September 2008 - No. 159

FRuiTROP

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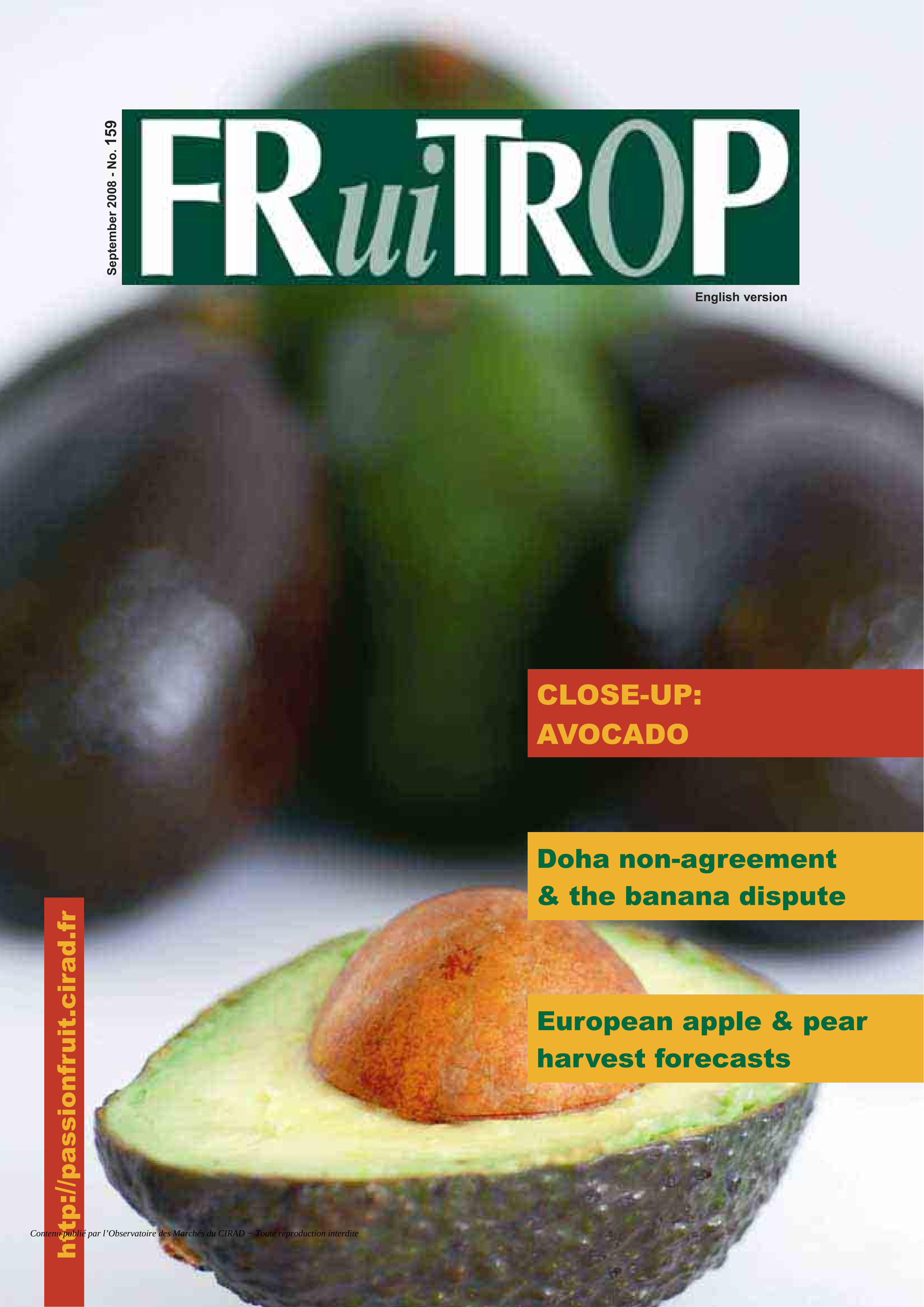


CLOSE-UP: AVOCADO

Doha non-agreement & the banana dispute

European apple & pear harvest forecasts

http://passionfruit.cirad.fr

The European avocado market

A 2007-08 balance marked by a strong deficit from northern hemisphere production sources

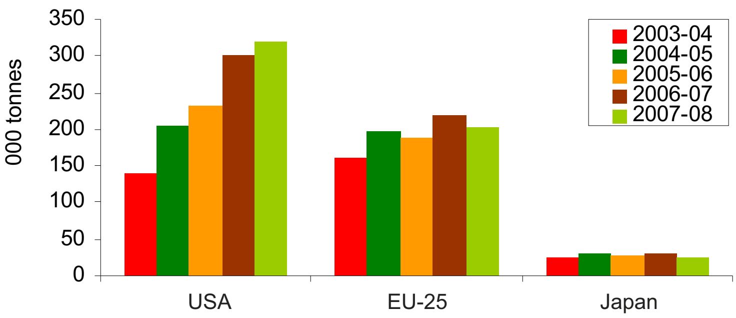
Has the breeze of dynamism that blew in the EU avocado market in 2006-07 dropped? This is what might be concluded from analysis of the volumes traded from September 2007 to August 2008 (2007-08 winter season and 2008 summer season).

After reaching 235 000 t in 2006-07 for the very first time, consumption appears to have decreased to around 215 000 t. The drop was particularly marked during the winter season, with volumes sold losing nearly 50 000 t and slipping beneath the 100 000-tonne mark. However, analysis of the downward trend should reassure operators as demand is not called into question.

Promotion in Europe: 'Trying, but could do better'

The sales promotion programmes set up in Europe in 2006-07 after a long period of total inertia have continued. The SAAGA (South African Avocado Growers Association) renewed its campaign on the French market. Likewise, the campaign run by the AECA (the Spanish association for the promotion of sales of 'Hass') has been renewed. Launched by a group of Spanish operators and South American firms exporting to Spain, the initiative is a particularly interesting one as it is the first generic, multi-origin programme in continental Europe.

Avocado - Import trends on the main markets



Sources: national customs, Cirad

It is true that these initiatives are not at all on the same scale as the promotion campaigns in the USA and the UK. The powerful sales lever formed by ripe/ready-to-eat fruits is still under-used on the continent for lack of involvement by distributors. However, these campaigns confirm the determination of certain production sources to invest to benefit from the substantial scope for development that still exists on most European markets. It is important to remember once again that this type of operation has given exemplary results in the United Kingdom. A decade of operations to highlight avocado has resulted in the doubling of consumption, making the market the second-largest in the EU in terms of quantity. This groundwork has been continued in the current season as household penetration of avocado is still less than 30% and this says much about the potential for further development. The synergy between South Af-

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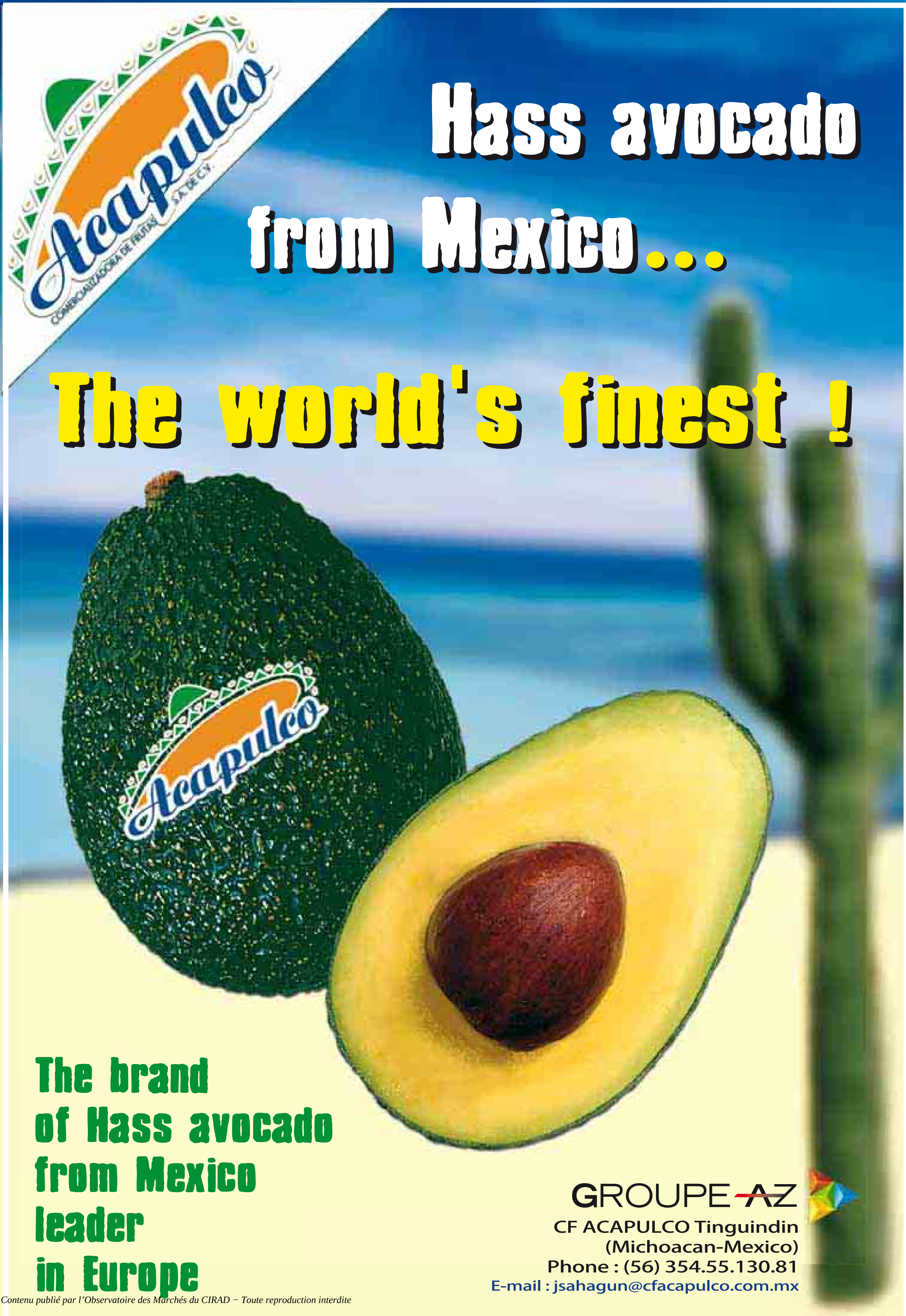
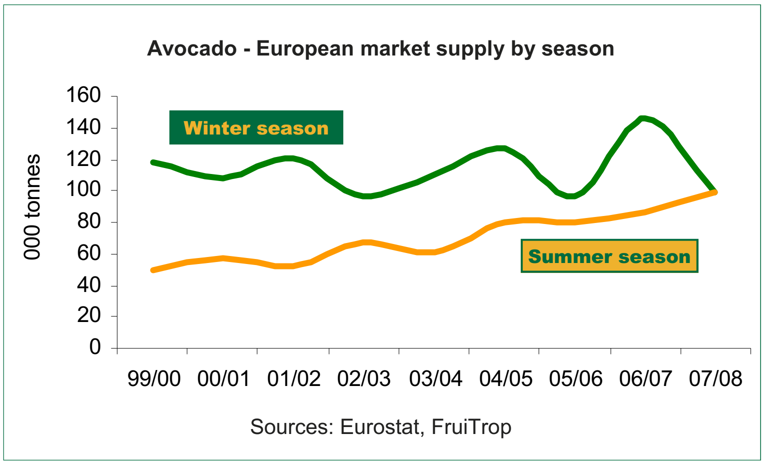

Acapulco
Hass avocado
from Mexico...
The world's finest !
The brand
of Hass avocado
from Mexico
leader
in Europe
GROUPE AZ
CF ACAPULCO Tinguindin
(Michoacan-Mexico)
Phone : (56) 354.55.130.81
E-mail : jsahagun@cfacapulco.com.mx



rica and Chile also seems to be causing growth dynamics to accelerate, with the operations performed by the Comité de la Palta, the Chilean promotion body, being relayed for the third year running.

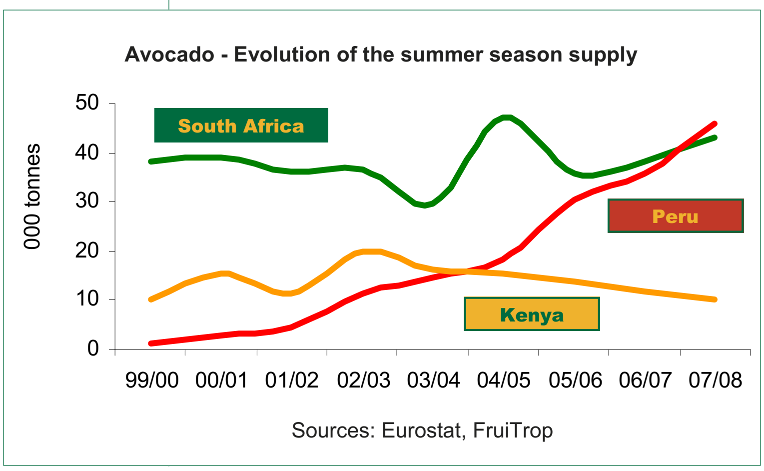
Major stakeholders hit by serious production losses during the winter season

It is clear that supply was inadequate during the winter season as two of the main supplier countries suffered drastic decreases in production. Israeli professionals were doubly hit as the frosty period at the end of January caused serious losses to a crop that was in the downswing of alternate bearing. The volumes exported thus fell by half—from 57 000 to 27 000 t in comparison with the generous 2006-07 season. The decrease was particularly marked in 'Hass' as much of the crop remained to be harvested when the cold spell hit. Only 1.2 million boxes of this variety were exported.

Frost seriously affected the Chilean harvest too. The northern part of Region V, the main production zone, was hit by three waves of frost during summer 2007. Thus even though the planted area had increased (see the article about Chile), Chilean exports amounted to some 116 000 t, about 50 000 t less than in the preceding season. In spite of a clear determination to strengthen the country's position in the EU, Chilean shipments to the latter market decreased by about 10 000 t in comparison with the preceding season when the 40 000 t shipped gained Chile the position of second-largest winter season supplier.

Spanish exporters were unable to profit fully from this very favourable context, as production was not large enough either. The harvest totalled some 45 000 to 50 000 t, which probably gave export volumes similar to the preceding year (about 35 000 to 40 000 t). After a period of expansion, the planted area has stabilised at nearly 9 500 ha. Firstly, the areas still available are limited in the Axarquia area where most avocados are grown, and a fair proportion of farmers prefer mango as it is less demanding as regards water, easier to manage and has been profitable in recent years. In addition, the spider mite known locally as 'acaro cristalino' (*Oligonychus perseae*) has continued to damage the crop although pest management has started to give results. The pest appeared in 2004 and has since colonised almost all the orchards in continental Spain. Some professionals say that it has caused a production loss of some 30% since it appeared, the average fruit weight decreased markedly and the trees were weakened, but not fatally.

Mexican exporters did not benefit from the very open market either in spite of enormous production reserves totalling more than a million tonnes. Shipments to the EU totalled only 12 500 t, an increase of only 2 000 t in comparison with the preceding season. Exporters clearly favoured the US market, as shipments during the period in question increased by 50 000 t in comparison with the previous year. This is a



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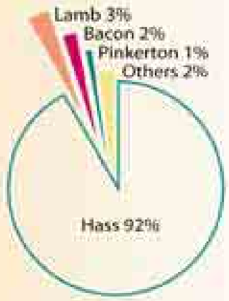
Avocado in the USA

The volumes sold on the United States market in the 2007-08 season (from October to November to match the Californian season) should be stable or possibly slightly down. Cumulated releases of fruits from California and the main sources shipping to the United States from October 2007 to mid-August 2008 were 1% down on the figure for the previous year. This trend is a break in the continuous increase in the quantities purchased by American shoppers, with an increase from some 200 000 t at the end of the 1990s to nearly 480 000 t in 2006-07. However, thanks to the exemplary organisation of the sector, efforts on the promotion of avocado—discussed at length in a previous issue of FruiTrop (148)—have not decreased in intensity. However, as on the EU market, supply has been short. First, Californian production has only partially recovered from the frosts of January 2007. Next, the dramatic fires that hit the region in october 2007 resulted in the loss of about 3 000 acres, that is to say 10% of the total area under avocado, especially in San Diego county. The harvest of 145 000 t was therefore towards the bottom of a range, as the crop varies between 140 000 and 200 000 t in normal seasons. In addition, Chilean exports to this market were noticeably smaller than average as a result of the frost mentioned above, totalling 85 000 t in comparison with slightly less than 120 000 t in 2006-07. This particularly favourable context enabled Mexican exporters to set a new record for shipments to the market. The rate of growth has increased strongly since exports have been allowed to the whole of the USA and the volume has tripled in three seasons, growing from a little less than 75 000 t in 2004-05 to practically 220 000 t in 2007-08. Supplies were completed by the Dominican Republic and, to a lesser degree, New Zealand. In this context of under-supply, the average price for the season was very high at nearly USD30 per 11-kg lug at the retail stage in comparison with about USD22 in 2006-07 and hardly more than USD20 in 2005-06!

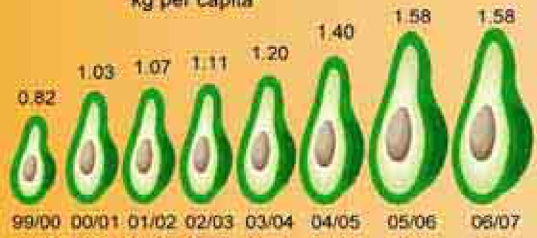
Avocado - California Production by variety



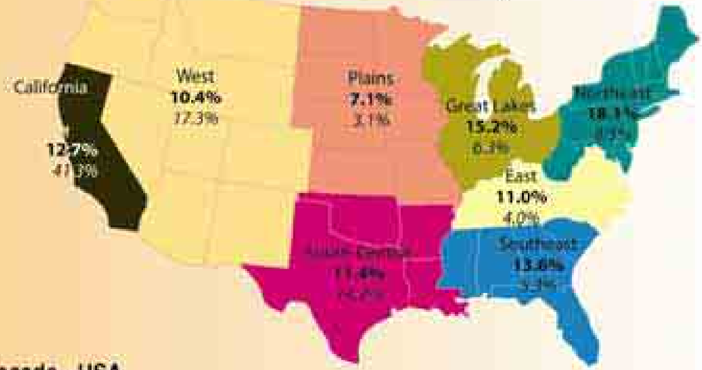
Consumption

Avocado - USA - Wholesale price
USD/box 11.34 kg

Avocado - USA - Consumption
kg per capita

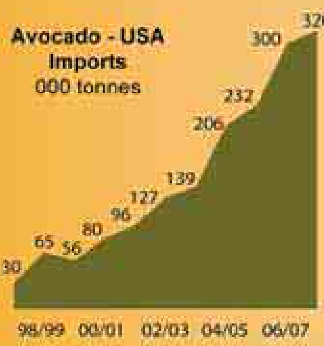


Avocado - USA - Consumption
Population in %
Avocado consumption in %

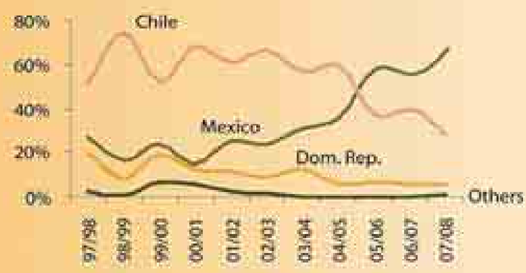


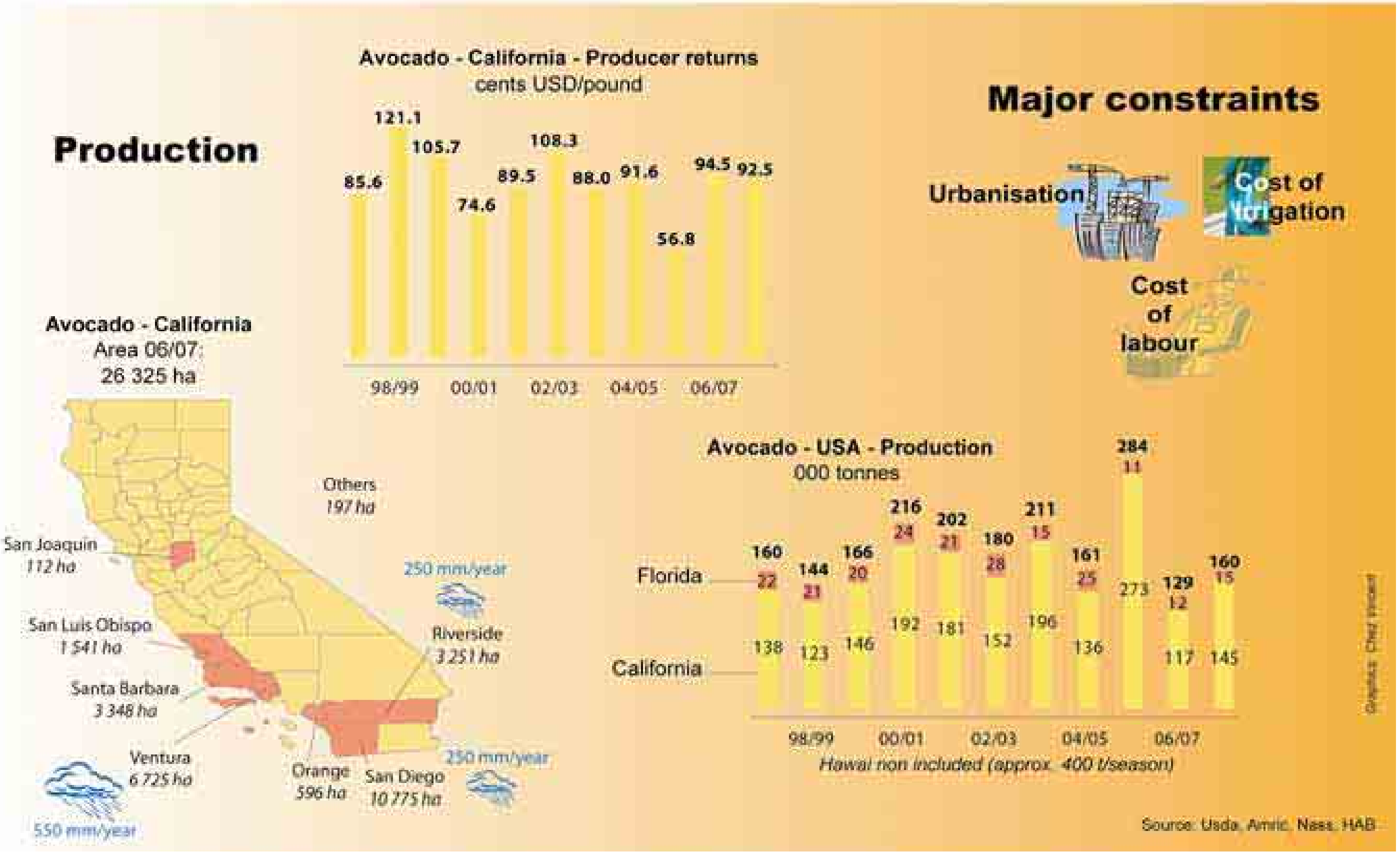
Imports

Avocado - USA Imports
000 tonnes

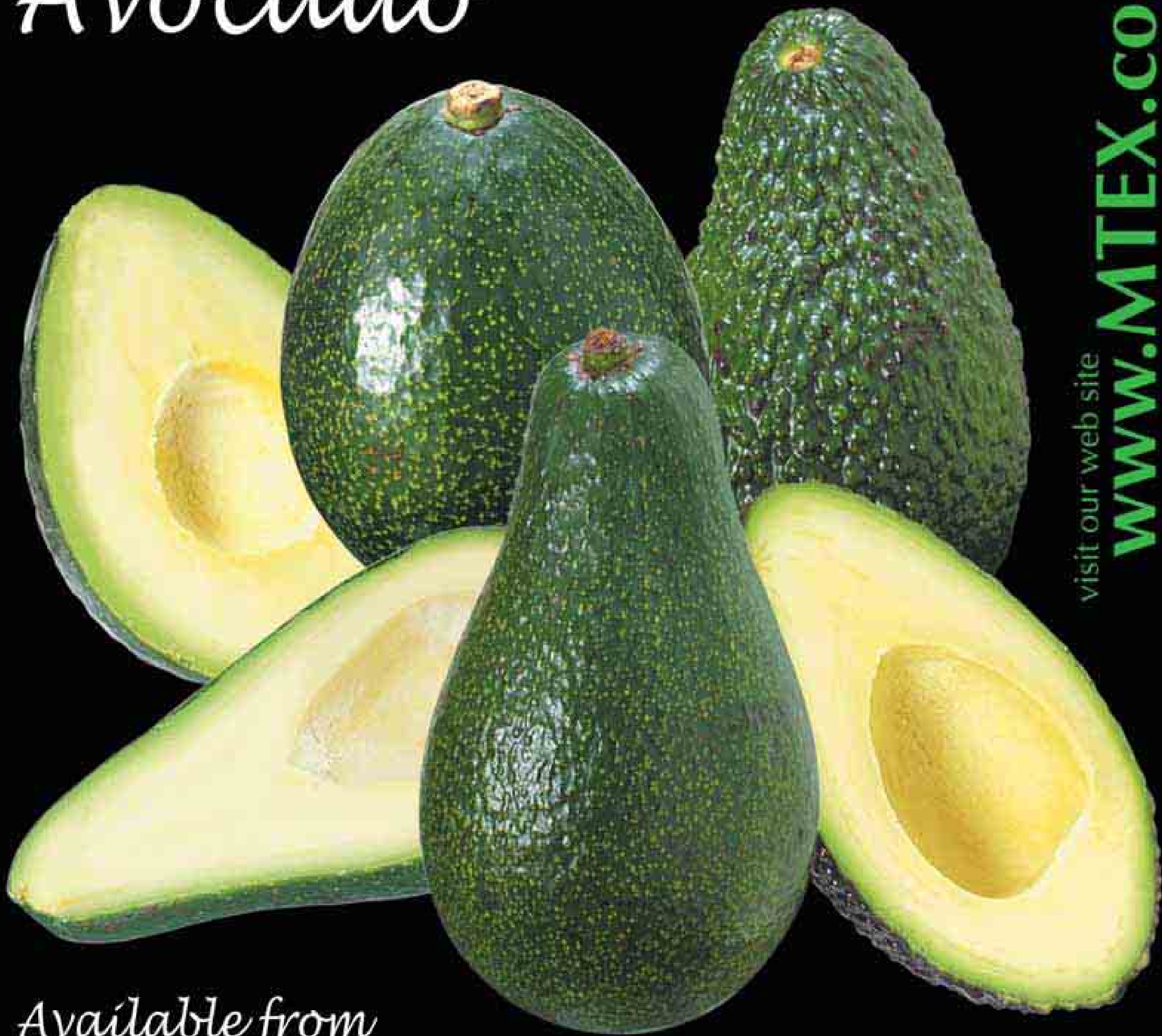


Avocado - USA
Import by origin

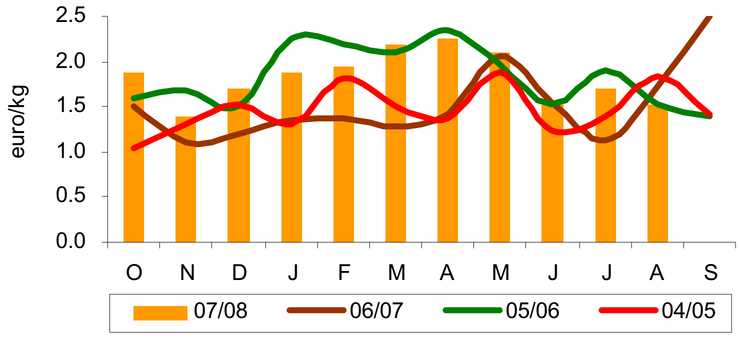



Production
Avocado - California - Producer returns
cents USD/pound
85.6
121.1
105.7
74.6
89.5
108.3
88.0
91.6
56.8
94.5
92.5
98/99 00/01 02/03 04/05 06/07
Major constraints
Urbanisation
Cost of irrigation
Cost of labour
Avocado - California
Area 06/07:
26 325 ha
Others
197 ha
San Joaquin
112 ha
San Luis Obispo
1 541 ha
Santa Barbara
3 348 ha
Ventura
6 725 ha
Riverside
3 251 ha
Orange
596 ha
San Diego
10 775 ha
250 mm/year
250 mm/year
550 mm/year
Avocado - USA - Production
000 tonnes
Florida
California
160 144 166 216 202 180 211 161 284 129 160
22 21 20 24 21 28 15 25 11 12 15
138 123 146 192 181 152 196 136 273 117 145
98/99 00/01 02/03 04/05 06/07
Hawai non included (approx. 400 t/season)
Source: Usda, Amric, Nass, HAB
Graphics: Chez Vincent

Avocado



Avocado - Monthly average price on the French market



Source: FruiTrop

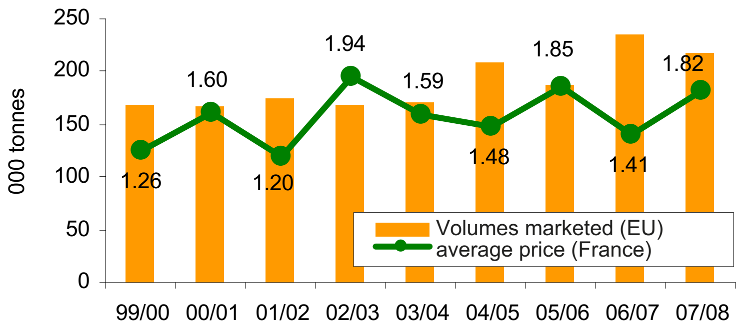
clear illustration of the strategic choices made by most Mexican exporters, for whom the EU is just an occasional market.

Outsiders doing very well

The greatest increase was seen in shipments from 'outsider' sources. Arrivals from the Dominican Republic exceeded 3 000 t for the first time, an increase of about 1 000 t in comparison with the previous season.

The increase in Moroccan exports to Europe is even more spectacular and seems to be less opportunistic. After being almost unknown as an avocado shipper in 2006-07, this source exported more than 1 700 t to the EU in 2007-08, most of this being sold on the French market. A few operators are working on the building up of an avocado export chain with the EU market as the main outlet (see box).

Avocado - Average price in France (euro/kg) and volumes marketed in the EU



Sources: Eurostat, FruiTrop

Continued dynamism during the summer season

Although the volumes changing hands clearly marked time during the winter, trade statistics for the 2008 summer season should reveal a new, marked increase. The figures are not yet final but the total should approach 100 000 t, for the first time ever equivalent to the volumes sold in the winter season! This performance deserves praise, especially as the increase has been very rapid, with the volumes doubling since the beginning of the decade.

This progress results to a considerable extent from shipments from Peru, which have increased tenfold in six seasons and should probably exceed 45 000 t in 2008. Production should continue to grow in the years to come as some 6 000 ha of 'Hass' plantations were recorded in 2007 according to Prohass—the

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equivalent of a 60 000 t harvest in the end—and the planted area is still increasing! It will therefore be understood that the Peruvian chain, practically a captive of the European market (the Chilean market opened in 2007 still takes only very moderate quantities), is impatiently awaiting the opening of the US frontier. The negotiations for the recognition of all or part of Peruvian production as free of fruitfly could soon reach a conclusion and perhaps allow the shipment of the first batches during the next season. What welcome will await Peruvian avocado on the US market, as the export season in Peru runs from April to August, the heart of the California season? Reasonable optimism is allowed as consumption is tending to increase considerably during this part of the year, but competition with Mexico, whose exports are strongly present at this time of the year, may well be fierce. However, although Michoacán exporters have clear advantages as regards proximity, the game is far from being lost by

Is Morocco the new outsider?

Hitherto unknown on the international scene, the Moroccan avocado sector seems to be coming out into the open. Previously marginal exports reached some 2 000 t during the 2007-08 season. The sector is still modest and its size difficult to estimate for lack of recent figures. Professionals consider that some 1 000 ha yields 7 000 to 8 000 t. They also agree that there has been considerable recent expansion.

Most of the plantations on the north-western coastal strip of Morocco from between the south of Rabat (Temara) and Tangiers. However, the planted area is decreasing in the Rabat region because of pressure from building and the heart of the planted area is tending to be between Larache and Kenitra. The mild Mediterranean climate with very rare frosts is well–suited to the crop, as are the fairly sandy soils in the coastal area. Furthermore, water availability is fairly good. Average rainfall has decreased in recent years and is now only 300 to 400 mm. However, groundwater is not as heavily exploited as in the south of the country and is still fairly plentiful and of good quality. The Chergui, a hot and fairly strong wind, can be a problem in some years. A few plantations in the Souss and in the Azemmour region complete Moroccan avocado production.

Production is handled by a very small number of large operations and by a great number of small growers. The fruits are mainly sold locally and often eaten in the form of a milkshake. The varieties such as 'Bacon' and 'Zutano' that are not particularly sought-after for export still form a fair proportion of production and small fruits grown locally or imported from Spain sell well.

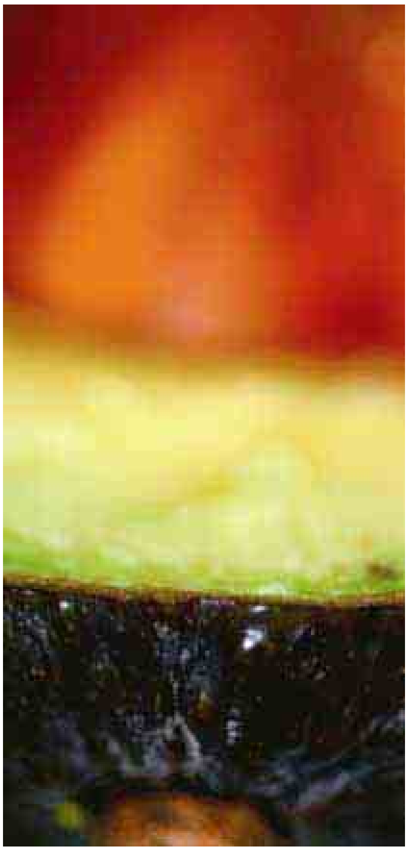
Two structures handle practically all exports, that consist mainly of 'Hass'. The fruits are sold mainly on the French market and a few batches are shipped to the UK.

Sector development is currently driven by a few rare specialists who are investing significantly in the crop and should accelerate. First, the good results achieved during the last season will probably attract new producers. Second, Spanish growers seem to be increasingly interested in Morocco in order to achieve growth in a sector that is difficult to develop in the Malaga region, in particular as a result of the growth of urban pressure and shortage of water.

their Peruvian counterparts whose production prices seem to be very reasonable in spite of the cost of transport (high productivity, inexpensive labour, etc.).

A 'normal' season for South Africa

At 43 000 t, supplies of South African fruits have remained within the usual 35 000 to 45 000 t range. Although the planted area is not increasing any more and seems to have stabilised at 12 000 ha since 2002-03, its varietal composition is still changing to the benefit of 'Hass'. The share of the latter variety in total exports has increased from 45% at the beginning of the decade to some 50% in recent seasons. New cultivars have appeared recently, including 'Maluma Hass'®, a variety that is more productive than traditional 'Hass' and about a month earlier. The volumes earmarked for export to the EU should not increase in the medium term. The domestic market is tending to develop



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and steps are still in progress to obtain access to the Chinese, Japanese and US markets.

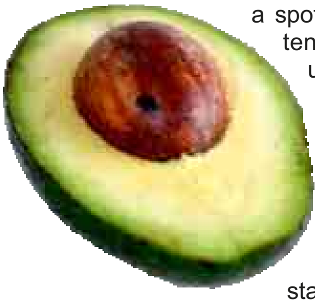
Moderate volumes from Kenya

Kenyan exports were moderate, especially when the market was very open. Sector professionals suffered from a series of problems. Serious spring drop followed by very wet weather limited the quantity of exportable fruits. In addition, political problems paralysed business at the beginning of the season. Finally, although transport times to Europe are better than they were in 2007, loading times in Mombasa were often incompatible with what fresh fruits can stand. Ironically, this deterioration is linked with the setting up of a new system of computerised container management at the port that should have corrected past weaknesses. However, real efforts have been made to improve the quality of fruits from small growers, especially under the aegis of USAID. Control of anthracnose has been strengthened and several small oil mills have been installed to make used of category II fruits.

European markets with varied dynamics

Photos © Régis Domergue

Not all EU countries were affected to the same degree by the decrease in supply during the winter season. Analysis of apparent consumption from June 2007 to May 2008 shows that two countries suffered a considerable decrease. Not surprisingly, the fall affected France first of all. It is true that it is the largest consumer market in the EU but it is also very competitive and distribution still operates on a spot basis to a considerable extent. The sharp decrease in the volumes shipped to the United Kingdom is more surprising. This market is closely managed at the promotion level and retailers have understood the importance of 'ripe' fruits and had displayed the best growth dynamics in preceding seasons. However, the substantial fall in sterling against the euro since September 2007 probably affected export destination allocations by certain exporters. Arrivals also decreased strongly in Germany where avocado is still little distributed and where the price factor is of great importance. In contrast, Scandinavia was little affected by the decrease. Swedish imports even continued to increase, with consumption approaching 10 000 t. Denmark and Finland are still the second and third largest markets in the zone, with



Forecasts for the 2008-09 winter season: supply still moderate

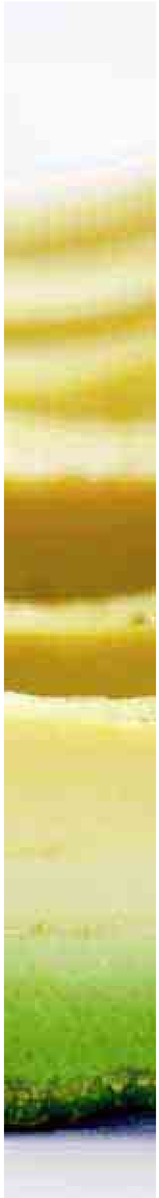
Supply during the winter season should be a little larger than in 2007-08 but will remain moderate. The Chilean and Israeli harvests will still be marked by the frosts of summer 2007 and winter 2008 respectively. Chilean production should be some 5 to 10% less than the already limited volume recorded last year, with the drought that has affected the La Ligua, Cabildo and Petorca valleys added to the effects of the frost mentioned above. Thus, in spite of allocation of fruits that should favour the EU market as the euro is still strong and where a new promotion campaign is scheduled (in the UK, Spain, Denmark and Sweden), arrivals should only be similar to those of 2007-08, that is to say about 6 to 7 million boxes. Production in Israel should be slightly smaller than average in spite of a marked increase in comparison with last year. Exports should therefore total between 8.0 and 8.5 million boxes. Volumes should return to an average level in 2009-10. The increase in production may be delayed for a few years as some parts of new orchards have been destroyed by frost and availability of planting material is limited. The vast development programme still planned targets production of about 130 000 t towards 2015. Only the Spanish harvest should recover to slightly above the average of some 55 000 t, with an increase of about 10 000 t in comparison with the last season.

What complementary volume will be shipped from Mexico? The Spanish harvest could be a little more generous than it was last year. Although production from the first flowering (*'flor loca'*) has been very limited, that of the subsequent flowerings (*'aventajada'* and *'normal'*) may turn out to be a little larger. Mexican exporters are concerned about the recession in the United States, which is hitting Hispanics in particular, who eat large amounts of avocado. If the effects are severe, they may become more interested in the European market in 2008-2009.

volumes stables at 6 500 t and 1 000 t respectively. These countries are still choice targets. 'Hass' is known there, per capita income is high and the potential increase in consumption is considerable. Chile is to launch a promotion campaign in Denmark and Sweden in 2008. Growth also continued in Poland where imports exceeded the modest 2 000-t mark for the first time.

Historically firm quay prices

The serious under-supply observed during the winter season in both green varieties and 'Hass' resulted in excellent prices. Calculated by our market news service for the French market, the average season's price for all varieties was much higher than both last year and the average. However, the season did not start well. Supply was substantial until mid-November as the 'Ettinger' crop in Israel was a generous one and Chilean exports concentrated shipments on the EU. However, as under-supply increased, the trend reversed and the price of size 18 'Hass' climbed to more than EUR8.00 per box at the import stage in France at the end of December. An exceptional EUR12.00 (i.e. EUR3.00 per kg) was even attained at the end of April for the last batches of Spanish 'Hass'. In spite of a difficult start to the season, the balance was positive overall for the green varieties, with prices exceeding EUR8.00 per box when the shortage was at its most severe in April.



Photos © Régis Domergue

Good price behaviour in the summer season deserves reflection

Good price behaviour in the summer was also a positive feature, even though no particular record was broken. In spite of the record supply mentioned above, the average price for the season should be satisfactory in spite of two fairly difficult periods in June and end of August-September. First, better anticipatory management of volumes made it possible to forecast periods of substantial supply and to run promotion operations. Second, the sources delivering during the summer are also those that invest most heavily in promotion. Is this a coincidence or an example to mull over? ■

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eric.imbert@cirad.fr

Avocado — European market supply
Main origins

tonnes	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Winter season	**117 866**	**107 723**	**120 892**	**96 480**	**110 893**	**126 794**	**96 008**	**145 808**	**103 782**
Israel	44 548	38 841	44 333	26 529	25 299	50 481	26 538	55 931	25 811
Chile	9	35	528	2 190	4 046	11 532	17 801	40 379	25 671
Mexico	14 479	13 002	10 139	21 925	18 705	16 516	20 769	10 289	12 500
Spain*	58 000	55 500	65 300	45 000	62 000	47 000	30 000	37 000	35 000
Dominican Rep.	830	345	591	195	842	1 264	901	2 209	3 100
Morocco	-	1	1	641	-	-	-	-	1 700
Summer season**	**49 799**	**57 357**	**52 190**	**67 498**	**60 698**	**80 509**	**80 083**	**85 813**	**99 000**
South Africa	38 205	38 908	36 266	36 404	29 872	46 955	35 934	38 067	43 000
Peru	1 299	2 849	4 401	11 266	14 590	18 096	30 508	35 857	46 000
Kenya	10 294	15 600	11 523	19 828	16 236	15 458	13 641	11 889	10 000

* except volumes for the domestic market / ** Estimates for 2007-08 / Sources: Eurostat, FruiTrop