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## **If Past Is Prologue, Get Ready For A New Wave Of Avocado Category Success**

**I**n the last decade, the annual consumption of Hass Avocados in the United States has expanded from 484 million pounds to just over 1.5 billion. At this rate, consumers in the United States are expected to eat over 2 billion pounds of Hass Avocados by 2016. The growth is phenomenal; particularly in the context of a global economic crisis and the worst economic recovery since the last depression.

Year after year and week by week the industry looks at the volume numbers, some of us scratching our heads, asking how it is possible that demand has grown so much, so rapidly. The Wall Street Journal, in a recently published article titled “Breaking out of Guacamole to Become a Produce Star” attributes the growth to a massive retail and foodservice penetration but also to the fact that avocados have gone from being perceived as an exotic fruit that is fattening, to a source of good fats that are “heart healthy.” The Wall Street Journal shines a light at our industry and puts it front and center but missed out on several factors that I consider to have been critical to driving demand growth more than 200 percent in the last decade. A combination of increased supply, greater

foodservice penetration, demographic changes, investments in supply chain technology and the leadership of the Hass Avocado Board have significantly contributed to this growth.

In the early 2000's the U.S. government began lifting restrictions on imports from Mexico. Mexico had gradual access to markets that were underdeveloped but highly populated during non-traditional periods of consumption—fall and winter. Shortly after entering the U.S. market, the Mexican industry quickly realized that to be successful, it had to invest in marketing programs that would build demand and the category itself in these undeveloped markets. As Mexico's U.S. volume increased, marketing investment also increased, stimulating consumption in geographic markets that had been generally unfamiliar with avocados.

Increased supply meant increased availability of quality avocados; Hass avocados were now in season year round with promotable volume. As a result, retail shelf space allocated to avocados was now permanent in most markets which meant that consumers, who had previously consumed avocados during the California season, could purchase avocados all the time.

With fruit available year round many food establishments, primarily restaurants, now include fresh avocado on their menu and keep them there for the entire year versus featuring a seasonal and limited time offer or none at all. According to data analyzed by the Economic Research Service of the Department of Agriculture, in the U.S. 52 percent of all food dollars are spent for home meals and the remaining 48 percent away from home on commercial and noncommercial foodservice operations. Having avocados ripe and ready all year long for foodservices is key to our industries' continued success. According to research conducted in 2009 by the Hass Avocado Board, Hass avocado penetration in foodservice (restaurant chains, independent restaurants and noncommercial operations) increased 82 percent from 2000 to 2009. According to the most recent study available, in 2009, one-third of all foodservice operations served dishes with avocados. In the last couple of years we have seen increased offerings and promotions from large national chains such as Subway, Denny's and Panera generating greater penetration and visibility for the avocado category.

The Latino population in the United States currently represents 16 percent of the total US population, the largest minority group, and

it continues to grow. Per capita, Latinos are the single largest avocado consuming demographic in the United States; but, they are also a large relevant spender in comparison to non-Latinos. According to the U.S. Bureau of Labor Statistics, Latinos spend a greater share of their income on food than non-Latinos (15.1 percent versus 12.7 percent respectively). They also spend more on food consumed at home and a greater percentage on fruits and vegetables than non-Latinos. Total expenditures by this demographic are projected to grow. Naturally many analysts expect Latinos to be the driving force for the food, beverage and foodservice industries in the next few years.

Day by day, more retailers are offering ripe avocados at point of sale. Foodservice restaurants are also offering fresh avocados in menu items that go beyond guacamole. The investment by U.S. marketers in technological advances that enhance the avocado supply chain have resulted in consistent levels of ripeness and improved quality throughout the year. Though many customers are still shying away from selling ripe fruit at point of sale, the investment by industry has increased retail and foodservice buyer confidence in our product, improved same store sales velocity and profitability, while increasing satisfaction from convenience-seeking consumers. U.S. marketers continue to invest in technologies that will result in greater consistency in other attributes that go beyond ripeness levels. This makes our product more appealing to consumers and foodservice operators as well as our category more competitive in the produce department.

The creation of Hass Avocado Board (HAB) in 2002 enabled increases in supply to generate revenue for the industry that could be used to conduct research, promotion and information programs, thus increasing demand across the country. Dr. Hoy Carman, Professor Emeritus of Agricultural Economics at the University of California, Davis, recently conducted a study on HAB's performance and concluded that "no other long established fresh food product has more than doubled consumption and transformed from a domestic to import-dominated supply in just a decade while maintaining real prices." He attributed this success to HAB.

As growers, you work hard to tend your groves and harvest quality fruit. As packers and importers, you focus your efforts on helping that harvest reliably reach U.S. retailers, foodservice operators and ultimately consumers. Together, you cultivate, sort, pack, ripen, and ship

this healthy, humble fruit for millions of consumers to enjoy. As Executive Director of the Hass Avocado Board I honor your work and share in your mission.

HAB exists to strengthen the industry's connection to the market across the United States. HAB manages a comprehensive research, marketing, and information program, and the 12-member Board of Directors operates under close USDA oversight. Through marketing and education, we raise awareness about our product and conduct scientific research that explores the health benefits associated with consuming Hass avocados. To our stakeholders, we provide actionable industry and market information that allows us to make better business decisions. While currently only U.S.-based growers and importers are eligible to serve on the board, HAB represents the people behind avocados produced in the Dominican Republic, Peru, California, New Zealand, Mexico and Chile.

Many stakeholders are probably aware that HAB collects a mandatory assessment of 2.5 cents per pound from domestic producers and importers. Ten years after HAB was signed into law, there are still misconceptions about how the funds are used, who uses them and how it benefits the industry.

Fifteen percent of the money collected is allocated to HAB. A small part of the 15% is used to administer the USDA's Promotion Order according to law and the balance is invested in strategies that support the category. It's HAB's mission to promote all avocados, regardless of origin, and our work includes nutrition, retail and consumer research programs as well as category-building, marketing, and communications campaigns.

The remaining 85% of the funds go to the certified member organizations that represent different producing regions. Currently there are four member organizations: California Avocado Commission, Mexican Hass Avocado Importers Association, Chilean Avocado Importers Association and the most recently incorporated Peruvian Avocado Commission. These member organizations have independent boards and staff and invest their share of the money in a number of ways to position avocados from their country of origin and promote the category.

Late in 2011 HAB hosted an intensive strategic planning retreat with industry members representing all member organizations under HAB. The goal of that meeting was to set out a 5 to 10 year vision: Hass

avocado stakeholders of all countries of origin profitable by delivering quality and increasing sustainable demand in the U.S. market. Strategic priorities were set to achieve this vision: build demand, continue investing in nutrition research; develop a supply-and-demand data collection system; support initiatives that will improve product quality; and have international representation on the Board of HAB.

The Hass Avocado Board is leading the way towards achieving the industry's long term vision. In response to the strategic priorities identified in the planning retreat, the Hass Avocado Board developed a unified nutrition marketing strategy that leverages category resources and nutrition science to build avocado demand and enhance value to the consumer.

Advancing HAB's nutrition marketing programs will fall under the "Love One Today" positioning, which will help the industry in maximizing fresh avocado nutrition messages and serve as a unifying mark for fresh Hass avocados from all sources sold in the U.S. throughout the year. The mark includes nutrition taglines such as "naturally good fats" and "cholesterol free" that provide clarity to consumers' knowledge about avocados -- and permission to consume even more. Over time these taglines will be supported by the science from our nutrition research program, delivering on key strategic imperatives for growing long-term demand and sales of fresh avocados.

Moving forward on other strategic priorities are three committees tackling challenging but pressing issues for our industry. The Global Data System Committee is designing a voluntary data system that would increase the efficiency of the market. Modeled after California's AMRIC, HAB's data system would capture shipments, inventory and sales from all countries under a single system, enabling the industry to make informed, timely decisions. The Quality Committee is working on research to determine the factors that consumers consider when contemplating purchasing avocados, including those factors that may cause them to dislike the fruit. The study's results will reflect fruit quality changes through the season for different fruit origins and provide actionable findings that can be addressed by



the individual avocado-producing countries that market avocados in the US. The International Representation Committee has taken concrete steps towards ensuring that there are voting members from every member association with fair representation at the Hass Avocado Board. The Committee is seeking to create a structure that allows for flexibility as the industry changes in the future.

If past is prologue – and history sets the context for the present – then avocado growers, importers, handlers, retailers and, yes, millions of consumers, can expect a future that fulfills the promise of ten years of progress. A healthy but geographically-constrained seed when HAB was formed ten years ago, the avocado category not only bloomed but also spread its branches into little-known parts of America through a resolute and collegial effort that rewarded all of the industry’s participants. There is no reason to doubt this continued success. There is no reason to slow down.

In fact, in its shift of emphasis from pure marketing to focused nutrition marketing, HAB expects to find additional important nutritional education to bring to the public. The industry has created a large American universe of avocado lovers. For many “super users” of avocados, the sales effort is now supplanted by sustained consumption. For those not yet converted, advancing information ranging from health benefits to hearty new recipes will keep demand climbing. Why shouldn’t it? Energetically marketing a high value commodity that is perhaps the best-tasting fruit in the produce world, we are learning as we go and, to our good fortune, earning as we grow!

## **Nutrition Research**

Despite the increase in demand, some U.S. consumers still don’t know exactly what to make of avocados. They’re not sure if avocados are good for them, and they don’t know that avocados contain good fats. The Hass Avocado Board established a Nutrition Research program in 2010 to increase awareness and improve understanding of the unique benefits of avocados to human health and nutrition. The program has specific business and health nutrition science goals:

### **Business goals:**

- Help to increase long-term per capita consumption of Hass avocados.

- Generate scientific substantiation for the nutrition, health and wellness benefits of consuming more Hass avocados.
- Increase believability in and acceptance of Hass avocado benefits.
- Establish HAB as the global leader in avocado nutrition research.

### **Health and Nutrition Science Goals:**

- Provide the scientific basis for the health and nutrition communications of all Hass Avocado Board member organizations in the U.S.
- Conduct scientific research to develop credible advances in avocado nutrition science.
- Collaborate with leading nutrition investigators and third-party organizations on scientific research and reviews.
- Make scientific findings available through peer-reviewed publication, presentations at scientific meetings, and the Avocado Nutrition Center website.

To establish strategic pillars for avocado research, HAB identified “sweet spot” areas with a strong basis of scientific support and strong potential for messages that would be motivating and relevant to consumers. There are currently seven studies in the research pipeline (6 in progress and 1 published) that align with four strategic pillars: heart health, weight management, healthy living and type-2 diabetes. HAB has also funded two recently published “foundational” studies to get a clearer picture of the current body of research that supports the potential health effects of eating avocados (to help guide the direction of HAB’s nutrition research program); and to better understand associations between eating avocados, diet quality and health parameters. The following is an overview of the published and on-going research in HAB’s science pipeline.

### **Foundational Studies**

- HAB’s four strategic pillars were based, in part, from findings stemming from the most comprehensive literature review on Hass avocados, their nutrition composition and potential health effects. This paper suggests that there are promising research areas to explore with avocados and heart health, weight man-

agement and type 2 diabetes; and based on their nutrition and phytochemical components, avocados may play a positive role in many emerging areas including skin, eye, joint and cellular health.

- A recently published analysis of the National Health and Nutrition Examination Survey (NHANES) 2001- 2008 found that avocado consumers had several significantly better nutrient intake levels and more positive health parameters than non-consumers. These included, higher intakes of fruits and vegetables; significantly higher intakes of dietary fiber (36% more), vitamin E (23% more), magnesium (13% more), potassium (16% more) and vitamin K (48% more); significantly lower weights and BMI; smaller waist circumference; and higher levels of HDL (“good”) cholesterol.

### **Heart Health - Heart disease is the leading cause of death in the United States**

- Researchers at the University of California, Los Angeles, conducted the first published HAB-funded clinical trial. This study investigated the effects of adding one-half of a fresh medium Hass avocado to a hamburger (90 percent lean) on peripheral arterial blood flow (the movement of blood to different parts of the body) and inflammation, compared to a burger without avocado in 11 healthy men. Researchers found that eating one-half of a fresh medium Hass avocado with a burger, compared to eating a burger alone, may curb the production of compounds that contribute to inflammation. Additionally, blood flow (as measured by a technique called “PAT”) significantly decreased (signifying reduced blood flow) only after the hamburger meal was eaten (23% drop, 2-hours after eating) compared to the burger with fresh avocado (4% drop, 2-hours after eating). This suggests the addition of the fresh avocado may have mitigated a larger reduction in blood flow. However, additional studies are needed. (The full research article can be found in this yearbook)
- Researchers at Pennsylvania State University are investigating whether eating one Hass avocado every day has a beneficial effect on risk factors for cardiovascular disease compared to a similar



moderate fat diet without avocados, an average American diet and a low-fat diet.

- Researchers at the U.S. Department of Agriculture, Agricultural Research Service, are investigating whether eating one-half to one Hass avocado every day as part of an average American diet can improve blood pressure and cardiovascular health.

### **Weight Management - More than one-third of the U.S. adult population is obese and this is becoming a chronic problem in the United States and other developed countries**

- Researchers at Stanford University are investigating whether certain factors predict who will be more successful at losing weight on a low-fat diet or a low-carbohydrate diet that includes one-half of a Hass avocado per day for five months.

### **Type-2 Diabetes: Is the sixth most frequent cause of death in the U.S., and fifth for Hispanics**

- Researchers at Loma Linda University are investigating whether incorporating one-half of a Hass avocado per day to one's diet controls hunger, blood sugar/insulin and the amount of food eaten.

### **Healthy Living - The population of the United States and other developed countries is aging; 80 percent of older adults believe proper nutrition can prevent disease**

- Researchers at Ohio State University are investigating if approximately one Hass avocado (150 g) can improve the absorption of active vitamin A and the bioavailability of other fat soluble vitamins and carotenoids when consumed with vegetables.
- Researchers at Tufts University are investigating the effects of eating approximately one Hass avocado (140 g) every day on cognitive function (perception, thinking, reasoning, and remembering).

These promising studies are just one way HAB is supporting stakeholders in the United States and around the world to create more consumer demand for Hass avocados and provide greater value to consumers.

## Market Trends

Each year Hass Avocado Board (HAB) tracks and monitors the retail trends, changes and challenges that impact the retail and produce industries. The year 2012 has seen some dynamic shifts in an already vibrant industry. Increasing food prices, store closings, consolidation, new store formats, and economic pressures are just the tip of the proverbial iceberg.

According to the Food Marketing Institute, in 2012, as the economy steadily improved, 42 percent of consumers remained convinced it would get worse. Consumers are looking for lower prices in general (61 percent) and many plan on discount shopping permanently, which represents an additional 19 million households adopting this “new normal” behavior. Those households that were more impacted by the recession report that they will continue seeking value once the economy improves. The good news for retail is that as shoppers become more focused on value, they have also shown a renewed interest in saving money by eating meals at home. This trend is helping push growth for produce items that support consumers’ desire to create restaurant-quality meals at home while placing a greater emphasis on fresh food.

With healthful eating and heightened consumer awareness on nutrition, avocados can easily be marketed and cross-promoted with other healthy food items. Consumers are mixing produce items with protein to stretch dollars to improve healthful eating. As the economy improves, consumer demand for new, interesting, innovative products will increase. There will be a continued demand for fresh fruits and vegetables to meet consumers’ desire for healthful options along with increased snacking opportunities.

## Opportunities for the Industry

Whenever we see over 40 million pounds of fruit moving through the system in a single week, I ask myself how all this happened and can it continue to grow any further. Our bi-annual tracking research (available on [www.hassavocado.com](http://www.hassavocado.com)) shows that 53 percent of all avocado households in the United States are already heavy or super heavy users. This means they report eating anywhere from forty to over a hundred avocados per year. The consumption by heavy and super heavy consuming households represents about 90% of the total volume sold in the United States. I see a tremendous opportunity to grow consumption by

encouraging this segment to eat more avocados and converting medium and light users into heavy users. Our science-based nutrition and marketing strategies are set to unlock the next generation of growth for all stakeholders.

In closing, in 2012 HAB celebrated its 10th anniversary. In its first decade HAB worked hard at collaboratively establishing an expanded category across the nation. We succeeded both geographically by penetrating new markets that knew little about avocados— and in volume, topping the one billion pound mark a few years ago and now accomplishing that regularly.

By now you probably realize that the Hass Avocado Board of 2012 is not the same organization it was ten years ago— neither in objectives nor mission, which has been refined over the years. HAB doesn't look the same and its same aspirations have been redefined. What remains similar is the broad objective of increasing Hass avocado consumption in the U.S. Market insights and understanding of the category reflect in HAB's commitment to develop first-class programs that contribute to growing sustainable demand for our stakeholders and industry members worldwide. For people who grow, export, ship, import and market Hass Avocados in the United States and around the world, the Hass Avocado Board is leading the avocado category in the United States and the Hass Avocado industry around the world . HAB's efforts support avocado growers in producing countries. Their success is our success. Their dedication is matched by ours through the volunteer services of our board.

At the end of last year, HAB's rebranding was unveiled, which aims to recognize the past decade of accomplishments, but also mark an identity for the future. The new logo has a new color palette and is part of an overall identity that expresses the global leadership that HAB represents in the avocado industry. This leadership results from the success and commitment of the HAB Board of Directors and the tremendous dedication of its member organizations to growing the category both in volume and geography. I see a bright future.

