

1.19.22 WK 03

LAST WEEK

SUPPLY 56.0 Million lbs.

DEMAND 51.9 Million lbs.

INVENTORY 58.4 Million lbs.

THIS WEEK

**SUPPLY**  
TRACKING AT  
57.6 Mil/lbs

**DEMAND**  
TRACKING AT  
51.6 Mil/lbs

**INVENTORY**  
61.1 Mil/lbs

## Is Waldo Going To The Super Bowl?

There is nothing "normal" about the Mexican avocado industry's ramp to 2022's Super Bowl. The changes are *not* with the game or in consumer demand. Fan interest in football this season is sky high and avocado demand continues to be white hot. It's the industry's 2021-2022 season that is different. Everyone knows this story that can best be described as a

crazy *Where's Waldo* search for size against a backdrop of price gyrations and market instability that disrupted every gear in the supply chain. Don't read more into these words than is there. Retailers *will definitely* promote for the Super Bowl. But it will look different than last year, largely because prices are DOUBLE those in play 12 months ago.

AVOCADOS FROM MEXICO has developed a deep and valuable set of Super Bowl merchandising tools to help retailers maximize their return on the Big Game set for February 13. Former NFL quarterback Drew Brees is the campaign's spokesperson. Here's the link:

**BIG GAME GUAC ZONE!**



## PROMOTION

**MEXICAN AVOCADOS**

## All Quiet on the Western Front

## PRODUCTION & SUPPLY

Seems like everyone in the Mexican avocado industry is scratching their head these days. With just two weeks to go before distribution starts for the Super Bowl, the industry seems to be coasting without a care in the world, as if the largest promotion event of the year was a stroll in the park.

That coasting vibe stands in stark contrast to the usual frenzied activity zone we enter two-to-three weeks prior to distribution for the Big Game. And it begs the question of the month (or year): *How well will the avocado category play at Super Bowl LVI?*

Our hands are holding more questions than answers on that front. But here's what we do know.

Preparing for such a large event is no small task. The pre-distribution process is arduous and can take up to 10 days to gather, position, and prep the fruit. That rules out a last-minute Hail Mary to pull out a victory before Super Bowl. The *ONLY late-to-the-game* option is to do the unthinkable—deliver avocados that are not ready for primetime and risking a backlash from consumers who will spot the imposter instantly.

OK...back to the question. *How big is this year's Super Bowl going to be and where are we NOW on accumulating the volume needed?*

To that end, let's start with the LIFT itself which can be determined in two steps: 1) Start with the average weekly harvest of the five weeks prior to the "Super Bowl accumulation period" and call that BASELINE DEMAND; then 2) Add the incremental volume cut in the 2-3 weeks prior to distribution. That's the Super Bowl LIFT.

Three years ago, for the 2019 Super Bowl, an incremental 32,000 tons were needed. For 2020, an additional 26,000 tons were harvested, and, in 2021 a whopping 45,000 tons came in to do the job.

The 2019 and 2021 Super Bowls featured prices in the \$20s and that enabled broad promotability. Prices were higher in 2020 and that restricted promotability to a degree. Still, with a baseline of 25,000 tons and prices at the time rising into the \$40s, the 2020 pull was no slouch.

Now here we are staring at a 2022 Super Bowl with prices in the \$50s and less than half of the volume promotable. In addition, rather than prices rising to current levels during the accumulation period—as happened in 2020—prices this year have been high for months. These factors go a long way to explain where the avocado deal is today and where it may be by the time someone hoists the Lombardi trophy.

It's the worst-kept secret on the planet that we have been dealing with a finicky crop and finicky growers all season. That we have been operating under the constant threat of under-harvesting and rising prices. That, over time, those forces changed behaviors.

Given a high degree of grower leverage that, in effect, penalizes enthusiasm and the pursuit of incremental volume, the industry has had to find work arounds to blunt even more, and eventually serial, price increases. Without a host of creative workarounds, these high prices we are grappling with today would be HIGHER.

Even still, a \$50 investment for a box of avocados can prompt an end user to turn off all risk. For some of those buyers, perhaps those more focused on the empty half of their glass, the preferred option this year will be to opt out of promoting avocados for Super Bowl and simply keep driving on their *business-as-usual* road.

For the players with half-full glasses, the Super Bowl promotion machine is alive, well, and on track to produce big results. Making that possible is the sturdiness of baseline demand in the U.S. market that has been buffered repeatedly by historically high prices. In other words, the legions of committed—"don't even think about taking away my green gold"—will definitely hold down the fort while an army of "in-the-moment" fans swept up by Super Bowl excitement make the incremental-consumption charge.

So, there *will* be a lift. But where we stand right now makes the 2021 number IMPOSSIBLE and probably puts 2019 and 2020 out of reach. For estimation purposes, we are looking at a three-week gradual accumulation period. That leaves last week, this week, and next week for an on-schedule inventory build.

With last week's harvest good for a 5,000-ton cushion, and this week headed toward capturing another 6,000 tons, it looks we'll pull into WEEK 4 with 11,000-tons toward the big pull.

Again, going with the *steady-as-she goes* approach in the field, and with an additional week's worth of market intel, tossing an additional 5-7,000 tons onto the supply stash appears very doable, subject to need of course.

Keep in mind that 2020, with the same baseline demand and with mixed promotability and high price (although less severe), the industry needed an extra 26,000 tons. This year's result will be known shortly and truly be the acid test of avocado supremacy.

It's the final stage of our race to **OUR TAKE** Super Bowl and Mexican avocado growers continue to occupy this deal's control center where they are focused on two competing tensions: 1) Their own bullish price stance; and 2) The market's need for volume to satisfy America's HUGE avocado appetite for the Big Game. Meanwhile, industry packers are watching a *tug-of-war* between these growers who are reluctant to harvest and, on the other end, a market resistant to price escalation. This could be the "buy week" for retailers to sneak in ahead of the always-possible, last-minute Super Bowl logjam and its usual price hikes. Here's the **SIZE REPORT** for this week: **32/36: Still tight and high-priced but moving; 40: Limited availability; 48: Steady as she goes; 60: Highly promotable and positioned for increased activity; 70: Solid value with high promotability; 84: Moving right along with that "small fruit, big value" swag; #2: Supplies steady with value plays available. DEMAND:** Running just OVER 50 Mil/lbs/week. **HARVEST:** Mexico cut 30,885 tons (68.0 Mil/lbs) last week and sent 56 million lbs to the U.S. (82%). This week's harvest is tracking toward another 30,000-ton cut with 55 Mil/lbs earmarked for the U.S. market. Total U.S. avocado **INVENTORY** is currently sitting at 1.2 weeks on-hand supply.

### BORDER PRICES

\$ 61 -- \$ 63	<b>32s</b>	NA	
\$ 59 -- \$ 62	<b>36s</b>	NA	
\$ 54 -- \$ 55	<b>40s</b>	NA	
<b>#1</b> \$ 54 -- \$ 55	<b>48s</b>	\$ 43 -- \$ 45	<b>#2</b>
\$ 44 -- \$ 46	<b>60s</b>	\$ 37 -- \$ 38	
\$ 36 -- \$ 38	<b>70s</b>	\$ 29 -- \$ 31	
\$ 24 -- \$ 26	<b>84s</b>	NA	

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