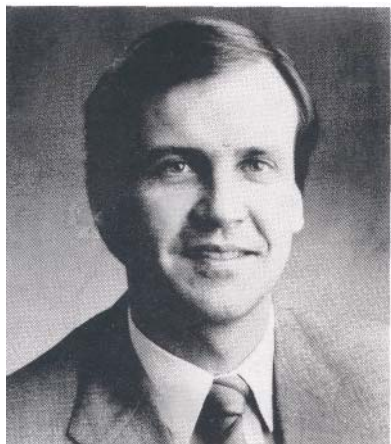


A New Produce World



Mark Affleck

President, California Avocado Commission.

Thank you, Len.

I want to first recognize Warren and Hank for that great honor, and also Harry Griffiths for his work on the production research program. I think they've done a fantastic job in the last three years in getting that program off the mark and more in tune with the needs in the field. So I appreciate that.

You know, it's nice to have a calm atmosphere here today for this speech. The last two times I spoke to this group were under difficult circumstances. The first time it was under the flight pattern at the South Coast Field Station, and then the Thunderbuds here last year, so it's quiet here, and I appreciate that.

But it's not quiet outside, in American business.

In fact, spending the weekend here in this pleasant surrounding, it may be difficult to realize that there is a fast-paced race going on all around us. And it's an important race. It's a race for survival that affects all of us in the avocado business. Simply put, it's a race for the American food dollar. Yes, that race has been going on for years, but today—right now—the battle has reached a fever pitch; and the winners have much more to win than ever before, and the losers have much more to lose.

And it isn't growers and shippers racing each other. It never really was that. It isn't consumers racing retailers. Or consumers racing growers. In truth, the struggle today pits retailers against retailers, consumers against consumers, and growers and shippers of one commodity against growers and shippers of others. And when all of the smoke clears away, the shape of our society, from the way we shop and the way we eat to the

way we communicate with each other and spend time with our families will have changed. And at the finish line is the beginning of a new produce world.

A new Avocado Commission is running in this race, and we intend to win.

And we can win, because we have a wonderful product; and as interest and demand in fresh produce zooms for the stratosphere, we are positioned perfectly to be successful.

But the popularity of produce by itself won't do it. For those of us who endured the 1986-87 season of horrors, we know that short crops and high prices every three years won't do it.

You see, winning the race for us isn't selling six hundred million pounds—it's selling six hundred million pounds and making money. [Applause.] A couple of years ago, I began training for triathlon racing—a grueling 70-mile odyssey of swimming, biking, and running; and I knew it would take two years of training to be successful. And swimming in the Pacific Ocean each morning to train was a character builder—especially in January, but I stuck with it. And in my first race, under one hundred degree heat in Vacaville, California, I kept saying with each stroke, "The race is long, but I'll finish, and I'll win.

And winning the produce race is a lot like that: dedication and commitment for the long term. And it takes short term sacrifices to make that happen. In the produce race, an important first step is understanding the business we operate in—and that environment is changing faster than the speed of light.

Just think for a minute about these developments: A tidal wave of mergers has swept over the supermarket industry and consolidated the business. Today the produce department is being recognized by chain executives, not only as an opportunity for increased sales and profits, but as a way to express a unique corporate image. Fresh produce has replaced meat as a star performer for retailers and a star attraction for consumers.

Supermarkets today can range from 120,000 square foot hyperstores to 12,000 square foot specialty stores. Five years ago, the average produce department carried sixty different produce items. Today, it's 180—and in some stores, 1,000 items. Produce is king.

But the consumer has many choices. Competition. The race goes on.

And in the home, convenience is king. And we have the *ultimate* convenience food—healthy, easy, versatile, and of course delicious too. And in addition to having convenience in our favor, the avocado story is a nutrition best seller. And we need to tell the entire world all about it, since 98% of the people in this country are concerned about nutrition.

And consumer concerns don't stop at nutrition: *Time* magazine recently reported that 75% of the people in this country are concerned about the safety of their food. And handling the issue of chemical safety may well be the largest challenge facing the nation's produce business—ever.

Indeed, federal regulatory agencies appear to be losing both their leadership role and their credibility in the public debate over safe food. The National Academy of Sciences

report last year on pesticides used "worst case scenarios" that bordered on the absurd. The report assumed every chemical registered for use on a crop was used by every grower at its maximum strength, the maximum number of times, with the shortest preharvest interval allowed. That's like saying that everybody drives their car at 110 miles an hour all the time just because their speedometers go that high.

We're watching this issue very closely.

The race goes on.

Media trends in communication are also changing faster than ever before. The trend from mass media to specialized media and targeted advertising may reach a point soon where we have bull's-eye advertising, according to researchers at the Media Lab in Cambridge. These futurists see a personalized TV news program where *you* select the stories *you* want to see. And they say we'll have a computerized, on-screen daily newspaper that knows what you're interested in and what you want to buy. Then it will print out a hard copy for you or give you an audio tape. But my favorite scenario is this: Let's say you're watching the Cosby show and the family has just sat down to dinner. A touch of your TV screen, according M.I.T. scientists, will interrupt the show to tell you what they are eating, where you can purchase it, and how much it cost. Another touch on the screen would end this embedded commercial, and the show continues.

I think you'll agree, it's fast becoming a new world.

The race goes on.

The challenges are clear. The backdrop is set. Are you ready to race?

Perhaps you're wondering what CAC can do to win the race. Well, I've thought about that question a lot, and I know the answer. First, we must adapt to these changing times and take on a new forward-thinking mind set. And we need to off on the wings of pioneers, like Ralph Pinkerton and the venerable Jack Shepherd. And then soar to new heights. And we must have a clear mission, understood and accepted by everybody; and clearly stated our new mission says: we need to maximize grower returns through advertising and engage in industry-related activities that together help create a more profitable market environment. Maximize grower returns and profitability. That's why we're here.

And this statement is more than just a string of words. It's an attitude that drives all of our activities, and a yardstick we'll use to measure our progress. It's a commitment to excellence.

And, yes, this is only the first step. But as I said before, even though the race is long, we'll finish, and we'll win. Our primary goal in this race is to continue increasing consumer demand and consumption. Production cycles are an unavoidable part of this business and will continue, I promise, to present you—and me—with difficult challenges.

Our goal is to increase demand fast, so that future large crops can be less traumatic. And we have looked at supply management. In fact, we've incorporated some of the ideas you heard this morning into our programs. And, importantly, we've made sure that that dialogue remains open, so there's access to the system, so ideas like you heard

this morning can be brought forward and discussed and massaged, and that will continue.

When we took over in March of 1988 with this new approach and a new administration, we came into a situation that was troublesome: turmoil, pessimism, and uncertainty; and the major problem really was these large crops, and I could come up with a list of a hundred problems this industry has, and so could you. But the principal problem, it seemed to me, was that we crashed and burned when we had a 600 million pound crop. So, we set out to chart a new future course; and the first step was to slow everything down, not come up with a specific execution and a plan, but to restore confidence and order in this industry and this business, and to identify the key issues and opportunities facing us all. And, importantly, to provide a future vision for us down the road, and to inspire all of you, and staff, and commissioners, and everybody in this business to want to get it done. And we did that.

And Step Two was a planning process, where we established goals and objectives, and put together a detailed "road map" that will take us there, to the ultimate objective. It's 150 pages, and that's finished, so Step Two was done.

And we went to demographics, so we knew what was happening in this country. The "Baby Boomers" are aging, approaching middle age now. America is growing older. Things change. Things change every two weeks, it seems, in that area; but they certainly change every ten or twenty years, and we need to keep our eye on those changes, and we have.

Step Three is to execute and manage this plan. It's not good enough to sit down and come up with a new vision. It's not good enough to come up with a new plan, with great strategies. It has to live and breathe. We have to make it work. We need to execute and manage and reach for success. And we will do that, I can assure you.

And during the planning process as a group, we agreed to an advertising and promotion focus at the Commission—not to be burdened with all the minutiae that can get into this business, but to have advertising and promotion be there for you.

We also agreed to a three-year commitment. It's not good enough to look at each crop year as a single event, and let the emotion of that crop season creep into the business.

We agreed to move east. Isn't it time we stopped talking about it, and started doing something about moving east? It's going to take a long time, but it's time to do that. So we will have a national advertising campaign—no more regional advertising, a national campaign for the entire country. And then we'll come in with special programs to beef up that plan, that target cities like St. Louis and Cincinnati, Chicago, Atlanta with special programs to educate the retailers and the consumers in that market. Because you can't just show up with a truckload of fruit in Cincinnati. Or you can't fly over the east with ads and drop the ads and think that's going to work. The marketing cycle doesn't work like that. It's an education process. It's slow. And we need to start that now.

We need to push "ripe." "Ripe" works. It sells more fruit, so it needs to be the focus of everything we do on the merchandising side.

And we agreed during the planning process to beef up foodservice. We know that restaurants can provide a fantastic environment for new users. So, we'll do that.

And we agreed to a leaner administration. Heavy administrative costs don't sell product. Programs sell product, so we've cut half a million dollars from the administrative budget.

We've agreed to flexible retail programs. In the past, we were very rigid with the retailers. Now, you can put a customer in a shaker; but the question is, how long can you shake? I say it's time to let the consumer—in this case, the retailer—out of the shaker.

We agreed to a produce orientation. We can't operate in a produce world and not be produce people. So, we've agreed to a new produce orientation.

And we agreed to tackle the nutritional myths in this business. We're on every "hit list" imaginable. It's time to stop talking about that, and start doing something about it—and realize that it's going to take ten or twelve years to get it done. There's no better time than now to start.

We agreed to an overall strategy that says, in a short crop year we'll have an advertising focus—short meaning anything under 400 million pounds. In a medium crop year—400 to 475—we'd have advertising with some promotion. And in a large crop year—475 and up—we would have advertising with strong promotion.

Importantly, during the planning process we agreed to specific objectives, so that we were accountable to you: Cents per pound up 8% per year. Dollars up 8% per year. Crop value up 10% per year. And 20 new accounts on the "ripe" program. Those are measurable, and it's accountability.

We agreed to defined market categories. In the past, we had categories like "developed, under-developed, moderately-developed," and no one—including me—knew what that meant. So we sat down and came up with some new nomenclature: "base, expansion, and foreign." Nothing's completely developed. The west certainly can be considered a base. Expansion markets in the east are certainly "expansion." We have sub-categories under "expansion," but those are the principal categories. And "foreign" is obviously a growth market.

So we charted a new course. It's a three-year journey. And we're proposing that we have steady spending every year. You see, you can't take ten million dollars like we did two years ago, and throw it at a 600 million pound crop, and expect it to work. It doesn't work that way. And then we came back to the table a year after that, after leaving fifty million dollars on the table, and said, "Well, since we just lost 50 million, let's take the budget to five million now." We can't afford to do that any more. We need to have steady spending, year in and year out, that looks past the short term problems and builds for the future. We're not the bomb squad. We're not fire extinguishers. We're architects. We're bricklayers building a foundation so down the road we can have a better future. When we came up with our proposed spending over these next three years—eight million dollars per year—we didn't just say, "Well, let's spend eight million dollars;" we went through a five-month planning process to see what it would take to get your job done. And that number's eight million dollars.

We have virgin markets, untapped markets in the east; and that takes money, it takes education, and it takes hard work.

So, with all that planning done, you need to ask, how are you going to make it happen?

We're going to make it happen through programs. The consumer advertising program is hard-hitting. It has an every day focus. The positioning is healthy, versatile, and approachable. Public relations is going to move east and sing the avocado song to everybody. We'll have strong consumer promotions now. In the past, we've let that opportunity slide by because we wanted to be too strategic. Let's just make a lot of noise and try to introduce our product.

We've agreed to beef up the foodservice program, where we can try to build that market and take "light users" up to a higher usage category.

And on the foreign side, we need to move into those markets fast. We know that it works. We know it provides market relief. And the opportunities are everywhere. In the early days, in 1976, it was very expensive to develop those markets—two or three hundred thousand dollars for us would yield maybe a two or three million pound crop into that foreign market. Today, with four or five hundred thousand dollars of spending on our part, we may move 50 or 60 million pounds now, so it's cost efficient. It takes a commitment from the shippers, and it takes a commitment from you to make those foreign markets happen. Two shippers are in this room today that have done that: Calavo and Eco. They've made a commitment to the foreign markets because it works.

So, the challenge is to be steady every year. We can't wait for 600 million pounds and then dial everybody up in Europe and Japan and say, "We've got a lot of fruit, will you take it?" We need to build that market year by year, establish relationships with those people, build the infrastructure, so that when we do have a big crop,, they'll be there to help us. The focus countries are Japan, Europe, newly-opened Korea, and the fast-exploding Canadian market.

Industry affairs is a very important part of our business—and it needs to continue to be an important part of our business. But we've got to stay focused on communications and statistics, because you need to know what's happening, and I need to know what's happening. And we also need to keep our eye on lobbying, so that these borders are free from pest-infested imports. The specter of a geo-political trade deal selling out our industry constantly looms. In fact, there's a battle raging right now. Tomorrow morning, I leave on a plane for Washington, DC. with Charley Wolk to testify at a federal hearing regarding a proposal to eliminate tariffs on tropical products coming into the United States. Avocados are on the proposed tropical products list. Here's a short excerpt from my testimony:

"The past seven administrations prior to this one have all insisted that any product grown in commercial quantities in the United States cannot, by definition, be tropical. We should not depart from that position. Significant quantities of avocados are grown in southern California, Florida, Chile, Israel, and other non-tropical climates. Supporting these policy and definitional concerns is the plain fact that the United States avocado sector is too import-sensitive, the U.S. market too vital, and foreign producers too export-competitive to consider allowing avocados to remain on the tropical products list for preferential tariff treatment." The testimony continues on.

"An incursion of imports displaces U.S. sales. Although import levels are still a small percentage of total U.S. production, the clear trend during this decade has been toward increased import levels." And with due respect to my good friend, Ramon. . .

"Special note should be made of Mexico. Although the world's leading producer of avocados, that country is subject to United States phytosanitary ban of fresh avocados due to the presence of seed weevil in its crop. And Mexico has repeatedly pressed for a lifting of the ban despite abundant evidence that the seed weevil pest is still present. That government which uses any and all opportunities to raise that issue should not be allowed to use the tropical product negotiations as a forum for reasserting its quarantine position." I'm hopeful we'll win *that* race.

Another political fight took place two years ago, when there was a move approved by our own state government, to allow Mexican avocados to transit through California. Our industry's protestations yielded little action, and the deal was done. But I knew that race, though long, could be won; so we pressed on, and against seemingly insurmountable odds prevailed at the eleventh hour and overturned the decision with a federal ruling.

So, we can win the political races, but we must watch government affairs closely. The race goes on.

We have a tough job ahead of us, and I don't have a magic wand or a white horse in the stable. This reminds me of my days in college, playing defensive back. We'd be watching films for the next opponent, the defensive backs—the four of us—would sit there and look at the films and the fullback, crashing through, and we'd all just say, "This is ridiculous. Is there anything new we can do for this?" And Coach Fritz Newman would say, "No, there's nothing new. You just go in there, sell out, and knock his head off, and then get up and pretend like it didn't hurt." And so we did that. And the hardest part of all was not running in there and selling out, but getting up and making sure that he thought that it didn't hurt.

So, this test is a little bit like that. We need to hang in there when times get tough. The test is in our mettle: your strength. . .my strength. . .your commitment. . .and my commitment.

Are you ready to commit to a three-year plan? Are you ready to keep racing when your legs are tired? Are you ready to hang in there when times get tough. I know that some of you are. But some aren't.

In fact, I had a conversation last week at our board meeting with a critic—a long-standing critic, who is down on just about everything in this business. He has no confidence that the future will be better than the past. And after expressing a constantly negative tone, I jumped in and told him about our new vision, about our new plan, and about our new energy. And he changed his look. Believe it or not, for the first time in ten years he cracked a faint smile of optimism; and encouraged, I told him to join us, to stop complaining, to stop undermining everything in this business, to join the team, and come aboard, and help us make something happen. As I walked away, I reminded him that the race is long, but we'll finish, and we'll win.

Thank you very much.