



Avocado Grower Recovery Act

Ralph M. Pinkerton

President, *California Avocado Commission*.

I'm glad that Bob Bergh has seen that rainbow that advertising has worked so hard to create. I wish I'd seen it myself, Bob; if you had called me, I would have flown up earlier.

I'm not President Roosevelt, but I will borrow from his National Recovery Act, because I think we *have* to have an "Avocado Recovery Act," and I don't think this is a sit-on-your-hands industry. I don't think this industry is going to stand for what's happening to it — and I am proud of that. I want to look backward for just a minute to talk about what *has* happened; and I think our major problem that we have to keep looking at is what share are you getting of what the consumer is paying for avocados. I hear 'way too often that we're over-supplied. We are *not* over-supplied. We are under-marketed. Those are two big differences.

Why we are not over-supplied? Because we are selling the avocado crop to the consumer for the right price. We will get about \$410 million from consumers for avocados this year. We used to enjoy, up until 1980-81, approximately 40% of what the consumer was spending for avocados. This year, Florida and ourselves — and I direct this to my friend Harold Kendall, along with us, who aren't exactly doing much better than each other — we will collectively enjoy about 25 per cent.

I want to repeat, we are *not* suffering from a glut of avocados, because we are *selling* every avocado that we grow. A lot of industries aren't; a lot of industries are throwing product away. We're not throwing any avocados away — we didn't even with 475 million pounds. We sold all of the crop *that* year. And we sold it at a reasonable price at retail *then*. What we have to do is to get back to getting about 35% of retail. Now, what will

that cost the consumer? If we pass *all* of it on — if we pass everything on to the consumer — the difference being you getting 25% and 35% is about a nickel an avocado. And I don't think the consumer would even recognize paying 44 cents rather than 39 cents, or 39 cents rather than 35 cents. So, I think a retailer could pass all of that along.

You're at a stage now where a number of your problems are not solvable by advertising. We started in 1961 with about five per cent of the U.S. public eating avocados. You now have brought it up to 47%. And during those years — most of them — you'd had supply ahead of demand. You had more demand out there than you had supply, and that enabled you to mask a lot of marketing problems. They never came to the front. They never came to the front in the auto industry, for a number of years, and Detroit kept their eyes shut to all of the new products coming in from Germany and from Japan and thought that it would have no effect on the market. Well, it had a tremendous effect on the market because peoples' tastes were changing; and the car industry wasn't getting a good enough per cent of what the consumer was paying. So, they made some rapid changes.

We have to make a lot of rapid changes that the Commission is really not supposed to be doing — it's not supposed to be our charter. We're in the advertising business — but who's going to do it if the Commission doesn't? I think a number of growers are saying to the Commission, "Will you please help us solve this, and will you please help us solve that. Help us solve why we're not getting 40%, and still getting just 25%."

To begin doing that, the Commission last week voted a major research project — roughly \$40,000 — to hire a third-party consulting firm, which will be put out to several to bid on, and their assignment will be to start with the avocados on Bob Bergh's trees and go all the way through with a sweeping study of what's going on from the tree all the way to the consumer, so that we can find out where the slippage is. That study's expected to take from four to six months. It will include a complete overview of the Commission's own operation, my operation, the in-house public relations agency, and food service agency. It will include a review of the advertising agency. It will include a review of what are we doing with 101 packers. It will include a review of "do we need grades and standards?" And a number of things almost inexhaustible from the tree to the consumer.

Now, when we find out those answers, the next thing is that you not sit on your hands, growers; do something about it. I think you've let a lot of your destiny slip away into someone else's hands, and I think it's time that you take it back and make the decisions yourself. No one's going to make them for you. If we're going to get grades and standards, it's going to be because growers decide they're going to want them. Nobody else is going to do it for you.

A lot of these decisions are not going to be popular ones. We're struggling right now with, should we have four and one-half per cent assessment for advertising next year, or should we have five per cent? I

was pleased to hear President Ted Todd — an ex-president of this organization, and ex-chairman of Calavo — speak to my board last Thursday that this is not the time to be cutting down on advertising. Ted referred to it as; you don't not go to the doctor when

you're ill. You don't say, "I can't afford to go;" you have to go.

We're in that kind of a position now, because crop value this year is going to be down to \$91 to \$92 million, instead of \$110 million. We're going to go into next year with a deficit — the first one in history — which we have to make back. Last Thursday, we already had cut the advertising/promotion program by a million and a half. Instead of having four promotional markets — New York, Atlanta, Detroit, and Chicago — we have had to cut back to two, because we simply can't afford to have all four markets next year *even* with a five percent assessment. We had to think about cutting back on the foreign program, which we had hoped to maintain completely, because every avocado that you sell overseas comes off the domestic market — comes off the domestic market and disappears, therefore shorting the supply in this country. I still hope we can retain that. We feel that we can retain all of Japan; but I would like to see us be able to take the entire budget and concentrate on it in Japan, rather than having to cut it.

We will maintain a magazine program next year, with recipes to consumers, that will be running from February on through the following October. You're going to see a drastic change in the *timing* of advertising. For a number of years, we have advertised heavy up front, in the first quarter of the year. It is not improving your per cent of return. We've tried it long enough that we feel that we've got to shift now, and start spending in the latter half of the year — particularly with big Hass crops that are coming along now. We feel that we have also ignored the west too long. We knew that was a gamble when we started putting such a major percent of our money back east where only 15% of the total avocados are sold — Florida included. Eighty-five per cent of them are sold in the western part of the country, and we've been exposed by not doing enough out here.

Next year, we're going to have a major ripening program; and it will be concentrated in the west, because you will get the most value out of a ripe fruit program where you have the most buyers. We know now from marketing research that 92% of the consumers in California are buying avocados. Ninety-two per cent of the families here are buying over a year's period. We think that we can probably come close to doubling their sales if we have an adequate supply of ripe fruit, and I think you in the room would all agree how many people are turned away when they don't get a ripe avocado for tonight.

We're going to maintain a very comprehensive foodservice program because approximately 20% of our fruit is going to foodservice. We expect to increase that next year if possible.

Now let's look at the kind of crop that we're going to have to market, we think, next year; and I caution you that this is only a working estimate, because our estimating experts, like Jack Shepherd, haven't had a chance to work on the figures yet, but it gives you some idea of what I expect that it's going to look like.

Beginning with the Hass crop: 1980-81, we had 272 million pounds of Hass; the next year, 1981-82, we had 183; we estimate that we will wind up marketing this year 250; and the estimate next year is for 284 million pounds of Hass — or the largest Hass crop in history. Fuertes were 93 million in 1980-81, down to 54 in 1981-82, 47 last year, and we are expecting a working estimate of 49 for the new season. Others were 110 million in 1980-81, down to 75 the next year, back up to 108 this past year, and expected to be down to 88 next year. That gives us the four totals of 475 million pounds — the biggest

crop in history — marketed in '80-81, down to 312 the next year, back up to 405 this past season, and estimated 421 million pounds for the New Year — ten million of which will be carry-over from this season. So you have approximately the same size crop coming up in '83-84 that we had this last year, and I think that's advantageous. Having a short crop does not help the industry. We need to have plenty of avocados out there for consumers, and plenty of the best varieties of avocados; and I think you're going to have all of that next year.

We're not discouraged about the outlook for next year, but we do feel a great number of changes are going to have to be made that are not advertising changes. We are making a number of advertising changes ourselves, to try and do those things that we think can improve our own program. And I promise you if we do that, we'll have that permanent rainbow that Bob Bergh described.