

## LOOKING FOR THE FUTURE

**Mark Affleck**

*President and CEO of the California Avocado Commission*

*An Address to the 1998 Annual Meeting of the California Avocado Society*

Good afternoon. The first rule of speaking is never speak outside! Plus, it's tough to come on at the end of the day after lunch and a great speaker like Wayne. But I can give you my message in 10 minutes, because I can't give you all the answers now. I can only frame our challenge — ask the questions.

That's the nature of planning for an uncertain future. Most people become mesmerized by the future and are paralyzed by it, unable to make a move. That's why I've titled this talk, "Looking for the Future." Looking for the future says it's an action word.. .looking.. .and it also says the answer is hard to find.

There have been four major "Turnings" in the California avocado industry's history. The First Turning occurred in 1960 when the marketing order was established. The Second Turning came in 1976 when all the plantings went in to the ground and we experienced our explosive commercial growth. The Third Turning was the bust in the '80s and subsequent recovery. And the Fourth Turning is right now as our industry is being buffeted by the winds of competition and change. It has taken 15 years for this turning to unfold, but we stand now on the precipice of a new era.

That will be my focus with you today.

When somebody talks to you about the future and the Information Age and the technological explosion.. .don't pay attention to it unless it is framed contextually around your investment and our industry. The only thing that matters is if you, and the industry, are competitive. That's it. All the other fancy buzzwords don't mean a thing.

No one likes the predicament we're in. And since we've become a nation of critical people, blamers and victims, it's always somebody else's fault. We see it in agriculture where people point the finger and say this is a joke, that's a joke, my packer's a joke, the Commission's a joke, the Government's a joke...everyone is a joke. The joke is really on industries that don't become enlightened and search for ways to redirect the forces pummeling them in order to be successful in the future.

We need to forget about why the forces are here and who is to blame. We need to forget about the government's initiative with Mexico. We need to forget about all the competitive forces in the marketplace. We need to forget about our water costs. We need to forget it all and focus in on the transformation needed to sustain our success. If you miss this point, you won't be able to look at your investment and the challenge it faces through a clear lens.

The Fourth Turning is here. There's no doubt about that. What does it mean? It means

we all have to take a more active role in shaping the future of our business. More on that later.

I will make three major points in today's talk: (1) I'm going to paint a more detailed picture of this Fourth Turning, (2) I'll tell you about the choices we have to consider as an industry, and (3) I'll talk about the action needed to sustain our competitiveness into the future. The responsibility is squarely with us. The blamers are going out of business. The winners are saying, "what's happening to my investment and what needs to be done now to ensure my success in the future?"

Let me give you an example. I recently talked with a grower who is in the audience today about his grove and its future. He shared a lot of information. He told me what he's done with his grove. He's all over that grove. I'll admit that it may not be because of enlightenment. It may be because he had to - restructuring debt, looking at the roads, walking the grove, making changes, risking, analyzing, moving, joining, participating, and probing. Growers that don't do that in the future will not make it.

The days of thinking an industry like ours has a "right" to a profit are gone. We're in a competitive arena and the competition is predatory. It doesn't matter what business you pick.. whether you're a travel agent, a computer maker, a mapmaker or a carmaker. Go down the list and I would defy you to find a business that isn't subject to the same competitive forces our industry faces. All of us are in a "must innovate" situation that requires a serious and thoughtful look into the future. A genuine challenge of our previously unchallengeable assumptions. The new business world is predatory and things can change in an instant. That's the business environment we enter in the 21<sup>st</sup> Century.

CAC represents all 6,000 growers and there is absolutely no way we can craft a strategy to respond to the forces and address every grower's needs. The only thing we can do at CAC is focus on creating a compelling vision for the future, build long-term value and strive to sustained competitiveness for the California avocado industry.

As a result, I try to focus on deciding which strategic pathway our industry should choose. Should we join Mexico? Fight Mexico? Join the Chileans? Fight the Chileans? The answers aren't easy and the points to consider are oblique. That's why at CAC we explore in order to learn more. Right this instant there is a radio commercial running in Texas promoting avocados, a joint promotion between the Chileans and the Californians. It's an historic deal, signed just a couple of months ago and now in the marketplace. You don't have to agree with all the details. Focus on the fact that importers are paying a share of the marketing and promotion load. Focus on the exploration process and what we can learn for the future.

It used to be much easier. You grew the product. Marked it up. Sent it to market. Promoted it. And then repeated the cycle. Agriculture can't do that now. We need to start innovating in the marketplace, experimenting and risking. We have a choice — either engage, risk and try new things or shut down. We can't fall into a transfixed state of futility when growers get a taste of trouble and then shut down the effort to fight through the storm.

So we need to strengthen our efforts to consider how we can be more valuable in the

marketplace. We must consider what action steps will help us achieve that. If we look at all the issues, there are literally hundreds of ways to go, the list is endless. So we have to ask ourselves, "What is imperative for us to be successful?" For our industry, these imperatives start with feeding the core Western/Pacific markets, the "cash cow" that generates \$250 million a year for us. If we ignore that and say, "we need to move east," fore xample then we're on the edge. "Moving East" isn't a bad idea. It's a good one. You just can't do it at the expense of the Western core cash cow.

So, that's the first imperative, maintain the core in the West and Pacific. But that won't be enough by itself. It absolutely will not be enough to just focus on the west. Why? Because the aggregate supply of avocados in the U.S. market is shooting up. A once-exclusive market for California of 300 to 350 million pounds of avocados is now forecast to have 60-90 million pounds of Chilean fruit and approximately 40 million pounds of Mexican fruit (November through February) per year. The U.S. market will also accept fruit from the Dominican Republic and Florida, bringing the aggregate volume to a total of 500 to 600 million pounds annually. These numbers cannot be ignored.

The second imperative for our industry is a need to push the California Brand Identity. We're doing that now with our aggressive new campaign called the "Genuine California Avocado."

Those are two of our strategic imperatives. First, the core markets and second, push the California brand. The third imperative is pest protection. We have built over time a sophisticated pest protection program to scan, monitor and respond to pressing pest protection issues that put our industry at risk. It has been successful over the last few years, particularly in fighting off the initial Mexican rule and still is in place monitoring what is happening in that area. That program, called the Mexican Avocado Security System (MASS), is evolving every day with people on our team that are tightly connected and experts in that arena.

But the pest threat doesn't stop there. We have new pests like Scirtothrips and mites that a few years ago didn't receive much attention.

So now you have three imperatives.. .maintain the core, spend money to develop the California brand, and keep pests out by making sure that we have an infrastructure and a program in place to get that job done. The fourth imperative is to make sure new markets are developed and consumer demand is created to meet the new competition and larger aggregate volume. This goes back to the first part of my talk, when I stressed the need for our industry to transform itself.

We must aggressively address these four imperatives. You couldn't say that in any other year over the last 10 years, but you can, and must, say it now because we've never been in this position before. Never.

Looking into the future and isolating the challenges we face is our job at CAC. What's your job? For the first time in the history of our business, we feel that the grower must be a different kind of a grower. Growers must become more involved in using technology to create value. Growers must ask themselves if they've taken that step. That's the challenge for you — to ask if you need to change. Your job is to look at your investment and analyze what's happening around it. Your job is to know about your

grove numbers because nobody can catch you if you fall. Your job is to ask yourself about your water situation, debt and yields. Your job is to challenge yourself, challenge your grove manager. Challenge everything.

Finally, I'm going to end with my yellow chair story. It goes like this, you inherit grandma's yellow chair and you can't get rid of it, because its "grandma's yellow chair." The chair is in a room and dictates everything you do in that room. It dictates the wall coverings, accessories, paint, carpet and everything else. The room never looks right because of that ugly chair. You redecorate and change it over and over in a constant process of moving the furniture out and redecorating. The room will never look right because of that ugly yellow chair. In the end, grandma dies and that same day you throw out the chair. You strip everything down to the base level and then, for the first time you can create a vision for the room without the encumbrance of that yellow chair. Then you can decorate the room accordingly and do it right.

Now, back to the business world. A yellow chair in business is anything that gets in the way of moving the business forward and doing what it takes to be successful given all the competitive forces and issues. The yellow chair could be a process, a person, a budget...or saying, "we've never done it this way"...or "we've always done it that way".. or "I don't have the money"...or "I've never been able to do this before, so why try it now?"

Every single business has a yellow chair. Even your grove has a yellow chair. That's the challenge I'm going to leave you with...for you to say, what is my yellow chair? What is keeping me back? Is it my attitude? Is it my management? Is it my debt? My water? My cultural care?

Think about your investment in a different way than you have in the past. That's the challenge for all of us right now.

Welcome to the Fourth Turning. Thank you very much.