

The American Pecan Council

Meeting Minutes – September 13, 2017

Noble Research Institute, Ardmore, OK

Council meeting was called to Order by Chairman Adams at 9:30 am CST.

Roll called by Karen Crow

<u>Seat</u>	<u>Member</u>		<u>Alternate</u>	
Eastern Growers	Buck Paulk	Not Present	Angie S Ellis	Present – seated
	Trent Mason (Secretary)	Not Present	Randy Hudson	Not Present
	Molly Willis	Present	Claire Powell	Not Present
Central Growers	Mike Adams (Chairman)	Present	Jennifer Ivey	Present
	Michael L Spradling	Present	Lalo Medina	Present – seated
	Billy Scott Landgraf	Present	Mike Montgomery	Not Present
Western Growers	Louie J Salopek	Present	Frank P Salopek	Present
	GL Straley (Treasurer)	Present	Leslie L Daviet, II	Present
	Phillip Arnold	Present	John Heuler	Present
Eastern Shellers	Jeff Worn	Present	M. Brandon Harrell	Not Present
	Lawrence Willson	Present	Kenny Tarver	Not Present
Central Shellers	Daniel J Zedan	Present		
	William D York, Jr	Present	Rickey Jones	Not Present
Western Shellers	Bruce Caris (Vice Chairman)	Not Present	Deborah Walden-Ralls	Present – seated
	Sonja Roeder	Present	Blake Houston	Not Present
Accumulator	JB Easterlin	Not Present	Chad Selman	Present – seated
Public Seat	Donna Volz	Present	Ronald Hayes	Present

Chairman Adams has guests introduce themselves. USDA representative Andrea Ricci (Andrea) from California is in place for Abigail Campos, and Joshua Ayers, CEM (Josh) . Abigail Campos (Abby) joined via conference call. Byron Gossett (Byron) introduced Emma Garner (Emma) the new staff for the executive office. Other guests: Blair Krebs and Catherine Clark with TPGA and Pecan South magazine, Matthew Bailey Eastern grower and The Pecan Report, Doyle McDaniel with Choctaw Nation of Oklahoma, Karen Crow (APC) (Karen).

Minutes from previous meetings to be read and accepted at a later date. Chairman Adams called an executive session and excused all guests.

Executive Session - Meeting Notes to be provided to USDA by Chairman Adams.
Staff Discussion

e-Compliance plan requirement. Abby asked if the budget approvals would take place or be tabled. Byron Gossett advised it is being tabled for a later conference call meeting. Chairman Adams advised the word "compliance" has two separate meanings regarding the American Pecan Council (APC). The compliance plan on this agenda item is for the APC to comply with USDA. Dan Zedan and Joshua Ayers discussed some of the compliance concerns surrounding U.S. Pecan Grower's Council (USPGC). Chairman Adams states the Committee Chairmen and Byron have established a timeline for compliance and controls to be completed by September 30th for recommendation to the Council. Byron asked if Josh had provided feedback on the Internal Controls Policy and Compliance. Josh advised he had as of the day prior. Byron advised Josh's recommended changes are all that is left to finalize the recommendations.

Marketing Policy. Chairman Adams explained there have been noticeable strides in less than a year. Abby advised Dan Zedan's amendment request for the timeline for the Marketing Policy due to fiscal year timeframe. Abby advised that it must clearly state there has been limited information collected and the upcoming year will be more complete. It is acceptable to do the best with what has been assessed and received, but it needs to be stated. As the council grows, it is understandable. Dan Zedan stated that even with the forms, there would still not have been the data and the completed forms and would just be estimates. Abby furthers explains that fiscal year changes are a regulatory change, but right now estimates are what are available. Accurate/concrete numbers will come with time. Abby continued that Section 986.65 in the Marketing Order, the marketing policy defines what the council is seeking to define, but some of the information available will not answer these questions, but the efforts that have been made in the forms and other policy will generate the requested and sought for information. There is not a standard in the length of the policy as long as the content addresses section 986.65. Dan

Zedan points out there is a requirement for an inventory report and he believes the APC's constituents will feel the Council is being manipulative of the data if the APC makes estimates. Abby stated the estimate, if expressed as based on limited data, should address any inaccuracies due to lack of assessments and/or data. Jeff Worn (Jeff) asked how carry-over assessed from cold storage would impact the information collected as an industry. Abby advised the information received and the methods put in place are to define those changes and capture a more detailed understanding of the inventory period; without the variation of carry-over and different handlers' practices. Dan Zedan felt there were misunderstandings on how these assessments define the inventory and it would impact the industry and estimates if it is unclear and should be discussed further offline. Abby validated Dan Zedan's concerns and agreed to clarify further outside of the meeting. Chairman Adams shared the Marketing Policy has been vetted and will be further discussed to ensure a strong recommendation.

Travel policy. Karen clarified the travel reimbursement approval must be post-marked within 30 days of the expenditure. Mike Spradling (Mike S) asked if this will go into effect immediately or after the expenditures of this meeting. Lalo Medina (Lalo) asked if a member is traveling for projects and not just meetings should they recuse themselves from the approval vote. Byron identified this type of request would likely call for a Bylaw change. Abby supported Byron's conclusion and further explained that type of Bylaw exists in other boards. Louie Salopek (Louis) inquired about compensation for those traveling on private aircraft. Josh advised it had been brought up previously, and it would need to be addressed if it will not be a one-off situation. Josh advised he would look into what other boards have done.

Council members and USDA discussed damage to crop in Georgia from hurricane Harvey. There were questions and comments among the Council about the impact of the storm. Byron identifies the impact of the hurricanes may have caused impact on the proposed budget. Andrea recommended a follow-up conference call once this is better evaluated. G.L. Straley added that there is some carry-over, which will counter some of the loss. Dan Zedan explained the assessments provided by another group will likely not be in timely enough for use and the cost associated may not be beneficial due to the nature of collection. Dan Zedan expressed concern about not getting the forms out before December and now the shellers will have a second year without good estimates. Abby identified it is appreciated the amount of precedence that has been set and the efforts made with the forms, and they are working on getting them approved/accepted timely, but it is important they are reviewed thoroughly, as these forms will be used for many years to come. The public register is the bottleneck at this time. The forms are moving through the appropriate channels. Dan Zedan identified two items that were removed to have the forms expedited at the request of USDA, but those items will have to be added back to comply with the marketing order so the forms will have to be published again next year. Abby recognized there were tremendous efforts made and that a timely return is desired, but it is a process. Jeff asked where the forms are currently in the process. Abby advised the first form is in final rule and the other five forms are in channel and they are waiting to hear back when they will be published in the Federal Register.

Item 14. There was an impression in the Biloxi meeting that \$420,000 would be funded to USPGC. Per the minutes, it was voted differently and it needs to be clarified and determined how the APC will proceed. In Frisco there was a provision put into place and subject to staff acceptance. Byron spoke of the Memorandum of Agreement (MOA) that was made with USPGC, regarding the MAP funding. Byron identified that staff was not yet at capacity to handle themselves, so Bruce Caris (Bruce) was asked to join the efforts. Bruce and Byron worked with the President of the USPGC, but have not yet come to an agreement. Chairman Adams, Bruce and Byron spent an hour and a half on a call with USPGC's president. Chairman Adams suggested that APC consider overriding the motion made in Frisco and complete the expected funding to USPGC, for use with MAP, and use the funding protocol across the board to avoid any confusion or misunderstandings of this nature again. Chairman Adams identified the document provided from the June meeting from USPGC would aid in being compliant in this funding. Chairman Adams expressed the APC will have to tow the line in future requests. Louie asked if the Funding Request Protocol (FRP) has been started. Byron advised there is a working group comprised of Les Daviet (Les), Molly Willis (Molly), and Phillip Arnold (Phillip) working on the FRP, but the FRP was delayed waiting for MOA approval. Dan Zedan expressed his gratitude for Chairman Adams and USPGC efforts. He also identified that USPGC has still, to date, not complied with the APC's requests and that APC had agreed the funds would not be funded without APC's request being met. Chairman Adams identified he does not excuse the unmet requests, but feels it would be better to move on by letting this be the driver to ensure it does not happen again, and collectively USPGC's function is supported. Louie states there has been an excessive amount of time and energy spent on this topic and implementing a plan to ensure it does not happen again would be better to uphold the impression that was established in Biloxi. Angie Ellis (Angie) asked if Byron had received anything regarding the USPGC financials. Byron explained he was present at one of their meetings and was provided with their budget and had been given one other financial, but nothing providing a breakdown of APC's funding expenditures. Chairman Adams advised that in the future USPGC funding would be sourced through the FRP. Jeff asked how the FRP can be met if the USPGC has already built their fiscal year for the upcoming program with an expectation of APC's funding. Chairman Adams stated if the FRP is put in to existence and is utilized across the board, it would eliminate the chance of giving an impression of funding without the protocol being met. Louie asked if the FRP is not complete, will the funding not be completed? Deborah identified the FRP becomes the make or break of funding, and that with these new processes and protocols, APC will clear the air. Phillip stated this needs to be moved forward, and the understanding was that APC would be funding despite the disappointment in unmet requests. Dan York (Dan) asked a question to USDA regarding committing to repeat funding. Andrea responded by suggesting determining funding on a yearly basis because they might be doing well one year and not another. Jeff stated while he is supportive of the MAP program, those funds have to be spent in a manner the APC is comfortable in doing the right way. Lalo Medina(Lalo) identified there were two problems with the manner in which the funding took place; one part was the process obtaining deliverables, and the other being the issue of what the APC wants to fund and being in agreement from one quarter to the next. Lalo continued that an update would be needed after that. Dan pointed out

Louie stated USPGC has assumptions and Dan foresees this being the next argument with them. Chairman Adams identified the guidance from USDA for funding USPGC needs to be on a project-by-project basis. USDA has given an example before about funding USPGC, where it is project-based. Chairman Adams gave an analogy that the APC has become the major funder of USPGC, and just like any investor/funder, the APC is responsible for ensuring they have been provided adequate support of why it should be funded. Molly inquired if this funding is already being assumed and is not included in our budget. It was stated the assumption is false, because the general line item is not specified.

Louie Salopek moved to fund USPGC for MAP for \$140,000 for fiscal year 2017; seconded by Mike Spradling. Angie Ellis asked if the USPGC had already received the first two amounts of \$140,000. Chairman Adams stated this motion would overturn any previous motion regarding funding USPGC for 2017. All in favor, with exception of Dan Zedan voting nay, and Lalo Medina, Molly Willis, Jeff Worn, abstaining from the vote.

Lalo Medina motioned to allocate \$500,000 from the marketing budget for international market research; seconded by Jeff Worn. Chairman Adams establishes that the motion is up for discussion. Byron identified he suggested that USPGC and Weber Shandwick have a summit to narrow the efforts and believes it will be helpful even more so now. Council member expressed that he thinks there needs to be a plan in place on how to fund research. Dan identified the Almond Board's penetration survey on reaching the consumers in several countries to identify how reachable the consumers were. Andrea suggests amending the motion to put the request to be included in the budget for approval or voting it down. Ron Hayes states it seems like the greater concern is perception and about demanding those seeking funding must adhere to the rules set in place by the APC. All opposed, none in favor. Motion did not carry.

Council member sought clarification on research in section B of the proposed budget in contrast to market research. He asked if the Marketing Committee would write a short proposal and the Research Committee do. Chairman Adams identified these are works in progress and they will improve as the APC continues.

Chairman Adams brought the Governance Committee's recommendation for funding for an economic study related to the industry. The study would be statistical based on established factors.

Motion was accepted from the Governance Committee's recommendation to seek out an economic study that will require funding, seconded by Dan Zedan. No discussion; motion carried.

New business: Byron presented legal counsel letter from Frank Cain who the Council needs to engage and they have provided a recommendation on APC DNO insurance. The engagement letter,

recommendations regarding insurance, and fees are presented in the letter. Byron also mentioned needing coverage for assets and employee fraud, which are included in the insurance for compliance.

Scott Landgraf made a motion to approve Byron's presentation of engagement with legal counsel and acquiring the DNO general liability and employee fraud insurance coverage. No discussion; vote carried unanimously.

Chairman Adams presented Helen Watts' letter of resignation.

Financial report was presented by G.L. Straley. Chairman Adams reminded the Council of the confidentiality of the submissions and that Staff will be the only people seeing the incoming assessments.

Larry Willson made a motion to accept the finance report as presented; seconded by Scott Landgraf. No discussion; vote carried unanimously.

Byron provided a summary of assessments received and advised the ratio of received is near 91% for improved varieties and 9% for native varieties.

Chairman Adams asked for the Council to determine how to interpret growers who sell to foreign handlers. Andrea explained how those handlers may be identified and how it may be defined and enforced, and the importance of establishing those definitions and controls. Chairman Adams also expressed concern on growers who may have concern if their handlers have submitted assessments. Sonja Roeder asked if the USDA could offer education on what defines a business as the handler in conjunction with compliance. Byron identified that seeking compliance efforts will be an opportunity to educate. Dan advised the consensus data collected is not available to USDA and would have to be requested from the Department of Commerce. Phillip suggested the Phytosanitary issued by the USDA might be utilized in these efforts. Andrea asked for clarification about the point where a grower becomes a handler and suggested the handlers become handlers at the point of being a sheller. Abby stated the grower selling to a foreign buyer, then the seller becomes the handler and would be responsible for the assessment. Louis asked how the sales can be policed. Abby stated that the assessments and estimates and the difference in output will help identify the volume sent outside the United States. Louie asked how the APC will know if someone reported themselves as a handler when growing and selling in-shell to a foreign company? Abby advised this is where the APC staff and USDA compliance will play a key role. Paul Quiros (Paul) asked USDA to walk the APC through where the FMO distinguishes between handlers, growers, sellers, and shellers. Abby referenced section 986.61 Section A. Paul gave an example of being a grower selling to another grower within the same state and asked for clarification. Abby advised the purchaser becomes the handler until the sale is made out of country. She continues that the staff and compliance team will be intricate in the checks and balances, but the USDA will not share who has not paid their assessments. Chairman Adams adds another example of where information may be missed. Abby recognizes this may seem like a catch 22, but

the compliance and staff will be in place to inquire about assessment payments. Deborah asked if a grower knows their product will be sold out of the United States, can the grower handle the assessment. Dan stated it will be up to the compliance team to regulate and monitor the process to identify, in which compliance can become involved in ensuring assessments are paid. Andrea suggested that estimates and research data about the market and incoming assessment payments not matching will be the indicator that compliance will need to follow up on short payments or non-payments. Mike S. asked if there is an opportunity in published magazines to educate the industry, via staff. Chairman Adams has added that staff has already been proactive in educating the industry. Byron continued that Weber Shandwick has created architecture within the website for industry specific dissemination. Chairman Adams advised there will be a working document addressing these concerns.

Item 7. Byron revisited a conversation from Frisco about who the APC is in the industry? Who are the constituents? And discussed the efforts on the database that have been great to help define those in the industry. He continued that the website has been instrumental in these efforts. Karen updated there is a registration portion and will eventually include a portal. She believed the database and website's functionality is about 90%. Byron added the access will be password protected.

Chairman Adams reminded the Council that they came together collectively to speak on behalf of the industry's interest, and to increase the value of the industry's product in both price and demand. He also expressed his appreciation for each of the contributions, perspectives, and passions of each Council Member, and how important it is to have your voice and not just go with the flow if it is not what you agree with. He reminded the Council to utilize the processes and Committees to ensure the work is done effectively, so policy can be set in place before the end of the fiscal year.

Item 4, 8, 9, 10, and 11. Chairman Adams has returned these items to the Committees, respectively, to review and recommend. Dan Zedan pointed out there are items 2, 3, and 4 on pages 8 and 9 that he would like to point out this was based on the Statistical Committee determination for Federal Marketing Order amendments and the timeframe for these changes will take USDA approval and will be timely. The importance in determination on these items is significant according to Chairman Adams and Dan Zedan. Byron added staff worked with compliance to ensure documents were sent out timely and feel this process of getting approval from USDA and dissemination needs improving. Byron felt some items may have been eligible for acceptance had they been supplied sooner, but some would not have been impacted. GL Straley and Byron both recognized the Budget, and Byron and Josh recognized all of the other documents were incomplete and needed USDA compliance suggested changes and final submission from the respective Committees. There are steps that were previously unrecognized and staff will work to better the process.

Byron explained the learning curve surrounding recording meeting minutes and the excessive hours for each audio hour of meeting that has to be consolidated into a manageable and reasonable set of

meeting minutes. Louie requested meeting minutes and agenda items be provided two weeks prior to the meetings.

Chairman Adams reverted back to the items being returned to their respective Committees, and advised the agenda items for after lunch.

APC took a one-hour adjournment for lunch.

Chairman Adams inquired from the Council regarding the Noble Institute and Ardmore location. Molly Willis stated the evening comradery is missed due to the location and Louie stated it was difficult to travel to and Sonja Roeder agreed. The location is not an easy in or out. Deborah agreed the evening comradery is missing. Chairman Adams thanked those for their feedback. Karen Crow added the timing of the meeting added to some of the shortcomings that will be circumvented in the future.

Cathy Calhoun of Weber Shandwick (WS) provided a presentation about their recent work and efforts. They are about 4 months into their partnership with APC. The website and focus groups has given great content, and now we want to talk about what is next. Brand launch is on the horizon because there exists great momentum and we do not want to wait on launching the brand. The brand campaign is the bigger launch for the beginning of the next year. Since Frisco, social media is fully live, there are great partnerships to push pecan with influencers and dieticians, and the media has great interest. WS is suggesting a pre-launch between November and February. There are three cultural movements occurring now and we want to jump in on the conversation. Nutrition conscious, culinarians that are source oriented who are seeking and engaged in the information is our target. The three conversations we want to leverage are harvest/heritage, holidays, and the new year of health consciousness. Louie met with the Marketing Representative from an NHRA driver, and would like WS to review the information he was provided. Molly asked if there is a way to have the website in other languages. WS will look into that possibility. Mike S. stated the World Bass Champion is a pecan grower. WS will be available for Q & A and will also be at the dinner tonight to visit with the Council.

Jeff Goodwin (Jeff) was welcomed from the Noble Research Institute by Charles Rohla. Jeff explained the Noble Land Stewardship Project, which captures the founder's intent in agriculture by focusing on the soil, water, and working within the agriculture community. The project's goal is to tell the grower's story and in order to do that the industry's goods have to be quantified. The program is neutral across the various types of agriculture, such as crops, orchards, etc. The project is implanting certifications to ensure the value of the products produced. During their consultation efforts alone, Noble Institute has saved tens of thousands of dollars. The Institute also offers value-added products as well, and that may not be needed by the pecan industry, but may help. Right now, setting baselines for the market will identify where their services will aid the pecan industry. To date there has not been carbon regulation or cap and trade market in the United States This effort is looking at valuing the carbon offset found in

agricultural activities. The project's goal is to identify what impacts the carbon, such as plowing, and in what capacity. The strategies exist, but connecting with the growers and developing the financing is what is being worked on. Phillip discussed the unknown benefits growing has on the general community. Louie asked if they are working outside of Oklahoma and Texas. Jeff advised this is the pilot project and the intent is to grow. Jeff extended an invitation to their lab to see what they are working on. Charles Rohla advised the National Weather Service thinks they can advise a nut and leaf count on a pecan orchard and will be meeting with them soon to discuss the ability/accuracy and cost of this type of assessment. Other crops are doing estimates already, and Noble Research Institute is seeking to piggyback and advance those efforts.

Last agenda item is the upcoming meeting schedule. Chairman Adams addressed it cannot be decided at this time due to harvest. There will be a conference call meeting before September 30th to discuss some policy, executive directives, and some other various items. Chairman Adams welcomed suggestions be sent to him or Byron Gossett.

Phillip reminded we discussed organic in Arizona and its impact on the crop assessments and that we need to be focused on that subject. Chairman Adams believed there is someone looking into it more and he felt organic was defined as must pay into assessment but would be refunded a certain amount. Andrea explained there exists an exemption for organic production, but it depends on the portion of the business that is organic versus conventional. Per the Marketing Order, the handler is the business that qualifies for the exemption, as it is the handler that is regulated by the USDA. Chairman Adams asked Byron to identify who was working on this subject matter. Mike S. asked if there was a threshold or minimum on a seller; for example, a 100 pound bag. Chairman Adams advised there is not.

Chairman Adams summarized action/agenda items from the day:

- Position paper from Byron Gossett for foreign handler.
- Five policy items to Committees requiring recommendations and the Chairs of those Committees will establish a timeline for completion.
- Directive for policy recommendations that Chairman Adams and Byron Gossett will work to establish.
- Pay US Pecan Growers Council the third \$140,000 payment.
- Finalize the FRP for adoption
- A work group can work, and a committee must be more formal.
- Investigate a benchmark study and the cost.
- A work group for the Eastern Immersion Tour
- Approved the legal counsel for DNO.
- Accepted the resignation of Helen Watts.



AMERICAN PECAN

- Directive for policy recommendations that Chairman Adams and Byron Gossett will work to establish.
- Pay US Pecan Growers Council the third \$140,000 payment.
- Finalize the FRP for adoption
- A work group can work, and a committee must be more formal.
- Investigate a benchmark study and the cost
- A work group for the Eastern Immersion Tour
- Approved the legal counsel for DNO
- Accepted the resignation of Helen Watts.

Sonja Roeder moved to adjourn; seconded by Deborah Walden-Ralls. No discussion; vote carried unanimously.

Meeting Adjourned 5:00 pm CST

B. Michael Adams
American Pecan Council, Chairman

Trent Mason
American Pecan Council, Secretary

Minutes prepared by: Karen Crow