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FR*ui*TROP

English edition

Close-up Avocado

**EU apples
& pears**

**Pips in focus
in 2014**

**Banana
market**

**Summer
round-up**

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Prospects for the European avocado market

Towards a winter market under tension over the forthcoming seasons?

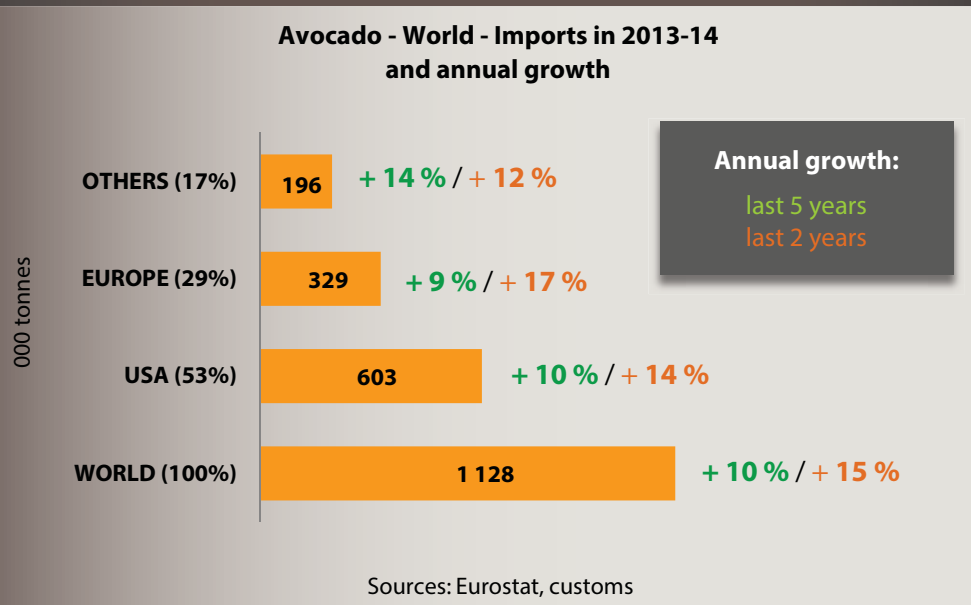
The last two seasons have shown that a consumption growth dynamic is now established in the EU, a seemingly solid trend given the growth margins of most of the markets in this part of the Old Continent (see previous article). Nonetheless, we can ask the question, which is not so common in the world of fruits and vegetables, where oversupply is generally the rule: where to find the fuel to feed this momentum?



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Supply is a sensitive subject, in view of the risks of the upstream segment racing out of control, but approaching it by gauging demand will probably help avoid the even more perilous pitfall of unguided and completely disproportionate growth of production. To ensure the Community market a growth of approximately 10 %, a conservative figure in view of the 17 % of the past two seasons, an additional 30 000 t per year will need to be found during the coming seasons (i.e. approximately 2 000 ha with a high productivity level), of course without counting competition from other world markets (see graphs). Is the planting dynamic in place upstream sufficient to meet this demand?



Peru able to continue its driving role in Europe

The issue of the supply prospects to the European market during the summer season does not seem to be the most difficult to deal with. Peru, which has been by far the main force behind the summer market for around ten years, should continue to play a driving role in Europe. On the one hand, the period of very steep growth in production recorded since 2013 is only starting to be expressed. Enormous surface areas will continue to enter into production or come into their prime during the forthcoming seasons, with the planting rate having been between 1 000 and 2 000 ha per year since 2009. We must also recall that the average yields in this country are among the highest in the world, thanks to the particularities of the production conditions (see **Fruitrop** no.179).

On the other hand, Peruvian exporters should still need the European market, at least in the medium term, although the United States and even more so Chile, which has just opened up, are more natural markets. The window of opportunity remains relatively tight in the United States. Mexico holds a strong hand, since its production culminates from early October to late May, whereas California remains an essential source, although the recurrent destructive drought is raising questions as to the future.

The season now ending seems to be demonstrating that Peru is able to feed the growth of the European market and at the same time meet demand from the US market, even when it is largely open, as was the case in 2013-14, due to the Californian production shortage. An initial review drawn up based on the professional figures leads us to believe that shipments to the EU should rise by more than 10 000 t in 2014, to approach or exceed 100 000 t, with the United States registering a simultaneous increase of at least 40 000 t, to probably exceed 65 000 t.



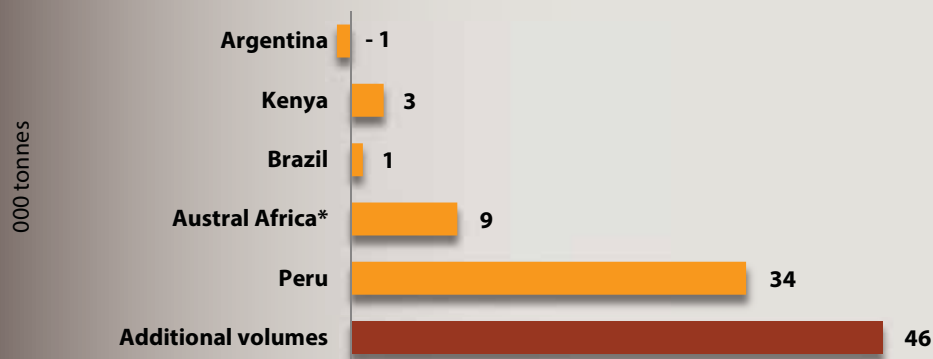
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Significant expansion of surface areas in South Africa



South Africa, which currently provides between 30 and 35 % of the European summer market supply, is also able to contribute to growth. Production there too is on the rise, as is demonstrated by the record volumes exported to the EU in 2014, which should approach 60 000 t for the first time. The annual planting rate is a long way from equalling the Peruvian rate, but it has picked up, going from approximately 350 ha until 2012 to 500 ha in 2013. Kenya should also be in on the action, although on a smaller scale. The downturn in imports observed the past two seasons is due to the near-total abandonment of Fuerte for export, and switching the focus to Hass; and planting is still slightly up for this variety. Furthermore, we should also count on slightly bigger top-up volumes from outsiders such as Brazil or Tanzania.

**Avocado - EU-28 - Evolution of supply by supplying country
2013-14 summer season compared to 2008-09**



* South Africa + Zimbabwe + Swaziland / Source: Eurostat

Chilean rise not to be overestimated

The case of the winter season seems to be rather more complex. The rise by nearly 50 000 t of the overall supply to the European market recorded in two seasons, of which Chile is the main architect, must not be over-interpreted. Unlike Peru, this increase is not due to production growth, but to a strategic turn imposed by increasingly tough Mexican competition in the United States, which is hard to counter. Hence although Chile's trend of refocusing on Europe seems sustainable, that does not mean volume growth will be seen over the coming years. The persistence of a devastating drought in certain zones of the country (La Ligua and Petorca valleys, Coquimbo region), frosty spells and falling economic profitability have forced the abandonment of many plots. Indeed, the Chilean cultivation area has reportedly shrunk by 7 500 ha over the past few years, and now amounts to approximately 28 000 ha. With these surface areas, the top production level should barely be different from 2013-14, when just over 62 000 t of fruits were shipped to Europe. Hence, while Chile is in a position to remain the leading Hass supplier to the Community market during the winter season, it does not seem able to support its growth, at least in the medium term.



No major change in Spain

What about the Mediterranean suppliers? Surface areas are expanding in Spain, especially for Hass, which now represents the bulk of planting. The mango, less water-intensive than the avocado and hitherto highly profitable, is now deemed risky by certain producers because of the large surface areas planted over the past few seasons. Nonetheless, the avocado cultivation area does not seem to be expanding by more than one hundred hectares per year. Water is now a limiting factor in certain zones, with demand for human consumption having risen steeply with the population growth, especially in the Marbella region. Major infrastructural work should be carried out, in order to irrigate new areas so that avocado growing really takes on a new magnitude in Axarquía. These new large-scale and costly developments are at present only under study.

Modest growth in Israel

The dynamic is livelier in Israel, though without being explosive. According to professional sources, the cultivation area is growing by approximately 200 to 300 ha per year, especially in the centre and north of the coastal zone and in the south of the country. Projections show that production should rise by 30 000 to 50 000 t by 2020, of which 20 000 to 35 000 t for Hass, which currently represents approximately 70 % of planting. Nonetheless, these additional volumes will not be earmarked solely for export. The local market, still under development mainly thanks to a growing population (+ 1.5 million inhabitants during the past decade), should take its share, especially in green varieties such as Ettinger, Fuerte, Ardith, Arad and Reed.



Context more favourable for growth of the Moroccan cultivation area

Growth is also continuing in Morocco. The record level of exports, which for the first time exceeded 4 500 t in 2013-14, is tangible proof of this. The planting rate has picked up, reportedly amounting to around 300 to 500 ha/year in recent seasons. The problem of real estate remains very significant (high cost of land, with common law always posing an impediment to regrouping of plots). However, the measures implemented to prevent or mitigate the climatic problems have reassured producers, who had been burnt by the frosts of 2012-13 (subsidy for purchasing wind machines, insurance against climatic catastrophes). In addition, the succession of poor citrus growing seasons has encouraged certain citrus growers to convert their plantations to the avocado. So production growth should be expected, though within the current 5 000 ha Hass cultivation area. Nonetheless, the growing appetite of the local market for the avocado will need to be taken into account, which could take its toll on the exportable volumes (especially for small fruits).

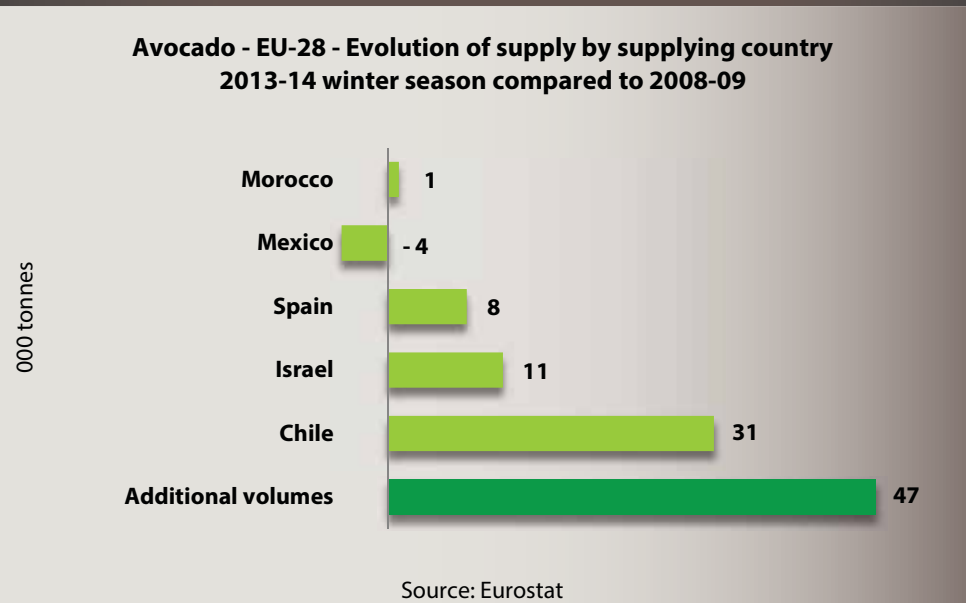
Is the return of Mexico credible?

Could Mexico, in the medium term, once again become one of the supply pillars of the Community market, as was the case in the early 2000s? The question is really being asked, and the hypothesis is serious, although the level of exports to Europe might leave some doubt: they have never exceeded the 10 000-t mark for the past five seasons. Mexican production already represents 30 % of world harvests, with more than 1.3 million tonnes — an industry in the literal sense of the term, since the country's 11 500 producers and 37 packing stations (counting only the APEAM affiliates) generate 100 000 direct jobs and 200 000 indirect jobs. This production will take on massive proportions over the years to come: 50 000 ha have been planted since 2007-08, of which 34 000 ha over the past three years. True, the appetite of the US market should remain immense. Maintaining the 10 % annual growth recorded by this market over recent seasons corresponds to approximately an additional 80 000 t per year, to be shared between the various suppliers! However, the expansion of the Mexican cultivation area represents considerably greater quantities, and in any case exceeds the

growth in surface areas approved for export to the United States, which are up on average by 4 500 to 5 000 ha/year. What outlets are there for these additional volumes? The local Mexican market, where demand is highly flexible in relation to price, is able to absorb a large part of them. Nonetheless, a bigger outlet to diversification export markets will be clearly desirable, or even very necessary. In this context, the Community market, which has become just as lucrative in recent seasons as Japan or Canada, will probably become a useful alternative once more.

A future challenger: Colombia

Colombia is also a serious avenue to explore in this volumes race. True, its presence is currently very small (barely more than 1 000 tonnes exported to the EU in 2013-14), but its volumes should be on a whole new level by two or three years' time. According to the latest statistics from *Consejo Nacional del Aguacate*, the Hass cultivation area amounted to 9 300 ha in 2012. The planting rate, already high, has reportedly climbed to more than 1 000 ha per year. Another



Avocado — Main exporting countries orchards — Situation and evolution (estimate)

	Hass and export varieties cultivation area in 2013-14 (ha)	Annual estimated growth (ha/year)	Hass and export varieties production 2012-2014 average (tonnes)
Mexico	168 000	> 10 000	1 300 000
Chile	27 000	- 1 750***	184 000
California	21 800	- 300***	185 000
Spain	9 400	100	70 000
Colombia	9 300*	> 1 000	35 000*
Israel	7 000	200 - 300	100 000
Morocco	5 000	300 - 500	9 000
New Zealand	4 200	300 - 500	21 000
Winter season total	251 700	> 10 000	1 904 000
Peru	13 000 - 15 000	1 000 - 2 000	150 000
South Africa	14 500 - 15 000	500	110 000 - 120 000
Kenya	10 000 - 11 000**	500	na
Brazil	1 000	150	na
Summer season total	40 250	2 650	-

* 2012 / ** FAO / *** average for last 3 years / Professional sources



er important point is that it is no longer small producers who are investing, but mainly big local agro-industrial groups which have resources and good technical mastery of the crop. Many world leaders in avocado production or importers based in the big consumption markets and specialising in the product also seem to be casting longing glances at Colombia.

It is true that the country has no shortage of assets in terms of production calendar, logistics (10 to 12 days to serve Europe) and cost prices (see **Fruitrop** no.214). So the Colombian giant is not sleeping: it is awakening! Four packing stations are currently in service: two in the Medellin region (Hass Colombia in El Retiro and Westfalia in Guarne), one in Valle del Cauca (Frutales Las Lajas) and one in Quindio (Wolf & Wolf between Armenia and Pereira). True, a large part of its volumes should eventually be sent to the US market, 5 days away by sea. Its borders could open up in around 2016 (opening protocol entered into with APHIS). However, the European market should remain a choice outlet for Colombian exports.

Tension on the winter market, at least for the next few seasons

The 2014-15 winter season should be emblematic of the tension which could prevail during the forthcoming winter seasons (see forecasts article). Yet things could change in the medium term. On the one hand, a massive growth trend is in progress in certain countries (Colombia, Mexico), which should produce its effects by the end of the decade. On the other hand, the supply calendars of certain summer suppliers, such as Peru, are increasingly flexible, and tend to overlap with the winter season supplies (weekly Peruvian imports to Europe in excess of 800 000 boxes throughout September). For all these reasons, the growth margin due to growth of consumption during the winter season in Europe must not be overestimated.



Beware the summer season!

The findings are different regarding the summer season, as is shown by the Hass average price differential, now constantly widening between these two periods (see graph). Caution must be the watchword. The season which has just finished shows that oversupply is still a big risk, and that brings painful consequences: two months of incoming shipments approximately 10 % above the market's absorption capacity caused a three-month crisis, during which prices were between 5.25 and 6.25 euros/box for the good sizes. The supply expected for the coming years seems not only able to support the market growth, but to be of such a level that other episodes of this type are highly probable. Hence the period from June/July seems eminently perilous, given the Peruvian volumes set to emerge between mid-May and late June. So this is another opportunity to reiterate that the communication efforts to boost consumption in the Old Continent must be stepped up.

It may not be irrelevant to highlight once more the example of the US market: the growth in consumption, which is now on average in excess of 2.5 kg/capita/year, is largely due to the continuous promotion efforts led by the Hass Avocado Board (HAB) for around fifteen years, with a budget in excess of 40 million USD for 2013 alone. This project is still up in the air in Europe, but it may have every chance of rapidly coming to fruition, if we want to finish on a note more tinged with irony than optimism! Europe may be 15 years behind the United States (which is more or less confirmed in terms of development of the ready-to-eat segment). Paradoxically, this could be good news, since the large-scale promotion efforts orchestrated by HAB were implemented back in 2002 on the other side of the Atlantic! ■

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