



INDEX FRESH®

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SUPPLY

The California harvest is accelerating as we move into late spring and summer. Driven by a large crop, drought and concerns about tree health the harvest is running heavy to small fruit. This phenomenon has fueled a "split" market with size 60's and smaller struggling, while larger sizes are in short supply. California avocados are receiving a premium over fruit from Mexico, but the overall market is depressed, resulting in low prices for California growers. In order to

maximize California returns, Index Fresh has transitioned strong customers into California avocados.

The new premium California Index Fresh® box, coupled with our continued use of the California "hand grown" sticker ensures differentiation of California fruit with both the trade and consumer.

In the export realm your Index Fresh sales team is pushing on all fronts. Index Fresh California avocados are currently available in Japan, Hong Kong, Taiwan and Canada.

Overseas shipments in the Spring and early Summer will be strong as California fruit offers an attractive alternative to old-crop Mexican fruit.

Index's field staff continues to work with growers to achieve GAP certification. Currently, Index Fresh provides an incentive to growers who deliver fruit that has been certified under a Primus Ranch Audit with the Costco Addendum. As major customers increase their food safety requirements

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with an eye on higher levels of certification, Index Fresh will be adjusting our food safety program to help growers meet their expanding needs.

Peruvian shipments will begin in late Spring and peak in July at approximately 125-150 loads per week. Preliminary volume estimates from Peru are projecting 95 million pounds headed to the States or about 25% of their 'Hass' crop. The balance will be used in Europe, Asia, Chile, and processed products.

Mexico volumes will remain heavy through Cinco de Mayo before tapering. The latest crop estimate from APEAM projects that shipments will be 35 to 40 million pounds per week through the end of June. The flor loca harvest will begin in July, and although not as historically large as the 2015 crop, no supply shortages from Mexico are expected during the transition from old-crop to flor loca.

GIOVANNI CAVALETTI, V.P., Sourcing



TODAY'S MARKET IN HISTORICAL CONTEXT

The California industry finds itself in the most difficult market in the last decade. The reasons for the poor market revolve around record volumes from Mexico, increased California supply, a smaller than normal size curve and the anticipation of the arrival of Peruvian avocados. As we work our way through the current market it is a good time to look back at the development of the U.S. avocado demand.



Avocados remain a "young" product, with demand increasing each year as new users come aboard and current users increase their consumption. Demand has increased at over 10% per year for more than a decade. Based upon the number of untapped consumers, this trend will continue and demand will increase for years to come. In most years the escalation in demand stays ahead of supply growth, with the result being favorable markets. Unfortunately, history tells us that periodically the increase in supply outpaces demand driving prices to low levels.

This imbalance in supply and demand occurred most recently in 2010 and before that in 2006, but there have been multiple occurrences since the 1990's when the avocados began to establish themselves as a mainstay of the produce department. Historically, the poor markets arising from over-supply have only lasted a season before consumption and production come back into balance.

The 2016 season represents another of these reoccurring low points in the lifecycle of the U.S. avocado market. Past experience suggests that this year's high volume and the attractive retail prices will help to increase consumption and lay the foundation for future gains in the overall value of the avocado market.

We understand that living through these difficult markets is painful. We also understand that the long-term drought and increased cultural costs are amplifying the concern about the future of the California avocado business. At Index Fresh we believe that there is a strong future for California growers. We base our optimism on the continual expansion of avocado demand and California's premium niche in the market.

DANA THOMAS President



GOING ORGANIC

The demand for organic avocados is strong and growing. Once thought of as a specialty item, organic avocados are now an integral part of the avocado category at large retailers. This change has helped to fuel growth and created an opportunity for California avocado growers. In addition, the demand has evolved to include a greater variety of organic sizes. At one time, the premium for organic fruit was limited to size 60, 48 and 40. Today, buyers are interested in fruit across the size curve. In short, once considered a niche business, organic avocados have achieved mainstream status with demand likely to out pace supply for the immediate future.

Premiums paid to growers for organic avocados are significant, ranging between 15% to 50%. In some cases, where cultural costs are high, growing organically may be an attractive alternative that merits a thorough cost / benefit analysis.

Not Every Grove is a Good Candidate for Going Organic

Depending on a number of factors, your grove may or may not be ideal to convert to organic. Keep in mind that a typical organic grove requires more labor input than a conventional grove. Most organic fertilizers need to be applied by hand and weed control must be done manually as well. If your grove is very steep, performing these tasks may be

very difficult, if not impossible. Also keep in mind that many of the products commonly used in growing avocados such as phosphorous acid for root rot are not permissible in an organic grove. If your grove has root rot, growing organic may not be a good choice. Also, the cost of fertilizers used in organic growing is typically higher than the cost of conventional fertilizers. This higher cost may be offset over time as the addition of organic matter improves soil structure and decreases the amount of actual nitrogen, phosphorous or potassium needed in an organic grove.

What's involved in the Transition?

It takes three years to transition a grove from conventional to organic. Initially, other than good record keeping there's not much to do from a regulatory standpoint, but it is extremely important to accurately record all processes during the transition. All growing practices used during this three year transition must conform to organic principles. For example, any product used in the production of your crop must be approved or certified for organic production. An extensive source of information regarding the rules and regulations can be found at www.ams.usda.gov/about-ams/programs-offices/national-organic-program and here in California there are local resources that can be found at www.ccof.org/ccof



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After three years of adhering to the rules a grower can get certified through a number of companies. A typical audit will involve a review of the records kept over the past three years as well as a tour of the organic operations to insure that the rules are followed. A list of companies certified under the National Organic Program is available at: www.ams.usda.gov/sites/default/files/media/OrganicCertifyingAgentsbyState.pdf

After initial certification, groves must be recertified annually.

Other Considerations

Converting a grove from conventional to organic growing is not easy and takes years to accomplish. Before making this change, the grower should consult with their grove manager and other organic growers to evaluate the costs and benefits. Typical concerns raised by growers contemplating a switch to organic include the impact on yields and the size curve. Explore these questions and those of grove location, soil types and topography with your neighbors as you decide whether organic growing is a viable opportunity for your grove.

JOHN CORNELL, Newsletter Editor



EXPORT

Over the course of the last twenty years, the avocado market has evolved world wide. Asia and Europe have seen tremendous growth in avocado consumption. In addition, South and Central American countries have developed strong track records as avocado consumers. Avocados are making an impact in the diets and cuisines across the world, allowing these markets to help to re-write the book on avocado marketing. At Index Fresh we believe that the opportunity for growth in the export market is staggering.

Index Fresh has been shipping California avocados to Asia for the last several years and we anticipate that this high value business will continue to benefit California growers by providing higher returns than what can be achieved in the U.S. market. Through promotions and education material, Index Fresh is working directly with retailers in Japan, Hong Kong and Taiwan to grow avocado consumption. China has also joined the ranks of markets desiring Hass avocados, with Mexico, Chile and Peru supplying the demand. California avocados are not allowed into China, but the California Avocado Commission is working to overcome the phytosanitary and geopolitical obstacles that swirl around trade between the U.S. and China.

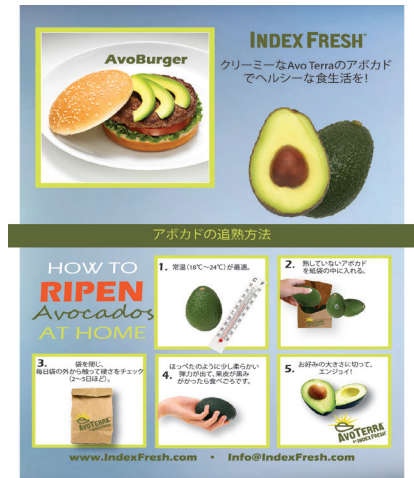


Index Fresh also sees opportunity for California avocados in European Markets. Europe is now consuming the majority of the avocado production of Peru and Chile, as well as taking volume from Israel, Spain, South Africa, Kenya and Morocco. This growth is fueled by the increased acceptance of Hass, the addition of ripening to the distribution chain and the realization by major retailers that avocados are profitable and drive business in their stores. Europe requires a higher level of food safety from its suppliers, with GLOBALG.A.P. audits at packinghouse and grove levels a must to forge a long term presence in both the United Kingdom and continental Europe. If you are interested in implementing Global Gap in your groves, Index stands ready to help with the process.

In order to capitalize on the potential of export, Index Fresh has hired Mark Buhl (see profile on page 5) as Director of International Sales to drive Index's export business. Well versed in the complexities of international trade and conversant in Mandarin, Mark has extensive experience in both Asia and Europe.

We are excited about the opportunities for California growers to be found in expanding markets of Europe and Asia.

DANA THOMAS, President



Ad placement in Japanese magazine



Index Fresh International website





MARK BUHL

Index Fresh has recently named Joseph “Mark” Buhl as Director of International Sales Business Development.

Mark represents the third generation of his family to work in agriculture, with his grandfather, Rex Pursell, serving as president of the Strathmore Sunkist Co-op, an alternate on the Sunkist Board, and the President of the Association of California Water Agencies. It was his grandfather who encouraged Mark to study Chinese in college abroad, which impacted his life in several distinct ways.

During his time at university in China, Mark gained language skills and work experience that have become a major professional asset. There he held an internship with the local Archers Daniel Midland group and worked with many Chinese farming operations in many varied fields.

Mark began his career with an international trading company whose main focus was exports to Europe and the UK. There they built a program of stone fruit, apples, cherries, grapes, and vegetables, for the major importers and supermarkets. After several

years, the company faced adversity with the death of the owner and Mark set out on his own with an export and consulting company. There, he focused on consulting for international food chains, packaging companies, logistic organizations, and global retailers to find and implement efficiencies in their supply chains.

After crossing paths with Index Fresh President & CEO, Dana Thomas, and VP of Sales & Marketing, Todd Elder, professionally several years ago on a project, Mark grew increasingly interested in the company.

“I was always very impressed by the Index Fresh team, and the direction they were going,” said Mark. “When I stumbled across an opening for director of export, I contacted them immediately.”

In his new role at Index Fresh, Mark faces some unique challenges. One of which is simply raising awareness globally about avocados.

“There are lots of people all over the world who know nothing about avocados, their health benefits, or even that they exist,” said

Mark. To illustrate his point, Mark noted that when he told his friends in Chengdu, China about his new position, he had to describe the fruit he would be helping to sell.

Mark relishes the challenge, viewing every market around the world that is currently unfamiliar with avocados as just a new sales opportunity. The way Mark sees it, the world is chock full of potential new avocado lovers.



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The Insider by Index Fresh is a complimentary resource for interested avocado growers. To subscribe, contact your area field staff.



FIELD STAFF

VENTURA

Gary Nichols
805.659.4929

Bailey Diloia
805.570.9720

SANTA BARBARA & SAN LUIS OBISPO

Giuseppe Bonfiglio
805.341.3059

SOUTHERN

Jose Avina
951.676.8696
Keith Blanchard
760.514.7734

EVENTS

SEMINAR 15 ORCHARD REJUVENATION

JUNE 21, 2016
SAN LUIS OBISPO

JUNE 22, 2016
VENTURA

JUNE 23, 2016
FALLBROOK

Locations, dates and times will be announced
closer to the event date.

CONTACT

www.IndexFresh.com
info@IndexFresh.com
fieldreps@IndexFresh.com
800.352.6931

facebook.com/indexfresh
instagram.com/Avoterra_By_IndexFresh

JOHN CORNELL
Editor, Index Fresh
jcornell@indexfresh.com