

Building the Market

Edwin Hummason

Address delivered at Vista, March 11, 1933.

My friends, things are changing rapidly in this old world of ours in practically all things, and in our particular industry we are certainly not behind the average in numbers of changes.

It was just a few short years ago that the primary interest of our membership was in culture, in varieties, and in production. Today, however, a good deal of that has been overshadowed by the **most important factor** of the industry, that of merchandizing the fruit that is produced. The problem of culture, varieties and production lend themselves admirably to cooperation. On the other hand, the problems of merchandizing and the costs incidental thereto, are highly controversial in character, and during the first or the second year of new production in any newly producing district, all cooperatives invariably find the most of the controversial points must necessarily be explained in detail time and time again in order that there be no misunderstanding and in order that the cooperation that has prevailed through the stages of variety selection, culture, and finally production, is maintained in marketing.

We are here tonight with tables and charts prepared, which point out much more vividly than I possibly could by word of mouth, many of the economic wastes that are eating at your bankroll. Then, too, we are here to answer criticisms and complaints that have come to us recently, and to explain them to the satisfaction of all concerned, if possible. In addition to that, we are here to point out, what, in our judgment, is the best course to pursue, in bettering the financial conditions of the grower-members of this organization, through lowered operating costs. I **cannot** add to that that we are here to point out the way to better financial conditions for members through higher **sales prices**, as I **assure you**, that to the best of the ability of your organization, the sales prices that have been gotten have **always** been the best that your organization was able to obtain!

Suppose for a moment we look at this table (Prices), which gives you a clear picture of the prices that have been obtained by our five District Offices, and by them, returned to the pool with all transportation charges deducted.

Now, on this particular chart, we show the prices for the Calavo Fuerte group, that each of our District Offices returned to the pool at the General Office, by each and every individual week of the present season.

Most of you are familiar with the fact that it has always been the policy of the Company, to attempt to get more money in those locations where competition is lighter.

At this point, I want to point out to you that the figures are reflected on this table are not proper merchandizing policy, IF WE HAD ABSOLUTELY NO NON-COOPERATIVE COMPETITION. If we had 100% control of the crop, proper distribution and proper pricing would give us the same prices, in the same week, from each one of these District Offices. By doing that we would sell the greatest number of boxes at the greatest average price per box.

However, with only 70% control of the crop the methods that we are using and the price policies that we are applying are forced upon us by this 30% competition, thereby creating a tremendous economic loss to the industry; consequently, our present policies are the only correct ones that can possibly be applied, if we are to give our grower-members a price comparable with the prices obtained by the non-cooperative growers, and still stand 100% of the cost of advertising, sales promotion, demand-building, etc.

SEASON OF 1932-33

Prices on Calavo Fuertes Net to Pools by District Offices (In Dollars per Flat)

Week Ending	10/28/32	11/4	11/11	11/18	11/25	12/2	12/9	12/16	12/23	12/30	1/6	1/13	1/20	1/27	2/3	2/10	2/17	2/24	3/3/33
Los Angeles	2.62	2.79	3.96	3.53	3.58	2.98	2.76	2.81	2.76	2.82	2.85	2.84	2.67	2.82	2.66	2.64	2.64	2.62	2.50
San Francisco	2.31	2.23	4.13	3.67	3.41	3.32	3.34	3.15	3.04	3.05	3.00	3.08	2.99	3.05	3.09	2.96	2.89	2.89	2.80
Chicago		5.41	4.41	4.65	4.37	3.73	3.91	3.63	3.80	3.67	3.40	3.20	3.39	3.31	3.07	3.40	3.29	3.21	3.28
New York		0.95		1.92		2.67	3.35	3.72	3.96	3.70	3.30	3.31	3.33	3.43	2.55	3.19	3.23	3.11	3.29
Dallas		2.26		5.02	4.21	4.83	3.91	3.80	3.76	3.86	3.63	3.56	3.59	2.88	3.02	3.38	3.23	3.89	3.62

These higher Eastern prices is the reason we ship into the Eastern markets! Because we can "control" what we build in the East is the reason we get these prices. The reason we can "control what we build" in the East is because we ship in car lots.

Most certainly it should not be necessary at this point to again dwell on the fact that if this organization had 100% control, the average prices net to the pool from all the District Offices would not only be comparable one with another, but would also average considerably higher than they average under the present conditions and circumstances.

Now, one of the tests of efficiency of any organization is in their ability to create and maintain uniform prices, week after week, and uniform **not only** on prices week after week, but uniform in and dovetailing **with**, the price policies of the entire organization. This table clearly demonstrates the efficiency of your sales organization, each Branch week by week, taking into consideration the Company operating policy on prices, and in addition to that, clearly demonstrates the discipline in the District Offices and their confidence in the prices as set by the General Office. Without discipline in the Branch Office organization and without confidence by the Branch Office organization in General Office policies and prices, **no company has ever succeeded!** I call your **specific attention** to the price regularity of each individual District Office and the consistency with which San Francisco gives us a larger price than Los Angeles, and that in turn by the clock-like regularity with which the three Eastern District Offices return even higher than San Francisco. Remember, at all times when looking at this table that **all** transportation charges have been deducted and these prices are the prices that the

District Offices have returned f. o. b. Los Angeles.

Now, these prices and the consistency of prices week after week and season after season, despite the fact that these figures are for moving an entire crop and **not** for merely selling a hatfull of fruit through a commission merchant on a given day, is the direct result of just two factors. The first and the most important of these two factors is "organization." The second factor is that of "increasing demand." "Increased demand" in itself, is directly traceable to two sources—the first source being that of the grower-members desiring to spend sufficient sums in advertising and sales promotion to create a market for their fruit, and the other source of "increased demand" comes from the ability of the organization to grasp the problems and carry them to a successful conclusion. It is the old, old story of "men and money."

In looking at this table, the average person's first thought would be that of prices. However, the important lesson from this particular table is that 70% of the production has been standing 100% of the total cost of doing the sales promotion work for the entire industry and this chart shows by its prices away from Los Angeles District Office that this sales promotion work **has been** successful and can be accomplished!) The producers of 30% of the tonnage do not pay their way, and through their shortsightedness, actually take cash money from the pocket of the producers of the 70% of the tonnage that are members of this organization. The time has come in this industry to call "a spade a spade," but I am at a loss to know what to call a man who, through short-sightedness, not only robs his own bankroll but in addition the bankrolls of seven of his ten neighbors.

With that thought in mind, I might say that today in our California Legislature, there is considerable action on a bill that will force **all** producers of soil products into mutual marketing plans at any time two-thirds of the producers desire it. Here in the California avocado industry where things are so easy to control, we still find that three pounds of avocados out of every ten pounds raised are sold on such short-sighted policies that it directly affects the earnings of the entire ten pounds. Now let's see just what these short-sighted non-coop neighbors cost you. (See chart.) How much longer are you producers of this seven pounds going to allow three pounds of production to dictate what you shall get for your seven pounds? That is the problem of the growers themselves. In many sections of the country, the producers of the seven pounds have answered the producers of the three pounds in many, many ways, and some of which were **very forceful indeed**. I personally have no answer to the question, and again I wish to repeat that the answer is one of the problems of the producing members of the seven-pound majority who daily are being robbed through the short-sightedness of the three-pound minority. Do as you will with the question, but the issue must be met and an answer must be given.

The California" Fruit Growers Exchange and the California Walnut Growers Association have many times plainly stated that their industries could not progress unless their percentage of control equalled 95%. With that thought in mind, I am going to read you a couple of paragraphs of a letter recently written by the General Manager of the Walnut Growers Association to a California banker, which very excellently covers this point, as well as clearly gives the financial future of producers of walnuts, and gives a very broad picture of what the producers in that particular industry can expect if this 95% crop

control is not gained by the Association. I quote from the letter:

"This Association simply cannot maintain satisfactory prices another year with less than a 95% crop control, and in my opinion it will not make any attempt whatever to do so.

"In other words, unless a 95% or better crop control is obtained this season, the policy of this Association will doubtless be to abandon all advertising efforts and expense, and not even to name an opening price, nor to guarantee any of its quotations against decline, but simply to go out and merchandize its holdings at the best prices the market will pay from day to day, with the idea of selling out completely by Spring, even though it may be necessary to quote at previously unheard of or unbelievable prices.

"Under these conditions we may have to compete with peanuts and pecans. But one thing is certain, and that is that it is no longer economically possible in periods of depression such as this for Association growers to hold the umbrella while the independents sell out on a basis of prices established and maintained by the association, with the independents taking no share of the responsibility of orderly marketing, cushioning the surplus, advertising or sales promotion work, or sharing in the expense of these activities. I think you will agree with us that you would receive more cash on your crop by the first of January in the association with a 95% control, (and still have substantial additional deferred payments coming) than it would be possible for you to obtain for your entire crop sold independently should the association be forced to adopt the policy of no advertising, no cushioning of the surplus, but strictly competitive selling and the meeting of independent quotations immediately wherever they are made.

"The responsibility for maintaining a stable market in the future rests with the 13% of the growers who have been enjoying the association benefits, but have not been contributing anything toward them. Under existing economic conditions, the association cannot continue to satisfactorily function with anywhere near the 13% remaining outside, and unless you,, with the preponderant majority of the other independent growers, join us now, the industry must of necessity experience the great disadvantage of uncontrolled marketing."

There, my friends, is a complete picture, and if that picture is true in the Walnut Association that already enjoys an 87% crop control and is only carrying the umbrella over 13% of the non-cooperators, just how much more difficult do you calculate it is for Calavo Growers to continue with only approximately 70% of the total, with 30% of the production enjoying the benefits of the Calavo organization, while contributing nothing but criticism. Remember,, too, that it is much more difficult in our Exchange than it is in the Walnut Association for the simple reason that ours is a highly perishable fruit, whereas the walnut is not particularly perishable.

Now, then, let's next study how we stand financially, with last season, and we will make these comparisons pool by pool this year against last year. (See chart).

RECORDS TAKEN FROM CALAVO BOOKS

Season	Production	Sales Price Net to Pools	Net Cost of Doing Business	Net to Grower	Grower's Percentage	If Organization had 100% Control (based on 70% Estimated control and retain less packing costs) Net to Grower's Percentage	Your Non-Coop Neighbor Cost in Percentage
9 mos. 1924	147,915	\$0.307	\$0.042	\$0.265	86.3%	DETAIL NOT AVAILABLE	
1924-25	193,800	.435	.075	.36	83.0%	DETAIL NOT AVAILABLE	
1925-26	351,630	.403	.103	.30	74.4%	.342 84.9%	.042 13.9%
1926-27	955,575	.297	.107	.19	64.0%	.210 70.7%	.020 10.5%
1927-28	478,620	.473	.119	.354	74.8%	.375 79.2%	.021 5.9%
1928-29	1,683,404	.254	.089	.165	65.0%	.1823 71.8%	.0173 10.5%
1929-30	589,045	.463	.111	.352	76.0%	.3745 80.9%	.0225 6.4%
1930-31	3,097,332	.194	.064	.13	67.0%	.142 73.2%	.012 9.2%
1931-32	3,543,358	.158	.075	.083	52.5%	.100 63.3%	.017 20.5%
Average		.239	.081	.158	66.1%	.175 73.2%	.017 10.8%

Who is there that will not agree that this record is surely a different picture than that of any other product of the soil? Who is there that will not readily agree that this surely is distinct progress despite the fact that **everything else** is going in the opposite direction during this depression? I challenge anyone to make any comparison they choose with any industry—product of the soil or otherwise!

Among men who are considered experts in merchandising, the record of your organization is considered **astounding!**

Suppose for a moment we look for the future picture of our particular industry. We all know that when the present planted acreage comes into what can be termed reasonably full bearing, that crops of from 30 to 35 million pounds might be expected. Now remember that there is absolutely no shortage of food products raised in the world, and particularly in this country,, and when the California avocado crop reaches 30 to 35 million pounds production it must necessarily displace that same poundage of some other product of the soil, in the stomachs of the people of this country. Therefore, that clearly indicates that advertising will be a vitally necessary expenditure year after year, to gain an outlet in the diets of the 125 million people in this country, and in addition to that we must necessarily continue to advertise, in order to retain our outlet. Remember also that to do a proper job of advertising, this is going to take a considerable sum of money year after year. Remember, too, that advertising is one of the most expensive items in your cost of doing business.

However, the cost of your advertising and the total cost of your doing business is NOT the important point! The real important point is how much can Mrs. Housewife afford to pay for your fruit. In order to answer that for yourselves, you must necessarily search the articles of diet for something comparable. It strikes me that the closest would be butter, but even butter, for comparative purposes, is not fair because it has many uses such as cooking and shortening that as yet have not been found in our particular fruit. We can, therefore, be reasonably certain, that the public cannot afford to pay as much for Calavos on a per pound basis as they have been paying for butter. However, we are going to **make** a comparison with butter and we must remember that 100% of a pound of butter is edible, whereas of a pound of Calavo, we have only perhaps, 60 to 65% of edible portion. Therefore, if butter would sell for an average price in a given year of 30c per pound on strictly a weighted average, if Calavos are comparable we could only

expect to get 20c per pound and then when we discount that 20c because it is lacking in cooking and shortening features, we would possibly arrive at a figure that the public can be expected to pay for our fruit of approximately 16c per pound. Now with Calavos at 16c per pound retail, we find that the retailer is entitled to at least 25% of his sales price which would mean that he would pay an average of 12c to the wholesaler. The wholesaler is entitled to at least 10% margin of profit on the 12c sale which would leave 10-8/10c as the gross sales price to your organization. At the present time the average cost for transportation charges for all the fruit that we handle, is roughly in the neighborhood of 1-8/10c, which would leave 9c as the figure net to the pools. Assuming that your organization could operate on 3c per pound and still do the necessary advertising job, we would find the price net to the growers of approximately 6c per pound. Now, I do not claim to know whether 6c per pound would show a profit to the producer when his trees are considered full grown, but I do estimate that if this industry reaches a production of 35 to 35 million pounds of fruit, that these figures will come very close to the actual figures for the particular season that gives us such a production. I do not choose to be misunderstood on this particular point and, therefore, it seems advisable to call your attention to the fact that these estimates that I have just given you, are **not** what I would personally like to see or what your organization will attempt to do, but they are merely the **best estimates** that we are able to make at this time. Now you might say, "Yes, that's fine, but you are only figuring an overhead averaging 3c per pound in those calculations and the past records of our company give no indication that we can do business on 3c per pound." That is very true and the past records of our company also indicate that the greatest production we have ever had was last season with 3,540,000 pounds and I am basing my calculation on nine to ten times that much tonnage. Our total cost of doing business last season was exactly 7 1/2c per pound, and if we have ten times the production, I most assuredly estimate that it can successfully be moved at an average cost of not to exceed 3c. As a matter of fact, your organization prepared for the current year, a budget of approximately 80c per flat, which is only slightly in excess of 6c per pound, on the basis of an expected 7,000,000 pound crop. Since that budget and as Mr. Hodgkin has just informed you, he has trimmed that 6c even more and now it remains at 5 1/2c. Incidentally, we **still have that budget prepared** and if the tonnage next season will equal 7,000,000 pounds, I believe you will be reasonably safe in figuring that the cost of doing business will not exceed 6c per pound. This bugaboo of the cost of doing business is always in direct proportion with the production total, and just as soon as you growers produce more fruit you will find the costs decreasing at least in proportion, and this is borne out by the chart on page 32 of the Ninth Annual Report. Incidentally, on that same chart, if you will compare the light crop seasons with each other, insofar as the cost of doing business is concerned, and if you will make the same comparisons with the heavy crop seasons, each with its predecessor, you will find that the cost of doing business at Calavo Growers has **invariably** been reduced.

Now, at the meeting down here approximately 30 days ago, which was a meeting to discuss picking control, the Calavo employees in charge were given typewritten lists of sales made by non-cooperative growers either to retailers direct or to commission men or to commercial packers, and it was requested that the Calavo Growers make comparisons with their prices on lot for lot, on the same dates with these sales. In the

first place, before any comparisons can be made between anything, first find out whether the articles that are to be compared are really comparable. We cannot compare the hauling capacity of a go-cart with the lifting capacity of an electric crane. Any time that your organization is asked to compare their monthly pool returns with any given sale by a non-cooperative grower in any particular date, we must realize that no comparison can properly be made. Your organization must necessarily move the total crop for that given month, and in order to move it at the best prices, they must move it in a national way through the proper channels of trade. We must sell on a monthly pool basis whereas these other sales are sold on a lot basis. Our payments are the averages of sales nationally made for 30 days of selling. Therefore, there can't possibly be a comparison made between these sales made to a local commercial packer on October 25th at 30c per pound, and the October pool pay-out returns of your organization. In view of the fact that there is merely a hatful of fruit in the total of all of these requests for comparison, and by a hatful I mean exactly 1,717% pounds reported and all of which were sold under the lot number basis, with all sales made during September, October, November, December and January, I desire to specifically call to your attention the perfectly obvious unfairness of any non-member even making such a request for comparison. This man I understand is purchasing for a local commercial packer and it can perhaps be presumed that he only showed his highest returns. This 1,717% pounds is the equivalent of 130 Calavo flats, and this **great** total of 130 flats was reported in sales over a period of approximately five month's time. Now during that same five month's time your organization sold 45,713 flats of your fruit, and all of this fruit was sold on a monthly pool basis, and it was sold nationally in scope. During those same months your organization is moving the entire crop sold exactly **352 times** the quantity of fruit that was sold on an entirely different basis, but still we are requested to make a comparison that even to a schoolboy, obviously cannot be made! The answering of such complaints adds to the overhead of your organization.

Now your organization is rather proud of this year's prices when we compare the prices that our growers are receiving in cash in comparison with the returns that growers of other farm products are receiving for their merchandise. That, in the final analysis and after taking production costs per pound into consideration, is the only intelligent comparison that a grower can possibly make. If you would consider the prices you are receiving for your products of the soil as being entirely too low by comparison, you must first ask yourself the question, "What am I going to compare with?" Is there any reason in making such a comparison to entirely disregard comparisons with the wheat grower, the corn grower, the apple grower, the grape grower, the date grower, the walnut grower, or the citrus grower? Remember, too, in making your comparison that you must compare your investment, your costs, and in addition to that, you must compare your daily hours of labor. After you have done that you will find that you have absolutely no reason to regret the fact that you are a producer of avocados rather than a producer of any of the other products of the soil that were mentioned.

Mr. Hodgkin has passed to me for answering at this time,, some of the questions that were raised at the meeting held here in Vista on Saturday evening, March 4th.

The first question is by Mr. C. H. Hicks, a member who wants to know "Why hold back Exchange fruit, while the independents are getting the benefit of the market and

returning a larger amount per pound to non-member-growers than the Exchange is doing." The answer to that, is that the Exchange is **not** now holding fruit back, as we must necessarily market the entire crop, and in order to get the **most money out of it**, we **must market** it in an orderly manner and pre-schedule the picking each individual month. There are months in the year when the Exchange does actually hold back on fruit, and those are generally July, August and September, and the only reason that fruit has ever been held back is to gain more money for the grower-member.

The next point brought up by the Committee was "D. E. Leonard, member, stated he understood that independents were receiving up to \$3.50 per flat in the Cleveland market, less commission, until about two weeks ago when the Calavo Growers entered the market with their fruit going through the chain store outlets, retailing at around 19c a pound. He feels much of our trouble is in the selling end and that we are not getting the best possible prices!" Now the answer to this, is that the Calavo Growers did not enter the Cleveland market February 25, but made their first shipment from the Chicago District Office to Cleveland on November 15th last., and they made 15 consecutive shipments of Calavo and two shipments of Buenos for a total of 17 shipments regularly and consistently between November 15th and January 30th, both dates inclusive. There are approximately nine weeks between November 15th and January 30th, and during that time our District Office in Chicago made exactly 17 shipments to the Cleveland market, which indicates that they are shipping fresh fruit to the Cleveland distributor twice each week. Therefore, whoever gave our member, D. E. Leonard, to understand that Calavo Growers entered the market only two weeks ago was passing misinformation. I have no means of telling whether or not retailers were selling Calavos or Buenos either at 19c a pound retail in Cleveland, but the actual prices **received at Calavo Chicago District Office**, for the fifteen shipments of Calavos and the two shipments of Buenos was \$3.91 per box on the Calavos and \$3.27 per box on the Buenos.

Now,, to find out what retailers would pay in Cleveland, we must necessarily add to that, 15c cartage and then allow an average of 45c per box for calavos, as the wholesalers margin of profit, which means that the wholesale price for an average so far in the season in the city of Cleveland, which takes in, remember, from November 15th to January 30th, inclusive, was exactly \$4.51 selling price to the retailers. On the Buenos with that same calculation we find that the wholesalers average price for this same period was \$3.80 per box. There is an average of 13 lbs. of fruit in these boxes, and at the Calavo average selling price of \$4.51, this figures, that the average cost to the retailers in the city of Cleveland so far this year, has been **35c per pound**, and remember that has been **his cost price**. The Buenos in comparison have cost the retailer in Cleveland **almost 30c per pound**, so it is not reasonable to believe that Calavos **retailed** in the city of Cleveland this year at 19c per pound.

The next point that this committee desired an answer on was that "E. C. Sharp, a member, called attention to the advertisement in Thursday's March 2nd Examiner quoting Calavos at 2 pounds for 35c." In the city of Los Angeles on March 2nd the retailers paid \$3.25 per box for Calavos Fuertes, sizes 24s and smaller, they paid \$3.00 per box for sizes 20s and 16s, and they paid \$2.90 per box for 14 size. This means that retailers actually paid 25c per pound for Calavo Fuerte 25s and smaller, and for 20s and

16s they paid 23c per pound, and for 14s they paid approximately 20c per pound. Therefore the cheapest size of Calavos that day cost the retailer 20c per pound. Therefore, if any retailer advertised Calavos on that particular date at 2 pounds for 35c he was either losing considerable money, which I doubt, or he was trading the Calavo name sales value and selling your non-cooperative neighbors' fruit on your advertising name built up at your expense.

Recently we have had another very sad case in this industry, and rather close to your home here. All of you folks present have invested your money in land to grow avocados and you now know something about what you can expect each acre of avocados to produce, in gross money. Within the past couple of weeks, a certain real estate company subdividing avocado land has broadcasted over a Los Angeles broadcasting station,, a long program designed to help them sell their land and in the program was this statement: "I just happened to think about that letter from Guy Osmondson. He certainly is well pleased. When a man writes a letter and signs it himself and you go into his. grove and actually see it, as these folks will be able to do, where he took \$2,250 worth of fruit from one-half acre of ground at four years of age, that really is a recommendation. This can be duplicated on an equal amount of property at Encinitas. Land here, which is just as good or maybe better, than Osmondson's property."

This too is a very, very serious thing for this industry, and by serious I mean not only serious in the future to the organization's ability to maintain crop control,, but it is of even more importance to you grower-members financially. Just suppose for a moment that a man would buy five acres of this land, on the theory that he would get \$2,250 worth of fruit from each, half-acre at four years of age, realizing that this indicates a total of \$22,500 worth of fruit from five acres, and what will happen to that purchaser four years hence when his trees are four years of age and he finds his gross income from the fruit is merely a fraction of the price that he in fallacy, expected to get when he purchased the property. Obviously he is going to take that little supply of fruit and resign from Calavo Growers membership, because they did not get him as much money as the real estate man promised those trees would produce at the end of four years of growth. However, while you realize that such sales as this will directly affect the earnings of your groves four years hence, what have the avocado growers as a whole done to eliminate such absolutely unnecessary competition four to five years hence.

Now that brings up the thought, that the present might be a good time to recall to mind a few of the fly-by-night avocado buyers with their self-asserted vast organizations and vast outlets, all of whom have gone broke, and many of whom have left a trail of bad checks and bad smells with the growers. For the benefit of all concerned, I will repeat the names of some of these that have gone broke as recently as within ten or fifteen days. The Harry Fisher Avocado Company; Supreme Avocado Company, sometimes called Roy Pelletier; Cohee and Drury; Avocado Wholesale Company; Avocado Market Company; Cook and McKinney; Sam Weiss; Pacific Avocado Company; Chas. Sawyer; Southern California Avocado Company, and I am sure that the last I have mentioned will be of especial interest to some of the non-cooperatives in this very neighborhood.

Now, my friends, those names are not pipe dreams. The statements that I have made regarding these outfits is the truth, or they wouldn't be made either publicly or privately. Each month brings more and more unemployed people to this so-called miraculous

"green-gold" industry, but strange as it may seem none of them remain in business very long. Who will be the next to go broke?

All of these so-called big operators were reported as paying much more money for fruit than Calavo Growers were paying from their pools and it is barely possible that that is the reason that they cannot profitably exist in business very long. Then, too, they only have to sell what they purchase and after they get in business they find that the cost of doing business at Calavo Growers is not sufficiently great to allow them to slip under that "cost of doing business margin." Consequently, they in the end, return to the place from which they started. Each year finds new ones added to the list and each year, just as regularly, they fold their tents. There is one man who has owned two of the companies above named and in addition to that, in the past week or ten days he has started a **third firm**, under **still another name** by reason of the odor that was attached to his two previous firms. Despite this fact, however, non-cooperative growers are still giving him fruit, which would clearly indicate that at least **some** non-cooperative growers do not get as much as the Calavo pools pay out in cash and some times, get only love and kisses. The Calavo organization has at least, **always paid off** and in paying off, it has always been done just as regularly as the days pass. If the Calavo organization's cost of doing business were as great as some people try to make you believe, it would be an absolute guarantee that any of these firms that have gone broke, could remain in business and continue to operate from here on in, at a profit.

Also we have heard the criticism, that the various District Offices of Calavo Growers should be closed, as they are too costly and the sales should be made either through produce industry receivers or produce industry brokers. Nothing could be further from the truth than such a statement. On page 14 of Bulletin 539 of the University of California College of Agriculture, which bulletin, by the way, represents the study of the sales methods and the policies of Calavo Growers of California by Dr. E. A. Stokdyk, is given a complete and entire history of Calavo Growers' district offices and their cost of maintenance and the difference between the cost of selling through our own district offices and the commission that must necessarily have been paid, had we employed other methods of selling. For the season of 1930-31 the actual cash advantage to your organization in maintaining the four District Offices that were operated that season, amounted to \$26,411.36 in total. That's prominent money! Surely Dr. Stokdyk is an authority on much matters and by his own independent calculations, Calavo Growers as an organization, during that season, had a branch office sales cost of \$26,411.32 less than it would have cost to merchandise that same crop through receivers or brokers. Any criticism on this particular point is either questioning Professor Stokdyk as an expert in his particular scientific field or is the uttering of uninformed people who have not read Bulletin 539 that was published by the University of California for their particular and individual benefit, and mailed to them free of charge. There is absolutely no basis of fact for such criticism and in reality the reverse is true.

By having our own employees in our District Offices, we are able to maintain uniform prices, get sales promotional work done, distribute our advertising material without extra cost, arrange special sales and last but certainly not least, practically eliminate spoilage! Who can keep a straight face on this point of criticism after learning the facts ?

We have recently had a criticism from this particular district, that the cost of doing

business at Calavo Growers exceeded the retail price of bananas. Now, that is really a hot one! It is common knowledge, of course, that this is an established fact, as bananas sell retail throughout the country today for perhaps an average of 6 to 7c per pound. After deducting retailer's profit margin, wholesaler's profit margin, shipper's operating costs, railroad transportation charges, and steamboat transportation charges, it can be estimated there might be 1/4 of 1c per pound left for the grower. Compare that with your own returns, which will average so far this season, perhaps 65 times as much actual cash, and then I ask you why should this be considered a criticism of your organization. Remember that you get out of a product what you put into it and when Calavo Growers put into their product, their cost of doing business as they have during these many years, we find that the producers are getting out of it approximately 65 times as much cash per pound as do the producers of bananas, and still they get much more cash for themselves than they put into it!

No doubt many of you at some time or other have heard employees of your organization use such terms as uncontrolled, spasmodic, unorganized, confused, unregulated, marketing of the non-cooperators in certain given markets, but suppose we spend a few minutes here and definitely paint a picture of such a specific market in your minds. I have here a large, yellow sheet that I keep week by week, which shows the number of boxes of avo-cados that are shipped into the San Francisco Bay Region market by all shippers. This "rough form" chart, more quickly than anything else, will clearly describe these conditions that we continually refer to. This record is kept by individual shippers each week, and in addition to that, it is kept by the commission merchants on the San Francisco market who receive the merchandise, and offer it for sale in competition with your products. This particular form shows exactly 90 shippers, many of which are from your district here, that have been shipping into the San Francisco Bay Region market, and in addition to that, there is one classification there listed as "shipper's name unknown."

Now, in order to build a little confidence into the accuracy of this particular form, which is made up from records forwarded by our San Francisco Office every week, I desire to call your attention to the fact that the "shipper's name unknown" group comprises exactly 9.8% of the total shipments into that market, which means that our San Francisco District Manager is giving accurate reports each week, to the General Office on the independent situation in his market, to the extent that they are 90.2% accurate. You can readily appreciate that if he can be this accurate in the matter of **who** shipped the fruit and in **who received it** and sold it, that he is at least as accurate in the prices that he reports the fruit has **been sold for**.

These 90 non-cooperative shippers shipped their fruit to 26 separate and distinct commission houses on the San Francisco market. Just reflect on what that means. We all know that these 90 independent shippers have no way of contacting each other to find out just when the other fellow is going to ship, and by that same manner of reckoning we know that they have no way of getting together to find out just who they are going to ship to, on that particular market. In the first place, 26 commission merchants on the San Francisco market is at least 21 too many to economically sell a specialty article of diet. Just consider for a moment, how this lends itself to the retailer, who will shop for prices in all 26 houses before he purchases, and then ask yourself

how could any salesman keep from being weak-kneed under such sales obstacles. Even a child would know that the fruit was in competition with itself when it was in 26 different commission houses, and it happens that 26 commission houses comes not far from being the total of all the houses on that particular market.

Now then, let's take the other side of the picture—that of 90 known growers shipping into that market, not knowing who else is shipping the same merchandise during the same week. Even if these 90 known shippers would get together and hire a representative on the San Francisco market, it still would be highly impractical unless the San Francisco market representative had some way of telling these 90 growers when and how much they should ship in order to get the best prices that the market would afford. It is interesting to note that among these 90 known shippers that there are only 8, that are not themselves producers. Now there is a point that we could ponder over for some time. We all know that there are many legitimate commission houses on the Los Angeles market that are handling this merchandise every day. We also know that these same houses in Los Angeles have commercial dealings on other products of the produce industry with the commission men on the San Francisco market, but still we find only two Los Angeles commission men shipping to commission men in San Francisco, and one of those is shipping to their own San Francisco branch. Now, if it were possible to succeed in such business, why wouldn't the commission men in the Los Angeles market, who are in business for that purpose, ship part of their own supplies to be sold by commission men on the San Francisco market, as they ship lettuce, beets, peas, oranges and other products of the produce industry. The one house that I mentioned, that made shipments to their own branch in San Francisco made a total of 11 shipments so far this season, which was the equivalent of approximately 965 calavo flats, so we can assume that this particular Los Angeles commission merchant only shipped to San Francisco when he was overloaded in Los Angeles and could not sell his supplies. The other Los Angeles commission man that shipped to San Francisco commission men, made a total of two shipments, one in the week ending October 7th for a total of 69 flats, and in the next week ending October 14th he shipped 80 flats. It is significant that this commission man has since made absolutely no shipments into that market, despite the fact that all of the remaining shipments were made continually by non-cooperative growers. Now then, we'll take the next group of what we might choose to term "commercial packers," and those are the folks who are right here in the country trying to get the fruit of the non-cooperative growers in any manner in which they can get it, and incidentally they pay off in just about that same manner. We find one of these remaining six, who has just gone broke for the second consecutive year, and each year under a different name, has shipped a total of 480 boxes up there this season. This is the fellow, remember that has again gone broke within the past three weeks and subsequently opened up under still a different name. Another commercial shipper has shipped a total of 826 flats into these markets, and this is the only fellow who has shipped consistently all season. Then too, we have another commercial shipper,, who, starting with the first week of the new season shipped regularly for twelve consecutive weeks and shipped a total of 572 flats, and then made public the statement that "the quickest way of going broke was to ship to the commission men in that particular market on a commission basis." This particular fellow has made absolutely no shipment to that market since the week ending

November 19th. Here is a record of another commercial shipper, who shipped for thirteen out of sixteen consecutive weeks and whose total shipments amounted to 471 flats. This particular shipper had personally visited the San Francisco and the Oakland markets and figured that he had made arrangements to get his fruit sold at reasonable prices. In addition to that, he wrote the Agricultural College of the University of California for help, and after continuing to get low returns, he discontinued the use of that market entirely after the week ending January 14th. Now we have here the record of another commercial shipper who is much closer to your home in this particular district. We find that this party shipped in 25 out of 27 weeks, and the total shipment in the 27-week period was 2,032 boxes. This last particular shipper, I am told, makes a lot of noise in one of our producing districts as to what a large outfit they are. I have further seen advertisements stating this particular commercial shipper gives free advice to the growers. I don't suppose it is necessary to remind all of you present about the old adage that "advice is generally worth what you pay for it," and with this particular shipper I desire to call your attention to the fact that their total business in the Bay Area so far this year has been not over \$6,000 valuation, at wholesale prices, and from this must be deducted selling costs in San Francisco as well as transportation charges. Now, this particular 2,032 boxes compares with a total that has been shipped into the San Francisco market for the same weeks of 29,415 boxes, so the total shipments of this commercial shipper, who claims to be a real big operator, do not even total 7% of the receipts on that one market. Of the total shipments of 29,415 flats to San Francisco so far this season, Calavo Growers have shipped exactly 14,522 flats, or 50%.

Now, at this point I wish to make a few remarks about the shipping of immature fruit. Your organization has been accused of practically everything that can be thought of with the exception of the shipping of immature fruit, and undoubtedly someone will pull that one out of their hat next! It so happens that to the San Francisco Bay Area during the present season and up to and including the week ending November 11th that non-cooperative shippers shipped exactly 66% of the receipts, against 34% for Calavo Growers. This is another instance of the lack of regulation and the lack of control on the part of the non-cooperators. Despite the fact that the Fuerte crop still had a large percentage of immature Fuertes even after November 11th, we find that up to and including the Week of December 23rd, the non-cooperative shippers shipped exactly 61% against Calavo Growers 39% into this San Francisco bay market. It is well known to all of those in the industry that the Fuerte crop was mature as of the 23rd day of December of this particular year, and consequently it is interesting to note that Calavo Growers shipments and the sales in the San Francisco market area jumped from 39% of the shipments prior to December 23rd, to 57% of the shipments between that date and the week ending March 4th, which is only ten weeks later. It strikes me that anyone, irrespective of their expertness in marketing, would throw up their hands after one glance at this report when asked about the success of this industry if it were conducted entirely on this basis.

Now then, we have been asked to give the facts of our European shipments.

Between December 10, 1931 and March 24, 1932,. our New York District Office made 6 shipments of calavos to France totaling 109 flats, and one shipment to Switzerland on March 15, 1932. All of these were sold f.o.b. New York at 25c per flat **above** the

prevailing market price.

Between March 7, 1932 and June 14th we shipped from Los Angeles District Office, 3 shipments to London totaling 58 flats. Our distributor in London happens to be the exclusive distributor for Sunkist in the British Isles. Additional shipments were discontinued after that date account of the terrific differential in money exchange.

Now, my friends, I have used quite forceful language and the only reason for using such "straight from the shoulder" words is to thoroughly acquaint you with the facts,, in order that you can "put the blame where it belongs" and seriously take some real action in the matter of signing up these non-cooperators who are so unnecessarily costing you great sums of money as well as themselves. Remember, that the signing up of these growers is essentially the function of you grower-members rather than the function of some of your employees! If, by my-poor words you are thoroughly awakened to this entirely unnecessary economic waste, and if by reason of your awakening you successfully sign them into your organization, you have gained financially to a marked degree!