

Campaign review of the 2020-21 winter season

**Spring set to be as promising
as it is dangerous**

Despite some highs and lows, the first part of the 2020-21 winter season was mainly positive, with volumes on the market seeing a considerable rise without a major fall in the average rate. How will the market develop in Q1 2021? The question is especially acute given the fresh hand generated by the very early end to the Chilean season. So FruiTrop offers you this review.





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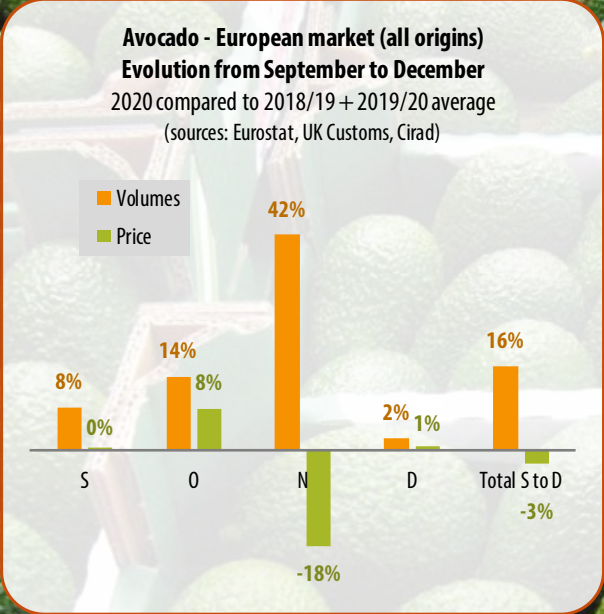
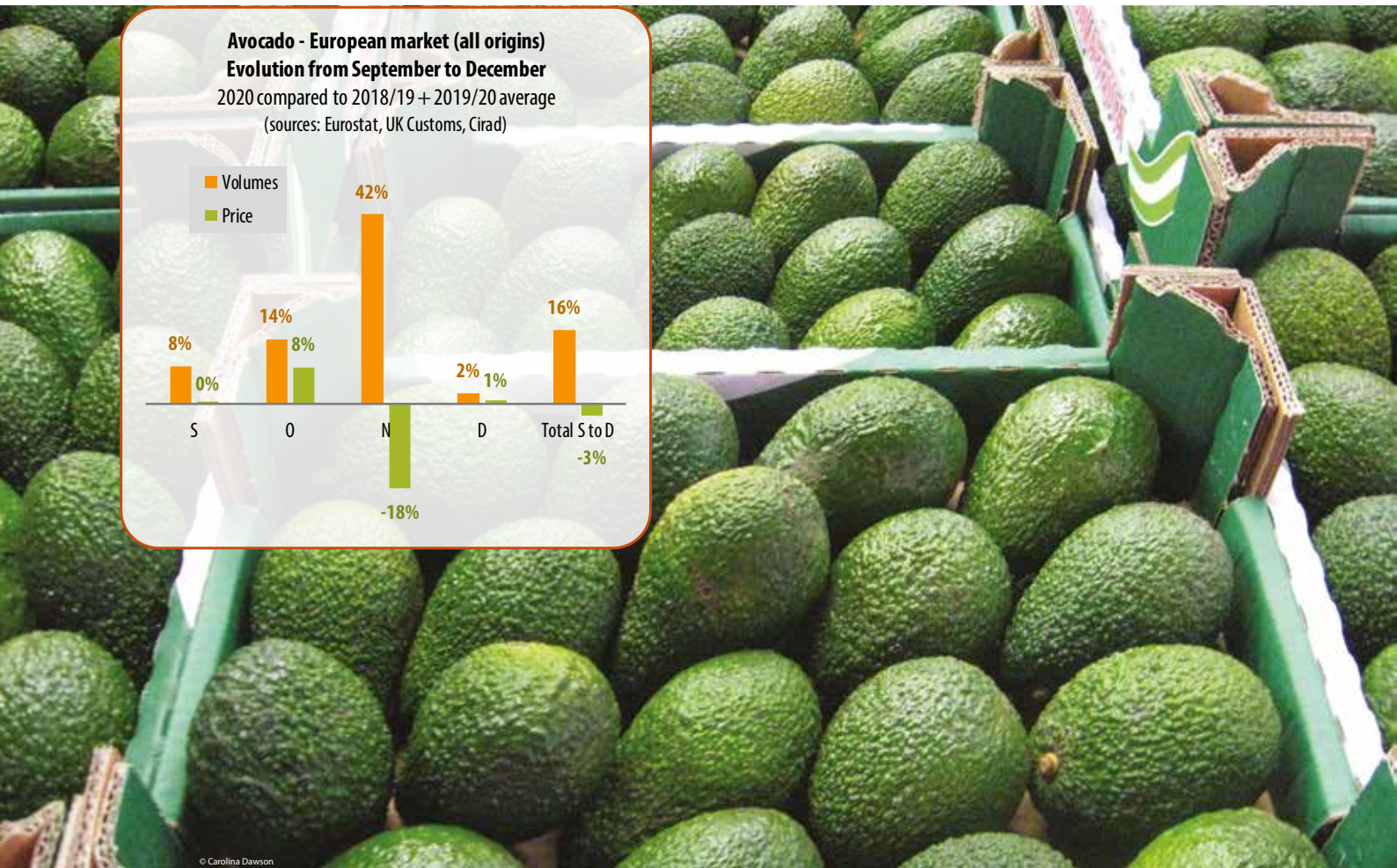
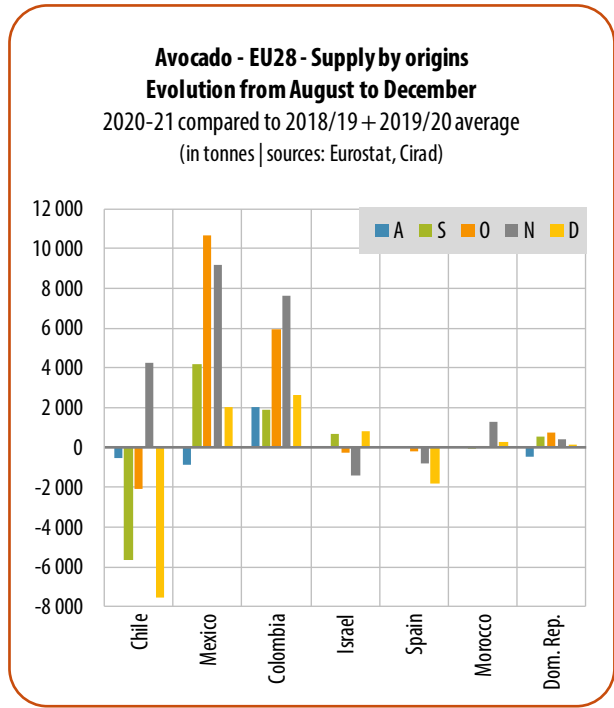


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The first part of the 2020-21 winter season enjoyed a positive record on balance. According to provisional customs figures, volumes on the market in the EU27+UK from early September to late December set a new record, more than 15 % above the two-year average, while our price barometer indicated a practically stable price level (- 3 %). However, the market saw highs and lows, confirming or revealing two new or recent underlying movements affecting the winter season. Paradoxically, the transition period between the summer and winter campaigns, which is now risky given the structural extension trend of the Peruvian season, went smoothly. Conversely, for the second consecutive year, the autumn brought a major over-supply crisis, which started a little earlier than in 2019. The rapidly expanding surface areas in Jalisco and Colombia resulted in a boom in exports to the EU27+UK, with even huger volumes than last season (volumes received in October approximately 8 000 t more than the already excessive volumes in 2019, with a record rise of 15 000 t in November). Rates plummeted, in particular for small fruit (Cirad barometer reaching a low point of €10 for size 18, and less than €8 for 22/24 in mid-November). It was most fortunate that the crisis did not continue, with Mexican pressure abating in December, and the Chilean supply was much smaller than predicted.



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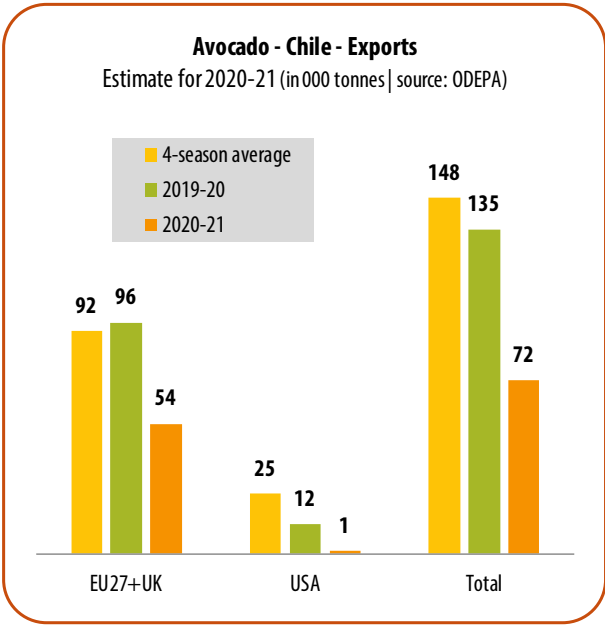
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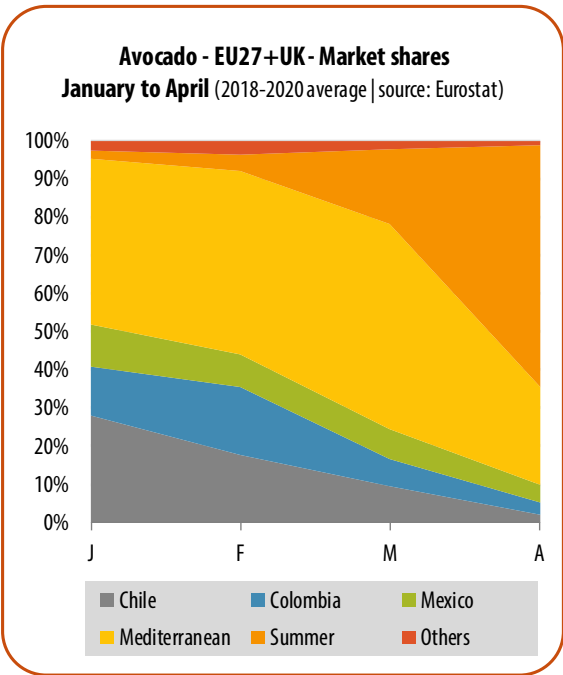
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Historic shortfall from Chile, with major implications for the 2nd part of the season

It's the big surprise of this campaign. A production shortfall had been expected, because of adverse weather during the fruit-setting period and a structural drought, but not to such a huge degree. This has brought extreme consequences for the export outlet, with extraordinary price competition observed on the local market, where the avocado is one of the staples, adding to the direct effects of the production shortfall (wholesale prices per 4-kg box reported as reaching more than €15 in early December, i.e. + 20 % on 2019).

Hence according to an initial estimate, volumes placed on the international market by this origin, hitherto one of the world's top three exporters, will probably be around 70 000 t to 75 000 t in 2020-21, i.e. barely more than half of the 135 000 t shipped in 2019-20. All the export markets have seen their volumes collapse (probably less than 55 000 t to the EU27+UK, as opposed to 96 000 t in 2019-20), in particular the USA (less than 1 000 t, as opposed to 12 000 t in 2019-20 and approximately 30 000 t in previous seasons). This abrupt drop, which has resulted in particular in a historically early end to the season in Europe (limited volumes from early January), will have major consequences on the market during the latter half of the winter season. In previous years, Chile represented approximately 25 to 30 % of the market supply in January, and still 15 to 20 % in February. Will the other supplier countries be able to make up such a shortfall?





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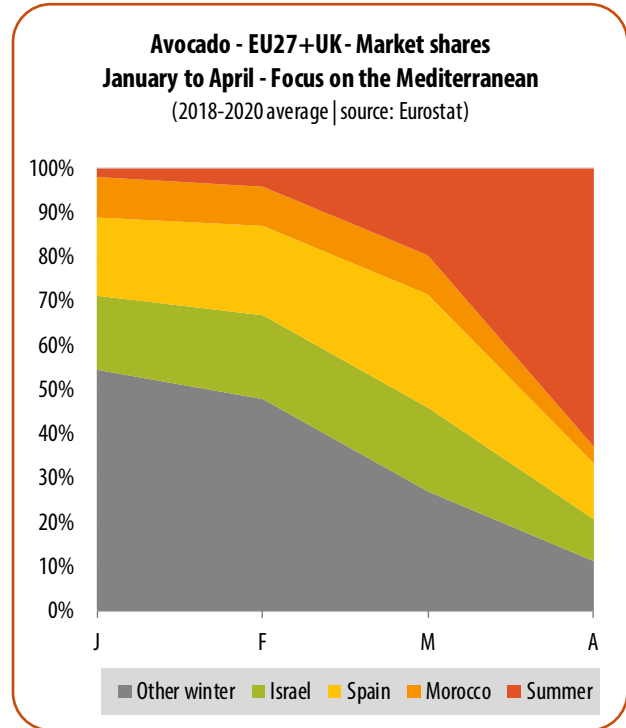
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NATURE



Export potentials average at best in the Mediterranean, despite expanding surface areas

This should not be the case in the Mediterranean, a zone providing approximately 60 % of the supply during the January-April period. In Israel, the Hass harvest level should be similar to last season, which itself was only average. The combined effects of the alternate production upswing and the considerable expansion in surface areas were practically wiped out by the adverse consequences of the heatwave in May during the flowering period. Nonetheless, volumes still to be sold are less than last season, and so below average. Marketing is significantly ahead of schedule (approximately 4 million boxes of Hass sold by the end of January, i.e. 1.5 million more than in 2019-20). The early winding down of Chilean volumes enabled Israeli operators, who were also seeking to avoid the quality problems observed at the very end of last season, to get on the listings earlier.

The situation is similar in Spain, though with a production level approximately 15 to 20 % down on what was already a light 2019-20 season. Adverse weather conditions for fruit-setting and a summer heatwave reduced the Hass harvest, which had been set for a good level. It was most fortunate that the cold spell in early January did not seem to aggravate the situation, at least in Axarquía, the main zone. There will not yet be much compensation from the new production centres coming online (Huelva, Cadiz, Valencia), since these orchards are still young. Just as for Israel, the sales tempo is gathering pace early, and the fruit sizing is quite good.



Morocco is on an alternate bearing downswing, after a record 2019-20 season (nearly 33 000 t exported). This phenomenon was particularly pronounced for green varieties, practically absent from the export sector this season. Nonetheless for Hass, the young plantations entering production or coming into their prime, as well as a less lively local market due in particular to a collapse in tourism, could result in equal volumes to last season. This origin too is well ahead of schedule in trading.



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Some Latin American suppliers running out of steam, after a storming start to the season

What availability is there from South America? Colombia had an explosive first part of the season, with exports registered between the start of June and end of November more than twice their levels in 2019 (approximately 37 000 t, as opposed to 13 700 t in 2019 according to Colombian Customs). Availability for Q1 2021 appears to be much more limited, with the gradual end of the main harvest from the major production zones (see regional production calendar). Exports should maintain a good level in January, before subsiding considerably in February, and then becoming very moderate in March.

The situation varies greatly between the Mexican regions. Just as in Colombia, the surplus from the Jalisco harvest seems to be moderate, since the first part of the campaign was also very intense (exports across all destinations from early June to late December of 80 000 t, i.e. 15 000 t more than last season). Hence as in 2020, volumes in January should be moderate, before waning to marginal levels in March. Conversely, Michoacán should retain huge availability, while the US market remains unattractive despite strengthening slightly since the beginning of January. Could there be a big transfer of volumes to what will probably be a highly buoyant EC market?

Two points should be highlighted. On the one hand, despite the drastic reduction in sales to the catering segment, US demand has hitherto maintained a good level, as is attested by a rise of approximately 10 % on the market in the 2nd half of 2020, according to the HAB's figures. The sales forecasts drawn up by MHIA for the key Superbowl period in early February are banking on the upward dynamic continuing (+ 4 % on 2020). On the other hand, many European importers are very cautious in terms of their Michoacán Hass programme. The quality of fruit received during the very heavily-laden October-November period was again highly heterogeneous for some brands. These problems, due in part to failing sea-freight logistics (repeated delays on all lines to Northern Europe) and to a post-harvest process attuned to the neighbouring US market, rather than to a distant destination such as the EU27, are dealing significant damage not only to the origin's image, but also to the product image in the consumer's mind.

Avocado – Estimated exports for main supplier countries

in tonnes	2020-21 (cumulative exports August to December*)	2020-21 compared to	
		2019-20	2018-2020 average
Chile	49 261	- 27 %	- 19 %
Mexico	66 250	+ 14 %	+ 61 %
Colombia	35 930	+ 89 %	+ 126 %
Israel	16 765	+ 20 %	- 1 %
Spain	9 191	- 12 %	- 15 %
Morocco	6 874	- 17 %	+ 30 %
Dominican Rep.	7 778	- 3 %	+ 22 %
Total	192 049	+ 4 %	+ 22 %

* provisional figures for December (Customs + Cirad estimates)
Sources: Eurostat, professionals

Avocado – Colombia – Harvest calendar

		S	O	N	D	J	F	M	A	M	J	J	A
Antioquia	South-West – main zone												
	East												
Coffee area													
Valle, Cauca													
Tolima													

Main harvest

Secondary harvest (traviesa)

A close-up photograph of a branch from an avocado tree, heavily laden with green, bumpy-skinned avocados. The leaves are dark green and glossy, and the scene is brightly lit, suggesting a sunny day. The background is a soft-focus green, emphasizing the fruit in the foreground.

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Spring as promising as it is dangerous

If this scenario comes to pass, the supply shortfall will keep widening, and very probably reach major levels in the very last part of the season. Could the cold caused by La Niña lead to a significant delay in Peruvian Hass maturity, and therefore extend the fruit shortage? Could this origin reach the one-million boxes mark of Hass to the EU27+UK by early April, as was the case in 2019 and 2020? It does not seem that there have been any significant delays, according to the initial information collected, which points to another record season (export potential + 10 to + 15 % depending on the sources).

The market will doubtless need fruit, but – and this point must be stressed – high-quality fruit. Complying with the maturity criteria at the beginning of the season will be a key to the success of the forthcoming summer campaign, which is again set to be heavily laden. The very short-term gains to be expected from selling fruit which has not reached the requisite dry matter content are of course far outweighed by the double penalty that will arise from such a practice. On the one hand, consumption will immediately be hindered, especially since the product will be very expensive in the retail sector, cutting off the market from demand which should express its full potential from the second half of May. On the other hand, and with potentially deeper consequences for the future, such an episode will contribute to tarnishing the product's brand image, which is not sufficiently championed in Europe. The exporters and official quality control bodies will bear a major responsibility during this period, as auspicious as it is fraught ■

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