



# A Time of Transformation

CALIFORNIA AVOCADO COMMISSION

**2008 - 2009 ANNUAL REPORT**



**MISSION STATEMENT** To aid in maximizing grower returns by conducting advertising, promotion and public relations for California Avocados and engage in related industry activities that together help create a more profitable market environment.

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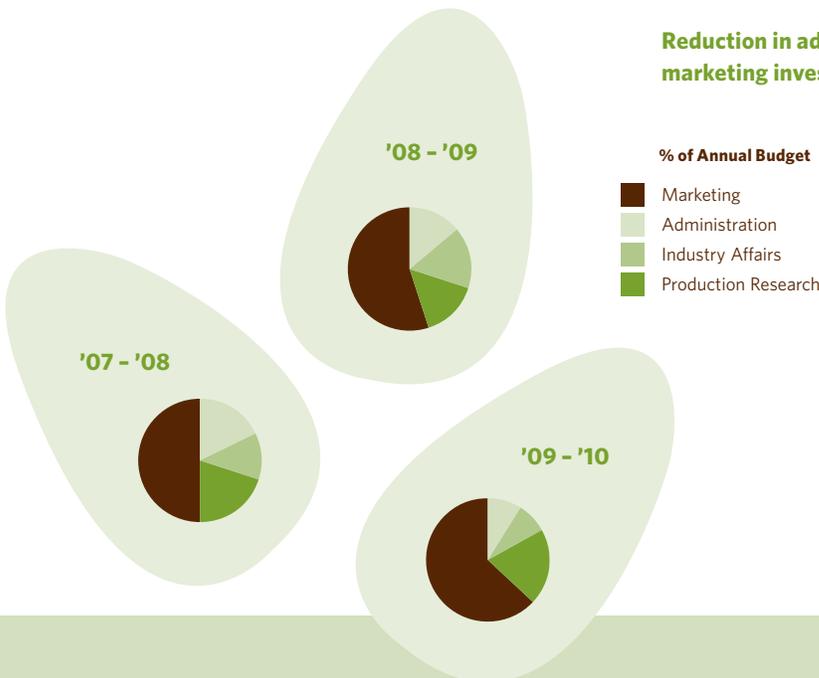
The California Avocado industry has experienced fundamental changes in the last several years. These industry changes heralded the call from growers that the California Avocado Commission should reorganize to be better positioned to support the industry.

This past year CAC has worked diligently transitioning the organization for the future. Processes, procedures and personnel responsibilities were examined, expenses scrutinized and the very purpose and values of the Commission deliberated. At the end of this exploration two conclusions were abundantly clear. First, CAC should focus on its core mission of providing marketing support to increase demand for California Avocados. Second, the organization must provide industry support more efficiently.

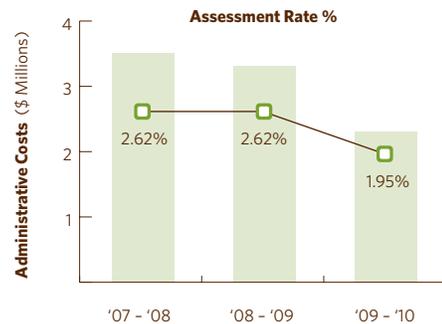
To accomplish these requisites, Management committed to do more with less, while keeping the California brand strong. We reduced staff by about one third this summer, saying farewell to some employees who worked at the Commission for more than a decade. These staff members provided dedicated and valuable service to the

avocado industry, but as we transition for the future it was imperative to downsize and re-focus our efforts. *Between staff reductions and tightening the belt in all areas of the operation, we reduced annual administration costs by more than \$1.2 million. This action also responded to lower-than-budgeted revenue, and resulted in a \$70 thousand favorable variance between the original budget and actual year-end changes in net assets.*

These changes enabled the Board to adopt a lower assessment rate for next year: 1.95 percent, a decrease from last year's 2.62 percent. Marketing support remains our touchstone, and I'm proud to say that even with the lower assessment rate we will dedicate \$9 million to marketing, which is about the same as the investment level in 2005 - 2006 when crop volume reached 600 million pounds. This allocation to marketing is a record two-thirds of the annual budget.



**Reduction in administrative costs allows for more marketing investment while reducing assessment rate**



The California Avocado Commission stands for:

**The California brand** We believe in the premium quality of California fruit.

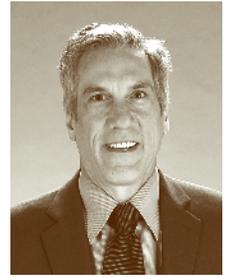
**Farmer values** We believe in farmer values - hard work, frugality and being in touch with the land.

In addition, CAC will continue to have a robust production research program, with \$1.18 million allocated to a variety of high-priority research projects to address pest and disease issues, as well as the physiology and cultural management of avocado production.

Next year we will focus on attempting to bring some stability and predictability to the CAC assessment rate, so that growers can plan

accordingly. I appreciate the remarkable patience exhibited by those growers who have been calling for change for some time now. I am confident that the achievements of this past year with the approved 2009 - 2010 budget and assessment rate are solid steps in the right direction.

**Tom Bellamore**  
President



## Industry Statistical Data 1999/2000 - 2008/2009

Year	Producing Acres	Volume (MM / Lbs.)	Crop Value (\$)	Average		
				Price Per Pound (¢)	Dollars Per Bearing Acre (\$)	Pounds Per Bearing Acre
99/00	58,987	321.1	339,443,632	105.71	5,755	5,444
00/01	58,601	422.3	314,919,286	74.57	5,374	7,206
01/02	58,227	399.7	357,785,350	89.51	6,145	6,865
02/03	59,326	335.2	363,104,986	108.32	6,121	5,650
03/04	60,566	431.8	379,846,520	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

### Important:

- Acreage based on CAC's 1998, 2001 & 2005 aerial survey, attrition factors and other sources such as county agricultural commissioner data.
- Industry statistic data from 1971/72 through 2008/09 are available on: [www.avocado.org/growers/industry\\_data.php](http://www.avocado.org/growers/industry_data.php)

## Pounds & Dollars by Variety November 2008 through October 2009

Quarter	Hass Pounds	Lamb Pounds	Others Pounds	Total Pounds	Hass Dollars	Lamb Dollars	Others Dollars	Total Dollars	Avg \$/Lb
1st	3,802,662	3,535	880,923	4,687,120	3,077,481	2,517	266,280	3,346,278	0.714
2nd	48,603,590	5,024	1,669,126	50,277,740	47,451,097	2,354	488,162	47,941,613	0.954
3rd	92,807,358	11,082,921	1,203,143	105,093,422	115,164,176	13,220,917	743,609	129,128,702	1.229
4th	12,312,479	1,789,231	341,594	14,443,304	16,662,907	2,222,971	323,517	19,209,395	1.330
<b>Total</b>	<b>157,526,089</b>	<b>12,880,711</b>	<b>4,094,786</b>	<b>174,501,586</b>	<b>182,355,661</b>	<b>15,448,759</b>	<b>1,821,568</b>	<b>199,625,988</b>	<b>1.144</b>
<b>Y-T-D (%)</b>	90.27%	7.38%	2.35%	100.00%	91.35%	7.74%	.91%	100.00%	
<b>Y-T-D Avg \$/Lb</b>					1.158	1.199	0.445		1.144



As a result of the season's reduced California Avocado crop volume, CAC focused its advertising efforts in Western markets and promoted when California Avocados were at optimum eating quality and availability from May through July.

Market research indicated that consumers continue to want more information about the food they consume, and American shoppers want to support domestically grown products. With this knowledge and the strong support of retailers and foodservice operators, CAC built on the successful launch of the California Avocado Grower campaign with *Hand Grown in California* thematic, sharing more grower stories to help consumers connect the fruit they buy with the people who grow it.

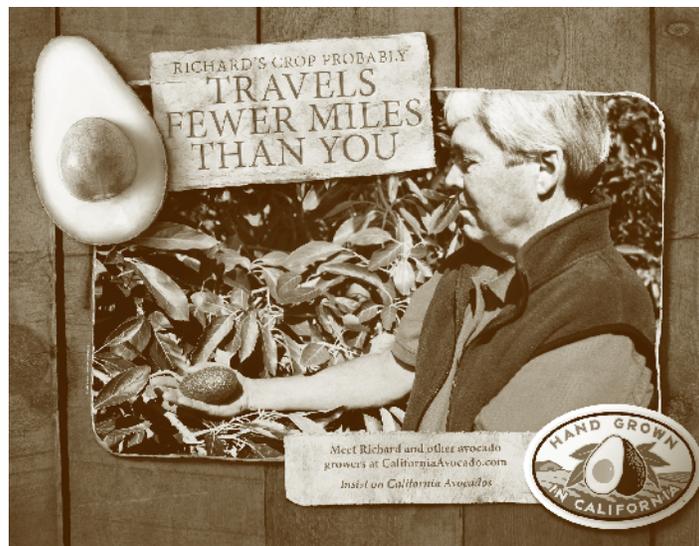
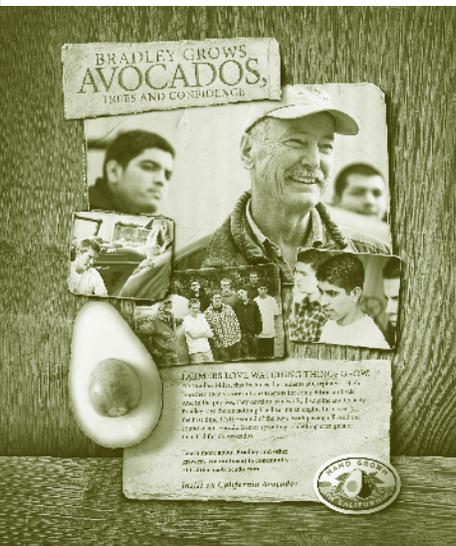
Grower stories were told via media that aligned with the consumers' lifestyle, including radio, epicurean and lifestyle magazines, health club posters and transit ads. CAC also encouraged impulse purchases in-store via themed display bins, in-store radio, shopping cart ads and point-of-purchase materials.

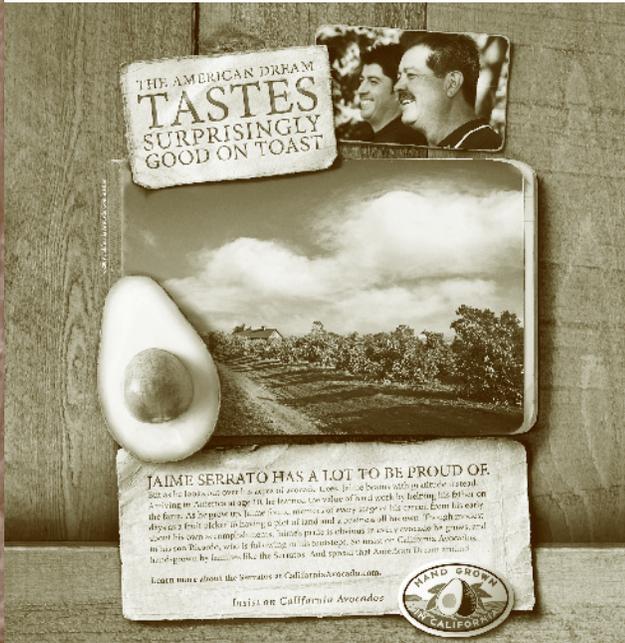
The Commission integrated the campaign across all parts of the marketing mix, including themed

promotions, consumer and trade public relations, online marketing, foodservice and retail marketing.

**Cinco de Mayo**

Public relations efforts and extensive online outreach positioned California Avocados as the number one choice for Cinco de Mayo celebrations. Celebrity chefs and restaurateurs Mary Sue Milliken and Susan Feniger, known as the *Too Hot Tamales*, developed new California Avocado-centric recipes and served as the program's spokespeople. Through media interviews, national print media outreach and a radio news release, the chefs discussed the popularity of California Avocados for Cinco de Mayo entertaining, and offered tips on how to eat avocados in usage beyond guacamole. This media coverage resulted in 173 million consumer impressions, a 33 percent increase over 2008.





**Summer Entertaining with California Avocados**

To encourage in-season demand, CAC developed *Summer Entertaining with California Avocados*, a program featuring delicious salad and grilling recipes. Focused on Western retail markets, the promotion included an in-store recipe brochure with a cents-off coupon to drive immediate California Avocado purchases. Retailers ordered 200,000 recipe brochures to accompany California Avocado display bins. The promotion's recipes and tips also were featured on CaliforniaAvocado.com, and CAC delivered a themed recipe e-mail to nearly 60,000 avocado enthusiasts.

**Public Relations**

Prior to the start of the season, CAC educated the media about seasonality of the crop and availability of the fruit in the market. These efforts yielded stories in *Sunset*, *Los Angeles* magazine, *Runner's World*, *Prevention* and *My Midwest* magazine. Comprehensive coverage throughout the season included national and regional publications, such as *Woman's World*, *Los Angeles Times* and *Denver Post*, and grower stories in publications such as *Relish*, resulting in nearly 266 million consumer media impressions.

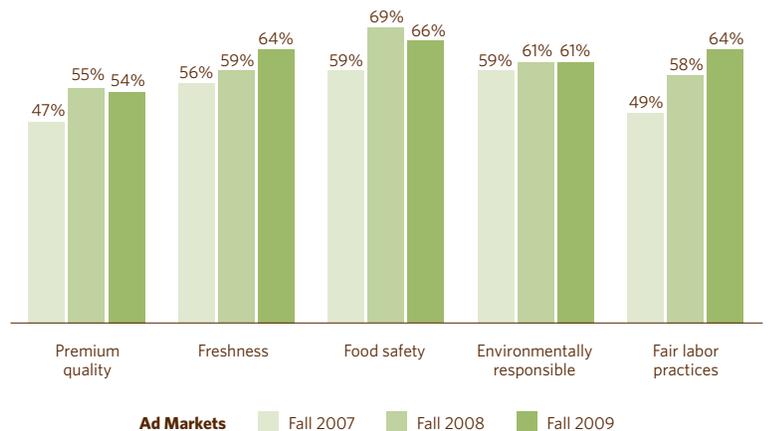
CAC continued its innovative program designed to expand California Avocado usage through partnerships with well-known chefs across the nation. The chefs in CAC's artisan chef program regularly feature avocados on their menus. Each chef communicates key messaging and promotes the fruit's versatility and premium quality through the media, their menus, Web sites, newsletters and

**Cinco de Mayo, continued**

An online micro site with the theme "Fiesta Flavors with Fresh California Avocados" put the spotlight on avocados as the centerpiece of Cinco de Mayo entertaining. Recipes featured fresh ingredients and culinary inspirations. The micro site was promoted by search engine marketing and online advertising, and CAC sent a themed recipe e-mail to nearly 59,000 California Avocado fans. The Commission also developed a downloadable widget that introduced a daily California Avocado recipe for Cinco de Mayo.

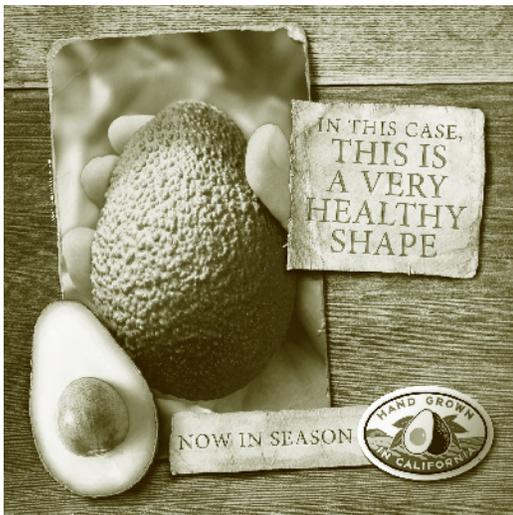
**Advertising is improving California Avocados' premium image over time.**

Key attributes rating of California Avocados among respondents who are aware of avocado advertising



restaurant advertising, as well as at special events featuring California Avocados. Social networking also draws in new avocado enthusiasts via the chefs' blogs, Facebook® and Twitter® pages. These placements, events and activities resulted in nearly 10 million consumer media impressions. The artisan chef program began in 2008 and currently features 14 well-known chefs.

Communication of the nutrition benefits of California Avocados was another important public relations activity last year. CAC leveraged partnerships with third-party nutrition organizations such as Med Mark, Nutrient Rich Foods Coalition and Produce for Better Health Foundation. Communication of the UCLA Phytonutrient research on California Hass Avocados study results garnered nearly 29 million impressions.



Face-to-face meetings with top food media at 10 key publications in New York crowned the season's public relations outreach, setting the stage for continued positive coverage of California Avocados in the future.

### Online

In early 2009 the agency that had supported the Commission's online marketing efforts for many years closed its doors. CAC transitioned to an interim Web site hosting and support solution and completed a search for a new agency. With this successful transition, visitors to CaliforniaAvocado.com remained steady at just over 1.1 million visits last year.

When consumers search online for information about avocados, recipes and other usage ideas, it is critical that they are able to find California Avocado information quickly. CAC achieved strong positioning in the top Web search engines such as Google® and Yahoo®, ranking number one on the key search terms of "avocado nutrition" and "California Avocado" and number one or two for "avocado" and "avocado recipes."



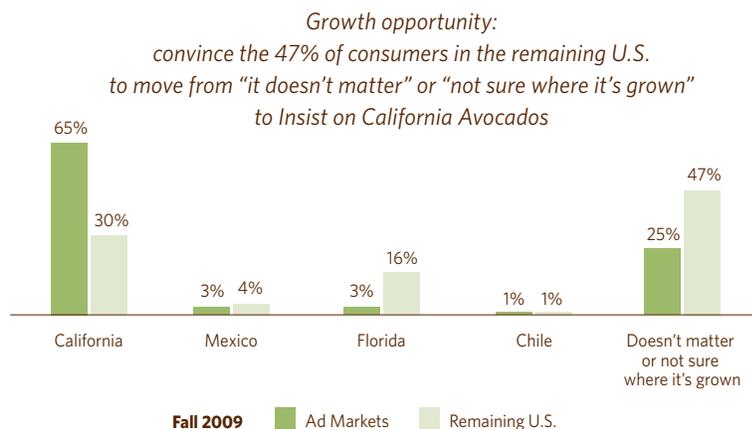
The Commission continued its recipe e-mail outreach when California Avocados were in season, maintaining communication with loyal fans via brief e-postcards when the fruit was not in season. The subscriber list grew to more than 62,000.

CAC's Web site also highlights its chef partners in the Chef Spotlight section of CaliforniaAvocado.com, which provides a biography of each chef, along with his/her avocado recipes.

**Preference for California Avocados is significantly higher in advertising markets compared to the remaining United States.**

Consumer responses to the question, "If given a choice, which avocados would you pick? Avocados grown in...."

**Note:** Peru and New Zealand included in question, but registered 1% or less



### Retail Trade and Merchandising

Retail response to the California Avocado grower campaign has been very positive, particularly with accounts whose customer profiles align with CAC's consumer target market. More than 1,800 avocado display bins with the *Hand Grown in California* message and logo were ordered by retailers who promoted the fruit this season.

To keep California Avocados top-of-mind with retailers, CAC utilized targeted retail trade advertising and public relations outreach. This effort delivered nearly 270 million impressions. Coverage in *The Packer*, *The Produce News*, *Progressive Grocer*, *The Shelby Report* and other key trade publications kept the industry well-informed about California Avocados and the support available to retailers to help them encourage consumer demand.

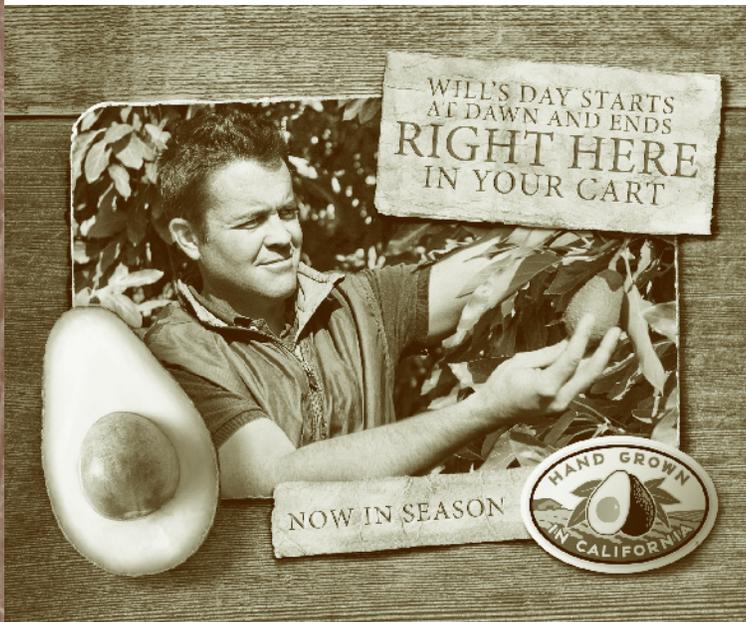
CAC communicated the messages of the overall advertising campaign, and for retail featured the key message that California Avocado season brings value to the retailers' bottom line. At the Produce Marketing Association (PMA) Fresh Summit convention, retailers could use an "incremental sales calculator" to learn how much more revenue could be generated in their stores during the California Avocado season.

### Foodservice

The Commission's foodservice marketing program leveraged the California Avocado Grower campaign, achieving nearly 2.1 million impressions. Ads in publications targeting foodservice operators and key decision-makers included *Restaurant Hospitality*, *Food Management* and *Food Arts*.

Operator promotions were a very successful component of the foodservice marketing plan with a combined 7,814 locations promoting California Avocados on their menus and advertising. One example was the promotion by Sodexo, Inc. featuring five avocado menu items in 2,000 locations. This promotion used an estimated 589,000 pounds of avocados, primarily from California, more than doubling Sodexo's avocado usage versus the 2008 promotion period.

CAC maintained a strong presence in the foodservice industry via conferences and culinary workshops, building on a network of operators responsive to California Avocados. Key events included PMA Foodservice, Worlds of Flavor and the Research Chefs Association.





### **New Insurance Options for California Avocado Growers**

The California Avocado Commission was instrumental in the reform of the U.S. Department of Agriculture's (USDA) crop insurance program for avocados this past year. After receiving significant industry input, USDA's Risk Management Agency (RMA) Avocado Pilot decided to change the Avocado Pilot Program from a Revenue Program—which proved to be a less-than-effective product for growers—to an Actual Production History Program. The new program promises more timely processing of claims in the event of a loss, since coverage is based on grower production records and a pre-determined price calculated on a three-year moving average. RMA also developed an endorsement to existing avocado crop insurance policies designed to mitigate losses from crop destruction or the deterioration of fruit while still on-tree in the event of a quarantine declaration. Although the product is likely to have limited utility, the endorsement opens the door to further discussions with RMA about the catastrophic nature of a quarantine situation on California Avocado growers.

### **Water Conservation and Delivery**

Water issues continue to be at the forefront of grower concerns, particularly in the southern reaches of the growing region where the effects of prolonged drought and poor water quality are most pronounced. CAC and its Southern California Agricultural Water Team worked at both the regional and statewide level to raise awareness of the plight of California Avocado growers.

At the Commission's urging, the Metropolitan Water District of Southern California (Metropolitan) adopted a new \$2 million agricultural conservation program for former Interim Agricultural Water Program (IAWP) participants who "opted out" of the IAWP last year. Although the total amount allocated to agriculture came as a disappointment—CAC sought considerably more but this was precluded by Metropolitan's own financial situation—discussions continue about making effective use of the funds. These include the possibility of retaining an agronomist to aid with grove audits and grower education about water efficiency techniques

or making irrigation devices with commonly accepted conservation saving rates available through simple incentive reimbursements.

In Sacramento and elsewhere, CAC circulated a short video that brought home the impact of water shortages, as part of a larger coalition effort to raise awareness about how curtailments of Delta water affect agricultural producers statewide. Images of stumped avocado trees and stories of growers in jeopardy provided legislators and news analysts with stark reminders of the human side of legislated water decisions. By year-end, the State Legislature announced passage of California's 2009 Comprehensive Water Package, comprised of four policy bills and an \$11 billion bond, which offers some hope for the future, however small. CAC will continue to work with water suppliers and legislators with the goal of improving water availability and quality for the state's avocado growers.

### **Negotiated Agreement Allowing for Reasonable Pesticide Application Procedures**

Most effective chemical controls for avocado thrips are considered soft chemicals both on the environment and beneficial insects. However, even benign chemicals may pose a risk to honey bees if the bees are inadvertently sprayed or have direct contact with residues. Continued use of AgriMek® was threatened this year when some beekeepers and avocado growers were at an impasse about proper use of the chemical. CAC intervened, giving the matter top-priority status to seek resolution.

CAC's approach brought a diverse group of stakeholders together to review all available scientific literature on bees and their relationships with avocado bloom. By facilitating discussions between bee and avocado interests, and maintaining an open dialogue with County and State regulators, CAC was able to help negotiate a "Bee Protection Practices Agreement" that established guidelines for honey bee protection while allowing for continuation of AgriMek® use for avocado thrips control. The San Diego County Agricultural Commissioner addressed a letter in June 2009 to avocado growers, beekeepers, pesticide dealers, pest control businesses and CAC, fully accepting the CAC-brokered agreement between local beekeepers, Pest Control Advisors, applicators and growers. The letter noted, "Effective immediately, we will honor the agreement and accept it for label enforcement purposes."

### **For Information on CAC's Production Research Achievements Visit**

[www.avocado.org/growers/growerfunded.php](http://www.avocado.org/growers/growerfunded.php)





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SACRAMENTO

OAKLAND

WALNUT CREEK

LOS ANGELES

SAN MARCOS

SAN DIEGO

## 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, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion 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 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 opinion.

In our opinion, the 2009 financial statements referred to above present fairly, in all material respects, the financial position of the California Avocado Commission as of October 31, 2009 and 2008 and the changes in its financial position and its cash flows 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 January 21, 2010 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 the 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 audit.

The management's discussion and analysis identified in the accompanying table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Commission's basic financial statements. The budgetary comparison schedule and the combining statement identified in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Macias Gini & O'Connell LLP*

Certified Public Accountants  
 Newport Beach, California  
 January 21, 2010

## 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 fiscal year ended October 31, 2009. 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 2009 assets exceeded its liabilities as of October 31, 2009 by \$2,871,270 (total net assets). This amount decreased by \$736,725 or 20% from the prior year amount of \$3,607,995.
- Of total net assets at the end of fiscal year 2009, net assets invested in capital assets, net of related debt, decreased \$7,512 to \$52,206 or 13% from the prior year amount of \$59,718.
- Net assets restricted for marketing at the end of fiscal year 2009 decreased \$156,273 to \$237,992 or 40% from the prior year amount of \$394,265.
- Unrestricted net assets at the end of fiscal year 2009 decreased \$572,940 to \$2,581,072 or 18% from the prior year amount of \$3,154,012. This amount makes up 90% of total net assets.
- The assets of the Commission exceeded its liabilities as of October 31, 2008 by \$3,607,995 (net assets). Of this amount, \$3,154,012 is unrestricted net assets, which makes up 87% of total net assets.
- The Commission's 2008 total net assets of \$3,607,995 increased by \$782,290 from the previous year amount of \$2,825,705. Of this amount, net assets invested in capital assets, net of related debt, decreased \$11,938 to \$59,718 or 17% from the prior year amount of \$71,656. Net assets restricted for marketing decreased \$56,135 to \$394,265 and unrestricted net assets increased \$850,363 to \$3,154,012 from their prior year amounts.

## 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* presents 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. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation.

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

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

The notes to the 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 and Changes in Net Assets (broken down by Restricted and Unrestricted).

## Financial Analysis

Comparative data for the year ended October 31, 2008 has been presented in the accompanying financial statements (including MD&A) to facilitate financial analysis for the current year ended October 31, 2009. A comparative analysis of fiscal year 2008 with fiscal year 2007 is also presented in MD&A.

### Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The largest portion (98%) of the Commission's assets in 2009 were current assets, consisting primarily of cash, investments, and accounts receivable, totaling \$3,890,551; down \$935,090 from the prior year amount of \$4,825,641. This decrease was mainly due to a decrease in cash and cash equivalents due to lower assessment revenue generated from lower production this year compared to the prior year. The decrease was also due to lower assessments receivable due to shorter season compared to prior year. Total current assets cover liabilities 3.6 times, and indicate good liquidity.

In 2008, the largest portion (99%) of the Commission's assets were also current assets, consisting primarily of cash, investments, and accounts receivable, totaling \$4,825,641; up \$605,650 from the 2007 amount of \$4,219,991. This increase was mainly due to an increase in cash and cash equivalents due to additional assessment revenues generated from higher production and a higher crop price per pound from the prior year. Total current assets cover liabilities 3.8 times, and indicate good liquidity.

Liabilities as of October 31, 2009 totaled \$1,096,429, which decreased \$192,229 from October 31, 2008 balance of \$1,288,658. The decrease is mainly due to fewer obligations owed to vendors. Liabilities were primarily accounts payable, accrued liabilities and deposits due which are considered current liabilities.

Liabilities as of October 31, 2008 totaled \$1,288,658, which decreased \$198,198 from \$1,486,856 a year earlier. The decrease is mainly due to fewer obligations owed to vendors. Liabilities were primarily accounts payable, accrued liabilities and deposits due which are considered current liabilities.

Net assets invested in capital assets, net of related debt, represent 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 invested in capital assets (net of accumulated depreciation) totaled \$52,206 at the end of fiscal year 2009; a decrease of \$7,512 from the prior year amount of \$59,718 primarily due to the depreciation of capital assets. Net assets invested in capital assets make up 2% of total net assets.

At the end of fiscal year 2008, net assets invested in capital assets (net of accumulated depreciation) totaled \$59,718; a decrease of \$11,938 from the prior year amount of \$71,656 primarily due to the depreciation of capital assets. Net assets invested in capital assets make up 2% of total net assets.

Restricted net assets for marketing activities are subject to imposed restrictions by federal statute governing their use. Restricted net assets totaled \$237,992 at the end of 2009, a decrease of \$156,273 from the prior year amount of \$394,265, primarily due to lower production and therefore less revenue from the 85% assessment rebate funds received from the Hass Avocado Board (HAB). Restricted net assets are 8% of total net assets and are subject to external restrictions on how they can be used. Restricted net assets at the end of 2008 totaled \$394,265, a decrease of \$56,135 from the prior year amount of \$450,400.

Unrestricted net assets available for future activities at the end of fiscal year 2009 totaled \$2,581,072, a decrease of \$572,940 from the prior year amount of \$3,154,012. Unrestricted net assets available for future activities total \$3,154,012 at the end of fiscal year 2008, an increase of \$850,363 from the prior year amount of \$2,303,649.

#### Statement of Revenues, Expenses and Changes in Net Assets:

Key highlights and financial analysis are as follows:

- Operating revenues of \$9,611,649 in 2009 were \$6,426,036 or 40% lower than the \$16,037,685 received in 2008. The decrease was due to lower production compared to 2008. Total crop (all varieties) reported to the Commission for fiscal year 2009 was 174.5 million pounds, a 47% decrease from 328.8 million pounds reported in 2008. Of the operating revenue, the largest portion, \$8,671,149 (90%) reflects assessment revenue. The remaining portion of \$940,500 (10%) comes from administrative and marketing fees generated from the Hass Avocado Board (HAB) and Avocado Inspection Program (AIP).
- Operating revenues of \$16,037,685 in 2008 were \$4,739,634 or 42% higher than the \$11,298,051 received in 2007. The majority of the increase was from the value-based assessment revenue received from CAC growers due to an increase in crop volume and value over the prior year. Of the operating revenue, the largest portion, \$15,183,735 (95%) reflects assessment revenue. The remaining portion of \$853,950 (5%) comes from administrative and marketing fees generated from the HAB and AIP.
- Operating expenses totaled \$10,417,457 in 2009, which was a decrease of \$4,966,154 or 32% from the prior year amount of \$15,383,611. This was primarily due to a reduction in marketing and administration activities.

- Operating expenses totaled \$15,383,611 in 2008, which was an increase of \$1,298,574 or 9% from the prior year amount of \$14,085,037. This was primarily due to an increase in marketing and non-marketing activities during the fiscal year.
- At the end of the fiscal year 2009, the Commission reported ending net assets of \$2,871,270, which was \$736,725 below the 2008 year of \$3,607,995. This was mainly due to a decrease in assessment revenue received, resulting from lower production.
- At the end of the 2008 fiscal year, the Commission reported ending net assets of \$3,607,995, which was \$782,290 above the 2007 year of \$2,825,705. This was mainly due to an increase in assessment revenue received from the CAC assessment, resulting from higher production and a higher price in California Hass volume.

### Capital Asset and Debt Administration

The Commission's investment in capital assets, as of October 31, 2009, totaled \$77,148, which is an increase of \$6,136 from the prior year amount of \$71,012 (net of accumulated depreciation). The increase represents capital asset acquisitions during fiscal year 2009. The increase is partially offset by the depreciation on capital assets used for program activities of the Commission.

The Commission's investment in capital assets as of October 31, 2008, totaled \$71,012, which is a decrease of \$21,558 from the prior year amount of \$92,570 (net of accumulated depreciation). The majority of the decrease represents depreciation on capital assets used for program activities of the Commission.

As of October 31, 2009, the Commission has an accrued compensated absences balance of \$119,644, which decreased by \$49,860 from the prior year balance of \$169,504. The prior year's balance was a \$61,190 decrease from October 31, 2007 balance of \$230,695.

At the end of fiscal year 2008, the Commission had a non-current liability for a mailing system lease with an outstanding balance of \$11,294. In November 2008, the Commission acquired a new copier and recorded a new non-current liability for the lease. At the end of fiscal year 2009, the Commission has non-current liabilities for a copier and a mailing machine identified as capital leases with a combined balance outstanding of \$24,942. Additional information can be found in Notes to the Financial Statements of this report.

### 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.

## Statements of Net Assets

October 31, 2009 and 2008

	2009	2008
<b>Current assets:</b>		
Cash and cash equivalents	\$ 3,259,572	\$ 3,831,614
Assessments receivable	15,261	91,250
Other receivables	31,281	43,770
Prepaid expenses	49,048	39,498
Restricted:		
Cash and cash equivalents	310,012	416,503
Assessments receivable	225,377	403,006
Total current assets	<u>3,890,551</u>	<u>4,825,641</u>
<b>Non-current assets:</b>		
Capital assets:		
Being depreciated, net	77,148	71,012
Total assets	<u>3,967,699</u>	<u>4,896,653</u>
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	544,164	664,616
Accounts payable and accrued liabilities payable from restricted assets	40,192	149,653
Deposits	275,204	293,590
Unearned revenue	92,283	—
<b>Non-current liabilities:</b>		
Due within one year	59,351	78,102
Due in more than one year	85,235	102,697
Total liabilities	<u>1,096,429</u>	<u>1,288,658</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	52,206	59,718
Restricted for marketing	237,992	394,265
Unrestricted	2,581,072	3,154,012
Total net assets	<u>\$ 2,871,270</u>	<u>\$ 3,607,995</u>

## Statements of Revenues, Expenses and Changes in Net Assets

For the Years Ended October 31, 2009 and 2008

	2009	2008
Operating revenues:		
Assessment revenue	\$ 5,263,530	\$ 8,603,039
Restricted assessment revenue	3,407,619	6,580,696
Administrative and marketing fees	940,500	853,950
Total operating revenues	9,611,649	16,037,685
Operating expenses:		
Marketing	6,558,674	10,470,094
Non-marketing programs	2,515,628	3,308,770
Administration	1,335,494	1,604,747
Total operating expenses	10,409,796	15,383,611
Operating income (loss)	(798,147)	654,074
Non-operating revenues (expenses):		
Investment and interest income	41,242	77,222
Investment (expense)	(7,661)	—
Other income	27,841	50,994
Total non-operating revenues (expenses)	61,422	128,216
Change in net assets	(736,725)	782,290
Total net assets - beginning	3,607,995	2,825,705
Total net assets - ending	\$ 2,871,270	\$ 3,607,995

## Statements of Cash Flows

For the Years Ended October 31, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Cash received from customers	\$ 9,951,653	\$ 15,909,889
Cash payments to suppliers for goods and services	(10,655,941)	(15,475,905)
Net cash provided by (used in) operating activities	(704,288)	433,984
Cash flows from non-capital financing activities:		
Grant revenue	2,871	43,734
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(24,226)	(7,282)
Sales of capital assets	5,478	7,260
Interest paid	(7,661)	—
Capital lease payments	(11,441)	(21,196)
Other	19,492	—
Net cash used in capital and related financing activities	(18,358)	(21,218)
Cash flows from investing activities:		
Interest on investments	41,242	77,222
Net increase (decrease) in cash and cash equivalents	(678,533)	533,722
Cash and cash equivalents - beginning	4,248,117	3,714,395
Cash and cash equivalents - ending	\$ 3,569,584	\$ 4,248,117
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (798,147)	\$ 654,074
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	43,179	40,414
Change in assets and liabilities:		
(Increase) decrease in assessments receivable	253,618	(211,392)
(Increase) decrease in other receivables	12,489	138,298
(Increase) decrease in prepaid expenses	(9,550)	1,167
Increase (decrease) in accounts payable and accrued liabilities	(229,913)	(72,685)
Increase (decrease) in deposits	(18,386)	(54,702)
Increase (decrease) in unearned revenue	92,283	—
Increase (decrease) in compensated absences	(49,861)	(61,190)
Net cash provided by (used in) operating activities	\$ (704,288)	\$ 433,984
Non-cash capital and related financing activity:		
Acquired new capital lease	\$ 25,089	\$ 11,577

## Budgetary Comparison Schedule

For the Year Ended October 31, 2009 (With Comparative Actual for the Year Ended October 31, 2008)

	2009				2008 Actual
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues:</b>					
Assessment revenue	\$ 5,779,700	\$ 4,889,800	\$ 5,263,530	\$ 373,730	\$ 8,603,039
Restricted assessment revenue	4,324,400	3,240,400	3,407,619	167,219	6,580,696
Administrative and marketing fees	869,100	940,500	940,500	—	853,950
Investment and interest income	28,000	33,700	41,242	7,542	77,222
Grant revenue	—	41,300	2,871	(38,429)	43,734
Other income	—	—	24,970	24,970	7,260
<b>Total revenues</b>	<b>11,001,200</b>	<b>9,145,700</b>	<b>9,680,732</b>	<b>535,032</b>	<b>16,165,901</b>
<b>Expenses:</b>					
<b>Marketing:</b>					
Consumer advertising	3,716,900	3,278,900	3,236,590	42,310	6,153,769
Merchandising/trade	1,897,400	1,687,300	1,632,040	55,260	2,125,954
Foodservice	695,000	660,500	623,541	36,959	723,337
Public relations	521,400	554,000	558,664	(4,664)	602,054
Nutrition	130,600	150,600	141,209	9,391	183,461
Internet marketing	385,000	358,900	366,630	(7,730)	681,519
<b>Total marketing</b>	<b>7,346,300</b>	<b>6,690,200</b>	<b>6,558,674</b>	<b>131,526</b>	<b>10,470,094</b>
<b>Non-marketing programs:</b>					
Industry affairs	1,970,300	1,606,200	1,418,622	187,578	2,165,330
Production research	880,600	1,016,100	1,016,148	(48)	981,646
Information systems	114,700	93,500	77,987	15,513	118,060
Grant expenses	—	41,300	2,871	38,429	43,734
<b>Total non-marketing programs</b>	<b>2,965,600</b>	<b>2,757,100</b>	<b>2,515,628</b>	<b>241,472</b>	<b>3,308,770</b>
<b>Administration:</b>					
Administration	1,421,000	1,330,100	1,292,153	37,947	1,560,380
Capital outlay - non-capitalized	5,000	2,000	162	1,838	3,953
Depreciation	45,000	28,000	43,179	(15,179)	40,414
Interest expense	25,000	25,000	7,661	17,339	—
<b>Total administration</b>	<b>1,496,000</b>	<b>1,385,100</b>	<b>1,343,155</b>	<b>41,945</b>	<b>1,604,747</b>
<b>Total expenses</b>	<b>11,807,900</b>	<b>10,832,400</b>	<b>10,417,457</b>	<b>414,943</b>	<b>15,383,611</b>
<b>Change in net assets</b>	<b>(806,700)</b>	<b>(1,686,700)</b>	<b>(736,725)</b>	<b>949,975</b>	<b>782,290</b>
Total net assets - beginning	3,607,995	3,607,995	3,607,995	—	2,825,705
Total net assets - ending	\$ 2,801,295	\$ 1,921,295	\$ 2,871,270	\$ 949,975	\$ 3,607,995

Variance between Original Budget and Actual Changes in net assets is \$69,975 (favorable)

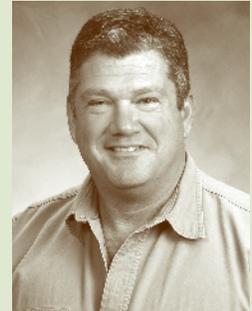


The 2008 - 2009 California Avocado season was fraught with challenges. We were faced with the results of Mother Nature's whims and man-made matters that gave us the smallest crop in recent history. Water shortages and water quality issues, pest concerns and more continued to beleaguer growers during the season. On top of that, nearly everything at the Commission was challenged. Yet we made it through those trials and still achieved an average price per pound of \$1.144.

I joined the CAC Board nine years ago as a vocal critic of the organization. There are some who are not close to the work of the Commission who say that I have changed, and it is true. I have seen the

magic that comes from the efforts of CAC staff, agencies and industry volunteers who dedicate so much to make our industry a success. I am very proud of the California Avocado Commission and believe its work is critical to our future.

I encourage more California Avocado growers to get involved with CAC, to participate on the Board and committees. And most of all, I would like to thank all of the growers who provided such valuable input and support during an intensely challenging period.



### **Rick Shade**

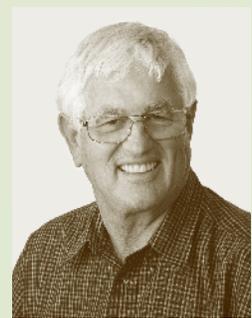
*Past Chairman*

The California Avocado 2009 - 2010 season is forecast to be healthy with a bumper crop and longer harvest period. Competitors also predict avocado supply increases in the domestic market. It is therefore critical to encourage more people to buy more avocados more often. To support this significant increase in supply, the Commission must put its marketing wheels in motion to build consumer and foodservice demand for California Avocados in season. Indeed, those wheels are already turning.

As I step into the role of Board of Directors Chairman I am enthusiastic about CAC's charge to strengthen the California brand. There is much work to be done, yet I am optimistic about the future of the Commission and the prospects of the California Avocado industry.

### **Don Reeder**

*Chairman*



CALIFORNIA AVOCADO COMMISSION

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