



**MISSION
STATEMENT**

To aid in maximizing grower returns by conducting advertising, promotion and public relations for California avocados and engage in related industry activities that together help create a more profitable market environment.

STAMINA SPIRIT STRENGTH STAMINA SPIRIT

TABLE OF CONTENTS

Board of Directors and Officers	1
Messages from Rick Shade and Scott McIntyre	2
Message from Mark Affleck	3
Message from Tom Bellamore	4
Industry Affairs	5-6

FINANCIALS

Financials	7
Independent Auditors' Report	8
Management's Discussion and Analysis	9-10
Basic Financial Statements	11-13
Notes to Financial Statements	14-21
Statement of Revenues, Expenses and Changes in Net Assets	22-23
Industry Statistical Data	24
Pounds and Dollars	25

INSERT

Growers Make a Difference
Marketing Programs/Public Relations
Nutrition/Online Promotion
Merchandising
Foodservice
Preview

BOARD OF DIRECTORS & OFFICERS 2007-08

<p>RICK SHADE CHAIRMAN DISTRICT #5</p>	<p>CAROL STEED VICE-CHAIR DISTRICT #1</p>	<p>KEN ROTH TREASURER DISTRICT #2</p>	<p>TOM PECHT SECRETARY DISTRICT #4</p>	<p>TOM MARKIE DISTRICT #1</p>	<p>SCOTT MCINTYRE DISTRICT #2</p>
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<p>ROSS WILEMAN HANDLER</p>	<p>SUSAN RANDOLPH PUBLIC MEMBER</p>	<p>CHRIS AMBUJI DISTRICT #1 ALT</p>	<p>JOHN LINDSTROM DISTRICT #2 ALT</p>	<p>ANDY BAILLARD DISTRICT #5 ALT</p>	<p>JOHN LINDSTROM DISTRICT #2 ALT</p>
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<p>JOHN CONTI DISTRICT #5 ALT</p>	<p>ERNIE FARANA HANDLER ALT.</p>	<p>BOB LUCY HANDLER ALT.</p>	<p>SCOTT BAUWENS HANDLER ALT.</p>	<p>ALVA SNIDER HANDLER ALT.</p>	<p>JENNERANIS HAB CHAIRMAN EX-OFFICIO</p>

Nature's fury in 2007 rose to almost biblical proportions: freeze, fire, drought — and fruit flies posing as locusts. As a California Avocado grower, you would be forgiven for wondering what else Mother Nature could possibly heave our way. And yet last year more than ever, California Avocado growers triumphantly displayed the three attributes that comprise the theme of this report: spirit, strength and stamina.

It would be impossible to fully communicate the challenges of the past 12 months. Some members in our family of growers have been seriously harmed. Yet through it all, an enduring spirit casts an optimistic eye toward the future. I am encouraged by the positive reports from the field that portend a healthier year ahead with:

- ▶ Crop estimates for California's avocado harvest are a strong 375 million pounds for 2007-08.
- ▶ California's crop is sizing well with excellent quality, two factors that will help distinguish California fruit in the marketplace.

It could be said that nature is just giving back some of what it took in 2007. But nature isn't doing all of the work. We have much to anticipate with CAC's stepped up branding of California Avocados throughout our marketing programs (described later in this report).

It is an exciting time to serve as your chairman and I am honored to have this opportunity.

RICK SHADE
CHAIRMAN



(A Message from the Immediate Past Chairman)

I am happy to welcome Rick Shade into the CAC Chair and wish him my very best for success. My three-year sojourn as the CAC's Chairman proved often challenging, occasionally harrowing, but always stimulating.

I am tremendously proud of the achievements of California growers against seemingly insurmountable odds during my tenure. Three years ago, we were merely contemplating a category exceeding a billion pounds of fruit. During the past two years we experienced that volume. Back then, we worried about the market absorbing that tremendous increase. Now we know it is possible and we know it can be done while sustaining grower value.

A couple of years ago, California produced our largest crop ever, nearly 600 million pounds. Last year, we marketed one of the smallest. On the plus side, we marketed ahead of the curve during this period, anticipating the response of both retailers and consumers. We also made great progress on the nutrition front, pursuing and gaining USDA approval for important nutritional messages we can carry to our consumers, who now know that avocados are a positive part of a healthy diet.

CAC has selected a new consumer advertising agency. DGWB, located in Santa Ana, Calif., has developed a compelling campaign branding California Avocados throughout CAC's marketing programs. California Avocado grower stories will be in the spotlight, responding to consumer interest in knowing who produces their food and from where it comes.

California growers are a tough, determined and persistent lot, supported by a tremendously talented and committed board and professional staff.

This speaks well not only of our past, but also for our future.

SCOTT McINTYRE
IMMEDIATE PAST CHAIRMAN



Troubadour Joni Mitchell opines in *The Circle Game* that we are "captive on the carousel of time." Thought-provoking, if not scary, but her point can be liberating if the "captives" find wisdom in the circle for the next time around. California Avocado growers have their own cycles, their own circles — large crops and small crops; dry years and wet years; lean years and profitable years. So what about us? Where is the California Avocado industry right now on its carousel of time?

To answer that question, we need to gaze backward to a time when California Avocados dominated the American market in the 1980s and 1990s. During this period, consumers enthusiastically ate several hundred million pounds of avocados year in and year out, primarily in western and southwestern states. CAC invested \$10 million in the market each year to support the then California-centric avocado category. Returns were strong.

In the 21st century's hyper-competitive market, American consumers devour ONE BILLION POUNDS annually — everything California growers have to sell, plus what Chile and Mexico ship to our shore. Our growers must work harder than ever because they now share a coast-to-coast market with Mexico and Chile. The good news in that development is EVERYONE pays to prime the sales channels with nearly \$40 million a year in promotion; a far more powerful marketing engine than Californians could fuel alone.

That's where we are on the carousel of time... embracing the sobering reality that the California Avocado industry is but one MEMBER of a larger HASS CATEGORY that includes "Partner Competitors."

As Mitchell concludes, "*We can't return. We can only look behind from where we came.*"

So that's what we do...we forge ahead with acceptance of our role as "just one player" in the category, but resolute to make the California brand its most powerful force.

MARK AFFLECK
PRESIDENT & CEO



CAC's Industry Affairs program seeks to minimize those distractions that can hamper the mission of California growers – to grow and sell quality avocados – and to maximize the CAC's mission to build grower value. That task proves easier in some years than in others, and in 2006-07, issues arose at an almost dizzying pace.

Our response was and is a continuous and healthy stream of information that can help growers deal with industry challenges. In some cases, communication focuses on stimulating you to act, often by communicating your positions to elected officials. In other cases, information provides steps for growers seeking assistance in responding to natural events. Yet a third important activity is aggressive and intelligent lobbying of elected officials and government agencies when such contact is called for. This year, that included:

- ▶ Establishment of the Legislative Action Center at www.avocado.org/growers which updates growers about political issues of importance and provides them with a means of contacting elected officials.
- ▶ Disaster assistance: Information about resources available to help recover from natural disasters, such as freezes and fires and information about insurance, funding relief and special government programs.
- ▶ Issues information, including news about pest infestation and water policies.
- ▶ A series of detailed white papers and grower communication on the topic of armored scaled insects on imported Mexican fruit. The Commission mounted an extensive effort to ensure the safety of California Avocado groves in the face of this new threat.

The rapid dissemination of accurate information to growers will continue. We urge all growers to check their section of the Web site for frequent updates.



TOM BELLAMORE
SENIOR VICE PRESIDENT, CORPORATE COUNSEL

NEW PEST MANAGEMENT TOOLS

In the ongoing effort to provide growers an expanded set of tools to manage avocado thrips and persea mite, Commission-sponsored research at the University of California, Riverside has led to the identification of several effective chemical controls. The four most effective materials, two each for avocado thrips and persea mites, have been submitted to regulators for registration and approval for use on avocados. Approval is expected in the near future.

"Our ultimate goal is practical solutions to grower pest problems and guidelines for improved pest management in a climate of increasing pest pressure," says Dr. Joseph Morse, UCR.

CONTAINING ESTABLISHED INVASIVE PESTS

The California industry faces two very serious, recent pest introductions – Avocado Lace Bug and Diaprepes Root Weevil. While both pests have become established over a large local geographic area, so far neither has penetrated commercial groves. A large, CAC-supported containment and research program has utilized millions of government dollars without placing an excessive burden on the Industry.

SERIOUS PEST THREATS SCRUTINIZED

In 2007, CAC Industry Affairs retained Dr. Mark Hoddle for a full-time study of avocado seed moth and related species. Dr. Hoddle explored the moths' native habitat in Guatemala, discovered a wealth of new information on their life cycle and biology and is now working with Dr. Jocelyn Millar toward the development of a pheromone trap for the moths. This study affirmed the serious threat posed by this group of pests.



RAISING REGULATORY AWARENESS OF THE ARMORED SCALE THREAT

Drs. Joseph Morse and Richard Stouthamer worked to identify armored scales entering California on imported fruit. Early on, the DNA extraction and scale ID techniques employed by Stouthamer clearly showed USDA-APHIS identification of these species to be erroneous. Stouthamer's work showed that a good proportion of these armored scale insects are most likely species previously unknown to science. The information countered the government's contention that the presence of live armored scale insects on imported fruit does not pose a significant threat to the California Avocado industry.

QUARANTINE REGULATION AND INSURANCE

CAC engaged APHIS staff in 2007 to remove Hass Avocados from the preferred host list of Mexican fruit fly in quarantine regulations. This mirrored policies adopted by APHIS regarding imported Hass Avocados from Mexico. A Mexican fruit fly quarantine was declared in late October 2007 in Escondido, with three packing facilities and almost 600 growers within the boundaries of the quarantine. In stark contrast to previous Mexican fruit fly quarantines, Hass Avocado orchards within this quarantine required no grower-applied treatments and harvesting continued on schedule, with precautions to avoid post-harvest fruit infestation.

The Commission has been engaged with RMA contractors working on a quarantine insurance product (separate from the avocado crop insurance program) to ensure avocados are considered among insurable crops. The product being developed would protect growers from losses in the event of future quarantine events.

A NEW UNDERSTANDING OF AVOCADO IRRIGATION REQUIREMENTS

The Commission sponsored a comprehensive, multi-season field trial, completed in the late 1990's by UCR, that focused on water use, irrigation frequency, soil solution salinity and avocado yield in the middle of California's largest production area, Valley Center. The data from this research was finally published in the prestigious Journal of the American Society of Horticultural Science in February 2007 (James D. Oster, D.E. Stottlmyer, and M.L. Arpaia. 2007, Salinity and Water Effects on 'Hass' Avocado Yields, J. AMER. SOC. HORT. SCI. 132(2):253-261).

The results of this research clearly show that long-standing measurements used since the California Avocado industry's infancy were inaccurate, underestimating actual water needs. The study suggested that a year-round avocado "Kc value" of 0.86 should replace all previously published values and is the official number published and quoted by both UCR and CAC. "Kc value" is a constant used in irrigation calculations.

The resulting change in measurement is highly significant. A likely result is consistent, long-term yield gains from 10 to 30 percent that could translate into hundreds of millions of dollars of increased grower revenues over the next decade.

Also, with the past season's record low precipitation and drought-related water restrictions in effect, it is important that base level crop irrigation needs are calculated using the refined crop requirements as established by this recent research report.

\$75,000 GRANT WILL FUND PRECISION IRRIGATION STUDY

California growers are vulnerable to criticism from regulators, environmentalists and other stakeholders who may claim growers use too much water without any efforts to improve water use efficiency.

Now, a grant from the State of California will fund a study to provide a better understanding of how to maximize water efficiencies. The study will use sophisticated irrigation scheduling equipment tied into evaporation data collected from both state and private measurement stations. This data may provide precise, site-specific water requirements, boost production and save irrigator labor hours.

ACREAGE INVENTORY SURVEY USING STATE-OF-THE-ART TECHNOLOGY

The industry's acreage traditionally was surveyed using dedicated CAC-contracted aircraft, personnel and photographic equipment. On its most recent survey, however, CAC worked with the newly formed National Agricultural Imagery Program (NAIP). As a result, CAC is the first commodity board to secure previously unavailable, higher quality, imagery at no cost. These images have considerably higher resolution than anything previously available and have improved CAC's ability to identify and categorize avocado blocks.

This approach resulted in a classification error-percentage of less than five percent, considered a huge success for the first-round adoption of these new technologies.

SWIFTLY FINDING NEW AVOCADO VARIETIES

Working with Drs. Michael Clegg and Vanessa Ashworth of the University of California, Irvine, the Commission secured a three-year University of California Discovery Grant that will provide for additional genetic research. This project's specific aim is to find techniques to fast track identification of new varieties, shortening the time normally inherent in CAC's conventional breeding program.

TAKING SUSTAINABLE PRODUCTION PRACTICES FROM GROWER TO CONSUMER

Working with SureHarvest in Davis, California, CAC is building the framework for an industry Sustainable Avocado Production Program (SAPP) with three domains – food safety, environmental stewardship and social responsibility.

This well-packaged, comprehensive farm plan for sustainable production promises to deliver the most organized, easy-to-follow sustainable production program of any U.S. commodity.

Moreland & Associates, Inc.
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JANUARY 10, 2008

THE BOARD OF DIRECTORS
 CALIFORNIA AVOCADO COMMISSION

We have audited the accompanying basic financial statements of the California Avocado Commission (Commission) as of and for the years ended October 31, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 opinion.

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, 2007 and 2006, and the changes in its financial position and 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, 2008 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 audit.

The management's discussion and analysis identified in the accompanying table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Commission. The budgetary comparison schedule and the combining statement identified in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Moreland & Associates, Inc.

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 fiscal year ended October 31, 2007. 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 assets of the Commission exceeded its liabilities as of October 31, 2007 by \$2,825,705 (net assets). Of this amount, \$2,303,649 (unrestricted net assets) totaling over 81% may be used to meet ongoing obligations.
- ▶ The Commission's 2007 total net assets of \$2,825,705 decreased by \$2,585,071 from \$5,410,776. Of this amount, net assets invested in capital assets, net of related debt, decreased \$25,293 to \$71,656. Net assets restricted for marketing decreased \$2,527,698 to \$450,400 and unrestricted net assets decreased \$32,080 to \$2,303,649.

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: Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets; and Statement 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 Statement of Net Assets presents 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. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation.

The Statement of Revenues, Expenses and Changes in Net Assets presents 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 Statement of Cash Flows presents changes in cash and cash equivalents resulting from operating, non-capital financing, capital financing and investing activities.

The notes to the 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 supplementary information on budgetary comparisons and a combining statement on restricted and unrestricted funds.

FINANCIAL ANALYSIS

Comparative data for the year ended October 31, 2006 has been presented in the accompanying financial statements (including MD&A) to facilitate financial analysis for the current year ended October 31, 2007.

STATEMENT OF NET ASSETS:

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The largest portion (97.9%) of the Commission's assets were current assets, consisting primarily of cash, investments, and accounts receivable, totaling \$4,219,991; down \$3,238,429 from the prior year amount of \$7,458,420. This decrease was mainly due to a reduction in year end assessment receivables, due to low yields and a freeze that affected the industry's Hass crop. Total current assets cover liabilities 2.8 times, and indicate good liquidity.

Liabilities totaled \$1,486,856 for 2007, which decreased \$697,380 from \$2,184,236 from the 2006 year. The decrease is mainly due to fewer obligations owed to vendors. Liabilities were primarily accounts payable, accrued liabilities 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) total \$71,656; a decrease of \$25,293 from the prior year amount of \$96,949 primarily due to the depreciation of capital assets. Net assets invested in capital assets make up 2.5% of total net assets.

Restricted net assets for marketing activities are subject to imposed restrictions by federal statute governing their use. Restricted net assets total \$450,400 a decrease of \$2,527,698 from the prior year amount of \$2,978,098, primarily due to less revenue from the 85% assessment rebate funds received from the Hass Avocado Board (HAB). Restricted net assets are 16% of total net assets and are subject to external restrictions on how they can be used.

Unrestricted net assets available for future activities total \$2,303,649, a decrease of \$32,080 from the prior year amount of \$2,335,729.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS:

Key highlights and financial analysis are as follows:

- ▶ Operating revenues of \$11,298,051 in 2007 were \$9,092,513 or 44.6% lower than the \$20,390,564 received in 2006. The majority of the decrease was from the volume-based assessment revenue received from the HAB due to a reduction in the Hass crop volume from historical high achieved in the prior year. Of the operating revenue, the largest portion \$10,552,126 (93.4%) reflects assessment revenue. The remaining portion of \$745,925 (6.6%) comes from administrative and marketing fees generated from the Hass Avocado Board.
- ▶ Operating expenses totaled \$14,085,037 in 2007, which was a decrease of \$4,197,152 or 23.0% from the prior year amount of \$18,282,189. This was primarily due to a reduction in marketing and administration activities in the second half of the fiscal year.
- ▶ At the end of the current 2007 fiscal year, the Commission reported ending net assets of \$2,825,705, which was \$2,585,071 below the 2006 year of \$5,410,776. This was mainly due to a decrease in assessment revenue received from the HAB, resulting from lower production in California Hass volume.

BUDGETARY HIGHLIGHTS:

The 2007 final budget for the Commission's operations represents the original budget and amendments that occurred during the year. The final revenue budget in the amount of \$11,254,000 decreased \$2,948,800 from \$14,202,800 during the year, which reflected the reduction in assessment revenues due to lower avocado volume in 2007. The final expense budget of \$14,923,500 decreased \$1,595,400 from \$16,518,900 due to budget cuts made in marketing and non-marketing areas to cover the drop in assessment revenues.

During the year, the Commission was involved in developing, analyzing and implementing current and long-range financial goals and activities for strategic planning purposes. Next year's 2008 budget and programs were developed, reviewed and approved for implementation.

CAPITAL ASSET AND DEBT ADMINISTRATION

The Commission's investment in capital assets as of October 31, 2007, total \$92,570, which is a decrease of \$44,022 from the prior year amount of \$136,592 (net of accumulated depreciation). The majority of the decrease represents depreciation on equipment used for program activities of the Commission.

The Commission has long term debt for a copier and a mailing machine identified as capital leases with a combined balance outstanding of \$20,914. Additional information can be found in Notes to the 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 Valetta Weaver, Vice President Finance/Administration, California Avocado Commission, 38 Discovery #150, Irvine, California 92618-3105.

Statement of Net Assets
October 31, 2007 and 2006

	2007	2006
Current Assets:		
Cash and cash equivalents	\$ 3,198,848	\$ 3,547,085
Assessments receivable	46,811	220,886
Other receivables	182,067	231,052
Prepays	40,665	69,450
Restricted:		
Cash and cash equivalents	515,547	1,080,713
Assessments receivable	236,053	2,309,234
Total Current Assets	4,219,991	7,458,420
Non-current Assets:		
Capital assets:		
Being depreciated, net	92,570	136,592
Total Assets	4,312,561	7,595,012
Current Liabilities:		
Accounts payable and accrued liabilities	816,450	1,140,128
Accounts payable and accrued liabilities payable from restricted assets	301,199	411,849
Deposits	348,293	592,616
Non-current liabilities:		
Due within one year	19,697	18,729
Due in more than one year	1,217	20,914
Total Liabilities	1,486,856	2,184,236
Net Assets:		
Invested in capital assets, net of related debt	71,656	96,949
Restricted for marketing	450,400	2,978,098
Unrestricted	2,303,649	2,335,729
Total Net Assets	\$ 2,825,705	\$ 5,410,776

See Accompanying Notes to Financial Statements.

Statement of Revenues, Expenses and Changes in Net Assets
For the Years Ended October 31, 2007 and 2006

	2007	2006
Operating Revenues:		
Assessment revenue	\$ 10,552,126	\$ 17,572,993
Administrative and marketing fees	745,925	2,817,571
Total Operating Revenues	<u>11,298,051</u>	<u>20,390,564</u>
Operating Expenses:		
Marketing	9,205,138	12,648,017
Non-marketing programs	3,186,695	3,380,368
Administration	1,693,204	2,253,804
Total Operating Expenses	<u>14,085,037</u>	<u>18,282,189</u>
Operating Income (Loss)	<u>(2,786,986)</u>	<u>2,108,375</u>
Non-operating Revenues:		
Investment and interest income	201,165	124,501
Other income	750	15
Total Non-operating Revenues	<u>201,915</u>	<u>124,516</u>
Change in Net Assets	<u>(2,585,071)</u>	<u>2,232,891</u>
Total Net Assets - Beginning	<u>5,410,776</u>	<u>3,177,885</u>
Total Net Assets - Ending	<u>\$ 2,825,705</u>	<u>\$ 5,410,776</u>

Statement of Cash Flows
For the Years Ended October 31, 2007 and 2006

	2007	2006
Cash Flows From Operating Activities:		
Cash received from customers	\$ 13,349,969	\$ 18,291,292
Cash payments to suppliers for goods and services	<u>(14,446,558)</u>	<u>(20,455,981)</u>
Net Cash Provided (Used for) by Operating Activities	(1,096,589)	(2,164,689)
Cash Flows from Non-capital Financing Activities:		
Grant revenue and other income	750	15
Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets		(137,406)
Lease payments	(18,729)	(17,808)
Cash Flows from Investing Activities:		
Interest on investments	<u>201,165</u>	<u>124,501</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(913,403)	(2,195,387)
Cash and Cash Equivalents - Beginning	<u>4,627,798</u>	<u>6,823,185</u>
Cash and Cash Equivalents - Ending	<u>\$ 3,714,395</u>	<u>\$ 4,627,798</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ (2,786,986)	\$ 2,108,375
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:		
Depreciation expense	44,022	65,151
Change in Assets and Liabilities:		
(Increase) decrease in assessments receivable	2,247,256	(2,325,716)
(Increase) decrease in other receivables	48,984	96,256
(Increase) decrease in prepaids	28,785	(3,896)
Increase (decrease) in accounts payable and accrued liabilities	(434,328)	(2,235,047)
Increase (decrease) in deposits	<u>(244,322)</u>	<u>130,188</u>
Net Cash Provided (Used for) by Operating Activities	<u>\$ (1,096,589)</u>	<u>\$ (2,164,689)</u>

See Accompanying Notes to Financial Statements.

See Accompanying Notes to Financial Statements.

I. 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 avocados. The Commission is authorized to levy an assessment against producers of avocados for purposes of carrying out its programs. The assessment for the year ended October 31, 2007 and 2006 was 2.15% and 1.6%, respectively, of the gross revenues paid to producers. The Commission also receives 85% of the assessments collected by the Federal Hass Avocado Board (HAB) on Hass avocados produced in California, which are restricted for use on marketing activities.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of Accounting

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.

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, generally are 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. Governments also have the option of following subsequent private-sector guidance for their business-type activities and 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 statement of cash flows, the Commission considers cash and funds invested in money market mutual funds and the Local Agency Investment Fund of the State of California for both restricted and unrestricted 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 provided. 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. There were no charges made to bad debt expense for the years ended October 31, 2007 and 2006.

4. Capital Assets

Capital assets consist of furniture, office equipment and leasehold improvements. The Commission capitalizes assets with values of at least \$5,000 and useful lives of at least three years. Capital assets are valued at cost or estimated historical cost if actual historical cost is not available. Contributed assets are valued at fair market 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.

5. Budgetary Data

Each year the Commission adopts a budget which provides for its general operations. Budgets are prepared on the accrual basis of accounting.

6. Estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect certain amounts and disclosures.

7. Restricted Assets

These restricted assets are restricted HAB funds to be used for marketing related activity.

II. Detailed Notes on Enterprise Fund

A. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following:

	2007	2006
Petty cash	\$ 400	\$ 400
Demand deposits	201,473	654,423
Investments	3,512,522	3,972,975
Total Cash and Investments	<u>\$ 3,714,395</u>	<u>\$ 4,627,798</u>

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

The table on the following page identifies the investment types that are authorized for California Avocado Commission. The table also identifies certain provisions of the Commission's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
State of California Bonds and Notes	3 years	None	None
U. S. Treasury Obligations	3 years	None	None
U. S. Agency Securities - Other	3 years	None	None
U.S. Agency Securities – Mortgage Backed	3 years	20 %	None
Banker's Acceptances	180 days	25 %	30 %
Commercial Paper	15 days	30 %	5 %
Corporate Bonds and Notes	3 years	10 %	None
Money Market Funds	N/A	20 %	10 %
Local Agency Investment Fund (LAIF)	N/A	None	None

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. One of the ways that the Commission manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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 distribution of the Commission's investments by maturity:

<u>Investment Type</u>	<u>Remaining Maturity 12 Months or less</u>	
	<u>2007</u>	<u>2006</u>
Local Agency Investment Fund	\$ 3,416,245	\$ 3,881,013
Money Market	96,277	91,962
	<u>\$ 3,512,522</u>	<u>\$ 3,972,975</u>

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 limitations on the amount that can be invested in any one issue beyond that stipulated by the California Government Code.

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 investment or collateral securities that are in the possession of another party. The California Government Code 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 California Government Code 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 the Local Agency Investment Fund (LAIF) that is regulated by California Government Code 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.

B. Capital Assets

Changes in capital assets were as follows:

	November 1, 2006	Additions	Deletions	October 31, 2007
Capital Assets, Being Depreciated:				
Furniture	\$ 90,480			\$ 90,480
Office equipment	218,915		\$ (7,460)	211,455
Leasehold improvements	22,042			22,042
Total Capital Assets, Being Depreciated	331,437		(7,460)	323,977
Less Accumulated Depreciation for:				
Furniture	13,135	18,096		31,231
Office equipment	170,931	21,518	(7,460)	184,989
Leasehold improvements	10,779	4,408		15,187
Total Accumulated Depreciation	194,845	44,022	(7,460)	231,407
Net Capital Assets	\$ 136,592	\$ (44,022)	\$ -	\$ 92,570
	November 1, 2005	Additions	Deletions	October 31, 2006
Capital Assets, Being Depreciated				
Furniture	\$ 9,074	\$ 81,406		\$ 90,480
Office equipment	170,457	48,458		218,915
Leasehold improvements	14,500	7,542		22,042
Total Capital Assets, Being Depreciated	194,031	137,406		331,437
Less Accumulated Depreciation for:				
Furniture	4,537	8,598		13,135
Office equipment	117,907	53,024		170,931
Leasehold improvements	7,250	3,529		10,779
Total Accumulated Depreciation	129,694	65,151		194,845
Net Capital Assets	\$ 64,337	\$ 72,255	\$ -	\$ 136,592

C. Long-term Liabilities

	November 1, 2006	Additions	Deletions	October 31, 2007	Amount Due within One Year
Capital Leases	\$ 39,643	\$ -	\$ 18,729	\$ 20,914	\$ 19,697

	November 1, 2005	Additions	Deletions	October 31, 2006	Amount Due within One Year
Capital Leases	\$ 57,451	\$ -	\$ 17,808	\$ 39,643	\$ 18,729

Capital Leases:

During the year ended October 31, 2003, the Commission entered into an agreement to lease a copier. During the year ended October 31, 2004, the Commission entered into an agreement to lease a mailing system. These agreements are in substance capital leases (lease-purchases) and are included as capital leases payable in the financial statements.

The annual requirements to amortize the capital lease obligations as of October 31, 2007 are as follows:

Year Ending October 31,	Principal	Interest
2008	\$ 19,697	\$ 638
2009	1,217	18
Total	\$ 20,914	\$ 656

III. 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 for the State of California. Since the Commission is in substance an agent for the State only cash, investments and related deposits are reported in the financial statements. As of October 31, 2007 and 2006, \$330,293 and \$574,616, respectively, was held by the Commission for the Avocado Inspection Program.

B. Line of Credit

The Commission obtained a line of credit from American Ag Credit, in the amount of \$3,000,000. The Commission did not utilize this line of credit during the year ended October 31, 2007.

C. 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 sixteen employees eligible to participate in the PSP for the Plan Year ended October 31, 2007, was \$2,091,181. The total payroll for fiscal year ending October 31, 2007 was \$2,189,748.

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 \$45,000 for the Plan Year ended October 31, 2007. 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.

Plan assets as of October 31, 2007 were \$2,022,159 comprised of investments valued at market of \$1,806,107 and \$216,052 receivable from the Commission. The total contributions for the year ended October 31, 2007, were \$216,052. Plan assets as of October 31, 2006 were \$1,639,470 comprised of investments valued at market of \$1,424,886 and \$214,584 receivable from the Commission. The total contributions for the year ended October 31, 2006, were \$214,993.

D. Operating Leases

The Commission rents its office space under a five-year lease ending July 31, 2008. During the years ended October 31, 2007 and 2006, the Commission has paid \$246,043 and \$237,306, respectively for the office rent.

Statement of Revenues, Expenses and Changes in Net Assets-
Budgetary Comparison Schedule
For the Fiscal Years Ended October 31, 2007 and 2006

Combining Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended October 31, 2007

	2007		Variance Positive (Negative)	2006 Actual
	Final Budget	Actual		
Revenues:				
Assessment revenue	\$ 10,425,500	\$ 10,552,126	\$ 126,626	\$ 17,572,993
Administrative and marketing fees	728,500	745,925	17,425	2,817,571
Investment and interest income	100,000	201,165	101,165	124,501
Other income		750	750	15
Total Revenues	<u>11,254,000</u>	<u>11,499,966</u>	<u>245,966</u>	<u>20,515,080</u>
Expenses:				
Marketing:				
Consumer advertising	5,169,200	5,044,166	125,034	5,486,865
Marketing promo program - CAIA				2,029,657
Merchandising/trade	2,289,900	2,059,012	230,888	2,651,943
Foodservice	795,500	775,424	20,076	918,759
Public relations	619,000	618,428	572	635,318
Nutrition	177,500	172,207	5,293	248,467
Internet marketing	536,100	535,901	199	467,790
Total Marketing	<u>9,587,200</u>	<u>9,205,138</u>	<u>382,062</u>	<u>12,438,799</u>
Non-marketing Programs:				
Industry affairs	2,297,800	2,132,338	165,462	2,292,646
Production research	926,900	865,315	61,585	1,087,722
Information systems	197,000	189,042	7,958	209,218
Total Non-marketing Programs	<u>3,421,700</u>	<u>3,186,695</u>	<u>235,005</u>	<u>3,589,586</u>
Administration:				
Administration	1,835,600	1,639,281	196,319	1,860,906
Capital outlay - non-capitalized	14,000	9,901	4,099	327,747
Depreciation	65,000	44,022	20,978	65,151
Total Administration	<u>1,914,600</u>	<u>1,693,204</u>	<u>221,396</u>	<u>2,253,804</u>
Total Expenses	<u>14,923,500</u>	<u>14,085,037</u>	<u>838,463</u>	<u>18,282,189</u>
Change in Net Assets	(3,669,500)	(2,585,071)	1,084,429	2,232,891
Total Net Assets - Beginning	<u>5,410,776</u>	<u>5,410,776</u>		<u>3,177,885</u>
Total Net Assets - Ending	<u>\$ 1,741,276</u>	<u>\$ 2,825,705</u>	<u>\$ 1,084,429</u>	<u>\$ 5,410,776</u>

	Restricted	Unrestricted	Total
Operating Revenues:			
Assessment revenue	\$ 5,278,269	\$ 5,273,857	\$ 10,552,126
Administrative and marketing fees		745,925	745,925
Total Operating Revenues	<u>5,278,269</u>	<u>6,019,782</u>	<u>11,298,051</u>
Operating Expenses:			
Marketing	7,880,525	1,324,613	9,205,138
Non-marketing programs		3,186,695	3,186,695
Administration		1,693,204	1,693,204
Total Operating Expenses	<u>7,880,525</u>	<u>6,204,512</u>	<u>14,085,037</u>
Operating Income (Loss)	<u>(2,602,256)</u>	<u>(184,730)</u>	<u>(2,786,986)</u>
Non-operating Revenues:			
Investment and interest income	74,558	126,607	201,165
Other income		750	750
Total Non-operating Revenues	<u>74,558</u>	<u>127,357</u>	<u>201,915</u>
Changes in Net Assets	<u>(2,527,698)</u>	<u>(57,373)</u>	<u>(2,585,071)</u>
Total Net Assets - Beginning	<u>2,978,098</u>	<u>2,432,678</u>	<u>5,410,776</u>
Total Net Assets - Ending	<u>\$ 450,400</u>	<u>\$ 2,375,305</u>	<u>\$ 2,825,705</u>

YEAR	PRODUCING ACRES	VOLUME (MM / LBS.)	CROP VALUE	-----AVERAGE-----		
				PRICE PER POUND (¢)	DOLLARS PER BEARING ACRE	POUNDS PER BEARING ACRE
71/72	19,039	51.7	\$ 24,608,846	47.58	\$ 1,293	2,715
72/73	19,611	139.9	\$ 38,188,186	27.28	\$ 1,947	7,134
73/74	20,741	105.9	\$ 41,997,543	39.63	\$ 2,025	5,106
74/75	20,715	208.7	\$ 49,529,969	23.73	\$ 2,391	10,075
75/76	24,882	116.0	\$ 61,000,794	52.60	\$ 2,452	4,662
76/77	29,041	239.1	\$ 71,220,507	29.78	\$ 2,452	8,233
77/78	33,866	213.4	\$ 79,685,614	37.33	\$ 2,353	6,301
78/79	39,802	246.2	\$ 85,359,795	34.67	\$ 2,145	6,186
79/80	44,369	148.4	\$ 111,003,231	74.79	\$ 2,502	3,345
80/81	47,831	475.5	\$ 84,963,825	17.87	\$ 1,776	9,941
81/82	64,798	312.6	\$ 107,740,745	34.47	\$ 1,663	4,824
82/83	69,448	402.8	\$ 92,622,286	22.99	\$ 1,334	5,800
83/84	72,296	492.5	\$ 91,102,869	18.50	\$ 1,260	6,812
84/85	72,861	396.9	\$ 115,562,999	29.10	\$ 1,586	5,447
85/86	74,131	319.2	\$ 162,095,058	50.78	\$ 2,187	4,306
86/87	74,812	555.6	\$ 93,875,414	16.90	\$ 1,255	7,427
87/88	76,307	358.1	\$ 203,796,649	56.91	\$ 2,671	4,693
88/89	75,062	329.6	\$ 207,124,111	62.84	\$ 2,759	4,391
89/90	73,368	207.9	\$ 237,547,848	114.23	\$ 3,238	2,834
90/91	71,007	271.5	\$ 193,188,395	71.16	\$ 2,721	3,824
91/92	69,582	310.9	\$ 182,596,792	58.73	\$ 2,624	4,468
92/93	68,159	569.8	\$ 117,939,346	20.70	\$ 1,730	8,360
93/94	66,865	271.0	\$ 251,086,521	92.67	\$ 3,755	4,053
94/95	61,254	304.2	\$ 227,313,720	74.73	\$ 3,711	4,966
95/96	61,125	340.4	\$ 235,225,728	69.10	\$ 3,848	5,569
96/97	60,674	329.1	\$ 258,991,040	78.71	\$ 4,269	5,424
97/98	59,895	304.9	\$ 261,126,590	85.64	\$ 4,360	5,091
98/99	59,385	271.5	\$ 328,745,982	121.09	\$ 5,536	4,572
99/00	58,987	321.1	\$ 339,443,632	105.71	\$ 5,755	5,444
00/01	58,601	422.3	\$ 314,919,286	74.57	\$ 5,374	7,206
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	\$ 379,846,520	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

Month	Hass Pounds	Lamb Pounds	Others Pounds	Total Pounds	Hass Dollars	Lamb Dollars	Others Dollars	Total Dollars	Avg \$/Lb
Nov 2006	9,412,137	776,380	803,604	10,992,121	5,404,958	393,306	221,751	6,020,015	0.548
Dec 2006	3,333,128	130,805	138,267	3,602,200	2,259,910	65,382	48,149	2,373,441	0.659
Jan 2007	15,660,610	7,645	751,736	16,419,991	8,846,347	4,487	194,914	9,045,748	0.551
1st QTR	28,405,875	914,830	1,693,607	31,014,312	16,511,215	463,175	464,814	17,439,204	0.562
Feb 2007	6,130,377	0	200,471	6,330,848	3,246,971	0	53,703	3,300,674	0.521
Mar 2007	13,579,283	0	476,104	14,055,387	11,889,921	0	121,093	12,011,014	0.855
Apr 2007	30,917,139	1,179	721,077	31,639,395	28,075,398	648	213,286	28,289,332	0.894
2nd QTR	50,626,799	1,179	1,397,652	52,025,630	43,212,290	648	388,082	43,601,020	0.838
1st Half	79,032,674	916,009	3,091,259	83,039,942	59,723,505	463,823	852,896	61,040,224	0.735
May 2007	39,378,388	131,085	199,199	39,708,672	34,807,983	114,652	77,261	34,999,896	0.881
Jun 2007	42,841,815	328,686	231,654	43,402,155	41,052,486	319,758	121,096	41,493,340	0.956
Jul 2007	44,106,102	1,063,044	180,353	45,349,499	47,626,773	1,031,107	85,976	48,743,856	1.075
3rd QTR	126,326,305	1,522,815	611,206	128,460,326	123,487,242	1,465,517	284,333	125,237,092	0.975
Aug 2007	35,074,104	830,837	296,058	36,200,999	44,121,043	971,396	226,082	45,318,521	1.252
Sep 2007	9,652,602	278,344	107,815	10,038,761	11,096,898	310,651	69,999	11,477,548	1.143
Oct 2007	1,442,612	9,384	62,524	1,514,520	1,789,428	11,234	37,120	1,837,782	1.213
4th QTR	46,169,318	1,118,565	466,397	47,754,280	57,007,369	1,293,281	333,201	58,633,851	1.228
2nd Half	172,495,623	2,641,380	1,077,603	176,214,606	180,494,611	2,758,798	617,534	183,870,943	1.043
Total	251,528,297	3,557,389	4,168,862	259,254,548	240,218,116	3,222,621	1,470,430	244,911,167	0.945
Y-T-D (%)	97.02%	1.37%	1.61%	100.00%	98.08%	1.32%	.60%	100.00%	
Y-T-D AVG \$/LB					0.955	0.906	0.353	0.945	

IMPORTANT:

- 1) Acreage from 1971/72 through 1986/87 from the California Department of Food & Agriculture (CDFA) crop statistics.
- 2) Acreage from 1987/88 through 1993/94 based on CAC's 1987 and 1990 aerial survey, attrition adjustments and CDFA Crop statistics.
- 3) Acreage from 1994/95 to 2006/07 based on CAC's 1994, 1995, 1998, 2001 & 2005 aerial survey, attrition factors, and other sources such as county agricultural commissioner data.

PREVIEW '08 HANDGROWN_{IN}CALIFORNIA

CAC's compelling advertising and marketing campaign for 2008 drives the California Avocado brand message home to consumers more aggressively than ever before. Recent consumer research provides key insight – consumers today demand to know the “face and place” behind the produce they buy. Mindsets are changing as mainstream supermarket shoppers are more concerned about sustainability, food safety and eating well.

Because of all these concerns, more and more discriminating shoppers are insisting on California Avocado. Of the avocado users who have a preference, three out of four would choose California Avocados over the imports. This same research shows that California Avocados significantly outscore all of the imports combined on consumer perceptions of taste, freshness, premium quality, food safety and responsible farming and labor practices.

To emotionally connect with this consumer mindset, CAC will deploy its strongest asset – California Avocado growers themselves – in a campaign featuring the “Hand Grown in California” theme. CAC's advertising campaign shares the personal stories of small family farmers who meticulously grow California Avocados with caring hands and a deep commitment to quality.

This creative theme will be captured in outdoor, cable television, radio advertising, epicurean magazines and specialty media such as transit, health club placements and at point of purchase. Each of the grower stories will be posted on CaliforniaAvocado.com.



SPIRITS STRENGTH STAMINA

GROWERS MAKE A DIFFERENCE

Through lean and prosperous, wet and dry, heavy and light crop years, thousands of California Avocado growers make a difference in the industry and in their communities. This report heralds three exceptional qualities of the avocado community – spirit, strength and stamina – and profiles three California growers who exemplify these characteristics through vision, innovation and perseverance.

JEROME AND NOEL STEHLY – INNOVATION

Jerome and Noel Stehly are third-generation Southern California farmers from Valley Center. Their father and grandfather had farmed most of their lives in Orange County, growing oranges and raising poultry for egg production. The family moved when Jerome was just six months old to Valley Center, where his father began his own avocado, citrus and egg producing operations. Like most farm family members, from an early age Jerome was an active participant in the never-ending demands of farming.

The Stehlys' enthusiasm for the business of farming, their trust of fellow farmers and a propensity to share ideas with others, has brought considerable respect and been key to their success.



Innovation and modern technology abound on the main family ranch. During the electrical utility price surge of 2005, the Stehlys installed computer-controlled switching to their irrigation pumps, reducing ranch utility costs significantly. Wanting to take energy savings further, they installed rows of solar panels on land unsuited for avocados and soon were contributing more to the power grid than the ranch consumed. Today, facing reductions in irrigation water deliveries from their local district, the Stehlys have invested in state-of-the-art nanotechnology water filtration that will cost-effectively purify water on the ranch, recycling water that would otherwise be unsuitable for avocados.

On sharing his experiences, Jerome is characteristically generous and upbeat. "If we can get just one farmer to try to look ahead instead of giving up, I think the effort is worth it."

ERNIE RIGHETTI, 92 – VISION

In the late 1960s, Ernie Righetti had the foresight to secure water rights for the San Luis Obispo farm he inherited from his father. With borrowed money, he built a substantial reservoir for irrigation and began to convert his family's cattle ranch into an irrigated avocado farm. While he had planted avocados on a small scale in the mid-1930s, he was a pioneer of the local Hass Avocado industry, planting his first commercial Hass orchards in 1967. His vision paid off and today the Righetti Ranch supports three generations of Righettis, a feat that would have been impossible with cattle ranching alone. Their success allowed the purchase of properties adjoining the original ranch and Ernie has guaranteed that the land will stay in agriculture in perpetuity.



Ernie and his wife Susan live modestly in the same farmhouse where he was born. A strong family man, he has been a lifelong advocate for farmers, having served several terms on the California Avocado Commission Board. In 1991 the California Farm Bureau honored him with the Agriculturalist of the Year Award, and in 2006 he received their Distinguished Service Award. The family is well known for their community involvement and generous philanthropic activities.

JAIME SERRATO, 51 – PERSEVERANCE

One only need mention the name Jaime Serrato among growers to realize that he is one of the most respected and admired farmers in the business. While spending time with him, you are likely to feel a combination of pride, optimism and awe. Optimism is part of the fabric of Jaime's life story.

Born in Michoacán, Mexico, Jaime was 10 years old when he moved with his family to Pauma Valley, where his father went to work for the late John Hankey, a grower, grove manager and agricultural consultant. Jaime soon showed an interest in farming and began spending his weekends and summers helping his father and Hankey in the groves.

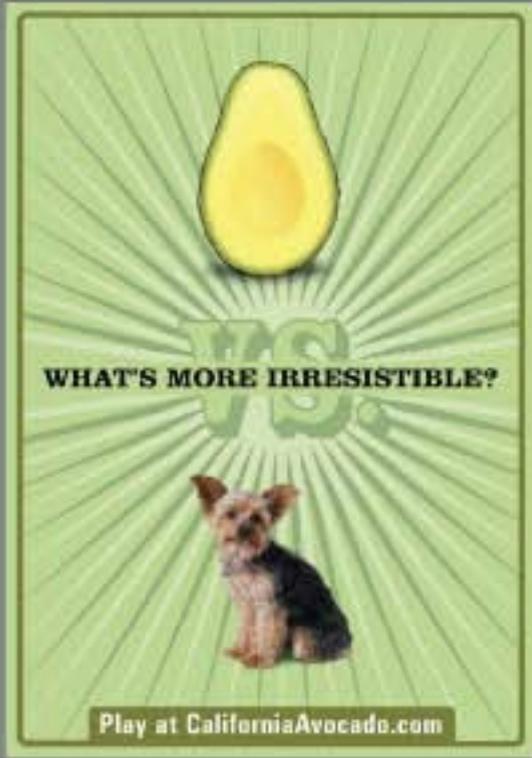
After high school, Jaime worked full time with Hankey's company, dedicating himself to long days of hard labor, fertilizing, irrigating, pest and weed control, pruning and planting new orchards. Seeing Jaime's potential, Hankey increased his responsibilities. When Cal Flavor expanded its avocado acreage, it used Hankey's company and Jaime was chosen to manage the development of hundreds of acres of new avocado trees in Valley Center and Pauma Valley.



Today, Jaime Serrato owns Serrato Grove Management. Cal Flavor is his largest account. The company provides grove management as well as farming its own properties, developing new plantings and providing labor contract and general consulting services.

Through the generous mentorship of John Hankey, the trust given to Jaime by Cal Flavor, his talent and hard work, Jaime is an industry success story, now accepting the mantle of mentor for his son Ricardo.

MARKETING PROGRAMS



BILBOARD

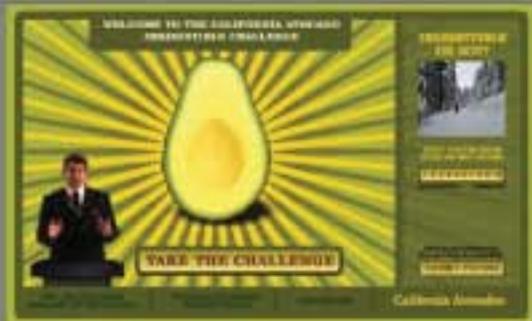
INTEGRATED MARKETING: THE CALIFORNIA AVOCADO IRRESISTIBLE CHALLENGE

The "California Avocado Irresistible Challenge" carried the message of California Avocados' irresistibility to consumers through billboards, bus shelters, radio ads and online promotions. The message also reached avocado lovers through public relations and trade communications, providing consumers with the opportunity to share their love of California Avocados while offering an added incentive – the chance to win a new hybrid car.

A retail display contest and a special Web site promoted consumer opportunities to enter and win.



BUS SHELTER



MICRO SITE

PUBLIC RELATIONS

CAC public relations provided year-round messaging about California Avocados to consumers with a focus on increasing consumption throughout the California season. Key programs included March Madness, Cinco de Mayo and Summer Entertaining as well as ongoing news bureau efforts, which collectively garnered nearly 4.9 billion gross media impressions.

MAD FOR AVOCADOS IN MARCH

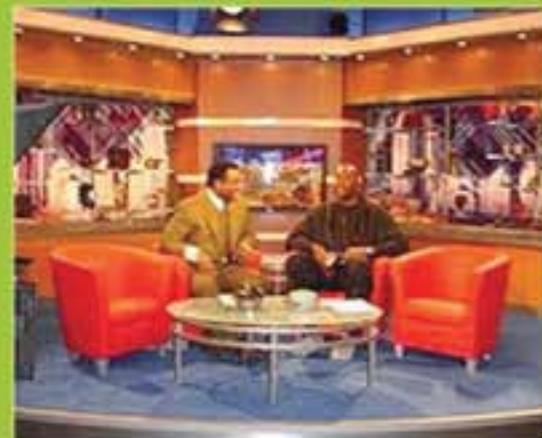
CAC partnered with two-time NCAA championship tournament participant and four-time NBA champion John Salley to serve as a media spokesperson for the California Avocados March Madness public relations blitz. Salley let customers know that basketball fans would consume more than 30 million California Avocados during the tournament.

CALIFORNIA AVOCADOS HIT THE AIR WAVES FOR CINCO DE MAYO

A successful Cinco de Mayo-themed promotion on a top-rated Los Angeles radio station featured Fresh California Avocados as a key ingredient for Cinco de Mayo party dishes. Executive chef Joseph Rivas from the legendary Sonora Café in Los Angeles appeared in-studio on behalf of CAC to discuss ways to incorporate California Avocados into Cinco de Mayo dishes.

SUMMER ENTERTAINING WITH CALIFORNIA AVOCADOS

Timing efforts to the peak California growing season, CAC's public relations team promoted California Avocado usage through a multi-faceted public relations program that included participation in a co-op broadcast media tour, coordination of radio promotions and placement of recipes and stories in print and online outlets.



NUTRITION

CAC's leadership position in nutrition continues with a variety of programs designed to promote the nutritional benefits of avocados.

NUTRITION ADVISORY COMMITTEE

CAC continued to work with its Nutrition Advisory Committee (NAC), a group of leading nutrition researchers from academic institutions such as Ohio State University and Tufts University. Under the leadership of Dr. David Heber, director of the UCLA Center for Human Nutrition at the University of California, Los Angeles, NAC worked to advance California Avocado research and help CAC maintain its position as the leader in avocado nutrition information. Among other advances:

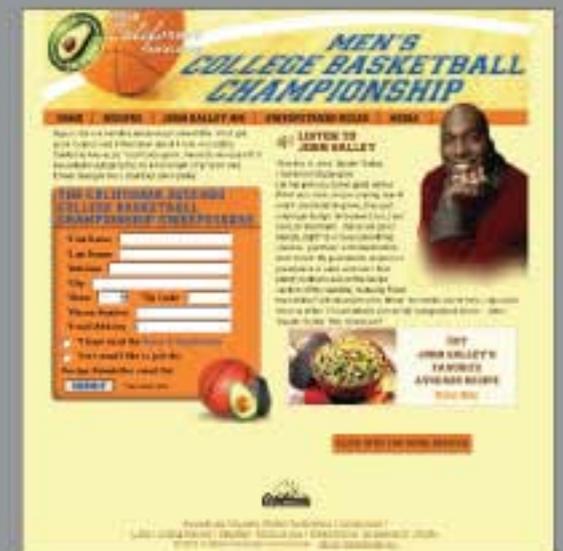
- ▶ An updated avocado nutrition label that reflects accurate nutrition information in English and Spanish.
- ▶ Twenty-three USDA-approved avocado nutrition messages for use with consumers, health care professionals and the media.
- ▶ The Avocado Nutrition Kit and Healthy Times newsletter were used to inform and educate health care professionals about the nutritional benefits of California Avocados.
- ▶ A Phytonutrient Avocado Research Study with the UCLA Center for Human Nutrition. Results of the study will be available in 2009.
- ▶ New avocado nutrition research conducted by Ohio State University. CAC provided California Avocados and the nutrition communications team coordinated with the University's public relations professionals to promote the results. The study, titled "Chemopreventive Characteristics of Avocado Fruit," touted the possible correlation between the consumption of avocados and the prevention of oral cancer, which received wide-spread media attention.

ONLINE PROMOTIONS

Continuing its commitment to online communication, CAC supported the California Avocado Irresistible Challenge advertising campaign, public relations and promotional campaigns with Web site content.

Avocado Madness in March and April supported NCAA Basketball Championship public relations efforts with online content that garnered 441,955 overall pageviews. More than 78,000 people were first-time visitors. Nearly 3,000 people signed up for the Avocado Madness Sweepstakes and over 700 people registered to receive the CAC recipe newsletter.

Cinco de Mayo's April-May online promotion saw 366,978 overall pageviews with more than 70,000 first-time visitors. Visitors printed more than 5,000 recipes, 1,000 people signed up for the Avocado Madness Sweepstakes and 400 joined the CAC recipe newsletter mailing list.



CAC's Merchandising team continued to demonstrate the performance potential of California Avocados to retailers, implementing programs at the store level that promoted California Avocados, resulting in positive results for retailers and consumers.

Safeway's Signature Café World of Flavor Experience prepared an avocado-filled menu for its shoppers; Fry's Marketplace featured organic avocados in its fresh greens recipes; Ralphs' Fresh Fare in-store Chef Demos paired avocados with seafood and a California chardonnay; and Lowe's featured a barbecue menu with California Avocado-topped burgers. These in-store cooking demonstrations extended well beyond ordinary in-store sampling with upscale cooking events.

Two million shoppers saw the CAC sponsored full-page recipe in the 2007 Costco cookbook edition "Favorite Recipes the Costco Way." The page featured "Spring Time Lettuce Cups with Avocado Citrus and Salmon." Consumers can also view the cookbook online.

HOMEMADE, Wal-Mart's complimentary customer magazine, featured the article "From Farm to Fork," which answered the question: "Ever wonder where our food comes from?" The summer issue featured avocado grower and CAC Chairman Scott McIntyre at the height of California's Avocado season. The magazine included a coupon, nutrition information, handling tips and several recipes with avocados, including a California Avocado Mango Salsa recipe from Scott's wife, Debbie.

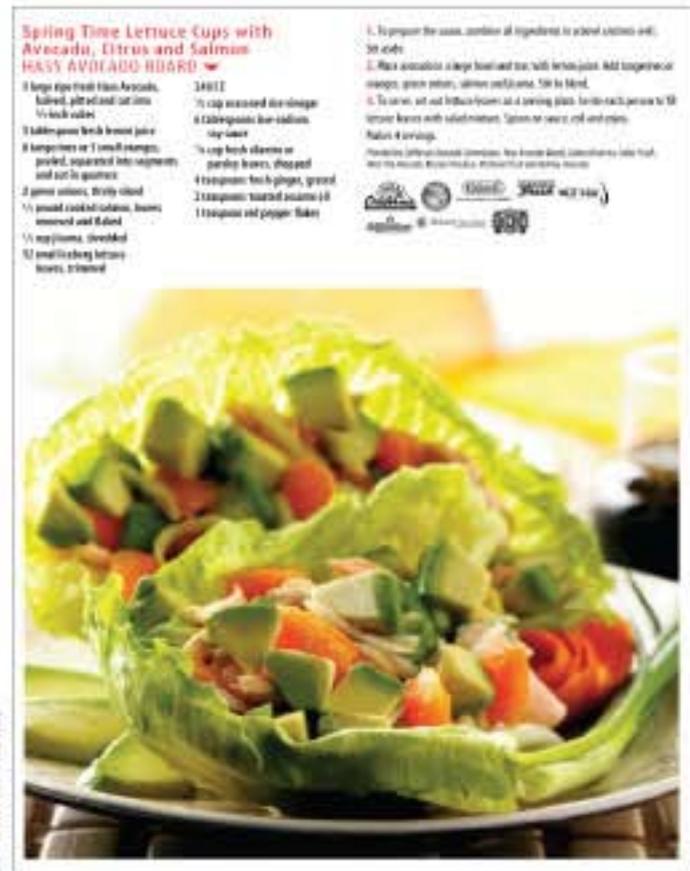
Safeway's Tony Tantillo Consumer Newsletter featured a delicious, quick recipe for Seafood Stuffed Avocados as well as a section on "Avocados and Cinco de Mayo" in May. This newsletter was available at Safeway divisions nationwide, including Vons and Pavilions, with a circulation of 250,000.

With foodservice operators gathering at least 30 percent of the California crop to feed their loyal customers, CAC's effort in that distribution channel continues to show impressive results.

For the third year in a row, fresh avocado menu mentions grew in excess of 20 percent.

Chain promotions delivered well over 100 million impressions as restaurant patrons enjoyed recipes ranging from Avocado Caprese Salad to Tex Mex Enchiladas and Shrimp and Avocado Tacos, with many items strongly supported by chain advertising and point-of-sale displays.

More than four million media impressions from 34 editorial features and 28 product releases earned more than \$100,000 in comparative ad value.



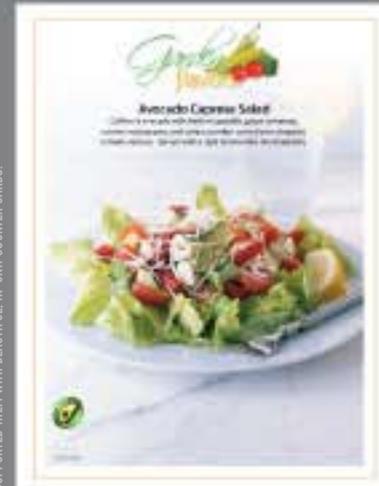
CAC'S COSTCO COOKBOOK PAGE



A CALIFORNIA AVOCADOS COOKING DEMONSTRATION AT SAFEWAY'S SIGNATURE CAFE.



SAFEWAY'S TONY TANTILLO CONSUMER NEWSLETTER



SODEXO CREATED A SERIES OF DISHES AND SUPPORTED THEM WITH BEAUTIFUL, IN-UNIT COUNTER CARDS.



MARIE CALLENDER'S (3.6 WEST COAST UNITS) CREATED A NEWSPAPER INSERT PROUDLY ANNOUNCING ITS CRUNCHY BARBECUE CHICKEN SALAD WITH FRESH CALIFORNIA AVOCADOS.