



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

**Date:** 11/30/2006

**GAIN Report Number:** MX6101

## Mexico

## Avocado

## Annual Report

## 2006

**Approved by:**

Suzanne Heinen

U.S. Embassy Mexico City

**Prepared by:**

Gabriel Hernandez

---

**Report Highlights:**

Mexican avocado production for MY 2006/07 is expected to reach a record 1.05 million metric tons (MMT). Hass exports for the same period are expected to reach 248,000 MT, of which approximately 150,000 MT will be exported to the United States in light of the year-round market opening of 50 U.S. States. Exports of California Hass avocados to Mexico are forecast at 1,300 MT.

---

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

## PS&amp;D TABLE

PSD Table									
Country Mexico									
Commodity Avocados, Fresh (HECTARES)(1000 TREES)(MT)									
	2004 Revised			2005 Estimate			2006 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		08/2004	08/2004		08/2005	08/2005		08/2006	08/2006
Area Planted	102,627	102,627	102,627	111,834	111,834	112,381	0	0	112,700
Area Harvested	98,330	98,330	98,330	100,000	100,000	103,318	0	0	110,000
Bearing Trees	0	0	0	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0	0	0	0
Total No. Of Trees	0	0	0	0	0	0	0	0	0
Production	934,282	934,282	934,282	1,000,000	1,000,000	1,016,594	0	0	1,050,000
Imports	226	0	226	250	0	1,309	0	0	1,300
Total Supply	934,508	934,282	934,508	1,000,250	1,000,000	1,017,903	0	0	1,051,300
Exports, Fresh	180,165	133,856	180,165	250,000	160,000	228,000	0	0	248,000
Fresh Dom. Consumption	729,343	775,426	729,343	720,250	800,000	754,903	0	0	763,000
For Processing	25,000	25,000	25,000	30,000	40,000	35,000	0	0	40,300
Total Distribution	934,508	934,282	934,508	1,000,250	1,000,000	1,017,903	0	0	1,051,300

## PRODUCTION

For MY 2006/07, Mexican avocado production is forecast at 1.05 million metric tons (MMT), slightly up from the 1.02 MMT record level reached in MY 2005/06. This forecast assumes favorable weather conditions, good residual humidity in production soils after ample rains during the wet season, continued implementation of phytosanitary programs which have successfully controlled pests, and more young trees coming into full bearing.

Due to the fair weather conditions that characterized MY 2005/06, production is estimated at 1,016,594 MT, 3.29 percent higher than the initial forecast. Ample rains previous to the blooming stage, combined with the high year of the alternate bearing cycle, contributed to the increase in production. Moreover, the cessation of the producers' practice of harvesting only 2 MT per hectare has also contributed to the high production level. MY 2004/05 figures remain unchanged and reflect official data.

Michoacan continues to be the main avocado producing state in Mexico, accounting for roughly 88 percent of total production, followed by the states of Mexico, Morelos, and Nayarit.

## CROP AREA

The official forecast for total national area planted for MY 2006/07 is 112,700 hectares, slightly up from the revised MY 2005/06 planted area estimate. In recent years, planted area has increased because there is greater international demand for high-quality Mexican Hass avocados. In addition, the APHIS list of authorized pest-free municipalities in Michoacan continues to grow. These additions prompted avocado growers to increase their production areas in MY 2005/06. State authorities confirm that Michoacan boasts roughly 90,000 hectares devoted to Hass avocado production. Michoacan's neighboring states, specifically Jalisco and Mexico, have also increased their planted area. According to industry sources, growers of avocado plants in Michoacan nurseries are focusing their expansion efforts on the untapped markets in those states. Area planted for MY 2004/05 remains unchanged.

Currently, the APHIS-administered export inspection program has certified 39,989 hectares of avocado orchards. This figure actually exceeds the number of certified hectares agreed upon in the work plan. This program, signed on September 14, 2005, allows for Mexican avocados, which are produced in authorized orchards, to be shipped to 47 of the 50 U.S. states. The work plan calls for the semi-annual surveillance of listed municipalities, once in the dry season, and again during the wet season. Furthermore, the work plan allows for the inspection of proposed areas, in conjunction with the surveillance applied to certified areas.

Michoacan is the only state in Mexico that is allowed to export avocados to the United States. Within Michoacan, the only municipalities that have been certified by APHIS to export are Acuitzio, Tancitaro, Uruapan, Tingüindin, Salvador Escalante, Nuevo Parangaricutiro, Periban de Ramos, Ario de Rosales, Los Reyes, Apatzingan, Taretan, and Tacambaro.

Producers from the neighboring states of Mexico and Jalisco continue the implementation of phytosanitary and good agricultural practices programs in their avocado producing areas in the hopes of eventual certification to export to the United States. However, their primary objective in the short-term is to grow and solidify their market share in the Central American and the emerging European markets by promoting the quality of Mexican produce. For the most part, their growing practices are similar to those used in the state of Michoacan.

Although the majority of avocado exports are destined for the U.S., other markets including Japan, Canada, France, and El Salvador are also significant. Unlike the U.S., these markets do not require APHIS accreditation. However the GOM requires that all avocado producers, processors, and shippers meet strict phytosanitary requirements, as established by the Secretariat of Agriculture, Livestock, Rural Development, Fishery and Food (SAGARPA).

## INPUTS

The production of Mexican Hass avocados has been a profitable activity, despite the relatively high cost of production, due to high domestic retail prices and increased exports. For MY 2006/07, the cost of production is expected to be similar to MY 2005/06. Latest information indicates that the cost of production per hectare with natural residue water table irrigation was between \$47,000–\$50,000 pesos (USD \$4,331-\$4,608), while costs for orchards with assisted fertilization-irrigation was between \$56,000-\$59,000 pesos (USD \$5,161-\$5,437) per hectare. Over the past several years many producers have implemented SAGARPA's non-mandatory food safety program recommendations. Even when these practices have slightly increased the production costs, the majority of avocado farmers in Mexico have implemented the recommended measures because they are aware that such practices elevate the image of Mexican avocados as a sanitary product in foreign markets. Producers consider these practices as a medium-long term investment.

## YIELDS

Official data reveals that average yields for MY 2006/07 are forecast at 9.55 MT/ha., primarily due to favorable weather conditions and good agricultural practices. MY 2005/06 yield figures were revised slightly downward to 9.84 MT/ha, upon the recent publication of official data. MY 2004/05 remained unchanged at 9.5 MT/ha.

## POLICY

Mexico continues to successfully implement phytosanitary requirements and good manufacturing practices for the transportation of fresh avocados within the country (see MX2080). Unofficial reports from one state official indicate that the vast majority of Michoacan producers and packers have implemented SAGARPA's recommended good manufacturing practices in order to guarantee the distribution of high quality produce in international and domestic markets.

## CONSUMPTION

Fresh domestic consumption in MY 2006/07 is forecast at 763,000 MT, a 1.07 percent increase over MY 2005/06. This increase in consumption can be attributed to the fact that producers and packers are now marketing export quality produce, at competitive prices, to the domestic market. In fact, the vast majority of Mexico's avocado production continues to be consumed domestically. Avocado is a staple food in most Mexican households, and is usually consumed fresh, or as a main ingredient in homemade guacamole. Fresh domestic consumption figures for MY 2005/06 and MY 2004/05 were revised downward due to increased exports. However, both figures are still higher than historic levels.

Avocado consumption by the processing industry is forecast at 40,300 MT in MY 2006/07. Though data on avocado consumption by the processing industry is either proprietary, or does not exist, industry representatives indicated that it may be up by as much as 15 percent over MY 2005/06. This increase in consumption is mainly due to increased demand from the U.S. Anglo and Hispanic sectors. The recent Mexican border opening for the Californian Hass avocados could attract investments in processing plants on the Mexican border, thus taking advantage of lower cost labor on the Mexican side (See Trade Section). Furthermore, because of the successful promotion of Mexican cuisine around the world, the consumption of guacamole is expected to maintain the same levels of MY 2005/06 during the key selling periods such as Cinco de Mayo, Memorial Day, and the Superbowl.

State and private sources indicate that despite record exports, domestic consumption will not be affected. Increased output, and new orchards coming into production, will allow producers and exporters to adequately meet both domestic and international demand. The MY 2005/06 figures for processing consumption were revised downward, due to increased exports. MY 2004/05 figures remained unchanged. Total average annual per capita consumption in Mexico is estimated around 9 kg.

## AVOCADO PRICES

MY 2006/07 export prices are expected to be less attractive for exporting producers than those of MY 2005/06. This price decline is mainly attributable to a more aggressive market strategy from third country producers, specifically from Chile and New Zealand, to cover the U.S. market with lower-price produce. Export prices in MY 2005/06 were roughly U.S. \$22.25- \$24.25 per 11.3 kg (25 lbs) box. As of November 2006, wholesale domestic prices during CY 2006 have been set between U.S. \$16.31-\$35.00 per 17 kg (37.4 lbs) box. Wholesale domestic prices for CY 2005 were between U.S. \$15.99-\$27.08 per 17 kg (37.4 lbs) box. It is expected that wholesale domestic prices during CY 2007 will remain about the same as CY 2006.

WHOLESALE AVOCADO PRICES			
Month	2005	2006	Change %
January	10.16	10.41	2.46

February	10.57	11.00	4.07
March	13.43	12.03	(10.42)
April	16.54	14.41	(12.88)
May	15.34	15.40	0.39
June	25.83	15.51	(39.95)
July	25.18	18.31	(27.28)
August	18.94	22.34	17.95
September	13.75	15.97	16.15
October	10.64	12.88	21.05
November	9.98	11.42 <sup>①</sup>	14.43
December	9.86	N/A	N/A
Pesos/kilogram			
Source: Servicio Nacional de Informacion de Mercados			
2005 Exchange Rate Avg.: U.S.\$ 1.00 = \$ 10.90 pesos			
November 16, 2006 exchange rate U.S. \$ 1.00 = \$ 10.85 pesos			
① As of third week of November			

## TRADE

Mexican avocado exports are forecast to reach a record level of 248,000 MT in MY 2006/07, a nearly 9-percent increase over the MY 2005/06 figure. This increase is due to greater output, and, as of February 1, 2007, year-round market access to all 50 U.S. States. Reportedly, producers and packers had been concerned for some time that open access to the U.S. market might lead to market saturation, and eventual downward pressure on prices. In order to avoid such a situation, producers and packers have worked together to limit their exports by harvesting only 2 MT/hectare. Nowadays, in light of the year-round U.S. market opening, producers suspended this practice, but only to the extent to which they are still able to avoid market saturation. Michoacan growers currently have the capacity to harvest 10-15 MT/ha if there is no threat of market saturation. Growers and packers have forecast MY 2006/07 avocado exports to the United States at 150,000 MT. Exports to the U.S. in MY 2005/06 were 130,000 MT, while exports in MY 2004/05 were only 112,000 MT.

As of January 31, 2005, Mexican Hass avocados were granted access to all U.S. states except California, Florida, and Hawaii, on a year-round basis. On February 1, 2007, Mexican Hass avocados will be allowed into all 50 states on a year-round basis. This policy change was made in a USDA amended regulation, and was established in a final rule published in the Federal Register on November 30, 2004 (69 FR 69747–69774, Docket No. 03–022–5). Twenty-six packers are officially eligible to export Mexican avocados to the United States under the APHIS export program. Currently, most of the exports to the United States are shipped by land, but Mexican authorities are hoping to reach an agreement with APHIS in order to be able to send avocados by ship in wooden pallets to the U.S. Pacific, Gulf of Mexico and Atlantic ports.

Overall, export figures for MY 2005/06 were revised upward to 228,000 MT to all export markets. These higher-than-expected export numbers are due to the greater demand from international markets. To this end, growers ceased restrictive harvesting practices once the U.S. market opened up in January of 2005. MY 2004/05 export figures were revised upward due to more recent accurate official data.

According to both official and private sources, the export market continues to be profitable to producers, but the domestic market still represents the main business platform for most Mexican avocado farmers. Official data indicates that Mexican avocados were exported mainly to the United States, Japan, Canada, France, and El Salvador. The exports to Japan and the EU represent a strategic market niche for producers and packers since these markets pay relatively higher prices and represent an untapped market.

On September 14, 2005, USDA and SAGARPA signed a work plan to allow access for U.S. Hass avocados into Mexico. For the first 12 months of the work plan, avocados may be distributed to all states, except for Michoacan, Jalisco, Morelos, Puebla, and Nayarit. After 12 months, U.S. avocados may be distributed to all Mexican states. Most industry representatives do not expect fresh U.S. avocados to be highly competitive in the Mexican market, mainly because it will be hard for U.S. producers to compete on a price basis and because U.S. avocados would be used essentially for making guacamole for the U.S. Anglo and Hispanic population. Reportedly, Mexico will be importing California avocados for processing and eventual export to the U.S., targeting the above-mentioned population. Mexican imports for MY2006/07 are forecast to be similar to those of MY 2005/06 at 1,300 MT.

### TRADE MATRIX

AVOCADO		H.S. 0804.40		UNITS: MT	
EXPORTS FOR (JAN-DEC) TO:					
CY 2005			CY 2006 <sup>Ⓣ</sup>		
U.S.	145,039	U.S.	76,348		
FRANCE	13,667	JAPAN	21,534		
EL SALVADOR	9,063	CANADA	11,363		
CANADA	17,469	FRANCE	6,117		
JAPAN	26,459	EL SALVADOR	6,066		
OTHER	17,398	OTHER	14,571		
TOTAL	229,095	TOTAL	135,999		

AVOCADO		H.S. 0804.40		UNITS: MT	
IMPORTS FOR (JAN-DEC) FROM:					
CY 2005			CY 2006 <sup>Ⓣ</sup>		
U.S.	N/A	U.S.	2,098		
OTHER	N/A	OTHER	0		
TOTAL	N/A	TOTAL	2,098		

Source: World Trade Atlas, Mexico Edition.

<sup>Ⓣ</sup> As of August 2006.

### TRADE POLICY

Currently, Mexican fresh Hass avocados entering the United States are not subject to a duty, but are compelled to pay a fee of 2.5 cents per pound for promotional purposes (see Marketing section).

Fresh avocado imports (HS 08.04.40.01) from the United States are also not subject to a duty, but are subject to phytosanitary and sanitary inspections by SAGARPA.

### MARKETING

In light of the complete opening of the U.S. market, the Michoacan Avocado Producers and Exporters Association (APEAM) is sponsoring campaigns with radio ads in Spanish and English to promote consumption in those U.S. areas with a representative Hispanic population, especially in Texas, Denver, Chicago and New York. Currently, the order assessment of 2.5 cents per pound, to finance promotion, research, consumer information,

and industry programs, is levied on fresh Hass avocados, produced or imported into the United States for fresh consumption.