



Mexican Hass Avocado Importers Association
Board Meeting Minutes
May 17, 2016

Place

AFM Headquarters
Las Colinas, Texas

Time: 2:00 PM – 5:00 PM

Board of Directors:

DIRECTORS

Ricardo Vega (p) (Chair) Director
Jorge Hernandez (p)(Vice) Director
Mike Browne (p) (Treasurer) Director
Adrian Iturbide (phone)(Sect.) Director
Luke Sears (p) Director
Doug Meyer (p) Director
Carlos Genel (p) Director
Antonio Villaseñor (p) Director

ALTERNATES

Ygnacio Valerio (a) Alt
Alfredo Rodriguez (a) Alt
Gary Calaroso (p) Alt
Martin Mendoza (p) Alt
Giovanni Cavaletto (p) Alt
Jon Ullrich (p) Alt
Victor Barragan (a) Alt
Sergio Paz (p) Alt

AMS: _____

Vicky Carpenter

Officially Present: _____

Armando Lopez
Ramon Paz
Dolora Sillman
Ron Campbell
Alvaro Luque
Kevin Brosch
Maggie Hall
Kevin Hamilton
Mark Garcia
Stephanie Bazan
Miguel Molina
Grisel Perez
Dennis Crowley
Miguel Barcenias

Members

Juan Betancourt Rob Berteles

Guests: _____

Emiliano Escobedo Niki Ford

Following an AFM Board meeting where the 2016-17 AFM marketing plan was presented and agreed to by the AFM Board (see Minutes 5-17/18-16 Board Meeting AFM) Chairman Ricardo Vega called the MHAIA Board to order took the roll call and established a quorum.



The minutes from the February 17, 2016 meeting were considered for approval. Mike Browne motioned to approve the minutes, which was seconded by Antonio Villaseñor. The motion passed unanimously.

Sr. Vega introduced Mike Browne to present the Treasurers Report.

MHAIA Treasurer's Report:

The MHAIA bank balances are as follows:

Citizens Business Bank Money Market (MM) account*	\$5,386,065.00
Citizens Business Bank Operating Account (OPTG) account**	\$3,125,051.00
Merrill Lynch	\$1,544,232.00
	Total
\$	\$10,053,411.00

Notes:

*The adjusted bank balance does not include the April assessment from HAB estimated at \$3.3M or 158M pounds.

**Includes outstanding checks and wire to vendor/AFM. The operating account always has \$1,000 dollars.

Included in the chart is the cash trending from July 2015 to May 2016. The most likely scenario for 2016-2017 volume is 2.17 billion pounds, 12.6% increase compared to FY 15-16 estimated volume of 1.927 billion pounds. These volumes translate to an assessment revenue of \$46.1 million dollars at 85% of \$.025/lbs. of avocados.

At 2.17B pounds MHAIA would contribute up to \$46.1M from HAB's assessments and from FY 15-16 excess reserves of \$2.96M for a total net contribution of \$49.06M or 2/3 of the total revenue.

Total ending reserve is \$7.1 M or 15.44% of assessment.

This chart is showing the volume trending from FY 12-13 to FY 16-17. The current FY 15-16 crop report is projected at a high of 2.4 billion pounds as compared to the budget of 1.68 billion pounds and year end estimate of 1.927 billion pounds. FY 16-17 projection is at 2.17 billion pounds.

Volume, Assessments and other Contribution Revenue

- 2.17 B pounds of AFM or 242.9 M pounds higher than last fiscal-year estimated volume of 1.927 B pounds.
- \$46.1M Assessments from HAB at 85% of \$0.025 per pound
- \$550.0 K Contributions from AFM-APEAM to support the Administrative Charges



- \$7.8K or .03% Interest Earned

Spending

Marketing and Promotional

- \$49.06M Total AFM marketing expenses or 2/3 share of MHAIA to its marketing subsidiary Avocados from Mexico (AFM). This will be used to fund AFM's consumer marketing program in the amount of \$32.36 M, trade and retail marketing program of \$13.48M, and marketing administrative expenses of \$3.1M. The marketing administrative expenses includes payroll related expenses, travel, board meeting and others.
- \$1.3M Total MHAIA-marketing and promotional expenses, inclusive of trade ad/events, web hosting fee, AMS program fees, crop reporting from Michoacán and Jalisco, executive director contract fee, and other expenses, consultant fee evaluation fee, and out of pocket expenses.

Administrative Expense

- \$550K Total administration support will be part of the 1/3 funds of AFM-APEAM. This covers the bank service charges, finance director new contract, and other expenses, insurance, tax/audit and election fees, equipment for the new finance system and out of pocket expenses.

Change in Net Assets

- \$4.237M negative, higher total spending versus assessments. The difference in spending will be funded from the last fiscal year cash carry-over.

Assets:

- \$7.11M Cash and cash equivalents or the estimated ending cash reserves
- \$3.57M Total Accounts Receivable from HAB, and APEAM

Liabilities and Equity:

- \$1.05M Total liabilities, inclusive of \$25K accounts payable and intercompany due to AFM of \$1.05M.
- \$9.61M Total Equity, from FY 16-17 of negative \$4.24M and prior years of \$13.85M positive.
- Estimated \$7.1M Fiscal year '16-17 ending cash reserves or 15.44% of assessments (Estimated *beginning cash of \$11.66M less FY.16-17 net change in assets of \$4.23M and \$308.9K total working capital adjustments*)

Antonio Villaseñor motioned to approve the Treasurers Report including marketing expenditures to AFM as presented to the AFM board of directors. The motion was seconded by Jorge Hernandez and carried without objection.



Following the treasurers report, Jesus Jasso was introduced to provide an update to the crop report. The presentation was provided over the phone.

The highlights were:

- This year's loca crop will be similar to last years = 2-2.03 tons per hectare with 4-5 added grams / fruit due to increased water from the hurricane season. The loca fruit this year will be larger = about 205 grams / fruit.
- It is expected that there will be a 10% to 15% higher yield / hectar.
- The loca season will start July 1 with little old crop carryover.
- Summer and Fall should be strong due to loca and Mendez mix as well as additional fruit from Jalisco.
- The industry would like to see an additional phase added to the report in November to effects of the hurricane season.
- There will be an additional 15,000 hectares in Michoacan plus Jalisco in 2016-17 season
- To improve results, Jesus will adjust the amount of trees in the sample size to 2,400 and add 30 orchards.
- APEAM is planning to have a full time person on staff devoted to crop reporting.

Finally, there was a discussion on forecasting size trends. Antonio motioned to set aside \$100,000 for a study to develop a model for this effort. Mike Browne seconded the motion and all were in favor.

Niki Ford from the Hass Avocado Board presented an overview of HAB's nutritional research initiatives.

Ron Campbell provided a strategy for industry compliance with Food Safety Modernization Act (FSMA) compliance. Preventative Controls Qualified Individual (PCQI) training will be administered by APEAM in Michoacán to ensure that a qualified individual will be in every packing house to wright a food safety plan that FSMA compliant. Following this, specific qualified individual training will be necessary for importers to comply with the Foreign Supplier Verification Program regulation. Lastly, the importer and the shipper will ensure that they are packing fruit only from growers who implement good agricultural practices in the groves that meet the restrictions outlined in the Produce Safety Rule.

Ron also provided an update on the MHAIA website, and the lack of progress amending the sec. 8(e) grade requirements under the South Florida Avocado Marketing Order to make the standards more specific to avocados. Finally, he provided some possible alternatives to the existing election procedures.

Meeting Dates:

The Board decided upon September 13 &14 for the MHAIA and AFM Annual meetings.



Closed Session:

The board engaged in a closed session to discuss end of the year employee performance and salaries. In addition it was decided that MHAIA would change direction with Brand Engineers.

Upon conclusion of the closed session, there being no new business, Jorge Hernandez motioned to adjourn which was seconded by Antonio Villaseñor. The motion passed without objection.

Respectfully Submitted,

Ron Campbell, MHAIA Executive Director

I certify that the above is a true and accurate statement of the May 17, 2016, MHAIA Board of Directors Meeting.

Adrian Iturbide, MHAIA Board Secretary