

# Review of the 2003/2004 avocado season

## Waiting for special offers...

Consumption has not increased this season. However, it displayed a break in the supply cycle for the winter market, which has been very irregular from one year to the next since 1997/1998. There have also been changes in the proportions of different origins. Although the decrease in quantities shipped from Israel was simply conjunctural, the return of Mexico and the rapid development of South American origins seem to be more lasting. Supplies should be markedly more plentiful in the coming winter season.

This season did not hold any surprises in avocado consumption. This remained desperately stable, in spite of ups and downs in production. Avocado drags far behind in terms of market growth in comparison with often two-figure growth for other exotic fruits (annual growth in mango sales was 13% from 2000 to 2003 and pineapple sales were up by 9%). The 155 000 to 160 000 tonnes sold in the EU from September 2003 to August 2004 corresponds to approximately 400 grams per person per year, that is to say nearly two fruits of average size. In comparison, consumption in the United States is nearly 1 kg per person per year and, above all, market releases have increased by 100 000 tonnes in five years. These differences in trend are the result of two factors. Firstly, the Californian producers who supply a large proportion of the North American market have succeeded in federating to develop ways of stimulating sales. Secondly, distributors have agreed to be involved in this approach. The 'Ripe Max' concept aimed at supplying consumers with avocados at different stages of ripeness is a

good example of this win-win partnership. Each distributor who wishes to participate in the operation must propose the following segmentation to his customers: a third ripe fruits ready to eat, a third softening fruits that can be eaten two or three days later and a third hard fruits that will be ripe five to seven days later. The results are very clear as sales always double or triple. Distributors in France, the main avocado market in the EU, have not played the same driving role. Quite the opposite, avocado is one of the products most affected by the increased prices observed since the 'new economic regulations' (*nouvelles réglementations économiques* or NRE) have been applied.

### Alternate bearing and special offers

As is shown in the table below, market supply of avocado is markedly cyclic because of the marked alternate bearing phenomenon ('on' and 'off' years). Thus, in the recent winter seasons during which the Israeli and Spanish crops were in

phase with each other, the quantities available could vary by 20 000 to 30 000 tonnes from one year to the next (that is to say 20 to 30% of total supplies!). It is easy to understand the capital role played by special offers in maintaining market balance during 'on' years. In this case it is essential to accelerate sales, especially during supply peaks.

### A change in the rate of market supply

Since the 1997/1998 season, supplies have totalled some 80 000 tonnes in 'off' years and 105 000 tonnes in 'on' years. The intermediate quantities—with about 92 000 tonnes sold—of 2003-2004 reveal a break in the supply cycle. Indeed, very special weather conditions in Israel led to a series of two small harvests. Thus, for the first time since the 1997/1998 season, the Israeli and Spanish crops did not follow the same pattern. The new cycle that has emerged will ensure greater steadiness in the quantities available during the winter season from one year to the next.

Avocado market supply — EU-15 (1 000 t)												
	94/95	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	moy. 98/03	03-04/av. (%)
Spain	23.8	33.3	33.9	54.8	36.7	44.7	32.3	46.3	26.5	50.0	37.3	+ 0.3
Mexico	24.6	34.6	22.5	19.1	12.9	14.9	11.2	12.0	21.0	17.0	14.4	+ 0.2
Israel	22.1	43.6	40.7	33.6	23.2	44.0	38.3	43.5	25.9	25.0	35.0	- 0.3
<b>Winter total</b>	<b>70.5</b>	<b>111.5</b>	<b>97.1</b>	<b>107.5</b>	<b>72.8</b>	<b>103.6</b>	<b>81.8</b>	<b>101.8</b>	<b>73.4</b>	<b>92.0</b>	<b>86.7</b>	<b>+ 0.2</b>
Kenya	8.9	7.8	13.0	7.0	9.7	11.4	15.8	11.8	19.6	14.5	13.7	+ 0.1
South Africa	29.5	26.7	23.3	48.9	31.6	42.1	32.3	41.1	35.7	30.0	36.5	- 0.2
Peru					0.4	2.0	2.4	4.7	11.3	13.0	4.2	+ 2.1
Chile								1.9	4.3	8.6	3.1	+ 1.8
<b>Summer total</b>	<b>38.4</b>	<b>34.5</b>	<b>36.3</b>	<b>55.9</b>	<b>41.7</b>	<b>55.5</b>	<b>50.5</b>	<b>59.5</b>	<b>70.9</b>	<b>66.1</b>	<b>57.5</b>	<b>+ 3.8</b>
<b>Total</b>	<b>108.9</b>	<b>146.0</b>	<b>133.4</b>	<b>163.4</b>	<b>114.5</b>	<b>159.1</b>	<b>132.3</b>	<b>161.3</b>	<b>144.3</b>	<b>158.1</b>	<b>144.2</b>	<b>+ 4.0</b>

Source: Eurostat (September-August) except for summer 2004 figures: estimated by CIRAD-FLHOR

## And the return of Mexico?

Mexico confirmed its come-back on the EU market during the last season. The background to this is that Mexico used to be one of the three pillars of EU supply, together with Israel and Spain. It then lost considerable ground when the US frontier was opened to avocados from Michoacan. Although the reason is doubtless the bond established by the setting up of NAFTA, relations between the two countries grow closer every year. The proximity of the market, reducing approach costs and making it possible to anticipate possible changes in the situation, and the fact that it is highly profitable are undoubted advantages for Mexican exporters. The quantities exported to the USA thus increased from less than 2 000 tonnes to nearly 30 000 tonnes in five seasons thanks to an increasingly long supply period and a growing number of states in which the sale of Mexican avocado is permitted.

But other causes related to the downstream part of the chain account for the decrease in the market share of Mexican avocados in the EU. The price paid for Michoacan fruits was particularly high until 2002 because of the very unfavourable euro:dollar exchange rate. Furthermore, the lack of visibility of changes in market trends resulting from three weeks of transport is a considerable financial risk, especially as the goods are generally covered by a firm purchase. Finally, the quality problems that were common in 2001 and 2002 finally put off certain importers who were already nervous about the origin.

It is true that the comparative under-supplying of the market and the attractive euro:dollar exchange rate are involved in the return of Mexican avocado to the EU market in the past two years. But another important factor is also involved. Distributors seem to concentrate increasingly on the variety Hass. This is particularly true in French supermarket chains and Mexico is the only northern hemisphere origin to ship Hass right through the winter season.

## The strong presence of Kenya

Although the quantities shipped were down on the 2002/2003 season,

Kenya was still very present in 2003/2004. Part of this development is linked with efforts made by certain operators to innovate with regard to this origin. Broadening the range of varieties to include Hass (20% of production in 2004) stimulated growth. An innovation in market segmentation (introduction of a low-price range of small fruits packaged in nets) was also very successful. However, a large part of the development of the origin is also related to the markedly opportunist approach of certain operators who often do no established business in avocado. It is true that the financial risk associated with Kenyan avocado is limited as it is almost always sold on a commission basis. However, the prospects for outlets of Fuerte from Kenya should not be over-estimated. A large proportion of French distributors refuse to reference the origin because of the poor image of certain brands. Furthermore, the export market remains very limited. The poor performance during the last two seasons confirms that some operators have eyes bigger than their stomachs.

## The new world of avocado

The rapid growth of South American origins was confirmed this season. Although Chilean avocado was unknown in the EU in 2001, the country should export more than two million boxes (i.e. 8 000 tonnes) in 2004. Chile can ship Hass from September onwards and should continue to develop sales rapidly in Europe. Production already exceeds 125 000 tonnes but a fair proportion of the 23 000 ha planted is not yet in production. Exporters must therefore find new outlets, especially as the United States market, which currently takes most of the fruits exported, might become more competitive as Mexican exports are livelier every year. Chile has substantial advantages for taking up a position on an EU market that its exporters already know very well (more than 400 000 tonnes of pip and stone fruits are exported annually). In addition, avocado exports have been duty zero-rated since the signing of a trade agreement with the EU on 1 February 2003. It could compete strongly with Mexico. Peru is another emerging South American origin. Exports to the EU were some 2 000 tonnes in 2001

and rocketed in subsequent years to probably approach 13 000 tonnes in 2004. Production is growing strongly (2 200 ha in 2003). The EU is the only large market as the USA is closed to Peru because of Mediterranean fruitfly.

## Average season price

The average price for the season is markedly down on the preceding season. However, the average hides considerable differences between origins. The results are disappointing for Israel. The season price is noticeably lower than average, in spite of the small quantities traded.

Average price — Winter season Quay stage — euro/kg					
99/00	00/01	01/02	02/03	03/04	
1.37	1.64	1.34	2.11	1.68	

Source: CIRAD

## Prospects for the 2004/2005 winter season

Market supply should be much larger than in 2003/2004. Israeli production is returning to normal after two years of shortfall. A comparatively smaller decrease in the harvest is announced in Spain, but an increase in cultivated area and better size should partly make up for less abundant flowering than last year. Overall, the volumes shipped by the two origins should be close to those of the 1999/2000 season.

In spite of the clearly stronger presence of Israel and Spain than in the two preceding seasons, Mexico should remain a major player on the 2004/2005 winter market as some retail chains wish to sell practically nothing but Hass.

Finally, Article 3 of the New Economic Regulations that weighed on sales since they became law in 2001 should be abolished in December at the latest. The possibility of running special offers again may finally make it possible to increase consumption ■

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