

12.29.21 WK 52

LAST WEEK

SUPPLY 42.3 Million lbs.

DEMAND 42.4 Million lbs.

INVENTORY 61.1 Million lbs.

THIS WEEK

SUPPLY
TRACKING AT
44.1 Mil/lbs

DEMAND
TRACKING AT
43.8 Mil/lbs

INVENTORY
60.9 Mil/lbs

Slip Slidin' Away

The number of supermarkets ON-AD with avocado promotions dropped for the second straight week, down 22% this week from 7,262 to 5,666. As a result of that reduction, the average-per-piece price increased 5% from \$1.35 to \$1.42. That's clearly outside the consumer's ideal price point, but avocados held the #7 spot on the all-commodities Top 10 list of features in the U.S.

In a "normal" year we would skip past this bump and look for relief over the New Year's holiday, a top-3 performer for avocado promotion events. But that optimism could be slip slidin' away this year with the slack in retailer confidence produced by Mexico's season-long battle with instability and a size-induced lack of promotability. It will take some time with consistent, high-volume movement and stable pricing to rebuild that confidence.

The Hass Avocado Board has joined forces with AltaMed Health to spread awareness about the connection between avocados and Diabetes Prevention in the Latin Community. Here's the [LINK](#) for your consumer-facing online platforms:



PROMOTION

MEXICAN AVOCADOS

Wishing and Hoping

PRODUCTION & SUPPLY

READY FOR A TEST? Well, ready or not, the Mexican avocado industry is about to stare down a monster-sized test on the road through New Years and on the ramp to Super Bowl LVI.

Is there reason to be confident? You bet. The superstar of produce has created some heady, frothy momentum to propel it into and through the New Year's/Super Bowl gauntlet.

Yep, this industry has come a long way baby. With historically high prices and white-hot demand at retail that shows no signs of abating, why not ring in the new year with a prodigious challenge? Can you think of a better way to test the incredible staying power and primetime positioning of the avocado in kitchens from coast to coast?

But before we rest on those heady laurels, it's imperative that the industry respect this challenge and realize that surviving it will be anything but easy.

Several foundational girders supporting this deal will be tested along the way. Chief among them is recalibrated program pricing that will debut next week. Another girder that will be under tension is the always-worrisome impact higher prices will have on consumers as they wheel their carts through the produce department.

Here's our take on the pricing question: Even with retail prices expected to be 50% higher than last year, there are at least three good reasons to be bullish: 1) The powerful avocado/football promotion machine is running at full throttle; 2) The avocado's ability to deliver an undeniable association with a HEALTHY value proposition, a novelty story in the 1990s, is now inextricably embedded in the commodity's DNA; and 3) The sky-is-falling, doomsday predictions of supply-chain mayhem—continuing to run rampant in the always-on digital universe—will provide at least some cover for higher prices as consumers become injured to the pandemic's impact on the economy's pricing and inflation platforms.

Make no mistake, avocado displays will expand, ads will run, and excitement around America's GREEN GOLD will only grow stronger as we approach the big game.

NET/NET: There is a better than a 50/50 chance we will have a fully on-board consumer with us to continue driving demand through Super Bowl week. YES, EVEN AT THESE PRICES.

What does the supply pipe have to say about its ability to make good on the DEMAND PROPOSITION coming its way?

The answer is a very long story best described in the context of pot-hole-filling season after the last frost in South Dakota. We've been telling, and living, that tale for six months now. From the season's opening bell, obstacles created by the crop's slow development—and the growers' leverage thereof—forced packers and importers to fill holes and bridge gaps to keep product flowing from field to market. Through tireless and expert work, both the underdeveloped crop and the uninterested grower were regularly accommodated.

But that leaves us today with a very big question: *Have all the potholes been addressed or are there more lurking in the industry's nooks and crannies?*

Well, given the fact that some of the adjustments made were in response to transitory elements that eventually righted themselves; then, yes, the industry essentially fixed some potholes. But along the way more potholes were created that must be dealt with on the road ahead.

For example: The industry ran the grower price up faster than a May-Day flag raising in Eastern Europe. While the market's size-distribution request was met, it produced two series impacts: 1) Growers gained a transactional advantage; and 2) The deal's most widely distributed size—48s—was priced straight out of ideal promotability.

Still in problem-solving mode, the industry offset that negative by downshifting accounts to smaller, more promotable sizes. Unfortunately, that made it difficult to fulfill orders as entrenched grower leverage dictated ever-higher prices and crop development reduced the volume of small fruit available to cut.

Now, with trees sporting a normal curve and grower leverage continuing to hold serve, we may be running out of options to adjust promotions. The industry's only hope may emerge when we see week-to-week price relief based on secondary market moves that, by definition, are very short lived.

Otherwise, there needs to be a fundamental change in the grower community that reflects a more universal imperative to harvest. A post-holiday push may be just what the doctor ordered there. We are nearing the bulge of maturity, so to speak, where majority of the altitude-ready fruit typically comes to market. The combination of "right price" and "right timing" may be a game changer. Short of that, we will be traveling on a paved demand road that is riddled with potholes.

With a little effort and strategy, the industry can turn wishing and hoping into planning and reaping.

Three forces have prices hanging out at or **OUR TAKE** around where they have been for several weeks: 1) Freight cost increases; 2) High-priced fruit; and 3) the winter holiday season. That narrative has most players at a standstill and musing over this question: *Will we see a change with the New Year?* While you think about the answer, here's the **SIZE REPORT** for this week: **32/36:** Humming along; **40:** Steady with widespread interest; **48/60:** Signs of flattening out; **70:** Movement slowing down, seems to have topped out; **84:** A tad less luster; and **#2:** Streaming in. **DEMAND:** Balanced with supply. **INVENTORY:** Total U.S. avocado inventory=1.4 wks/supply on hand. Mexico cut 24,773 tons (54.6 Mil lbs) last week and sent 19,699 tons (53.4 Mil/lbs) to the U.S. (79.5%). This week's **HARVEST** will be reduced to 4.5 days because of New Year's on Saturday. But the industry is tracking toward a cut that should be between 23,000-24,000 tons for the week (+/- 43-45 Mil/lbs to the U.S.).

BORDER PRICES

	\$ 58 -- \$ 60	32s		
	\$ 56 -- \$ 58	36s		
	\$ 53 -- \$ 55	40s	NA	
#1	\$ 51 -- \$ 53	48s	\$ 45 -- \$ 47	#2
	\$ 48 -- \$ 50	60s	\$ 41 -- \$ 43	
	\$ 36 -- \$ 38	70s	\$ 30 -- \$ 32	
	\$ 23 -- \$ 25	84s	NA	

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