

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

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**CALAVO GROWERS POSTS HIGHER  
FISCAL 2006 SECOND QUARTER OPERATING RESULTS**

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**Quarterly Highlights Include:**

- **Revenues Climb 12 Percent to \$67.4 Million**
  - **Gross Margin Surges to \$8.7 Million, a 36 Percent Jump**
  - **Operating Income Leaps 76 Percent to \$3.6 Million from \$2.0 Million**
  - **Net Income Totals \$2.2 Million Versus \$1.5 Million (Before Gain on Sale of Building, Net of Tax, of \$1.0 Million)**
  - **California Avocado Packing Volume Doubles Year-to-Year**
  - **Processed-Product Segment Sales, Margin Expand Sharply**
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SANTA PAULA, Calif. (June 6, 2006)—Calavo Growers, Inc. (Nasdaq-NMS: CVGW), a global leader in the packing and marketing of fresh and processed avocados and other perishable food products, today reported significantly improved results for its fiscal 2006 second quarter, with net sales, gross margin and profit from operations rising sharply year over year.

For the three months ended April 30, 2006, net income reached \$2.2 million, equal to \$0.15 per diluted share, which compares with \$1.5 million, or \$0.10 per diluted share, before giving effect to a \$1.0 million after-tax gain (\$1.7 million pre-tax) from the sale of a building, recorded in the corresponding period last year. After accounting for the benefit from the sale of the company's former headquarters in Santa Ana, Calif., net income in the fiscal 2005 second quarter totaled \$2.5 million, or \$0.18 per diluted share.

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Net sales in the most recent quarter grew 12 percent to \$67.4 million from \$60.2 million one year earlier, propelled by higher revenues in both the company's fresh and processed-product business segments. (During the second quarter of fiscal 2006, the Company combined its California Avocados reporting segment with its International Avocados and Perishable Food Products segment to form one combined segment, Fresh Products.) Second period gross margin surged 36 percent to \$8.7 million from \$6.4 million in the like quarter of 2005, owing primarily to economies of scale resulting from cyclically larger California avocado volume and increased operating efficiencies at its processed products manufacturing facility, in addition to higher sales in that business segment.

"The company's solidly profitable second quarter performance reflects focused execution of Calavo's strategic business agenda," said Chairman and Chief Executive Officer Lee E. Cole, "and is punctuated by a 76 percent leap in operating income to \$3.6 million, as compared with \$2.0 million in the corresponding period of fiscal 2005. We are extremely pleased by our quarterly and year-to-date operating results, which validate several key corporate initiatives, most notably Calavo's state-of-the-art processed facility constructed in Uruapan, Michoacan, Mexico and opened in early 2005."

Chief among factors favorably impacting operating performance, Cole stated that processed-product segment revenues in the most recent period rose approximately \$4.7 million, or 39 percent, fueled by high demand in both the

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retail and food-service sectors for Calavo's ultra-high-pressure guacamole. Second-quarter gross margins in the segment nearly doubled, increasing approximately \$1.5 million from one-year earlier, as production efficiency continued to improve. "The trend lines in our processed-product business unit continue upward measured year-to-year," he stated.

Net sales for the six months ended April 30, 2006 reached \$118.1 million, a ten percent advance from \$107.9 million in the like period one year ago. First-half gross margin jumped to \$12.1 million, or 45 percent, from \$8.3 million in the initial six months of fiscal 2005. Year-to-date income from operations swung nearly \$3.1 million, or more than six-fold, to \$2.6 million from a loss of \$0.5 million in the fiscal 2005 first half.

Fiscal 2006 first-half net income totaled \$1.5 million, or \$0.11 per diluted share, as compared with a net loss of \$0.1 million, equal to \$0.01 per diluted share, before giving effect to the aforementioned gain on sale of building of \$1.0 million (\$1.7 million pre-tax), or \$0.08 per diluted share, in last year's second period. After giving effect to this item, first-half fiscal 2005 net income equaled \$0.9 million, Or \$0.07 per diluted share.

Cole indicated that fiscal 2006 sales are being paced, in part, by a cyclically larger California avocado crop, which resulted in second-quarter fruit volume through the company's packinghouses rising more than twofold from last year. "The substantially larger California avocado harvest this year is greatly benefiting

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production costs through our scale-driven operations,” the Calavo CEO stated.

“As a result of this volume, we moderated import of Mexican-grown fruit in the second period,” Cole said, “to supplement availability of select avocados in the marketplace.”

### **Outlook Moving Forward**

Looking ahead, Cole said that he views the second half of fiscal 2006 “with great anticipation. We enter the third quarter from a very solid position—operationally and financially. The large California harvest bodes well for our domestic packinghouses, which thrive on volume and traditionally receive their greatest amount of avocados during the third period. Additionally, the California harvest shifts northward as the year progresses into regions in which Calavo enjoys its largest market share—another boon to productivity.”

He continued, “Processed operations will continue to contribute solidly, and we are focused on further growing revenues of both high-pressure guacamole and our line of frozen products. We feel that there is considerable untapped upside in the processed-products business segment. Near term, we expect the division to benefit from continued production efficiencies and favorable fruit prices.

“We anticipate maintaining solid profitability in the third period. The balance of the fiscal year continues to look promising as we focus on executing key initiatives and our strategic business agenda” Cole concluded.

**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 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)**

	<u>April 30,</u> <u>2006</u>	<u>October 31,</u> <u>2005</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents .....	\$ 287	\$ 1,133
Accounts receivable, net of allowances of \$2,741 (2006) and \$2,688 (2005).....	30,162	19,253
Inventories, net .....	10,502	10,096
Prepaid expenses and other current assets .....	5,242	5,879
Advances to suppliers.....	255	1,141
Income tax receivable.....	—	893
Deferred income taxes .....	<u>2,651</u>	<u>2,651</u>
Total current assets .....	49,099	41,046
Property, plant, and equipment, net.....	17,666	16,897
Investment in Limoneira.....	41,486	45,634
Goodwill .....	3,591	3,591
Other assets.....	<u>2,383</u>	<u>1,314</u>
	<u>\$114,225</u>	<u>\$108,842</u>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Payable to growers .....	\$ 10,428	\$ 1,753
Trade accounts payable .....	1,742	1,892
Accrued expenses .....	14,413	12,482
Income tax payable.....	42	—
Short-term borrowings.....	4,354	1,424
Dividend payable.....	—	4,564
Current portion of long-term obligations.....	<u>1,309</u>	<u>1,313</u>
Total current liabilities.....	32,288	23,428
Long-term liabilities:		
Long-term obligations, less current portion.....	11,715	11,719
Deferred income taxes .....	<u>6,944</u>	<u>8,589</u>
Total long-term liabilities .....	18,659	20,308
Total shareholders' equity .....	<u>63,278</u>	<u>64,746</u>
	<u>\$114,225</u>	<u>\$108,842</u>

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

	Three months ended		Six months ended	
	April 30,		April 30,	
	2006	2005	2006	2005
Net sales .....	\$ 67,429	\$ 60,206	\$ 118,076	\$ 107,877
Cost of sales .....	<u>58,768</u>	<u>53,851</u>	<u>106,005</u>	<u>99,570</u>
Gross margin .....	8,661	6,355	12,071	8,307
Selling, general and administrative .....	<u>5,063</u>	<u>4,307</u>	<u>9,507</u>	<u>8,820</u>
Operating income (loss) .....	3,598	2,048	2,564	(513)
Other income (expense), net.....	<u>10</u>	<u>1,909</u>	<u>(65)</u>	<u>1,991</u>
Income before provision for income taxes .....	3,608	3,957	2,499	1,478
Provision for income taxes .....	<u>1,419</u>	<u>1,490</u>	<u>975</u>	<u>558</u>
Net income .....	<u>\$ 2,189</u>	<u>\$ 2,467</u>	<u>\$ 1,524</u>	<u>\$ 920</u>
Net income per share:				
Basic .....	<u>\$ 0.15</u>	<u>\$ 0.18</u>	<u>\$ 0.11</u>	<u>\$ 0.07</u>
Diluted.....	<u>\$ 0.15</u>	<u>\$ 0.18</u>	<u>\$ 0.11</u>	<u>\$ 0.07</u>
Number of shares used in per share computation:				
Basic .....	<u>14,282</u>	<u>13,507</u>	<u>14,317</u>	<u>13,507</u>
Diluted.....	<u>14,343</u>	<u>13,580</u>	<u>14,374</u>	<u>13,581</u>