

Avocado

Summer 2020 forecast for the European market

A very uncertain scenario

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On what bases should we construct the scenario for this counter-season campaign? The answer to this question is of acute complexity in 2020, with the world health crisis particularly blurring the contours of most of the variables in the equation. What volumes will actually be available for export? Most of all, what demand dynamic can be expected on the major markets, when lockdown of whole regions of the world is altering consumer habits? FruiTrop offers this updated look at a campaign set to be even more difficult than predicted.

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Peru

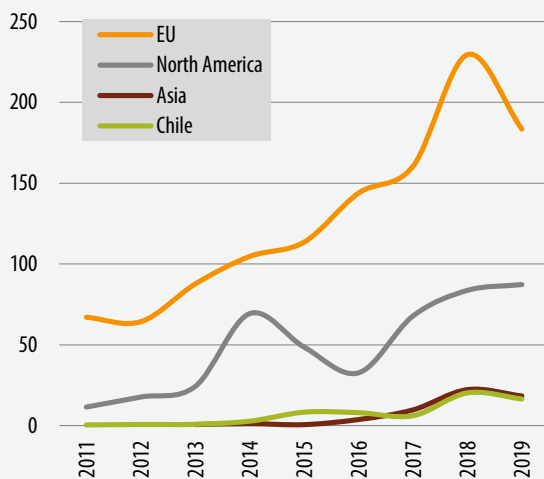
(Another) record year

The question of production potential may be the least complex in this abyss of mystery. The harvests of the main market players are set for high levels. This is the case for the number one world counter-season market supplier, i.e. Peru. Export potential is set for a record level, with the alternate bearing upswing adding to large areas of new plantations coming into their prime and entering production (approximately 2 000 to 2 500 ha per season in recent years). The export programme was built on a basis of volumes of approximately 360 000 to 370 000 t of Hass (plus probably an additional 20 000 to 25 000 t of green varieties), approximately 50 000 to 60 000 t above the 2019 figure, and approximately 25 000 to 30 000 t above the 2018 figure. This is regarded as conservative by certain professionals. The export calendar should be earlier than in 2019, with in particular the Olmos region coming into its own. Yet this scenario does not seem to be holding up if we observe first few weeks of exports, with a considerable delay compared to last season seemingly taking effect because of the health crisis.

Lofty ambitions from Peru in the USA

What volumes will be aimed at the EU-28? The programme is regularly adjusted, but it seems highly theoretical – and how could things be otherwise, given the present complete haziness? The objective is to avoid inundating the European market, by sending smaller volumes than in 2018, thanks to more ambitious programmes to the other destinations. Hence there are plans to take advantage of Peruvian Hass' increasingly solid footing in the USA to export bigger volumes than in 2018 and 2019. Similarly, shipments to the regional South American markets should continue to rise, especially thanks to Chile being more open (sanitary protocol extended to Hass in certain Departments in the Sierra, especially Lambayeque, in which the big Olmos cultivation zone is based). Finally, professionals hope to increase exports to Asia, with the relative caution regarding the Chinese market offset by greater ambitions in South Korea, with this destination for the first time open from the start of the season.

Avocado - Peru - Exports by destination
(in 000 tonnes | source: SUNAT)



Avocado (all varieties) – Peru – Exports

in tonnes	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
EU	56 750	67 050	64 270	87 609	104 650	113 514	143 852	160 476	229 532	183 468
USA	1 700	11 481	17 675	24 209	69 289	48 568	32 636	67 818	83 657	87 261
Asia	-	-	-	628	1 196	583	3 749	9 707	22 255	18 315
Chile	281	400	678	785	2 717	8 294	7 992	6 114	20 235	16 481
Others	790	2 500	953	1 313	1 192	3 318	5 869	3 409	4 310	5 010
Total	59 521	81 431	83 576	114 544	179 044	174 277	194 098	247 524	359 989	310 535

Source: SUNAT



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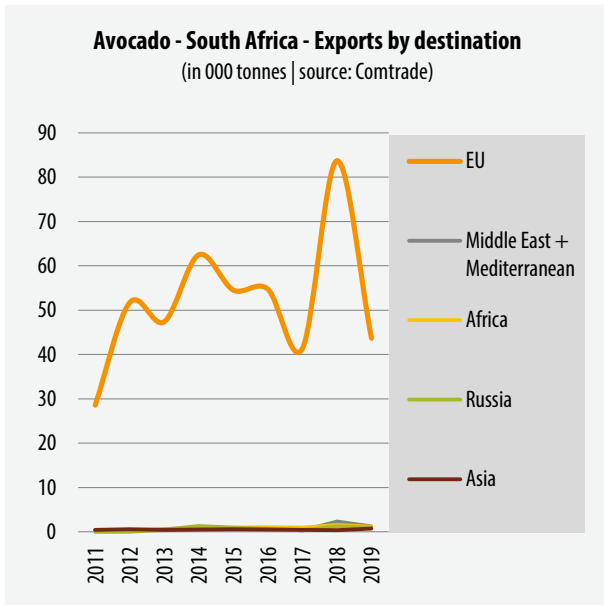
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South Africa

No records, but a bumper campaign

South Africa too is set for a very good production level, though it should not hit the record level from 2018. The latest estimated export potential is reckoning on 74 000 t (18.5 million boxes), i.e. 26 000 t more than in 2019, albeit 15 000 t less than in 2018. The rise should be accredited more to the alternate bearing phenomenon (tempered by sometimes unfavourable climate conditions in certain zones) than expansion of the cultivation area, the effects of which should be much more visible from 2021. Fruit sizing is set to be average to small, depending on the regions. Europe should continue to take in practically all volumes (approximately 95 % of the potential, with a very small percentage aimed at the extra-Community markets such as Russia).

Avocado – South Africa – Exports

in tonnes	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
EU	49 351	28 582	51 713	47 404	62 499	54 555	54 731	41 368	83 729	43 696
Middle East + Mediterranean	627	253	308	362	610	594	900	287	2 352	1 235
Africa	1 217	57	150	656	765	941	1 001	937	1 564	1 206
Russia	-	-	-	534	1 344	950	701	350	1 243	956
Asia	430	488	588	486	548	566	502	474	402	732
Others	6	234	257	18	5	49	31	76	53	123
World	51 631	29 614	53 016	49 460	65 772	57 655	57 866	43 492	89 343	47 948

Source: Comtrade



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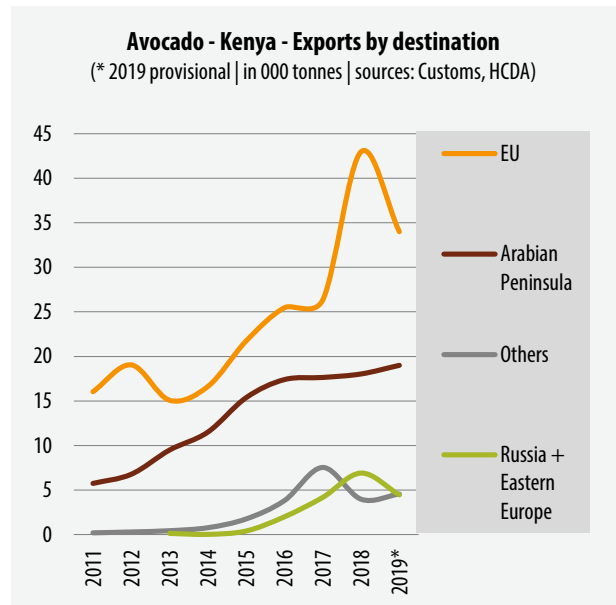
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Kenya

Back to strong growth

The Kenyan avocado industry should resume its growth in 2020, after a rather modest 2019 campaign. Exports, which doubled between 2014 and 2018, could increase by approximately 30 %, according to professional sources. On the one hand, climate conditions have been rather favourable, with rainfall considerably above average during the “minor” rainy season, and also the start of the “major” season in March. Furthermore, and more importantly, large area of young orchards are entering production or coming into their prime. The customer country portfolio has greatly diversified in recent years, especially to the Arabian Peninsula and more recently the Mediterranean, and to a lesser degree Asia. The EU-28 should nonetheless continue to receive approximately two-thirds of volumes. The logistical services range should be considerably broader. Maersk should no longer be the only company offering a weekly service out of Mombasa, with from mid-March the establishment of a new CMA-CGM line serving Europe via the Jeddah hub. Transport times are approximately 21 days for Mombasa/Genoa, and 25 days for Mombasa/Rotterdam. Competition between operators could come into play, and help bring down freight prices, which are particularly high at present (approximately 8 500 USD from the stations to the EU-28, including controlled atmosphere).



Avocado – Kenya – Exports

in tonnes	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019*
EU	15 743	16 039	19 045	15 079	16 623	21 733	25 469	26 337	42 974	34 000
Arabian Peninsula	4 280	5 741	6 769	9 489	11 503	15 371	17 399	17 638	18 030	19 000
Russia + Eastern Europe	-	-	-	132	23	400	1 993	4 172	6 904	4 450
Others	160	194	292	434	769	1 754	3 814	7 532	3 969	4 550
Total	20 183	21 974	26 106	25 002	28 895	38 858	46 682	51 507	71 877	62 000

* provisional | Sources: Customs, HCDA

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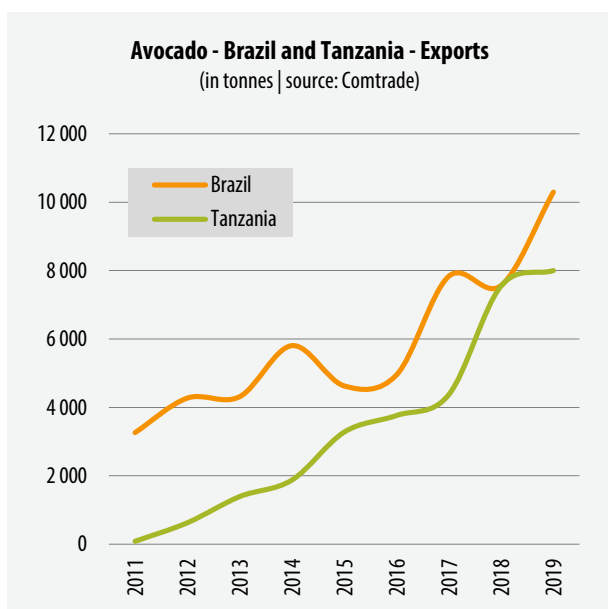
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Tanzania

A slight rise

Tanzania's export potential should be slightly higher than in 2019. Production is set for a similar level to last season, in the north of the country, though a slight rise is expected in the south in the Mount Rungwe region. A packing station has been established in the Iringa zone, in the centre of the country, where large-scale plantations have been set up in the last few years. However, the production of this new area should only start to become significant in around 2022. Tanzanian exports will remain primarily focused on Europe, though some initial volumes could be sent to Asia (Hong Kong, Singapore).



Brazil

Damaging heatwaves

The Brazilian Hass industry has exhibited a fine growth dynamic in recent years. Exports doubled between 2016 and 2019, to in excess of 10 000 t, across all destinations and varieties (no Hass-specific statistics, while the country also exports some tropical avocado volumes – see **FruiTrop** 255). However, the climate conditions this season were unfavourable, both in the historic São Paulo production centre, and in the more recently developed Minas Gerais centre. Two heatwaves in late spring/early summer had highly adverse consequences on fruit setting, with on top of that a warm and dry winter. Exports should fall considerably (- 30 to - 40 %). Furthermore, the sizing is set to be mainly medium to small, again because of the climate conditions. Shipments will remain for the vast majority focused on the EC market, although a significant alternative outlet seems to have opened up in 2019 with Argentina.



Avocado (all varieties) – Brazil – Exports

in tonnes	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
EU	2 560	3 062	4 105	4 203	5 464	4 494	4 883	7 502	7 116	8 034
Latin America	13	4	28	9	19	5	4	7	32	1 784
Others	140	202	168	110	343	135	68	326	416	479
Total	2 573	3 066	4 133	4 212	5 483	4 498	4 887	7 835	7 564	10 297

Source: Comtrade

Avocado (all varieties) – Tanzania – Exports

in tonnes	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019*
EU	1	-	17	1 260	1 757	3 178	3 162	3 318	6 768	7 000
Kenya	29	86	610	133	120	100	500	846	663	850
Others	20	-	1	-	-	1	102	210	120	150
Total	50	86	628	1 393	1 877	3 279	3 764	4 374	7 551	8 000

* provisional | Sources: Comtrade, Eurostat

Growers at heart!



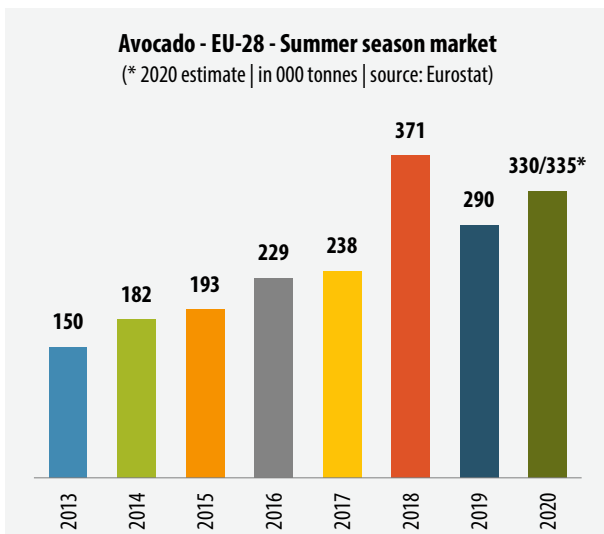
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Growers at heart

The effects of the Covid-19 pandemic?

If these programmes do hold up, the combined exports to the EU-28 should be around 330 000 t. This figure is up by approximately 40 000 t on the 2019 season, but is also approximately 40 000 t down on the record supply level from 2018. While the available potentials are fairly clearly identified, what about actual exports in the current context of the world health crisis? This raises two main questions, which cannot be answered at present. First of all, will there be sufficient labour available to ensure the picking, packing, transport to the ports, and then the loading operations at the ports? Will consumables required for export, such as boxes, sometimes imported,

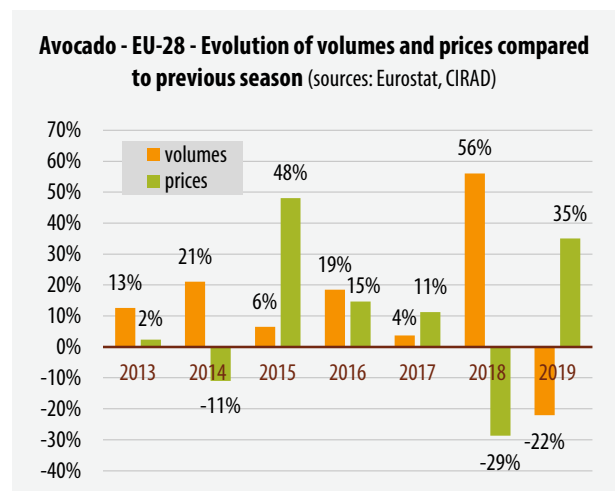
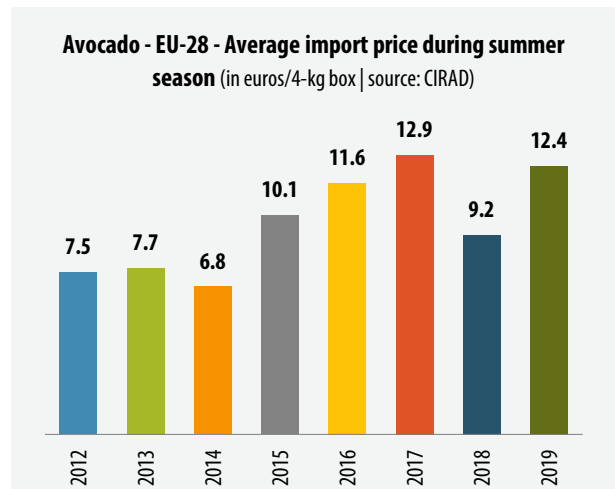
be available in sufficient quantity? According to the latest information dating from mid-April, the industry was managing to operate in all the major exporter countries, though not without some delays. This relatively good news in no way indicates that the industry will be able to hold up when it has to start running at full throttle, i.e. from late May/early June. Strict health guidelines have been implemented to prevent contamination of labourers in all the major exporter countries, but will they be effective enough? How can the packing stations operate at full throttle, while maintaining the recommended safe distances between workers?



Avocado – EU-28 – 2020 supply trend

in tonnes	Volumes in 2019	2020 trend
Peru	184 109	+ 10 %
South Africa	54 948	+ 25 %
Kenya	35 530	+ 30 %
Brazil	8 158	- 35 %
Tanzania	6 612	+ 15 %
Mozambique	975	+ 150 %
Total	290 332	+ 15 %

Professional sources, Customs





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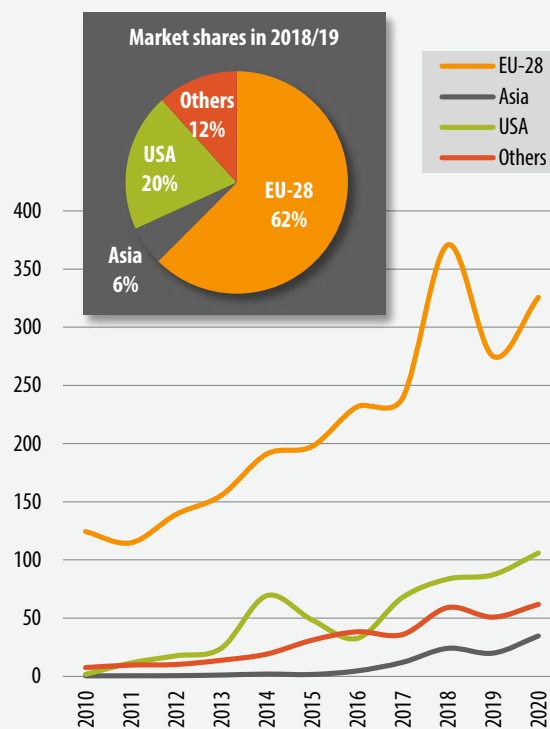


Visual - Getty Images



Counter-season avocado - Exports by market

Peru, Southern Africa, Kenya, Brazil, Tanzania
(in 000 tonnes | source: Customs)



Logistics affected?

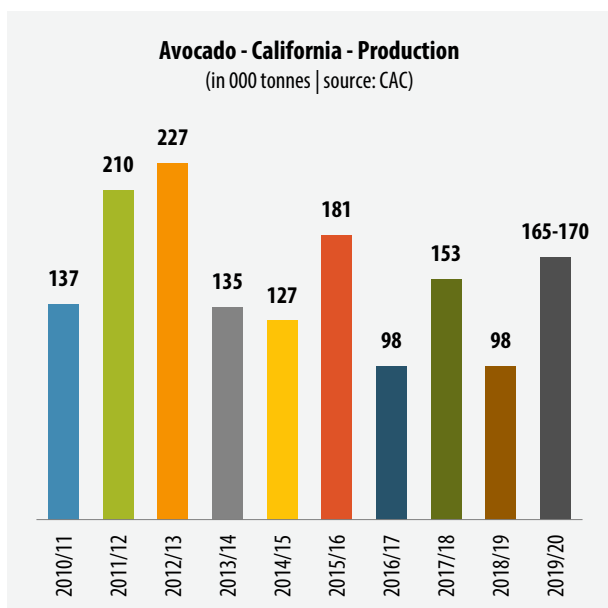
The other crucial point relates to logistics. The health crisis has aggravated the lack of containers equipped with controlled atmosphere systems. A large part of this equipment, used on a massive scale to transport frozen meat to China since the outbreak of swine flu in Asia, has ended up stranded at Chinese ports, where operations have been greatly reduced since the health crisis. The situation is improving somewhat, with port operations resuming in China, while shipping companies have managed to recover some of these stranded containers, even if it has meant making specific stopovers to do so. Yet this is not the only issue. Although the ports are regarded as strategic tools, they are not currently operating as normal because of the health measures in place, and also personnel shortages. This situation is causing shipping delays, longer transport times, and sometimes even cancelled stopovers. This is a serious problem for perishable merchandise such as the avocado, in particular when the transport times are already long.

USA: ambitious export programmes, but a less open market

Finally, what trade-offs will actually be made between the markets? Will the programmes be upheld? These questions are particularly acute for the US market for this heavily laden season. While the programme, across all supplier countries, is fairly conservative for the EU-28, it appears ambitious for the USA. True, this market's underlying dynamic remains excellent (see inset), thanks to the still very large-scale marketing actions orchestrated by the HAB (budget more than 80 million USD in 2019). Nonetheless, the US market does not seem to be as widely open to counter-season avocados (primarily Peruvian in this specific case) as in 2019. On the one hand, the Mexican volumes still available by the end of the campaign are distinctly larger than in 2018-19, with the harvest level particularly higher. Furthermore, more anecdotally, these leftovers have been swollen by the small shipments from Michoacán at the beginning of the health crisis (shipments from weeks 12, 13 and 14 less than half the average level of recent years). Finally, we must also reckon on a much larger Californian supply than in 2018-19. The harvest is estimated at between 165 000 and 170 000 t, i.e. approximately 65 000 to 70 000 t more than in 2019. Californian volumes should start to peak later than predicted, from late May.

Avocado - California - Production

(in 000 tonnes | source: CAC)





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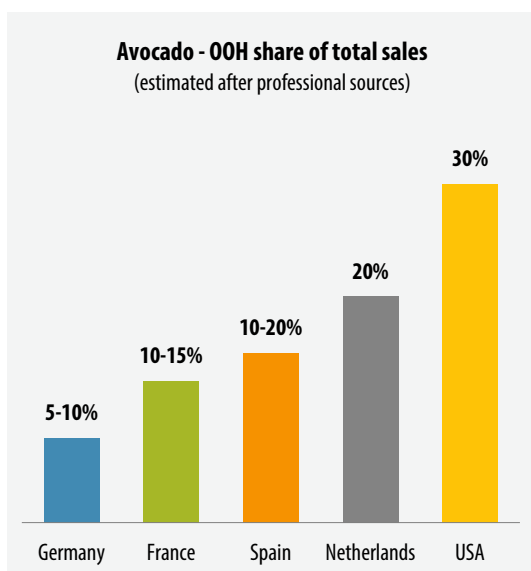
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Near-total shutdown in OOH sales, the major market segment in certain countries

What are the effects of the epidemic on demand? This is of course one of the major questions, but there are few pointers available, and developments are very hard to predict. The main problem is the near-total shutdown, in certain countries, of deliveries to the out-of-home sector (OOH), due to the closure of restaurants and canteens as part of the lockdown measures. OOH represents a major outlet in certain countries. Furthermore, beyond the volumes aspect, this market segment provides some sales security, with the programmes generally fairly regular and set well in advance. According to the estimates we have been able to gather, it represents approximately 5 to 10 % of sales in Germany, 10 to 15 % in France, 15 to 20 % in Spain (with marked seasonality due to tourism), 20 % in the United Kingdom, and up to 30 % in the USA. At the time of writing, certain countries are starting to contemplate a gradual easing of the lockdown measures between late April and mid-May (Germany, Austria, Italy, France). However, these measures will remain highly restrictive, and sometimes only regional, and will not relate to the catering sector initially, for a period still to be defined. This shutdown is particularly alarming for the wholesale network, which currently provides a large part of the supply to caterers.

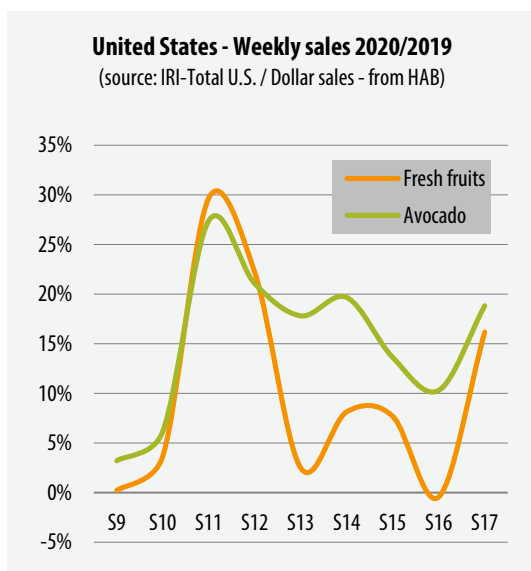


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Somewhat offset by good supermarket sector activity

It is particularly fortunate that supermarket sector activity is maintaining a satisfactory level on most of the big markets. In the USA, where HAB provides the operators with precious figures, the sales registered by this outlet have actually been much higher than in 2019 since mid-March (+ 20 % approximately). It is hard to say whether the additional activity is of comparable scale in Europe, but there is a perceptible phenomenon. Furthermore, certain supermarkets have refocused their range on staples, so as to be able to meet the two-fold challenge of personnel shortages and more complex logistics. However, while small exotics definitely seem to have been hit, the avocado shelves do not seem to have been affected. Hence the fall in OOH demand, for now, seems to be at least partially offset by better activity among the main supermarkets. This phenomenon will probably be less true this summer in certain countries where the seasonal boom in activity due to tourism will be necessarily affected by the health crisis. Apart from this, there is a more psychological dimension to the problem: will the downstream segment be able to commit to the major sales programmes needed by the upstream segments in this bumper season, in such an uncertain context in terms of demand? In the face of such a lack of clarity, the natural reaction in terms of imports could be caution. The upstream segment will probably need to provide incentives, offering commercial conditions showing that it will assume its share of the risk.



Season behind schedule

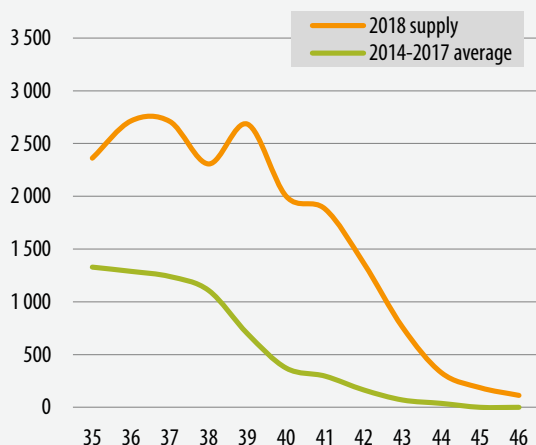
With exceptional new protocols in place in the orchards and packing stations, logistical difficulties, concerns over the markets, etc., the season seems to be well behind schedule at the time of writing this article. The hypothesis of a long and late season has every chance of being fulfilled, especially since the volumes to market are not trifling. True, they should not be as massive as in 2018, when as you may recall Peruvian shipments exceeded 2 million boxes in late September. However, the scenario in terms of the opening up of the US market is optimistic, and the season is starting late.

Information, a major challenge this campaign

Unfortunately, the only certainty in terms of the 2020 summer campaign is that it will be tough. Information, relating both to export tempo and sales vitality, will be crucial, since it will need to be managed day-to-day. Local markets will be able to play a major buffering role in certain countries (which seems to be the case in South Africa at present). Nonetheless, the European avocado market retains a major asset, even in this particularly uncertain context: its exceptional underlying dynamic. The winter season figures are there to remind us: volumes on the market leapt up by more than 16 % in 2019-20 to reach a record level of 360 000 t, with prices registering a parallel increase of 25 % (see 2020 winter review article). So there are grounds for a little optimism for this uncertain season ■

**Hass avocado - EU-28 - Supply
Peru + South Africa + Kenya**

(in 000 boxes per week | professional sources)



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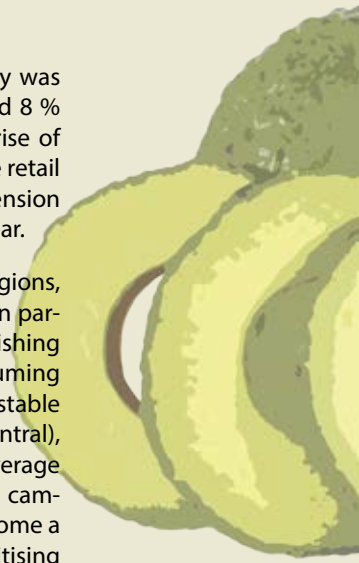
Avocado consumption in the USA in 2019

The stability of avocado consumption in the USA in 2019 does not mean that the market is back to a near-structural growth trend. It is quite simply due to the lack of a high supply level, in particular in Q2, and to a lesser degree in Q3. We should recall that the number one supplier to the US market, i.e. Mexico, had a short and lean 2019-20 campaign, with shipments collapsing from early June. Furthermore, the Californian harvest was also particularly small, with volumes to market distinctly below normal during the first part of the season (until early June).

Two indicators show that demand is not clearly to blame. On the one hand, the market growth dynamic was highly satisfactory

in Q1 and Q4, periods when the supply was less restrained (rise in sales of 12 % and 8 % respectively). On the other hand, the rise of more than 5 % in the campaign average retail price expressed the state of extreme tension on the market over the course of this year.

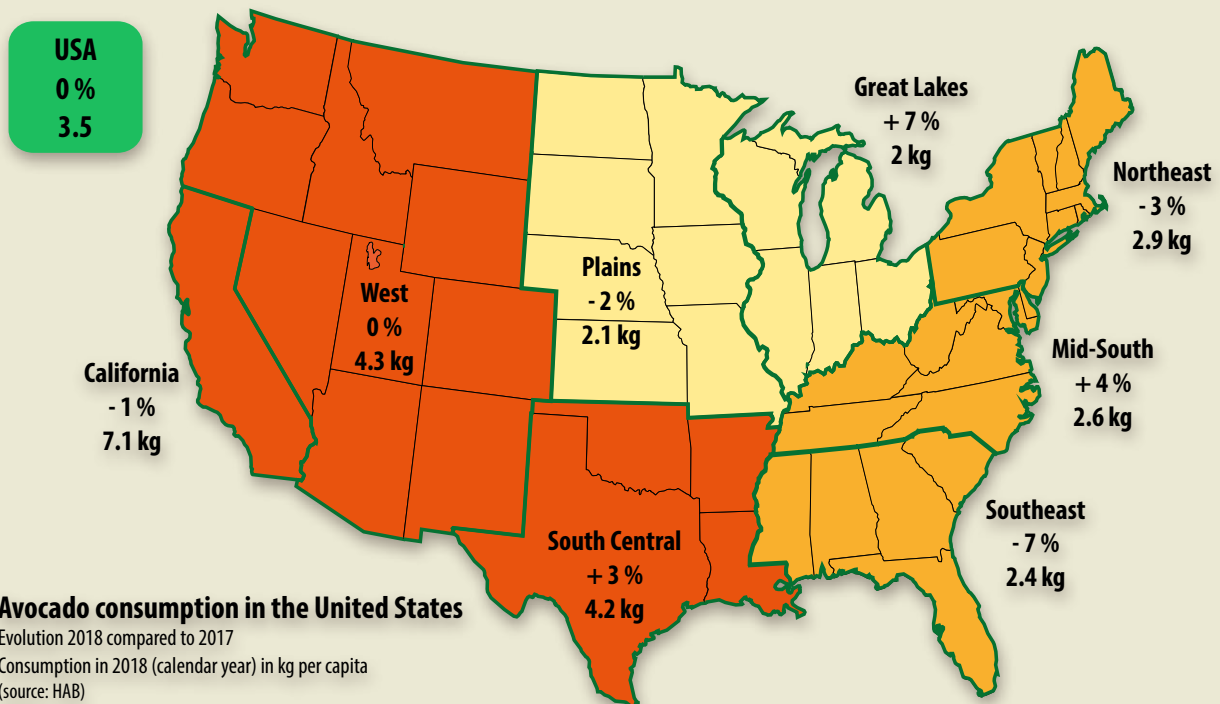
Broken down by main consumption regions, the results are particularly interesting. In particular they show Hass firmly establishing itself in the diet of the highest-consuming States. Intake volumes were practically stable (California), or even up (West/South Central), despite prices being distinctly above average (+ 8 to + 10 %). The HAB promotion campaigns have helped the avocado to become a major staple product, without commoditising



Avocado – USA – Average retail price in 2019

in USD/unit	Average retail price	2019/2018
California	1.26	+ 10 %
Great Lakes	1.18	+ 2 %
Mid-South	1.21	+ 3 %
Northeast	1.35	+ 5 %
Plains	1.16	+ 5 %
South Central	0.91	+ 8 %
Southeast	1.13	- 3 %
West	1.15	+ 8 %
Total	1.16	+ 5 %

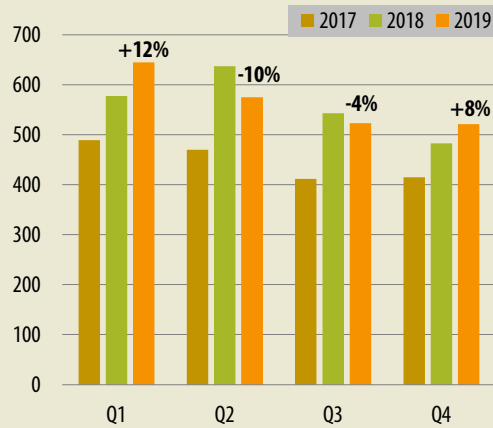
Source: HAB





it, and even boosting its image. Consumption levels in these regions are dizzying: more than 4.2 kg/capita/year in the West and South Central, and even more than 7 kg in California. This trend augurs very well for the future of the US market, especially in South Central, where the product's penetration rate is still low (43 % in 2019), and where the size of the Hispanic population (27 % of the total population) is a strong growth factor. Performances are mixed on the East Coast, with a small downturn in two of the three major consumption regions. Nonetheless, if we take a step back, we should recall that it remains the zone with the strongest growth since 2017 (from + 19 to + 27 %, according to the region, over this period).

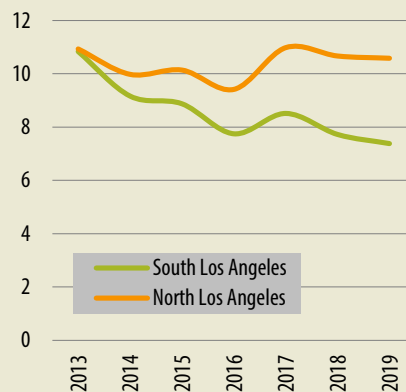
Avocado - USA - Evolution of consumption
(in million units by quarter | source: HAB)



California avocado No surprises in the 2019 cultivation area survey

The figures from the 2019 survey of the Californian cultivation area confirm the trends from recent years. The decline is continuing in the south, in the San Diego/Riverside production centre. Small, low-tech orchards are continuing to disappear, especially because of the very high water stress (low water availability, and irrigation costs of as much as 13 000 to 14 000 USD/ha) and high urban development pressure in certain zones. Nearly 2 000 ha have been uprooted in the past five years, i.e. approximately 20 % of this region's total surface areas. Conversely, the production centre in the north of the State is continuing to hold up well (Ventura, Santa Barbara, San Luis Obispo). The latest figures confirm the stabilisation of the cultivation area, at approximately 10 500-11 000 ha, in this zone where water is a serious issue, but less weighty than in the south. Given the increase in productivity due to ongoing technical developments and the disappearance of the lowest-tech plantations, the hypothesis of stable Californian production in the medium term, set out in **FruiTrop 266**, could come true.

Avocado - California - Evolution of planted areas
(in 000 hectares | source: CAC)



Avocado - California - Producing areas

in hectares	2019	2019/2018	2019/2014
North Los Angeles	10 712	- 1 %	+ 6 %
Ventura	6 851	- 1 %	+ 3 %
Santa Barbara	2 197	+ 1 %	+ 17 %
San Luis Obispo	1 534	- 1 %	+ 6 %
Other North	130	na	na
South Los Angeles	7 930	- 4 %	- 19 %
San Diego	5 770	- 4 %	- 18 %
Riverside	1 610	- 5 %	- 24 %
Other South	550	na	na
Total	18 642	- 2 %	- 6 %

Source: CAC