Going Avocados!

# We’re Busy!

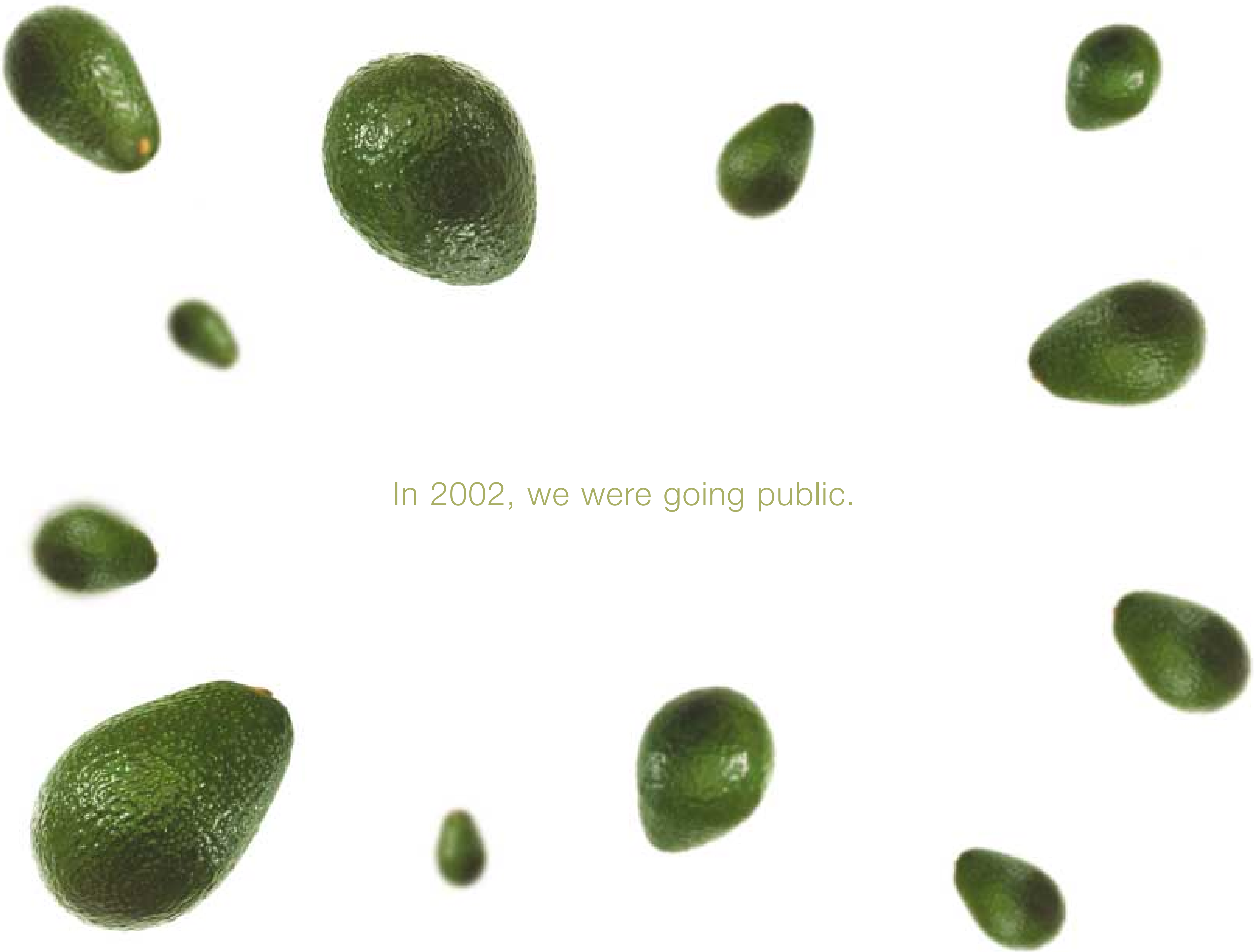
Out-of-our-trees busy,



with new ideas, innovative new products
and ever-greater efficiencies



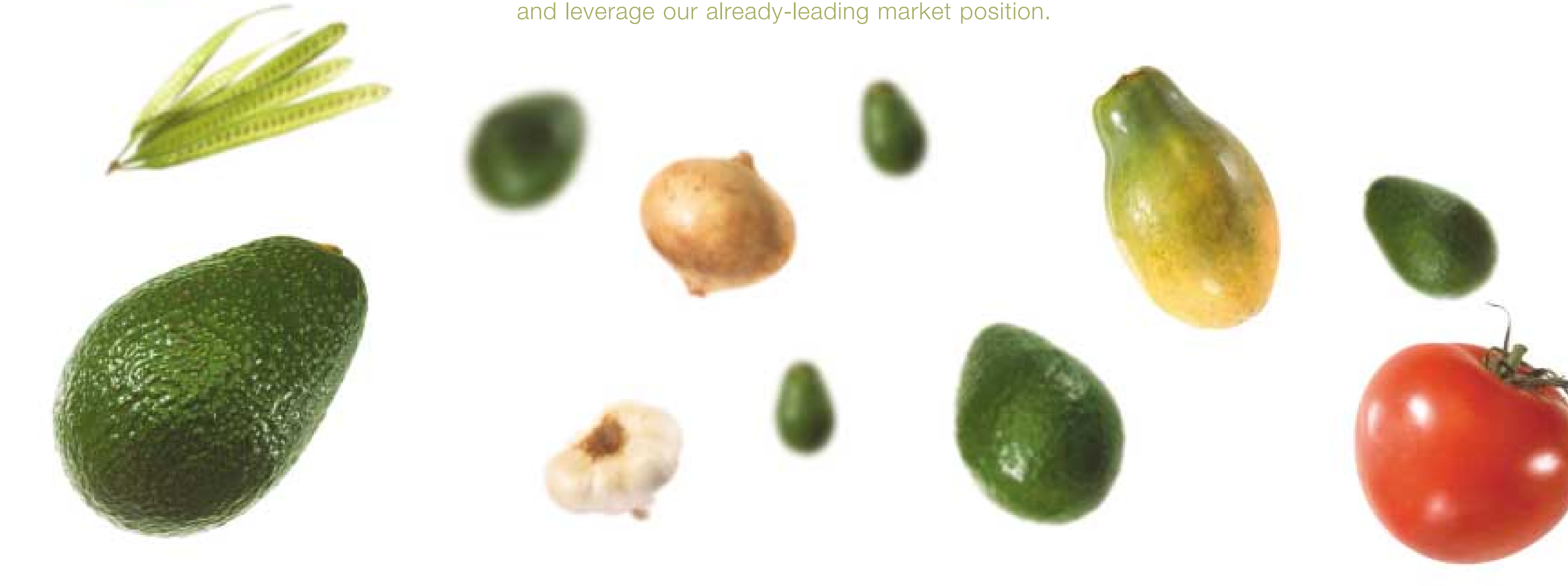

that are spurring profits and building a larger, more diversified company.



In 2002, we were going public.

In 2003, we're going with our company's first-ever acquisition;

we’re retooling ourselves to bring new efficiencies into our business
and leverage our already-leading market position.



But even as we speed forward – building our brand and selling our products in far-flung corners of the world as matter-of-factly as we began selling to the neighborhood grocery – we are always mindful of our roots.

Since beginning as a small cooperative of California avocado growers almost 80 years ago,

Calavo has grown to become the world's leading brand of fresh and processed avocados. Today, we are going, really pushing forward into our future:

No one would have considered the avocado a likely emissary of foreign trade.  But Calavo was going international long before going global was common practice. Forty years ago, leaders of our then-member-owned cooperative paved the way for Calavo's first international sales in Japan. It opened the door to markets around the globe and today Calavo is unarguably the world's leading avocado brand. Last year, in fact, international avocado sales accounted for nearly 30 percent of total Calavo revenues. But sales represent just one factor in the international equation. The other component is the company's success in product procurement: we pack and distribute one out of three Mexican avocados and one of every five grown in Chile, in addition to fruit from New Zealand and the Dominican Republic. In forging international farming alliances, Calavo has created a stable year-round supply of avocados for customers at home and abroad and strengthened the overall market. *The Wall Street Journal* recently cited Calavo's achievements in "transforming itself from a local grower-owned cooperative into a global player…" We embrace global growth and expansion and recognize its importance in strengthening the company at home, too. It's a globalization strategy that's four decades in the making and getting stronger every year.

## Going with international expansion...

The thinking around Calavo probably started something like this: if man could send the Rover to Mars, then why, in avocado's name, couldn't there be a great tasting processed-guacamole product? With a brand name and reputation synonymous with *flavor*, *wholesomeness* and *quality*, creating a guacamole product that met these lofty standards became something of an obsession to us. But we've finally done it. At the heart of our solution is a state-of-the-art, high-pressure processing technology that produces a guacamole unrivaled by other packaged products and, in our not-unbiased view, most fresh-made, as well. This sophisticated machinery not only locks in the flavor and natural goodness of the avocados but increases shelf life as well. So, what happens when you introduce a product that tastes this delicious and lasts so long? In its first year of production, available only to the foodservice category, Calavo sold every ounce it could manufacture! And fiscal 2004 promises to be just as auspicious as we're not only going—but coming—to a grocer's shelf near you! Talk about going avocados, err, guacamole!

## Going with innovative new products...

Bienvenidos and welcome to Calavo's new Uruapan, Mexico processed-products plant. The numbers alone are formidable: a gleaming new, world-class 90,000-square-foot manufacturing facility; a minimum of $2 million in transportation savings annually; and high-pressure processed guacamole production capacity of 12 million pounds per year, equal to seven times present output. No longer do Mexican-grown avocados require shipping to two distant facilities for processing. Fruit moves from grove to manufacturing in a matter of days. Even more impressive, though, this outstanding new facility—now encompassing processing and packing—was completed on-time and on-budget in February 2004, less than one year following Calavo's decision to restructure processed operations to gain these greater efficiencies. Most significant of all, the accelerated pace at which we executed the restructuring signals a fundamental shift in Calavo corporate culture – a newfound emphasis on clock-speed we are infusing throughout all operations. The operative word is *energy*, and we are employing it in droves to identify efficiencies, fuel growth and strengthen the underpinnings of our company.

Going with efficient new facilities...

Meet Maui Fresh International, an established and respected name in the commodity produce sector. You've likely heard of them. What's news, of course, is that this multi-line marketer of tropical fruits, specialty produce, chilies, and a cornucopia of other items, is now part of the Calavo family. This complementary acquisition – Calavo's very first – diversifies our company beyond avocados and papayas; we immediately become a veritable green grocery. Calavo's financial strength and infrastructure in turn provide Maui Fresh with necessary resources for future growth. Consider the cross-selling potential alone: opportunities to further expand avocado sales into the Hispanic market, where Maui Fresh enjoys strong acceptance for its broad range of chilies. Conversely, the subsidiary immediately gains sales leverage with large customers that Calavo's size and market position affords. And this is only the beginning of the possibilities; as the saying goes, this train is just leaving the station and it is going places. Jump aboard the Avocado Express.

Going with dynamic acquisitions...

And finally, going with the same tried-and-true approach to our core business that has carried us to success for over three quarters of a century. At Calavo, The First Name in Avocados™ didn't earn its distinction by standing still, but by always going forward... moving our company and our brand in new directions... continuing to plant the seeds for growth and increased profitability... and, in the process, invigorating our company like never before.

At Calavo, We're Going Avocados! We're Going Papayas...Onions! Chilies! Maradol Papayas! Bell Peppers! Squash! Tomatoes! Onions! Ginger! Pineapples! Jicama!
Coconuts! Mangoes! Garlic! Cucumbers! Eggplant! Melons! Beans! Grapes! Corn! Onions! Chilies! Maradol Papayas! Bell Peppers! Squash! Tomatoes! Ginger! Chilies!
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Beans! Jicama! Coconuts! Mangoes! Onions! Chilies! Maradol Papayas! Bell Peppers! Squash! Tomatoes! Onions! Ginger! Pineapple! At Calavo, We're Going Places!

# To Our Shareholders

Fiscal 2003 witnessed Calavo Growers, Inc. (please take your pick from the following): (a) Going Gangbusters!, (b) Going Great Guns!, or for obvious reasons my personal preference and the theme of this annual report, (c) Going Avocados!

Please indulge my uncharacteristic burst of exhilaration because last year was another great one for our company. My word play more precisely underscores record financial results for the second consecutive year, with revenues and net income hitting new highs, as well as a string of outstanding operating achievements that include: Calavo's first-ever acquisition; a major restructuring of our processed-products unit and relocation to a new Uruapan, Mexico plant; and surging initial sales and market acceptance for our truly delicious ultra-high-pressure guacamole.

## Record Operating Results, Balance Sheet

For the fiscal year ended October 31, 2003, revenue climbed to $246.8 million, eclipsing the prior year's record sales of $242.7 million. Net income advanced to $7.2 million from $6.9 million in fiscal 2002. Fully diluted earnings per share totaled $0.55, which compares with $0.60 per diluted share one year earlier. Fiscal 2003 per share results are based on nearly 12 percent more shares outstanding.

Our ability to post consecutive record numbers is particularly gratifying in view of a cyclically lower California avocado harvest during 2003, which resulted in a nine percent year-to-year revenue decline in our largest business segment. As our operating results indicate, we more than offset this drop through sound diversification, namely sales and profit advances in our international avocado and processed products units that I will expand upon below.

Calavo's balance sheet grew increasingly strong and flexible last year. The company retired a $2.8 million general obligation bond related to construction of its Temecula, California packinghouse, eliminating virtually all long-term debt. Shareholders' equity rose 22 percent to $37.1 million from $30.6 million at the conclusion of fiscal 2002. Our leverage-free financial condition provides the company with ample resources to implement its strategic agenda.

## Dividend Increase Anchors Shareholder Returns

In view of Calavo's outstanding performance – including robust cash flows from operations that soared over 80 percent year-to-year – and supreme confidence in the strength of our underlying businesses and future prospects, the board of directors raised the annual cash dividend on the company's common by 25 percent to $0.25 per share, which was paid on January 5, 2004. Our board places considerable effort on increasing the value of our shareholders' investment in the company. In that vein, total shareholder return – including stock appreciation and paid dividends – approximated an impressive 50 percent during fiscal 2003.

Over the years, I have expounded at length on the rationale for global expansion and its importance to the company. Examining Calavo's fiscal 2003 operating performance by business segment provides the most compelling case-in-point yet for our diversification strategy into global markets. Through these focused efforts, we have built a substantial international avocado and perishable

products unit that last year comprised 28 percent of total company sales – owing in part to surging sales in Japan and other Asia markets – and enabled Calavo to weather the unexpectedly smaller 2003 crop in its major California unit while still reporting record numbers.

## Three Initiatives That Shape Future Growth

In an accomplishment-filled year, three truly pivotal achievements defined fiscal 2003 for Calavo. I expect each to have significant impact on our company's transformation into a larger, stronger and more broadly based corporation. While these initiatives are the subject of feature sections on the preceding pages, let me provide my own commentary here, as well.

First, our purchase of Maui Fresh International, Inc. in an all-stock transaction valued at $4.05 million was completed just subsequent to fiscal-year-end. A well-regarded brand with a diversified line of tropical fruits, chilies and hothouse items, Maui Fresh – which posted revenues of about $20 million during it's fiscal year ended December 31, 2002 – which should be accretive to earnings in fiscal 2004 and offers excellent possibilities for further profitable expansion as it begins to capitalize upon Calavo resources. Furthermore, in an industry rich with consolidation opportunities, the transaction is indicative of our strategy to pursue selective acquisitions that add breadth, diversification and profitable growth to our already-dominan California and international avocado businesses. Our initial acquisition validates Calavo's decision last year to become a publicly traded corporation. In listing our common stock on a major exchange, we unlocked the value of our company's shares and created the strong currency to use for all-stock acquisitions like Maui Fresh without the need to leverage Calavo's balance sheet.

Second, the restructuring and relocation of processed operations to an absolutely world-class new facility in Uruapan, Mexico brings with it operating efficiencies and economies of scale that, frankly put, were essential to restoring success to that business unit. The restructuring increases our competitiveness in the processed-avocado category by significantly realigning our cost structure. It brings processed operations into the producing area where the avocados are procured. In doing so, it enables better utilization of overhead and just-in-time delivery of fruit for processing, obviating the need to maintain the high inventory levels of the past and, in turn, further strengthening our balance sheet. Anticipated, too, are transportation-cost savings of $2 million alone, before even factoring in additional, expected overhead economies from the realignment. As I write this letter, production is only beginning to ramp up. We anticipate the benefits and cost savings to become evident in our operating results during the second half of fiscal 2004, after the facility is fully optimized.

And lastly, in its first full year of availability, our high-pressure guacamole began with a tremendous start and served as the catalyst for a strong sales resurgence in the processed product unit. As projected, first-year sales of high-pressure guacamole grew to 10 percent of the business unit's total revenues. But this is only the beginning. As processed manufacturing shifts to Uruapan and, initially, two high-pressure machines in operation, capacity rockets to 12 million pounds of pulp

per year, equal to seven times last year's output. This additional volume is expected to serve us well, supporting Calavo's imminent launch of high-pressure guacamole products into the consumer category.

## Capital Investment in Our Businesses, California Industry Strength

Turning to the year ahead, the company will continue to reinvest judiciously in its businesses, appropriating capital expenditures for initiatives that drive well-planned growth. To this end, we anticipate adding a third ultra-high-pressure system in the new Uruapan processed-products facility to expand output still further. Also in the works are plans to construct additional fresh-avocado ripening rooms in support of ProRipe™, Calavo's recently initiated capability that delivers ready-to-eat fruit to our customers and is central to our strategy of expanding overall domestic avocado consumption. The added facilities, which will increase our ripening capacity by 50 percent, are to be strategically located around the United States to serve Calavo's customer base. While too new to quantify, we are seeing very promising early indicators that ProRipe is, indeed, spurring avocado acceptance and have considerable confidence in its future potential.

Last year's cyclical crop-size downturn aside, the California avocado industry is showing greater strength than ever. As a long-time grower myself, I understand that the occasional off-year happens – the volume just didn't materialize. Industry forecasts anticipate a substantial rebound in the 2004 harvest. Furthermore, significant new acreage is being planted, as farmers plow under and replace other less-profitable crops with avocado trees. These groves ultimately beget greater volumes, which clearly is good news and fortifies our industry and, as the market leader, bodes well for Calavo as it captures its fair share of the expected bounty. Providing unsurpassed resources and competitive returns, Calavo delivers an outstanding value proposition to its growers – just ask the 2,200 who are affiliated with us already. Our company thrives on volume through its packinghouses,

enabling the operating efficiencies and economies of scale that propel our margins. Calavo possesses sufficient capacity to handle annual volume of 200 million pounds at its California packinghouses in Temecula and Santa Paula. Building our grower base still further, it is my intention to utilize every available pound.

Going to new heights requires single-minded commitment and dedication. For this, let me express thanks to our management team and employees for their hard work; gratitude to our board of directors for their guidance and wisdom; and appreciation to our customers for their loyalty. To our shareholders and growers I extend sincere thanks, as well, and look forward to reporting to you again on Calavo's many accomplishments.

Sincerely,

Lee E. Cole
Chairman, President
and Chief Executive Officer
February 29, 2004

# Board of Directors

From left to right

Lecil E. Cole Chairman of the Board, President, Chief Executive Officer, Calavo Growers, Inc. Santa Paula, California ▪ Scott N. Van Der Kar General Manager, Van Der Kar Family Farms (Pinehill Ranch) Carpinteria, California ▪ John M. Hunt Manager, Embarcadero Ranch Goleta, California ▪ J. Link Leavens General Manager, Leavens Ranches Ventura, California ▪ Dorcas H. Mc Farlane Owner & Operator, J.K. Thille Ranches Santa Paula, California ▪ Alva V. Snider Avocado Grower, Fallbrook, California ▪ Roy V. Keenan Avocado Grower, Temecula, California ▪ Donald M. Sanders President, S&S Grove Management Escondido, California ▪ Fred J. Ferrazzano President & Chief Executive Officer, Ferrazzano Farms Escondido, California ▪ Mike Hause President/Chief Executive Officer, Santa Clara Valley Bank Santa Paula, California

# Financial Results

Revenues
(dollars in millions)


Net Income
(dollars in millions)


Earnings per Share
(in dollars)


Shareholders' Equity
(dollars in millions)


This Annual Report contains statements relating to future results of Calavo Growers, Inc. (including certain projections and business trends) that are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the "safe harbor" created by those sections. Forward-looking statements frequently are identifiable by the use of words such as "believe," "anticipate," "expect," "intend," "will," and other similar expressions. Our actual results may differ materially from those projected as a result of certain risks and uncertainties. These risks and uncertainties include, but are not limited to: increased competition, conducting substantial amounts of business internationally, pricing pressures on agricultural products, adverse weather and growing conditions confronting avocado growers, new governmental regulations, as well as other risks and uncertainties, including those set forth in Part I., Item 1 under the caption "Risks Related to Our Business" and elsewhere in our Annual Report on Form 10-K and those detailed from time to time in our other filings with the Securities and Exchange Commission. These forward-looking statements are made only as of the date hereof, and we undertake no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

# Financial Highlights

# Selected Consolidated Financial Data

The following summary consolidated financial data (other than pounds information) for each of the years in the five-year period ended October 31, 2003 are derived from the audited consolidated financial statements of Calavo Growers, Inc. and our predecessor, Calavo Growers of California.

Historical results are not necessarily indicative of results that may be expected in any future period. The following data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and notes thereto that are included elsewhere in this Annual Report.

| Fiscal Year Ended October 31, (In thousands, except per share data) | 2003 | 2002 | 2001 | 2000 | 1999 |
|---|---|---|---|---|---|
| **Income Statement Data** | | | | | |
| Net sales | $ 246,761 | $ 242,671 | $ 217,704 | $ 220,712 | $177,853 |
| Gross margin | 25,465 | 25,823 | 18,808 | 19,554 | 14,302 |
| Provision for income taxes | 4,319 | 5,727 | 2,744 | 2,430 | 229 |
| Net income | 7,160 | 6,915 | 3,838 | 4,476 | 244 |
| Basic and diluted net income per share(1) | $ 0.55 | $ 0.60 | $ 0.37 | $ 0.43 | $ 0.02 |
| **Balance Sheet Data as of End of Period** | | | | | |
| Working capital | 20,735 | 18,833 | 9,799 | 12,559 | 8,824 |
| Total assets | 53,689 | 55,132 | 52,368 | 46,537 | 43,295 |
| Short-term debt | 24 | 3,222 | 16,241 | 9,486 | 9,148 |
| Long-term debt, less current position(2) | 61 | 3,180 | 3,429 | 3,820 | 4,331 |
| Shareholders’ equity | 37,147 | 30,556 | 20,029 | 21,066 | 16,477 |
| **Cash Flows (Used in) Provided by** | | | | | |
| Operations | 15,222 | 8,135 | 1,161 | 2,958 | (6,624)(3) |
| Investing(4) | (4,475) | (2,078) | (2,029) | (1,685) | (1,171) |
| Financing | (6,293) | (7,193) | 1,433 | (1,239) | 6,920(3) |
| **Other Data** | | | | | |
| Dividends per share(2) | $ 0.25 | $ 0.20 | $ 0.50(2) | $ – | $ 0.12 |
| Net book value per share | $ 2.87 | $ 2.38 | $ 2.01 | $ 2.13 | $ 1.67 |
| Pounds of California avocados delivered | 114,844 | 149,217 | 158,449 | 119,247 | 82,227 |
| Pounds of international avocados sold | 70,348 | 69,512 | 44,935 | 42,300 | 32,630 |
| Pounds of processed avocados sold | 14,707 | 14,248 | 14,788 | 14,962 | 9,815 |

(1) Dividends per share for fiscal 2001 represent the payment of our dividend to shareholders for the results of our fiscal 2000 operations. We did not declare a cash dividend in connection with our fiscal 2001 operating results. In December 2001, we declared a 5% stock dividend payable February 15, 2002 for all shareholders of record as of February 1, 2002. Basic and diluted earnings per share for all periods presented have been restated to reflect the 5% stock dividend. Dividends per share and net book value per share are computed based on the actual shares outstanding.

(2) In July 2003, our Board of Directors approved the retirement of our Industrial Development Revenue Bond. The bonds were initially floated to provide the financing to construct our Temecula, California packinghouse. We repaid $2.8 million in principal under the indenture in September 2003.

(3) Cash flows used in operations for fiscal 1999 include the effect of higher accounts receivable balances as of October 31, 1999 when compared to October 31, 1998. The increase in accounts receivable during the year is a result principally of higher California and imported avocado sales. Cash flows from financing activities for fiscal 1999 relate principally to amounts borrowed under short-term borrowing agreements to finance our increased operating cash flow needs and fund our fiscal 1998 investing activities.

(4) Cash flows used in investing activities for fiscal 2003 include the effect of constructing a processing facility in Uruapan, Michoacan, Mexico. The completion of this processed facility is projected to be near the end of our first fiscal quarter 2004.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations together with "Selected Consolidated Financial Data" and our consolidated financial statements and notes thereto that appear elsewhere in this Annual Report.

## Overview

We are a leader in the distribution of avocados, processed avocado products, and other perishable food products throughout the United States and elsewhere in the world. Our history and expertise in handling California grown avocados has allowed us to develop a reputation of delivering quality products, at competitive prices, while providing a competitive return to our growers. This reputation has enabled us to expand our product offering to include avocados sourced on an international basis, processed avocado products, and other perishable foods. We report these operations in three business segments: California avocados, international avocados and other perishable food products and processed products. We report our financial results on a November 1 to October 31 fiscal year basis to coincide with the California avocado harvest season.

Our California avocado business grades, sizes, packs and cools avocados grown in California for delivery to our customers. We presently operate two packinghouses in Southern California. These packinghouses handled approximately 34% of the California Hass avocado crop during the 2003 fiscal year, based on data obtained from the California Avocado Commission. Our operating results and the returns we pay our growers are highly dependent on the volume of avocados delivered to our packinghouses, as a significant portion of our costs are fixed. Our strategy calls for continued efforts in aggressively recruiting new growers, retaining existing growers and procuring a larger percentage of the California avocado crop to improve our results from operations.

Our international and perishable food products business procures avocados grown in Mexico, Chile, New Zealand, and the Dominican Republic, as well as papayas grown in Hawaii. We operate a packinghouse in Mexico that handled approximately 31% of the Mexican avocado crop bound for the United States market during the 2002-2003 Mexican harvest season, based on our estimates. Additionally, during the 2002-2003 Chilean avocado harvest season, we handled approximately 15% of the Chilean avocado crop, based on our estimates. Our strategy is to procure and sell the internationally grown avocados to complement our distribution efforts in support of California grown avocados. We believe that the introduction of these avocados, although competitive at times with California grown avocados, provides a level of supply stability that may, over time, help solidify the demand for avocados among consumers in the United States and elsewhere in the world. We believe our efforts in distributing papayas grown in Hawaii complement our offerings of avocados. From time to time, we continue to explore distribution of other crops that provide reasonable returns to the business.

Our processed products business procures avocados, processes avocados into a wide variety of guacamole products, and distributes the processed product to our customers. During fiscal 2003, we operated a processing plant in Mexico and a second facility in Southern California. The second facility, however, was closed in February 2003 in conjunction with the relocation of our processed business to our new, under construction, facility in Uruapan, Michoacan, Mexico. We anticipate this facility will be completed near the end of our first fiscal quarter in 2004. Our customers include both food service industry and retail businesses. Our strategy calls for the development of new guacamole recipes and other processed avocado products that address the diverse taste of today's consumers. We also seek to expand our relationships with major food service companies and develop alliances that will allow our products to reach a larger percentage of the marketplace.

Our California avocado and international and perishable food product businesses are highly seasonal and are characterized by rapid crop volume and price changes. Furthermore, the operating results of all of our businesses, including our processed product business, have been, and will continue to be, affected by substantial quarterly and annual fluctuations and market downturns due to a number of factors, such as pests and disease, weather patterns, changes in demand by consumers, the timing of the receipt, reduction, or cancellation of significant customer orders, the gain or loss of significant customers, market acceptance of our products and our customers' products, our ability to develop, introduce, and market new products on a timely basis, availability and cost of avocados and supplies from growers and vendors, new product introductions by our competitors, change in the mix of avocados and processed products we sell, and general economic conditions. We believe, however, that we are currently positioned to address these risks and deliver favorable operating results for the foreseeable future.

On October 9, 2001, we completed a series of transactions whereby common and preferred shareholders of Calavo Growers of California, an agricultural marketing cooperative association, exchanged all of their outstanding shares for shares of our common stock. Concurrently with this transaction, the Cooperative was merged into us with Calavo Growers, Inc. emerging as the surviving entity. These transactions had the effect of converting the legal structure of the business from a non-profit cooperative to a for-profit corporation. The merger and the conversion were approved on an overwhelming basis by both the Cooperative's shareholders and our board of directors. Prior to the merger, the Cooperative reported results of operations as constituting either member (the packing and distribution of avocados procured from either members or associate members) or non-member business (non-member business included both the processed product business and the sourcing and distribution of all crops that were not procured from the Cooperative's members). We have realigned our businesses to combine within our California avocado segment the results of operations of both the California avocados grown previously by members and those that were procured from non-members. We believe that this presentation provides an enhanced view of the results of our California operations and a better framework to evaluate the results of our various operations.

## Recent Developments

### Dividend Payment

In January 2004, we paid a $0.25 per share dividend in the aggregate amount of $3,232,000 to shareholders of record in November 2003.

### Stock options

During the year ended October 31, 2003, 95,000 stock options were exercised for proceeds totaling $475,000.

In December 2003, our Board of Directors approved the issuance of options to acquire a total of 50,000 shares of our common stock to two members of our Board of Directors. Each option to acquire 25,000 shares vests in substantially equal installments over a 3-year period, has an exercise price of $7.00 per share and has a term of 5 years from the grant date. The market price of our common stock at the grant date was $10.01. In accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," we will record compensation expense of approximately $151,000 over the vesting period of three years from the grant date.

### Purchase commitment

In May 2003, we entered into a commitment to purchase approximately 1.3 million pounds of processed avocado products from a supplier for a cost of approximately $1.5 million over a 12-month period. Through December 2003, we have received substantially all products subject to this commitment.

### Acquisition

In order to diversify our product lines and increase synergies within the marketplace, we acquired all the outstanding common shares of Maui Fresh International, Inc. ("Maui") for 576,924 shares of our common stock valued at $4.05 million in November 2003. Maui, which generated approximately $20 million in revenues during its fiscal year ended December 31, 2002, is a specialty produce company servicing a wide array of retail, food service, and terminal market wholesale customers with over 25 different specialty commodities. The value of our common stock issued in conjunction with the acquisition was based on the average quoted market price of our common stock for 3 days before and after the announcement date.

As security for certain potential contingencies, such as unrecorded liabilities, we are entitled to hold approximately 58,000 shares issued in conjunction with such acquisition for one full year from the acquisition date. In the event that these contingencies resolve as we expect them to, we will be obligated to return these shares.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. Such estimates are preliminary and are subject to change upon receipt of valuation information:

| (in thousands) November 7 | | 2003 (Preliminary) |
|---|---|---|
| Fixed assets | $ | 114 |
| Goodwill and intangible assets | | 4,046 |
| Total assets acquired | | 4,160 |
| Current liabilities | | 110 |
| Net assets acquired | $ | 4,050 |

Goodwill is not subject to amortization and is generally not expected to be deductible for tax purposes.

### Processed product segment restructuring

In February 2003, our Board of Directors approved a plan whereby the operations of our processed products business will be relocated. The plan calls for the closing of our Santa Paula, California and Mexicali, Baja California Norte processing facilities and the relocation of these operations to a new facility in Uruapan, Michoacan, Mexico. We believe that this restructuring will provide cost savings in the elimination of certain transportation costs, duplicative overhead structures, and savings in the overall cost of labor and services. We anticipate that the facility will be completed near the end of our first fiscal quarter 2004. The Santa Paula facility closed in February 2003. We plan to close the Mexicali facility during calendar year 2004, but no firm closing date has yet been determined.

Through October 31, 2003, we have incurred costs related to this restructuring approximating $1,304,000. Our income statement for the year ended October 31, 2003 includes $890,000 as cost of sales, $106,000 as special charges, and $308,000 as selling, general and administrative expenses. These costs are comprised of the following components as of and for the year ended October 31, 2003:

| (in thousands) | Special charges | Amounts paid | Non-cash charges | Reserves remaining to be utilized |
|---|---|---|---|---|
| Employee separation costs | $ 74 | $ (74) | $ – | $ – |
| Write-down of fixed assets | | | | |
| (net book value of $32) | 32 | – | (32) | – |
| Total special charges | 106 | (74) | (32) | – |
| Selling, general and | | | | |
| administrative – freight | 308 | (308) | - | – |
| Cost of sales - facility operating costs | 890 | (693) | (197) | – |
| | $ 1,304 | $ (1,075) | $ (229) | $ – |

Special charges recorded through October 31, 2003 consist entirely of employee separation costs and write-downs of fixed assets. All employee separation costs were paid in cash and represent final payments to 26 production and 4 managerial employees formerly working at our Santa Paula, California processing facility. We expect to pay additional employee separation costs in connection with our planned future closure of our Mexicali, Baja California Norte production facility, which will be recognized when incurred, in accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." Those costs have not yet been quantified and are expected to be accrued for and paid during fiscal year 2004. Costs related to the write-down of fixed assets represent a non-cash charge to reduce the carrying value of production assets located at our Santa Paula, California processed facility to their fair value. These write-downs were primarily the result of fixed assets no longer being used in the production process. As of October 31, 2003, we have not accrued for any charges relating to the write-down of production assets being held at our Mexicali, Baja California Norte production facility as it is anticipated that all such assets will be re-commissioned at our new facility in Uruapan, Michoacan or their carrying value is less than their net realizable value.

## Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we re-evaluate all of our estimates, including those related to the areas of customer and grower receivables, inventories, useful lives of property, plant and equipment, promotional allowances, income taxes, retirement benefits, and commitments and contingencies. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may materially differ from these estimates under different assumptions or conditions as additional information becomes available in future periods.

Management has discussed the development and selection of critical accounting policies and estimates with the Audit Committee of the Board of Directors and the Audit Committee has reviewed our disclosure relating to critical accounting policies and estimates in this Annual Report.

We believe the following are the more significant judgments and estimates used in the preparation of our consolidated financial statements.

Advances to Suppliers. We advance funds to third-party growers primarily in California, Chile and Mexico for various farming needs. These advances are generally secured with a crop lien or other collateral owned by the grower. We continuously evaluate the ability of these growers to repay advances and the fair value of the collateral in order to evaluate the possible need to record an allowance.

Promotional Allowances. We provide for promotional allowances at the time of sale, based on our historical experience. Our estimates are generally based on evaluating the average length of time between the product shipment date and the date on which we pay the customer the promotional allowance. The product of this lag factor and our historical promotional allowance payment rate is the basis for the promotional allowance included in accrued expenses on our balance sheet. Actual amounts may differ from these estimates and such differences are recognized as an adjustment to net sales in the period they are identified.

Cash rebates are generally earned by our customers upon achievement of volume purchases or by corporate customers for purchases made by their affiliated subsidiaries. Cash rebates, as well as all other sales incentives that result in a reduction in, or refund of, the selling price at the time of sale, have been classified as a reduction of sales.

Net Sales. We recognize sales once they are realizable and earned. Sales of products and related costs of products sold are recognized when persuasive evidence of an arrangement exists, shipment has been made, title passes, the price is fixed or determinable and collectibility is reasonably assured. Perishable product sales are recorded when the product is shipped, title passes, and the sales price is known. Sales from processed products are recorded when the product is shipped and title and risk passes. Service revenue, including freight, ripening, storage, bagging and palletization charges, is recorded when services are performed and sales of the related products are delivered.

Allowance for customer deductions. We provide an allowance for customer deductions and receivable balances remaining, after partial invoice payments, based on historical experience and the aging of the related accounts receivable.

## Results of Operations

The following table sets forth certain items from our consolidated statements of income, expressed as percentages of our total net sales, for the periods indicated:

| Year ended October 31, | 2003 | 2002 | 2001 |
|---|---|---|---|
| Net Sales | 100.0% | 100.0% | 100.0% |
| Gross margins | 10.3% | 10.6% | 8.6% |
| Selling, general and administrative | 6.0% | 5.7% | 5.8% |
| Operating income | 4.3% | 4.9% | 2.9% |
| Other expense (income), net | (0.4)% | (0.3)% | (0.2)% |
| Net income | 2.9% | 2.8% | 1.8% |

## Net Sales

We believe that the fundamentals for our products continue to be favorable. Government census studies continue to indicate a shift in the demographics of the U.S. population in which larger portions of the population descend from a Hispanic origin. Avocados are considered a staple item purchased by Hispanic consumers and their acceptance as part of American cuisine continues to spur demand for our products. We anticipate avocado products will further penetrate the United States marketplace driven by growth in the Hispanic community and general acceptance in American cuisine. As the largest marketer of avocado products in the United States, we believe that we are well positioned to leverage this trend and to grow all segments of our business.

We recognize sales of perishable products when the product is shipped, title and risk passes, and the market price is known. Service revenue, including freight, ripening, and palletization charges, are recorded when services are performed and/or the product is shipped. We generally recognize sales from processed product sales directly to our customers upon shipment and transfer of title and risk. We provide for sales returns and other allowances at the time of shipment, based on our experience. The following table summarizes our net sales by business segment:

| (Dollars in thousands) | 2003 | Change | 2002 | Change | 2001 |
|---|---|---|---|---|---|
| Net sales: | | | | | |
| California avocados | $ 149,635 | (9.4)% | $ 165,077 | 10.7% | $ 149,158 |
| International avocados and perishable food products | 75,347 | 27.5% | 59,083 | 25.6% | 47,048 |
| Processed products | 32,360 | 8.0% | 29,960 | (0.5)% | 30,107 |
| Eliminations | (10,581) | | (11,449) | | (8,609) |
| Total net sales | $ 246,761 | 1.7% | $ 242,671 | 11.5% | $ 217,704 |
| As a percentage of net sales: | | | | | |
| California avocados | 60.6% | | 68.0% | | 68.1% |
| International avocados and perishable food products | 28.0% | | 22.2% | | 19.9% |
| Processed products | 11.4% | | 9.8% | | 12.0% |
| | 100.0% | | 100.0% | | 100.0% |

Net sales for the year ended October 31, 2003, when compared to 2002, grew by approximately $4.1 million, or 1.7%, principally as a result of growth experienced by our International avocados and perishable food products and our processed products segments, partially offset by a decrease in our California avocados segment. In particular, growth in our net sales reflects an increasing percentage of our business being generated by our International avocados and perishable food product segments.

Net sales generated by our International avocados and perishable food products business depends principally on the availability of Chilean and Mexican grown avocados in the U.S. markets. Currently, Mexican grown avocados are significant during our first two fiscal quarters. Chilean grown avocados are significant during our 1st and 4th fiscal quarters. We are presently reviewing the impact, if any, of the pest risk assessment issued by the USDA during fiscal 2003, which, if adopted as drafted, would lift current import limitations on Hass avocados from Mexico. The marketing of the Mexican avocados is presently limited to 31 states, from the middle of October to the middle of April. This directive is intended to analyze the risks associated with expanding the importation of Mexican avocados to all U.S. states for the entire year. We believe that this assessment will be adopted, in a form substantially similar to its draft form, during our fiscal 2004. We are unable to project the impact, if any, the adoption of this proposed assessment will have on our financial condition and results of operations.

Notwithstanding the aforementioned pest risk assessment, we anticipate the continuation of growth in our International avocados and perishable food product segment for fiscal 2004. Additionally, we anticipate slightly increasing sales in our processed products business and also anticipate continued growth in net sales generated from value-added bagging and ripening services, as well as the need to promote our products with additional sales incentives. We also anticipate that sales generated from our California avocados and International avocados and perishable food products segments will continue to represent the majority of total net sales and the percentage of total net sales generated from these segments may increase in the future.

The following tables set forth sales by product category, freight and other charges and sales incentives, by segment (dollars in thousands):

| | Year ended October 31, 2003 | | | | Year ended October 31, 2002 | | | |
|---|---|---|---|---|---|---|---|---|
| | California avocados | International avocados and perishable food products | Processed products | Total | California avocados | International avocados and perishable food products | products | Total |
| Third-party sales: | | | | | | | | |
| California avocados | $ 140,795 | $ – | $ – | $ 140,795 | $ 153,878 | $ – | $ – | $ 153,878 |
| Imported avocados | – | 56,306 | – | 56,306 | – | 43,715 | – | 43,715 |
| Papayas | – | 2,920 | – | 2,920 | – | 2,658 | – | 2,658 |
| Miscellaneous | – | 30 | – | 30 | – | 42 | – | 42 |
| Processed - food service | – | – | 28,545 | 28,545 | – | – | 24,964 | 24,964 |
| Processed - retail and club | – | – | 5,165 | 5,165 | – | – | 5,141 | 5,141 |
| Total fruit and product sales to third-parties | 140,795 | 59,256 | 33,710 | 233,761 | 153,878 | 46,415 | 30,105 | 230,398 |
| Freight and other charges | 8,997 | 10,079 | 290 | 19,366 | 11,381 | 7,540 | 217 | 19,138 |
| Total fruit and product sales to third-parties | 149,792 | 69,335 | 34,000 | 253,127 | 165,259 | 53,955 | 30,322 | 249,536 |
| Less sales incentives | (157) | (251) | (5,958) | (6,366) | (182) | (150) | (6,533) | (6,865) |
| Total net sales to third-parties | 149,635 | 69,084 | 28,042 | 246,761 | 165,077 | 53,805 | 23,789 | 242,671 |
| Intercompany sales | – | 6,263 | 4,318 | 10,581 | – | 5,278 | 6,171 | 11,449 |
| Net sales | $ 149,635 | $ 75,347 | $ 32,360 | 257,342 | $ 165,077 | $ 59,083 | $ 29,960 | 254,120 |
| Intercompany sales eliminations | | | | (10,581) | | | | (11,449) |
| Consolidated net sales | | | | $ 246,761 | | | | $ 242,671 |

| | Year ended October 31, 2002 | | | | Year ended October 31, 2001 | | | |
|---|---|---|---|---|---|---|---|---|
| | California avocados | International avocados and perishable food products | Processed products | Total | California avocados | International avocados and perishable food products | products | Total |
| Third-party sales: | | | | | | | | |
| California avocados | $ 153,878 | $ – | $ – | $ 153,878 | $ 137,166 | $ – | $ – | $ 137,166 |
| Imported avocados | – | 43,715 | – | 43,715 | – | 34,566 | – | 34,566 |
| Papayas | – | 2,658 | – | 2,658 | – | 3,378 | – | 3,378 |
| Miscellaneous | – | 42 | – | 42 | – | 41 | – | 41 |
| Processed - food service | – | – | 24,964 | 24,964 | – | – | 25,912 | 25,912 |
| Processed - retail and club | – | – | 5,141 | 5,141 | – | – | 5,625 | 5,625 |
| Total fruit and product sales to third-parties | 153,878 | 46,415 | 30,105 | 230,398 | 137,166 | 37,985 | 31,537 | 206,688 |
| Freight and other charges | 11,381 | 7,540 | 217 | 19,138 | 11,304 | 5,256 | 59 | 16,619 |
| Total fruit and product sales to third-parties | 165,259 | 53,955 | 30,322 | 249,536 | 148,470 | 43,241 | 31,596 | 223,307 |
| Less sales incentives | (182) | (150) | (6,533) | (6,865) | (276) | (14) | (5,313) | (5,603) |
| Total net sales to third-parties | 165,077 | 53,805 | 23,789 | 242,671 | 148,194 | 43,227 | 26,283 | 217,704 |
| Intercompany sales | – | 5,278 | 6,171 | 11,449 | 964 | 3,821 | 3,824 | 8,609 |
| Net sales | $ 165,077 | $ 59,083 | $ 29,960 | 254,120 | $ 149,158 | $ 47,048 | $ 30,107 | 226,313 |
| Intercompany sales eliminations | | | | (11,449) | | | | (8,609) |
| Consolidated net sales | | | | $ 242,671 | | | | $ 217,704 |

Net sales by segment includes intercompany activity consisting of value-added services billed by our Calavo de Mexico subsidiary to its parent for receiving and packaging avocados for sale outside of Mexico, as well as value-added services billed by our Calavo Foods de Mexico subsidiary to its parent for processing fresh avocados in avocado pulp, which was then made into finished product at our Santa Paula processing facility, which is now closed. All intercompany sales are eliminated in our consolidated results of operations.

### California Avocados

Net sales delivered by the business decreased by approximately $15.4 million, or 9.4%, from fiscal 2002 to 2003. The decrease in fiscal 2003 sales primarily reflects a decrease in avocados delivered by our growers of 23%, or 34.4 million pounds, partially offset by a significant improvement in the average selling prices of avocados when compared to fiscal 2002. The decrease in delivered pounds is consistent with the decrease in the overall harvest of the California avocado crop for the 2002/2003 season, as well as a shift in growing areas where we do not command as significant a market share. Despite this decrease in volume, we have continued to maintain our leadership role in packing and marketing California grown avocados. Our market share of first grade Hass variety avocados was approximately 34% and 37% during fiscal 2003 and 2002. For the 2002/2003 season, we attribute such decrease in market share primarily to the aforementioned shift into growing areas where we do not command as significant a market share among growers.

Average selling prices, on a per carton basis, for first grade Hass variety avocados for fiscal 2003 were $4.59 higher when compared to fiscal 2002. We attribute some of the increase in these average selling prices to increasing demand for California grown avocados in the U.S. marketplace and a reduced volume of avocados. We believe that our investments in focused marketing activities, combined with promotional programs established by the California Avocado Commission, have generally had a positive effect on average sales prices. Our strategy is to continue to develop marketing opportunities that favorably position avocados packed by Calavo with our customers by emphasizing existing value-added services, such as fruit bagging and ripening. We believe that these and other value added strategies are critical elements in sustaining competitive average selling prices.

Net sales delivered by the business increased by approximately $15.9 million, or 10.7%, from fiscal 2001 to 2002. The increase in fiscal 2002 sales reflects a significant improvement in the average selling prices of avocados when compared to fiscal 2001, partially offset by a decrease in avocados delivered by our growers of 5.8%, or 9.2 million pounds. The decrease in delivered pounds was consistent with the expected decrease in the overall harvest of the California avocado crop for the 2001/2002 season. Despite this decrease in volume, we continued to build on our leadership role in packing and marketing California grown avocados and maintained a strong market share of first grade Hass variety avocados during fiscal 2002. Our market share of first grade Hass variety avocados was approximately 37% and 36% during fiscal 2002 and 2001.

Average selling prices, on a per carton basis, for first grade Hass variety avocados for fiscal 2002 were $3.88 higher when compared to fiscal 2001. We attribute some of the increase in these average selling prices to increasing demand for California grown avocados in the U.S. marketplace and a slightly reduced volume of avocados.

In October 2002, the USDA announced the creation of a Hass Avocado Board to promote the sale of Hass variety avocados in the U.S. marketplace. The California Avocado Commission, which receives its funding from California avocado growers, has historically shouldered the promotional and advertising costs supporting avocado sales. The new Hass Avocado Board now provides a basis for a unified funding of promotional activities based on an assessment on all avocados sold in the U.S. marketplace including imported and California grown fruit. We believe that the incremental funding of promotional and advertising programs in the U.S. will, in the long term, positively impact average selling prices and will favorably impact our California avocado and international avocado businesses. During fiscal 2003, we remitted approximately $2.4 million to the Hass Avocado Board.

### International and Perishable Food Products

For fiscal 2003, net sales include approximately $6.3 million of value-added services billed by our Mexican subsidiaries to the parent company, which are eliminated from our consolidated financial results. For fiscal 2003, when compared to fiscal 2002, net sales to third-party customers increased by approximately $15.2 million, or 28.4%, from $53.8 million to $69.0 million.

The increased sales to third parties by our International and perishable foods products business were primarily driven by a greater volume of Chilean and Mexican grown avocados penetrating into the U.S., Japan and Europe marketplaces. The volume of fruit handled increased by 4.1 million pounds of Chilean grown avocados, or 16.3%, and 9.3 million pounds of Mexican grown avocados, or 30.3%, for fiscal 2003 when compared to fiscal 2002. Pricing during fiscal 2003 was fairly stable as well, when compared to fiscal 2002.

During fiscal 2003, we sourced a significantly greater volume of Mexican grown avocados from our Uruapan, Mexico packinghouse. During fiscal 2003, the volume of fruit related to shipments to the U.S. marketplace increased by approximately 2.5 million pounds, or 13.8%, as compared to fiscal 2002. In addition, net sales resulting from the sale of Mexican grown avocados were also favorably impacted by increased demand from Japanese and European customers. During fiscal 2003, the volume of fruit related to shipments to Japan and Europe increased by approximately 6.7 million pounds, or 76.8%, as compared to fiscal 2002. We believe that sales of Mexican grown avocados will continue to show a growing trend. We intend to leverage our position as the largest packer of Mexican grown avocados for export markets to improve the overall performance of this business.

For fiscal 2002 and 2001, net sales include approximately $5.3 million and $3.8 million of value-added services billed by our Mexican subsidiaries to the parent company, which are eliminated from our consolidated financial results. For fiscal 2002, when compared to fiscal 2001, net sales to third party customers increased by approximately $10.6 million, or 24.5%, from $43.2 million to $53.8 million. The increased sales to third parties were primarily driven by a greater volume of Chilean and Mexican grown avocados in the U.S. marketplace. The volume of fruit handled increased by 2.4 million pounds of Chilean grown avocados, or 10.2%, and 22.6 million pounds of Mexican grown avocados, or 113.6%, for fiscal 2002 when compared to fiscal 2001.

### Processed Products

For fiscal 2003, net sales include approximately $4.3 million of value-added services billed by our Mexican subsidiaries to the parent company, which are eliminated from our consolidated financial results. Net sales to third-party customers increased by approximately $4.2 million, or 17.9%, from $23.8 million for fiscal 2002 to $28.0 million for fiscal 2003. The increase in fiscal 2003 net sales to third-party customers is primarily attributable to an increase in 0.5 million pounds of product sold, or 3.2%, an increase in the sales price per product pound sold of $0.18, and a decrease in sales incentives and promotional activities paid of $0.6 million or 8.8%. During fiscal 2003, we experienced an increase in demand for our frozen processed products as one of our competitors exited from the business. As a result of the increase in demand for our product, we decreased our sales incentives and promotional activities paid.

During fiscal 2002, we purchased and commissioned new ultra high pressure treatment equipment designed to manufacture processed avocado products that are not frozen. Through October 31, 2003, our high pressure line consisted of one ultra high pressure machine manufacturing guacamole in Mexicali. This machine was commissioned for operations in October 2002 and ran near capacity during fiscal 2003. Utilizing avocado pulp and chunks, this high pressure equipment allows us to deliver fresh guacamole to retail and food service customers. Sales of our high pressure product totaled approximately $3.2 million for fiscal year 2003. We did not have significant sales of our high pressure product during fiscal 2002.

We are presently installing a second, much larger, high pressure machine in our new facility being built in Uruapan, Michoacan, Mexico. We anticipate commissioning this second machine for operations during our second fiscal quarter of 2004, but we do not believe this machine will operate near capacity until near the end of fiscal 2004. We believe that the introduction of these fresh guacamole products will, in the long-term, successfully address a growing market segment.

For fiscal 2002 and 2001, net sales include approximately $6.2 million and $3.8 million of value-added services billed by our Mexican subsidiaries to the parent company, which are eliminated from our consolidated financial results. Net sales to third-party customers decreased by approximately $2.5 million, or 9.5%, from $26.3 million for fiscal 2002 to $23.8 million for fiscal 2001. The decrease in fiscal 2002 net sales to third-party customers is attributable to a decrease in 0.5 million pounds of product sold, or 3.7%, and an increase in sales incentives and promotional activities paid of $1.2 million or 23.0%.

### Gross Margins

The following table summarizes our gross margins and gross profit percentages by business segment:

| (Dollars in thousands) | 2003 | Change | 2002 | Change | 2001 |
|---|---|---|---|---|---|
| Gross Margins: | | | | | |
| California avocados | $ 14,873 | (13.9)% | $ 17,281 | 44.9% | $ 11,926 |
| International avocados and perishable food products | 5,575 | 50.2% | 3,711 | 404.2% | 736 |
| Processed products | 5,017 | 3.9% | 4,831 | (21.4)% | 6,146 |
| Total gross margins | $ 25,465 | (1.4)% | $ 25,823 | 37.3% | $ 18,808 |
| Gross profit percentages: | | | | | |
| California avocados | 9.9% | | 10.5% | | 8.0% |
| International avocados and perishable food products | 8.1% | | 6.9% | | 1.7% |
| Processed products | 17.9% | | 20.3% | | 23.4% |
| Consolidated | 10.3% | | 10.6% | | 8.6% |

Our cost of goods sold consists predominantly of fruit costs, packing materials, freight and handling, labor and overhead (including depreciation) associated with preparing food products, and other direct expenses pertaining to products sold. Gross margins decreased by approximately $0.4 million, or 1.4%, from fiscal 2002 to 2003, principally as a result of decreases in the gross profit percentages realized by our California avocado and processed products segments, which were partially offset by increased gross profit percentages achieved by our international avocado and perishable food products segment. Gross margins increased by approximately $7.0 million, or 37.3%, from fiscal 2001 to 2002, principally as a result of increases in the gross profit percentages realized by our California avocado and international avocado and perishable food products segments, which were partially offset by decreased gross profit percentages achieved by our processed products segment.

Gross margins and gross profit percentages for our California avocado business are largely dependent on production yields achieved at our packinghouses, current market prices of avocados, and the volume of avocados packed. The decrease in our gross margin percentage during fiscal 2003 is primarily related to a higher average return per pound paid to our growers. Our growers received an average return of $1.03 per pound, as compared to $0.86 per pound in fiscal 2002. The volume of avocados delivered by our growers decreased, however, by approximately 34.4 million pounds. During fiscal 2002, our growers received an average return of $0.86 per pound, as compared to $0.74 per pound in fiscal 2001, whereas the volume of avocados delivered decreased by approximately 9.2 million pounds. During fiscal 2003, freight and handling costs decreased by approximately $0.7 million, from $4.2 million in fiscal 2002 to $3.5 million during fiscal 2003. During fiscal 2002, freight and handling costs decreased by approximately $0.2 million, from $3.0 million in fiscal 2001 to $2.8 million during fiscal 2002. We continue to review our packinghouse processes for potential improvements in packing efficiencies and more favorable production yields.

The gross margin and gross profit percentage for our international avocado and perishable food products business are dependent on the volume of fruit we handle and the competitiveness of the returns that we provide to third-party domestic packers. For example, the gross margins we earn on avocados procured from Chile, New Zealand, and the Dominican Republic, as well as papayas grown in Hawaii, are generally based on a commission agreed to with each packer that is subject to incentive provisions. These provisions provide for us to deliver returns to these domestic packers that are competitive with those delivered by other handlers. Accordingly, the gross margin results for this business are a function of the volume handled and the competitiveness of the sales prices that we realize as compared to others. For fiscal 2003, we generated gross margins of $2.3 million from the sale of fresh produce products that were domestically packed by third parties, whereas gross margins for fiscal 2002 were only $1.4 million. For fiscal 2002, we generated gross margins of $1.4 million from the sale of fresh produce products that were domestically packed by third parties, whereas gross margins for fiscal 2001 were only $1.2 million. Our business with Mexican growers differs in that we operate a packinghouse in Mexico and purchase avocados directly from the field. Consequently, the gross margin and gross profit percentages generated by our Mexican operations are significantly impacted by the volume of avocados handled by our packinghouse. During fiscal 2003, our gross margins generated from the sale of Mexican avocados improved from approximately $1.8 million in fiscal 2002 to $2.2 million in fiscal 2003, principally as a result of increases in the pounds packed at our facility. These efficiencies, however, were adversely affected via the introduction of the new $0.025 per pound marketing assessment imposed on avocados imported into the United States. During fiscal 2002, our gross margins generated from the sale of Mexican avocados improved from a negative margin of approximately $0.7 million in fiscal 2001 to a positive margin of $1.8 million in fiscal 2002 principally as a result of increases in the pounds packed at our facility.

Gross margins and gross profit percentages for our processed products business are largely dependent on the pricing of our final product and the cost of avocados used in preparing guacamole. During fiscal 2003, the decrease in the gross margin percentage is primarily related to higher fruit costs, as well as inefficiencies related to the relocation of production from Santa Paula, California and Mexicali, Mexico to our newly constructed facility in Uruapan, Mexico. Additionally, as a result of the closure of our Santa Paula processed facility and greater then expected increase in demand for our products, we have been depleting our inventory at a rate greater than initially planned. Therefore, we entered into agreements and/or discussions with two processed avocado product suppliers to supplement our existing inventory levels. This had the effect of decreasing our gross margin percentage due to higher costs and inefficiencies related to sourcing this product from outside suppliers. During fiscal 2001 to 2002, the cost of avocados used in the preparation of our processed products decreased by 36.9%, principally due to lower prices for avocados having the necessary quality for preparing our processed products.

## Selling, General and Administrative

| (Dollars in thousands) | 2003 | Change | 2002 | Change | 2001 |
|---|---|---|---|---|---|
| Selling, general and administrative | $ 14,769 | 6.4% | $ 13,881 | 10.4% | $ 12,568 |
| Percentage of net sales | 6.0% | | 5.7% | | 5.8% |

Selling, general and administrative expenses include costs of marketing and advertising, sales expenses, and other general and administrative costs. Selling, general and administrative expenses increased by approximately $0.9 million from fiscal 2002 to 2003. The increase is attributable principally to $0.4 million of additional marketing expenses, $0.3 million of transportation costs associated with the relocation of the processed product operations, and $0.2 million in incentives paid to employees.

Selling, general and administrative expenses increased by approximately $1.3 million from fiscal 2001 to 2002. The increase is attributable principally to $0.6 million of additional administrative expenses, $0.6 million in incentives paid to employees, and miscellaneous other net increases of $0.1 million.

## Other Income, Net

| (Dollars in thousands) | 2003 | Change | 2002 | Change | 2001 |
|---|---|---|---|---|---|
| Other income, net | $ (889 ) | 27.0% | $ (700 ) | 104.7% | $ (342) |
| Percentage of net sales | (0.4)% | | (0.3)% | | (0.2)% |

Other income, net includes interest income and expense generated primarily in connection with our financing activities, as well as certain other transactions that are outside of the course of normal operations. During fiscal 2003, other income, net includes interest accrued on notes receivable from directors and officers of approximately $0.3 million. During fiscal 2002, other income includes interest accrued on notes receivable from directors and officers of approximately $0.2 million.

## Provision for Income Taxes

| (Dollars in thousands) | 2003 | Change | 2002 | Change | 2001 |
|---|---|---|---|---|---|
| Provision for income taxes | $ 4,319 | (24.6)% | $ 5,727 | 108.7% | $ 2,744 |
| Percentage of income before provision for income taxes | 37.6% | | 45.3% | | 41.7% |

The effective income tax rate for fiscal 2003 is higher than the federal statutory rate principally due to state taxes. The effective income tax rate for fiscal 2002 is higher than the federal statutory rate principally due to state and foreign taxes and certain non-recurring transaction costs related to our conversion from a cooperative to a for-profit corporation that were non-deductible for tax purposes. Our effective income tax rate decreased from 45.3% in fiscal 2002 to 37.6% in fiscal 2003 primarily as a result of a reduction in non-deductible transaction costs and a favorable reduction in our state and foreign tax rates during fiscal 2003 when compared to fiscal 2002. We anticipate that our effective tax rate for fiscal 2004 will be approximately 40.0%.

## Quarterly Results of Operations

The following table presents our operating results for each of the eight fiscal quarters in the period ended October 31, 2003. The information for each of these quarters is derived from our unaudited interim financial statements and should be read in conjunction with our audited consolidated financial statements included in this Annual Report. In our opinion, all necessary adjustments, which consist only of normal and recurring accruals, have been included to fairly present our unaudited quarterly results. Our effective income tax rate decreased in our 4th fiscal quarter of 2003 primarily as a result of a favorable reduction in our foreign tax rate.

| Three months ended | Oct. 31, 2003 | July 31, 2003 | Apr. 30, 2003 | Jan. 31, 2003 | Oct. 31, 2002 | July 31, 2002 | Apr. 30, 2002 | Jan. 31, 2002 |
|---|---|---|---|---|---|---|---|---|
| (in thousands, except per share amounts) | | | | | | | | |
| Statement of Operations Data | | | | | | | | |
| Net sales | $ 63,780 | $ 81,359 | $ 57,393 | $ 44,229 | $ 64,384 | $ 76,420 | $ 56,144 | $ 45,723 |
| Cost of sales | 58,450 | 72,118 | 50,422 | 40,306 | 58,202 | 67,498 | 49,006 | 42,142 |
| Gross margin | 5,330 | 9,241 | 6,971 | 3,923 | 6,182 | 8,922 | 7,138 | 3,581 |
| Selling, general and administrative | 3,444 | 4,004 | 4,130 | 3,191 | 4,278 | 3,325 | 3,254 | 3,024 |
| Restructuring charge | 3 | 5 | 98 | | – | – | – | – |
| Operating income | 1,883 | 5,232 | 2,743 | 732 | 1,904 | 5,597 | 3,884 | 557 |
| Other expense (income), net | (274) | (294) | (206) | (115) | (363) | (184) | (145) | (8) |
| Income before provision (benefit) for income taxes | 2,157 | 5,526 | 2,949 | 847 | 2,267 | 5,781 | 4,029 | 565 |
| Provision (benefit) for income taxes | 471 | 2,287 | 1,214 | 347 | 1,059 | 2,657 | 1,758 | 253 |
| Net income | $ 1,686 | $ 3,239 | $ 1,735 | $ 500 | $ 1,208 | $ 3,124 | $ 2,271 | $ 312 |
| Net income per share: | | | | | | | | |
| Basic | $ 0.13 | $ 0.25 | $ 0.13 | $ 0.04 | $ 0.10 | $ 0.26 | $ 0.20 | $ 0.03 |
| Diluted | $ 0.13 | $ 0.25 | $ 0.13 | $ 0.04 | $ 0.10 | $ 0.26 | $ 0.19 | $ 0.03 |
| Number of shares used in per share computation: | | | | | | | | |
| Basic | 12,930 | 12,930 | 12,930 | 12,856 | 12,307 | 11,836 | 11,637 | 10,466 |
| Diluted | 12,970 | 12,960 | 12,960 | 12,887 | 12,377 | 11,906 | 11,670 | 10,466 |

## Liquidity and Capital Resources

Operating activities for fiscal 2003, 2002 and 2001 provided cash flows of $15.2 million, $8.1 million, and $1.2 million. Fiscal 2003 operating cash flows reflect our net income of $7.2 million, net noncash charges (depreciation and amortization, gains and losses) of $1.9 million and a net increase in the non-cash components of our working capital of approximately $6.1 million.

The fiscal 2003 working capital increases include a decrease in inventories of $4.4 million, principally due to the relocation of our processed operations to Uruapan, Michoacan, Mexico, a decrease in accounts receivable of $1.3 million, a decrease in advances to suppliers of $1.9 million, an increase in trade accounts payable and accrued expenses of $0.6 million, an increase in prepaid expenses and other assets of $0.5 million, and other miscellaneous net increases of $0.5 million, partially offset by a decrease in payable to growers of $2.9 million and an increase in deferred income taxes of $0.2 million.

Cash used in investing activities was $4.5 million, $2.1 million, and $2.0 million for fiscal years 2003, 2002, and 2001. Fiscal 2003 cash flows used in investing activities include capital expenditures of $6.5 million, principally related to the construction of our new processed operations facility in Uruapan, Michoacan, Mexico, partially offset by the $2.1 million proceeds received related to the sale of our investments held-to-maturity.

Cash flows used in financing activities were $6.3 million and $7.2 million for fiscal years 2003 and 2002, compared to cash from financing of $1.4 million in fiscal 2001. Cash flows from financing activities used during fiscal 2003 include repayments of borrowings of $6.3 million, the payment of a dividend totaling $2.6 million, and other miscellaneous payments totaling $0.1 million, partially offset by proceeds of $2.2 million from collection of notes receivable from shareholders and proceeds received of $0.5 million from the exercise of stock options.

Our principal sources of liquidity are our existing cash reserves, cash generated from operations and amounts available for borrowing under our existing credit facilities. Cash and cash equivalents as of October 31, 2003 and 2002 totaled $5.4 million and $0.9 million. Our working capital at October 31, 2003 was $20.7 million compared to $19.1 million at October 31, 2002. The overall working capital increase reflects our repayment of short-term borrowings and the increase in our cash balance.

We believe that cash flows from operations and available credit facilities will be sufficient to satisfy our future capital expenditures, grower recruitment efforts, working capital and other financing requirements. We currently maintain two short-term, non-collateralized, revolving credit facilities with separate banks, which expire through April 2004. We have received commitments from both banks, however, for new credit facilities, maturing in December 2005, totaling $24,000,000. We are in the process of finalizing both note agreements. We will continue to evaluate grower recruitment opportunities and exclusivity arrangements with food service companies to fuel growth in each of our business segments. In order to finance such growth, we may seek to obtain additional borrowings or issue shares of our common stock.

The following table summarizes contractual obligations pursuant to which we are required to make cash payments. The information is presented as of our fiscal year ended October 31, 2003:

| Payments due by period<br>(Dollars in thousands)<br>Contractual Obligations | Total | Less than<br>1 year | 1-3 years | 4-5 years | More than<br>5 years |
|---|---|---|---|---|---|
| Long-term debt obligations | $ 85 | $ 24 | $ 36 | $ 16 | $ 9 |
| Operating lease commitments | 3,021 | 993 | 1,239 | 845 | 4 |
| Total | $ 3,106 | $ 1,017 | $ 1,275 | $ 861 | $ 13 |

### Impact of Recently Issued Accounting Pronouncements

See Note 2 of Notes to Consolidated Financial Statements.

## Quantitative and Qualitative Disclosures About Market Risk

Our financial instruments include cash and cash equivalents, accounts receivable, short and long-term loans to growers, notes receivable from shareholders, accounts payable, and long-term, fixed-rate obligations. All of our financial instruments are entered into during the normal course of operations and have not been acquired for trading purposes. The table below summarizes interest rate sensitive financial instruments and presents principal cash flows in U.S. dollars, which is our reporting currency, and weighted-average interest rates by expected maturity dates, as of October 31, 2003.

(All amounts in thousands)

| Expected maturity date October 31, | 2004 | 2005 | 2006 | 2007 | 2008 | Thereafter | Total | Fair Value |
|---|---|---|---|---|---|---|---|---|
| Assets | | | | | | | | |
| Cash and cash equivalents [1] | $ 5,375 | $ – | $ – | $ – | $ – | $ – | $ 5,375 | $ 5,375 |
| Accounts receivable [1] | 16,560 | – | – | – | – | – | 16,560 | 16,560 |
| Short-term loans to growers [1] | 353 | – | – | – | – | – | 353 | 353 |
| Loans to growers [2] | 200 | – | 338 | – | 370 | – | 908 | 952 |
| Notes receivable from shareholders [3] | 263 | 211 | 211 | 2,878 | – | – | 3,563 | 3,691 |
| Liabilities | | | | | | | | |
| Accounts payable [1] | $ 1,534 | $ – | $ – | $ – | $ – | $ – | $ 1,534 | $ 1,534 |
| Fixed-rate long-term obligations [4] | 23 | 23 | 13 | 8 | 8 | 10 | 85 | 91 |

(1) We believe the carrying amounts of cash and cash equivalents, accounts receivable, short-term advances to growers, and accounts payable approximate their fair value due to the short maturity of these financial instruments.

(2) Loans to growers bear fixed interest rates ranging from 5.0% to 10.0% with a weighted-average interest rate of 7.7%. We believe that a portfolio of loans with a similar risk profile would currently yield a return of 5.1%. We project the impact of an increase or decrease in interest rates of 100 basis points would result in a change of fair value of approximately $29,000.

(3) Notes receivable from shareholders bear interest at 7.0%. We believe that a portfolio of loans with a similar risk profile would currently yield a return of 6.25%. We project the impact of an increase or decrease in interest rates of 100 basis points would result in a change of fair value of approximately $169,000.

(4) Fixed rate long-term obligations bear interest rates ranging from 3.3% to 8.2%, with a weighted-average interest rate of 5.3%. We believe that loans with a similar risk profile would currently yield a return of 3.5%. We project the impact of an increase or decrease in interest rates of 100 basis points would result in a change of fair value of approximately $3,000. We retired long-term fixed-rate obligations, with a principal amount of $517,000, during fiscal 2003.

We were not a party to any derivative instruments during the fiscal year. It is currently our intent not to use derivative instruments for speculative or trading purposes. Consequently, we do not use any hedging or forward contracts to offset market volatility.

Our Mexican-based operations transact business in Mexican pesos. Funds are transferred by our corporate office to Mexico, on a weekly basis, to satisfy domestic cash needs. Consequently, the spot rate for the Mexican peso has a moderate impact on our operating results. We do not believe, however, that this impact is sufficient to warrant the use of derivative instruments to hedge the fluctuation in the Mexican peso. Total foreign currency gains and losses for each of the three years ended October 31, 2003 do not exceed $0.1 million.

# Consolidated Balance Sheets

| Fiscal Year Ended October 31, (In thousands, except per share data) | 2003 | 2002 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 5,375 | $ 921 |
| Accounts receivable, net of allowances of $1,219 (2003) and $286 (2002) | 16,560 | 17,907 |
| Inventories, net | 8,021 | 12,461 |
| Prepaid expenses and other current assets | 4,487 | 4,175 |
| Loans to growers | 353 | 467 |
| Advances to suppliers | 624 | 2,535 |
| Income taxes receivable | – | 288 |
| Deferred income taxes | 1,379 | 1,252 |
| Total current assets | 36,799 | 40,006 |
| Property, plant, and equipment, net | 13,121 | 9,497 |
| Investments held to maturity | – | 1,979 |
| Other assets | 3,769 | 3,650 |
| | $ 53,689 | $ 55,132 |
| **Liabilities and shareholders' equity** | | |
| Current liabilities: | | |
| Payable to growers | $ 3,446 | $ 6,368 |
| Trade accounts payable | 1,534 | 1,708 |
| Accrued expenses | 7,777 | 7,015 |
| Income tax payable | 51 | – |
| Short-term borrowings | – | 3,000 |
| Dividend payable | 3,232 | 2,567 |
| Current portion of long-term obligations | 24 | 222 |
| Total current liabilities | 16,064 | 20,880 |
| Long-term liabilities: | | |
| Long-term obligations, less current portion | 61 | 3,180 |
| Deferred income taxes | 417 | 516 |
| Total long-term liabilities | 478 | 3,696 |
| Commitments and contingencies (Note 9) | | |
| Shareholders' equity: | | |
| Common stock ($0.001 par value, 100,000 shares authorized; 12,930 and 12,835 shares outstanding at October 31, 2003 and 2002) | 13 | 13 |
| Additional paid-in capital | 24,727 | 24,221 |
| Notes receivable from shareholders | (3,563) | (5,720) |
| Retained earnings | 15,970 | 12,042 |
| Total shareholders' equity | 37,147 | 30,556 |
| | $ 53,689 | $ 55,132 |

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Income

| Year Ended October 31, (In thousands, except per share data) | 2003 | 2002 | 2001 |
|---|---|---|---|
| Net sales | $ 246,761 | $ 242,671 | $ 217,704 |
| Cost of sales | 221,296 | 216,848 | 198,896 |
| Gross margin | 25,465 | 25,823 | 18,808 |
| Selling, general and administrative | 14,769 | 13,881 | 12,568 |
| Restructuring charge | 106 | – | – |
| Operating income | 10,590 | 11,942 | 6,240 |
| Other income, net | (889) | (700) | (342) |
| Income before provision for income taxes | 11,479 | 12,642 | 6,582 |
| Provision for income taxes | 4,319 | 5,727 | 2,744 |
| Net income | $ 7,160 | $ 6,915 | $ 3,838 |
| Net income per share: | | | |
| Basic | $ 0.55 | $ 0.60 | $ 0.37 |
| Diluted | $ 0.55 | $ 0.60 | $ 0.37 |
| Number of shares used in per share computation: | | | |
| Basic | 12,911 | 11,562 | 10,454 |
| Diluted | 12,944 | 11,604 | 10,454 |

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Shareholders' Equity

| (in thousands) | Common Stock Shares | Common Stock Amount | Additional Paid-in Capital | Notes Receivable From Shareholders | Retained Earnings | Total |
|---|---|---|---|---|---|---|
| Balance, November 1, 2000 | 9,914 | $ 10 | $ 10,060 | $ – | $ 10,996 | $ 21,066 |
| Issuance of common stock | 53 | – | 98 | – | – | 98 |
| Dividend declared to shareholders | – | – | – | – | (4,973) | (4,973) |
| Net income | – | – | – | – | 3,838 | 3,838 |
| Balance, October 31, 2001 | 9,967 | 10 | 10,158 | – | 9,861 | 20,029 |
| Exercise of stock options, and income tax benefit of $36 | 1,040 | 1 | 5,236 | (4,789) | – | 448 |
| Stock Dividend | 549 | 1 | 2,166 | – | (2,167) | – |
| Issuance of common stock in connection with Employee Stock Purchase Plan | 279 | – | 1,952 | (1,952) | – | – |
| Issuance of common stock in connection with Rights Offering, net of offering costs of $290 | 1,000 | 1 | 4,709 | – | – | 4,710 |
| Collections on shareholder notes receivable | – | – | – | 1,021 | – | 1,021 |
| Dividend declared to shareholders | – | – | – | – | (2,567) | (2,567) |
| Net income | – | – | – | – | 6,915 | 6,915 |
| Balance, October 31, 2002 | 12,835 | 13 | 24,221 | (5,720) | 12,042 | 30,556 |
| Exercise of stock options, and income tax benefit of $72 | 95 | – | 547 | – | – | 547 |
| Collections on shareholder notes receivable | – | – | – | 2,157 | – | 2,157 |
| Additional costs related to Rights Offering | – | – | (41) | – | – | (41) |
| Dividend declared to shareholders | – | – | – | – | (3,232) | (3,232) |
| Net income | – | – | – | – | 7,160 | 7,160 |
| Balance, October 31, 2003 | 12,930 | $ 13 | $ 24,727 | $ (3,563) | $ 15,970 | $ 37,147 |

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

| Fiscal Year Ended October 31, (In thousands) | 2003 | 2002 | 2001 |
|---|---|---|---|
| Cash Flows from Operating Activities: | | | |
| Net income | $ 7,160 | $ 6,915 | $ 3,838 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 2,024 | 1,957 | 1,988 |
| Provision for losses on accounts receivable | 19 | 35 | 87 |
| Loss on disposal of property, plant, and equipment | 32 | 29 | – |
| Gain on sale of investments held to maturity | (163) | – | – |
| Gain on settlement of insurance claim | – | – | (585) |
| Effect on cash of changes in operating assets and liabilities: | | | |
| Accounts receivable | 1,328 | 1,855 | (1,540) |
| Inventories, net | 4,440 | (3,386) | (1,349) |
| Prepaid expenses and other assets | 506 | (1,937) | (1,637) |
| Loans to growers | 114 | 652 | (33) |
| Advances to suppliers | 1,911 | (163) | 53 |
| Income taxes receivable | 360 | (60) | (149) |
| Deferred income taxes | (226) | (566) | 7 |
| Payable to growers | (2,922) | (555) | 1,984 |
| Trade accounts payable and accrued expenses | 588 | 3,359 | (1,503) |
| Income tax payable | 51 | – | – |
| Net cash provided by operating activities | 15,222 | 8,135 | 1,161 |
| Cash Flows from Investing Activities: | | | |
| Proceeds from sale of investments held to maturity | 2,060 | – | – |
| Proceeds from insurance settlement on facility damage | – | – | 585 |
| Acquisitions of property, plant, and equipment | (6,535) | (1,973) | (2,330) |
| Proceeds from sale of short-term investments | 2,223 | – | – |
| Purchases of short-term investments | (2,223) | (105) | (284) |
| Net cash used in investing activities | (4,475) | (2,078) | (2,029) |
| Cash Flows from Financing Activities: | | | |
| Dividend paid to shareholders | (2,567) | – | (4,973) |
| Proceeds from (repayments of) short-term borrowings, net | (3,000) | (12,800) | 6,815 |
| Proceeds from issuance of common stock | – | 4,710 | 98 |
| Payments on long-term obligations | (3,317) | (536) | (507) |
| Proceeds from stock option exercises | 475 | 412 | – |
| Proceeds from collection of shareholder notes receivable | 2,157 | 1,021 | – |
| Additional rights offering costs | (41) | – | – |
| Net cash provided by (used in) financing activities | (6,293) | (7,193) | 1,433 |
| Net increase (decrease) in cash and cash equivalents | 4,454 | (1,136) | 565 |
| Cash and cash equivalents, beginning of year | 921 | 2,057 | 1,492 |
| Cash and cash equivalents, end of year | $ 5,375 | $ 921 | $ 2,057 |
| Supplemental Information - | | | |
| Cash paid during the year for: | | | |
| Interest | $ 179 | $ 443 | $ 821 |
| Income taxes | $ 4,170 | $ 6,362 | $ 4,291 |
| Noncash Investing and Financing Activities: | | | |
| Exercise of stock options using shareholder notes receivable | $ – | $ 4,789 | $ – |
| 5% Stock dividend | $ – | $ 2,167 | $ – |
| Tax receivable increase related to stock option exercise | $ 72 | $ 36 | $ – |
| Stock purchases using shareholder notes receivable | $ – | $ 1,952 | $ – |
| Declared dividends payable | $ 3,232 | $ 2,567 | $ – |
| Acquisition of property under capital lease | $ – | $ 68 | $ 56 |

# Notes to Consolidated Financial Statements

## 1. Description of the business

### Business

Calavo Growers, Inc. (Calavo, the Company, we, us or our) procures and markets avocados and other perishable commodities and prepares and distributes processed avocado products. Our expertise in marketing and distributing avocados, processed avocados, and other perishable foods allows us to deliver a wide array of fresh and processed food products to food distributors, produce wholesalers, supermarkets, and restaurants on a world-wide basis. Through our two operating facilities in southern California and two facilities in Mexico, we sort and pack avocados procured in California and Mexico and prepare processed avocado products. Additionally, we procure avocados internationally, principally from Chile, the Dominican Republic, and New Zealand, and distribute other perishable foods, such as Hawaiian grown papayas. We report these operations in three different business segments: California avocados, international avocados and perishable food products and processed products.

### Conversion to a For-Profit Corporation

On October 9, 2001, we completed a series of transactions whereby common and preferred shareholders of Calavo Growers of California, an agricultural marketing cooperative association, exchanged all of their outstanding shares for shares of our common stock. Concurrent with this transaction, the Cooperative was merged into us, with our company emerging as the surviving entity. These transactions had the effect of converting the legal structure of the business from a not-for-profit cooperative to a for-profit corporation. Accordingly, the accompanying consolidated financial statements give retroactive effect, for all periods presented, to the merger, as a combination of entities with common shareholders, accounted for in a manner similar to a pooling of interests.

## 2. Basis of Presentation and Summary of Significant Accounting Policies

The accompanying consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America.

Our consolidated financial statements include the accounts of Calavo Growers, Inc. and our wholly owned subsidiaries, Calavo Foods, Inc.; Calavo de Mexico S.A. de C.V.; and Calavo Foods de Mexico S.A. de C.V. All intercompany accounts and transactions have been eliminated.

### Cash and Cash Equivalents

We consider all highly liquid financial instruments purchased with an original maturity date of three months or less to be cash equivalents. The carrying amounts of cash and cash equivalents approximate their fair values.

### Inventories

Inventories are stated at the lower of cost on a weighted-average basis or market.

### Loans to Growers

We sponsor a grower loan program. Pursuant to this program, we provide loans to growers, bearing interest at prevailing market rates and repayable generally within a 12-month period. These loans are secured by the growers' avocado crops.

### Property, Plant, and Equipment

Property, plant, and equipment are stated at cost and depreciated over their estimated useful lives using the straight-line method. Leasehold improvements are stated at cost and amortized over the lesser of their estimated useful lives or the term of the lease, using the straight-line method. The principal estimated useful lives are: buildings and improvements - 7 to 30 years; leasehold improvements - the lesser of the term of the lease or 7 years; equipment - 7 years; information systems hardware and software - 36 to 60 months. Maintenance and repairs are charged to expense.

We capitalize software development costs for internal use in accordance with Statement of Position 98-1, Accounting for Costs of Computer Software Developed or Obtained for Internal Use (SOP 98-1). Capitalization of software development costs begins in the application development stage and ends when the asset is placed into service. We amortize such costs using the straight-line basis over estimated useful lives. Under SOP 98-1, we capitalized $88,000 and $108,000 of software development costs in 2003 and 2002 relating to systems supporting our business infrastructure.

### Impairment of Long-lived Assets

Long-lived assets, including fixed assets, are continually monitored and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of any such asset may not be recoverable. The determination of recoverability is based on an estimate of undiscounted cash flows expected to result from the use of an asset and its eventual disposition. The estimate of undiscounted cash flows is based upon, among other things, certain assumptions about future operating performance, growth rates and other factors. Estimates of undiscounted cash flows may differ from actual cash flows due to, among other things, technological changes, economic conditions, changes to the business model or changes in operating performance. If the sum of the undiscounted cash flows (excluding interest) is less then the carrying value, an impairment loss will be recognized, measured as the amount by which the carrying value exceeds the fair value of the asset. We have evaluated our long-lived assets and have not identified any impairment as of October 31, 2003, except as disclosed in footnote 15.

### Advances to Suppliers

We advance funds to third-party growers primarily in California and Mexico for various farming needs. These advances are generally secured with a crop lien or other collateral owned by the grower. We continuously evaluate the ability of these growers to repay advances and the fair value of the collateral in order to evaluate the possible need to record an allowance.

### Investments

We account for our investments in debt securities in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. See Note 7 related to the sale of our held to maturity investments in fiscal 2003.

### Accrued Expenses

Included in accrued expenses at October 31, 2003 and 2002 are accrued management bonuses of approximately $1.0 million and $1.2 million.

### Net Sales

We recognize sales once they are realizable and earned. Sales of products and related costs of products sold are recognized when persuasive evidence of an arrangement exists, shipment has been made, title passes, the price is fixed or determinable and collectibility is reasonably assured. Perishable product sales are recorded when the product is shipped, title passes, and the sales price is known. Sales from processed products are recorded when the product is shipped and title and risk passes. Service revenue, including freight, ripening, storage, bagging and palletization charges, is recorded when services are performed and the related products are delivered.

### Promotional Allowances

We provide for promotional allowances at the time of sale, based on our historical experience. Our estimates are generally based on evaluating the average length of time between the product shipment date and the date on which we pay the customer the promotional allowance. The product of this lag factor and our historical promotional allowance payment rate is the basis for the promotional allowance included in accrued expenses on our balance sheet. Actual amounts may differ from these estimates and such differences are recognized as an adjustment to net sales in the period they are identified.

Cash rebates are generally earned by our customers upon achievement of volume purchases or by corporate customers for purchases made by their affiliated subsidiaries. Cash rebates, as well as all other sales incentives that result in a reduction in, or refund of, the selling price at the time of sale, have been classified as a reduction of sales.

### Allowance for customer deductions

We provide an allowance for customer deductions and receivable balances remaining, after partial invoice payments, based on historical experience and the aging of the related accounts receivable.

### Consignment Arrangements

We enter into consignment arrangements with avocado growers and packers located outside of the United States and growers of certain perishable products in the United States. Although we generally do not take legal title to avocados and perishable products, we do assume responsibilities (principally assuming credit risk, inventory loss and delivery risk, and limited pricing risk) that are consistent with acting as a principal in the transaction. Accordingly, the accompanying financial statements include sales and cost of sales from the sale of avocados and perishable products procured under consignment arrangements. Amounts recorded for each of the fiscal years ended October 31, 2003, 2002 and 2001 in the financial statements pursuant to consignment arrangements are as follows (in thousands):

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| Sales | $ 33,325 | $ 27,960 | $ 26,005 |
| Cost of Sales | 31,782 | 26,442 | 24,888 |
| Gross Margin | $ 1,543 | $ 1,518 | $ 1,117 |

### Advertising Expense

Advertising costs are expensed when incurred. Such costs in fiscal 2003, 2002, and 2001 were approximately $223,000, $245,000, and $326,000.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Estimates are used principally in determining valuation allowances related to accounts receivable, grower advances, inventories, long-lived assets, promotional allowances and income taxes. On an ongoing basis, management reviews its estimates based on currently available information. Actual results could differ materially from those estimates.

### Income Taxes

We account for income taxes under the provisions of SFAS No. 109, Accounting for Income Taxes. This statement requires the recognition of deferred tax liabilities and assets for the future consequences of events that have been recognized in our consolidated financial statements or tax returns. Measurement of the deferred items is based on enacted tax laws. In the event the future consequences of differences between financial reporting bases and tax bases of our assets and liabilities result in a deferred tax asset, SFAS No. 109 requires an evaluation of the probability of being able to realize the future benefits indicated by such asset. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

### Basic and Diluted Net Income per Share

Basic earnings per share is calculated using the weighted-average number of common shares outstanding during the period without consideration of the dilutive effect of stock options. The basic weighted-average number of common shares outstanding was 12,911,000, 11,562,000, and 10,454,000 for fiscal years 2003, 2002, and 2001. Diluted earnings per common share is calculated using the weighted-average number of common shares outstanding during the period after consideration of the dilutive effect of stock options, which was 33,000 and 42,000 for fiscal years 2003 and 2002. There were no dilutive instruments for fiscal year 2001.

### Stock-Based Compensation

As permitted by SFAS No. 123, “Accounting for Stock-Based Compensation,” (“SFAS No. 123”), the Company accounts for stock-based compensation under Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” (“APB 25”) and related interpretations. Under APB 25, the Company has recognized no compensation expense with respect to stock option awards. Had compensation cost for stock option awards been determined based on the fair value of each award at its grant date, consistent with the provisions of SFAS No. 123, the Company’s pro forma net income and net income per share would have been as follows (dollars in thousands, except per share amounts):

| , | Year ended October 31, 2003 | Year ended October 31 2002 |
|---|---|---|
| Net Income: | | |
| As reported | $ 7,160 | $ 6,915 |
| Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of tax effects | – | (703) |
| Pro forma | $ 7,160 | $ 6,212 |
| Net income per share, as reported: | | |
| Basic and diluted | $ 0.55 | $ 0.60 |
| Net income per share, pro forma: | | |
| Basic and diluted | $ 0.55 | $ 0.54 |

For purposes of pro forma disclosures under SFAS No. 123, the estimated fair value of the options is assumed to be amortized to compensation expense over the options’ vesting period. The fair value of the options granted in 2002 has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

| | |
|---|---|
| Risk-free interest rate | 2.0% |
| Expected volatility | 130% |
| Dividend yield | – |
| Expected life (years) | 1.1 |
| Weighted-average fair value of options granted | $ 1.04 |

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because options held by our directors have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in our opinion, the existing models do not necessarily provide a reliable single measure of the fair value of these options.

### Foreign Currency Translation and Remeasurement

Our foreign operations are subject to exchange rate fluctuations and foreign currency transaction costs. The functional currency of our foreign subsidiaries is the United States dollar. As a result, monetary assets and liabilities are translated into U.S. dollars at exchange rates as of the balance sheet date and non-monetary assets, liabilities and equity are translated at historical rates. Sales and expenses are translated using a weighted-average exchange rate for the period. Gains and losses resulting from those remeasurements are included in income. Gains and losses resulting from foreign currency transactions are also recognized currently in income.

### Fair Value of Financial Instruments

We believe that the carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable approximate fair value due to the short maturity of these financial instruments.

The following table illustrates long-term financial instruments, their fair value and their carrying value on our balance sheet as of October 31, 2003:

| Financial Instrument | Fair Value | Carrying Value |
|---|---|---|
| Loans to growers | $ 952 | $ 908 |
| Notes receivable from shareholders | 3,691 | 3,563 |
| Fixed-rate long-term obligations | 91 | 85 |

### Derivative Financial Instruments

We do not presently engage in hedging activities. In addition, we have reviewed agreements and contracts and have determined that we have no derivative instruments, nor do any of our agreements and contracts contain embedded derivative instruments, as of October 31, 2003.

### Recent Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. (FIN) 46, “Consolidation of Variable Interest Entities.” We will adopt FIN 46 in the first quarter of fiscal 2004 and we do not expect such adoption to have a significant impact on our financial position or results of operations.

During fiscal 2003, we adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets,” SFAS 145, “Rescission of FASB Statements No. 4, 44, 64, Amendment of FASB Statement No. 13, and Technical Corrections,” SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities”, SFAS No. 148, “Accounting for Stock-Based Compensation—Transition and Disclosure,” and FIN 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others,” with no material impact to our consolidated financial statements. See Note 15 for additional disclosures related to accounting for exit activities under SFAS No. 146.

### Comprehensive Income

Comprehensive income is defined as all changes in a company’s net assets, except changes resulting from transactions with shareholders. There was no significant difference between comprehensive income and net income for the fiscal years ended October 31, 2003, 2002, and 2001.

### Reclassifications

Certain items in the prior period financial statements have been reclassified to conform to the current period presentation.

## 3. Inventories

Inventories consist of the following (in thousands):

| October 31, | 2003 | 2002 |
|---|---|---|
| Fresh fruit | $ 2,918 | $ 1,397 |
| Packing supplies and ingredients | 1,974 | 2,095 |
| Finished processed foods | 3,129 | 8,969 |
| | $ 8,021 | $ 12,461 |

Cost of goods sold for fiscal 2003, 2002, and 2001 includes inventory write-downs of $82,000, $63,000 and $35,000. These write-downs resulted from reduced customer demand and the discontinuance of various supplies for certain processed avocado products.

We assess the recoverability of inventories through an ongoing review of inventory levels in relation to sales and forecasts, and product marketing plans. When the inventory on hand exceeds the foreseeable demand, the value of inventory that at the time of the review is not expected to be sold is written down. The amount of the write-down is the excess of historical cost over estimated realizable value (generally zero). Once established, these write-downs are considered permanent adjustments to the cost basis of the excess inventory.

The assessment of the recoverability of inventories and the amounts of any write-downs are based on currently available information and assumptions about future demand and market conditions. Demand for processed avocado products may fluctuate significantly over time, and actual demand and market conditions may be more or less favorable than our projections. In the event that actual demand is lower than originally projected, additional inventory write-downs may be required.

We may retain and make available for sale some or all of the inventories which have been written down. In the event that actual demand is higher than originally projected, we may be able to sell a portion of these inventories in the future. We generally scrap inventories which have been written down and are identified as obsolete.

## 4. Property, Plant, and Equipment

Property, plant, and equipment consist of the following (in thousands):

| October 31, | 2003 | 2002 |
|---|---|---|
| Land | $ 1,177 | $ 1,177 |
| Buildings and improvements | 9,800 | 9,800 |
| Leasehold improvements | 176 | 176 |
| Equipment | 23,680 | 23,316 |
| Information systems - Hardware and software | 3,001 | 2,792 |
| Construction in progress | 5,054 | 70 |
| | 42,888 | 37,331 |
| Less accumulated depreciation and amortization | (29,767) | (27,834) |
| | $ 13,121 | $ 9,497 |

## 5. Other Assets

During 1999, we established a Grower Development Program whereby funds could be advanced to growers in exchange for their commitment to deliver a minimum volume of avocados on an annual basis. As of October 31, 2003 and 2002, total cumulative advances made to growers subject to this program totaled approximately $2,113,000 and $2,000,000. Each advance made is amortized to cost of goods sold over the term of the agreement. The financial statements for fiscal years 2003, 2002 and 2001 include a charge of approximately $308,000, $293,000 and $293,000 for each year representing the amortization of these advances.

## 6. Short-Term Borrowings

We maintain two short-term, non-collateralized, revolving credit facilities with separate banks, which expire through April 2004. Under the terms of these agreements, we are advanced funds for working capital purposes. Total credit available under the combined short-term borrowing agreements was $26,500,000 at October 31, 2003 and 2002, with interest at a weighted-average rate of 2.00% and 2.84% at October 31, 2003 and 2002. Under these credit facilities, we had no outstanding borrowings as of October 31, 2003 and $3,000,000 outstanding as of October 31, 2002. The credit facilities contain various financial covenants with which we were in compliance at October 31, 2003 and 2002. We have received commitments from both banks for new credit facilities, maturing in December 2005, totaling $24,000,000. We are in the process of finalizing both note agreements.

## 7. Long-Term Obligations

Long-term obligations at fiscal year ends consist of the following (in thousands):

| | 2003 | 2002 |
|---|---|---|
| Riverside County Variable Rate Demand Industrial Development | | |
| Revenue Bond | $ – | $ 2,800 |
| Non-collateralized term loans | – | 471 |
| Other | 85 | 131 |
| | 85 | 3,402 |
| Less current portion | (24) | (222) |
| | $ 61 | $ 3,180 |

In July 2003, our Board of Directors approved the retirement of our Industrial Development Revenue Bond. The bonds were initially floated to provide the financing to construct our Temecula, California packinghouse. We repaid $2.8 million in principal under the indenture in September 2003.

In July 2003, in connection with the retirement of the bonds, we received proceeds of $1.9 million from the sale of our investments held to maturity, with a carrying value of $1.8 million, held in a sinking fund restricted for the purpose of retiring the bonds. The liquidation of these investments resulted in a gain of $163,000, which is included in other income, net in the accompanying consolidated statements of income.

At October 31, 2003, annual debt payments are scheduled as follows (in thousands):

| Year ending October 31: | Total |
|---|---|
| 2004 | $ 24 |
| 2005 | 23 |
| 2006 | 13 |
| 2007 | 8 |
| 2008 | 8 |
| Thereafter | 9 |
| | $ 85 |

## 8. Employee Benefit Plans

We sponsor a defined contribution retirement plan for salaried employees and make contributions to a pension plan for hourly employees. Expenses for these plans approximated $411,000, $402,000, and $399,000 for each of the three years in the period ended October 31, 2003, which are included in selling, general and administrative expenses in the accompanying financial statements.

We also sponsor a non-qualified defined benefit plan for two retired executives. Pension expenses approximated $32,000, $39,000, and $29,000 for the years ended October 31, 2003, 2002, and 2001, which are included in selling, general and administrative expenses in the accompanying financial statements.

Components of the change in projected benefit obligation for fiscal year ends consist of the following (in thousands):

| | 2003 | 2002 |
|---|---|---|
| Change in projected benefit obligation: | | |
| Projected benefit obligation at beginning of year | $ 502 | $ 428 |
| Interest cost | 32 | 39 |
| Actuarial loss | 27 | 87 |
| Benefits paid | (55) | (52) |
| Projected benefit obligation at end of year (unfunded) | $ 506 | $ 502 |

The following is a reconciliation of the unfunded status of the plans at fiscal year ends included in trade accounts payable and accrued expenses (in thousands):

| | 2003 | 2002 |
|---|---|---|
| Projected benefit obligation | $ 506 | $ 502 |
| Unrecognized net (gain) loss | (49) | (22) |
| Recorded pension liabilities | $ 457 | $ 480 |

Significant assumptions used in the determination of pension expense consist of the following:

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| Discount rate on projected benefit obligation | 6.25% | 6.75% | 8.00% |
| Rate of future salary increases | 5.00% | 5.00% | 5.00% |

## 9. Commitments and Contingencies

### Commitments and guarantees

We lease facilities and certain equipment under non-cancelable operating leases expiring at various dates through 2009. We are committed to make minimum cash payments under these agreements as of October 31, 2003 as follows (amounts in thousands):

| | |
|---|---|
| 2004 | $ 993 |
| 2005 | 641 |
| 2006 | 598 |
| 2007 | 575 |
| 2008 | 270 |
| Thereafter | 4 |
| | $ 3,021 |

Rental expenses amounted to approximately $1,163,000, $1,296,000, and $1,223,000 for the years ended October 31, 2003, 2002, and 2001.

We indemnify our directors and have the power to indemnify each of our officers, employees and other agents, to the maximum extent permitted by applicable law. The maximum amount of potential future payments under such indemnifications is not determinable.

In May 2003, we entered into a commitment to purchase approximately 1.3 million pounds of processed avocado products from a supplier for a cost of approximately $1.5 million over a 12-month period. Through December 2003, we have received substantially all products subject to this commitment.

In June 2003, in order to facilitate the operations of one of our processed avocado product suppliers, we entered into a contract guaranteeing payment of certain invoices rendered to such supplier. The term of this guarantee is from June 2003 through December 2004, but can be cancelled at any time at our discretion. Additionally, the maximum amount subject to guarantee at any one time cannot exceed $90,000. As of October 31, 2003, no amounts or orders were outstanding and all amounts owed by such supplier related to this guarantee have been remitted. We did not record a liability at inception related to this guarantee contract as we do not believe that we will make any future payments under such guarantee and the fair value was insignificant.

### Litigation

We are not involved in litigation which we believe will have a material adverse impact on our financial statements.

## 10. Related-Party Transactions

We sell papayas procured from an entity owned by the Chairman of our Board of Directors and CEO. Sales of papayas amounted to approximately $2,920,000, $2,658,000, and $3,378,000 for the years ended October 31, 2003, 2002, and 2001, resulting in gross margins of approximately $281,000, $272,000 and $340,000. Included in trade accounts payable and accrued liabilities are approximately $296,000, $119,000, and $317,000 at October 31, 2003, 2002, and 2001, due to this entity.

Certain members of our Board of Directors market avocados through Calavo pursuant to our customary marketing agreements. During the years ended October 31, 2003 and 2002, the aggregate amount of avocados procured from entities owned or controlled by members of our Board of Directors, was $5.4 million and $10.3 million. Accounts payable to these Board members were $0.3 million and $0.8 million as of October 31, 2003 and 2002.

## 11. Income Taxes

The income tax provision consists of the following for the years ended October 31 (in thousands):

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| Current: | | | |
| Federal | $ 3,639 | $ 4,540 | $ 2,019 |
| State | 825 | 1,181 | 586 |
| Foreign | 81 | 572 | 132 |
| Total current | 4,545 | 6,293 | 2,737 |
| Deferred | (226) | (566) | 7 |
| Total income tax provision | $ 4,319 | $ 5,727 | $ 2,744 |

At October 31, 2003 and 2002, gross deferred tax assets totaled approximately $1,634,000 and $1,489,000, while gross deferred tax liabilities totaled approximately $672,000 and $753,000. Deferred income taxes reflect the net of temporary differences between the carrying amount of assets and liabilities for financial reporting and income tax purposes. Significant components of our deferred taxes as of October 31, 2003 and 2002 are as follows:

| | 2003 | 2002 |
|---|---|---|
| Allowance for doubtful accounts | $ 543 | $ 126 |
| Inventories | 273 | 772 |
| State taxes | 271 | 354 |
| Accrued liabilities | 292 | – |
| Current deferred income taxes | $ 1,379 | $ 1,252 |
| Property, plant, and equipment | $ (614) | $ (726) |
| Retirement benefits | 197 | 210 |
| Long-term deferred income taxes | $ (417) | $ (516) |

Prior to our conversion to a for-profit corporation, the Cooperative was subject to income taxes on all business activities other than the marketing and distribution of member products. The exemption from taxation for the member business was contingent on the distribution of all available proceeds to the Cooperative's members. Absent the distribution of all proceeds, the Cooperative was subject to income taxes for the portion of proceeds available that exceeded the actual amounts distributed.

A reconciliation of the significant differences between the federal statutory income tax rate and the effective income tax rate on pretax income is as follows:

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| Federal statutory tax rate | 35% | 35% | 35% |
| State taxes, net of federal effects | 4 | 6 | 6 |
| Foreign income taxes greater (less) than U.S | (1) | 2 | – |
| Benefit of lower federal tax brackets | (1) | (1) | (1) |
| Other | 1 | 3 | 2 |
| | 38% | 45% | 42% |

## 12. Segment Information

We operate and track results in three reportable segments - California avocados, international avocados and perishable foods products, and processed products. These three business segments are presented based on our management structure and information used by our president to measure performance and allocate resources. The California avocados segment includes all operations that involve the distribution of avocados grown in California. The international avocados and perishable foods products segment includes both operations related to distribution of fresh avocados grown outside of California and distribution of other perishable food items. The processed products segment represents all operations related to the purchase, manufacturing, and distribution of processed avocado products. Those costs that can be specifically identified with a particular product line are charged directly to that product line. Costs that are not segment specific are generally allocated based on five-year average sales dollars. We do not allocate assets or specifically identify them to our operating segments.

| (All amounts are presented in thousands) | California avocados | International avocados and perishable food products | Processed products | Inter-segment eliminations | Total |
|---|---|---|---|---|---|
| **Year ended October 31, 2003** | | | | | |
| Net sales | $ 149,635 | $ 75,347 | $ 32,360 | $ (10,581) | $ 246,761 |
| Cost of sales | 134,762 | 69,772 | 27,343 | (10,581) | 221,296 |
| Gross margin | 14,873 | 5,575 | 5,017 | – | 25,465 |
| Selling, general and administrative | 6,705 | 3,069 | 4,995 | – | 14,769 |
| Restructuring charge | – | – | 106 | – | 106 |
| Operating income (loss) | 8,168 | 2,506 | (84) | – | 10,590 |
| Other income, net | (714) | (162) | (13) | – | (889) |
| Income (loss) before provision (benefit) for income taxes | 8,882 | 2,668 | (71) | – | 11,479 |
| Provision (benefit) for income taxes | 3,341 | 1,004 | (26) | – | 4,319 |
| Net income (loss) | $ 5,541 | $ 1,664 | $ (45) | $ – | $ 7,160 |
| **Year ended October 31, 2002** | | | | | |
| Net sales | $ 165,077 | $ 59,083 | $ 29,960 | $ (11,449) | $ 242,671 |
| Cost of sales | 147,796 | 55,372 | 25,129 | (11,449) | 216,848 |
| Gross margin | 17,281 | 3,711 | 4,831 | – | 25,823 |
| Selling, general and administrative | 6,729 | 2,779 | 4,373 | – | 13,881 |
| Operating income (loss) | 10,552 | 932 | 458 | – | 11,942 |
| Other expense (income), net | (523) | (256) | 79 | – | (700) |
| Income (loss) before provision (benefit) for income taxes | 11,075 | 1,188 | 379 | – | 12,642 |
| Provision (benefit) for income taxes | 5,017 | 538 | 172 | – | 5,727 |
| Net income (loss) | $ 6,058 | $ 650 | $ 207 | $ – | $ 6,915 |
| **Year ended October 31, 2001** | | | | | |
| Net sales | $ 149,158 | $ 47,048 | $ 30,107 | $ (8,609) | $ 217,704 |
| Cost of sales | 137,232 | 46,312 | 23,961 | (8,609) | 198,896 |
| Gross margin | 11,926 | 736 | 6,146 | – | 18,808 |
| Selling, general and administrative | 5,758 | 2,471 | 4,339 | – | 12,568 |
| Operating income (loss) | 6,168 | (1,735) | 1,807 | – | 6,240 |
| Other expense (income), net | (168) | 30 | (204) | – | (342) |
| Income (loss) before provision (benefit) for income taxes | 6,336 | (1,765) | 2,011 | – | 6,582 |
| Provision (benefit) for income taxes | 2,642 | (736) | 838 | – | 2,744 |
| Net income (loss) | $ 3,694 | $ (1,029) | $ 1,173 | $ – | $ 3,838 |

The following table sets forth sales by product category, by segment (in thousands):

| Year ended October 31, 2003 | California avocados | International avocados and perishable food products | Processed products | Total |
|---|---|---|---|---|
| Third-party sales: | | | | |
| California avocados | $ 140,795 | $ – | $ – | $ 140,795 |
| Imported avocados | – | 56,306 | – | 56,306 |
| Papayas | – | 2,920 | – | 2,920 |
| Miscellaneous | – | 30 | – | 30 |
| Processed - food service | – | – | 28,545 | 28,545 |
| Processed - retail and club | – | – | 5,165 | 5,165 |
| Total fruit and product sales to third-parties | 140,795 | 59,256 | 33,710 | 233,761 |
| Freight and other charges | 8,997 | 10,079 | 290 | 19,366 |
| Total gross sales to third-parties | 149,792 | 69,335 | 34,000 | 253,127 |
| Less sales incentives | (157) | (251) | (5,958) | (6,366) |
| Total net sales to third-parties | 149,635 | 69,084 | 28,042 | 246,761 |
| Intercompany sales | – | 6,263 | 4,318 | 10,581 |
| Net sales | $ 149,635 | $ 75,347 | $ 32,360 | 257,342 |
| Intercompany sales eliminations | | | | (10,581) |
| Consolidated net sales | | | | $ 246,761 |

| Year ended October 31, 2002 | California avocados | International avocados and perishable food products | Processed products | Total |
|---|---|---|---|---|
| Third-party sales: | | | | |
| California avocados | $ 153,878 | $ – | $ – | $ 153,878 |
| Imported avocados | – | 43,715 | – | 43,715 |
| Papayas | – | 2,658 | – | 2,658 |
| Miscellaneous | – | 42 | – | 42 |
| Processed - food service | – | – | 24,964 | 24,964 |
| Processed - retail and club | – | – | 5,141 | 5,141 |
| Total fruit and product sales to third-parties | 153,878 | 46,415 | 30,105 | 230,398 |
| Freight and other charges | 11,381 | 7,540 | 217 | 19,138 |
| Total gross sales to third-parties | 165,259 | 53,955 | 30,322 | 249,536 |
| Less sales incentives | (182) | (150) | (6,533) | (6,865) |
| Total net sales to third-parties | 165,077 | 53,805 | 23,789 | 242,671 |
| Intercompany sales | – | 5,278 | 6,171 | 11,449 |
| Net sales | $ 165,077 | $ 59,083 | $ 29,960 | 254,120 |
| Intercompany sales eliminations | | | | (11,449) |
| Consolidated net sales | | | | $ 242,671 |

| Year ended October 31, 2001 | California avocados | International avocados and perishable food products | Processed products | Total |
|---|---|---|---|---|
| Third-party sales: | | | | |
| California avocados | $ 137,166 | $ – | $ – | $ 137,166 |
| Imported avocados | – | 34,566 | – | 34,566 |
| Papayas | – | 3,378 | – | 3,378 |
| Miscellaneous | – | 41 | – | 41 |
| Processed - food service | – | – | 25,912 | 25,912 |
| Processed - retail and club | – | – | 5,625 | 5,625 |
| Total fruit and product sales to third-parties | 137,166 | 37,985 | 31,537 | 206,688 |
| Freight and other charges | 11,304 | 5,256 | 59 | 16,619 |
| Total gross sales to third-parties | 148,470 | 43,241 | 31,596 | 223,307 |
| Less sales incentives | (276) | (14) | (5,313) | (5,603) |
| Total net sales to third-parties | 148,194 | 43,227 | 26,283 | 217,704 |
| Intercompany sales | 964 | 3,821 | 3,824 | 8,609 |
| Net sales | $ 149,158 | $ 47,048 | $ 30,107 | 226,313 |
| Intercompany sales eliminations | | | | (8,609) |
| Consolidated net sales | | | | $ 217,704 |

Long-lived assets attributed to geographic areas as of October 31 are as follows (in thousands):

| | United States | Mexico | Consolidated |
|---|---|---|---|
| 2003 | $ 9,951 | $ 6,939 | $ 16,890 |
| 2002 | $ 12,361 | $ 2,765 | $ 15,126 |

## 13. Stock-Based Compensation

In November 2001, our Board of Directors approved two stock-based compensation plans.

### The Directors Stock Option Plan

Participation in the directors stock option plan is limited to members of our Board of Directors. The plan makes available to the Board of Directors or a plan administrator the right to grant options to purchase up to 3,000,000 shares of common stock. In connection with the adoption of the plan, the Board of Directors approved an award of fully vested options to purchase 1,240,000 shares of common stock at an exercise price of $5.00 per share.

Prior to the listing of our common stock on a national market, the plan stipulated that the fair value of common stock be determined by our Board of Directors based on current trading patterns in the common stock and other analyses of fair value. Based on a review of such data, our Board of Directors determined that the fair value of the common stock subject to the above awards at the date of grant was $3.95 per share.

In January 2002, members of our Board of Directors elected to exercise options to purchase approximately 1,005,000 shares of common stock. The exercise price was paid by delivery of full-recourse promissory notes with a face value of $4,789,000 and by cash payments of approximately $236,000. These notes and the related security agreements provide, among other things, that each director pledge as collateral the shares acquired upon exercise of the stock option, as well as additional shares of common stock held by the directors with a value equal to 10% of the loan amount, if the exercise price was paid by means of a full-recourse note. The notes, which bear interest at 7% per annum, provide for annual interest payments with a final principal payment due March 1, 2007. Directors will be allowed to withdraw shares from the pledged pool of common stock prior to repayment of their notes, as long as the fair value of the remaining pledged shares is at least equal to 120% of the outstanding note balance. The notes have been presented as a reduction of shareholders' equity as of October 31, 2003 and 2002.

Additionally, in April 2002, 35,000 options were exercised pursuant to our director stock option plan via cash payments of approximately $175,000.

During fiscal 2003, directors made principal payments of $1,661,000 related to these notes and we have recorded interest income of $269,000. During fiscal 2002, directors made principal payments of $250,000 related to these notes and we have accrued interest income of $245,000. As of October 31, 2003, we have recorded interest receivable of $109,000 related to these notes, which is included in prepaid expenses and other current assets.

A summary of stock option activity follows (shares in thousands):

| Year ended October 31, 2002 | Number of Shares | Weighted-Average Exercise Price |
|---|---|---|
| Outstanding at beginning of period | – | $ – |
| Granted | 1,240 | 5.00 |
| Exercised | (1,040) | 5.00 |
| Outstanding at end of period | 200 | $ 5.00 |

| Year ended October 31, 2003 | Number of Shares | Weighted-Average Exercise Price |
|---|---|---|
| Outstanding at beginning of period | 200 | $ 5.00 |
| Exercised | (95) | 5.00 |
| Outstanding at end of period | 105 | $ 5.00 |
| Exercisable at end of period | 105 | $ 5.00 |

The following table summarizes stock options outstanding and exercisable at October 31, 2003 (shares in thousands):

Outstanding and Exercisable

| Exercise Price | Number of Shares | Average Remaining Contractual Life (Years) | Weighted-Average Exercise Price |
|---|---|---|---|
| $ 5.00 | 105 | 3.05 | $ 5.00 |

### The Employee Stock Purchase Plan

The employee stock purchase plan was approved by our Board of Directors and shareholders. Participation in the employee stock purchase plan is limited to employees. The plan provides the Board of Directors, or a plan administrator, the right to make available up to 2,000,000 shares of common stock at a price not less than fair market value. In March 2002, the Board of Directors awarded selected employees the opportunity to purchase up to 474,000 shares of common stock at $7.00 per share, the closing price of our common stock on the date prior to the grant. The plan also permits us to advance all or some of the purchase price of the purchased stock to the employee upon the execution of a full-recourse note at prevailing interest rates. Accordingly, these awards expired in April 2002, with 84 participating employees electing to purchase approximately 279,000 shares.

The purchase price was paid by delivery of full-recourse promissory notes with a face value of $1,352,000 and by cash payments of approximately $600,000. These notes and the related security agreements provide, among other things, that each employee pledge as collateral the shares acquired. The notes, which bear interest at 7% per annum, provide for annual interest and principal payments for a period of two to four years. The notes have been presented as a reduction of shareholders' equity as of October 31, 2003 and October 2002.

During fiscal 2002, employees made principal payments of $771,000 related to these notes, and we recorded interest income of $52,000. During fiscal 2003, employees made principal payments of $496,000 related to these notes and, we have recorded interest income of $97,000. As of October 31, 2003, we have recorded interest receivable of $30,000 related to these notes, which is included in prepaid expenses and other current assets.

## 14. Stock and Cash Dividends

In February 2002, we issued a 5% stock dividend to all shareholders of record in February 2002. Basic and diluted earnings per share for all periods presented have been restated to reflect the 5% stock dividend effected in February 2002.

In January 2003, we paid a $0.20 per share dividend in the aggregate amount of $2,567,000 to shareholders of record in November 2002. In January 2004, we paid a $0.25 per share dividend in the aggregate amount of $3,232,000 to shareholders of record in November 2003.

## 15. Processed Product Segment Restructuring

In February 2003, our Board of Directors approved a plan whereby the operations of our processed products business will be relocated. The plan calls for the closing of our Santa Paula, California and Mexicali, Baja California Norte processing facilities and the relocation of these operations to a new facility in Uruapan, Michoacan, Mexico. We believe that this restructuring will provide cost savings in the elimination of certain transportation costs, duplicative overhead structures, and savings in the overall cost of labor and services. We anticipate that the facility will be completed near the end of our first fiscal quarter in 2004. The Santa Paula facility closed in February 2003. We plan to close the Mexicali facility during calendar year 2004, but no firm closing date has yet been determined.

Through October 31, 2003, we have incurred costs related to this restructuring approximating $1,304,000. Our income statement for the year ended October 31, 2003 includes $890,000 as cost of sales, $106,000 as special charges, and $308,000 as selling, general and administrative expenses. These costs are comprised of the following components as of and for the year ended October 31, 2003:

| (in thousands) | Special charges | Amounts paid | Non-cash charges | Reserves remaining to be utilized |
|---|---|---|---|---|
| Employee separation costs | $ 74 | $ (74) | $ – | $ – |
| Write-down of fixed assets | | | | |
| (net book value of $32) | 32 | – | (32) | – |
| Total special charges | 106 | (74) | (32) | – |
| Selling, general and administrative – freight | 308 | (308) | – | – |
| Cost of sales - facility operating costs | 890 | (693) | (197) | – |
| | $ 1,304 | $ (1,075) | $ (229) | $ – |

Special charges recorded through October 31, 2003 consist entirely of employee separation costs and write-downs of fixed assets. All employee separation costs were paid in cash and represent final payments to 26 production and 4 managerial employees formerly working at our Santa Paula, California processing facility. We expect to pay additional employee separation costs in connection with our planned future closure of our Mexicali, Baja California Norte production facility, which will be recognized when incurred, in accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." Those costs have not yet been quantified and are expected to be accrued for and paid during fiscal year 2004. Costs related to the write-down of fixed assets represent a non-cash charge to reduce the carrying value of production assets located at our Santa Paula, California processed facility to their fair value. These write-downs were primarily the result of fixed assets no longer being used in the production process. As of October 31, 2003, we have not accrued for any charges relating to the write-down of production assets being held at our Mexicali, Baja California Norte production facility as it is anticipated that all such assets will be re-commissioned at our new facility in Uruapan, Michoacan or their carrying value is less than their net realizable value.

## 16. Subsequent Events

In order to diversify our product lines and increase synergies within the marketplace, we acquired all the outstanding common shares of Maui Fresh International, Inc. ("Maui") for 576,924 shares of our common stock valued at $4.05 million in November 2003. Maui, which generated approximately $20 million in revenues during its fiscal year ended December 31, 2002, is a specialty produce company servicing a wide array of retail, food service, and terminal market wholesale customers with over 25 different specialty commodities. The value of our common stock issued in conjunction with the acquisition was based on the average quoted market price of our common stock for 3 days before and after the announcement date.

As security for certain potential contingencies, such as unrecorded liabilities, we are entitled to hold approximately 58,000 shares issued in conjunction with such acquisition for one full year from the acquisition date. In the event that these contingencies resolve as we expect them to, we will be obligated to return these shares.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. Such estimates are preliminary and are subject to change upon receipt of valuation information:

| (in thousands) | November 7 2003 (Preliminary) |
|---|---|
| Fixed assets | $ 114 |
| Goodwill and intangible assets | 4,046 |
| Total assets acquired | 4,160 |
| Current liabilities | 110 |
| Net assets acquired | $ 4,050 |

Goodwill is not subject to amortization and is generally not expected to be deductible for tax purposes.

In December 2003, our Board of Directors approved the issuance of options to acquire a total of 50,000 shares of our common stock to two members of our Board of Directors. Each option to acquire 25,000 shares vests in substantially equal installments over a 3-year period, has an exercise price of $7.00 per share and has a term of 5 years from the grant date. The market price of our common stock at the grant date was $10.01. In accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," we will record compensation expense of approximately $151,000 over the vesting period of three years from the grant date.

## Independent Auditors' Report

The Board of Directors
Calavo Growers, Inc.
Santa Ana, California

We have audited the accompanying consolidated balance sheets of Calavo Growers, Inc. and subsidiaries (the Company) as of October 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended October 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, such consolidated financial statements present fairly, in all material respects, the financial position of Calavo Growers, Inc. and subsidiaries as of October 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended October 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

Deloitte and Touche LLP

Deloitte & Touche LLP

Costa Mesa, California
January 22, 2004

## Report of Management

Our management is responsible for preparing the accompanying financial statements and for ensuring their integrity and objectivity. The statements were prepared in accordance with accounting principles generally accepted in the United States of America and fairly represent the transactions and financial position of the company. The financial statements include amounts that are based on management's best estimates and judgments.

Our statements have been audited by Deloitte & Touche LLP, independent accountants, selected by the Audit Committee and approved by our shareholders. Management has made available to Deloitte & Touche LLP all of our financial records and related data, as well as minutes of stockholder and director meetings.

Our management has established and maintains a system of internal accounting controls that is designed to provide reasonable assurance that assets are safeguarded, transactions are properly recorded and executed in accordance with management's authorization, and the books and records accurately reflect the disposition of assets. The system of internal controls includes appropriate division of responsibility.

The Audit Committee is composed of directors who are not officers or employees. It meets regularly with members of management and the independent accountants to discuss the adequacy of our system of internal controls, financial statements, and the nature, extent and results of the audit effort. Furthermore, our independent accountants have free and direct access to the Audit Committee without the presence of management.

Lecil E. Cole
Chairman of the Board of Directors,
President and Chief Executive Officer

Arthur J. Bruno
Vice President, Finance, Corporate
Secretary (Principal Financial Officer)

## Common stock market information

In March 2002, our common stock began trading on the OTC Bulletin Board under the symbol "CVGW." In July 2002, our common stock began trading on the Nasdaq National Market under the symbol "CVGW."

Prior to March 2002, a public trading market did not exist for our common stock. The stock was not listed on a securities exchange or on Nasdaq, and shares were transferred only if federal and state securities registration exemptions were satisfied. From time to time, we distributed to our shareholders lists of shareholders who had indicated an interest in purchasing or selling shares of stock, and the purchasing and selling shareholders then privately negotiated the terms of such transactions.

The following tables set forth, for the periods indicated, the high and low sales prices per share of our common stock as reported on the OTC Bulletin Board and the Nasdaq National Market.

| Fiscal 2002 | High | Low |
|---|---|---|
| Second Quarter (from March 2002) | $ 12.00 | $ 6.00 |
| Third Quarter | $ 8.60 | $ 7.00 |
| Fourth Quarter | $ 8.40 | $ 6.85 |

| Fiscal 2003 | High | Low |
|---|---|---|
| First Quarter | $ 7.95 | $ 6.60 |
| Second Quarter | $ 7.27 | $ 6.70 |
| Third Quarter | $ 7.25 | $ 6.69 |
| Fourth Quarter | $ 11.04 | $ 6.94 |

As of October 31, 2003, there were 1,500 stockholders of record of our common stock.

In November 2003, we acquired all the outstanding common stock of Maui Fresh International, Inc. in exchange for 576,924 shares of our common stock valued at $4.05 million that we issued to the three shareholders of Maui Fresh International, Inc. See Note 16 to our consolidated financial statements, which are included in this Annual Report, for more information about this acquisition. Our issuance of these 576,924 shares was exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) of the Securities Act and Regulation D thereunder as a transaction by an issuer not involving a public offering of securities.

## Dividend Policy

Our dividend policy is to provide for an annual dividend payment, as determined by the Board of Directors. We anticipate that dividends would be paid in the first quarter of our fiscal year.

During the year ended October 31, 2001, we paid dividends of approximately $4,973,000, or $0.50 per share, to our shareholders. For additional information pertaining to the Cooperative's historical cash dividend payments, see "Selected Consolidated Financial Data" elsewhere in this Annual Report.

On February 15, 2002, we paid a 5% stock dividend to shareholders of record on February 1, 2002.

On January 2, 2003, we paid a $0.20 per share dividend in the aggregate amount of $2,567,000 to shareholders of record on November 15, 2002.

On January 5, 2004, we paid a $0.25 per share dividend in the aggregate amount of $3,376,000 to shareholders of record on November 17, 2003.

## Senior Management

From left to right

Al Ahmer Vice President, Processed Sales ▪ Jim Wallace Vice President, Human Resources & Corporate Communications ▪ Arthur J. Bruno Vice President, Finance, Corporate Secretary & Chief Financial Officer ▪ Rob Wedin Vice President, Fresh Sales & Marketing ▪ Al Thorne Vice President, Fresh Operations

# Calavo Growers, Inc. Profile

Calavo Growers, Inc. is the leading packer and distributor of avocados throughout the United States and in other countries globally. In addition to being the world's most recognized avocado brand, the company packs and markets other perishable fruit and vegetables and manufactures processed-avocado products. ▪ The company's three principal business units – California Avocados, International Avocados and Perishable Products and Processed Products – supply wholesale, retail and restaurant-foodservice customers. ▪ Maui Fresh International, a wholly owned subsidiary of Calavo acquired in November 2003, markets tropical fruits, chilies, hothouse-grown and other commodity-produce items under its own well-recognized brand name. ▪ Calavo packs and distributes approximately 40 percent of the California avocado crop. Additionally, the company sources fruit from Mexico, Chile, New Zealand and the Dominican Republic to satisfy year-round domestic avocado demand, for export and for use in processed products. ▪ Founded in 1924 as a grower-owned cooperative, Calavo today is publicly traded on the Nasdaq National Market System under the ticker symbol CVGW. Headquartered in Santa Ana, California, the company employs more than 500. Calavo operates packing operations in Santa Paula and Temecula, California, as well as a packinghouse and, as of February 2004, a processed-product manufacturing plant in Uruapan, Mexico.

## Officers

Lecil E. Cole
Chairman of the Board,
President &
Chief Executive Officer

Arthur J. Bruno
Vice President, Finance,
Corporate Secretary
(Principal Financial Officer)

Albert E. Thorne
Vice President,
Fresh Operations

Rob Wedin
Vice President,
Fresh Sales & Marketing

Al Ahmer
Vice President,
Processed Sales &
Operations

James M. Wallace
Vice President,
Human Resources &
Corporate Communications

Scott H. Runge
Treasurer

James E. Snyder
Corporate Controller

Jeremy M. Freimund
Assistant Treasurer

## Operating Directors & Managers

Carlos T. Vasquez
Director,
Field Operations

Robin Osterhues
Director of
Corporate Marketing

Randy Rozzatti
Director, Systems
Analysis & Planning

Bruce Spurrell
Director of
Administrative Services
& Purchasing

Francisco Orozco
Packinghouse
Manager, Temecula

Michael F. Derr
Packinghouse
Manager,
Santa Paula

Dionisio Ortiz
Vice President,
Calavo de Mexico
Operations

## Principal Board Committees

Executive Committee

Lecil E. Cole
Chairman

Roy V. Keenan
First Vice Chairman

J. Link Leavens
Second Vice Chairman

Alva V. Snider

Scott N. Van Der Kar

Audit Committee

Micheal D. Hause
Chairman

John M. Hunt

Alva V. Snider

Fred J. Ferrazzano

Finance Committee

Roy V. Keenan
Chairman

John M. Hunt

Alva V. Snider

Fred J. Ferrazzano

J. Link Leavens

Donald M. Sanders

Grower Relations
Marketing Committee

Dorcas H. McFarlane
Chairwoman

Donald M. Sanders

Alva V. Snider

Scott N. Van Der Kar

Processed Products Committee

J. Link Leavens
Chairman

Fred J. Ferrazzano

John M. Hunt

Roy V. Keenan

Scott N. Van Der Kar

Nominating &
Governance Committee

Roy V. Keenan
Chairman

John M. Hunt

Micheal D. Hause

Fred J. Ferrazzano

Compensation Committee

Roy V. Keenan
Chairman

Fred J. Ferrazzano

Micheal D. Hause

John M. Hunt

Alva V. Snider

## Corporate Information

Headquarters

Calavo Growers, Inc.
2530 Red Hill Avenue
Santa Ana, Ca 92705
Tel. 949.223.1111
Fax 949.660.6088

www.calavo.com

General Counsel

Troy & Gould, P.C.
Los Angeles, California

Certified Public
Accountants

Deloitte & Touche LLP
Costa Mesa, California

Investor & Corporate
Relations Counsel

Foley/Freisleben LLC
Los Angeles, California

Form 10-K

A copy of the company's annual report as filed upon Form 10-K is available upon request to the vice president, corporate communications or online from the Securities and Exchange Commission at www.sec.gov.

Transfer Agent and
Registrar

U.S. Stock Transfer
Corporation Glendale,
California

Common Stock
Listing

Shares of the company's common stock are listed on the Nasdaq National Market System under the symbol CVGW.

At Calavo, We're Going Avocados!

At Calavo, We're Going Places!