

**CALIFORNIA AVOCADO COMMISSION
BOARD MEETING MINUTES
November 29, 2007**

A meeting of the California Avocado Commission (CAC) Board was held on Thursday, November 29, 2007 in the Commission boardroom in Irvine, California, with the following people present:

MEMBERS PRESENT

Rick Shade, Chairman
Carol Steed, Vice-Chair
Tom Pecht, Secretary
Ken Roth, Treasurer
Will Carleton
Laura Eggering
Reuben Hofshi
Ohannes Karaoghlanian
Tom Markle
Scott McIntyre
Bradley Miles
Don Reeder
Ross Wileman

Len Francis
HAB ex-officio

MEMBERS ABSENT

Gene Carbone
Susan Randolph
Public Member

CAC STAFF PRESENT

Mark Affleck
Tom Bellamore
Betty Bohr
Wayne Brydon
Dave Cruz
Jan DeLyser
Angela Fraser
Laurie Hill
Aria Lukman
Connie Stukenberg
Val Weaver
Guy Witney

ALTERNATES PRESENT

Ernie Arana
Chris Ambuul
Andy Bailard
John Lamb
John Lindstrom
Bob Lucy
Ed McFadden
Earl Rutz
Noel Stehly
Reed Webb

ALTERNATES ABSENT

Scott Bauwens
John Conti
George McManigle

OFFICIALLY PRESENT

Marlene Betts, USDA
Dennis Manderfield, CDFA
Doug Koegeboehn, DGWB
John Gothold, DGWB
Mark Weinfeld, DGWB

GUESTS PRESENT

Jennifer Baker - Assidao
Earl Bowerman
Adam Brohimer
Joe Charest
Brian Darney
Kathleen Johnson
Marji Morrow
Jim McCormac
Peggy McCormick
Carol McIntyre
Sam McIntyre
Lucy Moore
Jose Luis Obregón
Barb Peirce
Mark Pepping
Sean Pirtle
Mike Plater
Gwen Peterson
Scott Scarbrough
Jerome Stehly
Lori Small
Sandra Wellhausen
Charley Wolk

CALL TO ORDER

Dennis Manderfield, representing the California Department of Food and Agriculture (CDFA), called the meeting to order at 9:03 a.m. and presided over the meeting until the chairperson was elected.

2007-08 CAC Board Election Results

Manderfield read the official results of the 2007-08 California Avocado Commission (CAC) Board of Directors election for two-year terms.

<u>Producer</u>	<u>Member</u>	<u>Alternate</u>
District 1	Carol Steed	Chris Ambuul
District 2	Ken Roth	George McManigle
District 3	Laura Eggering	Reed Webb
District 4	Tom Pecht	John Lamb
District 5	Rick Shade	John Conti

<u>Handler Member</u>	<u>Handler Alternate</u>
Will Carleton (Las Palmitas)	Ernie Arana (Prime Produce International)

<u>Handler Member</u>	<u>Handler Alternate</u>
Reuben Hofshi (Del Rey Avo.)	Bob Lucy (Del Rey Avo.)

The 2007-08 Board Election Results memo is attached to the permanent copy of these Minutes and identified as EXHIBIT A.

Roll Call

Manderfield called the roll and announced a quorum was present.

Instruction to Duties and Functions of the Board

Manderfield reviewed the *Board of Directors Responsibilities & Functions* and the responsibilities of the Chairperson, Vice-Chairperson, Treasurer and Secretary.

The complete Board of Directors Responsibilities & Functions are attached to the permanent copy of these Minutes and identified as EXHIBIT B, 1-6.

Election of the Chairperson

Nominations were opened for Chairperson and Tom Pecht nominated Rick Shade.

Through a motion made by Tom Markle, seconded by Scott McIntyre, nominations were closed and a Unanimous Ballot, with one abstention, was cast for Rick Shade as Chairman of the Board for the 2007-2008 season.

Will Carlton abstained from voting for the executive officers and stated the Bylaws should be revisited to allow handlers to serve as officers.

CHAIRPERSON TAKES GAVEL AND PRESIDES

Chairman Rick Shade thanked the board for their vote.

Election of the Vice-Chairperson

Nominations were opened for Vice-Chairperson and Tom Markle nominated Carol Steed.

Through a motion made by Scott McIntyre, seconded by Ken Roth, nominations were closed and a Unanimous Ballot was cast for Carol Steed as Vice-Chairperson of the Board for the 2007-2008 season.

Election of the Treasurer

Nominations were opened for Treasurer and Bradley Miles nominated Ken Roth.

Through a motion made by Tom Pecht, seconded by Laura Eggering, nominations were closed and a Unanimous Ballot was cast for Ken Roth as Treasurer of the Board for the 2007-2008 season.

Election of the Secretary

Nominations were opened for Secretary and Carol Steed nominated Tom Pecht.

Through a motion made by Scott McIntyre, seconded by Bradley Miles, nominations were closed and a Unanimous Ballot was cast for Tom Pecht as Secretary of the Board for the 2007-2008 season.

Approve Minutes

The Minutes of October 18, 2007 were presented and approved.

MOTION: *The CAC Board of Directors approves the October 16, 2007 Board Meeting Minutes as presented. (Reeder/Roth) MSC Unanimous*

FINANCIAL REPORT

2006-07 Financial Review

Val Weaver provided the following 11 months actual results from November 2006 through September 2007:

- Crop Volume is above budget at 257.7 million pounds – up 7.7 million pounds from the 250.0 million pounds estimate.
- Crop Value is above budget at \$243.1 million, up \$2.0 million from the \$241.1 million estimate.

- Total Assessment Revenues are above budget at \$10.5 million – up \$.2 million from the \$10.3 million budget.

Weaver reported that crop volume, crop value, assessment revenues and reserves are tracking above budget as the crop completes the year and using an estimate for the month of October. Projections for the FY are as follows:

- Estimated Annual Crop Volume = 259.4 MM lbs. (up 7.4 MM lbs. over the 252.0 MM lb. budget)
- Estimated Annual Crop Value = \$245.0 MM (up \$1.2 MM from the \$243.8 MM budget)
- Estimated CAC Revenues = \$10.5 MM (up \$.1 MM from the \$10.4 MM budget)
- Estimated CAC Reserves = \$2.0 MM (up \$.3 MM from the \$1.7 MM budget)

2006/07 FY Aggregate Volume Outlook

Weaver reported that the aggregate volume outlook for FY 2006-07 for all varieties has been updated to reflect import data received from Customs through October 2007 and grower data from California handlers through September 2007 as follows:

- Aggregate volume of all varieties in the U. S. market is now tracking higher at 1.0526 billion lbs., 18.2 MM lbs. higher than last month's estimate of 1.0344 billion lbs., mainly due to additional volume from Mexico and Florida.

2007-08 Crop Outlook

Weaver mentioned that the 2007-08 crop estimate was trending higher after receiving crop surveys, which accounted for about 50% of the acreage, were received after the fire and wind damage experienced by the industry in October 2007. The updated crop number will be announced during the Industry Affairs portion of the meeting.

The complete Financial Report Memorandum dated November 29, 2007, is attached to the permanent copy of these Minutes and identified as EXHIBIT C.

Copies of the 2006-07 Post Freeze – June Board Projection, 2006-07 Comparison of Monthly Stats, Crop Volume Summary, Pounds & Dollars by Variety Chart, Statement of Cash & Temporary Investments, and 2006-07 Cash Flow Projection Analysis are attached to the permanent copy of these Minutes and identified as EXHIBIT D, 1-6.

The 2006/07 Fiscal Year U.S. Aggregate Avocado Volume chart is attached to the permanent copy of these Minutes and identified as EXHIBIT E.

The 2007/08 Fiscal Year U.S. Aggregate Avocado Volume chart is attached to the permanent copy of these Minutes and identified as EXHIBIT F.

The 2007/08 Budget approved by the Board 10-18-07 is attached to the permanent copy of these Minutes and identified as EXHIBIT G, 1-10.

2007-08 Budget Update

Weaver mentioned that the 2007-08 Budget approved by the Board in October has been finalized and distributed to Commissioners in their board packets. With CA volume estimated close to the 365 MM lbs., no change in revenue projections is anticipated at this time.

2007-08 Aggregate Volume Outlook

Projected FY 2007-08 U.S. aggregate volume for all varieties is still estimated at 1.0160 billion lbs., which is a decrease of 3.5% from the 2006-07 season of 1.0526 billion lbs. Hass volume is projected at 956.0 MM lbs., which is 1.3% below the 2006-07 projected number of 968.7 MM lbs.

Finalize / Execute Office Lease

Weaver reported that a 5-year office lease proposal was sent to The Irvine Company (TIC), at the direction of the Executive Committee, allowing for an early termination after 3-years. The 5-year lease had a Base Monthly Rental Rate of \$1.61 per square foot (psf), with \$.10 psf annual increases, plus a \$2 psf (\$21,296) Tenant Improvement allowance. (Option #1) A response was received that stated TIC would not allow an early termination of the 5-year lease. They offered a 3-year lease at a starting rate of \$1.68, with \$.10 psf annual increases and no tenant improvements. (Option #2) The 3-year lease option would cost CAC \$26,833 additional for the same length of time in the five year lease. She discussed the lease proposals with Treasurer Carol Steed and both decided to continue negotiating up to the day of the board meeting.

TIC presented Weaver with a new lease proposal offering a 5-year lease with a Base Monthly Rental Rate of \$1.59 psf, with a \$2 psf Tenant Improvement allowance. (Option #3) Discussion ensued and Steed explained that she negotiated for a rent reduction in place of not using the tenant allowance originally offered, but the Irvine Company (TIC) would not agree to transfer the savings dollar per dollar to reduce the rent. Steed mentioned that the Board might want to consider purchasing a building in the future. Shade said that could be discussed at a later date, possibly during the April Planning sessions. He reminded the Board that the deadline to respond to TIC regarding the renewal of CAC's lease is December 28, 2007 and that a decision needed to be made today.

Board discussion ensued.

There was a motion by Tom Pecht to stay at the current location while negotiating for a better option until August, seconded by Laura Eggering. After

further discussions and hearing more about the time frame for a Board decision, Pecht and Eggering each withdrew their motion and second.

There was another motion by Tom Markle to accept Option #2 for the 3-year lease. No second. Shade stated that the motion died for lack of a second.

It was mentioned that the Referendum in 2011 should be considered while contemplating future lease agreements.

Don Reeder agreed that it would not be the appropriate time to look for a building to purchase. He motioned to move forward with the 5-year lease. (Option #3) It was seconded by Bradley Miles. Chairman Shade took a roll call vote. 8 (no's) – to 4 (yes's) the motion did not pass.

The following motion was then made:

MOTION: *The CAC Board of Directors approves Option #2, which is a 3-year lease with a starting rate of \$1.68 and \$.10 annual increases with no tenant improvements. (Steed/Markle) MSC Unanimous*

Chairman Shade acknowledged the hard work that Carol Steed and Val Weaver did in researching, negotiating and presenting the lease options.

BOARD CHAIRMAN'S REPORT

Chairman Shade thanked the Board for their vote and commented that after viewing the pictures of the past Chairmen he was reminded that those were the leaders that moved the industry when he was starting out in the business. Shade stated his appreciation for the vote of confidence from the Board in his ability to serve the growers as the next Chairman. He said he takes his responsibility as Chairman very seriously and will do everything he can to pull this industry together with the goal of keeping the California brand on top. He stated that he will be available by phone and email and will be at as many district grower meetings as he can this year to connect with the district commissioners and the growers.

Chairman Shade reported a great turnout at the PMA convention and that staff did a great job in meeting with leadership in the trade.

He also mentioned that reports from the World Avocado Congress state that there is stiff competition with new plantings around the world.

CALIFORNIA HAND GROWN

CAC President Mark Affleck reported that the California Advertising Campaign is in development and on schedule. He turned the presentation over to Vice President of Marketing Jan DeLyser and the DGWB team for an update.

DeLyser introduced the new Board to the Commission's consumer advertising agency, DGWB. She noted that since they were hired on, DGWB account staff had immersed themselves in all aspects of the California Avocado Industry. They have traveled throughout California to meet with growers, handlers, retailers and produce wholesalers; and have attended produce industry events nationally.

DGWB's Strategic Planning Director, Mark Weinfeld, provided an overview of the consumer research driving the campaign. Doug Koegeboehn, Account Executive, shared the industry's support for the campaign, and Jon Gothold, Executive Creative Director, provided the Board a preview of some of the grower stories collected during recent interviews in northern grower areas. DeLyser said the interviews, which convey caring, responsible growers, small farms, attention to quality, and fresh hand-picked fruit, provide the content of the advertisements. She reported that the creative team would be visiting the southern growing areas in the near future to collect California Avocado growers' stories.

Affleck added that the goal is to accentuate the availability of California fruit during peak availability, when eating quality and customer satisfaction distinguish California fruit as the premium choice. He explained that the marketing programs will be timed to support the peak period of availability without a hard start and stop date allowing for flexibility.

Affleck noted there will continue to be competition, with the goal to accentuate the availability of CA fruit during its peak availability when its eating quality and customer satisfaction position it as the premium avocado. Marketing programs will be timed to support the peak period of availability without a hard start and stop date allowing for flexibility.

A copy of the California Hand Grown presentation is attached to the permanent copy of these Minutes and identified as EXHIBIT H.

HASS AVOCADO BOARD REPORT

Chairman Shade thanked Charley Wolk for being a great liaison to CAC on behalf of the HAB board. Wolk announced that Len Francis is officially the HAB Chairman and extended congratulations to him and noted that he will continue his support.

Wolk reported that HAB was represented at the World Avocado Congress in Chile, with presentations made by Jose Luis Obregón on the tools available on www.avoHQ.com. HAB had a booth which was very worthwhile in demonstrating HAB's programs live to the world avocado community.

He also noted that there are other offshore producers that might come into the U.S. in the future such as Peru and Australia. He explained that the continual face-to-face conversation with the other producers is important.

HAB Chairman Len Francis reported that he looks forward to his new position and gave credit to Charley Wolk for his leadership and being a part of the inception of the Act, the Order and the HAB board. He noted that as a California Hass grower, he saw the potential of the Order and the foundation of the future for Hass avocado producers. He currently sees it as the vehicle for promotion of Hass in the United States while increasing the value of the Hass category.

Francis also reported that Hass volume for 2007-08, at 956.0 MM lbs., is just slightly below last year's number of 968.7 MM lbs. Volume shortages, created by a freeze in California and Chile, are being offset by additional volume imported from Mexico.

INDUSTRY AFFAIRS

Crop & Imports

Guy Witney began his report by summarizing the season-to-date crop shipping numbers for the week ending 11-25-07 with the Hass crop at 62,125 lbs. and the total volume of all imports and domestic in the market at 67,187,764 lbs.

Pre-season Crop Estimate

Witney told the Board that a second crop survey was mailed days after the wind and fires, to growers and grove managers, so that they could provide adjusted crop numbers. As in the post-freeze survey, the primary purpose of the crop survey was to get crop volume information for planning and budget purposes. He noted that this type of survey cannot determine fire damage severity or acreage losses.

The Board was reminded that the industry's acreage inventory is established approximately every four years on a long-standing cyclical schedule. Witney noted that while some portion of the industry can be lost to fire, freeze or other natural disaster between inventories, in order to maintain consistency in reporting, the total acreage established in the most recent industry-wide inventory is used as the base for producing acres. He outlined the information requested on the Crop survey forms and stated that if a grove was destroyed, the yield for this acreage was reported as zero. However the partial acreage is still rolled into the totals used to establish projections of average yield per acre and ultimately area/industry totals.

Witney reported that a very significant record was established in this most recent crop survey; that is, the percentage of reporting acreage reached all-time record highs of 52% for Hass and 50% overall.

Acreage Inventory

Witney suggested that as the result of several significant weather-related events

over the past 18 months affecting the overall producing acres across the industry that it seemed logical for the Board to consider directing staff to re-inventory California acreage ahead of the 2009 schedule so that the industry has an accounting of changes that may have occurred as a result of recent natural disasters. He noted that unaccounted changes in acreage will likely cause some degree of error in crop estimates each season until producing acreage can be accurately inventoried. He went on to explain that providing an estimate of the acreage stumped or removed, accurately, without comparing pre- and post-freeze aerial imagery has proved very difficult.

Santa Ana Wind and Firestorms of October 2007

Witney reported that hurricane-force Santa Ana winds accompanied by very low humidity lead to significant windfall as well as serious fire damage across much of Southern California beginning late Saturday, October 20, and lasting through Monday, October 22. He noted that this event produced some of the strongest winds and most widespread damage on record. The Commission received reports of fruit being stripped from San Luis Obispo to Escondido with perhaps the most significant windfall in Moorpark and surrounding areas. He stated that San Diego winds proved to be as strong and long lasting as those experienced in 2003 when nearly 60,000 acres of the county burned.

He also explained that with the mandatory evacuations ordered across most of the fire areas, damage assessments were nearly impossible during the first week of the firestorms.

To date, the Commission estimates preliminary crop losses from fire and wind combined across the industry from this event at 15%. The total loss in acreage is roughly estimated at 4,100; a good portion of which may require replanting.

Mexican Fruit Fly Quarantine Declared in Escondido

Witney reported that five Mexican fruit flies were discovered in traps on two residential properties in the vicinity of Bear Valley Parkway and Oak Hill Drive in Escondido on November 6. He said that the California Department of Food and Agriculture (CDFA) immediately contacted the California Avocado Commission. Even though the finds had not been verified, the lead-time provided ahead of any declaration of quarantine allowed CAC to get clear verification from the USDA in Washington to CDFA indicating that previously requested and agreed-to modifications regarding host status standing of Hass would apply to any declared quarantine. This change in requirements for growers of Hass fruit made the movement of harvested fruit possible, both from within and outside the Mexfly quarantine.

On November 16, 2007 the California Department of Food and Agriculture established a 78-square mile quarantine zone in the Escondido area of San Diego County, following the November 6 detection of five immature, unmated, wild Mexican fruit flies in traps at two nearby locations. Witney informed the Board that the boundaries of the quarantine could be found at:

http://www.cdfa.ca.gov/phpps/pe/InteriorExclusion/maps/MEX_QUAR_ESCONDIDO_07.pdf

He concluded his report by stating that the USDA and CDFA have expanded insect trapping in the area but so far have not detected any additional flies.

A copy of the Industry Affairs Report is attached to the permanent copy of these minutes and identified as EXHIBIT I.

ADJOURN FOR LUNCH

Chairman Shade adjourned the Board for lunch at 12:15 p.m. and the Board reconvened at 12:50 p.m. for a closed session.

CLOSED SESSION

There was a closed session at 12:55 p.m. to discuss legal matters.

ADJOURN MEETING

The meeting reconvened at 2:27 pm.

With no further business, Chairman Shade adjourned the Board meeting at 2:28 p.m. The next Board meeting will be held January 17, 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 November 29, 2007 approved by the CAC Board of Directors on January 17, 2008.

Tom Pecht, CAC Board Secretary