

Retail prices shed light for avocado industry

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The Australian Avocado industry is experiencing a large growth phase with new orchards coming into production. With increased volumes of fruit in the marketplace, industry needed to ensure market forces were working efficiently to clear product and even supply of fruit and price fluctuations.

In 2008 industry began establishing clearer market signals and communication between retail avocado market trends and industry players – specifically the growers and packers. The goal of this was to give growers a better understanding of retail prices and market forces. Each week avocado prices from 16 separate retail outlets each in Perth, Melbourne, Sydney and Brisbane are collected and uploaded onto the Avocados Australia website. This information is also sent out with the weekly Infocado report to industry members who contribute to the program. The 64 stores have been carefully selected to ensure a mix of supermarkets and independent retailers across a range of socioeconomic classes within these cities.

With access to this data growers have been able to anticipate and respond quickly to changes in the market. In the future industry will be building on this market intelligence to include information relating to consumer purchasing. The aim of this reporting is to link the data relating to how much fruit is being supplied, to the data relating to where that fruit is ending up, how it is being purchased, and by whom. Industry will be able to use this information to track what is happening with supply and the interaction of supply with consumer demand.

Precios de minoristas en la industria de aguacates

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La industria de aguacates en Australia está experimentando una fase de gran crecimiento con la entrada de nuevas plantaciones en la producción. Así incrementando los volúmenes de fruta en el mercado, la industria necesita asegurarse de que se garantice el trabajo eficiente en las fuerzas del mercado tales como producción de un buen producto, un buen suministro de las frutas y fluctuaciones de los precios.

En 2008 la industria comenzó a establecer claras señales del mercado y comunicación entre las tendencias del mercado al por menor de aguacate y los principales actores de la industria, en particular los productores y empaques. El objetivo es darles a los cultivadores una mejor comprensión de los precios al por menor y las fuerzas del mercado. Cada semana los precios del aguacate de 16 puntos diferentes de venta al por menor en Perth, Melbourne, Sídney y Brisbane se recogen y cargan en la página web de Avocados Australia. Esta información también se envía con el informe semanal Infocado a los miembros de la industria que contribuyen con el programa. Las 64 tiendas han sido cuidadosamente seleccionadas para garantizar que se encuentren supermercados y minoristas independientes en diferentes estratos socioeconómicos dentro de estas ciudades.

Los productores con acceso a esta información han sido capaces de anticiparse y responde rápidamente a los cambios en el mercado. El futuro de la industria será construir este método de mercado para incluir la información relativa de la compra de los consumidores. El objetivo de este informe es vincular los datos relativos de las frutas, cuánto se está suministrando, datos de los lugares en los que la fruta termina, cómo es la compra y quién la compra. La industria podrá usar esta información para saber lo que está ocurriendo con la oferta y la interacción de la oferta y la demanda de los consumidores.

Key words: avocado retail prices supply chain transparency

Notation: NA

Introduction

The Australian avocado industry is experiencing a large growth phase in production. From 2008 to the end of 2011, production has been on track to increase by 17% to almost 47 000 tonnes. Creating an environment in which market forces work efficiently to clear product quickly through the market is essential under these conditions. In the past, the retail avocado market tended to operate independently from these market forces thus creating a situation where market signals were not clear and fruit could become backed up in the system.

Although growers had a good understanding of the prices they received for fruit there was no up to date retail price reporting system to alert them when market forces weren't operating to clear the market. The lack of clear market signals made it difficult for avocado producers to discern the true state of consumer demand thus hindering their ability to make business decisions about the amount of product to send to which market and to make objective assessments about the returns they should expect for their product. It is generally understood that the lack of clear market signals provides supermarkets with an advantage in the market place which producers (and consumers) claim is open to abuse.

In June 2008 Avocados Australia began a project aimed at addressing this information gap and increasing supply chain transparency through the collection of relevant data. Avocados Australia began collecting pricing data from 64 retail outlets stores – 16 stores each in Sydney, Perth, Brisbane and Melbourne on a weekly basis. The localities and specific stores were determined based on Australian Bureau of Statistics (ABS) data to ensure a spread across suburbs with varied socioeconomic profiles (see table one).

Table 1: Sampling Plan - Retailers

Retail sector/ business	Number of shops per city
Woolworths	3
Coles	3
IGA/ Foodland/ Foodworks	3
Independent chains (eg Harris Farms)	3
Large volume/ price sensitive retailer	2
High quality retailer	2

By conducting weekly price monitoring across all major markets an indicative prevailing retail price across each market can be determined and made available to producers. This information assists in the identification of disproportionate profit taking at the retail level and evens up the balance of market power between consumers, retailers and producers.

Improving access to information along the supply chain was is a priority for the industry and the results from this project lay a very strong foundation upon which to build an industry leading supply chain information network.

To help build a more holistic picture of the retail environment, information was also gathered weekly on a range of other topics. See table two.

Table 2: Data Collection Categories

Information collected	Options
Assessment Date	Date price data collected
Store	eg. Coles, Woolworths, IGA, Independent stores by name

Store Location	Suburb
Store State	QLD, NSW, VIC, WA
Product Type	Avocado
Product	Hass, Shepard, Lamb Hass, Fuerte, Sharwil, Bacon, Gwen, Pinkerton, Reed, unnamed but not Hass
Display Number	Dependent on number of displays in store
Pack Type	Loose, 2 pack, 3 pack, 4 pack, 5 pack, 6 pack
Average/Total Weight	In grams
Store Display	Single layer, Stacked
Unit Price	Per unit
Unit	Per unit, per kg
In Store Location	Location of display in store
On Special	No, Catalogue, Store
Country of Origin	Australia, New Zealand, Mixed, Not Specified, "listed country of origin"
Comments	Comments relevant to particular display eg. Promotions or quality

This information helps to indicate the type of store, how they operate, the value they place on avocados and how they handle their avocados. The data is collected every Monday (unless there is a public holiday and then it is delayed until the next working day) using iPhones and relayed directly back to Avocados Australia. The data is housed in an online database which can be interrogated to pull out specific subsets of data from specific time frames and regions. All pricing data is collated automatically at the end of the working day and uploaded onto the Avocados Australia website (<http://industry.avocado.org.au/RetailPricing.aspx>) for all growers and other interested parties to view. The two main varieties on the Australian market are displayed on the website; Hass and Shepard. The most recent retail pricing data for Hass is displayed below.

Figure 1: Hass Avocado Average Retail Prices - Sydney

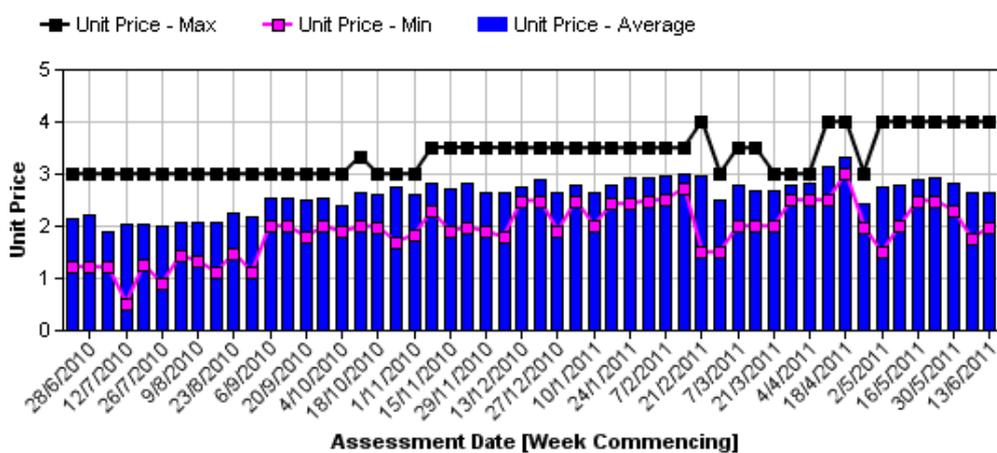


Figure 2: Hass Avocado Average Retail Prices – Brisbane

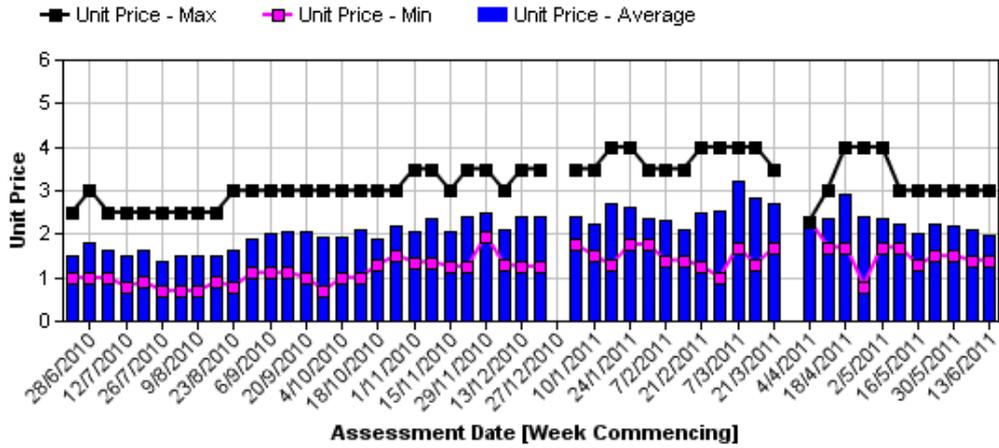


Figure 3: Hass Avocado Average Retail Prices – Melbourne

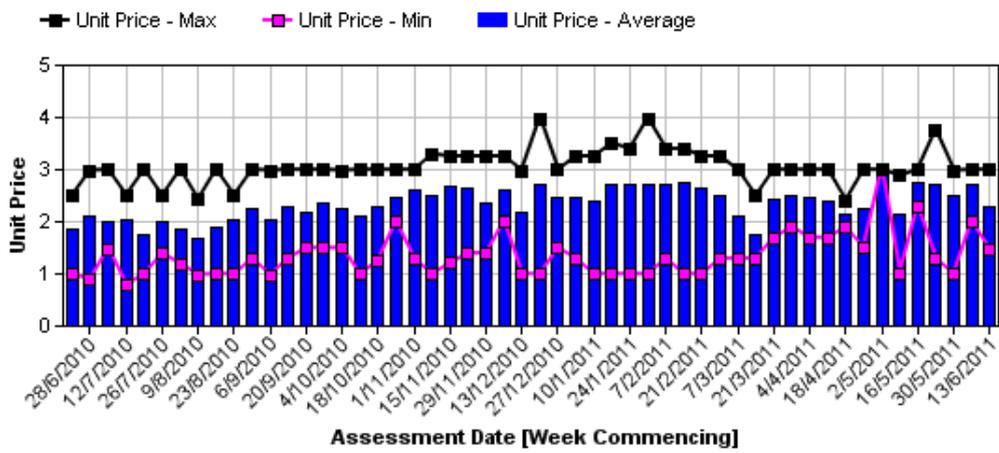
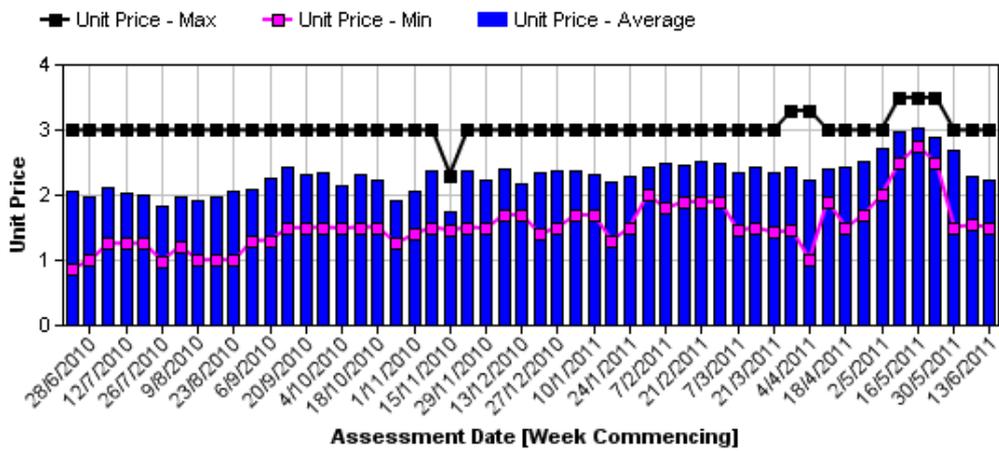


Figure 4: Hass Avocado Average Retail Prices - Perth



The most recent retail pricing data for Shepard is displayed below.

Figure 5: Shepard Avocado Average Retail Prices – Sydney

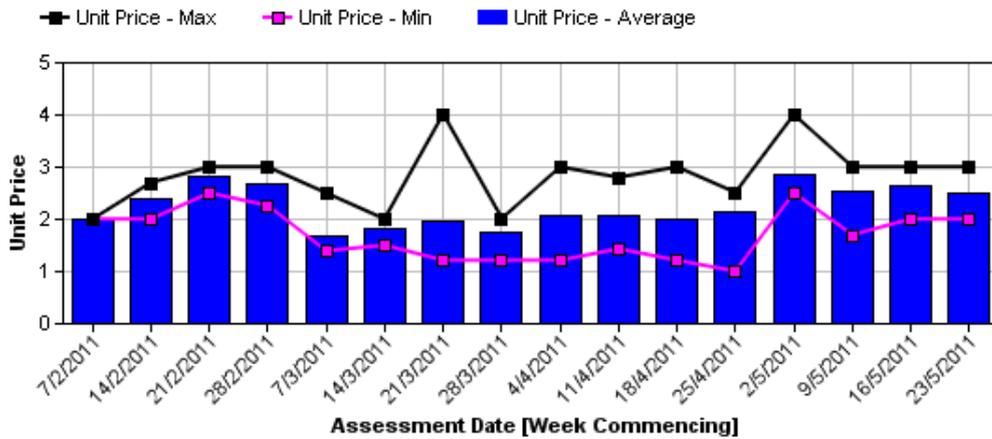


Figure 6: Shepard Avocado Average Retail Prices – Brisbane

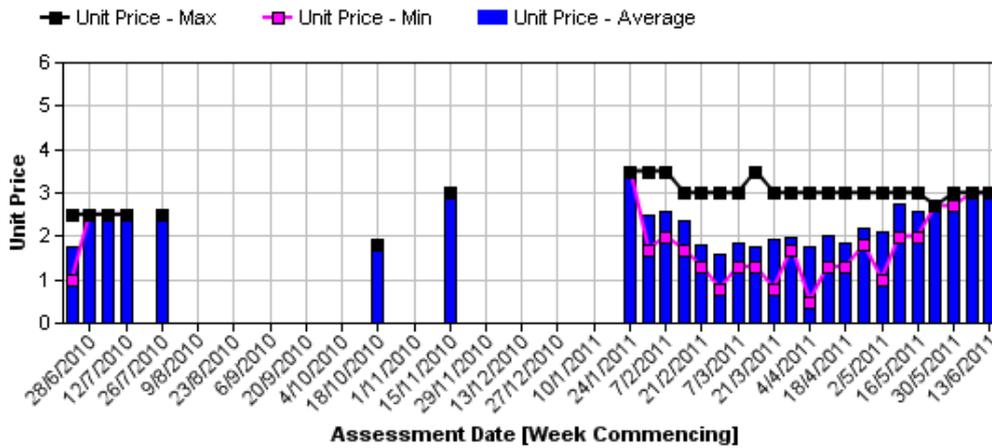


Figure 7: Shepard Avocado Average Retail Prices – Melbourne

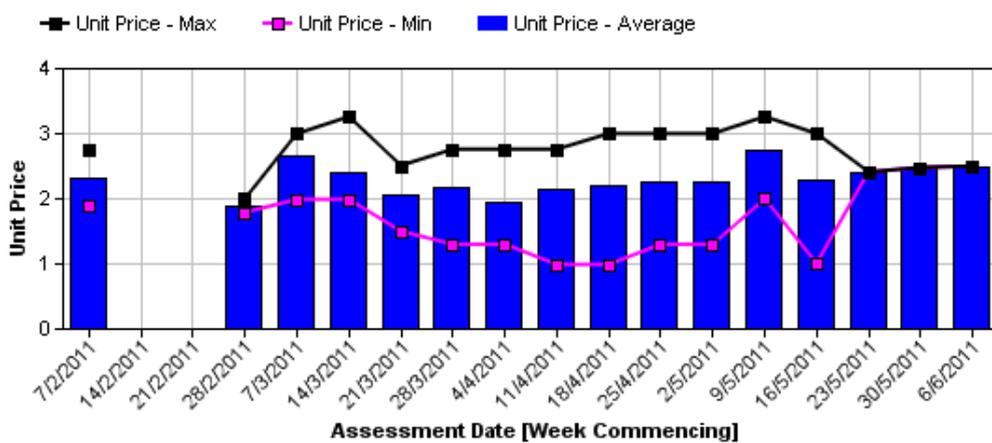
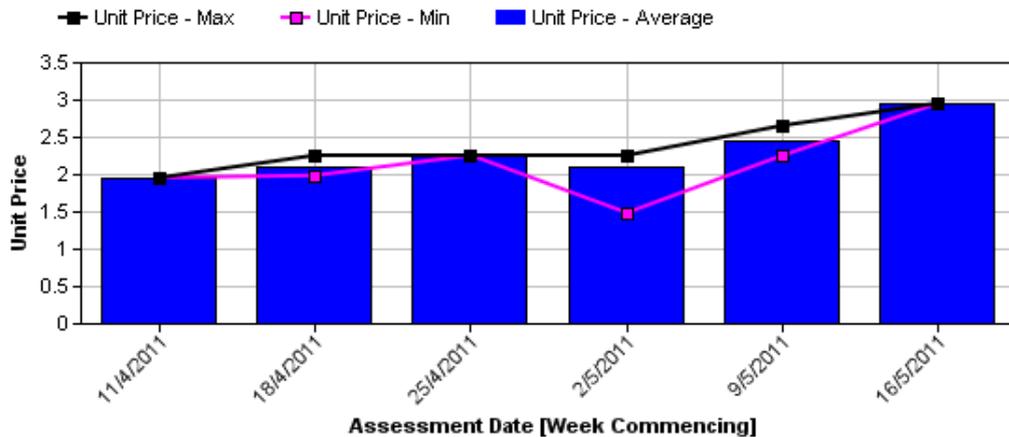


Figure 8: Shepard Avocado Average Retail Prices – Perth



Data is also displayed on the website showing the Hass catalogue specials in the last 12 months for each state for Woolworths and Coles.

In addition to the above graphs being displayed on the Avocados Australia website, the information it is also emailed weekly to packhouses, individual growers and wholesalers accompanied with Infocado Reports. Infocado is a separate, internet based system which has been developed to assist with the collection of timely, accurate data on the volume of avocados entering the Australian market. Its goal is to assist packhouses, growers and wholesalers in making better informed management and marketing decisions. The retail prices data is an excellent supplement to Infocado and helps to more acutely align volumes on the market with prices consumers are paying thus illustrating the relationship between the two.

The retail pricing program is also paired with another project; "Retail Quality Surveys" where fruit is collected from those same 64 stores and assessed for internal quality. These collections are conducted on a monthly basis.

Conclusion and recommendations

The retail pricing program provides essential, timely data to the avocado industry about what is happening in the market place, particularly whether market forces are working effectively to clear fruit in the market. The data also serves to illustrate to industry, the link between volumes in the market, what growers are being paid and what consumers are paying.

Access to this data and the ability to interrogate and to pull out specific subsets of data from specific time frames and regions has proven to be an invaluable tool for industry, allowing the data to be used in a wide range of situations.

As a testament how valuable the data is, two other Australian industries; mangoes and bananas; have contracted Avocados Australia to collect similar retail pricing information with the goal of increasing their own supply chain transparency. The banana industry has arranged for data to be collected 52 weeks of the year while the mango industry has data collected for their season only (September to March).

Following Cyclone Yasi in January 2011, the Reserve Bank of Australia requested access to the banana retail pricing data as a way to monitor movement in retail banana prices and the impact of the cyclone on inflation. Given that bananas are the number one selling line in Australian supermarkets it is logical to monitor their pricing.

With avocado imports arriving from New Zealand and the possibility of other countries also gaining import access to Australia in the future, monitoring retail prices will prove to be an excellent tool for measuring impacts on prices and the ability of the market forces to clear supplies.

Linked with Infocado and data gathered through the Retail Quality Surveys program, Avocados Australia is laying a very strong foundation upon which to build an industry leading supply chain information network.

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References

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