

**CALIFORNIA AVOCADO COMMISSION
BOARD MEETING MINUTES
February 27, 2020**

A meeting of the California Avocado Commission (CAC) Board was held on Thursday, February 27, 2020 at the CAC office, 12 Mauchly, Suite L, Irvine, CA 92618, with the following people present:

MEMBERS PRESENT

Gary Caloroso
Jason Cole
John Cornell (Karaoghlanian Alt.)
Salvador Dominguez
Randy Douglas
Rob Grether
Jessica Hunter
John Lamb
Daniella Malfitano
Ed McFadden
Ryan Rochefort
Charley Wolk

ALTERNATES PRESENT

John Lloyd-Butler
Doug O'Hara

MEMBERS ABSENT

Ohannes Karaoghlanian
Peter Shore

ALTERNATES ABSENT

Michael Perricone

STAFF PRESENT

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

OFFICIALLY PRESENT

Jennifer Baker-Asiddao, Golin
Sue Coleman, USDA
Emiliano Escobedo, HAB
Candace Hollar, Mullen
Ben Kardokus, CDFA
John McGuigan, HAB
Martin Pagh Ludvigsen, Mullen
Heather Pichelman, USDA
Samantha Schaitberger, Mullen
Bruce Summers, USDA (via Zoom)
Brittney Theriault, Golin
Rebecca Wojcicki, Mullen
Sean Wright, Mullen

GUESTS PRESENT

Alexa Bannatyne
Kathleen Johnson
Lauren Kelley
Marji Morrow
Steven Muro
Alexei Rudolf
Bill Steed

ITEM #1 CALL TO ORDER

Roll Call/Establish Quorum – Item 1.A.

John Lamb, CAC chairman, called the meeting to order at 8:00 a.m. with a quorum present.

Introductions – Item 1.B.

Mr. Lamb introduced Ben Kardokus, with California Department of Food and Agriculture (CDFA), and Sue Coleman and Heather Pichelman of United States Department of Agriculture-Agricultural Marketing Service (USDA-AMS).

ITEM # 2 OPPORTUNITY FOR PUBLIC COMMENT

There was no public comment.

ITEM # 3 CONSENT CALENDAR

Mr. Lamb 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 through 3.G as presented.

(McFadden/Cole) MSC Unanimous

MOTION 20-2-27-1

The Consent Calendar is included in the February 2020 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Items 3.A through 3.G.

ITEM #4 CONSIDER APPOINTMENT OF DISTRICT 5 PRODUCER ALTERNATE MEMBER TO FILL EXISTING VACANCY FOR TERM ENDING OCTOBER 31, 2021

Mr. Lamb reported that included in the board packet were the names, candidate statements and disclosure forms of five individuals who had submitted their interest in the currently vacant District 5 Producer Alternate Member seat. With none of the candidates present, Mr. Lamb called for any other nominations from the floor. Hearing none, the following motion was offered:

MOTION:

***Move to appoint Daryn Miller to fill the existing District 5 Producer Alternate Member vacancy for term ending October 31, 2021.
(Caloroso/Rochefort)***

Board discussion ensued, indicating interest from members in other candidates, specifically Laurie Luschei and Will Carleton. Comments were made in support of all three candidates and the various experience and strengths they could bring to the CAC Board. It was recommended that the original motion be amended to allow for the Board to vote on the three recommended candidates, Mr. Miller, Ms. Luschei and Mr. Carleton, to which the makers of the original motion agreed.

AMENDED MOTION:

***Move to conduct a vote of the Board on the three recommended candidates, Mr. Miller, Ms. Luschei and Mr. Carleton to fill the existing District 5 Producer Alternate Member vacancy for term ending October 31, 2021.
(Caloroso/Rochefort) MSC (6-Miller/2-Luschei/2-Carleton)***

MOTION 20-2-27-2

The District 5 Producer Alternate Member Candidate Statements and Disclosures are included in the February 2020 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 4.

ITEM #5 CONSIDER APPOINTMENT OF HANDLER ALTERNATE MEMBER TO FILL EXISTING VACANCY FOR TERM ENDING OCTOBER 31, 2021

Mr. Lamb stated that included in the board packet was the name, candidate statement and disclosure form for Connor Huser of Mission Produce who had submitted interest in the currently vacant Handler Alternate Member seat. He noted that Mr. Huser was not present and called for any other nominations from the floor. Hearing none, the following motion was offered:

MOTION:

***Move to appoint Connor Huser to fill the existing Handler Alternate Member vacancy for term ending October 31, 2021.
(Cole/McFadden) MSC Unanimous***

MOTION 20-2-27-3

The Handler Alternate Member Candidate Statement and Disclosure are included in the February 2020 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 5.

ITEM #6 CONSIDER APPROVAL OF AVOCADO INSPECTION COMMITTEE (AIC) MEMBER/ALTERNATE RECOMMENDATIONS

Tom Bellamore, CAC president, called the Board's attention to the write-up included in the packet which contained the prospective member questionnaire for Aaruni Thakur, an individual interested in filling the vacancy for an alternate grower member seat on the AIC. Mr. Bellamore explained that the CAC Board reviews the names of individuals interested in serving on the AIC and submits their recommendation to CDFR, as industry support, for an individual's appointment

to the AIC. The Board reviewed the qualifications provided by Mr. Thakur and discussed his involvement in the avocado industry. At the conclusion of discussion the following motion was offered:

MOTION:

The CAC Board of Directors recommends the appointment of Aaruni Thakur to serve as an alternate grower member on the Avocado Inspection Committee.

(Cole/Grether) MSC (10 Yea, 1 Nay)

MOTION 20-2-27-4

The Prospective Member Questionnaire for Aaruni Thakur is included in the February 2020 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 6.

ITEM #7 TREASURER'S REPORT

Consider Acceptance of 2018-19 Audited Financial Statements – Item 7.A.

Monica Arnett, CAC vice president of finance and administration, stated that the audited financial reports and supplemental documentation prepared by Macias, Gini, O'Connell (MGO) were included in the board packet and introduced Linda Hurley, MGO partner, and Stefannie Kodrat, MGO senior manager, to present the results of the 2018-19 audit.

Ms. Hurley presented an overview of the annual audit process and procedures, as well as a summary of the findings included in the report. Specifically, she reported the following:

- Annual Financial Report for the years ended October 31, 2019 and 2018 – MGO issued an unmodified opinion as a result of their audit of the 2018-19 CAC financials, noting that there were no significant findings to report. Ms. Hurley stated that there were no changes in the format of the audited financial statements, supplemental information and auditor's report from previous year.
- Independent Auditor's Report on Internal Controls over Financial Reporting – Ms. Hurley reported that no internal deficiencies were detected, and that CAC's internal controls are designed and implemented efficiently.
- Independent Auditor's Report on Compliance with AMS Guidelines – MGO issued an unmodified opinion with no items to note.
- Required Communications to the Board of Directors for the year ended October 31, 2019 – Ms. Hurley stated that this was a similar report as in the past, with the scope of the project completed within the timeline and no corrected or uncorrected misstatements. She thanked management for their cooperation and making it a smooth process.
- CDFA Compliance Audit Report for the year ended October 31, 2019 – Ms. Hurley noted that while CAC is already aware that the organization's bid policy differs from CDFA guidelines, MGO was required to note this discrepancy in their review of compliance against agreed-upon procedures. She stated that CAC practice was in compliance with CAC policy, which is to obtain multiple bids for purchases in excess of \$25,000, versus the \$5,000 threshold suggested by CDFA.

MOTION:

The CAC Board of Directors moves to accept the 2018-19 Audited Financial Statements as presented.

(Douglas/Dominguez) MSC Unanimous

MOTION 20-2-27-5

The 2018-19 Audited CAC Financial Statements and Supplemental MGO Required Communication Letters are included in the February 2020 Board Packet as EXHIBIT A, Item 7.A.

ITEM #8 MATTERS PERTAINING TO THE HASS AVOCADO BOARD – USDA-AMS

Administrator Bruce Summers

Mr. Lamb stated that as a follow-up to the November Board meeting where California avocado producer Joanne Robles-Swanson had presented concerns regarding matters pertaining to the Hass Avocado Board (HAB), he and Mr. Bellamore thought it appropriate to invite USDA to attend a CAC Board meeting and address concerns. Mr. Bellamore indicated that Bruce Summers, USDA-AMS administrator, had planned to attend the meeting in person, however a matter arose which made that impossible, therefore Mr. Summers would be participating in the meeting via a Zoom teleconference. In addition, he reported that USDA-AMS had issued a summary report of findings of their investigation of the allegations regarding HAB, which was included in the board packet.

Mr. Summers addressed the Board stating that USDA-AMS is responsible for oversight of 21 research and promotion boards, a role taken very seriously. He reported that in response to allegations received regarding HAB, USDA-AMS had thoroughly investigated all claims and had provided a written summary report of the investigation process, findings and changes made to date. Mr. Summers responded to questions and comments from the CAC Board, specifically one member's inquiry regarding USDA's redaction policy which presented challenges for HAB Board members to review how HAB stakeholder dollars are spent. Mr. Summers indicated the redaction policy utilizes robust case law to inform their decisions on redactions, with the goal of protecting personal and proprietary information. In addition, there was an in-depth discussion of HAB's election process and USDA's role in making board member and alternate member appointments. It was clarified that while HAB holds annual "elections," the individuals receiving the top votes during this process are not guaranteed seats on the HAB board. Instead, these names are submitted by HAB as recommendations, or nominations, for the USDA Secretary to review and make final appointments. In response to an inquiry regarding USDA-AMS's involvement in the recommendations for appointment, Mr. Summers stated that USDA-AMS did not provide recommendations to the USDA Secretary. One CAC Board member suggested that because California grower perception is that they are elections, with top vote getters being appointed to available seats, perhaps growers should be informed that the HAB election process is more of a nomination of individuals versus actual appointment to seats.

The *Summary Report of Allegations Regarding the Hass Avocado Program and Finding from the USDA Office of Inspector General* is included in the February 2020 Board Packet as EXHIBIT A, Item 8.

ITEM #9 2020 PLANNING – INDUSTRY OUTLOOK – Jim DeLizia, CAE

Mr. Bellamore introduced Jim DeLizia who would serve as the facilitator during the planning portion of the meeting. He noted that Mr. DeLizia had previously assisted the CAC Board in establishing a strong governance structure approximately 10 years ago.

Mr. DeLizia called the Board's attention to Item 9 of the Board Packet, specifically the results of the pre-meeting survey that had been sent to all members and alternates to better understand external industry trends and internal strategic focus. The results of this survey indicated increased intensity in external trends such as competition for water and land resources, regulation, labor availability, import competition, consumer high quality, and safe and sustainable food. With regard to internal strategic focus, the survey indicated the current CAC values were still relevant, however priorities should be adjusted. Specific comments for adjustments included more emphasis on marketing, distinguish California avocados as premium, address regulation through advocacy, be disruptive and innovative and increase priority of cultivating organizational excellence. The survey also identified specific CAC accomplishments and opportunities in each of the four strategic priorities.

Mr. DeLizia then led the Board in an 'Industry Outlook' discussion to incorporate additional ideas on industry trends, as well as CAC's strengths and areas for improvement. The Board then prioritized the results of these discussions, resulting in the following areas identified as top priorities:

- Flexibility to adjust focus/prioritize – knowledge-based decision making
- CEO-Board partnership – respect, clarity of roles and expectations
- Crisis management
- Leadership – proactive, innovative – what's next and how to prepare

Mr. DeLizia indicated that a contextual document with the results of the Board's discussion would be made available prior to a future meeting where the Board would use these priorities to outline the roles and responsibilities of the Commission's future CEO.

The '2020 Planning-Industry Outlook' Discussion Worksheet and CAC Scanning the Future Board Survey Responses are included in the February 2020 Board Packet as EXHIBIT A, Item 9.

INDUSTRY UPDATES

Ken Melban, CAC vice president of industry affairs, provided an update on industry activities including a recent visit to Sacramento with CAC Board alternate and grove manager, Doug O'Hara, to discuss AB1066 with members of the California State Legislature. Mr. Melban stated that he and Mr. O'Hara had presented data showing current agricultural profit margins and the inability to absorb the increased costs associated with the new overtime requirements. In addition, Mr. Melban stated that he was informed a bill has been introduced that would allow agricultural employers who paid overtime to claim a tax credit. He said there appears to be broad support, however there is still a long way to go in the legislative process. Ultimately there were still multiple considerations to address and the bill would need to go through the Appropriations Committee.

Mr. Melban also reported that he had attended the recent HAB meeting where their Sustainability Program was discussed. He indicated that CAC was supportive of HAB's approach to begin developing sustainability messages on behalf of the industry and would partner with HAB to provide data from a CAC-funded carbon sequestration project. Mr. Melban stated that because sustainability was an issue that impacts the entire category, it was important to not put one source of origin against another.

Lastly, Mr. Melban announced that District 5 Board Member Sal Dominguez, and Carpinteria grove manager Rick Shade, have coordinated a District 5 grower meeting which would be held on March 10, 2020 at Lions Park to discuss updates regarding ag adjacency issues.

ITEM #10 MARKETING REPORT

Consumer Public Relations - Item 10.B.

Jan DeLyser, CAC vice president marketing, introduced Jennifer Baker-Assidao and Brittney Therault with Golin to present updates on CAC's consumer public relations program. Ms. DeLyser commended the Golin team on accepting CAC's challenge to do things a bit differently in 2020.

The Golin team presented a recap of 2019 program which resulted in 797 million impressions and included a season opener media luncheon, California Avocado Month food hall takeover, Artisan Chef partner program, educational posts on CAC's The Scoop blog, and utilization of Blogger Advocates in digital and social content. The plan's 2020 consumer public relations activities continue use of the many successful programs from 2019 and adds in a James Beard

Foundation sponsorship of a three-day event and campaign spokesperson Chef Charleen Badman. In addition, a Pebble Beach Food & Wine Festival sponsorship with Chef Mike Fagnoni has been built into the 2020 program.

The Consumer Public Relations presentation is attached to the permanent copy of these Minutes and identified as EXHIBIT B.

ITEM #11 HASS AVOCADO BOARD REPORT

John McGuigan, HAB director of industry affairs, reported to the Board that Cirad, in partnership with HAB, had recently completed a profile of the California avocado industry and detailed report, which was available on HAB's website and would be announced in CAC's GreenSheet soon. He stated that profiles of Mexico and Peru also were completed in 2019, and that Chile and Colombia profiles were scheduled for completion in 2020.

Mr. McGuigan also reported that HAB was coordinating an "Avocado Forum" which would consist of strategic planning sessions and include participants from throughout the avocado industry. He noted the meetings were scheduled to take place in Irvine, California on September 15-16, 2020.

Consider Proposal on HAB Leadership Program - Item 11.A.

Emiliano Escobedo, HAB executive director, provided an overview of the HAB Leadership Program (HLP) and the request for CAC's participation in development of the program and subsequent sponsorship of an HLP participant. He addressed questions regarding the structure and goals of the HLP, stating that a committee was currently being formed to build out the structure and goals of the HLP, but that it was envisioned that the HLP would provide individuals interested in serving on HAB or member association boards with education and experience about the various boards and avocado industry, allowing them to feel more comfortable filling a board seat. He noted it could be viewed as a board succession program, as well as an effort to diversify board participation. Mr. Escobedo commented that each HAB member association, including CAC, was asked to recommend a representative to participate on the HLP development committee, as well as a commitment to sponsor a program participant once the HLP development was completed. In response to questions about the costs to sponsor a program participant, Mr. Escobedo clarified that HAB would fund the costs for development of the HLP and that the financial ask from CAC was to pay for, or "sponsor", a California industry member's participation in the HLP, which includes reimbursement of travel expenses for attendance at HLP meetings (estimated not to exceed \$10,000). CAC would directly reimburse the California HLP participant for these expenses, and no payment would be made to HAB.

Board discussion ensued, with support for participation in the program as a step-in furthering CAC's efforts on board succession – a priority identified during the earlier planning portion of the meeting. In contrast, it was noted that it did not appear the goal of the HLP would be to provide leadership training, but instead would serve as an introduction to the avocado industry. Another concern was the request for CAC to fund a program participant, with a suggestion that because it was HAB's program, HAB should fund the cost for participants. In response to concerns about the lack of information regarding the structure and content of the HLP, it was suggested that CAC could select a representative to serve on the HLP development committee, and then at a later date, after the program was developed, determine if they wanted to sponsor a California participant in the HLP. There was some opposition to this, as it seemed that agreement to serve on the HLP development committee implied an inherent good faith expectation that CAC will sponsor a California participant in the HLP.

MOTION:

The CAC Board of Directors moves to participate in the HAB Leadership Program Development Committee.

(McFadden/Douglas) MSC (9 Yea, 2 Nay)

MOTION 20-2-27-6

The HAB 2020 Avocado Industry Leadership Program Proposal is included in the February 2020 Board Packet as EXHIBIT A, Item 11.A.

ADJOURN FOR LUNCH

Mr. Lamb adjourned the Board for lunch at 12:20 p.m. and reconvened the meeting at 1:00 p.m.

ITEM #10 MARKETING REPORT (CONTINUED)

Consumer Marketing – 2020 Creative - Item 10.A.i.

Consumer Marketing – 2020 Media Buy - Item 10.A.ii.

Ms. DeLyser introduced members of the Mullen team responsible for CAC's consumer marketing program. The Mullen team provided an update on CAC's target audience, Premium Californians, and how this group was now consuming their daily media. It was noted that this data was used to inform the development of the 2020 Consumer Marketing program. Mullen then presented the evolution of CAC's marketing campaign highlighting the new campaign tagline, the "The Best Avocados have California in them", pointing out that CA is in the middle of the word avoCAdo. Various examples of campaign creative were provided including still and animated versions. In addition, the Mullen group provided an overview of the various outlets the creative would be utilized in 2020, including audio, social, video, in-store, digital banners, outdoor, event and merchandise. In addition to CAC's existing marketing programs and activities, new for 2020 would be a stepped up outdoor presence including a billboard that transitions between two creative pieces depending on day and night, a BART train wrapped with California Avocado artwork, digital electric vehicle charging station displays, digital displays in premium shopping and dining centers, and EEEEEATSCON food event. These new programs join with CAC's continued presence in the areas of audio (Pandora, Spotify and In-Store), digital (custom content, video and targeted media, and retail) and social (Facebook, Pinterest, Twitter, SnapChat and Instagram).

The 2020 Consumer Marketing presentation is attached to the permanent copy of these Minutes and identified as EXHIBIT C.

Consumer Marketing – E-Commerce Proposal - Item 10.A.iii.

The Mullen team presented details of an e-commerce proposal which would provide a digital storefront to sell California Avocado branded merchandise. Examples of various branded merchandise were provided, with physical samples available to examine for a number of the products. The proposal identified a full-service third-party promotion management center responsible for all aspects of order management, fulfillment and customer service. The proposed budget for the e-commerce program is \$413,064, and includes start-up costs for the development of the e-commerce platform, store front, as well as beginning merchandise inventory sufficient to fill 2,500 orders. It was noted that projected revenue of \$125,409 could be realized based on five full months of operation in 2019-20.

Board discussion confirmed excitement and support for the e-commerce program and opportunity to sell California Avocado branded merchandise directly to consumers.

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MOTION:

The CAC Board of Directors approves the E-Commerce Program and Marketing Budget Amendment as presented, modifying Budget Amendment No. 1 to incorporate this new project.

(Grether/Cole) MSC Unanimous

MOTION 20-2-27-7

The Promotional Merchandise: E-Commerce Proposal presentation is attached to the permanent copy of these Minutes and identified as EXHIBIT D.

The E-Commerce Marketing Budget Amendment is included in the February 2020 Board Packet as EXHIBIT A, Item 10.A.iii.

ADJOURN MEETING

Mr. Lamb adjourned the meeting at 2:00 p.m. The next Board meeting will be held on Thursday, May 28, 2020 in Irvine, California.

Respectfully submitted,

April Aymami, CAC Industry Affairs Director

I certify that the above is a true statement of the Minutes of February 27, 2020 approved by the CAC Board of Directors on August 13, 2020.

Jason Cole, CAC Board Secretary

EXHIBITS ATTACHED TO THE PERMANENT COPY OF THESE MINUTES

EXHIBIT A February 2020 Board Packet
EXHIBIT B Consumer Public Relations Presentation
EXHIBIT C 2020 Consumer Marketing Presentation
EXHIBIT D Promotional Merchandise: E-Commerce Proposal Presentation
EXHIBIT E February 27, 2020 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>February 27, 2020</i>
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Attendees Who Voted	<u>MOTION</u> <u>20-2-27-1</u>	<u>MOTION</u> <u>20-2-27-2</u>	<u>MOTION</u> <u>20-2-27-3</u>	<u>MOTION</u> <u>20-2-27-4</u>	<u>MOTION</u> <u>20-2-27-5</u>	<u>MOTION</u> <u>20-2-27-6</u>	<u>MOTION</u> <u>20-2-27-7</u>
Ryan Rochefort	Yea	Miller	Yea	Yea	Yea	Yea	Yea
Jessica Hunter	Yea	Miller	Yea	Yea	Yea	Yea	Yea
John Cornell	Yea	Luschei	Yea	Yea	Yea	Nay	Yea
Charley Wolk	Yea	Luschei	Yea	Yea	Yea	Yea	Yea
Rob Grether	Yea	Miller	Yea	Yea	Yea	Yea	Yea
John Lamb	Did Not Vote	Did Not Vote	Did Not Vote	Did Not Vote	Did Not Vote	Did Not Vote	Did Not Vote
Ed McFadden	Yea	Carleton	Yea	Nay	Yea	Yea	Yea
Jason Cole	Yea	Miller	Yea	Yea	Yea	Yea	Yea
Salvador Dominguez	Yea	Carleton	Yea	Yea	Yea	Yea	Yea
Randy Douglas	Yea	Miller	Yea	Yea	Yea	Yea	Yea
Gary Caloroso	Yea	Miller	Yea	Yea	Yea	Yea	Yea
Daniella Malfitano	Not Present	Not Present	Not Present	Yea	Yea	Nay	Yea
Outcome	Unanimous	6-Miller 2-Carleton 2-Luschei	Unanimous	10-Yea 1-Nay	Unanimous	9-Yea 2-Nay	Unanimous