



Mexican Hass Avocado Importers Association
Annual Meeting Minutes
September 18 & 19, 2018

Place

AFM Headquarters
Culinary Center
Las Colinas, Texas

Time: 12:30 PM – 4:00 PM (Tuesday) 8:00 AM – 4:00 PM (Wednesday)

Board of Directors:

Growers / Packers

Term Expires

David Ruiz Vega	Director	2019
Marco Antonio Hernandez	Alt	2019
Carlos Genel (Treasurer) (a)	Director	2019
Jose Alfredo Hernandez	Alt	2019
Gabriel Villaseñor (Secretary)	Director	2018
Jamie Rivas (a)	Alt	2018
Mauricio Gonzalez	Director	2018
Fernando Torres	Alt	2018

Importers

Term Expires

Mike Browne (Chairman)	Director	2019
Gary Calaroso	Alt	2019
Aaron Acosta	Director	2019
Gahl Crane	Alt	2019
Jorge Hernandez (Vice Chair)	Director	2018
Vacant	Alt	2018
Jon Ulrich	Director	2018
Giovanni Cavaletto	Alt	2018

AMS: _____

Hakim Fobia

Officially Present: _____

Armando Lopez	Kevin Hamilton
Ramon Paz	Dolora Sillman
Stephanie Bazan	Miguel Molina
Ron Campbell	Ivonne Kinser
Alvaro Luque	Becky Estrada
Kevin Brosch	Stephanie Browder
Maggie Hall	



Members

Gabriel Villaseñor	Luke Sears	Fernando Torres
Jon Ullrich	David Ruiz Vega	Aaron Acosta
Rigo Perez	Jose Luis Gallardo	Jorge Vallero Esquivel
Mauricio Gonzalez	Fernando Torres	Bob Lucy
Dave Billings	Gustavo Rivas	

Guests:

Emiliano Escobedo	Matt Gonwa	Jay Shah
Jim Eckles	Chris Hauck	

At 12:30 PM Chairman Mike Browne called the 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. Mr. Browne requested comments on the May board meeting minutes. Jorge Hernandez motioned to approve the minutes which was seconded by Jon Ullrich. The motion passed without objection.

Mike Browne introduced Matt Gonwa, Jay Shah, Jim Eckles and Chris Hauck to present the preliminary results of the MHAIA long term planning project and organizational assessment. The team provided a three-hour presentation that included a workstream overview, summary of key insights and implications, an updated mission statement and core values, key improvement opportunities and a preliminary capability development timeline.

Mike requested and received unanimous consent from the current board to encourage the incoming board members to continue the strategic planning process and see it to its conclusion.

Mike Browne adjourned for the day for continuation with the MHAIA meeting Wednesday September 19.

Mike Browne readjusted the following day, took the roll call and reestablished a quorum.

Financial Audit:

Ron Lopez With Gruber and Associates presented the financial audit, year ending June 31, 2017.

The audit was conducted in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the Mexican Hass Avocado Importer's Association (a nonprofit organization) and subsidiary, as of and for the year ended June 30 2017, and the related notes to the financial statements, which collectively comprise Mexican Hass Avocado Importer's Association's consolidated financial statements, and have issued the report thereon dated August 31, 2017.

There were no findings.



The report will be posted on MHAIA's site after review and approval by AMS.

Jon Ulrich motioned to approve the financial audit which was seconded by Jorge Hernandez. There was no objection.

Treasurers Report and Proposed Budget:

Mike introduced Dolora Sillman to present the MHAIA Treasurers report, current financial position and proposed budget.

Sep 19, 2018 MHAIA BOD meeting- Dallas
Consolidated Cash /Bank Balances -Sep 16,2018

	MHAIA	AFM	Total
Balances			
Citizens Business Bank-MHAIA MMKT	\$7,148,079	\$4,730,730	\$11,878,810
Citizens Business Bank-APEAM MMKT		\$1,811,265	\$1,811,265
Citizens Business Bank-Optg. (with OChecks)	\$35,464	\$143,176	\$178,640
AFM Exe MM Account		\$378,721	\$378,721
Petty Cash		\$2,500	\$2,500
Restricted CD	\$8,062		\$8,062
Total	7,191,604	7,066,393	14,257,997

Notes:

MHAIA Total does not include the August 2018 estimated assesment of \$2.6M.

AFM as of September 16,2018 cash balance is inclusive of the Sep 2018 contributions from MHAIA and APEAM

AFM higher cash balance is primarily due to: 1) lower invoices/spending vs plan by \$4.82M and 2) outstanding AP of Sep 16 AP of \$2.12M.

See attached AFM Balance sheet as of Sep 16 2018

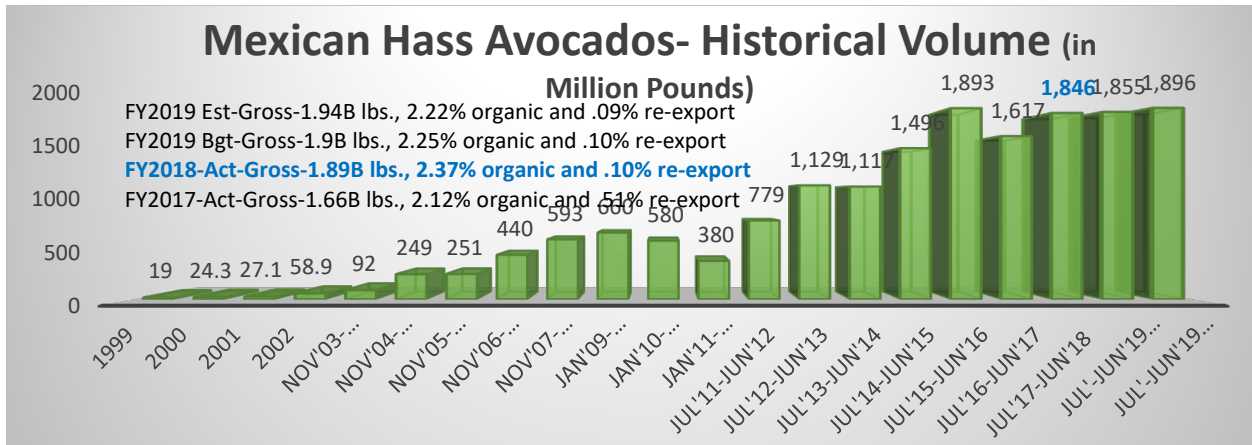
Highlights of MHAIA 2017-2018 Financials:

- Volume is .2% higher than budget at net: organic at 2.37% and re-export .10%**

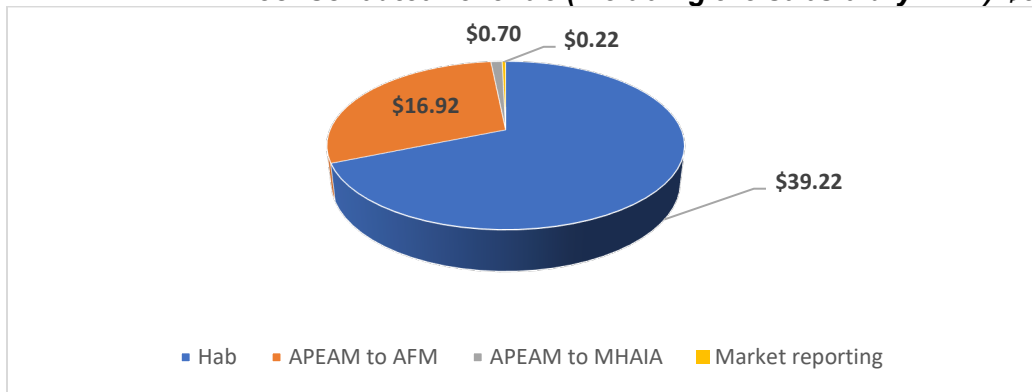
	<u>FY 18 Actual</u>	<u>FY 18 Estimate</u>	<u>FY 18 Amended Budget</u>	<u>Change-Act vs Amended</u>	<u>% Change</u>
Gross	1,892,289,093	1,889,002,529	1,883,917,285	8,371,807	0.4%
Organic	(44,763,937)	(45,773,475)	(40,895,025)	(3,868,912)	9.5%
Re-export	(1,977,426)	(2,130,239)	(1,922,259)	(55,167)	2.9%
Net	1,845,547,729	1,841,098,815	1,841,100,001	4,447,729	0.2%



Variance 0.24% 0.24%



- **Total Revenue of MHAIA only-\$39.9M; 98% or 39.2M from HAB and 2% or \$695K from APEAM**
MHAIA consolidated revenue (including the subsidiary AFM)-\$57.05M



- **Mhaia spending -\$ 36.72M, and total consolidated of \$53.91**

Consolidated MHAIA Spending (including the subsidiary AFM)

	FY-18 Actual- MHAIA	FY-18 Actual- AFM	Total	Elimination	Total
AFM Marketing	\$ 31,042,655	\$ 43,891,988	\$ 74,934,643	\$ (31,042,655)	\$ 43,891,988
AFM Marketing Admin	\$ 4,194,019	\$ 5,975,336	\$ 10,169,355	\$ (4,194,019)	\$ 5,975,336
APEAM Market Reporting		\$ 216,502	\$ 216,502		\$ 216,502
Total Marketing AFM	\$ 35,236,674	\$ 50,083,826	\$ 85,320,500		\$ 50,083,826
Total Marketing MHAIA	\$ 848,777		\$ 848,777		\$ 848,777
General Admin	\$ 632,615	\$ 2,340,463	\$ 2,973,078		\$ 2,973,078
Total Expenses	\$ 36,718,066	\$ 52,424,289	\$ 89,142,355	\$ (35,236,674)	\$ 53,905,681



- **Cash Reserves:**

@15% of assessment

FY 18 Actual	\$8.24 M	21.01%
FY 18 Estimate	\$7.02 M	17.93%
FY 18 Budget	\$6.14 M	15.70%

- **Funding allocations:**

	<u>FY-18Actual</u>	<u>Ratio</u>
MHAIA to AFM	\$ 35,236,674	66.7%
APEAM to AFM	\$ 16,922,451	33.3%
APEAM to MHAIA	\$ 695,886	
Total	\$ 52,855,011	100.0%
APEAM Market Reporting	\$ 215,701	100%
Total Funding	\$ 53,582,597	

Economic Benefits analysis, 2017 update:

Mike introduced Dr. Gary Williams from Texas A&M to present the findings of the updated U.S. National and State level economic benefits of avocado imports from Mexico. The analysis concludes that U.S. imports of Mexican Hass avocados contributed the following to the U.S. economy in 2017: • \$5.5 billion in output or spending; • \$3.4 billion to the U.S. GDP (value-added); • 28,251 jobs; • \$1.9 billion in labor income; and • \$932 million in taxes. Every dollar of Mexican avocado imports in 2017 generated \$2.34 dollars in output, \$1.45 in U.S. GDP, and \$0.81 in labor income. Every million dollars of those imports generated 12.1 U.S. jobs.

The complete report will be posted on MHAIA's site after approval by AMS.

Seating of the new board:

On the MHAIA side there were two open seats and corresponding alternate seats. Jon Ulrich won the first seat and there was a tie between Jorge Hernandez and Giovanni Cavaletto which triggered a runoff election. Jorge Hernandez won the runoff election and therefore, Giovanni, being guaranteed the first alternate seat will be Jorge's alternate. Rigo Perez won the second alternate seat. APEAM elected Adrian Iturbide with Jorge Vallejo Esquivel as his alternate to represent the growers and Gabriel Villasenor with Jaime Rivas Campbell as his alternate to represent the packers. In addition, APEAM also elected Gustavo Rivas Benitez to replace Marco Hernandez who vacated the board.



Therefore, the new 2018-19 Board of Directors is:

MHAIA 2018 / 2019 Board of Directors

Growers / Packers		Term Expires
Gabriel Villaseñor (Vice Chair)	Director	2020
Jaime Rivas Campbell	Alt	2020
Adrian Iturbide	Director	2020
Jorge Vallejo Esquivel	Alt	2020
David Ruiz Vega	Director	2019
Gustavo Rivas Benitez*	Alt	2019
Carlos Genel (Treasurer)	Director	2019
Jose Alfredo Hernandez	Alt	2019
Importers		Term Expires
Jon Ulrich	Director	2020
Giovanni Cavaletto	Alt	2020
Jorge Hernandez (Secretary)	Director	2020
Rigo Perez	Alt	2020
Mike Browne (Chairman)	Director	2019
Gary Calaroso	Alt	2019
Aaron Acosta	Director	2019
Gahl Crane	Alt	2019

*APEAM elected Gustavo Rivas Benitez to replace Marco Hernandez who vacated the board.

Board Member Orientation:

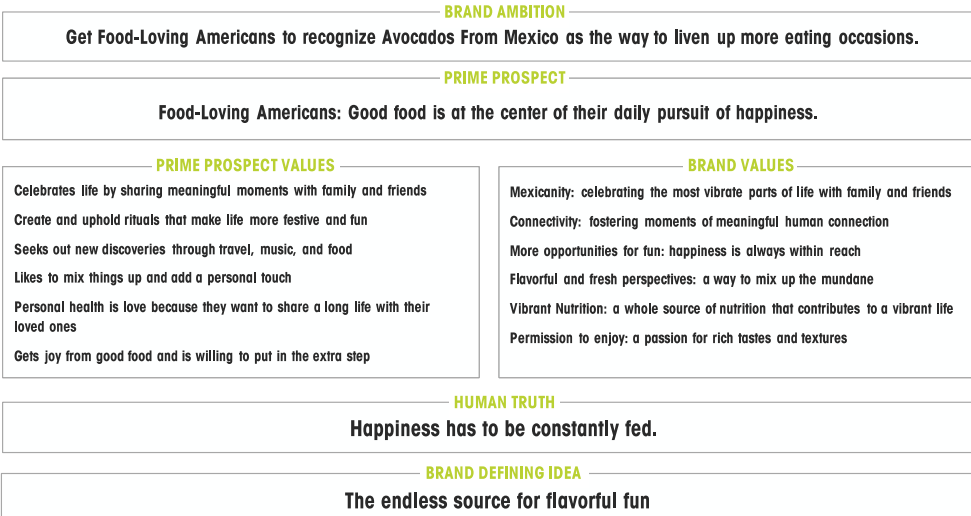
Hakim Fobia from AMS provided an AMS orientation, policies and procedures.

Marketing Presentation:

Kevin Hamilton presented the new communication framework that Energy BBDO developed for AFM as the foundation of our upcoming brand campaigns:



BRANDENERGY® FRAMEWORK - AFM

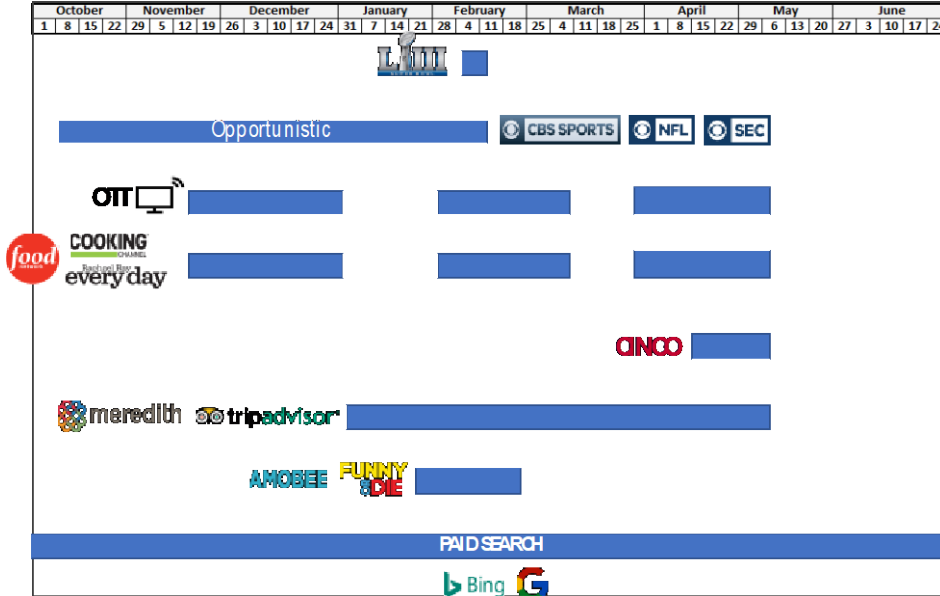


From this strategy, we will develop cohesive brand executions for the Super Bowl, Health & Wellness, Football Season and Cinco de Mayo.

Our main objective for our communication campaign is to reinforce our value message using the consumer insight that people can't live without avocados and they will do anything for them because they are healthy, delicious on everything and always in season.

Kevin presented our media strategy and confirmed that we are going to be advertising for the fifth time in the Super Bowl on February 2019. The cost of the 30 second ad was \$4.3 million, and the total CBS commitment is \$6.2 million, almost \$500k less than our last year's committed budget to NBC.

Kevin Hamilton presented our final media flow chart for 2018- 2019:



Ivonne Kinser presented a status on our digital program for this fiscal year. The digital plan is aligned with our company development factors and organized in three big areas with supporting programs for each one:



To support branding, digital will launch Avocadoland 2.0 with Tastemade, continuing the original story but now based in the U.S. supporting the value message anchored in flavor, health and availability.

The digital education campaign will run through our search program with Google and Bing and will be supported by our new educational videos running in Apple News.

The health & wellness campaign will focus on avocado's heart healthy benefit through its good fats. This represents the most important online conversation on avocado nutrition benefits.

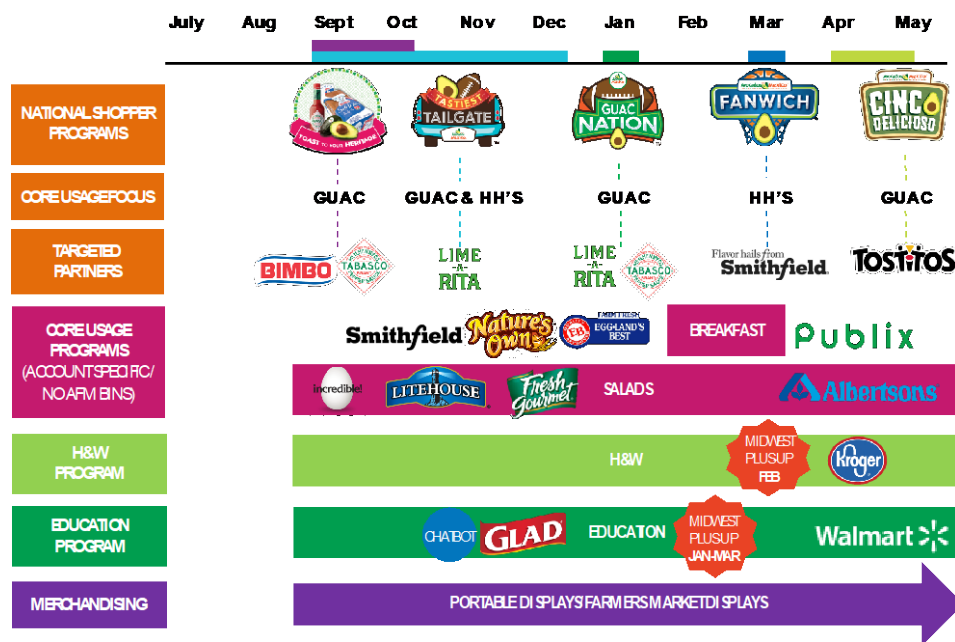


Ivonne presented other digital programs supporting different areas of the company. One of them is Chicory's partnership to make all our recipes shoppable to support e-commerce growth through key participating partners like Walmart, Kroger, Amazon and Instacart. Thanks to Instacart we are going to be able to reach 70% of U.S. households through its 300 retail partners.

Stephanie Bazan presented our New Generations program that is based on four big initiatives:

- Teaching Kits: Deliver educational poster with avocado activities to 72,000 schools reaching 10 million kids and families.
- Education Activity: sent to 72,000 schools 3 ripening bags to perform an avocado ripening experiment and learn how to manage our fruit.
- Digital Outreach: deliver via email a monthly newsletter to reach 100,000 teachers per month from November 2018 to March 2019. Total reach for the year: 500,000 teachers.
- AFT partnership: partner with the American Federation of Teachers to participate in national events and post through YMI 2 downloadable avocado education activities to reach 950,000 subscribed educators nationwide.

Stephanie Bazan and Dianne Le presented our updated shopper plan with the following calendar for the fiscal year:



Thanks to our partnerships with top national brands, we are projecting to get contributions of \$3.8 million that will amplify our branded programs in-store. Biggest partnership program for AFM so far.

Dianne Le presented a detailed analysis of each of our Seasonal Programs for the year:

- Hispanic Heritage Month: partnership with Bimbo and Tabasco. In market, right now with 4.500 bins sold in, 6,000 POS kits placed and 450,000 coupons distributed.



- Tastiest Tailgate: partnership with Bud Light Ritas. Program will run from October to January and already sold in 22,000 bins. 60% of the bins will be merchandised and placed by AB sales force. Program includes three different coupon initiatives: 700,000 offers with coupons.com, Ibotta rebate offer and Catalina targeted coupon.
- Following programs will be:
 - o Guac Nation Super Bowl promotion in partnership with Bud Light Ritas and Tabasco for January- February 2019.
 - o Fanwich March Madness promotion in partnership with Smithfield for March 2019.
 - o Cinco promotion in partnership with Tostitos for April- May 2019.

Stephanie Bazan presented our new Evergreen Programs to support trade and shopper initiatives for Power Accounts in key strategic areas for the company:

- 1- Salad Program/ Albertsons: Just 4 U offer in February 2019 and in-store pallet display developed and merchandised by Fresh Gourmet in the produce section. Salad program includes national digital Salad Hub with partners Fresh Gourmet and American Egg Board to be launched in October 2018.

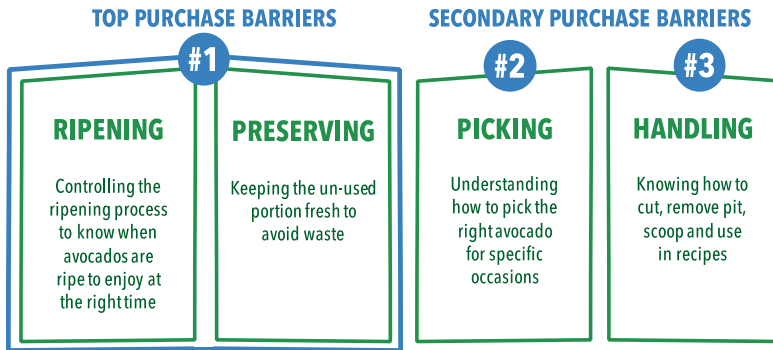
DIGITAL SALAD SOLUTION HUB



- 2- Breakfast Program/ Publix: National IRC with Egghand's Best and Nature's Own in February 2019 with 3 million coupons and customer specific program with Publix in March 2019 with a rebate offer with Nature's Own and Smithfield.
- 3- H&W program/ Kroger: Heart Health Month RD tool kit for Kroger RD's in partnership with the American Egg Board for March 2019 and Midwest demos H&W program for Kroger stores in Kansas, St Louis, Wichita, Chicago and Indianapolis during Feb- Mar 2019. Targeted activation in 600 stores.
- 4- Education Program/ Walmart: Midwest demos education program for Walmart stores in Kansas, St Louis, Wichita, Chicago and Indianapolis during Feb- Mar 2019. Targeted activation in 600 stores. National Chatbot activation with Walmart during April- May 2019 and National partnership with Glad including 850,000 DFSI coupons in November, national demos program for Walmart and Kroger, Digital videos and New America signage for 3,000 stores.

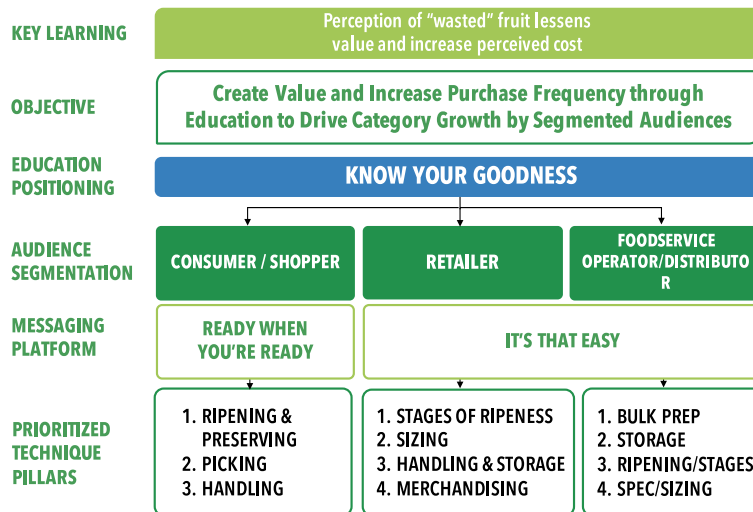


Dianne Le presented new Education Strategy for AFM that will be focused primarily on Ripening and Preserving techniques:



Communication strategy for the education campaign will focus on two concepts that will come to life through videos, digital assets and printed materials in-store:

EDUCATION STRATEGY

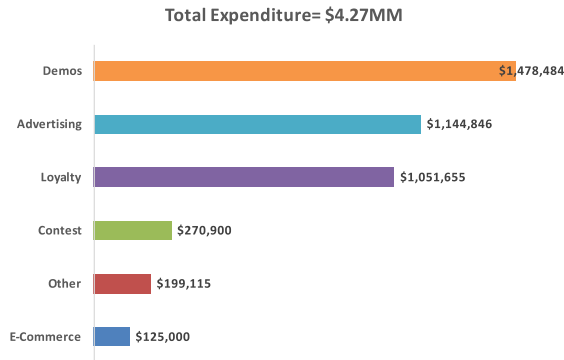


Maggie Bezart presented our updated Flex Fund investment plan to support key accounts in the U.S.:



FY 18-19 PLANNED YTD SUPPORT BY PILLAR

Ads & Demos = 61% of Budget



Stephanie Bazan presented our PMA plan and booth layout. This year we will feature new things including the launch of the new Shopper communication platform “Savor Every Moment”, the new experiential vehicles we will use for our C&U tour and a new private Burger Lounge to meet with clients and VIP’s during the show.

Stephanie Browder and Casey Evans presented our Foodservice program including:

- 2018 Innovation Technique: Modern Mexico including traditional Mexican recipes with a contemporary avocado twist. Recipes includes: moles, flour tortillas, masa, tamales, chicharrones and salsas. New technique will be developed in printed and digital assets that will be launched in November 2018.
- Special Guacamole technique edition for March 2019 including inspirational recipes and uses of traditional and innovative guac ideas.
- New Avotour for Colleges and Universities will run during Spring 2019 with 15 stops concentrated in the South East.
- Avo Insiders program for VIP chefs and operators. Program include four mailings throughout the year focused in Breakfast, Modern Mexico Technique, Guacamole 3.0 and Salads. Objective is to have more than 80 active members by the end of the fiscal year.
- LTO programs including temporary offers, new menu developments and guac carts initiatives for clients like: Taco Bueno, Omni Hotels, BJ’s, Uncle Julio’s, Chipotle, Chicago Bears, Restaurant Associates, Aramark and Macaroni Grill.

Maggie Bezart presented our Foodservice distributor programs for the fiscal year that includes three initiatives:

- Guac Cart program for Sysco clients
- Super Bowl promotion focused on Bar & Grills and street business operators. Targeted 20 regional wholesalers.



- Cinco promotion with Tabasco, focused on Bar & Grills and street business operators. Targeted 16 regional wholesalers.

Stephanie Browder presented two new initiatives for Foodservice:

- 1- American Airlines Center partnership
 - a. Program will launch in September 2018
 - b. The objective is to launch the first ever avocado centric concession stands in the World serving only avocado dishes. Deal includes two stands and will sell four avocado recipes: avocado buffalo fries, guacamole & chips, avocado toast and avocado chocolate mousse.
 - c. Deal includes the following:
 - i. Full fresh avocado transition from pulp in the whole arena. AFM exclusivity.
 - ii. Inclusion of avocado dishes and add-ons in more than 9 other concession stands in the arena.
 - iii. Branded guac cart program in the main level.
 - iv. Branded tray for suite guac orders.
 - v. Brand signage in suites and main level walls.
- 2- Avocados From Mexico Restaurant
 - a. Objective is to create and launch a first-of-its-kind avocado-restaurant concept that will let us develop a volume-driving, engaging experience that generates AFM brand awareness and equity. We will also utilize the restaurant as a living lab for menu testing and recipe development.
 - b. Targeted location and partner is Trinity Groves in Dallas.
 - c. We tested four different concepts with consumers:



- d. Results suggest we develop an environment using AvoEatery concept and the menu from The Twisted Avo concept that is centered in American food with a contemporary avocado twist.
- e. Timeline:



TIMELINE

- Culinary Development (Paper Concepts): Sept 17-21
- Trinity Groves Regroup Meeting: w/o Sept 24
- Store Design/Brand Identity Development: Sept 24 – Oct 5
- Culinary Development (Recipes): Sept 24 – Oct 5
- Contract Review Process: Begin w/o Sept 24
- Present Store Design/Brand Identity: Oct 11
- Concept Refinements: Oct 12-26
- Present Store Design & Final ID: Oct 29-31
- Present Final Store Design: Nov 12-13
- Build Out Begins: TBD (Trinity Groves Lead)

New Business:

Gabriel motioned to continue with Ramon Paz as Mexico's representative on HAB's HAC committee and Mike Browne as his alternate. The motion was seconded by Jorge Hernandez.

There was an additional conversation on the Flor Loca estimate.

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

Respectfully Submitted,

Ron Campbell, MHAIA Executive Director

I certify that the above is a true and accurate statement of the February 14, 2018, MHAIA Board of Directors Meeting.

Jorge Hernandez, MHAIA Board Secretary