



Mexican Hass Avocado Importers Association
Board Meeting Minutes
May 23, 2017

Place

AFM Headquarters
Las Colinas, Texas

Time: 8:00 AM – 4:00 PM

Board of Directors:

Growers / Packers

Ricardo Vega (Chairman)	Director	2017
Ygnacio Valerio	Alt	2017
Carlos Genel	Director	2017
Victor Barragan(a)	Alt	2017
Gabriel Villaseñor (Secretary)	Director	2018
Jamie Rivas(a)	Alt	2018
Mauricio Gonzalez	Director	2018
Fernando Torres(a)	Alt	2018

Importers

Term Expires

Mike Browne (Treasurer)	Director	2017
Gary Calaroso	Alt	2017
Luke Sears	Director	2017
Gahl Crane(a)	Alt	2017
Jorge Hernandez (Vice Chair)	Director	2018
Robb Bertels	Alt	2018
Jon Ulrich	Director	2018
Giovanni Cavaletto	Alt	2018

AMS: _____

Vicky Carpenter

Officially Present: _____

Ramon Paz
Dolora Sillman
Ron Campbell
Alvaro Luque
Kevin Brosch
Stephanie Browder
Maggie Hall

Kevin Hamilton
Mark Garcia
Stephanie Bazan
Miguel Molina
Alfonso Delgado
Ivonne Kinser
Becky Estrada
Alejandro Duran
Marc Hernandez

**Members**

Rigo Perez

Marco Hernandez

Guests:

Emiliano Escobedo

Dr. Gary Williams (teleconference)

At 8:00 AM Chairman Ricardo Vega called the meeting to order, 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, Mr. Vega requested comments on the February 21 board meeting minutes.

Jon Ulrich motioned to approve the minutes and the motion was seconded by Jorge Hernandez. All were in favor.

Chairman Vega initiated a discussion on the Flor Loca crop report. The report forecasts approximately 480 million lbs. for the Flor Loca bloom and, for budget planning, a discussion on the entire crop took place. Although most in the room agreed that the United States will receive larger volumes in 2017-18, there were also many variables to consider including diversification of markets, weather etc. Therefore, the board decided that a conservative approach should be followed. It was decided that the MHAIA will budget using 1.84 billion lbs. and AFM will peg its marketing spend at 1.9 billion lbs. but will keep \$3 million secured in the event volumes come in lower than expected. Luke Sears motioned to accept this scenario which was seconded by Mike Browne. The motion carried without objection.

Upon conclusion of the volume discussion, the Treasurers report was presented by Mike Browne along with the 2017-18 proposed budget.

The MHAIA and AFM Consolidated cash balance as of May 20, 2017 was \$3,442,233 and \$4,495,478 respectively. The MHAIA yearly cash flow was also presented along with the bank statements. Finally, the MHAIA proposed budget with the volume and cash reserve projections. Based upon the presentation and the preceding volume discussion, Jon Ulrich motioned to approve the budget using the 1.84 billion lb. projection with a 15% reserve. The motion was seconded by Ricardo Vega. The motion carried without objection.

Dolora Sillman also provided the MHAIA Administrative update.

1. Payments to vendors transitioned successfully April 2017
2. Capital expenditure threshold was increased to \$5K based upon the size of the organization within IRS limits.
3. MHAIA asset disposal policy was finalized
4. New ERP system will go live in June
5. The response to the AFM management review was provided to AMS
6. Yearend audit will kick off during the last week of June.



By-Law Amendments:

Kevin Brosch led the discussion on the proposed by-law changes. A significant revision to the MHAIA charter is needed to make the by-laws more consistent with AMS rules and practice regarding membership, with changes that were made several years ago to the DC non-profit corporation statute; and with the way MHAIA has operated since its inception. There was a brief review of the proposed by-law changes and the discussion of this issue at the previous Board meeting, followed by a discussion, motions and board resolutions.

Luke Sears moved to approve the amendments to the by-laws that had been proposed during the February 21, 2017 meeting, and that had been provided to the Board for final review on March 30, 2017. Mike Browne seconded the motion. The motion passed without objection.

Jon Ulrich moved to that the Board propose that the Articles of Incorporation be amended in accordance with the proposal provided to the Board during the February 21, 2017 meeting, and submitted again to the Board for final review on March 30, 2017. The proposal was to amend the Articles of Incorporation to reform MHAIA as a board-directed organization under D.C. non-profit corporation law. Jorge Hernandez seconded the motion. The motion passed without objection.

Jorge Hernandez moved to accept the resolution of the MHAIA Board of Directors to recommend to the Association members to vote on and adopt the proposed amendments to the Articles of Incorporation that were provided to the board during the February 21, 2017 board of directors meeting and again on March 30, 2017. The motion was seconded by Ricardo Vega, the motion carried with objection.

The board agreed upon September 19 and 20 as the dates for the annual meeting. Therefore, Ricardo Vega moved that the record date for that meeting will be July 13, 2017. The "record date" is not more than 70 days prior to the annual meeting to provide adequate time to the membership to consider these proposed changes. Jorge Hernandez seconded the motion, and the motion passed without objection.

La Cruz Habitat Protection Project (LCHPP):

During the previous February board meeting, the board approved a budget of \$100K for a reforestation / PR campaign through a partnership with LCHPP based upon approval of the use of funds from AMS. After reviewing a PR proposal and justification from Ketchum, AMS has approved the expenditure for the current fiscal year. After discussion, Mike Browne motioned to budget an additional \$400K over the course of the following 4 years (total of \$500K for five years) for the reforestation / PR campaign



based upon performance and results. The motion was seconded by Jorge Hernandez. The motion passed without objection.

MHAIA website:

Ron Campbell advised the board that the new industry focused MHAIA website will be live during the following week. AMS requested that the minutes and annual reports be taken off password protection. Therefore, the full site will be open to the public.

Jalisco:

Ron updated the board on the current state of affairs regarding the prohibition of exports from Jalisco resulting from the APHIS reluctance to sign the operational work plan. The APHIS slowdown is a result of a trade dispute involving U.S. exports to Mexico that was on the verge of settlement in January but last minute objection on the part of the affected Mexican industry, halted the deal. There has been little movement on this, or any other trade issue since that time and Jalisco continues to be excluded from exporting to the United States.

Size Forecasting Model:

Dr. Gary Williams from Forecasting and Business Analytics and Texas A&M University provided an update on the project to forecast Hass avocados from Mexico by size.

Currently, of the alternative econometric models being examined for forecasting precision, the Holt-Winters models seem the most effective in accounting for adaptive changes in trend and seasonality. The most useful measure of forecast accuracy is related to mean absolute percent error (MAPE). Weekly and monthly ranges were provided for the months of November through January and forecast accuracy for the monthly models fared much better than weekly. Forecasts for sizes 32, 36, 40, and 48 are reasonable. However, sizes 60, 70 and 84 remained an issue. The timeliness of the availability of historical data of avocado shipments by size is essential.

12:30 Lunch

1:00 PM

The Alvaro Luque and the AFM team provided the marketing presentation starting with the new budget assumptions.

- Volume forecast February amendment: 1.67 billion pounds (gross)
 - Today's projection is @1.65 billion pounds (gross). We have a **\$1.5 million reserve** to cover for the difference.



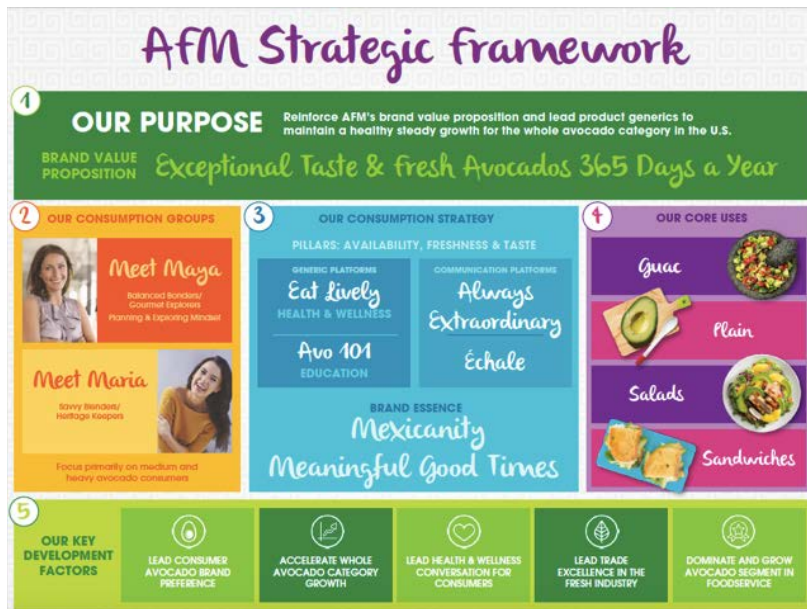
- 2016- 2017 Investment Projection: **\$61.0** million (\$9.6 million drop for 2017- 2018/ -15.8%)
- Carry Over: based on our volume projection we are not including any carry over until it will be official in September 2017. Un-officially we are projecting between **\$1- \$1.3 million**.
 - We will present some projects to cover with that possible carry over that will remain on hold until our next meeting in September.
- Import volume 2017- 2018: **1.9 billion** pounds gross (15% over previous year)
 - **1.84 billion** pound net taking out organic + pass through fruit to Canada.
 - Does not include Jalisco.
- Marketing budget 2017- 2018: **\$43.4 million** (\$11.3 million/ 20.7% drop vs previous year)
 - Main **budget impacts** come from:
 - No carry over/ excess cash
 - MHAIA Reserve. We need to give back the dollars to recuperate a 15% reserve.
 - Gross vs Net projections

Alvaro presented proposed budget by area:

MARKETING & TRADE BUDGET \$43.4 MILLION

	2016-2017 PROJ	2017-2018 BUD	DIFFERENCE	DIF%	SHARE
CONSUMER MEDIA	\$20.7 MM	\$15.7 MM	(\$5.0 MM)	(24.2%)	36.2%
CONSUMER FR	\$1.7 MM	\$0.8 MM	(\$0.9 MM)	(50.0%)	1.9%
CONSUMER PROGRAMS	\$4.5 MM	\$1.9 MM	(\$2.6 MM)	(58.4%)	4.4%
HISPANIC CONSUMER	\$3.4 MM	\$3.0 MM	(\$0.4 MM)	(12.2%)	6.8%
RESEARCH	\$1.0 MM	\$0.7 MM	(\$0.3 MM)	(26.6%)	1.7%
DIGITAL**	\$3.1 MM	\$3.3 MM	\$0.2 MM	7.3%	7.7%
FOODSERVICE	\$4.4 MM	\$4.3 MM	(\$0.1 MM)	(2.6%)	9.9%
TRADE***	\$15.8 MM	\$13.5 MM	(\$2.3 MM)	(14.8%)	31.0%
CRISIS MANAGEMENT	\$0.1 MM	\$0.2 MM	\$0.1 MM	100%	0.5%
TOTAL	\$54.7 MM	\$43.4 MM	(\$11.3 MM)	(24.6%)	100%

Alvaro presented AFM Strategic Framework that will continue driving company programs:



Alvaro presented the status on each key development factor and explained the different initiatives that will drive the Market Acceleration initiative:



GENERAL MARKET CONSUMER:

Kevin Hamilton presented AFM's top priorities in brand marketing for 2017- 2018:

- Hold our ground in terms of media with a reduced budget.
- Implement a new PR campaign to compensate for media reduction.
- Continue Super Bowl
- Develop a company Cinco strategy
- Evaluate Media & Creative through Ebiquity.



Kevin presented new creative concept as an evolution of Always There. New concept is EVERYDAY EXTRAORDINARY and is already implemented in the new campaigns for Cinco and Health & Wellness. Kevin showed both ads to the Board.

Kevin presented new Media Plan for 2017- 2018 (\$10 million), where 90% of the investment will be placed with NBC that holds the Super Bowl for 2018:

Approach	Align with entertainment programming that resonates with the audience	Build frequency via habitual daypart	Keep up with evolving habits targeting Maya on her terms, with interactive features		
Tactic	<p>Top-rated cable entertainment programming - food, fashion, reality, drama</p> <p>NBC & SCRIPPS</p>	<p>Premium LIVE programming around award shows</p>	<p>Early morning news</p> <p>FRESHOPPING WEEKEND WINDOW</p>	<p>Streaming TV On Demand</p>	<p>Online video</p>

For our football campaign, we will continue with the Super Bowl, will cover our College Football buy through a Notre Dame package and will complement with NBC Sports live stream ads.

Part of the new media buy includes a possible integration through NBC with the Kentucky Derby that falls next year on Cinco de Mayo.

To be able to reinforce our relevance in the Super Bowl message, Kevin presented our new creative concept thinking for next year's ad:



THINK OUTSIDE THE CHIP

WHY WE LIKE IT...

- Our conversation will be around **guac**. (+ football)
- Gives us more opportunities to reinforce **flavor** (number one driver).
Taste of avocados has a cult following in pop media.
- **Branding** will still be important.
- Builds on our company strategy of reinforcing other core uses with huge growth potential: **handhelds**.
- **Rich concept** to expand in digital.
- Ties better into our **Mexicanity (Good Times)** essence.

HISPANIC CONSUMER:

Stephanie Bazan presented a new analysis on our Hispanic target with a new direction that will concentrate our support on the Savvy Blender segment and with younger age group that will range between 25 and 44 years. Based on our recent studies, Savvy Blenders will consume 30% less avocados than the Heritage Keeper segment.

Stephanie presented Hispanic main priorities for next year including the following:

- Test Echale campaign with core target and establish 2-year communication plan.
- Develop H&W strategy with Nueva Latina.
- Reinforce Vida Aguacate membership and acquire new members.
- Optimize new media plan.
- Own Hispanic Heritage Month.

Stephanie presented a new Hispanic Program to reinforce our brand position in Hispanic Heritage Month. Toast to your Heritage is a marketing and promotional program we will launch with Bimbo Bakeries and Tabasco and will include digital, social, experiential and a seasonal program for Sep- Oct 2017 projecting 3.000 bins and 900K coupons.

Stephanie confirmed that we will invest again in the YMI school outreach program to engage with another 10 million students for this new fiscal year.

DIGITAL MARKETING:

Ivonne Kinser presented our digital plan for 2017- 2018 including the national launch of our Mexico documentary Avocadoland that will go out in Sep- Oct 2017 with a strong digital support.



Tastemade will continue for the rest of the year using and amplifying the developed assets for Flavor Nation (new episodes until Feb 2018) and Hands on Recipes (new videos until Dec 2017).

Ivonne presented the new education program including the launch of our chatbot to engage consumers in the mobile phones in the point of sales.

To support health & wellness, Ivonne presented our new partnership with Mashable that will create videos and infographics on our three main nutritional benefits (good fats, heart healthy and nutrient dense). The program will be amplified by the partner and our own paid media.

Other digital programs for 2017- 2018 include:

- Continue developing the Mini Chefs platform, concentrated in our celebrity kids that we have signed as brand ambassadors for the whole year.
- Snapchat programs using geo filters to engage with young millennials

SHOPPER MARKETING:

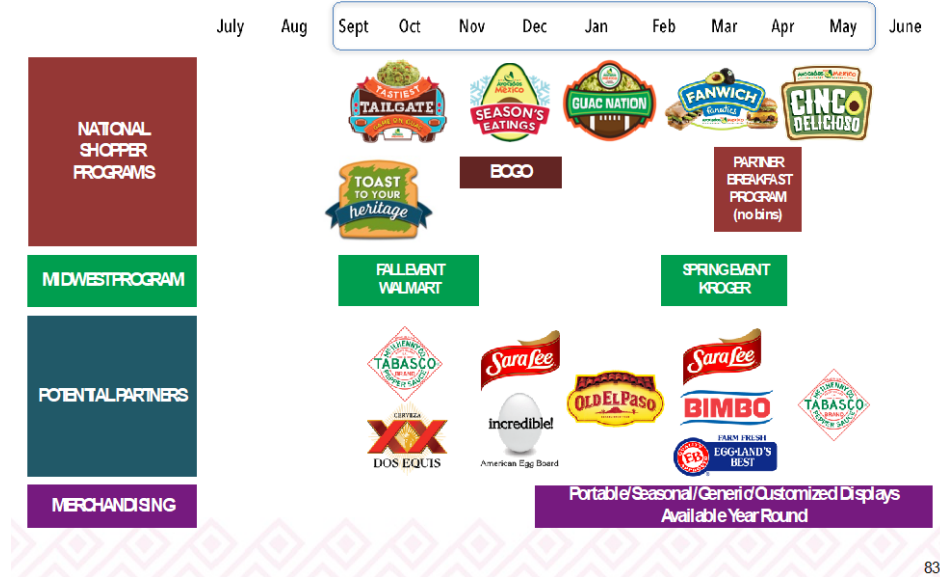
Dianne Le presented our Shopper program starting with our new coupon strategy based on the learnings from previous promotional events including the following strategies and activations:

Strategies	1 Target Most Valuable Shoppers <ul style="list-style-type: none"> • Medium Buyers • Lapsed Medium & Heavy Buyers • Light Buyers (Flex Focused) 		2 Deliver Strategic Offers Focused on <ul style="list-style-type: none"> • Larger Quantities (Purchase Size) • Smaller Discounts • Shorter Expiration Windows (specifically for Lapsed Buyers) 		3 Segment Coupon Timing Based on Seasonality and Avoid Overlap between Flex/Shopper	
	Example Activation	Target	Quantity (Purchase Size)	Example Offers		
Medium Buyers		3	Save \$.75 off three (3) Avocados From Mexico			
Lapsed Medium & Heavy Buyers		3	Save \$.75 off three (3) Avocados From Mexico on your <u>next</u> purchase - must use within 2 weeks			
Light Buyers		2	Save \$.50 off two (2) Avocados From Mexico			
		3	Save \$.75 off three (3) Avocados From Mexico			

Dianne presented our National shopper promotional calendar for 2017- 2018 including our partners for each program:



2017-2018 CALENDAR



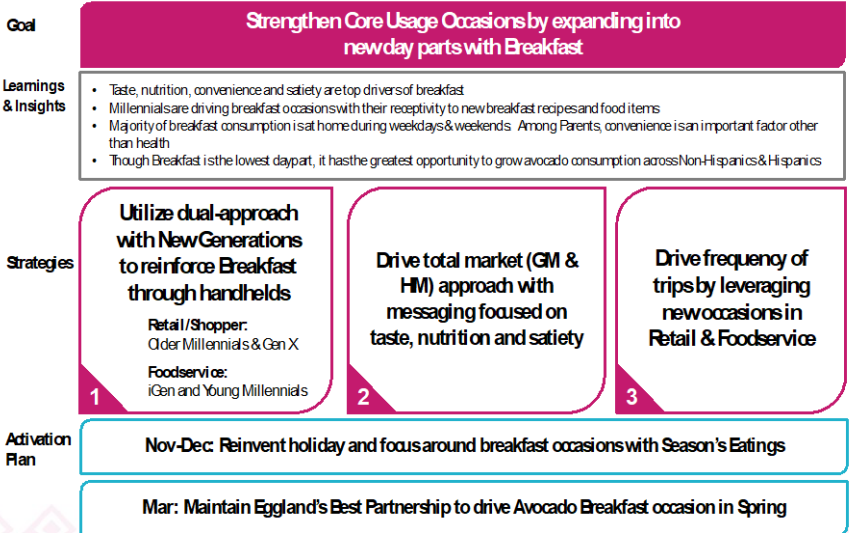
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This year we will only concentrate our shopper activity into 5 national promotions not including previous programs like Back to School, Super September and Summer.

As part of our shopper activations, Stephanie Bazan presented our breakfast strategy that this year will be implemented through our Seasons Eatings promotion and a customer specific event with Egglan's in March 2018:



BREAKFAST – WHY, WHERE & HOW:
STRATEGY & ACTIVATION PLAN

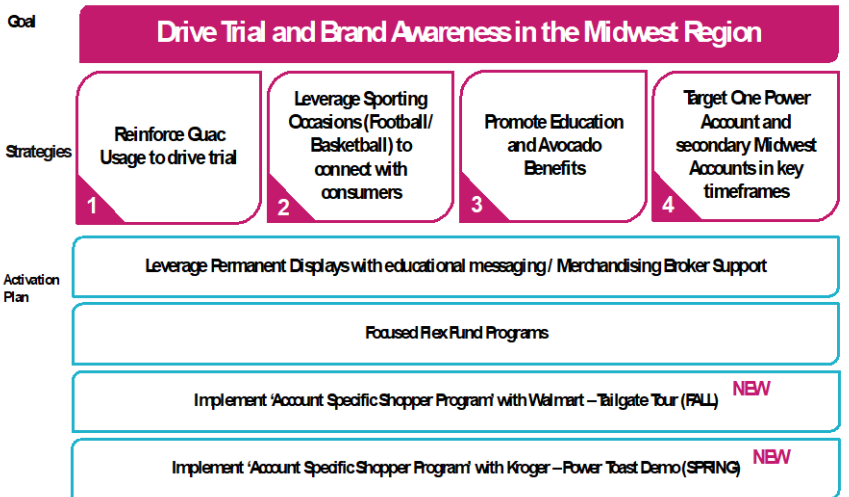


Source: Mintel What's For Breakfast May 2016, ARI SOG Segmentation by Usage Study 2015

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Stephanie Bazan presented our new Midwest strategy and programs to support the region with the highest growth potential. The program will include two activations in Fall and Spring that will be sell in to the two major players in the Region: Walmart & Kroger.

MIDWEST STRATEGY & ACTIVATION PLAN



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TRADE:

Maggie Bezar presented our Flex Fund program for 2017- 2018 including a region spend of the total \$4.7 million budget for this year:

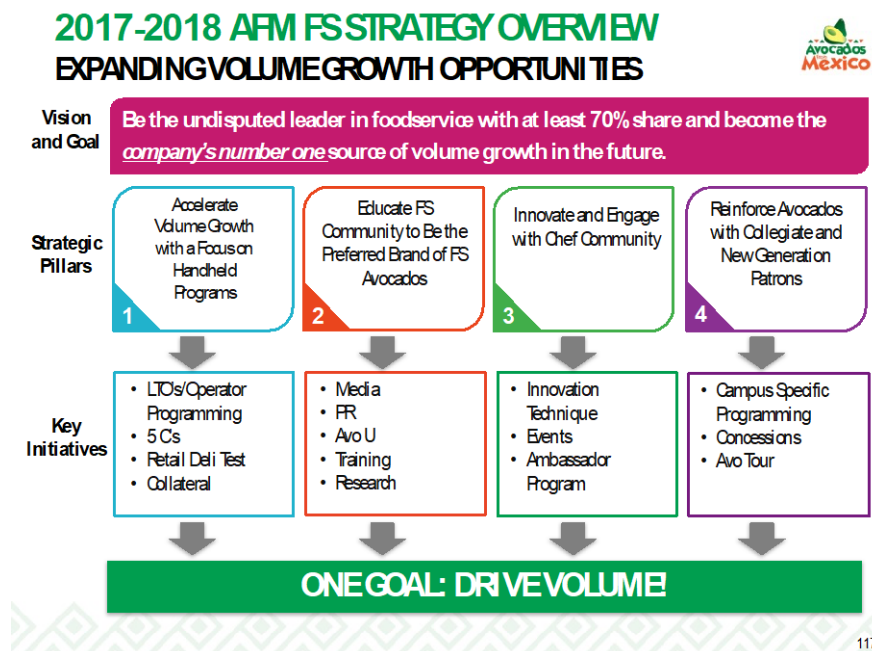
Trade Activity	All Regions	Central	East	Northeast	South Central	West	West - Hispanic	Total
Advertising	\$65,409	\$112,500	\$294,334	\$314,022	\$198,000	\$160,600	\$138,950	\$1,283,815
Contest		\$14,500	\$19,780	\$30,000	\$52,000	\$261,400	\$74,500	\$452,180
Demos	\$77,591	\$900,000	\$268,976	\$49,558	\$55,000	\$233,000	\$56,550	\$1,640,675
E-Commerce			\$10,000	\$135,000				\$145,000
Loyalty	\$3,000	\$470,000	\$386,910	\$101,420	\$130,000	\$30,000		\$1,121,330
Other	\$94,000	\$53,000						\$147,000
Total	\$240,000	\$1,550,000	\$980,000	\$630,000	\$435,000	\$685,000	\$270,000	\$4,790,000

Maggie presented other trade programs including:

- Guac Experiential: will continue testing guac displays targeting three new units in an East Coast retailer, one cart in a top independent through AWG and a follow up with Albertson's Corporate to continue growing the program in their stores.
- Continue our merchandising program for General Market to support key seasonal promotions (Tastiest Tailgate, Holidays and Fanwich)
- Reinforced RD program including national kits, digital newsletters, collateral materials, trade promotions and Produce For Kids activations.

FOODSERVICE:

Mark Garcia presented our Foodservice strategy and key initiatives for 2017- 2018:





Mark explained that our key target this year would be on high demand and growing segments like Casual Dining, Fast Casual and QSR, Steakhouses and the development 5 C's (College & Universities, Convenience, Companies, Concessions and Cruises & Hotels)

Maggie Bezar presented our Foodservice distributor program based on three main strategies:

- Broad-line distributors: Build on Sysco relationship through immersive relationship-building initiatives and Prospect US Foods, Reinhart & PFG DC's
- Utilize Broad-line distributors as a communication source to reach their operator customers *via* advertising efforts
- Establish AFM brand among their customers and build volume by focusing on fresh avocado usage in handhelds through repurpose of current materials including new Bar & Grill program in partnership with Heineken.

Mark presented an update on our Culinary Center and a projected debut in September 2017, also presented an updated plan for the Avocado University program that will launch January 2018:

TRAINING: AFM CULINARY CENTER: OUR PILLARS FOR SUCCESS



To continue our Chef Engagement program, Mark explained that we will maintain Sauceabilities as our innovation technique and will create new uses and materials around it to reinforce avocado usage in hand helds.

Also, we will continue with our Made in Mexico program and will take the new group of chefs to Michoacán in March 2018.



To reinforce consumption I New Generations, Stephanie Brower presented the second year of our Avotour program in Colleges and Universities that will include potential partnerships with Dannon, Tabasco and Bimbo Bakeries.

New Business:

Ron Campbell discussed the recent issues with the Merrill Lynch account and their ambivalence regarding the USDA's FDIC requirements which resulted in a finding on the AMS Management Review. Because of this, he recommended that the account be closed and the remainder of the funds moved to Citizens Business Bank. Jorge Hernandez motioned to close the account and the motion was seconded by Luke Sears. The motion passed without objection.

Alvaro also mentioned that he will need 40 cases of fresh avocados for an upcoming French chef sponsorship.

There being no additional new business, Chairman Ricardo Vega motioned to adjourn and the motion was seconded by Jorge Hernandez. All were in favor.

Respectfully Submitted,

Ron Campbell, MHAIA Executive Director

I certify that the above is a true and accurate statement of the May 23, 2017, MHAIA Board of Directors Meeting.

Gabriel Villaseñor, MHAIA Board Secretary