

United States Department of Agriculture Bureau of Agricultural Economics

*In the Matter of the Establishment} Brief of
of Comparable Prices For Avocados) Calavo Growers of California*

I. INTRODUCTION

This brief supplements the oral presentation made at the hearing in St. Louis on August 24, 1942. It should be read in the light of the testimony at the hearing. In that connection, attention is respectfully called to the fact that at the conclusion on August 25 of the testimony of witness Tuttle in connection with filberts, there appears some additional testimony with respect to avocados.

Calavo Growers of California, by whom this brief is filed, is a non-profit cooperative marketing association, existing under the Agricultural Code of California and engaged in marketing on a non-profit basis the avocados produced by its 2,249 grower members, who produce approximately three-fourths of the total California production.

II. STATEMENT OF FACTS

The domestic production of avocados is almost entirely confined to the States of California and Florida. A substantial volume of avocados are imported from Cuba, but only during the months of June to September, inclusive. The bulk of the domestic production is in California. The characteristics of the California and Florida fruit are quite different. Even though fruit from the two States is competitive, appearance, chemical composition, variety and seasonality show marked differences. The peak of Florida production is in the summer and fall period, when the supply of other fresh fruits and of vegetables is heavy. California's peak of production, on the other hand, is in the winter and spring months. California production is predominantly of the Fuerte variety, a pear-shaped, green fruit of small to medium size, with an oil content ordinarily of from 15 to 25%; whereas the predominant Florida varieties are much larger in average size, and much lower in oil content. The California varieties are almost exclusively of the Guatemalan race, with some commercial varieties of the Mexican race. No avocados of the West Indian race are grown commercially in California. Florida production is largely of the West Indian race.

Additional industry facts will be set forth during the course of this brief as occasion requires, rather than attempting to make a complete statement of facts at this point.

III. SHOULD A COMPARABLE PRICE FOR AVOCADOS BE ESTABLISHED?

Since the base period 1924-29, production of avocados in the United States has greatly increased. Consumption has increased in proportion. Unquestionably, therefore, both the production and consumption of avocados has changed to a marked degree since the base period. As a result of this increase in production and more widespread distribution of avocados, the price has dropped since the base period to a greater extent than did the prices of the six basic commodities during the same period.

It therefore appears that the present parity price for avocados is high with reference to present market value and, assuming some fair method can be devised for establishing a more realistic parity or "comparable" price, the industry should not be in a position to object strongly. However, unless this method can properly take into account the peculiarities of the avocado industry, then it will work great hardship and inequity upon the industry.

IV. SHOULD A SINGLE PARITY, OR COMPARABLE PRICE, WITH LOCAL DIFFERENTIALS BE ESTABLISHED, OR A SEPARATE PARITY OR COMPARABLE PRICE, FOR CALIFORNIA AND FLORIDA?

It appears from the above statement of facts that the California and Florida "avocado" industries are not alone separated physically, but that they are intrinsically quite different. It might properly be said that different commodities are produced. The word "avocado" is a "family" designation, analogous to the words "berry," or "melon." There is just as much difference between some of the West Indian varieties of avocados grown in Florida and the Mexican varieties grown in California as between a watermelon and a honey-dew melon or cantaloupe.

Furthermore, seasonal differences between the two producing districts are quite distinct, as previously pointed out.

By reason of these and other dissimilarities, the California industry urges the adoption of a separate parity or comparable price for each of the producing States, adjusted with differentials for the different factors of variety, grade, and seasonality, and other factors hereinafter discussed, appropriate to the producing State. While it might be possible to establish a single overall parity or comparable price, the problem of appropriate differentials for location, in view of the differences in the crop produced, would unnecessarily complicate the problem.

The introductory statement made by the Department at the opening of the St. Louis hearing, with respect to avocados, shows clearly the wide disparity in even the average annual statistics of production and prices, as between California and Florida. Inherent in each of the average annual figures is an even greater divergence as between the two producing States when these averages are broken down.

V. IF A COMPARABLE PRICE IS TO BE ESTABLISHED FOR CALIFORNIA AVOCADOS, THE 1934-39 BASE SHOULD NOT BE USED

The Department has already suggested and has applied to other commodities a method for computing comparable prices. The California avocado industry has no fundamentally different method to propose at this time. However, it does urge the use of a base other than the 1934-39 period as the "comparable period", for the reason that the 1934-39 period is neither representative nor typical of the California avocado industry's experience nor likely future.

The California avocado industry is a young and rapidly growing one, not alone as to its production but also as to its facilities and experience in marketing. The uniqueness of the fruit and the unfamiliarity of the general public with its handling and its use create a situation where despite the best efforts of an aggressive marketing organization, the channels of distribution have not yet been fully exploited. This can be readily seen by even a casual examination of California Avocado Exhibit 2, introduced at the hearing, which shows the elasticity of the market. Were the consuming capacity of the country already overtaxed, these crops of unprecedented size would have resulted in immediate grower bankruptcy rather than merely depressed prices.

The industry realizes some of the underlying reasons for the Department's use of the 1934-39 "comparable period." Before any departure from that standard is justified, unquestionably there must be a showing of unfairness which would result from its use. We shall show that for several reasons the 1934-39 period is not representative.

1. 1934-35 CONDITIONS NOT TYPICAL

As discussed in a succeeding section of this brief relating to differentials, the industry believes that year to year crop fluctuations should be taken into

consideration in connection with parity or comparable prices. However, at the time of the hearing the Department's representatives raised some serious questions with respect thereto. Hence, under this subdivision of our brief we do not rely upon the existence of an abnormally large crop in 1934-35 as a reason, in itself, creating inequity; but as a circumstance which unavoidably led to man-made conditions which were not representative of the normal handling of similarly large or even larger crops.

The 1934-35 crop was 280% larger than the immediately preceding crop. It was the California avocado industry's first "big crop." The entire marketing machinery was geared to a lower basis. Despite heroic marketing efforts, with members of Calavo Growers of California expending \$14.00 per ton (16% of their returns) on advertising that year, the industry was not able within that short space of time to adjust itself to selling so big a crop to best advantage. Grower returns per ton dropped 48% from the previous year. Had this 1934-35 crop occurred after the marketing machinery had become adjusted to such crops, unquestionably a higher grower return would have been realized. This conclusion is not alone supported by logic, but also by statistics. The next very large crop occurred in 1938-39. Even though that crop was 60% larger than the 1934-35 crop, grower returns per ton were approximately the same.

2. 1938-39 CONDITIONS LIKEWISE NOT TYPICAL

The same situation exists, although to a lesser degree, with respect to the 1938-39 crop. It was not only 181% larger than the preceding crop, but was also 60% larger than the 1934-35 crop. Grower returns per ton were 43% below the previous year. Whatever increased ability to market large crops the industry had acquired as a result of the 1934-35 experience, was at least offset by the unusual frame of mind of the trade, discussed under the next subdivision of this brief, and resulting from the 1937 freeze.

3. TRADE CONFIDENCE ABNORMALLY DISTURBED IN 1937 AND 1938

In January, 1937, unprecedented low temperatures prevailed throughout the California avocado-producing districts. As a result, one-third of the 1936-37 crop was immediately destroyed. Only 31% of the trees were unharmed; 25% were injured to the extent of being able to produce only a half-crop the succeeding year; 26% were out of production for one year; 15% out of production for two years, and the other 3% killed outright. Only two similar freezes had previously occurred since the end of the 19th century, namely, 1913 and 1922.

These facts are not recited as a basis for including in comparable prices, a factor to take care of freezes. They do support the proposition that the 1936-37 season was not typical or representative, not alone for natural reasons but because trade confidence (and hence grower returns) were seriously shaken for two years, because of the uncertainty of the effect of low temperatures upon fruit quality. Neither the industry nor the trade had a background of experience, as in the case of other crops which are subject to frost hazard. At best, the avocado is an unusual product to handle. Add to this the complication of uncertainty through lack of experience as to the effect of low temperatures and there results an upset of trade confidence. This was the experience of the industry following the low temperatures of January, 1937. Prices fluctuated violently. This effect carried into the succeeding year, even though that crop was considerably shortened because of injury to the trees, previously mentioned. An illustration of the tangible effect of the 1937 freeze upon trade confidence (and hence upon prices and grower returns) is the fact that approximately three months after the low temperatures were experienced, many of the largest avocado buyers declined to handle any more California avocados until the onset of the new crop. The effect upon grower returns is obvious.

As an illustration of the novelty of the problems arising from the 1937 freeze may be cited the matter of enforcement by the California Director of Agriculture of regulations designed to prohibit the marketing of frost-damaged avocados. There were no such regulations until 1937, and necessarily there was no background of experience in enforcement. In the short space of a few weeks immediately following the freeze it was necessary to determine policies and establish rules, and enforce them. Necessarily, this resulted in uncertainty on the part of growers in picking, the marketing organizations in packing and selling, the trade in buying and handling, and even on the part of the consumers.

4. EFFECT OF FOREGOING FACTORS UPON THE VALUE OF 1934-39 AS A COMPARABLE PERIOD

During the five-year period (1934-39) there were, as demonstrated above, two abnormal years because of extraordinarily large crops, and two other abnormal years due to trade and industry lack of experience with the effect of low temperatures. Only one representative year is left—the year 1935-3S.

VI. THE FAIREST AND MOST REPRESENTATIVE COMPARABLE PERIOD IS 1930-39

The discussion under the preceding main heading has demonstrated the impropriety of the 1934-39 comparable period as applied to California avocados. We now proceed to constructive suggestion as to what is a workable, representative and fair comparable period.

One possibility would be to eliminate entirely the non-typical years. We do not advocate that, because the resultant would overemphasize years of small production and high prices. Instead, the industry suggests that the misleading effect of the non-representative years be minimized by broadening the base—to the 1930-39 period. We would have no objection to the 1929-39 period, but in fairness feel that the 1929-30 season is more representative of a by-gone day in the avocado industry than of present or anticipated conditions.

Table 1, attached hereto, shows the average comparable price for California avocados based upon an all-California-avocado average price during the comparable period 1930-39. It does not reflect differentials which would be necessary on account of variety, grade, seasonality and the other factors hereinafter discussed.

It is true that the actual production in the years 1930 to 1933, inclusive, was considerably smaller than in the year following. Nevertheless, the entire nine-year period presents a more accurate basis from which to project future industry trends, than does the erratic 1934-39 period. The production for the first four years of the nine-year base was relatively stable and was large with respect to preceding years, the 1930-31 crop being five times as large as that of 1929-30 and nearly twice the size of the largest preceding crop.

VII. VARIATIONS WHICH SHOULD BE RECOGNIZED BY THE ESTABLISHMENT OF APPROPRIATE DIFFERENTIALS, IF AN AVERAGE COMPARABLE PRICE IS ESTABLISHED USING ALL-CALIFORNIA-AVOCADOS AS A BASE

At the time of the St. Louis hearing, it was the position of the California avocado industry that the variations which would have to be recognized, if differentials are to be established, are so complicated that the only workable and fair system would be the use merely of an average comparable price, without differentials, but based upon the Puerte variety—which is typical of the California industry and comprises over three-fourths of the total volume thereof. The industry does not abandon this position and is still of the view that it is sound, in compliance with the law, and most practical. However,

the comments of the Department's representatives at the hearing indicated a doubt of the propriety of this procedure. Accordingly, in this brief we shall proceed upon the assumption that an all-California-avocado average base is to be used, coupled with the establishment of an appropriate schedule of differentials. For the details of the position which the industry still suggests as being best, reference is made to the transcript of the hearing.

Without fear of overstatement, it can be conservatively said that the establishment of comparable prices, using all-California-avocados as a base, would bankrupt the industry—unless appropriate differentials are also established so as to allow above-average fruit, at seasons of most favorable prices, to command the premium which its intrinsic worth merits. Hence, we shall proceed to point out the factors which must be recognized by appropriate differentials. No attempt is here made to set up the specific mathematical formulas for the computation of these differentials. The industry's impression from the St. Louis hearing was that the Department's initial problem is the establishment and publication of average parity or comparable prices, and that the formulation of differentials would await a later date. In the nature of things, the problem of avocado industry differentials is too complicated to be answered within the time limit imposed for the filing of this brief. The industry would appreciate the opportunity of assisting the Department in the development of the schedule of differentials, when the method and scope thereof are more clearly defined than at present.

The following factors, at least, are among those which unquestionably should be recognized by appropriate differentials:

1. VARIETY DIFFERENCES

There are several hundred varieties of California avocados in current production. Over 95 of these varieties are delivered to Calavo Growers' of California each season and are marketed. It is true that the volume of a large proportion of these varieties is very small; yet some of the minor varieties (from the standpoint of volume) are desirable fruit.

The different varieties vary widely in market value. They also vary in appearance, seasonal characteristics, size and perishability. As stated above, the dominant California variety is the Fuerte. Its proportion of the total volume is increasing. Yet, at the same time, new varieties are being developed and are occupying, in certain instances, a greater percentage of the non-Fuerte field. A schedule of differentials which did not recognize the relative values of even varieties minor from the standpoint of volume, would unjustly penalize the growers thereof, and would prevent continued development of new and improved varieties.

Differentials for each variety commercially marketed would present complex problems of enforcement, since only an expert can tell certain varieties apart although those same varieties differ widely in market value. There is an appreciable volume of desirable commercial production of un-named varieties which, at the present time, for want of a better designation are labeled "seedlings".

2. GRADE DIFFERENCES

This subject will also require further consideration on the part of the industry and the Department. There are no legally imposed mandatory grade standards for the avocado industry, except the California minimum maturity standard, which does not distinguish between merchantable grades of fruit but merely draws a line between merchantable and unmerchantable avocados. Nevertheless, the principal marketing organization has, over a period of years, developed a self-imposed set of grade standards to which it rigorously adheres and which are universally recognized by the trade throughout the domestic market. These standards take into account matur-

ity, keeping qualities, blemishes and nutritional values. The market price, and hence grower-returns, for these different grades varies widely, reflecting the relative demand for the different grades. 3. **SEASONALITY**

The price of avocados varies from month to month within a given year. This subject was briefly discussed at the St. Louis hearing, and the Department's representatives asked that the industry submit typical month by month grower-return figures. Attached hereto, as Table 2, is a compilation of average grower-return figures for all-California-avocados, month by month, for the last three complete seasons, and the average month by month grower returns for the three seasons combined.

These figures may at first sight appear to show the effect of seasonality upon grower return. However, they are very misleading unless one remembers that they are an average of all California avocados and therefore cannot be applied to specific individual varieties, whose maturity characteristics differ.

For example, Table 3 shows the same figures as Table 2, but for only the top grade Puerte variety fruit, which, incidentally, comprises over half the total California avocados marketed. This table eliminates the misleading effect of the other varieties which mature at a different season and shows the true seasonal variation of the particular variety. A similar table for a summer variety of fruit would entirely reverse the trend.

An index of seasonal differentials should be closely tied to variety in order to be workable.

4. SIZE OF FRUIT

The value, and hence the grower return, of different sized fruit of the same variety and equal quality and condition varies. Generally speaking, small or medium-sized fruit has a greater per-pound value than large-sized fruit. However, a large-sized Puerte variety fruit is no larger than a small-sized Nabal variety fruit, by way of illustration. It is, therefore, obvious that if fruit size is to constitute a basis of differentials it must be closely tied to varieties. In fact, it might be worked into and be a part of the variety differential schedule.

The following factors are worthy of consideration but do not seem to require recognition for the purpose of differentials:

5. PERISHABILITY

An appreciable variation in market price exists between otherwise identical fruit, depending upon the "closeness" of the fruit's condition to optimum utility. While variation in this factor affects market price, as yet the industry has no suggestion to make of a formula for the establishment of a differential to take it into account.

6. USE

All merchantable avocados are devoted to one use, fresh fruit consumption. Production of avocado oil is only in its experimental stage and the quantity of fruit used for that purpose is negligible. No distinction as to use exists between different varieties of avocados. Hence no differential for use seems either possible or necessary.

VII. CONCLUSION

Based upon the foregoing, it is the recommendation and position of the California avocado industry, as represented by Calavo Growers of California, that if comparable prices for avocados are established, the following principles should be observed:

1. A separate comparable price for California and Florida be established.
2. A comparable period of 1930-39 be utilized.
3. That the all-California average base price for the comparable period

be established at the all-Fuerte average, so as to avoid necessity for differentials for variety and grade.

4. In the event the all-California-avocado average be used, then appropriate differentials be established for variety, seasonality, size and grade.

The industry would welcome the opportunity of assisting the Department by further exploration of any of the subjects suggested in our oral testimony or in this brief.

Dated September 8, 1942.

Respectfully submitted, CALAVO GROWERS OF CALIFORNIA, (S) By
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**AVERAGE COMPARABLE PRICE OF CALIFORNIA AVOCADOS
USING METHOD SUGGESTED IN USDA PRESS RELEASE OF
AUGUST 8, 1942—1930-39 COMPARABLE PERIOD**

Average grower return (1930-39) \$155 per ton (1)
Average comparable price to grower (1930-39) . . 233 per ton (2)
Average comparable price to grower (June 15, 1942) . 272 per ton (3)

1. U.S.D.A. Figures.
2. Average actual grower-return 1930-39 times 100; 66.8; based upon relationship of actual price of basic commodities to parity (66.8%).
3. Average comparable price 1930-39 times 152. 130.

**EFFECT OF SEASONALITY ON GROWER-RETURNS
ALL CALIFORNIA AVOCADOS
(Prices in Dollars per Ton)**

Month	1938-39	1939-40	1940-41	3-Year Average	Index \$123=100
Aug.	\$163	\$ 63	\$188	\$139	113
Sept.	143	84	152	126	102
Oct.	189	97	174	154	125
Nov.	128	177	134	146	119
Dec.	106	146	117	123	100
Jan.	100	140	114	119	97
Feb.	78	138	117	111	90
Mar.	86	134	111	111	90
Apr.	74	148	114	112	91
May	72	188	106	122	99
June	72	189	72	111	90
July	55	208	74	112	91
Arith- metical month average	106	143	123	123	100

Source: Records of Calavo Growers of California.

**EFFECT OF SEASONALITY ON GROWER-RETURNS
FUERTE VARIETY—FIRST-GRADE FRUIT ONLY**
(Price in Dollars per Ton)

Month	1938-39	1939-40	1940-41	3-Year Average	Index \$182=100
Aug.	\$356	\$168	\$337	\$289	159
Sept.	360	182	.....	271	149
Oct.	.....	.....	211	211	116
Nov.	175	226	155	186	102
Dec.	118	165	135	140	77
Jan.	106	151	131	129	71
Feb.	89	151	132	125	69
Mar.	98	146	134	126	70
Apr.	85	165	146	132	73
May	88	225	169	160	88
June	105	266	165	178	98
July	155	369	165	229	126
Arith- metical month average	158	201	171	182	100

Source: Records of Calavo Growers of California.

**AVOCADOS: Statement Prepared by the Bureau of Agricultural Economics
for Comparable Price Hearing, U. S. Department of Agriculture, St. Louis,
Missouri, August 24, 1942.**

Production, price, and import data for avocados are shown in the accompanying table. The prices received are in terms of equivalent per unit returns for the fruit at first delivery point, and parity prices are currently calculated on the basis of conditions prevailing during the period August 1924-July 1929.

Avocado production has been steadily increasing since 1924 and during the last three seasons has been about twenty-five times the production for the seasons 1924-1928. Over the same period, prices have shown a steady downward trend, with an estimated price received by growers of \$109 per ton during the last three seasons as compared with \$720 per ton in 1924 and an average of about \$534 per ton for the seasons 1924-1928.

As a result, prices have varied between 19 and 31 percent of parity as currently calculated during the last five seasons and were only about 19 percent of parity for the 1941-1942 season. These facts indicate that conditions of production and consumption have materially changed since the base period August 1924-July 1929 and raise the question as to whether prices are out of line with parity prices for the basic commodities specified under Section 3(b) of the Emergency Price Control Act of 1942.

If comparable prices were calculated for avocados according to the formula previously used by the Department, the comparable price would be \$176 per ton as of July 15, 1942. This price is in terms of average prices received by all growers and it is of course recognized that differentials for California and Florida might also be needed.

AVOCADOS: Production and season average price per ton received by farmers, California and Florida, and United States Imports, 1924-41

Year	California		Florida		California & Florida		Imports beginning
	Production Tons	Price Dol.	Production Tons	Price Dol.	Production Tons	Price Dol.	July (2) Tons
1924	130	720	.....	.....	.....	.....	2,046
1925	230	540	.....	.....	.....	.....	2,509
1926	620	400	.....	.....	.....	.....	2,688
1927	320	680	.....	.....	.....	.....	1,165
1928	1,120	330	.....	.....	.....	.....	2,376
1929	400	658	420	142	820	394	3,372
1930	2,110	260	620	192	2,730	245	4,896
1931	2,520	166	820	145	3,340	161	5,097
1932	1,650	171	1,400	88	3,050	133	4,340
1933	2,450	168	2,200	98	4,650	135	2,632
1934	9,300	87	2,000	75	11,300	85	2,811
1935	5,200	172	1,000	95	6,200	160	3,765
1936	6,110	130	600	120	6,710	129	4,559
1937	5,300	152	2,100	95	7,400	136	5,692
1938	14,900	86	2,220	64	17,120	83	5,158
1939	7,800	144	2,500	68	10,300	126	3,692
1940	14,600	107	880	98	15,480	106	5,854
1941 (3)	16,000	94	1,250	91	17,250	94	(4)

1. Equivalent per unit returns for fruit at the first delivery point.
 2. Data for 1924-30 compiled from reports of Federal Horticultural Board and Bureau of Plant Quarantine; 1931 and 1932 general imports; 1933 to date, imports for consumption.
 3. Preliminary.
 4. Not available.
 Bureau of Agricultural Economics. Imports from records of the Department of Commerce. Avocados received principally from Cuba.