



**AFM Board Meeting  
Minutes  
May 19, 2015**

Place:

DFW Marriott  
Dallas, Texas

Officially Present	MHAIA Board	Staff
Adrian Iturbide, Chair	Gary Caloroso	Miguel Barceña APEAM
Antonio Villaseñor, Vice Chair	Giovanni Cavaletto	Kevin Hamilton AFM
Ed Figueroa, Treasurer	Victor Barragan	Maggie Bezart AFM
Martin Mendoza, Director	Robb Bertels	Alejandro Duran AFM
Mike Browne, Director	Jorge Hernandez	Stephanie Bazan AFM
Ramon Paz, Director	Ignacio Valerio	Mark Garcia AFM
Armando Lopez Director (ex-officio)		Ivonne Kinser AFM
Ron Campbell, Secretary (ex officio)		Stephanie Browder AFM
Alvaro Luque, President AFM		
Dolora Sillman, MHAIA APEAM Finance		
Kevin Brosch, General Counsel		
Melissa Bailey, AMS		
Heather Pichelman, AMS		
Vicky Carpenter AMS		

## Roll Call and Minutes:

Adrian Iturbide called the meeting to order. Reference was made to the antitrust policy. Ron Campbell took the roll call and established a quorum. Mike Browne motioned to approve the minutes from the February 9, 2015 meeting and Ed Figueroa seconded the motion. Unanimous.

The board decided to move the presentations for the AFM Treasurer's report and proposed budget for fiscal year 2015-16 until after the marketing presentation.

ALVARO presented the bases for AFM's 5 Year Marketing Plan including the main results and insights from the recent studies on Segmentation and Source of Growth analysis for retail and Foodservice.

Long term plan is based on five Key Development Factors:



ALVARO presented new AFM's brand essence Mexicanity and it's wheel model to guide the brand communication, look and feel for the future. All of that will be included in the new Brand Book that was developed by AFM and SRG and will be available to share in the upcoming weeks.

ALVARO presented the 3 main barriers to growing the avocado category: consumer education, product versatility and accessibility. MIGUEL suggested evaluating e-commerce channels such as Amazon or Fresh Direct. MIKE indicated that e-commerce presents an importer challenge. MAGGIE explained that we are currently doing business via Fresh Direct and pointed out that Amazon wants a heavy investment to develop clientele whereas Fresh Direct already has the clientele base developed.

ALVARO pointed out that AFM should partner with HAB in health and wellness communication so our brand dominates with the consumer. HAB is not leveraging this with the consumer. RAMON added that he was at a recent HAB meeting and reported that they are going to increase their funds in research and that there is an opportunity to collaborate and take advantage of it in this consumer program.

MIKE indicated that fresh store guac is becoming more important in produce because it delivers good profits. ALVARO commented that AFM conducted a test in HEB with new merchandising units for in store guac, and that they want to expand it in the following fiscal year, to other stores in the East and West coast and put our branding on it.

To be sure that we dominate Foodservice in the future, MARK mentioned that we should make the industry aware of how big AFM is and our unique benefit of year round availability. ALVARO pointed out that we should reinforce this message in Foodservice, because media is sending a message to the industry that avocados are going away because of CAC situation. MIKE commented that the image of being scarce is not necessarily a negative factor and that we could leverage this to our advantage.

ALVARO mentioned that the biggest source of growth for our category is sandwiches where avocado has a penetration of just 8% based on our latest Technomic research.

ALVARO presented a new message integration model where we will work on integrating the three key messages of the brand into one shareable story:



MIGUEL commented that AFM should consider communicating one key message vs three messages (Always Fresh, Always Delicioso and Always in Season). He relayed that Always in Season could be the main message and use imagery to dial up the reinforce the Always Delicioso an Always Fresh message. ALVARO commented that AFM needs to build up a story not concentrate on just one key message. MIKE commented that AFM may want to consider just moving to using “Always”. We are the only brand that can says we are available all year round. RAMON pointed out that we have to build up all 3...always fresh, always delicioso and always in season.

MIKE mentioned that AFM has supported the “Made with Love” concept and pointed out that we need to know where we are going with that message. ALVARO explained that Made with Love is a creative approach or campaign and that a campaign can change. It will be built up for one more year and then we will transition to another campaign concept.

MIGUEL commented on the need for Made with Love as he didn’t see how it builds up the Always message of the brand. KEVIN pointed out that Made with Love is a tool (means to an end) to transmit a message. It’s meant to connect the company to the consumer and the consumer becomes interested in what you want to say.

What we do with the copy is to make sure that the campaign ties back to the messages we want to communicate, that is the Always message that comes from our base positioning.

On the strategy of reinforcing the brand through sporting events, ED asked about soccer as a platform. ALVARO commented that soccer is very important but AFM will want to develop it in a very different way trying to use it a connector to Mom with new generations. We will start trying this out in Hispanics and then will move to General Market.

### Consumer Brand Preference Plan

KEVIN presented our media plan including the draft proposal for the Super Bowl deal with CBS. He pointed out that CBS seems like they are not going to push for the dollar match on the media buy.

Current proposal on the table:

- :30 Spot: \$4.3MM net (\$5 MM gross)
- Streaming Video: \$500M (Includes Full Episode Player)
- Proposed "Match" on CBS: \$2.5MM (Includes SEC and NFL programming)
- Total CBS Super Bowl Commitment: \$7.3MM

MIKE asked about the timing for Super Bowl and ALVARO confirmed that the Superbowl was on Feb 7<sup>th</sup> which gives us an extra week of marketing support vs this year which was on Feb 1<sup>st</sup>. ED pointed out that the real celebrity was the Polar Bear in this year's superbowl ad and that we should look at including him in this next year Superbowl ad.

MIKE inquired about the pros and cons of a :30 vs :60 Super Bowl ad. He added that since this year we are no longer a rookie maybe we should consider a :60 spot. ALVARO pointed out that we don't have enough money to go into a :60 spot and that we are not really sure if we had the double investment that it would result in incremental impressions. We should still do both versions and push hard the :60 online.

MIGUEL inquired if AFM is allocating any funding toward experiential in San Francisco. ALVARO commented that we don't have it in the plan and that it is very expensive. ALVARO added that we are also going to see what we can leverage from Foodservice standpoint given that MARK knows the chef that is managing all the food for Super Bowl. We will also consider food trucks moving around the area.

GIOVANNI inquired what channels our current TV ads are airing and if the SB ad was aired beyond game night. ALVARO commented that the ads were aired in first part of the year in NBC, NFL network, Today Show and 2<sup>nd</sup> part of year will be in Travel, Food Network etc. Furthermore, ALVARO explained that the SB ad was aired a few times after SB but due to royalties we could not air too much.

KEVIN presented the production plan for this new fiscal year with Arnold that includes two new 30 second ads with cut downs and for the first time a stand alone 15 second ad for Cinco de Mayo. He explained that for our football season we will use the same ads from last year that still have some rotation opportunities.

KEVIN presented that we will allocate \$100k towards reinforcing our jingle in the mind of consumers with some special programs around it. GIOVANNI inquired if we could potentially use celebrities to do something with it and reinforce it through digital.

BAZAN reviewed the markets that will be receiving local spot market TV. ED commented if we could consider adding a new media market to the plan to cover NY. ALVARO commented that it was a matter of budget, but we agree that NY would be our next media market for Hispanic.

BAZAN reviewed the rest of the Hispanic consumer plan including a new partnership with AYSO to penetrate with the brand in family soccer and use Hispanics as a test to expand in the future to General Market.

MIKE inquired about the budget numbers for digital because it seems like AFM was cutting 12% budget in digital. He further commented that digital seemed like a good way to get quality impressions. ALVARO explained that the drop comes from the fact that we developed four websites this year and we don't need those big construction budgets for the following year. Nevertheless, in the end, adding all media, we are inverting more in digital for the following fiscal year.

### Market Growth Plan

ALVARO presented the communication strategy to reinforce brand and category growth: main messaging will go into our brand pillars and we will have two secondary communication platforms to reinforce category generics in two aspects:

- Health & Wellness through Naturally Good Fats and No Cholesterol messaging.
- Consumer education in avocado selection, ripening and preservation.

MIKE inquired if AFM will be focusing on breakfast. ALVARO explained that it was in the long term plan.

MIGUEL commented on the 4<sup>th</sup> of July. We have the sensitivities of this being an all American holiday. We need an angle to get there.

ALVARO presented the consumer education plans around the squeezable avocados at point of sale. MIKE pointed out that AFM needs to be careful about the "squeeze the charmin" effect. We want to make sure that we don't get into food safety issues with everyone touching the avocados. MAGGIE commented that ultimately we want consumers to understand when the avocado is ready to eat and it was something Walmart was asking for.

ALVARO presented two new strategies to start reinforcing the brand in new generations, including a sponsorship with Young Minds, Inc. that we will test first with Hispanic kids and the development of an interactive kids app around avocado consumption.

#### Health and Wellness Plan

ALVARO presented the concept of the Macy's Day Parade. MIGUEL inquired if we could use the Avo Man for a balloon. Alvaro explained that we can only use widely recognized characters; therefore, we are going to do a float. He also explained that we need to secure our spot this year to get in for 2016. The cost of a three year deal is \$1 million.

GIOVANNI commented that he liked the Macy's Day idea as it was like Fanwich and that we could leverage this to remind consumers to use avocados after Thanksgiving Day.

MIKE inquired if we could use the Sesame Street character to make this bigger. ALVARO commented that it could be explored. GIOVANNI added that perhaps we can look at a brand ambassador/celebrity to launch this in Macy's parade.

#### Trade Excellence Plan

MIKE commented that AFM needs to do a better job for more interaction with the importers. ALVARO added that the importer tour was scheduled for end of June.

BAZAN presented the new double decker display booth that will be developed for PMA with a cost of \$175k. This new format will give the trade team much more space and flexibility to have their client meetings throughout the show.

ALVARO presented the seasonal promotional program for 2015- 2016:

## SEASONAL PROGRAM 2015- 2016: \$5.055.000



BAZAN presented Fiestas Patrias program with Coca Cola partnership. ALVARO explained this program was far along in development with Coke and that we are looking at other brands in their portfolio next year for partnership to ensure we align more with health and wellness platform.

ALVARO explained that the programs all include a total market approach where we are keeping only Fiestas Patrias as a more Hispanic centric event and the rest will be concentrated in National promotions activated in GM and HM accounts at the same time.

MAGGIE mentioned that the Permanent Displays were a success and that we are looking into more units and new designs to grow this initiative in the new fiscal year. She also presented the new Merchandising Network for General Market using Advantage Sales and Marketing.

MIKE inquired if the displays can hold bagged fruit and if our sell sheets include bagged product. ALVARO acknowledged that we can include bagged avocados in the fixtures in the sell sheets. He also explained that a catalog will be developed so that the trade team can sell in different types of displays/fixtures to the different accounts.

ALVARO mentioned that the branded sticker project is ready to launch in July 2015 and that we are going to set aside \$1.7MM out of the \$2MM possible for this first year. MIKE inquired about how the \$1.7MM works. ALVARO explained that we are paying \$2 per each 1,000 stickers purchased. Will be validated with invoice and special code that will be provided to APEAM by the packer and then we will charge AFM. Everyone who participates will need to do it on at least 50% of fruit #1. They can also include fruit #2 with a one color sticker. For Foodservice there is a third sticker option that the packers could choose to use. MIKE relayed that we should be branding our GTIN packaging.

## Foodservice Plan

ALVARO explained that close to 25% of the fresh avocado industry goes to Foodservice, where we are 63% of the market. He also explained that the market is projected to grow +8% per year in the following 5 years based on Technomic data (fresh avocados, whole).

ALVARO explained that the biggest barrier is the perception of lack of availability. ALVARO also explained that we lost some traction on guacamole.

ALVARO presented as one of the long term cannonballs the development of a Culinary Center for the brand. The Board really liked the idea to be developed in Dallas and AFM will present options and quotes in the coming months for this initiative to be evaluated and approved.

MARK presented new communication approach for 2015- 2016 that will concentrate more on the year long availability benefit rather than foodservice recipes.

Adrian adjourned for the day on May 19 and reconvened the meeting on the morning of May 20 to discuss finances and budgets.

Ed Presented the AFM Treasurer's report and

### Cash Balance

The cash balance as of \$1.9M includes outstanding checks of \$400K and gross of \$7.9 M April/May contribution payments from MHAIA 6.3 and AFM 1.6M for the month of May.

Financials as of May 18- This is an update of AFM financials and for peace of mind to AFM /MHAIA BOD that AFM has financial reports in place and it's only a matter of reporting regularly.

- Total contribution as of May -\$45.7M is 91% of the amended plan and 98.14% of the new forecast of \$46.6M. Balance vs.  
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- the new forecast-\$900K
  
- Total expenses of \$38.3 million - (Marketing\$37.1, APEAM market support-\$216K and admin 941K). Of the total expenses \$2.1 M are to be paid this week.
  
- Balance of invoices to paid for the fiscal year -\$8.3

- Any unspent money will be returned to the parent company.

Mike motioned to accept the Treasury Report and the motion was seconded by Jorge. And passed unanimously. Additionally, Mike recognized Dolora for her efforts, leadership and support during last six months.

Ron and Alvaro presented the proposed budget for fiscal year 2015-16 based upon a volume projection of 1.563 billion lbs; an 8% increase over last year.

The total contribution for FY 16 will be \$50.5M equalling \$49.8M AFM marketing and Admin, 287K to MHAIA Admin and \$323K to AFM Market reporting.

Because of the weather issues in Mexico, the budget has a conservative volume forecast. In November, we will have a better idea of the crop including Jalisco volume.

ALVARO presented the proposed marketing budget based on the above projection.

	2014- 2015 ORIGINAL BUDGET	2014- 2015 FORECAST MAR 15	2014- 2015 PROJECTED	2015- 2016 BUDGET	SHARE BUDGET	DIFFERENCE VS YA PROJECTED
TOTAL CONSUMER MEDIA BUDGET	19,976,221	22,197,839	21,482,698	21,025,100	41.6%	(457,598) -2%
TOTAL CONSUMER PR BUDGET	1,433,411	1,629,672	1,689,672	2,115,000	4.2%	425,328 25%
TOTAL CONSUMER PROGRAMS	2,926,322	1,250,000	725,000	3,295,000	6.5%	2,570,000 354%
TOTAL HISPANIC CONSUMER	3,858,877	3,878,399	3,311,000	3,195,000	6.3%	(116,000) -4%
TOTAL FOODSERVICE BUDGET	2,499,589	2,526,239	2,476,005	2,655,000	5.3%	178,995 7%
TOTAL TRADE	8,771,669	11,475,140	10,186,690	10,552,000	20.9%	365,310 4%
TOTAL DIGITAL	1,285,245	1,704,641	1,619,567	1,401,900	2.8%	(217,667) -13%
TOTAL RESEARCH	841,515	886,100	783,900	798,000	1.6%	14,100 2%
TOTAL MARKETING	41,592,849	45,548,030	42,274,532	45,037,000	89.2%	2,762,468 7%
TOTAL ADMIN	4,276,917	4,276,917	4,730,477	5,463,000	10.8%	732,523 15%
TOTAL MARKETING	45,869,766	49,824,947	47,005,009	50,500,000	100.0%	3,494,991 7%

Mike observed that the spending in food service is too low and if there is an increase in budget, AFM should push those extra funds to food service and trade.

About \$16 to \$18 million will be focused on Super Bowl or about 1/3rd of the budget. Adrian recommended that Alvaro rely on Miguel's experience during Super Bowl ad production.

AFM is targeting the building where the AFM offices are housed for the food service kitchen but this is not confirmed.

Mike motioned to accept the budget as presented and the motion was seconded by Ed. There was no objection.

There being no other new business, Ed motioned to adjourn which was seconded by Jorge. All were in favor.

Respectfully Submitted,

Ron Campbell  
Secretary AFM