

## Measuring

In August, the California Avocado Commission's board of directors had a protracted discussion about the upcoming season and how best to deploy CAC's limited resources to address the industry's needs. This is a necessary step in preparation for the annual setting of the assessment rate and adoption of a detailed operating budget, but also a prelude to the strategic planning the board will conduct with an incoming CEO to set the course for seasons extending beyond 2022. Much of the discussion saw the board grappling with the age-old issue of allocation of resources between marketing and pressing issues such as productivity and rising input costs.

Views on how the budget should be constructed are often colored by an individual's perception of return on investment and the effectiveness, or lack thereof, of the various marketing and non-marketing activities that constitute a one-year business plan. That one-year plan is meant to be an incremental step along a strategic pathway designed to advance the industry toward an idealized yet achievable destination. Return on investment relies on measurement, and it was this topic that seemed to fuel the board's debate, carrying with it all the emotion that comes with conviction as opinions are expressed around the table.

On the marketing side, it seems everyone would like clear evidence that a dollar spent on a particular activity nets a certain increase in the price received by growers when they sell their fruit. With respect to non-marketing activities, much of the focus rests on yield. If resources are spent and productivity stays stagnant or wanes, the investment failed.

Would that it were so simple, yet this is where your gut leads you, telling you that measuring effectiveness *should* work this way.

Measuring the effectiveness of marketing programs is, for *all* commodity boards, a shared and persistent challenge. Direct, empirical measures are hard to come by or non-existent, and the variety of other tools and indicators that are used leave one feeling less than certain about conclusions that can be drawn from what amounts to being a sea of data points.

At the core of the problem is the obvious—the California Avocado Commission is one GIANT step removed from the deal, from where the transaction takes place. We have virtually no control over packer behavior in response to their customers. We are not Mission Produce nor Calavo; we cannot gauge the effect of our marketing efforts by looking at sales performance by size, by lug, by variety. Our marketing



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strategies and executions are buffeted by winds of the market that shift as effortlessly as those we feel when we walk outside. Time it right, do your research and make informed decisions and you can ride those winds. Other times you fall victim to the doldrums.

This fundamental weakness of not being in control of the deal does not mean we cannot or do not measure performance. Quite the opposite. There is a long list of tools and techniques that CAC and all the other commodity boards use for this purpose, and it is appended here: <https://bit.ly/cac-measuring-performance>.

As important are the independent evaluations conducted by credentialed agricultural economists that every commodity board commissions, using methodology embraced by the U.S. Department of Agriculture's Economic Research Service. Since 1978, CAC has looked to the University of California for such services. The UC Davis Department of Agricultural Resources and Economics' most recent study on the effects of marketing by CAC appear in: "Economic Impacts of the California Avocado Commission's Advertising and Promotion Programs 2013-17," which can be found on CAC's website. The authors noted the basic challenge of calculating the value of marketing back to growers, stating, "We cannot construct

a model to evaluate just the CAC’s promotion expenditures because grower price for fresh avocados is determined in a national market that is influenced by international factors. Sales increases in local markets where the CAC promotes contribute to demand growth in the national market, but the impact on overall market prices and sales volumes cannot be evaluated in isolation.”

The researchers analyzed CAC’s retail promotion programs and did statistical modeling. They concluded that CAC’s strategy to position California avocados as a premium product and to create loyalty for them relative to other origins, with a heavy focus on key Western U.S. markets, is “a very sensible strategy.” The researchers also reported “benefit-cost ratios estimated for total

avocado promotions in the U.S., which ranged from 1.64 – 3.62, apply also to CAC’s promotions. This represents a substantial return of California growers’ expenditures to promote fresh avocados in the U.S.”

The researchers concluded “if we take the midpoint of the 1.64 – 3.62 benefit-cost range, a dollar invested by California growers in promoting California avocados returned \$2.63 in additional profits. These conclusions should come as no surprise. The avocado success story in the U.S. in terms of achieving a stunning increase in per capita consumption while maintaining or increasing real prices to growers, has made avocados the envy of the produce industry.”

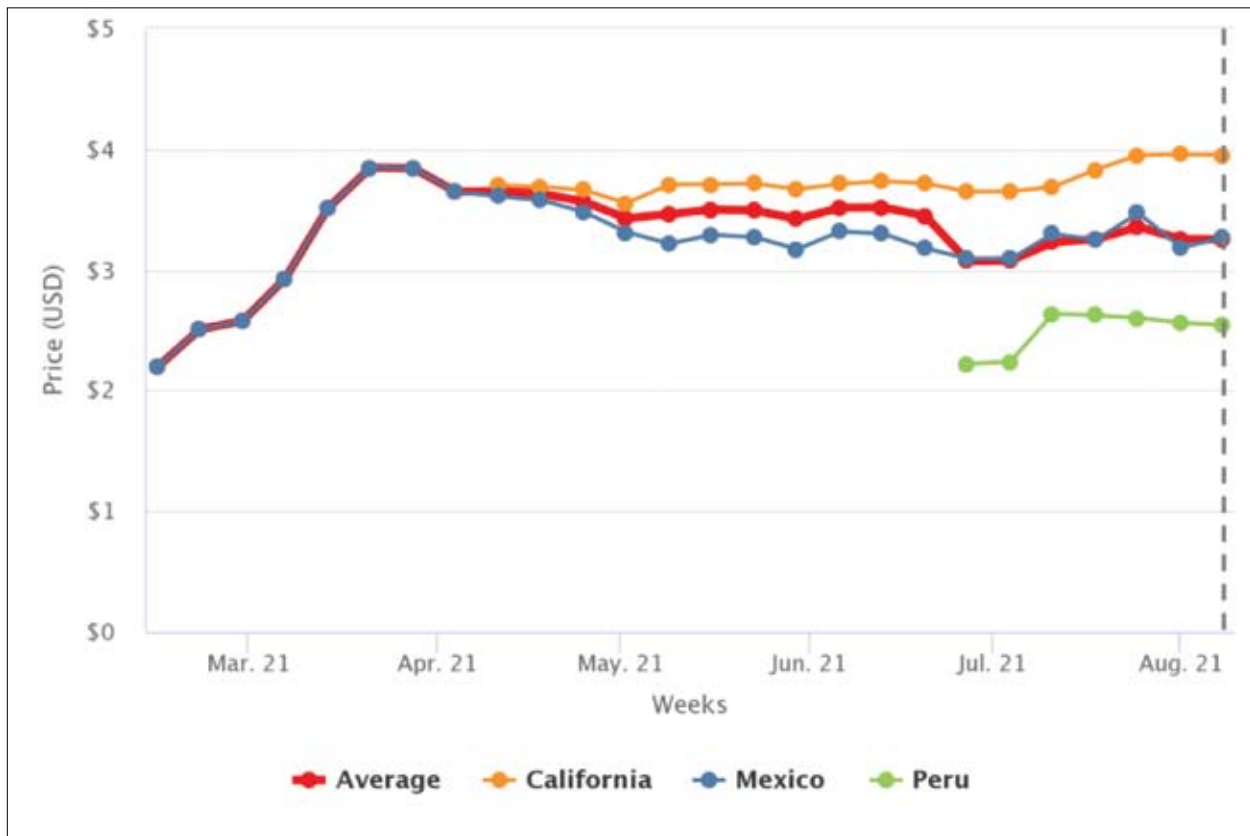
The UC Davis study also concluded that, “CAC’s effectiveness in

promoting fresh avocados over the five-year review period was comparable on a dollar-for-dollar basis to Avocados from Mexico, with both being very successful in increasing returns to their members”.

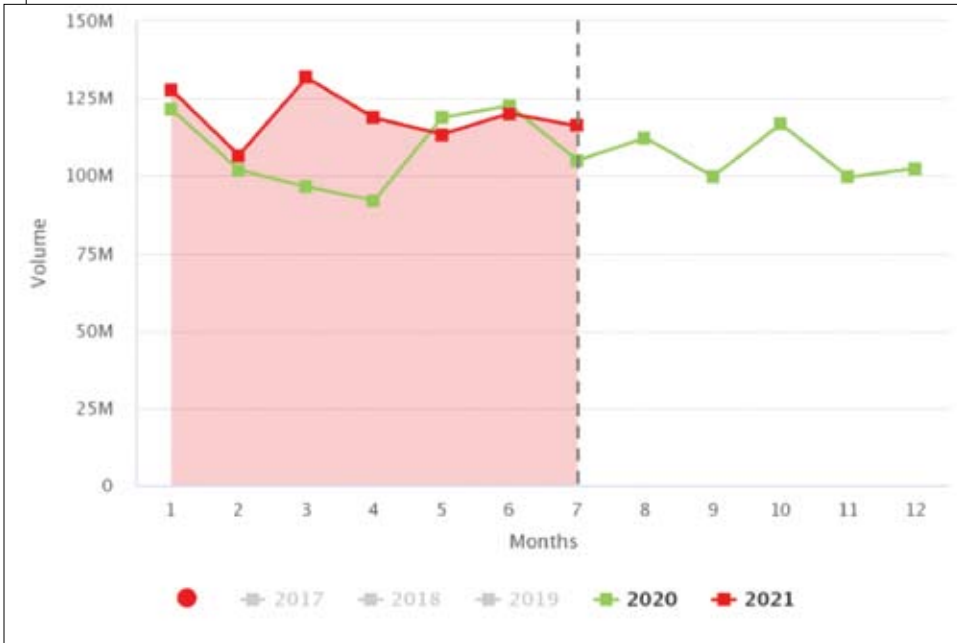
Other, independent data analysts crunch the numbers and reach conclusions that broadly hint at performance. This, from FreshFruitPortal.com as the California season was underway:

Currently, the average prices are mainly made up of those from the Hass variety, whose volumes are from California, Mexico and Peru as shown in the graph below. It is also worth noting, according to the graph is that avocados from California have the best average prices in the U.S. market.

### Hass avocado prices in the U.S. market by origin (USD/KG)



The telling sentence in this report is “This price increase happened despite high volumes arriving in the U.S. market in July, as can be seen in the following graph.”



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To contact a CAC representative, please visit:  
[CaliforniaAvocadoGrowers.com/Commission/your-representatives](https://CaliforniaAvocadoGrowers.com/Commission/your-representatives)

Shifting gears, now let's give some thought to measuring the effectiveness of CAC programs aimed at improving the grower's position, particularly productivity. Such efforts can take various forms and may be long or short term in nature. Rootstock improvement is an example of a project with a longer time horizon in terms of practical implementation, whereas a webinar on proper fertilization technique could be expected to give more immediate results.

Either way, measuring the success of an activity aimed at increasing grower productivity ultimately comes down to tracking yields, grower receptivity to the information provided and the rate of adoption. Like the sales transaction, these are things the Commission has no direct control over. Implementation of any new idea, whether it stems from research or a neighbor, rests in the hands of the grower, and herein lies the weak link. A grower who is under-irrigating because of the high price of district water can listen to webinars *ad nauseum* and still not be able to act on information provided that will increase yields.

Does that mean CAC should not

design programs and methods of disseminating information on how to improve productivity? Of course not. We cannot stop trying. What we *can* do, however, when the measurement (in this case, yield) falls short is to shoulder the failure together and try to solve the problem constructively, with new and fresh thinking.

Allocating assessment dollars to the essential functions of CAC—marketing and promotion, production research and issues management—will always be a matter of striking a balance. CAC strives to keep the assessment burden on growers reasonable while getting the greatest return on investment possible. Measuring return on investment, as shown here, is difficult and one's idea of progress or whether assessment dollars are being spent wisely is often influenced by personal circumstances. Understanding and accepting the realities that go along with trying to measure commodity board programs, both marketing and non-marketing ones, is a step in the right direction when it comes time to balance the resource mix. 🥑