



Mexican Hass Avocado Importers Association
Board Meeting Minutes
February 21, 2017

Place

AFM Headquarters
Las Colinas, Texas

Time: 8:00 AM – 4:00 PM

Board of Directors:

Importers		Term Expires
Mike Browne (Treasurer)	Director	2017
Gary Calaroso	Alt	2017
Luke Sears	Director	2017
Gahl Crane	Alt	2017
Jorge Hernandez (Vice Chair)	Director	2018
Robb Bertels	Alt	2018
Jon Ulrich	Director	2018
Giovanni Cavaletto	Alt	2018
Growers / Packers		
Ricardo Vega (Chairman)	Director	2017
Ygnacio Valerio	Alt	2017
Carlos Genel	Director	2017
Victor Barragan	Alt	2017
Gabriel Villaseñor (Secretary)	Director	2018
Jorge Rivas	Alt	2018
Mauricio Gonzalez	Director	2018
Fernando Torres	Alt	2018

AMS: _____
Kelly Robertson

Officially Present: _____
Armando Lopez Kevin Hamilton
Ramon Paz Mark Garcia
Dolora Sillman Stephanie Bazan
Ron Campbell Miguel Molina
Alvaro Luque Grisel Perez
Kevin Brosch Ivonne Kinser
Stephanie Browder Dianne Le
Anna Mertz Alejandro Duran
Michael Lemos Marc Hernandez
Alfonso Delgado Maggie Hall
Sofia Ibarguengoytia Maggie Ting



Members

Juan Betancourt

Rob Bertels

Marco Hernandez

Guests:

Emiliano Escobedo

Dr. Gary Williams (teleconference)

Joe Pawlak

Dr. Rebeca Quiñonez-Piñón Dr. Arjun Chakravarti

At 8:00 AM Vice Chairman Jorge Hernandez took the roll call and established a quorum. Following this MHAIA / AFM Counsel, Kevin Brosch, emphasized the antitrust policy described on the reverse side of the MHAIA meeting agenda. Following this, Vice Chair Hernandez requested comments on the September 13, 2016 annual meeting minutes. 2 comments were addressed. Mr. Brosch reminded the board that the antitrust policy was addressed during that meeting and board member Adrian Iturbide mentioned that he was physically present during the meeting and not on the phone. Gary Caloroso motioned to approve the minutes with these changes and the motion was seconded by Gahl Crane. All were in favor.

Vice Chair Hernandez introduced Treasurer Mike Brown to present the Treasurers report.

Cash overview = \$6,114,378 with \$69,272 in outstanding checks. Therefore, the adjusted balance is \$6,045,106.

The profit and loss showed \$19,171,443 in total income and 30,238,960 in expenses showing a negative \$11,398,828 in net income.

Total cash at the end of the period (Feb 15-17) was \$6,045,106

A discussion on the current budget took place and a preliminary look at the crop report was distributed. The current fiscal year 16-17 budget was based upon a volume figure of 1.893 billion lbs. which translated to a MHAIA income forecast of \$40,486,369 (including interest and APEAM contribution). Although the crop report suggests that this forecast is reachable other factors suggest the need for a downward budget amendment. Because of lower yields per hectare (8 tons / hectare vs. 9 last year), higher shares to other markets, smaller sizes and poor quality, the board decided to amend the budget based upon a 1.6 billion lb. volume. Therefore, considering a 15% reserve, MHAIA's revenue forecast will be lowered to \$35,986,000. Total expenses will reach \$42,585,719.

Jon Ulrich motioned to amend the budget to reflect this 1.6 billion lb. volume prediction.

Discussion: Jorge Hernandez mentioned that a crop reporter who works privately for some growers in Michoacán could be used to validate the MHAIA / APEAM current crop reports.

Carlos Genel seconded the motion which carried without objection.

Vice Chair Hernandez introduced Dr. Rebeca Quiñonez-Piñón, Executive Director for Forests for Monarchs to present a reforestation proposal to MHAIA and APEAM. Due mainly to illegal logging, the Monarch butterfly biosphere has been delimited. Although avocados are not grown in the area, issues with hydrology, and climate change because of higher temperatures in the area can be detrimental. The proposal also considered reforestation efforts in the watersheds of



lakes Pátzcuaro and Zirahuén closer to avocado production. The financial proposal was for a \$500,000 donation plus \$30,000 for monitoring and documentation of the reforestation effort which translates into the planting of one million trees. It was considered that this would be a joint effort between APEAM and MHAIA (\$265,000 for each party). To gain AMS approval, MHAIA will have to budget funds against the proposal. Therefore, Mike Brown motioned to move \$100,000 from MHAIA's out of pocket expenses and the motion was seconded by Jon Ulrich which carried without objection. APEAM is still evaluating the proposal and will personally visit some the Forests for Monarchs reforestation locations soon.

Vice Chairman requested that Alvaro Luque introduce Dr. Arjun Chakravarti, a behavioral economist from Illinois Tech Stuart School of Business to provide an outlook of the U.S. Economy in 2017.

Highlights:

- 2017 starting robustly while 2016 underperformed
- Investment following core consumption, exports dropping
- Wage Growth without productivity, especially entry level
- International and policy risks could produce drastic change

Conclusions:

Reduced recession risk but slowdown is long term unless policy accounts.

Upside risks

- Consumer spend is up
- Investment is stabilizing
- Pro-business policies could improve fundamental growth

Downside risks

- Dollar rise increasing emerging market risk
- China export growth not stemming capital flight
- Policy volatility especially in trade
- Fed has a thin margin of error

Upon conclusion of this presentation Alvaro introduced Joe Pawlak from Technomic to provide a food service update. A food service industry update was provided as well additional avocado opportunities and research on an avocado shortage update.

The overall findings were:

Many opportunities for fresh avocados in new applications. Sandwiches, bowls, breakfast, other segments presents new volume opportunities. Fresh orientation overcomes labor issues.



AFM should consider additional (currently unscheduled) foodservice avocado promotions in the near future as a gesture of goodwill to the channel and as a means of regaining any lost momentum for fresh avocado usage.

The industry should re-double efforts on promoting the benefits of fresh avocados versus processed products, as some operators did switch during the recent shortage.

Research Avocados From Mexico's image over time to monitor recovery from the recent shortage situation. It will be important to see how quickly Avocados From Mexico can regain ground from California Avocados, and re-establish strong confidence among foodservice operators as a valued and "always available" source for avocados.

12:30 Lunch

Prior to the marketing presentation, Dr. Gary Williams provided a progress update on the development of a size forecasting model. All-in-all, the respective models replicate the variability of avocado shipments very well.

Findings:

- To develop the respective forecasts, data from July 2009 to October 2016 were used
- Week-to-week forecasts produced errors of 17% to 57% on average depending on size
- Week-to-week forecasts were most accurate for sizes 40, 48, and 60, the major sizes in terms of share of volume of shipments
- In terms of capturing total shipments over the forecasted 13-week period, the weekly models produced absolute percent errors ranging from 1% to 12% for sizes 32, 36, 40, and 48
- Weekly models for sizes 70 and 84 produce much larger forecast errors
- Forecasting performance for monthly models is exceptional across all sizes
- Month-to-month forecasts produce errors of 7% to 18% on average depending on size
- Month-to-month forecasts very accurate for all sizes except 32 and 84
- In terms of capturing total shipments, the monthly models produced absolute percent errors from less than 1% (for sizes 36 and 40) to 12%

Next Steps:

- Thus far, the forecasting project has produced noteworthy results!
- Generate both weekly and monthly forecasts over the period February 2017 to April 2017 using data from July 2009 through January 2017
- Generate both weekly and monthly forecasts over the period May 2017 to July 2017 using data from July 2009 through April 2017
- Evaluate the precision of the forecasts in similar fashion as was done over the period November 2016 to January 2017
- Produce reports of the forecasting activities in timely fashion to assist in decision-making

Prior to the marketing presentation General Counsel, Kevin Brosch provided an overview on the proposed procedure to amend the MHAIA bylaws to transform the organization to be Board driven rather than member driven.



“Because the original structure has not worked well MHAIA leadership has undertaken to prepare a significant revision of the MHAIA Bylaws to change the association’s structure from a Member-governed corporation to a Board-governed organization. However, the original three-class Membership structure was also written into MHAIA’s Articles of Incorporation, and so both the Bylaws and the Articles of Incorporation will have to be amended.”

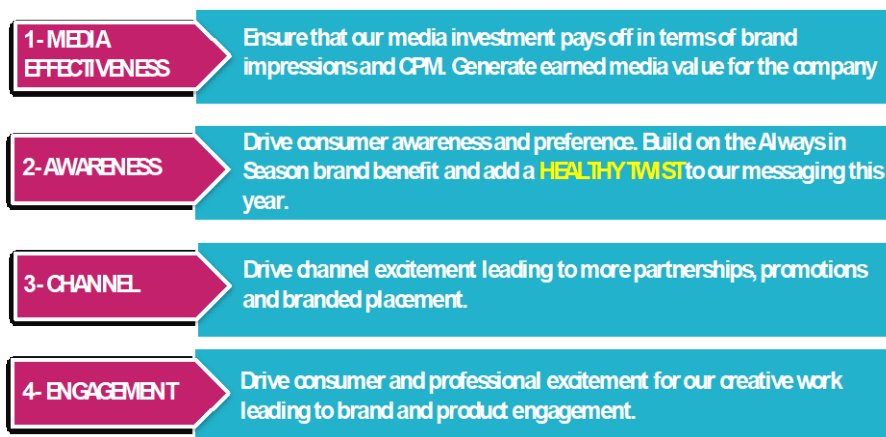
Summary of Recommendations

- (1) A Board of Directors Meeting should be convened in the near future upon at least 15 day’s notice.. Along with the meeting notice, the Directors should be provided:
- (2) Once the Board has approved the amendments to the Bylaws, they should be sent to AMS for its review and approval.
- (3) The Members of the MHAIA eligible to vote at the Annual Meeting should be determined as of the “record date” established by the Board, and an alphabetical list of such Members prepared.
- (4) The Board should give notice of the Annual Meeting not less than 15 days prior to the meeting date. The meeting may take place electronically
- (5) At the Annual Meeting, voting on the amendments to the Articles of Incorporation may take place if a quorum is present.

MARKETING:

The AFM team presented the results on the Super Bowl campaign for 2017:

Alvaro Luque presented the campaign objectives:

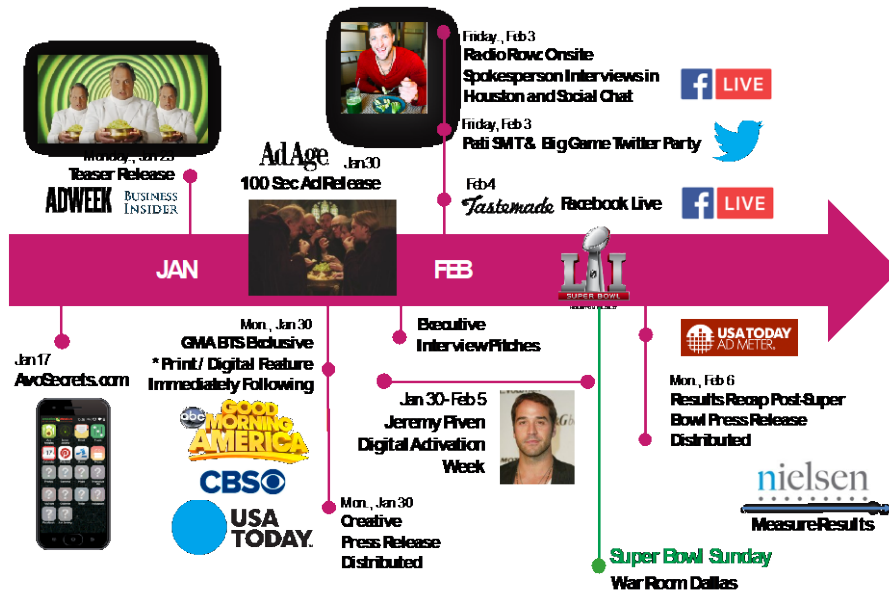


The main difference in this year’s execution compared to last year, was the focus on health, using good fats as the leading talking point.

Although the press release came out early December 2016, the main activity concentrated in the three-week leading to the game. Alvaro Luque presented a recap chart of the program:



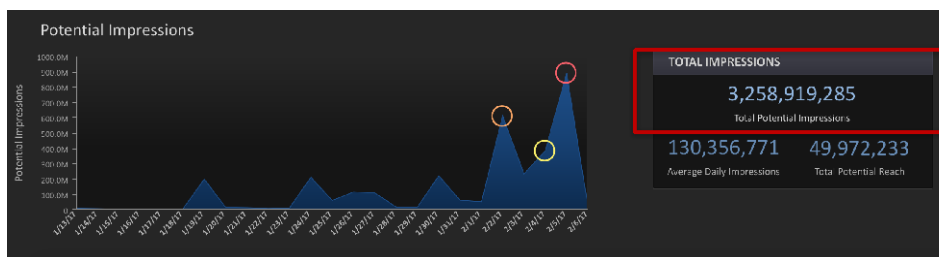
SUPER BOWL 2017: THREE-WEEK BREAKDOWN



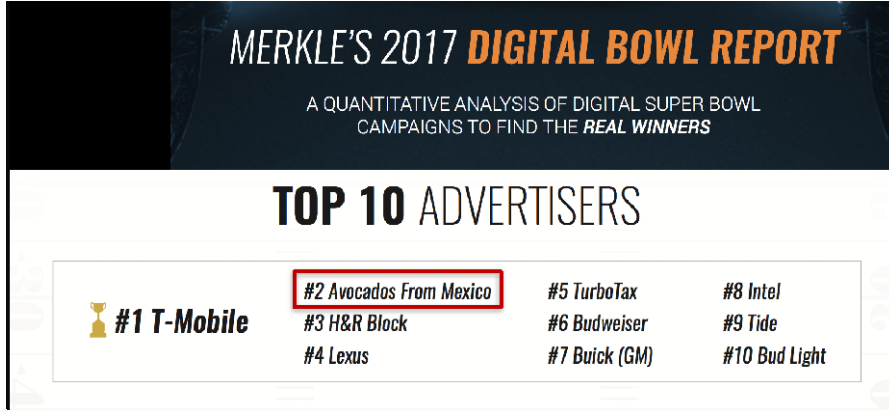
Kevin Hamilton presented the campaign assets and main media & PR programs, including AFM's first Radio Row event with Tim Tebow that generated 20+ on-site interviews, more than 200 million impressions and ended up with a branded Facebook Live event.

Ivonne Kinser presented our digital campaign and programs for the Super Bowl, including a celebrity integration program with Jeremy Piven that generated more than 440 million impressions during Super Bowl week.

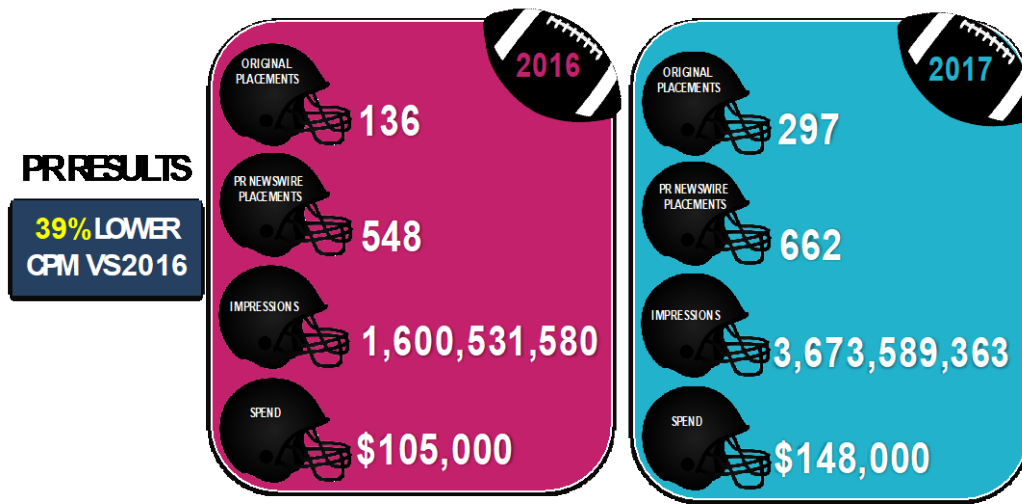
One of the key elements behind the success of the digital campaign reach was the impressive amplification coming from AFM's influencer program. Through the brand ambassador program with Social Toaster and the influencer platform Mom it Forward the brand generated more than 1.2 billion impressions for the Super Bowl campaign. At the end this helped AFM reach an impressive 3.3 billion impression mark for digital.



Ivonne Kinser presented the results on the Digital champions for the Super Bowl using Merkle's Report where AFM took the second place and it's been the only brand to be in the Top 5 rank for three times in a row.



Kevin Hamilton presented the PR results that generated a record number of 3.6 billion earned impressions, valued by Ketchum on a range of \$32 to \$46 million dollars. Around 55% of the total earned impressions carried the health/ good fats messaging.



*17% LOWER CPM VS 2016

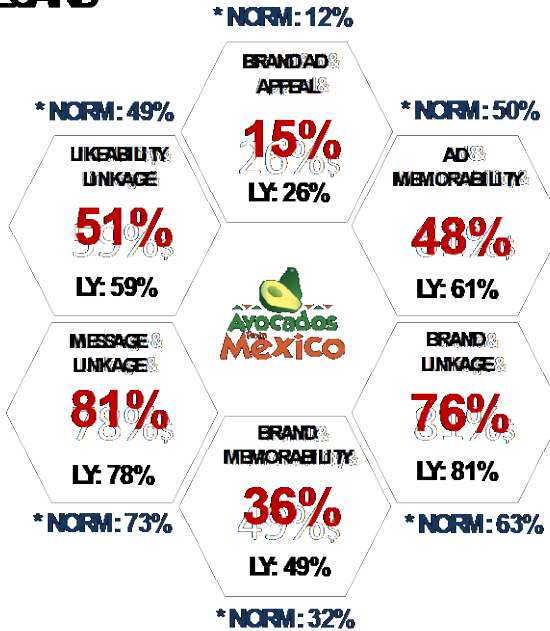


Kevin presented the results for Nielsen’s post Super Bowl study, where AFM metrics were all above Super Bowl’s norm:

NIELSEN 2017 SUPER BOWL 360° AD EFFECTIVENESS SCORECARD

Similar to the 2016 Super Bowl creative, #AvoSecrets was a solid performer, especially on branding. The creative hit on a number of key Best Practices identified by the broader Super Bowl TV/Media analysis

SMOOTH PACING 	ON-SCREEN DIALOGUE
HUMOR 	IN-NARRATIVE PRODUCT INCLUSION





Alvaro Luque presented a final recap of the media results for the Super Bowl program based on the 7.5 billion impressions. CPM went down 59% and in the “What-If” scenario it would be necessary to invest more than \$45 million to generate the same amount of paid impressions:

SUPERBOWL CPM EXERCISE

	2015	2016	2017
INVESTMENT (US\$)			
SUPER BOWL AD	\$3,825,000	\$3,995,000	\$4,165,000
PRE GAME ADS	\$626,400	\$246,930	
DIGITAL MEDIA	\$414,090	\$344,116	\$1,016,560
GOGOGAB/ CELEBRITY	\$220,000	\$150,365	
PR EARNED MEDIA	\$62,000	\$105,000	\$148,000
RADIO ROW			\$336,740
PATI JINICH			\$47,000
TOTAL INVESTMENT	\$5,147,490	\$4,841,411	\$5,713,300
BRAND IMPRESSIONS			
SUPER BOWL AD	149,340,000	146,589,000	145,829,200
PRE GAME ADS	20,728,000	31,516,800	
DIGITAL MEDIA	411,499,600	571,075,523	3,516,855,309
GOGOGAB/ CELEBRITY	166,623,274	290,308,707	
PR EARNED MEDIA	845,105,686	1,600,531,580	3,626,547,550
RADIO ROW			215,242,355
PATI JINICH			47,041,813
TOTAL IMPRESSIONS	1,593,296,560	2,640,021,610	7,551,516,227
CPM	\$ 3.23	\$ 1.83	\$ 0.76
CPM Improvement		-43%	-59%

WHATIF SCENARIO			
	2015	2016	2017
INVESTMENT	\$5,147,490	\$4,841,411	\$5,713,300
BLENDED CPM	9.04	5.47	6.93
POTENTIAL IMPRESSIONS	569,412,611	885,084,278	824,430,014
REAL IMPRESSIONS	1,593,296,560	2,640,021,610	7,551,516,227
GAIN/ LOSS	1,023,883,949	1,754,937,332	6,727,086,213
ADDITIONAL INVESTMENT	\$ 9,255,911	\$ 9,599,507	\$ 46,618,707

Mike Browne asked if is there any way of knowing the demographics of these impressions: Ivonne Kinser responded that on digital side 78% of consumers that interacted with AFM were women, 35-54 age. Kevin Hamilton reinforced that each network or publication will operate with their own demographic.

Kevin Brosch mentioned that these were very impressive numbers but wanted to understand more about impressions and how to count them. Kevin Hamilton explained that an impression is the opportunity to see an ad. He reinforced that one of the reasons we want impressions is because we want those opportunities, especially the high-quality, more expensive ads like the Super Bowl, where people actually want to see the ads.

Mike Browne mentioned this super bowl paid for itself in 3-4 days. At end of day it is all about volume and value, and we got a lot of traction this year.

Jorge Hernandez mentioned that we need to step back and look at this and see if we want to keep going on with SB. What's next? We have done SB for 3 years but is there something we can add or create a challenge for AFM? We have the people and ability to do this. Alvaro Luque mentioned that he didn't see anything outside of SB that is going to give AFM what the company has accomplished with this investment. He thinks that for now we should keep going. One of the big challenge the company has is the right message. We wanted to say something new this year and we did it. We need to make sure our investment next year is meaningful.



FOOD SERVICE:

Mark Garcia and Stephanie Browder presented the most important programs and results for the Foodservice division, including the two big events planned for chef engagement:

- a) Third annual Made in Mexico (April 3- 6)
- b) CIA Chef 64 event (April 18- 20 in Hyde Park NY)

Mark also presented the new AFM avocado technique for 2017: Sauceabilities and the new steakhouse program to be launched, plus the new promotional programs with Potbelly, Johnny Rockets and Sodexo.

Finally, the Foodservice team presented the results on the Avotour in Colleges and Universities and the new phase that will launch in April and will include universities in California, Colorado, Kansas and Missouri.

Mike Browne mentioned that it is important to know what size of avocados are the colleges selling in the eco racks. He thinks there's a good opportunity for 84's and that AFM should look into Community Colleges.

Gahl Crane mentioned that we should consider Texas colleges. Mark explains that there are not many independent schools there but that the company will still be looking for opportunities in the region.

Giovanni Cavaletto asked about the Culinary Center status. Alvaro Luque explained that phase 1 for the offices will be ready in April and that the second phase for the Culinary Center is still pending until we get some revised quotes.

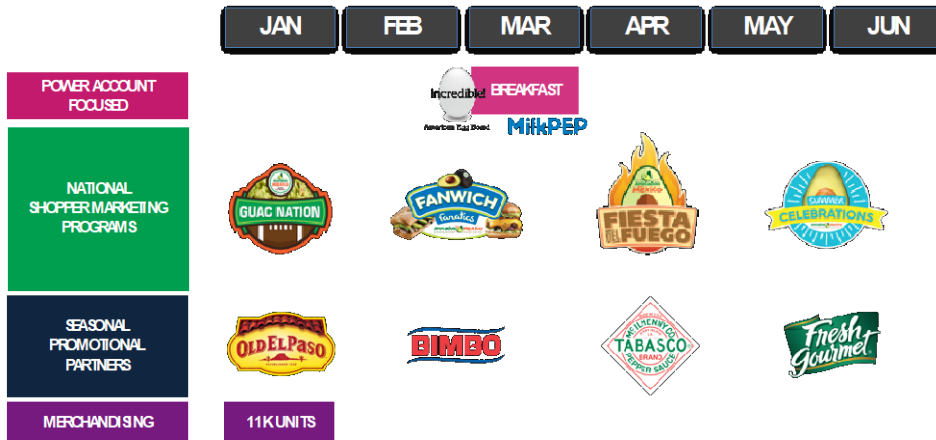
SHOPPER/ TRADE:

Stephanie Bazan presented the new SXSW program to be implemented by AFM on March 2017. The program objective is to use the sponsorship to connect with young millennials around the country using the concept of Avo Happiness. AFM will be the main sponsor of the food truck park Southbites where the Avomatic will be activated plus other branded programs throughout the event including a VIP Foodservice dinner for chefs on March 14th.

Stephanie Bazan presented the status in the shopper marketing program including the following the upcoming calendar for consumer promotions for the rest of the fiscal year:



SHOPPER CALENDAR JAN- JUN 2017



Stephanie presented the results for the last two seasonal programs launched: Guac Nation (22.8k bins/ 9k partners displays/ 2.7M coupons) and Fanwich (16.6k bins/ 1.5M coupons). She also presented the upcoming promotion for Cinco de Mayo in partnership with Tabasco, in which AFM sold in 9.5k bins and will have 1.6M coupons to support it.

Stephanie presented the new promotional program for breakfast that will launch at the end of February in partnership with MilkPep and the American Egg Board. The program will have a support of 4.5M coupons using Catalina and in-pack coupons with Egglan's Best. Also, News America will be placing cross merchandising material nationally in Kroger, Safeway and Food Lion to support breakfast awareness of these three categories. Promotion will run until the end of March.

BREAKFAST PROGRAM Activation Elements/ Timeline





For summer, AFM will run a small program on salads with partner Fresh Gourmet. No company bins included, just 600K coupons and partner shippers including avocados.

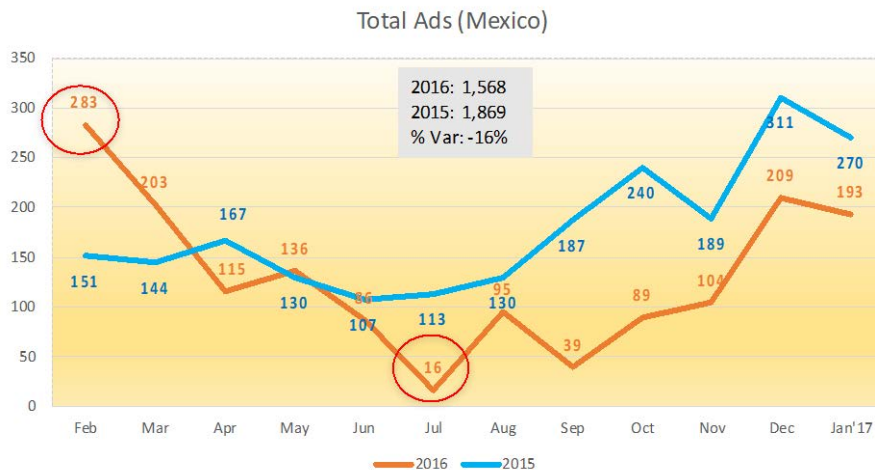
On merchandising, Stephanie presented the national sell in program launched for Super Bowl in which more than 11k units were placed in the market. Is expected that these types of units hold in the market close to 6 months.

Maggie Bezart presented latest trade results including new produce ranking for 2016 where avocados became part of the TOP 10 produce categories in volume:

Total U.S. Volume

1	Bananas	13.1% -2.0%
2	Potatoes	11.0% -1.2%
3	Melons	7.5% +14.3%
4	Citrus	6.4% +1.8%
5	Apples	5.7% +2.5%
6	Onions	4.6% +1.5%
7	Grapes	4.4% -7.5%
8	Packaged Salad	4.1% +4.5%
9	Berries	3.8% +13.8%
10	Avocados	3.4% -4.1%
11	Tomatoes	3.3% +1.7%

Maggie urged the Board to try to avoid any type of supply interruption like what was experienced in August 2016. She presented a chart to illustrate the consequences of these type of situations using the example of trade promotional activity:



Maggie presented a recap of the annual trade activity for flex funds by pillar. From the \$5.1 million investment in flex funds 32% goes to advertising, 30% to demos, 24% to loyalty programs and 10% to contests. Close to 65% of all this investment goes into Power Accounts that represent close to 70% of the total category volume.



Maggie presented an update for the in-store guac program including the new guac carts developed for Jewel (17 units) and the new refrigerated bins that will go into Tony's Supermarkets (15 units).

Alvaro Luque ended the presentation talking about the status for the Tastemade's Flavor Nation program that will launch in March 2017 with the Spring series. Alvaro showed one of the videos an explained how the calendar would work for the following 12 months ending the series in February 2018:

Flavor Nation
A series of videos shot in 12 cities, in 4 seasons, with 1 versatile fruit; *Flavor Nation* will showcase exciting avocado creations at restaurants across America.

FALL: Chicago, Denver, Nashville
WINTER: New York, Washington, DC, Boston
SPRING: Miami, Dallas, New Orleans
SUMMER: San Francisco, Los Angeles, Minneapolis

ALL YEAR ROUND

Twelve 7-Minute Episodes

MAR 17 - FEB 18

Upon conclusion of the marketing presentation Vice Chairman Jorge Hernandez called a closed session to brief the MHAIA board on the ongoing Human Resources study being conducted by the Mercer group. Afterwards, an open session was reconvened and there being no new business Mike Browne motioned to adjourn which was seconded by Gahl Crane without objection.

Respectfully Submitted,

Ron Campbell, MHAIA Executive Director

I certify that the above is a true and accurate statement of the September 13, 2016, MHAIA Board of Directors Meeting.

Gabriel Villaseñor, MHAIA Board Secretary