

Seasonal Market Report: Avocado

Written and Created by Tridge



Avocado Market Update - July 2020

Table 1. Harvest Season of Avocado

Country / Variety	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Mexico												
Hass	●	●	●	●	●	●	●	●	●	●		
Kenya												
Fuerte			●	●								
Hass						●	●	●	●			
Tanzania												
Fuerte	●	●	●									
Hass					●	●	●	●				

Market Summary

The main market for Mexican avocados is been North America, with small quantities sent to the European market as well. Production was slightly deterred at the beginning of 2020 due to labor shortages from COVID-19 restrictions. Current prices are slightly lower than the usual seasonal trend but are steadying after hitting a spike early this year.

In Kenya, the Fuerte variety suffered some losses due to an irregular climate, but the increase in production for the Hass, the main export variety, will be able to mitigate the losses. The majority of Kenya's avocados are sent to Europe, and with the onset of COVID-19, this has also brought a drop in prices. However, with reopenings, prices are expected to recover.

Tanzania has not been able to export significantly with the lack of buyers and logistical limitations in key exporting markets in Europe. Like Kenya, prices have decreased, but in the beginning of the year, export prices have increased as European consumers were purchasing in bulk.

With harvest to start early in September, Myanmar avocados are expected to have an increase in production for this season.

Table 2. Export Prices of Avocados (As of June W4)

	Mexico	Kenya	Tanzania	Myanmar
Variety	Hass	Hass, Fuerte	Hass, Fuerte	Hass
Domestic Price	USD 2~3/kg		USD 0.43/kg	USD 0.97-1.67/kg
Export Price	USD 2.5-4/ kg (EXW)	USD 2.5-2.7/kg (EXW)	USD 1.8-2.4/kg (CIF)	USD 1.7-2.5/kg (EXW)
Departure Port	Manzanillo (to Asia), Veracruz (to Europe)	Mombasa	Dar es Salaam	Yangon Port
Logistics	Land/Ocean freight	Ocean freight	Ocean freight	Land/Ocean freight

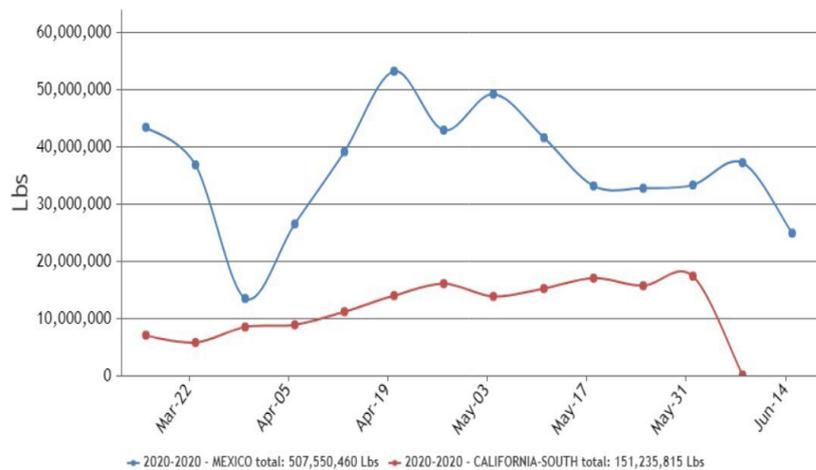
*The prices above are indicative of an approximate price range

Mexico

Production

Production areas in Mexico are centered around Michoacán and Jalisco, mainly of the Hass variety which are exported internationally. Other varieties such as Fuerte and Verde are cultivated in smaller portions and sold to the local markets. During the first few weeks of the pandemic in Mexico, labor shortage and logistics proved to be a big issue, with a supplier reporting a 15% reduction in production. However, much of the labor shortage issues have been resolved, with logistical limitations in importing countries slowly returning back to normal.

Graph 1. Production Volume of Mexican / US avocados



The Mexican season is slowing down as the California season is growing every week, with the low season between June and September. As the summer continues, it is expected that the number will be increasing as California and Peru have a very short harvest window during the summer. With the new production year commencing in July and the peak season from October to February, the downhill trend of the Mexican production is related to the seasonal calendar and has little to do with the pandemic.

Price Trends

Mexican avocados are divided into three grades: the first, second, and third for which first grade avocados (200-500g) are mainly exported to the US, Canadian, and Japanese markets and third grades (80-100g) are mainly exported to the Chinese and Indian markets. Prices are at a different range for each grade, with the higher grade commanding prices at approximately 4-7 per kg, and the lower grades commanding a price range of around USD 1-2.5 per kg. The FOB price was at a good level all spring. The price for conventional size 48's avocados -from Mexico has been steady at USD 40 per case since a mid-March

spike related to pandemic lockdowns. While there has been slightly decreased demand from the pandemic due to the impact on the catering and hospitality industry, it is not thought to be detrimental to the Mexican avocado sector.

Graph 2. Price trend of Mexican avocados



Analysis

Mexican avocados face competition from other South American countries such as Peru and Chile in the European market, and occasionally California-grown avocados in the US market. With the Peruvian harvest having started in April, Mexican avocados in Europe may be subject to some competition in countries such as Spain where cheaper Peruvian avocados are preferred over higher-quality Mexican avocados.

However, Europe is a relatively small market for Mexico, and in terms of the North American market including the US and Canada, Mexican avocados dominate with its biggest strengths being the quality and the ability to cut down on logistics costs due to close proximity to these markets. The country also produces avocados throughout the year, whereas Peruvian and Chilean avocados are produced for 9-10 months. Production of avocados from California and Peru are also at a minimal scale compared to Mexican avocados and have little effect on determining exports for Mexican products.

Furthermore, the renegotiation of the Free Trade Agreement between the US, Canada, and Mexico (USMCA) that had previously been at risk of termination by the US has come into effect on July 1st, which is good news for Mexican suppliers in securing trade within the North American Free Trade Zone.

Kenya

Production

The harvest for avocados in Kenya starts with the Fuerte variety and leads into Hass avocados. The harvest volume for this season is expected to witness an increase for the Hass variety and decrease for the Fuerte variety. This is due to irregular climatic conditions such as heavy rainfall during the first couple of months during the harvest season when Fuerte avocados were harvested. As Hass, however, is the main variety for sale, the drop in the Fuerte variety is not expected to have a detrimental effect on the total production volume.

Price Trends

While there is a normal decrease in prices during this time of the season, prices of avocados in the EU market were reported to drop by nearly 40%. Kenya is currently undergoing downward pressure on prices due to the combined effects of decreased sales to Europe and large volumes of South American avocados in the market, which compared to Kenyan avocados, are mechanized which allows them to produce large quantities.

Kenya has seen a dip in exports since the beginning of the pandemic, with suppliers reporting that previous consignments to its main export market, the European Union, were unable to be fulfilled. This is as the majority of avocados are streamlined to the hospitality industry or retailers which had been closed from the epidemic

Analysis

The avocado sector in Kenya is expected to be on a steady but firm rising track. Avocado production, especially of the Hass variety, exhibits an increasing trend along with expansions in production areas. The increase in output is in line with the steady rise in demand over recent years. Furthermore, due to little mechanization of production, Kenyan growers are able to inflict minimal damage to the environment as well as to the fruits.

With rising demand for Kenyan avocados before the start of the pandemic, exports and prices are forecast to recover in the foreseeable future. Exports are estimated to increase towards the end of the season with the reopening of the European market as demand returns back to normal. During when exports to the EU were limited, Kenyan suppliers also experienced an increase in demand from new markets, such as the Middle East and Asia, which is expected to continue.

Tanzania

Production

Tanzania holds a unique seasonal window for its avocados, from December to March in Mbeya and May to August in Kilimanjaro, both of which are main producing regions. This gives Tanzanian avocados an advantage in exporting when there is little competition in the market. Production in certain regions increased due to optimal weather conditions including sufficient rainfall, resulting in earlier or longer harvests as well as good product quality, while other regions suffered from excessive rainfall since last October. Yearly production in Njombe, another major producing region, recorded 10,000 tons and Tukumbe recorded 5,000 tons.

Many avocado suppliers in Tanzania have been limited in exporting their products since the outbreak of the pandemic as the European market was mostly blocked in terms of logistics. There has been a stark drop in buyers within the country, and logistical issues in import destinations, namely Europe, have prevented the flow of exports. There have, however, been no issues with labor within Tanzania throughout the pandemic as the country remained open without lockdowns.

Price Trends

Due to a lack of buyers from the pandemic, prices for avocados have dropped drastically, from already low prices. Farmers have normally sold their avocados to buyers for around USD 0.69 - 0.82 (TZS 1,900) per kg, but currently, some producers have resorted to selling their avocados for USD 0.43 (TZS 1,000) per kg.

Export prices increased in the beginning of the pandemic as consumers in Europe purchased in bulk, causing shortages. While demand has not faltered since logistical constraints still limit Tanzanian avocados from being exported.

With very low wholesale prices in local markets compared to the export prices, an increasing number of producers in the country are looking to export directly. With direct exports to Spain, for example, producers can sell their products for USD 3 - 4 per kg.

Analysis

A nearly nonexistent market five years ago, Tanzania holds great potential for sourcing avocados, with exports having increased by 380% in the five-year period, and the European market such as Spain, Belgium, and Germany taking up 85% of exports. Recent government initiatives have supported the development of avocado production and exports, such as a joint effort with the Taha government to establish a facility in Njombe that is used to

store produce as well as connect with buyers.

There are currently around 10K farmers involved in avocado production, and with more farmers joining the avocado market, supplies are expected to increase, and prices are estimated to drop. As demand for avocados remains high, the Tanzanian avocado market will continue to expand rapidly. The country is expected to hold more control over its exports than before in its USD 12 million export market, especially after logistical limitations in its key markets are resolved.

In addition, recent difficulties in logistics have increased the need among producers to start exporting directly without the involvement of intermediaries or middlemen. This is expected to aid in shifting to a more vertically integrated export model in the Tanzanian avocado industry.

Myanmar

Production

Myanmarese avocados are expected to catch up quickly to other well-known global producing countries like Mexico, Peru, Kenya, and South Africa, due to the fact that Myanmar's climate is especially suited for growing avocados. Myanmar's avocados are larger in size, averaging 300g each in weight (those from other countries are around 80-160g each). Myanmar's Shan State, which shares a long border and one major overland trading port with China, produces giant avocados that weigh over 600g each.

The harvest for Myanmarese avocados is normally conducted from October to February, for which harvest for this season is expected to be early in September from favorable weather conditions such as early summer and rains. The production volume for the 2019/2020 season was at 80K tons in Myanmar of which 20K tons were exported. For the 2020/2021 year, exports are expected to rise to 50K tons. Concerning the production areas, there is a general increasing trend as there is a lot of vacant land in Myanmar with increased interest in investing in the avocado industry

Price Trends

At the beginning of the harvest season, prices of Myanmarese avocados are not very high at around USD 0.29 (MMK 400) for one avocado, which increases up to USD 0.50 (MMK 700) toward the end of the season, as there is a high demand but limited supply. The A-grade avocado is usually double the average price of avocados in the wholesale market and is headed for export

markets, while the rest of the avocados go to the domestic market. A-grade avocados, which are richer in quality, are priced at around USD 1.50 per kg at the beginning of the season and are priced at approximately USD 2.50 - 2.80 per kg by the end of the season (without the extra margin for packaging, operations, and transport costs). Export prices are determined mostly by the prices at the Myanmar-Chinese border.

Graph 1. Export Value from 2014-2018 for Myanmar avocados

Unit : US Dollar thousand

Importers	Exported value in 2014	Exported value in 2015	Exported value in 2016	Exported value in 2017	Exported value in 2018
World	0	30	26	192	915
Thailand	0	23	25	167	811
China	0	7	1	17	55
India	0	0	0	0	20
Singapore	0	0	0	4	16
Hong Kong, China	0	0	0	3	7
Russian Federation	0	0	0	1	6

Analysis

The harvest period for Myanmar avocados do not coincide with neighboring Indonesian products, but has a similar season with Brazil and Australia for which suppliers saw some competition in exporting to Singapore last year. The Asian market is one of the most promising destinations for avocados consumption, in which China, India, and Singapore take up a big portion of the market. Due to COVID-19, the border between China and Myanmar was closed for 15 days which resulted in reduced demand and prices. The borders are currently reopened and exports are starting to recover.

Vietnam

Production

With greater demand for processed avocado products such as guacamole, Boothe avocado production in Vietnam has increased, from approximately 12% from the previous year. Demand has been boosted by China which is close in proximity, for which Boothe avocados can be cut and frozen to be processed into other products. Currently, the avocado market is mostly directed towards the Southeast Asian market.

However, the Free Trade Agreement between EU and Vietnam will encourage production for more popular varieties, with expectations that Vietnam will become a major producer for the Hass variety of avocado within two years, as planting commences

now. The production of the Hass variety will be able to cater more to European consumers. There could be potential challenges with the Vietnamese Hass avocado being accepted into the global market in terms of its quality, but overseas producers, specifically Dutch producers, are working alongside local Vietnamese farmers in order to enhance the yield and quality of the avocados.

Graph 1. Export Value from August 2019 - April 2020 for Vietnamese avocados

Unit : US Dollar thousand

Importers	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20
Malaysia	1	1							
Russian Federation	1	2	1	15	1		2	3	
Singapore	0	1	1	0	0	1		1	1

Price & Export Trends

The current wholesale price of avocados is USD 1.51-1.72 (VND 35,000 - 40,000) per kg at the Hoc Mon market (Ho Chi Minh City). Vietnam holds high potential for the growth of the avocado industry, especially with the help of the EVFTA. The addition of the Hass variety to its product portfolio will allow Vietnam to enter into the league of other major producers.

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