

**CALIFORNIA AVOCADO COMMISSION
BOARD MEETING MINUTES
October 20, 2022**

A meeting of the California Avocado Commission (CAC) Board was held on Thursday, October 20, 2022, with the following people present:

MEMBERS PRESENT

Gary Caloroso
Jason Cole
John Cornell
Rob Grether
Jessica Hunter
Ohannes Karaoghlanian
Rachael Laenen
John Lloyd-Butler
Daniella Malfitano
Daryn Miller
Michael Perricone
Andrew Prechtl
Peter Shore

ALTERNATES PRESENT

Maureen Cottingham
Connor Huser
Catherine Keeling
Charley Wolk

MEMBERS ABSENT

None

ALTERNATES ABSENT

None

OFFICIALLY PRESENT

Vickie Carpenter, *USDA*
Ben Kardokus, *CDFA*
Candace Hollar, *Mediahub*
George Soares, *Kahn, Soares
& Conway*

STAFF PRESENT

April Aymami
Zac Benedict
Dave Cruz
Jan DeLyser
Angela Fraser
Miriam Martinez
Ken Melban
Jeff Oberman

GUESTS PRESENT

David Anderson
Carolyn Becker
Wayne Brydon
David Cornell
Gahl Crane
Dr. Nikki Ford
Alejandro Gavito
Kathleen Johnson
Kim Kurata
John Lamb
John McGuigan
Jillian McMenamin
Kel Mitchell
Marji Morrow
Steven Muro
Jill Netzel
Laura Paden
Martin Pagh Ludvigsen
Barb Peirce
Bryan Reugebrink
Matt Schraut
Dr. Tim Spann
Ed Wang
Gina Widjaja

ITEM #1 CALL TO ORDER

Roll Call/Quorum – Item 1.a.

Rob Grether, CAC chairman, called the meeting to order at 9:01 a.m. with a quorum present.

April Aymami, CAC industry affairs director, announced the California Department of Food and Agriculture (CDFA) and US Department of Agriculture (USDA) representatives, CAC staff and known guests participating in the meeting. She asked for all other guests to announce themselves and recorded all participants in attendance.

ITEM # 2 OPPORTUNITY FOR PUBLIC COMMENT

There was no public comment.

ITEM # 3 CONSENT CALENDAR

Mr. Grether introduced the consent calendar items and asked for questions or comments. With no comments on the consent calendar items, the following motion was put forward:

MOTION:

The CAC Board of Directors approves the Consent Calendar, Items 3.a through 3.d as presented.

(Cornell/Cole) MSC Unanimous

MOTION 22-10-20-1

The Consent Calendar is included in the October 2022 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Items 3.a through 3.d.

ITEM #4 CONSIDER RECOMMENDATION OF PUBLIC MEMBER FOR TERM COMMENCING NOVEMBER 1, 2022

Mr. Grether allow participants interested in the Public Member seat the opportunity to address the Board.

David Cornell introduced himself and disclosed that he was the son of CAC District 2 Board Member John Cornell. He provided his background and qualifications, noting that he was not directly involved in the avocado industry, but was engaged in health and fitness, managing media relations and marketing budgets, and had experience with YouTube and social media. In response to inquiries from the Board, Mr. David Cornell confirmed that while he grew up on his father's avocado farm, he moved away in 2005 to pursue his own ventures. He also commented that he did not have experience serving on a board of directors.

Kel Mitchell provided an overview of his experience, stating he was currently employed by a private equity firm that was highly focused in agriculture. He noted that he was a current fellow in the California Ag Leadership Program and was looking for opportunities to serve as an advocate for California agriculture. Mr. Mitchell responded to questions from the Board, indicating that he could not commit to traveling to Irvine for all CAC Board meetings, but could participate in hybrid meetings with a Zoom option. In addition, he provided further explanation about his employer, Renewable Resources Group, noting that they were an investment group focused on long-term sustainable farming. Mr. Mitchell also disclosed that his employer did have interest in avocados outside of the U.S.

Ed Wang presented his experience and qualifications, commenting that he had previously worked with Mr. Grether at The Wonderful Company ten years prior. He noted that he currently was chief supply chain officer and responsible for management of end-to-end supply chain operations. In response to the Board's questions, Mr. Wang stated that he would be able to attend CAC Board meetings in person, and that he was interested in this public member position because he felt he could contribute a different business perspective and add value to the Board.

Mr. Grether thanked the Public Member interested parties and excused them from the meeting for the Board to discuss further. During discussion, the Board felt that Mr. Mitchell should be excluded due to his employer's involvement in offshore avocado production. The Board asked CDFR to confirm if Mr. David Cornell could be appointed due to his relationship to a currently seated Board member. Ben Kardokus with CDFR noted that the Public Member should not have any financial interest in avocado production. Mr. John Cornell commented that his son David did not have a current financial interest in the avocado business, but should he (Mr. John Cornell) pass away, that his son could then have an interest.

There was in-depth discussion in support of both Mr. Wang and Mr. David Cornell and the experience, perspectives and energy they would bring to the Board. As a result of the Board discussion, the following two motions were offered.

MOTION:

The CAC Board of Directors moves to recommend Ed Wang as Public Member for the term commencing November 1, 2022.

(Cole/Miller) MSC 6 Yea/5 Nay/2 Recused

MOTION 22-10-20-2

MOTION:

The CAC Board of Directors moves to recommend David Cornell as Alternate Public Member for the term commencing November 1, 2022.

(Laenen/Karaoghlanian) MSC 10 Yea/2 Recused

MOTION 22-10-20-3

The Public Member Statement of Interest and Qualifications are included in the October 2022 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 4.

Mr. Grether welcomed CAC's new president, Jeff Oberman, noting his first day had been October 10, 2022 and that Mr. Oberman was quickly coming up to speed.

ITEM #5 TREASURER'S REPORT

Jason Cole, CAC treasurer, reported that the Finance Committee had met and discussed the Executive Committee's action to retain Moss Adams to perform a review of CAC's internal control policies and procedures (ICPPs). He stated that it had been more than 12 years since the ICPPs were created and much had changed, especially in recent years with the shift to remote and cloud-based systems. The Finance Committee affirmed the action of the Executive Committee to move forward with this project, noting it was prudent to ensure CAC's ICPPs are up to industry standards. Mr. Cole stated that the Finance Committee reviewed CAC's current financial position, along with projections for the coming year, and were making a recommendation that the Board adopt a 1% assessment rate for the 2022-23 fiscal year.

Mr. Grether presented details of the CAC financials and asked Ms. Aymami to provide an overview of the current industry surveys regarding next year's crop size. Mr. Grether then asked each of the Board members to provide their insights on the crop size for next season, which resulted in a consensus that a 250-million-pound crop was possible for 2023.

The Board then discussed market conditions and import projections for 2023. There was concern that the U.S. would most likely see market pressure from increased import volume, and that pricing would likely be lower as the market will be forced to adjust to the increased supply. There was also concern about the economy and looming recession and the impact that would have on consumer buying trends. Mr. Grether provided examples of potential "stress-test" financial scenarios, indicating that even with very low volume and pricing, CAC's reserves would still be right about \$5 million, which was in line with CAC's reserve policy goal. There was additional discussion that perhaps the \$5 million reserve goal would not provide enough resources for CAC operations in two-years, especially if the crop size was much larger and marketing spend would increase proportionally. At the conclusion of discussion there was consensus that \$1.35 per pound and 250 million pounds should be used to develop the 2022-23 CAC budget, and that an assessment rate of 1.50% for the next two-years would provide some relief to growers now, while ensuring that CAC has the necessary resources available not just in the current year, but also two-years from now.

ITEM #6 ESTABLISH ASSESSMENT RATE FOR 2022-23 FISCAL YEAR

With discussion already taken place during the Treasurer's Reports, 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 2022-23 Assessment Rate at 1.50% 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 3.22% of the gross dollar value of sales for all varieties during any full month the federal assessment under the Order is not in effect.

(Hunter/Karaoghlanian) MSC 10 Yea/2 Nay

MOTION 22-10-20-4

ITEM #7 CONSIDER APPROVAL OF 2022-23 PROPOSED BUSINESS PLAN & BUDGET

Mr. Grether reported that, per the Board's direction in August, CAC management had provided two plans and budgets based on \$8 million and \$9 million. Jan DeLyser, CAC vice president marketing, and

the marketing staff provided an overview of the differences between the two plans, highlighting specific programs that would be decreased or eliminated as a result of the \$8 million budget.

There was discussion regarding the proposed plans, specifically that neither plan accomplished increasing the percentage of funds allocated to trade programs, as requested by the Board. In addition, there was significant discussion regarding the California Avocado Merchandise Shop, with consensus from the Board that all activities should be stopped, and the shop should be closed. There was support for CAC's participation in the Global Produce and Floral Show, and direction given that no cuts should be made to that program. Another comment was made that in the proposed cuts, the tracking study had been removed, which was concerning, especially since the Board had been requesting more measurable metrics to evaluate the effectiveness of CAC's marketing programs.

Mr. Oberman commended the Board on their thoughtful discussion regarding the business plan, and felt the Board should decide on a budget amount they were comfortable with and allow management to go back and incorporate this discussion and direction into a revised marketing plan. Mr. Grether proposed an alternative option of a marketing budget of \$8.6 million, which was in line with CAC's historical marketing spend per pound of 3.3 cents and a crop size of 250 million pounds. There was consensus for this proposed budget, with clear direction provided to management to make the necessary adjustments to address the concerns raised and to explicitly call out the budget allocations for consumer versus trade, with the goal of increasing the percent allocated to trade activities.

MOTION:

The CAC Board of Directors moves to approve:

- **\$8.6 million total marketing budget**
 - **Management to come back in November with amended marketing plan and budget allocations which reflect:**
 - **Consumer marketing budget based on proposed \$8 million plan**
 - **At least \$3 million to trade activities**
 - **No budget for the merch shop except to wind down / liquidate**
- **Non-marketing budgets and plan approved as presented**

(Laenen/Hunter) MSC Unanimous

MOTION 22-10-20-5

The Draft CAC 2022-23 Business Plans and Budgets are included in the October 2022 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 7.

ITEM #8 CHAIRMAN'S REPORT

Mr. Grether thanked Ms. DeLyser and her team for all the hard work they have put into the development of the various business plans and budgets.

Mr. Oberman thanked the Board for welcoming him and stated that he would be reaching out to each Board member individually to meet with them and discuss their vision for the future of the Commission. He also announced that in recognition of his long tenure with CAC, and work as interim president during CAC's transition, Ken Melban had been promoted to Vice President, Industry Affairs and Operations.

Engagement of Moss Adams on 2022 Internal Control Design Assessment – Item 8.a.

Mr. Grether noted that the engagement of Moss Adams to perform an assessment of CAC's ICPPs had been discussed during the Treasurer's Report.

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

Mr. Grether stated that the Hass Avocado Board had requested that CAC provide the names of a member and alternate to serve on the Hass Avocado Committee for the one-year term beginning December 2022. There was brief discussion that the current member, Rachael Laenen, was not able to serve an additional term, however the current alternate, Ohannes Karaoghlanian, was able to serve again.

MOTION:

Move to recommend Ohannes Karaoghlanian as member and Peter Shore as alternate on the Hass Avocado Committee.

(Cornell/Malfitano) MSC Unanimous

MOTION 22-10-20-6

The Letter from HAB Chairman Salvador Dominguez Requesting HAC Representatives is included in the October 2022 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 8.b.

ADJOURN MEETING

Mr. Grether acknowledged CAC's outgoing members, Daniella Malfitano, John Lloyd-Butler and Andrew Prechtel, for the invaluable contributions made to the California avocado industry through their service on the Board.

Mr. Grether adjourned the meeting at 12:36 p.m. The next regularly scheduled Board meeting will be held on November 17, 2022.

Respectfully submitted,

April Aymami, CAC Industry Affairs Director

I certify that the above is a true statement of the Minutes of October 20, 2022 approved by the CAC Board of Directors on November 17, 2022.

Jessica Hunter, CAC Board Secretary

EXHIBITS ATTACHED TO THE PERMANENT COPY OF THESE MINUTES

EXHIBIT A October 2022 Board Packet

EXHIBIT B October 20, 2022 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>Hybrid In-person (Irvine) Online (Zoom)</i>	Meeting Date: <i>October 20, 2022</i>
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<i>Attendees Who Voted</i>	<u><i>MOTION 22-10-20-1</i></u>	<u><i>MOTION 22-10-20-2</i></u>	<u><i>MOTION 22-10-20-3</i></u>	<u><i>MOTION 22-10-20-4</i></u>	<u><i>MOTION 22-10-20-5</i></u>	<u><i>MOTION 22-10-20-6</i></u>
Michael Perricone	Yea	Nay	Yea	Yea	Yea	Yea
Jessica Hunter	Yea	Nay	Yea	Yea	Yea	Yea
Ohannes Karaoghlanian	Yea	Nay	Yea	Yea	Yea	Yea
John Cornell	Yea	Recused	Recused	Nay	Yea	Yea
Rob Grether	Did Not Vote	Yea	Did Not Vote	Did Not Vote	Did Not Vote	Did Not Vote
John Lloyd-Butler	Yea	Nay	Yea	Yea	Yea	Yea
Jason Cole	Yea	Yea	Yea	Nay	Yea	Yea
Rachael Laenen	Yea	Yea	Yea	Yea	Yea	Yea
Daryn Miller	Yea	Yea	Yea	Yea	Yea	Yea
Andrew Prechtl	Yea	Yea	Yea	Yea	Yea	Yea
Peter Shore	Yea	Yea	Yea	Yea	Yea	Yea
Gary Caloroso	Yea	Nay	Yea	Yea	Yea	Yea
Daniella Malfitano	Yea	Recused	Recused	Yea	Yea	Yea
Outcome	Unanimous	6 Yea/ 5 Nay/ 2 Recused	10 Yea/ 2 Recused	10 Yea/ 2 Nay	Unanimous	Unanimous