

Believe

The 2019 season has all but concluded and what a year it has been. The crop — which some thought wouldn't amount to more than 160 million pounds — provided fruit from April to September, ending around 210 million pounds. The price it commanded averaged over \$1.70 per pound across the season, setting a record. That price stands as a beacon, reminding us of what is possible. I believe that this new milestone has significance that is difficult to ignore. It strongly argues that consumers do not think of avocados as a commodity (even if some within our industry do), that avocados are not all the same, and it speaks to the power of the California Avocado brand. Believe — and we will all cross that threshold together and realize a future where California's place in the market is assured.

Some cling to archaic notions that supply and demand alone, dictate what happens in the U.S. avocado market. This season is yet another anomaly, they would claim, one shaped entirely by short supplies and burgeoning demand. In such a year, the fruit sells itself, they would say — it's automatic. If this were true, the f.o.b. price of California avocados would not differ from that of imported fruit, but it does. If the inherent value of California avocados was the same as fruit from Peru or Mexico, top-tier retailers would not make any extra effort to align their social media programs with the California Avocado Commission's programs, but they do. Their customers expect it, and they are savvy enough to deliver what their customers want.

Of course, this year shattered the ceiling for everyone, and some retailers decided to lower margins to keep the

price point palatable for their consumers. Fewer promotions occurred, but demand continued strong. Not every consumer may have been willing to pay a premium for California avocados, but that's okay. The Commission's strategy is to target those with a propensity to pay and the retailers they frequent. The idea is to receive the highest value for each of the 450 million or so individual California avocados produced this year, and to keep as many of our target consumers as brand loyal as we can. Simply put, not everyone has to like California avocados, although we would prefer that they did. After all, that bumper crop year is always lurking just around the corner.

The avocado industry stands apart in the produce world, and economists often comment on how it defies predictive modeling. In the years prior to the entry of Mexican avocados into the United States, the U.S. Department of Agriculture's Economic Research Service (ERS) did some modeling on what might transpire as imported avocado volumes increased. They missed it by a mile. The market responded vigorously to what ultimately became a year-round supply, and dire, negative price impacts on domestic producers failed to materialize. Credit consumers' bottomless appetite for avocados and their uncanny understanding that "local" means "fresh," hence not all avocados are equal.

Economists at the University of California-Davis have attempted to account for the major variables that govern avocado market dynamics. One such study by Dr. Hoy Carman and R. Kim Craft noted "along with quantity, the key factors explaining demand include prices of related goods [of which, few, if any, exist], the purchasing power of potential customers, the size of the market in terms



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of number of consumers and consumer tastes and preferences." The Commission places great stock in that final factor because it is where we can make a difference. Dr. Carman goes on to emphasize that "advertising is the final factor posited to explain consumer demand for avocados. Industry advertising efforts are expected to increase demand through providing information and changing preference patterns."

The Commission has done precisely that, and while the factors noted by Dr. Carman are immutable when it comes to explaining avocado market dynamics, no single one, by itself, will determine the California avocado industry's future. In the face of a 3 billion-pound U.S. avocado market in 2020, it's a mistake, I'd say, to assign definitive weight to any one of the market-influencing factors Dr. Carman enumerates. Just when you think you understand it, or can out-guess it, you'll be wrong. The best approach, this writer maintains, is to look at that \$1.70 average price-per-pound, and believe. Believe in the consumer who is proudly wearing a pair of California avocado socks. Believe in the California Avocado brand and the loyalists who seek it out on social media. And most of all, believe in yourselves, because you are producing the finest piece of fruit on earth, and your fruit is certainly worth \$1.70 per pound or more. 🥑