The Avocado Market: A Growth Market In a Mature Food Industry

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For the Avocado Brainstorming Session
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US Avocado Production and Imports 1994-2002 (Utilization has doubled since 1994!)

Import Share
38% in '02 vs. 18% in '94

Source: USDA/ERS, Oct. 2002 and Dept. of Commerce, imports CY, production crop year
U.S. Food Retail Concentration

Twenty largest food retailers captured 57% of total grocery store sales in 2002\textsuperscript{P}

\textsuperscript{P} Preliminary

Source: ERS/USDA and Census, modified by Cook
2002 Market Share of the Top 5 Retail Chains Per Selected Country, % of Supermarket Sales

Source: M+M PlanetRetail, Cook and Reardon

Top 20 Europe-wide share about 60% in 2002
Key Drivers

- global retail players
- global retail brands
- growing role of private labels
- retailer-supplier contracts/partnerships
- declining role of spot market
Competing in a Value-Driven Market

• Grocery retailers have been losing share to foodservice for decades, now to value retailers.
• Channel blurring has caused the retail landscape to be overstored.
• Plus, foodservice channels compete with all forms of food retailing which tend to offer ingredients to prepare instead of meals to eat.
Competing in a Value-Driven Market

• Conventional grocery retailers must identify value propositions they can own if they are to remain competitive! Fresh produce can be a point of differentiation (including ripe avocados).

• Avocados have further room for growth in both retail and foodservice markets, but these markets are increasingly competitive and buyers will demand more services from suppliers, such as category management.
Competing in a Value-Driven Market

• Bottom line: more structural change expected in the US and global grocery industry and more pressure on suppliers! But buyers may be more willing to cooperate with suppliers on information-based programs designed to increase retail sales and profitability.

• Avocados are well-positioned in this regard because more is spent on market research and promotion than for most other fresh produce commodities.

• HAPO will further stimulate demand and improve information flows and analysis to the benefit of players at all levels of the system.
US Fresh Produce Consumption by Race

Benefits Avocados!, $ Per Household,

- **Hispanic**
  - Vegetables: $228
  - Fruits: $228

- **African-American**
  - Vegetables: $129
  - Fruits: $131

- **White/Other**
  - Vegetables: $163
  - Fruits: $168

*Source: Demographics of Consumer Food Spending 2002, The Food Institute*
U.S. Hispanic Population Projections, Millions

Source: Census 2000, U.S. Census Bureau
U.S. Per Capita Consumption of Selected Fresh Produce, 1985-2002

Pounds per capita

Source: USDA/ERS, July 2003 Vegetable Yearbook; Oct. 2002 Fruit Yearbook
Factors indicated by US consumers as influencing fresh produce purchases, 1990 vs. 2000

<table>
<thead>
<tr>
<th>Factor</th>
<th>1990</th>
<th>2000</th>
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<tr>
<td>Taste/flavor</td>
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<td>87</td>
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<tr>
<td>Ripeness</td>
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<td>70</td>
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<td>Appearance/condition</td>
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<td>In-season</td>
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<tr>
<td>Organically grown</td>
<td>17</td>
<td>12</td>
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<tr>
<td>Brand name</td>
<td>9</td>
<td>n/a</td>
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</tbody>
</table>

Rating of extremely or very important %

n/a = Not available

Source: Fresh Trends '90 and 2001
Avocado Outlook

• Avocados will now be included in the National 5 A Day Program due to recent changes in the NCI criteria!

• This should help improve their nutritional/health image
Avocado Outlook

• Demand for avocados will continue to rise due to favorable demographics and consumer preferences

• HAPO should help stimulate year-round demand and retailer attention, important for managing the expansion in imports
Avocado Outlook

• Greater Mexican imports will partly cannibalize Chilean volume in Aug. and Sept., mitigating the net import effect

• Any lower prices for Ca. avocados will be partially offset by higher consumption/demand, in part stimulated by lower prices
Conclusions
Two Basic Strategies

• Low-cost producer/shipper
• Differentiated producer/shipper marketing a premium product or product with identifiable preferred characteristics that are commercially perceived and valued
• First strategy increasingly difficult as buyers push more demands and services upstream to suppliers - must provide consistent quality!
The US Avocado Consumer

Presented by Jan DeLyser to Brainstorming '03
October 31, 2003
Presentation Overview

• U.S. Avocado Consumer
  Who, Where, When

• 2003 – 04 U.S. Avocado Market & Marketing Plan
  - Market Size
  - Strategic Considerations
  - Plan
U.S. Avocado Consumer
U.S. Avocado Consumer

- Women 25-54 years of age
- $50,000+ income
- Upscale, college, full/part time
- Health conscious
U.S. Avocado Consumer

- Open-minded, adventurous and enjoy a variety of cuisine
- Avocados make any dish or meal special
- Don’t want to waste any of the avocado
U.S. Avocado Consumer

% U.S. POPULATION / % AVOCADO VOLUME

2002 CENSUS BY AMRIC REGION
U.S. Avocado Consumer

% HOUSEHOLDS PURCHASING FRESH AVOCADOS BY REGION

89.3% East Central
24.5% North East
21.6% Pacific
76% South East
29.6% South West
27.4% West Central

2002 CENSUS BY AMRIC REGION
U.S. Avocado Consumer

Per Capita Avocado Consumption

2.4 pounds
U.S. Avocado Consumer

Why they purchase avocados:

**Taste:** 81%

**Healthfulness:** 65%
U.S. Avocado Consumer, 1994-2002

Price as a Barrier to Avocado Purchase

Advertised Markets

- 5 Points

31%

26%

U.S. Avocado Consumer

Ways Avocados Used Most Often

- Guacamole (91%)
- Part of Mexican Side Dish (80%)
- In a Salad (75%)
- Eaten Plain (74%)
- Sandwich/Burger (71%)
- Part of Non-Mexican Entrée (53%)