



agriculture, forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

MARKET ANALYSIS BULLETIN NO 1 OF 2011: AVOCADO

INTRODUCTION

The following text is a review of the avocado marketing environment. This analysis is updated on a quarterly¹ basis. The interval covered in the current issue is from quarter 4 of 2009 to quarter 4 of 2010. This period is subdivided into five, three-month long quarters. The key issues discussed in the review are the trends in producer prices, production volumes and gross values, sales in the National Fresh Produce Markets (NFPMS), volumes and gross values of both exports and imports.

1. AVERAGE PRODUCER PRICE OF AVOCADOES

Table 1 and Figure 1 below illustrate the average producer prices of avocados for the period under review.

Table 1: Average producer price of avocados

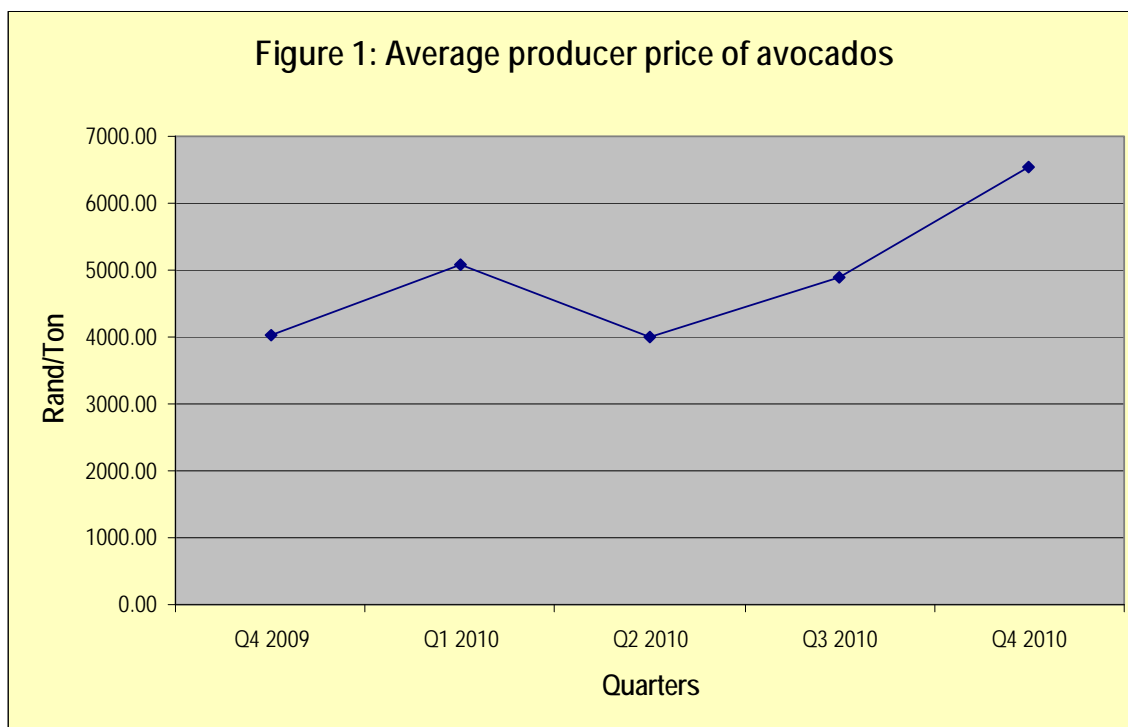
Quarters	Quarter 4 2009	Quarter 1 2010	Quarter 2 2010	Quarter 3 2010	Quarter 4 2010
Price in Rand/Ton	R4 029.28	R5 077.00	R4 003.98	R4 900.97	R6 530.56

Source: Agricultural Statistics, DAFF

The quarterly producer price for avocados was R6 530.56/ton in quarter 4 of 2010 which was 33% higher than the average price of the previous quarter (quarter 3, 2010) and 62% higher than the average price at the same time in the previous season (quarter 4, 2009). The reason why the avocado price in quarter 4 of 2010 is higher than that of quarter 4 of 2009 may be due to an increase in the demand for avocados during the period under review. Prices are usually high during the fourth quarter due to lower quantities produced during the same quarter.

¹ Quarter 1 (January to March), Quarter 2 (April to June), Quarter 3 (July to September), Quarter 4 (October to December)

Generally, Figure 1 shows that the price of avocados has been increasing over the period from quarter 4 of 2009 to quarter 4 of 2010, only retreating during the second quarter of 2010 before raising again sharply quarters 3 and 4 of 2010.



Source: Agricultural Statistics, DAFF

2. TOTAL DOMESTIC PRODUCTION OF AVOCADOES

Table 2 and Figure 2 below illustrate the quarterly production of avocados from quarter 4 of 2009 to quarter 4 of 2010.

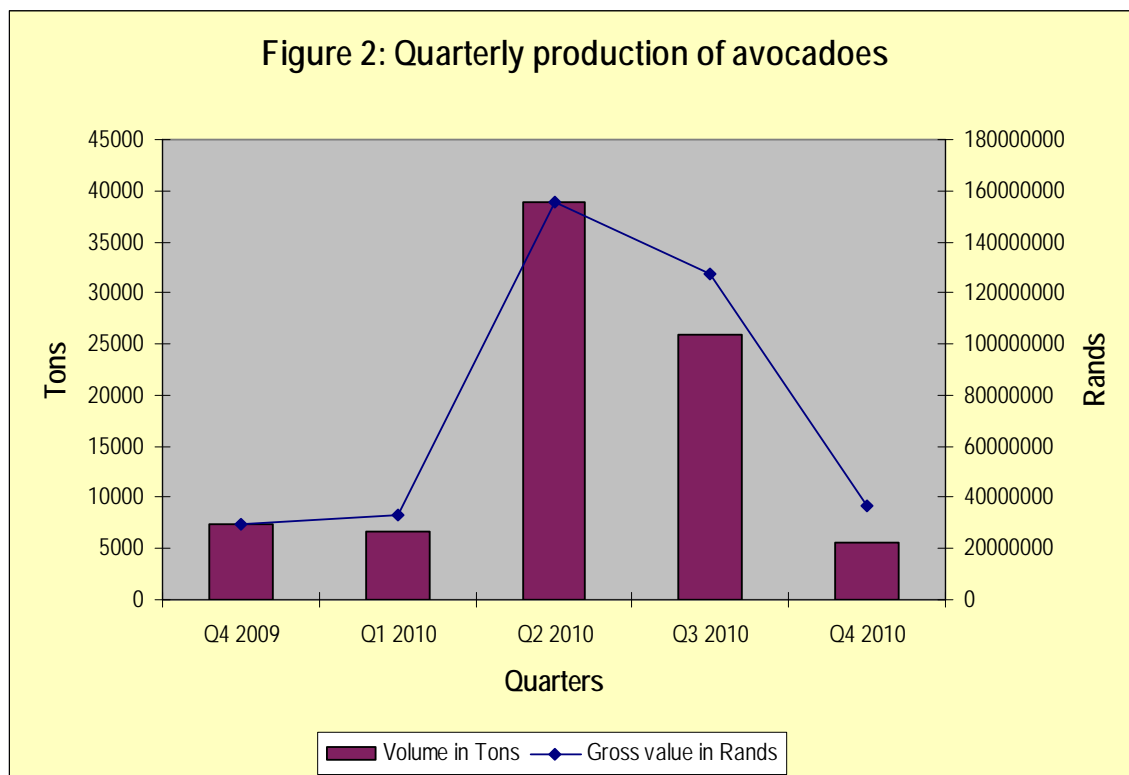
Table 2: Quarterly production of avocados

Quarters	Quarter 4 2009	Quarter 1 2010	Quarter 2 2010	Quarter 3 2010	Quarter 4 2010
Gross Value in Rands	R29 811 531	R33 407 704	R155 434 785	R127 469 398	R36 413 387
Volume in tons	7 399	6 580	38 820	26 009	5 576

Source: Agricultural Statistics, DAFF

The quarterly production value of avocados was R36 million in quarter 4 of 2010 which was 71% lower than the quarterly production value in the previous quarter (quarter 3, 2010) and 22% higher than the quarterly production value at the same time in the previous season (quarter 4, 2009).

The quarterly production volume of avocados was 5 576 tons in quarter 4 of 2010 which was 79% less than the quarterly production volume in the previous quarter (quarter 3, 2010) and 25% lower than the quarterly production volume at the same time in the previous season (quarter 4, 2009). Production of avocados is usually low during the fourth quarter. It is also evident from both Table 2 and Figure 2 that the value of production follows the same pattern as production volume as they both peak in quarter 2.



Source: Agricultural Statistics, DAFF

3. SALES AT NATIONAL FRESH PRODUCE MARKETS (NFPMs)

Table 3 and Figure 3 below illustrate quarterly volumes and prices of avocados sold at NFPMs.

Table 3: Quarterly sales of avocados at NFPMs

Quarters	Quarter 4 2009	Quarter 1 2010	Quarter 2 2010	Quarter 3 2010	Quarter 4 2010
Price in Rand/Ton	R5 343	R 5 816	R5 799	R5 612.45	R8 522.52
Volume in Tons	4 019	3 890	6 108	8 101	4 203

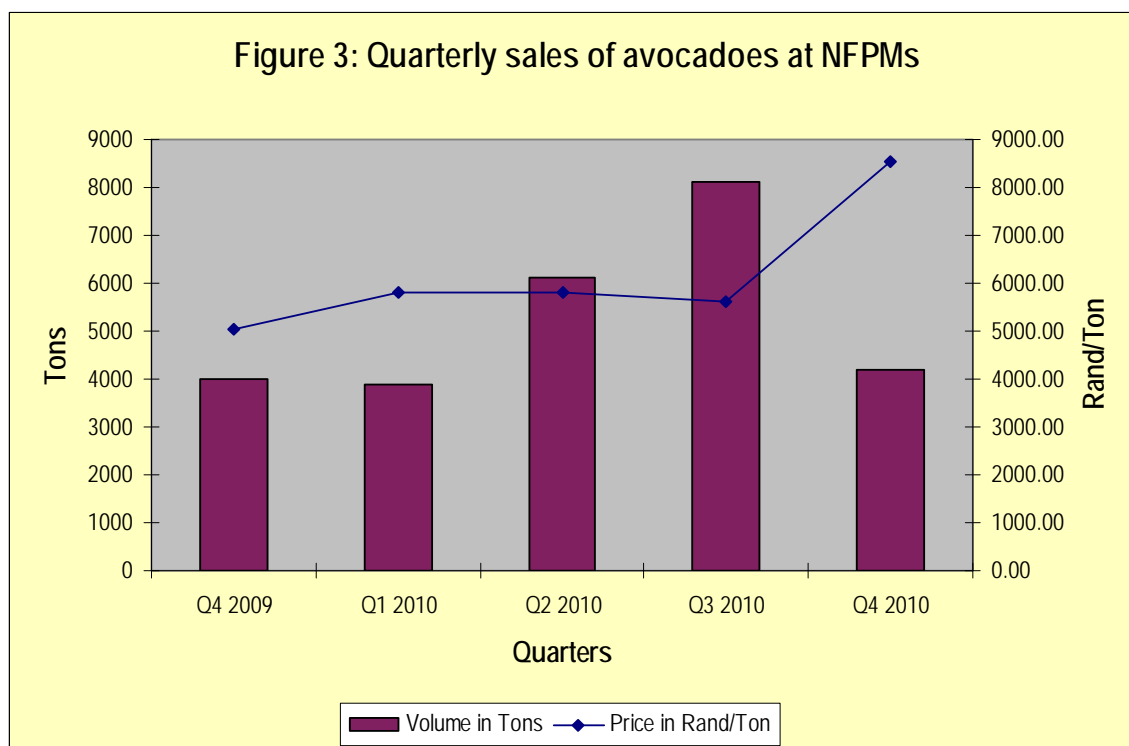
Source: Agricultural Statistics, DAFF

The quarterly price at NFPMs for avocados was R8 522.52/ton in quarter 4 of 2010 which was 52% higher than the quarterly price of the previous quarter (quarter 3, 2010) and 70% higher than

the quarterly price at the same time in the previous season (quarter 4, 2009). This may have been due to the increase in the demand for avocados traded through the NFPMs in the fourth quarter of 2010 compared to the same quarter in the previous year.

The quarterly volumes at NFPMs for avocados was 4 203 tons in quarter 4 of 2010 which was 48% less than the quarterly volume of the previous quarter (quarter 3, 2010) and 5% more than the quarterly volumes at the same time in the previous season (quarter 4, 2009).

Generally, the prices of avocados in the NFPMs are governed by the laws of supply and demand. When the supply of avocados exceeds the demand, prices tend to be lower than average. Similarly, when the demand for avocados exceeds the supply, prices tends to rise. Often small changes in quantities offered for disposal on the NFPMs have a magnified effect on prices. The other factor that determines the price of the avocados in and outside the markets is the quality of the produce. The produce of a better quality has the potential of fetching a better and competitive price for the farmer.



Source: Agricultural Statistics, DAFF

4. EXPORTS AND IMPORTS

Table 4 and Figure 4 below illustrate the quarterly export volumes and values whereas Table 5 and Figure 5 illustrate the quarterly import volumes and values of avocados.

Table 4: Quarterly exports of avocados

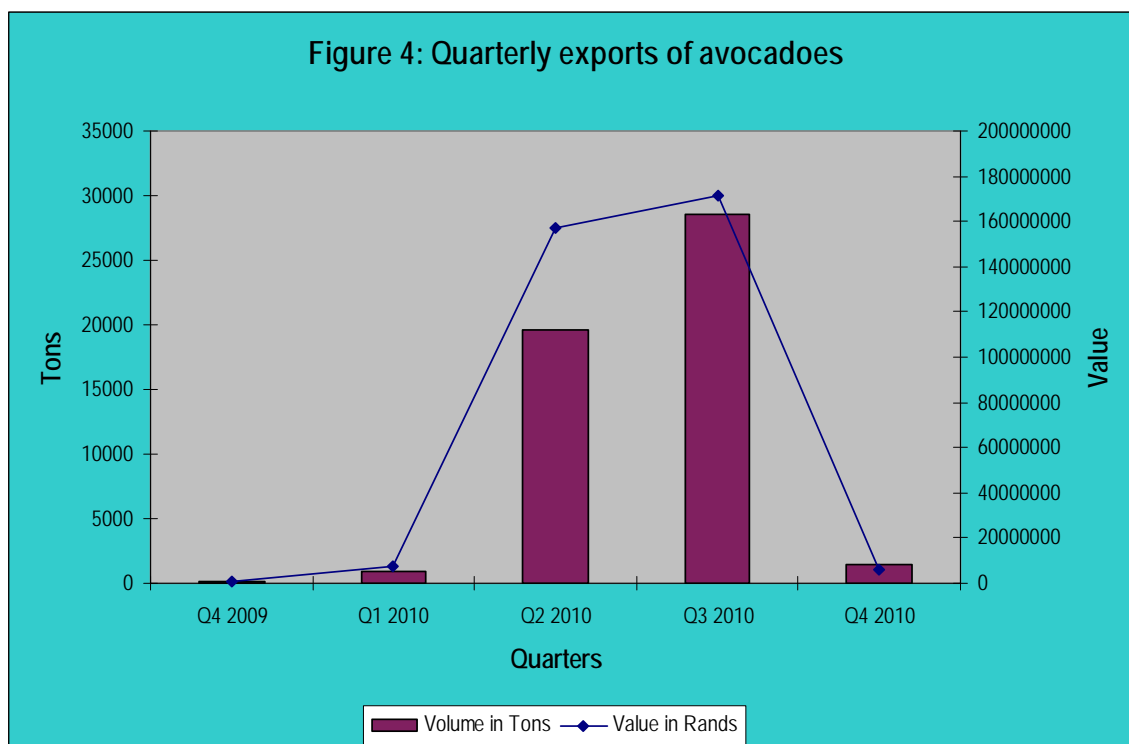
Quarters	Quarter 4 2009	Quarter 1 2010	Quarter 2 2010	Quarter 3 2010	Quarter 4 2010
Value in Rands	R467 635	R7 269 488	R156 900 868	R171 762 239	R6 296 658
Volume in Tons	82	929	19 631	28 594	1 489

Source: Agricultural Statistics, DAFF

The quarterly export value of avocado was R6.3 million in quarter 4 of 2010 which was 96% lower than the quarterly export value in the previous quarter (quarter 3, 2010) and 1 246% higher than the quarterly export value at the same time in the previous season (quarter 4, 2009). This was mainly due to an increase in tonnages exported during the fourth quarter of 2010 when compared with the fourth quarter during the previous year.

The quarterly export volume of avocados was 1 489 tons in quarter 4 of 2010 which was 95% lower than the quarterly export volume in the previous quarter (quarter 3, 2010) and 1 715% more than the quarterly export volumes at the same time in the previous season (quarter 4, 2009). The increase in quantities exported during the third quarter was mainly due to an increase in volumes of avocados available for sale.

Generally, the avocado export market will usually be determined by both the supply-side factors and demand-side factors. The supply side includes amongst others climate, proximity of the grower to the market and the timing of the growing season. Other supply factors include the availability of financial capital, infrastructure, capacity to market the produce and the ability to access the market. The demand side factors include amongst others changing demographics and consumption trends. It is evident from both Table 4 and Figure 4 that the value of exports follows the same pattern as export volume as they both peak in quarter 3 of 2010.



Source: Agricultural Statistics, DAFF

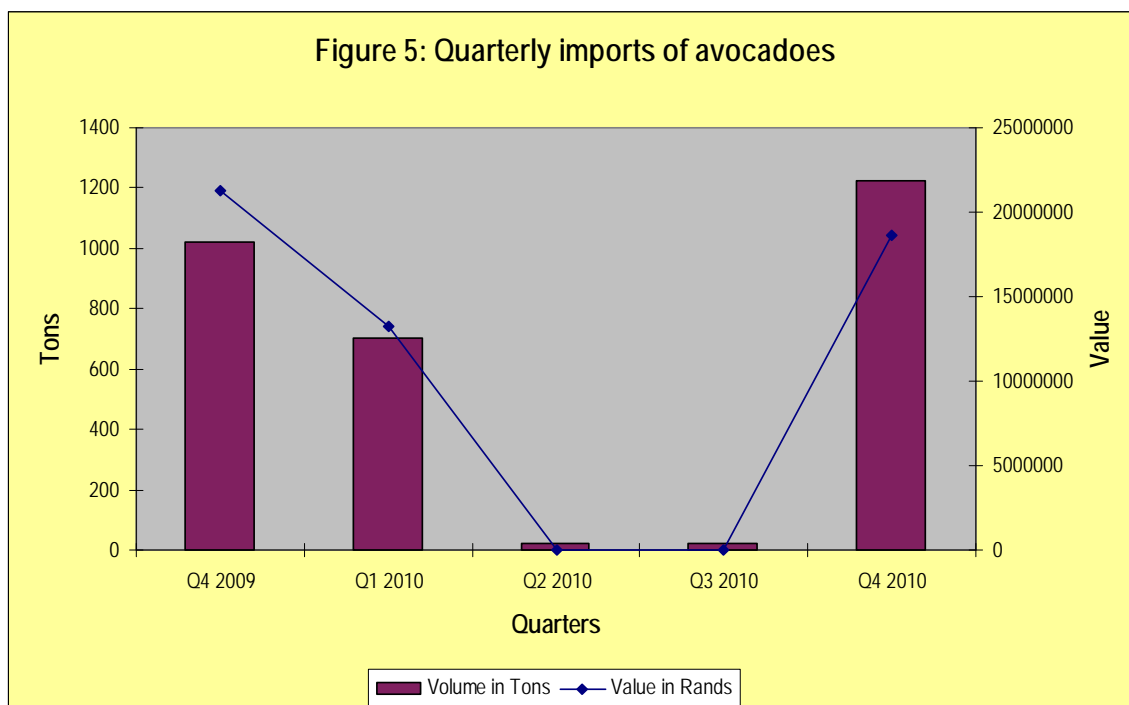
Table 5: Quarterly imports of avocados

Quarters	Quarter 4 2009	Quarter 1 2010	Quarter 2 2010	Quarter 3 2010	Quarter 4 2010
Value in Rands	R21 310 244	R 13 243 590	R20 925	R10 800	R18 638 069
Volume in Tons	1 022	705	21	24	1 225

Source: Agricultural Statistics, DAFF

The quarterly import value of avocados was R18.6 million in quarter 4 of 2010, which was 172 474% more than the quarterly import value in the previous quarter (quarter 3, 2010) and 13% less than the quarterly import value at the same time in the previous season (quarter 4, 2009). At the same time, the quarterly import volume of avocados was 1 225 tons, which was 5 004% more than the quarterly import volume in the previous quarter (quarter 3 of 2010) and 20% higher than the quarterly import volume at the same time in the previous season (quarter 4, 2009).

Both Table 4 and 5 illustrate that South Africa is self-sufficient during the avocado season (Q2 – Q3) hence there are comparatively low levels of avocado imports compared to exports. However, during the off season (Q4 – Q1), South Africa is not self-sufficient hence there are comparatively low levels of avocado exports compared to imports.



Source: Agricultural Statistics, DAFF

5. GROWTH, VOLATILITY & STABILITY ANALYSIS

Table 6 presents the results of growth and coefficient of variation estimations. They were calculated using quarterly statistics and covered the same five-quarter period under review beginning in quarter 4 of 2009 to quarter 4 of 2010. The coefficient of variation is a measure of volatility or stability in producer prices, production volume and gross value, sales at NFPMs, volumes and values of both exports and imports. When the coefficient of variation is less than 1, it is said to be relatively stable and that there are minimal changes. When the coefficient of variation is more than 1, it is said to be volatile and that there are major changes.

Table 6: Avocado industry Growth Rates & Variation Coefficients (Quarter 4 of 2009 – Quarter 4 of 2010)

Category	Subcategory	Growth Rate (%)	Coefficient of Variation
<i>Producer price</i>	Price		0.13
<i>Production</i>	Gross Value (GV)	5.13	0.79
	Volume	-6.83	0.88
<i>Sales at NFPMs</i>	Price/(GV)	14.15 (value)	0.22 (price)
	Volume	1.13	0.35
<i>Export</i>	GV	91.56	1.10
	Volume	106.43	1.30
<i>Import</i>	GV	-0.03	0.95
	Volume	0.05	0.93

Source: Calculated from Agricultural Statistics

As shown in the table above, in terms of both volume and value the avocado industry generally experienced a positive growth rate from quarter 4 of 2009 to quarter 4 of 2010. It was only in the case of the volume of production and gross value of imports that the industry experienced negative growth.

The table also shows various levels of volatility at different levels of the avocado industry's quarterly figures over the reference period (quarter 4 of 2009 to quarter 4 of 2010). Low volatility was indicated by the coefficients of variation that were less than one (<1). The producer price, gross value and volume of production, price and volumes of avocado sales at the NFPs, as well as the gross value and volume of imports have low values which indicate that on a weighted variance scale, they displayed minimal changes during the five quarters.

Gross value and volume of exports have coefficients of variation that are more than one (>1). This means that they had high levels of volatility. They have high values which indicate that on a weighted variance scale, they displayed significant changes during the five quarters.

6. ACKNOWLEDGEMENTS

Acknowledgement is given to the following information sources:

Directorate: Agricultural Statistics

www.daff.gov.za

For more information contact:

Director: Marketing Department of Agriculture Private Bag X 15 Arcadia 0007 Tel: (012) 319 8455 Fax: (012) 319 8131 E-mail: DM@daff.gov.za Website: www.daff.gov.za	Deputy Director: Commodity Marketing Tel: (012) 319 8072 Fax: (012) 319 8077 E-mail: MogalaM@daff.gov.za	Senior Agricultural Economist Tel: (012) 319 8081 Fax: (012) 319 8077 E-mail: ElvisN@daff.gov.za
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