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Mexico

Citrus

Annual Report

2005

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Report Highlights:
Fresh orange and grapefruit production is expected to decrease in MY 2005/06, primarily due to adverse weather conditions. Lime production is forecast to increase slightly, due to more trees coming into production. Fresh concentrate orange juice is forecast to decrease in MY 2006, due to a lower fresh orange crop yield.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
[MX]

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SECTION I. SITUATION AND OUTLOOK

The fresh orange production forecast for MY 2005/06 is 3.9 MMT, a 9.6-percent decrease from MY 2004/05 production. This decrease is due to very dry weather conditions in the northern states during the first quarter of 2005 that affected the flowering of trees, and was compounded by strong rainfalls caused by hurricanes during September and October. The volume of exports of fresh oranges is forecast to remain similar to MY 2004/05. Frozen concentrate orange juice (FCOJ) production for MY 2006 is forecast to decrease compared to MY 2005 because of a decrease in supply of fresh oranges.

Total production for Key Limes and Persian Limes for MY 2005/06 is forecast at 1.9 MMT, slightly higher than MY 2004/05, because more trees have come into production. Exports are forecast at 375,000 MT, a 1.8 percent decrease compared to MY 2004/05, due to weather conditions that could affect the quality of limes for export.

Grapefruit production for MY 2005/06 is forecast at about 330,000 MT. The dry weather conditions during tree flowering in spring, and late rainfall due to the hurricanes, will affect overall yields and fruit quality. Grapefruit exports for MY 2005/06 are forecast at about 8,000 MT, but could increase due to strong demand on the international market.

SECTION II. STATISTICAL TABLES

Fresh Orange Table

Mexico						
Oranges, Fresh			(HECTARES) (1000 TREES) (1000 MT)			
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	11/2003		11/2004		11/2005	
Area Planted	349705	349705	346000	334000	0	334000
Area Harvested	334274	334274	336000	330000	0	328000
Bearing Trees	67523	67523	67872	66660	0	66256
Non-Bearing Trees	3117	3117	2222	810	0	1212
TOTAL No. Of Trees	70640	70640	70094	67470	0	67468
Production	3901	3901	4120	4300	0	3900
Imports	18	18	18	20	0	18
TOTAL SUPPLY	3919	3919	4138	4320	0	3918
Exports	13	13	20	20	0	20
Fresh Dom. Consumption	3706	3706	3618	3650	0	3478
Processing	200	200	500	650	0	420
TOTAL DISTRIBUTION	3919	3919	4138	4320	0	3918

Fresh Citrus, Other Table

Mexico						
Citrus, Other, Fresh		(HECTARES) (1000 TREES) (1000 MT)				
	2003 Revised		2004 Estimate		2005 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	11/2003		11/2004		11/2005	
Area Planted	145430	145829	146500	144000	0	145000
Area Harvested	134000	139410	134100	139000	0	140000
Bearing Trees	26130	27185	26150	27105	0	27300
Non-Bearing Trees	2228	1252	2418	975	0	975
TOTAL No. Of Trees	28358	28437	28568	28080	0	28275
Production	1820	1913	1730	1890	0	1900
Imports	1	1	1	1	0	1
TOTAL SUPPLY	1821	1914	1731	1891	0	1901
Exports	355	372	330	382	0	375
Fresh Dom. Consumption	1160	1220	1121	1192	0	1207
Processing	306	322	280	317	0	319
TOTAL DISTRIBUTION	1821	1914	1731	1891	0	1901

Fresh Grapefruit Table

Mexico						
Grapefruit, Fresh		(HECTARES) (1000 TREES) (1000 MT)				
	2003 Revised		2004 Estimate		2005 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	11/2003		11/2004		11/2005	
Area Planted	18000	18000	18400	18210	0	18230
Area Harvested	14400	16778	14800	16700	0	16000
Bearing Trees	2707	3154	2782	3139	0	3008
Non-Bearing Trees	676	267	676	283	0	419
TOTAL No. Of Trees	3383	3421	3458	3422	0	3427
Production	288	409	310	360	0	330
Imports	8	9	8	9	0	9
TOTAL SUPPLY	296	418	318	369	0	339
Exports	7	10	7	11	0	8
Fresh Dom. Consumption	241	339	261	246	0	219
Processing	48	69	50	112	0	112
TOTAL DISTRIBUTION	296	418	318	369	0	339

Frozen Concentrate Orange Juice

Mexico				65 Degrees Brix		
Orange Juice					(MT)	
	2003 Revised		2004 Estimate		2005 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	01/2004		01/2005		01/2006	
Deliv. To Processors	200000	200000	500000	650000	0	420000
Beginning Stocks	1000	1000	1000	1000	3000	3000
Production	20100	20100	50000	65000	0	42000
Imports	400	617	400	620	0	620
TOTAL SUPPLY	21500	21717	51400	66620	3000	45620
Exports	16035	16035	43600	58820	0	37620
Domestic Consumption	4465	4682	4800	4800	0	5000
Ending Stocks	1000	1000	3000	3000	0	3000
TOTAL DISTRIBUTION	21500	21717	51400	66620	0	45620

Key Lime Wholesale Prices

KEY LIME WHOLESALE PRICES (PESOS / KG)			
Month	2004	2005	Change %
January	4.07	2.12	(47.91)
February	2.55	2.30	(9.80)
March	1.91	2.29	19.89
April	1.87	2.17	16.04
May	1.77	1.82	2.82
June	1.92	2.07	7.81
July	1.86	2.11	13.44
August	2.42	2,15	(11.15)
September	2.33	2.25	(3.43)
October	2.15	2.58*	(1.14)
November	2.61	N/A	N/A
December	2.47	N/A	N/A
SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS AVR. EXCHANGE RATE FOR 2004 US$1.00 = $ 11.29 PESOS EXCHANGE RATE OCT. 12, 2005 US$1.00 = $ 10.80 PESOS *As 1er Week of October 2005			

Persian Lime Wholesale Prices

PERSIAN LIME WHOLESALE PRICES (PESOS / KG)			
Month	2004	2005	Change %
January	2.74	2.82	2.91
February	2.50	3.57	42.80
March	3.21	4.20	30.84
April	6.00	4.12	(31.33)
May	3.07	3.83	24.75
June	1.85	2.85	54.05
July	1.51	1.94	28.47
August	1.71	1.93	12.86
September	1.57	2.02	17.44
October	1.72	2.06*	19.76
November	2.19	N/A	N/A
December	2.90	N/A	N/A
SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS AVR. EXCHANGE RATE FOR 2004 US$1.00 = $ 11.29 PESOS EXCHANGE RATE OCT. 12, 2005 US$1.00 = $ 10.80 PESOS *As 1er Week of October 2005			

Wholesale Orange Prices

WHOLESALE ORANGE PRICES (PESOS / KG)				
Month	2003	2004	2005	Change % 04/05
January	1.62	1.63	1.35	(17.17)
February	1.74	1.63	1.38	(15.33)
March	2.23	1.78	1.44	(19.10)
April	2.61	1.93	1.49	(22.79)
May	3.05	2.08	1.67	(19.71)
June	4.64	2.23	2.74	22.86
July	4.46	2.33	3.61	54.93
August	3.78	3.12	3.99	27.88
September	3.01	3.07	3.35	9.12
October	2.39	2.15	2.68*	24.65
November	1.84	1.66	N/A	N/A
December	1.81	1.50	N/A	N/A

SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS
AVR. EXCHANGE RATE FOR 2004 US$1.00 = $ 11.29 PESOS
EXCHANGE RATE OCTOBER 12, 2005 US$1.00 = $ 10.80 PESOS
*Data as of 1er Week of October,2005

Grapefruit Wholesale Prices

GRAPEFRUIT WHOLESALE PRICES BY MAIN PRODUCER STATES						
MONTH	MICHOACAN		TAMAULIPAS		VERACRUZ	
	2004	2005	2004	2005	2004	2005
JANUARY					1.71	3.60
FEBRUARY					1.66	3.67
MARCH					1.74	4.04
APRIL				4.50Θ	1.89	4.29
MAY	2.65	4.70	3.30	4.50Θ	2.50	4.62
JUNE	2.80	4.77	3.40	6.00Θ	2.90	5.00
JULY	3.31	5.03	3.20	6.00Θ	3.08	5.00
AUGUST	3.45	5.44			3.80	4.50
SEPTEMBER	2.85	2.85		4.00Θ	2.88	5.00
OCTOBER				3.50Θ	2.86	
NOVEMBER					2.64	
DECEMBER					3.02	

SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS
AVR. EXCHANGE RATE FOR 2004 US$1.00 = $ 11.29 PESOS
EXCHANGE RATE OCT. 21, 2005 US$1.00 = $ 10.83 PESOS
CIF – Mexico City
Θ CIF - San Luis Potosí

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

FRESH ORANGES

PRODUCTION

Although there is not an official SAGARPA forecast for MY 2005/06 (November-October) fresh orange production, sources have indicated that production will be roughly 3.9 MMT, a 9.6-percent decrease from MY 2004/05 production. This decrease is due to very dry weather conditions in the northern states during the first quarter of 2005 that affected the flowering of trees, as well as strong rainfalls caused by hurricanes during September and October. There were fewer February/March blooms compared to 2004 blossoms, resulting in lower volumes of Valencia oranges that will be harvested from December to early April 2006. Second blooms also showed a decline, thus the May 2006 crop might be lower compared to the May 2005 crop. Area planted for oranges is forecast to remain at 334,000 hectares for MY 2005/06. Producers do not expect an increase in the number of groves. In general, growers have been abandoning groves, or switching to other crops, due to high production costs, wide swings in fresh orange prices, and marketing problems. Increases in orange production are more a result of increased tree density than of expansion in area planted. However, the rate of abandoned groves seems to have increased in Veracruz and San Luis Potosi. The MY 2004/05 orange production estimate was revised upward to 4.3 MMT, due to higher than expected yields and good weather conditions. Area planted and harvested was revised downward for MY 2004/05 based on official estimates and a trend towards downsizing of groves. Data for MY 2003/04 remains unchanged.

The MY 2005/06 forecast for oranges destined for processing is approximately 420,000 MT, a decrease compared to MY 2004/05, due to expected lower supplies of fresh oranges. The estimates for oranges destined for processing for MY 2004/05 were revised upward due to more fresh oranges available to the industry and stronger demand for FCOJ on the international market. The MY 2003/04 estimate of oranges destined for the processing industry remains unchanged. The industry has indicated that low international prices for frozen concentrate orange juice (FCOJ) have caused a decline in FCOJ production in Mexico in recent years. However, market conditions improved in MY 2005 and should remain strong in 2006.

Countrywide orange yields for MY 2005/06 are forecast at 11.9 MT/ha due to adverse weather conditions. This estimate is lower than MY 2004/05 when favorable weather led to yields of roughly 13MT/ha. Orange yields differ widely depending on the production area. Typically, Veracruz yields range from 10 to 20 MT/ha. Yields in Nuevo Leon range from 12 to 15 MT/ha. And, in San Luis Potosi, yields range from 7 to 13 MT/ha. This variance in yields is caused by many factors such as weather, frequency of fertilizer and pesticide applications, tree density, and quality of the terrain.

Production costs vary amongst citrus regions and producers. The average cost of production in some areas in Veracruz for a traditional grove with little intensive cultivation is approximately $4,680 pesos/Ha (US$433.30/Ha), while the average cost for a more intensively-farmed grove in Veracruz is $8,900 pesos/Ha (US$824) or higher. Costs in Nuevo Leon range from $8,900 to $13,000 pesos/Ha (US$824 to $1,204/Ha), significantly higher than those in Veracruz. Higher production costs are primarily attributed to irrigation costs, but can also be due to fertilization and pest control costs. These last two inputs account for approximately 40 percent of total production costs in Nuevo Leon, as this state is striving to be recognized as a low prevalence fruit fly area. According to growers, a further increase in some fertilizer prices is expected in MY 2005/06, due to the increase in world oil prices.

Average field worker wages are about $70 pesos (US$6.48) per day, but often producers have to pay $90 pesos (US$8.33) per day or more to attract enough workers.

Farm gate prices in Northern Veracruz began in October 2005 between $700 and $1,200 pesos/MT (US$64.80 and $111.10/MT) for the early varieties. Prices are expected to continue to be high for the Valencia oranges that are harvested in December. Transportation costs from Veracruz to Mexico City are usually 2,500 to 3,000 pesos per 10 MT (US$232 to $277.75 per 10 MT) for one-day delivery.

CONSUMPTION

Fresh orange consumption for MY 2005/06 is forecast at 3.4 MMT, a 4.7 percent decrease from MY2004/05, due to lower supplies and higher prices. Most of the oranges in the fresh market are destined for domestic fresh squeezed juice. Final domestic consumption estimates, however, will depend on the final volume purchased by the processing industry. The fresh orange consumption estimate for MY 2004/05 was revised upward from the previous forecast to 3.65 MMT. This revision is mainly due to greater availability of fresh oranges at competitive prices than initially expected. However, final consumption estimates will depend on the final volume purchased by the processing industry. Representatives of the processing industry indicated that greater supplies of oranges available at lower prices have resulted in greater volumes of oranges destined for processing. The MY 2003/04 consumption estimate remains unchanged.

TRADE

Mexican orange exports for MY 2005/06 are forecast at 20,000 MT, the same as MY 20004/05, due to consistent demand on the international market. However, the final export figures will depend on U.S. demand and orange supplies from California and Florida. Most of Mexico's oranges that are exported to the United States are from Sonora, a state that produces very high-quality oranges, but Nuevo Leon is also increasing its orange exports to both the Unites States and Canada. The estimates for fresh orange exports for MY 2003/04 and 2004/05 remain unchanged. The United States continues to be the largest export market for Mexican oranges. Under NAFTA, tariffs and TRQs for fresh oranges have already been eliminated between Mexico and the United States.

Citrus producers indicated that they are pushing for USDA recognition of northern Tamaulipas and Nuevo Leon as a low prevalence fruit-fly area. This will enable orange exports from those area-free regions to have market access to certain U.S. states. Currently, Nuevo Leon exports treated citrus to the U.S. under a pre-clearance program.

Mexico will have more opportunities to expand its fresh orange exports to Japan under the new trade agreement that entered into effect on April 1, 2005. Under this agreement, Mexico will have a duty-free annual quota of 10 MT of oranges during the first two years (i.e., MY 2005/06 and 2006/07) – a small volume which is to be used mainly for promotional purposes. In MY 2007/08, the duty-free annual quota goes up to 2,000 MT and increases by 1,000 MT each year until it reaches 4,000 MT in MY 2009/10. After this time, Mexico's access to the Japanese market must be renegotiated.

Mexican orange imports for MY 2005/06 are forecast at about 18,000 MT. Mexico is a price sensitive market, and U.S. orange prices are relatively high compared to the domestic product. The import estimate for MY 2004/05 was revised upward due to stronger demand from the processing industry. MY 2003/04 orange imports remain unchanged. U.S. orange prices are usually higher than those for Mexican oranges.

MARKETING

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. Because of the excellent quality, U.S. oranges command a price four to five times higher than Mexican prices. 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. Due to phytosanitary restrictions, only citrus fruit coming from California, Texas, and Arizona can be exported to Mexico.

FRESH CITRUS, OTHER

PRODUCTION

This section covers two citrus fruits that are of economic significance to Mexico: Key Limes and Persian Limes. Mexican Key Limes are grown mainly on the Pacific coast, in the states of Colima, Michoacan, Guerrero, and Oaxaca. Most Persian Limes are grown in a micro-climate in northern Veracruz, followed on a smaller scale by the states of Tabasco, Oaxaca, Puebla, and Yucatan.

Although there are no official estimates, total MY 2005/06 production for both limes is forecast at 1.9 MMT, slightly higher than MY 2004/05 due to more trees coming into production. MY 2004/05 production was revised upward due to more acreage coming into production. Although excess rainfall resulting from the recent hurricanes has at times prevented the harvesting of limes, growers indicate that losses have been minimal. MY 2003/04 production was revised upward slightly as there was more area harvested than previously expected.

Area planted to both Persian and Key Limes has increased in Mexico, due to the fact that limes command higher prices on the international market, and they generate few phytosanitary concerns. Persian Limes planted area in Veracruz has grown at a faster rate and Key Limes. In fact, many producers have replaced orange and grapefruit groves with Persian Limes in order to take advantage of the strong international demand and higher prices. Key Lime planted area has increased at lower rates due to swings in the domestic price. Approximately 33 percent of total area planted is Persian Limes, and 67 percent is Key Limes. Michoacan has an excellent winter window (December – February), which allows its Key Limes to hit the domestic market first; therefore, planted area has tended to expand more in this state. According to producers, however, the domestic market is nearly saturated with Key Limes, and therefore a substantial increase in Michoacan's area planted could lower prices for Key Limes on the international market.

Therefore, area planted for MY 2005/06 is forecast at 145,000 hectares, a less than one percent increase compared to MY 2004/05, due to concerns that the market may be close to saturation. Estimates for area planted for MY 2004/05 were revised downward slightly, and area harvested was revised upward, due to more trees coming into production. Area planted and harvested for MY 2003/04 were adjusted upward based on official estimates, showing an increase in acreage in the states of Colima, Michoacan, and Veracruz.

Nearly 20 percent of the Persian Lime groves in Veracruz use micro-jet irrigation, or other irrigation systems, and produce all year round. Most of the irrigated Key Lime groves are in the states of Michoacan and Colima, and are also able to produce all year round. In contrast,

almost all the planted area for Key Lime in Guerrero and Oaxaca is non-irrigated. In Colima, over half of the Key Lime groves have coconut palm trees planted in between Key Lime trees in order to increase producer revenue.

The Persian Lime trade tends to be dominated by large producers who have achieved efficiencies of scale, and thereby have reduced production costs. Persian Lime production costs average from $8,800 pesos/Ha to $10,400 pesos/Ha (US$950.40 to $962.96/Ha) or more. These costs are due to higher prices for imported inputs such as fertilizers, pesticides, and other agrochemical products. Well-tended areas can have production costs as high as $14,500 pesos/Ha (US$1,342.59/Ha). Transportation costs from Veracruz to Mexico City are usually $3,600 to $4,200 pesos/truck (US$333.34 to $388.85/truck), and delivery time averages about 8 hours. The cost of production for Key Limes varies according to the cultural practices and technology used. In the most important Key Lime producing states (Oaxaca, Colima and Michoacan), production costs can vary from $7,300 pesos/Ha to $16,600 pesos/Ha (US$675.92 to $1,537.00/Ha) for the well-tended areas.

Persian and Key Lime yields differ widely depending on production conditions. The yields for Persian Limes in Veracruz mostly range from 8 to 16 MT/Ha, depending on cultural practices, but some yields are as high as 25 MT/Ha. Key Lime yields average between 7 to 12 MT/Ha, with a few well-tended groves reaching 30 MT/Ha.

Grower prices for Persian Limes range from $400 to $800 pesos/MT (US$37.00 to $74.00/MT) for the domestic market, and $600 to $3,000 pesos/MT (US$55.50 to $277.70/MT) for the export market during January to April. Grower prices for Key Limes fluctuate more than prices for Persian Limes, depending on the season and the producing state. On average, Key Lime grower prices range from $800 to $3,000 pesos /MT (US$74.00 to $277.70/MT). Michoacan production is geared toward the winter season (October/February), while production from Colima, Oaxaca, and other states cover the rest of the year. There is, however, year-round production for both Key and Persian Limes.

CONSUMPTION

Domestic consumption of both Key and Persian Limes in Mexico depends largely on price. Total domestic lime consumption for MY 2005/06 is forecast at 1.2 MMT, a 1.2 percent increase compared to MY 2004/05, due to expected higher prices. Consumption for MY 2003/04 and 2004/05 was revised upwards due to stronger demand at available prices. Persian Limes that do not meet the higher quality requirements demanded of the export market will be consumed domestically. Most of the Key Limes go to the fresh domestic market, although exports have been increasing recently. In general, approximately 16 to 20 percent of total Key Lime production goes to processing. Producers from Colima and Michoacan indicate that approximately 30 percent of their limes go to processors. Official information on the processing industry, however, is unavailable. About 50 to 60 percent of Persian Limes from Veracruz go to the export market and the rest go to the fresh market and processing plants. This balance, however, depends on U.S. demand.

Mexican Key Limes and Persian Limes compete for the same market. When Key Limes and Persian Limes are both present in the domestic market, prices are relatively low. When the Persian Lime harvest season is at the strongest (June to September), prices for both tend to drop. After two or three months, however, when Persian Lime growers begin to export, prices for Persian Limes increase and remain high until April or May when exports of Persian Limes decrease and both crops compete for the fresh domestic market. Key Limes from Michoacan, Colima, and Oaxaca are sold on the wholesale market in 18-20/kg boxes; those from Guerrero are sold in 20-22/kg bags. Persian Limes are sold in the wholesale market in 50-100/kg bags.

TRADE

Persian and Key Lime exports for MY 2005/06 are forecast at 375,000 MT, a 1.8 percent decrease compared to MY 2004/05. This slight decrease is due to weather conditions that could affect quality for export purposes. Export estimates for MY 2003/04 and 2004/05 were revised upward, due to greater international demand and higher prices. According to producers, Persian Limes from Mexico supply about 40 percent of the U.S. and Canadian markets. However, lime producers are expanding into new markets in Japan and Europe.

International prices for Persian Limes reach between US$20-$30 per 40-pound box. MY 2004/05 prices for Persian Limes at the international market were higher during winter, and decreased to US$8 to $13 per 40-pound box at the end of the season in October 2005.

Lime imports continue to be minimal due to ample domestic supplies. MY 2005/06 imports are forecast at 1,000 MT. Data for MY 2003/04 and 2004/05 remain unchanged. Mexico's tariff rate on imported limes from the United States is zero under NAFTA.

FRESH GRAPEFRUIT

PRODUCTION

Although there is no official forecast for grapefruit production for MY 2005/06, producers believe production will be about 330,000 MT, a nearly 10 percent decline from MY 2004/05. The alternate production cycle, dry weather conditions during tree flowering in spring, and late rainfall due to the hurricanes, will affect overall yields and fruit quality, mainly in Veracruz, Tamaulipas, and Nuevo Leon. Michoacan was not as affected as the other grapefruit producing states. Grapefruit production for MY 2004/05 was revised upward to 360,000 MT due to more acreage coming into production and relatively good weather conditions. Production estimates for MY 2003/04 were also revised upward based on official estimates and more acreage coming into production. Though Michoacan's grapefruit groves are relatively new, they seem to have reached their commercial-bearing potential.

Area planted for MY 2005/06 is forecast at 18,230 hectares. The rate of growth has decreased as farmers in Michoacan are opting for more profitable crops or abandoning groves entirely. Area planted for MY 2004/05 was revised downward as the rate of growth in newly developed areas decreased. Although the state of Veracruz, the state with the largest grapefruit production, increased area planted, this has been offset by abandoned areas in other parts of the state as well as other parts of the country. Area harvested for MY 2003/04 and 2004/05 were revised upward as more trees came into production, mainly in the state of Michoacan. Area planted for MY 2003/04 remains unchanged. Costs of production, such as imported agrochemicals and fertilizers, will be higher for MY 2005/06, due to the increase in world oil prices.

There are two types of grapefruits planted in Mexico: the red table varieties produced in Tabasco, Campeche, Michoacan, Nuevo Leon, and Veracruz, which are mainly for export to the United States and Europe as fresh fruit and peeled slices; and the white fleshed varieties produced in Tamaulipas and Veracruz, which are mainly for juice production or for peeled slices. According to growers, planting of red varieties grew because of increased export demand.

According to growers and the industry, about 16 to 18 percent of grapefruit production is destined for processing. However, that number largely depends on demand for peeled fruit

on the international market, and demand for juice on the domestic and international market. Due to the large demand for grapefruit juice from the United States the MY 2005/06 forecast for grapefruit destined for processing is at 112,000 MT. MY 2004/05 estimates for grapefruit destined for processing was also revised upward to 112,000 MT due to a larger demand for juice from the United States. However, this information is difficult to verify since it is not published by official sources and companies treat it as confidential information. The MY 2003/04 estimates for grapefruit destined for processing were revised upward due to more availability of fruit and more demand from the international market for peeled grapefruit.

Overall average yields for MY 2005/06 are forecast at 20.6 MT/Ha, or lower compared to MY 2004/05 due to weather related problems. Average yields for MY 2004/05 are estimated at 21.5 MT/Ha. An overall normal yield for grapefruit is approximately 23 MT/Ha. Veracruz accounts for about 58 percent of Mexican grapefruit production and has the highest yield in the country with 20 to 30 MT/Ha. Michoacan follows with 14 percent of production and yields of between 9 to 15 MT/Ha. Nuevo Leon accounts for almost 8 percent of total production of grapefruit with yields of 16 to 21 MT/Ha. In other states, yields vary from 7 to 15 MT/Ha.

Due to a smaller production in Veracruz, grower prices for MY 2005/06 for October 2005 were approximately $1,000 to $1,300 pesos/MT (US$92.59 to $120.37/MT) for the red varieties, but have increased to $2,000 to $2,500 pesos/MT in November (US$185.18 to $231.14/MT). The grower price of the white variety of grapefruit is cheaper at about $600 to $800 pesos/MT (US$55.55 to $74.00/MT). However processing plants are paying $950 pesos/MT (US$83.33/MT) for white varieties. Although prices tend to drop by November, prices in fact are increasing due to higher demand and lower production. Average grower prices for Nuevo Leon in October 2005 were between $2,000 and $2,500 pesos/MT (US$185.18 to $231.15/MT), compared to $1,000 pesos/MT (US$86.95/MT) in 2004. Michoacan has developed areas with red varieties that can be harvested in June/July, and grower prices tend to be higher than Veracruz grower prices because fruit gets to the market earlier in the season.

CONSUMPTION

Grapefruit fresh consumption for MY 2005/06 is forecast at 219,000 MT, or 11 percent less than MY 2004/05 consumption, due to lower availability of fruit at higher prices. Grapefruit fresh consumption for MY 2004/05 is estimated at 246,000 MT, a decrease of 6 percent, because more grapefruit was diverted for processing. Consumption estimates for MY 2003/04 were revised upward due to consumer demand for low calorie foods and affordable prices. Wholesale prices for the red grapefruit variety for November 2005 in Mexico City began at approximately $4.00/kg (US$0.37/kg) for the Veracruz crop, an increase compared to last year's October price of $2.80 (US$0.23/kg). Retail prices for November 2005 began at $5.20 pesos/kg (US$0.48/kg). Growers indicate that there is no premium on quality, as consumers are more interested in lower prices. Since Michoacan can harvest earlier than Veracruz, Michoacan producers can often command higher prices in the domestic market. Michoacan wholesale prices for July/September ranged from $2.85 pesos/kg to $5.00/Kg (US$0.26 to $0.46/kg).

TRADE

Grapefruit exports for MY 2005/06 are forecast at about 8,000 MT, but could increase since there is high demand on the international market. According to growers, demand from Europe is weaker because the international market is saturated with product from South Africa. There are also quality problems from excess rainfall. Grapefruit exports for MY 2004/05 were revised upward to 11,000 MT. According to growers, demand from the European market has been growing steadily. Although grapefruit exports are geared to the

European and Japanese markets, exports are still small. Exports for MY 2003/04 were revised upward, due to increased international demand mainly from European countries.

Grapefruit imports for MY 2005/06 are forecast at 9,000 MT. Imports for MY 2003/04 and MY 2004/05 were revised upward to 9,000 MT, due to increased demand from the processing industry. Although U.S. grapefruit exports to Mexico are growing, exports to Mexico will still be relatively insignificant. According to sources, most of the imported grapefruit from the United States is further processed for re-export to the U.S. and European markets.

FROZEN CONCENTRATE ORANGE JUICE

PRODUCTION

Reliable frozen concentrate orange juice (FCOJ) production numbers are difficult to obtain, as there are no official statistical data available. Industry tends to keep partial information, most of which is proprietary. According to industry sources, FCOJ production for MY 2006 (January-December) is forecast at 42,000 MT, a lower production number compared to MY 2005. This is due to an anticipated lower volume of fresh oranges available for the processing industry. However, juice production depends heavily on the international price of FCOJ. Higher prices realized on the international market enable processors to increase the price paid to fruit producers. FCOJ March future contracts for CY 2006 are at approximately US$1.15/lb, compared to CY 2005 prices of US$0.80/lb. This increase is primarily due to orange production problems in Florida. The FCOJ production estimate for MY 2005 was revised upward to 65,000 MT due to higher fresh orange production, lower orange prices available to the industry, and better international prices for FCOJ. The present situation of higher FCOJ prices allows for better industry profit margins. The industry is buying fruit at approximately $300 to $380 pesos/ton (US$27.77 to $38.18/ton). To encourage producers to sell oranges to the processing industry, the government has set a special program where producers are paid $0.40/kg (US$0.037/kg) for oranges delivered to the plants. However, some producers believe that due to this program some processing companies have lowered prices paid to the growers. FCOJ production for MY 2004 remains unchanged.

Due to financial problems of the processing industry, there has been a concentration in ownership. Of the 22 Mexican juice plants previously in operation, only 7 plants are currently running.

CONSUMPTION

MY 2006 FCOJ consumption is forecast at 5,000 MT, an increase of 4 percent compared to MY 2005, due to demand for orange juice in beverages and products with orange flavorings. The majority of Mexican consumers prefer fresh squeezed juice instead of processed orange juice. Consumption estimates for MY 2005 remain unchanged, while estimates for MY 2004 were revised upward due to increased demand from hotel chains and restaurants, and for orange-flavored products. Most of the orange juice produced in Mexico goes to the export market. According to processors, there is usually about a 3,000 MT carryover of FCOJ from one year to the other.

TRADE

Exports of FCOJ for MY 2006 are forecast to reach approximately 37,600 MT assuming that international demand remains strong. Exports could be higher if demand from Florida continues to increase. Any FCOJ export growth will be limited by the needs of Florida's industry to mix its juice with the higher sugar-ratio and more deeply-colored Mexican juice.

The export estimates for FCOJ for MY 2005 were revised upward due to strong international demand and high prices. The United States is the main market for Mexican FCOJ, followed by Japan and European countries. According to industry, Mexico is exporting more juice to Europe and Japan to take advantage of the lower tariffs it enjoys under the respective trade agreements it has with those countries. Exports for MY 2004 remain unchanged. FCOJ is imported to cover industry needs for mixing purposes and demand from hotels and restaurants. However, these imports are still marginal compared to domestic production. FCOJ imports for MY 2006 are forecast at 620 MT, the same as in MY 2005. Imports for MY 2004 and MY 2005 were revised upward due to greater demand from the industry.

FCOJ is one of the few remaining agricultural products still subject to a tariff and TRQ under NAFTA. For U.S. FCOJ imports into Mexico, the TRQ is 734,670 liters and the tariff is one-half the MFN rate, or 4.625 percent. For Mexican FCOJ imports into the United States, the TRQ is 151,416,000 liters and the tariff is one-half the MFN rate, or 4.625 percent. Both duties go down to zero in MY 2006, but the TRQ volume amount for both remains in effect until 2008. During MY 2005, Mexico is expected to fill the TRQ to the U.S.

Under Mexico's free trade agreement with the European Union (EU), the EU allows 30,000 MT of FCOJ under a quota with a tariff of 25 percent below the MFN duty. Mexico will also send product to Japan under the trade agreement that allows a TRQ of 3,850 MT at one-half of the MFN tariff duty. During MY 2005, Mexico exported about 6,500 MT to the EU and Japan.