

The avocado market in Europe

The EU gains momentum

Is the European avocado market growing? After a long period of stability, supply to the community market (extra-EU imports plus produce from Spain) has increased markedly in recent seasons. The score of 190 000 to 210 000 t marketed during the 2004-2005 and 2005-2006 seasons put an end to the 170 000 to 175 000 t level that had been the ceiling since the end of the 1990s. Market growth rate even seems to have increased in 2006-2007 with volumes approaching 220 000 t. It is true that the increase is less spectacular than in the USA but it deserves mention.

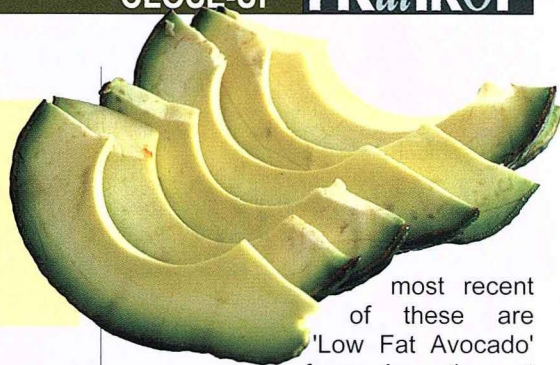
Regional growth only

However, the analysis of apparent consumption in the various member-states shows that sales are on the increase in only a few countries. These estimates should be treated with caution as intra-community trade is difficult to identify with precision. The trends are clear, however. It is true that the EU market is distinctly less organised than the US market. Real efforts have been made in the operational management of the market: the Avocado Market Working Group set up at the initiative of the main countries exporting to the European market is trying to achieve better coordination of shipments to avoid over-supply peaks. However, operations performed to increase consumption are limited and run on a one-basis except in the UK. Only a few South American origins (especially Chile and Mexico) convinced of the merits of such an approach after operating on the US market have made a promotion effort in continental Europe to within the limits of their budget. Overall mobilisation of the European suppliers centred on this is still

lacking for the performance of true groundwork.

The United Kingdom is consolidating its position as the second largest EU market

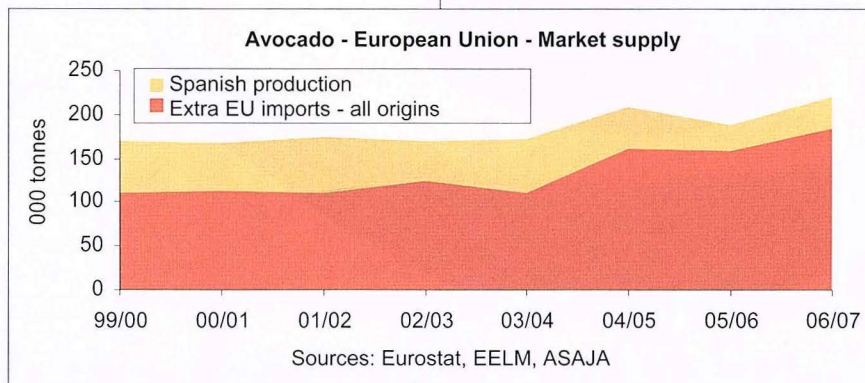
If the United States is the driving force behind the world market, the United Kingdom is that of the European market. All professionals agree that this market has seen very strong growth in recent seasons even if the scale of the increase is probably not as great as that indicated by Eurostat figures (increase in apparent consumption from 25 000-30 000 t until 2003-2004 to 55 000-65 000 t in 2005-2006 and 2006-2007). This increase is not fortuitous. On the one hand, professionals in the import sector and in supermarket chains have done groundwork on the supply aspect. A capital feature is that the fruits at points of sale have almost all been ripened in chambers and proof of the increase in sales resulting from this technique has been shown clearly, especially in the United States. Supply is also very segmented with a whole range of packaging (nets of 'baby avocados', twin packs containing one ripe fruit and one for eating during the next two or three days, etc.) and novelties that help to liven up the shelves. The



most recent of these are 'Low Fat Avocado' from Argentina at Sainsbury's and 'Andes' avocado from Chile at Marks & Spencer. Furthermore, real, continuous efforts are made in promotion (South Africa for more than a decade and Chile and Peru more recently). Finally, suppliers very logically prefer to be involved in a market whose manner of functioning is safer than those on the continent. Retail distributors provide better guarantees through contracts for the season or price undertakings for periods as long as the whole of the season, etc. Penetration is still some 25% in spite of a strong increase in recent years and this gives an idea of the large scope for growth remaining for this market.

Avocado is gaining ground in Scandinavia...

Growth has also been tangible in Scandinavia. Imports by the region (including Norway) were 11 500 t until 2002-2003 and then increased to 18 000 t in 2006-2007. They now exceed the volumes imported by Germany which has a population four times as great but very small sales. Denmark and Norway have displayed fine dynamism in recent seasons and are also interesting destinations for South American exporters. The variety 'Hass' is appreciated, the GDP is high, distribution is very centralised and





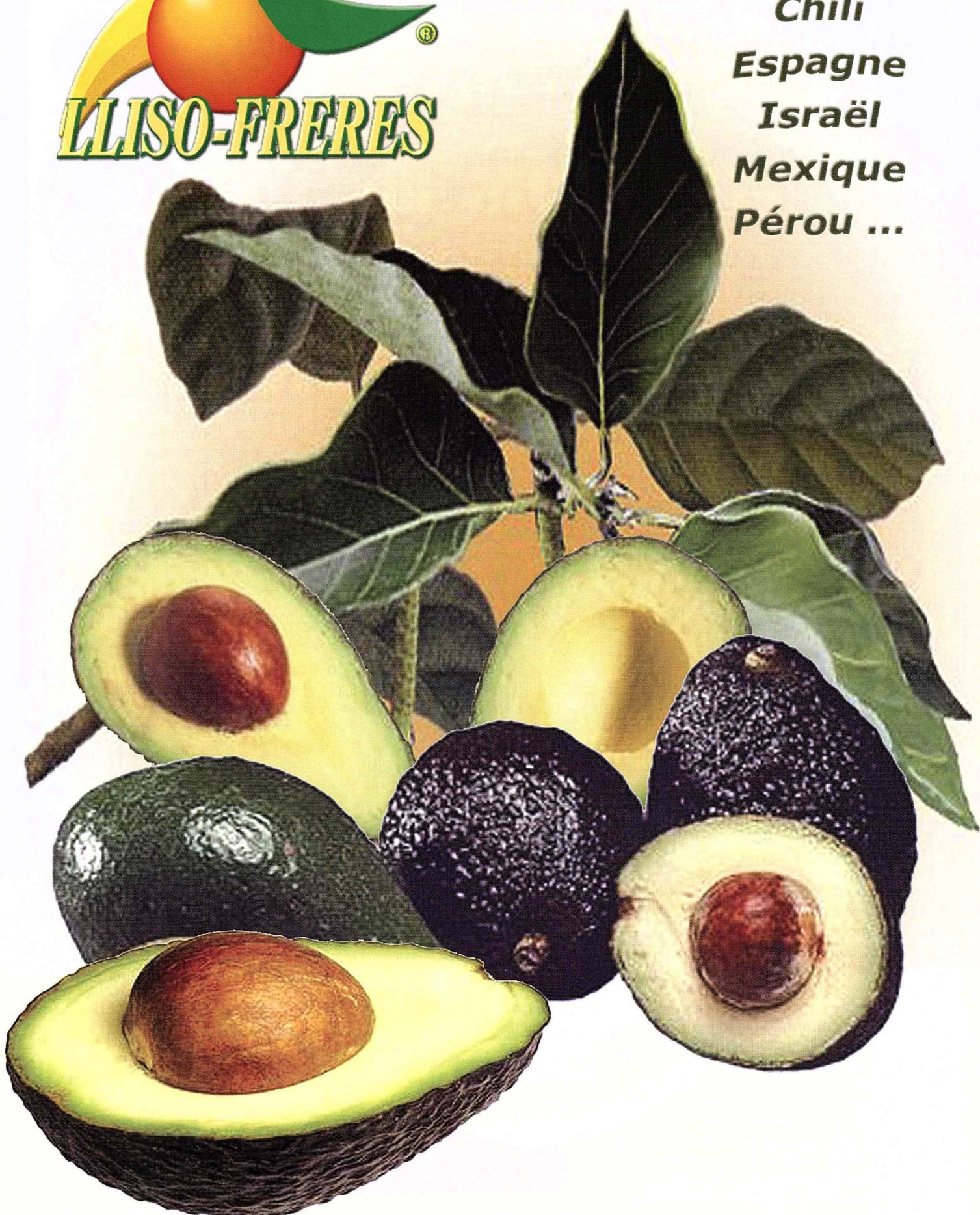
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medium-sized to small fruits that are difficult to shift on other markets are welcome there.

...and Eastern Europe is beginning to take significant volumes

Consumption in the new EU member-states in Eastern Europe was less than 1 000 t at the beginning of the 2000s but now seems to be increasing too. It is true that the total is still modest (4 500 t in 2006-2007), but the trend is there. Poland, the leader in the zone, is approaching 2 000 t, followed by the Czech Republic and Latvia with about 700 t.

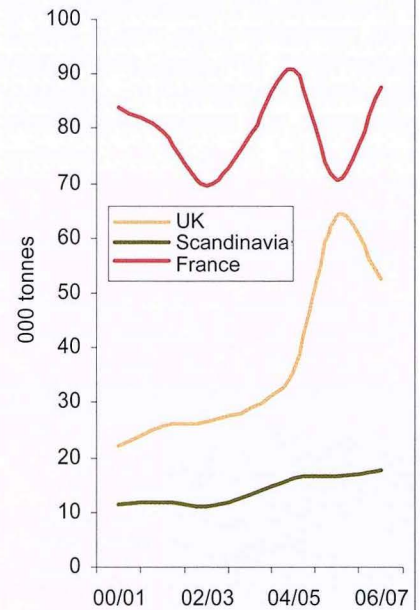
Outside EU frontiers, increasing imports are also noted in Russia. However, although the volume has doubled since the early 2000s, imports totalled only 2 500 t in 2005. The increase is seen on both the winter market, supplied by Israel,

and the summer market where South Africa enjoys a near-monopoly.

More or less flat calm in the rest of the EU

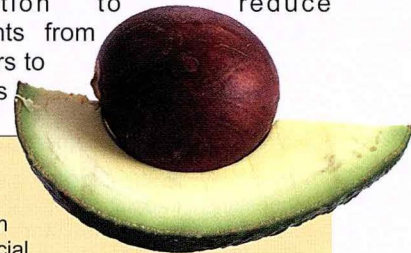
Movement is also seen in France where consumption was some 70 000 to 80 000 t until 2003-2004. It has increased slightly over the last three years to 70 000 to 90 000 t. However, the increase seems to be different and more the result of pressure from supply—especially from Israel—on a market that still operates on a spot basis to a considerable degree rather than a desire by retailers to work on this fruit. This is seen clearly in the analysis of retail prices (see box). However, a few positive signs seem to be emerging. Firstly, the results of the 2005-2006 Mexican promotion campaign are encouraging. Even if the effect of an open market context should not be underestimated, the volumes shipped to the EU flirted with the historic record of 21 000 t. In addition, the change in retail distribution strategy with regard to fruit and vegetables departments

Avocado
Market supply for France,
United Kingdom, Scandinavia



Source: Eurostat

might be favourable. The decrease in profitability resulting from the legal obligation to reduce payments from suppliers to retailers

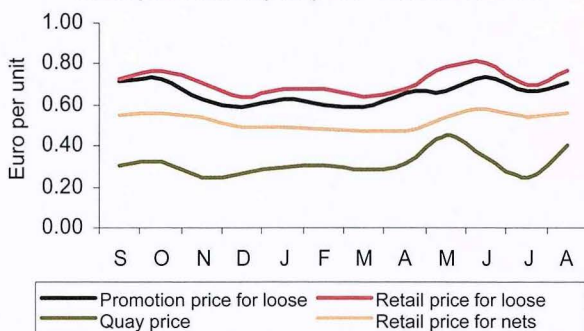


French distributors in clover

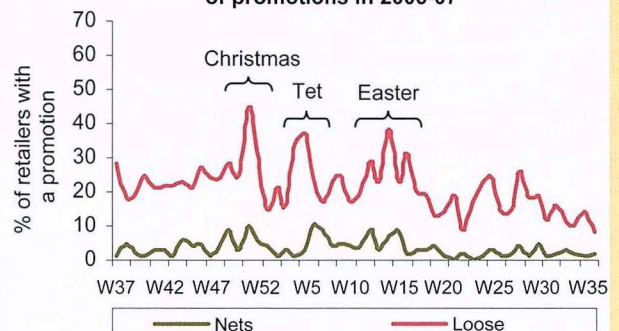
Avocado was 'the butter of the gods' for the Aztecs. French distributors clearly feel that avocado is indeed a gift of the gods, but one that brings them hard cash. According to calculations based on retail prices reported by the Service des Nouvelles des Marchés and the quay prices recorded by our Market News Service (which do not take various discounts and kick-backs into account), the average margin was 125% during the 2006-2007 season. Making an enormous effort, retailers managed to lower this rate to 110% for special offers and 85% for sales in nets, the lowest price reference. Do the supermarket chains truly play the game for this produce? Another question raised by these figures is that of whether the

continuous presence of 'budget price' avocados in nets available from slightly more than 55% of distributors kills the special offers for loose fruits. This would appear to be the case as the difference between the normal and 'special offer' prices during the 2006-2007 season was only 5 euro cents, that is to say a 7% reduction. Furthermore, the prices were high at an average of 66 cents per fruit during these promotion operations. The '3 for 10 francs' special offers that were common at the end of the 1990s and the beginning of the 2000s hardly exist any more. Quay prices were particularly suitable for running such special offers in the 2006-2007 season but prices only fell to the equivalent level (50 cents each) once.

Avocado - France
Retail price and import price - Season 2006-07



Avocado - France - Seasonal pattern of promotions in 2006-07



Sources: SNM, Cirad

(the 'Dutheil law') and price-cutting to fight hard discount chains are leading some retailers to redesigning their strategy in a context of encouraging the consumption of fruit and vegetables. The aim is that of reinvesting in the department through marketing, quality assurance and service, in particular

The alternate bearing phenomenon

The volumes produced in an avocado plantation can vary strongly from one season to the next. At the scale of a country, the alternate bearing



phenomenon can result in strong decreases or increases in the volumes to be marketed and this makes management

difficult for professionals. As an example, Israeli production has oscillated between 45 000 and 90 000 t in recent seasons. Similar variations have been observed in the past in South Africa, Spain and the other major producer countries. What factors cause the phenomenon?

Physiologically, the avocado tree has a substantial imbalance between its strong blossoming (often more than a million flowers per tree) and the small number of fruits (300 to 500) that the tree can 'feed' until maturity as the photosynthetic efficiency of the leaves is low. Thus, in a bumper year, the plant devotes the largest proportion of its carbon reserves to fruit growth while soft-peddalling considerably on shoot growth and flowers for the next season. The degree of imbalance varies with the variety (it is more marked in 'Hass' and 'Nabal' than in 'Ettinger') and the rootstock used.

To lessen the phenomenon and achieve even production, growers control flowering intensity by means of cultural practices such as pruning and the use of growth regulators or by adjusting water uptake conditions.

However, meteorological events such as a frost or a heat wave may upset this delicate artificial regulation, leaving free reign to the intrinsic physiological imbalance of the trees. Harvest variations between 'on' and 'off' years then become very marked again.

through more, better-trained staff. The change is already visible in Casino stores and could greatly benefit a fruit as technically difficult to handle as avocado. The substantial increase in the number of importers/middlemen supplying fruits ready to eat could contribute to this development.

Once again, Germany is not part of this growth. Avocado is a delicate fruit and little present on the shelves in hard discount stores that fear for their tight margins.

Chile, Peru and Israel, the main players in market growth

This uneven but real increase in European consumption is fuelled by the increase in production of three sources: Chile, Peru and Israel. The progress made on markets by South American suppliers has been noticeable since the beginning of the century and particularly vigorous since 2004-2005. The two countries concerned were practically absent from the market in the early 2000s

but have succeeded in gaining 37% of the EU market in a little more than five years, with cumulated volumes in excess of 65 000 t in 2006-2007. It is true that a strong euro in comparison with the US dollar has played a positive accompanying role. However, the increase is neither opportunist nor conjunctural. It is strategic as it is vital for both these origins.

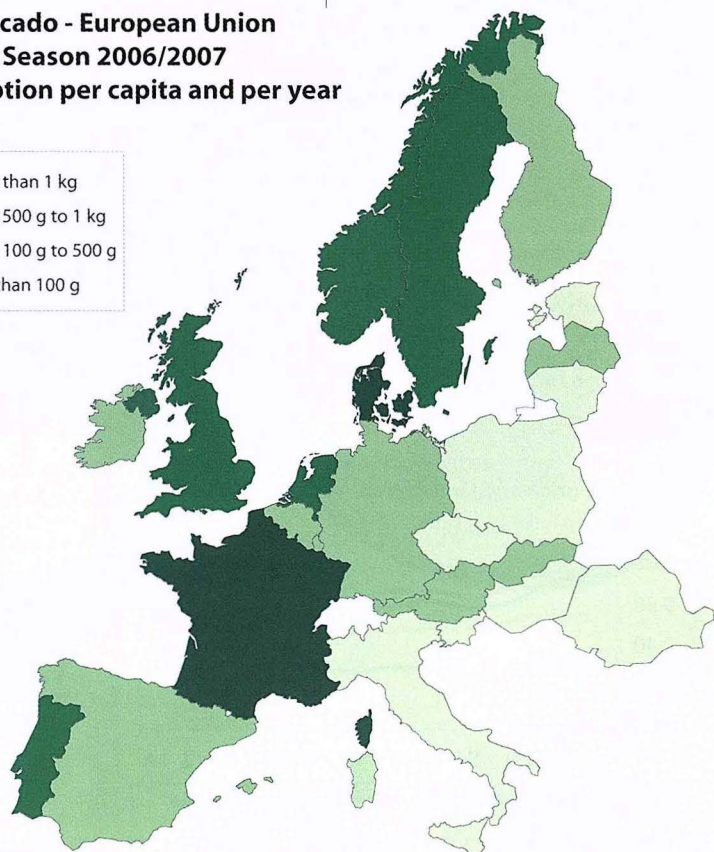
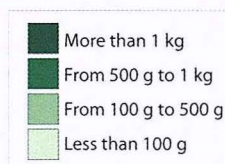


Chile obliged to diversify its outlets

Chile has to find a large alternative outlet. The previous article shows the rapid increase in competition from Mexico on the US market, Chile's main customer. In addition, production is still growing although the increase is not as strong as it was in the early 2000s.

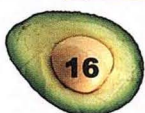
Comité de la Palta, that supervises the sector, has found resources to fund its ambitions. A large marketing

**Avocado - European Union
Season 2006/2007
Consumption per capita and per year**



Source: Cirad

Graphics: Chez Vincent





budget has been allocated to accompany Chilean avocado on the UK and Spanish markets (USD 1.5 million, also to be shared with the operations run on the domestic and regional markets). Exports to Europe thus increased by 10 000 t from 2003-2004 to 2004-2005, reaching 19 000 t, before doubling to nearly 409 000 t in 2006-2007! This diversification approach has also had a positive effect locally, with a distinct increase in domestic consumption and regionally with a strong increase in exports to Argentina.

Production of 'Hass' increasing in Peru and the US market still closed

Conquest of the EU market is just as essential for Peru.

Production of the variety 'Hass' is increasing in the arid zones along the coastal strip, with some 2 200 ha of 'Hass' and 3 000 ha of 'Fuerte' in 2005, grown under practically hydroponic conditions. Europe is the only sizeable potential market for this new production. The Chilean market opened in 2006 but it does not have the same potential as the USA. The latter is still closed for pest protection reasons (fruitfly control) in spite of several years of approaches. Exports to the EU were thus multiplied by 2.5 from 2003-2004 to 2006-2007, reaching 30 000 t.

Planting increasing again in Israel

Israel is the other stakeholder in this growth. Agriculture is experiencing a fresh growth period in the country, thanks in particular to larger water resources resulting from the widespread use of recycling systems. Avocado is a profitable crop and one favoured by farmers. Planting has thus been resumed at some 250 to 350 ha per year and yields are increasing, with a target of 20 t per ha in 2010. Production thus approached 90 000 t in 2004-2005

| Avocado — European Union — Market supply | | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| tonnes | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
| Israel | 44 548 | 38 841 | 44 333 | 26 529 | 25 299 | 50 481 | 26 538 | 55 687 |
| Chile | 9 | 35 | 528 | 2 190 | 4 046 | 11 532 | 19 248 | 38 491 |
| Spain | 58 000 | 56 000 | 65 000 | 45 000 | 62 000 | 47 000 | 30 000 | 37 000 |
| Mexico | 14 479 | 13 002 | 10 139 | 21 925 | 18 705 | 16 516 | 20 769 | 9 906 |
| Winter season | 117 036 | 107 878 | 120 000 | 95 644 | 110 050 | 125 529 | 96 555 | 141 084 |
| South Africa | 38 205 | 38 908 | 36 266 | 39 116 | 30 639 | 43 422 | 39 646 | 35 000* |
| Peru | 1 299 | 2 849 | 4 401 | 11 010 | 12 147 | 19 792 | 30 818 | 29 000* |
| Kenya | 10 294 | 15 600 | 11 523 | 19 915 | 15 176 | 15 428 | 14 921 | 10 000* |
| Summer season | 49 798 | 57 357 | 52 190 | 70 041 | 57 962 | 78 642 | 85 385 | 74 000 |
| Others | 1 963 | 2 162 | 2 475 | 3 603 | 3 330 | 4 511 | 6 040 | 4 785 |
| Total | 168 797 | 167 397 | 174 665 | 169 288 | 171 342 | 208 682 | 187 980 | 219 869 |

* estimates / Sources: Eurostat, Cirad



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Certification

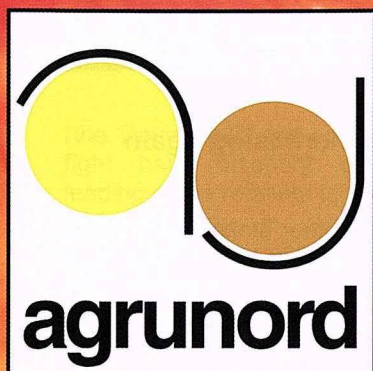
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Energizer



Importer la différence
Showing our difference

Avocatavocado

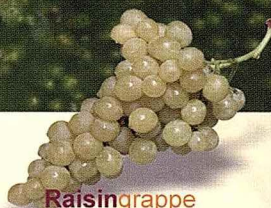
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Tomatetomato

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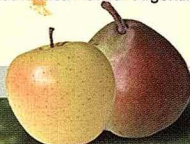
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Avocatavocado

Israel / Mexique / Pérou /
Chili / Kenya / AFS
Israel / Mexico / Peru /
Chile / Kenya / South Africa

Pomme/Poire
apple/pear
Afrique du Sud / Chili / Argentine
South Africa / Chile / Argentina



Manguemango

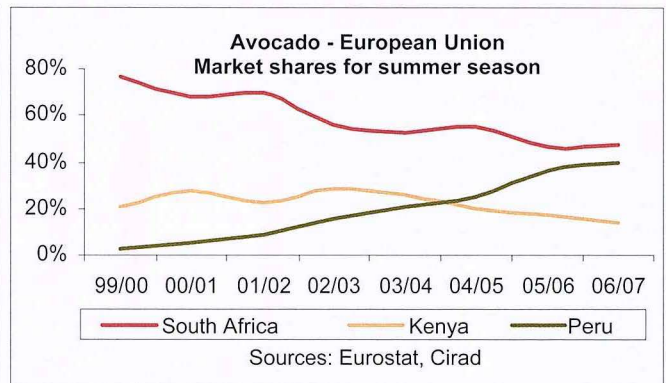
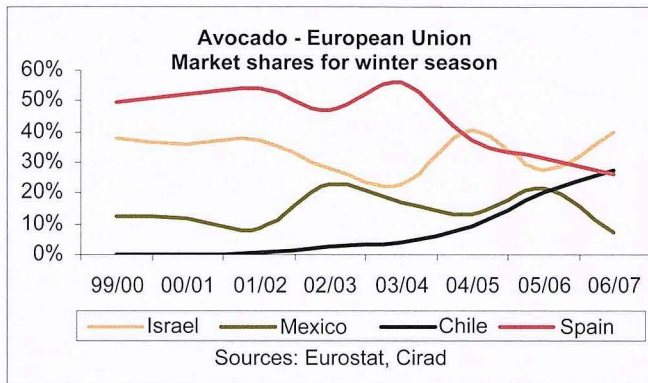
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and 2006-07, with very marked alternate bearing as the total was 45 000 t in 2005-06. The 130 000-tonne mark should be reached in 2015. As a corollary, exports attained 57 000 t in 2006-07 in comparison with 46 000 t in the positive alternate bearing years in the early 2000s. Nearly all this has been shipped to the EU, where Israel has clear advantages as regards logistics, enhanced by the use of faster dedicated ships (Marseilles-Ashdod in three days).

What strategies have these producers implemented to accompany their development?

The approach used by Chilean operators is clear. They award priority to the only large contractualised market that ensures security as regards volumes and

contributes to increasing consumption by means of promotion operations. Israeli operators handling 'Hass' use the same approach except that the promotion work is not initially generic. Peruvian operators worked differently, relying more heavily on Spanish operators' knowledge of the market, using a category management approach. Chilean exporters have also tended to work with Spanish operators in recent seasons. As a result, Spanish avocado imports have increased strongly since 2003-04, reaching 21 000 t in 2005-06 and probably more than 25 000 t in 2006-07.

A marked decrease in exports from Mexico and Kenya

The market context has thus changed considerably, both in the winter when Chile and Israel are

operating and during the summer period with Peru. How have the other sources of supply reacted?

Mexico held up well against pressure from Chile and Israel until 2005-2006 thanks to the effects of alternate bearing, a greater concentration of operators downstream and the promotion campaign that has already been mentioned. Mexican market shares decreased noticeably in 2006-2007 with the halting of promotion, strong combined pressure from Israel and Chile and the attraction of the US market. The full opening of the latter in February 2007 combined with Californian crop losses caused by frost sent CIF Europe cost prices spiralling upwards. For the first time this decade, European imports dipped below 10 000 t.



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2007-2008 season: an unavoidable pause in growth

2007 can be considered to be a black year for avocado growers in the Americas. Frost in California in February not only resulted in the loss of some 30% of the 2006-2007 harvest but also cast uncertainty on a proportion of the 2007-2008 crop. It is expected that volumes will increase but the recovery will only be partial (the CAC forecast 350 000 lbs, that is to say about 160 000 t, in a schedule drawn up at the beginning of August). Cold weather may also have negative effects on fruit size. Meanwhile, three cold spells in Chile in July have had dramatic consequences for the 2007-2008 harvest. Production exceeded 200 000 t in 2006-2007, but will probably decrease by about 40%. Exports should thus not exceed 90 000 t. Supply to the US market may well be very limited and the door would seem to be wide open for Mexican avocado where export potential is increasing. Areas are increasing in Michoacán (approximately 90 000 ha at the end

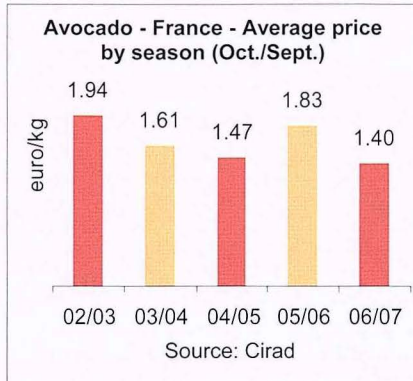
of 2006) and the list of USDA-approved municipal areas in the neighbouring states (Jalisco and Mexico) is lengthening, with nearly 40 000 ha approved. The export quota of 2 t per ha set by growers has been abolished.

The European market might also be fairly light during the coming winter season. Israel, the main supplier in winter 2006-2007 will suffer negative alternate bearing and exports to the EU should be about 35 000 t. In parallel, Chile, which shipped nearly 40 000 t last season, should be much less present as a result of the frost and the priority awarded to the US market, its main client. The volumes for the EU should total about 15 000 t and will go first and foremost to the United Kingdom where the promotion budget has been reduced but maintained (operations are also planned in Spain). Only Spain might be more present after small harvest in 2005-06 and 2006-2007. However, production should be only average (55 000 to 60 000 t). In this open context, sources supplying the market in the summer may take over under good conditions.

The marked decrease in Kenyan shipments to the EU market is completely unrelated to the Mexican strategic withdrawal. After the stable volumes of 2004-2005 and 2005-2006, Kenyan operators had a difficult time in 2006-2007, with export volumes falling from 15 000 t to about 10 000 t. There were several reasons for this decrease. Only a few importers have carried out true groundwork in recent seasons to create a market suited to the standards of this produce (budget lines for example). Thus brand image is still seriously lacking for much of the goods and strongly affects retailer referencing in a market that is over-supplied during certain periods. In addition, and above all, the change in logistics at the end of February with the ceasing of direct transport from Nairobi, with goods now carried by feeder via Durban, considerably increased transport time from a fortnight to three weeks or even a month.

Spanish and South African positions maintained

The volumes shipped from Spain in recent seasons have remained stable in spite of the changes that have occurred. However, the overall figure masks two fairly different features. As has been mentioned, Spanish producers or middlemen have strengthened their position as importers and forwarders in order to supply their international clientele with avocado all the year round. However, Spanish avocado shipments have been fairly modest. Firstly, the weather has not been kind to growers in the Axarquía, the main production area in the province of Málaga, with frost in winter 2006, gales, setting problems, etc. In a more patchy manner, a pest whose local name is *acarío cristalino* limits yields in some zones. But above all, the extension of the area under avocado seems to have halted at a ceiling of some 9 500-10 000 ha. A



fair proportion of growers are tending to prefer mango as this requires less water, is easier to manage and has been more profitable in recent years.

South African operators have succeeded in shipping a steady 35 000 to 40 000 t in recent seasons. However, shipments from Peru make competition sharper on the summer market even if the fall of the rand against the euro has partially compensated the fall in prices in the EU. Crops have been no more than average since 2006 and this has helped to reduce pressure. Weather problems have occurred, and especially very unlikely frost in the southernmost areas in 2007. But above all, the area under avocado has stopped increasing. Growers favoured macadamia nut for a while. Furthermore, the programme for the redistribution of certain land to its first occupants is slowing investment and especially expenditure on planting.

Market supplies increasing markedly

These changes have had effects on prices. These are tending to fall in spite of the increasing proportion of 'Hass', according to data collected by our Market News Service. Supplies, especially of 'Hass' are distinctly larger during the inter-season periods (the switch from winter to summer seasons and vice versa). Supplies of this variety


are distinctly larger at the end of May/beginning of June, with the arrival of the first substantial shipments from Peru. Similarly, quantities are larger at the end of August/beginning of September. The Chilean season begins to run strongly while the South African season tends to be extended because of competition with Peru during the summer. A noticeable decrease in prices has thus been observed in June and in September-October in recent seasons.

This situation affects the market for green varieties. The strong increase in supplies of 'Hass' in the summer tends to prolong the South African season for 'Fuerte', 'Pinkerton' and 'Ryan' and push the prices of these varieties down in spite of the efforts made in market diversification. Likewise, although supplies are always large in November with the peak of arrivals of 'Ettinger' from Israel, the strong increase in the volumes to be marketed from December to February or even March is a recent phenomenon. The Israeli season is tending to become longer as a result of increased production and also a market that is less open at the end of the year because of strong competition from 'Hass', in particular from Chile. In a minor way, a few batches of 'Ettinger' and 'Fuerte' from Peru increase this pressure. A clear trend for a fall in the prices of green varieties can be seen in the first quarter.

What position can green varieties hold?

The market share of 'Hass', which formed some 55% of EU supplies in 2004, has increased by 10% in two years. This situation aggravates the problem of the positioning of green varieties from various sources. Israel proved in 2006-2007 that it could remain in the market thanks to fairly strong





concentration upstream and international sales networks. However, some periods have been very difficult and it has proved to be impossible for origins like Kenya to gain a market foothold during various periods. Shipping a proportion of these goods to markets seeking budget fruits as a basis for growth (in Eastern Europe for example) could relieve pressure on the EU market at certain times.

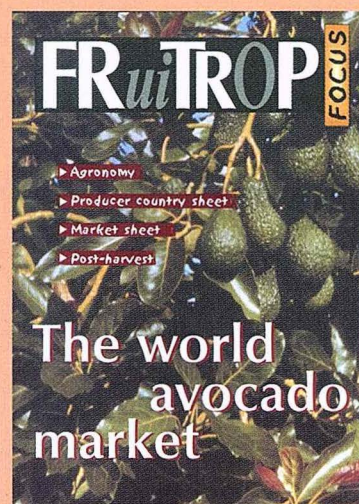
When can we have a European Avocado Board?

The expected decrease in supplies in 2007-08—already leading to wild pricing at the beginning of the season—is only a pause in the

growth of avocado supplies. The trend for the increase in cultivated areas in Israel, Peru and Chile and increased competition on the US market mean that the volumes for the EU will resume their increase during the 2008-09 season.

Although increased supply is certain, a fall in prices is not inevitable. The work carried out on increasing consumption in the United Kingdom is exemplary and can probably be transposed in part to the continent. But for this, the efforts in promotion that have started must be intensified. However, this work must be performed continuously and for a long period in order to be effective. It is expensive and can only be carried out if suppliers are involved. A generic approach of this type will take shape in Spain in 2007-08, driven by domestic, Chilean and Peruvian operators. Why not broaden it as regards both stakeholders and markets and set up—let's imagine it—a European Avocado Board? ■

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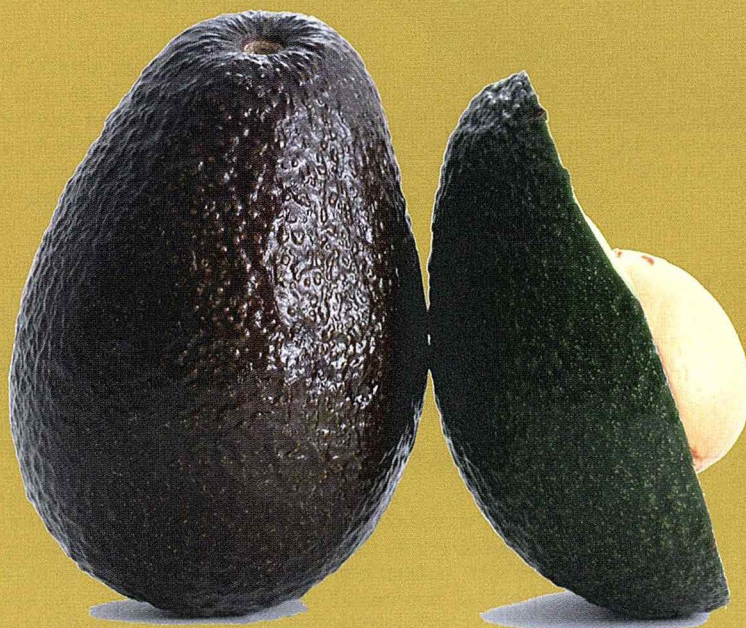
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