

**CALIFORNIA AVOCADO COMMISSION
BOARD MEETING MINUTES
October 9, 2019**

A meeting of the California Avocado Commission (CAC) Board was held on Wednesday, October 9, 2019 at the CAC office, 12 Mauchly, Suite L, Irvine, CA 92618, with the following people present:

MEMBERS PRESENT

Bryce Bannatyne (McFadden Alt.)
Gary Caloroso
Salvador Dominguez
Randy Douglas (Cobb Alt.)
Rob Grether
Jessica Hunter
John Lamb
Daniella Malfitano
Ryan Rochefort
Peter Shore
Charley Wolk

MEMBERS ABSENT

Tyler Cobb
Jason Cole
Ohannes Karaoghlanian
Ed McFadden

ALTERNATES PRESENT

John Lloyd-Butler

ALTERNATES ABSENT

Michael Perricone
Bob Schaar
Neil Witt

STAFF PRESENT

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

OFFICIALLY PRESENT

Katie Cook, USDA
Ben Kardokus, CDFA
Andrea Ricci, USDA

GUESTS PRESENT

Scott Bauwens
Emiliano Escobedo
Candace Hollar
Nick Lahr
John McGuigan
Leo McGuire
Marji Morrow
Steven Muro
Laura Paden
Brittney Theriault
Rebecca Wojcicki

ITEM #1 CALL TO ORDER

Roll Call/Establish Quorum – Item 1.A.

John Lamb, CAC chairman, called the meeting to order at 8:33 a.m. with a quorum present.

Introductions – Item 1.B.

Mr. Lamb introduced Ben Kardokus, with the California Department of Food and Agriculture (CDFA) and Andrea Ricci and Katie Cook of the United States Department of Agriculture (USDA). He noted that Scott Bauwens, former CAC Board member and HAB Chairman, was also in attendance.

ITEM # 2 OPPORTUNITY FOR PUBLIC COMMENT

Tom Bellamore, CAC president, informed the Board that Tom Royden, Ramona area avocado grower, was involved in a serious car accident Monday evening and had passed away as a result of his injuries. He stated that Mr. Royden had previously served for a number of years on CAC's Production Research Committee (PRC), and just recently attended the World Avocado Congress in Colombia, as well as the California Avocado Society meeting in Ventura County.

ITEM # 3 CONSENT CALENDAR

Mr. Lamb introduced the consent calendar items. He stated that he had requested a few changes to the August meeting minutes and identified those as follows:

1. Correct typo in Item 6, page 2 – “ss” should be “as”
2. Clarify first paragraph on page 3, to read – “There was Board support for the large percentage of the budget proposed to be allocated for marketing (nearly 70 percent). Both management and Board will gather more information and bring back to the October meeting where the 2019-20 budget, business plan and assessment rate will be finalized.”

Mr. Lamb asked for any other questions or comments on the consent calendar items. Hearing none, the following motion was put forward:

MOTION:

The CAC Board of Directors approves the Consent Calendar, Items 3.A and 3.B with the requested revisions to the August Board meeting minutes.

(Dominguez/Caloroso) MSC Unanimous

MOTION 19-10-9-1

The Consent Calendar is included in the October 2019 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. Lamb called the Closed Session to order at 8:36 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 10:00 a.m. and Mr. Lamb reported they had reviewed the performance evaluation for CAC President Tom Bellamore and a salary adjustment and bonus were 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 and check disbursements. He reported that as Treasurer he had reviewed the annual contributions into CAC's 401a plan which were 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.

(Douglas/Rochefort) MSC Unanimous

MOTION 19-10-9-2

The Letters of Engagement from Macias Gini & O'Connell are included in the October 2019 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 2019-20 Budget and Assessment Rate - Item 5.B

Mr. Grether reported that the Finance Committee had reviewed the draft budget and engaged in an in-depth discussion regarding the 2019-20 assessment rate. He noted that he would discuss the Committee's recommendation as part of the business plan and budget discussion during President's Report.

ITEM #6 PRESIDENT'S REPORT

Consider Approval of 2019-20 Proposed Action Plans and Budgets– Item 6.A

Mr. Bellamore called the Board's attention to the draft 2019-20 Business Plan and Budget for discussion on the proposed tactics and associated line item budgets. Consensus was that the plan was in-depth and comprehensive, and served as an excellent road map for keeping California avocados top of mind with CAC's target markets. A suggestion was made that CAC continue to look for additional ways to communicate to and engage with growers, and if that required additional funds, staff should come back to the Board with a proposal.

Monica Arnett, CAC director of finance and administration, presented CAC's current financial position for 2018-19 which reflected a projected ending reserves balance of approximately \$13 million, a variance of approximately \$4.5 million more than original projections. She indicated that this increase in reserve balance was a direct result of an additional 55 million pounds of fruit and higher than projected value. Mr. Bellamore presented management's proposed 2019-20 budget, based upon a crop volume of 360 million pounds, projected price of \$1.20 per pound and reduced assessment rate of 1.9 percent. He noted that the proposed budget of \$16.2 million included \$11.3 million for marketing programs, \$1.5 for industry affairs and production research and \$3.4 million for administration. Mr. Bellamore indicated that based on this scenario, the 2019-20 ending reserves balance would be approximately \$12.2 million. In addition, the two-year budget analysis, assuming a lower crop volume in 2020-21, still showed a secure ending reserve balance. Ms. Arnett finished the budget presentation with a look at historical assessment rates, budgets, ending reserves and marketing spend per pound.

Board discussion ensued regarding the current financial position and proposed 2019-20 budget and assessment rate. Concern was raised regarding the high reserve levels and exploration about the feasibility of rebating reserves back to growers. Mr. Bellamore indicated that the rebate option would be logistically impractical and possibly not even legal. He called out the 2011-12 fiscal year where the Board had approved an extremely low assessment rate (1.1%) as the means available to "rebate" money to growers. Multiple comments were made regarding CAC's proposed marketing spend, which equates to 3.1 cents per pound, and whether that would be enough to support the crop size in the ever-increasing total US market volume. Management confirmed that if they felt opportunities were available to do more throughout the year, they would come to the Board and action could be taken at that time to increase the budget, if necessary. Mr. Bellamore noted that one of the functions of the reserves were for these types of situations, which gives the Board the ability and necessary funds to move on opportunities as they become available.

Mr. Grether reported that the Finance Committee was cognizant of the current reserve balance and concern to control the amount in reserves, however the Committee supported the idea of providing a stable assessment rate that growers can rely on year over year. He indicated that the Committee is in favor of lowering the assessment rate, but in an effort to have the rate remain stable for the next few years, recommended that the Board adopt an assessment rate of 2.0% for the 2019-20 fiscal year, and approve all other aspects of the budget as proposed.

MOTION:

The CAC Board of Directors approves the draft 2019-20 Business Plan and Budget as presented.

(Caloroso/Dominguez) MSC Unanimous

MOTION 19-10-9-3

The 2019-20 CAC Business Plan – DRAFT is attached to the permanent copy of these Minutes and identified as EXHIBIT B.

The CAC Current Financial Situation and Proposed 2019-20 Budget presentation is attached to the permanent copy of these Minutes and identified as EXHIBIT C.

ITEM #7 ESTABLISH ASSESSMENT RATE FOR 2019-20 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 2019-20 Assessment Rate at 2.00% 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 3.94% of the gross dollar value of sales for all varieties during any full month the federal assessment under the Order is not in effect.

(Wolk/Dominguez) MSC 10 Yea/1 Nay

MOTION 19-10-9-4

Mr. Bellamore announced that effective immediately, Monica Arnett was being promoted to Vice President of Finance and Administration. He noted that Ms. Arnett was highly skilled, competent and credentialed and was very deserving of this promotion.

ITEM #8 CHAIRMAN'S REPORT

Select Pine Tree Ranch Farm Management Firm for FY 2019-20 – Item 8.A.

Mr. Lamb stated that at the August meeting the Board had reviewed and discussed Pine Tree Ranch (PTR) grove management proposal submissions from two companies, Progressive Land Management and Somis Pacific. At that meeting, due to the large variance between the two proposed budgets, the Board had directed staff to create a standard budget template and ask the two proposers to submit their budget in the same format. Mr. Lamb noted that the new budgets, in the revised format, were included in the October Board Packet for review and further discussion. Tim Spann, CAC research program director, provided an overview of the actual costs of grove management for PTR over the last two years.

The Board discussed the project and revised budgets, noting the Progressive Land Management's budget had been significantly reduced by over \$18,000, with no reasoning provided as to where the reductions had come from. A comment was made that the Somis Pacific proposal had included not-to-exceed language, while Progressive's did not. At the conclusion of discussion there remained questions that could not be answered without input from the two companies, therefore the Board requested that those questions be sent to Progressive Land Management and Somis Pacific prior to the November Board meeting. The responses to these questions should be submitted prior to the November meeting, where the Board will select one company to serve as the grove manager for PTR.

The Revised Pine Tree Ranch Proposal Budgets are included in the October 2019 Board Packet and are attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 8.A.

Report on World Avocado Congress – Item 8.B.

Mr. Lamb reported that he, Leo McGuire, CAC's PRC chairman, and Mr. Spann had recently represented CAC at the World Avocado Congress (WAC) in Colombia. He noted that prior to the Congress the group had the opportunity to participate in a field tour organized by CAC to view avocado plantings in Colombia. Mr. Lamb stated that the trade media reported over 3,000 attended the WAC in Medellin, and that sessions included topics that spanned from research to marketing, but leaned more heavily on the marketing emphasis.

Mr. Spann provided a pictorial slideshow of the field tours, WAC events and media coverage. He reported that he had participated in a post-WAC meeting aimed to assist with the organizing efforts for the next WAC in New Zealand. Mr. Spann noted that because of the numerous and wide-range of session topics, recommendations were made to extend the WAC from a three-day congress to four or five days, to allow attendees the ability to listen to all sessions of interest.

The IX World Avocado Congress presentation is attached to the permanent copy of these Minutes and identified as EXHIBIT D.

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

Mr. Lamb called the Board's attention to Item 8.C of the Board Packet which included a letter from Hass Avocado Board (HAB) Chairman Jorge Hernandez requesting the recommendation from CAC for a member and alternate to serve on the Hass Avocado Committee (HAC) for the period of November, 2019 through October, 2020. He noted that Art Bliss was currently serving as CAC's member on the HAC, and Ryan Rochefort was the alternate. Mr. Lamb stated that while Mr. Bliss indicated that he was willing to serve another term as member, Mr. Rochefort was unable to continue serving.

During Board discussion it was noted that the HAB letter indicated "it would be preferable that the individuals are voting board members of the CAC board," however because many members of the CAC Board were already voting members of the HAB Board, it made that request difficult to comply with. Mr. Lamb stated that while Mr. Bliss was not a voting member of the CAC Board, he had done a great job staying in contact with CAC to be informed of the activities occurring at the CAC Board and reporting them as CAC's HAC member. John Lloyd- Butler, CAC alternate, indicated that if Mr. Bliss was willing to continue as the member, he was interested in serving as the alternate, however would need to confirm with his employer. At the conclusion of discussion, Mr. Lamb stated that this item would be brought back to the Board for final decision at the November Board meeting, and that in the interim, Mr. Bliss and Mr. Rochefort would continue serving as CAC's HAC member and alternate.

The Letter from HAB Chairman Jorge Hernandez Requesting HAC Representatives are included in the October 2019 Board Packet and are attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 8.C.

Mr. Bellamore called the Board's attention to the 2019-20 Draft Meeting Schedule provided as a handout, noting members should review the proposed dates and notify management of any conflicts, prior to approval at the November meeting.

The CAC 2019-20 Draft Meeting Schedule is attached to the permanent copy of these Minutes and identified as EXHIBIT E.

ADJOURN MEETING

Mr. Lamb adjourned the meeting at 11:30 a.m. The next Board meeting will be held on Thursday, November 21, 2019 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 9, 2019 approved by the CAC Board of Directors on November 21, 2019.

Jessica Hunter, CAC Board Secretary

EXHIBITS ATTACHED TO THE PERMANENT COPY OF THESE MINUTES

- EXHIBIT A October 2019 Board Packet
- EXHIBIT B The 2019-20 CAC Business Plan – DRAFT
- EXHIBIT C CAC Current Financial Situation and Proposed 2019-20 Budget Presentation
- EXHIBIT D IX World Avocado Congress Presentation
- EXHIBIT E CAC 2019-20 Draft Meeting Schedule
- EXHIBIT F October 9, 2019 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>October 9, 2019</i>
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Attendees Who Voted	<u>MOTION</u> 19-10-9-1	<u>MOTION</u> 19-10-9-2	<u>MOTION</u> 19-10-9-3	<u>MOTION</u> 19-10-9-4
Ryan Rochefort	Yea	Yea	Yea	Nay
Jessica Hunter	Yea	Yea	Yea	Yea
Charley Wolk	Yea	Yea	Yea	Yea
Rob Grether	Yea	Yea	Yea	Yea
John Lamb	Yea	Yea	Yea	Yea
Bryce Bannatyne	Yea	Yea	Yea	Yea
Randy Douglas (Cobb Alt.)	Yea	Yea	Yea	Yea
Salvador Dominguez	Yea	Yea	Yea	Yea
Peter Shore	Yea	Yea	Yea	Yea
Gary Caloroso	Yea	Yea	Yea	Yea
Daniella Malfitano	Not Present	Yea	Yea	Yea
Outcome	Unanimous	Unanimous	Unanimous	10 Yea / 1 Nay