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Avocado

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Report Highlights:

MY 2002/03 Mexican avocado production is forecast at 952,000 MT, due to favorable weather conditions, better yields, and more trees coming into production. Mexican avocado exports to the U.S. totaled 29,914 MT in CY 2001 and are expected to increase to 35,000 MT, mainly due to increases in the number of APHIS-approved hectares.

Note: *This report includes a corrected version of the original Trade Policy & Marketing Sections, made on February 3, 2003.*

Includes PSD Changes: Yes

Includes Trade Matrix: Yes

Annual Report

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PS&D

PSD Table Country Commodity Market Year Begin	Mexico					
	Fresh Avocados		(HECTARES)		(1000 TREES)(1000 MT)	
	Revised	2000 Preliminary	2001	Forecast	2002	
	Old	New	Old	New	Old	New
	08/2000		08/2001		08/2002	
Area Planted	94370	94370	95004	95204	0	99354
Area Harvested	92863	92863	95000	94011	0	97000
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
TOTAL No. Of Trees	0	0	0	0	0	0
Production	898168	898168	970000	941408	0	952000
Imports	0	0	0	0	0	0
TOTAL SUPPLY	898168	898168	970000	941408	0	952000
Exports	52475	52475	70000	71621	0	80000
Fresh Dom. Consumption	800693	800693	855000	829787	0	832000
Processing Consumption	45000	45000	45000	40000	0	40000
TOTAL DISTRIBUTION	898168	898168	970000	941408	0	952000

PRODUCTION

Mexican avocado production for MY 2002/03 is forecast at 952,000 MT, due to favorable weather conditions, ongoing phytosanitary programs which have successfully controlled pests, and more trees coming into production. Although hail and low temperatures are expected to occur in early 2003 in the Uruapan area, production is not expected to be significantly affected. Michoacan remains the main producing state in Mexico. The production figures for MY2001/02 were revised downward reflecting the most current Secretariat of Agriculture, Livestock, Rural Development, Fishery and Food (SAGARPA) information. Final official data indicate that MY 2001/2002 production was 941,408 MT, 3.1 percent lower than the initial forecast.

Even though bearing trees at the blooming stages were not adversely affected by harsh weather conditions in MY2001/02, hail and low temperatures did affect younger trees coming into production. Although it was expected that new groves would come into bearing in MY 2001/02 and contribute to a much larger crop, this never happened. Nevertheless, MY 2001/02 production was higher than MY 2000/01, due to the up year of the crop's alternate bearing cycle.

It is expected that those younger trees which, contrary to expectations, did not come into bearing last year, will in fact do so in MY 2002/03. However, this increase will be offset by the down year of the crop's alternate bearing cycle. Consequently, official and private sources are conservatively forecasting MY 2002/03 production at 952,000 MT.

CROP AREA

Reportedly, the state of Michoacan accounts for 82 percent of the total planted area for avocados; the remaining 18 percent of planted area is scattered throughout twenty-eight

Mexican states. Private sources indicated that the area planted in Michoacan for MY 2002/03 increased 38 percent, due to the increase in both the number of U.S. states in which Mexican Hass avocados can be distributed as well as in the length of the shipping season. Official figures indicate that for MY2002/03 the total area planted is 99,354 Ha, 4.34 percent above the revised MY2001/02 figure.

The Michoacan nursery industry continues to supply breeding plants to other Mexican states. Currently, 16,480 hectares have been certified under the APHIS –administered export inspection program for shipping Mexican avocados to selected states of the United States. The Tancitaro municipality along with Uruapan, Salvador Escalante, Nuevo Parangaricutiro, Periban de Ramos and two new municipalities (Ario de Rosales and Taretan) comprise the total area in Michoacan authorized to export to the United States

For MY2003/04, the Michoacan State Health Committee, through the implementation of a pilot program, will propose to include in the list of authorized municipalities to export avocados to the US those areas located at a certain altitude and temperature, even though the entire municipality has not yet been approved. This geographical advantage has allowed producers to implement efficient phytosanitary control measures and completely eliminate the use of pesticides or other chemical agents.

INPUTS

Avocado production was generally profitable during MY 2001/02, due to acceptable domestic retail prices and a relatively stable cost of production. Growers pointed out that production costs vary depending on the inputs, type of land and technology used. According to industry sources, the total production cost per hectare for avocados in MY2001/02 was nearly 36,000 pesos (USD\$3,600) for an eight-year-old orchard with an average yield of 9-15MT/ha.

YIELDS

According to official sources, average yields for MY2002/03 are estimated to be about 9.8MT/ha. According to more recent official data, yield figures for MY2001/02 were revised downward to 10.01MT/Ha., 1.89 percent lower than the initial forecast of 10.2Mt/Ha

POLICY

Mexico has continued to implement its avocado phytosanitary requirements and procedures for the transportation of fresh avocado within the country. Recently, phytosanitary policies and measures have started to be more broadly implemented and applied among authorized packing companies. Moreover, producers are interested in knowing how phytosanitary measures can be applied in orchards. No further changes from *MX1188*.

CONSUMPTION

The vast majority of Mexico's avocado production continues to be consumed domestically. Fresh domestic consumption is forecast at 832,000 MT in MY 2002/03. The MY2001/02 figures for fresh and processing consumption were revised downward, due to smaller supplies and increased exports. Processing consumption was revised down from the previous forecast, due to an increase in fresh consumption and smaller supplies. The average per capita consumption in Mexico is about 10 kg. which is above the world average (3 to 5 kg). For MY2002/03, processing consumption is forecast to remain at the same levels, due to fresh consumption patterns and the prospect of increasing exports.

AVOCADO PRICES

WHOLESALE AVOCADO PRICES			
Month	2001	2002	Change %
January	11.36	5.20	(54)
February	11.05	5.41	(51)
March	11.32	6.35	(44)
April	12.00	6.79	(43)
May	13.10	6.70	(49)
June	13.32	8.62	(35)
July	10.55	11.53	9
August	6.88	11.23	63
September	7.15	9.91	39
October	6.12	8.11	33
November	5.59	8.05	44
December	5.33	N/A	N/A
Pesos/kilogram			

Source: Servicio Nacional de Informacion de Mercados
 2001 Exchange Rate Avg.: U.S.\$1.00 = 9.35 pesos
 December 6, 2002, exchange rate U.S. \$1.00 = 10.24 pesos

TRADE

Mexican avocado exports are forecast to reach 80,000 MT in MY2002/03, due to larger supplies and the expectation that average prices will prevail in the domestic market. Exports in MY2001/02 reached 71,621 MT, surpassing the initial estimate of 70,000 MT. This is attributable to more attractive prices in foreign markets, a large crop that allowed producers to meet both foreign and domestic demand, and low domestic prices in early 2002. The export market continues to be profitable to producers, according to official and private sources.

Private sources indicated that most of the Mexican Hass Avocado went to the United States, France and Japan. However, official data indicate a different distribution pattern within foreign markets, with Japan not even being listed among Mexico's main export markets. Reportedly, official and private avocado export data do not usually match with regard to export markets.

Currently, growers expect to export approximately 35,000 MT to the United States during the October-April 2002/03 season. The principal reason is that APHIS has approved approximately 16,480 hectares eligible to export to the 31 states now open to the Mexican crop. Officially, thirteen packers are considered eligible to export Mexican avocados to the United States under the APHIS export program.

APHIS EXPORT PROGRAM ELIGIBLE PACKERS EXPORT SEASON 2002/2003	
1	Agrícola Alex
2	Agrifrut SA de CV
3	Aguacates Peribán
4	Aguamich SA de CV
5	Avoperla SA de CV
6	Calavo de México SA de CV
7	El Durazno SA de CV
8	Fresh Directions Mexicana
9	Frutas Finas Gertrudis
10	Mission de México SA de CV
11	Grupo Corporativo Purépecha
12	Empacadora San Lorenzo
13	Vifrut SA de CV

Export prices in MY 2001/02 were approximately US\$22.50 per 11.3 kg (24.91 Lbs.). For MY2001/02, prices are expected to be between USD\$23.00 – 24.00 per 11.3 kg. box. Currently, in MY 2002/03, Michoacan producers are receiving USD\$0.10 more than the MY 2001/02 price, according to private sources. Prices are expected to be consistent with the historical average. However, this may change as lower-priced Chilean avocados enter the market and begin to aggressively compete with Mexican avocados. Chilean avocado production has been increasing, due to more trees coming into production. Chilean avocados also tend to compete with Mexican avocados toward the end of the marketing year, when supplies in Mexico are low and there can be some difficulties in meeting domestic demand. Nevertheless, Mexican producers are optimistic and confident about the state of their industry, based on the fact that avocados destined for export are of high quality, the geographic proximity of the United States, and that Mexico accounts for almost 45 percent of total world avocado production.

TRADE MATRIX

Exports for 2001 (Jan-Dec) to:		Imports for 2001 (Jan-Dec) from:	
U.S	29,914	U.S.	0
El Salvador	9,014		
France	8,259		
Canada	7,435		
Costa Rica	5,509		
Guatemala	4,413		
OTHER	7,077	OTHER	0
TOTAL	71,621	TOTAL	0

TRADE POLICY

Under NAFTA, fresh avocado imports (HS 08.04.40.01) from the United States are subject to a US\$0.0132/Kg duty for CY2002. The tariff will be phased out on January 1, 2003. Imported avocados are also subject to phytosanitary and sanitary inspections by SAGARPA.

On November 1, 2001, USDA/APHIS published in the U.S. Federal Register the "Mexican Avocado Import Program Final Rule," which increases both the number of states where Mexican Hass Avocados can be distributed as well as lengthens the shipping season. The shipping season length now lasts six months, from October 15 through April 15. Nevertheless, Mexican avocado producers, packers and exporters are looking forward to exporting to the entire fifty U.S. states. The avocado sector is financing research to scientifically demonstrate that the avocado is a natural non-host of the fruit fly pest, which is the main argument limiting the opening of the entire US market for Mexican avocados.

MARKETING

An industry-funded research and promotion program has been established for Hass avocados. On January 2, 2003, producers and importers started paying an initial assessment of 2.5 cents per pound on fresh Hass avocados produced in or imported into the United States. The program is intended to provide the Hass avocado industry with tools and funds to increase consumption. The Hass Avocado Board will be appointed by the Department of Agriculture to conduct promotion, research, industry information, and consumer information needed for the maintenance, expansion, and development of U.S. markets for Hass avocados.

The Mexican avocado industry continues to develop new alternative export markets with several EU countries. Recently, the Mexican Foreign Trade Bank (BANCOMEXT) and SAGARPA initiated an important campaign promoting avocado consumption to U.S. consumers which emphasizes the health and nutritional benefits of avocados.