



Mexican Hass Avocado Importers Association
Annual Meeting Minutes
September 15, 2020

Place

Zoom Meeting

Time: 1:00 PM – 3:00 PM CDT

Board of Directors:

| Growers / Packers | | Term Expires |
|----------------------------------|----------|--------------|
| Gabriel Villaseñor (Chairman) | Director | 2020 |
| Jaime Rivas Campbell | Alt | 2020 |
| Adrian Iturbide | Director | 2020 |
| Jorge Vallejo Esquivel | Alt | 2020 |
| David Ruiz Vega (Vice Chair) | Director | 2021 |
| Gustavo Rivas Benitez | Alt | 2021 |
| Ivon Alejandro Oseguera Quintero | Director | 2021 |
| Jesus Domingo Calderon Urbina | Alt | 2021 |

| Importers | | Term Expires |
|-----------------------------|----------|--------------|
| Jon Ulrich | Director | 2020 |
| Giovanni Cavaletto | Alt | 2020 |
| Jorge Hernandez (Secretary) | Director | 2020 |
| Rigo Perez | Alt | 2020 |
| Aaron Acosta | Director | 2021 |
| Gahl Crane | Alt | 2021 |
| Gary Caloroso (Treasurer) | Director | 2021 |
| Peter Shore | Alt | 2021 |

AMS: _____
Vicky Carpenter

Officially Present: _____
Armando Lopez
Dolora Sillman
Miguel Barcenas
Ron Campbell
Alvaro Luque

Kevin Hamilton
Stephanie Bazan
Ivonne Kinser
Stephanie Browder
Kevin Brosch
Maura Morales
Miguel Molina
Becky Estrada
Brad Barker
Ana Ambrosi



Members

| | | |
|---------------|--------------------|-----------------|
| Jim Donovan | Jose Luis Gallardo | Dave Billings |
| Armando Lopez | Sergio Chavez | Rigoberto Lemus |
| Ray Fontain | Elizabeth Ayala | |

Guests:

Emiliano Escobedo Gary Williams

Meeting Convenes:

Chairman Gabriel Villaseñor called the MHAIA meeting to order, took the roll call and established a quorum. Kevin Brosch read the antitrust policy that was also distributed to the participants as part of the agenda. Jaime Rivas motioned to approve the minutes which was seconded by Jon Ulrich. The motion passed without objection.

Treasurer Gary Caloroso introduced Ron Lopez from the accounting firm, Gruber and Associates presented MHAIA / AFM consolidated financial audit.

The purpose of the report is to describe the scope of Gruber's testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance.

There were no findings or questioned costs for fiscal year ended June 30, 2020 or during the previous fiscal year June 30, 2019.

David Ruiz, motioned to accept the audit and Jorge accepted the motion. There was no objection.

The Treasurer, Gary Caloroso introduced Dolora, to discuss the crop report and provide the treasurers report.

Highlights:

Cash Balances, the consolidated cash balances of MHAIA and its subsidiary the AFM as of Sep 9, 2020 is \$16,103,799. See breakdown below:

Collateralization of Funds as of August 30, 2020, the MHAIA and AFM total cash of \$16,635,684 were fully collateralized at \$34,888,381, see below.

YTD August Financial Summary

- FY 21 Aug YTD estimated net volume of 279.9 M pounds as compared to budget of 205.2M pounds, higher by 37.3% or 76.61 million pounds.



- Total revenue is \$6.11Mn as compared to plan of \$4.45 million, the favorable variance was primarily due to higher volume.
- Total spending is \$2.93M as compared to plan of \$3.07M.
- Net change is assets of \$3.18 positive as compared to plan of \$1.38 M positive

Crop Report, Aventajada, Normal and Marceña:

Jesus Jasso is estimating 1,202,550 tons or 2,651,170,587 lbs. of avocados on 144,908 hectares.

Therefore, this volume plus the loca estimate of 265,827 tons or 586,048,239 lbs., means there is about 1.468 million tons or 3.237 billion lbs. of certified crop.

Considering that 83% of this will likely come to the United States, and Mexico has already shipped about 94.7 thousand metric tons of this new crop or 209 million lbs., it appears that there will be around 2.48 billion lbs. or 1.12 million metric tons of certified avocados available for the U.S. market. (These figures don't include last season's carryover equaling 43.4 thousand tons.)

However, based upon APEAM's revised estimates, the group agreed that MHAIA should base its budget on 2.3 billion lbs. MHAIA's existing projected volume is 2.1 billion lbs; a difference of 200 million lbs.

Based upon this discussion, David Ruiz motioned to amend the budget based on 2.3 billion lbs. and provide half of the funds to AFM for increased promotions and keep the remaining funds in reserve. The motion was seconded by Gary Caloroso.

Alvaro will present a new plan to the JEC in 3-4 weeks (see addendum A).

Elections:

After the deadline for submitting ballots for MHAIA's importer election closed Jon Ulrich won one of the two open Director's seats and there was a three-way tie for the second director seat.

Therefore, a runoff ballot between Giovanni Cavaletto, Michael Chirico, and Jorge Hernandez was distributed the importer with the highest number of votes will receive the second Director seat and the remaining two importers will fill the alternate seats. This ballot was due in our independent auditor's office no later than COB, August 21.

Upon conclusion of the runoff, Giovanni Cavaletto received enough votes to win the Director seat and Jorge Hernandez and Mike Chirico will fill the remaining alternate positions.

MHAIA New Board of Directors:



Growers / Packers

Term Expires

| | | |
|--|-----------------|-------------|
| David Ruiz Vega | Director | 2021 |
| Gustavo Rivas Benitez | Alt | 2021 |
| Ivon Alejandro Oseguera Quintero | Director | 2021 |
| Jesus Domingo Calderon Urbina | Alt | 2021 |
| Rigoberto Lemus | Director | 2022 |
| Ricardo Vega Jr. | Alt | 2022 |
| Dr. Antonio Ortiz Gonzalez | Director | 2022 |
| Lic. Juan Pablo Figueroa Cejudo | Alt | 2022 |

(Two grower seats presented to MHAIA 11-25-20 / delayed due to Covid))

Importers

Term Expires

| | | |
|---------------------------|-----------------|-------------|
| Aaron Acosta | Director | 2021 |
| Gahl Crane | Alt | 2021 |
| Gary Caloroso (Treasurer) | Director | 2021 |
| Peter Shore | Alt | 2021 |
| Jon Ulrich | Director | 2022 |
| Jorge Hernandez | Alt | 2022 |
| Giovanni Cavaletto | Director | 2022 |
| Mike Chirico | Alt | 2022 |

After the new board was seated, a Chairman and a Secretary were elected. Because Gabriel was Chairman for only one year as a packer, the packers are entitled to another year of Chairmanship. Therefore, Gary Caloroso nominated David Ruiz to be Chair which was seconded by Rigoberto Lemus. All were in favor.

This action left the Vice-Chair seat open. Giovanni nominated Jon Ulrich as Vice Chairman and the motion was seconded.

David Ruiz nominated Rigoberto Lemus Secretary and Gustavo second

Regarding the AFM board, because Gabriel is still President of APEAM and if David is Chair of MHAIA, both will stay on the AFM Board. In addition, Gabriel appointed Ricardo Vega to fill the seat left by Jaime Rivas. Finally, David requested Jim Donovan stay as the marketing representative appointed to the AFM Board.

AFM / JEC Board of Directors:



Gary Caloroso, Chair
David Ruiz, Vice Chair
Gabriel Villaseñor, Treasurer
Jose Luis Gallardo, Director
Ricardo Vega, Director (marketing)
Jim Donovan, Director
Armando Lopez, Director (ex-officio)
Ron Campbell, Secretary (ex officio)

Monarch Butterfly Reforestation Project Update

David introduced Megan Fulton with Forests for Monarchs (FFM) to provide an update on the reforestation project.

In the past four years, MHAIA's partnership with FFM has resulted in 800,000 trees planted in Michoacán.

2021 will be the last year of the five-year engagement agreement for Forests for Monarchs and the La Cruz Habitat Protection Project. To extend this project, it was requested that FFM and the LHPP, in coordination with APEAM, conduct an audit to validate the success of the program.

The audit results will be presented during the upcoming 2021 February meeting so the Board can decide if the relationship should be extended. Tree survival rates will be the most important gauge for success.

Encourage APEAM and the La Cruz Habitat Protection Project to partner together for greater synergy.

Gary Caloroso motioned to conduct an audit of the last five-year reforestation project to gauge the success of the program and create synergy with APEAM to develop a much closer working relationship in the future with the La Cruz Habitat Protection Project. The motion was seconded by Jon Ullrich.

Also, Armando provided a short video on the "Agenda Verde" project conducted by APEAM in Michoacán and an update on the Casa APEAM.

Economic Benefits Analysis:

David introduced Dr. Gary Williams from Texas A&M to provide an update on the Federal and State economic benefits created during last year as a result of imports of avocados from Mexico.



In 2019/20, \$2.82 billion of U.S. imports of Mexican Hass avocados contributed the following to the U.S. Economy:

- \$6.5 billion in U.S. economic output
- \$4 billion in U.S. GDP
- \$2.2 billion in U.S. labor income
- \$1.1 billion in U.S. taxes
- 33,051 in U.S. jobs for American workers

Center for Produce Safety (CPS) Sponsorship / L mono research

David introduced Ron Campbell to provide reasoning for funding the CPS

Earlier this year, the CPS petitioned MHAIA to support this important food safety research-oriented organization. Our initial request to AMS for approval to use assessment funds was denied. However, after additional discussions, AMS agreed that this was an appropriate use of funds. Nevertheless, during the May meeting, the board agreed to earmark 100K to fund the organization if CPS conducts research that benefits the Mexican avocado growers.

An important reason to consider working with CPS is listeria monocytogenes (L mono) and its association with avocados. The FDA considers L mono to be the most important food borne pathogen on avocados from Mexico. Over the past six months there has been pressure from a very important retailer to conduct regular third-party audits for all the groves in Mexico because of FDA's concerns. However, this is extremely difficult due to the number of orchards and because audits are not mandatory under the FSMA. Therefore, very few audits are taking place compared to the number of orchards in Michoacán.

The FDA considers audits to be a tool for handlers to be used based upon the risk of the commodity becoming a pathway for food borne illness into the United States. However, there has been preliminary research showing that L mono does not penetrate the skin of whole avocados very easily if at all showing that the FDA's portrayal of avocados as high risk is overstated.

Recommendation: MHAIA should consider working with CPS and recommend they prioritize research on the risk associated with L mono and whole avocados. If the research shows the risk is low, then handlers can use this reasoning to answer questions on the audit process. But more importantly, the research could support claims by the industry to the consumer that avocados do not pose a risk for food borne illness.

Gary Caloroso motioned for MHAIA to work with CPS for one year and encourage CPS to pursue research that would define the actual risk associated with L mono and Hass avocados from Mexico. The initial investment will be \$100K and progress will be evaluated to consider future investment with the organization during the next fiscal year. The motion was seconded by Jon Ullrich. There was no objection.



New Business:

Code of Conduct and Ethics and Fraud paperwork will be sent to the board via DocuSign.

Emiliano Escobedo reminded MHAIA to send the names of the MHAIA participants to the Hass Avocado Committee.

The next meeting is scheduled for February 16/17

There being no additional new business, Giovanni motioned to adjourn which was seconded by Jon. There was no objection.

Respectfully Submitted,

Ron Campbell, MHAIA Executive Director

I certify that the above is a true and accurate statement of the September 19, 2020, MHAIA Board of Directors Meeting.

Rigoberto Lemus, MHAIA Board Secretary



Addendum A:

New MHAIA Policies:

Because of the amount of information shared during our meeting on the 15th, there was little additional time for administrative tasks.

However, AMS still requires board approval of MHAIA's updated policies and procedures outlined below. On September 28, these policies were sent to the MHAIA board for approval and six out of 8 board members recommended approval.

| Policy | Status | Comments |
|---------------------------------|---------------|---|
| 1 Travel Policy | Update | Minor changes made to conform with the latest AMS Guidelines |
| 2 Fixed assets | No Changes | Need formal approval |
| 3 Accounting and payment policy | Update | Added the 15% reserve goal to the policy |
| 4 Code of Conducts | Update | Added the Equal Employment Opportunity (EEO) and Conflicts of Interest. This is in accordance the latest AMS Guidelines |
| 5 AFM By laws | Update | Updated the date to conform with the Feb 13,2019 signed M |



Addendum B:

On Tuesday November 24th, the MHAIA Executive Committee had a meeting with APEAM to receive an update on the construction of the new offices for APEAM, “Casa APEAM” which was followed by a full **MHAIA Board meeting on December 2ⁿ** to discuss future financial needs.

At 9:00 AM, Chairman David Ruiz called the meeting to order and established a quorum. Ron Campbell reminded the board that the antitrust policy provided in the agenda was in force. The approval of last meetings minutes was waived until the February meeting.

Chairman David Ruiz introduced Armando Lopez to provide an update on the achievements in the construction of the APEAM House to explain new construction and future budgetary needs.

APEAM Chairman stated that after the initial investment of \$12MM (\$10.5MM has already been allocated and \$1.5MM is due next fiscal year), an additional \$8MM will be necessary to complete the project. Therefore, the request is to expedite the final \$1.5MM this fiscal year, add \$4MM this year and budget the additional payment of \$4MM next year.

Based upon a 2.3BB lb. scenario, the plan would be to take \$2MM from the MHAIA excess reserve this year (keeping our reserve at 15%) and AFM will find the balance based upon the amendment below. These funds would come from the additional \$3.5MM originally provided to AFM during the September meeting when MHAIA upgraded the volume scenario from 2.1BB lbs. to 2.3BB lbs.

| BUDGET AMENDMENT NOVEMBER 2020 | | | | |
|---|--------------------|-----------|---|------------|
| Trade OND Plus Up- Incremental Loyalty Coupons | Stephanie Bazan | \$367,000 | Already spent | |
| Trade OND Plus Up- In Market & Walmart Test | Stephanie Bazan | \$60,000 | Already spent | |
| Super Bowl Plus Up- IRC Tearpads | Stephanie Bazan | \$90,000 | Keep | |
| Post Super Bowl Plus Up- Incremental Coupons | Stephanie Bazan | \$558,000 | Keep | |
| Post Super Bowl Plus Up- Cholula Promotion | Stephanie Bazan | \$50,000 | Keep and negotiate with McCormick | |
| Merchandising- Bar Racks Sprouts | Stephanie Bazan | \$80,000 | Save | \$ 80,000 |
| Merchandising- HEB Avocado Center | Stephanie Bazan | \$200,000 | Keep | |
| Bag Program Second Wave | Stephanie Bazan | \$600,000 | Cancel second wave | \$ 250,000 |
| Cinco Program- Incremental bins | Stephanie Bazan | \$120,000 | Keep | |



| | | | | |
|---|-----------------|--------------------|------|--------------------|
| Summer Program- Incremental merchandising & coupons | Stephanie Bazan | \$445,000 | Keep | |
| Summer Mexico Commitment Program | Stephanie Bazan | \$230,000 | Save | \$ 230,000 |
| E-comm- Adapterd get avos in the shopping list | Ivonne Kinser | \$100,000 | Save | \$ 100,000 |
| E-comm- Search | Ivonne Kinser | \$100,000 | Save | \$ 100,000 |
| Super Bowl Plus Up- Digital | Ivonne Kinser | \$100,000 | Save | \$ 100,000 |
| Foodservice- Reinforce LTO's | David Spirito | \$100,000 | Save | \$100,000 |
| Consumer- Reinforce Thalia Production | Kevin Hamilton | \$100,000 | Save | \$100,000 |
| Innovation Program with IDEO | Ivonne Kinser | \$100,000 | Keep | |
| | | | | |
| TOTAL BUDGET AMENDMENT | | \$3,400,000 | | \$1,060,000 |
| | | | | |
| OTHER SAVINGS | | | | |
| | | | | |
| Foodservice- Avo Lab Project Cancellation | | | | \$ 280,000 |
| Foodservice- Made in Mexico Trip Cancellation | | | | \$ 95,000 |
| Foodservice- NRA Event Cancellation | | | | \$ 25,000 |
| Consumer- H&W Special media Program | | | | \$165,000 |
| Consumer- GM Production New Ads | | | | \$235,000 |
| Digital- Baby Boomers | | | | \$100,000 |
| Shopper- H&W KIT & Trade Advertising | | | | \$40,000 |
| | | | | |
| OTHER SAVINGS | | | | \$940,000 |
| | | | | |
| TOTAL SAVINGS | | | | \$2,000,000 |

MOTION:

Based upon a volume of 2.3 billion pounds and the cost savings scenario presented here today, David Ruiz motioned to:



Expedite the \$1.5 million already approved for Casa APEAM and allocate an additional \$4 million toward the project this fiscal year. Furthermore, the MHAIA will budget an additional \$4 million to complete the project in fiscal year 2021.

The motion was seconded by Aaron Acosta and carried without objection.

New Business:

During a previous meeting the JEC agreed to release the merit increases and bonuses for AFM. The increases were put on hold because of the COVID pandemic. However, because of the achievements of the AFM team during these difficult times, the MHAIA board was made aware that it's time to release these merit increases.

Also, during closed session at the end MHAIA's September board meeting, the board also approved Dolora's and Ron's increases but put them on hold until December to gauge the impact of COVID on the market. Chairman David Ruiz recommend that the board release those funds and there was no objection.

There being no additional new business, David requested a motion to adjourn.

Aaron Acosta motioned to adjourn which was seconded by Jon Ullrich. There was no objection.

Respectfully Submitted,

Ron Campbell, MHAIA Executive Director

I certify that the above is a true and accurate statement of the December 1, 2020, MHAIA Special Board of Directors Meeting.

Rigoberto Lemus, MHAIA Board Secretary