

**HASS AVOCADO BOARD
BOARD MEETING MINUTES
June 15, 2005**

A meeting of the Hass Avocado Board (HAB) was held on Wednesday, June 15, 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
James De Malo
Ed Figueroa
Jim Finch
Bob Flack
Scott McIntyre, ex-officio
Carol Steed (Alt. Reeder)

MEMBERS ABSENT

Eric Crawford
Don Reeder

CAC STAFF PRESENT

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

ALTERNATES PRESENT

Giovanni Cavaletto
Ralph DeLeon
Paul Foley

ALTERNATES ABSENT

Mike Browne
Dan McGrath
Tom Markle
Robert Perry
Luke Sears
Donna Singmaster

OFFICIALLY PRESENT

Marlene Betts,
USDA/AMS
Deborah Simmons,
USDA/AMS (speakerphone)
Jack Abbott,
Interactivate
Barbara Davies,
Interactivate

GUESTS PRESENT

Alajandro Alvarez
Irene Cabanas
Ron Campbell
Jose M. Carmona
Avi Crane
Gerry Davidson
Laura Eggering
Salvador Escobedo
Mary Foley
Juanita Gaglio
Benjamin Grayeb
Mark Grooms
Jesus Lopez Herrera
Ohannes Karaoghlanian
Don Mykkanen
Robin Osterhues
Tom Pecht
Barb Peirce
Steve Peirce
Earl Rutz
Antonio Villasenor, Jr.

CALL TO ORDER

Mr. Charley Wolk called the meeting to order at 9:05 a.m. and a quorum was established.

Introductions/Announcements

Chairman Wolk introduced Don Mykkanen and Mark Grooms, producers from the southern growing area, who are candidates in the current HAB election. Wolk also introduced Jesus Lopez, Alajandro Alvarez and Benjamin Greyeb from the Mexican Hass Avocado Importers Association (MHAIA). Paul Foley introduced Mary Foley.

MINUTES APPROVAL

No corrections or amendments were made to the March 16, 2005 Minutes.

MOTION: ***The Hass Avocado Board (HAB) approves the March 16, 2005 HAB Meeting Minutes as presented. (Snider/Figueroa) MSC Unanimous***

ADMINISTRATION

Customs Report

CAC Vice President of Finance/Administration, Val Weaver, reported that the Monthly Customs Reports and funds are continuing to be received in a timely manner. There are no issues at this time.

Diversity Policy

Ms. Weaver stated that the Hass Avocado Board encourages equal opportunity to all individuals to serve on the Board and its Committees. To ensure diversity, a policy and action plan have been developed. All members will be expected to implement the policy under the direction of the Chairman of the Board and communicate the policy to the industry. Board discussion ensued and it was agreed that the word "growing" would be deleted from the first sentence of the policy.

The Diversity Policy handout is attached to the permanent copy of these Minutes and identified as Exhibit A, 1,2.

MOTION: ***The Hass Avocado Board of Directors approves the Diversity Policy, dated June 15, 2005, as amended. (Finch/DeLeon) MSC Unanimous***

FINANCE

Fiscal Year (FY) 2004 Assessment Audits

Ms. Weaver reported that Conrad & Associates Certified Public Accountants have completed the California Handler assessment audits for Fiscal Year 2004. The report has been sent to all Board and Alternate members.

There were 50 California Handlers reporting last year; the top 17 making up 99.6% of California assessment revenue were audited. Of the 17 Handlers audited, 12 were found to owe no additional assessments, 2 owed a total of \$199.07 and 3 were due to a refund of \$417.45. \$10.1 MM in assessments were audited with the majority of handlers reporting according to the Assessment Policy. The Board accepted the assessment audit report as presented.

The Conrad & Associates Independent Accountants' Report is attached to the permanent copy of these Minutes and identified as Exhibit B, 1,2.

2004-05 Financial Update (November '04-May '05)

Hass volume is higher at 470.9 million pounds, up 72.0 million pounds over the estimation of 398.9 million pounds. HAB revenues are higher at \$11.8 million, up \$1.0 million over the estimation of \$10.0 million. HAB net revenues are higher at \$2.3 million, up \$.7 MM over the estimation of \$1.7 million.

November 04 to October 05 Current Fiscal Year

Hass volume, Revenues, Net Revenues and Reserves continue to trend higher for the year due to additional volume from California (22MM lbs.) and Chile (48MM lbs.).

Hass volume is 776.9 million pounds, up 70.4 million over the annual estimate of 706.5 million pounds. HAB Revenues are at \$19.4 million, up \$1.8 million over the annual estimate of \$17.7 million. HAB Net Revenues are \$3.6 million, up \$800,000 over the annual estimate of \$2.8 million. HAB Reserves are \$1.0 million, up \$300,000 over the annual estimate of \$700,000 dollars.

2005-06 Preliminary Revenue Projections

Weaver discussed how the preliminary 2005-06 U.S. aggregate volume is estimated at 1 billion lbs., which is 19% higher than the 2004-05 estimated total of 848 MM lbs.

Early 2005-06 projections for Hass volume is 939 MM lbs., which will generate gross revenues of \$23.475 MM for HAB.

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

The Final 2004/05 Projected Volume and Financial Overview is attached to the permanent copy of these Minutes and identified as Exhibit D, 1,2.

The chart 04/05 U.S. Aggregate Avocado Volume is attached to the permanent copy of these Minutes and identified as Exhibits E.

The chart 05/06 U.S. Aggregate Avocado Volume is attached to the permanent copy of these Minutes and identified as Exhibits F.

CHAIRMAN'S REPORT

Election Update

Wolk turned over the election update to HAB Administrator, Tom Bellamore. Mr. Bellamore stated that there are 3 Producer Member seats, 3 Producer Alternate seats, 1 Importer Member seat, and 1 Importer Alternate seat become open on October 31, 2005. In addition, 2 Importer seats have never been filled, and the election seeks nominees for those as well. There are 25 candidates running for the Producer seats and only 2 names submitted for the Importer seats. Bellamore reminded the Board that write-in names are allowed. Mr. Bellamore also announced that the deadline to receive the ballots is June 30, 2005. Ballots received after that time will not be counted. The ballots are being counted by an independent third party Certified Public Accountant, and the names will be given to the U.S. Secretary of Agriculture by July 15, 2005 for appointment. The Secretary is expected to appoint the new members before November 1, 2005, as the new Board is seated at that time.

There were questions regarding the procedure by which the U.S. Secretary of Agriculture would appoint the members. It was noted that the Secretary has complete discretion and

is not bound to appoint the nominees receiving the highest number of votes. The Secretary reviews the information contained in the nominees' background forms.

There was discussion regarding the qualifying Rules to sit on the Board. The Law currently states, "To be eligible to serve on the Board as an importer member or alternate, or to be eligible to nominate persons other than themselves, importers must certify that they are involved in, as a substantial activity, the importation of Hass avocados for sale or marketing in the United States (either directly or as an agent, broker, or consignee of any person that produces Hass avocados outside of the United States for sale in the United States) and are subject to assessments under the Order, and are listed by the United States Customs Service as the importer of record for such Hass avocados. A substantial activity means that the volume of an importer's Hass avocado imports must exceed the volume of the importer's production or handling of domestic Hass avocados."

Mr. Bellamore stated that USDA proposed terminating the "substantial activity" definition but never issued a Final Rule. Chairman Wolk reported calling on Under Secretary Bill Hawks last week to resolve this outstanding issue. Wolk reiterated that it is imperative to get the definition revised so that the pool of importers available to serve on the board can be expanded.

New Hire Update

Mark Affleck provided an update on the need to hire a Network Manager to work with the diverse cultures using the Network Marketing Center (NMC) and the avoHQ.com.

He said that over 70 applicants were initially screened for the Managing Director position. The top 5 candidates were interviewed and two were introduced to the board today: Jose Luis Obregon from Mexico and Gustavo Yentzen from Chile. Yentzen addressed the board via videoconference from Chile. He expressed his thoughts on the NMC program and the avoHQ site. Mr. Affleck had him answer a few questions about the significance of the NMC and avoHQ.com in both English and Spanish.

Jose Luis Obregon was introduced to the board, in person, later in the afternoon.

Mr. Affleck stated that both finalists were qualified for this position. He emphasized the cultural distinctions between Chile and Mexico, which became readily apparent during the interview process. To surmount these differences, he proposed that the board hire two representatives, one for the northern hemisphere: Mexico – Dominican Republic and one for the south: Chile – New Zealand. The budget previously approved by the board could accommodate this proposal.

A motion was made by Jim Finch and seconded by Ed Figueroa that the HAB approve hiring of up to two individuals. The motion was tabled until after the board met the second candidate.

PLANNING MODULES

Mr. Affleck announced that there would be “break-out” planning sessions during lunch with the goal of tapping into the resources of Board Members. The goal is to discuss the different strategy modules and come together after lunch with summary reports.

ADJOURN FOR BREAKOUT SESSIONS & LUNCH

Chairman Wolk began the breakout sessions at 10:30 a.m. The board reassembled at 12:30 p.m.

The Board broke into groups and discussed the strategy. Key issues, options, and action steps were discussed. Each group had a representative give a summary of their respective break-out session:

Quality

Mr. Francis summarized his group discussion on Quality. He reported that with the expanding market, there is a need for new consumers. New consumers would be exposed to the fruit quality and the goal is to have premium quality fruit available at all times. It was suggested that the retailers be compensated to discard any bad fruit rather than sell them so the new consumers will have a good first-time experience and want to return. The Good Practice Manual and Handlers Quality manual were discussed with the idea that perhaps a Consumer Manual could be developed in the future. It was reported that consumers damage fruit while handling and selecting in-store product for their own purchase.

Consumer Demand

Mr. Figueroa reported the importance of International communication. It is necessary to continue to educate the consumer, identify new markets, explore additional Hispanic market avenues, and continue education on usage ideas.

Synchronization

Mr. Finch reported on the importance of achieving maximum advertising efficiency and information sharing. This group discussed using the newly hired Network Managers to obtain the most credible and complete information, and the promotion of AvoHQ.com to disseminate information.

Unification

Mr. Finch also summarized the unification group discussion. He reported that it would be beneficial to have an increase of importers participating on the Board and/or Committees. It could be achieved by forming a Marketing Committee, and it was suggested that HAB could try and recruit some major importers such as Dole, Chiquita or Del Monte. Finch also stated that unification between in-country organizations as also important. It was noted that in-country seminars could be used to achieve consensus.

Branding

Mr. Flack discussed the key points for branding: Building volume; using a variety of strategies; creation of a unifying theme or slogan; utilizing celebrity endorsements; targeting a younger consumer group and exploring public broadcasts and talk shows.

The HAB Modules PowerPoint Outline is attached to the permanent copy of these Minutes and identified as Exhibit G, 1-5.

ISSUES UPDATES

New Hire Update

Mr. Affleck introduced the second candidate for the Managing Director position, Mr. Jose Luis Obregon from Mexico. Mr. Obregon answered questions in English and Spanish regarding avoHQ.com. He stated that organization is key to educating the growers and shippers, and that avoHQ held vast potential.

Discussion ensued after Mr. Obregon left the meeting regarding training, relocation costs, cost of living expenses, and commitment from both of the candidates.

The tabled motion made before lunch was brought back for discussion and approved by the board.

MOTION: ***The Hass Avocado Board of Directors approves hiring up to two people to manage the Network Marketing Center (NMC) and avoHQ.com, for the remainder of the 2004-05 fiscal year, without adding new money to the budget. (Finch/Figueroa) MSC Unanimous***

Disappointment over the lack of Chilean participation at the board meeting was expressed by several people in attendance from California and Mexico.

Ms. Steed asked the Mexican representatives if they support AvoHQ.com, to which they responded positively. Mr. Lopez reported that they are getting their numbers and are beginning to implement the information on the avoHQ.com web site.

Litigation Update

Mr. Bellamore stated that the U.S. Supreme Court issued a sweeping decision in Livestock Marketing Association v. USDA, the case challenging the Beef Act on constitutional grounds. In a 6-3 ruling, the Court found the messages of the Beef Board "From beginning to end" to be the message of the Federal Government. As government-speech, these messages caused no First Amendment violation.

Mr. Bellamore reported that the legal challenge to the Hass Avocado Act is still pending. On May 25, 2005, the District Court requested position memoranda from all parties, which is due June 16, 2005. The government is expected to request that the case be dismissed.

The Board questioned whether the case could be withdrawn. Mr. Bellamore stated that the parties can drop the case but have shown no willingness to do so.

Advice Squad

Mr. Affleck reported that after avoHQ.com was up and running for six months, a plan was in place to bring in a team of advisors from academia, retail, importers, growers and tech support to review and analyze the site to identify areas that need to be refined. He stated

that the Advice Squad meeting was a success in bringing together top experts for reviewing the first six months of operation.

The Advice Squad Team was comprised of Dr. Roberta Cook, Agriculture Economist from University of California Davis; Professor Vijay Gurboxoni, highly respected IT academics professor at University of California, Irvine; Todd Eagan, Costco Retail; Jim Donovan and Ed Figueroa, Importers; Marlene Betts, USDA; Dick Spezzano, Retail Industry Consultant; Robert Perry, HAB Board; Scott McIntyre, HAB Ex-Officio & CAC Chairman; along with HAB staff support Mark Affleck, Tom Bellamore, Jan DeLyser, Val Weaver, and Guy Witney; and lastly Agency/Tech Support Jack Abbott, Barbara Davies, Joe Charest, Gwen Peterson, Steven Muro, Aria Lukman and Dave Cruz.

Mr. Affleck reported that Dr. Cook spoke positively about the depth of information available via the site. All feedback was favorable, but the consensus was that the site information needed to be customized for each user group. The Team made huge strides in finding areas to improve which will make it more user-friendly. A starter kit will be created for each group (i.e., retailer, importer, grower) to get in and utilize the system for their own specific needs.

HAB Strategy binders were passed out to the Board as they adjourned.

The 2005-06 HAB Strategy Binder is attached to the permanent copy of these Minutes and identified as Exhibit H.

The Strengths, Weaknesses, Opportunities, Threats (SWOT) handout is attached to the permanent copy of these Minutes and identified as Exhibit I, 1-5.

The HAB Marketing Plan & Gross Impressions handout is attached to the permanent copy of these Minutes and identified as Exhibit J, 1,2.

NEW BUSINESS

No new business.

ADJOURNMENT

The Board was adjourned at 2:00 p.m.

Respectfully submitted,

Laurie Hill

I certify that the above is a true and accurate statement of the June 15, 2005 Minutes approved by the HAB Board of Directors on August 17, 2005.

Alva Snider, HAB Board Secretary