



John Lamb

It's Time to Review & Move Forward

As the 2019 California avocado season winds down, we take stock of the past year and look forward to next year. At the California Avocado Commission (CAC) that means reviewing our marketing programs and budget for last year and starting the process all over again for next year. For this year, we are seeing a larger crop than expected at the highest value per pound ever recorded by California growers. For those of us that had a decent crop this year, it will be a banner year. Not so much for those affected by last summer's heat wave.

Because of the record value of the crop, CAC is in a very strong financial position going into next year. So, how do we evaluate the drivers of our budget going forward? There are three main components: crop size, average price and assessment rate. At our August board meeting every year we start the process of coming up with a crop size by talking to a lot of people. It is still very early in the game to try to figure out what is in any one of our orchards, let alone the entire industry. So we talk to people around the state – growers, packers, field men. We stick our heads into trees to compare this year's crop,

and in my case I also talk to the foreman of our harvest crew. He has seen every tree on our ranch in detail and, frankly, I have not. We also look at long term trends to see historically how crop size is affected by prior years. As the year progresses we will do grower surveys and have meetings with packers to get their take on the crop. At this point we have heard that coastal areas seem

to be lighter due to lower than normal temperatures this past spring and inland areas much higher after a smaller crop this year.

The next component is the most controversial, and that is average price. We have heard for years that we need to be more optimistic because somehow our estimate of the price is a starting point for the industry. That theory has

Year	Volume (lbs)	Total Budget	Total Marketing Budget	Total Marketing Budget (\$/lb)
2010-11	302,500,000	\$14,197,000	\$9,025,000	\$0.030
2011-12	462,300,000	\$17,800,000	\$11,811,000	\$0.026
2012-13	500,200,000	\$17,225,000	\$11,500,000	\$0.023
2013-14	297,500,000	\$16,296,000	\$10,700,000	\$0.036
2014-15	279,000,000	\$15,384,000	\$9,750,000	\$0.035
2015-16	401,400,000	\$15,428,000	\$9,882,000	\$0.025
2016-17	215,900,000	\$12,728,000	\$7,710,000	\$0.036
2017-18	337,800,000	\$15,705,000	\$10,500,000	\$0.031
2018-19 (estimate)	200,000,000	\$11,950,000	\$6,970,000	\$0.035
2019-20 (projection)	365,000,000	\$16,000,000	\$11,000,000	\$0.030



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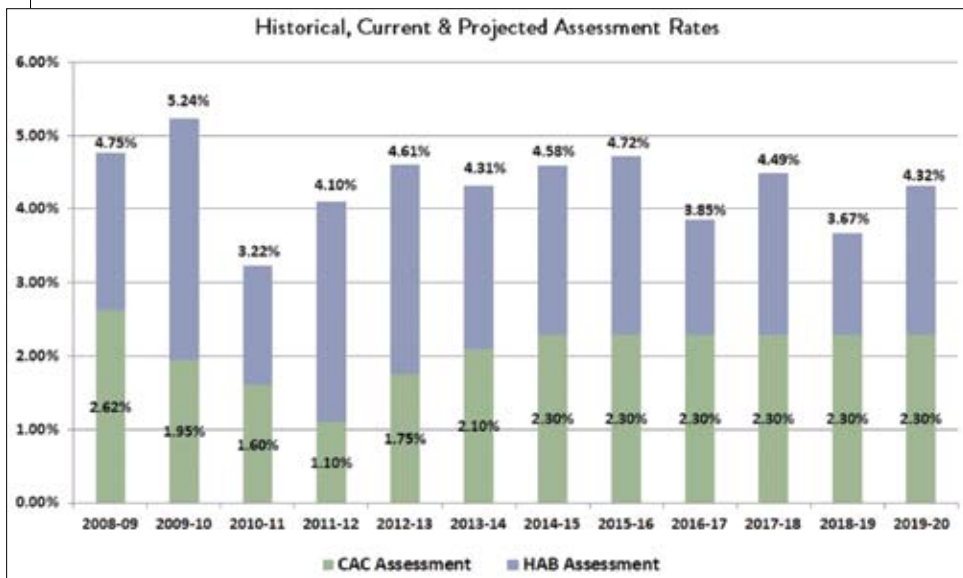
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been proven incorrect in both estimating too high a price and too low a price (as in this past year). The thing to remember is that we are trying to create a budget. I would hope most of us are pretty conservative when budgeting. While we had incredible prices this year I am not willing to budget that they will continue next year with a much larger California crop and an estimate of close to 3 billion pounds from all sources. As you can see from the tables, there are lessons to be learned from the past. While we want to be optimistic we also have to be realistic.

The last component is the assessment rate. As you can see from the table below, we have maintained an assessment rate at 2.3 percent for the past five years. We have tried to leave this alone so growers can count on consistency from the Commission from year to year. By not having wild swings in the assessment rate it lets us use our reserves in lean years and build reserves in good years. It also allows growers to plan on a consistent assessment that does not gouge a high producer in one area and then lower the rate the following year.



So how does this all compute for our planning for 2019/2020? At this moment we are estimating a crop of 365 million pounds at an average price of \$1.15 per pound and leaving the assessment at 2.3 percent. In October, the board will consider this rate and either pass it or alter it as the discussion dictates. If passed, this will result in a total budget of \$16 million. We anticipate a marketing spend of \$11 million— that would be 68.8 percent of the total budget (3 cents per pound), which is the highest level ever.

Thank you for producing the world's finest avocados! 🥑