California Avocado Society 2005 Yearbook 88:55-60

South African Avocado Industry Update

L. L. Vorster

Director at Large, California Avocado Society
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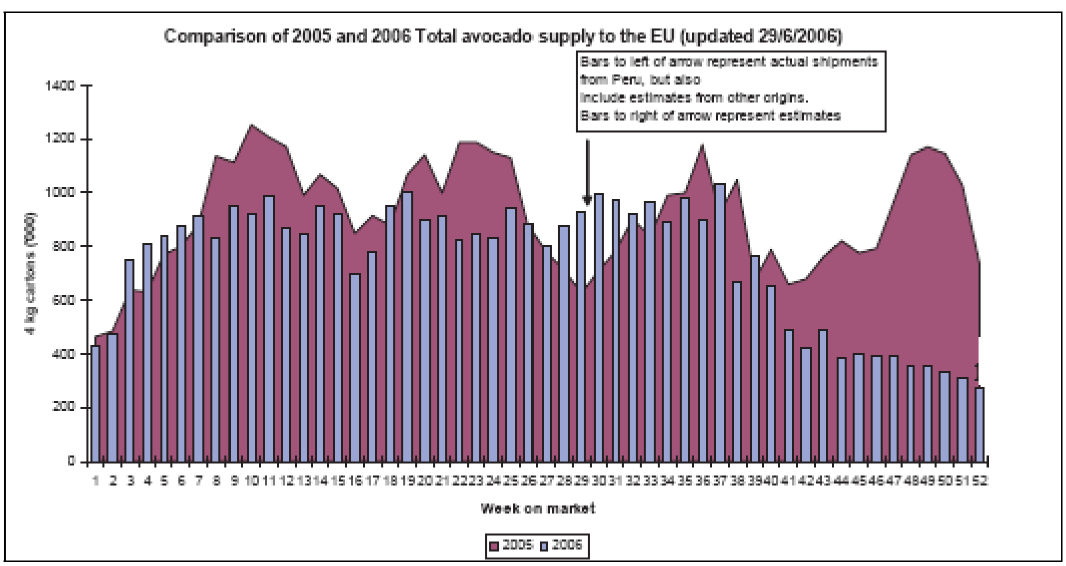
Introduction

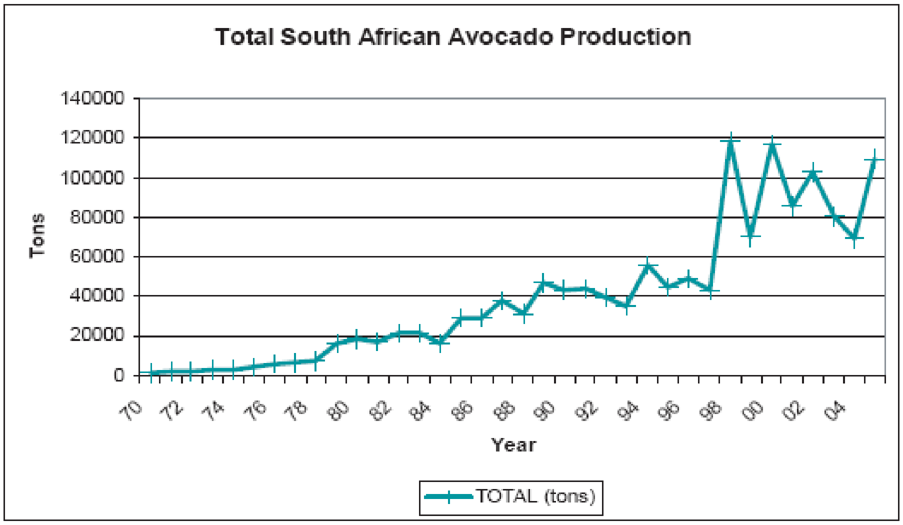
The South African 2005 avocado season yielded an export crop of 12 million cartons, which was the second largest crop to date. The total volume of avocados traded in the European market during 2005 was larger than in any previous season. Prices were under pressure over th period week 22 to week 28, which was the result of a peak in supply of up to 1.2 million cartons (4kg equivalent) per week.

Reasonable to good prices were achieved in the European market during the first 6 months of 2006. Volumes in the region of 1 million cartons per week were absorbed well by the market and thus an indication of market growth over the last number of years.

Volume management to address market imbalance, thereby avoiding supply peaks from the Peruvian and South African avocado industries, has played an important role in stabilizing the avocado market during the second quarter of 2006. This avoided the disaster that occurred in the European market during the same period in the previous year.

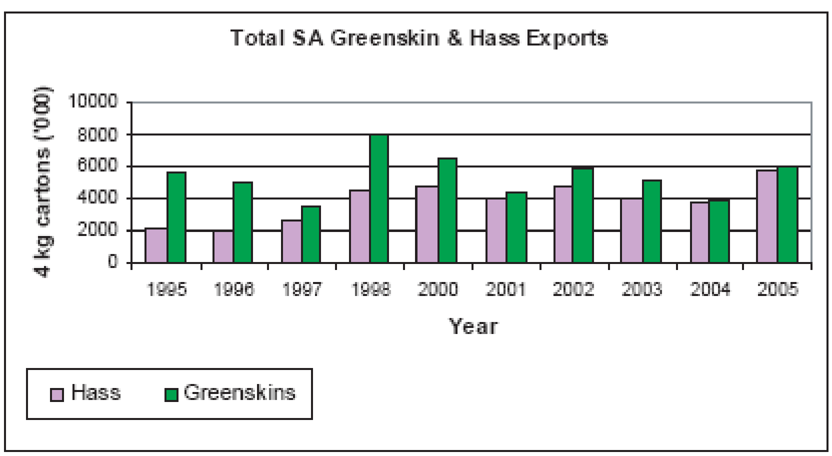


Role players within the South African industry are following volume and price trends in the USA with interest. This information provides an indication of what volumes Chile would ship to the European market which is crucial from a planning perspective.



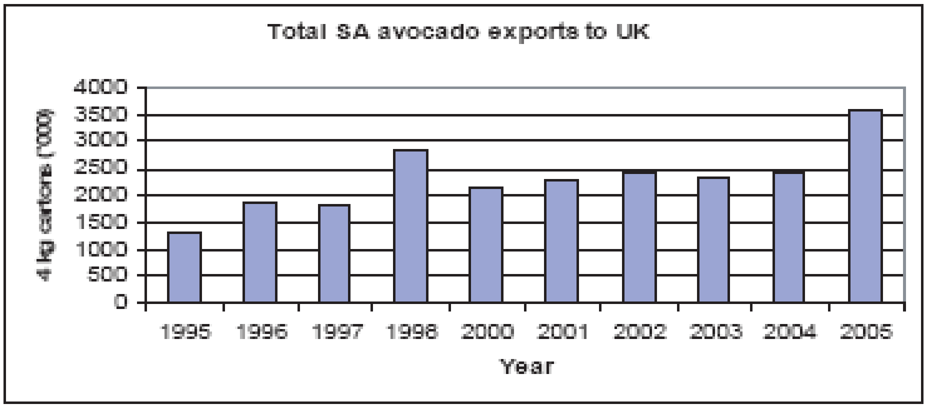
Total South African Avocado Production

The South African avocado industry experienced difficult climatic conditions in the early 1990's followed by significant growth during the later period of the same decade. The re-planting of Fuerte orchards with Hass is responsible for most of the ± 150,000 trees which are planted on an annual basis.



Total South African Greenskin & Hass Exports 1995-2005

The trend to plant more Hass in recent years continues. South Africa used to be a primarily greenskin avocado producer. This s wards Hass is the result of market preference in specific European tries.

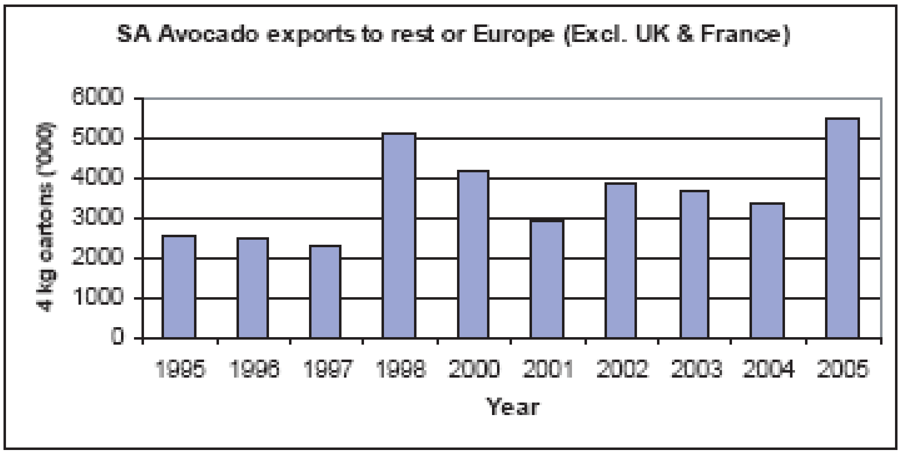


Total Avocado Exports

The South African Industry showed a consistent growth in the UK market and to some extent in the European market (excluding France) but lost market share in France. This trend was a function of South Africa exporters taking the lower risk option with the focus on programmed business with customers in the United Kingdom and Northern Europe in commercial environment that exhibits greater price stability.

Market development

The South African Avocado Growers' Association (SAAGA) has been funding Public Relations (PR) based generic promotions in the Unite Kingdom for the last 11 years and on the local market for the last 9 year Promotional activities account for ± 45% of SAAGA's annual budget. In the United Kingdom data from supermarkets indicates that the number of households buying avocados has increased from 2001 to 2005. In 2001 some 16% of households bought avocados. By 2003 this figure had increased to 18.1%, and in 2005 to 23.8%. This growth is substantial and equates to over 2 million new avocado consumers. Other factors such as increased availability of ripe and ready fruit and health trends have played a significant role.



The Ripe & Ready to eat concept has also had a positive influence on the more frequent and increased purchase of avocados at the retail level in the United Kingdom, South Africa and other countries. This concept can play an important role to increase avocado consumption in the other European countries. More interest from European supermarkets in this kind of product creates excitement from an avocado marketing point of view.

Increasing production from Peru, Chile, Kenya, Mexico and others will put more pressure on the European market. SAAGA is currently investigating generic market development activities in France. This campaign will focus on stimulating consumer interest. The aim is to grow the market so that supply will not exceed demand in the future.

Mexico, Chile and Israel have also been promoting avocados in different markets during the past year, which will be to the benefit of all European supplying countries.

Peru and Argentina are also investigating involvement in possible market development programs for the future.

Food Safety

During the past few years a tremendous amount of work has been done in the South African avocado industry to comply with a number of requirements not only from the

European Union but also buyers from highly sophisticated UK supermarkets, whose requirements can exceed those of the EU. Standards such as Europgap, HACCP, BRC, LEAF, Fairtrade, Tesco's Natures Choice, Field to Fork, etc. are common in the South African avocado industry and have contributed to a more sophisticated industry.

Summary

The focus in the South African avocado industry will be to improve quality and service delivery to customers as well as to enhance cost efficiency in production, packing and distribution.

Access to new markets and the growth and development of existing markets is a major challenge.

L. L. VORSTER
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