

## The Future of the California Avocado Industry

**A Panel Discussion Led by Mark Affleck,**  
*President, California Avocado Commission*

*Affleck:* One of the reasons why it has been so emotional for all of us this past year is because you've been hurting and we've been hurting along with you. The Avocado Commission has been the center for all of our communications this year, and that means all the good communications and all the bad communications. All the phone calls, all the pains ... everything has come through our office; and I'm glad about that, because it gave me a chance to talk to people like you and find out how bad it is—how bad it was.

One of the good things about this year is the price did go up, and I'm very thankful for that for a lot of reasons. Obviously it needs to go up, but it also shows for the record that there were other things working in this season beyond the California Avocado Commission and the marketing program, the handlers, and the growers, and everything else. The dynamics that led to this year's bad experience were significant and they were multi-faceted. And so the price rise was important because it put money back in some pockets, but it also gave us some more information as to what might be wrong, what may have happened, and what we may do in the future. So I'm thankful for that.

And that's the focus of this presentation today. It's a new format. It's going to be wide ranging. It will include you, because we want to talk about the future of the avocado business because, just like you being concerned, there are 5,000 people out there with investments—about a billion dollars invested in avocado groves—and they are *very* concerned. And you need to know that you're not the only industry in America that is at risk, and that finds itself fighting for survival. It's real easy to think about us as being special and isolated and under this extra pressure, when in fact the entire society and the entire business community is thrown up in the air and now is coming down to pick up the pieces.

So the purpose of the discussion today is to interact with one another, to talk about the key issues, and importantly to end up with some focus and directions so we can do something about it. Rather than just putting together a panel to talk about issues and then have everybody go home, we want to talk about the *key* issues, we want to get your input, we want you to leave us with your thoughts, and then we want to think about what we can do about it, even though many of these plans are in force right now. At your table is a question sheet. You'll see many of the key issues that we've identified over a four or five-month process. You need to locate that on your table so that you can see the key, broad issues that have been identified for the industry.

We want you to follow along today, and make notes there, and participate. Some of you may want to ask a question; we'll hand you a microphone and we'll facilitate that. Others may not feel comfortable doing that, and so you

can write down your question, write down who it's for, and there'll be several people walking around the room getting those, feeding those to me, and we'll interact with the panel.

Before we get too far into this, we want to introduce this panel. We took a lot of time to put this together. I thought the best way to introduce this panel would be to show you some pictures of them and some of the other things they do.

[At this point, Mr. Affleck put on the screen a number of wildly imaginative humorous drawings, each purporting, tongue-in-cheek, to depict an alleged characteristic or activity of the individual being introduced. Extracts from his accompanying comments follow, to identify the panelists.]

*Dorcas Thille:* Many of you know Dorcas. It's a very important name in this area, a long-time avocado grower—farmer; she's also a very active member of Calavo, on Calavo's board

Down here we have Bob Lamb, grower from Camarillo.

*Mike Browne:* The president and CEO of Index Fresh, co-op. He's on our board as treasurer of our Avocado Commission...

*Steve Taft:* The president and CEO of Eco-Farms, a major citrus and avocado player, located in Temecula...

*Len Francis:* L & F Farm Management, long-time Avocado Society worker; talented guy, knows a lot about many aspects of the industry...

*Avi Crane:* Worked hard and successfully for the Avocado Commission. He works for Lopez & Thomas now...

We wanted to break the ice a little bit. Now it's your turn: The Future of the Avocado Business.

It's been a very tough year for everybody, but facing us—all of us—is a very difficult future, so that's what we'd like to talk about today. I'll set it up with some of the key issues that are affecting this business, and then we'll go through the panel for questions.

Change. The first thing we need to think about is that we are *not* in a vacuum—that the entire world is changing, corporate America is changing, and *everybody* is struggling to survive. And that means every company we sell to, every company we do business with, every industry, every sector, every part of the American society and economy is undergoing massive change. People are scrambling trying to find a solution to the new problems; the information highway is changing the way we live and work. You may think this is far removed from the avocado business, but it affects everything we do in the channels that we operate with as a business.

So let's take our business into that world.

The acreage numbers are going down. We need to take note of this as we discuss the issues today. It got as high as 81,000, settled out quickly at 75,000, and has been trending down since. Right now...it is in the low 60,000-range, projected to drop off another 10 to 20 percent over the next four years.. .that's the common, conventional wisdom and the common thought on the street in terms of where the acreage is going.

So ... from a high of 80 to 75 thousand, somewhere in that range, down to the low 60s now, and probably dropping into the 50s soon.

The yields. You know they've been down. We've had three monster crops: 1981, 1987, and 1993—and if you are good in math, you'll find that that's every six years, so you may want to make special plans for 1999.

The average crop volume has been in the 350-range over the last six years, and here are the values [annual figures projected on screen]. If you throw the low price in for 1992-93, it's about 62 cents average over that period of time. If you leave [1992-93] out, it's about 72 cents.

Marketing progress: From 1987-88 to 1992-93, it has been significant. The [using] households are up, the distribution is up, the purchases are up, the consumption across the generational household is up for the first time, and the retail on-ad activity is up dramatically, meaning more retailers promoting and selling the product. So, if you just look at the marketing part of it, by itself, since 1987-88 to 1992-93 it's very good across every front.

But, that doesn't explain everything, does it? Because look what happened in 1993.

Back to 1981. As I told you, there have been three crashes: 1981, 1987, and 1993. Back in 1981, these were the problems: marketing focus, no vision, no strategic plans. Growers said: increase the perception of value— no velocity when we need it; no promotion when we need it. So that's what people were talking about—growers were talking about—in 1981.

In 1987, when the second crash came, very similar. In fact, you can almost word for word substitute these points. Nutrition was starting to come into play, though, as one of the supposed culprits.

In 1993, big change. The marketing, even though we took our hits, the problem was framed differently this time, because there was some confidence that the market had been built, that the promotions were in place, that the demand was there; but we didn't know how to regulate the flow. What about the mechanics? What about inventory moratoriums? What about Chile when it comes into the market? What about the retailers who were charging too much? So—and this is the last point before we forget: With our huge marketing investment, we still crashed. Why? So look at the change of the focus in terms of the problem in 1993 versus 1981 and 1987.

[Mr. Affleck displayed a supply/demand dis-equilibrium chart.] [This] really only says one thing, that if crop volume increases, prices go down. It's axiomatic; it happens for every commodity. But for some commodities, the price drop goes down faster and further than other commodities, and avocado is at the top of the list for that. So as your volume goes up, your price comes down in a steeper way than virtually every other commodity in the country. And we started to look for causative factors as to why that might happen and found that the high grower count is one factor, and the fact that once you puncture through what we call the demand zone, the price drop is now disproportional to the increase in supply. So as supply comes up, price comes down. And if it's hanging out in the "safe" zone, the price comes down proportionally—everybody can kind of figure: "Well, the volume's up, so the price went from sixty to fifty cents; I can understand that."

But when it crashes through that demand zone, all the bets are off, the price seeks its lowest point as it did this year.

I firmly believe it's nobody's *fault*—where you can say its grower fault, it's CAC's fault, it's the handlers' fault. It's a fact of life, and today we need to talk about what we might do about that.

So that's what's happening: When you crash through, all the bets are off and an ad won't help you. So the industries focus in the troubled a time of the early 1980s was marketing: Build a market, increase demand make a mark, get the system primed. Also, work on government, because we've got the Mexican seed weevil quarantine to watch, and we've got other issues, as well. So let's manage these three parts of our business—and I think we've done that well as an industry over 30 years. But now something's happened. The marketing is still critical. We've got to have a customer. We've got to build demand. And we've got to keep that pump primed. Well, what's different? Instead of subordinating marketing, it doesn't say it's not important any more, it just says issues and government are now even more critical. So that means we've got to manage the pesticide issue, and the Perseae mite issue, and water certainly—and we made huge progress on that, by the way, this year. And we've got to manage the Government Issue, because at every turn there's pressure working there. And what we want to do is have qualified professionals—legal people, lobbyists, that kind of business.

Okay. Broad issues ... Each one of you has a sheet that has the broad issues listed on it....These are the things we're going to talk about.

Increasing demand and raising market value. That is a key issue, because as we have our crops go up, we have to have a larger piece of the pie—and there's only one way to do that, and that is to build the perception of value at the market.

Increasing production per acre. That's *your* role. You've got to get the production up, or it's simply not going to pencil out.

And now a new one: We've always been concerned about pests and diseases, but clearly with this fruit fly problem, that is something critical that everybody needs to look at; and the Society has taken a lead role on that— Jim McCormac's done a great job working on that, and we've helped out a little bit with our expertise in Sacramento and Washington.

Maintain the Mexican quarantine to keep those pests in Mexico and out of the U. S.

Next, overcoming the nutritional myth. Very controversial topic in the industry, and I need to tell you, based on the research, based on the shipping data, this—while it's a problem—is not *the* problem, and we'll come back with the details on that in a second.

Increasing ripe fruit in the market place. Clearly, that is a tool to accelerate velocity and get the fruit through the system quicker and raise your price.

Dealing with imports from Chile. What are we going to do about that?

Of course, water.

And last: Maintain an industry viability and critical mass.

Don't over look the last one, because at some point if there are too many shots of

bulldozers and chainsaws and gloom and doom, then the apathy sets in and there's just absolutely no incentive for *anybody* to do *anything* to keep an industry afloat; and you've got to have some sort of critical mass in order to sustain industry viability, and we want to make sure we preserve that.

Three questions that every grower must answer; and unfortunately, every grower has to answer *all three* of these pretty well or it's not going to pencil out.

1. Debt. How much is your debt? How is it structured? Can you manage it?
2. Water. How much do you pay and where's your source on your property. What does that pencil out to be in your production costs?
3. What is your production per acre?

Those are the three questions to ask. Looks simple, but take a look at it because that will separate the growers that are going to survive and the growers that will not be able to survive over the next three or four or five years. The three questions to answer.

Discussion roles today: We want to determine if that indeed is a consensus list, the list at the table. Mark it up, you don't have to talk into a microphone, you don't even have to send a note up to the table—just mark it up and leave it at the table, and the Society and the Commission can handle it from there. Make a difference; and lastly, identify the appropriate responsibility action centers: The Society, the shippers, the growers, CAC, coalitions, alliances, or whatever.

Surviving the changes. It's that simple, and we've to make a move on it.

Thank you very much.

### ***Panel Discussion:***

*Affleck:* To stick with this theme on us operating outside of just a small little niched area, I'd like to start with a question on globalization. We can begin here with Mike Browne, because I've heard him talk about it very articulately in the past, and that is that the globalization trend has affected avocado even though we don't sense it every day. And so, Mike, if you could just give us your thoughts on the globalization impact as it relates to the avocado industry, I'd appreciate it.

*Browne:* When I was selected to this [panel] to speak today, Mark called me up and he said, "what do you want to talk about," and I said, "Well, something that we've spent most of our time on as a marketing organization this year was trying to sell export." I learned quite a bit this year; it's a fascinating world in the avocado business if you go to Europe. You find a totally different philosophy with regard to buyers, with regard to retailers, and I think our industry has a lot to learn yet when it comes to varieties and the way we ship fruit. We have competitors throughout the world, but we also have a lot of allies throughout the world, and we have to continue to build markets. There was quite a bit of debate at a recent CAC meeting regarding Japan. I think there are good arguments and bad arguments on whether we should be in Japan, but when you look at the big picture as far as imports, exports [are concerned], who knows what Mexico ... they have some very serious phytosanitary problems that more than likely cannot be

solved. But we will have to look beyond Texas and beyond California to move our product. And one area that I mentioned at a CAC meeting recently was that we should treat the east coast as a foreign market, because we often try to market the east coast just like we do California. But truly, if you look at the way we work with Mexico in foreign markets, they're totally opposite than we are from our harvest. Our particular company, we do ship from Mexico to England, we ship from Mexico to France, Japan, and quite a bit to Canada. What we've found is that we build our market through year-round supply of product, and it's going to be critical for this industry, if we want to develop markets, to have year-round supply.

*Affleck:* Mike, on that point... Should we as an industry be looking *out*, or looking *in*? Should we be developing the alliances to ship fruit around the world together and to facilitate the flow of fruit in—in this case, from Chile; or should we take a more insular position and worry about our own affairs?

Anybody on the panel or anybody from the audience ... How do you feel as an industry about whether we should be looking *in* or *out*? How do you feel about that?

*Francis:* Look *in*. The meeting we had last night—the Nurserymen / Variety Section—and the one item we had, BL122, is one variety that's out there in midstream; and the reason it has as much interest as it has, besides good fruit quality, is that it has the potential of extending the market. I know that in southern California, if we could get an extension into September and still have healthy fruit, we'd be very happy about that; and if the northern growers could be definitely extending the good quality fruit into December, we would have a year-around market.

*Affleck:* Okay. What about Chile, then, in terms of the Chilean dynamics? Steve Taft, I know you've discussed that in handler debates and grower debates, and you're a grower *and* a handler—how do you feel about the Chilean situation and those dynamics as they might affect avocado growers, particularly growers in the north who might be faced with picking up against the Chilean crop?

*Taft:* Chile is not going to be our major problem as we thought; that's an industry that probably can at most ship maybe 30 million pounds into our market over maybe an eight or nine-week period. We use Chile to supplement our domestic supplies, as we're primarily a southern shipper. We do pick through the north, but we can't take care of our regular customers, and we do as Mike, we try to keep fruit for our customers year-around, and that's why we've done Chile. And I think you're going to see Chile here, and I don't think that every year they've come in... Actually when they've come in, our price has actually gone up. They don't come with enough volume to impact our market. And I think we're still going to see them. I think the industry is going to be better off if the handlers that are in the industry take an active role in marketing the fruit, rather than leave it to the fruit brokers. They are non-avocado handlers. If the avocado handlers don't do it, somebody's going to do it; it's just a matter of how do we think it's going to be done the best.

*Affleck:* Bob Lamb, as a northern grower, how do you feel about that?

*Lamb:* As a prelude, my wife has a little place in Spain where we grow avocados. I was very pleased to find that California is exporting to Spain part of the year, and that there

the co-op closes the first of July, so there is a definite period there in the summertime when Spain is importing avocados and would be a natural for expansion of our exports. Yes, as a northern grower, I think we should try to extend our seasons, and it's going to be, hopefully, through new varieties.

*Affleck:* Okay. Avi, what are your thoughts on the import situation?

*Crane:* I think it is a world market. That's a fact of life. We've been saying it for a long time, now; and I think the best way a California grower can be part of that world market is to increase his production and lower his costs. That should be the goal of the production research program and should be the goal of every grower to find out how he can reduce cost and be competitive in the domestic market and world market.

*Affleck:* Dorcas, how about you, a northern grower?

*Thille:* I don't believe that we have today saturated the market worldwide, and there certainly are very many people, who do not know, have not eaten an avocado, and they'd be our future customers. So, I believe we *should* do our best to expand our market worldwide; and if that means there's a readjustment to it, so be it.

*Affleck:* Okay, you can feel the trend there: acknowledge the bigger world and try to fit within it. Any comments from the audience on this?

*Voice:* Yes. How about reintroducing the Fuerte to help cover that part of the year that the Hass really can't come out with good and mature fruit?

*Affleck:* Okay. What about varieties? We're tracking to a Hass-dominated industry, over 90%. What about the Fuerte and the other varieties? Anybody?

*Francis:* I had this personal experience with having had the Fuertes, and I love the Fuerte, and if it did have consistent production... It has a definite niche and it's a definite support for the industry. Another addition to that industry—that part of the industry—would be the Pinkerton, as far as the early market is concerned; and I think that another subject that was broached last night is that you have to promote these "new" varieties, even if they're ten years old, that have hit a snag and yet still have all that potential as far as filling that void and can start in early November with Pinkerton and have good volume through January, even February—not necessarily needed in February, but definitely good volume through January. It's a real plus to our industry to have this.

*Affleck:* All right. [Audience], raise your hand if you think we should be looking outward for a wide business and shipping fruit around the world, plugging gaps and being more outward thinking. Please raise your hands. [Many hands raised.] Okay, the exact opposite: worry about our own market, we've got plenty of dirt to plow here. [Many other hands raised.] Okay.

Now, let's stick with government for a second and talk about the quarantine and NAFTA. Avi, why don't you lead off with your assessment on the current status of NAFTA.

*Crane:* Well, as I think we all know, the NAFTA agreement signed by President Bush protects our industry. The side agreements have only strengthened that; and I think it's good news, as we've been saying for the last several months, that there's a document that clearly states it as opposed to promises. So, I don't see a threat with the passing of NAFTA. It may not be the best thing for our economy, and that's being debated now; but

our industry is strongly protected—probably better than it was before.

*Affleck:* Back to Chile for a second, please... How many people in the room think that the Chilean fruit coming in is inevitable and is better handled by the California avocado industry, so that it does not fall into the hands of people who do not understand our product? Please raise your hands. [About half in audience raised hands.]

How many people are violently opposed to the avocado industry doing anything to facilitate Chilean imports coming into this market? [Hands raised, but count not recorded.]

Okay. Back to our home turf then. I have a question here: "Generic advertising and promotion as a 'shotgun approach' has been successful long term, but is less effective in heavy crop years. Would a program of brand credits to induce 'rifle approach' efforts by handlers be effective in heavy crop marketing?"

So, when the volume goes through the demand zone, would a brand credit 'rifle approach' driven by handlers make a difference? Let's start with the handlers. Mike, give that one a shot.

*Browne:* Well, brand credits just keep coming back, it seems, for discussion. I think it's an issue which in our industry focuses in on one company in particular that happens to be a predominant brand. Again, reflecting a little bit on my trips to Europe and Japan—mainly Europe—where brands are important, it's the brand of the store, it's not the brand of the selling company; and I think we're going to see over the next 12 to 24 months here nationally grocery stores being more into their own generic labeling of produce because of consumers starting to see value toward the chainstore name versus all these names that were annihilated. We're hitting them with the "Chiquitas" and the "Doles" and all of the different labels, and all of the produce is looking the same. I think it's a dynamic area. Insofar as us trying to, as an industry, put money into the hands of the handlers to sell the fruit, it's very difficult—as it is, we're fragmented in our selling approach. We have too many people on the sales desk, and if we were going to do that on marketing as far as selling ads goes, and to have 13 or 14 handlers out there trying to get one VP of merchandising for Vons or Ralphs or Hughes, it would make it very difficult to get the ads and to get the business. Although it's good for some companies, and it's part of their business plan for the large soup companies and larger companies who can pay "slotting" allowances, I think it still becomes a matter of economics for our own industry, and we have to look for what the *consumer* really wants and how we can help the trade do what the consumer wants.

*Affleck:* Okay. Is there anything we can do as an industry to avoid outcomes like the three crashes—'81, '87, and '93? Are those inevitable? An ad in "Bon Appetit" or a promotion with Vons early, as we saw this spring, will not make a difference by itself. So, what's to be done about the every four to five or six year crop that crashes through? Anything? Anybody have a thought on that? Al...

*"Al," from floor:* Elimination of fruit.

*Affleck:* Okay, elimination of fruit. How many people think we should construct some sort of a mechanism that would take fruit off the market? Raise your hands, please. [Sparse show of hands, count not recorded.] Okay; the rest of you would let the market



take care of that.

*Francis:* You didn't get a good vote on that.

*Affleck:* Want to try it again?

*Francis:* I don't think they fully understood what your ...

*Affleck:* Okay. If volume crashes through and puts us in trouble every six years, would you agree to a plan that would construct something—a federal promotion order, or something—that would restrict the flow of fruit, to keep a percentage of the fruit out of the market in order to stabilize the market?

*Voice, from floor:* What about taking the small fruit out?

*Affleck:* Take the small fruit ... take some fruit off. Raise your hands for that kind of a plan. [Sparse show of hands.] Okay.

*Victor Pankey, from floor:* Aren't you kind of mixing apples and oranges, because a marketing order isn't just for that. It covers a whole lot of other things. We're giving kind of simplistic suggestions...

*Affleck:* Okay. On the debt question—debt, water...

*Voice, from floor:* No one has mentioned that the trend of government now is away from marketing orders. It would be very difficult to push something like that through.

*Affleck:* It may seem simplistic, but I think the point is, as an industry are we willing to construct something that would reduce the fruit in the market. That's the question, first. The details we can talk about forever; but I think philosophically...we have to sign on to the notion, are we going to restrict fruit from the system when these things happen, or not. And this discussion supports the previous positions that the industry doesn't want to do that.

*Voice of attendant from Mexico, from floor:* I think that California should export 50% to Mexico. In the time that you have the price of 10 cents per pound, we in Mexico have a price of five pesos per kilo ... [Additional remarks lost in confusion of voices.]

*Affleck:* So we need to ship it south?

*Voice, from floor:* How about let's have a promotion that would practically give the fruit away, but in a way that induces sales in the future?

*Affleck:* Okay. Anyone on the panel want to take that up: promotions give away, truckloads of fruit into new markets to take fruit out of the system?

*Francis:* I think you just saw that. [Laughter.] And it will help.

*Another panelist:* It will help next year, for sure.

*Affleck:* Let's talk about survivability. How many people are concerned about their ability to survive over the next five years as avocado growers? Please raise your hand—really concerned. [Few hands.] Okay. A different response in the south, I can tell you that for sure.

Okay, let's talk about the three question test: Debt, production, and water. Have we left anything out, panel? ... Does that say it all?

*Panelist:* The market's got to be there.

*Affleck:* All right. What about the problem where growers are not taking a multi-year look—and this came in to us many times this year. Mike, you and I have talked about this a lot; maybe you can comment on that, as many growers are not looking at the long term, and that's really why some of the emotionalism surfaced this year.

*Browne:* Well, the type of returns the growers had this year has created a tremendous amount of emotion, and well deserved because the costs kept escalating and the returns went down, and we're dealing with an industry ... it's not fixed working capital, but we don't have the fluid capital that we had back when we were developing a lot of the groves back in the late 'seventies. I tried, in my explanations to growers, to just urge them to look at a five-year plan—at minimum, a three-year plan, to see what their best case scenario and worst case scenario is for their grove; look at what their costs are, and what they're going to need on a price per pound basis and dollars per acre basis to really cut it—and look at it over a three-year basis. If everyone in this room were to make a decision on the avocado industry based on the six year cycle of the '81 year, the '87 year, and this current year, this would be a pretty empty room because we've had very tough years when we've been hit with big crops. And I'm not sure there's a firm answer to big crops, but you have to spread it out, and I think steady spending at the Commission has helped to bring the crop value up over the five-year cycle. I just think that good planning going in and being as capitalized as possible going in ... if your water costs are too high and you can't get the production, you have to do the math. I'm being completely serious here, and you just have to do the math and say, over a three-year period you may be asking yourself to do things that are physiologically impossible if you just stay with one variety.

*Francis:* In a situation where the Avocado Commission and the growers certainly had a very good idea what this crop was back in November when they were making the plans for this year, we the growers are at fault for the fact that even though we knew it was going to be a bad year where there's no way that we assumed it was going to be as disastrous as it has been up until now. I would say that roughly 90% of the growers, anyway—not necessarily 90% of the fruit—90% of the growers are out of it right now, and I'd say that 90% of those did not gross \$1,000 an acre in income. And most of that has to do with, number one, being shocked at just how low the prices were, and how long they stayed low; and what really has to develop among the grower industry can be helped by the Commission, it can be helped by farm managers and the packers, but the growers have to be willing to say—and then hold up to it as an industry—that they need and want so much a pound—we've talked about 25 cents a pound—and unfortunately when this happens others will say at a meeting—and pretty good-sized meetings that I attended back in October-November—"No, we want 40 cents a pound... no, we want 50, we need 50"—and realism has to fit in there; and what happened is, you went into the industry without really still knowing what it is that you had to do. And you had to go ahead and say what has really happened here at the start of September is that if you say that we'll pick if we can get so much a pound, and then the buyers needing the same amount of volume, almost, going through will pay some of what you need, at least; and, in the meantime, you're willing to let the fruit hit the ground—that you're willing to accept 25% loss.

*Affleck:* Let's stop right there—it's a good point, and asks you if you think this is possible. Is it possible for 6,000 growers to effect that kind of disciplined plan? [Summarizing audience responses:] Absolutely not.

*W. H. (Hank) Brokaw, from floor:* I think only if you build in incentives with the handlers, and I don't know if that's possible, either; but the handlers would have to take the lead. Theoretically that's possible for them to do, and build in an incentive to do that; but Leonard [Francis] is absolutely right, that our attitude ought to be, "I'm glad to see my fruit hit the ground, because other peoples' fruit is hitting the ground, too, and the price is going up."

*Affleck:* Give the handler an incentive, okay?

*Link Leavens, from floor:* I think Hank is right on. As long as you've got as many people in the marketplace as we've got, and there's an incentive per carton to be able to move into the marketplace—and I would contrast that by saying, look at the lettuce industry, look at the banana industry. The lettuce industry's got hundreds of handlers that are moving huge volumes; the banana industry, you've got three or four people. You don't see bananas selling for—very frequently—for...

*Affleck:* Interesting point....an excellent point. We found when we did this research on the two market crashes...that the industry with fewer numbers of shippers and, importantly, fewer growers had less steep price declines when the volume went up. In fact, some of them were able to sustain pretty much the same price even as the volume went up because of that kind of control and orderliness. Any other thoughts on this point?

*Warren Currier, from floor:* A couple of points... All of the discussion here seems to revolve about what do about controlling volume. I want to call the attention of the growers here to the fact that it is not so much crop as it is the *variability* in crop size, and I really urge you to think about allowing more money to go for research to cover erratic bearing. This is a highly complex problem horticulturally, but absolutely critical if we're going to work on both sides of this....

*From floor:* Mark, a question for Avi. Avi, is there any other commodity in that world that fluctuates like the Hass avocado, where you've got two crops on a tree—at the same time, you're trying to carry two crops ...

*Crane:* As we all can see on the trees right now, I don't think there are many crops that come close to ours as far as variability is concerned, and that's a good situation. I agree with Warren [Currier]. I think we all can see in the groves certain trees that don't do that—that may not have the 20,000 pounds an acre, but they end up having the 12,000 pounds every year. I think that research can be done to find out why that's happening and try to offset these highs and lows.

*Affleck:* Dorcas made an excellent point the other day at a meeting.. .and that is the difference between a fair return for the product and keeping everybody in business: trying to get enough of a return for *everybody*— which is impossible because we have people that their cost is \$3.00 a pound to stay afloat—but on the same hand, trying to keep it from crashing below the point that's fair. Dorcas, do you want to elaborate on that?

*Thille:* Well, Mark asked what I thought about it, and I said that this year we did not get a fair return for the value in our fruit at the early part of the season. It was worth more in the food market than we were returned. There has to be some way that we can get that, or demand it, or somehow get a fair return for whatever you're putting out there worth value. This year, we did not. Part of that is our own fault because we continued take it, instead of saying no, it's not a fair value—and that's already been discussed.

*Affleck:* Steve, you're on the sales desk every day with a headset in your ear—what about that?

*Taft:* Avocados aren't alone in having problems. It's a perishable commodity, and that in itself is a major problem. I think somebody mentioned bananas this year, and there are only three or four major people in the banana business. I know several people in the banana business, and they were dropping 50,000 boxes at a time into the ocean because the market was \$2.00 a box, and that's controlled by two or three major guys; so every industry— oranges, grapefruit, lemons, anything we grow in these areas all have the problem. When there's too much fruit, like Warren said, when you go from a small crop to a big crop, you're going to have a problem marketing the fruit. As far as whether we should hold some of the volume off is concerned, the way I look at that—I'm a grower, too; I don't like to see the prices low— but I also know that we pick up a lot of new consumers, and then when we have fruit available and prices are reasonable, we get new consumers and that benefits us down the line, so maybe that's a little bit of investment spending.

*Affleck:* Any other comments on this general subject, please?

*Bob Tobias, from floor:* I have a concern about what [may be happening in a dwindling industry to] the partnership between the grower and the handler. As growers get into more and more financial difficulty, it behooves them to go out and find the highest price that they can get, the highest return that they can get for their crop today. And what that becomes is a little bit short-sighted, because today's highest price is probably going to be with a handler who has the least amount of commitments out there. And I think when we saw the price run over the last month, and we saw it running higher and higher, some of the people in the industry who had commitments, and those commitments are very important to our future, and in fact to the movement even during the month, some of those handlers get into trouble because of that; but if they weren't there making that commitment, and if they didn't have a partnership with their growers that said we're going to bring you this fruit, the industry would no longer be building. As growers get into more and more into difficulty and search out, what I would call the quick fix, which is today's highest cash quote; I think that that's going to be a disincentive for handlers to make commitments to future. And I'd like to have the panel comment on that if they would.

*Crane:* That's one of the problems we're having. At Chiquita, we have a huge marketing force all ready just to start promoting the crop, and unfortunately what the situation is now in the market, in the south and the north, is the bidding war you're talking about, and as you mentioned sometimes the fruit doesn't necessarily end up in the strongest hands. I think long term it is better if growers make a commitment to a handler, or at least let the handler know ahead of time as far as possible how much fruit

he's going to have to get the promotions and therefore have a more orderly market. I think everyone will gain by that.

*Affleck:* Let's ask the group ... How many people in the room feel like they're connected with one shipper, and basically do most of their business with one handler and have a dialogue with that shipper? Please raise your hand if that's true. [Many hands raised.]

*Francis:* Could I ask a question of Dr. Arpaia? I'd like to have Dr. Arpaia elaborate a little bit on this one project she has on phenology that could very well ultimately lead to what Warren [Currier] was after as far as alleviating alternate bearing is concerned.

*Mary Lu Arpaia:* I wasn't prepared to make any comments. ...The Production Research Committee is funding a project under my direction and Guy Witney's direction at South Coast Field Station trying to look at the root and shoot growth patterns of the Hass avocado on four different clonal rootstocks. We started the project in February of 1992, so going into a big crop; and we're continuing the project now. At South Coast Field Station on these particular rootstocks, in April we harvested pretty close to 30,000 pounds per acre. The trees are eight years old. Well, now we're going in, and you're hard pressed to find fruit on the trees, and what we're finding also is that the growth pattern on the timing of the growth of the roots and the timing of the vegetative shoots is completely different between the two years, and so there is something related to how the tree grows and how the fruit is borne based on whether it is an "on" and "off" year. I don't know what else to say.

*Responding to question from the floor:* Yes, I think that we need to look more closely at some of the work Dr. Lovatt's doing on foliar urea sprays and the role of plant growth regulators in this process, which she's starting to do and which we've talked about, and hopefully that she'll be doing some work on the block, too.

*Affleck:* Okay. Thank you.

*Question from floor:* What is the common ground between the grower, the government, the handler, and the retailer? Do they have common ground?...The grower, the government, and the retailer, and the handler should all be part of a team. *Can* they be part of a team? I think we need to have this concept in order to keep the industry in a healthy condition.

*Affleck:* Mike...

*Browne:* Thanks for *that* one. I think we fund a good part of that cohesiveness through the Avocado Commission. Without the California Avocado Commission, I don't think this industry would see near the cohesiveness we have already at least between government and industry. As far as the cohesiveness between growers and handler is concerned, I think it differs somewhat on the independent side from what it is on the co-op side, but I think over the last few years it's improved quite a bit where growers are... I noticed quite a few people raised their hands and said they were with one handler, or at least not more than two handlers. It's hard to say that we can go head to head with the Third World countries. We have better quality. I think we have better information systems. We certainly have better service to our export markets than Third World countries, and you've seen that already. The problems that we're going to have as we look toward the future have already been discussed today, and that is to try to get more

production per acre on a year to year basis. That's going to solve a lot of the viability problems that our industry is having. We cannot survive ... as Mark showed those average prices per pound ... we cannot survive locally if we're going to try to get a dollar a pound for you. Believe me: that doesn't do it. What does it is 40 cents a pound, or 50—somewhere in there, at 10-15,000 pounds per acre every year. We just oscillate too darn much in our crop sizes to do any good. It's not Third World countries, it's our own production capabilities; and it's frustrating the marketing side of this business, because we really geared up for this crop. We moved it—we physically moved this thing, and if we had another one to move next year, I could almost guarantee we'd do a lot better because we were building that demand zone. Years like this frustrate and break away the cohesiveness between the grower and the handler....We've tried very hard to keep our growers in the loop, and I know that the other handlers have tried very hard. We have fresh facts going out, and the Commission has worked very hard to keep the growers in tune with what's going on in government. The Third World countries...the only way we're going to possibly correct our own situation at home—and I don't know if this is the time to bring it up or not, but it was brought up at CAC—is to really take a hard look at a federal promotion order to give us the ability to build our market with other peoples' fruit as well as our own.

*Affleck:* On the common ground, I think we have common ground when things are in balance. When things are out of balance, the common ground goes away. We do have common ground with the government, all the time. That part is simple. But I think we have trouble when things burst through the demand zone. Any other questions? Ed, please.

*Ed Malone:* One of the problems that we have—this is not a problem between the grower and the handler—one of the problems as I see it is, as a grower, I have one profit center. I'm the person who gets the last piece of the dollar after everything else has been docked. The handler ... can have multiple profit centers. He can have import, export, processed products, he can be a grower. But during years like this year, the handler ... if he's a grower also may have cushioned his losses there by packing more cartons. ... Everybody in this room who's a grower could become a handler. And what do you think that would do to the market? Maybe my handler imports Chilean fruit in a fairly sizable way and has those other opportunities. (Maybe I'm giving a testimonial for Calavo here ...) Maybe the only way a grower can survive and spread his risk is to have a piece of the action. ... I can see a day when if we cannot produce our product in the world market at a price that's competitive, maybe we can have a piece of the action of the world market through the importation or exportation from other areas because we are an owner of that kind of a business, so I think that that's one of the problems. ... As growers, we feel frustrated because we only get what's left, whatever it is—some years it's pretty good, some years it's pretty bad. But there's no cushion in it, and we still have to pay the water and the labor, and now if we have to pay the health benefits, and all of this, we've priced ourselves out of the world market. I'm interested in the Mexican gentleman here: How much does it cost you—production at your ranch—for water, labor, all of those things— per acre?

*Response:* ... 31 pesos per kilo ... [Additional remarks unintelligible because of numerous simultaneous speakers.]

*Malone:* One other point, Mark ... The over-production is taking care of itself right now... But, even if we improve our varieties for higher production and get away from alternate bearing, will Mexico or Chile or Israel or South Africa do the same thing? And what happens if everybody has a big year? So, if it is truly a world market, we continue to do an awful lot of research and a lot of philosophizing and talking about the problem of which we have a very small and a decreasing portion.

*Affleck:* The alternative is to give up ... all the rats have cancer?

*Malone:* We can call it dying with dignity ... [Laughter.]

*Affleck:* One thing ... Yes, Warren, please...

*W. Currier:* I'd just like to ask a question of the people here, and I will exclude the handlers from answering this question. How many of you believe that we're exporting any avocados from California to Mexico this year? Any?

*Affleck:* Raise your hands if you think we are.

*Currier.* How many think we're exporting 10 million pounds? ... How many think we're exporting 20 million pounds? How many think 30 million? Okay. Very few of you recognize how much is going this *year probably*; we can't measure it because there is no [statistical record. We] sell them in San Diego County and they go across the border. If I were to bet on what we did, it does somewhere between 30 and 40 million pounds of fruit went to Mexico this year. Just an interesting notion.