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Mexico

Avocado

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Report Highlights:

Mexican avocado production for MY 2004/05 is forecast at 1.03 million metric tons (MMT), due to favorable weather conditions and good yields. Mexican avocado exports are forecast to reach a record level of 135,000 MT in MY 2004/05, of which approximately 75,000 MT are forecast to be exported to the United States, based on the expectation that year-round market access is granted in most of the 50 U.S. states.

Includes PSD Changes: Yes

Includes Trade Matrix: Yes

Unscheduled Report

Mexico [MX1]

[MX]

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PS&D

PSD Table						
Country	Mexico					
Commodity	Avocados, Fresh		(HECTARES) (1000 TREES) (MT)			
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	08/2002		08/2003		08/2004	
Area Planted	99,367	99,367	102,478	102,519	0	102,533
Area Harvested	93,793	93,793	99,000	95,482	0	102,476
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	897,231	897,231	1,040,393	902,332	0	1,030,000
Imports	0	0	0	0	0	0
TOTAL SUPPLY	897,231	897,231	1,040,393	902,332	0	1,030,000
Exports	94,243	76,000	120,000	105,000	0	135,000
Fresh Dom. Consumption	767,988	786,231	885,393	772,332	0	860,000
Processing Consumption	35,000	35,000	35,000	25,000	0	35,000
TOTAL DISTRIBUTION	897,231	897,231	1,040,393	902,332	0	1,030,000

PRODUCTION

Mexican avocado production for MY 2004/05 is forecast at 1.03 million metric tons (MMT) due to favorable weather conditions, current phytosanitary programs which have successfully controlled pests, and more trees coming into production. Private sources indicate that these conditions have helped to increase yields in what would have been the down year of an alternate bearing cycle. Michoacan remains the main producing state in Mexico, accounting for more than 88 percent of total avocado production. Although favorable weather conditions prevailed in MY 2003/04, production this season is estimated at 902,332 MT, 13.27 percent lower than the initial forecast, due to some producers' practice of harvesting 1 MT per hectare in order not to saturate export markets and cause export prices to fall. Avocados do not ripen until picked and can stay on the tree for months, thereby allowing producers, working together with exporters, to pick the most opportune harvesting moment. MY 2002/03 figures were kept unchanged to reflect the most current official data available.

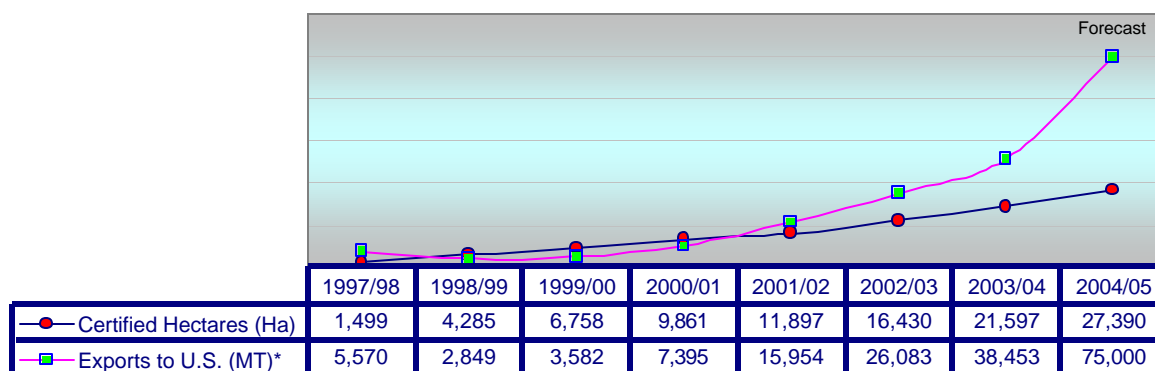
CROP AREA

MY 2004/05 total national area planted is forecast at 102,533 hectares, a 1-percent increase over MY 2003/04 planted area, due to increased international demand of high-quality Mexican Hass avocados. For the same MY season, total area planted in the state of Michoacan is forecast at 87,359 ha, equivalent to 84 percent of the nation's total planted area. In MY 2003/04, area planted was slightly increased due to the integration of Tacambaro as a new municipality in the list of authorized pest-free Michoacan municipalities (see MX4103). The MY 2003/04 estimate for area harvested was revised downward as some of the younger trees had not reached full bearing potential.

Currently, 27,390 hectares have been certified under the APHIS-administered export inspection program, which allows Mexican avocados to be shipped to selected U.S. states. Michoacan is the only Mexican state allowed to export avocados to the United States and,

within Michoacan, the only municipalities which have been certified to export by APHIS are Tancitaro, Uruapan, Salvador Escalante, Nuevo Parangaricutiro, Peribán de Ramos, Ario de Rosales, Los Reyes, Apatzingán and Taretan.

APHIS Mexican Hass Avocado Export Inspection Program



*MY begins August ends July

Source: Michoacan State Health Commission & World Trade Atlas, Mexico Edition

For 2006, the Michoacan State Health Committee expects the whole state of Michoacan – or 21 municipalities – to be free of pests. This is the first stage of a three-stage process that must be completed before a municipality can export to the United States. Mexican government and industry have agreed that the avocado sector should focus their efforts on these three stages: first, on eradication of the pests of concern, second, on recognition of pest free areas, and third, on accreditation in the APHIS avocado export program.

INPUTS

In general, Mexican avocado production has been a profitable activity, due to good domestic retail prices and a relatively stable cost of production. However, growers pointed out that production costs do vary depending on the inputs, type of land and technology used. For MY 2004/05, cost of production per hectare is expected to be \$35,000 – \$37,500 pesos (USD \$3,073 – USD \$3,292). Currently, producers' implementation of the Mexican Ministry of Agriculture's (SAGARPA) program of non-mandatory food safety measures has slightly increased costs of production compared to MY 2003/04, as it has entailed the installation of incinerators, lavatories, and orchard sanitary measures to control pests and rodents. Although some producers are reluctant to invest in these measures since additional profits would only materialize in the medium- to long-term, most producers are expected to implement SAGARPA's recommended measures as doing so elevates the image of Mexican avocados as a sanitary product in foreign markets. According to industry sources, the cost of production per hectare for avocados in MY 2003/04 was between \$34,000 – \$37,000 pesos (USD \$2,987 – USD \$3,251).

YIELDS

According to official sources, average yields for MY 2004/05 are forecast at 10 MT/ha. MY 2003/04 yield figures were revised downward to 9.45 MT/ha, according to more recent official data.

POLICY

Mexico continues to successfully implement phytosanitary requirements and good manufacturing practices for the transportation of fresh avocados within the country (see MX2080). These are being broadly implemented and applied among the authorized packing companies. Private and official sources are both expecting that, by 2005, all Michoacan producers and packers will be implementing SAGARPA's recommended good manufacturing practices and other food safety measures.

CONSUMPTION

MY 2004/05 fresh domestic consumption is forecast at 860,000 MT, an 11-percent increase from MY 2003/04, due to large production and good marketing strategies promoting the health benefits of avocado consumption as a staple food. The vast majority of Mexico's avocado production continues to be consumed domestically. Private sources indicate that domestic consumption, despite the record export forecast, would remain unaffected as the large crop will allow producers and exporters to adequately fulfill both U.S. and international demand.

MY 2004/05 processing consumption is forecast at 35,000 MT, due to the large crop, but this figure is still consistent with historical averages. The MY 2003/04 figures for fresh and processing consumption were revised downward, due to smaller-than-expected supplies and increased exports. Total average per capita consumption in Mexico is around 8 kg, which is above the world average of 3 to 5 kg.

AVOCADO PRICES

MY 2004/05 domestic prices are expected to be attractive at US\$ 23.00 per 11.8 kg (26 lbs) box. Export prices in MY 2003/04 were around \$21.00 per box.

WHOLESALE AVOCADO PRICES			
Month	2003	2004	Change %
January	8.75	7.39	(15.54)
February	9.00	8.31	(7.67)
March	9.15	9.15	-
April	9.76	10.91	11.78
May	14.65	11.78	(19.59)
June	14.71	12.01	(18.35)
July	13.28	11.67	(12.12)
August	13.76	11.47	14.79
September	9.87	11.33	18.07
October	8.69	10.26	8.66
November	N/A	N/A	N/A
December	N/A	N/A	N/A
Pesos/kilogram			
Source: Servicio Nacional de Informacion de Mercados			
2003 Exchange Rate Avg.: U.S.\$ 1.00 = \$ 10.79 pesos			
November 4, 2004 exchange rate U.S. \$ 1.00 = \$ 11.42 pesos			

TRADE

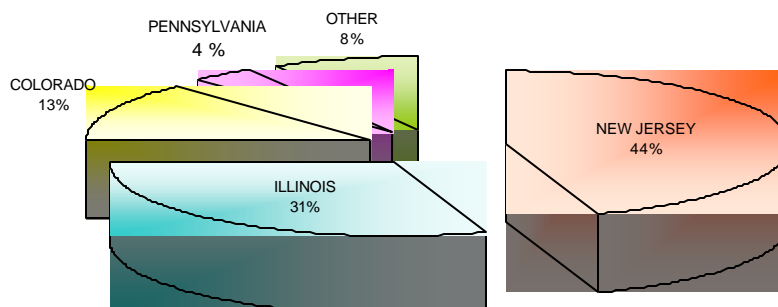
Mexican avocado exports are forecast to reach a record level of 135,000 MT in MY 2004/05, a 29-percent increase, due mainly to larger production and the expectation of year-round market access for most of the 50 U.S. states. Currently, Mexican Hass avocados can only

be distributed in 31 U.S. states. Producers have been concerned for some time that the gradual opening of the U.S. market may lead to saturation of that market and to a decline in prices. To that end, Michoacan producers and exporters have worked together to limit their avocado exports by harvesting only 1-2 MT/hectare. However, Mexican producers and exporters have indicated that they are considering bypassing this prevailing practice in the event of year-round access to most of the 50 U.S. states, but only to the extent to which they are still able to avoid market saturation.

Growers have forecast MY 2004/05 avocado exports to the United States at 100,000 – 120,000 MT in the event of a year-round market opening to most of the 50 U.S. states, but FAS/Mexico forecasts 75,000 MT given the Michoacan growers' conservative harvesting practice and the likelihood of the complete market opening occurring midway through the marketing year. Michoacan growers currently harvest between 1-2 MT/ha, but have the ability to harvest 10 MT/ha, if there is year-round access to most of the 50 U.S. states and there is no threat of market saturation. FAS/Mexico forecasts harvesting conservatively at approximately 3 MT/ha. Twenty-two packers are officially considered eligible to export Mexican avocados to the United States under the APHIS export program.

MY 2003/04 and MY 2002/03 export figures have been revised downward to reflect fresh avocado exports only. Previous export figures had indicated both fresh and processed avocado exports. Nevertheless, MY 2003/04 exports are estimated at 105,000 MT, an increase of 38 percent over the MY 2002/03 revised figure, due to better prices in foreign markets. MY 2002/03 figures were revised to 76,000 MT.

DISTRIBUTION OF MEXICAN HASS AVOCADO IN SELECTED U.S. STATES 2003-2004 SEASON



According to both official and private sources, the export market continues to be profitable to producers. Official data indicates that most Mexican avocados were exported to the United States, France, El Salvador, Canada and Japan.

TRADE MATRIX

AVOCADO		H.S. 0804.40		UNITS: MT	
EXPORTS FOR (JAN-DEC) TO:					
CY 2003			CY 2004 ^①		
U.S.		32,694	U.S.		24,813
FRANCE		15,543	CANADA		7,336
EL SALVADOR		10,495	FRANCE		6,903
CANADA		8,320	EL SALVADOR		6,857
JAPAN		6,094	JAPAN		6,754
OTHER		17,165	OTHER		14,115
TOTAL		90,311	TOTAL		66,778

AVOCADO		H.S. 0804.40		UNITS: MT	
IMPORTS FOR (JAN-DEC) FROM:					
CY 2003			CY 2004 ^①		
U.S.		0	U.S.		26
OTHER		0	OTHER		0
TOTAL		0	TOTAL		26

Source: World Trade Atlas, Mexico Edition.

^① As of January-August 2004.

TRADE POLICY

Fresh avocado imports (HS 08.04.40.01) from the United States are subject to a zero duty. Imported avocados are also subject to phytosanitary and sanitary inspections by SAGARPA.

MARKETING

If year-round market access to most of the 50 U.S. states is granted, the Michoacan Packers and Exporters Association (APEAM) plans to conduct a US\$ 3 million campaign to promote avocado consumption in those U.S. states with large hispanic populations. This campaign will advertise the health benefits of high-quality Mexican produce, like avocados, when consumed as a staple food.