



The Status of the World Avocado Industry and Future Prospects



The current status of the world avocado industry



- The 2014-2017 seasons saw significant price jumps in most avocado markets across the world, in spite of significant volume increases. Growing demand made the avocado industry attractive for investors.
- The returns during this golden era, has attracted new plantings across the globe. Existing growers expanded, new entrants developed and new origins are emerging.
- What volumes are the increased plantings likely to realise?
- What will be the likely effect on the avocado markets?

The world avocado industry



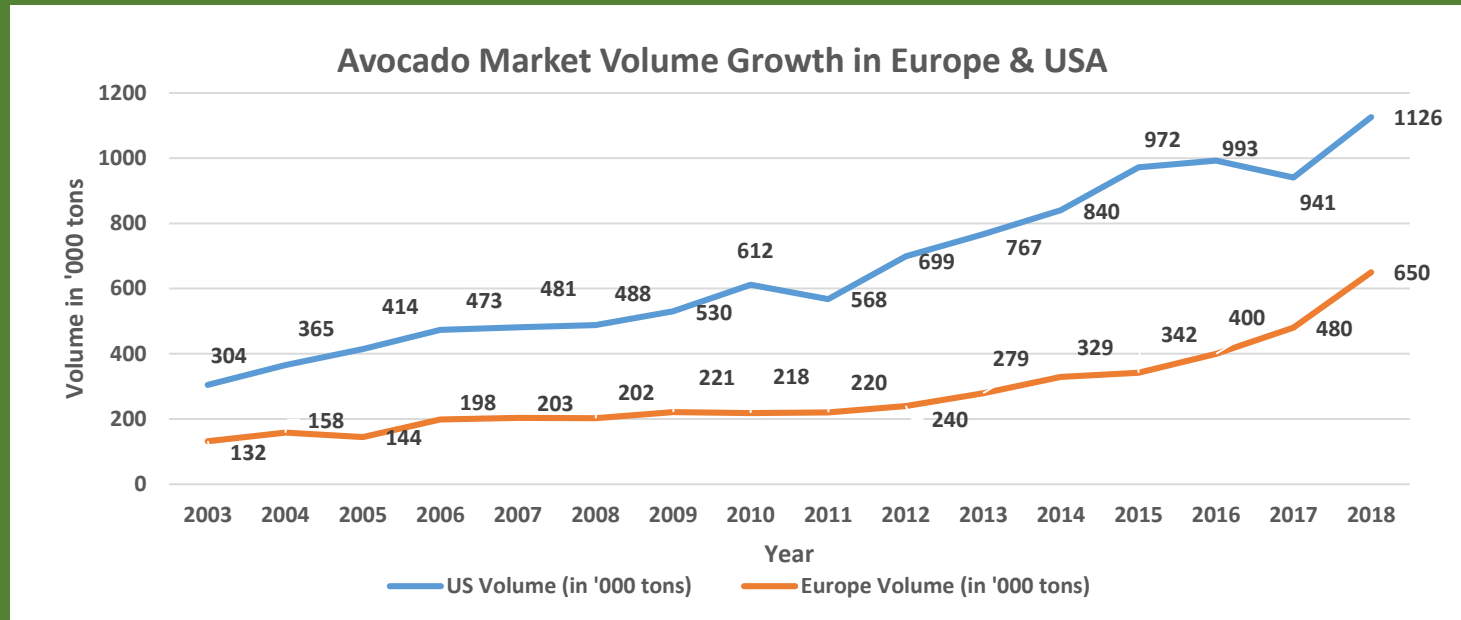
1. Review of global markets – historic growth
2. Review of plantings & expected volumes
3. Identify oversupply and undersupply times and estimate what the future volumes are likely to be.
4. Forecast potential and limits for growth in key markets USA & EU
5. Look at potential disruptors and game changers
6. Discuss the role that Asia is required to play in the future of the avo market
7. What should South Africa's approach be In the future?





AVOCADO MARKET AND CONSUMPTION GROWTH

Market Growth in Europe and USA

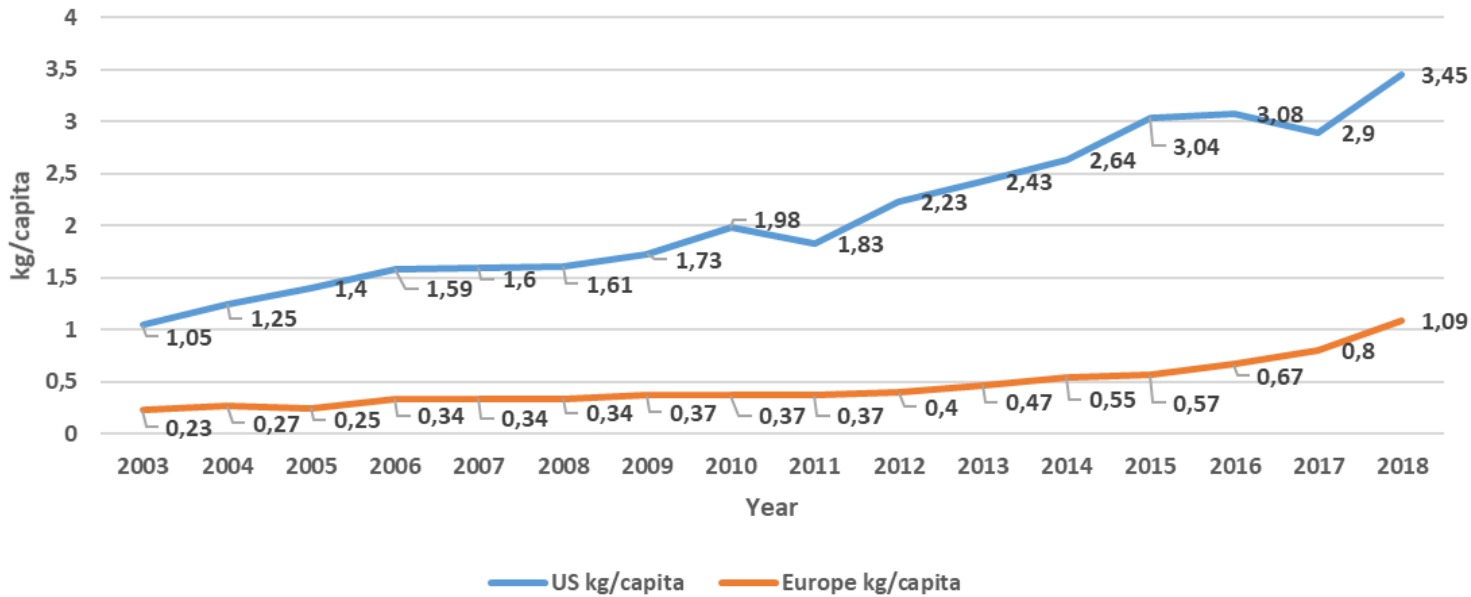


There is potential to grow consumption in Europe in future years.

Per Capita Consumption Growth in Europe and USA

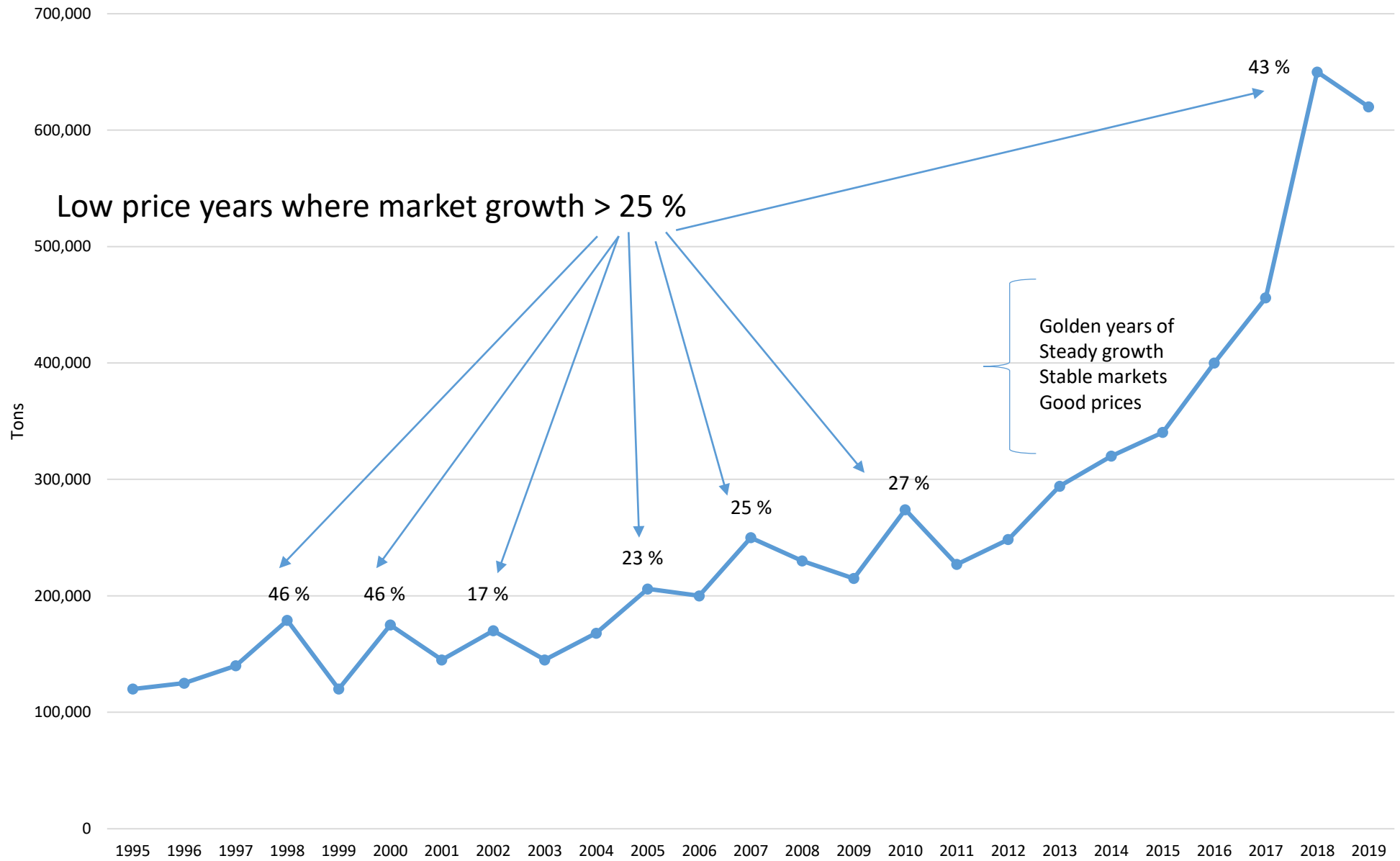


Avocado Per Capita Consumption Europe & USA

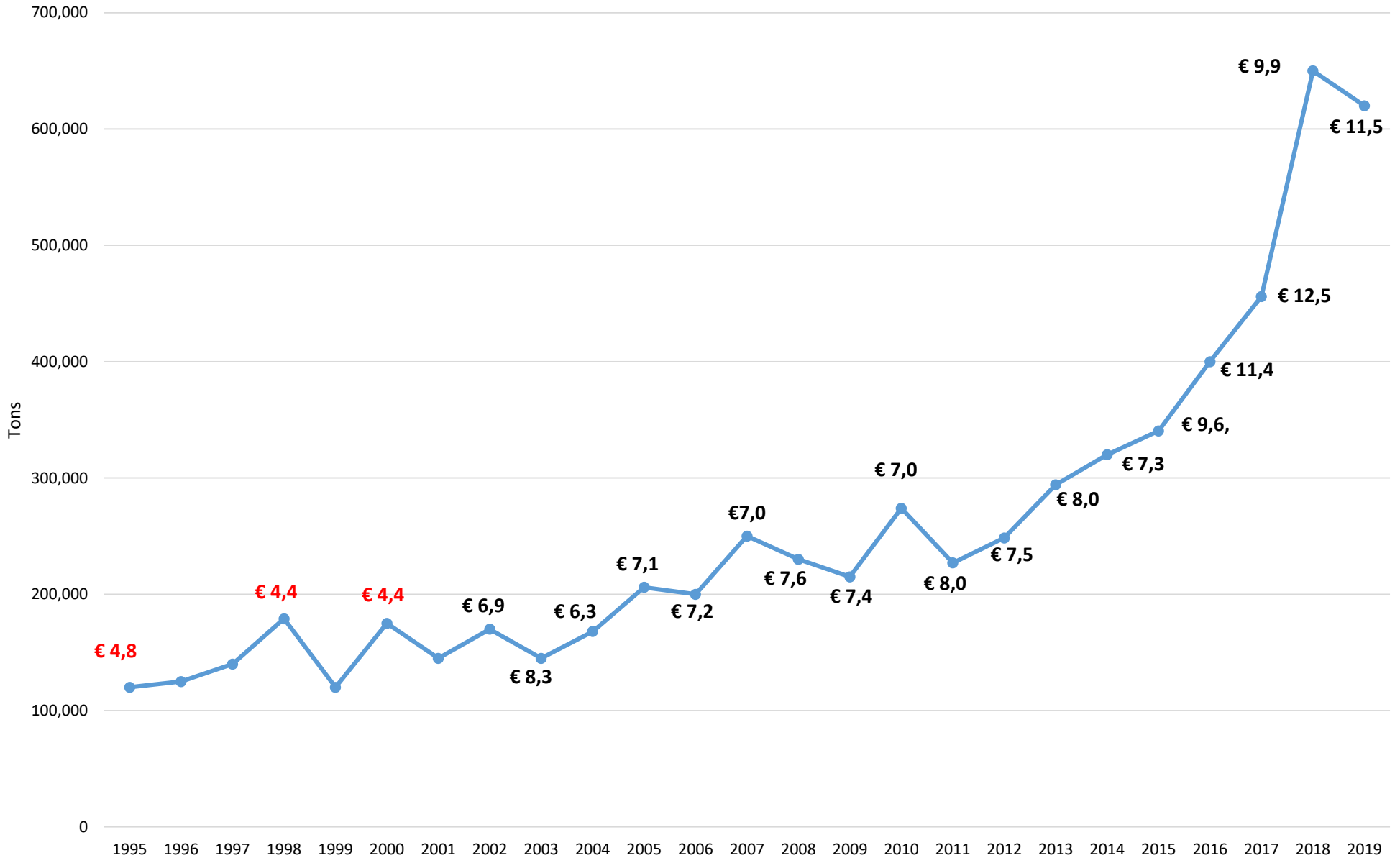


Per Capita Consumption	
Mexico	7 Kg
Israel	5,5 Kg
Chile	3,5 Kg
Canada	2,5 Kg
South Africa	1 Kg
Japan	0,5 Kg
Russia	0,1 Kg

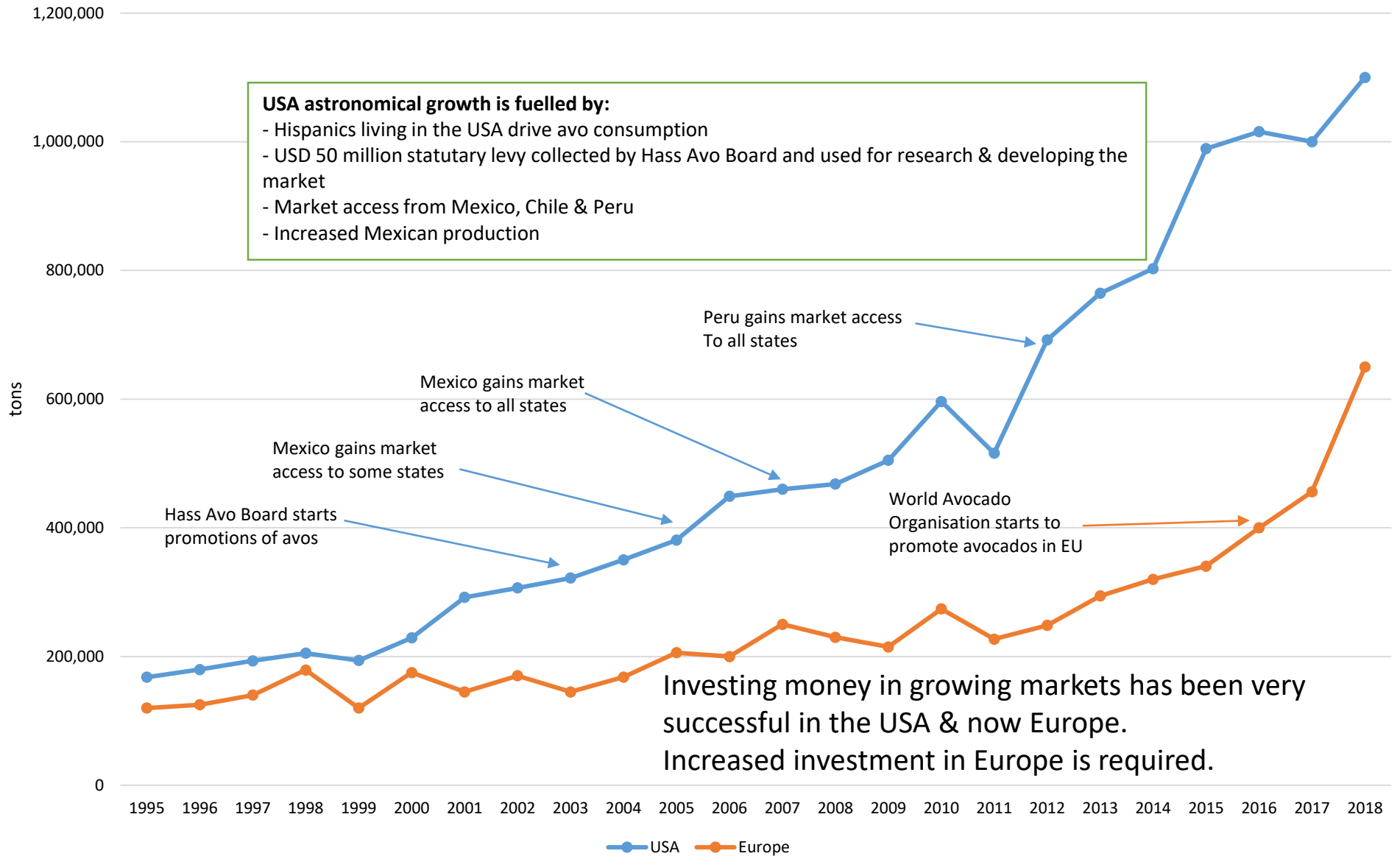
EU avocado volume growth



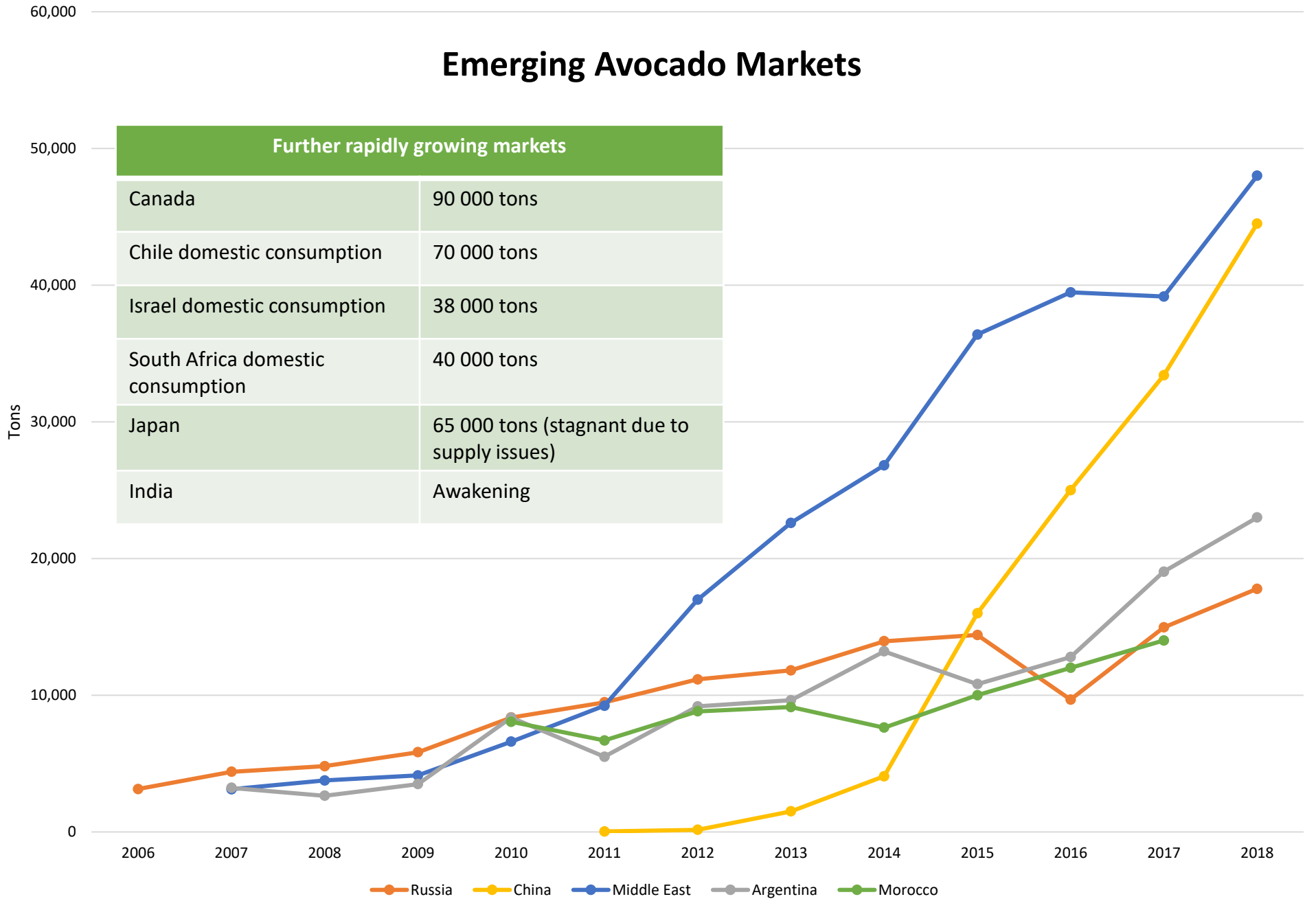
EU avocado volume growth with price increases



USA and EU avocado imports



Emerging Avocado Markets





REVIEW OF GLOBAL PLANTINGS



Global production increases **to take note of**



Country	Current hectares	Annual plantings	Current growth
Mexico	231 031	2 000	1%
Colombia	10000	1500	15%
Chile	29 000	500	2%
Israel	9500	1000	11%
Spain	10 000	1 800	18%
Peru	47973	2000	4%
South Africa	18000	1800	10%
Kenya	7400	1600	22%
California	23 855	100	0%
Others	6 502	1 581	24%
Global Average			3,7%
USA suppliers			1,3 %
EU suppliers			8,5%

The reality is more fruit can be expected in Europe in the SA window

Production increases to take note of



Global growth in plantings is 3,7 % (lower than the current market growth)

However - growth in suppliers to the EU is 8,5 %

Spain	Water issues in traditional areas. New plantings in alternative areas
Israel	New plantings in hotter areas
Morocco	Significant plantings but in a marginal climate
Colombia	Significant expansions, large land parcels scarce.
Kenya	Significant plantings, poor industry information
Chile	Mainly replanting, industry contracted from drought
Mexico	Limited expansion, mainly replanting Michoacán
Peru	Significant plantings continue in newer areas



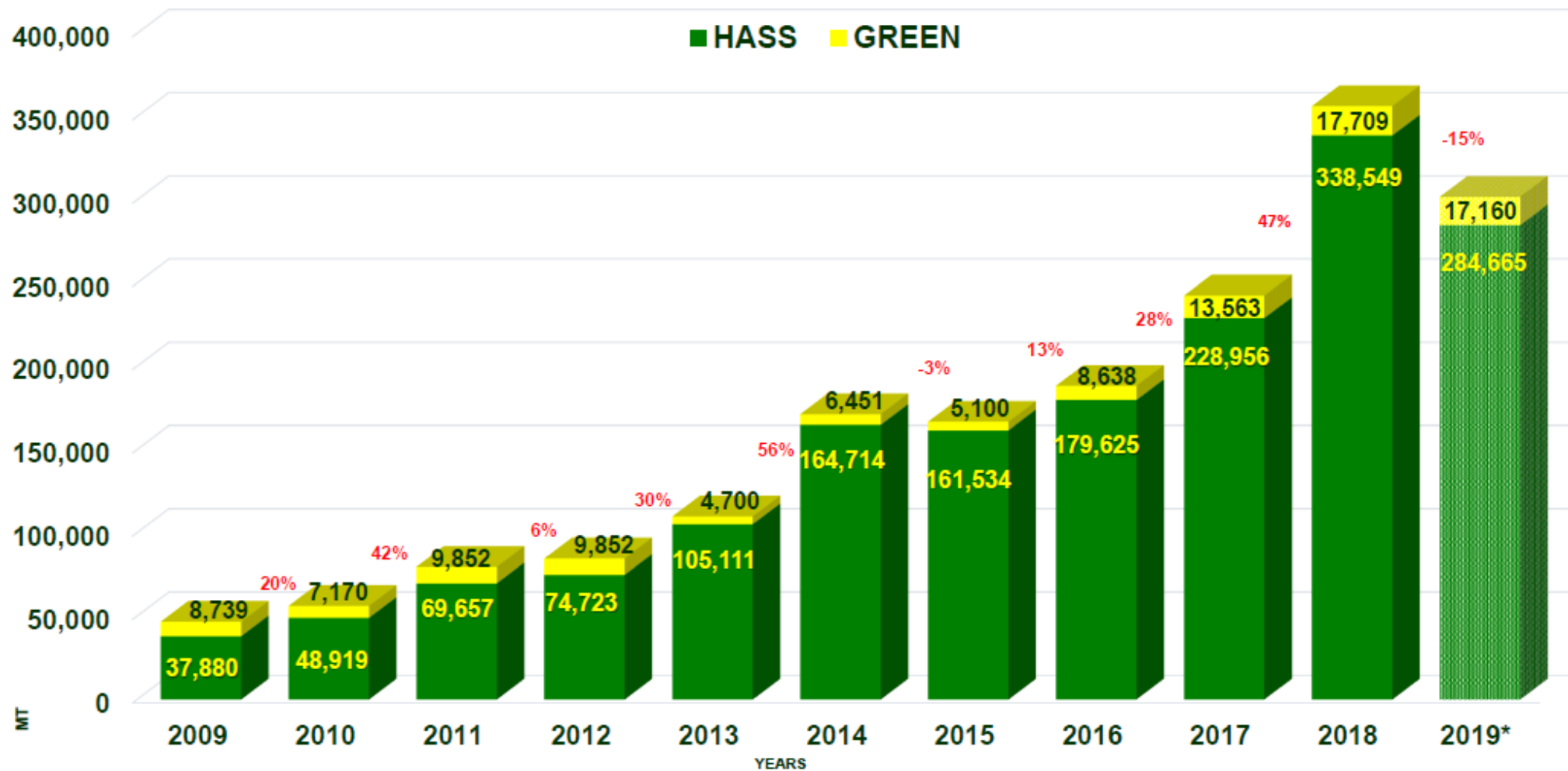
Implications of the increased plantings



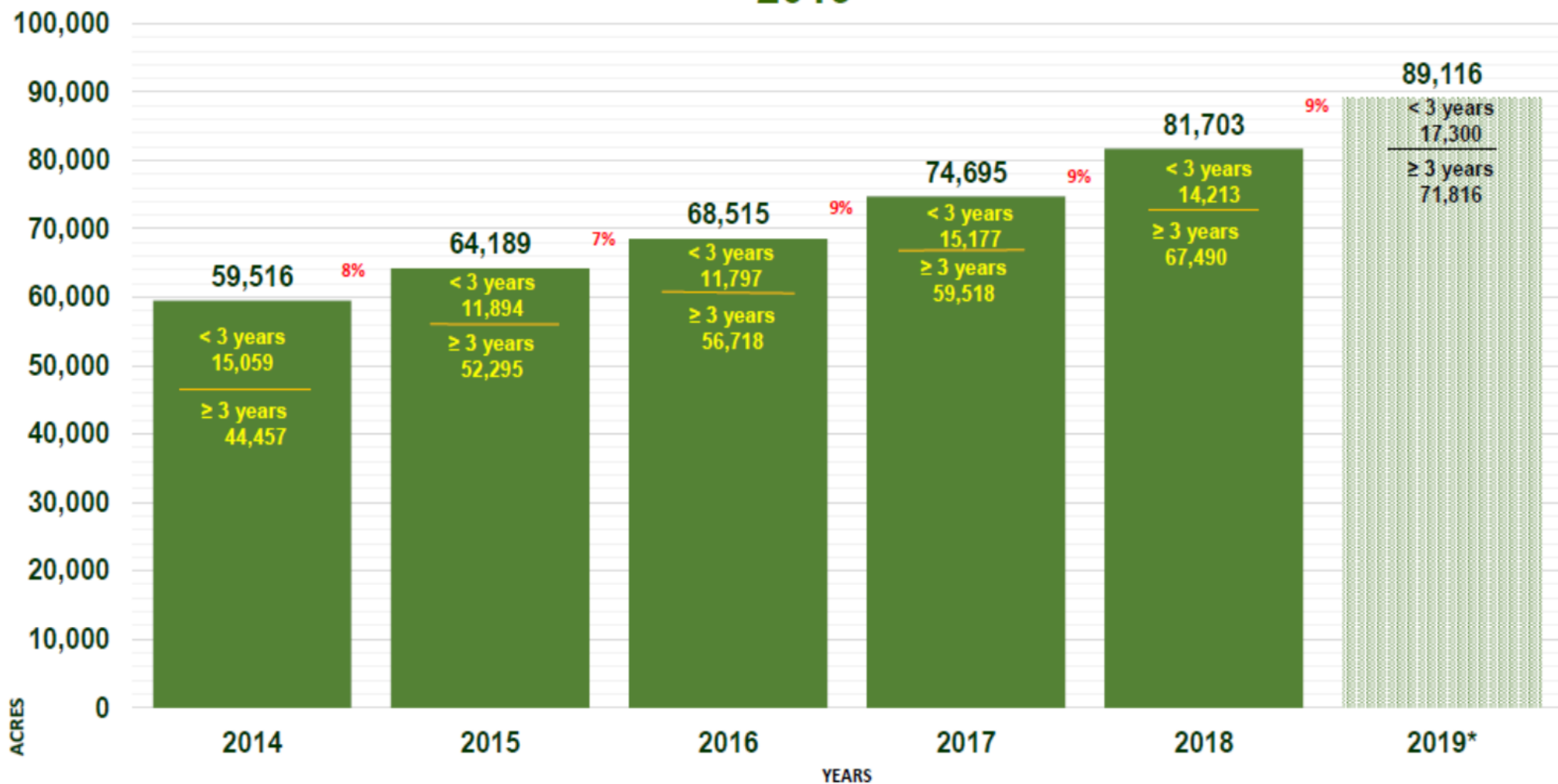
- Kenya:** Industry changes. Kenya will make a comeback in the EU market and market access to China will play a significant role in the future development of Asian markets.
- Colombia:** Global players getting involved in Colombia & Colombia Rising. Counter seasonal to SA and USA market likely to play a role.



HASS AND GREEN AVOCADO EXPORT 2009 – 2019* (MT)



TOTAL ACRES OF HASS AVOCADO IN PERU 2014 – 2018 PROJECTION 2019



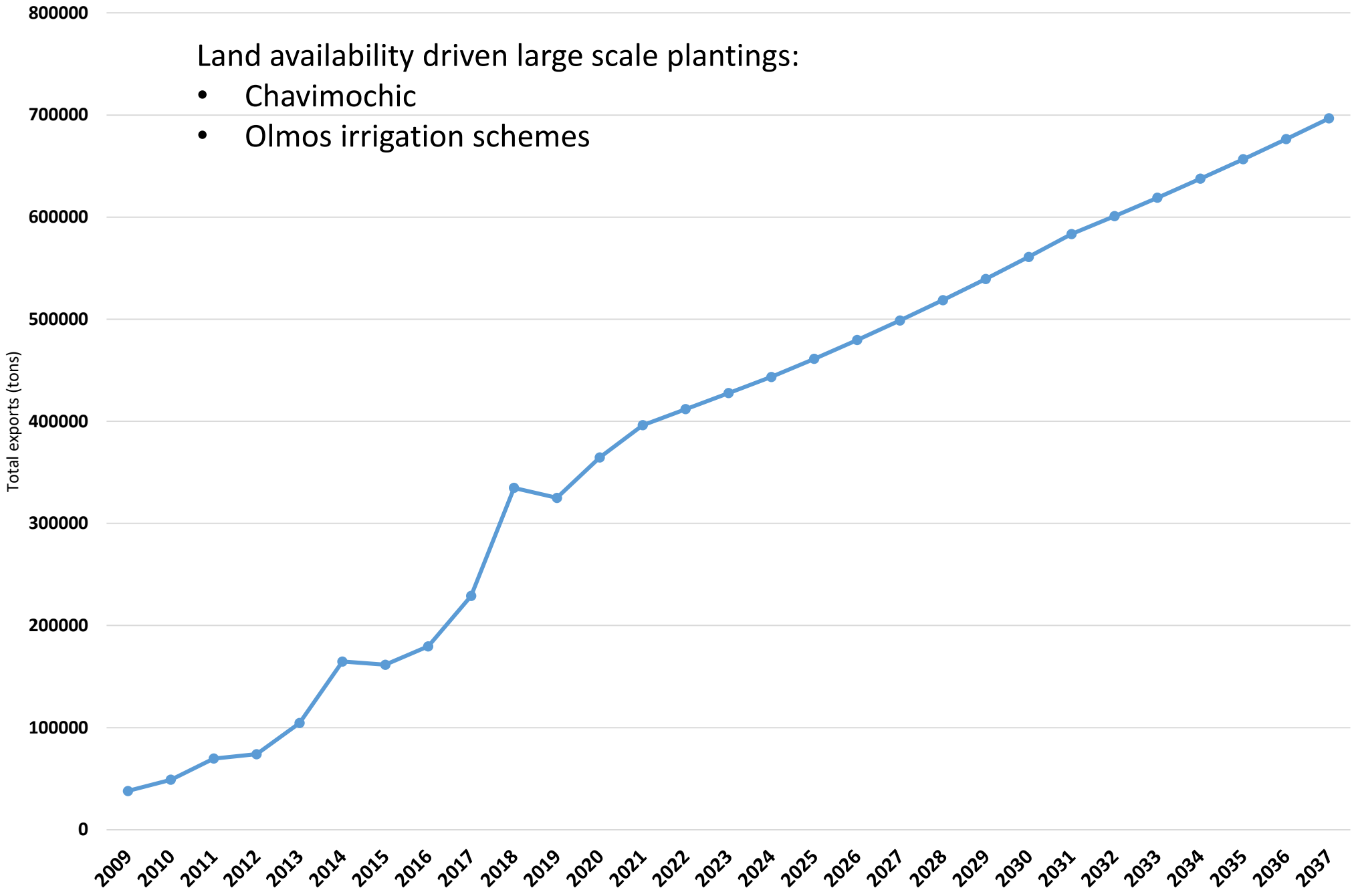
* PROJECTION 2019

SOURCE: PROHASS

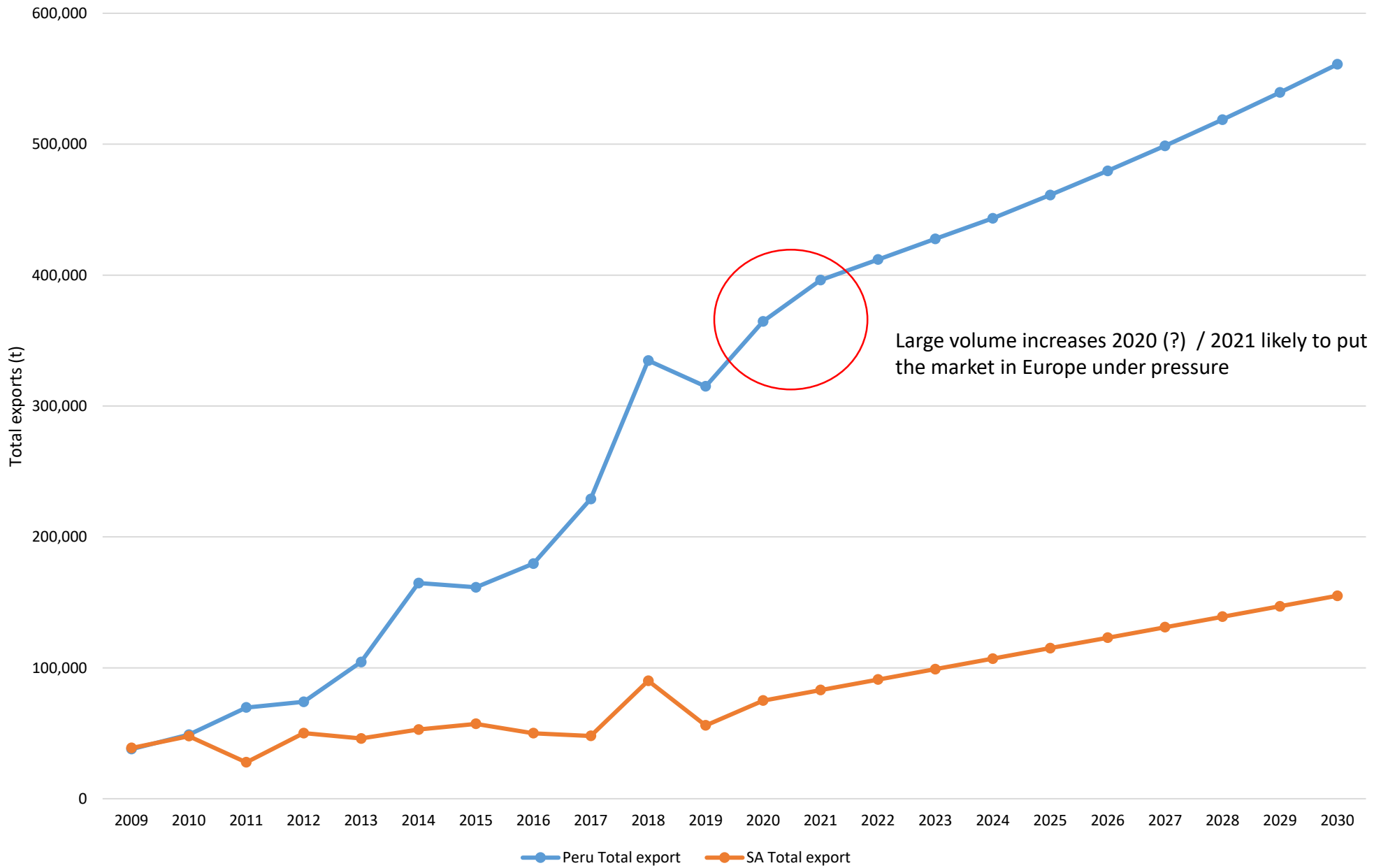
Peru's meteoric rise

Land availability driven large scale plantings:

- Chavimochic
- Olmos irrigation schemes



Peru vs South Africa exports



Kenya



- Kenya currently a dark horse gaining speed on the back of a capitalist government.
- Kenya is the origin of least preference in the market.
- Historically, a smallholder industry with one large player.
- There are significant developments starting in Kenya, they will be back in Europe.

#AVOEXPERTS

Mexico

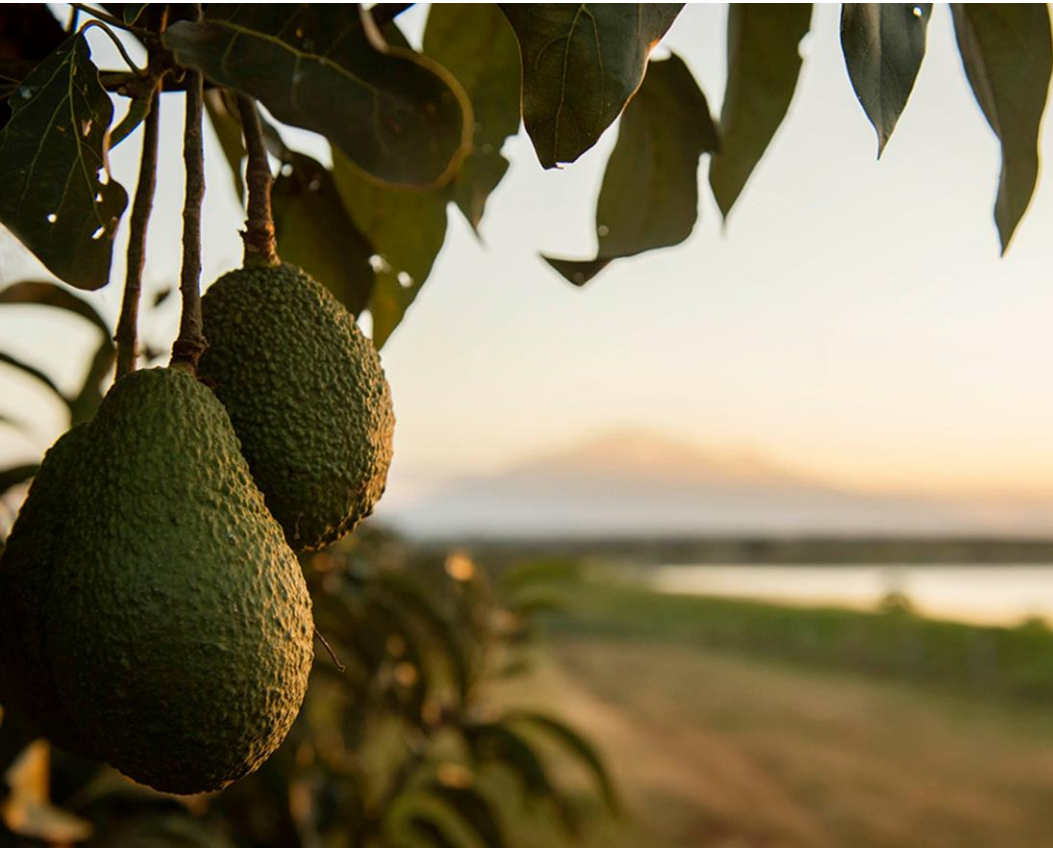


Michoacán: replanting of older orchards in existing areas for expansion are relatively limited by climatic constraints.

Jalisco: Has shortages of water which will limit future growth.

Future plans in other states: will they develop in to fruition? USA market access can be the key.

Tanzania, Zimbabwe, Angola



- Large potential in these countries for growth future.
- Government policies restrictive to foreign investment will limit growth until governments change.
- These countries could each potentially do what Peru did should the government drive in this direction.



THE POTENTIAL AND LIMITS FOR MARKET GROWTH

Assumptions of sustainable market growth rates



	Current	Future	Comments
USA	= 9 %	= 7 %	high per capita consumption
EU	= 10 %	= 8 %	low per capita consumption, large population and many countries still to be developed
China	= 37 %	= 15 %	high growth from a low base
India	= 70 %	= 40 %	very high growth from a very low base.
Canada	= 9 %	= 5 %	mature market
Japan	= 3 %	= 0,5 %	not growing for many years, may change with ripened concept
M. East	= 30 %	= 6 %	Rapid current growth from Kenyan volumes future growth to slow down.



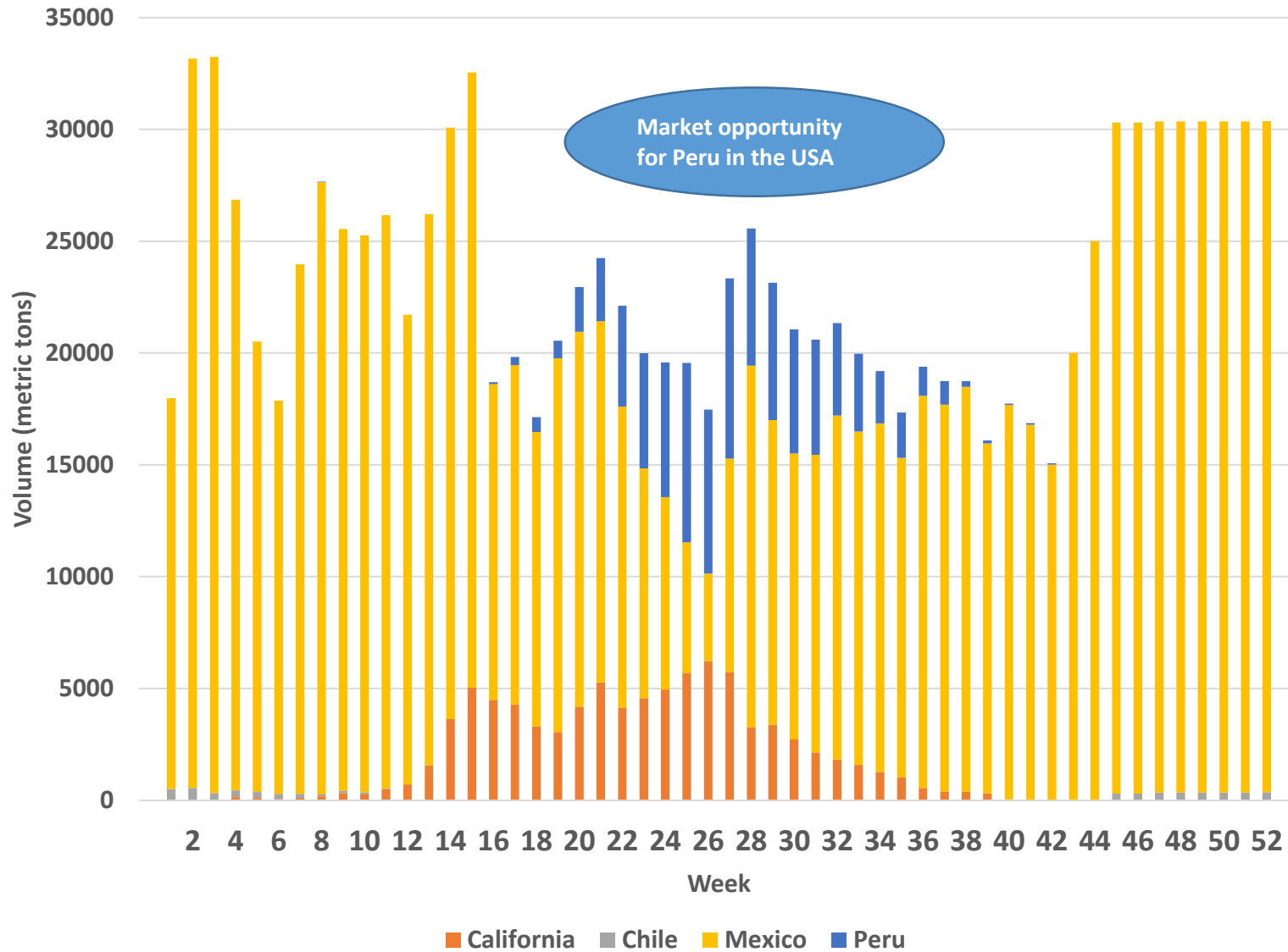
USA market expected growth



- USA supply base plantings currently growing at 1,3 %
- Mexico is the mainstay of the USA market
- Market growth is fuelled by the USD 60 million+ collected and spent by the Hass Avocado Board on market development and medical research.
- Mexico is not believed to be expanding significantly at this stage with 2000 ha annually.
- Michoacán is fully planted with little room for expansion, and most of the new plantings are in neighbouring states.
- Secondary suppliers: Peru becoming more important (complimentary seasons). Chile, & Colombia competing in the Mexican window.

⇒ ***USA could absorb some of the increased volume from Peru in the future.***

Volume and projections for USA Hass avocado supply 2019



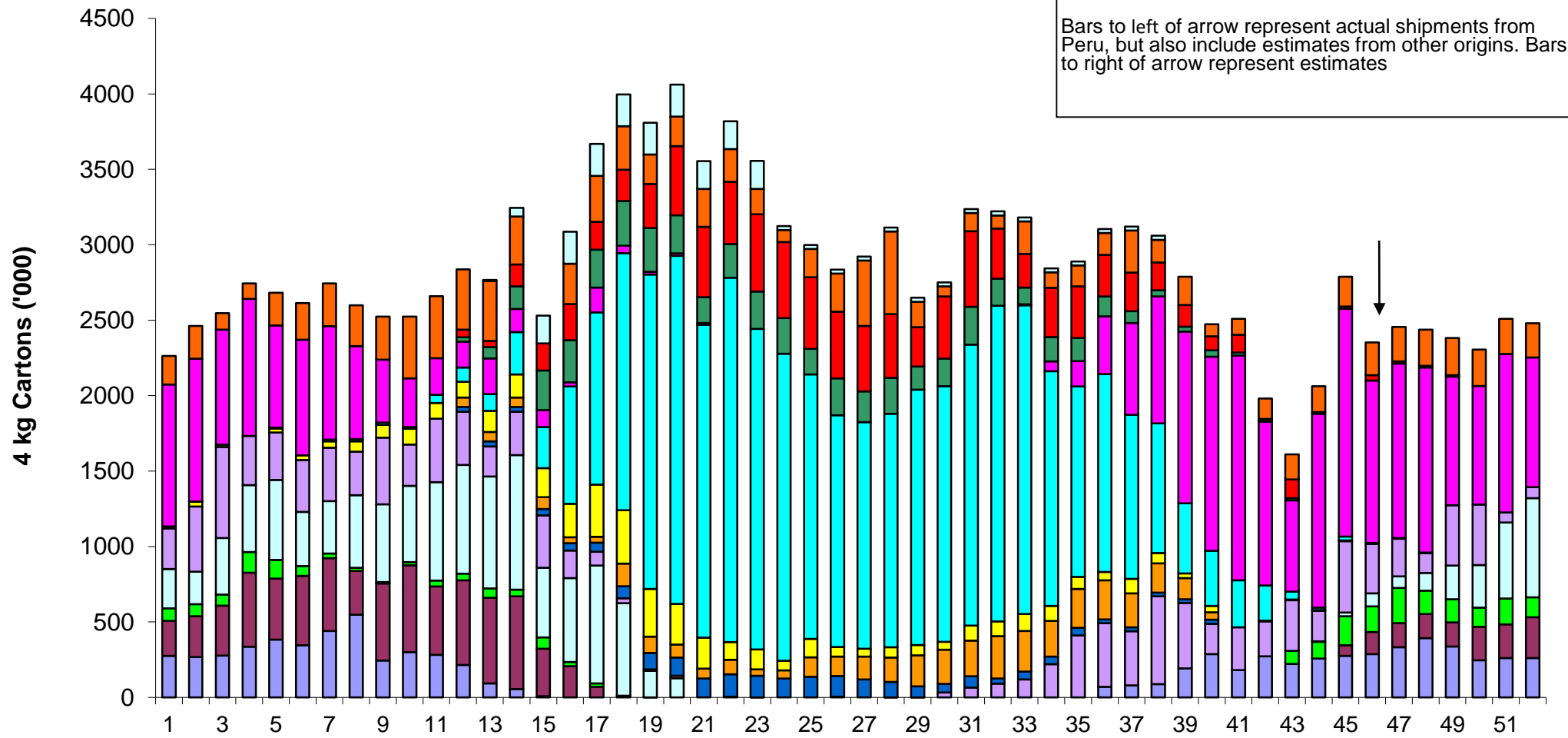
EU market expected growth



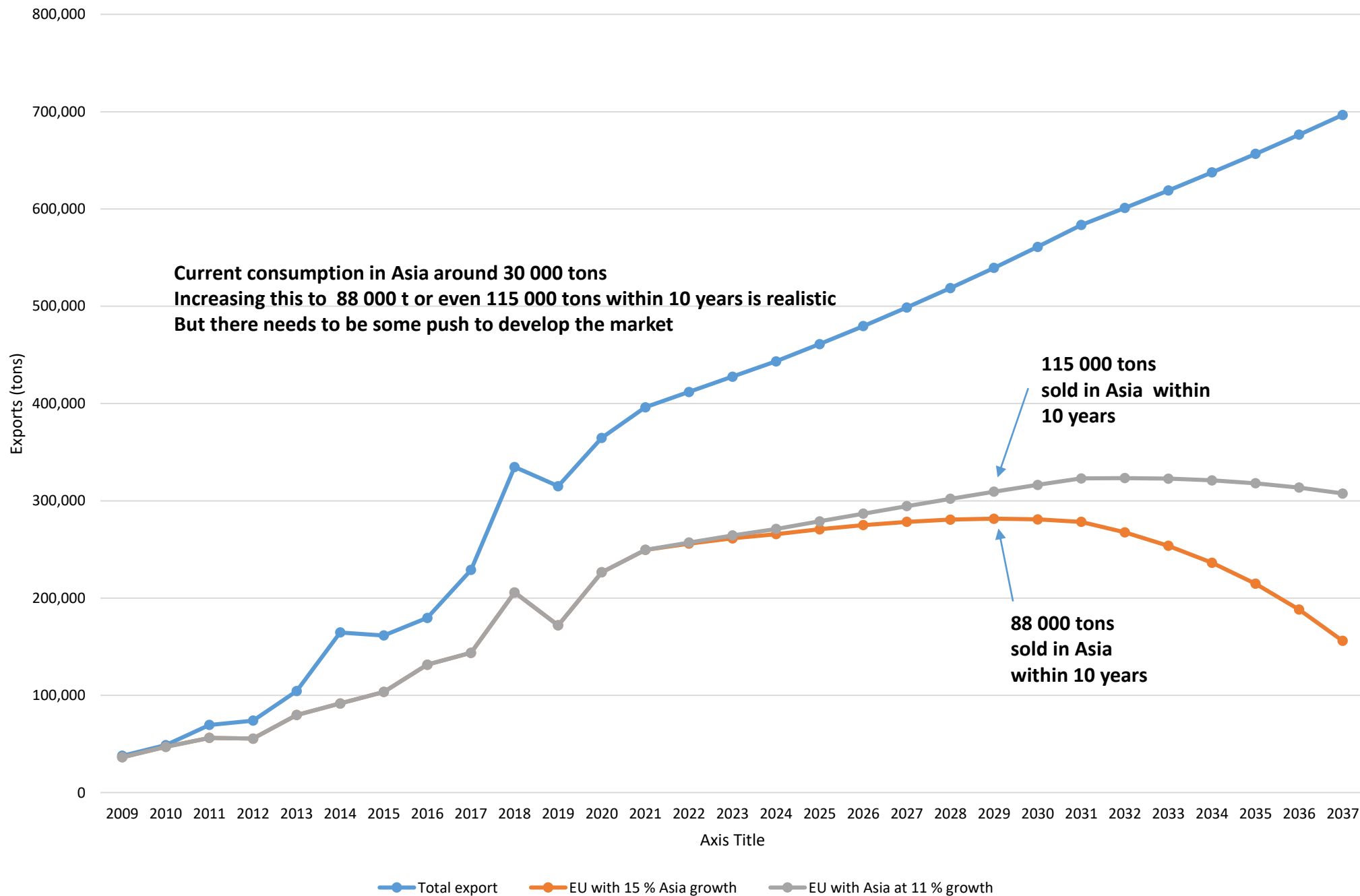
- The expansions in countries supplying Europe is currently 8,5 % annually.
- Supply in the winter is still significantly lower than in the winter.
- Expansions for winter 8,3 % from a lower base, mainly Colombia.
- Expansions in summer 8,7 %
- **Sustainable market growth = 8%?**
- Winter production will struggle to catch up to summer production in the foreseeable future.
- **Europe in summer will remain under pressure in on years**
- **The avocado markets in Asia needs to be developed to maintain volumes and prices in Europe at levels sustainable to producers. Failure to do this could have serious consequences.**



2019 Total EU Avocado Supply (updated 25/10/2019)



The effect of Asian market growth on Peruvian volumes in the EU



The impact of Peru's overproduction



- Peru's explosive growth is forecast to continue.
- At some stage in the future, water and land in areas suitable for avocados may become limiting, but for the short and medium term, we have to plan for their continued growth.
- There is sound reason for continued concern about Peru flooding the EU market in the summer.
- Based on growth models of all markets, **we need to grow the Asian markets at more than 15 % during the peak season.**
- A growth of more than 15 percent is not easy but doable.





Cold chain management issues in China

Managing the bumper years



- Experience tells us that the years when volumes grow > 25 %, the market is not able to absorb the volume increases
- 1998 = 28 %
- 2000 = 46 %
- 2007 = 25 %
- 2010 = 27 %
- 2018 = 43 % (Peru grew by 46 % & South Africa doubled)
- Developing alternative markets is the only solution to manage these jumps in production which are caused by nature.



Wild Cards, Black Swans and other possible disruptors



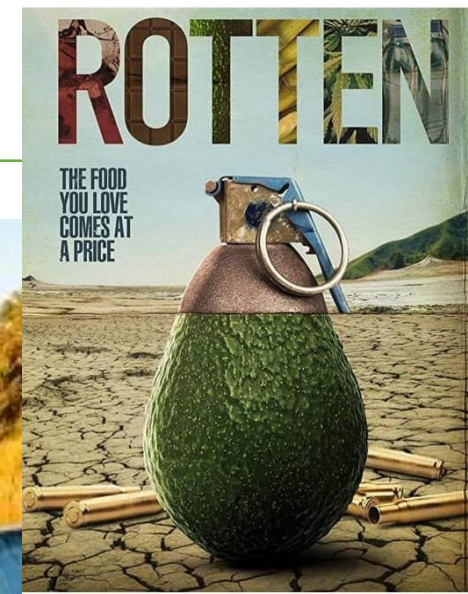
- **Disruptive origin.** An emerging origin that that market sees no place for, may have serious consequences.
- **El Niño & La Niña.** These weather patterns synchronise the worlds production in to “on” and “off” years.
- **Yearly fluctuations in volumes** of more than 25 percent as a result of weather conditions will need to be managed.

Other considerations for South Africa



- **Market access.** Saaga's highest priority. We need to do things against the odds.
- **We need to promote more in Europe. Add eastern Europe too.**
- **We need to promote the growth of the Asian avo markets even though South Africa is not a player as yet.**
- **Take note of peak season plantings:** South Africa, Kenya, Peru, Tanzania, Zimbabwe & others.
- **Water receiving more attention.** Climate change, droughts and increased plantings mean that it is all of our responsibility to use water more efficiently. Unscrupulous water use will face issues in the market.
- **Improve quality.**
- **Develop the SA market & other markets in Africa.**

#paltas
kunch_putraintu · Putaendo, San Felipe, Chile



SUMMARY OF FINDINGS AND RECOMMENDATIONS



- Oversupply in the summer is an immediate threat that we could have to face again in 2020.
- An oversupply in the winter is less likely for the foreseeable future.
- The summer window is likely to continue to have pressure in on years for the foreseeable future until Peruvian volumes reduce from Asian market growth.
- The increase in the EU volumes during the summer window depends on the growth of the avocado markets in Asia.
- At a 15+ percent market growth in Asia, is key.
- Volume spikes in on years resulting from climatic events will probably be the most challenging issue to manage in the market. Spikes of more than 25 % increases create difficult market conditions.
- Monitor plantings in peak season.



Market development



- The promotion of avocados in the markets is of key importance to ensure the long term sustainability of avocado production. Promotion in Asia is key to protect the market in Europe from oversupply. The World Avocado Organisation plays a key role in this.
- Market development is critical to maintain sustainable price levels in existing markets.
- Globalisation and the millennials provide the opportunity to promote avocados in new markets. The educated and mobile segment of this generation travels the world and wants to enjoy millennial treats in their own countries.
- Avocados have a very high price elasticity of demand. Supermarket promotions have a significant effect on managing peak volumes.





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