



**AFM Board Meeting
Minutes
September 17, 2019**

Place:

AFM Headquarters
Culinary Center
Las Colinas, Texas

Board of Directors:

Vacant, Chair
Gabriel Villasenor, Vice Chair
Mike Browne, Treasurer
Carlos Genel, Director
Jose Luis Gallardo, Director
Gary Caloroso, Director
Armando Lopez (ex-officio)
Ron Campbell, Secretary (ex officio)

AMS:

Vicky Carpenter

Officially Present:

Alvaro Luque	Dolora Sillman	Michael Lemos
Kevin Brosch	Miguel Molina	Alfonso Delgado
Kevin Hamilton	Stephanie Bazan	Dianna Le
Stephanie Browder	Casey Evans	Maura Morales

APEAM and MHAIA Members and Guests:

Fernando Torres	Jon Ullrich	David Ruiz Vega
Aaron Acosta	Rigo Perez	Miguel Barcena
Jorge Hernandez	Dave Billings	Gahl Crane
Gustavo Rivas	Bob Lucy	
Jorge Vallero Esquivel	Jose Alfredo Hernandez	

Roll Call and Minutes:

In the absence of a Chairman, Vice Chair Gabriel Villaseñor called the meeting to order and Ron Campbell took the roll call, established a quorum and read the antitrust policy to the board.

Mike Browne motioned to approve the minutes of the May meeting and Gary Caloroso seconded the motion. Unanimous.

Treasurers Report:

Miguel M. Presented AFM's Year to Date (YTD) August 31, 2019 financial Statements:

- YTD contributions are \$5.84 million vs a budget of \$5.91 million. The variance of \$68.7K is due to a delay on MHAIA's communication and analysis positions. These positions have not been hired and AFM has not requested funding for payroll related expenses.
- Actual YTD spending is at \$3.70 million vs a budget of \$5.9 million. AFM is trending 37.9% or \$2.26 Million lower than its YTD budget as we experienced some delays on contracts and billing on marketing programs.
- As a result, AFM is presenting a positive actual change in Net assets (Revenues – Expenses) equal to \$2.14 million.
- AFM has a strong cash position and is listing \$3.64 million of cash & cash equivalents on its balance sheet to support the delay on billing and to build up cash for Superbowl promotional activities (February 2020).
- Total funding allocation ration is at 51.6% MHAIA and 48.4% APEAM.

FY 19-20 Financial Summary

Contribution	Actual-YTD Aug 31, 2019	Budget -YTD Aug 31	\$ Change- Act vs Budget	YTD- Aug 31, 2018	Spending	Actual-YTD Aug 31, 2019	Budget -YTD Aug 31	\$ Change- Act vs Budget	YTD- Aug 31, 2018
MHAIA	\$ 3,088,689	\$ 3,088,689	\$ (0)	\$ 3,340,000	AFM Marketing	\$ 1,057,039	\$ 2,870,370	\$ (1,813,331)	\$ 1,556,545
APEAM	\$ 2,748,306	\$ 2,748,306	\$ (0)	\$ 1,499,050	AFM Marketing Admin	\$ 1,003,457	\$ 1,202,542	\$ (199,085)	\$ 914,385
APEAM Market Reporting	\$ -	\$ -	\$ -	\$ 38,190	APEAM Market Reporting MHAIA	\$ -	\$ -	\$ -	\$ 35,387
MHAIA Communications/Analy	\$ -	\$ 68,110	\$ (68,110)	\$ -	MHAIA Communications/Analytics	\$ -	\$ 68,110	\$ (68,110)	\$ -
Other income (Interest)	\$ 1,384	\$ 1,970	\$ (586)	\$ 917	Total Marketing	\$ 2,060,496	\$ 4,141,022	\$ (2,080,526)	\$ 2,506,316
Total contribution	\$ 5,838,379	\$ 5,907,076	\$ (68,697)	\$ 4,878,157	General Admin	\$ 1,637,112	\$ 1,816,774	\$ (179,662)	\$ 364,645
% Variance			-1.16%	19.68%	Total Expenses	\$ 3,697,608	\$ 5,957,796	\$ (2,260,187)	\$ 2,870,961
Change in Net Assets					% Variance			-37.9%	28.79%
Net Change in Assets-C					Financial Position				
AFM	\$ 2,140,770	\$ (50,719)	\$ 2,007,196		Cash & Cash Equivalents	\$ 3,638,189	\$ 2,770,856	\$ 4,314,740	
Retained Earnings	\$ 705,159	\$ 758,185	\$ 691,586		Other Assets (AR/FA)	\$ 3,644,873	\$ 1,871,259	\$ 765,350	
Total Equity	\$ 2,845,930	\$ 707,466	\$ 2,698,781		Total Assets	\$ 7,283,062	\$ 4,642,115	\$ 5,080,090	
					Total Liabilities	\$ 4,437,133	\$ 3,934,650	\$ 2,381,309	
					Total Equity	\$ 2,845,930	\$ 707,466	\$ 2,698,781	
					Total Assets	\$ 7,283,062	\$ 4,642,115	\$ 5,080,090	

Funding allocation	Actual-YTD Aug 30, 2019	Budget -YTD Aug 30	YTD- Aug 30, 2018	Ratio-YTD Aug 30, 2019	Ratio-Budget- August 30, 2019	Ratio-August 30, 2018
MHAIA to AFM	\$ 3,088,689	\$ 3,088,689	\$ 3,340,000	51.6%	50.6%	67.4%
APEAM to AFM	\$ 2,748,306	\$ 2,748,306	\$ 1,499,050	48.4%	49.4%	32.6%
APEAM to MHAIA	\$ 144,158	\$ 261,588	\$ 116,224			
Total	\$ 5,981,153	\$ 6,098,583	\$ 4,955,274	100.0%	100.0%	100.0%
APEAM Market Reporting MHAIA	\$ -	\$ -	\$ 38,190			100%
Communications/Analy	\$ -	\$ 68,110	\$ -		100%	
Total Funding	\$ 5,981,153	\$ 6,166,694	\$ 4,993,464			

Upon conclusion of the Treasurers report, there was a discussion on crop and budget.

Gabriel mentioned that the crop has good rhythm but when it's dry in the Fall, which is expected, it means there will likely be a cold winter so it's too soon to say if there will be a significant increase in volume. However, there was general consensus that there will be 100 million lb. increase from the existing budget forecast requiring increased promotions in the Spring.

Therefore, there are two choices on the table: stay with the 2 billion lb. estimate or amend the budget to reflect a 2.1-billion-pound season, restrict \$3MM for Spring spending and request board approval to release the funds in November.

Gary Caloroso motioned to amend the budget by increasing volume to 2.1 billion lbs., increase the budget by \$3 million and restrict spending until the board releases the funds. Mike Browne seconded the motion which passed unanimously.

AFM Administrative Update:

- **Independent Financial Audit:**
 - Grubber and Associates is our independent Financial audit CPA firm.
 - Miguel presented the process that the accounting team followed to comply with the audit requirements and a summary of the financial audit report findings.
 - The audit report indicated that AFM's financial statements are free of material misstatements and disclosed no instances of no compliance. There were no findings noted for fiscal year ending June 2019.

- **Insperity: Payroll, HR and Benefits consolidation**
 - AFM is consolidating its Payroll, HR and Benefits to address three main challenges: 1) data integration between payroll and benefits systems; 2) Compliance with Federal, State, and local laws, including taxes; and 3) improve AFM employee's experience by consolidating multiple applications under one single solution.

- Insperity is a Professional Employee Organization (PEO). A PEO exists through a relationship called co-employment where a AFM employee works for both AFM and Insperity; however, AFM maintains all business decisions and operations while the PEO manages all personnel related functions (Payroll, benefits, HR, Workers Compensation, etc.)
- The AFM-Insperity contract was signed in early September 2019. AFM is scheduled to complete its payroll implementation by the end of October 2019, and to go live with Insperity’s benefits (Medical, Dental, Vision, etc) on January 1, 2020.

Task	September-19				October-19				November-19				December-19				January-20			
	WK1	WK2	WK3	WK4	WK1	WK2	WK3	WK4	WK1	WK2	WK3	WK4	WK1	WK2	WK3	WK4	WK1	WK2	WK3	WK4
Contract																				
Payroll Implementation																				
Benefits Planning																				
Open Enrollment																				
Benefits Go Live																				

- **Budget Application Status**

- AFM has fully implemented its new budget system, Adaptive Insights, to manage its budget cycle.
- All Marketing and Administrative expenses are managed in the new budget application using a rolling forecast process where actual expenses are uploaded from AFM’s accounting system to Adaptive Insights every month and each department head needs to re-forecast its expenses to ensure AFM does not exceed the total budget approved by the Board of Directors (BOD) and the USDA.

- **AMS Management Review**

- AMS’s management review is scheduled from November 11th to November 15th, 2019
- AFM is preparing for this audit and will work with Dolora Sillman to comply with AMS requirements.

- **Board Policy Approvals**

- Employee Handbook
 - Michael Lemos, AFM HR Manager, presented changes to the Employee Handbook and requested BOD approval. Changes included:
 - Interns - employee classification: The new document extends our employee handbook policy to Interns and clarifies that Interns are not eligible for Benefits due to

being temporary and only participating in a 12 week program.

- Other Changes: The Employee Handbook had minor word usage changes throughout the entire Employee Handbook to help strengthen the wording. Note* the wording did not change the policy.
 - Immigration- I9 form: The new policy covers a more detail process where employees need to present the necessary documents and a signature to verify it immigration status as listed on the I9 form.
 - Travel Expense Policy: AFM's new expense management system (Concur) was added to the policy. The policy expanded language on hotel rate approvals that are over @250 but less than \$350, and increased the meal allowance without a receipt from \$15 to \$20.
 - The BOD approved the changes to the employee handbook. Michael Lemos will submit the new document to AMS for final approval.
- Corporate Card
- Miguel Molina presented changes to the Corporate Card Policy and requested Board approval.
 - Changes to the policy included:
 - AFM will implement a control sheet listing the AFM employees with a corporate card.
 - The CFO will be the designated person to safeguard and distribute the corporate cards.
 - We added a statement indicting that AFM's accounting department will reconcile the corporate card on a monthly basis and made it clear the MAHIA's director of Finance may conduct an audit on any corporate card transaction.
 - We explained in more detail our corporate card reconciliation process indicting that cardholders need to submit a Purchase Order listing all transactions by the 15th and the last day of the month. The purchase order needs to be approved by AFM's accounting department.
 - The BOD approved the changes Corporate Card policy. Miguel Molina will submit the new document to AMS for final approval.

MEXICAN AVOCADO INSTITUTE

Alvaro L. presented a new initiative to create a Crisis HUB in the U.S. that will help defend better the brand and origin when crisis hits but also will help us control the narrative through a proactive positive news outreach around Mexican avocados with local and National media.

This initiative is based on three main objectives:

- Develop and manage a controlled online platform to help protect the avocado industry and provide journalists with factual information on sensitive issues to influence the narrative.
- Create a repository of positive news related to the Mexican avocado industry to have a proactive PR outreach in times when crew don't have a crisis situation.
- Protect the AFM brand by keeping it tied to positive news coverage and ensure that all Issues/Crisis related communications must come from APEAM or MHAIA, that will be the two organizations sponsoring this site.

AFM will be the manager and strategist behind the platform but our Avocados From Mexico brand will not appear in any way or form in this site.

The name proposed is The Mexican Avocado Institute. Mike Browne suggests that we don't use the word Mexican and thinks a better option could be The Avocado Institute of Mexico. AFM will look into this and present a final proposal



The Crisis Committee will still be the group in charge of analyzing any crisis situation and deciding when and how to use the crisis hub. Crisis Committee members are Alvaro Luque (AFM), Ron Campbell (MHAIA) and Armando Lopez (APEAM).

The following chart represents the different responsibilities of the three organizations:

External: APEAM/MHAIA

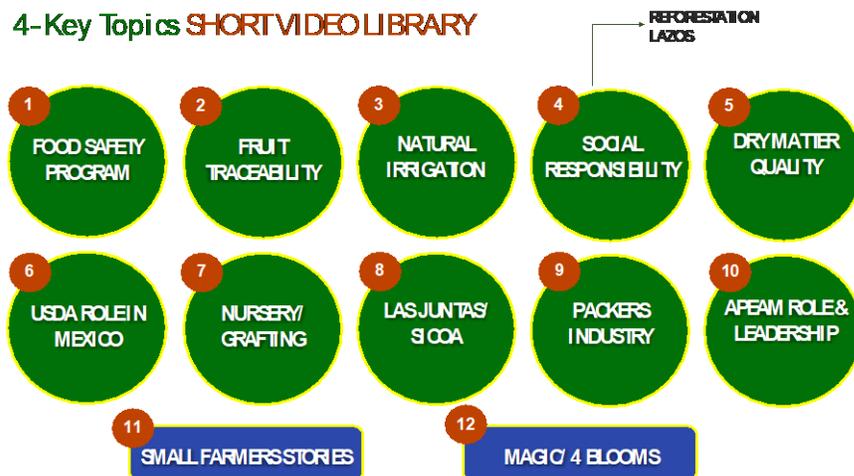


The site will have five sections:

- **Newsroom:** a scrolling blog-style newsfeed filled with positive industry-related stories. We will divide the Newsroom in two to have U.S. news on one side and Mexican news on the other in Spanish that will be coordinated with APEAM's PR agency Lead Image.
- **Casa APEAM:** a page dedicated to the new Casa APEAM facility with updates as construction progresses
- **Key Topics:** home for industry hot topics such as reforestation, economic impact, food safety and more
- **Research:** all things data related in an easy to find location. This section includes the Avocado Economic Input study from Texas A&M and the different generic health studies from HAB.
- **Assets:** b-roll video and photo assets easily available to accompany media coverage

Alvaro presented a list of assets that will be produced in Mexico for the key topics section:

4-Key Topics SHORT VIDEO LIBRARY

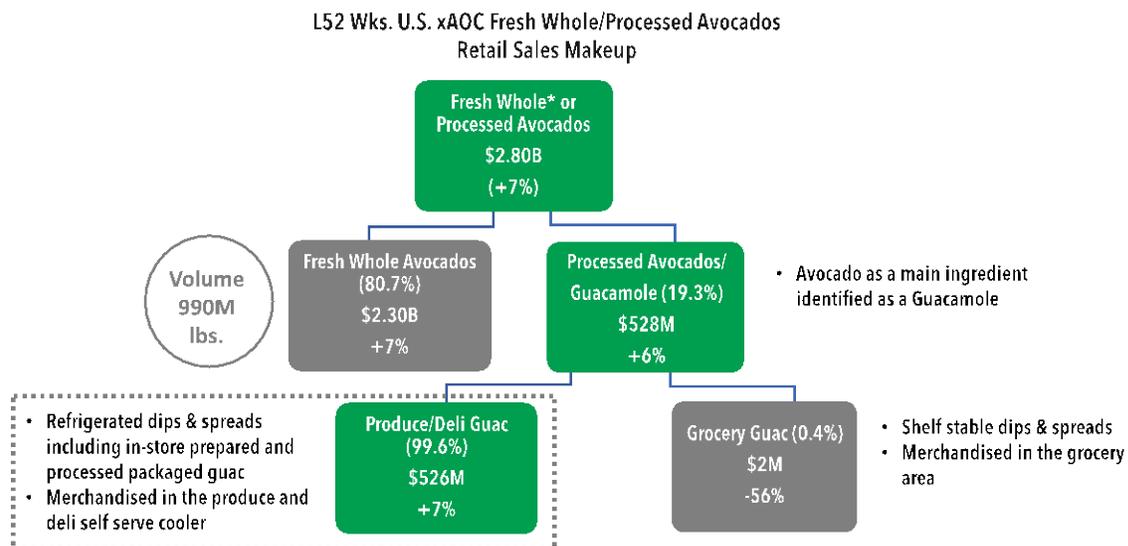


The website will launch during winter 2019 and the content capture in Michoacán for the key topics section will take place in Spring 2020.

GUACAMOLE CATEGORY REVIEW

Stephanie Bazan presented a guacamole category review from Nielsen including data for processed packaged guacamole and in-store fresh guac.

Total Retail market for fresh whole processed avocados is about \$2.8B in the latest 52 weeks:



Main insights:

- Total guacamole sales is \$528M with the split between 59% branded and 41% In-store prep/unspecified.
- Within branded guacamole, Top 6 companies represent majority of sales (Avomex Inc, Yucatan Foods, Sabra Dipping Co, Good Foods Group, Fresherized Foods and Calavo Foods).
- Branded guac sales is flat while in-store prep guac is driving the growth.
- Guacamole HHs are similar to avocados HHs, skewing older, higher income, and more educated.
- 83.4% of guacamole HHs are already purchasing fresh avocados – a sizable opportunity to capitalize on Incrementality.
- Guac buyers have the highest average basket spend.

Due to the MHAIA Elections, the JEC adjourned until new directors and officers for MHAIA are elected. The JEC will reconvene upon conclusion of the MHAIA meeting on the following day.

AFM Board reconvenes to seat new board.

In the absence of a Chair, Ron Campbell took the role call, waived reading of the minutes and reminded the participants about the anti-trust policy.

AFM BOD Present

David Ruiz

Gabriel Villasenor

Jose Luis Gallardo

Gary Caloroso

Armando Lopez

Ron Campbell

Officially Present

Alvaro Luque

Vicky Carpenter

Ron Campbell requested a nomination for Chairman. David Ruiz nominates Gary Caloroso for Chairman which was seconded by Gabriel Villasenor. Motion passes.

New Chairman Gary Caloroso made the motion for Gabriel Villasenor to be treasurer which was seconded by Jose Luis Gallardo. Motion passes.

Gabriel Villasenor made the motion for David Ruiz to be Treasurer which was seconded by Gary Caloroso. Motion Passes.

Ron Campbell remains Secretary.

2019-2020 AFM BOD:

Gary Caloroso, Chair

David Ruiz, Vice Chair

Gabriel Villasenor, Treasurer

Jose Luis Gallardo, Director

Jaime Rivas, Director

Jim Donodan, Director

Armando Lopez (ex-officio)

Ron Campbell, Secretary (ex officio)

New Business:

Alvaro will include translators to our monthly JEC update meetings.

There being no additional new business, David Ruiz motioned to adjourn which was seconded by Which was seconded by Gabriel. All were in favor.

Respectfully Submitted

Ron Campbell
Secretary, AFM