

The CEO of Calavo Growers believes that some relief from the sky-high avocado prices of late in the U.S. market would start in mid-July as supplies begin to ramp up from the new Mexican season.

Prices in the U.S. have been as high as \$70 to \$80 a carton over recent months amid strong demand and limited supplies.

"We kind of are seeing the summer bloom and the initial estimates on the summer bloom say that there'll be some relief in available product and that would usually start in mid-July," said Brian Kocher.

"But we're just trying to manage our category as it's presented. With high prices, we're trying to keep our inventory really tight. I think one of the advantages of being a marketer of fruit is that we're buying and selling at daily pricing each and every day, and we're carrying a week, a week and a half inventory."

He said that Calavo is able to move along with the market very quick as it moves up and down.

"It doesn't mean that we'll never get caught in a situation. But I think over the long term, having that ability to move up and down with the market, buy and sell every day at a quoted price really is an advantage as you see some of these high market prices," he said.

He added that this part financial quarter - in which Calavo saw an improved year-on-year performance - was "unique".

"We had very strong demand, combined with actually a lot less available product to sell. And I think our organization did a really nice job, a really nice job in managing our gross margin per case," he said.

"In fact, if you compare it to our historical range, it would be much higher than our gross margin per case. Now we were -- than our range. Our gross margin in the second quarter was higher. Now, I think we were priced right in the market with -- the market moved up."

He explained that it was in large part thanks to some of the company's sourcing initiative that allowed it to generate that gross margin improvement, but he added "it was above the historic norm".

"I would expect that it would normalize back to that historic norm. But I think it was a really unique quarter in that our gross margin increase and expansion for the quarter was able to

offset a 13% volume decline and still show improvement quarter over quarter," he said.