

Calavo Growers, Inc. (Nasdaq-GMS: CVGW)

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**CALAVO GROWERS REGISTERS CONTINUED SOLID
PROFITABILITY IN FISCAL 2006 THIRD QUARTER**

Financial Highlights Include:

- **Nine months' Net Income Climbs 57% Before 2005 Asset Sale, as Operating Income Jumps 94%**
 - **Strong Profitability Continues in Third Quarter Despite Lower Revenues**
 - **Processed-Product Segment Sales, Gross Profit and Gross Margin Continue to Surge; Segment Gross Margin Leaps 124% and 134%, Respectively, in Third Quarter and Year-to-Date**
 - **Calavo Invests in Expanding Ultra-High-Pressure Guacamole Production and its Popular ProRipe VIP Program**
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SANTA PAULA, Calif. (Sept. 6, 2006)—Calavo Growers, Inc. (Nasdaq-GMS: CVGW), a global leader in the packing and marketing of fresh and processed avocados and other perishable food products, today reported continued strong profitability in the third quarter despite a decrease in quarterly revenues of approximately \$9.7 million as compared to the corresponding period in fiscal 2005. For the nine months, the company registered sharp gains in gross margin, operating income and net income, before considering last year's asset sale, on revenues that were slightly higher versus the like period in the prior year.

For the quarter ended July 31, 2006, net income totaled \$2.9 million, virtually unchanged from the corresponding period in the prior year. Basic and

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diluted earnings per share on slightly more shares outstanding were \$0.20,
compared with \$0.21 in fiscal 2005.

Net sales for the quarter were \$79 million, compared with a record \$88.7 million in the year earlier period. Decreased revenues from fresh products more than offset sharply higher sales in the processed-product segment. Gross margin climbed to a record \$10.2 million from \$9.2 million a year ago, reflecting higher sales in the processed segment, as well as the impact of increased California avocado volume on packinghouse efficiencies and improved efficiencies at the processed products manufacturing facility.

For the nine months, net income rose to \$4.5 million, equal to \$0.31 per basic and diluted share, compared with \$2.8 million, or \$0.20 per share, before giving effect to a \$1.0 million after-tax gain (\$1.7 million pre-tax) from the sale of the company's former headquarters in Santa Ana, Calif., recorded in the second quarter of fiscal 2005. After giving effect to this transaction, net income for the fiscal 2005 nine months amounted to \$3.8 million, equal to \$0.28 per basic and diluted share. Nine-month revenues totaled \$197 million, virtually unchanged from \$197 million in the fiscal 2005 like period.

Gross profit for the nine months increased 27% to \$22.3 million from \$17.5 million in the previous period. Operating income grew 94% to \$7.5 million from \$3.9 million one year earlier.

Lee E. Cole, chairman, president and CEO, commented: "It is highly gratifying that Calavo continued to record solid profitability in the most recent

Calavo Growers, Inc. Reports Solidly Profitable Fiscal Third Quarter/3-3-3-3 quarter and was able to match the very strong net income performance of fiscal 2005's third quarter. This achievement resulted from our ability to successfully implement our focused business strategy and capitalize on Calavo's growing strength, diversification and leadership market position."

Cole noted that California fresh avocado volume advanced by 60% during the current year's third quarter, when compared to the same period fiscal 2005, with the company packing 22 million more pounds of fruit. However, primarily due to plentiful supply, prices declined approximately 42% during the most-recent period versus last year's third quarter. The drop in price was the primary factor that contributed to Calavo's net decrease in revenues related to California avocados during the third quarter versus the same period in fiscal 2005.

"While pricing pressures created a challenging environment," Cole continued, "it should be emphasized that Calavo responded effectively to the challenge, as our growing sales and distribution strength enabled us to successfully market an additional 22 million pounds of fresh avocados. Additionally, let me stress a key point for our industry—demand for our products continues to expand, along with growing interest and awareness of avocados, both fresh and processed."

According to the Calavo CEO, the company's processed business continues to surge, fueled by sales of Calavo's ultra-high-pressure guacamole, which is enjoying robust demand and expanding distribution in both the food service and retail business segments. "We have an outstanding product," Cole commented,

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“and have witnessed strong processed-segment sales growth on both a sequential and year-over-year basis for the past four consecutive quarters as we continue to build distribution and expand capacity.”

Ultra-high-pressure guacamole accounted for 38% of total processed gross sales in the third quarter, up sharply from 26% in the corresponding quarter a year ago. As sales of this product increase to food service operators, the company benefits from a “tag along” effect as they purchase more of the company’s other processed products in addition. Processed pricing remains “firm and stable,” Cole added.

With ongoing important additions to Calavo’s ultra-high-pressure guacamole customer roster, Cole reported that the company has invested in another large processing machine, which will significantly expand capacity when operational.

On the subject of capital expenditures, he continued: “We are also investing in the expansion of our ProRipe VIP program. We plan to expand our VIP ripening program in New Jersey and Texas distribution centers, which, along with Santa Paula, will enable us to serve customers nationwide with avocados preconditioned to customer specifications. Our VIP program, recently heralded as best in class by a customer, facilitates avocado sales and spurs demand, as the consumer greatly appreciates the convenience of pre-ripened fruit.”

Looking Ahead: Fourth Quarter and Longer Term

Cole concluded: “By all indications, the fourth period of business will be a

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strong one for our company with record quarterly levels of fruit moving through our California packinghouses, which will help us achieve additional efficiencies and economies-of-scale. In fact, the company packed approximately 28 million pounds of fresh California avocados in August alone, just the first month of the quarter, which is double the amount of fruit packed during the entire fourth period of fiscal 2005. While fruit pricing of our California avocados remains a variable, we're encouraged by some improvement in recent weeks. On balance, we are optimistic about prospects for higher fourth quarter revenues and profits.

“Looking longer term, we're convinced Calavo has enormous and exciting business opportunities for further growth and profitability. We have really just begun to scratch the surface of the processed business. The avocado continues its ascension in popularity, and we are more focused and determined than ever on truly being the global force in this business.

“We have built the financial strength, the infrastructure, the talented team, the market position and the industry leadership to support our ambitious plans. As we execute our focused strategy, we remain dedicated to our primary objective of building long-term shareholder value.”

About Calavo Growers, Inc.

Calavo Growers, Inc. is the worldwide leader in the procurement and marketing of fresh avocados and other perishable foods, as well as the manufacturing and distribution of processed avocado products. Founded in

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1924, Calavo's expertise in marketing and distributing avocados, processed avocados, and other perishable products enables it to serve food distributors, produce wholesalers, supermarkets and restaurants on a global basis.

Safe Harbor Statement

This news release contains statements relating to future events and results of Calavo (including certain projections and business trends) that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Actual results and events may differ 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 detailed from time to time in the company's Securities and Exchange Commission filings, including, without limitation, the company's Annual Report on Form 10-K for the year ended October 31, 2005. These forward-looking statements are made only as of the date hereof, and the company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

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CALAVO GROWERS, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS (UNAUDITED)
(All amounts in thousands, except per share amounts)

	July 31, <u>2006</u>	October 31, <u>2005</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 107	\$ 1,133
Accounts receivable, net of allowances of \$2,327 (2006) and \$2,688 (2005)	30,749	19,253
Inventories, net.....	10,743	10,096
Prepaid expenses and other current assets	5,113	5,879
Advances to suppliers	161	1,141
Income tax receivable	—	893
Deferred income taxes	<u>2,651</u>	<u>2,651</u>
Total current assets	49,524	41,046
Property, plant, and equipment, net	18,651	16,897
Investment in Limoneira	35,954	45,634
Goodwill	3,591	3,591
Other assets	<u>2,335</u>	<u>1,314</u>
	<u>\$110,055</u>	<u>\$108,482</u>
Liabilities and shareholders' equity		
Current liabilities:		
Payable to growers	\$ 12,540	\$ 1,753
Trade accounts payable	3,203	1,892
Accrued expenses	12,046	12,482
Income tax payable	823	—
Short-term borrowings	1,753	1,424
Dividend payable	—	4,564
Current portion of long-term obligations	<u>1,308</u>	<u>1,313</u>
Total current liabilities	31,673	23,428
Long-term liabilities:		
Long-term obligations, less current portion	10,412	11,719
Deferred income taxes	<u>4,750</u>	<u>8,589</u>
Total long-term liabilities.....	15,162	20,308
Total shareholders' equity.....	<u>63,220</u>	<u>64,746</u>
	<u>\$110,055</u>	<u>\$108,482</u>

CALAVO GROWERS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF INCOME (UNAUDITED)
(All amounts in thousands, except per share amounts)

	Three months ended		Nine months ended	
	July 31,		July 31,	
	2006	2005	2006	2005
Net sales	\$ 78,954	\$ 88,699	\$ 197,030	\$ 196,576
Cost of sales	<u>68,738</u>	<u>79,505</u>	<u>174,743</u>	<u>179,075</u>
Gross margin	10,216	9,194	22,287	17,501
Selling, general and administrative	<u>5,284</u>	<u>4,825</u>	<u>14,791</u>	<u>13,645</u>
Operating income (loss)	4,932	4,369	7,496	3,856
Other income (expense), net.....	<u>(136)</u>	<u>153</u>	<u>(201)</u>	<u>2,144</u>
Income before provision for income taxes	4,796	4,522	7,295	6,000
Provision for income taxes	<u>1,870</u>	<u>1,603</u>	<u>2,845</u>	<u>2,161</u>
Net income	<u>\$ 2,926</u>	<u>\$ 2,919</u>	<u>\$ 4,450</u>	<u>\$ 3,839</u>
Net income per share:				
Basic	<u>\$ 0.20</u>	<u>\$ 0.21</u>	<u>\$ 0.31</u>	<u>\$ 0.28</u>
Diluted.....	<u>\$ 0.20</u>	<u>\$ 0.21</u>	<u>\$ 0.31</u>	<u>\$ 0.28</u>
Number of shares used in per share computation:				
Basic	<u>14,292</u>	<u>14,171</u>	<u>14,308</u>	<u>13,729</u>
Diluted.....	<u>14,351</u>	<u>14,237</u>	<u>14,365</u>	<u>13,796</u>