

12.22.21 WK 51

LAST WEEK

SUPPLY 50.3 Million lbs.

DEMAND 45.4 Million lbs.

INVENTORY 59.7 Million lbs.

THIS WEEK

SUPPLY
TRACKING AT
47.5 Mil/lbs

DEMAND
TRACKING AT
47.9 Mil/lbs

INVENTORY
61.1 Mil/lbs

The Stability Patient is in ICU

The number of supermarkets ON-AD with avocado promotions dropped 27% this week, but still came in at a respectable 7,262. As a result of that reduction, the average-per-piece price increased 18% from \$1.16 to \$1.35 (up 31% from two weeks ago (\$1.03). That's clearly outside the consumer's ideal price point (\$0.99 to \$1.19). As retailers continue flocking to high-margin,

small fruit, there is concern that near-term promotability may be in jeopardy with replacement costs and program pricing on the rise (all sizes). The industry must pay attention to this deal's vital statistics like a patient in the ICU until we get back to the volume and price levels that produce stability and a sense of calm. Even with good weather, loads of orchards greenlighted to cut, and heavy football promotions, STABILITY in this 2022 avocado deal will have to wait until the early part of winter.

The Hass Avocado Board has posted some incredible holiday recipes on its LOVE ONE TODAY website. Here's the LINK for your consumer-facing online platforms:

[Avocado Recipes](#)



PROMOTION

PRODUCTION & SUPPLY

MEXICAN AVOCADOS

Everybody's Talking

Here we are six long months into the 2021-2022 season and the industry is still mind-wrestling with the market's persistent and pernicious INSTABILITY that started when the opening bell rang for the first time. Prices are at unprecedented highs for this time of year. The industry has experienced massive whiplash from the market's repeated whipsawing on forward commitments. And growers remain indifferent to good-faith proffers from packers, even when they occur in long-term, sturdy relationships.

This week is animated by questions on every front, from every part of the industry's massive and sophisticated supply chain. "How did we get here?" and "when will this end?" are the hits getting top billing. We can look to the crop itself for at least part of the answer to each of those questions. While originally surveyed as being "somewhat smaller" than last season's behemoth, volume from this year was expected to provide adequate, or even above adequate, supplies to the U.S. market.

But that parade got rained on and the crop's growth was temporarily stunned, if not stunted. That produced an eclectic (a generous characterization) array of sizes on the tree that just so happened to be INCONSISTENT with the market's size-curve ask.

Everyone knows what happened next. Stop-Gap measures were used to give the crop time to progress. Chief among them were extended use of other supply sources and a gradual shifting of size preferences by end users.

The crop did progress, but at a slower pace than hoped because of this season's pathologically uncooperative weather. That sent shockwaves through the industry that altered grower-packer relationships in the field. Rather than the normal, crop-driven urgency to cut from the grower side of the transaction, the leverage was REVERSED this year. Packers had to locate and then chase those growers fortunate to have "good size." If this was a tennis match, the umpire would have shouted ADVANTAGE GROWERS!

The growers have held onto that leverage and dominated transactions in the field. Look no further than current prices being up a dizzying 3X over last year.

Emboldened by the slow-developing crop and protected by the current holiday season, growers are meandering about with their leverage sheathed, but on call and ready to deploy.

So, what has this powerful leverage wrought for growers flashing it at every turn? For one, planning has become increasingly difficult. Even as close in, as one week out. What about the forward pricing for a month or two that many retailers prefer? Forget about it. If that wasn't enough, current prices make the magical consumer price point of a buck IMPOSSIBLE for more than 50% of the available volume.

Meanwhile, the crop continues to develop along a "more normal" size curve which, ironically, reduces the share of those just-mentioned promotable sizes that the market covets. What happens next is akin to one of those car chases in Southern California—lots of action and ONE wreck. But this wreck has a kicker: It could, potentially, STRENGTHEN the leverage held by growers.

Lurking on the horizon is Super Bowl LVI and a couple of rhetorical questions: 1) How will these prices and limited promotability play out for those who right now are making big bets on the big game; and 2) How many more times does one need to get whipsawed before giving up the ghost on long-reach, forward deals during the Mexican avocado season.

But there has been a sighting of Mr. Brightside. High prices and sub-optimal promotion deals will reduce demand. That may give the market some much-needed relief and, at the same time, dull the edge of that leverage weapon being held right now by growers.

With less pressure to get the goods, Mexico can be more selective with its cutting strategies in the field. Heck, it's possible that the tables will be flipped over when packers begin to WAIT ON GROWERS to "make the first move" ... for a change.

Even if, as some argue, the crop is smaller than estimated, theoretically keeping supplies tight, moderated demand would still produce a good result. For example, if this season's crop is less than that of two years ago, we would still have enough fruit to harvest 26,000 tons per week through June.

Given the attractiveness of the market ahead, California and Peru are likely to contribute more volume sooner than last year and provide further operating room for Mexico. That relief, along with a further reduction in demand for Mexican fruit, could produce this eye-popping ending: A short crop with a long tail.

Everybody may be talking and asking questions, but only time has the answers.

This week's **THEME** is UNPREDICTABLE **OUR TAKE** as the market keeps climbing. Growers are in the driver's seat; harvest is continuing; and the market needs fruit to support programs. The **QUESTION** for this week? When will this rocket SLOW DOWN? Baseline Demand is hanging around 48 Mil/lbs/wk. Total U.S. avocado inventory is currently at 1.2 wks/supply on hand. **SIZE REPORT** for this week: **32/36: Business brisk, pricing not a factor; 40: Interest and prices UP; 48: Still leader of the pack with renewed interest; 60: HOT and moving through the system fast; 70: Stable and steady movement, even with prices up; 84: Steady. #2: Volume flowing with prices up for 48/60s (following #1s).** Mexico cut 27,189 tons (59.9 Mil lbs) last week and sent 22,784 tons (50.2 M lbs) to the U.S. (84%). Even though the harvest schedule for this week will be reduced to 4.5 days because of the Christmas holiday on Saturday, the industry is tracking toward a total cut that will come in around 25,000 tons with +/- 47 Mil/lbs destined for the American market.

BORDER PRICES

	\$57 -- \$59	32s		
	\$55 -- \$57	36s		
	\$53 -- \$55	40s	NA	
#1	\$51 -- \$53	48s	\$45 -- \$47	#2
	\$48 -- \$50	60s	\$41 -- \$43	
	\$36 -- \$38	70s	\$30 -- \$32	
	\$25 -- \$27	84s	NA	

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