

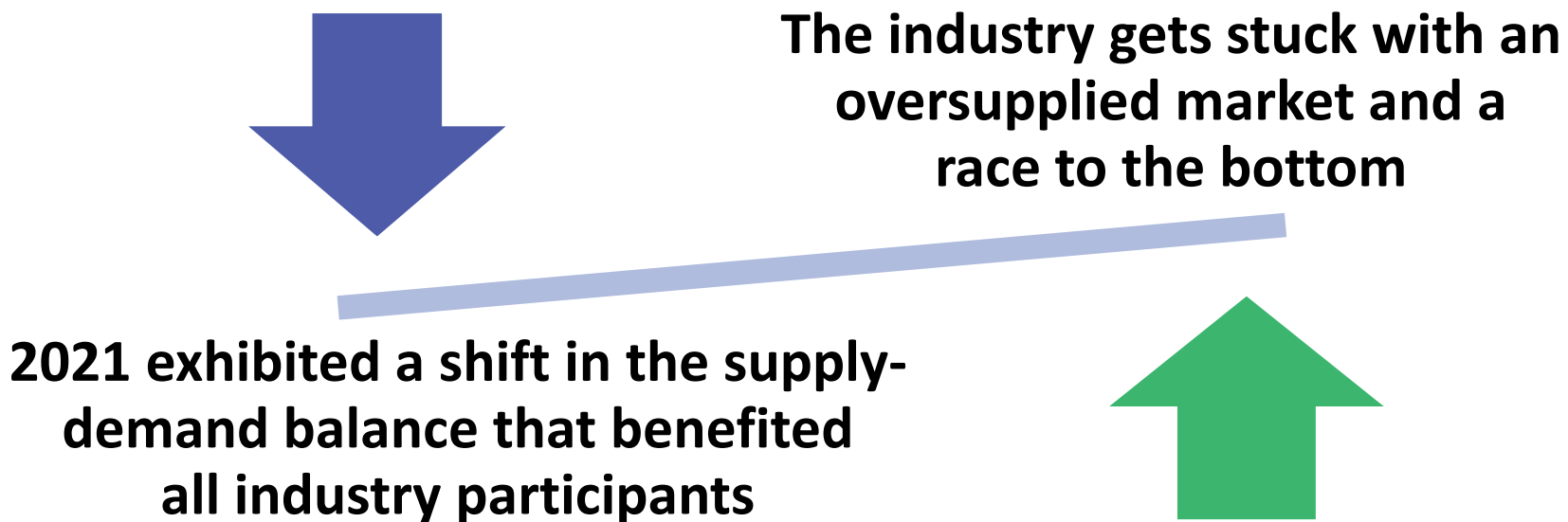
Impact the Future: Presenting the Cut Floral & Greens Promotional Order Initiative



**AFIF Industry Presentation
December 14, 2021**

What is our industry's greatest challenge?

- When consumers say flowers are too expensive and do not last long
- The industry's greatest cost is the share of population that does not buy flowers





Solution:

Generic promotion aimed at
shaping consumer perception and
creating new consumers

How do we get there?

Create an industry-wide Promotional Order administered by the USDA to fund generic advertising for cut flowers & greens

Existing USDA promotional order programs:

Christmas Tree Board	Haas Avocado Board	Blueberry Council	Honey Board
Pork Board	Watermelon Board	Cotton Board	Popcorn Board

.... To name a few

Haas Avocado Success Story

Q2 HOLIDAYS DRIVE \$200 MILLION IN RETAIL AVOCADO SALES



Easter
+\$63.1M (+16%)



Cinco de Mayo
+\$68.7M (+6%)



Memorial Day
+\$68.1M (+18%)

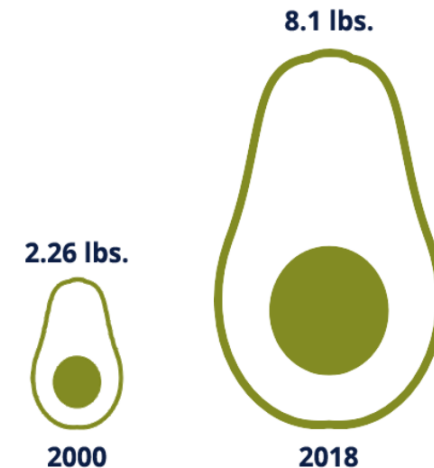
Q2 of 2020 kept the ball rolling by reaching a total of \$200M in holiday retail sales, an increase of **+\$23.3M (+13.2%)** from last year. With all eight regions seeing sales increases, avocados have been kicking it up a notch!

Discover Q2 holiday sales trends for each region at hassavocadoboard.com

Source: IRI/Freshlook - Easter: Week ending 4/12/2020
Cinco de Mayo: Week ending 5/3/2020 - Memorial Day: Week ending 5/24/2020

HAB'S JOB IS TO MAKE AVOCADOS AMERICA'S MOST POPULAR FRUIT – AND IT'S WORKING.

We've played an important catalyst role in making avocados the envy of the produce industry by **increasing consumption to 8.1 lbs. per capita** in 2018 in the U.S. up from an average of 2.26 lbs. per capita in 2000, **an increase of 258%**.



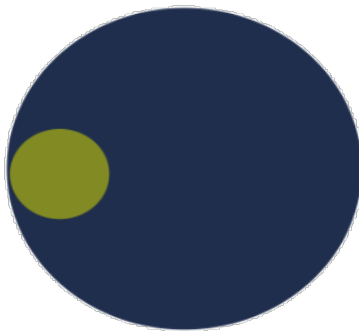
Haas Avocado Success Story

PROMOTION PROGRAMS PLAY A FUNDAMENTAL ROLE IN EXPANDING DEMAND.

Independent researchers at UC Davis recently completed a five-year evaluation (2013–2017) of the promotion programs conducted by HAB and its member associations and found they have played a fundamental role in expanding demand for Hass avocados in the United States.

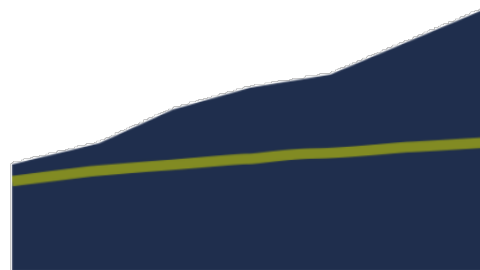
Benefit-to-Cost Ratio

 COST  BENEFIT



Rising Demand

 PRICE  DEMAND



Increased Profits



Hass Avocado Financial Success

- 1.6-3.6 benefit-to-cost ratio delivered to the California producers and importers of Hass Avocados
- Expansion of sales in U.S. market achieved primarily through rising demand not lowering prices.
- An expansion of the programs – even by a small amount – would further increase grower and importer profits

Flower Council of Holland

- Existing promotional order to fund generic marketing of flowers and plants
- Research & investigation conducted by *Motivaction Agency* to study results of advertising campaigns
 - Advertising campaign costs of 3.5 million Euros
- Conclusion of additional flowers sold due to advertising:
 - 8.5 million flowers
 - 6.6 million houseplants
 - 5.7 million garden plants



**300 million Euro in
additional retail sales**

How the process began

Drafting
Committee
Established

- Members selected from various domestic organizations as well as AFIF members
- AFIF, SAF, WFFSA, CalFlowers, ,Certified American Grown, & ASCFG were represented

Monthly
Meetings

- Starting in December 2020
- Guided by attorneys with industry promotional order experience
 - Watkinson Miller PLLC in Washington, D.C.

Draft Agreement
Reached on 6
Main Elements

- Summer 2021
- Industry presentations

Main Elements of Promotional Orders



Assessment Rate

Importers of Record: 1% of import border value
Domestic Producers: 0.50% of farm gate value



Board Composition*

12 Total Seats:
6 Importers
6 Domestic Growers



Constituency

Minimum revenue of \$100,000 to vote and participate in Promotional Order administration



Domestic Allocation

2% to 3% of annual funds will be allocated to domestic organization who apply for funding



Voting Procedure

Referendum administered by USDA
Simple majority of both domestic growers and importers must vote in favor



Length of Order

After 4 years, promotional order must be renewed by a referendum

**Proposal to modify board seats to allow for floral retailer participation*

Industry Presentations & Drafts

- Webinars, town halls, and individual advocacy has been in process
 - *And will continue*
- Original draft order has been modified due to feedback
 - Assessment rate of domestic producers lowered
 - Board composition
 - De Minimis level reduced from \$250,000 to \$100,000
- Draft being prepared for submittal to USDA

Projected Timeline

USDA Initial Review

- Estimated time frame: 9 months from submittal

Referendum Organized & Conducted

- Estimated time frame: 9 months

Implementation

- Board & committee formation (additional votes)
- Management Agreement
- Advertising Agency selected
- Estimated time frame: 18 months

Estimate of 1st dollar spent: 36 months after submission

Estimated Fund Size: \$15 Million

- If too small:
 - Not enough to benefit the entire industry
 - Not measurable
 - Does not make an impact on sales

- If too big:
 - Wasteful
 - Pricing Shock: Lowers Demand
 - Unsustainable
 - Low ROI
 - Harder to administer



Sweet Spot:

Enough to make a sustainable impact by utilizing innovative and low-cost digital & grassroots marketing campaigns



15 Million Dollar Question:

How will demand look in
36 months?

Goals of the Floral Board



Create new consumers



Campaigns to benefit all industry participants



Create sustainable consumption



Generic messaging for highest impact



Digital & guerrilla marketing techniques



Maintain industry informed on results

Who decides on expenditures?

- Once referendum passes, nominations will begin to be accepted for board representation
- Only after board is formed, can budgets and expenditures be planned & executed

Guiding Principles of Floral Board

Generic Messaging

- Joy & value of having flowers in our lives
- Authenticity – unbranded

Sustainable Consumption

- Promote regular flower consumption
- Without forgetting celebrating anniversaries and other special dates
- Avoid traditional Valentine's & Mother's Day

Digital Marketing

- Low-cost, targeted advertising
- Innovative and appealing
- Viral moments
- Extended reach – not limited by geographic buys

Maintain industry informed on campaign results
Continuous evaluation & reassessment of marketing decisions

Misconceptions of the Promotional Order

- ✗ Channel funds to only cover few geographies
 - ✗ Spend heavily on expensive urban TV & Radio markets, leaving no dollars for other geographies
- ✗ Spend in advertising during pre-existing floral holidays
 - ✗ i.e. Valentine's Day & Mother's Day
- ✗ Direct "call to action" to a specific distribution method.
 - ✗ i.e. "Visit your local florist", "Stop by a supermarket", "go online", etc...
- ✗ Promote one-time consumption behavior

What if the desired results are not achieved?



This is not a “forever” order



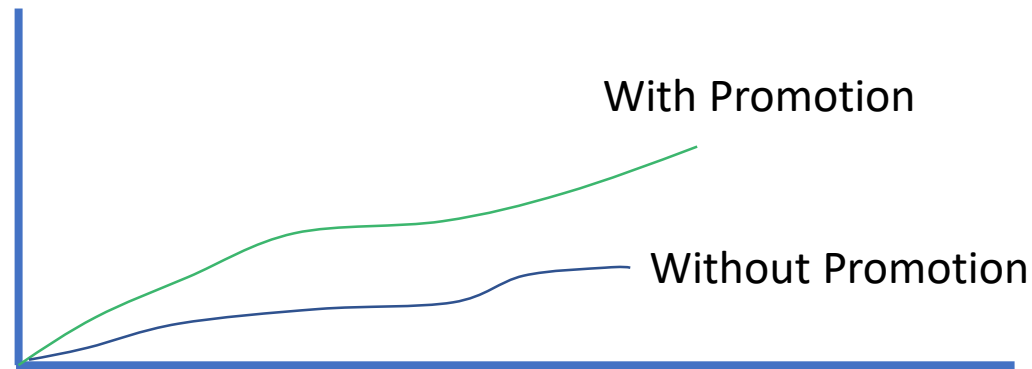
Referendum required after
4 years to continue

Importer ROI Base Case Scenario Assumptions

- Significant opportunity for a healthy cash-on-cash return when overall revenue increase a mix of units and slight price increase
- Returns are achieved with minimal P&L margin expansion of ~1%

Additional Considerations

- Compounded effects of revenue increases



- Promotional Order costs applied only to flowers, not value added costs such as boxes, buckets, labor, hard goods, nor freight.
- Additional freight capacity – moderation in logistics costs
- Lowering of costs with greater predictability and flexibility in demand requirements
- Reduction on dependence for two-holiday demand

Conclusion

- Leap of faith required
- A good promotional order can provide healthy returns & strengthen our industry
- All investment decisions contain risk
- Investment return outweighs the risks

Q&A



www.floralboard.org