

**CALIFORNIA AVOCADO COMMISSION
BOARD MEETING MINUTES
August 20, 2009**

A meeting of the California Avocado Commission (CAC) Board was held on Thursday, August 20, 2009 in the Commission boardroom in Irvine, California, with the following people present:

MEMBERS PRESENT

Rick Shade, Chairman
Carol Steed, Vice-Chair
Ken Roth, Treasurer
Tom Pecht, Secretary
Scott Bauwens
Will Carleton
Gene Carbone
Ben Holtz
Ohannes Karaoghlanian
Bob Lucy
Tom Markle
Bradley Miles
Don Reeder
Reed Webb (Alt. Eggering)

MEMBERS ABSENT

Laura Eggering

CAC STAFF PRESENT

April Aymami
Tom Bellamore
Zachary Benedict
Dave Cruz
Jan DeLyser
Angela Fraser
Laurie Hill
Dave Howald
Aria Lukman
Val Weaver

ALTERNATES PRESENT

Ron Araiza
Andy Bailard
Ed McFadden
John Lamb
Jerome Stehly
Noel Stehly
Bob Witt
Charley Wolk
Gary Woodworth

ALTERNATES ABSENT

Ernie Arana
George McManigle
Alva Snider

OFFICIALLY PRESENT

Dennis Manderfield, CDFCA
Maureen Pello, USDA

GUESTS PRESENT

Erin Adler
Jennifer Baker-Assidao
Jackie Cruz
Austin Gavin
Chulan Gilbert
Erik Glassen
Jim McCormac
Peggy McCormick
Marji Morrow
Steven Muro
Darrell Nelson
Jose Luis Obregon
Gwen Peterson
Dave Riggs
Tom Roberts
Larry Rose
Yvonne Seebach
Bill Steed
San Vaccaro
Katie Wild
Linda Wild

CALL TO ORDER

Chairman Rick Shade called the meeting to order at 9:20 a.m. with a quorum present.

ITEM # 1. CONSENT CALENDAR

The Chair asked if there were any changes to the Minutes as offered on the Consent Calendar. None being made, the following motion was presented:

MOTION: ***The CAC Board of Directors approves the Consent Calendar, as presented:***

***1-A) Approval of June 18, 2009 Board Meeting Minutes
(Markle/Miles) MSC***

Chairman Shade reported as a follow-up to the June Board meeting that the CDFA Whistleblower Policy is anonymous and noted that there is no deadline or timeframe with the hotline, adding that CDFA conducts investigations in their own timing. He suggested that any issues should be brought to the CAC President or Chairman to be settled in a timely manner.

ITEM #2. MARKETING REPORT

Marketing Activity and Measurements Update

Jan DeLyser reported on the marketing activities from June through August. She presented the radio spot featuring Richard Pidduck as well as the print materials that ran in food and home publications and fitness centers. She also updated the board on the consumer public relations activities, the foodservice and retail merchandising activities.

ITEM #3. MEASURING COMMODITY MARKETING PROGRAMS

CAC President Tom Bellamore reported that staff continues to explore methods to measure and communicate the effectiveness of CAC's marketing programs. CAC spent time over the past year on how to measure the effects of our marketing programs. He introduced Dr. Roberta Cook, an Agricultural Economist from the University of California, Davis, who has extensive experience in evaluating the effectiveness of generic promotional programs. Dr. Cook provided insight, context and key learning regarding agricultural marketing programs and explained methods of measurement. Dr. Cook discussed the importance of transparency in the information stating it leads to more informed decisions. She said CAC's data assets provide an important ability to demonstrate the performance potential to retailers. She indicated that a strategic approach to marketing will lead to the greatest returns. She commended the Commission's marketing program for turning a negative into a positive with nutrition messaging, stating that nutrition is important for increasing per capita consumption. She emphasized the importance of informing producers about the marketing programs and their results. It was suggested that staff develop a document summarizing the presentation for Board members to use in their district meeting.

ITEM #4. PRESIDENT'S REPORT

CAC Reorganization

Mr. Tom Bellamore reported on the recent downsizing and reorganizing of the Commission staff. He stated that the following factors made it imperative to reduce the overhead to keep the organization economically sustainable:

- \$442,300 needed to be cut from the budget
- Lowest Reserves in over 30 years

Grower requests for lower assessment
Loss of HAB revenue from administrative fees income
Cash flow compressed with continued year-round costs

He reported that staff was reduced from 18 to 11 people last month. He said it was incredibly difficult for all involved, those who were released and those who remain. Mr. Bellamore recognized Val Weaver, acknowledging her integrity and character. Ms. Weaver has served the Commission for 30 years, Mr. Bellamore said it has been an honor working with her. Her last day is September 15th. Mr. Bellamore introduced Aria Lukman who will oversee the Finance and Administration Department as CAC's Finance and Accounting Manager. Mr. Lukman holds a Bachelor's degree in accounting, an MBA and is currently studying for his CPA license.

It was noted that the adjusted overhead over the past year has saved \$1MM.

Public Member Candidates

Mr. Bellamore stated that 5 candidates have expressed interest in serving as the public member. He noted that the announcement seeking Public Members was broadly distributed with four of the five candidates from Cal Poly Pomona. .

The candidates to date are:

Dr. Lester C. Young, Dean/College of Agriculture, Cal Poly Pomona
Dr. Gregory J. Partida, Fruit Industries Coordinator, Plant & Soil Dept., Cal Poly Pomona
Dr. Nancy Merlino, Program Director, Food Marketing and Agribusiness Department, Cal Poly Pomona
Dr. Mark Steinberg, Forensic Plant Pathologist
Mr. Rick Mathias, Professor Agribusiness & Food Industry Management, Cal Poly Pomona

Ms. DeLyser said through her association with Cal Poly she knew three of the four candidates, stating her closest association was with Dr. Nancy Merlino through the Produce Marketing Association's Foundation for Industry Talent. She said she thought all are qualified and based on her experience with Dr. Merlino that she would have a lot to offer.

Discussion ensued.

MOTION: The CAC Board of Directors agrees to table the vote until the next Board meeting on September 17th at which time a candidate will be selected to submit to CDFA for appointment. (Carleton/Miles) MS 1 opposed (Markle)

Election Update

Mr. Bellamore reported that CAC has received several candidates for each district for the 2009 CAC Elections. He stated that he will have a defined list of who will be on the ballot at the next Board meeting.

Industry Affairs Update

It was reported that Section 18 Tre-hold was previously only approved for stumping. Mr. Bellamore stated that a formal request was made to use the product for pruning as well. The Environmental Protection Agency (EPA) has approved the request and the Department of Pesticide Regulations is issuing the label and amended use requirements. Mr. Bellamore stated that it was just recently posted in the Federal Register. He said that a request is needed for renewal each year. The current approved usage is good until December 31st, and on September 1st another formal request will be made for next year's usage.

Mr. Bellamore reported that the Director of Mexico sent a letter of intent to expand certification outside the State of Michoacán. He said CAC is performing its due diligence and will continue to monitor where potential pests are coming from. If there are issues of concern, CAC will be prepared to take action.

ITEM #5. CHAIRMAN'S REPORT

Chairman Shade reiterated President Bellmore's comments about Ms. Weaver. He added that she has been a rock and a cornerstone to CAC's foundation throughout her years of service to CAC and the growers. He thanked her for her dedication to the industry. Finance Committee Chairman Ken Roth also thanked her for her contribution and her support. He acknowledged how instrumental she has been in offering advice to assist him in his role as Treasurer.

Chairman Shade also suggested that with the staff reductions, the Commissioners need to step up and take a proactive role in doing what they can to reduce the demand on the CAC staff.

Bylaw Amendment – Chairman's Duties

Mr. Wolk expressed his support for a formal written review process for the President with a report provided to the entire Board. He suggested that it should be included in the bylaws.

CDFA representative Dennis Manderfield quoted from CDFA's new Accounting Guidelines and General Rules for Agricultural Marketing Programs:

“Evaluation of the program CEO shall take place on an annual basis or other period established by the program and shall be the result of a performance appraisal conducted by the board or a committee of the board. The CEO's and senior management's salary and all additional compensation (auto allowance and other fringe benefits) shall be disclosed annually to board members and the department, and upon request, to any assessment payer.”

Mr. Wolk proposed that a written report be accessible to all. Vice Chair Carol Steed noted that the Executive Committee has done the President's review in the past. After discussion the following motion was offered:

MOTION: *The CAC Board of Directors approves that the Executive Committee perform the President's annual evaluation and have the Chairman present the summary in writing to the Board, and the review be kept on file. (Pecht/Miles) MS failed*

Motion failed due to lack of vote. Further discussion ensued. A new motion was presented:

MOTION: *The CAC Board of Directors approves tabling the previous motion. (Pecht/Reeder) MSC*

Additional discussion took place on the proposed wording of the motion and a new motion was offered:

MOTION: *The CAC Board of Directors approves using the current policy and adding the following language: 'and the Committee's report shall be filed in the President's personnel file by the Committee and the Chairman will present to the Board.' (Pecht/Miles) MS*

Discussion followed. A consensus could not be found on the verbiage of the motion. Mr. Pecht withdrew his motion that was on the floor.

ADJOURN FOR LUNCH

The Chairman adjourned the Board for lunch at 12:25 p.m. and the Board reconvened at 1:10 p.m.

The Board agreed to revise the motion that was being discussed. The following motion was passed by a unanimous roll call vote:

MOTION: *The CAC Board of Directors agreed to modify Article VIII, Section 1 of the Bylaws to read as follows:*

"The performance of the President, who shall serve at the pleasure of the Commission, shall be evaluated by October by the Executive Committee of the Commission. The Committee shall prepare a written review for inclusion in the President's personnel file and the Chairman shall give a verbal report to the Commissioners at the October Board meeting."

(Holtz/Miles) MSC

Board Member Attendance - Mandatory Ethics Training

Mr. Bellamore reminded the Board that Commissioners missing three meetings in a row automatically lose their seat. He recommended that the Board be aware

of their attendance. He also reminded Commissioners who have not completed their Ethics training and/or provided a certificate of completion – to do so immediately.

Hass Grading Standards

Mr. Bellamore referenced a letter from Neil Witt regarding Hass Avocado standards. The Chairman encouraged the handlers to share their thoughts. Bob Lucy (Del Rey Avocado) offered to bring the topic to the Marketing Advisory Committee for discussion. It was noted that there currently are no standards except for a Florida Greenskin Avocado standard – which doesn't apply to Hass, but on occasion causes fruit to be rejected.

Reuben Hofshi volunteered to serve on a Committee, if the Board chooses to appoint one to establish a standard for Hass Avocados. The Chairman said he would not be appointing any more Committees during the remainder of his term.

The Board agreed to have Mr. Lucy and Ms. DeLyser add to the agenda for the Marketing Advisory Committee's September meeting and provide a report to the Board.

It was also suggested that the topic could be discussed at a gathering of the global Hass Avocado industry at the upcoming PMA Convention.

ITEM #5. 2009-10 PLANNING

Review Business Plan Objectives and Strategies

Mr. Bellamore provided an update on the 2009-10 Planning Process. He said the documents provided for Board review and include the Strategic Frame and the first draft of the program objectives and strategies. He noted that the specific tactics and success measures will be developed after the Finance Committee and Board provide the Budget.

Mr. Bellamore introduced a tiered concept for the 2009-10 Budget. He stated that the operating environment has changed and presented comparisons from past crop volume projections with variances of from 5 to 20 percent off the original crop estimate. He stated that with a budget based on projections, cuts are almost inevitable. His solution was to set a base budget with the flexibility to add more marketing as the volume comes in higher than predicted. He reported that it is a tough challenge to achieve accurate pre-season crop estimates in August and September. He suggested approaching the budget from the bottom up, adding as the crop volume is confirmed.

He presented a spreadsheet with various scenarios to show how the cash flow changes under different circumstances. He noted that most of the Revenue comes in during a small timeframe while expenses are year-round. Discussion ensued.

Ms. DeLyser reviewed the Business Planning process. She noted that the strategic frame was a result of the Board Planning Meeting with input from the Marketing Advisory Committee, staff and agencies.

She reviewed the strategic frame, consumer target, the brand position statement, and marketing program (consumer advertising, public relations, online marketing, retail merchandising, foodservice and social media) objectives and strategies.

Mr. Bellamore provided an overview of Industry Affairs and Administration departments. He confirmed the focus on Marketing, with Industry Affairs continuing to conduct basic activities. He noted that all employee salaries are now located in Administration rather than incorporated into the program budgets for transparency.

ITEM #7. COMMITTEE REPORTS

Production Research Committee Report

Production Research Committee (PRC) Chairman Darrell Nelson reported that PRC met in July. He reported a favorable response from the Committee as they reviewed each of the research proposals.

He stated that there was some concern regarding the Request for Proposal (RFP) process as a whole. He suggested that future proposal reviews offer each of the research leaders the opportunity to provide an annual review and update on their research, rather than just hearing the new projects presentations.

Mr. Nelson stated that the PRC made recommendations on how they can productively and efficiently move forward. With the restructuring of CAC and being short-staffed in this area, they suggested that CAC hire a person to head up production research – first by sub-contract before placing them into a permanent staff position. He said the Committee felt strongly that this person should be hired with a sole focus on overseeing the Production Research development and not be burdened with other industry issues as Dr. Witney had been in the past. This created a degradation of the program.

Another recommendation from the Committee was to disseminate the research findings to the farm advisors and field staff to insure that the information get out to the field and growers.

Mr. Nelson recommended the subcommittees be consolidated down to three committees rather than the current seven. The suggested committees would be:

- 1) Pest and Diseases
- 2) Management and Physiology
- 3) Varieties and Genetics

The PRC also recommended that the California Avocado Society (CAS) be involved in the program and the outreach to the growers, with the Research

Coordinator responsible for other researchers and to act as a liaison with CAS, working with other Boards and foreign researchers.

Mr. Nelson recapped the production research budget and noted that the final request was reduced by the Committee from \$1,439,523 to \$1,116,534 to cover all crucial research. He reiterated that these areas of research are top priority and involve the current issues at hand with pests and imports. He also noted that the PRC is now requesting that the researchers also report any negative research results so it is made known what doesn't work and so research is not duplicated in those areas.

Finance Committee Report

The Treasurer, Mr. Roth, reported that the Finance Committee met prior to the Board meeting. He said the Committee had recommendations for the Board to consider and made the following motions:

MOTION: *The CAC Board of Directors approves Budget Amendment #4, with cuts totaling \$442,300, as presented.
(Roth/Karaoghlanian) MSC*

MOTION: *The CAC Board of Directors approves the amended Authorization Policy that was presented.
(Roth/Carbone) MSC*

MOTION: *The CAC Board of Directors approves billing rates for HAB of \$130/hr. for CAC manager training time and \$95/hr. for CAC senior accountant training time.
(Roth/Karaoghlanian) MSC*

Discussion of 2009-10 Assessment and Budget Scenarios

Roth suggested that his goal was to have the Committee recommend four numbers to address so staff could begin to develop a budget to bring to the Board in September:

- 1) Assessment Rate
- 2) Price per pound
- 3) Volume
- 4) Reserves

He stated that Mr. Bellmore had shown the Committee how the Board had previously estimated the crop each year providing the difference between the projected and actual figures. He reported that the Committee favored the new concept of setting a base budget for the 2009-10 Budget.

Site Selection Committee Report

Vice Chair Carol Steed informed the Board that the Committee has had three meetings to date. Several new developments were reported.

Mr. Bellamore said that the Committee's direction was to review where they stand on the existing lease with Irvine Company, to investigate the price for locations along the 210 corridor from Pasadena to Rancho Cucamonga and explore the Cal Poly research property and its potential for a new CAC office location in Santa Paula.

It was reported that the Irvine Company was not willing to do a 'lease-down' to a different property without charging the full balance due on the current lease.

Mr. Bellamore said the next step would be to sublease the current office space. He noted that there had been a few potential clients come through the office considering subleasing. If a sublease tenant is successfully located, the next step would be for the office to move. He said that Ms. Steed located a nearby building for a penny per-square-foot, with a lease-option to purchase. It was stated that the 'penny per foot' was counter-offered to lease only, which brought the asking price up to \$.36 cents per square foot, so CAC put in a verbal offer with the option to buy in a year to keep the seller engaged.

Discussions ensued. Bellamore reported that the Site Selection Committee didn't rule out a purchase. He said there was a strong appeal to the possibility of not having to pay a high lease in the future when the economy has turned around. He said the Committee drove over and walked through the property.

Ms. Steed said the Committee considered the Pasadena 210 corridor and stated that it wasn't a central location for a meeting area for north and south growers. The Committee proposed a way to get the growers to participate more is to have two Board meetings per year in Santa Barbara and two Board meetings per year in San Diego. She also stated the lost time and expense of driving the extra distance for staff who go to the office everyday could not be justified.

Mr. Miles reported on the Cal Poly Santa Paula property under investigation for CAC offices and research plots. He said the consensus of Committee was the Cal Poly property was not suitable as an office, but that the Production Research Committee will investigate the property for possible research plots.

There was a consensus by the Board to move forward and to keep the Board updated.

The Chairman gave a formal request to Mr. Manderfield to inquire with CDFA if it is a conflict for the Commission to purchase a building.

ITEM #8. HASS AVOCADO BOARD REPORT

None given.

ITEM #9. PUBLIC COMMENT

Ms. Weaver addressed the board stating that it has been an honor serving the growers and the commissioners during her employment at the Commission.

The August 20, 2009 Board Packet is attached to the permanent copy of these Minutes and identified as Exhibit A.

The Marketing Update Presentation is attached to the permanent copy of these Minutes and identified as Exhibit B.

The 2009-10 DRAFT Business Plan dated 8-20-09 is attached to the permanent copy of these Minutes and identified as Exhibit C.

The CAC Marketing Goals & Program Results is attached to the permanent copy of these Minutes and identified as Exhibit D.

Dr. Roberta Cook's presentation Measuring the Results of Commodity Marketing Programs is attached to the permanent copy of these Minutes and identified as Exhibit E.

ADJOURN MEETING

The Chairman adjourned the Board meeting at 3:15 p.m. The next Board meeting will be held on September 17, 2009.

Respectfully submitted,

Laurie Hill, CAC Staff

I certify that the above is a true statement of the Minutes of August 20, 2009 approved by the CAC Board of Directors on September 17, 2009.

Rick Shade, CAC Board Chairman