

The Year in Review

It seems a distant memory now, but in October 2016, as California avocados were about to begin a new crop year, prospects seemed dim for a decent season. Expected volume was 200 million pounds—half of what it had been the year prior—and the market was highly unstable. A work stoppage in Mexico had dramatically reduced fruit inventories and the supply disruption was unnerving to retailers and foodservice operators alike. Avocado promotions plummeted, and restaurants removed menu items featuring avocados; for the first time, our highly-regarded category fell from grace in the eyes of the trade. One of the main marketing goals for the upcoming 2016-17 season, therefore, was “reversing trade disillusionment with the category by underscoring the California avocado difference.” A difficult assignment under any circumstance, the goal was made tougher still by the fact that California avocados would account for only 10 percent of the total supply of 2.1 billion pounds anticipated in calendar year 2017.

At 10 percent of the market, the Commission’s task for 2017 was clear: maintain our presence in the market, our reputation as a reliable brand and our willingness to support the trade, under trying conditions of uncertainty, while focusing on returning value for our growers. If ever there was a year when members of the trade might deem California avocados irrelevant, this was it. Now, in retrospect, we know that this did not happen. In fact, the market coveted California avocados like never

before, and our fruit commanded a premium price that out-performed imports every week of the California season. The market from March through July 2017 was remarkably stable, with consistently high prices, and just when we thought it couldn’t get any better, August was off the charts. As prices rose that month for all supply sources, California led the way by delivering the highest returns.

By the time the last California avocado was packed in 2017, it was more than evident that it had been a banner year. The industry average price of \$1.60 per pound, for all varieties and all grades over the course of 2017, was an historic high. The average lug price for number one, Hass size 48s was \$52.80 for the period from November 1, 2016, through October 31, 2017, and all other conventional sizes set records as well. While it would be nice to be able to say that the Commission was single-handedly responsible for the stellar 2017 season, we all know that various factors contributed to the industry’s success. The Commission’s core strategy of carving out a premium position in the market and focusing on trade accounts whose customers have a willingness to pay is working, however, and Jan DeLyser and her marketing team are to be commended for staying in front of those accounts and preventing California avocados from becoming an afterthought. The packers did their part, too, and it took steel nerves to get the best returns possible for California growers by effectively leveraging the freshness and quality of California fruit



Tom Bellamore

when making sales calls on price-weary retailers.

The strong price performance across the season reaped benefits for the Commission as well. When the year started, we expected to operate with deficit spending of around \$3.4 million. Revenue from the 210-million-pound crop was projected to be about \$9.4 million, and operating expenses were set at about \$12.8 million, mindful of the acute marketing challenge ahead. The record returns across the season changed all that, more closely aligning revenue with spending. Not only did this allow us to maintain our reserves, but we’ve been able to get a jump start on preparing for the 2018 season, when a larger crop and extended harvest window will require increased marketing support.

No two seasons are ever the same, and a 375-400 million-pound California crop in 2018 will be harvested into a 2.4 billion-pound U.S. market, up from 2017. The market will have new entrants, most notably fruit from Colombia and possibly Jalisco, and other suppliers will be closely monitoring weekly inventories, ready to seize any opportunities that may arise. At the November meeting of the Hass Avocado Board, major suppliers to the U.S. market – i.e. Mexico, Peru and Chile – predicted that



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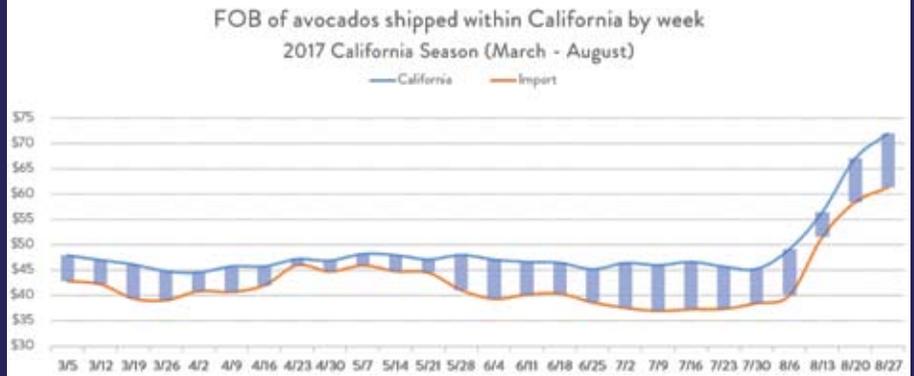
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California Avocados had an FOB price advantage over imports for every week of the 2017 California Season (March - August)

Average: 14%, Max: 25%



California Avocados also had an FOB price advantage for every week when looking at the 3-year average.

*Note - 2015 and 2017 California Seasons reflect early March - August timing, while the 2016 California Season reflects traditional April - September timing



exports to our country in 2018 will be up over the previous year, so expect plenty of competition across the season.

To meet that challenge, the Commission's retail merchandising directors and the foodservice team already have been calling on key accounts, laying the groundwork for an earlier start, planning customized promotions, and working with handlers' sales teams to secure commitments for California fruit. It's a longer list of accounts this year, since higher volume means more fruit will find its way to outer markets or even export destinations. And while it is impossible to predict how the market will behave in 2018, we know that certain fundamentals are requisite for

success. Topping the list is orderly marketing and a steady supply of fruit that matches demand. For California, delivering on our quality promise will be paramount, as will support of loyal trade customers to persuade them to resist the temptation of lower-priced fruit.

If there is a lesson in the strong market of 2017, it should be the realization that trade customers and consumers are increasingly aware of the inherent value of the California avocado crop and this is demonstrated by their willingness to pay for the freshest, high quality, local product they can find. That, by itself, offers promise of another great season in 2018. 🥑