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## CAC Board Reduces Assessment Rate While Increasing Marketing Spending

**T**he 2019-20 CAC Business Plan and Budget are built to support a larger crop volume while continuing to differentiate California avocados with the Premium Californian target.

During its October 2019 meeting, the California Avocado Commission (CAC) Board of Directors took up the annual task of approving the budget and business plan and setting the annual assessment rate for the upcoming fiscal year.

We've said it many times before, that no two years are ever alike – and this past year once again proves that point. A year ago, the CAC Board was faced with the possibility of one of the smallest crops in history and financial forecasts of reducing reserves by nearly \$4 million. Fast forward to October 9, 2019, and the financial position at CAC is much better than expected. The 2018-19 crop outperformed all projections, coming in with almost one-third more volume than budgeted at a record-high average value. This scenario is resulting in a projected 2018-19 ending reserve balance at the same level as the prior year.

As you may have read in the Chairman's Report in the Fall 2019 issue of *From the Grove*, starting a year with a strong financial position is not enough, as the CAC Board's work is not done. Board members are tasked with building a balanced budget and setting an annual assessment rate, both of which are highly dependent on fairly

uncertain factors – estimating the size of the crop that won't begin harvest for four to five months in the future and projecting grower value that is susceptible to market volatility. To accomplish this Herculean task, the CAC Board worked through various scenarios involving high and low crop sizes, as well as grower value and assessment rates, and plugged in the numbers to a suggested balanced budget to achieve a target 2019-20 ending reserve balance.

Based on these in-depth analyses, the CAC Board concurred with management's recommendation to decrease the CAC assessment rate and accepted the Finance Committee's recommendation of a rate of 2 percent of the gross dollar value, which is a reduction of 0.3 percent from the prior year. The newly approved assessment rate would generate nearly \$16 million in revenue, based on a crop size of 365 million pounds and average value of \$1.20.

With these factors in place, the Board turned to management's proposed \$16.2 million budget and supporting business plan, examining programs and activities and exploring the cost-benefit of each. The proposed, and subsequently approved, 2019-20 budget and business plan increased spending over the prior year by \$4 million, most all of which goes directly into marketing activities. The result is a marketing budget of more than \$11 million, which represents 69 percent of the total budget – the highest percentage ever allocated

to marketing. The remaining \$5 million in the budget is being allocated to industry affairs and production research, as well as administration – \$1.5 million and \$3.5 million, respectively.

Included below are just a few of the business plan highlights for the 2019-20 fiscal year. The complete business plan and budget can be reviewed online at the following locations:

**Business Plan:** [Californiaavocadogrowers.com/commission/accountability-reports/business-plans](http://Californiaavocadogrowers.com/commission/accountability-reports/business-plans)

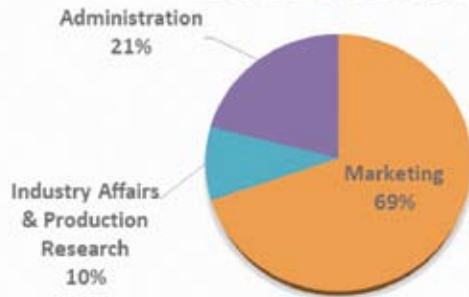
**Budget:** [Californiaavocadogrowers.com/commission/accountability-reports/finance](http://Californiaavocadogrowers.com/commission/accountability-reports/finance)

### Business Plan Highlights 2019-20

#### Marketing

- Focus on the locally grown advantage, seasonal availability, and premium quality of California Avocados
- Launch *The Best Avocados Have California in Them* integrated campaign
- Build a comprehensive on- and offline media plan that reaches the Premium Californian target, including Baby Boomers, Gen X, Millennials and Gen Z
- Complete rebuild of consumer website on a more modern Content Management System and migrate content from existing site to the new site; conduct search engine optimization activities
- Develop integrated social concepts that support larger campaign initiatives including Pre-Season, Retailer, Season Opener and California Avocado Month, and encourage sharing of key California avocado messages

## 2019-20 CAC Budget



- Leverage third-party advocates to share key California avocado brand messages, including Artisan Chefs, Blogger Advocates, Registered Dietitian Nutritionists, Retail Dietitians, Health and Wellness Blogger Advocates, retailers and foodservice operators
- Launch the California avocado season at Pebble Beach Food & Wine Festival and host a *Best of California: California Avocado Grove Tour* including consumer media, foodservice, supermarket dietitians, Living Well advocates and trade media
- Create a California Avocado Month program featuring Artisan Chef Partners, including a “take-over” of the famous Los Angeles Vespertine restaurant, consumer promotions, chef recipes, media relations, a coordinated co-promotion partnership with a SoCal brand, blogger advocate posts and press releases
- Continue to develop the Blogger Advocate program with content created by and for Food Blogger Advocates, Wellness Blogger Advocates and Lifestyle Blogger Advocates
- Continue the tiered-marketing approach by targeting retailer and foodservice operators who are willing to pay for premium California avocados and develop customized programs for supporting retailers; create customized menu concepts

and promotions for existing and new targeted foodservice operations

- Create retail communications resource kits, programs, point-of-sale assets, recipes and Superfood Spotlights to be used by retail influencers

- Host a day of restaurant/iconic site visits for Foodservice AvoTour guests focused on the “California experience” through cuisine
- Continue to sponsor and participate in select retail and foodservice events to reinforce CAC’s position as the trusted resource for avocado information
- Disseminate California avocado trade messages with retail and foodservice advertising and public relations outreach

### Industry Affairs

- Monitor water issues, explore federal actions that would improve agricultural water supplies, explore efficiency technologies, represent industry stakeholder interests related to water conservation and pricing and work to improve water efficiency agricultural programs
- Monitor regulatory, legislative and trade issues relevant to the industry and advocate on behalf of growers concerning adjacency issue, food safety/regulation, immigration reform, APHIS/ARS funding for invasive species, conservation/water efficiency, free trade agreements and emerging and foreign market development
- Review draft of California Avocado Sustainability program and Sustainable Agriculture Initiative Farm Sustainability Assessment and develop communications and outreach initiatives to inform

and educate growers about these programs

- Expand the reach of industry communications through CAC’s grower website, *From the Grove* and the *GreenSheet*
- Complete the 2020 California avocado acreage survey, including special condition assessment of areas impacted by the Thomas Fire using satellite imagery and spectral analysis
- Utilize Pine Tree Ranch for grower outreach and education field days to update growers and industry stakeholders about relevant and critical industry issues, food safety, the CAC Decision Support Tools, research and cultural management practices
- Attend seminars and join coalitions to broaden support and awareness for industry-wide initiatives and develop collaborative advocacy and research opportunities

### Production Research

- Examine the extent, causes and symptoms of *Botryosphaeria* branch canker and dieback and anthracnose blight disease
- Conduct avocado micropropagation studies
- Begin commercial-scale field testing for potential release of five advanced rootstocks
- Manage avocado seed and stem-feeding weevils via field surveys, field trials and evaluate weevil trap designs
- Conduct study concerning the safety and efficacy of herbicides in bearing avocado groves
- Run Gem avocado scarring study to determine if wind screens reduce scarring of fruit and whether damage is being caused by thrips’ chewing 🥑