

Avocado

2017-18 campaign forecast

High tension in the European Union

The 2016-17 winter season was marked by a big rise of nearly 60 000 t in the supply, reaching a record level of nearly 280 000 t. And as ever when we are talking avocado production volumes, the marked alternate bearing effect means that no two successive years show any similarity! 2017-18 is set for a campaign of a practically stagnating supply from the mainstay suppliers to the Community market, and consequently high tension.

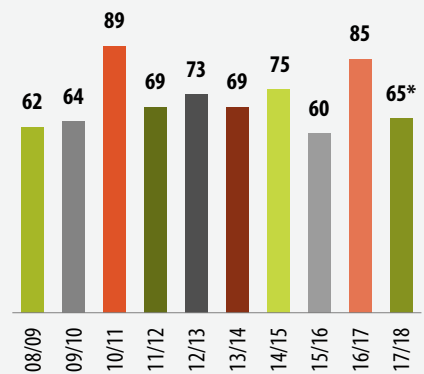
Spain

Alternate bearing effect and lack of water

As could logically be expected, the two big Mediterranean suppliers to the European market are set for a lean campaign, after a record 2016-17 season. In Spain, the fall in production due to alternate bearing has apparently been aggravated by climate conditions hindering fruit-setting, particularly in eastern Axarquía. Hence the harvest could be down by approximately 25 %, which should take shipments to the Community market to a level of approximately 45 000 t, near-average for recent years but approximately 10 000 t less than in 2016-17. Green varieties seem harder hit than Hass. The issue of water availability for the rest of the campaign is being raised with more urgency than ever, at the time of going to press. Despite the irrigation restriction measures already implemented in April 2017 (sprinkling banned one day a week), the Viñuela dam, the main supply source for the Axarquía basin in which the bulk of the cultivation area is concentrated, is at its lowest level for eight years (less than one third of its capacity). More drastic reduction measures could be implemented soon if the autumn rains do not come.

Avocado - Spain - Andalusian production (Malaga + Granada)

(in 000 tonnes / *estimate / professional sources)



SPAIN

Hass planted area of nearly 9 600 ha in Andalusia
World no.4 exporter

Avocado — Spain — Exports

in tonnes	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17*
Intra EU-28	48 600	38 900	38 500	36 700	50 600	37 700	54 628
Extra EU-28	1 804	4 750	7 717	3 145	4 063	2 943	5 777
Total	50 404	43 650	46 217	39 845	54 663	40 643	60 405

* Estimate / Professional sources and Eurostat

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Israel

A big production swing

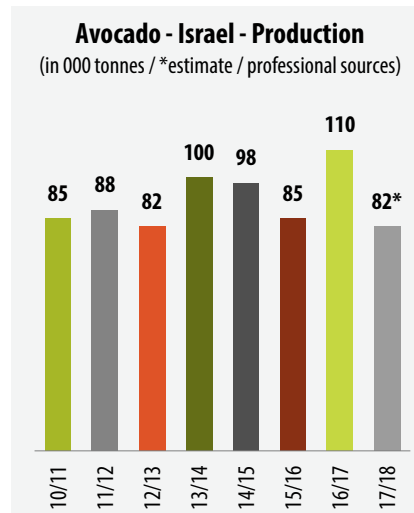
Israeli production has been marked since 2015-16 by the return of a high-variation trend, after a fairly long period of smooth growth. The 2017-18 campaign will be no exception, with a big production fall of 25 to 30 %, back to a level considerably below average. This downturn seems entirely due to the production alternation effect, with no particular climate problems involved. We might wonder whether there is a link between the strategy of late marketing during the 2016-17 campaign (volumes sold in March and April twice the average), and the marked intensity of the swing phenomenon observed this season. If this is the case, as we might be led to think since "storage" on the tree uses up reserves, the effect may be less significant than it appears! The production fall registered this season also seems more marked for the mid-season and late varieties (Hass, Pinkerton) than for the early varieties (Ettinger, Fuerte). The export potential should be around 55 000 t, with approximately 45 000 to 50 000 t for the Community market (as opposed to more than 55 000 t to the same destination in 2016-17).

Morocco

Alternate bearing again, but on an upswing

Unlike the two main Mediterranean supplier countries, the alternate bearing phenomenon will favour Morocco. Production was particularly limited in 2016-17 because of a devastating Chergui (hot wind) in spring 2016, contrary to what record export figures might lead us to believe (nearly 10 000 t).

Hence quite logically, 2017-18 should see an excellent harvest, both in terms of volumes and fruit sizing. Certain producers are set for rises of 40 to 50 %, which could enable the export potential to approach 15 000 t. Practically all the volumes will again be bound for the Community market, although some progress in shipments to the Middle East and Mauritania can be observed.



ISRAEL
Planted area of
nearly 8 200 ha
(60 % green varieties
and 40 % Hass)
World no.6 exporter

Avocado — Israel — Exports

in tonnes	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17*
EU-28	38 512	40 355	35 117	42 844	46 086	34 995	54 600
Others	5 188	3 645	7 383	10 156	6 914	6 224	7 450
Total	43 700	44 000	42 500	53 000	53 000	41 219	62 050

* Estimate / Professional sources and Eurostat



MOROCCO
World no.12 exporter

Avocado — Morocco — Exports

in tonnes	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17*
EU-28	3 346	2 803	840	4 766	7 293	7 141	9 237
Others	294	107	317	562	301	131	122
Total	3 640	2 910	1 157	5 328	7 594	7 272	9 359

* Estimate / Sources: Comtrade, Eurostat

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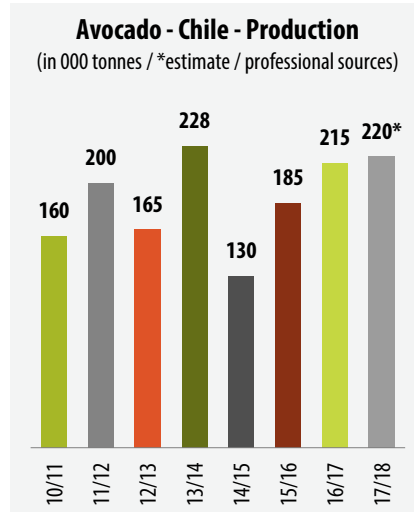
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Chile

In increasingly rude health

Unlike the majority of their Mediterranean counterparts, South American exporters will have good volumes. In Chile, the spectre of the dark years, when the cultivation area was practically halved, seems to be continuing to fade. For the third consecutive season, the harvest is set for a very good level, with the expected 220 000 t marking a very slight rise on last season and figuring among the top three potentials of the decade. On the one hand, the climate conditions were rather favourable during the flowering phase, and the cold spell in August caused more alarm than damage. On the other hand, renewed producer confidence in the avocado industry, due to more generous rainfall and the excellent prices charged on the international market in recent campaigns, is starting to have tangible effects. Reinvestment is helping better counterbalance the alternate bearing effect, and certain axed orchards are returning to production, with the first fruits expected from the areas newly planted in the last few years. The sizing level appears satisfactory. In terms of distribution of volumes by outlet, the balance should again this season lean toward the international market, with local prices unable to keep up (less than 30 % of production sold locally in 2016-17, as opposed to 40 to 50 % previously). Europe will remain Chile's main market. However, the United States, where the campaign is off to a flying start due to a shortage of Mexican "flor loca", and Asia, no less strategic for Chilean exporters, should receive slightly bigger volumes. Hence given the modest production increase mentioned above, volumes bound for Europe should at best only equal the 2016-17 figure of 90 000 t.



CHILE
Hass planted area
of nearly 28 000 ha
World no.3 exporter

Avocado — Chile — Exports

in tonnes	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17*
EU-28	25 762	32 929	42 571	64 247	43 481	79 421	91 385
USA	54 383	73 795	14 710	53 297	12 341	11 428	29 204
Central Am.	5 900	7 342	8 888	11 735	9 943	15 762	17 397
Japan+Asia	393	1 638	1 283	1 978	1 877	5 878	13 594
Total	86 439	115 703	67 452	131 257	67 643	112 489	151 580

* Estimate / Source: Chilean Customs





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Colombia

A fine harvest, still largely aimed at the EU-28

Avocado — Colombia — Exports

in tonnes	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17*
EU-28	114	-	508	1 173	3 050	11 691	24 000
Others	10	7	30	38	1 450	100	500
Total	124	7	538	1 211	4 500	11 791	24 500

* Estimate / Source: DIAN

Colombia has demonstrated in two seasons that it should not be considered a minor origin. The rapid growth of its exportable potential, going from less than 4 000 t in 2014-15 to more than 24 000 t in 2016-17, and the wide extent of its trading calendar (from October to March, and then May to June with production in northern Caldas and eastern Antioquia) make it one of the most attractive origins on the winter market, not to mention its logistical advantages over its South American rivals. The cloud on the horizon remains know-how and certification level, which leave something to be desired among some new producers. The industry should continue to make giant strides forward in 2017-18, with an export potential possibly slightly in excess of 30 000 t. However, Europe will now need to share with the United States. After twelve years of efforts, Colombian professionals obtained the green light from the US sanitary authorities in mid-August and should be able to start exporting in mid-September. However, while the United States is indisputably a natural outlet for Colombia (transport time just 4 to 5 days, with limited logistical costs), the volumes aimed at this big market should see a very gradual increase. Currently there are few orchards compliant with the sanitary protocol, which in particular stipulates the absence of avocado stone weevil within the orchard and its immediate surroundings. Even the country's two big leaders, Cartama and Westsole, should only be able to export limited volumes in this first year, and even so more from early 2018.

COLOMBIA
Hass planted area
of nearly 15 000 ha
World no.11 exporter



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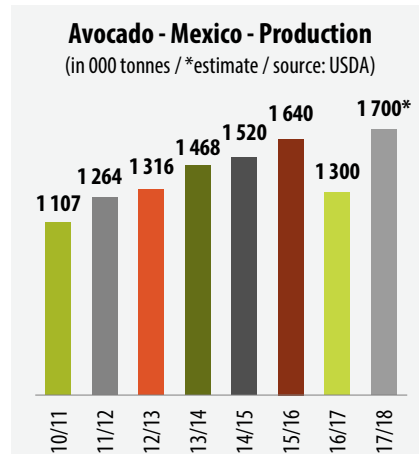
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MEXICO

Hass planted area
of nearly 205 000 ha
World no.1 exporter



Avocado — Mexico — Exports

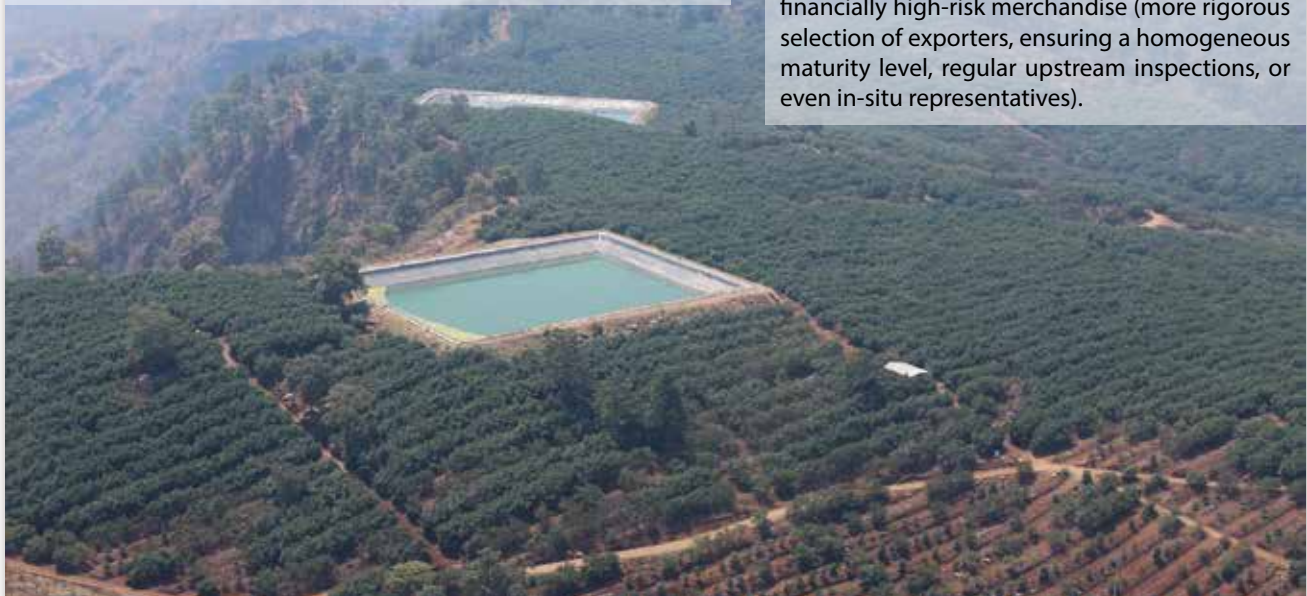
in tonnes	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17*
USA	283 814	359 262	522 488	516 085	693 344	862 457	759 318
Japan	35 159	42 354	55 883	51 626	53 175	64 864	62 459
Canada	22 687	27 431	35 044	33 632	44 958	62 148	71 607
EU-28	3 155	4 153	9 137	5 690	12 996	47 689	38 768
Others	19 642	29 537	34 893	26 386	42 597	44 092	33 820
Total	364 457	462 737	657 445	633 418	847 070	1 081 250	965 972

* Estimate / Source: Mexican Customs

Avocado — Supply trend in 2017-18

in tonnes	Production 2016-17	Exports 2016-17	including to EU-28	2017-18 trend / 2016-17
Chile	220 000	151 600	91 400	= (↔)
Israel	120 000	62 000	54 600	- 15 %
Spain	-	60 400	54 600	- 20 to 25 %
Morocco	na	9 400	9 250	+ 40 to 50 %
Colombia	na	24 000	24 000	+ 20 to 25 %
Total for 5 suppliers		307 400	233 850	- 5 to 10 % ???
Mexico	1 300 000*	966 000	38 768	↗

Professional sources



Mexico

Market highly open to Mexican fruits

If these hypotheses come true, the combined supply from all the main suppliers to the Community market should be 5 to 10 % less than in 2016-17. Could there be a Brexit effect, with the fall in sterling encouraging suppliers to the British market to dedicate a larger proportion of volumes than in previous seasons to the continental markets? This does not seem to be the case. So the Old Continent is set for extreme tension! As a reminder, in the last campaign, the supply and average price were up by more than 20 %. In this context Mexico should make a strong comeback in Europe. True, the world number one exporter had a really slack start to its season, with the harvest of the well-named “fruta loca” very limited. However, this early campaign shortfall is no reflection of the overall production which, according to the information gathered from professional sources, is set for a high and probably even record level in Michoacán (“on” year, major increase in cultivation area in recent years, no major climate problems). Similarly, Jalisco, which has still not obtained authorisation to export to the USA, reportedly has a very fine harvest. So the production should be in place, and European importers seem keener than ever to take advantage. The origin’s “faithful” seem to have bigger programmes, and many “agnostics” seem to be prepared to be converted this season. A significant proportion of the operators have implemented reinforced control measures, for greater peace of mind when trading this financially high-risk merchandise (more rigorous selection of exporters, ensuring a homogeneous maturity level, regular upstream inspections, or even in-situ representatives).

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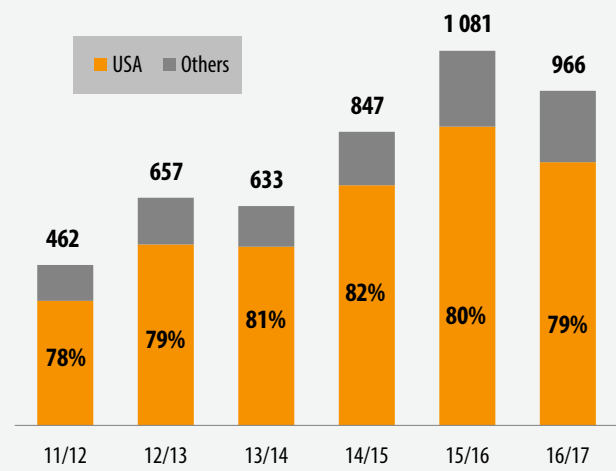
Is the spectre of the wall between the USA and Mexico hovering over this campaign?

Could the renegotiation at Donald Trump's request of the free trade treaty between the USA, Mexico and Canada, cause the closure of the US borders, leading to a transfer to Europe of some of the colossal volumes exported by Mexico? This extreme scenario, which could be catastrophic, seems very unlikely. On the one hand, the treaty remains in force during the negotiations, which only started in mid-August. They should at best be finalised for the Mexican general elections (July 2018) or the US legislative elections (November 2018). On the other hand, while the first meeting seemed like the first round of a bout, so tough were the negotiations, the avocado sector does not seem as exposed as the automotive or textile sector. True, the volumes in play are far from insignificant, but the product has practically become an essential, with the possibility of substitution by local Californian or other production remote, and Mexican exporters are nearly 50 % US companies.

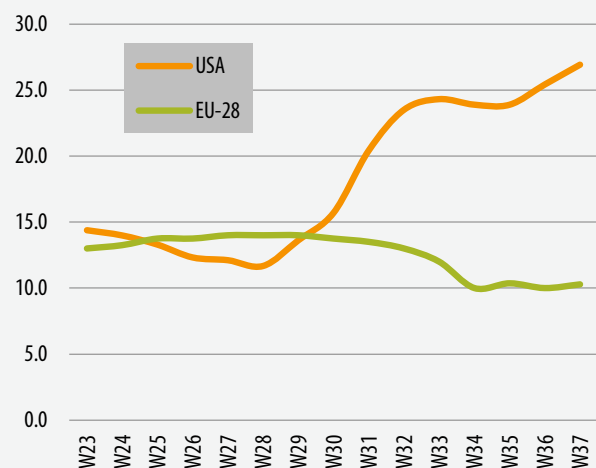
Price: the same as in 2016-17 but better?

Saying that the season is off to a bad start would be a euphemism... Prices charged in Europe are still marked by the deluge of merchandise (often of poor quality) received from Peru in August, while purchase prices of the first Chilean and Mexican fruits are in step with the US market, which is heavily under-supplied. Nonetheless, the rates of these two markets should rapidly converge, with Mexico gradually switching from "flor loca" to "flor aventajada" from the second half of September. Prices in Europe should recover a high level in October, probably higher than last season. Stability should prevail until the winter. The seasonal increase which normally takes place in March should be earlier and more intense, because of the shortfall from the Mediterranean campaigns. It is a good bet that the average price for this campaign will set a new record! Conversely, the scenario could well change with the start of the summer season. Peruvian production should continue to climb, if the weather is less chaotic than previous seasons, while the US market will probably be much less open than in 2017 (big Mexican campaign, and Californian harvest enjoying a positive alternate bearing in a much eased context of water stress).

Avocado - Mexico - Total exports and share sent to the USA
(in 000 tonnes / source: Mexican Customs)



Avocado - EU-28 and USA - Weekly price indicator comparison
Period from June to September 2017
(in euro/4-kg box equivalent / sources: CIRAD, USDA)





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Limited production growth prospects in the Mediterranean

What about the volumes we can expect in the coming years? The production growth dynamic remains fairly modest among the Mediterranean leaders. The Israeli cultivation area of 8 200 ha (with 800 ha of young plantations) is continuing to expand at a moderate rate of approximately 300 to 500 ha per year. Similarly, in Spain, surface areas are practically static in Axarquía, where the majority of the 9 500 to 10 000 ha cultivation area in Andalusia is concentrated. The plan to divert toward the Viñuela dam a tiny proportion of the 700 cubic hectometres of water discharged by the River Guadiaro into the sea has still not been enacted, although it does seem to be raising a little more interest among the public authorities. It would help not only improve the sizing (20/22 on average at present for Hass) and productivity, but also practically double the irrigated area using currently unexploited land, with major economic and social externalities. Some developments are continuing in the Valencian Community, particularly in the Marina Baja zone near Alicante (approximately 300 ha according to professional sources). Conversely, the dynamic appears to be clearer in the River Guadiaro valley, which is indeed cooler and windier than Axarquía, but also richer in water (Campo de Gibraltar, situated on the coastal fringe straddling the provinces of Cadiz and Malaga). The extension of the cultivation area, very difficult to measure, is probably in excess of 500 ha and comprises medium to large production facilities (several plantations of one hundred hectares or so). It is perhaps in Morocco that the planting dynamic is currently strongest, although there are no precise figures to confirm (more than 500 ha/year?). Some major projects seem to have been launched or are on the rails (measured in hundreds of hectares), which have reinforced the trend initiated by small and medium-sized producers.



Avocado — Cultivation area expansion

	Cultivation area (ha)	Annual growth in 2016-17	Observations
Israel	8 200	+ 300 to 500 ha	approx. 2/3 green varieties
Spain (Andalusia)	9 600	moderate	approx. 10 to 15 % green varieties
Morocco: Hass		+ 500 ha?	
Colombia: Hass	15 000	1 200 to 1 400 ha	faster rate in the short-term
Mexico: Hass	205 000	+ 18 000 ha**	
Chile	30 000	low*	of which at least 2 000 ha of varieties other than Hass and Hass like

*approx. 2 000 ha planted in the RM regions and 5 between 2014 and 2017, but similar uprooted surface areas
Professional sources or **official source

Major surface area expansion continuing in Latin America

It is still South America which is seeing the most marked surface area expansion. After the fine economic successes of recent seasons, the avocado is regaining its prestige in Chile, as is shown by the 2017 update of the land registry of two of the main production zones, representing 80 % of the cultivation area. An increase in surface areas can be seen, albeit very slight (a hundred or so hectares); but this is a break from the strong downward trend of previous years. The breakdown unsurprisingly shows a continuing downward trend in surface areas in the zones hardest hit by the drought (Petorca, Quillota). Conversely, other zones better endowed with water and protected from frost are on the up, especially San Antonio, situated on the coast in the far south-east of the Valparaíso region (+ 1 400 ha). The coastal zones further south (O'Higgins and even Maule provinces) are reportedly on the rise too, but the lack of an update to the land registry for these regions means that there is no confirmation. As you can see, this is a slight trend, in no way comparable with the generalised boom of the 2000s.

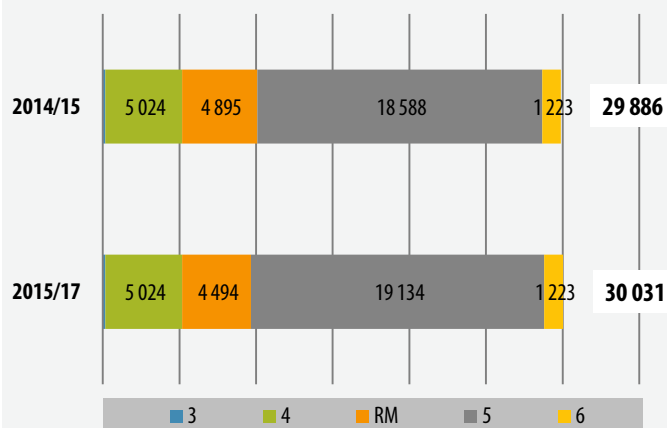
Colombia meanwhile is still making giant strides, now with willing support from the State (crop of national interest). Hence the country reportedly now contains approximately 15 000 ha of Hass, expanding at a rate of approximately 1 200 to 1 400 ha per year in recent seasons (all types of project, from the largest to the smallest). The main production provinces, namely Antioquia, Risaralda, Caldas and Quindío, remain those where production is progressing fastest. The surface area expansion rate should increase with the opening up of the US market. Let's hope that the certification level will keep step, an important point to consolidate the brand image of Colombian fruits, at times leaving something to be desired for certain brands. Yet it is still in Mexico that production is continuing to grow the fastest. The industry, worth 2.5 billion USD according to a recent estimate, remains a symbol of the success of the Mexican agricultural sector, despite the environmental controversies it is facing. The postal services have also just issued a stamp celebrating the country's green gold! According to Ministry of Agriculture sources, Mexico had a planted area of 205 000 ha in 2016, i.e. up by approximately 18 000 ha from the previous year (+ 14 000 ha for Michoacán and + 2 500 ha for Jalisco) ■



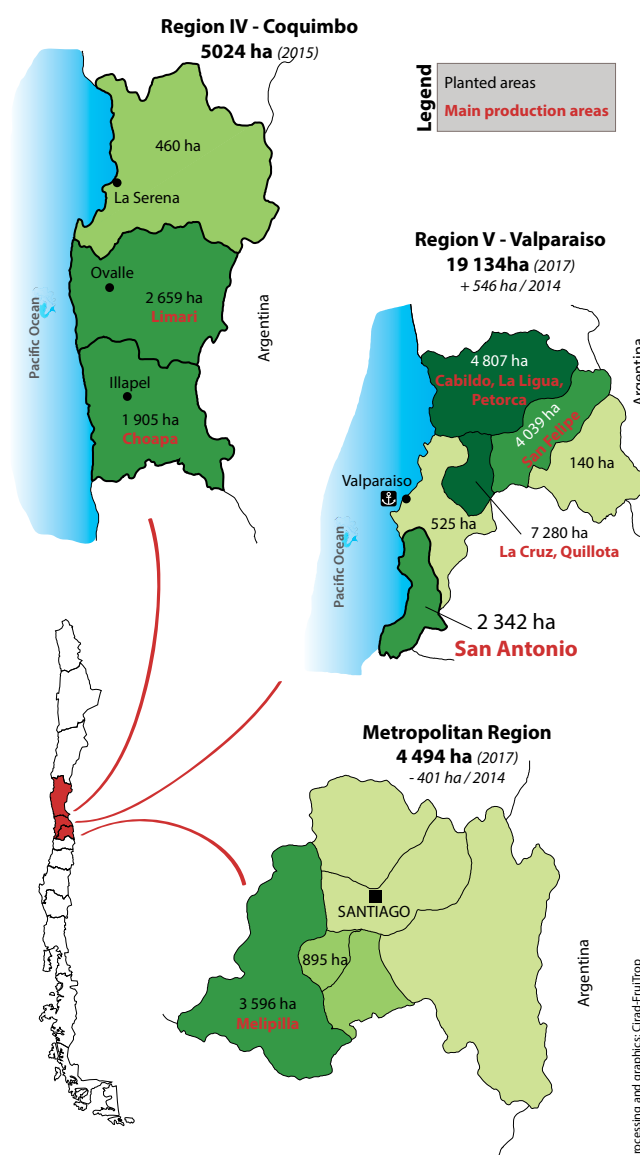
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Avocado - Chile - Evolution of planted areas by region

(in hectares / sources: CIREN, ODEPA)



2015 data for 3, 4 and 6 regions and 2014 or 2017 data for 5 and RM regions



Processing and graphics: Cirad-Fruitrop