

**HASS AVOCADO BOARD
BOARD MEETING MINUTES
May 14, 2003**

A meeting of the Hass Avocado Board (HAB) was held on Wednesday, May 14, 2003 at the California Avocado Commission (CAC) office in Irvine, California, with the following people present:

MEMBERS PRESENT

Charley Wolk-Chairman
Scott McIntyre-V. Chair
Robert Bednar-Treasurer
Alva Snider-Secretary
George Barnes
Mark Borchard
Eric Crawford
James DeMalo
Ed Figueroa
Jim Finch
Len Francis

MEMBERS ABSENT

None

CAC STAFF PRESENT

Mark Affleck
Tom Bellamore
Betty Bohr
Jan DeLyser
Laurie Hill
Michelle Spelman
Val Weaver

ALTERNATES PRESENT

Giovanni Cavaletto
Ralph DeLeon
Bob Flack
Paul Foley
Robert Perry
Don Reeder
Luke Sears

ALTERNATES ABSENT

Michael Browne
Dan McGrath
Tom Markle
Donna Singmaster

OFFICIALLY PRESENT

Margaret Irby, USDA
Richard Pasco, MWM
Jerome Stehly, ex officio

GUESTS PRESENT

Kari Bretschger
Irene Cabanas
Kathleen DeFreitas
Xavier Equihua
Paul Foley
Benjamin Grayeb
Juan C. Grayeb
Paul Izenstark
Jesus L. Lopez
Liz Wilkins

CALL TO ORDER

Chairman Wolk called the meeting to order at 9:30 a.m. with a quorum present.

Chairman Wolk introduced USDA representative Margaret Irby, Acting Branch Chief, Research and Promotion, who serves as oversight personnel for USDA Fruit & Vegetable Programs. Also introduced were Benjamin Grayeb, Juan Grayeb and Jesus Lopez, visitors from the Mexican avocado growers' and exporters' association, APEAM.

FINANCIAL UPDATE

Auditor Selection

HAB Treasurer Bob Bednar reported the Finance Committee had interviewed three accounting firms. The committee recommended that the Board contract with Conrad and Associates as the Hass Avocado Board auditors, noting that they specialize in government entities. It was the committee's intention to select an auditor different from the California Avocado Commission's to avoid possible "conflict of interest" issues.

MOTION: *The HAB Board of Directors approves Conrad and Associates as the HAB Board auditors. (Bednar/Finch) MSC Unanimous*

The next step will be to bring back the auditors' contract for HAB Board approval and then to the USDA for final approval.

HAB Budget

HAB Treasurer Bob Bednar explained that the HAB budget could be up to \$115,000 less due to a 10% downward change in the California crop for this season. Early Chilean fruit could help make up the anticipated shortfall in this year's budget.

Bednar next presented the HAB Budget for discussion. Rebates and Operating Expenses were reviewed against the anticipated net revenues of \$12,847,500. The Marketing program expense of \$1,548,625 and estimated implementation fees of \$100,000, totaling \$1,648,625, were discussed and the following motion was made to approve the Marketing Program:

MOTION: *The HAB Board of Directors approves the HAB Marketing Program Budget in the amount of \$1,648,625, which includes implementation fees estimated at \$100,000. (EXHIBIT A) (Francis/Borchard) MSC Unanimous*

Copies of two budget-related documents, the Hass Avocado Board 2003 Approved Budget and the Hass Avocado Assessments, are attached in their entirety to the permanent copy of these Minutes and identified as EXHIBITS A and B.

Bank Account

USDA continues to manage the HAB bank account until such time as the Secretary of Agriculture approves the Administrative Agreement between HAB and CAC. Approval of the Agreement is expected any day now. It was noted that the HAB will be on the same fiscal year as CAC (November 1 through October 31).

Assessments/Customs

Margaret Irby, USDA, reported that US Customs was collecting assessments from the importers and that funds were being deposited into the HAB account. There had been a delay in receiving reports from Customs but it was being cleared.

PROPOSED RULE

Review Comments Regarding Termination of "Substantial Activity" Language

Senior Vice President Tom Bellamore explained that the "substantial activity" provision in Section 1219.30 of the Hass Avocado Order limits the pool of importers available to serve on the Hass Avocado Board. USDA has proposed terminating this provision and has called for industry comment through publication in the Federal Register.

A draft letter was distributed to the Board in which the HAB would go on record in support of termination of the provision. The Board concurred with staff's recommendation that the letter be sent prior to the close of comment period on May 19, 2003. The Department will then analyze the comments and publish the Final Rule in an estimated 30 to 60 days.

A copy of the Draft Letter to the USDA/AMS DOCKET CLERK, dated May 14, 2003, is attached to the permanent copy of these Minutes and identified as EXHIBIT C.

Approve April Minutes

The Board reviewed the April 16, 2003 HAB Minutes and made the following corrections:

- Page 10 – In Importer Certification, add "new or future" to sentence: "Wolk asked USDA to clarify the process used to certify new or future importer associations."
- Page 11 – Rephrase motion (HAB Resolution #03-17) to state, "The HAB Board of Directors approves the preliminary HAB budget ending fiscal year October 31, 2003 in the amount of \$12,847,500, representing \$2,139,625 in operating expenditures plus \$10,707,875 in rebates."
- Page 11 - Add Suite #150 to the address.

Chairman Wolk declared the April Minutes approved and filed as corrected.

Photo Roster

Copies of the HAB Board Members and Alternates photographs were distributed to the Board as an easy-reference chart.

A copy of the current HAB Member Photo Roster, dated May 14, 2003, is attached to the permanent copy of these Minutes and identified as EXHIBIT D.

HAB Organizational Logo

Affleck noted the design on the photo roster (EXHIBIT D) as the first recommended circular logo; however, other logo design samples would be reviewed. He distributed the samples to the Board.

Discussion was held regarding the strategic design of the HAB logo with comments, e.g.

- 1) Remove the “bull’s-eye” on California market; place in center U.S.
- 2) Outline the U.S. as the market; eliminate Canada and Latin America
- 3) Enhance the word “HASS AVOCADO” and subordinate the acronym “HAB.”

The logo design will be revised and discussed further at the next HAB Board meeting.

A copy of the LOGO DESIGN SAMPLES is attached in its entirety to the permanent copy of these Minutes and identified as EXHIBIT E.

STRATEGIC TIMEFRAME & PLANNING PROCESS

HAB Strategy Committee Update

Chairman Wolk requested affirmation of his appointment of Gerry Watts to the HAB Strategy Committee.

MOTION: The HAB Board affirms the appointment of Gerry Watts to the HAB Strategy Committee. (Finch/Barnes) MSC Unanimous

HAB Strategy Committee Chairman Scott McIntyre briefly recapped the HAB Strategy meeting held on Tuesday, May 13, 2003.

Market Development Strategy

CAC President Mark Affleck noted that the first full season of the programs would be November 1, 2003 through October 31, 2004. Prior to that time the focus would be on the planning process and synchronization with CAC and HAB. Eight driving forces were distilled from the Strategy Committee meeting discussion. The most important force was the marketing fragmentation with the importer associations and the aggregate volume crush. The aggregate volume in the U.S. from all suppliers is projected to reach a record 800 million pounds in the next three years. The challenge will be to stay ahead of the volume by creating demand early, and that HAB should synergize with CAC to develop a strategic platform that delivers marketing continuity.

There was discussion regarding HAB’s need to develop new markets to stay ahead of the projected growth. Wolk noted that we are all in it together with a vested interest. He explained to the Board that CAC had abandoned the “cash cow” several years ago and the industry recalls the negative consequences. He advised the HAB Board to avoid making the same mistake.

Quality Grades & Standards

There are Federal Florida standards for avocado grading, but no federal standards for inspecting "Hass" avocados. California does have its own state oil content standards for all varieties of California avocados.

Affleck recommended the Board look at existing standards and decide if they wish to further pursue this issue. The issue could first be brought to the next HAB Strategy Committee meeting and then to the Board.

ADJOURN FOR LUNCH

The Board adjourned for lunch at 11:35 a.m. and reconvened at 12:25 p.m.

Developmental Strategy (continued)

CAC President Mark Affleck next reviewed the marketing side of the strategic forces: 1) Aggregate volume crush; 2) Retail consolidation; 3) Cash cow maintenance; and 4) New markets.

The eight market forces would be incorporated into a draft plan that can be modified until the best strategy and marketing mix is achieved.

A copy of STRATEGY SYSTEM, dated May 14, 2003, which outlines all eight of the driving forces and the HAB Planning Calendar, is attached to the permanent copy of these Minutes and identified as EXHIBIT F.

Administrative Issues

Wolk stated that the HAB could probably wait until August 2003 to reconvene the full Board; information to and from the Board could be processed in the interim by express mail. Affleck noted the next step in the planning process would be a layout of the strategic forces and provisions for feedback on the marketing plans, which could be express mailed to Board members in the interim. The same procedure could be followed for feedback on the logo. Following Board discussion, the Board agreed to concur with the Chairman's decision to reconvene in August.

Approval was needed today to give the Executive Committee authority to spend funds on start-up costs for the auditors.

**MOTION: *The HAB Board of Directors authorizes the HAB Executive Committee to approve spending toward Conrad & Associates start-up procedures and controls.
(Bednar/Finch) MSC Unanimous***

MEETING ADJOURNMENT

The next HAB Board meeting will be held on Wednesday, August 20, 2003, 9:30 a.m. at the CAC offices in Irvine, California.

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Chairman Wolk adjourned the HAB Board meeting at 1:10 p.m.

Respectfully submitted,

Alva Snider, HAB Board Secretary