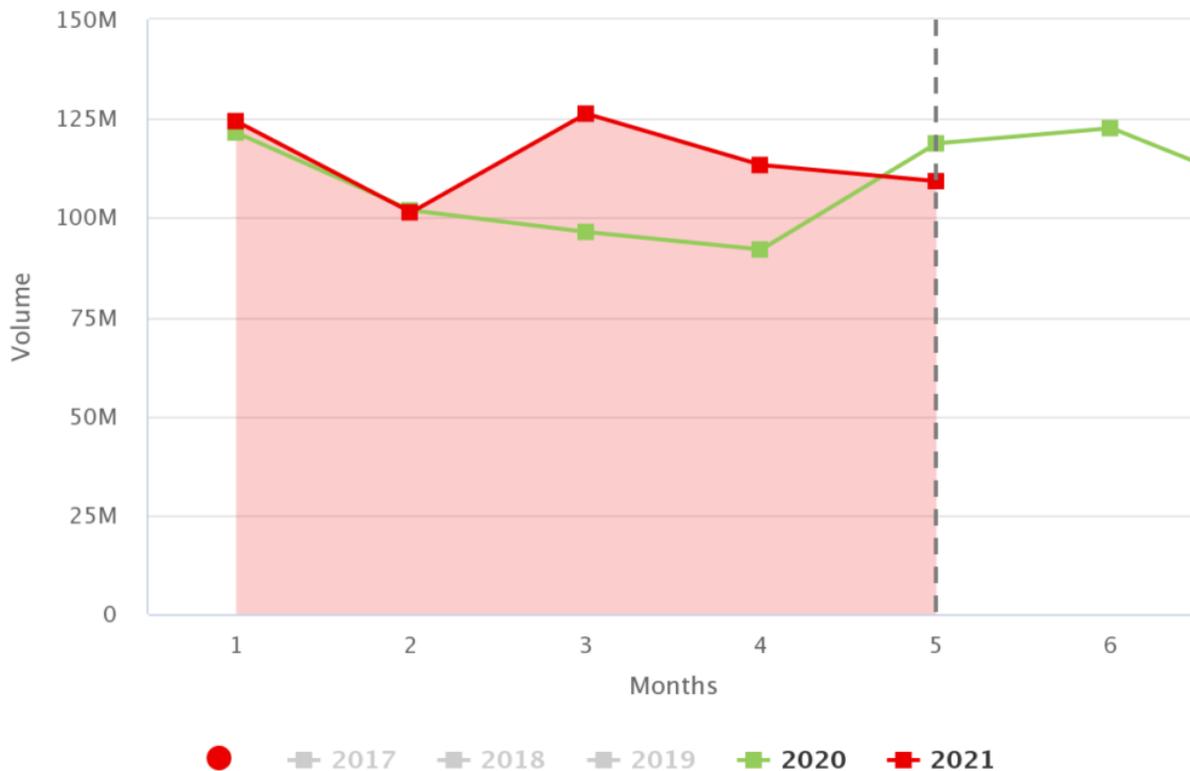


In this installment of the '[Agronometrics In Charts](#)' series, Colin Fain illustrates how the U.S. market is evolving. Each week the series looks at a different horticultural commodity, focusing on a specific origin or topic visualizing the market factors that are driving change.

With the largest avocado companies reporting strong Q2 results ([Mission Produce](#) and [Calavo](#)), it goes to show that there is plenty of growth left in the avocado industry.

Comparing the above reports to the market data made available by the USDA gives us a window into the reality that these companies are navigating. The first thing that will be immediately obvious will be the large increase in volume that the market has enjoyed so far this year, namely in March and April. These months brought in 30% and 23% increases respectively in volume compared to last year.

Avocado volumes by history (kilos)



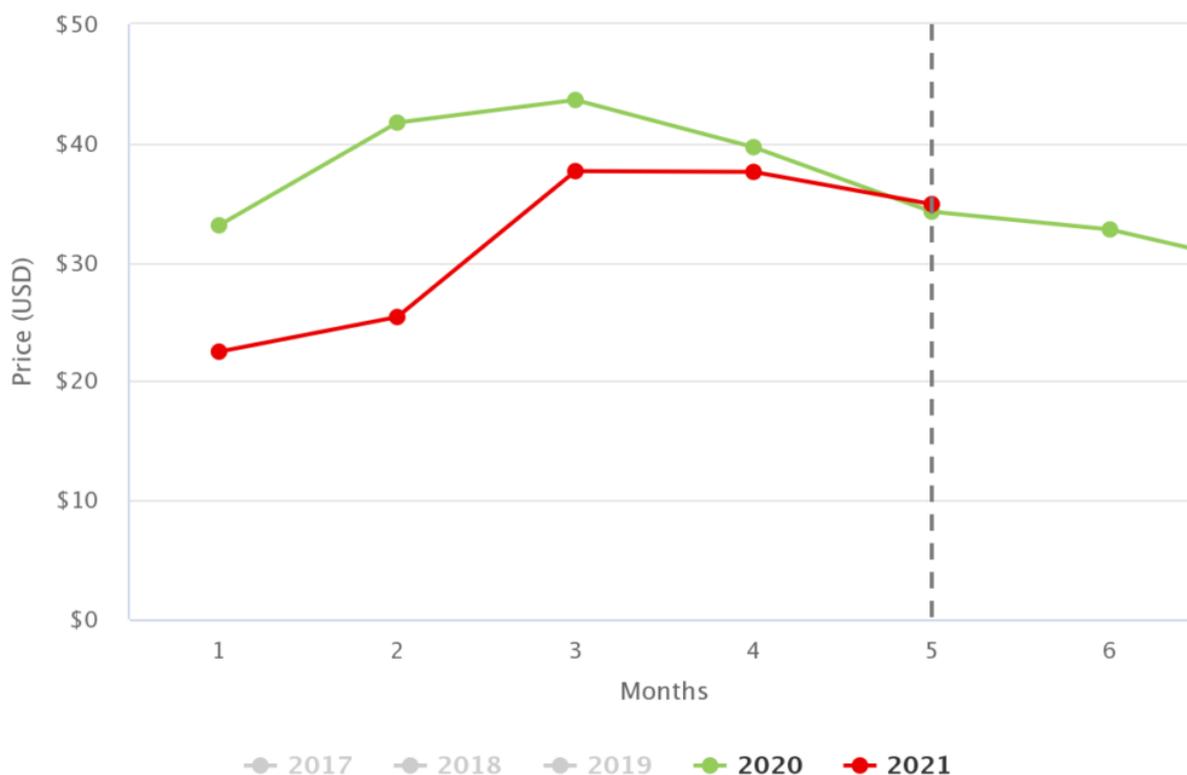
(Source: USDA Market News via [Agronometrics](#). Agronometrics users can view this chart with live updates [here](#))

There are several factors that lend themselves to these results, among them is the reopening of the U.S. economy which brings with it the reopening of restaurants and the opportunity to commercialize category 2 avocados, which was almost impossible last year.

This by itself can account for a healthy percentage of the volume we are seeing arrive on the market. Another reason April and May saw such high volumes can be appreciated from market pricing, where January and February were particularly hard months for producers in Mexico. You can read more about this in [our article on the subject from February](#).

This being the case, it is very reasonable for Mexican producers to have held back fruit these first two months, and as soon as pricing improved try to move as much as they could before their season came to a close.

Avocado prices by history (price per package)



(Source: USDA Market News via [Agronometrics](#). Agronometrics users can view this chart with live updates [here](#))

The impressive thing is that spot prices held as high as they did. Normally an increase in volume would have a similar and opposite reaction in pricing.

In our article previously referenced, we explored why the avocado market data broke from the trend in January and February, and very similarly the trend seems to have been inverted with the massive increase in volume registered in March and April and higher prices to boot.

These observations may actually have more to do with the self-promoting and

congratulatory tones that Jim Gibson presented about his commercial team during his earnings call than one might think.

Our reasoning for this is that the program pricing that the big packing houses negotiate with the Walmart's and Costco's of the U.S. are negotiated ahead of time and often represents the majority of the market - around 80% give or take.

The spot market is the second priority and fulfills the rest of the market that isn't buying containers at a time. So if the right expectations of volumes are pre-negotiated for program, then you will have a healthy spot market with consistent pricing.

If program receives too much fruit, the spot market will be short and prices will spike. On the other hand, if program receives too little fruit, spot will be flooded and prices will tank, which is likely what happened in Jan and Feb. So stable pricing among incredible volumes really might be a result of setting the right expectations and distributing volumes well between program and spot markets.

When looking at these two companies in particular, the last thing to consider is that they run very capital-intensive businesses with a lot of infrastructure. As volumes increase, their fixed cost per kilo is spread out further and - where no new investment is needed - this will definitely help profitability.

At the end of the day, looking at companies from quarter to quarter is an interesting exercise, but speculative. The important thing in avocado investing is the long-term trends, which for avocados remains positive. We also released an [article on this subject in 2020 as Mission was going for IPO](#).

In our 'In Charts' series, we work to tell some of the stories that are moving the industry. Feel free to take a look at the other articles by [clicking here](#).

You can keep track of the markets daily through Agronometrics, a data visualization tool built to help the industry make sense of the huge amounts of data that professionals need to access to make informed decisions. If you found the information and the charts from this article useful, feel free to visit us at www.agronometrics.com where you can easily access these same graphs, or explore the other 20 fruits we currently track.