UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended July 31, 2005

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 000-33385

CALAVO GROWERS, INC.

(Exact name of registrant as specified in its charter)

California	**33-0945304**
(State of incorporation)	(I.R.S. Employer Identification No.)

1141A Cummings Road
Santa Paula, California 93060
(Address of principal executive offices) (Zip code)

(805) 525-1245
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☑ No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes ☑ No o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ☑

Registrant's number of shares of common stock outstanding as of July 31, 2005 was 14,518,833.

CAUTIONARY STATEMENT

This Quarterly Report on Form 10-Q contains statements relating to our future results (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 but not limited to those set forth in Part I., Item 1 under the caption “Certain Business Risks” in our Annual Report on Form 10-K for the fiscal year ended October 31, 2004, 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.

CALAVO GROWERS, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	July 31, 2005	October 31, 2004
Assets		
Current assets:		
Cash and cash equivalents	$ 1,186	$ 636
Accounts receivable, net of allowances of $2,101 (2005) and $1,087 (2004)	33,695	21,131
Inventories, net	15,493	11,375
Prepaid expenses and other current assets	4,384	4,598
Loans to growers	95	209
Advances to suppliers	2,401	2,413
Income tax receivable	—	803
Deferred income taxes	1,775	1,775
Total current assets	59,029	42,940
Property, plant, and equipment, net	16,729	17,427
Building held for sale	—	1,658
Investment in Limoneira	40,967	—
Goodwill	3,591	3,591
Other assets	1,378	1,782
	$ 121,694	$ 67,398
Liabilities and shareholders' equity		
Current liabilities:		
Payable to growers	$ 18,030	$ 5,789
Trade accounts payable	2,383	2,490
Accrued expenses	10,723	8,234
Income tax payable	177	—
Short-term borrowings	867	2,000
Dividend payable	—	4,052
Current portion of long-term obligations	1,316	22
Total current liabilities	33,496	22,587
Long-term liabilities:		
Long-term obligations, less current portion	11,719	34
Deferred income taxes	7,759	840
Total long-term liabilities	19,478	874
Commitments and contingencies		
Shareholders' equity:		
Common stock, $0.001 par value; 100,000 shares authorized; 14,519 (2005) and 13,507 (2004) issued and outstanding	15	14
Additional paid-in capital	38,942	28,822
Notes receivable from shareholders	(2,658)	(2,883)
Accumulated other comprehensive income	10,598	—
Retained earnings	21,823	17,984
Total shareholders' equity	68,720	43,937
	$ 121,694	$ 67,398

The accompanying notes are an integral part of these consolidated condensed financial statements.

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

	Three months ended July 31,		Nine months ended July 31,	
	2005	2004	2005	2004
Net sales	$ 88,699	$ 83,318	$ 196,576	$ 208,782
Cost of sales	79,505	74,762	179,075	189,389
Gross margin	9,194	8,556	17,501	19,393
Selling, general and administrative	4,825	3,848	13,645	11,504
Operating income	4,369	4,708	3,856	7,889
Other income, net	153	91	2,144	311
Income before provision for income taxes	4,522	4,799	6,000	8,200
Provision for income taxes	1,603	1,739	2,161	3,100
Net income	$ 2,919	$ 3,060	$ 3,839	$ 5,100
Net income per share:				
Basic	$ 0.21	$ 0.23	$ 0.28	$ 0.38
Diluted	$ 0.21	$ 0.23	$ 0.28	$ 0.38
Number of shares used in per share computation:				
Basic	14,171	13,507	13,729	13,494
Diluted	14,237	13,594	13,796	13,579

The accompanying notes are an integral part of these consolidated condensed financial statements.

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

	Three months ended July 31,		Nine months ended July 31,	
	2005	2004	2005	2004
Net income	$ 2,919	$ 3,060	$ 3,839	$ 3,839
Other comprehensive income, before tax:				
Unrealized holding gains arising during period	17,517	—	17,517	—
Income tax expense related to items of other comprehensive income	(6,919)	—	(6,919)	—
Other comprehensive income, net of tax	10,598	—	10,598	—
Comprehensive income	$ 13,517	$ 3,060	$ 14,437	$ 3,839

The accompanying notes are an integral part of these consolidated condensed financial statements.

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CALAVO GROWERS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine months ended July 31, 2005	2004
Cash Flows from Operating Activities:		
Net income	$ 3,839	$ 5,100
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,223	1,792
Gain on sale of building	(1,725)	—
Stock based compensation	38	33
Provision for losses on accounts receivable	400	25
Effect on cash of changes in operating assets and liabilities:		
Accounts receivable	(12,964)	(11,214)
Inventories, net	(4,118)	(5,738)
Prepaid expenses and other assets	529	992
Loans to growers	114	288
Advances to suppliers	12	(1,772)
Income taxes receivable	803	—
Payable to growers	12,241	11,503
Trade accounts payable and accrued expenses	2,382	1,577
Income taxes payable	200	1,087
Net cash provided by operating activities	3,974	3,673
Cash Flows from Investing Activities:		
Direct costs of Maui acquisition	—	(65)
Purchase of Limoneira stock	(23,450)	—
Proceeds received from sale of building	3,383	—
Acquisitions of and deposits on property, plant, and equipment	(1,436)	(5,414)
Net cash used in investing activities	(21,503)	(5,479)
Cash Flows from Financing Activities:		
Payment of dividend to shareholders	(4,052)	(3,376)
Proceeds from (payments on) short-term borrowings, net	(1,133)	—
Proceeds from issuance of long-term debt	13,000	—
Exercise of stock options	60	—
Issuance of stock to Limoneira	10,000	—
Collection on notes receivable from shareholders	225	680
Payments on long-term obligations	(21)	(25)
Net cash provided by (used in) financing activities	18,079	(2,721)
Net increase (decrease) in cash and cash equivalents	550	(4,527)
Cash and cash equivalents, beginning of period	636	5,375
Cash and cash equivalents, end of period	$ 1,186	$ 848
Supplemental Information -		
Cash paid during the period for:		
Interest	$ 179	$ 58
Income taxes	$ 863	$ 1,907
Noncash Investing and Financing Activities:		
Tax benefit related to stock option exercise	$ 23	$ —
Unrealized holding gains	$ 17,517	$ —

In November 2003, the Company acquired all of the outstanding common shares of Maui Fresh International, Inc. for 576,924 shares of the Company's common stock, valued at $4.05 million. The following table summarizes the estimated fair values of the non-cash assets acquired and liabilities assumed at the date of acquisition.

(in thousands)	2004
Fixed assets	$ 114
Goodwill	3,526
Intangible assets	867
Total non-cash assets acquired	4,507
Current liabilities	110
Deferred tax liabilities assumed	347
Net non-cash assets acquired	$ 4,050

The accompanying notes are an integral part of these consolidated condensed financial statements.

CALAVO GROWERS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

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 worldwide 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 Mexico, Chile, and the Dominican Republic, and distribute other perishable foods, such as Hawaiian grown papayas. We report these operations in three different business segments: (1) California avocados, (2) international avocados and perishable food products and (3) processed products.

The accompanying consolidated condensed financial statements are unaudited. In the opinion of management, the accompanying consolidated condensed financial statements contain all adjustments necessary to present fairly our financial position, results of operations, and cash flows. Such adjustments consist of adjustments of a normal recurring nature. Interim results are subject to significant seasonal variations and are not necessarily indicative of the results of operations for a full year. Our operations are sensitive to a number of factors, including weather-related phenomena and their effects on industry volumes, prices, product quality, and costs. Operations are also sensitive to fluctuations in currency exchange rates in both sourcing and selling locations, as well as economic crises and security risks in developing countries. These statements should also be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2004.

Recent Accounting Standards

In November 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 151, *Inventory Costs, an amendment of ARB No. 43, Chapter 4* (SFAS 151), to clarify that abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage) should be recognized as current period charges, and that fixed production overheads should be allocated to inventory based on normal capacity of production facilities. This statement is effective for the Company's fiscal year beginning November 1, 2005. We do not expect the adoption of SFAS 151 will have a significant impact on our overall results of operations or financial position.

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions* (SFAS 153). The amendments made by SFAS 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for nonmonetary exchanges of similar productive assets and replace it with a broader exception for exchanges of nonmonetary assets that do not have commercial substance. The Statement is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Earlier application is permitted for nonmonetary asset exchanges occurring in fiscal periods beginning after the date of issuance. The provisions of this Statement shall be applied prospectively. We do not expect the adoption of SFAS 153 will have a significant impact on our overall results of operations or financial position.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), *Share-Based Payment* (SFAS 123(R)). SFAS 123(R) requires the recognition of compensation cost relating to share-based payment transactions in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued as of the grant date, based on the estimated number of awards that are expected to vest. SFAS 123(R) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. SFAS 123(R) replaces SFAS No. 123, *Accounting for*

CALAVO GROWERS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

Stock-Based Compensation (SFAS 123), and supersedes Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25). SFAS 123(R) is effective November 1, 2005. As a public company, we are allowed to select from three alternative transition methods—each having different reporting implications. We do not expect the adoption of SFAS 123(R) to have a significant impact on our overall results of operations or financial position.

In December 2004, the FASB issued FASB Staff Position (FSP) FAS 109-1 — *Application of FASB Statement No. 109, Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004* (2004 Act). This FSP provides guidance on the application of SFAS No. 109 to the provisions of the tax deduction on qualified production activities contained within the 2004 Act. FSP 109-1 states that the manufacturers' deduction should be accounted for as a special deduction in accordance with SFAS No. 109 and not as a tax rate reduction. We adopted the provisions of FSP 109-1 during our first fiscal quarter of 2005. Adoption of FSP 109-1 did not have a significant effect on our financial position or results of operations.

In December 2004, the FASB issued FSP FAS 109-2 — *Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004*, which provides guidance for the repatriation provisions included in the 2004 Act. The 2004 Act introduced a special limited-time dividends received deduction on the repatriation of certain foreign earnings to a U.S. taxpayer. As a result, FSP 109-2 provides an exception to the SFAS No. 109 requirement to reflect the effect of a new tax law in the period of enactment. Accordingly, an entity is allowed additional time beyond the financial reporting period of enactment to evaluate the effect of the 2004 Act on its plan for repatriation of foreign earnings. We adopted the provisions of FSP 109-2 during our first fiscal quarter of 2005. Adoption of FSP 109-2 did not have a significant effect on our financial position or results of operations.

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections — a replacement of APB Opinion No. 20 and FASB Statement No. 3* (SFAS 154). SFAS 154 changes the requirements for the accounting for and reporting of a change in accounting principle. The provisions of SFAS 154 require, unless impracticable, retrospective application to prior periods' financial statements of (1) all voluntary changes in principles and (2) changes required by a new accounting pronouncement, if a specific transition is not provided. SFAS 154 also requires that a chance in depreciation, amortization, or depletion method for long-lived, non-financial assets be accounted for as a change in accounting estimate, which requires prospective application of the new method. SFAS 154 is effective for all accounting changes made in fiscal years beginning after December 15, 2005. We do not expect the adoption of SFAS 154 to have a significant impact on our overall results of operations or financial position.

Other Comprehensive Income

In accordance with SFAS No. 130, *Reporting Comprehensive Income*, we display comprehensive income, and its components, in a financial statement with the same prominence as other financial statements. The impact of any fluctuation in unrealized gains or losses on investments available-for-sale are a component of comprehensive income for each year presented.

Stock Based Compensation

As permitted by SFAS No. 123, *Accounting for Stock-Based Compensation*, (SFAS No. 123), which was amended by SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure," the Company accounts for stock-based compensation under APB 25 and related interpretations.

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 APB 25, we are recording compensation expense of approximately $151,000 over the vesting period of three years

CALAVO GROWERS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

from the grant date. During the three and nine month periods ended July 31, 2005 and July 31, 2004, we recognized $13,000, $38,000, $13,000 and $33,000 of compensation expense with respect to stock option awards pursuant to APB 25. 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):

	Three months ended July 31,		Nine months ended July 31,	
	2005	2004	2005	2004
Net Income:				
As reported	$ 2,919	$ 3,060	$ 3,839	$ 5,100
Add: Total stock-based compensation expense determined under APB 25 and related interpretations, net of tax effects	8	9	24	21
Deduct: Total stock based compensation expense determined under fair value based method for all awards, net of tax effects	(8)	(9)	(24)	(21)
Pro forma	$ 2,919	$ 3,060	$ 3,839	$ 5,100
Net income per share, as reported:				
Basic	$ 0.21	$ 0.23	$ 0.28	$ 0.38
Diluted	$ 0.21	$ 0.23	$ 0.28	$ 0.38
Net income per share, pro forma:				
Basic	$ 0.21	$ 0.23	$ 0.28	$ 0.38
Diluted	$ 0.21	$ 0.23	$ 0.28	$ 0.38

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 2004 has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	3.3%
Expected volatility	26.9%
Dividend yield	20%
Expected life (years)	5
Weighted-average fair value of options granted	$ 3.01

The Black-Scholes and Binary option valuation models were 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.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current period presentation.

CALAVO GROWERS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

2. Information regarding our operations in different segments

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 two-year average sales dollars. We do not allocate assets or specifically identify them to our operating segments.

	California avocados	International avocados and perishable food products	Processed products	Inter-segment eliminations	Total
	(All amounts are presented in thousands)				
Nine months ended July 31, 2005					
Net sales	$ 94,306	$ 93,015	$ 25,645	$ (16,390)	$ 196,576
Cost of sales	84,516	88,631	22,318	(16,390)	179,075
Gross margin	9,790	4,384	3,327	—	17,501
Selling, general and administrative	5,610	4,330	3,705	—	13,645
Operating income (loss)	4,180	54	(378)	—	3,856
Other income, net	1,190	737	217	—	2,144
Income (loss) before provision for income taxes	5,370	791	(161)	—	6,000
Provision (benefit) for income taxes	1,934	285	(58)	—	2,161
Net income (loss)	$ 3,436	$ 506	$ (103)	$ —	$ 3,839

	California avocados	International avocados and perishable food products	Processed products	Inter-segment eliminations	Total
	(All amounts are presented in thousands)				
Nine months ended July 31, 2004					
Net sales	$ 122,106	$ 74,429	$ 24,386	$ (12,139)	$ 208,782
Cost of sales	109,848	70,285	21,395	(12,139)	189,389
Gross margin	12,258	4,144	2,991	—	19,393
Selling, general and administrative	5,173	2,875	3,456	—	11,504
Operating income (loss)	7,085	1,269	(465)	—	7,889
Other income, net	231	71	9	—	311
Income before provision for income taxes	7,316	1,340	(456)	—	8,200
Provision for income taxes	2,765	507	(172)	—	3,100
Net income	$ 4,551	$ 833	$ (284)	$ —	$ 5,100

CALAVO GROWERS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

	California avocados	International avocados and perishable food products	Processed products	Inter-segment eliminations	Total
			(All amounts are presented in thousands)		
Three months ended July 31, 2005					
Net sales	$ 60,104	$ 24,634	$ 10,188	$ (6,227)	$ 88,699
Cost of sales	52,910	23,923	8,899	(6,227)	79,505
Gross margin	7,194	711	1,289	—	9,194
Selling, general and administrative	2,073	1,576	1,175	—	4,825
Operating income	5,121	(865)	113	—	4,369
Other income, net	115	46	(8)	—	153
Income before provision for income taxes	5,236	(819)	105	—	4,522
Provision for income taxes	1,883	(322)	42	—	1,603
Net income	$ 3,353	$ (497)	$ 63	$ —	$ 2,919

	California avocados	International avocados and perishable food products	Processed products	Inter-segment eliminations	Total
			(All amounts are presented in thousands)		
Three months ended July 31, 2004					
Net sales	$ 67,469	$ 11,154	$ 9,048	$ (4,353)	$ 83,318
Cost of sales	59,693	11,061	8,361	(4,353)	74,762
Gross margin	7,776	93	687	—	8,556
Selling, general and administrative	1,843	857	1,148	—	3,848
Operating income	5,933	(764)	(461)	—	4,708
Other income, net	63	24	4	—	91
Income before provision for income taxes	5,996	(740)	(457)	—	4,799
Provision for income taxes	2,236	(325)	(172)	—	1,739
Net income	$ 3,760	$ (415)	$ (285)	$ —	$ 3,060

CALAVO GROWERS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

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

	Nine months ended July 31, 2005				Nine months ended July 31, 2004			
	California avocados	International avocados and perishable food products	Processed products	Total	California avocados	International avocados and perishable food products	Processed products	Total
Third-party sales:								
California avocados	$ 84,775	$ —	$ —	$ 84,775	$ 112,666	$ —	$ —	$ 112,666
Imported avocados	—	56,072	—	56,072	—	43,096	—	43,096
Papayas	—	5,040	—	5,040	—	4,999	—	4,999
Specialties and Tropicals	—	11,580	—	11,580	—	11,299	—	11,299
Processed — food service	—	—	20,527	20,527	—	—	21,200	21,200
Processed — retail and club	—	—	4,856	4,856	—	—	3,156	3,156
Total fruit and product sales to third-parties	84,775	72,692	25,383	182,850	112,666	59,394	24,356	196,416
Freight and other charges	6,392	12,030	135	18,557	8,468	8,924	288	17,680
Total third-party sales	91,167	84,722	25,518	201,407	121,134	68,318	24,644	214,096
Less sales incentives	(81)	(1)	(4,749)	(4,831)	(76)	(48)	(5,190)	(5,314)
Total net sales to third-parties	91,086	84,721	20,769	196,576	121,058	68,270	19,454	208,782
Intercompany sales	3,220	8,294	4,876	16,390	1,048	6,159	4,932	12,139
Net sales before eliminations	$ 94,306	$ 93,015	$ 25,645	212,966	$ 122,106	$ 74,429	$ 24,386	220,921
Intercompany sales eliminations				(16,390)				(12,139)
Consolidated net sales				$ 196,576				$ 208,782

	Three months ended July 31, 2005				Three months ended July 31, 2004			
	California avocados	International avocados and perishable food products	Processed products	Total	California avocados	International avocados and perishable food products	Processed products	Total
Third-party sales:								
California avocados	$ 54,700	$ —	$ —	$ 54,700	$ 61,630	$ —	$ —	$ 61,630
Imported avocados	—	14,036	—	14,036	—	3,906	—	3,906
Papayas	—	1,617	—	1,617	—	1,697	—	1,697
Specialties and Tropicals	—	3,096	—	3,096	—	3,088	—	3,088
Processed — food service	—	—	7,773	7,773	—	—	7,304	7,304
Processed — retail and club	—	—	2,116	2,116	—	—	1,174	1,174
Total fruit and product sales to third-parties	54,700	18,749	9,889	83,338	61,630	8,691	8,478	78,799
Freight and other charges	3,771	3,115	117	7,003	5,111	1,141	116	6,368
Total third-party sales	58,471	21,864	10,006	90,341	66,741	9,832	8,594	85,167
Less sales incentives	(40)	(1)	(1,601)	(1,642)	(14)	(1)	(1,834)	(1,849)
Total net sales to third-parties	58,431	21,863	8,405	88,699	66,727	9,831	6,760	83,318
Intercompany sales	1,673	2,771	1,783	6,227	742	1,323	2,288	4,353

Net sales before eliminations	$ 60,104	$ 24,634	$ 10,188	94,926	$ 67,469	$ 11,154	$ 9,048	87,671
Intercompany sales eliminations				(6,227)				(4,353)
Consolidated net sales				$ 88,699				$ 83,318

CALAVO GROWERS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

3. Inventories

Inventories consist of the following (in thousands):

	July 31, 2005	October 31, 2004
Fresh fruit	$ 9,134	$ 3,424
Packing supplies and ingredients	2,119	2,081
Finished processed foods	4,240	5,870
	$ 15,493	$ 11,375

During the three and nine month periods ended July 31, 2005 and 2004, we were not required to, and did not, record any provisions to reduce our inventories to the lower of cost or market.

4. Related party transactions

We sell papayas obtained from an entity owned by our Chairman of the Board of Directors, Chief Executive Officer and President. Sales of papayas procured from the related entity amounted to approximately $5,040,000 and $4,999,000 for the nine months ended July 31, 2005 and 2004, resulting in gross margins of approximately $424,000 and $416,000. Sales of papayas procured from the related entity amounted to approximately $1,617,000, and $1,662,000 for the three months ended July 31, 2005 and 2004, resulting in gross margins of approximately $175,000 and $241,000. Included in accrued liabilities are approximately $10,000 and $113,000 at July 31, 2005 and October 31, 2004 due to this entity.

Certain members of our Board of Directors market avocados through Calavo pursuant to marketing agreements substantially similar to the marketing agreements that we enter into with other growers. During the three months ended July 31, 2005 and 2004, the aggregate amount of avocados procured from entities owned or controlled by members of our Board of Directors was $2.3 and $2.3 million. During the nine months ended July 31, 2005 and 2004, the aggregate amount of avocados procured from entities owned or controlled by members of our Board of Directors was $3.1 and $4.2 million.

5. Other assets

Included in other assets in the accompanying consolidated financial statements are the following intangible assets: customer-related intangibles of $590,000 (accumulated amortization of $177,000 at July 31, 2005), brand name intangibles of $275,000 and other identified intangibles totaling $2,000 (accumulated amortization of $1,700 at July 31, 2005). The customer-related intangibles and other identified intangibles are being amortized over five and two years. The intangible asset related to the brand name currently has an indefinite remaining useful life and, as a result, is not currently subject to amortization. We anticipate recording amortization expense of approximately $30,000 for the remainder of fiscal 2005 and approximately $118,000 per annum for fiscal 2006 through fiscal 2008, with the remaining amortization expense of approximately $29,000 recorded in fiscal 2009.

6. Other events

Dividend payment

On January 3, 2005, we paid a $0.30 per share dividend in the aggregate amount of $4,052,000 to shareholders of record on November 15, 2004.

CALAVO GROWERS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

Contingencies

As previously reported, we are currently under examination by the Mexican tax authorities ("Hacienda") for the tax year ended December 31, 2000. During the first quarter of fiscal 2005, we received an assessment totaling approximately $2.0 million from Hacienda related to the amount of income at our Mexican subsidiary. Based primarily on discussions with legal counsel, we believe that Hacienda's position has no merit and that the Company will prevail. Accordingly, no amounts have been provided in the financial statements as of July 31, 2005. We are also involved in litigation arising in the ordinary course of our business that we do not believe will have a material adverse impact on our financial statements.

Corporate Headquarters Building

In March 2005, we completed the sale of our corporate headquarters building located in Santa Ana, California for $3.4 million. This transaction resulted in a pre-tax gain on sale of approximately $1.7 million. In conjunction with such sale, we relocated our corporate offices to Santa Paula, California in March 2005. Total expenses related to such relocation approximated $0.3 million.

Useful lives of property, plant and equipment

Effective July 31, 2005, based on a review performed by us, we changed our estimate of useful lives of certain property, plant and equipment. The principal estimated useful lives were: 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 — 3 to 5 years. The revised estimated useful lives are: buildings and improvements — 7 to 50 years; leasehold improvements — the lesser of the term of the lease or 7 years; equipment — 7 to 25 years; information systems hardware and software – 3 to 15 years. The change in estimated useful lives increased our operating income by approximately $0.2 million during the three months ended July 31, 2005 when compared to the old useful lives.

7. Processed product segment restructuring

In February 2003, our Board of Directors approved a plan whereby the operations of our processed products business would be relocated. The plan called 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. The Uruapan facility commenced operations in February 2004 and the Santa Paula and Mexicali facilities were closed in February 2003 and August 2004. For the first nine months of fiscal 2005, we incurred costs related to this restructuring approximating $437,000, which are recorded in our income statement as both cost of sales ($298,000) and selling, general and administrative expenses ($139,000). All the above amounts have been paid and we do not expect any additional operating costs related to this restructuring.

8. Investment in Limoneira Company

In order to increase our market share of California avocados and increase synergies within the marketplace, we entered into a stock purchase agreement with Limoneira Company (Limoneira) in June 2005. Pursuant to such agreement, we acquired approximately 15.1% of Limoneira's outstanding common stock for $23.45 million and Limoneira acquired approximately 6.9% of our outstanding common stock for $10 million. Additionally, such agreement also provided for: (1) Calavo to lease office space from Limoneira in Santa Paula, California for a period of 10 years at an initial annual gross rental of approximately $0.2 million (subject to annual CPI increases, as defined), (2) Calavo to market Limoneira's avocados and (3) Calavo and Limoneira to use good faith reasonable efforts to maximize avocado packing efficiencies for both parties by consolidating their fruit packing operations. Various opportunities are currently being considered, including the use of existing packing facilities, an investment in existing vacant facilities, and/or an investment in a new consolidated facility for both parties.

CALAVO GROWERS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

Limoneira, which generated total revenues of approximately $26 million during fiscal 2004, primarily engages in growing citrus and avocados, picking and hauling citrus, and packing lemons. The issuances of the shares discussed above are exempt from registration under federal and state securities laws. As a result of the ownership percentage acquired in Limoneira, we recognize only dividends received from Limoneira as income. Such investment is classified as "available-for-sale," whereby unrealized gains and losses are reported in other comprehensive income.

9. Term loan agreement

In July 2005, we entered into a non-collateralized term loan agreement with Farm Credit West, PCA to finance the purchase of our Limoneira Stock. Pursuant to such agreement, we borrowed $13 million, which is to be repaid in 10 annual installments of $1.3 million. Such annual installments begin July 2006 and continue through July 2015. Interest is to be paid monthly, in arrears, beginning August 2005 through the life of the loan. Such loan bears interest at a fixed rate of 5.70%.

Such loan contains various financial covenants, which are substantially identical to existing covenants, with which we were in compliance at July 31, 2005.

10. Subsequent Events

Option Grant

In August 2005, our Board of Directors approved the issuance of options to acquire a total of 400,000 shares of our common stock to various employees of the Company. The options vest if the closing price of our common stock is at least $11.00 per share at any time throughout the life of the option. At no time, however, may any options vest within one year from the date of grant. Additionally, such options have an exercise price of $9.10 per share and a term of 5 years from the grant date. The market price of our common stock at the grant date was $9.10.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This information should be read in conjunction with the unaudited consolidated condensed financial statements and the notes thereto included in this Quarterly Report, and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Annual Report on Form 10-K for the year ended October 31, 2004 of Calavo Growers, Inc. (we, Calavo, or the Company). Certain prior year amounts have been reclassified to conform with the current period presentation.

Recent Developments

Dividend payment

On January 3, 2005, we paid a $0.30 per share dividend in the aggregate amount of $4,052,000 to shareholders of record on November 15, 2004.

Contingencies

As previously reported, we are currently under examination by the Mexican tax authorities ("Hacienda") for the tax year ended December 31, 2000. During the first quarter of fiscal 2005, we received an assessment totaling approximately $2.0 million from Hacienda related to the amount of income at our Mexican subsidiary. Based primarily on discussions with legal counsel, we believe that Hacienda's position has no merit and that the Company will prevail. Accordingly, no amounts have been provided in the financial statements as of July 31, 2005. We are also involved in litigation arising in the ordinary course of our business that we do not believe will have a material adverse impact on our financial statements.

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In March 2005, we completed the sale of our corporate headquarters building located in Santa Ana, California for $3.4 million. This transaction resulted in a pre-tax gain on sale of approximately $1.7 million. In conjunction with such sale, we relocated our corporate offices to Santa Paula, California in March 2005. Total expenses related to such relocation approximated $0.3 million.

Useful lives of property, plant and equipment

Effective July 31, 2005, based on a review performed by us, we changed our estimate of useful lives of certain property, plant and equipment. The principal estimated useful lives were: 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 — 3 to 5 years. The revised estimated useful lives are: buildings and improvements — 7 to 50 years; leasehold improvements — the lesser of the term of the lease or 7 years; equipment — 7 to 25 years; information systems hardware and software – 3 to 15 years. The change in estimated useful lives increased our operating income by approximately $0.2 million during the three months ended July 31, 2005 when compared to the old useful lives.

Processed product segment restructuring

In February 2003, our Board of Directors approved a plan whereby the operations of our processed products business would be relocated. The plan called 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. The Uruapan facility commenced operations in February 2004 and the Santa Paula and Mexicali facilities were closed in February 2003 and August 2004. For the first six months of fiscal 2005, we incurred costs related to this restructuring approximating $437,000, which are recorded in our income statement as both cost of sales ($298,000) and selling, general and administrative expenses ($139,000). We do not expect any additional operating costs related to this restructuring.

Investment in Limoneira Company

In order to increase our market share of California avocados and increase synergies within the marketplace, we entered into a stock purchase agreement with Limoneira Company (Limoneira) in June 2005. Pursuant to such agreement, we acquired approximately 15.1% of Limoneira's outstanding common stock for $23.45 million and Limoneira acquired approximately 6.9% of our outstanding common stock for $10 million. Additionally, such agreement also provided for: (1) Calavo to lease office space from Limoneira in Santa Paula, California for a period of 10 years at an initial annual gross rental of approximately $0.2 million (subject to annual CPI increases, as defined), (2) Calavo to market Limoneira's avocados and (3) Calavo and Limoneira to use good faith reasonable efforts to maximize avocado packing efficiencies for both parties by consolidating their fruit packing operations. Various opportunities are currently being considered, including the use of existing packing facilities, an investment in existing vacant facilities, and/or an investment in a new consolidated facility for both parties.

Limoneira, which generated total revenues of approximately $26 million during fiscal 2004, primarily engages in growing citrus and avocados, picking and hauling citrus, and packing lemons. The issuances of the shares discussed above are exempt from registration under federal and state securities laws. As a result of the ownership percentage acquired in Limoneira, we recognize only dividends received from Limoneira as income. Such investment is classified as "available-for-sale," whereby it is reported at fair market value and unrealized gains and losses will be reported in other comprehensive income.

Term loan agreement

In July 2005, we entered into a non-collateralized term loan agreement with Farm Credit West, PCA to finance the purchase of our Limoneira Stock. Pursuant to such agreement, we borrowed $13 million, which is to be repaid in 10 annual installments of $1.3 million. Such annual installments begin July 2006 and continue through July 2015. Interest is to be paid monthly, in arrears, beginning August 2005 through the life of the loan. Such loan bears interest at a fixed rate of 5.70%.

Such loan contains various financial covenants, which are substantially identical to existing covenants, with which we were in compliance at July 31, 2005**.**

Option Grant

In August 2005, our Board of Directors approved the issuance of options to acquire a total of 400,000 shares of our common stock to various employees of the Company. The options vest if the closing price of our common stock is at least $11.00 per share at any time throughout the life of the option. At no time, however, may any options vest within one year from the date of grant. Additionally, such options have an exercise price of $9.10 per share and a term of 5 years from the grant date. The market price of our common stock at the grant date was $9.10.

Net Sales

The following table summarizes our net sales by business segment for each of the three and nine month periods ended July 31, 2005 and 2004:

(in thousands)	Three months ended July 31, 2005	Change	2004	Nine months ended July 31, 2005	Change	2004
Net sales to third-parties:						
California avocados	$ 58,431	(12.4)%	$ 66,727	$ 91,086	(24.8)%	$ 121,058
International avocados and perishable food products	21,863	122.4%	9,831	84,721	24.1%	68,270
Processed products	8,405	24.3%	6,760	20,769	6.8%	19,454
Total net sales	$ 88,699	6.5%	$ 83,318	$ 196,576	(5.8)%	$ 208,782
As a percentage of net sales:						
California avocados	65.9%		80.1%	46.3%		58.0%
International avocados and perishable food products	24.6%		11.8%	43.1%		32.7%
Processed products	9.5%		8.1%	10.6%		9.3%
	100.0%		100.0%	100.0%		100.0%

Net sales for the third quarter of fiscal 2005, compared to fiscal 2004, increased by $5.4 million, or 6.5%; whereas net sales for the nine months ended July 31, 2005, compared to fiscal 2004, decreased by $12.2 million, or 5.8%. Consistent with the historical seasonality of the California avocado harvest, our California avocado business generated a significant portion of our of our consolidated net sales for the third quarter (65.9% for the 3 months ended July 31, 2005, as compared to 80.1% for the same prior year period). For the three and nine month periods, our net sales growth reflects an increasing percentage of our business being generated from our international avocados and perishable food products segment. This increase was driven primarily by an increase in the volume of avocados being imported from Mexico. Net sales generated by our processed products business are not generally subject to the seasonal effect experienced by our other operating segments. For the nine month period, the increase in net sales to third parties delivered by our processed products business was due primarily to an increase in total pounds of product sold, partially offset by a marginal decrease in our price per pound. We 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.

Net sales to third parties by segment exclude value-added services billed by our Uruapan packinghouse, Uruapan processing plant and Mexicali processing plant to the parent company. All intercompany sales are eliminated in our consolidated results of operations.

California avocados

Net sales delivered by the business decreased by approximately $8.3 million, or 12.4%, for the third quarter of fiscal 2005, when compared to the same period for fiscal 2004. The decrease in sales reflects a 19.2% decrease in pounds of avocados sold, partially offset by an improvement in our average selling prices when compared to the same prior year period. The decrease in pounds is consistent with the expected decrease in the overall harvest of the California avocado crop for the 2004/2005 season. Our market share of California avocados increased slightly to 35.2% in the third quarter of fiscal 2005, when compared to a 33.4% market share for the same prior year period.

Net sales delivered by the business decreased by approximately $30.0 million, or 24.8%, for the first nine months of fiscal 2005, compared to the same fiscal 2004 period. The decrease in sales reflects a 24.5% decrease in pounds of avocados sold. This decrease in pounds sold is consistent with the expected decrease in the overall harvest of the California avocado crop for the 2004/2005 season. Our market share of California avocados decreased slightly to 33.0% for the nine months ended July 31, 2005, compared to 33.9% for the same period in the prior year.

Average selling prices, on a per carton basis, for California avocados for the third quarter of fiscal 2005 were 10.4% higher when compared to the same prior year period. We attribute some of this increase in these average selling prices to fewer overall pounds sold in the U.S. marketplace. Our average selling prices remained virtually unchanged for the first nine months of fiscal 2005, when compared to the same prior year period.

We anticipate that our California avocado business will experience a seasonal decrease during the fourth fiscal quarter of 2005.

International and perishable food products

For the quarter ended July 31, 2005, when compared to the same period for fiscal 2004, sales to third-party customers increased by approximately $12.0 million, or 122.4%. For the nine months of fiscal 2005, when compared to the same period for fiscal 2004, sales to third-party customers increased by approximately $16.5 million, or 24.1%.

The increased sales to third-parties by our international and perishable food products business were primarily driven by increased sales of Mexican and Chilean grown avocados in the U.S., Japanese, and/or European marketplace.

For the quarter ended July 31, 2005, the volume of Mexican fruit handled increased by 10.3 million pounds, or 220.0%, when compared to the same prior year period. This increase is primarily related to the year round availability of Mexican sourced fruit into the United States.

For the nine months ended July 31, 2005, the volume of Mexican and Chilean fruit handled increased by 15.5 million pounds, or 42.4%, and 8.1 million pounds, or 87.5%, when compared to the same prior year period. Such increases, however, were partially offset by decreases in Dominican Republic sourced fruit. For the nine months ended July 31, 2005, the volume of Dominican Republic fruit handled decreased by 4.1 million pounds, or 50.4%, when compared to the same prior year period.

For the third fiscal quarter of 2005, average selling prices, on a per carton basis, for Mexican avocados were approximately 19.0% higher when compared to the same prior year period. We attribute some of this increase to fewer overall California pounds sold in the U.S. marketplace during such period. For the first nine months of fiscal 2005, average selling prices, on a per carton basis, for Chilean, Mexican, and The Dominican Republic avocados were 28.0% lower, 3.5% higher, and 17.0% lower when compared to the same prior year period. These fluctuations were primarily the result of a significant increase in seasonal imports of Chilean sourced fruit, the initial uncertainty over the effect/impact of the year-round introduction of Mexican avocados in the U.S. marketplace, and fewer overall pounds sold in the U.S. marketplace.

We anticipate that net sales for this segment will gradually increase in the fourth fiscal quarter of 2005 as compared to the third fiscal quarter of 2005. This is consistent with the cyclical nature of the availability of foreign sourced avocados in the U.S. marketplace.

Processed products

For the quarter ended July 31, 2005, when compared to the same period for fiscal 2004, sales to third-party customers increased by approximately $1.6 million, or 24.3%. This increase is primarily related to a 26.4% increase in total pounds sold. Our net selling prices remained consistent during the third quarter ended July 31, 2005 when compared to the same prior year period.

For the first nine months of fiscal 2005, when compared to the same period for fiscal 2004, sales to third-party customers increased by approximately $1.3 million, or 6.8%. This increase is primarily related to a 10.6% increase in total pounds sold. Such increase, however, was partially offset by a marginal decrease in our net selling prices of approximately 3.7% during the nine months ended July 31, 2005 when compared to the same prior year period.

Our ultra high pressure products continue to experience solid demand. During the third quarter ended July 31, 2005, sales of high pressure product totaled approximately $2.6 million, as compared to $1.6 million for the same prior year period. We believe that the introduction of these fresh guacamole products will, in the long-term, successfully address a growing market segment.

Gross Margins

The following table summarizes our gross margins and gross profit percentages by business segment for each of the three and nine month periods ended July 31, 2005 and 2004:

(in thousands)	Three months ended July 31, 2005	Change	2004	Nine months ended July 31, 2005	Change	2004
Gross margins:						
California avocados	$ 7,194	(7.5)%	$ 7,776	$ 9,790	(20.1)%	$ 12,258
International avocados and perishable food products	711	664.5%	93	4,384	5.8%	4,144
Processed products	1,289	87.6%	687	3,327	11.2%	2,991
Total gross margins	$ 9,194	7.5%	$ 8,556	$ 17,501	(9.8)%	$ 19,393
Gross profit percentages:						
California avocados	12.3%		11.7%	10.7%		10.1%
International avocados and perishable food products	3.3%		0.9%	5.2%		6.1%
Processed products	15.3%		10.2%	16.0%		15.4%
Consolidated	10.4%		10.3%	8.9%		9.3%

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. Consolidated gross margin, as a percent of sales, remained consistent for the three month period ended July 31, 2005. For the nine month period ended July 31, 2005, consolidated gross margin, as a percent of sales, decreased 0.4%. This decrease was principally attributable to decreased profitability in our international avocados and perishable food products operating segment.

For the nine months ended July 31, 2005, our California avocados segment experienced an increase in its gross profit percentage. This was principally driven by a minor increase in our packing and marketing fee (which is charged to cover our costs and a profit). For the nine months ended July 31, 2005, the gross profit percentages generated by our international avocados and perishable food products business were negatively impacted by an increase in fruit costs. These increases in fruit costs, however, were partially offset by increases in fruit volume, which had the effect of reducing our per pound packing costs. For the nine months ended July 31, 2005, the gross profit percentages for our processed products segment increased primarily as a result of efficiencies related to the relocation of production from Santa Paula, California and Mexicali, Mexico to our newly acquired facility in Uruapan, Mexico. Such efficiencies were partially offset, however, by higher fruit costs and final costs related to the closing of our Mexicali, Mexico facility. We anticipate that the gross profit percentage for our processed product segment will continue to experience significant fluctuations during the next fiscal quarter primarily due to uncertainty of fruit costs that will be used in the production process.

Selling, General and Administrative

(in thousands)	Three months ended July 31, 2005	Change	2004	Nine months ended July 31, 2005	Change	2004
Selling, general and administrative	$ 4,825	25.4%	$ 3,848	$ 13,645	18.6%	$ 11,504
Percentage of net sales	5.4%		4.6%	6.9%		5.5%

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 $1.0 million, or 25.4%, for the three months ended July 31, 2005, when compared to the same period for fiscal 2004. This increase was primarily related to higher corporate costs, including, but not limited to, costs related to implementing provisions required under section 404 of the Sarbanes-Oxley Act (totaling approximately $0.5 million) and an increase in bad debt expense (totaling approximately $0.4 million). For the first nine months ended July 31, 2005, when compared to the same prior year period, selling, general and administrative expenses increased by $2.1 million, or 18.6%, compared to the same period for fiscal 2004. This increase was primarily related to higher corporate costs, including, but not limited to, costs related to implementing provisions required under section 404 of the Sarbanes-Oxley Act (totaling approximately $1.1 million), an increase in bad debt expense (totaling approximately $0.4 million), corporate moving expenses (totaling approximately $0.3 million) and final expenses related to the closing of our Mexicali, Mexico facility (totaling approximately $0.1 million). Such higher corporate costs were partially offset by a decrease in employee compensation costs (totaling approximately $0.6 million).

Other Income, net

(in thousands)	Three months ended July 31, 2005	Change	2004	Nine months ended July 31, 2005	Change	2004
Other income, net	$ 153	68.1%	$ 91	$ 2,144	589.4%	$ 311
Percentage of net sales	0.2%		0.1%	1.1%		0.1%

Other income, net includes interest income and expense generated in connection with our financing and operating activities, as well as certain other transactions that are outside of the course of normal operations. For the nine months ended July 31, 2005, other income, net includes the gain on the sale of our corporate facility totaling approximately $1.7 million.

Provision for Income Taxes

(in thousands)	Three months ended July 31, 2005	Change	2004	Nine months ended July 31, 2005	Change	2004
Provision for income taxes	$ 1,603	(7.8)%	$ 1,739	$ 2,161	(30.3)%	$ 3,100
Percentage of income before provision for income taxes	35.4%		36.2%	36.0%		37.8%

For the first nine months of fiscal 2005, our provision for income taxes was $2.2 million, as compared to $3.1 million recorded for the comparable prior year period. We expect our effective tax rate to approximate 36.0% during fiscal 2005.

Liquidity and Capital Resources

Cash provided by operating activities was $3.9 million for the nine months ended July 31, 2005, compared to $3.7 million for the similar period in fiscal 2004. Operating cash flows for the nine months ended July 31, 2005 reflect our net income of $3.8 million, net non-cash charges (depreciation and amortization, gain on sale of building, stock compensation expense and provision for losses on accounts receivable) of $0.8 million and a net decrease in the noncash components of our working capital of approximately $0.9 million.

These working capital decreases include an increase in accounts receivable of $13.0 million and an increase in inventory of $4.1 million, partially offset by an increase in payable to growers of $12.2 million, an increase in trade accounts payable and accrued expenses of $2.4 million, a decrease in income tax receivable of $0.8 million, a decrease in prepaid expenses and other current assets of $0.5 million, and other miscellaneous changes totaling $0.3 million.

Increases in our accounts receivable balance as of July 31, 2005, when compared to October 31, 2004, primarily reflect higher sales recorded in the month of July 2005, as compared to October 2004. The amounts in inventory and payable to our growers primarily reflect an increase in fruit delivered, as well as an increase in the price of California avocados marketed in the month of July 2005, as compared to October 2004. The decrease in income tax receivable primarily relates to the timing of income tax payments made through nine months ended July 31, 2005.

Cash used in investing activities was $21.5 million for the nine months ended July 31, 2005 and related principally to the purchase of Limoneira stock.

Cash provided by financing activities was $18.1 million for the nine months ended July 31, 2005 which related principally to the issuance of a new term loan which provided us with $13,000,000, as well as the issuance of stock to Limoneira. Such cash inflows were partially offset by the payment of a $4.1 million dividend and repayments totaling $1.1 million related to our short-term borrowings.

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 July 31, 2005 and October 31, 2004 totaled $1.2 million and $0.6 million. Our working capital at July 31, 2005 was $25.5 million compared to $20.4 million at October 31, 2004. The overall working capital increase primarily reflects an increase in our accounts receivable and inventory balances, partially offset by increases in our payable to growers and accrued expenses balances.

We believe that cash flows from operations and existing credit facilities will be sufficient to satisfy our future capital expenditures, grower recruitment efforts, working capital and other financing requirements. We will continue to evaluate grower recruitment opportunities and exclusivity arrangements with food service companies to fuel growth in each of our business segments. We have two short-term, non-collateralized, revolving credit facilities. These credit facilities expire in January 2006 and April 2006 and are with separate banks. 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 $24 million, with a weighted-average interest rate of 4.29% and 2.9% at July 31, 2005 and October 31, 2004. Under these credit facilities, $0.9 million was outstanding as of July 31, 2005 and $2.0 million outstanding as of October 31, 2004. The credit facilities contain various financial covenants with which we were in compliance at July 31, 2005.

Impact of Recently Issued Accounting Pronouncements

See footnote 1 to the consolidated condensed financial statements that are included in this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our financial instruments include cash and cash equivalents, accounts receivable, loans to growers, notes receivable from shareholders, payable to growers, accounts payable, current borrowings pursuant to our credit facilities with financial institutions, 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 July 31, 2005.

	Expected maturity date July 31,							
(All amounts in thousands)	2005	2006	2007	2008	2009	Thereafter	Total	Fair Value
Assets								
Cash and cash equivalents (1)	$ 1,186	$ —	$ —	$ —	$ —	$ —	$ 1,186	$ 1,186
Accounts receivable (1)	33,695	—	—	—	—	—	33,695	33,695
Loans to growers (1)	95	—	—	—	—	—	95	95
Notes receivable from shareholders (2)	—	197	2,461	—	—	—	2,658	2,658
Liabilities								
Payable to growers (1)	$ 18,030	$ —	$ —	$ —	$ —	$ —	$ 18,030	$ 18,030
Accounts payable (1)	2,383	—	—	—	—	—	2,383	2,383
Current borrowings pursuant to credit facilities (1)	867	—	—	—	—	—	867	867
Fixed-rate long-term obligations (3)	1,316	1,308	1,308	1,303	1,300	6,500	13,035	13,035

(1) We believe the carrying amounts of cash and cash equivalents, accounts receivable, loans to growers, payable to growers, accounts payable, and current borrowings pursuant to credit facilities approximate their fair value due to the short maturity of these financial instruments.

(2) 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 8.50%. 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 $69,000.

(3) Fixed-rate long-term obligations bear interest rates ranging from 3.3% to 8.2% with a weighted-average interest rate of 5.7%. We believe that loans with a similar risk profile would currently yield a return of 5.7%. We project the impact of an increase or decrease in interest rates of 100 basis points would not result in a significant change of fair value.

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. Additionally, 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. However, we do not believe 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 in the period ended October 31, 2004 do not exceed $0.1 million.

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ITEM 4. CONTROLS AND PROCEDURES

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (the “Exchange Act”), the Company’s management, with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures are effective in ensuring that information required to be disclosed in reports that the Company files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. No change in the Company’s internal control over financial reporting occurred during the Company’s most recent fiscal quarter that materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved in litigation in the ordinary course of business, none of which we believe will have a material adverse impact on our financial position or results from operations.

ITEM 6. EXHIBITS

10.1 Term loan agreement dated July 1, 2005, between Farm Credit West, PCA and Calavo Growers, Inc.

31.1 Certification of Chief Executive Officer Pursuant to 15 U.S.C. § 7241, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Principal Financial Officer Pursuant to 15 U.S.C. § 7241, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. § 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Principal Financial Officer Pursuant to 18 U.S.C. § 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	Calavo Growers, Inc. (Registrant)
Date: September 8, 2005	By /s/ Lecil E. Cole Lecil E. Cole Chairman of the Board of Directors, Chief Executive Officer and President (Principal Executive Officer)
Date: September 8, 2005	By /s/ Arthur J. Bruno Arthur J. Bruno Chief Operating Officer, Chief Financial Officer and Corporate Secretary (Principal Financial Officer)

INDEX TO EXHIBITS

Exhibit Number	Description
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32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. § 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. § 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 10.1

TERM LOAN AGREEMENT

THIS TERM LOAN AGREEMENT ("Term Loan Agreement") is entered into as of July 1, 2005, between **FARM CREDIT WEST, PCA**, Visalia, California **(**"FCW") and **CALAVO GROWERS, INC.**, Santa Paula, California (the "Company").

SECTION 1. The Credit Facility. On the terms and conditions set forth in this Term Loan Agreement, FCW agrees to make advances to the Company during the period set forth below in an aggregate principal amount not to exceed $13,000,000.00 (the "Commitment").

SECTION 2. Sale of Interest. The Company acknowledges that FCW has the option to participate all or a portion of the Commitment with one or more lenders.

SECTION 3. Purpose. The purpose of the Commitment is to finance the purchase of stock in the Limoneira Company.

SECTION 4. Term. The term of the Commitment shall be from the date hereof, up to and including July 1, 2015.

SECTION 5. Availability. Subject to the provisions of Section 25, advances will be made available on any day on which FCW and the Federal Reserve Banks are open for business upon the telephonic or written request of the Company. Requests for advances must be received no later than 12:00 Noon, Company's local time, on the date the advance is desired. Advances will be made available by FCW by wire transfer of immediately available funds to such account or accounts as may be authorized by the Company. The Company shall furnish to FCW a duly completed and executed copy of a FCW Delegation and Wire and Electronic Transfer Authorization Form, and FCW shall be entitled to rely on (and shall incur no liability to the Company in acting on) any request or direction furnished in accordance with the terms thereof. Notwithstanding anything else contained herein or in the Note, FCW shall not be obligated to honor requests for advances received after July 30, 2005, nor shall FCW be obligated to readvance any amounts which have previously been repaid.

SECTION 6. Interest and Fees.

(A) Interest. The Company agrees to pay interest on the unpaid balance of the Commitment at an interest rate chosen by the Company and to be disclosed by FCW at the time the Commitment is closed ("Subsequent Disclosure"). Upon the Commitment closing, the Subsequent Disclosure shall set forth any prepayment provisions that apply to the Commitment based on the interest rate chosen by the Company.

Interest shall be calculated on the actual number of days the loan is outstanding on the basis of a year consisting of 365 days and shall be payable monthly in arrears by the 1st day of the following month or on such other day in such month as FCW shall require in a written notice to the Company.

(B) Documentation Fee. In consideration of the Commitment, the Company agrees to pay to FCW a documentation fee of $2,500.00.

SECTION 7. Repayment and Maturity. The unpaid principal balance of the Commitment shall mature and be due and payable on July 1, 2015 (the "Maturity Date").

SECTION 8. Promissory Note. The Company's obligation to repay the Commitment shall be evidenced by a promissory note in the form attached hereto as Exhibit A ("Note").

SECTION 9. Manner and Time of Payment. FCW shall maintain a record of the Commitment, the interest accrued thereon, and all payments made with respect thereto, and such record shall, absent proof of manifest error, be conclusive evidence of the outstanding principal and interest on the Commitment. All payments shall be made by wire transfer of immediately available funds, by check, or by automated clearing house or other similar cash handling processes as specified by separate agreement between the Company and FCW. Wire transfers shall be made to ABA No. 101104562 for advice to and credit of FCW (or to such other account as FCW may direct by notice). The Company shall give FCW telephonic notice no later than 12:00 Noon Company's local time of its intent to pay by wire and funds received after 3:00 p.m. Company's local time shall be credited on the next business day. Checks shall be mailed to FCW, P.O. Box 631, Visalia, CA 93279 (or to such other place as FCW may direct by notice). Credit for payment by check will not be given until the later of: (a) the day on which FCW receives immediately available funds; or (b) the next business day after receipt of the check.

SECTION 10. Capitalization. The Company has purchased a $1,000.00 stock investment under FCW's capitalization plan. The Company understands that FCW's stock is at risk and that any reference to "FCW equities" or to "stock or participation certificates required by Lender's bylaws" in any document, agreement or Loan Document shall mean the FCW stock investment described herein.

SECTION 11. Patronage. The Commitment is eligible for patronage under the plan and in accordance with the provisions of FCW's bylaws and its practices and procedures related to patronage distribution and as set forth in Section 27.

SECTION 12. Security. The Company's obligations under this Term Loan Agreement and the Note shall be secured by a statutory first lien on all equity which the Company may now own or hereafter acquire in FCW. With the exception of the security referenced in the preceding sentence, the Company's obligations under this Term Loan Agreement and the Note shall be unsecured.

SECTION 13. Conditions Precedent. FCW's obligation to make advances hereunder is subject to the condition precedent that FCW receive, in form and content satisfactory to FCW, each of the following:

(A) This Term Loan Agreement. A duly executed copy of this Term Loan Agreement and all instruments and documents contemplated hereby.

(B) Evidence of Authority. Such certified board resolutions, evidence of incumbency, and other evidence that FCW may require that this Term Loan Agreement and the Note have been duly authorized and executed.

(C) Fees and Other Charges. All fees and other charges provided for herein.

(D) Evidence of Insurance. Such evidence as FCW may require that the Company is in compliance with Section 15(C) hereof.

(E) Event of Default. That no "Event of Default" (as defined in Section 18 hereof) or event which with the giving of notice and/or the passage of time would become an Event of Default hereunder (a "Potential Default"), shall have occurred and be continuing.

SECTION 14. Representations and Warranties.

(A) This Term Loan Agreement. The Company represents and warrants to FCW that as of the date of this Term Loan Agreement:

(**1) Compliance.** The Company and, to the extent contemplated hereunder, each “Subsidiary” (as defined below), is in compliance with all of the terms of this Term Loan Agreement, and no Event of Default or Potential Default exists hereunder.

(2) Due Organization. The Company and each Subsidiary is duly organized and validly existing under the laws of its state or nationality of organization and is duly qualified to conduct business in each jurisdiction in which its business is conducted.

(3) Conflicting Agreements. This Term Loan Agreement, the Note and any other documents or instruments executed or delivered by Company in connection herewith (collectively, at any time, the “Loan Documents”), do not conflict with, or require the consent of any party to, any other agreement to which the Company is a party or by which it or its property may be bound or affected, and do not conflict with any provision of the Company’s bylaws, articles of incorporation, or other organizational documents.

(4) Due Authorization. The execution, delivery and performance of the Loan Documents to be executed by Company are within Company’s corporate powers and have been duly authorized by all necessary corporate action by Company.

(5) Financial Information. All financial statements and other financial information submitted by Company to FCW are true and correct in all material respects, and there has been no material adverse change in Company’s financial condition since the date of the latest of such financial statements.

(6) Subsidiaries. The Company has the following Subsidiaries: Calavo Foods, Inc. (CFI); Maui Fresh International, Inc.; Calavo de Mexico S.A. de C.V.; and Calavo Foods de Mexico S.A. de C.V. . For purposes hereof, a “Subsidiary” shall mean (i) a corporation of which shares of stock having ordinary voting power to elect a majority of the board of directors or other managers of such corporation, (ii) a limited liability company of which membership interests constituting a majority interest or the voting power to elect a majority of the managers of such limited liability company, or (iii) a partnership of which a majority of the general partnership interests, are owned, directly or indirectly, by the Company.

(7) Binding Agreement. The Loan Documents create legal, valid, and binding obligations of the Company which are enforceable in accordance with their terms, except to the extent that enforcement may be limited by applicable bankruptcy, insolvency, or similar laws affecting creditors’ rights generally.

(8) Good Standing. The Company and each Subsidiary are properly licensed and in good standing in each State and nationality in which such person is doing business, and the Company and each Subsidiary has complied with all laws and regulations affecting such person.

(9) Regulation U. Neither the Company nor any Subsidiary is engaged in the business of extending credit for the purpose of, and no part of the Loan will be used, directly or indirectly, for purchasing and carrying margin stock within the meaning of Federal Reserve Board Reg. U.

(10) Compliance with Laws. The Company and each Subsidiary is in compliance with each applicable law, rule, regulation, ordinance, code, order, and the like (collectively, “Laws”), including, without limitation all Laws relating to environmental protection, which are applicable to the Company, the Subsidiaries or any of their business.

(**11) Assets.** All property of the Company and each Subsidiary that is necessary to or useful in the proper conduct of its business is in good working condition and repair, ordinary wear and tear excepted.

(12) Other Facts and Circumstances. The Company is not aware of any fact, occurrence or circumstance which Company has not disclosed to FCW in writing which has, or could reasonably be expected to have, a material adverse effect on the Company's ability to repay the Loan or perform its obligations under the Loan Documents.

SECTION 15. Affirmative Covenants. Unless otherwise agreed to in writing by FCW, while this Term Loan Agreement is in effect, the Company agrees to and with respect to Subsections 15(A) through 15(F) hereof, agrees to cause each Subsidiary, if any, to:

(A) Corporate Existence, Licenses. (i) Preserve and keep in full force and effect its existence and good standing in the jurisdiction of its incorporation or formation; (ii) qualify and remain qualified to transact business in all jurisdictions where such qualification is required; and (iii) obtain and maintain all licenses, certificates, permits, authorizations, approvals, and the like which are material to the conduct of its business or required by Laws.

(B) Compliance with Laws. Comply in all material respects with all applicable Laws, including, without limitation, all Laws relating to environmental protection. In addition, the Company agrees to cause all persons occupying or present on any of its properties, and to cause each Subsidiary, if any, to cause all persons occupying or present on any of its properties, to comply in all material respects with all environmental protection Laws.

(C) Insurance. Maintain insurance with insurance companies or associations acceptable to FCW in such amounts and covering such risks as are usually carried by companies engaged in the same or similar business and similarly situated, and make such increases in the type or amount of coverage as FCW may request. At FCW's request, all policies (or such other proof of compliance with this Subsection as may be satisfactory to FCW) shall be delivered to FCW.

(D) Property Maintenance. Maintain all of its property that is necessary to or useful in the proper conduct of its business in good working condition, ordinary wear and tear excepted.

(E) Books and Records. Keep adequate records and books of account in which complete entries will be made in accordance with generally accepted accounting principles ("GAAP") consistently applied.

(F) Inspection. Permit FCW or its agents, upon reasonable notice and during normal business hours or at such other times as the parties may agree, to examine its properties, books, and records, and to discuss its affairs, finances, and accounts, with its respective officers, directors, employees, and independent certified public accountants.

(G) Reports and Notices. Furnish to FCW:

(1) Annual Financial Statements. As soon as available, but in no event more than 90 days after the end of each fiscal year of the Company occurring during the term hereof, annual consolidated and consolidating financial statements of the Company and its consolidated Subsidiaries, if any, prepared in accordance with GAAP consistently applied. Such financial statements shall: (a) be audited by independent certified public accountants selected by the Company and acceptable to FCW; (b) be accompanied by a report of such accountants containing an opinion thereon acceptable to FCW; (c) be prepared in reasonable detail and in comparative form; and (d) include a balance sheet, a statement of income, a statement of retained earnings, a statement of cash flows, and all notes and schedules relating thereto.

(2) Interim Financial Statements. As soon as available, but in no event more than 30 days after the end of each fiscal quarter, a consolidated balance sheet of the Company and its consolidated Subsidiaries, if any, as of the end of such quarter, a consolidated statement of income for the Company and its consolidated Subsidiaries, if any, for such period and for the period year to date, and such other interim statements as FCW may specifically request, all prepared in reasonable detail and in comparative form in accordance with GAAP consistently applied and certified by an authorized officer or employee of the Company acceptable to FCW.

(3) Notice of Material Communications. Promptly upon receipt or contemporaneous with sending, copies of all material communications to or from the SEC or NASDAQ, not including, however, those communications to the SEC such as annual reports, 10K, or 10Q which are generally available to the shareholders of the Company.

(4) Notice of Default. Promptly after becoming aware thereof, notice of the occurrence of an Event of Default or a Potential Default.

(5) Notice of Non-Environmental Litigation. Promptly after the commencement thereof, notice of the commencement of all actions, suits, or proceedings before any court, arbitrator, or governmental department, commission, board, bureau, agency, or instrumentality affecting the Company or any Subsidiary which, if determined adversely to the Company or any such Subsidiary, could have a material adverse effect on the financial condition, properties, profits, or operations of the Company or any such Subsidiary.

(6) Notice of Environmental Litigation. Promptly after receipt thereof, notice of the receipt of all pleadings, orders, complaints, indictments, or any other communication alleging a condition that may require the Company or any Subsidiary to undertake or to contribute to a cleanup or other response under environmental Laws, or which seek penalties, damages, injunctive relief, or criminal sanctions related to alleged violations of such Laws, or which claim personal injury or property damage to any person as a result of environmental factors or conditions.

(7) Notice of Material Disputes with Regulators. Promptly after becoming aware thereof, notice of any material dispute which may exist between the Company or any Subsidiary and any governmental body or law enforcement body.

(8) Bylaws and Articles. Promptly after any change in the Company's bylaws or articles of incorporation (or like documents), copies of all such changes, certified by the Company's Secretary.

(9) Other Information. Such other information regarding the condition or operations, financial or otherwise, of the Company or any Subsidiary as FCW may from time to time reasonably request, including but not limited to copies of all pleadings, notices, and communications referred to in Subsections 15(G)(4) and (5) above.

(10) Financial Certificate. Together with each set of financial statements furnished to FCW pursuant to Section 15(G)(1), and each quarterly statement submitted pursuant to Section 15(G)(2) for a period corresponding to a period for which one or more of the financial covenants set forth in Section 17 hereof are required to be tested, a certificate of an officer or employee of the Company acceptable to FCW setting forth calculations showing compliance with each of the financial covenants that require compliance at the end of the period for which the statements are being furnished.

(H) **Certain Organizational Changes.** Provide FCW with prior notice (and as early as practicable) of any merger, consolidation reorganization under a different provision of law, acquisition of all or a material part of the assets of another organization, change of name, adoption of any trade name, or creation of any Subsidiary, affiliate or material joint venture(s). For purposes of this covenant, joint venture transaction(s), which alone or in the aggregate exceed $1,000,000, are considered material**.**

SECTION 16. Negative Covenants. Unless otherwise agreed to in writing by FCW, which agreement will not be unreasonably withheld, while this Term Loan Agreement is in effect, the Company will not and will not permit any Subsidiary to:

(A) Borrowings. Create, incur, assume, or allow to exist, directly or indirectly, any indebtedness or liability for borrowed money (including trade or bankers' acceptances), letters of credit, or the deferred purchase price of property or services (including capitalized leases), except for: (i) debt to FCW or CoBank; (ii) accounts payable to trade creditors incurred in the ordinary course of business; and (iii) current operating liabilities (other than for borrowed money) incurred in the ordinary course of business; (iv) debt of the Company to Bank of America in an amount not to exceed $12,000,000.00 and all extensions, renewals, and refinancings thereof; (v) (vi) letters of credit issued by any bank for the account of the Company in an aggregate face amount not to exceed $5,000,000.00 at any one time outstanding; and (vii) capitalized leases existing on the date hereof existing from time to time.

(B) Liens. Create, incur, assume, or allow to exist any mortgage, deed of trust, pledge, lien (including the lien of an attachment, judgment, or execution), security interest, or other encumbrance of any kind upon any of its property, real or personal (collectively, "Liens"). The foregoing restrictions shall not apply to: (i) Liens in favor of FCW or CoBank; (ii) Liens for taxes, assessments, or governmental charges that are not past due; (iii) Liens and deposits under workers' compensation, unemployment insurance, and social security Laws; (iv) Liens and deposits to secure the performance of bids, tenders, contracts (other than contracts for the payment of money), and like obligations arising in the ordinary course of business as conducted on the date hereof; (v) Liens imposed by Law in favor of mechanics, materialmen, warehousemen, and like persons that secure obligations that are not past due; and (vi) easements, rights-of-way, restrictions, and other similar encumbrances which, in the aggregate, do not materially interfere with the occupation, use, and enjoyment of the property or assets encumbered thereby in the normal course of its business or materially impair the value of the property subject thereto.

(C) Transfer of Assets. Sell, transfer, lease, or otherwise dispose of any of its assets, except in the ordinary course of business.

(D) Loans. Lend or advance money, credit, or property to any person or entity, except for: (i) loans made to U.S. growers under Calavo's grower development loan program not to exceed $4,000,000.00 outstanding at any one time; (ii) existing advances and loans to Sierra Pacific; (iii) loans to Mexican growers not to exceed $1,500,000.00 outstanding at any one time; (iv) Chilean pre-season grower advances made under existing program not to exceed a gross amount of $4,000,000.00 outstanding at any one time; and (v) trade credit extended in the ordinary course of business.

(E) Contingent Liabilities. Assume, guarantee, become liable as a surety, endorse, contingently agree to purchase, or otherwise be or become liable, directly or indirectly (including, but not limited to, by means of a maintenance agreement, an asset or stock purchase agreement, or any other agreement designed to ensure any creditor against loss), for or on account of the obligation of any person or entity, except by the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of the Company's business.

(F) Change in Business. Engage in any business activities or operations substantially different from or unrelated to the Company's present business activities or operations.

SECTION 17. Financial Covenants. Unless otherwise agreed to in writing, while this Term Loan Agreement is in effect:

(A) Working Capital. The Company will maintain, on a consolidated basis, current assets in excess of current liabilities of at least Fifteen Million Dollars ($15,000,000), measured on a quarterly basis.

(B) Tangible Net Worth. The Company will maintain, on a consolidated basis, a "Tangible Net Worth" equal to at least Thirty-Two Million Five Hundred Thousand Dollars ($32,500,000.00), measured on a quarterly basis. "Tangible Net Worth" means the value of total assets (including leaseholds and leasehold improvements and reserves against assets but excluding goodwill, patents, trademarks, trade names, organization expense, unamortized debt discount and expense, capitalized or deferred research and development costs, deferred marketing expenses, and other like intangibles, and monies due from affiliates, officers, directors, employees, shareholders, members or managers) less total liabilities, including but not limited to accrued and deferred income taxes, but excluding the non-current portion of Subordinated Liabilities. “Subordinated Liabilities” means liabilities subordinated to the Company’s obligations to FCW in a manner acceptable to FCW in its sole discretion.

(C) EBITDA. The Company will maintain an “EBITDA” of at least Seven Million Five Hundred Thousand Dollars ($7,500,000.00). “EBITDA” means net income, less income or plus loss from discontinued operations and extraordinary items, plus income taxes, plus interest expense, plus depreciation, depletion, and amortization. This covenant will be calculated at the end of each reporting period for which FCW requires financial statements, using the results of the twelve-month period ending with that reporting period. The current portion of long-term liabilities will be measured as of the last day of the calculation period.

SECTION 18. Events of Default. Each of the following shall constitute an “Event of Default” under this Term Loan Agreement:

(A) Payment Default. The Company should fail to make any payment to FCW when due.

(B) Representations and Warranties. Any representation or warranty made or deemed made by the Company herein or in the Note, application, agreement, certificate, or other document related to or furnished in connection with this Term Loan Agreement or the Note, shall prove to have been false or misleading in any material respect on or as of the date made or deemed made.

(C) Certain Affirmative Covenants. The Company or, to the extent required hereunder, any Subsidiary should fail to perform or comply with Sections 15(A) through 15(G)(2), and 15(G)(6) and such failure continues for 15 days after written notice thereof shall have been delivered by FCW to the Company.

(D) Other Covenants and Agreements. The Company or, to the extent required hereunder, any Subsidiary should fail to perform or comply with any other covenant or agreement contained herein or in any other Loan Document or shall use the proceeds of any loan for an unauthorized purpose.

(E) Cross-Default. The Company should, after any applicable grace period, breach or be in default under the terms of any other agreement between the Company and FCW .

(F) Other Indebtedness. The Company or any Subsidiary should fail to pay when due any indebtedness to any other person or entity for borrowed money or any long-term obligation for the deferred purchase price of property (including any capitalized lease), or any other event occurs which, under any agreement or instrument relating to such indebtedness or obligation, has the effect of accelerating or permitting the acceleration of such indebtedness or obligation, whether or not such indebtedness or obligation is actually accelerated or the right to accelerate is conditioned on the giving of notice, the passage of time, or otherwise.

(G) Judgments. A judgment, decree, or order for the payment of money shall be rendered against the Company or any Subsidiary and either: (i) enforcement proceedings shall have been commenced; (ii) a Lien prohibited under Section 10(B) hereof shall have been obtained; or (iii) such judgment, decree, or order shall continue unsatisfied and in effect for a period of 20 consecutive days without being vacated, discharged, satisfied, or stayed pending appeal.

(H) Insolvency. The Company or any Subsidiary shall: (i) become insolvent or shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they come due; or (ii) suspend its business operations or a material part thereof or make an assignment for the benefit of creditors; or (iii) apply for, consent to, or acquiesce in the appointment of a trustee, receiver, or other custodian for it or any of its property or, in the absence of such application, consent, or acquiescence, a trustee, receiver, or other custodian is so appointed; or (iv) commence or have commenced against it any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, or liquidation Law of any jurisdiction.

(I) Material Adverse Change. Any material adverse change occurs, as reasonably determined by FCW, in the Company's financial condition, results of operation, or ability to perform its obligations hereunder or under any instrument or document contemplated hereby.

SECTION 19. Remedies. Upon the occurrence and during the continuance of an Event of Default or any Potential Default, FCW shall have no obligation to continue to extend credit to the Company and may discontinue doing so at any time without prior notice. For all purposes hereof, the term "Potential Default" means the occurrence of any event which, with the passage of time or the giving of notice or both would become an Event of Default. In addition, upon the occurrence and during the continuance of any Event of Default, FCW may, upon notice to the Company, terminate any commitment and declare the entire unpaid principal balance of the loans, all accrued interest thereon, and all other amounts payable under this Term Loan Agreement, all Supplements, and the other Loan Documents to be immediately due and payable. Upon such a declaration, the unpaid principal balance of the loans and all such other amounts shall become immediately due and payable, without protest, presentment, demand, or further notice of any kind, all of which are hereby expressly waived by the Company. In addition, upon such an acceleration:

(A) Enforcement. FCW may proceed to protect, exercise, and enforce such rights and remedies as may be provided by this Term Loan Agreement, any other Loan Document or under Law. Each and every one of such rights and remedies shall be cumulative and may be exercised from time to time, and no failure on the part of FCW to exercise, and no delay in exercising, any right or remedy shall operate as a waiver thereof, and no single or partial exercise of any right or remedy shall preclude any other or future exercise thereof, or the exercise of any other right. Without limiting the foregoing, FCW may hold and/or set off and apply against the Company's obligations to FCW any cash collateral held by FCW, or any balances held by FCW for the Company's account (whether or not such balances are then due).

(B) Application of Funds. FCW may apply all payments received by it to the Company's obligations to FCW in such order and manner as FCW may elect in its sole discretion.

In addition to the rights and remedies set forth above: (i) if the Company fails to make any payment to FCW when due, then at FCW's option in each instance, such payment shall bear interest from the date due to the date paid at 4% per annum in excess of the rate(s) of interest that would otherwise be in effect on that loan; and (ii) after the maturity of any loan (whether as a result of acceleration or otherwise), the unpaid principal balance of such loan (including without limitation, principal, interest, fees and expenses) shall automatically bear interest at 4% per annum in excess of the rate(s) of interest that would otherwise be in effect on that loan. All interest provided for herein shall be payable on demand and shall be calculated on the basis of a year consisting of 365 days.

SECTION 20. Broken Funding Surcharge. Notwithstanding any provision contained in any Supplement giving the Company the right to repay any loan prior to the date it would otherwise be due and payable, the Company agrees to provide three Business Days' prior written notice for any prepayment of a fixed rate balance and that in the event it repays any fixed rate balance prior to its scheduled due date or prior to the last day of the fixed rate period applicable thereto (whether such payment is made voluntarily, as a result of an acceleration, or otherwise), the Company will pay to FCW a surcharge in an amount equal to the greater of: (i) an amount as provided for under any Subsequent Disclosure as defined under Section 6(A) of this Term Loan Agreement; (ii) an amount which would result in FCW being made whole (on a present value basis) for the actual or imputed funding losses incurred by FCW as a result of any prepayment; or (iii) $300.00.

SECTION 21. Complete Agreement, Amendments. This Term Loan Agreement, the Note, and all other instruments and documents contemplated hereby and thereby, are intended by the parties to be a complete and final expression of their agreement. Except for documents and instruments specifically referenced herein, this Term Loan Agreement constitutes the entire agreement between the Company and FCW with regard to the subject matter hereof and supersedes all prior agreements, representations, and understandings of the parties No amendment, modification, or waiver of any provision hereof or thereof, and no consent to any departure by the Company herefrom or therefrom, shall be effective unless approved by FCW and contained in a writing signed by or on behalf of FCW, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. Additionally, any headings used in this Term Loan Loan Agreement are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope or intent of any term or provision. As used herein, the word “including” means “including without limitation” and/or “including but not limited to”.

SECTION 22. Applicable Law. Except to the extent governed by applicable federal law, this Term Loan Agreement and the Note shall be governed by and construed in accordance with the laws of the State of California, without reference to choice of law doctrine. The parties consent to personal jurisdiction in the federal and state courts located in the State of California and waive all rights to have any dispute arising under or in connection with the Term Loan Agreement to be heard in any other jurisdiction. The parties consent to venue in the State Courts of California located in the County of Tulare and in the federal courts in the Eastern District of California in connection with any disputes arising under or in connection with the Term Loan Agreement.

SECTION 23. Notices. All notices hereunder shall be in writing and shall be deemed to be duly given upon delivery if personally delivered or sent by facsimile transmission, or 3 days after mailing if sent by express, certified or registered mail, to the parties at the following addresses (or such other address for a party as shall be specified by like notice):

If to FCW, as follows:

Farm Credit West, PCA
2929 W. Main Street, Suite A
Visalia, CA 93291-5700
Attention: James Neeley
Fax No.: 559-627-4728

If to the Company, as follows:

Calavo Growers, Inc.
Attn: Vice President-Finance
1141-A Cummings Road
Santa Paula, CA 93060
Fax No: (805) 921-3232

SECTION 24. Taxes and Expenses. To the extent allowed by law, the Company agrees to reimburse FCW promptly upon demand for all costs and expenses, including without limitation reasonable attorneys’ fees and expenses (including the fees of FCW’s inside counsel), expended or incurred by FCW in connection with the administration, collection, and enforcement of this Term Loan Agreement and the other Loan Documents, including, without limitation in connection with any arbitration, judicial reference, legal action or otherwise in connection with (i) the amendment and enforcement of the Term Loan Agreement and the other Loan Documents, including without limitation during any workout, attempted workout, and/or in connection with the rendering of legal advice as to FCW’s rights, remedies and obligations under the Term Loan Agreement and the other Loan Documents, whether or not any form of legal proceeding is commended, (ii) collecting any sum which becomes due FCW under the Term Loan Agreement or any of the other Loan Documents, (iii) any proceeding for declaratory relief, any counterclaim to any proceeding, or any appeal, (iv) the protection, preservation or enforcement of any rights or remedies of FCW, whether or not any form of legal proceedings is commenced, or (v) any action necessary to defend, protect, assert, or preserve any of FCW’s rights or remedies as a result of or related to any case or proceeding under Chapter 11 of the United States Code, as amended, or any similar law of any jurisdiction. All of such costs and expenses shall bear interest from the time of demand at the rate then in effect under the Note.

SECTION 25. Effectiveness and Severability. This Term Loan Agreement shall continue in effect until: (i) all indebtedness and obligations of the Company under this Term Loan Agreement, the Note, and all other Loan Documents shall have been paid or satisfied; and (ii) FCW has no commitment to extend credit to or for the account of the Company hereunder. Any provision of this Term Loan Agreement or any other Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or thereof.

SECTION 26. Successors and Assigns. This Term Loan Agreement, the Note, and the other Loan Documents shall be binding upon and inure to the benefit of the Company and FCW and their respective successors and assigns, except that the Company may not assign or transfer its rights or obligations under this Term Loan Agreement, the Note or any other Loan Document without the prior written consent of FCW.

SECTION 27. Participations. From time to time, FCW may sell to one or more banks, financial institutions or other lenders a participation in all or a portion of the Commitment or other extensions of credit made pursuant to this Term Loan Agreement. However, no such participation shall relieve FCW of any commitment made to the Company hereunder, or any obligation FCW may have to pay patronage due the Company from FCW under the provisions of the bylaws of FCW and its practices and procedures related to patronage distribution. In connection with the foregoing, FCW may disclose information concerning the Company and its Subsidiaries to any participant or prospective participant, provided that such participant or prospective participant agrees to keep such information confidential. A sale of participation interest may include certain voting rights of the participants regarding the Commitment hereunder (including without limitation the administration, servicing and enforcement thereof). FCW agrees to give written notification to the Company of any sale of participation interests.

IN WITNESS WHEREOF, the parties have caused this Term Loan Agreement to be executed by their duly authorized officers as of the date shown above.

FARM CREDIT WEST, PCA

By: /s/ Mark Littlefield

Title: Sr. Vice President

CALAVO GROWERS, INC., a California Corporation

By: /s/ Arthur J. Bruno

Arthur J. Bruno,

Title: Chief Financial Officer & Secretary

By: /s/ Scott H Runge

Scott H. Runge,

Title Treasurer

EXHIBIT A
PROMISSORY NOTE

$13,000,000.00 July 1, 2005

FOR VALUE RECEIVED, on the Maturity Date as set forth in that certain Term Loan Agreement dated July 1, 2005, or in any amendments thereto (the “Term Loan Agreement”), the undersigned promises to pay to the order of Farm Credit West, PCA (the “Payee”), or order, at the place and in the manner set forth under Repayment Terms below and in accordance with the Term Loan Agreement, the principal amount of THIRTEEN MILLION DOLLARS ($13,000,000.00).

This note is given for advances to be made by Payee to the undersigned from time to time in accordance with the terms and conditions of the Term Loan Agreement, all the terms and conditions of which are incorporated herein by reference. Advances, accrued interest, and payments shall be posted by the Payee upon an appropriate accounting record, shall be prima facie evidence as to all such amounts and shall be binding on the undersigned absent manifest error. The total of such advances may not exceed the face amount of this note.

Repayment Terms: The undersigned shall pay to Payee, One Hundred Twenty (120) monthly interest only payments in the amount billed, beginning on August 01, 2005; and Nine (9) Annual installments of principal only, in the amount of $1,300,000.00, beginning on July 01, 2006, plus a final installment of any amount necessary to pay the Commitment in full. This note may be prepaid in whole or in part at any time and in any amount during the term of this note, unless limited or prohibited herein or in the Term Loan Agreement or unless otherwise required by FCW in writing. Any prepayment will be subject to applicable broken funding surcharges as defined in the Term Loan Agreement. This note is due and payable in full on July 01, 2015 (“Maturity Date”), at which time the undersigned shall pay the unpaid principal balance and all accrued interest in full. Any amount of principal hereof which is not paid when due, whether at stated maturity, by acceleration or otherwise, shall bear interest from the date when due until said principal is paid in full, payable on demand, at a rate per annum set forth in the Term Loan Agreement.

The makers or endorsers hereof hereby waive presentment for payment, demand, protest, and notice of dishonor and nonpayment of this note, and all defenses on the ground of delay or of any extension of time for the payment hereof which may be hereafter given by the holder or holders hereof to them or either of them or to anyone who has assumed the payment of this note, and it is specifically agreed that the obligations of said makers or endorsers shall not be in anyway affected or altered to the prejudice of the holder or holders hereof by reason of the assumption of payment of the same by any other person or entity.

The undersigned hereby promises to pay all costs and expenses of any rightful holder hereof incurred in collecting the undersigned’s obligations hereunder or in enforcing or attempting to enforce any of such holder’s rights hereunder, including reasonable attorneys’ fees and disbursements, whether or not an action is filed in connection therewith.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA. REPRESENTATIVES OF FCW ARE NOT AUTHORIZED TO MAKE ANY ORAL AGREEMENTS OR ASSURANCES. DO NOT SIGN THIS NOTE IF YOU BELIEVE THAT THERE ARE ANY AGREEMENTS OR UNDERSTANDING BETWEEN YOU AND FCW THAT ARE NOT SET FORTH IN WRITING IN THIS NOTE, THE TERM LOAN AGREEMENT OR OTHER LOAN DOCUMENTS EVIDENCING THE COMMITMENT.

CALAVO GROWERS, INC.

By /s/ Arthur J. Bruno
Arthur J. Bruno

Chief Operating Officer
[Printed name and title]

Exhibit 31.1

CERTIFICATION PURSUANT TO

15 U.S.C. § 7241
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lecil E. Cole, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Calavo Growers, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present, in all material respects, the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors:
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 8, 2005

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

Exhibit 31.2

CERTIFICATION PURSUANT TO
15 U.S.C. § 7241
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Arthur J. Bruno, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Calavo Growers, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present, in all material respects, the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 8, 2005

/s/ Arthur J. Bruno
Arthur J. Bruno
Chief Operating Officer, Chief Financial Officer
and Corporate Secretary (Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. § 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Calavo Growers, Inc. (the “Company”) on Form 10-Q for the period ended July 31, 2005, as filed with the Securities and Exchange Commission (the “Report”), I, Lecil E. Cole, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Lecil E. Cole

Lecil E. Cole
Chief Executive Officer
September 8, 2005

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. § 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Calavo Growers, Inc. (the "Company") on Form 10-Q for the period ended July 31, 2005, as filed with the Securities and Exchange Commission (the "Report"), I, Arthur J. Bruno, the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Arthur J. Bruno

Arthur J. Bruno
Chief Operating Officer, Chief Financial Officer
and Corporate Secretary (Principal Financial Officer)
September 8, 2005