



MARKET NEWS

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Avocado Update

As most Americans are preparing for Super Bowl Sunday, analysts predict that there will be plenty of avocado dip to go around for the game and the remainder of 2008 as well. According to the California Avocado Commission (CAC), production could reach 170,000 metric tons for marketing year (Nov-Oct) 2007/08, mainly due to the alternate bearing nature of the avocado trees. If realized, the 2007/08 forecast is 26 percent larger than the 135,500 tons reported by USDA-National Agricultural Statistics Service (NASS) in 2006/07. California produces about 90 percent of the total U.S. avocado crop, while Florida and Hawaii account for nearly 9 and 1 percent, respectively. In July, USDA-NASS will release its first estimate of California production for 2007/08.

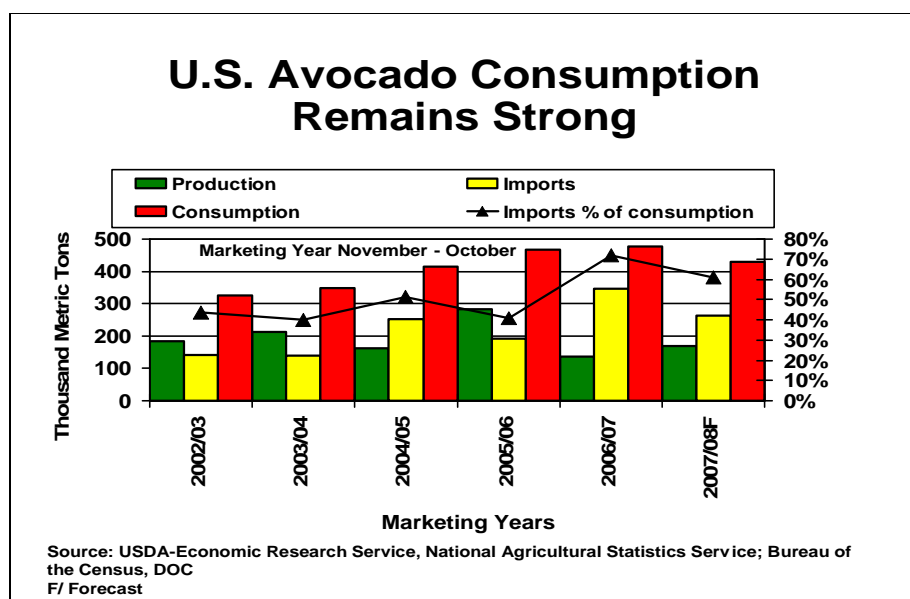
Preliminary avocado damage estimates indicated that the wildfires affected approximately 10 percent of avocado production. The fires burned avocado trees and other production infrastructure, including irrigation lines. On October 24, 2007, U.S. Department of Homeland Security's Federal Emergency Management Agency (FEMA) declared federal disaster aid available for Los Angeles, Orange, Riverside, San Bernardino, San Diego, Santa Barbara, and Ventura counties.

USDA-Animal and Plant Health Inspection Service (APHIS) implemented a final rule on January 31, 2005 to allow the importation of Mexican Hass avocados from approved orchards and municipalities in Michoacan, Mexico into all 50 states on a year-round basis. The rule called for a two-year distribution delay into the commercial avocado-producing states of California, Florida, and Hawaii. Beginning February 1, 2007, commercial shipments of fresh avocados from approved orchards and municipalities in Michoacan, Mexico were able to be distributed to all 50 states.

In 2006, Mexico's avocado exports accounted for 73 percent (\$180 million) of U.S. imports, while Chile's market share dropped to 21 percent (\$52 million). Chile's 2007/08 avocado production is forecast at 190,500 tons, down 11 percent due to last winter's heavy and unexpected frosts, which affected extensive plantings. The heavy frost could also have a negative effect on the following year's production as trees were also damaged in some orchards. Mexico's 2007/08 Hass avocado production is forecast at a record 1.1 million tons, a 3 percent increase as producers' expectation of increasing harvested acreage with younger trees coming into full bearing. Mexico's avocado exports are forecast to reach a record 300,000 tons, nearly an 11 percent increase over last year. This increase is due to year-round market access to all 50

United States, the decrease in Chile's avocado production, and the recent wildfires in southern California.

In September 2006, U.S. avocados were allowed to export to all Mexican states. Reportedly, Mexico will be importing California avocados for processing and eventual re-export to the United States. From January-November 2007, U.S. avocado exports reached \$4 million and 2,165 tons, down 65 and 66 percent, respectively, compared to last year due to California's mid-January freeze. U.S. avocados are mainly exported to Canada, Korea, and Japan. For 2007/08, U.S. reliance on avocado imports is likely to decline due to increased domestic production and decreased avocado production in Chile.



Additional Information

Avocado Annual Reports can be extracted from the Attaché Report search engine at:

<http://www.fas.usda.gov/scriptsw/attacherep/default.asp>

Avocado Production, Supply, and Distribution (PSD) data can be extracted from the USDA PSD database located at:

<http://www.fas.usda.gov/psdonline/psdQuery.aspx>

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