The quality and size of Mexican avocado supplies are meeting the demands of the U.S. market which continues to be affected by the lack of foodservice channels, according to the CEO of Calavo Growers.

In an earnings call on the results of the third financial quarter ended July 31, Jim Gibson said that Mexico - whose avocado market share increases in the fall as Peru and California wind down - is shipping a high proportion of grade 1 fruit which is well suited to the retail sector.

"I think as we're making the transition, we're certainly feeling that the Mexican summer crop is strong and the quality of the crop seems to be very good as well. So, we're really satisfied with that, and we believe that that supply will be equally strong going into the end of the fourth quarter and enable us to be in a good position to meet consumer demand," he said.

He explained that as Calavo sells all the sizes that are coming out of the harvest - from the smallest 84 count to the latest 32 count - and both grades 1 and 2, the company's margins are affected by how well the harvest matches its customer base in volume and size.

"If we have gaps in that scenario, meaning that we're larger in number two ... grade and we don't have the right customer to match, then that begins to degrade our margin, because we have to move that product in some fashion. And so over time the impact of food services that we lose some flexibility in our ability to shift our sizes into that customer base. And so, it has an impact on margin.

"If the growing season and the harvest -- and I would mention like right now coming out of Mexico, the harvest is very clean. It looks good. And the number two count will say is not as heavy, then it's not as big of an impact. But if the number two count gets bigger and we don't have enough location for it into the food service area, then it hinders margin."