

# HASS AVOCADO BOARD BOARD MEETING MINUTES August 17, 2005

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A meeting of the Hass Avocado Board (HAB) was held on Wednesday, August 17, 2005 at the California Avocado Commission (CAC) office in Irvine, California, with the following people present:

## **MEMBERS PRESENT**

Charley Wolk, Chairman  
Len Francis, Vice Chair  
Alva Snider, Secretary  
Mark Borchard  
Ralph DeLeon (Alt. Barnes)  
Ed Figueroa  
Jim Finch  
Scott McIntyre, ex-officio

## **MEMBERS ABSENT**

George Barnes  
Robert Bednar, Treasurer  
Eric Crawford  
James DeMalo

## **CAC STAFF PRESENT**

Mark Affleck  
Tom Bellamore  
Betty Bohr  
David Cruz  
Jan DeLyser  
Kellie Dubois  
Angela Fraser  
Laurie Hill  
Dave Howald  
Aria Lukman  
Connie Stukenberg  
Val Weaver  
Guy Witney

## **ALTERNATES PRESENT**

Giovanni Cavaletto  
Bob Flack  
Paul Foley  
Tom Markle  
Don Reeder  
Luke Sears  
Donna Singmaster  
Carol Steed

## **ALTERNATES ABSENT**

Michael Browne  
Robert Perry

## **OFFICIALLY PRESENT**

Margaret Irby, USDA/AMS  
Jennifer Baker-Asiddao,  
GolinHarris  
Erin Barrier, GolinHarris  
Marlene Betts, USDA/AMS  
Fred Cook, GolinHarris  
Judy Johnson, GolinHarris  
Ron Lopez, Conrad & Assoc.  
Ellen Ryan Mardiks, GolinHarris  
Dana Monkrief, GolinHarris  
Jose Luis Obregon, HAB

## **GUESTS PRESENT**

Jack Abbott  
Grant Balayan  
Joe Charest  
Avi Crane  
Barbara Davies  
Kathleen DeFreitas  
Diane Dreyer  
Xavier Equihua  
Juanita Gaglio  
George Getz  
J. Jesus Lopez Herrera  
Susan Hobbs  
Kathleen Johnson  
Ohannes Karaoghianian  
Tedd Martin  
Jim McCormac  
Peggy McCormick  
Steve Muro  
Laura Paden  
Ken Roth  
Antonio Villasenor  
Antonio Villasenor, Sr.  
Carrie Williams

## **CALL TO ORDER**

Chairman Charley Wolk called the meeting to order at 10:00 a.m. and a quorum was established.

Introductions/Announcements

Chairman Wolk acknowledged Margaret Irby and Marlene Betts with USDA.

Jan DeLyser introduced Kellie Dubois, CAC's new Marketing Director, who came on board after a search was conducted to identify a person to lead the marketing team. Ms. DeLyser stated that Ms. Dubois was hired with the intent of capitalizing on her excellent knowledge and skills from her previous global and domestic marketing experience.

HAB Administrator, Tom Bellamore, introduced HAB's new Network Marketing Center (NMC) Director, Jose Luis Obregon. Mr. Bellamore reported that after an extensive search, Obregon rose as the top pick bringing to HAB knowledge and experience in avocados, produce and international sales. It was reported that in the short time that Mr. Obregon has been on board, he has already laid out a 90-day plan for the AvoHQ.com site and has been quick to begin forging relationships with the foreign players.

CAC's President & CEO, Mark Affleck, announced that he had launched a search for the top International Public Relations firm around the globe. There were 10 finalists, and eventually these were narrowed down to 3. The 3 contenders were invited to make presentations to staff and the HAB & CAC Chairmen. Mr. Affleck reported that it was clear that GolinHarris had the best resources and experience needed to handle the business. Mr. Affleck introduced Fred Cook, President and CEO of GolinHarris. Mr. Cook stated that he and his team are excited to be working with both CAC and HAB and look forward to contributing to and accomplishing the goals of the board.

The staff was complimented for its vision and for positioning HAB for the challenges ahead.

Minutes-Review/Approval

No corrections or amendments were made to the June 15, 2005 Minutes. Chairman Wolk declared the Minutes approved as submitted.

**ADMINISTRATION**

Administrator Val Weaver reported that HAB has five existing agreements that are revisited each year before a recommendation is made to extend the agreements for another year. All were reviewed and the services provided to HAB were found to be beneficial and satisfactory. It was recommended that the Board approve extending the agreements for 2005-06 as follows: Office of General Counsel, Memo of Understanding; Outside Counsel Letter of Engagement (McLeod, Watkinson & Miller); Auditing Services Letter of Engagement (Conrad & Associates); the HAB-CAC Administrative Services Agreement; and the HAB-CAC Program Services Agreement. It was noted that there are no changes to the fees and services.

**MOTION**      ***The Hass Avocado Board (HAB) approves the following agreements for 2005-06:***

- 1. An extension of the Memorandum of Understanding (MOU) between the HAB and the Office of General Counsel (OGC), USDA, permitting the HAB to hire outside counsel**
- 2. The Letter of Engagement for legal representation by McLeod, Watkinson & Miller for outside legal services**
- 3. Extension of the Auditing Services Letter of Agreement between HAB and Conrad & Associates for the fiscal year ending October 31, 2006**
- 4. The Administrative Services Agreement between HAB and the California Avocado Commission for the 2005-06 fiscal year**
- 5. The Program Services Agreement between HAB and the California Avocado Commission for the 2005-06 fiscal year**

**(Francis/Snider) MSC**

### **FINANCE**

Chairman Wolk announced that the preliminary assessment rate and budgets will be discussed later in the meeting.

Ms. Weaver reported that the Finance Committee reviewed the proposed 2005-06 Administrative budget in the amount of \$987,768. Weaver mentioned that CAC fees would stay the same and that the bottom line increase of \$65,500 was mainly due to adding a full year of salary and benefits for the Managing Director position.

**MOTION     *The Hass Avocado Board (HAB) tentatively approves the HAB 2005-06 Administrative Budget in the amount of \$987,768.***  
***(Finch/Flack) MSC Unanimous***

*The complete HAB Administration & Financial Report is attached to the permanent copy of these Minutes and identified as Exhibit A, 1-3.*

### **November '04-June '05 (Eight Months)**

Hass volume is higher at 553.5 million pounds, up 104.7 million pounds over the estimation of 448.8 million pounds. HAB revenues are higher at \$13.8 million, up \$2.6 million over the estimation of \$11.2 million. HAB net revenues are higher at \$3.0 million, up \$1.1 MM over the estimation of \$1.9 million.

### **November 04-October 05 (Current Fiscal Year)**

Hass volume, Revenues, Net Revenues and Reserves are continuing to climb higher for the year due to additional volume from Chile (43 MM lbs.) and Mexico (60 MM lbs.).

Hass volume is 828.9 million pounds, up 122.4 million over the annual estimate of 706.5 million pounds. HAB Revenues are at \$20.7 million, up \$3.0 million over the annual estimate of \$17.7 million. HAB Net Revenues are \$4.1 million, up \$1.3 million over the annual estimate of \$2.8 million. HAB Reserves are \$1.2 million, up \$500,000 over the annual estimate of \$700,000 dollars.

*The HAB 2004/05 financial Overview is attached to the permanent copy of these Minutes and identified as Exhibit B.*

Investment Summary

As of July 31, 2005, HAB has 7-Certificates of Deposits, 1-Treasury Note, and 1-Treasury Bill for a market value of 1.6 million and yielding between 2.529% and 3.800%.

*The HAB Schedule of Investments is attached to the permanent copy of these Minutes and identified as Exhibit C.*

Customs Report

Ms. Weaver reported that the customs reports and assessment funds continue to be sent timely and no later than one week after the beginning of each month.

**CHAIRMAN'S REPORT**

Chairman Wolk announced that he would like to add another member to the Finance Committee. Mr. Wolk recommended Len Francis, who had previously been on the Finance Committee.

**MOTION**     ***The Hass Avocado Board (HAB) approves the appointment of Len Francis to the HAB Finance Committee. (Finch/Sears) MSC Unanimous***

Election Update

Mr. Bellamore reported that a Board Memo was sent out regarding the election results identifying the potential candidates to fill a total of six producer seats and four importer seats on the Board. He noted that the votes were tallied by Conrad & Associates, and that the names of those candidates receiving the highest votes had been sent to USDA on July 15. Appointments will be made by the U.S. Secretary of Agriculture and are currently pending. It is anticipated that HAB would receive the results by mid-October.

Video Conferencing Update

Mr. Obregon reported that he has been in contact with the Importer Associations concerning the implementation of videoconferencing capabilities. Currently, industry leaders in New Zealand and Mexico are reviewing the lease agreement. Mr. Obregon stated that he will be going to Chile next week to meet with Chilean Avocado Importers' Association (CAIA) representatives, so progress is being made with all importing organizations.

Substantial Activity Definition

Bellamore stated that "substantial activity" issue remains unresolved. The Hass Promotion Order presently requires that the volume of imported fruit handled by an importer exceed the quantity of domestically handled fruit in order for the importer to be eligible to serve on the Board. USDA issued a Proposed Rule in March 2003 seeking comments on whether the substantial activity definition should be terminated, but the Department will not finalize the Rule because the Office of General Counsel will not allow it. USDA recognizes that the current definition is unworkable and has proposed initiating

formal rulemaking to address the issue. Chairman Wolk will be traveling to Washington, D.C. in the near future to meet with the new Agricultural Marketing Service Administrator, Lloyd Day, to discuss this issue. The 2005 election process did not yield enough importer names to fill the available seats on the Board.

#### Administration Expenses

Ms. Irby reported that a request had been received from an import association to use assessment funds for administrative costs. She stated that they can only be used for marketing avocados and cannot be used for administrative expenses.

### **ISSUES**

#### Litigation Update

Bellamore reported that Judge Kessler called a status conference on June 22 to discuss disposition of the case against the Hass Avocado Promotion Act and Order in the wake of the U.S. Supreme Court ruling in the Beef case. Government attorneys requested that the Avocado Plus case be dismissed, but the Judge was unwilling to do so prior to another round of briefing. This process is scheduled to be complete by October 1 and a ruling is expected soon after.

### **2005-06 PRELIMINARY BUSINESS PLAN/BUDGET**

#### Business Plan

Mr. Affleck discussed the development of the electronic "at-a-glance" strategic system planning tool that can be used by the importer associations, CAC, and their agencies to strategically align the marketing programs of the various organizations promoting Hass avocados in the U.S. The system divides markets into three categories, providing essential information needed to make marketing decisions. It also integrates the media buying plans and schedules of all the associations

Mr. Affleck ran through the key pillars of the strategic platform: unification, strategy, branding, technology, and cohesion; and pointed out that \$3.7 million will be spent to implement the two-plank strategic program. Several examples of upcoming activities were highlighted.

At the Produce Marketing Association convention, each brand will have their own booth, acknowledging their own marketing efforts, but HAB will have a booth that acknowledges each supplying country and the only unity that has been achieved. Graphic representations of the HAB booth were shown to the boards.

Mr. Affleck said that at least one industry member had recently commented that the avoHQ.com intranet site was underutilized. He presented to the board the APEAM business plan which contained reference charts derived directly from avoHQ.com. Mr. Affleck stated that Mexico relied on data from avoHQ to develop their plan.

*The complete 2005-06 Domestic Marketing Plan is attached to the permanent copy of these Minutes and identified as Exhibit D, 1-47.*

Assessment Rate

Paul Foley reported on behalf of Treasurer and Finance Committee Chair Bob Bednar that the Finance Committee had met and reviewed the budget at the 2.9% assessment rate and came to the conclusion that the 2005-06 assessment rate should be determined by the board without a recommendation from the Finance Committee.

Mr. Affleck noted that there was a sense of caution in the discussion of the rate increase, and Mr. Wolk encouraged the board to have this discussion so they can see the full marketing potential with a 2.9% assessment rate. He reminded the board that they could only set the rate once per year. Board discussion ensued regarding the ad dollars being increased versus maximizing the effectiveness of what the HAB is currently doing. The board discussed keeping the assessment rate at 2.5 cents per pound.

CAIA representative, Xavier Equihua, stated that CAIA is in agreement to maintain the 2.5 cents per pound rate and that CAIA is working to complement the HAB plan. MHAIA Chairman, Ed Figueroa, reported that MHAIA is also in support of the 2.5 cents rate and encouraged the HAB to use the marketing dollars more efficiently. It was reported that there may be more dollars available due to additional volume and rebate funds not being fully returned to the associations.

*The complete Hass Avocado Board 2004-05 Proposed Budget is attached to the permanent copy of these Minutes and identified as Exhibit E, 1-8.*

*The complete HAB Marketing Program Report to Board of Directors and the HAB Marketing Plan – Gross Impressions are attached to the permanent copy of these Minutes and identified as Exhibit F, 1-17 & G, 1-3.*

*The complete Industry Financial Analysis is attached to the permanent copy of these Minutes and identified as Exhibit H, 1-7.*

**ADJOURN FOR LUNCH**

Chairman Wolk adjourned the Board for lunch at 11:55 p.m. and the Board reconvened at 12:40 p.m.

**MOTION**     ***The Hass Avocado Board (HAB) tentatively approves Marketing Plan, Budget, and 2.5 cent assessment rate for the 2005-06 Fiscal Year. (DeLeon/Flack) MSC Unanimous***

**MOTION**     ***The Hass Avocado Board (HAB) approves the Fiscal Year 2005-06 Marketing Plan presented at the 8/17/05 meeting, provided that staff reduces the program activity and budget by approximately \$623,000. Staff shall have discretion with respect to activities and budget line items to be reduced. (Francis/Figueroa) MSC Unanimous***

**MOTION**     ***The Hass Avocado Board (HAB) approves the 2005-06 Budget in the amount of \$25,765,748. (Finch/Reeder) MSC Unanimous***

**MOTION**     ***The Hass Avocado Board (HAB) approves the HAB 2005-06 Assessment Rate of 2.5 cents per pound for the fiscal year November 1, 2005 through October 31, 2006. (Francis/DeLeon) MSC Unanimous***

Introduction to GolinHarris

Affleck reminded the board that with growth in the market increasing, there was a need to find a new PR firm with the capabilities to handle the new challenges of the future: expertise in regional areas and demography, as well as global marketing. In the selection and elimination process it was evident that GolinHarris would be the perfect fit for HAB and CAC's needs.

Affleck introduced GolinHarris' President and CEO Fred Cook. Cook stated that the role of GolinHarris is to help provide a value return for the growers. He noted that the goal of GolinHarris as a Public Relations company is not to be the biggest firm, but to offer the best pool of resources specializing in every niche. Their vision is always to be the "Gold Standard" in Public Relations.

Mr. Cook introduced Judy Johnson, Managing Director/Western Region and Ellen Ryan Mardiks, Marketing and Brand Strategy. Johnson & Mardiks went on to highlight a few facts about the company. GolinHarris offers 11 U.S. offices and 30 offices worldwide. Some of their specialty niche's include: Ag Issues Management; Broadcast Services; Consumer Culinary Versatility; Community Relations; Crisis Communications/Issues Monitoring and Management; Culinary Trade Outreach; Hispanic Outreach; Labor and Trade Relations/Government Lobbying; Media Strategy, Media Relations & Media Events; Public Relations and Marketing Research; Strategic Planning & Youth Marketing to name a few. It was noted that the combined staff resources available on the GolinHarris team equals 359 years of combined public relations experience.

Johnson introduced Tony Lima from the GolinHarris Hispanic Outreach program. Lima spoke about building trust or "*confianza*" within the Hispanic community, developing culturally acute messages and generational demographics. He reported that the Hispanic outreach for Levi Strauss had attained 7.5 million consumer impressions in 3 months targeted to the Hispanic community.

CAC's Vice President of Marketing, Jan DeLyser, mentioned that in the beginning stages of meetings with GolinHarris, they had so many questions for staff – digging and probing for information, wanting to collaborate, eagerly seeking to understand - so that they could add value to our business that it was almost draining during the initial interview. She said it is that persistence and boldness that makes you feel that, as a client, they are truly planning on being beside us in forging footsteps.

Announcement

Mr. Wolk announced to the board that Importer Alternate, Dan McGrath, has submitted his resignation from the board. He reported that a change of jobs had caused him to be ineligible to serve.

**ADJOURNMENT**

Chairman Wolk adjourned the HAB meeting at 1:50 p.m. The next meeting will be held on November 16, 2005.

Respectfully submitted,

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Laurie Hill, CAC Administration

I certify that the above is a true and accurate statement of the August 17, 2005 Minutes approved by the HAB Board of Directors on November 16, 2005.

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Alva Snider, HAB Board Secretary