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With well-leached soil from this past wet winter, a hurricane-powered shot of rain in August, no major heat events this summer or fall, and an El Niño forecast for this coming winter, it would *seem* that Mother Nature has set up California avocado growers for a great crop in 2024. With unemployment below 4%, a growing consensus among economists that we will not enter a recession, and inflation forecast to fall to 2.4% next year, it would *seem* that the economic climate also will be favorable for California's avocado growers. And finally, with U.S. per capita avocado consumption still climbing, broad recognition of avoca-

dos as a nutritious food to be consumed at any meal, and evidence from our latest consumer tracking study that there is still a strong preference in California for our fruit, it would *seem* that demand for California's avocados next year will be robust.

And yet, the outlook for many of California's avocado growers is dim.

While some groves are carrying heavy crops into next season, many groves across the state are bearing little to no crop following a very poor fruit set this past spring. As such, many industry experts are projecting next year's total state crop to be even lighter than this year. And while we can all feel

some relief that the Federal Reserve Board is increasingly likely to achieve a soft landing for the U.S. economy, most growers are feeling no relief from the farming costs that have swelled over the past two years. Our labor, fertilizer, energy and water costs have all climbed and remained stubbornly high. Lastly, while there is clearly strong demand for avocados in the U.S. and data showing that the market will pay a premium for California fruit, there is sufficient global supply to generally keep prices from soaring to levels that for some growers would mean healthier margins and for other growers would simply mean a chance to get in the black.



Productivity, cost and price are the key drivers of profitability in any business, and for California avocado growers – in the near term – there is adverse pressure on all three. We cannot control Mother Nature, and as farmers we know to expect years when the weather is benign, but the fruit doesn't set and years when a heavy set is later dropped by a heatwave or Santa Anas. We cannot expect wages to fall—they don't. But at some point, we can expect energy demand to wane and diesel prices to drop and perhaps someday, Ukrainian potash exports will recover, and fertilizer prices will fall. And we cannot stop farmers around the globe from planting more avocado trees, nor can we stop foreign packers from seeking sales in the U.S. market where there is concentrated buying, program pricing, a reliable cold chain, PACA protections, year-round avocado promotion, and profits paid in U.S. dollars.

So, what can we control? What can we expect? What can we stop? What can we do?

We can control our farming prac-

tices. We can invest in replanting trees with the most suitable rootstock for our soil type, salinity and topography. We can plant Lamb Hass if we want to try for larger sizes and a later harvest, or we can plant GEMs if we want earlier and higher yields and we believe demand for the variety will pace with the coming supply. We can berm, train, girdle and prune our trees to drive higher productivity. We can measure our nutrients more closely and fertilize more precisely. We can monitor our ET and soil moisture levels more closely to better strike the delicate balance between irrigating enough to maximize fruit set and size and not irrigating so much that we waste money on surplus extraction or delivery. We can watch our costs more closely and benchmark with our neighbors to keep pressure on contractors' margins.

We can control the initiatives of the California Avocado Commission. We can continue to elect directors who work tirelessly to improve the productivity, transparency and effectiveness of the Commission. We can run to be directors ourselves and bring a unique

perspective and constructive approach to the boardroom. We can volunteer our time on a committee, send our best ideas to the Production Research Committee, or donate part of our grove to a researcher in need of a test plot. We can attend field days at Pine Tree Ranch, educational seminars and the annual meetings to learn firsthand from the CAC team about the work they do—some of which is highly visible and much more or which is behind the scenes—to support the California avocado growers and the entire industry.

What can we expect? We can expect the current team at CAC to drive results. Over the past 16 months, we have reduced our headcount from 11 to 8, and over the past seven months, we have welcomed two new employees. A year ago, we restructured the organization, shifting all administrative and operational responsibilities to Ken Melban. Now our Vice President of Industry Affairs and Operations, Ken has demonstrated exemplary leadership over the past year and we expect more to come. We can expect his team of four to continue to support our industry



through legislative action, targeted advocacy and key initiatives to help keep water costs down and recover fire-damage losses. We also can expect his team to run the operation efficiently, manage our finances responsibly and keep the board informed and focused.

We also can expect innovative, impactful and cost-effective work from our marketing department. Vice President of Marketing Terry Splane took the helm of the marketing team this past spring. Early this fall, after months of work, Terry announced CAC's partnership with a new lead ad agency, Curious Plot. The CAC marketing team and Curious Plot are now working together diligently to develop a new campaign for this coming season. We can expect the new campaign to introduce fresh ideas, striking creative and some novel activations without abandoning the strong foundation built by our previous campaigns. We also can expect our new marketing program to be more targeted and more efficient. Terry is striving for the CAC marketing program to be highly metric-based and demonstrably effective, all with a budget 30% lower than last year.

What can we stop? We can stop *focusing on fanciful fixes for foreign fruit flow*. More precisely (and without alliteration), we can stop advocating for CAC to pursue trade policies to shut down or limit the importation of avocados from Mexico and other foreign producers. We can stop pretending that advocacy such as this would have any viability under USMCA, that advocacy such as this wouldn't be opposed by our best retail and foodservice partners, that advocacy such as this shouldn't draw condemnation from consumers envisaging \$10 avocados in the summer and no availability in the winter. We can stop ignoring the prevailing trade law and the popular political philosophy that free trade is good. We can stop stir-



ring up California growers who in turn i) barrage the board and the staff, keeping each from pursuing more important projects, and ii) maintain false hope in a trade remedy instead of focusing their energy on what they can control.

What can we do? We can do our best. We can do our best to recognize that there is a lot of headwind facing our industry and some of it may last for some time. We can do our best to improve our farming practices to improve our productivity, improve our size curve and minimize our costs. We can do our best to recognize that while the CAC assessment is also a cost, for an unprofitable grower the CAC assessment is not the key driver of their loss. By way of example, for a grower producing 10,000 pounds, at \$1.30 per pound their total CAC assessment would be less than \$300. On its own, \$300 can't buy much on a farm, but pooled with the assessments of all California growers, it is money very well spent. This coming year, about \$200 of it will go towards marketing. It's marketing California avocados to retailers and foodservice buyers so they continue to carry California fruit, even when it costs them

a premium over imported fruit, and it's marketing to our target consumers to reinforce their positive impression of California fruit and drive increased purchasing when our fruit is in season. Approximately \$50 will go toward industry affairs, part of which supports ongoing initiatives and part of which is available to immediately deploy against new challenges. And around \$50 goes towards keeping the operation running, which contemplated one way is a relatively small expense to support the continuation of the only institution in place to exclusively serve the interests of California avocado growers.

Thank you for your support and patience with the Commission as it has evolved over the past two years. While I'm concerned about the challenges California avocado growers will face in the coming years, I am comforted knowing that the Commission is now well-positioned to support us. 🥑