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Mexico

Tree Nuts

Annual Report

2005

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Report Highlights:

Mexican pecan nut production is projected to increase in 2006/07 due to the increase in area planted to pecan trees, as water shortages of the past few years have encouraged farmers to look for less water intensive crops, and because of strong demand and attractive prices for pecans over the past years. Exports are also projected to rise in 2006/07 as more trees come into production.

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

Table of Contents

Executive Summary3

Production3

Consumption4

Trade4

Stocks5

Marketing5

Tables6

Executive Summary

Pecan nuts are the principal tree nut crop grown in Mexico. The pecan tree is native to North America and is typically harvested from October to December. Most of Mexico's pecan nuts are grown in northern Mexico in the states of Chihuahua, Sonora, Coahuila, Nuevo Leon and Durango, where the weather is dry and cold during the winter months. Some plantings also exist in central Mexico. Chihuahua state has traditionally produced the largest volumes; moreover, newer areas in northern Mexico are increasing the proportion of total production grown in this region.

According to industry figures, the number of pecan growers in Mexico is currently estimated around 900. The number of commercially bearing pecan trees in Mexico is estimated at around 3.4 million, covering an area of about 62,809 hectares.

Mexico has been producing pecan nuts in commercial quantities since 1954, when approximately 2,600 MT were produced. Production has grown steadily over the years, reaching 68,279 MT in 2004/05, with exports comprising over 75 percent of total production.

Weather conditions have remained favorable for the 2005/06 crop, with recent months registering average rainfall. According to SAGARPA, production in 2004/05 was slightly affected by drought conditions that affected all of northern Mexico from the mid-nineties until last year. However, climatic data from SAGARPA shows key pecan nut growing areas have had average rainfall during the growing season of the 2005/06 crop. The Secretariat of Agriculture (SAGARPA) and industry sources report excellent soil moisture conditions and suggest that these favorable moisture conditions are likely to carry over into the 2006/07 crop.

Production

Area planted to pecan trees has increased considerably for 2004/05 and 2005/06 from our previous estimates and is expected to continue increasing in 2006/07. Many farmers throughout northern Mexico suffered from the effects of the drought years, and many fearing a continued drought, reverted to less water intensive crops. Pecan orchards attracted the interest of some of these farmers, because of the favorable yearly prices on the international and domestic market. Therefore, some farmers dedicated part of their land to growing pecans and other crops requiring less water than their traditional crops such as wheat, corn, and cotton. Area planted to pecans for 2006/07 is forecast at 64,256 ht. Our estimate for 2005/06 is revised upward 11.2 percent from our previous estimate and the estimate for 2004/05 is revised to reflect official data.

Post forecasts pecan nut production in 2006/07 to reach 69,500 MT in-shell basis, up slightly from the 68,800 MT estimate for the previous year and slightly over the 2004/05 crop of 68,279 MT. Improved soil moisture conditions associated with the dissipating drought are expected to result in yield increases, with an incremental increase in tree numbers also boosting production. For 2004/05, the production estimate has been revised upward reflecting official data.

Consumption

Domestic consumption is very price elastic. Consumption goes up when prices are low. Retail outlets, confectioners, bakeries and food processors are the largest consumers of Mexican grown pecans after the export market. There is also a significant informal market for in-shell pecans, especially during the Christmas holidays. Christmas is the most important consumption season for pecans.

Mexican pecan nut consumption for MY 2006 is projected at 32,000 MT, unchanged from our revised estimate of MY 2005 as the increased production estimated for MY 2005 and MY 2006 is expected to enter the export market. Official up-to-date statistics on pecan nut consumption are unavailable. Figures quoted by Post are derived from production and export numbers and commentary from producers and industry.

Trade

Exports

Due to increased planted area and new trees that went into production for 2004/05, and the new trees coming into production for 2005/06, in addition to the expected increase of new trees in 2006/07, post is forecasting total pecan nut exports for 2006/07 at 52,500 MT, slightly up from the previous year's estimate. The increase in forecast production is expected to drive exports higher. Excellent growth potential for exports to markets such as Japan and Europe may divert tonnages to these destinations at the expense of the United States, which has been Mexico's traditional market since Mexico began producing pecans commercially.

Total pecan exports for 2005/06 are estimated at 51,800 MT, up 11.4 percent from post's previous estimate due to the relatively high production and strong international demand. Total pecan exports for 2004/05 are estimated at 51,796 MT, a 12 increase from post's previous estimate. This increase is consistent with year-to-date SAGARPA export data. Again, high production and international demand were the major drivers of the increase in exports.

Imports

Due to Mexico's increased production of pecan nuts for 2004/05, 2005/06 and the expected increase for 2006/07, total imports of pecan nuts from Mexico's only supplier, the United States, is forecast to continue unchanged for 2006/07 from the previous year's revised estimate. Imports for 2005/06 are revised downward much for the same reason as above. Imports for 2004/05 are revised downward reflecting official data.

Prices

The price Mexican farmers receive for their Pecans is a function of the U.S. market. If supply is tight in the U.S. market, prices will be high in the Mexican market.

The price the farmer receives from pecan shellers is based on the percent of kernel of the pecan. Improved varieties such as the Western, which have around 55 percent kernel, receive a premium price, while native varieties, which have around 40 percent kernel, receive a lower price. Most of the pecans grown in northern Mexico are of the Western and Wichita varieties.

The average price paid for Mexican pecans in 2004/05 was US\$2.78/kg., in-shell basis and US\$5.08/kg., shelled basis.

Stocks

For the most part there have been no stocks at the end of the marketing year because the price of pecans was high enough to clear the market. Also, there are not enough cold storage warehouses to store a significant amount of pecans. Because of this lack of storage,

the market for pecans is saturated at production time (October through December) and short of pecans later in the year.

Marketing

U.S. tree nut exporters, new to the Mexican market, are encouraged to contact the following trade organizations for further market information.

<p>THE U.S. AGRICULTURAL TRADE OFFICE BRUCE ZANIN, DIRECTOR JAIME BALMES NO. 8 - 2ND. FLOOR 11510 MEXICO, D.F. PH. (525) 280-5291/5276; FAX. (525) 281-6093 bruce.zanin@usda.gov.</p>
<p>ASOCIACION NACIONAL DE FABRICANTES DE CHOCOLATES, DULCES Y SIMILARES, A.C. (NATIONAL ASSOCIATION OF MANUFACTURERS OF CHOCOLATES, CANDY AND SIMILARS) MANUEL MARIA CONTRERAS NO. 133-301 COL. CUAUHTEMOC, MEXICO 06500, D.F. PH. (525) 5546-1259, 5546-0974; FAX. (525) 5592-2497</p>
<p>CAMARA NACIONAL DE INDUSTRIA PANIFICADORA Y SIMILARES (CANAINPA) (NATIONAL CHAMBER OF THE BAKING AND CONFECTIONARY INDUSTRY) DR. LICEAGA NO. 96 COL. DOCTORES, MEXICO 06720, D.F. PH. (525) 5578-9277, 5578-9288; FAX. (525) 5761-8924</p>
<p>CAMARA NACIONAL DE LA INDUSTRIA DE TRANSFORMACION (CANACINTRA) (NATIONAL CHAMBER OF THE TRANSFORMATION INDUSTRY) SAN ANTONIO NO. 256 COL. AMPLIACION NAPOLES MEXICO 03849, D.F. PH. (525) 5563-3400, 5563-3000; FAX. (525) 5598-9467</p>
<p>ASOCIACION NACIONAL DE TIENDAS DE AUTOSERVICIO Y DEPARTAMENTALES, A.C. (ANTAD) (NATIONAL ASSOCIATION OF SUPERMARKETS AND DEPARTMENT STORES) AV. HORACIO 1855, 6TH FLOOR COL. CHAPULTEPEC MORALES 11570 MEXICO, D.F. (525) 5580-1772; FAX. (525) 5395-2610</p>

Tables

PS&D, Pecans, In-shell Basis

(Hectares, Metric Tons, Trees)

PSD Table						
Country	Mexico					
Commodity	Pecan, In-shell basis					
	2004		2005		2006	
	Old	New	Old	New	Old	New
Market Year Begin	10/04		10/05		10/06	
Area Planted	56165	61168	56500	62809		64256
Area Harvested	53545	58111	55000	60800		61500
Bearing Trees	3250000	3250000	3300000	3300000		3350000
Non-Bearing Trees	140000	144000	140000	145000		148000
Total Trees	3390000	3394000	3440000	3445000		3498000
Beginning Stocks	0	0	0	0		0
Production	66000	68279	68000	68800		69500
Imports	16000	14788	16000	15000		15000
TOTAL SUPPLY	82000	83067	84000	83800		84500
Exports	46215	51796	46500	51800		52500
Domestic Consumption	35785	31271	37500	32000		32000
Ending Stocks	0	0	0	0		0
TOTAL DISTRIBUTION	82000	83067	84000	83800		84500

Note: Conversion factor used from shelled to in-shell basis, 2.00

Trade Matrix

Pecans, In Shell			UNITS: Metric Tons		
Exports to:	2004	2005*	Imports to:	2004	2005*
U.S.	31468	5259	U.S.	14492	4483
Others not listed	0	0	Others not listed	0	0
Grand Total	31468	5259	Grand Total	14492	4483

Pecans, Shelled			UNITS: Metric Tons		
Exports to:	2004	2005*	Imports to:	2004	2005*
U.S.	10164	7294	U.S.	148	107
Others not listed	0	0	Others not listed	0	0
Grand Total	10164	7294	Grand Total	148	107

SOURCE: US Trade Data from Customs

NOTE: * Indicates that figures are fro January thru May