

CALIFORNIA AVOCADO COMMISSION
MARKETING COMMITTEE WEB/TELECONFERENCE MEETING MINUTES
July 19, 2022

A web conference meeting of the Marketing Committee was held on Wednesday, July 19, 2022, with the following people participating: *(Dave will update attendance)*

MEMBERS
PARTICIPATING

Jennifer Anazawa
Gary Caloroso
Dave Fausset
Rachael Laenen
Patrick Lucy
Andy Lyall
Carson McDaniel
Doug Meyer
Peter Shore
Steve Taft
Chris Varvel
Debbie Willmann
Rob Grether (Ex
 Officio Member)

MEMBERS NOT
PARTICIPATING

Ed McFadden
Hayden McIntyre

CAC STAFF PARTICIPATING

Monica Arnett
April Aymami
Zac Benedict
David Cruz
Jan DeLyser
Angela Fraser
Ken Melban

OFFICIALLY PRESENT

David Anderson (Anderson Food
 Sales and Marketing)
Carolyn Becker (CL Marketing)
Kathleen Johnson (PJ/PR)
Kim Kurata (Kurata Communications)
Marji Morrow (Rockwell Morrow)
Laura Paden (PJ/PR)
Matt Schraut (Fusion)

GUESTS PRESENT

Jennifer Ayvazian (Fusion)
John Dmytriw
 (Index Fresh)
Brittany Ferrant
 (Mediahub)
Robbie Granatelli
 (MullenLowe)
Candace Hollar
 (Mediahub)
Lauren Jacobson (Golin)
Lauren Kelley
 (MullenLowe)
Jillian McMenamin (Golin)
Steven Muro (Fusion)
Jill Netzel (Fusion)
Doug O'Hara
Martin Pagh Ludvigsen
 (MullenLowe)
Bryan Reugebrink
 (MullenLowe)

ITEM #1 ROLL CALL/QUORUM

The Marketing Committee hybrid meeting was called to order at 10:01 a.m. by Chairman Gary Caloroso. A quorum was established.

ITEM #2 OPPORTUNITY FOR PUBLIC COMMENT

None.

ITEM #3 CONSENT CALENDAR

Mr. McDaniel moved to approve the Consent Calendar, including minutes from the June 1, 2022 meeting. Mr. Shore seconded the motion and it was unanimously approved.

(McDaniel/Shore) MSC Unaminous

MOTION 22-07-19-1.

ITEM #4 DISCUSSION ITEMS

Chairman Caloroso's 2022 Marketing Committee Updates – Item 4.A.

Mr. Caloroso asked Ms. DeLyser to proceed with the agenda items.

2022 California Crop Forecast – Item 4.B.

Ms. Aymami shared the end of June/early July handler California avocado crop forecast for FY 2022. The latest estimate is 270 million pounds, a reduction from the May forecast of 286 million pounds. Projections for Hass avocados ranged from a low of 250 million pounds to a high of 273 million pounds with an average of 260 million pounds. The new estimate for Lamb Hass is 9 million pounds, GEM at 4 million pounds and all others about 1 million pounds. The bulk of the remaining volume should occur in July, with reduced availability in August and September this year.

The second part of the handler survey asked for a (very early) projection for next year. Handler estimates ranged from 243 to 294 million pounds, with an average of 256 million pounds. Handlers have concerns with the prolonged drought. Ms. Aymami noted that historically it was easier to project growing regions, but now yield varies more grove to grove. Mr. Lyall agreed, noting that he and his neighbor have opposite conditions and there can even be differences block by block.

Mr. Caloroso noted the far north was much lighter this year and Ms. Aymami confirmed the region's harvest also was earlier. The next survey will be in September.

2022 Import Crop Projections – Item 4.C.

Mexico:

Jalisco – Committee members have heard different start dates ranging from having already started to starting August 4. An estimated 150 to 175 million pounds of avocados from Jalisco are expected to be shipped to the U.S. this year.

Mr. Meyer noted that Mexico's Flora Loca crop "came roaring in" and is larger, perhaps 750 million pounds. Initially that crop had some issues with low dry-matter, but that issue and ripening are improving. Sizing, which initially was mostly 60s and smaller, is improving and there are fewer #2s available.

Peru: Mr. Lucy advised that Peru is having its most successful U.S. import crop to date, with the majority of this year's volume shipping to the East Coast. Part of the success has been keeping fruit off of the spot market and an orderly supply flow.

Colombia: The season is wrapping up. Fruit from Colombia is expected to start again in October or November.

Inflation Report and FOB Updates – Item 4.D.

Mr. Schraut shared updates to the Inflation Report that was presented at the previous Committee meeting and provided insights into the FOB premiums commanded by California avocados. He noted that food inflation grew to 10%, while avocados saw a price increases

vs. last year of more than 30% from March through June. Fruit and vegetable prices increased 8% for the 52 weeks ending 6/12/22, compared to avocados with 21% price growth. The California avocado season-to-date FOB price premium in California was 6% over imports, and that premium widened significantly in May-June. There is less of a premium in markets outside of California, but the trend is similar. Ms. DeLyser thanked Ms. Aymami for providing the FOB numbers used in the report.

2022 Retail and Foodservice Tiered Account Updates – Item 4.E.

Mr. Anderson reported on corporate accounts including Kroger and the newly launched California bags. In addition to Kroger divisions Ralphs, Fred Meyer, QFC and Smith's, King Soopers was added this year. More than 45,000 bags were sold. While Kroger was very pleased with the program, they declined to extend through the end of July due to the price premium being too high vs. the Mexican Flora Loca crop.

Costco promoted in mid-June in the Aurora, Colorado depot (CO and NM stores) because the depot's needs can be handled completely by California avocados. The promotion yielded a unit lift of 32% and dollar sales lift of 37%, meaning consumers were willing to purchase even at a higher average selling price.

A Sam's Club promotion concluded after Cinco de Mayo; CAC does not have results/analytics on the program yet. A Walmart program will conclude at the end of July, delivering 1 million impressions (with a negotiated make good for some initial issues). The program used CAC creative with a "shop now" conversion. Mr. Anderson provided details on a successful, 160-store The Fresh Market program that had every-other-week promotions. A "late season" Lamb Hass program with H.E.B. continues to be in discussion.

Ms. Becker shared updates about California and Western region promotions since the last meeting, noting double-digit increases in multiple accounts. Albertsons/Vons/Pavilions conducted a sales contest with a just for U coupon overlay and CAC display bins. Gelson's is running a local grown campaign with multiple produce items and large California avocado displays. She noted Mollie Stone's Cinco de Mayo sales contest and showed images of their Fourth of July California Avocado displays/bins. Nugget Markets produced a GEM field guide feature with online marketing. Raley's had online specials and ad promotions, and California avocados were double labelled to show the California origin. In April and June, Save Mart conducted a CA GROWN program with an avocado grower feature and a local grown promotion. Safeway had local grown signs in stores and a bag program, and the Southwest division (Arizona) ran a sales contest with a just for U coupon. Sprouts created custom display boxes in California and Arizona that prominently call out the California origin. Supermarket Mi Tierra, which targets Hispanic shoppers, is conducting ad promotions and a display contest with Tajin® seasoning.

Ms. Johnson and Ms. Paden covered retail communications including Albertsons-Vons-Pavilions four-week social media series featuring images from CAC's recent grove open house. They noted a complimentary ad by Nugget Markets in the Daily Dish, Gelson's social content with a contest, a short video featuring grower Mike Sanders at Mollie Stone's, a social sweepstakes with Raley's as well as a Stater Bros. TikTok video.

Ms. Kurata outlined the progress against target foodservice accounts, noting that while 100% of Tier 1 targets wanted to have promotions this year, only 62% actually did due to pricing or timing. June promotions included Norms, Nordstrom and Robeks. With 60 units in California, Arizona, Colorado and Ohio, Robeks is a new partner who featured Avocado Toast and the California Avocados brand logo on their website.

The foodservice team conducted menu ideation with Norms in mid-June for menu items next spring. The team also developed non-traditional marketing using FSR magazine's database to reach operators in the West. Flavor & the Menu magazine deployed two targeted newsletters. The April version delivered well above the magazine's standards.

In-season Marketing and Out-of-season Marketing Discussion – Item 4.F

Ms. DeLyser advised that the trade agencies and the media team were able to move support from August into July to support the crop timing change. She noted that the Marketing Department has identified approximately \$400,000 to return to the CAC reserves this year. She will send out a link to a consumer marketing presentation in a future Dashboard. Mr. Grether asked the Committee and Marketing team to think about how to approach Marketing in the future with more flexibility to be able to respond to shifting crop volume and pace.

Shop.CaliforniaAvocado.com Updates – Item 4.G.

Ms. DeLyser shared a report on the California Avocado merch shop to date, including initial objectives and strategies, progress to date and financials. Ms. Laenen asked about the probability of growing sales to the point of hitting breakeven, and Ms. Morrow advised that based on current status, covering variable expenses might be possible but covering all expenses including Marketing is not likely. She noted that the cost of the shop represents about 1-1.5% of the marketing budget, and Ms. DeLyser recommended continuing the shop for at least one more year as a low-cost marketing tactic. Ms. Morrow then reviewed the June 2022 and year-to-date California avocado merch shop results and highlighted the latest support activities.

2022-23 Marketing Planning and Budget Discussion – Item 4.H.

For context for next year's planning, Ms. Arnett noted that CAC will not be drawing down the reserves as much as planned, because higher prices have more than offset the lower-than-projected volume. With Marketing's return of additional funds the reserves will be at approximately the same level as last year.

Ms. DeLyser advised she instructed agencies to use this year's budget as a starting point for Marketing plans for 2022-23 and asked for Committee input on that. She shared the planning cycle for 2022-23 and noted that if needed Marketing can do a base budget early and then a flex budget for trade and consumer marketing that can go up or down as needed for the crop.

Mr. Grether asked the Committee which programs are working from their perception. Mr. Meyer asked for continued trade promotion customization. He said that Tier 1 customers are competing and they want their own programs. California avocados have to defend against

Cinco competition and push to stay in stores through the season.

When asked “how much do you hear from retailers about consumer marketing,” Ms. DeLyser replied that part of the marketing consumer program is tied directly to retailers, which they appreciate. Ms. Becker noted high level appreciation of Commission consumer marketing programs and that customers are eager to participate in the parts they can. It is a negotiation – they also want participation in their own programs like e-commerce – and one of the RMDs negotiating points is how long a customer plans to stay in the California deal. Mr. Anderson noted that in the past CAC’s programs with general market radio and outdoor advertising were very overt, and digital advertising is a little more mysterious to retailers. He said that generally retailers don’t want to use a vendor’s imagery, but they are excited about the CAC creative. This shows they are aware and see value in the consumer program. However, at the customer level procurement and marketing departments can have different understandings. Mr. Caloroso noted relations and responsibilities vary by chain. Retailer Marketing teams need advance notice. He said we know the peak of the season – we can always do a better job providing advance notice of that.

Mr. Grether asked for the Marketing Committee to serve as a sounding board for Marketing planning especially for setting a budget knowing there is uncertainty of crop estimating and timing. Mr. Caloroso supported the idea of a Marketing Committee Meeting in August to assist in planning.

Industry Updates – Item 4.1.


Mr. Melban announced there will be a field day at Pine Tree Ranch on July 26. It will feature a GEM trial, the high-density trial and information about the fungicide Orondis, which is used for phytophthora management. He reminded the Committee that CAC helped facilitate the packers’ pursuit of a GEM-specific PLU code a few years back. Last year, he said, there was a consensus among packers to pursue two additional PLU codes to mirror the Hass PLU codes. Mr. Melban said he recently learned the packer that was going to submit the application has decided to hold off for now, so he will be putting out a memo communicating the current status with handlers.

He also advised that CAC’s Executive Committee directed CAC staff not to participate in local avocado festivals this year. Sponsorships were previously cut from the budget and staffing these festival events has not provided a positive return on investment in the last few years.

ADJOURN

Mr. Caloroso and Mr. Grether thanked the team and invited more feedback after the meeting. Mr. Caloroso adjourned the web/teleconference meeting at 11:44 a.m.

Submitted by:

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Jan DeLyser, CAC Staff



CALIFORNIA AVOCADO COMMISSION

AB 2720 Roll Call Vote Tally Summary

To be attached to the Meeting Minutes

Meeting Name: <i>Marketing Committee Meeting</i>	Meeting Location: <i>Hybrid</i>	Meeting Date: <i>July 19, 2022</i>
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Attendees Who Voted	<u>MOTION</u> <u>22-07-19-1</u>
Gary Caloroso	Yea
Peter Shore	Yea
Jennifer Anazawa	Yea
Dave Fausset	Not Present
Rachael Laenen	Yea
Patrick Lucy	Yea
Andy Lyall	Yea
Carson McDaniel	Yea
Doug Meyer	Yea
Steve Taft	Not Present
Chris Varvel	Yea
Debbie Willmann	Yea
<i>Outcome</i>	Unanimous