

**CALIFORNIA AVOCADO COMMISSION
GOVERNANCE COMMITTEE MINUTES
March 12, 2024**

A meeting of the California Avocado Commission (CAC) Governance Committee was held on March 12, 2024 at 10:00 a.m. with the following people present:

MEMBERS PRESENT

Victor Araiza
John Berns
Robert Jackson
Jamie Johnson
Rachael Laenen
Hayden McIntyre
Jason Cole, *CAC Chairman Ex-officio*

STAFF PRESENT

April Aymami
Zac Benedict
Dave Cruz
Stacia Kierulff
Ken Melban
Terry Splane
Cristina Wede

GUESTS PRESENT

John Cornell
Dan Coxe
Rob Grether
Jessica Hunter
Ohannes Karaoghlanian
Matt Nelson
Joanne Robles-Swanson

OFFICIALLY PRESENT

Vickie Carpenter, *USDA*
Ben Kardokus, *CDFA*

ITEM #1 Call to Order

Roll Call/Quorum – Item 1.a.

Rachael Laenen, CAC Governance Committee chairperson, called the meeting to order 10:05 a.m. and established a quorum.

Introductions – Item 1.b.

April Aymami, CAC director of industry affairs and operations, 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.

ITEM # 2 Opportunity for Public Comment

Dan Coxe provided comments regarding handler members holding seats on the CAC Board. He stated that his concern was there was a conflict of interest, as the handlers do not deal only in California fruit. Mr. Coxe noted that the CDFA's definition of conflict of interest was narrow and that the CAC Board should look at it more broadly and as a conflict to a Board member's duty of loyalty.

Joanne Robles-Swanson commented that she would like the Commission to look at the CAC law as a whole and identify the changes that need to be made to address the needs of the industry and growers today. She also stated that she would like to see the CAC assessment structure left as is and not changed.

ITEM # 3 Discussion Items

Governance Committee Scope of Work - Item 3.a

CAC assessment rate structure – Item 3.a.i

Ms. Laenen provided an overview of CAC's current assessment rate structure, which is a percentage, currently 2.25%, of the gross dollar value of California avocados sold.

Jason Cole, CAC chairman, provided additional background on the topic, noting that when he served as Treasurer he heard from growers concerned that the current rate structure typically resulted in them paying more when they had less fruit but values were higher. He also noted that with the new marketing team in place, Terry Splane, CAC vice president of marketing, has commented that the marketing budget should not need to experience large increases in budgets from one year to the next based on crop volume, and that could be minimized to a range of 10-15%.

The Committee discussed the idea of changing the CAC assessment to a flat rate per pound, as opposed to the current percentage of value. There was support for a flat rate per pound, as it would

give growers a set rate that was much easier for them to use in their operations budgets and provide less variability throughout the season based on market conditions. It also was noted that a flat rate per pound assessment would provide equitability among growers, with everyone paying the same rate per pound. Under the current assessment structure, growers producing larger fruit, at a higher value, pay more in assessments per pound than those producing the same volume of smaller sized fruit, at a lower value. There was consensus among the Committee that this topic was worth exploring further and requested CAC management provide additional data for consideration, including a size curve analysis, and assessment rate scenarios.

Definition of producer – Item 3.a.ii

Ms. Laenen provided the Commission's current definition of a producer as stated in the CAC law, and asked for thoughts and feedback from the Committee. The Committee discussed the current exemption threshold, where growers producing less than 10,000 pounds per year annual average over the last three years, were exempt from payment of the CAC assessment with comments made in support of increasing the volume of the exemption threshold, as well as maintaining the current volume level. Points made for the benefits of increasing the threshold were focused around providing smaller growers additional relief from the financial burden of the CAC assessment, and potential reduction of CAC resources by decreasing the number of constituents served. Concern was raised about the potential of decreasing the number of CAC's grower base significantly, as a large number of growers as nearly 72% of California growers produce less than 50,000 pounds per year, and that philosophically CAC has a duty to represent all California growers. It was noted that while it was true that a threshold at 50,000 pounds per year would reduce the number of growers by over 2,000, the volume represented by this group was only 9.5% of the total California crop volume. At the conclusion of this discussion, the Committee requested management provide the demographic breakdown of number of growers and production levels for further review and discussion at the next meeting.

On the topic of definition of producer, additional discussion took place regarding producers serving on the CAC Board who are also affiliated with handlers, through direct employment, stock options, etc. The concern raised was that handlers no longer deal in only California fruit and have an interest in imported fruit as well. A suggestion was made that CAC might want to explore having Board positions separated by affiliation, with a certain number of seats for California only producers and those with affiliations with handlers.

Board composition – Item 3.a.iii

Following on the previous discussion, Ken Melban, CAC vice president of industry affairs and operations, highlighted the current CAC Board structure and efforts by previous the Governance Committee to reduce the number of handler seats on the Board (from four to two) to ensure handler members did not hold a disproportionate number of voting seats. He commented that current discussion in the industry was the idea of removing voting handler seats on the CAC Board but retain non-voting ex-officio seats.

There was discussion about the pros and cons of having handler members on the Board, where comments were made supporting handler participation, as it was valuable to helping the Board understand the intricacies of selling fruit to retail and foodservice, as well as crop timing and market conditions, however that could continue to be retained through ex-officio participation. At the conclusion of discussion, no action was taken, but the Committee would continue to consider this topic at a future meeting.

Other governance discussion items – Item 3.b

Ms. Laenen stated that she would like the Committee to consider formalizing a public comment policy in CAC's bylaws, and also review the CAC law to better shift future changes to the organizations structure

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to be handled through the bylaws, as opposed to having to make changes to the CAC law, which required legislative action.

ITEM # 4 Timeline/Schedule Next Meeting

Ms. Laenen reported that the goal would be to bring Governance Committee recommendation to the CAC Board at the June planning meeting, therefore she would like the Committee to meet again in April and possibly again in May. Mr. Melban said he would send out an email to poll the Committee on their availability and lock in the dates soon.

ADJOURN MEETING

Ms. Laenen adjourned the meeting at 12:04 p.m.

Respectfully submitted,

April Aymami, CAC Director of Industry Affairs and Operations

EXHIBITS ATTACHED TO THE PERMANENT COPY OF THESE MINUTES

Exhibit A March 12, 2024 Governance Committee Packet