



**AFM Board Meeting
Minutes
May 15, 2018**

Place:

AFM Headquarters
Culinary Center
Las Colinas, Texas

Board of Directors:

Ramon Paz, Chair (p)
Adrian Iturbide, Vice Chair (p)
Mike Browne, Treasurer (p)
Carlos Genel, Director (p)
Ygnacio Valerio, Director (p)
Gary Caloroso, Director (p)
Armando Lopez (ex-officio) (p)
Ron Campbell, Secretary (ex officio) (p)

AMS:

Vicky Carpenter

Officially Present:

Alvaro Luque	Dolora Sillman
Kevin Brosch	Miguel Molina
Kevin Hamilton	Mark Garcia
Maggie Bezart Hall	Stephanie Bazan

APEAM and MHAIA Members and Guests:

Gabriel Villaseñor	Antonio Villaseñor
Fernando Torres	Jon Ullrich
David Ruiz Vega	Aaron Acosta
Luke Sears	Gahl Crane
Carlos Genel	Rigo Perez
Giovanni Cavaletto	Mauricio Gonzalez
Fernando Torres	Jorge Hernandez
Marco Hernandez	Jamie Rivas
Jose Alfredo Hernandez	John McGuigan

Roll Call and Minutes:

Ramon Paz called the meeting to order, took the roll call and established a quorum. Kevin Brosch counseled the board on the antitrust policy. Mike Browne motioned to approve the minutes from the September meeting and Adrian Iturbide seconded the motion. Unanimous.

- AFM's CFO, Miguel M., presented the main Budget Assumptions for the Administrative Expenses for Fiscal Year 2018-2019:
 - o **Salaries & Wages:**
 - The company is hiring one new Sr. Hispanic Marketing Manager position to continue supporting the operation and AFM's marketing plan.
 - AFM is transitioning one PR Marketing, and one Sr. RD Manager position from the Marketing Agencies or a Contracted Agent to AFM payroll/employees. The cost of these positions decreased the Marketing budget.
 - AFM is promoting three employees: One Marketing Director to a Sr. Marketing Director, and two Brand Associate Managers to Brand Associate Directors.
 - AFM is estimating a 4% COLA increase. Note that final increases are pending employee's performance evaluations.
 - AFM is standardizing all employee's payment structure and incorporating, its president, Alvaro Luque' 15% bonus into his regular salary, and calculating a 3% COLA Increase. Ramón Paz, clarified that by making this change, Alvaro's total combined salary, per Mercer's salary analysis, is still on the 50% percentile salary range.
 - o **Benefits-Increases:**
 - The company had a positive negotiation with the insurance carriers and implemented the following increases: Medical 0.5%; Dental 9.5%; Vision 0%; Life/AD&D/LTD/STD 5%
 - As we continue supporting our employee engagement, AFM is implementing a New Health & Wellness program estimated at \$62,500 a year.

- **Travel Expenses:**
 - AFMA is estimating a 10% Increase on travel expenses to match an inflation on travel cost, and to include additional travel expenses for the new positions.

- **Operating Expenses**
 - AFM received a one-year abatement on the rent for the Culinary center. Effective December 2018 the abatement expires and the rent increases. The annual effect of the rent increase is \$100K for the fiscal year 2018-2019
 - The company is estimating a \$52,500 capital investment on computer equipment, and additional equipment support for the Culinary Center.
 - Additional Operating increases include:
 - \$19K on electricity and parking due to an increase on the usage of the Culinary center
 - \$15K on additional support for Employee training programs
 - \$14K increase on professional services to continue supporting the improvement on AFM's accounting and internal processes.
 - \$12K on additional insurance charges to match estimated increases on policies rates, and to include a new Marketing Advertising insurance policy.

- **Accounting and Administration Projects**
 - **Accounting**
 - The accounting team will focus on projects supporting core Accounting Activities, and Process Improvements.
 - Miguel M. presented the projects for the year.
 - **Human Resources:**
 - Human Resources will focus on Employee-Employer engagement and Employee experience.
 - Michael L. presented the HR projects for the year.

Alvaro Luque presented the assumptions and projections used to build AFM's budget for fiscal year 18- 19:

- 2017- 2018 Volume forecast assumes that we will meet budget: 1.9 billion pounds (gross)/ 1.84 billion (net)

- Up to week 19 we have **1,65 billion** pounds imported and need an average of **35 million** pounds a week to meet budget.
- Carry Over: based on our volume projection we are projecting savings of **\$332K**, that are already impacted in the budget numbers as a carry over.
- Import volume **2018- 2019: 1.9 billion** pounds' gross (same as previous year)
 - **1.86-billion-pound** net taking out organic + pass through fruit to Canada.
 - Does not include Jalisco.
- Total AFM budget 2018- 2019: **\$58.6 million** (\$5,8 million/ 11% over vs previous year)
- Admin budget 2018- 2019: **\$8.8 million** (\$900k/ 12% over previous year).
 - Admin cost is 15% of total budget. Same as previous year.
 - Doesn't include Long Term Planning consulting costs: \$604k (FY18) and \$835k (FY19)
 - Marketing budget 2018- 2019: **\$48.8 million** (\$4.7 MM/ 11% over previous year).
 - Marketing & Trade investments represents 85% of our budget

Alvaro presented the new budget and the main differences by department:

MARKETING & TRADE BUDGET: \$48,8 MILLION

	2017- 2018 PROJ	2018- 2019 BUD	DIFFERENCE	DF %	SHARE
CONSUMER MEDIA	\$15,001,705	\$16,440,964	\$1,439,259	10%	34%
CONSUMER PR	\$1,327,110	\$1,543,000	\$215,890	16%	3%
CONSUMER PROGRAMS	\$2,156,420	\$3,137,286	\$980,866	45%	6%
HISPANIC CONSUMER	\$2,901,184	\$3,148,000	\$246,816	9%	6%
RESEARCH	\$1,558,036	\$1,820,000	\$261,964	17%	4%
DIGITAL	\$3,783,008	\$4,231,750	\$448,742	12%	9%
FOODSERVICE	\$3,795,703	\$4,750,000	\$954,297	25%	10%
TRADE	\$5,045,904	\$5,548,700	\$502,796	10%	11%
SHOPPER	\$8,351,830	\$8,079,000	\$(272,830)	-3%	17%
CRISIS MANAGEMENT	\$200,000	\$105,000	\$(95,000)	-48%	0%
TOTAL AFM MARKETING	\$44,120,900	\$48,803,700	\$4,682,800	11%	100%

CONSUMER MEDIA +\$1.4 MM VS YA +\$360K ADDITIONAL MEDIA DOLLARS +\$560K PRODUCTION, NO CAMPAIGN PREVIOUS YEAR. +\$515K AGENCY FEES, NEW AGENCY VS ARNOLD THAT ONLY OPERATED 6 MONTHS.	CONSUMER PROG +\$981K VS YA -\$1.06 MM SAVINGS IN PRT'S CONTRACT, SOCCER INCENTIVE AND AVOCOUR. +\$300K E-COMMERCE +\$348K BREAKFAST PROG +\$320K SALAD PROGRAM +\$470K HRW PROGRAM +\$620K EDUCATION PROG	FOODSERVICE +\$954K VS YA -\$425K PR PROGRAM, PRODUCTION & INNOVATION +\$140K LTO PROGRAMS +\$335K AAC DEAL WITH LEVY RESTAURANTS. +\$400K AFM RESTAURANT +\$176K AVOCADO UNIV +\$75K TOUR OF MEXICO	DIGITAL +\$549K VS YA -\$300K SOCIAL MEDIA PROGRAMS, SUPER BOWL SUPPORT AND WEBSITE DEVELOPMENT +\$130K ANALYTICS +\$108K DIGITAL PROGRAMS KEY PILLARS +\$296K DIGITAL CONTENT +\$96K CRM PLATFORM
CONSUMER PR +216K VS YA +\$500K NEW HEALTH & WELLNESS PROGRAM -\$235K SAVINGS IN EDUCATION PROGRAMS AND AGENCY FEES DUE TO NEW AFM PR POSITION	HISPANIC +\$247K VS YA STRONGER CONSUMER PROGRAMS FOR HISPANIC HERITAGE AND VIDA AGUACATE.	SHOPPER -\$273K VS YA -\$640K PERMANENT MERCHANDISING, TRADE ADVERTISING, RECIPE SHOTS AND DIGITAL PROGRAMS +250K REINFORCE HHM AND FOOTBALL SHOPPER PROMOTIONS +\$70K SHOWS & EVENTS	TRADE +\$503K VS YA +\$165K FLEX FUNDS +180K MERCHANDISING NETWORK +\$75K RD SUPPORT +\$58K RETAIL DATA +\$34K TRADE SHOWS +\$30K GUVC DISPLAYS

Alvaro explained that AFM recently developed an assessment based on research studies to determine if the company should start focusing on new consumer targets like African- Americans and Asians or even go after the 50% of the population that are not avocado consumers. Based on that assessment it was decided that AFM will still focus on current avocado consumers and try to make them consume more and more frequently. This changes AFM growth strategy to a Share of Wallet approach. Alvaro explained that this was already presented and agreed to informally with the JEC Board some weeks earlier. Also, he presented the six key growth initiatives in this new strategy:



Mark Garcia and his team presented our Foodservice plan for 18- 19 including the following:

- We will continue our advertising campaign under the concept “It’s That Easy” and will be activated through digital, print advertorials and educational videos.
- After a strategic analysis with the team and agencies, promotional focus will be in 55 operators and companies.



- Launch of an LTO playbook to accelerate promotional programs and give operators more ideas on what to promote.
- Launch of a Fresh Seal program to support operators using fresh avocados as was done with Chili’s in previous fiscal year.
- Continue support on the Avo Insiders program to keep high engagement with VIP chefs that have attended our key brand events.
- Continue our Steakhouse program with new materials and dedicated events and Avo U with Baldor.
- Repeat Made in Mexico Tour in March and prepare a second event for this new fiscal year.
- Reinforce C&U programming through national contract feeders and drive volume in independent colleges.
- Leverage existing relationships with Aramark, Sodexo and Compass to expand partnerships to their B&I contracts.
- Identify three key hotel brands who are evolving their FS offerings to include more elevated offerings and attend industry-specific conferences and tradeshows.
- Launch a strategic partnership with American Airlines Center and Levy to drive avocado volume and usage across multiple touchpoints that will include:
 - o AFM purchasing exclusivity and fresh avocado transition in other stands.
 - o Two avocado-dedicated concession stands
 - o Branded guac cart program

- Branding materials and shared suite.
- ICC Cup sponsorship to open direct connection with key stadiums for avocado introduction in events during and after the games. Target stadiums include: Soldier Field, AT&T Stadium, Met Life Stadium, Red Bull Arena, Hard Rock Café Stadium, etc
 - ICC sponsorship will also include branding presence in LED displays during the games and a dedicated digital program using game tickets. It also includes two suite experiences for games in Dallas and Washington DC.
- Continue FS Broadliner & Distributor program with two promotional events supporting key events like Super Bowl and Cinco de Mayo with potential partners like Heineken, Patron Tequila and Tabasco.
- Continue to use our Culinary Center and to expand Avo U content and outreach to increase attendance.
- Partner with Fresh Realm in California to have a joint Culinary Center in the West Coast that will offer us the opportunity of replicating our education programs in that important region.
- Launch new Innovation technique under the Modern Mexico theme supporting the use of fresh avocados in key hand held recipes and re-inventing the use of guac in modern cuisine.
- Develop a first-of-its-kind avocado-restaurant concept that provides consumers with a fun, immersive brand experience.
 - Fuel passion for Avocados From Mexico by showcasing innovation of a full menu of avocado food experiences.
 - Highly developed digital and technological concept that will let us expand its reach through online programs.
 - Possible social responsibility element associated with the concept.
 - Targeting Trinity Groves as possible partner that will operate 100% of the concept. AFM will only work on development and marketing.



Stephanie Bazan and her team presented our Shopper plan for 18- 19 including the following:

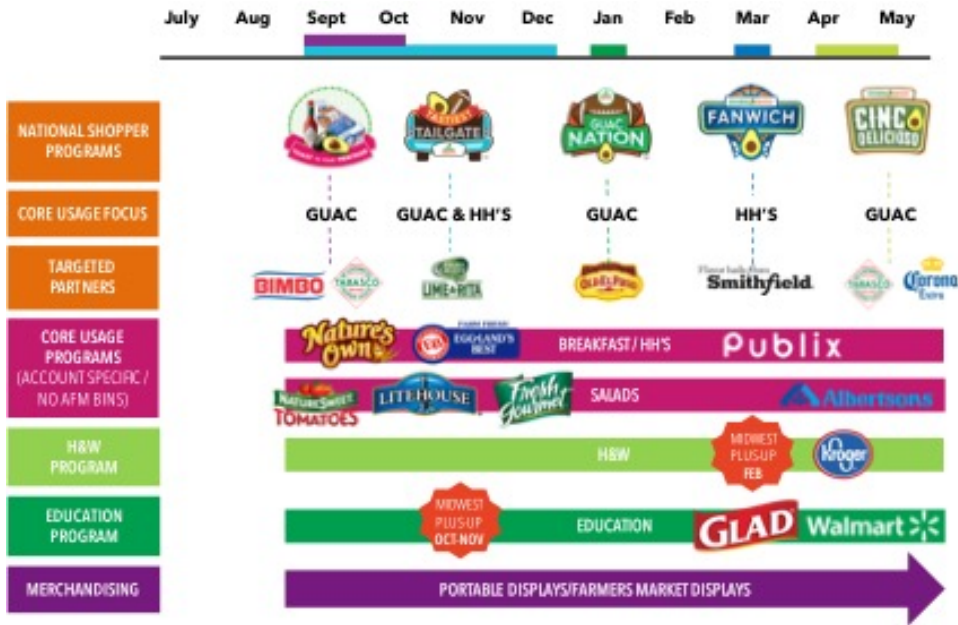
- Develop a new shopper communication platform that ladders up to Brand and connects at Retail: Savor Every Moment.
- Create consistent creative guidelines for our bin programs to support new shopper communication platform and reinforce general branding in store



- Launch four national promotions and one dedicated Hispanic driven program with key national partners:
 - o Toast to your Heritage for Hispanic Heritage Month (Sep- Oct) with Bimbo & Tabasco. Guac focused.
 - o Tastiest Tailgate for Football Season (Oct- Dec) with Budweiser Lime-a-Rita. Guac & hand held focused.

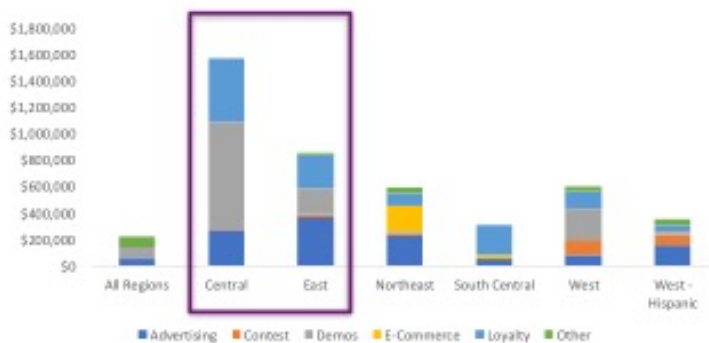
- Guac Nation for Super Bowl (Jan) with Old el Paso. Guac focused
- Fanwich for March Madness (Mar) with Smithfield. Hand held focused.
- Cinco Delicioso for Cinco de Mayo (Apr- May) with Corona and Tabasco. Guac focused.
- New merchandising initiative that will evaluate POS and display vendors to drive cost efficiencies and explore new easy-to-assemble pop up bin. Possible new partners include PCA for bins and Jarvis for POS. Targeted savings @\$700,000 a year.
- Updated coupon strategy concentrated in vendors with targeting capabilities to reach light, medium and lapsed avocado buyers.
- New Evergreen promotional platform concentrated in Power Accounts to support key company pillars including the following:
 - National breakfast program with Tabasco and Ole Tortillas for Walmart in Oct- Nov, a coupon program that includes a national on-pack IRC program with Egglan's Best in Dec-Jan, and a dedicated rebate program with Nature's own in Publix in March.
 - National Salad program with Fresh Gourmet, Nature Sweet Tomatoes and Litehouse dressings, including a pallet display drop through Fresh Gourmet, a J4U coupon offer with Albertsons and a AFM driven digital salad hub that will allow users to get inspired, engaged and for the first-time shop_for their favorite recipes through Chicory technology that will connect consumers to e-commerce platforms like Amazon Fresh, PeaPod and Instacart.
 - New Health & Wellness program through Kroger that includes an in-store activation program with branding and coupons in Feb- Mar to celebrate National Nutrition Month. It also includes our Midwest demo activation that will be H&W focused.
 - New education program through Walmart including the following:
 - Valassis Red Plum insert for our branded ripening bags
 - Midwest demos and event program in Walmart stores with education messaging.
 - National partnership with Glad to drive value for consumers on avocado preservation solutions. Partnership includes News America sponsorship, demos program, joint shippers and Ibotta couponing.
 - Launch second phase of dedicated AvoGuru chatbot experience for Walmart to get national branding in their stores.

- Complete shopper calendar for 2018- 2019:



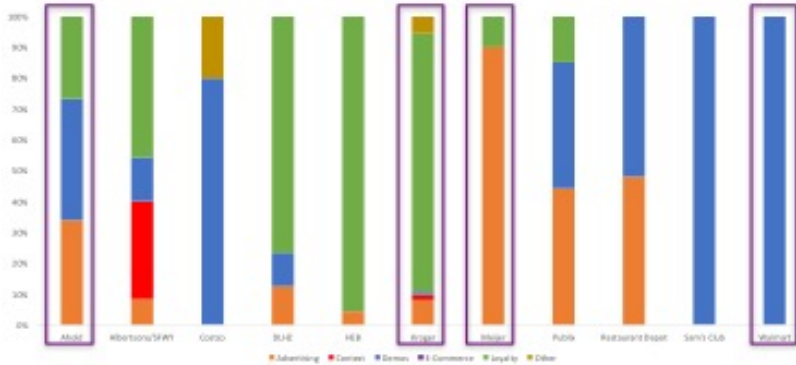
Maggie Bezart and her team presented our Trade plan for 18- 19 based on a total flex investment of \$4,5 million that will be invested by Region the following way:

- **Central & East = 54% of Budget**
- **Strategic Pillars Driven by Regional Customers' Promotional Strategy**
 - **Central Focuses on Demos, Advertising, and Loyalty**
 - **East Focuses on Advertising, Loyalty, and Demos**



63% of our flex investment will be focused in Power Accounts:

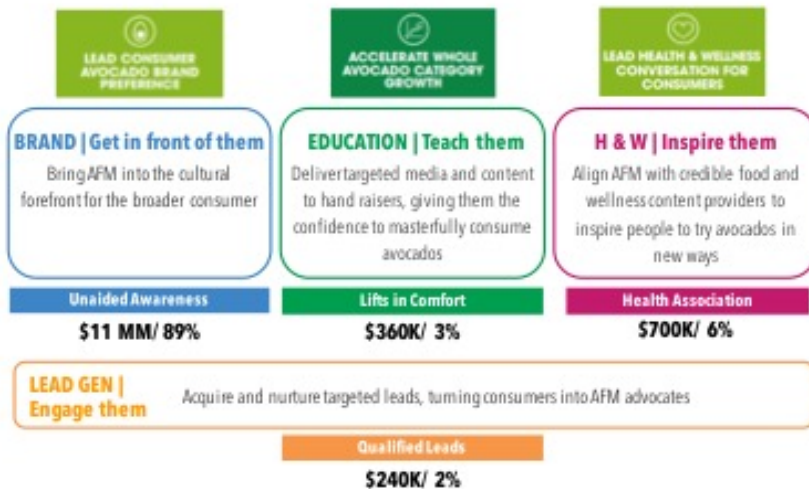
- **Power Accounts= 63% of Budget**
 - Walmart Focuses on Demos whereas Kroger, Loyalty
 - Ahold Uses a Blended Tactics while Meijer mostly on Advertising



Kevin Hamilton presented our Consumer plan for 18- 19 including the following:

- Launch new Agency partner Energy BBDO. For the first time the one advertising agency will oversee the developing our regular communication campaign and our Super Bowl to get a better alignment in both projects.
- BBDO will lead our new Agency Council that will bring together all our agency partners to align their individual initiatives and be sure we have a consistent and well organized brand message.
- New Havas media approach focused on supporting three of our key development factors with a strategic use of our media resources between offline and online media:

Excite, educate & inspire people to enjoy Avocados From Mexico all year long



- Continue our Super Bowl program with our fifth consecutive 30' ad in the 2019 game through CBS. Total investment includes a \$4,35 million for the ad airing, \$250,000 for the SB live stream and \$2,3 million as a company match to be used in different sport and Maya focused CBs programming throughout the year.

Ivonne Kinser presented our Digital plan for 18- 19 including the following:

- Digital brand support program that includes:
 - o Digital extensions of our brand campaign assets
 - o Launch Avocadoland 2.0 with new video extensions, a new website experience and digital support program through social media.
 - o Continue using Tastemade Flavor Nation assets through a blog content in our site, dedicated recipes and an interactive digital map experience for consumer engagement and sharing.
- Reinforce guac usage and engagement using Guac World platform as driver for our Guacopedia platform in our website.
- Reinforce and expand consumer education through a more robust chatbot experience using our AvoGuru platform.
- Launch a dedicated H&W program for digital using a possible partnership with Fabletics to develop a line of interactive avocado clothing that will carry our nutritional messaging to consumers.
- Continue supporting our H&W messages through our partnership with Mashable leveraging influencer personality and media.
- Re-design our Avolifestyle Meal Plan experience, shifting from a “specific ingredients and measurements” meal plan, to a flexible meal recommendations platform that fits our consumer’s lifestyles.

Stephanie Bazan presented our Hispanic plan for 18- 19 including the following:

- Maintain our Hispanic TV campaign using the two assets launched in 2018 supporting taste and nutrition for HM consumers.
- Support Hispanic Heritage Month promotion with a consumer program that will build a robust digital program that goes beyond Mexicans that allows us to become synonymous with Hispanic Heritage Month. Program will include a series of Latin American recipe videos using Telemundo’s celebrity Chef James.
- Continue supporting Avoscope platform to reinforce avocado usage in breakfast and hand helds for Hispanics. New program will have an extension through a partnership with the Hispanic Kitchen platform.

- Launch new H&W program dedicated to Hispanics: Alimenta La Vida as a platform designed to deliver our **H&W** message (Heart Healthy, Energy/ Nutrient Dense and Beauty) via relevant content leveraging the approach of reaching the 26th mile in a marathon
- Continue the support on the successful avocado Latina club Vida Aguacate with stronger programs that will secure consumer engagement throughout the year.

After the marketing presentation, Miguel reviewed the proposed AFM budget:

Funding Allocation

MHAIA Contribution	\$39,525,481
APEAM Contribution	\$18,881,466
APEAM to MHAIA	<u>\$881,275</u>
Total=	\$59,288,222
APEAM Market Report	<u>\$227,089</u>
Total Funding	\$59,515,310

Spending

AFM Marketing	\$48,803,700
AFM Marketing Admin	\$7,078,704
APEAM Market Report	<u>\$227,089</u>
Total Marketing	\$56,109,494
General Admin	<u>\$2,763,544</u>
Total Expenses	\$58,873,037

Mike Browne motioned that the AFM Board recommend to APEAM and MHAIA to accept the AFM budget and marketing plan as proposed. Gary Caloroso seconded the motion which passed without objection.

There being no new business, Gary Calaroso motioned to adjourn which was seconded by Adrian Iturbide. All were in favor.

Respectfully Submitted

Ron Campbell
Secretary, AFM