Avocado
Winter 2018-19 forecasts for the EU

Just what was needed!

The 2018 summer campaign, now coming to a close, showed the limits of EC market demand. Should we fear the volumes expected during the winter 2018-19 campaign, when all the major market suppliers announced excellent export potential? The answer is no, since the supply should be nicely in step with the growth potential in demand.

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Avocado at its best

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A record season in Israel, in particular for green varieties

A fine campaign is taking shape in the Mediterranean, with the leaders (Israel and Spain) both registering record production levels. The expected surge in Israeli production is on a par with the slump seen in 2017-18. At 120 000 t, the harvest will be the biggest ever recorded (+ 30 % on the average). The alternate bearing effect, this season on an upswing, and the excellent climate conditions, are not the only two factors explaining the very good production level. Growth in the cultivation area, with an average of 500 ha per year recently, is another relevant factor. In this high production context the local market, highly price-sensitive, should absorb approximately 50 000 t, which corresponds to consumption per capita of approximately 5.5 to 6.0 kg, a good level even for a producer country. Hence approximately 70 000 t should be left for export. Green varieties should continue to represent just over 50 % of volumes placed on the international market, despite the increase in Hass surface areas. The export potential will be very high for Ettinger, which remains by far the country's main green variety (nearly 40 % of green variety surface areas). Volumes shipped to the EU should be around 85 %, with Russia taking in the bulk of the leftovers.

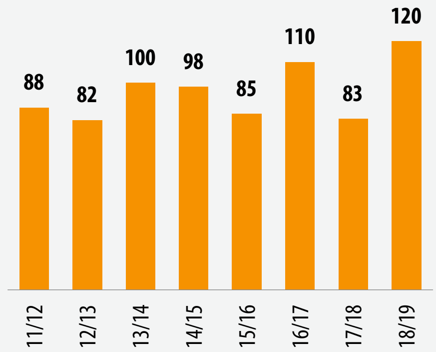
Avocado — Israel — Exports

in tonnes	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
EU-28	40 355	35 117	42 844	46 086	34 995	56 600	41 567
Others	3 645	7 383	10 156	6 914	6 224	7 450	10 933
Total	**44 000**	**42 500**	**53 000**	**53 000**	**41 219**	**64 050**	**52 500**

Professional sources and Eurostat

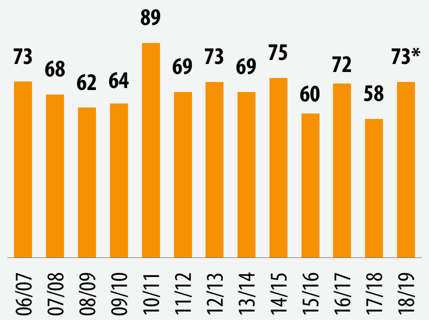
ISRAEL
Planted area of nearly 9 200 ha (48 % green varieties and 52 % Hass)
World No. 4 exporter

Avocado - Israel - Production
(in 000 tonnes / professional sources)



SPAIN
Hass planted area of nearly 13 500 ha in the Peninsula
World No. 5 exporter

Avocado - Andalusia (Malaga, Granada, Cadiz, Huelva) - Production
(*estimate / in 000 tonnes / source: MARM)



Harvest on a par with the excellent 2016-17 figures in Spain

The Spanish harvest too will register a major rise. However, it will only regain the 60 000 t level from 2016-17 in the country's main production centre, Axarquía, with a much more moderate surface area expansion than in Israel. Unlike other regions in Spain or even Europe, summer temperatures were around normal (in particular, no heatwave). Furthermore, there was a decent rainfall level during the winter and spring. Hence the water reserves available from the Viñuela reservoir, the main irrigation source for Axarquía, are distinctly greater than at the opening of the previous campaign (reservoir at 39 % capacity, as opposed to 29 % in 2017). So the sizing is set to be rather above average. So Spanish exports, across all production zones, should return to a level of around 55 000 t (85 % Hass and 15 % green varieties).

Avocado — Spain — Exports

in tonnes	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Intra-EU-28	38 900	38 500	36700	50 600	37 600	54 600	48 600
Extra-EU-28	5 200	7 700	3100	4 000	2 900	5 800	3 718
Total	**44 100**	**46 200**	**39 800**	**54 600**	**40 500**	**60 400**	**52 318**

Professional sources and Eurostat

Heat wave and alternate bearing in Morocco

Unlike the top two, Morocco is set for a below-average season, albeit after a record 2017-18 harvest (more than 22 000 t exported, practically all to the EU-28). The downward alternate bearing effect was reinforced by a summer heatwave. Hence the volumes available for export should be less than 10 000 t, despite the ongoing rapid expansion in cultivation area (approximately 600 ha per year).

Avocado — Morocco — Exports

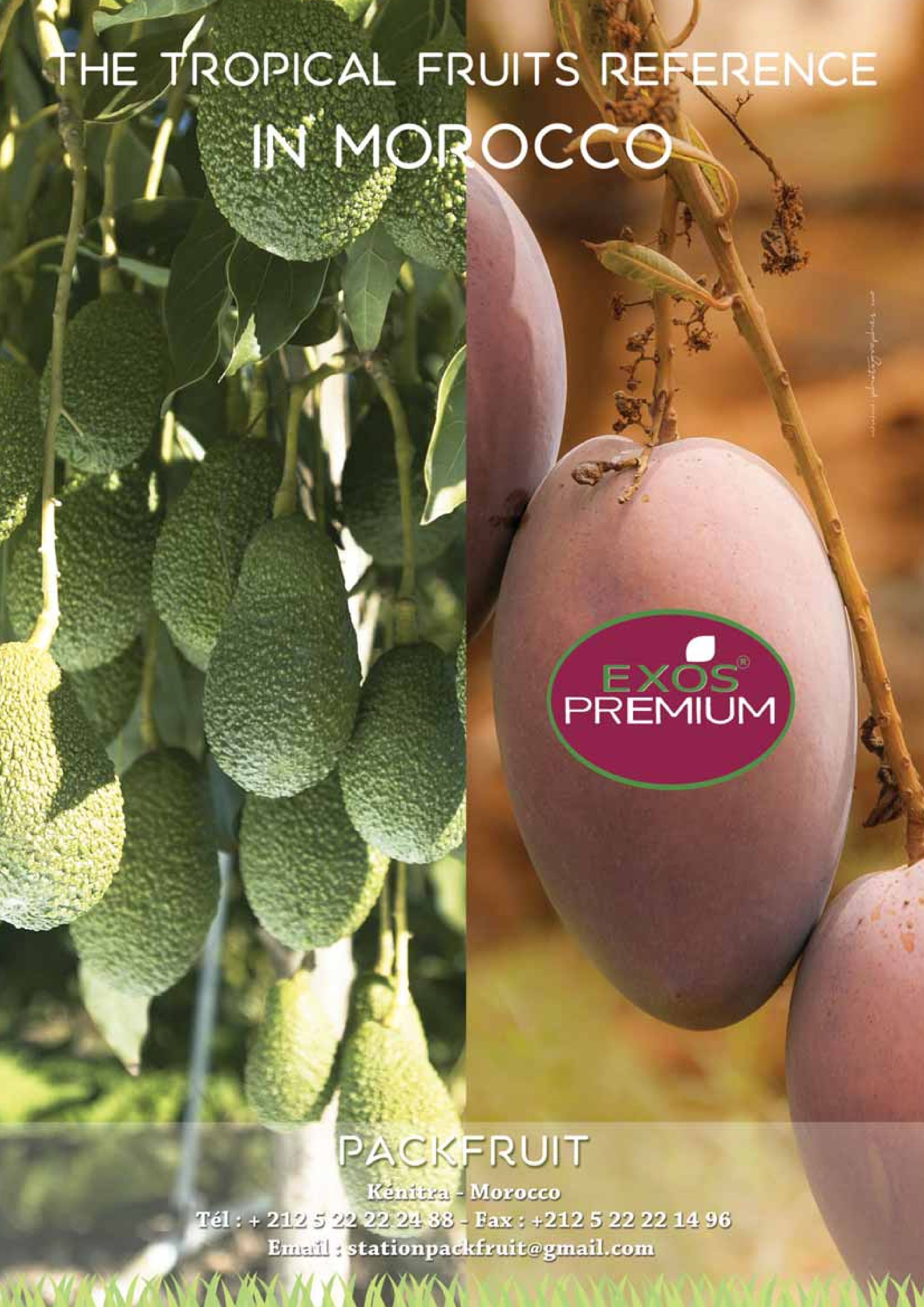
in tonnes	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
EU-28	2 803	840	4 766	7 293	7 141	9 237	22 000
Others	107	317	562	301	131	122	1 000
Total	**2 910**	**1 157**	**5 328**	**7 594**	**7 272**	**9 359**	**23 000**

Sources: Comtrade, Eurostat

MOROCCO
Hass planted area of nearly 6 000 ha
World No. 10 exporter

A new Mediterranean player: Portugal

The 2018-19 campaign will be marked by the arrival of a new member in the Mediterranean exporter family: Portugal. Planting has been going strong in the south-west of the country (Algarve and the Bajo Alentejo coast), and some volumes should be making their debut on the international market this season. The Hass cultivation area covers approximately 1 000 ha in total, according to professional sources. It is based mainly on medium to large-sized orchards, developed in part by the growers/local investors. By way of example, Citago established one of Europe's biggest plantations (80 ha) near Lagos in Algarve. International avocado specialists have also invested in Portugal. The Spanish cooperative Trops has established a packing station in Tavira (Algarve) to market the produce of twenty or so local producers. The world number one in the sector, Westafalia, has started to set up a large-scale plantation near Setúbal further north, in partnership with a local player (80 ha of Hass and Gem planted in late 2017, out of approximately 500 ha available).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Near full potential for Chile

Just as in the Mediterranean, the big South American players will also be in top form. In Chile, the spectre of the dark years seems increasingly distant. For the third consecutive season, there should be a very good production level, even probably approaching its full potential with approximately 240 000 t expected. The frost in late May/early June had very little impact on the avocado industry, with the affected zones mainly planted with citruses. Excluding the large volumes earmarked for the local market, the export potential should be at a slightly higher level than in 2017-18. The main emphasis was on the diversification markets, so the EU-28 programme should be very slightly greater than its 2017-18 level of 93 000 t (slightly over 95 000 to 100 000 t expected). So while volumes are set to be similar to last season, maturity seems slightly later. This factor, combined with a deliberately deferred start to shipments to Europe, in view of the magnitude of Peruvian volumes still available in September, should lead to a bigger supply in the latter part of the season.

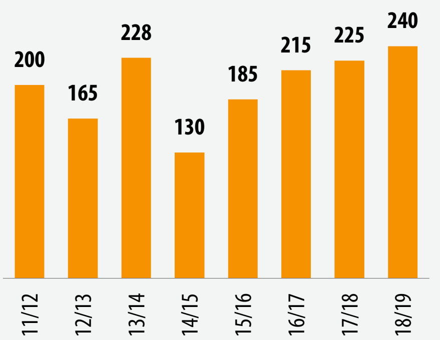
CHILE
Hass planted area of nearly 29 000 ha
World No. 3 exporter

Avocado — Chile — Exports

in tonnes	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
EU-28	32 929	42 571	64 247	43 481	79 421	91 385	93 496
USA	73 795	14 710	53 297	12 341	11 428	29 204	29 389
Central America	7 342	8 888	11 735	9 943	15 762	17 397	15 801
Japan+Asia	1 638	1 283	1 978	1 877	5 878	13 594	15 147
Total	**115 703**	**67 452**	**131 257**	**67 643**	**112 489**	**151 580**	**157 111**

Source: Chilean Customs

Avocado - Chile - Production
(in 000 tonnes / professional sources)



COLOMBIA
Hass planted area of nearly 17 500 ha
World No. 9 exporter


© Jean-Pierre Coulet

Colombian surge ongoing

As the 2017-18 campaign confirmed, the Colombian export industry is off to a flying start. Still marginal even in 2014-15, the Andean country's exports neared the 30 000-t mark in 2017-18. Unsurprisingly, they should again see very considerable growth in 2018-19, to reach 40 000 t. This rapid growth is due to huge expansion in surface areas, which have now reportedly reached 17 500 ha. Practically all of these volumes should continue to be aimed at the European Union. There are few operator currently prepared to export to the United States, as is attested by the modest volumes exported since this market opened up in late 2017 (fifty or so tonnes from November 2017 to May 2018). The sanitary protocol aimed at limiting risks of introducing quarantine pests remains very difficult to comply with.

Avocado — Colombia — Exports

in tonnes	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18*
EU-28	-	508	1 173	3 050	11 691	22 045	28 000
Others	7	30	38	1 450	100	292	500
Total	**7**	**538**	**1 211**	**4 500**	**11 791**	**22 337**	**28 500**

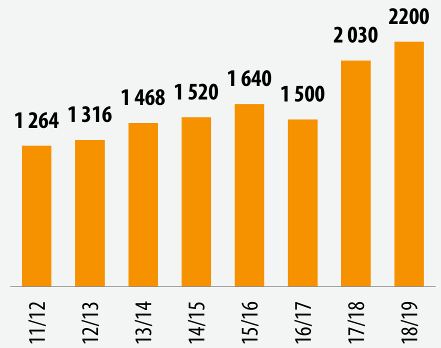
* Estimate / Source: DIAN

What about Jalisco?

Mexico is the origin that has seen the biggest rise on the EC market, with incoming shipments increasing ten-fold in four years to exceed the 60 000-t mark in 2017-18 (average rise of 15 000 t per year). It is of course the surge in production from Jalisco which is behind this boom (probably 45/50 000 t, i.e. 3/4 of volumes exported to the EU-28 according to professional sources). All the factors are there on the upstream side for this origin to continue developing its shipments to Europe in 2018-19. Production, in excess of 2 million tonnes nationally in 2017/18, should reach a record level, in both Jalisco (approximately 160 000 t expected, i.e. +15/20%) and Michoacán (+ 8 to 10 % according to the professionals). In addition, the political tension existing between Mexico and the USA, currently at a peak, gives little hope for US borders opening up to avocados from Jalisco this season, when moreover a change in government is expected in Mexico. Hence Jalisco should continue to focus on the Japanese, Canadian and European markets. Volumes could be between 70 000 and 80 000 t, depending on the scenarios (same rise as the overall rise in the EC supply, or ongoing average growth from this origin of 15 000 t per season).

MEXICO
Hass planted area of nearly 218 000 ha
World No. 1 exporter

Avocado - Mexico - Production
(in 000 tonnes / source: USDA)

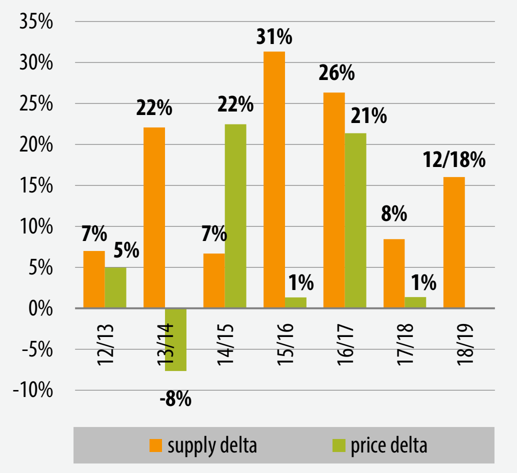


Avocado — Mexico — Exports

in tonnes	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
USA	359 262	522 488	516 085	693 344	862 457	759 318	861 393
Japan	42 354	55 883	51 626	53 175	64 864	62 459	60 455
Canada	27 431	35 044	33 632	44 958	62 148	71 607	83 346
EU	4 153	9 137	5 690	12 996	47 689	38 768	62 146
Others	29 537	34 893	26 386	42 597	44 092	33 820	66 306
Total	**462 737**	**657 445**	**633 418**	**847 070**	**1 081 250**	**965 972**	**1 133 646**

Source: Mexican Customs

Avocado - EU-28 - Evolution of supply and average price in the winter season
(sources: CIRAD, Eurostat)



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Prices set to maintain a good level, though slightly lower than in 2017-18

If the hypotheses presented above are confirmed, the rise in the overall supply to the EC market should be within the range 12 to 18 %, depending on Mexican volumes. Analysis of past campaigns indicates a rough trend as to price evolution in 2018-19. Since 2014-15, rates have risen constantly despite the parallel increase in trade volumes, with supply peaks sometimes even accompanying record prices (volumes and prices increasing by 26 % and 21 % respectively in 2016-17). However, the 2017-18 campaign showed a distinct levelling out, with volumes up by "only" 8 % and practically stable prices (+ 1 %). This factor should be considered alongside the slowdown in growth in consumption in France and the United Kingdom because of the very high retail price level reached (see consumption article). A slight downturn in import rates should help revitalise the dynamic on these markets, which are from mature.

The distribution of volumes over time, another important point to incorporate into the equation to determine the price evolution, also points to this slight downturn. We might assume that the supply pressure will be higher during Q1 2019, due to the late start to the Chilean campaign and a rising Hass export potential, for both Israel and Spain. Prices should remain excellent during this period, but will probably not scale the heights seen in 2018. The influence of the green varieties market, which promises to be very abundantly supplied especially by Israel from October to December, on the Hass market should conversely be fairly minimal. On the one hand, the East European markets, with a keen appetite for avocados at attractive prices, will very definitely play a buffering role, especially since consumption growth has picked up in the last two seasons. On the other hand, the partitioning between the Hass market and the green varieties market should remain firm, with Ettinger, Pinkerton and co. not returning to the shelves of the supermarket chains which abandoned them ■

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Avocado — Supply trend in 2018-19

in tonnes	Production 2018-19	Exports 2017-18	of which to EU-28	Trend 2018-19 / 2017-18
Chile	240 000	157 111	93 496	+ 5 %
Israel	120 000	52 500	41 567	+ 45 %
Spain	-	52 318	48 600	+ 15 %
Morocco	24 000	23 000	22 000	- 60 %
Colombia	-	28 500	28 000	+ 40 %
Total 5 suppliers	-	**313 429**	**233 663**	**+ 10 to 12 %**
Mexico	**2 200 000**	**1 133 646**	**62 146**	**+ 10 to 25 %**
			Total EU-28	**+ 12 to 18 % ???**

Professional sources