

CALIFORNIA AVOCADO COMMISSION
BOARD MEETING MINUTES
May 18, 2017

A meeting of the California Avocado Commission (CAC) Board was held on Thursday, May 18, 2017 at the CAC office, 12 Mauchly, Suite L, Irvine, CA 92618, with the following people present:

MEMBERS PRESENT

Nina Ames
Bryce Bannatyne (Cole Alt.)
Robb Bertels
Art Bliss
John Burr
Gary Caloroso
Gene Carbone
Tyler Cobb (Swoboda Alt.)
Jessica Hunter
Ohannes Karaoghlanian (Newhouse Alt.)
John Lamb
Ed McFadden
Leo McGuire
Rick Shade
Steve Taft

MEMBERS ABSENT

Jason Cole
Kellen Newhouse
Jim Swoboda

ALTERNATES PRESENT

Gary Clevenger
Robert Grether
Donny Lucy
Ryan Rochefort

ALTERNATES ABSENT

CAC STAFF PRESENT

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

OFFICIALLY PRESENT

Marlene Betts, USDA
Chris Henry, HAB
Candace Hollar, MullenLowe
Ben Kardokus, CDFA
Lori Small, Golin

GUESTS PRESENT

Kristyn Dunlap
Emiliano Escobedo
Marji Morrow
Steven Muro
Gwen Peterson
Charley Wolk

ITEM #1 CALL TO ORDER

Roll Call/Establish Quorum - Item 1.A.

Rick Shade, CAC chairman, called the meeting to order at 9:15 a.m. with a quorum present.

Introductions - Item 1.B.

Mr. Shade welcomed Marlene Betts of the U.S. Department of Agriculture (USDA), as well as Chris Henry and Emiliano Escobedo, of the Hass Avocado Board (HAB).

ITEM # 2 OPPORTUNITY FOR PUBLIC COMMENT

There was no public comment.

ITEM # 3 CONSENT CALENDAR

Mr. Shade introduced the consent calendar items and asked for questions or comments. It was requested that Motion 17-2-16-2 in minutes of the February 16, 2017 meeting be changed to reflect that the CAC Board “accepts” the 2015-16 audited financials, instead of “approves”.

MOTION:

The CAC Board of Directors approves the Consent Calendar, Items 3.A through 3.C, with the correction to the February 16, 2017 minutes, Motion 17-2-16-2, as noted.

(McFadden/Bertels) MSC Unanimous

MOTION 17-5-18-1

The Consent Calendar is included in the May 2017 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Items 3.A and 3.C.

ITEM #4 TREASURER'S REPORT

Monica Arnett, CAC's director of finance and administration, provided an update of CAC's current financial situation, indicating projected excess revenues of approximately two million dollars as a result of current market conditions returning a higher price per pound than initially budgeted. Tom Bellamore, CAC president, stated that the additional revenue generated in 2016-17 will position CAC to increase the marketing spend going into an anticipated larger California crop, while maintaining a level assessment rate and balanced budget for 2017-18.

Consider Finance Committee Recommendation on Corporate Insurance – Item 4.A

Art Bliss, CAC treasurer, reported that the Finance Committee had reviewed the schedule of corporate insurance prepared by management, noting that there were no significant changes in coverage or premiums from the previous year. He stated that the Finance Committee had recommended Board approval of the corporate insurance schedule as presented.

MOTION:

The CAC Board of Directors accepts the recommendation of the Finance Committee to approve the corporate insurance schedule as presented.

(Carbone/McFadden) MSC Unanimous

MOTION 17-5-18-2

The 2016-17 Schedule of Corporate Insurance is included in the May 2017 Board Packet as EXHIBIT A, Item 4.A.

ITEM #5 CHAIRMAN'S REPORT

Theft Awareness – Item 5.A

Mr. Shade reported that avocado theft was once again on the rise throughout the industry. He encouraged Commissioners to become familiar with the rural agricultural crime officials in their respective districts and report any suspected activity.

Annual Meeting Observations – Item 5.B

Mr. Shade stated that the CAC Annual Meetings, which took place in March, were extremely well attended by the industry and that attendees commented on the value of the content presented by CAC management. He thanked the board and executive committee for their show of support and attendance at the meetings throughout the regions.

Requests for Board Member Participation

Mr. Shade indicated that at times CAC management contacts industry stakeholders to fulfill certain media requests. He asked that if Commissioners are called upon in these situations, that they jump in and assist management with the request.

USDA/HAB/CAC Meeting Report

Mr. Shade reported that at the Board's direction, he and Mr. Bellamore had sent a letter to HAB, with a copy to USDA, outlining CAC's concerns regarding HAB meeting accessibility and organizational transparency. Following receipt of the letter, a meeting was held to further discuss CAC's concerns and identify a pathway toward solution. Meeting attendees included Heather Pichelman and Sue Coleman with USDA, Chris Henry and Emiliano Escobedo representing HAB and Mr. Shade and Mr. Bellamore on behalf of CAC. Mr. Shade distributed a copy of the meeting report prepared by USDA and noted that it was a productive meeting with all parties sharing the common goals of transparency, improving communications and fostering collaboration between CAC and HAB. He stated that all concerns raised in CAC's letter had been addressed.

The USDA/HAB/CAC Meeting Report is attached to the permanent copy of these Minutes and identified as EXHIBIT B.

ITEM #6 PLANNING 2017

Mr. Bellamore stated that following the February meeting, Mr. Shade had assigned each member and alternate to one of three Task Force teams to address areas of key concern for the Board. He distributed a summary of the comments received in response to the first task force assignments for further discussion at the Board level.

With regard to the Board Member Guide, Mr. Bellamore indicated that the responses were straightforward, specific and constructive in nature and he felt that CAC management could revise the Board Member Guide to incorporate these edits and would provide an updated version of the guide at a future meeting. There was consensus to proceed as proposed.

Forecasting - Item 6.A

Mr. Bellamore provided an overview of the comments received back from the Forecasting Task Force, which were wide-ranging, from strategically driven goals to tactical development of predictive forecasting models. He requested the Board provide further direction on what information they felt was most critical to obtain and provide to the Forecasting Task Force.

Board discussion was focused on obtaining high-level industry statistics to assist the Board and management in better understanding global supply and demand. While there was some interest in developing predictive models, the consensus was that management should gather domestic and global supply and demand data that has already been developed and is readily available and not spend time at this point on the development of predictive models. Suggestions were provided as to where the data could be acquired, including Fruit Trop, Avocado Marketing and Promotion (AMAP) Working Group and USDA Foreign Agricultural Services (FAS).

Mr. Bellamore stated that he would work to gather the information and convene a meeting with the Forecasting Task Force to review the data and determine how best the CAC Board could utilize the information for the purpose of strategic planning.

Succession – Item 6.B

Mr. Bellamore reviewed the comments received from the Succession Task Force, and asked that the Board provide input to address the high-level goal of ensuring that the Commission is focused first on the constituent's preferred role for CAC (marketing, issues/advocacy, research). It was noted that CAC's allocation of resources among the three program areas would have an impact on the type of future leaders that may be recruited for the organization. A suggestion was made that CAC could survey the grower community, to which consensus was that members of the CAC Board represented the grower and handler communities and that input at the Board-level should provide the direction needed to determine the best allocation of CAC resources.

Mr. Shade put forth the following question, to which each Board Member and Alternate provided their independent responses: *"In your opinion, in five years, where should CAC be allocating its resources?"* While there was support for allocating more money to both marketing and production research, the overwhelming consensus was that the current mix of CAC programs and activities, which include marketing, issues/advocacy and research, are working well and provide value back to growers. There was a suggestion that instead of three program areas, perhaps a shift to combine research and issues/advocacy, to a Research and Grower Support department, may better fit the industry now and into the future. The end goal of CAC, as a brand and organization, remaining relevant will be tied to continuing to carefully allocate resources between the functional areas. It was noted that the challenge in planning for succession will be identifying potential candidates who are well-rounded in all areas of the Commission's activities.

Mr. Bellamore stated that he would use this information to guide the discussion at the task force-level as they focused on the more tactical comments that came out of the task force assignments.

The Summary of Task Force Assignment Comments is attached to the permanent copy of these Minutes and identified as EXHIBIT C.

ITEM #7 MARKETING REPORT

Mr. Bellamore reported that Peggy McCormick and Ann Segerstrom, two principals of CAC's foodservice team, would be retiring at the end of the fiscal year. He noted that the CAC team had recently met with Ms. McCormick and feel confident in the remaining team that is in place to step in at the end of the year. He said a program review and evaluation would be conducted following the first year under the new team structure. Mr. Bellamore commended Ms. McCormick and her team for their over 20 years of service to CAC and the industry.

2017 Marketing Campaign Update – Item 7.A

Jan DeLyser, CAC vice president of marketing, called the Board's attention to additional handouts provided, which included the current marketing dashboard, an *Avocados* recipe book developed by CAC's blogger partner Katie Quinn and copies of California print publications featuring CAC's consumer advertising gatefold print ad concept. In addition, Ms. DeLyser distributed a list of the California Avocado outdoor advertising locations (wild postings) that would be up in Los Angeles, San Diego and San Francisco during the months of May and June. She encouraged Board members and alternates to visit one of the locations and submit photos of themselves in front of the wild postings for use in a future issue of *From the Grove*.

Members of the marketing team presented an update on the 2017 marketing campaign and key activations to-date. Program areas reported on featured foodservice, retail (social/digital/in-store/promotional support), consumer advertising (print/radio/outdoor/online), consumer and trade public relations, and registered dietitian nutritionist program. Ms. DeLyser closed the presentation stating that the current changing media landscape could not have come at a better time for CAC, as it allows the team to be more nimble, targeted and focused, and deliver the key messages directly to CAC's targeted consumers.

The California Avocado Commission Dashboard is attached to the permanent copy of these Minutes and identified as EXHIBIT D.

The California Avocado Outdoor Locations handout is attached to the permanent copy of these Minutes and identified as EXHIBIT E.

The Marketing Campaign Update presentation is attached to the permanent copy of these Minutes and identified as EXHIBIT F.

ADJOURN FOR LUNCH

Mr. Shade adjourned the Board for lunch at 12:25 p.m. and reconvened the meeting at 1:05 p.m.

ITEM #8 REVISE BY-LAWS TO CONFORM WITH CAC LAW EFFECTIVE JANUARY 1, 2017
(TWO THIRDS VOTE REQUIRED)

Mr. Bellamore stated that included in the Board Packet was a red-line version of the CAC By-Laws updated to reflect the changes to CAC Law, effective January 1, 2017. A question was raised regarding the language adding a non-voting ex-officio member of the Marketing Committee to the CAC Board. Mr. Bellamore explained that when the Board took action to reduce the number of handler members, the motion also included the addition of this non-voting ex-officio member. It was clarified that the ex-officio member could be an already seated CAC Board member or alternate and would not necessarily be an additional seat at the CAC Board table.

MOTION:

*The CAC Board of Directors approves the CAC By-Law amendments as presented.
(Bertels/McFadden) MSC Unanimous*

MOTION 17-5-18-3

The CAC By-Law Amendments are included in the May 2017 Board Packet as EXHIBIT A, Item 8.

ITEM #9 INDUSTRY AFFAIRS REPORT

2017 General Election Schedule – Item 9.A

April Aymami, CAC industry affairs director, called the Board's attention to the 2017 General Election Schedule included in the Board Packet, highlighting seats available in the upcoming election and key dates on the schedule.

The 2017 General Election Schedule is included in the May 2017 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 9.A.

Results of Grower Crop Estimating Survey – Item 9.B

Ms. Aymami presented the results from the 2016 acreage inventory survey which show an overall reduction in California acreage from the 2015 survey results. She reported that the reduction of 1,050 bearing acres is a result of an increase in topped and stumped acreage of over 3,500 acres, offset by new plantings and young trees coming into production.

Ms. Aymami then provided the results of the annual grower crop estimating survey, reporting a response rate of over 50-percent of acreage and an average industry-wide yield of just under 4,800 pounds per acre. Based on the projected yield, Ms. Aymami presented two scenarios as a potential mid-season crop estimates using bearing and producing acres. She explained that typically the CAC crop estimating team would use bearing acreage to compile the mid-season estimate update, however doing so yielded a total crop volume of over 240 million pounds. Ms. Aymami reported that based to industry stakeholder input, which indicates a crop volume closer to 200 million pounds, management's recommendation was to use producing acres to formulate the mid-season crop update, yielding a crop volume of 212.3 million pounds. There was Board consensus in support of management's recommendation.

The California Avocado Acreage Update and 2016/17 Mid-Season Crop Update presentation is attached to the permanent copy of these Minutes and identified as EXHIBIT G.

Establish Pine Tree Ranch Fruit Harvest Policy – Item 9.C

Mr. Bellamore stated that following a recent Pine Tree Ranch field day questions had been raised regarding who CAC sells the fruit to and how that handler is selected. He stated that while CAC staff had previously had an informal practice of dividing up harvest amongst multiple handlers, with 18 blocks of new planting trials coming into production CAC would now need to strictly manage and monitor production, which will require the selection of one handler in a given fiscal year. Because of the interest from the handler community in the fruit from Pine Tree Ranch, CAC management developed a Pine Tree Ranch Harvest and Sale of Fruit Policy for the Board's consideration.

The Board discussed the draft policy, noting that handlers may have difficulty submitting the required criteria for consideration. Suggestions were made to allow a different handler to purchase the fruit each year, cycling

through all interested handlers, or giving each handler a block during each fiscal year. It was noted that last year CAC completed a request for proposals to select a farm management company for Pine Tree Ranch and a suggestion was offered to allow the farm manager to select the harvest crew and handler that is used for the ranch.

MOTION:

The CAC Board of Directors moves that the Pine Tree Ranch Farm Manager has the responsibility of selecting the harvest crew and handler for the ranch.

(McFadden/Rochefort) MSC 14 Yea/1 Abstention

MOTION 17-5-18-4

The Pine Tree Ranch Harvest and Sale of Fruit Policy is included in the May 2017 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 9.C.

Consider Proposed Teleconference Policy – Item 9.D

Ms. Aymami reported that recent changes to the Food and Agricultural Code provided new procedural requirements for noticing teleconferences, one of which was the adoption of teleconferencing guidelines prior to holding such meetings. She noted that the draft teleconferencing guidelines provided for consideration were prepared by CDFR and incorporated input received from various commodity boards, including CAC.

MOTION:

The CAC Board of Directors approves the Teleconference or Web-based Application Meeting Guidelines as presented.

(Caloroso/Lamb) MSC Unanimous

MOTION 17-5-18-5

The Teleconference or Web-based Application Meeting Guidelines are included in the May 2017 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 9.D.

Issues Management Update

Mr. Bellamore reported that Ken Melban, CAC vice president of industry affairs, was closely following activities of the new administration in Washington D.C., including the renegotiation of NAFTA and potential labor reform. He noted that Mr. Melban was still working with APHIS to gain access for California avocados to China. With regard to labor, Mr. Melban was currently exploring the possibility of holding grower seminars on the H-2A guest worker visa program.

Water Update

Charley Wolk, CAC Water Committee Chair, announced that he and Mr. Melban recently met with Metropolitan Water District (MWD) senior staff, including the General Manager, Water Resource Manager and CFO, to discuss rate structure and securing more affordable pricing. He stated based on data he and Mr. Melban had provided from a CAC-funded study, MWD indicated that there may now be something to work with he was optimistic they may see relief in MWD rates for agricultural users.

ITEM #10 PRODUCTION RESEARCH REPORT

California Avocado Society August Grower Seminars

Dr. Tim Spann, CAC research program director, encouraged grower participation at the upcoming Avocado Society seminars in August where researchers from Florida would be providing an update on Laurel Wilt and the Red Bay Ambrosia beetle.

UC ANR Meeting with California Commodity Boards to Discuss Research Overhead Charges

Dr. Spann reported that he attended a meeting hosted by University of California (UC) Agriculture and Natural Resources (ANR) to discuss the possibility of the UC system beginning to charge commodity boards overhead on research, which currently is not the practice. While the UC is still considering its options, Dr. Spann said he had been informed that no overhead would be charged to commodity boards through June 30, 2018 and it appeared that UC ANR Vice President Humiston was supportive of maintaining a zero-dollar overhead policy for commodity boards into the future.

Gem Avocado Variety Update

Dr. Spann stated that the Gem avocado was gaining traction in the market, with handlers beginning to sell and market the fruit independent of Hass. In the process of attempting to market and export Gem, however, some California handlers had been informed by the UC, who holds the patent on the Gem variety, that California-grown Gem fruit was unable to be exported, as Westfalia had been granted an exclusive license for the propagation and sale of the Gem variety outside of the U.S. Dr. Spann reported that after numerous conversations, it appeared the UC may have overstepped the rights of their patent and indicated they would not pursue legal action if a handler exported California-grown Gem fruit. He did note that Westfalia still holds the exclusive UC license and it is unknown if they would seek legal recourse on fruit exported from the U.S.

Plant Breeding Update

Dr. Spann reported that previously the CAC Board had directed the Production Research Committee (PRC) to suspend funding for new scion breeding and to encourage the UC to seek additional funding sources for development of new varieties. In light of the Gem now gaining traction, he stated that it appeared there may be a resurgence of interest from the California industry in developing new scion varieties. The UC has indicated that Westfalia was interested in contributing to the scion breeding program in exchange for obtaining exclusive licensing rights to new scion varieties released by the UC, which may result in additional royalty fees to California growers. Dr. Spann informed the Board that the PRC had discussed this topic at a recent meeting, and due to CAC's long term investment in the program, were supportive of CAC looking for partnership opportunities to fund the UC scion breeding program. The goal of the CAC being involved in a scion breeding partnership would be a shared cost structure and more favorable terms for California growers as new varieties are released. Board consensus supported the PRC's recommendation and CAC management was directed to explore partnership opportunities for funding the UC scion breeding program.

Research Program Update

Dr. Spann stated that the PRC had considered issuing a call for proposals for new research, however felt that there was not currently a need for a broad-based call for proposals in the current fiscal year. Instead the PRC felt that an extensive body of research had already been funded and that focus should be placed on grower outreach and education of the results of that research. To do this, the PRC has recommended that CAC take a more active role in the facilitation of information sharing among and between industry stakeholders. Dr. Spann indicated that as a first step he would meet one-on-one and in small group settings with growers to determine issues currently facing producers throughout the state and then would gather the research results and/or resources available to address those specific issues. In the case that a solution has not yet been identified, Dr. Spann could then bring that back to the PRC as a potential research project for the future. The Board was supportive of Dr. Spann exploring this grower outreach effort, but cautioned that CAC should not be in the business of providing consulting services to growers and instead should remain focused on facilitating the sharing of information.

Decision Support Tools Update

Dr. Spann responded to an inquiry regarding the recent Index Fresh-sponsored grower seminars which presented the final results of Dr. David Crowley's research and the development of a web-based decision support tool (DST) for growers. In his response, Dr. Spann clarified that to-date SureHarvest had been the only organization successful in licensing the DST model from the UC, requiring CAC to select them as the contractor to develop the web-based system for growers to use. He stated that CAC was successful in securing a Specialty Crop Block Grant to fund a large portion of the development and initial outreach. Upon conclusion of the grant term, CAC has committed to paying the licensing and development fees of approximately \$40,000 per year to Sure Harvest through 2020. Dr. Spann noted that the system would be provided to California growers, at no cost, until 2020, at which time the program utilization would be reviewed to determine if CAC should continue funding on behalf of California producers.

ITEM #11 HASS AVOCADO BOARD REPORT

Chris Henry, Hass Avocado Board (HAB) chairman, presented an overview of the organization's vision and strategic priorities. He noted the following key activities within the industry and at HAB:

- Industry currently maintaining record prices despite 40+ million pound weeks
- Avocados now qualify for the heart healthy check, a major success for the industry
- HAB working to establish a strong governance structure, while launching an outreach program to directly communicate HAB's activities to constituents
- HAB revised their budget to reflect a total crop volume of 2.25 billion pounds
- HAB had just concluded their election, however encouraged CAC members and alternates to recruit qualified producer candidates for the HAB Board
- Upcoming June 6th HAB meeting would be held in Washington D.C., wherein members would visit the USDA offices and the Hill
- HAB had accepted the recommendation of their Assessable Producer and Importer Committee to make no change to the current HAB assessment structure with regarding to non-commercial producers (as defined by CAC)

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ADJOURN MEETING

Mr. Shade adjourned the meeting at 2:55 p.m. The next Board meeting will be held on Thursday, August 17, 2017 in Irvine, California.

Respectfully submitted,

April Aymami, CAC Industry Affairs Director

I certify that the above is a true statement of the Minutes of May 18, 2017 approved by the CAC Board of Directors on August 17, 2017.

Jason Cole, CAC Board Secretary

EXHIBITS ATTACHED TO THE PERMANENT COPY OF THESE MINUTES

- EXHIBIT A May 2017 Board Packet
- EXHIBIT B USDA/HAB/CAC Meeting Report
- EXHIBIT C Summary of Task Force Assignment Comments
- EXHIBIT D California Avocado Commission Dashboard
- EXHIBIT E California Avocado Outdoor Locations Handout
- EXHIBIT F Marketing Campaign Update Presentation
- EXHIBIT G California Avocado Acreage Update and 2016/17 Mid-Season Crop Update Presentation
- EXHIBIT H May 18, 2017 Board Meeting AB 2720 Roll Call Vote Tally Summary



CALIFORNIA AVOCADO COMMISSION

AB 2720 Roll Call Vote Tally Summary

To be attached to the Meeting Minutes

Meeting Name: <i>California Avocado Commission Regular Board Meeting</i>	Meeting Location: <i>California Avocado Commission 12 Mauchly, Suite L Irvine, CA 92618</i>	Meeting Date: <i>May 18, 2017</i>
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Attendees Who Voted	<u>MOTION</u> <u>17-5-18-1</u>	<u>MOTION</u> <u>17-5-18-2</u>	<u>MOTION</u> <u>17-5-18-3</u>	<u>MOTION</u> <u>17-5-18-4</u>	<u>MOTION</u> <u>17-5-18-5</u>
John Burr	Yea	Yea	Yea	Yea	Yea
Jessica Hunter	Yea	Yea	Not Present	Not Present	Not Present
Ryan Rochefort (<i>Hunter Alt.</i>)			Yea	Yea	Yea
Ohannes Karaoghlanian (<i>Newhouse Alt.</i>)	Yea	Yea	Yea	Yea	Yea
Leo McGuire	Yea	Yea	Yea	Yea	Yea
Art Bliss	Yea	Yea	Yea	Yea	Yea
John Lamb	Yea	Yea	Yea	Yea	Yea
Bryce Bannatyne (<i>Cole Alt.</i>)	Yea	Yea	Yea	Yea	Yea
Ed McFadden	Yea	Yea	Yea	Yea	Yea
Tyler Cobb (<i>Swoboda Alt.</i>)	Yea	Yea	Yea	Yea	Yea
Rick Shade	Yea	Yea	Yea	Yea	Yea
Steve Taft	Yea	Yea	Yea	Yea	Yea
Gary Caloroso	Yea	Yea	Yea	Yea	Yea
Gene Carbone	Yea	Yea	Yea	Yea	Yea
Robb Bertels	Yea	Yea	Yea	Abstain	Yea
Nina Ames	Yea	Yea	Yea	Yea	Yea
Outcome	Unanimous	Unanimous	Unanimous	14 Yea/ 1 Abstain	Unanimous