

CAC Board Reduces Assessment Rate and Directs Increased Spending on Trade Activities

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At its October 20, 2022, meeting, the California Avocado Commission Board of Directors took action to approve the CAC assessment rate for the upcoming 2022-23 fiscal year, reducing the rate to 1.50% of the gross dollar value of fruit sold. The new assessment rate reflects a quarter percent reduction from the 2021-22 assessment rate of 1.75%, and will be in effect on fruit harvested from November 1, 2022, through October 31, 2023.

The approved CAC assessment rate, along with HAB assessment rebate funds, will generate an estimated \$9.9 million of revenue, assuming a crop size of 250 million pounds and an average value of \$1.35 per pound. By design, the revenue is projected to fall short of anticipated expenditures and should accomplish the goal set by the Board of reducing CAC's cash reserves balance by \$3.5 million, to a more reasonable level of \$7 million.

In addition to establishing the annual assessment rate, at the October meeting the CAC Board and management conducted an in-depth review of the proposed 2022-23 CAC budget and business plan, specifically the funds allocated to marketing programs and activities. As requested by the Board in August, CAC management presented two marketing plans based on an \$8 million and \$9 million marketing spend. The Board reviewed both plans, and

the areas highlighted by management as needing to be scaled down or eliminated to meet the \$8 million budget. The Board identified programs and activities that they believed should be fully funded, such as CAC's participation in the International Fresh Produce Association Global Produce & Floral Show, or canceled, such as the California Avocado Merch Shop. They also expressed a desire to see more spending allocated toward retail and foodservice trade activities.

In the end, the CAC Board voted to approve an \$8.6 million marketing budget with direction to management to submit a revised marketing plan for approval in November that included a budget of no less than \$3 million dollars for trade marketing activities. The final marketing plan, approved in November, allocated a nearly even split between the consumer and trade budgets, coming in at 52% and 48% respectively, whereas it had previously been closer to 60/40.

Included here are just a few of the business plan highlights for the 2022-23 fiscal year. The complete business plan and budget can be reviewed online at the following locations:

Business Plan: CaliforniaAvocadoGrowers.com/commission/accountability-reports/business-plans

Budget: CaliforniaAvocadoGrowers.com/commission/accountability-reports/finance

The Commission's Business Plan is a comprehensive document designed to

outline the diverse budgetary, marketing, industry affairs and production research objectives and strategies implemented annually in support of CAC's Mission Statement: **To maximize grower returns by enhancing premium brand positioning for California avocados and improving grower sustainability.**

The CAC Annual Business Plan 2022-23 provides California avocado growers with the following information:

- The California Avocado Commission's four priorities, mission statement and vision

California avocado industry strategic intent through 2025, including key industry aspirations, competitive advantages, brand positioning/promise, target markets, CAC's core values, critical factors for success and key performance measures, objectives and strategies

- A summary of integrated California avocado marketing programs including media, email, online, outdoor, search engine optimization and social media marketing

Continued evolution of the well-received "The best avocados have California in them" brand campaign

- Social media strategies, including content creation, further development of CAC's TikTok platform, developing cultural content in line with targeted consumers' interests and updated creative best practices based on the latest platform formats for Facebook, Instagram, Twitter, Pinterest and TikTok

- Consumer website maintenance

and initiatives: optimization based on analytics reports, enhancement of newsletter signup and the online store locator, user testing, content development

- Seasonal consumer and trade public relations such as: news bureau outreach, media tracking/reporting, the Brand Advocate program, Living Well Brand Advocate program, and chef partnerships

- Trade outreach including LinkedIn content development, retail trade advertising, photography/videography and attendance at and sponsorship of key industry events

- Foodservice marketing and outreach including foodservice chain menu development, foodservice Avocado Grove Open House with flavor pairing sessions, foodservice chain performance programs, foodservice tiered account marketing

- Retail-specific action plans including custom retail recipe development and retail marketing material development for tiered accounts

- Retail merchandising studies, including Market Trends reports, POS data and reports, AMRIC data report and Market's Analysis report

- Opportunistic export program promotions and marketing including point-of-sale support

- California avocado merchandise shop closure plan and execution (the merch shop closed on 11/30/22)

- Industry affairs initiatives and deliverables, including crop forecasting and analysis, AMRIC operations, grower and grove database maintenance, legislative and regulatory advocacy, field/technical support, sustainability project, water and labor issues, Pine Tree Ranch management, product registrations

- Grower outreach via digital and print publications, newsletters, field meetings/seminars/workshops, grower forums and field days, Food Safety manuals and grower website content

- Specific production research goals

and deliverables by topic – avocado lace bug, field testing and potential release of five advanced rootstocks, chloride

mitigation strategies, crop water use and irrigation management strategies and tool development 🍷

CALIFORNIA AVOCADO COMMISSION MARKETING BUDGET COMPARISON \$8,600,000

PROGRAM AREAS	2022-23 TOTAL BUDGETS (\$8,600,000)	
Consumer Marketing	\$ 4,736,549.00	
Consumer:	\$ 3,925,949.00	46%
Retail:	\$ 810,600.00	9%
Consumer Public Relations	\$ 440,500.00	5%
Living Well	\$ 88,430.00	1%
Trade Marketing - Retail	\$ 2,416,646.00	28%
Trade Marketing - Foodservice	\$ 725,000.00	8%
Marketing Support	\$ 182,875.00	2%
California Avocado Merchandise Shop	\$ 10,000.00	0%
TOTAL MARKETING BUDGET:	\$ 8,600,000.00	
Consumer %: 52%		
Trade %: 48%		

CALIFORNIA AVOCADO COMMISSION 2022-23 PROJECTION & BUDGET WITH COMPARISON TO 2021-22

ACCT CODE	REVENUES:	2022-23		2021-22		2022-23 vs. 2021-22		COMMENT
		PROJECTION	%	AMENDMENT #1	%	INCREASE (DECREASE)	PERCENT CHANGE	
40001	CAC Assessment Revenue	\$4,935,938	46.9%	\$6,398,438	48.8%	(\$1,462,500)	-22.86%	Assessment rate 1.50%, crop size 250 MM lbs, price \$1.35
40011	HAB 85% Rebate Assessment Revenue	\$4,940,625	47.0%	\$5,928,750	45.2%	(\$988,125)	-16.67%	
	Subtotal Assessment Revenues	\$9,876,563	93.9%	\$12,327,188	94.0%	(\$2,450,625)	-19.88%	
	Subtotal Other Revenues	\$640,750	6.1%	\$782,121	6.0%	(\$141,371)	-18.08%	
	Total Revenues	\$10,517,313	100.0%	\$13,109,309	100.0%	(\$2,591,996)	-19.77%	
ACCT CODE	EXPENDITURES: Marketing Programs	2022-23		2021-22		2022-23 vs. 2021-22		
		PROJECTION	%	AMENDMENT #1	%	INCREASE (DECREASE)	PERCENT CHANGE	COMMENT
51000 & 65000	Consumer Marketing	\$4,736,549	33.7%	\$5,375,000	35.7%	(\$638,451)	-11.88%	
54000	Consumer Public Relations	\$440,500	3.1%	\$785,000	5.2%	(\$344,500)	-43.89%	
54000	Consumer/Trade Living Well	\$88,430	0.6%	\$145,000	1.0%	(\$56,570)	-39.01%	
52000	Merchandising	\$2,416,646	17.2%	\$2,194,035	14.6%	\$222,611	10.15%	
53000	Foodservice	\$725,000	5.2%	\$772,500	5.1%	(\$47,500)	-6.15%	
59000	Marketing Activities Support	\$182,875	1.3%	\$112,500	0.7%	\$70,375	62.56%	
57000	California Avocado Merchandise Shop	\$10,000	0.1%	\$147,330	1.0%	(\$137,330)	-93.21%	
	Subtotal Marketing Programs	\$8,600,000	61.2%	\$9,531,365	63.3%	(\$931,365)	-9.77%	
	EXPENDITURES: Non-Marketing Programs							
64000 & 65000	Industry Affairs & Production Research	\$1,587,060	11.3%	\$1,465,412	9.7%	\$121,648	8.30%	
66010	Grant Programs	\$400,000	2.8%	\$475,000	3.2%	(\$75,000)	-15.79%	
70000	Administration	\$3,466,160	24.7%	\$3,577,725	23.8%	(\$111,565)	-3.12%	
	Subtotal Non-Marketing Programs	\$5,453,220	38.8%	\$5,518,137	36.7%	(\$64,917)	-1.18%	
	Total Expenditures	\$14,053,220	100.0%	\$15,049,502	100.0%	(\$996,282)	-6.62%	
	Excess Of Revenues Over (Under) Expenditures	(\$3,535,908)	-33.6%	(\$1,940,194)	-14.8%	(\$1,595,714)	82.25%	
	Estimated Beginning Reserves - Nov. 1	\$10,922,229		\$10,412,422		\$509,807	4.90%	
	<i>Estimated 2021-22 Revenue Surplus based on Actual Prices/LB</i>			\$1,400,000				
	<i>Estimated 2021-22 Unspent Funds Returned to Reserves</i>			\$1,050,000				
	Estimated Ending Reserves - Oct. 31	\$7,386,321		\$10,922,229		(\$3,535,908)	-32.37%	