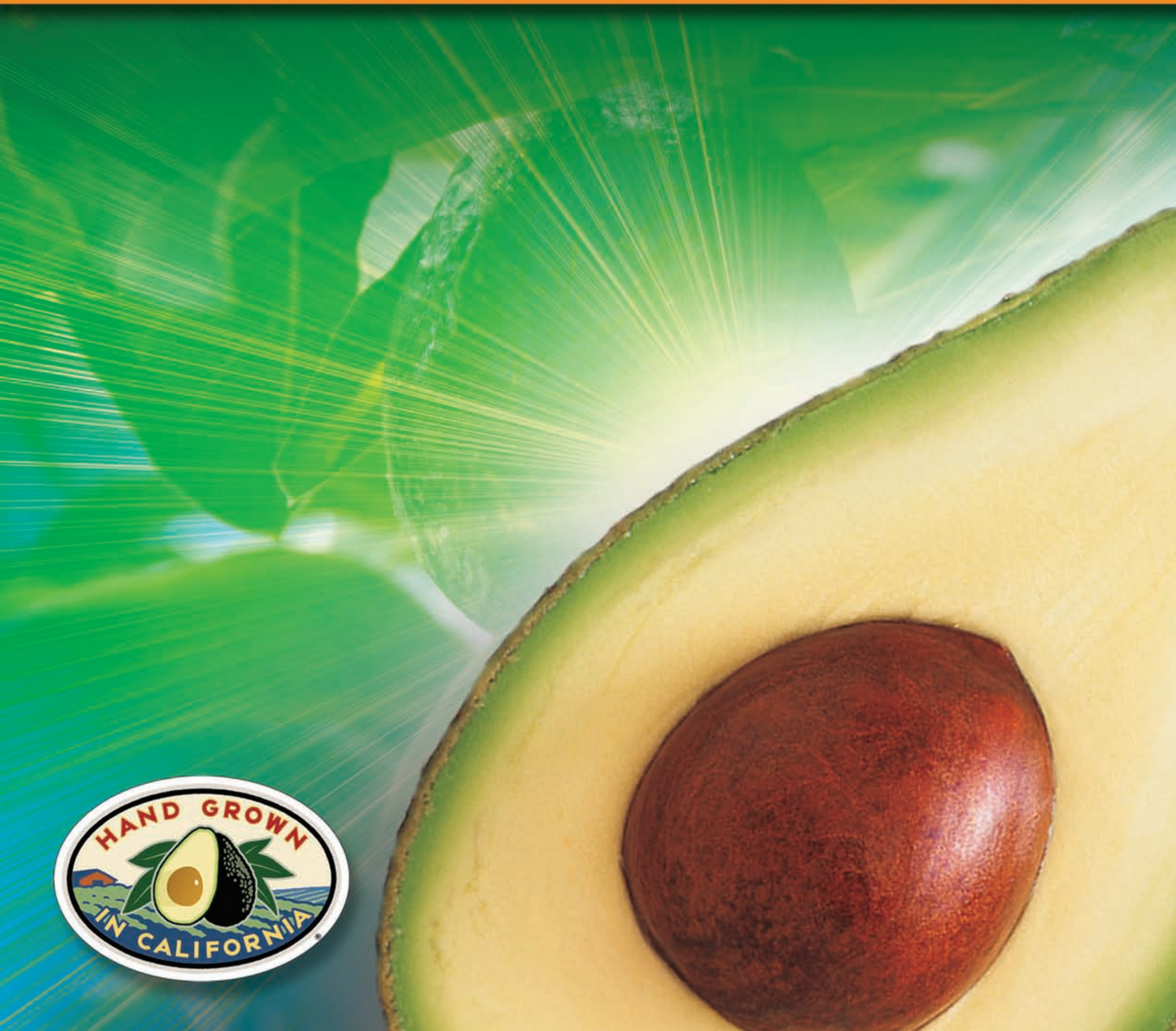
Annual Report 2010-2011

Unprecedented Performance:

Progress Toward Sustainable Value

CALIFORNIA AVOCADO COMMISSION



MISSION STATEMENT

To maximize grower returns
by maintaining premium
brand positioning
for California avocados
and improving
grower sustainability.

Table of Contents

Message from Outgoing Chairman, Charley Wolk

At this time last year I said that I had confidence in the future of the California avocado brand, the Commission and your new Board. California avocado growers expressed that same confidence and affirmed the value of the work done by the California Avocado Commission (CAC) when we approved the referendum to continue Commission operations for another five years. CAC is on the right path to foster demand and strengthen industry value, as demonstrated by the outstanding results this past season.

Although the economy remains in the doldrums and consumers have less disposable income, shoppers were willing to buy California avocados at unprecedented prices in 2011. It was a year for the record books and celebration of success is warranted. But let's be cautious here; it is critical that we manage our expectations and stay focused on building demand. We must keep the California brand premium position strong.

There is increased competition with world avocado production approaching an average of 7.5 billion pounds yearly. We have new competition during California avocado season and global competitors are investing both in marketing and production research. On the home front the industry is faced with rising input costs, particularly water and labor. Much work remains to be done to continuously improve the California avocado industry's competitiveness.

We must constantly strive to deliver outstanding results. I am particularly proud of the achievements CAC made in 2010-11 in the area of Good Agricultural Practices (GAP). We formed a new committee that developed an avocado-specific, workable GAP handbook and program that will greatly benefit the industry. We also reformed the Production Research Committee (PRC) with a new strategic framework and joined forces with an international research consortium to get more bang for the buck from CAC's research investment. CAC significantly improved communication to California avocado growers with increased personal outreach and a new magazine. In an effort to increase production and better manage high density plantings, CAC has focused efforts toward achieving registration of uniconazole-p (Sunny®) for use on avocados in California. Smart investment in industry affairs, production research and marketing is imperative to maintain product quality and a premium position for California avocados.

Charley Wolk
Outgoing Chairman

We must keep the California brand premium position strong.

President's Message

The California avocado industry is experiencing a paradigm shift. While avocado supply into the U.S. has doubled over the last ten years, remarkably, consumer demand has outpaced that supply. For two consecutive years California avocados have been powering toward a premium position in the marketplace, with back-to-back record results. Prior to 2010, the California avocado industry had never reached an annual crop value of $400 million. Now this threshold has been crossed two years in a row, with this year's crop worth nearly $460 million on a volume of 302 million pounds. Can this performance be repeated? With the momentum this industry is building it is certainly within the realm of possibility.

Tom Bellamore
President

The unprecedented performance the industry enjoyed in 2010-11 was the product of teamwork. California avocado growers and handlers closely coordinated the harvest to send a steady flow of top quality fruit to the market. Rather than bristle at rising lug prices, retailers stayed in the game, reducing their margins to keep California avocados attractive to their customers. Consumers did their part too, by purchasing avocados throughout our season, even in the face of increasing prices for fuel and food, including most produce items.

The unprecedented performance the industry enjoyed in 2010-11 was the product of teamwork.

Your team at CAC also contributed to the industry's record-breaking success. Strong marketing programs conducted under the direction of CAC's vice president of marketing, Jan DeLyser, not only caught the attention of consumers and moved product at record prices, but garnered recognition from within the produce industry as well. At the Produce Marketing Association Fresh Summit convention in Atlanta, Jan was honored as "Produce Marketer of the Year." In acknowledging her leadership and CAC's ground-breaking marketing, *The Packer* newspaper called her, "the consummate marketer; an incredible thinker… the ultimate consensus builder and the face of the avocado industry." Whether engaged in marketing, industry affairs, production research or administration on behalf of California's avocado growers, CAC's seasoned team of 13 staff members carried out their duties with passion and commitment—from prudently managing the Commission's finances to tackling the tough issues such as water pricing and food safety. The 2010-11 year delivered unprecedented performance in many areas beyond the critical measure of crop value. CAC continued its focus on marketing and further developing California avocado branding to maintain the premium the brand commands. Avocados achieved an average retail price of $1.31 (each) during

Bryan Silbermann, president of Produce Marketing Association, congratulates Jan DeLyser on receiving The Packer's "Produce Marketer of the Year" award.

CALIFORNIA AVOCADO COMMISSION

Seven-Point Plan

1. Dedicate ourselves to achieving real (measurable) gains in average yield per acre
2. Achieve industry-wide compliance with Good Agricultural Practices within the next 12 to 24 months
3. Modernize our data collection methods, to provide a much-needed foundation for improving crop estimating, redistricting, traceback and grower communications
4. Solidify our premium positioning by making a commitment to quality, fortifying our core markets (California and the West) and staying on the leading edge of produce marketing
5. Engage locally on critical issues such as water pricing and quality
6. Seek continual improvement in grower communications
7. Situate CAC facilities for grower accessibility

California avocado season and an elevated average price per pound never before seen industry-wide. Most importantly, consumers strengthened their preference for the brand.

There remain many industry challenges to face, among them water issues, the alternate bearing crop and new competitive threats. CAC's Seven-Point Plan, which provides focus and direction towards meeting CAC's 10-year strategic goals and addresses key industry challenges, is well underway. We made substantial progress in identifying and addressing key issues such as Good Agricultural Practices (GAP) and grower communications. Under Chairman Wolk's leadership the PRC was reformed and refocused, aligning the research program with the rest of the business strategy and making significant progress towards our goals.

The key challenge for CAC as we move forward is to convert the unprecedented performance of the last two years into long-term, sustainable value for California avocado growers.

Seasonal Crop Values

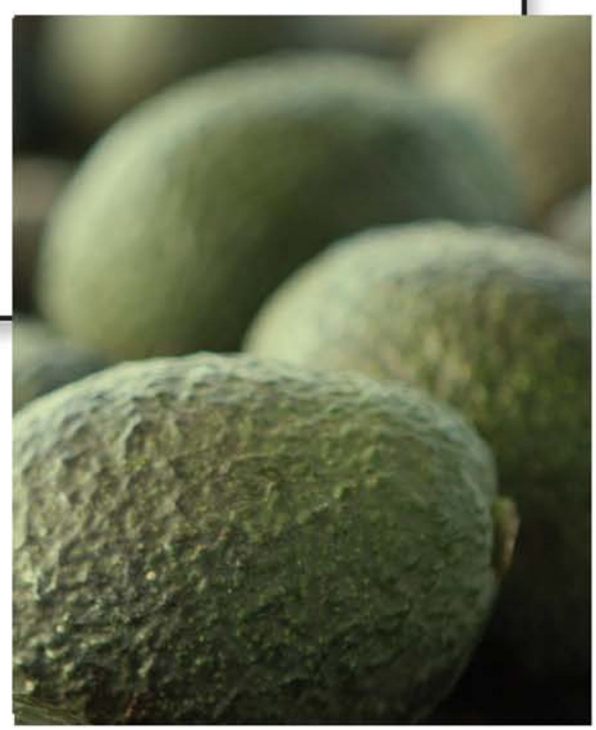
Year	Producing Acres	Volume MM Lbs.	Crop Value $	Price/Lb. ¢	Dollars Per Producing Acre $	Yield Per Producing Acre Lbs.
2010/11	52,158	302.5	460,209,682	152.14	8,823	5,800
2009/10	58,268	534.5	402,770,893	75.35	6,912	9,173
COMPARATIVE YEARS						
2007/08	65,497	328.8	327,141,689	99.50	4,995	5,020
2004/05	61,712	300.4	275,034,420	91.55	4,457	4,868
2002/03	59,326	335.2	363,104,986	108.32	6,121	5,650
1997/98	59,895	304.9	261,126,590	85.64	4,360	5,091
1994/95	61,254	304.2	227,313,720	74.73	3,711	4,966

Unprecedented Performance at a Glance

2010-11 HIGHLIGHTS	
Total Crop Value	$460 million
Average Price per Pound	$1.52
Retail Price Premium vs. Off Season	+30%
From the Grove Magazine Distribution	5,500 copies
Specialty Block Grant	$150,000
Advertising and PR Impressions	2 Billion+
CaliforniaAvocado.com Recipe Views	Nearly 1 million
Facebook Fans	80,000+
Foodservice Chain Promotions	16
Supermarket Registered Dietitians Receiving CAC Nutrition Newsletters	77

2010-11 AWARDS

- *Progressive Grocer* Commodity Board Retail Leadership Award
- *The Packer* Produce Marketer of the Year (Jan DeLyser)
- Produce Marketing Association Sensory Experience Best of Show



Marketing

California avocados experienced a banner year of consumer demand with unprecedented grower returns and retail prices. For the past two years during the California avocado season (April through September), retailers were able to command a 30 percent higher price point than during the October through March timeframe.

Consumer Advertising

The Commission's marketing campaign kept a strong focus on California branding and message integration in all aspects of the marketing mix to create demand in season. Continuing the California avocado grower campaign with *Hand Grown in California* thematic and strongly communicating the premium California brand, new marketing outreach reinforced authenticity and grower stories to enhance the brand positioning. In recognition of the Commission's marketing and merchandising accomplishments, CAC received the *Progressive Grocer* Retail Leadership award, commending the Commission for being one of six best-in-class promotional and marketing commodity boards.

Consumer advertising is a central pillar in California avocado marketing, with activity concentrated in western states where the majority of California avocados are purchased. This year's successful campaign kicked off with the announcement "California Avocados Have Arrived," making sure shoppers knew that it was time to ask for their favorite avocados. Later, "Get 'em While They Last" ads created a sense of urgency and reinforced communication of CAC's season as it drew to a close. Media coverage included national print ads, regional radio, in-store signage, outdoor billboards and local transit ads on the Bay Area Rapid Transit System. The combined effort generated more than one billion advertising impressions.

...retailers were able to command a 30 percent higher price point than during the October through March timeframe.

Sponsorship activity complemented traditional media. CAC created the first-ever "California Avocado Week" at Downtown Disney in Anaheim, Calif., from June 26 through July 2, helping to raise consumer awareness of California avocados leading up to a key avocado consumption period around the fourth of July. The event featured sampling of California avocado dishes prepared by Downtown Disney's executive chefs, along with daily guacamole contests. CAC has promoted the association of California avocados with summer holidays for decades, and in 2012 will put an even stronger emphasis on July 4th activities.

CAC also partnered with America's Test Kitchen (ATK), which has more than two million viewers per television episode, to promote a wide variety of California avocado usage. The program included on-air and online sponsorship elements including TV billboards, web banners, Facebook® contests and CAC's first "Twitter® Party." As a result of the partnership, CAC grew its Twitter following and the CAC email list grew by more than 62,000 subscribers by securing partner positioning on the ATK email sign up page, growing the monthly newsletter list to more than 100,000 subscribers.

CAC's "California Avocado Week" at Downtown Disney featured dishes prepared by Downtown Disney executive chefs and popular daily guacamole contests.

Online and Social Media Marketing

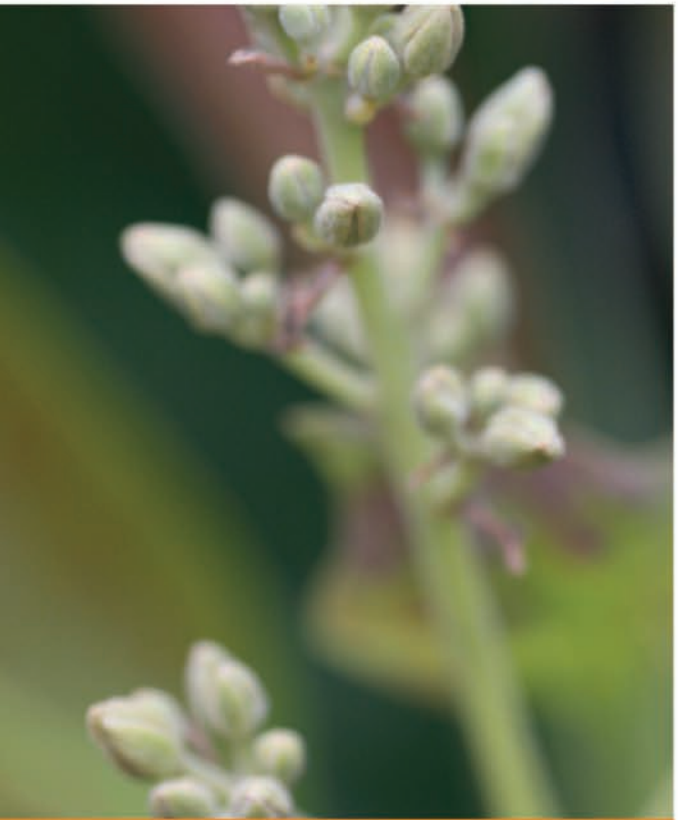
As a trailblazer in the online produce marketing arena, the Commission maintained on-going content updates and promotions on CaliforniaAvocado.com, and developed a new user-friendly mobile site where shoppers and on-the-go consumers with a smartphone can access valuable, timely information including recipes, nutrition information and more. CAC has taken full advantage of new social media opportunities to disseminate content, earning a fan base unequaled by any other fresh avocado marketer. CAC is very active on Facebook®, and by the end of fiscal year 2010-11, CAC's Facebook® page had more than 80,000 fans. Regular Twitter® activity helped promote brand loyalty; garnering more than 2,600 followers.

HIGHLIGHTS OF ONLINE & SOCIAL MEDIA ACHIEVEMENTS

CaliforniaAvocado.com web visits	1,479,908
CAC Recipe views	990,591
Facebook® fans	80,000+
Twitter® fans	2,600+
YouTube® video views	11,762
Flickr® photo views	1,422

California Avo Babies®

CAC combined social media, retail activity and public relations to create a California Avo Babies® contest. This contest promoted California avocados as a great first food for babies, encouraging new users from the earliest possible age. Drs. Bill and Jim Sears provided credible medical recommendations endorsing avocados for babies and families; The Drs. Sears include California avocados as both the



number one fruit on their "Top 10 Fruits" list and as an entry on their "Top 12 Family Foods" list. Public relations secured more than 16 million media impressions linking California avocados and babies. The Avo Babies® program also achieved outstanding consumer interaction, with 290 contest entries (93 percent above goal), 30,000 Facebook® visits and many consumers sharing personal stories about their babies and California avocados with each other on CAC's page.

Consumer and Trade Public Relations

Overall, CAC's consumer and trade public relations outreach generated an unprecedented number of nonpaid media impressions, including more than 1.1 billion for consumer, 5.7 million for foodservice and 1.4 million for produce/retail trade PR.

The Commission was recognized as being a leader in blogger marketing.

The California Avocado Artisan Chef program was a key facet of the Commission's consumer public relations program. Launched three years ago, CAC expanded the Artisan Chef program, partnering with many chefs who utilize locally grown products, represent the artisan cooking style and enjoy working with California avocados. This year, CAC kicked off the California avocado season with one of New York's leading chefs: Ivy Stark, executive chef of Dos Caminos restaurant, who promoted California avocado-centric recipes at media appearances and through social media leading up to and on Cinco de Mayo.

Avocado grove tours for the media, registered dietitians, trade partners and key accounts educated VIPs and influencers about California avocados and avocado nutrition. The tours provided a first-hand look at how the fruit is hand grown and packed, and demonstrated a wide variety of avocado usage ideas. In the months following the tours many of the attendees spread the word about California avocados. For some who work with very long lead times the tours provide a foundation for coverage that will occur this coming season.

The Commission was recognized at the October 2011 Produce Marketing Association Fresh Summit and in trade publications as being a leader in blogger marketing. Bloggers — what some are calling "the new media,"— are playing an increasingly influential role in consumer communication, providing credible and personal endorsements of the products they like. To ensure that California avocados have a place in the food blogging world, CAC hosted educational events for influential bloggers, including chef dinners and sponsorship of Camp Blogaway, a conference for food and recipe bloggers, highlighting marketing campaign messages and the consistent quality of the fruit.

Retail

Consistent quality is a major selling point for California avocados. A survey conducted in the summer of 2011 showed that the overwhelming reason retailers carry California avocados was because they perceive them to be higher quality than imported avocados. Also, more than 70 percent cited the Commission's marketing support as another key reason they carry California avocados.

With a shorter crop and higher prices than the previous year, retailers continued to support California avocados with displays, point-of-sale materials and advertisements. While retail advertising activity was down versus the prior year, there were at least 101 retail ads for California avocados, and supermarkets ordered more than 2,500 display bins. Point-of-sale materials, including co-marketing recipes with Copper River Salmon, complemented the bins. CAC also worked closely with supermarket registered dietitians to distribute messages about California avocado nutrition and usage versatility, adding value to retailer programs and communications.

Foodservice

In the foodservice arena, CAC's publicity program showcased innovative Fresh California avocado menu applications with chefs and operators from fast casual, mid-scale dining and onsite segments. Crowning CAC's marketing campaign this year were awareness-building promotions with 16 major foodservice chains. CAC's foodservice advertising and educational efforts helped these operators to understand the value of including fresh avocados on their menus. Subway® expanded the successful Subway Los Angeles program from 2010 with national advertising, using fresh avocados in key western markets. Other major foodservice chain promotions featuring fresh avocados included Togo's®, Farmer Boys®, El Pollo Loco® and The Habit. We can't prove it 100 percent of the time, but it seems that if a foodservice dish has "California" in the name it has avocado on the plate!

Retail Survey Results

California **avocado quality** and **CAC marketing support** are key reasons why retailers merchandise California avocados*

79%	**Quality:** California Avocados are consistently higher quality than imported avocados
71%	**Support:** California Avocado Commission marketing support
64%	Local: Buying locally-sourced produce is a strategic initiative
57%	Loyalty: Prefer California Avocados
50%	Shopper Preference: My shoppers prefer California or USA produce
36%	Freshness: California Avocados are consistently fresher than imported avocados
29%	Shrink: Lower shrink issues with California Avocados
14%	Retail pricing: California Avocados generate a higher retail price than imported avocados

*Among retailers who merchandise California avocados
Survey conducted by Fusion Marketing August, 2011

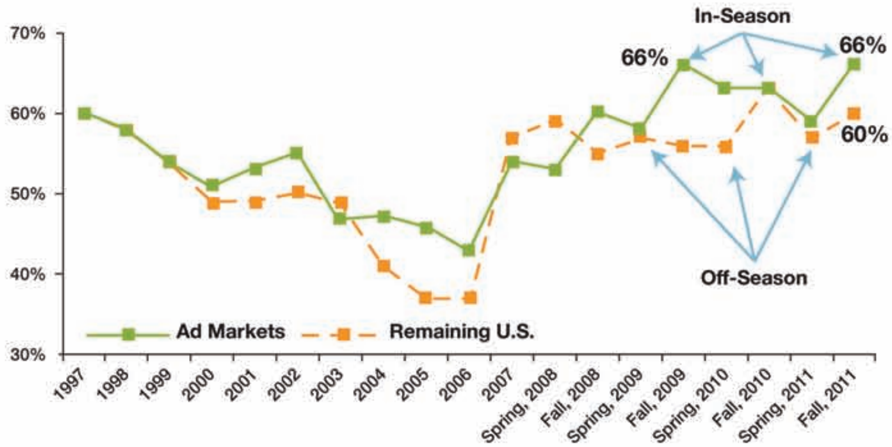
Advertisement: The Habit

The California avocado brand has successfully demonstrated the ability to drive grower value. It is imperative to uphold the strength of the marketing program in order for the Commission to continue to deliver groundbreaking results.

Marketing Research

Consumers Rate Importance of U.S. Grown Avocados

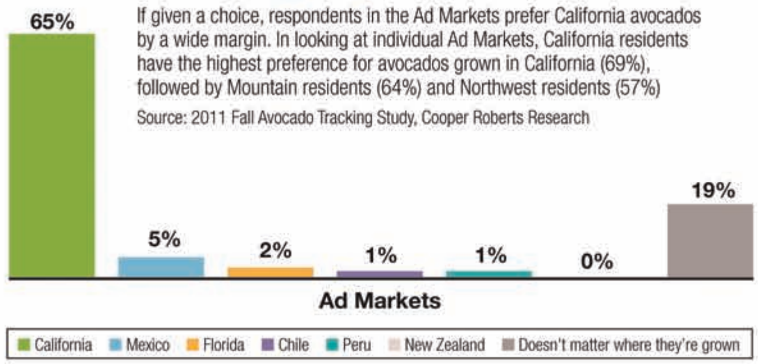
The rating for "Importance of being grown in the U.S." began to dip in the Ad Markets in the fall of 2009. But for the current fall wave, the Ad Markets have rebounded and matched the highest historical rating ever at 66%. Latest waves continue to peak vs. spring due to Ad Market advertising support.



Avocado Growing Region Preference

If given a choice, respondents in the Ad Markets prefer California avocados by a wide margin. In looking at individual Ad Markets, California residents have the highest preference for avocados grown in California (69%), followed by Mountain residents (64%) and Northwest residents (57%)

Source: 2011 Fall Avocado Tracking Study, Cooper Roberts Research



Outstanding Print Ad Performance

*CAC's ad ranked #1 in advertising recall and consumer action**

- There were 23 ads in the July 2011 issue of *Sunset* magazine
- CAC's ad ranked #1 in advertising recall, scoring 42% above the median
- CAC's ad ranked #1 in reader action, scoring 71% above the median (The percent of readers that recall seeing a specific advertisement and who report that they took action, or plan to take action, as a direct result)

*Independent research. Every month *Sunset* magazine releases the Starch Study for their advertisers, which evaluates advertising success as compared with competitors and industry norms. The measurement study is compiled by both Starch Advertising Research and Gfk MRI. Starch Advertising Research is a trusted source for market intelligence about print advertising effectiveness. GfK MRI is the country's leading provider of magazine audience ratings, among other data and research.

Industry Affairs

CAC's long-range strategic plan focuses on key issues affecting industry sustainability. To better address these key issues CAC management realigned Industry Affairs staffing, creating a "Director, Issues Management" position. Produce industry veteran Ken Melban was tapped to fill the job. With concurrent staff attrition the Commission managed this change with no increase in overall staff headcount. Staff realignment enabled the Industry Affairs team to realize significant progress in the following milestones of the Seven-Point Plan:

Achieve industry-wide compliance with GAP within the next 12 to 24 months

After gathering significant input from industry stakeholders, CAC's GAP Committee, comprised of growers and handlers, set to work in 2010-11 to finalize commodity specific GAP & Good Harvesting Practices (GHP) manuals. With standards that are common-sense and specific to avocado production, the committee worked closely with the United States Department of Agriculture (USDA) to compile manuals that were not overly burdensome to growers, yet still receive the stamp of approval from USDA. The final GAP & GHP manuals ultimately received approval by the Commission Board in August 2011 and CAC staff promptly began a series of training sessions with industry members. While GAP certification is voluntary for California avocado growers, the Commission is striving to have nearly 80 percent of California acreage compliant by 2013.

CAC's ability to tackle this goal was enhanced by an award of $150,000 from the California Department of Food and Agriculture's 2011 Specialty Crop Block Grant Program. The award will fund CAC's "California Avocado Grower GAP Education Series" program, helping CAC roll out phases of its GAP educational program over the next few years. The program will consist of seminars about the GAP manual, along with hands-on workshops to assist growers in completing the documentation process. Also planned for development are additional tools including a web-based self-audit and "Grower Checklist."

CAC's long-range strategic plan focuses on key issues affecting industry sustainability.

Modernize our data collection methods, to provide a much-needed foundation for improving crop estimating, redistricting, traceback, and grower communications

Big changes are underway in CAC's data collection process. In the past, only two-years of production data had been used in the CAC redistricting process, resulting most recently in 2011 with a major shift towards the north in CAC's five districts. To minimize the effects of drastic swings in production due to alternate bearing, the CAC Board approved changes to Commission law. The revised statute, effective January 1, 2012, provides CAC with broad authority to implement a grove identification system, while also requiring the use of five-years of production data for the purposes of redistricting.

Development of a Grove Database System will begin in 2012. Significantly improved grove identification will aid in crop estimating, traceback efforts, grower communications and along with the change to utilize five-years of production data, will aid in determining more accurate district lines.

Engage locally on critical issues such as water pricing and quality

Rising input costs, particularly water, continue to be a challenge for the California avocado industry. In 2010-11 there were some key successes, most notably at the Goleta Water District (GWD) and the City of Escondido. During GWD's rate setting process, CAC urged the District to consider a rate structure that excluded agricultural customers from charges associated with State Water Project supplies. In Escondido, CAC supported local growers' efforts to underscore the importance of agriculture to the City's economy. These accomplishments helped keep rate increases as low as possible for agricultural customers.

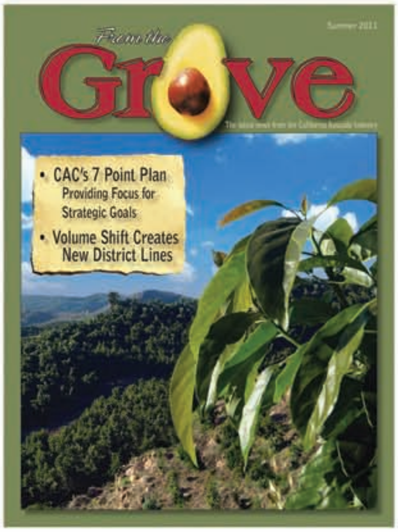
The Commission Board also made important progress in developing an overall "water strategy" plan to address the industry's need for low-cost, high-quality water supplies. Development of the strategic framework is continuing in 2012. CAC management remains engaged with local water agencies and participates as part of a coalition along with the Farm Bureau to collaboratively influence agricultural water pricing at Metropolitan Water District of Southern California.

CAC's Industry Affairs team engaged on other critical issues facing avocado growers. For example, the Commission submitted testimony to Karen Ross, Secretary, California Department of Food and Agriculture, on the 2012 Farm Bill. The importance of Specialty Crop Block Grants, conservation, phytosanitary issues and accelerated depreciation tax incentives for growers were emphasized in the Commission's comments.

Working through a broad-based coalition of agricultural interests, CAC has remained at the forefront on immigration reform. Ken Melban, shown here with Senator Dianne Feinstein at the 2011 Washington Public Policy Conference, expanded networking efforts with key decision makers on public policy matters such as immigration reform that provides for a stable agricultural workforce.

Seek continual improvement in grower communications

Grower communications took a giant leap forward in 2011 with the publication of a new industry magazine. Titled *From the Grove*, the magazine provides in-depth coverage of CAC's activities, issues facing the industry, and information on cultural management. It is provided to all California avocado growers at a nominal cost to the Commission. The first issue of *From the Grove* reached growers in July, and based on the positive feedback, the magazine is scheduled to be published on a quarterly basis.



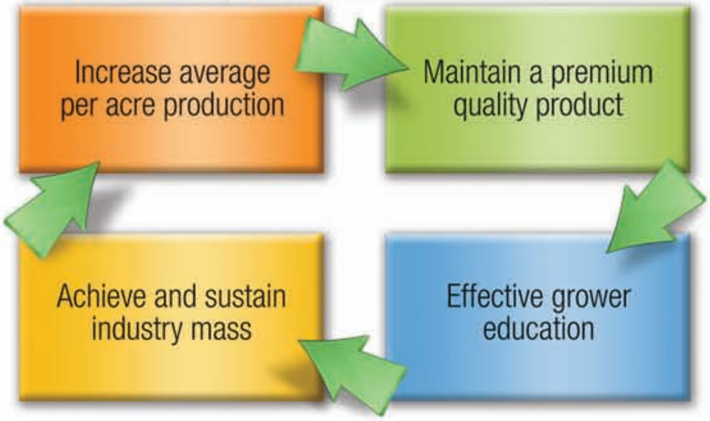
This past year staff members from various CAC departments, including retail merchandising director, Dave Howald, made presentations at annual and district grower meetings, fostering closer interaction between stakeholders and the staff.

Retail merchandising director Dave Howald presenting to growers in Temecula.

Building on progress made in communications in 2009-10, CAC continued collaboration with the California Avocado Society and Farm Advisors, conducting five informative seminars on cultural management issues affecting the industry, including Fertilizer Strategies, Irrigation and Water Quality, Laurel Wilt Disease and Redbay Ambrosia Beetle, and Avocado Tree Root Health and Treatments for Root Rot. In addition, CAC held two sets of district grower meetings, throughout the growing regions, to present updates on Commission activities, crop movement, and the financial position of the organization, as the Board began the task of budget setting and business planning.

Grower communications took a giant leap forward in 2011 with... From the Grove.

Research Imperatives



Production Research

Avocado production research is needed not only to help California avocado growers in their cultivation practices, but also to help them survive in business overall. In 2010-11 CAC's Board of Directors made tremendous progress by reforming the Production Research program. A newly-appointed Production Research Committee (PRC) made many improvements in the way research will be handled by CAC. Projects that were already underway have continued and new projects recommended by the PRC are slated to begin in 2012.

The new Production Research Committee implemented an efficient two-step process for research proposals.

The new PRC implemented an efficient two-step process for research proposals. Recognizing that research needs and innovative research ideas do not necessarily follow CAC's fiscal calendar, the new research process calls for concept proposals as needed several times throughout the year. Submitted research concepts are thoroughly vetted by the PRC prior to being sent to the CAC Board for approval. If a concept fits with CAC's strategic imperatives, then a detailed proposal is requested from the researcher. Formal proposals are again reviewed by the PRC and then sent to the CAC Board for ultimate approval of project funding. This two-step process requires in-depth review and discussion of proposals and helps CAC initiate high-quality, grower-relevant research projects.

Vastly improved accountability is another big change in the way CAC manages its research projects. A new payment system that requires achievement of specific milestones is now built into all research contracts. Realization of this payment requirement is unprecedented in the history of California avocado research and provides the same project oversight and accountability that is expected of programs in all CAC departments.

For the first time, CAC acted to leverage global resources when it joined the Avocado Research Consortium (ARC) in 2011. Avocado industry stakeholders from Australia, Mexico, New Zealand and the

U.S. came together to fund joint research against a common problem: alternate bearing. The Consortium sought out and received competitive research proposals on avocado alternate bearing from around the world. The selected proposals will include research conducted in California and the other participating countries, with researchers from California spearheading the study with other international researchers.

Through the ARC, California will get the benefit from the combined resources of all the participating countries. Because of supplementary contributions from the Australian government, the total research value is greater than the sum of the country contributions. In fact, for every $1.00 invested by CAC, California avocado growers will receive a research value of about $7.50.

To be competitive in today's avocado industry, stakeholders must pay attention to the fine details needed to successfully manage their groves as well as the latest developments in the worldwide production of avocados.

In addition to managing CAC's research projects, a key role of the Production Research team is to educate California avocado growers about cultural management. In an effort to help inform growers that what happens now will manifest two years from now in the form of fruit production, Dr. Jonathan Dixon developed an avocado tree-growth cycle model and shared that in the field. Educational outreach is helping to change the California avocado industry perspective of cultural management from a year-to-year view to one that is longer term.

In 2010-11 CAC/CAS/UCCE conducted a series of grower seminars. CAC's research program director, Dr. Jonathan Dixon, emphasized using the two-year tree-growth cycle for avocado cultural management decisions, including fertilizer strategies.

Progress also was made in 2010-11 in the area of pest management. Dr. Joseph Morse of University of California, Riverside (UCR) led a team of entomologists in the development of new tools for managing pests in a sustainable fashion. By having numerous approved insecticides and pesticides, growers can develop more effective resistance management programs.

Alignment of the Production Research program with the rest of the business strategy and understanding that for the success of the industry there needs to be integration with Industry Affairs and Marketing led to unprecedented gains this past fiscal year. Plans are in place to continue this alignment and integration as CAC powers on to deliver sustainable value for California avocado growers.

CAC chairman Charley Wolk addressed the Avocado World Congress in Australia.

Dr. Dixon addresses California avocado growers on the topic of Root Health at a Field Seminar in April 2011.

CALIFORNIA AVOCADO COMMISSION
Annual Financial Report
October 31, 2011 and 2010

Table of Contents

The Board of Directors of the
California Avocado Commission

Independent Auditor's Report

We have audited the accompanying basic financial statements of the California Avocado Commission (Commission), as of and for the years ended October 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of October 31, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2012, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 18 through 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the Commission's basic financial statements. The budgetary comparison schedule and combining statement of revenues, expenses and changes in net assets are presented for purposes of additional analysis and are not a required part of the financial statements. The budgetary comparison schedule and combining statement of revenues, expenses and changes in net assets are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Macias Gini & O'Connell LLP

Newport Beach, California
January 10, 2012

CALIFORNIA AVOCADO COMMISSION
Management's Discussion and Analysis
For the Years Ended October 31, 2011 and 2010
(Unaudited)

INTRODUCTION

Management's Discussion and Analysis (MD&A) provides an overview and analysis of the financial activities of the California Avocado Commission (Commission) for the years ended October 31, 2011 and 2010. It has been prepared by management and is required supplementary information to the financial statements. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

FINANCIAL HIGHLIGHTS

- The Commission's 2011 assets exceeded its liabilities as of October 31, 2011, by $10,376,212 (total net assets). This amount increased by $714,490 or 7% from the prior year amount of $9,661,722.
- Of the total net assets at the end of fiscal year 2011, net assets invested in capital assets, net of related debt, decreased $19,035 to $23,050 or 45% from the prior year amount of $42,085.
- Net assets restricted for marketing at the end of fiscal year 2011 decreased $708,262 to $1,516,100 or 32% from the prior year amount of $2,224,362.
- Unrestricted net assets at the end of fiscal year 2011 increased $1,441,787 to $8,837,062 or 19% from the prior year amount of $7,395,275. This amount made up 85% of total net assets.
- The Commission's 2010 assets exceeded its liabilities as of October 31, 2010 by $9,661,722 (total net assets). This amount increased by $6,790,452 or 236% from the prior year amount of $2,871,270.
- Of the total net assets at the end of fiscal year 2010, net assets invested in capital assets, net of related debt, decreased $10,121 to $42,085 or 19% from the prior year amount of $52,206.
- Net assets restricted for marketing at the end of fiscal year 2010 increased $1,986,370 to $2,224,362 or 835% from the prior year amount of $237,992.
- Unrestricted net assets at the end of fiscal year 2010 increased $4,814,203 to $7,395,275 or 187% from the prior year amount of $2,581,072. This amount made up 77% of total net assets.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Commission's financial report. The Commission's financial report includes three basic financial statements: Statements of Net Assets; Statements of Revenues, Expenses and Changes in Net Assets; and Statements of Cash Flows. The Commission's basic financial statements include notes to the financial statements. Financial statements are designed to present a broad overview of the financial data for the Commission, in a manner similar to a private-sector business.

The *Statements of Net Assets* present information on all assets and liabilities of the Commission, using the accrual basis of accounting, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the current financial condition of the Commission.

The *Statements of Revenues, Expenses and Changes in Net Assets* present information showing how the Commission's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The *Statements of Cash Flows* present changes in cash and cash equivalents resulting from operating, non-capital financing, capital financing and investing activities.

The notes to the basic financial statements provide additional information that is essential to a full understanding of the information provided in the financial statements.

Other Information:

In addition to the required MD&A, the financial statements also present the following supplementary information: Budgetary Comparison Schedule and Combining Statement of Revenues, Expenses and Changes in Net Assets (broken down by Restricted and Unrestricted) and the following other report: Independent Auditor's Report on Compliance with Lobbying Regulations.

FINANCIAL ANALYSIS

Comparative data for the year ended October 31, 2010, has been presented in the accompanying financial statements (including MD&A) to facilitate financial analysis for the current year ended October 31, 2011. A comparative analysis of fiscal year 2010 with fiscal year 2009 is also presented in the MD&A.

STATEMENTS OF NET ASSETS:

Table 1
Net Assets

	2011	2010
Current assets	$12,581,618	$11,479,609
Capital assets (net)	23,050	54,796
Total assets	12,604,668	11,534,405
Current liabilities	2,089,470	1,740,511
Non-current liabilities	138,986	132,172
Total liabilities	2,228,456	1,872,683
Net assets:		
Invested in capital assets, net of debt	23,050	42,085
Restricted for marketing	1,516,100	2,224,362
Unrestricted	8,837,062	7,395,275
Total net assets	**$10,376,212**	**$9,661,722**

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The largest portion (99%) of the Commission's assets in 2011 was current assets, consisting primarily of cash, investments, accounts receivable and fiduciary cash and investments, amounts held for Avocado Inspection Program (AIP), totaling $12,581,618; up $1,102,009 from the prior year amount of $11,479,609. Cash and cash equivalents at 2011 year-end are up from prior year. Assessment receivables were lower at 2011 year-end due to a shorter California avocado season compared to prior year. Total current assets cover current liabilities 6.0 times, which indicates good liquidity.

In 2010, the largest portion (99%) of the Commission's assets was also current assets, consisting primarily of cash, investments, accounts receivable and fiduciary cash and investments, amounts held for AIP, totaling $11,479,609; up $7,589,058 from the prior year amount of $3,890,551. This increase was mainly due to an increase in cash and cash equivalents due to higher assessment revenue generated from higher production in 2010 compared to the production in 2009. The increase was also due to higher assessments receivable due to a longer California avocado production season compared to prior year. Total current assets covered current liabilities 6.6 times, indicating good liquidity.

Liabilities as of October 31, 2011, totaled $2,228,456, which increased $355,773 from the October 31, 2010, balance of $1,872,683. The increase was mainly due to more obligations owed to vendors. Liabilities were primarily accounts payable, accrued liabilities, fiduciary liabilities, amounts for AIP, deposits due and unearned revenue, which are considered current liabilities.

Liabilities as of October 31, 2010, totaled $1,872,683, which increased $776,254 from the October 31, 2009, balance of $1,096,429. The increase was mainly due to more obligations owed to vendors and a higher balance of fiduciary liability, amount held for AIP. Liabilities were primarily accounts payable, accrued liabilities, fiduciary liabilities, amounts for AIP and deposits due, which are considered current liabilities.

Net assets invested in capital assets, net of related debt, represent the Commission's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Net assets invested in capital assets (net of accumulated depreciation) totaled $23,050 at the end of fiscal year 2011; a decrease of $19,035 from the prior year amount of $42,085, primarily due to the depreciation and deletions of capital assets. Net assets invested in capital assets made up 0.2% of total net assets.

At the end of fiscal year 2010, net assets invested in capital assets (net of accumulated depreciation) totaled $42,085 at the end of fiscal year 2011; a decrease of $10,121 from the prior year amount of $52,206 primarily due to the depreciation and deletions of capital assets. Net assets invested in capital assets made up 0.4% of total net assets.

Restricted net assets for marketing activities are subject to imposed restrictions by federal statute governing their use. Restricted net assets totaled $1,516,100 at the end of 2011, a decrease of $708,262 from the prior year amount of $2,224,362, primarily due to lower production and therefore lower revenue from the 85% assessment rebate funds received from the Hass Avocado Board (HAB). Restricted net assets are 15% of total net assets and are subject to external restrictions on how they can be used. Restricted net assets at the end of 2010 totaled $2,224,362, an increase of $1,986,370 from the prior year amount of $237,992, primarily due to higher production and, therefore, higher revenue from the 85% assessment rebate funds received from the HAB.

Unrestricted net assets available for future activities at the end of fiscal year 2011 totaled $8,837,062, an increase of $1,441,787 from the prior year amount of $7,395,275. Unrestricted net assets available for future activities totaled $7,395,275 at the end of fiscal year 2010, an increase of $4,814,203 from the prior year amount of $2,581,072.

CALIFORNIA AVOCADO COMMISSION
Management's Discussion and Analysis
For the Years Ended October 31, 2011 and 2010
(Unaudited)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS:

Table 2
Changes in Net Assets

	2011	2010
Operating revenues	$14,058,350	$19,532,123
Operating expenses	13,390,992	12,780,452
Operating income (loss)	667,358	6,751,671
Non-operating revenues (expenses)	47,132	38,781
Changes in net assets	714,490	6,790,452
Total net assets - beginning	9,661,722	2,871,270
Total net assets - ending	**$10,376,212**	**$9,661,722**

Operating revenues of $14,058,350 in 2011 were $5,473,773 or 28% lower than the $19,532,123 earned in 2010. The decrease was due to lower production compared to 2010. Total crop (all varieties) reported to the Commission for fiscal year 2011 was 302.5 million pounds, a 43% decrease from 534.5 million pounds reported in 2010. Of the operating revenue, the largest portion, $13,413,069 (95%), reflected assessment revenue. The remaining portion of $645,281 (5%) came mostly from administrative and marketing fees generated from HAB and AIP.

Operating revenues of $19,532,123 in 2010 were $9,920,474 or 103% higher than the $9,611,649 earned in 2009. The increase was due to higher production compared to 2009. Total crop (all varieties) reported to the Commission for fiscal year 2010 was 534.5 million pounds, a 206% increase from 174.5 million pounds reported in 2009. Of the operating revenue, the largest portion, $18,629,641 (95%), reflected assessment revenue. The remaining portion of $902,482 (5%) came mostly from administrative and marketing fees generated from HAB and AIP.

Operating expenses totaled $13,390,992 in 2011, which was an increase of $610,540 or 5% from the prior year amount of $12,780,452. This was primarily due to new activities in marketing, industry affairs and production research activities in 2011.

Operating expenses totaled $12,780,452 in 2010, which was an increase of $2,372,755 or 23% from the prior year amount of $10,407,697. This was primarily due to an increase in marketing activities to respond to a higher production in 2010.

At the end of the fiscal year 2011, the Commission reported ending net assets of $10,376,212, which was $714,490 higher than the $9,661,722 reported in 2010. Even though 2011 total revenues were significantly lower than that of 2010, the Commission spent less than it earned. Consequently, the excess of revenues over expenses increased ending net assets in 2011.

At the end of the fiscal year 2010, the Commission reported ending net assets of $9,661,722, which was $6,790,452 higher than the $2,871,270 reported in 2009. This was mainly due to an increase in assessment revenue received, resulting from higher production.

CAPITAL ASSET AND DEBT ADMINISTRATION

The Commission's investment in capital assets as of October 31, 2011, totaled $23,050, which was a decrease of $31,746 from the prior year amount of $54,796 (net of accumulated depreciation). The decrease represented depreciation on capital assets used for program activities of the Commission during the fiscal year.

The Commission's investment in capital assets, as of October 31, 2010, totaled $54,796, which was a decrease of $22,352 from the prior year amount of $77,148 (net of accumulated depreciation). The decrease represented the difference between an increase due to capital asset acquisitions during fiscal year 2010 and a decrease caused by the depreciation on capital assets used for program activities of the Commission and capital asset write-off during the fiscal year.

As of October 31, 2011, the Commission had an accrued compensated absences balance of $138,986, which increased by $19,525 from the prior year balance of $119,461. The prior year balance was a $183 decrease from the October 31, 2009, balance of $119,644.

At the end of fiscal year 2011, the Commission had no non-current liabilities for capital leases, as it paid off its copier and mailing machine capital leases, which were recorded at a combined balance of $12,711 at the end of fiscal year 2010. Prior year balance was a decrease of $12,231 from 2009 year-end balance of $29,942, due to principal payments. Additional information can be found in Notes to the Basic Financial Statements of this report.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to California Avocado Commission, 12 Mauchly, Suite L, Irvine, California 92618; phone number 949-341-1955.

BASIC FINANCIAL STATEMENTS

CALIFORNIA AVOCADO COMMISSION

Statements of Net Assets

October 31, 2011 and 2010

	2011	2010
Current assets:		
Cash and cash equivalents	$ 9,744,311	$ 6,835,579
Assessments receivable	37,281	824,876
Other receivables	7,426	28,075
Prepaid expenses	63,200	86,726
Fiduciary cash and cash equivalents, amounts held for AIP	1,058,644	1,043,726
Restricted:		
Cash and cash equivalents	1,501,705	406,016
Assessments receivable	169,051	2,254,611
Total current assets	12,581,618	11,479,609
Non-current assets:		
Capital assets:		
Being depreciated, net	23,050	54,796
Total assets	12,604,668	11,534,405
Current liabilities:		
Accounts payable and accrued liabilities	839,419	227,081
Accounts payable and accrued liabilities payable from restricted assets	154,657	436,264
Fiduciary liabilities, amounts held for AIP	1,058,644	1,043,726
Deposits	18,000	33,440
Unearned revenue	18,750	-
Non-current liabilities:		
Due within one year	76,539	76,232
Due in more than one year	62,447	55,940
Total liabilities	2,228,456	1,872,683
Net assets:		
Invested in capital assets, net of related debt	23,050	42,085
Restricted for marketing	1,516,100	2,224,362
Unrestricted	8,837,062	7,395,275
Total net assets	$ 10,376,212	$ 9,661,722

See Accompanying Notes to the Basic Financial Statements.

CALIFORNIA AVOCADO COMMISSION
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended October 31, 2011 and 2010

	2011	2010
Operating revenues:		
Assessment revenue	$ 7,371,012	$ 7,858,927
HAB rebate assessment revenue (restricted)	6,042,057	10,770,714
Administrative and marketing fees	380,908	751,795
Other operating revenues	264,373	150,687
Total operating revenues	14,058,350	19,532,123
Operating expenses:		
Marketing	9,004,181	8,779,703
Non-marketing programs	1,883,417	1,553,498
Administration	2,503,394	2,447,251
Total operating expenses	13,390,992	12,780,452
Operating income (loss)	667,358	6,751,671
Non-operating revenues (expenses):		
Interest income	23,548	24,638
Interest expense	(461)	(1,309)
Other income	24,045	15,452
Total non-operating revenues (expenses)	47,132	38,781
Change in net assets	714,490	6,790,452
Total net assets - beginning	9,661,722	2,871,270
Total net assets - ending	$ 10,376,212	$ 9,661,722

See Accompanying Notes to the Basic Financial Statements.

CALIFORNIA AVOCADO COMMISSION
Statements of Cash Flows
For the Years Ended October 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Cash received from customers	$ 16,706,009	$ 17,272,950
Cash payments to suppliers for goods and services	(11,346,744)	(11,197,185)
Cash payments to employees for services	(1,638,720)	(1,485,899)
Cash received from other operating activities	264,373	150,687
Net cash provided by operating activities	3,984,918	4,740,553
Cash flows from capital and related financing activities:		
Acquisition of capital assets	-	(33,888)
Proceeds from sale of capital assets	11,421	2,686
Interest paid	(461)	(1,309)
Capital lease payments	(12,711)	(12,231)
Other	12,624	(4,712)
Net cash provided by (used in) capital and related financing activities	10,873	(49,454)
Cash flows from investing activities:		
Interest on investments	23,548	24,638
Net increase in cash and cash equivalents	4,019,339	4,715,737
Cash and cash equivalents - beginning	8,285,321	3,569,584
Cash and cash equivalents - ending	$ 12,304,660	$ 8,285,321
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 667,358	$ 6,751,671
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	31,746	39,951
Expense of capital assets below threshold	-	16,289
Change in assets and liabilities:		
(Increase) decrease in assessments receivable	2,873,155	(2,838,849)
Decrease in other receivables	20,649	20,684
(Increase) decrease in prepaid expenses	23,526	(37,678)
Increase in accounts payable and accrued liabilities	330,731	78,989
Increase (decrease) in fiduciary liabilities and deposits	(522)	801,962
Increase (decrease) in unearned revenue	18,750	(92,283)
Increase (decrease) in compensated absences	19,525	(183)
Net cash provided by operating activities	$ 3,984,918	$ 4,740,553

See Accompanying Notes to the Basic Financial Statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed by the California Avocado Commission (Commission):

(a) Activities of the Commission

The California Avocado Commission is authorized under California law to carry on programs of advertising, promotion, marketing research, and production research relating to the sale of California avocados. The Commission is authorized to levy an assessment against producers of avocados for purposes of carrying out its programs. The assessments for the years ended October 31, 2011 and 2010 were 1.65% and 1.95%, respectively, of the gross revenues received by producers. The Commission also receives 85% of the assessments collected by the Federal Hass Avocado Board (HAB) on Hass avocados produced and sold in California, which are restricted for use on marketing activities.

(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Commission operates as an enterprise activity. An enterprise fund accounts for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Board of Directors is that the costs (expenses, including depreciation) of providing services to the industry on a continuing basis be financed or recovered primarily through assessment revenues.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Commission are assessment revenues and administrative and marketing fees. Operating expenses for enterprise funds include the cost of marketing programs, production research, industry affairs and administrative expenses, including depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in the basic financial statements, to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governmental entities also have the option of following subsequent private-sector guidance for enterprise funds, subject to this same limitation. The Commission has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

(c) Assets, Liabilities, and Net Assets

1. Cash Equivalents

For purposes of the statements of cash flows, the Commission considers cash and funds invested in the Local Agency Investment Fund (LAIF) of the State of California for both restricted and unrestricted funds to be cash equivalents. Additionally, investments with original maturities of three months or less at the time of purchase are considered cash equivalents.

2. Investments

In accordance with Governmental Accounting Standards Board Statement No. 31, all investments are recorded at fair value, which is the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool. Restricted and unrestricted cash are pooled for investment purposes.

3. Receivables

No allowance for uncollectible accounts has been recorded. Management has evaluated the accounts and believes they are all collectible. Management evaluates all accounts receivable, and if it is determined that they are uncollectible, they are written off directly as a bad debt expense. For the years ended October 31, 2011 and 2010, $6,678 and $-0- was written off to bad debt expense.

4. Capital Assets

Capital assets consist of furniture, office equipment and leasehold improvements. The Commission capitalizes assets with values of at least $10,000 and useful lives of greater than one year. Capital assets are valued at cost, or estimated historical cost if actual historical cost is not available. Contributed assets are valued at fair value on the date donated. Capital assets acquired through lease obligations are valued at the present value of future lease payments at the date acquired. Capital assets are depreciated on a straight-line basis, using the following lives:

	Years
Furniture	5
Office equipment	3
Leasehold improvements	Lesser of 5 years or term of lease
Software	3

5. Unearned Revenues

Unearned revenues represent grants and program fees received in advance.

6. Compensated Absences Payable

The Commission employees receive from 10 to 20 days of vacation each year, depending upon length of service. An employee may accumulate earned vacation time to a maximum of 40 days. Once an employee accrues 40 days of unused vacation time, the Commission compensates the employee 10 days of accrued and unused vacation time at the employee's current rate of pay. Upon termination, employees are paid for all accrued but unused vacation at their current rate of pay.

Compensated absences include accrued vacation that is available to employees in future years, either in time off or in cash (upon leaving the employment of the Commission). All compensated absences are accrued when incurred.

7. Estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect certain amounts and disclosures. Actual results may differ from such estimates.

8. Fiduciary and Restricted Assets

Fiduciary assets are held for the Avocado Inspection Program and are off-set by fiduciary liabilities. Restricted assets are restricted for marketing-related activities and are subject to restrictions imposed by federal statute governing their use.

9. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, exclude unspent debt proceeds. At October 31, 2011 and 2010, the Commission had $23,050 and $42,085, respectively, invested in capital assets. Debt related to capital assets was $-0- and $12,711 at October 31, 2011 and 2010, respectively. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At October 31, 2011 and 2010, the Commission had restricted net assets in the amounts of $1,516,100 and $2,224,362, respectively, for marketing-related activities. All remaining net assets that do not meet the definition of invested in capital assets, net of related debt, or restricted, are reported as unrestricted net assets.

(d) Reclassification of Prior Year Amounts

Certain prior year amounts have been reclassified to conform to the current year presentation.

(2) DETAILED NOTES ON ASSETS AND LIABILITIES

(a) Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at October 31:

	2011	2010
Petty cash	$ 200	$ 200
Demand deposits	12,294,964	610,358
Local Agency Investment Fund	9,496	7,674,763
Total cash and investments	$ 12,304,660	$ 8,285,321

Investments Authorized by the California Government Code and the Commission's Investment Policy

The Commission adopted California Government Code (CGC) Section 16430 and the U.S. Department of Agriculture (USDA) Directive 2210.2 as its investment policy. The table below identifies the investment types that are authorized under CGC Section 16430, as well as certain provisions of CGC Section 16430 and USDA Directive 2210.2 that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
State of California Bonds and Notes	1 year	None	None
U. S. Treasury Obligations	1 year	None	None
U. S. Agency Securities	1 year	None	None
Bank Loans	1 year	None	None
Student Loan Notes	1 year	None	None
Obligations issued for Reconstruction and Development	1 year	None	None
Negotiable Certificates of Deposits	1 year	None	None
Banker's Acceptances	1 year	None	None
Commercial Paper	180 days	30 %	10%
Corporate Bonds and Notes	1 year	None	None
Local Agency Investment Fund (LAIF)	N/A	None	$50 million

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the Commission's investments to market interest rate fluctuations is provided by the following table that shows the Commission's investments by maturity:

	Remaining Maturity 12 Months or Less	
Investment Type	**2011**	**2010**
Local Agency Investment Fund	$ 9,496	$ 7,674,763

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The investment policy of the Commission contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the CGC 16430. The Commission had no investments in any one issuer (other than external investment pools) that represented 5% or more of total Commission investments at October 31, 2011 and 2010.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The CGC and the Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The CGC requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Commission deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

The Commission is a voluntary participant in LAIF, which is regulated by CGC Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Commission's investment in this pool is reported in the accompanying financial statements at amounts based upon the Commission's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The total amount invested by all public agencies in LAIF as of October 31, 2011 was $21.8 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at October 31, 2011, had a balance of $67.9 billion. Of that amount, 4.07% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 229 days as of October 31, 2011.

The total amount invested by all public agencies in LAIF as of October 31, 2010, was $21.4 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at October 31, 2010 had a balance of $68.6 billion. Of that amount, 4.71 % was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 191 days as of October 31, 2010.

(b) Capital Assets

Changes in capital assets were as follows:

	November 1, 2010	Additions	Deletions	October 31, 2011
Capital assets, being depreciated:				
Furniture	$ 107,565	$ -	$ (81,405)	$ 26,160
Office equipment	88,202	-	(15,624)	72,578
Leasehold improvements	14,500	-	(14,500)	-
Total capital assets, being depreciated	210,267	-	(111,529)	98,738
Less accumulated depreciation for:				
Furniture	72,344	14,729	(81,405)	5,668
Office equipment	68,627	17,017	(15,624)	70,020
Leasehold improvements	14,500	-	(14,500)	-
Total accumulated depreciation	155,471	31,746	(111,529)	75,688
Net capital assets	$ 54,796	$ (31,746)	$ -	$ 23,050

	November 1, 2009	Additions	Deletions	October 31, 2010
Capital assets, being depreciated:				
Furniture	$ 90,480	$ 26,159	$ (9,074)	$ 107,565
Office equipment	156,320	-	(68,118)	88,202
Leasehold improvements	22,042	7,729	(15,271)	14,500
Software	8,876	-	(8,876)	-
Total capital assets, being depreciated	277,718	33,888	(101,339)	210,267
Less accumulated depreciation for:				
Furniture	64,700	16,718	(9,074)	72,344
Office equipment	115,969	19,361	(66,703)	68,627
Leasehold improvements	19,655	1,406	(6,561)	14,500
Software	246	2,466	(2,712)	-
Total accumulated depreciation	200,570	39,951	(85,050)	155,471
Net capital assets	$ 77,148	$ (6,063)	$ (16,289)	$ 54,796

Depreciation expense was $31,746 and $39,951 for the years ended October 31, 2011 and 2010, respectively.

(c) Long-term Liabilities

	November 1, 2010	Additions	Deletions	October 31, 2011	Amount Due within One Year
Capital leases	$ 12,711	$ -	$ (12,711)	$ -	$ -
Compensated absences	119,461	78,780	(59,255)	138,986	76,539
Total	$ 132,172	$ 78,780	$ (71,966)	$ 138,986	$ 76,539

	November 1, 2009	Additions	Deletions	October 31, 2010	Amount Due within One Year
Capital leases	$ 24,942	$ -	$ (12,231)	$ 12,711	$ 12,711
Compensated absences	119,644	71,348	(71,531)	119,461	63,521
Total	$ 144,586	$ 71,348	$ (83,762)	$ 132,172	$ 76,232

Capital Leases:

During the year ended October 31, 2008, the Commission entered into a capital lease agreement for a mailing system in the amount of $11,576, bearing interest 8.79%. Monthly principal payments were due on the 30th of each month, ranging from $284 to $364 through September 30, 2011.

During the year ended October 31, 2009, the Commission entered into a capital lease agreement for a copier in the amount of $25,089, bearing interest 5.74%. Monthly principal payments were due on the 1st of each month, ranging from $640 to $757 through October 1, 2011.

(3) OTHER INFORMATION

(a) Avocado Inspection Program

During February 1986, the Commission contracted with the State Department of Food and Agriculture to administer the Avocado Inspection Program (AIP) for the State of California. Since the Commission is in substance an agent for the State, the fiduciary cash and cash equivalents, amounts held for AIP, are off-set by fiduciary liabilities, amounts held for AIP. As of October 31, 2011 and 2010, $1,058,644 and $1,043,726, respectively, was held by the Commission for the AIP.

(b) Line of Credit

On March 8, 2011, the Commission obtained a revolving line of credit from Bank of the West in the amount of $3,000,000, with a variable interest rate at prime rate plus 0.5% with a floor of 4.0%. The maturity date for the line of credit is February 15, 2012. At October 31, 2011, there was no outstanding balance due.

(c) Risk Management

Insurance Programs of the Commission

The Commission utilizes insurance broker Brown & Brown of California, Inc., to obtain its insurance coverage from various insurers. The Commission's coverage is as follows:

Commercial General Liability - insured by Associated Indemnity Corporation – General aggregate coverage of $2,000,000 and $1,000,000 for each occurrence.

Automobile Liability - insured by Associated Indemnity Corporation – Coverage is $1,000,000 per bodily injury or property damage, subject to a $500 deductible.

Crime Liability - insured by Travelers Casualty & Surety – Coverage is $1,000,000, subject to a $5,000 deductible.

Umbrella Liability - insured by Fireman's Fund Insurance Company – General aggregate coverage of $5,000,000 and $5,000,000 for each occurrence.

Travel Accident Liability - insured by Hartford Life Insurance Company – Coverage is $100,000 per person and $500,000 per accident.

Directors and Officers Liability and Employment Practices Liability - insured by Great American Assurance Company – Coverage is $5,000,000 aggregate limit, with a $15,000 retention.

Employed Lawyers Professional Liability - insured by Executive Risk Indemnity, Inc. – Coverage is $1,000,000 aggregate limit.

Fiduciary Liability - insured by U.S. Specialty Insurance Company – Coverage is $1,000,000 each claim and aggregate, subject to a $2,500 deductible.

Advertiser Liability - insured by Darwin Select – Coverage is $1,000,000 each loss and any one policy period, with a $10,000 self insurance retention for each loss.

Foreign Liability - insured by Fireman's Fund Insurance Company – General aggregate coverage is $2,000,000 and $1,000,000 for each occurrence.

Workers' Compensation Coverage

The Commission is a member of the State Compensation Insurance Fund (SCIF), a self-supporting, non-profit enterprise that provides workers' compensation insurance to California employers. The coverage is $1 million per occurrence.

Adequacy of Protection

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgments that exceeded insured coverage.

(d) Employee Retirement Plan

The Board of Directors of the California Avocado Commission implemented a Profit Sharing Plan (PSP) for eligible Commission employees effective November 1, 2000. The Commission's payroll for the eleven employees eligible to participate in the PSP for the plan year ended October 31, 2011, was $1,109,196. Total payroll for the nine employees eligible to participate in the PSP for the plan year ended October 31, 2010, was $993,896. Total contributions for the years ended October 31, 2011 and 2010 were $110,920 and $99,390, respectively.

The Commission determines, in its discretion, the contribution which will be made to the PSP. With a few exceptions, each eligible employee received an allocation of 10% of compensation, up to a maximum of $49,000, for the plan year ended October 31, 2011. To receive an allocation, each employee must meet a minimum service requirement of one year and must be credited with at least 1,000 hours of service.

(e) Operating Leases

On November 5, 2009, the Commission entered into a lease agreement for new office space under a five-year lease ending November 30, 2014. On November 20, 2009, the Commission subleased its previous office space, with a lease ending July 31, 2011, to Location Based Technologies, Inc. During the years ended October 31, 2011 and 2010, the Commission paid $55,789, and $96,302, respectively, for office rent, exclusive of operating expenses. Under the sublease, the Commission received $124,373 and $150,687 for the years ended October 31, 2011 and 2010, respectively.

On September 7, 2009, the Commission entered into an agreement to lease two printers under a three-year lease ending on September 30, 2012, with monthly payments of $452. During the years ended October 31, 2011 and 2010, the Commission paid $6,016 and $6,039, respectively, including tax, for this lease.

On September 15, 2011, the Commission entered into an agreement to lease a postage machine under a three-year lease ending on October 1, 2014, with quarterly payments due at the end of each quarter ranging from $200 to $275. Quarterly payments begin January 1, 2012.

The annual requirements to amortize the operating lease obligations as of October 31, 2011, are as follows:

Year Ending October 31,	Office Space	Printers	Postage Machine
2012	$ 56,960	$ 4,972	$ 801
2013	62,802	-	1,101
2014	66,307	-	1,101
2015	5,550	-	-
Total	$ 191,619	$ 4,972	$ 3,003

SUPPLEMENTARY INFORMATION

CALIFORNIA AVOCADO COMMISSION
Budgetary Comparison Schedule
For the Year Ended October 31, 2011
(with comparative actual total for the year ended October 31, 2010)

	2011				
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	2010 Actual
Revenues:					
Assessment revenue	$ 4,640,000	$ 4,640,000	$ 7,371,012	$ 2,731,012	$ 7,858,927
HAB rebate assessment revenue (restricted)	5,546,300	5,546,300	6,042,057	495,757	10,770,714
Administrative and marketing fees	299,285	299,285	380,908	81,623	751,795
Other operating	124,373	124,373	264,373	140,000	150,687
Investment and interest income	5,260	5,260	23,548	18,288	24,638
Other income:					
Grant revenue	24,500	24,500	-	(24,500)	9,825
Other income	14,582	14,582	24,045	9,463	5,627
Total other income	39,082	39,082	24,045	(15,037)	15,452
Total revenues	10,654,300	10,654,300	14,105,943	3,451,643	19,572,213
Expenses:					
Marketing:					
Consumer advertising	5,310,000	5,329,800	5,416,657	(86,857)	5,215,635
Merchandising/trade	1,445,000	1,445,000	1,370,369	74,631	1,177,087
Foodservice	828,000	828,000	803,013	24,987	813,186
Public relations and nutrition	845,000	845,000	845,074	(74)	840,332
Internet marketing	526,650	526,650	521,561	5,089	569,709
Marketing planning and other	52,000	52,000	47,507	4,494	163,754
Total marketing	9,006,650	9,026,450	9,004,181	22,270	8,779,703
Non-marketing programs:					
Industry affairs	958,300	1,073,300	644,849	428,451	394,197
Production research	1,337,100	1,337,100	1,238,568	98,532	1,149,476
Grant expenses	24,500	24,500	-	24,500	9,825
Total non-marketing programs	2,319,900	2,434,900	1,883,417	551,483	1,553,498
Administration:					
Administration	2,609,500	2,635,500	2,430,283	205,217	2,364,159
Information systems	55,200	55,200	41,365	13,835	43,141
Depreciation	43,300	43,300	31,746	11,554	39,951
Interest expense	2,000	2,000	461	1,539	1,309
Total administration	2,710,000	2,736,000	2,503,855	232,145	2,448,560
Total expenses	14,036,550	14,197,350	13,391,453	805,898	12,781,761
Change in net assets	(3,382,250)	(3,543,050)	714,490	4,257,540	6,790,452
Total net assets - beginning	9,661,722	9,661,722	9,661,722	-	2,871,270
Total net assets - ending	$ 6,279,472	$ 6,118,672	$ 10,376,212	$ 4,257,540	$ 9,661,722

See Accompanying Note to Supplementary Information.

CALIFORNIA AVOCADO COMMISSION
Note to Supplementary Information
October 31, 2011 and 2010

(1) BUDGETARY INFORMATION:

(a) Budgets and Budgetary Accounting:

Each year the Commission adopts a budget, which provides for its general operations. Budgets are prepared on the accrual basis of accounting. Department Heads are responsible for preparing and presenting their departmental budgets. Each Department Head is required to meet with the President and Finance and Accounting Manager to review each line item. The overall combined budget is prepared by the President and Finance and Accounting Manager and presented to the Board. Line item transfers do not need Board approval, but require notification to the Finance Committee. Any increases or decreases in a department's budget must be approved by the Board.

(b) Reclassification of Prior Year Amounts

Certain prior year amounts have been reclassified to conform to the current year presentation.

CALIFORNIA AVOCADO COMMISSION
Combining Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended October 31, 2011

	Restricted	Unrestricted	Total
Operating revenues:			
Assessment revenue	$ 6,042,057	$ 7,371,012	$ 13,413,069
Administrative and marketing fees	-	380,908	380,908
Other operating revenues	-	264,373	264,373
Total operating revenues	6,042,057	8,016,293	14,058,350
Operating expenses:			
Marketing	6,033,650	2,970,531	9,004,181
Non-marketing programs	-	1,883,417	1,883,417
Administration	724,511	1,778,883	2,503,394
Total operating expenses	6,758,161	6,632,831	13,390,992
Operating income	(716,104)	1,383,462	667,358
Non-operating revenues (expenses):			
Interest income	7,842	15,706	23,548
Interest (expense)	-	(461)	(461)
Other income	-	24,045	24,045
Total non-operating revenues (expenses)	7,842	39,290	47,132
Changes in net assets	(708,262)	1,422,752	714,490
Total net assets - beginning	2,224,362	7,437,360	9,661,722
Total net assets - ending	$ 1,516,100	$ 8,860,112	$ 10,376,212

MGO Certified Public Accountants.

Sacramento • Walnut Creek • Oakland • Los Angeles/Century City • Newport Beach • San Diego mgocpa.com

The Board of Directors of the
California Avocado Commission

Independent Auditor's Report on Compliance

We have examined California Avocado Commission's (Commission) compliance with Section 515(d) of the Commodity Promotion Research and Information Act, relating to use of assessments for the purpose of influencing legislation, as that term is defined in Section 4911(d) of the Internal Revenue Code and Title 26 of the United States Code, or for the purpose of influencing governmental policy or action during the year ended October 31, 2011. Management is responsible for the Commission's compliance with those requirements. Our responsibility is to express an opinion on the Commission's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Commission's compliance with specified requirements.

In our opinion, the Commission complied, in all material respects, with the aforementioned requirements for the year ended October 31, 2011.

This report is intended solely for the information and use of the Board of Directors and management of the California Avocado Commission and the United States Department of Agriculture and is not intended to be, and should not be, used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Newport Beach, California
January 10, 2012

Industry Statistical Data: 2001/2002 – 2010/2011

Year	Producing Acres	Volume (MM/ Lbs.)	Crop Value ($)	Price Per Pound (¢)	Dollars Per Producing Acre ($)	Pounds Per Producing Acre
01/02	58,227	399.7	357,785,350	89.51	6,145	6,865
02/03	59,326	335.2	363,104,986	108.32	6,121	5,650
03/04	60,566	431.8	379,846,250	87.97	6,272	7,129
04/05	61,712	300.4	275,034,420	91.55	4,457	4,868
05/06	62,093	600.9	341,175,673	56.78	5,495	9,677
06/07	64,999	259.3	244,911,167	94.45	3,768	3,989
07/08	65,497	328.8	327,141,689	99.50	4,995	5,020
08/09	64,555	174.5	199,625,988	114.40	3,092	2,703
09/10	58,268	534.5	402,770,893	75.35	6,912	9,173
10/11	52,158	302.5	460,209,682	152.14	8,823	5,800

Important:

- Producing acres based on CAC's acreage inventory, attrition factors and other sources.
- Industry statistic data from 1971/72 through 2010/11 are available on californiaavocadogrowers.com/industry-statistical-data/

Pounds and Dollars by Variety

November 2010 through October 2011

Month	Hass Pounds	Lamb Pounds	Others Pounds	Total Pounds	Hass Dollars	Lamb Dollars	Others Dollars	Total Dollars	Avg $/Lb
1st QTR	17,317,596	418,967	818,183	18,554,746	14,003,884	301,415	317,344	14,622,643	0.788
2nd QTR	56,932,204	2,000	1,908,248	58,842,452	80,669,199	963	741,565	81,411,727	1.384
3rd QTR	160,276,527	7,026,175	693,861	167,996,563	258,493,180	10,699,575	522,441	269,715,196	1.605
4th QTR	51,424,083	4,516,041	1,199,160	57,139,284	86,827,520	6,623,888	1,008,708	94,460,116	1.653
TOTAL	285,950,410	11,963,183	4,619,452	302,533,045	439,993,783	17,625,841	2,590,058	460,209,682	1.521
Y-T-D (%)	94.52%	3.95%	1.53%	100.00%	95.61%	3.83%	.56%	100.00%	
Y-T-D AVG $/LB					1.539	1.473	0.561	1.521	

California Avocado Commission

Annual Report 2010-2011

12 Mauchly, Suite L ■ Irvine, CA 92618-6305 ■ (949) 341-1955
CaliforniaAvocado.com ■ CaliforniaAvocadoGrowers.com

Become a fan at Facebook.com/CaliforniaAvocados
Follow us on Twitter at Twitter.com/CA_Avocados