

## AVOCADOS AND THE "FREEZE" - Marketing Problems and Effects

**J. S. SHEPHERD**

*Calavo Growers of California*

*February 19, 1949*

### THE SITUATION:

Damaging low temperatures occurred in the avocado belt of southern California late in December, on several dates in January, and in early February. New areas were affected on each occasion, and new damage occurred each time deep cold was recorded. The major damage to the industry resulted from the freeze the first week in January.

Very few areas now show total freedom from cold weather damage. In some districts, there has been only minor injury; in others, the effects of cold weather have been severe; in still others, only moderate damage has been observed.

About 10% of the originally estimated crop has been totally lost. This estimate includes both winter and summer varieties. That figure is now inching upward, as the Guatemalan varieties drop in excess of the drop that was forecast.

Another 10% of the crop, or a little more, was damaged in varying degree, but was legally salable.

In total, something over a fifth of the 1948-49 avocado crop has been damaged by the freeze.

It is impossible to pin the tree damage down to a percentage figure. There was considerable damage, however. Thousands of trees suffered light to moderate foliage injury. Those trees were in the majority. Other thousands of trees, but a much smaller percentage of the total, sustained injury to wood ranging from twigs to main limbs. Still other trees were frozen to the ground, or even killed. These were mostly the very young trees. Even there the percentage is not too large.

For the industry as a whole, the damage was much lighter than seemed possible—it was much lighter than in 1937. Some growers won't get much comfort from that, however, because there were some major losses for some individual growers.

The freeze situation itself was further complicated by snowfall—which helped some and hurt others, and particularly by strong winds that hit certain areas following the freeze. The load of distressed fruit was added to by windfalls.

Geographically, the worst freeze losses were in the northern half of the avocado belt, and in the extreme southern portion. La Habra Heights, and San Gabriel Valley, and parts of Ventura and Santa Barbara Counties, in the North; and the La Mesa-El Cajon

plantings in the south—those were the worst hurt. Escondido, Fallbrook, Vista, south Orange County, and the San Diego County coast—those were the least hurt. The losses along the coast, however, are becoming more evident as Guatemalan varieties lose their fruit. Vista is the least hurt group simply because many damaged groves were without a crop anyway, having been injured a year or two years ago.

So much for the general situation, which is not a new story, but may help in evaluating the over all picture. Now let's look at some of the problems and side effects.

## **MARKETING PROBLEMS AND EFFECTS**

### **I *The Grower—***

The immediate, most felt effect of the freeze is a loss of income to the grower. How much loss depends, of course, on the extent of damage to his crop and trees. For some growers, the loss is 100% for this season, and maybe the next. Fortunately, the number of such growers is fairly small. For a great many others, the loss will also be important. The extent of their loss is governed by how much of their fruit was unsalable and the degree of injury to their salable fruit.

Very slightly damaged avocados moved to market at near-normal prices. Considerable volumes of legally salable freeze-damaged fruit also moved to market, but at prices that were matched to fruit quality and the need of fast action. The growers of that fruit will have a reduced income.

Growers who produce summer fruit were unable to realize any salvage from their damaged and fallen fruit because oil content was below legal standards. There have been minor exceptions.

The necessity of picking distressed fruit caused another loss that we can charge against the freeze. That's the loss of fruit size. Avocados that normally would have been left until March or April had to be picked in January—an ounce or more short of their mature weight. That, in turn, caused a pricing problem which I will mention later. Both conditions, however, represent freeze effects.

There are other effects directly felt by growers. Some growers had trees either killed or so badly damaged, in young plantings especially, that future production will be non-existent or reduced for the next year or two or more.

The man with older trees has not suffered quite so badly, but there are a great many whose groves now have a much reduced bearing surface. Crops from those groves will be smaller for the next year, at least.

On the brighter side, there will be many growers—a very sizable proportion of them—who may suffer no loss of future crop at all (other conditions being satisfactory), even though their trees are unsightly at this time. Damaged foliage is found on many trees with undamaged wood and with bud tissue in good condition.

Still one other freeze effect on the grower is somewhat intangible, but real. In communities where there has been wide-spread injury, property values have

unquestionably declined, at least temporarily. Prospective buyers can hardly be blamed for a little sales resistance when they see brown groves in every direction. Even though that is probably not a permanent thing, it is an effect of the freeze to be added to the account.

## **II The Marketing Organizations—**

The things I have mentioned are all obvious effects directly felt by the grower. There are others which are indirect—which are felt both by growers and by non-growers, but mostly by growers. These are the effects of the freeze on the marketing organizations. In one way or another, to one degree or another, the marketing organizations have been injured by the freeze just as surely as the individual growers were injured.

There are some differences as between the types of organization. The commercial buyer, having no contractual or moral obligation to the grower, can either shut down temporarily during a period of stress, or he can be very choosy about what he buys. Both practices were followed this year. Perhaps these practices should not be criticized, because it is the buyer's own money that is being risked—the growers don't have a dime of capital invested in his business.

The cooperative, in contrast, has not only a legal obligation but a strong moral one to get the last possible cent out of its members' fruit regardless of how tough the sledding may be. The cooperative, in other words, doesn't have the right to close its doors. It is set up to serve in bad times as well as good.

There are some problems that are common to all marketing agencies.

One of the most troublesome is the problem of grading. It is difficult to determine just when an avocado has no more than the 10% waste permitted by law; it is especially difficult when the external appearance cannot be used as the sole evidence of condition. Much of the grading has to be done on the basis of cut samples. Some good fruit is undoubtedly rejected, and some bad fruit undoubtedly gets an O.K.—even though grading is done to the best of human ability. When bad fruit is moved into the market, either a customer gets a bad buy, or (if an inspector detects the condition) an entire box or lot may have to be re-graded or dumped. The law provides that not more than 5% of the fruit in any container or lot can be in excess of the tolerance. Two bad fruit in a box of thirty rules out the whole box, even if 28 fruit are perfect.

Not only are there these problems in grading damaged fruit, but there is also the problem of greater cost. Damaged fruit necessarily takes a lot more time to grade than good fruit, and time is money.

Another problem that ties in with the one just mentioned is the loss of consumer confidence in the product. This is partly psychological. Customers are afraid to buy fruit they *think* may be damaged—that they *think* may be harmful to eat. It is partly because customers have been "stung" with bad fruit, and they are unwilling to chance being "stung" again.

Responsible marketing organizations protect the consumer by sticking rigidly to the standards for regular grades. Damaged fruit or *suspicious* fruit is marketed under

special brands. Even so, when a customer makes a "bargain" purchase of distressed fruit, and the avocado turns out to be not perfect, a resistance is developed to *all* avocados.

That leads into another problem. The major marketing organization, at least—and perhaps others, confines its sales of damaged fruit to local markets. People in this area are more familiar with avocados. Their reaction to one disappointing fruit is less likely to cause them to turn away from avocados another time. Also, the freeze-injured fruit is watched constantly, and can more easily be reconditioned or repacked, if that becomes necessary.

The problem that arises is that the volume of top-grade fruit sold locally is cut down in any event, and is cut still more for the organization handling distressed avocados. In order to move the merchandise in distress, it is necessary to divert a large proportion of undamaged fruit to other markets.

A problem that ties in with those already mentioned is that fruit that *appears* to be sound at the time of grading will sometimes develop rots to an extent that it becomes unsalable. This is particularly true of drops and fruit which has hung for some time with weakened stems. This condition was a serious one toward the end of the period when damaged fruit was being handled.

Loss of fruit size was mentioned as a growers' problem. It also results in a sales problem. There is a normal market for small fruit, of which there is always a certain proportion in normal deliveries. The proportion of small fruit became extremely heavy following the freeze, because that fruit could not be left on the trees to size. The supply exceeded normal demand for small fruit, and prices had to be adjusted much below normal on these sizes to get them sold. The consumer may have benefited, but no one else did.

One effect that must not be overlooked in adding up the list is the loss of income to the marketing organizations. That is important to growers, no matter whether they market cooperatively or not.

With less fruit to sell, commercial buyers will show less profit for their efforts. To overcome that loss, they will have to find new sources of supply, which will be difficult; or they will have to increase their profit per pound of remaining fruit. If that practice is followed—and I don't know that it will be—the grower would receive a somewhat smaller share of the consumer's dollar.

For the cooperative there will be a similar reduction of income—not in the form of reduced profits, of course, because none is taken anyway, but in a smaller number of units over which to spread costs. A further reduction will occur by reason of lower average prices against which to apply sales commission rates. In other words, through no fault of any of the marketing organizations, the costs of doing business are increased *per unit*, as a result of the freeze.

The best answer to that problem is for all growers to so work together that not one cent of possible sales value of their fruit is lost through unnecessary competition among themselves.

The list of freeze effects and those affected is still not complete, and time does not

permit us to complete it. We should not overlook the distributors or the customers, even though they can be mentioned only briefly.

Wholesalers and retailers are both affected by the freeze, for the volume of their business is inevitably reduced to the extent that some fruit is lost entirely, and some must be marketed at prices that show a lower profit.

Customers, too, lose a certain amount of fruit they will never be able to buy; they will receive less than optimum satisfaction from some of the fruit they can buy; and—to the extent they will do so—they will have to pay a little more for the good fruit remaining as their share of repayment to the grower for his losses.

I don't want to leave the wrong impression with you on that last point. Every effort will be made to maintain sound prices for the remaining avocados. We cannot dictate that consumers will pay prices to off-set our losses, however. Any recovery we do obtain will come from the most skillful application of the principles of orderly marketing and the elimination of duplicated expenses within the industry. The first will result in the best possible levels of price for your fruit; the second will reduce the costs of distributing it.

There's the picture. It could be a lot worse, but it isn't as pretty as we would like to see it. The industry has been hurt, but not critically—not permanently. We will continue on our path of progress, just as soon as we get rid of the pebble in our shoe.