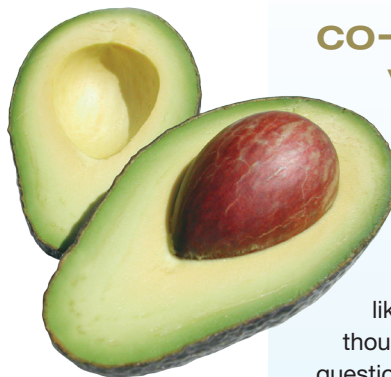


## Grower Challenges Heating Up

When looking back at this past summer, we witnessed some of the longest durations of heat experienced in a long time and we knew the most important thing to do was water, water, water. We now have to look beyond water and think about what the trees will need next as we head into the winter months. As an industry, we have discovered fruit quality and fruit size are going to be major factors in how we do business in the future. As we go into the time of year when days become shorter one might say, "I guess I don't need as much water". Along come the yearly easterly winds and one might say, "Now I need more water". It may be too late. Maintaining irrigation diligence and doing what you can to leach the salts away from the root zone is extremely important. Salts compete with roots for water absorption by the trees. The salts come naturally in our irrigation waters and in the fertilizers we use for tree growth, fruit set, and fruit size. This means that regular, deep irrigations are critical to flush those salts out. Between now and the end of October is the time to have your leaf samples collected and sampled. With the heavy load of fruit on the trees this past season and extended periods of irrigation through heat this year, your upcoming leaf analysis will be more important than ever. The leaf analysis will help tell you when, how much, and what fertilizers to use throughout the upcoming season. Growers may find they are coming up low on nitrogen or potassium this coming season and some adjustments to your regular fertilizing program may be needed to achieve the proper balance.

The 05/06 season has been a challenge to say the least. As the season continues to wind down, California has gone from a mid-season estimate of 555.1 million pounds to a projected crop range of 570-to-590 million total pounds. For some time now, we have not seen a carry-out into the following season (since 92/93). This season, the carry-out may be close to 15 million pounds and could extend into November/December.



## A message from Galen Newhouse, co-owner and Vice President of West Pak Avocado:

With over 25 years experience in the avocado business, I would like to share with you some of my thoughts and address some of the questions and concerns we receive from you, our growers. I have had the honor of witnessing the California industry grow and evolve into the powerhouse it is today. As Vice President and General Manger of West Pak Avocado, I have been involved at every level of our company from grove ownership to sales and marketing. My most rewarding experiences have always revolved around the wonderful relationships I have shared with growers and grove managers. I have literally traveled the avocado world and have discovered the California grower to be more advanced, focused and willing to sacrifice in order to improve than any grower from the foreign growing regions!

### Questions I'm often asked:

#### Will imports continue to impact our returns this fall and into next year?

The bad news and the good news is that Chile will be here in force through February and tapering off in March 2007. Mexico for the first time will be allowed to ship into California, Florida, and Hawaii starting February 1, 2007, with their volume starting to taper off in April 2007. We anticipate with the smaller 2007 California crop, growers should expect better returns after the last of the Chilean imports are moved out in March.



The 06/07 season for Chile and Mexico is under way. Chile started with minimal volume in late August with their first vessel the third week of September. Projected volume from Chile for the upcoming season (Nov-06 through Oct-07) is 318 million pounds with 50 plus million pounds per month, November through January. The current forecast for February is 30 million pounds and in March they will taper off with 17 million pounds for the month. Mexico's volume tapered off June through August to 2-to-3 million pounds per week. As projected, September's volume began to increase, reaching 4-to-5 million pounds per week. Mexico's projected volume for the upcoming season is 321 million pounds. They are currently preparing to ramp up their harvest, with Nov-06 projected at 25 million pounds with December through April forecasted at 30-to-35 million pounds per month. The Dominican Republic and Florida will be in the market mainly between Nov-06 through Jan-07 with a combined forecast of 8-to-10 million pounds per month. The California crop has set better than some anticipated and is being projected in the range of 365-to-385 when you add in the estimated 15 million pounds of carry over from the 05-06 crop. If we look back, the 04/05 crop projections estimated slightly less than 900 million pounds and in 05/06, we revised the projections to slightly more than 1 billion pounds. Although we may not cross the billion pound mark in 05/06, the combined 06/07 crop (California, Mexico, & Chile) projections are calling for a slightly higher crop than the 05/06 crop and we could finally cross the billion pound mark. 🌿

With that said, growers frequently ask how they can continue to compete with imports and I believe we have all discovered this season that one of the most important factors is overall fruit quality. Especially with larger crops, we have seen that second-grade fruit has lost some of its market opportunities. As growers, in order to compete we need to provide the market place with premium fruit.

### **Where do you see the California market in 5 years?**

Wow, that is a tough one! I don't want to make too bold a statement because we have a lot of variables to consider over the next five years. With Mexican fruit entering California, Florida and Hawaii in February of 2007, it would appear things are going from bad to worse. However, the good news is that with increased consumption, especially this year and steadily increasing consumption into the future, the possibility remains that Mexico and Chile will not be able to produce enough volume to keep expanding into the United States without destabilizing their own large internal markets as well as their continued efforts to expand into other countries. We hope this scenario will cap imports and give us the breathing room to better survive the shakeout and overall expansion. Of course, growers with positive survivability factors will be able to sustain the peaks and valleys that likely lie ahead.

### **What do you consider the top three survivability factors for growers?**

I consider relative water costs as the number one factor. You can never ration water, therefore you must have a relatively positive water expense to cost structure ratio in order to ultimately survive. Production is the second greatest survivability factor. The old farmer's saying "its all yield, yield, and more yield" rings even truer in today's competitive environment. Lastly, overall fruit surface quality would rate as my third survivability factor. With larger crops and an increased supply now and in the future, second-grade fruit has lost its traditional price gap to the number one fruit and growers are losing a considerable amount of return due to the devalued second-grade fruit.

**I want to take this moment to reassure all of our California growers that we are driven to support you, to continue to improve upon our competitiveness and to remain at the forefront of our industry well into the future.**

*Thank you for your support,*

*Galen Newhouse*



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