



**AFM Board Meeting
Minutes
February 23, 2021**

Place:

Zoom Meeting

Board of Directors:
(All Present)

Gary Caloroso,	Chair
David Ruiz,	Vice Chair
Gabriel Villasenor,	Treasurer
Ricardo Vega,	Director
Jose Luis Gallardo,	Director
Peter Shore,	Director
Armando Lopez	Director (ex-officio)
Ron Campbell,	Secretary (ex officio)

AMS:

Katie Robertson	Katie Cook	George Webster
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Officially Present:

Alvaro Luque	Dolora Sillman	Michael Lemos
Kevin Brosch	Brad Barker	Miguel Molina
Kevin Hamilton	Stephanie Bazan	David Spirito
Ivonne Kinser	Becky Estrada	Ana Ambrosi
Stephany Browder		

APEAM and MHAIA Members and Guests:

Sergio Chavez	Jon Ullrich	Jesus Domingo
Aaron Acosta	Rigo Perez	Miguel Barcena
Jorge Hernandez	Dave Billings	Gahl Crane
Gustavo Rivas	Giovanni Cavaletto	Nick Garcia
Jorge Vallero Esquivel	Peter Shore	Elizabeth Ayala
Jesus Calderon	Dave Billings	Mike Chirico
Ivan Alejandro Oseguera	Rigoberto Lemus	Jackueline Solares
Joe Navarro	Jeff Onstot	Dave Faucet
Patrick Cortez	Stephan Fink	Peter Perez
Emiliano Escobedo	Joe Pawlak	

Roll Call and Minutes:

Chairman Caloroso called the meeting to order, took the roll call, established a quorum and introduced Kevin Brosch to read the antitrust policy to the board.

David Ruiz motioned to approve the minutes from our May board meeting and the motion was seconded by Peter Shore. There was no objection.

FINANCE, ADMINISTRATIVE & HR UPDATE

Treasurers Report

Miguel M. presented the financial statements for AFM for the period ending January 31, 2021.

- **Contributions:** Total YTD APEAM and MHAIA contributions are matching our budget. However, we are listing a \$35.54K balance variance as MHAIA has not hired two positions.
- **Spending:**
 - **Total Marketing:** Total spending is \$5.38 Million under budget.
 - The Shopper and Trade Retail drive the favorable balance due to football promotions and coupons. AFM is expecting to catch up on Marketing expenses in the following periods.
 - AFM Marketing Admin is \$199K under budget due to a decrease in travel expenses due to COVID-19 travel restrictions.
 - **General Administrative:** AFM admin expenses are \$278K under budget, mainly due to a delay in professional services billing.
- **Change in Net Assets:** Due to spending at a lower rate than our budget, AFM presents a favorable \$9.52 million balance in net assets change (net income).

- **Financial Position:**

- **Assets:** AFM is presenting a \$1.44 million higher than budget Cash and Equivalents balance. This favorable balance is due to a reduction in expenses when compared to the budget.
- **Liabilities and Equity:** AFM lists a reduction in Total Liabilities due to lower than budget expenses and an increase in Total Equity due to a rise in Change in Net Assets (net income).

Contribution	Actual-YTD	Budget-YTD	\$ Change- Act	Actual-YTD	\$ Change- Act	Spending	Actual-YTD	Budget-YTD	\$ Change- Act	Actual-YTD	\$ Change-
	Jan 31, 2020	Jan 31, 2021	vs Budget	Jan 31, 2020	vs P.Y		Jan 31, 2021	Jan 31, 2021	vs Budget	Jan 31, 2020	Act vs P.Y
MHAIA	\$25,757,205	\$25,757,205	\$ -	\$20,776,635	\$ 4,980,570	AFM Marketing	\$ 21,519,412	\$ 26,673,573	\$ (5,654,161)	\$ 19,567,165	\$ 1,952,247
APEAM	\$14,070,478	\$14,070,478	\$ -	\$12,258,003	\$ 1,812,475	AFM Marketing Admin	\$ 3,355,844	\$ 3,555,026	\$ (199,182)	\$ 3,791,426	\$ (435,582)
MHAIA	\$ -	\$ 35,544	\$ (35,544)	\$ -	\$ -	MHAIA Analytics	\$ -	\$ 35,544	\$ (35,544)	\$ -	\$ -
Other income (Interest)	\$ 5,978	\$ 6,241	\$ (263)	\$ 5,661	\$ 317	Total Marketing	\$ 24,875,257	\$ 30,264,143	\$ (5,388,887)	\$ 23,358,591	\$ 1,516,666
Total contribution	\$39,833,661	\$39,869,468	\$ (35,807)	\$33,040,299	\$ 6,783,362	General Admin	\$ 5,433,538	\$ 5,711,443	\$ (277,905)	\$ 5,372,128	\$ 61,410
% Variance			-0.1%		20.6%	Total Expenses	\$ 30,308,795	\$ 35,975,586	\$ (5,666,792)	\$ 28,730,719	\$ 1,578,075
						% Variance			-16.8%		5.5%
Change in Net Assets	Actual-YTD	Budget-YTD	\$ Change- Act	Actual-YTD	\$ Change- Act	Financial Position	Actual-YTD	Budget-YTD	\$ Change- Act	Actual-YTD	\$ Change-
	Jan 31, 2021	Jan 31, 2021	vs Budget	Jan 31, 2020	vs P.Y		Jan 31, 2021	Jan 31, 2021	vs Budget	Jan 31, 2020	Act vs P.Y
Net Change in Assets-CY	\$ 9,524,866	\$ 3,893,882	\$ 5,630,985	\$ 4,309,580	\$ 5,216,287	Cash & Cash	\$ 9,869,783	\$ 8,427,528	\$ 1,442,255	\$ 6,186,085	\$ 3,683,697
Retained Earnings	\$ 489,206	\$ 489,206	\$ 978,412	\$ 705,159	\$ (26,953)	Equivalents	\$ 5,446,633	\$ 3,004,827	\$ 2,441,805	\$ 2,944,459	\$ 2,502,073
						Other Assets (AR/FA)	\$ 15,316,415	\$ 11,432,355	\$ 3,884,060	\$ 9,130,545	\$ 6,185,871
						Total Assets	\$ 15,316,415	\$ 11,432,355	\$ 3,884,060	\$ 9,130,545	\$ 6,185,871
						Total Liabilities	\$ 5,302,343	\$ 7,049,267	\$ (1,746,924)	\$ 4,115,806	\$ 1,186,537
						Total Equity	\$ 10,014,072	\$ 4,383,088	\$ 5,630,985	\$ 5,014,739	\$ 4,999,333
Total Equity	\$10,014,072	\$ 4,383,088	\$ 6,609,397	\$ 5,014,739	\$ 4,999,333	Total Net Assets/Liabilities	\$ 15,316,415	\$ 11,432,355	\$ 3,884,060	\$ 9,130,545	\$ 6,185,871

Administrative Update

Miguel presented an update on the department's primary goals and objectives:

- **System and applications:**

- AFM completed the implementation of the **DocuSign CLM** Non-Disclosure Agreements and Contract amendments.
- AFM is implementing a new **Concur** Invoice process to automate the Accounts Payable process further.
- The company is moving to **Microsoft Teams**. Our target is to complete the transition by March 2020.

- **Business Intelligence (BI):**

- AFM launched its Corporate HUB and APEAM's shipment data (perspectivas).

- The team is working with other departments to consolidate their reporting data further.
- **The rest of the year plan:**
 - In the second half of the year, the accounting team will concentrate on implementing the new DocuSign CLM processes, converting the phone system to Microsoft Teams, configuring and testing the new Concur Invoice process, and completing the BI implementation.
 - AFM will also work on its Fiscal Year 21-22 budget.

Human Resources

Michael presented an update on the department's primary goals and objectives:

- **401k and 316 services:**
 - AFM completed its 3rd year review of its 401k by its trustees, administrators, HR and broker. This occurs every 3 years. In addition, this year the 316 service that supports the compliance and federal reporting of our 401k was reviewed.
 - After the findings it was recommended that we switch with our 401k to Fidelity because it was cheaper and it was an elite vendor in the space, and it was also recommended to switch from Loren D Starks to Admin 316 even though admin 316 was more expensive. In return we were getting a better 316 service that will comply consistently to reduce our company risks.
 - This change will occur on July 1, 2021 and it will be communicated to employees early on so that they are aware of what is coming next. We will also present more details in our open enrollment on June 4, 2021 to our employees.
- **Hight Deductible Plan (HSA):**
 - We presented a HDHP and best practices around the market in order to attract and retain employees.
 - The plan was explained a plan that will allow employees to save for their medical expenses, a long-term incentive that

rolled over, and how an employer can contribute to help reduce the risk of the high deductible plan.

- The action plan for this plan will be 1) to change to calendar year, 2) must have two open enrollments in 2021 with a worse scenario cost of \$17,230, and 3) add an employer contribution between \$500 and \$2,000 depending on the choice of HDHP selected. The cost tied as a worse max amount would be \$8,500.

- **Employee Handbook Policy Updates:**

- This fiscal year it was recommend by AMS to add two important policies to the employee handbook: 1) add language on how employees can file a complaint with the EEOC (Equal Employer Opportunity Commission) or the FEPA (Fair Employment Practices Agencies). This language means employee need to know that they can file with either of these two federal agencies with any wrongful behaviors; 2) Add the USDA hotline number in all the areas for employees to see that they have another number where they can file a complaint. This will also be added to the open-door policy process of the employee handbook.

- **Talent Acquisition:**

- Our career page is on scheduled to be completed in April and it will be used to drive high potential talent to it ahead of time instead of being reactive. The career page will focus on our culture and people to drive the employee experience.
- Our company presence will also be shared on LinkedIn and Glassdoor and it will be connected to our career page to drive talent to it. Both company platforms are on track for us to define what we are doing, what we need to do, and our goal is to create a company strategy this year and for the process to be completed by May of 2021.

- **Total Rewards:**

- Our compensation and benefits analysis are on track to be finished by no later than May 2021 with a presentation to the board on all the findings. This project we did 3 years ago, and we are doing it again to find out where we are today in the market.

- **Employee Engagement:**

- We are in the verge of completing our company engagement training which is a full training that involved all the managers and the employees. This training had the objectives of improving the employee voice from the results that we got the prior year on our employee survey. Those results were some of the lowest scores and the leadership team needed to improve on. This project will be completed in March of 2021.
- Our second engagement survey is now scheduled for April of 2021, and we are on track to launch it on this time and us see how we did and what do we need to improve on for the following fiscal year.

- **Company Culture:**

- We are on track to complete our company AFM Life intranet that will focus on HR, the culture committee, and company announcements. The completion date is scheduled for May of 2021.
- Our culture committee 2.0, engagement, and recognition is a continues work in progress. We realigned new culture committee members to drive new ideas and engagement. Inside of big efforts another objective will be to revamp our Avostars program, communicate our rally cry (lets be mas), and our operating guidelines.

Marketing Update

Alvaro Luque presented a re-cap on the main reasons supporting AFM successful results for FY21, including the following:

- 1- Effective COVID plan to recuperate sales through consumer communication, promotional activity, bag-focused programs and acceleration of e-comm
- 2- Consistency on strategic pillars supported through generic campaigns on H&W and Education and concentrating support on avocado core uses.
- 3- Change the sales dynamic of the category through a strong summer and OND promotional program.

Alvaro presented FY21 OND strategy agreed with the board on Feb 2020:

- No **Super Bowl ad**.
- Reinforce **Super Bowl promotion** and link digital activation to shopper concept.
- Switch funds to support Summer, repeat September reactivation plan and launch an **aggressive OND promotional program**.
- Go **solo** for OND Seasonal Program.
- **Double up** for FY22 with a string OND plan and return to the Super Bowl.

Stephanie Bazan and Ivonne Kinser presented a recap on our 2021 Super Bowl campaign results including:

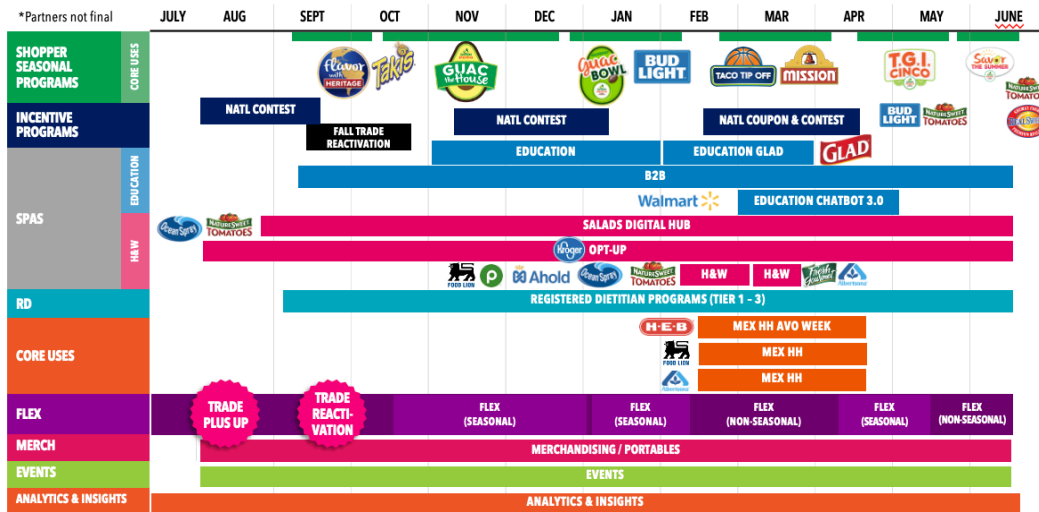
- 51,200 displays sold in. (New company Super Bowl record.)
- 4.6 million brand impressions for our trade campaign.
- 7.6 billion digital brand impressions. (New company record)



Stephanie Bazan presented AFM's annual Shopper & Trade plan:

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FY21 MARKET DEVELOPMENT CALENDAR



Stephanie presented a recap on AFM's strategy to support avocado sales on the first part of FY21:

- **Maintain Mexican fruit in top accounts in Summer**
 - National Volume Incentive Contest
 - First ever trade spend heavy up in Summer – ~**1MM coupons**
- **Activate September with strong loyalty push**
 - **2.67MM** loyalty offers in top accounts
 - Tier 1-3 account activity
 - Hispanic Heritage Month – **8.8K** displays
- **Reinforce OND (Oct-Nov-Dec)**
 - Guac the House National Shopper Program
 - **11MM+** loyalty offers and coupons
 - National Volume Incentive Contest **38 accounts**
 - **NEW Bag** Programs

After a successful OND campaign, Stephanie presented key learnings to take in account for our future OND planning:

- Pivoting from our traditional football concept to a more relevant concept generated high interest from retailers. Rethink our approach for FY 22. Return to football?

- Utilizing generic thematic bins in the fall protects us from any potential fruit supply uncertainties
- Successful trade effort in driving accounts two take two rounds of displays between OND
- High value pricing as a gimmick to drive volume generated strong retailer acceptance and digital results. Evaluate timing, frequency and channel deployment for FY 22

As part of our OND program, Stephanie presented results on our bagged avocado promotions with Walmart and Costco:

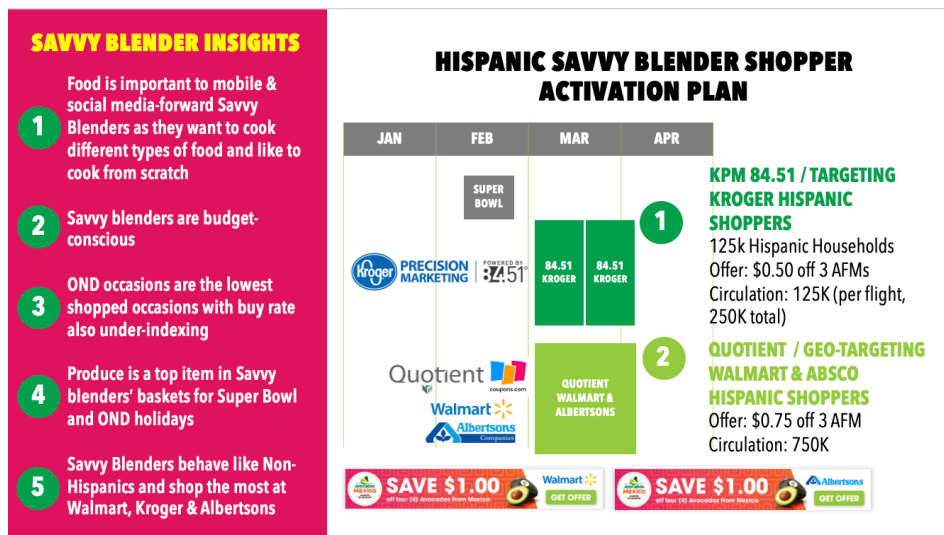


Based on the good results on these programs, AFM will be launching a second wave of bag promotions with these two accounts for Spring 2021. Stephanie presented the strategy to keep sales momentum for the second half of FY21:

- **Bolster Super Bowl with Strong Shopper, Trade, Digital and PR efforts**
 - National Celebrity Shopper Program + Bud Light Partnership: Targeting **50K** equiv displays
 - Guac Bowl Digital Experience
- **Reinforce post Super Bowl with strong loyalty push and Tier 1 Account Shopper Programming**
 - **5.8MM** retail loyalty offers in 25 Tier 1-2 accounts

- Tier 1 Shopper Programs
- National Volume Incentive Contest
- Basketball Championship Partnership
- **Elevate Cinco and Expand support for Summer:** Cinco National Shopper Program with Nature Sweet + Bud Light
 - Cinco: Targeting **30k** equivalized displays
 - Post Cinco - Memorial Day Shopper

Stephanie presented an assessment on the Hispanic avocado shopper and a plan to accelerate sales in this target starting on Feb 2021:



The team presented an update on AFM’s Education campaign that includes the following initiatives:

- Digital campaign with a re-calibrated communication strategy reinforcing the Fresher Longer message.
- Digital “How-To” simulator using Selma.
- In-store education campaign through News America with almost 15,000 points of interruption YTD
- DFSI coupon campaign with education message and a circulation on 2.3 million units.
- Walmart education program including a ripening bag insert through Pick Up & delivery, educational digital demos and social media campaign using Selma’s chatbot capabilities.

- B2B education program through AFM's Online Avocado University. YTD this program has almost 700 sign ups in retail and more than 400 in foodservice,
- Virtual Avocado University for foodservice partners.

The team presented an update on AFM's H&W campaign that includes the following initiatives:

- Communication campaign focused on delivering the message of Good Fats + Nearly 20 vitamins and minerals.
- Media plan for Walmart site as pre-shop driver.
- New digital partnership with Rue-La-La
- Hispanic campaign using Thalia
- Kroger Opt-Up program
- Registered Dietitian program
- Salad Hub program including partners Nature Sweet and Ocean Spray

Ivonne Kinser presented the launch of Avocado Nation as an avocado fan online community to keep our consumers and database engaged, generate more consumer leads and promote avocado consumption through an ongoing loyalty program.

The new platform has three experiences for consumers: avocado Studios (video platform), avocado shopping network (offering exclusive avocado-themed products and collections) and Avo Rewards (loyalty platform that gives away points for avocado consumption using consumer receipts) To engage Hispanics, Thalia will have her own channel through Avocado Nation to promote avocado consumption and H&W messaging.

Kevin Hamilton announced the return of GSD&M as AFM's agency of record. The agency will manage all offline communications, including the Super Bowl, and general brand strategy. Kevin also announced Weber Shandwick as AFM's new PR agency, replacing Padilla.

Kevin explained that the new Hispanic campaign will be produced in May using Thalia as the main talent to align with the messaging and image created with the popstar through Digital since 2019. This campaign production is still TBD depending on Covid restrictions.

Kevin presented new Cinco strategy focused on celebrating double for the missed Cinco in 2020 due to Covid. AFM will be producing a new ad for

this campaign and the message will be aligned with shopper and digital for their specific activations:

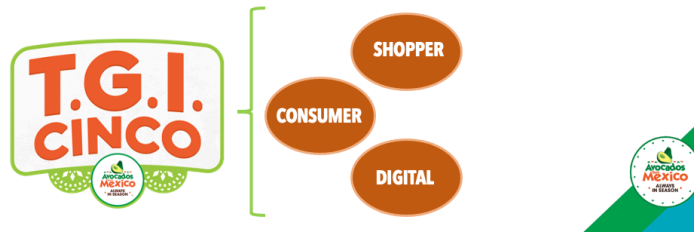
NEXT: CINCO DE MAYO

INSIGHT: Last Cinco was a lost Cinco

So many people had to cancel their plans, which means they didn't get to enjoy healthy, delicious on everything and always in season Avocados from Mexico. Our survey shows that people can't wait to get back out and enjoy life and no celebration has more life to it than Cinco De Mayo

APPROACH: Thank Guac It's (Double) Cinco

Encourage people to make up for lost Cinco by making their Cinco de Mayo party this year twice as epic, including a healthy dose of Avocados from Mexico.



Kevin presented a status on AFM's Center of Excellence for Research and announced the launch of the Knowledge Center as a repository of studies, insights and key infographics for clients, media and AFM stakeholders. The team will use the base of more than 103 studies commissioned or purchased since 2014 to build this avocado intelligence site.

David Spirito presented an update on AFM's foodservice program, including the way the company is successfully managing ideation sessions and Avocado University events virtually when needed. YTD, AFM has completed 10 innovation sessions with top clients such as 7 Eleven, Friday's, Texas Roadhouse, Taco John's and others.

As a way to utilize more and better AFM's Culinary Center, David presented the new Inside the Kitchen Videos where the company using chef Steven Bell to showcase AFM's culinary ideas and innovations from the CC prep kitchen as a temporary in-house studio. David presented the new distributor partnerships including the following programs:

- Sysco and Freshpoint Game time Guac Box for Super Bowl
- Baldor B2C Big Game campaign with Zacks Mighty tortilla chips.
- U.S. Foods virtual Avo U and Regional promotion for Q1 2021.
- PFG virtual Avo U and Roll Off promotion for Q1 2021.

David presented AFM's new innovation technique Global Guac to inspire the use of guacamole in different and popular cuisines throughout the U.S. The new technique will launch Q2 2021 as a digital play for the first time,

including key stats, recipe inspiration and videos for clients to use the new guac creations.

David presented AFM LTO program with key operators like Mooyah, Rubio's, Fuzzy's and McAllister's. As part of this promotional drive, David presented the new promotional agreement with Del Taco that includes the launch of 8 promotional programs, five of them with AFM and the other three with California Avocados. This is the first time that the two avocado organizations are working together to create promotional programs to develop an specific client through time.

DEL TACO AVOCADO PROMOTIONAL CALENDAR 2021 RECAP					
<p>Promo 2 2/15/21 – 3/24/21</p> <p>Epic Fish & Fresh Guac Burrito</p>  <ul style="list-style-type: none"> Upper Translight Interior Mini Banner Real Estate Drive Thru Sign Exterior Windmaster 4 Social Posts 	<p>Promo 3 3/25/21 – 4/28/21</p> <p>Epic Chicken & Fresh Guac Burrito</p>  <ul style="list-style-type: none"> POP piece TBD 	<p>Promo 4 4/29/21 – 6/9/21</p> <p>Chicken Guac Crunchtada</p>  <ul style="list-style-type: none"> Upper Translight Roof Banner Interior Translight Window Cling Talking Avocado Video Disc Golf Influencer 	<p>Promo 5/6 6/10/21 – 7/21/21</p> <p>Chicken Tacos del Carbon</p>  <ul style="list-style-type: none"> Upper Translight Roof Banner Interior Translight Window Cling 	<p>Promo 7 8/26/21 – 9/29/21</p> <p>New Breakfast Item</p>  <ul style="list-style-type: none"> Breakfast Platform Launch <p>Promo 8 9/30/21 – 11/17/21</p> <p>Stuffed Quesadilla Taco</p>  <ul style="list-style-type: none"> Upper Translight Roof Banner Interior Translight Window Cling 	<p>National Guac Day 9/16/21 – 9/18/21</p> <p>Free Snack-Sized Guac w/Purchase</p>  <ul style="list-style-type: none"> Video Email Social – Static & Story Posts Commissioned Avocado Painting & Time-lapse Vid with Ela Mella Press Release, Media Outreach Influencer Outreach 

David presented the results of the Fresh Challenge program where consumers blind-tested fresh avocados and fresh guac vs pulp and packaged guacamole. Fresh avocados were preferred 77% of the times tested while fresh guacamole was preferred 52% of those times. AFM will work on a dedicated fresh campaign using these results to make operators aware of the consumer preference towards fresh avocados and the reasons why the preferred them.

Finally, David presented the new Patron program that AFM will launch trying to change the dynamic of the business for the future, promoting fresh avocado usage, recipes and promotions directly to patrons without having to depend on Operator programs. The plan has four different phases:

- Define the real patron target through research
- Define general AFM patron strategy based on key insights & opportunities
- Build & launch new Fresh Seal Hub
- Develop a patron on-going program though AFM's CDP platform

Ivonne Kinser presented an update on AFM's e-comm program, including the launch and good results of the new e-comm page (www.avocadosfrommexico.com/shop).

One of the most successful program so far in e-comm is the pilot program with Instacart that allows AFM to place product at the top of multiple shelves across the shopper journey on the platform. YTD the program is delivering up to \$21 of attributed sales per dollar invested. Thanks to these results, Instacart will become a key partner for AFM's e-comm program for the future.

Technomics Presentation.

Alvaro introduced Joe Pawlak from Technomics to provide a foodservice overview and the avocado volumetric presentation.

Total Foodservice Industry dropped 29% in 2020 thanks to COVID. Avocado performance outpaced the industry with a 24% drop but still a very important part of our business that suffered through the pandemic.

Education campaign seems to be working in foodservice. Usage barriers are mitigating.

Market composition in 2020:

- Foodservice 19% (vs 28% in 2019)
- Retail 67% (vs 59% in 2019)

New Business:

There being no new business, David Ruiz motioned to adjourn which was seconded by Peter Shore. All were in favor.

Respectfully Submitted

Ron Campbell
Secretary, AFM

