

**CALIFORNIA AVOCADO COMMISSION
BOARD MEETING MINUTES
January 17, 2008**

A meeting of the California Avocado Commission (CAC) Board was held on Thursday, January 17, 2008 in the Commission boardroom in Irvine, California, with the following people present:

MEMBERS PRESENT

Rick Shade, Chairman
Carol Steed, Vice-Chair
Ken Roth, Secretary
Tom Pecht, Treasurer
Scott Bauwens (*alt. Wileman*)
Gene Carbone
Will Carleton
Laura Eggering
Reuben Hofshi
Ohannes Karaoghlanian
Tom Markle
Scott McIntyre
Bradley Miles
Don Reeder
Susan Randolph
Public Member

Len Francis
HAB ex-officio

MEMBERS ABSENT

Ross Wileman

CAC STAFF PRESENT

Mark Affleck
Tom Bellamore
Zachary Benedict
Dave Cruz
Jan DeLyser
Angela Fraser
Laurie Hill
Dave Howald
Aria Lukman
Connie Stukenberg
Val Weaver
Guy Witney

ALTERNATES PRESENT

Ernie Arana
Chris Ambuul
Andy Bailard
John Conti
John Lamb
John Lindstrom
Ed McFadden
George McManigle
Alva Snider
Noel Stehly
Reed Webb

ALTERNATES ABSENT

Bob Lucy
Earl Rutz

OFFICIALLY PRESENT

Mike Moreland,
Moreland & Assoc.
Brenda Grubbs,
Moreland & Assoc.
Dennis Manderfield, Cdfa

GUESTS PRESENT

Jack Abbott
Andrew Arnold
Jennifer Baker Assidao
Marlene Betts
Herb Breen
Adam Brohimer
Brian Darney
Stephan Eckel
Austin Gavin
Jon Gothold
Jamie Johnson
Judy Johnson
Kathleen Johnson
Doug Koegeboehn
James McCormac
Peggy McCormick
Judy Menaghi
Marji Morrow
Steven Muro
Jose Luis Obregon
Barbara Peirce
Mark Pepping
Sean Pirtle
Gwen Peterson
Ann Segerstrom
Lori Small
Daniel Sonke
Jerome Stehly
Mauricio Tapia
Renee Teacatz
Mark Weinfeld
Sandra Wellhausen
Judy Wild
Kay Wild
Linda Wild
Charley Wolk

CALL TO ORDER

Chairman Rick Shade called the meeting to order at 9:40 a.m. with a quorum present.

Shade noted that he received a letter from Calavo in December announcing the appointment of Alva Snider as alternate member using the handler of record marketing thirty (30%) percent or more rule.

Approve Minutes

MOTION: *The CAC Board of Directors approves the November 29, 2007 Board Meeting Minutes as presented (Pecht/Miles) MSC Unanimous*

Introductions/Announcements

Mark Affleck presented a special tribute video to honor Mr. Wolk for his service and dedication to the Hass Avocado Board since its inception in 2003.

Wolk gave recognition to the board and staff for their support throughout the years and stated that he didn't do it alone.

Chairman Shade introduced District 5 Alternate John Conti to the Board.

FINANCIAL REPORT

2006/07 Financial Statement / Audit Report

Vice President Finance Val Weaver reported that the October 31, 2007 year-end financial statements have been finalized and audited by the independent accounting firm, Moreland & Associates. Mike Moreland, Partner, and Brenda Grubbs, Manager of the audit, were introduced. Mr. Moreland reviewed the Independent Auditors' Report, Management's Discussion and Analysis and Basic Financial Statements. He explained that management was cooperative and made available all financial records and related data. He reported that he met several times with Treasurer Ken Roth to discuss the audit, procedures and results. The audit was performed in accordance with Government Auditing Standards, which is required by the U.S. Department of Agriculture. Financial highlights include \$4.3 million in total assets, \$1.5 million in total liabilities and \$2.8 million in net assets. Mr. Moreland reported that an unqualified or "clean" audit opinion was given on the financial statements.

Discussion ensued by Board members and then the following motion was made:

MOTION: *The CAC Board of Directors accepts the audited Financial Statements and Independent Auditors' Report for year-end October 31, 2007 as presented. (Roth/Steed) MSC Unanimous*

2006/07 Final Crop Statistics

Ms. Weaver reported that the fiscal year crop statistics were finalized and presented the following report:

- Final crop volume = 259.3 MM lbs. --- up 7.3 MM lbs. from the post freeze official estimate of 252.0 MM lbs.
- Final crop value totaled \$244.9 MM --- up \$1.1 MM from the post freeze official estimate of \$243.8 MM.
- Final average price per lb. = \$0.945 --- a decrease of \$0.023 from the post freeze official estimate of \$0.968 per lb.

Chairman Shade noted that it was mentioned yesterday in the Hass Avocado Board (HAB) meeting that the billion pound mark is now considered the base, not the ceiling.

2006/07 U. S. Aggregate Avocado Volume

Aggregate avocado volume in the U.S. for FY 2006-07 ended the year at a record high of 1.0550 billion lbs., up 14.6 MM lbs. over the prior year of 1.0404 billion lbs. which was the last historic record. Hass volume totaled 968.9 MM lbs., down slightly by 2.7 MM lbs. from the prior year record high of 971.6 MM lbs.

2007/08 Financial Update

2006/07 Fiscal Year U.S. Aggregate Avocado Volume

Weaver reported that one month of assessment reports had been received and crop statistics were as follows:

November 2007 (1st Month - Current Fiscal Year)

- Volume for November 2007 = 160,823 lbs. --- down 839,177 from the estimate of 1,000,000 lbs.
- Crop value for November 2007 = \$62,019 --- down \$537,981 from the estimate of \$600,000.
- Average price per lb. for November 2007 = \$0.386 --- down \$0.214 from the estimate of \$0.600.
- Reserves as of 10/31/08 = \$3.7 MM dollars --- up \$0.9 MM from the budgeted estimate of \$2.8 MM due to an increase in beginning reserves brought forward from the prior year and a higher projection of California volume than budgeted.

A question arose as to the change in volume after the fires in October 2007. Mr. Witney noted that approximately 35-50 mm lbs were lost due to winds and fires.

Aggregate Volume Outlook FY 2007-08

Ms. Weaver mentioned that the domestic aggregate volume outlook for FY 2007-08 for all varieties has been updated to reflect import data received from Customs through December 2007 and grower data from California handlers through November 2008. Volume is spread by month based on estimated market trends as follows:

- Aggregate volume of all varieties in the domestic market place is higher by 31.9 MM lbs. and is now tracking at 1.0479 billion lbs. from the November 2007 estimate of 1.0160 billion lbs.

The Financial Statements October 31, 2007 and 2006 report from Moreland & Associates is attached to the permanent copy of these Minutes and identified as EXHIBIT A.

The complete set of Financial Reports are attached to the permanent copy of these Minutes and identified as EXHIBIT B.

Approve CAC as Provider of 2008-09 AIP Administrative Services for CDFCA

Weaver reported that each year a Memo of Understanding (MOU) must be renewed with the California Department of Food and Agriculture (CDFA) to allow CAC to continue as administrator of the Avocado Inspection Program (AIP). The AIP handles avocado variety maturity standards, weight certification, uniformity of size, and ensures correct labeling of avocado cartons.

CAC has provided this administration service for the past 23 years, resulting in industry savings of approximately \$175,000 annually for a cumulative savings of over \$3.6 million due to the minimization of state government overhead expenses. CAC staff handles the collection and disbursement of certification fees with oversight by the Avocado Inspection Committee (AIC). Annual approval by the Board is required for CAC to continue administration of the funds.

MOTION: *The CAC Board of Directors approves the California Avocado Commission to continue to provide administrative services and perform as payroll paymaster and collector and dispenser of funds for the Avocado Inspection Program (AIP) during the State fiscal year 2008-09. (Egginger/Miles) MSC Unanimous*

CLOSED SESSION

There was a closed session at 10:25 p.m. to discuss threatened litigation. At 11:45 a.m. the closed session ended and the board meeting reconvened.

ADJOURN FOR LUNCH

Chairman Shade adjourned the Board for lunch at 11:46 a.m. and the Board reconvened at 12:40 p.m.

BOARD CHAIRMAN'S REPORT

Committee Appointments

The Chairman delayed this agenda item for later in the day.

The Year Ahead

The Chairman stated that he was developing a new strategic planning process for 2008 to institute a new kind of connection with growers under the theme of "Strategic Collaboration." The chief tactic for the Strategic Collaboration Planning Process is formation of District Advisory Squads headed by a Director and Alternate from each district. Each team would select 10 growers to meet in the field and discuss key issues facing the California avocado industry. Input from those meetings will be brought to the Commission's planning process at the Board's April planning session.

Board discussion ensued and 6 top issues were identified:

- 1) the CA Brand;
- 2) Relationship with Mexico & Chile;
- 3) Water Supply/Pricing/Efficiency;
- 4) Financial/Resources;
- 5) HAB & the Hass Category; and
- 6) Productivity, Quality & Labor.

A timeline and overview of the strategic process were reviewed as follows:

- February – District Advice Squads are formed and meet;
- March – District Advice Squads finalize input and bring key issues into the Planning Process;
- April – Commissioners conduct Planning Session and finalize strategic frame for 2008-09;
- May, June, July & August - Regular business planning as usual;
- September – Preliminary Plan, Budget, Assessment, Reserves are discussed and tentatively approved; and
- October – Final Plan, Budget, Assessment, Reserves are approved.

The Chairman stated that in late January there will be a step-by-step guide to assist the Commissioners for help in taking notes and bringing discussions to the table at the planning session.

The 2008 Strategic Collaboration Overview is attached to the permanent copy of these Minutes and identified as EXHIBIT C.

MARKETING REPORT

CONSUMER: Online, Public Relations and TRADE: Merchandising, Foodservice

Vice President of Marketing Jan DeLyser reported that the postponed presentations would be posted online for the Consumer and Trade areas that were going to be covered in the meeting.

CONSUMER RESEARCH

A & U Consumer Tracking and Research

Ms. DeLyster introduced Ken Roberts from Cooper Roberts Research who presented findings on U.S. consumer purchase and consumption behavior.

Mr. Roberts said they have conducted the tracking study since 1994. He provided an overview stating that their survey tracks trends and captures consumer insights on a national basis.

He noted that specific methodology is followed in the tracking and research process. Mr. Roberts reported that 32% of consumers said they purchased more avocados than in previous years. When asked if they were aware of where avocados are grown, it was reported that California recognition ranks highest, and that 76% preferred California avocados when given a choice of avocados from Mexico, Florida or Chile.

Board discussion followed.

HASS AVOCADO BOARD REPORT

HAB Chairman Len Francis reported that, as HAB Chair, his concerns have been the inefficiencies of the marketing programs. He mentioned that he created a Strategy Committee to receive input and discuss changes with all the Associations. He noted that one representative from each country sits on the Strategy Committee and mentioned that 10 members had attended the January 15, 2008 meeting; with 31 attendees in total, including representation from the Chilean Avocado Import Association (CAIA), Asociacion de Productores, Empacadores y Exportadores de Aguacate de Michoacan (APEAM), Mexican Hass Avocado Import Association (MHAIA), New Zealand and Dominican Republic.

Mr. Francis recapped the HAB role of promoting Hass avocados in the U.S. He gave an overview of the Strategy Committee and the issues that were discussed. The 6 key items for change or improvement are as follows:

- Board Representation
- Independence from CAC
- Using assessments to pay administrative expenses
- Change in the Rebate percentage
- Membership requirements for Importers associations.
- Referendum equivalency

HAB was cautioned that federal assessments cannot be used to lobby for a change to the Hass Avocado Promotion, Research, and Information Act. Francis shared the 2 motions that the committee agreed on:

1. To restructure the HAB Marketing Committee in order to create synergy and efficiencies in the marketing plans of all recognized associations.

2. For HAB to develop an informational paper laying out the 6 proposals by Mexico and Chile and distribute them to APEAM, Comite de Palta and CAC for discussion by their boards with a response due back by the March 2008 board meeting.

Mr. Francis reported that USDA-AMS was asked to look at the issue of avocados exported from the U.S. and whether assessments are due on imported product that was subsequently re-exported. There are few companies that import avocados into the U.S. and the assessment is collected by Customs and remitted to the HAB. Sometimes those avocados are sent to ripening facilities and then re-shipped to Canada or outside the U.S. He mentioned that USDA has asked the board to develop procedures for crediting companies for avocados that are imported into the U.S. and then are re-exported to other countries. The HAB directed Mr. Obregon to discuss the issue with HAB's private counsel and bring the comments/direction back to the board.

INDUSTRY AFFAIRS

Water Issues

CAC Senior Vice President/Corporate Counsel Tom Bellamore reported that a 30% reduction in deliveries under the interim agricultural water program (IAWP) was being implemented as planned. The IAWP, however, remains in jeopardy. In early January, the Metropolitan Water District's Water Planning and Stewardship Committee met to consider a water supply allocation plan, and staff recommended that member agencies taking agricultural water pay full price once deliveries to municipal and industrial customers are curtailed. Some at Metropolitan see the IAWP as a losing proposition because the cost associated with supplying untreated agricultural water in a non-surplus year is about \$360 per acre foot, but the price charged to member agencies is only \$261 per acre foot. This is because Metropolitan plans to procure transfer water at a cost of \$250 per acre foot to meet firm demands, including supplies delivered to agricultural customers.

The Commission sent a letter to Metropolitan General Manager Jeff Kightlinger on January 4, 2008 appealing that the staff recommendation be dropped, and representatives from Malcolm Pirnie, CAC's technical consultants on the water issue, held numerous meetings with Metropolitan's members and staff to achieve a positive outcome. In addition, CAC fielded a voter survey which showed clear support for agriculture and pricing based on the water management benefits our sector provides. On January 15, 2008, CAC representatives made a presentation before water agency managers at Metropolitan, underscoring the continuing importance of the IAWP.

Metropolitan is poised to take further action on the program in the first quarter of 2008. Possible outcomes include: 1) making agricultural customers pay a drought surcharge; 2) postponing review of the IAWP and including it in the

context of Metropolitan's overall Integrated Resources Plan; 3) phasing out the IAWP over a period of time; 4) voting the IAWP out immediately; and 5) maintaining the IAWP as a conservation program. It was noted that independent of the IAWP, Metropolitan's rates are expected to increase by 9 to 10% each year over the next three years. Mr. Roth was acknowledged for his active involvement on the water issue as Chairman of the Southern California Agricultural Water Team.

Sustainable Practices

CAC Director of Industry Affairs Dr. Guy Witney introduced the team from SureHarvest: Jeff Dlott, Andrew Arnold, and Dan Sonke. He reported that they will be working with industry, Golin Harris and DGWB (CAC's PR firm and ad agency respectively) toward a solid Sustainable Practices Program. Dr. Witney noted that stakeholder input meetings will be held throughout the industry in the coming months and to look for the announcements soon.

Crop Update

Dr. Witney reported the California harvest was still relatively slow at 736,000 pounds total for the week ending 1-15-08. Chile had imported 6,900,000 and Mexico 12,900,000 pounds over the same period.

Production Research

Dr. Witney announced that the first mini-symposium reporting on research will be held February 12, 13 and 14 with the Pest Research Team providing research reports and posters on this area of specialty in the program. He also reported that the Production Research Committee (PRC) was successful in securing a University of California Discovery Grant award in the amount of \$240,000, which will provide matching funds from the State to cover additional efforts in the genetics work being conducted in the Clegg lab at the University of California Irvine.

Crop Insurance Program

The natural disasters of 2007 exposed serious weaknesses in the Federal Pilot Avocado Crop Insurance Program. With only around 50% of the growers buying into the program at the minimum catastrophic (CAT) level, of those few were buying up for additional coverage.

Grower and CAC criticism of disaster assistance programs attracted the attention of politicians immediately after the firestorms. As a result the Risk Management Agency (RMA) was pressured by both State and Federal representatives to fix deficiencies in the Pilot Insurance Program. RMA appears to now be on a fast track to provide a new avocado insurance product, and we have been provided a draft of new policy provisions.

As it now stands, the new program will be much simpler to understand. These draft provisions still need tentative RMA Board approval, as well as outside

actuarial review, before moving for final RMA approval and release of the new insurance product.

Fire footprint and the role of orchards in fire abatement

Dr. Witney noted that groves proved to be one of the most effective firebreaks in the October 2007 firestorm disaster. Recognized University of California fire restoration ecologist, Dr. Edith Allen, studying the pattern of wildfires in Southern California had previously noted that avocado orchards were likely the single most important buffers preventing wildfire spread in recent disasters. The same has been publically noted by several fire officials. Dr. Allen has tentatively agreed to conduct a study of the firebreak role of avocado orchards in recent fires.

Working toward Section 18 label for Tre-Hold NAA

CAC is working with the CA Department of Pesticide Regulation, AMVAC the manufacturer of Tre-Hold and the IR-4 Program (which establishes residue tolerances for registration) to secure an emergency use label for NAA. Witney described the product which is a plant growth regulator in a paint base which when applied inhibits avocado sprout regrowth at the point of application. It has proved to be a very useful product in rejuvenating avocado orchards after stumping, staghorning, or even light pruning. It allows growers to restructure trees and control vigor so that watersprouts don't dominate new growth and shade out more desirable shoots.

Diaprepes Root Weevil Infestations

Witney said the CDFA recently announced that the Root Weevil program has moved from an eradication program to one of management. CAC believes this is largely a budget decision as the Department has had several major quarantine events across the State in recent months. CAC sponsored research on Diaprepes continues at the University of California Riverside (UCR) in their quarantine facility. Dr. Morse and his team have shown that the root weevil can complete its lifecycle on potted trees and he is testing different rootstocks to establish any potential differences in tolerance. Side-by-side the root weevil preferred citrus roots, but still caused severe damage to avocado roots.

Imidochloprid may help manage this pest although once a grove is infested it appears the pest is almost certainly going to establish permanently unless an expensive 3-5 year program of eradication through soil and foliar treatments is conducted.

Annual Meetings

Chairman Shade reminded the Board about the upcoming annual meetings on January 29 and 31 and encouraged them to attend to represent their districts.

Committee Appointments (postponed from earlier in the meeting)

The Chairman noted that in November the Board nominated the Executive Officers making up the Executive Committee as follows: Rick Shade; Chairman, Carol Steed; Vice-chair, Ken Roth; Treasurer and Tom Pecht; Secretary.

He reported Jerome Stehly as the Chairman of the Nutrition Committee and noted the Southern California Avocado Water Team consisting of Ken Roth, Chairman, and Chuck Bandy, Bob Coleman, Laura Eggering, Len Francis, Randy Haskell, Malcolm Matheson, Don Reeder and Charley Wolk.

Chairman Shade presented his Production Research changes – Shade removed Tom Markle and Ross Wileman from the PRC Voting Committee and replaced them with Randy Haskell and Chris Taylor.

The Chairman asked if there were any objections to the appointments; hearing none, the committees were accepted as presented.

There was a 5 minute break.

CLOSED SESSION

There was a closed session at 2:10 p.m. to discuss threatened litigation and the annual evaluation of performance for the President. At 3:20 p.m. the closed session ended and the board meeting reconvened.

ADJOURN MEETING

Chairman Shade reconvened the general session and announced that President Mark Affleck's performance review was discussed with a salary increase approved.

Chairman Shade adjourned the Board meeting at 3:20 p.m. The next Board meeting will be held on Thursday, March 20, 2008.

Growers are now able to view the CAC Board meetings via the Internet. The address for web broadcasts is: <http://video.avocado.org>

Respectfully submitted,

Laurie Hill, CAC Staff

I certify that the above is a true statement of the Minutes of January 17, 2008 approved by the CAC Board of Directors on March 20, 2008.

Tom Pecht, CAC Board Secretary