

HASS AVOCADO BOARD  
BOARD MEETING MINUTES

January 19, 2005

A meeting of the Hass Avocado Board (HAB) was held on Wednesday, January 19, 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  
Robert Bednar, Treasurer  
George Barnes  
Mark Borchard  
Mike Browne (alt.)  
Eric Crawford  
Don Reeder  
Scott McIntyre, ex-officio

**MEMBERS ABSENT**

James De Malo  
Ed Figueroa  
Jim Finch

**CAC STAFF PRESENT**

Mark Affleck  
David Anderson  
Tom Bellamore  
Betty Bohr  
Sheila Carden  
David Cruz  
Jan DeLyser  
Angela Fraser  
Laurie Hill  
Dave Howald  
CeCe Krumrine  
Aria Lukman  
Judy Mitchell  
Bernadine Shea  
Michelle Spelman  
Connie Stukenberg  
Val Weaver  
Guy Witney

**ALTERNATES PRESENT**

Giovanni Cavaletto  
Ralph DeLeon  
Bob Flack  
Paul Foley  
Tom Markle  
Dan McGrath

**ALTERNATES ABSENT**

Robert Perry  
Luke Sears  
Donna Singmaster

**OFFICIALLY PRESENT**

Kari Bretschger,  
Integrated MarketingWorks  
Morgan Brown,  
Interactivate  
Mike Harrison,  
Conrad & Associates  
Ron Lopez,  
Conrad & Associates  
Debbie Simmons,  
USDA/AMS (teleconference)  
Peggy McCormick, MMM  
Kendra Peavy,  
Integrated MarketingWorks  
Dana Thomas  
Liz Wilkins,  
Integrated MarketingWorks

**GUESTS PRESENT**

Jack Abbott  
Russ Best  
Irene Cabanas  
Ron Campbell  
Joe Charest  
Jose M. Carmona  
Kathryn Courtney  
Avi Crane  
Kathleen DeFreitas  
Diane Dreyer  
Laura Eggering  
Xavier Equihua  
Susan Hobbs  
Benjamin Grayeb  
J. Jesus Lopez Herrera  
Michael Lanni  
Jaime Leon  
Steven Muro  
Robin Osterhues  
Tom Pecht  
Gwen Peterson  
Bryn Punt  
Carol Steed  
Antonio Villaseñor  
Antonio Villaseñor Zurita

**CALL TO ORDER**

Mr. Charley Wolk called the meeting to order at 10:05 a.m. and a quorum was established.

Introductions/Announcements

Mr. Wolk introduced Ms. Debbie Simmons of the USDA, attending the meeting via teleconference. He also introduced Mr. Xavier Equihua from the Chilean Avocado Importers Association, Señor Jesus Lopez and Mr. Ron Campbell, representing the Mexican Hass Avocado Importers Association (MHAIA). Mr. Wolk welcomed all present to the first HAB meeting of 2005.

**MINUTES APPROVAL**

No corrections or amendments were made to the October 20, 2004 Minutes.

**MOTION:**     ***The Hass Avocado Board (HAB) approves the October 20, 2004 HAB Meeting Minutes as presented. (Francis/Snider) MSC Unanimous***

**ADMINISTRATION**

Selection of Producer Alternate member Nominees

Mr. Wolk announced that an Alternate seat is available now that Alternate Don Reeder filled the Board seat vacated by the newly elected California Avocado Commission (CAC) Chairman Scott McIntyre.

Administrator Mr. Tom Bellamore announced that Mr. Don Reeder will now serve as a Board member until 2007 and proceeded to underline the steps to fill the vacated Alternate Board member seat. Ms. Simmons of the USDA agreed to the process outlined.

Nineteen people expressed interest in filling the open Alternate seat. Of those nineteen, three spoke to the Board: Carol Steed, Michael Lanni, and Laura Eggering. Robert Smith was not present but Mr. Bellamore read his bio. Board members spoke on behalf of other individuals not present including Robert Gayle, Ken Roth, John Lindstrom, Allan Bartleson, Mark Golden and Bradley Miles.

The Board nominated Michael Lanni, Carol Steed, John Lindstrom and Laura Eggering as nominees for the position. The Board then selected two of these individuals to be submitted to the USDA for approval. Carol Steed, with seven votes, and Michael Lanni, with six votes, were the chosen nominees. USDA Secretary Mr. Mike Johanns will select one individual to fill the vacant Producer Alternate Member position.

Mr. Wolk encouraged those volunteering to serve to be active participants of the HAB program.

*The Board Alternate Producer Nominee Candidates Memorandum is attached to the permanent copy of these Minutes and identified as Exhibit A.*

Committee Appointments

Mr. Wolk announced that Mr. Len Francis replaced Mr. Scott McIntyre as Chairman of the Strategy Committee. Other appointees included Messrs. Mark Borchard, Luke Sears, Bob Perry, Giovanni Cavaletto, Jim Finch, Dan McGrath, Don Reeder and Ms. Donna Singmaster.

**MOTION:** The Hass Avocado Board of Directors approves the Strategy Committee appointments as presented: Mark Borchard, Luke Sears, Bob Perry, Giovanni Cavaletto, Jim Finch, Dan McGrath, Don Reeder and Donna Singmaster.  
(Bednar/Barnes) MSC Unanimous

Mr. Wolk announced that he will replace Mr. Francis and Mr. Reeder's positions on the Finance Committee at a later date.

**Board Officer Functions & Responsibilities**

Mr. Wolk raised the need for Board Officer Functions & Responsibilities to be approved by the Board of Directors.

**MOTION:** The Hass Avocado Board of Directors approves the Board Officer Functions & Responsibilities as presented.  
(Francis/Reeder) MSC Unanimous

*The complete HAB Officer of the Board Responsibilities and Functions is attached to the permanent copy of these Minutes and identified as Exhibit B.*

**FINANCE**

**2004 Financial Statement/Audit Report**

Administrator Val Weaver announced to the Board that the end of year audit has been completed. Ms. Weaver welcomed Mike Harrison and Ron Lopez of Conrad & Associates. Mr. Harrison reviewed the Basic Financial Statements with the Board. The HAB's net assets for 2004 were \$2.57 million, an increase of \$462,357. Mr. Harrison announced that he communicated the audit report to the Finance Committee, at which time they were able to ask questions about the audit and financial statements. Mr. Harrison announced there were no weaknesses or compliance issues found during the HAB audit.

**MOTION:** The Hass Avocado Board of Directors accepts the audited financial statements for year-end October 31, 2004 as presented.  
(Bednar/Borchard) MSC Unanimous

The Conrad & Associates representatives were excused from the meeting.

Ms. Weaver took the opportunity to thank staff for their hard work and recognized Ms. Judy Mitchell, Bernadine Shea and Aria Lukman.

*The complete HAB Basic Financial Statements is attached to the permanent copy of these Minutes and identified as Exhibit C.*

2004 Final Financial Statement

Final Hass avocado volume for the year is 707.3 million pounds, up 54.3 million pounds over the original projection of 653.0 million pounds. Total Revenue is \$17.7 million, an increase of \$1.4 million over the original estimate of \$16.3 million. Net revenue, after rebates, is \$3.5 million, up \$1.0 million over the original estimate of \$2.5 million.

November to December 2004

Hass Volume is higher at 114.2 million pounds, up 1.9 million pounds over the estimation of 112.3 million pounds. HAB revenues are higher at \$2.9 million, \$100,000 over the estimation of \$2.8 million. HAB net revenues are higher at \$800,000, up \$300,000 over the estimation of \$500,000. HAB reserves are higher at \$1.1 million, up \$500,000 over the estimated amount of \$600,000.

Schedule of Investments

As of November 30, 2004, HAB has three Certificates of Deposits, three Treasury Notes and one Treasury Bill, totaling a market value of \$2.8 million and yielding between 1.53% to 2.5%. As of December 31, 2004, HAB has three Certificates of Deposits and three Treasury Notes totaling a market value of \$1.3 million and yielding between 1.53% to 2.5%.

*The Financial Report Highlights Page is attached to the permanent copy of these Minutes and identified as Exhibit D.*

*The Final 2003/04 Projected Volume and Financial Overview is attached to the permanent copy of these Minutes and identified as Exhibit E.*

Customs Report

Ms. Weaver reported that the HAB is receiving on time the two monthly Customs reports. Consequently, rebates are being paid by mid-month.

Advertising Insurance Update

Ms. Weaver announced that Brown & Brown is researching advertising insurance for the HAB to purchase. This advertising insurance will cover the HAB if a lawsuit is filed against the Board's promotional messaging.

USDA Billing/Review Update

Mr. Bednar and Ms. Weaver met with the USDA to review billing for AMS oversight of the HAB. Ms. Weaver stated that they were treated well and received all of the information they requested. Mr. Bednar reported that the overhead to start up a new Board of this nature is high. Now that the Board is up and running, overhead costs should be lower. It was reported that the USDA overhead charge has dropped from 13% in 2004 to 7% in 2005. Mr. Bednar felt that the trip to Washington, DC was a good experience and should be undertaken again. Legally USDA does not need to show the HAB billing information, but Ms. Simmons of USDA said they welcome audits anytime.

*The Summary of USDA/AMS Administration & Supervisory Cost Review is attached to the permanent copy of these Minutes and identified as Exhibit F.*

## **CHAIRMAN'S REPORT**

### **Nomination Procedure**

Mr. Wolk turned the meeting over to Mr. Bellamore to explain the draft nomination procedures and announce member and alternate terms expiring at the end of 2005. Mr. Bellamore said that these seats will be available at the end of this season: Messrs. Bednar, Barnes, Finch, Crawford and alternates Perry, De Leon, McGrath and Ms. Singmaster.

The Hass Avocado Order specifies that the Board must solicit nominations based upon an approved procedure. The draft procedures have been modeled on those provisions of the Order used to seat the initial board.

Mr. Bellamore outlined the nomination process: staff will solicit names; names will be placed on ballots; staff will send out ballots; and ballots will be returned to an independent accounting firm. Mr. Bellamore stated that the bylaws require that the names of nominees be submitted to the Secretary of Agriculture by July 1, 2005. However, if started by April 15<sup>th</sup>, the process will be difficult to complete by this date. Board staff suggested beginning the process earlier or modifying bylaws to give the HAB until July 31 to submit nominee names to USDA. Staff recommended modification of the bylaws.

Board discussion ensued regarding the nomination process and the definition of substantial activity for importers to be eligible. Ms. Simmons said the HAB's request for this definition is still in the Office of General Counsel being reviewed. She promised to check into the status for the HAB. Mr. Wolk asked Ms. Simmons if USDA will have this completed in time for the HAB election. Ms. Simmons confirmed she is checking into the timing. Additional discussion involved the need for nominees to be "certified" by the Board. Mr. Bellamore suggested that the word be changed from "certified" to "submitted" in the HAB bylaws.

**MOTION:     The Hass Avocado Board of Directors approves the Hass Avocado Board Nomination Procedures with the understanding that the submission date of nominee names to the USDA will be changed to July 31 and the word "certified" will be replaced with the word "submitted" in the HAB Bylaws. (Exhibits G and H) (Bednar/Snider)**

Mr. Mike Browne suggested that the Board wait until after lunch before approving the procedures to hear Ms. Simmons update on the status of the "definition of substantial activity."

*The Excerpt from the HAB Bylaws is attached to the permanent copy of these Minutes and identified as Exhibit G.*

*The HAB Nomination Procedures is attached to the permanent copy of these Minutes and identified as Exhibit H.*

Summit Meeting Update

Mr. Affleck stated that the biggest issue surrounding the Summit Meeting is choosing a location. Mr. Affleck stated that “mini” summits would most likely take place. He stated that the summit idea is alive and meetings will take place in 2005 to ensure on-going dialogue. Interest remains strong for bilateral meetings but only lukewarm for multilateral meetings. Mr. Affleck confirmed that it is crucial that open communication is a part of these meetings.

2003/04 Contract Review

Mr. Wolk suggested that the Board review its contract agreements annually, particularly those between HAB and CAC, to make sure that the level of service is adequate for the activities being conducted, especially administration. Huge progress has been made over the last year. The Board acknowledged that what HAB accomplished in a very short period of time was monumental and took an extra effort beyond the call of duty by staff to achieve. If the activity level remains high, it may become necessary for CAC to add a staff person. Discussion by the Board ensued. Mr. Affleck stated he was glad this issue was raised and that the bigger issue is one of strategic design and implementation.

The Board decided that the Finance Committee should review the HAB-CAC contracts. Mr. Affleck, Mr. Bellamore and CAC Chairman Scott McIntyre will participate in the review. A report will be developed for the March HAB meeting.

**ADJOURN FOR LUNCH**

Chairman Wolk adjourned the Board for lunch at 11:50 a.m. and the Board reconvened at 12:35 p.m.

**STRATEGY**

Strategy Committee Chairman Francis provided an overview of the meeting to the HAB directors. He stressed the importance of having a strategy in place to increase communication amongst all players, and discussed the significant amount of information available online at avoHQ.com and the importance of being aware of fruit flow to maintain a stable marketplace.

Network Marketing Center

Mr. Affleck states that the current market weakness is a good example of why people must get involved in an effort to bridge the gap between reality and wishful thinking. He announced that an example of the necessary interaction took place on January 18, 2005 with the MHAIA. Mr. Affleck stated that this meeting was the best foreign strategy meeting he has experienced because both parties were working together to establish the best plan of action to maintain a healthy marketplace. Another meeting with MHAIA is scheduled for next month in Mexico, to which the Board agreed.

Mr. Affleck stated that avoHQ.com is fully operational. Now the goal is to register as many users as possible to increase usage and receive feedback to improve the site.

### Rapid Report

Mr. Affleck announced a new program called Rapid Report that will be used to give a brief overview of the HAB programs underway.

Vice President of Marketing Jan DeLyser began the presentation by introducing three new members of the merchandising team to the Board: Mr. John Anderson, Ms. CeCe Krumrine and Ms. Sheila Carden. Together with the other team members Mr. Dave Howald and Ms. Connie Stukenberg, their experience adds up to over 153 years.

### InfoTech

Mr. Morgan Brown of Interactivate announced there have been 588 users to date on avoHQ.com and that there is an increase in usage across all sectors. Individuals can see archived information as well as the most recent programs and results. Mr. Brown also announced that the Network Marketing Center is now open five days a week.

### Consumer Communications

Ms. Liz Wilkins of Integrated MarketingWorks announced that new promotional materials were created for the HAB's consumer communication efforts. She stated that several new programs have been completed or are underway, including a New Year's effort, Super Bowl media sponsorship in Jacksonville, and a new celebrity-chef online program called *Avocados Around the Globe*. All three efforts are being conducted in concert with other HAB programs to leverage promotional opportunities.

### Online Marketing

Mr. Brown stated that mini-sites developed for consumer communication efforts on avocadocentral.com have helped cross-promote successfully. The New Year's mini-site garnered 1.9 million hits and reached nearly 6,000 media outlets. The Super Bowl mini-site and an allrecipes.com partnership have launched. Mr. Brown also stated that the general site continues to be updated.

### Merchandising

Ms. DeLyser gave a brief update on the merchandising activities. Point-of-sale materials have been very successful. Over 7,500 point-of-sale items for New Year's and Super Bowl efforts have been ordered.

### Foodservice

Ms. Peggy McCormick of MMM Marketing announced that new avocado menu items have been added to the Panera Bread menu. She stated that several new items are also being tested in May. The HAB is finalizing a spring promotion with Aramark and JBX, the new Jack in the Box, to increase their use of fresh Hass avocados. Ms. McCormick also announced that an e-newsletter is being distributed to highlight "fresh" avocado usage.

### Team Hass Unity

Ms. Kari Bretschger of Integrated MarketingWorks stated that the third Team Hass advertisement is in execution. The advertisement's headline reads: "Red States? Blue States? To us, they're all GREEN STATES." She announced that postcards were sent

out to producers regarding the launch of avoHQ.com. Ms. Bretschger reviewed a new email called *AvoAction* that gives a monthly update on the HAB programs in progress and stated that the 2003/04 Annual Report is set to mail in February.

*The HAB Marketing Report PowerPoint Presentation is attached to the permanent copy of these Minutes and identified as Exhibit I.*

*The HAB marketing Program Report to Board of Directors Final 2003/04 is attached to the permanent copy of these Minutes and identified as Exhibit J.*

Discussion ensued by the Board regarding the success of avoHQ.com and merchandising efforts. A flow chart showing all programs is in place and has been posted on avoHQ.com.

*Videoconferencing/Teleconferencing*

Mr. Wolk reviewed that cooperation among the producers was key to HAB's continued success. It is important that all the producers be able to fully participate in the teleconferencing capabilities of the Network Marketing Center (NMC). The HAB may need to help support this effort by contributing financially to the program in order to get all producers involved. All players have expressed a willingness to participate.

*Return to Nomination Procedure Discussion*

Ms. Simmons stated that an AMS decision on the definition of "substantial activity" could not be provided today. The Board decided that the nomination process must be approved in order to move forward. Staff commented that they would do everything to get proper language into the Nomination Procedures if a decision is reached before the procedures are finalized.

**MOTION: The Hass Avocado Board of Directors approves the Hass Avocado Board Nomination Procedures as presented with the understanding that verbiage will be changed, if necessary, to reflect the latest USDA regulations. (Browne/Reeder) MSC Unanimous**

*Litigation Update*

Mr. Bellamore stated that all proceedings have been stayed until a decision on the Beef Case (argued December 8, 2004) can be made. Hearing transcripts are available but Mr. Bellamore offered a shortened version of the hearings. Both the USDA attorney and the Nebraska attorney did very well. Mr. Bellamore stated that the ruling will probably be announced in March 2005.

On January 14, 2005 the USDA issued a final rule allowing certain organic growers to be exempt from paying federal assessments. To receive this exemption, the ruling states growers must only produce organic commodities certified under an approved program. If a producer meets these requirements, they may submit a request for exemption from the HAB. The process laid out by the Order entails making a request for exemption. Then a

certificate will be issued by the HAB and the grower can give the certificate to the handler to receive the exemption.

Mr. Bellamore stated that importers bringing in 100% organic avocados and associated with a foreign organic marketing organization may file for exemption also. The HAB will then issue a nine-digit exemption code numbers for use with the U.S. Customs Service. This ruling will be effective as of February 14, 2005 and exemption will be effective immediately.

*The USDA's Organic Producers and Marketers Exempted from Commodity Promotion Assessment is attached to the permanent copy of these Minutes and identified as Exhibit K.*

#### Quality Task Force

Mr. Dana Thomas gave a brief background on the Quality Task Force. The group reviewed several options to establish grades and standards for Hass avocados. The Quality Task Force believes the best plan of action is to implement a *voluntary* standard. This approach would mean that each organization would agree to live by these grades and standards. The USDA would then inspect Hass avocados against these grades and standards when requested.

Counsel in Washington D.C. has stated that the development of standards is not within HAB's jurisdiction. Thus the Task Force must go to the producing country associations and ask each of them to appoint a representative and financial backing to form an ad-hoc, non-HAB committee.

Mr. Thomas stated that everyone has agreed with this approach and will be moving forward with the contact process.

#### **NEW BUSINESS**

Ms. Weaver announced that a letter is available to HAB members to entitle them to government discounts while traveling on HAB business.

#### **ADJOURNMENT**

The Board was adjourned at 2:10 p.m.

Respectfully submitted,

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Kendra Peavy

I certify that the above is a true and accurate statement of the January 19, 2005 Minutes approved by the HAB Board of Directors on March 16, 2005.

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Alva Snider, HAB Board Secretary