

**CALIFORNIA AVOCADO COMMISSION
BOARD MEETING MINUTES
October 11, 2018**

A meeting of the California Avocado Commission (CAC) Board was held on Thursday, October 11, 2018 at the CAC office, 12 Mauchly, Suite L, Irvine, CA 92618, with the following people present:

MEMBERS PRESENT

Nina Ames
Bryce Bannatyne (Cole Alt.)
Gary Caloroso
Gene Carbone
Tyler Cobb
Robert Grether
Jessica Hunter
Ohannes Karaoghlanian
John Lamb
Ed McFadden
Leo McGuire
Ryan Rochefort
Rick Shade

ALTERNATES PRESENT

Randy Douglas
John Lloyd-Butler
Bob Schaar

MEMBERS ABSENT

Jason Cole

ALTERNATES ABSENT

Michael Perricone

STAFF PRESENT

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

OFFICIALLY PRESENT

Marlene Betts, USDA
Emiliano Escobedo, HAB
Ben Kardokus, CDFA

GUESTS PRESENT

Marji Morrow
Steven Muro
Daniella Malfitano

ITEM #1 CALL TO ORDER

Roll Call/Establish Quorum - Item 1.A.

Rick Shade, CAC chairman, called the meeting to order at 8:30 a.m. with a quorum present.

Introductions – Item 1.B.

Mr. Shade took a moment to recognize outgoing board member Gene Carbone and thanked him for his many years of service on the CAC Board. Tom Bellamore, CAC president, presented Mr. Carbone with a card and monogrammed pen as a token of appreciation.

Mr. Shade welcomed Marlene Betts of the U.S. Department of Agriculture (USDA), as well as Ben Kardokus with the California Department of Food and Agriculture (CDFA).

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. Hearing none, the following motion was put forward:

MOTION:

***The CAC Board of Directors approves the Consent Calendar, Items 3.A and 3.B.
(McFadden/McGuire) MSC Unanimous***

MOTION 18-10-11-1

The Consent Calendar is included in the October 2018 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Items 3.A and 3.B.

ITEM #4 CLOSED SESSION

President's Performance Review pursuant to Section 11126(a)(1) of the California Government Code – Item 4.A

Mr. Shade called the Closed Session to order at 8:40 a.m.

Return to Open Session & Report of Action Taken, if any, in Closed Session – Item 4.B

The Board returned to the general session at 9:25 a.m. and Mr. Shade reported they had reviewed the performance evaluation and compensation package for CAC President Tom Bellamore and an adjustment to Mr. Bellamore's compensation was approved.

ITEM #5 TREASURER'S REPORT

Robert Grether, CAC treasurer, provided a summary of the recent Finance Committee meeting, which included a review of CAC's current financial position, check disbursements, and current crop tracking. Of note was the Finance Committee discussion regarding current crop tracking, which indicated that California would finish the season with approximately 335 million pounds, 35 million pounds more than what was discussed at the August meeting. Mr. Grether reported that the additional volume, at good prices, has resulted in a more favorable ending position for the current CAC fiscal year, details of which would be discussed during the President's Report. He also noted that annual contributions into CAC's 401a plan were reviewed, in compliance with the plan's requirements.

Consider Approval of Letter of Engagement from Macias Gini & O'Connell for Financial Audit Services - Item 5.A

Mr. Grether stated that the Finance Committee reviewed the letters of engagement provided by Macias Gini & O'Connell (MGO) for financial audit services and recommended that the Board approve them as presented.

MOTION:

The CAC Board of Directors approves the MGO Letters of Engagement for Financial Audit Services as presented.

(Grether/Cobb) MSC Unanimous

MOTION 18-10-11-2

The Letters of Engagement from Macias Gini & O'Connell are included in the October 2018 Board Packet and are attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 5.A.

Consider Finance Committee Recommendation on 2018-19 Budget and Assessment Rate - Item 5.B

Mr. Grether reported that the Finance Committee had reviewed the draft business plan and budget, and engaged in an in-depth discussion regarding financial scenarios for the next two years. The result of that discussion was a recommendation to the Board to hold the assessment rate at 2.3%. He noted that while the committee had thoroughly reviewed the budget and business plan, they deferred approval of the budget and business plan to the full Board.

ITEM #6 PRESIDENT'S REPORT

Consider Approval of 2018-19 Proposed Action Plans and Budgets– Item 6.A

Mr. Bellamore stated that since the Board's August meeting, management had conducted crop estimating meetings which resulted in a revised crop projection of 160 million pounds. In addition, as Mr. Grether had noted, the current year's crop was still being harvested, providing a stronger ending financial position than previously anticipated.

Monica Arnett, CAC director of finance and administration, presented CAC's current financial position for 2017-18 which reflected a projected ending reserves balance of approximately \$11.3 million, a variance of approximately \$1.3 million less than original projections. She went on to present management's proposed 2018-19 budget, based upon a crop volume of 160 million pounds, projected price of \$1.20 per pound and level assessment rate of 2.3 percent. She noted that the proposed budget of \$11.4 million included \$6.7 million for marketing programs, \$1.2 for industry affairs and production research and \$3.5 million for administration. Ms. Arnett also provided a look at the two-year financial scenario indicating a projected ending reserve balance of \$6.8 million for the 2019-20 crop year.

The Board engaged in a robust discussion regarding line item details of the budget and draft business plan activities. Specifically, there was concern about projected ending reserve balance levels in the coming years and a desire to have a minimum of a \$7.5-8 million ending reserve balance to ensure adequate cash flow for Commission programs and the leadership transition. While there was general support for the proposed plan and budget, comments were raised regarding the level of marketing spend and potential for market saturation with a small crop and programs focused solely on California and certain corporate and northwest accounts. It was also suggested that while marketing had drastically reduced their budget, it appeared other department budgets, such as industry affairs, did not see the same level of budget cuts. With regard to the research program, funding levels were at an all-time low, and focused on projects geared to address issues and priorities identified by the Production Research Committee (PRC).

After line item discussion about program areas, the conversation turned to the bigger picture and reserve balance projections, specifically identifying a way to meet the suggested \$7.5-8 million balance at the end of 2019-20. During this discussion a suggestion was made to ask management to review each line item in the budget with the goal of reducing it by \$1 million dollars. Mr. Bellamore responded that a reduction of that magnitude could not be accomplished without either: 1) a significant adjustment in the marketing budget or 2) a significant reduction in overhead (or both). He continued to explain that lower overhead could only be accomplished by a reduction in force. It was noted by others that the immediate situation was not urgent, and that adjustments could be made six months from now when the board was better informed about the crop situation. Discussion continued, with support that the proposed current year budget met the Board's reserve goals, but that 2019-20 was too far out to accurately project crop size and value. In the end, there was consensus that management and Board would keep a close eye on crop volume for the 2018-19 and 2019-20 crops and make budget adjustments as needed to meet the goals set by the Board.

MOTION:

The CAC Board of Directors approves the draft 2018-19 Business Plan and Budget as presented.

***(Karaoghlanian/McFadden) MSC
(10 Yea, 2 Nay, 1 Abstention)***

MOTION 18-10-11-3

The CAC Current Financial Situation and Proposed 2018-19 Budget presentation is attached to the permanent copy of these Minutes and identified as EXHIBIT B.

The 2018-19 CAC Business Plan – DRAFT is attached to the permanent copy of these Minutes and identified as EXHIBIT C.

Mr. Bellamore stated that as a follow up to the August Board meeting, Dr. Tim Spann, CAC research program director, had requested the formal report and financial accounting from the

organizers of the Avocado Brainstorming. Dr. Spann had received a copy of the report, hard copies of which were available to interested members. The financial accounting was still being finalized and would be presented at an upcoming Board meeting.

ITEM #7 ESTABLISH ASSESSMENT RATE FOR 2018-19 FISCAL YEAR

With discussion already taken place during the President's Report, there was no further discussion regarding the assessment rate and the following motion was offered:

MOTION:

The CAC Board of Directors moves to set the 2018-19 Assessment Rate at 2.30% 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 4.24% of the gross dollar value of sales for all varieties during any full month the federal assessment under the Order is not in effect.

(Lamb/Cobb) MSC Unanimous

MOTION 18-10-11-4

ITEM #8 CHAIRMAN'S REPORT

Recommend Member and Alternate to Serve on Hass Avocado Committee – Item 8.A

Mr. Shade stated that among the pool of currently seated Board members and alternates, there were no names that had surfaced who had the time available to serve as a member or alternate on the Hass Avocado Committee. Because a new CAC Board would be seated in November, he stated this item would be deferred to the agenda at that meeting, when there would be a new slate of Board members to consider.

As the outgoing Chairman and Board member, Mr. Shade thanked the Board and CAC staff for working so hard for the industry. He then read an email from California grower and previous CAC Board member, Bill Coy, which commended the Board and staff for their work on behalf of the industry.

ITEM #9 HASS AVOCADO BOARD REPORT

Emiliano Escobedo, Hass Avocado Board (HAB) executive director provided an update on HAB programs and activities, including: budget projections; participation in the USDA Agriculture Promotion Groups' Educational Showcase; pending modifications to language in the HAB order to provide flexibility of the number of alternates and tethering of alternates to members and partnership with CIRAD to provide timely and relevant global supply and demand data through the HAB website. He noted that with the CIRAD project, the USDA is currently working to understand how the data will benefit domestic avocado producers. Mr. Escobedo stated that USDA was also working to appoint new HAB Board members prior to HAB's next meeting on November 15 and 16.

CLOSING COMMENTS

Mr. Bellamore called the Board's attention to the 2018-19 Draft Meeting Schedule provided as a handout, noting that it would be approved at the November meeting.

Mr. Bellamore stated that over the past few years the CAC Board taken action on a few items, such as assuming the lease at Pine Tree Ranch and modifications to the CAC Law, and felt that based on recent industry comments, the Board may want to dedicate time at a future Board meeting to look back at the programs and see what is working, what is not, and if necessary, make course corrections. This was met with no opposition from the Board.

Lastly, Mr. Bellamore commented that there is a non-marketing component to the “defending California” remarks made during the earlier budget discussions, and that Ken Melban, CAC vice president of industry affairs, had been successful in two recent phytosanitary issues where his involvement has helped protect California growers from the introduction of potential pests, and has also allowed for the removal of unnecessary pest-related restrictions on the exportation of California fruit to Canada.

The CAC 2018-19 Draft Meeting Schedule is attached to the permanent copy of these Minutes and identified as EXHIBIT D.

Nina Ames, outgoing CAC public member, thanked the Board for allowing her to serve the past two years.

ADJOURN MEETING

Mr. Shade adjourned the meeting at 11:18 a.m. The next Board meeting will be held on Tuesday, November 13, 2018 in Irvine, California.

Respectfully submitted,

April Aymami, CAC Industry Affairs Director

I certify that the above is a true statement of the Minutes of October 11, 2018 approved by the CAC Board of Directors on November 13, 2018.

Jessica Hunter, CAC Board Secretary

EXHIBITS ATTACHED TO THE PERMANENT COPY OF THESE MINUTES

- EXHIBIT A October 2018 Board Packet
- EXHIBIT B CAC Current Financial Situation and Proposed 2018-19 Budget Presentation
- EXHIBIT C 2018-19 CAC Business Plan – DRAFT
- EXHIBIT D CAC 2018-19 Draft Meeting Schedule
- EXHIBIT E October 11, 2018 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>CAC Office 12 Mauchly, Suite L Irvine, CA 92618</i>	Meeting Date: <i>October 11, 2018</i>
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<i>Attendees Who Voted</i>	<u>MOTION</u> <u>18-10-11-1</u>	<u>MOTION</u> <u>18-10-11-2</u>	<u>MOTION</u> <u>18-10-11-3</u>	<u>MOTION</u> <u>18-10-11-4</u>
Ryan Rochefort	Yea	Yea	Yea	Yea
Jessica Hunter	Yea	Yea	Yea	Yea
Ohannes Karaoghlanian	Yea	Yea	Yea	Yea
Leo McGuire	Yea	Yea	Yea	Yea
Robert Grether	Yea	Yea	Yea	Yea
John Lamb	Yea	Yea	Yea	Yea
Bryce Bannatyne	Yea	Yea	Abstain	Yea
Ed McFadden	Yea	Yea	Yea	Yea
Tyler Cobb	Yea	Yea	Nay	Yea
Rick Shade	Yea	Yea	Yea	Yea
Gene Carbone	Yea	Yea	Nay	Yea
Gary Caloroso	Yea	Yea	Yea	Yea
Nina Ames	Yea	Yea	Yea	Yea
<i>Outcome</i>	Unanimous	Unanimous	10 Yea 2 Nay 1 Abstain	Unanimous