decisions

His recommendation was to have the Board consider action to adopt the five proposed strategic imperatives (goals) structured during the Research Strategy Meeting. These would provide a foundation to move forward:

1. Increase average per-acre production
2. Achieve and sustain critical industry mass (in terms of total volume of fruit and that CA is a relevant part of the U.S. market)

3. Develop effective grower education – primarily as it relates to research and applicability
4. Maintain premium-quality product
5. Maintain high-quality, grower-driven research management system

His suggestion at the conclusion was that thoughtful discussion time should be set aside soon by the Board to discuss the PRC and CAC funds, as well as the impediments to each imperative; specifically, do the same process for the impediments as had been done with the imperatives. Then complete that work in a thoughtful way. Identify actions by starting with the imperatives.

Chairman Wolk agreed and stated that in the next meeting guidelines would be constructed on how to proceed. All the elements put forth in the four Research Strategy groups would be synthesized. Budget would be discussed after the imperatives/impediments work has been completed. He stressed that the Board needs to follow the process and give it a chance; it is not something that can be solved today.

To move forward with a first-step action, a motion made by Mr. McFadden was adopted, “that the Board adopt the five Strategic Imperatives outlined in EXHIBIT B.” (McFadden/O’Hara) MSC by vote of 11 yes, 2 no MOTION 11-1-20-6

Lengthy discussion ensued on the need for a Production Research Committee (PRC) and implementation of the five imperatives. In support of a PRC, Mr. Tucker referred to the fifth imperative, “Grower-driven research management system,””an effective means of soliciting input of production practices – most important imperative aspect.”

In conclusion, Facilitator Burrell offered two comments: 1) He appreciated the excellent participation at the Research Strategy Meeting and working with the four groups; and 2) He offered a thought in line with Mr. Tucker’s comment; that there are very strong feelings in which a grower driven management system should take shape, and that until the board effectively deals with that *elephant*, it may continue to weigh heavily on everything the Board and committee does. Mr. Burrell suggested the Board deal with the process in a constructive and thoughtful way and share strongly held views to make it a good process.

Mr. Shade noted that the Board had gone through an internal examination of all its practices and programs, with the exception of Production Research. He stressed there is now major work to redirect and get everyone on stable ground to build a foundation.

Mr. Holtz stressed that with the imperatives adopted today, CAC staff would need to give input on how to move forward in a productive way. Mr. Holtz noted that in October 2010 the Board had new research projects to consider; they were delayed until January to allow ample time to review and now it is time for an action plan and direction to be put into place to try and unite the industry as a whole.

In summary, Chairman Wolk said the Board should continue moving forward and get closer to resolution.

Jerome Stehly reminded that there had been no direction given to the Board or staff in regard to production research. Chairman Wolk stated that the next step should be to get staff to come back to Board with some framework. Mr. Stehly felt that having staff work independently to create the framework would go against Imperative #5, as it would not be grower initiated.

To move forward and activate some basic action, the following Motion was offered:

***Following the discussion a motion made by Reuben Hofshi was adopted, “that the Production Research Committee (PRC) be re-established, and that the Chairman appoint the members.”
(Hofshi/Lucy) MSC by a vote of 12 yes, 1 no MOTION 11-1-20-7***

There was concern as to whether or not this Motion could be voted upon since it was not a specific agenda topic. Chairman Wolk then ruled that this Motion would fit under Item 4.A, so the Board *could* take action.

Chairman Wolk expressed that the Board's frustration level is high and that everyone needs to have a little more patience. He understood why nothing profound had happened yet, but the process in quasi-government organizations does not move fast.

Mr. Bellamore added that the Board, at the Research Strategy Meeting, committed to the industry's future and its investment to keep the industry viable; he planned to tell the growers and industry at the District meetings next week that the Board made progress through cohesive efforts at the Research Strategy Meeting and took ownership of the imperatives, even though there are more decisions to come with the next steps.

Angie Hanson, Industry Affairs/Communications Manager, offered to compile and e-mail to the Board some possible action ideas derived from the imperatives and they could be circulated as the *next step* in this process.

The Research Strategy Meeting overview handout is included as EXHIBIT C.

Consider Approval of International Alternate Bearing Project Memo of Understanding (MOU) – Item 4.B.

Action Item

Mr. Bellamore briefly reviewed the Summary and Analysis of Item 4.B, in which the CAC staff recommendation was “Board deliberation, leading to a decision regarding the Alternate Bearing Project in January 2011.” He also passed around copies of the refined Avocado Research Consortium (ARC) Memorandum of Understanding (MOU) and noted it is a working document. The Request for Proposals (RFP) requirements are outlined in Schedule C, pages 31-38. There would be a CAC commitment of \$100,000

annually for a period of five years, commencing with CAC's current fiscal year if the Board decides to participate in the ARC.

Dr. Dixon explained that the MOU is a venue to utilize a financial arrangement that the Australian government has for subsidizing research. The alternate bearing program is designed with a description of how the information will be utilized in getting information out to the growers; this could be a challenge with international collaboration but there are worldwide avocado people who are committed. He also noted that it is a serious attempt to understand alternate bearing, which causes a significant fruit *marketing* issue.

Although research has previously been done, progress has been very slow; Australia is spearheading this effort in a large-scale attempt to fix this problem through a collaborative effort with dollars and projects committed in several countries. The ARC to date tentatively includes the CAC, Avocados Australia Ltd, (AAL), New Zealand Avocado Growers' Assn, Inc. (NZAGA) and the Israeli Avocado Assn. (IAA). Mexico and Chile have been asked but there is no firm commitment yet; South Africa will not participate due to its financial position.

He further noted that the ARC has requested names of persons to serve on the Project Advisory Group; Reuben Hofshi and Dr. Robert Heath have been offered as nominees.

Chairman Wolk explained that there must be a *unanimous* vote on the projects from all four Consortium members before any money is spent. At this time, the Australian group is looking for commitment rather than money.

Mr. Holtz expressed that this MOU is something to pursue but he was not ready to vote on spending dollars; rather, he would like to ask experts who are experienced in current research if we could refine the deliverables more to alternate bearing as CAC may have already pursued research in some areas. Dr. Dixon explained that the MOU is more than one research project, but only one *group* may be funded to study alternate bearing if only one response to the RFP is received.

Mr. Bellamore noted if the MOU were signed, there would be a commitment of \$100,000 annually for a period of five years, commencing with CAC's current fiscal year; however, there is a termination clause in the agreement.

The Board discussed the project in further detail.

Mr. O'Hara proposed the following motion, "that CAC sign the Memorandum of Understanding (MOU) for the International Alternate Bearing Project."
(O'Hara/Miles) MS

Following further discussion an Amendment was offered recommending signature of the MOU *only* after the worldwide Requests for Proposals (RFP) responses were reviewed. The deadline for submission of responses to the RFP's is February 25, 2011.

After amendment, the following motion was offered by Mr. O'Hara, "that CAC signifies interest in the MOU for the International Alternate Bearing Project but will review responses to the RFP's before taking action. (O'Hara/Miles) MS

Further discussion ensued, followed by Chairman Wolk's recommendation to *Table* the Amended Main Motion until Dr. Dixon reviews the responses and makes his recommendation to the CAC Board of Directors.

The Main Motion and Amended Main Motion were retracted by Mr. O'Hara.

The MOU for the International Alternate Bearing Project is identified as EXHIBIT C.

Participation at the World Avocado Congress, September 2011 – Item 4.C.
Action Item

The World Avocado Congress will be held in Cairns, Australia in September 2011. This event is held every four years to gather avocado researchers, growers and interested industry affiliates worldwide. Participation by CAC Board members was discussed and the Board was reminded that a Resolution was passed following the last Congress that any CAC designees who attend must write a detailed report to the Board.

Mr. O'Hara offered the following motion, "to approve spending \$24,000 to send a maximum of four persons to attend the VII World Avocado Congress in September 2011."
(O'Hara/Lucy) MS

Discussion ensued regarding who should attend.

After amendment, a motion made by Mr. O'Hara was adopted, "to approve spending \$24,000 to send a maximum of four persons to attend the VII World Avocado Congress in September 2011: Charley Wolk, Tom Bellamore, Jonathan Dixon and a Board member draw. (O'Hara/Lucy) MSC Unanimous AMENDED MAIN MOTION 11-1-20-8

Consider Assessment Penalty Waiver Requests (Rincon Farms and South Coast Packing) – Item 4.D.
Action Item

Mr. Lukman explained the CAC assessment policy regarding handlers' responsibilities on monthly reporting of volume received and price assigned of avocados received for handling, along with the assessment payment due dates. Two handlers who sent late payments were subsequently charged a late penalty and interest due; both requested penalty waivers.

The Board discussed compliance with CAC assessment policy.

A motion made by Mr. Lucy was adopted, "to deny the requests for 2009-10 assessment penalty waivers requested by Rincon Farms (\$2,665.81) and South Coast Packing (\$697.72)."
(Lucy/Bauwens) MSC with 1 opposed MOTION 11-1-20-9

The Chairman's Report Items are included in the January 2011 Board Packet, 4.B-1 through 4.D-4.

ITEM # 5 PRESIDENT'S REPORT

2011 Referendum and Redistricting Update – Item 5.A. **Information Item**

Referendum

By law, the CDFA is required to hold a producer referendum every five years to determine whether to reapprove the provisions of the Food and Agricultural Code governing CAC operations. The last CAC referendum was held in January 2006 during the 2005-06 crop year; the law requires the next referendum be conducted during the 2010-2011 crop year.

Mr. Bellamore reported that the 2011 Referendum ballots will be mailed on January 31 to all growers of record and will be returned to the CDFA postmarked no later than March 1 to be counted. Press releases have been sent to news publications and the trade press. He explained that the ballot mailing is constructed from information received from handlers who collect fruit from growers. The current number of growers derived from handlers' records is just under 5,000. He asked that anyone contact the CAC office immediately if they or someone they know does not receive a ballot. A simple majority of those voting rules in the Referendum.

Redistricting

Every five years, the CAC must determine the need for reapportionment of districts consistent with Food and Agricultural code Sections 67041 through 67044. Reapportionment is the drawing of new boundary lines to distribute statewide avocado production across five districts established by Commission law. The goal of reapportionment (redistricting) is to assure that each of the five districts contains approximately 20% of the statewide avocado production. A variance of up to 10% above or below this standard is acceptable.

Mr. Bellamore referred to a Redistricting Table in Item 5.A-2 that shows clearly that District 5 meets the 20% requirement and will not be significantly affected by redistricting; Districts 2,3,4 and Dist 1, to some extent, will be affected in the redistricting. CAC looks at pounds by *grove* zip code; some handlers report a *home* address zip code for their growers, which is different from their *grove* address and that

creates a problem for redistricting. There is no perfect data set unless you require every grower to have an identification number to track.

Mr. Holtz offered his concern with a five-year redistricting process that only covers two crop years; if CAC ever makes changes to the Law, consideration might be given to this redistricting issue. Mr. Wolk responded that the redistricting section of CAC Law was brought about by a lawsuit regarding representation; the court judgment was closed and put into the Law. Mr. Holtz will look at the old lawsuit and the current CAC Law again.

The current redistricting process must be completed for Board approval in March 2011 in order to become effective November 1, 2011.

The 2011 Referendum and Redistricting Update is included in The Board Packet as Item 5.A.1 and 5.A.2.

Report on Exploration of Export Market Opportunities – Item 5.B.
Information Item

Mr. Bellamore referred to an Issue Brief on Export Market Development in the Board Packet, Item 5.B, which contains information about current USDA/Foreign Agricultural Service (FAS) programs. He explained that the USDA/FAS export market development programs are different now and it is easier to fund smaller amounts for exploratory research without having to reach a shipment goal. However, the central issue may be how to ensure export development that will benefit the California industry exclusively. That would have to be answered before CAC could apply for funds.

Comments made during discussion:

- Handlers: Is there a value and fruit available to export?
- Handlers must have a critical mass of fruit available with California alternate bearing in order to have exclusivity in the marketplace, and the pack costs have to be justified for export.
- Take action to explore but remember that we need to be able to compete in an exploding market in Canada and other markets.
- Do not want to “spin our wheels” on pursuing export if there are no players.
- Export is exempt from HAB assessment so export fruit must be tracked
- Are returns better for growers who have export quality fruit?
- Does this export effort benefit growers *and* packers?
- Could there be further export programs to established countries?

Mr. Bellamore explained there is a distinction between *established* markets and *emerging* markets like China, Poland, or Russia. CAC has been involved with USDA/APHIS since 2005 about China’s strong phytosanitary regulations and tariffs. He asked if there was interest in export to *emerging* markets.

Chairman Wolk said that CAC management will take the next step to explore whether or not export is feasible with California avocados.

The USDA is expected to announce the 2012 application process for FAS market development programs soon. The deadline for submission of applications is expected to be May 2011. If CAC's application were approved, funding would be available when the new federal fiscal year begins on October 1, 2011.

Status Report on GAP Project – Item 5.C.
Information Item

Mr. Bellamore reported that the application to the California Department of Food & Agriculture's (CDFA) Specialty Crop Block Grant Program has been submitted but acceptance will not be known until March. The GAP Manual is still a work in progress but the importance at this meeting is that *Draft Version 3* is being introduced to the Board of Directors, and that CAC is soliciting feedback from growers and handlers regarding the current version.

Ms. Hanson explained that following the September 2010 GAP Meeting it was determined we should change the manual's focus – away from leafy greens language – to mirror that of the Citrus Industry GAP Manual and also send out surveys to growers/handlers to help determine the most risky components of California avocado production, as well as any necessary mitigation steps to minimize the risk. Therefore, *Draft Version 3* is comprised of feedback from the December 8 GAP Committee Meeting, the Citrus Industry Manual standards, survey results, as well as guidelines within the United Fresh Produce Association's Harmonized Standards.

Reviews are yet to be completed by third parties, e.g., Primus and the avocado buying community as major players; pilot program tests to be sure the program works; and, after final approval, publication and the roll-out to growers.

Mr. Bauwens applauded the GAP Committee and said it will be imperative for growers to buy-in to this certification program and provide input at this stage, rather than just the handlers' comments.

Ms. Hanson stated that the GAP Committee's work is near completion. The GAP draft will be circulated at District meetings next week to gather grower feedback, but the workshops to begin the process are still to follow.

Mr. O'Hara added that one packer will have a non-certified program which will pay less for uncertified fruit by 2012; it is critical to get growers to understand how important grove certification will be in order to garner better dollar returns for their fruit.

The Status Report on GAP Project is included in the Board Packet as Item 5.C.-1, 2.

The California Avocado Industry: Good Agricultural Practices (GAP) Manual, Draft Version #3, is identified as EXHIBIT D.

Dr. Michael Clegg's Request for Changes in his Breeding/Genetics Research Project

The CAC Board in October 2010 approved Dr. Clegg's research project, "*Implementing Marker Assisted Selection for Biochemical Phenotypes of Avocado.*" Mr. Bellamore explained to the Board that Dr. Clegg is requesting a change of venue and principal investigator (PI) for his research project from the University of California Irvine (UCI) to the University of California Riverside (UCR). Dr. Clegg's request came to CAC after the January agenda had been posted, so it was believed to be an operational matter that the Board should be aware of and consider at this meeting due to time constraints in this project start-up. There would be no change in the research program dollars, expenses or personnel. The PI would be re-assigned at UCR but Dr. Clegg would still remain as oversight on this project.

Following discussion on the pro's and con's of this issue, there was no consensus that action was required or not required.

Ohannes Karaoghlanian offered the following motion, "that the Board considers the requested changes to Dr. Clegg's research project as an agenda item." (Karaoghlian/Holtz) MS Hold for compliance decision on voting.

Chairman Wolk requested a break for lunch, at which time he would check compliance with State Law to determine if this item could legally be considered at this meeting or be required to postpone until March.

ADJOURN FOR LUNCH

The Chairman adjourned the Board for lunch at 12:20 p.m. and reconvened the Board meeting at 1:00 p.m.

Chairman Wolk explained to the Board that he had checked compliance with State Law during lunch and found that it is legal to vote to *consider* a non-agenda item. If two-thirds of the majority approves to consider, *action* can be taken. This rule applies to the Motion regarding Dr. Clegg that was originally proposed prior to lunch. However the main Motion on the table, made prior to lunch, was *withdrawn* by the maker.

Following additional conversation on the matter, Mr. Hofshi offered the following motion, "that the Board add an item pertaining to Dr. Clegg's request to the January 20, 2011 meeting agenda." (Hofshi/Lucy) MS Defeated by a Roll Call Vote of 11 no, 1 yes, with 1 abstention
MOTION 11-1-20-10

No: Tucker, Taft, Holtz, Vaccaro, Karaoghlanian, McFadden, Pecht, Miles, O'Hara, Bauwens, Carbone

Yes: Lucy

Abstain: Hofshi

The outcome of the discussion was that Dr. Clegg's research would continue with the change in venue and PI; Dr. Dixon would meet with Dr. Clegg to review the changes.

The President's Report items are included in the January Board Packet, 5.A-1 through 5.C-2.

ITEM #6 MARKETING REPORT

Report of November 18, 2010 Marketing Advisory Committee (MAC) Meeting – Item 6.B.

Information Item

Chairman Bob Lucy reported the meeting was one of the best the committee has had. The marketing strategies for this season were reviewed and there was insightful input on timing and location of markets. Three *new* members named to the MAC were Doug Meyer (West Pak), Jamie Johnson and Mr. Tucker. The meetings are open for anyone to attend. A calendar of dates has been set to provide fair notice of the committee's meeting schedule, which may include teleconferences if necessary.

Consumer Advertising Update / 2010-11 Creative & Media Presentation – Item 6.A.

Information Item

Vice President of Marketing Jan DeLyser introduced CAC's Retail Merchandising Directors: Dave Howald covers the Northwest, Northern California and Colorado with corporate responsibility for Kroger and Safeway merchandising; Connie Stukenberg covers Southern California, Arizona and has corporate responsibility for Costco and Safeway procurement; Dave Anderson covers the Southeast, Texas and the Midwest with corporate responsibility for Sam's and WalMart; Cece Krumrine covers the Northeast. The merchandising team works closely with the Marketing Advisory Committee (MAC) and calls on key accounts in CAC's target markets.

Ms. DeLyser presented information indicating CAC has "moved the needle in the right direction" with its marketing efforts to increase attribute ratings and brand awareness of California Avocados in core markets:

- Direct advertising *recall* identifying CA was 62% in 2008; 57% in 2009. CAC made changes in the 2010 campaign resulting in improved recall of CA branding; *recall* jumped to its highest level of 72%.
- Consumer *preference* for CA Avocados, using 2007 as the benchmark, showed a significant jump upwards from 49% in 2007 to 65% in 2009.
- From 2007 to 2010, taste, quality, freshness, and food safety attribute ratings also had measurable increases.
- Another key factor for retailers is that from April-September when CA Avocados were in season there were \$141.0 million more dollars in retail sales.
- Looking at the largest CA Avocado crop years, 2009-10 was the fourth largest crop volume with the highest crop value of \$402.7 million.

California Avocado Commission
Board Meeting Minutes
January 20, 2011

Jon Gothold, Creative Director for DGWB, presented the advertising creative which is developed with an awareness of consumer trends. He introduced his DGWB colleagues, Sarah Hughes, copy writer; Catherine Sosa, media buyer; and Mark Weinfeld, strategist and trends analyst.

“California branding” will continue to be prominent in the advertising this season. Mr. Gothold explained that, based on the campaign’s performance and consumer trends, the grower campaign will continue. Consumer research indicates five trends as consumer “wants”:

- Sustainability
- Connection with family
- Support hard working Americans who overcame struggles
- Fresh from the source
- Know the face on their food – the who, how and where it comes from

Mr. Weinfeld and Ms. Sosa presented the *2011 CAC Market Opportunity Analysis*.

Four marketing tiers are proposed:

- Tier 1 – High Volume Markets(LA, San Francisco, San Diego, and Sacramento): 80% market share; use mix of media components.
- Tier 2 – Growth Opportunity Markets (Seattle, Portland, Phoenix): 50% market share; do a lot of brand development.
- Tier 3 – Potential Conquest Markets (San Antonio, Austin, Denver): 50% market share in CA season but they are high in category of per-capita consumption.
- Tier 4 – Targeted Opportunity Markets (Houston, Dallas): Less than 30% market share in CA season.

Ms. Sosa presented elements of each program to drive shoppers to California Avocados:

- Satisfy their search for meal inspiration
- Each market’s advertising will begin once availability of CA Avocados reaches critical mass; let shoppers know they are in stores during season
- Encourage impulse purchases while they are shopping in grocery store, e.g. shelf talk banners and grocery cart advertising, in-store radio to “Insist on CA Avocados”
- Advertise in retail-specific publications when they carry CA Avocados
- Use America’s Test Kitchen (ATK) fully integrated digital cooking programs as vehicle to reach consumers, e.g. video pre-roll and banners within full episodes aired online; logo and link displayed on home page; inclusion in monthly e-mail newsletter to 1 million subscribers; ATK branded content for use on CA Avocado site, and integration with ATK’s Facebook site.

Mr. Weinfeld added that further refinements will be made when the MAC meets in February 2011.

The *Creative and Media Presentation and the Market Opportunity Analysis* are identified as *EXHIBITS E and F*.

ITEM #7 HASS AVOCADO BOARD (HAB) REPORT

Information Item

It was reported that the HAB is moving forward to sign two additional research contracts for nutrition-related studies that will begin in 2011.

ITEM #8 CLOSED SESSION

Discussion of possible litigation in connection with the CDFA Audit #08-082 – Pursuant to Section 11126(e)(1) of the California Government Code – Item 8.A.

A Closed Session was call by Chairman Wolk at 1:50 p.m. for discussion.

Return to Open Session and Report of Action Taken, if any, in Closed Session – Item 8.B.

Chairman Wolk reconvened the regular Board meeting at 2:30 p.m. and reported that the Board discussed possible litigation in connection with the CDFA Audit and gave instruction to the CAC staff.

ITEM #9 OPPORTUNITY FOR PUBLIC COMMENT

No comments.

WORLD AVOCADO CONGRESS

Board Member Alternate Joanne Robles was the winner and Rick Shade the backup in the Board draw to attend the World Avocado Congress in 2011.

ADJOURN MEETING

With no further business, Chairman Wolk adjourned the regular CAC Board meeting at 2:35 p.m. The next Board meeting will be held on Thursday, March 17, 2011 in the CAC board room located at 12 Mauchly, Suite L, Irvine, California 92618.

Respectfully submitted,

Betty Bohrk

I certify that the above is a true statement of the Minutes of January 20, 2011, approved by the CAC Board of Directors on March 17, 2011.

Ed McFadden, CAC Board Secretary

California Avocado Commission
Board Meeting Minutes
January 20, 2011

EXHIBITS

A copy of the January 20, 2011 Board Packet, in its entirety, is attached to the permanent copy of these Minutes and identified as EXHIBIT A.

A copy of the CAC Research Strategy Meeting, January 19, 2011, in its entirety, is attached to the permanent copy of these Minutes and identified as EXHIBIT B.

A copy of the Avocado Research Consortium (ARC) MOU/Alternate Bearing Project, in its entirety, is attached to the permanent copy of these Minutes and identified as EXHIBIT C.

A copy of the CAC Industry: Good Agricultural Practices (GAP) Manual, Draft Version #3, in its entirety, is attached to the permanent copy of these Minutes and identified as EXHIBIT D.

A copy of the 2011 Consumer Advertising Creative and Media Presentation, in its entirety, is attached to the permanent copy of these Minutes and identified as EXHIBIT E.

A copy of the CAC Market Opportunity Analysis, January 2011, in its entirety, is attached to the permanent copy of these Minutes and identified as EXHIBIT F.

A copy of the CAC 2010-11 Meeting Schedule is attached to the permanent copy of these Minutes and identified as EXHIBIT G.

A copy of the CAC Key Performance Indicators, last updated January 14, 2011, in its entirety, is attached to the permanent copy of these Minutes and identified as EXHIBIT H.