“”“”

USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 4/29/2003

GAIN Report Number: MX3056

Mexico

Citrus

Semi-Annual

2003

Approved by:
David Williams
Mexico City

Prepared by:
Dulce Flores/Gabriel Hernandez

Report Highlights:
The fresh orange production forecast for marketing year 2002/03 remains unchanged at 3.6 MMT. Since the orange crop is expected to be down 200,000 MT from a year ago, with fresh orange prices subsequently higher, the fresh concentrate orange juice (FCOJ) industry is expected to reduce juice production to 15,000 MT for MY 2003. Therefore, exports of FCOJ will be lower and the U.S. FCOJ quota will likely not be filled.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
Mexico [MX1]
[MX]

Table of Contents

Section I. Situation and Outlook

The orange production forecast for MY 2002/03 remains as forecasted previously. Orange producers indicate that the crop is expected to be lower compared to the MY 2001/02 orange crop, but with expected higher prices. The forecast for MY 2003 frozen concentrate orange juice (FCOJ) production was revised downward, due to shorter supplies available for the industry and higher prices. This situation will reduce FCOJ exports to the point where the industry might not be able to fill the U.S. FCOJ quota.

Section II. Statistical Tables

PS&D Table, Fresh Oranges

PSD Table						
Country	Mexico					
Commodity	Fresh Oranges			(HECTARES)(1000 TREES)(1000 MT)		
	2000 Revised		2001 Estimate		2002 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	11/2000		11/2001		11/2002	
Area Planted	340805	340805	347000	347633	348000	347700
Area Harvested	324816	324816	328000	321871	320000	320000
Bearing Trees	65612	65612	66256	65018	64640	64640
Non-Bearing Trees	3230	3230	3838	5204	5656	5595
TOTAL No. Of Trees	68842	68842	70094	70222	70296	70235
Production	3885	3885	4000	3844	3600	3600
Imports	31	31	31	27	32	32
TOTAL SUPPLY	3916	3916	4031	3871	3632	3632
Exports	19	19	19	18	17	17
Fresh Dom. Consumption	3497	3497	3562	3353	3255	3465
Processing	400	400	450	500	360	150
TOTAL DISTRIBUTION	3916	3916	4031	3871	3632	3632

Trade Matrix Fresh Oranges

ORANGES	**H.S. 0805.1001**		**UNITS: METRIC TONS**
EXPORTS FOR MY 2002 TO:		IMPORTS FOR MY 2002 FROM:	
U.S.	17404	U.S.	27258
OTHER		OTHER	
JAPAN	251		0
CANADA	175		0
TOTAL OF OTHER	426	TOTAL OF OTHER	0
OTHER NOT LISTED	236	OTHER NOT LISTED	0
GRAND TOTAL	18066	GRAND TOTAL	27258

Source: Global Trade Information, World Trade Atlas, Mexico Edition, January 2003.
NOTE: THE MARKETING YEAR STARTS ON NOVEMBER AND ENDS ON OCTOBER.

Fresh Orange Prices

WHOLESALE ORANGE PRICES (PESOS / KG)			
Month	2002	2003	Change %
January	1.12	1.62	44.64
February	1.14	1.74	52.63
March	1.19	2.23	87.39
April	1.54	2.36*	53.25
May	2.47	N/A	N/A
June	3.30	N/A	N/A
July	4.01	N/A	N/A
August	4.05	N/A	N/A
September	3.54	N/A	N/A
October	1.69	N/A	N/A
November	1.71	N/A	N/A
December	1.59	N/A	N/A
SOURCE: Servicio Nacional de Informacion de Mercados AVR. EXCHANGE RATE FOR 2002 US$1.00 = $9.82 PESOS EXCHANGE RATE APRIL 21, 2003 US$1.00 = $10.62 PESOS * As of second week of April 2003.			

PS&D Table, Orange Juice

PSD Table						
Country	Mexico			Degrees Brix		
Commodity	Juice, Orange			(MT)		
	2000 Revised		2001 Estimate		2002 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	01/2001		01/2002		01/2003	
Deliv. To Processors	400	400	450	500	360	150
Beginning Stocks	3000	3000	3000	3000	3000	3000
Production	40500	40500	45000	50000	36000	15000
Imports	770	770	700	1000	700	1500
TOTAL SUPPLY	44270	44270	48700	54000	39700	19500
Exports	37900	37900	42350	47000	33350	13150
Domestic Consumption	3370	3370	3350	4000	3350	3350
Ending Stocks	3000	3000	3000	3000	3000	3000
TOTAL DISTRIBUTION	44270	44270	48700	54000	39700	19500

Trade Matrix, FCOJ

F.C.O.J.	**H.S. 2009.11**		**UNITS: LITERS**
EXPORTS FOR CY 2002 TO:		IMPORTS FOR CY 2002 FROM:	
U.S.	13361378	U.S.	238135
OTHER		OTHER	
JAPAN	2333299	BRAZIL	193281
NETHERLANDS	1724615	PUERTO RICO	12610
TOTAL OF OTHER	4057914	TOTAL OF OTHER	205891
OTHER NOT LISTED	5697511	OTHER NOT LISTED	7000
GRAND TOTAL	23116803	GRAND TOTAL	451026

F.C.O.J.	**H.S. 2009.11**		**UNITS: METRIC TONS**
EXPORTS FOR CY 2002 TO:		IMPORTS FOR CY 2002 FROM:	
U.S.	7620	U.S.	0
OTHER		OTHER	
NETHERLANDS	4568		0
GERMANY	2023		0
TOTAL OF OTHER	6591	TOTAL OF OTHER	0
OTHER NOT LISTED	3197	OTHER NOT LISTED	0
GRAND TOTAL	17408	GRAND TOTAL	0

Note: H.S. 2009 consolidates sub-fractions 1100 & 1101
Source: Global Trade Information, World Trade Atlas, Mexico Edition, January 2003.

Trade Matrix, Orange Juice Not Concentrated

ORANGE JUICE NOT CONCENTRATED	H.S. 2009.19		UNITS: LITERS
EXPORTS FOR CY 2002 TO:		IMPORTS FOR CY 2002 FROM:	
U.S.	6756213	U.S.	3951946
OTHER		OTHER	
ECUADOR	109188	SPAIN	189463
VENEZUELA	23349	CANADA	4745
TOTAL OF OTHER	132537	TOTAL OF OTHER	194208
OTHER NOT LISTED	18072	OTHER NOT LISTED	8302
GRAND TOTAL	6906822	GRAND TOTAL	4154456

ORANGE JUICE NOT CONCENTRATED		H.S. 2009.19	UNITS: METRIC TONS
EXPORTS FOR CY 2002 TO:		IMPORTS FOR CY 2002 FROM:	
U.S.	5680	U.S.	0
OTHER		OTHER	
VENEZUELA	45		0
ARUBA	20		0
TOTAL OF OTHER	65	TOTAL OF OTHER	0
OTHER NOT LISTED	53	OTHER NOT LISTED	0
GRAND TOTAL	5798	GRAND TOTAL	0

Note: H.S. 2009 consolidates sub-fractions 1900, 1901 & 1999
Source: Global Trade Information, World Trade Atlas, Mexico Edition, January 2003.

Section III. Narrative on Supply & Demand, Policy & Marketing

FRESH ORANGES

Production

The fresh orange production forecast for marketing year 2002/03 (November-October) remains unchanged at 3.6 MMT. The dry weather conditions that prevailed along the Gulf of Mexico affected overall citrus production for MY 2002/03, with the most affected product being oranges. Orange trees had fewer first and second blooms, resulting in lower volumes of oranges. According to producers, prices for oranges, therefore increased compared to MY 2001/02.

Citrus producers from the state of Nuevo Leon are organizing themselves to build a citrus clearance and quality control facility to help them become the main orange exporters of the country. This project is to include an office of plant health, a nursery, a laboratory for pest control, an irradiation treatment chamber, a packing plant and other related services and will be built over an area of 5.5 hectares (ha). This investment will take approximately three years to develop and will be done in several different stages.

Orange production for MY 2001/02 was also revised downward based on official data, due to the dry weather conditions that affected producing states. The third and fourth blooms, from April to August, were affected by dry weather conditions reducing production somewhat. The early variety (Marsh) of oranges from Nuevo Leon and Tamaulipas was slightly shorter than expected. Data for MY 2000/01 remains unchanged
Oranges destined for processing for MY 2001/02 were revised upward based on industry information, and MY 2002/03 were revised downward, due to lower supplies.

Revised area planted for MY 2002/03 is down from a year ago based on recent official information. Expansion in Veracruz has been almost completely offset by growers abandoning groves or switching to other crops, due to high production costs, wide swings in fresh orange prices, or marketing problems. Orange production increases in Nuevo Leon are more a result of tree density than of expansion in area planted. The rate of expansion of orange groves in other areas of the country has also been slow. Countrywide orange yields for MY 2002/03 are forecast at 11.2 MT/ha, lower compared to MY 2001/02 due to drier weather conditions. Area planted and harvested for MY 2001/02 has been updated to reflect recent official data. Area planted and harvested for MY 2000/01 remains unchanged.

Grower prices at the farm gate for MY 2002/03 began in October at 800 pesos/MT (US$79.20/MT) for the early varieties. Some producers indicated that by March 2003 producer prices in Nuevo Leon had increased to approximately 1,500 pesos/MT (US$138.88/MT) and 1,000 pesos/MT (US$92.60/MT) in the state of Veracruz. Transportation costs from Veracruz to Mexico City are usually 2,500 to 3,000 pesos per 10 MT (US$247.52 to $297.02 per 10 MT) for one-day delivery.

Consumption

The fresh orange consumption forecast for MY 2002/03 has been revised upward to 3.4 MMT, an increase compared to MY 2001/02 consumption, according to the industry. Final consumption estimates, however, will depend on the final volume purchased by the processing industry. The industry indicates that, despite the fact that international prices for juice concentrate are good, lower orange supplies and higher prices will decrease the volume of oranges for processing. The MY 2001/02 consumption estimate was revised downward, due to a stronger demand from the industry. The MY 2000/01 consumption estimate remain unchanged.

Orange prices for MY 2002/03 increased due to shorter supplies. During the first two weeks of October 2002, wholesale prices of new-crop Valencia oranges from Veracruz averaged 1.80 pesos/kg. (US$0.18/kg). By the month of March 2003, prices averaged 2.30 pesos/kg (US$0.21/kg). Most of the oranges in the fresh market are destined for domestic fresh squeezed juice.

Trade

The forecast for orange exports for MY 2002/03 remains unchanged, but final export figures will depend on the availability of supplies from California and Florida. Most of the oranges exported to the U.S. are from Sonora, which produces very good, high quality oranges. Mexico will continue to export processed oranges as peeled slices for fruit salads and other foods. According to growers, the international market is demanding more peeled fruit. Export estimates for oranges for MY 2001/02 were revised downward based on available export data. Export data for MY 2000/01 remain unchanged. The United States continues to be the largest export market for Mexican oranges. The MY 2002/03 forecast for orange imports remains unchanged. Imports continue to be small, due to available domestic orange supplies at affordable prices. Imports for MY 2001/02 were revised downward based on Mexican trade data. Orange imports for MY 2000/01 remain unchanged.

Marketing

The marketing situation for oranges and citrus fruit in general remains unchanged from FAS/Mexico's report MX 2162. U.S. citrus fruit exporters should be aware of the fact that the Mexican market is more price sensitive than quality sensitive. This is one of the main reasons for limited exports of U.S. citrus products. Despite the excellent quality, prices are 4 to 5 times higher than Mexican products. Some attempts have been made by U.S. firms to enter the market, but they have had limited success because of strategies emphasizing quality rather than price.

FROZEN CONCENTRATE ORANGE JUICE

Production

Frozen concentrate orange juice (FCOJ) production forecast for MY 2003 (January/December) was revised downward to 15,000 MT, based on industry information. According to the industry, lower orange supplies at high prices are forcing the industry to reduce FCOJ production drastically, even though international prices are still considered to be good. Juice production depends heavily on the international price of FCOJ, but this time the main factor was the shorter orange supply. FCOJ future contracts for CY 2003 are about US$0.71/lb to US$0.87/lb, compared to contracts for CY 2002 deliveries that were at US$0.80 to US$0.90/lb. The forecast for oranges for processing was subsequently revised downward to 150,000 MT. The FCOJ production estimate for MY 2002 was revised upward based on industry information. According to the industry, higher international prices encouraged the industry to produce more juice compared to MY 2001. Data for MY 2001 remains unchanged.

The industry bought fruit for MY 2003 at higher prices than it did in MY 2002. The industry bought fresh fruit on average from 600 to 900 pesos/MT (US$55.55 to $83.33/MT) during February/March 2003. Since the fresh market received higher prices due to shorter supplies, the processing industry had to pay higher prices. But this situation is not a profitable one, as it means smaller profit margins for the industry. Most of the oranges in the fresh market are destined for domestic fresh squeezed juice.

Consumption

FCOJ consumption for MY 2003 remains unchanged. The industry does not expect domestic consumption to increase dramatically because of the availability of fresh oranges in the domestic market and a lack of demand. Consumption estimates for MY 2002 were revised upward, due to the introduction of more orange-flavored beverages in the market. According to processors, there is usually about a 3,000 MT carryover of FCOJ from one year to the next.

Trade

The export forecast for FCOJ for MY 2003 was revised downward. Exports are expected to be lower because of a shorter availability of domestic oranges for processing. According to industry sources, if production is as low as expected, the U.S. quota will not be filled. Exports for MY 2002 were revised upward, based on industry information and good international demand. The United States is the main market for Mexican FCOJ, with Japan and European countries also becoming important markets for this product. The export estimates for MY 2001 remain unchanged. FCOJ imports for MY 2002 and 2003 were revised upward based on trade data and industry information. Most of the imported juice is used for mixing purposes at the plants; as a result, imports are a small percentage of total production. Import data for MY 2001 remains unchanged.

Other Citrus

Data for fresh citrus and grapefruit remain unchanged from annual report MX2162.