

AMERICAN PECAN COUNCIL

GOVERNANCE COMMITTEE

Thursday
April 16, 2020
3:00 p.m. Central Time

<https://zoom.us/j/587648427?pwd=aEwxMkNjOVJ6QzYvTUzsb3pSSnBudz09>

or

Dial In: (346) 248-7799
Meeting ID: 587 648 427
Password: 016484

MINUTES

I. CALL TO ORDER – Mike Adams, Chairman

A. ROLL CALL

Chairman Mike ADAMS called the Governance Committee to order at 3:08 p.m.
The following Committee members were in attendance:

Mike ADAMS
Bruce CARIS
GL STRALEY
Dan YORK
Trent MASON
Larry WILLSON

STAFF:

Alex OTT	American Pecan Council
Jeff SMUTNY	American Pecan Council
Emma GARNER	American Pecan Council
Julianna KECK	American Pecan Council
Deborah BARNETT	American Pecan Council
Courtney SMITH	American Pecan Council

OVERSIGHT:

Abby CAMPOS	USDA
Tom NALEPA	USDA
Chris NISSEN	USDA

GUEST:

Matthew BAILEY
Catherine CLARK
Blair KREBS
Samantha MCLEOD
Angie ELLIS

B. ESTABLISH QUORUM

Having received a sufficient number of Committee members a quorum was established.

C. APPROVAL OF PREVIOUS MINUTES

MOVED by GL STRALEY, duly seconded by Bruce CARIS, and unanimously carried **THAT** the minutes of July 25, 2019 be approved. **(MOTION 4-16-2020 #1)**

D. CHAIRMAN UPDATE

II. FINANCIALS

A. AUDITED FINANCIALS

Each year, the Council's financials are audited. This is a requirement by the US Department of Agriculture. A representative from Eide Bailly reviewed the Financial Statements and Supplementary Information together with Independent Auditor's Report.

MOVED by GL STRALEY, duly seconded by Bruce CARIS and unanimously carried **THAT** the Committee approve the 2018 – 2019 Audited Financials **(MOTION 4-16-2020 #2)**

B. APPROVAL OF AUDITORS

Each year, the Council must have its financials audited. Eide Bailly conducted the 2016 – 2017, 2017 – 2018, and 2018 - 2019 FY audits. To ensure that the Council's audit is conducted for the 2019 – 2020 FY, an auditor must be approved by the Council. Because this went out to bid last year, another bid is not required until after the referendum. The recommendation is to approve Eide Bailly for the next fiscal year. Budget for this item will be approved in August.

MOVED by Dan YORK, duly seconded by Trent MASON and unanimously carried **THAT** the Committee approve Eide Bailly for the 2018 – 2019 FY financial audit. **(MOTION 4-16-2020 #3)**

C. FINANCIALS

D. FAIR ACT STUDY

Every five years, a Federal Marketing Order must conduct a study that demonstrates the benefits of the Order. This is a requirement under the Federal Activities Inventory Reform (FAIR) Act. In order to conduct the study, the American Pecan Council must hire a reputable firm or University to conduct the study.

In order to meet this requirement, the APC will grant authority to the Committee to distribute the Request for Proposal and select a proposal to conduct the study. The costs of the study should not exceed \$50,000. Once the study is completed, the study will be released to the Council and industry.

MOVED Bruce CARIS, duly seconded by Larry WILLSON, and unanimously carried **THAT** the Committee approve \$50,000 from the 2019 – 2020 Contingency Fund to conduct the FAIR study as required by the USDA & **THAT** the Council grant authority to the Governance Committee to select and approve the contractor to conduct the study. **(MOTION 4-16-2020 #4)**

E. ASSESSMENT CONSIDERATION FOR 2020-2021 FY

As you may know, the National Pecan Federation has submitted a proposal to create a Research & Promotion (R&P) Board for the Pecan industry. If successful, the newly created American Pecan Promotion Board (APPB) would conduct marketing and research activities while collecting assessments from both US and foreign producers. As a result of the program, it has been stated that the U.S. industry would not pay any additional assessments to create the program. Specifically, the U.S. industry pays three cents per pound on improved varieties and two cents for native and substandard varieties.

In order to ensure that the industry does not pay more than current assessments, the APC would have to review and approve a lowering in the assessment rate. The Governance Committee will review with the Council a proposal to ensure that the assessment rate will be reduced to ensure that the U.S. industry does not pay more than current rates.

Furthermore, the APC has spent an average of 71% of its budget on Marketing and promotion activities over the last two years. Should these activities be moved to the new Research and Promotion program, the remaining APC activities will be covered on a one cent per pound assessment. These activities include: Market Access Program and Emerging Market Activities, grades & standards, Section 8(e) activities, compliance, industry relations, and data and statistics reporting.

On a side note, the APC will have to adopt a budget in August for the 2020 – 2021 FY. This will assist staff in preparing a budget based on the new assessment rate approved by the Council. Should the R&P program not be ready for an October 1, 2020 start date, the Council will have to determine other actions to bridge the gap in promotion funding or repeal the reduction and wait an additional year to ensure that market programs are funded for the 2020 – 2021FY. Should the Council decide to lower the assessment rate beginning October 1, 2020, then the Council is providing enough time for USDA to review the necessary assessment motion and have it in place prior to the start of the new fiscal year. While at the same time, this action still provides enough time for the Council to review the program and assessment and adjust, if needed, during the August budget approval meeting.

MOVED by GL STRALEY, duly seconded by Trent MASON, and unanimously carried **THAT** the Committee approve the Governance Committee's recommendation for the assessment rate for the 2020 – 2021 FY. **(MOTION 4-16-2020 #5)**

III. NEW BUSINESS

No new business.

IV. ADJOURNMENT

MOVED by Larry WILLSON, duly seconded by Dan YORK, and unanimously carried **THAT** the Governance Committee meeting be adjourned at 4:32 p.m. **(MOTION 4-16-2020 #6)**

All agenda items are subject to discussion and possible action.

SUMMARY OF ACTIONS FOR APRIL 16, 2020

MOTION 4-16-2020 #1

MOVED by GL STRALEY, duly seconded by Bruce CARIS, and unanimously carried **THAT** the minutes of July 25, 2019 be approved.

MOTION 4-16-2020 #2

MOVED by GL STRALEY, duly seconded by Bruce CARIS and unanimously carried **THAT** the Committee approve the 2018 – 2019 Audited Financials.

MOTION 4-16-2020 #3

MOVED by Dan YORK, duly seconded by Trent MASON and unanimously carried **THAT** the Committee approve Eide Bailly for the 2018 – 2019 FY financial audit.

MOTION 4-16-2020 #4

MOVED Bruce CARIS, duly seconded by Larry WILLSON, and unanimously carried **THAT** the Committee approve \$50,000 from the 2019 – 2020 Contingency Fund to conduct the FAIR study as required by the USDA & **THAT** the Council grant authority to the Governance Committee to select and approve the contractor to conduct the study.

MOTION 4-16-2020 #5

MOVED by GL STRALEY, duly seconded by Trent MASON, and unanimously carried **THAT** the Committee approve the Governance Committee's recommendation for the assessment rate for the 2020 – 2021 FY.

MOTION 4-16-2020 #6

MOVED by Larry WILLSON, duly seconded by Dan YORK, and unanimously carried **THAT** the Governance Committee meeting be adjourned at 4:32 p.m.

Pursuant to Paragraph 986.61 (e) of the Federal Marketing Order (FMO) for pecans, the American Pecan Council (APC), based on a motion by _____ at an official meeting of the Council on _____, 2020 adopts the following resolution and motion:

- Resolution: The APC, with this resolution, does hereby support the promulgation and eventual implementation of a Research and Promotion Program (R&P) for Pecans as proposed by the National Pecan Federation (NPF) in the attached Letter as adopted by the Board of the NPF.
- The Motion: Be it so moved that APC recommends to the Secretary, contingent upon the R&P Program for Pecans becoming effective through a Federal Order, a revision in the assessment rate for pecans under the FMO to:
 - o \$.01 (one cent) per inshell pound for improved pecans
 - o \$.00 (zero) for native pecans qualifying for the assessment under the R&P Program
 - o \$.02 (two cents) for native pecans not qualifying for the assessment under the R&P Program
 - o \$.00 (zero) for substandard pecans qualifying for the assessment under the R&P Program
 - o \$.02 (two cents) for substandard pecans not qualifying for the assessment under the R&P Program
- The Motion shall further stipulate that the American Pecan Council reserves the right to revisit this resolution at their August meeting to ensure that the R&P is going to be implemented by October 1, 2020. If not, the APC may withdraw its assessment reduction and continue with its three cents for the 2020 – 2021 year to ensure that marketing and promotion activities are fully funded.