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# Avocado Consumption to Continue Setting Records

US Market Update 2021/22

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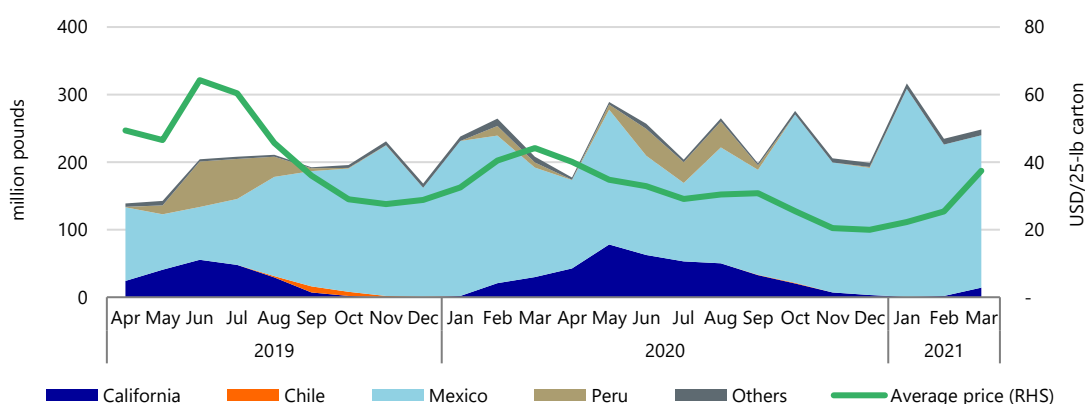
## Summary

- The US market has been absorbing record avocado volumes, even during the pandemic, as consumers look for healthy and versatile options.
- Increased shipments from Peru and Mexico will offset a lighter California crop in 2021, but avocado availability in the US may be tight in some weeks later this summer when California’s and Peru’s seasons end and Mexico transitions to the new season.
- A healthy consumer demand for avocados, fueled by economic recovery, sustained retail sales, and increasing foodservice activity, will support avocado prices.
- Industry marketing efforts have been recognized for their innovation and will continue boosting the demand for this trendy superfood. Avocado consumption still has plenty of headroom for growth. Per capita consumption of avocados in the US, which currently stands at 9 pounds, could surpass 11 pounds in five years’ time.
- Environmental sustainability along the supply chain will become increasingly relevant to maintain or gain market access. The so-called “green gold” may soon need to go greener.

## US Market Absorbing Record Volumes

Monthly avocado shipments to the US market reached an all-time high in January 2021 at close to 320m pounds, up about 33% YOY. US consumers had plenty of available avocados for guacamole before and during the Super Bowl weekend. The expanding demand for avocados goes beyond guacamole and specific dates, events, and holidays. In March 2021, shipments reached almost 250m pounds, roughly 20% more than shipments 12 months prior, showing that the popularity of avocados is increasing year-round (see Figure 1). Also, both shipments and wholesale prices increased month-on-month during March, suggesting a stronger demand for avocados as the US economy rapidly recovers, consumers visit grocery stores more frequently, foodservice activities increase, and pandemic-related restrictions are lifted.

Figure 1: US Hass avocado shipments and shipping-point prices in the US market, 2019-2021



Source: USDA/AMS, Rabobank 2021

After relatively low prices throughout the winter, shipping-point prices in the first half of April were close to USD 50 per carton for Hass 48s, the highest price in more than a year, up about 6% YOY. As discussed below, the US market will likely continue to absorb elevated volumes of avocados, and prices this summer may be higher than in 2020.

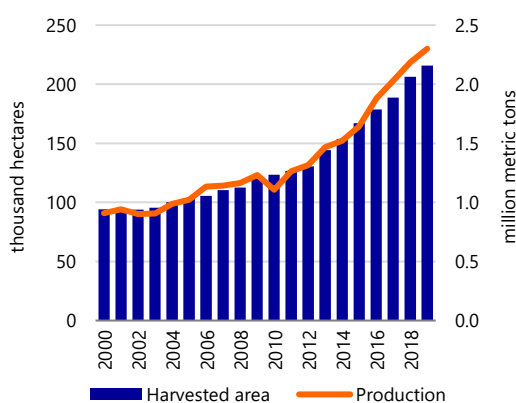
## Production and Trade Trends, and Prospects

According to industry estimates, total California avocado production will be around 290m pounds in 2021, down from roughly 370m pounds in 2020, with a peak season spanning from late April through August.

Mexico will continue to be the main provider of avocados to the US market. Roughly 85% of avocado exports from Mexico are destined for the US market. The volume of avocado exports from Mexico is expected to increase by a single digit in 2021. Harvested area and production in Mexico have expanded considerably over the past decade, with harvested area approaching 230,000 hectares (*see Figure 2*). According to government figures, the non-bearing area – the difference between planted area and harvested area – has been around 20,000 hectares in recent years. As new plantings continue, Mexico will remain the leading global producer and exporter of avocados for the foreseeable future.

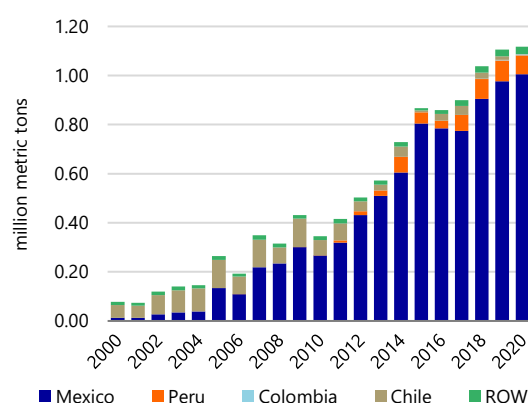
Exports from Peru are expected to reach a new record. The Peruvian industry expects avocado exports to surpass 460,000 metric tons this year, a 26% YOY increase and almost 160% higher compared to 2016. Avocado planted area in Peru continues to expand. It will reach 43,000 hectares in 2021, up from roughly 29,000 hectares in 2016. Moreover, as more trees come into full production, average yields will also set new records. Peak season in Peru spans from May to August. Peru’s primary export market is Europe, followed by the US, and Peru is diversifying into some Asian markets. Peru has become the second-largest source of imported avocados for the US market (*see Figure 3*).

**Figure 2: Mexico production and harvested area, 2000-2019**



Source: SADER Mexico, Rabobank 2021

**Figure 3: US avocado imports by country of origin, 2000-2020**



Source: USDA/FAS, Rabobank 2021

Avocado production and exports from Chile have been flat to declining, reflecting water availability in some regions. Chilean exports are directed mainly to Europe, though some Asian markets are likely to gain more relevance. In contrast, avocado production and exports out of Colombia – also sold mainly to European markets and diversifying into Asian markets – will expand rapidly.

As the European and Asian markets continue to develop, the expanding avocado production from newer growing regions will find destinations other than the US market, potentially avoiding an overcrowded market.

The next sections of the report include updated weekly shipment and price estimates yielded by Rabobank’s proprietary analytical tools. Rabobank clients can have access to the data shown in these charts.

## Improved Availability Overall in the US, But...

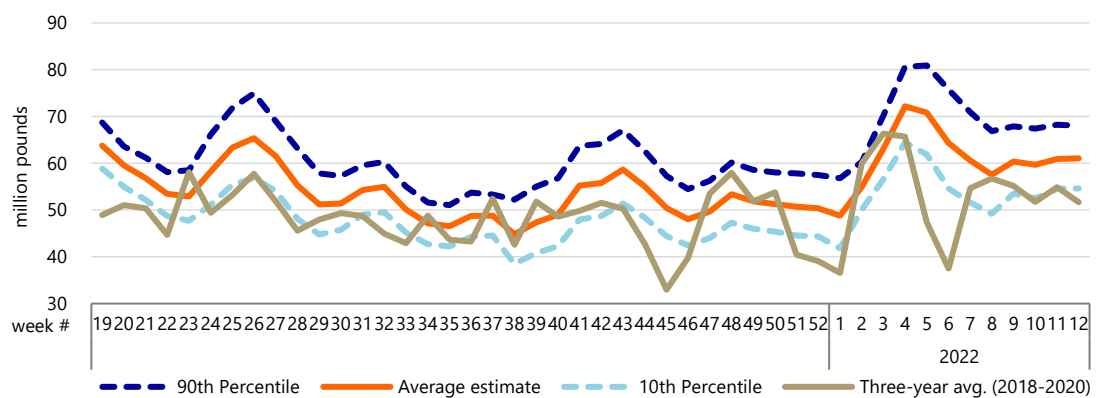
Taking into consideration general industry prospects and trends for the season, we have estimated weekly avocado shipments to the US market for the remainder of 2021 and the first quarter of 2022 as an intermediate step to later estimate weekly avocado prices for that period. Overall shipments for the 2021/22 period will be up about 12% compared to the 2018/2020 three-year average.

With California production in full swing and Peru in the midst of the peak export season, shipments from week 24 until week 34 are likely to be above the three-year average. In terms of specific weekly estimates, the estimated average shipment in week 28 2021 is 55.3m pounds, with a 10% chance that shipments will be below 48.1m pounds and a 10% probability they will be above 63.2m pounds (see Figure 4).

Shipments from Mexico have been strong during the 2020/21 season, but a seasonal decline is expected as early as the second half of May. Exports from Mexico will rely on production of 'flor loca' (fruit from a transition bloom) during the summer, with harvest starting in low-lying growing regions. According to industry sources, the weather conditions of the past winter affected the development of 'flor loca' fruit, mainly in growing regions in higher altitudes. Hence, avocado availability may be tighter and closer to the three-year historical average between week 34 and week 40. This is expected, as the seasons in California and Peru will be wrapping up and 'flor loca' production in Michoacán, Mexico will be coming from impacted growing regions.

Once the new harvest season ramps up in Mexico after week 40, shipments may stabilize. Unsurprisingly, the highest shipment levels are expected in the first few weeks of 2022, just in time for the Super Bowl demand pull.

Figure 4: Estimated weekly Hass avocado shipments to the US market, 2021/22



Source: USDA, Rabobank estimates 2021

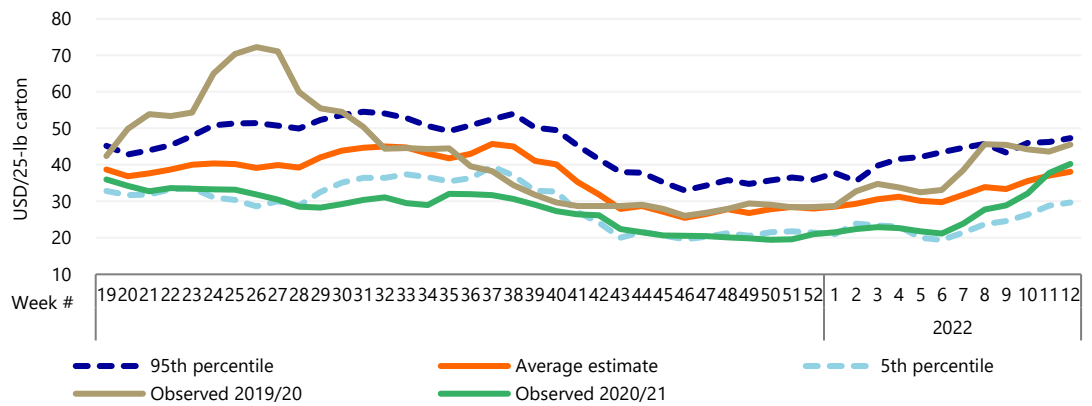
## Prices May Be Higher This Year

Using the shipment estimates, demand-side seasonality/variables, and relevant trends, we calculated weekly shipping-point price estimates for Hass avocados in the US market. We do not expect summer prices to be as high as in 2019. However, for the rest of 2021, average avocado prices are likely to remain at higher levels than those observed in 2020.

The US economy is recovering faster than some analysts expected. Unlike previous recessions, disposable personal income this time has been higher due to government programs. Also, the vaccination campaign allows for more pandemic-related restrictions to be lifted. The foodservice channel will continue to recover gradually, while retail sales will remain strong. These factors will support avocado demand and prices through 2021/22.

Weekly average shipping-point avocado prices between weeks 36 and 43 in 2021 may be higher than during comparable weeks in 2019 and 2020, as the availability will be impacted by the end of California's and Peru's seasons, as well as by the aforementioned issues in 'flor loca' production in Mexico (see Figure 5).

Figure 5: Estimated weekly Hass avocado shipping-point prices in the US market, 2021/22



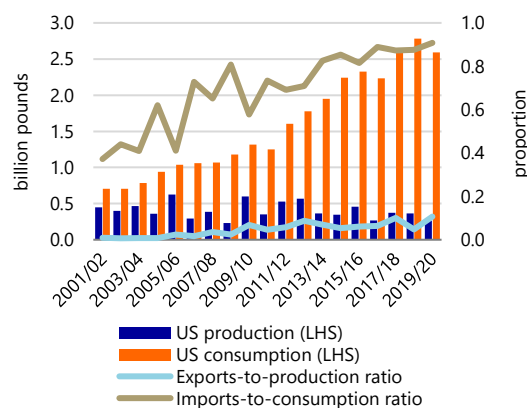
Source: USDA, Rabobank estimates 2021

## Plenty of Headroom for Consumption Growth

While California avocado production, which is usually on an alternate bearing cycle, has been flat to declining over the last two decades, consumption in the US has grown considerably. The import-to-consumption ratio was 0.91 in 2019/20, up from 0.37 in 2001/02, while the export-to-production ratio has remained relatively low over the same period (see Figure 6).

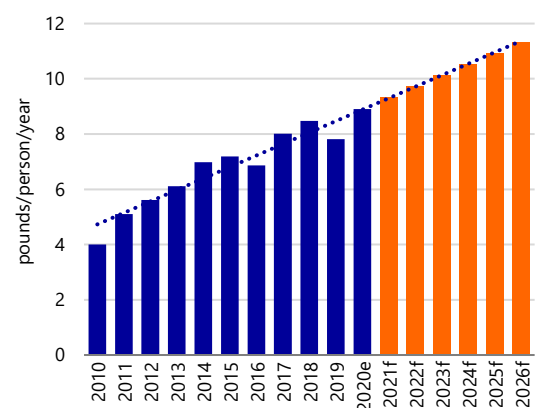
In terms of per capita consumption growth among fruits, avocados rank high. With a compound annual growth rate (CAGR) of almost 8% over the past decade, avocados are outpaced only by raspberries, blueberries, and blackberries, but these berries had a much smaller volume base compared to avocados. In 2010, per capita consumption of avocados in the US was about 4 pounds, whereas in 2018 it was close to 8.5 pounds. Following this trend, avocado consumption could exceed 11 pounds per person per year by 2026 (see Figure 7).

Figure 6: US avocado market indicators, 2001/02-2019/20



Source: USDA/ERS, Rabobank 2021

Figure 7: US avocado per capita consumption, 2010-2026f



Source: USDA/ERS, Rabobank estimates 2021

According to recent industry [surveys](#), the proportion of US households that bought avocados in a twelve-month period was about 40%. This is still a lower household penetration than other fruits, such as lemons, blueberries, watermelon, oranges, grapes, and strawberries, and significantly lower than apples and bananas, which lead the list with almost two-thirds of households.

Changes in the demographic composition of newer generations is yet another factor that will benefit avocado consumption in the US in the years to come. In the US, Generation Z is more racially and ethnically diverse than previous generations. About 25% of Gen Zers are Hispanic, compared to about 17% in the Millennial generation and 12% in Gen X. Hispanic consumers in the US tend to consume more avocados than the average US consumer. As a reference, per capita avocado consumption in Mexico is about 18 pounds, which shows the headroom that remains in less mature markets.

## 'Green Gold' Going Greener

Product attributes that have been relevant demand drivers over the years include a combination of taste/eating experience, versatility, and healthfulness. Since the pandemic broke out, these factors have become even more relevant. Avocados check these boxes quite well. The avocado industry has also received recognition for its innovation in successful marketing efforts.

While transparency and food safety continue to be imperative, factors such as environmental sustainability and social responsibility will become relevant differentiators in some markets such as the US, and a stringent requirement in markets such as Europe. Investors, retailers, consumers, and other industry players are expected to continue to pay more attention to these aspects. The avocado industry will need to continue to work proactively in terms of environmental sustainability to gain or maintain market access, profitability, and visibility.

Implementing a sustainable operation makes business sense as it drives innovation to do more with less, makes better use of natural resources, and offers the potential to reduce operating costs and environmental impact. It also improves brand/product perception, increases marketing opportunities, and reduces reputational risk.

Continued investment and innovation in logistics and ripening facilities will enable a reduction in food waste, another important sustainability goal. Adopting genetics and technologies that increase input efficiency – mainly water and pesticides – and post-harvest services/products that extend shelf life will surely become increasingly important. Many of these changes are being implemented in operations along the avocado supply chain. To paraphrase an industry [source](#): riding the “green wave” is the way to make the “green gold” greener.

# Imprint

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