

HASS AVOCADO BOARD BOARD MEETING MINUTES June 16, 2004

A meeting of the Hass Avocado Board (HAB) was held on Wednesday, June 16, 2004 at the California Avocado Commission (CAC) office in Irvine, California, with the following people present:

MEMBERS PRESENT

Charley Wolk, Chairman
Scott McIntyre, Vice Chair
Alva Snider, Secretary
George Barnes
Eric Crawford
Ed Figueroa
Jim Finch
Len Francis

MEMBERS ABSENT

Robert Bednar, Treasurer
Mark Borchard
James DeMalo

CAC STAFF PRESENT

Mark Affleck
Tom Bellamore
Betty Bohrk
David Cruz
Jan DeLyser
Angela Fraser
Laurie Hill
Michelle Spelman
Val Weaver
Guy Witney

ALTERNATES PRESENT

Michael Browne
Giovanni Cavaletto
Ralph DeLeon
Bob Flack
Paul Foley
Dan McGrath
Robert Perry
Don Reeder
Luke Sears

ALTERNATES ABSENT

Tom Markle
Donna Singmaster

OFFICIALLY PRESENT

Jack Abbott, Inter@ctivate
Anita Alban, Fleishman-Hillard
Kari Bretschger, Integrated
Marketing Works (IMW)
Morgan Brown, Inter@ctivate
Irene Cabanas, IMW
Janet Greenlee,
Fleishman-Hillard
William Hawks,
Under Secretary/USDA
Mike McLeod, MWM
Peggy McCormick,
MMM Marketing
Ethel Mitchell, USDA/AMS
Steven Muro, Fusion Marketing
Kendra Peavy, IMW
Liz Wilkins, IMW

GUESTS PRESENT

Ron Campbell
Joe Charest
Avi Crane
Kathleen DeFreitas
Jim Donovan
Xavier Equihua
Alejandro Gavito
Jose Gonzalez
J. Jesus Lopez Herrera
Susan Hobbs
Paul Izenstark
Ohannes Karaoghianian
Dick Keim
James McCormac
Bradley R. Miles
Tom Pecht
Steve Peirce
Barb Peirce
Scott Scarbrough
Dana Thomas

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 introduced Xavier Equihua representing the Chilean Avocado Importers Association (CAIA), Ron Campbell representing the Mexican Hass Avocado Importers Association (MHAIA), and Chairman of the HAB Quality Task Force Dana Thomas. Wolk also introduced and welcomed Mike McLeod, McLeod, Watkinson & Miller, Washington D.C.-based counsel to the HAB, and Under Secretary William Hawks.

Under Secretary Hawks stated it was a pleasure to be present and called the formation of the Hass Avocado Board an avocado success story. He recognized the efforts of Charley Wolk, the Board and Ethel Mitchell, representative of the United States Department of Agriculture and Agricultural Marketing Service (USDA/AMS). Under Secretary Hawks also stated USDA/AMS' continued commitment to work with the HAB.

Chairman Wolk recognized the tremendous positive changes that have occurred since the inception of the Board by Under Secretary Hawks. Mr. Wolk invited questions of the Under Secretary. Under Secretary Hawks discussed issues of concern regarding import/export issues.

Minutes-Review/Approval

No amendments were made to the March 17, 2004 minutes. Chairman Wolk declared the Minutes approved as submitted. No motion was made.

Board of Directors Responsibilities-Draft

The Board received the Board of Directors Functions & Responsibilities document prior to the meeting.

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

The complete HAB Directors' Responsibilities Draft is attached to the permanent copy of these Minutes and identified as Exhibit A.

ADMINISTRATION

Customs Report

CAC Vice President Val Weaver stated that the Customs Reports are being received in a timely manner, allowing for rebate turn-around by mid-month. AMS has corrected the country of origin issue in which non-producing countries were appearing on the reports. USDA has worked with Customs and updated software so that when an importer is unknown, the report will read it as an unidentifiable country.

FINANCE

2003-04 Financial Update

Hass Volume is 13.5 million pounds below projections, six months into the 2003-04 fiscal year. For gross revenues this means a shortfall of approximately \$337,000. However, HAB revenue is up approximately \$600,000 due to higher volume from non-association

importers. Currently, the Revenue budget is tracking above original projections. Ending Reserves are now estimated at \$2.2 million.

The complete HAB 2003-04 Financial Overview is attached to the permanent copy of these Minutes and identified as Exhibit B.

HAB Cash Management Procedures & Investment Policy—Draft

Approved by the Finance Committee for review by the Board at the next meeting.

HAB Finance Committee & Finance Chairperson Responsibilities—Draft

Approved by the Finance Committee for review by the Board at the next meeting.

2003 Implementation Costs/Credit

A discrepancy in the AMS administrative and supervisory costs was found. USDA sent billing in the amount of \$65,952. The actual bill came in at \$56,188. This was a credit difference of \$9,764 that USDA then billed as an Office of General Council (OGC) charge. The Finance Committee is working with USDA to discover if OGC services were received. Ms. Weaver will update the Board when the issue has been resolved.

2000-2003 Implementation Costs--Detail

HAB received detail of the implementation costs of \$334,574 for years 2000-2003 and will pay the fees over a three-year time period that began October 2003. The Finance Committee requested an explanation of the OGC costs.

Len Francis, Acting Finance Committee Chair, updated the Board on the Terms & Conditions of the Assessment Policy issue that was reviewed by the Finance Committee. Mr. Francis reiterated that under Policy #5, Penalty and Interest, California handlers will be assessed penalties if payments are not received in a timely manner.

AVOHQ.COM

CAC President Affleck announced that the soft launch has begun and introduced Jack Abbott and Morgan Brown of INTERACTIVATE to proceed with a detailed overview of the program.

AvoHQ.com places all industry information into one location for easy access by industry members via the internet. The program offers a unique information outlet that integrates all agencies' information to create a knowledge base that drives better industry decisions. Mr. Brown demonstrated the main sections of the site including Programs, Markets, Hass Grower Central, and Weather.

Interactivate is still finalizing data in Grower Central, Avocado News, and Weather. A Spanish language and MyHAB section, that will allow users to specialize the site to their needs, are also in development. Mr. Brown confirmed that customs information is used as a data source and that this site will also offer crisis information.

The site is not currently active, but should be live by September, prior to the new fiscal year. Certain stakeholder and legal issues must first be resolved.

Board discussion ensued regarding options being offered on the site. First year activity will be a determining factor in understanding what information is critical for industry members.

The complete HAB AvoHQ.com Overview Binder is attached to the permanent copy of these Minutes and identified as Exhibit C.

RECESS

The meeting was adjourned at 10:15 a.m. for a five-minute recess and returned to business at 10:20 a.m.

ISSUES

HAB Quality Task Force Chairman Dana Thomas gave a brief overview of the Board's desire to explore a Federal Marketing Order and announced that the first meeting on grades and standards had been held that morning.

The Quality Task Force discussed the following:

1. The group discovered that pursuing a Federal Marketing Order will be a long, involved process and has decided to explore other options for creating quality standards.
2. Mr. Thomas will contact other importing countries in an effort to have representation by each on the Task Force.
3. The next meeting will be held on August 18, 2004.
4. The Quality Task Force is currently looking at mechanisms that will move the Committee to the next step of developing a plan of action for recommendation to the Board.

Chairman Wolk noted that the Board's initial progress with the Quality Task Force is profound. He stated the importance of this process and thanked those involved. Mr. Wolk restated that this process will not be an easy task.

Litigation

HAB Administrator, Tom Bellamore, updated the Board on the case of Avocados Plus vs. Veneman in which certain importers are challenging the constitutionality of the Hass Avocado program. Last year the Federal Court found the importer plaintiffs failed to properly exhaust their administrative remedies before seeking judicial review. Plaintiffs appealed and the U.S. Court of Appeals set a schedule for briefs and oral arguments.

Oral arguments were heard on May 13, 2004. Mr. Bellamore stated that the judges were well-informed and questioned both the plaintiffs' and government's attorneys of the Board. Mr. Bellamore reiterated that the court was familiar with other, similar court opinions involving the constitutionality of commodity boards and that the 3-judge merits panel expressed an enlightened view. The judges seemed particularly interested in crafting a fair remedy should they ultimately determine that the HAB programs infringe upon the First Amendment rights of the plaintiffs. Their discussion made clear that their version of a remedy might be that which is least restrictive. A ruling is suspected in a 60-to-90-day time period.

Discussion ensued by Board members regarding representation and other cases in the courts, including the parallels of the Beef case versus HAB's case. It was stated that no matter what the outcome, the programs are different with varying legal issues.

ADJOURN FOR LUNCH

Chairman Wolk adjourned the Board for lunch at 11:40 p.m. and the Board reconvened at 12:30 p.m.

MARKETING

Strategic Planning

CAC President Affleck introduced CAC Vice President of Marketing, Jan DeLyser, to present the HAB MarCom program activities. Ms. DeLyser began with a brief summation of the program and introduced Fleishman-Hillard to discuss the consumer public relations efforts.

Fleishman-Hillard reviewed the success of the consumer public relations efforts centered around Super Bowl and announced that Cinco de Mayo efforts garnered over 16 million impressions. Upcoming efforts entail Hispanic Spa, Avocado Auténtico and website updates.

The HAB Public Relations Program Stewardship Packet is attached to the permanent copy of these Minutes and identified as Exhibit D.

Mr. Affleck reiterated the importance of a strategically-based public relations program in generating media on Hass avocados and complimented Fleishman-Hillard on their efforts. Discussion ensued regarding the program's Hispanic focus and its relevance.

Fusion Marketing reported on the merchandising efforts in place for HAB. Efforts include successful trade communications on the HAB launch, retail promotions that focused on Super Bowl, and Cinco de Mayo, and retail presentations that inform key retailers on HAB's program that makes avocados available 365 days a year.

Mr. Affleck stated the importance of thinking of MarCom as a 52-week marketplace of demand-building strategy and requested that the Board not focus on the content of materials. The importance of the outreach is to help everyone see a 52-week composite of the marketplace and to develop strategies of individual programs to strengthen the 52-week concept. It was also noted that this information is available as a template for use by importer associations and industry members.

Ms. DeLyser discussed Trade Outreach and the strategic frame of planning. The goal was to inform retailers and trade influencers on the synergies developed by HAB. Key account outreach to retailers is very successful. Retailers appreciate the 365-day availability and presented by one category representative. Ms. DeLyser discussed the Category Reviews and stated that, although the program is a huge undertaking, much progress has been made in just a few months. Ms. DeLyser also reviewed the many trade associations that HAB is now affiliated with, including: United Fresh Fruit and Vegetable

Association, Produce Marketing Association, Fresh Produce and Floral Council, New England Produce Council, Eastern Produce Council, Houston Fresh Fruit and Vegetable, and Southeastern Produce Council, which add a layer of effectiveness to the program.

MMM Marketing presented foodservice efforts and discussed the various chains that HAB is working with to increase Hass avocado consumption. These chains include: California Pizza Kitchen, Pick Up Stix and Togo's. Other fast food chains like Jack in the Box and El Pollo Loco are currently testing avocado dishes with HAB and are garnering success. Additional efforts include a HAB press kit and promotional calendar that focuses on availability of avocados across a 365-day period. Industry events are planned as well.

Integrated Marketing Works (IMW) reviewed the industry communications programs that focus on telling the HAB story, a feature article developed for all programs, an industry newsletter written in the languages of the participating import countries, and a HAB Annual Report. Planning is underway for in-country technology audits, including the production of instructional DVDs, that are projected to begin this summer.

Chairman Wolk complimented the staff and agencies for developing a successful program in such a very short time and commented on the value this has provided to the industry.

Mr. Wolk also recognized Jesus Lopez Herrera from APEAM. Mr. Lopez introduced Alejandro Gavito of MHAIA and Jose Gonzalez, a Mexican avocado distributor in Chicago.

Strategic Planning Overview

The Board received the four principal Strategic Planning documents to review prior to the August meeting. These documents include Trend Scan, Avocado Category Analysis, and the Promotion Summary that gives an overview of all the marketing plans. The Board also received an updated map of the seasonal Avocado market. Additional handouts include the HAB Marketing Program Report to Board of Directors, the USDA HAB Marketing Report and a Gross Impressions sheet for the Board to review.

Mr. Affleck reviewed the 2004-2005 Strategic Overview. The entire strategy is created on the premise of action steps that help the Board stay ahead of the changes developing in a fluid market. Mr. Affleck reviewed the Planning modules and the plan of action and outlined key forces for 2005: Unification, Strategy, Branding, Demand, InfoTech. In regards to Branding, Mr. Affleck acknowledged the right of individual brands to promote their own name. However, he reiterated that there will be an evolution toward a generic Hass brand, and he suggested that eventually – to be successful – the idea must be embraced by all suppliers.

Board discussion ensued regarding communication between key importing countries. Concern was voiced by all regarding communication between importers. It was noted that the Quality Task Force is including representatives from main import associations to strengthen the line of communication. Also, a team is being developed to help obtain

international crop forecasts so HAB can prepare for the entry of each supplier into the market during the year. The first meeting will be held on June 19, 2004.

Additional review of Projected Cash Flow was reviewed, as well as the Preliminary Plan Frame. Additional discussion followed.

The 2004-2005 Strategy Overview is attached to the permanent copy of these Minutes and identified as Exhibit E.

The Principle Strategic Planning Documents Packet: Trend Scan, Avocados Category Analysis, Avocado Promotion Summary is attached to the permanent copy of these Minutes and identified as Exhibit F, 1-3.

The US Avocado Market 2004 Map is attached to the permanent copy of these Minutes and identified as Exhibit G.

The HAB Marketing Program Report to Board of Directors is attached to the permanent copy of these Minutes and identified as Exhibit H.

The USDA/HAB Marketing Program Report is attached to the permanent copy of these Minutes and identified as Exhibit I.

The HAB Marketing Plan—Gross Impressions Report is attached to the permanent copy of these Minutes and identified as Exhibit J.

ADDITIONAL COMMENTS

Chairman Wolk expressed pleasure in the beneficial dialogue that developed in the day's discussions. He complimented the Board and encouraged them to continue to work cooperatively.

ADJOURNMENT

Chairman Wolk adjourned the HAB meeting at 2:15 p.m. The next meeting will be held on August 18, 2004.

Respectfully submitted,

Kendra Peavy

I certify that the above is a true and accurate statement of the June 16, 2004 Minutes approved by the HAB Board of Directors on August 18, 2004.

Alva Snider, HAB Board Secretary