

**American Pecan Council
Meeting Minutes
February 23, 2017**

The American Pecan Council (Council) held a meeting on February 23, 2017, in Biloxi, Mississippi with approximately 30 participants.

Council Chairperson Mr. Adams, called the meeting to order at 8:12A.M. CST. Mr. Adams welcomed all members and attendees. He informed the Council that he unfortunately would not be able to chair the meeting due to a family emergency but that Mr. Caris, Vice-Chairperson, would be taking his place. Mr. Adams reported that the assigned Committees had been diligently working in anticipation for the Council meeting. He further stated that in his absence, Ms. Ivey would be seated in his place and Mr. Harrell would be seated in Mr. Worn’s seat.

Mr. Spradling expressed his and the Council’s condolences for Mr. Adams and his family. Mr. Landgraf asked the Council to join in prayer for Mr. Adams and his family.

Ms. Abigail Campos, Southeast Marketing Field Office (SEMFO), conducted roll call and a quorum was established.

American Pecan Council Members

Seat	Member		Alternate	
Eastern-Grower	Buck Paulk	Present	Angie S. Ellis	Present
	Trent Mason	Present	Randy Hudson	Present
	Molly Willis	Present	Claire Powell	Not Present
Central-Grower	Mike Adams	Not Present	Jennifer Ivey	Present
	Michael L. Spradling	Present	Lalo Medina	Not Present
	Billy Scott Landgraf	Present	Mike Montgomery	Present
Western-Grower	Louie J. Salopek	Present	Frank P. Salopek	Present
	G.L. Straley	Present	Leslie L. Daviet II	Present
	Phillip Arnold	Present	John Heuler	Present
Eastern-Sheller	Jeff Worn	Not Present	M. Brandon Harrell	Present
	Lawrence Willson	Present	Kenny Tarver	Not Present
Central-Sheller	Daniel J. Zedan	Present	Helen Watts	Present
	William D. York, Jr.	Present	Rickey Jones	Not Present
Western-Sheller	Bruce Caris	Present	Deborah Walden-Ralls	Present
	Sonja Roeder	Present	Blake Houston	Not Present

Also present were Christian Nissen (Regional Director, SEMFO), and Joshua B. Ayers (Compliance & Enforcement Specialist), Emily Myers (Kellen Company), Paul Quiros, and Cindy Wise (Pecan South Magazine).

Mr. Spradling informed the Council that his alternate, Lalo Medina, unfortunately could not attend the meeting due to a family issue.

The Council reviewed the minutes for the conference call meeting held on January 20, 2017. Mr. Mason informed members that everyone should have received a copy via email for their review. Mr. Spradling made a motion to amend the minutes by delegating all social media authorities and functions to the Marketing Committee and not the Communications Committee. Mr. Daviet informed the Chair and Council that the minutes are a meeting record and that any changes would have to be discussed under new business matters. Mr. Spradling agreed with Mr. Daviet and Mr. Caris in proposing the changes under new business.

Mr. Zedan moved the Council accept the meeting minutes as presented. The motion was seconded by Mr. L. Salopek. Ms. Ellis requested that the minutes be revised for grammatical errors since it will be a matter of record. Mr. Zedan amended his motion and moved to approve the meeting minutes with the understanding that all grammatical errors will be corrected and with no substantial change to the content. The amendment was seconded by Mr. L. Salopek. When put to a voice vote, the motion carried unanimously.

Mr. Nissen provided Council members with a USDA update and expectations for the meeting. He informed members that during the November 2017 meeting, the Council approved an assessment rate without the collection of information. After much review and discussion, the Department was unable to proceed with the publication for the assessment rate without the forms. As such, he expressed the importance of forms being approved during the current Council meeting in order for the Department to proceed with the process. He explained that the process will include getting the forms approved by the Office of Management and Budget (OMB), publishing a proposed rule, going through a 60-day comment period, and publishing a final rule. He further expressed that the meeting record for the forms will be an essential component that will be used to justify the data collection being requested.

Mr. Nissen acknowledged the Council and Committees for their ongoing efforts and commitment. He informed members that due to confidentiality reasons, the Council should also work diligently in contracting staff and or an interim management company.

Mr. Caris proceeded to the next agenda item, which was the nomination of the at-large member and alternate seats. Members were reminded that all candidate resumes (see attachment), for both the accumulator and public member position, were provided via email for their review. Before casting their votes, Mr. Caris stated that he would like to open the floor for introductions and discussion for each of the candidates.

Members were informed that the Council received two nominations for the accumulator seats, one for J.B. Easterlin and one from Chad Selman. Mr. Willson notified the chair and members that he would be speaking on Mr. Worn's behalf in supporting J.B. Easterlin's nomination. In support of the nomination, Mr. Willson reviewed Mr. Easterlin's resume by highlighting his education, work experience and involvement in industry associations. He further informed members that Mr. Easterlin holds over 40 years of work experience and is the current President for Easterlin Pecan Company, a family owned business for 4 generations. Mr. Zedan added that Navarro Pecan Company has had an excellent working relationship for over 40 years with both

the family and Easterlin Pecan Company. He further added that Easterlin Pecan Company is honest, world renowned, and that Mr. Easterlin would be an excellent asset to the Council.

With no further comments from the Council on Mr. Easterlin's nomination, Mr. Spradling provided members a brief overview of Mr. Selman's qualifications for the accumulator seat. Mr. Spradling highlighted that Mr. Selman grew up in the pecan industry and after graduating from Oklahoma Wesleyan University, he returned to the industry and started Selman Farms, LLC in 2013. He added that Mr. Selman currently serves on the Oklahoma Farm Bureau Committee, Oklahoma Young Farmers and Ranchers Committee, Oklahoma Pecan Growers Committee, and Farm Service Agency (FSA) for Tulsa and Rogers County. Mr. Spradling stated that Mr. Selman would be an excellent asset to the Council because of his continuing involvement in the industry and excellent leadership skills. He informed the Council that Mr. Selman also possesses a strong marketing background and as a millennial, the Council would highly benefit in targeting consumers through marketing. Mr. Landgraf spoke in support of Mr. Selman's nomination by informing members that he has personally known the nominee for a few years and that he would be an excellent addition to the Council.

Mr. Caris stated if there was no further discussion, he would like to proceed with the voting process for both the accumulator member and alternate seat. Members were instructed to cast their vote for one nominee on the note pad paper located in front of them. Mr. Caris further informed members that the individual with the highest votes would be recommended as the member and the runner up would be the alternate.

Members were notified that the ballots would be collected by USDA and the count would be conducted by Ms. Campos, Mr. Ayers, Mr. Mason, and Mr. Willson.

After members were given a few minutes to cast their vote, the ballots were collected by Ms. Campos. While the count was taking place outside the conference room, Mr. Caris took a few minutes to explain that the next nomination would be for the public member and alternate seat. He further added that during the Committee meeting on Wednesday, February 22, 2017, there was a discussion on the qualifications for the seat. Mr. Caris informed members that candidates cannot have a vested interest or be affiliated with the pecan industry. Mr. Zedan referenced Marketing Order 986 (Order) and read the definition of affiliation as printed in § 986.3:

“This term normally appears as “affiliate of”, or “affiliated with,” and means a person such as a grower or sheller who is: A grower or handler that directly, or indirectly through one or more intermediaries, owns or controls, or is controlled by, or is under common control with the grower or handler specified; or a grower or handler that directly, or indirectly through one or more intermediaries, is connected in a proprietary capacity, or shares the ownership or control of the specified grower or handler with one or more other growers or handlers. As used in this part, the term ‘control’ (including the terms ‘controlling,’ ‘controlled by,’ and ‘under the common control with’) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a handler or a grower, whether through voting securities, membership in a cooperative, by contract or otherwise.”

Mr. Caris asked Mr. L. Salopek if he had any further comments on the rule and its intention. Mr. L. Salopek mentioned that the purpose for the seat was so the Council would have an impartial member with no ties to the industry. He further added that the rule wasn't exactly written the way industry members intended it to be. Mr. L. Salopek asked the members to take into consideration, when voting, that the Council is currently comprised by individuals who are involved in agriculture and having a little diversity would be highly beneficial. Mr. Caris agreed with Mr. L. Salopek's comments and asked members to keep an open mind when voting.

Ms. Campos, Mr. Ayers, Mr. Mason and Mr. Willson returned with the nomination results. Before announcing the ballot results, Ms. Campos informed members that the results were confirmed and the ballots used in the nomination would remain with USDA. Ms. Campos announced that Mr. Easterlin was recommended for the accumulator member seat and Mr. Selman as the alternate.

Mr. Caris recognized the outreach efforts made by the Council for both the accumulator and public member seats. Before moving forward with the next nomination, Mr. Caris asked USDA for a brief description of the selection order process and getting the recommended members seated. Ms. Campos explained that the selection order process begins when a recommendation is made by the Council. Once members are recommended, USDA gathers the background statements from the individuals and a selection order is drafted by the field office. It is then referred to DC for final review before being sent to the Secretary for signature. After receiving approval from the Department, the Council is notified by the field office and selected members are seated. Mr. Caris asked if the recommended nominees can be notified of the results with pending approval from the Secretary. Ms. Campos agreed to do so.

Mr. Zedan requested further clarification from USDA on the estimated time frame for the approval of the selection order. Ms. Campos responded that the timeframe can vary but in normal scenarios a selection order is signed within 30 days of the field office submitting to headquarters. However, with the current transition in administration, the selection order may be delayed. Ms. Campos asked nominees to see USDA staff during the meeting, in order to complete the background statement that will be used to process the selection order. Mr. Caris asked for the procedure if the nominees were not present. Ms. Campos responded that USDA will reach out to the recommended nominees and provide them with a copy of the form.

Mr. Caris proceeded to discuss the nomination of the Public Member and Alternate seats. Council members were informed that after further review of the submitted resumes, Dawn Laurel Jones would not be considered for the position because of her involvement in the industry. As such, the following five nominees would be considered for the public member seat: Donna Volz; Ronald Hayes; Jim Reese; John Sheffield (Shep) Bickley, Jr.; and Jason S. New. Before members voted on the public member seat, Mr. Caris requested that nominators speak on behalf of their candidate.

Mr. Caris informed members that he would begin the nominee review with his candidate: Jason S. New. Mr. Caris stated that Mr. New currently works with New Mexico Department of Agriculture and is also a member of the U.S. Pecan group. He further stated, that Mr. New has

demonstrated a high interest in the industry through his involvement and travels to Vietnam and India. Mr. Caris emphasized that Mr. New would bring a fresh perspective and program knowledge to the Council, having worked with pecans and Hatch chiles.

Before reviewing Mr. Ronald Hayes's resume, Mr. Spradling acknowledged Mr. L. Salopek on his comments made during the Subcommittee session concerning Mr. New's nomination. Mr. Spradling informed members that Mr. Hayes possess a strong communications background through his work experience in agricultural radio broadcasting, including social and print media. He further informed members that Mr. Hayes has strong ties to the community in both Kentucky and Oklahoma. Mr. Spradling further highlighted Mr. Hayes's international travel and core accomplishments, including his involvement and participation in the Oklahoma Ag Leadership Program, winner of three Oscars in Agriculture Media Awards, Oklahoma City Association, past President of National Association of Farm Broadcasters, and State and National VIP Award Honoree at the Oklahoma FFA and National FFA organization. Mr. Spradling added that Mr. Hayes' profession would be highly beneficial to the Council because of his ability to connect with consumers, specifically millennials. He also informed members that the nominee had no direct ties to the industry, allowing him to be considered for the seat. Mr. Spradling mentioned that Mr. Hayes had his full support for the public member seat. Mr. Landgraf also indicated his support for the nominee and acknowledged that Mr. Hayes would be an essential asset to the Council because of his reputation in the media world.

Mr. Caris asked Mr. L. Salopek to review Ms. Donna Volz's nomination for the public member seat. Mr. L. Salopek informed members that Ms. Volz's resume was not provided in the meeting materials but that he would review her resume with the Council. He stated that Ms. Volz is the current Senior Marketing Director for the Merritt Group, which owns and operates a number of Sonic Drive-ins. In her role, she oversees 145 stores in 5 states, including all store marketing budgets, communication, school sponsorship programs, initiates sales, and leads cooperative meetings. In addition, she also represents nearly 3,500 stores at a few annual conventions with an average of 3,000 people in attendance. Mr. L. Salopek mentioned that he asked Ms. Volz what she could contribute if selected for the seat. Mr. L. Salopek stated that Ms. Volz would be an essential asset to the Council due to her experience and contacts with the food industry. For those unfamiliar with the Sonic franchise, Mr. L. Salopek informed members that it was a well-respected and innovated fast food franchise. Mr. Caris agreed with Mr. L. Salopek and added that Sonic is very creative in their marketing campaigns. Mr. Willson asked Mr. L. Salopek how many years of work experience Ms. Volz had. Mr. L. Salopek responded that Ms. Volz had 11 years of marketing experience and is a very professional individual.

Mr. Caris asked Ms. Willis to review Mr. Bickley's nomination for the public member seat. Ms. Willis informed members that Mr. Bickley has been highly involved in the agriculture business his entire life. She further added that Mr. Bickley has a chemical sales business that sells to pecans, grain business and other products. Ms. Willis acknowledged that although the Council is looking for a candidate not involved in the agriculture industry, she continues to support Mr. Bickley because of his involvement for the Councils success.

Mr. Caris asked Mr. Spradling to review the nomination of Mr. Reese for the public member seat. Mr. Spradling informed members Mr. Reese is the current Secretary and Commissioner of Agriculture for the State of Oklahoma appointed by Governor Mary Fallin. In his capacity, he oversees policy development and implementation related to agriculture, food, and forestry. Mr. Spradling added that Mr. Reese's current and past experience as a state legislator would be highly beneficial to the Council. Members were informed that the nominee does not have current ties with the agriculture industry but was highly supportive of getting pecans in the state of Oklahoma, including a large shelling plant. Mr. Spradling acknowledged that while the Council cannot be involved in lobbying, Mr. Reese would be an essential asset in opening doors. As such, Mr. Spradling expressed his support for Mr. Reese's nomination for public member seat.

With Mr. Reese being the current Secretary and Commissioner of Agriculture for the State of Oklahoma, a member from the audience raised a concern on the possible conflict of interest and his ability to serve on the Council. Mr. Spradling clarified that the state of Oklahoma currently does not have a Pecan Commission nor does Mr. Reese oversee any industry functions. He did acknowledge that the state of Oklahoma currently has a Pecan Growers Association and that the Pecan Commission has not been around for nearly 30 years. Mr. Spradling reassured the Council that Mr. Reese does not oversee pecans in his capacity nor does he have any direct ties to the industry.

With Mr. Spradling bringing the Council two nominees, Mr. Willson asked which candidate would be Mr. Spradling's first choice. Mr. Spradling expressed that he would highly support Mr. Hayes because of his expertise in agriculture communications and the ability to communicate with constituents. He asked members asked to consider both nominees not based on location but rather what they have to offer the Council. As a member of the Council, Mr. Spradling explained that his vote would go to Mr. Hayes. Mr. Caris asked members if there were any further comments or questions on the matter.

Mr. Zedan directed his question to USDA regarding to the procedure that would be used for the nomination of the public member and alternate. Mr. Nissen explained that Mr. Adams laid out the protocol for the vote during the Committee meeting that took place on Wednesday, February 22, 2017. He explained that members will go through an elimination round and then during the final round only two nominees will remain. The nominee with the highest vote would be the recommended as the public member and the runner up would be the alternate. Mr. Arnold asked for clarification on the process since he believed that the Council would only vote once and the top vote would receive the member seat and the runner up would be the alternate. Mr. Arnold believed that two votes would take place only if there was a tie involved. Mr. Nissen explained that members would vote on the first five nominees and the top two contenders would move to the second vote. Mr. Arnold further asked Mr. Nissen if the Council should consider diversity as a factor when voting for the seat. Mr. Nissen agreed with Mr. Arnold and mentioned that USDA appreciates diversity in a selection in efforts to mirror and reflect the industry as a whole. Ms. Campos further added that diversity also includes the nomination of new members to the Council.

Mr. Caris stated that the Council received an excellent amount of qualified candidates for the nomination of the public member and alternate seat. After further review, Mr. Caris reminded members that they will be recommending two of the candidates. He explained that members will have one vote in each round. During the first round, members will narrow the list from five nominees to two. During the second round, the nominee with the highest votes will be the recommended member and the runner up will be the alternate. Members were instructed to cast their vote for one nominee on the note pad paper located in front of them.

After members were given a few minutes to cast their vote, the ballots were collected by Ms. Campos for tabulation.

After a few minutes, Ms. Campos, Mr. Ayers, Mr. Mason and Mr. Willson returned to the meeting room with the nomination results. Ms. Campos announced that Ms. Volz and Mr. Hayes were the top two finalists for the public member and alternate seats. Mr. Caris reminded members that Ms. Volz, nominated by Mr. L. Salopek, is the marketing expert with Sonic and Mr. Hayes is the communications expert.

Members were instructed to cast their vote for one nominee on the note pad paper located in front of them.

After a few minutes, Ms. Campos, Mr. Ayers, Mr. Mason and Mr. Willson returned to the meeting room with the nomination results. Ms. Campos announced that Ms. Volz was recommended for the public member seat and Mr. Hayes for the alternate public member seat.

Mr. Caris confirmed that they would be contacted by USDA regarding to the recommendation. Ms. Campos added that if the recommended accumulator, public member and respective alternates were present, they could complete the required background statement in person. Mr. Caris informed USDA that Mr. Easterlin was onsite. Ms. Campos stated that if the recommended at-large members were not present, they would be contacted by USDA for further instructions.

Mr. Straley reported on behalf of the Finance Committee that the Council was able to secure a bank account with First Financial Bank and the accounting firm Armstrong, Backus & Co., LLP, both located in San Angelo, Texas. He further assured the Council that confidential information was secure because any voluntary assessments being collected are mailed to Council in care of Armstrong, Backus & Co., LLP. In addition, the accounting firm has the ability to process the Council's expenses and/or invoices via a program called Bill Pay. Once invoices are loaded into Bill Pay, an email is sent to the current officers (Mr. Adams and Mr. Straley) for approval and payment. Members were instructed that any invoices or expenses can be mailed to the accounting firm or the Treasurer for processing. Mr. Straley also mentioned that the accounting firm would also be preparing monthly financial statement (see attachment) for Council review. Members were provided a copy of the financial statement for the month ending January 31, 2017. The financial statement showed that the Council had \$12,021 in assets, \$2,010 in account billing, resulting in a net income of \$10,011.

Mr. Straley reviewed the signed Council 2017 budget approval letter from USDA. He noted that the approval letter included the following statement, “The marketing order authorizes the Council to accept the payment of assessments in advance. Until a mandatory assessment is in place, Council expenditures will be limited to those funds that have been submitted voluntarily.” Mr. Straley informed members that the Council’s bank account currently has \$988,444.81 or 16% of anticipated assessments. As such, he urged all handlers to submit voluntary funds to the Council for the 2016-2017 fiscal period.

Mr. Spradling moved to accept the Treasurer’s report. The motion was seconded by Mr. Arnold. The motion carried unanimously.

Mr. Caris stressed the importance of voluntary contributions in order to ensure the success of the Council and stressed that members reach out to industry handlers. A member from the audience raised his concern that many industry members are not aware voluntary contributions are being collected. Mr. Spradling replied that the Communications Committee is currently working on developing a newsletter that will inform all known industry members of the Council’s updates and communicate the importance of receiving voluntary contributions.

The Council recessed for ten minutes.

Mr. Caris informed USDA that an alternate member inquired if the votes for the at-large seats would be released as part of the record. Mr. Nissen responded, that unfortunately, USDA does not release that information. Mr. Daviet expressed that the Council is considered a public body and in his experience, votes are disclosed as part of the public record. With no further comments, Mr. Caris informed the Council that the votes would remain undisclosed and would not be included as part of the record.

Mr. Caris reported on behalf of the Marketing, Research, and Promotion Committee. He informed members that the majority of Council members and alternates got together on February 20-21, 2017, to discuss the Council’s direction. On Tuesday, February 21, 2017, the Council participated in an eight-hour brainstorming session that was facilitated by Steven Gilliam, Dean from University of Arizona, and expert in organizational behavior, management, and healthcare. Mr. Caris reported that during the session, attendees developed an understanding of where the pecan industry stands, in comparison so other nuts, with regards to products being produced, supply and demand, food service industry and where pecans are sold. Further, attendees broke up into groups where they addressed a number of priorities the Council should target within the next 2-5 years. The following top five priorities were agreed upon by attendees: contracting staff (quality CEO / marketing director), develop an accurate data collection process to drive decisions, contract a scientific advisory board to identify potential research, develop a media campaign, obtain a better understanding of the diverse consumer market, and finalize the Council’s budget.

Mr. Caris further reported that the Marketing, Research, and Promotion Committee will wait to make any changes to the Council’s drafted budget until a CEO or a Marketing Director is in place. However, Mr. Caris informed the Council that the Committee had three proposed projects that they would like to present in the form of a motion.

Ms. Ivey made a motion for the expenditure of \$10,000 for website development and communication. The motion was seconded by Mr. L. Salopek. The motion carried unanimously.

The second project proposal came from the University of Georgia (UGA), Department of Plant Pathology (Dr. Breneman, Dr. Bock, Dr. Rohla), seeking funding of \$65,900 for quantifying phosphite residues in pecan kernels (see attachment). The research would provide a comprehensive data set documenting the phosphite levels in domestic pecan samples and review an alternative method of analysis. Members were informed the study was a result of a recent European Union (EU) revision of acceptable levels of phosphite residue in nuts and, as a result, may effect exports to the EU. Ms. Ivey made a motion for the expenditure of \$65,900 to fund the project proposal from University of Georgia (UGA), Department of Plant Pathology, quantifying phosphite residues in pecan kernels. The motion was seconded by Mr. Zedan. The motion carried unanimously.

Ms. Ivey made a motion to approve \$140,000 for the U.S. Pecan Growers Council (USPGC) 2017 Market Access Program (MAP) (see attachment) with the understanding that the Council revisit for additional funding. The motion was seconded by Mr. Arnold.

Mr. L. Salopek requested that the Council discuss the proposal before voting and also requested a copy of the approved budget from the previous meeting. Mr. L. Salopek asked if the approved budget allocated \$500,000 for the USPGC. Mr. Straley informed him that the funds were included in the total marketing budget. Mr. L. Salopek wanted to confirm that the proposal presented would be revisited for additional funding. Mr. Caris reminded members that the proposal from the USPGC was discussed during the Subcommittee meeting on Wednesday, February 22, 2017. He informed members that the original proposal from the USPGC requested a contribution of \$434,005 to be used towards developing marketing strategies and consumer awareness in international markets in conjunction with the MAP funds received by USPGC. Mr. Caris reported the Committee had discussed the proposal and considered the current level of available Council funds. Based on the discussions, the Committee recommends that Council fund the proposal in the amount of \$140,000 with the stipulation that the committee would revisit the request in the following months to determine if additional monies could be allocated based on available funds.

Ms. Campos requested that in the future members be provided a copy of any proposals for Council review. She further stated that this would allow members to become familiar with the proposal in order to vote.

With no further comments or question, Mr. Caris called the motion to approve \$140,000 for the USPGC 2017 MAP with the understanding that the Council revisit for additional funding by April 30, 2017. The motion carried unanimously.

Mr. Zedan reported on behalf of the Statistics and Reporting Committee and informed members that the Committee has been working on the reporting forms for nearly four months with the assistance and feedback from the Council and USDA. Mr. Zedan provided members with a copy of the drafted forms (see attachment) and informed them that the forms would be reviewed

individually as part of the record. Further, Mr. Zedan explained that the forms would be processed through the Federal Register which requires a detailed explanation and logic behind each form. As such, members were advised that the discussion regarding the forms would be a crucial component in the meeting minutes.

Mr. Zedan informed members several sections within the Marketing Order (Order) require specific forms to be completed. Members were advised that they were given a two sided sheet titled Proposed Pecan Reporting Regulations (see attachment) that provided them an overview of the sections that allowed the Council to collect specific data.

Under § 986.65 Marketing policy, the Council is required to submit reports to the Secretary at the end of each fiscal year for the following information:

- (a) Estimate of the grower-cleaned production and handler-cleaned production in the area of production for the fiscal year;
- (b) Estimate of disappearance;
- (c) Estimate of the improved, native, and substandard pecans;
- (d) Estimate of the handler inventory on August 31, of inshell and shelled pecans;
- (e) Estimate of unassessed inventory;
- (f) Estimate of the trade supply, taking into consideration imports, and other factors;
- (g) Preferable handler inventory of inshell and shelled pecans on August 31 of the following year;
- (h) Projected prices in the new fiscal year;
- (i) Competing nut supplies; and
- (j) Any other relevant factors.

Mr. Zedan explained that under § 986.65 (j), “other relevant factors” gives the Council the authority to collect a broad latitude of information.

In addition to § 986.65, Mr. Zedan informed members that the following sections were also areas that gave the Council the authority for specific data collection: § 986.75 Reports of Handler Inventory, § 986.76 Reports of Merchantable Pecans Handled, § 986.77 Reports of Pecans Received by Handlers, § 986.78 Other Handler Reports.

In § 986.76, “Each handler who handles merchantable pecans at any time during a fiscal year shall submit to the Council in such form and at such intervals as the Council may prescribe, reports showing the quantity so handled and such other information pertinent thereto as the Council may specify.” Members were informed that § 986.76 gives the Council the broad authority to collect information not stated in the Order.

Mr. Zedan reviewed the packet that was prepared by the Committee. The packet contained a total of 7 reporting forms that would be reviewed individually by the Council. Members were also advised that not all forms would be completed by all handlers because of their limited involvement in the global market. On average, handlers will complete two to three forms a year.

Mr. Zedan provided members with a quick overview of Form 1 “Summary Report”. He stated that the front side of Form 1 provides industry members instructions on how to complete the form.

On a side note, Mr. Zedan notified members that the Committee drafted the Council's reporting forms by using the existing Almond Board forms as an example. He noted that the Almond Board currently requires handlers to submit their data on the 30th or 31st of every month and publish their data on the 8th of the following month.

The Committee initially sent out a draft of Form 1 to all Council members. The feedback received from the Council resulted in changing the original due date from the 1st to the 3rd. However, on Wednesday, February 22, 2017, the Committee received feedback from the Council recommending that the due date be changed to the 5th of the following month, for all forms. As recommended by the Council, Mr. Zedan reported that the due date for the forms had been updated for the consideration of industry members.

Further, members were informed that the original draft for Form 1 contained a total of 36 varieties. Per recommendations from the Council, Mr. Zedan stated that the list was brought down to 16 varieties. Mr. Zedan pointed out that under Column B "Pecan Varieties," the term "Desirable Type" was added as a replacement for some of the removed varieties. Mr. Zedan stated that the definition of "Desirable Type," would be provided in the instructions for Form 1. Unfortunately, the updated form did not reflect the change but that varieties such as Choctaw and Oconee would be listed.

Mr. Zedan reported another small change made to Form 1, Column B "Pecan Varieties." After reducing the number of varieties listed, Mr. Zedan stated that "Other" was relocated further down. Members were advised that anything that was not listed under the "Varieties" column, such as mixed budded or blended, could be listed in the, "Other" section.

Mr. Zedan stated that industry members would be able to fill out Form 1 electronically and the information would be automatically calculated, thus making it easy for both industry and the Council. When done by hand, the confidential recipient or accounting firm would fill in the calculation. Once the forms are submitted by handlers and processed by the confidential recipient, an email would be sent out containing the data of information that was collected.

After reviewing the changes made to Form 1, Mr. Zedan explained to members the process of completing the form. Upon reporting, handlers will check the "Reporting Period" and fill out the total pounds handled under the corresponding pecan variety. He informed members that if the form was being filled out electronically, the total amount due would be automatically propagated. If no changes were necessary for the following reporting month, handlers would need to mark "Check here if there are no changes," and email to the confidential recipient. He explained that handlers would be required to fill out and submit Form 1 on a monthly basis. Mr. Spradling asked to whom handlers would be required to submit the completed form and if the confidential recipient would be Armstrong, Backus & Co. LLP. Mr. Zedan confirmed that for the time being, handlers will submit the form to Armstrong, Backus & Co. LLP. Further, once the forms are approved by OMB, changes such as contact information would be simple to change. Members were informed that USDA will be working with the Council to update the forms and including the confidential and perjury statement. Mr. Nissen confirmed that simple modifications, such as contact information, would not delay the approval process with OMB.

Mr. Zedan mentioned to the Council that he was recently asked why the data collection on the different number of varieties was important for the Council. While there is no specific requirement in the Order to collect information on varieties, Mr. Zedan stated that it would help the Council and industry members develop marketing strategies in order to drive decision

making. He explained that states currently covered under the Order would report the information to the Council and the data reports would give the industry an overview of the predominant varieties.

Ms. Roeder asked USDA if the forms were to be approved and a change needed to be made to the contact information, would the forms be required to go through the approval process once more. Mr. Nissen responded that anything administrative, such as contact information or government language, would be updated by USDA and resubmitted as a revised form to OMB. However, no approval would be required.

Mr. Straley asked what process handlers would need to follow for the delayed reporting during the 2016-2017 fiscal year and if handlers would be required to submit a form for each month. Mr. Zedan responded that for this fiscal year, handlers would only need to submit data on year-to-date and proceed with monthly reporting.

Mr. Arnold inquired when monthly reporting would be due and if the Council was giving industry members enough time to submit the requested information. Mr. Zedan responded that after feedback from the Council, monthly reporting was set to the 5th of every month.

Ms. Roeder followed up with a question concerning what happens to handlers who delayed in reporting and if they would submit the information the following month. Mr. Zedan responded that, unfortunately, the Council has not developed a procedure for such a situation but would eventually be addressed.

Mr. York inquired if the monthly due date would be set to the 5th of every month or five business days. Mr. Zedan responded that the 5th of every month or the next following business day would be the standard.

Mr. Nissen recommended that the Council consider putting “or next business day” on the monthly reporting forms. Further, Mr. Nissen wanted to clarify if handlers were required to submit payment upon reporting or if they would be invoiced for the assessments due. Mr. Zedan referenced that the Almond Board currently sends out invoices on a quarterly basis to handlers and he envisioned that the Council would do something similar. He added that since the Order consists of 15 states, a monthly invoice would be sent to handlers after the reporting is submitted. However, Mr. Zedan stated that he preferred that handlers submit payment upon reporting which would allow for a decent cash flow to the Council and be less of a burden on the accounting firm. He stated that as the Council continues to develop, the contracted management staff will create the assessment invoice.

As USDA continues to work on the assessment and reporting rule, Mr. Nissen suggested that the Council discuss and decide on one procedure concerning the payment of assessments. Would handlers submit their payment upon reporting or would they be billed by the Council? Mr. York recommended that Council consider having handlers submit both payment and report simultaneously, in consideration for the accounting firm. Mr. Zedan agreed with Mr. York and mentioned that the language would be added to the form stating that payment would be due upon reporting. Mr. Nissen asked Mr. Ayers if developing that procedure would be advantageous for compliance reviews. Mr. Ayers agreed. As such, Mr. Zedan notified members that the change will be made.

Mr. Arnold expressed that a 5 day window to report would perhaps be difficult for small handlers and recommend that the Council consider changing the report due date to the 15th of

every month. Mr. Zedan acknowledged Mr. Arnold's concern and stated that by changing the due date to the 15th would cause for the publication of the data to be delayed for at least a month. Members were informed that collecting industry information would result in assisting both buyers and growers to make better business decisions based on market value. Further, Mr. Zedan stated that if the Council were to consider changing the due date to the 15th of every month, the information collected would not be published until the 30th. Thus, resulting in several weeks delay of market information. Mr. Arnold responded that his main concern is that the Council will receive pushback from handlers because of the short deadline. Mr. Zedan informed the Council that the Almond Board currently reports on 4 billion pounds of product. Their current due date for handlers is set for the 1st of the month and reports are sent out by the 8th. Mr. Easterlin stated that we need to consider that pecans are not comparable to almonds or any other nut product. Further, Mr. Easterlin stated that handlers would be more inclined to submit their payments on time if the Council considered compromising to the 10th of every month.

Mr. Spradling inquired what the penalty handlers receive if they were to submit a late report or assessment. Mr. Ayers, with USDA, informed the Council that the compliance department typically sends out a late notice to the handler and then refers the issue over to the field office. If collection of assessments is unsuccessful, the field office refers the case to headquarters where some form of adjudication will be made. Mr. Zedan stressed that the Council does not expect to implement penalty fees within the first year due to expected late payments and provided that the first year will be a learning experience for all. After much discussion on the due date for the monthly reporting, Mr. Zedan agreed to change the reporting due date from the 5th to the 10th.

Ms. Ivey inquired if handlers would be able to submit a blank reporting form due to lack of updated books. Mr. Zedan responded that handlers will be required to submit a completed form and that the process would not be complicated since the form is automated.

Ms. Campos informed the Council that USDA would be able provide examples of existing orders that have penalties laid out for late assessments. Mr. Zedan inquired if the Council would be able to proceed with the forms without having a penalty policy in place. Mr. Nissen responded that the Council does not need to address penalty fees in order for the forms to proceed.

Mr. Arnold moved to set the due date for Form 1 to the 10th day of every month or the following business day with the intent that it would be revisited at a later time. The motion was seconded by Mr. Spradling. The motion carried unanimously.

Mr. Willson asked Mr. Zedan if the Council will be voting on each individual form or if he would prefer to approve them as a packet. Mr. Zedan responded that modifications will be made individually but that the decision was left up to the Council if they would like to approve them individually or as a packet. However, Mr. Zedan stated that all forms need to be revised and approved by the Council in order to submit to the Federal Register.

Mr. Zedan proceeded to discuss Form 2 "Report of Shipments and Commitments" with the Council. Members were informed that Form 2 would also be completed on a monthly basis by handlers and that the information collected would provide industry members of a more accurate number of available product versus what is committed. On Form 2 handlers will provide the amount of product that was handled in the form of shelled, inshell, and /or inter-handler transfers (both shipped and received).

Mr. Zedan stated that he received a question concerning why the Council would ask the following: “Deduct contracts to purchase from trade sources, including undelivered inter-handler transfers (indicate domestic or export).” Mr. Zedan stated that by placing that section in the reporting form, handlers will be required to inform the Council what product is and isn’t committed. Thus, allowing the Council to obtain a true number of inventory.

Mr. Nissen inquired if Form 2 would have the same due date as Form 1. Mr. Zedan responded that every form will have a printed due date at the top of the page and that Form 2 would also be required to be submitted by the 10th of the month by handlers.

Mr. Quirós inquired how the procedure would work to avoid double reporting from an inter-handler transfer and which individual would be assigned the deduction. Mr. Zedan explained that only one handler would report the deduction and that additional language could be added to the instructions to Form 2. After much discussion, Mr. Zedan stated that the following language would be reflected under section “Pecans sold but not delivered”: individuals responsible for paying the assessment should not take a deduction.

Mr. Nissen asked Mr. Zedan and the Council how collecting information on reports of shipments and commitments would benefit the Council. Mr. Zedan responded that it would give the industry an accurate number of true inventory. The industry currently releases the estimated number of cold storage on February 22/23. Further, the current number reported does not reflect what is sold, pending shipment or current inventory. Mr. Zedan stated the industry currently has record prices for pecans. He provided members with an example of a cold storage report. If industry members are told that 150 million pounds of product are in cold storage, they are unable to differentiate what is committed and what is not. Worst case scenario, would be to have the industry to suffer a loss of 100 million dollars by failing to supply the open market. By collecting the information requested in Form 2 would assist industry members to better market their product and make rational decisions.

Mr. Zedan continued to review Form 3 “Exports by Country of Destination” with the Council. Mr. Zedan stated that prior to 2005, it was reported that nearly 10% of pecan production was being shipped overseas. Today, the pecan industry estimates that the number of sales has increased to nearly 40-50%. As such, implementing Form 3 provides industry members knowledge of where product is being sold, trend analysis, and the opportunity for market expansion. Mr. Zedan expects that nearly a handful of handlers will have to complete the form and insisted that the form was not complicated to complete.

Members were informed that Form 3 consisted of three pages. On the first page, members are provided instructions on how to complete the form. The second page contains a list of countries to where the product is being shipped to. Mr. Zedan pointed out that if the country of destination is not listed on the second page, handlers would then need to complete page 3.

Mr. Nissen followed up with a question concerning an average of how many handlers and growers would complete the form. After further discussion among the Council, it was reported

than an average of 10-15 industry members would complete the form. In addition, Mr. Zedan stated that the form due date was the 10th of each month or the following business day.

Mr. Hudson recommended that Vietnam, China, and Hong Kong be placed into individual cells because the industry needs accurate data on each country. After much discussion, Mr. Zedan agreed to make the change.

Mr. Quirós asked if the reporting would be done for the first shipment location or if it would be for the ultimate destination. He further added that it was unclear from the form and suggested that it should be clarified. Mr. Zedan responded that reporting would only be done on the final destination. Further, Mr. Zedan stated that the information was provided on the instruction page as follows: “This column will be filled in by a member of the American Pecan Council staff based on the Exports by Country of Destination report submitted for the Prior Period.” Mr. Quirós requested that the Council consider making that distinction. Mr. Zedan then asked if it was preferred that the form capture the data for the first or final destination. Members from the Council requested that the form should reflect the first country of destination because the final destination may not be available. Mr. Zedan responded that he would make the change to Form 3 and would also separate Vietnam, China, and Hong Kong.

Ms. Campos asked Mr. Zedan if the data collected in Form 3 would help the Council capture pecans handled that might not otherwise been reported. Mr. Zedan agreed and responded that currently the information is captured by Foreign Agricultural Service (FAS) through the census data. He stated that the information collected via the census is inaccurate because it is not being captured from individuals who are doing the shipping. By implementing Form 3, the Council will be able to capture accurate data from individual handlers instead of relying on skewed data captured by FAS or Customs.

With no further questions about Form 3, Mr. Zedan proceeded to review Form 4 “Report of Inter-Handler Transfers of Pecans.” Mr. Zedan provided Council members a quick overview of the form. He stated that the form would provide industry members an accurate number of either shelled or inshell transfers. Members were also informed that USDA had raised a concern with regards to the inter-handler form because of its definition in § 986.26. Written in the Order, transfers are defined as the movement for inshell pecans and meats are not mentioned. Mr. Zedan pointed out that within the industry, members know that meats are often transferred between handlers. As such, Mr. Zedan stated that he would include meats on the form. Further, Mr. Zedan added that the form automatically uses a conversion rate of 44% to convert the number to inshell and calculates the total assessment. Mr. Zedan referenced § 986.65 (j), as the ability for the Council to use “meats” as a relevant factor for collecting the information. By using the inter-handler transfer form, handlers can pass the assessments due to another handler. However, the form requires that both handlers sign and submit the form monthly and no later than the 10th of the month or next business day.

Mr. Quirós inquired if 44% was a good number for a variety. Mr. Zedan responded that unfortunately, the industry doesn’t currently have an average yield. Further, Mr. Zedan stated that about ten years ago, pecan shellers were using the average yield of 40% but based on improved varieties, the percentage was changed to 44%. He continued to inform members that

the average yield for the fiscal year is discussed in another form. After the first year of reporting, the Council will have a more accurate number. Mr. Zedan stated that he expects the yield to be higher but there is no concrete evidence to support that statement. Mr. Quirós referenced § 986.43 and stated that the Order reflects a 50% and not 44%. Further, while testimony from different regions vary on shellouts, Mr. Quirós mentioned that throughout the Federal Marketing Order hearings, the industry agreed to 1 for 2 weight (50% weight). As such, Mr. Quirós recommended that the Council reconsider the percentage, otherwise there would be a variation in the Order. After much discussion, the Council agreed to 50% weight to be reflected on Form 4. Mr. Zedan mentioned that he was opposed to the change because there is no stipulation that states the weight needs to be at 50%. Mr. Quirós replied that the provision is stated in § 986.43.

Mr. Willson inquired when an inter-handler transfer occurs for shell meats. Mr. Zedan clarified that the transfer applies to a number of small shellers who don't want to pay the assessment.

Ms. Campos read the provisions of § 986.43 to the Council: "Weight means pounds of inshell pecans, received by handler within each fiscal year; Provided, that for shelled pecans the actual weight shall be multiplied by two to obtain an inshell weight." Mr. Zedan stated that he will do whatever the Council agreed on. After much discussion, the Council came to the conclusion that there is no choice but to set the yield at 50%.

Mr. Nissen followed up with a question concerning how many inter-handler transfers occur on average in a month. Mr. Zedan replied that all forms would have to be adjusted because they currently reflect 44% and not 50% weight. Mr. Nissen restated his question and clarified that USDA just needed an average number of handlers who will be filling out the form. Mr. Zedan stated that the inshell was not the issue but rather the meats. The change of 10% would be reflected in Form 2, in order to compute the amount of inventory that is available. Mr. Zedan made it clear that he didn't believe that 50% weight was a valid number but agreed to follow what is stated in the Order. Mr. Nissen asked Mr. Zedan to clarify if the term "meats" also meant "shelled pecans," and which one was preferred by industry members. Mr. Zedan and members agreed that both terms were acceptable. Mr. Quirós mentioned that the Order stated that assessments are based on inshell pecans. Mr. Nissen thanked the Council for the feedback and informed the Council that he just wanted to be consistent with the language. Mr. Quirós then read the definition for § 986.37 as reflected in the Order: "Shelled pecans. Shelled pecans are pecans whose shells have been removed leaving only edible kernels, kernel pieces or pecan meal. Shelled pecans are synonymous with pecan meats." Mr. Nissen responded that the term "shelled" would then be used.

Mr. Nissen requested the average number of handlers that would be filling out the inter-handler transfer form on a monthly basis. Mr. Zedan responded that quite a few handlers would report at the beginning of the year and would then decrease towards the end of the year. On average, Mr. Zedan and Council member agreed that nearly 30 handlers would be submitting an inter-handler transfer form per month.

Ms. Campus asked if accumulators would face a burden with the inter-handler transfer form. Mr. Nissen clarified whether it would help or be a disadvantage for accumulators. Mr. Zedan stated that the form is simple to complete and accumulators would likely store the form for auditing

purposes. Mr. Quirós added that a drafted version of the form was filed in June 2016, in addition to the election forms, and it was estimated that it would only take a minute and a half to complete the form. Further, testimony from the hearings reflect that the form serves as a tool in collecting assessments from small accumulators.

Mr. Zedan proceeded to discuss Form 5, “Inshell Pecans exported to Mexico for Shelling and returned to the United States as Shelled Meats”. In Form 5, the term “meats” would be changed to “kernels.” Mr. Zedan explained that Form 5 would assist the industry through accurate data collection on imports and exports. He stated that the current data that FAS reports is inaccurate because it reflects pecans that are exported to Mexico for processing and recounted upon returning. As a result, the United States government reports every pecan pound that goes to Mexico whether it is destined for shelling or not. Implementing Form 5, would provide the industry with the ability to identify how many pecans are exported to Mexico for processing and lead to a positive working relationship with government officials by developing a harmonized process for industry.

Mr. Nissen inquired if Form 5 would be completed monthly or annually. Mr. Zedan confirmed that the Form 5 would be completed on a monthly basis by the 10th of the month or the next business day. Further, 4 industry members would be completing and submitting the form. Mr. Nissen asked if pecans are being sent somewhere other than Mexico for processing. Mr. Zedan stated that while a shelling company is developing in South Africa, industry is sending pecans to Mexico because of the proximity, efficiency, and labor advantage. Further, on average, the cost of sending pecans to Mexico for processing is only 10% more than companies would pay in the United States.

Mr. Nissen asked the Council to clarify if Form 5 would be filled out on a monthly basis and not based on per shipment. Mr. Zedan confirmed that the form would be submitted on a monthly basis.

Mr. Nissen asked for the Council to justify the advantages of implementing Form 5. Mr. Zedan stated that the information would provide the Council better data on imports and exports. Further, it would eliminate duplicity of FAS data which could result in an over estimate of total supply of up to 60 million pounds a year.

Mr. Nissen asked if Form 5 would assist in any way of the collection of assessments. Mr. Zedan clarified that Form 5 had nothing to do with assessments. Form 5 was created to gather information on what is being imported and exported to Mexico. Mr. Zedan reported that this year 170 million pounds have been imported from Mexico and only 2 million pounds were sent to be processed and brought back to the U.S. in the form of meats, thus resulting in a net increase supply of 28 million pounds. Mr. Nissen asked if handlers maintain ownership of pecans or if a transfer occurred for processing in Mexico. Mr. Zedan responded that the individual company that exports for processing either doesn't have the capacity to shell in the U.S. or has a contractor in Mexico. However, throughout the process, ownership is still retained.

Mr. Nissen asked what tools would be in place to verify the information is accurate. Mr. Zedan responded that the Council has the authority to review handler books to verify the information.

Mr. Nissen asked if the Council would have Compliance inspect incoming shipments. Mr. Zedan replied that besides U.S. Customs, there is unfortunately no mandatory inspection on imports.

Mr. Straley asked what the difference was between Form 5 and Form 2 in exporting to Mexico. Mr. Zedan responded that if a U.S. producer is producing for a sale to Mexico, that becomes an export, Form 5 is for a company who is retaining ownership of the pecans. Ms. Ellis asked if, “inshell exported to Mexico for shelling,” refers to U.S. pecans. If so, she recommended that it be added to the form. Mr. Zedan confirmed that it only applied to U.S. pecans and noted that the change would be added.

Mr. Nissen asked how the information gathered in Form 5 would benefit the Council. Mr. Caris responded that the information would be extremely valuable because it helps the industry understand what is being imported and exported to Mexico and provide an overall supply of the crop and supply. Mr. Quirós added that it allows the Council to comply with § 986.65.

With no further questions or comments, Mr. Zedan proceeded to discuss Form 6, “Pecans Purchased Outside the United States.” Mr. Zedan informed members that Form 6 was simple to fill out and would gather information pertaining to purchased meats or shells from outside the U.S.

With no questions or discussion from the Council on Form 6, Mr. Nissen informed the members that USDA would need more justification on the record. He further added that Form 6 had already been looked at by USDA and some questions had been raised by legal review.

Mr. Zedan informed members that for the past three years, the Mexican crop has been a leading competitor of the U.S. He further added that the U.S is currently shelling and processing approximately 70-75% of Mexican pecans. Mr. Zedan referenced § 986.65, (h) and how the information gathered would analyze the impact of exports, imports, and other supply scenarios. He emphasized that Mexico was an integral part of the system and that it was important for the Council and industry to analyze the impact.

Mr. Zedan reported that while the almond, walnut and pistachio industry, currently have little to no imports, Mexican pecans account for nearly 50% of U.S. product. He stated that the industry current receives import and export data from FAS and Customs. While the information is helpful, the data has a 10-12% error. Mr. Caris added that the information at times can take months to receive, by which the buying season can be over.

Mr. Quirós referenced § 986.65 (d) “Estimate of the handler inventory on August 31, of inshell and shelled pecans” and (f) Estimate of the trade supply, taking into consideration imports, and other factors.” He stated that Form 6 would cover the Councils’ requirements under § 986.65.

Mr. Nissen asked if Form 6 would provide the Council with an overall sense of supply of U.S. and Mexico in order to develop their marketing policy. The Council agreed. Mr. Nissen asked if Form 6 would be completed on a monthly basis. Mr. Zedan stated that all forms, with the exception of Form 7, would be filled out monthly by nearly 10-15 handlers.

With no further questions or concerns, Mr. Zedan proceeded to discuss Form 7, “Year End Inventory Report.” Mr. Zedan informed members that Form 7 would be completed once a year by handlers, would allow the Council to collect any pending assessments, provide a year-end inventory, and give the industry overall market value for the different varieties (improved, native / seedling, substandard). Further, Form 7 would collect an accurate shellout yield (average), validating whether or not the current 50% yield is correct.

In comparison to Form 1-6, Mr. Nissen asked if the information collected on inventory would be duplicated. Mr. Zedan responded that the information would not be duplicated because Form 7 would target the year-end data, not monthly. Further, Form 7 would provide members with an accurate inventory number and remaining assessments to be collected.

Ms. Watts asked if the year-end number would also include U.S. and Mexican pecans. Mr. Zedan agreed. Ms. Watts further inquired how the average assessment would be correct if the Mexican and U.S. product were not separated. Mr. Zedan responded that the assessment was based on U.S. inshell monthly report and would reflect the amount of U.S. product. Ms. Watts recommended that “all countries of origins” be placed on Form 7 in order for handlers to distinguish the difference. She further asked if in the first box (inshell inventory on August 31), he was asking the average price paid for all pecans. Mr. Zedan concurred and stated that the information would provide the industry with an idea of supply information and trend analysis on supply. Further Mr. Zedan referenced § 986.65 (h), “Projected prices in the new fiscal year.” He stated that Form 7 would allow industry members to determine what the price should be and allow them to make better marketing decisions. Ms. Watts asked Mr. Zedan to clarify if the average price paid would be for all inventory left in the system. Mr. Zedan clarified that the total for the year would be for price paid for inshell pecans. Further, the trend analysis would validate or invalidate USDA, National Agricultural Statistics Service (NASS) data. Mr. Zedan reported that while USDA, NASS currently publishes an annual crop report, he has been unable to receive any cooperation from the Department in his attempts to validate the information.

Mr. Hudson also expressed his concern that the Council would receive pushback from handlers in providing the price for their current inventory. Mr. Zedan stated that under § 986.65 (h), handlers would be obligated to provide that information. Mr. Hudson responded that perhaps a better approach would be to provide a range rather than an average. Mr. Hudson further added that handlers usually purchase late product at reduced prices and thus could reflect an inaccurate average. Mr. Willson stated that Form 7 would be asking for the total pounds of inventory and total price per year. Mr. Zedan clarified that Form 7 collects information on the average price paid for the year and not the current value of inventory.

After much discussion on Form 7, Mr. Nissen stated that there seemed to be a lack of consensus and that perhaps it would be best to give Form 7 further review. Mr. Nissen added that the Department was concerned about the duplicative data collection since it is captured by USDA, NASS.

Mr. Quirós agreed with Mr. Nissen and stated that perhaps the Council needed to further discuss Form 7. Mr. Zedan stated that he was ready to proceed with all 7 forms because they would then have to go through a separate rulemaking action if separated.

Mr. Quirós asked Mr. Zedan if the assessment rate was for only inshell pecans and not shelled pecans. Mr. Zedan confirmed that the assessment rate was based on inshell pecans and not meats. Mr. Quirós stated that handlers would pay assessments on meats if they are the first handler or grower/handler. Mr. Quirós added that handlers would simply have to multiply by two to get the inshell rate and pay the assessment. Mr. Zedan replied that he was unaware of any tree that grew pecan meats. Mr. Quirós responded that the forms did not reflect the conversion rate as stated in the Order. Mr. Zedan stated that the Order does not state the yield and that a handler should not be required to pay a 50% yield if it only produced 34%. Mr. Quirós stated that if he did not agree with the Order, he should have testified in the hearing.

After much discussion, Mr. Zedan informed the Council that Form 7 would have to be redesigned to reflect the Order. Mr. Quirós suggested that Mr. Zedan simply add the following note to the form: Shelled meats are converted to inshell using a yield of 50% (multiplying the shelled meats by 2).

Mr. Mason moved the Council accept Forms 1-6 with the noted changes. The motion was seconded by Mr. Straley.

Mr. Willson asked Mr. Zedan to make the suggested changes as requested by the Council. Mr. Zedan stated that he would vote “no” on the forms and suggested changes. He expressed his discontent with the Council and stated the forms had been sent out twice and no concerns were raised. The Council took a moment to acknowledge and recognize Mr. Zedan for his dedication creating the drafted reporting forms.

Mr. Mason amended his motion and to approve all forms with the exception of Form 4, the Inter-handler Transfer, and Form 7, Year-End Report. The amended motion was seconded by Mr. Arnold. In a vote of 14 in favor and 1 abstention (Mr. Zedan), the motion passed.

The Council recessed for lunch

Mr. Caris asked Mr. Zedan to review Forms 4 and 7. Mr. Zedan expressed that after having some time to contemplate, he would like the record to show that he would like to change his abstention for in favor of the previous motion. Council members mentioned that the vote was complete but his comment would be noted on the record.

Mr. Zedan notified members that Form 4 would remain the same with the exception of a spelling correction and change in computation from 44% to 50%.

Regarding Form 7, Mr. Zedan stated that the title would be changed from “Year End Inventory” to “Average Price Paid for the Crop Year.”

Mr. Arnold moved to approve Forms 4 and 7 with the suggested changes. The motion was seconded by Mr. Willson.

Mr. Nissen asked if Form 7 would reflect both U.S. and Mexican pecans. Mr. Zedan stated that the form would allow the Council to gather information on the total available supply for the beginning and end of fiscal year. He further added that unlike Form 7, the monthly form would target U.S. inshell pecans for assessment purposes and provide a trend analysis on the Free On Board (F.O.B) price.

Mr. Quirós stated that knowing the inventory would help the Council address § 986.65 (d), and also assist with § 986.65 (g).

Mr. Arnold asked Mr. Zedan to clarify if Form 7 would also be filled out by handlers who are “sitting on pecans,” and what process those handlers would need to take. Mr. Zedan explained that if a handler does not have a change in inventory, they would still submit a monthly report providing the amount of product that was committed or not committed.

Mr. L. Salopek asked Mr. Zedan to confirm that regardless if handlers were “sitting on pecans”, they would still be required to report on a monthly basis. Mr. Zedan confirmed that handlers would be required to pay the assessment rate if no payment was made on said inventory.

Mr. Quirós stated that only handlers are required to pay the assessment, not growers. He further referenced § 986.61 (g) (h) (i) and informed members that after Aug 31 (end of the fiscal year), the inter-handler treatment would no longer apply for all inventories warehoused within the production area.

Mr. Nissen inquired if Form 7 would have an impact on large or small businesses. Mr. Zedan stated that, because the drafted reporting forms are electronic, small businesses may be effected if they are not computer literate. Mr. Zedan referenced that changing the due date to the 10th for all monthly forms provides handlers ample time to submit the required forms.

Mr. Spradling asked what forms roadside stands would need to complete and submit to the Council. Mr. Zedan stated that they would only need to complete Forms 1 and 2 because they are not involved in shipping.

Ms. Roeder asked if it would be possible to modify Form 7 to reflect that all inshell inventory will be added. Mr. Zedan responded that he will include a statement in the instructions that the total figure should include all inshell pecans, regardless of country of origin.

With no further changes, Mr. Zedan informed the Council that he would be flying to Chicago on business but that members should receive an updated copy of the reporting forms no later than Monday. He requested that all handlers review and provide him with comments no more than 24 hours in order to provide USDA with the final version for approval.

With no further discussion, the motion to approve Forms 4 and 7 with the suggested changes was called. The motion carried unanimously.

Mr. Straley notified the Council that the accounting firm is currently unaware of the number of forms they would be receiving from handlers but stated that for the meantime, the forms will be received by the firm. Mr. Zedan informed the Council that no one from the Council will have access to reported data with the exception of management staff and the accounting firm. He further added that the Statistics Committee is currently working on a format to deliver a monthly newsletter that will contain only aggregate data which is allowed. Mr. Zedan expressed that he hopes to provide the Council with a draft by the next in person meeting.

Mr. Nissen informed the Council that drafted reporting forms will be sent to OGC for approval but will not be implemented until they are approved. Members inquired when forms would be approved by OGC. Mr. Nissen informed members that it was unknown.

Mr. Spradling reported on behalf of the Communications Committee and their current progress. He informed the Council that the Committee recently developed a Charter which defined their roles and responsibilities. A copy of the charter was emailed to all members (see attachment). Members were informed of the following Committee responsibilities:

- Responsible for acquiring email addresses of pecan industry constituents for the development of an APC communication database. An industry constituent is defined as an individual involved in the growing, processing and marketing of pecans.
- Responsible for the development and maintenance of the APC communication database and website.
- Responsible for the dissemination and conveyance of information regarding the APC within the compliance guidelines of the USDA.
- Responsible for the drafting of APC news bulletins and conveyance of such as needed.
- Responsible for responding to Industry constituents' questions, comments and concerns.

Mr. Spradling further informed members that the Committee is currently working on developing an industry database, consisting of shellers, growers and accumulators. He took a moment to thank the Council for the approval of \$10,000 for website development and informed members that the technician who developed the American Pecan Board website would likely be developing the Council's site for a minimal cost.

Mr. Spradling took a moment to acknowledge Ms. Roeder on her ongoing efforts in developing the data base and reported that the Committee currently has a total of 200-300 industry names. Ms. Roeder took a few minutes to share the list of names currently in the database. After reading the names from the database, members were informed to contact the Committee if their information was not listed and or if they knew someone who needed to be added. Members who reach out to the Committee should provide their name, email, company, and profession (accumulator, grower, and handler) to americanpecanCouncil@gmail.com. Mr. Spradling requested that all members assist in the development of the database by reaching out to their industry organization for a membership roster.

Mr. Arnold asked if the Council was required to submit a competitive bid for the Council's website. Mr. Nissen informed the Council that no competitive bid was required but a bid would allow them to obtain a sample of the market.

Mr. Mason asked which Committee would handle media notices or public relations issues. Mr. Spradling responded that he was not sure which Committee would take the lead but either the current Chair or President would be considered the Council's official spokesman. Mr. Quirós informed members that the subject was addressed in the Council's bylaws under the confidentiality statement: "Any inquiry from the media should be promptly referred to the Chair or other designated officer or Communications Committee Chair. In addition, any public speeches, interviews, presentations or appearances by employees, officers, Members or Alternates relating to the Council's business should be coordinated with the Chair."

Mr. York asked about the level of liability the Council faced concerning the confidentiality of the industry database. Mr. Quirós responded that the Order has a confidentiality agreement, meaning the Council cannot sell or share the database or any confidential information. Ms. Campos further informed the Council that any information obtained by the Council was considered to be confidential and would be proprietary information. Members were informed that any communication logistics and database development would be handled by the potential Council staff.

With no further questions, Mr. York reported on behalf of the Compliance Committee and their current progress. Mr. York informed the Council that the Committee had developed the following Travel Policy (see attachment):

1. Council personnel do not travel on a regular basis. However, when travel is approved, Council personnel must follow travel policies.
2. A Council-approved expense reimbursement form is used for all travel claims. All claims for reimbursement must be submitted to the Council Manager no later than 30 days after the expense is incurred.
3. Original receipts, when available, are attached to the reimbursement form before review and approval by appropriate management.
4. The use of privately owned vehicles for official Council business is permitted. The reimbursement of expense for authorized travel by private vehicle is established at the IRS standard mileage rate or a rate determined by the Council for mileage for the most direct route. Personal auto liability insurance is the responsibility of the driver.
5. All travelers flying domestically on official Council business may only be reimbursed for an economy/coach class fare ticket. Non-commercial air travel for members may be pre-approved if the traveler can demonstrate a cost savings to the Council compared to an economy/coach fare ticket. A business class fare is reimbursable for international flights (excluding Canada and Mexico) if pre-approved by the Council Manager. Other than economy class fare may be allowed and reimbursable if the use of other than economy class is necessary to accommodate a medical disability or other special need.

Mr. York added non-commercial air travel was currently being reviewed and may be available once reviewed by USDA. Mr. Ayers stated that it was still pending review.

6. Travelers should only stay in accommodations considered average for business travel unless they are travelling to a conference type event at a specific location. A single

standard room with private bath is reimbursable. Other types of accommodations such as deluxe or luxury requires advance authorization from the Council Manager. Additionally, room service, spa expenses, and in-room movies are not reimbursable expenses.

7. Rental vehicles should be used for official business purposes, and for limited, incidental personal use while on travel status.
8. Local use of rental cars may be authorized based on logistical and situational requirements, as appropriate, to carry out the official business of the organization. The authorization of rental cars for local use should be the most cost effective means of transportation available.
9. Hired car service may be used based on logistical and situational requirements, as appropriate; for instance, airport transfers. Employees and/or officers are not granted the permission to travel in a luxury limousine.
10. Business travel expenses including airfare, lodging, entertainment, and meals of spouses, family members, and other individuals who accompany business travelers are not reimbursable. Additional costs incurred while traveling with a companion are considered personal expenses. Only the cost of a single room will be reimbursed. However, the Council Manager may specifically authorize reimbursement of business meals of spouse/family members at a Council's annual conference, business receptions, or other business meals where spouses of clients/business associates are also present, or at other similar functions. All such spouse/family expenses of this nature will be reported to the Council at their regularly scheduled meetings.
11. Meal expenses may be reimbursed on an actual cost basis, or a per diem basis. For actual costs, the meal expense must be reasonable for the location and may include reasonable gratuities, not to exceed twenty percent. Expenses for meals that are lavish or extravagant will not be reimbursed. However, a meal expense is not lavish or extravagant if it is reasonable based on the facts and circumstances of the meal. Note that entertainment expenses for clients are covered separately.
12. No entertainment expenses are reimbursable.
13. Purchase and consumption of alcohol while on travel status must be reasonable given the circumstances.

Mr. York asked if there were any questions from the Council concerning bullet 13. Mr. Spradling expressed his concern of alcohol being covered by industry funds. Mr. Mason agreed with Mr. Spradling and stated the Council say no to the reimbursement of alcoholic beverages. After further review, the Council decided to strike bullet 13.

14. If the claimant is combining official Committee business with a holiday, vacation, or other personal travel, reimbursement will be based on the least expensive means of travel for the official Committee business. No reimbursement will be made for vacation days or personal travel.

Mr. L. Salopek asked if the travel policy also applied to the recommended at-large members (public and accumulator). Mr. Caris concurred. Mr. Quirós stated that the Travel Policy applied to all Council members, alternates, and Council employees.

Mr. Quirós recommended that bullet 13 reflect “Purchase and consumption of alcohol while traveling on Council business shall not be charged to the Council.” He further stated that bullet 7 include rental vehicle in the clause.

Mr. Daviet asked Mr. York to further elaborate on the travel per diem and asked if incidentals would be allowed. Mr. L. Salopek informed Mr. York that his per diem was issued whether he spend the funds or not. Members asked the Council to state what the per diem was. Mr. Nissen added that the Council decide whether they would like set an amount or follow similar rules to General Services Administration (GSA). Mr. Quirós added that the policy states that the per diem is limited to meals and referenced bullet 11 in the travel policy and recommended the Council suggest a reasonable amount for expenses.

Ms. Ellis asked if pictures of invoices would be allowed when submitting travel receipts or if it was mandatory to have the original receipt for reimbursement. Ms. Ivey stated that bullet 3 in the travel policy stated that only original receipts would be accepted. Mr. Ayers agreed with Ms. Ivey and stated that only original receipts are to be accepted by Council, with the exception of automatic electronic invoices.

Mr. York asked if bullet 2 could be changed from “Council Manager” to “Executive Director.” Mr. Ayers confirmed that there was no problem with the suggested change.

Mr. Zedan further added that the Council consider modifying the reimbursement form (see attachment) by adding miscellaneous with explanation, for example copies. Members agreed.

After much review and feedback from the Council on the drafted Travel Policy, Mr. York informed members that the suggested changes would be made and a final draft would be emailed to Council members.

Mr. Ayers provided members with a description of the e-compliance plan and the requirement that would be imposed on the Council. Members were informed that the e-compliance plan consisted of a series of questions that highlighted the Council’s policies and procedures. Mr. Ayers reassured Council members that USDA would be working with management staff to complete the annual requirement. Members were informed that the e-compliance plan is typically filled out in September by Council staff, receives Council approval, sent to the field office and is finally sent to headquarters for final approval before the beginning of the fiscal year.

Mr. Ayers informed the Council of the bi-annual audit review Councils and Committees undergo. He explained that the onsite review is based on the e-compliance plan, Internal Controls Policy, annual audit completed by the Certified Public Accountant (CPA), handler communications obligations, regulatory violation complaints, and handler assessment collections.

The Council recessed for ten minutes

Mr. Caris asked to Mr. Quirós from the Governance Committee to discuss the consideration of the bylaws, policies and duties. Mr. Quirós explained the bylaws are essential in creating and adopting the Council's internal controls, travel policy, and ethics. Members were informed that the current drafted bylaws (see attachment) were for Council review and questions. As such, Mr. Quirós took a few minutes to read off the drafted bylaws to the Council.

During the review of the drafted bylaws, Mr. Spradling asked if Committees were required to keep a record of the meeting and have USDA present. Mr. Quirós responded that it was not required by the Council or Council bylaws. While it is not required to have a USDA representative present at Committee meetings, Ms. Campos stated that Committees can submit a request and use USDA as a resource.

Mr. L. Salopek inquired when the recommended at large members would be officially seated on the Council. Ms. Campos stated that the nominees would only be official members once the Secretary signs the selection order. She stated that SEMFO hopes to have the selection order signed before the next Council meeting.

With no further questions from the Council, Mr. Quirós reviewed the drafted Council's Code of Ethics & Business Conduct Policy (see attachment). He informed members that the Code of Ethics & Business Conduct Policy was created to reflect the core values of the Council and set forth ethical conduct. Mr. Quirós proceeded to read the document and members were invited to ask questions at any time.

Under "Communications with the Media and Other Outside Parties," Mr. L. Salopek asked if members of the Council are approached by media, are they at liberty to comment or not. Mr. Quirós informed members that the Council may designate a spokesperson or contract staff to handle public relations. He further stated that for now, any public relations issues should be directed to Mr. Adams. Mr. Spradling asked USDA for their comments about interviews. Ms. Campos stated that the Council may provide general information to the public but were not allowed to release proprietary information. Members were reminded that under the Order, members of the Council were also not allowed to lobby. Further, Council members were encouraged to contact USDA for any assistance concerning public relations issues.

Members further inquired if Council newsletter and/or publications required USDA approval. Ms. Campos stated that as a quasi-governmental entity, all publications would require review and approval from USDA because the Council's language is considered government speech. However, Ms. Campos reassured members that USDA provides a quick turn around on publications. Mr. Caris asked USDA if compilation of data was considered confidential. Mr. Nissen responded that it was not.

Mr. Spradling recommended that the following be removed from the Code of Ethics & Business Conduct Policy (Pg. 9): "Would I be proud to read about my actions in the newspaper or Pecan South magazine?" After further review, members recommended that the bullet be removed.

With no further changes, Mr. Quirós recommended that the Council make a motion to approve the presented bylaws, Code of Ethics & Business Conduct Policy, and travel policy with the suggested changes.

Mr. Zedan moved to accept the bylaws, Code of Ethics & Business Conduct Policy, and Travel Policy with the suggested changes. The motion was seconded by Mr. York. The motion carried unanimously.

Mr. Quirós presented the Fiduciary Duties (see attachment) to the Council which was provided via email during the lunch break. In his presentation, included fiduciary duties of Council members and alternates, business judgment, and antitrust.

With no further questions, Mr. Caris provided members with an update on interim management of operations. He informed Council members that the Executive Committee is currently working on finalizing a request for proposals (RFP) for interim management companies. The Executive Committee hopes to publish the RFP in the upcoming weeks and have a decision made within 4-6 weeks after the application deadline. Mr. Caris further informed members that in conjunction with seeking interim management, the Council hopes to conduct a parallel search for a permanent manager in order to reduce efforts.

The Council's next meeting will take place in conjunction with the Texas Pecan Growers meeting on July 12, 2017, in Frisco, Texas. Mr. Caris informed members that he expects the Council meeting to be scheduled for two days. He further acknowledged that prior to the July meeting, he expects that a few conference calls will take place to cover pending items from the Council and Committee meetings.

Mr. Straley informed members that that the Council will need to revisit the Internal Control Policy, no later than July, and make a decision with regards to the temporary bank account and accounting firm.

Mr. Zedan asked that the Council consider having a conference call in order to brainstorm on developing a crop estimate since USDA may not have funding. Based on the time frame, he hopes to lay out some parameters for an October estimate. Similar to the Almond Board, Mr. Zedan expressed that he would like to target subjective and objective data.

Under old business Mr. Spradling expressed that he would like to amend his motion from the January meeting concerning the assignment of social media to the Communications Committee. Both USDA and members informed Mr. Spradling that an amendment to the minutes could not be made but a new motion could address his issue.

Mr. Spradling moved the Communications Committee be responsible only for website and database development and the Marketing Committee be responsible for social media (Facebook and Twitter). The Motion was seconded by Mr. Mason. The motion carried unanimously

Under new business, Mr. Landgraf, expressed that Mr. Adams has been receiving a lot of phone calls concerning Council speaking engagements. He further stated that the Council should assign a member or contract a staff member to represent the Council for upcoming events. Mr. Caris

agreed and informed members that Mr. Adams has been to nearly 100 presentations. Ms. Ellis suggested the Council consider contracting a public relations firm. Mr. Nissen informed members that Council is taking on roles beyond their capacity and that speaking engagements fall under the role of the manager. If needed, Mr. Nissen stated that USDA is willing to provide staff support to cover any speaking engagements.

Mr. York informed members that he recently saw an article stating that nearly 150,000 acres of grapes in the Valley of California would be bulldozed and replaced with tree nuts.

Mr. Caris thanked the Council for their efforts and feedback. He encouraged members to contact their associations to further build the Council's database.

Ms. Ivey further recommended that all members create a Council email in order to facilitate Council business.

Mr. Spradling expressed his gratitude for everyone's participation.

With no other business to discuss, Mr. L. Salopek moved to adjourn the meeting and Mr. Harrell seconded the motion. Without opposition, the meeting was adjourned.

Approved May 24, 2017