

The Avocado Outlook

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Mr. President, Ladies and Gentlemen:

I have some charts which I would like to show you. I have been asked to get out the crystal ball and do a little outlooking for you, but I actually am going to show you some pictures of what has taken place and let you draw your own conclusions. I am going through several parts of the equation that have to do with the marketing of your fruit. First of all, the first chart shows production. As you know, in order to successfully market anything you have to have various phases of that equation—production, supply, consumption, demand, and prices; and finally dollars. I am going to start with a record of the production of avocados as we know it—in columns. These columns each represent a four-year average. Taking one year at a time, you have fluctuation. So taking four-year averages it reduces the fluctuation due to alternate bearing.

The first column represents a period from 1924 through 1927 inclusive. You will note that the little column isn't very big. Only about 31,000 flats average for those first four years. Today we are packing more than that in two days. In other words more than the four year average is now being packed in two days.

The second column represents a period from 1928 through 1931 and the average is about 112,000 flats per year for that four year period. We are packing that much in about one week. The next period of production is 400,000 flats . . . 1936 through 1939 shows an average of 800,000 flats per year. The present period, 1940 through 1943, there is a figure of 1,500,000 to 1,800,000 flats per year. The top part of this column you will note is shaded. The reason for that is that we are doing a little estimating here. The rest of the figures are actual. Of course, getting over into the future you are looking into the crystal ball. These figures are for the Calavo members alone. I am not attempting to give you figures for the total industry and to some extent that accounts for the rapid increase in the last four years, because membership in Calavo has been going up rapidly. But it is a pretty good indication of the trend for the industry as a whole.

This is the first part of the equation—production and supply. The next point is "what is going to happen to it?" Some years ago I was in New York and met a fellow interested in eggs. He turned to his broker and said, "I think you had better cut the price on these eggs—take any price." The broker smiled and said, "Let's go on uptown." He took us on the subway and on the street, where the people were milling around like flies, and pretty soon my friend said, "I guess I was mistaken about cutting the price on the eggs. There couldn't be enough eggs to feed all those people, if you could get the eggs to them." If

all those people wanted those eggs, and could get them, there probably wouldn't be enough eggs to go around. The situation isn't quite so simple in regard to avocados. This pyramid is marked off to represent the different phases of buying power within the United States. These lines are not put accurately to measure the exact percentage but just to indicate the difference in percentage of buying power. The top represents only about two percent of the population, but something over twelve percent of the buying power. The next group represents nine percent of the population and ten percent of the buying power. This is supposed to represent the situation as it exists more or less today. It is current. Not so very long ago this little group represented a very large part of the total buying power and this little group down here, or rather the large part of the population, represented a very insignificant part of the buying power. But recently things have changed. These folks with fixed incomes are getting less and those in the factories are getting a much larger percentage of the money.

When we started out with the production of avocados, and it was very small, this was the group that we were interested in. They were the folks who had the money and could afford to buy the fruit such as ours, at the prices we were getting for it at that time. So we adopted an advertising program that was intended to reach this particular group as quickly and efficiently as possible. At that time we advertised in such magazines as **Vogue** and the **New Yorker**. This is a copy of one of the ads. (Shows some of the ads). At that time that undoubtedly was the thing to do because these were the people who could try them. Prices were very high and the supply was short. Incidentally, the supply isn't so high today but, just as in the case of those eggs, it is a question of proper distribution. When you take the total supply of avocados from California and those outside of California producing avocados, and those from Cuba and add them all up and divide by the total population, you get about 1/3 pound per capita per year. That certainly isn't enough to saturate any market, if the people could get them, and could buy them, and wanted them.

In comparing Los Angeles and some of the other cities I find that Los Angeles people on the average consume about twenty times the quantity of avocados that are consumed in the country as a whole. Then, taking Calavo Growers figures alone, in comparing one city with another I find that in Los Angeles there is a consumption of about 3½ pounds of fruit produced by Calavo members as compared with about 1/8 pound in New York and about 1/15 pound in Philadelphia. In other words, the average person in Los Angeles consumes during the year about 28 or 29 times as much fruit produced by Calavo members as the average person in New York and about 50 times as much as the Philadelphian. Last year, if the New York folks had eaten your fruit in as great a quantity per capita as in Los Angeles, you could, just about have supplied the New York market alone—without having any fruit left for Los Angeles or anywhere else. That is simple, if you could get them to do it. But that is going to be quite a job.

As production increased, we found it necessary to get into the lower brackets. So we switched over into another type of advertising. In 1935 we got into newspapers with advertisements similar to this. (Shows newspaper ad.) That went along until today we find ourselves faced with this production in the future, where we have to get to the folks who are now working in the factories. So we are considering an experiment with another type of advertising. First of all, we have to teach the folks, not only in the past, but now

and for many years in the future, how to handle the fruit. So a great deal of your money is spent on educational material—how to soften the fruit, how to hold them, and how to tell when they are ready to eat. We thought recently that we would be able to discontinue that work to a large extent in some cities where we have been selling a lot of fruit for a long time, such as in Los Angeles. We thought that the clerks should now know all about the fruit. Today that problem is worse than it ever was. We find that, because of the war, and because of people leaving white collar jobs to go into factories, there is a public class being held in Los Angeles every night for the education of clerks handling produce in retail stores. Naturally, we will go into those classes to tell them about avocados. Instead of eliminating that work we will have to increase it.

Getting into the lower group of buying power—these folks who have this money, who in the past have never seen or wanted an avocado. In order to interest them, we feel that it is necessary now to get entirely away from the "luxury" proposition; down to where we can appeal to their pocketbooks. These people who have few dollars will spend it carefully. They won't keep much of it, but what they do have left they will try to spend as economically as they can, and as Miss Dawson told you, they are interested in nutrition. So we are getting into advertising that covers that sort of thing. (Shows samples of advertising that plays up nutrition.) We are getting a lot of that nutrition data ourselves and distributing it to people like Miss Dawson. We think that is the thing that has to be worked out for the next few years. There should be more and more emphasis on the fact that this is no longer a luxury item. It compares with the staples that you have been accustomed to buying, and it is far ahead of them from the standpoint of nutrition. So much for the second phase.

The third phase is what we call the demand curve. In the past, I have shown some of you curves that were made up for one particular year. This is the demand curve since 1924, rising on through to the present year. This column here represents the price, starting from nothing on up to five dollars a flat. This represents the annual volume, starting from nothing to two million flats. As you know, the general trend of prices is down as the total volume indicates. That is a well-known economic theory that carries through every time, other things being equal. The job of the marketing organization is to make other things unequal. Instead of making this curve come down, the thing to do is to try to keep it going up. Of course, for the five dollar price, you do not have any fruit to sell. When you get down to real volume— one million flats—you find that the curve has flattened. Here it is almost tilting up. You people who are doing your own forecasting, remember. How long this is going to go on, I don't know. That is what you folks will guess at, along with me. But certainly I can see no reason for being fearful of selling increasing quantities of fruit at somewhere near present price levels. This, incidentally, is the net returns to growers. Actually, the f.o.b. price curve may come down a little more but the cost of handling has shrunk a little, so the net returns to members has remained flat. That is another phase of the marketing equation—your supply, consumption, demand, and price.

Those are all interesting, but I know the thing you are interested in is not that so much as you are about the dollars that come back in your pocket —and this next chart portrays that. This shows from the beginning, each crop and what dollars it brought back, net, to members. You will note that there has been a very constant, steady

increase, with few fluctuations, generally speaking. There has been a very definite, consistent increase in the dollar returns from year to year. Again, you can use your own imagination as to how long this is going to keep up. Will it come down, or go up faster? To get it up faster is the thing that you are interested in and what we are trying to do. I am not going to do a lot of predicting for you. I have shown you the trend, the potential consumption with the pool of untouched consumers throughout the country that have never had a chance to try your fruit. The demand curve with the even price, in spite of the fact of the tremendous increase in production, and the increase in dollars with the increase in crops. Personally, I think that you have in this industry a greater opportunity than in other industries. But it is only an opportunity, something has to be done about it, and that must be done by you as a group of growers. You have to continue doing the things that count, such as standardizing the industry, developing those markets which have not yet been touched, educating the trade, by consumer advertising, by continuing and increasing your efforts toward the selection and the training of the personnel, special salesmen, and so forth. If you will do that, I personally think that you will have a very splendid industry.