

Tough Marketing Issues; No Easy Solutions



Doug O'Hara

We all know the old saying, “What a difference a day makes.” In the case of the avocado market, what a difference three weeks make!

As of the writing of this article in late-May, the California avocado prices have risen almost 50 percent on size 60 and higher and continue to be strong. I realize this late surge will not benefit growers that have already stripped their groves, but it does show the value of our product and will continue to help all growers in the future. I think the two questions that still resonate, especially after listening to growers at the recent annual meetings, are: “Why did this happen?” and “How do we avoid it in the future?” The answer to the first question is relatively easy to answer; the answer to the second question is somewhat more difficult.

The obvious answer to why the market was so low is volume. From February until the last week of April, total inventories – imports and domestic – were in a range of 50 million to 60 million pounds per week. Avocados from Mexico were a big percentage of the total inventory, but as California started to harvest fruit that needed to come off the tree the total inventories stayed high. Since there was a large amount of less expensive import fruit in the market and a much smaller supply of California fruit, large retailers couldn't switch and our price stayed down. Smaller retailers had strategic rea-

sons for merchandising California fruit and many switched – and we did see a small increase in prices – but the increase was not as high as we normally expect.

Another reason was the size curve. The fruit that was being imported was larger than it had been in the past, 48s and up. California growers were mostly picking smaller sizes because of exposed fruit, weak trees, etc. These two factors caused high inventories in all sizes, which depressed prices across the board. In a normal season the imported fruit would be 60s and smaller and California would have larger fruit, thus the high price for bigger fruit and lower prices for smaller fruit.

The returns for exported fruit to other countries were also a concern. A portion of the fruit that came into the United States this year would normally have been shipped to other countries, but because of economic factors and the cost to ship, the returns were lower than expected. Because of this and the proximity to the United States, the fruit was sent here and inventories rose because the market could not adjust.

In the last three weeks, things have changed dramatically. Not only have the imported fruit inventories decreased more than 30 percent, but California harvests have increased and the demand for our fruit is very strong. I commend Jan DeLyser and her marketing team for their hard work during a very tough time. They

were very careful about when to promote and where to spend our money, waiting for the perfect opportunities and helping drive demand for our California fruit, quickly getting growers out of a frustrating situation.

Now the big question: how do we avoid this in the future? There is no easy answer to this question since there are so many outside forces that influence our market. Spending money fighting these forces is not the solution; we could drain our entire budget and not even scratch the surface in solving the problem. This subject has been a topic of discussion among Tom Bellamore, the Board and staff since the beginning of the season and it remains one of our primary areas of focus. Many new ideas have come out of these discussions, as well as how to increase the effectiveness of current programs.

One of the most obvious ways of approaching the problem is marketing; we need to continue to market our brand and push the California avocado identity. Jan, her team and MullenLowe have worked overtime this year on programs that were scheduled for the most opportune time. They will continue their strong market presence and utilize all tools available to give us the biggest bang for our buck. I think they have done, and continue to do, a very effective job and believe this is critical to our

success.

We must continue to find new markets for California avocados. There are many countries that have demand for good, quality avocados, and they are willing to pay a premium price for them. Tom and Ken Melban have been working for many years trying to gain access to China's markets and it looks like we are close. This would give us the opportunity to send fruit to China when our domestic market is saturated and benefit us by providing higher returns. Tom and Ken will continue to explore this avenue as there are many other countries that would be great export markets for the California industry.

We are in the process of planning a worldwide grower roundtable discussion. Tom has been in discussion with Emiliano Escobedo, the Hass Avocado Board executive director, and they are in the process of contacting large growers from Peru, Mexico and Chile so we can all have discussions on how to prevent market conditions like we experienced this season and strengthen the future of the worldwide avocado industry. It is important to keep the lines of

communication open with all importers of avocados to the USA, and this roundtable discussion will give us important information that will assist us with planning our marketing strategy. I appreciate Tom and Emiliano's efforts in organizing this group and hope it is just the beginning of a positive dialogue among all countries.

As I close out my second year as Chairman, I would like to thank Tom and all his staff at the Commission. It has been a pleasure working with all of them and I appreciate all that they have done to make my job that much easier. Most of us don't realize how hard these people work for our industry, and I firmly believe we would not be where we are without them. I also want to thank the entire Board for their hard work and dedication to our industry. Even though they are volunteers, they fight traffic to put in long days to represent their growers and give staff valuable feedback and direction on activities. Thank you all for your hard work and let's continue to make the California industry strong. 🥑



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To contact a CAC representative, please visit:
CaliforniaAvocadoGrowers.com/Commission/your-representatives

The 2016 CAC General Election will kick-off on July 15 with election announcements sent to all producers and handlers on record. Below is a summary of seats slated to be filled during the 2016 General Election:

District	Member	Alternate
1	One 2-Year Term	None
2	One 2-Year Term	None
3	One 1-Year Term One 2-Year Term	One 1-Year Term
4	One 1-Year Term One 2-Year Term	One 1-Year Term
5	One 2-Year Term	None
Handler	Two 2-Year Term	None

Please note that due to redistricting (see article on page 46), some growing areas will be assigned to a new district for the purposes of the upcoming election. If you have any questions regarding the election process, please contact April Aymami at the Commission at 949.341.1955 or cac.iaf@avocado.org.