

## Water to Play Big Role in 2016 Crop

**T**he fruit is on the trees but will it size and survive the rigors of the fall and winter? These are the million dollar questions that will be answered in the coming months.

"I've heard everything from 350 million pounds to 500 million pounds," said Mission Produce Inc. Sales Category Manager Dave Fausset, talking of the 2016 California avocado crop.

Fausset, who sits on the Hass Avocado Board, has been exposed to many different predictions, but he said water will tell the tale. "Whether it's 375 million, 425 million or more will depend on the rain we get. We need to get rain and not all at one time. If we get some good rain spread out over time, the crop will size and next year we will be rockin' and rollin'."

He believes the low end number – 350 million pounds – will only be accurate if there is no rain or if other weather factors adversely influence the crop, such as heat in September or wind in October or beyond.

Others interviewed had similar viewpoints.

Rob Wedin of Calavo said estimators seem to be predicting a significant crop increase, with the final figure falling in the 350-400 million pound range. He said many factors will go into that final number, includ-

ing when and how much rain comes. "We are going to have to deal with that but I think it's unwise to complain about rain," he said, clearly taking into account California's four-year drought.

Bob Lucy of Del Rey Avocado Co. said an initial estimate of 385 million pounds would mean a crop of about 100 million pounds more than this year. He said growers in the northern growing districts seem to have a very heavy set, while it is closer to average in the southern districts. Del Rey is intimately involved in marketing the fruit from the Morro Bay region and Lucy said it appears those growers will have a very nice crop in 2016. Those tend to be the latest California avocados on the market. As he spoke in early September, with the rest of California completing its harvest, Morro Bay still had at least three more weeks left of its season.

### The 2015 Crop

Lucy characterized 2015 as a good year for most growers. Though the crop was smaller, he said the industry "did a heck of a job marketing it, especially early on."

The Del Rey executive serves as chair of the California Avocado Commission Marketing Committee and he

said Jan DeLyser and her CAC team did a great job of target marketing the fruit to willing retailers. He said this group included most California retailers, who capitalize on the locally grown aspect, but Del Rey has many other retail customers across the country that also see value in the California brand. "Our philosophy is to give the buyer a choice. Let them choose what they want. Just like when they buy wine, there are a lot of different options."

All in all, Fausset of Mission said 2015 proved to be a pretty good year, especially for the growers that harvested their fruit early. He said there was very good movement on the California crop during the heavy promotional time period from Cinco de Mayo to 4<sup>th</sup> of July. "We had a little trouble in late July and August as Mexico had a very big flora loca crop, which caused the price to fall."

Fausset noted that the overall volume of avocados moved in July – more than 200 million pounds – made it the largest-ever single month for avocado consumption in the United States.

While California moved a lot of its avocados in the first six months of the year, Fausset is not ready to call that the "new normal." He said that in a short year, which does describe



2015, the best window for California fruit is in the spring to early summer period. “But remember Mexico’s flora loca crop was the biggest ever; it’s not always going to be that way.”

Kellen Newhouse, director of global sourcing & international business development for West Pak Avocado Inc., called the 2015 California crop year “a great success.” He noted that going into the year, many were apprehensive about the size of the Peruvian crop and how the timing of those imports would shift pricing and the picking window for California fruit. “Even though a lot of fruit was picked early and the season ended historically early, California growers enjoyed great prices throughout the season,” he said. “The window for California fruit is changing depending on its crop size and the crop size of Mexico and Peru. For California growers it will be important to continue to be dynamic and understand the global picture for the best returns.”

Wedin was like-minded, noting that the early, aggressive movement in 2015 worked very, very well. But he cautioned that every year is differ-

ent, and what works for one year’s set of circumstances may not be the same the next year. Looking strictly at the numbers, he said for Calavo, California volume was up 12 percent, while the average price per pound fell only 9 percent. From an economic model standpoint that means more dollars in the grower’s pocket, which means a fairly solid year. Wedin did credit the early movement in March, April and May with creating a fairly good year throughout. That early, heavy movement allowed many growers to avoid the lower prices that came in July and August.

For 2016, if the large California crop does materialize, Fausset expects that it will hit the market earlier with some January sales.

Wedin believes California growers will be aggressive early next year, especially if El Niño delivers a lot of early rain, but he said how that plays out will also be a function of the imports. Mexico also has a big crop on its trees, and it is expected that more acreage will be certified for U.S. export, including some in the state of Jalisco.

### California’s Premium Fruit

The California avocado label program, initiated by the California Avocado Commission, has proven to be successful and it does differentiate California’s crop leading to premium positioning.

Fausset said Mission missed its

window a bit on securing the labels for 2015, so in 2016 it will be a focus of the firm. “Absolutely there are plenty of customers who prefer California fruit.”

He said the high-end supermarkets that have no trouble paying the premium price are prime targets for the program, but so are retailers across the board. “Even Costco and Walmart want to embrace the locally grown concept,” he said.

Lucy said for many retailers, a premium California avocado makes a lot of sense for their customers. “The California name has a lot going for it. It has a positive stigma of being a trend-setter. And the California avocado is also fresher and has the local angle.”

Again, he noted giving the consumer a choice is a great marketing strategy.

Wedin said California has an excellent piece of fruit that is worthy of a premium strategy effort. He wondered however, if there is the money available – from the industry – to make that case to the consumer. He said the trade loves California fruit during the California season and remains very loyal to the brand. But he is not sure they or the consumer are willing to pay extra for the fruit.

In addition, there are other countries in the market who are able to sell their fruit at significantly lower prices, in the midst of the California season, causing the California industry to deal with this downward pressure on their price.

With regard to the effort of giving California fruit a premium spot in the marketplace, Newhouse of West Pak applauded CAC for “doing an outstanding job of positioning the California avocado for the future. This year was an example of a smaller crop that had strong pricing throughout the season despite what the import market was doing. There will be small crops and we will still see bigger volume crops out of Cali-

fornia but I do believe that CAC will position itself year to year to deal with the size of the crop and position the marketing with key retailers in the best way for the growers.”

### Total 2016 Crop

For the first time ever, U.S. consumption of avocados is forecast to top the two billion pound mark when the final chapter is closed on 2015. But even after reaching that lofty number, further growth is expected. Fausset said that for budgeting purposes, the Hass Avocado Board has estimated a U.S. sales number of 2.25 billion pounds for 2016. “I think it will be more than that but for budgeting purposes we don’t want to over shoot it.”

He said the two billion pound mark will be hit this year even though Peru actually decreased its shipments due to a strong European market. With U.S. production expected to be up significantly next year, and new Mexican states joining the party, a forecasted 10 percent increase in consumption is very conservative.

In fact, Fausset believes that the only thing that will hold back U.S. consumption to 2.25 billion pounds is a very strong world market that drives up the price and puts a bigger demand on supplies moving elsewhere.

Wedin believes the U.S. market can absorb a 15 percent volume increase on an annual basis with little disruption. However, he said 2016 volume could jump higher than that if California’s production is greater than expected, because Mexico is also looking at a big crop. But Wedin believes retail can move 2.5 billion pounds with promotional pricing. With 10-15 percent annual growth in volume that hasn’t been necessary, but if the stars align and more product needs to be sold, he believes the retail price will drop to levels necessary to move the increased volume. He reasoned that retailers operate in

a competitive environment and will do what’s necessary as avocados have become a very important staple in the produce department.

West Pak is taking a more conservative guess as to the size of next year’s crop. “The 2016 California avocado crop looks bigger than this year’s crop,” said Newhouse. “Trees

are set heavy but we have a long time between now and the start of the season. With good rains and a mild winter we could see a strong crop for 2016 that is north of 350 million pounds. With a larger crop I see the California window expanding back to its more natural range of spring until fall.”

**A COMMITMENT TO CALIFORNIA** BY THE NUMBERS

- 25 Years West Pak's owners have been California farmers
- 5,200 ACRES
- 47 MILLION individual California avocados packed & marketed by West Pak this season
- 4000 plastic bins used by West Pak during the CA season
- 115,000 SQUARE FEET is the size of West Pak's latest packing facility
- 1<sup>st</sup> Priority is to our growers whom we proudly call our family for over 33 years. A commitment we highly honor.
- farmed locally by West Pak growers

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