

# HASS AVOCADO BOARD BOARD MEETING MINUTES July 24, 2008

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A meeting of the Hass Avocado Board (HAB) was held on Thursday, July 24, 2008 at HAB's headquarters in Irvine, California, with the following people present:

## **MEMBERS PRESENT**

Len Francis, Chairman  
Jim Donovan, Vice Chair  
Don Reeder, Treasurer  
Ed Figueroa, Secretary  
*(partial attendance via  
teleconference)*  
Bob Bednar  
Giovanni Cavaletto  
*(Alt. Figueroa)*  
Avi Crane  
Ben Drake  
Jimmy Lotufo  
Tom Markle  
Galen Newhouse  
Ken Roth  
Charley Wolk

## **MEMBERS ABSENT**

Charles Froehlich

## **STAFF PRESENT**

Jose Luis Obregon,  
*HAB Managing Director*  
Val Weaver,  
*HAB Administrator*

## **ALTERNATES PRESENT**

Pilar Charrada  
Elena Garcia  
John Lindstrom  
Daniel Sanders  
Nilda Mesistrano-Hyde  
Bradley Miles  
Katie Wild

## **ALTERNATES ABSENT**

Anat Ariav  
Alvin Gebhart  
Luke Sears

## **OFFICIALLY PRESENT**

Marlene Betts, USDA  
Tom O'Brien, O'Brien D.C.  
*(via teleconference)*  
Ken Roberts,  
Cooper-Roberts  
Rick Shade- Ex-Officio  
CAC

## **GUESTS PRESENT**

Jack Abbott  
Jorge Aguilar  
Dave Anderson  
Jennifer Baker-Asiddao  
Kelly Barnard  
Zachary Benedict  
Tom Bellamore  
Maggie Bezart  
Jackie Bohmer  
Wayne Brydon  
Ron Campbell  
Joe Charest  
Ray Chen  
Jan DeLyser  
Angelina Downing  
Diane Dreyer  
Stephen Eckel  
Angela Fraser  
Laurie Hill  
Dave Howald  
Ohannes Karaoghlanian  
Doug Koegeboehn  
Kim Kurata  
Jesus Lopez Herrera  
Diana Mathias  
Peggy McCormick  
Marji Morrow  
Steven Muro  
Adolfo Ochagavia  
*(via videoconference)*  
Lori Small  
Linda Wild

## **CALL TO ORDER**

Chairman Len Francis called the meeting to order at 10:04 a.m. The Chairman took roll and a quorum was established.

Introductions / Announcements

The Chairman announced the guests in attendance: Adolfo Ochagavía, President of Comité de Paltas in Chile, via videoconference; Jackie Bohmer, Mexican Hass Avocado Importers Association (MHAIA) Marketing Director; Maggie Bezart, Chilean Avocado Importers Association (CAIA) Marketing Director; Ron Campbell, Executive Director of MHAIA; and Marlene Betts, United States Department of Agriculture (USDA).

The Chairman reported that he had just received a letter of resignation from Producer Member Charles Froehlich, Jr. who announced his resignation effective today. The Chairman noted that Mr. Froehlich had suffered a stroke a few months back and is still recovering. His Alternate, Tom Markle, assumed the Producer Director seat, with his term expiring in October 2009. USDA representative Marlene Betts confirmed that a vacancy mailing will go out to the growers to fill the Producer Alternate seat.

The Chairman noted that Secretary Figueroa may attend the day's meeting via teleconference. He was not on the conference call at the time of the roll call. His Alternate, Mr. Cavaletto, served in Mr. Figueroa's absence. HAB counsel Tom O'Brien was attending via conference call.

Minutes Approval

The Board reviewed the May 22, 2008 Minutes. No corrections or amendments were made and the following Motion was approved:

**MOTION:     *The Hass Avocado Board of Directors approves the May 22, 2008 Minutes as presented. (Markle/Drake) MSC (11 Yes; 1 Abstention- Ken Roth)***

**ADMINISTRATION & FINANCE**

2007-08 Financial Report

Ms. Weaver reported that eight months of Customs and Assessment Reports have been received (November 2007 – June 2008). In all cases, actual volume, gross revenue, and net revenue are all higher than budget.

Outlook for the fiscal year shows the following:

- Hass Volume = 974.9 MM lbs. --- up 45.9 MM lbs. from the 929.0 MM lb. estimate.
- HAB Revenues = 24.4 MM dollars --- up \$1.2 MM from the \$23.2 MM estimate.
- HAB Net Revenue = \$5.0 MM dollars --- up \$1.3 MM from the \$3.7 MM estimate.
- HAB Reserves as of 10/31/08 = \$3.2 MM --- up \$1.3 MM over the \$1.9 MM estimate.

U. S. Aggregate Volume by Month Fiscal for Year 2007-08:

The U.S. aggregate volume outlook for FY 2007-08 for all varieties has been updated to reflect import data received from Customs through June 2008 and grower data from California handlers through May 2008. Volume is spread by month based on estimated market trends as follows:

U.S. aggregate volume of all varieties in the domestic market place is slightly higher by 2.2 MM lbs. and is now tracking at 1.0463 billion lbs. from the May 2008 estimate of 1.0441 billion lbs., mainly due to additional volume from Mexico.

Investment Summary

As of June 30, 2008 HAB has five Certificates of Deposits with a market value of \$496,000 and yielding between 3.05% - 3.55%.

2008-09 Draft Administration Budget

Weaver reported that the Finance Committee reviewed the Administration Budget and recommended changes which she will bring to the Board at the September meeting.

2008-09 Preliminary Revenue Projections

Preliminary Hass volume projections for 2008-09 have been estimated at 947 MM lbs. Estimated Beginning Reserves are \$3.2 MM; Revenue projections based on a \$.025 per lb. assessment rate are estimated at \$3.8 MM for a total of \$7.0 MM in available resources. \$5.6 MM is estimated for the Operating Budget which would leave HAB with Ending Reserves of \$1.4 MM.

Vice-Chairman Donovan reported that the Mexican crop report was estimated at a 20% reduction from the previous year. He noted that MHAIA is revisiting the estimate to confirm the numbers.

Code of Conduct & Ethics and Fraud Policy Approval

Ms. Weaver reminded the Board that Certified Public Accounting (CPA) firm Mayer, Hoffman & McCann had recommended in mid-January 2008 that a Code of Conduct & Ethics and Fraud Policy be created to establish guidelines, best practices and enforcement. Ms. Weaver reported that the Board's recommended housekeeping changes were applied to the policies by legal counsel and submitted to the Board for their review last week.

After discussion, a motion was made:

**MOTION: The Hass Avocado Board of Directors accepts the Code of Conduct & Ethics document with changes as presented. (Drake/Donovan) MSC**

Board discussion ensued.

**MOTION: The Hass Avocado Board of Directors accepts the Fraud Policy with changes as presented. (Drake/Lotufo) MSC**

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

The Code of Conduct & Ethics and Fraud Policy is attached to the permanent copy of these Minutes and identified as Exhibit B.

## **CHAIRMAN'S REPORT**

### **2008 HAB Election Update**

The Chairman reported that results were in from the independent CPA firm, Mayer Hoffman McCann (MHM) and stated that the names that received the highest number of votes have been submitted to USDA. He read the names of those who received the highest number of votes submitted to the U.S. Secretary of Agriculture, who will appoint the Members to fill the upcoming seats. The names were as follows:

Producer Member names: Bennett R. Drake, Ohannes Z. Karaoghlanian, Kenneth Roth, Kay S. Wild, Jeffrey S. Yong, James Harrigan.

Producer Alternate names: Kay S. Wild, Edward Embly, Ohannes Z. Karaoghlanian, Casmire Wyantiec, Donald McCarthy, Greg Larson.

Importer Member names: James C. Donovan, Giovanni Cavaletto, Avi Crane, Elena Garcia.

Importer Alternate names: Elena Garcia, Pilar Charrada, Earl Bowerman, Jay Humphreys.

*The MHM Election Results are attached to the permanent copy of these Minutes and identified as Exhibit C.*

### **Peru/Chile Trip**

The Chairman explained to the Board that he and Managing Director Jose Luis Obregon had gone on an 'outreach' trip to Peru to meet with the Chairman of the Peruvian Hass Avocado Association and the avocado leadership of that country. He noted that the purpose of the trip was to develop and increase relations with Hass industry players and to communicate HAB's Strategic Frame.

He reported that they also visited Chile and met with their industry leadership, growers, handlers and exporters. A slide show was shown which gave an overview of the industry in Peru and Chile.

The presentation to the Board outlined the topics that were discussed and who they met within the industry.

The Chairman thanked Xavier Equihua, who was instrumental in arranging the meetings in Peru. It was noted that Mr. Equihua was not in attendance during the outreach trip.

It was questioned as to when Peru might begin sending their fruit into the U.S. Obregon mentioned that USDA- Animal and Plant Health Inspection Service is currently reviewing the phytosanitary protocols and there is no known timeframe at this point.

*The Peru & Chile Outreach Presentation is attached to the permanent copy of these Minutes and identified as Exhibit D.*

Organic Exemption Issues

Mr. Obregon reported that during the annual 2006-07 California handler assessment audit it was discovered that HAB assessments had not been collected from organic fruit growers that did not have a HAB Organic Exemption Certificate (Certificate). It was also mentioned that growers had sent letters requesting the Board to consider waiving those assessments and penalties. Obregon mentioned that these letters were sent in advance to all Board members in their Board packet for their consideration.

During the HAB Board discussion, it was pointed out that the Hass Avocado Promotion, Research, and Information Order clearly states how compliance for an organic exemption must be achieved. If the producer complies with the organic requirements needed for an exemption, then the Board will grant an assessment exemption and shall issue a Certificate of Exemption to the producer. The producer shall provide a copy of the Certificate of Exemption to each handler to whom the producer sells Hass avocados. The handler shall maintain records showing the exempt producer's name and address and the exemption number assigned by the Board.

It was stated that the law concerning the Organic Exemption is clear as to what needs to be done to be in compliance. The HAB organic assessment exemption information has been posted on avoHQ.com since 2005 and growers must read it to know how to comply and submit forms.

It was questioned why there was no trigger on HAB's end which would offer a red flag if more organic exemptions were being taken than were being reported for verified organic growers. Ms. Weaver noted that the Certificates do not have the acreage, nor do handlers report grower names or acreage on the fruit being reported. However, she reported that a system is implemented to help account for organic volume and approved Certificates during the annual handler audit process.

After additional discussion, the following Motion was made:

**MOTION:     *The Hass Avocado Board (HAB) Board of Directors agrees that the assessment for organic fruit not having a HAB Organic Exemption Certificate, along with penalties, is due to HAB. (Reeder)*  
**Reeder withdrew his motion after further Board discussion.****

Discussion ensued. It was noted that this was not an action item; therefore, a Motion was not needed. The Board's consensus was to proceed with collecting the assessments and penalties due HAB.

*The Letters from the Growers are attached to the permanent copy of these Minutes and identified as Exhibit E.*

Calendar Year vs. Fiscal Year

It was noted that HAB received a letter from USDA-Agricultural Marketing Service where it was determined that each avocado association created under the Order could set their

own fiscal period. Chairman Francis asked the Board's opinion on whether HAB should change its current fiscal period of November – October to a calendar year.

It was mentioned that Mexico was considering a change to a calendar year but had tabled the discussion for now. Chile is contemplating a move to a fiscal year of June – May. Each association's fiscal year tends to default to its season.

Ms. Weaver was asked if she had reviewed pros and cons of changing the fiscal year of HAB. She replied that the issue had been discussed in 2006 and that a change could be made to a calendar year without a big expense. She also noted that no legal change would be needed but there would need to be a change in some policies and procedures. There would need to be two months added on to the fiscal year to align it with the next calendar year. The Chairman said that, out of convenience, he felt that calendar year would be preferred.

Mr. Obregon asked the Board for direction since next year's budget would need to be planned out for 14 months if they choose to change the fiscal year. The following motion was then made:

**MOTION:**     *The Hass Avocado Board (HAB) Board of Directors agrees to change the HAB fiscal year (November 1 – October 31) to a calendar year (January 1 – December 31) and to add November and December 2008 to the 2009 calendar year in order to be aligned for the future years. (Crane/Newhouse) MSC Roll call vote unanimous.*

### **CONSUMER RESEARCH PRESENTATION**

#### *General and Hispanic Awareness and Usage Studies*

Ken Roberts from Cooper-Roberts Research gave a presentation on the Usage and Awareness tracking studies that were conducted on behalf of HAB in the general and Hispanic communities.

This wave of the General tracking study was completed in March of 2008 and conducted on 1,350 grocery shoppers via a web-based survey.

He gave a summary of the survey results on advertising awareness, (noting that TV, in-store and print are the top sources of advertising recall), avocado users, seasonal usage, year-round consumption, usage ideas, purchasing habits, demographic profiles, country-of-origin and quality & taste.

*The General Avocado Tracking Study is attached to the permanent copy of these Minutes and identified as Exhibit E.*

### **ADJOURN FOR LUNCH**

The Chairman adjourned the Board for lunch at 12:15 p.m. The Board reconvened at 1:05 p.m.

Ken Roberts continued his report on the avocado awareness study in the Hispanic community which objective is to understand perceptions of purchase, usage and consumption of avocados among various key Hispanic segments. He stated that a total of 750 telephone interviews were conducted.

Again, he went through the survey results of avocado users, seasonal usage, year-round consumption, usage ideas, purchasing habits, demographic profiles, Country-of-Origins and quality and taste.

*The Hispanic Avocado Tracking Study is attached to the permanent copy of these Minutes and identified as Exhibit F.*

## **MANAGING DIRECTOR'S REPORT**

### **Marketing Committee Report**

Managing Director Jose Luis Obregon reported that the Marketing Committee met on July 23, 2008. He stated that no motions were made at the meeting, only general recommendations to share with the Board for their consideration while finalizing the 2009 HAB Business Plan.

He mentioned that the overall recommendation that came out of the Marketing Committee meeting was that "*HAB Should Focus On Programs That Drive Consumer Demand And Provide Research And Information To All Associations.*"

Mr. Obregon shared the Top-5 Key items:

- Make Nutrition Research and Nutrition Outreach a much bigger focus of HAB's entire marketing program.
- HAB should consider eliminating holiday promotions since Chile and Mexico have this period covered.
- Biggest period to focus promotion is the September/October program. It was requested that GolinHarris conduct research of top food companies to understand and evaluate the promotional programs that were conducted by these organizations during the September/October time frame during the past few years.
- BIG GAME is still of interest, but in close cooperation with Mexico. Desire to make it more than a one-day event. Consider tie-ins with major grocery brand partners.
- HAB Board should evaluate eliminating/minimizing HAB merchandisers and reallocate the budget toward research, but maintaining some funding for trade advertising and category POS.

CAIA Marketing Director, Ms. Bezart, commented that CAIA is appreciative of the research studies that the California Avocado Commission (CAC) has already done but explained that other commodity Boards have been successful in obtaining additional health messages and claims. She reiterated that HAB should conduct a human study in order to pursue additional messaging for the category. Board Alternate Cavaletto asked for information on what level of funds would be required to have a comprehensive nutritional research program. Jennifer Baker from GolinHarris explained to the Board that

these type of programs are long term and would require an investment of anywhere from \$100,000 to \$500,000 a year.

Chairman Francis started discussion about the role of HAB merchandisers and if the Board should consider eliminating the program. It was mentioned that CAC, CAIA and the Avocado Producer and Exporting Association of Michoacan, Mexico (APEAM) have their own merchandising teams and MHAIA is considering forming one. It was also mentioned that handlers/ importers also do their own merchandising which contributes to the confusion that the retailers are expressing. Mr. Obregon stated that the original idea of having only one individual merchandising team representing the category never materialized and that it is important for the Board to decide on whether HAB should re-focus its trade outreach.

Jan DeLyser, VP of Marketing for CAC, mentioned that what she took out of the Marketing Committee meeting was less of a consensus to eliminate the HAB merchandising team but more of an agreement that consumer direct marketing is where HAB should focus its efforts. She believes that the question the Board should address is in which direction is HAB headed and, if its goal is to affect consumption of Hass avocados in the United States, can it effectively be done without a trade component and a limited budget?

Board member Wolk stated that there needs to be more information and facts for the Board to evaluate to have a clear definition of the path that needs to be taken.

After further discussion, Mr. Obregon informed the Board that he will provide two budgets and business plans for review by August to be discussed and considered by the Board in September.

Mr. Obregon requested that the Board should consider extending the current fiscal year by two months and to begin the next fiscal year on January 2009. This would provide HAB and its agencies two additional months to finalize the 2009 Business Plan.

Following further discussion, Mr. Crane withdrew his original motion and Mr. Newhouse withdrew his second to that original motion. Then a final, revised motion was made:

**MOTION:     *The Hass Avocado Board (HAB Board of Directors agrees to extend the current fiscal year (November 1, 2007 – October 31, 2008) by two months, until December 31, 2008, and begin January 1, 2009 as its first calendar year. Funding for the two additional months to come from Reserves. (Crane/Newhouse) MSC Roll call vote unanimous.***

## **2008-09 PLANNING**

*Review 2008-09 HAB Draft Business Plan*

Postponed until September

Review 2008-09 HAB Draft Budget

Postponed until September

Revised Process/Schedule

Postponed until September

**NEW BUSINESS**

Mr. Wolk asked if he could be notified when there are committee meetings so he can attend when possible. Ms. Betts stated that all meetings are open meetings and suggested posting them online.

Mr. Wolk recommended that Directors should be reimbursed for attending industry meetings that are not HAB meetings so they can be educated on issues affecting the whole industry. The Chairman stated that HAB would only reimburse HAB Directors' expenses for HAB meetings. No further comments were given.

Mr. Obregon announced that he had just completed his third year with HAB and thanked the Board for their continued support.

**PUBLIC COMMENT**

There were no public comments.

**ADJOURN**

The Chairman adjourned the HAB meeting at 3:05 p.m. The next meeting will be held on Thursday, September 25, 2008.

Respectfully submitted,

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Laurie Hill

I certify that the above is a true and accurate statement of the July 24, 2008 Minutes approved by the HAB Board of Directors on September 25, 2008.

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Ed Figueroa, HAB Board Secretary