



The Squandering Of Goodwill

It is now public knowledge that the California Avocado Commission and expenditures by many of its employees have come under scrutiny. The California Department of Food and Agriculture Audit Office has forwarded its audit to the California State Department of Justice. It is unknown whether they will decide to press charges.

In many ways, the manner in which the issue surfaced was regrettable. The Audit Office Report and various news reports seem to have conflated many different issues, including compensation for the CEO of the commission, benefit packages for employees, taxation issues and how outside contractors were paid. Media reports of the Commission CEO's \$400,000 salary, plus some employees being given \$10,000 for buying cars and allowed lavish expenses created the impression of, as *The New York Times* said, "...a kind of free-spending, avocado-gone-wild farm party."

The Report explains that then-CEO Mark Affleck charged on the company credit card expenses that were of a personal nature. He acknowledged this. However, instead of reimbursing the Commission with a check, the Report indicates Affleck said he had day laborers help out at his home office and he paid them in cash. He then offset this expenditure against the debt he owed the commission. As evidence that he did this, he submitted ATM withdrawal receipts showing that he withdrew cash from his personal account.

Now one does not have to be an expert in financial controls to see this system was problematic: First, what kind of day laborers are required for a home office? Second, who are these people the Commission paid? Third, if they were paid \$600 a year or more, the law requires a 1099 be sent. Apparently, none were sent. Fourth, what was to stop Mark Affleck from just withdrawing the money and putting it in his pocket? Fifth, why not the most basic of controls — at least make each laborer sign a receipt; at least require a diary of what each worker did?

Do we know that Mark was lying and pocketed this money? No, of course not. Perhaps the story is 100 percent true. If it is true, it shows a kind of callous disregard for basic business practices and a kind of contempt for the avocado growers who pay 3 percent of their hard-earned money to the Commission.

The particulars of this situation are titillating, and our gut is that Mark Affleck simply was cut too much slack by a board that was willing to let this long-established and widely acclaimed executive have his way. The only conceivable explanation for allowing practices that no business person would allow in his own operation is that the board of directors really didn't care if Mark Affleck took something extra for himself or felt the need to offer his executives

an extra incentive.

This situation, though, will cost the industry a great deal because it will cause a breakdown in trust in many boards and associations across the industry. It will do so because the situation is more complicated than just saying that one man was dishonest.

When you read the whole Report, despite everyone finding legally acceptable explanations for their actions, what you really take from it is a cultural divide between the broader avocado industry, which wanted a salary freeze and budget cuts after some bad crops, and a chief executive and some board members who were "sophisticated," and thus understood the need for "incentives."

This divide was expressed perfectly in a memo that was circulated about a "2007 Auto Benefit Plan" in which Mark Affleck

explained: "...the job market for senior executives is extremely tight... it's my job to closely monitor... for morale and job satisfaction... I found a significant, indeed urgent, need to boost morale and make sure CAC's Senior Staff Team does not leave the Commission this year with compensation frozen."

The memo went on to give one-time-only grants to key employees for \$10,000 to buy or lease a car and non-accountable monthly auto allowances of up to \$1,990 plus another non-accountable grant of \$750 a month for fuel.

Avocado growers have had to deal with fires, freezes, excessive heat, cutbacks on water use and competition from imports. If told that senior staff had so little sympathy for the growers

that they were unmotivated and wanted to leave due to a wage freeze, we are certain most of the growers would have let them go.

Some powerful board members who believed otherwise, instead of being willing to make their case in front of their fellow growers, were willing to acquiesce to a subterfuge. Basically those who thought themselves more knowledgeable and sophisticated announced salary freezes while turning a blind eye to what was actually happening.

There has often been a problem with a cultural gap between growers and the staff of commissions and associations. A good case can be made that the California Iceberg Lettuce Commission was eventually voted out of business because it elected to be located in Monterey, rather than in Salinas, and from that decision flowed a mass of cultural issues that were never satisfactorily resolved.

In the case of the California Avocado Commission, however, the gulf is not only staff vs. growers but growers against one another. That divide makes cooperative efforts such as the California Avocado Commission difficult to initiate and sustain. Less cooperation will ensue and that will enormously complicate the future of industry efforts to help growers.

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