

Growers/Packers/Retailers—Partners in Progress

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Good afternoon. It's not often a retailer has the opportunity to speak to 250 growers of avocados.

To some, it is thought that growers and retailers are on opposite sides. In fact, I was in the men's room and overheard two growers talking. One asked the other if he knew the difference between a rabbit and a retailer in the roadway when an avocado grower is driving on that road. He said, "There would be skid marks in front of the rabbit—not the retailer."

My topic this afternoon is "Growers/Packers/Retailers—Partners in Progress."

What does this really mean? To me, it means the grower, packer, and retailer work together to increase present and future consumption at a profit to everyone. *Sounds great, doesn't it?* You set a price of \$20 a lug, I buy them and resell them at a profit, and everyone wins. Right?

Wrong!

Why? First of all, it is a free supply-and-demand market place. You and I don't set the market price; the consumer does. A lot of avocado trees were planted in the '60s and '70s. These trees are now bearing fruit; and when you have a 450-500 million pound crop, a \$20 per lug price is not possible — *at this time*.

Your question is, how can you sell your avocados at \$20 per lug with a crop size of 450 to 600 million pounds? I hope I can share with you today what makes Vons' program successful, and your commission can use this information to build toward a \$20 price on

an 800 million pound crop.

First, let us examine the market place and what I see as threats to the California avocado growers.

Threat Number One: Pesticides and insecticides.

I don't know what you use on or around your trees and what you apply on to the fruit during packing. I would ask you to examine the whole subject of chemicals.

Today, to say it is USDA-approved is not enough.

I went through the watermelon recall of 1985; and it cost my company \$125,000, of which we have not received one cent.

The apple industry is going through the issue of alar and waxing. Do you use waxing agents? What kind? Be prepared to defend what you do, and if possible be offensive on the things you don't do. There is a free lance writer from Temecula that is pressing the waxing law of 1939.

Threat Number Two: Imports.

In 1985, Chile shipped 2½ million pounds of avocados into the United States. It is estimated this number will rise to 5 million pounds this year. Chile comes in only on a high price window created by under 400 million pound crops. On a normal crop year of over 400 million pounds, prices would be at a level that would make marketing in the U.S. by Chile not economical.

Right now, you are creating a window for Chile; and they have Fuertes on the west coast, already. Chilean Hass will arrive at the end of this month. You have been successful in keeping Israeli fruit under a tariff. I feel the import threat is not Chile or Israel, but Mexico.

Should Mexico be allowed into the United States, it would at least initially devastate your primary market: the southwest. Don't let anyone kid you about Mexico's substandard quality. At this time, it is substandard to California's high quality level; but how long do you think it would take to upgrade their horticultural practices? Due to their low labor cost, they now have better packing standards in vegetables than the U.S.; and they would quickly learn about avocado packing.

I was in Mexico City in March. Hass avocados were selling for 8 cents per pound, American, in the good supermarkets.

Friday, I received an inquiry about New Zealand avocados.

What can you do?

Continue to put pressure on both the state and the federal governments to keep this fruit out of the U.S. Make sure you properly fund and staff your political action arm. If fruit from Israel, Chile, or Mexico is allowed to be marketed in the United States, Vons would have to at least look at the fruit and evaluate its value.

I did use some Chilean-grown Hass avocados in November of 1985. I have to tell you, they weren't as good as your new crop Hass—they were better and cheaper.

Threat Number Three: Grades and standards.

It is very difficult for me to understand why an industry of your size does not have grades and standards. You might think you don't need them because every grower and packer will do a good job. I would invite you to walk the new Los Angeles wholesale market and then walk the side street markets that have sprung up in the last ten years. You will be shocked at the quality level of avocados that are packed under someone's label as a No. 1. This fruit does not command much of a price and Vons does not buy any, but it does pull down the market price of the good fruit.

By not having grades and standards, you make the job of the importers of Chilean or Israeli fruit that much easier. I encourage you to revisit the issue of grades and standards.

Threat Number Four: Fruit varieties.

The popular California avocado is the Hass variety. Anything you can do to increase the length of its season without sacrificing its eating quality, I encourage you to do so. I realize that to do this there would have to be some grafting over and pulling out of green-skin trees. The big loser is, and will be, the Fuerte variety. This variety, in my opinion, is the best eating avocado you grow. It is also a very difficult variety to market when you have so many other varieties of green-skin available.

In the months of October and November, the question of the quality of old crop Hass comes up. It is my experience that the old crop will sell and eat better than the sometime immature new crop Hass.

This is the point where the question of how do you maintain the price on avocados when the heavy volume green-skin fruit comes in.

I have only two answers: graft over or pull out the green-skin trees.

It is too much volume of a low flavor avocado for the market to absorb at any good price level.

Threat Number Five: Water supply.

Avocado trees require a lot of water to produce a quality crop with good sizes. The cost of water will continue to go up, especially in the San Diego County area. You need to work toward the developing of trees that require less water and more techniques of conserving water.

THAT'S THE BAD NEWS; NOW FOR THE GOOD NEWS.

I see your industry as one that has gone through many phases.

In the 'sixties, you were a small industry getting good returns.

In the 'seventies, you were an industry that every doctor, lawyer, and tax shelter seeker wanted to invest into. This spurred uncontrolled new plantings of trees that produced the quickest tax shelter, not the best varieties or the best farming acreage.

In the early 'eighties, the production from these plantings came into the market place. Your old Commission did a good job of increasing demand, but nothing could have

prepared the market place for this amount of fruit.

This situation of low prices created a cleansing of your industry. The people who were into avocados for short term gains got out, and the true avocado grower lost money...and built *character*.

It is now 1986, *you have great character*, you again control the acreage, you have a new Commission, and you are now positioned to grow and prosper.

Vons is a supporter of California avocados. Some of the reasons we like to merchandise and promote California avocados are:

1. I have a supervisor who runs our San Diego Distribution Center who is an avocado grower. He keeps me informed on grower returns.
2. Our customers know and like avocados, so we are meeting a consumer need.
3. When we sell one avocado, we generally sell complementary items... tomatoes... lettuce... mayonnaise... etc. Avocados are a main ingredient to a California salad.
4. Avocados are a fashionable food. They get a lot of good print in food magazines, like *Sunset*, and newspaper food sections.
5. With a good "ripe" program, we have the opportunity to sell the customer more than one avocado: one for tonight, and one for later.
6. Avocados account for 2% of our produce sales. In comparison, the number one item—bananas—amounts to 9% of our sales. Avocados account for 3% of our produce profit, where bananas account for 7% of our produce profit.

We recently did a consumer study of what year-round produce items are important to our customers. The rank went like this: ripe bananas... sweet oranges... good quality lettuce... tasty tomatoes... apples not bruised... and ripe avocados—sixth out of 200 items we carry in the produce department.

My year is a calendar year; yours is a crop year. In 1985, Vons sold one and one-half percent of your crop. Through August of this year, we are running at 95% of our 1985 total. This proves avocados can be sold successfully at 79 cents, 89 cents, and even 98 cents each.

At Vons, we pre-condition our avocados so we can offer our customers a choice of hard or ripe fruit. Like any program, it is not perfect. Not all of our stores order on both lines, not all of our stores have ripers on display at all times, not all of our stores use "ripe for tonight" labels on ripe fruit. But, like any program, it grows with time and effort.

Don't you give up on your "ripe for tonight" program. It is a winner! You convinced me!

In 1985, 32% of the Hass avocados Vons sold were pre-conditioned ripers. In 1986, we have improved this number to 41%. My personal goal for 1986 will be 60%. I feel the increased sales of *ripe* avocados has increased my total sales of avocados by 20%, even in light of a high retail cost over the 1985 season.

There are many more opportunities to sell more avocados:

1. Your Commission needs to continue its work in food service. Salad bars are found in many restaurants and supermarkets. You could probably market the hard-to-sell

60s and smaller sizes. Mexican restaurants are springing up all over the southwest and the rest of the country. They use a tremendous amount of avocados. Once again, you could market the smaller sizes to them. And in both cases, ripeness is in demand.

2. The Hispanic market needs to be developed. Your Commission needs to research this market so they can advise the retailer on the best way to sell to them. Hispanics represent 20% of the California population, but only 3% of the avocado consumption. Why? Avocados are a fruit very well known to the Hispanics.
3. Your Commission needs to develop the biggest of all markets: *the retailer of the southwest*. I believe these retailers have the ability to increase their avocado sales by 30% even at the present high retail prices. How do you go about this?
 - A. Encourage ads. Customize promotions to meet the individual retailer's need.
 - B. Run your own ads. Be realistic in your offer, and be immediate. A customer will take advantage of a coupon with immediate redemption—not a "mail in." A "Buy Three, Get One Free" should be immediate.
 - C. Encourage chains to have two displays: *green* and *ripe for tonight*.
 - D. Encourage more than one size.
 - E. Create a fund for sampling. This creates new users, but it is very expensive.
 - F. Work with retailers to develop usable point of purchase material.
 - G. Continue to develop and print your image ads. *They are great!*

You have heard me talk about threats and opportunities today. Let me take a few minutes to show you what Vons is doing to sell more groceries and avocados.

[At this point, Mr. Spezzano continued his presentation with a striking slide show of market commodity organization, mass displays of produce and flowers, and innovative marketing techniques; and concluded with an expression of thanks for the opportunity to share his thoughts with the grower audience. The audience responded with a warmth that indicated the speaker had planted well his seed of "grower/packer/retailer partnership." -Ed.]