



MINUTES OF THE CAIA 2020 ANNUAL MEETING

Wednesday, May 27, 8:30 – 10:30 A.M. via Zoom

Gonzalo Bulnes
Jorge Covarrubias
Javier Fuchslocher
Kellen Newhouse
Sebastian Bulnes
Rodrigo Kunstmann
Carmen Gloria
Cristian Hargous
Raimundo Lira
Oscar Villegas
Juan Pablo Cerda
Jose Miguel Allende
Rigo Perez
Bruce Dowhan
Carson McDaniel
Andy Bruno
Ryan Larkan
Debbie Willmann
Gahl Crane
Emiliano Escobedo
John McGuigan
Allison Myers
Karen Brux
Steve Hattendorf
Tarun Harit

Welcome Remarks and Call-to-Order

Chairman Covarrubias convened the meeting at 8:30 A.M. He communicated that it's a difficult time for everyone and expressed his wishes that everyone was OK.

Managing Director Brux welcomed everyone to CAIA's first-ever virtual annual meeting. She asked everyone to keep themselves muted if not talking and requested that if there were multiple people wanting to comment, they should list their name in the chat box. This would help to keep the meeting running smoothly. She then introduced CAIA's AMS representative, Tarun Harit, who was joining the CAIA annual meeting for the first time.

Tarun gave a brief introduction and communicated that he's the person who looks at the finances for all of the Boards. He communicated that D.C. is doing well and that people have been doing a good job of staying home and "sheltering in place".

Review and Approval of CAIA 2019 Mid-Term Meeting Minutes

Brux directed everyone's attention to the minutes of CAIA's 2019 mid-term meeting. There were no questions or comments. Bruce Dowhan made a motion to approve the minutes, which was seconded by Jorge Covarrubias and unanimously approved.

Marketing Update

Brux presented a broad overview of CAIA's 2019/20 marketing program. This included consumer digital and TV advertising, Joaquin Nieman, Influencer Marketing, Social Media and PR, and Trade Marketing and Events. She commented that there was a great program in place to promote the fruit but, unfortunately, we didn't have much volume. Following the 2019 mid-term meeting, we revised the budget down to 40 million pounds and lowered the consumer advertising budget by about \$65,000. Due to the great work of our agency, we were still able to reach the original estimated number of impressions: 34 million. Also delivered close to 3 million video completions.

Allison Myers and Steve Hattendorf presented the trade marketing programs that they managed. With little fruit in the market, Steve supported 3 different events that CAIA sponsored. Allison worked with Costco, Sam's Club and Walmart on programs. While demos are the preferred form of marketing support, there are many new digital formats that have been introduced in light of COVID-19. Both Sam's and Walmart have options available and we will be looking into these opportunities for the coming season. Costco is still pushing their usage videos, and Allison recommended that we confirm soon in order to get a spot.

Chairman Covarrubias asked if Brux if she had prepared a proposal for the coming season. Brux commented that once CAIA confirms a budget, she'll develop a corresponding program based on that. Jorge also asked if all sampling has been discontinued. Brux said that this was the case and that retailers were all making a shift to reach their shoppers where they're spending time, online.

Brux then showed a few slides demonstrating how the fresh produce industry has changed during the pandemic. Produce sales are up. Dollar growth is lagging behind volume growth, but both are very healthy. When it comes to avocados, avocado retail sales are up. There are no in-store sampling programs, ad space has shrunk, and more online opportunities are emerging. Consumers are looking online for inspiration, so this is an opportunity for us to give them ideas for avocados. Online grocery sales are booming.

Bruce Dowhan asked if we've looked at how we can include the immune-boosting effects of avocados in the upcoming campaign, as well as what we can and can't say. Emiliano Escobedo commented that this is very challenging because the FDA regulates what we can and can't say. There's also a difference between what you can say in marketing materials vs. at the point of sale. Escobedo confirmed that he will send AMS-approved talking points for

CAIA to review and incorporate into our marketing messages.

Financial Report

Treasurer Kellen Newhouse walked everyone through the April compilation report. As of the end of April, CAIA has net assets and liabilities of \$1.65 million. Brux commented that the membership dues needed to be adjusted. Everyone's dues have been received. Newhouse stated that we didn't spend much on trade marketing or meetings. CAIA seems to be in a very cash positive position.

Jorge Covarrubias asked for a projection of our expenses through the end of this fiscal year, which goes through the end of June. Newhouse reported that there wouldn't be a great difference between the April compilation report and what's projected through the end of June. Brux reinforced this by sharing a spreadsheet that showed what is projected through the end of June. CAIA will end the season with 27 million pounds vs. the revised estimate of 40 million pounds and will start the next fiscal year with about \$1.5 million in reserve. \$105,000 of this is in administrative reserves.

Chilean Avocado Crop & Markets

Raimundo Lira from Propal presented an overview of the 2019-20 Chilean crop. He reported that the exchange rate had a positive impact on last year's export program, but all markets were tough last year. There was a reduction of consumption in the domestic market of at least 12,000 tons, and exports to the U.S. dropped by 57%. Heavy competition in the U.S. and a strong market in Europe. Asia hasn't been as important as some had expected, with exports falling. Good supply window in the U.S. from Week 33-40. Juan Pablo Cerda commented that there are a few slides with line graphs that say tons, but should be changed to kilos. Raimundo said he would make the correction and send revised slides to share with everyone.

Rodrigo Kunstmann followed with thoughts/projections for the 2020-21 season. He commented that we have a trend of sending less and less fruit to the U.S. What needs to happen in order to change this trend? If you look at avocado retail sales during COVID-19, they appear strong, but he's concerned that the volume increase has been caused in part by lower prices. Need to consider 3 issues.

- 1) How will COVID-19 impact the economy? Will there be enough money to buy something that is NOT cheap?
- 2) When you look at what California, Mexico and Peru supposedly have for volume, how is the market going to move this volume and where is the space for Chile?
- 3) How will the downturn of foodservice and sporting events impact the market?

The conclusion is that it is unlikely Chile will be more relevant in the coming season than 2019/20. Agricom predicts that numbers will not be higher than last year's 27 million pounds.

Covarrubias commented that the U.S. is an opportunistic market for Chile, and with the information we have today, the coming season looks difficult. Volume could definitely be

less. Kunstmann replied that we have to wait until later this year to see how the big retailers respond. Unlikely that they will want to rely solely on Mexico.

Brux shared a spreadsheet with a few different budget scenarios based on 3 different volumes (20 million, 15 million and 10 million) and including only CAIA's fixed costs. The assumption is that we will start the new fiscal year with roughly \$1.6 million in reserves. Regardless of scenario, if we just covered our costs, we would end up with reserves between \$1.5 and \$1.7 million. There was a discussion of the minimum reserve that CAIA wishes to maintain. Cristian Hargous asked how much we spent last year with the big 3 retailers. Brux responded that it was less than \$100,000, but that was because we were unable to run demos with Costco. There was agreement that we need to allocate budget for these retailers, as they will help us to start the season. Even more important this year.

Dowhan commented that CAIA needs to give some direction on expectations for the reserve. He gave a ballpark of \$1-\$1.2 million. Brux added that we also need to decide what we think is realistic at this point for a volume projection. Kunstmann added that we risk becoming irrelevant if we don't continue to invest in the market. We have money. Let's spend it. Covarrubias said ending with \$800,000 might be better and will allow us to continue this investment. Rigo Perez commented that the fall is a good opportunity for Chile. Definitely room for 20 million pounds of Chilean fruit. Juan Pablo communicated that we should explore foodservice opportunities.

Brux asked everyone for their opinion on continuing CAIA's partnership with Joaquin Niemann. Everyone agreed that this is a unique partnership and we should continue, but try to negotiate a lower price. Both exporters and importers commented that we should make better use of this relationship to engage with retailers and strengthen our relationship with the trade. It's a differentiating factor that can give us more clout with the trade. It was agreed that Brux and Covarrubias would negotiate with Joaquin and his agent Carlos.

Returning to the topic of reserves, Tarun Harit from AMS communicated that we could carry over about \$1 million to the coming fiscal year. Karen confirmed that she would develop a budget based on 20 million pounds with an ending reserve of around \$1 million. Will send to the Board for approval.

Covarrubias directed everyone's attention to the issue of membership dues. With over \$100,000 in administrative reserves, he suggested looking at ways to reduce this amount. Suggested that we might want to reduce the membership dues to \$1,000. Everyone agreed that CAIA should maintain dues at \$3,000. Brux commented that a percentage of her fees could be charged to administrative expenses, which would help to reduce the amount in reserves. She will confirm this with AMS.

Reputation Management Program

Brux gave an update on the approved reputation management program. CAIA put a temporary hold on this project in light of COVID-19, but Brux recommended restarting the process. Water issue not going away, so let's get everything in place for if/when it resurfaces. Juan Pablo Cerda communicated support for this and commented that, on a positive note, people in Chile are starting to understand and appreciate the importance of

the agricultural industry because of the employment opportunities it's offering. Brux will reach out to Fleishman Hillard and move this forward. Sebastian Bulnes suggested that we might need to increase the budget from \$10,000.

Other Issues

Covarrubias announced that CFFA was closing their office at the end of May. CAIA agreed to continue paying \$500/month in office support, as maintaining a healthy relationship with CFFA is positive for CAIA.

The final issue discussed was PMA. Brux communicated that PMA still hasn't confirmed whether Fresh Summit will take place. It was agreed that even if ASOEX exhibits, CAIA will not have a separate stand for Avocados from Chile. We can be represented in the main stand.

There were no other issues, so the meeting was adjourned at 10:40 A.M.