

By Ken Melban
Vice President, Industry Affairs & Operations



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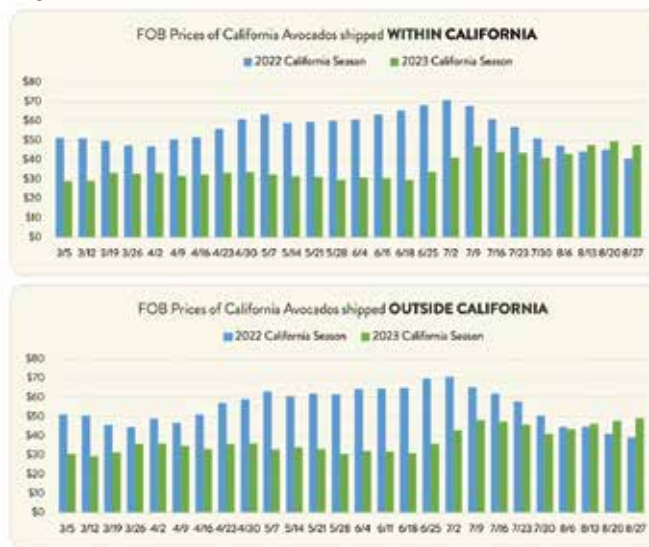
Where We Are & Where We Are Going

We view the California Avocado Commission as a business designed to support the enterprises of our California avocado growers and, like any good business, it's important to review historical information to best plan for the future. That's just what we did at recent CAC grower meetings, and it is what I am providing for you here: an overview of the 2022-23 pricing trends, the budget for the 2023-24 fiscal year and CAC's advocacy concerning issues impacting our growers.

A look at last year

As we reflect on last year, it was disappointing from a price perspective. As Figure 1 shows, for most of the 2023 season prices were lower than the 2022 season. That said, even with depressed pricing California avocados performed better than imported avocados. According to Figure 2, California avocados reported an average +8% FOB price differential for the season and finished the season as high as +29% for the week ending August 20. That price advantage applies to California avocados shipped out of state as well as with the four-year average FOB, which is +7% over imports.

Figure 1



Source: AMRIC Hass #1 Conventional (pounds) Mar-Aug 2023, Mar-Aug 2022

Figure 2



Source: AMRIC Hass #1 Conventional (pounds) 52 weeks ending 11-26-2023, California Season 26 weeks ending 8-27-2023

The 2023-24 budget

This year's budget is based on a 2.25% assessment rate, a projected 200-million-pound crop and \$1.15 average price per pound. The price is strictly a fiscally conservative estimate used for CAC's budgeting purposes. CAC's goal is to pursue the highest possible returns for our growers.

When constructing the 2023-24 budget, CAC approached the process as a matter of "right-sizing" the business, as my colleague Terry Splane, vice president of marketing, calls it. As you can see in Figure 3, in three of the past five seasons we lived beyond our means and had the ability to do so because of larger crop sizes and/or higher pricing. But ultimately right-sizing means budgeting with a goal of stabilizing our revenues and expenses. We are not there yet, but we are moving closer to that goal.

Figure 3

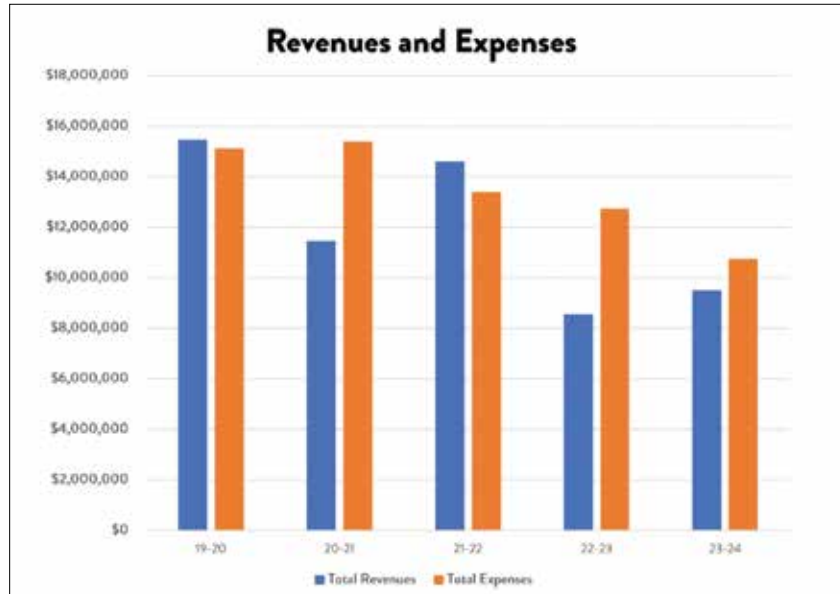
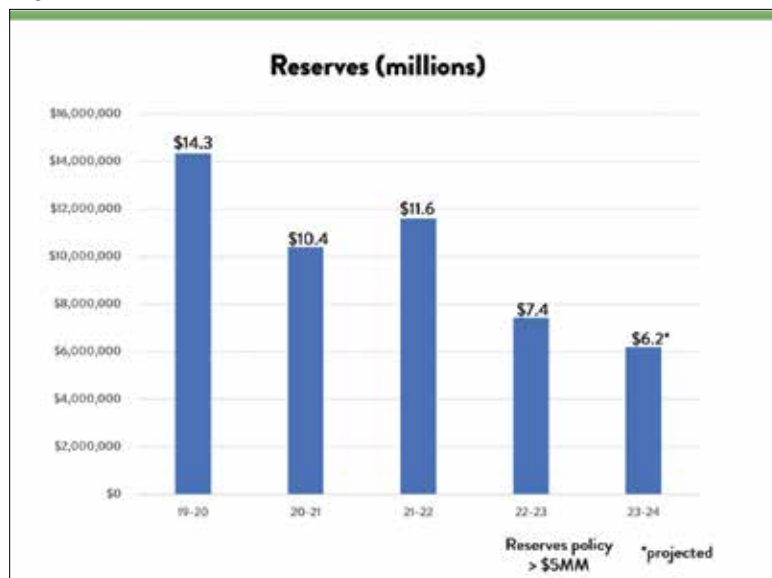


Figure 4



To accomplish this, CAC is using reserves in a fiscally conservative manner. It's important to note the purpose of the reserve fund is to cover expenses that occur in the development and execution of our programs before assessment monies come in for the year. While CAC's programming begins with the fiscal year (November 1), we do not receive assessments until the season starts in March or April. Rather than tap into a line of credit, CAC has a policy of maintaining \$5 million in reserves to cover those pre-season costs (Figure 4).

This year, as we focus on right-sizing the operation, we made a 30% cut in marketing funding (Figure 5). Splane leads the CAC marketing team and our new agency of record, Curious Plot, and we are strategically focusing our marketing resources as much as possible.

Figure 5

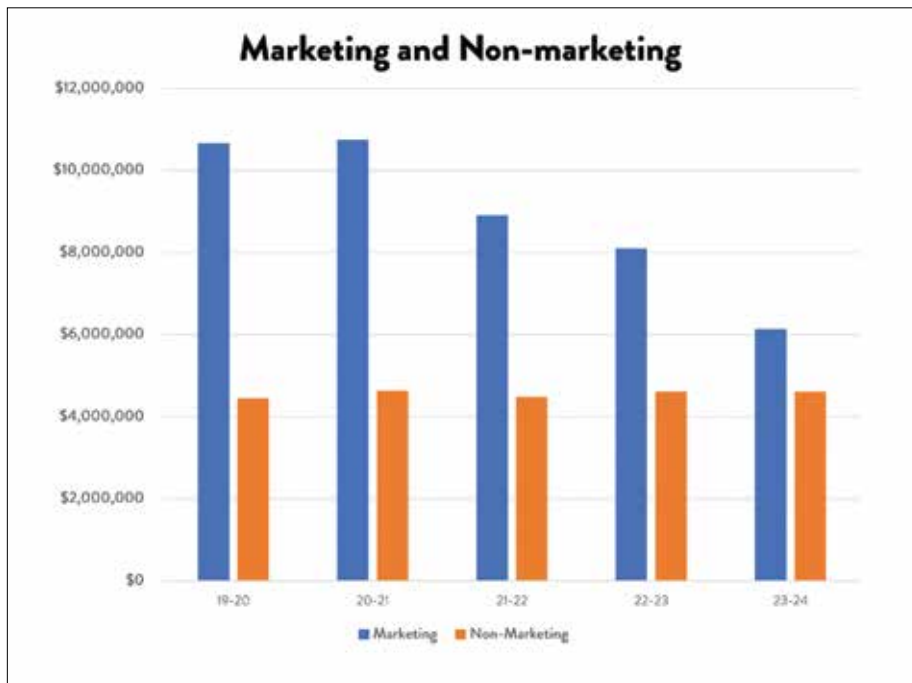
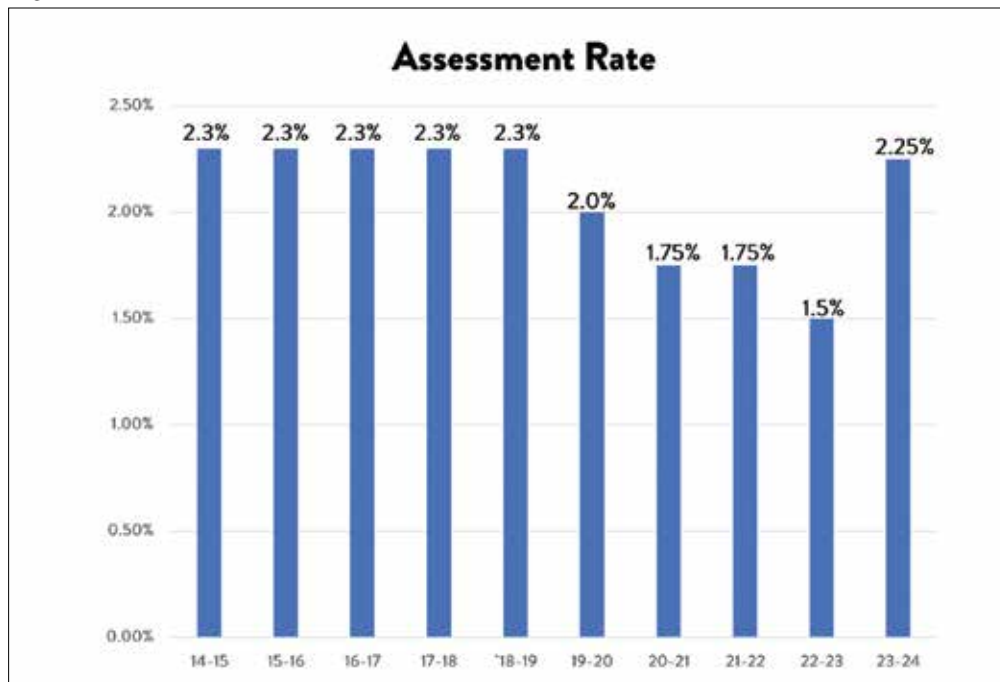


Figure 6



This right-sizing also pertains to the assessment rate. As you can see in Figure 6, the assessment rate was held at 2.3% for five years. It was then decreased to the 1.75-2% range because CAC was amassing greater reserves than needed. Last year, the Board decided to make a one-time significant drop to 1.5% in an effort to help growers manage an anticipated difficult pricing year. Going forward, the goal is to minimize year to year variability in the assessment rate and provide stability for growers and CAC.

Finally, as we look at data over an extended period, while the price-per-pound varies every season, our 10-year price average is \$1.28. In addition, Figures 7 and 8 compare the volume across five different ranges of production for 2014 and 2022 and the corresponding grower numbers within each range.

Figure 7

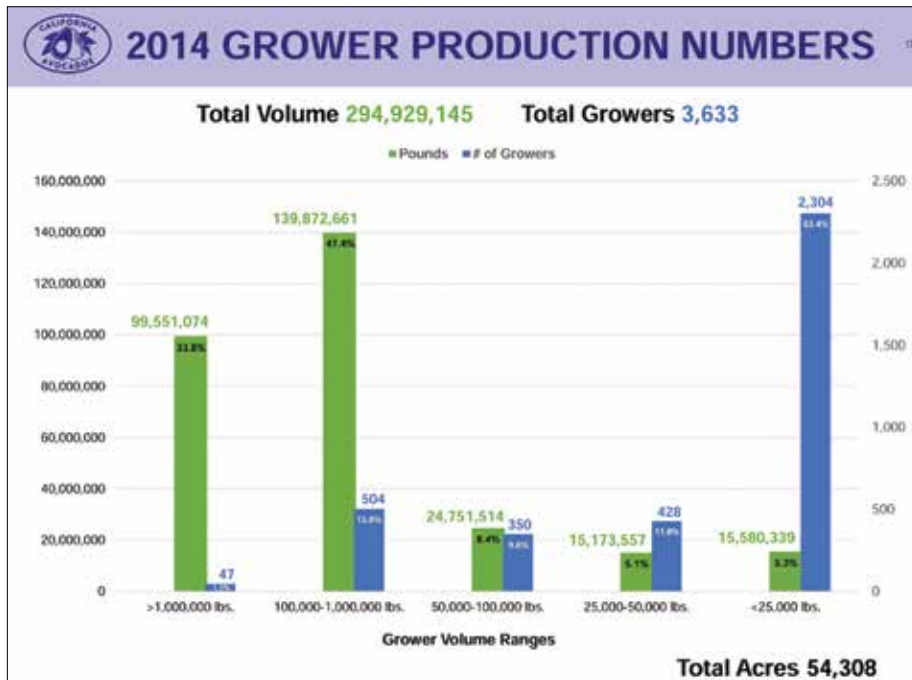
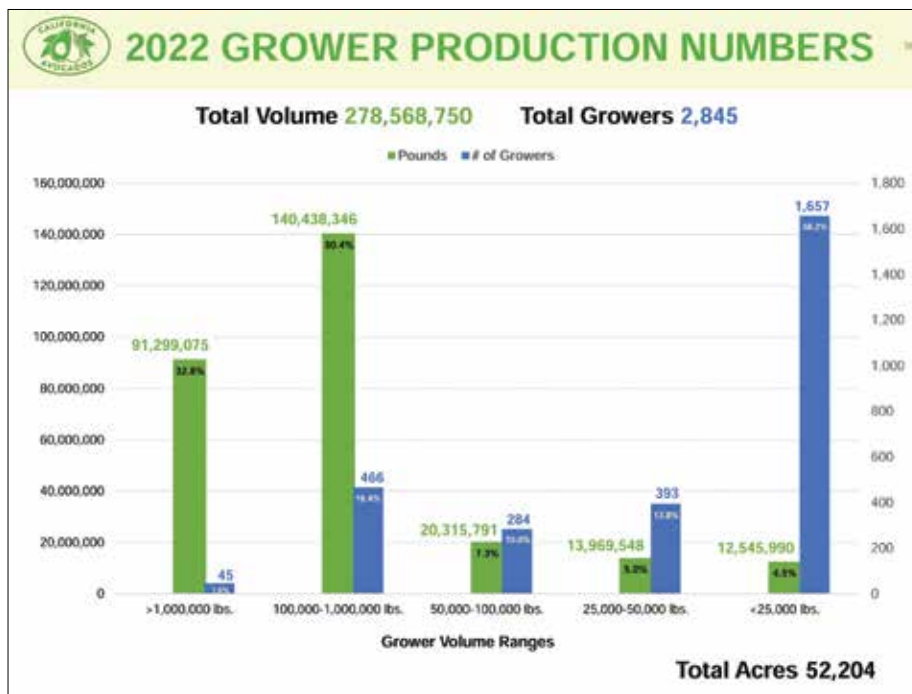


Figure 8



Advocacy efforts

CAC continues to advocate on behalf of the industry.

EGAP – CAC has supported the local Escondido Growers for Agricultural Preservation initiative since 2013 by developing and funding research to identify economic and ecosystem services benefits provided by California avocado production. CAC recently provided an update and some additional work in support of EGAP.

Ag Order – CAC has addressed new standards and protocols adopted by the Los Angeles Regional Water Board in the Ag Order. This order, which applied to irrigated agricultural land located in Ventura County, imposes numeric limits on growers who discharge to certain surface waters. CAC is working with agricultural stakeholders and the Water Board to ensure fair and reasonable implementation.

Invasive Pests – Another area of concern for growers is the significant rise in pest counts statewide that threaten California avocados. As you will recall, two quarantines were implemented that negatively impacted our growers. The Queensland and Oriental Fruit Fly quarantines. CAC worked with the U.S. Department of Agriculture to successfully remove Hass avocados as a host for both quarantines. Further, CAC will continue to work for the removal of GEM and Lamb Hass for any future fruit fly quarantines. In addition, CAC supported Assembly Bill 2827 that provides increased funding to prevent the spread of invasive pests in California.

Guatemala US Access – CAC has worked for years with Dr. Mark Hoddle, of UC Riverside to ensure we have a comprehensive understanding of specific pest risks associated with avo-

cado imports. Accordingly, CAC filed comments when the USDA initially drafted its Pest Risk Assessment in October 2022 concerning the importation of avocados from Guatemala, resulting in USDA making some changes to the proposed workplan. CAC has since provided additional input regarding the pest risks associated with Guatemalan imports and the proposed systems approach. Further, CAC has requested that if trade access is granted, USDA provide the inspection oversight initially rather than the National Plant Protection Organization of Guatemala.

Tax Relief – To expand tax breaks for growers impacted by wildfires, CAC has backed H.R. 7024, entitled Tax Relief for American Families and Workers Act of 2024. This legislation would change the federal tax code exempting victims of wildfire from federal taxes on payments they receive. Similar legislation was recently passed in California providing victims an exemption under California tax law.

Reverse Trade Mission – In April 2024, CAC hosted a 10-member delegation from South Korea and China consisting of buyers (many of whom own their own import companies) who have done business, or are looking to do business in California. The event, which was funded through a USDA Market Access Program grant, connected global buyers with California packers. All attendees expressed interest in establishing supply chains. Hopefully this will bring California fruit into the high-end retailers of these targeted global markets.

The above is just a sampling of activities CAC is working on to limit production costs for growers where possible. Please contact CAC at kmelban@avocado.org to make us aware of any local issues we can assist you with. 🥑



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