FRuiTROP

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English edition

Counter-season avocado

Relative calm

Close-up
Banana

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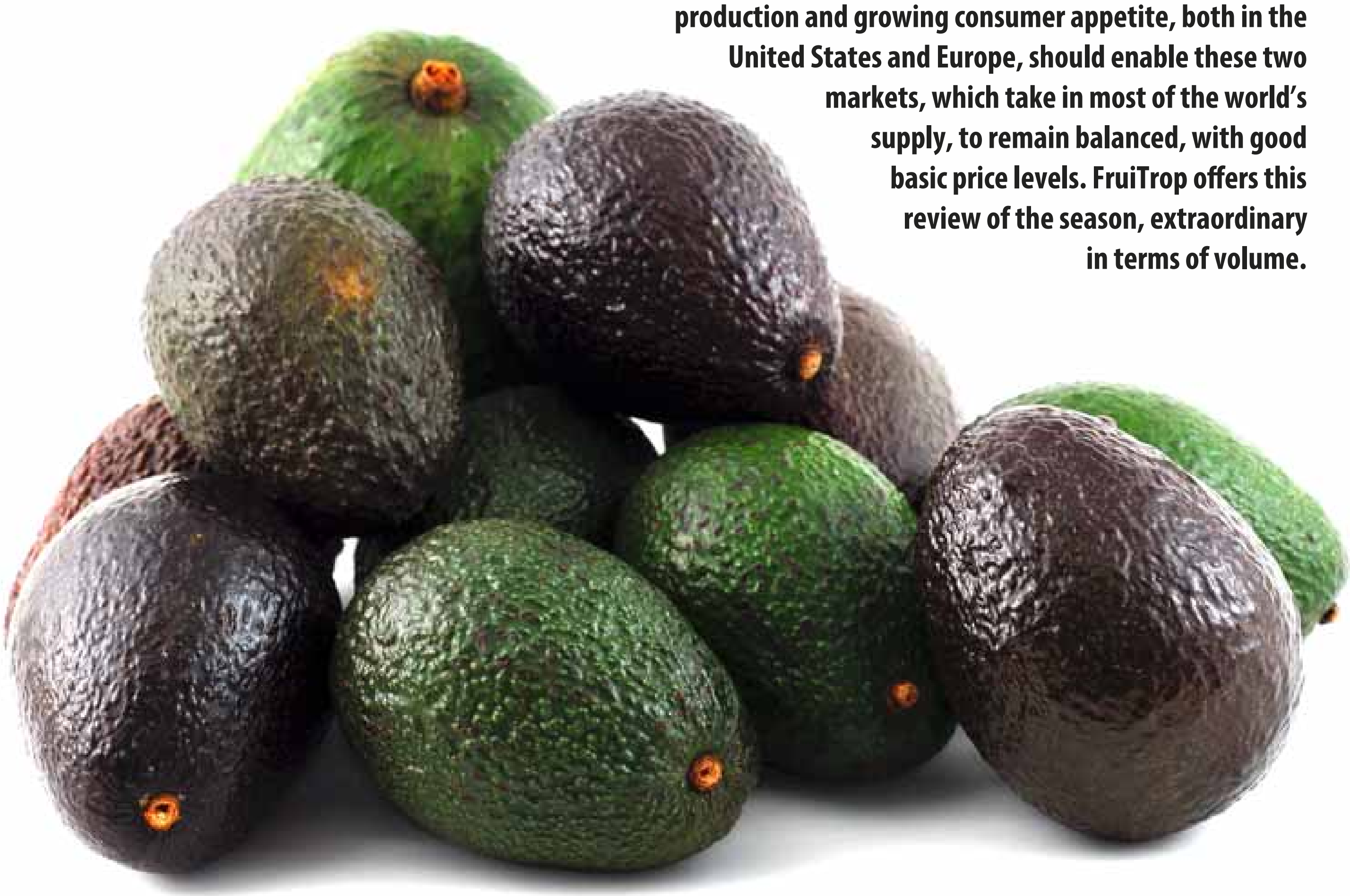
European counter-season avocado market

Relative calm despite a record production level

2014 will be a record harvest year for the world's two leading suppliers to the counter-season avocado market, namely Peru and South Africa. Nonetheless, subdued Californian production and growing consumer appetite, both in the United States and Europe, should enable these two markets, which take in most of the world's supply, to remain balanced, with good basic price levels. FruiTrop offers this review of the season, extraordinary in terms of volume.



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Avocado — Peru — Export market shares by operator in 2013	
CAMPOSOL S.A.	19 %
CPF (Consor. Prod. Frutas)	9 %
Agricola Cerro Prieto S.A.C.	6 %
Soc. Agri. DROKASA	5 %
AVO PERU SAC	5 %
Corp. Fruticola de Chincha	4 %
Agro. VERDEFLOR	3 %
Agro. Las Lomas de Chilca	3 %
Eurofresh Peru	3 %

Source: SUNAT

Ever more from Peru!

The first big surge in Peruvian exports registered in 2013 will be followed by a second in 2014, of even greater intensity! Which is no surprise if we consider the planting dynamic of between 1 500 and 2 000 ha per year since 2009. So huge surface areas are entering production or reaching their potential; yet this trend is only getting started, and should extend into the years to come. So the Hass export potential should probably be around 150 000 t, if we take into account all producers, ProHass affiliates and non-affiliates, marking a 50 000 t rise from the previous season.

Incoming shipments should expand on a later schedule than in 2013. The previous seasons saw a boom in early volumes, with shipments to Europe before April going in the space of five years from non-existent to 1.5 million boxes in 2013, with certain producers shipping fruits at an insufficient stage of maturity. To put an end to this competition endangering the reputation of the source, the industry decided to impose a minimum dry matter content of 21.5 % for fruits intended for export. This decision should be hailed, especially since it is the Official Service for Agricultural Produce Sanitary Protection, SENASA, which is responsible for the inspections. A quality early supply from orchards in the Sierra (high-altitude zones where the climate conditions make it possible to produce quality fruits on a shifted production calendar) may come to the fore in the next few years, with all the necessary guarantees for the consumer.

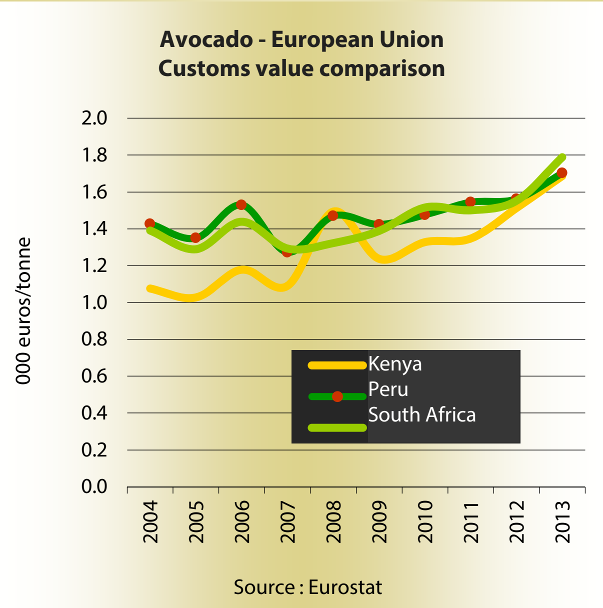
Avocado — Peru — Exports

tonnes	2005	2006	2007	2008	2009	2010	2011	2012	2013
EU, of which	**18 380**	**30 521**	**36 129**	**49 832**	**46 312**	**56 750**	**67 050**	**64 208**	**87 609**
Netherlands	5 601	8 011	14 430	23 106	24 160	26 570	38 124	35 209	49 995
Spain	6 111	12 291	12 362	17 669	13 612	20 224	20 708	21 313	28 334
United Kingdom	3 378	4 757	5 899	4 953	4 097	4 412	6 030	5 428	6 216
France	2 934	4 962	3 058	3 957	4 170	5 025	1 828	1 902	2 229
North America	**224**	**891**	**807**	**1 013**	**1 426**	**1 700**	**11 481**	**17 530**	**23 759**
United States	-	-	54	563	84	434	8 998	15 729	21 151
Canada	224	891	753	450	1 342	1 266	2 483	1 801	2 608
Chile	**-**	**102**	**400**	**453**	**479**	**281**	**400**	**678**	**719**
Others	66	224	270	0	129	790	2 500	931	1 046
Total	**18 670**	**31 738**	**37 606**	**51 298**	**48 346**	**59 521**	**81 431**	**83 347**	**113 133**

Source: SUNAT

Avocado — South Africa — Exports					
tonnes	2009	2010	2011	2012	2013
EU	45 581	49 447	29 230	53 177	48 588
Asia	214	430	498	594	509
Africa	49	60	70	186	740
Middle East	289	503	261	312	362
Mediterranean	13	124	69	230	4
Eastern Europe	-	-	-	-	534
Total	**46 146**	**50 563**	**30 128**	**54 498**	**50 203**

Source: Comtrade



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South Africa: the year of awakening?

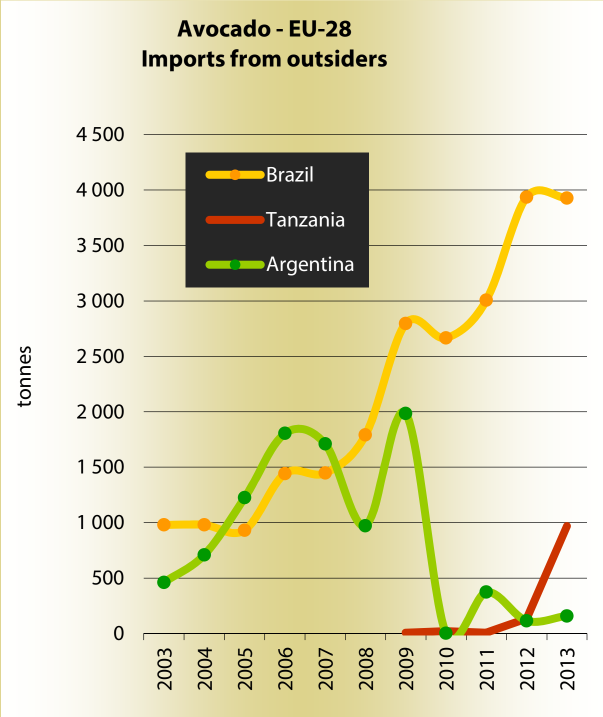
South African exports are also set to be considerably bigger, after a long period of great steadiness, if we exclude the production alternation effects and the freak climate conditions of 2011. Volumes, fluctuating between 9.5 and 12.5 million boxes, should near 14 million boxes this season. This rise is not solely due to positive production alternation effects. As in Peru, new orchards are entering production, although they are not as extensive. The annual planting tempo, which was around 350 ha in recent years, climbed to 500 ha in 2013. Hass should represent approximately two-thirds of volumes. The production schedule appears to be similar to the previous season (most of the Hass volumes between early May and mid-October).

Kenya: less but better, just as in 2013

2013 was a pivotal season for Kenya. Many of the small, least qualified producers, which still make up a large proportion of the production base, have abandoned the game. This phenomenon is due both to the need to find better downstream profitability, and to the spread in Europe of the practice of triggering, which is intolerant of fruits varying in maturity, and favours Hass, primarily from industrial orchards. Hence exports to the EU went from a level of 16 000 to 17 000 t between 2009 and 2012, to 13 000 t in 2013, with the Hass share climbing to 75 %. This strategic line will continue to be applied this season. Hence shipments to Europe should barely be any different from last season, with the surge in production from the big operators compensated for by the fall from the smaller ones. The season is set to be slightly earlier than in 2013. A more direct sea link will ease the strain on the logistics, though they will still be relatively difficult. MSC should be able to offer a transport time comparable to the Messina line, by cutting the number of transhipments (just one in Salalah), with a weekly frequency (as opposed to one ship per fortnight for Messina).

Avocado — Kenya — Exports								
tonnes	2006	2007	2008	2009	2010	2011	2012	2013
Union européenne	11 832	13 229	13 371	15 964	15 743	16 039	*17 100	*13 300
Arabic Peninsula	1 243	2 107	2 196	2 972	4 280	5 741	nd	-
Others	172	366	121	147	160	194	nd	-
Total	**13 246**	**15 702**	**15 688**	**19 083**	**20 183**	**21 974**	**23 828**	-

Sources: Comtrade, *Eurostat



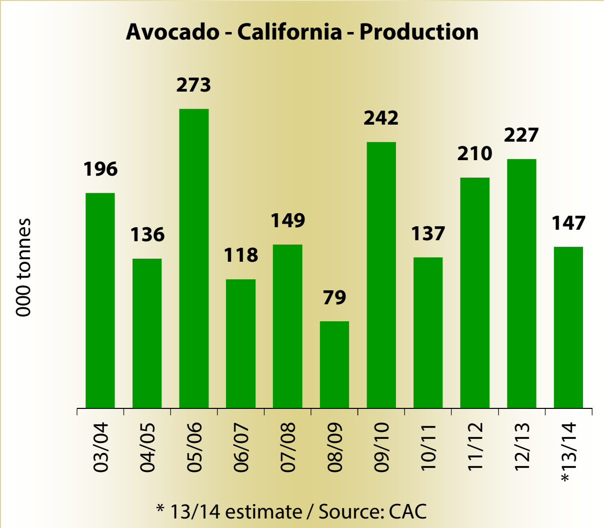
Source: Eurostat

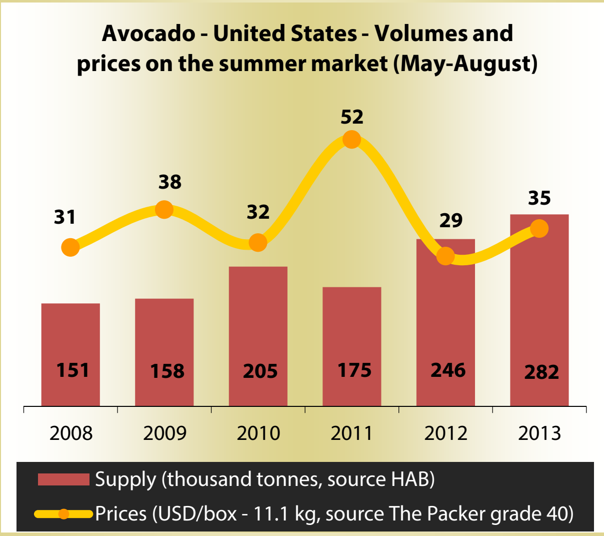
Another year of growth for Brazil's small-scale Hass production

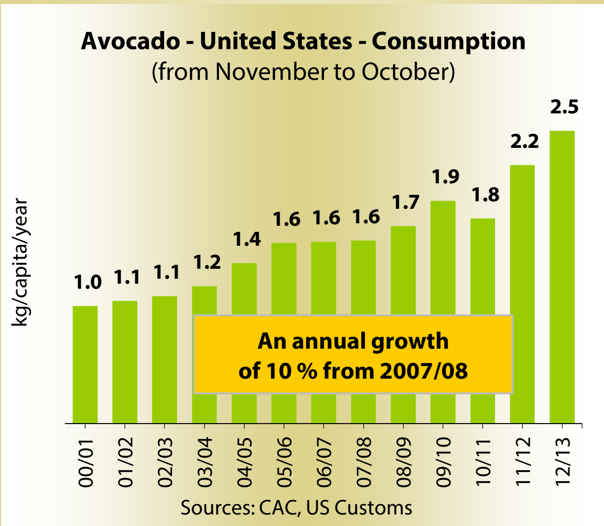
What about the production trends among the challengers? Brazil will continue its rise to the fore in 2014. With approximately 1 000 ha, mainly packed into the centre of Sao Paulo State, where the main producer Jaguacy is based, the Hass cultivation area is still modest compared to the 13 000 ha planted with green varieties across the country. Nonetheless, it is growing at an estimated tempo of 150 ha per year. Hence shipments to Europe, still less than 1 000 t in 2006, should approach 5 000 t this season, and continue to grow in the coming years. Incoming shipments to the Old Continent, which began in earnest in late March, should remain significant until mid-July, with volumes culminating between April and May.

Tanzania: not yet one of the big players, but an ambitious newcomer!

Tanzania is still a Tom Thumb player. Nonetheless, its export volumes broke the symbolic 1 000-t mark last season. They should continue to rise, and could even double this year. At present the surface areas amount to approximately 900 ha in the south of the country, near Mont Rungwe where the zone's main exporter, Rungwe Farm, is based. They should grow by an additional 100 ha in 2014-15, enabling the export potential to near 1 250 000 boxes by 2018. The other production area, situated in the north of the country at the foot of Kilimanjaro near the town of Sanya Juu, is also expanding. Africado, the main operator which owns a modern packing station, and the region's other producers, should be able to export approximately 1 million boxes by 2017.







Argentina refocusing on its local market

Argentina cuts a distinctive figure. The small-scale production based in the Tucuman region should be dedicated entirely to the local market this season. The avocado is increasingly high-profile and prized, thanks in particular to increasingly big Chilean imports during the winter season. Hence after a half-decade of shipments of between 1 000 and 2 000 t between 2005 and 2010, Argentina's period of near-absence from the international market is set to be extended by at least another year.

California's misfortune…

Despite these volume rises expected from all directions, operators are feeling relatively calm about this coming season. It is true that the subdued Californian production should further boost the already fierce appetite of the US market for the imported avocado. This Californian decline comes as no surprise, after an abnormal succession of two very high-production years in 2011-12 and 2012-13, and unprecedented drought in most counties in the State. Hence the Golden State's harvest should reach barely 150 000 t, down 60 000 to 70 000 t from the two seasons mentioned above. So the US market should be highly open to imported avocados, especially since its consumption is continuing to rise at a frenetic tempo. According to our last estimate, it jumped by another 100 000 t between 2011-12 and 2012-13 (period from November to October), to in excess of 800 000 t, i.e. an average level per capita of more than 2.5 kg per year. The HAB's volumes to market estimates for Q1 2014 show that the dynamic has remained extremely intense, with a rise of more than 7 % from 2013.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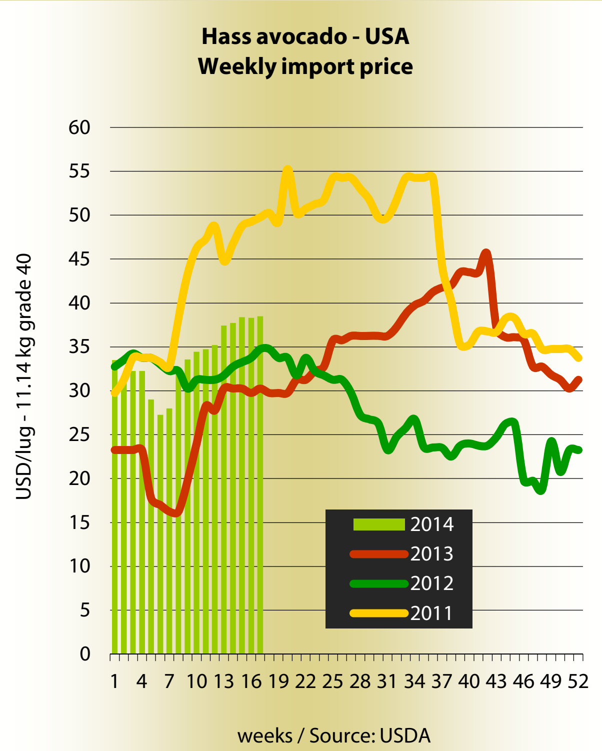

...should be a stroke of luck for Peru

Eyes naturally turn to Mexico, when looking for suppliers best placed to benefit from this bonanza effect in the United States. Nonetheless, this source is not expected to take advantage, for lack of ammunition. While Mexico will still be a major player on the US market in the coming months, it should not be able to supply volumes as big as last year, with 2013-14 production registering a slightly lower level than the previous season. Furthermore, the “flor loca” harvest, which will mark the start of the Mexican 2014-15 season in July, seems to be extremely small. Hence the Peruvian “palta” should enjoy excellent market conditions for this second full season of the US market opening its doors.

What sort of volumes from Peru to the United States?

The always difficult question — yet just as crucial for European operators — of the level of Peruvian shipments to the United States remains to be answered. There will of course be trade-offs between these two destinations according to price, with the proximity of the US market giving it a head start in terms of freight cost and anticipation of risks of price changes. The review of the 2011 season, when the shortfall of Californian fruits was similar to that expected this season, indicates that the balance should lean quite distinctly toward the United States. True, the level of 50 USD per 11.14-kg lug registered in 2011 should not be reached, in view of the distinctly smaller Mexican shortfall. However, rates should be at a level above the 30 to 35 USD seen in the past two seasons. The 35-USD mark was already exceeded in early April, i.e. equivalent to more than 9 euros for a 4-kg box. In its projections, the HAB is forecasting that there are 40 000 t of Peruvian avocados bound for the United States, yet Peruvian exporters probably rightly believe that volumes should actually be between 65 000 and 70 000 t.

© Guy Bréhinier

Avocado — Chile — Imports				
tonnes	2010	2011	2012	2013
United States	-	-	20	3 097
Peru	281	913	678	360
Argentina	22	966	-	-
Total	**303**	**1 879**	**698**	**3 457**

Source: Chilean Customs

Chile: a new big diversification market for Peru

We should also consider the volumes that Peru will send to the diversification markets, which should go well above the 5 000 t of 2013. ProHass has estimated them at approximately 15 000 t. Exports to Asia should barely change, maintaining approximately 1 000 t. The Chinese market, and above all the Japanese market, which is opening up big prospects in view of the level of consumption and the special relationship between these two countries, are currently still closed, although negotiations are progressing. However, shipments should grow to Canada, to where Peru sent approximately 3 000 t in 2013. California, the main summer supplier to this market, should not be able to supply the 7 000 to 8 000 t it does in a normal production year. Yet it is probably the Chilean market which is opening up the most prospects, especially in the medium term. This neighbouring country, a big avocado consumer during its production period (more than 5 kg/capita/year), opened its doors to Peruvian fruits at the beginning of 2014 after long and difficult negotiations. The counter-season market, supplied primarily by California in previous seasons, probably provides big growth prospects. Peruvian professionals believe that they can ship 5 000 t to this destination this season. Hence, depending on what assumptions you make for the shipments to the United States, exports to the EU should be within a range of 70 000 to 90 000 t, which at most would be similar to the 2013 level.

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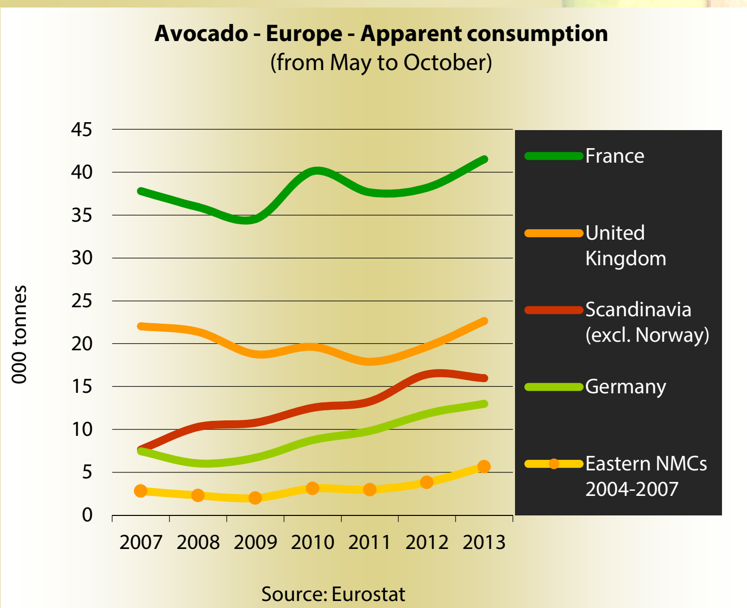
Avocado — Europe — Estimated consumption			
	Population (millions)	Summer 2013 (g/capita)	2013 (g/capita)
Scandinavia	**24.5**	**837**	**1 736**
Denmark	5.4	770	1 802
Sweden	9.1	1 071	2 153
Norway	4.7	967	1 868
Finland	5.3	390	836
France	**63.4**	**655**	**1 335**
United Kingdom	**60.8**	**372**	**649**
Germany	**82.3**	**158**	**312**
Eastern Europe	**102.2**	**55**	**55**

Source: Eurostat

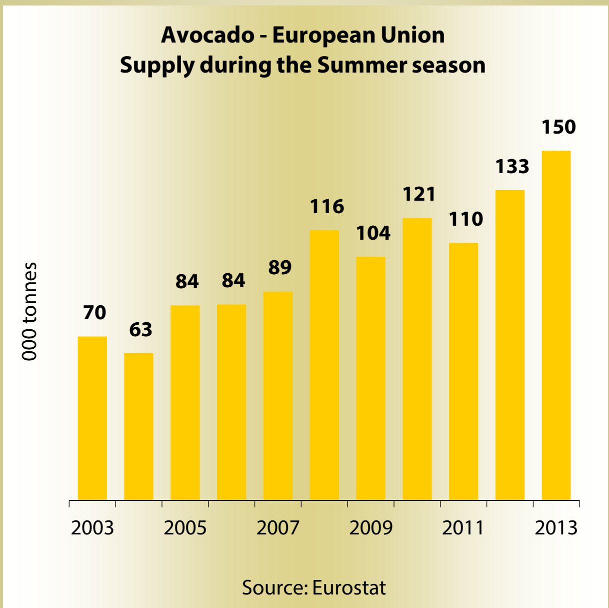


Practically universal growth of consumption in the 2013 summer season

2013 has been a good vintage on nearly all the European markets. France, the leading market, started to grow again after a mediocre 2012. The volumes consumed there rose by nearly 10 %. The United Kingdom, the number 2 EC market, also napping in 2012, was up again more considerably, by 15 %. The markets consuming less than 20 000 t also continued to progress at a relatively steady tempo. Germany maintained a lively dynamic, with growth registering a fine 10 %. Similarly, the take-off of the East European markets registered in 2012 was confirmed in 2013. Volumes remained modest, but leapt up by nearly 50 % from 2012. This magnificent rise, probably due to the need to find alternative outlets to the green varieties, should be put down primarily to the three main markets in the zone, namely Poland, the Czech Republic and the Baltic States. The only cloud over the scene is the end of growth, and actually a slight downturn, in Scandinavia, Europe's leading market in terms of consumption per capita. This underachievement perhaps coincides with the maturity of the zone's two leading markets: volumes to Sweden were practically stable, and to Denmark they fell considerably. Only Finland, consuming much less than the regional benchmarks, continued to progress.

Avocado — Apparent consumption for major European markets (from May to October*)									
tonnes	2007	2008	2009	2010	2011	2012	2013	2012/2011	2012/2007-08 average
Germany	7 446	6 029	6 689	8 748	9 816	11 819	12 989	10%	93%
Scandinavia**	7 649	10 285	10 768	12 520	13 241	16 421	15 971	-3%	78%
France	37 803	35 942	34 545	40 131	37 659	38 205	41 525	9%	13%
United Kingdom	22 033	21 377	18 771	19 631	17 889	19 654	22 647	15%	4%
Eastern NMCs 2004-2007	2 801	2 289	1 984	3 097	2 965	3 808	5 644	48%	122%
Total	**77 732**	**75 922**	**72 757**	**84 128**	**81 570**	**89 906**	**98 776**		

* including most of the customs declarations for the South African, Peruvian and Kenyan volumes / ** excluding Norway / Source: Eurostat



A very good EU consumption dynamic during the summer season

We must also take into account the growth dynamic of the European market, particularly intense last summer season. Counter-season avocado imports for the EU-28 broke the 150 000-t mark in 2013, i.e. up nearly 20 000 t from the previous season, and doubling over ten years. The growth tempo seems to have picked up most of all in recent years, with the market responding very well to the expanding Peruvian supply. As proof, the season average price calculated by our Market News service last year maintained the level for the 2012 season, despite the increase in volumes. Yet it could have been an even better vintage if the overall supply had been less unreasonable at the beginning of the season, and certain brands had better managed the maturity level.

An initial winter season review, which more than confirms the good summer figures

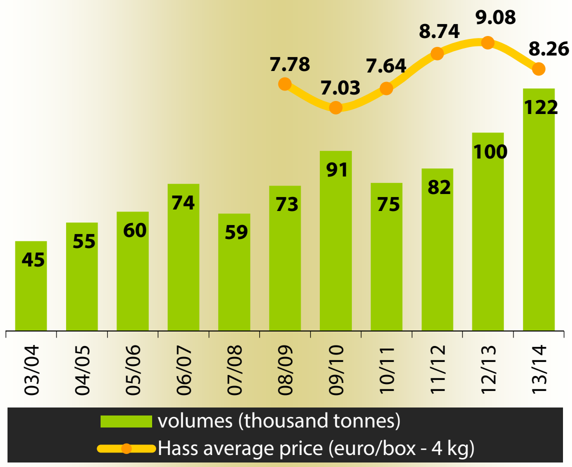
The initial provisional review of the winter season now ending, drawn up based on professional figures, is also very encouraging. Despite the economic crisis which hit some European economies hard, consumption was reportedly up more than 20 % from the previous season for Hass, the variety which now apparently represents three-quarters of the market. This growth tempo was higher than on the US market and at an even higher level than during the 2013 summer season, due to the efforts downstream to develop the concept of triggered avocado, and the additional fuel provided by Israel and above all Chile. According to these figures, also still to be confirmed, the strategic switch towards the EC market, which this South American supplier began in 2012-13, has been more than confirmed, with volumes up approximately 45 % from last season, and approaching 60 000 t. True, the average price indicator for the

Avocado — European Union — Supply during the summer season

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Southern Africa*	37 664	30 601	47 832	36 518	38 473	51 250	38 819	47 836	27 407	49 149	45 165
Peru	11 266	14 590	18 096	30 508	35 857	49 894	45 818	56 345	65 217	62 480	86 260
Kenya	19 828	16 236	15 458	13 641	11 999	11 841	15 038	14 123	14 273	17 078	13 313
Brazil	979	979	931	1 442	1 447	1 790	2 797	2 665	3 006	3 937	3 928
Tanzania	-	-	-	-	-	-	6	21	6	133	968
Argentina	460	709	1 224	1 804	1 709	970	1 983	0	372	114	158
Total	**70 197**	**63 115**	**83 541**	**83 913**	**89 485**	**115 745**	**104 460**	**120 990**	**110 282**	**132 890**	**149 793**

*South Africa, Swaziland, Zimbabwe / Source: Eurostat

Hass avocado - EU-28 - Estimated marketed volumes during the Winter season
(weeks 40 to 17)



Professional sources

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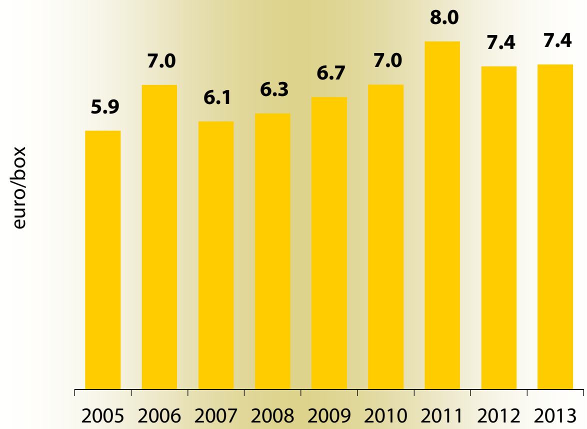
Hass avocado - Peru
Average price in France



Note: grades 16-20 average / Source: CIRAD

season calculated by our Market News service (based on the size 18 price and determined in late March) has not registered as exceptional a level as in 2012-13, and has apparently dropped by just under 10 % from last season. However, with 8.26 euros/box (base France, size 18), it is still at a very good level in line with the four-year average. The period from mid-March to mid-April also demonstrated that the market resilience threshold had risen further. The average weekly supply exceeded 1.7 million boxes for more than one month, without prices unravelling (true, in the run-up to period of intense promotional activity on certain markets, such as France leading up to Easter).

Two pitfalls to avoid

While the panorama seems favourable overall, there are still two big questions pending. Medium-sized fruits are in shorter supply than usual, both in Californian produce (historic drought in certain zones) and in the remaining Mexican volumes. Hence is there a risk that the attractive prices that the US market should offer for medium sizes (particularly 16, 18 and 20) might increase the proportion of extreme sizes bound for the EU? The question arises in particular for big fruits (10, 12, and 14), already over-abundant in Europe in 2013, and which intrinsically represent a large proportion of the production of the young Peruvian orchards. Another big point is whether the level of shipments to the EU will remain reasonable in the first part of the season (from after Easter to late May in particular), with the US market only really opening up in June? The once again highly laudable aim to better manage the maturity of Peruvian fruits at the beginning of the season will be sure to contribute to contracting the season.

Continuing to work for the market of tomorrow

We also need to continue to work vigorously towards boosting consumption. Since while the scarcity of Californian production means that we can be fairly calm about the 2014 summer season, on paper at least, 2015 already seems more complex, if only in view of the probable bounce-back of Californian production, and the no less probable ongoing steep rise of the Peruvian harvest. Above all, there must be no easing back in efforts aimed at promoting the product ■

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Sales promotion: Peru sticks to the same guidelines

For its 2014 promotion season, Peru will maintain the same course as the previous season. The guidelines remain communication about the multiple uses for the fruit (summed up in the slogan “puréed, diced or sliced”), highlighting the health benefits, helping consumers select ripe fruits and prepare them, and positioning the source as a benchmark for the summer season. The target markets will again be Germany, France and the United Kingdom. Communication will have an international reach via a new website www.avocadosfromperu.com (available in French, English, German and Spanish). In-store and PR activities are planned in France and the United Kingdom, where they will be conveyed by social media. As for South Africa, the historic powerhouse of the summer market, its communication strategy for the 2014 season has not yet been fully defined at the time of writing.