

By Tim Linden

Avocado Marketing Dependent On World Supplies & Demand

If there ever was a year illustrating the interdependence of world supply and demand on the avocado marketplace, it was 2016.

When supplies from Mexico peaked in the spring, the U.S. market fell quickly. When Mexico's supplies dropped in the summer, the U.S. market spiked. In the meantime, Peru has seen its shipments to the United States decline over the last few years, precisely because there is a huge worldwide demand for avocados and Europe has proven to be a very good customer for the product from that South American country.

Emiliano Escobedo, executive director of the Hass Avocado Board (HAB), told *From the Grove* in early September, after that group's board meeting, that increasingly one can't look at a single production or consumption region and make any accurate predictions without knowing world supply and demand. He said there are two distinct parts to that equation with HAB having a fairly good handle on demand and where avocados are being consumed, what point of origin is selling to that destination and when consumption peaks in each region.

The world supply situation is not nearly as clear. Of course, it is much harder to gauge supplies as that is a fluid situation, subject to weather, water and many other factors. For example, in September he noted that California is predicting a crop of around 250 million pounds next year but no one knows for sure. And there is a lot of unknowable weather that

can influence that number significantly over the next eight months.

And even when one knows volume from a particular region, it's difficult to determine how that volume will influence a particular market. Case in point is Peru. While that country's volume has grown over the last three years, its shipments to the United States have declined from about 140 million pounds in 2014 to 80 million in 2016. A strong European market is the reason. And even an off-the-charts marketing opportunity in the United States this summer didn't alter Peru's European marketing plans. Even if Peru increases its U.S. shipments by 50 percent next year, which would be 40 million pounds, that won't even come close to offsetting California's expected drop in production. Put it another way – that will equal about one week of Mexican avocado shipments into the United States. Yet those extra 40 million pounds could be extremely important considering they will no doubt be marketed in a relatively short time frame.

Chile is in a similar position. Escobedo said we know Chile has a big crop this year – as much as 500 million pounds. But it appears that almost an insignificant amount of that fruit will be marketed in the United States. Chile could alter that dramatically with extra U.S. shipments but with a very strong domestic market and several strong export markets, why would it? "That's 500 million pounds that on the world market is very important but it makes no dif-

ference in the United States," said the HAB executive.

What this all points to, said Escobedo, is the need for a lot more information on the supply side. He said the world needs to know production numbers, timing and the size of the fruit. This summer, he said major discrepancies in size distribution clearly exacerbated the market price causing wide fluctuations. It is generally agreed that a market price making huge moves up or down is not a good thing as it doesn't allow for stability in the marketplace. It's difficult for a retailer to put avocados on promotion three weeks out if the price is highly volatile. And in the same vein, food-service operators will have trouble committing to a menu item featuring avocados if they aren't certain about the price or size availability.

But the cavalry is on its way. HAB has a six point strategic plan looking five years out, with one of those points being bringing more clarity to the supply situation. Representatives from all major production regions sit on the board and discuss the supply situation in their country before every meeting. Escobedo said compiling all the data and making it completely transparent isn't an easy task but it is one that HAB believes falls under its purview.

He believes the price fluctuations this year were driven largely by speculation. Greater transparency and collection and dissemination of data, he believes, will allow the market to react to actual supply and demand, not speculation of such.

But with that said, he also believes the world avocado industry is in great shape, especially if one takes the long view. Another goal of HAB is to make the Hass avocado the number one fruit consumed in the United States by 2021. Escobedo believes that lofty goal is within reach. He said both world supply and world demand are increasing significantly, which is great news for avocado producers. 