

Short Crop Leads to Strong Market

There is no doubt about it, the California avocado crop is very short this year compared to the last two years and that has led to a very good f.o.b. marketing situation...maybe even better than one might think.

"The market price at the handler level is very good," said Steve Taft, president of Eco Farms Avocados Inc., Temecula, CA. "Anytime 84s are over \$20, you know you have a good market."

In early June, he told *From the Grove* that the market ranged from about \$23 for 84s to \$40 for a carton of 48 size fruit. "The psychology of the market is playing a big role," he added.

Taft explained that for the last week of May, 43 million pounds of avocados were available for sale in the United States. That's a substantial volume which, on an annual basis, equates to a 2.2 billion pound crop. At such a substantial volume, you might not expect a strong market for any fruit, yet the California avocado market was holding its price. "The California crop is short. Buyers know that and so the market is good. It's the psychology of a shortage," he said, "even though on the world market there is lots of fruit."

Given the two different heat waves that took their toll in May, the Eco Farms executive said this year's crop is playing out fairly well. "At the handler level, we felt that pain in May," he said, referring to a lot of fruit drop. "That made for a tougher deal and a couple of tough weeks."

But Taft said the situation improved for June and as he spoke, he said California was moving into its peak shipping period. "We are peaking right now," he said on June 4.

He added that June and July should have good volume but supplies will taper off in August and there won't be much fruit available for shipping in September, even from the most northern districts. "I know there are some guys in Morro Bay that just couldn't keep the fruit on the trees because of the water situation. They were stripping their trees early."

Rob Wedin, vice president of fresh sales and marketing for Calavo Growers Inc., Santa Paula, CA, concurred that the market was strong and f.o.b. prices were very good. "For us, June and July will be our best months and then we will be 20 percent off in August. In September, we will only have one-third of the amount of fruit that we will have in August."

Wedin had heard of the trouble of some northern district growers, but he said Calavo's October shipments should be on target. "We are projecting fruit for October. It will be less than 5 percent of our total, but we will have fruit."

The Calavo representative said the field price currently being paid for avocados, especially organic avocados, was very good, though it might not be living up to early expectations. When the industry got wind of the short crop, Wedin said there was talk of a very strong in-the-grove price that could approach

\$2 per pound for conventional fruit. He said that talk was more idle speculation than anything else and didn't take into account supplies from other regions of the world. While some thought Mexico would be down during the summer months, in reality Wedin said our neighbors to the south sent a good supply of avocados to the United States market over the past several months, and there is not a lack of supplies from there moving forward.

"Expectations were really high but a little unrealistic," he said.

Still the California market has done very well. In early June, Wedin said the field price being paid for organic avocados on that day was \$1.99 per pound while conventional fruit was fetching \$1.44 per pound. He called both numbers "very good."

A representative from Cal Flavor in Escondido had a very similar story as the other two handlers to share. He said the market was strong, especially on small fruit, but he expected a little bit of a drop in price in the coming weeks as volume from Peru ramps up. Cal Flavor expects to have good volume of California fruit through the end of August with shipments concluding sometime around the middle of September.

Early in the season, most observers were pegging the total California crop at around the 300 million pound level. A mid-season survey now estimates that the crop will be around the 315 million pound figure (see story on page 10). "We believe the first figure might be closer to ac-

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curate,” said Wedin.

However, Taft said there are indications that a higher number might materialize. “It’s hard to say but the way the crop is picking, there could be more volume out there (than first predicted).”

Good prices always tend to bring out volume and more fruit may materialize if the market stays strong says conventional wisdom.

Wedin believes growers should not sit on their fruit and wait for short supplies and a potentially higher grove price. He said Peru has a good crop of large fruit and as the fruit sits on the tree and sizes it will come up against some tough market competition. In addition, the Lamb Hass fruit that come off in July will be large. And Mexico’s off bloom crop is also looking to be fairly strong as the summer progresses.

“We believe growers should harvest some of those profits now,” Wedin said, adding that the movement on smaller fruit at retail has been very good.

Also waiting in the wings is the petition from growers in the Mexican state of Jalisco to be approved for shipping to the United States. “We are hearing that Jalisco will be approved soon,” said Wedin, echoing what many are saying. “By the beginning of the year, they could be impacting supplies.”

Wedin said in early June that the Calavo fieldmen are saying it’s a bit early to say anything definitive about the 2015 crop. There appears to be a good crop on the trees but the triple digit weather in May could have an impact. “The 2015 crop looked very good but then it got very hot and the people I am asking say they need a little more time to see what’s going to happen.”

In general, Wedin said it’s a great time to be involved in the avocado business. “Avocados are increasing their popularity every year. It’s great fun. It’s all positive.” 🥑

Drought Impacts Feared

As the drought continues, avocado growers across all production areas are feeling the impact.

In the Morro Bay region, many farmers are seeing their groundwater supplies severely depleted, and with no relief in sight many are being forced to harvest early. With increasing demand on the groundwater in Ventura County, the aquifers have seen diminishing levels and growers are grappling with how to allocate the existing supplies. In the south — while there is agency water available — it remains costly. Due to the lack of rainfall, southern region growers have had to increase water purchases or allow groves to remain under-irrigated. In the near term, if these drought conditions continue, growers within the Metropolitan Water District service area could likely face mandatory cutbacks on deliveries.

Over the last few weeks the National Oceanic and Atmospheric Administration (NOAA) has been forecasting a possible El Niño event for later this year, which may bring some much needed rainfall, although the two don’t necessarily coincide. As of this writing, Congress is working on drought relief legislation intended to cut red tape and increase operational flexibility for federal agencies, but it is unlikely it will lead to any easing of federal laws and regulations, included under the Endangered Species Act or the Clean Water Act. At best it may increase deliveries from

the State Water Project allocations, and possibly allow additional water transfers from Lake Powell into Lake Mead. Either of these actions could result in improved supplies for Metropolitan, which may delay any call for mandatory cutbacks. The California Avocado Commission remains committed on our Water Pricing Campaign with Metropolitan, but it has definitely been made even more difficult due to the drought emergency (read more about CAC’s Water Pricing Campaign in the Spring 2014 *From the Grove* issue).

TSAWR Update for San Diego County

In 2012, the Commission successfully negotiated an extension of the Transitional Special Agricultural Water Rate (TSAWR) with the San Diego County Water Authority (SDCWA) for a savings of \$283 per acre foot for agricultural rate payers. The current agreement is set to drop the TSAWR supply costs component of \$139 per acre foot on January 1, 2015. Commission representatives have been meeting with SDCWA staff and presenting before the SDCWA Administrative and Finance Committee over the last few months, and there seems to be support to extend the TSAWR “as is” through January 2016. The Commission will continue to work with the SDCWA board and staff to maintain the TSAWR. 🥑