



The American Pecan Council Minutes

Meeting Minutes

July 12-13, 2017 Embassy Suites Hotel, Frisco, Texas

Chairman Adams called the meeting to order 10:35 am CST | Roll call by Karen Crow:

<u>Seat</u>	<u>Member</u>		<u>Alternate</u>	
Eastern Growers	Buck Paulk	Present	Angie S Ellis	Present
	Trent Mason (Secretary)	Present	Randy Hudson	Present 7/12 Not Present 7/13
	Molly Willis	Present	Claire Powell	Not present
Central Growers	Mike Adams (Chairman)	Present	Jennifer Ivey	Present
	Michael L Spradling	Present	Lalo Medina Arrived at 11:06 AM	Present
	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	Not Present	M. Brandon Harrell	Present – Seated for Jeff Worn
	Lawrence Willson	Present	Kenny Tarver	Not present
Central Shellers	Daniel J Zedan	Present	Helen Watts	Present
	William D York, Jr	Present	Rickey Jones	Not present
Western Shellers	Bruce Caris (Vice Chairman)	Present	Deborah Walden- Ralls	Present
	Sonja Roeder	Present	Blake Houston	Not present
Accumulator	J.B. Easterlin	Present	Chad Selman	Present
Public	Donna Volz	Present	Ron Hayes	Not Present



ALSO PRESENT: See attached sign-in sheet dated July 12-13, 2017

Chairman Adams reminded the Council to read and review minutes and the minutes would be moved to first agenda item for vote tomorrow morning, July 13, 2017.

April 17, 2017 May 8, 2017 May 24, 2017 June 26, 2017

Determination of who voting members are by raising of hands.

Chairman Adams asked USDA Marketing Specialists, Jennie Varela and Abigail Campos, to update the Council on overall update of FMO 986. Provided an overview of FMO as a Quasi entity. American Pecan Council (APC) is a regulatory body, "special organization". Jennie Varela provided further updates and comments:

- Advised moving administrative tasks to core staff, i.e. liaison for Council and USDA.
- Assessment Rule, the comment period ends Thursday, 7/13/17. They allowed 30 days for that period. All comments must be on record and be officially documented. To make comments, Jennie advised to go through regulations.gov. APC currently in Ex Parte', Jennie suggested not to discuss during a meeting.
- Forms Rule – All forms are all in channels. General counsel has told us the forms will still be able to be used and in place for recording the 2016 numbers, even if they don't finalize before October 1, 2017.
 - **Dan Zedan** and **Bruce Caris** asked questions of timing as relates to compliance and obligations for reporting to the Secretary of Agriculture. Bruce Caris questioned regarding collecting monies based on assessment rule. Jennie advised anyone placing pecans in the Steam of Commerce/Market is a Handler.
 - **Bruce Caris** asked when the assessment rule passes, and we have that in place, we still can't collect money?
 - **Jennie Varela** stated you can collect money, you can't issue any type of compliance activity on anyone. It is still voluntary at that point, but the handler knows what the requirement is.
 - **Bruce Caris** asked once you have the form and the assessment rate in place, is the voluntary dropped?
 - **Jennie Varela:** That's an excellent question -confirms APC will have the legal right to go back at that point and demand compliance for 2016.
 - **Jennie Varela** explains the transition period is because APC is new program and there's not a lot of reference material. Everything gets looked at a little more closely because its brand new.
 - **Chairman Adams** asked what is required and the timetable we must work with?
 - **Jennie Varela** answers the end of September because it is the end of the fiscal year to look at inventory – all those things that are important to the pricing decisions you are going to make at the beginning of the season will be there explaining why you are putting so much money into

that demand curve. September is a big deadline for a lot of people. Your new year will start October 1st.

- **G.L Straley** asked about an August 31st deadline on having to pay the assessment and if legally required to remit that assessment by August 31st if you still have a crop on hand?
- **Jennie Varela** replied we are not the only agency doing rulemaking. They get drafted in my office, they get reviewed by the rulemaking team, they get reviewed by our general counsel, they go to a couple levels of administration for review before they are even sent to the Federal Register. Once I write it in my office and send it off, then I must wait.
- **Chairman Adams** asked when the assessment rule passes and becomes a part of the Federal Register, the assessment on the 2016 crop is required.
- **Jennie Varela** stated it will be required. APC will then have a vehicle to enforce compliance.
- **Jennie Varela** said the Council/Staff have had some major accomplishments and moving in a positive direction, she advised to keep moving forward. Jennie Varela referenced the beautiful website, work being done on policies such as e-Compliance, Marketing, etc. She also stated that the APC staff of 2 is doing an incredible job, but they are maxed out. The APC may need legal counsel to help with MOA to add contractors. She also recommended to the Council to consider more in-person meetings.

Jennie Varela transitions to Joshua Ayers, Compliance and Enforcement Specialist -

- Josh Ayers introduces himself from the compliance branch at the USDA in DC. Josh states that staff will be the ones working on the e-Compliance plan and putting the compliance program together. The whole purpose of the e-Compliance Plan is to promote efficiencies and effectiveness of the marketing order program and to deter waste, fraud, and abuse in the program. He continued to explain the sign-off process of the plan. Josh made the following key points and answered questions from the Council as he went through the Compliance Plan Overview.
 - The requirements regarding information staff sends to handlers on an annual basis, and how to interact with them.
 - Explains the difference between handler visits and handler audits. Handler visits are handled by staff. This is an excellent face to face opportunity for handler to have training, outreach and for the staff to "show face", interact and be in the field.
 - Handler audits. Auditor will look through forms, payments, verify and report information. Handlers will be notified prior to the audit.
 - Explains that if the Council will need permission from USDA's current attorney to retain their own attorney.
 - Josh explains there will need to be a plan in place on how to receive complaints, process complaints, and how staff will address complaints and appropriately document.
 - Marketing Order program must ensure that mandatory payments are properly calculated, collected, and documented. There needs to be a written process for how assessment payments

flow into your organization and how they are deposited and documented. There's a person in your staff who handles expenditures – accounts receivable vs accounts payable.

- Addressed assessments process.
- Financial audit policies, GAGAS
- Internal and operational control policies. Reviews cash handling procedures, and how to safeguard, i.e. segregation of duties regarding payables and receivables, signing of checks, and reconciliations. Also reviewed how to develop a written policy for issuance and reviews of credit card statements. Collateralization and Banking reviewed.
- Speaks about general liability and employee fraud insurance and how to determine amounts needed by the APC.
- Josh advised the Council that he has had meetings and training with Byron Gossett and Karen Crow (APC Staff). They have to work to develop a very detailed plan, have it in place to present to the Council for a vote and presented to MOAD and signed off by October 1, 2017.

Chairman Adams thanked Josh Ayers for his time and providing such a detailed overview of the plan.

Louie Salopek commented that we have must competent personnel to develop the plan and manage the plan.

Chairman Adams commented to the Council, much of what Josh Ayers just reviewed is for the protection of APC and to make sure we have processes in place. We have to remember why we did this and not lose focus on why the marketing order started. We have to maintain momentum. He reminded the Council the FMO was not in place one year ago. We have to advance research, we have Weber Shandwick already making great strides. He asked everyone if they saw the Weber Shandwick presentation and if they saw the video? Very good!

G.L. Straley, APC, Treasurer – Review Financials

- GL Straley reviewed the APC Financials, answered questions from the Council, addressed collateralization questions and provided statement of APC Account. Discussion about the carry-over of assessments and preparation of the 2018 APC Budget.

Chairman Adams asked to entertain a motion to accept financials as presented. Scott Landgraf moved to make the motion and Louie Salopek seconded. Council unanimously approved.

Chairman Adams - Internal Control Policy

- Chairman Adams addressed the current APC Temporary Banking Policy and accounting firm relationship. Chairman Adams stated now we have staff most of the changes on the policies are dealing with wording that we will add the staff will take the place of the outside firm or Council members. On bank account we are deleting wording "until full-time staff". We are going to add Executive Director of the American Pecan Council as a primary signer on the American Pecan Council account. The second recommendation is payment approval of expenses. The two members of the administrative Council, change to one

member of the Council and one member of the staff will login and approve it and again this will just stay in compliance with our regulation. Currently Armstrong Backus, & Co., L.L.P., receives cash receipts/assessment, recommend change to the American Pecan Council. Financial reporting is just adding Executive Staff has access to view. Byron Gossett and Karen Crow requested we add credit cards for Executive Staff. We are recommending we add this to allow them to pay some of the ongoing expenses for the Council on a Council card rather than on their own personal cards. These recommendations are from the Finance Committee and Compliance Committee to make a motion that these amendments be approved.

Mike Adams stated we have a motion that the revisions to the Internal Control Policy be adopted as amended by the Finance Committee. All council members voted unanimously, motion passed.

- **Byron Gossett** stated as a matter of information that when the original budget was established in Biloxi, MS, the decision was to place \$500,00 into a reserve account. As of this date, those funds have not been segregated into a separate account.
- **G.L. Straley** advised that right now it's all in one account. With approval of the Council we can place funds into separate accounts.
- **Byron Gossett** mentioned he just wanted to bring awareness as budget is prepared, the \$500,000 will remain in reserve unless we are instructed otherwise.
- **Mike Spradling** asked if that will satisfy USDA's requirements?
- Other discussion between Council members and then,
- **Jennie Varela** advised USDA does not have a minimum requirement that has to be in a reserve account. It's up to APC whether you want it in one account or separate accounts.

Chairman Adams calls for a lunch break at 12:15 pm CST.

Meeting reconvenes from lunch break at approximately 1:32 pm CST.

Louie J. Salopek introduces Donna Volz, Public Member-At-Large, and Alternate Accumulator, Chad Selman to the Council and those present at the meeting.

Chairman Adams noted Donna Volz is our Public Member-At-Large and she has already been active in some of marketing work with Weber Shandwick.

Chairman Adams stated Chad Selman is an alternate to the Large Accumulator.

Dan Zedan introduces Wil Hundle, Jr., Director of the Southern Plains Region, NASS, U.S. Department of Agriculture.

➤ 2017 Crop Estimate Discussion

Will Hundi, Jr. - 2017 Crop Estimate – Presentation, Discussion of Options

- **Wil Hundl, Jr.** advised the APC that the biggest cost associated with the Pecan Crop Production Report is the cost associated with having to contact growers who do not return their surveys. Based on current figures, only 30% of the surveys sent out to growers get returned. Since the USDA will not publish a report unless there is at least an 80% response rate, they are forced to expend a considerable amount of time, effort and money to get the responses required. Getting to 80% also leaves the accuracy of the report in question. In the next few weeks, the USDA will again be sending out survey forms. This will help to improve the quality of the data while lowering the cost associated with its collection. Wil Hundl, Jr. stressed that it is important that the growers get the survey filled out accurately and honestly, then returned as soon as possible.
- **Mike Adams** asked what's the process for developing a pecan estimate.
- **Wil Hundl, Jr.** explained the estimate comes from a complete census of cold storage facilities. We do a monthly survey, information is gathered and compiled at our of headquarter office. The State is no longer collecting that information individually. We have one person in headquarters who works with cold storage facilities and gathers all that data.
- **Mike Adams** asked Wil Hundl, Jr. about the verification for the number of growers.
- **Wil Hundl, Jr.:** Explains that it is apart of getting the raw data and looking at the raw usage and the final usage to balance.
- **Louis J. Salopek** stated that one of APC's top priorities is getting the data from the field from cold storage.
- **Wil Hundl, Jr.** stated the importance of being able to bridge the historical data set with the new. We want to be putting out something the industry can use.
- **Bruce Caris** asked Wil Hundl, Jr. the difference between subjective and objective.
- **Mike Adams** asked Wil Hundl, Jr. or Dan Zedan to report on the estimate.
- **Dan Zedan** Wil Hundl, Jr. alluded to a quote around \$128,000 to do a subjective estimate for October.
- **Dan Zedan** states it is not in the Federal budget for 2018.
- **Wil Hundl, Jr.** explains that with an agreement comes data. Stating it is \$128,000 for eight states.
- **Dan Zedan** emphasizes that when the survey goes out, it is important to make sure the growers understand when to submit the form. The better the returns, the better that piece of information is going to be.
- **Randy Hudson** asked if it would it be good to look at more objective estimates rather than subjective?
- **Discussion continues between Council members and Wil Hundl, Jr. Discussed that APC must decide how to move forward, possible MOA with NASS.**

Byron Gossett introduced Baker Gentry and Truett Majors, Potential private contractors.

Baker Gentry and Truett Majors provided their backgrounds and introduced their combined talents and ability to solve problems. Stated that Byron Gossett presented them with the idea of providing a crop estimate. They have looked into developing a definitive measure, with predictable variables to provide a crop estimate. They

answered questions from the Council and others present at the meeting. Challenged the Council to think outside the box. The Council and Byron Gossett thanked Baker Gentry and Truett Majors for coming to the meeting.

- **Chairman Adams** commented I don't want you, the Council, to feel at all disappointed by us having these very frank and candid discussions, because all of us are here for the right reasons. We have a great industry, and we are just trying to make it better. Let me mention one thing that is really kind of a global issue. It has been referred to some, but I want to reiterate and emphasize about the Council going through a transition. *Transitions to Byron* to introduce staff.

Byron Gossett: Staff Reports

- **Byron Gossett** thanked Chairman Adams. Byron Gossett introduced Karen Crow to the Council. Commented that in Karen's first half a dozen days, we all went out to the Immersion Tour out west, which was her first exposure to some of you all, and really her first few days on the job. Byron urged the Council to think about that in terms of what Chairman Adams just said. Byron Gossett said he wanted to provide some organizational philosophy, and a little bit of a charge to the Council. Byron Gossett stated Georgia Pecan Magazine asked him to write an article which he submitted and will be coming out next month. Byron Gossett stated he sent a copy to all members and alternates thinking about the moment when he would have a chance to make some comments to the Council. It has to do with expectations. Byron Gossett said one of the things he has seen repeatedly as a consultant is that most conflict and most frustration comes from unmet expectations. Byron Gossett mentioned to the Council that a copy of his article is the meeting binder, along with "Three Common but Serious Organizational Pitfalls". Byron Gossett reviewed the pitfalls with the Council and provided insight to each one and communicated to the Council the importance of confidentiality, unity, and relational interaction between the Council, Weber Shandwick and other entities.
- **APC Logo** – Byron Gossett reviewed the process with the Council. Byron Gossett answered questions from the Council regarding the selection of the logo for the Council. Byron Gossett asked Karen Crow to comment on the logo design process. **Karen Crow** reviewed with the Council the technical aspects of logo design. Can it be printed in grayscale? Can it be printed upside down? Is it recognizable in mirror image? Is it appealing for years. Is this something that will last? Will it be cross-generational? Will it be cross-cultural? We need a current image, and so that is what it came down to when they went back with the last designs, and to present the final two. Karen Crow reminded the Council this the logo for the Council, to be used for letterhead, cards, etc., not the brand. **Buck Paulk** commented he thinks we make the logo, the logo doesn't make us.
- **Status Report- FRP and Application:** Byron Gossett provided an update to the Council of the process for developing the FRP, Application, etc. There is a FRP working group, consisting of Phillip Arnold, Molly Willis and Les Daviet. The APC will do some research and develop initial drafts and then begin working

with the FRP Working Group. Byron Gossett answered questions from the Council and provided comments regarding the process.

- **Database Update:** Byron Gossett introduced Hallie Larson, who is working on the APC database. Hallie will provide an overview to the Council of the process and the number of entries she is currently managing and cleaning up.
Hallie Larson thanked Byron and the Council. She stated it is great being here at this conference and learning about the pecan industry. Hallie Larson stated she started the process with nine to ten workbooks in Excel, over 6000 entries. She explained the process of compiling and formatting to populate all the information in one file. Now the process is to verify the information is correct, fill in missing blanks, and clean duplicates. Hallie Larson stated she is currently looking into other database management systems, e.g. Knack, Sales Force, etc. to move forward when APC is ready to transition information to the American Pecan website. Byron Gossett and Hallie Larson answered questions from the Council and commented about utilizing publications and other resources which would identify handlers. Many Council members offered excellent suggestions to identify known handlers. Jennie Varela also offered suggestion and support to APC. Council members mentioned identifying handlers through the Phyto Certificate.
- **Near Term Processes & Activities** Byron Gossett provided update and staffing recommendations proposed to the Governance Committee. Staffing recommendations, Associate Director, Data & Information Officer, Compliance Officer, Administrative Assistant. Roles and salary ranges to be reviewed for vote tomorrow, July 13, 2017. Byron Gossett also mentioned that with the 2018 Budget being developed there will need to be discussion about the budget requirements for each Committee. Chairman Adams mentioned that there would be recommendations from the Governance Committee tomorrow morning, July 13, 2017 for vote, and this one recommendation regarding the Committees. Council members asked questions about possibility of using contractors, reviewed confidentiality. Reviewed with the Council baseline study....Byron Gossett stated how can you know how much good you are doing, until you know where you started. Dan Zedan, Lalo Medina and Bruce Caris discussed the defining success and measurables.
- **Daniel Zedan:** Since we first began this effort, we have used the almond industry, and their increasing supply while increasing the value at the same time. One we would like to emulate. So that might be a bench or a way to approach it.
- **William "Dan" York:** Also, Weber Shandwick, for those who saw the presentation yesterday, had some very good data on their initial surveys on the population as to where did pecans position themselves with respect to knowledge of health benefits and respect to versatility, etc. That certainly could be the beginning of that baseline. In four years, have we moved pecans from that fourth or fifth position to the second or third position. The other is that one of the biggest concerns when you guys were presenting

this to the industry was we needed to be able to do something to help the domestic market. We wanted to improve domestic consumption. Those numbers we can come up with as a baseline to start. So, as you look as supply increases, and as we increase our exports, what is happening with the domestic market? Are we able to supply the big players like China, but still then meet the demand needs of our domestic market? Right now, we may or may not be, but that could be part of the KPI because that was one of the goals was to increase demand domestic consumption.

- **Angie Ellis:** Have there been dietitians or someone we already have USDA approved studies about the nut?
- **Byron Gossett:** As far as I know, there are.
- **Chairman Adams:** Angie, one of the things the Weber Shandwick is doing is compiling the current health concerns, and it is my understanding that they are going to come out with a publication and a compilation of all of that. WS will combine what exists into one source. In fact, they showed us in their initial presentation where cherries were another commodity where they had done the same thing.
- **Byron Gossett:** Asked Jennie Varela to comment on what we call the economic study Notify Fair Act Review 2021.
- **Jennie Varela:** The '96 Farm Bill is what is known as the Fair Act. One of the requirements in the Farm Bill is that any of the programs whether they are check offs, or marketing programs that are using general commodity funds to do promotion every five years have to do some type of study that tries to estimate a return on investment. There is some latitude there. Some are very specific looking at a measure of ROI. Some of our organizations have taken that as a broad mandate to do some great market research that gives them information they can turn into their marketing next year saying not only did we see this much growth in consumption, now we are America's favorite sweet onion. So, there is some latitude there to make it bigger or smaller depending on what you think you need, but it's just a general five years check up to make sure that you are looking at how well your dollars were spent and that they are working for you. You get to decide who does the study. It does need to be independent. It needs to have some pecan metrics. Our economics branch will read over it if we need to later, but it is mostly for your information, for your use, and for you to have some feedback. That doesn't preclude you from doing that study earlier if you think you need to. It is just that minimum of every five years. Since '96, we send out a letter to all of our programs who are doing promotion to say it is time to do your Fair Study.
- **Byron Gossett:** Stated the reason he wanted to bring this the Council's attention was so the working group knows what the study needs to look at because APC will have to outsource it.
- **Chairman Adams:** Shared closing comments before the meeting adjourned. Preview for tomorrow:
Compliance – In-depth discussion as it relates to APC compliance and then as it relates to handler's compliance.

Governance Committee will be making some recommendations tomorrow.

Plan for a concise session, but there will be some important decisions tomorrow.



We will start at 8 o'clock in this room, and take care of business.

Reminded the Council to be sure and read the minutes because we postponed the approval today, realizing that not everybody read them. Tomorrow, when we ask for approval, we will assume they were read.

Chairman Adams stated that he never underestimates the volunteer commitment of the Council. He stated the Council has devoted their time, energy, effort, and dollars to be here for the sake of our industry, and we want to keep that at the forefront. We've got a fantastic council. Mike said to the Council we are at a place in our industry where we can be excited, and it is because of you, unselfish volunteers.

Wednesday, July 12, 2017 - Adjourned 4:53 pm CST

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Thursday, July 13, 2017 – Chairman Adams called the meeting to order at 8:03 am CST.

Karen Crow called the roll.

- 4 sets of APC Meeting minutes approved with changes.
 - April 17, 2017 – Bruce Caris motioned to approve the minutes. Mike Spradling second. Motion passed unanimously.
 - May 8, 2017 – Phillip motioned to approve the minutes, Dan Zedan second. Motion passed unanimously.
 - May 24, 2017 – GL Straley motioned to approve the minutes, Scott Landgraf second. Motion passed unanimously.
 - June 26, 2017 – Larry Willson motioned to approve the minutes. Louis Salopek second. Motion passed unanimously.

Larry Willson motioned to realign Committees, as Chairman directs. Dan Zedan second.

Near Term Process and Activities – Budget Process

- **Chairman Adams:** Recommendation coming out of Governance Committee re-alignment of APC Committees. Motion will be in the form of an amendment to the Bylaws. The Committee will advise the staff. We will realign the Committee with funding functions and in doing that the

Committee Chairs felt like it was advisable to separate the Marketing and Research Committee. We will have a Marketing and Promotions Committee and a Research Committee.

- **Bruce Caris:** APC is allocating almost 2/3 of our budget to those two items and I think it's a bit cumbersome to have it all under one Committee. If we had that broken into multiple Committees, I think it makes a lot of sense. Scott Landgraf and Bruce Caris have talked about this possibility and Bruce Caris asked Scott Landgraf if he would be interested in the committee. We talked about that in the discussion.
- **Chairman Adams:** This is coming as a recommendation from the Governance Committee. This does not require a 2nd. But any discussion on the re-aligning of the Committee will be presented as an amendment to the Bylaws. **APC Committees:** Governance, Finance, Statistics and Reporting, Marketing Research and Promotion (Projects), Communication, Compliance, Personnel, and Grades and Standards. Bruce Caris mentioned there are approximately 10 members on the Marketing Research and Promotion Committee
- **Larry Willson:** Stated he did not think the Governance Committee moved and voted on this as a Committee. He said if it comes from the Committee then the Committee has to make a motion, 2nd the motion and and vote, which I don't think that we did. Larry Willson stated to clean up the process, recommends to get a motion.
- **Deborah E. Walden-Ralls:** Stated from her understanding after being on multiple boards, all motions need a second in order to get it passed.
- **Paul Quiros:** I think it's a fair thing to announce that that is the intention to be put out in a written form and will be asked to vote on in our next meeting.
- **Council Members** discussed possible changes, rename the Communications Committee to Pecan Industry Relations, as the communications function/activities are being moved to Weber Shandwick. The Industry Relations Committee is designed to be responsible for industry exchange of information and interaction, not the global communication.
- **Bruce Caris:** Do you have any thoughts on how we might do that?
- **Angie Ellis:** Stated the people (Council members/alternates) that wanted to be on those Committees had a desire and an interest for those particular areas and I would hate for someone that really wanted to be in research to be put in marketing.
- **Bruce Caris:** Suggested Scott Landgraf and I will send an email out to all of the people on those Committees and draft what the realignment looks like and show how each would layout. Bruce confirmed with Scott Landgraf if that would work. Scott confirmed.

- **Chairman Adams:** Scott Landgraf has agreed to Chair the Research Committee once it's formed by the Council. To confirm, once the Council approves the Research Committee, Scott Landgraf will chair the Committee.
- **The motion to realign APC Committees tabled.**
 - **Chairman Adams:** Reviewed process by which all funding requests would be handled from this point forward with those requesting funding, APC staff procedures, review and approval. A process will be established. Council members, Byron Gossett and Chairman Adams discussed, answer questions and commented on funding requests and the difference between FRP and RFP. FRP is when an entity wants to request funds from APC. RFP is when APC seeks out someone to work with and we are requesting they provide a proposal. Clarification was made regarding oversight of these two very different requests. Council members, Chairman Adams and Byron Gossett also addressed and discussed questions about requirements for a Memorandum of Agreement (MOA). Not all applications will require a MOA. MOA's are primarily to define relationships, rather than funding.
 - **Angie Ellis:** Wanted to clarify if all funding requests have the application and will they all have a MOA since we are going into agreement.
 - **Chairman Adams:** Answered, no. Asked Byron Gossett to clarify.
 - **Byron Gossett:** We do not need to have a MOA for every request. We may choose to, depending on what the request is, but the MOA is more of a relationship than a funding protocol.
 - **Angie Ellis:** Requested further clarification on why APC does not have MOA with INC., since that is a relationship as well and they requested to be a yearly funding.
 - **Chairman Adams:** Replied to Angie that is a good question. The MOA has just come up with the U. S. Pecan Grower's Council (USPGC) and that is because APC felt and we fully expect to have an ongoing relationship with the USPGC. Because of the issues that have come to the surface we felt like there needed to be a way of doing business going forward with someone we expect to be doing business with for quite a while.
 - **Angie Ellis:** Addressed with the question, but aren't we expected to have a relationship going forward with INC.,?
 - **Chairman Adams:** We don't know.

- **Bruce Caris:** Stated, he would say that yes, we are. One of the things we have talked about and this thing is the biggest political football I have ever been involved in in my life. Bruce commented that we are trying to figure out is a way to get everyone in the room on the same page and we felt like the MOA was a way to do that with what we can spend and can't spend and things like that. If we just had the conversation, we feel there would be an understanding and, in my opinion, it's not another hoop to jump through. That is my feeling on this thing. Here are the expenses that we can have and what we can do. Here is the framework of what we are allowed to do based on what the USDA does and then in our conversations we just felt it would get everyone on the same page.
- **Chairman Adams:** Addressed this is a legitimate question though Angie. Also with INC., we don't know. We could have one of the things that we did with INC., and we had them write a letter and it was kind of a mini MOA. They did provide us a letter saying that none of the funds could be used for lobbying, so there was some interchange. Chairman Adams stated if there was another request we would go through some kind of the same process and we would request that again. And with some of the issues we all know about with the USPGC going forward, this is a way to have a clear written understanding going forward.
- **Bruce Caris:** Advised all the INC., studies that they do is with a basket of tree nuts. There are not any specific tree nuts, so what we can say that is pecans have to be included in the research but it does not have to be specifically pecans.
- **Dan Zedan:** That's part of their charter. They aren't allowed to just highlight one nut. You know they will publish studies that have been on the hazelnut but any research they do they have to include all of the nut basket in there.
- **Chairman Adams:** Any more discussion on that topic?
- **Deborah Walden-Ralls:** Are there other industries that have a standard MOA that's out there? Whether it is the walnut or almond nut industry that we could use as a platform so we are not having to recreate the deal, so any time there is a request we have a blanket structure.
- **Byron Gossett:** Stated we are trying to define and strengthen the relationship between the organization. In my mind, I don't see us going overboard on the MOA as a routine matter because there is not much that I see in the MOA that is defining. The MOA will talk about a proposed summit and those kinds of things. Standardizes the process.
- **Phillip Arnold:** Commented the things you're talking about having in a MOA with the USPGC, it's the history behind the whole thing. It's a unique situation with the relationship between them and this Council.

- **Chairman Adams:** Confirmed no more discussion on the topic.
- **Chairman Adams:** Moving to other discussion.
- **Byron Gossett:** Requested input from the Council regarding the marketing budget, as staff begins to prepare 2018 Budget, particularly as it relates to Weber Shandwick. There was discussion among the Council and Byron Gossett where they arrived at budgets for 2017. The Council decided that 70% range was a good number for the marketing program. Council members address needs for proposal, determine to make decision on budget percentage amount for marketing, as budget has to be approved and in place by October 1, 2017.
- Council members discussed and commented about determining administrative budget, database management, compliance, insurance - all costs that need to be considered and were not part of 2017 budget.
- **Mike Spradling:** Stated his support for a number of areas APC needs to fund, but felt APC needed to stay with the mission at this time.
- **Brandon Harrell:** One thing to keep is a lot of the health research that you are going to do is not going to be a one-shot deal. It is usually spread out over a couple of years. So, the bigger projects that require additional funds are usually spread out over 2-4 years, to help reduce that annual cost.
- **Dr. Charles Rohla (Noble Research Institute):** Stated he mentioned the other day in the research meeting with some of his colleagues, like the labor that is part of when we apply for grants we can apply without labor and all the universities are the same way. Granted the labor is cheaper for them but there has been a lot of effort and collaboration across the nation and we have been working really hard to come up with these big projects. One thing that has hindered us on getting those is industry support. For me, it is we continue to put in these big grants to the USDA, but we have to come up with 100% matching on that money. There have been some projects in the past that we did not get funding on because we did not have support from the industry. So that would be a good way to leverage the money that you guys have is to support with actual dollars. It doesn't have to be a lot because time match comes up with quite a bit but that's hindered us getting some of those grants.
- **Chad Selman:** If you are just wanting to put a number on some guidelines just do somewhere around 3% if you are having to put a number in there for USDA to look at. That is my suggestion.
- **Bruce Caris:** I was thinking 3-5 %

- **Angie Ellis:** I spoke to Byron yesterday just a little bit about the \$500,000 reserve account. Over the next 30 months, I think we need to set a contingency plan in place to start dwindling that down because just for the sake the referendum does not pass, more than likely we will have to send funds back to the handlers. USDA would have to handle that but that's a pretty large reserve just to keep. I am just thinking about down the line.... if they say we are not going to re-enact.

Crop Estimate

Chairman Adams: NASS has given us a crop estimate, redirects to Dan Zedan.

- **Dan Zedan:** Basically, picking up where we left off yesterday. Requested quotes – I received quotes not only for the October estimate, but for January and April in case we had to do those as well. As a Committee, we were discussing the other issues, by the way I'm going to have to make this as a proposal because we, as a Committee, did not vote on this because of timing of the discussion. My concern was at the moment there was a question whether the October forecast was coming out, it may or may not be in the budget, but to be proactive I recommend that A: We get Byron Gossett involved in discussions with NASS and the USDA, if the Memorandum of Agreement (MOA) discussions become necessary between APC and them for us to have to do the funding of this first estimate because that has to be in place and agreement of how that is going to be paid for etc. by the middle of August. The other thing that I would like to include, we can do one or two proposals. The quote I was given was a \$128,600 to do the October estimate, but that would be for only eight states. I will not have a price for doing fifteen states for another couple of weeks. I also do not have the price of what it would cost to do an objective estimate in the future which would be the middle of August which has no impact on this, but I will be providing prices at our next meeting because I do believe in the long run we are going to be generating a lot of data. Our data, like the almond industry, will come out every month then that will be used to firm up what the initial estimate was and look at how we initially change the analysis of the crop production you know going each year and the year after. I personally believe we don't need to fund additional USDA surveys, but if they want to fund them and get Congress to do that and get the other organizations involved, then we can get those to fund it that's fine. I think in the long run we do need to look at an objective estimate and the cost of these other estimates, all of them being subjective are relatively inexpensive they've got the protocols etc., the objective estimate I do project it to move up three or four times of what the subjective estimates are here. Two proposals: A - We enter discussions with the United States Department of Agriculture to develop a MOA or MOU whatever they want to call it with respect to them providing a crop forecasting for us short term. The second part, B - We authorize \$130,000 in the budget, if necessary in case the US government does not have the funds in the budget to do the October forecast.
- **Randy Hudson:** Another food for thought real quick, what about each state counting their own pecans and bringing that to us? Each state would be in charge of their count.

- **Chairman Adams:** Methodology
- **Bruce Caris:** I heard Wil Hundle, Jr. say they won't publish anything unless there is 80% response and I think that 30% was when we had that delayed report a couple of years ago. What happened was we discovered in January that the USDA was not going to give us our report and we went to them, the shellers went to them and said what is it going to cost to get a report and they said x amount of dollars. We said why so much and they said 80%, so we have to go out and get the information via telephone or people in the field, but when they do put the report out it's at least 80%.
- **Dan Zedan:** I am glad you brought that point up, but 30% is the initial response. That's why they get all the phone calls because they won't publish it unless they get 80%.
- **Dan York:** So by the time they do it, they've got at least an 80%.
- **Chairman Adams:** Why would US Government be able to get the numbers now that we pay them \$128,000?
- **Dan Zedan:** We are not going to change their procedure.
- **Chairman Adams:** So if we do it now, and decide to pay them \$128,000, how is that going to improve the process?
- **J.B. Easterlin:** Stated it is honestly important and we do need to be prepared to answer the growers questions. If we said we committed \$128,000 dollars, what is going to be our answer? Commented he felt it was important to have the estimate and we need to support. JB stated what we all need to do is make a better effort and I think that should be one of our charges to make sure we're going to do this and we are going to commit to the grower and by supporting this should help validate expenditure of the money. Anyways, I think we should communicate to them that it is very important from a pricing standpoint, from an industry standpoint, it is very important to try to improve upon what we are doing.
- **Charles Rohla:** I will say Chairman Adams approached me six-eight months ago and asked me and I did not think of it as a model deal. Collections was something Noble really had an interest. Explained the university model they are developing into a bigger model.
- **Chairman Adams:** I think the real advantage is that it a private well-funded organization, and one of their areas of concentration is pecans. I mean that's beautiful. We will not get lost in cotton, corn, soil, or whatever.
- **Jennie Varela:** Just kind of listening to the direction that you are going it's great. It's really exciting to see APC look at new things and really building off of you saying you are more interested in the concept. It may be that you are considering and not much deciding on the course you want to take, but maybe putting out applicable proposals for alternatives so that you all would have a direction moving forward. I also hear some of you saying you would like a little more of an idea what the structure is, or deciding what you want to spend. Is that the direction you are thinking of?
- **Chairman Adams:** Yes. I am not going to ask for a motion. I'm not going to propose anything. I'm wanting a sense of this Council and whether they think it's a good idea.
- **Jennie Varela:** Sure. That might be a good next step.
- **Chairman Adams:** Any other comments from anyone that has not spoken? I am going to suggest that the staff work with Charles Rohla and keep the conversation alive. The sense I gathered is it is a viable

concept and for the staff to keep going until you get a red light and say don't do it. As long as you don't get a red light, I think the situation yesterday where the two gentlemen proposed a concept, I think they opened my eyes to the possibilities that might not ever be involved. They raised my attention level of what's possible. You know I heard a physicist say he saw a financial problem so I wonder how in the world that happens. So how a physicist, or a PhD, can solve a pecan estimate problem - I think we'll consider it. So that's the way I'd like to go forward without any kind of motion, proposal. I think if that's not what you are saying as a Council, you will need to tell me.

- **Byron Gossett:** To recap conversation yesterday about legal counsel, we need a formal motion to engage legal counsel if that's what you all suggested. For example, if we are going to get a memorandum of agreement (MOA), and we decide to use a legal counsel we can do that. I think that is pretty straight forward, I don't know how you want to solicit a motion.
- **Jennie Varela:** Advised what needed to be in the motion.
- **Chairman Adams:** Clarified what would need to be included to make appropriate motion.
- **Jennie Varela:** You all would have to discuss if you want, or if you think you need some legal and the motion would have to include what purpose and timeframe for the legal counsel review.

Dan York made the motion to engage in an agreement with legal counsel to review contracts, agreements for Larry Willson seconded. Motion passed unanimously.

- **Byron Gossett:** Requested input and clarification from the Council on asked to move forward with the staff, roles and responsibilities and salaries as outlined in his proposal.
- **Dan York/Paul Quiros:** Confirmed one of the duties is for the APC to approve the hiring of people under the duties FMO 986.54. You have clearly outlined the offices and the salary ranges you expect to be hired. I think what you want is a motion for the Council to authorize you as pursuant to 986.54 to engage in the recruiting of those people in those salary ranges.
- **Chairman Adams:** It gives APC the authority to carry out these things.
- **Dan York:** Yes sir, we have the responsibility as the Council to do that.

Mike Adams entertains a motion to approve those employment categories and those salary ranges with the duties as specified. Bruce Caris seconded. All approved, with one opposed, Dan Zedan.

- **Chairman Adams:** Well we can record the vote. One negative. But the motion passes.
- **Jennie Varela:** Dan Zedan, is there anything you want on the record about opposition?
- **Dan Zedan:** I have a hard time approving spit ball numbers. There is labor statistics for this area where we know about what certain salary ranges are. I think we should have based the decision on what the going rates are in the area, not what we think it might be. That's my reason for voting no.
- **Chairman Adams:** With 20 minutes left, we are going to discuss compliance and is an issue we have a number of questions on. I know you are ready for lunch, but again by saying we are addressing the compliance issue as best we can with the resources, it will only get better. The question was in regard to collecting assessments from a grower who sold a crop to a buyer in Mexico. How do I know, as a

grower, the assessment that was taken out of my ticket will come in? Council members engaged in discussion, questions, comments all related to handlers, compliance, foreign handler - all to be addressed moving forward with compliance.

- **Mike Spradling:** I think I would say the only way you would know that and that would be the staff is going to have to go back to the accounting firm and get a list of who the assessments came from. Then you go back to that grower and say who did you sell them to.
- **Jennie Spradling:** You can't. You can't release that information of which handlers have paid or not paid.
- **Jennie Varela:** The staff cannot. That's a violation of confidential information. Even if you came with a potential violation, but you can't report back to that person what you found or did not find.
- **Jennie Varela:** An organic handler can be exempt from the promotion portion of the marketing order form. So, there is a process to do that to allow what we do with your staff. We have to come up with what percentage of assessments overall would go towards that where they don't have to pay that portion. I might be getting a little ahead of myself, but just to let you know one of the reasons we haven't been putting in a lot of effort to making sure people are doing those right now, because there are also pitfalls for organic research and promotion program. If that goes into place that is going to change the dynamic a little because you would have a handler who is participating in both. Your department is just going to have to decide how to improvise, but yes right now there is an exemption for organics, but it's just for the promotional percentage of the marketing.
- **Jennie Varela:** Yes, they have to be USDA certified.
- **Jennie Varela:** Comment period ends today. After that we draft a final rule which doesn't take us as long as doing a proposed rule because it has already been looked at by the attorney. The only thing that slows it down after that is if we have a lot of comments that we need to address or someone approaches the department saying we didn't give them enough time to comment. That can slow things down. I don't anticipate that happening. So, we will let you know when the final rule is published. I don't want to make any promises, because it will move so slowly, but I am pretty confident we are going to have it finalized before the end of the fiscal year.

Next Meeting Discussion

- **Byron Gossett:** Council members discussed dates of next meeting. Decided around September 13-14th, 2017. All Council voiced they want the meetings at DFW Airport for ease of travel and all logistics.

Chairman Adams entertained a motion to adjourn. Louie Salopek made a motion to adjourn. Sonja Roeder seconded. Discussion among the Council and agreed not to have a meeting in conjunction with other meetings or organization events.

Motion to adjourn passed unanimously.

Adjourned 11:53 am CST.

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B. Michael Adams
American Pecan Council, Chairman



Trent Mason
American Pecan Council, Secretary

Minutes prepared by: Karen Crow