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Annual Report 2011-2012

C A L I F O R N I A A V O C A D O C O M M I S S I O N



CALIFORNIA'S PREMIUM POSITION

Putting our Stake in the Ground



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MISSION STATEMENT

To maximize grower returns by maintaining premium brand positioning for California avocados and improving grower sustainability

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VISION 2025



California avocados are highly sought after by discriminating consumers who appreciate the fruit's freshness, exceptional taste, consistently superior quality and healthfulness.

These consumers look forward to the California avocado season and understand that supplies may be limited.

Consequently, they are willing to pay a price commensurate with the premium attributes of the product, and to choose California avocados over those from all other origins.

California avocado growers are highly productive, profitable and well-organized. Their production practices focus on providing the highest quality product possible to a discerning market.



CALIFORNIA AVOCADO COMMISSION Board of Directors

Fiscal Year 2011-2012

District	Affiliation	Name
1	Member	Shane Tucker
1	Alternate	Jerome Stehly
1	Member	Carol Steed
1	Alternate	Bill Rice
2	Member	Bob Schaar
2	Alternate	Ohannes Karaoghlanian
2	Member	Charley Wolk
2	Alternate	Joanne Robles
3	Member	Doug O'Hara
3	Alternate	Steve Shehyn
3	Member	Ed McFadden
3	Alternate	Keith Reeder
4	Member	Art Bliss
4	Alternate	Larry Rose
4	Member	John Lamb
4	Alternate	Robert Grether
5	Member	Bradley Miles
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Handler	Alternate	Bob Witt
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For a list of current California Avocado Commission Board of Directors, visit CaliforniaAvocadoGrowers.com/your-representatives

STAKING OUR CLAIM IN 2011-12

A Message from Chairman Ed McFadden

Time and time again during the fiscal year 2011-12 your California Avocado Commission (CAC) Board of Directors and Staff took swift and decisive action to address key issues facing the California avocado industry. We metaphorically placed stakes in the ground to defend our turf against environmental and competitive threats that seemed to lurk around every corner, and to lay claim to the position California avocados have been building for decades as the premium avocado in the United States.

One key decision was to claim ownership of the American summer holidays and in particular the 4th of July. CAC's Marketing Advisory Committee, recognizing new threats from imported avocados, recommended that CAC support our core California market with the first television advertising campaign in years. Your Board of Directors approved a significant investment to make an impact on the market. As a result, the period around the 4th of July 2012 became the strongest holiday consumption event for avocados—ever.

Of course our California avocado season requires support from start to finish, and CAC provided that with an integrated marketing campaign for consumers and retailers. It also was a banner year for CAC promotions with nineteen different foodservice chains; thanks to your marketing team, pretty much every time we

turned around there was another restaurant chain featuring California avocados in their promotion.



Ed McFadden
Chairman,
California Avocado Commission

We also experienced serious action in the areas of production research and industry affairs. Faced with a new threat to California avocado groves, the Polyphagous Shot Hole Borer (PSHB) beetle, your Board of Directors took swift and unprecedented action to apportion emergency funding to research the dangerous pest. Production research continues to be a priority for CAC, and a new research project manager position helped support this effort.

Increasing customer demand for avocados with Good Agricultural Practices (GAP) certification prompted the Board of Directors to approve funds for a GAP audit rebate program. This was supported

by grower GAP education seminars in the field. Regional board meetings, field meetings and listening sessions along with *The Greensheet* and *From the Grove* magazine, helped build a stronger connection with growers and other California avocado industry stakeholders as never before. We must continue to build that connection, to respond quickly to threats and opportunities and build upon the stakes we laid last year.

*...the 4th of July
2012 became the
strongest holiday
consumption event
for avocados—ever.*



CALIFORNIA'S PREMIUM POSITION

A Message from CAC President Tom Bellamore

In 2011-12, and for the foreseeable future, the California avocado industry's ability to stand apart in a crowded market depends on product quality and the value we deliver to our customers. All of the California avocado brand development work to date has been on the back of strategically-driven, premium positioning with retailers, foodservice operators and consumers. "Premium" is in the eye of the beholder, however, and can mean different things to different people. For a retailer or foodservice operator, it most often is a means toward greater profits. For a consumer, it is something special that is worth the price paid—the right combination of quality and value. For a grower, it is the farmgate price, and it may be the difference between long-term success and selling the farm.

When we speak of "putting a stake in the ground," we're simply referring to the stark reality that "premium" positioning will become more important over time, and that we cannot rest on our present accomplishments. Nor can we retreat. In the market, we staked out 4th of July as our own—the premier time to consume California avocados, an All-American product—when our product is, hands-down, the freshest, best quality fruit at retail. Here in California, the stake we used was network television, radio and outdoor advertising tying California avocados with summer holiday fare, in an aggressive campaign designed to capture consumer

attention while sending a clear message to the competition. We also teamed up with Denny's, Chipotle, Sizzler and other major foodservice operators to get fresh, California avocados featured on spring and summer menus.

Value is closely associated with quality (i.e. it is *real*) as well as certain intangibles (i.e. it is *perceived*). For example, a consumer's positive taste experience with



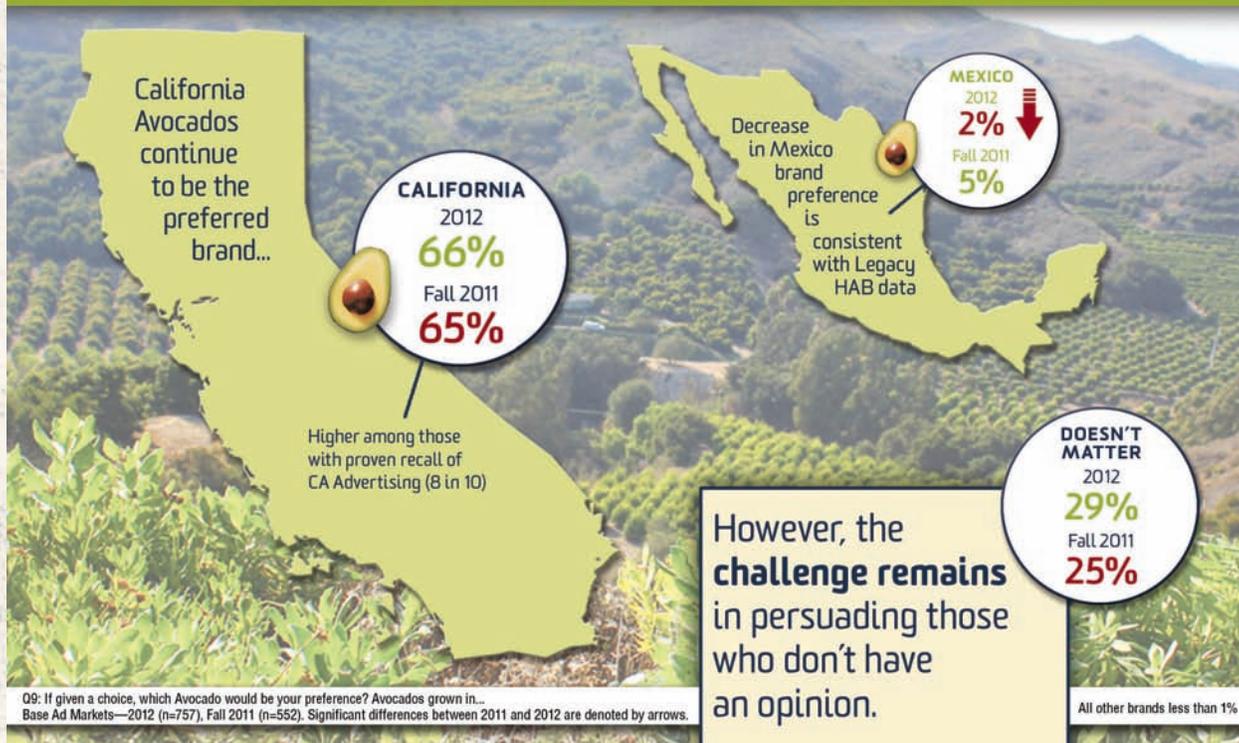
Tom Bellamore
President,
California Avocado Commission

*For a consumer,
["premium"]
is something special
that is worth
the price paid..*

California avocados is tangible evidence of quality while the *Hand Grown* attributes of our fruit contribute to the perception of value. This past year, survey results indicate that the Commission made solid gains in building a strong preference among consumers for our fruit over those from other origins. That preference is often

manifested in the form of a differential between the price of California avocados and imported fruit. If the price per pound hovers at or below the grower's break-even point for profitability, however, a differential may not do much to aid grower sustainability; and there were certainly times during the 2011-12 season when that was the case. Still, the *perception* of the value of California avocados has never been higher.

OVERALL BRAND PREFERENCE



But is that enough? I would posit that as aggregate demand for avocados in the U.S. grows from 1.5 to 4 billion pounds over the next decade, and California's share of market dips below 15 percent, *perceived* value, by itself, will not keep California avocado growers profitable. We must continue to cultivate relationships with high-end retailers whose consumers place quality considerations above price. We must give consumers a tangible reason to pay more, and that is both *real* quality in the California avocados they purchase and the promise of quality when they go back to purchase again. We must be price setters, not price takers.

In 2011-12, growers met that promise by putting a good quality crop on the market. As the competition heats up, we will have to continue to do that, and more. Certifying your production under Good Agricultural Practices (GAP) is one way to do more, and the Commission assisted a record number of growers over that hurdle by providing technical

assistance and rebates to those who braved GAP audits for the first time.

There is more work to be done on the quality front, however, and as we look to the future, our efforts will focus on helping the industry deliver the freshest, highest quality California avocados to market. By doing so, we will not only assure that demand for our product will be strong, but we will enhance its inherent value. We'll also focus on increasing grower productivity and sustainability, through research, outreach, and issues management. Premium positioning—supported by consistently high quality production that is delivered to eager consumers soon after harvest—may not be the only way to market California avocados, but it is the strategy that gives us the best prospect for realizing our *Vision 2025* goal.

Tom Bellamore

President,
California Avocado Commission



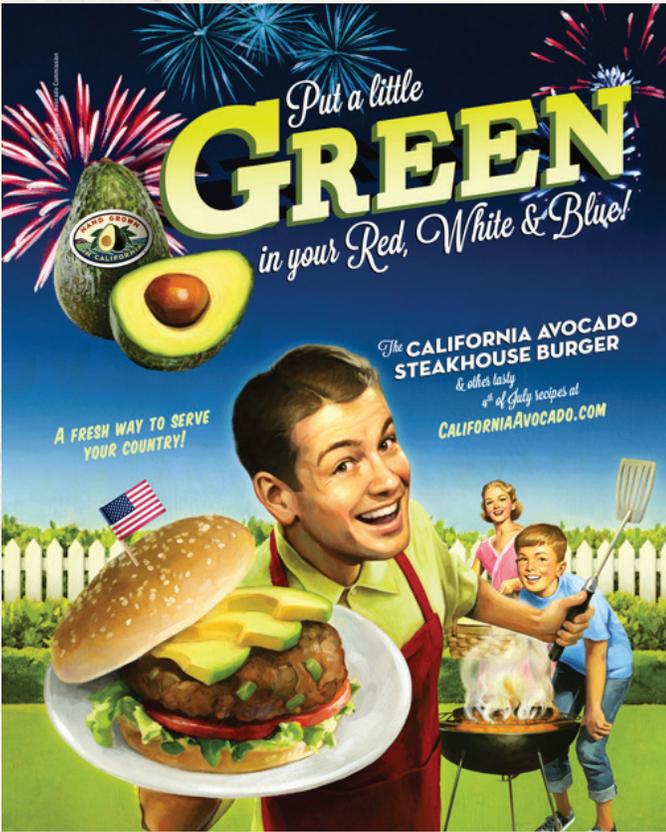
Leading up to and throughout the California avocado season, marketing continued to reinforce the brand's premium positioning through the California avocado grower campaign. This year, with an influx of imported avocados entering the market, CAC put a stake in the ground demonstrating a commitment to market California avocados during the

★ **AMERICAN SUMMER HOLIDAYS**

window (Memorial Day through Labor Day), with special emphasis on our home turf. In California this focus saw the return of television advertising. The campaign promoted California avocados and 4th of July, which contributed to it becoming the biggest holiday consumption event ever for avocados. Research showed very positive consumer response to the TV ads, and that the ads encouraged new California avocado usage ideas throughout the season.



In California, CAC ran **4th of July television ads** for four weeks, generating significant awareness while creating an association between California avocado consumption and the 4th of July. Preference for California avocados in TV markets increased to 75 percent, a 17 point lift over 2011.



Print ads in culinary and lifestyle magazines hearkened back to nostalgic Americana to convey that California avocados have a place on the plate for **American Summer Holidays**.

About 30 percent of California's annual crop is consumed through **foodservice channels**. In 2011-12 CAC bolstered California avocado demand with 19 promotions at restaurant chains including Chipotle, Denny's (shown at right), Sizzler and Sodexo—a leading provider of food and facilities management services.

FRESH CALIFORNIA AVOCADOS.
 ONE OF 37 DELICIOUSLY DIFFERENT INGREDIENTS.

It's time to Build Your Own Burger your own way. Choose your bun, cheese and toppings, and then we'll grill your burger to perfection. Or try one of our new Signature burgers.

FOR A LIMITED TIME ONLY

Denny's
 BUILD YOUR OWN **BURGER**

Denny's now proudly serves fresh California avocados.

Join us at dennys.com to receive all of our latest news, offers and exclusive promotions!

<p>20% Off ENTIRE GUEST CHECK</p> <p><small>The coupon per check, per visit, has value with the "20% More Menu" and other coupons or promotional offers. Not valid on national holidays. Coupon has no cash value. No coupon required. Taxes and gratuities not included. Alcoholic beverages not included. Valid at participating Denny's restaurants. Selection and prices may vary. Only original coupon accepted. Photographs and images printed in pertinent coupons are not valid. No substitutions. © 2012 DRI, LLC. Printed in the U.S.A. Offer ends 08/31/12.</small></p>	<p>\$5.00 Off ANY CHECK OF \$20 OR MORE</p> <p><small>The coupon per check, per visit, has value with the "20% More Menu" and other coupons or promotional offers. Not valid on national holidays. Coupon has no cash value. No change returned. Taxes and gratuities not included. Alcoholic beverages not included. Valid at participating Denny's restaurants. Selection and prices may vary. Only original coupon accepted. Photograph and image printed in pertinent coupons are not valid. No substitutions. © 2012 DRI, LLC. Printed in the U.S.A. Offer ends 08/31/12.</small></p>	<p>99¢ Entrée WITH PURCHASE OF AN ENTRÉE AND TWO BEVERAGES</p> <p><small>The coupon per check, per visit, has value with the "20% More Menu" and other coupons or promotional offers. Not valid on national holidays. Coupon has no cash value. No change returned. Taxes and gratuities not included. Beverages not included. Valid at participating Denny's restaurants. Selection and prices may vary. Only original coupon accepted. Photograph and image printed in pertinent coupons are not valid. No substitutions. © 2012 DRI, LLC. Printed in the U.S.A. Offer ends 08/31/12.</small></p>
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CAC partners with influential bloggers, encouraging them to serve as third party advocates for California avocados. Here, partner chefs Susan Feniger (L) and Mary Sue Milliken (R) offered a cooking demonstration and judged a guacamole recipe contest at the CAC-sponsored 2012 Evolution of Women in Social Media Conference.



 **Andrew Wilder**
@eatingrules Follow

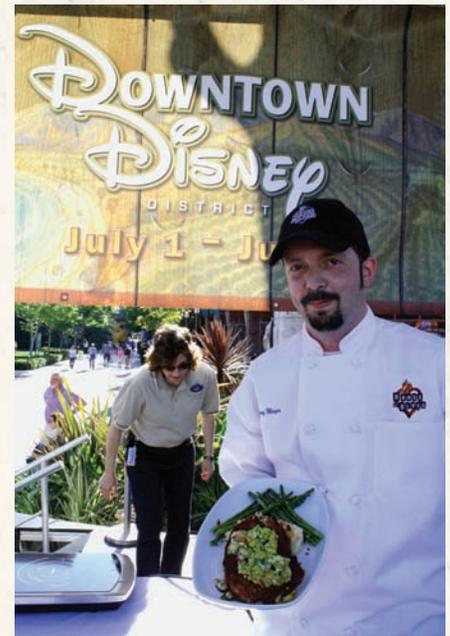
Super-excited to go on a avocado grove tour today!
(Totally worth getting up at 6am on a Saturday.)
#avotour

← Reply ↻ Retweet ★ Favorite

6:40 AM - 28 Apr 12 via HootSuite · Embed this Tweet

CAC hosted grove and packinghouse tours to create a very personal, hands-on experience for bloggers so they could share the California avocado story with their followers. One April event alone generated nearly half a million impressions on the day of the event. Grove tours with foodservice operators and retailers educated them about premium California avocados.

MARKETING ★ ★ ★ ★ ★



CAC partnered with **Downtown Disney** in Anaheim, Calif. for a second year to create **California Avocado Week** during the period leading into the 4th of July. The event was designed to encourage consumers to include California avocados in their 4th of July and summer gatherings. Downtown Disney executive chefs demonstrated avocado culinary creations and restaurants throughout Downtown Disney featured special menu items showcasing California avocados.



CAC shipped more than 4,000 **avocado display bins** to retailers, along with promotional signage to help consumers find California avocados in their local stores.



Retail feature ads with California branding encouraged shoppers to purchase California avocados during the season.



flickr

YouTube



California Avocado Commission
June 13

Celebrate American Summer Holidays with California Avocados this summer. Get recipe ideas on our special website dedicated to bringing you new, summer-themed recipes like this Firecracker Guacamole - served in a Dulcinea PureHeart Watermelon! Recipe:

<http://bit.ly/KBWTFy>



Like · Comment · Share

1,009 52 397

31,107 people saw this post

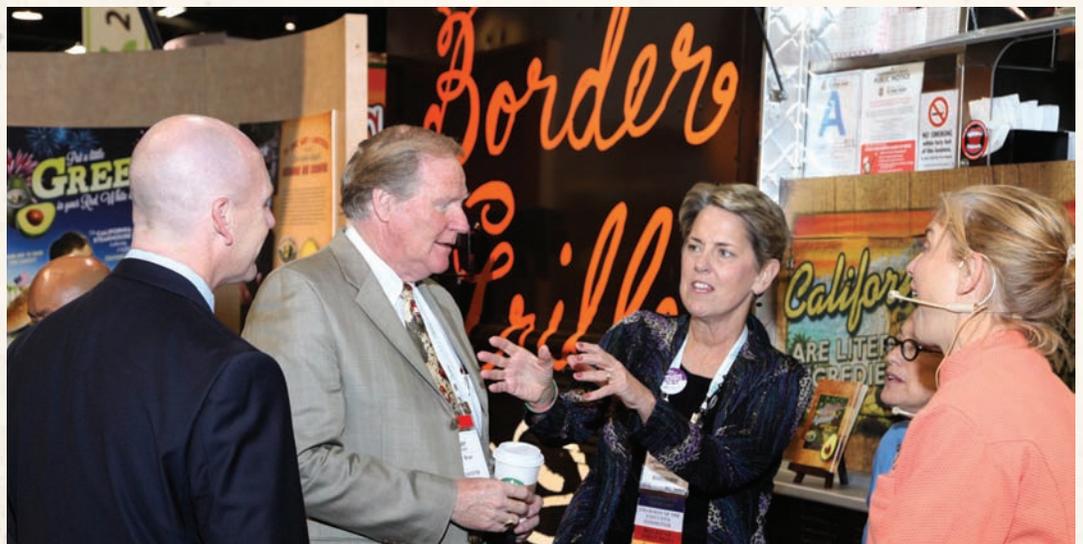
CAC's Facebook® following grew to more than 149,000 fans in 2011-12, up from 80,000 fans in 2010-11, and **social media** outreach including Twitter® and Pinterest® extended CAC's promotions and co-marketing messages throughout the season.



CAC was one of a handful of key partners invited to participate in **Chipotle's Cultivate** events held in Chicago and Denver. California avocado growers engaged with consumers and the media during the two very well attended events.



CAC staff shared California avocado data and consumer insights with retailers and trade media at the **Produce Marketing Association Fresh Summit** in Anaheim. CAC's booth was very popular in part because of California avocado dishes sampled from the *Border Grill* food truck.





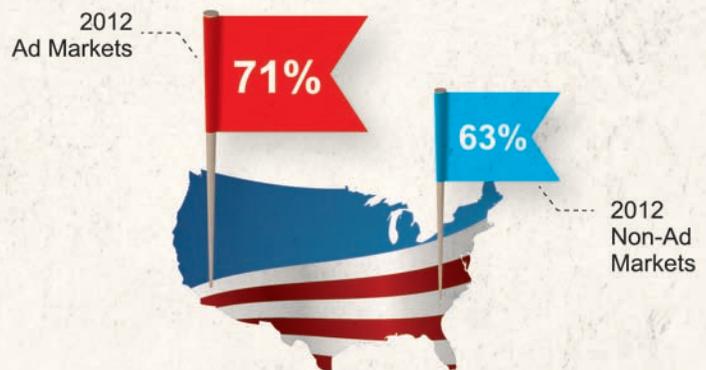
When the *California Avocado Grower* marketing campaign with the *Hand Grown in California* thematic began in 2008, CAC set out to raise consciousness of country of origin and increase preference for the California brand. Over the past five years, in the markets where the campaign has run consumer preference and key attributes* have improved dramatically and exceeded expectations.

Percent of Consumers Looking for Country of Origin



The percent of consumers who prefer California avocados grew 12% in the ad markets in the past 5 years.

Percent who care if Avocados are grown in the U.S.



Between 2008 and 2012, the percent of consumers who care if avocados are grown in the U.S. grew 17% in ad markets vs. 3% in the non-ad markets, demonstrating the value of CAC's advertising campaign.

Substantial Growth in the Percentage of Avocado Consumers who Choose California for Key Attributes



Food Safety
rating grew 5% in the ad markets (compared to 54% in 2008).



Quality
rating grew 13% in the ad markets (compared to 37% in 2008).



Freshness
rating grew 12% in the ad markets (compared to 48% in 2008).



Taste
rating grew 16% in the ad markets (compared to 29% in 2008).

*measured by independent market research from 2012 Bovitz Research and 2008 Cooper Roberts Research

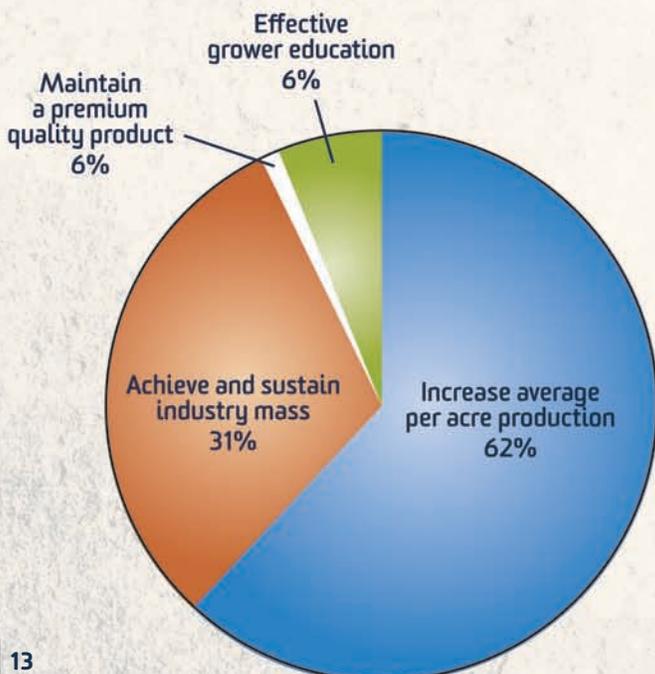
PRODUCTION RESEARCH ★ ★ ★ ★ ★



The CAC Production Research Program strives to improve economic sustainability for California avocado growers. Research projects are focused on helping growers increase productivity, manage pests and diseases, improve cultural management and maintain premium brand positioning.

PRODUCTION RESEARCH FUNDING

In 2011-12 CAC invested nearly \$1 million dollars towards avocado research, with funding focused on four strategic imperatives:



In 2011-12, CAC's Production Research Committee (PRC) approved a number of research projects under the strategic evaluation system developed in 2010-11. The system is designed to ensure that production research investments will yield actionable, practical tools for growers, by "taking science to the grove." A key change in the system is the approval of multi-year projects without the need of annual proposals. Research projects are reviewed annually by the CAC Board to evaluate return on investment and potential positive impacts on the California avocado industry.

Empowering growers to make the best cultural management decisions is the goal of a project to develop decision support tools. Through this project extensive information will be collected over the next five years to aid in the creation of an interactive tool for growers to explore the impact that different cultural practices have on a grove's productivity. The decision support tool project is creating a foundation of knowledge and has already seeded other research activity.



★ ★ ★ ★ ★ PRODUCTION RESEARCH

A shot hole borer beetle-infested avocado tree showing the development of sugar volcanoes around the beetle's entry holes.



Other production research projects emphasize improving yield along with better salinity and water management. Pest and disease threats, plant breeding and tree monitoring also continue to be researched. Detecting and avoiding the development of resistance to valuable pesticides is a major new research initiative.

In February 2012 a serious threat to the California avocado industry was revealed when a new fungal disease, Fusarium dieback, vectored by a Shot Hole Borer beetle was found on backyard avocado trees in Los Angeles County. CAC's Board of Directors took fast

action by allocating significant funding for a major survey on the beetle conducted by researchers at University of California Riverside. The beetle represents a serious threat to California avocado groves and an expanded program of outreach and further research has been initiated. The Commission is working behind the scenes with University of California researchers, the United States Department of Agriculture (USDA), California Department of Food and Agriculture (CDFA) and others to understand and control this new pest.





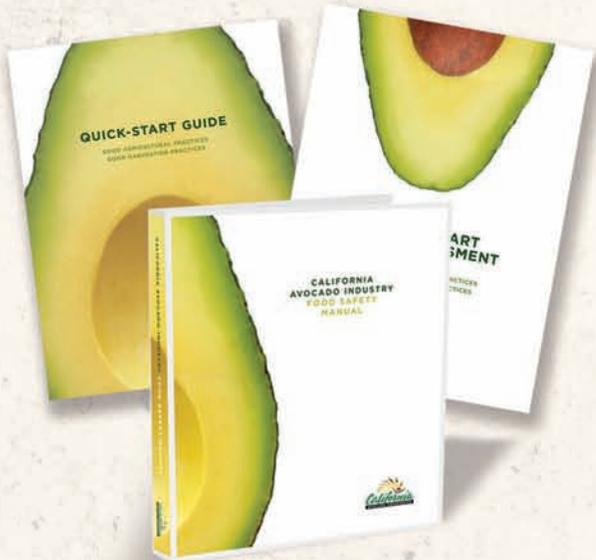
GAP / GHP

With the mindset that the best way to deal with a food safety incident is to not have one, and increasing calls from consumers and retailers for growers to demonstrate a commitment to Good Agricultural Practices (GAPs), CAC hit the ground running in 2012 rolling out its avocado-specific GAP and Good Harvesting Practices (GHP) programs. Since the program's inception in the fall of 2011, reception to the program has been very positive: more than 20 percent of statewide avocado acres have been GAP-certified under the CAC program in the past year.

certification. In addition to these materials, the binder includes the GHP manual, pre-audit grower checklists, forms and logs in both English and Spanish.



With food safety top-of-mind, more than 500 growers attended CAC's GAP Educational Seminars in 2012



New CAC GAP support materials funded in part by a Specialty Crop Block Grant

Utilizing funds awarded through the CDFA's Specialty Crop Block Grant, in 2012 CAC redesigned the GAP manual, giving it a new, fresh, easy-to-read format. In addition a "Quick Start" guide was created as an introductory brochure to CAC's GAP Program. These pieces are contained in the "California Avocado Industry Food Safety Manual," and provide California avocado growers with tools to prepare for GAP inspection and

Furthering CAC's commitment to grower communication and education, free GAP training seminars were offered to avocado producers in February and December of 2012, with more than 500 growers attending and more than 50 percent of the California avocado acreage represented. Ken Melban, CAC director of issues management, conducted the well-received sessions, emphasizing that while avocados are a low risk crop, no crop can claim "no risk," and that the purpose of a GAP program is to assure customers that thought and action have gone into minimizing the potential for contamination by pathogens.

To assist California avocado growers with GAP certification, the Board of Directors authorized a reimbursement rebate of up to \$300 of actual audit costs for GAP audits completed by October 31, 2012. In the first year of this program, nearly 200 ranches completed a GAP certification audit with over \$55,000 reimbursed back to growers.



ADVOCACY AND ISSUES

Water issues continue to be at the forefront of Commission advocacy, with the objective of lowering or at least stabilizing water prices. CAC's strategy with wholesale and retail water agencies is to reinforce the benefits provided by the agricultural base and build on existing support within urban constituents for sustaining agriculture in their communities. Throughout the year CAC participated in a number of meetings with key stakeholders in both southern and northern growing regions including avocado grove tours for major regional water agency board members and staff, advocating for the development of a water pricing strategy that would benefit growers. The Commission also continues to work at the local levels on water issues; an example was the intervention

on behalf of Moorpark avocado growers, resulting in reducing a water rate increase of 12 percent to an average of four percent. The Commission also funded an economic benefits study on the value of agriculture to the Escondido region. The final report was provided to Escondido Growers for Agricultural Preservation and proved a key component in their successful defeat of a proposed agricultural water rate increase.

Registration of pest control products is also a key area for CAC advocacy. Early in 2012, government funding for the IR-4 Project, which pursues the registration of pest control products in the United States for specialty crops including such useful materials as abamectin and spinosad, was in serious jeopardy of significant cuts. The Commission actively advocated with key members of Congress to maintain the funding. CAC also was successful in the renewal

of the Section 18 emergency exemption for the use of Tre-Hold® A-112 sprout inhibitor. Its active ingredient, naphthalene acetic acid, is useful in stumping and pruning, reducing costs by maintaining smaller canopies and thereby helping to reduce water and fertilizer use.

Evaluation of the possibility of a United States registration of Uniconazole (Sunny), a plant growth regulator used in other avocado-producing countries, is in progress.



Commission staff meet with Valent representatives to garner support for a possible Uniconazole registration

United States Senator Debbie Stabenow (Chair of Committee on Agriculture, Nutrition and Forestry), Ken Melban (CAC) and Matt McInerney (Western Growers) discuss Farm Bill legislation





GROWER COMMUNICATIONS

Efforts begun in 2010-11 to improve grower communications continued in full force in 2011-12. Introduced in fall 2011, *From the Grove*, CAC's quarterly



publication, has proven to be a highlight for growers throughout the state. Delivered to the mailboxes of CAC's nearly 5,000 industry stakeholders, the

magazine provides in-depth articles on production research, avocado industry issues, behind-the-scenes explorations of CAC programs, and marketing features. Calendars of events, profiles of avocado industry members and information resources also are included at little cost to CAC, because the magazine generates advertising revenue. In addition, CAC continued to provide shorter updates, announcements, crop and weather reports through *The Greensheet*, a semi-monthly online publication. The frequency and online format of this electronic newsletter allow for more timely distribution of news and information.

Moving the needle on the Commission's grower communications initiative, CAC partnered with TMA + Peritus (TMAP) in 2011-12, a content marketing and web development agency with significant experience

supporting agriculture commodity boards. To ensure that CAC grower communications address the needs of the industry, the Commission conducted a series of "grower listening sessions" in which CAC listened to stakeholder opinions about what information they need from CAC, what formats are preferred, and when and where information is needed. The sessions helped CAC staff understand how to better facilitate information, interaction and the sharing of ideas. A series of telephone interviews served as a follow up on topics that surfaced during the listening sessions.



President Tom Bellamore responds to California avocado growers during the Grower Listening Sessions



CAC held a series of grower listening sessions in September 2012 to best understand communication needs

To address the input gathered from the grower listening sessions and interviews, one of TMAP's first projects is to create and launch a new California avocado grower website in spring 2013.

CALIFORNIA AVOCADO COMMISSION
Annual Financial Report
October 31, 2012 and 2011

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The Board of Directors of the
California Avocado Commission

Independent Auditor's Report

We have audited the accompanying basic financial statements of the California Avocado Commission (Commission), as of and for the years ended October 31, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the California Avocado Commission as of October 31, 2012 and 2011, and the changes in its financial position and cash flows thereof 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 15, 2013, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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 audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion

or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the Commission's basic financial statements. The budgetary comparison schedule, combining statement of revenues, expenses and changes in net assets, program expenses, and schedule of property and equipment (Schedules) are presented for purposes of additional analysis and are not a required part of the financial statements. The Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Macias Jini & O'Connell LLP

Newport Beach, California
January 15, 2013

CALIFORNIA AVOCADO COMMISSION
Management's Discussion and Analysis
For the Years Ended October 31, 2012 and 2011
(Unaudited)

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 years ended October 31, 2012 and 2011. 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 Commission's 2012 assets exceeded its liabilities as of October 31, 2012 by \$7,976,504 (total net assets). This amount decreased \$2,399,708 or 23% from the prior year amount of \$10,376,212.
- Of the total net assets at the end of fiscal year 2012, net assets invested in capital assets, net of related debt, decreased \$7,790 to \$15,260 or 34% from the prior year amount of \$23,050.
- Net assets restricted for marketing at the end of fiscal year 2012 decreased \$539,902 to \$976,198 or 36% from the prior year amount of \$1,516,100.
- Unrestricted net assets at the end of fiscal year 2012 decreased \$1,852,016 to \$6,985,046 or 21% from the prior year amount of \$8,837,062. This amount made up 88% of total net assets.
- The Commission's 2011 assets exceeded its liabilities as of October 31, 2011 by \$10,376,212 (total net assets). This amount increased \$714,490 or 7% from the prior year amount of \$9,661,722.
- Of the total net assets at the end of fiscal year 2011, net assets invested in capital assets, net of related debt, decreased \$19,035 to \$23,050 or 45% from the prior year amount of \$42,085.
- Net assets restricted for marketing at the end of fiscal year 2011 decreased \$708,262 to \$1,516,100 or 32% from the prior year amount of \$2,224,362.
- Unrestricted net assets at the end of fiscal year 2011 increased \$1,441,787 to \$8,837,062 or 19% from the prior year amount of \$7,395,275. This amount made up 85% of total net assets.

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: Statements of Net Assets; Statements of Revenues, Expenses and Changes in Net Assets; and Statements 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 *Statements of Net Assets* present 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.

The *Statements of Revenues, Expenses and Changes in Net Assets* present information showing how the Commission's net assets varied 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.

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(Unaudited)

The *Statements of Cash Flows* present changes in cash and cash equivalents resulting from operating, non-capital financing, capital financing and investing activities.

The notes to the basic 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 the following supplementary information: Budgetary Comparison Schedule and Combining Statement of Revenues, Expenses, Changes in Net Assets (broken down by Restricted and Unrestricted) and Program Expenses (Restricted), Schedule of Property and Equipment.

FINANCIAL ANALYSIS

Comparative data for the prior year ended October 31, 2011, has been presented in the accompanying financial statements (including MD&A) to facilitate financial analysis for the current year ended October 31, 2012. A comparative analysis of fiscal year 2011 with fiscal year 2010 also is presented in the MD&A.

STATEMENTS OF NET ASSETS:

Table 1
Net Assets

	<u>2012</u>	<u>2011*</u>	<u>2010*</u>
Current assets	\$10,554,879	\$12,581,618	\$11,479,609
Capital assets (net)	15,260	23,050	54,796
Total assets	<u>10,570,139</u>	<u>12,604,668</u>	<u>11,534,405</u>
Current liabilities	2,576,761	2,166,009	1,816,743
Non-current liabilities	16,874	62,447	55,940
Total liabilities	<u>2,593,635</u>	<u>2,228,456</u>	<u>1,872,683</u>
Net assets:			
Invested in capital assets, net of debt	15,260	23,050	42,085
Restricted for marketing	976,198	1,516,100	2,224,362
Unrestricted	6,985,046	8,837,062	7,395,275
Total net assets	<u>\$7,976,504</u>	<u>\$10,376,212</u>	<u>\$9,661,722</u>

* Certain reclassifications have been made to the 2011 and 2010 balances to conform to the current year presentation.

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The largest portion (99%) of the Commission's assets are current assets consisting primarily of cash, investments, accounts receivable and fiduciary cash amounts held for Avocado Inspection Program (AIP). Current assets at the end of fiscal year 2012 totaled \$10,554,879, decreasing \$2,026,739 from the prior year amount of \$12,581,618. This decrease is primarily due to a decrease in cash and cash equivalents from lower assessment revenue generated in 2012 compared to 2011 attributed to a decrease in the assessment rate and average price per pound. Total current assets cover current liabilities 4.0 times, indicating good liquidity.

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At the end of fiscal year 2011, the largest portion (99%) of the Commission's assets were also current assets consisting primarily of cash, investments, accounts receivable and fiduciary cash amounts held for AIP. Current assets totaled \$12,581,618, increasing \$1,102,009 from the prior year amount of \$11,479,609. This increase was primarily due to an increase in cash and cash equivalents from higher assessment revenue generated by higher production in 2011 compared to 2010. The increase in current assets was also due to higher assessments receivable attributed to a longer California avocado production season compared to prior year. Total current assets covered current liabilities 6.0 times, indicating good liquidity.

Liabilities at the end of fiscal year 2012 totaled \$2,593,635, increasing from a balance of \$2,228,456 in 2011, as well as an increase from 2010 to 2011 of \$1,872,683. These increases were primarily due to additional obligations owed to vendors as a result of increased activities in marketing, industry affairs and production research activities. The Commission's liabilities primarily consist of current liabilities including accounts payable, accrued liabilities, deposits due and fiduciary liability amounts held for AIP.

Net assets include 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 totaled \$15,260 at the end of fiscal year 2012, decreasing \$7,790 from the prior year amount of \$23,050. This decrease is related to depreciation. Net assets invested in capital assets represent 0.1% of total net assets.

At the end of fiscal year 2011, net assets invested in capital assets totaled \$23,050, decreasing \$19,035 from the prior year amount of \$42,085. Net assets invested in capital assets represented 0.2% of total net assets. This decrease was related to the annual accumulated depreciation, and the disposal of capital assets.

Restricted net assets for marketing activities are subject to imposed restrictions by federal statute governing their use. Restricted net assets totaled \$976,198 at the end of 2012, decreasing \$539,902 from the prior year amount of \$1,516,100. Restricted net assets represent 12% of total net assets. Restricted net assets at the end of 2011 totaled \$1,516,100, decreasing \$708,262 from the prior year amount of \$2,224,362. This decrease is attributed to less restricted revenues than expenditures during the year as less assessment revenues were received in the current fiscal year.

Unrestricted net assets available for future activities at the end of fiscal year 2012 totaled \$6,985,046, decreasing \$1,852,016 from the prior year amount of \$8,837,062. Unrestricted net assets available for future activities totaled \$8,837,062 at the end of fiscal year 2011, increasing \$1,441,786 from the prior year amount of \$7,395,275.

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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS:

Table 2
Changes in Net Assets

	2012	2011	2010
Operating revenues	\$13,643,570	\$14,058,350	\$19,532,123
Operating expenses	16,191,448	13,390,992	12,780,452
Operating income (loss)	(2,547,878)	667,358	6,751,671
Non-operating revenues (expenses)	148,170	47,132	38,781
Changes in net assets	(2,399,708)	714,490	6,790,452
Total net assets - beginning	10,376,212	9,661,722	2,871,270
Total net assets - ending	\$7,976,504	\$10,376,212	\$9,661,722

Operating revenues totaled \$13,643,570 in 2012, decreasing \$414,780 or 3% from the \$14,058,350 earned in 2011. This reduction was due to a decrease in the assessment rate and average price per pound compared to 2011. In 2012 the average price per pound was \$0.826 and the assessment rate was 1.10%, whereas in 2011 the average price per pound was \$1.521 and the assessment rate was 1.60%. The majority of operating revenue consisted of assessment revenue totaling \$13,420,070 (98%). The remaining portion of \$223,500 (2%) came from administrative and marketing fees generated from Haas Avocado Board (HAB) and the Avocado Inspection Program (AIP).

Operating revenues totaled \$14,058,350 in 2011, decreasing \$5,473,773 or 28% from the \$19,532,123 earned in 2010. The decrease was due to lower production and volume. Total crop (all varieties) reported to the Commission for fiscal year 2011 was 302.5 million pounds, a 43% decrease from 534.5 million pounds reported in 2010. The majority of operating revenue consisted of assessment revenue totaling 13,413,069 (95%). The remaining portion of \$645,281 (5%) came from administrative and marketing fees generated from HAB and AIP.

Operating expenses totaled \$16,191,448 in 2012, an increase of \$2,800,456 or 21% from the prior year amount of \$13,390,992. Operating expenses totaled \$13,390,992 in 2011, an increase of \$610,540 or 5% from the prior year amount of \$12,780,452. This increase is primarily due to new activities in marketing, industry affairs and production research activities in 2011 and 2012.

At the end of the fiscal year 2012, the Commission reported ending net assets of \$7,976,504, a decrease of \$2,399,708 from the prior year amount of \$10,376,212. This is primarily due to a decrease in assessment revenue received from the CAC assessment, resulting from a lower average price and assessment rate, as aforementioned.

At the end of the fiscal year 2011, the Commission reported ending net assets of \$10,376,212, an increase of \$714,490 from the prior year amount of \$9,661,722. Even though 2011 total revenues were significantly lower than that of 2010, the Commission spent less than it earned. Consequently, the excess of revenues over expenditures increased ending net assets in 2011.

CALIFORNIA AVOCADO COMMISSION
Management's Discussion and Analysis
For the Years Ended October 31, 2012 and 2011
(Unaudited)

CAPITAL ASSET AND DEBT ADMINISTRATION

The Commission's investment in capital assets totaled \$15,260 as of October 31, 2012, decreasing \$7,790 from the prior year amount of \$23,050 (net of accumulated depreciation). As of October 31, 2011, the Commission's investment totaled \$23,050, decreasing \$31,746 from the prior year amount of \$54,796. The decreases represented depreciation and disposal of capital assets during fiscal year 2011 used for program activities of the Commission during the fiscal year.

COMPENSATED ABSENCES

At the end of fiscal year 2012, the Commission accumulated an accrued compensated absences balance of \$124,626; a decrease of \$14,360 from the prior year balance of \$138,986. At the end of fiscal year 2011 the balance increased \$19,525 from the 2010 balance of \$119,461. The decrease in accrued compensated absences is primarily due to the payout of accrued leave during the separation of employees from the Commission.

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 California Avocado Commission, 12 Mauchly, Suite L, Irvine, California 92618; phone number 949-341-1955.

BASIC FINANCIAL STATEMENTS

CALIFORNIA AVOCADO COMMISSION

Statements of Net Assets

October 31, 2012 and 2011

	2012	2011
Current assets:		
Cash and cash equivalents	\$ 7,660,867	\$ 9,744,311
Assessments receivable	209,997	37,281
Other receivables	38,201	7,426
Prepaid expenses	54,884	63,200
Fiduciary cash and cash equivalents, amounts held for AIP	1,171,774	1,058,644
Restricted:		
Cash and cash equivalents	-	1,501,705
Assessments receivable	1,419,156	169,051
Total current assets	10,554,879	12,581,618
Non-current assets:		
Capital assets being depreciated, net	15,260	23,050
Total assets	10,570,139	12,604,668
Current liabilities:		
Accounts payable and accrued liabilities	1,020,340	839,419
Accounts payable and accrued liabilities, payable from restricted assets	258,895	154,657
Fiduciary liabilities, amounts held for AIP	1,171,774	1,058,644
Deposits	18,000	18,000
Unearned revenue	-	18,750
Compensated absences, due within one year	107,752	76,539
Total current liabilities	2,576,761	2,166,009
Non-current liabilities:		
Compensated absences, due in more than one year	16,874	62,447
Total liabilities	2,593,635	2,228,456
Net assets:		
Invested in capital assets, net of related debt	15,260	23,050
Restricted for marketing	976,198	1,516,100
Unrestricted	6,985,046	8,837,062
Total net assets	\$ 7,976,504	\$ 10,376,212

See accompanying notes to the basic financial statements.

CALIFORNIA AVOCADO COMMISSION
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended October 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Assessment revenue	\$ 4,170,252	\$ 7,371,012
HAB rebate assessment revenue (restricted)	9,249,818	6,042,057
Administrative and marketing fees	223,500	380,908
Other operating revenues	-	264,373
Total operating revenues	<u>13,643,570</u>	<u>14,058,350</u>
Operating expenses:		
Marketing	11,631,799	9,004,181
Non-marketing programs	1,957,353	1,883,417
Administration	<u>2,602,296</u>	<u>2,503,394</u>
Total operating expenses	<u>16,191,448</u>	<u>13,390,992</u>
Operating income (loss)	<u>(2,547,878)</u>	<u>667,358</u>
Non-operating revenues (expenses):		
Interest income	37,177	23,548
Interest expense	-	(461)
Other income	<u>110,993</u>	<u>24,045</u>
Total non-operating revenues (expenses)	<u>148,170</u>	<u>47,132</u>
Changes in net assets	(2,399,708)	714,490
Total net assets, beginning of year	<u>10,376,212</u>	<u>9,661,722</u>
Total net assets, ending of year	<u>\$ 7,976,504</u>	<u>\$ 10,376,212</u>

See accompanying notes to the basic financial statements.

CALIFORNIA AVOCADO COMMISSION
Statements of Cash Flows
For the Years Ended October 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash received from customers	\$12,284,354	\$16,706,009
Cash payments to suppliers for goods and services	(14,254,126)	(11,346,744)
Cash payments to employees for services	(1,650,417)	(1,638,720)
Cash received from other operating activities	-	264,373
Net cash provided by (used in) operating activities	<u>(3,620,189)</u>	<u>3,984,918</u>
Cash flows from non-capital financing activities:		
Proceeds from grants	57,956	-
Other	52,871	12,624
Net cash provided by non-capital and related financing activities	<u>110,827</u>	<u>12,624</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of capital assets	166	11,421
Interest paid	-	(461)
Capital lease payments	-	(12,711)
Net cash provided by capital and related financing activities	<u>166</u>	<u>(1,751)</u>
Cash flows from investing activities:		
Interest on investments	37,177	23,548
Net increase (decrease) in cash and cash equivalents	(3,472,019)	4,019,339
Cash and cash equivalents, beginning of year	12,304,660	8,285,321
Cash and cash equivalents, end of year	<u>\$ 8,832,641</u>	<u>\$12,304,660</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (2,547,878)	\$ 667,358
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	7,790	31,746
Changes in assets and liabilities:		
(Increase) decrease in assessments receivable	(1,422,821)	2,873,155
(Increase) decrease in other receivables	(30,775)	20,649
Decrease in prepaid expenses	8,316	23,526
Increase in accounts payable and accrued liabilities	285,159	330,731
Increase in fiduciary liabilities	113,130	14,918
Decrease in deposits	-	(15,440)
Increase (decrease) in unearned revenue	(18,750)	18,750
Increase (decrease) in compensated absences	(14,360)	19,525
Net cash provided by (used in) operating activities	<u>\$ (3,620,189)</u>	<u>\$ 3,984,918</u>

See accompanying notes to the basic financial statements.

CALIFORNIA AVOCADO COMMISSION
Notes to the Basic Financial Statements
October 31, 2012 and 2011

(1) 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 engage in programs of advertising, promotion, marketing research, and production research related to the sale of California avocados. The Commission is authorized to levy an assessment against producers of avocados for the purposes of carrying out its programs. The assessments for the years ended October 31, 2012 and 2011, were 1.10% and 1.65%, respectively, of the gross revenues received by producers. The Commission also receives 85% of the assessments collected by the Federal Hass Avocado Board (HAB) on Hass avocados produced and sold in California, which is restricted for use on marketing activities.

(b) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

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.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Commission are assessment revenues and administrative and marketing fees. Operating expenses for enterprise funds include the cost of marketing programs, production research, industry affairs and administrative expenses, including depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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, are generally 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. Governmental entities also have the option of following subsequent private-sector guidance for 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.

CALIFORNIA AVOCADO COMMISSION
Notes to the Basic Financial Statements (Continued)
October 31, 2012 and 2011

(c) *Assets, Liabilities, and Net Assets*

1. Cash Equivalents

For purposes of the statements of cash flows, the Commission considers cash and funds invested in the Local Agency Investment Fund (LAIF) of the State of California for both restricted and unrestricted funds 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 recorded. 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. For the years ended October 31, 2012 and 2011, \$-0- and \$6,678 was written off to bad debt expense.

4. Capital Assets

Capital assets consist of furniture, office equipment and leasehold improvements. The Commission capitalizes assets with values of \$10,000 or more and useful lives of greater than one year. Capital assets are valued at cost, or estimated historical cost, if actual historical cost is not available. Contributed assets are valued at fair 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. Capital assets are depreciated on the straight-line basis, using the following asset lives:

<u>Asset Category</u>	<u>Years</u>
Furniture	5
Office equipment	3
Leasehold improvements	5 (or term of lease, whichever is less)
Software	3

5. Unearned Revenues

Unearned revenues represent grants and program fees received in advance.

CALIFORNIA AVOCADO COMMISSION
Notes to the Basic Financial Statements (Continued)
October 31, 2012 and 2011

6. Compensated Absences

Commission employees receive from 10 to 20 days of vacation each year, depending upon length of service. An employee may accumulate earned vacation time to a maximum of 40 days. Once an employee accrues 40 days of unused vacation time, the Commission compensates the employee 10 days of accrued and unused vacation time at the employee's current rate of pay. Upon termination, employees are paid for all accrued but unused vacation at their current rate of pay.

Compensated absences include accrued vacation that is available to employees in future years, either in time off or in cash (upon leaving the employment of the Commission). All compensated absences are accrued when incurred.

7. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from such estimates.

8. Fiduciary and Restricted Assets

Fiduciary assets are held for the Avocado Inspection Program (AIP) and are off-set by fiduciary liabilities. Restricted assets are restricted for marketing-related activities and are subject to restrictions imposed by federal statute governing their use.

9. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, exclude unspent debt proceeds. At October 31, 2012 and 2011, the Commission had \$15,260 and \$23,050, respectively, invested in capital assets. There was no outstanding debt related to capital assets at October 31, 2012 and 2011. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At October 31, 2012 and 2011, the Commission had restricted net assets in the amounts of \$976,198 and \$1,516,100, respectively, for marketing-related activities. All remaining net assets that do not meet the definition of invested in capital assets, net of related debt, or restricted, are reported as unrestricted net assets.

(d) Reclassifications

Certain reclassifications have been made to the 2011 financial statements in order to conform to the current year presentation.

CALIFORNIA AVOCADO COMMISSION
Notes to the Basic Financial Statements (Continued)
October 31, 2012 and 2011

(2) DETAILED NOTES ON ASSETS AND LIABILITIES

(a) Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at October 31:

	<u>2012</u>	<u>2011</u>
Petty cash	\$ 200	\$ 200
Demand deposits	8,822,915	12,294,964
Local Agency Investment Fund	<u>9,526</u>	<u>9,496</u>
Total cash and cash equivalents	<u>\$ 8,832,641</u>	<u>\$ 12,304,660</u>

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

The Commission adopted California Government Code (CGC) Section 16430 and the United States Department of Agriculture (USDA) Directive 2210.2 as its investment policy. The table below identifies the investment types that are authorized under CGC Section 16430, as well as certain provisions of CGC Section 16430 and USDA Directive 2210.2 that address interest rate 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	1 year	None	None
U. S. Treasury Obligations	1 year	None	None
U. S. Agency Securities	1 year	None	None
Bank Loans	1 year	None	None
Student Loan Notes	1 year	None	None
Obligations issued for Reconstruction and Development	1 year	None	None
Negotiable Certificates of Deposits	1 year	None	None
Banker's Acceptances	1 year	None	None
Commercial Paper	180 days	30%	10%
Corporate Bonds and Notes	1 year	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$50 million

CALIFORNIA AVOCADO COMMISSION
Notes to the Basic Financial Statements (Continued)
October 31, 2012 and 2011

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. 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 Commission's investments by maturity:

Investment Type	Remaining Maturity 12 Months or Less	
	2012	2011
Local Agency Investment Fund	<u>\$ 9,526</u>	<u>\$ 9,496</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 no limitations on the amount that can be invested in any one issuer beyond that stipulated by the CGC 16430. The Commission had no investments in any one issuer (other than external investment pools) that represented 5% or more of total Commission investments at October 31, 2012 and 2011.

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 investments or collateral securities that are in the possession of another party. The CGC 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 CGC 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.

CALIFORNIA AVOCADO COMMISSION
Notes to the Basic Financial Statements (Continued)
October 31, 2012 and 2011

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 LAIF, which is regulated by CGC 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.

The total amount invested by all public agencies in LAIF as of October 31, 2012, was \$20.0 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at October 31, 2012, had a balance of \$63.0 billion. Of that amount, 2.02 % was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 229 days as of October 31, 2012.

The total amount invested by all public agencies in LAIF as of October 31, 2011, was \$21.8 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at October 31, 2011, had a balance of \$67.9 billion. Of that amount, 4.07 % was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 229 days as of October 31, 2011.

CALIFORNIA AVOCADO COMMISSION
Notes to the Basic Financial Statements (Continued)
October 31, 2012 and 2011

(b) Capital Assets

Changes in capital assets were as follows:

	<u>November 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>October 31, 2012</u>
Capital assets, being depreciated:				
Furniture	\$ 26,160	\$ -	\$ -	\$ 26,160
Office equipment	72,578	-	(11,576)	61,002
Total capital assets, being depreciated	<u>98,738</u>	<u>-</u>	<u>(11,576)</u>	<u>87,162</u>
Less accumulated depreciation for:				
Furniture	5,668	5,232	-	10,900
Office equipment	70,020	2,558	(11,576)	61,002
Total accumulated depreciation	<u>75,688</u>	<u>7,790</u>	<u>(11,576)</u>	<u>71,902</u>
Net capital assets, being depreciated	<u>\$ 23,050</u>	<u>\$ (7,790)</u>	<u>\$ -</u>	<u>\$ 15,260</u>
	<u>November 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>October 31, 2011</u>
Capital assets, being depreciated:				
Furniture	\$ 107,565	\$ -	\$ (81,405)	\$ 26,160
Office equipment	88,202	-	(15,624)	72,578
Leasehold improvements	14,500	-	(14,500)	-
Total capital assets, being depreciated	<u>210,267</u>	<u>-</u>	<u>(111,529)</u>	<u>98,738</u>
Less accumulated depreciation for:				
Furniture	72,344	14,729	(81,405)	5,668
Office equipment	68,627	17,017	(15,624)	70,020
Leasehold improvements	14,500	-	(14,500)	-
Total accumulated depreciation	<u>155,471</u>	<u>31,746</u>	<u>(111,529)</u>	<u>75,688</u>
Net capital assets, being depreciated	<u>\$ 54,796</u>	<u>\$ (31,746)</u>	<u>\$ -</u>	<u>\$ 23,050</u>

Depreciation expense was \$7,790 and \$31,746 for the years ended October 31, 2012 and 2011, respectively.

CALIFORNIA AVOCADO COMMISSION
Notes to the Basic Financial Statements (Continued)
October 31, 2012 and 2011

(c) Long-term Liabilities

	<u>November 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>October 31, 2012</u>	<u>Amount Due within One Year</u>
Compensated absences	\$ 138,986	\$ 101,852	\$ (116,212)	\$ 124,626	\$ 107,752

	<u>November 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>October 31, 2011</u>	<u>Amount Due within One Year</u>
Capital leases	\$ 12,711	\$ -	\$ (12,711)	\$ -	\$ -
Compensated absences	119,461	78,780	(59,255)	138,986	76,539
Total	<u>\$ 132,172</u>	<u>\$ 78,780</u>	<u>\$ (71,966)</u>	<u>\$ 138,986</u>	<u>\$ 76,539</u>

Capital Leases:

During the year ended October 31, 2008, the Commission entered into a capital lease agreement for a mailing system in the amount of \$11,576, bearing interest 8.79%. Monthly principal payments were due on the 30th of each month, ranging from \$284 to \$364 through September 30, 2011. The balance was fully paid as of October 31, 2011.

During the year ended October 31, 2009, the Commission entered into a capital lease agreement for a copier in the amount of \$25,089, bearing interest 5.74%. Monthly principal payments were due on the 1st of each month, ranging from \$640 to \$757 through October 1, 2011. The balance was fully paid as of October 31, 2011.

(3) 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 (AIP) for the State of California. Since the Commission is, in substance, an agent for the State, fiduciary cash and cash equivalents, amounts held for AIP are offset by fiduciary liabilities, amounts held for AIP. As of October 31, 2012 and 2011, \$1,171,774 and \$1,058,644, respectively, was held by the Commission for the AIP.

(b) Line of Credit

On March 8, 2011, the Commission obtained a revolving line of credit from Bank of the West, in the amount of \$3,000,000, with a variable interest rate at prime rate plus 0.5% and a floor of 4.0%. The original maturity date for the line of credit was February 15, 2012, which was subsequently extended to February 15, 2013, under the same terms as the original agreement. At October 31, 2012, there was no outstanding balance due on the line of credit.

CALIFORNIA AVOCADO COMMISSION
Notes to the Basic Financial Statements (Continued)
October 31, 2012 and 2011

(c) Risk Management

Insurance Programs of the Commission

The Commission utilizes insurance broker Brown & Brown of California, Inc., to obtain its insurance coverage from various insurers. The Commission's coverage is as follows:

Commercial General Liability - insured by Associated Indemnity Corporation – General aggregate coverage of \$2,000,000 and \$1,000,000 for each occurrence.

Automobile Liability - insured by Associated Indemnity Corporation – Coverage is \$1,000,000 per bodily injury or property damage, subject to a \$500 deductible.

Crime Liability - insured by Travelers Casualty & Surety – Coverage is \$1,000,000, subject to a \$5,000 deductible.

Umbrella Liability - insured by Fireman's Fund Insurance Company – General aggregate coverage of \$5,000,000 and \$5,000,000 for each occurrence.

Travel Accident Liability - insured by Hartford Life Insurance Company – Coverage is \$100,000 per person and \$500,000 per accident.

Directors and Officers Liability and Employment Practices Liability - insured by Great American Insurance Company – Coverage is \$5,000,000 aggregate limit, with a \$15,000 retention.

Employed Lawyers Professional Liability - insured by Executive Risk Indemnity, Inc. – Coverage is \$1,000,000 aggregate limit.

Fiduciary Liability - insured by U.S. Specialty Insurance Company – Coverage is \$1,000,000 each claim and in aggregate, subject to a \$2,500 deductible.

Media Content/Network Security and Privacy - insured by Great American E&S Insurance Company – Coverage is \$1,000,000 each claim and in aggregate, with a \$25,000 self insurance retention for each loss.

First Party Network Security and Privacy - insured by Great American E&S Insurance Company – Privacy notification costs limit is \$1,000,000, with a \$25,000 self insurance retention for each loss.

CALIFORNIA AVOCADO COMMISSION
Notes to the Basic Financial Statements (Continued)
October 31, 2012 and 2011

Workers' Compensation Coverage

The Commission is a member of the State Compensation Insurance Fund, a self-supporting, non-profit enterprise that provides workers' compensation insurance to California employers. The coverage is \$1 million per occurrence.

Adequacy of Protection

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgments that exceeded insured coverage.

(d) Employee Retirement Plan

The Board of Directors of the Commission implemented a Profit Sharing Plan (PSP) for eligible Commission employees effective November 1, 2000. The Commission's payroll for the eleven employees eligible to participate in the PSP for the plan year ended October 31, 2012, was \$1,450,753. Total payroll for the nine employees eligible to participate in the PSP for the plan year ended October 31, 2011, was \$1,109,196. Total contributions for the years ended October 31, 2012, 2011 and 2010, were \$145,075, \$110,920 and 99,390, respectively.

The Commission may make annual, discretionary contributions to the PSP. With a few exceptions, each eligible employee received an allocation of 10% of compensation, up to a maximum of \$49,000, for each of the plan years ended October 31, 2012 and 2011. 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.

(e) Operating Leases

On November 5, 2009, the Commission entered into a lease agreement for the current office space under a five-year lease ending November 30, 2014. On November 20, 2009, the Commission subleased its previous office space, with a lease ending July 31, 2011, to Location Based Technologies, Inc. During the years ended October 31, 2012 and 2011, the Commission paid \$56,960, and \$207,912, respectively, for office rent, exclusive of operating expenses. Under the sublease, the Commission received \$-0- and \$124,373 for the years ended October 31, 2012 and 2011, respectively.

On September 7, 2009, the Commission entered into an agreement to lease two printers under a three-year lease ending on September 30, 2012, with monthly payments of \$452. During the years ended October 31, 2012 and 2011 the Commission paid \$1,601 and \$6,016, respectively, including tax, for this lease.

CALIFORNIA AVOCADO COMMISSION
Notes to the Basic Financial Statements (Continued)
October 31, 2012 and 2011

On September 15, 2011, the Commission entered into an agreement to lease a postage machine under a three-year lease ending on October 1, 2014, with quarterly payments due at the end of each quarter ranging from \$200 to \$275. Quarterly payments began January 1, 2012. During the years ended October 31, 2012 and 2011, the Commission paid \$953 and \$-0-, respectively, including tax, for this lease.

On February 23, 2012, the Commission entered into an agreement to lease two printers under a three-year lease agreement ending on March 31, 2015, with monthly payments of \$443 beginning April 1, 2012. During the year ended October 31, 2012, the Commission paid \$4,092, including tax, for this lease.

The annual requirements to amortize the operating lease obligations as of October 31, 2012, are as follows:

Year Ending October 31,	Office Space	Printers	Postage Machine
2013	\$ 62,802	\$ 5,316	\$ 1,101
2014	66,307	5,316	1,101
2015	5,550	2,215	-
Total	<u>\$ 134,659</u>	<u>\$ 12,847</u>	<u>\$ 2,202</u>

SUPPLEMENTARY INFORMATION

CALIFORNIA AVOCADO COMMISSION
Budgetary Comparison Schedule
For the Year Ended October 31, 2012
(with comparative actual totals for the year ended October 31, 2011)

	2012				2011 Actual
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	
Revenues:					
Assessment revenue	\$ 5,148,000	\$ 5,148,000	\$ 4,170,252	\$ (977,748)	\$ 7,371,012
HAB rebate assessment revenue (restricted)	7,707,400	7,707,400	9,249,818	1,542,418	6,042,057
Administrative and marketing fees	206,000	206,000	223,500	17,500	380,908
Other operating revenues	-	-	-	-	264,373
Interest income	10,000	10,000	37,177	27,177	23,548
Grant revenue	75,000	75,000	57,956	(17,044)	-
Other income	-	-	53,037	53,037	24,045
Total revenues	13,146,400	13,146,400	13,791,740	645,340	14,105,943
Expenses:					
Marketing:					
Consumer advertising	5,564,940	7,816,030	7,754,675	61,355	5,416,657
Merchandising	1,479,060	1,479,060	1,452,444	26,616	1,370,369
Foodservice	875,000	875,000	845,253	29,747	803,013
Public relations and nutrition communication	877,000	877,000	875,135	1,865	845,074
Internet marketing	592,000	592,000	591,839	161	521,561
Marketing planning and other	112,000	172,000	112,453	59,547	47,507
Total marketing	9,500,000	11,811,090	11,631,799	179,291	9,004,181
Non-marketing programs:					
Industry affairs	1,666,000	1,666,000	901,439	764,561	644,849
Production research	1,600,000	1,600,000	984,385	615,615	1,238,568
Grant expenses	75,000	75,000	71,529	3,471	-
Total non-marketing programs	3,341,000	3,341,000	1,957,353	1,383,647	1,883,417
Administration:					
Administration	2,408,400	2,582,600	2,541,513	41,087	2,430,283
Information systems	54,700	54,700	52,993	1,707	41,365
Depreciation	10,800	10,800	7,790	3,010	31,746
Interest expense	-	-	-	-	461
Total administration	2,473,900	2,648,100	2,602,296	45,804	2,503,855
Total expenses	15,314,900	17,800,190	16,191,448	1,608,742	13,391,453
Changes in net assets	(2,168,500)	(4,653,790)	(2,399,708)	2,254,082	714,490
Total net assets - beginning	10,376,212	10,376,212	10,376,212	-	9,661,722
Total net assets - ending	\$ 8,207,712	\$ 5,722,422	\$ 7,976,504	\$ 2,254,082	\$ 10,376,212

See accompanying note to supplementary information.

CALIFORNIA AVOCADO COMMISSION
Note to Supplementary Information
October 31, 2012 and 2011

(1) BUDGETARY INFORMATION:

(a) Budgets and Budgetary Accounting:

Each year, the Commission adopts a budget that provides for its general operations. Budgets are prepared on the accrual basis of accounting. Department Heads are responsible for preparing and presenting their departmental budgets. Each Department Head is required to meet with the President and Finance and Accounting Manager to review each line item. The overall combined budget is prepared by the President and Finance and Accounting Manager and presented to the Board. Line item transfers do not need Board approval, but require notification to the Finance Committee. Any increases or decreases in a department's budget must be approved by the Board.

CALIFORNIA AVOCADO COMMISSION
Combining Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended October 31, 2012

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Operating revenues:			
Assessment revenue	\$ -	\$ 4,170,252	\$ 4,170,252
HAB rebate assessment revenue (restricted)	9,249,818	-	9,249,818
Administrative and marketing fees	-	223,500	223,500
Total operating revenues	<u>9,249,818</u>	<u>4,393,752</u>	<u>13,643,570</u>
Operating expenses:			
Marketing	9,001,187	2,630,612	11,631,799
Non-marketing programs	-	1,957,353	1,957,353
Administration	788,533	1,813,763	2,602,296
Total operating expenses	<u>9,789,720</u>	<u>6,401,728</u>	<u>16,191,448</u>
Operating income	<u>(539,902)</u>	<u>(2,007,976)</u>	<u>(2,547,878)</u>
Non-operating revenues:			
Interest income	-	37,177	37,177
Other income	-	110,993	110,993
Total non-operating revenues	<u>-</u>	<u>148,170</u>	<u>148,170</u>
Changes in net assets	(539,902)	(1,859,806)	(2,399,708)
Total net assets, beginning	<u>1,516,100</u>	<u>8,860,112</u>	<u>10,376,212</u>
Total net assets, ending	<u>\$ 976,198</u>	<u>\$ 7,000,306</u>	<u>\$ 7,976,504</u>

CALIFORNIA AVOCADO COMMISSION

Program Expenses

For the Year Ended October 31, 2012

	<u>Restricted</u>	<u>Budget</u>
Marketing:		
Program Administration Fees-DGWB	\$ 753,500	\$ 763,503
Media-DGWB	6,527,204	6,607,527
Subtotal Consumer Advertising	<u>7,280,704</u>	<u>7,371,030</u>
Program Administration Fees-85% Rebate-GH	70,631	69,000
Program Administration Expenses-85% Rebate-GH	5,750	10,000
Nutrition Communication-85% Rebate-GH	117,108	118,000
News Bureau-85% Rebate-GH	181,222	193,700
Media Tracking & Reporting-85% Rebate-GH	60,303	61,500
Media Grove Tour-85% Rebate-GH	27,126	27,000
Grower Communications/Stories-85% Rebate-GH	11,029	11,000
Crisis Readiness-85% Rebate-GH	17,950	16,000
Cinco de Mayo-85% Rebate-GH	51,989	56,000
Artisan Chef Program-85% Rebate-GH	260,164	239,800
America's Summer Holidays-85% Rebate-GH	34,339	33,000
ADA FNCE 2011-85% Rebate-GH	37,521	42,000
Office Expense-Howald	98	-
Subtotal Public Relations	<u>875,230</u>	<u>877,000</u>
Public Relations & Collateral Mat-MMM	117,407	119,000
Program Administration Fees-MMM	51,931	55,000
Program Administration Expenses-MMM	6,167	5,000
Media-MMM	154,346	167,000
Foodservice Events-MMM	176,174	189,000
Culinary Education Program-MMM	42,617	42,000
Chain Promotions-MMM	143,888	145,000
Foodservice Events-Ideation	52,803	53,000
Chain Promotions-Ideation	99,920	100,000
Subtotal Foodservice	<u>845,253</u>	<u>875,000</u>
Total Marketing	<u>9,001,187</u>	<u>9,123,030</u>
Restricted Administrative:		
Benefits-85% Rebate-Marketing	75,419	88,600
Payroll Tax & Work Comp.-85% Rebate-Marketing	43,523	44,800
Pension Expense-85% Rebate-Marketing	62,922	58,400
Salaries/Wages-85% Rebate-Marketing	606,669	583,400
Total Administrative	<u>788,533</u>	<u>775,200</u>
Total Program Expenses	<u><u>\$ 9,789,720</u></u>	<u><u>\$ 9,898,230</u></u>

CALIFORNIA AVOCADO COMMISSION
Schedule of Property and Equipment
For the Year Ended October 31, 2012

	Amount
Furniture	
Booth Signage	\$ 26,160
Office Equipment	
Exchange Clusters-2HP DL380G3 servers PX/3.06GHz & 1GB Memory, HP StorageWorks Modular Smart Array 500	20,563
Sharp MX-M950 Copier	25,089
EMC AX4-51 SAN Dual SP DPE ISCSI (10x400GB 10K SAS, 2 SPS)	<u>15,350</u>
Total Property and Equipment	<u><u>\$ 87,162</u></u>

The Board of Directors of the
California Avocado Commission

Independent Auditor's Report on Compliance

We have audited the California Avocado Commission's (Commission) compliance with the Section V.D. of the *Guidelines for AMS Oversight of Commodity Research and Promotion Programs* (Guidelines), dated June 2012 applicable to the Commission for the year ended October 31, 2012. Compliance with the requirements referred to above is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Guidelines. Those standards and Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the Guidelines. An audit includes examining, on a test basis, evidence about Example Entity's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Commission's compliance with the requirements, as listed below:

1. No funds were used for the purpose of influencing governmental policy or action, per Section 515(d) of the Commodity Promotion Research and Information Act (Act), related to use of assessments for the purpose of influencing legislation, as that term is defined in Section 4911(d) of the Internal Revenue Code and Title 26 of the United States Code.
2. The Commission's investment policy was in compliance with the AMS investment policy, as stated in the Guidelines, Appendix 3 – Directive 2210.2 "Investment of Public Funds" dated February 7, 2011.
3. Funds were used only for projects and other expenses authorized in a budget approved by the USDA, per Section II of the Guide.
4. Funds were used only in accordance with the rules, regulations and policies of the Act, the Guidelines, and the Hass Avocado Promotion, Research, and Information Order.
5. We observed no violations of the Act, Order or Guidelines for Research and Development Programs.

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that are applicable to the Commission for the year ended October 31, 2012.

Macias Jini & O'Connell LLP

Newport Beach, California
January 15, 2013

**INDUSTRY STATISTICAL DATA:
2002-03 to 2011-2012**

YEAR	BEARING ACRES	VOLUME (MM/ LBS.)	CROP VALUE (\$)	PRICE PER POUND (¢)	DOLLARS PER BEARING ACRE (\$)	POUNDS PER BEARING ACRE
02/03	59,326	335.2	363,104,986	108.32	6,121	5,650
03/04	60,566	431.8	379,846,250	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
07/08	65,497	328.8	327,141,689	99.50	4,995	5,020
08/09	64,555	174.5	199,625,988	114.40	3,092	2,703
09/10	58,268	534.5	402,770,893	75.35	6,912	9,173
10/11	57,532	302.5	460,209,682	152.14	7,999	5,258
11/12	59,629	462.3	381,852,467	82.60	6,404	7,753

IMPORTANT:

- The total 2010-11 bearing acres amount has been updated from 52,158
- Bearing acres based on CAC's acreage inventory, attrition factors and other sources
- Industry statistical data from 1971-72 through 2011-12 are available on CaliforniaAvocadoGrowers.com/industry-statistical-data/

**POUNDS AND DOLLARS BY VARIETY
November 2011 Through October 2012**

MONTH	HASS POUNDS	LAMB POUNDS	OTHERS POUNDS	TOTAL POUNDS	HASS DOLLARS	LAMB DOLLARS	OTHERS DOLLARS	TOTAL DOLLARS	AVG \$/LB
1st QTR	4,432,520	5,146	714,010	5,151,676	3,299,637	12,608	265,174	3,577,419	0.694
2nd QTR	90,950,278	434	1,677,005	92,627,717	83,605,910	327	435,357	84,041,594	0.907
3rd QTR	212,679,603	2,092,576	620,261	215,392,440	176,685,650	1,277,601	282,389	178,245,640	0.828
4th QTR	140,086,389	8,325,222	678,497	149,090,108	110,757,629	4,871,879	358,306	115,987,814	0.778
TOTAL	448,148,790	10,423,378	3,689,773	462,261,941	374,348,826	6,162,415	1,341,226	381,852,467	0.826
Y-T-D (%)	96.95%	2.25%	.80%	100.00%	98.03%	1.61%	.35%	100.00%	
Y-T-D AVG \$/LB					0.835	0.591	0.363	0.826	

**GLOBAL VOLUME VS PRICE PER POUND
2002-03 to 2011-12**

YEAR	CA VOLUME (MM/LBS.)	GLOBAL VOLUME (MM/LBS.)	PRICE PER POUND (¢)
02/03	335.2	667	108.32
03/04	431.8	795	87.97
04/05	300.4	892	91.55
05/06	600.9	1,040	56.78
06/07	259.3	1,055	94.45
07/08	328.8	1,065	99.50
08/09	174.5	1,145	114.40
09/10	534.5	1,350	75.35
10/11	302.5	1,227	152.14
11/12	462.3	1,589	82.60





ANNUAL REPORT 2011-2012

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