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

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For the Avocado Brainstorming Session

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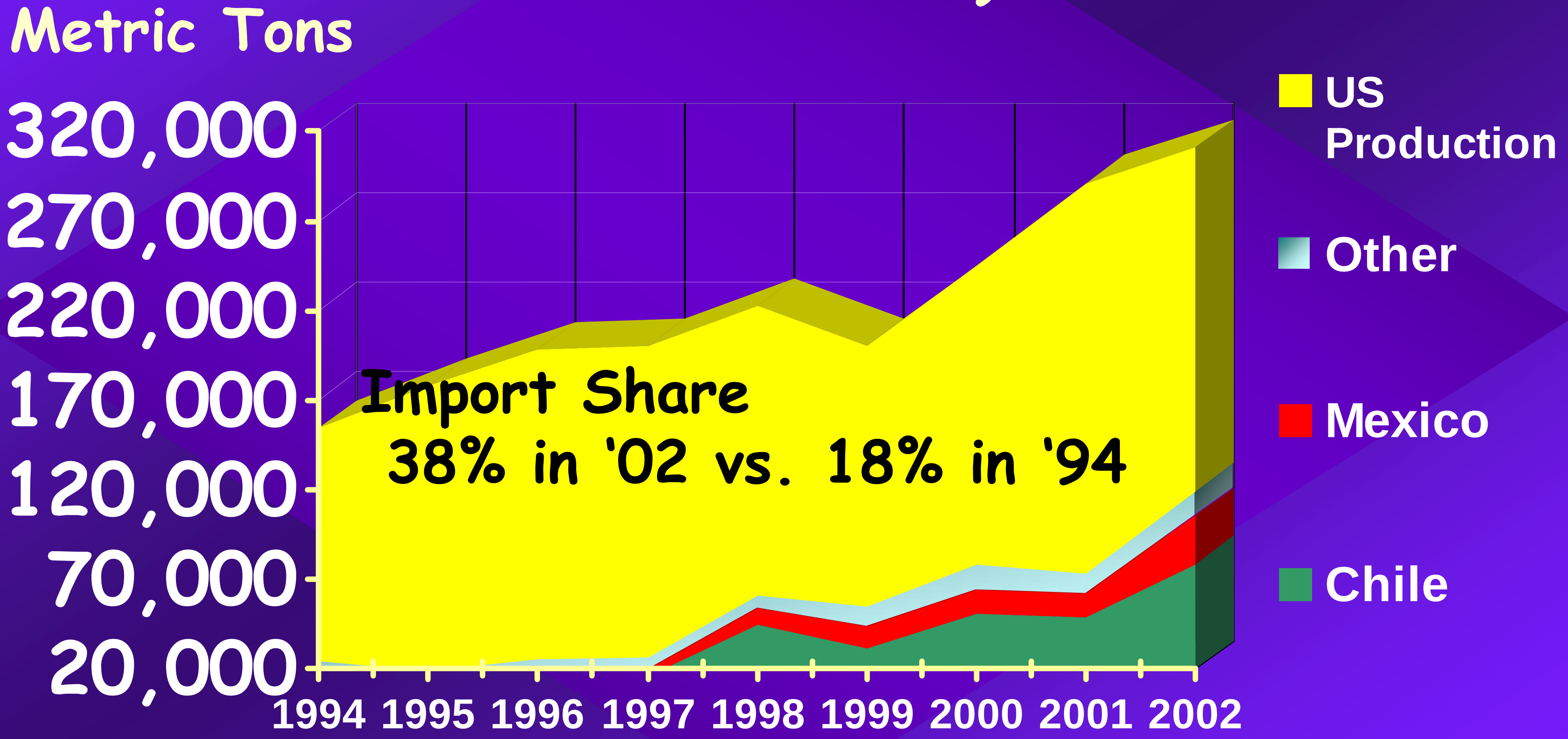
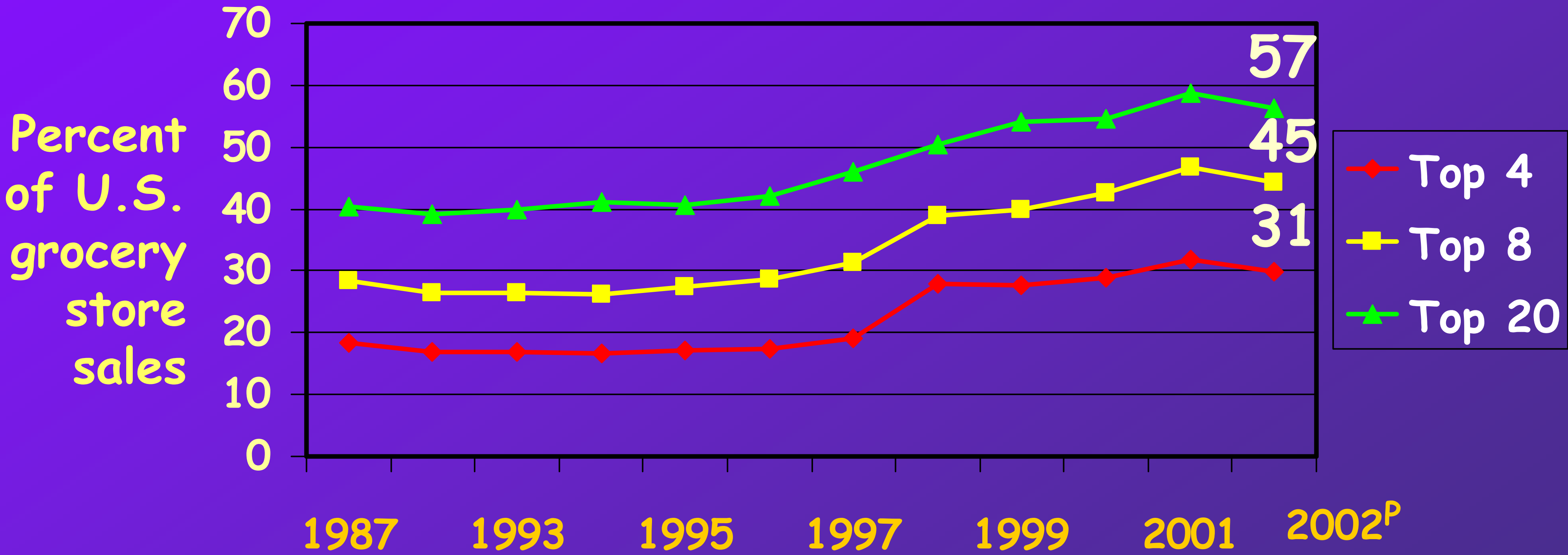
US Avocado Production and Imports 1994-2002 (Utilization has doubled since 1994!)



Source: USDA/ERS, Oct. 2002 and Dept. of Commerce, imports CY, production crop year

U.S. Food Retail Concentration

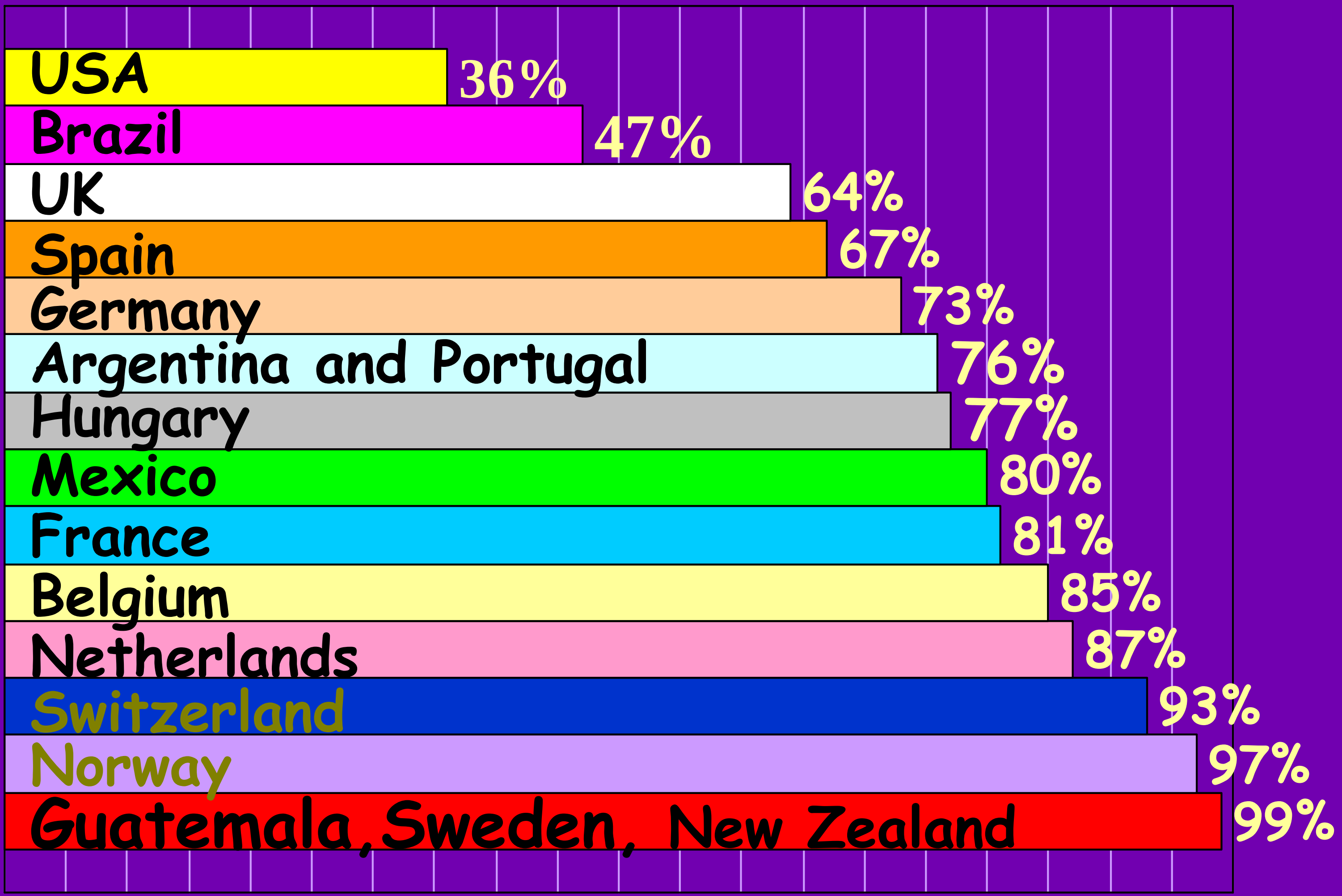
Twenty largest food retailers captured 57% of total grocery store sales in 2002P



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.

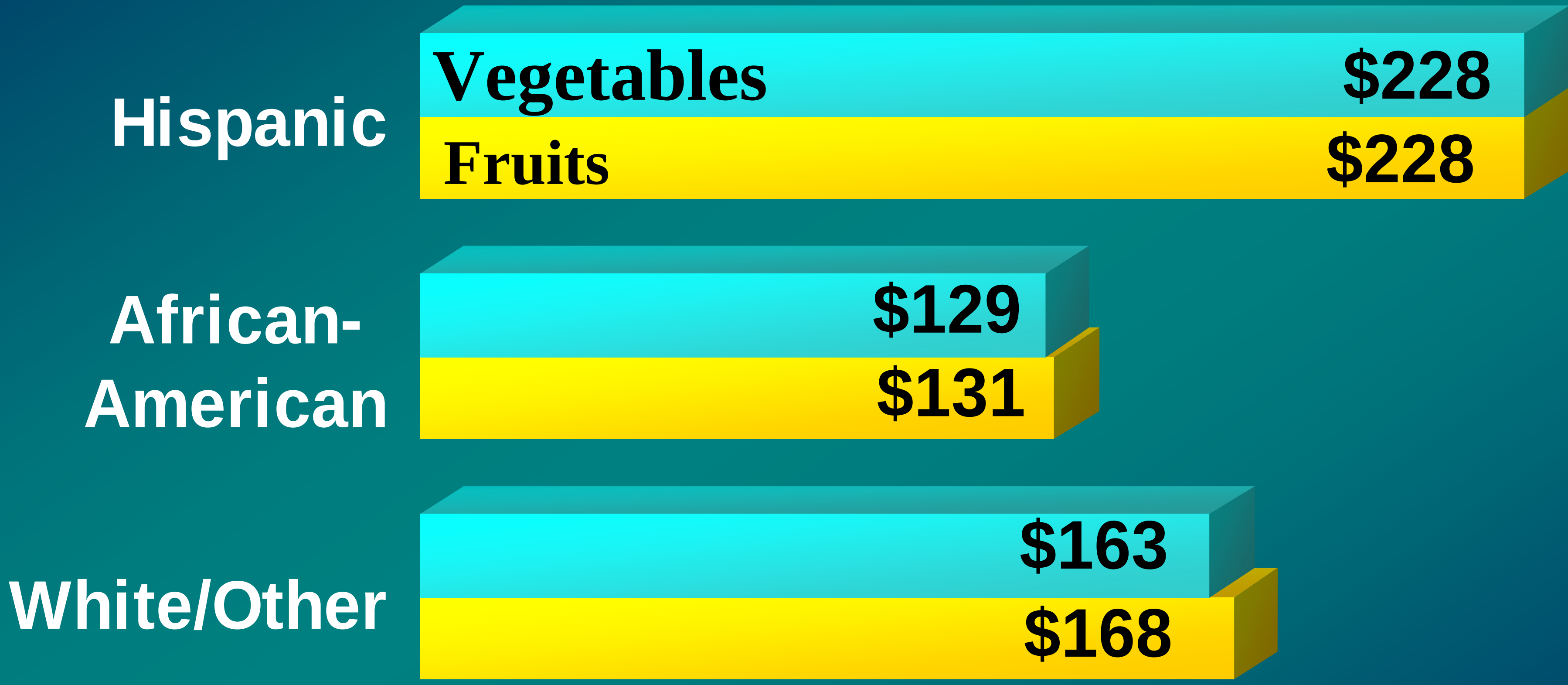
Competing in a Value-Driven Market

- 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.

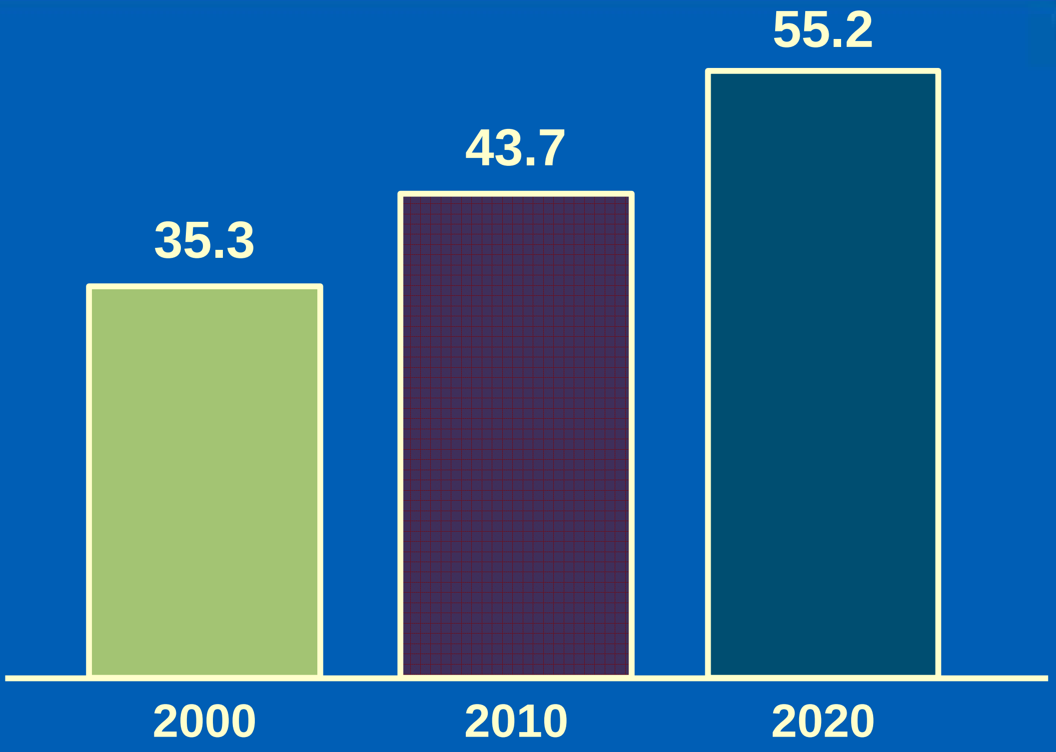
- HAPO will further stimulate demand and improve information flows and analysis to the benefit of players at all levels of the system.

US Fresh Produce Consumption by Race Benefits Avocados!, $ Per Household,



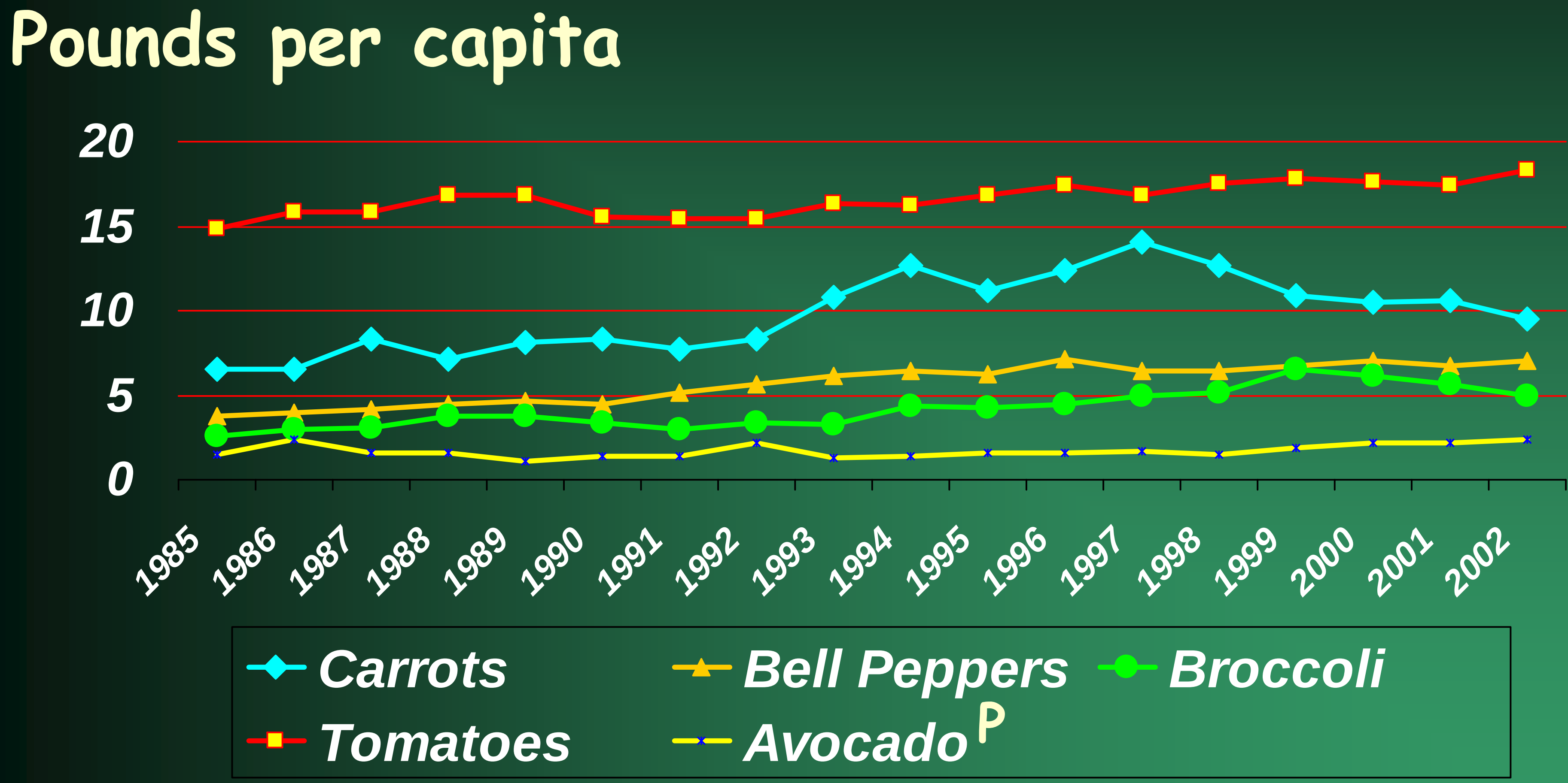
Source: Demographics of Consumer Food Spending 2002, The Food Institute

U.S. Hispanic Population Projections, Millions



Source: Census 2000, U.S. Census Bureau

U.S. Per Capita Consumption of Selected Fresh Produce, 1985-2002



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Source: USDA/ERS, July 2003 Vegetable Yearbook; Oct. 2002 Fruit Yearbook

Factors indicated by US consumers as influencing fresh produce purchases, 1990 vs. 2000

Factor	Rating of extremely or very important %	
	1990	2000
Taste/flavor	96	87
Ripeness	96	70
Appearance/condition	94	83
Nutritional value	65	57
Price	63	47
In-season	38	41
Growing region/country of origin	17	14
Organically grown	17	12
Brand name	9	n/a

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 yr-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

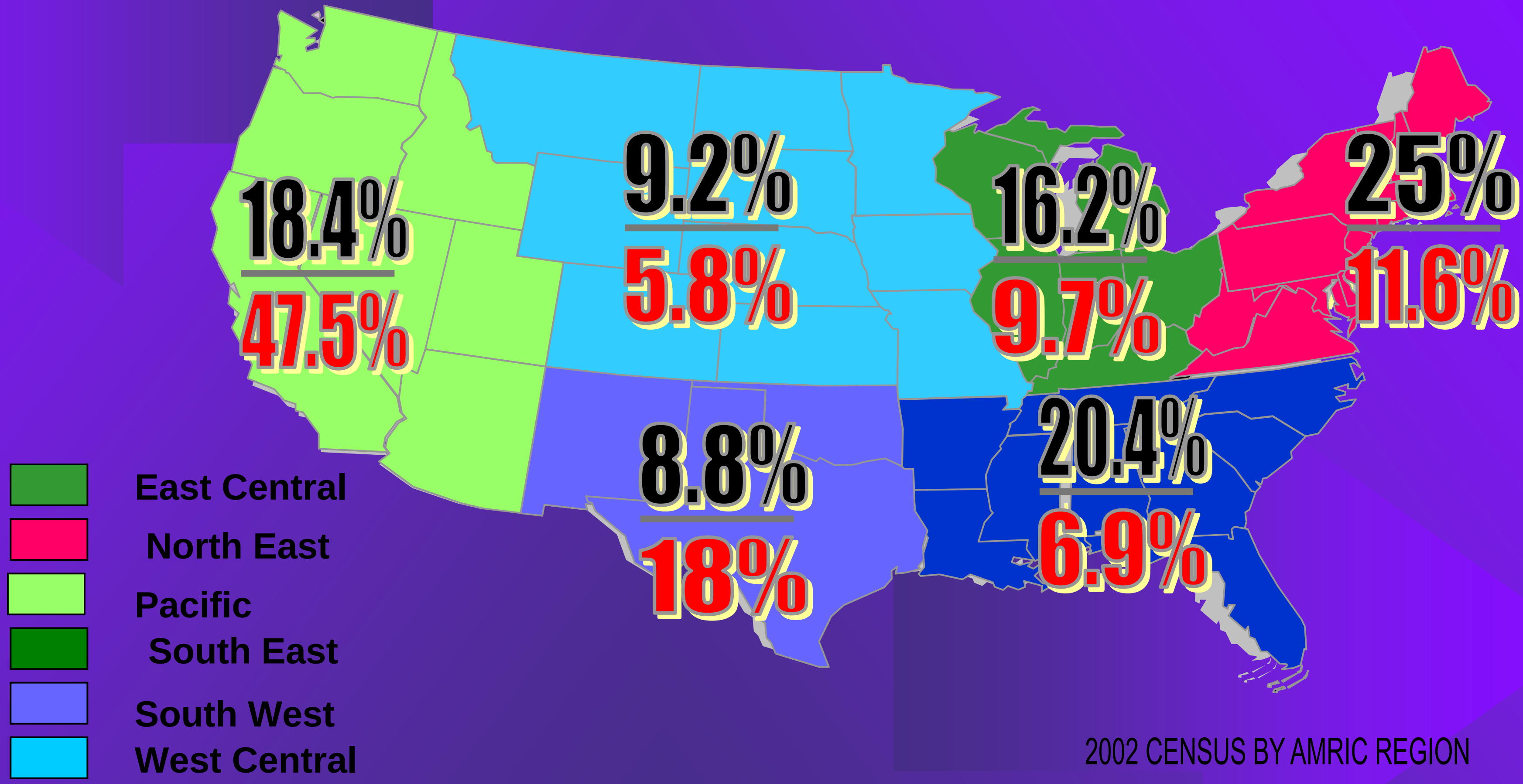
- Women 25-54 years of age
- $50,000+ income
- Upscale, college, full/part tim
- Health conscious

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

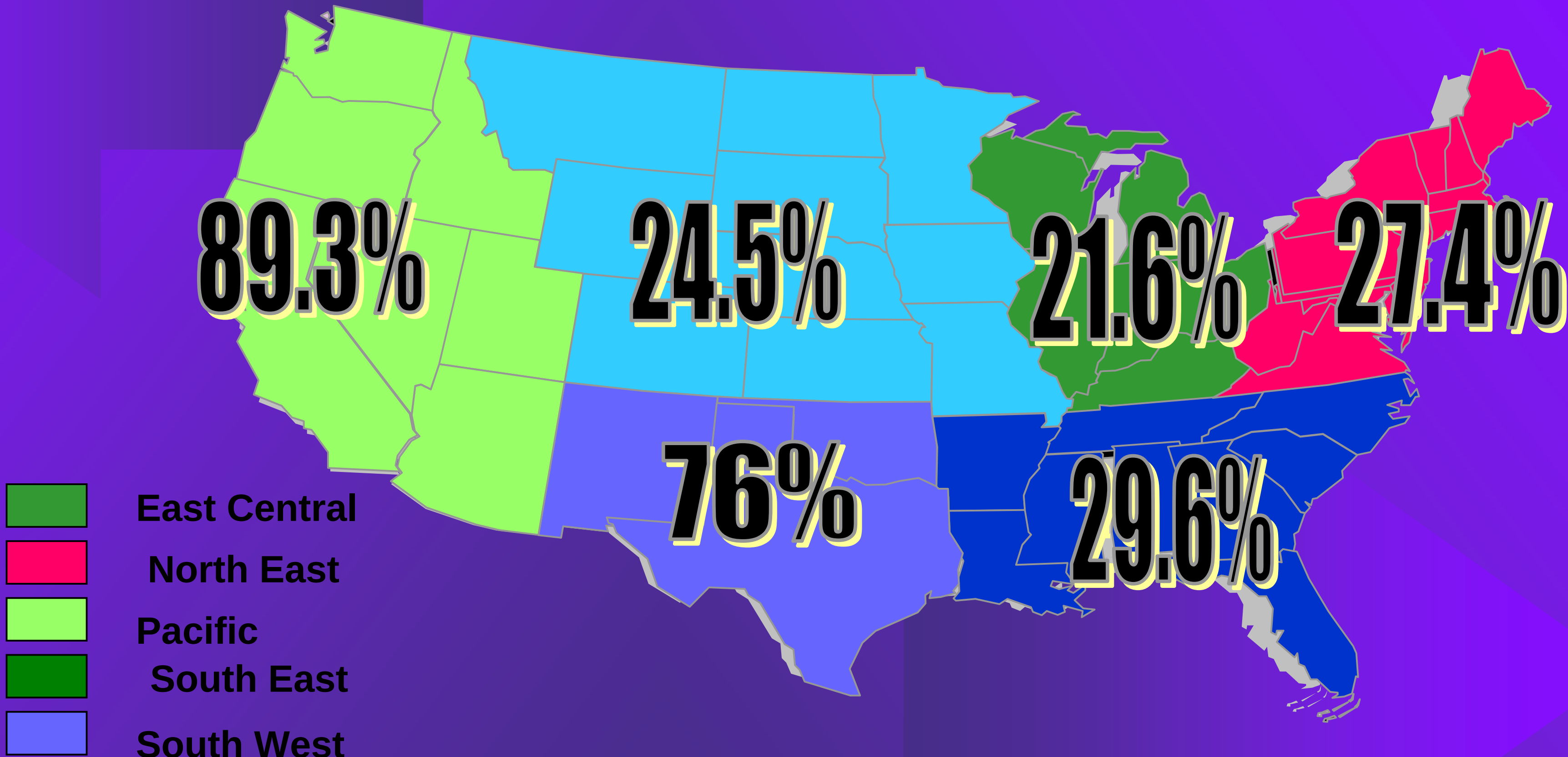
% U.S. POPULATION / % AVOCADO VOLUME



2002 CENSUS BY AMRIC REGION

U.S. Avocado Consumer

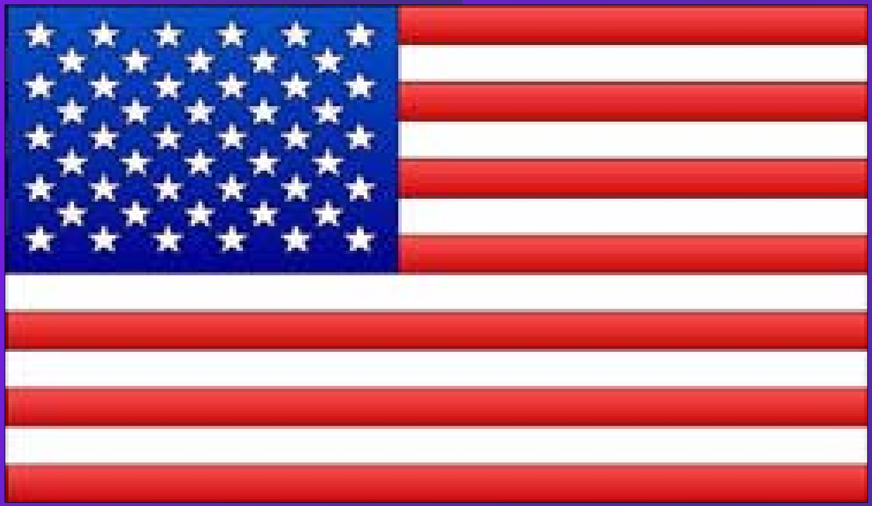
% HOUSEHOLDS PURCHASING FRESH AVOCADOS BY REGION



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%

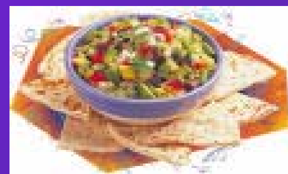
U.S. Avocado Consumer, 1994-2002

Price as a Barrier to Avocado Purchase

U.S. Avocado Consumer

Ways Avocados Used Most Often

Guacamole (91%)



Part of Mexican Side Dish (80%

In a Salad (75%)

Eaten Plain (74%)

Sandw  r (71%)

Part of Non-Mexican Entrée (53%)