

1.12.22 WK 02

LAST WEEK

SUPPLY 54.0 Million lbs.

DEMAND 47.7 Million lbs.

INVENTORY 59.5 Million lbs.

THIS WEEK

SUPPLY
TRACKING AT
56.6 Mil/lbs

DEMAND
TRACKING AT
51.3 Mil/lbs

INVENTORY
58.4 Mil/lbs

Shake Your Money Maker

PROMOTION

Retailers turned their pre-super bowl promotion focus to high-margin commodities like citrus and berries to move units and generate profits. No surprise there. The avocado deal--volume, size, and price--has clearly been slipping and sliding on SHAKY GROUND. That volatility, over many weeks, has made it difficult if not impossible for retailers to promote consistently. The resulting INSTABILITY had most end users

on the sidelines waiting for the category to regain its footing. The 59% drop in avocado promotions last week—from 15,887 to 6,487 stores--pushed the price at checkout up 19% from \$1.04 to \$1.24. That took it OUTSIDE the price point sweet spot. But avocados still came in at #4 on the all-commodities Top 10 list of features in the U.S. for the week. Not the best news, but SUPER BOWL is coming!

AVOCADOS FROM MEXICO has launched its strongest digital campaign ever for this year's Super Bowl. The "House of Goodness" is hosted by former NFL quarterback Drew Brees and will give visitors a first-hand look into the "always good" world of avocados. Promotion opportunities for RETAILERS abound. Here's the link:

AFM Super Bowl Campaign



MEXICAN AVOCADOS

Let's Get Ready To Rumble!

PRODUCTION & SUPPLY

Ready or not, here comes the Mexican avocado industry. Demand projections for the U.S. avocado category's SUPER BOWL PULL are all but finalized, field trucks are fanning out across Michoacan, and the process of building critical inventory for distribution in advance of the big event is finally under way.

But one important question needs to be answered: How much additional product--over the regular harvest totals--will be needed to satisfy Super Bowl demand?

The answer to that question can be found in recent experiences with the Big Game. In the past, the Super Bowl has produced incremental movement equivalent to 50-75% of a single week's demand. This year, with persistent challenges over pricing and promotability (size), the Big Game draw will likely hug the bottom of that range somewhere around 50%.

What's that mean for harvest crews? The weekly cut needs to bin an ADDITIONAL 15-17,000 tons for Super Bowl. And that coin has a flip side. Fruit will need to be positioned and ready for distribution 1-2 weeks prior to the event (February 13).

Tik Tik Tik goes the clock and that has some players already reaching for more fruit this week before everyone else turns on the juice over the next two weeks. The numbers support that story. This week's harvest is projected to total 30,000 tons. That would knock 3,000 tons off the additional volume needed and leave 12-14,000 tons to get over the next two weeks.

Easy to say, hard to do certainly applies here. Growers walking tall on their leverage shoes may have something to say about where, when, and how this critical job of getting the additional volume for Super Bowl gets done. There is no need to rehash the incredible run of grower-dominant leverage we've seen this season since the opening bell in July 2021. But we can and must lay out this 3-part dose of reality: 1) An obvious NEED on one side of the transaction; 2) Gives LEVERAGE to the transaction's other side; which 3) More often than not results in a HIGHER PRICE.

There's no escaping that ticking clock so it's silly to even try. That leaves packers with NO TIME to dance around trying to finesse this one. They MUST find another way to do essentially the same thing--blunt the other side's enhanced leverage.

Options are clearly limited in the short term. However, in a twist of macabre theater, the industry's increased fragmentation may offer a path to getting through the next two weeks without serious damage.

Here's the story. There were 49 packinghouses in Mexico four years ago. Today there are 66 with several more floating in the certification pipeline right now. Over that same four-year period: 1) The total grower count climbed from 25,000 to 29,000; 2) The area available for harvest jumped from 122,000 Ha to over 150,000; and 3) Both of those numbers are increasing every year.

These trends paint an attractive picture of the industry's options for finding the right combination of orchard, grower, and packer. In fact, surface area ready for work this week is 15% greater than last season and 24% greater than the season before. To drive home the point, last season in WEEK 2 a whopping 43,000 tons were cut. That harvest total would, by itself, satisfy 100% of the incremental volume needed for Super Bowl this year.

But this is not last year. It's this year and a totally different approach is needed. Rather than the obvious harvest rush and consequent activation of the grower price lever, we can spread the 16,000 tons over three weeks with more growers and more orchards in the mix. That increases the manageability of this year's challenge.

That's the same strategy the industry has employed from the start of the season. First to address a developmentally challenged crop and, more recently, to deal with unshakable grower leverage. Thinking and operating outside the box has delivered a steady supply of fruit to market, on time, and in perfect condition. Moreover, because of a very mixed palate of promotability, the need for laser focus on incremental need by size is critical.

Unlike last season when 100% of the industry's trees participated equally in the big pull, this year's lift will vary widely by size. That means it's more important than ever to find the right orchard, the right grower, and the right size curve to match demand, even if it means going beyond traditional relationships.

The Mexican avocado industry **OUR TAKE** is solidly on the Super Bowl Ramp and will stay there for a couple of weeks. Supplies are good with great deals available depending on size. Despite that positive take, be wary of "too good to be true" opportunities that might carry a hidden "age bomb." Here's the **SIZE REPORT** for this week: **32/36: Inventory thin, prices high; 40: Limited availability; 48: Slowed their roll some, but movement still good; 60: Backing up here and there with some age showing; 70: Strong this week as a high-value play; 84: Perking up in the "small fruit, big value" lane; #2: Supply and opportunities available. DEMAND: Over 50 Mil/lbs/week. HARVEST: Mexico cut 27,021 tons (59.6 Mil/lbs) last week and sent just under 55 million lbs to the U.S. (92%). Projections for this week are over 30,000 tons. Harvest levels will need monitoring the closer we get to the big game to avoid oversupply. Total U.S. avocado **INVENTORY** = 1.1 weeks. **TAKEAWAY:** Consider moving soon with a fast-filling supply pipe and known pricing/margins.**

BORDER PRICES

\$ 58 -- \$ 62	32s	NA	
\$ 58 -- \$ 60	36s	NA	
\$ 53 -- \$ 55	40s	NA	
#1 \$ 52 -- \$ 54	48s	\$ 43 -- \$ 45	#2
\$ 44 -- \$ 46	60s	\$ 36 -- \$ 38	
\$ 36 -- \$ 38	70s	\$ 28 -- \$ 30	
\$ 24 -- \$ 26	84s	NA	

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