By Tim Linden

# A Year of Extremes

The price of a carton of avocados dipped as low as it has for years and then rose to heights for a duration of time never seen before. Imported volumes on a weekly basis were greater than ever before for an extended time period and then fell far below demand for an even longer period. To top it off, some growers in the southern districts experienced June temperatures never seen before.

It was a year of extremes for the California avocado industry, and some are actually predicting that the wild fluctuations won't end for a while with next year's crop just possibly coming in at the lowest volume in the modern era.


"I've talked to some large growers who think we might not hit 200 million pounds next year," said Steve Taft, president of Eco Farms Avocados, Inc., Temecula, CA. "That would be one of the smallest crops in the modern era."

He explained that in his thinking the "modern era" began in 1980 when the California crop in that '80/'81 season approached 500 million pounds. There have been up and down years ever since, but Taft said only once before has the crop ever fallen below 200 million pounds. For the record, he does not believe that will happen in 2017. "As the fruit on the trees starts to size, it actually looks like we might have a bigger crop than first estimated," he said in late August. "I'm seeing more fruit than a month ago."

But the point is that "extremes" have been the order of the day for the California avocado industry this season. Talking about the first quarter of the marketing year, especially in March and April, Taft said, "We had the lowest prices I have seen in a long time. We just couldn't get rid of the fruit." The field price reflected this, dropping to unsightly lows.

And then in May through July, California growers couldn't pick it fast enough to keep up with demand. For the sizes in the most demand, the field price rose to $2 and more per pound. Though there was a small tumble in price in August, on August 30 Taft said demand again far exceeded supply with some f.o.b. quotes as high as $60 per carton. He anticipated that the demand-exceeds-supply situation would continue throughout September and not reach equilibrium until October.

Echoing what everyone was saying, Taft noted that supplies from Mexico were the chief cause of the low prices in the spring and the high prices throughout the summer. When Mexico's shipments topped or approached 50 million pounds on a weekly basis, the market reacted very negatively. When they fell to 30 million pounds per week and less for much of the summer, the market price moved much higher.

Taft said the unprecedented June heat wave that hit Riverside and San Diego counties for a few days, with temperatures maxing out near 115 degrees, did take its toll on some growers. "It was a big event. The industry lost 20-30 million pounds," he estimated. "Some growers had huge losses."

While losses to individual growers should not be minimized, in the grand scheme of things, Taft said the heat wave is not what created the hot market for most of the past four or five months. "It did have a positive impact on price," he said, noting though that Mexico's lack of volume was the chief influencer. He added that even with that lost tonnage, California growers are going to come very close to making the pre-season estimate.

Rob Wedin, vice president of sales and marketing for Calavo, headquartered in Santa Paula, CA, agreed with Taft's assessment of the root cause for both the downward and upward spike in prices. Speaking specifically of the high price period, Wedin said, "In early June we ran out of fruit. Going into the heavy 4th of July period, we couldn't meet demand."

Despite the efforts to pick as much fruit as possible, Wedin said "money was left on the table" because demand was not met. Of course, the sting of that situation abated as the market remained hot. For those with fruit in late August and early September, field prices were as high as any other time during the year.

Despite the high prices and lack of fruit, Wedin said the marketers did a good job of filling orders and retailers were able to promote for the 4th of July period "though the ads ran at higher prices than originally expected."

Wedin believes there were some great lessons learned by Mexican producers in 2016, and he is hopeful that a more orderly marketing situation will occur in 2017. Quite frankly, Mexican growers were encouraged to send lots of fruit to the U.S. market in the post Super Bowl run up to Cinco de Mayo. That fruit was picked and shipped and the price suffered. Mexican growers were not too happy and much discussion has occurred in Mexico ever since.

Of course, he added that nature also played an important role as Mexico's summer floral loca crop was smaller than the previous year and lower than anticipated. This led to many weeks of Mexican shipments near the 30 million mark. While the Calavo executive has no doubt that there could have been better coordination between Mexican growers and packers, some of the shortage situation was unavoidable.

"Transparency is the key," Wedin said, indicating there needs to be more communication among Mexican growers and packers and U.S. importers. He noted that growers are working within their associations to improve the situation.

What is going to happen in 2017 when California has a crop that has a very early estimate of about 250 million pounds?

Both Wedin and Taft believe that number, at this point in time (late August), is accurate. As does Robb Bertels, vice president of marketing for Mission Produce, Oxnard, CA. "We believe that's a reasonable number but it may be a little high. We see the range as being 225 to 250 million pounds."

All three handlers said it is difficult to estimate the volume as some groves appear to have very good crops and others have virtually nothing on the trees. But in aggregate there is little doubt that next year's crop is going to be far lower than this year's volume. Wedin is estimating a drop of about 30-35 percent in tonnage.

So the question is where will the fruit come from to fill demand? Wedin said there is a significant increase in certified acres in Mexico and shipments from Jalisco loom on the horizon. Bertels expects Peru to play a bigger role next year by shipping more fruit into the U.S. market during the summer months. This year, he said Peru opted to utilize Europe more heavily as a landing spot for its production. The strong market in the United States was tempting but most exporters had their plans in place and it was hard to make a major adjustment to capitalize on that strong market. With California's expected dip in volume, Bertels said Mission is anticipating scheduling more volume from Peru.

And the Mission executive agrees that Mexican growers and packers will probably do a better job of evening out shipments next year. He noted that the grower and exporter associations are examining this year's situation and will likely exert some influence for change.

With regard to California's potential 250 million pound crop next year, there is little doubt that the bulk of it will be marketed in a smaller window of time. This year, California showed the ability to move in excess of 20 million pounds during its peak weeks. It won't take many of those weeks to put a big dent in next year's volume.

What is more difficult to gauge is the premium price that California avocados will be able to command. As this year proved, the global marketing situation plays a huge part in the weekly price fluctuations. There are certainly many accounts that will be clamoring for the limited volume of California avocados next year; only time will tell what they will pay for that fruit.