



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 11/30/2007

GAIN Report Number: MX7084

Mexico

Avocado

Annual

2007

Approved by:

Suzanne E. Heinen
U.S. Embassy

Prepared by:

Gabriel Hernandez

Report Highlights:

Mexican Hass avocado production for MY 2007/08 is expected to reach a record 1.10 million metric tons (MMT). Hass exports are expected to reach 300,000 MT, of which approximately 200,000 MT will be exported to the United States as a result of the recent complete market opening. Exports of California Hass avocados to Mexico are forecast at 1,000 MT.

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

Table of Contents

PRODUCTION..... 3
CROP AREA 3
INPUTS 4
YIELDS 4
POLICY 4
CONSUMPTION..... 5
AVOCADO PRICES 5
TRADE 6
TRADE MATRIX 7
TRADE POLICY 8
MARKETING 8

PSD Table									
Country	Mexico								
Commodity	Avocados, Fresh								
	2005			2006			2007		
	USDA Official	Revised Post Estimate	Post Estimate New	USDA Official	Estimate Post Estimate	Post Estimate New	USDA Official	Forecast Post Estimate	Post Estimate New
Market Year Begin	08/2005			08/2006			08/2007		
Area Planted	112,381	112,381	112,381	112,700	112,700	112,770	0	0	117,000
Area Harvested	103,318	103,318	103,318	110,000	110,000	103,436	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	1,016,594	1,016,594	1,016,594	1,050,000	1,050,000	1,072,063	0	0	1,100,000
Imports	1,309	1,309	1,309	1,300	1,300	897	0	0	900
Total Supply	1,017,903	1,017,903	1,017,903	1,051,300	1,051,300	1,072,960	0	0	1,100,900
Exports, Fresh	228,000	228,000	228,000	248,000	248,000	270,541	0	0	300,000
Fresh Dom. Consumption	754,903	754,903	754,903	763,000	763,000	763,000	0	0	765,000
For Processing	35,000	35,000	35,000	40,300	40,300	39,419	0	0	35,900
Total Distribution	1,017,903	1,017,903	1,017,903	1,051,300	1,051,300	1,072,960	0	0	1,100,900

PRODUCTION

For MY 2007/08, Mexican Hass avocado production is forecast at 1.10 million metric tons (MMT) —2.61 percent up from the 1.07 MMT record level reached in MY 2006/07— due to the producer's expectation of increasing harvested acreage with younger trees coming into full bearing. Also, assuming the prevalence of favorable weather conditions through out the year, good residual humidity during the wet season, and continued implementation of phytosanitary programs to control pests, production should continue to grow. Even though there is the potential prevalence of harsh weather conditions in Michoacan — during late 2007 and early 2008 — producers are confident the blooming stages on bearing trees will not be significantly impacted. Producers continue to apply the best agricultural practices to ensure the quality and food safety of avocado, either for export or for supplying the domestic market. Along with these practices, there is the projected implementation of an aerial aspersion (fumigation) program intended to ease the maintenance of the avocado orchards, which would result in healthier trees with increased yields.

Due to excellent weather conditions during MY 2006/07, production was revised to 1,072,063 MT, 2.10 percent higher than the initial forecast. Ample rains, previous to the blooming stage, combined with beneficial weather contributed to the increased production. Reportedly, the cessation of the producers' practice of harvesting only 2 MT per hectare also contributed to the high production level. MY 2005/06 figures remain unchanged and reflect official data.

Michoacan, which is the world leader in production and exports, accounts for roughly 88 percent of total production followed by the states: Mexico, Morelos, Puebla, and Nayarit.

CROP AREA

The official forecast for total national area planted for MY 2007/08 is 117,283 hectares, slightly up from the revised MY 2006/07 planted area estimate. In recent years, planted area has increased because there is greater international demand for high-quality Mexican Hass avocados. Simultaneously, the APHIS list of authorized pest-free municipalities in

Michoacan continues to grow. At this stage, 14 Michoacan municipalities are certified to export to the U.S., and it is expected that two more will be certified in the near future. State authorities confirm that Michoacan has devoted roughly 98,000 hectares to Hass avocado production. Michoacan's neighboring states, specifically Jalisco and Mexico, have also increased their planted area. According to state government sources, growers of avocado plants in Michoacan nurseries are focusing their expansion efforts on the untapped markets in other states and not in Michoacan. Area planted for MY 2005/06 remains unchanged.

Currently, the APHIS-administered export inspection program has certified 40,266 hectares in 5,293 certified avocado orchards. 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, Tacambaro, and Tingambato y Madero. Cotija and Tangamandapio are two other municipalities that are in the process of being certified.

Producers from the neighboring states of Mexico and Jalisco continue to implement phytosanitary and good agricultural practices in their avocado producing areas in the hopes of eventual certification to export to the United States. However, their primary short-term objective is to grow and solidify their market share in the Central American and 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.

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 2007/08, the cost of production is expected to be similar to MY 2006/07. The latest information indicates that the cost of production per hectare with natural residue water table irrigation was between \$49,000–\$52,000 pesos (USD \$4,599-\$4,881) while the costs for orchards with assisted fertilization-irrigation was between \$58,000-\$61,000 pesos (USD \$5,443-\$5,725) per hectare. Over the past several years, many producers have implemented SAGARPA's non-mandatory food safety program recommendations. Even though these practices have slightly increased 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 a medium-long term investment.

YIELDS

Official data reveals average yields for MY 2007/08 are forecast to be above 10.0 MT/ha. MY 2006/07 yield figures were revised upward to 10.36 MT/ha as a result of the recent publication of official data. MY 2005/06 remained unchanged at 9.83 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 state officials 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.

In early 2007, the armored scaled insect was discovered aboard shipments of Mexican avocados bound for California. The California Avocado Commission (CAC) argued that the armored scale found on Mexican avocados was an invasive pest, but USDA/APHIS did not agree with this statement. On September 2007, CAC finally accepted USDA/APHIS's decision that armored scales on fruit for consumption do not pose a significant risk to U.S. agriculture. Thus, CAC desisted from the legal action previously taken against USDA. In the same vein, the U.S. government, which implements a strict surveillance program on imported products entering its territory, announced that current federal regulations regulating the import of Mexican Hass avocado would not be modified.

CONSUMPTION

Fresh domestic consumption in MY 2007/08 is forecast at 765,000 MT, a 0.26 percent increase over MY 2006/07. This slight increase in sustained consumption can be attributed to the fact that producers and packers continue marketing export quality produce to the international market without disregarding 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 2006/07 were kept unchanged despite the augmented domestic prices due mainly to increased exports. MY 2005/06 showed no further changes than those previously reported.

Avocado consumption by the processing industry is forecast at 36,000 MT for MY 2007/08. Though data on avocado consumption by the processing industry is either proprietary, or does not exist, industry representatives indicate that it may be down 8.67 percent compared to MY 2006/07. Despite the fact that developing new market niches (related to extraction and export of avocado oil for the cosmetic industry) is on the up swing, the export of fresh avocados continues to drive producers due to attractive profits. However, close competition from fresh-produce exporting countries continues to entice producers to extract and export avocado oil products.

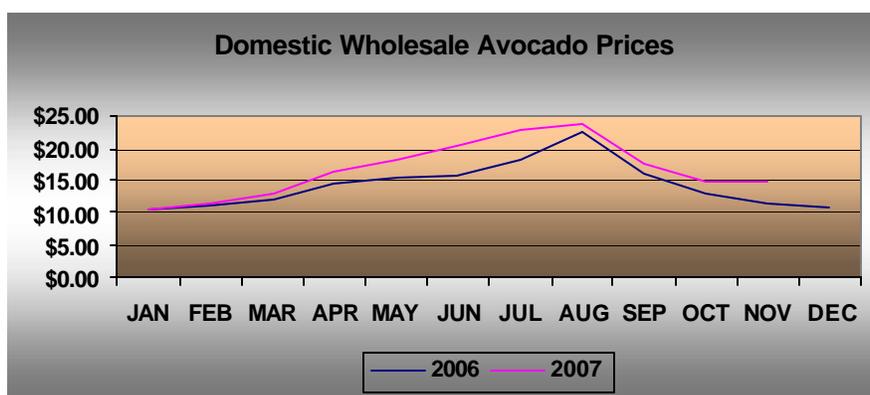
In line with the previous season, state and private sources indicate that despite record exports, domestic consumption will not be affected. Increased output, new orchards coming into production, and an increased number of certified municipalities will allow producers and exporters to adequately meet both domestic and international demand. However, MY 2006/07 figures for processing consumption were revised downward, due to increased exports. MY 2005/06 figures remain unchanged. Total average annual per capita consumption in Mexico is estimated between 9-10 kg.

AVOCADO PRICES

MY 2007/08 export prices are expected to be more attractive than MY 2006/07 for exporting producers. This price increase is mainly attributable to the latest crop damage in Chile, due to freezing temperatures, and the Southern California acreage wildfires, which have resulted in a 10 percent crop loss. Reportedly, both problems enticed authorized Mexican packers to increase exports. Thus, domestic prices will be higher than MY 2006/07. Typically, Mexico uses three different box sizes depending on the market and the size of the avocado. Export prices in MY 2006/07 were roughly U.S. \$24.03-\$26.81 per 11.3 kg (25 lbs) box. As of October 2007, wholesale domestic prices during CY 2007 have ranged between U.S. \$12.84-\$38.53 per 15 kg (33.08 lbs) box. Wholesale domestic prices for CY 2006 were between U.S. \$16.31-\$35.00 per 17 kg (37.4 lbs) box.

WHOLESALE AVOCADO PRICES		Pesos/kilograms	
Month	2006	2007	Change %
January	10.41	10.40	(0.10)
February	11.00	11.56	5.09
March	12.03	12.93	7.48
April	14.41	16.25	12.77
May	15.40	18.04	17.14
June	15.51	20.56	32.56
July	18.31	22.73	24.14
August	22.34	23.68	6.00
September	15.97	17.73	11.02
October	12.88	14.52	12.73
November	11.27	14.53	① 28.93
December	10.67	N/A	N/A

Source: Servicio Nacional de Informacion de Mercados
2006 Exchange Rate Avg.: U.S.\$ 1.00 = \$ 10.90 pesos
November 14, 2006 exchange rate U.S. \$ 1.00 = \$ 10.89 pesos
① As of third week of November



TRADE

Mexican avocado exports are forecast to reach a record 300,000 MT in MY 2007/08, a nearly 11 percent increase over the MY 2006/07 figure. This increase is due to a combination of factors, including; 1) year-round market access to all 50 U.S. states, 2) the decrease in Chilean production as well as a recent freeze, and 3) recent wildfires in southern California that destroyed approximately 10 percent of the current crop. 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 limited their exports by harvesting only 2 MT/hectare. However, producers have 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 2007/08 avocado exports to the United States at 200,000 MT. Exports to the U.S. in MY 2006/07 were 166,830 MT, while exports in MY 2005/06 were 129,482 MT.

As of January 31, 2005, Mexican Hass avocados were granted access to all U.S. states except California, Florida, and Hawaii. On February 1, 2007, Mexican Hass avocados were allowed access into all 50 states on a year-round basis. Currently, 25 packers are officially eligible to export Mexican avocados to the United States under the APHIS export program. The main destinations for Mexican Hass avocados within the United States are: Texas, Illinois, New

York, Georgia, Colorado, Arizona, Washington, Massachusetts, Maryland, Indiana, Minnesota, Kansas, Oregon, North Carolina, and Florida.

Export figures for MY 2006/07 were revised upward to 270,541 MT due to increased export markets. These higher-than-expected export numbers are due to greater demand from international markets. To this end, growers ceased restrictive harvesting practices once the U.S. market opened January 2005. MY 2005/06 export figures remain unchanged.

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.

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, and El Salvador. Exports to Japan and the EU continue to represent a strategic market niche for producers and packers.

In September 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 were allowed to export to all states except: Michoacan, Jalisco, Morelos, Puebla, and Nayarit. In September 2006, U.S. avocados were officially allowed to export to all Mexican states, but exports to the non-border states is minimal. Reportedly, Mexico will be importing California avocados for processing and eventual re-export to the United States. As a result, Mexican imports for MY2007/08 are forecast to be slightly up from those of MY 2006/07 at 1,000 MT. MY 2006/07 imports were revised downward to 897 MT due to ample domestic supplies. MY 2005/06 figures remain unchanged.

TRADE MATRIX

AVOCADO	H.S. 0804.40	UNITS: MT	
EXPORTS FOR (JAN-DEC) TO:			
CY 2006		CY 2007 ^①	
U.S.	118,809	U.S.	138,014
JAPAN	28,807	JAPAN	16,479
CANADA	17,148	CANADA	12,111
EL SALVADOR	10,965	EL SALVADOR	5,151
OTHER	32,617	OTHER	14,340
TOTAL	208,346	TOTAL	186,095

AVOCADO	H.S. 0804.40	UNITS: MT	
IMPORTS FOR (JAN-DEC) FROM:			
CY 2006		CY 2007 ^①	
U.S.	2,114	U.S.	91
OTHER	0	OTHER	0
TOTAL	2,114	TOTAL	91

Source: World Trade Atlas, Mexico Edition.

^① As of July 2007.

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

Under the Hass Avocado Promotion, Research and Information Order, an assessment of 2.5 cents per pound is levied on fresh Hass avocados imported into the United States, and is used to finance promotion, research, consumer information, and industry programs. Mexico does not assess a charge against U.S. avocados.