

CALIFORNIA AVOCADO COMMISSION
BOARD MEETING MINUTES
March 20, 2008

A meeting of the California Avocado Commission (CAC) Board was held on Thursday, March 20, 2008 in the Commission boardroom in Irvine, California, with the following people present:

MEMBERS PRESENT

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

Len Francis
HAB ex-officio

MEMBERS ABSENT

Tom Pecht, Secretary

CAC STAFF PRESENT

Mark Affleck
Tom Bellamore
April Aymami
Zachary Benedict
Betty Bohr
Wayne Brydon
Ray Chen
Dave Cruz
Jan DeLyser
Angela Fraser
Laurie Hill
Aria Lukman
Connie Stukenberg
Val Weaver

ALTERNATES PRESENT

Ernie Arana
Chris Ambuul
Andy Bailard
Scott Bauwens
John Conti
John Lindstrom
Bob Lucy
Ed McFadden
Earl Rutz
Alva Snider
Noel Stehly
Reed Webb

ALTERNATES ABSENT

George McManigle

OFFICIALLY PRESENT

Doug Koegeboehn, DGWB
Dennis Manderfield, CDFA
George Soares,
Kahn, Soares & Conway, LLP
Cathy Sosa, DGWB
Mark Weinfeld, DGWB
Temra Wald,
Walker Research Solutions

GUESTS PRESENT

Jack Abbott
Erin Adler
Cindy Affleck
Megan Affleck
Jennifer Baker Assidao
Marlene Betts
Adam Brohimer
Joe Charest
Bruce Egge
Susan Egge
Emiliano Escobedo
Jon Gothold
Karen Gorrell
Ben Holtz
Jamie Johnson
Kathleen Johnson
Mary Markle
James McCormac
Peggy McCormick
Marji Morrow
Steven Muro
Jose Luis Obregon
Kay O'Hara
Barbara Peirce
Mark Pepping
Sean Pirtle
Ann Segerstrom
Jerome Stehly
Bill Steed
Mauricio Tapia
Tom Weaver
Sandra Wellhausen
Katie Wild
Charley Wolk
Gary Woodworth

CALL TO ORDER

Chairman Rick Shade called the meeting to order at 10:10 a.m. with a quorum present. He noted that with the absence of Tom Pecht, his Alternate John Lamb was sitting in the member seat.

Introductions and Announcements

The Chairman announced that he would recognize those who would like to speak. He reminded everyone that there were many items to cover and asked that they keep their statements brief.

The Chairman recognized Tom Bellamore, Senior Vice President/Corporate Counsel, who announced that it was exactly 20 years ago that Mark Affleck was appointed by the Board as President/Chief Executive Officer. He took a moment to acknowledge Affleck's accomplishments over the years. He stated that the President is a visionary and an accomplished strategist, offering examples of his intuitiveness and leadership through programs such as the Water Program and the creation of the Hass Avocado Board. Mr. Bellamore noted that under the President's leadership, the growers have seen year after year of growth and stability.

Tributes were given by many Board Members, staff members and agencies as well as other leaders in the industry.

Val Weaver, Chief Financial Officer, took a moment to show a slide presentation and summarized the President's accomplishments from when he first stepped into his role and shared how he has provided strong leadership over the past 20 years. She also highlighted additional honors that he has received by the California Avocado Society and The Packer, a leading produce industry newspaper.

Ms. Weaver acknowledged his wife Cindy and daughter Megan who were in attendance to honor him and stated that the Commission thanked them for their support.

The Chairman and Vice Chair Carol Steed presented the President with a crystal sculpture of a lion. The Chairman stated that it represents the President's strength and leadership and his duty of keeping alert and watching out for the growers. The Vice Chair noted that the Commissioners gave personal donations and that the gift was not purchased with growers' money.

The Mark Affleck Tribute presentation is attached to the permanent copy of these Minutes and identified as Exhibit A.

The approval of Minutes and the Financial Report were delayed until later.

2008 CALIFORNIA AD CAMPAIGN

Vice President of Marketing Jan DeLyser introduced the California Grower Campaign, updating the Board on recent meetings with avocado industry stakeholders and retailers. She noted the positive response to the campaign and excitement for the launch.

She introduced Temra Wald, Vice President from C.A. Walker Research Solutions, who gave an overview of the recent focus group response to the proposed CAC creative campaign.

Ms. Wald reported that the goal of the focus groups was to gain insight into the campaign's ability to establish California avocados as the premium avocado. She showed video clips from the group featuring participants' comments on the creative and stating what "Hand Grown" meant to them. Ms. Wald showed four print ads, two radio ads and the TV advertising creative concepts to the groups for their input and reactions. She stated that the focus groups were positive in their response to the advertising campaign and that it was extremely well received.

Cathy Sosa, Media Director of DGWB Advertising, reported that the "Hand Grown" media campaign will drive awareness of the care that the California grower puts into making California Avocados the premium avocado. She said that CAC's target audience has been increased by 40 percent with the inclusion of men in the 25 – 54 age group. She discussed the media mix including print ads in national consumer publications, food related web sites, radio ads, billboards, bus shelters, posters and window clings in fitness centers, floor graphics in stores and display bins running from April into September when California avocados are in peak availability.

Mark Weinfeld, Planning Director of DGWB Advertising, presented the measurements CAC will use to evaluate the performance of the campaign. He said grower value tops the list and they will conduct tracking studies to measure purchase size, purchase frequency and consumer satisfaction with taste, freshness and quality. He gave an overview of purchasing habits during the California season and stated that the campaign sends a strong message to get consumers to insist on avocados that are Hand Grown in California.

Ms. DeLyser noted the prevailing trend of consumers demanding to know where their food is produced, which supports the California Grower Campaign.

There was some discussion on future labeling. It was mentioned that the growers should step up and request that their handlers use California labels. It was stated that handlers are doing more marketing and cross-merchandising programs to present an assortment of avocado usage.

The Consumer Advertising Campaign Presentation is attached to the permanent copy of these Minutes and identified as Exhibit B.

ADJOURN FOR LUNCH

The Chairman adjourned the Board for lunch at 12:15 p.m. and the Board reconvened at 1:00 p.m.

Approve Minutes

MOTION: *The CAC Board of Directors approves the January 17, 2008 Board meeting Minutes. (McIntyre/Markle) MSC Hofshi Abstained.*

MOTION: *The CAC Board of Directors approves the January 17, 2008 morning Closed Session Minutes as corrected - noting that Gene Carbone and Alva Snider were not in attendance and Reuben Hofshi was in attendance. (McIntyre/Markle) MSC 2 Abstained: Wileman, Carbone.*

MOTION: *The CAC Board of Directors approves the January 17, 2008 afternoon Closed Session Minutes as corrected - noting that Gene Carbone and Alva Snider were not in attendance and Reuben Hofshi was in attendance. (Markle/Miles) MSC 2 Abstained: Wileman, Carbone.*

There was a parliamentary inquiry from the floor. Attendee Ben Holtz questioned whether or not the February Board meeting was in violation of the California Government Code. He stated that a motion made in closed session should have been made during open session. Mr. Holtz hand-delivered a letter to Senior Vice President/Corporate Counsel Tom Bellamore at the meeting regarding alleged violations of the Government Code.

Mr. Bellamore explained that the action taken by the Board in closed session was covered by the pending litigation exception under the Open Meeting Act in order to protect attorney-client privilege.

MOTION: *The CAC Board of Directors approves the February 14, 2008 Board Meeting Minutes as presented (Steed/McIntyre) MSC 5 Abstained: Carbone, Carleton, Hofshi, Markle, Wileman*

Chairman Shade asked if there were any corrections to the *February Closed Session* Minutes. One Member felt it was necessary to have discussions for further clarification, so the Chairman announced there would be a closed session at the end of the meeting to discuss the Closed Session Minutes.

FINANCIAL REPORT

2007/08 Financial Report

Ms. Weaver reported three months of assessment reports had been received (November 2007 – January 2008). In all cases, actual crop volume, value and assessment revenues were below budget.

Outlook for the fiscal year shows the following:

- Crop Volume outlook is 374.9 MM lbs --- up 9.9 MM lbs from the 365.0 MM lbs. budget.
- Crop Value is \$337.3 MM --- up \$8.8 MM from the \$328.5 MM budget.
- CAC Total Assessment Revenues is \$16.6 MM --- up \$.3 MM from the \$16.3 MM budget.

U. S. Aggregate Volume by Month-Fiscal Year 2007-08:

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

- U.S. aggregate volume of all varieties in the domestic market place is higher by 58.4 MM lbs. and is now tracking at 1.1064 billion lbs. from the January 2008 estimate of 1.0480 billion lbs. due to additional volume from Chile (+47.3 MM lbs.), Mexico (+8.9 MM lbs.) and Florida (+2.2 MM lbs.).

Ms. Weaver mentioned she was notified this week that Mexico's volume was being reduced by 30 MM lbs. and Chile's by 10 MM lbs. over the May through August time-frame. Ms. Weaver will update the chart after receiving additional information on the volume and months needing to be reduced.

Commissioner Expense Reports

Ms. Weaver stated that she had recently received several late expense reports that were submitted for payment several months after a meeting had occurred and in some cases after the close of the fiscal year. She reminded the Commissioners of the protocol to submit the reports shortly after each meeting and no later than 60 days after a meeting. Those reports received after 60 days will be presented to the Treasurer for approval, unless an explanation is noted on the report. No payments will be made for late expense reports after the close of the corresponding fiscal year.

Budget Amendment #1

Ms. Weaver reported that CAC Budget Amendment #1 had been updated to include restatement of actual beginning reserves in the amount of \$2,825,700, as

approved by the Board on January 17, 2008 during the acceptance of audited financial statements for the year ending October 31, 2007.

MOTION: The CAC Board of Directors approves Budget Amendment #1, dated March 20, 2008 as presented. (Markle /Carbone) MSC Unanimous

Board discussion confirmed that CAC investments in the Local Agency Investment Fund, a pooled money investment fund managed by the State of California's Treasurer's Office, is invested in government approved securities and is protected by Statute.

The Financial Report Memorandum dated March 20, 2008 is attached to the permanent copy of these Minutes and identified as EXHIBIT C.

BOARD CHAIRMAN'S REPORT

World Avocado Congress Report

The Chairman called on Commissioner Bradley Miles to give a report on his trip to Chile. He reported that he was privileged to be able to visit Chile and to see avocado growers and their growing practices. He noted that Chile is a large growing region and that the European market is growing for imports as well. A report was submitted to the Board of Directors. He stated that he appreciated the opportunity to take the trip.

Commissioner Markle added that the growers in Chile are very serious and they know that their production will cause a huge influx into the market. One Member noted that Chile has the same water situation as California and consequently are cutting down and taking out new plantings. He reported that Chile's volume during the next shipping season will be less than is currently being reported.

A copy of the VI World Avocado Congress report to the Board is attached to the permanent copy of these Minutes and identified as EXHIBIT D.

Executive Committee Meeting Update

Advice Squad Updates

The Chairman reported that the Commissioners held Advice Squad Meetings over the past month to receive input from growers in their districts about key issues that are top of mind. He thanked the members for conducting their advice squad meetings and providing their meeting summaries. He also thanked Bradley Miles for conducting the Visalia meeting, and for attending the Chairman's additional meetings in Goleta and San Luis Obispo. He commended Ken Roth for his group meeting that had many items discussed and resulted in two three-hour sessions. He also thanked the growers for their participation.

April Planning Meeting

The Chairman announced that the April Planning Session will take place on Friday and Saturday April 11 and 12 to discuss the District Advice Squads' key

issues. He said that he attended some of the meetings and has read all of the meeting summaries. The Chairman stated that the entire Board is involved in discussions and voting on issues to help the growers move forward. He stated that all growers should be proud of the work accomplished on behalf of the industry.

AVOCADO INSPECTION COMMITTEE / MEMBER RECOMMENDATIONS

Ms. Weaver reported that the Avocado Inspection Committee (AIC) met and approved new members to serve on their Committee. She noted that the AIC requests CAC to send a letter of recommendation of AIC nominees to CDFA.

MOTION: *The CAC Board of Directors approves the following people as AIC Grower, Alternate Grower and Handler Members for a two-year term commencing May 27, 2008 – May 27, 2010.*

<u>Name</u>	<u>Grower or Handler</u>
Reuben Hofshi	Handler
Mark Wollam	Grower
Bob Bednar	Grower
Ohannes Karaoghlanian	Alternate Grower

(Reeder/Markle) MSC Unanimous

PRESIDENT'S REPORT

The Chairman stated that the President will postpone his report to a later date to keep the meeting on track.

The *Hass Avocado Board (HAB) Informational Brief* discussion with HAB Chairman Len Francis was delayed until later in the meeting

INDUSTRY AFFAIRS

Water Rates

Mr. Bellamore reported that wholesale water rates set by the Metropolitan Water District are on the increase; updated water rate information has been posted on the Commission's web site.

Organic Exemption

Bellamore called the Members attention to an Issue Brief in the Board packet, explaining that new language in the Senate version of the 2007 Farm Bill would exempt certain organic producers from payments of assessments to federal commodity boards, such as the Hass Avocado Board, and possibly state commodity boards, like CAC, if enacted. Previously, organic producers were exempt from federal assessments only if they produced and marketed solely 100 percent organic products. The new, proposed language would exempt organic producers if they have any organic production. At the request of the Vice Chair, a draft letter to the House Agriculture Committee had been prepared for Board consideration. The draft letter opposes any change to the existing legislation,

citing revenue loss to the Commission as the primary reason for maintaining the current law.

One Commissioner stated that as an organic grower benefits are still received from the CAC marketing programs.

Board discussion ensued.

MOTION ***The Board of Directors opposes any change to the current language governing payment of federal assessments by organic producers and directs staff to send a letter indicating same to the House Agriculture Committee. (Carleton/Miles) MSC 1 Abstained – Hofshi***

2007-08 Crop & Imports

Field Program Manager, Wayne Brydon reported that the California harvest was still relatively slow at 6,335,725 pounds total for the week ending March 15, 2008. Chile had imported 1,414,500 lbs. and Mexico 12,705,418 lbs. over the same period. The harvest this season is 40,940,795 lbs. behind the weekly shipment projections based on an historical distribution (4-year average).

Research Proposal

Brydon noted that Dr. Witney has been in contact with Edith Allen, Ph.D., University of California, Riverside, and conservation biologist, who has submitted a research proposal to study the role of avocado groves as buffers for wildfires in Southern California with a budget of \$48,653 for a one year period, July 1, 2008 to June 30, 2009. This proposal was submitted to the Board for consideration only at this time; if there is interest, it will be brought before the Board for future consideration.

It was mentioned that some insurance companies are considering not renewing policies on properties that do not have clearing of at least 1,250 feet from wild-land areas.

It was stated that irrigated orchards are a distinct fire buffer according to the fire departments.

Light Brown Apple Moth (LBAM)

Brydon reported that in February one LBAM was trapped on Foothill Rd. in Carpinteria and a second moth was trapped in early March triggering a quarantine. He stated that the official boundaries are yet to be determined; however the quarantine zone will be no less than 1.5 mile radius from the 4500 block of Foothill Rd. He also reported there are approximately 643 acres and 90 growers within the 1.5 mile radius. CAC hosted a growers meeting in Carpinteria on Tuesday, March 18, 2008 with the CDFA/LBAM Project whereby growers were able to sign compliance agreements with the project that allows growers to harvest as long as they stay in compliance.

A comment was made that the County of San Diego Agricultural Commissioner will not let *Agri-Mek* or *Success* be sprayed if there are any bees present in the treatment area, per label requirements.

Other county Agricultural Commissioners have allowed for pre-bloom and post-bloom applications that differ from San Diego. Board Discussion ensued.

A Commissioner had asked if CAC can request organic acreage reporting on the Crop Report. Brydon stated that the mid-season crop estimate update had already gone to print; however the 2009 Crop Survey can be revised to ask growers to report and list separately total organic acreage and total conventional acreage farmed.

The Issue Brief: Organic Exemption handout is attached to the permanent copy of these Minutes and identified as EXHIBIT E.

The Industry Affairs Report is attached to the permanent copy of these Minutes and identified as EXHIBIT F.

HAB REPORT

HAB Chairman Len Francis reported HAB had drafted an Informational Brief that included six proposed changes to the Hass Avocado Promotion, Research and Information Act (ACT) from avocado Industry Associations in Chile and Mexico.

The proposed changes are:

1. Representation on the Board
2. Independence from CAC (Program Management)
3. Increased Rebate Percentage
4. All-inclusive membership to import associations
5. Assessment dollars for administrative costs
6. Referendum equivalent votes

Mr. Francis informed the Board that after investigating all avenues and aspects of proposed changes, a motion was made that HAB is not the correct vehicle for pursuing these changes and would not take a position on any of the proposed changes.

Payroll Change

Mr. Francis also informed the Board that the HAB Board approved establishing its own payroll and pension plan and removing its Managing Director from CAC's.

He explained that CAC had been providing HAB this service as part of their administrative service contract.

NEW BUSINESS

Board Member Travel

Commissioner Hofshi stated that when growers pay for a Board Member to go on a trip, the growers deserve a report. Discussion ensued and the following motion was made:

MOTION *The Board of Directors approves a policy to have Commissioners, when sent on a trip by the Board, produce a detailed written report that will be available to the industry. (Hofshi/Markle) MS*

After further discussion, the MOTION WAS WITHDRAWN.

The Board agreed that the Chairman should stipulate what is required of the Commissioners at the front end of a trip. It was noted that time taken for a trip is volunteer only and that Commissioners are taking time away from their own businesses to travel.

It was stated for the record: Mr. Markle asked Mr. Hofshi if he felt that his rights had been violated. Mr. Hofshi stated that he felt he was in violation of ethics for not offering a report to the Board on his trip to Chile.

A copy of the Hofshi Email is attached to the permanent copy of these Minutes and identified as EXHIBIT G

There was a five-minute break.

CLOSED SESSION

The Chairman called for a Closed Session at 2:10 p.m. At 3:25 p.m. the Closed Session ended and the Board meeting reconvened.

Commissioners Wileman and Carbone were not present for the closed session nor the open session prior to adjournment.

OPEN SESSION

The Chairman reconvened the general session and announced that the Closed Session Minutes were approved during closed session.

The Chairman opened the floor for discussions on language proposed for inclusion in the 2007 Farm Bill that would amend the Hass Avocado Promotion Act. Before the Board for discussion were three amendments. The first one—raising the rebate amount from 85 to 95%--had already been advanced to the Agriculture Committee by CAC in February 2008 at the Board's direction. Since then, two other amendments were proposed by Mexico's industry association, Asociacion de Productores, Empacadores y Exportadores de Aguacate de Michoacan (APEAM). These are changes that would allow: 1) federal

assessments to be used for administrative expenses associated with marketing and promotion of Hass avocados in the U.S., and 2) importer associations to claim a rebate for all avocados imported from their country of origin, not just those imported by their members. Board discussion on the three amendments ensued. Some members objected to any changes in the Hass Promotion Act, while others were opposed to only those proposed by APEAM. It was acknowledged that a rebate increase from 85% to 95% would generate about \$1.3 million for the Commission's new "Hand-grown in California" campaign.

It was clarified that USDA would not allow federal assessments to be used for litigation or other non-program related costs.

MOTION ***The Board of Directors approves to adjourn the meeting.
(Roth/Reeder) MSC Unanimous***

ADJOURN MEETING

The Chairman adjourned the Board meeting at 3:50 p.m. The next Board meeting will be held on April 11 & 12, 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 March 20, 2008 approved by the CAC Board of Directors on May 15, 2008.

Rick Shade, CAC Board Chairman