

**CALIFORNIA AVOCADO COMMISSION
BOARD MEETING MINUTES
May 15, 2008**

A meeting of the California Avocado Commission (CAC) Board was held on Thursday, May 15, 2008 in the Commission boardroom in Irvine, California, with the following people present:

MEMBERS PRESENT

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

MEMBERS ABSENT

Ken Roth, Treasurer
Reuben Hofshi
Ross Wileman

CAC STAFF PRESENT

Tom Bellamore
April Aymami
Zachary Benedict
Wayne Brydon
Ray Chen
Dave Cruz
Jan DeLyser
Angela Fraser
Laurie Hill
Dave Howald
Aria Lukman
Connie Stukenberg
Val Weaver
Guy Witney

ALTERNATES PRESENT

Chris Ambuul
Andy Bailard
John Conti
John Lamb
John Lindstrom
Ed McFadden
Earl Rutz
Alva Snider
Noel Stehly
Reed Webb

ALTERNATES ABSENT

Ernie Arana

OFFICIALLY PRESENT

Marlene Betts, USDA
(via videoconference)
Dennis Manderfield, CDFA
Bob Maxie, CDFA
Darrell Nelson, Chairman
Production Research
Committee
George Soares, Kahn
Soares & Conway

GUESTS PRESENT

Chuck Acocello
Dan Coxe
Austin Gavin
Phil Gilligan
Ben Holtz
James McCormac
Kellen Newhouse
Jose Luis Obregon
Gwen Peterson
Barbara Peirce
Enola Price
Scott Scarbrough
Jerome Stehly
Charley Wolk
Gary Woodworth

CALL TO ORDER

Chairman Rick Shade called the meeting to order at 10:10 a.m. with a quorum present.

Introductions and Announcements

The Chairman noted that Marlene Betts, USDA was attending via video conference.

CLOSED SESSION

The Chairman called for a Closed Session at 10:15 a.m. At 10:45 a.m. the Closed Session ended and the Board meeting reconvened.

OPEN SESSION

The Chairman reconvened the general session and announced the actions taken during closed session.

He reported that Mark Affleck faxed a letter to CAC this morning resigning as President. The Chairman read the President's resignation letter to the Board.

The 2 actions taken in Closed Session were:

1. The Board voted to accept the President's resignation.
2. The Board appointed Sr. Vice President/Corporate Counsel Tom Bellamore as *Interim Chief Operating Officer (COO)* until the Executive Committee can conduct a search and find an appropriate individual to serve as President.

The Chairman reported that the CAC Board Officers will assist operations until a new President is hired.

Jim Curwen Memoriam

Vice President of Finance/Administration Val Weaver noted that she and Production Research Manager Betty Bohrk attended the memorial services for Jim Curwen. Mr. Curwen passed away on February 22, 2008, at 90 years old. Ms. Weaver said that Mr. Curwen was a Board Member for 6 years. He sold his grove in 1998 and continued to support California avocados throughout his entire life.

Bob Lucy said he was a gentleman who will be dearly missed. It was noted that flowers and a card had been sent to his family.

MOTION: *The CAC Board of Directors expresses its sympathy to the family of Jim Curwen, former CAC Board Member, with a donation to be made to the family's charity of choice; Bob Given Ocean Conservation Fund, in the amount of \$100.00. (Gene Carbone/Ohannes Karaoghlanian) MSC*

Approve Minutes

The Chairman inquired as to whether there were any additions or changes to the minutes.

March 20, 2008 Minutes:

Vice Chair Carol Steed wanted language added to the Organic Exemption portion of the minutes on page 7 and 8 noting that the letter to be sent to the House Agriculture Committee was in opposition to any change in the current law.

Ben Holtz noted that George Soares was present.

Ben Holtz asked that his name be added under the parliamentary inquiry item on page 4. He also asked that it be noted on that same page that he hand delivered a letter to Mr. Bellamore at the meeting regarding alleged violations of the Government Code.

The Chairman advised the Board that the action regarding the Farm Bill issue on page 11 was not proper since the item had not appeared on the meeting agenda. Consequently, the motion and vote on this item will be removed from the record.

**MOTION: *The CAC Board of Directors approves the March 20, 2008 Board meeting Minutes with amendments.
(Steed /Carleton) MSC McManigle abstained.***

April 11 & 12, 2008 Minutes:

Ohannes Karaoghlanian asked that the record reflect on page 1 that he hand delivered a letter to the Chairman on April 11, 2008 rescinding Mr. Karaoghlanian's vote on the Farm Bill issue.

**MOTION: *The CAC Board of Directors approves the April 11 & 12, 2008 Board meeting Minutes with amendments.
(Carleton/Pecht) MSC***

FINANCIAL REPORT

2007/08 Financial Update

Ms. Weaver reported five months of assessment reports had been received (November 2007 – March 2008). Actual crop volume was down 4.3 MM lbs. at 56.7 MM lbs., but value was up \$7.2 MM to \$51.2 MM and assessment revenue was up \$.045 MM to \$2.450 MM.

Outlook for the fiscal year shows the following:

Crop Volume outlook is 340.0 MM lbs --- down 25.0 MM lbs from the 365.0 MM lbs. original budget.

Crop Value is \$346.2 MM --- up \$17.7 MM from the \$328.5 MM budget.

CAC Total Assessment Revenues is \$16.2 MM --- down \$.1 MM from the \$16.3 MM budget.

Reserves are estimated \$3.3 MM – down \$.1 MM from the \$3.4 MM budget.

Ms. Weaver mentioned that the cash flow spreadsheet showed a negative cash balance for April through August and that she may have to borrow from CAC's line of credit. Front end program costs have depleted reserves while waiting for growers to harvest their fruit. In addition, contributing to the situation was CAC's advertising agency invoicing for a full year of media costs instead of invoicing as each month's media costs were incurred. A hold was placed on those incorrect invoices and they were not paid. She is working with the agency to correct the error and re-invoice CAC.

Aggregate Volume Outlook FY 2007-08

The U.S. aggregate avocado volume outlook for FY 2007-08 for all varieties has been updated to reflect import data received from Customs through April 2008 and grower data from California handlers through March 2008. Volume is spread by month based on estimated market trends as follows:

U.S. aggregate avocado volume of all varieties in the domestic market place is lower by 62.3 MM lbs. and is now tracking at 1.0441 billion lbs. from the March 2008 estimate of 1.1064 billion lbs. This is due to a reduction in volume from California (-34.9 MM lbs.), Chile (-7.9 MM lbs.), and Mexico (-19.5 MM lbs.).

FY 2007 Assessment Audit

The Chairman postponed the issue until next month since Mr. Acocello had to leave for an appointment.

The Financial Report Memorandum dated May 15, 2008 is attached to the permanent copy of these Minutes and identified as EXHIBIT A.

BOARD CHAIRMAN'S REPORT

Executive Committee Meeting Update

The Chairman reminded the Board that he already given an update on the Executive Committee meeting with the announcement of the President resigning.

Committee Appointments

The Chairman reported that the Board of Directors gave a recap of their Advice Squad planning meetings in April so that the Board can conduct long-term planning based on input from growers. He noted that key topics were discussed regarding what the industry is facing and that he decided he would appoint several new Committees.

The Chairman appointed the following Committees:

Bylaw Committee: Tom Pecht, Chair; and John Lamb, Bradley Miles, Don Reeder.

Communications Committee: Laura Eggering, Chair; and Chris Ambuul, Noel Stehly. Ben Holtz declined.

Labeling Committee: Carol Steed, Chair; and Scott Bauwens, Will Carleton, Jan DeLyser, Bob Lucy, Ross Wileman. Gene Carbone declined.

Quality Committee: Carol Steed and Reuben Hofshi.

With no corrections or amendments made to the Committee appointments, the Chairman declared them approved as submitted.

Board Member Conduct

The Chairman indicated that he desired to see improved performance from the Board of Directors and he read the 'Duties of the Members' from the Robert's Rules of Order:

DUTIES OF THE MEMBERS

Members should attend meetings, be on time, and know the rules of parliamentary procedure. It takes two to tango, and to make a meeting go smoothly, both the presiding officer and the members need to know the parliamentary rules.

Members need to prepare themselves for leadership roles.

Members should accept committee assignments and perform the tasks given to them in a timely manner.

Members need to work harmoniously with other members even though they don't always agree with them.

In debate, each member has the right to sway the membership to his or her point of view. If a member votes with the losing side, the member must respect the fact that the majority rules and cheerfully carry out the membership's wishes.

Members must be impartial, fair, and courteous in meetings. This means respecting the rights of others, especially in debate. Members should call out a point of order only when a serious breach of the rules has taken place. Members should listen attentively and courteously to the other members and wait in turn to speak. All members must ensure that majority rule does not become mob rule by protecting the rights of the minority and by not gaveling through or railroading through any business. It is important that each member diligently follow this principle, because today a member might side with the majority, and tomorrow side with the minority.

When the bylaws or other rules of the organization are not being followed or when members' rights are being taken away in a meeting, members have a responsibility to courteously call the violation to the attention of the membership.

The Chairman then asked Darrell Nelson to provide his update on the Production Research Program prior to the scheduled United States Department of Agriculture (USDA) Fruit Fly Regulations report.

PRODUCTION RESEARCH UPDATE

Production Research Committee (PRC) Chairman Darrell Nelson gave a summary on the Production Research Program. He reported that various parts of the program have been restructured including the introduction of quarterly research symposia replacing the single Annual Symposium at UCR, which he said had already exposed more growers to the research program and provided access to researchers across the industry.

Mr. Nelson also noted that Wayne Brydon, Field Services Manager, is working well with researchers, particularly David Crowley who Brydon assisted by locating cooperators for an industry-wide salinity research project. He indicated that one more staff person would be helpful in the Industry Affairs Department to assist Dr. Guy Witney in grower outreach. He said that he and Dr. Witney have been discussing options that will be brought to the Board at a later date.

Overall quality of the projects is improving considerably. New changes in the PRC have proved to be successful in bringing the Committee back on track. It was reported that most Sub-Committees have planned meetings in the next few weeks with their respective research teams to review progress.

The Chairman reminded PRC Chair Nelson that he can share ideas with Ms. Eggering as Chair of the newly appointed Communications Committee to disseminate the information to the grower community to help increase grower production.

There was an update on the Breeding Program by Breeding Sub-Committee Chairman John Lindstrom stating that his sub-committee is very active. He reported that they will be meeting on July 8th at South Coast Field Station with researchers to have a brainstorming session and that all Board Members are invited to attend. He noted that several projects are nearing completion.

It was mentioned that a copy Dr. Greg Douhan's presentation was available. This included information on Akif Eskalen, the new UCR Extension Pathologist, and the second position CAC leveraged in the Plant Pathology Department.

It was noted that the Research meetings have been ongoing in conjunction with the University of California Cooperative Extension, California Avocado Society and USDA.

USDA PROPOSED RULE REGARDING MEXICAN FRUIT FLY REGULATIONS

COO Bellamore delivered a presentation regarding proposed regulations that would remove the requirement for trapping and bait spraying for Mexfly and Sapote fruit fly as part of the avocado import program systems approach in

Mexico, while also removing the same requirements in a domestic quarantine situation involving these species. He first acknowledged that Vice Chair Steed had successfully arranged a meeting to bring Commissioner Hofshi and Mr. Bellamore together to discuss their different perspectives on the proposed rule. It was reported that the meeting was productive and that Mr. Hofshi and Mr. Bellamore agreed to collaborate on the preparation of comments. It was further agreed that CAC would seek an extension of the comment period.

The presentation set the context for the proposed rule by reviewing the chronology of the issue and the nature of comments previously submitted by CAC in response to notice and comment rulemaking by USDA. The pivotal point on the issue has been publication of research by Dr. Martin Aluja regarding the host status of Hass avocados. Dr. Aluja's study appeared in the April 2004 edition of the Journal of Economic Entomology. Two years later, technical experts from USDA and the Mexican Department of Agriculture (SAGARPA) met in Fresno, CA to discuss possible changes to the systems approach. The proposed rule is the outcome of that meeting. It was noted that the Aluja study has provided USDA with a legal basis for its proposals, despite shortcomings of the research. The reasons for this were enumerated in the presentation. A question and answer period followed the presentation, during which the complexity of the issue was illuminated. Growers in California faced with a domestic Mexfly quarantine would like to harvest their fruit without bait spraying primarily as a matter of parity. From USDA's perspective, however, it is the Aluja research that supports a regulatory change that would remove the bait spraying requirement. The challenge during the comment period will be to balance the arguments for continuation of fruit fly monitoring in Mexico with removal of bait spray requirements in California. In the Valley Center Mexfly quarantine alone, growers spent over \$1.4 million to bait spray their crops.

The USDA Proposed Rule dated April 2, 2008 is attached to the permanent copy of these Minutes and identified as EXHIBIT C.

ADJOURN FOR LUNCH

The Chairman adjourned the Board for lunch at 12:00 p.m. and the Board reconvened at 12:50 p.m.

INDUSTRY AFFAIRS

2007-08 Crop & Imports

Dr. Witney indicated that the California harvest had picked up velocity and weekly shipping volumes were now near projection after a slow start. He noted that Mexico had been a valuable resource for California handlers who had difficulty procuring the volume of size 48 and larger fruit to meet customer demand.

Dr. Witney reported that the 2007-08 Mid-Season Crop Projection has been completed and the total crop for California is now projected to be 340 million

pounds based on an acreage inventory of 65,497 bearing acres established in 2006.

He stated that total California crop is estimated around 9% lower than CAC's Pre-Season numbers. However, Dr. Witney stated that weekly shipping volumes projected for the rest of the California shipping season will likely remain as strong as the pre-season projections had indicated, adding that this is because California growers held back on early-season picking longer than crop models based on historic trends would have .

Dr. Witney expressed appreciation to the growers, grove managers and handler field representatives that participated and returned their crop surveys, noting that almost 50% of all California avocado acreage is represented in the estimate.

Call for Pre-Proposals

Dr. Witney commended the PRC Chair for doing a great job as Chairman, and that the changes he had implemented were showing good results. For example a complete rewrite of the Request for Proposals with the addition of a pre-proposal step in the competitive grants process had attracted 24 new research pre-proposals, up from just 4 new proposals the year prior. He said that the call for pre-proposals attracted researchers from across the country and as far off as South Africa; noting that the suggested projects address most of the research priorities. He said that the Committee would review pre-proposals and recommend those who will be invited to submit full proposals for consideration in mid-June.

Supplemental Income

Dr. Witney gave a recap on the three awards that were secured for the 2007-08 fiscal year from outside granting agencies to help supplement CAC's budget on prioritized research needs. They included:

\$240,000 over 3 years from the UC Discovery Program as cost-share in support of Dr. Mike Clegg and associates, UC Irvine, in the development of molecular tools for accelerating the genetic improvement of avocado.

\$170,000 over two years from California Department of Water Resources (DWR) to install, monitor and establish utility of ET-based irrigation controllers. The goal is to see if technology provides a reliable tool for growers to use for improving irrigation efficiencies and production.

\$10,000 from the Federal Risk Management Agency (RMA) to partially defray costs incurred by CAC in delivery of the 2007-08 mini-symposium series of grower meetings.

He reported that a similar \$10,000 support of CAC expenses is also expected for 2008-09 program activities.

Highlights of Progress in CAC-Sponsored Pest Research

Dr. Witney gave an overview of advances in pest research sponsored by the Commission and indicated that in the future he hoped he would be able to provide the Board similar updates on the Production Research Program by covering one sub-committee's research discipline at each Board.

Dr. Witney also noted that CAC is currently making website improvements to the research section of the Grower area of the Website, noting that each CAC-sponsored project will have a single portal containing an archive of all proposals, mid-year, end-of-year reports, and final write-up; as well as links to scientific articles generated through the research.

The SCAWT Website is moving to the servers currently housing the CAC suite of websites. Dr. Witney said this would make administration of the sites more efficient and water information easier to find.

The COO added that the AgWater newsletter is in the Director's Board Packets and will be mailed to all the growers, noting that it covers information on the Interim Agricultural Water Program (IAWP).

There was Board discussion about the IAWP. It was noted that the MWD is conducting a comprehensive Public Relations effort to raise public awareness of the drought. The Board was reminded that the endangered species in the Delta is inextricably linked to the reduction in MWD supply.

It was reported that approximately 60 - 65 percent of avocado growers are affected by the water shortage.

The COO said that Ed Means, Malcolm Pirnie LLC, will present a full report in the near future on CAC's activities to address the water crisis. He mentioned that the issue has parallels to labor reform. Many organizations are involved, and CAC contributes as part of a broader coalition.

The Chairman reminded the Board that the consensus from the Advice Squad Meetings was to leverage CAC's marketing dollars as well as it can.

LEGAL AFFAIRS

The COO advised the Board that the Superior Court of California had issued a Tentative Ruling on April 28, 2008 in the litigation brought by APEAM against the California Department of Food and Agriculture. The minute order issued found that: 1) the Court has jurisdiction; 2) State government is not immune from claims of negligent inspection; 3) APEAM's allegations of federal preemption are sufficient; 4) APEAM has standing to bring suit; and 5) APEAM has leave to amend on other causes of action. Regarding APEAM's suit against CAC, initial briefs and subsequent replies have been filed with the U.S. District Court, Eastern Division and a hearing on motions filed by CAC has been continued to June 2, 2008.

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

OPPORTUNITY FOR PUBLIC COMMENT

Ben Holtz noted that he had requested some documents under the Public Records Act (PRA) and was still in the process of receiving them. He asked the Board if it would waive the 15 cents per copy cost, unless it is higher than \$500 dollars in cost. He stated that his costs are expected to be approximately \$300.

Will Carleton asked Mr. Holtz what he is doing with the records. He said that he is learning the business and how it works. Ms. Weaver reported that a total of two CAC employees have provided approximately two full weeks working on the PRA requests to date.

The Board consensus was not to support the request.

The COO reported that the Act prohibits public records to be given in only electronic form, unless requested. Mr. Holtz responded by saying electronic documents will be acceptable from now on.

It was suggested that Mr. Holtz formally submit his request as an action item for a future agenda.

Mr. Lucy requested that Vice President of Marketing Jan DeLyser provide at least a 10-minute marketing update at each Board meeting.

There was a request of time and dates of when the Commission's ads are being run. Ms. DeLyser will post them on the CAC website.

A motion to adjourn was put to the Board.

**MOTION: *The CAC Board of Directors agreed to adjourn.
(Carleton/Lucy) MSC***

ADJOURN MEETING

The Chairman adjourned the Board meeting at 1:40 p.m. The next Board meeting will be held on June 19, 2008.

Respectfully submitted,

Laurie Hill, CAC Staff

I certify that the above is a true statement of the Minutes of May 15, 2008 approved by the CAC Board of Directors on June 19, 2008.

Rick Shade, CAC Board Chairman