

11.17.21 WK 46

LAST WEEK

SUPPLY 57.9 Million lbs.

DEMAND 49.8 Million lbs.

INVENTORY 55.1 Million lbs.

THIS WEEK

SUPPLY
TRACKING AT
45.6 Mil/lbs

DEMAND
TRACKING AT
46.6 Mil/lbs

INVENTORY
61.9 Mil/lbs

Better Get a Compass to Figure Out The U.S. AVOCADO DEAL

The number of supermarkets in America ON-AD with avocado promotions bounced back this week—up 39% from 6,987 to 9,709. However, that increase did *not* push down the consumer's price as it would under the normal force of supply and demand. The 4% increase in *average-per-piece* pricing from \$1.15 to \$1.20 is an anomaly because we are right before THANKSGIVING. But \$1.20 is just outside the consumer's ideal price point of .99–\$1.19.

On the national stage, avocados put in another solid performance last week and landed at #4 on the TOP TEN list of all fruit promotions. Looking at the longer-term view shows solid fundamentals and good promotion/margin opportunities. But it will NOT be automatic like last year when the supply pipe was bulging and all sizes were readily available. The next few weeks will require a good market compass and dependable 360° INTEL.

FOOD SAFETY is on the mind of all consumers and the Hass Avocado Board (HAB) has a great resource posted on its "Love One Today" website that explains how to handle avocados safely. Here's the link for your consumer-facing platforms:

[Preparing Avocados Safely](#)



MEXICAN AVOCADOS

Holiday On Ice

PRODUCTION & SUPPLY

Harvest crews went about their business in workmanlike fashion during WEEK 45 and hauled 27,000 tons out of the field. That's not bad considering it came in a week with relatively static field prices. And it should be just enough to build a small inventory cushion going into holiday-shortened WEEK 46. Another piece of good news is that rays of warm Mexican sunshine continue to shower avocado trees across Michoacan, with more of the same predicted through next week.

More sun means more fruit growth and it's already showing up in harvest bins. The industry added another two points to the percentage of large and jumbo sizes (of total production) shipped to market last week.

That increase in fruit size is a HUGE asset as we head into the go-go weeks for avocado promotions because it increases the industry's flexibility to expand and contract as needed according to volume and size preferences.

The arduous nightmare of pounding square pegs into round holes for several months may soon be over for every player in the supply chain. And that's not even one second to soon. Produce managers from coast-to-coast are scouring their commodity rosters for what to feature next after their holiday specialties. The search will be on for the next best commodity to drive profitability immediately after the holiday standards run their course—in-shell nuts, root vegetables, holiday tubers, winter squash, chestnuts, and cranberries.

Before getting too excited about this next stretch of road, the industry should manage its expectations. WHY? Because it will NOT look like last year when avocados pushed every commodity aside—before the 2020-2021 holiday season even started—and pranced across the stage like Mick Jagger on his current run through America. That eliminated any need to transition featured commodities at retail and led to universal, all-sizes promotability for avocados that lit up cash registers everywhere.

File that memory in the distant folder because it ain't gonna turn out anything like it this time around. Here's why: This season's underdeveloped crop has not discriminated in distributing its pain throughout the Mexican avocado deal. The industry put forth a gallant effort to find size and volume that matched the collective consumer preference. But it simply was not there.

To balance market demand with availability on tree, the crop has been screaming "switch to small" from the season's opening bell. Despite industry-wide knowledge of the sobering reality behind this underdeveloped crop, the challenge of changing consumer preference proved more difficult than expected. After all, the consumers are no longer kings. They are dictators and nobody wants to put that cash-cow in jeopardy. Switching sizes did take place, but at a slower pace than needed to produce the desired result.

Now the cold hard facts. The industry deviated from its route and ended up in a disjointed pricing regime that has been difficult and persistent. Left unchecked, it may cause damage as the deal moves through the season. Yes, some retailers have taken the plunge and shifted to smaller sizes, but the emphasis is on SOME and that means not enough. The result? Outsized premiums are still being paid for larger sizes.

In the field we're seeing a 25-ppk premium for large sizes. For the two most widely traded sizes—48s and 60s—the price differential at wholesale has been ranging between \$20-\$25. Other than a brief two-week period, that differential has remained in place even though some sizing improvement has been made since the rain stopped.

If viewed through the fond memory of last year's 100% promotability across all sizes, the industry is struggling to achieve and maintain 50% promotability. That means demand for larger sizes will be rationalized, but the opportunity will also be rationalized. In the fast-moving produce world, the search for the next golden goose will either be diffused or pass by avocados all together.

Produce managers eventually have to choose and they'll skip over commodities that have established themselves as less predictable, less promotable, and less profitable. Of course Superbowl and Cinco will be full-fledged and legitimate avocado promotions. But unlike the last two years, that dynamic promotion duo will act as short-term demand spikes and not softer, multi-week gains on a higher baseline demand.

Here's the bottom line: Even with improved size on tree and redoubled efforts to find promotability, failure to break out of our disjointed pricing regime will result in lower demand that, despite a smaller crop, may result in a larger carry over into the 2023 season.

Harvest crews were completely shut **OUR TAKE** down Monday as Mexico celebrated its Revolution Day, but the week should still bring 25,000 tons in from the field and toss 46+ mil/lbs over the border and into the American market. The holiday fueled an increase in grower prices early this week, though those gains will be tested quickly after sellers and buyers pencil out the **NEGATIVE IMPACT** on promotability and profits. **SIZE REPORT** for this week: **32s/36s**: Volume from Mexico is increasing. Prices remain steep, but jumbos can be a solid play behind specific and targeted strategies; **40s**: With availability improving, a good-value/lower-cost option for larger fruit is forming; **48s**: Availability improving and movement steady; **60s**: A great lower-cost alternative to 48s, especially at retail; **70s**: Consistent and steady movement for this low-cost, high-margin option; **84s**: A high-value play with steady movement; **#2s**: Tight availability continues but a higher pack-out is coming out of Mexico. **KEY TAKEAWAY: Cover your orders and move that fruit by the end of this week or early next week before THANKSGIVING arrives with its distribution snags and HIGHER COSTS.**

BORDER PRICES

\$54 – \$56	32s	NA	
\$53 – \$55	36s	NA	
\$45 – \$47	40s	NA	
#1 \$43 – \$45	48s	\$38 – \$40	#2
\$24 – \$26	60s	\$22 – \$24	
\$23 – \$25	70s	\$20 – \$21	
\$17 – \$19	84s	NA	

CALIFORNIA HEADQUARTERS

Keith Slattery
CEO 949.456.6459
slattery@stonehillproduce.com

Dave Billings VP,
GM 714.381.7737
billings@stonehillproduce.com

Ashley Troxil Sales
Manager 949.922.2195
ashley@stonehillproduce.com

CONTACTS

TEXAS HDQTRS & WAREHOUSE

Joaquin Urias National
Sales Director 956.227.9834
joaquin@stonehillproduce.com

Danny Aguirre Sales
Rep 956.638-6497
daquirre@stonehillproduce.com