

The economy of avocado production in South Africa

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INTRODUCTION

The South African avocado producer is totally dependent on the export market. It is extremely important to identify any factor that will positively or negatively influence the market economy. In contrast with the 1990 season, the 1991 season was a financial disaster for many producers. Few producers can economically survive a recurrence of the 1991 results.

Price, production/ha and cost structures are the main factors determining the total economy.

PRICE

The gross selling price in France decreased over the years, if the period 1982-1984 is taken as a basis for Fuerte and Hass sales (Figure 1).

The decrease in the gross selling price of avocados is a cause for great concern to the avocado producer.

Factors influencing the gross selling price

Volume over the years

It is obvious that the long term volume growth has not shown a direct price correlation (Figure 2).

Volume fluctuation during the season

The over supply of avocados on vessel 937 had a very detrimental price influence on the market. The correlation between price and volume is very direct in a case such as this (Figure 3).

Cold damage over the long term

The quality improvement regarding cold damage did not influence the gross selling price at all. A greater awareness in the avocado trade will hopefully in future reward quality improvements with better prices.

Fruit firmness

The fruit firmness quality improvement since 1988 is also not reflected in gross selling prices achieved over the corresponding years (Figure 5).

Pulpspot

This factor was regarded as a major negative influence on the market. An analysis of market results does not show any correlation between quality and gross selling prices.

Market forces

In comparing quality and prices from various sources and different marketing groups, an interesting picture emerges. Market forces seem to play a very dominant role on market prices. This factor unfortunately overrules fruit quality, which is a very frustrating phenomenon for the producer (Figures 6-9).

It is obvious that the market did not respond positively or negatively to fruit quality. A more aggressive marketing approach may be necessary to encourage a better quality product on the market.

TABLE 1 Profitability of a 100 ha production unit

Ton/Ha	35 FF	40 FF	45 FF	50 FF
	R	R	R	R
5	(181)	39	260	481
10	437	879	1 320	1 761
15	1 056	1 718	2 380	3 042
20	1 675	2 557	3 440	4 323

TABLE 2 Industry cost savings

Year	Cartons/ Container	Transport Cost R/ Carton	Cartons Exported	Transport Savings
1983/86	1 980	R5,31	—	—
1987/89	2 400	R4,38	7 200 000	R6 696 000
1990/91	2 520	R4,18	8 000 000	R9 040 000

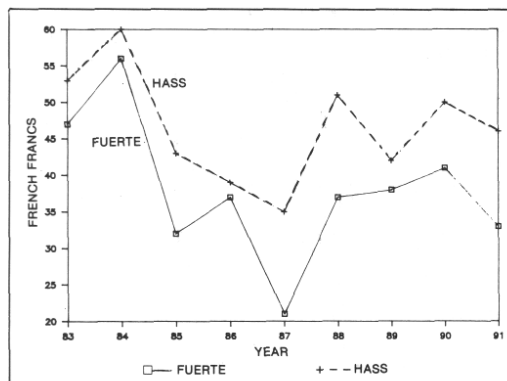


Fig 1 The gross selling price in France of Fuerte and Hass avocados.

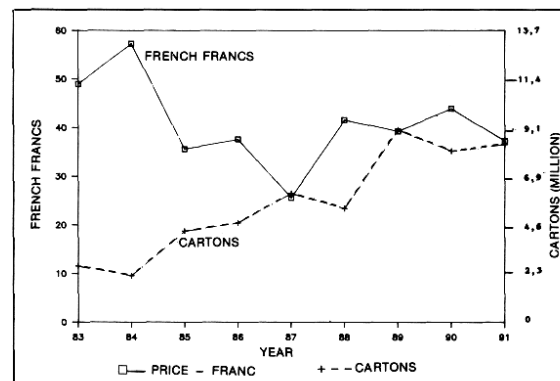


Fig 2 Long term volume growth.

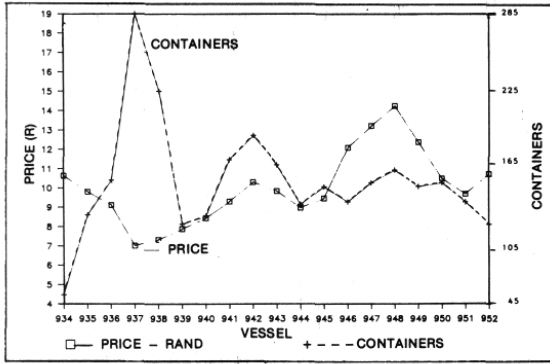


Fig 3 Volume fluctuating during the season.

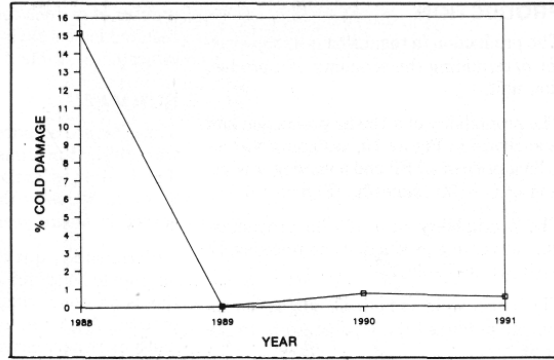


Fig 4 Cold damage over the longer term.

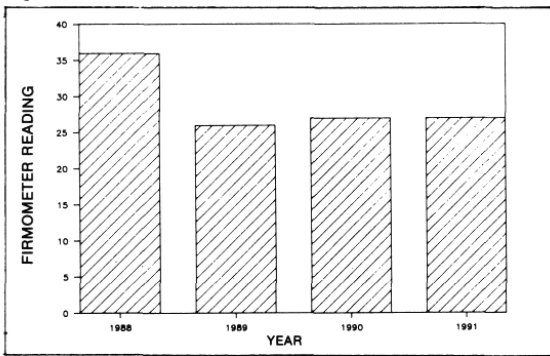


Fig 5 Fruit firmness.

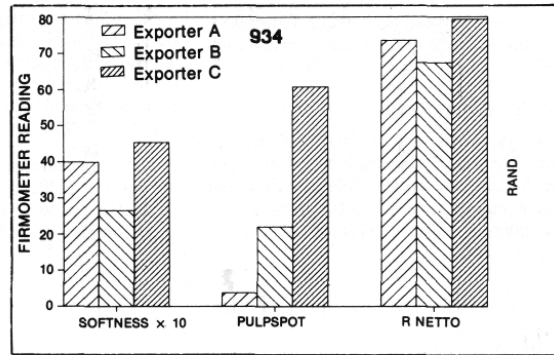


Fig 6 Fruit quality/price relationship.

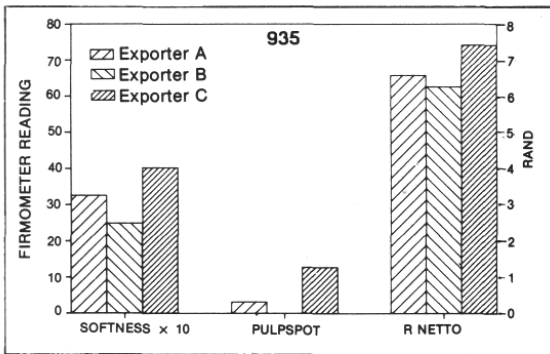


Fig 7 Fruit quality/price relationship.

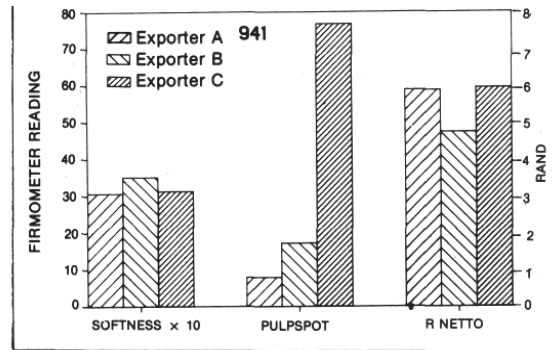


Fig 8 Fruit quality/price correlation.

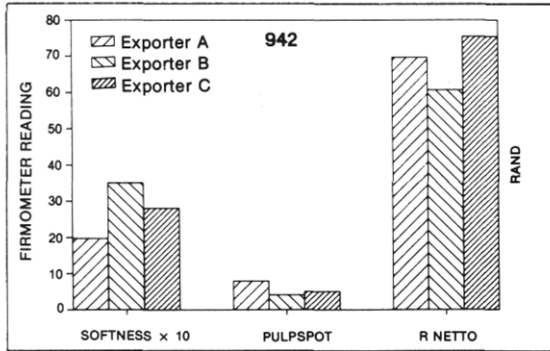


Fig 9 Fruit quality/price correlation.

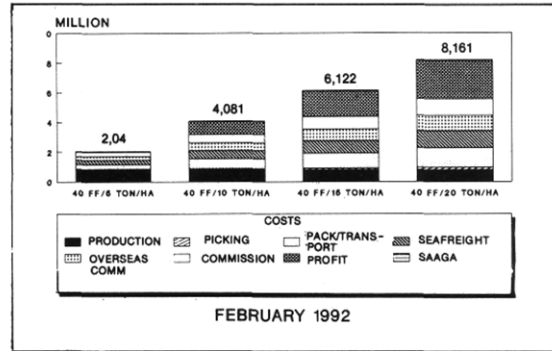


Fig 10 Avocado production – profitability 100 hectare.

PRODUCTION

The production in tonnes/ha is a major factor determining the economy of a production unit.

The profitability of a 100 ha production unit is analysed in Figure 10, assuming a gross selling price of 40 FF and a varying production of 5 20 tonnes/ha (Figure 10).

The profitability of a 100 ha production unit, at varying production and price levels, is shown in Table 1.

The higher yield and price combination obviously produced the highest profit to the producer.

These figures show the need for a high level of production. Marketing finally determines the profitability of an avocado production unit.

COST CONTROL

The major cost factors are represented by the cost of picking/packing, transportation/handling and cost of sales. Analysis and management of these costs can be a very worthwhile exercise, as illustrated by the number of cartons/container. Research has resulted in cost savings for the industry as indicated in Table 2.

SUMMARY

The gross selling price of avocados declined from 1982/84 in terms of the French Franc. The 1991 price levels caused financial losses to the industry that can hardly be absorbed in future years.

Unfortunately, quality improvements did not lead to better prices on the markets and this is an issue which will have to be addressed. A greater awareness in the trade and a more aggressive marketing approach should be considered.

Uncoordinated marketing caused situations of over supply and definitely decreased the market price for all avocados. Co-ordination through the SAAGA/Agent monitor system and newsletters will address this problem in 1992.

A factor that must be kept in mind is that during the 1982/84 price basis, Israel promoted and advertised avocados. Since then Israel has had a number of crop failures and has stopped promotion and advertising.

The author believes that this has been a contributing factor to the progressive weakening of the avocado market.

It must also be kept in mind that Europe is now being supplied by many countries, such as Spain, Mexico, Chile and California, apart from the traditional South African and Israeli suppliers.

Contact between producing countries will become necessary, at least at a level where information can be exchanged. Future cooperation on promotion or advertising will depend very much on the reliability of a first phase of information exchange.

High production costs will make higher yields/ha essential. Research and the implementation of proven technology will demand more from the avocado producer in order to stay profitable in the future.

Constant cost management and improvisation on picking/packing, transport, handling and cost of sales will also become vitally important in the future.