

OVERVIEW GLOBAL AVOCADO MARKET

The market continues to grow. Importers in Europe are looking for enough volumes to meet the rising demand. Growers and exporters are striving to reach those same volumes and are investing in expanding the production. Not only in Europe is the demand rising, but also in Asia, where consumers are discovering avocados. Latin American countries are eager to supply these markets, but the Chinese, among others, are not willing to let the opportunity escape. The first Chinese avocados should be harvested in September.

Mexico is looking at Asia and the US

With an area of 120,000 hectares, the Michoacan region is considered to be the market leader. So far, exports stand at 945,000 tonnes, with the US, Europe, Asia and Canada as the main destinations. However, the US is, by far, the most important market, accounting for 90% of the volume.

An exporter explains that they want to double their sales to China. Over the past two years, the company has exported 150 tonnes there, but this year, the company hopes to export 300 tonnes. The main destination is still the US market, accounting for 12,000 tonnes. However, the Chinese market appears to be very promising.

A growers association from Jalisco is working on the export to the US, which is a very important market. Official figures point to a production area totalling 17,000 hectares, but according to growers, the actual figure is closer to 22,000 hectares, or even higher. The difference is due to the fact that new plantings are not always taken into account.

Normally, organic avocados are grown all year-round in the country, but this year the season has been limited to 10 months. This was due to bad weather conditions and resulted in a 20-30% lower harvest. Demand from Europe is rising annually. An exporter tells that 70% of the production is shipped to Europe. The main markets are the Netherlands and Spain, which ship the avocados further across the continent. The demand is still greater than the supply, so there is no real competition from Peru and Colombia, despite the fact that those countries are on the market at the same time.

Peru expects 20% growth

The weather conditions at the beginning of the season will have an impact on the development of the campaign, but the new plantings should compensate part of the losses. The country expects 20-25% growth this year. The main cultivation regions are La Libertad Department of Lima and Lambayeque. The export season kicks off in February and lasts until September. The peak is in June and July.

Europe is the most important destination market. Around 60% of exports go to Europe, another 30% is shipped to the US and Asia receives 5%. In Asia, Japan and China are the main markets. Latin America and Canada account for the other 5%. The domestic market is still small, but the sector wants to use the experience gained with promotions in the international market to boost the demand domestically.

Asia is a new market, but already accounts for 5,000 tonnes of exports. This will grow to 10,000 tonnes. Performance differs within the continent. The Japanese market is familiar with avocados and the ripening techniques, but pays a lower price than the Chinese; however, as explained by an exporter, in China, knowledge about the product is limited. As for new markets, Peru sees opportunities in New Zealand, Korea, Australia and Colombia.

Chile is entering Asia

Exporters of Hass avocados will focus more on the Asian market, especially China, in the medium and long term. The Association of Producers and Exporters of Hass Avocados sees this market as the future. Over the past two years, a lot of promotions have been carried out in Asia. For now, Europe is still the most important market for the avocados, and the exporters do not want to lose this market, according to the organization. The focus on Asia is primarily a matter of market diversification. "We have set our sights on Asia because that market is learning to appreciate Chilean avocados and consumers are very conscious of healthy eating habits."

Chile has 24,491 hectares devoted to the commercial cultivation of avocados. After a long period of drought, production has recovered and the acreage has expanded. However, the figures are not yet at the same level as a few years ago, when the country had around 40,000 hectares of avocados. Most of the crops are located in the Valparaiso region, north of Santiago. Last year, the main export markets were the Netherlands (which acts as distributor for Europe), the United States, the United Kingdom, Argentina and China. The sector is focusing more on exports. Due to the impact of prices, demand has fallen on the domestic market.

Guatemala wants a place in the global market

Guatemalan growers are able to supply avocados almost year-round, but there are fluctuations in the volume in different months. In the current period, the supply is low and insufficient to meet the domestic demand. The peak of the season is between October and May, but growers are working to increase the production to be able to export all year round.

Some volumes are already exported. A trader said he was enthusiastic about the fact that the avocados are well received by European importers. Now, all efforts are going to increase the production in order to profit even more from exports.

More exports from Colombia

As of 2015, exports have recorded a sharp growth. Official figures speak of an increase of 241%. A representative of a large producers' organization says that he has seen production grow by 64%. In the coming years, this grower's acreage will only expand.

The Netherlands, Spain and the United Kingdom are the most important export markets. This year, France has been added to the list of destinations, affirms an exporter. The season peaks in the period from August to November, and there is also a small production between February and April. The fruit's cultivation is challenging. Due to the tropical climate in the country, there is a high risk of diseases affecting the crops. The road transport also makes Colombia less attractive, although exporters point out that the distance per ship to Europe is shorter than from countries in the west of the continent.

Dominican Republic: Limited exports

Last year, the value of avocado exports increased by 91%, from 16.6 million dollars in 2015 to 31.7 million dollars in 2016. The impact of the Mediterranean fruit fly reduced exports to the US, which was the main destination for the fruit. A significant part had to be sold on the domestic market or other export destinations. Total production oscillates between 200,000 and 300,000 tonnes per year, of which about 10% (30,000 tonnes) are exported. The rest of the production is for the domestic market.

For the growers, the prospects are not ideal, given the recent rainfall during the flowering period, which could result in the crop being affected. The consequences will be noticeable by the end of this year and the beginning of next year. Moreover, the roads have also suffered damages, and as a result, growers are hardly able to reach their plantations. The harvest peaks between October and March,

which is when 80% of the avocados are harvested. For the growers, funding is a problem, as new plantings only become productive after four years.

Kenya wants to professionalise

The end of the season will be in late July. The size of the Hass and Fuerte is getting smaller; however, prices are rising due to a shortage. Kenyan traders have therefore contributed to the high prices in Europe. A trader expects prices to continue rising until the end of the season. The requirements imposed on the export product are getting stricter. Until March, exports are prohibited, unless the fruit has reached a certain degree of ripeness. That is a positive development, because there used to be no supervision at all and exporters were able to export all year round. With the new rules, the sector is helping to build a good reputation in Europe and in new markets like Hong Kong, Singapore and Malaysia. This year, there is more demand from Hong Kong. The Middle East market is changing, because Dubai and Oman previously served as a transit port for Qatar, but that border is now closed.

South Africa: Great prices

The export volume in week 25 stood at 307,000 2 kilo boxes of Hass and 106,000 2 kilo boxes of green skins. In the north, the harvest has already been completed. In Lowveld, the last Hass and late green skins are being harvested. For its part, KwaZulu-Natal is harvesting Fuerte and Pinkerton. The Hass from the southern regions are not harvested until mid-October to take advantage of the declining seasons in other countries.

The prices are good, or even "fantastic." There is a variety of sizes. Due to water shortage in Tzaneen, the calibres are smaller. That is true for almost the entire north. KwaZulu-Natal has had more rain, which has resulted in bigger sizes. In general, it is an 'off year', but this is partially offset by the new plantings that are coming into production.

Spain: Avocado is a basic product

The biggest demand for avocados is recorded in the coastal region, where many restaurants are located. Demand is growing every year, especially within that sector. According to a trader, avocados have evolved from being considered an exotic to being a basic product. Besides that from the catering sector, there is also a rising demand for ready-to-eat avocados. Consumers do not want to wait until the fruit is ripe. In recent months, prices have increased.

There is a lot of demand and the supply from Peru is lower, especially for the sizes 18, 20 and 22. The cause of this is the rainfall in the country and the larger volume shipped to Asia. The US market is also attractive to the Peruvians. Spain, however, can only import from Peru. Prices for Mexican avocados are too high. Chile will enter the market in about a month, which will bring stability to the market. An importer expects an early start for the Chilean season. The Spanish campaign kicks off in September with the green skins, which are later followed by the Hass.

Belgium expects high prices

Normally, there is sufficient supply from Peru at this time of year, but this seems to be an exceptional season. The volumes are lower than in previous years, especially for sizes 18, 20 and 22, which are difficult to obtain. Prices range from 12 Euro for size 22 to 15 Euro for size 18. A summer with very high prices is expected. Peru predicts a shorter season than in previous years. Colombia is back in the market with a second harvest. They have good availability with small sizes. Kenya also offers good volumes in smaller sizes. South Africa has a limited volume and, according to Belgian traders, it is hampered by many quality problems. The first shipments from Chile are expected in late August.

The Netherlands: Avocado market still going strong

While June used to be the month with the lowest avocado prices, this year the "green gold" is generating a lot of money in the first month of the summer. Importers are talking about a record month. "In December, I predicted prices to reach 10.50 Euro this month. Everyone thought I was crazy, but they are even higher than expected. The peak of the Peruvian supply has already passed and nobody has noticed any impact on prices from that, so I wonder where the price level will go."

There will be a moment in the distant future when the market will become saturated, but the market is still in the growth stage. In China, there is a huge boom for avocados, and the US and South America are also important markets. Therefore, Dutch players must come up with good reasons to help boost the shipment of avocados to Europe. A Dutch importer advises its customers to be as flexible as possible in accepting trade in terms of sizes, origins and certifications. One threat is that producers will send avocados to markets that are less demanding in terms of certifications and MRLs.

The avocado market has been consistently good this year, and this applies to all European countries. Even in countries such as Italy, which is a true green skin market, you see more and more demand for

Hass avocados. In general, avocados are sold in Dutch stores for a stable price per piece, ranging from 1 to 1.20 Euro. And when prices rise, there is also a solution: resorting to smaller sizes.

Summer weather boosts British demand

Hot weather, barbecues and alfresco dining have given a push to the UK demand for avocados in recent weeks. The demand has not been hampered by the price, which is higher than in the same period last year. The large majority of avocados are imported from Peru; however, the season start has been slowed down by the rain and landslides in the country. In the meantime, exports have recovered. South Africa was expecting to ship 12.5 million boxes this year and it looks like it will be able to achieve that. The sizes are larger. There are also imports from Kenya, Mexico and Colombia.

Italy: Hass cheaper than green skin

There has been an unusual market situation early this year. Even though in the first months of the year there is a lot of supply due to an overlap in the seasons of Spain, South Africa and Israel, the supply this year has been lower than the demand, and it doesn't look like this situation will change in the coming months. "South Africa finished the season two weeks ago; a month earlier than normal," explains a trader. The supply from Peru is insufficient to fulfil the European demand, resulting in high prices. "The paradox is that the Hass is currently cheaper than the green skin." As a result, supermarkets are showing more interest in the Hass. In any case, the trader hopes that this will have a positive impact and that the consumer will become accustomed to the Hass, which in his opinion, is easier to consume. "We hope consumers will appreciate this avocado." In recent years, demand has risen in Italy, also partly due to migrant flows.

US: Demand higher than the supply

For some growers, the harvest in California started already in January and is not over yet. According to the figures available, 75% of the harvest has been completed. How long the season will last is difficult to say. In the south, the campaign will likely finish in early July, while growers in the north will probably continue until August. The prospect is for 90 million kilos to be harvested this year, which is less than last year. Due to this decline, the demand is higher than the supply. A huge consumption is expected on the national holiday of 4 July.

Although the acreage is under pressure in certain regions, investments are being made which will help increase the yield per hectare.

Chinese plantations come into production

Only Peru is present in the Chinese market. The supply is rising slowly. Prices amount to around 160-180 yuan (20-23 Euro) per 4 kilograms for the top class. Lower classes generate up to 150-160 yuan. In September, the first large domestic plantation of Hass avocados will start with the harvest for the domestic market. The plantation is in the Yunnan province. The season lasts from September to February. In the coming years, the area in this province will rise to 13,000 hectares. Transport to the major cities on the east coast takes 48 hours.

Australia: Busy season start

According to some, it has been the busiest start of the season ever. The demand was so big that there was a market gap when the Hass was no longer available and the Shepard had to take over. Prices were slightly higher than normal in May, but have since gone down to a normal level.

Asia, especially Singapore and Malaysia, are good markets for Australian avocado exports. However, there is competition from Kenya and Mexico. The Australian sector is in a period of consolidation, which makes things difficult for smaller growers.

Recently, Australia's largest avocado producer was sold for \$100 million. An agreement was reached between Jasper Farms and the Foreign Investment Review Board. The buyer of the firm is still unknown, but rumours point to it being a North American buyer. Jasper Farms has a production of around 6,000 tonnes of Hass avocados per year.

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