

**Minutes
Executive Committee
Wednesday, January 27, 2010
Reedley, CA**

Chairman Michael Reimer called the meeting of the Executive Committee to order on January 27, 2010, at 12:20 p.m. in the Conference Room of the California Tree Fruit Agreement in Reedley, California. Chairman Reimer recognized a quorum present.

Committee Members Present:

Bill Chandler	Rick Jackson	George Nikolich	Mike Reimer
Mike Jackson	Rod Milton	Justin Parnagian	Jim Stewart
			Gordon Wiebe

Committee Members Absent:

None

Government Representatives:

Dennis Manderfield, CDFA (via telephone) Jerry Simmons, USDA

Others Present:

Ted Avena	Dale Janzen	Gary Van Sickle
Cassie Drake		

Minutes

The Chairman indicated he would entertain a motion to approve the minutes of the January 15, 2010, meeting.

It was moved by Mr. Bill Chandler, seconded by Mr. George Nikolich, to approve the meeting minutes of January 15, 2010. The motion passed unanimously.

CTFA Activity Report

The Chairman asked Mr. Van Sickle to present the CTFA Activity Report.

Crop Report – Mr. Van Sickle reported the final crop report numbers continue to grow slightly, due to the receipt of shipment reports. He stated the number of interspecifics packed as plums has grown to almost 1.5million boxes, a slight increase over 2008. Mr. Van Sickle clarified the values for April and June were the original estimate numbers made in April 2009 and the revised estimate numbers made in June 2009 compared to the final counts.

Mr. Van Sickle reported the season to date rainfalls after the previous week's rain was 6.05", which is up from the normal season to date of 5.13". Mr. Van Sickle also noted that more rain is expected over the next 14 days. Chill hours to date recorded at Parlier are at 742 hours, while Arvin has recorded 729 chill hours. Mr. Van Sickle stated that if the current predictions of rainfall come true over the next couple of weeks there will probably only be 800 chill hours this year. Mr. Reimer asked how long chill hours were calculated. Mr. Van Sickle responded they are counted until February 15, but for many plum varieties the hours are complete.

Industry Relations – Mr. Van Sickle reported that staff continues to collect shipment reports, destination reports, and assessments. He stated Mr. Dale Janzen is currently delivering 2010 calendars to the industry.

Industry Issues/Updates – Mr. Van Sickle provided a status update on the Parlier Environmental Justice Project, which focused on air monitoring. The final report was recently released and many local agricultural leaders felt DPR could have used wording that was more positive for agriculture. Mr. Van Sickle explained the first draft had favorable language but the final report had added information regarding health screenings, which were not as positive. He reported that Mr. Barry Bedwell from California Grape and Tree Fruit League has been working on the issue to try and get some of the troublesome language toned down slightly.

Mr. Van Sickle reported that of the monitored 35 pesticides plus 5 breakdown products, the greatest potential health risk was not from substances used as pesticides, but from two pollutants found commonly throughout California; Acrolein and Formaldehyde. The most likely source is motor vehicle and industrial emissions, and often these were above the health screening levels. Mr. Van Sickle added that 16 pesticides and 3 breakdown products were also detected. Four of the chemicals that were detected are sometimes used as pesticides, but there were no reported uses of those compounds in the Parlier area; most likely the detections were the result of auto or industrial emissions. Chairman Reimer asked if the study referenced chemicals used in urban areas. Mr. Rod Milton noted that at one time it did reference Lorsban®. Chairman Reimer asked if there was any project data to help detect the difference between Lorsban® and Dursban®. He noted if any detections were found during the summer months, then industry would not have used that chemical at that timeframe. Chairman Reimer also asked if Alliance for Food and Farming had been involved in this study. Mr. Van Sickle said indirectly, that most of the activities were being handled by the CGTFL, but Ms. Marilyn Dolan did some work with industry from the public relations side.

The pesticide with the most detection was MITC, found in 84% of the samples. It is thought that it was from fumigants used away from the Parlier area. Chairman Reimer asked what MITC was. Mr. Van Sickle responded that he was unsure, and had not been able to find the common name for that particular chemical, but noted it was listed as a fumigant. Mr. Van Sickle reported the findings of the study showed that Lorsban® and diazinon were among the pesticides most often detected. The amounts found were below the health screening levels, with one exception – diazinon, but clarified this was found on only one day during the entire year. Detections of these pesticides posed the highest non-cancer risk among pesticides detected, which has prompted DPR to focus added resources to ongoing risk assessments for these compounds. Detections of Telone® also warranted further evaluation, as this fumigant is a carcinogen and lifetime exposure at the levels detected may be of health concern. Of the fifteen pesticides monitored but not detected, ten had no or low use, and the remaining five had moderate to high use.

Mr. Van Sickle reported that several years before the Environmental Justice (EJ) project, DPR began planning for a network of monitoring stations that would sample for pesticide residues over several years. The results from the EJ project now provide a foundation and springboard for this network, which DPR intends to set up in 2010. Mr. Van Sickle noted the executive summary and conclusion for this study was in today's meeting folder.

Public Relations/Communications – Mr. Van Sickle reported media coverage continues for water, pesticide residues and food safety traceability. Mr. Van Sickle reviewed the following articles were included in the meeting folder: *HR 4333: Children's Fruit and Vegetable Act of 2009*; and *Parlier Air Monitoring Report – Executive Summary*. Mr. Van Sickle explained the article on the fruit and

vegetable act was from the United Fresh meeting he attended last week and discussed a move to have more salad bars to be included in school cafeterias. He explained the studies attached have shown that children with an option to select fresh fruits and vegetables increased their servings by at least one per day.

Market Development – In regards to the Domestic Market, Mr. Van Sickle reported that CTFA hosted a 2 day category management training class on January 19-20 and thirteen industry members attended. Chairman Reimer, who attended the class, reported the training was really well done and Mr. Steve Gerst from Delta Associates was a good trainer. Chairman Reimer noted that he would strongly encourage others within the industry to attend a class in the future, if another one is held. Mr. Van Sickle reported that sales desk meetings will begin February 9.

Regarding the International Markets, Mr. Van Sickle reported the subcommittee finalized the 2010 program and budget recommendations at the January 21 meeting, with a more detailed report to be provided later in the meeting.

Research and Regulatory – Mr. Van Sickle reported the Endowment Task Force met yesterday. The Research Subcommittee met yesterday to discuss funding awards for the research proposals.

In regards to regulatory, Mr. Van Sickle reported that staff is preparing to finalize the state program bulletins.

Government Updates – Mr. Van Sickle reported in regards to the subcommittee officers' situation, which was discussed at the 2009 Fall Committee/Board meetings, that USDA would not take a position either way on the issue, but requires unanimity across the four programs on the issue. Mr. Mike Jackson commented that he wasn't sure if the CA Plum Marketing Board (CPMB) was in disagreement from the other Boards or if the issue was just thought through a little better when brought up during the CPMB session, which was the last meeting that day. Mr. Van Sickle noted there will be referendums next winter for both federal programs, as well as the state CA Tree Fruit Marketing Board.

Legal Updates/Other Issues – Mr. Van Sickle stated there was nothing new to report on both the federal and state programs.

Other Issues – Mr. Van Sickle reviewed the upcoming 2010 Executive Committee meeting dates: February 17, March 17 and April 21. He also reviewed the following meetings:

- Winter Committee/Board meeting, February 18 at 1pm, Kearney Ag Center in Parlier
- Educational Symposium, February 23 at 8 a.m. to 1:30 p.m., Fresno Convention Center
- California Grape and Tree Fruit League Annual Meeting, March 21-23

Financial Report

Mr. Van Sickle reported for cash management there currently is nothing outstanding for the line of credit and the current cash position is \$3,512,449. In regards to receivables collected, Mr. Van Sickle reported that billed for 2009 is at \$1.86 million, compared to \$7.30 million in 2008. Collected is at \$1.85 million, compared to \$7.27 million in 2008. Total A/R is at \$0.013 million, compared to \$0.026 million in 2008. Over 60 days is at \$0.0017, which is very good. Mr. Van Sickle noted the reduced amount in the billed amounts for 2009 compared to 2008 was due to the supplement of funds from the

litigation trust accounts, which were released and used in 2009. Mr. Mike Jackson asked if it was all litigated funds. Mr. Van Sickle clarified that a majority of the funds were for peaches and nectarines.

In regards to expenses, year-to-date for domestic stands at \$0.66 million, compared to \$1.68 million in 2008 and is down 60.57%. International is at \$2.47 million, compared to \$2.70 million and is down 8.47% from last year. Other is at \$2.14 million, compared to \$2.18 million, which is down 1.70%. Mr. Jerry Simmons clarified that some of the reduced income this year was supplemented by some funds coming out of the reserves, due to less carryover in 2009.

Mr. Van Sickle reported the previous check run was included in the meeting folder. He noted names of handlers with assessment overpayments had been redacted on the included document but the dollar amounts remained.

Subcommittee Reports

Research Subcommittee – Mr. Bill Chandler reported the Research Subcommittee met the previous day and reviewed nineteen proposals for the upcoming year. Thirteen of the projects will be recommended for funding, one was not recommended and five will undergo additional review. The Subcommittee will meet on February 11, 2010, to complete their funding review. Mr. Chandler noted the budget for 2010 should be the same (approximately \$600,000) as spent the previous year.

Endowment Taskforce – Mr. Bill Chandler reported the Endowment Task Force had met the previous day and recommended the endowment issue be tabled for 18-24 months, due to the discussions and split vote by the industry at the December 2009 Joint meeting.

International Market Development Subcommittee – Mr. Jim Stewart reported the International Market Development Subcommittee met last week to make recommendations for their 2010 program. He provided background to the Executive Committee on the requirements of MAP funding to have programs in some developing countries as well as large market countries in order to qualify for funds. Mr. Stewart noted that the top three markets that will be targeted in 2010 are Canada, Mexico and Taiwan. The Subcommittee is recommending an increase in Canada's budget from \$50,000 in 2009 to \$300,000 in 2010, to focus on driving retail promotions from mid-June through July, in advance of the Ontario crop. Mexico will remain the industry's number one market; however, industry will adjust the budget accordingly in the event of significant changes to the export protocol program, such as the stem tolerance issue. The Subcommittee will once again set aside a portion of MAP funds as a Target Market fund to be allocated mid-season to markets of greatest need (\$200,000). Budgets in the United Kingdom and Venezuela will be minimal in 2010 unless market conditions change significantly. Mr. Mike Jackson added that a majority of the money was pulled from the UK because of sensitivity to price and the exchange rate has had an impact on moving additional fruit into that market.

Chairman Reimer asked if there was a requirement for how much money must be spent in each country, and if money could be diverted to another market if something happened, such as tariffs being implemented in the Mexico market. Mr. Mike Jackson responded there is nothing, and adjusting individual country budgets would not affect receiving MAP funds in the future, and the Subcommittee has already discussed a possible issue with Mexico and is prepared to adjust that budget if needed. Mr. Stewart informed that the presence of a stem on the fruit had become an issue towards the end of last season. It began with a bug on an avocado stem and then Mexico began requiring a zero stem tolerance for stone fruit, but the question has been raised "what constitutes a stem." Ms. Marcy Martin with CGTFL has been dealing with this issue and if it is not resolved, this could move stone fruits to a Methyl bromide fumigation treatment. Mr. Rod Milton asked if this issue affected all three of the

fruits. Mr. Stewart answered affirmatively, as well as apricots. Mr. Van Sickle noted that one of the problems is there hasn't been a lot of data collected as to the amount of fruit that has stems. He stated he will ask the auditing staff to count fruit with stems as part of the current random auditing program.

Chairman Reimer asked if the MAP funds spent in each country are measured for impact. Mr. Stewart said yes and assessment of their impact is used each year when applying for the funds. Mr. Van Sickle noted that an article was published in the Fresno Bee this morning which discussed the MAP funding awards, and that it was one of the line items in the budget which was receiving full funding, while other budget items are being cut. Mr. Milton asked if there were any Eastern markets which were receiving funds. Mr. Van Sickle responded that Eastern Select Apples might be receiving funds, but nothing for peaches. Mr. Stewart noted that during the meeting last week Mr. Gordon Smith also showed the Subcommittee information on how other commodities performed last season in some of the larger markets, such as cherries and grapes. This showed that just because there had been a smaller crop for PPN, other countries were still importing competing items and there is a difference between the local fruit and imported supply.

Subcommittee Officers

Mr. Van Sickle reported that CDFA supports the CA Plum Marketing Board's action regarding the Subcommittee Officer issue. Also, because of the lack of unanimity between all Boards/Committees, USDA is considering the Committee votes to be non-binding. Mr. Van Sickle noted that a bylaw modification should be considered which would provide that the Chairperson and Vice Chairperson be current members or alternates of Boards/Committees. This would require one (1) year terms, with a term limit of 4 terms (years) served at the Subcommittee level. Chairman Reimer stated that currently the term is for 2 years, which means that a chairperson could possibly be rotated off the Board, while still holding a Subcommittee position. Mr. Van Sickle stated staff needed direction from the Executive Committee to move forward with drafting language for an update to the bylaws, which would be presented at the next meeting.

It was moved by Mr. Rod Milton, seconded by Mr. Bill Chandler, to direct staff to draft recommended language for the update to the bylaws, which includes the discussed changes.

Chairman Reimer asked if there was any discussion on the matter. Mr. Dennis Manderfield added the main concern of CDFA was due to the issue of the Subcommittee Chair automatically becoming a member of the Executive Committee and may have never been elected by the industry. Chairman Reimer asked if there was an issue then with the Subcommittee Vice Chair. Mr. Manderfield responded the Vice Chair was not of as much concern as the Chairperson. Mr. Van Sickle clarified that because the Vice Chair automatically moves into the position of Chairman it was important to leave that office in the language being modified. Chairman Reimer directed that staff should come to the next meeting with updated language which includes the recommendations from the government agencies. Mr. Jim Stewart commented this issue affected him and one other subcommittee chair. Mr. Mike Jackson noted that it was very important to have the chairperson of each subcommittee become a member of the Executive Committee.

Chairman Reimer called the motion on the floor to a vote; the vote passed unanimously.

CTFA Office Lease Options

Mr. Van Sickle reported the office space lease currently expires on May 31, 2010, and requires renewal by February 28, 2010. He explained the options are: re-extend for four more years, with a

rental increase at 2% per year—lease through 2014; or re-extend for eight more years. Mr. Van Sickle added that CTFA staff put together information which was requested by the Executive Committee at the last meeting regarding other rental options available in the area. The results were sent to the members last week and were also included in the meeting folder. Mr. Van Sickle reported that most rentals in the area were around \$1/sq.ft. compared to the current rent of \$0.605/sq.ft. Also factored in was potential moving expenses and minor renovation expenses, which would be incurred and were based on the 2005 renovations to the current office. The expenses were estimated to be about \$93,000, which when amortized over five years would be approximately \$0.19/sq.ft. Mr. Van Sickle stated the Rite Aid building would require a monthly lease amount of \$8,554, plus would require extensive renovation. Mr. Ted Avena answered affirmatively to Mr. George Nikolich's question asking if all the properties listed on the attached list were available. Mr. Mike Jackson commented the current building space was good for the current staff and allowed for a nice set up for all activities held at the CTFA office. He then asked if the contract was negotiable with the landowner. Mr. Avena said possibly, but that it had not been addressed with him. Mr. Van Sickle noted the comparisons provided were obtained through conversations with local retailers, the City of Reedley staff and a group in Fresno which helps local businesses acquire office space. Mr. Stewart stated it should not be assumed that negotiations are not possible and staff should at least ask the question. Chairman Reimer noted the Executive Committee still had one more meeting which they could discuss this issue before a final decision is made.

It was moved by Mr. Mike Jackson, seconded by Mr. Gordon Wiebe, to accept the 4 year lease, with the option of the additional 4 years, with a maximum 2% increase per year.

Chairman Reimer asked if there was any discussion on the motion. Mr. Stewart asked if there was a reason to relocate. Mr. Nikolich said not necessarily but he felt it was important to practice due diligence and make sure this was the best option available. Chairman Reimer commented that locking in a rate now could be a benefit if the real estate market comes back in the next few years. Mr. Nikolich asked if staff needed direction from the Executive Committee to negotiate a contract on this particular rental agreement or on any other type of contract/agreement. He noted that it should go without saying that if a better deal is available it should be negotiated on a lease or anything else.

Mr. Mike Jackson withdrew his motion, and Mr. Gordon Wiebe withdrew his second, thus the matter awaits negotiation conversations between staff and the landlord.

Issues to Discuss at Further Meetings

Mr. Mike Jackson asked what the outcome was from the last Domestic Market Development Subcommittee (DMDS) meeting held after the discussions at the Joint Committee/Board meeting. Mr. Justin Parnagian responded the DMDS reconvened a few weeks ago and it was decided to eliminate the Consumer Research projects which were proposed (\$130,000) as well as the new grower video portion of the PPN Advocate (\$75,000) and the overall program budget will be reduced. Mr. Parnagian stated the grower videos in 2009 were not uploaded to the internet until after the season was completed and the Subcommittee felt it was important to see the impact for the videos during a full season before adding any additional funds to the project. Chairman Reimer added that during the Research Subcommittee meeting yesterday two of the projects which were tabled for additional review had a consumer research element to them and based on the current feedback from industry the Subcommittee wanted to make sure they were performing due diligence on those studies in light of the DMDS direction. Mr. Van Sickle noted the cut in the DMDS budget would result in a \$0.004 reduction for the State programs' assessments for 2010.

Transition Planning – The Chair stated this would be deferred to the closed session.

Closed Session

Chairman Reimer convened the meeting to closed session at 1:14 p.m.


Return to Open Session

Chairman Reimer reconvened the meeting to open session at 3:22 p.m. Chairman Reimer announced that during closed session, the President's position, vacancy and transition were discussed.

Meeting Adjourned

Chairman Reimer adjourned the meeting at 3:23 p.m.

Respectfully submitted,

A handwritten signature in black ink that reads "Cassie Drake". The signature is written in a cursive, flowing style.

Cassie Drake
Category Research Specialist