

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Mexico

### Avocado Annual

## Mexican Avocado Exports Continue to Grow

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**Report Highlights:**

**HIGHLIGHTS:** Mexican Hass avocado production is forecast to be 1.5 million metric tons (MMT) in marketing year (MY) 2014/2015, a modest increase over MY 2013/14. Michoacán is the world leader in avocado production and accounts for 85 percent of total Mexican avocado production. Exports for MY 2014/15 are forecast to increase to about 700,000 MT. Exports to the United States are expected to continue to be strong and growing.

## Commodities:

Avocados

## PRODUCTION:

Post's avocado production forecast for MY 2014/15 (July/June) is 1.5 million metric tons (MMT) based on official estimates. Michoacán, has enjoyed good weather, although rainfall somewhat affected maturity levels of the fruit, so overall production is expected to be good. Sources indicate that the good implementation of phytosanitary pest control programs has helped boost production. Production estimates for MY 2013/14 are 1.46 MMT, higher than previously expected due to general good weather conditions. Production estimates for MY 2012/13 remain unchanged at 1.3 MMT.

<b>Table 1. Mexico - Fresh Avocado Production</b>			
MY July/June			
<b>Production</b>	<b>Estimate MY 2012/13</b>	<b>Estimate MY 2013/14</b>	<b>Forecast MY 2014/15</b>
Area planted (Ha)	151,022	168,113	175,900
Area Harvested (Ha)	130,307	144,243	150,000
Production (MT)	1,316,104	1,467,837	1,500,000

Source: [SIAP/SAGARPA](#)

The Mexican Avocado Association (APEAM – Asociacion de Productores y Empacadores Exportadores de Aguacate de Mexico) has started working with producers in Michoacán to invest in technological improvements to ensure that avocados are free of pests and any chemical or biological residues. This investment continues to improve the quality of the fruit. Michoacán is the world's leader in avocado production and accounts for 85 percent of total Mexican avocado production. The state of Jalisco is the second-largest producer in Mexico with 3 percent of total Mexican production and is growing at a faster rate than other states. Acknowledging the importance of other production areas, APEAM has changed their focus from Michoacán to a whole-of-Mexico approach.

<b>Table 2. Mexico – Avocado – Planted Area for Selected States</b>			
<b>States (Ha)</b>	<b>Estimates MY 2013/14</b>	<b>Forecast MY 2014/15</b>	<b>% increase</b>
Chiapas	3,302	3,293	-0.2
Guerrero	3,952	4,251	7.5
Jalisco	13,434	14,976	11.4
<b>Michoacán</b>	<b>122,251</b>	<b>127,084</b>	<b>3.9</b>
Mexico State	6,571	7,420	12.9

Total	168,113	175,918	4.6
Source: <a href="#">SIAP/SAGARPA</a>			

Total area planted for MY 2014/15 is forecast at 175,918 hectares, an increase of 4.6 percent over MY 2013/14, as growers in different states in Mexico are interested in increasing area due to good domestic and international demand for Mexican Hass avocados. However, during the previous MY 2013/14 there was an increase of 11 percent compared to area planted in MY 2012/13. Michoacán is still growing, but the local industry believes that there is little additional room for expansion in the state. The rate of area planted in Jalisco is high compared to other Mexican states as growers are interested in the international market.

Area planted and harvested for MY 2013/14 increased compared to MY 2012/13. Most states grow the Hass variety due to its longer shelf life and demand for the variety in foreign markets. Other avocado varieties planted in Mexico at smaller scales are Fuerte, Criollo, Bacon, Pinkerton, Gwen, and Reed.

Due to plant health concerns, Michoacán is currently the only state in Mexico authorized to export Hass avocados to the United States. USDA /APHIS registration of authorized pest-free municipalities in Michoacán continues expanding and is required for producers to export to the United States. Currently, 24 Michoacán municipalities are certified to export to the United States: Acuitzio, Tancitaro, Uruapan, Tingüindin, Salvador Escalante, Nuevo Parangaricutiro, Periban de Ramos, Ario, Los Reyes, Apatzingan, Taretan, Tacambaro, Tingambato, Madero, Cotija de la Paz, Erongaricuaro, Tocuambo, Tuxpan, Irimbo, Hidalgo, Turicato, Ziracuaretiro, Paracuaro and Tangamandapio. In the last semiannual field survey, October 2012 to April 2013, 72,280 hectares were approved, and for the next semiannual field inspection (October 15, 2013 to April 14, 2014) four new municipalities (Huiramba, Purepero, Quiroga, and Tlazazalca) are being proposed to be eligible to export to the United States with an additional 78,036 hectares approved. During the first field inspection (April 15 to October 14, 2014) a total of 84,726 hectares were approved for export. It is expected that for the next season about 8,000 more hectares will be certified for export in Michoacán.

Other avocado producing states are also interested in exporting to the international market and they will have to agree on a phytosanitary protocol if exporting to the U.S. market. Meanwhile states like Jalisco have concentrated on exporting to Japan, Canada, France, and Spain.

Despite the relatively high cost of production, growing Hass avocados in Mexico has been a profitable activity due to high domestic retail prices and increased exports. The majority of avocado production in Michoacán occurs in small orchards of just five to ten hectares. The latest information indicates that the cost of irrigated production per hectare has not increased very much. Many producers have implemented SAGARPA's food safety program recommendations and consider this practice and any added costs as a long-term investment. According to sources, costs of production in Michoacán vary from about \$50,000 pesos/hectare (USD \$3,681/hectare) using basic technology to about \$70,000 pesos/hectare (USD \$5,154/hectare) with advanced technology that includes machinery and irrigation systems. Yields also vary from 8 or 10 metric tons per hectare (MT/ha) to 14 or 16 MT/ha, depending on the level of technology used. Overall yields in Mexico for MY 2014/15 are forecast between 8.9 and 9.1 MT/ha. Overall yields for MY 2013/14 are estimated at 10.1 MT/ha. According to sources, about 98 percent of the area in the state of Michoacán has a tree density of 100 trees per hectare. However,

there are a few growers that are trying higher densities of about 115 to 130 trees per hectare. Many orchards are comprised of trees over 40 years old and in recent years, much progress has been made at increasing acceptance among growers of undertaking the major pruning work required to keep these old orchards commercially productive. The state of Jalisco, with new and expanding developments, is planting at higher tree densities and using advanced management technologies. Yields there are expected to be between 15 and 20 MT/ha.

## **CONSUMPTION:**

Fresh domestic consumption depends on the volume of exported product, as producers with export access prefer to send as much product as possible to higher-paying international markets. Domestic consumption for MY 2014/15 is forecast to be about 665,000 MT, slightly higher than MY 2013/14 due to good demand at good prices. Fresh domestic consumption for MY 2013/14 was estimated at 640,000 MT due to good demand, even with higher prices. Despite the grower preference for the export market, the majority of Mexico's avocado production is consumed domestically, as avocados are a staple food in most Mexican households. Consumption for MY 2012/13 was estimated at about 600,000 MT. Per capita consumption has been between 6.6 kg and 8.4 kg per capita depending on the volume exported. Data on avocado consumption by the processing industry is either proprietary or non-existent. Industry representatives indicate that domestic processing use is between 170,000 to 200,000 MT.

Fresh avocado exports continue to drive producer profitability despite the fact that new domestic market niches (related to the extraction and export of avocado oil for the cosmetic industry) are developing. The cosmetic industry has not taken full advantage of this demand segment as there is a consumer perception that avocado byproducts are expensive.

Sources indicate that 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.

## **TRADE:**

Growers forecast avocado exports for MY 2014/15 to increase over MY 2013/14 exports to about 700,000 MT. However, since international prices are expected to be lower, exports could be slightly higher. According to the Global Trade Atlas (GTA), exports for MY 2013/14 are estimated at 557,719 MT; however, data from the Secretariat of Economy (SE) in Mexico estimate exports at 639,435 MT. GTA export data for Mexican avocados for MY 2012/13 is 572,544 MT, while SE data indicate exports for 659,443 MT. In general, exports have been increasing due to a good international demand and year-round market access to all 50 U.S. states. According to GTA, avocado exports to the United States for MY 2013/14 were 436,578 MT (SE data indicates 516,084 MT), and for MY 2012/13 exports were 440,660 MT (SE data indicates 522,487 MT). Mexico has been exporting avocados to 21 countries and the top markets are the United States, Japan, Canada, Costa Rica, El Salvador, Honduras, and France. Since Mexico has increased trade with China, avocado exports to that country increased from 248 MT in MY 2012/13 to 1,825 MT in MY 2013/14. Industry representatives indicate that processed avocado (guacamole) exports could be about 150,000 MT, which are sold to the United States, Europe, the Middle East, and Asia. Unfortunately, there is no statistical data available.

The United States is the top export market for Mexico, consuming 78 percent of total exports. Japan and Canada are strategic market niches where Japan has about 10 percent of the market and Canada about 6 percent. About 37 packers in Michoacán are eligible to export Mexican avocados to the United States.

The vast majority of the export business is managed directly by packers, many of whom have significant U.S. investment. Growers in Michoacán generally sell their fruit on the spot market to a packer in terms of pesos per kilo. The harvest and associated costs (transportation, boxes, etc.) are covered by the packing plants, which also supply the actual harvesting labor teams. As with other tree fruits, the main functions of the packer prior to export are to clean, sort by quality (mainly size and appearance but also dry matter sampling), and pack according to contracted specifications (labeled, bagged, boxed loose, clam shell, seconds, etc.). Generally speaking, product that does not meet contracted export specifications gets in the domestic market.

According to the GTA, avocado imports, mainly from California, remain low. However, imports increased for MY 2012/13 to about 1,727 MT compared to 1,124 MT in MY 2011/12, but decreased in MY 2013/14 to 839 MT due to a shorter crop.

## **POLICY**

Mexico continues to implement phytosanitary requirements and good manufacturing practices for the transportation of fresh avocados within the country (see report [MX2080](#)). Unofficial reports indicate that the vast majority of Michoacán 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.

Mexican fresh Hass avocados entering the United States are not subject to any duty. Mexican avocados are required to pay a fee of 2.5 U.S. cents per pound for the Hass Avocado Board and AMS for promotional purposes (see Marketing section). The producers also pay their Association (APEAM) 5 U.S. cents per pound of exported avocados for USDA inspection fees. Fresh avocado imports (HS 08.04.40.01) from the United States are not subject to any duty but are subject to phytosanitary and sanitary inspections by SAGARPA.

## **MARKETING:**

Under the U.S. 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. The fee is used for finance, promotion, research, consumer information, and industry programs. Mexico does not assess a charge against U.S. avocados. In the Japanese and Canadian markets, the avocado association, APEAM, has invested to promote avocados, as producers and packers are interested in exporting larger volumes to those countries with the goal of diversifying export markets.

A new marketing agency was created by the Mexican Hass Avocado Importers Association (MHAIA) and the Mexican Avocado Producers and Packers (APEAM) dedicated to the Mexican avocado industry: *Avocados from Mexico, Inc.* Avocados from Mexico will make use of the financial and human resources from both organizations in order to boost growth and position the Avocados From Mexico

brand. This marketing agency has allocated \$36 million dollars to advertise and promote Mexican avocados in the United States.

MY 2013/14 export prices were higher than expected. In March 2014, the U.S. Department of Agriculture reported prices of \$36.25-38.25 for two-layer cartons of Hass 48s from Mexico, up from \$31.25-32.25 last year at the same time. Prices were higher as California could not supply avocados at the time, and Mexico had some shipping issues. In general, domestic prices were also higher due to high exported volumes. Prices for MY 2014/15 began at lower levels and are expected to remain attractive for consumers as the domestic crop is expected to be good.

<b>Table 3. Mexico: Avocado Wholesale Prices</b>				
<b>Mexico City MX Pesos/Kg</b>				
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>% Change</b>
January	19.48	19.84	13.44	(32.25)
February	21.57	19.66	11.99	(39.01)
March	28.60	21.40	13.81	(35.46)
April	30.56	25.01	19.29	(22.87)
May	36.34	28.27	20.02	(29.18)
June	41.07	29.51	26.94	(8.70)
July	50.84	26.58	33.99	27.87
August	33.82	25.82	35.16	36.17
September	25.07	18.22	27.48	50.82
October	18.40	15.64	20.67	32.16
November	17.80	13.91	18.69	34.36
December	18.11	13.22	19.02	43.87

Source: Servicio Nacional de Informacion de Mercados ([SNIM](#))

2011 Exchange Rate Avg.: U.S.\$ 1.00 = \$ 12.42 pesos

2012 Exchange Rate Avg.: U.S.\$ 1.00 = \$ 13.15 pesos

2013 Exchange Rate Avg.: U.S.\$ 1.00 = \$ 12.76 pesos

<b>Table 4. Mexico: Avocado Wholesale Prices</b>				
<b>Mexico City MX Pesos/Kg</b>				
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>% Change</b>
January	19.84	13.44	19.16	42.55
February	19.66	11.99	19.64	63.80
March	21.40	13.81	23.42	69.58
April	25.01	19.29	30.56	58.42
May	28.27	20.02	33.45	67.08
June	29.51	26.94	31.28	16.10
July	26.58	33.99	30.02	(11.67)
August	25.82	35.16	27.44	(21.95)
September	18.22	27.48	20.48	(25.47)
October	15.64	20.67	15.56	(24.72)
November	13.91	18.69	①16.00	(14.39)
December	13.22	19.02	N/A	N/A

Source: Servicio Nacional de Informacion de Mercados ([SNIM](#))

2012 Exchange Rate Avg.: U.S.\$ 1.00 = \$ 13.15 pesos

2013 Exchange Rate Avg.: U.S.\$ 1.00 = \$ 12.76 pesos

November 13, 2014 exchange rate U.S. \$ 1.00 = \$ 13.58 pesos  
 ① As of 2<sup>nd</sup> week of November 2014

**Table 5. Mexico: Avocado Trade Tables**

<b>Avocado 0804.40</b>		<b>Unit: Metric Tons</b>	
<b>Exports for MY 2012/13 (July-June) to:</b>		<b>Imports for MY 2012/13 (July-June) from:</b>	
U.S	440,660	U.S	1,727
Japan	53,003		
Canada	35,025		
Other	43,856	Other	
<b>TOTAL</b>	<b>572,544</b>	<b>TOTAL</b>	<b>1,727</b>

<b>Avocado 0804.40</b>		<b>Unit: Metric Tons</b>	
<b>Exports for MY 2013/14 (July-June) to:</b>		<b>Imports for MY 2013/14 (July-June) from:</b>	
U.S	436,578	U.S	839
Japan	49,633		
Canada	33,632		
Other	37,876	Other	
<b>TOTAL</b>	<b>557,719</b>	<b>TOTAL</b>	<b>839</b>
SOURCE: Global Trade Information Services, Inc. Global Trade Atlas, Mexico Edition, August 2014			

**For More Information**

FAS/Mexico Web Site: We are available at <http://www.mexico-usda.com.mx> or visit the FAS headquarters' home page at [www.fas.usda.gov](http://www.fas.usda.gov) for a complete selection of FAS worldwide agricultural reporting.

**Useful Mexican Web Sites:** Mexico's equivalent of the U.S. Department of Agriculture (SAGARPA) can be found at [www.sagarpa.gob.mx](http://www.sagarpa.gob.mx), the equivalent of the U.S. Department of Commerce (SE) can be found at [www.economia.gob.mx](http://www.economia.gob.mx), and the equivalent of the U.S. Food and Drug Administration (SALUD) can be found at [www.salud.gob.mx](http://www.salud.gob.mx). These web sites are mentioned for the reader's convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with, the information contained on the mentioned sites.