

■ The avocado market in the United States

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ABSTRACT

The United States is the world's largest market for fresh avocados. The industry there was pioneered in the early 20th century by a handful of growers learning to grow a new and exciting product. Several important trends have helped this industry evolve to into the 2 billion pound market that it is today. Interest in avocados continues to grow, as consumers there become increasingly familiar with avocados. This presentation explores the evolution of the avocado from a specialty product supplied by domestic farmers producing dozens of varieties to the 'Hass' dominated global industry that it is today. It describes the impact that imported avocados have had on the U.S. market and how that impact is expected to change in the near future. Special attention will be given to the latest developments that have driven avocado sales from obscure to essential in produce departments and on menus across the country.

Key Words: Volume, Merchandising, Programs, Logistics, Promotion.

INTRODUCTION

In 2015 the United States will consume over 900,000 tonnes of fresh avocados. This represents a "two-billion pound" threshold that many industry observers have been discussing for several years. This volume has more than doubled since 2008. The growth shows no signs of slowing in the near future. This paper will analyze the evolution of the U.S. avocado market from its Southern California origins in the early 20th Century to the global enterprise that it is today. It will describe how the market which once handled scores of seasonal varieties has become almost completely focused on 'Hass.' This paper will analyze the key role that promotional activities have played to help ensure that increases in demand remain one step ahead of supply increases. Also integral to marketing success has been the development of year-round programs with key regional and national accounts to increase shelf space and menu presence for fresh avocados. Each season is different. Volumes have fluctuated in any given year from different countries of origin, but the market continues to surprise and grow, even through the economic recession of the last several years.

The U.S. avocado consumption has grown at an annual rate of 16% since 2008. In that year the United States consumed 424,000 tonnes of fresh avocados. In 2015 the estimate is for 914,000 tonnes. In many *commodities* such tremendous supply growth would cause severe erosion in the price per carton. This has not been the case with avocados. In 2008 California growers received an average price of US\$2.20/kg. for their fruit. In 2014 this number rose to \$2.49/kg. (California Avocado Commission, 2014). There are currently six countries that supply fresh avocados to the U.S. market. In the United States avocados are commercially produced in the states of California, Florida, and Hawaii. Other countries that ship fruit include Mexico, Peru, Chile, New Zealand, and the Dominican Republic. This presentation will demonstrate that increased volumes of imported fruit have not only not damaged the value of avocados sold in the U.S., but have been key in developing the year-round, nationwide market presence that was necessary to drive the promotions and programs that make avocado marketing successful today.

This presentation will look at the history of avocado marketing in the United States, from the early 20th century to the present. The early years, The California years, Market Acceptance, and the arrival of Mexico will each be treated as important developments in bringing us where we are today. A description of the size of the market followed by detailed analysis of the marketing, promotions, merchandising, and programs crucial to continued success will be given as well as some speculation about the future.

In the early 20th Century the avocado was poorly known in most parts of the United States. There were small pockets of demand. In the Western part of the country supply was primarily provided by production in Southern California, while Florida and Cuba supplied avocados for customers on the East Coast. In 1914 the California Avocado Society was founded by a small group of growers, researchers and marketers with the goal of increasing knowledge and demand for this "exotic" product. This organization sponsored such activities as establishing minimum maturity standards for avocados, sponsoring explorations throughout Latin America for new varieties, and reporting on advertising and marketing efforts. They recorded the names of avocado varieties marketed in the early years as well as the volume sold by variety. It is important to note that no single variety dominated the market before 1960, and that most of the avocados sold were greenskins. Some of the early popular varieties include Anaheim, Bonita, MacArthur, Nabal, Rincon, and Zutano.

Alternate bearing was a tremendous challenge to growers and marketers in the early years. The tendency of the avocado to alternate between years of heavy production (known in the industry as "on" years) and seasons of light production ("off" years) had particularly negative consequences when the product was still just being introduced to the market place. The resulting "boom-bust" cycle would add a level of chaos to the marketing channels. In one year, there would be an oversupply of fruit, forcing marketers to identify new outlets through which to sell avocados. The years of low production would force the same marketers to selectively reduce the number of outlets through which they sold avocados. This inconsistency of supply made it impossible to sustainably build demand across the country and resulted in large portions of the United States remaining underdeveloped as avocado markets.

Between 1960 and 1983 the avocado industry in California became well established and better organized. Production areas, which had previously been largely isolated to Orange and San Diego counties, expanded to include such areas as Riverside, Santa Barbara, San Luis Obispo,

and Ventura. After several years of difficult returns in the 1950s, growers voted to establish the California Avocado Advisory Board. This organization, established by state law, charged growers an assessment which was used to create demand for the consumption of California avocados. The organization eventually came to be known as the California Avocado Commission.

During this period the number of commercial varieties also became better identified. Many varieties had specific challenges which made them unattractive to growers or consumers. Some negative attributes include fruit that is too large or too small, varieties that had produced poorly, fruit that had inferior flavor, varieties with very short harvest seasons, and varieties that had a very short shelf life. The first prominent variety in the U.S. industry was the 'Fuerte.' This tree was identified by growers in Atlixco, Puebla, Mexico as an attractive avocado after it survived a freeze. Early visitors from California brought back budwood from Mexico and introduced it to California growers.

It was not until the 1970s that the 'Hass' avocado began to dominate the avocado market in the United States. This avocado was famously identified in a small, 2 hectare, grove in La Habra, California owned by the mailman Rudolph Hass. In the early days the black color was viewed negatively by many leaders in the industry. Over time however many positive qualities were recognized by growers and consumers alike. Some of the positive attributes which helped the 'Hass' rise to prominence include excellent flavor, acceptable production, medium size, an extended harvest season when compared to other varieties, and a thick pebbly skin which allowed it to ship better than many of the thinner skinned avocados. It is worth noting that in the 1970s the 'Hass' avocado also rose to dominate the domestic avocado market in Mexico completely independent of what was occurring north of the border in California.

In the 1960s and 70s the U.S. market was more mature and better organized than it had ever been in the past. The prominence of 'Fuerte' and 'Hass' avocados allowed growers to supply the market with high quality fruit for most of the year; at least in the "on" years. Alternate bearing continued to be an issue in California. Swings in supply of over 50% were not uncommon. In 1971 California produced 52,000 tonnes of avocados followed by a 140,000 tonne crop in 1972. A 209,000 tonne 1974 crop was followed by a 116,000 tonne crop in 1975. The inability of California to produce consistent volumes of fruit year after year hampered marketing efforts and prohibited the avocado from truly developing a nationwide presence. This would begin to change in the 1980s.

By 1983 the results of a planting boom in California that had taken place from San Luis Obispo to San Diego during the 1970s arrived on the market. With over 30,000 hectares of trees planted throughout the state, California produced a record crop of over 240,000 tonnes. This volume allowed avocados to be sold in all 50 states. The new demand also began to attract fruit from other countries as well. In 1984 the first avocados from Chile were shipped to the United States. Southern hemisphere avocados helped to fill not only a seasonal gap in supply but it also helped to ease the market pressures caused by alternate bearing.

It was during these years that "avocado holidays" were first established. The industry identified the Superbowl and Cinco de Mayo as important days to promote avocado consumption. The Superbowl helped to get the harvest season started with great interest from supermarkets, bars, and restaurants. This was followed by the mid-season promotions in May which helped to sustain sales velocity during the period of peak harvest volumes in the late spring.

In 1997 Mexican avocados were finally allowed in the United States. A federal law passed in 1917 prohibited Mexican avocados from entering the United States, based on a number of phytosanitary barriers. Starting in the mid 1970s, as the Mexican avocado industry underwent its own production boom, Mexican growers began to lobby for access to the United States market. The California industry fought against the lifting of the 1917 ban. In 1997 the ban was partially lifted, and Mexico was granted access to 19 northeastern states for 3 winter months. The logic behind this decision was that if any of the banned pests were to make it past inspections, they would not survive long enough to infest groves in California or Florida. Over the course of the next 10 years access was generally loosened to the point that by 2007, Mexican avocados could be shipped year-round to all 50 states. Two market developments surprised many industry observers. On the one hand, the increase in supply did not result in disastrous pricing. Quite the opposite occurred. After decades of being neglected during years of "off" production the Northeast finally had a consistent supply of avocados allowing demand in that region to sustainably grow. This increased confidence that the supply would not dry up in "off" years allowing produce professionals to add avocados to their supermarket shelves and menus without the fear that they would not be available on a regular basis.

During this period California's share of the US market fell from approximately 85% in 2000 to 41% in 2010. Chile, which in the 1990s and early 2000s had been the second largest supplier of avocados to the U.S. market fell to third place by 2010. By 2014 the importance of Mexican avocados in the United States became even more pronounced. In 2014, 72% of the 'Hass' avocados sold in the United States came from Mexico. California fell to just 15% of the fruit sold, while Peru outpaced Chilean arrivals with 11% and 4.5% respectively.

This increase in the availability of imported avocados was anticipated by the industry. Even before the entrance of Mexico, Chilean growers had begun to develop large scale plantings after several successful export seasons. In the 1980s and 1990s the California Avocado Commission, had been successful in establishing promotional campaigns for California avocados. This was done so through a state law which mandated that growers pay a percentage of their crop value to support this effort. In 2003 the federal Hass Avocado Promotion Research and Investigation Order was passed establishing the Hass Avocado Board (HAB). This mandated that all avocados sold in the United States be assessed US\$0.056/kg for promotional and research activities. Today HAB distributes 85% of these funds to various promotion associations including the California Avocado Commission, the Peruvian Avocado Commission, the Chilean Avocado Importers Association, and the Mexican Hass Avocado Importers Association. Each Association decides how to best spend the funds to promote avocados from their respective country of origin. Through this law, over US\$327 million has been spent to promote the consumption of Hass avocados in the United States since 2003. These advertising campaigns have been crucial in creating new demand across the country.

The associations use a wide variety of media outlets to promote avocado consumption. Social Media, television, and radio have been some of the most memorable. NASCAR automobile racing, National Football League, and professional baseball promotions have all been successful. Many of the associations have worked with national and regional supermarket chains to develop coupon campaigns. They have sponsored sampling demonstrations inside stores where avocados are given to customers to enjoy. The organizations also participate in several food and produce events throughout the country to promote avocados. In recent years a particular emphasis has been placed on nutrition groups to share the health-related research concerning avocado consumption. For a more complete understanding of the promotions undertaken by each organization please visit the following websites:

<http://www.avohq.com/>
<http://www.californiaavocado.com/>
<http://www.avocadosfromperu.com/>
<http://www.avocadosfrommexico.com/>
<http://avocadosfromchile.org/>

The U.S. population is 315 million people (quickfacts.census.gov). Within this number is a wide variety of regional and ethnic differences. As stated earlier, avocado consumption in many parts of the country was hindered by inconsistency in supply. 63% of Americans identify themselves as Caucasian, 17% as Latino, 13% as African American, and 5% are of Asian descent. Average income per-capita is over \$28,000/ year, while median household income is \$53,046 (quickfacts.census.gov). The growing Latino portion of the population throughout the country has helped increase avocado awareness in recent years. As immigrants have worked their way from entry-level jobs to opening their own business and restaurants they have played a key role in introducing many people to new and exciting ways to consume avocados.

For illustrative purposes it is interesting to put some of these numbers into perspective.

In 2015, 315 million American will consume over 900,000 tonnes of avocados.

This comes to an average of 2.8 kg of avocados for every person in the United States.

At an average weight of 225 g/avocado each person, the average consumption per-capita in the United States is 12 avocados, or one per month. At an average production level of 10 tonnes/hectare, the United States consumes the equivalent of 90,000 hectares of avocados/year.

On a daily basis, 246 hectares of avocados are harvested week in and week out in order to supply the U.S. market.

The challenge is to distribute 246 hectares worth of avocados to 315 million people every day of the year. Roughly 56% of this fruit makes its way onto supermarket shelves, while about 24% goes to restaurants. The balance goes through a variety of wholesalers throughout the country who distribute to smaller scale operations. It is in these distribution channels that the great importance of programs becomes evident.

When a supermarket makes the decision to allocate shelf space to avocados, or a restaurant owner makes the dedication of printing “avocado” on a menu, they expect to have access to that product every single day of the year. It is the job of the avocado distributor (packinghouse, importer, and shipper) to work with the buyer (supermarket, club-store, restaurant chain) to identify how to best achieve this goal. They must negotiate the size, pack style, level of maturity, and country of origin that will best match the customers’ needs with what is available from the field throughout the year.

Some customers prefer large sizes, while others prefer small. Some are committed to one pack style throughout the entire year, while others are open to a variety of suggestions. Some customers pay a premium for category 2 fruit. It is important for the distributor to develop program business plans for the “whole tree.” That is to say that they have a well developed seasonal plan to best match customer needs with what is available from the field. When programs are well designed the “spot market” (fruit that is sold outside of programs) is relegated to emergency situations only.

The United States is a large country stretching from the Pacific Coast to the Atlantic. It takes approximately 5 days to drive across the country. In addition developing customers for the “whole tree” through programs, it is also crucial to have a well developed distribution chain that covers the logistical needs for the entire country. This distribution chain is key to the “just-in-time” inventory replenishment demanded by the program buyers. In such a chain, cold storage and ripening centers are located strategically in different regions of the country. Through these locations it is easier to make sure that the right size, in the right pack style, at the right stage of maturity is delivered to the right customer on the right day, every day.

Outside of program sales and logistics many customers have other concerns about how the fruit that they handle makes its way to market. Today all high-end retail and food-service customers demand that their distributors are audited on an annual basis for Good Agricultural Practices (GAP). These audits continue to evolve and each year they become more demanding. Fifteen years ago this third-party audit process started with requests that packing facilities participate. Today, this requirement has been expanded by many customers to include the farm where the food is produced. In addition to the GAP audits, some customers also request social responsibility audits be undertaken by their suppliers. This step is taken to help ensure that the fruit purchased is sourced in an ethical manner. Audits for organic certificates are necessary for growers and packers that wish to participate in that sector of the avocado industry. In recent years some chains have placed an emphasis on sourcing as much product from local producers as possible.

Many packing styles are utilized in the US market. Historically the 11.3 kg cardboard carton was the industry standard. It is based on this carton that the current size designations were originally developed.

Today, what is referred to as “special packs” make up nearly half of the avocado sales in the United States. These pack styles are specifically designed for program sales. Special pack programs included bagged fruit, fruit packed in returnable plastic containers (rpc) and fruit that is delivered to the customer at a designated ripeness level.

Outside of the traditional advertising and promotion, the Hass Avocado Board has also undertaken a nutrition research strategy to help drive increases in avocado consumption. In this strategy the Hass Avocado Board has sponsored clinical health research studies at such institutions as Penn State University, Tufts University, and Loma Linda University. These studies have focused on three primary areas of nutrition; cardiovascular health, healthy lifestyles, and weight management.

As stated earlier, avocado consumption is not static across the entire country. Some parts of the United States consume more avocados than others. It is not surprising to see that in California 89% of households purchase avocados and that the average household consumes more than 3 avocados per month. This can be contrasted with avocado consumption in the Plains states where only 51% of the households consume avocados and average purchases are less than 2 avocados per month. (Hass Avocado Board Tracking Study, 2014). This information is used by marketers and advertisers when deciding how to best promote avocado usage.

Avocados are used in a wide variety of ways in the United States. Guacamole continues to be one of the favourite methods of consuming avocados with 74% survey responders saying that they eat guacamole. Other popular uses of avocados in the United States are in Sandwiches, Salads, and plain, by themselves. Dinner is the most common meal for avocado usage in the United States with 70% of survey participants reporting having had avocados at dinner time. Only 11% of participants in the same survey reported using avocados as a breakfast food, indicating that a great opportunity to increase avocado usage is available in the early morning. (Hass Avocado Board Tracking Study, 2014).

The United States is a large and growing market for Fresh Avocados. Consumption has grown at an annual rate of over 16% for each year since 2008. This trend is expected to continue for the near future. New plantings in Peru, Mexico, and elsewhere are evidence of this trend. Industry leaders predict that by 2025 the US market will consume more than 1,400 tonnes of fresh avocados. Today Mexico, Peru, The United States, Chile, New Zealand, and the Dominican Republic supply the avocados in the market. Over the next ten years other countries will surely be added to that list. Colombia, Brazil, and several countries in Africa have expressed interest in shipping fruit to the United States, as have several countries in Central America.

Over the last century the avocado has evolved from an exotic, niche product to one of the leaders on supermarket shelves and menus across the country. With over 95% market share the ‘Hass’ variety dominates today’s avocado supply chain in the United States. Successful marketing of avocados involved planning with customers to develop program business for the “whole tree” including large and small avocados as well as first and second grade fruit. Well established distribution channels are key to deliver the right product to the right customer every single day of the year. Avocados are a healthy product that, whose consumption is supported by more than \$50 million per year in advertising and promotional activities.

Works cited

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quickfacts.census.gov



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