

**CALIFORNIA AVOCADO COMMISSION
BOARD MEETING MINUTES
May 20, 2021**

A web/teleconference meeting of the California Avocado Commission (CAC) Board was held on Thursday May 20, 2021, with the following people present:

MEMBERS PRESENT

Gary Caloroso
Jason Cole
John Cornell
Randy Douglas
Rob Grether
Jessica Hunter
Ohannes Karaoghlanian
Rachael Laenen
John Lloyd-Butler
Daniella Malfitano
Andrew Prechtl
Ryan Rochefort
Peter Shore

ALTERNATES PRESENT

Maureen Cottingham
Connor Huser
Daryn Miller
Doug O'Hara
Michael Perricone
Charley Wolk

MEMBERS ABSENT

None

ALTERNATES ABSENT

None

STAFF PRESENT

Monica Arnett
April Aymami
Tom Bellamore
Zac Benedict
David Cruz
Jan DeLyser
Angela Fraser
Stacia Kierulff
Miriam Martinez
Ken Melban
Cristina Wede
OFFICIALLY PRESENT
Vickie Carpenter, USDA
Jim DeLizia, DeLizia
Consulting Services
Dennis Manderfield, CDFA
Steven Muro, Fusion
Marketing
Laura Paden, PJ/PR

GUESTS PRESENT

David Anderson
Carolyn Becker
Wayne Brydon
Gahl Crane
Emiliano Escobedo
Frank Gargas
Candace Hollar
Susan Hughes
Kathleen Johnson
Lauren Kelley
Kim Kurata
John McGuigan
Jillian McMenamin
Marji Morrow
Gwen Peterson
Bryan Reugebrink
Matt Schraut
Tim Spann
Britney Theriault

ITEM #1 CALL TO ORDER

Roll Call / Establish Quorum – Item 1.A.

Rob Grether, CAC chairman, called the meeting to order at 9:00 a.m. with a quorum present.

Introductions – Item 1.B.

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 web/teleconference call. She asked for all other guests to announce themselves and recorded all participants in attendance.

ITEM # 2 OPPORTUNITY FOR PUBLIC COMMENT

CAC District 2 Board Member John Cornell asked that the conflict of interest statement be included as part of a future agenda. He stated that numerous growers claim that handlers benefit from CAC assessment dollars, however he noted that it is a member's responsibility to determine if they have a conflict of interest. Mr. Cornell specifically cited Section 10 of CAC's conflict of interest code on disqualification, as well as Section 15 regarding violations. He stated that he had contacted the Fair Political Practices Commission, who suggested that a member's recusal on a decision regarding a packing house would be sufficient. Mr. Cornell went further to state that CAC staff was not enforcing the conflict of interest code and that the law must be followed as written.

ITEM # 3 CONSENT CALENDAR

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

MOTION:

Move to approve Consent Calendar Items 3.A through 3.E as presented.

(Caloroso/Rochefort) MSC Unanimous

MOTION 21-5-20-1

The Consent Calendar is included in the May 2021 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Items 3.A through 3.E.

ITEM #4 CHAIRMAN/PRESIDENT'S REPORT

2021 Referendum Results – Item 4.A

Mr. Grether reported that the CAC referendum had passed substantially and that he was pleased with the results of a majority of growers favoring the continuation of the Commission's operations for another five years.

Tom Bellamore, CAC president, stated that he had an obligation to see CAC through the referendum and that had now been met. Board members thanked Mr. Bellamore and the staff for their work at the Commission leading to the successful referendum vote.

ITEM #5 TREASURER'S REPORT

2020-21 Revised Crop Projections and Revenue Scenarios – Item 5.A.

Jason Cole, CAC treasurer, reported that the Finance Committee had received the updated crop projections which were revised down to 265 million pounds and reviewed the impact to year-end financials. He stated that CAC staff would be keeping an eye on crop volume and timing, and were poised to cut programs short, if needed. Mr. Cole noted that with the continuation of strong pricing, financially CAC will end the year in a good place.

Consider Approval of Budget Amendment No. 2 – Item 5.B.

Mr. Cole stated that the 2020-21 Budget Amendment No. 2 as presented increases expenses for grant programs, which is expected to be fully offset by recently awarded USDA grant funds. The grant funds were provided with the intended purpose of facilitating a market development program in South Korea and China. Mr. Cole reported that Budget Amendment No. 2 had been unanimously approved by the Finance Committee.

MOTION:

Move to approve 2020-21 CAC Budget Amendment No.2 as presented.

(Precht/Malfitano) MSC Unanimous

MOTION 21-5-20-2

2020-21 Budget Amendment No. 2 is included in the May 2021 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 5.B.

Consider Finance Committee Recommendation on Corporate Insurance – Item 5.C.

Mr. Cole reported that the Finance Committee had reviewed CAC's corporate insurance and that while premiums had increased, the proposed insurance schedule was still under the current approved budget. He stated that the Finance Committee had voted unanimously to approve the current insurance schedule as presented.

Monica Arnett, CAC vice president of finance and administration, noted that CAC's insurance broker takes the policies to bid each year and that while some of the increases were unique to CAC's coverage, others are due to overall market conditions. Ms. Arnett stated that while costs

increased, the final proposed schedule is much lower than what it could have been due to the broker's diligence in taking the policies to bid.

MOTION:

***Move to approve the CAC Corporate Insurance Schedule as presented.
(Lloyd-Butler/Prechtl) MSC Unanimous***

MOTION 21-5-20-3

The CAC Corporate Insurance Schedule is included in the May 2021 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 5.C.

ITEM #6 SUCCESSION PLANNING – Jim DeLizia, DeLizia Consulting Services

Mr. Grether introduced Jim DeLizia of DeLizia Consulting Services who began working with the Board in February 2020 on succession planning for the CEO and executive staff structure. He noted that Mr. DeLizia would help the Board build on what they had previously done and put together a plan for moving forward.

Mr. DeLizia reviewed the goals of the succession planning sessions and the current project status. He highlighted two documents that had been distributed prior to the meeting which contained the results of the February 2020 succession planning session, including an environmental scan and confirmation of priorities and vision. He noted that the goals of the current session would be the development of a profile of the ideal CEO candidate, job description and defining the Board/CEO partnership.

For the discussion portion of the succession planning session, the Board was divided into three breakout rooms where they discussed the profile of an ideal candidate. Following the breakout session, the Board reconvened to share the results of their breakout room discussions and reviewed the current CEO job description, ranking the top four responsibilities. Mr. DeLizia reported that he would summarize the session discussions and distribute to the Board prior to their next meeting.

At the conclusion of discussion, Mr. Grether asked for comments regarding the succession planning process, or CAC's organizational structure in general. There were no comments raised by the Board.

The Succession Planning Write-Up is included in the May 2021 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 6.

ITEM #7 MARKETING REPORT

Jan DeLyser, CAC vice president marketing, stated that included in the Board Packet was the CAC Merchandise Shop Report and CAC Dashboard through April 2021, which provide an update on key measures for the merch shop and marketing programs.

Gary Caloroso, CAC Marketing Committee chair, reported that the Marketing Committee met on April 7, 2021 and discussed crop projections and timing, and heard an update from the marketing team on the 2021 marketing programs, merchandise shop, referendum results and general industry updates. He noted that the next Marketing Committee meeting was scheduled for June 16 and would include a discussion on the mid-season grower and handler crop surveys and crop estimate update.

Retail Marketing: Tiered-Account Approach and State of the Category – Item 7.A.

Steven Muro of Fusion Marketing presented an overview of CAC's tiered-account program and highlights of the state of the category report that had been distributed to the Board prior to the meeting. He reported that the tiered-account approach worked to align supply, target consumer

California Avocado Commission
Board Meeting Minutes
May 20, 2021

and marketing activities in an effort to maximize sales and return value. Mr. Muro provided a number of statistics on California avocado performance within California compared to outside of California, as well as the following summary of tracked Tier 1 accounts during California avocado season:

- 100% carried California avocados
- 55% participated in social media
- 36% average weekly unit growth
- 60% conducted trade promotions
- 10% participated in display bin marketing
- 10% average weekly dollar growth

With regard to the state of the category report, Mr. Muro reported that the California season averages \$5.2 million more per week than the non-California season and that avocado sales out of Los Angeles are more than twice that of the second largest western market.

The *State of the Avocado Category – Retail Report* is included in the May 2021 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 7.A.

Retail Promotional Activity and Plans – Item 7.B.

Retail and Foodservice Social/Digital Marketing – Item 7.C

Foodservice Program Update – Item 7.D.

Members of the CAC marketing team and agencies provided an overview of the 2021 retail and foodservice marketing program activities including retail communications, promotions and online marketing support, digital and social advertising, foodservice chain partners and promotions, as well as food service menu ideation, menu inspiration, industry events and media.

During discussion a point was made regarding the need to differentiate California avocados at point of sale. It was noted in the presentation where California avocados were called out in-store, that retailers have been specifically requesting bagged fruit with California labeling and that as the season progresses retailers will participate in display contests which will utilize the California Avocado display bins. Another question was raised regarding GEM avocados and whether there is interest from retailers to do GEM-specific promotions. Ms. DeLyser stated that due to current GEM volume and lack of critical mass, GEM promotions must be very targeted. She also clarified that GEM has its own separate PLU and should be sold and marketed as GEM and not mixed with other varieties. Lastly, a question was asked about how CAC tracks performance for promotional activities. Ms. DeLyser responded that CAC sets up promotional agreements between retailers/foodservice operators and the handlers with certain deliverables which usually includes and percentage increase during promotion period. As a follow-up it was asked if CAC tracks promotional spend by handler, to which Mr. Bellamore stated that every effort is made to be equitable and that every handler is informed of who CAC is targeting and has the ability to provide input to the CAC team of any customers they believe also should be targeted.

Aside from the retail and foodservice presentation discussion, a Board member asked what consultants came up with the current California avocado marketing campaign messaging and what consumer panels were conducted. Mr. Bellamore stated that CAC tests messaging with a targeted set of consumers, while Ms. DeLyser remarked that the current messaging is resonating with CAC's target consumers. Mr. Grether responded that the Board and Marketing Committee is involved throughout the process of reviewing and approving CAC's marketing campaign and messaging.

PMA Fresh Summit 2021 – Item 7.E.

Angela Fraser, CAC director trade affairs, provided an overview of PMA's Fresh Summit Convention scheduled to be held October 28-30 in New Orleans. She provided an overview of the COVID-19 health and safety precautions as well as the event schedule, avocado-related exhibitors, expo floor plan, CAC booth layout and booth staffing. Ms. Fraser noted that due to the current pandemic, CAC management was looking to the board to provide direction on whether CAC should participate in the 2021 event, and that if the board approved participation, a survey would be sent to CAC staff and agencies to determine who was interested in working CAC's booth. Ms. Fraser also reported that CAC had a block of rooms and limited supply of complimentary Expo Only passes. She stated that CAC board members would have priority status on distribution of passes and access to, at board member's expense, CAC's room block.

Discussion ensued where Ms. Fraser indicated that CAC had until July to cancel, without much lost, however the booth had already been paid for. She did note that while CAC has priority status with PMA for being a long-standing exhibitor, PMA had not indicated what would happen to exhibitor priority status if CAC chose not to participate this year. In response to an inquiry about the costs for CAC to participate and benefit gained, Ms. Fraser stated that the "all-in" cost for CAC was about \$120,000-\$125,000, and that multiple members from the CAC team are able to visit all retailers in one place face-to-face, which would be quite expensive to do outside of the Fresh Summit Convention. In addition, Ms. Fraser noted that CAC is always looking for ways to maximize the return on investment and that Fresh Summit Convention offers educational sessions and networking sessions which provide opportunities to build relationships and explore new promotional ideas. She confirmed that Fresh Summit was the largest trade show for the produce industry, and that participation at other produce shows are more regionally focused. There was some concern about the Board approving participation before knowing if enough staff would be interested in participating, to which Mr. Bellmore stated that he didn't think CAC would have a problem staffing the booth.

MOTION:

Move to support CAC staff's plan to participate in the PMA Fresh Summit Convention as presented.

(Hunter/Douglas) MSC Unanimous

MOTION 21-5-20-4

The Marketing Report Presentation is included in the May 2021 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT B.

ITEM #8 INDUSTRY AFFAIRS REPORT

Status of Pending State Legislation Assembly Bill No. 710 – Item 8.A.

Mr. Bellamore provided an overview of CAC's involvement with various legislative and regulatory issues that affect or may affect avocados. He noted that CAC staff will monitor and review these issues and determine the probability of success. Mr. Bellamore stated that most bills affect broader agriculture and many times CAC will support through involvement with larger associations such as Western Growers and the Farm Bureau.

Ken Melban, CAC vice president of industry affairs, referenced the Board Packet write-up which detailed the current status of Assembly Bill No. 710 stating that CAC had been aware of and following the bill for quite some time. He noted that the legislative analysis indicates that AB 710 prohibits a retailer from selling listed products unless the product was produced in compliance with California health and labor laws. Mr. Melban reported that the bill did not cover all agricultural products, and that while avocados were not currently listed, there was always a chance to be added later.

A Board member stated that it was their understanding that avocados were originally listed in AB 710, but were removed at the direction of CAC staff. They questioned how this decision was made without the Board's knowledge or input. Mr. Melban responded that AB 710 followed a similar path of Section 201 and with counsel decided it was not in CAC's best interest to have avocados included in AB 710. He also commented that most all of CAC's targeted retailers came out publicly in opposition of AB 710, which would put CAC in a precarious position with these important customers. Ms. DeLyser supported Mr. Melban's position, stating that other commodity boards she works with have similar concerns regarding AB 710. Another Board member spoke up in support of CAC staff's position, as they didn't want CAC to be involved in something that may put CAC's partners in peril.

There was additional discussion regarding AB 710, specifically language in the bill regarding required certification and potential fees imposed on growers for compliance. Mr. Melban explained that the language would require all listed commodities to pay certification fees for the auditing body that would be required to ensure California grower compliance. Mr. Grether noted the Mr. Melban had been tracking this bill very early on, and at first look it didn't seem so bad, but after further review would put undue burden on California producers, and the fact that it didn't include all produce was a red flag. Because the Board voted against protectionist legislation (Section 201 and 332), Mr. Grether supported CAC staff's position on AB 710, adding that avocados could always be added later.

The *Status of Pending State Legislation Assembly Bill No. 710 Write-up* is included in the May 2021 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 8.A.

Issues Update – Item 8.B.

Farm Workforce Modernization Act (H.R. 1603)

Mr. Melban provided an update on the Farm Workforce Modernization Act (H.R. 1603) which was currently before the Senate and seeks to address border security, H2A improvements and maintaining the current workforce. He noted that CAC remains a part of the Ag Coalition for Immigration Reform (ACIR) which works to develop and influence federal programs to address the labor needs of agriculture. Mr. Melban stated that while H.R. 1603 was not perfect, agriculture agrees that something must be done.

A Board member commented that they were surprised to see CAC supported H.R. 1603 without Board discussion. Mr. Grether stated that the Board must give management room to act so long as staff feels they have Board support. Mr. Bellamore reported that in every strategic planning session the Board has supported the need for a reliable labor force and that from his point of view, there is no question about the Board's position. Mr. Grether referenced the recent Board survey results which indicated 78% support work to secure a reliable labor force. The Board member stated that they had a personal opposition to H.R. 1603, to which both Mr. Grether and Mr. Bellamore cautioned that Board members must carefully balance their personal positions versus the needs of the industry, and that while there are many things people could be personally opposed to in H.R. 1603, this is the current pathway to securing reliable labor for the agricultural industry. In closing this Board member reiterated his position that they felt the decision to support H.R. 1603 should have been brought before the Board and not made unilaterally by CAC staff.

Sustainability

Mr. Melban reported that CAC was currently moving forward with using data collected from California growers about sustainability practices to begin telling the California sustainability story. He noted that this project was currently in development and that there should be something for the Board to see in a few months, but that the goal of the project is to be on the

offensive and tell the story of what California avocado growers are already doing to produce fruit sustainably.

Grower Profitability Survey

Mr. Melban stated that the Production Research Committee had met and discussed the grower profitability survey. They acknowledged that conducting such an analysis would have significant challenges but should be attempted. Staff agreed to make an initial effort to develop a questionnaire to present to the PRC for review and discussion at a future meeting.

Importation of Avocados from Ecuador

Mr. Melban reported that in 2018 a proposed final rule on the importation of avocados from Ecuador had been published which failed to list a potentially dangerous and invasive pest to U.S. avocado growers. CAC worked with researchers to identify this deficiency and submitted comments to ensure these pests are not brought into the U.S. Mr. Melban stated that the revised final rule had recently been published and that based on CAC's comments, areas exporting from Ecuador will be required to follow protocols to survey for avocado seed moth.

ITEM #9 PRODUCTION RESEARCH REPORT

Recap of April 13, 2021 PRC Meeting – Item 9.A.

Dr. Tim Spann, CAC consultant, provided an overview of the recent Production Research Committee meeting, which included an update on the University of California's decision to annex 40 acres of land at South Coast Field Station. He noted that this will most likely impact the avocado plantings, funded by CAC, at the field station and that CAC had expressed dissatisfaction to the University. Dr. Spann indicated that CAC would remain involved in the conversations but that if the plans move forward it would probably be in five years.

Dr. Spann reported that he and Mr. Melban had been tasked with taking a look at what other avocado producing countries are doing that could help California increase productivity and profitability. They are currently in discussions with researchers to learn more about water practices and technologies that are working for growers throughout the world.

Dr. Spann stated that CAC's lease at Pine Tree Ranch would be expiring in two years and that the PRC would be reviewing the projects at the ranch, as well as the lease terms, over the next few meetings and would bring a recommendation to the Board.

With regard to next year's funding, Dr. Spann said that the PRC would be reviewing projects for avocado lace bug control measures, chlorides in water, and fertility products that help with Phytophthora root rot management. Once the PRC reviewed these proposals, their recommendations would be brought to the board for final approval.

ADJOURN MEETING

Mr. Grether circled back on the public comment addressing Mr. Cornell in stating that he had made serious allegations of unethical/illegal conduct by members of this board and by the board itself. In order to determine the validity of the allegations, Mr. Grether requested that Mr. Cornell provide the Commission with specific information in support of his position, in writing, no later than thirty days prior to the next board meeting of the Commission scheduled for August 19, 2021. The allegations and the specific information Mr. Cornell provides will be investigated, and will be scheduled for discussion during the Commission's August 19, 2021 meeting.

Mr. Grether adjourned the meeting at 1:50 p.m.

California Avocado Commission
Board Meeting Minutes
May 20, 2021

Respectfully submitted,

April Aymami, CAC Industry Affairs Director

I certify that the above is a true statement of the Minutes of May 20, 2021, approved by the CAC Board of Directors on August 19, 2021.

Jessica Hunter, CAC Board Secretary

EXHIBITS ATTACHED TO THE PERMANENT COPY OF THESE MINUTES

EXHIBIT A May 2021 Board Packet
EXHIBIT B Marketing Report Presentation
EXHIBIT C May 20, 2021 Board Meeting AB 2720 Roll Call Vote Tally Summary



Exhibit C

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>Zoom Web/Teleconference</i>	Meeting Date: <i>May 20, 2021</i>
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<i>Attendees Who Voted</i>	<u>MOTION</u> <u>21-5-20-1</u>	<u>MOTION</u> <u>21-5-20-2</u>	<u>MOTION</u> <u>21-5-20-3</u>	<u>MOTION</u> <u>21-5-20-4</u>
Ryan Rochefort	Yea	Yea	Yea	Yea
Jessica Hunter	Not Present	Not Present	Not Present	Yea
Michael Perricone	Yea	Yea	Yea	Did Not Vote
Ohannes Karaoghlanian	Yea	Yea	Yea	Yea
John Cornell	Yea	Yea	Yea	Yea
Rob Grether	Did Not Vote	Did Not Vote	Did Not Vote	Did Not Vote
John Lloyd-Butler	Yea	Yea	Yea	Yea
Jason Cole	Yea	Yea	Yea	Yea
Rachael Laenen	Yea	Yea	Yea	Yea
Randy Douglas	Not Present	Not Present	Not Present	Yea
Darin Miller	Not Present	Yea	Yea	Did Not Vote
Andrew Prechtl	Yea	Yea	Yea	Yea
Peter Shore	Yea	Yea	Yea	Yea
Gary Caloroso	Yea	Yea	Yea	Yea
Daniella Malfitano	Yea	Yea	Yea	Not Present
Outcome	Unanimous	Unanimous	Unanimous	Unanimous