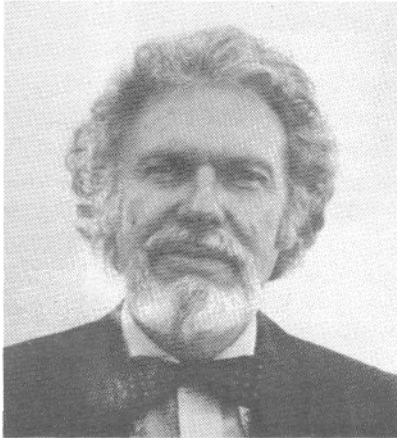


Excellence: The Road to Profitability



Warren Currier—

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In 1962, when the California Avocado Advisory Board (CAAB) was born—in pain, as seems to accompany all births, it moved swiftly to the forefront in produce marketing. If the board wasn't leading the pack in every way by 1972, it was seen so in enough ways as to be considered a leader. Now, California growers of produce of almost every kind and nature have taken advantage of the Marketing Order or the Commission form to bring their item to the attention of the public and the trade. Today, the avocado industry in California is represented by the California Avocado Commission (CAC), a better form of organization with more flexibility than CAAB, to carry out its mandate to bring better returns to growers.

CAC has gone through two changes in leadership, the first of which brought us down from our place of leadership in the eyes of the trade. A restoration is now well under way. The industry has a program calling for level spending over a three-year period at a level high enough to make reasonable headway in building demand via the conventional *troika*: advertising, public relations, and promotion.

Restoration is not enough, if our goal is leadership and innovation. "Operation Humpty Dumpty" won't get it where we need to be, even if it was a success.

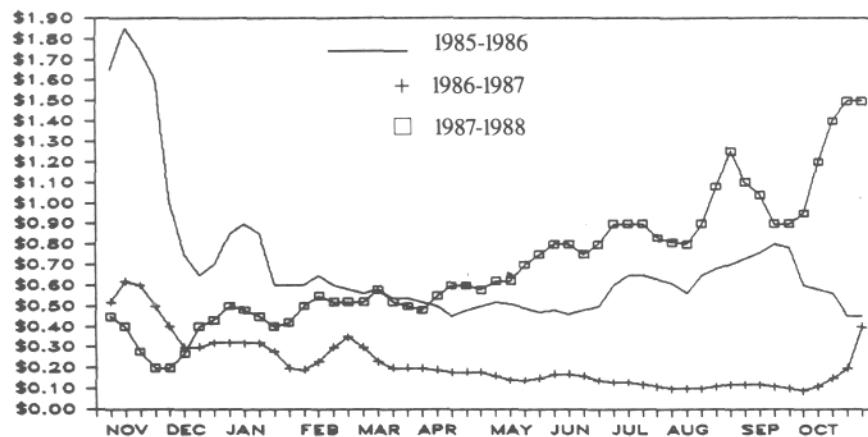
Almost daily, evidence accumulates to reinforce a growing feeling that the avocado is about to burst on the scene as a world commodity. If California growers are to get their share of the growing market, it will be because their fruit is seen as a better product, not because they are the lowest-cost producers. More than market share is at stake. Profits to growers is the real goal.

What would it mean for California to be the best and to be recognized as such? That is a hard one to call; but there is, I believe, a suggestive example to be had from the Florida lime industry. Florida is able to get premiums for its limes over the Mexican product in nearly all major lime markets. These premiums can be from \$1 to \$3 a lug, and can amount to 10-30%. Chains simply see that with the Florida product they get better shelf life and less shrinkage. The premium in price per lug turns into a cheaper product for users, since the retailer gets more gross dollars per lug—an increase which more than pays the extra cost of the fruit.

The California avocado industry has an opportunity to make its product more "user friendly," to borrow a computer term. To arrive at the point they want to reach, growers are going to have to make changes in the way they grow, harvest, and sell their fruit. They are going to have to do what Tom Peters reported in *In Search of Excellence* and *A Passion for Excellence*. They need to get out and talk with their customers. The last time this happened was on a trip set up by the Commission when pairs of growers and handlers met with buyers all over the country. It should be done again, since it is the only way for the grower to talk to the guy who gets his product and to understand his needs and how to serve them better.

On top of the list will be consistency of supply and less fluctuation in prices. You have only to look at the chart with this article covering the crop year 1987-88 to see how wildly prices fluctuated. Don't for a minute think that steadier prices means giving up a better total return. Probably, the reverse is true. Wide price swings inevitably mean that the largest quantity of fruit sells at the lowest prices, and so work against growers. When chains can plan, set ads, and work promotions with assurance of supplies and prices, they can sell more of our fruit and can do it on lower margins. As the chains have grown in importance and become larger, their lead time for ads has gone from one week to up to three weeks. Slower reaction time can tend to increase the amplitude of price swings.

FIELD PRICES — HASS
(dollars per pound)



Identifying a problem is the easiest part. Taking action to correct the error is a good deal

harder. It is nearly a given that the individualism of growers rules out a harvest and marketing plan requiring discipline. Some have thought that the establishment of one large cooperative would be the solution. It might be, if the co-op could control harvest. Using the only example we have in the U.S., Calavo has historically been unsuccessful in controlling harvest. Recent actions at Calavo indicate they understand the problem and are attempting some form of correction by financial penalties for those not conforming to the "plan." The problem with this is that non-Calavo handlers will take fruit from Calavo members when Calavo won't take the fruit. No, the problem is truly solved only when the grower community as a whole recognizes what is needed and shows a willingness to act. This is largely a matter of education, but it can be a matter of organization. The Salinas Valley Lettuce Growers Cooperative may be an example of this. Major growers/handlers have formed a "super co-op" which acts to control some of the worst aspects of unbridled grower individualism. This could be the fallout: greater grower understanding of some of the essentials of marketing.

Attacking the quality problem will be just as intractable, though it is likely growers will be quick to respond if they are finding others taking our markets based on quality. We would be wise to address the problems before we have lost market position, but wisdom is not the hallmark of the California grower community taken as a whole. Already, Israel, South Africa, and Chile seem well aware of the quality issue. This is not because they are wiser than we, but because they live or die based on exports. The California grower can and should see to it that production research activities take on more of these quality concerns. They would include all the grower issues of water, fertilizer, picking temperature, and field precooling as they affect the quality of the product in the hands of the final user—the retail consumer.

But there are other problems, such as determining over-maturity, which will take a major research effort, probably at the university level. There is a good omen in the Gwen Growers Association's request of the CAC for research on over-maturity of their fruit. As this is written, there is no indication that the industry is ready to move. In fact, there has been a distinct indication that many would be glad if interest in over-maturity would simply go away.

For years, the California avocado industry did not put the emphasis on the needed refrigeration capacity at the packing house. In recent years, that has begun to change; and there has been a greater emphasis on refrigeration. This may be due in part to greater demand for ripened fruit, which necessitates better refrigeration to provide the best product.

Earlier, I made a passing reference to production costs, suggesting California may suffer in that regard when compared to producers in other countries. The one place where California remains the unchallenged leader is in the development of new varieties. There is a great deal of evidence that new varieties coming out of California will give all the fruit quality we have come to expect from Hass, and at the same time increase productivity. If California keeps this lead, or adds to it by instituting better cultural practices required in growing a plant in a climate to which it is not native, differences in production costs will not be a significant factor in California international competitive position.

There is a current debate on the value of the count-fill box and its relation to arrival quality. It seems well established in other produce items such as peaches, nectarines, and pears that a "tight-fill" pack will arrive in better condition than a place-pack in trays or Pantapacks. One needs to be careful in making comparisons with sugar-rich fruits. The oil-rich avocado has different properties needing special handling. One problem in avocados is that the count-fill doesn't immobilize the fruit; and secondly, the foodservice trade needs either a tray pack or flats if they are to take care of individual fruit inspection—not economical in a count-fill box.

Both Calavo and Sun World have undertaken extensive tests of the count-fill box and have found that arrivals at distant destinations are as good as or better than with the traditional tray pack. Objectors to the count-fill box within the avocado handling industry admit that it may perform as claimed, but they point out that the new box goes on a 40"x48" grocery pallet of 90 cartons with a center core of boxes with no outside ventilation, requiring much better refrigeration not only at the packing house but also at distribution centers and chain warehouses, if the claim of equal or better quality is to hold up all the way down the distribution system.

This essay was conceived as a piece on the evils of wide amplitude price fluctuations—their detrimental effect on retail movement, chainstore interest, and poor returns to growers. It has ended up as a testament to—or better, a prophecy of—the coming demand for quality and its importance to grower profits, and as a plea for foresightedness in preparing for the world as it will be within the next five years.

Come to think of it, they all fit together: pricing discipline, product quality, and enlightened foresight.