

*By avocado expert Avi Crane*

✘ My opening lines in the previous edition of *The Hass Horn* read, "For those of us who have spent our entire careers in the avocado industry, its current condition is nothing less than remarkable". It is appropriate to repeat these words again. At the time of writing, weekly avocado consumption was at a 1.6 million carton pace in the U.S.A. with strong FOBs (Freight On Board prices).

1987 is ancient history in our industry. In that year 160,000 weekly cartons crashed the market and resulted in below production cost returns to avocado growers in California. All of us on the packing and marketing side of the business ran for cover! I mention this so that readers today can comprehend that the tremendous demand for avocados in the North American market in 2013 is a result of the restructuring of the California Avocado Commission (CAC) after that disastrous '87 season. When the dust settled, Mark Affleck became the president of the CAC, a post he would hold for over 20 years.

Each season, Affleck pushed his board to approve expenditures that allowed the CAC to execute aggressive consumer promotions focused on increasing grower returns by increasing per capita avocado consumption in both the core and developing avocado markets in the U.S.A. Finally, in 2000, the CAC board concluded that a larger pie of resources would be required to promote avocados and it voted to pursue a USDA-based promotion board for all Hass avocados sold in the USA. In 2002, the Hass Avocado Board (HAB) was created by the USDA. The HAB budget for the current year is US\$41.2 million.

## **Summer Outlook**



### *Mexico*

Avocados from Mexico (from Michoacán now and also from Jalisco in the future) will be the secondary source of avocados in the North American market until at least the end of August. The domestic market in Mexico remains undersupplied and offers superior returns to growers over alternative destinations. In addition, the high oil level of the late crop makes shipping to far destinations or holding inventory more than a week very risky. The U.S. companies with packing facilities in Mexico have severely limited their export of Mexican avocados at this time.

In the month of July, Mexican Hass exports are projected to be at 50% or less of their average YTD weekly level. The "Mendez" Hass variety will be a fair percent of those shipments. The harvest of the "flora loca" crop is should be authorized by early August.

The 2013 volume is expected to be normal. Much of the “flora loca” 48s and 60s will be headed to the Japanese market.

The newly-created Avocados From Mexico, Inc. (AFM) promotion board is currently developing a multi-facet advertising, promotion, and public relations campaign. By marshaling the funds of the Mexican Hass Avocado Import Association (USDA Hass Avocado Board Affiliate) and The Mexican Avocado Producers and Packers Association (APEAM), the AFM will have a budget in excess of US\$35 million to execute its initial 12 month program.

 *U.S.A.*

California Avocado growers have produced back-to-back above average crops. Starting in June, the U.S.A became the majority source of avocados in the market. Projected California avocado harvest levels in July and August will result in a 65% plus market share for U.S. Hass avocados in the market.

The California Avocado Commission is in the middle of its execution of an aggressive promotion campaign. The result has been good movement of product with the major West Coast retailers moving to U.S. Hass at the beginning of June. I calculate that up to 75% of the sales of California avocados are to customers on the West Coast, along with aggressive pricing on small sizes for the Texas market.

Sizing continues to be an issue and has resulted in a two-tiered market with size 48 and larger obtaining a \$10 plus/carton premium over smaller sizes. However, at the time of this writing, size 60 FOB prices were going higher. Therefore, it is more than likely that FOB price for California Hass size 48 will reach US\$40 in July.

*Peru*



Currently, the chief destination for Peruvian avocados is to the European and U.K. markets. Until now, returns have been very good from those markets. However, with weekly Hass avocado consumption at 35 million pounds, there will be a need for an additional source in the market. I forecast that up to 5 million pounds of Peruvian Hass will arrive at North American ports each week during July and August.

The Peruvian avocado import association is running a promotional program in selected markets on the East Coast. For example, radio tags will run in Baltimore, Boston, New York and Philadelphia during weeks 30 and 31. In addition, the ongoing programs of the HAB, CAC and MHAIA/APEAM will provide residual support to the Peruvian Hass. This season I

have no doubt that Peru will demonstrate that it is a reliable supplier with quality avocados for the North American market in the late May to September period for the foreseeable future.

### *Chile*

Based on the market demand and projected supply, there should be an opportunity for the early new crop Chilean Hass in the market in August - mainly on the East Coast. Avocados produced in northern Chile typically reach minimum dry weight in late June. However, it is unclear how the market will respond to a fourth source. In addition, returns from the domestic market in Chile might be superior to those from the export destinations. Chile, Mexico and Israel have the highest per capita consumption of avocados in the world. I suspect that the Chilean avocado industry is already assessing the early shipment option.

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