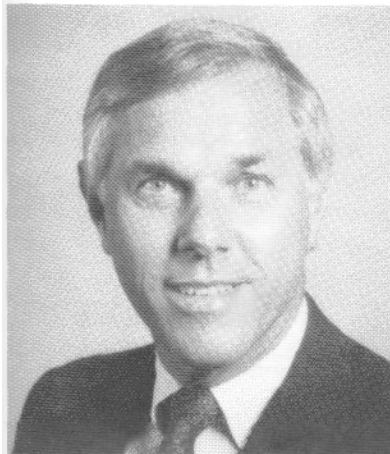


Destination Prosperity: Freeways and Roadblocks

Allen J. Vangelos

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The "Road to Prosperity" will start when we figure out how to turn on the [overhead projector]. It's really getting more difficult to run a business and motivate people. I came over here this morning, and I don't know...

Stand up for a minute, Carlos. Carlos Vasquez is our southern regional director of our field operations. He does a fantastic job for us, managing our field people and coordinating production and all that. But I came over this morning; and I said, "Carlos, would you mind putting our transparencies on for this presentation?" And he said, "That's not in *my* job description." So, how do you motivate these guys? So I said, "Tell you what. I'm going to make you senior vice president of overhead projection for the day. What do you think of that?" He thought; he said, "Well, what's my career path? Where do I go from there?" So, I said, "OK, if you do a good job today, we'll make *you* president of overhead projecting." So, you [the audience] might evaluate him. If he does a good job, we'll make him president. If he doesn't ... he's out!

Couple of comments I'd like to make.

Bob Vice, one of the things you *don't* know that happened yesterday in Washington D.C., that you'll be pleased to know, is that the United Fresh Fruit and Vegetable Association, which is a *national* association representing fruits and vegetables all over the United States, passed a motion to totally support Proposition 135. Now, we can do it two ways: with money, or we can do it by spreading the word. One of the things that we found out in Washington: it's not just a California issue; every legislator in every state is

concerned about it, because they'll have the same problem with shipping fruit into California, as we will producing it. So UFF&VA is going to put out a very strong direct mail campaign, not just to California, but to all of agriculture in the United States encouraging donations to stop [Proposition] 128 and support [Proposition] 135. We think that will have another effect beyond the borders of California.

The other couple of things I mentioned...

I think Larry gave us a good idea, Mark Affleck [Avocado Commission president]. We ought to have a new theme for theft, that is "Prevent Theft; Grow Ugly!"

One other quick comment is on future ag leadership. There was another program that was announced in Washington yesterday called "Future Leaders in Produce." This is a program that's going to help encourage young people into produce particularly in agriculture, to get them to thinking more about these opportunities. The way it will work is, if somebody has a son or daughter—and it could be anyone in this room—who's interested in agriculture, just gotten out of Davis or something, but wants some on-hand experience, this program will allow you to send your child, or your employee out to agricultural areas for some on-hand experience, to take a look at it, to be a part of it, to further their education and understanding of it.

Okay. The subject that I was given was "Destination Prosperity: Freeways and Roadblocks." What I think I will do to cover this is not try to tell you what you *want* to hear or what will make you feel good, but cover some subjects with some exhibits that will outline what has happened in these areas of opportunity and roadblocks to give you something to think about; and then, I'll speculate a little bit on the future—where we'll go from here, as we see it; and from this I hopefully will give you some things to think about, to debate, and to discuss later on.

I think the first thing we have to do is take a look quickly at where it started or where it's going. If you go back to the beginning when this industry started 'way back in the 1800s when the first tree was planted, and then you come forward to about 1960 when we saw the first increase to about 19,000 acres in the industry, you move forward another ten years to 1970, and you can see where the industry then went up to about 80,000 acres. So, you see we came from nothing in the 1800s to a very dominant, sizable industry in the 1970s, reaching a total of over 80,000 acres in the state from the San Joaquin Valley to San Diego.

Some of the things that we see as this industry has developed is an industry that has the ability to meet a demand level between 450 and 470 million pounds and to make money. And we've demonstrated that, and we know what happens: if the volume is higher than that, the prices go down; if the volume is lower, it goes the other way. We've also seen a market developed for 25 to 50 million pounds of fruit to go overseas to the foreign markets as long as there's a price range somewhere in the \$20-\$25 area that allows them to take it over with the freight and be competitive.

One of things we do know: that 450-470 million pound level has not been met in the last few years, and that's created a lot of encouragement by our friends south of the border. We look at the current statistics of the acreage, and we see a number that we all had, I guess, imbedded in our mind, is 75,000 acres, dropping. And the most recent [California

Avocado Commission] estimate is, I think, around 68,000 acres. But we don't really know if that's even a good number, because we don't know if those 75,000 acres we looked at in the past were really bearing acres, or whether some of that was statistically in the numbers, but realistically not acreage that was bearing.

We also project—and you're going to see some projections that are more mine than anybody else's—a further decline to about 60,000 acres by 1991 due to the unfavorable economics in some areas of growing avocados—the housing pressure; and then we're even speculating it could even go further in decline to about 55,000 acres in 1995 due to the same reasons we continue to talk about: urbanization, root rot, and increased water costs.

We can talk about this opportunity, but if we look at the areas avocados are grown in—from San Diego to Orange County, from Los Angeles up to Santa Paula, Santa Barbara, the prime areas of Goleta, you can't challenge the fact that those are very prime real estate areas; and as you drive along, you see what's happening in those areas. And that, coupled with increased water cost, obviously gives us pause to think in some of these areas the inevitability of people moving from agriculture to land will happen.

We took a look then for you to see what are land values, and I would think as you sit out there you will agree that these are very conservative land values; but this is based on a real estate audit taken in both areas, and it's obviously an average; it's real estate in agriculture that's sitting on a hill on an 85-degree angle right down to the flatland where avocados are grown. But the statistics that were given to us by these California real estate boards said that the land value in Ventura County, right now, ranges somewhere in the \$15,000 per acre, and the character, or trend, of this is obviously upward. Nobody sees that going down, because the demand is strong, prices are stable, and there is strong pressure from this urban encroachment that seems to be going on. San Diego County, more of the same. The range—and it is probably a very conservative number for down here—is somewhere between \$10- and \$15-thousand; but the trend of this land is obviously strong for many of the same reasons.

We took a look at the trends in nursery stock. Hank Brokaw was very, very helpful in surveying all the various nursery people in the area to try to get some sense from them as to where this is going. So you can see, if you look at this trend in commercial orchards, trees sold and planted, you can see 'way back in the 80s, during the boom years when we were in this 80,000-acre industry, the number of trees that were then being sold and planted. An interesting thing you can look at, as you see this industry change and mature, is look at the relationship in 1980 of Hass sold, versus other winter varieties sold. They represented, the other varieties, about 33 percent of the total. Then as you come down to 1989, you see what's happened: they represent about nine percent of the total trees sold. So, we're seeing the industry move more and more in the direction of Hass, and the speculation by these nurserymen is that they don't see any real growth based on their part of the industry, and that's selling the trees.

TREES SOLD AND PLANTED
FOR COMMERCIAL ORCHARDS

YEAR	TOTAL TREES SOLD	HASS SOLD	OTHER WINTER VARIETIES SOLD	OTHERS SOLD
1980	447,054	323,000	105,734	18,320
1981	385,094	278,905	89,789	16,400
1982	331,618	247,731	67,087	16,800
1983	218,265	168,939	41,076	8,250
1984	178,320	136,518	36,302	5,500
1985	108,889	85,537	15,652	7,700
1986	121,388	103,005	13,758	4,625
1987	92,252	77,944	10,958	3,350
1988	96,112	81,482	12,000	2,630
1989	103,619	93,242	8,677	1,700
1990 *	82,100	69,500	10,250	2,350
1991 *	83,650	71,000	10,450	2,200

* ANTICIPATED SALES

When we look at some of the other pieces of it that you deal with every day, one of the things again that we know about, we look at a current production cost of about \$1200-\$1300 per acre depending on location, depending on service of debt, depending on the other isolated things that you know about and you deal with. We're looking at increased water cost and decreased availability. We think that has some limit and will threaten some of the current plantings, particularly in the south and the Goleta areas. When we look at Santa Barbara with their extreme water problem now, and north, and we hear of people down here drilling wells down to 1,000 feet trying to find water, we know that we do have some sense of a problem. Labor and wages we think will typically increase because that's California, and California is a high-cost-of-living location. In fact, agriculture in two states of the United States are the highest: one is Hawaii, one is in California. We recently heard of an announcement by a major company in Hawaii saying they were going to discontinue completely pineapple production on the island of Lanai—14,000 acres of pineapple they say are going to go out. They said economically it just isn't there any more.

We're also probably going to see the other inflationary factors take place in fertilization equipment and materials, and where we have these oil-based products, obviously we're going to see even a higher acceleration of those costs—perhaps short term, but nevertheless they will be there.

We see the possible threat of the Medfly as a host greatly increasing the cost to growers. By that I mean, if the Medfly is *not* controlled in California, and there's good reason to believe that it perhaps will not be, the cost to particularly avocado growers and citrus growers will go up considerably in controlling that pest in their fields. The University of California recently did an economic study on the impact of the Medfly, or fruit flies, to California's agriculture; and it is sizable. Tree crops, in order to control and

contain it, you'd perhaps have to spray 26 times a year on avocados. You would have to spray 20-some times a year on citrus. For any of these crops to contain it, plus the fumigation plus the other things that would go on it. Another concern.

We talk about water, and water as a resource in California as well as the world is very dear. I was at the University of California at Davis about four or five months ago, and they said the next consumer protest in California isn't against pesticides, it isn't against malathion; it's probably going to be water as a major issue for some of the reasons that Bob Vice already covered with you. But then when you read articles that came out in the Orange County paper not too long ago about Boswell, this big cotton grower up in the Valley who they claim is purchasing subsidized water to grow cotton, a subsidized crop, that the consumers in this state obviously are getting a little concerned about those things. But just look at the water availability, and this is just one part of our state. You can see a trend taking place. You can see the historical drought dips over the years going back to the 1880s, and this is all a matter of record. In the lower half, you can see the demand curve for water in Ventura County over those years. Well, even when you've had droughts back in those past years, the demand never did come up to the level to cause a problem. Now if you watch, and if you believe these are patterns in our state, and you see those peaks and valleys, and you can see the peak that we're currently dealing with as we're in this drought in the '90s; and if history repeats itself, and only the Lord knows whether that will happen, but you can see we're on a collision course in that area in particular with water, because obviously the demand continues to go up and if the drought cycle continues, it's a problem. Let us hope that isn't a scenario we look at as we look back five years from now.

Now obviously we talk about urbanization of land. We know it's happened, but this maybe more typically illustrates how it's happened. Take a look at Los Angeles for avocado groves back in 1965, when you had 2,000-some acres—not a lot, but it was there, it was around. And then you can see the projection: obviously, 1995 is zero. If you look at Orange County, it goes from 14 [hundred acres] to eight [hundred acres]; and the day that the Irvine Ranch makes a decision, that 800 will probably drop to 150, because a lot of that is their very own property which obviously has a good option for them to develop, and they are in the business of developing, not in the business of farming. And then you see the same trends for Santa Barbara and you see the same trends for Ventura.

Water history helps us plan for the future

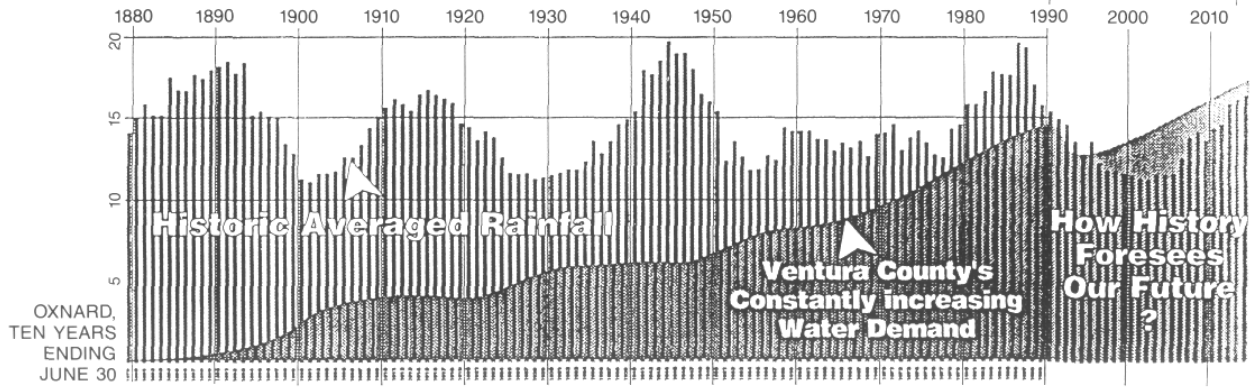
What happens if it takes the historical average of 15 more years for Ventura County to climb out of this drought?

In 2010 will we always be playing catch-up in the best of years? And then what?

Running ten season averages in inches of annual rainfall

Yearly rainfall statistics from, Data on Climates and Plant Climates of Ventura County by R. A. Brendler, Farm Advisor U.C. Cooperative Extension

Will our rainfall history repeat for the fourth time in a row ?



Source: VCEDA Business Action Alert

Date: April 30, 1990

CALIFORNIA AVOCADO INDUSTRY TRENDS

GROVE LOCATION AREA & COUNTY	1965	1975	1985	1989	1995
<u>South</u>					
San Diego	11,981	18,463	36,843	36,039	28,642
<u>Mid-Counties</u>					
Los Angeles	2,010	517	615	59	
Orange	1,424	1,136	1,675	1,771	846
Riverside	427	4,546	8,518	8,874	5,077
San Bernardino	120	151	126	0	
Sub-Total	3,981	6,350	10,934	10,704	5,923
<u>North</u>					
Santa Barbara	2,281	4,369	7,730	9,688	6,769
Ventura	2,720	8,557	16,596	14,355	10,154
San Luis Obispo	1	502	804	1,489	1,269
Santa Cruz	8	79	58	0	
Sub-Total	5,010	13,507	25,188	25,532	18,192
<u>San Joaquin Valley</u>					
Fresno	39	261	418		
Kern	0	113	173		
Tulare	65	870	1,802		
Sub-Total	104	1,244	2,393	2,200	2,115
<u>Other Counties</u>					
	3	10	39	127	127
CALIFORNIA TOTAL	21,079	39,574	75,397	74,602	55,000

Source: Economic Trends in the California Avocado Industry, 1987, U.C.

9/07/90

So we see a continuing increase in the Hass acreage to reach 88% in 1995; and again if you tie it back to what the nurserymen are telling us, that all seems to work—resultings of new plantings of Hass, resultings of topworking, and obviously more favorable returns from that versus the other varieties. We see the San Joaquin staying about the same, maybe going up a little bit, but pretty stable up there. And then when you see the Pinkerton and Gwen growing as alternative choices to the Hass, as they both become more mature and more and more accepted.

CALIFORNIA AVOCADO INDUSTRY TRENDS

VARIETIES/YIELDS

- Varietal Breakdown

	<u>1988</u>	<u>1991</u>	PROJECTED (%) <u>1996</u>
Hass	79%	85%	88%
Fuerte	6%	3%	3%
Bacon	6%	5%	4%
Zutano	4%	3%	2%
Others	<u>5%</u>	<u>4%</u>	<u>3%</u>
 TOTAL	 100%	 100%	 100%

Date: April 30, 1990

So when you take a look at it, out of 1991 to 1996 you can see Hass growing from 79 to 88 percent, and you really see no growth in the other varieties. They will be there. They will be there as a percent of some peoples' mix for many reasons: environmentally they'll be up in the Valley, Zutanos will be there unless other hardier strains can be developed. But basically what you're seeing is an industry evolved more and more into the Hass arena.

CALIFORNIA AVOCADO INDUSTRY TRENDS

GROVE SIZE

- Current Breakdown

<u>Size Acres</u>	<u>Total Acres</u>	<u>% of Acres</u>	<u>Total Growers</u>	<u>% of Growers</u>
0-10	13,618	18	4961	79
10-25	12,525	17	787	13
25-100	20,348	27	443	7
100+	<u>28,968</u>	<u>38</u>	<u>95</u>	<u>2</u>
 TOTAL	 75,459	 100	 6,286	 100

- Small growers likely to stay due to non-financial reasons.
- Medium size groves may face difficult financial problems as per unit costs increase.
- Overall, average grove size will increase.

Date: April 30, 1990

Also, we're seeing a consolidation in this industry, and I'll cover this as I get to my final projections; but as you take a look at this chart, if you'll look at the second column—percentage of acres. What that says is, 65 % of the large acreage is in the hands of nine percent of the growers. So you've got a majority of the volume right now controlled by a few people. We think you'll still see small growers likely to stay—not for financial reasons, but for life-style reasons. We'll see medium-size growers facing some real difficulty and financial problems as their per unit costs increase in coping with the efficiencies that are going to be required to be good, to be competitive. And we think that the overall size of the groves will continue to increase as people get more involved in leasing as well as acquisition.

Now let's go to another subject that's obviously one that we all think about, talk about, and fear, that is Mexico. Why Mexico? Why is it sitting across from our border instead of across from somebody else's border? We have to deal with it.

They are the world's largest producer. They are gaining rapidly in learning experience. The image of the Mexican grower that we may have had twenty years ago—that I had—believe me is not there today. They are young, they're well educated—they've gone to U. C./Davis, they've gone to Cal-Poly, they've gone to Cornell; they're multi-lingual, they've traveled, they can talk to you about the European markets as well as any of us can in this room, they can talk to you about what's going on in Japan, they know the currency exchanges better than we do. They are there. And they also feel that today they fill a very important export window.

On top of that, we have other things going on in Washington, D. C. that we're all aware of, and then there's a free trade agreement that is very, very top of mind with everybody back there, having just come from there. But it doesn't even stop there. I think the people back there vision eventually a free trade agreement with the Americas. In a sense, our economic community is going to be the Americas and Canada to compete with the Far East and with Europe. I certainly have no insights to politics in Washington, D. C., but the people that you talk to when you're trying to get the flavor of these things say that that free trade agreement will eventually go forward.

Some of the politics that you see in Mexico right now, as we continue to study and try to understand this, is about ten shippers—there's always more, smaller and bigger. They're a very fragmented industry. There's absolutely no unity whatsoever in that country that we're aware of. We don't see any structured co-ops, we don't see anybody working together; we just see a bunch of people getting up in the morning, going out and trying to do better than the next guy. Except on one issue: and that is their desire to sell product in the United States. They do have unity there.

They have intense competition just like we do right now for the purchase of quality fruit. It isn't all good fruit. They're looking for that. They have a loose export organization; they really don't have any strength there, yet. They're talking about trying to do things, like controlling their shippers with some kind of certificate of origin that would give people a good feeling about this. The Israelis went over there and tried to have their presence felt. As I understand, as of today that packing house is closed down. They were accused of coming in, trying to disrupt the Mexican avocado industry by shipping

product to Europe at prices lower than anybody could handle. Three years later, it is sitting as an empty packing house.

You should know, they have our own U. S. agriculturists lobbying to get those doors open. Kiki La Garza, who's a very powerful man in agriculture in Washington, D. C. happens to come from Texas; and if that border opens, his state happens to stand to gain a lot of economic benefits by the crossings of all those hundreds and thousands of tons of fruit that would come across there. He's a friend of theirs, and works hard to see that free trade will be a reality some day.

I mentioned the free trade agreement. The other thing that seems to be growing is the strong desire to be in processing in Mexico. The list I've given you is the current one, but it's like anything else: the menu changes daily as more people look at it as an opportunity; but there are several companies in it now, including some companies in the United States: Simplot, Mission. Basic American Foods is a new entrant, a very, very sound company, a company headquartered in San Francisco that has a strong selling organization, strong financial backing. They're already in Mexican type of food, such as refried beans and salsas, so this is a natural extension for them. They are down there also as one of the players. There'll be a fallout; they're not all going to make it. A lot of people are going to get in and out, but they're probably going to mess things up pretty good while they're there because of lack of understanding. But we think that, too, will pass.

Just quickly, taking a look at where some of this goes.

Just to give you an example, Mexican production that year [1987-88] was pinpointed by someone, and I can't tell you ... when I say "someone," it's so hard to really know what their production is, because there are no formal statistics like we have at the Avocado Commission. But the number was put at two billion pounds; and you can see what they've done with those, as far as dominating the European market is concerned: 18 million pounds into France, and they're starting in Japan although they are very small, some into the U. K., a lot into Scandinavia. You can see the Spanish production that somebody mentioned earlier will continue to grow, Chilean production—pretty dominant, and as we know this year will be even more dominant here; and those markets that we're exporting into—they're importing—are good markets, and they have elasticity, too; and there's great growth opportunity in the Far East for avocado.

So, quickly, some of the things we're looking at—we'll look at problems and opportunities here—will be problems in declining acreage in California, down 26%—again, this isn't an official number, this is a projection that I looked at—to 55,000 acres. The good news is that Larry [Rose] and others are working on increased productivity to make those acres yield even more avocados than today, and that's the exciting part of it.

Increasing water problems in our state as we go into this fifth consecutive year of drought. It will pose major problems, certainly for the people up north, and the people down here, also, who are dealing with high water costs.

We're seeing fewer but larger growers in the long term; and the increased urbanization poses continuing problems of water, labor, and farming practices such as spraying,

waste disposal, etc.

On the positive side, we see a growing domestic demand for the consumption of avocados. If you look at our per capita consumption number, it is small; and it is only small because we haven't had the ability to fully supply that market. And the good programs that the Commission has been putting forth the last three years have been really under-utilized because we haven't supplied that market. So I'm going to give you a projection in a moment here of where I think that could go, but we know it can be much bigger. When we look at Mexico, we see 18 pounds per person; so when that border does open, it doesn't necessarily mean that everything moves north. A lot of it has to be consumed there. We still see foreign markets as an opportunity, but it's a price-related market, that they can only take it up to a certain price level: today, \$20—maybe five minutes from now, who knows, it'll be a \$30 market.

For the people that are in agriculture, who have land and who have something to leave as an estate to their families, we see a stable and increasing land value. We don't see that declining in these areas. We see a good probability of increased yields among commercial-size growers from the things that Larry talked about and other people are working on, and the varietal development of root rot research which we think will move ahead and correct itself, and improved postharvest methods. All these things we think are going to be very positive for the industry to let it move ahead.

Now, finally, let me make some forecasts. Now these are things that I don't want you to assume are statistically right. It is how they look from my vantage point, and to other people that I've talked to. You can agree with them, or disagree with them, but let's look at them one by one.

- Industry consolidation. We see more and more growers, more large growers, even more corporate growers—by that I mean the Limoneira-type companies or corporations that are in agriculture, than we do smaller. And the only other ones we see, long term—I'm going on like five years—are the life-style growers: those of you that have your acreage, you want to keep it, it's paid for, you enjoy the life-style, you enjoy the industry, and obviously you're hopeful to make money, but you're probably not going to make economic decisions on that as somebody else might make.

We see the industry emerging with fewer handlers. This industry ... if you add up all the packing houses and their production is way in excess of what this industry needs now and in the future. We at Calavo closed one of the plants. We've looked at others because we know that the productivity going through these plants will increase with automation and know that there's going to be fewer, because people just economically aren't going to be able to make it as they have in the past.

We see the farm managers merging into fewer but stronger, and part of that because of the ability to control land with leases. Their destiny is going to be more in their own hands, as it should be. They're not going to rely on the hope that twenty-thirty growers are going to like the way they farm manage and stay with them, or have to deal everyday with the uncertainty of somebody saying, "Well, I'm moving to somebody else because you didn't take care of my weed control right." So you see more and more leased land going into that area and into the hands of farm managers.

We see fewer controlling more in all segments. As for our retail customers: "larger, and demanding more." The same thing is happening there. Our retail and foodservice customers are going the same way. They're getting stronger. They're consolidating. And they're demanding more.

There are a lot of words that we've been hearing we've been afraid of, and those are words that are used in the grocery part of our industry; and that is where somebody brings in a new product in the grocery area to Ralphs supermarkets. The buyer says, "I'll take that in, but you'll need to give me \$25,000 to start. And then you need to have it move very well in the next ninety days or we throw it out and you pick it up." Those are profit centers in those supermarkets, and they seem to be moving in the direction of produce, so the demands on us will be greater, as these people become larger and more powerful.

Next point.

- When you look at the economics, and we've done some good analysis of taking raw land today, putting it into avocados, waiting for your return of a few years out. I'm not saying it won't be done; I'm saying it must be very discouraging as an investment, as an economic investment, to look at putting new raw land in, particularly in the areas where avocados seem to grow.

Next point.

- Fruit fly issue. This isn't a fact, so please, when you look at these things remember that these are just ideas for you to think about. Fruit fly will become a pest in California. The reason I say that is there's so much resistance and there's so much miscommunication about malathion spraying today, that I'm afraid we're losing that battle to have that stopped. I've talked to Bob [Vice] and I've talked to others about concern about former Mayor Feinstein becoming governor of California. It's a very real possibility. A very real possibility. She has already gone on record as saying, that if she becomes the governor, she will stop spraying immediately. Now we still have federal preemption and a lot of other things that can help us with that, but that's her attitude—her attitude is, "Pretty well written off the agricultural vote; I don't think I'm going to get it. Let Pete Wilson have that. I'm going to go for the other, and that is 'Big Green' and no more spraying." So, we have to be mindful of that. There are two bills currently in Sacramento to try to help us on this issue: one is to put money directly against the ports of entry against these exotic fruits: to check every plane and every boat coming in, which isn't being done now, to try and curtail this.

- The border with Mexico will open within the next five years. All signs that we see, the pressure for free trade with Mexico by our government, the continual and increasingly organized effort on that side of the border will lead to this conclusion. Once this is accomplished, we think the quality will be comparable, and that the pricing between the U. S. and Mexico will eventually hit a parity.

When this happens, we think the glow of processed in Mexico will diminish rapidly. The main benefit for processing in Mexico today—the price of fruit—will then be gone. The other elements—cartons, ingredients, etc.—are and will continue to be at the same cost level, as those products are currently purchased in the U. S. Processing is not a labor

intensive business, so that is not a major factor. It will continue to get back to cost of fruit; and if that benefit is gone, then processing in California will become very attractive again, providing competitiveness for California growers to a greater degree than those that are now involved in processing through a California plant.

However and whenever the Mexican scenario unfolds into the United States, the supply that comes in should be managed by California handlers for the best chance to keep an orderly market.

- One thing we do know based on the history and experience of other commodities, such as oranges, apples, and bananas, that if you have an unlimited supply, per capita consumption will grow rapidly. The only thing that currently inhibits the expansion of our markets is the limited supply and the ability to promote to the marginal or new user in avocados. Once that barrier is removed and the avocado consumption needs are satisfied and developed to a greater degree than ever before, it is not unreasonable to predict a per capita consumption of about three pounds. If you take that number times the population, it gives you about an 810 million pound market in the United States. This expansion and development of the market eventually leads to reasonably good profitability for the industry beyond the expectations and concerns that we all have today about the border opening problem.

This gives you an overall look to the future and how to address some of the issues, with statistics based on history and facts—some of it based on my own personal observation and other people in the industry whom I've talked to. It provides what I think is a good look at the opportunities, and they certainly are there; but behind these opportunities are the cautions that are ever present in the areas that create for all of us a challenge to reach for excellence in the management, marketing, and production of our avocado industry.

For all of this, I see three types of opportunity for the people in this room and in our industry: Those who will accept change, ride the winds of change, seize opportunities to go very far, very fast; and they will probably sail past the competition. Others in our industry that are unprepared will mistakenly think their safety comes from no change at all, bracing themselves against it; and they may find this a fatal stance that could be devastating. And the others will probably seek safety by moving out of the way of change, hoping that they can lie low until it passes; and I'm afraid they will find that they are left behind. Each one of us, then, will make that decision and live with the outcome of how we intend to handle destination prosperity, its freeways and roadblocks.

Thank you.