

Marketing Avocados After the Freeze

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Carter Barrett, President: Our next topic was to be given by George B. Hodgkin, General Manager of Calavo Growers, but he is necessarily on duty in another part of the state at this time; his prepared paper will therefore be read by A. J. Schrepfer, Assistant Secretary of Calavo Growers.

(A. J. Schrepfer):

Exactly three months ago today, at a meeting of avocado growers in San Diego, I made this statement: "The recent series of freezes is without question the greatest catastrophe that has ever hit our industry." Subsequent events, justifying the assertion, have again demonstrated the inherent soundness, vitality, resourcefulness and progressiveness that have marked the California avocado industry since its inception.

Other speakers on today's program discuss the effects of the freeze from cultural, climatic, standardization and other viewpoints. It is my purpose to discuss marketing at this time.

The immediate effects of the freeze and the resulting problems (including those from excessive rainfall) have been told at length at growers' meetings, in the newspapers, agricultural magazines and our house organ, The Calavo News. We shall merely summarize these effects and problems.

DATES OF FREEZES

The first freeze, occurring on January 8th to 10th, resulted in about a 10 per cent loss of the estimated crop of Calavo members for this season. This would not have seriously interfered with the marketing program, since a safety factor is always provided for in Calavo Growers' plans.

The second freeze, which took place on January 21st to 23rd, was something else again. As might be expected in the hysteria of the days immediately following, reports from the country were influenced more by emotional reaction than they were by careful analysis of the trees and fruit. The real magnitude of the freeze damage had to be measured—and quickly. The first task was to have the Calavo fieldmen re-survey the remaining crop and determine the extent of tree injury.

The Calavo Board of Directors met in special session on January 29th. The first figures— assembled in less than 5 days by the fieldmen—indicated about 46 per cent of

the current crop had been damaged, this figure including salvageable fruit. The Directors immediately ordered all possible operating economies, in line with the shortened production, reduced salaries and increased the retain, for the remainder of the fiscal year.

No one knew how much of the damaged fruit was salable; but it was evident that if the bulk of the frost-affected fruit was to be marketed it would have to be taken off the trees within a very short time. Packinghouse facilities, at Los Angeles and Vista, put a definite limit on the tonnage which could be handled. Even with extra shifts, running seven days a week, it was physically impossible to handle all of the frost-affected fruit during the limited time before spoilage would set in. This would have been true, even under normal grading and handling routine; with frost-affected fruit and fruit showing water damage the problem was multiplied many-fold.

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Handling of frost-affected fruit after the first freeze, had started the packinghouse management on frost-grading studies and investigation of keeping and softening behavior of such avocados, but only in a limited way. Facing staggering deliveries for the remainder of January and through February, every conceivable grading method was tried out, to speed handling. Dr. F. F. Halma, of the Division of Subtropical Horticulture, University of California at Los Angeles, went exhaustively into the problem with Calavo officials. Grading, by cutting samples, was finally decided upon as the only feasible, although crude and cumbersome, method of determining fruit quality.

The flow of avocados to market during the four or five weeks following the second freeze was utterly unlike anything in the industry's history. Growers were anxious to get off all avocados which could not remain on the trees for harvesting in later months. Calavo Growers recognized the futility of trying to market vast quantities of frost-affected avocados as such, simply by offering them to dealers who already were overloaded. So, special packs were developed and merchandised—through wholesalers, and particularly through the chainstore organizations in California, as one step in a planned campaign to hold to standardized packs in the face of the disorganized quality situation generally prevailing, and to restore consumer-confidence.

The second step was an intensive educational campaign, carried on by Calavo Growers during February, to reassure consumers that frost-affected avocados, when passed by Standardization enforcement inspectors, were palatable, wholesome and, above all, bargains at then-prevailing-prices. It was only natural that consumers shied away from avocados after seeing some of those being offered, to say nothing of trying to eat them. Radio stations, newspapers, home economics writers, cooking schools—every medium we could think of was utilized, to get over to the public the sales persuasion so desperately needed to get fruit movement up to where it would match harvesting volume. The campaign did take hold and, tied in with the efforts of the chainstores, was a lifesaver.

The industry owes a great deal to the vigilance of the Standardization officials. If it had not been for them, great quantities of inedible fruit would undoubtedly have been sold.

Condemning produce is a thankless job at best; but these men enforced the law without fear or favor, and deserve a large part of the credit for maintaining consumer-confidence in avocados.

CHAINSTORES PUSH AVOCADOS

The Calavo sales and advertising campaign had been planned in the fall of 1936, as one of the chainstores' agricultural "pushes" this season. In the west, the Calavo drive was scheduled for the first two weeks in January. Eastern and middlewestern chains were to participate later in January and February. The chain organizations carried through nobly, in many instances achieving almost unbelievable sales records.

Safeway Stores, for example, sold 16,669 flats, or 10 refrigerator carloads, during the first two weeks in January. Safeway's Denver and Pueblo districts showed increases of over 1,000 per cent, over previous periods. Fourteen Safeway districts sold three times as many avocados during the sale as they did during the comparative period last year. These were Denver, Pueblo, Little Rock, Lincoln, Grand Junction, Tacoma, Fresno, Phoenix, Klamath Falls, San Diego, Oakland, El Paso, Joplin and Washington, D.C. The figures are taken from Safeway's house organ, for April, 1937.

On top of this campaign sales effort Calavo asked the Pacific Coast chainstores to "repeat," by lending a hand in moving vast quantities of avocados subsequent to the freeze. Again citing Safeway Stores as an example, from the middle of January to the end of February 25,478 flats, or 16 additional carloads, were moved in nine of Safeway's warehouses.

Calavo's shipments to middlewestern and eastern markets following the freeze were confined to standard quality packs. It was felt unwise to invest the cost of additional transportation in avocados whose satisfactory arrival condition could not be depended upon. This policy enabled Calavo to maintain eastern selling prices at far higher levels than would have been possible had frost-affected fruit been shipped east in volume, to be sold there at salvage prices.

Not all of the deliveries following the freeze were salable. During February approximately one-half million pounds of culls were graded out of the deliveries to the packinghouses. Much of this unsalable, cull fruit was converted into avocado oil, now available in quantity for the first time; and ultimately it is hoped to show an income from it.

The effects of the freeze on both quantity and quality of deliveries can be seen in the January, February and March packinghouse receipts. In round figures, deliveries during January totaled 1½ million pounds, and 50 per cent of the packout graded "Calavo;" in February, 1 1/3 million pounds, with 32 per cent of the packout showing "Calavo" grading; and in March, slightly over 1 million pounds, with almost 70 per cent packing out "Calavo." With the March Pool "Calavo" percentage about twice that in February, the March Pool average sales price per flat FOB Los Angeles was almost exactly double that of the February Pool.

With most of the distressed fruit cleaned up by early March, prices were strengthened several times, until early April. However, sales then began to slow up and prices had to

be adjusted downward. The usual seasonal competition from such items as strawberries and asparagus, which come on the market at that time of the year, helped to weaken avocado prices during April.

RESULTS DURING THE FIRST SIX MONTHS OF 1936-37

Marketing efficiency is measured, rather than by cents per pound, by the total number of dollars returned to producers, dovetailed with the volume of units sold and such outside factors as general economic conditions, commodity price levels, and so on.

Now, considering the freeze, how have avocado growers fared this season? For the first six months of this fiscal year Calavo members netted \$375,000, compared with \$343,000 during the first six months of last season, and almost the identical figure of \$343,000 for the same period two seasons ago. This is approximately 10 per cent more total dollars than in either of the past two years.

As of March 31, 1937, the organization's operating excess was \$77,516— three times as great as the operating excess of \$25,612 on December 31, 1936, three months earlier. Since these figures are hardly consonant with the "catastrophe" note of early February, what caused this complete change in the picture in so short a period?

The first reason was increased delivery of avocados. The hastily gathered estimates of late January were soon found to be very conservative. Fieldmen and growers kept finding more marketable avocados from week to week. Additional members joining Calavo since the first of the year have added their fruit. For example, a January signup carried an estimate of 4,500 flats for this season; one in April will yield approximately 2,000 flats. Calavo Growers now anticipate some 645,000 flats will be handled this year. This may be further increased by additional signups. **The freeze loss now appears to be 28 per cent of the pre-season estimated crop of 970,000 flats, plus 5 per cent found unsalable after delivery to the packinghouses, or a total of 33 per cent.**

The second reason was operating economies—personnel eliminations, curtailed advertising expenditures and sales promotional efforts, and so on.

The third reason was sideline income. We shall presently see the importance of this, considering the freeze.

PARTIAL REFUND AND LOWERED RETAIN ORDERED

With operating results so satisfactory for the first six months, the Board of Directors met on April 28th and immediately ordered a 4c per flat Partial Refund to members, to be distributed early in May. This refunds 4c per flat of the extra retain which had been paid on deliveries in the December through March pools. Coincident with this refund, the Directors ordered the Calavo marketing retain lowered by 4c per flat for the remainder of this fiscal year. They also ordered base salaries reinstated and salary deductions refunded to employees.

All of these actions took place within three months from the Board meeting following the freeze when the Directors had instituted what, at that time, appeared to be necessary,

drastic changes in the season's financial and operating program. The outlook for the remainder of this fiscal year is decidedly encouraging.

The March 31 operating excess was brought into being despite twelve new Calavo-Subtropic branch offices having been opened last fall to handle what was expected to be a record avocado crop for 1936-37. Normally, newly opened branch offices are not expected to show a net operating profit for at least the first twelve months, because it takes time to get such branches functioning properly. However, these new offices afforded wider distribution and better price control this season, so they have served a worthwhile purpose in spite of the crop reduction, and have laid the groundwork for their more profitable operation in the future.

For the information of those of you who may not be Calavo members— Calavo-Subtropic Fruit Co. is the sales and distributing subsidiary wholly owned by Calavo Growers of California. It operates 2 Division, 10 District, and 31 sales and distributing offices in the major markets of the United States. It embraces the entire sales and advertising staff of our organization, totaling 90 employees at present, and over 100 at peak movement.

SIDELINES' IMPORTANCE PROVEN BY FREEZE

Filling the avocado gap created by the 1937 freeze, by substituting sideline income, was no accident. Years ago, Calavo Growers realized that California avocado crops were subject to seasonal fluctuations in production as a whole; that California summer avocados faced competition from Florida and Cuba in the east and middlewest, which meant about an 8-month California selling season east of the Rockies. To maintain a year-around selling organization with only 8-months' avocado supplies was out of the question; nor could we disband the sales staff for 4 months out of every twelve and try to rebuild the organization each year.

Something had to be found that fitted into the avocado off-season, which would carry sales expenses during those months and yield extra income to reduce operating costs for the entire year. Development of Calavo's sideline business brought consistently increasing sales volume and gross income. The figures on the chart show the sideline dollar sales volume each fiscal year starting with 1933, the gross dollar income from such sales, and the percentage of income as against sales volume.

SIDELINE OPERATIONS			
Calavo Growers of California			
Fiscal Year	Sales Volume	Gross Sideline Income	% of Income to Sales
1933	\$ 76,000	\$ 14,100	19%
1934	249,700	33,500	13%
1935	344,000	43,900	13%
1936	478,000	81,000	17%
1937	616,000 (Est.)	100,000 (Est.)	16%

Operations of previous years were simply the build-up—the preparation of an important

financial cushion against unforeseeable disasters such as the 1937 freeze.

A \$100,000 income, such as is anticipated for this fiscal year, is not created overnight. It takes vision, planning, initiative, effective merchandising (both in choice of products and in their marketing), strong financial position, cooperation from the trade, and experience in handling perishable specialties. The combination of all these things, gradually acquired and vigilantly maintained, is the explanation for the consistency in keeping up the percentage of sideline income shown on the chart, despite increases of over 8 times in dollar volume and over 7 times in gross income within five years.

What are these sideline items? They are limes, produced in California and elsewhere, California dates and figs, and Florida avocados. During certain months of the year we handle such specialties as South American grapes, or Hawaiian fresh pineapples. In all cases, the products fit in with the merchandising setup developed by Calavo Growers to promote the sale and distribution of avocados.

An excellent example of the mutually worthwhile benefits from these operations is the California date deal. In past years our date sales had been small, though increasing. Some months ago a plan was worked out where-under the bulk of the California date producers would pool their production and appoint the Calavo organization their exclusive selling agent. The negotiations have progressed to the point where we feel certain they will culminate in such appointment.

As time progresses the effects of the freeze and the damage done by it are being greatly minimized, as regards Calavo Growers. This applies not only to the current crop, but also to tree recovery and probable fruit production next year. Carter Barrett, President of the California Avocado Association, reports that avocado trees have already shown remarkable recovery. New growth has developed during the warm, favorable weather in April, even on trees that had previously been given up as hopeless. The bloom, being late because of cool weather during January, February and early March, is unusually vigorous. Many factors favor a fine California avocado crop for next year. All indications point to a next year's minimum crop for present Calavo members, of at least as much as this season's marketable production, which is the second largest tonnage in Calavo history.

CHANGES AND RESULTS

Basically, many important changes are being made. A large number of trees of varieties most susceptible to cold are being topworked, mostly to Fuerte; additional new and replacement plantings of Fuerte are being made in the more favored sections; some weak groves in exposed localities are going out. These changes indicate, among other things, more concentration of production on desirable varieties and localities, with elimination of many of the experimental, less desirable trees. These trends seem worthwhile and in time should lead to further strength within the industry.

Calavo's packing facilities are unimpaired by the freeze. Highly valuable experience has been accumulated during and after the freeze, to be drawn on should a similar situation occur in the future.

The sales and distributing offices will probably continued to be expanded, regardless of

the California avocado crop size, because of the organization's policy to go in for sidelines to further reduce costs.

The goodwill of dealers, and particularly of the national chain organizations, has been strengthened this season.

The confidence of producers of other specialty products, evidenced by their willingness to have our sales staff merchandise their products for them, allows for greater selectivity in our choosing those products which can be expected to yield the most income for the effort expended.

Continued growth of sideline sales will lower avocado marketing costs. Regardless of the effect of the 1937 freeze on future California avocado crops, Calavo members have assured themselves of uninterrupted distribution of their avocados at constantly lower marketing expense and with consequently greater total dollar returns for avocados.

President Barrett: I think you will all admit that was a very worthwhile paper. There is only one place where we can go for facts and figures on marketing the crop and that is to the Calavo Growers.