

# HASS AVOCADO BOARD BOARD MEETING MINUTES October 15, 2003

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A meeting of the Hass Avocado Board (HAB) was held on Wednesday, October 15, 2003 at the California Avocado Commission (CAC) office in Irvine, California, with the following people present:

## MEMBERS PRESENT

Charley Wolk, Chairman  
Scott McIntyre, Vice Chair  
Robert Bednar, Treasurer  
Alva Snider, Secretary  
Michael Browne (Alt. Figueroa)  
James DeMalo  
Jim Finch  
Len Francis

## MEMBERS ABSENT

George Barnes  
Mark Borchard  
Eric Crawford  
Ed Figueroa

## CAC STAFF PRESENT

Mark Affleck  
Tom Bellamore  
Betty Bohrk  
Jan DeLyser  
Dave Howald  
Laurie Hill  
Michelle Spelman  
Connie Stukenberg  
Val Weaver  
Guy Witney

## ALTERNATES PRESENT

Giovanni Cavaletto  
Paul Foley  
Tom Markle  
Robert Perry  
Don Reeder  
Luke Sears  
Donna Singmaster

## ALTERNATES ABSENT

Ralph DeLeon  
Bob Flack  
Dan McGrath

## OFFICIALLY PRESENT

Margaret Irby, USDA  
Kendra Peavy, IMW  
Jerome Stehly, ex officio  
Richard Kline,  
Fleishman-Hillard  
Janet Greenlee,  
Fleishman-Hillard

## GUESTS PRESENT

Jack Abbott  
Peggy Bednar  
Kari Bretschger  
Morgan Brown  
Irene Cabanas  
Joe Charest  
Kathleen DeFreitas  
Ralph Dutra  
Xavier Equihua  
Paul Izenstark  
J. Jesus Lopez  
Jim McCormac  
Peggy McCormick  
Steven Muro  
Barbara Peirce  
Steve Peirce  
Ricardo Vega-Lopez  
Liz Wilkins

## CALL TO ORDER

Chairman Charley Wolk called the meeting to order at 10:05 a.m. and a quorum was established.

**Introductions/Announcements**

Chairman Wolk introduced Margaret Irby, USDA/AMS to the Board. Irby was recently appointed Chief, Research and Promotion Branch, of AMS. She will, however, continue to be the HAB representative. He also recognized Jesus Lopez from the Mexican Avocado Importers Association and Xavier Equihua from the Chilean Avocado Importers Association.

**Approval of Minutes**

Chairman Wolk declared the August 20, 2003 Minutes approved as submitted with the following changes: Page 5, include (Snider/Singmaster) as a motion maker and second; Page 6, change the roll call vote name from Foley to Francis.

**ADMINISTRATION**

**Logo—Final Review/Approval**

President Affleck distributed an updated logo design based upon HAB Board discussion and approval at the last meeting. The Board agreed to move forward with this design.

**Committee Appointments**

Chairman Wolk stated that an importer needed to be on the Finance Committee and, as HAB Chairman, appointed Luke Sears to serve on the Finance Committee.

**MOTION:**     ***The Hass Avocado Board approves the appointment of Luke Sears to the Finance Committee. (Francis/Bednar) MSC Unanimous***

**FINANCE**

**2003 Financial Update**

A financial overview was given by Vice President of Finance Val Weaver. The January-October 2003 forecasted volume of 513.9 million pounds is estimated lower by 32.9 million pounds due to a decrease in California volume. Revenue forecasted at \$12,847,500 is lower by \$822,000, but net revenues (after 85% rebates) forecasted at \$2,139,626 are higher by \$514,000 due to Mexico's importer association not being approved in time to receive a rebate. Reserves are projected to be \$1.4 million, which includes estimated unspent marketing program costs.

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

**Budget Amendment #1**

Treasurer Bednar presented Budget Amendment #1 that was updated to reflect line item details approved by the Board in August 2003. He added that USDA had approved the budget and that it was being distributed for everyone's reference.

The complete HAB 2003 Budget Amendment #1 is attached to the permanent copy of these Minutes and identified as Exhibit B.

### **2003-04 Budget**

Treasurer Bednar presented the HAB 2003-04 Budget that has been updated with line item details approved by the Board in August 2003. The Budget has been submitted to USDA for approval and to the Board for their reference.

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

### **Corporate Insurance Update**

Treasurer Bednar and CAC Vice President Val Weaver were informed that HAB could not be insured under CAC's insurance policies, so two insurance bids were solicited for HAB's corporate insurance. Cal-Surance had a lower quote of about \$21,500, so the Finance Committee recommended Board acceptance of this proposal. The Committee also recommended an increase in the travel accident coverage from \$50,000 to \$100,000 minimum per incident. The travel accident pricing is contingent upon the California Avocado Commission increasing its insurance and covering an addition to its premium, which CAC's Treasurer Scott McIntyre reported would amount to a small increase of about \$2,000 and could be covered.

**MOTION:     *The Hass Avocado Board approves premiums of \$21,500 with Cal-Surance for corporate insurance coverage, with an increase of coverage to \$100,000 for the travel accident policy.  
(Bednar/Snider) MSC Unanimous***

The complete HAB 2003/04 Premium Summary is attached to the permanent copy of these Minutes and identified as Exhibit D.

### **Supporting Documents for Processing 85% Import Rebates**

Treasurer Bednar presented the Customs Reports/Assessment Flowchart distributed to the Board. The purpose of this report is to let the Board know the process of how HAB receives the assessment funds and reports from Customs. He reported that assessments from Customs were being transferred to HAB as requested within the first 10 days of each month. The documentation to support the Customs assessments and process the 85% rebates to import associations in a timely manner has not been received on time. It also does not contain the country of origin information. That is provided by USDA in a secondary document. Additional work is then needed to merge the two documents to balance to the funds received. Bednar reported that Weaver has been working with Customs and USDA to rectify the situation. USDA has promised to continue working on a permanent solution and will keep the secondary report coming to HAB each month.

Discussion ensued regarding the situation. It is crucial that the rebates are made as soon as possible, so that the import associations can meet their obligations. The Board noted that the current system is not perfect and that a regular routine is being devised to meet all concerns. The Chairman indicated that he would be going to Washington D.C. to discuss the issue with Customs.

The HAB Custom Reports/Assessments Flowchart is attached to the permanent copy of these Minutes and identified as Exhibit E.

**2003-2004 Lamb Hass Assessment**

The Lamb Hass press release from the USDA was distributed at the meeting. It announces that Lamb Hass avocados will be assessed a 2.5 cent per pound assessment effective November 1, 2003.

The USDA Press Release on Lamb Hass Avocado Assessment is attached to the permanent copy of these Minutes and identified as Exhibit F.

**ISSUES (moved from 1:30 pm to 10:35 am)**

**Quality-Plan of Action**

The Board's preference last meeting was to support the quality issue at Avocado Brainstorming '03 Session, taking place at the end of the month. It was decided that quality is an issue that needs to be addressed, but that the topic is a complex one, particularly due to the seasonality of supplies. An overview, covering the short term and long term issues, was distributed in the meeting packet so that all attendees are clear on the Board's view of the situation.

The background summary presented to the Board outlines the issues leading up to necessary action and the situation at hand. The overview acknowledges that the Board feels quality is a major issue that should be tackled through the support offered at the Brainstorming session. It outlines the Information Technology and Network Operations Center that will be implemented to better illuminate quality issues in the market. Furthermore, it explains how the Strategy Committee has done exploratory work on a Federal Marketing Order which has grade and standard requirements.

The options originally presented were to take no action, to amend the Florida Marketing Order to include Hass avocados, or to pursue the establishment of a Federal Marketing Order that would create standards for Hass avocados. Currently, no action is required. The exploratory process is underway for a Federal Marketing Order. In January, details of the implementation process and timetable will be presented to the Board, as well as a review of the existing California and Florida standards. A rough draft of a standard will be presented in January to test the overall industry consensus.

The October 2003 HAB Quality Update is attached to the permanent copy of these Minutes and identified as Exhibit G.

**MARKETING (Moved from 12:30 pm to 10:55 am)**

**2003-04 Strategy**

Chairman Wolk turned over the meeting to President Affleck to discuss an update and overview of the 2003-04 Strategy process approved at the last meeting. Affleck reviewed the cyclical process involved in the effort, the forces driving the strategy, and the two-plank strategy including Information Technology (InfoTech) and Marketing Communications (MarCom). He continued by unveiling the Network Operations Center diagrams that demonstrate how the center will look and feel.

President Affleck outlined the first plank of InfoTech Program that includes three phases of monitoring: pre-season, in-season and post-season. These phases will help HAB monitor and evaluate how the market performs and responds to HAB promotions. The type of information that will be available during these phases was shown as a sample screen layout.

The second plank—MarCom—includes a three-program component that involves consumer communication, trade communication and industry communications. These programs will be used to increase awareness and demand for Hass avocados in targeted markets. More information about the MarCom strategy was presented along with a \$905,000 gross budget and detail on strategy, targets, campaign details, and media support. Affleck introduced the Information Technology team including Jack Abbott and Morgan Brown from Inter@ctivate and Steve Muro of Fusion Marketing.

Discussion ensued over the existing plan regarding legality, in-country components and budgeting. Once the program is fully developed and understood, in-country communication/training will be included in the plan. A suggestion was made to allow money for creating stations in other countries so that all can communicate with the center and access its information.

President Affleck introduced the HAB Marketing Team by explaining that the Board has made an extended effort to separate CAC and HAB so that HAB can have its own identity. The HAB MarCom team members are:

Fleishman-Hillard—Richard Kline and Janet Greenlee--Consumer Marketing; Jan DeLyser and Michelle Spelman are staff representatives working with Fleishman-Hillard; Inter@ctivate--Jack Abbott and Morgan Brown--Information Technology Team; MMM Marketing—Peggy McCormick—Foodservice; Fusion Marketing—Steve Muro--Trade Communication; Jan DeLyser is the staff representative working with Fusion Marketing; Integrated MarketingWorks—Kari Bretschger--Industry Communication; Project Management—Ralph Dutra; MarCom Alliance—Joe Charest; Colby & Partners--Paul Izenstark—HAB Branding.

President Affleck requested that the Board review the 2003-04 Business Plan and inform the staff of adjustments that might need to be made. The strategy is firm but there is flexibility with respect to the tactics. A suggestion was made to make the marketing campaign more suitable to the import seasons and a note was made to review market distribution for MarCom spending for all volume. It was noted that the import associations are eligible to receive an 85% rebate for their own seasonal marketing.

Chairman Wolk reiterated that HAB has an “A” Team.

The *Fleishman-Hillard Brochure and Capabilities for HAB* handouts are attached to the permanent copy of these Minutes and identified as Exhibits H1 and H2.

**NEW BUSINESS**

Board members were advised of the new Food and Drug Administration Interim Final Rule, which regulates the registration of processing facilities and requires prior notice of imports. A memorandum was made available to interested parties. The memorandum pertains to importers and those managing facilities.

**ADJOURNMENT**

Chairman Wolk adjourned the HAB meeting at 12:05 p.m. The next HAB meeting will take place on Wednesday, January 14, 2004. The board will be sent an update on launch activities in late November or early December so that everyone is up-to-date in January 2004.

Respectfully submitted,

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Kendra Peavy

I certify that the above is a true and accurate statement of the October 15, 2003 Minutes approved by the HAB Board of Directors on January 14, 2004.

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Alva Snider, HAB Board Secretary