

# HASS AVOCADO BOARD BOARD MEETING MINUTES

March 26, 2009

A meeting of the Hass Avocado Board (HAB) was held on Thursday, March 26 2009 at 38 Discovery Ste.150, Irvine, California, with the following people present:

## MEMBERS PRESENT

Len Francis, Chairman  
Jim Donovan, Vice Chair  
Don Reeder, Treasurer  
Giovanni Cavaletto,  
Secretary  
Ben Drake  
Charley Wolk  
Ed Figueroa  
Galen Newhouse  
Jimmy Lotufo  
Ken Roth  
Ohannes Karaoghlanian  
Tom Markle  
Rick Shade, Ex Officio

## MEMBERS ABSENT

Mike Browne, MHAIA Ex  
Officio

## STAFF PRESENT

Jose Luis Obregon  
Yvonne Seebach

## ALTERNATES PRESENT

Alvin Gebhart  
Avi Crane  
Casimir Wytaniec  
Daniel Sanders  
Ed Embly  
Jaime Johnson  
Katie Wild  
Mike Farr  
Pilar Charrada

## ALTERNATES ABSENT

Elena García  
Nilda Mesistrano-Hyde

## OFFICIALLY PRESENT

Hoy Carman, UC Davis  
Lori Small, GolinHarris  
Marlene Betts, USDA  
Matt Lenton, MHM  
Mike Harrison, MHM  
Rich Sexton, UC Davis

### *Teleconference:*

Tom O'Brien, Counsel,  
Val Weaver, HAB  
Administrator  
David Ruiz, MHAIA Vice  
Chair

### *Video-conference:*

Adolfo Ochagavia, Comité  
de Paltas

## GUESTS PRESENT

Amy Andrade  
Angela Fraser  
Angelina Downing  
Aureliano Peña  
Betty Bohrk  
Connie Stukenberg  
Dave Howald  
Diane Dreyer  
Emiliano Escobedo  
J. Jesus Lopez  
Jack Abbott  
Jackie Bohmer  
Jan DeLyser  
Kari Bretschger  
Ken Roberts  
Kim Kurata  
Laurie Hill  
Linda Wild  
Marji Morrow  
Marlene Matheson  
Ron Campbell  
Sandra Wellhausen  
Scott Bauwens  
Steven Eckel  
Steven Muro  
Tom Bellamore  
Zachary Benedict

## CALL TO ORDER

Chairman Len Francis called the meeting to order at 10:00 a.m. The Chairman called roll and a quorum was established.

## Introductions/ Announcements

Chairman Francis welcomed and/or introduced the following people:  
Adolfo Ochagavia, President, Comité de Paltas Chile (via videoconference), David Ruiz,  
Vice Chair MHAIA, Alejandro Alvarez, Aureliano Peña, Jesus Lopez, Martha Varas,  
Emiliano Escobedo, APEAM and Yvonne Seebach, Administrative  
Assistant/Special Projects Coordinator recently hired by HAB.

Minutes Approval

No corrections or amendments were made to the January 22, 2009 Minutes.

**MOTION**     ***The Hass Avocado Board of Directors approves the January 22, 2009 Minutes as presented. (Drake/ Newhouse ) MSC***

Approval: September 2008 Closed Session Minutes

**MOTION**     ***The Hass Avocado Board of Directors approves the September 28, 2008 closed meeting Minutes as presented. (Figueroa/Newhouse) MSC***

Vacant Producer and Importer Alternate Seat Appointments

Marlene Betts, USDA Representative announced and congratulated the U.S. Secretary of Agriculture's recent appointments: Alternate Producers: John Lindstrom, Alternate for Tom Markle and Jaime Johnson, Alternate for Len Francis. Alternate Importers: Avi Crane, Alternate for Ed Figueroa and Mike Parr, Alternate for Galen Newhouse.

2009 HAB Election Schedule / Process

HAB Managing Director, Jose Luis Obregon gave an overview of the 2009 election timeline.

*The 2009 Election Timeline is attached to the permanent copy of these Minutes and identified as Exhibit A.*

**FINANCE / ADMINISTRATION**

2008 Final Financial Statement / Audit Report

The HAB financial statements for year end 10/31/08 and November & December 2008 have been finalized and audited by the independent accounting firm, Mayer, Hoffman & McCann. Year end reserves as of 12/31/08 were \$3,726,236, which is \$526,236 more than the \$3,200,000 estimate. This amount will be added to Beginning Reserves as of 1/1/09 and the budget will be amended as Amendment #1 to reflect this change.

HAB Administrator, Val Weaver, introduced Mayer, Hoffman & McCann representatives Mike Harrison and Matthew Lenton who presented the financial statement report summary. The following motion was made:

**MOTION**     ***The Hass Avocado Board approves the 14-months ended 12/31/08 Basic Financial Statements and accepts the Independent Auditor's Report as presented. (Reeder / Markle) MSC***

2009 Financial Report

January 2009 – February 2009

- ◆ Hass Volume = 165.2 MM lbs. --- up 23.7 MM lbs from the 141.5 MM lb. estimate.
- ◆ HAB Revenues = \$4.0 MM dollars --- up \$.5 MM from the \$3.5 MM estimate.
- ◆ HAB Net Revenues = \$.9 MM dollars --- up \$.3 MM from the \$.6 MM estimate.

- ◆ HAB Reserves as of 12/31/09 = \$2.3 MM --- up \$1.1 MM from the \$1.3 M estimate.

U. S. Aggregate Volume by Month / Calendar Year 2009:

The U.S. aggregate volume outlook for CY 2009 for all varieties has been updated to reflect import data received from Customs through February 2009 and grower data from California handlers through January 2009. Volume is spread by month based on estimated market trends as follows:

- ◆ Hass volume projections for CY 2009 are 993.98 MM lbs. --- up 82.8 MM lbs. from the January projection.
- ◆ Aggregate volume for CY 2009 is estimated at 1.0617 billion lbs. --- up 84.7 MM lbs. from the January projection.

Schedule of Cash & Investments as of February 28, 2009

- a) Cash in Bank – Checking Account = \$348,759
- b) Money Market Accounts = \$2,912,336
- c) Investments = \$324,000
- d) TOTAL CASH & INVESTMENTS = \$3,585,095

Statement of Net Assets, and Revenue & Expenditures as of February 28, 2009

- a) Total Assets = \$3,599,833
- b) Total Liabilities = \$260,880
- c) Total Net Assets = \$3,338,952 (Beg. N.A. of \$3,726,232 - \$387,280)
- d) Total Revenues = \$2,072,732
- e) Total Expenditures = \$2,460,013
- f) Excess of Revenues Over (Under) Expenditures = \$387,280

**MOTION**     *The Hass Avocado Board of Directors approves Budget Amendment #1, dated March 26, 2009, increasing 1/1/09 Beginning Reserves \$526,236 to \$3,726,236 matching 12/31/08 year-end audited financial statements as presented. (Reeder/Wytaniec) MSC*

Cash and Investment Policy Review

Finance Committee Chairman Reeder discussed new Department of the Treasury Category 10 collateralized investments for federal government agencies. The Finance Committee recommends that the Board approve the addition to its current policy and change its current Category 10 to Category 11. The following motion was made:

**MOTION**     *The Hass Avocado Board (HAB) of Directors approves the addition of the Department of the Treasury Category 10 investments to HAB's Cash Management Procedures & Investment Policy and change the current Category 10 to be a Category 11. (Reeder/Drake) MSC*

Review Audit Processes

Finance Committee Chairman Reeder discussed the importance of a risk management program to review operating processes and internal controls in order to safeguard assets, strengthen the governance process, and provide reasonable assurance that accounting

and financial objectives are being achieved. A comprehensive list of process areas have been developed and will be reviewed and evaluated during the year. He requested that the Board adopt the list of processes which details specific areas for future audits.

**MOTION**     ***The Hass Avocado Board of Directors adopts the detailed List of Audit Processes, as presented, to draw from for future audits. (Reeder/Drake) MSC***

HAB Employee Group Insurance

The Finance Committee Chairman reported that the members reviewed group insurance options for the two HAB employees and recommend a Blue Shield group plan for medical, dental and vision coverage.

**MOTION**     ***The Hass Avocado Board of Directors approves a Blue Shield group insurance plan for HAB employees, which includes a Blue Shield HSA 1800 medical plan, a Blue Shield Deluxe 2000 dental plan, and a Blue Shield Plus vision plan. (Reeder/Markle) MSC***

*The HAB Finance and Administration Report is attached to the permanent copy of these Minutes and identified as Exhibit B.*

HAB Employee Handbook Review

An objection was raised with regards to employees having the option of being paid out for accumulated vacation and accumulating up to 90 days of sick pay. The Handbook approval was tabled until further review. The Board directed staff to bring back specific information regarding sick and disability leave, vacation accrual caps and researching federal and general PTO policies.

Discussion continued with regards to what some Board members felt is an excessive (13 days) HAB holiday schedule. Mr. Obregon explained that it was produced to reflect the California Avocado Commission's (CAC's) holiday schedule as they share office space.

It was suggested that since HAB is a federal board, employee holidays should be consistent with the USDA holiday schedule (10 days). Mr. Obregon said that he will follow-up with Ms. Betts (USDA) to research and propose potential revisions.

*The HAB Employee Handbook (Draft Copy) is attached to the permanent copy of these Minutes and identified as Exhibit C.*

**HAB PROGRAM EVALUATION PRESENTATION**

Dr. Hoy Carman and Dr. Richard Sexton, Professors from the University of California, Davis, Department of Agricultural and Resource Economics were introduced.

Dr. Sexton gave a presentation on the economic structure of the avocado industry with a focus on issues relevant to promotion. He presented an analysis of promotion costs and benefits and an evaluation of HAB's information programs.

Chairman Francis interrupted the presentation to allow MHAIA's Marketing Director, Jackie Bohmer to address the Board before lunch.

Ms. Bohmer reported that she had put forth a proposal earlier in the HAB Marketing Committee meeting, stating that MHAIA is currently developing a marketing promotion (based on a Super Bowl model) involving a pre-World Series Baseball Promo Program.

She asked that each association should consider participation in the media buy for this promotion. The program is currently scheduled for mid-September through mid-October. MHAIA is investing roughly \$1.4 MM that includes \$800,000 for the media buy. She indicated that the program can be expanded to pick up other (national) markets which will benefit the category for all associations. She urged HAB to take leadership and co-sponsor for this promotional endeavor with MHAIA so HAB might send a strong message to the retailers that cohesive marketing can be accomplished with the category, while still facilitating individual branding.

Ms. Bohmer also mentioned that her Board requested that the HAB consider pulling "Hass" from the forefront of its name and logo; making the name and purpose more general, indicating that their research has shown 'Hass' is viewed as a brand.

Chairman Francis thanked her for her request and asked Board Members to provide feedback to him before the end of the day.

### **ADJOURN FOR LUNCH**

Chairman Francis adjourned the Board for lunch at 12:20 p.m. and the Board reconvened at 1:05 p.m.

### **HAB PROGRAM EVALUATION PRESENTATION (Continued)**

Dr. Richard Sexton continued the summary on his study, concluding that:

- The HAB programs have significantly increased the U.S. demand for avocados and have contributed to orderly marketing.
- Research showed that producers have received a positive return on assessments for HAB programs.
- Information programs have helped reduce price variability and decrease retail margins with benefits flowing to producers and consumers.
- HAB should consider acquiring additional data on expenditures from all associations to facilitate future evaluations.

*The HAB Program Evaluation Presentation is attached to the permanent copy of these Minutes and identified as Exhibit D.*

### **CHAIRMAN'S REPORT**

#### **New Zealand-Australia Joint Grower Meeting**

Chairman Francis reported that he and Mr. Obregon plan on attending and representing HAB at the World Avocado Congress meeting in July in Cairns. He explained the benefits of receiving the marketing and grower information at this conference and reported that the estimated cost for both to attend is estimated at \$6,000.

Chairman Francis introduced Rick Shade, Chairman of CAC , who informed the Board that the CAC Board asked him to formally request the Hass Avocado Board to consider taking over the nutrition research, with exception to the projects that CAC is currently working on, which will be completed by the end of the year.

Board members agreed to take this request into consideration. Chairman Francis indicated a motion was not necessary as HAB has such projects already in place.

### **MANAGING DIRECTOR'S REPORT**

#### **Marketing Committee Meeting Report**

Mr. Obregon presented a summary of what was covered in the Marketing Committee meeting, with discussions to clarify specific marketing projects to avoid overlapping expenses.

The Committee also addressed increased coordination on all marketing and promotional events with other associations. He also highlighted the Hass Avocado Board booth at the NEPC Expo in Boston week of March 30<sup>th</sup> and encouraged all associations to participate under one umbrella.

Mr. Obregon added that it was an energized and enthusiastic marketing meeting.

#### **2009 Big Game Results**

Mr. Obregon presented a "Big Game Day" results reel highlighting all the activities conducted by HAB for Super Bowl.

#### **HAB's Short-Mid Term Requirement Analysis and Timeline**

Mr. Obregon gave an overview of requirements needed for the Hass Avocado Board to consider moving its office location from the CAC (shared) offices to its own office. The analysis included the following items: Summary of contracted services, proposed staff structure, cost and budget breakdown, and a proposed timeline. Mr. Obregon recommended that a Relocation Committee be established for further investigation and reporting back to the Board. Chairman Francis routed a sign-up sheet for interested members.

Discussion ensued regarding the underlying reason for moving away from CAC. Mr. Obregon stated that it is preferred by some to remove any perceived conflict of interests. Members commented on the need to ensure that this move benefits all the stakeholders.

Chairman Francis agreed with Obregon's proposal to form a committee charged with conducting a thorough analysis of the HAB's relocation and stated that the committee would provide their recommendation at the July board meeting.

*The HAB Short-Mid Term Requirement Analysis report is attached to the permanent copy of these Minutes and identified as Exhibit E.*

The meeting continued with a concluding statement from Jack Abbott, Founder & CEO of Interactivate, who announced that he was ending his business effective March 31, 2009.

He thanked the Board for allowing him to be a part of HAB's history. Abbott introduced Marlene Matheson, CEO of SiteLab, who will serve as interim vendor until the HAB can solicit bids for another technology firm.

### **NEW BUSINESS**

- Nutrition Program: Recap of Qualified Health Claim conference call with Dr. Guy Johnson Memo.

*The Recap of Qualified Health Claim conference call with Dr. Guy Johnson Memo is attached to the permanent copy of these Minutes and identified as Exhibit F*

- Lori Small (GolinHarris) gave a short update regarding a literary review that UC Davis is currently conducting on HAB's behalf. A Gap analysis should be presented within 1-2 months. Charley Wolk raised the question as to whether there is any other commodity where a Quality Health Claim (QHC) exists, that has increased the level of sales and revenue. Ms. Small explained the positive outcome from the tomato industry. They submitted a QHC for lycopene in tomatoes-it had an excellent outcome but a challenge to market on the product.
- Chairman Francis asked the Board to consider MHAIA's baseball promotional opportunity. The following motion was offered:

**MOTION**     *The Hass Avocado Board of Directors approves working with MHAIA to determine amount of funding required in order to partner with, and expand the MHAIA baseball and party promotions for the purpose of increased avocado exposure in September. (Wolk/Cavaletto) MSC*

### **PUBLIC COMMENT**

None

### **ADJOURN**

Chairman Francis adjourned the Hass Avocado Board meeting at 3:25 p.m. The next meeting will be held on Thursday, May 14, 2009.

Respectfully submitted,

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Yvonne Seebach

I certify that the above is a true and accurate statement of the January 22, 2009 Minutes approved by the HAB Board of Directors on March 26, 2009.

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Giovanni Cavaletto, HAB Board Secretary