

Review of the Mexican Avocado Industry in 1991

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The production of avocados in Mexico can be traced back to the pre-Columbian days. It is well known that our country is the homeland for a large range of varieties that were extensively cultivated in some cases for their fruit production and in others as a shade tree both alone and in combination with coffee plants and other crops.

The first large orchards were planted with selections of native local varieties. When the first grafting material was imported from other production centers, the growers were skeptical of the convenience of growing them and claimed that the market would only buy traditional "Criollos" and would not permit the sale of these new varieties. Many of these new varieties were planted in the area including Fuerte, Zutano, Bacon, Reed, Hass, and others. For many years there was a strong preference for Fuerte. Even when the first crops of 'Hass' came to the market, 'Fuerte' sold for a higher price. This situation was rapidly reversed when the consumers began to compare the quality and advantages of 'Hass' over all others.

Once the superiority of the 'Hass' as established, most of the existing orchards of native or "Criollo" and other varieties were soon grafted over to 'Hass' which soon was the dominant variety grown. Unfortunately, during this rapid expansion there was no control over the trees that were used for grafting material. For this reason, we have very marked intervarietal differences which affect the volume and quality of fruit.

The seed size as a percentage of fruit size does not seem to be an important factor with regard to the domestic market; however, for export and processing, this characteristic will become increasingly important in the next few years.

Since the introduction of the new commercial varieties previously mentioned, we have experienced a very rapid growth in the Hass variety. Presently, this variety accounts for over 95% of the total avocado production in the state of Michoacan, where we have approximately 80,000 hectares planted. The estimated crop is 380,000 to 450,000 metric tons per year with annual growth of three to five percent in new plantations, depending on market prices. The employment generated by this industry is close to 45,000 jobs and the total industry's revenue in Michoacan is more than \$250 million dollars, making avocados the most important crop in the area.

The very wide range of microclimates found in this region has permitted the possibility of extending the harvesting period practically to year round with some areas having a 2 to 3 month overlap in seasons. This fact and the adaptability of the timing of harvest

inherent to this variety have permitted the successful introduction and development of the marketing of this fruit to all the main domestic markets.

The largest volume (50%) is harvested from October to February, with 30% being harvested from March to May, the remaining 20% from May to July. The overlap in new and old seasons is from May to July. The largest plantations are located in areas that permit either very early or very late harvesting in the season. This will modify the volumes in the coming years and will have a stabilizing effect on the market.

The industry has been very fortunate that the domestic demand for our product has kept pace with the substantial increase in the production. In 1965, the average per capita consumption was 3.2 kg/yr; in 1970, it was 5 kg/yr; and by 1984, it was 8 kg/yr. The consumption rate is currently static and the increased production in recent years has gone to fulfill increased demand due to population growth. We are confident that with the improvement of the economic situation of our country and the much needed raise in the real income of the workers, we will see a considerable growth in both volume and revenues for our industry. It is important to note that the increase in consumption to present levels has been the result of a response to the quality of the fruit and has not been due to any major organized effort to promote or increase the market of this product. Only in the past year has the state growers union taken the first steps to start a program, with the support of the official sector, to promote the avocado. A promotional campaign was implemented during the past season in the major consumption markets with plans to expand these efforts in the near future.

The marketing of fruit for the domestic market is handled most commonly through an independent local packer, who, in turn, has either his own outlets in major markets or sells to the wholesale brokers mainly on a fixed price basis. There are some large growers that due to their volume have established their own packing and selling operations with very good results and we also have had some attempts to establish cooperatives and other types of organizations of which, unfortunately, there is only one operating and expanding its services to members.

The total lack of packing and marketing standards has created a very complicated situation. We have some packers that work with as many as 6 different size criteria and others who only use 2 sizes. The same situation exists for packing. Depending on the buyer, we have 25, 22, 20, 12 and 10 kg cardboard or wooden boxes as well as packers who sell to the supermarkets and other clients using different types and sizes of plastic boxes which are later returned to the packer. With regard to quality, there is no minimum oil content required and the only limiting factor in the beginning of the season is the point at which buyers are willing to purchase the fruit. In most cases at this point the degree of ripeness is still very low but due to the strong demand or high prices, this fruit goes to the markets with the negative results this practice causes on the marketing of all the fruit. This does not mean that this is a standard for all packers. The medium and large serious packers usually wait until the fruit has a higher maturity level.

Out of the total volume of fruit produced, an estimated 2.5 to 3.5% went to the export markets, 1.5 to 2% was used for processing (also mainly for export). Of the remaining 95%, we estimate 5 to 7% is sold through supermarkets. We do not have any information on the percentage of fruit that is lost during the marketing process, but it is estimated by some handlers that in some cases it can be more than 8% due in large part to the lack of refrigeration during transport and storage.

We first became aware of the potential marketing possibilities for our fruit in Europe during 1981. That year Israel had a small crop because of extreme weather conditions during the flowering season. This made many importers from Europe and Israeli marketing companies come to our country looking at the feasibility of filling the large unsatisfied demand foreseen for that season. The nonexistence of the minimum infrastructure, the deficient land and sea transport as well as the total lack of experience in our industry resulted in many frustrated attempts to take advantage of this situation and introduce our fruit to the market. Very few shipments arrived in acceptable condition. Most of these were negotiated on a commission basis and all the losses went directly to the exporters and the growers.

The export industry in Mexico is still in its initial stages. It was not until 1985 that this area began its development. In that year, the total registered exports were 1,040 tons. In 1988, the export volume went to over 15,000 tons. There are still many factors that are limiting the further growth in this area. There is much to be improved in all the postharvest practices. The main obstacle to increasing exports to a year-round operation is that the prices in the domestic market during the low production months are higher than those received for export-bound fruit. In the following years this may change as the new high elevation, late maturing orchards come into production. When this happens, it will give us a great advantage since most of the other exporting countries have a relatively short and defined production period and in some cases need to rely on green skin varieties to extend their season. We believe that in the coming years we will have the capacity to supply the major markets with good quality fruit on a year-round basis.

The fact that the largest volumes produced are distributed to the domestic market, the lack of marketing standards, the almost nonexistence of the research needed to provide the growers with the alternatives (i.e. integrated pest management) to heavy use and dependence on dangerous chemicals, as is currently the case, have created, along with the industry's inefficient infrastructure and the general economic condition of the country, a strong tendency among the growers to minimize their costs resulting in considerable reductions in fruit quality and quantity. A recent survey showed that only 26% of the orchards follow recommended minimum standard practices with the result that only 15% or less of the fruit has the quality necessary for export. This has a strong impact on the export industry. It has been the reason that in recent marketing opportunities for

Mexican fruit, the response has not been as positive as would be desired. However, the higher than average price paid for export fruit is encouraging some growers to modify

their attitudes in this respect and we expect that every year our exports grow, we will see a substantial increase in the availability of good high-quality fruit.

In 1988, the packers who had established their packing plants to meet standards for the export market organized themselves and formed an association. Its main objectives being to establish and implement packing and quality standards as well as promotion and market development. Through this group, and with the participation of the European importers and with funds granted by the EEC, a promotion campaign, mainly in France, was implemented. It is unfortunate that this effort did not have continuity in order to have the needed support for the marketing of our fruit with better results. It is urgent that this group finds the means to continue working in this area which is of vital importance for the healthy expansion of this very important export market.

Europe's import of Mexican fruit will always depend on the volume available from its traditional suppliers, Israel and South Africa. South Africa's absolute dedication to the European export market along with their highly organized production and marketing operations and Spain's convenient location and growing production leave a very small niche for our fruit. Nevertheless, in a very short period of time, we have achieved our position in these markets in spite of all our disadvantages and problems. We have many consistent exporters and every year we are improving and always trying to do a better job. France is our largest European customer. With some dedicated promotion, it can probably become a still larger market for avocados from all countries. England and the Scandinavian countries preference for the 'Hass' variety and their rapid increase in consumption in the last few years also make them very promising new export markets.

With a well-organized marketing and promotion effort, these countries can be developed into much more important consumers of Mexican avocados. Germany and Switzerland have been the traditional consumers of greenskin avocados mainly due to the promotion of these varieties done by other producing countries. Slowly the advantages of the 'Hass' and its marketable superiority are increasing the quantity of 'Hass' sold in these countries. The recent political change in Eastern Europe will surely translate into a considerable rise in demand for our product.

Mexico's natural market and also the one with the largest potential is its neighbor the United States. It has always been the dream of our industry to compete with our fine avocados in this vast market. Conversely, this dream must be the nightmare for most of the growers of California with the thought that this will ruin their industry's future. The reason why there are no avocados legally imported from Mexico to the United States is that there is a 1912 phytosanitary restriction which was imposed to protect the California avocado industry from the Mexican seed weevil. There are various groups of growers and government officials trying to find a solution to this matter. It has been proposed that this issue be included in the bilateral discussions that have been taking place for the creation of the North American Common Market. We have faith that in the near future there will be a possibility for us to participate in this market with our fresh avocados. When this happens, we would like to see a system established to ensure that the opening of the border does not create a threat to the California avocado industry. It

is believed and has been stated by members of both countries that it is possible to find and establish the requisite mechanisms that will permit the California industry to actually benefit from the entry of Mexican fresh avocados. This is based mainly on the complementary timing of the harvests. Having a constant source of supply of good quality fruit marketed under a highly organized marketing structure, such as the one existing in California today, represents an important opportunity to further develop and nurture these markets. It has been encouraging for us to see various California-based companies establishing commercial relations with growers and packers in the State of Michoacan. This is a clear indication that at least not all of the California avocado industry members share the same nightmares.

The Japanese market has undeniably been our fastest growing export market during the past 5 years. This trend will continue as long as California continues with small crops and high prices. The strength of the Japanese economy and the good acceptance by the Japanese buyer make this a very important and highly appreciated customer for our fruit. The advantage of shipping directly out of a Mexican port and avoiding long and expensive land transportation gives us an additional cost advantage. We still need to implement further promotions to stimulate further Japanese fruit purchases.

In the past three years, there has been a strong trend towards the processing of avocados, mainly in the refrigerated and frozen pulp systems. Presently, there are at least 10 different enterprises established in Mexico. We have some that have been operating with very rudimentary technology and all the problems that this implies in the quality of their product, while others have a very high technological level and produce a good high quality product for the export market. For the time being, this is the only legal way that our avocados can be introduced into the United States market. The very marked difference in the price of fruit between the two countries will surely make this a very attractive venture for many Mexican and non-Mexican investors. Many of the existing operations are joint ventures or fully owned U.S. companies.

The total estimated volume that went to the various processing plants during this last season was between 4,500 to 5,000 metric tons. The information in this area is very scarce and in many cases unreliable because of the resistance of the people involved to giving any details of their operation.

In this area, we also have a developing avocado oil industry. The total estimated production for the 90-91 season was 3,200 tons of fruit processed with a yield of approximately 320 tons of avocado oil. The average growth of this industry has been 1.5 to 2% per year and it is expected that in the next three seasons, there will be a larger volume of fruit available at the needed prices which will result in a very rapid expansion for this industry.

Of the total oil production, 89% went to the cosmetics industry and 11 % was destined for direct human consumption, mainly in the Japanese and U.S. markets. It is considered by those involved in this area that this outlet for fruit has a strong potential and that the production capacity should be enlarged in order to consume the heavy

crops anticipated in the next few years.

All the avocado growers in Mexico share the same strong faith in the fact that the demand for our excellent quality product will continue to grow throughout the world markets as a fresh and nourishing fruit, as well as a very convenient processed product, which will increasingly become part of the everyday diet of the planet's population.