

Hass Avocado Board (Board) Meeting  
U.S. Department of Agriculture, South Building, Room 3501, Washington, DC  
March 18, 2003

The initial meeting of the Hass Avocado Board (HAB) was called to order at 8:05 a.m. by Margaret Irby, Acting Branch Chief, Research and Promotion Branch, Fruit and Vegetable (F&V) Programs.

Roll call was taken with the following Board members present: Robert Bednar, Mark Borchard, Eric Crawford, Eduardo Figueroa, James Finch, H. Leonard Francis, Scott McIntyre, Alva Snider, and Charley Wolk. Alternate members present were: Giovanni Cavaletto, Ralph De Leon, Robert Flack, Paul Foley, Tom Markle, Donald Reeder, and Donna Singmaster. Absent: Michael Browne, Daniel McGrath, Robert Perry, Luke Sears, George Barnes and James DeMalo.

Others in attendance included:

From USDA: A. J. Yates, Administrator, Agricultural Marketing Service (AMS); Dr. Ken Clayton, Associate Administrator AMS; Robert Keeney, Deputy Administrator, F&V; Chuck Parrott, Associate Administrator, F&V; and AMS, F&V, Research and Promotion Branch (RPB) staff members: Julie Morin, Jeanette Palmer, Debbie Simmons, and Malinda Farmer.

Guests present included:

From the California Avocado Commission (CAC): Mark Affleck, President and CEO; Tom Bellamore, Senior Vice President; Valetta Weaver, Vice President of Finance and Administration; Jerome Stehly, Chair of the CAC; Mike McLeod, Counsel to CAC; and Rick Pasco, Counsel to CAC.

From APEAM: Ron Campbell and Evander Wilay.

From the Mexican Avocado Commission: Jesus Lopez.

From the Chilean Avocado Importers Association: Xavier Equihua

New Board Member Orientation was conducted by AMS personnel. Dr. Clayton discussed the importance of the relationship with USDA and the HAB. He also stressed that national HAB members need to remember there are certain activities that Board members are prohibited from doing, such as lobbying. By being selected as a national Board member, each person has a very important challenge – running a program that represents the industry, complies with the enabling legislation, and complies with USDA guidelines.

Julie Morin discussed USDA and how the Fruit and Vegetable program and each of the national boards fits into the picture. She briefly discussed the other national research and marketing programs.

Margaret Irby described the role of USDA with each of the programs. A representative from USDA will attend all HAB meetings, committee meetings and conference calls. USDA will review and approve contracts and promotional materials for all boards as well as approve

annual budgets and amendments. USDA provides legal representation for the board. USDA represents the HAB for Congressional and other inquiries. USDA also works with other governmental agencies on their behalf - such as the US Customs Service. USDA works with the Federal Trade Commission (FTC) and the Food and Drug Administration (FDA) to help make certain that all promotional materials that any board uses complies not only with enabling legislation, USDA rules and regulations, but FTC and FDA regulations as well. USDA also conducts referenda and does rulemaking as necessary. USDA is also responsible for getting the board member nomination information ready for selection of the members by the Secretary of Agriculture.

Ms. Irby pointed out that a copy of the power point presentation of the USDA F&V presentation was in the notebooks each member and alternate had received. A copy is attached to the permanent copy of these minutes and identified as Attachment 1.

Ms. Morin discussed the Roles and Responsibilities of HAB members. The main responsibility is to participate in the deliberations and discussions at all meetings. Board members need to be knowledgeable about the Hass Avocado Promotion, Research, and Information Act of 2000 (Act) and the Hass Avocado Promotion, Research, and Information Order (Order); discuss any perceived conflicts of interest; be accountable to the peers who elected them and to other board members and the Secretary of Agriculture who appointed them.

Frank Martin, Esquire, with the Office of General Counsel (OGC), discussed the role of OGC with the national boards. Mr. Martin discussed certain sections of the Act and Order with which Board members should be particularly familiar. These sections of the Order included: the conflict of interest Section 1219.3 in the Order and also discussed in the Act; Section 1219.36 vacancies on the board; Section 1219.42 prohibited activities of the board; Section 1219.62 books and records of the Board; Section 1219.62 confidential treatment; and Section 1219.74 personal liability. Mr. Martin also highlighted Section 1207 of the Act that discussed the petition and review process that is followed if someone wants to challenge any provisions of the Order.

Mr. A. J. Yates introduced the Undersecretary for Marketing and Regulatory Services, Bill Hawks. Mr. Hawks presented each member with their official certificate of appointment from the Secretary. At the conclusion of the presentation of the certificates, Ms. Irby asked that the minutes reflect that all members and alternates were officially seated as members and alternates of the HAB. A copy of the official HAB board roster is attached to the permanent copy of these minutes and identified as Attachment 2.

When the presentation of the certificates and seating of the members was complete, Ms. Irby suggested that the Board proceed with their items of business as indicated on the Agenda. A copy of the Agenda is attached to the permanent copy of these minutes and identified as Attachment 3.

The first item of business was the election of officers for the Board. The first officers are to be elected by secret ballot with the person receiving the majority of votes being the person that is elected. Board members only will vote.

H. Leonard Francis nominated Charley Wolk for Chair. This nomination was seconded and nominations were closed. Mr. Wolk was elected Chair. As the Chair is the only position required by the Order, Mr. Wolk stated that they would develop other officers for the Board. Mr. Francis moved that the Board have the offices of vice chair, secretary and treasurer. Mark Borchard seconded the motion. Motion passed. The following nominations were received: Scott McIntyre for Vice Chair, Alva Snider for Secretary, and Robert Bednar for Treasurer. There were no further nominations. All nominees were elected by ballot vote.

The next item of business was the selection of an administrator for the Board. Mr. Francis moved to accept the California Avocado Commission (CAC) as the administrative body of the Board on the condition that USDA approved the scope and fees that CAC presents to the Board. Ralph De Leon seconded the motion. After a discussion as to what the role of CAC would be, the motion passed subject to Board approval of the scope and fees proposal from CAC.

Mr. Wolk asked that the record show which HAB members are also CAC board members. The identified CAC board members were: Charely Wolk, Alva Snider, Mark Borchard and Scott McIntyre.

The Board decided a committee should be established to work with the CAC on the development of the By-laws. Several items were discussed that could be included in the draft By-laws. These included the establishment of officers other than the Chair, and that the Chair of the CAC be an ex-officio, non-voting member of the Board. Mr. Wolk assigned Alva Snider as Chair of the By-Laws Committee. Additional members of the committee are Robert Flack, Paul Foley and Eric Crawford.

At this point in the meeting, members and alternates introduced themselves by talking about their involvement in the avocado industry.

The Board recessed for lunch, after which the Board reconvened to discuss the remaining items on the Agenda. The Agenda was slightly modified since the CAC members in attendance, with the exception of Ms. Weaver, had to return to California to prepare for a CAC meeting on March 20, 2003.

Mr. Wolk asked Mark Affleck to discuss the strategic planning process. Mr. Affleck explained that strategic planning at CAC is based on a radar system that examines the environment. This radar scan initially looks at the operating environment, the number of pounds coming in, and the political dynamics. On another aspect, the radar examines the consumer issues, demographics, and volumetrics. After working with different strategic frames, the CAC develops one strategic frame that encompasses all the different facets involved. Mr. Affleck recommended that the Board develop a strategic frame based on all the volume, all the players, all of the importing countries, the dollars available and the goals, with the obvious intent of keeping the value foundation strong.

The CAC would meet with the import associations from Chile and other countries, the HAB, and the CAC board members to present the aggregate picture of the volume, the market and the opportunities. CAC would do an analysis of the types of marketing programs that need to be in

place so that everything works together. This also involves looking at the seasonality chart when Chile, California, and Mexico come into the marketplace for each period, and what it is going to require during the transition months to go from California to Chile and Mexico and then back to California and continue the cycle. This is the kind of picture that the CAC will present each year when developing the marketing programs for the next year.

A question was raised relative to a proposed operating budget. Hass volume will need to be estimated in order to develop the budget. Currently, CAC is looking at an elongated calendar that goes from now through October 31, 2004. The first phase may include enough Board funds to establish a strategic planning process and start thinking about the programs; then build up the cash reserves for a launch of programs for November, 2003.

Mr. Affleck expressed it is imperative that the importer associations and other organizations involved be strategically linked when it comes to marketing Hass avocados. The CAC goal is to try to synergize all marketing programs in order to keep the values up. He asked the members to keep in mind that the market has been built to the extent it is at now because of a huge investment over time. Consumers are willing to pay a high price at retail, where values are at an all-time high -- a spot that almost every commodity would love to be in.

Mr. Wolk reiterated the point that all growers are either all going to do well in the market together or they will all do poorly. This includes product from California, Mexico and Chile. But there will not be a situation where one source of fruit will do well and everybody else will not do as well.

The Board discussed exploring a different name for the Hass Avocado Board. A decision will be made by September 2003. Mr. Affleck stated that once the Board has determined a name, it will be submitted to a graphics professional to develop a logo. The Board members agreed.

The Board decided to reimburse members for their travel expenses and establish a policy for meals. The Board will develop a more specific policy at future meetings.

The Board decided that alternate members will be required to attend all meetings so that they will be capable of casting an intelligent vote at meetings when the primary member is absent.

Future meeting dates were set as follows:

Wednesday, April 16, 2003, at 9:00 a.m. at the California Avocado Commission office.

Tuesday, May 6, 2003, at 9:00 a.m. at a location to be determined - probably the new CAC office.

The first Board minutes will be summarized by USDA from the transcript. Ms. Irby stated that the minutes for each meeting need to be signed by at least the Secretary and the Chair.

The discussion on whether to add assessments for Hass-like varieties of avocado, such as Lamb-Hass, was tabled until the April 2003 meeting.

Because the Board was not seated and did not have bank accounts in place, USDA has been receiving the assessments. The domestic assessments are going to a lockbox at Wells Fargo Bank. Import assessments are being kept in USDA accounts. Ms. Irby stated that there was a prior agreement that the required 85 percent of assessments collected in February from the growers in the State of California can be released to the California Avocado Commission by the end of March. When the HAB has its own bank accounts open, USDA will transfer the remaining funds from the domestic assessments and the import assessments into the HAB account.

Ms. Irby further explained that the import assessments for all national boards are collected by the US Customs Service. Customs transfers the money to USDA and USDA transfers the money to the individual boards. USDA usually gets a collections report once a month. USDA gets the transaction reports from Customs on or about the 30<sup>th</sup> of each month, but receives the money on the 7<sup>th</sup> of each month. The wire transfer process with Customs and USDA was established by a Memorandum of Understanding (MOU) which enables Customs to collect assessments.

Mr. Wolk reminded the Board members that the Act and Order require the Board remit the money to the state and importer associations within 30 days of receiving the funds. The associations will receive 85 percent of what is collected from assessments for their particular association.

Ms. Irby stated that USDA was working with Customs to try to send transaction reports before the 30<sup>th</sup> of each month so the Board can remit payment to the associations within 30 days of receiving funds as required by the law.

The following committees were appointed:

Executive Committee: the Board decided that an importer should sit on the Executive Committee. How they are elected to the committee can be established and placed in the By-laws. Wolk recommended that the Chair appoint the importer, but this process is up for debate.

Finance Committee: the Treasurer will be the chair of this committee. Members are: the current treasurer Robert Bednar, Alva Snider, and H. Leonard Francis. Robert Flack and Don Reeder (alternate members) will also be on the committee. They will work with Val Weaver on budgets, cash flow, setting up the bank account and so forth. The Finance Committee does not have a financial budget at this time. They will obtain a financial report from USDA and make a projection for the next meeting in April 2003.

Marketing Committee: Marketing Committee members will be assigned at the April 16, 2003 meeting.

The Board's headquarters will be located at the California Avocado Commission in California and an address will be established for HAB mail.

The meeting was adjourned at 3:05 pm.

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Charley Wolk, Chair

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Alva Snider, Secretary