



AMERICAN PECAN COUNCIL

GENERAL COUNCIL MEETING MINUTES

TUESDAY

December 18, 2018

1:00 a.m. Central Time

HYATT REGENCY DFW
INTERNATIONAL AIRPORT
INNOVATION ROOM AB
2334 North International Parkway
DFW Airport, TX 75261

Or

Join by computer or conference call:

<http://zoom.us/j/411527024>

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Meeting ID: 411 527 024

MINUTES

CALL TO ORDER

Chairman Mike ADAMS called the meeting of the General Council to order at 8:00 a.m. The following Council members were in attendance:

REGION	SEAT	MEMBER	ALTERNATE
Easter Grower	1	X - Buck A. PAULK	Angie ELLIS
Eastern Grower	2	X - Trent MASON	Randy HUDSON
Eastern Grower	3	X - Molly WILLIS	
Eastern Sheller	1		X - Steve ZAFFARANO
Eastern Sheller	2	X - Lawrence WILLSON	
Central Grower	1	X - Mike ADAMS	Jennifer IVEY
Central Grower	2	X - Michael L. SPRADLING	Lalo MEDINA
Central Grower	3	X - Billy Scott LANDGRAF	Mike MONTGOMERY
Central Sheller	1	X - Daniel J. ZEDAN	
Central Sheller	2	X - William D. "Dan" York, Jr.	
Western Grower	1	X - Louie J. Salopek	X - Frank SALOPEK
Western Grower	2	X - G.L. Straley	Leslie L. DAVIET II



**AMERICAN PECAN
COUNCIL**

Western Grower ³	X - Phillip ARNOLD	John HEULER
Western Sheller 1	X - Bruce CARIS	Deborah E. WALDEN-RALLS
Western Sheller 2	X - Sonja ROEDER	
Accumulator	X – J.B. EASTERLIN	Chad SELMAN
Public		X - Ronald P. HAYS

STAFF:

Deborah BARNETT	-	American Pecan Council
Emma GARNER	-	American Pecan Council
Julianna KECK	-	American Pecan Council
Alexander J. OTT	-	American Pecan Council
Jeff SMUTNY	-	American Pecan Council

OVERSIGHT:

Jennie VARELA	-	USDA – AMS
Abigail CAMPOS	-	USDA – AMS

GUESTS:

Janice DEES		
Doug FREEMAN		
Blair KREBS	-	Pecan South
Robin CHILTON	-	SCI
Cindy RODEHEAVER	-	SCI
Lyndsay MITCHELL	-	SCI
Geronimo QUINONES	-	MOAD
Fiona PEXTON	-	MOAD

Having received a sufficient number of Councilmembers a quorum was established. An “X” identifies those that will be voting members for the meeting.

C. Chairman update & Executive Director Update

Chairman ADAMS shared a message emphasizing collaboration and heartfelt compassion for all involved in the pecan industry. ADAMS pointed to the challenges of the industry including tariffs, a strained market and extreme natural disasters. ADAMS stressed that all need to take time and pause. ADAMS stated need to appreciate the staff on board and take note of its importance. ADAMS noted that the industry is in tough times and needs to avoid pointing fingers and stressed taking responsibility.

ADAMS commended the Strategic Planning Working Group. ADAMS stated that the data phase of Strategic Planning is completed and that the consulting group are the “truth tellers”. The next phase of the plan will be developing a strategic planning strategy. ADAMS stated the need for a strategic game plan to carry the industry into the future which will need involvement and preparation from everyone. ADAMS again thanked everyone’s time and attendance for these meetings.

ADAMS had STRALEY present the financial report to the Council.

Current Assets total \$7,675,289. Revenues received last year totaled \$10,972,166. Total expenses through September 30, 2018 totaled \$8,515,788. A net change of \$2,456,378. This will be needed as the hurricanes and floods will have an



impact on the industry and budget. Total net assets ending as of September 30, 2018 are \$5,795,317. A complete financial audit is performed every year, after the close out of the fiscal year. A hard copy of the financial statements is available at the Council office.

- MOVED by SALOPEK, duly seconded by LANDGRAF and unanimously carried that the financials be approved as presented. **(MOTION 12-18-18 #1)**

D. Approval of Previous Minutes

After reviewing the minutes of November 19, 2018, it was noted that there is a typo for WORN, and Jenn VARELA was not in attendance.

- MOVED by ROEDER, duly seconded by STRALEY and unanimously carried THAT the minutes of November 19, 2018 amended. **(MOTION 12-18-18 #2)**

II. GRADES & STANDARDS

A. STANDARDIZATION OF KERNELS

Recently, the National Pecan Shellers Association unanimously approved a proposed Standards for Grades of Shelled Pecans. The proposal updates the pecan standards for the first time in 50 years. If approved, the APC would then submit the proposed to the USDA and begin the process of updating the industry standards only for kernels.

It should be noted that if approved, the shellers would have USDA inspectors in their facilities ensuring that the standards are in place and are enforced. Furthermore, with the approval of the Farm Bill, a Section 8(e) provision would be added to the Pecan industry. This provision would enforce outgoing standards on all countries that ship into the U.S. For the first time, all standards would be enforced equally regardless of source of product.

The Council must review these proposed standards and if approved, have APC present the proposal to USDA to begin rulemaking. Estimated time to put this standard in place is 18 months.

ZEDAN updated the council on the history of the standards. Specifically, the standard has not been updated since July 15, 1969. The concept of adopting standards would be a two-step process: first updating standards, and second grades for possible inshell. The industry is looking to APC for establishing the grades and standards, but both are pieces of a puzzle that need to be put together.

SCI updated the industry on the latest change made to the December 10, 2018 revision.

- The pecan standards were most recently revised December 10, 2018. The revisions include:
- Replaced the term “midget” with “extra small” in the Shelled Pecan standards;
- In both standards, revised outdated manufacture references to plastic models of pecan kernels and information on where color standards may be examined; and
- Editorial changes were also made to the grade standards that conform to recent changes made in other grade standards
- An official request must be made to start the rulemaking process
- The vote that was taken at the meeting will show the broad-based support that is needed in the official request
- The draft standards will need to be included in the request to show requested changes
- After an official request is made, and if it is determined that we will move forward with revising the standards, USDA will work with the pecan industry to revise the standards so that they work for all parties involved. We did



not get into the merit of the proposed revisions during the meeting, but feel it is important to note that the Draft submitted and voted on at the at the meeting would need additional revisions before we would move forward with a formal proposal in the FR.

- As is listed below, we do think that it would be best to revise both the shelled and in-shell standards at the same time, to keep the terminology and formatting aligned, as they currently are
- The standards are voluntary, unless quality requirements are added into the marketing order, the standards are not enforceable

SMUTNY updated the Council on the process of the standards. APC would petition the government for the standards. Representatives from USDA were present to discuss the timeline of the standards. USDA stated that this process would take two-years as it is fairly complex. Minimum grade, size, quality, etc. would then be established under the order. CHILTON also noted that the document as presented would need some additional work to be formatted correctly. Additionally, the standards would be incorporated into the FMO. Just to change the grading standard is two years. Adoption and enforcement is a separate process. USDA stated that they would like to see the applications for both kernel and inshell submitted at the sometime and not separate.

The Council discussed mandating the kernel standard versus a voluntary standard.

- **MOVED** by S. ZAFFARANO, duly seconded by ROEDER and unanimously carried THAT the Council move forward with changes in voluntary grades and standards. **(MOTION 12-18-18 #3)**

B. FORMS

SMUTNY presented to the Council revisions to the current forms.

In October 2018, the American Pecan Council began to receive mandatory forms from pecan handlers. The data collected from these forms help identify areas of interest as defined by industry. Data include pecan inventory, shipments, commitments, exports, pecans received (both domestic and foreign), and pecans shipped to Mexico for further processing. These forms are to be reported to the APC n a monthly basis. The APC then compiles the data, collects assessments based on this data, and reports out to industry based on the data collected.

APC has fielded calls daily concerning the burden placed on handlers having to files these reports monthly. The APC has documented feedback from handlers with the intent on reducing handlers to sign and submit every form, even if the specific form does not apply to the specific handler during any given month. As such, the following revisions are being proposed:

Forms 1&2L The APC is proposing that forms 1 & 2 be combined into a single form 1. In addition, to combining the two forms, the APC has added language that allows the filer to check a box which eliminates the need of the filer having to submit the other forms in the forms package for that Reporting Period (month).

Forms 5&6: The APC has combined these forms into a single form 6.

Form 7: The APC has eliminated the use of “Crop Year” on this form and replaced it with “Fiscal Year”. Crop year is not defined in the pecan marketing order.

The intent of these changes is to have revisions completed and approved by OMB and USDA ready in time for the 2019/2020 fiscal year.

USDA provided input on the proposed new forms. These changes include: add a summary, add month & year, and change to month (delete date on 6). ROEDER requested that sequential number for the forms be included.



Comments were made about eliminating the variety form is causing undue burden on the industry, including the amount of time it takes to fill out the forms. Although the form states 15 mins to complete, industry states that this time is nearly doubled. In some instances, it was noted that an additional hire may need to be added to a company just to complete the forms in a timely manner. Lastly, there is no “last form” to submit when the season is completed, meaning that handlers are having to take time to fill out forms when their season is finished and there is no product to report. This alone adds unnecessary time to fill out forms when nothing needs to be reported. The Council reviewed the changes of the forms.

- MOVED by CARIS, duly seconded by ARNOLD and unanimously carried THAT the forms be approved as amended. **(MOTION 12-18-18 #4)**

FORM 4

SMUTNY presented to the Committee changes to the Inter-Handler Form 4.

Currently, the APC allows handlers to transfer the obligation of submitting assessments to be passed along when inter-handler transfers take place. This is conducted using APC Form 4.

This process and the requirement of filing Form 4 has resulted in confusing among handlers. Handlers frequently don't submit Form 4. Forms are often submitted with only one signature and often not marked as to who is responsible for submitting assessments. This procedure is not used by any other nut program.

The APC would like to eliminate the process of providing the option to handlers to pass along the responsibility of submitting the assessment. The APC would like to require the first handler to be responsible of submitting assessments. This would allow the APC to eliminate from having handlers from filing Form 4.

Eliminating Form 4 and requiring the first handler to submit assessments via Form 1 would require changes to the pecan marketing order. These changes will require formal rulemaking. Formal rulemaking is a lengthy process which requires a vote by paper ballot and a public hearing. Formal rulemaking is normally a 2-year process, on average. Once option that may be available to industry is the formal through informal rulemaking process which would still require a vote by paper ballot but not a public hearing. This process would reduce the turnaround time from two-years to perhaps 9 months.

EASTERLIN commented that certain small handlers would like to pass burden to larger growers as it would take them out of loop for first handler. Perhaps if an affidavit to larger handler, understanding simple to revision of Form 4 to stipulate guidelines, make first handler beholden to others. EASTERLIN noted that the state of Georgia has an affidavit system in place that establishes who pays the assessment

USDA noted that all transfers need to be documented. Might have ideas on how to modify and move toward the process and yet still collect information.

The Council discussed the preferences of going through formal or formal through informal rulemaking.

- MOVED by EASTERLAND, duly seconded by MASON and unanimously carried THAT Form 4 be revised to have handler fill out one time per year and establish through informal rulemaking. **(MOTION 12-18-18 #5)**

III. MARKETING PROMOTION

A. MARKET ACCESS PROGRAM DOLLARS



In August 2018, the American Pecan Council approved \$250,000 to support Market Access Program activities. In May/June the US Pecan Growers Council (USPGC) applied to the Foreign Ag Service (FAS) for Market Access Program (MAP) dollars for the 2019 marketing year. One of the requirements to obtain MAP dollars requires industry to provide matching contributions. These contributions can be in the form of in-kind or hard-contributions (actual cash for programs).

USPGC has sent a request to APC for \$850,580 for its 2019 marketing activities. The request separates the activities into two categories. Administration Support Funding (\$285,000 plus a \$25,000 contingency) and Program Funding (\$540,580). Markets that USPGC would like to conduct include: China, South Korea, Turkey, and Vietnam.

Details of the scope of work may be found in the proposal. It should also be noted that USPGC, according to their cover letter, will seek additional funding support for the Agricultural Trade Promotional (ATP) proposal in the very near future. The Foreign Ag Service (FAS) is expected to announce their funding decision by mid to late January 2019. A minimum of ten percent will be needed to meet the requirement of the ATP program. USPGC application for ATP is \$5,000,000.

Once the Council decides on the appropriation, necessary contracts will be established, like all other projects.

In short, the Council will need to determine:

- 1) Decide on funding request;
- 2) Allocate dollars if over \$250,000 from the contingency fund; and
- 3) Decide if the 20/40/40 rule applies or establish a different payment system.

DEES stated that USPGC does not yet know the allocation of MAP dollars, and the Farm Bill is not signed yet. Cash is still needed to run the 2019 marketing program.

After much discussion and debate, the following resolution and motion was presented to the Council:

In Light of the Facts THAT:

- 1) The American Pecan Council (APC) recognizes that the US Pecan Growers Council (USPGC) has been effective in the international promotion of pecans through MAP funding, and APC is supportive of the continuation of the MAP programs for pecans with the USPGC playing an important role along with APC.
- 2) APC anticipates reduced assessments and thus reduced expendable funds for the current fiscal year and that,
- 3) APC is currently engaged in a comprehensive Strategic Planning Process with the Boston Consulting Group and the final report and recommendations of that project are yet to be determined and that,
- 4) USDA has unequivocally advised that all funding allocations made by APC be under strict contractual agreements approved in advanced by USDA.

THEN,

APC agree to fund the US Pecan Growers Council in an amount not to exceed \$850,580, with the following provisions:

- a) That staff, with advice and consent of the Governance Committee, have the approval authority on all expenditures regarding the administrative funding request made by USPGC in the Funding Application for 2019, and
- b) That staff, with the advice and consent of the International Committee, have the approval authority on all expenditures regarding the international program funding request made by USPGC in the Funding Request Application for 2019, and
- c) All provisions in this motion shall be consummated in a written contract between USPGC and APC in accordance with the adopted policies of APC and approval of USDA.



After further discussion by the Council, Chairman ADAMS entertained a motion on the proposed Resolution.

- MOVED by ARNOLD, duly seconded by STRALEY, THAT the resolution be adopted. **(MOTION 12-18-18 #6)**

Prior to the vote on the motion, ZEDAN requested a roll-call vote.

The Following Council Members Votes were recorded in relation to Motion 12-18-18 #6.

Easter Grower 1	Y - Buck A. PAULK
Eastern Grower 2	Y - Trent MASON
Eastern Grower 3	Y - Molly WILLIS
Eastern Sheller 1	Y - Steve ZAFFARANO
Eastern Sheller 2	Y - Lawrence WILLSON
Central Grower 1	- Mike ADAMS (CHAIRMAN DOES NOT VOTE UNLESS TIE)
Central Grower 2	Y - Michael L. SPRADLING
Central Grower 3	Y - Billy Scott LANDGRAF
Central Sheller 1	Y - Daniel J. ZEDAN
Central Sheller 2	Y - William D. "Dan" York, Jr.
Western Grower1	Y - Louie J. Salopek
Western Grower2	Y - G.L. Straley
Western Grower3	Y - Phillip ARNOLD
Western Sheller 1	Y - Bruce CARIS
Western Sheller2	Y - Sonja ROEDER
Accumulator	Y - J.B. EASTERLIN
Public	Y - Ronald P. HAYS

Having received a unanimous vote, the Motion carries

B. INTERNATIONAL COMMITTEE

With several international marketing and issues taking shape, coupled with data provided during the strategic planning process, the American Pecan Council, will create an international Committee. The purpose of the International Committee will do several things, included but not limited to: setting international priorities for marketing, coordinate international marketing messaging and research, review, monitor, and make recommendations on potential international issues that directly impact the international or influence the domestic pecan marketplace. All recommendations made by Committees are voted on by the full Council, unless authority is delegated from the Council to the Committee.

The Chairman, is appointing the following members to the International Committee:

- Molly Willis
- Scott Landgraf
- Frank Salopek
- Lalo Medina
- J.B. Easterlin
- William D. "Dan" York Jr.
- Sonja Roeder



The International Committee will review the strategic planning recommendations and begin to formulate a program for the American Pecan Council to implement relating to their international marketing issues and activities.

IV. NEW BUSINESS

A. BILL LITTLEPAGE

Chairman ADAMS announced to the Council the passing of Bill Littlepage. Bill was a champion of the Pecan industry and a supporter of the APC and will be sorely missed.

The Council requested that staff prepare a resolution commending Bill Littlepage and his longtime dedication to the pecan industry.

- MOVED by SALOPEK, duly seconded by ROEDER and unanimously carried THAT staff create a resolution for Bill Littlepage and place it on the website and submit to publications. **(MOTION 12-18-18 #7)**

Staff will draft the resolution and have the Chairman review prior to submission and posting.

B. OUTSIDE COUNSEL

ADAMS brought up an outstanding issue regarding the use of outside counsel. USDA noted that \$997 of APC funds was not authorized for use of outside counsel in 2017 when the Council began establishing its operations. As a result, the APC needs to have \$997 returned. ADAMS stated he disagrees with USDA, however, he will repay the Council on behalf of the industry in order to make sure that this issue is settled.

C. TRADEMARK

CAMPOS brought to the Council's attention that USDA may handle the trademark application for the APC. Specifically, as a Federal Marketing Order, the Council has access to USDA legal that specialize in this area and that the Council would save dollars by utilizing this service. Costs for the service would be around \$1,500. It should be noted that with a potential government shutdown, this could delay the submission of the Council's trademark. USDA will work with staff to file the necessary trademark paperwork.

V. ADJOURNMENT

With no other business to come before the Council, the Chairman requested a motion for adjournment.

- MOVED by MASON, duly seconded by SALOPEK and unanimously carried THAT the Council meeting be adjourned at 5:20pm. **(MOTION 8-30-18 #8)**

Alexander J. Ott
Executive Director



SUMMARY OF ACTIONS FOR DECEMBER 18, 2018

MOTION 12-18-18 #1

MOVED by SALOPEK, duly seconded by LANDGRAF and unanimously carried that the financials be approved as presented.

MOTION 12-18-18 #2

MOVED by ROEDER, duly seconded by STRALEY and unanimously carried THAT the minutes of November 19, 2018 amended.

MOTION 12-18-18 #3

MOVED by S. ZAFFARANO, duly seconded by ROEDER and unanimously carried THAT the Council move forward with changes in voluntary grades and standards.

MOTION 12-18-18 #4

MOVED by CARIS, duly seconded by ARNOLD and unanimously carried THAT the forms be approved as amended.

MOTION 12-18-18 #5

MOVED by EASTERLAND, duly seconded by MASON and unanimously carried THAT Form 4 be revised to have handler fill out one time per year and establish through informal rulemaking.

MOTION 12-18-18 #6

MOVED by ARNOLD, duly seconded by STRALEY, THAT the resolution be adopted.

This motion was a roll-call vote. The motion passed on a 16-0 vote.

MOTION 12-18-18 #7

MOVED by SALOPEK, duly seconded by ROEDER and unanimously carried THAT staff create a resolution for Bill Littlepage and place it on the website and submit to publications.

MOTION 12-18-18 #8

MOVED by MASON, duly seconded by SALOPEK and unanimously carried THAT the Council meeting be adjourned at 5:20pm