

ONE STRONG FROM MANY WEAK

Jack Shepherd

Director of Public Relations, Calavo Growers of California.

The history and the future of the California avocado industry and its principal cooperative marketing association are inseparably intertwined. The fate of each will be the fate of the other.

The record of nearly four decades gives incontestable proof that the avocado industry cannot progress disorganized.

The individual grower is the loneliest man in the market place. As an individual, he is utterly without power to influence the price he will receive for his product. He is a "97-pound weakling" among Samsons when he enters the marketing arena. He is alone in an uncaring commercial world. No one is on his side.

Theodore Roosevelt took note of the bargaining weakness of farmers 54 years ago, when he pointed out to Congress the necessity of "effective cooperation among farmers to put them on a level with organized interests with which they do business."

"This cooperative," said President Roosevelt, "is the best plan of organization wherever men have the right spirit to carry it out ... It develops individual responsibility and has a moral, as well as financial value, over any other plan."

Since "T. R." to the present, American Presidents (and congresses) have endorsed farmer cooperatives as essential to the prosperity and advancement of agriculture. The best plan of organization for farmers to deal with organized interests with which they do business continues to be, in 1962 as in 1908, the cooperative.

Farming, farmers, marketing methods, and cooperatives — all have changed in the past half century. The principle—and the necessity—have not changed.

The California avocado industry is unique, in that its significant commercial history was preceded by organization of a cooperative. Early-day avocado growers did not wait until prolonged adversity forced them to organize. Many were citrus growers who had "gone through the wringer" once before, and saw no point in repeating the experience.

Calavo Growers of California was organized late in 1923, and during its first year marketed 179,680 pounds of avocados—a tiny fraction of annual marketings now. Despite the small volume, and looking to the future, an advertising and publicity campaign was begun in June, 1924. A special avocado store (retail) was operated in downtown Los Angeles for some six months, thereafter being turned over to private individuals. A campaign was carried on to interest dealers throughout the United States and Canada in California avocados. Connections were made and were kept supplied with small amounts of fruit, to open up gradually a great number of outlets for increasing

crops. It was noted in the association's first annual report that "the task of distributing avocados over an ever broader area is tedious, painstaking, and oftentimes disappointing and costly."

The report said further: "It is difficult, furthermore, to find dealers who, after hearing the story of California's future great industry, catch the vision and are willing to sow now that they may reap a profit later; for there is little, or nothing, for the dealer to gain today from handling avocados, except in cities like Los Angeles, where a fair demand is already in existence. The supply is so small, the risks so great, and the effort required so much out of proportion to the possible profits, that dealers naturally prefer to handle such produce as oranges, potatoes, etc., which can be readily sold in carload lots. In fact, many of our most promising customers actually lose money on their first avocado shipments."

This historical background is important to the avocado grower of today, for basically there has been little change in the problems—or in the sound solutions of those problems. There are just more growers, more acreage, more pounds of avocados to be sold. There is still reluctance among dealers to handle a minor commodity, such as the avocado, when greater profits are more easily realized from oranges, potatoes, and other carload items. There is still the need—even a greater need than in the beginning years—for advertising and publicity, and for ever broadening distribution.

And there is the virtual certainty that no one is going to work on the problems and provide the solutions except the growers, themselves. There really isn't any reason why anyone else should bother.

Over a period of 38 years, a substantial share of California's avocado production has been marketed cooperatively, through Calavo. Consistently, until the mid-fifties, the industry enjoyed economic growth, measured in dollars returned to growers. Acreage increased steadily, and the industry had reason to look forward to continued improvement. The individual growers had bargaining power in the market place through control of 60% or more of the crop in the hands of their own marketing association.

In the mid-'fifties, the industry came "unglued." Members of the association, many of them relatively new to the industry, were concerned that returns from their organization were competitively behind other, independent outlets. Many withdrew from the association. The result was quickly evident. The industry's bargaining power deteriorated. The dollar value of succeeding crops declined so seriously that many growers became disillusioned with the industry that had (and has) such great promise.

Substantial changes were made in the structure and operations of Calavo, out of necessity and in keeping with the revolutionary changes in retail marketing. The downtrend in crop value was halted, and the industry has slowly begun the process of re-organization to achieve its potential.

There are great differences between the objectives and operations of an avocado-marketing cooperative and those of commercial buyers of avocados. Fundamentally, they are the differences of higher returns to growers on the one hand, and greater profit for the handler on the other.

The cooperative operates without profit to itself, being nothing more than the "marketing department" owned and operating exclusively for the benefit of its members. Its

objective is to raise to the optimum level the prices received by growers for their total crops, year after year. Inevitably, cooperative results must be acceptably competitive to retain membership, and marketing activities are geared accordingly.

The commercial buyer of avocados is in business to make a profit—represented by the difference between his costs and his selling price. It matters little what the level of price may be, so far as achievement of this objective is concerned. The commercial buyer may benefit, in fact, from a low level of price, since he can make the same profit per unit with a smaller investment, or can buy a greater number of units with the same investment.

Since the commercial buyer's objective is to profit himself, he has no special motivation to broaden his distribution, nor to invest in market development. Such handlers, consequently—and logically—market their avocados as near the production source as possible. In the case of the California avocado industry, this results in heavy "dumping" in the Los Angeles market, which sets the price for virtually all other markets. The price-depressing effects of this practice have been clearly evident in the recent years when Calavo's share of the crop has been too small to stabilize the market. Even if the cooperative were to remain out of the local market entirely, the volume of avocados placed there by other handlers would prevent a significant rise in the price level. This was well demonstrated in 1961, when Calavo shipped 80 per cent of its supply away from the local market, yet other handlers kept it over-loaded with more than half of their larger share of the crop.

The cooperative objective being a higher price level, Calavo consistently devotes its efforts to the development of a broad market and the spreading of the total supply over as many markets as will absorb the volume available at optimum prices.

Achievement of this objective requires carefully planned movement of the crop over a period of time, and skilled geographical distribution based on intimate knowledge of specific markets. This knowledge is gained from direct representation in the major terminal markets throughout the country. Calavo, alone in the avocado industry, has this direct representation. Other handlers must rely on commercial receivers to whom avocados are a minor commodity.

Achievement of the cooperative objective also requires devices of advertising and publicity, but additionally through stimulation of interest among retailers. This can only be accomplished by constant merchandising at the local level—by day-to-day, face-to-face contact, by assistance to retailers to increase their profits through effective point of sale promotion, by encouragement of retailer advertising of the product, by servicing the retailer's inventory of merchandise. The individual grower obviously cannot do these things for himself. The independent avocado handler does not do these things, and has no incentive to do them. The cooperative does all of these things, and more, to benefit its members.

Achievement of the cooperative objective further requires maintenance of a consistent supply of avocados of uniform quality in the quantities, grades, and sizes desired by the retail outlets. To accomplish this, there must be orderly movement of the fruit from groves to markets. There must be adequate total supplies at all times. There must be standards of quality and pack adhered to consistently. Here, again, both the individual

grower and the commercial handler with relatively limited volume and no integrated distribution are unable to meet the requirements in a way that will adequately serve the growers' ultimate interests. By pooling their production and their distributional effort through their own association, individual growers are collectively able to fill market needs with the desired kind of merchandise at the right time and place.

Cooperative marketing of avocados exclusively thus provides to the avocado grower (among other advantages) the means to influence price through distribution, promotion, and standardization of product.

The provision of these essentials to a healthy industry represents an expense with which the independent handler is not burdened. To some extent, the added cost is recovered from the higher prices obtained in the market by Calavo. Obviously, competitors of the cooperative cannot regularly exceed or equal Calavo's selling prices consistently, since their product is no better and their services to the retailer are significantly less. The premium obtained, however, is still not sufficient at all times to offset the cost of market development.

In order to reduce marketing costs, Calavo engages in the marketing of companion lines—a number of produce commodities compatible with avocado sales. Income derived from the sale of companion lines absorbs a considerable part of total sales costs, thereby benefiting the Calavo member. Expansion of companion lines business by Calavo is part of the cooperative's long-term program for further reduction of avocado sales cost. Companion lines also have the effect of increasing avocado sales by tying together a "package" of promotable merchandise commanding greater attention from the retailer than the products individually warrant.

Cooperative marketing is "total marketing," as contrasted with "peddling." It provides the only mechanism through which avocado' growers can retain their individual independence while having the advantages of organized, planned, integrated marketing operations. It provides the means for avocado growers to establish a price level that will return a profit, through their parity of bargaining power with organized buyers. It places full control of marketing operations in the growers' own hands, instead of turning that control over to commercial interests whose motivation, quite understandably, is to buy low for maximum personal profit. The cooperative is the only means available to growers to increase their net income from the sale of their product. How effectively growers realize their potential, however, is dependent on the strength of their association. A single stick is easily broken; a few together, only a little less easily. But a bundle of all the sticks cannot be broken by the strongest man.