



## The avocado market in the United States

### Driving world trade

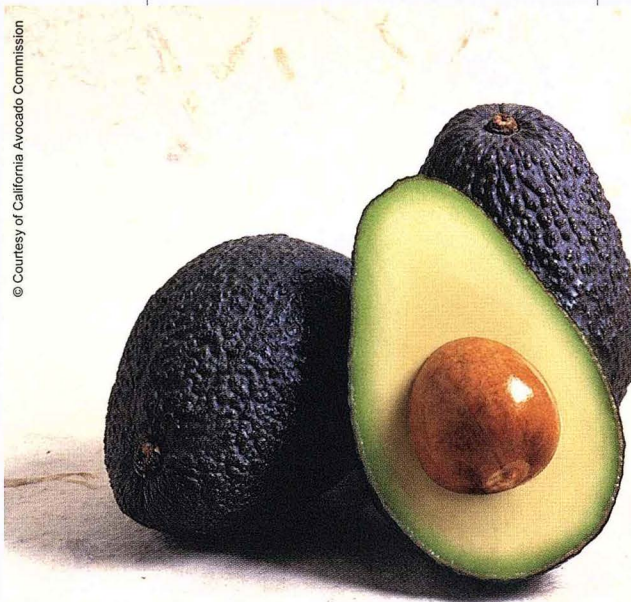
**T**he exemplary growth of the US market highlighted in *Fruitrop FOCUS Avocado*, published in 2005 by our Market News Service, has continued in recent seasons. It seems that growth has even accelerated significantly since 2003-2004. The volumes imported from July to June, the period of imports from the main suppliers Mexico and Chile, increased from less than 140 000 t to more than 300 000 t from 2003-2004 to 2006-2007, that is to say annual growth of nearly 30%! It is true that the strong increase observed from 2005-2006 to 2006-2007 has an important conjunctural component. The hard frost that hit California in mid-January 2007 caused the loss of about a quarter of the harvest, that is to say nearly 45 000 t. Traders therefore had to resort to larger imports in order to keep the market supplied.

However, even if this atypical year is not included, import dynamism is well and truly there. Its intensity is proportional to the size of the Californian crop (over 70 000 t from 2003-2004 to 2004-2005 and more than 25 000 t from 2004-2005 to 2005-2006).

#### The USA, the driving force behind world trade

The increase in world trade from 420 000 t in 2003-2004 to 650 000 t in 2006-2007 results to a considerable degree from the increase in US imports. It is true that the European Union seems to want to emerge from

its lethargy, importing more than the previous 150 000 to 160 000 t per year, now reaching about 220 000 t in 2006-2007. However, the scale of the increase is nothing in comparison with the rocketing volumes of US imports. In third position, the Japanese market has remained practically stable and way behind the US and EU markets.



© Courtesy of California Avocado Commission

#### An increase in Californian production and a spectacular consumption boom

In parallel, the United States is consolidating its position as the second largest producer in the world in terms of volume. The area devoted to avocado started to increase again in 2002-2003 and yields are increasing in California, the most important of the three avocado producing states, Florida and Hawaii being the two others. Production oscillated between 140 000 and 200 000 t since the early 2000s, exceeded

270 000 t in the very unusual 2005-2006 season, and would have been some 175 000 t in 2006-2007 if there had been no frost.

The consumption boom is therefore even stronger than the increase in imports. Annual per capita consumption doubled between the end of the 1990s and 2005-2006 from 750 g to nearly 1.5 kg.

What are the mechanisms that can be used, without going too far, to describe the American model?

#### Groundwork on market stimulation

Californian growers, organised as an association since 1915, started actions aimed at increasing consumption in the early 1960s. These efforts became substantial at the beginning of the 1970s thanks to budget collected via a levy on each box of Californian avocado sold, with the money earmarked for use for advertising. The 'Ripemax' concept that has promoted perfectly ripe avocado since the early 1990s has proved to be a strong force in developing sales and one of the keys to market growth. The range available to consumers consists of three segments (ready-

to-eat, for eating in 2-3 days and for eating in 3-5 days) enhances impulse buying.

#### A new vision and greater efforts since 2002

The increasing opening of the United States market to imported avocado (Chile and, above all, Mexico) since 1990 was a considerable challenge. Californian professionals decided to approach it pragmatically, by joining forces with import operators rather than opposing them. This vision



**CALIFORNIA AVOCADO COMMISSION**

**Fresh California Avocados**

**Stages of Ripe**

**HARD**  
Very hard fruit. Usually green in color, some fruit may be a darker shade. (25 lbs of pressure or more)

**PRE-CONDITIONED**  
Ready to eat in approximately 3 days if held at room temperature. (15-25 lbs of pressure)

**BREAKING**  
(Pre-ripened) Slight give to fruit. Ready to eat in approximately 2 days if held at room temperature. (10-15 lbs of pressure)

**FIRM RIPE**  
(Pre-ripened) Yields to gentle pressure. Good for slicing. Fully ripe and day if held at room temperature. (>10 lbs of pressure)

**RIPE**  
Easily yields to gentle pressure. Good for all uses. Will ripen in this condition for 2-3 days if held at room temperature. (5 lbs or less pressure)

**Receiving, Storage & Handling Tips:**

- Bring the avocados inside the store immediately upon arrival
- Place boxes with soft fruit on top and those with hard fruit on the bottom
- Handle pre-conditioned avocados with care, they are a perishable item
- Generally, firm pre-conditioned fruit can be held about 3-5 days and Breaking to Ripe fruit for about 2-3 days

**Display & Merchandising Tips**

- Ripe avocados outweigh unripe avocados as much as 2 to 1!
- As a general rule, display 1/3 Ripe, 1/3 Breaking, 1/3 Firm avocados. (Display a greater percentage of Ripe and Breaking fruit to build impulse sales.)
- Always sticker your ripe avocado!
- For optimal results, California Avocados should not be displayed on refrigerated wet-racks under 42° F.
- Never display California Avocados near misting systems.
- Rotate the display daily and remove any poor quality fruit.
- Display avocados next to tomatoes, onions, limes and peanut salads to increase your department's incremental sales.

**Avocado Nutritional Facts**

**CALIFORNIA AVOCADOS:**

- sodium-free
- cholesterol-free
- contain monounsaturated fats

Like other fruits and vegetables, avocados provide several vitamins, minerals and phytonutrients that contribute to overall health and wellness.

For more information call: **(800) 344-4333**

Visit [avocado.org](http://avocado.org) for complete category information

resulted in 2002 in the Hass Avocado Board that is aimed at the joint development of demand and coordinated management of the market.

This approach has many advantages. First, avocado is in the forefront all the year round non-stop. Then the budget available has increased, reaching USD25m in 2005-2006 as the Mexican, Chilean, Dominican and New Zealand avocados sold in the United States also pay 2.5 cents per box. The funds are much used to promote avocado via radio and television advertising and operating marketing that is generic or specific to the various participating origins. The purpose of supply management, the other component of the programme, is to safeguard against the risk of over-supplying the market. This uses an online computer platform providing real-time information for operators on the volumes to be marketed and the prices on the major markets in the country.

This approach, whose motto is 'built cohesion and market development' has accelerated market growth.

### The increase in the Hispanic population enhances avocado consumption

This well-designed programme has also benefited from an important external factor, the increase in the

Hispanic population of the United States. The number of persons from Latin America has increased by 15 million in the past decade, reaching about 43 million in 2005. This factor is far from a minor detail as this population segment eats much higher than average amounts of avocado. According to a study conducted for the HAB in 2007, whereas 43% of the population of the US purchase at least one avocado per year, 60% of the Hispanic population buy at least one a week! Furthermore, Hispanics buy 4.8 fruits per purchase in comparison with the average of 2.8.

Population forecasts will delight avocado sector professionals. Hispanics formed some 14.5% of the population in 2006 and the figure could reach 25% in 2050. This ethnic group should then total 100 million persons.

### The West is still ahead

These regional ethnic disparities and the distance from the production area or import arrival point account for the strongly uneven consumption in the various main regions of the country. The West is home for less than a quarter of the population but the people there account for nearly 60% of national consumption (40% in California alone). The gap is widening in terms of percentage between the western and the eastern states, although consumption there is increasing in absolute terms. These zones nevertheless have enormous potential for development.

### Mexico is gaining market shares

Whereas the market growth observed in the first half of this decade benefited Chile, the second half is undoubtedly a fiesta for Mexico. Authorisation of the unrestricted marketing of Michoacán avocado in 47 states since February 2005 has resulted in rocketing imports. Volumes in-

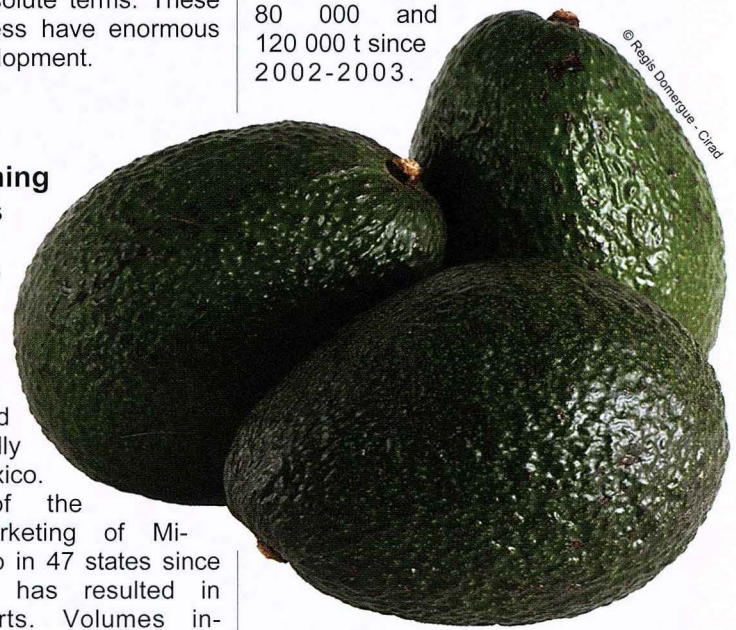
creased from less than 45 000 t in 2003-2004 to nearly 170 000 t in 2006-2007. All phytosanitary restrictions were lifted on 1 February 2007 and the market is completely open, with California, Florida and Hawaii added to the list of accessible states. The finalisation of this process that took ten years is a pledge of the future development of Mexico, especially as California, a nearby market, is something of an eldorado, with a population of 36 million, of whom 35% are Hispanic.

### The Dominican Republic gains ground

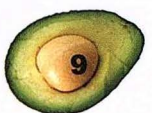
The Dominican Republic is also tending to be increasingly present on the US market. Although, this source of supply is something of a Tom Thumb in comparison with Mexico and Chile, with US imports of some 17 000 t in 2006-2007, it is making substantial progress. In addition, the 'Hass' plantations in this important tropical avocado producing country are often developed in partnership with American companies.

### Chilean volumes are holding their ground, but ...

Shipments from Chile have been stable in recent seasons in spite of the formidable increase in Mexican exports. Annual volumes have oscillated between 80 000 and 120 000 t since 2002-2003.



© Regis Domergue - Grad



However, Chile has lost its private hunting ground and has no longer been the leading supplier of the US market since 2005-2006. Competition is now much fiercer. Mexico has obvious logistic advantages. The fruits travel by road rather than by sea, as is the case for Chilean avocado, and this clearly allows quicker adjustment of supply to demand, avoiding massive arrivals of goods. In addition, its anchorage in the US market is facilitated by the joint interest of certain Californian and Mexican operators. For example, Calavo and Mission have their own packing station in the Michoacán. A clear price gap between Chilean and Mexican fruits appeared in 2006-2007.

**... red lights are beginning to flash**

Californian growers are also very concerned by the strong decrease in



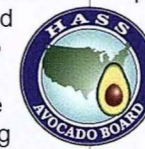
© Régis Domergue - Cirad

prices in the last two seasons. Average returns of 90 to 95 cents per

pound since the beginning of the 2000s enabled them to regain confidence in the crop. As a result, planted areas started to increase again in recent years in spite of the high production costs resulting in particular from the high price of water and agricultural labour and strong pressure on land. However, growers' returns fell to less than 60 cents in 2005-2006. The start of the 2006-2007 season was just as bad with returns rock bottom at less than 60 cents until March, when the consequences of frosts caused a salutary increase in price that saved the season. According to a University of San Diego study published in 2001,

direct production costs were some 58 to 68 cents per pound in the San

Diego/Riverside region for average yields of 7 000 to 7 250 pounds per acre. To this must be added a further 35 to 40 cents to cover all the overheads. A significant proportion of the orchards in this area, forming more than 60% of Californian production, is therefore probably running at a loss.



of today's market suppliers find a position? This question is raised in the light of the fall in import stage prices and the fall in returns for Californian growers.

**Good prospects for future development but challenges must be met by certain production origins**



Market growth potential remains considerable. Consumption has considerable potential for growth with the increase in the Hispanic population and the existence of the vast markets in the eastern US where consumption is very small. But will all

The challenge of reducing production costs is more than ever on the agenda for Californian growers. Measures addressing this and aimed at rationalising markedly heterogeneous production structure have already been taken. It should be stressed that there is not much room for manoeuvre as water requirements are substantial in certain arid counties and the costs of this factor of production is high, as is that of labour.

As regards import stakeholders, Mexico seems to be in a fairly comfortable position. There are large



reserves of exportable volumes, especially as the areas declared to be free of fruitfly by the US control authority, APHIS, are increasing. However, at the risk of being caricatural, this outlet is only one alternative, even if Mexico has recently become the largest world exporter in terms of volume. For growers can count on a profitable domestic market with large consumption.



The situation is different for Chile, where production is still increasing and that does not have Mexico's advantage of being close to the United States market. The diversification of outlets remains an imperative necessity for this supplier.

**Eric Imbert, Cirad**  
eric.imbert@cirad.fr

