

Lots of Challenges & Opportunities Associated with 2023

The 2023 avocado season is a difficult one by all accounts as growers have been hit with several issues that are adversely affecting this year's marketing situation, most notably smaller-than-average fruit and an oversupply problem that has depressed prices on all fruit...especially the small sizes. But there also appears to be a general feeling among handlers that this large supply of avocados that has been in the marketplace since the beginning of the year does create opportunities and promotions at price points that can expand the customer base for the category.

Specifically discussing the current FOB price in mid-June was Patrick Lucy, president of Del Rey Avocado Company, Fallbrook. "We have a pretty stagnant situation. I do not expect things to change much throughout the summer."

He said there is an abundance of small fruit from Mexico and California's fruit has also had trouble sizing. And even Peru, which typically has larger fruit from its mostly young trees, has been hit with cool weather that has affected sizing, dropping the average size a slot or two.

In mid-June, Lucy said conventional 48s from California were returning an FOB price in the \$35 to \$36 range. While that could allow a grower to recoup his costs and even make money, the problem is most growers

have a lot of smaller fruit and there has been a significant drop off in price for 60s, 70s and 84s. In fact, a carton of 84-count California avocados could be purchased for an FOB price under \$20 in early June.

At these prices, most growers are seeing average grove quotes for their crop at \$1 per pound or lower, a far cry from last year's record average of double

that or more.

Lucy did not have encouraging words for the rest of the season. "We should be picking California fruit well into September," he said. "The market could get a little better but Mexico still has a big crop and Peru's volume is just getting started and they will be in the deal for at least the next couple of months."

UPDATE:

Editor's Note: The "Handlers' Report" on these two pages was written as the result of interviews conducted in early June when the market price for avocados was at a low point. A couple of the interviewees did weigh in again as the market price improved later in the month.

"I think it (a strong market) is a short-term situation," said Patrick Lucy of Del Rey Avocado Company, noting that Mexico's Flor Loca crop would have more volume by mid-July. He also said that Peru's heavy shipping period had been delayed but would also come into the market in big numbers as the summer progresses. He added that California growers and packers were taking advantage of the stronger market in early July but the industry "can only harvest and pack around 13-16 million pounds a week at maximum capacity so there will still be good volume (of California fruit) through July and into August."

Peter Shore of Calavo Growers Inc. also commented on the stronger market, but cautioned in early July that increased volumes appeared to be coming from all origins over the next several weeks. He did note that California's size curve coupled with Lamb Hass in the late June/early July time period was allowing many California growers to take advantage of the "better-than-expected summer market."

Peter Shore, vice president of production for Calavo Growers Inc., Santa Paula, said the cool weather has delivered a double blow to California growers. In the first place, the weather has delayed the crop shortening the marketing season for growers. And the continuing cold weather has not helped the fruit size to its full potential.

On the other hand, Shore said the weather has created an excellent quality crop with great ripening characteristics. He noted that each season has its own peculiarities and they are always different.

Gary Clevenger, managing member, Freska Produce International, was very direct in his assessment of the 2023 season for California growers. "There is an oversupply of avocados which has depressed the prices all year," he said. "And the weather has been lousy. We've had cool weather for a month and a half that lasts all day with a thick cloud cover. The weather pattern has definitely changed, which is concerning."

He said the grove prices and the size of the fruit are a huge disappointment compared to last year, but he did remind that last year was an anomaly. "We've never had a market like last year," he said, noting that many factors combined to put growers in a great situation. There was an undersupply of fruit early in the season that allowed California to market a significant amount of fruit in the spring. There was also a U.S. government-imposed halt to shipments from Mexico because of a threat to a USDA inspector. Then the Texas governor impacted shipments for a week by creating a truck inspection snafu. And on top of all that, Mexico's crop fell short of estimates by about 10 percent. It was a perfect storm that led to a great marketing situation and record returns for many growers.

An issue that has Clevenger shaking his head this season is the reduced

FOB price being paid by buyers for the GEM variety. The Freska executive said many California growers have planted this variety because of several advantages including it yields better, is less susceptible to wind damage and produces a slightly larger average fruit size.

Clevenger said it looks similar to a Hass and eats as well, but buyers are asking for a discount. "We have a lot more GEMs this year than we have had in the past and they are not selling as well," he said.

He added that production of the GEM will continue to increase so some educational effort has to be made to inform the buyers that from a consumer's perspective there is no difference between a Hass and a GEM.

Gahl Crane, sales director for Eco Farms, Temecula, CA, acknowledged that 2023 is a challenging marketing year price-wise, but he said retail support has been good and much higher than last year...including support from some national chains for California's fruit. "I strongly disagree that retailers have not been supporting us this year," he said. "We've seen avocados being a leading item on ad and in-store. We have strong volume this year from multiple origins and that has been accompanied with strong retail promotions."

But Crane added that there is an undersupply of 48s, which is the retail community's favorite size. Moving throughout the summer, he expects very good ad support but does not expect the FOB price to get much stronger, except on the larger fruit.

Speaking specifically of organic avocados, he said there will be good volume from California and Mexico but again, there could be an undersupply of organic 48s and 40s. "We will need Peru organics to fill the supply gap on the larger sizes."

Carson McDaniel of McDaniel Fruit Company, Fallbrook, CA, was an-

other handler focusing on the opportunities rather than the challenges for this season. "We should have peak volume of 12-14 million pounds of California avocados in June and July, with strong supplies through August."

He said the cooler growing conditions have resulted in "phenomenal quality" and virtually no heat drop. "There are many retailers that love to switch to California avocados as soon we can supply them and that is what is happening right now."

McDaniel did call it "a challenging market that is significantly lower than last year. What we can do is offer the best programs possible to maximize returns to the grower. It's always a shock when the price drops so much but there are a lot of avocados in the market. I don't see an opportunity for a dramatic swing in the field price for this year."

But McDaniel does believe that the long-term prospect for California avocados is good. "We have a very desirable product," he said.

Though Mission Produce, Oxnard, CA, wasn't interviewed for this story, CEO Steve Barnard did take an optimistic view of the future in the public company's press release discussing its second quarter financial report. In part, he said: "Our fiscal second quarter performance was driven by improved sales volumes resulting from a more normal pricing environment versus last year's record high pricing. We delivered a 19% increase in sales volumes year over year, and we continued to see sequential improvement in both volumes and per-unit margins relative to fiscal first quarter.... Despite the impact of lower prices on per unit margins in the short-term, a more rational pricing environment is advantageous for long-term consumption growth and allows Mission to leverage our global distribution footprint to penetrate new growth markets." 🍌