



SESSION FIVE

Session Five

Competing in a global world: a series of presentations by AMAPWG member delegates

New Zealand and Australia Avocado
Grower's Conference'05
20-22 September 2005
Tauranga, New Zealand

Agriculture



The Avocado Industry in South Africa

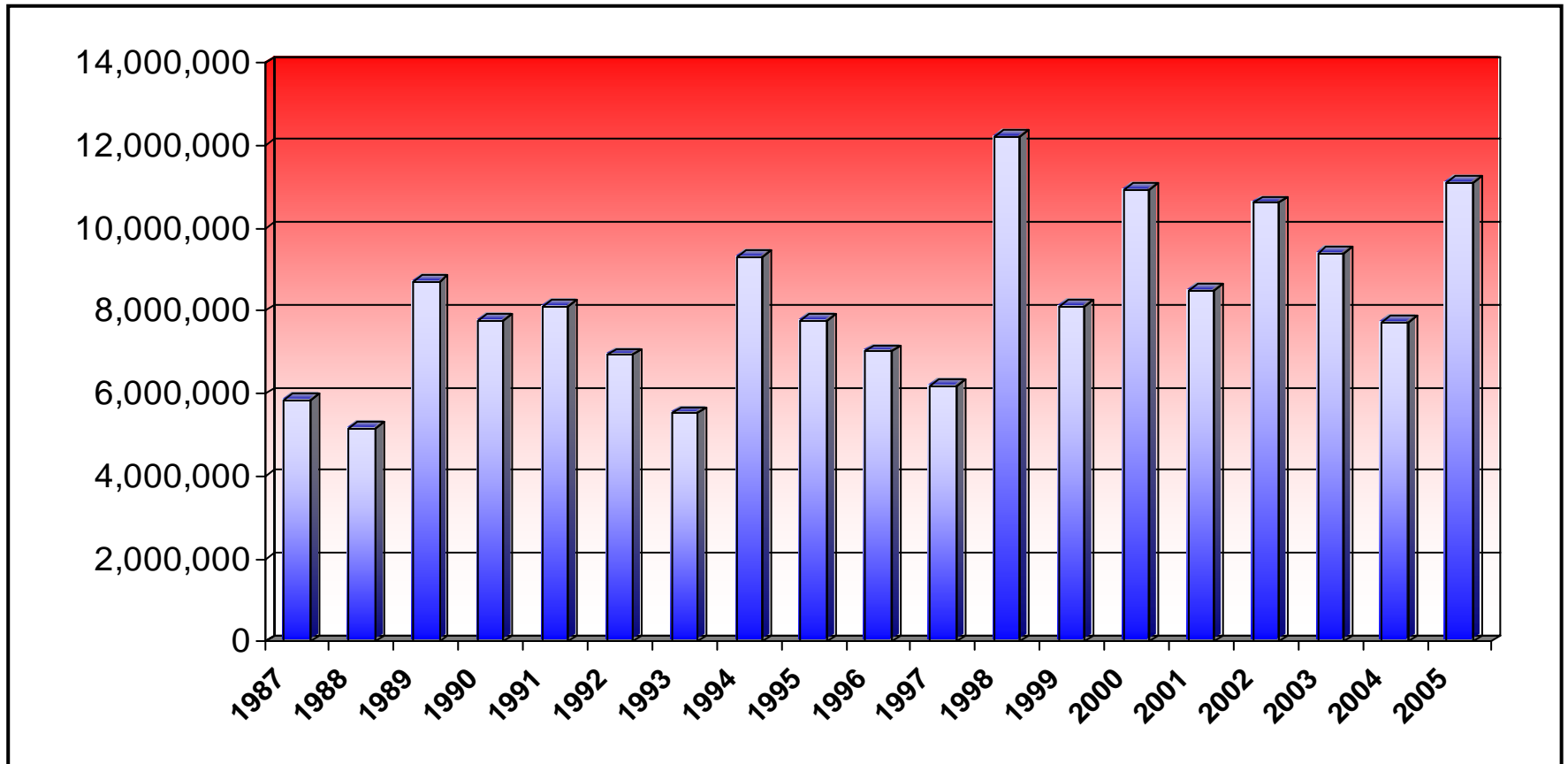
Competing in a global market

Introduction

- ±150 000 avocado trees planted annually in SA
- SA export volumes have fluctuated between 32 000 & 44 000 tons per annum
- Domestic market & processing industry have absorbed some of the volume growth



SA Volumes Exported



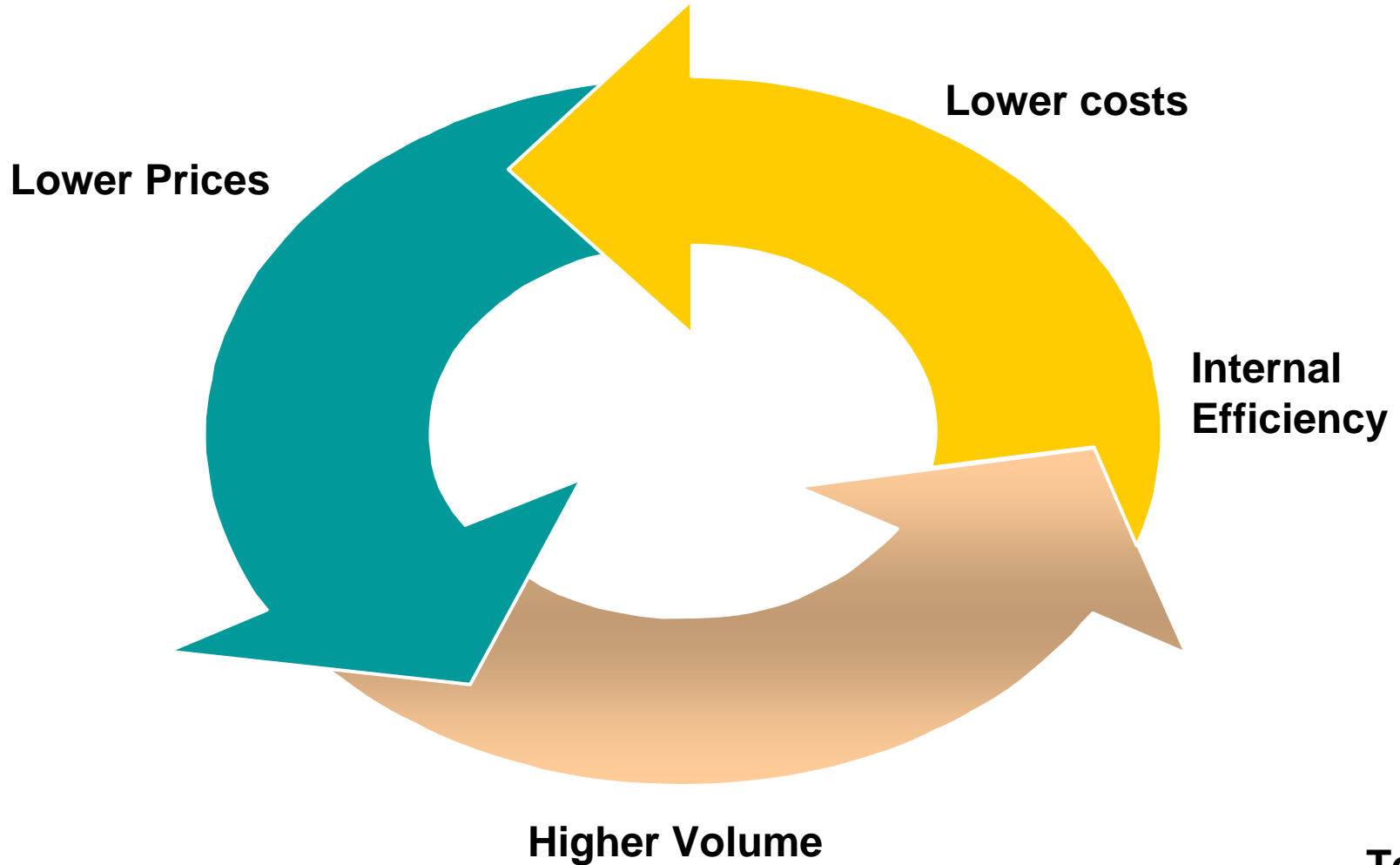
The commercial environment

- Buying power has been concentrated – takeovers and integration of supermarkets
- Supplier power has been diluted – deregulation



The Tesco Strategy

Price Virtuous Circle



Sainsbury's Corporate Strategy

- Recapture our quality and innovation heritage
- Differentiated offer
- First to Market for Brands and Own Label products



- To improve ease and enjoyment of shopping at Sainsbury's

- £200m/yr more expensive to run as a business than Tesco's in 2000
- Reduce costs

Increasing shareholder returns

Cost analysis of export fruit

Rand / carton (4kg equivalent)

Fixed

10-91

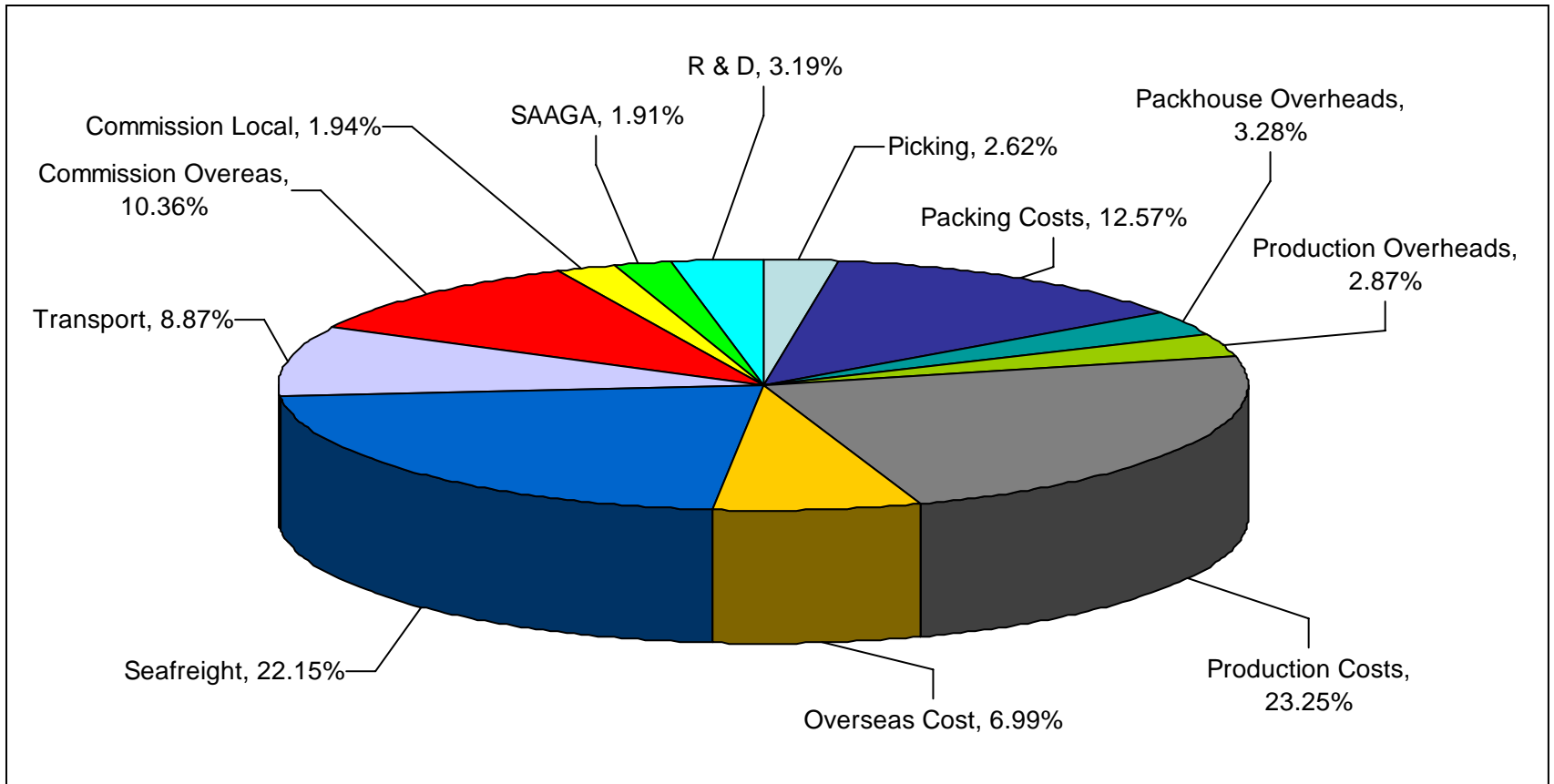
Variable

22-58

Total

33-49

Cost Structures



Currency Fluctuations

- Strength of Rand - negative impact on returns
- Breakeven price : R33-49
- **Impact on the SA grower**

Exchange Rate

R8-00 €1-00

R9-00 €1-00

R10-00 €1-00

G S P

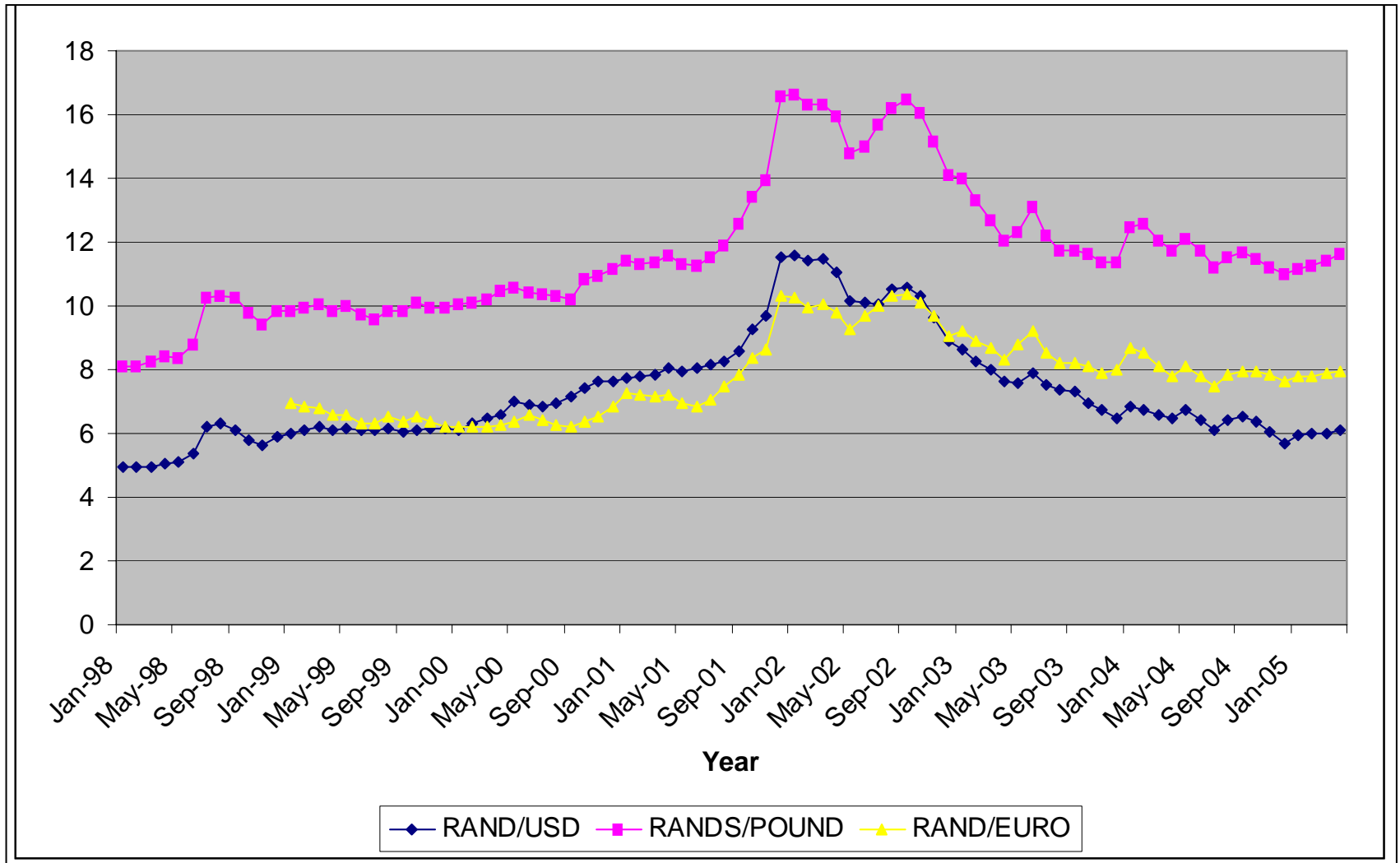
€4-19

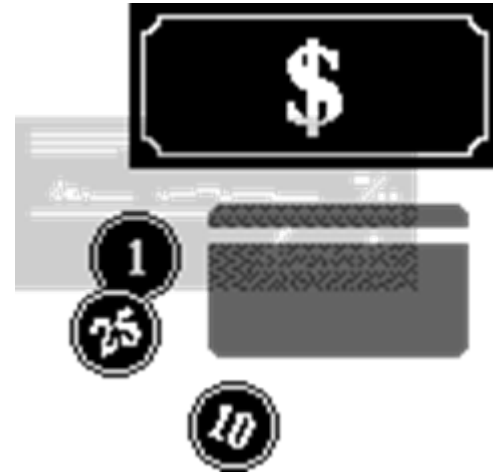
€3-72

€3-35



Exchange rates monthly average since January 1998





- Currency issues are likely to have a large impact on the European avocado market.
- Depreciation of the US Dollar has made European markets more attractive to Central and South American exporters.

***Production –
cost
efficiency /
productivity***



Rootstocks

- Breeding and field testing of new Phytophthora cinnamomi tolerant rootstocks
- Resulted in a new generation of rootstocks
- Brought a new dimension to rootstock tolerance and productivity.



Cultivars

- Trend to plant more Hass continues
- Result of market preference in specific EU countries.



Growth manipulation

- Planting in hedgerows
- Pruning to maintain tree size
- Increased mechanization



Composting

- An integrated rootrot control procedure will include practices that promote root health.
- Adding organic matter to the soil is becoming a more general activity on many farms.



Logistical efficiency



Shipping

- Controlled atmosphere (CA) - most common post harvest treatment for SA shipments
- 1-MCP (Smartfresh™) technology is starting to play a more important role as an alternative
- Advanced Fresh Air Management (AFAM plus) might also be a consideration for the future.
- Breakbulk shipping

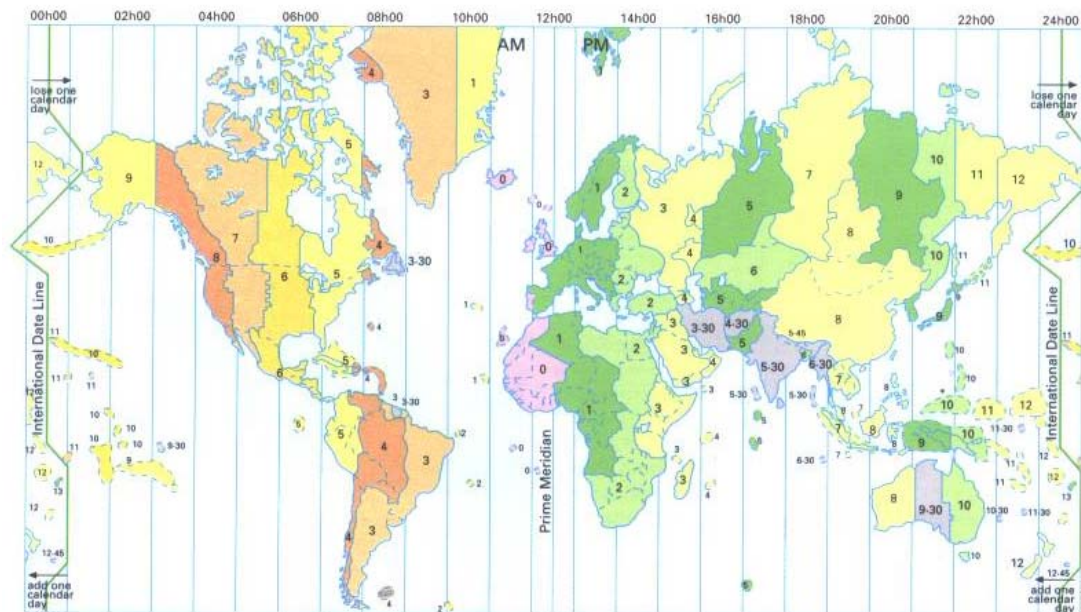


Avocado exports from SA

- Consolidation within the industry
- Grower driven export companies playing a more important role in avocado exports
- More than 75% of the avocado exports from SA are handled by 4 companies.
- This trend has brought more stability to the industry.

International interaction

Some of these exporters have been active in developing relationships with suppliers from other avocado producing countries to meet customer needs over a longer period.



Supplier / customer interaction

- More direct involvement in the market by grower driven export companies
- Is another dimension which brings the grower closer to the customer
- Or the customer closer to the supply base.



Avocado processing

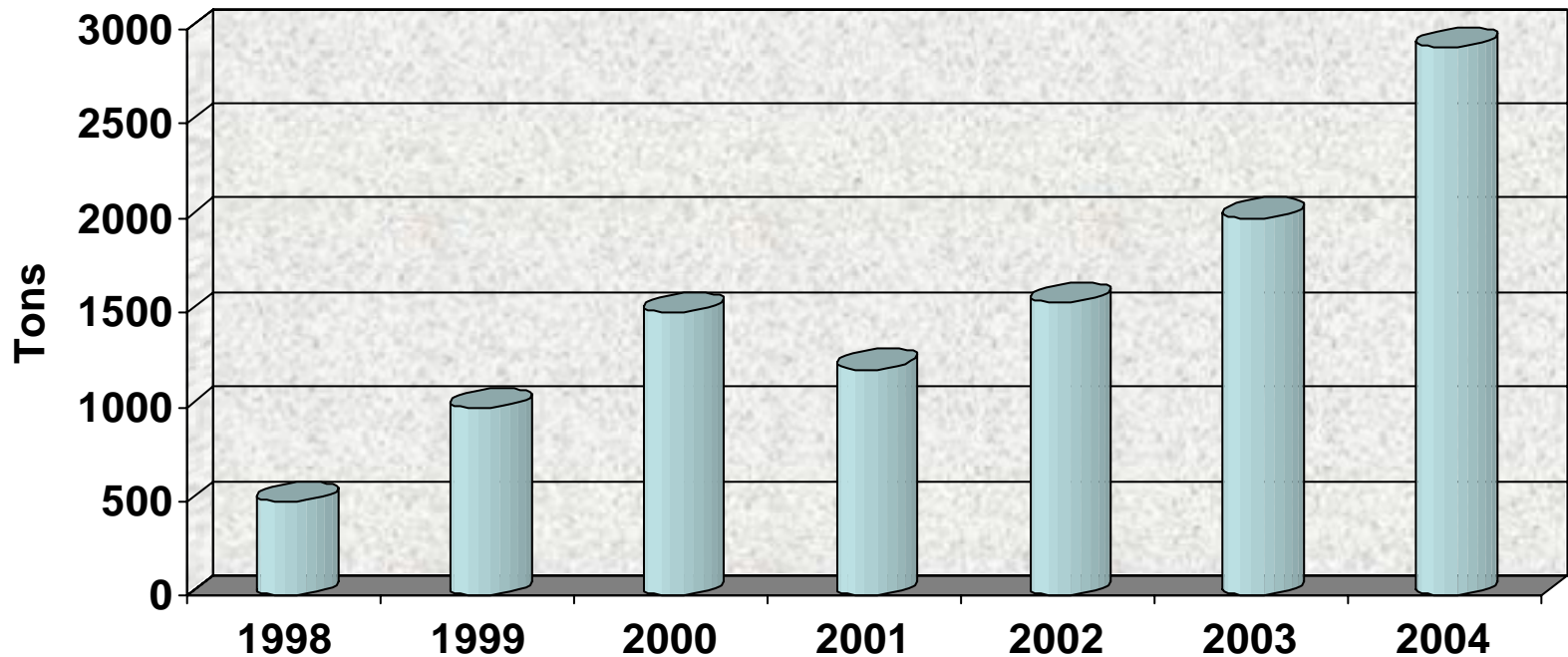
- Value adding creates a fair value for factory grade fruit for SA producers
- SA producers can be more selective in what they export or sell in local market



Growth of value added products in SA

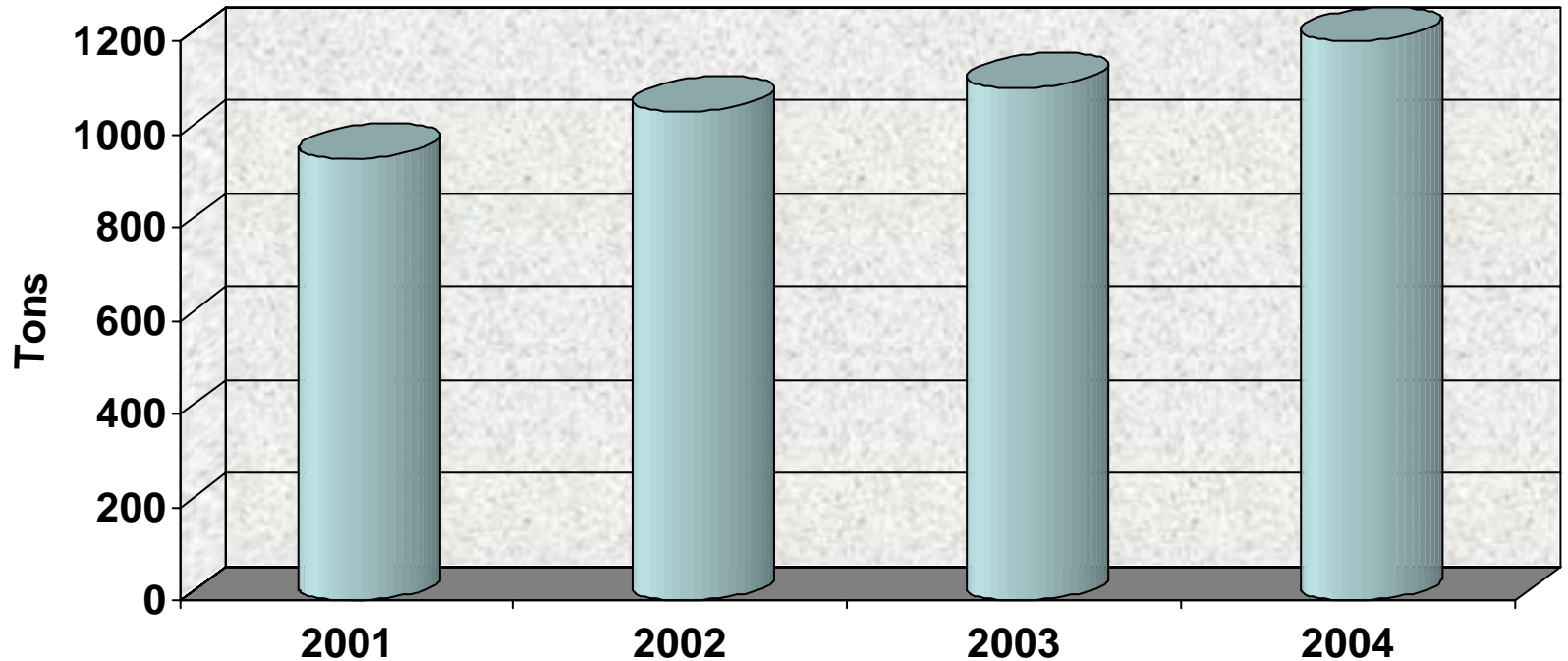


Avocado puree production



- Yield = 45% of fresh fruit
- Total volume used in 2003 = 4290 tons
- Total volume used in 2004 = 6160 tons

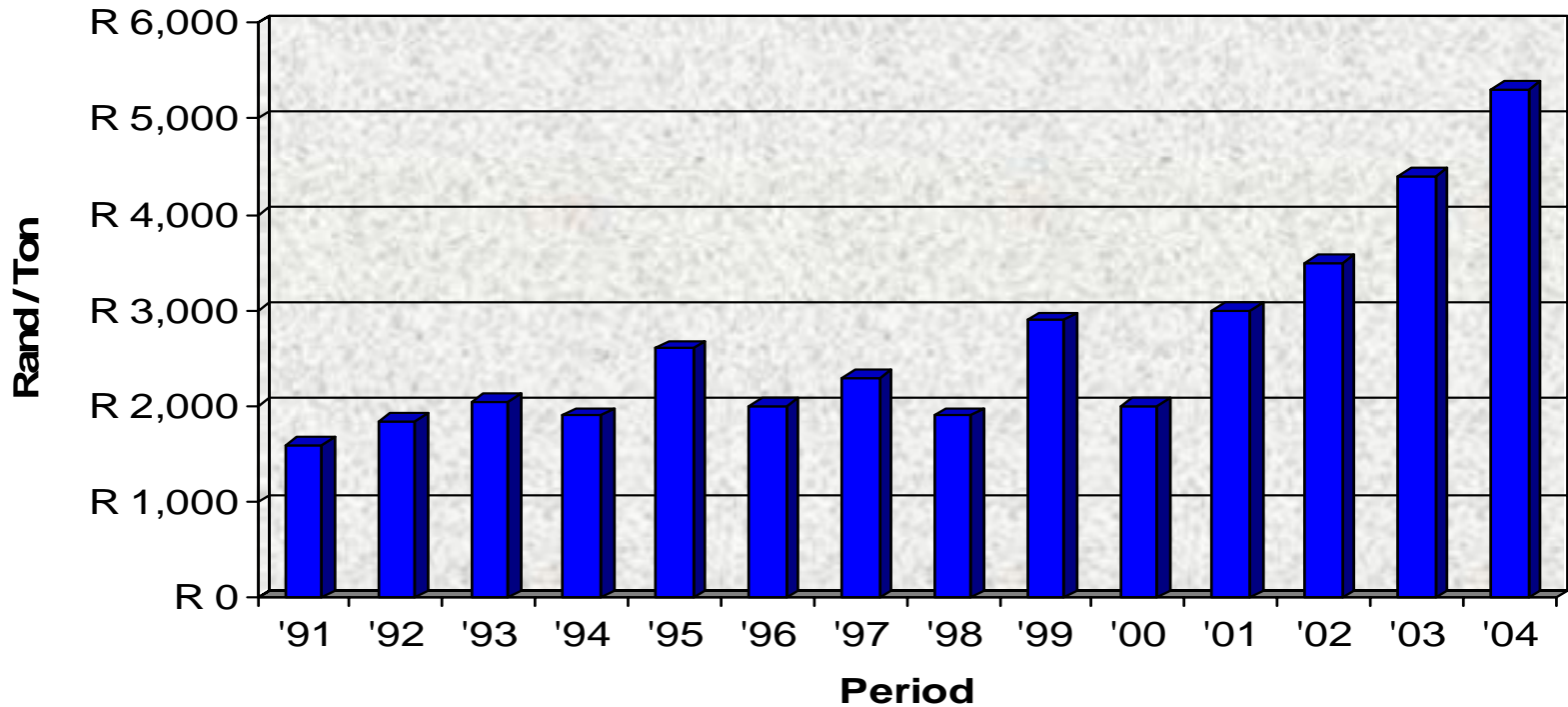
Avocado oil production



- Total fruit used in 2003 = ±10 000 tons
 - Total fruit used in 2004 = ±12 000 tons
- ** Factory grade fruit used for puree & oil
- | | | |
|------|---|-------------|
| 2003 | = | 14 290 tons |
| 2004 | = | 18 160 tons |

Impact of avocado processing on local market price structures

GROSS SELLING PRICE



Market development

- Selling more in existing markets – The UK story
 - Create bigger awareness for avocados as a health product
 - Availability of Ripe & Ready to eat avocados
- Develop new markets
 - Israel efforts in East Block countries



Market Access

Research on fruit-fly and false codling moth by

- Citrus Research International
- University of KwaZulu Natal
- Agricultural Research Council

Created the technical base for possible market access to new markets in the future.

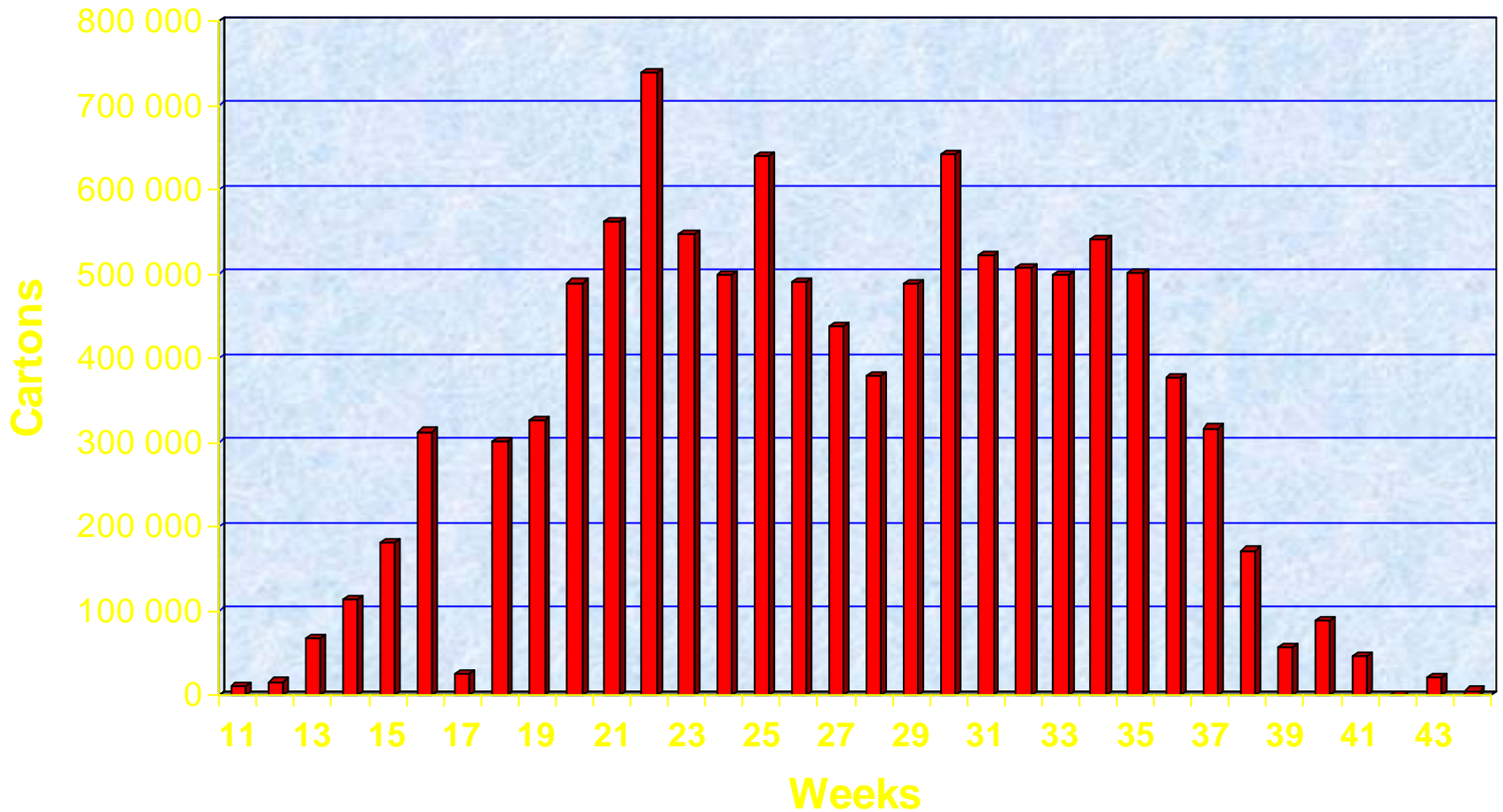
This research is a high priority in the industry.

Volume management

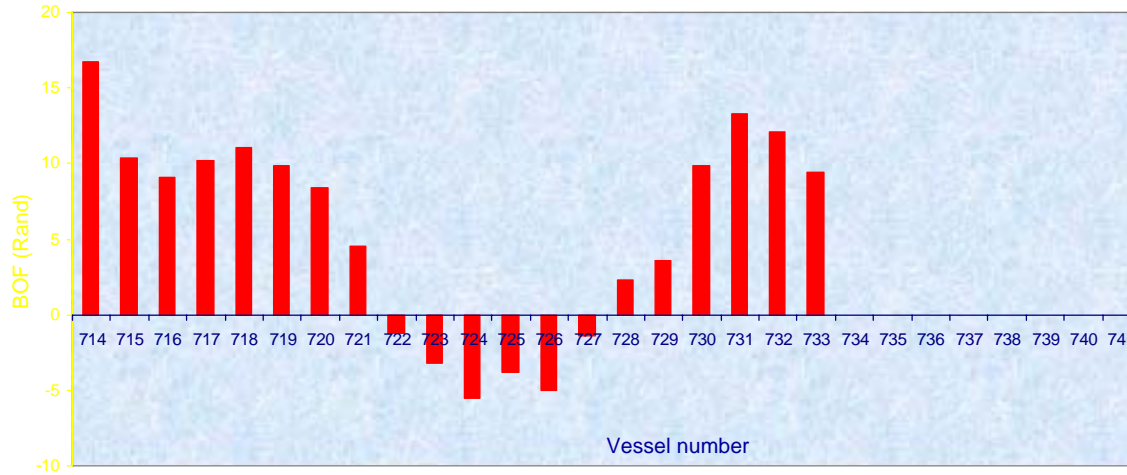
- Growers lost money over a number of years due to inability to balance supply & demand.



South African Avocado Industry Exports - 2000

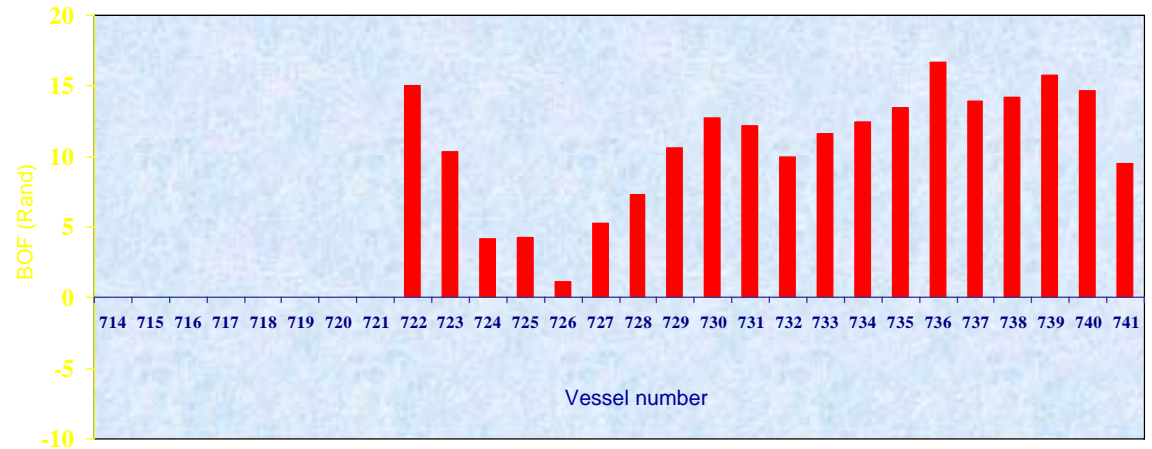


South African Avocado Prices – 2000



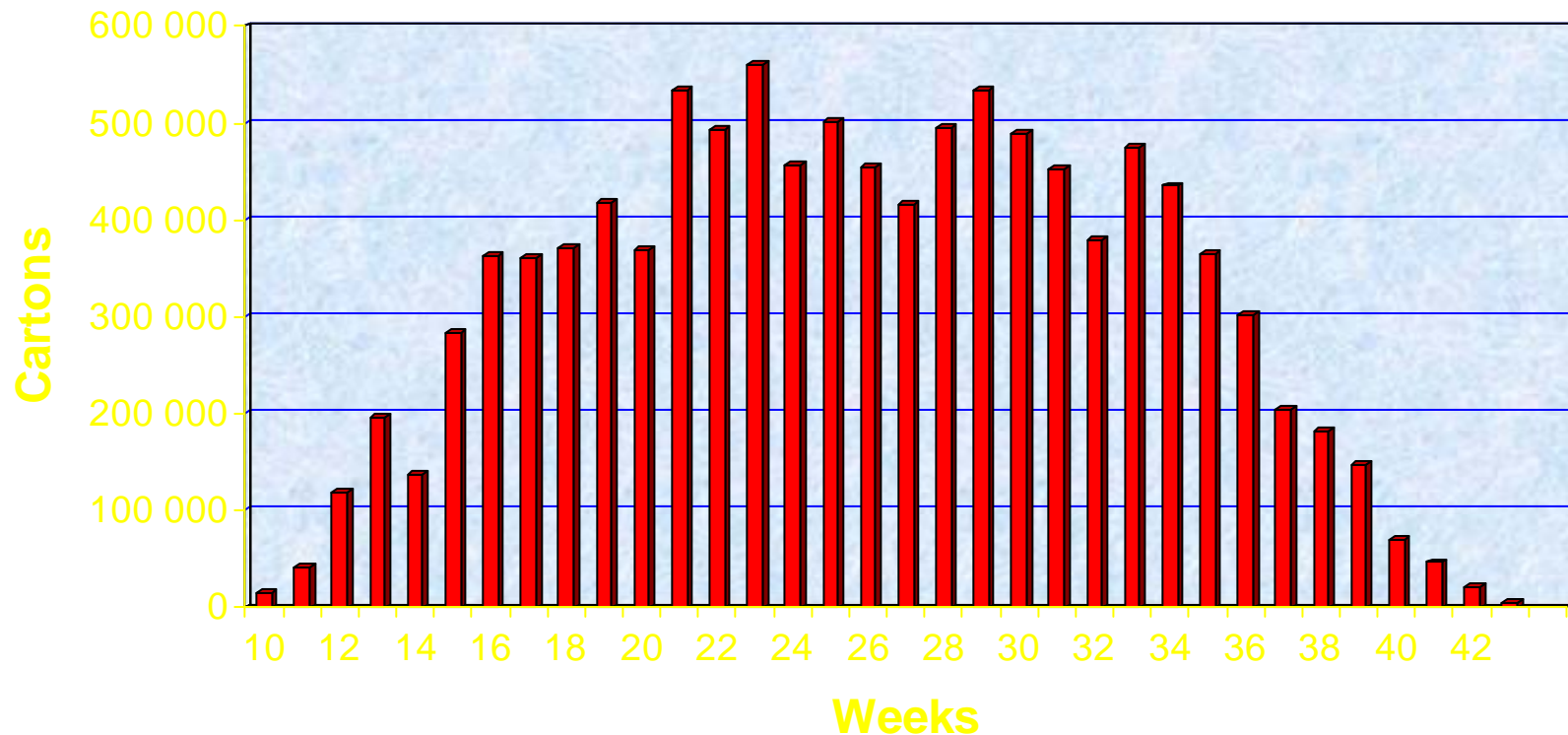
Fuerte

Hass

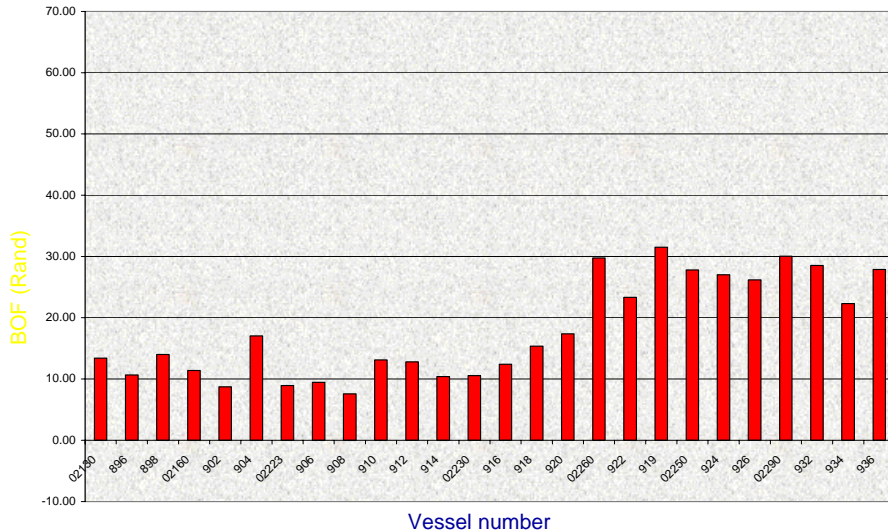


South African Avocado Industry Exports - 2002

Successful Volume Management

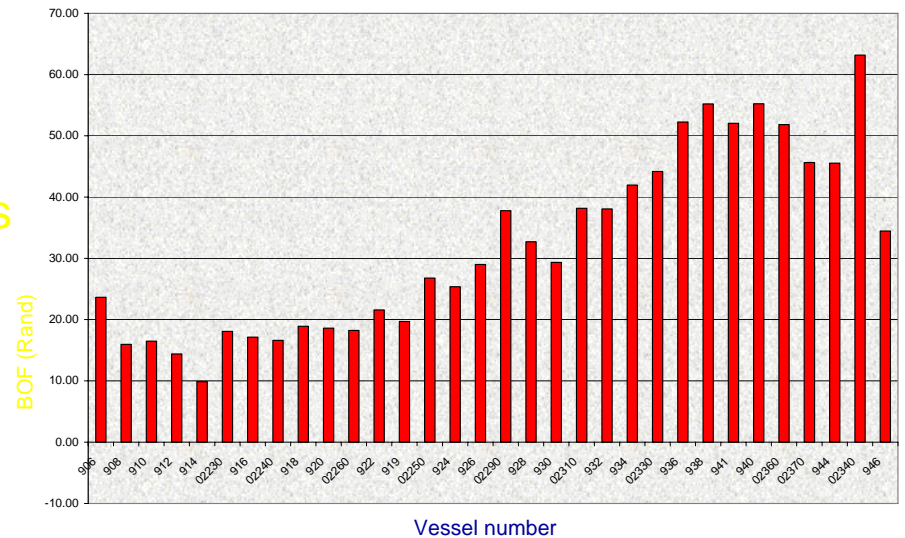


South African Avocado Prices - 2002



Fuerte

Hass



International Avocado Marketing and Promotions Working Group (AMAPWG)

- The interaction between representatives from countries supplying the European market played an important role in bringing at least some stability to the European avocado market.

Israel, Spain, South Africa, Kenya, Peru, Mexico, Chile, Australia, New Zealand and Argentina are part of this working group.

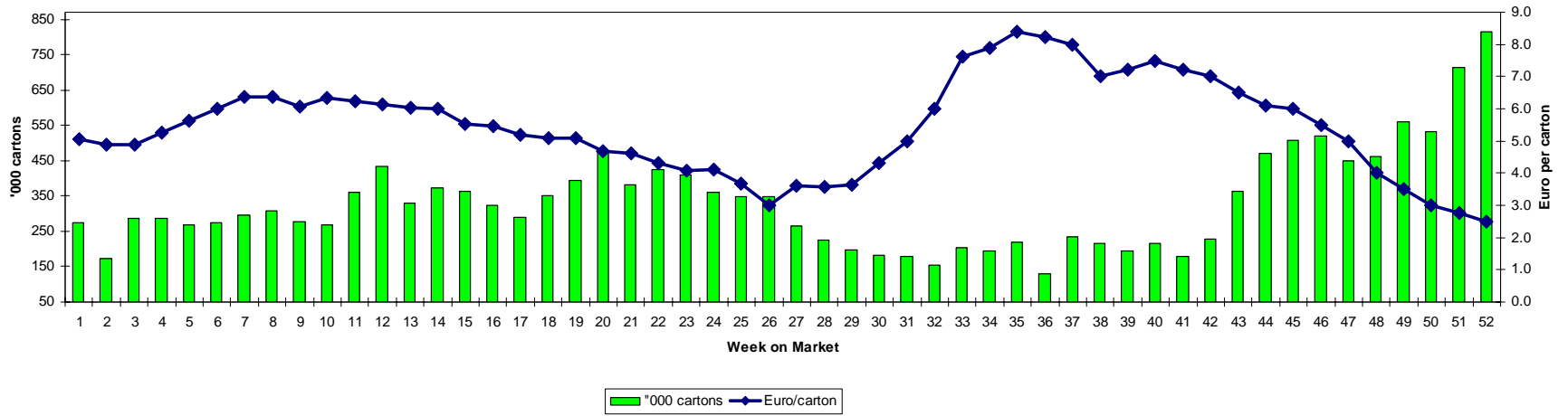


*November 2001
Malaga - Spain*

Historic Overview

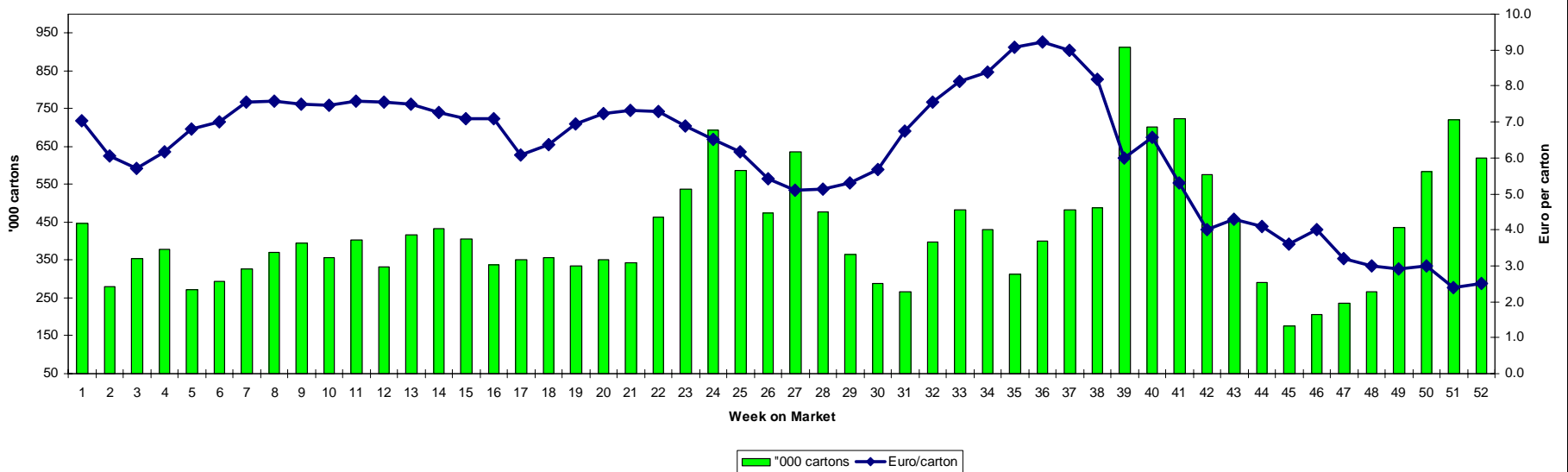
Volumes / Prices

EU Greenskin Supply versus Price 2004

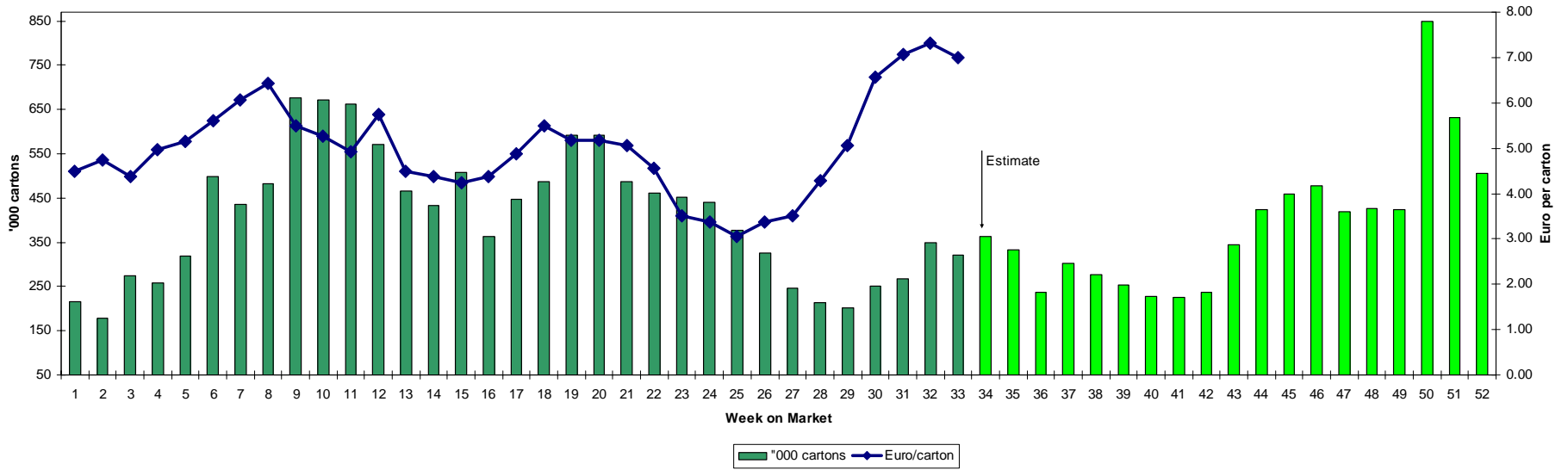


2004

EU Hass Supply versus Price 2004

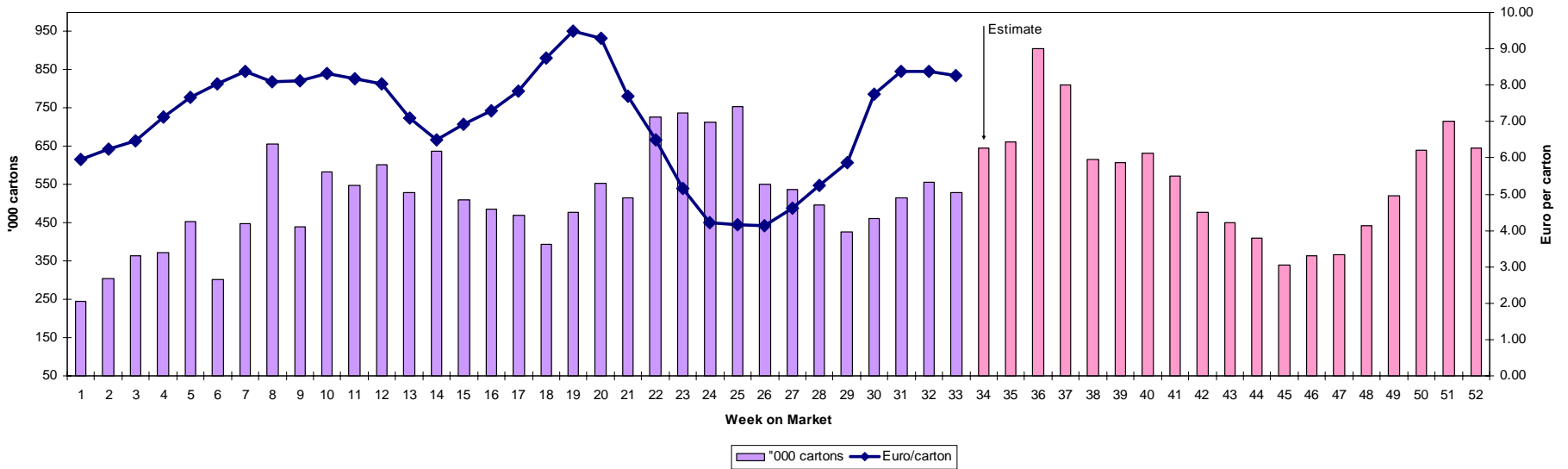


EU Greenskin Supply versus Price 2005



2005

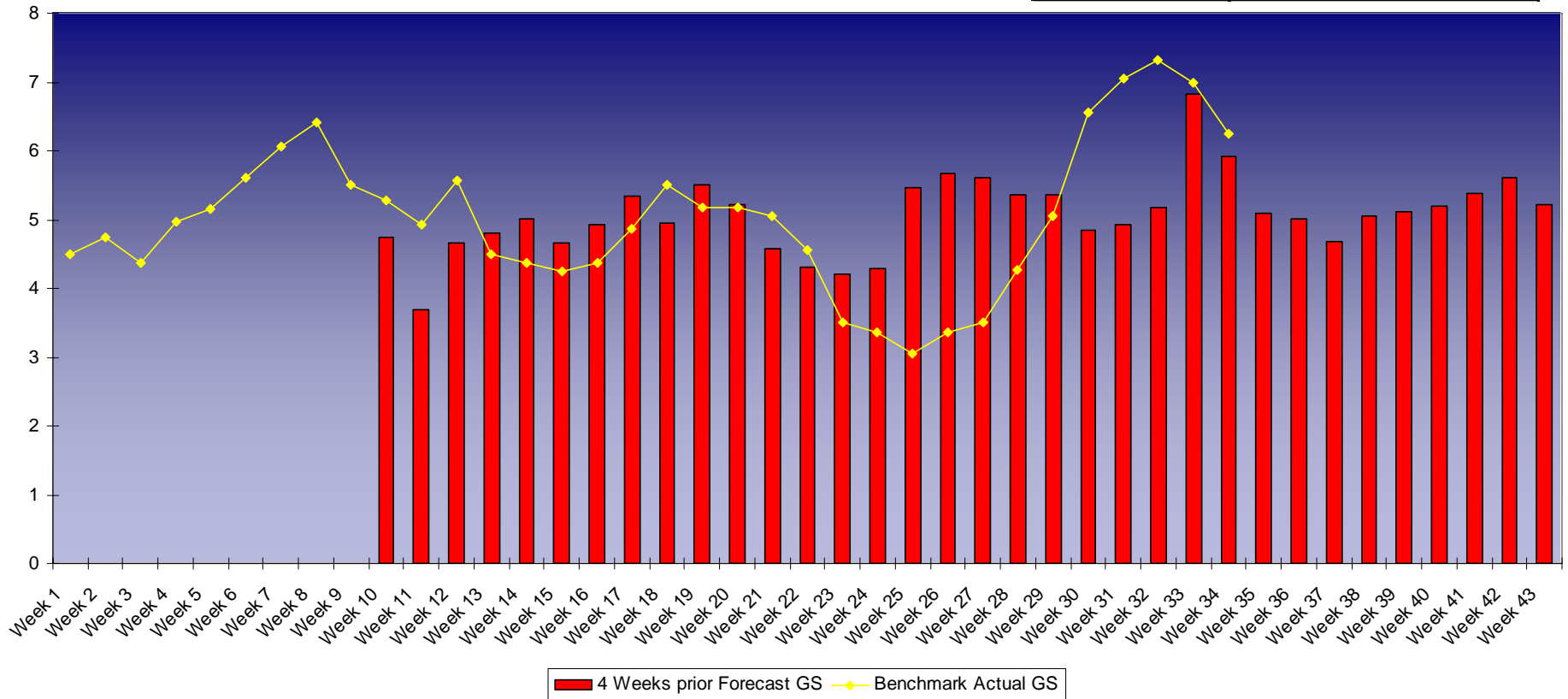
EU Hass Supply versus Price 2005



Price projection - Fuerte

Green Skins	GMR		
	Week	Benchmark	Forecast
Average to date	1 to 33	€ 5.00	€ 5.04
Previous week	33	€ 7.00	€ 6.82
Current week	34	*	€ 5.92
Next week	35	*	€ 5.09
4 Weeks time	37	*	€ 4.67
Season Ave	12 to 33	*	€ 4.95

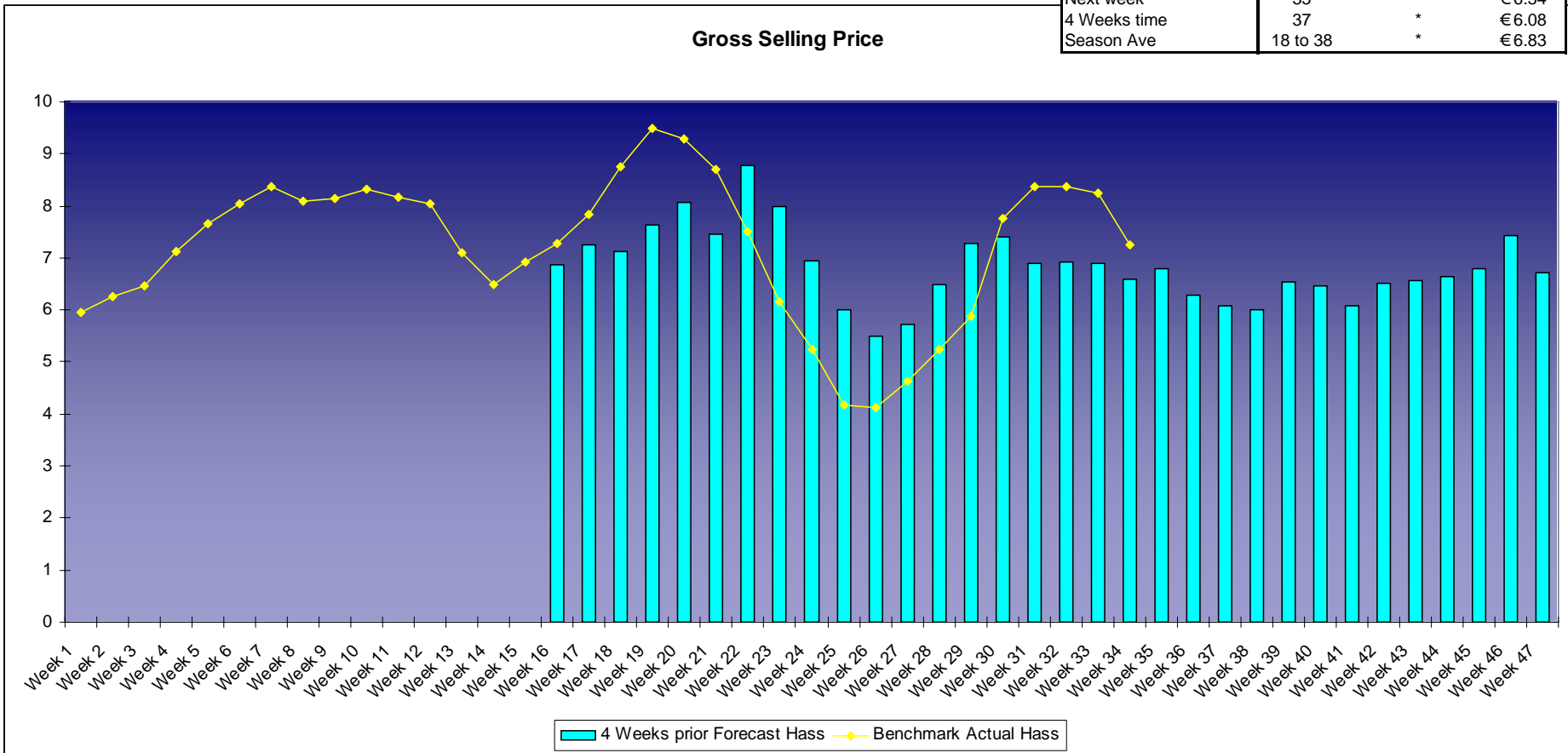
Gross Selling Price



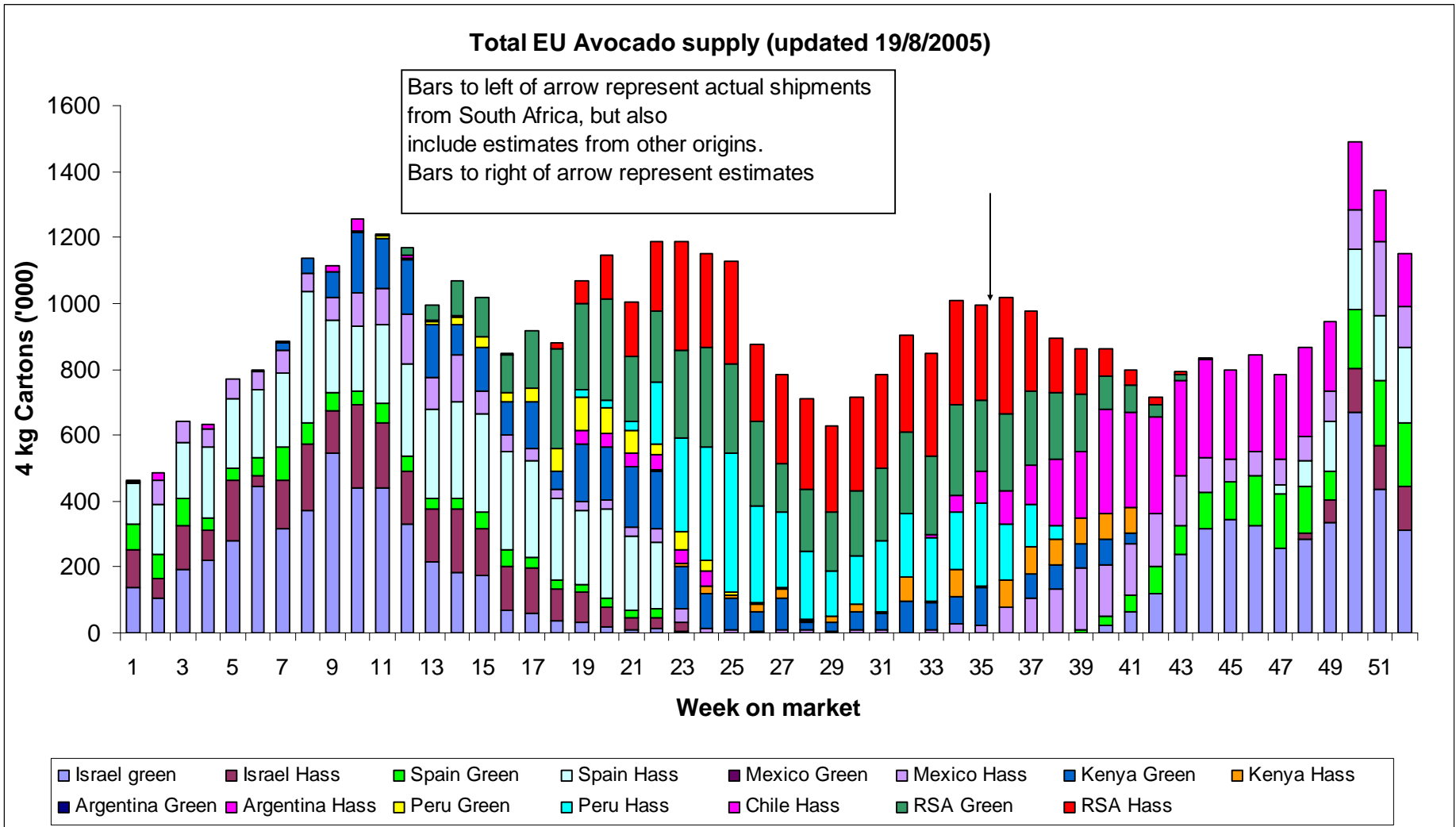
Price projection - Hass

Hass	Week	GMR	
		Benchmark	Forecast
Average to date	1 to 33	7.10	7.07
Previous week	33	€ 8.25	€ 8.42
Current Week	34	*	€ 7.80
Next week	35	*	€ 6.54
4 Weeks time	37	*	€ 6.08
Season Ave	18 to 38	*	€ 6.83

Gross Selling Price



Supply 2005 – All countries



SUMMARY



- Very competitive commercial environment
- Avocados an exciting commodity
- Tremendous opportunities compared to more mature industries
- Avocados still in it's infancy - market expansion to the health conscious consumer
- Lends itself to value adding
- Opportunities to offer convenience – Ripe & Ready

- A challenge - Match supply and demand – market info (timely, accurate and reliable)

