

**CALIFORNIA AVOCADO COMMISSION
BOARD MEETING MINUTES
October 28, 2010**

A meeting of the California Avocado Commission (CAC) Board was held on Thursday, October 28, 2010 in the CAC board room in Irvine, California, with the following people present:

MEMBERS PRESENT

Ron Araiza (Alt Bauwens)
Todd Elder (Alt. Carbone)
Reuben Hofshi
Ben Holtz
Ohannes Karaoghlanian
John Lamb (Alt. Pecht)
Bob Lucy
Tom Markle
Bradley Miles
Doug O'Hara
Don Reeder
Steve Taft
Charley Wolk
Gary Woodworth

MEMBERS ABSENT

Scott Bauwens
Gene Carbone
Jim Donovan,
 ex-officio HAB
Tom Pecht
Andria Pontello,
 Public Member

CAC STAFF PRESENT

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

ALTERNATES PRESENT

Ernie Arana
Andy Bailard
Ed McFadden
Bob Schaar
Rick Shade
Donna Singmaster
Nick Stehly, Jr.
Bob Witt

ALTERNATES ABSENT

Laura Eggering
Shane Tucker
San Vaccaro

OFFICIALLY PRESENT

Kathryn Deseau and
Linda Hurley, Macias Gini &
O'Connell
Dennis Manderfield, CDFA
Jose Luis Obregón, HAB
Maureen Pello, USDA/AMS

GUESTS PRESENT

Betty Bohrk
Will Carleton
Austin Gavin
Doug Koegeboehn
James McCormac
Marji Morrow
Steven Muro
Gwen Peterson

ITEM #1 CALL TO ORDER

Roll Call/Establish Quorum- Item 1.A.

Don Reeder, CAC Chairman, called the meeting to order at 9:15 a.m. with a quorum present.

Introductions – Item 1.B.

Ms. Linda Hurley and Kathryn Deseau, CPA auditors with Macias Gini & O’Connell LLP, were introduced.

ITEM #2 CONSENT CALENDAR

Consider Approval of Board of Directors’ Meeting Minutes – Item 2.A.

Action Item

Chairman Reeder asked for questions or comments regarding the September 16, 2010 Minutes. Hearing none, the following Motion was offered:

MOTION:

The California Avocado Commission Board of Directors approves the Consent Calendar, Item 2.A., Board of Directors’ Meeting Minutes of September 16, 2010. (Markle/Miles) MSC Unanimous

ITEM #10 – CLOSED SESSION

President’s Performance Review pursuant to Section 11126(a) (1) of the California Government Code – Item 10.A.

Chairman Reeder moved Item #10 forward and called for a Closed Session at 9:20 a.m. pursuant to Section 11126(a)(1) of the California Government Code.

Return to Open Session and Report of Action Taken, if any, in Closed Session – Item 10.B.

Chairman Reeder reconvened the Open Board meeting at 10:10 a.m. and reported that President Tom Bellamore’s performance for the 2009-10 season had been evaluated with an excellent review and meritorious action.

ITEM #3 TREASURER’S REPORT

Treasurer and Finance Committee Chairman Ben Holtz moved Item 3.B. forward in consideration of the auditors’ time.

Consider Approval of Letter of Engagement from Macias Gini & O’Connell for Financial Audit Services – Item 3.B.

Action Item.

A summary of the CPA firm’s services proposed to CAC for the forthcoming annual audit is included in the *October Board Packet as Item 3.B, 1-8.*

The following Motion was offered by recommendation of the CAC Finance Committee:

MOTION:

The California Avocado Commission Board of Directors accepts the Letter of Engagement from Macias Gini & O'Connell for 2009-2010 Financial Statement Audit Services. (Holtz/Lamb) MSC Unanimous

Finance Committee Report / 2009-10 Financial and Crop Update – Item 3.A. Information Items

CAC Board Treasurer and Finance Committee Chairman, Ben Holtz, summarized the Finance Committee meeting, noting the season's harvest through October is now estimated at more than 515 million pounds, with a projected average grower return of 76.7 cents-per-pound. The crop that originally had been budgeted for 470 pounds is coming in above budget, which, along with unspent budget items, will provide Ending Reserves in the \$9.0-9.4 million range.

Mr. Wolk requested that the Finance Committee review and negotiate bank fees since CAC maintains a significant bank balance. ***Mr. Holtz will follow-up on this request.*** The *Financial Report and Crop Update*, in its entirety, is included in the *October 2010 Board Packet, Item 3.A, 1-10.*

Crop / U.S. Aggregate Volume Update

The 2009-10 Fiscal Year Aggregate Avocado Volume in the U.S., by country of origin and month for all varieties, is included in the *Board Packet as Item 3.A-10.*

The *2010-11 projections* for weekly shipments and aggregate volume by month and country are attached to the permanent copy of these Minutes as *EXHIBIT B.*

Consider Finance Committee Recommendation on 2010-11 Budget and Assessment Rate – Item 3.C.

Action Item

Chairman Holtz noted there had been good discussion on the 2010-11 assessment rate in the Finance Committee meeting and it was the committee's unanimous recommendation to adopt a 1.6% rate for 2010-11; this was a reduction from the originally discussed rate of 1.75%.

A Motion on the Assessment Rate was withheld until the Planning discussion later in this meeting, Item 7.B.

ITEM #4 CHAIRMAN'S REPORT

Summary of Meeting with UC Researchers - Item 4.A.

Information Item Only

Chairman Reeder reported that on October 1, 2010 he, Vice Chairman Karaoghlanian and President Bellamore met with researchers at UC Riverside to discuss a change in research strategy and the adjustments that are being made to CAC's Production Research Program. The researchers were apprised of the value they have brought to the research program, but that there is still a gap to fill between research and applicable results for growers in the field.

Board discussion followed regarding the pro's and con's of decisions affecting researchers and their employees. Letters of appeal had been received for Drs. Mark Hoddle and Clegg, citing a loss to the California avocado industry if their work were allowed to lapse.

*Produce Marketing Association (PMA) Convention Report – Item 4.B.
Information Item Only*

Chairman Reeder reported his experience in attending the PMA Convention this year in Orlando, Florida, October 15-18. He and additional Board members who attended praised the huge effort put forth by the CAC leadership and staff in providing the best booth location with sit-down meeting space, avocado sampling, take-away information and their availability to meet and work with key buyers.

Vice President of Marketing Jan De Lyser further noted the value of avocado data assets that CAC consultant Steve Muro presented and Dave Howald, CAC's National Merchandising Director explained how buyers could integrate into their stores' programs. She presented a video of this year's PMA Fresh Summit, attended by 18,232 from domestic U.S. and global companies, which showed all the facets of CAC participation with the produce trade - the reason CAC highly values its connections with this annual event.

Mr. Holtz thanked the Board for his participation and he cited the net value returned to California growers through this event. Mr. Bob Lucy also noted that the California industry is revered by the international industry and it is important to tell our avocado story globally.

The Produce Marketing Association 2010 Fresh Summit International Convention & Exposition overview is attached to the permanent copy of these Minutes as *EXHIBIT C*.

ITEM #5 MARKETING REPORT

Report on Marketing Advisory Committee (MAC) Meeting of September 24, 2010 – Item 5.A. Information Item Only

MAC Chairman Lucy noted his appreciation to the CAC Chairman and leadership for supporting this ongoing committee that provides important feedback for packers and marketers. His committee's focus is to prevent cutbacks in ongoing programs and secure sufficient CAC dollars for flexible marketing programs that can move into areas as demands are created. He stressed the need to carry forward the local/fresh creative theme that ties growers to the reality of the marketplace; then tweak it with the new marketing trends in social media.

Mr. Bellamore noted that with guidance from the marketing group, CAC made an adjustment in the planning budget today to provide stronger support for the California brand in 2010-11.

The Cooper Roberts fall tracking study is tentatively on the Board's November agenda. Ms. De Lyser explained that this study is used to track consumer attitudes and usage regarding the California brand.

ITEM #6 PRESIDENT'S REPORT

Information Item Only

Water

Messrs. Bellamore and Wolk will meet on November 2, 2010 with General Manager Jeff Kightlinger, Metropolitan Water District of Southern California (MWD), to discuss reinstatement of full deliveries of water to growers under MWD's Interim Agricultural Water Program for calendar year 2011.

Copies of correspondence with Mr. Kightlinger are attached to the permanent copy of these Minutes and identified as *EXHIBIT D, 1-2*.

District Meetings Attended

During this Board week, Mr. Bellamore, along with Dr. Dixon, Ms. DeLyser and Ms. Aymami, had attended district meetings in north counties to talk about Board actions that would be discussed at this meeting.

Report on International Alternate Bearing Research Summit - Item 6.A.

A video presentation, "Managing Avocado Alternate Bearing" framed the avocado research consortium (ARC) meetings attended in San Francisco, California, on September 29, 2010. Twenty-five world avocado researchers attended, including five from California. These meetings provided framework which included:

- Stated Outcomes, e.g. understanding the science of alternate bearing in avocado, best-practice decision support tools for growers
- Team Effort including an avocado research consortium, innovative global science partnership, grower advisory group, and a project advisory group
- Proposed Architecture and System Flow Charts
- The Process, e.g., a summit meeting, consortium establishment of participating countries, innovation partner establishment, and project approval by consortium.

The Managing Avocado Alternate Bearing ARC report, in its entirety, is attached to the permanent copy of these Minutes and identified as *EXHIBIT E*.

Mr. Bellamore explained that participating countries in this global alternate bearing project would contribute equal shares of money which would be equaled by Australia; with CAC participation it would be matched by the Australian government. Australia has participated in a similar project with the U.S. Mushroom Council. The cost would be \$100,000 per country, per year, for five years. He noted that the U.S., South Africa, Australia, Israel and New Zealand are ready to participate. Chile, Spain, Brazil, Mexico and Peru have been invited to join.

Dr. Jonathan Dixon provided further details on the elements of the project and the Board discussed the merits of participation in multi-country research. It was noted that a similar effort with Nutrition Research will be undertaken by the HAB.

ITEM #7 2010-11 PLANNING

**Consider Approval of 2010-11 Proposed Action Plans and Budgets – Item 7.A.
Action Item**

Mr. Bellamore discussed changes in the action plans and budgets from the presentations in August and September. These changes were due to an increase in this season's Ending Reserves estimate created by a strong finish that changed the original 470 million pound estimate upward to 525 million pounds and the handler crop survey that projects a 15 million pound carryout. Price performance at the end of this season is stronger and that contributes to the increased Ending Reserves estimate. The Finance Committee looked at Reserves for this season along with crop size and expectations for crop dollars next season. That led management to propose an assessment rate that the committee concurred could be lowered from 1.75% to 1.60%.

The Financial Analysis Interactive Spreadsheet of Multi-Year Scenarios

Mr. Bellamore showed the interactive year-to-year flow from 2010-11 through 2012-13 with reserves and continuity of programs, noting the objective of keeping the assessment rate relatively stable while funding a strong marketing program.

Multi-year scenarios were displayed that showed assumptions and the Reserves for 2010-11 that would affect 2011-12 and subsequent years. The \$ 13.9 million planned expenses for 2010-11 were adjusted for estimated volume in the '012 and '013 scenarios. However, CAC leadership felt there was merit to sustain the assessment rate across the years, if possible, to provide growers with some rate predictability.

With increased Reserves this season, stronger Marketing expenditures for 2010-11 were budgeted at \$9.0 million, which included \$1.0 million additional funds for marketing plus \$200,000 for another joint fall promotion with off-shore suppliers when there will be significant volume in the market. The Board concurred they would hold the line on the research budget with the Alternate Bearing Project.

Mr. Bellamore explained that ample Reserves could be used not only to stabilize the assessment rate in future years but also to serve as "opportunity" funds for large-scale projects that might otherwise be infeasible. For example, at the San Luis Obispo grower meeting growers commented on directing funds toward registration of UNICONAZOLE (SUNNY) , a plant growth regulator not yet available in the U.S. for avocados.

Another option would be to use the Reserves to rebate monies to the growers. He cautioned that reserves must also be in place in the event of crop failure or related risks.

The Board entered into discussion on the option of grower rebate from the Reserves. In conclusion it was thought that CAC should focus more on what it can do to maintain price-per-pound value to the growers - what can be done as a united investment - collectively come up with a viable investment where everyone can benefit, e.g. long-term and/or short-term research and marketing.

Following further discussion it was agreed that the line item "Marketing and Research Reserves" should be changed to remove the word "Marketing."

Ms. De Lyser stated that she was comfortable with the \$9.0 million Marketing budget to cover the program needs in 2010-11. She noted that CAC had made great inroads in the market but that California faces competition from all global areas. To keep the brand strong, there would be some additional efforts next season to shore up the media and extend the reach and frequency to move consumer awareness.

Action Plans and Budgets discussions were continued following lunch.

A copy of *The Financial Analysis Interactive Spreadsheet of Multi-Year Scenarios* is attached to the permanent copy of these Minutes and identified as *EXHIBIT F*.

Set Assessment Rate for 2010-11- Item 7.B.

Action Item

Upon recommendation from the Finance Committee, the following Motion was offered:

MOTION:

***The California Avocado Commission Board of Directors approves a 1.60% assessment rate for the 2010-2011 season.
(Woodworth/Markle) MSC Unanimous***

ADJOURN FOR LUNCH

The Chairman adjourned the Board for lunch at 12:10 p.m. and reconvened the Board meeting at 12:45 p.m.

It was noted that the CAC assessment Motion must be restated specifically to protect CAC in the event that the HAB Order was non-functioning.

MOTION:

The California Avocado Commission Board of Directors repeals the earlier action taken in MOTION 10-39-3.C and restates a new assessment Motion as follows:

***The California Avocado Commission Board of Directors approves a 2010-2011 assessment rate of 1.60% of the gross dollar value of sales for all varieties during any full or partial month the Federal Hass Avocado Promotion, Research, and Information Order (Order) is in effect; and at 3.51% of the gross dollar value of sales for all varieties any full month the federal assessment under the Order is not in effect.
(Woodworth/Markle) MSC Unanimous***

2010-11 PLANNING (continued from morning session – Item 7.A)

Action plans and budgets discussion.

Mr. Holtz noted the 5-page budget in the Board packet that provides for preliminary expenditures of \$13.9 million for 2010-11. Support detail for this budget is outlined in the Business Plan with specific measurables. He asked that the Board consider the budget shown on the screen for the year 2010-11: The Financial Analysis Interactive Spreadsheet of Multi-Year Scenarios. He offered several budget line items to earmark for discretionary budget selection by staff. It was suggested that the new incoming Board have input on discretionary items. Following further discussion and adjustment of line items, the following Motion was offered to approve the 2010-11 Business Action Plans and Budget:

MOTION:

The California Avocado Commission Board of Directors approves the Preliminary 2010-11 Business Plan and Budget in the amount of \$14,036,550. (O’Hara/Markle) MSC Unanimous

A copy of the 2010-11 DRAFT Preliminary Projection and Budget (with Comparison to 2009-10), dated October 28, 2010, is attached to the permanent copy of these Minutes and identified as *EXHIBIT G*.

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

A copy of the 2010-11 Business Plan Draft, dated October 28, 2010, is attached to the permanent copy of these Minutes and identified as *EXHIBIT I*.

Dr. Dixon noted two appeals for new research proposals:

- 1) Breeding & Genetics: Dr. Clegg - \$120,000/1 yr request to train plant breeding staff at UC Riverside and follow-up on some breakthrough to establish marker selection for tree parentage as well as genetic root-rot (*phytophthora cinnamomi*) resistance and nutritional quality in avocados. This is not the UC Discovery project that ends this fiscal year, but it is a continuation of that effort to move into field trials. There are employed UC Riverside staff along with field staff at South Coast Field Station involved in his project. A reduction to \$103,000 is possible.
- 2) Pests: Dr. Hoddle - \$19,989/1 yr of 2 yr total project (\$45,000) to develop a binomial sampling plan for Persea Mite. He has submitted a proposal to USDA/AFRI (Agricultural and Food Research Initiative), a federal grant for which its matching funds are thought to be contingent upon CAC’s support.

Copies of the *appeal letters and a table of ongoing and new research proposals* are attached to the permanent copy of these Minutes and *identified as EXHIBIT J, 1-4*.

Board discussion ensued on the pro's and con's of approving these two new projects early-on, rather than waiting until the January 2011 evaluation meeting and decisions on all new projects. Motions for each project were offered:

MOTION:

The California Avocado Commission Board of Directors approves funding Dr. Hoddle's Agricultural and Food Research Initiative (AFRI) project, "Development of a Binomial Sampling Plan for Persea Mite," for one year, at a cost of \$19,989.

(Holtz/Lucy) MSC by Roll Call Vote of 9 yes to 4 no.

Roll Call Vote:

Yes: Markle, Taft, Holtz, Woodworth, Karaoghlanian, Lamb (Alt. Pecht), Lucy, Hofshi, Elder (Alt Carbone)

No: Wolk, Miles, O'Hara, Araiza (Alt. for Bauwens)

The Chairman did not vote. The Public Member was absent, with no Alternate.

MOTION:

The California Avocado Commission Board of Directors approves funding Dr. Clegg's project, "Implementing Marker-Assisted Selection for Biochemical Phenotypes in Avocado," for one year, at a cost of \$103,000. (Hofshi/Lucy) MSC by Roll Call Vote of 7 yes to 6 no.

Roll Call Vote:

Yes: Markle, Taft, Holtz, Woodworth, Karaoghlanian, Lucy, Hofshi

No: Wolk, Lamb (Alt. for Pecht), Miles, O'Hara, Araiza (Alt. for Bauwens), Elder (Alt. for Carbone)

The Chairman did not vote. The Public Member was absent, with no Alternate.

Chairman Reeder requested that Dr. Dixon communicate an explanation to the other researchers with new proposals, and stated there would be no further requests for funding until the January Board meeting.

Mr. Holtz proposed the following Motion to earmark Reserves for a Production Research Investment Fund.

MOTION:

The California Avocado Commission Board of Directors approves earmarking \$900,000 from Reserves for a Production Research Investment Fund.

Discussion followed but the Motion died for lack of a second.

Foreign Exploratory

Mr. Bellamore noted that during the recent MAC meeting the topic of exploring markets beyond CAC's own domestic markets was introduced for discussion, with the objective to sustain value for the California crop. There were others at the PMA convention who also expressed interest. He explained that CAC was once involved with the USDA in foreign marketing programs, but now there are new opportunities like the Emerging Markets Program to search. The USDA/Foreign Agriculture Service provides matching funds for eligible programs.

MAC Chairman Lucy added that funding would come from the Core Markets program. There are some who see the benefit for all growers and some packers are seriously looking at participating in this type of program, which also provides packers a tax benefit. He suggested spending seed money to do some foreign exploratory work, but it would need to be addressed by the full Board.

Following Board discussion, the following Motion was offered:

MOTION:

***The California Avocado Commission Board of Directors approves an allocation of no more than \$10,000 for foreign exploration of export markets, to come from the 2010-11 Core Markets Program.
(Karaoghlanian/Holtz) MSC Unanimous***

Crisis Readiness

Mr. Holtz requested that *Crisis Readiness media training*, page 27 of the 2010-11 Business Plan, be provided for the entire CAC Board of Directors.

ITEM #8 HASS AVOCADO BOARD REPORT

Jose Luis Obregón, Managing Director of the HAB, reported that the U.S. Secretary of Agriculture appointed the following HAB Board members, effective November 1, 2010: Reuben Hofshi and Mike Sanders as Producer Members; Bob Schaar and Donna Singmaster as Alternate Producer Members; Importer Member Araceli Zanabria and Alternate Ramiro Ortega. Members going off the HAB Board were Charley Wolk, Don Reeder and Ed Figuero.

He also reported that HAB completed its baseball promotion with the Mexican group; the Chileans and HAB /CAC continue forward with the college football promotion on regular cable tv. At the last HAB meeting on September 23, 2010, the HAB business plan and budget for 2011 were approved.

ITEM #9 OPPORTUNITY FOR PUBLIC & OTHER COMMENTS

Treasurer Attendance

Mr. Holtz reported that he specifically noted a vote of confidence and commitment to CAC, which was comforting to see at the PMA convention.

He and Mr. Lukman had attended the Local Agency Investment Fund (LAIF) convention with Bill Lockyear, and noted for CAC Board interest the wording of Government Code 16429.3 which states "Moneys placed with the Treasurer for deposit in the LAIF by cities, counties, special districts, nonprofit corporations or qualified quasi-governmental agencies shall not be subject to either of the following: a) Transfer or loan pursuant to Sections 16310, 16312 or 16313; and b) Impoundment or seizure by any state official or state agency.

Chair Recognition

Outgoing Board Chairman Don Reeder was recognized for his past year's chairmanship. He thanked everyone for their participation and diligence during his tenure.

Expense Accounts

The Board was requested to turn in any outstanding expenses before the season ends on October 31, 2010, to be reimbursed prior to the annual audit.

Election Update

Dennis Manderfield, CAC's CDFA representative, noted CAC Board election results are expected soon. There were no runoffs, but some District positions were without nominations. The new Board electives will be seated at the November 18, 2010 meeting.

EXHIBITS

A copy of the October 28, 2010 Board Packet, in its entirety, is attached to the permanent copy of these Minutes and identified as EXHIBIT A.

A copy of the 2010-11 Projections for Weekly Shipments and Aggregate Volume by Month and Country are attached to the permanent copy of these Minutes as EXHIBIT B.

A copy of the Produce Marketing Association 2010 Fresh Summit International Convention & Exposition overview is attached to the permanent copy of these Minutes as EXHIBIT C.

Copies of correspondence with Mr. Kightlinger, MWD General Manager, are attached to the permanent copy of these Minutes and identified as EXHIBIT D, 1-2.

A copy of the Managing Avocado Alternate Bearing ARC report, in its entirety, is attached to the permanent copy of these Minutes and identified as EXHIBIT E.

A copy of The Financial Analysis Interactive Spreadsheet of Multi-Year Scenarios is attached to the permanent copy of these Minutes and identified as EXHIBIT F.

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

Copies of the research appeal letters and a table of ongoing and new research proposals are attached to the permanent copy of these Minutes and identified as EXHIBIT J, 1-4.

A copy of the ROR Dashboard Update including Key Performance Indicators, dated October 28, 2010, is attached to the permanent copy of these Minutes and identified as EXHIBIT K.

ADJOURN MEETING

With no further business, Chairman Reeder adjourned the Board meeting at 1:50 p.m. The next Board meeting will be held on Thursday, November 18, 2010 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 October 28, 2010, approved by the CAC Board of Directors on November 18, 2010.

Bradley Miles, CAC Board Secretary