Message from the President

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The Imperative of Sustaining Demand

Since 2002, our nation has been the world's largest import market for avocados. The United States became a net importer of avocados in the late 1980s and there has been no looking back. Current demand hovers around 1.7 billion pounds, matching the available supply that is largely comprised of imports. With a U.S. population of 317 million, that places per capita consumption of avocados at 5.4 pounds—noteworthy, but far short of Mexico's 20 pounds per capita, which suggests room for growth remains. And thank goodness.

Between 1999 and 2013, the annual rate of growth in U.S. avocado consumption has been close to 10 percent. That steady rise in demand has attracted new entrants into the U.S. avocado market, such as Spain and Hawaii, both approved for importation by the U.S. Department of Agriculture (USDA) in late 2013. Although the potential volume expected from these two suppliers is relatively small, perhaps less than 2 million pounds, consider those who are next in line awaiting USDA authorization. At the top of the queue is Mexico.

Yes, you read that correctly. From a regulatory perspective, since 1997 avocados from Mexico have meant avocados from Michoacán, the only state in Mexico approved to export the fruit to the United States. It is widely known, however, that Hass avocados are grown in other Mexican states such as Jalisco, Veracruz, Colima, Sinaloa, and Nayarit. Producers in these and other areas of Mexico have been working toward export certification, conducting pest surveys and field sanitation measures in some cases for years, all with the aim of emulating their successful peers in Michoacán. Not long ago, the government of Mexico stepped forward on their behalf, petitioning USDA to expand the Mexican avocado import program to include *all* of Mexico.

For some time now, the unofficial word has been that Jalisco is "next in line." Neither USDA nor its Mexican counterpart, the Secretaria de Agricultura, Ganaderia, Desarrollo Rural, Pesca y Alimentacion (SAGARPA), are anxious to relive the contentious rulemaking that accompanied the opening of the U.S. market for Michoacán growers, however, which makes a state-by-state approach unlikely. One further rule change allowing access for all avocado producers in Mexico is far more palatable to USDA and SAGARPA than a series of rule changes each time another Mexican state is ready to meet the export requirements. Expect to see a strong indication of that in the near future, when USDA publishes a draft Pest Risk Assessment for the importation of avocados from Mexico—i.e., *all* of Mexico.

The current avocado import program, in spite of its rough beginnings, has functioned relatively well when it comes to containing risks associated with avocado pests not known to occur in the United States. Going forward, Michoacán and California avocado growers share a common, vested interest in making sure the program performs as designed if expansion is permitted. Neither group wants to see a pest infestation in California or the market disruption that would ensue.

For this reason, in January 2014 the unthinkable occurred. Representatives from the Asociacion de Productores y Empacadores Exportadores de Aguacate de Mexico A.C. (APEAM) and the California Avocado Commission jointly called upon USDA, urging the department to take a reasonable, methodical approach to expansion. Together, we proffered a proposal seeking a staged approach to expansion.

The proposal contemplates a new regulation that: 1) would enumerate and codify the necessary phytosanitary requirements each producing area must meet, and 2) set forth administrative procedures for a government-to-government petition process. The USDA's initial reaction to the idea was positive.

Regardless of what form it takes, expansion of the Mexican avocado import program will undoubtedly mean significantly more volume in the United States, much of which could overlap with the California season. Jalisco alone may be poised to export anywhere from 150-300 million pounds depending on market opportunities, with production that is heaviest in the summer months.

Equally as daunting is the ramping up of volume from Peru, which already has full access to the U.S. market. Analysts there peg export potential at 200-300 million pounds in the not-too-distant future.

Further down in the queue are these countries, each of which appears on the list of in-progress risk analyses being performed by USDA: Argentina, Australia, Columbia, Ecuador, Philippines and South Africa.

But it is Mexico and Peru that keep me awake at night—if for no other reason than the others have lower production capacity or will face logistical challenges getting their fruit to the United States.

If there is a silver lining in all of this, it has to be the $40 million collectively being funneled into promotion by all of the avocado associations, import and domestic alike, to fuel the U.S. market. Each association has its own brand-building strategy, and for California avocados, it is all about premium positioning due to our high costs of production.

Sustaining market growth at 10 percent or above must be a common goal, however, because the market will only remain profitable if supply does not overrun demand. APEAM knows it. CAC knows it. The question is, will the new entrants temper their enthusiasm and promote as hard as they sell?