

# Chairman's Report

In mid-June, the California Avocado Commission's Marketing Committee convened with a packed agenda. They reviewed the consumer marketing campaign, current retail and foodservice promotional activities, and a report on the state of the U.S. avocado category, but much of its focus was on the updated crop estimate. In late May, the CAC Finance Committee and the Board also reviewed the updated crop estimate, but in the midst of the first major heat wave of the summer, the mid-season estimate of 265 million pounds was starting to feel like the best-case scenario. Of course, June's heatwave was just the most recent of this season's numerous climatic challenges for our growers. Devastating wind events put a lot of our fruit on the ground and record-breaking drought has prevented much of the remaining fruit from putting on size. Wherever this crop wraps up, it will fall well short of the pre-season estimate of 325 million pounds. Lower revenue from reduced yields and a smaller size structure will have significant financial implications for many of our growers and for the CAC. Fortunately, fluctuations in the crop size and value are not new to the Commission, and the ongoing review by the Finance and Marketing Committees is just part of the CAC's systematic approach to minimizing the impact of a crop shortfall.

CAC's process for estimating the crop size and timing has been refined over the past 15 years. Prior to 2008, CAC conducted both a pre-season and mid-season grower survey. These paper surveys were mailed to 6,000 growers at significant expense, and despite the broad reach, the pre-season estimates were not particularly accurate. A preliminary pre-season estimate is still conducted to help set the budget in October, but CAC now relies

on a narrower, emailed survey of the handlers at essentially no cost. As the crop matures through the winter, management surveys the handlers again in December and February and looks for further refinement of the crop volume and weekly harvest projections through meetings with handlers and grove managers.

In April, with the harvest underway and the threat of freeze past, the mid-season survey is sent out to all growers and handlers and generally leads to an official revised estimate. The mid-season crop estimate has historically been very accurate: in the past five years, the most it missed the final crop volume was by 3%, and in three of those five years it missed the final crop volume by less than 1%. Since 2018, CAC also has engaged LandIQ to conduct an annual statewide spatial land use survey using satellite and aerial imagery, proprietary algorithms and in-grove validation to refine our acreage records, the critical counterpart to yield-per-acre for estimating the state's crop. Notably, LandIQ's initial survey found an additional 5,000 planted acres across the state.

With the mid-season crop estimate in hand, management is in a better position to make immediate spending decisions and seek counsel from the Finance and Marketing Committees regarding the longer-term implications. Over the past decade, much of CAC's marketing program has shifted to digital and online, which is more efficient than traditional media and more flexible. If the crop estimate tightens, it is much easier to reduce or cancel ad buys, and conversely if the crop is going to run long, programs are easier to expand. With support from the Marketing Committee in June, Vice President Marketing Jan DeLyser and her team have already identified programs that will be pared down or canceled this season. Tactically, this is so we aren't



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promoting fruit that isn't available in the market; strategically this is informed by the multi-year financial modeling done by CAC President Tom Bellamore and Vice President of Finance and Administration Monica Arnett. CAC's Board and management team are committed to executing a highly effective marketing program, targeting a stable assessment rate, and maintaining adequate working capital. Given the uncertainty of the crop size through part of the year and crop pricing through most of the year, this financial modeling and healthy reserves are critical to accomplishing these objectives.

I am grateful to the growers and handlers who diligently participate in the crop estimating process and to the CAC staff and members of the Board for the thoughtfulness with which they approach their fiduciary duty. Collectively, your contribution is critically important to CAC's short-term execution of the marketing program and the systematic planning for its long-term effectiveness and financial health. The outlook for this year has dimmed for many of our growers and lower volumes will translate to lower revenue for CAC, but the organization is well-positioned to support California growers in brighter years ahead. 🍷