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COMMODITIES

Your Avocados and Olives Are Pricier Because Fat Is In Fashion

Fish farmers, butter producers and others are struggling to increase output as consumers eat more good fat

By Lucy Craymer

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Farmers around the globe are struggling to keep up with an increasing global 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, according to various sources. 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 fat again. But he said "we were a bit surprised that it came so fast," referring to the sharp increase in demand.

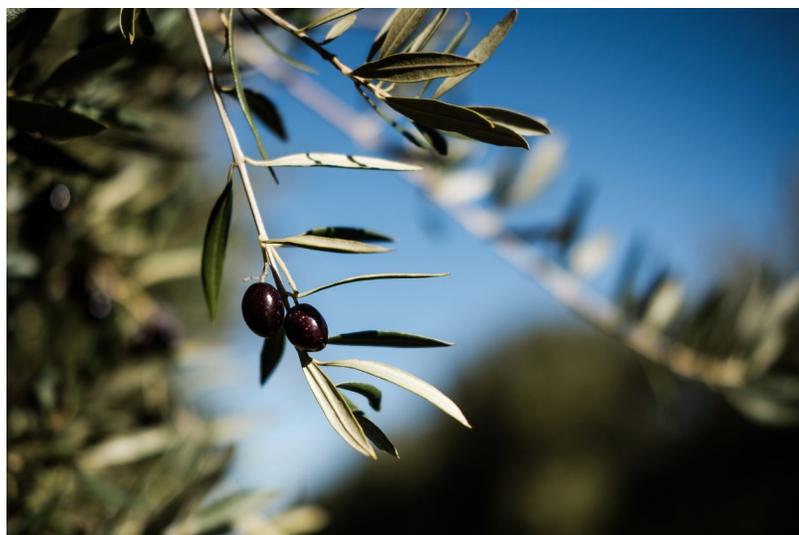
So-called healthy fats include Omega-3 fatty acids—found in abundance in oily fish—can help lower blood pressure and reduce the risk of heart problems, according to the American Heart Association. Nuts, avocado and olive oil are rich in monounsaturated fat, which is associated with lowering bad cholesterol 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 and 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.

Up in California more than two centuries ago, missionaries first planted olives but only in the last 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.



"Olive oil is having a bit of a renaissance," said Gregg Kelley, chief executive at the California Olive Ranch. PHOTO: MAX WHITTAKER FOR THE WALL STREET JOURNAL

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 total acreage to 11,000 acres.

“Olive oil is having a bit of a renaissance,” said Gregg Kelley, chief executive of the Chico, Calif.-based olive oil producer. One of the challenges for the industry, he said, is finding enough new land to plant the trees, which are “finicky” and can only grow under a certain set of conditions. In addition, droughts in recent years have caused problems for producers in the state.

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 only suited to specific climates.

In many parts of the world, people are also now paying more for dairy products. Butter from New Zealand, the world’s largest exporter of the product, last year cost about 50% more than it did in 2012. There have also been periodic shortages in what’s known as European-style butter, which is preferred by many bakers because it has a higher fat content than American butter.

Butter consumption world-wide rose 13% in the five years to 2018, according to the U.S. Department of Agriculture. China, South Korea and Japan have all increased their butter imports.

Farmers in New Zealand and Europe have increased the amount of milk they produce since 2012, according to the U.S. Department of Agriculture. 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. Environmentalists and government officials in New Zealand have also raised concerns about the impact of dairy farm expansions on the country’s waterways.

Demand for some kinds of butter has been “going through the roof,” said Grant Watson, director of global foodservice at Fonterra Co-operative Group Ltd. , the world’s largest exporter of dairy products. That has led to what he called “a structural reset in butter pricing.”

Environmental issues are also holding back the expansion of salmon farming, from Europe to South America.

From 1998 to 2008, global salmon production grew an average of 7.7% a year. In the past decade, the growth rate has halved, according to an October presentation from Norwegian data provider Kontali Analyse AS, even though consumption of the fish is rising about 4.5% annually,



From Mexico to Norway to New Zealand to California, avocado growers, fish farmers, butter makers and olive oil producers are struggling to increase output so they can meet surging demand for healthy fats. PHOTO: MAX WHITTAKER FOR THE WALL STREET JOURNAL

Dutch lender Rabobank says. As a result, salmon prices have doubled since 2012.

Production has been limited by farming difficulties and more stringent regulations on salmon fisheries. Crowded conditions at some farms have led to problems with sea lice, a parasite that lives on salmon and—in high numbers—can damage fish populations. Governments in Norway and Scotland have restricted the creation of new farms in part because of this.

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“We have had some biological challenges,” said Ola Helge Hjetland, a spokesman for MOWI ASA in Norway, which produces close to one-fifth of the world's farmed salmon. The company has been working to reduce sea lice numbers.

Salmon need very clean water with the right amount of oxygen and a specific climate, which limits where they can be grown. The company, he added, is investing in technologies that would enable farms to be set up farther out in the sea, but that could take years to come to fruition.

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