

By avocado expert Avi Crane

✘ In January 1993, with a bumper crop on the trees, an extended period of substantial rainfall put the avocado harvest in southern California on hold. Harvesting crews could not access groves and packing houses could not fill their customers' orders, which included the heavy volume needed for the Super Bowl promotion. This "rain market" saw field prices soar, as supply fell critically below demand.

In 2007, The United States Department of Agriculture (USDA) granted Mexican avocados year-round access to the entire U.S.A. Industry veterans, including the author of these words, were confident that avocado rain markets would never again be part of the industry's lexicon. Today, the North American avocado market is experiencing a rain market that surpasses anything that transpired in the past, including January 1993.

In Michoacán, Mexico, the transition from the light "Flora Loca" set to the new "Aventajada" crop has been sidelined by two massive weather fronts that are simultaneously pounding the avocado producing areas. At the same time, the harvest in California is decreasing not due to rain, but due to the avocado grower's capability to meter out the remaining 2013 crop (which is over 80% completed) over the next 8-12 weeks.

The bottom line - overall avocado supply is at a critical 60% level. Field prices and freight on board (FOB) prices have reached record levels for September. The percent of the avocado industry volume heading to retail and foodservice customers is the highest of the year, and maybe for several years.

The chart below demonstrates that the market has been short of at least 126,400 cartons per week (22%) since mid-August. In the fourth quarter, the avocado industry will get back on track as the avocado harvest in Mexico will again be based on market demand and not climatic conditions. Additional avocado supply from California (old crop), Chile and the Dominican Republic (new crop) will support the industry in keeping up with the demand.



The [first article](#), focused on Chile's Cabilfrut, demonstrated that avocado acreage in Chile is moving south in pursuit of better growing conditions, including water availability.

The article further mentioned that avocado production in Chile would not reach the 300,000MT levels seen in the past until 2016-17. A little over a decade ago, this writer (then a vice president at Calavo Growers, Inc.) forecasted the arrival of 18 million cartons of Chilean avocados annually by 2008.

However, the enormous increase of avocados exported to North America from Mexico almost completely closed the window for Chilean avocados. The potential remains for the North American market to absorb a large Chilean avocado crop and, hopefully, when Chile returns to full avocado production in three years, the market will require the additional volume. That is certainly the case in 2013.

The [second article](#) focused on a decrease on the avocado export volume from Mexico. However, the information in the commentary also acknowledged that the total volume of avocados headed to the U.S.A. is projected to increase over the prior year. This writer agrees and would not be surprised to see a 20% increase in the shipment of Mexican Hass to the U.S. and Canada over the prior year. The article also stated that US\$36 million would be spent by the newly formed Avocados from Mexico, Inc. (AFM).

Fourth quarter outlook

Notwithstanding the current supply situation, I estimate that the total Hass volume in the fourth quarter of 2013 will increase 18% over the prior year.

Even with this respectable rise in volume, the total availability (33 million pounds per week) is not expected to reach the demand level. The market share of Mexican Hass is projected to be 80% (down from 88% last year). 

Mexico

Mexico will dominate the avocado market in the fourth quarter and the in the first quarter of 2014. A record 80,000 hectares are now certified for the USDA Program Protocol, which is up 11% from last season. While FOB prices will certainly come off current levels, I anticipate that prices will be around US\$5 higher than in 2012, despite the volume increase. Today, size 48 Hass FOB prices are US\$15 higher than last September, with a similar volume.

U.S.A.

California avocados will be a secondary player in the avocado market during the fourth quarter. Almost all of the harvested volume will be consumed in California. Prices are expected to be well above the price of other sources due to the high demand and limited supply. I project that only a small amount of new crop U.S.A. Hass will enter the market in the fourth quarter. Size 60 is not released for harvest until January and most growers elect not to execute a costly select pick harvest.

Chile

This year, there is a much larger window for Chilean avocados in the U.S.A. I project that 55 million pounds will enter the market through the end of the year. Obviously, the current level of arrivals will need to increase substantially to achieve this projection. I am confident that the avocado exporters in Chile will divert more product to their partners in the U.S.A. this season. With more avocados arriving in the European market this year versus 2012, FOB pricing in the U.S.A. market should be competitive. But most importantly, Chilean avocado exporters need to maintain a strong market presence during the next three years in order to be able to ship larger volumes when their industry comes back to full production.

Dominican Republic

I forecast less than five million pounds of Hass avocados from the Dominican Republic in the fourth quarter. However, this would be a significant increase from 2012. Almost 100% of the Dominican Hass is consumed on the East Coast. Over the years, the demand for Dominican Hass has increased as past issues with packing and cooling have been effectively addressed by the exporters. There are virtually no arrival issues with Dominican Hass, and I expect it will be received as well as the Peruvian Hass was during the past months.



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