

# HASS AVOCADO BOARD BOARD MEETING MINUTES November 16, 2005

---

A meeting of the Hass Avocado Board (HAB) was held on Wednesday, November 16, 2005 at the California Avocado Commission (CAC) office in Irvine, California, with the following people present:

## **MEMBERS PRESENT**

Charley Wolk, Chairman  
Bob Bednar, Vice Chair  
Len Francis, Treasurer  
Alva Snider, Secretary  
Mark Borchard  
Avi Crane  
James DeMalo  
Jim Donovan  
Ben Drake  
Ken Roth (Alt. De Leon)  
Ed Figueroa  
Jim Finch  
Scott McIntyre,  
ex-officio, CAC  
Don Reeder

## **MEMBERS ABSENT**

Ralph DeLeon

## **CAC STAFF PRESENT**

Mark Affleck  
Tom Bellamore  
David Cruz  
Jan DeLyser  
Angela Fraser  
Laurie Hill  
Dave Howald  
Aria Lukman  
Judy Mitchell  
Connie Stukenberg  
Val Weaver  
Guy Witney

## **ALTERNATES PRESENT**

Giovanni Cavaletto  
Bob Flack  
Paul Foley  
John Lindstrom  
Tom Markle  
Carol Steed

## **ALTERNATES ABSENT**

Bradley Miles  
Luke Sears

## **OFFICIALLY PRESENT**

Marlene Betts, USDA/AMS  
Lloyd Day, USDA/AMS  
Ruihong Guo, USDA/AMS  
Robert Keeney, USDA/AMS  
Ron Lopez, Conrad & Assoc.  
Jose Luis Obregon, HAB  
Matt Schilling, USDA/AMS

## **GUESTS PRESENT**

Jack Abbott  
George Barnes  
Joe Charest  
Bria Colyer  
Barbara Davies  
Kathleen DeFreitas  
Angelina Downing  
Diane Dreyer  
Xavier Equihua, CAIA  
Fred Grether  
Victor Hernandez  
J. Jesus Lopez Herrera, MHAIA  
Susan Hobbs  
Kathleen Johnson  
Ohannes Karaoghlanian, CAC  
John Lamb  
Mary Markle  
Peggy McCormick  
Steve Muro  
Tom Pecht, CAC  
Gwen Peterson  
Bryn Punt  
Earl Rutz, CAC

## **CALL TO ORDER**

Marlene Betts, AMS/USDA, called the meeting to order at 10:00 a.m. and presided over the meeting until the chairperson was elected.

### **Announce Appointments, Introduction & Seating of New Board Members & Alternates**

Ms. Betts introduced Robert Keeney, Deputy Administrator of Fruit and Vegetable Programs; and Matt Schilling, Confidential Assistant to the Administrator, Ruihong Guo, Director, AMS, Civil Rights and AMS Administrator Lloyd Day. Ms Betts announced that she was going to add an agenda item to the meeting: Importer Vacancies.

### **Presentation of Certificates to New Board Members/Alternates/Importers**

Ms. Betts thanked the following outgoing Board Members for all of their hard work and dedicated service to the Hass Avocado Board: George Barnes, Robert Perry, James Finch, Donna Singmaster, and Eric Crawford. She then announced the newly appointed Board Members and Alternates:

Robert Bednar, Valley Center, CA – Producer Member  
John D. Lindstrom, Bonsall, CA – Alternate Producer Member  
Bennett R. Drake, Temecula, CA – Producer Member  
Bradley R. Miles, Carpinteria, CA – Alternate Producer Member  
Ralph DeLeon, Santa Paula, CA – Producer Member  
Kenneth J. Roth, Vista, CA – Alternate Producer Member  
Avi Crane, Laguna Hills, CA – Importer Member  
James C. Donovan, Ventura, CA – Importer Member

It was stated that there were no alternate importer members at this time for Mr. Donovan and Mr. Crane.

Mr. Lloyd Day presented the new members with a certificate and letter from the Secretary of Agriculture.

### **Roll Call New Board – Establish Quorum**

Ms. Betts called the roll and determined a quorum was present.

### **Remarks from USDA-AMS Administrator Day**

Ms. Betts introduced the Agricultural Marketing Service's Administrator Mr. Lloyd Day. Mr. Day stated that he took over his role as AMS Administrator on August 8<sup>th</sup>. He reported that prior to coming to AMS, he had served as a special assistant to the Administrator of the Foreign Agricultural Service. In this role he was responsible for coordinating all USDA activities with Mexico on behalf of the Secretary of Agriculture. Before joining USDA, Mr. Day said that he served as Deputy Secretary of International Trade and Investment Division of the California Trade and Commerce Agency. Mr. Day received a bachelor's and master's degree from Stanford University and a second master's degree from the University of Glasgow in Scotland. Mr. Day noted that he is a native of Sacramento, California.

He gave recognition to the HAB Board for its great work in marketing avocados and noted that he was impressed with the collaboration of all the players to promote avocados and nutrition in conjunction with one another. Mr. Day said that he is looking forward to seeing the success of the HAB. The board recognized Mr. Day and Ms. Betts for their support.

Importer Vacancies

HAB Administrator, Tom Bellamore, announced the candidates to fill the open importer alternate seats: Michael Parr -- Team Produce, Miami, Florida; Jay Humphreys -- Yarto International, McAllen, Texas; Charles Garagi -- All American Farms, Boca Roton, Florida; and Elena Garcia -- Coliman Pacific Group, Chandler, Arizona.

The Board opened the floor for any other candidate nominees. CAIA representative, Xavier Equihua reported that Pilar Oyarzun, a Chilean Importer with Arbola Trading in Los Angeles would like to be nominated as a candidate. Len Francis offered Pilar Oyarzun as a fifth candidate. The Board agreed.

Instruction to the Board and Officers Duties

Betts read the officers duties according to the By-Laws of the Hass Avocado Board.

*The Board Member Functions and Responsibilities is attached to the permanent copy of these Minutes and identified as Exhibit A, 1-11.*

Nominations and Election of Chairperson

Nominations were opened for Chairperson and Avi Crane nominated Charley Wolk. Don Reeder nominated Bob Bednar.

***Through a motion made by Mark Borchard, seconded by Ed Figueroa, nominations were closed and there was a Board vote of 9 to 3 for Charley Wolk as Chairman of the Board for the 2005-2006 season.***

Chairman Wolk was presented the gavel and presided over the remainder of the Board meeting. He thanked the Board for its confidence and its vote.

**CHAIRPERSON TAKES GAVEL**

Election of the Vice-Chairperson

Nominations were opened for Vice-Chairperson and Len Francis nominated Bob Bednar.

***Through a motion made by Don Reeder, seconded by Ben Drake, nominations were closed and a Unanimous Ballot was cast for Bob Bednar as Vice-Chairman of the Board for the 2005-2006 season.***

Election of the Secretary

Nominations were opened for Secretary and Avi Crane nominated Alva Snider.

***Through a motion made by Mark Borchard, seconded by Len Francis, nominations were closed and a Unanimous Ballot was cast for Alva Snider as Secretary of the Board for the 2005-2006 season.***

*Election of the Treasurer*

Nominations were opened for Treasurer and Bob Bednar nominated Len Francis.

***Through a motion made by Don Reeder, seconded by Alva Snider, nominations were closed and a Unanimous Ballot was cast for Len Francis as Treasurer of the Board for the 2005-2006 season.***

*New Board Orientation*

Ms Betts discussed USDA's role with the Order and with HAB, and reviewed the responsibilities of the board members. She reminded the Board that participation and attendance is requested, and went over the Board's accountability to the Secretary of Agriculture.

There was discussion regarding officer term limits. It was proposed that the Board consider limiting officer terms to three consecutive years of service in any one position. Staff was directed to provide a framework for discussion at the January meeting.

*Approve August Minutes*

The Minutes of August 17, 2005 were presented and approved.

***MOTION:*                    *The HAB Board of Directors approves the August 17, 2005 Board Meeting Minutes as presented. (Snider/ Figueroa) MSC Unanimous***

**FINANCE**

Ms. Weaver welcomed the new Board Members, and thanked them in advance for their service for fiscal year November 1, 2005 through October 31, 2006.

*2004-05 Audit Report*

Ron Lopez from Conrad & Associates Certified Public Accountants was introduced by Ms. Weaver. It was reported that a surprise audit was performed by Conrad & Associates on the Hass Avocado Board cash and investments for the month of August 2005. The audit found all to be in order with no discrepancies noted.

***MOTION:*                    *The HAB Board of Directors accepts the audit report as presented. (Snider/DeMalo) MSC Unanimous***

A member questioned whether an alternate could vote. The Chairman reminded the Board that an alternate is allowed to vote in his or her member's absence. At that time the alternate would be voting as a member.

*The Independent Accountant's Report is attached to the permanent copy of these Minutes and identified as Exhibit B.*

2004-05 Financial Update

November '04 – October '05 (Current Fiscal Year – Twelve Months)

Ms. Weaver reported that Hass Volume, Revenues, Net Revenues and Reserves are ending up the year above budget due to the additional volume from Chile (+70.5 MM lbs.) and Mexico (+68.9 MM lbs.). Increases are as follows:

- Hass Volume = 824.1 MM lbs. --- up 117.6 MM lbs. over the annual estimate of 706.5 MM lbs.
- HAB Revenues = \$20.6 MM dollars --- up \$2.9 MM dollars over the annual estimate of \$17.7 MM dollars.
- HAB Net Revenues = \$4.3 MM dollars --- up \$1.5 MM dollars over the annual estimate of \$2.8 MM dollars.
- HAB Reserves = \$1.0 MM dollars --- up \$.3 MM dollars over the annual estimate of \$.7 MM dollars.

USDA – Billing Review/Update

Former HAB Treasurer Bob Bednar and HAB Administrator & CAC Vice President of Finance and Administration Val Weaver met with USDA to review billing for AMS oversight of the HAB. Administrative and supervisory costs, supporting documentation and the percent of cost allocated to all programs were reviewed. All were checked for accuracy, completeness and reasonableness. All seemed to be in order and no discrepancies were found. A complete report was provided to the Board.

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

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

*The HAB 2004-05 Financial Overview is attached to the permanent copy of these Minutes and identified as Exhibit E.*

Crop Estimates

The accuracy of crop estimates was discussed. HAB Managing Director Jose Luis Obregon has been in frequent communication with offshore suppliers in order to obtain the most up-to-date information. Volume projections from Chile, Mexico, and other locations differ from the California estimate in that they are really shipping projections. These are subject to change based on market conditions. California's projection is an on-tree estimate which is considered a more reliable indicator of the volume of fruit that will be sent to market. The board agreed that every effort should be made to improve the accuracy of offshore arrivals.

*The HAB Schedule of Investments is attached to the permanent copy of these Minutes and identified as Exhibit F.*

*The 2004-05 U.S. Aggregate Avocado Volume and 2005-06 U.S. Aggregate Avocado Volume charts are attached to the permanent copy of these Minutes and identified as Exhibits G & H.*

## **CHAIRMAN'S REPORT**

Chairman Wolk introduced HAB's Managing Director Jose Luis Obregon.

### **Video Conferencing Update**

Mr. Obregon reported that he has been in contact with the Importer Associations concerning the implementation of videoconferencing capabilities. Currently, Chile and New Zealand have signed the leases with HAB allowing for the installation of video conferencing equipment. Mexico and the Dominican Republic are still reviewing their contracts. He noted that video conferences have already been successfully conducted and that all players will most likely be participating at each Board meeting via videoconference in the first part of next year.

### **Substantial Activity Definition**

In order to serve as an importer member on the Board, an importer is defined as a person who is involved in, as a substantial activity, the importation of Hass avocados for sale or marketing in the United States. Section 1219.30(d) of the Hass Avocado Promotion, Research, and Information Order (Order) states that a substantial activity means that the volume of a person's Hass avocado imports must exceed the volume of the person's production or handling of domestic Hass avocados. In March 2003, USDA issued a Proposed Rule that would have terminated the substantial activity definition. USDA recently decided to withdraw the Proposed Rule, and on October 21, 2005, the Department issued an Advance Notice of Proposed Rulemaking inviting comments on a possible change of the substantial activity definition. Comments are due December 20, 2005.

The Board discussed the merits of changing the definition. It was noted that the present definition still excludes from service some of the largest and most knowledgeable importers. It was proposed that a minimum volume threshold be established in place of the current definition. After further discussion, the Board agreed to make a recommendation to USDA that importers handling at least 500,000 pounds of imported Hass avocados annually be eligible to serve on the Board.

**MOTION:**                    ***The HAB Board of Directors recommends to USDA to revise the rule to 500,000 pounds imported per fiscal year (minimum) to be eligible to serve as an importer. (Figueroa/Donovan) MSC Unanimous***

Mr. Day noted that the Board's discussion is very important today in setting the definition and moving the Rule making forward.

## **ADJOURN FOR LUNCH**

Chairman Wolk adjourned the Board for lunch at 11:55 a.m. and the Board reconvened at 12:40 p.m.

## **CHAIRMAN'S REPORT - continued**

### *Marketing Committee*

Chairman Wolk announced that he would like to form a Marketing Committee and he appointed Avi Crane as Chair and Jose Luis Obregon to assist the Committee. This will help develop more creative dialogue between the players.

### *Joint New Zealand/Australia Avocado Congress Update*

Mr. Obregon reported on the Joint New Zealand/Australia Avocado Congress held in New Zealand. He said that there were approximately 700 people in attendance. Dr. Guy Witney was well received as a guest speaker at the conference, and reported great enthusiasm from the attendees for the AvoHQ website and HAB's vision. He explained that Australia has recently unveiled a system, similar to CAC's Avocado Marketing Research and Information Center (AMRIC) launched in 1985.

## **MARKETING**

### *PMA Report*

Jose Luis Obregon reviewed avoHQ.com successes; he reported that there are currently 1131 registered users, with 188 joining during the last quarter. Chilean participation grew 93% since July and Mexican participation grew 52% in the same period. Mr. Obregon outlined the new snapshot views of key information on the website and showed the Board the new Marketing Programs section along with the added 2005-06 Arrival/Volume Projections.

He discussed the Network Marketing Center's (NMC) outreach program with the importers, the 'AvoAction' online newsletter that was launched at the HAB PMA booth, and the online consumer communications on avocadocentral.com.

Jan DeLyser recapped the Consumer PR Program, Trade Campaigns and recent press releases, reminding the board that HAB continues to show its strengths to the industry. It was reported that there are almost 20,000 current recipe subscribers which provide nearly 3.3 million impressions per year. HAB's marketing is currently gearing up for New Year's and Superbowl celebrations. Ms. DeLyser noted that the PMA Convention in Atlanta, Georgia was a great opportunity to bring AvoHQ live from the CAC booth.

Peggy McCormick discussed Trade Communications & Foodservice highlights, recognizing the new successes in Operator Programs, Public Relations, E-Newsletters, Culinary Education, Distributor Incentive Programs and Events.

The Board congratulated staff for their accomplishments.

*The complete HAB Board Update Presentation is attached to the permanent copy of these Minutes and identified as Exhibit I, 1-17.*

### Marketing Program Update

Mark Affleck recapped the background for the formation of the Integrated Hass Avocado Category Marketing plan: Unification, Strategy, Branding, Demand, and Infotech. He outlined the Team Hass 365 Trade Ads, Marketing Tiers, Strategic Synergy, and the Promotion Programs. The Board was reminded that there are \$32 million dollars committed to marketing fruit this year, and with an estimated 1 billion pounds coming into the market and that all players must stay involved in understanding the production, shipping, and marketing information – the Strategic Synergy under the HAB umbrella.

Mr. Affleck noted that with the newly appointed Marketing Committee, representatives from all countries can exchange information and ideas to effectively utilize the \$32 million marketing resources. The Committee would be able to meet via video conference.

*The complete Integrated Hass Avocado Category Marketing Presentation is attached to the permanent copy of these Minutes and identified as Exhibit J, 1-27.*

*The complete HAB Marketing Plan – Gross Impressions is attached to the permanent copy of these Minutes and identified as Exhibit K, 1-4.*

### **LITIGATION UPDATE**

Bellamore reported that the case against the Hass Avocado Board is still pending at the District Court level. Following the U.S. Supreme Court decision in *Johanns v. Livestock Marketing Association*, the District Court requested another round of briefing on the implications for the avocado case. Those briefs have been filed and all parties are now awaiting a decision.

### **BOARD COMPOSITION**

The Order provides that three years after commencement of assessments, the Board shall review domestic and imported volumes from the immediately preceding three year period and, if warranted, recommend to the Secretary reapportionment of the three “swing” (producer/importer) seats on the Board to reflect proportional changes in volume. Staff will conduct the analysis as soon as the volume information becomes available from the U.S. Customs Service.

### **NEW BUSINESS**

Chairman Wolk mentioned that there has been some discussion among industry import associations about making certain changes to the Hass Avocado Promotion, Research and Information Act. For example, some industry members are interested in using assessments to pay for administrative fees, something presently prohibited by the Act and Order. Others have discussed raising the rebate percentage to an amount higher than the current 85% set by law. One Board member expressed a willingness to receive more information about the administrative fee issue. Generally, however, the Board agreed that such changes were potentially divisive and premature.

Hass Avocado Board  
Board Minutes  
November 16, 2005

Announcement

Mr. Wolk announced to the board that he was retiring from the California Avocado Commission's Nutrition Committee after many years of service and progress in highlighting the nutritional aspects of the avocado to the public.

**ADJOURNMENT**

Chairman Wolk adjourned the HAB meeting at 1:50 p.m. The next meeting will be held on January 18, 2005.

Respectfully submitted,

---

Laurie Hill, CAC Industry Affairs Coordinator

I certify that the above is a true and accurate statement of the November 16, 2005 Minutes approved by the HAB Board of Directors on January 18, 2006.

---

Alva Snider, HAB Board Secretary