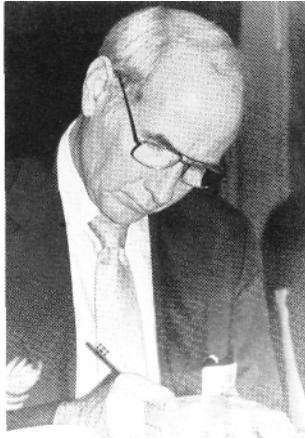


The End of the Tunnel

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Is there a light at the end of the tunnel? If so, who's going to turn it on?

For the past three months, it has been very difficult to see any end of this tunnel; and it reminded me of when I was growing up in Spokane, Washington. In those days, youth wasn't expected to grow up in 15 minutes. Marijuana was around in the Middle East, but we kids hadn't heard about it. I went to a high school of approximately 1,500 children and there were perhaps 350 in my graduating class. Maybe a total of 20 of the children in high school drank, and the only sensationalism that I can remember is that one girl in our graduating class was pregnant. At least we were aware that one was pregnant. Life was simple and we had good values. I remember one of the daring and fun things that we did was to go down to the long grade where the freight trains would climb their way into Spokane. The grade was so long and difficult that the train slowed down to perhaps 5 or 6 miles per hour. The kids would run along the side and jump onto the ladders up to the top of the cars and ride on the freight for a few blocks and drop off. One particular night, we caught the freight train and stayed on a little too long and it took us into a tunnel. At 5 miles an hour, even a short tunnel commands an interminable time before you come out at the other end. These trains were the "Choo Choo" type and poured black smoke out inside the tunnel. I remember that it seemed at least a year before we finally emerged at the other end. How many times have I thought this year that the smoke was so black and the way ahead so obscure, that I wondered if we would ever

find our way out...and I still do.

This has been a dismaying and disastrous year. I have often compared my job to a football coach's where there is no excuse for losing, and I feel that same way at this juncture.

Frankly, I hate losing. I hate losing as much as Bear Bryant or Billy Martin. And, like Billy Martin, I would like to kick dirt on someone if I could find the right culprit to kick it on. But I think all of us are to blame for the disastrous outturn of this season.

These are indeed trying times, but I think perhaps it's the trying times that temper men—not the successes. It is easy to look good when we're selling avocados for a dollar a pound. Nobody loves you when it's 14 cents. As a result, those of us at the commission are experiencing a great deal of vitriolic advice. We have a number of critics. But, as Theodore Roosevelt said: "It is not the critic who counts, not the one who points out how the strong man stumbled or how the doer of deeds might have done better.

"The credit belongs to the man who is actually in the arena, whose face is marred with sweat and dust and blood; who strives valiantly; who errs and comes short again and again; who knows the great enthusiasms, the great devotions, and spends himself in a worthy cause: who, if he wins, knows the triumph of high achievement; and who, if he fails, at least fails while daring greatly, so that his place shall never be with those cold and timid souls who know neither victory or defeat."

This is the challenge that we accept and the way we hope to find our way out of the tunnel.

Let us turn our thoughts to what went wrong this year. To begin with, we have developed a bad habit of underestimating crops. Part of this is deliberate on the part of those who dream that if we say we have less fruit that somehow the buyers will give us more money for it. The fatal error there is that if you tell the marketing end of your industry that you have 300 million pounds and you end up with 500 million pounds, the plan they made to sell 300 million quickly goes awry and you pay the penalty of low field prices in the end. Therefore, let's admit the size of the crop and give the marketing fraternity a chance to go to work selling it.

A year ago at this time, we received a crop estimate of approximately 386 million pounds. We didn't start admitting until some time after the first of the year that we probably had somewhere between 450 and 520 million pounds. Our crop estimator went to great pains to gather information from throughout the state and came up with a figure of 520 million pounds on the tree from which he expected we would market some 486 million pounds. However, we could not get that estimate accepted for a couple of months; and by that time, the light at the end of the tunnel had been turned off.

Secondly, we were indeed trying the impossible this year. We have a 328% increase in crop over what we had last season. And, it is nearly 200% larger than the last record-breaking crop of 1978-79. No one—and I mean *no one*—has ever done this. Valencia oranges came close one year with about a 250% increase in crop. So did Bartlett pears with about a 240% increase in crop. Let's remember both Valencia oranges and Bartlett pears can go either processed or fresh to some degree. Avocados must be sold at least

95% fresh at this time. We were looking upward at a 40,000 foot mountain that no one had climbed.

Now let's look at how we doubled our trouble. A year ago the price to growers averaged \$1.23 a pound. Can anyone even remember that long ago? This meant a retail price to customers of \$1.39 each and even at that the retail chain was not making their full markup. By August of 1980, only 10% of the U.S. public were buying avocados. 42% of U.S. households are users of avocados, but as you can see, only 25% of those numbers were buying avocados. The rest of our user group, 75% of them, reported that they had not bought an avocado in over 12 months. By September we had slipped to 9.6% of the U.S. public and were staring in the face of 328% crop increase. True, we had the largest advertising budget in history in excess of \$7 million dollars—and we were planning to spend an extra million dollars in the first month of the new season. If I had to do it again, I probably would recommend spending half of the total budget in the first two months of the season. Why? Because we were down to 25% of our users; and to win them back, I have found, has been a nearly impossible task. Here's how it went: in October, we had 13.7% of the U.S. public. November saw us rise to 18.5%. December, a further increase to 20.6%, with a drop off in January to 20.2%, and up again in February to 20.4%. Still, we have only 50% of our buyers in the market place. And, avocado prices are down to 4 and 5 for a dollar. By March, it had risen to 20.5% and hit its stride in April of 22.1%. That increase of 2% is indeed a great number of households when you apply it to 78.7 million homes in the country. An increase of 2% is P/2 million additional households, and they can consume a lot of avocados. May is always a change of life month for us, and we slipped to 18.8% of the U.S. households with the first blush of summer fruit. This happens every year and, as a matter of fact, the number of avocado users generally drifts downward in the summer until the Florida crop comes on the market. By June, we were back up to 21.4%, and that's all the figures I have available at this time. The point is: we are struggling to sell three times as much product with only half of the buyers in the market. What did we do wrong?

None of us realized how turned off a person can become on any product. It simply hurts too much to admit that you can't afford to buy something that you like. Therefore, you simply turn it off in your mind, and I daresay that we could have displays out there right now with signs on them with free avocados and a number of turned-off consumers would walk right past them.

Next: We encountered the world's oldest disease: panic and greed. The P & G complex—and I don't mean Proctor & Gamble — saw a revolution of growers who decided to sell immature fruit during October and November. We know from the one concluded court case that 650 tons of immature fruit were marketed during this critical period when we were trying to win buyers back. That's over a million pounds of fruit that would turn off any consumer. How many did we lose from that disaster? Who can tell, but it came at a time that was super critical in bringing consumers back into the market.

On June 20, 1980, Medfly was discovered in California, and the administration decided not to spray. By the following February, there was a tremendous amount of evidence that the state had failed in their sterile fruitfly drop and medfly was extant in at least three counties in northern California. The state of Texas decided to quarantine all California produce that were host to Medfly, including avocados. We immediately filed

suit on your behalf over the protests of Attorney General Deukmejian and Director of Agriculture Rominger and turned back the quarantine in Texas. That particular lawsuit cost us \$100,000 which our good friend Sunkist shared equally, along with partial participation by Western Growers and the Citrus Mutual. Still, it cost you growers \$48,000 for a one day suit; but we could not afford to let the quarantine stand in Texas. Still, we lost a week's time during the Texas suit which further dashed our hopes of making a good recovery in the spring.

Each season, in planning the advertising and promotion for your investment dollars, we make an estimate of how the crop is most likely to flow using historic background of similar years. We took the final estimate of 486 million pounds with a budgeted crop value of \$110 million and proceeded to develop our fruit flow and dollar plan. We predicted 27.4 million pounds should move in November at a price of 21.01 cents per pound. We actually moved 23.7 million pounds at a price of 22.61 cents and, while the price was higher than predicted, the volume was 4 million pounds short and our trouble had begun. However, the real crash did not occur until April, and certainly the medfly disaster contributed a great deal to this. During the month of April, fruit sold for 2 cents a pound less than it should, and the industry lost about a million dollars below last year for the same month. Then the market went down like throwing a bowling ball off the Empire State Building. During May, we sold for 14.2 cents a pound which was nearly 7% below predictions. We suffered a drop in value below last year of 4.4 million dollars. The bowling ball kept dropping, and we slipped to 13 cents. The tunnel grows longer. The loss in June was 5.9 million dollars and continued on to a loss in July of 5.3 million dollars. We were selling fruit for a million dollars a week less than we were last year. August will be no better, and here it is mid-September. We told the board of directors yesterday that they could expect a total deficit this season below last year of at least \$28 million dollars. It seems unbelievable that we could slip this far below last year even with all of the obstacles I have mentioned.

Still, we will sell between 450 and 500 million pounds of avocados this year and prove that it can be physically done. That means we had enough bins, enough trucks, enough cooler space and enough advertising — yes, I said enough advertising — to attract enough consumers to consume all of these avocados. We will market nearly one billion avocados this year. That's close to three avocados for every man, woman, and child in America.

Here is a vital and important factor to consider. The retail price of avocados was brought down to reality very quickly by our fall promotion. We were worried about \$1.39 avocados and knew we would have to conduct promotions which would persuade the retailer to put avocados on his special ad at prices reflecting a much larger crop. We were shooting for 3 for a dollar ads with a low of perhaps 29 cents each. That was accomplished by mid-November, and the average retail price for avocados across the nation at that time was 30 cents each. Here's what proceeded to happen. The retail price leveled out at that 30 cents area and continued flat across the next 5 to 6 months. Meanwhile, we took our wholesale prices lower and lower. That created absolutely no consumer demand because there was no change in the retail price to consumers. The loss this year has been the difference between what we sold our fruit for at wholesale and what it sold at retail. The advertising did create enough consumers to take the

weekly volume away at 30 cents each. Thirty cents each could have meant a wholesale level of \$7.50-\$8.00 a lug. Eight dollars a lug should bring back around 20 cents a pound to the grower. Yet, we have let it slip to as low as 13 cents average for the month of June. The 13 cents price saw no reflection at retail and only widened the gap between what the grower got and what the consumer paid.

We can well ask ourselves why this happened, and will it happen again? It will happen again if we don't make some drastic changes for the future. We have another large crop coming — just how large we don't know, but probably 60-70% of last year. This will mean the second largest crop in history, and due to the great drop in crop value this current year we simply will not have the dollars to invest in advertising promotion that we had last season. In fact, our budget will be about 50% of last year, maintaining the assessment at the same level. We need more money for next season, but it simply isn't there. And, we do not think it's right after this past year to raise the assessment. Therefore, we will make a maximum effort to be as creative as possible in trying to do as much with half of the money in order to assure growers a reasonable recovery in their dollars per bearing acre. Until this season, the avocado industry had achieved a record envied by all. We had outstripped inflation, we had outstripped the index for all commodity pricing. We had outstripped the index for all fresh fruits. In fact, the dollars per bearing acre index for 1979-80 were 310 compared to a consumer index of 247.6. That's an increase of 62 points over inflation. But that was yesterday, and the aroma of yesterday's gardenias no longer smells so sweet.

Yet, I think most of our problems are solvable; and solvable by ourselves.

We have gone through too many years where the demand for avocados far exceeded the supply and no one had to sell. Our success did not temper us in the right direction. We had seen an increase in the annual dollar value climbing from \$70 million for an entire season's crop to \$111 million last year. Each month, the value of the crop was greater than an entire year 20 years ago. We have been to the Super Bowl every season and won almost all of them. Now we turn in disbelief, looking at the score this season with huge numbers for the retailer and a goose egg for ourselves.

We have played the game of "I can sell anything cheaper than you."

That has to stop. We have seen the demise of our export cooperative — destroyed by its own partners through panic and greed. We had hoped that this would lead toward greater cooperation among handlers in order to protect the growers' price. However, it has gone in the other direction, and I believe we will all suffer as a result. There are far too many people quoting avocados on the telephone. While the number of retailers is shrinking every year through mergers, the number of avocado packing houses keeps on increasing, even though a few close their doors each season. There are now 70 avocado packers who pay assessments each year. True, perhaps only 20 to 25 of these are commercial packers, but a good percentage of the total try to steal business from each other at the expense of the grower. How can this be changed?

I am proposing that we write "The Avocado Fair Practices Marketing Act." Such an act would make it illegal for handlers or retailers to adjust the price downward on contracts once the sale had been made. I submit that confirmations should be written and mailed once the sale is consummated, with no provisions to change that price either upward or

downward without a Federal Inspection Certificate indicating a change or deterioration in quality. It would be illegal for either partner to make a change in the agreed-upon price. Too often today, a retailer tells an avocado shipper that he has had a lower quote from someone else. That could be true, but many times it is pure fiction written to lower the wholesale price. This can be stopped, and it can be stopped legally. I believe it would save growers literally millions of dollars per year. Many times this year the price has been lowered on fruit en route from the packing house to the store even before the truck got there.

We have investigated the possibility of our major packers stabilizing the price through a large cooperative of handlers themselves. This is done in the lettuce business rather successfully. Unfortunately, we have found out that it would be illegal to put together our avocado packers in a cooperative similar to the lettuce industry. But we must continue to generate, create, and build as much cooperation amongst packers as possible. It is *not* illegal to share price information after the fact. It is *not* illegal to share inventory information among the handlers. More information for all, we believe, will stabilize price. While we cannot fix price legally among growers, we can certainly suggest strongly that no one ever consider selling lower than 20 cents per pound. If all growers would do this, this would establish a base upon which we could build. It could become the rock upon which we build all of our marketing adventures.

I would like to see the industry establish a fair dollar value for the year. If we do not achieve that dollar value and there is no natural disaster that prevents it, I don't think that there should be any bonuses or salary increases to sales personnel or that the California Avocado Commission marketing executives should receive any bonuses or improvements in salary.

Let us now look ahead to next season. We plan to continue with the Angie Dickinson campaign that has been one of the most talked-about advertising programs in history. The Angie Dickinson ads have created the highest score for advertising ever measured for a less than full-page black and white ad by the famous Gallup and Robinson Poll. The color spread ad on Angie Dickinson achieved the highest score in last month's Readers Digest of all advertising in the magazine. A phenomenal 71% of the people remembered reading the black and white ad and knew the message said "17 calories per slice...would this body lie to you." Angie has been a tremendous salesperson for us, despite contrary opinion from some of our own growers. It makes one wonder why it is that a person wakes up on the morning after sleeping on an *advertised bed*, under an *advertised blanket*, in *advertised pajamas*. He will bathe in an *advertised tub*, wash with an *advertised soap*, shave with an *advertised razor*, using an *advertised shaving cream*. He will drink *advertised coffee* after he has his *advertised juice*. After he has his *advertised cereal*, he'll put on his *advertised clothes*. He will ride to work in an *advertised car* and sit at an *advertised desk* and use an *advertised pen*. Yet, this person hesitates to advertise, saying that advertising doesn't really pay. Finally, when his unadvertised business goes out of business, he will then advertise it for sale. Amen.

We will continue to run the beautiful, full-page color recipe ads with other advertising tie-in partners. Last year, these partners contributed over a million and a half dollars in their funds to help us advertise avocado recipes.

We ran 12 months of the year with those types of tie-in advertising programs. This year, I am sorry to say that we can't afford it. We will have to advertise only every other month, but expect to gain at least \$800,000 in tie-in advertising funds from our partners to put together with your investment.

We will have a strong promotion program with a budget of about \$1.6 million.

We have created a fine in-house public relations and food service program which will be far stronger and more creative than we've had in the past. We will do our best to demand and sit tight on a price-per-pound expectation of 40 cents. This can only be achieved if you growers refuse to sell for less than 20 cents a pound at any time of the year. The crop size seems to be somewhere between 275 million on the low side and 325 million pounds on the high side. Forty cents a pound on the low side will make our \$110 million budget which the commission adopted last year. On the high side, it would bring in a wheelbarrow of \$130 million. All I'm asking is that we go on the field thinking we can win. Let's not go out there saying that we're going to lose and let's just try and score enough so that we're not embarrassed. That's no way to sell.

I'm tired of life in the slow lane. I want us all to get back in the fast lane again, and it can be done.

Is there a light at the end of the tunnel? If there is, who is going to turn it on? You—you, my friend. *You* must turn it on. You must turn it on with the investment in your advertising program. You must turn it on by demanding a minimum of 20 cents per pound. You must turn it on by striving for a 40 cents per pound average. We will bring the lights to the end of the tunnel, but you must turn them on.

And finally, as we said earlier: "We should all want to know the triumph of high achievement; and who, if we fail, at least fail while daring greatly, so that our place shall never be with those cold and timid souls who know neither victory nor defeat."

Thank You.