April 2012 - No. 199

# FRuiTROP

English edition

Review of the 2011-12 litchi season:
Madagascar: the best year of the decade?

Counter-season avocado market in
2012: on the eve of another Big Bang?

Southern hemisphere kiwi:
fighting on all the fronts!

http://passionfruit.cirad.fr

# Counter-season avocado market in 2012

## On the eve of another Big Bang?

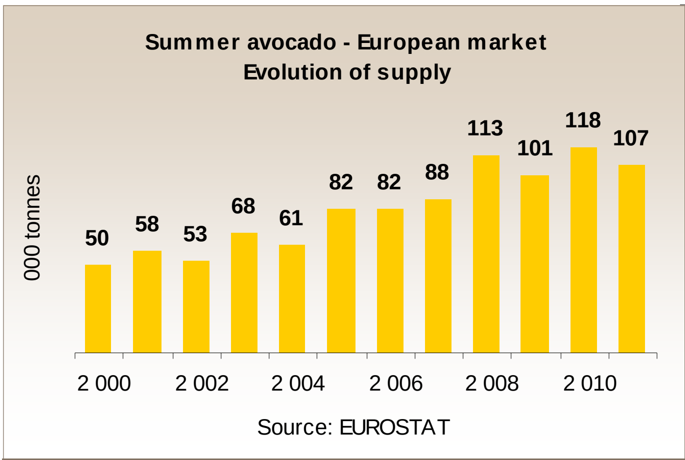
### How will Peruvian exporters choose between markets?

**What will be the pattern of avocado supply to the EU market during the 2012 summer avocado season? Forecasts seem to be more difficult than in other years. In addition to the question of purely conjunctural factors related to production levels in the various supplier countries with whom operators are accustomed to do business, the consequences of an event with more structural effects are going to appear this season.**

The last event of this type took place in the mid-200s with the emergence of Peru as a new supplier country alongside the historical sources South Africa and Kenya. It is no exaggeration to say that this arrival revolutionised the market. Volumes shipped have more than doubled in less than ten years and balances of power between source countries have been upset to the degree that the newcomer has been the leading supplier since 2009, and the increase in 'Hass' has been such that one may well wonder whether this variety may not wipe out the green varieties.

Today, Peru might shake up European Union market structures once again. The possibility for Peruvian exports to enter the very attractive US market right from the start of the season for the first time may result in a radical change in patterns. If Peruvian exporters were to rush for this newly opened door, supply of the EU market could decrease for at least several seasons. Conversely, with the somewhat unlikely hypothesis of the maintaining of flows almost entirely devoted to the EU, the effects on European prices would probably be dramatic, given the rate of increase of Peruvian production. FruiTrop provides an outline of the possibilities and reviews the situation in the different supplier countries and consumption on the various markets.

© Eric Imbert




© Carolina Dawson

| Summer avocado — European market — Evolution of supply | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| tonnes | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| **Total** | **49 857** | **57 683** | **52 631** | **67 958** | **61 407** | **81 733** | **81 887** | **87 509** | **113 156** | **101 216** | **117 754** | **106 706** |
| South Africa | 38 205 | 38 908 | 36 266 | 36 404 | 29 872 | 46 955 | 35 934 | 37 944 | 50 451 | 38 377 | 47 286 | 26 844 |
| Peru | 1 299 | 2 849 | 4 401 | 11 266 | 14 590 | 18 096 | 30 508 | 35 857 | 49 894 | 45 818 | 56 345 | 65 217 |
| Kenya | 10 294 | 15 600 | 11 523 | 19 828 | 16 236 | 15 458 | 13 641 | 11 999 | 11 841 | 15 038 | 14 123 | 14 273 |
| Argentina | 58 | 326 | 440 | 460 | 709 | 1 224 | 1 804 | 1 709 | 970 | 1 983 | 0 | 372 |

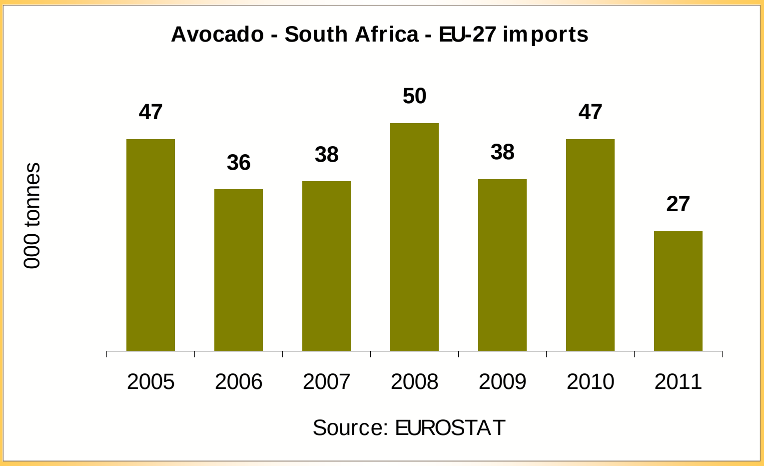
Source: EUROSTAT

# South Africa

© Eric Imbert

**Avocado — South Africa — Harvest calendar by production zone**

| | | N | D | J | F | M | A | M | J | J | A | S | O |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Fuerte** | Levubu | | | | | | | | | | | | |
| | Tzaneen | | | | | | | | | | | | |
| | Nelspruit/Hazyview | | | | | | | | | | | | |
| | Southern KwaZulu-Natal | | | | | | | | | | | | |
| **Hass** | Levubu | | | | | | | | | | | | |
| | Tzaneen | | | | | | | | | | | | |
| | Nelspruit/Hazyview | | | | | | | | | | | | |
| | Southern KwaZulu-Natal | | | | | | | | | | | | |
| **Pinkerton** | | | | | | | | | | | | | |
| **Ryan** | | | | | | | | | | | | | |




## Good, but not exceptional export potential in South Africa

Fortunately, not all the avocado seasons are the same in South Africa! Nature is more friendly this year than in 2011 and South African professionals have an export potential of some 12 million boxes. Although large exports are forecast, especially in comparison with the 7 million boxes shipped in 2011, such a performance is not exceptional and was already reached or approached in 2005, 2008 and 2010.

The variety 'Hass' should form around 55% of shipments, with the proportion tending to stabilise in recent seasons after strong growth at the beginning of the 2000s. Nursery seedling sales statistics, in which 'Hass' and green varieties account for similar proportions, show that South African growers are still planting substantial number of 'Pinkerton', 'Fuerte' and similar. This strong potential that is seen increasingly frequently also illustrates the small growth trend in South Africa. The area under avocado increases by about 250 ha per year, especially in the more temperate zones where it is possible to profit from a generally buoyant end of season.

However, the production increase expected in coming years may not be accompanied by an increase in shipments to Europe. First, domestic consumption displays a marked growth trend, as the population of South Africa is over 50 million and incomes are rising. Second, the US market may open its doors to South African avocado exports in the medium term. Sanitary protocols have been fully developed and some professionals consider that the more political aspects of the question could be settled within two or three years in the best of cases. However, this possible market opening should not trigger a flux on the scale expected from Peru. It takes a minimum of 20 days to reach Newark from Cape Town and this means that the EU, with a week's less sailing time, will remain South Africa's natural market.

© Eric Imbert

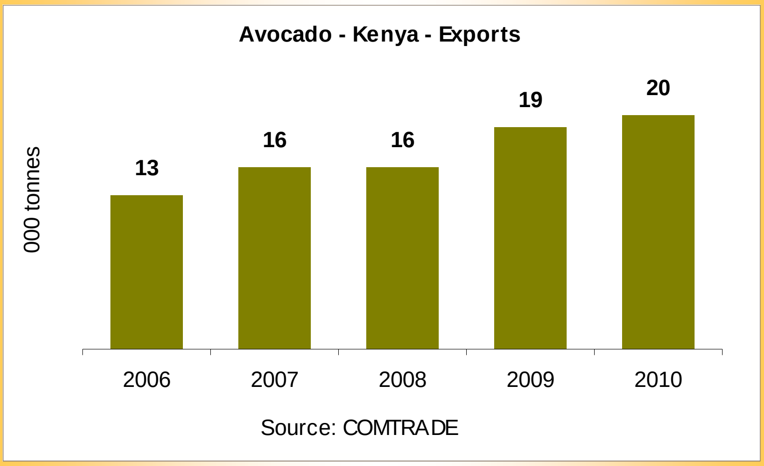
# Kenya


© Eric Imbert

| Avocado — Kenya — Harvest calendar | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | J | F | M | A | M | J | J | A | S | O | N | D |
| Fuerte | | x | x | x | x | x | x | x | x | x | | |
| Hass | | | | | x | x | x | x | x | x | | |

| Avocado — Kenya — Exports | | | | | | |
|---|---|---|---|---|---|---|
| tonnes | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| EU | 11 832 | 13 229 | 13 371 | 15 964 | 15 743 | 16 000* |
| Arabian peninsula | 1 243 | 2 107 | 2 196 | 2 972 | 4 280 | - |
| Others | 172 | 366 | 121 | 147 | 160 | - |
| Total | 13 246 | 15 702 | 15 688 | 19 083 | 20 183 | - |

* estimate / Source: SUNAT




## The growing, increasingly better structured sector in Kenya is still hampered by sea freight logistics

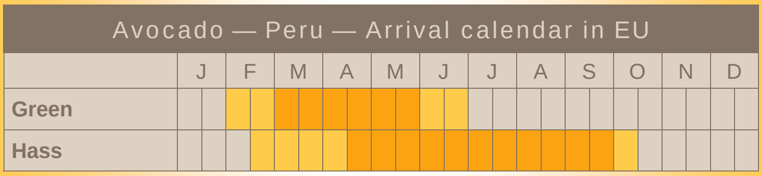
The Kenyan harvest promises to be better than in 2011. First, weather conditions have been better and yields should be good, especially in August and September. Second, production is increasing or starting in about 1 000 ha of new 'Hass' orchards planted in recent years and this is seen in the proportion of this variety in shipments to the EU, with an increase from 20% in 2006 to more than 50% since 2010. Thus, thanks to the combination of these two factors, the volumes available for export—especially of 'Hass'—should be larger than they were last year.

However, will the quantities for the EU exceed the 14 000 to 15 000 t that seems to have been the rule for the last three seasons? This year again, importers consider that difficulties in sea freight logistics risk limiting exports to Europe in spite of the constant efforts made upstream to structure the sector, to ensure better control of the quality and ripeness of the fruits exported and to develop the proportion of 'Hass'. None of the solutions currently offered by the shipping companies that put in at Mombasa are fully satisfactory. Messina Line offers a direct link from Mombasa to Genoa in hardly more than two weeks but there are only an average of two sailings per month. The other services by other companies putting in at Mombasa are more regular but transport times are must longer because there is at least one transhipment. Furthermore, freight costs are extremely high in all cases.


© Eric Imbert

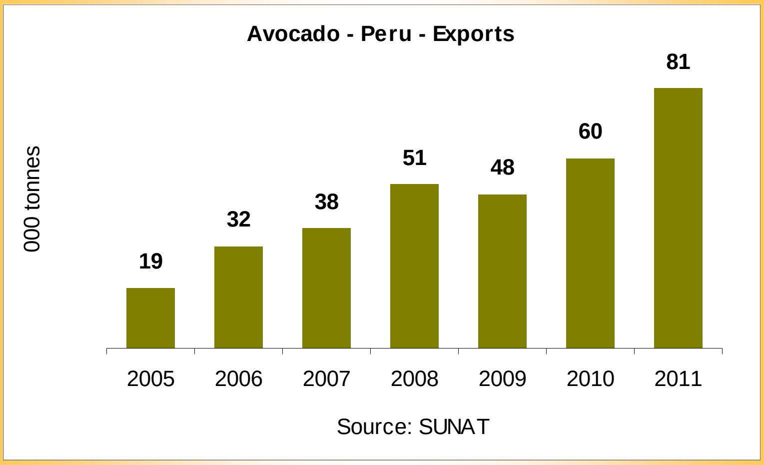
# Peru

© Eric Imbert




| Avocado — Peru — Exports | | | | | | | |
|---|---|---|---|---|---|---|---|
| tonnes | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| **EU, of which** | **18 380** | **30 521** | **36 129** | **49 832** | **46 312** | **56 750** | **67 050** |
| Netherlands | 5 601 | 8 011 | 14 430 | 23 106 | 24 160 | 26 570 | 38 124 |
| Spain | 6 111 | 12 291 | 12 362 | 17 669 | 13 612 | 20 224 | 20 708 |
| UK | 3 378 | 4 757 | 5 899 | 4 953 | 4 097 | 4 412 | 6 030 |
| France | 2 934 | 4 962 | 3 058 | 3 957 | 4 170 | 5 025 | 1 828 |
| **N. America** | **224** | **891** | **807** | **1 013** | **1 426** | **1 700** | **11 481** |
| United States | - | - | 54 | 563 | 84 | 434 | 8 998 |
| Canada | 224 | 891 | 753 | 450 | 1 342 | 1 266 | 2 483 |
| **Chile** | **0** | **102** | **400** | **453** | **479** | **281** | **400** |
| Others | 66 | 224 | 270 | 0 | 129 | 790 | 2 500 |
| **Total** | **18 670** | **31 738** | **37 606** | **51 298** | **48 346** | **59 521** | **81 431** |

Source: SUNAT




In this context, shipments to diversification markets in Asia and above all the Arabian Peninsula should continue to develop. Led by the United Arab Emirates, these destinations took nearly 25% of the volumes shipped in 2010 in comparison with hardly more than 10% in 2006. In addition to their proximity, another advantage of the markets in the Arabian Peninsula is that the green varieties that are increasingly difficult to place in the EU are welcome there.

## Peruvian potential increasing and rational allotment

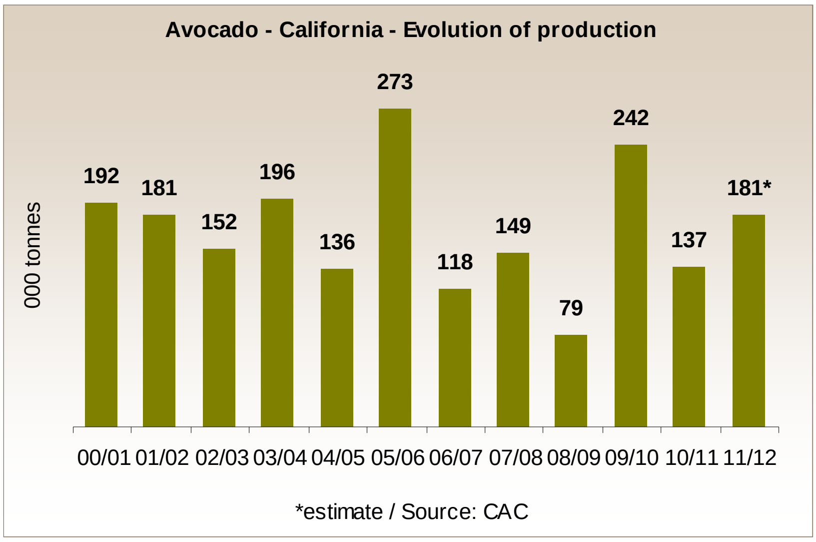
Nobody will be surprised by the slight increase expected in Peruvian export potential. The planted area—reported to have reached 10 000 ha in 2010—has grown by an annual 1 000 ha since 2006. Thus even if operators in the north of the country expect a slight decrease in production, the volumes of 'Hass' available on the international market should reach 80 000 to 85 000 t this season. As regards distribution between the two major consumption areas in the world, our information shows that Peruvian operators should schedule two-thirds of the volumes for the EU and one third for the USA. This is probably a rational choice with regard to both short term profitability and strategic investment.

© Eric Imbert


© Régis Domergue

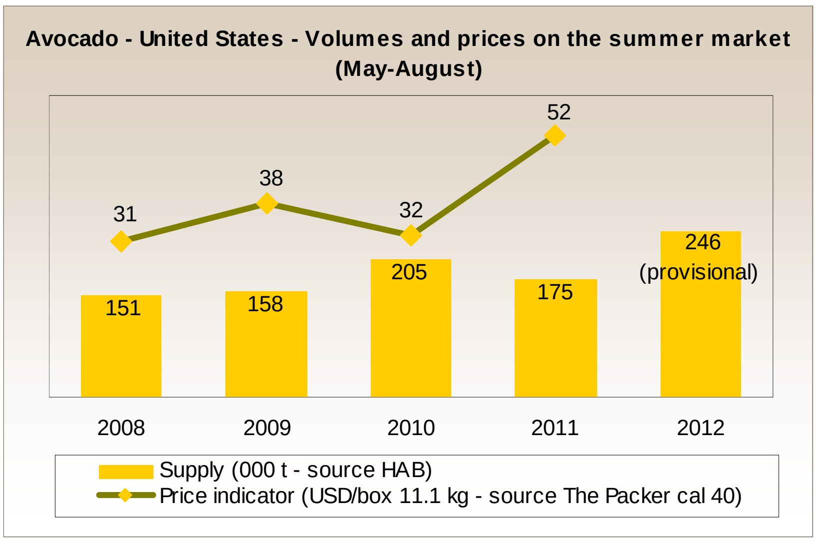
## The EU market more open than the USA this season, on certain conditions

Financial returns would seem less uncertain this season on the EU market than on the US market. Although the quantities shipped from South Africa and Kenya will certainly be greater than those of the preceding season in the EU, the total value should not reach record-breaking levels. When 12 to 13 million boxes from Peru are added, total supply of the EU market should reach about 120 000 t, as seen in 2010 when prices remained at a satisfactory level. Good scheduling is also necessary to avoid the over-supply trap in June when production peaks in Peru and South Africa coincide. Peruvian operators must also ensure that supply matches the requirements of the EU market by avoiding too many shipments of large fruits and maintaining high quality standards. This has not always been the case for certain brands in the last two seasons.

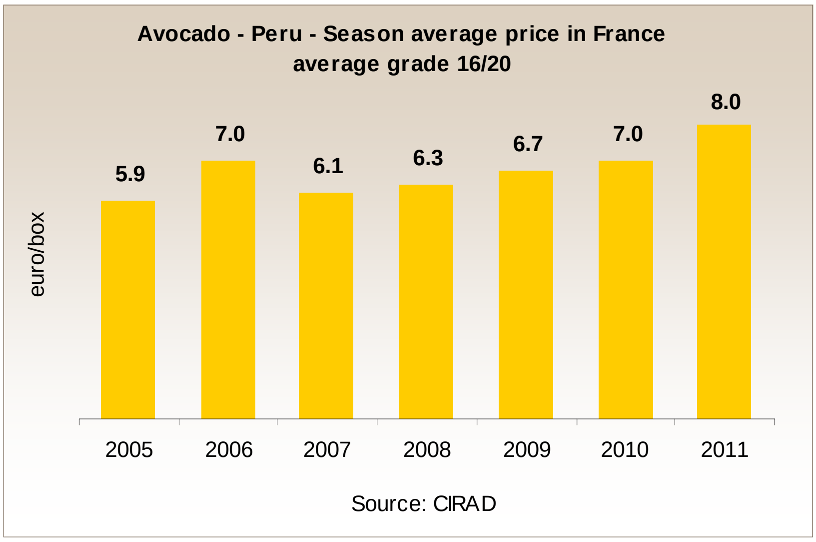


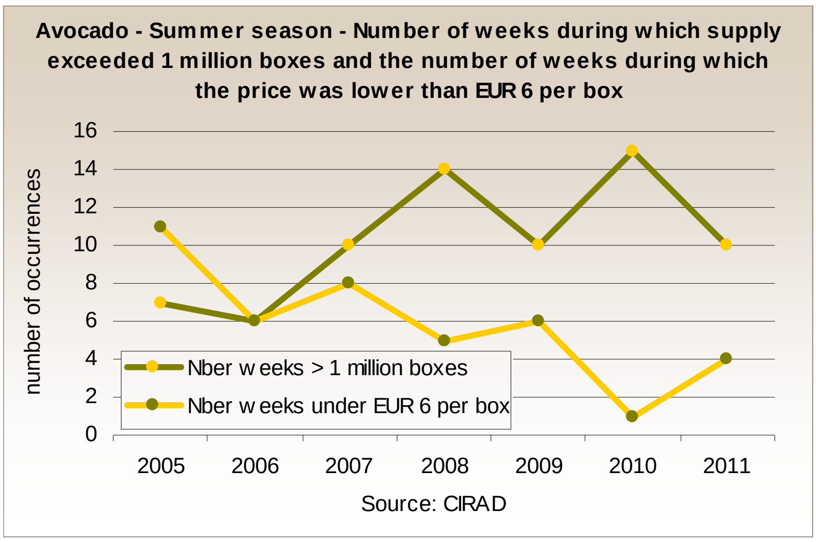

## A more difficult situation in the United States

Competition seems much fiercer in the United States where Hass Avocado Board forecasts indicate record shipment volumes in May-August. Volumes are well above average in the two main sources supplying the market during the period. In Mexico, the large harvest should make it possible to maintain a stronger export flow than in 2011. The APEAM (Association of Michoacán Avocado Growers, Packers and Exporters) expects some 87 000 t from April to June against 70 000 t last year. In California, the harvest peaks from mid-April to mid-August and will be a large one at 180 000 t. This is 20% more than the average for the last four years. If these forecasts turn out to be accurate, total supply should be 20% greater than that of the record 2010 season when the price per 11.15 kg box peaked at USD 30 to 35 at import stage from April to August for the Californian fruits of the right size that hold the top end of the market.



© Eric Imbert




## ...but a market with strong potential

In addition to benefiting from EU prices that should be satisfactory, this judicious allocation should allow Peru to begin to gain a foothold on the promising US market by shipping significant volumes, if the analysis is set at a less immediate level. The closeness of the USA in comparison to Europe makes it a natural outlet with smaller approach costs and better visibility. In addition, strong contractualised functioning is a serious guarantee of security. Finally, a 10% annual growth rate for a decade opens incomparable prospects for development, even if European demand seems to be showing signs of waking up (see the end of this article). There is no doubt that this means that Peruvian operators will start to take positions with regard to this destination with strong potential. And there is also no doubt that the allocation of produce between the EU and the USA will tend to favour the latter increasingly in coming seasons. As a comparison, Chile, whose geographical position is very similar to that of Peru, displays an inverse ratio—that is to say two-thirds of shipments to the US and a third to the EU.

## A growing appetite for summer avocado in Europe

The last season gave interesting signs with regard to the dynamics of European demand and the news seems quite good. Although the supply level did not allow an overall increase in the volume of the market, clear signs of the increasing interest of European consumers in avocado appeared or were confirmed. First of all, in spite of a difficult period, the average season price was excellent, illustrating the considerable tension on the EU market during the 2011 season. The indicator calculated by our market news service approached EUR 8 per box, a record level! Furthermore, the increasing capacity of the market to weather periods of very ample supply is another example of the good dynamics of the market in Europe in the summer. This is clearly illustrated in the graph opposite. In spite of an increasing number of weeks during

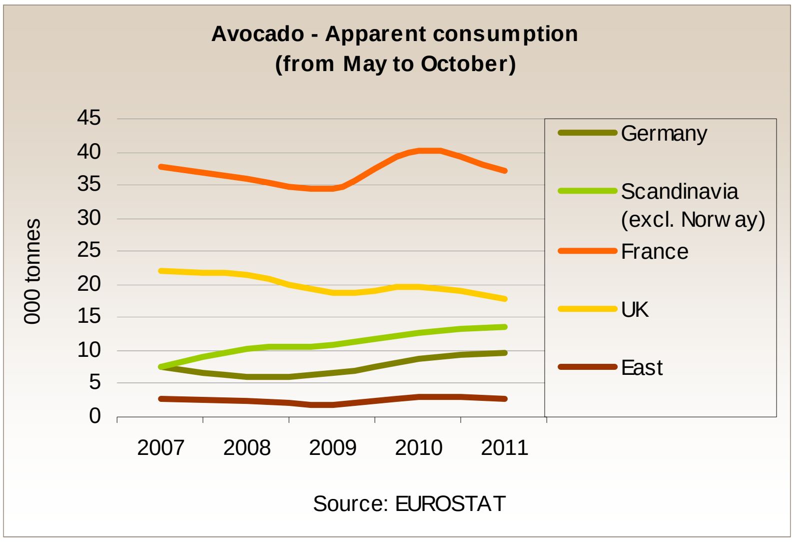
© Carolina Dawson

| Avocado — Estimated consumption per capita | | | |
|---|---|---|---|
| | Population (millions) | Consumption (grams) | |
| | | summer 2011 | 2011 |
| **Scandinavia** | **24.5** | **597** | **1 443** |
| Denmark | 5.4 | 768 | 1 926 |
| Sweden | 9.1 | 711 | 1 796 |
| Norway | 4.7 | 708 | 1 395 |
| Finland | 5.3 | 131 | 385 |
| **France** | **63.4** | **585** | **1 186** |
| **United Kingdom** | **60.8** | **294** | **549** |
| **Germany** | **82.3** | **118** | **286** |
| **Eastern Europe** | **102.2** | **26** | **66** |

Source: EUROSTAT

| Avocado — Apparent consumption of main European markets (from May to October*) | | | | | |
|---|---|---|---|---|---|
| tonnes | 2007 | 2008 | 2009 | 2010 | 2011 |
| Germany | 7 446 | 6 029 | 6 689 | 8 748 | 9 706 |
| Scandinavia | 7 649 | 10 285 | 10 768 | 12 649 | 13 594 |
| France | 37 803 | 35 942 | 34 545 | 40 092 | 37 084 |
| United Kingdom | 22 033 | 21 377 | 18 771 | 19 631 | 17 889 |
| East | 2 801 | 2 289 | 1 796 | 2 900 | 2 684 |

*this includes most customs declarations of volumes from South Africa, Peru and Kenya / **excluding Norway / Source: EUROSTAT




which supply exceeded a million boxes, prices were less and less inclined to fall. There may seem to have been poor performance in 2011 but it should be considered that supply was extremely large, if not unreasonably so, during a fair proportion of the busy weeks.

Which markets cause this dynamics? This can be approached by analysis of consumption although the accuracy of the calculation has its limits.

## The French market ready to be a driving force?

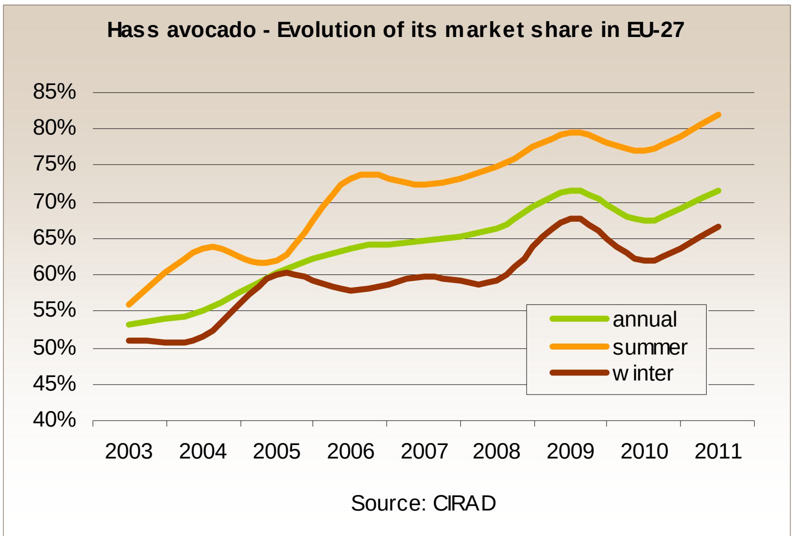
The French market has kept its role of pillar by taking 35 to 40% of the total volumes delivered in Europe. This scale, combined with great elasticity of demand in relation to price, means that it plays an important stabilising role on the EU market. Its over-consumption during the 2010 season where supply was large and prices attractive is a clear illustration of this feature. This is a major role as avocado production displays strong alternate bearing. The trend towards specialisation of importers working with avocado in France should enhance this absorption capacity.

Completed and ongoing investment in ripening facilities and ripeness monitoring systems will allow a distinct increase in the supply of pre-ripened fruits and stimulate impulse buying. The French market thus seems ready to act as a driving force again.

## Scandinavia is still in the lead, but for how long?

The two northern European markets have displayed the strongest growth dynamics in recent years. Nobody will be surprised to find Scandinavia leading the field: markets like Sweden and Denmark have played a driving role since the 2000s, in particular thanks to longstanding investment in promotion by South African and Chilean operators. But how long will this last; given the high consumption levels attained in non-producer countries. Consumption exceeds

© Eric Imbert




2 kg per person per year in Denmark and 1.5 kg in Sweden. Norway and Finland, whose combined populations total a little over 10 million, are far behind at 360 g and 900 g respectively.

## Germany is waking up but the United Kingdom is nodding off

Consumption figures are beginning to confirm the awakening of the German market felt by operators for several years. Although the trend is recent it is clear. Since 2009, volumes sold are reported to have increased by 3 000 t in the summer season and nearly 10 000 t during the calendar year. And unlike some Scandinavian countries, the limits seem far from having been reached as annual consumption has not yet reached 300 g per person on a market totalling over 80 million people.

In contrast, the situation in the United Kingdom is more that of a recession. After fine growth until the end of the 2000s, consumption has tended to decrease, especially in the summer season. Is this for lack of ammunition, with exporters put off by the weak pound? Is it because of the effect of the economic downturn on produce whose retail price is increasing? Is this market reaching the limit in terms of extra costs generated by certification and/or the service that consumers are willing to pay for?

## Green soon to be in the red?

While European consumers seem to be increasingly keen on avocado, the position of green varieties seems to be increasingly weak. The change is particularly obvious in the summer season, with the market share of 'Hass' exceeding 80% in 2011 in comparison with hardly more than 55% in 2003. It is very probable that the trend will become more marked in 2012 as not only is the increase in shipments of 'Hass' causing the green fruit share to shrink, but in addition the clear ostracism with regard to this varietal group is followed by an increasing

## Promotion of avocado

Prohass is to undertake promotion operations for Peruvian avocado in Europe for the third year running. The German market is to be a target for the first time, alongside the United Kingdom and France, where operations started in 2010. The resources are there, with a budget of a million US dollars. The marketing plan includes operations for both professionals and consumers. Focus will be on the source, on the advantages of 'Hass' in comparison with green varieties, the health benefits of the fruit and will provide advice for consumers on preparation and ripening.

South African professionals at SAAGA are also to continue their efforts for the 17th year running. The targets remain the United Kingdom and Sweden in addition to the South African market. As for Peru, actions will target both professionals and consumers. Like last year, emphasis will be placed on consumption of the fruit on friendly occasions such as barbecues and picnics—an approach that has proved its worth in North America.


proportion of European retail distributors. Thus some of the last citadels held by green varieties are wavering and even beginning to fall. First, certain traditional markets for 'Fuerte', 'Pinkerton' etc. are switching. The case of Germany is symbolic. In addition, some 'budget' lines that had become refuges for green varieties have also fallen to 'Hass'. This is the case in particular in France where even purchasing centres—positioned in the centre of the range—have simply excluded 'Fuerte' and the other varieties from their programmes. This movement accompanies the generalisation of pre-ripened fruits on a fair number of markets. South African, Kenyan and Israeli operators will have to seriously wonder about alternative markets during the winter season.

## Further strong increase in volumes on the horizon

The growth of European demand described above is good news as production in southern hemisphere sources will continue to increase in the years to come—and probably at a faster rate than now. We have seen that the trend seems to be gradual in Kenya and South Africa but other important developments are to be expected in Peru in coming years. The opening of the US market seems to have given fresh impetus to planting that had already broken records with an average of 1 000 ha per year since 2006. It is reported to have reached 2 000 ha in 2011. First, new production infrastructure has been set up and especially the Olmos irrigated perimeter where 38 000 ha has been developed for farming. Second, foreign investments have been added to those of local professionals. As an example, Chilean agroindustrial groups that already grew winter avocado are seeking to develop counter-season production. Some experts therefore consider that the Peruvian avocado orchard could reach 20 000 to 25 000 ha in five years, with the low hypothesis representing the doubling of present production. It is certainly not the moment to suspend promotion efforts on the European Union market! ■

**Eric Imbert**, CIRAD
eric.imbert@cirad.fr