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Appetite for Healthy Fats Presses Farms

Output of avocados, olives, salmon can't keep up with demand, propelling prices

By Lucy Craymer

2# Farmers around the globe are struggling to keep up with an increasing appetite for fats that are perceived as healthy, leading to long-term disruptions in food prices.

From Mexico to Norway to New Zealand, avocado growers, fish farmers and butter producers are struggling to increase output so they can meet surging demand, but environmental constraints and other challenges are limiting how much they can churn out.

The average prices of avocados, butter, olive oil and salmon have climbed as much as 60% since 2013, after stripping out seasonal-price patterns and the effects of unusual weather events. Over the same period, prices of corn, soybeans, sugar and wheat either fell or didn't change significantly.

These changes in fortune reflect the broad dietary shifts of recent years. Many people have switched to eating more foods that are high in natural fats from high-carbohydrate, low-fat diets. And government agencies and nutritionists are recommending that people avoid consuming industrial-made fats and margarines and instead eat more fish, nuts and healthier oils.

Stephan Hubertus Gay, a senior agricultural policy analyst at the Organization for Economic Cooperation and Development, said consumers are eating products that contain



In the last decade, farmers have increased olive-oil production, driven by rising demand as consumers add more fat to their diets.

fat again. But he said "we were a bit surprised that it came so fast."

Healthy fats include Omega-3 fatty acids—found in abundance in oily fish—which can help lower blood pressure and reduce the risk of heart problems, according to the American Heart Association. Nuts, avocado and olive oil are rich in monounsaturated fat, which is associated with lowering bad cholesterol levels. Consumer demand is also increasing for butter and other kinds of dairy products.

Historically, demand for

these kinds of foods has been driven by wealthier Western countries. But now, consumers in China and other Asian countries are eating more fat-rich foods, as incomes rise and tastes evolve.

Juan Carlos Parra started exporting avocados to China from his home state of Michoacán, Mexico, about three years ago and has seen a surge in demand. Imports of the fruit by the world's second-largest economy have more than doubled in recent years and cafes have popped up in large Chinese cities selling avocado

toast and smoothies.

Mr. Parra, who owns a firm called Shanghai Viocar Import & Export Co., said prices have climbed so much that it is sometimes difficult to buy avocados cheaply to ship to China. Mexico has ramped up production, but the majority of its avocados are bought by the U.S., where demand has also increased significantly.

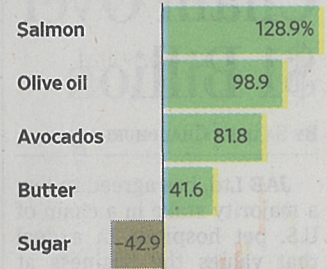
In California more than two centuries ago, missionaries first planted olives but only in the past decade have farmers increased olive oil production, driven by rising consumption.

Since 2012, prices for olive oil from Italy—one of the world's largest producers—have nearly doubled, according to market data firm Mintec Ltd.

Orchard workers and farmers at the California Olive Ranch have over the past three years planted or acquired 3,200 acres of olive trees in five counties, bringing their acreage to 11,000 acres.

"Olive oil is having a bit of a renaissance," said Gregg Kelley, chief executive of the Chico, Calif., olive-oil producer. One of the challenges for the industry, he said, is finding enough new

Price change since 2012 in some fat-rich foods



Note: As of 2018; based on annual average price

Sources: U.S. Department of Agriculture (avocado); Nasdaq (salmon); U.S. Dairy Export Council (butter); FutureSource (sugar); Mintec (olive oil)

land to plant the trees, which are "finicky" and can grow only under a certain set of conditions.

Like olives, commercial production of avocados and almonds also takes years to ramp up because the trees have to grow for at least several years before producing fruit and are suited only to specific climates.

In many parts of the world, people are also paying more for dairy products. Butter from New Zealand, the world's largest exporter of the product, cost last year about 50% more than it did in 2012.

Butter consumption worldwide rose 13% in the five years to 2018, according to the U.S. Department of Agriculture.

Farmers in New Zealand and Europe have increased the amount of milk they produce since 2012, according to the USDA. But because butter production leaves behind a lot of skim milk—for which prices have been low—returns have been less attractive relative to cheese and cream, limiting how much butter manufacturers are willing to produce.

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