



BOARD MINUTES

May 19, 2016

Sacramento Farm Bureau Building

A meeting of the California Cling Peach Board was called to order by Chairman Sarb Johl at 10:14 a.m. on Thursday, May 19, 2016 at the California Farm Bureau Building in Sacramento, California. Roll was taken, showing there was a quorum present, with the following in attendance:

Board Members	Others	Alternates
Harinder Bains	James Christie, BCI	Jared Davit
Suki Bains	Elizabeth Coon, PCP	Jag Khera
Frank Bavaro	Aimee Darville, AAMSI	Scott Long *
Rajeev Davit	Ajayab Dhaddey, CCPA	
Lance Jackson	Kassie Fraser, BCI	Staff
Bob Jawanda	Carolyn Gleason, MWE	JD Allen, Manager
Sarb Johl, Chairman	Ginny Hair, Echo	Austin Hurtado, Controller
Anthony Laney	Adrienne Hegarty, Echo	Amy Uber, CDFA
Rick Lial	Ghila Kapelke, Echo	
Justin Micheli	Ben Kostrzewa, MWE	<i>* Alternate Acting in lieu of member.</i>
Ex-Officio	Ann Quinn, AAMSI	
Rich Hudgins, CCPA	Chris Zanobini, AAMSI	

Following self-introductions, and the anti-trust statement, Allen said that with the absence of at least one voting member in District 2/3, alternates Scott Long would have voting rights at this meeting.

Approval of Minutes

On a motion from Micheli, with a second from Jackson, the Board unanimously approved, with no abstentions, the minutes from the Board meeting of March 23, 2016.

Crop Report

Hudgins reported on CCPA's prethinning estimate, saying it shows a crop of 311,497 tons to be delivered to processors, on 17,979 bearing acres representing 17.3 tons per acre, a decrease of 4% from last season's actual average of 18.1 tons per acre yield. He said these numbers include the loss of an estimated 17,000 tons due to early May storm damage throughout the growing regions.

Trade Policy Report

Carolyn Gleason of McDermott, Will & Emery (MWE) joined the meeting via phone and introduced Pam Walther's replacement, Ben Kostrzewa. She said that after many great

years of service to MWE, Walther had decided to retire and devote herself to her equestrian passion. Gleason went on to give the Board a complete update on the various trade issues in front of Congress that could impact the California cling peach industry. She reported on issues concerning the US-EU Transatlantic Trade and Investment Partnership (TTIP) Agreement, the Trans-Pacific Partnership Free Trade Agreement (TPP) negotiations, Chinese subsidizing of exports, the Trade and Investment Framework Agreement (TIFA) negotiations with Argentina, and the African Growth and Opportunity Act (AGOA). For complete details, please see the attached "Summary Excerpts from the MWE 2016-17 Proposal" (Exhibit "A").

PR Committee Report

Kassie Fraser of Bryant Christie, Inc (BCI) presented their foreign promotion/MAP report for the current year and proposal for the new year, noting their proposed fee of \$75,000 for the 2016-17 season will remain the same as last year. Ginny Hair, Adrienne Hegarty and Ghila Kapelke of Echo Communications gave their current year report and proposal for the new year as well, and both full presentations are available from the Board office, upon request.

Board Action 5-19-16 #1 – On a motion from Davit, with a second from Micheli, the Board voted to accept the Promotion Committee's recommendation to approve the proposal from BCI in the full amount of \$75,000 for services, plus \$5,000 for annual travel and administrative expenses. The recommendation also included the acceptance of Echo Communications proposal for 2016-17 in the full amount of \$310,000, which includes the "Core" program of \$293,000, plus the "Social Media Engagement" add-on of \$12,000, and the Progressive Grocer Retail RD Symposium" add-on of \$5,000. It was also understood that if production falls significantly below the estimated 300,000 tons in 2016-17, the domestic promotion budget would be revisited at the November meetings.

**MOTION CARRIED UNANIMOUSLY
with NO ABSTENTIONS**

Financial Report, Budget Worksheet & Executive Committee Recommendations

Allen gave a brief financial report (Exhibit "B" attached), noting the 322,000 ton crop was 17,000 tons over the estimate, representing just under \$50,000 in additional assessment revenue. He also mentioned the interest income had also exceeded the estimate. After reviewing each of the expense items, he stated the Board currently has a cash balance of \$776,272. Allen then explained that in consultation with the Executive Committee earlier in the day, and previous conversations with Zanolini of Ag Association Management Services, Inc (AAMSI), he will transfer 80% of the Board's 2015-16 cash balance on June 1st, and then continue to pay 2015-16 bills for May as they come in throughout June. The balance of the Board's cash will then be transferred to AAMSI on July 1st.

Allen then led the Board through the 2015-16 budget worksheet, noting an estimated 300,000 tons, an assessment rate of \$2.90 per ton with a total assessment income of \$870,000. He said the other income items for the new year would be "interest" income of \$5,000, "Foreign Promotion Reimbursement (MAP)" of \$520,500, and \$41,000 in "other" income, for a total income of \$1,436,500. He also noted the estimated carryover of \$736,161, for a total income & carryover of \$2,172,661 for 2016-17. With regard to expenses, the only significant differences from the current year would be: "management

services" (down \$14,400); "office supplies" (up \$2,500 to account for new letterhead, envelopes, etc.); "travel & mileage" (down \$3,000 due to fewer management miles); "domestic promotion" (up \$30,000) and "foreign promotion" (up \$26,650 due to a larger overall MAP budget, and subsequent larger 30% match). In addition to the differences listed above, Allen asked that the Board consider a "MMS Transition Costs" item in the new budget to account for MMS time spent during the 2015-16 audits that will probably take place early in 2017. He said there will be time spent by MMS personnel, gathering information and answering questions of the auditors, and felt the \$7,000 he budgeted for this item would more than cover the MMS time during the audits, and would be there for any other "unforeseen" costs to MMS during the first year of transition the new management service. He also said he would not spend/invoice any time to this account without the direct approval of the Chairman and/or the new manager. Executive Committee Chairman Rajeev Davit said they had met earlier in the day and recommended Allen's proposed budget for 2016-17 as outlined above, and represented in the following Board resolutions:

BOARD RESOLUTIONS

Board Action 5-19-16 #2 – Long moved, seconded by Laney, that the Board adopt the following resolution:

2016-17 Crop Estimate and Rate of Assessment

WHEREAS, the California Cling Peach Program provides that the Board recommend a rate of assessment for each marketing season, and

WHEREAS, the Board has estimated a crop of **300,000 paid tons** to be produced in the 2016-2017 season, and

WHEREAS, the Board has considered the estimated expenditures in its preliminary 2016-2017 budget,

BE IT RESOLVED that the Board recommend to the Department that the assessment rate for the period June 1, 2016 thru May 31, 2017 be **\$2.90 per ton** of inspected peaches delivered for processing.

**MOTION CARRIED UNANIMOUSLY
with NO ABSTENTIONS**

Board Action 5-19-16 #3 – Lial moved, seconded by Micheli, that the Board adopt the following resolution:

Retaining Ag Association Management Services, Inc. to Supply Management Services for 2016-17

WHEREAS, Ag Association Management Services, Inc. has offered the necessary office facilities and staff services in their proposal for 2016-17, and

THEREFORE BE IT RESOLVED that the Board approve the retention of Ag Association Management Services, Inc. for the 2016-17 Fiscal year for a total amount of \$72,000, with the Board to be billed in twelve equal monthly installments of \$6,000, which shall cover the items detailed in their proposal, and

BE IT FURTHER RESOLVED that the Board recommend that the Department approve establishing a contractual relationship between the Board and Ag Association Management Services, Inc. covering the provision of the aforementioned services and facilities, and that the Board Chairman be authorized to sign said contract, and approve the appropriate invoices involved on behalf of the Board.

**MOTION CARRIED UNANIMOUSLY
with NO ABSTENTIONS**

Board Action 5-19-16 #4 – Laney moved, seconded by Long, that the Board adopt the following resolution:

Fiscal and Compliance Audit

WHEREAS, the Department of Food and Agriculture has developed a plan whereby Advisory Boards are to have an annual fiscal and compliance audit, and

WHEREAS, the Department's policy allows Certified Public Auditing firms to complete the compliance audit along with their annual fiscal audits, and

WHEREAS, the firm of Borchardt, Corona and Faeth has been contracting to do the California Cling Peach Board's fiscal audit for the past several years,

THEREFORE BE IT RESOLVED that the Board allows Ag Association Management Services, Inc. to contract with Borchardt, Corona and Faeth to do the Board's annual fiscal and compliance audit for the 2015-16 fiscal year.

**MOTION CARRIED UNANIMOUSLY
with NO ABSTENTIONS**

Board Action 5-19-16 #5 – Rajeev Davit moved, seconded by Long, that the Board adopt the following resolution:

2016-17 Preliminary Budget

WHEREAS, it is estimated that there will be a carry-over of \$736,161 from the Board's 2015-16 budget, and

WHEREAS, the attached preliminary budget (Exhibit "C") reflects estimated income and expenditures for the 2016-17 marketing season,

BE IT RESOLVED that the Board recommend the approval by the Department of the attached preliminary budget and authorization of the transfer of the estimated carry-over to the 2016-17 budget of the Board.

**MOTION CARRIED UNANIMOUSLY
with NO ABSTENTIONS**

Other Business

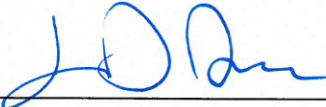
Johl said he would appoint the Committees at a later date, and that if anyone has a preference for one committee or another, he would do his best to accommodate any such requests.

Open Public Discussion & Future Meeting Dates

There were no requests for public comment, and Johl said the next meeting would be held sometime in November, to be determined at a later time.

There being no further business, the meeting was adjourned to lunch at 12:00 noon.

I, JD Allen, Manager of the California Cling Peach Board, do hereby certify that to the best of my knowledge, the foregoing is a true and correct copy of the minutes of a meeting of the California Cling Peach Board held at the Farm Bureau Building in Sacramento, California on May 19, 2016.



JD Allen, Manager

Summary Excerpts from the MWE 2016-17 Proposal

(1) **US-EU Transatlantic Trade and Investment Partnership (TTIP) Agreement:** The United States launched comprehensive free trade agreement (FTA) talks with the EU in July 2013 and has concluded 13 rounds of negotiations to date. Although it is not yet clear whether the TTIP talks will be concluded in 2016, senior US and EU officials have publicly vowed to close the deal before the end of the Obama Administration. They say the next negotiating rounds this summer will start the “end game,” during which sensitive agriculture tariff reductions (including those covering canned peaches, fruit cocktail, and frozen peaches) will be negotiated. Even if TTIP does not close in 2016, US negotiators are pushing at a minimum to achieve a “framework” TTIP agreement by the end of 2016. They caution that because the tariff and other commitments in that framework package will likely become the starting point for further negotiations with the EU under the next President, affected US sectors should continue to safeguard their interests actively throughout the 2016 process. Because of the Board’s 30-year history with subsidized Greek canned peaches in the US market, we have requested maximum import-sensitive treatment for the industry’s 17% US canned peach tariff, 14.9% canned fruit mixture tariff, and 14.5% frozen peach tariff. The Board is also seeking (i) strong canned fruit rules of origin similar to those in the Trans-Pacific Partnership (TPP) agreement, (ii) clear authority to maintain the US Buy America provisions in USDA School Nutrition programs, and (iii) improved transparency in the EU’s canned fruit subsidy programs. Under any timing scenario, the TTIP negotiations will continue to require regular industry engagement with the US Government on the Board’s tariff, rule of origin, subsidy, and Buy America priorities.

(2) **TPP Negotiations:** The TPP agreement with Japan and 10 other countries was signed in February 2016. Ratification efforts are now underway within all TPP countries. In the United States, where TPP has come under intense political scrutiny, it is unclear whether the agreement will be enacted during this session of Congress, including during the lame duck period. If TPP is not enacted this year, it is possible that portions of the agreement will be re-negotiated by the next president. The Board has worked successfully with US TPP officials to achieve (i) strict TPP canned fruit rules of origin and (ii) maximum import-sensitive treatment for US cling peach tariffs applied to Japan. Strict origin rules are needed to prevent illegal transshipments and preferential tariff treatment for canned peaches from China and other non-TPP countries. Until a TPP agreement is fully implemented by all member countries, we will continue to stay in close contact with key Executive Branch agencies to help ensure the Board’s rule of origin and tariff interests are protected. We will also want to monitor post-implementation activity to ensure all TPP signatories are honoring the rule-of-origin obligations.

(3) **China:** China continues to be the leading exporter of canned peaches to the United States by a large margin. As a result of the Board’s efforts, the US Government now recognizes that unfair Chinese canned fruit subsidies have accelerated Chinese canned fruit exports, causing losses for the California industry in the US, Canadian, and Mexican markets, and justifying continued import-sensitive designation for all US cling peach tariffs. Although the US Government recently settled its WTO dispute against China’s subsidy system, known as “demonstration bases” and “export bases,” that settlement is unlikely to provide the Board relief from subsidized Chinese canned peach exports. The Board will need to keep raising concerns

about China's industry in Washington to ensure continued US Government attention to the risks China poses to the California industry and a continued US commitment to confer import-sensitive treatment to US canned fruit tariffs.

(4) ***Argentina:*** In March 2016, President Obama traveled to Argentina to discuss trade and commerce with Argentina's new President, Mauricio Macri. During that trip, the two countries launched "Trade and Investment Framework Agreement" (TIFA) negotiations, which generally precede full FTA negotiations. President Macri has said that his new government is committed to increasing Argentina's agricultural production and exports by substantial amounts. His government is aggressively encouraging foreign investment in the processed food sector and appears to be providing subsidies to the canned fruit sector. As the US-Argentina trade agreement progresses, we will need to continue reminding the US Government of Argentina's competitiveness and export potential in the canned fruit sector.

(5) ***African Growth and Opportunity Act (AGOA)/Generalized System of Preferences (GSP):*** In June 2015, both AGOA and GSP were renewed. Because of strong Board advocacy over the years, neither AGOA nor GSP duty-free benefits have ever been extended to canned peaches, canned fruit mixtures, and frozen peaches. Nevertheless, both AGOA and GSP allow interested parties to petition for duty-free treatment. If a country such as South Africa were to petition for duty-free US access on canned peaches (which it has frequently inquired about on an informal basis), the Board would need to act quickly to oppose that request. Similar concerns pertain to the GSP program, which allows interested exporters from GSP-eligible countries to petition for duty-free access into the US market for canned peach products. The Board would want to act swiftly if there were efforts by GSP countries to gain duty-free access to the US market in the canned fruit sector.



CLING PEACH BOARD

FISCAL YEAR ENDING 5/31/16

May 17, 2016

	CARRYOVER	669,973	
	BUDGET	YTD	BALANCE
90-110 Current	884,500	933,898	(49,398)
90-120 Interest Income	2,750	5,973	(3,223)
90-132 Foreign Promotion Reimbursemer	500,000	166,675	333,325
90-140 Other Income	38,202	39,391	(1,189)
TOTAL INCOME	1,425,452	1,145,936	279,516
EXPENSES			
<u>ADMINISTRATION</u>			
90-305 Management Services	86,400	79,200	7,200
90-315 Audits	7,750	7,650	100
90-320 Office Supplies	2,500	2,192	308
90-330 Telephone	1,200	652	548
90-335 Postage	2,000	1,757	243
90-355 Travel & Mileage	13,000	5,496	7,504
90-360 Meetings	6,250	1,629	4,621
90-370 Insurance	1,600	1,028	572
90-390 Miscellaneous	500	250	250
90-710 Marketing Branch	28,000	21,568	6,432
	149,200	121,422	27,778
<u>PROMOTION</u>			
90-407 Domestic Promotion	280,000	279,867	133
90-490 Foreign Promotion	650,000	319,997	330,003
	930,000	599,864	330,136
<u>RESEARCH</u>			
90-503 Processor Audits	5,000	4,811	189
90-513 Production Research Reserve	100,000	-	100,000
90-550 Production Research	138,020	138,020	-
	243,020	142,831	100,189
<u>GOVERNMENT/TRADE RELATIONS</u>			
90-317 Consultants	190,500	171,053	19,447
90-355 Travel & Mileage	6,000	-	6,000
90-444 World Peach Conference	6,000	4,466	1,534
	202,500	175,520	26,980
TOTAL EXPENSES	1,524,720	1,039,637	485,083
NET INCOME	\$	106,299	
CASH BALANCE	\$	776,272	

California Cling Peach Board

2016-17 Preliminary Budget

		Prior Year Carryover	736,161
0-110	Assessments, Current		
		300,000 tons \$2.90	870,000
0-120	Interest Income		5,000
0-132	Foreign Promotion Reimb.		520,500
0-140	Other Income		41,000
0-165	Specialty Crop Block Grant		0
	<u>Income</u>		<u>1,436,500</u>
	TOTAL INCOME & CARRYOVER		2,172,661

ADMINISTRATION

1-305	Management Services	72,000
1-306	MMS Transition Costs	7,000
1-315	Audits	7,750
1-320	Office Supplies	5,000
1-330	Telephone	1,200
1-335	Postage	2,000
1-355	Travel & Mileage	10,000
1-360	Meetings	6,000
1-370	Insurance	1,600
1-390	Miscellaneous	500
1-710	Marketing Branch	28,000
	<u>Sub-Total</u>	<u>141,050</u>

PROMOTION

2-407	Domestic Promotion	310,000
2-490	Foreign Promotion	676,650
	<u>Sub-Total</u>	<u>986,650</u>

RESEARCH

3-503	Processor Audits	5,000
3-550	Production Research	137,940
	<u>Sub-Total</u>	<u>142,940</u>

GOVERNMENT/TRADE RELATIONS

8-317	Consultants	190,500
8-355	Travel & Mileage G/TR	6,000
8-444	World Peach Conference	0
	<u>Sub-Total</u>	<u>196,500</u>

Total Expenditures **1,467,140**

EXPENDITURES & RESERVES

3-513	Production Research Reserve	100,000
	Unallocated Reserve	605,521
	<u>Sub-Total Reserves</u>	<u>705,521</u>

EXPENDITURES and RESERVES **2,172,661**

NET INCOME	-30,640
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