

# OVERVIEW GLOBAL AVOCADO MARKET

The supply and the demand for avocados are not growing at the same pace, but despite the high prices, consumers continue to buy the fruit. That is a brief summary of the market situation. But if we take a closer look, we'll see there is more at play. Producing countries are focusing on growth, but that does not go without a struggle. In the Spanish city of Malaga, land prices have increased so much that even the lucrative avocado is not making the purchase of land profitable in the short term. In Israel, the acreage is expanding annually by about 400 hectares, but the supply of young trees slows the growth down. Moreover, there are seasonal factors. Spain stops earlier, California fears a clash with Mexico and southern Africa is at the beginning of the season.

Italians have a preference for the greenskins, but the developments in that market are similar to those of the Hass: high demand, insufficient supply and rising prices. However, there are rumours about a new country that is going to invest in avocado exports.

The top 3 largest Hass avocado exporters in the world are all Latin American countries. Mexico leads the ranking, followed by the Dominican Republic and Colombia. This is shown by figures from SAGARPA. According to statistics, 2 out of every 10 avocados consumed in the US are of Mexican origin. It is not surprising that the US is the most important export market, followed by Europe and Asia.

## **Peru expects exports to grow by up to 15%**

With an estimated growth of 10 to 15% in volume this year, Peruvian exports in 2018 will exceed the 230,000 tonnes exported in 2017. This growth is due to new plantings coming into production and plantations that are reaching their full production capacity. The largest share of exports (60%) is intended for Europe. The free trade agreement between the EU and ANDEAN, of which Peru is a member, contributed to increasing exports to this market. Another 30% goes to the US and the remaining 10% is distributed across Asia and countries in the region. China and Japan are interesting markets and, although strong growth figures are recorded there, the volumes are still limited.

## **Brazilian production is rising**

The Brazilian avocado production has grown in recent years and prospects point to another increase this year. Growers are optimistic and, thanks to the investments made, the volume available for the domestic and export markets should be greater. The first avocados are expected in March.

### **Mexican avocado producers invest in police**

The Mexican government wants to increase the export of avocados and other products to the US. This will be one of the key issues in the renegotiations of NAFTA. The avocado exports from Jalisco ahead of the latest Superbowl weekend were worth \$ 220 million. Mexico wants to increase exports from both Michoacan and Jalisco.

The lucrative avocado production has a positive side effect. In the municipality of Tancitaro, 1.2 million dollars a year are spent on a quasi-police unit. Most of this money comes from rich avocado growers in the region. Thanks to this expenditure, the power of armed gangs in the municipality has declined.

Illegal plantations, however, are the negative side of the sector. In February, the police discovered an illegal 3 hectare plantation in a nature reserve. This reserve is an important wintering place for the monarch butterfly. Illegal plantations had also been discovered earlier in the regions to the west and south of the reserve. In April last year, the police discovered that 37 hectares of trees had been cut down to make room for avocados. Experts estimate that in the Michoacan region, where the reserve is located, between 6,000 and 8,000 hectares of forest are cleared every year to make room for avocado plantations. According to the growers, this accusation is unjustified, claiming that 85 to 90% of the plantings are made on existing agricultural land.

### **Colombia celebrates access to US market**

After 12 years of negotiations, the US market was opened to Colombian exporters last November. The export figures to this new market have been reported with pride. In November, the first 34 tonnes were shipped to the US, and a second batch of 22 tonnes of Hass was exported earlier this month. In total, the country exported 28,500 tonnes of Hass avocados last year worth 53 million dollars. The EU is the most important destination for the fruit, with the United Kingdom as the biggest market, with a share of 33.6%. Next in the ranking are the Netherlands (32.8%), Spain (16.4%), Belgium (6.7%), France (6.5%) and Germany (2.2%).

The country has the exceptional advantage of being able to export avocados all year round, although there is a clear peak in the third quarter. The harvest peaks in the months of September, October and November.

### **Australia: More balanced market thanks to early start of Shepard**

After the peak period around Christmas, the supply and the demand are in better balance. The early start of the Shepard season in North Queensland contributed to this. In the week of 10 February, 64% of the supply corresponded to this variety supplied by North Queensland, while 28% of the volume

was of Hass from Western Australia and 5% of Hass from New Zealand. The supply of Shepard avocados from Central Queensland will also start in the coming weeks.

The Australian consumer has become accustomed to ready-to-eat products and that is what they expect. At times, the sector struggles to deliver the right ripeness, especially if the supply is limited. "We try to have both ripe and unripe fruit on the shelves of retailers, but there must be a clear distinction," says a trader. A recent study shows that with this sorting, the fruit suffers fewer bruises and sales increase. The sector is also cooperating with supermarkets in Singapore and Malaysia (the most important export destinations) to facilitate the supply of ready-to-eat options. The supply of ripe fruit in these markets is also expected to catch on.

### **California is hoping to avoid clash with Mexico**

California and Mexico are both cautiously looking ahead to avoid a potential overlap in the seasons. A trader explains that "if Mexico ships 20,411 tonnes and California supplies the market with almost 7,000 tonnes, how do we market 27,000 tonnes of avocados?" That could be a serious challenge." If the Mexican volume was lower, it wouldn't be a problem.

Furthermore, Peru is also ready to hit the market. "For now, this country is waiting and considering which market is better for both growers and traders," says a trader. If Europe offers good market conditions, Peru will ship to Europe. If the Mexican volume is lower, they may choose the US market.

Despite the rising demand, prices have fallen slightly, making the price level a little friendlier for consumers. The big question is where the price ceiling lies. Traders thought that this ceiling was \$ 0.99 per piece, but when prices rose to \$ 1.79 per piece last summer, sales did not slow down and consumers continued to buy the fruit.

### **Season starts in southern Africa**

The seasons have just kicked off in the south of Africa. Mozambique started the season and the first harvest from the South African regions of Mooketsi and Levubu in Limpop are about to hit the market. The harvest will really be in full swing from early March. The first South African volumes will arrive in the northern hemisphere around week 12. The first estimates are expected in mid-March, but a substantial increase on 11 million boxes (4 kg) is expected, because the country had an "off year" last year. The drought has had a clear impact, but there are also new areas in production.

### **Spain stops a month earlier**

The season is already at an advanced stage. This year, the campaign is coming to a close a month earlier than usual, namely in March. This is due to a smaller yield and a large demand. Spanish avocados reach

higher prices than the Mexican on the European market. A box currently costs 15 Euro and despite that price, the demand remains high. The demand from European supermarkets has increased over the past 3 years, partly due to the shorter transport time and a more flexible service. Due to rising prices, consumers are becoming more demanding when it comes to quality.

The Chilean season is over and the end is also in sight in Colombia, as reported by traders. Peru has just started with small volumes. Mexico is the main competitor with good quality and rising European demand. The gap in the market between Spain and Peru this year will probably be filled by Mexico.

Spanish cultivation concentrates in Malaga, but the water supply is limited and the acreage cannot grow any further. That is why producers are considering planting in other regions, such as Granada, Valencia, Almeria, Cádiz, Huelva and even northern Spain. However, the climate in those regions is not as ideal as in Malaga. The price of land in Malaga is sky-high due to speculation, which means that even investing in avocado cultivation is not lucrative enough in the short term.

### Italy prefers greenskins

Since November last year, the market for greenskin avocados has been complicated. The supply is always lower than the demand, with high prices as a result. That situation is not improving, according to a trader. The Italian market has a preference for greenskins. These are imported from Israel, South Africa, Peru and via re-export from the Netherlands. The Israeli season is coming to an end. Arad avocados are no longer available and the Pinkertons remain on the shelves until week 11 or 12. The South African season does not start before week 14. In order to fill the gap, importers usually choose the Fuerte from Peru, but the calibres of these avocados are smaller than usual this year.

There are rumours saying that avocados from Mozambique will be on the market from week 10. If that information turns out to be correct, this African country will be a new player on the market.

### Wholesale prices:

Turin - Israeli avocado, size 12, class 1, monolayer packaging: 3.80 Euro (January 2018).

Rome - Israeli avocado, size 12, class 1, monolayer packaging: 3.00 Euro (20 February 2018).

Verona - import (origin not specified), class 1: 3.75 Euro (22 February 2018).

Verona - Hass (origin not specified), class 1: 4.00 Euro (22 February 2018).

Fondi - Israeli avocado, class 1, monolayer packaging: 2.80 Euro (22 February 2018).

## French market in balance

An importer points out that the French avocado market is good at the moment. The supply and the demand are nicely balanced. It is true that there is a larger volume available this year, but for now it is not too big. This is due to the fact that there are still few producing countries. There are small volumes from Mexico, Colombia and Spain and that's about it. There are always importers who have bought too much stock and are still trying to put it on the market, but the volume is too small to actually disrupt the market. Ready-to-eat avocados suffer no problems on the French market. The avocados are imported unripe and matured in France.

## The Netherlands: Good avocado prices are expected until summer

In the past decade, trade in avocados has increased by more than 12% per year. That is much faster than the growth of production, which has increased by almost 5%, according to the World Fruit Map, recently published by Rabobank. Avocados are not only becoming increasingly popular in Western countries, the fruit is also starting to thrive in emerging markets. For example, in 2013, China only imported 1.5 million kilos of avocados. In 2015, this volume already stood at more than 25 million and in 2017 it reached almost 30 million kilos. According to analyst Cindy van Rijswick, the media attention has contributed to its rising popularity. "Avocados are among the top 20 most instagrammed foods, together with popular dishes like pizzas, burgers and sushi. The fruit's photogenic, versatile and healthy character has been an important factor behind its rising popularity. The fact that good quality, edible avocados have hit the market has played an even greater role."

Importers expect conditions in the avocado market to remain very good at least until June. Then there will be larger volumes coming from Peru and South Africa and supermarkets will play a key role in shaping the market.

## Sweden buys avocados for Taco Friday

Avocados are one of the most popular fruits in Swedish stores. Despite their great popularity, the market is still growing. According to a trader, the country is in fourth place in the ranking of largest European consumers. A large supermarket chain has seen its turnover double in 10 years. Last year, this chain saw sales and volume increase by 8%, and 7.5% more households were reached with the exot. "Avocado is necessary for Sweden for 'Taco Friday'," says a trader. Friday is the day on which tacos are served in many Swedish households. Moreover, guacamole is an important ingredient.

Due to rising demand in other markets, prices are rising in Sweden. Yet the Swedes continue to buy avocados. However, there seems to be a slight shift to loose avocados instead of packed fruit. At the moment, there is mainly supply from Spain, Israel and Chile. In the spring and summer, that supply will

shift to Peru and South Africa. "At the moment, we are at a turning point between the seasons, which means that the quality can vary, but so far we have had no quality problems."

### **Transition between seasons in German market**

The German market is currently in a transitional stage. Imports from Spain are slowly coming to an end, while shipments from Latin America (Mexico, Chile, Peru and Colombia) are widely available. It is mainly the Hass variety that dominates the market. Traders talk about a satisfactory market situation, with purchase prices of around 14-15 Euro per 4 kilos. In the last two weeks in particular, there have been considerable price increases, reaching one Euro per kilo, depending on the origin and logistics costs.

Avocados, according to the traders, are no longer considered an exotic product. While there are peaks and lows, avocados are available year-round and, more importantly, remain popular among consumers. In recent years, the German retail sector has focused particularly on ready-to-eat quality, with considerable investments in logistics and technical aspects. However, offering ready-to-eat organic avocados remains a challenging task. According to the traders, Greek and Spanish products dominate the bio-market. The season runs roughly from October to the end of February; the volumes are very small outside these months.

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