



**AFM Board Meeting
Minutes
May 19, 2020**

Place:

Zoom Meeting

Board of Directors:
(All Present)

Gary Caloroso, Chair
David Ruiz, Vice Chair
Gabriel Villasenor, Treasurer
Jaime Rivas, Director
Jose Luis Gallardo, Director
Jim Donovan, Director
Armando Lopez (ex-officio)
Ron Campbell, Secretary (ex officio)

AMS:
Vicky Carpenter

Officially Present:

| | | |
|----------------|-----------------|---------------|
| Alvaro Luque | Dolora Sillman | Michael Lemos |
| Kevin Brosch | Brad Barker | Miguel Molina |
| Kevin Hamilton | Stephanie Bazan | David Spirito |
| Ivonne Kinser | | |

APEAM and MHAIA Members and Guests:

| | | |
|------------------------|--------------------|----------------|
| Adrian Iturbide | Jon Ullrich | Jesus Domingo |
| Aaron Acosta | Rigo Perez | Miguel Barcena |
| Jorge Hernandez | Dave Billings | Gahl Crane |
| Gustavo Rivas | Giovanni Cavaletto | Peter Shore |
| Jorge Vallero Esquivel | Peter Shore | Luke Sears |
| Carson McDaniel | | |

Roll Call and Minutes:

Chairman Caloroso called the meeting to order, took the roll call, established a quorum and introduced Kevin Brosch to read the antitrust policy to the board.

Jaime Rivas motioned to approve the minutes of the March meeting and David Ruiz seconded the motion. Unanimous.

Flor Loca Crop Report:

Jesus Jasso estimates 265,827 metric tons or 586,048,240 lbs. of certified crop on 140,607 hectares. Similarly, the actual 2019 / 20 Flor Loca crop was 243,495 tons or 486,990,000 lbs. produced on 137,778 hectares.

In addition, APEAM estimates that Mexico will ship 144,665 tons or 318,931,757 lbs. through the remainder of this season.

Although caution was stressed, the AFM board agreed to budget upon a 2.1 billion lb. figure.

Marketing Presentation:

Upon conclusion of the crop report, Gary introduced Alvaro to present the marketing objectives for fiscal year 2020 -21.

Alvaro Luque presented a detailed chart of the FY20 carry over budget of \$5,295,360. That carry over is already impacted in the budget numbers presented by Dolora for FY21:

| | Round 1 | Round 2 | Round 3 | Round 4 | Total |
|--------------------------|-------------|-------------|-----------|--------------|-------------|
| TOTAL CONSUMER | \$ 670,000 | \$ 585,000 | \$245,000 | \$ - | \$1,500,000 |
| TOTAL DIGITAL | \$ 454,427 | \$ 100,000 | \$490,966 | \$ - | \$1,045,393 |
| TOTAL FOODSERVICE | \$ 600,000 | \$ 120,000 | \$ 45,000 | \$ 300,000 | \$1,065,000 |
| TOTAL MARKET DEVELOPMENT | \$1,250,000 | \$(850,000) | \$ - | \$ 400,000 | \$ 800,000 |
| TOTAL ADMIN | \$ 575,000 | \$ - | \$ - | \$ 309,967 | \$ 884,967 |
| TOTAL CARRY OVER FY21 | \$3,549,427 | \$ (45,000) | \$780,966 | \$ 1,009,967 | \$5,295,360 |

Alvaro presented the bases for our FY21 budget:

- Volume: 2.1 billion lbs. or 950,00 tons gross (same volume as previous year)
- Volume doesn't include Jalisco
- Total AFM budget FY21: \$66.64 million (\$5.6 million or 9% over PY)
- Net Admin budget FY21: \$10.5 million (\$899,000 or 9% over PY)

- Net Admin budget adds Capex and subtracts Depreciation
- Doesn't include APEAM's special investment of \$3.5 million for Casa APEAM
- Net Admin cost is 15.8% of total AFM budget. (same as projected FY20 weight)
- Marketing budget FY21: \$52.6 million (\$4.7 million or 10% over PY)
 - Marketing & trade investments represent 84.2% of our total budget.

Alvaro presented an analysis on Administrative costs for the last three fiscal years. AFM has maintained the admins cost relative to total budget flat from FY19 to budget FY21:

| | FY19 Actuals | | FY20 Budget AMS | | FY20 Budget Forecast | | FY21 Budget | |
|--------------------------|-------------------|---------------|-------------------|---------------|----------------------|---------------|-------------------|---------------|
| Revenues | 60,504,740 | | 66,353,947 | | 61,084,799 | | 66,644,034 | |
| Marketing Admin | 6,569,346 | | 10,120,758 | | 6,367,580 | | 6,966,566 | |
| Admin Salaries | 1,004,156 | | 1,254,092 | | 1,071,055 | | 1,349,204 | |
| Admin Opex | 1,760,354 | | 2,382,986 | | 2,428,605 | | 2,406,903 | |
| Apeam House | 3,500,000 | | 3,500,000 | | 3,500,000 | | 3,500,000 | |
| Gross Total Admin | 12,833,855 | | 17,257,836 | | 13,367,240 | | 14,222,673 | |
| Depreciation | (313,519) | | (340,619) | | (342,751) | | (288,864) | |
| Marketing Reserve | - | | (3,000,000) | | - | | - | |
| Capex | 304,101 | | 70,000 | | 129,953 | | 120,000 | |
| Net Admin | 12,824,437 | | 13,987,217 | | 13,154,442 | | 14,053,809 | |
| Marketing Available | 47,680,303 | | 52,366,730 | | 47,930,357 | | 52,590,225 | |
| Mix | | | | | | | | |
| Marketing | 47,680,303 | 83.6% | 52,366,730 | 83.3% | 47,930,357 | 83.2% | 52,590,225 | 83.3% |
| Admin - Apeam House | 9,324,437 | 16.4% | 10,487,217 | 16.7% | 9,654,442 | 16.8% | 10,553,809 | 16.7% |
| Total | 57,004,740 | 100.0% | 62,853,947 | 100.0% | 57,584,799 | 100.0% | 63,144,034 | 100.0% |

Alvaro presented new AFM budget for FY21 by area:

| | FY 2019- 2020 | MIX | FY 2020- 2021 | MIX | DIFFERENCE | DIF % |
|------------------------------------|---------------------|-------|---------------------|-------|--------------------|--------------|
| CONSUMER BRANDING | \$18,437,000 | 38.5% | \$16,227,500 | 30.9% | (\$2,209,500) | (12.0%) |
| DIGITAL | \$7,521,902 | 15.7% | \$8,782,500 | 16.7% | \$1,260,598 | +16.8% |
| FOODSERVICE | \$4,780,705 | 10.0% | \$6,450,000 | 12.3% | \$1,669,295 | +34.9% |
| MARKET DEVELOPMENT | \$17,190,750 | 35.8% | \$21,130,225 | 40.1% | \$3,939,475 | +22.9% |
| TOTAL MARKETING & TRADE | \$47,930,357 | | \$52,590,225 | | \$4,659,898 | +9.7% |

Alvaro reminded the board that the decrease that we have this year in consumer is due to the decision made in our board meeting in March of not participating in Super Bowl 2021 because of the network selling the event (CBS). As explained in March, CBS is very un-effective for AFM because they force SB advertisers to use their match dollars towards very expensive football ads. Our approved strategy was to skip Super Bowl for one year and dedicate a stronger budget to promote AFM through the fall. The company goal is to go back to the Super Bowl in FY22.

Miguel Molina presented the administrative expenses considerations and assumptions for the Fiscal Year 21 ("FY21") budget.

| | FY21 vs Forecast FY20 | | | | FY21 Budget vs FY19 | | |
|--------------------------------------|-----------------------|-------------------------|----------------|---------------|---------------------|------------------|---------------|
| | FY20 Mar 20 | FY21 Budget Planning | Variance \$ | Variance % | 2019 Actuals | Variance \$ | Variance % |
| Marketing Admin | 5,465,947 | 5,995,003 | 529,055 | 9.7% | 4,936,734 | 1,058,269 | 21.4% |
| Travel Expenses | 606,905 | 804,063 | 197,158 | 32.5% | 693,786 | 110,277 | 15.9% |
| Marketing Admin Others | 294,728 | 167,500 | (127,228) | -43.2% | 938,826 | (771,326) | -82.2% |
| Total Marketing Admin | 6,367,580 | 6,966,566 | 598,985 | 9.4% | 6,569,346 | 397,220 | 6.0% |
| | | | | | | - | 0.0% |
| Salaries Wages & Benefits | 1,071,055 | 1,349,204 | 278,149 | 26.0% | 1,004,156 | 345,049 | 34.4% |
| Operating Expenses | 2,428,605 | 2,406,903 | (21,702) | -0.9% | 1,760,354 | 646,549 | 36.7% |
| APEAM Projects Support | 3,500,000 | 3,500,000 | - | 0.0% | 3,500,000 | - | 0.0% |
| Total Admin | 6,999,660 | 7,256,107 | 256,447 | 3.7% | 6,264,509 | 991,598 | 15.8% |
| | | | | | | | |
| Total Administrative Expenses | 13,367,240 | 14,222,673 | 855,433 | 6.4% | 12,833,855 | 1,388,818 | 10.8% |
| | | | | | | | |
| Adjustments | (212,798) | (168,864) | 43,934 | | (9,418) | (159,446) | |
| | | | | | | | |
| Net Cash Balance | 13,154,442 | 14,053,809 | 899,367 | 6.8% | 12,824,437 | 1,229,372 | 9.6% |

- Salary and Wages
 - New Positions and Promotions include:
 - One new proposed position as Food Service Brand Manager at \$130K a year salary
 - One promotion for an existing employee. From Consumer Brand Manager to a Sr. Brand Manager. The impact of the budget is an increase of \$25K a year.
 - The FY21 salaries and wages budget includes a 4% Cost of Leaving Adjustment (COLA). The final increase is based on each employee performance review and pending the Board of Director's approval.
 - The FY21 budget includes an annualization effect on salary, benefits due to employees that were hired in the second half of FY20, yet the new FY21 budget includes expenses for the full year.
- Employee Medical, Dental, and Vision benefits were calculated and budgeted at a 10% increase. Our final increased was a 7.02% increase in Medical benefits and no increases in Dental and Vision benefits.
- Marketing travel expenses are listing a \$197K increase when compared to the previous fiscal year; however, due to COVID-19, AFM experienced a significant decrease in travel expenses in the last quarter of the fiscal year, and AFM is estimating an average travel volume during the first quarter of the FY21. Also, the FY21 budget includes the annualization of employees that were hired in the second half of the previous fiscal year.
- Marketing Others shows a \$127K budget decrease. This decrease is driven by a one-time \$120K AFM innovation program that executed during the FY20.
- AFM Operating Expenses for FY21 lists a net \$21K reduction when compared to FY20. Here are the main drivers of this budget net decrease:
 - We are reducing our IT overall expenses and consulting support, as well as corporate training and culture committee expenses. Some training programs were paid and scheduled during the second half of FY20; however, due to COVID-19, some of these programs were re-scheduled to FY21.

- The FY21 budget is listing an increase in payroll fees due to an annualization on the new Insperity payroll and benefits program. Insperity was implemented in October 2019, and the FY21 budget is including a full year.
- Additional increases include a contractual increase in our building rent and CAMS. However, the budget also includes a one-time 3-month abatement agreed as part of our first contract.

Miguel Molina presented his main four areas of focus for the FY21:

1. Maximize the return of investment on existing applications
 - a. Expand the DocuSign CLM contract application to include Non-Disclosure Agreements, Guac Cars, Contract Amendments, and the Trademark Cycle.
 - b. Develop an SAP Purchase Order Training program
 - c. Expand the Concur travel expense application
2. Continue improving the core accounting and administrative processes
3. Execute AFM's Business Intelligence and Budget Planning strategy
 - a. Integrate SAP data to automatically update Adaptive's budget program
 - b. Standardize and centralize reporting via Power BI
4. Improve the IT help desk support for all AFM employees.
 - a. Contract one IT help desk support fully dedicated to AFM at a lower cost
 - b. Migrate the company to Microsoft Teams, including videoconferencing and office phones.

Michael Lemos presented the six human resources initiatives for Fiscal year 21 ("FY21).

1. **Baseball cards program:** This employee card is intended to improve the development of employees and help maximize their potential by having the following 4 elements added:
 - Manager's feedback that defined what the employees' job is, their aspirations/career goals, AFM experiences, key functional strengths, leadership traits, and their development focus areas.
 - 360 competencies result from our performance reviews that will give our employees the opportunity to reflect of areas of where they need to focus on more.
 - A Myers Briggs assessment highlight as insight for managers and employees to see the way employees perceive the world, make decisions and what are their work styles.
 - For those leaders that have completed our executive coaching program with Linkage were provided their second 360 assessments results so that they could see their strength, opportunities, and their employee inclusion data.
2. **Companywide training and Linkage coaching process:**

- Both of these initiatives are intended to help our employee improve and help them with their leanings and performance.
 - Our Linkage coaching is based on completing a pre-360 assessment that includes manager, peers, direct reports, and others; the second phase encompasses 3 coaching sessions with each participant and a development plan; and the 3 phase wraps with a 2nd 360 assessment with the same raters and a one more coaching session to prepare people with next steps.
 - Our company wide training is meant to help employees improve their soft and hard skills.
- 3. Renew our Benefits and Compensation Analysis:**
 - Our initiative with Mercer will be to review each one of our jobs to make sure we are paying appropriately, and we are competitive in the market and also review all of our benefits to make sure we are competitive and help us retain our employees.
- 4. A leadership engagement training with DecisionWise to support our engagement survey results:**
 - Our training is intended to help support leaders understand what engagement is, align our 360 competencies results, and create a development plan for each leaders so that they can train their direct reports and help bring cohesion in the end.
- 5. AFM Career Page and Onboarding:**
 - We are creating an AFM career page to always be recruiting and continue creating a potential future pipeline of future employees.
 - We will also be aligning our Glassdoor and LinkedIn accounts to keep driving traffic to both our company websites and help us drive candidates back to our career page.
 - A new onboarding process will be created to manage the experience of new employees.
- 6. Compliance activities and Company Culture and executive benefits:**
 - The HR department will continue to improve our processes, reduce risks, and improve the company culture.
 - Training on sexual harassment, active shooter and CPR will be held to educate our employees and help them understand our policies and how to react on emergency situations.
 - We will be building an employee intranet to help improve employee engagement and communicate polices, guidelines, benefits, and all of our culture initiatives.
 - A big initiative this year will be to drive our culture committee through our fun times initiatives, community involvement, health and wellness initiatives, and internal marketing initiatives to help our employees.

- Our cooper clinic initiative will also be part of our plan this year to continue helping our executive team through cooper clinics preventative services.

AFM Business Plan FY21

Alvaro Luque presented his six top priorities for FY21 including the following:

- Effectively lead in a **post-COVID** reality.
- Promote & reinforce a **Mass Personalization** marketing approach for AFM in every area of the company.
- Promote a **proactive Corporate Comm & Crisis approach** and connect effectively with Mexico.
- Prepare the bases for future **growth**.
- Reinforce and launch company tools to **improve results measurement and track KPI success**.
- Reinforce **Company Culture & development**.

Alvaro explained AFM's COVID assessment and strategy including the following key actions:

- Research: three ad-hoc studies. One with IPSOS presented in June and two on-going, one qualitative to validate education strategy and another with The Cambridge Group projecting volume impacts for the category. This study will be ready to present to the board at the end of July.
- Very strong sales driven program for retail on the first part of FY21 to move as much volume as possible in Summer and Fall.
- Reinforced education program for consumers & clients
- Reinforced E-Commerce program & Foodservice Patrons strategy including a new position reporting to digital that will oversee both opportunities.

Alvaro explained the ecosystem for the new Avocado Institute site connecting AFM, APEAM and MHAIA in our single platform & plan. This will be managed by the new Associate Director of Corporate Communications & Crisis that AFM is hiring that will also be our official Corporate spokesperson for Corporate & Crisis matters.

To support the long-term growth initiative, Alvaro explained that two important projects will be implemented in FY21:

- Long-Term avocado volume forecast to determine the real size and potential of the U.S. market. This project will be led by The Cambridge Group.
- Long-term demand landscape & growth plan for Foodservice. This project will launch once the market stabilizes from COVID and will be quoted through a company RFP.

To continue supporting AFM culture and development, Alvaro explained the biggest projects to focus on FY21 including the following:

- AMBO 2.0 as a performance process including new employee recognition program Avo Stars
- Support on company Operating Guidelines
- Reinforce Culture Committee and launch of new company rally-cry Let's Be Mas
- Reinforce HR communication platform through an AFM Life intranet
- Reinforce company development program with new baseball card initiative with Mercer & decision Wise and the continuation of our Leadership Program with Linkage.
- Continuation of our Innovative Thinking program for the company.

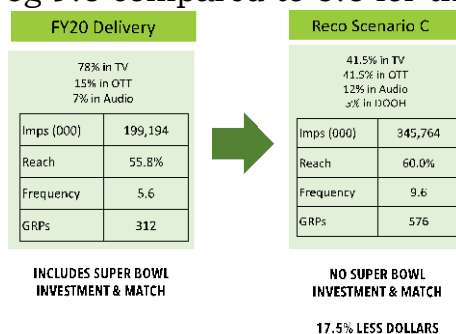
Alvaro announced that AFM has just being recognized as one of the Fast Company's TOP Workplaces for Innovators in the World.

Alvaro presented the top seven priorities for our consumer department:

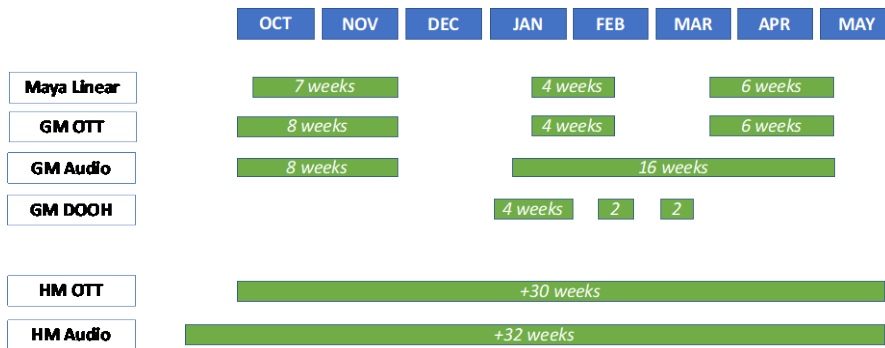
- Reformulate **a success model for PR** at AFM.
- Deliver **consistent** creative efforts and assets.
- **Diversify** media approach.
- Continue Hispanic **strategic pivot**.
- Continue **integration** with digital and social media shift.
- Launch & build new **team model and working**.
- Create research & insights **Center of Excellence**.

Alvaro informed that AFM will produce new video and audio ads in FY21 for General Market and Hispanic media buys.

Alvaro presented a media buy analysis to support the improvement on our media buy for FY21 for not having the Super Bowl match. With 18% less dollars, the company will deliver 73% more brand impressions, 4.2 percentage points improvement in total reach and a much better frequency of 9.6 compared to 5.6 for the previous year:



Alvaro presented final offline media flowchart for FY21:



Ivonne Kinser presented Digital's top priorities for FY21:

- Continue with AFM'S first 365 **H&W program**- all areas, all year-round.
- Launch and maintain our **first integrated CXM platform** which will connect each part of the total business through multiple touchpoints.
- Become the **largest publisher of guacamole and avocado** related information online.
- Optimize our **approach to web development** to be more strategic, more integrated and more aligned with overall objectives of the brand.
- Continue to **innovate within our current platforms**.
- Continue to grow our **email program**.
- Continue leading **AFM's innovation and Female's Leadership** efforts.

To support our brand through the Super Bowl, AFM will still have a strong digital campaign although we won't be an advertiser. Ivonne explained the Guac Nation Experience program that will align with Shopper to create a comprehensive support plan for AFM through the event. Digital program will leverage GuacWorld platform creating new football experiences to engage consumers.

As AFM's Health & Wellness lead, Ivonne confirmed that the company will extend the contract with Thalia and will launch a new program through a line of avocado apparel supporting our fruit key health benefits: GF20VM (Good Fats and 20 vitamins & minerals)

To support our Mass Personalization initiative through digital, Ivonne explained that AFM will re-launch and reinforce our AvoSauce email program and will launch new community platform Avocado Nation.

Ivonne presented AFM's new reinforced E-Comm plan including new shopping capabilities across AFM digital platforms, a strong partnership with Chicory to own recipe search in their platform and a first e-comm partnership with Kroger.com

Alvaro Luque presented Foodservice's top priorities for FY21:

- Establish AFM as an **Innovation Powerhouse** and take at least **30%** of recipe ideation in-house.
- Begin **development of Emerging channels** through Delivery exploration, a Foodservice Supermarket Pilot Test and expanded Broadliner and Contract Feeder programs.

- **Reinforce and expand our flagship concession** to showcase the **versatility** of avocados with diverse sports and consumer audiences.
- Take Avocado Education to a new level of excellence with the **launch of the B2B platform** to attract and engage high-level chefs.
- **Reinvent Guac** through multiple touchpoints, unique innovation recipes, operator ideations, chef community engagement and education.
- Expand Fresh Seal/Fresh Avocado program with paid media to increase awareness and **begin communication with FS patrons** to drive them to operators using fresh avocado.

Alvaro explained that the company will do a strategic assessment with SRG on Delivery as a new opportunity channel. The plan is to do a pilot test this fiscal year.

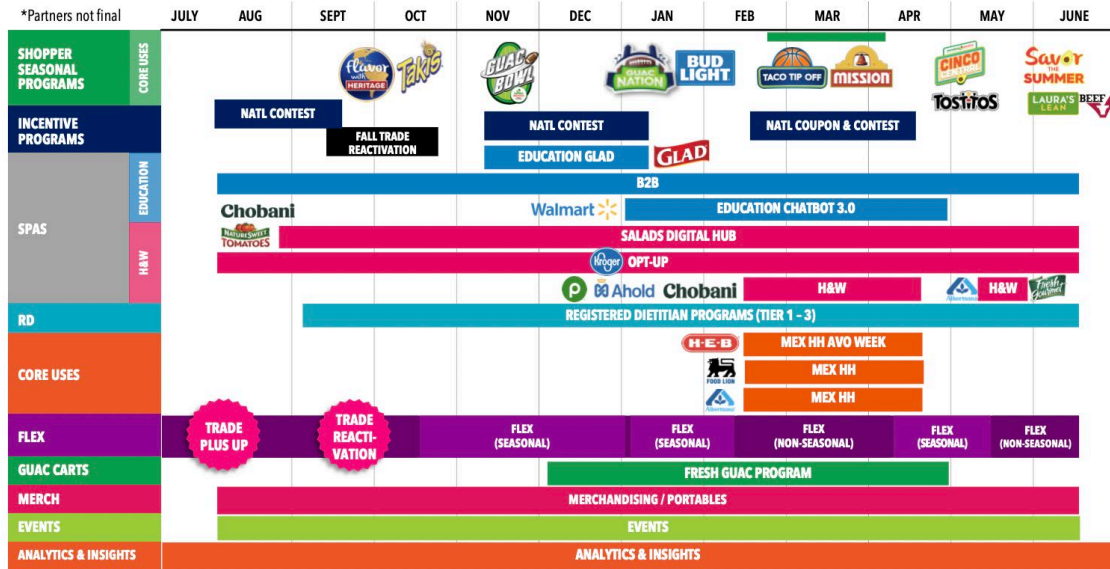
AFM will continue the Foodservice Experiential program with the restaurant Avoeatery and the concession programs AvoEats and Tacos Por Favor. Will launch new program with the Boston Red Sox (GuacStop) when the season is confirmed and will develop new concept Avo Lab for Food Halls. AG+FM will look for a new operating partner to launch that concept. To support AFM's Education pillar, the company will launch new Foodservice Playbook, new Myth Busters video series and a new virtual Avocado University program.

Alvaro explained that one of the top projects for FY21 is the launch of the new Fresh Platform program that includes consumer research vs processed avocados, a new digital platform, a reinforced Fresh Seal initiative and a first Patron program to engage directly with consumers and change the dynamic of the FS promotional program for the future.

Stephanie Bazan presented Shopper & Trade top priorities for FY21:

- Leverage **seasonal programs** and **trade initiatives** to drive consideration and purchase through **Guac & Chips** and **Mexican Handhelds uses**
- Elevate **education** to new heights with rollout of **B2B education initiative**
- Establish **Fall as a major tent pole** with aggressive innovative shopper and trade campaign
- Strengthen **omnichannel experience** with Walmart & Kroger shoppers
- Accelerate growth of **bagged fruit** with packaging and merchandising solutions
- Enrich and build up our **trade account strategy**
- Amplify **H&W** through partners and retail partnerships
- Bolster the **Hispanic base** and gain insight into the **shopping journey** of the **bicultural Hispanic** and **non-Hispanic**

Stephanie presented AFM's retail promotional calendar for FY21:



Stephanie explained that AFM will activate for the first time a promotional program for Summer to support the carry over fruit and will be reinforced with are-activation plan & budget for September similar to the one launched in FY20 that was very successful. The plan includes a strong coupon program, loyalty offers, demos and a national volume incentive plan.

Stephanie presented new OND plan to support sales through the Fall season. The program is based on the partnership with two well-known ex-football players that will represent the image of the Guac Experience promotional concept. Stephanie presented a general playbook for this promotion that includes couponing, digital support, merchandising, volume contest, PR and consumer sweepstakes:



Stephanie confirmed the seasonal programs and potential partners for the year:

- Hispanic Heritage Month: partner Takis. Timing Sep- Oct 2020.
- Super Bowl: partner Bud Light. Timing: Jan- Feb 2021
- March Madness: partner Mission Foods. Timing: Feb- Mar 2021
- Cinco: partner Tostitos. Timing Apr- May 2021
- Summer: partner Beef Council. Timing May 2021

Stephanie presented AFM's first on pack promotion for bags. The plan has two waves: one for Fall Football with a bonus pack and one with creative only to support the education campaign.



Stephanie presented other shopper programs for the year including:

- Walmart Omnichannel program on Education
- Kroger OptUp Program for Health & Wellness
- Taco focused programs for Spring on key power accounts like HEB, Food Lion and Publix.

Stephanie presented new B2B Education platform for clients and partners that will launch in September as a joint effort between Shopper.

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

